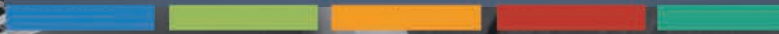




2017

DIRECT TO CONSUMER

Wine Shipping Report



SOVOS ShipCompliant™

WINES & VINES

Highlights of the Report



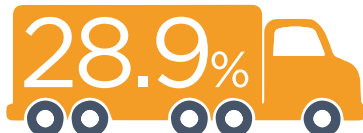
GROWTH OF VOLUME
Over
5M
cases shipped.

BOTTLE PRICES
\$200+
was the fastest growing price category.



HIGHLIGHTS

Sonoma shipments grew



twice as fast as Napa.



Shipments of **Riesling** and **Rosé** increased the most in 2016 — in both volume and value — with bottle prices both under

\$20



DESTINATION STATES

Washington bumped Illinois out of the top 5 shipment destination states for 2016, joining California, Texas, New York and Florida.

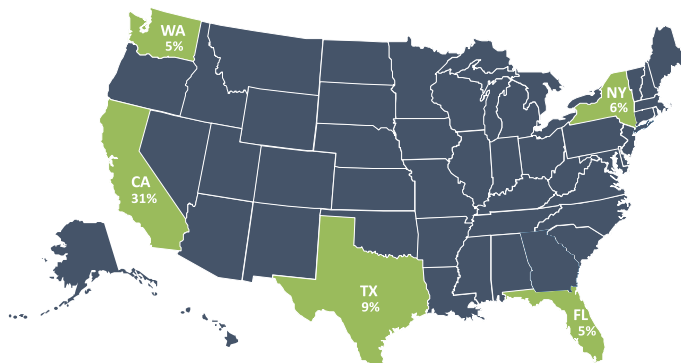


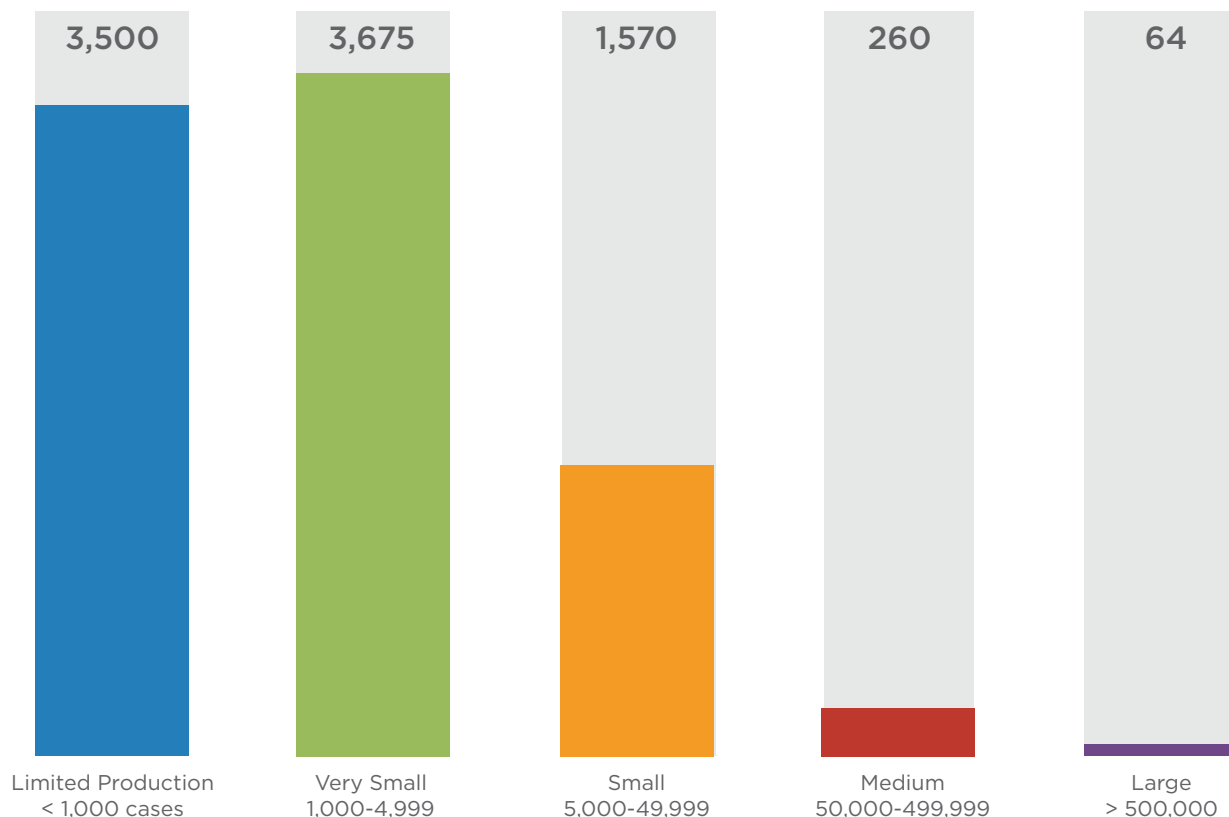
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The Creation of the 2017 Direct-to-Consumer Wine Shipping Report

The Direct-to-Consumer Wine Shipping Report is an annual collaboration between Sovos ShipCompliant and Wines & Vines examining wine shipments from wineries to consumers in the United States. To create this report, Wines & Vines Analytics created an algorithm that uses its database of U.S. wineries to extrapolate all direct-to-consumer shipments from millions of anonymous direct shipping transactions filtered through the Sovos ShipCompliant system in 2016. The model tracks sales by winery region, annual production, destination of shipments, wine type (varietal) and price points. The result is the most accurate estimate of the American direct-to-consumer shipping channel.

Wines & Vines Total U.S. Wineries: 9,069



2016 Direct-to-Consumer Shipping Overview

There is no better way to describe the performance of direct-to-consumer (DtC) shipments in 2016 than “explosive.” The volume of winery shipments increased by a remarkable 17.1 percent over 2015 and exceeded five million cases for the first time since Sovos ShipCompliant and Wines & Vines began closely tracking the direct shipping channel in 2010.

Meanwhile, the value of 2016 shipments rose 18.5 percent over 2015, topping \$2 billion for the first time and culminating at \$2.33 billion. This sizable increase was driven by a 1.2 percent uptick in the average price per bottle shipped, which landed at \$38.69 for the year.

Sovos ShipCompliant and Wines & Vines have not seen this level of growth in a single year since it began tracking the DtC shipping channel, suggesting that this important means of distribution is still on its way to reaching maturity. Since 2011, this channel’s value has increased 75 percent, accompanying a 70 percent increase in shipment volume.

The domestic wine retail market share made up of DtC shipments is perhaps most significant. Jon Moramarco, Managing Partner of BW 166 LLC, reported that total consumer off-premise spending on domestic wines (including direct-to-consumer sales) totalled \$26.9 billion in 2016. Winery direct-to-consumer shipments represent 8.6 percent of that total, coming in at \$2.33 billion. The DtC shipping channel achieved these numbers as a result of its

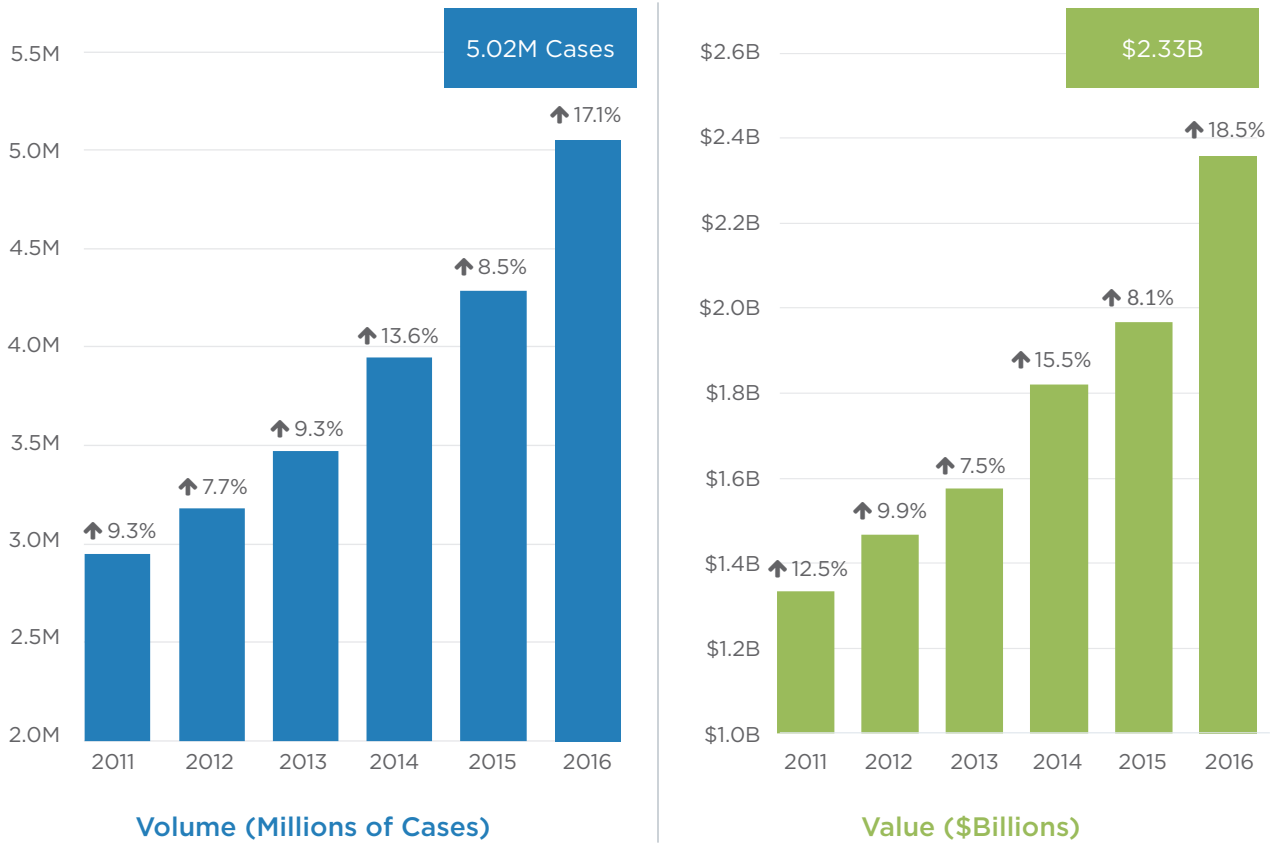
average price per bottle of wine shipped — \$38.69 — being more than four times greater than the average price BW 166 reported for domestic wine sold at retail, which came in at \$9.29.

The DtC channel’s impressive 2016 growth is likely due to a number of factors. The relatively strong economy was certainly important: Larger numbers of people had more disposable income to spend on luxury goods such as wine. In addition, most of the country’s heavily populated states are now open to winery shipments, with Pennsylvania recently joining the party.

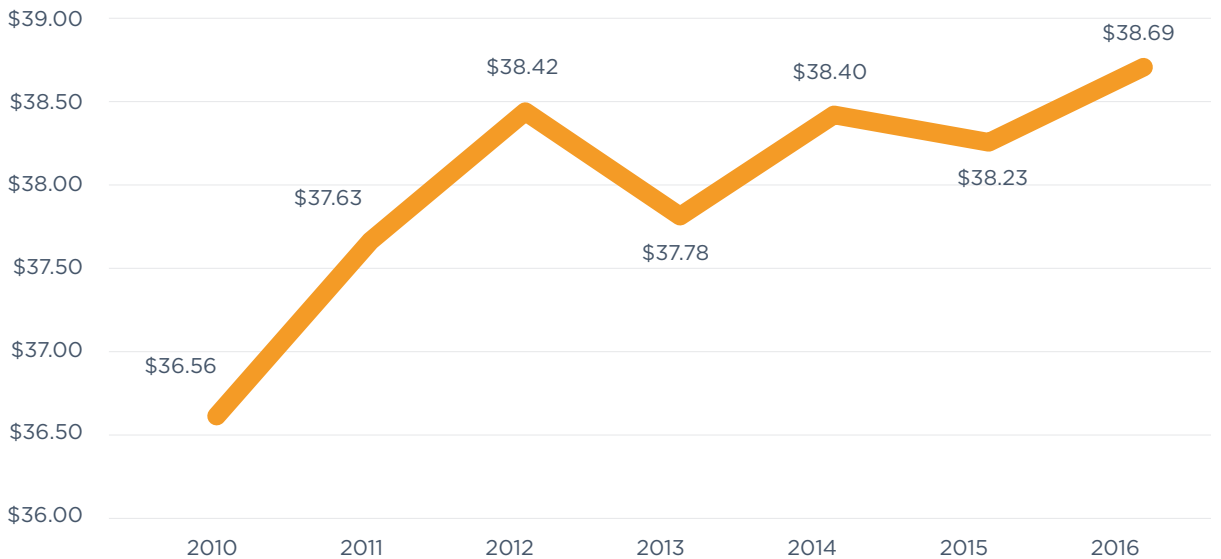
Finally, the number of wineries in the United States increased by 5 percent in 2016 to a total of 9,069, according to Wines & Vines. This comes on the heels of the impressive 5.5 percent increase in 2015. The fact that 90 percent of new U.S. wineries fell into the “Limited Production” and “Very Small Production” size is potentially even more important, as these two categories have the highest average price per bottle shipped.

