US INDUSTRY (NAICS) REPORT 31213

Wineries in the US

Drink up: Industry revenue will benefit from a positive economic outlook, despite falling profit

Christopher Lombardo | May 2020

Contents

About IBISWorld

IBISWorld specializes in industry research with coverage on thousands of global industries. Our comprehensive data and in-depth analysis help businesses of all types gain quick and actionable insights on industries around the world. Busy professionals can spend less time researching and preparing for meetings, and more time focused on making strategic business decisions that benefit you,your company and your clients. We offer research on industries in the US, Canada, Australia, New Zealand, Germany, the UK, Ireland, China and Mexico, as well as industries that are truly global in nature.

Covid-19

Coronavirus Impact Update

IBISWorld's analysts constantly monitor the industry impacts of current events in real-time – here is an update of how this industry is likely to be impacted as a result of the global COVID-19 pandemic:

• Due to the emergence and consequences of COVID-19 (coronavirus), IBISWorld expects demand from restaurants, hotels and other food service industries to decline significantly, as many are forced to temporarily close or limit business activity. For more information, please see the Major Markets section of this report.

• Consumer demand for industry products remains high, despite economic uncertainty. However, operators that specialize in high-end, premium wines are likely to experience the greatest disruption, as consumers opt for budget-friendly brands amid economic uncertainty. For more information, please see the Demand Determinants section of this report.

• Though wine production is expected to continue, on-site events, tasting rooms and other in-person transactions have become limited or banned. As a result, revenue growth is expected to slow significantly in 2020, as many smaller operators, in particular, struggle to reach their end consumers. For more information, please see the Current Performance section of this report.

Note: The content in this report is currently being updated to reflect the trends outlined above.

About This Industry

Industry Definition

The Wineries industry consists of companies engaged in at least one component of the winemaking process. This process includes growing and harvesting grapes, crushing and pressing grapes into unfermented wine and fermenting the wine. The industry also produces wine blends, brandies and wines made from other fruit sources.

Major Players

- E. & J. Gallo Winery
- The Wine Group Inc.
- Constellation Brands Inc.

Main Activities

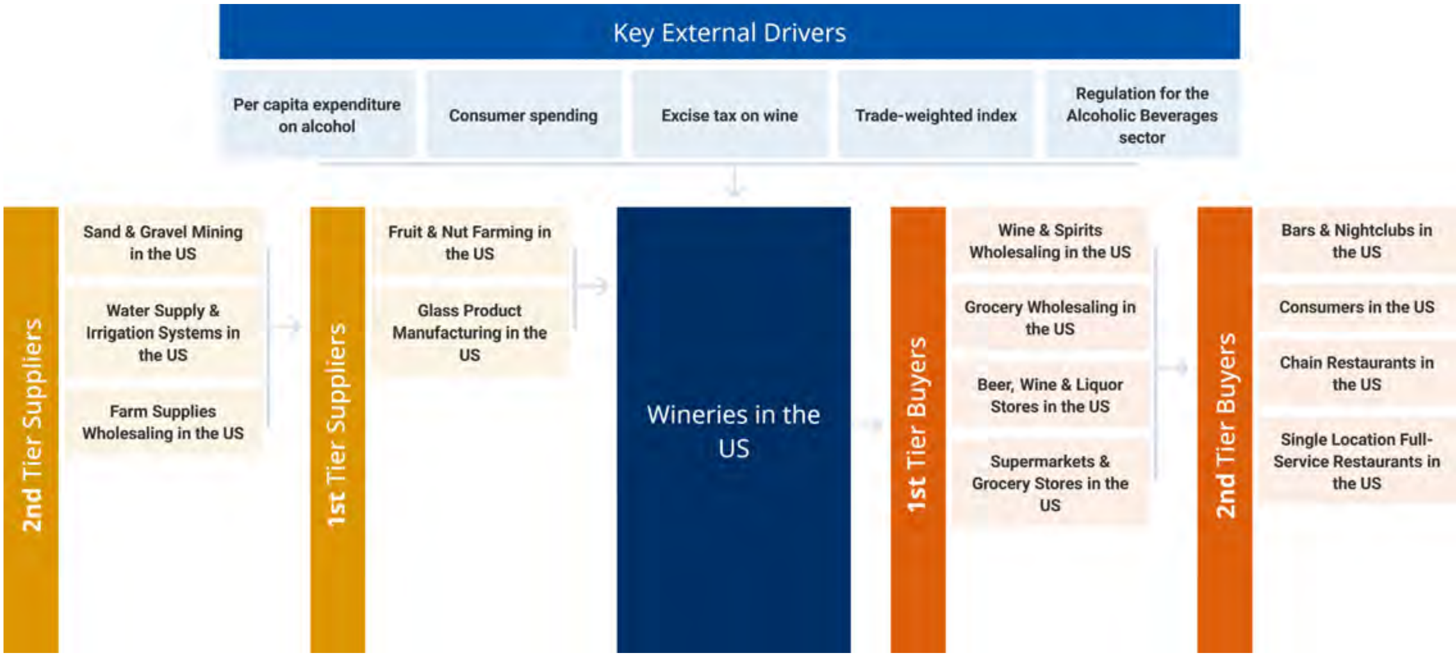
The primary activities of this industry:

