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2011 Seasonal Update: Sellers Market Prevails

Mother Nature has dealt growers statewide a potentially winning hand. Low yields are driving prices up across the board. Markets are tight across all varietals and Insiders say that when an annual crop starts out small, it only gets smaller as it approaches full maturation.

Lake County

"It's been a big change from the past couple of years," said **Pilar Luchsinger**, vineyard owner and manager of **Luchsinger Vineyards**. "We actually had people calling for grapes that are already sold and offering prices higher than what they sold for."

Luchsinger sold 80 percent of her crop before bloom and said buyers already knew what the market was going to be like early on in the season. She is sold out and says that many other growers in Lake County are as well. A combination of price, terms and who Luchsinger wanted to work with is how she selected winery partners in 2011, something she hasn't had the luxury of doing in the two previous years.

White varietals in Lake County are showing smaller and fewer clusters this year. Luchsinger estimates yields will be down between 10 and 15 percent.

Growers report that Cabernet and Merlot varietals both set a healthy crop and some will elect to thin clusters to encourage optimal ripening.

Lake County growers estimate that they are between two and three weeks behind seasonal averages. Vigorous shoot thinning and aggressive canopy management will aid in ripening.

"We do not want to over crop this year," said Luchsinger. "We get rains in the third to fourth week of October and being two to three weeks behind is concerning, but we're not panicking. We're happy to have a lot of fruit out there though, in comparison to others."

Mendocino

"It just feels like, in general, the market is turning around across the board," said **Tyler Nelson**, vineyard owner and manager of **Nelson Family Vineyards**. "People are coming to us as opposed to us having to knock on doors, and we're getting paid real money for the fruit."

Al White, director of viticulture at **Mendocino Wine Company**, said that yields are down for many of the varieties, if not all, due to poor set.

Chardonnay and Zinfandel are both exhibiting above average amounts of shot berries related to shatter, White said. Missing clusters, small bunches and singles are widely reported in both, while Insiders say that both quality and quantity of Cabernet throughout Mendocino is looking very good.

"The ability to ripen heavily depends on the size of the crop," said White. "I'd say there's a good chance of growers ripening their crop overall. But, if you have a variety like Cabernet that looks like it set pretty well this year and you're not thinning, you could be in trouble. This is not the year to be hanging a sizable crop."

White said that growers are seeing the return of contracts in the North Coast area, but that wineries are paying better rates, than in years past, to growers. Navigating the long, cool season and delivering a crop without rot before the rains come is the challenge.

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"History has always said that if the crop is light, it's only going to get lighter."

**John Arellano, president of
Arellano Management
Services LLC**

"Having 10 extra tons, non of which are ripe, isn't really an asset," said White.

Growers are currently battling high pressure for powdery and combating rot with additional spray applications and aggressive canopy management to carry them through the cooler season.

Napa/Sonoma

Pockets of each valley were affected with spring rains which have led to low yields in some vineyards and average to just below average fruit set in others.

Bloom in white varieties in Alexander Valley affected the crop so significantly that one Industry Insider said some sites will be lucky to get one ton per acre.

Another Insider in Napa said that they would be running their harvesting machines for nothing this year.

Estimates range from between 20 to 50 percent lower crop yields between the two valleys. Chardonnay, Sauvignon Blanc, Pinot Noir and Cabernet varieties have been affected the most.

San Joaquin Valley

In the interior region, yields are down between 20 and 30 percent, according to **John Arellano**, president of **Arellano Management Services LLC**, and are running two to three weeks behind in relation to last year.

"History has always said that if the crop is light, it's only going to get lighter," said Arellano.

More plantings coming into production and overall higher production rates in the interior vineyards may counter balance lower yields in interior vineyards.

"Overall, I see a much lighter crop," said Arellano. "With a lighter crop, the demand is going to be up and prices will be up."

It may be too early to tell just how much prices will go up, but point to the \$50 increase in Thompson seedless being a huge jump over last years average price. This may provide a segue for other generic whites, like French Colombard and Chenin Blanc, to see a price increase as well.

Mildew pressure has been high in the Central Valley, causing additional inputs and eating away at profit margins. Some vineyards are said to be so affected that growers may not even be able to harvest. Those who do harvest diseased fruit may blend lower quality fruit with good

fruit; or in extreme cases, Arellano said that yields are down so far that wineries may still accept the fruit as is.

"The crop is going to be light enough that the winery is still going to take it," said Arellano. "The wineries need the fruit. They can put it in a lower program, run it through as a generic white or red, and still be able to sell it."

The Central San Joaquin Valley is still the primary support for the \$8 to \$10 per bottle price range, stimulating long term contracts and enabling the industry to satisfy consumer demand for affordable wines.

Central Coast

Insiders estimate that the crop is down nearly 50 percent in comparison to last year due to the detrimental frost season. What fruit did survive on the Central Coast was scarce and was either contracted before frost season or was quickly snatched up just after.

Like the rest of the state, the Central Coast experienced an up tick in the market as wineries began buying as early as November 2010 for the upcoming season.

Sixty percent of the coastal grapes are purchased by wineries outside the coast. Many are used as varietal blenders, making coastal growers dependent on the large, statewide branded wineries.

Statewide Optimism

As inventories have been quickly depleted due to a near average crush in 2010 and wine exports out of California continue to flourish because of the weak dollar, this year's light crop is stimulating an optimism among growers not seen for several years.

"People are thinking about expanding their operations—they really do feel like the next few years are going to be good. If they have land to plant they are planting, or if they have money, or they can sell the grapes, they are planting," said Luchsinger.

Often known to assume a majority of the risk however, growers are weighing their options when it comes to signing long term contracts being extended to them this year.

"Multi-year contracts, quite frankly, I think is a horrible time to do that unless it's a planting contract. The market is just starting to pick up," said Nelson. **wbi**