



Temecula Valley
Winegrowers
Association

Temecula Valley Wine Country Economic Impact Report 2024



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All conclusions, errors and omissions are the sole responsibility of the author. We thank TVWA for their support.

Executive Summary

With the novel coronavirus pandemic now over, many wineries in the United States are adapting to new marketplace conditions and consumer trends shaping how wine is made and sold. Understanding how Temecula Valley winery owners are operating their businesses and serving consumers can foster greater understanding of the broader economic and workforce needs of Riverside County.

Using econometric software, third-party data sources and proprietary survey responses, we conducted an economic analysis of Temecula Valley wineries for 2023. Overall, we found that:

- In 2023, Temecula Valley wineries generated \$905 million in total regional economic impact.
- Temecula Valley wineries produced an estimated \$187.5 million in total gross sales in 2023. This is an 88% increase from the total annual revenue posted by wineries in 2018 (\$99.6 million).
- Industry survey responses reveal that Temecula Valley wineries hosted 1.2 million paid wine tastings in 2023, a 75% increase from the total paid visits from five years prior (707,798 visits in 2018).
- Yields from the 2023 harvest season were generally average (48%) or below average (43%), but wineries gave positive marks for the harvest quality (24% excellent and 48% good, respectively).
- Temecula Valley wineries grew, cultivated or sold 63 unique wine grape varieties last year. The most popular variety is Cabernet Sauvignon, followed by Cabernet Franc, Zinfandel and Merlot.
- Approximately 1,452 workers are employed by Temecula Valley wineries, of which more than half work in hospitality or tasting room jobs.
- Like other California wine regions, Temecula Valley winemakers have challenges with insurance rates increasing (65%), and extreme heat days are negatively impacting wineries.
- Survey responses suggest that most wineries are growing and financially viable, as many are planning over the next six months to increase marketing or sales (90%), make a capital expenditure (48%), or identify and hire new employees (43%).

Industry Overview

Nestled within the rolling hills of Southern California lies the Temecula Valley, a wine-producing community that has grown into a vibrant part of the regional economy. The valley's unique microclimate and fertile soils offer an ideal environment for viticulture, making it a key player in California's multi-billion-dollar wine industry. The Temecula Valley is the largest wine producing region in Southern California, with more than 2,000 acres of planted winegrapes dotting the landscape. The wineries of Temecula Valley are not only significant contributors to the state's wine production but also serve as a major tourist attraction, drawing visitors from around the globe to experience their wines and beautiful landscapes.

Southern California's winemaking tradition dates back to the late 18th century when Spanish missionaries planted the first vineyards throughout their expedition from Mexico to Northern California. However, the modern era of Temecula winemaking began in the late 1960s and early 1970s when pioneering entrepreneurs recognized the valley's potential for producing premium wines. In October 1984, Temecula Valley was officially designated as an American Viticultural Area (AVA), a significant milestone that acknowledged the region's unique climate, geography, and soil composition conducive to high-quality grape cultivation. This designation helped elevate the status of Temecula Valley wines and attracted more investors and winemakers to the area.

Over the decades, Temecula Valley has experienced substantial growth, both in the number of wineries and the diversity of wines produced. Today, the area is home to more than 40 wineries, ranging from small boutique establishments to large-scale operations, all contributing to the greater tapestry of Temecula's wine culture. This growth has been fueled in part by a combination of high-quality wine production, the region's natural beauty and the close proximity to the large Southern California consumer market (24 million residents), making Temecula Valley a prominent wine destination on the national and international stage.

2023 and Annual Survey

With new challenges and opportunities for winery owners in the post-pandemic economy, we were interested to learn how Temecula Valley wineries were managing their workforce and business operations, as well as their commercial outlook for the year. To evaluate these issues, we partnered with the Temecula Valley Winegrowers Association (TVWA) to distribute a 17-question survey to its members. We also directly distributed the survey electronically from a list of members that was provided by TVWA and sent three reminder emails from mid- to late-February 2024. TVWA staff followed up individually with members that had not initially participated over the same period. Overall, we received 21 survey responses, generating a 46% response rate.

Sales, Visitors & Economic Impact

We began our economic investigation of Temecula Valley wineries by first asking survey respondents to estimate their total gross annual sales revenue. The responses we received were compiled, and data for non-participating wineries was supplemented using company sales data (which includes both actual and modeled figures) from Dun & Bradstreet, a best-in-class proprietary business record database. From our evaluation of the data, we estimate that in 2023, Temecula Valley wineries generated a combined \$187,594,124 million in gross sales for the year. This is an 88% increase from the total annual revenue posted by wineries in 2018 (\$99.6 million)¹. While total gross sales are not an apples-to-apples comparison to total annual revenue, the two figures demonstrate significant industry growth over time.