- Growing wine grapes
- Blending wines
- Bottling wines
- Marketing and retailing wines
- Manufacturing brandy, vermouth and cider

The major products and services in this industry:

- Chardonnay
- Cabernet Sauvignon
- Pinot Grigio
- Merlot
- Pinot Noir
- Sauvignon Blanc
- Zinfandel, Riesling and other blends

Supply Chain



SIMILAR INDUSTRIES

Fruit & Nut Farming in the US
Complementor

Breweries in the US
Competitor

Distilleries in the US
Competitor

Wine & Spirits Wholesaling in the US
Complementor

RELATED INTERNATIONAL INDUSTRIES

Global Wine Manufacturing

Wine Production in Australia

Wine Production in China

Wine Production in the UK

Cider Production in the UK

Wine Production in New Zealand

Industry at a Glance

Key Statistics

$26.1bn
Revenue

Annual Growth 2015-2020	Annual Growth 2020-2025	Annual Growth 2015-2025
3.6%	2.4%	

$2.6bn
Profit

Annual Growth 2015-2020	Annual Growth 2015-2025
9.9%	

9.9%
Profit Margin

Annual Growth 2015-2020	Annual Growth 2015-2025
-1.5%	

7,140
Businesses

Annual Growth 2015-2020	Annual Growth 2020-2025	Annual Growth 2015-2025
3.8%	3.4%	

57,595
Employment

Annual Growth 2015-2020	Annual Growth 2020-2025	Annual Growth 2015-2025
6.2%	3.1%	

3.1bn
Wages

Annual Growth 2015-2020	Annual Growth 2020-2025	Annual Growth 2015-2025
5.0%	3.0%	

Key External Drivers

% = 2015-2020 Annual Growth

0.7%
Consumer spending

-8.0%
Excise tax on wine

1.2%
Trade-weighted index

2.4%
Per capita expenditure on alcohol

N/A
Regulation for the Alcoholic Beverages sector

Industry Structure

POSITIVE IMPACT

Concentration
Low

MIXED IMPACT

Life Cycle
Mature

Revenue Volatility
Medium

Technology Change
Medium

Barriers to Entry
Medium

Globalization
Medium

NEGATIVE IMPACT

Capital Intensity
High

Industry Assistance
Low

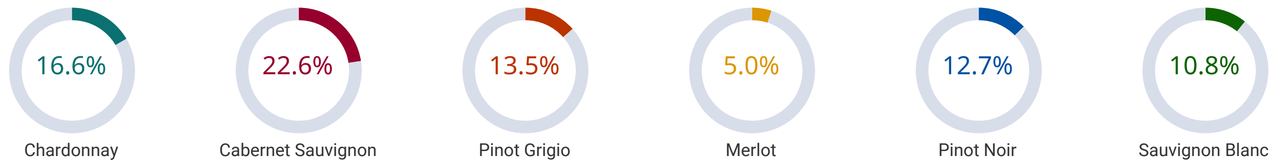
Regulation
Heavy

Competition
High

Key Trends

- Competition among existing operators and from imported wines has been fierce
- Operators have benefited from increased consumer spending and a lower excise tax
- Consumer trends toward craft alcoholic beverages has supported the indsutry
- Most economic factors are anticipated to play in the industry's favor through 2024
- Wineries will increasingly seek to grow their market presence and product lines
- Climate change is expected to have an increasingly adverse effect on the industry
- Positive economic conditions and consumer preferences are driving industry growth

