

Online Cost of Goods Workbook Tutorial for the 2019 IWBI

The purpose of this workbook is guide students participating in the Intercollegiate Wine Business Invitational through the wine supply chain and aid in understanding the key cost decisions for profitable wine production. Instructions for logging into the online version, which does all of the calculations automatically as you enter the costs and provides a Profit and Loss summary, will be provided separately for each team.

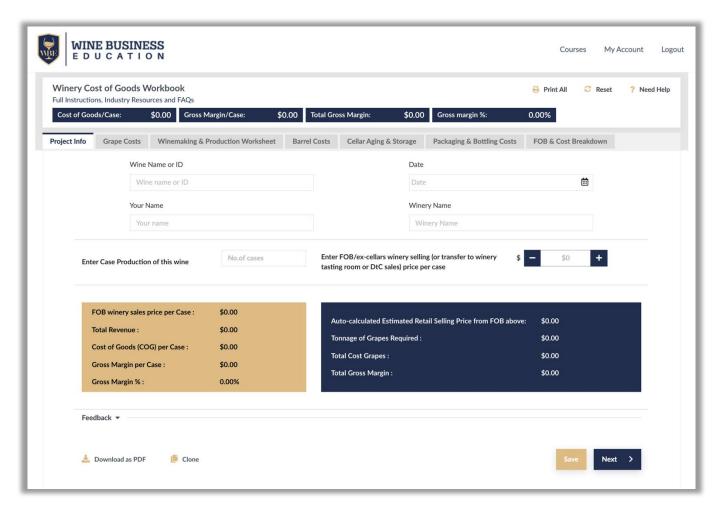
Whenever possible use realistic and sustainable numbers (not just the lowest you can find!) when researching the individual line items for input. You can reach out to wineries, winemakers, or custom crush facilities in the area of production for your wine for help in researching the best number for the individual costs. Research costs – and make sure to allocate portions to your team members to come up with the REQUIRED costs. Make sure that key costs and production elements are also reflected in your business plan.

We recommend that you designate one person to be responsible for inputting and maintaining the online workbook. This form can be emailed, or printed and handed out, so that everyone can participate in researching the appropriate input amounts. Here is a partial list of some of the key numbers you will need to research and find to complete your financial workbook:

- 1. Cost per ton for grape variety(ies) you are using that corresponds to the legally defined AVA (American Viticultural Area) that will be stated as the origin of the grapes on your label.
- 2. How many cases of wine can you get from one ton of grapes? This number needs to correspond to wine quality, style and type of grapes you use).
- 3. Production: how much, on a PER TON basis, does it cost to process your grapes into wine?
- 4. How much is the Federal Excise Tax for a gallon of wine?
- 5. How much does it cost to store wine in tanks (after production but before bottling) and case goods (after the wine is bottled)?
- 6. Cost of different barrel options for oak aging (if wine is oak aged).
- 7. Packaging costs for bottles, closures (corks, screwcaps, etc.).
- 8. And lots more!

When navigating on the online version it is suggested that you use the TAB function to enter each number and navigate around the page. We hope you enjoy this process and take advantage of the opportunity to learn the key decisions and costs that go into making a bottle of wine!

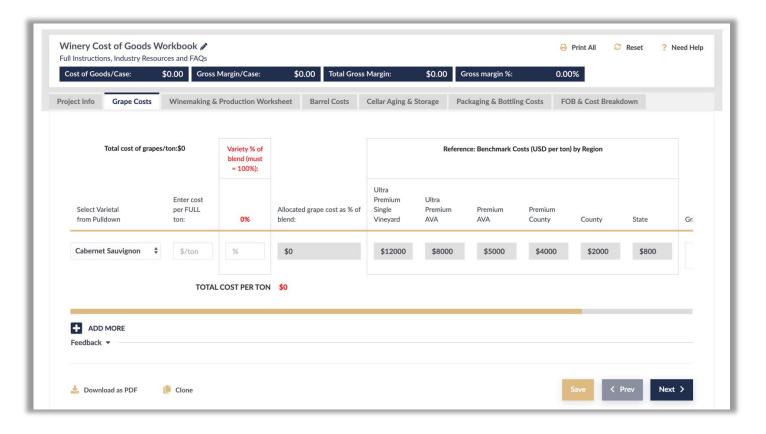




Project Info Tab

- Workbook Title. Click on Pencil Icon next to Edit Workbook Name please include your team ID: MSU01 for example (top left of page).
- 2. Full instructions, Industry Resources and FAQS live link to support page.
- 3. Click on TABS to preview content and navigate through the workbook.
- 4. Enter Wine Name, Date, Your Name and Winery Name
- 5. Enter Case Production for this one wine and expected FOB/ex-cellars price (for example.
- 6. You will begin to see values in top information bar as you enter information (Cost of Goods, Gross Margin, etc.).
- 7. Click Save or Next to continue to Grape Costs worksheet

