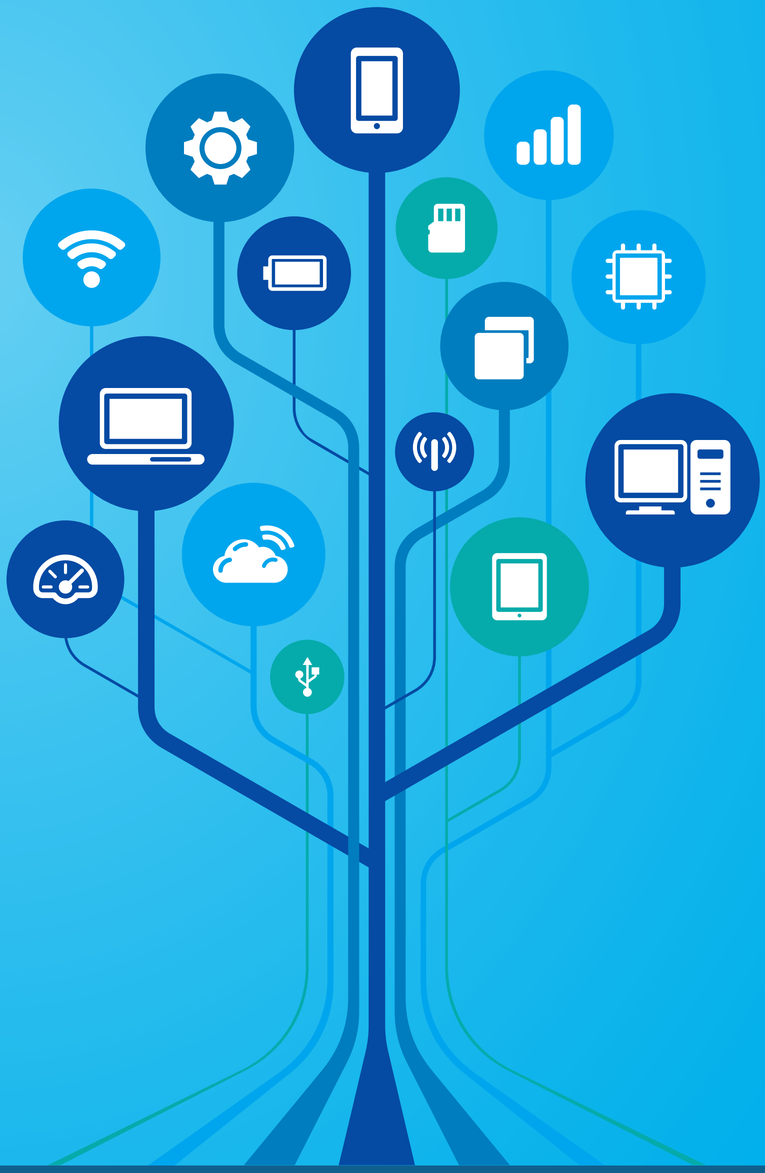
2015

DIRECT TO CONSUMER

WINE SHIPPING REPORT

AN ANNUAL REPORT CREATED BY
SHIPCOMPLIANT AND WINES & VINES



shipCOMPLIANT

WINES & VINES

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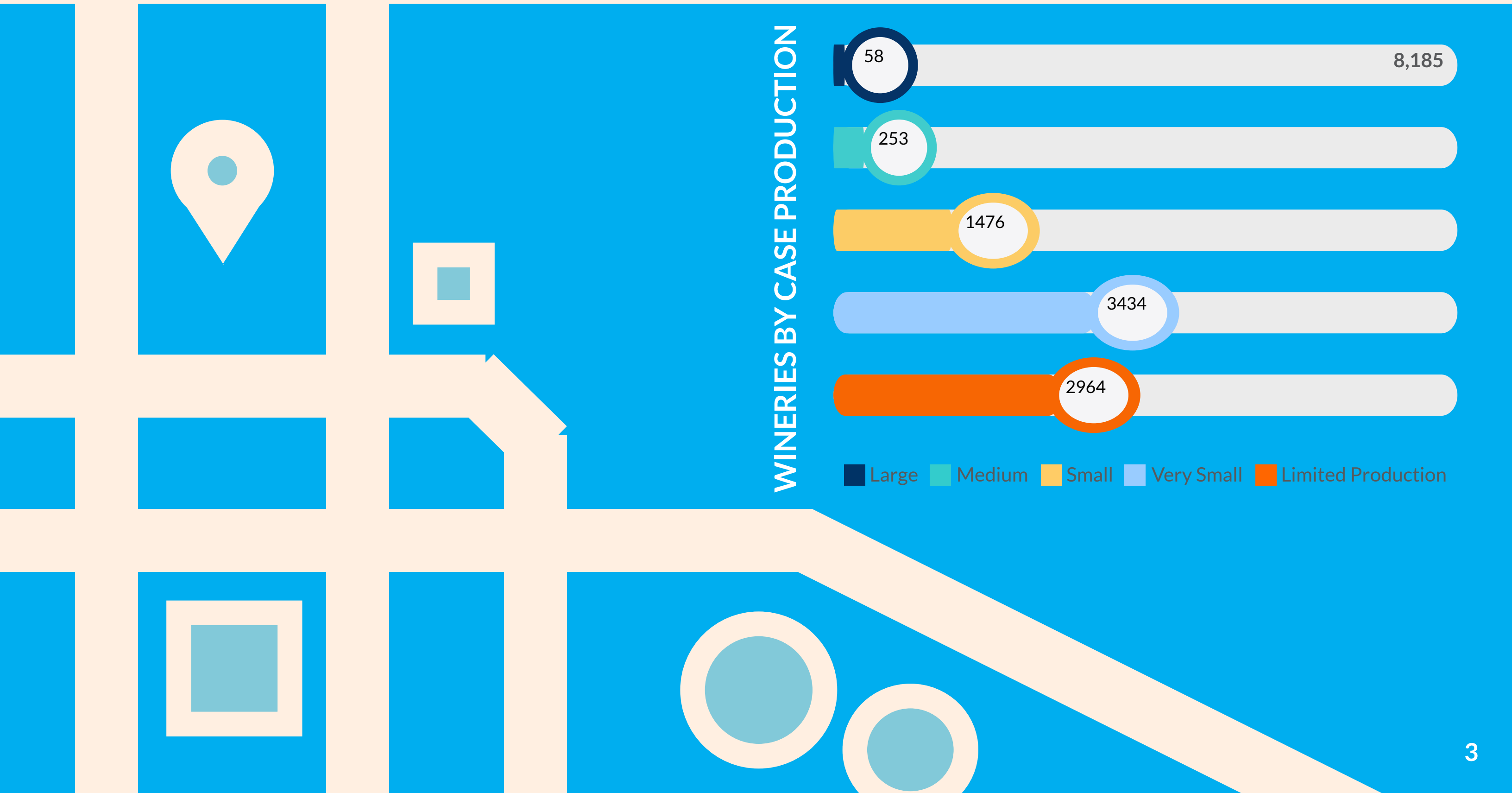
CREATING
THE 2015 WINERY SHIPPING REPORT

The 2015 “Direct Shipping Report” is a collaboration between ShipCompliant and Wines & Vines Analytics, the database/research arm of Wines & Vines Magazine. The scope of this report concerns wines shipped directly from wineries to consumers. It is important to note that wines shipped from licensed retailers to consumers and wines sold at a winery and carried out of the winery at the time of purchase are not included in this report. Rather, this report is concerned solely with winery-to-consumer shipments and therefore does not attempt to portray the outlines of the entire “Direct-to-Consumer” sales channel.

The report is based on millions of anonymized transactions that ultimately led to direct shipments from January 2014 through December 2014 that were also run through the ShipCompliant platform allowing for compliant sales and shipment. Using the comprehensive Wines & Vines database of all 8,100+ wineries across the United States, the ShipCompliant transactions are the basis to project shipments from all United States wineries using stratifications including location of winery and annual production. The model also tracks sales by varietals shipped, destination of shipments and price bands. The model, built to project the totality of winery direct-to-consumer shipments, provides a vivid picture of this important distribution channel. In the course of processing the data through the projection model, the identity of wineries and purchasers of wines are kept entirely anonymous.

In addition to utilizing ShipCompliant data and the Wines & Vines database and the model designed and executed by Wines and Vines Analytics, we received data and analysis from Nielsen and thank them for the contribution.

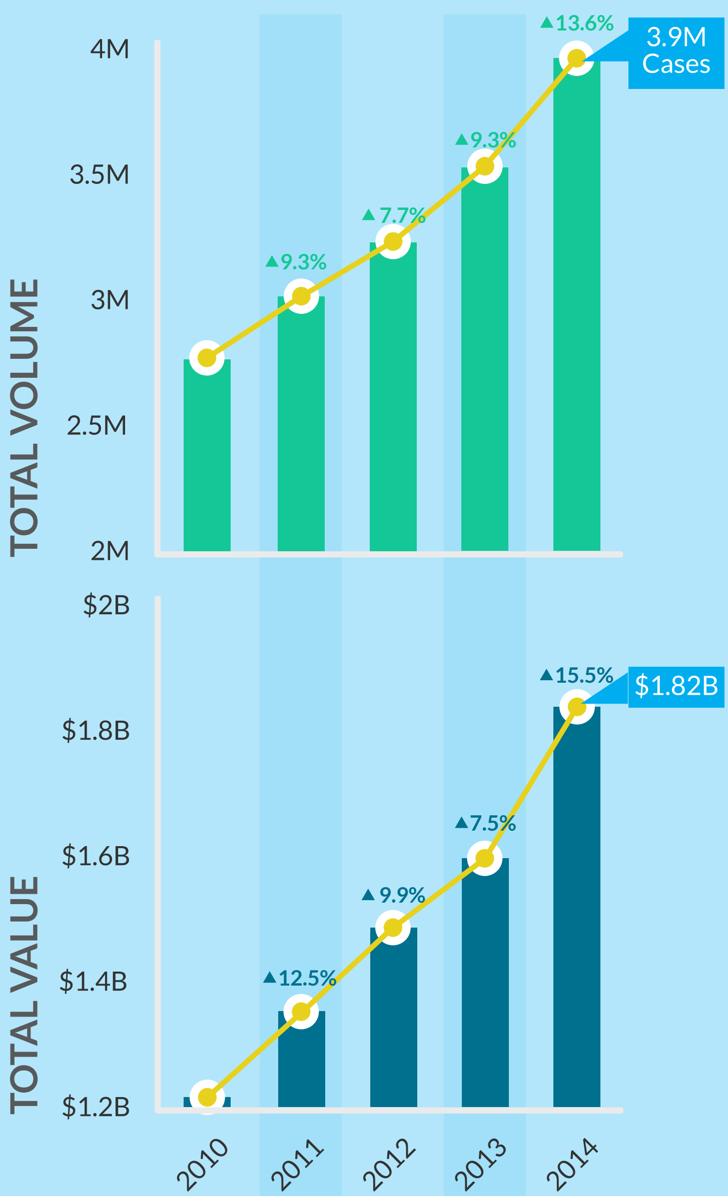


DIRECT SHIPPING OVERVIEW

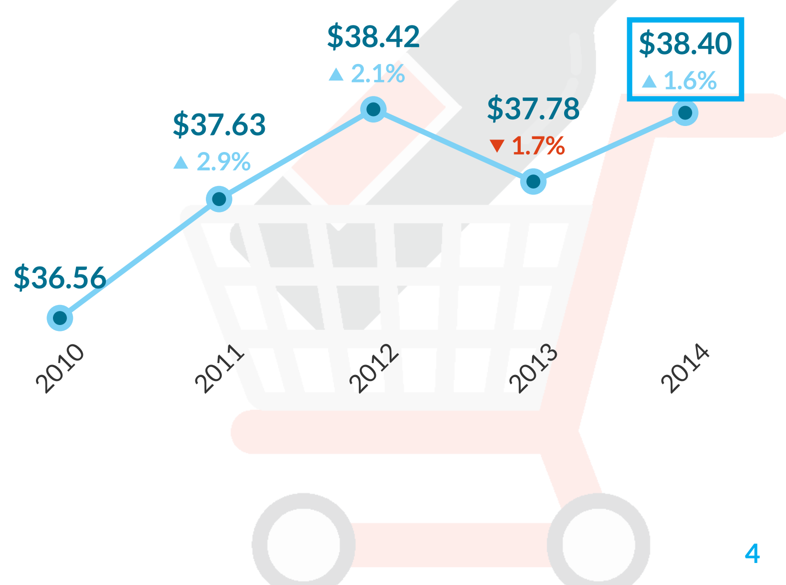
The winery-to-consumer direct shipping market experienced a banner year in 2014, shattering previous records.

The Winery Direct shipping channel in 2014 saw its most robust growth since we began tracking the channel in 2009. The total value of the winery DTC shipping channel increased a whopping 15.5% over 2013 and reached $1.82 billion in sales. Total volume of wine shipped increased 13.6% to 3.95 million cases. Both these figures represent record increases. Perhaps more importantly, the average price per bottle of wine shipped increased 1.6% to $38.40 in 2014 after falling by 1.7% in 2013. This recovery in the average price per bottle is an important indicator of the overall channel's strength.

GROWTH YEAR-OVER-YEAR



AVERAGE PRICE PER BOTTLE
WITH PERCENT INCREASE/DECREASE



When compared with the performance of wine in the traditional off-premise channels (grocery stores, convenience stores, liquor stores), we see that the winery shipping channel was a far more robust marketplace. Nielsen estimates that off-premise domestic table wine sales for the 52 week period ending Dec 6, 2014 increased by just 3.3% over the previous 52-week period, a growth rate almost four times slower than the winery shipping channel. It's clear the DTC channel continues to far outperform the traditional sales channel for wine.

Additionally, the 2014 Direct Shipping Report shows shipments of both Pinot Noir and Oregon wines increasing by significant amounts over 2013. Finally, our data shows that the more expensive wines delivered greater increases in shipments. In the end, what we saw in the winery-to-consumer shipping channel for 2014 was unprecedented growth and recovery from 2013, a more subdued year for growth.

