2016 DIRECT TO CONSUMER

WINE SHIPPING REPORT

shipcompliant

WINES & VINES

REPORT HIGHLIGHTS

IN 2015

^ 8.1%

INCREASE IN DOLLAR VALUE OF WINERY-TO-CONSUMER SHIPPING

56.2%

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

SHIPMENTS FROM NAPA SURPASSED

$1 BILLION

IN VALUE, GIVING THE REGION 50% OF INDUSTRY VALUE

BOTTLES $15 AND UNDER SAW A

27.7% INCREASE

IN VOLUME OF SHIPMENTS IN 2015, WITH 23.4% OF VOLUME SHARE

VERY SMALL WINERIES HAD THEIR FIFTH YEAR OF GROWTH, WITH A 13% INCREASE IN TOTAL VALUE

RED BLENDS HAD 5% GROWTH IN PRICE PER BOTTLE SHIPPED, AND A 20% JUMP IN VOLUME

4.29

MILLION CASES SHIPPED, 2015

VOLUME INCREASED

8.5%

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INTRO

Free the Grapes!, the advocacy group for wine consumers, shares a look-back at the DtC channel.

Two decades ago, who would have imagined that thousands of wineries of all sizes, throughout the US, would have the option of shipping directly to millions of wine lovers, and participate in a $2 billion sales channel? In the 1990s, a few industry leaders had this vision and the report you are reading is a testament to their hard work and the generous contributions of many.

Picture the DtC landscape in the late 1990's: Wineries were threatened with lawsuits and felony penalties over the fallacy of underage access and tax revenue loss. The industry's response was to augment its legislative and legal actions with a "third prong," Public Relations, to rally frustrated wine lovers to our cause. Free the Grapes! was founded and directed by the Wine Institute, Napa Valley Vintners, WineAmerica, Family Winemakers of America, and the Coalition for Free Trade.

The goal of their coordinated efforts was, and is, to augment, not replace, the three-tier system with legal, regulated direct shipping. Working together, we aimed to increase the number of legal DtC states and to streamline onerous regulations, which would lead to increased consumer choice in wine. The results are impressive: Since 1998, winery-shipping states have increased from 17 to 43, which represent 90% of the US population. Yes, this includes some difficult-but-legal states like Arkansas, Arizona, and New Jersey. But state-level solutions are complex, and companies like ShipCompliant have simplified reporting and processes.

The role of Free the Grapes! is to convert consumer frustration into constructive action. By informing consumers and partners at events, through publicity and digital media, we have created a platform for consumers to personalize and submit letters of support directly to their state legislators.

Ultimately, our goal is to complete our mission and "retire" Free the Grapes! (like Coalition for Free Trade did in 2014). But our industry's fight is not over. We need local consumer constituents to help us defend challenges to existing statutes, to help us open the last holdouts like Pennsylvania and Delaware, and to remove onerous regulations such as the "winery visit penalty" in Arizona and the capacity cap limits in Ohio and New Jersey.

Free the Grapes!

shackles@freethegrapes.org

AN ANNUAL REPORT CREATED BY SHIPCOMPLIANT AND WINES & VINES

THE CREATION OF THE 2016 DIRECT-TO-CONSUMER WINE SHIPPING REPORT

The Direct-to-Consumer Wine Shipping Report is an annual collaboration between ShipCompliant and Wines & Vines dedicated only to wines shipped directly from wineries to the end consumer.

To create this report, Wines & Vines Analytics created a model that extrapolates millions of anonymous direct shipping transactions from ShipCompliant across Wines & Vines' database of US wineries. The model tracks sales by winery region, annual production, destination of shipments, varietal, and price points.

2015 WINERIES BY PRODUCTION SIZE

Large Wineries:	500,000 + case production
Medium Wineries:	50,000 - 499,999 case production
Small Wineries:	5,000 - 49,999 case production
Very Small Wineries:	1,000 - 4,999 case production
Limited Production Wineries:	Up to 999 case production

2016 DIRECT SHIPPING OVERVIEW

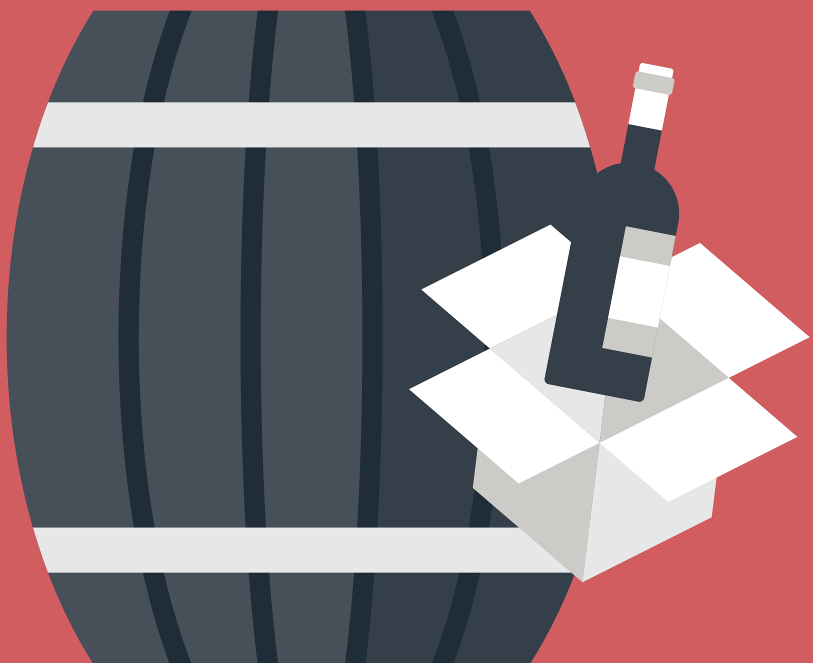
Since 2010, the value of the DtC shipping industry has increased 66%, and 2015 proved to be another growth year for the channel. Wine shipment volume neared 4.29 million cases, an 8.5% increase over 2014, and sales exceeded $1.97 billion, an 8.1% increase. These rates are lower than both 2014's record-breaking year of 13.6% increase in volume and 15.5% increase in value, as well as the five-year growth averages of 9.7% for volume and 10.7% for value.

Growth rates for volume and value in 2015 were similar, and the slight difference of these rates can be attributed to a 0.4% difference from 2014's average price-per-bottle of wine shipped. The average price decreased from $38.40 in 2014 to $38.23 in 2015.

What is striking, though, is that this progress outpaces that of the retail wine marketplace. The DtC's 8.5% volume growth exceeds the 2.2% growth of the retail off-premise wine volume, according to Nielsen. Additionally, the 8.1% value growth of the DtC industry outpaced what Nielsen found was a 6% increase in value of the wine retail marketplace.

2015's most notable addition to the DtC states was Massachusetts. After years of legal and political wrangling, Massachusetts consumers welcomed DtC shipments into their homes. The 2015 DtC Wine Shipping Report predicted the entry of this state would result in a $29 million bump for the industry, and the results were close, at $27.5 million. The same model predicts shipments to Massachusetts will more than double in 2016, as more wineries will become permitted to enter the market, and more buyers will become aware of the option to ship direct.

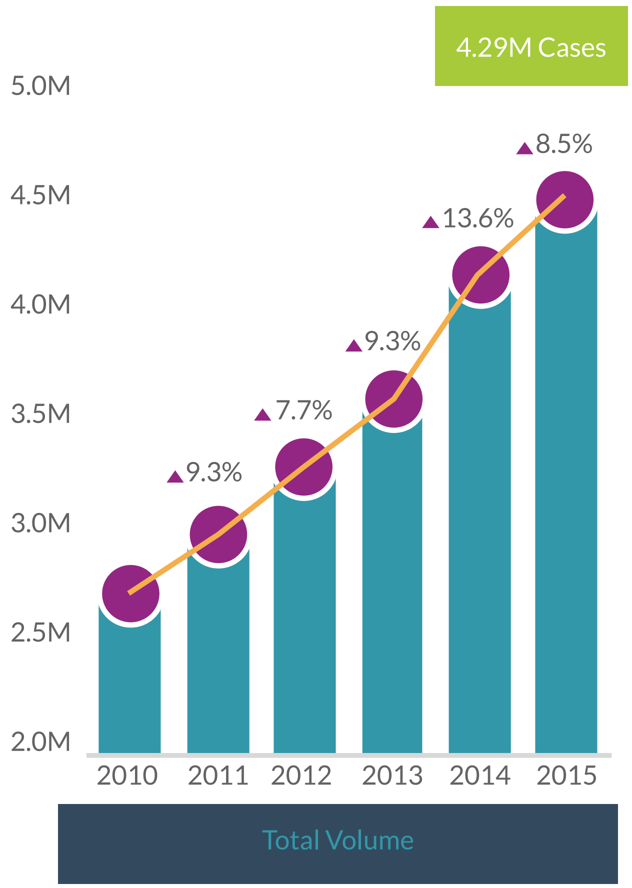
Also notable this year is the continued surge of shipments from Oregon wineries. Shipments of Pinot Noir, the state's signature grape, outpace the market in every aspect.