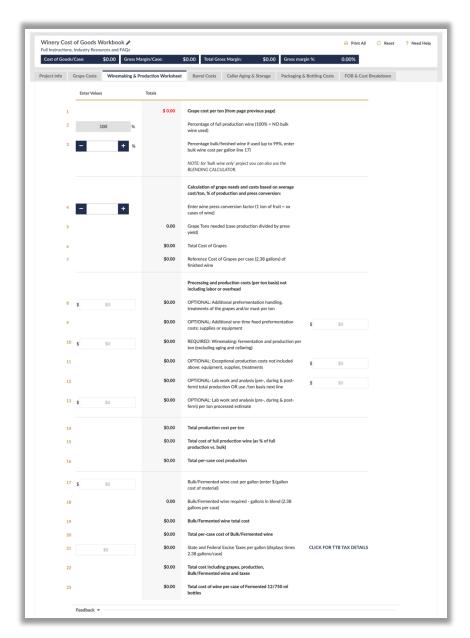




Grape Costs Calculator

- 1. Select a Varietal (type of grape; Merlot, Riesling, etc.) from pulldown list in column 1.
 - a. If you are using a grape variety not listed in the pulldown leave the field SELECT VARIETY and enter the name of the grape variety you are using in the GRAPE SOURCE NOTES to the far right of the row.
- 2. You will see current benchmark values, provided for reference of typical range of prices, in subsequent fields. Research the actual costs using grape crush reports or by calling wineries and/or grape growers in the region of production for your wine.
- 3. Enter your full cost per ton, then the percentage of total blend (or 100% if wine is from single variety Chardonnay for example that wine accounts for. You may also add notes, such as name of source, or other details about that grape you may want to remember.
- 4. For a blend you can add as many varieties, and their associated cost per ton and percentages, to get an overall Cost Per Ton. Make sure the value in the third column totals 100% (and is displayed in GREEN)
- 5. If calculations are not being completed or not displaying properly, click SAVE (lower right of page) to correct.
- 6. Click Next or the tab at the top to continue to Winemaking & Production Worksheet

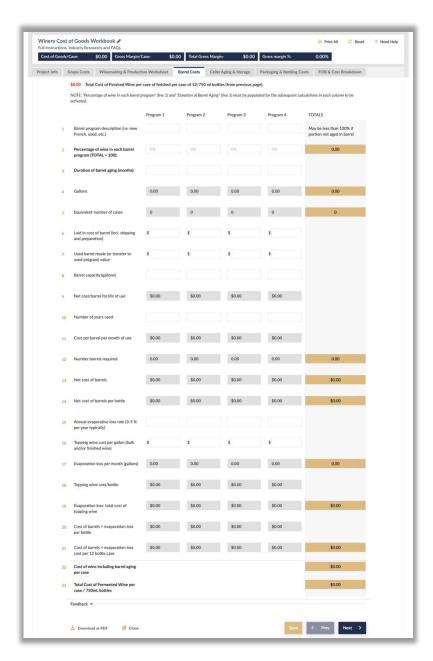




Winemaking & Production Worksheet

- 9. Required fields:
 - a. Line 2: use the 100% number (no bulk wine) for your project
 - b. Line 3: conversion factor is the number of CASES of wine you can expect from a ton of grapes. This number can vary from 50-70 cases per ton depending on the type of grape, style of wine and pressure applied at the point of pressing the grapes to extract the juice.
 - c. Line 5: REQUIRED:
 Winemaking: fermentation
 and production per ton
 (excluding aging and
 cellaring)
 - d. State and Federal Excise Taxes per Gallon
- If calculations are not being completed or not displaying properly, click SAVE to fix it
- 11. Click Next or the tab at the top to continue to **Barrel Costs**Worksheet

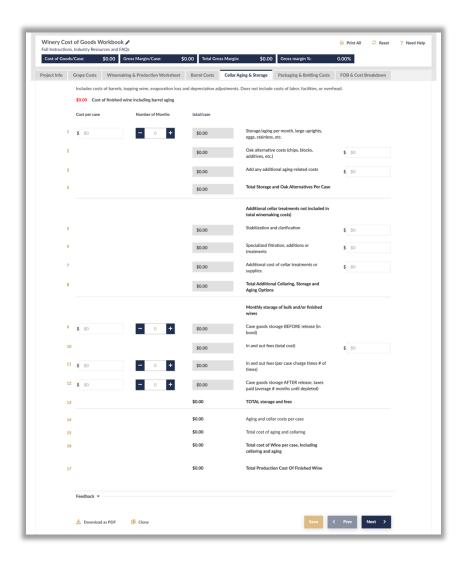




Barrel Costs

- This worksheet will introduce you to the many variables and costs associated with barrel aging a wine
- 2. If your wine is NOT aged in barrels you can leave this page blank
- a. Alternatives for adding oak character (chips, oak adjuncts/additives, etc.)
 can be found on the next page)
- 3. Guidelines for completion
- You are not required to use all four PROGRAMS
- Typical PROGRAM names can be: new or used, French, American or other source of barrels for each PROGAM (up to four)
- If only a portion of the wine goes into barrel the TOTAL on LINE 2 should reflect the % (100% is all the wine is barrel aged)
- 4. LINE 3: number of months the wine will spend in barrels
- 5. LINE 6: research the cost of the type of barrels you plan to use
- 6. LINE 7: What is the salvage value (if any) when done using the barrels for this wine?
- 7. LINE 8: what is the capacity of the barrels?
- LINE 10: how many years will the barrel be used (only 1 year for new oak, up to 5 or more for used barrels)
- 9. LINE 15: evaporation expected during barrel aging process. Barrel storage conditions are important!
- 10. LINE 16: refer to previous tab
 (Winemaking & Production
 Worksheet) Line 23: Total cost of wine
 per case of Fermented 12/750 ml
 bottles, then divide by 2.38 to get a
 cost per gallon for your topping wine.
- 11. Click Next or the tab at the top to continue to Cellar Aging & Storage Worksheet