REPORT HIGHLIGHTS

IN 2014
15.5%
INCREASE IN DOLLAR VALUE OF WINERY-TO-CONSUMER SHIPPING

$1.82 BILLION

SHIPMENTS FROM OREGON WINERIES EXPLODE

▲46% VOLUME

▲53% VALUE

SMALLEST WINERIES (BY PRODUCTION) UNDERPERFORM IN 2014

59%
OF ALL SHIPMENTS ARE SENT TO CALIFORNIA, TEXAS, NEW YORK, FLORIDA, AND ILLINOIS

3.95
MILLION CASES
(47 MILLION BOTTLES)

2014 VOLUME OF SHIPMENTS INCREASED 13.6%

HIGHEST PRICED WINERIES HAVE MOST IMPRESSIVE GROWTH IN 2014

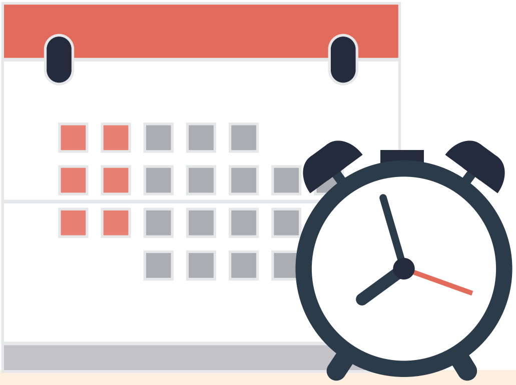
PINOT NOIR

SHIPMENTS ▲22%

AVG. PRICE PER BOTTLE ▲9%

AVERAGE PRICE PER BOTTLE OF WINE SHIPPED RECOVERS FROM 2013

▲1.6%



DIRECT SHIPPING BY MONTH

The pace of shipments over the course of 2014 maintained a predictable pattern, varying little from past years. The last quarter of the year remains vital to wineries with 40% of the value of all shipments coming in during October, November and December. On the other hand, the warm summer months of June, July and August, when many wineries choose not to ship wine to avoid heat damage, account for only 12.4% of shipments for the year.

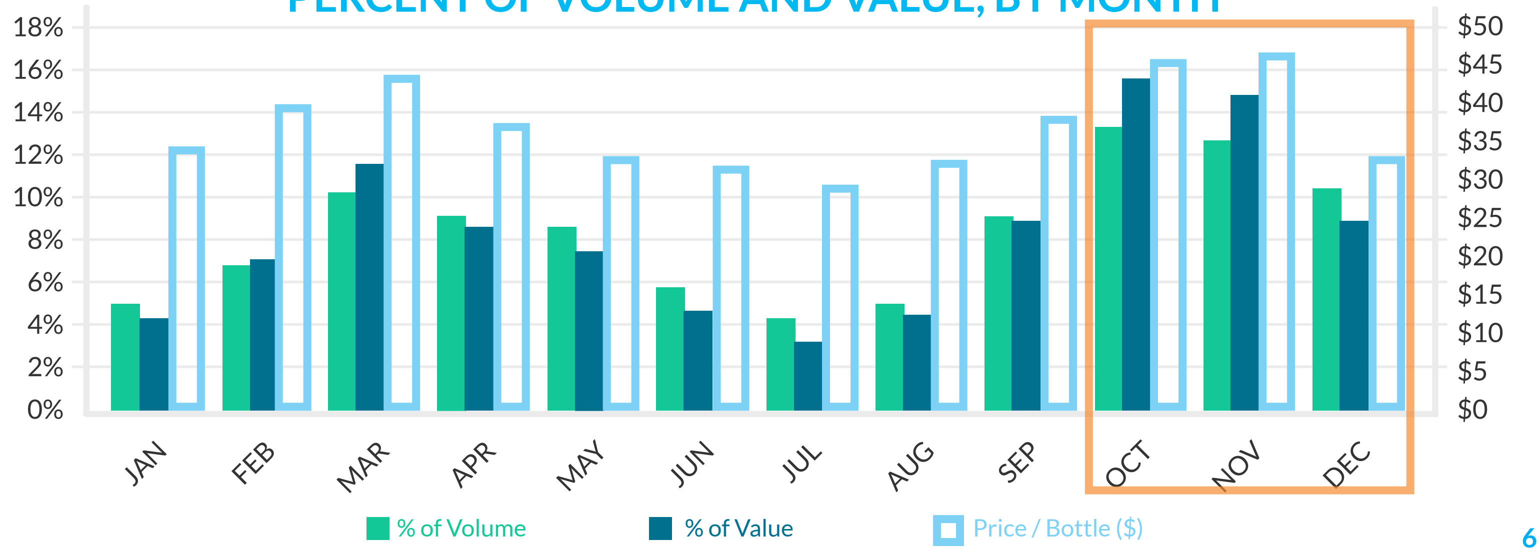
November was a particularly notable month. We show a 21% increase in the value of shipments for November 2014 over November 2013 due in large part to a very healthy 8.1% increase in the average price per bottle to $45.44. November is by far the month during which consumers are willing to spend more per bottle.

BREAKDOWN BY MONTH

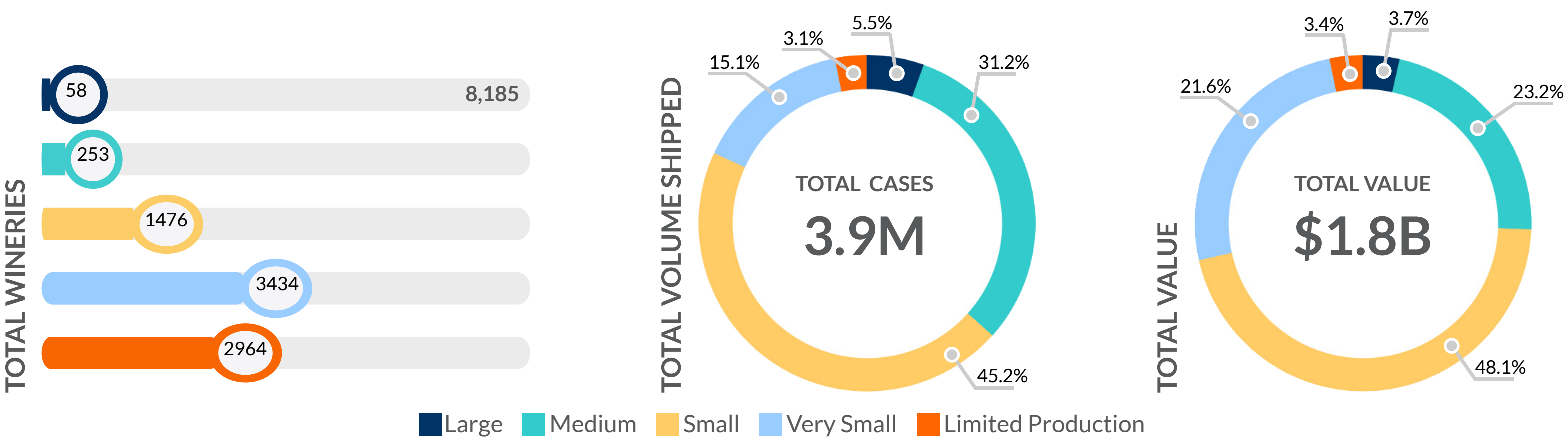
Month	% of Total Volume	Change in Volume	% of Total Value	Change in Value	Avg. Price / Bottle	Change in Price
January	4.8%	14.1%	4.2%	12.6%	$33.88	-1.4%
February	6.8%	9.8%	6.9%	11.8%	$39.29	1.8%
March	10.3%	19.6%	11.7%	20.4%	$43.76	0.7%
April	8.9%	12.9%	8.6%	10.7%	$37.10	-1.9%
May	8.5%	6.0%	7.4%	6.3%	$33.30	0.4%
June	5.8%	18.0%	4.8%	16.9%	$31.38	-0.9%
July	4.3%	12.8%	3.3%	8.8%	$29.57	-3.5%
August	5.0%	16.4%	4.3%	16.8%	$33.04	0.4%
September	9.0%	18.3%	9.0%	15.6%	$38.01	-2.3%
October	13.3%	13.0%	15.6%	18.2%	$45.04	4.6%
November	12.7%	12.4%	15.0%	21.4%	$45.44	8.1%
December	10.5%	13.0%	9.1%	13.9%	$33.39	0.8%
TOTAL	**3,949,333**	**13.6%**	**$1,819,721,740**	**15.5%**	**$38.40**	**1.6%**

November showed the highest growth in value over 2013 and achieved the peak average price per bottle during 2014.

PERCENT OF VOLUME AND VALUE, BY MONTH



DIRECT SHIPPING BY WINERY SIZE



▲19.4% volume ▲14.1% dollar value

▼4.4% avg. price per bottle

Large Wineries
(500,000+ case production)
Direct-to-consumer shipping continues to represent a very small portion of these behemoth-sized wineries' sales. However, it's notable that their share of the DTC channel continues to grow. Since 2010, these large wineries have more than doubled the amount of wine they ship direct to the consumer, while increasing the value of their shipments by 87%. In 2014 large wineries increased their volume and the dollar value of their DTC shipments by 19% and 14% respectively. However, to achieve that hefty growth in the volume of wine shipped direct, large wineries received 4.4% less per bottle than in 2013 with their relatively low $25.92 average price per bottle.

▲24.2% volume ▲15.6% dollar value

▼6.9% avg. price per bottle

Medium Wineries
(50,000 – 499,999 case production)
Despite representing a very small percent all wineries in the U.S., these medium-sized wineries now account for 31% of the total volume of wine shipped direct to the consumers. In fact, in 2014 this category of wineries increased the volume of wine they shipped by 24%, far and away exceeding the overall shipping channel volume growth of 13.6% for the year and outpacing all other winery categories for volume growth. However, to achieve this impressive growth in the number of bottles shipped by these medium-sized wineries, they took a 7% decrease in their average price per bottle.

▲7.4% volume ▲17.6% dollar value

▲9.5% avg. price per bottle

Small Wineries
(5,000 – 49,999 case production)
It is this category of winery that accounts for the lion's share of DTC shipments in the U.S. Most notable this year is the 9.5% increase in average bottle price that these wineries took. This led to an impressive 17.6% increase in the value of this sector of the DTC channel, which now accounts for 48% of the overall value of the shipping channel. However, that price increase taken by these small wineries led to a relatively small increase in overall volume of wines shipped—only 7.4% for 2014.

▲16.7% volume ▲18.9% dollar value

▲1.8% avg. price per bottle

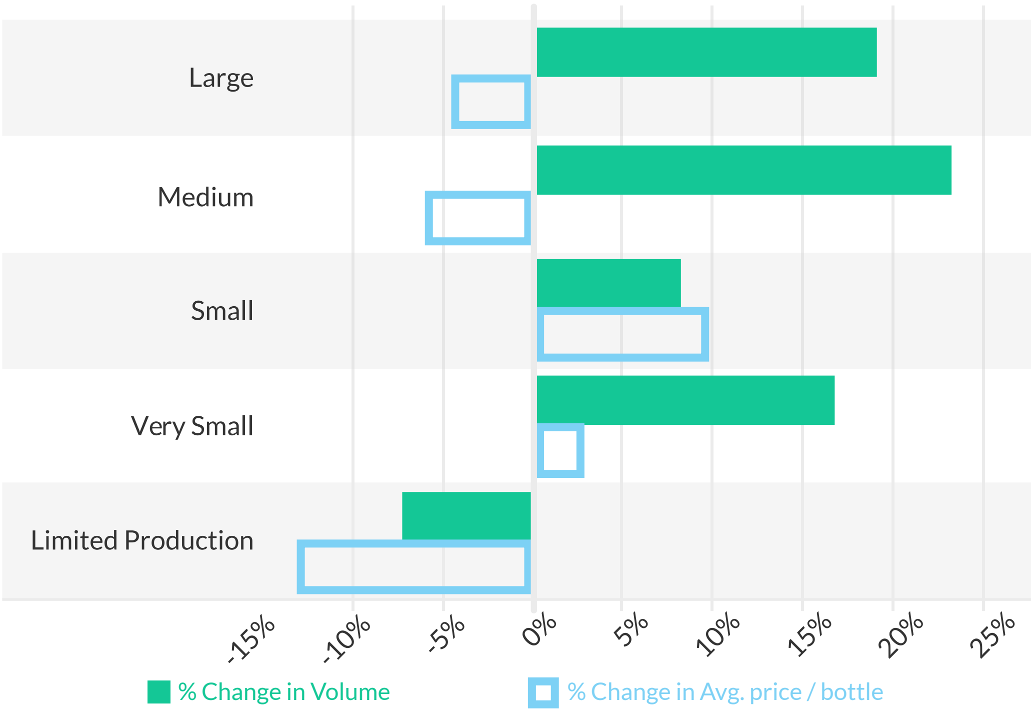
Very Small Wineries
(1,000 – 4,999 case production)
After three straight years of seeing significant increases in their average price per bottle of wine shipped (2011 = 16%, 2012=12%, 2013=14%) these very small wineries merely kept pace with the overall shipping channel's 1.6% increase in price per bottle in 2014. Still the $55.05 average bottle price for this category's wines is greater than all other categories' average bottle prices (including Limited Production-sized wineries) and by a wide margin. The result of their slower price increases in 2014 was significant growth: 18.9% in the value of wines shipped and an 16.7% increase in total volume of wine shipped. By any measure this category of very small wineries was most successful with their direct shipping efforts in 2014.

