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# REVIEW OF THE INDUSTRY

LARGEST WINERIES

+**HOT**BRANDS



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# month in review

THE WINE BUSINESS CONTINUES to grow in 2019. As we report this month, there are now more than 10,000 bonded and virtual wineries in the United States-4 percent more than there were one year ago. U.S. consumers purchased 408 million cases of wine last year, spending \$70.5 billion.

One of the things that has always stood out about the wine business is the degree to which winemakers share information with each other. In other industries people can be pretty closed off. In the wine business, there's a sense that everyone is in it together. Not only are people willing to share, they're sometimes even eager to share, and that openness helps wineries better their business and improve wine quality, making the industry even healthier. It certainly makes our job a lot of fun.

In this issue, leaders of the largest U.S. wine companies are quoted talking about current conditions and about how they're adjusting to a changing market. They're dealing with shifting demographics, an evolving online shopping environment and increased competition from other beverage choices. Millennials aren't embracing wine consumption to the extent some expected while Baby Boomers are retiring, and their wine consumption is declining. Though the market is challenging, there's plenty of opportunity, and wine professionals are optimists.

The president of Deutsch Family Wine & Spirits discussed how his company approaches winery joint ventures and acquisitions at the Wine Industry Financial Symposium in the fall. He was very forthcoming, and we have a summary of those lessons in this month's issue.

This issue also includes a wealth of information on topics such as avoiding Brettanomyces, managing vineyard nutrition, deploying alternative drip systems and using new technology for cold stabilization.



As we've previously announced, Wine Business Monthly and Wines & Vines magazine have merged. Wine Business Monthly magazine now incorporates Wines & Vines. This merger of two wine trade magazines allows us to provide readers the best information from the strongest editorial team possible.



Cyril Penn, editor



Jim Gordon, editor-at-large

### WINE BUSINESS MONTHLY

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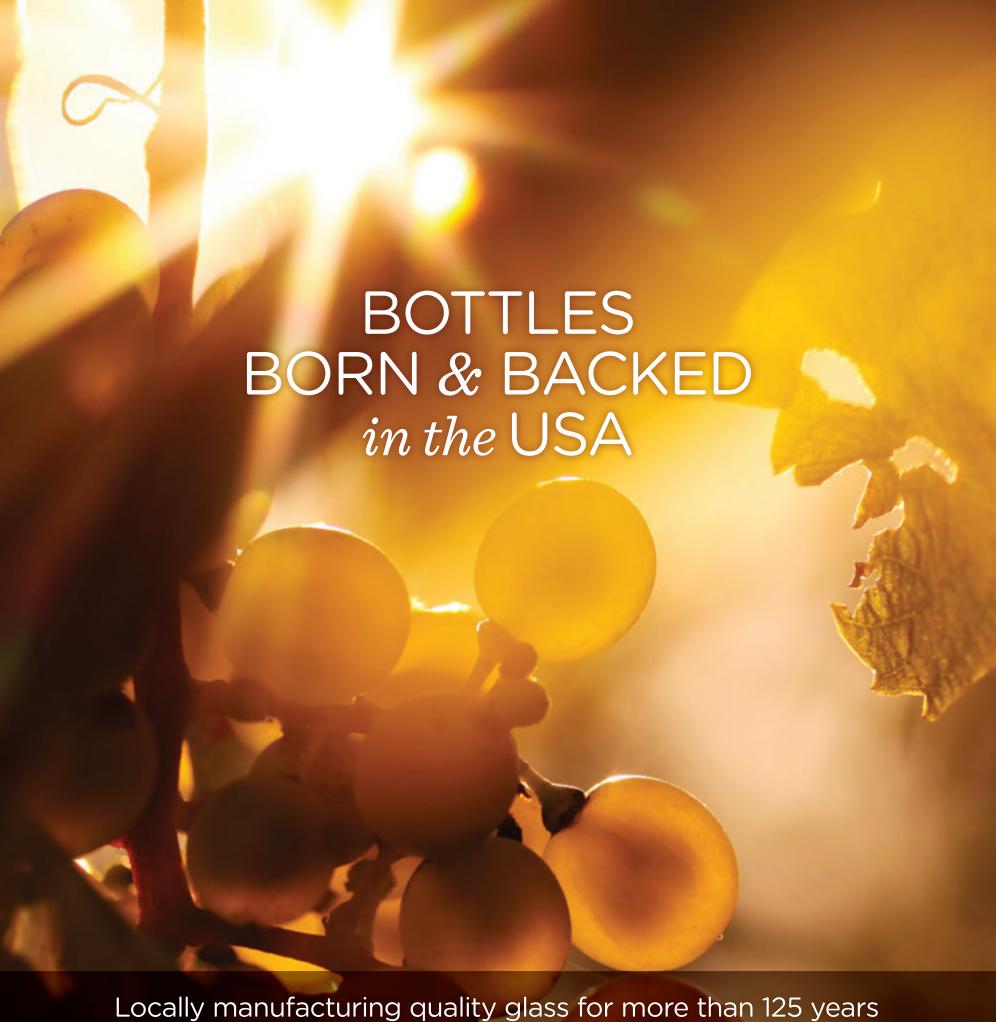
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# winemaking

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### **Winemaker Trials**

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When this unit reduced overall processing time from 14 days to just 12.5 hours, The Hess Collection's winemaker wanted to see just how it could reduce her energy and labor costs as well.

Michael S. Lasky

# ASEV Brettanomyces Symposium Recap

Researchers, Winemakers Focus on Brett Control During Fermentation and Aging . . . . 130

Ted Rieger

# 

For those craft distillers looking to get their start, multiple regulatory and financial challenges must be endured, but wineries already have some production infrastructure in place; and while other hurdles lay ahead, they have a slight advantage.

Michael S. Lasky

Cyril Penn

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# Deutsch Family Wine & Spirits President Tom Steffanci:

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Ray Pompilio

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# **Retail Sales Analysis:**

Off-Premise Wine Sales Rise 3.5 Percent . . . . 172

Off-premise total table wine sales increased 3.5 percent from the same period of the previous year in the four weeks ending Dec. 1, 2018, according to Nielsentracked data. In the 52 weeks ending Dec. 1, wine sales increased 2 percent.