Products & Services Segmentation



Wineries
Source: IBISWorld

Major Players

% = share of industry revenue

Wineries
Source: IBISWorld

SWOT

S STRENGTHS

Low Volatility
High Profit vs. Sector Average
Low Customer Class Concentration
Low Product/Service Concentration

W WEAKNESSES

Low & Steady Level of Assistance
High Competition
Medium Imports
Low Revenue per Employee
High Capital Requirements

O OPPORTUNITIES

High Revenue Growth (2005-2020)
High Revenue Growth (2015-2020)
High Revenue Growth (2020-2025)
High Performance Drivers
Trade-weighted index

T THREATS

Low Outlier Growth
Consumer spending

Executive Summary

Operators in the Wineries industry engage in at least one component of the winemaking process.

Over the five years to 2020, the industry has experienced fairly consistent growth. As the United States has become an increasingly prominent producer and exporter of quality wines, the industry has established itself as a key player in the global wine market. Additionally, consumer preferences have shifted during the period, with many consumers spending more on high-end alcoholic beverages, boosting demand for the industry's high-priced products. As a result, over the five years to 2020, industry revenue is expected to increase at an annualized rate of 3.6% to $26.1 billion, with significant growth occurring in the first half of the five-year period.

In 2020, industry revenue growth is expected to slow significantly, rising an estimated 0.7% due to the emergence and consequences of COVID-19 (coronavirus). While alcoholic beverages tend to remain in demand during periods of economic or social distress, operators are expected to be affected differently depending on their operations. For instance, larger, global operators that experience consistently higher-than-average profit margins are expected to weather the pandemic and economic downturn relatively well. These operators have diversified portfolios, enabling them to shift more easily with fluctuating consumer preferences. As unemployment levels spike and consumer confidence plummets, high-end, premium wines are expected to experience significant declines in demand. Thus, smaller operators that experience higher production costs, resulting in higher priced products, are expected to experience more detrimental conditions.

Over the five years to 2025, the Wineries industry is forecast to bounce back from the late-period setbacks experienced in 2020 as a result of COVID-19. Over the next five years, the industry is anticipated to benefit from projected increases in consumer confidence and per capita expenditure on alcohol. Thus, while regulation for the alcohol beverage sector is expected to increase, increased consumer spending is anticipated to outweigh detrimental regulatory shifts. Still, operators will continue to experience pressure on profit margins as growing conditions deteriorate due to the effects of climate change. Ultimately, over the five years to 2020, industry revenue is forecast to grow an annualized 2.4% to $29.5 billion.

Industry Performance

Key External Drivers

Per capita expenditure on alcohol

Consumers' perceptions of alcohol and level of alcohol consumption have a significant effect on industry demand. While overall alcohol consumption has gradually increased in recent years, growth in per capita consumption of wine has slowed as consumers increasingly shift toward purchases of craft beer and liquor. Per capita expenditure on alcohol is expected to increase in 2020.

Consumer spending

Consumer spending measures the total amount of money spent on goods and services. When spending increases, individuals are more likely to spend on discretionary purchases such as wine, because they feel more confident that their current level of discretionary income supports these purchases. Consumer spending is expected to decrease in 2020, posing a potential threat to the industry.

Excise tax on wine

The excise tax on wine represents federal and median state taxes levied on wine, which are charged per gallon produced. Taxes are levied on producers, which then pass along the tax burden to consumers in the form of higher prices. Increases in the excise tax on wine raise the retail price of a bottle of wine, driving a greater number of customers to seek out more affordable alcoholic beverages. The excise tax on wine is expected to decline in 2020, representing a potential opportunity for the industry.

Trade-weighted index

The trade-weighted index (TWI) measures the value of the US dollar compared with the currencies of major trading partners. As the value of the US dollar increases, US wine becomes relatively more expensive in comparison with wines produced abroad, causing exports to decline and imports to increase. The trade-weighted index is expected to increase in 2020.

Regulation for the Alcoholic Beverages sector

Alcoholic beverage producers are highly regulated in the United States because the sector remains subject to many Prohibition-era regulations. These regulations make it difficult for alcoholic beverage producers to sell their products directly to downstream markets without going through a wholesale distributor. Thus, regulation can deter prospective operators from entering the industry or force existing operators to leave the industry due to excessive money and manpower spent attempting to circumvent regulations. In 2020, regulation for the alcoholic beverages sector is expected to increase.

