



Developing a Self Sustainable Winery

Lessons learned from start-up to present at WoodMill Winery (2006-2022)

2022 NC Winegrowers Association - Distribution Workshop

Old Home Place Vineyards – Winston Salem

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About the Author

- Larry G Cagle, Jr.
- 23 years - Electric Power Research Institute
 - Applied Research for the Nuclear Power Industry
 - Traveled 6 months a year (National and International)
 - Worked an average of 50+ hours a week
 - Opportunity for growth – Limited
- Started New Career - Vintner
 - Started WoodMill Vineyard and then Winery
 - Travel – Almost Never (anywhere)
 - Work an average of 80+ hours a week
 - Opportunity for growth - Limitless

What is a Winery?

- It is a Farm!
 - It is not romantic
 - It is not a walk in the clouds
 - It is not a hobby (hobbies are convenient)
 - It is hard work....or very hard work
 - However, it can be rewarding work
 - **Most of all....It is a Business !!!**
 - **In business, Rewards = Profit !!!**

Definition of a Farmer

- Someone that works so hard they don't know they are broke!
 - Most farmers work a fulltime job to support their farming habit.....
 - A working farm should be sustainable
 - purchase land, and equipment to farm the land
 - create a profit that will allow you to sustain your farm
 - Is this possible with:
 - Livestock? Row Crops? Vegetables?.....Grapes?
- IF NOT..... WHY???

Why are most Farms not Self-Sustainable?

- Purchase most large items at Retail Prices
- Sell most commodities at Wholesale Prices
- Example:
 - Beef on the hoof yesterday was \$1.34/lb
 - Ground beef (20% fat) \$4.57/lb
- Wineries have direct marketing options
 - Self-Retail Sales
 - Self-Wholesale Distribution
 - Wholesale Distribution Partner

Establishing Direction

Question: How do farms become sustainable?

Answer: Value Added Products

– Value Added Products Provide:

- extended product shelf-life
- direct farm to customer sales year round
- opportunity for point of sales marketing
- opportunity for substantial retail growth
- opportunity for substantial **wholesale distribution**

Typical Farm to Market Approach

- Example - Wine Grapes
- If grapes sell for \$1200/ton = \$0.60/lb.
 - Then 2.5 lbs of grapes in 1 bottle wine = \$1.50
- If wine cost \$3.00/bottle to process and to bottle
 - Bottle 0.75, label 0.15, cork. 0.10, cap 0.03
sanitation, filtering, bottling etc. = \$3.00
- Then 1.50 fruit + \$3.00 bottling processing = 4.50
- If winery sells to distributor for \$6.00/bottle
- If distributor sells to retail for \$9.00/bottle
- If retail sells to customer for \$12.00/bottle

Typical Farm to Market Approach

- If Farmer generates 12.5% value (vineyard)
 - Develop raw farm product - sale to processor
- If Processor generates 27.5% value (winery)
 - Develop end-product - sale to distributor
- If Distributor generates 30% value (distribution)
 - Develop system to distribute to retailers
- If Retailer generates 30% value (sales)
 - Market to existing customers

Vertical Farm to Market Approach

- Farmer - 10% profit (high risk venture)
 - Develop raw farm product - sale to processor
- Farmer Processor - 30% profit (low risk venture)
 - Develop end product – sale to distributor
- Farmer Distributor - 30% profit (low risk venture)
 - Distribute to Retailers
- Farmer Retailer - 30% profit (low risk venture)
 - Direct market to customers
- **Farmer = 100% of total profit**

Vertical Farm to Market Approach

- If:
 - a Farm generates 12.5% of value
 - a Farm / winery generates 40% of value
 - a Farm / winery / distributor generates 70% of value
 - a Farm / winery / retail generates 100% of value
- Then:
 - Which one of these works best for you?
 - Or does a combination of these work best for you?

Note: More volume doesn't always mean more Profit !!!

Assumption - Operating Winery

- Vineyard Production established – check
- Wine Production established – check
- Customer base established – check
- Advertising program in place – check
- Above items must be up and running before starting distribution
- Distribution decision.....
 - Become a distributor?
 - Hire a distributor?

Distribution Requirements

- If you do not have an operational vineyard or a consistent source for fruit
don't attempt to start distribution
- If you do not have an operational winery or a consistent wine production source
don't attempt to start distribution
- If you do not have an extensive customer base in the potential distribution area
don't attempt to start distribution
- If you do not have a functional advertising program for the potential distribution area
don't attempt to start distribution

Wholesale Distribution

- Before contacting a distributor, you must first establish a **need** for distribution
- Establish local product support
- Approach local convenient stores
- Then, approach small box stores
- Then, approach larger box stores
- Eventually, Contact a Distributer

Developing a Wholesale Market

- Create product awareness through sales
 - 1) Retail On-site Sales - Tasting Room
 - 2) Retail Online Sales - Product Shipping
 - 3) Retail Off-site - Wine Festivals and Events
 - 4) Agri-tourism - Event Venue Rentals
 - 5) Local Wholesale (Convenience Stores)
 - 6) Local Wholesale (Grocery and Box Stores)
 - 7) Statewide Wholesale (Hire a Distributer)

Winery Overview

- **Winery Structure**
 - Wine Production, On-Site Events, Rentals, Support Wholesale
- **Cost Saving Ideas**
 - Bottling – Labels, Bottles, Bottling Line
 - Retail Area – Flexible Wine Tasting & Events Area
 - Wine Vats & Tanks - Storage and Blending Containers
 - Production Equipment – Crusher, Press, Must Pump, etc....
 - Production Equipment - Filters, Pumps, Bottling Line, etc....
 - Promotion - Web-site, Facebook, Flyers, Business Cards, etc....
 - Wholesale – Distributer or Self-Distribution

Winery with Events Structures

(Weddings & On-Site Events)



Support Vineyard



Tasting / Reception Room

(Removable Tasting Bar & Furniture)



Bottling

- Use Bottling to Retain Employees
 - Bottling provides indoor work during bad weather
- Controlling Storage Cost
 - Storing Wine in Vats is cheaper than in bottles
- Use volume buying to reduce bottle cost
 - Use the same bottle for all varieties of wine
- Use volume buying to reduce label cost
 - Use single sided label with cut design

Single-sided Label Design

(all labels same size & shape)



One Standard Bottle for all Wines

(all bottles same size & color)



Wine Storage

- Stainless Steel Vats vs Food Grade Plastic
 - High acid levels in Muscadine wine tends to wear down stainless steel grain structure causing a steely finish to wines.
 - Plastic provides 10 times the storage capacity for the same investment cost as stainless.
 - Plastic provides a rare win – win scenario
 - Better product for less money!

Blending & Storage Tanks



Pressure Washer

2000 psi (250 degree)



Operator Operated !



Simple Crusher & Bladder Press

(to date – equipment produced over 900,000 bottles of wine)



Variable Speed Wine Pump

(110v reversible)



40 Plate Filter with Divider

(two stage filter)



Simple Bottling Line



Point of Sale Wine Rack



Wholesale / Retail Delivery Van

(E-3500 12 passenger)



Wholesale Delivery Van

(Loaded for Daily Deliveries)



Summary

- A Successful Wholesale Plan
 - Never distributes to large chain stores (Walmart, Sams Club, Major Box Stores) outside the area that your wine has an established market
 - If you do, and you fail, you risk the high probability of being banned from those stores in the future.
- A distributor moves your wine to known customers, they are not a sales expansion program.