# winemaker of the month . . . . . . . . . . . . 194 Jay Turnipseed, winemaker,

Rutherford Wine Company, Rutherford, Napa Valley



# Rosé **all** day? Absolutely, with screen printing.

screen printed wine labels are impervious to stains, condensation, warping, wrinkling, and those all-too-familiar paper label bullies: ice buckets



# Dario Sattui, entrepreneur/owner, Castello di Amorosa, "The Number of Wineries in the U.S. Surpasses 10,000," page 80

"Wineries are being created faster than the market is expanding."

# Mhairi Voelsgen, CEO, Brovo Spirits, "Wine Producers Have a Head Start in Becoming Craft Distillers," page 136

"I'm always surprised by the amount of paperwork we fill out on the distillery side versus the winery side, and the same on taxation. It seems like the checks we write to cover federal and state taxes on the distillery side are 10 times what they are on the winery side."

# Jillian Johnson, owner/winemaker, Onesta Wines, "Hot Brands of 2018," page 90

"I've made some Pinot Noir, and I feel like you almost have to whisper around the barrels, tip-toe, where Syrah wants you to play Rolling Stones as loud as it can go. It wants to be pumped over, it wants lots of oxygen and the Rhône varietals express a lot of fruit."

# Donny Sebastiani, chief executive, Don Sebastiani & Sons, "Outlook & Trends," page 20

"If someone's going to steal business from my branded business, it might as well be me."

# Ryan Harms, chief executive, Union Wine Company, "Outlook & Trends," page 20

"We're seeing companies like Kroger, Publix and Safeway carving out real estate in their wine sections for cans. This is the year where it was validated. The can wine segment is actually a segment—not just a fad."

# Danny Brager, senior vice president, beverage alcohol practice, Nielsen, "Outlook & Trends," page 20

"The hard seltzer category, which didn't exist two years ago, sold more than \$400 million over the course of 52 weeks by the third quarter of 2018. It's now a huge multi-million dollar category, aimed in particular at younger female drinkers."



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# Top Stories from WINE BUSINESS.com - In Case You Missed It

### Farm Bill Passed: Good News for Grape Growers and Winemakers

On Dec. 11, 2018 the **Senate** passed H.R. 2, the **Agriculture Improvement Act of 2018**, a.k.a. the Farm Bill, with an 87-13 vote, and the following day the **House of Representatives** approved the legislation with an equally bi-partisan vote of 369-47. The 2018 Farm Bill includes three provisions that are important to specialty crops such as vineyards and wineries and that had been part of the previous bill passed in 2014: the **Specialty Crop Research Initiative** (SCRI), the **Market Access Program** (MAP) for export trade promotion and **Specialty Crop Block Grants** (SCBG). A total of \$80 million per year is included for specialty crop research in the current bill.

The Market Access Program will continue to provide funding for export programs in five states: California, Idaho, New York, Oregon and Washington. Under the 2018 legislation, the MAP will be part of a new International Market Development Program that will also include the Technical Assistance for Specialty Crops (TASC), the Foreign Market Development program (FMD) and the Emerging Markets Program (EMP). Under the new structure, for each of the next five years MAP will continue to be funded at no less than \$200 million, FMD at no less than \$34.5 million, TASC at \$9 million, and EMP at no more than \$8 million. The Specialty Crop Block Grants will continue to be funded at \$85 million per year, the funding level for 2018. The total funding for the five years of the Farm Bill for SCBG will be \$425 million, which is a significant increase over the 2014 funding of the program at \$375 million.

### Atlas Holdings Announces Acquisition of Saxco International, LLC

Atlas Holdings LLC acquired Saxco International, LLC ("Saxco"), a leading North American value-added distributor of rigid packaging to the wine, spirits, craft beer and food markets. Saxco offers a broad range of products and services including glass, metal and plastic containers, capsules, closures, custom packaging and mold development. Terms of the transaction were not disclosed. Saxco was founded in 1936 and led by Herb and Keith Sachs for many years before being acquired by The Sterling Group in 2010. Today, the company's dedicated professionals serve a customer base of more than 5,000 wineries, distillers, brewers and specialty food manufacturers across North America.

# Supreme Court Hears Oral Arguments in Tennessee Retail Residency Case

The U.S. **Supreme Court** considered oral arguments in a case centered around the 21st Amendment and the three-tier system. Oral arguments in *Tennessee Wine and Spirits Association v. Zachary W. Blair et AL*. were scheduled for Jan. 16. The U.S. Supreme Court on Sept. 27 accepted to hear the case, which revolves around whether or not a state law that requires a retailer to be a resident of the state of Tennessee for at least two years in order to have a license to sell wine, beer or distilled spirits, is legal. The case pitches the **Tennessee Wine and Spirits Association**, a trade association representing alcohol store owners, against **Total Wine & More**, a growing alcohol retailer, and a liquor store company in Memphis owned by newcomers to the state of Tennessee. Lower courts have ruled Tennessee's residency requirement unconstitutional. The petitioner, Tennessee Wine and Spirits Association, which represents more than 600 business owners in the state, is appealing after losing its case before the U.S. Court of Appeals to the Sixth Circuit. Total Wine & More has argued that the Tennessee residency requirement violated the dormant Commerce Clause and is unconstitutional.

# AVA News: TTB Approves Van Duzer Corridor In Oregon and Upper Hudson in New York, Proposes Two Others

Federal officials have approved the newest American Viticultural Area in the Willamette Valley, a process that began more than six years ago on behalf of wineries and growers in the region. The new Van Duzer Corridor AVA is effective Jan. 13. "It's finally approved," said **Florent-Pierre Merlier**, winemaker for **Van Duzer Vineyards**. "It's been a long process."

The new sub AVA, a 35.9-square-mile triangle, is home to six bonded wineries and 18 vineyards, Merlier said. He expects more vineyards to be developed. The Van Duzer corridor's oceanic influence creates warm days and cold nights. This creates a wine that is more balanced, Merlier said. The winds begin around 2 p.m. They dry out the vineyards, decreasing the risk of Botrytis. There are now seven sub AVAs in the Willamette Valley. With the creation of the new AVA, TTB clarified the boundaries of the existing neighboring Eola-Amity Hills viticultural area.