Though future growth of the DtC shipping channel should continue to outpace growth in the overall wine retail market, less of that growth will come as a result of more states opening up legal winery shipping. Organic growth and wineries’ increased emphasis on direct sales will be the primary drivers for DtC shipping expansion in coming years.

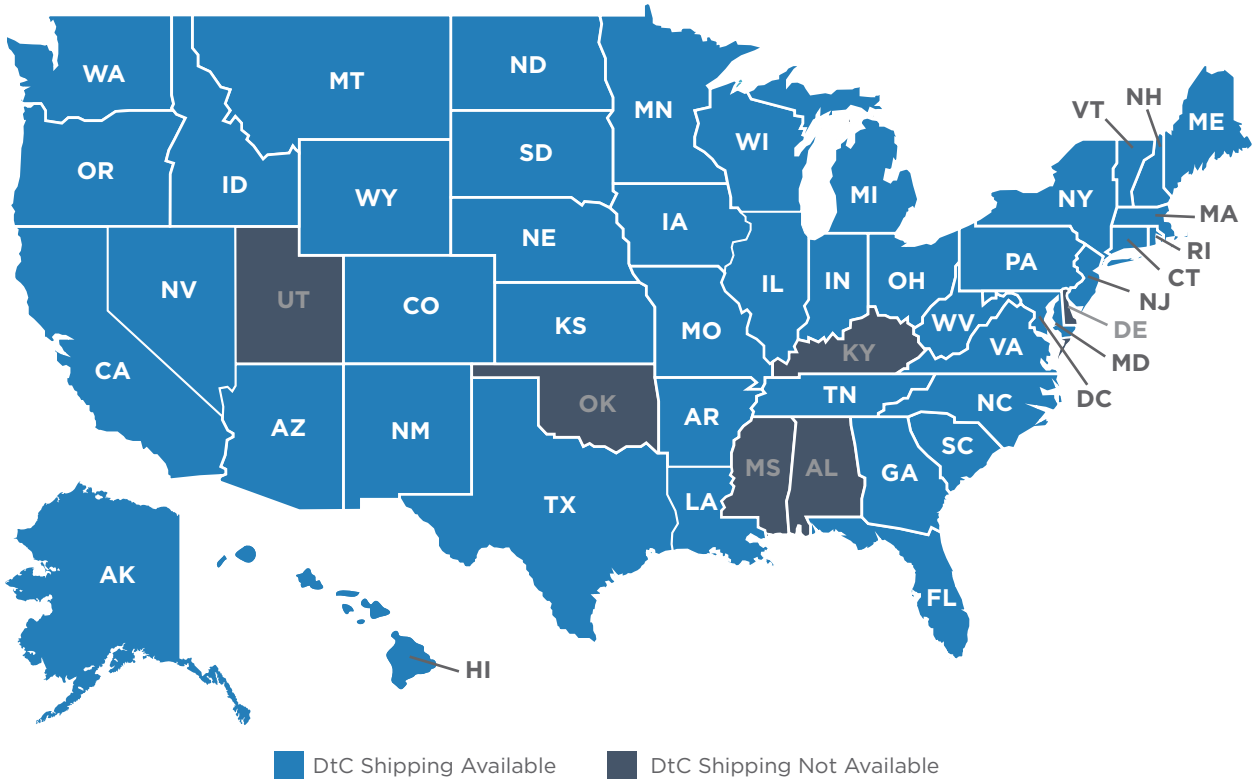
2011 - 2016 Growth in Volume and Value



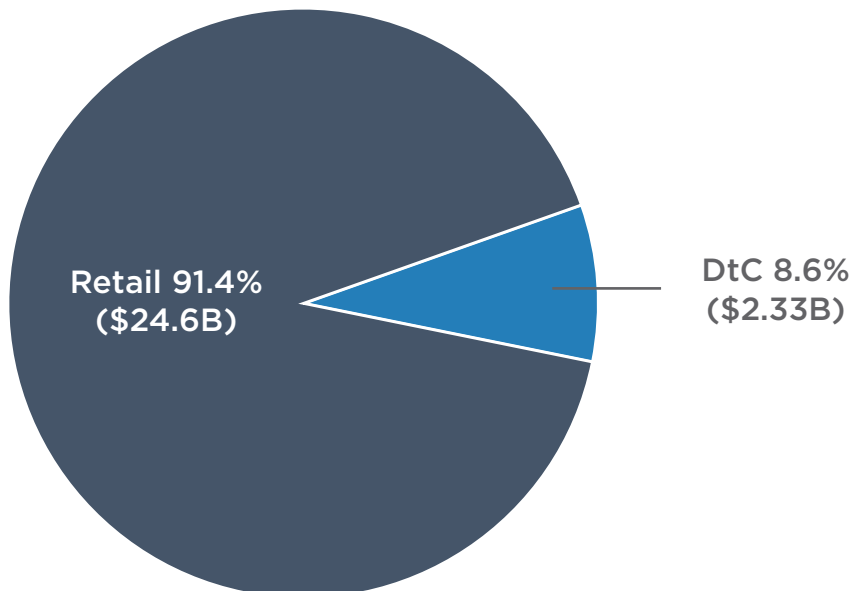
2010 - 2016 Average Price Per Bottle



2016 DtC Shipping States



2016 Total Domestic Off-Premise Sales



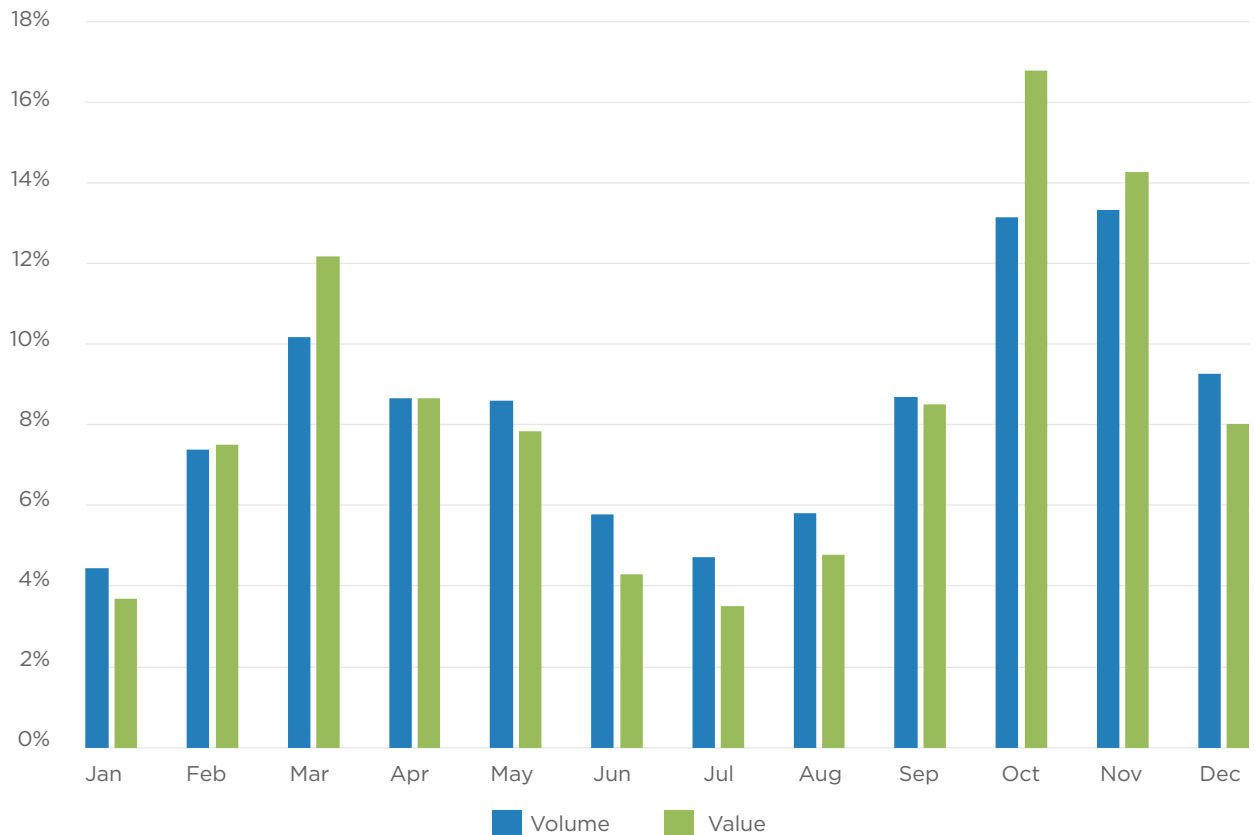
Source: Jon Moramarco, Managing Partner of BW 166 LLC, who reported that total consumer off-premise spending on domestic wines (including direct-to-consumer shipments) totalled \$26.9 billion in 2016.

Month-by-Month Analysis

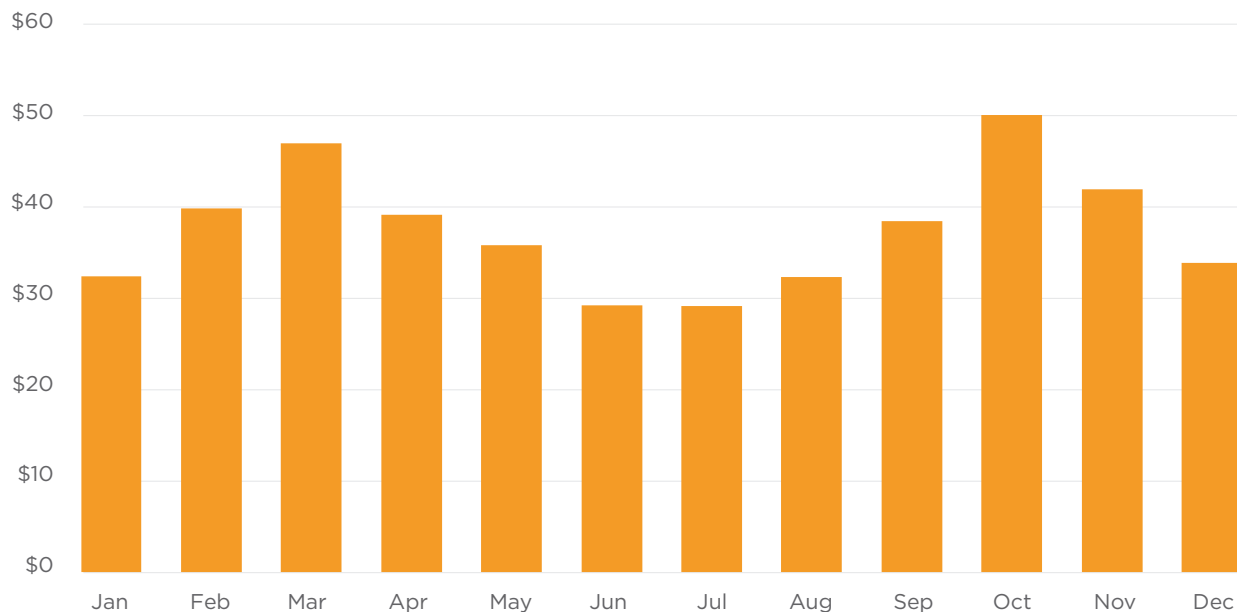
Winery shipments have a very predictable distribution on a month-by-month basis. As has become an annual trend, March, October and November saw the largest share of shipments, accounting for 36 percent of the total volume for the year. A combination of the holiday surge and the normal Spring/Fall club shipments help boost sales in these months. March, October and November shipments also bring higher-than-average price points, accounting for 43 percent of the yearly total value.

In August 2016, the volume and value of wine shipped increased by 29 percent and 40 percent, respectively, over the previous year. The availability of more competitively priced refrigerated shipping options could be the catalyst for more activity in warmer months, when wineries have traditionally held off shipping to avoid heat damage.