▼7.0% volume ▼19.0% dollar value

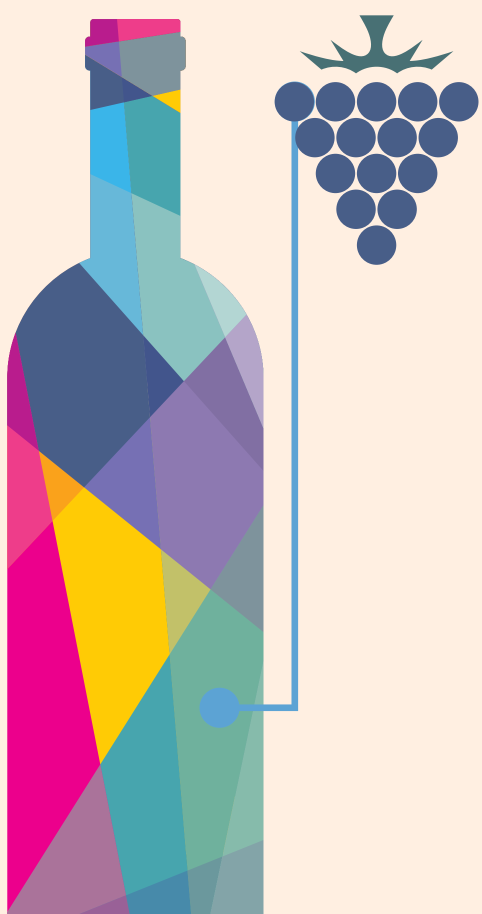
▼12.9% avg. price per bottle

Limited Production Wineries
(Up to 999 case production)
These smallest of wineries are sustained by direct to consumer shipments. It is their lifeblood. Still, 2014 saw these tiny wineries significantly underperformed compared to the overall winery shipping channel. For a second straight year, these wineries saw a significant decrease in the average cost of a bottle of their direct-shipped wine, down 13% to $42.40 from 2013. In both value of shipments and in average price per bottle, this segment has significantly under-performed compared to the other four categories of wineries. Consider that in 2011, the average price of a bottle of wine shipped from wineries within this category was $53.00. Even more problematic than the decrease in average price per bottle in 2014 is the 7% decrease in the volume of wine shipped in 2014. We normally see healthy volume increases when any category tracked shows a significant decrease in average price per bottle.

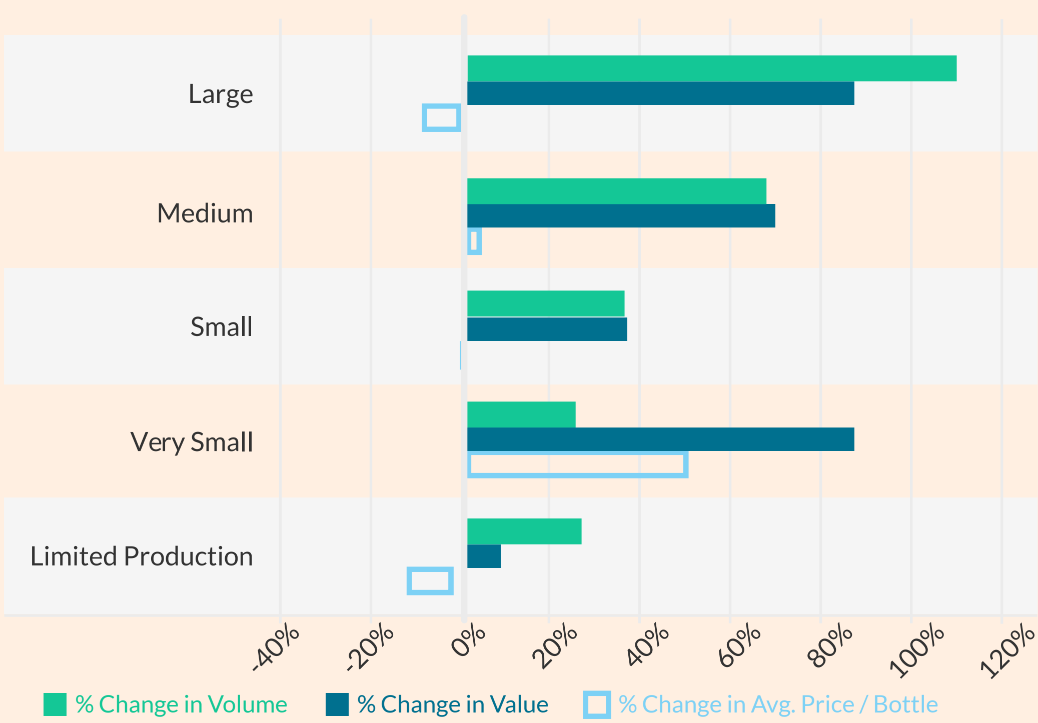
2014 CHANGE IN VOLUME & AVERAGE PRICE PER BOTTLE BY WINERY SIZE



With the notable exception of the very smallest wineries, those most dependent on direct shipping, wineries of every size took advantage of the robust shipping market in 2014.



2010-2014 VOLUME, VALUE, & PRICE GROWTH BY WINERY SIZE



DIRECT SHIPPING BY VARIETAL

In a year defined by robust growth like 2014, we look for those varietals that benefited most from the increased shipments, as well as for those that couldn't keep pace with overall growth. We most certainly have some winners and losers.

There were no significant changes in the top varietals shipped from wineries. As it has been for the past four years, Cabernet Sauvignon, Pinot Noir, Red Blends, Chardonnay and Zinfandel were the most commonly shipped wines in 2014. Together they represent 61% of all wines shipped in 2014.

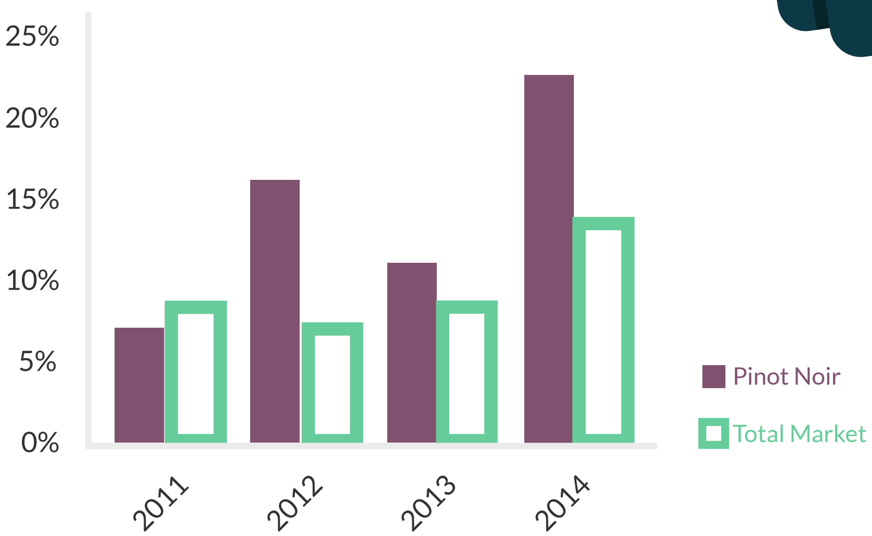
Pinot Noir, however, was the varietal standout in 2014. Of the $244 million additional dollars that were spent on shipped wine in 2014 over 2013, $81 Million, or more than 1/3 of that increase, is accounted for by new Pinot Noir shipments in 2014. Compare this to the fact that Pinot Noir shipments make up only 18% of the total value of shipments. The value of Pinot Noir shipments have increased 94% since 2010. Only shipments of Rose have increased at a greater rate.

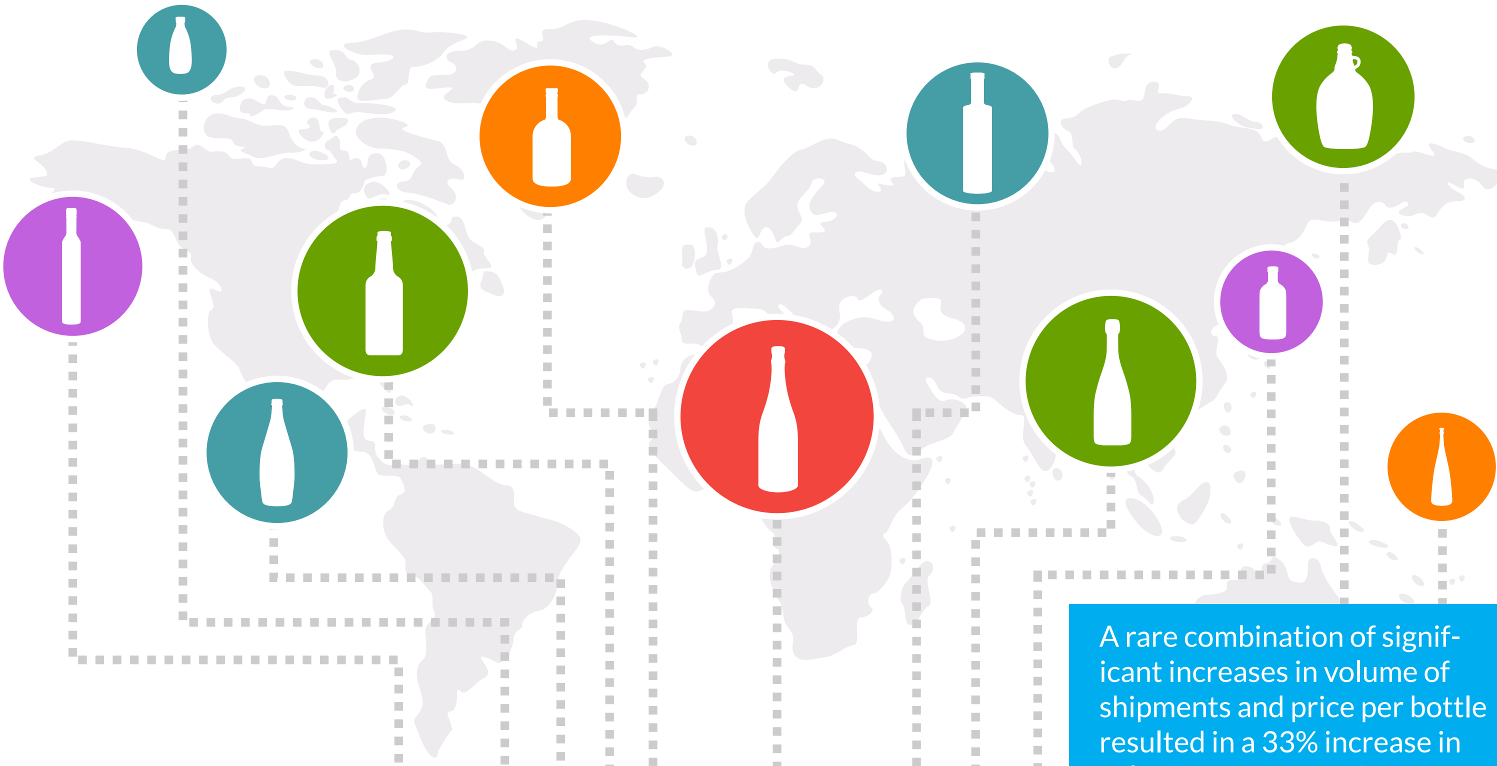
Most impressive, however, was that the volume of Pinot Noir shipments increased over 2013 by 22% while showing an average price per bottle increase of 9%. This led to a 33% increase in the value of Pinot Noir shipments.

Cabernet Sauvignon, the most commonly shipped wine, also had a banner year increasing its volume of shipments by 15.5% on an average price per bottle increase of 4.3%, far outpacing the overall shipping market of 13.6%. Cabernet Sauvignon remains the varietal with the highest average price per bottle in the winery shipping market with its $66.32 price tag.

Finally, it's notable that sparkling wines continue their steady decline in average price per bottle. Their 5.4% decrease in price in 2014 severely underperformed the overall average per bottle increase of 1.6%. Since 2010, Sparkling wine's average price per bottle has fallen 18%, more than any other varietal tracked.

% GROWTH IN VOLUME OF PINOT NOIR *VS* TOTAL MARKET





A rare combination of significant increases in volume of shipments and price per bottle resulted in a 33% increase in value of PInot Noir shipments.

BREAKDOWN BY VARIETAL

Varietal	Volume (Cases)	% of Total	1 Year Growth	Value (USD $)	% of Total	1 Year Growth	Avg. Bottle (USD $)	1 Year Growth
Cabernet Sauvignon	687,172	17.4%	15.5%	$546,902,170	30.1%	20.4%	$66.32	4.3%
Pinot Noir	600,911	15.2%	21.8%	$326,525,725	17.9%	33.1%	$45.28	9.3%
Blend - Red	507,188	12.8%	10.8%	$254,734,424	14.0%	1.2%	$41.85	-8.6%
Chardonnay	391,651	9.9%	5.9%	$145,025,218	8.0%	10.8%	$30.86	4.6%
Zinfandel	235,703	6.0%	12.9%	$76,410,821	4.2%	10.8%	$27.02	-1.8%
Fume / Sauvignon / Blanc	161,539	4.1%	1.6%	$40,863,993	2.2%	-0.2%	$21.08	-1.7%
Merlot	149,373	3.8%	7.8%	$54,762,631	3.0%	10.1%	$30.55	2.2%
Syrah / Shiraz	144,740	3.7%	-3.1%	$59,489,999	3.3%	-1.4%	$34.25	1.8%
Sparkling	117,947	3.0%	22.8%	$39,106,417	2.1%	16.2%	$27.63	-5.4%
Blend - White	87,665	2.2%	22.0%	$19,366,354	1.1%	14.3%	$18.41	-6.3%
Rose	64,125	1.6%	22.3%	$14,540,064	0.8%	11.6%	$18.90	-8.8%
Pinot Gris / Grigio	56,881	1.4%	28.8%	$10,291,696	0.6%	18.3%	$15.08	-8.2%
Cabernet Franc	51,633	1.3%	13.7%	$24,167,807	1.3%	23.9%	$39.01	9.0%
Petite Sirah	50,891	1.3%	8.4%	$16,576,189	0.9%	2.6%	$27.14	-5.3%
Riesling	43,076	1.1%	16.1%	$8,941,030	0.5%	30.4%	$17.30	12.3%
Sangiovese	30,829	0.8%	-17.4%	$9,967,244	0.5%	-10.4%	$26.94	8.4%
Moscato	6,560	0.2%	18.2%	$549,971	0.0%	22.8%	$6.99	3.9%
Other Red	194,633	4.9%	15.5%	$54,079,378	3.0%	9.7%	$23.15	-5.0%
Other White	110,116	2.8%	14.9%	$25,534,288	1.4%	8.8%	$19.32	-5.3%
Other	81,914	2.1%	16.7%	$22,199,037	1.2%	12.6%	$22.58	-3.4%
Unspecified	174,787	4.4%	32.0%	$69,687,284	3.8%	27.1%	$33.22	-3.8%
TOTAL	**3,949,333**	**100.0%**	**13.6%**	**$1,819,721,740**	**100.0%**	**15.5%**	**$38.40**	**1.6%**

DIRECT SHIPPING BY DESTINATION

In 2014, nearly 60% of all shipments landed in just five states: California, Texas, New York, Florida and Illinois. These are the same five top states as in 2013 and in the same ranking. However, the bottom five of the top ten states was altered. Due to significant increases in shipments to Oregon and Colorado, combined with less impressive number of shipments to Virginia and Michigan, we saw Oregon jump from number 13 on the list to number 9 and Michigan falling from number 9 to number 11 on the list.

