

# VININTELL

March 2015, Issue 23



## COUNTRY PROFILES USA – TEXAS STATE





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## COUNTRY PROFILES USA

*Forthcoming profiles of specific states – New York • New Jersey • Massachusetts  
Rhode Island • Florida • **Texas** • North Carolina • South Carolina • Virginia*

Country Profiles is an integral part of the South African wine industry's business intelligence. Based on this, SAWIS has decided to compile, in collaboration with WOSA, a number of country profiles to assist exporters. These profiles cover a wide range of topics, including background to marketing thoughts and topics for strategic, tactical and operational decisionmaking. The comprehensive profile is available on the SAWIS website.

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## CONTENTS

1.	INTRODUCTION.....	3
2.	DEMOGRAPHICS .....	5
3.	PEOPLE AND SOCIETY .....	7
4.	INFRASTRUCTURE .....	8
5.	ENVIRONMENT.....	8
6.	ECONOMIC SITUATION .....	9
7.	AGRICULTURE.....	10
8.	WINE INDUSTRY.....	10
9.	CONSUMERS .....	17
10.	CONCLUSION.....	19



## 1. INTRODUCTION

Texas is the second most populous (after California) and the second largest of the 50 US states (after Alaska) in the US. Geographically located in the south central part of the country, Texas shares an international border with the Mexican states of Chihuahua, Coahuila, Nuevo León and Tamaulipas to the south and borders the US states of New Mexico to the west, Oklahoma to the north, Arkansas to the northeast and Louisiana to the east. Texas has an area of 696,200 square kilometers and a growing population of over 26.9 million residents (July 2014).

Houston is the largest city in Texas and the fourth largest in the US, while San Antonio is the second largest in the state and seventh largest in the US. Dallas–Fort Worth and Greater Houston are the fourth and fifth largest US metropolitan areas, respectively. Other major cities include El Paso and Austin, the state capital. Texas is nicknamed the Lone Star State to signify Texas as a former independent republic and as a reminder of the state's struggle for independence from Mexico. The Lone Star can be found on the Texas state flag and on the Texas state seal today. The origin of the state name, Texas, is from the word, "Tejas", which means 'friends' in the Caddo language.

A Texas industry that thrived after the Civil War was cattle. Due to its long history as a centre of the industry, Texas is associated with the image of the cowboy. The state's economic fortunes changed in the early 20<sup>th</sup> century, when oil discoveries initiated an economic boom in the state. With strong investments in universities, Texas developed a

diversified economy and high tech industry in the mid-20th century. As of 2010 it shares the top of the list of the most Fortune 500 companies with California at 57. With a growing base of industry, the state leads in many industries, including agriculture, petrochemicals, energy, computers and electronics, aerospace and biomedical sciences. Texas has led the nation in export revenue since 2002 and has the second-highest gross state product.

In terms of wine, Texas is divided into three main wine growing regions with a vast range of diversity and microclimates that allows many different types of grapevines to grow in the state.

- The North-Central Region spans the northern third of the state from the border of New Mexico across the Texas Panhandle and towards Dallas. This includes the Texas High Plains AVA which has the highest concentration of grape growers in the state. The eastern third of the state makes up the South-Eastern Region which encompasses the area southeast of Austin and San Antonio and including Houston. In recent years this area's wine industry has been hit by Pierce's Disease. The high humidity around the northern end of this area makes it difficult to grow vinifera grapes, while vines in the Muscadine family flourish.
- Roughly in the centre is the Texas Hill Country AVA where vinifera is grown. At the far southwest end of this region, is the state's oldest winery, Val Verde, which has been in operation for over a century, making sweet fortified wines.



- The central-western third of the state is known as the Trans-Pecos Regions which produces about 40 per cent of the state's grape in the highest altitude vineyards of the area. More than two thirds of all the wine produced in Texas comes from this area. The calcareous soil in the Texas High Plains is characterised as red sandy loam (tiera roja) over caliche (limestone) with moderate low fertility, a terroir similar to that found in Coonawarra in Australia. The vines are exposed to long days of sunshine and cool nights due to an elevation of over 1 060m. Cold temperatures during the winter give the vines opportunity to shut down and go dormant before the growing season. The Ogallala Aquifer provides water resources for irrigation and serves as a tempering effect on the high summer temperatures and extreme winter hazards such as freezing temperatures and hail. The effects of constant wind over the flat terrain serve as a buffer against viticulture diseases such as odium and powdery mildew.

Harvest time in Texas is normally around the end of July, two months earlier than in California and three months earlier than most of the wine regions in France.