The TTB also approved a new American viticultural area in upstate New York: The federal agency on Dec. 6 published in the Federal Register a rule to establish the new 1,500 square-mile "Upper Hudson" AVA north east of Albany. Andy and Kathleen Weber, owners of Northern Cross Vineyard in Easton, filed the original petition to form the new AVA in 2015, then home to 14 vineyards and four others in development. Weber now counts 20 vineyards in the Upper Hudson, including two that are not planning commercial operations. He also anticipates five to eight wineries to open over the next few years in the region.

TTB also proposed the establishment new AVAs as well: Crest of the Blue Ridge Henderson County in North Carolina, a 215-square mile AVA in Henderson County south of Asheville; and West Sonoma Coast in Sonoma County, CA. WBM



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This year, we've selected wines from pioneers, newcomers, million-case wineries and more. While each may grow a different grape or go about making wine in unorthodox ways, all the winemakers selected reflect the diversity that is the wine culture in the United States.



# OUTLOOK & TRENDS

# Navigating Headwinds: Leading Wine Companies Compete in Challenging Market

Cyril Penn

U.S. WINE SALES are not growing as quickly as they once did but there are bright spots and plenty of opportunity. Wineries are adopting to changing demographics, shifting brand loyalty, increasing competition from other beverages, and to an increasingly fragmented marketplace.

For the past 25 years or so—since the **60 Minutes** broadcast about the French Paradox was aired in 1991—the U.S. wine industry has seen an annual growth rate of between 3.5 and 4 percent by volume. This growth, however, has slowed over the last couple of years. The U.S. wine market grew by roughly 2 percent in 2017. As 2018 drew toward a close, the growth rate decelerated to an estimated 1.2 percent by volume. While volume was relatively flat, dollar value continued to grow.

Market research firm **bw166** reported that total dollar sales of wine in the U.S. rose 5 percent in the 12 months ending in December 2018, totaling \$71 billion. The firm said the overall wine market totaled 408 million cases in 2018 with consumer spending of \$70.5 billion.

Dollar trends have been stronger than volume trends based on consumers trading up the type of wines they are consuming. In fact, bw166 reported that the actual dollar growth of spending on wine during 2018 equaled the strongest growth year in 15 years.

"There's still growth but it's harder to come by," **Nielsen** senior vice president, beverage alcohol practice, **Danny Brager** said. "There's agreement that it's not growing as fast as it was and that's concerning people."

"It seems tougher this year and it probably will be tougher next year. It doesn't seem like it's as easy as it was."

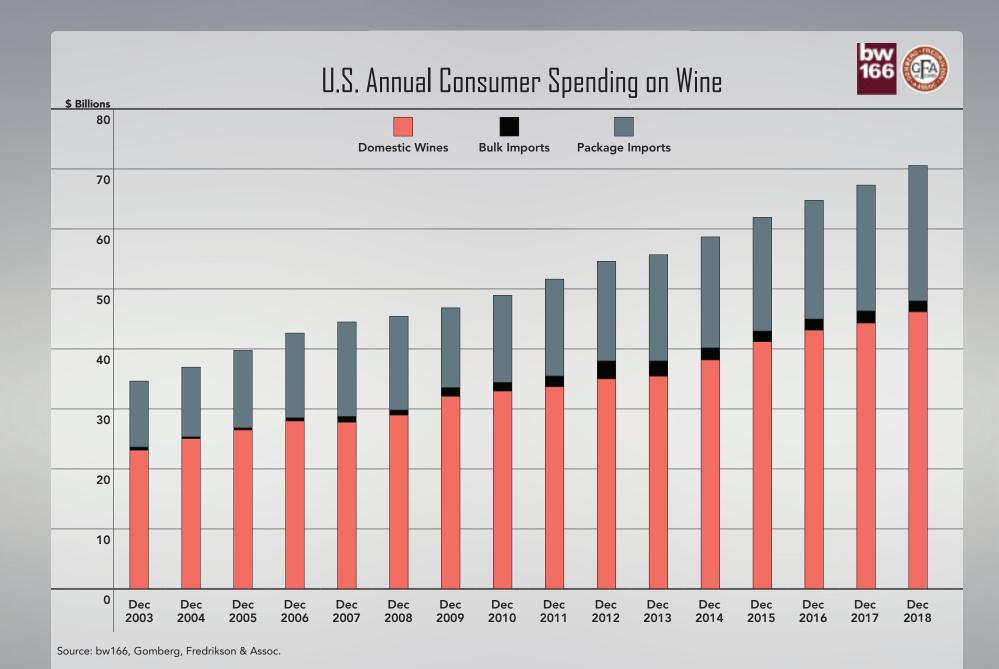
Barbara Banke, chairman, Jackson Family Wines

"We've enjoyed a long run of growth, but growth is going be more difficult in the future, at least for the next five to 10 years. There's a litany of challenges to the industry."

Brian Vos, chief executive officer, The Wine Group

"The industry is still growing. Consumers are still coming in and they're trading up. They may be consuming lower volumes, but they're prepared to spend more. They're looking for an experience, for quality, for flavor and for alternative channels where they can buy it."

Chris Stenzel, executive vice president and president Wine + Spirits Division, Constellation Brands



# Possible Causes

While there are a number of possible explanations as to why volume growth has slowed, data providing a clear picture of sales trends across different sectors of the business is difficult to come by. That said, industry executives interviewed for this article cited shifting demographics, an online shopping environment that takes people out of stores and an explosion of competing alcoholic beverage options as key factors. They also wondered about the effects of the legalization of recreational cannabis use in some states and said private label wines are increasingly competing with established brands.

# The New Consumer

Industry executives interviewed for this article were in agreement that demographic shifts are creating noticeable changes in buying behavior. Baby Boomers, born between 1946 and 1964, are aging; Gen X consumers (born 1965 to 1980) are starting to spend more; wine companies continue targeting Millennials (born 1981–1996); Gen Z consumers are reaching legal drinking age.

"The consumer is becoming more promiscuous and they're having their alcohol beverage needs met across many categories, whether it's beer, hard seltzer or spirits, and what that means for the wine industry is that we have to innovate to meet those needs."