Among other notable changes in where wine was shipped in 2014, we saw an impressive 245% increase in shipments of wine to Montana consumers after that state's legislature fixed its direct shipping law to allow wineries to obtain shipping permits, rather than rely on the unworkable "Connoisseurs Licenses" used to track direct shipments previously.

The state of North Dakota saw its shipments increase by 61% after a change to the direct shipping law in 2013 made it easier for fulfillment houses to ship wine into the state.

Other states seeing a significant increase in their shipments included Oregon (+45%), Wyoming (+36%) and New Jersey (+36%).

Not all states, however, fared so well or kept up with the overall 13.6% increase in the volume of shipments for the entire shipping channel. Shipments to Virginia decreased by 8.6% in 2014, while New Mexico shipments decreased by 1.9%. Among other states that didn't keep pace with the overall 13.6% average increase in the volume of shipments in 2014 are New Hampshire, Michigan, West Virginia, Wisconsin, Minnesota, and New York.

TOP TEN WINE SHIPMENT DESTINATIONS

1. California
2. Texas
3. New York
4. Florida
5. Illinois
6. Washington
7. Colorado ▲1
8. Virginia ▼1
9. Oregon ▲4
10. Georgia

Shipping to Massachusetts

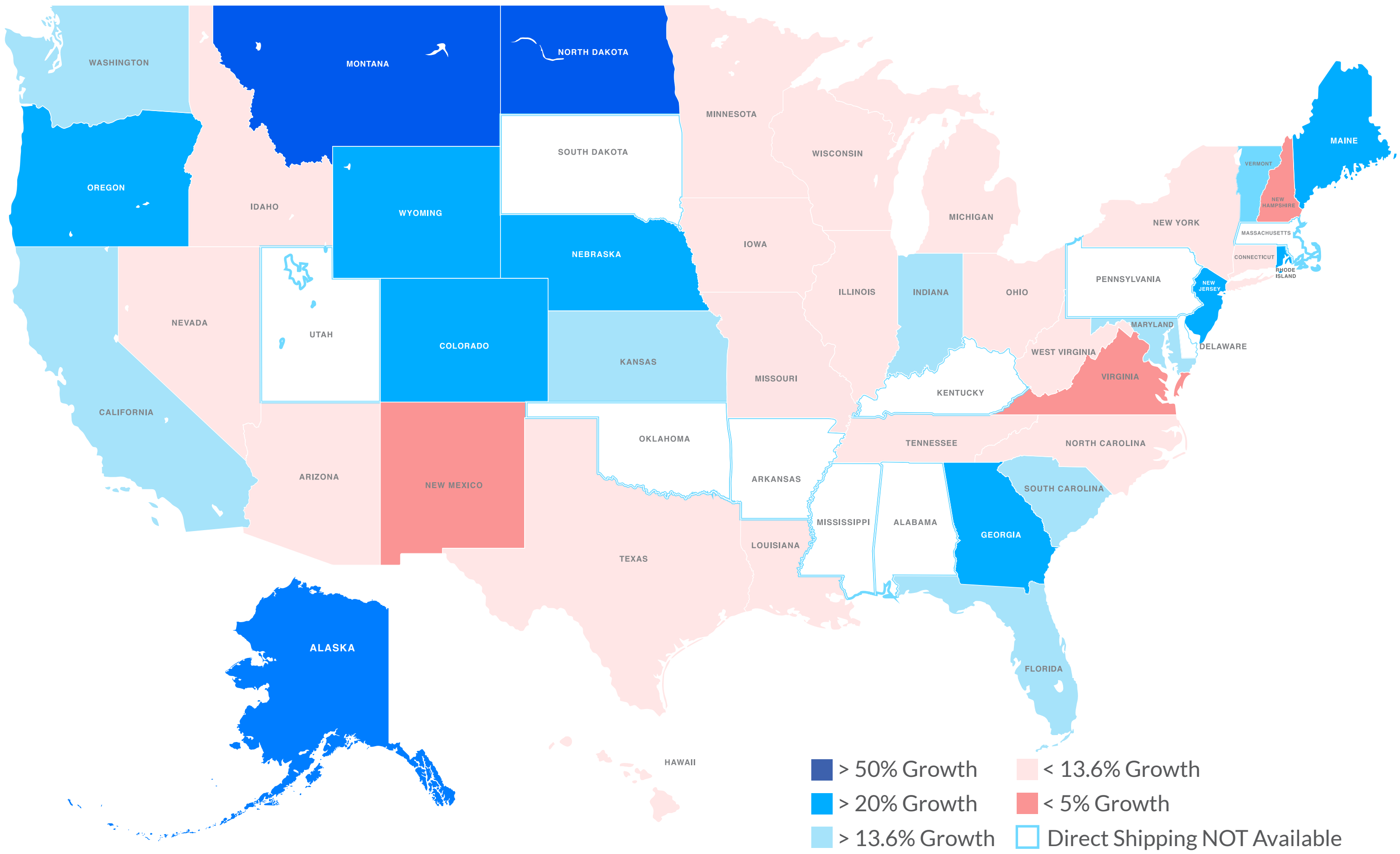
This year marks the beginning of legal direct shipping into Massachusetts and we expect it to be of great importance to both wineries and Massachusetts wine consumers.

Because Massachusetts is a high per-capita consumption state for wine, we expect its 6.6 million residents to add considerably to the direct shipping channel. In fact, based on our estimates, we expect wineries to sell upwards of $29 million in wine directly to Massachusetts wine lovers in 2015. Within three years, that figure should increase to $75 million. And within a decade, the value of Massachusetts to the direct wine shipping market is estimated to reach well over $100 million.

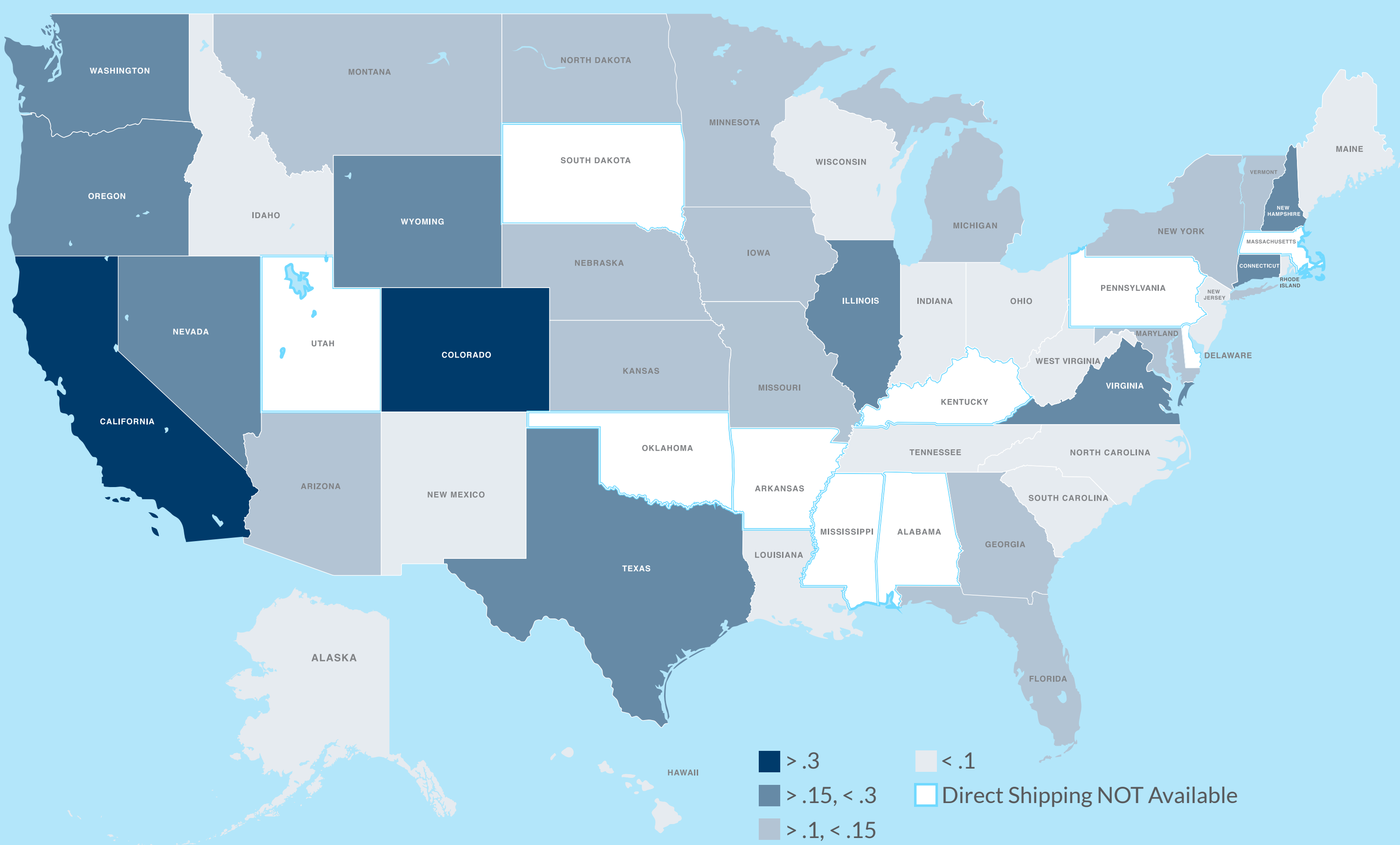
BREAKDOWN BY DESTINATION STATE

Location	Volume (Cases)	% of Total	1 Year Growth	Value (USD $)	% of Total	1 Year Growth	Avg. Bottle (USD $)	1 Year Growth	Bottles per Capita
CA	1,312,126	33.2%	13.7%	$621,013,943	34.1%	19.1%	$39.44	4.8%	0.405
TX	351,873	8.9%	11.8%	$178,294,097	9.8%	14.7%	$42.23	2.5%	0.156
NY	240,649	6.1%	9.1%	$116,252,963	6.4%	6.8%	$40.26	-2.1%	0.146
FL	235,223	6.0%	15.3%	$111,079,382	6.1%	14.3%	$39.35	-0.9%	0.141
IL	171,085	4.3%	10.9%	$84,547,641	4.6%	11.6%	$41.18	0.6%	0.159
WA	162,990	4.1%	18.9%	$69,973,074	3.8%	16.3%	$35.78	-2.2%	0.276
CO	143,480	3.6%	25.7%	$54,280,789	3.0%	14.3%	$31.53	-9.1%	0.321
VA	120,043	3.0%	-8.6%	$48,441,386	2.7%	-2.3%	$33.63	6.9%	0.173
OR	88,228	2.2%	45.4%	$39,220,023	2.2%	44.9%	$37.04	-0.3%	0.266
GA	86,210	2.2%	20.6%	$40,535,059	2.2%	18.1%	$39.18	-2.0%	0.102
MI	84,575	2.1%	8.9%	$30,032,667	1.7%	12.0%	$29.59	2.8%	0.102
OH	74,638	1.9%	12.5%	$34,791,776	1.9%	17.9%	$38.85	4.8%	0.077
NC	72,399	1.8%	8.2%	$31,371,818	1.7%	10.8%	$36.11	2.4%	0.087
MD	68,599	1.7%	19.8%	$23,455,979	1.3%	18.5%	$28.49	-1.1%	0.137
MN	64,793	1.6%	8.3%	$27,632,794	1.5%	7.6%	$35.54	-0.6%	0.142
AZ	59,124	1.5%	8.6%	$26,976,278	1.5%	10.7%	$38.02	1.9%	0.105
MO	51,118	1.3%	11.1%	$27,347,092	1.5%	10.1%	$44.58	-0.9%	0.101
NJ	50,502	1.3%	36.2%	$27,015,188	1.5%	28.6%	$44.58	-5.6%	0.067
CT	49,399	1.3%	10.9%	$24,548,942	1.3%	11.8%	$41.41	0.9%	0.164
WI	46,496	1.2%	7.6%	$18,451,203	1.0%	10.3%	$33.07	2.5%	0.096
TN	45,996	1.2%	11.0%	$18,451,937	1.0%	15.2%	$33.43	3.8%	0.084
NV	40,095	1.0%	10.8%	$19,108,343	1.1%	12.8%	$39.72	1.8%	0.169
SC	29,110	0.7%	16.8%	$11,700,033	0.6%	17.0%	$33.49	0.2%	0.072
IA	28,539	0.7%	13.0%	$11,410,326	0.6%	7.8%	$33.32	-4.6%	0.110
LA	26,542	0.7%	9.2%	$12,213,441	0.7%	10.8%	$38.35	1.5%	0.068
DC	25,998	0.7%	12.2%	$13,531,481	0.7%	16.0%	$43.37	3.4%	0.473
KS	24,303	0.6%	15.5%	$10,900,734	0.6%	17.6%	$37.38	1.8%	0.100
NH	18,270	0.5%	0.7%	$8,593,038	0.5%	7.1%	$39.19	6.3%	0.165
IN	18,205	0.5%	18.0%	$6,756,348	0.4%	26.2%	$30.93	7.0%	0.033
NM	16,474	0.4%	-1.9%	$6,865,815	0.4%	0.5%	$34.73	2.4%	0.094
NE	15,920	0.4%	22.3%	$7,048,244	0.4%	30.4%	$36.89	6.6%	0.101
ID	11,869	0.3%	10.3%	$4,785,804	0.3%	9.2%	$33.60	-1.0%	0.087
WY	11,344	0.3%	36.3%	$4,107,665	0.2%	38.5%	$30.17	1.6%	0.233
ME	10,080	0.3%	36.3%	$2,876,503	0.2%	20.2%	$23.78	-11.8%	0.090
MT	9,326	0.2%	245.3%	$2,955,099	0.2%	153.5%	$26.41	-26.6%	0.109
HI	8,469	0.2%	7.8%	$5,446,118	0.3%	14.0%	$53.59	5.8%	0.071
ND	8,264	0.2%	60.8%	$2,506,389	0.1%	49.4%	$25.27	-7.1%	0.134
WV	5,339	0.1%	6.8%	$2,233,651	0.1%	13.0%	$34.86	5.9%	0.034
VT	5,306	0.1%	14.1%	$2,114,626	0.1%	20.5%	$33.21	5.5%	0.101
AK	5,095	0.1%	23.6%	$2,765,712	0.2%	27.3%	$45.23	3.0%	0.082
RI	3,882	0.1%	21.9%	$1,653,804	0.1%	17.5%	$35.50	-3.6%	0.044
TOTAL	**3,949,333**	**100.0%**	**13.6%**	**$1,819,721,740**	**100.0%**	**15.5%**	**$38.40**	**1.6%**	**0.114**