Current Performance

Operators in the Wineries industry are engaged in at least one component of the winemaking process.

The industry is large and has experienced fairly consistent growth over the five years to 2020. As the United States has become an increasingly prominent producer and exporter of quality wines, the industry has established itself as a key player in the global wine market. Additionally, consumer preferences have shifted during the period, with many consumers spending more on high-end alcoholic beverages, boosting demand for the industry's high-priced products. As a result, over the five years to 2020, industry revenue is expected to increase at an annualized rate of 3.6% to $26.1 billion, with significant growth occurring in the first half of the five-year period. The emergence and consequences of COVID-19 (coronavirus) in late 2019 and early 2020 is expected to affect operators differently, depending on the size and scope of their operations.

COVID-19

> **The global outbreak of the coronavirus is expected to disrupt industry operations in 2020; however, operators will experience varying levels of disruption, depending on the size of their operations and the scope of their company.**

In an attempt to curb the virus's spread, most local governments have issued orders severely limiting or temporarily closing all nonessential services. While wineries have largely been able to continue production operations, tasting rooms, events and other in-person transactions have ceased. Additionally, many food service, entertainment and accommodation establishments, such as restaurants, bars and venues used for sporting events and concerts, have temporarily closed or limited the degree of their operations. Thus, operators that rely on these markets will likely fare worse than those primarily shipping directly to consumers, grocery stores, wholesalers and liquor stores.

Demand for alcoholic beverages tends to remain strong or even increases during periods of economic turmoil or uncertainty. Due to its effects, many consumers turn to alcoholic beverages for comfort or a release during stressful times. Still, the unemployment rate is expected to spike in 2020, while consumer confidence is expected to plummet. Thus, operators that specialize in low- and mid-tier wine varieties are expected to fare better than those producing primarily high-end, premium wines, as consumers will likely opt for budget-friendly brands. Small, local operators will likely experience the toughest conditions in 2020. These operators tend to rely on the foot traffic generated by their on-site events, tasting rooms and local wine bars and restaurants that stock their products. Until consumers are comfortable and safely able to gather in public settings, these operators will likely experience consistent declines in revenue. Conversely, larger, global operators are expected to weather the storm relatively well, as they tend to have diversified portfolios, with brands ranging from rare premium varieties to low-end, budget-friendly wine. Moreover, these operators have established brand names and stable distribution contracts with wholesalers, grocery stores and liquor stores. As a result, revenue is expected to continue increasing in 2020, albeit at a much slower rate than during the rest of the five-year period, rising an estimated 0.7%.

Globalizing wine

> **The largest US wineries have historically benefited from periods of increasing per capita disposable income.**

However, they also benefit from the “trading down” phenomenon, which occurs during periods of low disposable income, when customers are more likely to opt for lower-priced wines at the expense of higher-quality varieties. Massive wineries, such as E&J Gallo, Constellation Brands and The Wine Group, import bulk wines, such as lower-priced pinot noir from France and Malbec from Argentina, before bottling them in the United States and selling them to the US market. This trend of US wineries outsourcing wine production has consistently increased over the past five years, making domestic wineries more conscious of foreign competitors.

Over the five years to 2020, imports are expected to grow at an annualized rate of 5.5% to $9.4 billion. Rising industry imports have historically plagued the industry, with imports expected to account for 27.6% of domestic demand in 2020. The United States is a major importer of wine from countries that are suffering economically and seeking opportunities to sell their products elsewhere. Traditional wine-drinking nations, such as France, Italy and Spain, have dealt with prolonged lulls in the consumption of domestic wines, pushing them to look for new markets. Meanwhile, the New World wine industries of Argentina, Chile, Australia and New Zealand incur far lower production costs than the United States and have achieved a global reputation for producing quality grapes. By targeting the US market, these nations are heightening competition in the industry.