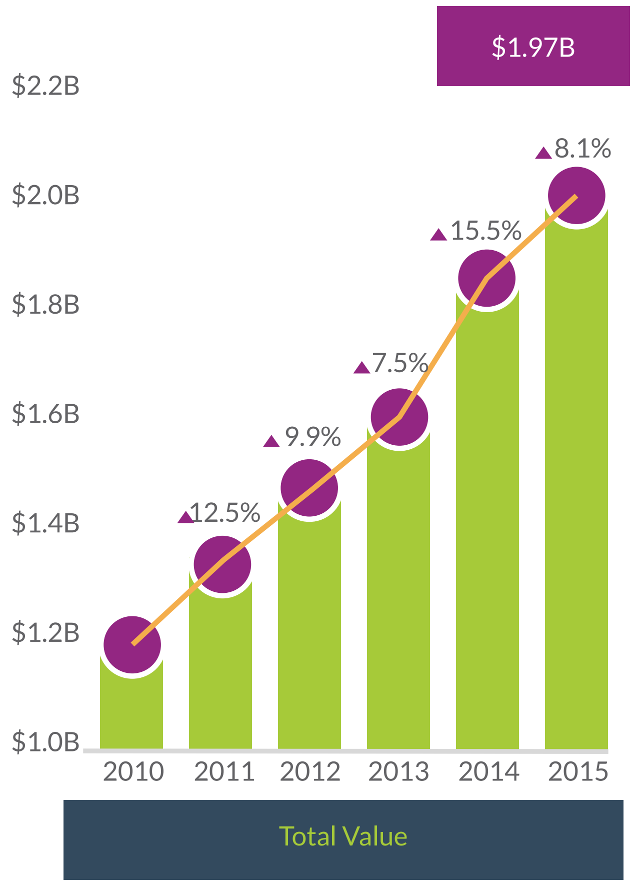


SINCE 2010, THE VALUE OF THE DTC WINE SHIPPING INDUSTRY HAS GROWN BY

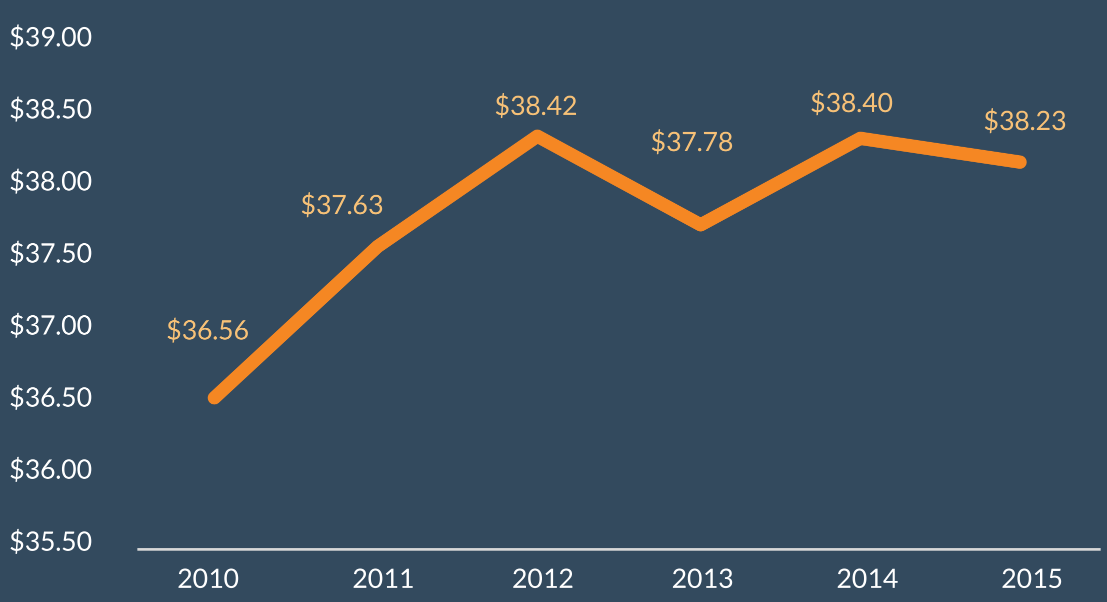
66%

2010-2015 GROWTH IN VOLUME AND VALUE





2010 - 2015 AVERAGE PRICE-PER-BOTTLE



BY MONTH

Only five months account for the 0.4% reduction in average price-per-bottle shipped in 2015. During June, July, and August of 2015, consumers saw an 8.2% decrease in the average price-per-bottle shipped over the same period in 2014. Additionally, the months of January and February experienced a 7.5% decrease in average price-per-bottle shipped compared to 2014.

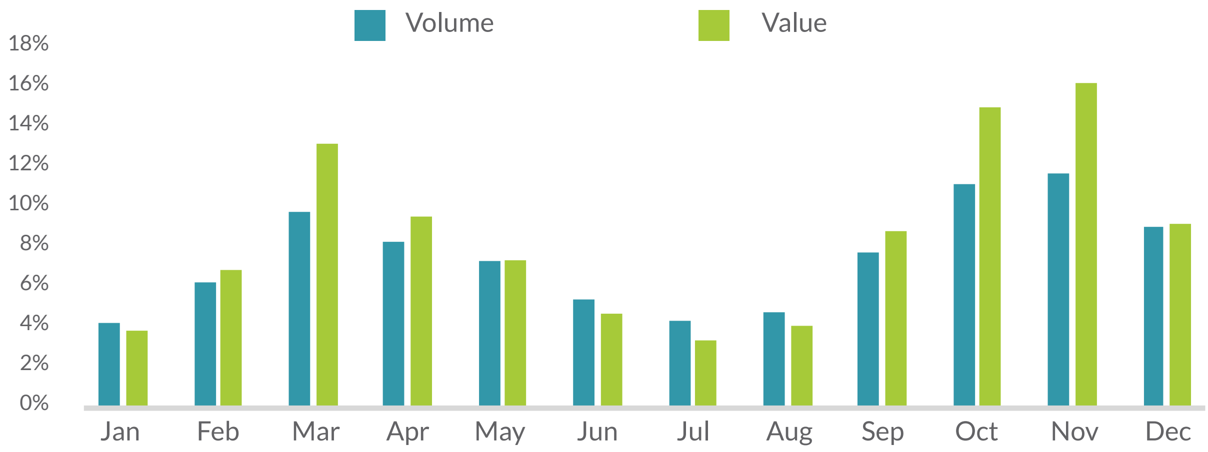
July and August remain the months when the average price-per-bottle shipped is at its lowest. Consumers often demand more white wine and rose during these summer months, which typically have a lower price point than red wines. These hot weather months, along with extremely cold weather months, are seeing significant reductions in the average price of varietals that are popular all year. This could suggest that discounts have been applied on the same products, or that different, lower priced products are being sold and shipped.

Moderate temperature months of March and April saw price-per-bottle increases of 2.8% and 5.0%, respectively, over the same months in 2014.

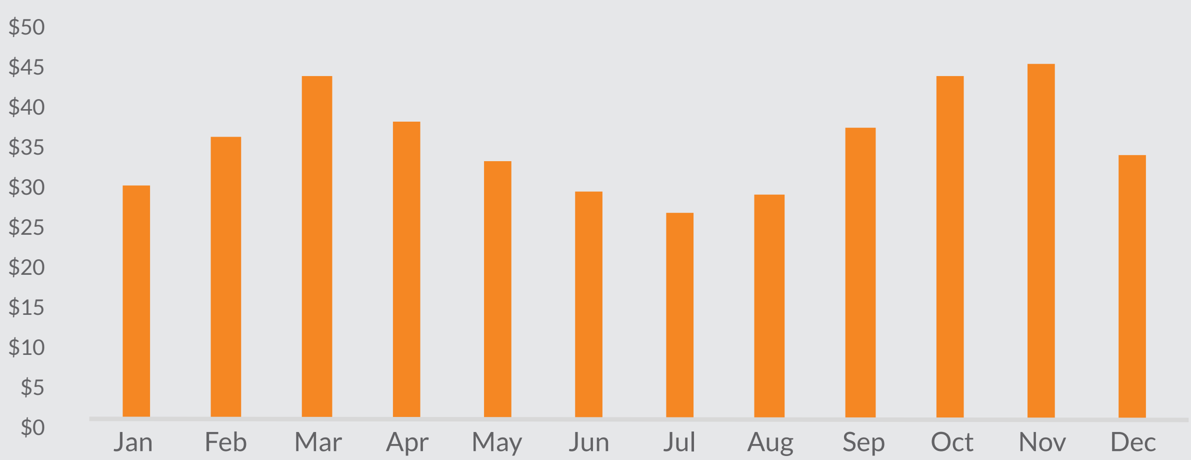
2015 BY MONTH

Month	% of Total Volume	± in Volume	% of Total Value	± in Value	Avg. $ / Bottle	± in Price
January	4.8%	8.4%	3.8%	-2.5%	$30.47	-10.1%
February	7.0%	11.4%	6.7%	4.5%	$36.87	-6.2%
March	10.9%	15.3%	12.8%	18.5%	$44.98	2.8%
April	9.2%	11.5%	9.4%	17.1%	$38.97	5.0%
May	8.1%	3.1%	7.2%	4.5%	$33.75	1.4%
June	6.0%	11.4%	4.7%	5.9%	$29.83	-4.9%
July	4.8%	19.6%	3.4%	8.6%	$26.85	-9.2%
August	5.3%	14.5%	4.1%	2.2%	$29.51	-10.7%
September	8.6%	3.0%	8.6%	3.7%	$38.29	0.7%
October	12.4%	1.6%	14.7%	1.7%	$45.07	0.1%
November	13.0%	11.2%	15.8%	13.4%	$46.33	2.0%
December	10.0%	3.4%	9.0%	6.7%	$34.47	3.2%
TOTAL	**4,286,743**	**8.5%**	**$1,966,668,198**	**8.1%**	**$38.23**	**-0.4%**

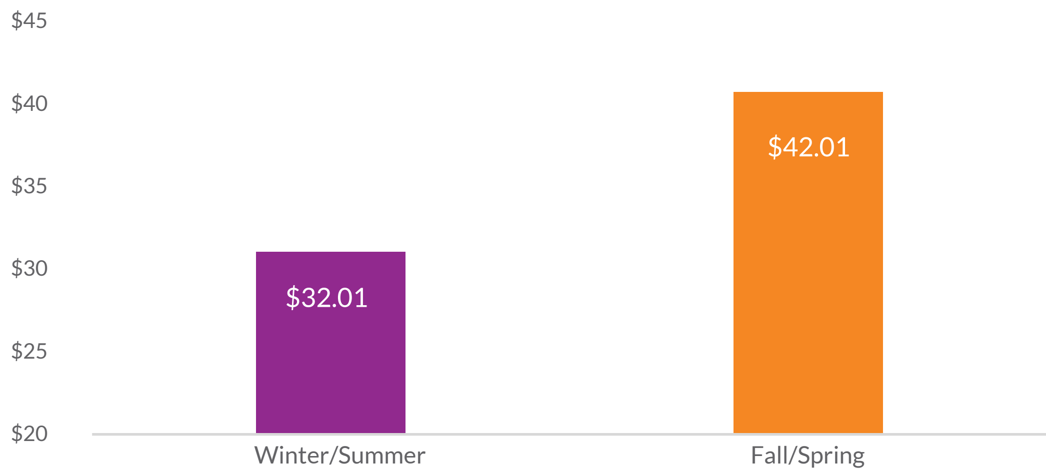
2015 PERCENT OF TOTAL VOLUME AND VALUE BY MONTH