2016 Percent of Total Volume and Value by Month



2016 Average Price Per Bottle by Month



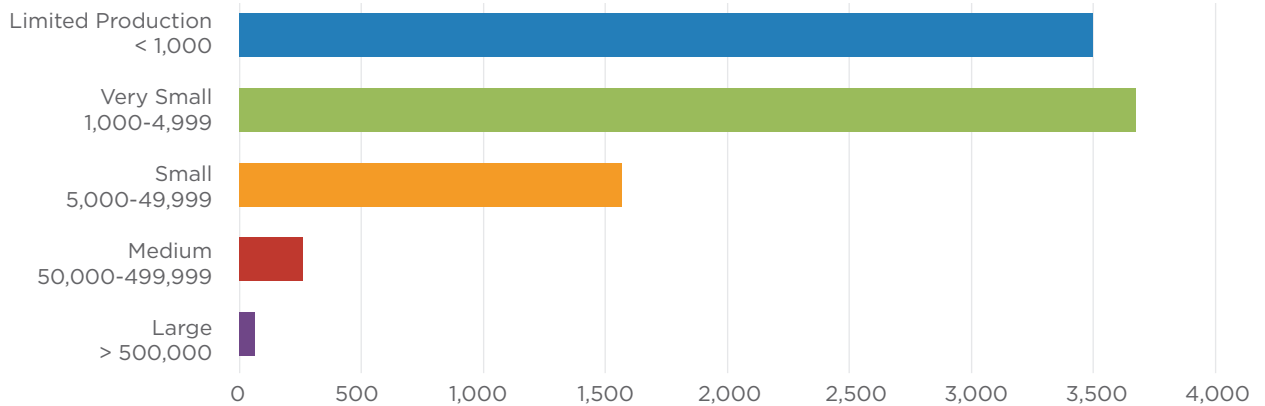
2016 Month-by-Month Analysis

	Volume	% of Total Volume	± in Volume	Value (USD \$)	% of Total Value	± in Value	Avg. \$ / Bottle	± in \$ / Bottle
January	224,062	4.5%	9.2%	\$85,897,148	3.7%	14.5%	\$31.95	4.8%
February	370,732	7.4%	24.2%	\$174,927,304	7.5%	32.5%	\$39.32	6.7%
March	509,622	10.2%	9.2%	\$283,342,356	12.2%	12.5%	\$46.33	3.0%
April	434,800	8.7%	10.3%	\$201,618,226	8.7%	9.4%	\$38.64	-0.8%
May	432,006	8.6%	24.3%	\$182,967,973	7.9%	30.0%	\$35.29	4.6%
June	290,845	5.8%	13.5%	\$100,551,308	4.3%	9.6%	\$28.81	-3.4%
July	236,452	4.7%	15.1%	\$81,637,590	3.5%	23.3%	\$28.77	7.1%
August	291,944	5.8%	29.0%	\$111,792,987	4.8%	39.5%	\$31.91	8.1%
September	435,955	8.7%	18.5%	\$198,296,561	8.5%	17.3%	\$37.90	-1.0%
October	659,615	13.1%	23.7%	\$390,709,579	16.8%	35.5%	\$49.36	9.5%
November	668,450	13.3%	19.8%	\$332,040,129	14.2%	7.0%	\$41.39	-10.7%
December	464,868	9.3%	8.7%	\$186,566,139	8.0%	5.5%	\$33.44	-3.0%
TOTAL	5,019,351	100.0%	17.1%	\$2,330,347,300	100.0%	18.5%	\$38.69	1.2%

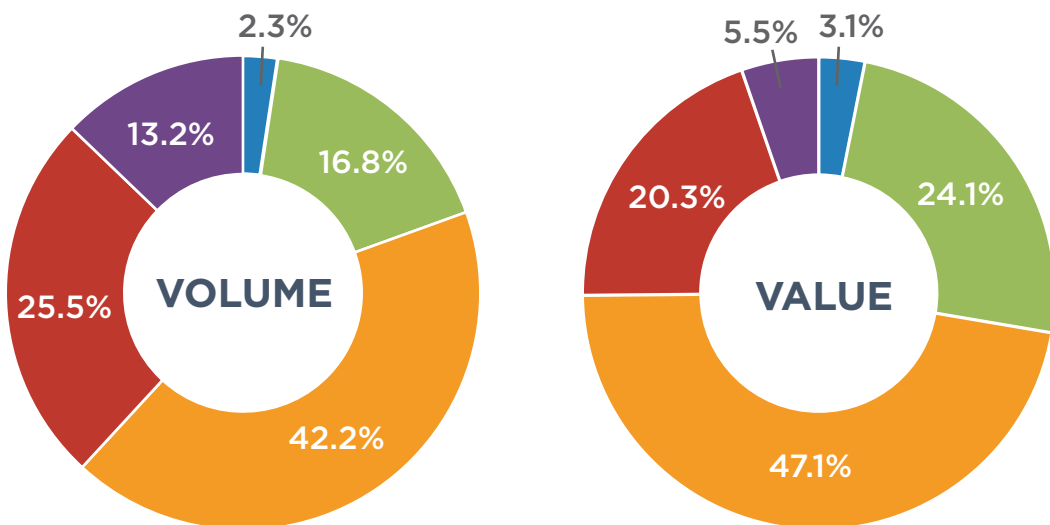
Analysis of Shipments by Winery Size

The roughly 5,250 U.S. wineries that fall into Wines & Vines’ “Small” and “Very Small” winery categories — producing between 1,000 and 49,999 cases of wine annually — drive the direct-to-consumer shipping channel. In 2016, these wineries accounted for 77 percent of the \$363.6 million garnered by the shipping channel. The wines they shipped accounted for 71 percent of the value of the shipping channel, but only 59 percent of its volume. On a different note, the data shows that not all the winery size categories Wines & Vines tracks benefited equally from last year’s significant uptick in shipments. Contrasting the remarkable performance of the large-sized wineries with that of wineries with limited production drives this point home.

2016 Wineries by Production Size

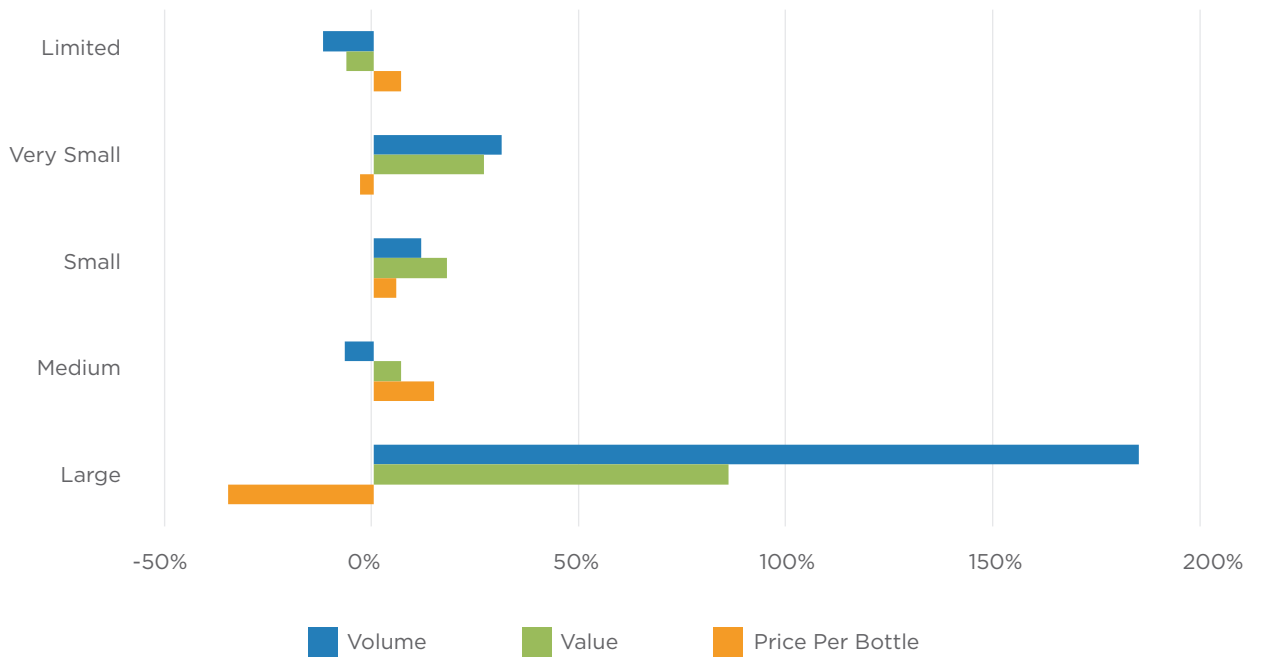


2016 Percent of Total Volume and Value by Winery Size

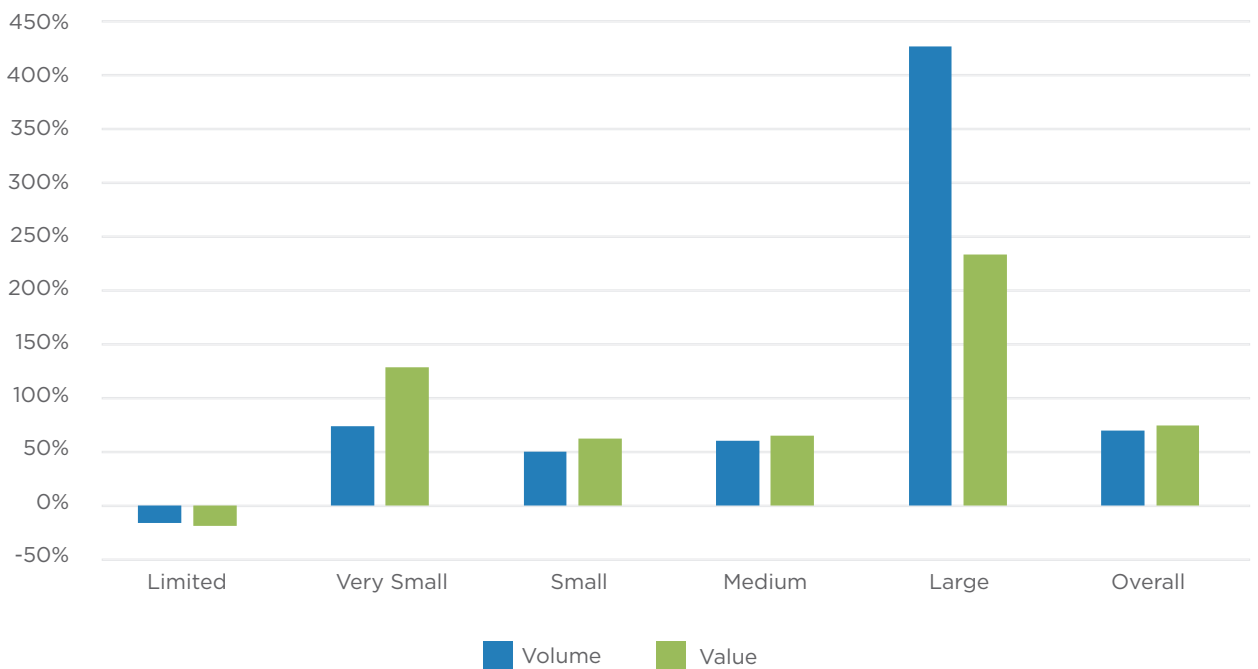


■ Limited Production < 1,000 cases
 ■ Very Small 1,000-4,999
 ■ Small 5,000-49,999
 ■ Medium 50,000-499,999
 ■ Large > 500,000

2016 Change in Volume, Value and Average Price Per Bottle



5-Year Growth in Volume and Value (2011-2016)



Large Wineries (More than 500,000 case production)

The most remarkable growth trend of 2016 may have been large wineries experiencing explosive growth in both volume and value. This category increased its volume of shipments by 183 percent over 2015 with an 85 percent increase in the value of shipments. However, a whopping 35 percent decrease in average price per bottle shipped accompanied this development. This figure landed at a mere \$16.04 in 2016, less than half of the overall channel's \$38.69 average price per bottle shipped.

The large winery category's volatile nature is the root cause of this unprecedented increase in shipments. With only 60 or so wineries meeting these parameters, the promotion of a few heavy-shipping wineries from the medium category to the large category can result in a significant change in the shipping performance of both segments. In 2016, several medium-sized wineries increased their production enough to land them in the large winery category and took their shipment numbers with them.

Change in Volume	182.6%
Change in Value	84.7%
Change in Price	-34.6%
Avg. Price Per Bottle	\$16.04

Medium Wineries (50,000 to 499,999 case production)

Medium-sized wineries increased their average price per bottle shipped in 2016 by 14 percent over the previous year, it may have contributed to a 7 percent decrease in the volume of shipments over 2015. While this price increase was by far the largest of any winery production size category tracked, it contributed to slower sales and a mere 7 percent increase in the value of shipments.

Wineries in this category are diverse, producing anywhere between 50,000 cases and 499,999 cases per year. Though their direct-to-consumer shipments accounted for 26 percent of the total volume of wine shipped in 2016, they also tend to rely heavily on three-tier distribution. This category is likely to be the most impacted by "premiumization," whereby consumers generally appear to be "buying up" in price throughout the market.

Change in Volume	-6.8%
Change in Value	6.7%
Change in Price	14.4%
Avg. Price Per Bottle	\$30.74

Small Wineries (5,000 to 49,999 case production)

In 2016, small wineries shipped more than \$1 Billion of wine for the first time, a significant milestone that accounted for nearly half the value of the entire direct shipping channel.

Three trends drove growth in direct shipping by small wineries last year: Increased dependence on tasting room sales, expanded wine club shipments, and continued disintegration of the three-tier distribution channel caused by middle-tier consolidation.

The average price per bottle of wine shipped by small wineries increased by 5.5 percent to \$43.20. While the small wineries category has seen a slight decrease in its share of the direct channel over the past five years, there is little risk of significant share erosion due to the wineries' heavy reliance on direct-to-consumer shipping for growth.