Stephanie Gallo, chief marketing officer, E&J Gallo

"Consumers are still after big brands and relate to big brands. When you get below those big brands, there's fragmentation and that's where private label is playing. Unless you're one of the top players out there, it's getting pretty hard."

Chris Stenzel, executive vice president and president Wine + Spirits Division, Constellation Brands

"You're dealing with an aging population," **Stephanie Gallo**, chief marketing officer, **E&J Gallo**, said. "Gen X is finally spending more because their earning potential has finally arrived."

"With Baby Boomers and Gen Xs, we've had some fairly predictable consumption patterns," **Constellation Brands** executive vice president and president Wine + Spirits Division **Chris Stenzel** said. "But with Millennials and Gen Zs coming through, we're still trying to figure out where they're going."

Executives across any number of industries are trying to wrap their heads around how to market to the younger generations, particularly Millennials, who have been fairly erratic in their purchasing patterns and brand loyalty.

"The younger generation is into exploration, so they don't care if a wine is from France, California or wherever," **Rodney Strong** chief executive **Carmen Castaldi** said. "If the price is right and the label looks great, it's no big deal."

"These newer generations that we expected to flow into our industry have many other options," **O'Neill Vintners & Distillers** chief executive **Jeff O'Neill** said. "That's taking a little bit of the air out of sales."

This shift is encouraging some executives to take a hard look at their portfolios and do a bit of research.

"Demographics are driving different types of trends," **Terlato Wine Group** chief operating officer **Sandra LeDrew** said. "Depending on what your portfolio looks like, or your overall positioning, you have an opportunity to have different types of offerings depending on those demographics. LeDrew cited **The Federalist**, part of Terlato's portfolio, as an example of a brand that appeals to a younger demographic. "The consumer that's drinking The Federalist is

probably not drinking **Sanford** Pinot Noir," she said. "The better research you do, the better you understand this. Age drives behavior. How you spend your free time is different when you're in your mid- to late-twenties than when you start to enter your thirties. It affects dining trends, food choices and drink choices.

"I'm excited about the Millennial generation because they're well-informed. They care about quality and a sense of place. They care where their food comes from and that's good for the wine business because this is an agricultural business," LeDrew said.

**Riboli Family Wines** vice president **Steve Riboli** said he is trying to better understand emerging consumers and made changes to his hospitality program at **San Antonio Winery** in Los Angeles to better serve twenty-somethings who are more interested in interacting with friends, as opposed to sitting through a wine seminar.

"We have to really reach out to younger consumers, understand how they live and provide them with solutions," **Trinchero Family Estates** chief executive **Bob Torkelson** said. "We've always prided ourselves in understanding what the customer wants, and getting it to them. To that end, we need to be a little bit more flexible in what that is and how it's delivered. They seem to be interested in convenience and portability.

But it's not just Millennials concerning executives.

"Something major happened this year," Stephanie Gallo said. "Gen Z finally turned 21. Gen Z consumers are very different than Millennial consumers. They're digitally native. How they find brands and learn about brands is different. They're more experimental when it comes to flavor profiles. As an industry we need to start focusing on and having conversations around what we're going to do to welcome Gen Z into our category."



# WBM REVIEW OF THE INDUSTRY LARGEST WINERIES

"The business is going to be separating more and more from wholesalers. There's too much margin out into their costs of goods for them to compete in the marketplace. Guys like Costco, Walmart and Trader Joe's don't want to have a 35 percent (markup) in the middle. They're going to figure out ways to get more direct sales throughout the United States."

Fred Franzia, chief executive, Bronco Wine Company

# Brand Loyalty: There's Less of It

Some brands are "hot" and seem to have the right messaging and over-deliver on quality. **Josh Cellars** has been growing quickly (see article on page 174). Gallo's **Apothic** is growing, **Michael David**'s **Freak Show** has traction. Bota Box by Delicato continues to thrive.

Many mature brands have lost traction. The seasoned leadership at a distributor may understand the heritage and history of a brand they've helped build but the 25-year-old on the street selling the brand may not. Younger consumers seem less enamored with older established brands they have no history with.

Big brands account for less of the industry's growth than they did a couple of years ago yet roughly a dozen brands drove most of the growth in the mass market this year.

"Consumers are still after big brands and relate to big brands,"
Constellation's Stenzel said. "What's happening is that when you get
below those big brands, there's just fragmentation, and that's where
private label is playing. Unless you're one of the top players out there,
it's getting pretty hard."

"The way you win is by focusing on alternative packaging and sparkling and flavored wines in these different channels. You go where the consumer is." To that end, Stenzel said wine sales at high-end convenience stores are growing at twice the rate of growth in other outlets. "It's a harder channel to serve because it's a smaller drop-off site, so it makes it harder for traditional distributors to serve, but it's a very fast-growing category," he said.

# Private Labels Rising

Retailers looking for tools and strategies to provide consumers with better value and to generate loyalty for their stores continued to embrace private labels in 2018.

Those private labels competed against branded wines.

"I'm hearing a lot of whining about the private label business eating into established brand business with major chains," **Castle Rock** chief executive **Greg Popovich** said. "We're seeing some of that, but fortunately not too much of it."

Kroger has stated that they want to get to 35 percent private label. In **Total Wines & More**, which has emerged as a dominant retailer, more than half of the wine is private label. Low-cost European grocery chains **Aldi** and **Lidl** have been expanding along the U.S. East Coast. They're opening stores that are entirely private label, often in high-end economic markets with affluent consumers. "It's taken a chunk out of our business," the chief executive of one large winery admitted.

On-premise chains are also embracing private labels because it eliminates the pricing transparency consumers get with mobile phones. One of the largest restaurant chains was rumored to be eliminating most of its branded wines as this article went to press, replacing them with 35 private label wines this year.

"On-premise operators have moved away, and are continuing to move away from big brands that there are retail price comparisons on," **Jon Moramarco**, managing partner with bw166, said. "But that creates opportunities for smaller brands that don't have the retail dominance."

A couple of major wineries stepped away from private label deals with retailers this year. Other wine companies choose to play in the private label game because it strengthens relationships with big retailers.

Constellation's Stenzel said private label wines increase when there's excess bulk wine available and typically focus below \$11. "It's been a big element in the industry and it can change the dynamics as a supplier tries to engage with a retailer," he said. "It's important for a retailer because they can drive incremental margins but I think consumers still want brands."