2015 AVERAGE PRICE-PER-BOTTLE BY MONTH

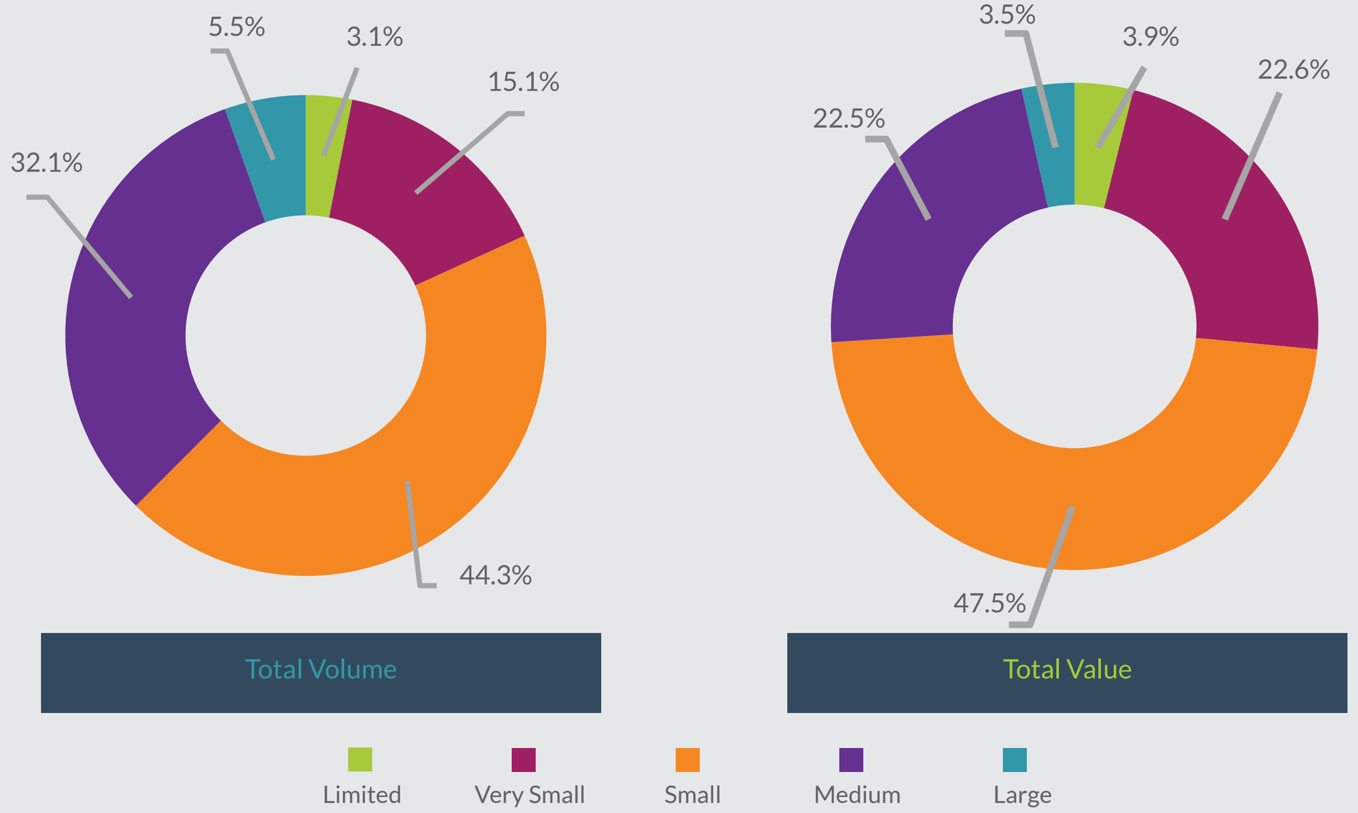


2015 PRICE-PER-BOTTLE SEASONALITY

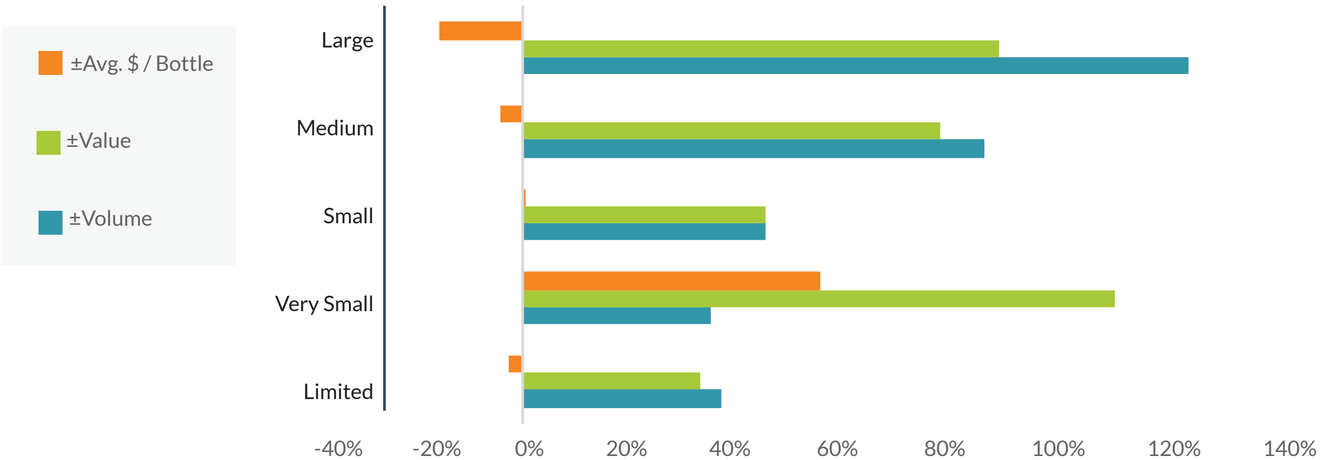


BY WINERY SIZE

2015 PERCENT OF TOTAL VOLUME AND VALUE BY WINERY SIZE



2010-2015 GROWTH IN VOLUME, VALUE, AND PRICE-PER-BOTTLE BY WINERY SIZE



^ 9.2%	volume
^ 23.3%	increase in value
^ 12.9%	bottle price
$47.87	avg. price per bottle

LIMITED PRODUCTION WINERIES (UP TO 999 CASES)

Limited Production wineries are the smallest wineries in the industry. These 3,157 wineries make up 37% of the U.S. winery landscape in 2015. After two years of falling prices, 2015 showed a 12.9% increase in average price-per-bottle shipped from $42.40 to $47.87. This price is still down from the 2012 high of $55.48 per bottle of wine shipped.

^ 8.7%	volume
^ 13.3%	increase in value
^ 4.2%	bottle price
$57.36	avg. price per bottle

VERY SMALL WINERIES (1,000 – 4,999 CASES)

The Very Small segment is the largest, with over 40% of all US wineries falling into this category. In 2015, Very Small wineries overtook Medium sized wineries for second place ranking of dollar value of wine shipped, with its 13.3% growth. This momentum continues from 2014's 19% and 2013's 30% increase in dollar value. 2015 total sales were $445 million.

^ 6.3%	volume
^ 6.6%	increase in value
^ 0.2%	bottle price
$40.96	avg. price per bottle

SMALL WINERIES (5,000 – 49,999 CASES)

With 44% of the total DtC shipping channel volume and 48% of its dollar value, these wineries have remained relatively stable. In 2015, however, their performance slightly underperformed compared to industry average. While this segment continues to grow, it only saw a 6.6% growth in dollar value of wine shipped, and 6.3% increase in the volume of shipments.

^ 11.7%	volume
^ 5.0%	increase in value
˅ 5.9%	bottle price
$26.87	avg. price per bottle

MEDIUM WINERIES (50,000 – 499,999 CASES)

Medium sized wineries only account for 3% of all US wineries, but maintain 32% of the total volume of wine shipped direct-to-consumer. Additionally, these Medium production sized wineries claimed 23% of the value of the DtC channel, growing 5% over 2014. The price reduction seen in 2015 is the fifth year straight Medium wineries decreased average price-per-bottle shipped, resulting in $26.87 in 2015.

^ 8.3%	volume
^ 2.5%	increase in value
˅ 5.4%	bottle price
$24.53	avg. price per bottle

LARGE WINERIES (500,000 OR MORE CASES)

There's only a handful of wineries that produce more than a half million cases of wine in the United States, and combined they maintain 5.5% of the market. It is notable that these Large wineries continue to decrease their average price in the DtC shipping channel. With a 5.4% reduction in the average price of a bottle shipped in 2015, this category of wineries shows the lowest price of all, at $24.53 average price-per-bottle.

BY VARIETAL

Cabernet Sauvignon, Pinot Noir, Red Blends, Chardonnay, and Zinfandel combined to make up 61% of all wines shipped in 2015. Momentum for Pinot Noir drastically dropped from 2014's 22% growth rate to a 2% growth rate in 2015.

Red Blends picked up Pinot Noir's momentum, as they experienced a 5% increase in price-per-bottle shipped, which is the highest price increase among all varietals. These wines also experienced a 20% bump in the volume of wines shipped in 2015, outpacing the industry's 8.5% volume growth. While significant, this varietal is still recovering from its major volume drop over the two previous years.

The final story from the 2015 data is the case of Syrah. Syrah continues to suffer in the DtC shipping channel, seeing a decline in demand and price. Overall, the varietal had a 6% decrease in price. However, some regions are seeing more success selling Syrah than others, as the regional analysis of shipments shows.

PINOT NOIR

2015	2014
2%	22%

PINOT NOIR Decreasing from 22% growth in volume to 2% growth in volume, Pinot Noir didn't have as strong of a year as in 2014.

RED BLENDS

20%

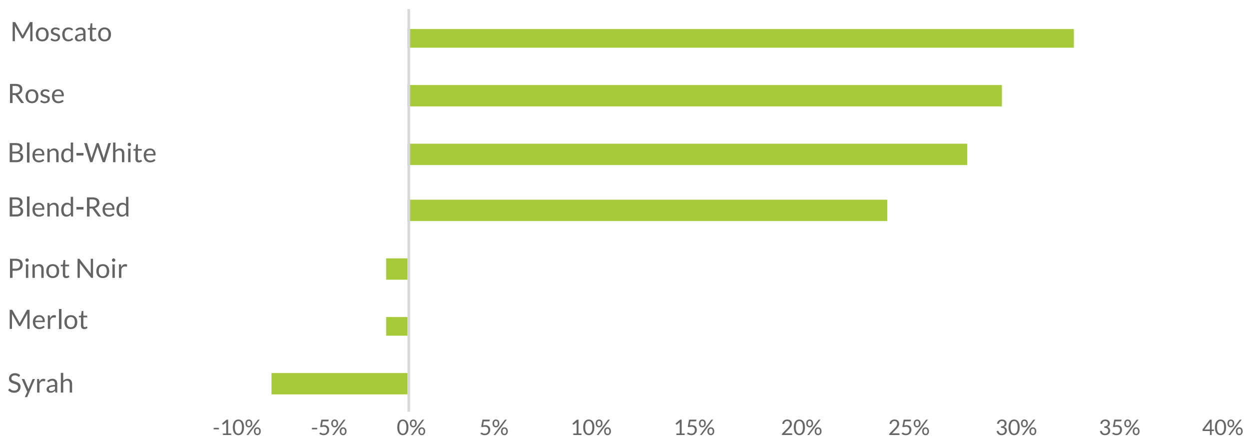
RED BLENDS There was a 20% increase in volume of Red Blends shipped in 2015 over 2014.

SYRAH

7.6%

SYRAH Since 2011, Syrah volume is down -7.6% compared to overall industry volume growth of +45%.