Change in Volume	11.4%
Change in Value	17.5%
Change in Price	5.5%
Avg. Price Per Bottle	\$43.20

Very Small Wineries (1,000 - 4,999 case production)

This category of wineries is more dependent upon direct sales — and direct shipping in particular — than any other segment. In 2016 these producers significantly outpaced the market, rapidly expanding with a 31 percent swell in volume of wine shipped and a 26 percent increase in the dollar value of those shipments. This growth came with an average price per bottle shipped of \$55.52, the highest average bottle price of any tracked category.

Change in Volume	30.5%
Change in Value	26.3%
Change in Price	-3.2%
Avg. Price Per Bottle	\$55.52

The very small production category accounted for 24 percent of the direct shipping channel's overall dollar value, as well as a third of the direct-to-consumer shipping channel's year-over-year increase in value. As such, this segment was a tremendously important factor in the DtC shipping channel's growth in 2016.

Since 2011, the value of wine shipped by very small wineries has increased by 129 percent, fueled primarily by a significant spike in average price per bottle shipped. In fact, the very small wineries' average price per bottle has increased by 31 percent in the past five years, compared to a 2.8 percent increase in the overall DtC shipping channel throughout that same time period.

Limited Production Wineries (Fewer than 1,000 case production)

Wineries at the lowest end of the production spectrum did not keep pace with the overall shipping channel in 2016, which is consistent with previous years. Limited production wineries have decreased their volume of shipping by 15.5 percent since 2011, while the overall shipping channel has increased by 70 percent in that same time period. In 2016, these wineries saw a 12 percent decrease in the volume of wine shipped and a 6 percent decrease in the value of those shipments.

Change in Volume	-12.1%
Change in Value	-6.4%
Change in Price	6.5%
Avg. Price Per Bottle	\$50.98

Most of this segment's direct sales are carried out, rather than shipped. This is particularly true of wineries located far from the West Coast, where price points tend to be lowest. In addition, limited production wineries have the most turnover of the five tracked categories. They are more likely to go out of business while others increase production and grow into the next tier where direct shipping becomes more important. It is doubtful that this channel will see significant acceleration of shipping in the near term.

Analysis of Shipments by Wine Type

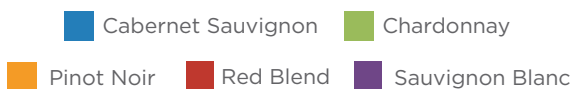
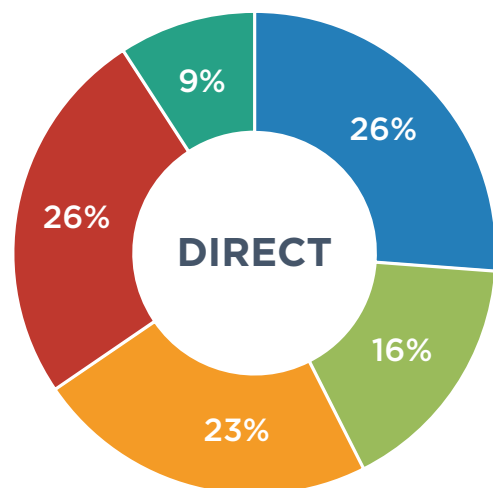
The five most commonly shipped wine varietals over the past five years — Cabernet Sauvignon, Pinot Noir, Red Blends, Chardonnay and Zinfandel — remained the top five in 2016. Together these five wines accounted for 61 percent of the volume and 74 percent of the value of direct-to-consumer shipments.

Cabernet Sauvignon remained the most commonly shipped wine in 2016, making up 16 percent of the total volume of all shipments. Due to the extraordinarily high average price per bottle shipped — \$69.44 — Cabernet Sauvignon accounts for 28 percent of the total value of the DtC shipping channel. However, its share of the total volume of shipments has been continually decreasing since 2011 as it appears to be the victim of consumer interest in a diverse array of wines. In fact, only Syrah, Sangiovese and Merlot have had slower paces of volume increase than Cabernet Sauvignon over the past five years.

The biggest movers in popularity in 2016 were Red Blends, Merlot, Rosé and Riesling, each of which experienced significant increases in their respective market shares and overall shipping volume. In fact, if the Red Blend category continues its growth in volume of shipments in 2017, it could overtake Cabernet Sauvignon as the most commonly shipped wine.

The direct shipping channel has always spotlighted a more diverse set of wine than overall off-premise retail sales, and will likely continue to do so. For context, below is a comparison of the top five wines sold in other off-premise channels versus the top five delivered through the direct shipping channel.

2016 Top Varietals by Channel



These varietals have seen the greatest increase in volume of shipments since 2011:



These wines are all relatively inexpensive, indicating Millennials — who tend to purchase less expensive wines — may be supplanting Baby Boomers and Silent Generation buyers in the market.

2016 by Varietal								
	Volume (Cases)	% of Total Volume	± in Volume	Value (USD \$)	% of Total Value	± in Value	Avg. \$ / Bottle	± in Price
Cabernet Sauvignon	802,247	16.0%	11.8%	\$668,484,300	28.7%	13.0%	\$69.44	1.1%
Pinot Noir	707,957	14.1%	15.6%	\$378,244,181	16.2%	17.2%	\$44.52	1.4%
Blend - Red	775,511	15.5%	27.7%	\$395,944,043	17.0%	23.8%	\$42.55	-3.1%
Chardonnay	486,980	9.7%	18.8%	\$186,107,166	8.0%	25.7%	\$31.85	5.9%
Zinfandel	282,097	5.6%	9.4%	\$91,533,288	3.9%	14.0%	\$27.04	4.2%
Other Red	262,313	5.2%	16.9%	\$77,447,618	3.3%	19.6%	\$24.60	2.3%
Syrah / Shiraz	146,080	2.9%	2.3%	\$60,857,160	2.6%	10.3%	\$34.72	7.8%
Merlot	176,499	3.5%	22.2%	\$64,574,225	2.8%	19.3%	\$30.49	-2.4%
Fume / Sauv Blanc	211,032	4.2%	15.4%	\$51,336,516	2.2%	7.3%	\$20.27	-7.0%
Sparkling	138,913	2.8%	10.3%	\$49,624,460	2.1%	15.7%	\$29.77	4.9%
Cabernet Franc	73,406	1.5%	18.0%	\$34,562,317	1.5%	19.8%	\$39.24	1.6%
Other White	136,796	2.7%	13.3%	\$32,060,770	1.4%	21.4%	\$19.53	7.1%
Blend - White	140,776	2.8%	18.4%	\$30,806,032	1.3%	22.6%	\$18.24	3.5%
Petite Sirah	70,997	1.4%	16.9%	\$22,427,176	1.0%	15.1%	\$26.32	-1.6%
Rosé	114,648	2.3%	27.2%	\$26,155,680	1.1%	36.6%	\$19.01	7.4%
Sangiovese	44,437	0.9%	15.3%	\$14,534,250	0.6%	21.7%	\$27.26	5.6%
Pinot Gris / Grigio	73,272	1.5%	19.0%	\$13,726,651	0.6%	31.4%	\$15.61	10.4%
Riesling	70,623	1.4%	42.5%	\$13,272,668	0.6%	29.4%	\$15.66	-9.2%
Moscato	5,239	0.1%	-38.3%	\$841,152	0.0%	12.9%	\$13.38	82.9%
Other	118,903	2.4%	38.2%	\$29,186,015	1.3%	43.7%	\$20.45	4.0%
Unspecified	180,624	3.6%	10.1%	\$88,621,632	3.8%	33.5%	\$40.89	21.2%
TOTAL	5,019,351	100.0%	17.1%	\$2,330,347,300	100.0%	18.5%	\$38.69	1.2%

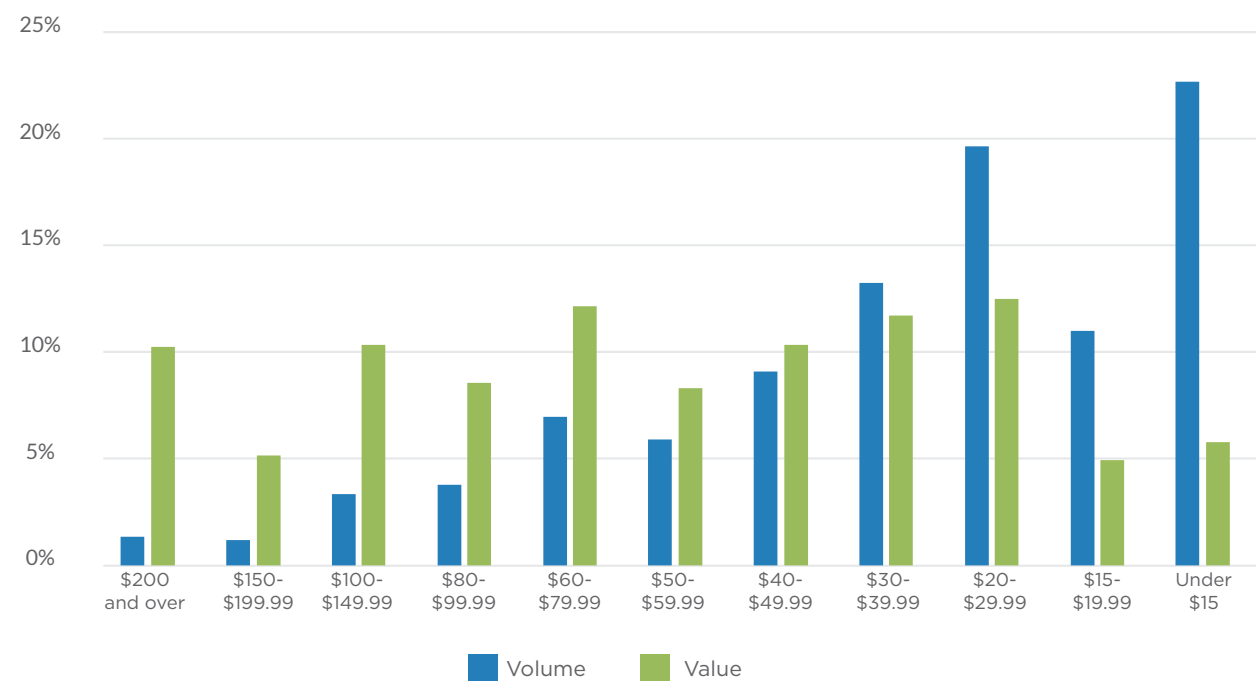
Analysis of Shipments by Price Category

When broken down by price categories, DTC shipments performed near the overall shipping market averages across all price bands. However, the largest increase in volume of wines shipped was the over \$200 category, which saw a 36 percent increase over 2015.

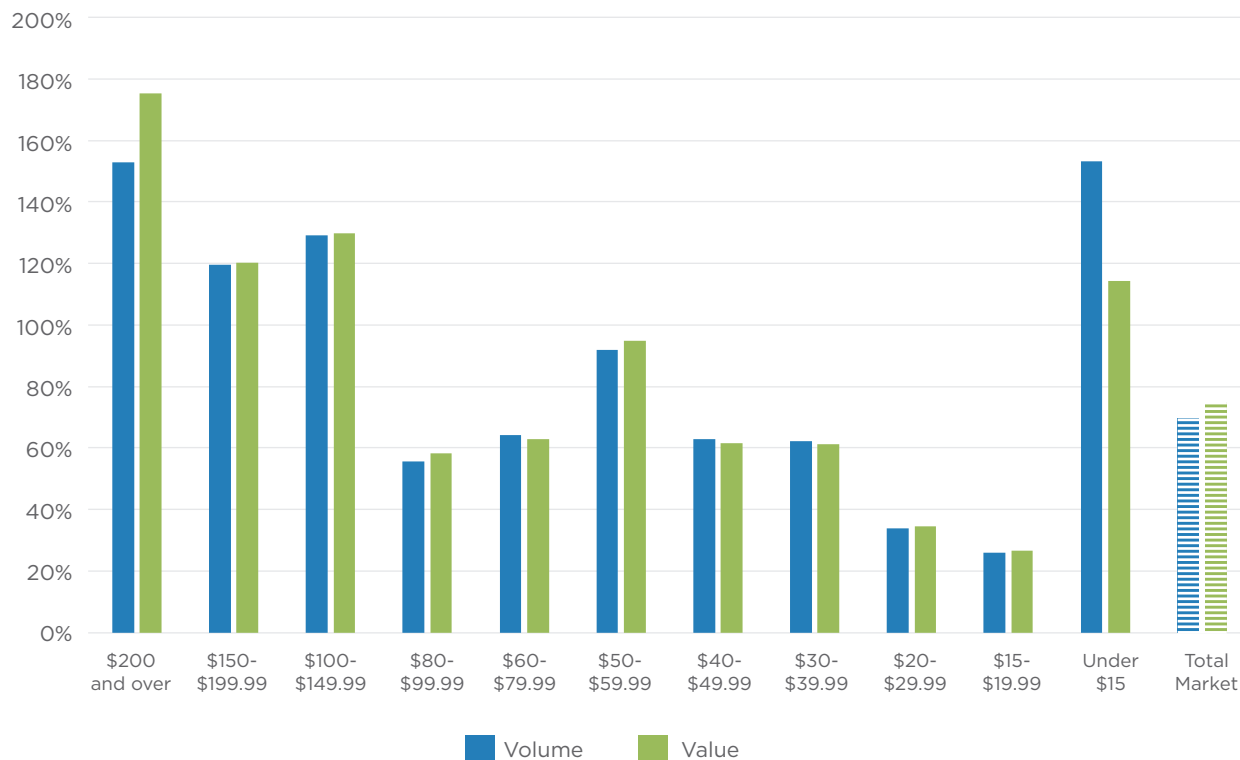
It is interesting to note that the best performing price categories since 2011 have been the \$100-\$149.99, \$150-\$199.99 and over \$200 per bottle price bands. Together, these three categories saw a 132 percent increase in volume of wine shipped over the past five years. This figure is almost double the overall shipping channel's 70 percent increase in volume of wine shipped during that time period.