Conversely, industry exports are expected to decrease at an annualized rate of 5.6% to $1.4 billion over the five years to 2020. This trend is largely due to the rise in the value of the US dollar during the period, increased competition from emerging markets and a decline in demand from certain countries. The TWI, which measures the value of the US dollar compared with the currencies of major trading partners, is expected to increase an annualized 1.2% over the five years to 2020. As the value of the US dollar increases, domestic exports become relatively more expensive and thus less appealing for foreign consumers. Additionally, the same countries capturing greater shares of domestic demand, such as Argentina, Chile and Australia, are siphoning demand from domestic operators at the international level. For instance, Germany, which accounted for 5.8% of total export volume in 2015, is expected to account for just 1.9% in 2020. Similarly, both China and Hong Kong, which had become increasingly high demand markets, are expected to decline as a share of exports, accounting for just 1.1% and 4.1%, respectively, in 2020.

Distribution changes and rapid growth

> **The Wineries industry exhibits a low-to-moderate level of market share concentration, with four major wine manufacturers accounting for roughly one-third of total industry revenue.**

The industry's largest companies are capable of significant product differentiation through vertical integration, growing grapes in their own vineyards or having grapes grown for them according to industry-set specifications. However, market share concentration has remained low over the past five years, despite the increased presence of major global wine producers. This is largely due to shifting consumer preferences. Similar to the Distilleries industry (see IBISWorld report 31214) and the Breweries industry (see IBISWorld report 31212), consumers have veered toward small, niche brands when seeking out new varieties of wine. Large operators, such as E&J Gallo and Constellation Brands, have attempted to combat this trend by acquiring small operators throughout the country. However, over the five years to

2020, the number of industry operators is expected to rise an annualized 3.7% to 6,993 enterprises. This continual influx of new players has resulted in an industry that is highly fragmented, with the average industry operator employing fewer than 10 workers and operating a single location.

Still, over the past five years, prospective and fledgling operators have benefited from increased consumer spending and a decline in the excise tax on wine. The excise tax on wine includes federal and median state taxes levied on wine containing less than 14.0% alcohol by volume; IBISWorld expects the excise tax on wine to fall at an annualized rate of 8.1% over the five years to 2020. When excise taxes become too high and consumer spending is low, new operators are generally unable to weather the storm because opening a winery is highly capital intensive. However, due to the largely positive economic climate and declining excise tax, new operators have flourished, expanding their companies and hiring additional employees. Over the five years to 2020, the number of industry employees is expected to rise an annualized 6.2% to 57,595 workers.

Despite these beneficial aspects, new operators, along with small- to medium-size wineries, have continually experienced uncertain distribution conditions in the wake of consolidation along the supply chain. While larger operators, such as Constellation Brands, have limited their number of distributors, major private wholesalers have merged and directed most of their efforts toward securing the largest winemaking clients. This trend makes it difficult for small, local wineries to negotiate distribution contracts with major distributors. As a result, smaller operators tend to experience higher operating costs than larger, more established operators. Thus, while major players, such as Constellation Brands, consistently report profit margins in the double-digits, the average industry operator's profit, measured as earnings before taxes and interest, is expected to decline to 9.9% in 2020.

Pouring directly to the consumer

> **The Granholm v. Heald US Supreme Court decision regarding state regulation of direct-to-consumer sales by out-of-state wineries and retailers opened the market for many wineries.**

Following the decision, more states may permit direct-to-customer wine shipments to private citizens inside and outside the state of manufacture, within certain limits. The most prominent effect of this ruling has been increased internet sales for US wineries, driving up profit for larger operators. With direct sales possible, wineries have placed much greater emphasis on online promotions, wine club events, social media outreach, special offers and upgraded website content.

Historical Performance Data

Year	Revenue ($m)	IVA ($m)	Estab. (Units)	Enterprises (Units)	Employment (Units)	Exports ($m)	Imports ($m)	Wages ($m)	Domestic Demand ($m)	Per capita expenditure on alcohol
2011	17,675	4,620	4,716	4,617	39,594	1,579	6,502	1,969	22,598	618
2012	17,759	5,249	4,959	4,847	39,987	1,606	6,704	2,034	22,857	638
2013	17,808	5,151	5,288	5,181	39,894	1,811	6,976	2,141	22,973	639
2014	19,932	5,690	5,543	5,438	40,144	1,753	7,102	2,281	25,280	651