Viewed in terms of its past, Texas winemaking has a long and rich heritage from which to draw. The lands that now comprise the state of Texas are among the oldest wine-producing regions in the US, but the newest to establish an industry of winemaking. In fact, wine grapes were planted in Texas more than a hundred years before they were planted in California. Most historians agree

that the earliest vineyards, thought to grow the mission varietal grape, no longer found in Texas, were planted by Franciscan priests as early as the 1650's along the Rio Grande River near present day El Paso. Early European settlers in Texas also planted (for the most part, unsuccessfully) European *Vitis vinifera* grape varieties in an effort to maintain the wine culture they had enjoyed in their homelands. German immigrants who settled in New Braunfels and Fredericksburg had success producing wines from the native mustang grapes, although those wines would most likely not be palatable today. According to the Texas wine industry, as European settlers followed the development of mission outposts across the frontier, they brought more grapevine cuttings, further developing the industry through the late 1800s. Four hundred years later and grapes are still being grown in Texas and bottled into wine, though the wine and grape industry has changed greatly since those early days.

Texas modern history with the grape started in the early 1880s. France was hit with a devastating grape disease that all but destroyed the wine industry and French economy. A French scientist, Pierre Viala, was





tasked by French officials with finding a cure for *the plague of the grape*. Meanwhile across the Atlantic, horticulturist, botanist, inventor, viticulturist and free thinker Thomas Volney Munson was experimenting with cross pollination and rootstocks in Denison, Texas. Munson had discovered that Texas soils and climate were similar to many of the grape growing regions of France. He also found that Texas had many of its own grape varieties with particular genetic properties, very different than the genetic makeup of the French grapes. This allowed Munson to use the Texas varieties, the wild Mustang and other domestic grapes collected mostly in and around Ingleside, Texas (near Corpus Christi), to develop phylloxera-resistant stocks. Working with Munson, Viala grafted the Texas rootstocks with the French vines, allowing them to recover from the devastating grape disease epidemic of the late 19th Century while still growing the ancient *Vitis vinifera* cultivars. The grafting still continues today as researchers have discovered the wild Texas varieties have played an important role in providing genetic resistance for grape rootstocks used around the world.

Diverse soils and the Texas climate offer opportunities for growing a wide variety of grape types. A wide diversity of genetically unique grape species has been identified as native to Texas. The legendary T. V. Munson of Denison, Texas was one of the most important grape taxonomists to classify the grapes of the world in 1909. Vines are ubiquitous. These native species have played an important role in providing genetic resistance for grape rootstocks used around the world. A large contrast exists between native grapes

and commercial wine grape production in Texas. Growing wine in Texas is very difficult. It was not however until the 1970s that there was a renewed interest in winemaking in Texas. By the mid-1980s, vineyards had been planted all over Texas, with many eventually becoming wineries.<sup>1</sup>

## 2. DEMOGRAPHICS

**Area:** 696,200 km<sup>2</sup>

**Climate:** With 10 climatic regions, 14 soil regions and 11 distinct ecological regions, regional classification becomes problematic with differences in soils, topography, geology, rainfall and plant and animal communities.

One classification system divides Texas into the following:

- Gulf Coastal Plains
- Interior Lowlands
- Great Plains
- Basin and Range Province

The large size of Texas and its location at the intersection of multiple climate zones gives the state highly variable weather. The Panhandle of the state has colder winters than North Texas, while the Gulf Coast has mild winters. Texas has wide variations in precipitation patterns. El Paso, on the western end of the state, averages 220 mm of annual rainfall, while parts of southeast Texas average as much as 1,600 mm per year. Dallas in the North Central region averages a more moderate 940 mm per year.

Snow falls multiple times each winter in the Panhandle and mountainous areas of West Texas, once or twice a year in North Texas and once every few years in Central and East



Texas. Snow rarely falls south of San Antonio or on the coast except in rare circumstances. Maximum temperatures in the summer months average from the 26°C in the mountains of West Texas and on Galveston Island to around 38°C in the Rio Grande Valley, but most areas of Texas see consistent summer high temperatures in the 32°C range.

Night-time summer temperatures range from the upper 14°C in the West Texas Mountains to 27°C in Galveston.

Thunderstorms strike Texas often, especially the eastern and northern portions of the state. Tornado Alley covers the northern section of Texas. The state experiences the most tornadoes in the US, an average of 139 a year. They occur most frequently in North Texas and the Panhandle. Tornadoes in Texas generally occur in the months of April, May and June.

**Terrain:** Due to its size and geologic features such as the Balcones Fault, Texas contains diverse landscapes that resemble both the American South and Southwest. Although Texas is popularly associated with the southwestern deserts, less than 10 per cent of the land area is desert. Most of the population centres are located in areas of former prairies, grasslands, forests and the coastline. Traveling from east to west, one can observe terrain that ranges from coastal swamps and pine woods, to rolling plains and rugged hills and finally the desert and mountains of the Big Bend.

**Natural resources:** Texas has 3,700 named streams and 15 major rivers, with the Rio Grande as the largest. Other major rivers include the Pecos, the Brazos, Colorado and Red River, which forms the border with Oklahoma. While Texas has few natural lakes, Texans have built over 100 artificial reservoirs.