Only the under \$15 price band, which has seen a 153 percent increase in volume of direct-to-consumer shipments since 2011, has expanded more dramatically than the over \$200 category. This impressive climb occurred despite the fact that the under \$15 price category underperformed the overall shipping channel in 2016 with a relatively meager 13 percent increase in volume.

2016 Percent of Volume and Value by Price Category



Volume and Value 5-Year Growth by Price Category (2011-2016)



2016 by Price Category

	Volume (Cases)	% of Total Volume	± in Volume	Value (USD \$)	% of Total Value	± in Value	Avg. \$ / Bottle	± in Price
\$200 and over	67,019	1.3%	36.0%	\$238,814,642	10.2%	33.6%	\$296.95	-1.7%
\$150 - \$199.99	59,571	1.2%	-4.6%	\$120,321,918	5.2%	-4.2%	\$168.32	0.5%
\$100 - \$149.99	168,244	3.4%	23.0%	\$240,501,742	10.3%	25.4%	\$119.12	1.9%
\$80 - \$99.99	190,043	3.8%	9.0%	\$199,690,032	8.6%	9.4%	\$87.56	0.4%
\$60 - \$79.99	348,808	6.9%	19.9%	\$283,032,831	12.1%	19.7%	\$67.62	-0.2%
\$50 - \$59.99	296,801	5.9%	24.4%	\$193,832,042	8.3%	25.0%	\$54.42	0.5%
\$40 - \$49.99	455,333	9.1%	18.8%	\$240,863,202	10.3%	19.1%	\$44.08	0.2%
\$30 - \$39.99	664,182	13.2%	18.4%	\$272,852,454	11.7%	18.3%	\$34.23	-0.1%
\$20 - \$29.99	985,544	19.6%	17.6%	\$291,372,811	12.5%	17.5%	\$24.64	-0.1%
\$15 - \$19.99	551,027	11.0%	17.6%	\$114,698,284	4.9%	17.9%	\$17.35	0.3%
Under \$15	1,136,964	22.7%	13.4%	\$134,367,343	5.8%	13.5%	\$9.85	0.1%
Unspecified	95,814	1.9%	18.2%	\$0	0.0%	0.0%	\$0.00	0.0%
TOTAL	5,019,351	100%	17.1%	2,330,347,300	100%	18.5%	\$38.69	1.2%

Analysis of Shipments by Winery Region

Napa County continues to be the dominant engine in the DtC shipping channel. Despite its comparatively underwhelming growth in 2016, shipments from the region still represented nearly 50 percent of the DtC channel's entire dollar value while accounting for 30 percent of its volume.

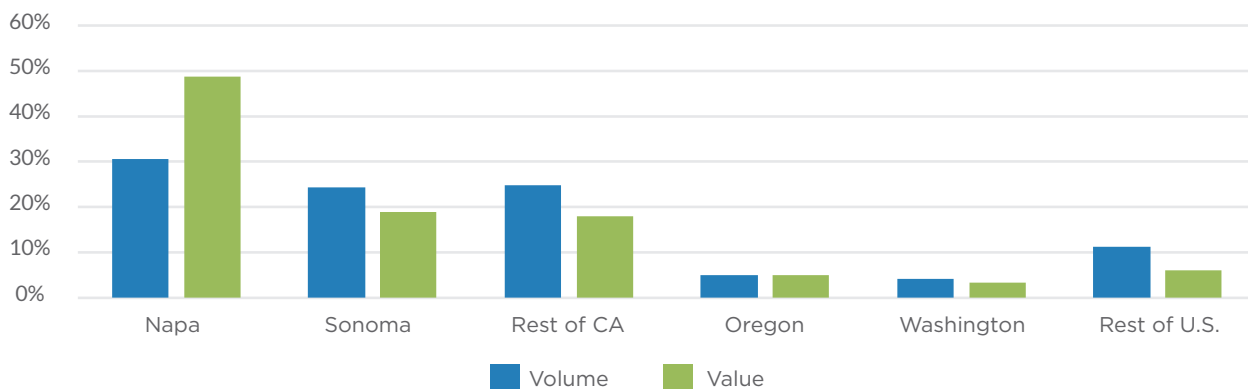
The two regions with most improved shipping numbers in 2016 were Sonoma County and the Rest of the U.S., which both experienced increases in volume, value and average price per bottle shipped that significantly exceeded the overall DtC shipping channel's growth.

Over the past five years, it has become clear that Napa and the Rest of California are losing market share to other regions. In 2011, Napa and the Rest of California equaled 64 percent of the DtC channel's total shipping volume. By 2016, these two regions' shares of volume combined had dropped to 55 percent. Meanwhile, Sonoma, Rest of the U.S., Washington and Oregon regions have increased their combined shares of the volume of shipments to 45 percent — a 9 percent increase since 2011.

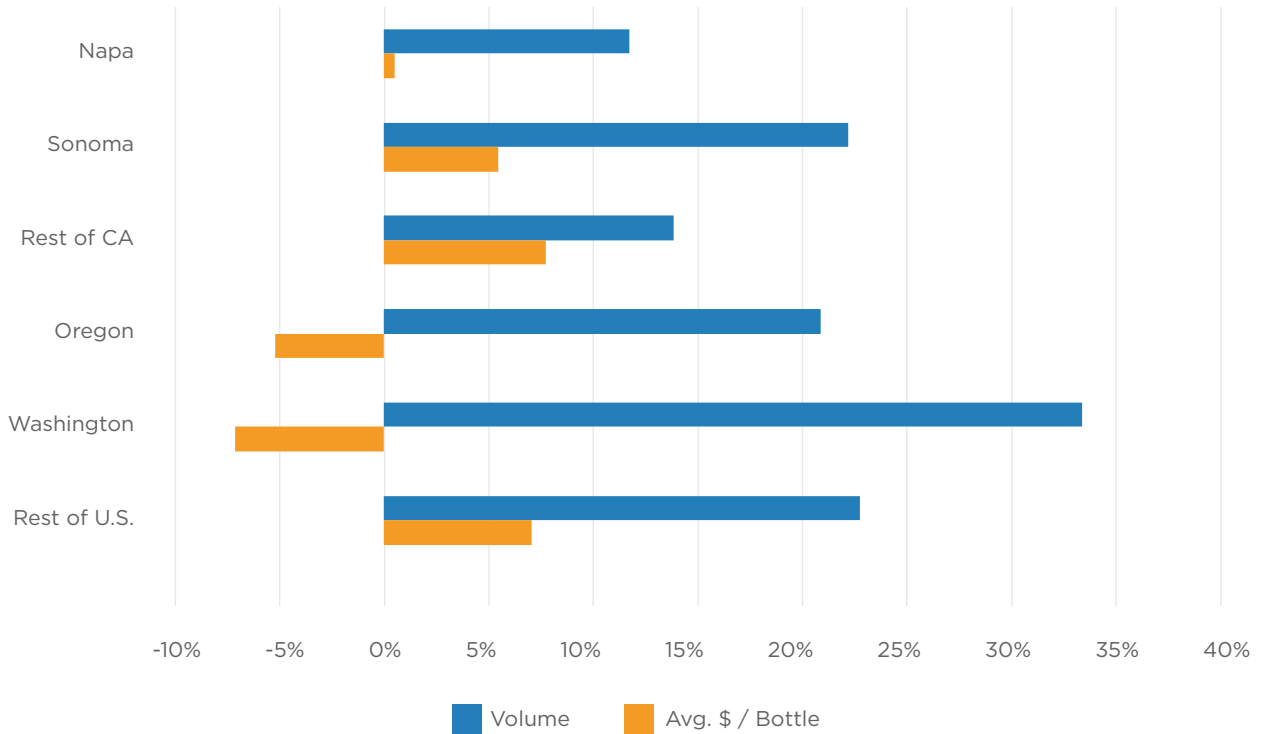
2016 By Winery Region

	Volume (Cases)	% of Total Volume	± in Volume	Value (USD \$)	% of Total Value	± in Value	Avg. \$ / Bottle	± in Price
Napa	1,534,840	30.6%	11.7%	\$1,136,793,229	48.8%	12.3%	\$61.72	0.5%
Sonoma	1,217,997	24.3%	22.2%	\$440,339,057	18.9%	28.9%	\$30.13	5.5%
Rest of CA	1,244,742	24.8%	13.8%	\$419,458,465	18.0%	22.6%	\$28.08	7.7%
Oregon	251,451	5.0%	20.9%	\$114,946,733	4.9%	14.6%	\$38.09	-5.2%
Washington	205,189	4.1%	33.3%	\$77,951,171	3.3%	23.9%	\$31.66	-7.1%
Rest of U.S.	565,132	11.3%	22.7%	\$140,858,645	6.0%	31.4%	\$20.77	7.1%
TOTAL	5,019,351	100.0%	17.1%	\$2,330,347,300	100.0%	18.5%	\$38.69	1.2%

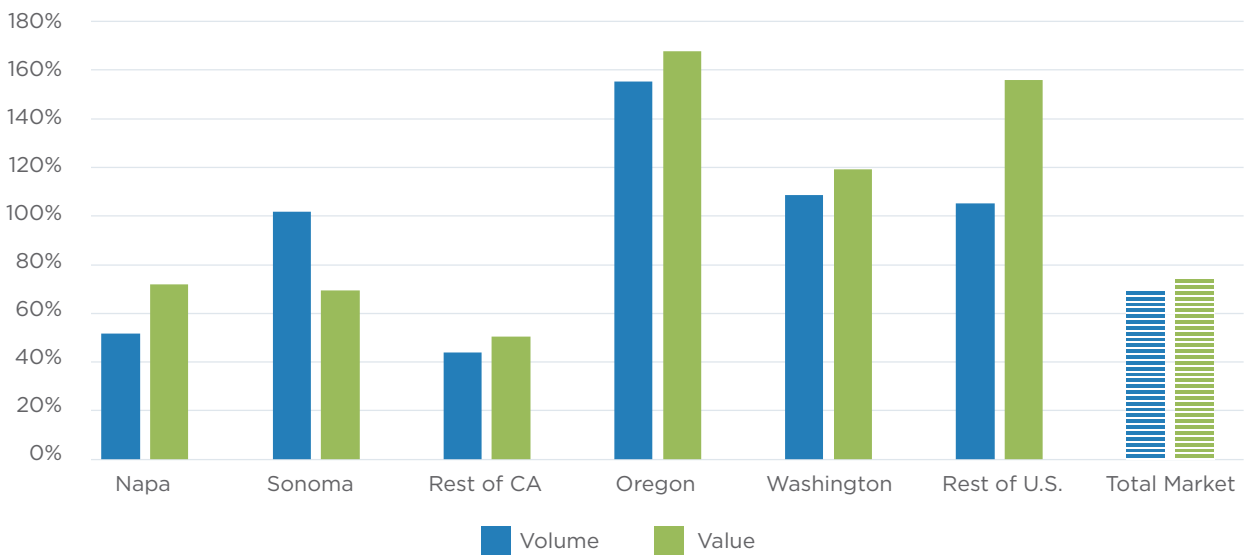
2016 Percent of Total Volume & Value by Region



2016 Change in Volume & Price Per Bottle



2011-2016 Growth in Volume & Value by Region



Napa County

DtC shipments from Napa County amounted to \$1.14 Billion in 2016, making up roughly half of the entire direct-to-consumer shipping channel. The average price per bottle shipped of Napa Cabernet Sauvignon was \$97.93, more than double the amount for any wine outside of Napa County. The average price per bottle shipped for Napa County Red Blends hit \$78.43 in 2016. No wine from any region tracked comes close to achieving these prices.

Change in Volume	11.7%
Change in Value	12.3%
Change in Price	0.5%
Avg. Price Per Bottle	\$61.72

In fact, Napa County's growth in volume of shipments, value of shipments and average price per bottle shipped all came in lower than the overall DtC shipping channel's average for the first time in five years. The culprit behind this slowed growth was Cabernet Sauvignon, the region's benchmark wine. The volume of Napa Cabernet shipments increased by a meager 5 percent, far below Napa's overall 11.7 percent and the overall DtC shipping channel's 17.1 percent volume growth.