Next, we explored the degree to which bottle sales comprise total winery sales, and whether wineries sell to wholesale distributors (see Table 1). With regard to the former question, the responses we received ranged from 25% of total sales to 98%, however most responses were clustered at around either 30% or 70%-90%. With respect to distribution, most (62%) have never sold to wholesale distributors, but roughly 3 out of 10 either do sell, plan to sell this year or sometime after this year (29%).

¹ Figure VII, Page 7. Temecula Valley Winegrowers Report. Dean Runyan Associates. October 2019.

Table 1: Do you currently sell your wine to wholesale distributors?

Answer Choices	Responses
Yes	14%
No, we have never sold our wine to wholesale distributors	62%
No, but we plan to distribute and enter the wholesale market later this year	10%
No, but we plan to distribute and enter the wholesale market sometime after this year	5%
We previously sold our wine to wholesale distributors, but no longer do	10%

As wine tourism is a major economic activity in Riverside County, we took a closer look at the number and type of winery visitors in 2023 (see Table 2). We found that Temecula Valley wineries were host to more than 1.2 million paid wine tastings in the year, a 75% increase from the total paid visits from five years prior (707,798 visits in 2018).² Additionally, wineries counted 589,278 restaurant patrons, and 73,400 overnight lodging stays in 2023.

Table 2: Type of Winery Visitor, 2023

Paid Wine Tastings	Other Visits	Restaurant Patrons	Overnight Lodging
1,239,377	394,077	589,278	73,400

In order to evaluate the broader economic impact of Temecula Valley wineries, we used IMPLAN, a leading regional “input/output” economic modeling software tool. Input/output models are an econometric technique that explore economic relationships within a geographic area; in this case, Riverside County. An “economic impact” or “multiplier effect” is created when new dollars are recirculated in an economy, indirectly supporting more jobs and additional business activities. In economic literature, “indirect effects” refer to those impacts that result as businesses procure goods and services from other businesses (and, in turn, these businesses buy goods and services from others). “Induced effects” refer to the impacts connected to when workers spend their wages on goods and services (and, in turn, the associated impacts as these expenditures continue to

² Figure IV, Page 4. Temecula Valley Winegrowers Report. Dean Runyan Associates. October 2019.

circulate through a local economy). Using IMPLAN, we calculated the economic impact of industry sales and workforce in Riverside County. For data inputs, we used the total revenue of Temecula Valley wineries received from our survey responses as well as the additional supplementary data we collected. Total industry wages was calculated using occupational wage data from the Q2 2023 occupational wage dataset for Riverside County obtained from the Bureau of Labor Statistics' Quarterly Census of Employment and Wages program. We then matched regional occupational wages to the number of jobs for each occupation we compiled and modeled from our survey responses. Overall, we found that Temecula Valley wineries generated an estimated \$905 million economic impact in the region in 2023 (see Table 3). We also found that industry jobs support 4,154 additional jobs in the region.

Table 3: Economic Impact of Temecula Valley Wineries, 2023

Impact	Employment	Labor Income	Value Added	Output
Direct	1,452	\$ 249,226,570	\$ 474,915,535	\$ 1,721,728,387
Indirect	2,655	\$ 173,694,421	\$ 292,272,846	\$ 570,329,496
Induced	1,499	\$ 71,547,606	\$ 137,900,305	\$ 236,984,487
TOTAL	5,606	\$ 494,468,596	\$ 905,088,687	\$ 2,529,042,370

Harvest

Overall, California’s wine grape harvest in 2023 was generally viewed positively by winegrowers across the state, with most reporting good-to-excellent harvest quality and yields. For Temecula Valley, the 2023 California Harvest Report published by the Wine Institute at the University of California, Davis gave a detailed description of the harvest experience:

Vineyard managers took proactive measures the night before Tropical Storm Hilary made landfall in late August and the vines fared well. Temecula’s southern location, with its warmer summer temperatures, helped ensure that the grapes achieved ripeness. Harvest began a month to six weeks later than normal, reminding vintners of the 2021 vintage, when picking ran into early January 2022. Crop sizes were good this year. Due to humid nights, grapes showed lower acid levels for 2023. Sangiovese looked especially good. Wines have

the potential for a more European style, with lower ripeness and more fruit-forward character.³

We asked respondents to rate their harvest yield and quality for the year. Overall, most gave somewhat lower reviews than the state overall, indicating their yield was average (48%) or below average (43%) for the year (see Chart 1). However, there were more positive responses given for harvest quality (see Chart 2), with 24% indicating quality as “excellent” and 48% as “good.”

