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Growing a Vintage: Oregon's Wine & Grape Industry

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Planting From Good Stock

Wine grapes have been grown in Oregon for nearly two centuries. Accounts of vines being grown in Oregon date back as far as 1825. As settlers continued to move to Oregon in the following decades, Oregon's wine industry grew. Many of the early pioneers that came from Europe brought their tradition of wine and helped the industry grow throughout the 19th century.

Oregon's early wine-making industry fell on tough times. Growing competition from California's wine industry, as well as growth of the socially conservative Temperance Movement, challenged Oregon's wine industry. The Great Depression combined with the prohibition era put an end to this early chapter in Oregon's wine industry.

The modern era of wine growing in Oregon did not begin until the 1960s when another wave of "pioneers" ventured to Oregon for its grape-growing climate. The first wine grapes were planted in the Umpqua Valley and a few years later the first Pinot Noir grapes were planted in the Willamette Valley. Throughout the 1960s and 1970s, a relatively small number of Oregon families were active in the wine business. But this small group made several important accomplishments that set the stage for Oregon's wine industry to flourish.

One thing that Oregon winegrowers adopted in the 1970s was Oregon's wine labeling regulations. Oregon's early winegrowers set the strictest labeling standards in the nation. These strict standards remain a distinctive feature of today's Oregon wine industry.

The second important event that occurred in the 1970s was the passage of Oregon's land use planning law in 1972. This bill (Senate Bill 100) mandated that each county work with citizen groups to create a land use plan. Winegrowers became very active in this process during the 1970s and were able to convince planners to set aside hillside land, which had previously been zoned for residential development, as agricultural land for vineyards.

By the late 1970s and the early 1980s, Pinot Noir from Oregon was placing very highly at major winetasting events, beating out some of the top wines from France. All of these events helped to focus attention on Oregon's small but growing wine industry.

Bringing in the Harvest

Even though Oregon's modern wine growing era began in the 1960s, rapid growth did not come immediately. By 1970 there were five bonded wineries with 35 vineyard acres.

From 1970 to 1980 the number of wineries grew from five to 34 wineries with 1,100 vineyard acres. Between 1980 and 1990 the number of wineries doubled from 34 to 70, and the amount of vineyard acres increased from 1,100 to 5,682.

Looking at the most recent data, in 2006 Oregon had 15,600 acres planted in wine grapes, a far cry from the 35 acres the state had in 1970. It should not come as a huge surprise that the acreage of wine grapes grew rapidly during the industry's infancy in the 1970s and '80s; small emerging industries often exhibit rapid growth. However, the pace of rapid growth in the wine industry continued through the '90s and into the 21st century. Looking over the past 10 years, the number of acres planted with wine grapes has more than doubled, going from 7,500 acres in 1996 to 15,600 in 2006. Production rose from 15,000 tons to more than 32,000 tons (Graph 1). Oregon's wine grape harvest in 2006 was estimated to have a value of roughly $60 million.

Pinot Noir is the most common wine grape grown in Oregon, accounting for 57 percent (8,884 acres) of the acreage planted in wine grapes and accounting for 63 percent of the value of Oregon's wine production. Pinot Gris grapes come in a distant second, accounting for 14 percent (2,188 acres) of Oregon's wine grape acreage in 2006.

Yamhill County has more acreage (5,177 acres) planted in wine grapes than any other county in the state, making up one-third of the state's total. Neighboring Polk County and Washington County rank second and third. Polk County had 2,082 acres of grapes in 2006 while Washington County had 1,533 acres. Table 1 shows 2006 wine grape statistics by county.