2015 GROWTH IN VALUE BY VARIETAL

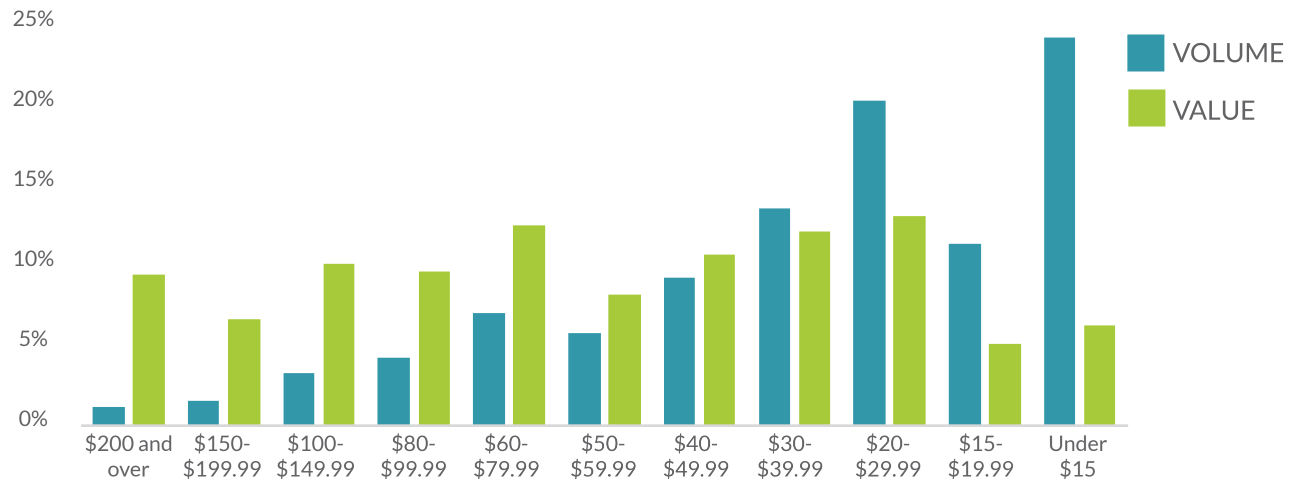


BY PRICE CATEGORY

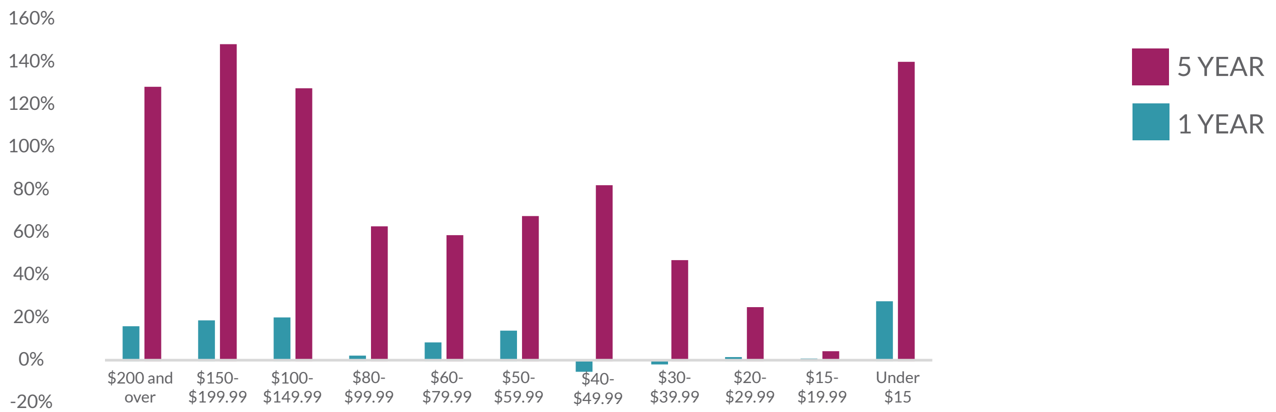
Sixty-seven percent of all wine shipped in 2015 fell into the $40 and Under Category. Traditionally, lower priced wines aren't associated with the DtC channel, but the $15 and Under category saw a 27.7% increase in volume of shipments in 2015, bringing its share of shipments to 22.5%—the highest volume share of any category.

On the other side of the spectrum, wines priced at $100 or greater also saw significant increase in volume and value of wine shipped in 2015. Wines priced $100 or more saw a 19% increase in volume and a 21% increase in the value of shipments. While these wines represent only 5.8% of all wine shipped, they produce 25.2% of the total value of the DtC shipping channel.

2015 PERCENT OF VOLUME AND VALUE BY PRICE CATEGORY



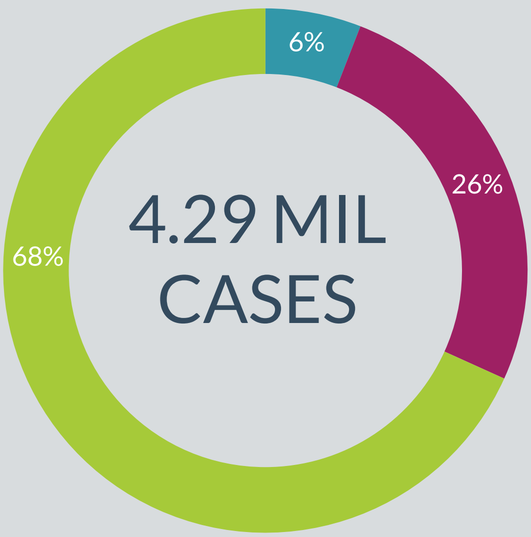
GROWTH IN VOLUME BY PRICE CATEGORY (1 YEAR VERSUS 5 YEAR)



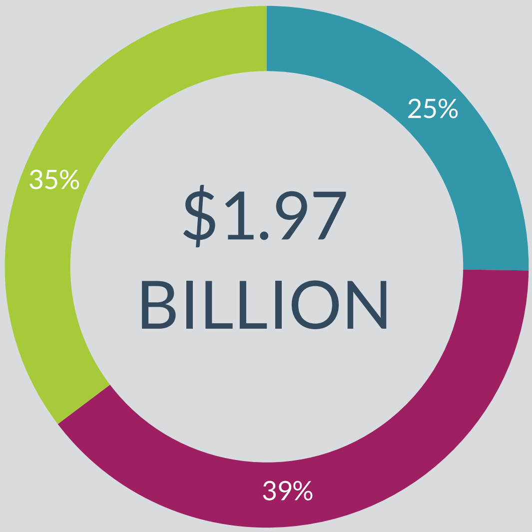
2015 BY PRICE CATEGORY

	Volume (Cases)	% of Total Volume	± in Volume	Value (USD $)	% of Total Value	± in Value	Avg. $ / Bottle	± in Price
$200 and over	49,294	1.1%	15.8%	$178,723,561	9.1%	25.7%	$302.14	8.5%
$150 - $199.99	62,464	1.5%	18.5%	$125,591,002	6.4%	17.9%	$167.55	-0.6%
$100 - $149.99	136,732	3.2%	20.1%	$191,785,834	9.8%	18.2%	$116.89	-1.6%
$80 - $99.99	174,394	4.1%	3.0%	$182,509,986	9.3%	3.7%	$87.21	0.7%
$60 - $79.99	291,020	6.8%	9.0%	$236,496,728	12.0%	9.0%	$67.72	0.0%
$50 - $59.99	238,655	5.6%	14.3%	$155,109,974	7.9%	14.8%	$54.16	0.5%
$40 - $49.99	383,133	8.9%	-4.6%	$202,201,869	10.3%	-4.9%	$43.98	-0.3%
$30 - $39.99	560,822	13.1%	-1.4%	$230,595,931	11.7%	-1.2%	$34.26	0.2%
$20 - $29.99	837,903	19.5%	2.0%	$248,006,771	12.6%	2.3%	$24.67	0.2%
$15 - $19.99	468,435	10.9%	1.0%	$97,262,534	4.9%	0.8%	$17.30	-0.2%
Under $15	1,002,798	23.4%	27.7%	$118,384,009	6.0%	23.7%	$9.84	-3.1%
TOTAL	**4,286,743**	**100%**	**8.5%**	**$1,966,668,198**	**100%**	**8.1%**	**$38.23**	**-0.4%**

2015 PERCENT OF VOLUME AND VALUE BY PRICE CATEGORY



Total Volume



Total Value

$100 and up $40-$100 Under $40

BY WINERY REGION

This report defines the region of shipments as Napa County, Sonoma County, Oregon, Washington, the Rest of California and the Rest of the U.S. Among these six segments, Napa County unsurprisingly continues to dominate the DtC landscape from both a volume and value perspective. Most notably, the value of DtC shipments from Napa County wineries surpassed $1 billion in value for the first time. Now, shipments from Napa County account for just over 50% of the total value of the DtC shipping market, while capturing only 32% of the overall volume of the shipping channel.

The ongoing fight for second place continues between the Sonoma County and Rest of California regions. In 2015, Rest of California overtook Sonoma for second most wine shipped on a dollar value basis, a position it lost to Sonoma in 2013. While neither of these regions had significant growth, the Rest of California had slightly more shipments, which allowed it to move up in the ranks.

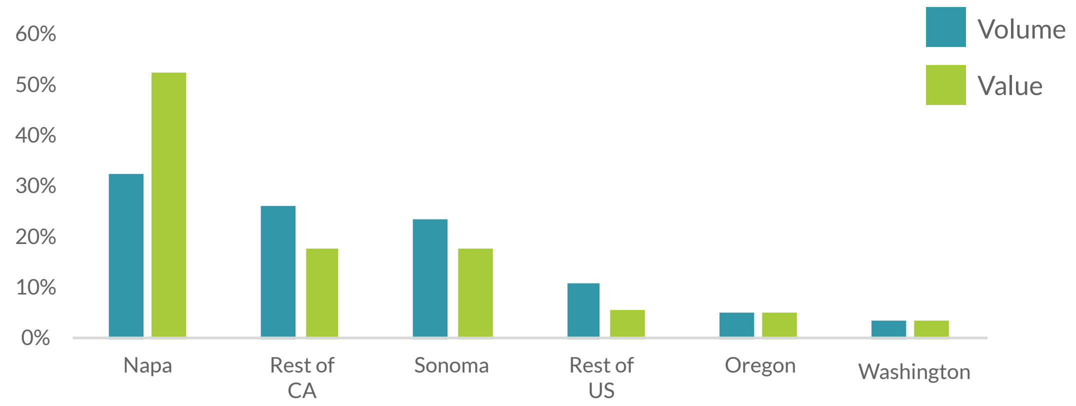
Oregon continues to thrive, with a 15% increase in the value of DtC shipments in 2015, which is almost double that of the industry average and a continuation of the region's 2014 momentum.

The Washington State segment is showing normal growth, with a slight decrease in prices and slight increase in volume. However, the lower prices have translated to a slower increase rate than the overall DtC channel. Finally, wineries in the Rest of the U.S. held steady in 2015, with a 11% share of total volume of wine shipped in the direct-to-consumer wine channel.