Cellar Aging & Storage Costs

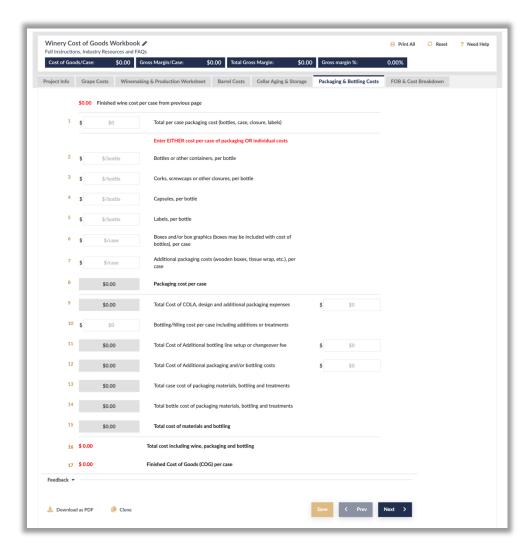
- In addition to aging in barrels there are several points that you need to store wine before and after bottling.
- 2. REQUIRED FIELDS
 - a. LINE 1: How many months, and cost per case equivalent, of storing the wine after fermentation (or before/after barrel aging) but BEFORE bottling. May range from 2-3 months up to even a year depending on wine type and style. Cost can range from \$0.10 to \$0.50 depending on storage vessel.
 - LINE 9: can vary from 1 for fresh whites/rose to 12 months or more for reserve style reds, cost varies from \$0.15 to \$.50 per month.
 - c. LINE 10: cost varies from \$0.15 to \$.50 per month. If wine is planned to be completely sold within a year from release, divide your production by 12 for NUMBER OF MONTHS

3. OPTIONAL

- Research cost of oak alternatives if using instead of, or in addition to, barrel aging
- Any specialized treatments (most of these may be covered in line 10 your REQUIRED: Winemaking: fermentation and production per ton (excluding aging and cellaring) of the Winemaking & Production Worksheet
- If calculations are not being completed or not displaying properly, click SAVE to fix it
- Click Next or the tab at the top to continue to Packaging & Bottle Costs Worksheet

At any time in any workbook, you may use **Download as PDF**, **Clone**, **Print All**, **Reset**, or **Need Help** functions.

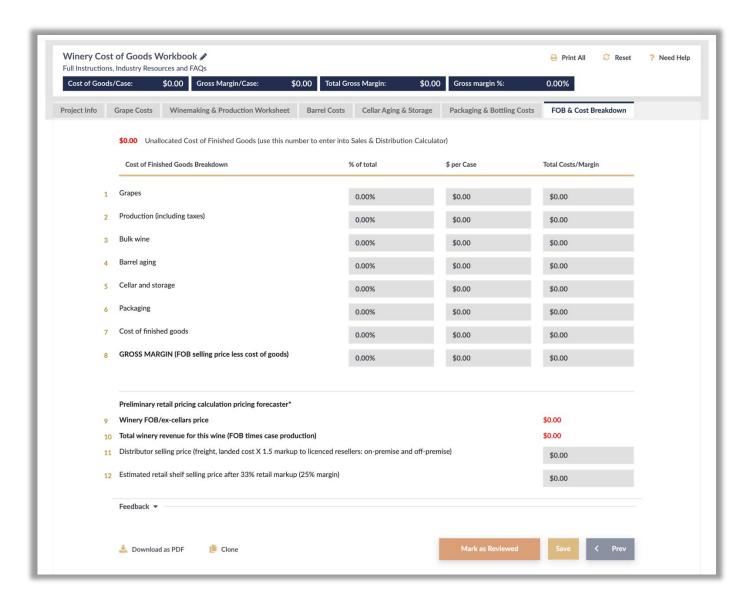




Packaging & Bottling Costs

- Use Lines 2-8 (individual packaging components), NOT Line 1
- 2. REQUIRED FIELDS
 - LINE 9: research COLA and then add estimate of cost to create label design and artwork
 - ii. LINE 10: You may want to contact an individual bottling company, winery or mobile bottling service to get costs and provide them with the volume of production for your project
- 3. Click Next or the tab at the top to continue to Packaging & Bottle Costs Worksheet





FOB & Costs Breakdown

This page displays the summary of all your costs and determines your FOB price and Gross Profit Margin for the inputs you have provided.