GROWTH IN DIRECT SHIPPING VOLUME



BOTTLES SHIPPED DIRECT PER CAPITA



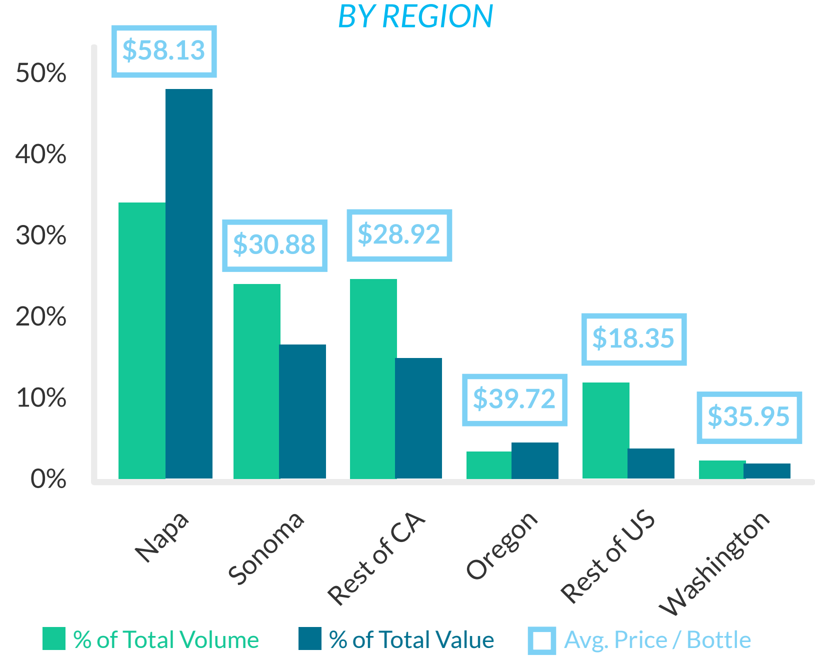
DIRECT SHIPPING
BY REGION

BIG NEWS FROM OREGON

The big story in direct shipping in 2014 is Oregon, which saw its wineries push monumental growth in both the volume of wine they shipped direct to the consumer and in the value of those shipments. This spectacular growth of Oregon winery shipping market will tend to overshadow what happened in other regions. But it is notable that both Washington and the “Rest of U.S.” categories also excelled in 2014. Finally, the data shows shipments originating in Sonoma were problematic in 2014, while shipments from Napa, the largest source of winery to consumer shipments, kept on rolling.

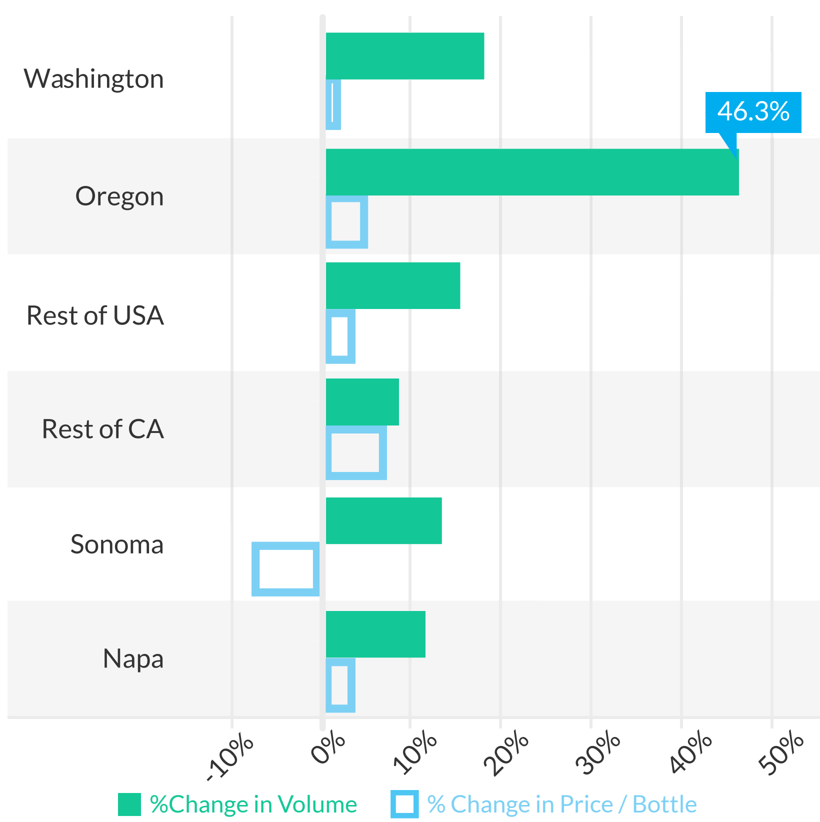
% OF TOTAL VOLUME AND VALUE

BY REGION



2014 CHANGE IN VOLUME & PRICE/BOTTLE

BY REGION



BREAKDOWN BY WINERY REGION

Region	Volume (Cases)	% of Total Volume	Change in Volume	Value ($)	% of Total Value	Change in Value	Avg Price/Bottle	Change in Price/Bottle
Napa	1,265,321	32.0%	12.2%	$882,567,398	48.5%	16.1%	$58.13	3.5%
Sonoma	963,476	24.4%	14.4%	$357,004,561	19.6%	6.4%	$30.88	-6.9%
Rest of CA	984,058	24.9%	8.7%	$341,497,251	18.8%	15.0%	$28.92	5.8%
Rest of USA	413,738	10.5%	15.7%	$91,108,970	5.0%	20.1%	$18.35	3.7%
Oregon	183,612	4.6%	46.3%	$87,524,293	4.8%	52.5%	$39.72	4.2%
Washington	139,129	3.5%	18.9%	$60,019,266	3.3%	19.6%	$35.95	0.6%
TOTAL	**3,949,333**	**100.0%**	**13.6%**	**$1,819,721,740**	**100.0%**	**15.5%**	**$38.40**	**1.6%**

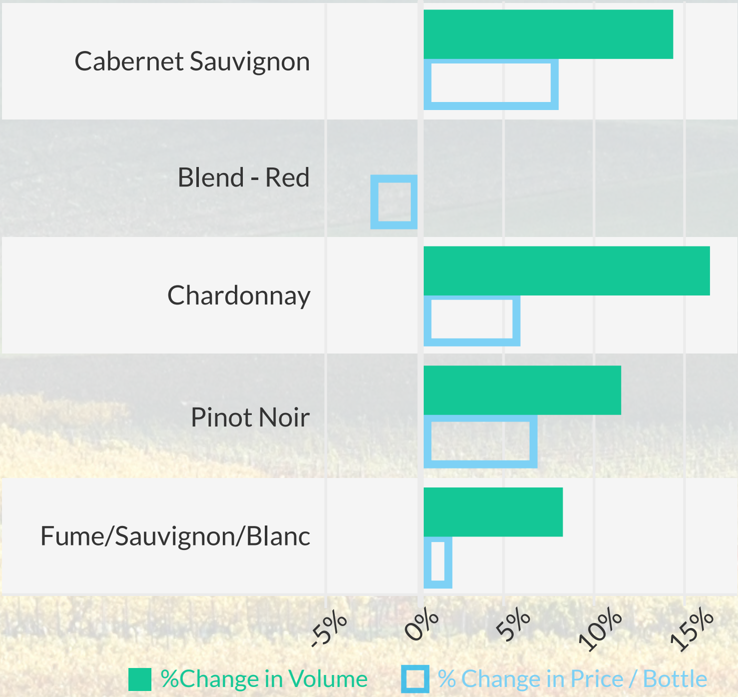
NAPA COUNTY

Napa wineries remain the engine that drive winery-to-consumer shipping in the United States. In 2014 the region accounted for 32% of all wines shipped. However, the much higher average price per bottle that Napa wineries command ($58.13) results in nearly half of all direct shipping dollars going to Napa wineries. Napa only increased its dominance in 2014 due to its 3.5% increase in average price per bottle.

Consumers opted for even more, higher-priced Napa Valley Cabernet Sauvignon in 2014. The volume of Napa Cabernet shipments increased by 15% even while increasing its average price per bottle by 8% to a whopping $88.45. This in turn led to an impressive 24% increase in the value of Napa Valley Cabernet shipped to consumers. Over $418 million in Napa Cabernet was shipped in 2014. Additionally, Napa Chardonnays and Cabernet Francs also saw impressive growth over 2013. Red Blends however, which represent 12% of all shipments, saw a volume, dollar and price decrease in 2014.

SAUVIGNON BLANC KNOCKS MERLOT OUT OF THE TOP 5 NAPA VARIETALS

CHANGE IN VOLUME & PRICE / BOTTLE
TOP 5 VARIETALS



NAPA COUNTY BREAKDOWN BY VARIETAL

Varietal	Volume (Cases)	% of Total	1 Year Growth	Value (USD $)	% of Total	1 Year Growth	Avg. Bottle (USD $)	1 Year Growth
Cabernet Sauvignon	394,409	31.2%	14.6%	$418,628,214	47.4%	24.1%	$88.45	8.3%
Blend - Red	157,329	12.4%	0.0%	$147,085,448	16.7%	-3.2%	$77.91	-3.2%
Chardonnay	130,554	10.3%	15.8%	$59,776,243	6.8%	21.7%	$38.16	5.1%
Pinot Noir	104,173	8.2%	11.6%	$55,763,117	6.3%	18.7%	$44.61	6.4%
Fume / Sauvignon / Blanc	65,414	5.2%	8.0%	$21,880,147	2.5%	8.5%	$27.87	0.5%
Merlot	62,975	5.0%	-0.3%	$33,366,007	3.8%	7.7%	$44.15	8.0%
Sparkling	58,471	4.6%	21.5%	$20,921,445	2.4%	18.3%	$29.82	-2.6%
Zinfandel	55,787	4.4%	13.4%	$23,729,395	2.7%	13.1%	$35.45	-0.3%
Unspecified	45,333	3.6%	45.5%	$24,098,467	2.7%	52.8%	$44.30	5.0%
Other Red	29,446	2.3%	11.8%	$11,573,275	1.3%	4.4%	$32.75	-6.6%
Syrah / Shiraz	23,153	1.8%	-1.9%	$12,242,052	1.4%	1.3%	$44.06	3.3%
Other	21,966	1.7%	20.4%	$6,778,056	0.8%	23.8%	$25.71	2.8%
Cabernet Franc	19,524	1.5%	40.3%	$13,226,064	1.5%	41.5%	$56.45	0.9%
Other White	19,319	1.5%	0.4%	$7,850,536	0.9%	-2.2%	$33.86	-2.6%
Petite Sirah	19,065	1.5%	16.9%	$8,342,232	0.9%	14.9%	$36.46	-1.7%
Rose	18,225	1.4%	8.8%	$4,582,663	0.5%	-9.6%	$20.95	-16.9%
Blend - White	17,935	1.4%	29.9%	$6,261,673	0.7%	29.5%	$29.09	-0.3%
Pinot Gris / Grigio	7,965	0.6%	-9.3%	$1,832,695	0.2%	-10.1%	$19.17	-0.8%
Riesling	7,529	0.6%	37.5%	$1,923,450	0.2%	37.6%	$21.29	0.1%
Sangiovese	5,388	0.4%	4.5%	$2,442,202	0.3%	10.5%	$37.77	5.8%
Moscato	1,362	0.1%	183.7%	$264,017	0.0%	483.1%	$16.15	105.5%
NAPA TOTAL	**1,265,321**	**100.0%**	**12.2%**	**$882,567,398**	**100.0%**	**16.1%**	**$58.13**	**3.5%**

SONOMA COUNTY

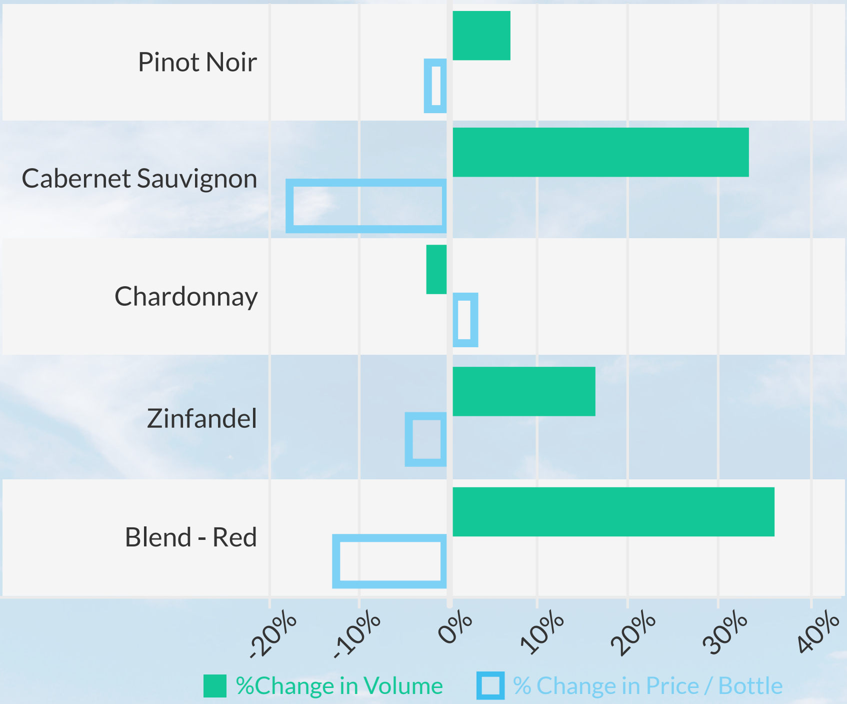
Sonoma County wineries maintained their status as the second largest geographic set of wine shippers among the regions we track by virtue of being the only tracked region in 2014 that saw a decrease in the average price per bottle in 2014 (-7%). This represents the 4th year in a row that the average price for a bottle of shipped Sonoma County wine has fallen. Since 2011 the average price of a bottle of shipped Sonoma County Wine has fallen by 16%. Finally, we also note that despite this drop in the average price of a shipped wine, Sonoma's 14.4% increase in its volume of shipments barely kept pace with the channel's overall increase of 13.6% for the overall shipping channel.