2016 Napa County Varietals

	Volume (Cases)	% of Total Volume	± in Volume	Value (USD \$)	% of Total Value	± in Value	Avg. \$ / Bottle	± in Price
Cabernet Sauvignon	457,932	29.8%	5.2%	\$538,137,061	47.3%	11.1%	\$97.93	5.6%
Blend - Red	220,118	14.3%	12.3%	\$207,156,986	18.2%	11.3%	\$78.43	-0.9%
Chardonnay	163,436	10.6%	16.9%	\$80,663,248	7.1%	19.7%	\$41.13	2.5%
Pinot Noir	122,790	8.0%	15.2%	\$66,409,445	5.8%	9.6%	\$45.07	-4.9%
Merlot	63,927	4.2%	3.1%	\$35,940,033	3.2%	5.1%	\$46.85	2.0%
Zinfandel	63,831	4.2%	3.0%	\$27,373,566	2.4%	8.1%	\$35.74	4.9%
Fume / Sauvignon / Blanc	76,834	5.0%	3.2%	\$26,571,595	2.3%	-1.8%	\$28.82	-4.9%
Sparkling	61,351	4.0%	4.7%	\$24,275,871	2.1%	9.2%	\$32.97	4.3%
Other Red	40,995	2.7%	17.6%	\$19,224,175	1.7%	29.4%	\$39.08	10.0%
Cabernet Franc	25,392	1.7%	10.9%	\$18,422,407	1.6%	12.4%	\$60.46	1.4%
Syrah / Shiraz	26,811	1.7%	24.9%	\$14,673,255	1.3%	19.7%	\$45.61	-4.2%
Petite Sirah	19,824	1.3%	7.2%	\$9,348,691	0.8%	9.0%	\$39.30	1.7%
Other White	22,175	1.4%	11.0%	\$8,039,676	0.7%	6.0%	\$30.21	-4.5%
Blend - White	19,267	1.3%	-11.8%	\$6,883,733	0.6%	-1.8%	\$29.77	11.3%
Rosé	26,039	1.7%	19.0%	\$6,760,924	0.6%	7.6%	\$21.64	-9.6%
Sangiovese	10,030	0.7%	60.1%	\$4,166,281	0.4%	40.4%	\$34.61	-12.3%
Pinot Gris / Grigio	11,062	0.7%	35.7%	\$2,668,674	0.2%	42.7%	\$20.10	5.2%
Riesling	7,971	0.5%	7.1%	\$1,877,239	0.2%	1.6%	\$19.62	-5.1%
Moscato	524	0.0%	22.4%	\$116,055	0.0%	79.7%	\$18.47	46.8%
Other	42,657	2.8%	164.0%	\$12,263,154	1.1%	124.0%	\$23.96	-15.2%
Unspecified	51,872	3.4%	33.2%	\$25,821,162	2.3%	29.6%	\$41.48	-2.8%
TOTAL	1,534,840	100.0%	11.7%	\$1,136,793,229	100.0%	12.3%	\$61.72	0.5%

Sonoma County

Sonoma County was arguably the top performer last year given its very strong growth off an already impressive base. The region represented 24 percent of the total volume of direct-to-consumer shipments.

Sonoma County's 2016 surge — to the tune of \$100 million over 2015 — was so impressive that, despite the region representing only 18 percent of the total value of DtC shipments, it accounted for 27 percent of the \$363.6 million added to the DtC shipping channel during the year.

Although significant increases in shipments of the Sonoma's prized Pinot Noir, Cabernet Sauvignon, Chardonnay and Red Blends were responsible for most of these increases, nearly every varietal shipped from the region had a banner year.

Change in Volume	22.2%
Change in Value	28.9%
Change in Price	5.5%
Avg. Price Per Bottle	\$30.13

2016 Sonoma County Varietals

	Volume (Cases)	% of Total Volume	± in Volume	Value (USD \$)	% of Total Value	± in Value	Avg. \$ / Bottle	± in Price
Pinot Noir	246,599	20.2%	19.5%	\$143,250,208	32.5%	24.6%	\$48.41	4.3%
Cabernet Sauvignon	170,164	14.0%	35.7%	\$61,536,702	14.0%	40.4%	\$30.14	3.5%
Chardonnay	156,822	12.9%	22.9%	\$53,487,090	12.1%	28.0%	\$28.42	4.2%
Zinfandel	127,669	10.5%	16.3%	\$40,087,106	9.1%	23.1%	\$26.17	5.9%
Blend - Red	110,102	9.0%	39.3%	\$39,642,839	9.0%	41.2%	\$30.00	1.4%
Other Red	52,537	4.3%	52.1%	\$16,025,103	3.6%	60.9%	\$25.42	5.8%
Sparkling	35,242	2.9%	30.2%	\$13,070,076	3.0%	38.1%	\$30.91	6.1%
Fume / Sauvignon / Blanc	61,524	5.1%	18.3%	\$11,032,682	2.5%	21.1%	\$14.94	2.4%
Syrah / Shiraz	29,734	2.4%	-7.1%	\$9,684,431	2.2%	16.2%	\$27.14	25.0%
Merlot	46,002	3.8%	38.3%	\$9,479,855	2.2%	36.9%	\$17.17	-1.0%
Petite Sirah	24,469	2.0%	10.5%	\$5,158,838	1.2%	17.4%	\$17.57	6.2%
Rosé	23,092	1.9%	13.2%	\$4,771,681	1.1%	59.7%	\$17.22	41.1%
Other White	21,629	1.8%	-24.0%	\$4,207,613	1.0%	11.5%	\$16.21	46.6%
Cabernet Franc	13,027	1.1%	24.3%	\$4,029,425	0.9%	34.6%	\$25.78	8.3%
Sangiovese	10,322	0.8%	-29.5%	\$3,967,282	0.9%	-12.7%	\$32.03	23.8%
Pinot Gris / Grigio	21,991	1.8%	19.4%	\$3,082,547	0.7%	73.2%	\$11.68	45.0%
Riesling	14,856	1.2%	259.1%	\$2,146,267	0.5%	321.3%	\$12.04	17.3%
Blend - White	11,501	0.9%	23.0%	\$2,016,968	0.5%	25.3%	\$14.61	1.9%
Moscato	1,568	0.1%	-76.4%	\$88,770	0.0%	-75.9%	\$4.72	2.3%
Other	13,715	1.1%	90.2%	\$3,356,159	0.8%	57.5%	\$20.39	-17.2%
Unspecified	25,433	2.1%	-8.8%	\$10,217,416	2.3%	-12.4%	\$33.48	-3.9%
TOTAL	1,217,997	100.0%	22.2%	\$440,339,057	100.0%	28.9%	\$30.13	5.5%

Rest of California

Wineries in California outside Napa and Sonoma Counties fall into the Rest of California category. These wineries represented 25 percent of the total shipment volume in 2016. This region's year in direct shipment was mixed, in large part due to a 7.7 percent increase in the average price per bottle shipped. However, it did lead to a hefty uptick of 22.6 percent in the dollar value of those shipments.

Change in Volume	13.8%
Change in Value	22.6%
Change in Price	7.7%
Avg. Price Per Bottle	\$28.08

The region's most commonly shipped wine is Red Blends. Its volume of shipments increased 39 percent, while value jumped 42 percent. Red Blends have become 20 percent of the total volume of shipments from this region, up from a base of 14% in 2011.

Syrah is a different story. The Rest of California ships more Syrah than any other region, but it is the only wine in the Sovos ShipCompliant and Wines & Vines data that has actually seen a reduction in volume shipped — down 5.4 percent since 2011. Its lackluster performance in the Rest of California is a microcosm of a more pervasive problem. The volume of Syrah shipments from this region has decreased by 36 percent. In that same time period, the price has increased 23 percent.

2016 Rest of California Varietals

	Volume (Cases)	% of Total Volume	± in Volume	Value (USD \$)	% of Total Value	± in Value	Avg. \$ / Bottle	± in Price
Blend - Red	255,439	20.5%	39.0%	\$87,482,938	20.9%	42.4%	\$28.54	2.4%
Pinot Noir	181,225	14.6%	9.5%	\$84,840,344	20.2%	17.1%	\$39.01	6.9%
Cabernet Sauvignon	110,663	8.9%	0.6%	\$43,325,082	10.3%	1.2%	\$32.63	0.6%
Chardonnay	107,321	8.6%	10.4%	\$34,518,394	8.2%	32.9%	\$26.80	20.4%
Other Red	100,104	8.0%	9.6%	\$24,971,263	6.0%	6.4%	\$20.79	-2.9%
Zinfandel	81,551	6.6%	4.3%	\$22,158,982	5.3%	7.1%	\$22.64	2.7%
Syrah / Shiraz	52,296	4.2%	0.0%	\$21,246,216	5.1%	14.2%	\$33.86	14.3%
Blend - White	51,888	4.2%	38.2%	\$10,100,588	2.4%	48.3%	\$16.22	7.4%
Fume / Sauvignon / Blanc	55,481	4.5%	35.3%	\$10,012,553	2.4%	26.0%	\$15.04	-6.9%
Other White	39,694	3.2%	10.4%	\$7,817,663	1.9%	5.6%	\$16.41	-4.3%
Merlot	29,041	2.3%	22.9%	\$7,155,830	1.7%	31.3%	\$20.53	6.8%
Petite Sirah	23,120	1.9%	28.1%	\$6,646,669	1.6%	15.7%	\$23.96	-9.7%
Rosé	29,765	2.4%	12.3%	\$6,015,346	1.4%	19.9%	\$16.84	6.8%
Sparkling	20,287	1.6%	-10.4%	\$5,413,185	1.3%	-4.0%	\$22.24	7.1%
Sangiovese	17,553	1.4%	31.8%	\$4,370,405	1.0%	35.9%	\$20.75	3.1%
Cabernet Franc	8,758	0.7%	-26.3%	\$3,566,389	0.9%	-5.8%	\$33.93	27.8%
Pinot Gris / Grigio	13,008	1.0%	-5.0%	\$2,242,258	0.5%	8.8%	\$14.36	14.4%
Riesling	7,689	0.6%	14.2%	\$1,307,568	0.3%	26.8%	\$14.17	11.0%
Moscato	1,432	0.1%	34.6%	\$328,136	0.1%	26.3%	\$19.09	-6.2%
Other	13,754	1.1%	-1.6%	\$3,051,831	0.7%	-2.6%	\$18.49	-1.1%
Unspecified	44,671	3.6%	-9.6%	\$32,886,822	7.8%	71.7%	\$61.35	90.0%
TOTAL	1,244,742	100.0%	13.8%	\$419,458,465	100.0%	22.6%	\$28.08	7.7%

Oregon

After four years of consistent growth in average price per bottle shipped, Oregon wineries took a small step back in 2016, reporting a 5.2 percent decrease in average price per bottle. Despite this, the region still maintained pace with the overall direct-to-consumer shipping channel's gains, posting a 14.6 percent increase in the value of shipments coupled with an impressive 21 percent increase in the volume of those shipments.

Change in Volume	20.9%
Change in Value	14.6%
Change in Price	-5.2%
Avg. Price Per Bottle	\$38.09

Oregon has Pinot Noir to thank for the majority of those numbers. Pinot Noir made up 55 percent of all bottles shipped from the region in 2016, while the varietal accounted for 67 percent of overall shipment value. Given Pinot Noir's dominance in the state's DtC shipping channel, the 4.8 percent decrease in average price per bottle shipped is clearly the reason why Oregon saw an overall decline in price, and failed to keep up with the shipping channel's significant value gains.

But this past year appears to be an anomaly for Oregon Pinot Noir shipments: The volume of those shipments has increased 136 percent since 2011 while their value has increased by 150 percent. This is among the most impressive performance of any varietal in any region.