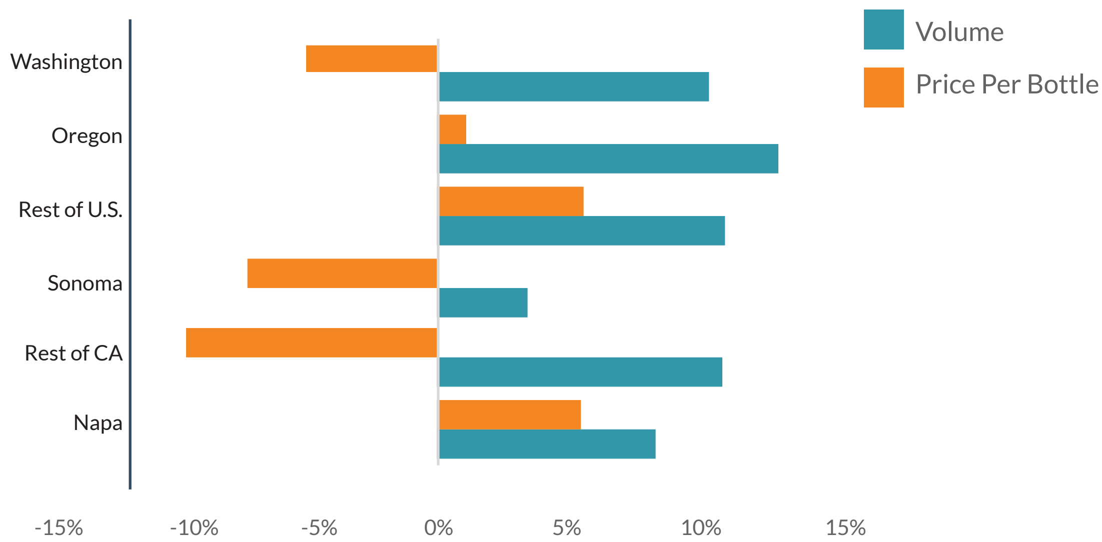
$1 BILLION

NAPA COUNTY WINERIES SURPASSED $1 BILLION AND 50% OF OVERALL MARKET VALUE

2015 PERCENT OF TOTAL VOLUME AND VALUE BY REGION



2015 GROWTH IN VOLUME AND PRICE-PER-BOTTLE BY REGION



2015 BY WINERY REGION

	Volume (Cases)	% of Total Volume	± in Volume	Value (USD $)	% of Total Value	± in Value	Avg. $ / Bottle	± in Price
Napa	1,373,825	32.0%	8.6%	$1,012,475,949	51.5%	14.7%	$61.41	5.7%
Rest of CA	1,093,597	25.5%	11.1%	$342,053,500	17.4%	0.2%	$26.06	-9.9%
Sonoma	996,897	23.3%	3.5%	$341,708,842	17.4%	-4.3%	$28.56	-7.5%
Rest of US	460,482	10.7%	11.3%	$107,197,743	5.5%	17.7%	$19.40	5.7%
Oregon	208,042	4.9%	13.3%	$100,296,654	5.1%	14.6%	$40.17	1.1%
Washington	153,900	3.6%	10.6%	$62,935,509	3.2%	4.9%	$34.08	-5.2%
TOTAL	4,286,743	100.0%	8.5%	$1,966,668,198	100.0%	8.1%	$38.23	-0.4%

REGIONAL ANALYSIS NAPA

2015 was a strong year for Napa Valley. This region now commands over half of the volume for the DtC industry, and it reached over $1 billion in DtC wine sales. Napa Valley Cabernet Sauvignon shipments were largely responsible for this growth, with its 4.8% increase in average price per bottle shipped and 15.7% increase in the value of those shipments.

8.6%	volume
14.7%	increase in value
32.0%	industry volume
$61.41	avg. price per bottle

2015 NAPA VARIETALS

	Volume (Cases)	% of Total Volume	± in Volume	Value (USD $)	% of Total Value	± in Value	Avg. $ / Bottle	± in Price
Cabernet Sauvignon	435,457	31.7%	10.4%	$484,409,527	47.8%	15.7%	$92.70	4.8%
Blend - Red	196,080	14.3%	24.6%	$186,175,725	18.4%	26.6%	$79.12	1.6%
Chardonnay	139,868	10.2%	7.1%	$67,379,319	6.7%	12.7%	$40.14	5.2%
Pinot Noir	106,589	7.8%	2.3%	$60,602,681	6.0%	8.7%	$47.38	6.2%
Merlot	62,031	4.5%	-1.5%	$34,187,860	3.4%	2.5%	$45.93	4.0%
Fume / Sauvignon / Blanc	74,440	5.4%	13.8%	$27,058,980	2.7%	23.7%	$30.29	8.7%
Zinfandel	61,970	4.5%	11.1%	$25,328,457	2.5%	6.7%	$34.06	-3.9%
Sparkling	58,603	4.3%	0.2%	$22,224,288	2.2%	6.2%	$31.60	6.0%
Unspecified	38,930	2.8%	-14.1%	$19,927,434	2.0%	-17.3%	$42.66	-3.7%
Cabernet Franc	22,897	1.7%	17.3%	$16,388,636	1.6%	23.9%	$59.65	5.7%
Other Red	34,865	2.5%	18.4%	$14,856,938	1.5%	28.4%	$35.51	8.4%
Syrah / Shiraz	21,462	1.6%	-7.3%	$12,261,584	1.2%	0.2%	$47.61	8.1%
Petite Sirah	18,499	1.3%	-3.0%	$8,576,087	0.8%	2.8%	$38.63	5.9%
Other White	19,974	1.5%	3.4%	$7,582,782	0.7%	-3.4%	$31.64	-6.6%
Blend - White	21,837	1.6%	21.8%	$7,011,168	0.7%	12.0%	$26.76	-8.0%
Rose	21,876	1.6%	20.0%	$6,280,550	0.6%	37.1%	$23.92	14.2%
Other	16,157	1.2%	-26.4%	$5,475,320	0.5%	-19.2%	$28.24	9.8%
Sangiovese	6,265	0.5%	16.3%	$2,966,498	0.3%	21.5%	$39.46	4.5%
Pinot Gris / Grigio	8,152	0.6%	2.4%	$1,869,677	0.2%	2.0%	$19.11	-0.3%
Riesling	7,445	0.5%	-1.1%	$1,847,853	0.2%	-3.9%	$20.68	-2.8%
Moscato	428	0.0%	-68.6%	$64,585	0.0%	-75.5%	$12.58	-22.1%
TOTAL	**1,373,825**	**100.0%**	**8.6%**	**$1.01 B**	**100.0%**	**14.7%**	**$61.41**	**5.7%**

SONOMA COUNTY

Sonoma County experienced a 7.5% decrease in average price per bottle shipped and a 3.5% increase in volume shipped in 2015. Sonoma Cabernet Sauvignon continued to drop, and has now decreased by almost 50% over 5 years. Though shipments are up for Syrah in this region, they didn't compensate for the 22% decrease in price for this varietal. Pinot Noir continues to strengthen in the region, as this wine maintains the area's most popular wine.

3.5%	volume
4.3%	decrease in value
23.3%	industry volume
$28.56	avg. price per bottle

2015 SONOMA VARIETALS

	Volume (Cases)	% of Total Volume	± in Volume	Value (USD $)	% of Total Value	± in Value	Avg. $ / Bottle	± in Price
Pinot Noir	206,420	20.7%	7.6%	$114,938,028	33.6%	6.9%	$46.40	-0.6%
Cabernet Sauvignon	125,394	12.6%	-7.8%	$43,832,240	12.8%	-30.4%	$29.13	-24.5%
Chardonnay	127,652	12.8%	8.1%	$41,777,439	12.2%	-8.4%	$27.27	-15.3%
Zinfandel	109,767	11.0%	12.8%	$32,559,414	9.5%	6.2%	$24.72	-5.8%
Blend - Red	79,049	7.9%	-14.7%	$28,068,968	8.2%	-5.4%	$29.59	11.0%
Unspecified	27,901	2.8%	-19.9%	$11,658,484	3.4%	-11.2%	$34.82	10.8%
Other Red	34,545	3.5%	-7.6%	$9,956,979	2.9%	5.9%	$24.02	14.6%
Sparkling	27,066	2.7%	22.5%	$9,462,558	2.8%	20.4%	$29.13	-1.7%
Fume / Sauvignon / Blanc	51,998	5.2%	5.7%	$9,107,606	2.7%	-1.0%	$14.60	-6.3%
Syrah / Shiraz	31,989	3.2%	9.2%	$8,332,911	2.4%	-14.3%	$21.71	-21.5%
Merlot	33,262	3.3%	-11.0%	$6,924,523	2.0%	-14.0%	$17.35	-3.4%
Sangiovese	14,642	1.5%	36.4%	$4,544,776	1.3%	21.5%	$25.87	-10.9%
Petite Sirah	22,139	2.2%	72.3%	$4,393,227	1.3%	40.8%	$16.54	-18.3%
Other White	28,441	2.9%	2.0%	$3,773,064	1.1%	-10.2%	$11.06	-12.0%
Cabernet Franc	10,482	1.1%	55.7%	$2,993,920	0.9%	22.6%	$23.80	-21.3%
Rose	20,392	2.0%	35.4%	$2,987,318	0.9%	1.3%	$12.21	-25.2%
Other	7,212	0.7%	45.9%	$2,130,557	0.6%	40.6%	$24.62	-3.6%
Pinot Gris / Grigio	18,411	1.8%	5.1%	$1,779,793	0.5%	-22.2%	$8.06	-26.0%
Blend - White	9,349	0.9%	-31.9%	$1,609,685	0.5%	-25.2%	$14.35	9.8%
Riesling	4,137	0.4%	27.8%	$509,437	0.1%	-8.0%	$10.26	-28.0%
Moscato	6,649	0.7%	41.1%	$367,914	0.1%	75.9%	$4.61	24.6%
TOTAL	**996,897**	**100.0%**	**3.5%**	**$341,708,842**	**100.0%**	**-4.3%**	**$28.56**	**-7.5%**

OREGON

Oregon continues to stand out with a 13% increase in volume of wine shipped and 15% increase in value, likely due to the region's Pinot Noir popularity. Shipments of Oregon Pinot Noir accounted for 70% of the total value of the area's DtC channel. This comes after a 54% increase in volume and 57% increase in the value of shipments of Oregon Pinot Noir in 2014. In just two years, the value of Oregon shipments of Pinot Noir has increased by more than 80%, to $70 million.

