
Northern Vineyard Winery

Stillwater, Minnesota

Northern Vineyard Winery (NVW), located in Stillwater, Minnesota, was established in 1983 as a coop to buy grapes grown by ten producer members. NVW produces about 10,000 gallons or approximately 50,000 bottles of wine annually. They produced 36 tons of grapes in 2001. There are now 16 members of the coop who produce grapes on 30 to 50 acres. Foot traffic by the company store accounts for 65 to 75 percent of wine sales. The store also sells specialty items such as wine books, knick-knacks and other items corresponding to the wine experience. The wine is priced from \$9 to \$20 per bottle.



North half of the cellar. Wine is stored in wood barrels for aging.



South half of the cellar. Grape juice is pumped from the crush area into plastic barrels for fermentation. Barrel size is about 3 feet diameter by 6 feet tall holding about 320 gallons each.

Motivation

NVW was established as a way to provide income to the coop members. All the members have regular jobs and wanted to pursue additional income from this side business.

Business Development

All the members initially invested \$2,000 and a lot of sweat equity. Members were not paid for their grapes for up to three years in order to capitalize the business. Members provided the labor for several years to make and sell the wine. The winery now boasts a paid, full-time wine-maker and a sales manager/assistant wine-maker. Additionally, five part-time workers assist with sales and harvest.

The coop established a store in Stillwater in the St. Croix River Valley, which attracts many tourists who shop in the district and enjoy the river during summer months.

Market Access

The shop is located in Stillwater, Minnesota in the St. Croix River Valley. The city attracts many tourists who enjoy the shops and view. Foot traffic walking by the store accounts for 65 to 75 percent of wine sales. The remainder of the sales is to liquor stores in the Twin Cities and other tourist areas where the purchase of locally produced wine is a novelty purchase of a trip to Minnesota.

Additionally, NVW sells specialty items such as wine books, knick-knacks and other items corresponding to the wine experience. The store also features local artists' paintings and sell them for a commission. The wine is priced from \$9 to \$20 per bottle. The store has a wine tasting area to sample the 14 wines produced. There is a good selection of red, white and blush wines. The winery has won many awards.



Critical Steps

Members were not initially paid for their grapes in order to capitalize the business. One important lesson learned was that the business was still undercapitalized. The cost of building inventory and sale to a critical mass needs to be well thought out. Invest enough cash to sustain the company for the first one to two years.

The company did start out small with equipment and has added additional tanks and barrels as needed and this was beneficial.

Barriers to Success

Labor costs for 2001 were approximately \$100,000. The business was undercapitalized from the beginning. Grape production requires a tremendous amount of hand labor. One producer estimates his labor earns him between \$5 and \$10 per hour from his grape sales.

Unexpected Problems

The members provided all the labor for several years to make and sell the wine. This was very difficult because members had regular jobs and could only work odd hours.

Success or Failure

The business is a success. More expansion will be done at a later date. The wine-maker estimates the current equipment will produce 20,000 gallons. Currently, the winery produces 10,000 gallons.



This is the company's warehouse area.

Industry/Market Changes

NVW uses several different ways to reach the public. Each wine label displays an original work done by a Minnesota artist. The company supports community events and hosts a party when a new wine is released. Original works of art done by local artists are displayed and sold in the store. The Internet is used to promote the winery and wine is shipped by UPS to buyers in several other states.



Lessons Learned

The cost of building inventory and sales to a critical mass needs to be well thought out. Look at investing enough cash in the beginning to sustain the company for the first three to five years.

For more information on NVW, check out their Web site at <http://www.northernvineyards.com/>.

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