Table 2: Ethnic groups<sup>2</sup>

	Texas	US
White alone, per cent, 2013	80.3%	77.7%
Black or African American alone, per cent, 2013	12.4%	13.2%
American Indian and Alaska Native alone, per cent, 2013	1.0%	1.2%
Asian alone, per cent, 2013	4.3%	5.3%
Native Hawaiian and Other Pacific Islander alone, per cent, 2013	0.1%	0.2%
Two or More Races, per cent, 2013	1.8%	2.4%
Hispanic or Latino, per cent, 2013	38.4%	17.1%
White alone, not Hispanic or Latino, per cent, 2013	44.0%	62.6%
Living in same house 1 year & over, per cent, 2009-2013	82.8%	84.9%
Foreign born persons, per cent, 2009-2013	16.3%	12.9%



### 3 PEOPLE AND SOCIETY

German, Irish and English Americans are the three largest European ancestry groups in Texas. There are roughly 600,000 French Americans and 472,000 Italian Americans residing in Texas; these two ethnic groups make up 2.5 per cent and 2.0 per cent of the population respectively. There are nearly 200,000 Czech-Americans living in Texas, the largest number of any state. African Americans are the largest racial minority in Texas.

**Languages:** The most common accent and/or dialect spoken by natives throughout Texas is sometimes referred to as Texan English, which itself is a sub-variety of a broader category of American English known as Southern American English. In some

areas of the state—particularly in the large cities—Western American English and General American English have been on the increase. Chicano English—due to a growing Hispanic population—is widespread in South Texas, while African American Vernacular English is especially notable in historically minority areas of urban Texas.

**Religions:** The largest denominations by number of adherents in 2010 were the following:

- Roman Catholic Church (4,673,500)
- Southern Baptist Convention (3,721,318)
- United Methodist Church with (1,035,168)
- Islam (421,972)

**Population:** Growing population of over 26.9 million residents (July 2014).

Table 3: Top 10 Non-English languages spoken in Texas

Language	% of population (as of 2010)
Spanish	29.21%
Vietnamese	0.75%
Chinese (including Mandarin and Cantonese)	0.56%
German	0.33%
Tagalog	0.29%
French	0.25%
Korean and Urdu (tied)	0.24%
Hindi	0.23%
Arabic	0.21%
Niger-Congo languages of West Africa (Ibo, Kru and Yoruba)	0.15%





## Age structure<sup>3</sup>

Table 4: Age structure

	Texas	US
Persons under 5 years, per cent, 2013	7.3%	6.3%
Persons under 18 years, per cent, 2013	26.6%	23.3%
Persons 65 years and over, per cent, 2013	11.2%	14.1%
Female persons, per cent, 2013	50.3%	50.8%

## Urbanisation<sup>4</sup>

Texas is among the states with the largest rural populations in the US along with North Carolina and Pennsylvania.<sup>5</sup> The Dallas-Fort Worth Metropolitan Area is the largest in Texas. While Houston is the largest city in Texas and the fourth largest city in the US, the Dallas-Fort Worth metropolitan area is larger than that of Houston.

Table 5: Urbanisation

Total	Urban population	% urbanised
25 145 561	21 298 039	84.7

## 4. INFRASTRUCTURE

**Internet users:** 17,176,661 Internet users as of June 2010, 68.6 per cent of the population. Thirty-one per cent of Texas adults do not have broadband (high-speed internet) at home<sup>6</sup>. Four per cent of Texas households lack broadband availability. Both numbers are similar to the US average. In rural areas across the country, broadband adoption continues to lag behind urban areas, in part because it is less available but also because not everyone is convinced it will enrich their lives.

**Airports:** Texas has 730 airports, second most of any state in the nation. Largest in Texas by size and passengers served, Dal-

las-Fort Worth International Airport (DFW) is the second largest by area in the US.

**Ports and terminals:** 28 ports. The Port of Houston is the busiest port in the US in foreign tonnage.

## 5. ENVIRONMENT

Texas emits the most greenhouse gases in the US. The state emits nearly 1,680 billion kg of carbon dioxide annually. As an independent nation, Texas would rank as the world's seventh-largest producer of greenhouse gases. Causes of the state's vast greenhouse gas emissions include the state's large number of coal power plants and the state's refining and manufacturing industries.



## 6. ECONOMIC SITUATION

The economy of Texas is one of the largest economies in the US. As of 2013, Texas is home to six of the top 50 companies on the Fortune 500 list and 51 overall, (third most after New York and California). As a sovereign country (in 2012), Texas would be the 14<sup>th</sup> largest economy in the world by GDP (ahead of South Korea and the Netherlands). Texas compared to other countries GDP is in the same range as Canada, Russia, the Netherlands, or South Korea, among others as of 2013. In 2010, Site Selection Magazine ranked Texas as the most business-friendly state in the nation, in part because of the state's US\$3billion Texas Enterprise Fund.