Don Sebastiani & Sons chief executive Donny Sebastiani said his company did more custom business for Walmart, BevMo! and Wegmans this year. "It's really great building these relationships directly with the retailer," he said. "It really makes a difference and it has a ripple effect."

Asked if private labels undermine sales of his own branded wines, Sebastiani offered, "My perspective is that even if it does, they're going to do it anyway. If they don't do it with us, they're going to do it with somebody else. If someone's going to steal business from my branded business, it might as well be me."



# WBM REVIEW OF THE INDUSTRY LARGEST WINERIES

# The Year of the Can

Consumers are looking for convenience and appear to be receptive to wine in cans. The wine-in-a-can category, which was miniscule less than two years ago, sold nearly \$50 million in Nielsen-tracked channels in 2018.

"It seems like it came out of nowhere, and most people in the industry thought it didn't have legs," O'Neill Vintners chief executive Jeff O'Neill said.

Companies that were already dabbling with cans expanded this year. Other players jumped in. Constellation tested cans in Colorado and Texas, with plans for a national launch for its **Crafters Union** wine-in-a-can brand. Gallo, already into cans with **Barefoot**, expanded with wine-in-a-can offerings under **Dark Horse**.

Union Wine Company chief executive Ryan Harms, the first to produce and market wine in cans in the U.S. with the Underwood brand, said cans drove much of the growth at his company in 2018. "We have large international wine companies entering the category," Harms said. "We're seeing companies like Kroger, Publix and Safeway carving out real estate in their wine sections for cans. This is the year where it was validated. The can wine segment is actually a segment—not just a fad."

"We're seeing companies like Kroger,
Publix, and Safeway carving out real
estate in their wine sections for cans. This
is the year where it was validated. The can
wine segment is actually a segment—not
just a fad."

Ryan Harms Union Wine Company chief executive

"If someone's going to steal business from my branded business, it might as well be me."

Donny Sebastiani, chief executive, Don Sebastiani & Sons

Precept Brands sells wine in cans under its House Wine label and with Ste Chapelle Spritz. Chief executive Andrew Browne said he's been surprised by the level of acceptance. "A year ago I was more hesitant about consumers being comfortable with drinking wine in a can. It's just blown us away. To me, it's like what New Zealand did with screw caps. They basically said, 'Look, we don't like cork. Our whole industry in this country is going to go to screw cap,' so people accepted it."

Stephanie Gallo said some consumers buying wine in cans are traditional wine customers but that others buying wine in cans are switching over from craft beer. "It says to me that there's consumers who want to participate in our category, but we haven't offered them a format that fits their lifestyle," she said. "That's what's exciting about alternative formats. We're welcoming new consumers into the wine category."

# Wine in Boxes Growing

Alternative packages are a massive growth area and wine in boxes is a bright spot, though it has been primarily led mostly by two brands:

Bota Box and Black Box. Boxed wines were up roughly 8 percent in Nielsen-tracked channels this year.

"We're doing well because a lot of our brands are in that \$5 to \$12 price point where a lot of the Millennials are drinking,"

Delicato Family Wines chief executive Chris Indelicato said. "They like the environmental aspect of three-liter box as well. It fits well into their lifestyle."

Stenzel said Constellation is launching the first-ever, three-literappellated wine-in-a-box, wine from Sonoma under the **Estancia** brand. Constellation was also the first player to launch spirits in a box during 2018, with 1.75-liter Black Box whiskey, vodka and tequila.

Gallo, meanwhile, is putting Barefoot, a 20-million case brand, into boxes.

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# WBM REVIEW OF THE INDUSTRY LARGEST WINERIES

# Plenty of Grapes, Not Enough Buyers

What a difference a year makes. California experienced a relatively light harvest in 2017. Bulk wine and grape supplies were tight. At the same time, most major wine-producing countries around the world were coming off of light harvests.

The dynamic flipped in 2018. The spot market for grapes and bulk wine quieted down as companies that were previously bulk wine buyers, became sellers. That switch was triggered in part by the deceleration of sales growth seen in the broad market.

"With bulk wine in general right now, you've got all the traditional buyers selling. So it's going to be very, very slow. A lot of brandy is going to get made," one industry observer quipped.

The softening of grape prices came as the 2018 winegrape harvest drew nearer. While the official numbers aren't in, the 2018 harvest is expected to be the biggest in California's history. At the same time, harvests were large around the world: Spain, Italy, France, Argentina, Chile and Australia all experienced large winegrape harvests.

"The world went from a slightly short position to what I would call a slightly long position," O'Neill Vintners & Distillers chief executive Jeff O'Neill said.

"The slowdown in the industry is exasperating a significantly larger harvest this year," Delicato Family Wines chief executive Chris Indelicato said. "I think it's a one year deal. It will correct out. It was a big harvest. People didn't anticipate the slowdown so there's some extra inventory out there but it will go away."

"The hard seltzer category, which didn't exist two years ago, sold more than \$400 million over the course of 52 weeks by the third quarter of 2018. It's now a huge multimillion dollar category, aimed in particular at younger female drinkers."

**Danny Brager** senior vice president, beverage alcohol practice, Nielsen

# Wine Competing with Alcoholic Seltzer Water

Spirits and so-called craft cocktails seem to come with every flavor twist imaginable these days and it seems like wine is competing with new alcoholic beverage products, and even non-alcoholic beverages that are launched almost daily.

"Here's one for you," **The Family Coppola**'s chief executive officer **Corey Beck** offered. "How about seltzer water with alcohol in it? It's 5 percent alcohol. It's just blowing up." Beck was referring to a new category that is led by **White Claw**, which bills itself as "The Purest Hard Seltzer in the World."

Others followed White Claw's lead. Boston Beer Corporation, maker of Samuel Adams beers, launched Truly Spiked & Sparking. Diageo has a version under Smirnoff. Miller Coors launched Henry's Hard Sparkling Water, and more are coming.

Brager said the hard seltzer category, which didn't exist two years ago, sold more than \$400 million over the course of 52 weeks by the third quarter of 2018. "It's now a huge multi-million dollar category, aimed in particular at younger, female drinkers," he said.