Chart 1: Harvest Yield, Temecula Valley, 2023

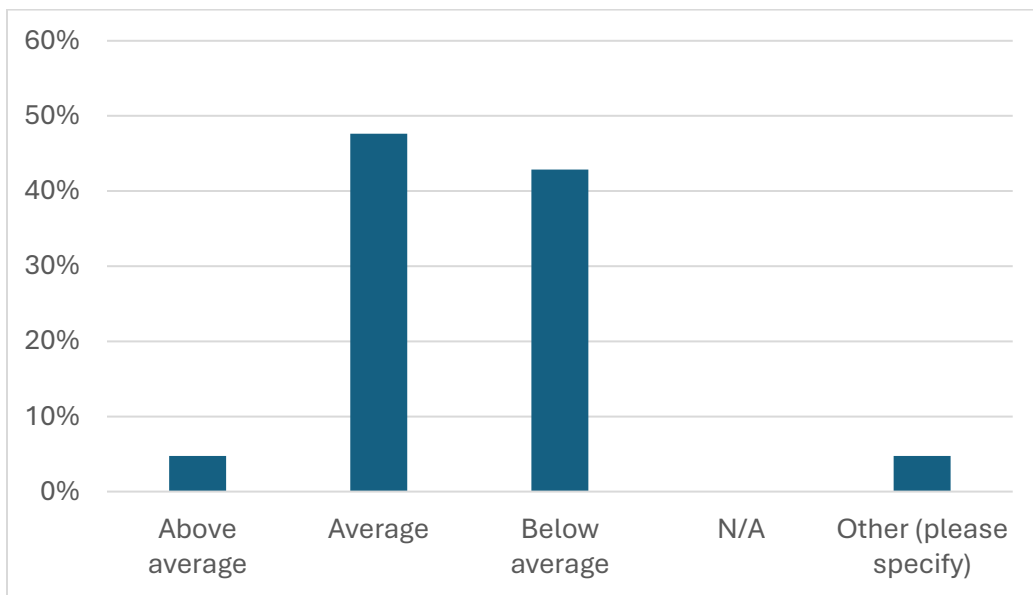
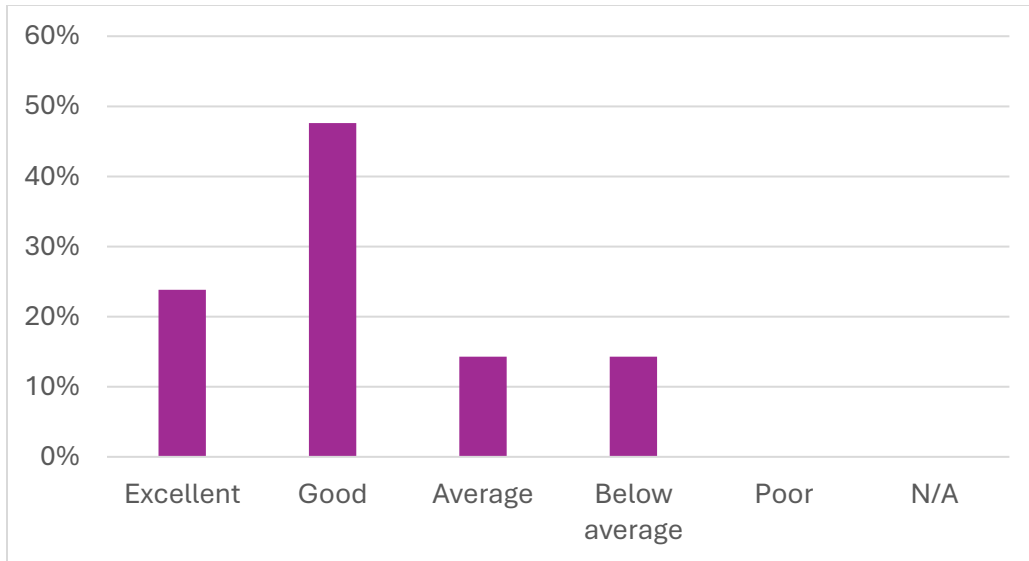


Chart 2: Harvest Quality, Temecula Valley 2023

³ Source: 2023 California Wine Harvest Report. Wine Institute. UC Davis. https://wineinstitute.org/wp-content/uploads/2023/12/Wine_Institute_2023_Harvest_Report_rev.pdf



We also asked winery owners to identify the varietals of wine grapes grown, cultivated and/or sold in 2023, excluding fruit purchased outside of Riverside County. Overall, we found that there were at least 63 unique varietals grown in the region, with Cabernet Sauvignon in the top spot for most common varietal, followed by Cabernet Franc, Zinfandel, and Merlot. Table 4 displays all those varietals with a response frequency of more than 50% from our survey.

