A Preliminary Analysis of Investing in Wine Grape Production: Evidence from the State of Connecticut, USA

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The Connecticut Wine and Vineyard industry has grown at a steady 3.9% per year over the past decade (ATTB, 2009). Programs to support and foster further growth of the industry and CT farm vineyard culture include the Department of Agriculture’s CT Wine Trail and the annual CT Wine festival (DOAG, 2010). Vineyard development is also supported by farmland preservation groups since grape growing tends to secure tracts of farmland for long periods of time. Programs like FarmLink help prospective vineyard owners find affordable land to farm. With high state property values the need for affordable land is a driving factor for vineyard establishment. The Net Present Value (NPV) and Internal Rate of Return (IRR) are calculated for both vinifera and French American hybrid varieties over a 20 year period. Sensitivity analysis for NPV is done by varying the baseline discount rate. Preliminary IRRs for vinifera and hybrid varieties over the 20 year period are estimated at 13% and 8%, respectively. Thus, the investment analysis suggests that growing vinifera varieties of wine grapes in Connecticut is more profitable than growing French American hybrid varieties.

Keywords: Wine Grapes, Connecticut Agriculture, Investment Analysis, vineyard Management