13.3%	volume
14.6%	increase in value
13.3%	industry volume
$40.17	avg. price per bottle

2015 OREGON VARIETALS

	Volume (Cases)	% of Total Volume	± in Volume	Value (USD $)	% of Total Value	± in Value	Avg. $ / Bottle	± in Price
Pinot Noir	118,422	56.9%	13.2%	$70,006,900	69.8%	16.8%	$49.26	3.2%
Chardonnay	14,924	7.2%	30.8%	$6,135,406	6.1%	40.8%	$34.26	7.6%
Blend - Red	10,501	5.0%	22.1%	$3,463,065	3.5%	20.1%	$27.48	-1.6%
Syrah / Shiraz	6,050	2.9%	-24.9%	$2,910,604	2.9%	-35.5%	$40.09	-14.1%
Pinot Gris / Grigio	12,039	5.8%	21.3%	$2,910,468	2.9%	30.3%	$20.15	7.4%
Sparkling	4,904	2.4%	-20.0%	$2,376,714	2.4%	-9.6%	$40.39	13.0%
Cabernet Sauvignon	5,193	2.5%	40.3%	$2,129,915	2.1%	11.7%	$34.18	-20.4%
Unspecified	5,386	2.6%	47.1%	$2,115,775	2.1%	39.4%	$32.73	-5.3%
Rose	6,852	3.3%	106.5%	$2,001,560	2.0%	113.8%	$24.34	3.5%
Riesling	6,386	3.1%	1.5%	$1,609,301	1.6%	17.5%	$21.00	15.7%
Other Red	5,085	2.4%	-7.2%	$1,312,731	1.3%	-12.8%	$21.52	-6.0%
Other White	3,659	1.8%	-19.1%	$1,030,938	1.0%	-2.8%	$23.48	20.1%
Merlot	3,089	1.5%	39.8%	$673,154	0.7%	32.6%	$18.16	-5.1%
Blend - White	2,145	1.0%	10.9%	$447,768	0.4%	-9.1%	$17.40	-18.0%
Other	932	0.4%	-46.2%	$390,617	0.4%	-61.7%	$34.92	-28.8%
Cabernet Franc	538	0.3%	-27.8%	$324,484	0.3%	0.0%	$50.29	38.5%
Fume / Sauvignon / Blanc	1,168	0.6%	140.7%	$238,682	0.2%	138.3%	$17.02	-1.0%
Sangiovese	601	0.3%	30.3%	$169,044	0.2%	34.6%	$23.42	3.3%
Zinfandel	140	0.1%	16.4%	$38,618	0.0%	-12.5%	$22.97	-24.8%
Petite Sirah	27	0.0%	-83.3%	$10,913	0.0%	-81.0%	$33.17	13.9%
TOTAL	208,042	100.0%	13.3%	$100,296,654	100.0%	14.6%	$40.17	1.1%

WASHINGTON

Washington's performance was normal for 2015, with an 11% increase in volume at the cost of a 5% decrease in price. Washington's Cabernet Sauvignon was significantly outpaced by shipments of Red Blend, which led to a whopping 65% increase in the value of Red Blend shipments in 2015. Syrah experienced its only growth in Washington State, with volume shipments increasing by 7%, the value of those shipments increasing by 17%, and a 10% increase in average price per bottle shipped.

8.6% volume

8.1% increase in value

10.6% industry volume

$38.23 avg. price per bottle

2015 WASHINGTON VARIETALS

	Volume (Cases)	% of Total Volume	± in Volume	Value (USD $)	% of Total Value	± in Value	Avg. $ / Bottle	± in Price
Blend - Red	42,440	27.6%	47.6%	$18,837,267	29.9%	64.6%	$36.99	11.6%
Cabernet Sauvignon	23,876	15.5%	-13.0%	$13,340,135	21.2%	-13.1%	$46.56	-0.2%
Syrah / Shiraz	18,934	12.3%	6.8%	$9,357,421	14.9%	17.3%	$41.18	9.8%
Other Red	13,894	9.0%	23.4%	$5,550,994	8.8%	30.1%	$33.29	5.4%
Unspecified	6,374	4.1%	-30.3%	$2,759,775	4.4%	-59.8%	$36.08	-42.4%
Merlot	7,627	5.0%	-11.6%	$2,709,591	4.3%	-14.5%	$29.60	-3.3%
Blend - White	8,327	5.4%	125.0%	$1,691,536	2.7%	93.5%	$16.93	-14.0%
Cabernet Franc	3,660	2.4%	34.4%	$1,670,006	2.7%	36.7%	$38.02	1.7%
Chardonnay	6,395	4.2%	32.8%	$1,423,299	2.3%	27.3%	$18.55	-4.2%
Riesling	5,311	3.5%	37.6%	$1,168,598	1.9%	63.3%	$18.34	18.6%
Other White	4,322	2.8%	3.1%	$1,090,338	1.7%	-2.6%	$21.02	-5.6%
Rose	3,156	2.1%	14.6%	$755,666	1.2%	30.2%	$19.95	13.6%
Fume / Sauvignon / Blanc	2,418	1.6%	-4.5%	$532,540	0.8%	-1.6%	$18.36	3.0%
Sangiovese	1,621	1.1%	49.2%	$490,867	0.8%	60.9%	$25.23	7.8%
Pinot Noir	1,205	0.8%	-81.4%	$437,367	0.7%	-87.7%	$30.24	-33.8%
Other	1,221	0.8%	-23.9%	$382,237	0.6%	-12.6%	$26.08	14.9%
Zinfandel	1,047	0.7%	353.0%	$318,213	0.5%	391.0%	$25.33	8.4%
Pinot Gris / Grigio	1,136	0.7%	-33.1%	$201,854	0.3%	-35.8%	$14.80	-4.0%
Sparkling	590	0.4%	38.5%	$110,359	0.2%	57.0%	$15.58	13.3%
Petite Sirah	308	0.2%	283.4%	$98,345	0.2%	320.1%	$26.59	9.6%
Moscato	35	0.0%	0.0%	$9,100	0.0%	0.0%	$21.39	0.0%
TOTAL	**153,900**	**100.0%**	**10.6%**	**$62,935,509**	**100.0%**	**4.9%**	**$34.08**	**-5.2%**

REST OF CALIFORNIA

In 2015, the Rest of California region saw a 10% dive in bottle price, which led to an 11% jump in volume shipped. This rise resulted in the Rest of California region overtaking Sonoma County for second place in value of wine shipped. This is despite Pinot Noir sales falling by 22% in 2015, which historically has been the most valuable varietal of the region. Additionally, Syrah's dollar value decreased by 18% in 2015. Red Blends carried the weight of the region with a 34% shipment increase.

^ 11.1%	volume
^ 0.2%	increase in value
^ 25.5%	industry volume
$26.06	avg. price per bottle

2015 REST OF CALIFORNIA VARIETALS

	Volume (Cases)	% of Total Volume	± in Volume	Value (USD $)	% of Total Value	± in Value	Avg. $ / Bottle	± in Price
Pinot Noir	165,436	15.1%	-4.9%	$72,433,837	21.2%	-22.2%	$36.49	-18.3%
Blend - Red	183,750	16.8%	34.4%	$61,433,032	18.0%	31.3%	$27.86	-2.3%
Cabernet Sauvignon	109,987	10.1%	4.6%	$42,821,368	12.5%	1.3%	$32.44	-3.1%
Chardonnay	97,231	8.9%	-6.4%	$25,973,503	7.6%	-10.9%	$22.26	-4.8%
Other Red	91,332	8.4%	43.1%	$23,464,112	6.9%	32.3%	$21.41	-7.6%
Zinfandel	78,157	7.1%	4.6%	$20,685,910	6.0%	0.4%	$22.06	-4.0%
Unspecified	49,414	4.5%	-5.9%	$19,148,527	5.6%	15.5%	$32.29	22.8%
Syrah / Shiraz	52,314	4.8%	-10.6%	$18,596,592	5.4%	-17.8%	$29.62	-8.1%
Fume / Sauvignon / Blanc	40,996	3.7%	10.3%	$7,946,370	2.3%	1.3%	$16.15	-8.1%
Other White	35,959	3.3%	32.8%	$7,400,630	2.2%	23.1%	$17.15	-7.3%
Blend - White	37,558	3.4%	93.7%	$6,808,645	2.0%	53.9%	$15.11	-20.6%
Petite Sirah	18,042	1.6%	-0.1%	$5,746,250	1.7%	19.9%	$26.54	20.1%
Sparkling	22,633	2.1%	5.4%	$5,640,925	1.6%	5.5%	$20.77	0.1%
Merlot	23,628	2.2%	-8.3%	$5,449,486	1.6%	-16.2%	$19.22	-8.6%
Rose	26,516	2.4%	79.7%	$5,015,726	1.5%	37.7%	$15.76	-23.4%
Cabernet Franc	11,878	1.1%	6.5%	$3,785,595	1.1%	-6.3%	$26.56	-12.0%
Sangiovese	13,314	1.2%	15.5%	$3,216,378	0.9%	7.3%	$20.13	-7.1%
Other	13,970	1.3%	21.1%	$3,134,205	0.9%	-21.8%	$18.70	-35.4%
Pinot Gris / Grigio	13,686	1.3%	9.8%	$2,061,448	0.6%	-8.0%	$12.55	-16.2%
Riesling	6,732	0.6%	59.5%	$1,031,120	0.3%	46.7%	$12.76	-8.0%
Moscato	1,064	0.1%	414.1%	$259,841	0.1%	527.9%	$20.34	22.1%
TOTAL	**1,093,597**	**100.0%**	**11.1%**	**$342,053,500**	**100.0%**	**0.2%**	**$26.06**	**-9.9%**

THE REST OF US

The Rest of US regional category tracks direct-to-consumer wine shipments from wineries in every state save for California, Oregon, and Washington. The diversity of this category is exemplified by the 63% of volume that is either a varietal blend or an obscure, untracked wine. This region had arguably the best performance of all six regions, with its 11% increase in the volume of shipments and its 5.7% increase in average price per bottle.

^ 11.3%	volume
^ 17.7%	increase in value
^ 10.7%	industry volume
$19.40	avg. price per bottle

2015 REST OF US VARIETALS

	Volume (Cases)	% of Total Volume	± in Volume	Value (USD $)	% of Total Value	± in Value	Avg. $ / Bottle	± in Price
Blend - Red	95,367	20.7%	14.8%	$21,851,455	20.4%	29.3%	$19.09	12.7%
Unspecified	36,072	7.8%	23.1%	$10,785,942	10.1%	44.1%	$24.92	17.1%
Other Red	44,651	9.7%	-5.5%	$9,627,127	9.0%	0.3%	$17.97	6.1%
Other	46,565	10.1%	16.0%	$8,791,604	8.2%	4.1%	$15.73	-10.2%
Blend - White	39,673	8.6%	28.0%	$7,566,688	7.1%	46.6%	$15.89	14.5%
Other White	28,361	6.2%	4.5%	$5,533,088	5.2%	4.6%	$16.26	0.1%
Chardonnay	23,917	5.2%	4.4%	$5,319,840	5.0%	6.7%	$18.54	2.2%
Cabernet Sauvignon	17,828	3.9%	-12.6%	$5,250,535	4.9%	-8.2%	$24.54	5.1%
Pinot Noir	14,478	3.1%	-27.1%	$4,431,130	4.1%	-32.8%	$25.50	-7.8%
Merlot	14,741	3.2%	18.4%	$4,173,943	3.9%	31.7%	$23.60	11.2%
Riesling	19,558	4.2%	9.0%	$4,090,904	3.8%	11.3%	$17.43	2.1%
Syrah / Shiraz	12,006	2.6%	49.8%	$3,700,821	3.5%	52.7%	$25.69	1.9%
Cabernet Franc	12,770	2.8%	18.7%	$3,687,935	3.4%	26.6%	$24.07	6.6%
Sparkling	12,111	2.6%	29.6%	$3,077,653	2.9%	35.0%	$21.18	4.2%
Fume / Sauvignon / Blanc	11,868	2.6%	76.5%	$2,943,403	2.7%	126.1%	$20.67	28.1%
Rose	11,372	2.5%	13.6%	$2,104,837	2.0%	13.8%	$15.42	0.2%
Pinot Gris / Grigio	8,151	1.8%	11.6%	$1,623,061	1.5%	17.6%	$16.59	5.4%
Zinfandel	6,880	1.5%	-9.0%	$1,374,952	1.3%	4.5%	$16.65	14.8%
Petite Sirah	1,702	0.4%	156.6%	$663,832	0.6%	174.1%	$32.50	6.8%
Sangiovese	2,101	0.5%	28.8%	$555,592	0.5%	56.4%	$22.04	21.5%
Moscato	309	0.1%	10.8%	$43,400	0.0%	22.7%	$11.71	10.8%
TOTAL	460,482	100.0%	11.3%	$107,197,743	100.0%	17.7%	$19.40	5.7%

SHIPMENTS BY DESTINATION

Over half of the $1.97 billion worth of wine was shipped to five states in 2015: California, Texas, New York, Florida, and Illinois. It's important to note, here, California continues to outpace other states, receiving 31% of the total volume of wine shipped. However, for the first time since 2012, California's growth for wine shipped, 0.7%, failed to match industry growth, at 8.5%.