# Marijuana: Share of Buzz

"I've asked distributors in half a dozen states about marijuana and I've asked some big retailers the question: if they've seen any type of decreases or increases in certain categories," Steve Riboli said. "I think it's just too soon to tell."

Charles Krug chief executive Peter Mondavi, Jr. is worried, suggesting that cannabis could be the "elephant in the room" when it comes to concerns about overall wine sales.

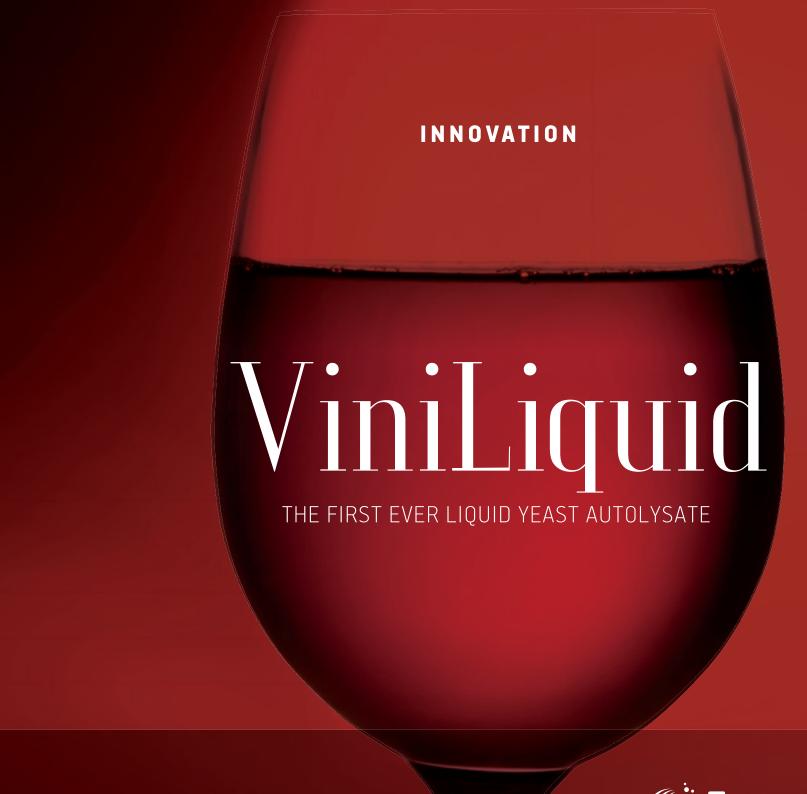
"I'm worried about cannabis, as others are," Donny Sebastiani said. "It's definitely having its impact in California and elsewhere. Our Canadian business is the fastest-growing part of our business, so it's going to be interesting to see what happens up there." (Canada became the first major world economy to legalize recreational marijuana in October 2018).

Chris Indelicato said he thinks cannabis legalization will have a small effect on wine sales. "A lot of people who smoke weed were already smoking weed so it's not like it's something new," he said. "A lot of naïve people think people weren't smoking weed before."

Gallo said she thinks cannabis will have a bigger effect on beer consumption than on wine consumption because wine is still enjoyed with food and it enhances a meal.

"I asked the **Budweiser** house and they feel for sure it's had an effect on **Bud Light** and **Bud**," Riboli said.

"It's hard to prove one way or the other, but everyone agrees it's not going to help," Brager said. "No one is going to say, 'Hey, this is the best thing that's happened to wine or beer.'"





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# WBM REVIEW OF THE INDUSTRY LARGEST WINERES

# Winery Hiring Increases 6 Percent in 2018

### Winejobs.com Winery Postings Up 6 Percent from 2017

Wineries increased their job postings as of year end 2018, according to the latest report released by Winejobs.com. As the wine industry's leading online job site, Winejobs.com has a unique vantage point over industry trends. Postings for all winery jobs in 2018 increased 6 percent from 2017.

DTC, tasting room and retail (hospitality) jobs increased in 2018, with a 11 percent increase from 2017 as well as an increase of 14 percent from 2016.

Winemaking positions also saw an increase in 2018, up 10 percent from 2017, along with a 28 percent increase from 2016.

Sales and marketing positions decreased in 2018, down 7 percent from 2017, but increased 2 percent over 2016.

### Wine Retailer Postings Down 21 Percent from 2017

The latest index report from Winejobs.com shows a decrease in wine retailers' job postings in 2018. Postings for all wine retailer jobs decreased 21 percent from 2017 and are down 32 percent from 2016.

### Wine Distributor Postings Up 8 Percent from 2017

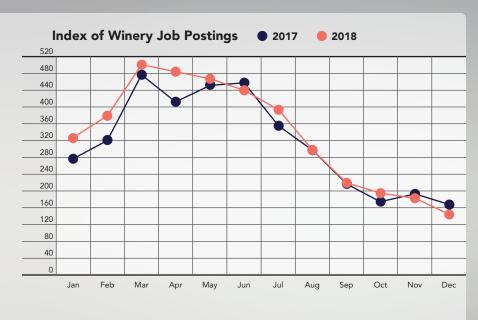
The latest index report from Winejobs.com shows an increase in wine distributors' job postings in 2018. Postings for wine distributor jobs increased 8 percent from 2017, while down 10 percent from 2016.

### **About Winejobs.com**

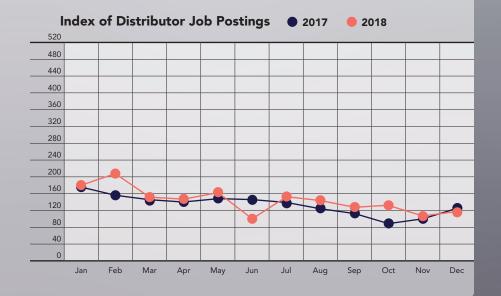
Winejobs.com is the leading online employment resource for the wine industry. With more than 10,000 jobs posted in 2018, Winejobs.com is unmatched in usage by those seeking to advance their careers or grow their companies in the wine industry.