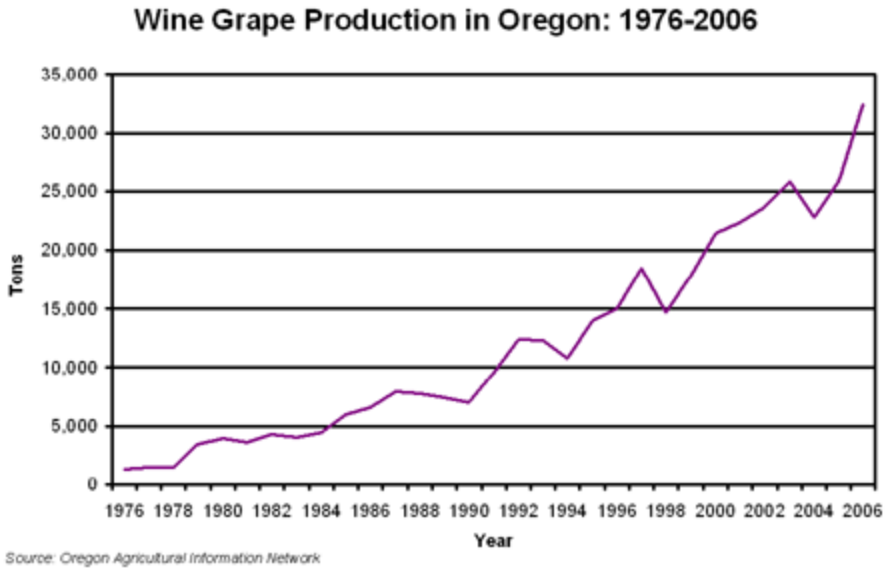
Table 1

2006 Oregon Wine Grapes: Vineyards, Acreage, Yield and Production, by County

County	Number of Vineyards	All Planted Acreage	Harvested Acreage	Yield Per Harvested Acre (in tons)	Production (in tons)
Benton	31	389	333	1.93	643
Clackamas	43	338	276	2.55	705
Douglas	52	857	719	2.66	1,914
Hood River	14	122	100	2.26	226
Jackson	73	1,208	948	3.10	2,942
Josephine	32	552	454	2.27	1,483
Lane	41	929	699	2.80	1,955
Linn	12	67	43	2.09	90
Marion	34	1,392	860	2.78	2,392
Polk	71	2,082	1,853	2.60	4,812
Umatilla	22	519	394	2.80	1,103
Wasco	17	158	146	3.41	498
Washington	78	1,533	1,305	2.90	3,786
Yamhill	227	5,177	4,254	2.52	10,719
All Others	23	277	216	5.24	1,132
Total	770	15,600	12,600	2.73	34,400

Source: National Agricultural Statisics Service, 2006 Oregon Vineyard and Winery Report

Graph 1



Producing a Vintage

The Oregon Employment Department (OED) reports employment based on North American Industry Classification System (NAICS) codes. The main NAICS codes for direct employment in wine production are vineyards (111332) and wineries (31213). Vineyards focus on growing grapes while wineries focus on making wine.

The U.S. Department of Agriculture reported 770 vineyards in Oregon in 2006. OED records counted 46 firms in the vineyards industry that report their employment to the unemployment insurance (UI) program. The discrepancy is mostly due to the large number of vineyards that are not covered by UI. In Oregon, many small vineyards don't meet certain payroll thresholds, use mostly contracted farm labor, or almost exclusively employ family members and, therefore, are not covered under UI.

Annual average UI-covered employment at vineyards was 498 in 2006. However, a survey done by Full Glass Research for the Oregon Wine Board estimated that, in 2004, the average Oregon vineyard had 2.7 full-time employees and hired 9.2 temporary employees during the year. This survey indicates much higher employment levels than counted in the covered employment records, likely due to the prevalence of contracted labor that is not covered.

Graph 2 shows the seasonal nature of covered employment at vineyards from 2001 through 2006. Each year employment grows through the spring, drops temporarily in August, and peaks with the harvest in October. In 2006, covered employment peaked at 843 in October and then dropped to 262 by December. The total covered payroll for vineyards was $9.4 million with an annual average wage of $18,877 (includes seasonal workers).