While no region we track ships out more Pinot Noir than Sonoma County, including Oregon, Sonoma County's wineries were the only set of wineries in 2014 that did not see robust increases in their Pinot Noir shipments. In fact no varietal shipped from Sonoma County in 2014 outpaced the overall shipping channel's increases in volume, value and price per bottle. Of the top 10 varietals shipped out of Sonoma County, representing 85% of all shipments, all except Chardonnay and Syrah/Shiraz took a reduction in their average price per bottle shipped, including the important Cabernet Sauvignon category, which was clipped by 19%.

AT $46.70 PER BOTTLE, PINOT NOIR IS SONOMA'S HIGHEST PRICED VARIETAL

CHANGE IN VOLUME & PRICE / BOTTLE

TOP 5 VARIETALS



SONOMA COUNTY BREAKDOWN BY VARIETAL

Varietal	Volume (Cases)	% of Total	1 Year Growth	Value (USD $)	% of Total	1 Year Growth	Avg. Bottle (USD $)	1 Year Growth
Pinot Noir	191,855	19.9%	7.0%	$107,521,276	30.1%	6.2%	$46.70	-0.8%
Cabernet Sauvignon	136,016	14.1%	33.3%	$63,005,771	17.6%	8.7%	$38.60	-18.4%
Chardonnay	118,051	12.3%	-2.2%	$45,628,354	12.8%	0.4%	$32.21	2.6%
Zinfandel	97,300	10.1%	17.7%	$30,653,045	8.6%	13.6%	$26.25	-3.5%
Blend - Red	92,705	9.6%	37.6%	$29,657,075	8.3%	20.8%	$26.66	-12.2%
Unspecified	34,819	3.6%	-5.1%	$13,134,880	3.7%	-16.1%	$31.44	-11.5%
Syrah / Shiraz	29,305	3.0%	1.9%	$9,722,994	2.7%	25.6%	$27.65	23.3%
Other Red	37,389	3.9%	7.3%	$9,399,850	2.6%	-2.6%	$20.95	-9.3%
Fume / Sauvignon / Blanc	49,199	5.1%	6.2%	$9,196,925	2.6%	-6.5%	$15.58	-11.9%
Merlot	37,356	3.9%	26.7%	$8,048,951	2.3%	14.9%	$17.96	-9.3%
Sparkling	22,096	2.3%	27.9%	$7,859,139	2.2%	8.3%	$29.64	-15.3%
Other White	27,877	2.9%	21.6%	$4,203,353	1.2%	14.8%	$12.57	-5.6%
Sangiovese	10,734	1.1%	8.4%	$3,740,962	1.0%	-1.8%	$29.04	-9.4%
Petite Sirah	12,851	1.3%	2.6%	$3,120,086	0.9%	-16.7%	$20.23	-18.9%
Rose	15,057	1.6%	29.1%	$2,949,683	0.8%	20.1%	$16.33	-7.0%
Cabernet Franc	6,731	0.7%	15.4%	$2,442,937	0.7%	12.8%	$30.25	-2.3%
Pinot Gris / Grigio	17,520	1.8%	41.6%	$2,288,765	0.6%	-0.5%	$10.89	-29.8%
Blend - White	13,723	1.4%	52.9%	$2,152,671	0.6%	49.7%	$13.07	-2.1%
Other	4,943	0.5%	4.6%	$1,515,041	0.4%	-16.4%	$25.54	-20.0%
Riesling	3,237	0.3%	-26.6%	$553,595	0.2%	26.1%	$14.25	71.9%
Moscato	4,712	0.5%	31.5%	$209,212	0.1%	7.7%	$3.70	-18.1%
SONOMA TOTAL	**963,476**	**100.0%**	**14.4%**	**$357,004,561**	**100.0%**	**6.4%**	**$30.88**	**-6.9%**

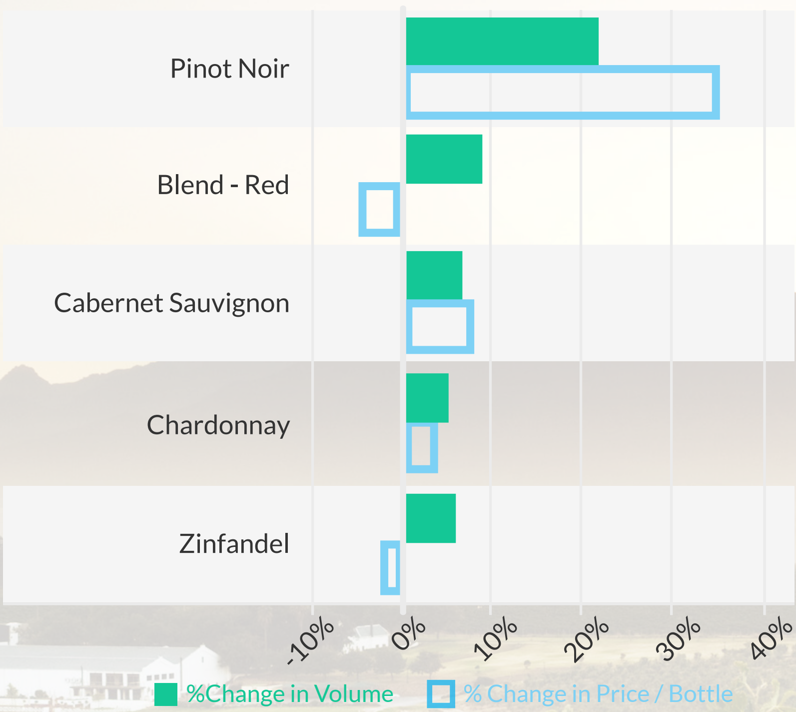
THE REST OF CALIFORNIA

2014 was the fourth year in a row that these non-Napa and Sonoma County California wineries have lost shares of the shipping channel. Since 2011, their share of the channel has dropped from 29% to 25% in 2014. The likely reason for the region's meager performance in 2014 is the 6% increase in the average price per bottle of wine shipped from these wineries. While this led to a 15% increase in the value of their shipments, they saw the total volume of shipments increase by only 8.7%.

But despite somewhat lackluster performance of the wineries in this category in 2014, it's important to take note of its Pinot Noir shipments. The "Rest of California" category includes wineries from Mendocino County, Monterey County and Santa Barbara County, all home to significant production of high-end Pinot Noir. It may not be a surprise then to note that Pinot Noirs shipped from these wineries increased in volume by 21% in 2014. But this isn't the truly impressive feat. That volume increase came on a whopping 36% increase in the average price for a shipped bottle of Pinot Noir. This led to a 64% increase in the value of Pinot Noir shipments from the "Rest of California" region's wineries. The "Rest of California" category of wineries is now responsible for more than 28% of all Pinot shipped from winery to consumer.

PINOT NOIR SALES ACCOUNT FOR 100% OF GROWTH IN REST OF CALIFORNIA DIRECT SHIPMENTS

CHANGE IN VOLUME & PRICE / BOTTLE
TOP 5 VARIETALS



REST OF CALIFORNIA BREAKDOWN BY VARIETAL

Varietal	Volume (Cases)	% of Total	1 Year Growth	Value (USD $)	% of Total	1 Year Growth	Avg. Bottle (USD $)	1 Year Growth
Pinot Noir	173,888	17.7%	21.2%	$93,160,411	27.3%	64.4%	$44.65	35.7%
Blend - Red	136,726	13.9%	9.2%	$46,772,227	13.7%	4.7%	$28.51	-4.1%
Cabernet Sauvignon	105,197	10.7%	7.1%	$42,285,832	12.4%	15.1%	$33.50	7.4%
Chardonnay	103,906	10.6%	4.1%	$29,156,440	8.5%	7.8%	$23.38	3.6%
Zinfandel	74,708	7.6%	6.4%	$20,603,426	6.0%	4.6%	$22.98	-1.7%
Other Red	63,814	6.5%	14.0%	$17,736,390	5.2%	3.2%	$23.16	-9.5%
Syrah / Shiraz	58,485	5.9%	-12.7%	$22,613,420	6.6%	-19.9%	$32.22	-8.3%
Unspecified	52,523	5.3%	31.9%	$16,579,226	4.9%	9.1%	$26.30	-17.3%
Fume / Sauvignon / Blanc	37,183	3.8%	-12.7%	$7,843,255	2.3%	-12.5%	$17.58	0.2%
Other White	27,071	2.8%	15.9%	$6,010,542	1.8%	10.2%	$18.50	-4.9%
Merlot	25,759	2.6%	1.8%	$6,501,897	1.9%	7.7%	$21.03	5.8%
Sparkling	21,472	2.2%	29.6%	$5,345,154	1.6%	28.1%	$20.74	-1.2%
Blend - White	19,390	2.0%	5.4%	$4,424,410	1.3%	-13.0%	$19.02	-17.4%
Petite Sirah	18,068	1.8%	11.6%	$4,790,907	1.4%	7.3%	$22.10	-3.9%
Rose	14,759	1.5%	23.1%	$3,642,240	1.1%	18.6%	$20.57	-3.7%
Pinot Gris / Grigio	12,462	1.3%	70.6%	$2,241,009	0.7%	76.4%	$14.99	3.4%
Other	11,536	1.2%	-21.6%	$4,008,383	1.2%	-26.5%	$28.95	-6.2%
Sangiovese	11,527	1.2%	-31.5%	$2,998,163	0.9%	-16.7%	$21.67	21.7%
Cabernet Franc	11,156	1.1%	14.3%	$4,039,826	1.2%	18.2%	$30.18	3.4%
Riesling	4,221	0.4%	113.8%	$702,709	0.2%	104.8%	$13.87	-4.2%
Moscato	207	0.0%	-53.3%	$41,384	0.0%	-57.7%	$16.66	-9.4%
REST OF CA TOTAL	**984,058**	**100.0%**	**8.7%**	**$341,497,251**	**100.0%**	**15.0%**	**$28.92**	**5.8%**

OREGON

As we noted above, Oregon experienced a spectacular year in its direct shipments. Oregon wineries increased their volume of shipments by 46% on a 4.2% increase in its average price per bottle. This led to an increase in the value of Oregon winery shipments of 53%, outpacing all other regions tracked and by a wide margin. This enormous success in 2014 comes after increasing its volume and value of shipments in 2013 by 19% and 18%, respectively. To put it mildly, Oregon is on a roll. Since 2011, the volume of shipments from Oregon wineries has increased by 86%, again outpacing the other four regions tracked and, again, by a wide margin.

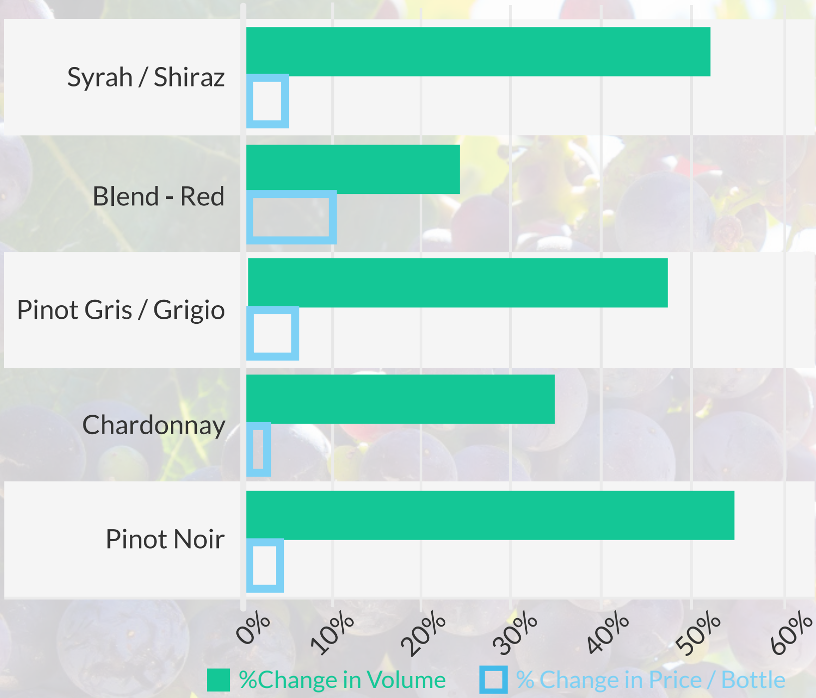
Oregon clearly benefited from the across the board increased interest in Pinot Noir. Pinot Noir made up 57% of all shipments, representing 69% of the value of all shipments from Oregon. In 2014 Oregon increased its Pinot Noir shipments by 54% on a 1.8% increase in price. This resulted in a 57% increase in the value of Pinot Noir shipments to $60 million. But Pinot wasn't the only varietal from Oregon that saw large increases in shipments in 2014

Shipments of Chardonnay, the second most commonly shipped wine, increased by 35%. Syrah, the fifth most commonly shipped wine, saw a 51% increase in shipments. Pinot Gris shipments were up 47%. Riesling shipments were up 50%. As a matter of fact, nearly every varietal shipped from an Oregon winery saw a significant increase in the volume of those shipments. It will be fascinating to watch what becomes of direct shipments from Oregon in the coming years as that state gains a higher and higher profile among consumers.

OREGON SYRAH SHOWS IMPRESSIVE GROWTH FOR SECOND STRAIGHT YEAR.