### About the Winejobs.com Index

The Winejobs.com Index measures, compares and signals trends in the wine job market. March 2007 is set with a base index of 100. The following months' indexes reflect percentage changes since that base index, providing a quick way to gauge increases and decreases in job postings. Derived from the leading online wine job board, the index reflects changes that can be an indicator of industry-wide trends. In the months leading up to the 2008 economic recession, the winejobs.com Index signaled the coming downturn, with a severe drop in wine-related postings.







"In essence, you're down to two in every market and in some cases, it's almost like one. There are a lot of barriers to entry because no matter who you are or what you are, if a distributor has half of the wines in a given market, it's hard for them to focus. We have to find new ways to get our wines out to the market."

Barbara Banke, chairman, Jackson Family Wines

# Getting Products to Market: Distributors Consolidate

As has been the trend for years, distributor consolidation continued in 2018 as the nation's second- and third-largest companies—Republic National Distributing and Breakthru Beverage Group—completed the merger they announced at the end of 2017. That merger followed the union of Southern and Glazer's that was announced in 2016. (Breakthru, formed with the 2016 merger between Charmer Sunbelt and Wirtz Beverage, merged with Allied Beverage in 2017).

"The major issue facing a lot of wineries is that distributors consolidated again," Jackson Family Wines' chairman Barbara Banke said. "In essence, you're down to two in every market and in some cases, it's almost like one. There are a lot of barriers to entry because no matter who you are or what you are, if a distributor has half of the wines in a given market, it's hard for them to focus. We have to find new ways to get our wines out to the market."

"The leadership in the distribution business has the best intentions and we get great share of mind from the executive teams with all of our distributors," Rodney Strong's Castaldi said. "As you go down the chain and into the streets as everything is consolidated, you can't get share of execution because there's not enough capacity for young sales reps to sell all of those priorities. There's been a big dilution of share of execution as it goes through the three-tier system."

Another trend has to do with the age of the sales reps on the streets. They're getting their information through **iPhones** or **Google** phones, something wineries are advised to be mindful of.

"The business is going to be separating more and more from wholesalers," **Bronco Wine Company** chief executive **Fred Franzia** predicted. "There's too much margin out into their costs of goods for them to compete in the marketplace. Guys like **Costco**, Walmart and **Trader Joe's** don't want to have a 35 percent (markup) in the middle,"

he said. "They're going to figure out ways to get more direct sales throughout the United States."

When it comes to distributor consolidation, who's next? Regional family-owned distributors in franchise markets will continue to question whether they should stay in or get out but several industry executives said they see a scenario where **Young's Market** ultimately partners with RNDC-Breakthru. "That's the final piece of the national footprint they want to develop to compete with Southern-Glazers," one chief executive explained.

This fall, the **U.S. Supreme Court** agreed to hear *Tennessee Wine & Spirits vs. Byrd Clayton*, a case involving residency requirements for wine retailers that could have big implications for retail-to-consumer wine shipping. As of press time, the court is expected to hear oral arguments starting January 16, 2019. The court will look at whether the Constitution's Commerce Clause protects retailers and wholesalers from discriminatory state liquor laws, such as in-state versus out-of-state shipping, per the 2005 *Granholm v. Heald* decision that said states can't discriminate between allowing wine shipments to consumers, or not, from in-state versus out-of-state wineries.

No one knows where the Supreme Court is going to go.

"I'm waiting to hear what's said during the Supreme Court hearing on January 16 with the out-of-state retailer shipping case," Jackson Family Wines' chairman Barbara Banke said. "That could blow things up a little bit."

"This is a complicated business," Precept Wines chief executive Andrew Browne said. "If you get down to it, in the end it's about people. It's about your ability to interact with your distributors and the key customers in a really meaningful way so that you're in categories that people want to drink and your product tastes good. If you can get all those things brought together the opportunity is as good as it's ever been." WBM

# Largest Wineries

As part of our review of the industry, *Wine Business Monthly* compiled its fifteenth annual ranking of the U.S. wineries by case sales. While this list always included the Top 30 U.S. wineries by volume, we've since expanded the list to include the Top 50 by volume.

Companies are listed in order of cases sold domestically of brands owned by the winery. This list does not include private labeling or custom crush wineries that make wine for others.

Though there are now more than 10,000 wineries in the U.S., the WBM 50 companies represent more than 90 percent of domestic wine sold by volume.

COMPANIES	U.S. CASES SOLD
1. E&J Gallo Winery	70 million
2. The Wine Group	53 million
3. Constellation Brands	50 million
4. Trinchero Family Estates	20 million
5. Treasury Wine Estates	15 million
6. Delicato Family Vineyards	11 million
7. Bronco Wine Company	10 million
8. Ste. Michelle Wine Estates	9 million
9. Jackson Family Wines	6 million
10. Deutsch Family Wine & Spirits (Josh Cellars)	3.5 million
11. Viña Concha Y Toro (Fetzer Vineyards)	2.5 million
12. Bogle Vineyards	2.5 million

COMPANIES	U.S. CASES SOLD
13. Precept Wine	2.3 million
14. Vintage Wine Estates	2 million
15. The Family Coppola	1.7 million
16. C. Mondavi & Family	1.7 million
17. J. Lohr Vineyards & Wines	1.7 million
18. WX Brands	1.65 million
19. Foley Family Wines	1.5 million
<sub>20.</sub> Korbel	1.5 million
21. Duckhorn Vineyards	1.1 million
22. Don Sebastiani & Sons	1.1 million
23. Rodney Strong Wine Estates	950,000
24. Pernod Ricard USA	900,000
25. Boisset Collection	875,000

COMPANIES	U.S. CASES SOLD
26. O'Neill Vintners & Distillers	760,000
<sub>27.</sub> Hess Family Wine Estates	750,000
28. Cooper's Hawk Winery & Restaurants	700,000
29. NakedWines.com	680,000
30. Wente Vineyards	650,000
31. Domaine Chandon Estates & (Moët Hennessy USA)	Wines 650,000
32. Terlato Wine Group	650,000
зз. Riboli Family Wines	625,000
34. Wines of Substance	600,000
35. Jam Cellars (John Anthony Family of Wines)	600,000
36. Mesa Vineyards	550,000
37. Scheid Family Wines	500,000
38. Ferrari-Carano Vineyards and Winery	480,000