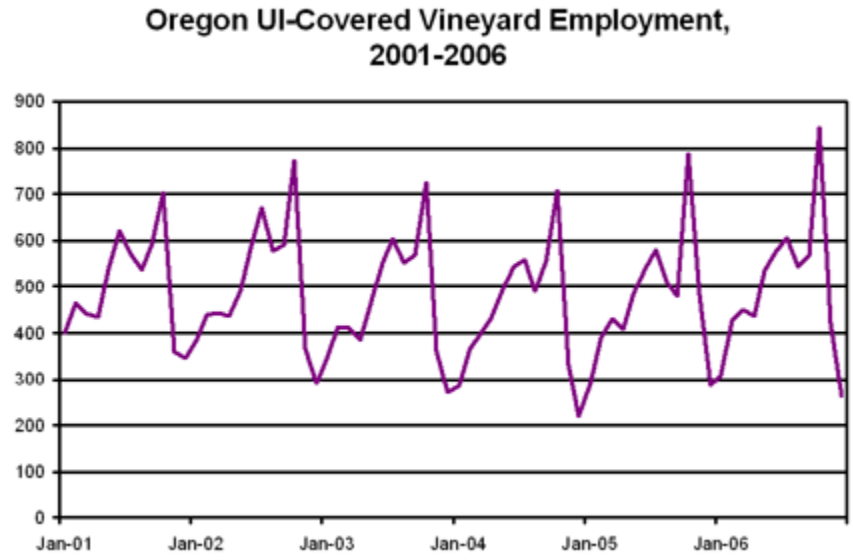
Wineries differ from vineyards in that their primary function is the manufacture of wine. Many Oregon wineries also operate vineyards. For wineries, the USDA reports 350 firms in Oregon in 2006, while the OED figures show 135 firms covered under UI. Like vineyards, the discrepancy

is again caused by the relatively large proportion of small and family-owned wineries in Oregon and the use of contract labor.

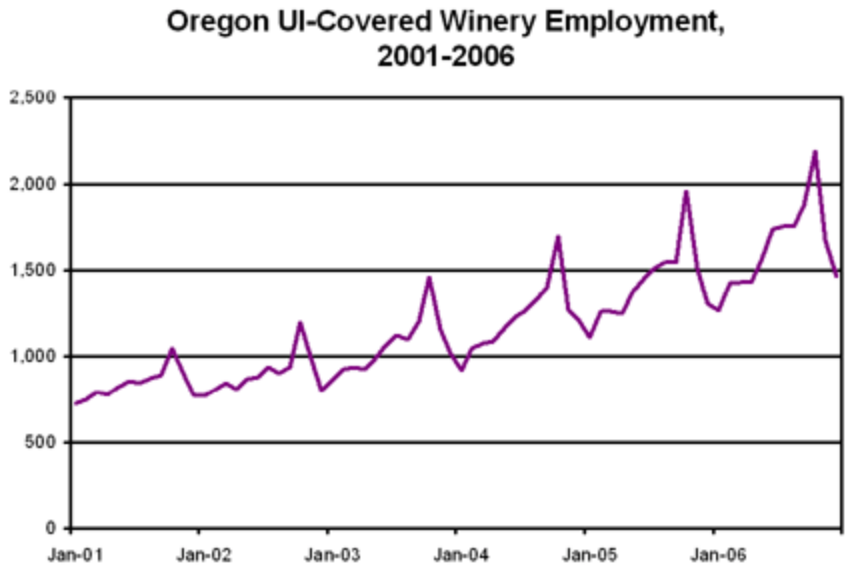
Graph 3 shows the covered employment for wineries in Oregon. Like the overall wine industry in Oregon, employment has grown steadily. Annual average employment rose 49 percent, adding 791 jobs between 2001 and 2006. In comparison, USDA figures show that 194 wineries were added over the same time period, a 55 percent increase.

Seasonally, winery employment is very similar to vineyard employment, partly because many Oregon wineries operate their own vineyards. Also, the most labor-intensive portion of production takes place at roughly the same time of year as the harvest. Total payroll at wineries in 2006 was $39.9 million with an annual average wage of $24,510 (like vineyards, this includes seasonal workers).

Graph 2



Graph 3



Going to Market

This far, we've seen that wine production in Oregon is growing. As the industry grows, it also generates employment indirectly in industries such as distribution, tourism, retail sales, equipment suppliers, and trucking.

Wineries sell a small portion of their wine directly, at the winery or via mail or Internet purchases. However, for legal and economic reasons, most wine is shipped through a distributor/wholesaler to retailers and restaurants.

OED records counted 25 establishments in the "wine and spirit merchant wholesalers" industry, the majority of which are wine wholesalers. Graph 4 shows employment for Oregon firms that are wine wholesalers. In comparison to the production side of the industry, the distribution side does not have very much seasonality. Employment is relatively stable throughout the year.