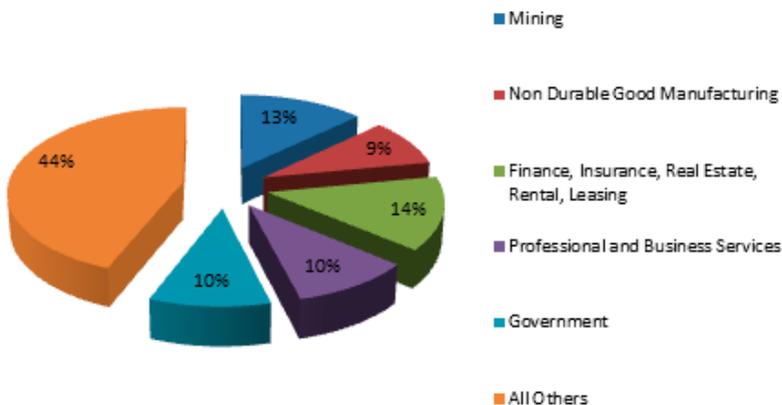
**Gross State Product (GSP):** In 2013, Texas current-dollar GDP was US\$1,532.6 billion and ranked 2<sup>nd</sup> in the US.

**GSP – real growth rate:** In 2013, Texas real GDP grew 3.7 per cent; the 2012-2013 national change was 1.8 per cent.

**GSP – per capita (PPP):** In 2013, Texas had a per capita personal income (PCPI) of US\$43,862. This PCPI ranked 25<sup>th</sup> in the US and was 98 per cent of the national average, US\$44,765.<sup>7</sup>

**Industries:** In 2013, the largest industry in Texas was finance, insurance, real estate, rental and leasing. This industry accounted for 13.5 per cent of Texas GDP and had 3.4 per cent real growth. Texas's affluence stimulates a strong commercial sector consisting of retail, wholesale, banking and insurance and construction industries. Nationally, the Dallas-Fort Worth area, home to the second largest shopping mall in the US, has the most shopping malls per capita of any American metropolitan area.

Figure 1: Top Five State Industries as a per cent of Total GDP, 2013



**Inflation rate (consumer prices):** 1.5 per cent (2014 average)



## 7. AGRICULTURE

Texas has the most farms of all US both in terms of number and acreage. Texas leads the nation in number of cattle, usually exceeding 16 million head. The 1,200 km<sup>2</sup> *La Escalera Ranch*, located 20 miles (32km) south of Fort Stockton, Texas, is one of the largest cattle ranches in the South-western US. The state leads nationally in production of sheep and goat products. Texas is a lead-

ing cotton producer, its second-most-valuable farm product. Texas is a leader in cereal crop production. Three counties in the state (Colorado, Wharton and Matagorda) take advantage of water from the Lower Colorado River Authority to grow rice and are responsible for about 5 per cent of annual U.S. rice production. Texas is also a large producer of watermelons, grapefruits and cantaloupes.

### Land use<sup>8</sup>

Table 6: Farms

	Number of farms		Land in Farms (acres)		Average farm size (acres)	
	2012	2013	2012	2013	2012	2013
Texas	249,000	248,500	130,200	130,100	523	
US	2.109.810	2.103,210	914,600	914,240	433	435

## 8. WINE INDUSTRY

**Areas under vines:** Vineyards can be found in almost every region of the state. Texas has 200 wineries, approximately 1,700 ha of producing vineyards and boasts eight American Viticultural Areas (wine grape-growing regions that have been identified by the US Alcohol and Tobacco Tax and Trade Bureau). Texas is the nation's fifth largest grape and wine producer.

For a wine to mention an AVA on the label, 85 per cent of the volume of wine must come from grapes grown in that designated region, but to bear the *GoTexan* logo on the bottle, 75 per cent of the grapes used to make the wine must have been grown in Texas, but not necessarily in the same viticultural area (AVA).

The Texas wine, wine grape and related industries produced more than US\$1.83 billion of economic value to the State of Texas by the end of 2011, the last year for which numbers are available. Industry officials say 2014 should prove to be the best economic year yet as a result of expanded vineyards and new labels all across the state. In all, the wine and wine grape industry generates about 11,000 jobs in Texas, provides a US\$400 million wage rate and a total production of about 1.5 million cases of wine. The industry is growing. In addition, wine-related tourism produced an estimated US\$437.8 million in revenue to the state from an estimated 1.5 million tourists. Yet another benefit is an estimated local and state tax



collected each year, amounting to nearly US\$92 million at last count.<sup>9</sup> The industry contributes more than US\$1.35 billion annually to the state's economy and has an annual payroll of almost US\$300 million in direct wages.<sup>10</sup>

**Production:** A critical issue facing the Texas wine industry is a shortage of grapes. As the number of wineries in the state has grown, the acreage devoted to growing grapes has not kept pace with the demand.