2016 Oregon Varietals

	Volume (Cases)	% of Total Volume	± in Volume	Value (USD \$)	% of Total Value	± in Value	Avg. \$ / Bottle	± in Price
Pinot Noir	137,005	54.5%	15.7%	\$77,105,286	67.1%	10.1%	\$46.90	-4.8%
Chardonnay	18,855	7.5%	26.3%	\$7,856,758	6.8%	28.1%	\$34.72	1.4%
Blend - Red	11,990	4.8%	14.2%	\$3,503,930	3.0%	1.2%	\$24.35	-11.4%
Pinot Gris / Grigio	15,345	6.1%	27.5%	\$3,400,231	3.0%	16.8%	\$18.46	-8.3%
Cabernet Sauvignon	8,077	3.2%	55.5%	\$3,358,306	2.9%	57.7%	\$34.65	1.4%
Syrah / Shiraz	6,544	2.6%	8.2%	\$3,250,686	2.8%	11.7%	\$41.39	3.3%
Sparkling	6,539	2.6%	33.4%	\$2,825,009	2.5%	18.9%	\$36.00	-10.9%
Rosé	7,773	3.1%	13.4%	\$2,646,284	2.3%	32.2%	\$28.37	16.5%
Other Red	7,103	2.8%	39.7%	\$2,214,561	1.9%	68.7%	\$25.98	20.8%
Riesling	7,422	3.0%	16.2%	\$1,715,266	1.5%	6.6%	\$19.26	-8.3%
Other White	4,152	1.7%	13.5%	\$1,335,301	1.2%	29.5%	\$26.80	14.1%
Merlot	3,559	1.4%	15.2%	\$721,604	0.6%	7.2%	\$16.90	-6.9%
Blend - White	3,372	1.3%	57.2%	\$620,750	0.5%	38.6%	\$15.34	-11.8%
Cabernet Franc	1,318	0.5%	145.1%	\$486,645	0.4%	50.0%	\$30.77	-38.8%
Sangiovese	777	0.3%	29.2%	\$225,201	0.2%	33.2%	\$24.16	3.1%
Fume / Sauvignon / Blanc	824	0.3%	-29.4%	\$180,454	0.2%	-24.4%	\$18.24	7.1%
Zinfandel	205	0.1%	46.1%	\$71,093	0.1%	84.1%	\$28.94	26.0%
Petite Sirah	48	0.0%	74.9%	\$19,306	0.0%	76.9%	\$33.55	1.2%
Other	1,151	0.5%	23.4%	\$470,412	0.4%	20.4%	\$34.07	-2.4%
Unspecified	9,391	3.7%	74.3%	\$2,939,651	2.6%	38.9%	\$26.09	-20.3%
TOTAL	251,451	100.0%	20.9%	\$114,946,733	100.0%	14.6%	\$38.09	-5.2%

Washington

Despite outproducing neighboring Oregon by millions of cases, Washington has always lagged far behind in direct-to-consumer shipping. But the state did all it could to make up that difference in 2016 with 33 percent more bottles shipped accompanying a 24 percent increase in the value of those shipments. However, Washington achieved this growth by dropping its average price per bottle shipped by 7 percent.

Change in Volume	33.3%
Change in Value	23.9%
Change in Price	-7.1%
Avg. Price Per Bottle	\$31.66

Red Blends remained the leader in percent of total volume shipped in 2016, coming in at 28 percent. Cabernet Sauvignon was a distant second, at 14 percent of total volume, while Syrah accounted for 9 percent of total volume. The growth in Red Blend shipments was significant in particular due to a 36 percent increase in their volume and 35 percent increase in their value.

Merlot was the real mover in Washington. Direct-to-consumer Merlot shipments increased in volume by a whopping 87 percent, while the dollar value of those shipments increased by 101 percent on a 7 percent increase in average price per bottle shipped.

2016 Washington Varietals

	Volume (Cases)	% of Total Volume	± in Volume	Value (USD \$)	% of Total Value	± in Value	Avg. \$ / Bottle	± in Price
Blend - Red	57,923	28.2%	36.5%	\$25,506,642	32.7%	35.4%	\$36.70	-0.8%
Cabernet Sauvignon	29,566	14.4%	23.8%	\$14,971,869	19.2%	12.2%	\$42.20	-9.4%
Syrah / Shiraz	18,764	9.1%	-0.9%	\$8,677,016	11.1%	-7.3%	\$38.53	-6.4%
Other Red	14,740	7.2%	6.1%	\$5,678,217	7.3%	2.3%	\$32.10	-3.6%
Merlot	14,264	7.0%	87.0%	\$5,454,761	7.0%	101.3%	\$31.87	7.7%
Blend - White	12,707	6.2%	52.6%	\$2,782,476	3.6%	64.5%	\$18.25	7.8%
Cabernet Franc	5,552	2.7%	51.7%	\$2,116,245	2.7%	26.7%	\$31.76	-16.5%
Chardonnay	8,601	4.2%	34.5%	\$1,923,559	2.5%	35.1%	\$18.64	0.5%
Riesling	9,754	4.8%	83.7%	\$1,720,423	2.2%	47.2%	\$14.70	-19.8%
Other White	5,651	2.8%	30.8%	\$1,391,300	1.8%	27.6%	\$20.52	-2.4%
Pinot Noir	2,588	1.3%	114.7%	\$1,377,683	1.8%	215.0%	\$44.37	46.7%
Rosé	5,582	2.7%	76.9%	\$1,247,653	1.6%	65.1%	\$18.63	-6.6%
Fume / Sauvignon / Blanc	3,819	1.9%	57.9%	\$650,831	0.8%	22.2%	\$14.20	-22.6%
Pinot Gris / Grigio	1,857	0.9%	63.5%	\$324,300	0.4%	60.7%	\$14.55	-1.7%
Sparkling	1,365	0.7%	131.2%	\$292,475	0.4%	165.0%	\$17.85	14.6%
Sangiovese	1,134	0.6%	-30.1%	\$283,777	0.4%	-42.2%	\$20.86	-17.3%
Petite Sirah	606	0.3%	96.6%	\$212,012	0.3%	115.6%	\$29.15	9.6%
Zinfandel	554	0.3%	-47.1%	\$192,857	0.2%	-39.4%	\$29.00	14.5%
Moscato	111	0.1%	214.1%	\$31,641	0.0%	247.7%	\$23.67	10.7%
Other	1,482	0.7%	21.4%	\$440,520	0.6%	15.2%	\$24.76	-5.0%
Unspecified	8,567	4.2%	34.4%	\$2,674,915	3.4%	-3.1%	\$26.02	-27.9%
TOTAL	205,189	100.0%	33.3%	\$77,951,171	100.0%	23.9%	\$31.66	-7.1%

Other U.S. Regions

Wine produced outside of California, Oregon and Washington accounted for 11 percent of the volume and 6 percent of the direct-to-consumer channel's shipment value in 2016. This share of volume and value has remained fairly steady over the past five years. However, the average price per bottle shipped from wineries outside the West Coast rose to more than \$20 per bottle for the first time ever, reflecting a 7 percent increase over 2015.

Change in Volume	22.7%
Change in Value	31.4%
Change in Price	7.1%
Avg. Price Per Bottle	\$20.77

Wineries east of California, Oregon and Washington produce and ship far more diverse sets of wines than those on the West Coast. Still, Red Blends' 19 percent increase in average price per bottle was the primary factor that sent the region's overall price climbing to an average of \$20.77 per bottle shipped. Red Blends made up 21 percent of all wines shipped in 2016. Meanwhile, Other Whites was among the most commonly shipped wines, an indication of the diversity of wines produced and shipped from this region's wineries. This varietal saw an impressive 53 percent increase in volume over 2015 on a 9 percent increase in average price per bottle shipped.

2016 Rest of U.S. Varietals

	Volume (Cases)	% of Total Volume	± in Volume	Value (USD \$)	% of Total Value	± in Value	Avg. \$ / Bottle	± in Price
Blend - Red	119,939	21.2%	25.8%	\$32,650,708	23.2%	49.4%	\$22.69	18.8%
Other Red	46,834	8.3%	4.9%	\$9,334,299	6.6%	-3.0%	\$16.61	-7.6%
Other White	43,495	7.7%	53.4%	\$9,269,217	6.6%	67.5%	\$17.76	9.2%
Blend - White	42,041	7.4%	6.0%	\$8,401,518	6.0%	11.0%	\$16.65	4.8%
Chardonnay	31,946	5.7%	33.6%	\$7,658,118	5.4%	44.0%	\$19.98	7.8%
Cabernet Sauvignon	25,845	4.6%	45.0%	\$7,155,279	5.1%	36.3%	\$23.07	-6.0%
Cabernet Franc	19,358	3.4%	51.6%	\$5,941,207	4.2%	61.1%	\$25.58	6.3%
Merlot	19,706	3.5%	33.7%	\$5,822,142	4.1%	39.5%	\$24.62	4.3%
Pinot Noir	17,750	3.1%	22.6%	\$5,261,215	3.7%	18.7%	\$24.70	-3.2%
Rose	22,397	4.0%	96.9%	\$4,713,792	3.3%	124.0%	\$17.54	13.7%
Riesling	22,929	4.1%	17.2%	\$4,505,905	3.2%	10.1%	\$16.38	-6.1%
Sparkling	14,129	2.5%	16.7%	\$3,747,843	2.7%	21.8%	\$22.10	4.4%
Syrah / Shiraz	11,929	2.1%	-0.6%	\$3,325,557	2.4%	-10.1%	\$23.23	-9.6%
Fume / Sauvignon / Blanc	12,549	2.2%	5.7%	\$2,888,401	2.1%	-1.9%	\$19.18	-7.2%
Pinot Gris / Grigio	10,008	1.8%	22.8%	\$2,008,641	1.4%	23.8%	\$16.73	0.8%
Zinfandel	8,287	1.5%	20.5%	\$1,649,683	1.2%	20.0%	\$16.59	-0.4%
Sangiovese	4,621	0.8%	120.0%	\$1,521,303	1.1%	173.8%	\$27.43	24.5%
Petite Sirah	2,930	0.5%	72.1%	\$1,041,660	0.7%	56.9%	\$29.63	-8.8%
Moscato	1,604	0.3%	419.6%	\$276,551	0.2%	537.2%	\$14.36	22.6%
Other	46,145	8.2%	-0.9%	\$9,603,940	6.8%	9.2%	\$17.34	10.2%
Unspecified	40,690	7.2%	12.8%	\$14,081,665	10.0%	30.6%	\$28.84	15.7%
TOTAL	565,132	100.0%	22.7%	\$140,858,645	100.0%	31.4%	\$20.77	7.1%

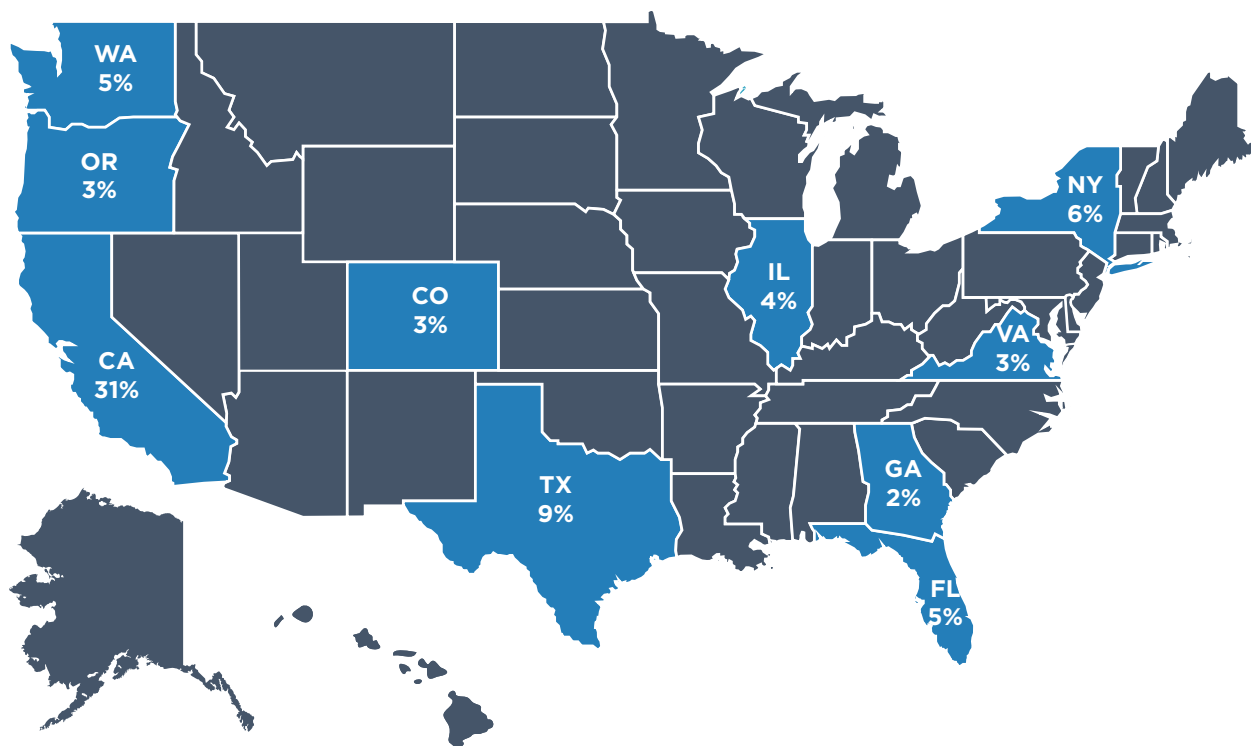
Analysis of Shipments by Destination of Shipments

In most respects, the destinations of wine shipments in 2016 were very similar to the previous year. The top ten most common destinations remained the same year-over-year. Only four states even changed their positions within this list, as Washington overtook Illinois for fifth place and Colorado passed Virginia to take seventh.