In 2006, wine wholesalers had an annual average employment of 399 and total payroll of $16.8 million. Annual average wages are higher in wine wholesaling compared to the production side of the industry because there is more full-time and year-round work. The annual average wage for 2006 was $42,168.

A 2006 study done by Full Glass Research estimates employment and wages in other indirect industries using 2004 data. In addition, estimates are made for the "multiplier effect" which include "other indirect" and "induced" effects.

Wine-related tourism includes restaurants, hotels, and other businesses in Oregon. Using data from their own survey as well as from Oregon Tourism, Dean Runyan Associates, and Travel Oregon, the Full Glass study estimates that, in 2004, tourism directly related to the wine industry employed at least 443 people and generated over $9 million in wages.

The Full Glass study estimates other indirect and induced effects on the economy (Table 2). Indirect effects are the changes in industries directly affected by changes in the supply of wine or grapes. Examples include bottles, corks and other goods and services supplied to the wine industry. Induced effects are economic impacts resulting from changes in household spending of income earned from direct and indirect sales. For example, employees of wineries or equipment suppliers spend their wages in Oregon, resulting in additional output, income and jobs in Oregon.

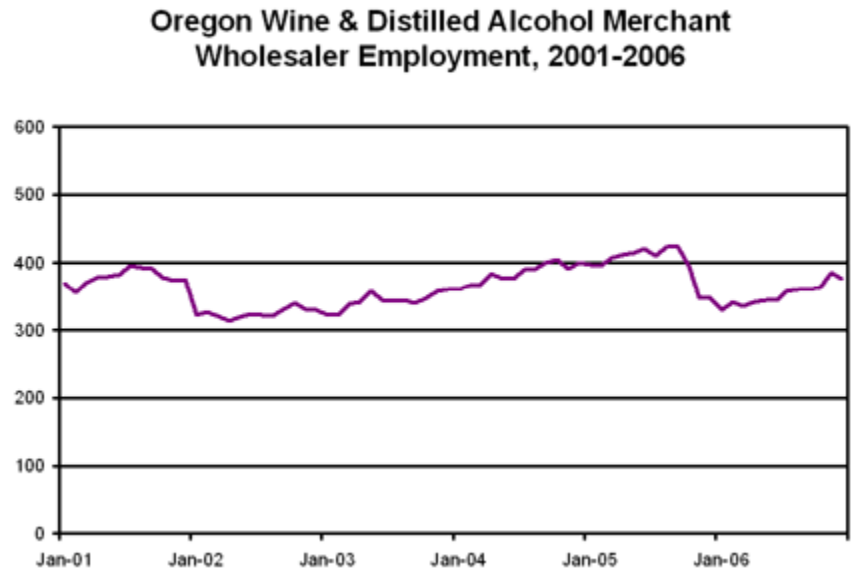
Table 2

Select Oregon Wine Industry
Indirect and Induced Employment Estimates, 2004

Tourism Employees (hotel, restaurant, etc. wine-related only)	443
Miscellaneous Suppliers Employees	30
Grapevine/Nursery Employees	50
Trucking Employees	53
Wine Store Employees	812
Grocery and Chain Retail Employees (wine-related)	895
On-Premises Employees (wine-related)	1,837
Stainless Steel Tank Employees	50
Printing (including labels)	44
Professional Services, Banking, Finance, Insurance, Industry Assn	143
Other Indirect	576
Wine Industry Induced	1,507
Total	6,440

Source: Full Glass Research

Graph 4



Tomorrow's Enologists

Oregon State University has developed an education program in viticulture and enology. In addition to university research, academic programs offer undergraduate degree options through

the departments of Food Science and Technology and Horticulture. Degree programs offered include:

- An enology and viticulture option for food science and technology majors.
- A fermentation science option for food science and technology majors.
- A viticulture and enology option for horticulture majors.

Graduate degrees with an emphasis in viticulture, enology, and/or sensory evaluation can be earned from the Departments of Horticulture or Food Science and Technology.

The Northwest Viticulture Center at Chemeketa Community College has a hands-on training program in viticulture and wine production. Students can earn an Associate of Applied Science degree in Vineyard Management and/or Winemaking or a certificate in Vineyard Operations.