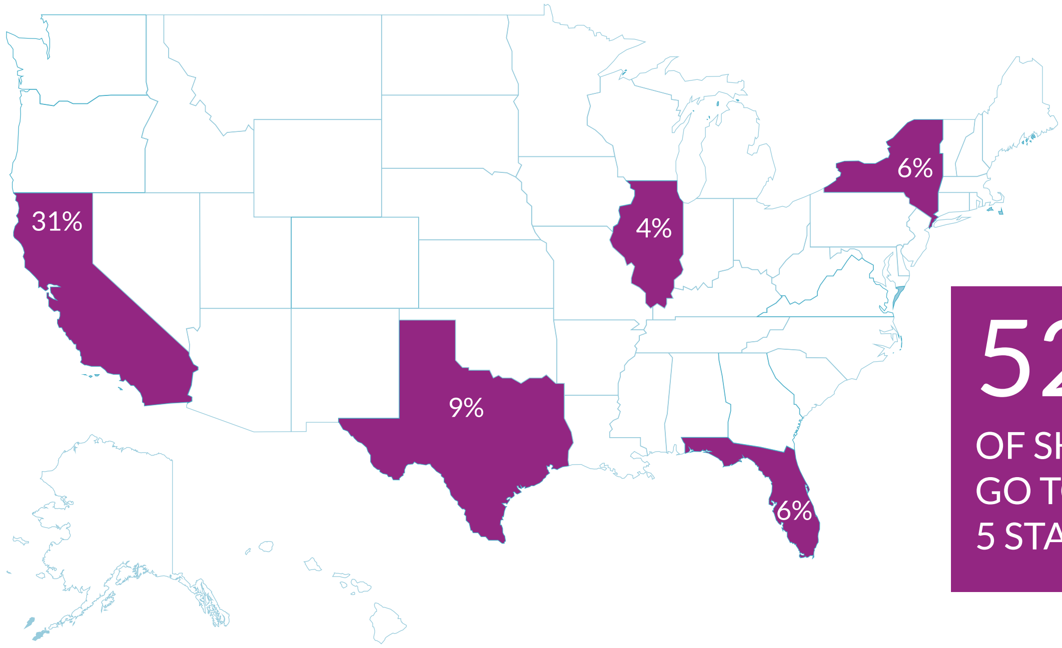
In its first year as a legal DtC shipping state, Massachusetts saw $27.5 million of wine shipped, at an average price of $41.23, ranking 18th on the list of ship-to-states. We're expecting Massachusetts's second year to see even more of a jump, and for the state to land on the top 10 list for dollar value of shipments for 2016.

This year, we explored the percentage of state shipments that go to residents within the same state.

- Californians receive 96% of their shipments from California wineries.
- Oregonians receive 61% of their shipments from Oregon wineries.
- Washingtonians receive 47% of their shipments from Washington wineries.

When exploring what varietals were ordered from the different regions, it's evident Cabernet Sauvignon was the favorite. It's interesting to note that in California, where Cabernet Sauvignon holds the largest portion of its sales, Pinot Noir was the most commonly shipped varietal to California residents. Pinot Noir accounted for 16.9% of all shipments, versus Cabernet Sauvignon 16.2%.

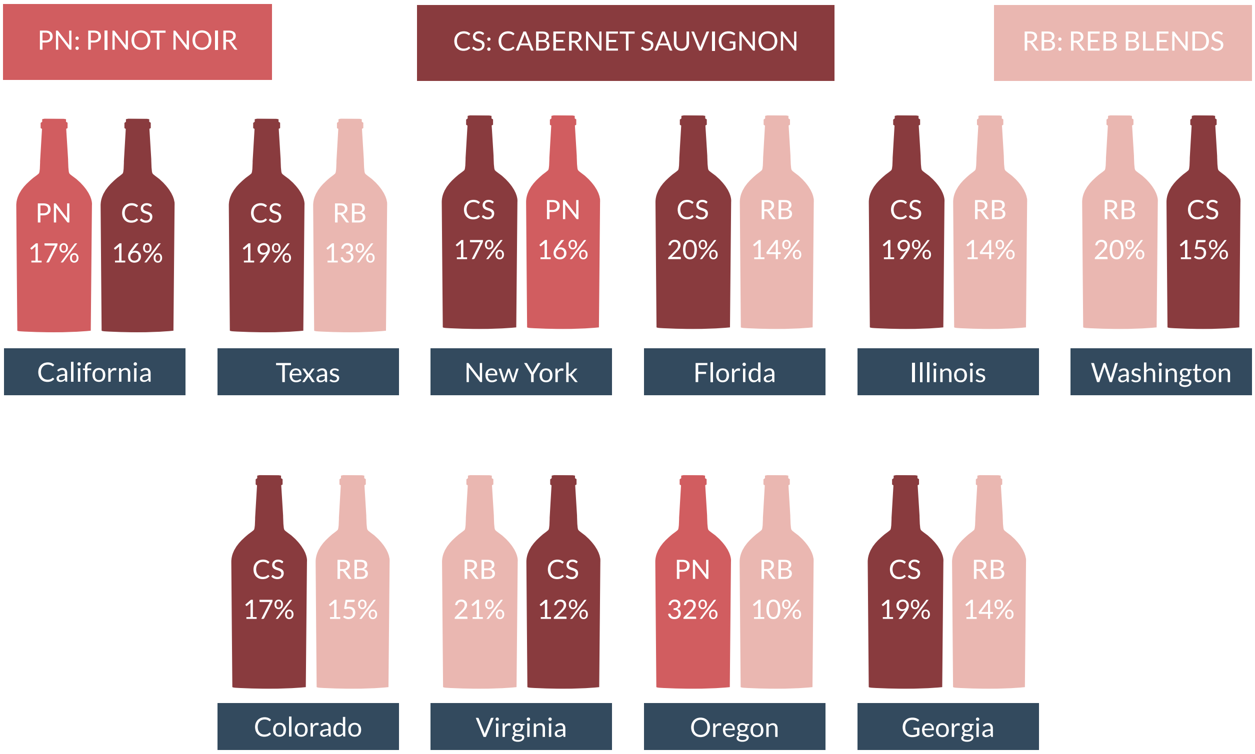
2015 PERCENT OF TOTAL VOLUME BY DESTINATION STATES



52%

OF SHIPMENTS GO TO TOP 5 STATES

2015 MOST POPULAR VARIETALS OF TOP DESTINATION STATES



ENTER MASSACHUSETTS

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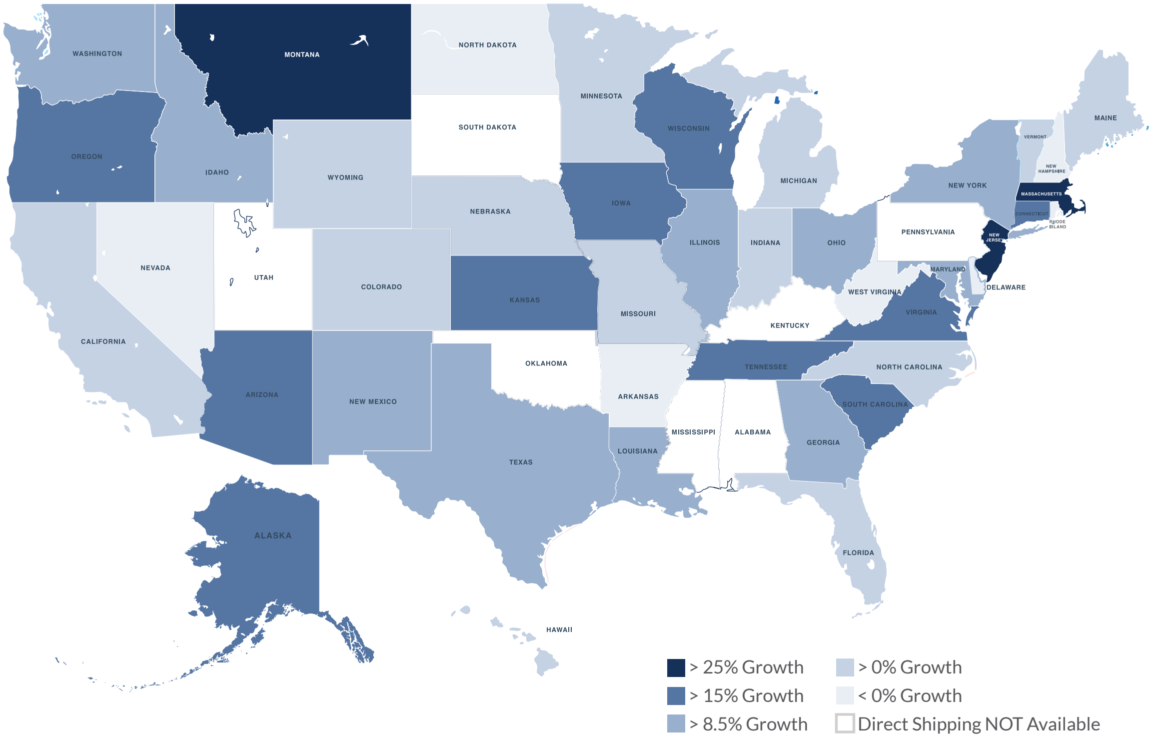
2015 BY STATE