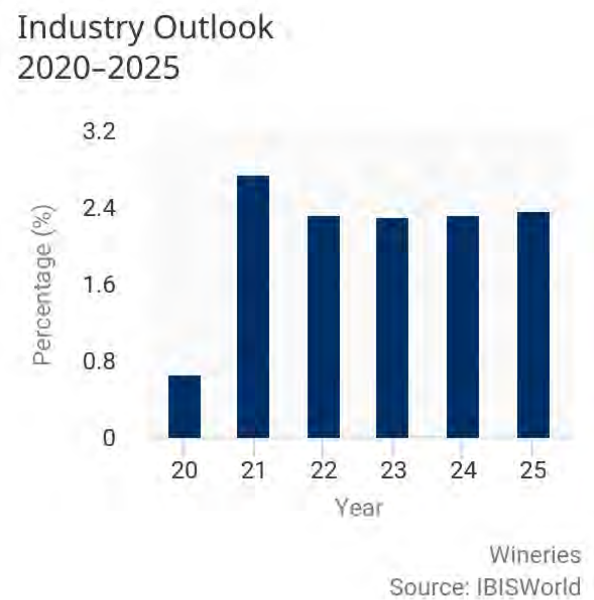
Year	Revenue ($m)	IVA ($m)	Estab. (Units)	Enterprises (Units)	Employment (Units)	Exports ($m)	Imports ($m)	Wages ($m)	Domestic Demand ($m)	Per capita expenditure on alcohol
2015	21,893	6,115	5,934	5,822	42,588	1,856	7,228	2,459	27,265	664
2016	23,584	6,527	6,076	5,957	44,830	1,852	7,512	2,612	29,244	681
2017	24,207	6,645	6,243	6,109	52,059	1,703	7,891	2,820	30,395	697
2018	25,574	6,822	6,675	6,518	54,994	1,570	8,168	3,012	32,171	697
2019	25,947	7,042	6,918	6,765	56,418	1,427	8,444	3,083	32,964	722
2020	26,125	7,059	7,140	6,993	57,595	1,393	9,442	3,139	34,174	747

Industry Outlook

Outlook

Over the five years to 2025, the Wineries industry is forecast to bounce back from the late-period setbacks experienced in 2020 as a result of COVID-19 (coronavirus).

Over the next five years, the industry is anticipated to benefit from projected increases in consumer confidence and per capita expenditure on alcohol. Thus, while regulation for the alcohol beverage sector is expected to increase, increased consumer spending is anticipated to outweigh detrimental regulatory shifts. Moreover, exports are forecast to return to growth over the next five years, rising at an annualized rate of 1.7% to $1.5 billion as the value of the US dollar dips, making domestic exports relatively less expensive for foreign buyers, boosting revenue growth.



However, operators are anticipated to experience continued pressure on profit margins, as detrimental growing conditions are forecast to worsen due to the effects of global warming. Additionally, operators will continue contending with high import penetration over the next five years. Still, imports are expected to grow at a slower pace than during the previous five-year period, rising an annualized 2.7% to $10.8 billion over the five years to 2020. Ultimately, IBISWorld anticipates industry revenue will increase an annualized 2.4% to $29.5 billion over the five years to 2020.

Industry landscape

The Wineries industry follows the three-tier distribution system, mandating that producers in most states sell only to licensed beverage wholesalers, which are responsible for selling the products to retailers.

Although direct shipments of wine comprise a small portion of industry activity, its share of industry revenue is forecast to increase. However, continued legislation against direct-to-consumer sales, often led by major distribution companies, will stand to threaten this new market. Continued campaigning efforts by these major distributors to thwart direct wine retail will threaten the industry's growth and potentially limit its ability to expand direct-to-consumer and online wine retail to additional states.

As wholesalers and retailers continue to consolidate, wineries will seek to grow their market presence and product lines to reinforce their value to national distributors' portfolios. Larger wineries that can field sophisticated marketing and sales teams will attempt to leverage them to regain market share. However, smaller operators that are unable to compete with the robust marketing campaigns of larger players may find themselves at a disadvantage as larger wineries and distributors dominate the online retail space. Still, this is not anticipated to deter prospective operators from entering the industry, as demand for small, local wineries remains high. Thus, over the five years to 2020, the number of enterprises is forecast to increase at an annualized rate of 3.5% to 8,286 operators.