Table 4: Economic Impact of Temecula Valley Wineries, 2023

Answer Choice	Response Frequency
Cabernet Sauvignon	86%
Cabernet Franc	81%
Zinfandel	67%
Merlot	62%
Viognier	62%
Sangiovese	57%
Chardonnay	52%
Malbec	52%
Syrah	52%
Tempranillo	52%

Workforce & Wages

We asked survey respondents to provide their total paid employee headcount for 2023, sorting by their primary occupation (defined as more than 50% of their work time). Overall, we found that Temecula Valley wineries employed 1,452 workers, principally in hospitality and tasting room jobs (821.5), followed by winery and vineyard operations (see Table 5).

Table 5: Temecula Valley Wine Industry Workforce, by Occupation, 2023

Industry Occupation	Total
Executive/administrative jobs:	117.4
Finance/HR/IT/purchasing jobs:	88.7
Vineyard operations:	119.4
Winery operations:	168.5
Hospitality/tasting room jobs:	821.5
Sales/marketing jobs:	65.5
Facilities/maintenance jobs:	71.0

Coronavirus Pandemic & Business Operations

With the novel coronavirus pandemic declared over, and many of the supply chain issues at the time now resolved, it was important to verify what degree winery owners were still experiencing sourcing delays and problems. When asked to identify which supplies have been difficult to source for 2023, more than 2/3rds (68%) identified none, a strong indication of a significant shift from the pandemic status quo (see Table 6). Still, some wineries had difficulty sourcing glass (21%), as well as equipment and corks, capsules and closures (16% and 16%, respectively).

Table 6: Survey Responses to “Which supplies have been difficult to source in 2023? Please select all that apply:”

Answer Choices	Responses
Glass	21%
Corks, capsules and closures	16%
Cartons/corrugated cardboard	11%
Equipment	16%
Labels	11%
Barrels	0%
None	68%

The rising cost of business have been steadily impacting U.S. wineries since the start of the pandemic, with no relief; more than 6 out of 10 respondents (65%) indicated that business costs for goods and services have had a large increase in prices since March 2020 (see Table 7).

Table 7: Survey Responses to “Comparing now to what was normal before March 13, 2020, how have the prices your business pays for goods and services changed?”

Answer Choices	Responses
Large increase in prices	65%
Moderate increase in prices	25%
Little to no change in prices	10%
Moderate decrease in prices	0%
Large decrease in prices	0%

With regard to retail prices at wineries, most respondents expected to have either a small (38%) or moderate increase (29%) in net retail prices this year (see Table 8). More analysis and investigation would be required to know whether price changes are being expected due to rising costs, inflation, changes in average revenue margins, changes in demand, or a combination of these or other factors.

Table 8: Survey Responses to “Select the statement that most closely matches your belief about the expected net retail price changes for your wines this year.”

Answer Choices	Responses
Strong decrease: I need to take strong price reductions on most of my wines	0%
Moderate decrease: I need to take modest price reductions on most of my wines	5%
Small decrease: I need to take some small price reductions on select SKUs	5%
Hold prices: I can pretty much hold my shelf price on average	24%
Small increase: I can take some small price increases on select SKUs	38%
Moderate increase: I can take modest price increases on most of my wines	29%
Strong increase: I will be able to take strong price increases on most of my wines	0%

When asked what actions their business will need to take over the next six months, we received the highest response for increasing marketing or sales (90%), followed by making capital expenditures (48%) and identifying and hiring new employees (43%) (see Table 9). These responses

suggest that many Temecula Valley wineries are financially viable and growing and are considering meaningful steps to continue to expand sales and their business this year.