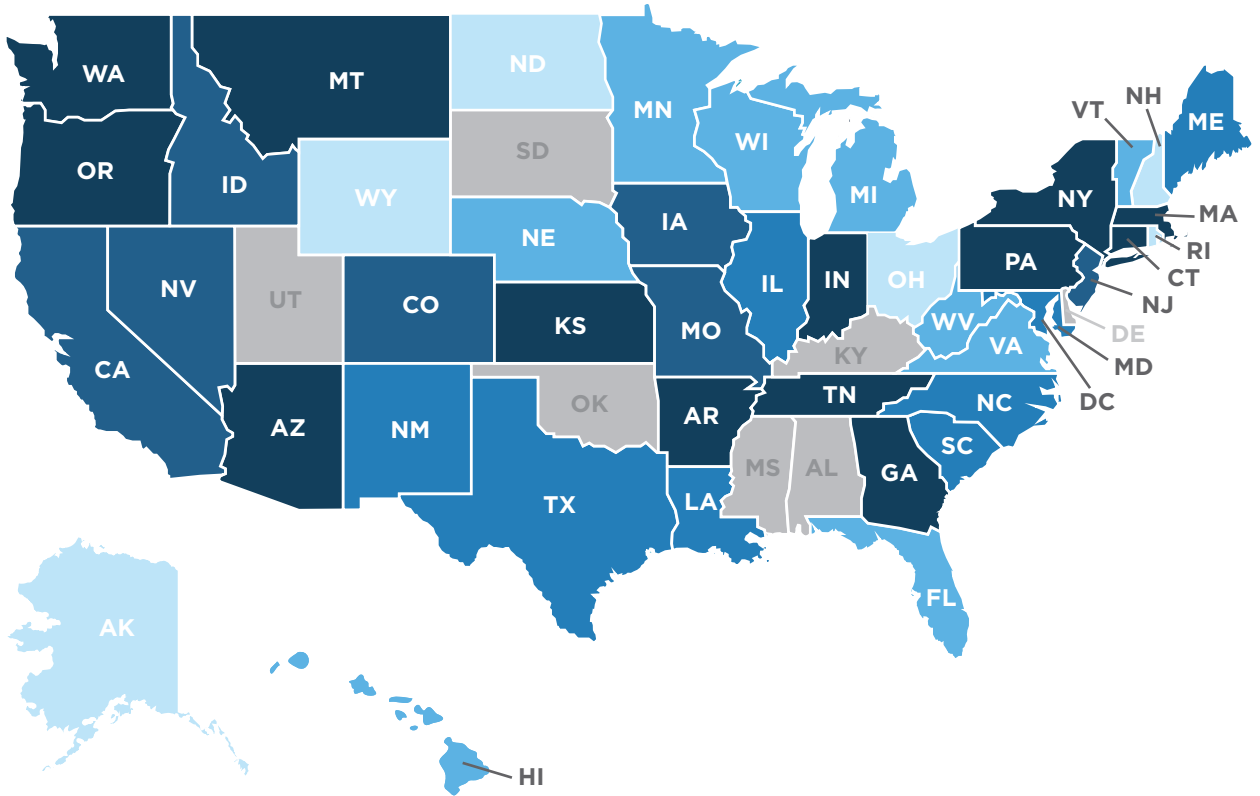
Once again, California was by far the most common destination for direct-to-consumer winery shipments, commanding 31 percent of the share of volume and 33 percent of its value. It increased its leading status in 2016 by growing its volume by 17 percent, while expanding the value of its shipments by 21 percent and improving its average price per bottle shipped by 3.2 percent.

When assessing direct-to-consumer shipments by bottles shipped per capita, the District of Columbia — as it has for years — easily tops the list of most concentrated destinations for winery shipments, followed by California, Oregon, Colorado and Washington.

2016 Top Ten States by Volume of Shipments



2016 Percent Growth in Volume by Destination State



* 17.1% was the volume growth percentage for the total direct shipping market in 2016.

2016 by Destination State

	Volume (Cases)	% of Total Volume	± in Volume	Value (USD \$)	% of Total Value	± in Value	Avg. \$ / Bottle	± in Price	Bottles per Capita
CA	1,545,972	30.8%	17.0%	\$765,912,792	32.9%	20.7%	\$41.29	3.2%	0.488
TX	434,580	8.7%	12.6%	\$220,648,451	9.5%	10.5%	\$42.31	-1.8%	0.187
NY	320,125	6.4%	19.9%	\$141,125,299	6.1%	13.2%	\$36.74	-5.6%	0.195
FL	271,526	5.4%	9.0%	\$134,930,980	5.8%	10.5%	\$41.41	1.4%	0.158
WA	247,014	4.9%	32.4%	\$95,143,911	4.1%	26.4%	\$32.10	-4.5%	0.407
IL	209,886	4.2%	12.1%	\$103,304,531	4.4%	13.7%	\$41.02	1.4%	0.197
CO	164,079	3.3%	14.3%	\$64,687,289	2.8%	16.5%	\$32.85	1.9%	0.355
VA	154,787	3.1%	8.7%	\$63,633,103	2.7%	13.7%	\$34.26	4.7%	0.221
OR	146,510	2.9%	35.5%	\$65,930,416	2.8%	37.0%	\$37.50	1.1%	0.429
GA	115,210	2.3%	17.6%	\$52,522,365	2.3%	17.1%	\$37.99	-0.5%	0.134
MI	98,747	2.0%	8.3%	\$38,361,503	1.6%	14.7%	\$32.37	5.9%	0.119
AZ	88,008	1.8%	23.0%	\$35,929,038	1.5%	17.2%	\$34.02	-4.7%	0.152
MD	87,292	1.7%	11.8%	\$30,091,860	1.3%	14.2%	\$28.73	2.1%	0.174
NC	86,423	1.7%	11.8%	\$40,481,122	1.7%	15.3%	\$39.03	3.1%	0.102
OH	86,199	1.7%	4.6%	\$40,244,370	1.7%	15.4%	\$38.91	10.3%	0.089
MA	78,439	1.6%	41.4%	\$39,334,690	1.7%	43.3%	\$41.79	1.4%	0.138
NJ	78,148	1.6%	15.5%	\$40,261,372	1.7%	18.6%	\$42.93	2.6%	0.105
MN	76,920	1.5%	9.9%	\$32,218,351	1.4%	11.7%	\$34.90	1.6%	0.167
TN	73,899	1.5%	30.0%	\$29,603,023	1.3%	32.0%	\$33.38	1.6%	0.133
CT	64,236	1.3%	17.1%	\$31,307,306	1.3%	20.3%	\$40.62	2.7%	0.216
MO	60,024	1.2%	13.1%	\$34,156,347	1.5%	15.1%	\$47.42	1.8%	0.118
PA	59,041	1.2%	222.9%	\$21,778,028	0.9%	338.5%	\$30.74	35.8%	0.055
WI	58,211	1.2%	8.5%	\$22,621,351	1.0%	12.4%	\$32.38	3.6%	0.121
NV	45,219	0.9%	14.7%	\$23,824,040	1.0%	21.9%	\$43.91	6.3%	0.185
SC	39,445	0.8%	12.2%	\$16,242,960	0.7%	20.8%	\$34.32	7.7%	0.095
IA	38,952	0.8%	15.1%	\$15,701,753	0.7%	22.8%	\$33.59	6.6%	0.149
KS	34,044	0.7%	17.7%	\$14,082,253	0.6%	11.5%	\$34.47	-5.2%	t 0.141
LA	32,142	0.6%	10.2%	\$13,172,493	0.6%	3.5%	\$34.15	-6.1%	0.082
DC	26,950	0.5%	6.0%	\$14,603,081	0.6%	6.1%	\$45.16	0.0%	0.475
IN	25,841	0.5%	39.9%	\$10,127,957	0.4%	40.6%	\$32.66	0.5%	0.047
NM	19,798	0.4%	10.5%	\$8,008,728	0.3%	11.9%	\$33.71	1.3%	0.114
NE	17,915	0.4%	7.2%	\$8,448,062	0.4%	21.4%	\$39.30	13.2%	0.113
MT	16,876	0.3%	21.4%	\$5,214,081	0.2%	23.6%	\$25.75	1.8%	0.194
NH	16,499	0.3%	4.7%	\$7,255,566	0.3%	3.8%	\$36.65	-0.9%	0.148
ID	15,205	0.3%	17.0%	\$6,459,279	0.3%	19.7%	\$35.40	2.3%	0.108
ME	12,090	0.2%	10.9%	\$3,265,089	0.1%	12.5%	\$22.51	1.5%	0.109
HI	9,707	0.2%	7.0%	\$6,818,387	0.3%	10.0%	\$58.54	2.8%	0.082
WY	9,057	0.2%	-20.8%	\$3,735,705	0.2%	-8.8%	\$34.37	15.2%	0.186
SD	7,677	0.2%	N/A	\$2,582,680	0.1%	N/A	\$28.03	N/A	0.106
VT	5,993	0.1%	6.8%	\$2,310,350	0.1%	13.0%	\$32.12	5.8%	0.115
WV	5,699	0.1%	8.8%	\$2,349,138	0.1%	10.2%	\$34.35	1.3%	0.037
ND	5,650	0.1%	-27.8%	\$2,115,612	0.1%	-15.6%	\$31.20	17.0%	0.089
AK	5,073	0.1%	2.4%	\$2,823,836	0.1%	9.2%	\$46.39	6.6%	0.082
RI	3,392	0.1%	-8.0%	\$1,487,967	0.1%	-2.9%	\$36.55	5.5%	0.039
AR	2,528	0.1%	29.8%	\$1,701,234	0.1%	34.2%	\$56.09	3.4%	0.010
TOTAL	5,019,351	100.0%	17.1%	\$2,330,347,300	100.0%	18.5%	\$38.69	1.2%	0.186

The Impact of Changes in Shipping Laws

Biggest News in 2016

59,000
cases shipped in
five months

Pennsylvania

The Keystone State made big news by legalizing direct-to-consumer shipments in 2016. The state began issuing permits to direct shippers in August 2016 and wineries had shipped more than 59,000 cases of wine with a value of \$21.7 million by the end of the year. Those five months of shipments vaulted the state to twenty-second by volume. Pennsylvania poses a serious threat of displacing one of the top ten states by both volume and value in 2017.

41% increase
in volume shipped

\$39M in wine
shipped in 2016

Massachusetts

After changing its law to allow direct-to-consumer shipments in 2015, wineries shipped just over \$27 million to Massachusetts that year. In 2016, that number climbed 41 percent to \$39 million in direct shipments. Massachusetts now ranks as the sixteenth-most important destination for shipments by volume. The state will likely see above average growth in 2017, but nothing astronomical.

New
shipping state

7,600
cases of wine
shipped to the
state in 2016

South Dakota

South Dakota passed legislation in 2015 to finally allow direct-to-consumer winery shipments into the state beginning in January 2016. As a result, 7,600 cases of wine were shipped to South Dakota with a value of just over \$2.5 million. South Dakota moved from last place to now ranking thirty-ninth by volume of shipments.

Increased in volume
and value by

40%
in 2016

Indiana

Indiana eliminated the face-to-face sales requirement for direct wine shipments in 2015. However, the state still prohibits shipments from wineries that currently or have in the past 120 days worked with an Indiana distributor. In 2016, the volume of shipments to Indiana increased 40 percent over the previous year with a similar increase in shipment value, an indication eliminating the face-to-face purchase requirement was effective.

Conclusions

It is impossible to understand the dynamics — and growth — of the direct-to-consumer shipping channel without appreciating the macroeconomic context. The extraordinary growth in shipments seen in 2016, as well as since 2010 when Sovos ShipCompliant and Wines & Vines began tracking the channel, occurs entirely within the context of a recovering or accelerating U.S. economy. How this increasingly important distribution channel reacts to recession is not documented.

That said, growth in the DtC shipping channel is reflective of changes in the wine industry itself. In particular, the ongoing consolidation of the wholesale distribution tier and the continued difficulty small and medium-sized wineries have in gaining access to wholesale distribution are important factors in wineries' increased reliance and focus on direct shipments. The wholesaler consolidation will likely drive increased DtC shipping going forward.

In addition, the Baby Boomer generation has been a historic driver of the long term increase in domestic wine consumption, as well as the most important factor in the growth of DtC sales. However, this group is rapidly being supplanted by drinkers in the younger Millennial generation. Though there is reason to be optimistic about Millennial wine drinkers given their propensity to

embrace wine, this large cohort also poses unique challenges to the industry.

Millennials are reaching financial maturity at a slower pace due to a more slowly growing economy than the one their parents faced. They were also most directly impacted by the Great Recession of 2007-2009. In addition, they are navigating their way through a rapidly changing economy. Millennials also have far more choices in alcoholic beverages than their parents or even Generation X drinkers. Though Millennials are not yet impacting the shipping channel significantly, we expect their impact to grow over the coming years. The industry will need to understand how this generation will interact with direct sales given their desire for unique experiences and interactions with brands.

Finally, the remarkable speed of technological change and innovation may be the most important factor impacting wineries dependent on the DtC shipping channel. The extent to which wineries understand and embrace technological change will play a large role in determining winners and losers in the critical direct sales channel. Logistical innovations, new e-commerce models, evolving social media and constantly updated communications devices are all key components that influence wineries' success in the channel.

Acknowledgements

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