CHANGE IN VOLUME & PRICE / BOTTLE

TOP 5 VARIETALS



OREGON BREAKDOWN BY VARIETAL

Varietal	Volume (Cases)	% of Total	1 Year Growth	Value (USD $)	% of Total	1 Year Growth	Avg. Bottle (USD $)	1 Year Growth
Pinot Noir	104,656	57.0%	54.0%	$59,939,043	68.5%	56.7%	$47.73	1.8%
Chardonnay	11,411	6.2%	34.5%	$4,358,141	5.0%	36.4%	$31.83	1.4%
Pinot Gris / Grigio	9,928	5.4%	47.4%	$2,234,468	2.6%	52.2%	$18.76	3.3%
Blend - Red	8,602	4.7%	23.6%	$2,883,238	3.3%	36.0%	$27.93	10.0%
Syrah / Shiraz	8,055	4.4%	51.5%	$4,510,399	5.2%	55.2%	$46.66	2.5%
Riesling	6,292	3.4%	50.3%	$1,369,981	1.6%	46.1%	$18.14	-2.8%
Sparkling	6,133	3.3%	23.2%	$2,630,113	3.0%	27.8%	$35.74	3.7%
Other Red	5,480	3.0%	85.0%	$1,505,633	1.7%	86.0%	$22.90	0.5%
Other White	4,522	2.5%	36.1%	$1,060,706	1.2%	43.5%	$19.55	5.4%
Cabernet Sauvignon	3,701	2.0%	12.4%	$1,907,539	2.2%	68.2%	$42.95	49.7%
Unspecified	3,661	2.0%	22.0%	$1,518,176	1.7%	4.9%	$34.56	-14.0%
Rose	3,318	1.8%	152.3%	$936,080	1.1%	156.7%	$23.51	1.7%
Merlot	2,210	1.2%	20.6%	$507,628	0.6%	24.2%	$19.14	2.9%
Blend - White	1,934	1.1%	-15.6%	$492,401	0.6%	26.9%	$21.22	50.4%
Other	1,733	0.9%	54.1%	$1,019,174	1.2%	78.9%	$49.02	16.1%
Cabernet Franc	745	0.4%	70.1%	$324,362	0.4%	23.1%	$36.30	-27.6%
Fume / Sauvignon / Blanc	485	0.3%	-22.7%	$100,159	0.1%	-20.0%	$17.19	3.4%
Sangiovese	462	0.3%	317.3%	$125,553	0.1%	278.2%	$22.67	-9.4%
Petite Sirah	164	0.1%	-38.6%	$57,372	0.1%	-32.6%	$29.11	9.8%
Zinfandel	120	0.1%	-52.9%	$44,127	0.1%	-57.4%	$30.55	-9.5%
OREGON TOTAL	**183,612**	**100.0%**	**46.3%**	**$87,524,293**	**100.0%**	**52.5%**	**$39.72**	**4.2%**

WASHINGTON STATE

Washington State's wineries had a very successful direct shipping year in 2014. The state's wineries increased both the value and volume of wine shipments by 20% and 19% respectively, well above the overall shipping channel's increases for the year.

It's not entirely surprising that Washington's wineries overachieved in 2014. They had and still have room to grow. Despite producing much more wine than Oregon, Washington possesses a mere 3.5% of the winery shipping totals. Oregon on the other hand has a 4.6% share.

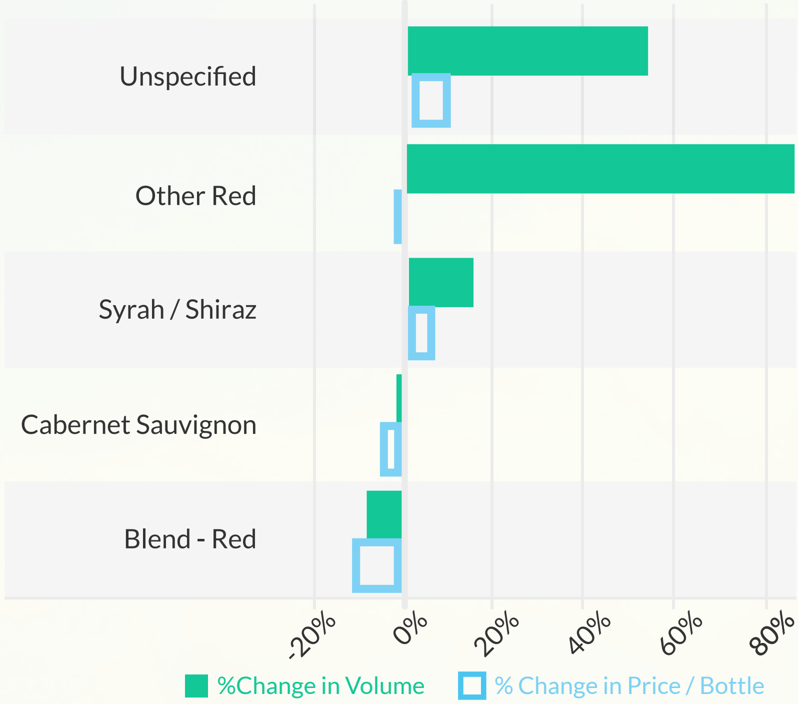
The average price per bottle, of shipped Washington wine rose only .6% in 2014. Despite this meager increase in average price which helped support its 19% increase in volume of wine shipped, the state has seen a 138% increase in the value of its shipments since 2010, a far better 4-year increase than any other region tracked.

If and when Washington State does pick up the pace on winery-to-consumer shipments, it will likely to do so on the back of shipments of Cabernet Sauvignon and Red Blends, which together represented 40% of all shipments in 2014. Unfortunately, in 2014 the change in dollar, volume and average price of these two wines was down across the board. In fact, despite a 11% decrease in the average price of Red Blends from Washington State, the volume shipped of that wine dropped by nearly 5%. Growth in Washington's shipping channel in 2014 came with significantly higher shipments of Syrah, Pinot Noir, Merlot, Cabernet Franc, White Blends and a number of other varietals.

EVEN THOUGH IT HAS NOT YET REACHED THE TOP 5 VARIETALS SHIPPED FROM WA, PINOT NOIR SAW THE GREATEST INCREASE IN VOLUME AND VALUE IN 2014.

CHANGE IN VOLUME & PRICE / BOTTLE

TOP 5 VARIETALS



WASHINGTON BREAKDOWN BY VARIETAL

Varietal	Volume (Cases)	% of Total	1 Year Growth	Value (USD $)	% of Total	1 Year Growth	Avg. Bottle (USD $)	1 Year Growth
Blend - Red	28,761	20.7%	-4.7%	$11,442,638	19.1%	-15.1%	$33.15	-10.9%
Cabernet Sauvignon	27,440	19.7%	-0.1%	$15,356,027	25.6%	-1.7%	$46.63	-1.7%
Syrah / Shiraz	17,727	12.7%	16.7%	$7,977,857	13.3%	24.0%	$37.50	6.2%
Other Red	11,260	8.1%	85.0%	$4,267,633	7.1%	84.1%	$31.59	-0.5%
Unspecified	9,144	6.6%	55.8%	$6,873,424	11.5%	76.1%	$62.64	13.0%
Merlot	8,627	6.2%	48.9%	$3,169,768	5.3%	50.1%	$30.62	0.8%
Pinot Noir	6,466	4.6%	224.0%	$3,545,261	5.9%	466.3%	$45.69	74.8%
Chardonnay	4,815	3.5%	17.6%	$1,118,103	1.9%	26.1%	$19.35	7.3%
Other White	4,192	3.0%	55.2%	$1,119,858	1.9%	70.3%	$22.26	9.7%
Riesling	3,858	2.8%	-21.1%	$715,541	1.2%	-18.3%	$15.45	3.6%
Blend - White	3,701	2.7%	54.8%	$874,108	1.5%	68.8%	$19.68	9.0%
Rose	2,754	2.0%	93.4%	$580,447	1.0%	77.4%	$17.56	-8.3%
Cabernet Franc	2,723	2.0%	35.4%	$1,221,876	2.0%	49.4%	$37.40	10.4%
Fume / Sauvignon / Blanc	2,533	1.8%	-10.8%	$541,447	0.9%	-7.5%	$17.81	3.7%
Pinot Gris / Grigio	1,699	1.2%	27.6%	$314,539	0.5%	23.5%	$15.42	-3.2%
Other	1,605	1.2%	46.0%	$437,093	0.7%	48.4%	$22.69	1.7%
Sangiovese	1,087	0.8%	59.5%	$305,123	0.5%	48.5%	$23.40	-6.9%
Sparkling	426	0.3%	21.8%	$70,310	0.1%	8.2%	$13.74	-11.1%
Zinfandel	231	0.2%	-32.7%	$64,805	0.1%	-33.0%	$23.37	-0.5%
Petite Sirah	80	0.1%	-68.6%	$23,408	0.0%	-77.4%	$24.26	-27.9%
WASHINGTON TOTAL	**139,129**	**100.0%**	**18.9%**	**$60,019,266**	**100.0%**	**19.6%**	**$35.95**	**0.6%**

THE REST OF THE UNITED STATES

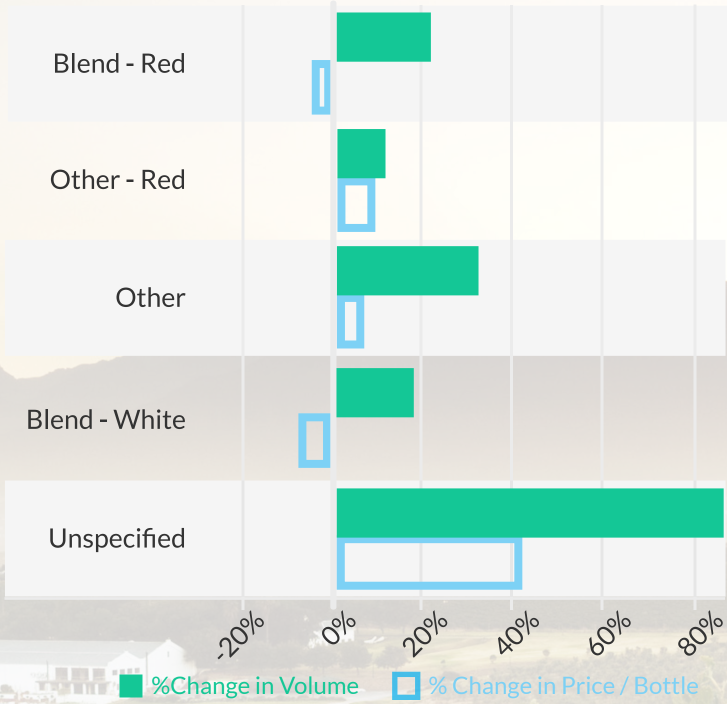
Wineries outside California, Oregon and Washington ship 10.5% of all wines. And they had a good year in 2014. Both the volume and the value of shipments from wineries in the "Rest of the U.S." increased by 16% and 20% respectively, all while taking a 3.7% increase in their average price per bottle shipped. However, the average price of a shipped wine, at $18.35, is still well below the overall shipping channel average of $38.40.

We want to point out that in the states that fall into this category, there is far less concentration on just a few varietals being shipped than we see in other regions as well as a far greater diversity of grapes grown in these states' vineyards. For this reason, "Other", "Other Red", "Other White" and "Red Blend" are all among the most commonly shipped wines from this regional category.

However, we in particular want to draw your attention to what happened with shipments of Pinot Noir from wineries outside of California, Oregon and Washington. There was a 174% increase in the volume of Pinot Noir shipments and a 317% increase in the value of those shipments. The point here is that even in states not commonly thought of when Pinot Noir is the topic of discussion, that varietal is booming among consumers who have wine shipped direct.

THE PINOT NOIR GROWTH SPREADS ACROSS THE US WITH THE HIGHEST INCREASE IN VOLUME AND VALUE OF ANY VARIETAL.