Texas has gone from 110 wineries in 2005 to 200 wineries in 2014, yet still utilises the same 1,700 ha of grapes. This shortage makes it difficult and expensive to make quality Texas wines at a price point comparable to other wines in the marketplace and to have a consistent brand to market from year to year.

There are not enough existing grapes in Texas to supplement the needs of newer wineries as most of the existing grape growers already have on-going contracts with established wineries. Texas wines are no longer only from Texas. This may be fine for the bulk merchandise market, but the consumer who loves wines and researches them wants the real Texas thing.

The real thing has a lot to do with the terroir. Most Texas wineries take pride in sourcing grapes from Texas vineyards. Grapes grown in Texas soil have a special taste that comes only from a sense of place. If the wine is made from grapes from another state, there is no Texas terroir in the bottle and these wines must be labelled "For Sale in Texas Only" indicating that some portion, or all, of the grapes came from out of state.

The need for more grape production is desperately needed in Texas to keep up with the demand. Texas wineries have been forced to look to other grape-producing areas to find enough raw grapes to produce the volumes of wine required. In recent years California vineyards have provided most of the extra grapes needed by Texas wineries to meet production schedules. Yet, with a historic drought in progress and the resulting critical state of the California grape industry, Texas wine officials are scrambling to discover additional sources of grapes from other states and regions. The ultimate answer to the problems is to increase grape acres across Texas. While the number of acres dedicated to viticulture in the state are increasing, demand still outpaces supply and state officials say more vineyards are needed—sooner than later.

While producing grapes in Texas pales compared to high-production and widely grown commercial crops like cotton, corn, wheat and sorghum, which dominate the state's agricultural landscape, viticulture does represent a growing niche market that many first-time farmers have discovered in recent years. Producers of Texas grapes and wines, many of them new farming families, are taking advantage of an expanding market for Texas wine products. Growing grapes not only satisfies the need to get a hands-on farming experience by planting, growing and harvesting the fruits of the vine, but also providing the farmer with a chance to process grapes and turn them into a regional wine that can be distributed to wholesalers and retailers.

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A third possible revenue strategy for family-size vineyards is to take advantage of current farm-to-consumer trends and cash in on agri-tourism opportunities by offering vineyard tours, seasonal wine-related events and annual wine festivals. Some creative producers are offering wine tastings, harvest events and live music as ways to celebrate one of the state's fastest growing specialty crops.

The Texas wine industry is 99 per cent *Vitis vinifera*. These are the classic wine grapes of Europe which are also grown in California and all other major wine regions of the world. Before the new Texas wine industry, most vineyards were small and for home or local use. They consisted of the cold hardy, disease and insect resistant American varieties. This included hundreds of varieties; however, the prominent varieties were the Munson varieties; Beacon, Carman, Champanel and Ellen Scott, Cynthiana from Arkansas and the *Vitis Bourquiniana* varieties, LeNoir, Hebemont and Favorite.

Over 20 additional Pierce's Disease tolerant varieties are being tested in a new vineyard on the Texas A&M University campus which was planted in 2001.

In the acid soils of east Texas, Muscadines can be grown to perfection; however, there are only very small plantings. Cabernet Sauvignon and Chardonnay have the highest number of plantings in the state, followed by Merlot, Syrah and Muscat Canelli as leading variety in acreage planted. Texas is also home to Zinfandel, Tempranillo, Sangiovese and Viognier plantings. The Texas Department of Agriculture lists twenty-one wine

varieties grown in Texas. From 2005 to 2010, large increases in plantings have been seen for varieties like Syrah and Muscat Canelli, while others like Sauvignon Blanc and Chardonnay have declined.

### **Wine industry structure**

The Texas wine industry is defined by three major stakeholders:

1. Wineries that produce grapes.
2. Wineries that do not produce grapes.
3. Grape producers who do not produce wine.

The Texas Department of Agriculture (TDA) currently requires that "Texas made wine" states it is produced in Texas and must contain 75 per cent juice produced in Texas. However, because of production limitations, inefficiencies in the supply chain between stakeholders and the evolving structure of the industry, this goal is impossible to meet without improving the value chain from grape producers to winemakers.<sup>11</sup>

**Wineries:** There are more than 200 wineries in Texas, producing around 4,100 tons of wine, making it the fourth-largest wine producing state in the nation. That puts Texas behind California, New York and Washington respectively. The University of Texas System is the largest wine producer in the state with over 400 ha planted near Fort Stockton in West Texas. First established as an experimental vineyard in 1987, the university leases the land to a group of Bordeaux wine makers who produce two labels i.e. Ste. Genevieve and Escondido Valley. The second largest winery is Llano Estacado Winery.<sup>12</sup>

