Napa County Planning Commission
Economics of a Family Winery

Presented by:
Craig Underhill, CPA, CSPM
Managing Partner
Background

• A CPA for over 28 years and has been with BDCo since 1995.
• Business financial and strategic planner
• Educator to wine businesses since 2004
• Sonoma State Wine MBA Program guest speaker
• U.C. Davis Extension International Wine Industry guest speaker since 2012
• Board chair for Junior Achievement past 17 years in Napa County
Channel Sales Mix

Direct to Consumer (retail)
• Accounts for 31% of gross profit
• Winery’s <10,000 cases require 50% DTC
Trends

- Grapes
- Sales & Marketing
- Admin

2005
2013
Critical Financial Decisions

1. Grapes: purchase or grow
2. Facility or custom crush
3. Number of skus
4. DTC vs. Distributor
Investment Trends

1. Barrels
2. Winery equipment
3. Vineyard planting
Delicate Balancing Act
Cash timeline – single vintage

Year 1: Farming, Grape Purchases
Year 2: Bottling and Packaging
Year 3: Production
Year 4: Sale of wine
Year 5: ENP

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Cash timeline – single vintage

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>ENP</th>
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<tbody>
<tr>
<td>Farming</td>
<td>Bottling and Packaging</td>
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<tr>
<td>Grape Purchases</td>
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<tr>
<td>Production</td>
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# Cash timeline – vintages

<table>
<thead>
<tr>
<th>Vintage</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Eventual Net Profit</th>
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<td>Farming</td>
<td>Bottling and Packaging</td>
<td>Grape Purchases</td>
<td>Production</td>
<td>Sale of wine</td>
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<tr>
<td>2011</td>
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<td>Annual Cash Impact</td>
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Impact on Local Economy

Stonebridge Research Findings

- The region's wine production has an annual economic impact on Napa County of $13.3 billion
- The wine industry, directly and indirectly provides 46,000 full-time equivalent jobs in Napa County
- Wine-related tourism generates more than $1 billion annually
- The wine industry generates nearly $1.3 billion annually in local, state and federal taxes
- Napa's vintners generate $84 million annually in charitable contributions

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Thank you

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