Making adjustments

> **Successful wineries generally grow grapes in warm and stable climates.**

Climate change is expected to have an increasingly adverse effect on the Wineries industry due to soil erosion, prolonged droughts and the increasing incidence of wildfires in the coming years. The most threatened regions are those with the driest climates, such as California. A significant portion of the domestic industry's grapes is grown in California. The costs associated with averting the effects of climate change are expected to place downward pressure on profit. According to the California Sustainable Winegrowing Alliance, 85.0% of grape growers in California use micro-irrigation systems in their vineyards to drastically improve the efficiency of water use. This has enabled many grape growers to resist the effects of recent drought conditions. Although many types of grapes can survive several consecutive years of drought, total vineyard yields may ultimately begin to decline due to prolonged drought in the coming years. Compounding this pressure, total wage expenses are projected to increase at an annualized rate of 3.0% to $3.6 billion over the next five years, as operators strive to recruit high-skilled labor for new and existing establishments.

Industry wineries have used the eco-friendly movement as a marketing opportunity to sell a greater volume of boxed wines and reduce the packaging costs associated with glass bottles and cork. Wines that are sold in plastic bags and cardboard boxes are often less costly for wineries to produce and require less palette space on trucks during transit. As a result, wineries can sell a greater volume of wine per truck and use less expensive packaging materials when transporting cardboard-boxed wine. Although consumers still regard boxed wine as an inferior product, companies have aggressively marketed these wines by submitting them to tastings and offering them to dining establishments to change public perception. Improved sales of wines made with cost-effective alternative packaging are anticipated to increase over the next five years, as operators seek out ways to buffer profit losses.

New bottling and packaging technologies are also enabling more wineries to produce sample tasting room packages as a low-cost way to extend direct marketing to consumers. Following successful examples from the east coast, California has increased construction of secondary satellite tasting rooms, many of which are located outside Napa and Sonoma Counties in large, urban metro areas, such as San Francisco.

high, but consumer confidence plummeting, high-end and rare wines are suffering. However, budget brands with good reputations, which make up the bulk of TWG's portfolio, have thrived. Thus, while the company is expected to experience difficulty reaching some of its market (like all industry operators), TWG is expected to experience industry-relevant revenue growth in 2020.

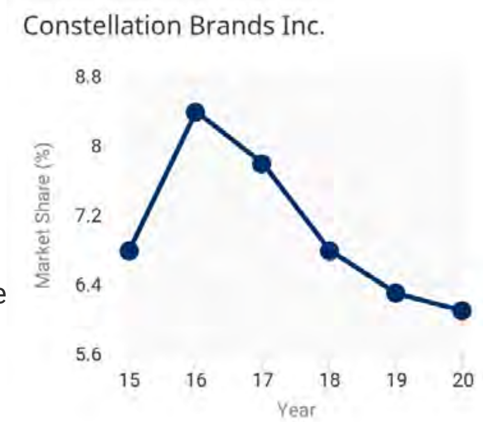
The Wine Group Inc. (US industry-specific segment) - financial performance*

Year	Revenue ($m)	Growth (% change)	Operating Income ($m)	Growth (% change)
2015	1765.3	N/C	349.6	N/C
2016	2110.1	19.5	432.4	23.7
2017	2306.4	9.3	488.9	13.1
2018	2247.3	-2.6	454.3	-7.1
2019	2310.9	2.8	462.8	1.9
2020	2350.0	1.7	464.2	0.3

Source: IBISWorld

Note: *Estimates

CONSTELLATION BRANDS INC.



Market Share: 6.1%

Founded by Marvin Sands in 1945 and headquartered in Victor, NY, Constellation Brands Inc. (Constellation) is a leader in several alcoholic beverage manufacturing and distributing industries. The company has more than 100 brands in its portfolio, sales in nearly 100 countries and operations across more than 40 wine facilities. It employs more than 9,500 individuals across the United States, Canada, Mexico, Italy and New Zealand. In fiscal 2020 (year-end February, latest available data), Constellation generated $8.3 billion in total company sales.

Constellation operates two business segments: beer, and wine and spirits. The company's industry-relevant activities are reported under the wine and spirits segment. During the past decade, the company's portfolio has undergone substantial change as it has steadily acquired higher-price, higher-margin wine brands, while simultaneously divesting lower-price, lower-margin alcoholic beverage offerings. The company also has a small portfolio of niche spirit brands and serves as the exclusive US marketer and distributor of Modelo's portfolio of beer brands, including Modelo and Corona.