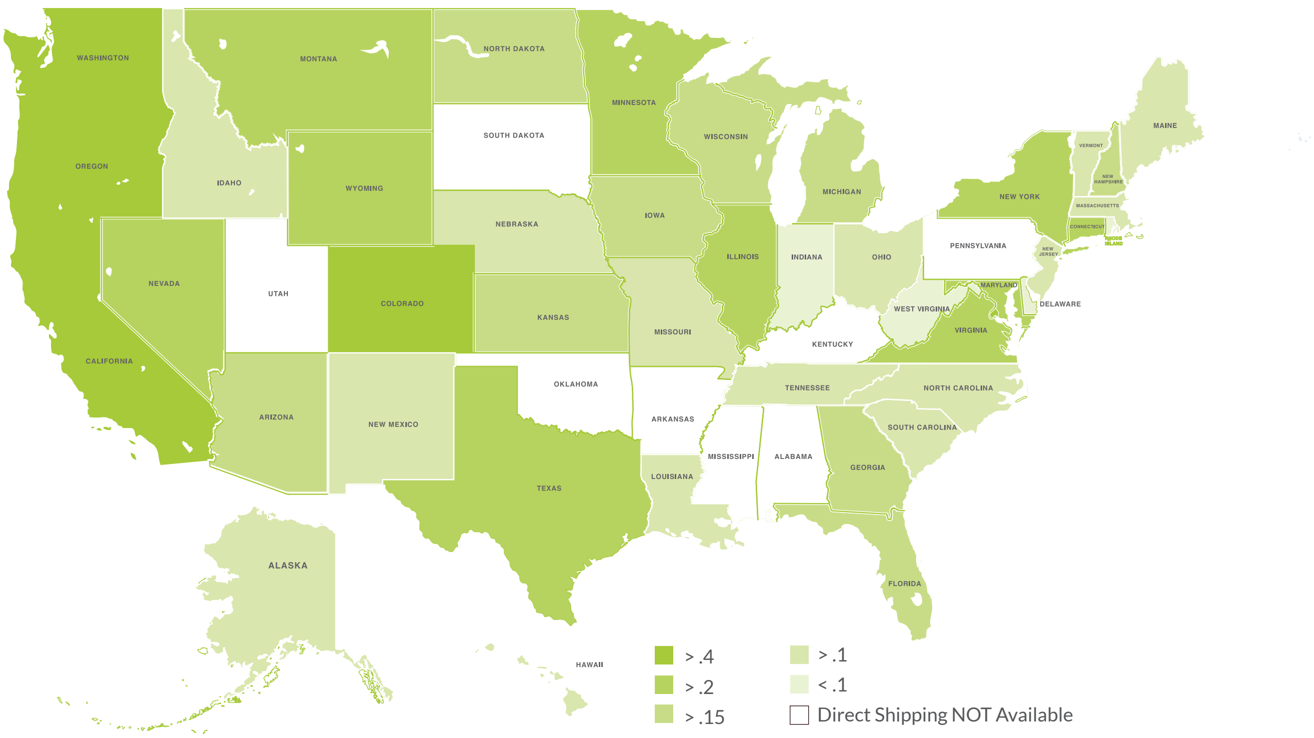
	Volume (Cases)	% of Total Volume	± in Volume	Value (USD $)	% of Total Value	± in Value	Avg. $ / Bottle	± in Price	Bottles per Capita
CA	1,321,788	30.8%	0.7%	$634,464,784	32.3%	2.2%	$40.00	1.4%	0.565
TX	386,117	9.0%	9.7%	$199,634,523	10.2%	12.0%	$43.09	2.0%	0.245
NY	266,972	6.2%	10.9%	$124,672,610	6.3%	7.2%	$38.92	-3.3%	0.218
FL	249,197	5.8%	5.9%	$122,081,853	6.2%	9.9%	$40.83	3.7%	0.195
IL	187,199	4.4%	9.4%	$90,889,831	4.6%	7.5%	$40.46	-1.8%	0.241
WA	186,622	4.4%	14.5%	$75,257,493	3.8%	7.6%	$33.61	-6.1%	0.426
VA	142,454	3.3%	18.7%	$55,950,725	2.8%	15.5%	$32.73	-2.7%	0.279
CO	143,567	3.3%	0.1%	$55,523,375	2.8%	2.3%	$32.23	2.2%	0.436
OR	108,102	2.5%	22.5%	$48,136,091	2.4%	22.7%	$37.11	0.2%	0.433
GA	97,934	2.3%	13.6%	$44,862,329	2.3%	10.7%	$38.17	-2.6%	0.162
NC	77,274	1.8%	6.7%	$35,115,666	1.8%	11.9%	$37.87	4.9%	0.127
OH	82,382	1.9%	10.4%	$34,881,534	1.8%	0.3%	$35.28	-9.2%	0.117
NJ	67,634	1.6%	33.9%	$33,956,332	1.7%	25.7%	$41.84	-6.1%	0.123
MI	91,142	2.1%	7.8%	$33,439,494	1.7%	11.3%	$30.57	3.3%	0.151
AZ	71,579	1.7%	21.1%	$30,662,254	1.6%	13.7%	$35.70	-6.1%	0.176
MN	69,981	1.6%	8.0%	$28,856,226	1.5%	4.4%	$34.36	-3.3%	0.211
MA	55,485	1.3%	243.1%	$27,451,490	1.4%	231.4%	$41.23	-3.4%	0.132
MD	78,071	1.8%	13.8%	$26,357,044	1.3%	12.4%	$28.13	-1.3%	0.213
CT	54,848	1.3%	11.0%	$26,026,812	1.3%	6.0%	$39.54	-4.5%	0.249
TN	56,863	1.3%	23.6%	$22,424,996	1.1%	21.5%	$32.86	-1.7%	0.141
WI	53,668	1.3%	15.4%	$20,129,706	1.0%	9.1%	$31.26	-5.5%	0.153
MO	53,067	1.2%	3.8%	$29,671,908	1.5%	8.5%	$46.59	4.5%	0.144
NV	39,434	0.9%	-1.6%	$19,543,786	1.0%	2.3%	$41.30	4.0%	0.225
DC	25,416	0.6%	-2.2%	$13,765,689	0.7%	1.7%	$45.13	4.1%	0.588
SC	35,164	0.8%	20.8%	$13,445,513	0.7%	14.9%	$31.86	-4.9%	0.118
IA	33,831	0.8%	18.5%	$12,788,944	0.7%	12.1%	$31.50	-5.5%	0.180
LA	29,176	0.7%	9.9%	$12,732,660	0.6%	4.3%	$36.37	-5.2%	0.104
KS	28,931	0.7%	19.0%	$12,629,248	0.6%	15.9%	$36.38	-2.7%	0.169
IN	18,474	0.4%	1.5%	$7,204,458	0.4%	6.6%	$32.50	5.1%	0.047
NM	17,912	0.4%	8.7%	$7,154,407	0.4%	4.2%	$33.28	-4.2%	0.144
NH	15,757	0.4%	-13.8%	$6,992,860	0.4%	-18.6%	$36.98	-5.6%	0.189
NE	16,704	0.4%	4.9%	$6,961,272	0.4%	-1.2%	$34.73	-5.9%	0.150
HI	9,072	0.2%	7.1%	$6,199,431	0.3%	13.8%	$56.94	6.3%	0.102
ID	13,000	0.3%	9.5%	$5,396,754	0.3%	12.8%	$34.60	3.0%	0.136
MT	13,902	0.3%	49.1%	$4,218,775	0.2%	42.8%	$25.29	-4.2%	0.218
WY	11,432	0.3%	0.8%	$4,094,416	0.2%	-0.3%	$29.85	-1.1%	0.324
ME	10,906	0.3%	8.2%	$2,901,249	0.1%	0.9%	$22.17	-6.8%	0.129
AK	4,952	0.1%	-2.8%	$2,585,474	0.1%	-6.5%	$43.51	-3.8%	0.115
ND	7,830	0.2%	-5.3%	$2,505,489	0.1%	0.0%	$26.66	5.5%	0.171
WV	5,239	0.1%	-1.9%	$2,132,507	0.1%	-4.5%	$33.92	-2.7%	0.045
VT	5,611	0.1%	5.8%	$2,044,967	0.1%	-3.3%	$30.37	-8.6%	0.143
RI	3,686	0.1%	-5.1%	$1,532,901	0.1%	-7.3%	$34.66	-2.4%	0.056
DE	1,985	0.0%	-4.6%	$981,773	0.0%	-9.3%	$41.22	-4.9%	0.034

AVERAGE BOTTLES SHIPPED PER CAPITA: 0.249

2015 GROWTH IN VOLUME BY DESTINATION STATE



2015 BOTTLES SHIPPED PER CAPITA BY DESTINATION STATE



CONCLUSION

2015 saw another successful year in the direct-to-consumer shipping channel. This performance was buoyed by the opening of Massachusetts, which contributed 19% of the sales growth in the overall DtC channel.

When looking to the future of the industry it's important to note that the only remaining closed state with significant market opportunity is Pennsylvania. While it's unclear whether and when Pennsylvania will open to wine shipments, we estimate that the addition of Pennsylvania would represent a significant boost to the winery shipping channel—$100 million in sales within the first four years.

In the near term, there are many other opportunities wineries can tap into. Millennial wine drinkers are beginning to replace Baby Boomers, and the smaller Generation X is poised to drive DtC sales over the next 5 to 10 years. These generations have very different tastes when it comes to wine and its important to understand their preferences and what that means for your business.

The fact that average household income has been flat or declining over recent years is another factor worth considering when developing a DtC strategy. DtC wine shipping is part of the luxury market and is impacted when households have less disposable income.

Finally, take note of the reality that wineries have more competition for high-end beverage spending than before. Craft beer, spirits, and cider are beginning to impact the wine market (particularly among Millennial drinkers). However, the wine channel also continues to grow, with 450 new wineries joining the industry just last year. Most of these new wineries will look to the DtC shipping channel as a significant part of their sales and distribution strategy.

As a result of these factors, being a nimble and strategic DtC winery is critical to growing sales going forward. We aim for this report to provide the wine industry with information that not only allows wineries to compare their own DtC shipping channel performance against the rest of the industry, but also identifies opportunities for their businesses to grow.

2016

DIRECT

TO CONSUMER

THE 2016 SHIPCOMPLIANT AND WINES & VINES DIRECT-TO-CONSUMER WINE SHIPPING REPORT IS THE PRODUCT OF:

Jeff Carroll
VP of Strategy and Compliance
ShipCompliant

Rachel Bush
Brand Manager
ShipCompliant

Frances Munoz
Senior UX/I Designer
ShipCompliant

Sam Straka
Direct Product Manager
ShipCompliant

Jim Gordon
Editor
Wines&Vines

Lynne Skinner
VP of Data Management
Wines&Vines

Elizabeth Hansen
Strategic Program Manager
ShipCompliant

Chet Klingensmith
President & Publisher
Wines&Vines

Ben Olsgard
Sr. Business Intelligence Developer
Wines&Vines

shipCOMPLIANT

WINES&VINES

For More Information on This Report Please Contact:

Liz Watson, ShipCompliant
Liz@ShipCompliant.com
303 996 2343
ShipCompliant.com/shippingreport