## Description of the American Viticultural

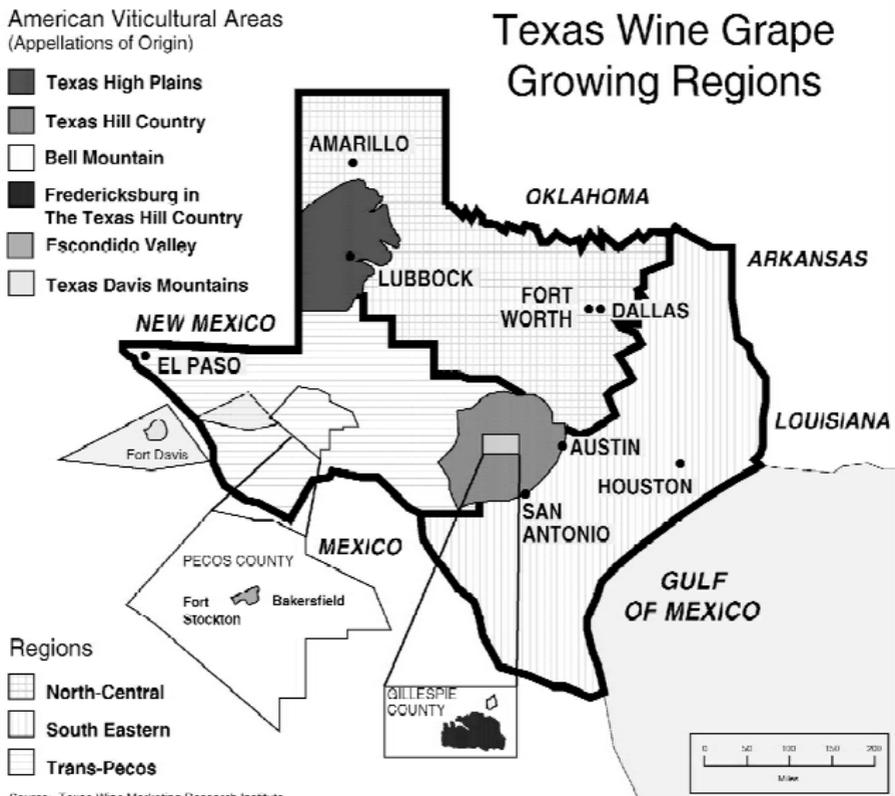
### Areas in Texas (see map)

- Texas High Plains: An approximate 31,000 square km area comprised of all or part of 24 counties in the lower central and western Texas Panhandle region. Established March 2, 1993.
- Texas Hill Country: An approximate 39,000 square km area includes all or part of 22

counties in the Hill Country. This is the largest AVA in the US and includes the “Bell Mountain” and “Fredericksburg in the Texas Hill Country” AVAs. Established November 29, 1991.

- Bell Mountain: An approximate 13 square km area on the southern and southwestern slopes of Bell Mountain, which is about 31-35 km NE of Fredericksburg in Gillespie County. Established October 10, 1986.

Figure 2: Wine growing areas



- Fredericksburg in the Texas Hill Country: An approximate 285 square km area around the city of Fredericksburg and to the east in Gillespie County. Established December 22, 1988.
- Escondido Valley: An approximate 130 square km area between Bakersfield and Fort Stockton along Interstate 10 in Pecos County. Established May 15, 1992.
- Texas Davis Mountains: The entire area contains approximately 699,000 acres located in the Trans-Pecos region of West Texas. Established May 11, 1998.

Although the Mesilla Valley viticulture area does cross into the far western tip of Texas, it only covers a very small area in Texas with

the majority of the area located in New Mexico. Therefore, it is not included in this map.

**Laws and regulations:** A person must be at least be 21 years of age to drink an alcoholic beverage in Texas. An operator of a motor vehicle is considered automatically under the influence of alcohol if a chemical screening shows a blood-alcohol content (BAC) of 0.08 per cent or greater. If under the age of 21, a driver in Texas is not able to test positive for any BAC under penalty of DUI charges.

Several counties are completely “dry” counties, where no sales of alcoholic beverages are legal anywhere in the county:

Armstrong	Fisher	Panola
Bailey	Franklin	Parmer
Borden	Hemphill	Roberts
Collingsworth	Kent	Sterling
Crosby	Martin	Throckmorton
Delta	Ochiltree	Yoakum

Many counties are completely “wet” counties, where all alcoholic beverage sales are legal everywhere in the county:

Aransas	Cottle	Guadalupe	Mitchell	Washington
Austin	Culberson	Hidalgo	Nolan	
Bexar	Dimmit	Hudspeth	Nueces Presidio	
Brazos	Duval	Jim Hogg	San Saba	
Brewster	Ector	Kendall	Scurry	
Brooks	El Paso	Kennedy	Sherman	
Cameron	Fayette	Kinney	Starr	
Childress	Fort Bend	Kleberg	Sutton	
Colorado	Goliad	La Salle	Val Verde	
Comal	Gonzales	Midland	Victoria	

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All other counties are a combination of wet and dry areas. All previously opened containers of alcoholic beverages must be stored and transported in a vehicle's trunk or other storage to which the driver and or any passengers do not have access.