Table 9: Survey Responses to “In the next six months, do you think this business will need to do any of the following? Please select all that apply:”

Answer Choices	Responses
Obtain financial assistance or additional capital	24%
Identify new supply chain options	10%
Develop online sales or websites	19%
Increase marketing or sales	90%
Identify and hire new employees	43%
Make a capital expenditure	48%
Cancel or postpone a planned capital expenditure	14%
Identify potential markets for exporting goods or services	19%
Permanently close this business	0%
None of the above	5%

Other Issues

One of the major industry issues, particularly in California, is the cost and availability of insurance; this is especially the case in more wildfire-prone areas or in the wildland-urban interface. Our survey identified that most (65%) respondents had their insurance rates increased over the prior year (see Table 10). We would also note that a meaningful number (25%) of respondents indicated they now have insurance coverage under the California FAIR Plan, a last resort basic insurance plan that has soared in popularity due to more insurance companies leaving California or significantly raising rates on policyholders. Few respondents indicated that their insurance provider or rates have not changed in the prior year (15%).

Table 10: Survey Responses to, “Has your insurance coverage changed since January of the prior year? Please select all that apply.”

Answer Choices	Responses
My insurance rates increased	65%
I was denied insurance coverage	10%
I changed my insurance company	10%

I now have coverage from the California FAIR Plan	25%
I currently do not have wildfire insurance	10%
My insurance provider and rates have not changed	15%

Also of interest to us was the degree to which wineries have been increasing or employing the use of technology, automation or mechanization in their business since the start of 2020 (see Table 11). While a third (33%) of respondents indicated they have not adopted any of the products or services listed in our answer choices, the top responses were for online reservation systems for tasting room appointments as well as sales and marketing data analytics (38% and 38%, respectively).

Table 11: Survey Responses to “Has your winery added new products or services that increase your use of technology, automation or mechanization since January 2020? Please select all that apply.”

Answer Choices	Responses
Online reservation system for tasting room appointments	38%
App-based payment system (Venmo, Square, et al) for online sales	10%
App-based payment system option for tasting room sales	19%
QR codes on wine bottles/in tasting room	19%
Advanced analytics/data management tools	38%
Mechanical pruning	5%
Mechanical harvesting	10%
Drone tanker system for vineyard spraying	5%
Other	14%
None of the above	33%

One of the consumer trends we were interested in exploring was the local impact (if any) that “Dry January” had in 2024; this social phenomenon sees reportedly large numbers of consumers abstaining from consuming alcoholic drinks during the first month of the year. We informed respondents that “a recent national poll shows 21% of drinking-age U.S. adults said they were participating in some form of reduced alcohol consumption in 2024 for this year's "Dry January" abstention period. Comparing monthly sales activity between the months of January 2023 and January 2024, what change in sales activity was there, if any, at your winery?” Overall, a total of

two-thirds of respondents said there was either significantly less sales activity (33%) or somewhat less sales activity (33%) than the prior year, however it is important to note that Riverside County experienced a significant rain event in January which caused flooding and displacement in some Southern California communities. Supplementary executive interviews would be needed to confirm what effect, if any, Dry January directly had on local winery sales.

Table 12: The Impact of Dry January on Temecula Valley Wineries, January 2024

Answer Choices	Responses
Significantly less sales activity	33%
Somewhat less sales activity	33%
About the same sales activity	19%
Somewhat more sales activity	14%
Significantly more sales activity	0%
Not Sure/Don't Know	0%

Lastly, we explored the impact of extreme heat days on Temecula Valley wineries in 2023 (see Table 13). A large number of respondents indicated they had either lost revenue due to fewer visitors on extreme heat days (62%), and/or saw reduced harvest yields (48%). Nearly half said they have had to make somewhat significant (38%) or significant (10%) capital expenditures to manage and reduce the impact of extreme heat on their workers and/or visitors. Few (14%) stated that extreme heat does not impact their business.

Table 13: The Impact of Extreme Heat Days on Temecula Valley Wineries, 2023

Answer Choices	Responses
Loss of revenue due to fewer visitors on extreme heat days	62%
Loss of revenue due to cancelled events on extreme heat days	38%
Somewhat significant capital expenditures made to manage/reduce the impact of extreme heat on workers and/or visitors	38%
Significant capital expenditures made to manage/reduce the impact of extreme heat on workers and/or visitors	10%
Reduced harvest yield due to extreme heat days	48%
Reduced harvest quality due to extreme heat days	38%
Not applicable - extreme heat has not impacted my winery	14%

About the Author

Vince Vasquez is an independent economic data analyst and executive director of the Policycraft Institute, a public policy think tank based in Carlsbad, California. Professionally, Vince has worked as a public policy researcher for more than eighteen years. He has authored more than forty policy papers on a range of economic and workforce issues, including craft brewing and the wine industry. Vince has a bachelor's degree in political science from the University of California, San Diego, a master's degree in business administration from National University, and has completed coursework in viticulture and enology at MiraCosta College.