CHANGE IN VOLUME & PRICE / BOTTLE
TOP 5 VARIETALS



REST OF THE US BREAKDOWN BY VARIETAL

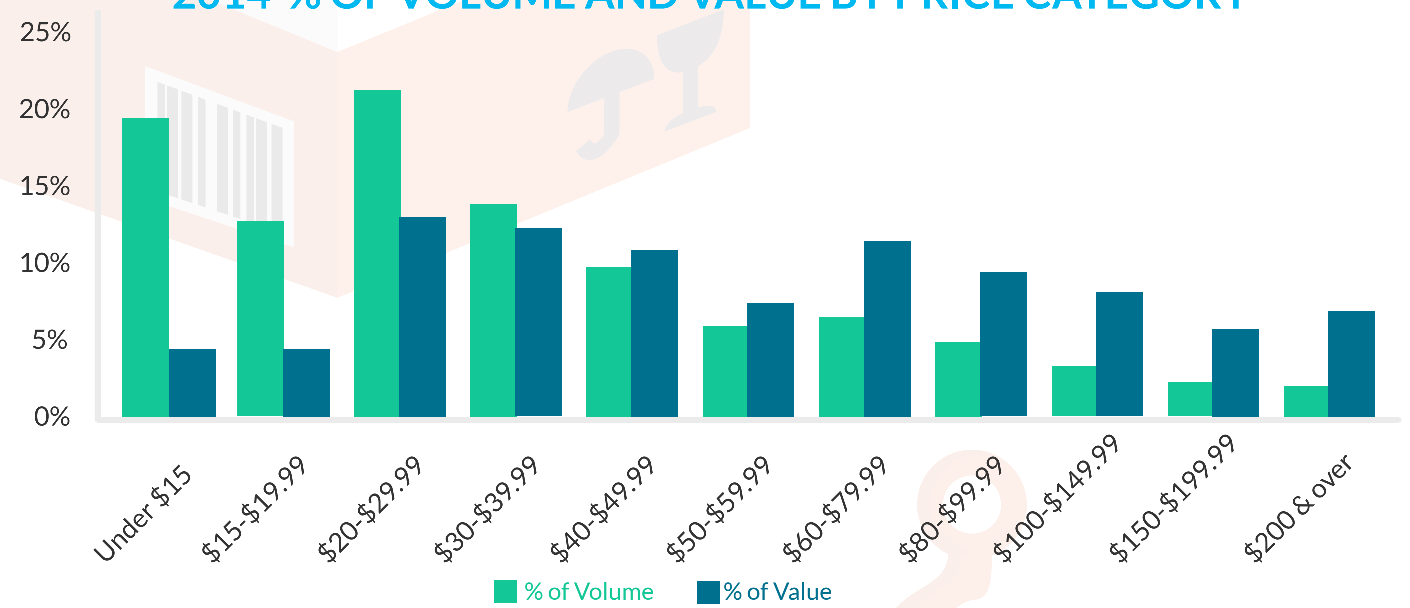
Varietal	Volume (Cases)	% of Total	1 Year Growth	Value (USD $)	% of Total	1 Year Growth	Avg. Bottle (USD $)	1 Year Growth
Blend - Red	83,065	20.1%	17.2%	$16,893,798	18.5%	12.7%	$16.95	-3.8%
Other Red	47,244	11.4%	11.8%	$9,596,597	10.5%	16.7%	$16.93	4.3%
Other	40,131	9.7%	32.4%	$8,441,291	9.3%	38.2%	$17.53	4.4%
Blend - White	30,982	7.5%	19.2%	$5,161,091	5.7%	10.3%	$13.88	-7.5%
Unspecified	29,308	7.1%	84.9%	$7,483,111	8.2%	160.2%	$21.28	40.7%
Other White	27,135	6.6%	11.6%	$5,289,295	5.8%	7.2%	$16.24	-3.9%
Chardonnay	22,914	5.5%	-3.9%	$4,987,937	5.5%	-3.2%	$18.14	0.8%
Cabernet Sauvignon	20,408	4.9%	2.8%	$5,718,787	6.3%	9.8%	$23.35	6.8%
Pinot Noir	19,873	4.8%	173.8%	$6,596,618	7.2%	316.7%	$27.66	52.2%
Riesling	17,939	4.3%	10.9%	$3,675,754	4.0%	28.4%	$17.08	15.7%
Merlot	12,446	3.0%	-4.0%	$3,168,379	3.5%	0.1%	$21.21	4.2%
Cabernet Franc	10,755	2.6%	-20.0%	$2,912,742	3.2%	-16.5%	$22.57	4.4%
Rose	10,012	2.4%	7.8%	$1,848,951	2.0%	5.8%	$15.39	-1.8%
Sparkling	9,348	2.3%	7.2%	$2,280,256	2.5%	-5.5%	$20.33	-11.9%
Syrah / Shiraz	8,014	1.9%	-16.4%	$2,423,278	2.7%	-16.4%	$25.20	-0.1%
Zinfandel	7,557	1.8%	24.5%	$1,316,023	1.4%	24.0%	$14.51	-0.4%
Pinot Gris / Grigio	7,307	1.8%	-4.2%	$1,380,220	1.5%	1.0%	$15.74	5.4%
Fume / Sauvignon / Blanc	6,726	1.6%	11.5%	$1,302,062	1.4%	2.9%	$16.13	-7.7%
Sangiovese	1,632	0.4%	-64.6%	$355,242	0.4%	-72.0%	$18.14	-20.7%
Petite Sirah	663	0.2%	-52.9%	$242,183	0.3%	-51.1%	$30.43	3.9%
Moscato	279	0.1%	-73.3%	$35,358	0.0%	-68.0%	$10.57	20.0%
REST OF THE US TOTAL	**413,738**	**100.0%**	**15.7%**	**$91,108,970**	**100.0%**	**20.1%**	**$18.35**	**3.7%**

DIRECT SHIPPING
BY PRICE CATEGORY

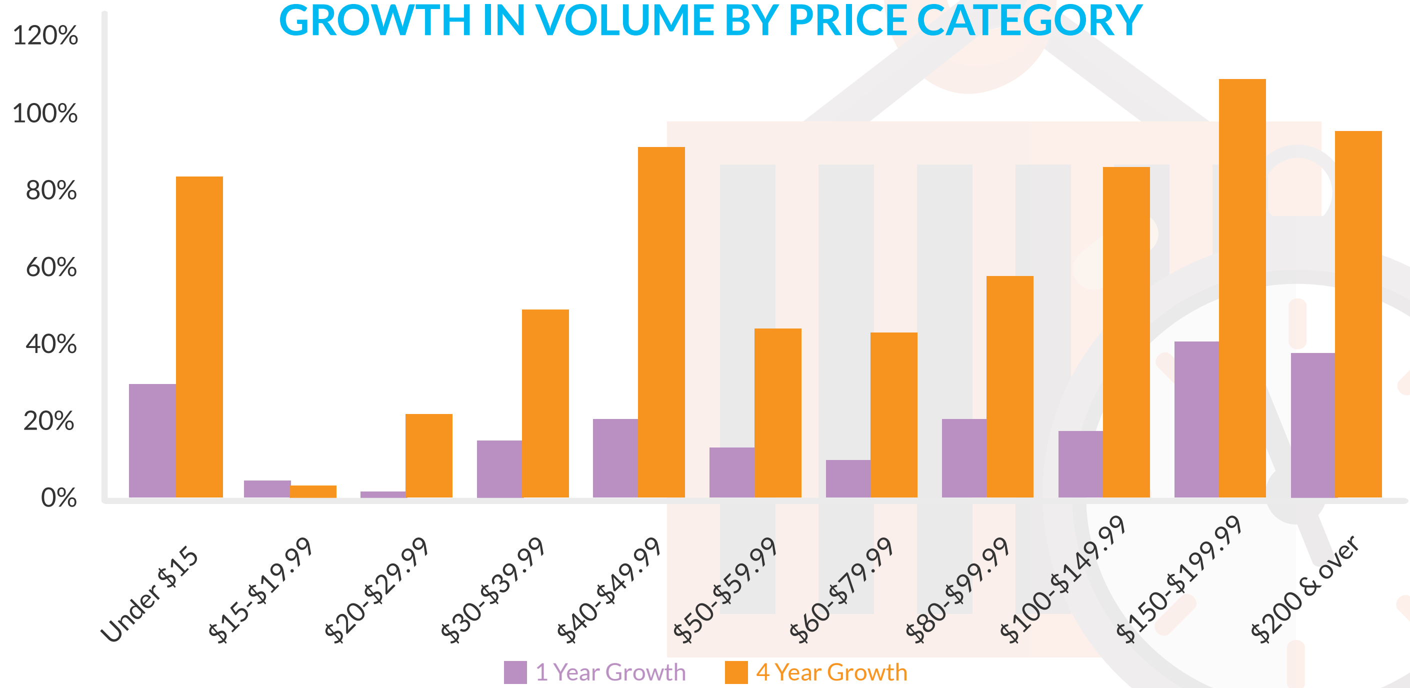
While all the price bands we track showed positive volume growth in 2014, it was the highest priced wines that experienced terrific growth. Wines falling into the $150-$200/bottle and Over $200/bottle categories saw volume increases of 40% and 39% respectively, far exceeding the overall shipping channel average of 13.6%.

At this point, wines priced $100 or over account for no more than 5.3% of the total volume of wines shipped. However, they represent 23% of the value of the winery shipping market. These highest priced wines continued to accumulate greater market share in 2014, continuing a trend that is now five years in length.

2014 % OF VOLUME AND VALUE BY PRICE CATEGORY



GROWTH IN VOLUME BY PRICE CATEGORY



2014 BREAKDOWN BY PRICE CATEGORY

Varietal	Volume (Cases)	% of Total	1 Year Growth	Value (USD $)	% of Total	1 Year Growth	Avg. Bottle (USD $)	1 Year Growth
Under $15	785,474	19.9%	29.8%	$95,723,530	5.3%	27.1%	$10.16	-2.1%
$15 - $19.99	463,764	11.7%	4.8%	$96,470,963	5.3%	4.5%	$17.33	-0.3%
$20 - $29.99	821,294	20.8%	1.3%	$242,543,572	13.3%	1.6%	$24.61	0.3%
$30 - $39.99	568,603	14.4%	14.6%	$233,335,360	12.8%	14.3%	$34.20	-0.3%
$40 - $49.99	401,704	10.2%	19.7%	$212,568,688	11.7%	19.6%	$44.10	0.0%
$50 - $59.99	208,801	5.3%	13.3%	$135,083,443	7.4%	13.1%	$53.91	-0.2%
$60 - $79.99	266,957	6.8%	8.9%	$216,945,239	11.9%	9.5%	$67.72	0.5%
$80 - $99.99	169,359	4.3%	21.1%	$176,010,699	9.7%	20.7%	$86.61	-0.3%
$100 - $149.99	113,872	2.9%	17.0%	$162,313,628	8.9%	17.6%	$118.78	0.5%
$150 - $199.99	52,696	1.3%	39.6%	$106,544,089	5.9%	42.5%	$168.49	2.1%
$200 and over	42,552	1.1%	38.5%	$142,182,530	7.8%	27.7%	$278.45	-7.8%
Unspecified	54,257	1.4%	7.8%	$0	0.0%	-100.0%	$0.00	Null
TOTAL	**3,949,333**	**100.0%**	**13.6%**	**$1,819,721,740**	**100.0%**	**15.5%**	**$38.40**	**1.6%**

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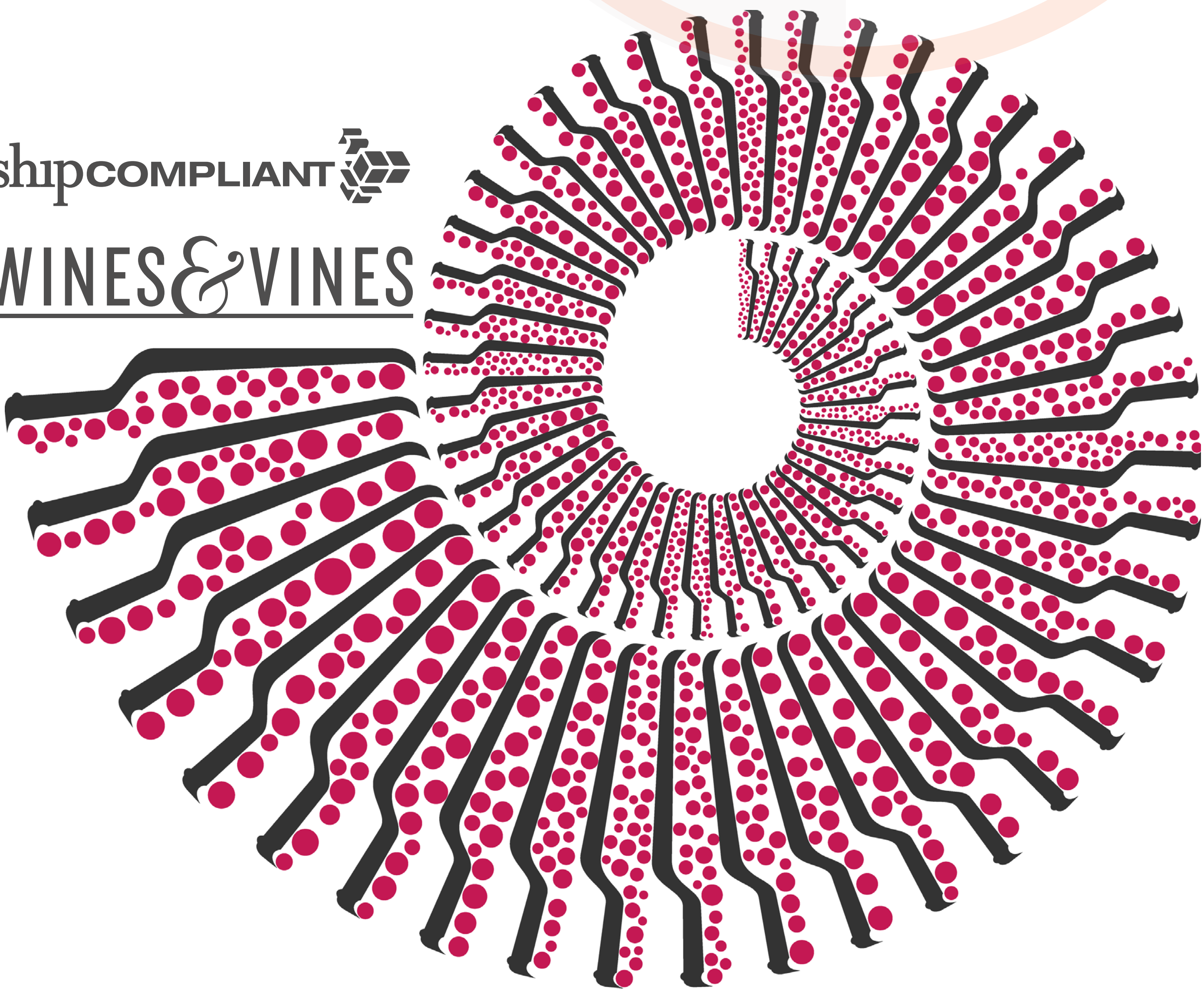

CONCLUSIONS

PRICES RECOVER

If anyone doubted the ongoing recovery of the direct shipping channel after last year's performance—particularly given last year's 1.7% decline in average price per bottle—there is no questioning the recovery after the 2014 performance of the channel. Record increases in both volume and value growth, along with the recovery in the average price per bottle suggest a robust recovery that is likely linked to the overall economic recovery in the United States.

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PINOT NOIR PERFORMS

We are also struck by the overall performance of Pinot Noir shipments in 2014. Since tracking the shipping channel, we have never seen a varietal that already commanded significant demand to experience such a thorough acceleration in shipments. This excitement for the varietal across regions also no doubt helped Oregon experience a banner year. But our data also shows that Oregon shipments exploded across most varietals, suggesting a surge in interest in Oregon wines among the nation's most coveted consumers.

CONCLUSIONS

LOOKING TO 2015

The answer to the question of whether or not this impressive growth in the shipping market will continue in 2015 depends on many factors, including whether the economy will continue to gain steam. There is also the question of Massachusetts. This east coast state is primed to pump considerable revenue into the direct shipping channel over the next few years. Massachusetts is a high wine consumption state with a body of consumers who possess a relatively high per capita income. We expect the value of winery shipments to Massachusetts to reach approximately $29 million in 2015 alone, $75 million within three years, and reach over $100 million within a decade.

DTC IN PERSPECTIVE

The ceiling for winery-to-consumer shipments is unknown. Today, wines shipped from winery to the consumer based on Internet sales, wine club shipments or walk-in orders represent a small portion of the value of the overall off-premise marketplace. By our estimate, winery shipments only account for 2% of the volume of the overall off-premise market for domestic wines and account for a mere 1.13% of domestic production. Still, given the continued difficulties smaller wineries have succeeding in traditional three-tier distribution, and with superior margins and marketing benefits obtained via direct shipping, the shipping channel continues to represent a critical and growing factor in most U.S wineries' success.

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THANK You *FOR READING*

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