To qualify for a retail license or permit, a person must be 21 years or older, of good moral character, a law abiding citizen and legally reside in the US. A license or permit may not be used by or transferred to another person. The new owner must apply for their own license or permit. The license or permit cannot be transferred to the new owner. The approximate time to obtain a permit is 45 to 60 days.

It is illegal to take any alcoholic beverage into a restaurant/bar that has a private club permit or a mixed beverage permit (distilled spirits in addition to beer/wine). It is legal to take alcoholic beverages into or out of a restaurant/bar that has a beer/wine permit (no distilled spirits), or an establishment that does not have a permit to sell alcohol. However, the business may have their own rules against it.

### **Legal hours of sale/service of alcoholic beverages**

#### ***On-premise license or permit (e.g. bar or restaurant)***

- Monday-Friday: 7am-midnight
- Saturday: 7am-1am (Sunday morning)
- Sunday: Noon to midnight. (10am-noon only in conjunction with the service of food)
- If the establishment is in a city or county legal for late hours and they have a late

hours permit, they can sell alcohol for on-premise consumption until 2am any night of the week.

#### ***Off-premise beer/wine license or permit (e.g. convenience store or grocery store)***

- Monday-Friday: 7am-midnight
- Saturday: 7am-1am (Sunday morning)
- Sunday: noon to midnight
- A wine only package store that holds a beer license may not sell wine containing more than 17 per cent alcohol by volume on a Sunday or after 10pm on any day.
- A wine only package store that does NOT hold a beer license must have the same hours of sale as a package store.

#### ***Package store / liquor store***

- Monday-Saturday: 10am-9pm
- Closed on Sunday, Thanksgiving Day, Christmas Day, New Year's Day.
- If Christmas Day or New Year's Day falls on a Sunday, closed the following Monday.

#### ***Sports venue***

- "Sports venue" means a public entertainment facility property, as defined by Section 108.73 that is primarily designed and used for live sporting events. In addition to any other period during which the sale of alcohol is authorized, a licensed or permitted premises located in a sports venue may sell alcoholic beverages between 10 a.m. and noon on Sunday.

#### ***Festival, fair, or concert***

In addition to any other period during which the sale of alcohol is authorized, a licensed or



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The number of states that permit winery direct-to-consumer shipping has risen from 27 in 2005 to 40 as of January 2015, when Massachusetts' winery direct-shipping law came into effect (both out-of-district winery and retailer shipping are permitted in the District of Columbia as well). In that same time, the number of states permitting out-of-state retailer direct-to-consumer shipping has fallen, from 18 states in 2005 to just 14 at present.

**The Texas Department of Agriculture (TDA):** The TDA is a state agency within the state of Texas, which is responsible for matters pertaining to agriculture, rural community affairs and related matters.

**Texas Alcoholic Beverage Commission:** Agents are commissioned peace officers. Agents enforce the provisions of the Alcoholic Beverage Code that regulates every phase of the business of manufacturing, importing, exporting, transporting, storing, selling, advertising, labeling, distributing, state taxation of alcoholic beverages and the possession of alcoholic beverages for the purpose of sale or otherwise. As commissioned peace officers they enforce all state laws.

## 9. CONSUMERS

A study into purchasing and consumption patterns of Texas wine consumers in 2014 revealed that wine consumers' preferred wine style is red (51 per cent), followed by white (30 per cent) and blush (18 per cent). Preference for dry wines was only a small percentage (1.3 per cent) higher than sweet wines. As there tends to be a societal under-

current that consumers are expected to like dry wine over sweet wines, it is hard to state with accuracy that there is truly a dominate preference for dry wines by Texas consumers. Consumers reported low product knowledge and a medium level of product involvement with wine. For a majority of these consumers, wine is their preferred alcoholic beverage with beer and spirits coming in a distant second and third, respectively. This preference for wine follows a national trend as reported by The Gallup Organisation, where wine is preferred by 39 per cent of adults, while beer was preferred 36 per cent and spirits 21 per cent.

California is still the strongest regional preference for Texas consumers (48.2 per cent) which is significantly lower than the national average of 69 per cent. Texas comes in second as the preferred wine region (15.5 per cent) with Australia, Italy and France trailing in this category. This reflects Texans continued support for Texas products. Furthermore, 80 per cent of all survey respondents stated they have tasted Texas wines.