Over the past five years, Constellation's wine business has undergone a profound transformation as the company has expanded its operations significantly through several industry-relevant acquisitions. In 2015, the company acquired Meiomi, a Californian producer that helped strengthen Constellation's position in the US pinot noir category. Several significant acquisitions followed in 2016, including Prisoner, Charles Smith and High West. Moreover, in 2017, the company acquired California winemaker Schrader Cellars. This acquisition falls in line with the move toward higher-margin products, as it provided Constellation with a collection of limited-production fine wines.

These acquisitions caused the company's net debt to rise considerably, and the decentralized business model created disruptions. Constellation has since started closing wineries and bottling plants to reduce costs and cut down on overlapping types of wine. For example, the company sold its Almaden and Inglenook brands to The Wine Group in an effort to reduce the focus on its wholesale wines and provide greater support for its higher-margin branded wines. In 2016, it divested its Canadian wine business. Most notably, in early 2019, the company announced plans to sell about 30 of its wine and spirits brands, including Black Box and Wild Horse, along with several facilities located in the United States to competitor E&J Gallo Winery. While these represent some of the company's lower-priced, low-margin brands, the initial effect is expected to be significant. The deal is expected to close by June 2020.

Financial performance

Over the five years to fiscal 2021 (year-end February), Constellation's US industry-relevant revenue is expected to increase at an annualized rate of 3.1% to $1.6 billion. However, this growth is almost entirely due to the acquisitions made by Constellation early in the period. Since fiscal 2017, the company has experienced industry-relevant revenue declines consistently, as it has divested many of its budget brands produced in the United States. Still, this is part of the company's larger plan, including a new distribution model, which is expected to drive new distribution agreements and will likely contribute to steady, long-term growth moving forward. Industry profit varies significantly based on the type of wine produced and the size of the company. Because Constellation is a global operator with secure purchasing contracts, company-owned vineyards and a fine-wine specialization, the company consistently posts higher-than-average profit figures.

Still, with the emergence and consequences of COVID-19 (coronavirus) in late 2019 and early 2020, Constellation's industry-relevant business is poised to perform less favorably than many of its competitors. The company's actions prior to the pandemic's outbreak, such as divesting many of its US brands and budget wines, are the main contributing factors. Demand for industry products has remained high during the pandemic. However, as more the unemployment rate skyrockets and consumers become more uncertain about their financial status, budget wine brands are expected to experience the greatest uptick in demand, while demand for premium, high-end brands will likely falter.

Constellation Brands Inc. (US industry-specific segment) - financial performance

Year**	Revenue ($m)	Growth (% change)	Operating Income ($m)	Growth (% change)
2015-16	1367.7	N/C	339.8	N/C
2016-17	1821.8	33.2	471.6	38.8
2017-18	1769.7	-2.9	481.3	2.1
2018-19	1688.3	-4.6	446.8	-7.2
2019-20	1598.6	-5.3	415.7	-7.0
2020-21	1596.9	-0.1	409.6	-1.5

Source: Annual report and IBISWorld

Note: *Estimates; **Year-end February

Other Players

The Wineries industry is characterized by low-to-moderate market share concentration. Historically, the three largest players controlled a greater share of industry revenue, but in recent decades, smaller niche operators have proliferated, buoyed by growing consumer demand for more varied wines. Thus, many wineries operate on a local level and generate less than 5.0% of industry revenue individually.

TREASURY WINE ESTATES

Founded in 1843, Treasury Wine Estates (TWE) is a public company based in Australia. In fiscal 2019 (year-end June, latest data available), TWE generated $2.8 billion in total company-wide revenue. Formerly part of Foster's Group, TWE employs about 3,500 individuals across 16 countries. The company owns a portfolio of more than 80 wine brands sourced from more than 12,500 hectares of owned and leased vineyards in the United States, Australia, New Zealand, China, Singapore and Italy. In the United States, the company operates 44 vineyards and seven wineries, all based out of the Napa Valley region of California. TWE has expanded its global presence significantly in the past five years, through organic growth and strategic acquisitions, mostly abroad. As a result, the company has repeatedly reported strong revenue growth, commonly in the double-digits. While its acquisition activity has largely occurred outside the United States, the company's growing reputation has resulted in similarly strong industry-relevant growth. As a result, in fiscal 2021, TWE is expected to generate $961.9 million in industry-relevant revenue.