Despite the finding that Texas wine is perceived to be lower in quality than California indicates that perceptions of Texas wines still need to be enhanced. Compared to a 1999 study, there was an increase of 250 per cent in wine consumer's reported purchases of Texas wines. 85% of Texas wine is sold and consumed within the state, so it is increasingly important for the Texas wine industry to increase exposure outside the state to create a "Texas" brand awareness, whether through specific regions or individual winery brands. With regards to origin, respondents prefer

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wines produced in California (48.2 per cent), compared to Texas which was a distant second at 15.5 per cent. Australia was preferred by 8.2 per cent of the respondents and Italy by 6.0 per cent<sup>14</sup>

In an effort to supply Texas' huge demand for popular American varietals (Cab, Merlot, Chardonnay, etc.), they have tried to grow the same in Texas. In this regard, most have failed because Texas is not California. In its beginning, the Texas wine industry emulated the wines that had been successful in France – the Bordeaux varietals, cabernet sauvignon and chardonnay being the most widely planted. Texas winemakers proved they could grow the noble European varietals and make wines that could compete in the global marketplace, as well as in global competition. Now many Texas wineries have moved the focus to varietals other than European, like the Mediterranean varietals, which seem to be doing very well. Texas winemakers are finally figuring out what grapes grow best in their climate and soil and are building their lists around those.

One of the biggest obstacles facing the Texas wine industry, though, is a lack of recognition caused by a tangle of Catch-22s. A million people each year tour Texas wineries, generating about US\$300 million in sales. Yet both are ranked higher in production than Texas. National wine magazines like *Wine Spectator* and *Wine Enthusiast* rarely give Texas wines a mention. Since statistics show that only 8 per cent of the wines consumed by Texans per year are Texas wines, but 95 per cent of Texas wines are consumed within the state, there is no incentive for the Texas wine industry to

advertise in national publications, nor any reason for those publications to tout Texas wines. Although Texas giants H-E-B (the largest retailer of Texas wine), Central Market and Spec's Liquor retail Texas wines, that very fact discourages boutique wine markets and restaurants from supporting the industry.

To foster visibility, the Texas industry has developed the "Wine Trail" concept – a progressive tasting and moveable feast, where visitors follow a cluster of events from winery to winery as well as the creation of at least 14 regional wine festivals. Both efforts have brought prodigious numbers of consumers into personal contact with the wineries and provide invaluable exposure. The Texas Department of Agriculture has recently developed a "Go Texan" partnership with restaurants within the state, encouraging member restaurants to serve Texas agricultural products, including Texas wines. The impetus is growing, with several high-profile Houston, Dallas/Ft. Worth and Austin eateries now serving a decent number of Texas wines.

Increasing restaurant wine list placement brings up the issue of distribution. Many smaller wineries simply cannot afford to discount their wines to wholesalers. They make a limited amount of wine and need to maximise their selling price on each bottle. Of the wineries that have used wholesalers, many have been disappointed by the service they've received—often their wines are lost in the giant portfolios of the distributors. These problems are countered by makers hand-delivering their wines to restaurants and merchants and by selling as much as they can in their wineries' tasting rooms

Another recurring hindrance in the development of the wine industry is the inescapable fact that there are some bad wines being produced in Texas. Many of the early vineyards planted back in 1975 now have vines

that are over 35 years old, qualifying them as noble vines capable of producing mature, good wines. Regardless, far too often the quality of Texas wines comes into question.

## 10. CONCLUSION

Texas has a reputation as being a less than leading wine state. The reasons are two-fold. The varietals and their appreciation are a relatively recent development and it is only since around 2005 that the varietals it had started being rated among the more well-know and popular varietals. Cabernet is easy to market. Tempranillo is not and winemakers have had to source from California for many of the “traditional” American varietal grapes.

The second reason is partly legal and partly logistical. Laws in Texas are notoriously strict on selling alcohol, but even more so on importation and exportation. It is challenging to send wine out of the state and yields are low as it is. In addition, Texas more often than not drinks the entirety of its own wine every year, leaving little to export.

In terms of the future, general growth in consumption of wine by U.S. consumers, the increasing interest in agri-tourism in Texas, the strong support of the Texas Department of Agriculture and the aging of the Baby Boom generation are stimulating growth.



## ENDNOTES

- 1 [www.edibleaustin.com/index.php/people2/bev-artisans/406-future-of-texas-wine](http://www.edibleaustin.com/index.php/people2/bev-artisans/406-future-of-texas-wine)
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- 6 to Connected Texas, a non-profit commissioned by the state to create maps of broadband coverage
- 7 [www.bea.gov/regional/bearfacts/pdf.cfm?fips=48000&areatype=STATE&geotype=3](http://www.bea.gov/regional/bearfacts/pdf.cfm?fips=48000&areatype=STATE&geotype=3)
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- 14 [www.depts.ttu.edu/hs/texaswine/docs/CONSUMER\\_ATTITUDES\\_TO\\_TEXAS.pdf](http://www.depts.ttu.edu/hs/texaswine/docs/CONSUMER_ATTITUDES_TO_TEXAS.pdf)

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