COMPANIES U.	S. CASES SOLD
39. Duplin Winery	450,000
40. Hahn Family Wines	430,000
41. A to Z Wineworks	400,000
42. Michael David Winery	400,000
43. 3 Badge Beverage Corporation	1 400,000
44. Union Wine Company	400,000
45. Oliver Winery & Vineyards	400,000
46. Scotto Cellars	390,000
47. Purple Wine + Spirits	375,000
48. Castle Rock Winery	365,000
49. Crimson Wine Group	350,000
50. Rutherford Wine Company	350,000
51. Sonoma-Cutrer Vineyards	350,000

# 2003 — The First WBM 30 List

### Wine Company (purchased by)

- 1. E&J Gallo Winery
- 2. Constellation Brands
- 3. The Wine Group
- 4. **Beringer Blass Wine Estates** (Treasury Wine Estates)
- 5. Bronco Wine Company
- 6. Robert Mondavi Winery (Constellation Brands)
- 7. Trinchero Family Estates
- 8. Brown-Forman Wines
- 9. Kendall-Jackson (Jackson Family Wines)
- 10. Diageo Chateau & Estate Wines

- 11. Stimson Lane / Ste. Michelle Wine Estates
- 12. **Allied Domecq** (Beam Wine Estates/Constellation)
- 13. Delicato Family Vineyards (DFV)
- 14. **Golden State Vintners** (The Wine Group)
- 15. **Phillips-Hogue** (Constellation Brands)
- 16. C. Mondavi & Sons
- 17. Peak Wines (Beam Wine Estates)
- 18. Ironstone Vineyards
- 19. J. Lohr Vineyards & Wines
- 20. Chalone Group (Diageo Chateau & Estate Wines)

- 21. Don Sebastiani & Sons
- 22. Bogle Vineyards
- 23. Rodney Strong Vineyards
- 24. Barefoot Cellars (E&J Gallo)
- 25. San Antonio Winery
- 26. The Hess Collection
- 27. Round Hill / Rutherford Wine Company
- 28. Domaine Chandon
- 29. Wente Vineyards
- 30. Bonny Doon Vineyard

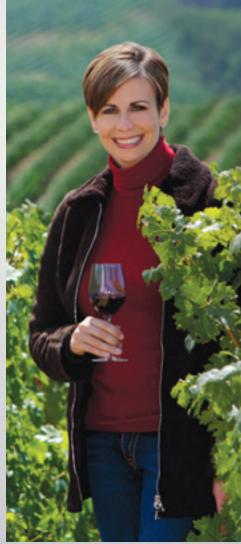
# 1. E&J Gallo Winery

Stephanie Gallo, Chief Marketing Officer
ANNUAL U.S. CASE SALES VOLUME: 70 million (WBM Estimate)
ANNUAL GLOBAL CASE SALES VOLUME: (2018) 80 million

EMPLOYEES: 4,000

**E&J Gallo Winery** continues to build on its position as the nation's leading wine company by focusing on popularlypriced products to broaden the wine category by expanding category occasions with new packaging formats—Barefoot Spritzers in single-serve cans is just one example. This year Gallo introduced Dark Horse wine in cans and Apothic Brew, a one-of-a-kind wine infused with cold brew coffee, merging two trends into one beverage.

Gallo purchased the
Locations brand from
winemaker Dave Phinney and
importer Aveníu Brands, part
of the Codorníu Raventós
Group. Locations pays homage
to places of origin with wines
from France, Spain, Italy,
Argentina, California, New
Zealand, Oregon, Washington,
Portugal, Corsica and Texas.



Also this year, Gallo launched an additional brand under **Orin Swift Cellars** called Eight Years in the Desert. Gallo purchased Orin Swift from Dave Phinney in 2016. The name Eight Years in the Desert originates from an eight-year non-compete contract Phinney signed after selling **The Prisoner** to **Huneeus Vintners**.

There were additional vineyard acquisitions in 2018: Gallo announced the purchase of **Rancho Real Vineyard** in the Santa Maria Valley appellation of Santa Barbara County, a 436-acre property with 211 planted acres. Gallo also announced its purchase of the 542-acre **Sierra Madre** property near the Santa Maria Valley appellation in Santa Barbara County, which has 151 acres planted.

The roll-out of **Gallo Family Vineyard Sweets** continued, a line with a sweeter flavor that serves as a point of entry for new wine consumers, with flavors available in Sweet Peach, Sweet Berry, Sweet Apple and Sweet Pineapple.

E&J Gallo also continues to expand its ultra-premium offerings, capitalizing on the trend of consumers moving toward more expensive premium products. On the spirits side, Gallo followed up on the purchase of Californian brandy producer **Germain-Robin** by inking a partnership to import **Diplomatico Rum**.

E&J Gallo was recognized by **Glassdoor** as one of the best places to work in 2018, the only winery among the top 50.

"It's not only a testament to our company but, more importantly, to getting an amazing and engaged workforce to work in the wine industry and to continue in our quest to democratize wine—to make wine part of everyday life with American consumers," **Stephanie Gallo** told *WBM*.

**Ernest J. Gallo**, the son of president and CEO **Joseph Gallo** and grandson of co-founder **Ernest Gallo**, has been appointed chief operating officer and is scheduled to become president and CEO effective in May 2020.

E&J Gallo offers a portfolio of elite brands from many of the world's most noteworthy appellations. The LUX Wines division, with an independent sales force and marketing department, has U.S. distribution rights for Sicily's Tornatore Wine, Italy's Jermann and Argiano wines. E&J Gallo also distributes New Zealand's Saint Clair Family Estate Wines.

The Gallo portfolio includes Barefoot Cellars, Dark Horse and Gallo Family Vineyards, as well as premium box wines The Naked Grape and Vin Vault. Premium offerings include Apothic, Souverain, Carnivor, Columbia Winery, Ecco Domani, Edna Valley Vineyard, J Vineyards & Winery, Louis M. Martini, MacMurray Estate Vineyards, Mirassou, Orin Swift, Talbott Vineyards and William Hill Estate, along with imports, such as Alamos, Brancaia, La Marca, Las Rocas, Martín Códax, Whitehaven and LUX Wines, importers of Allegrini, Argiano, Jermann, Pieropan and Renato Ratti. Gallo Spirits offers New Amsterdam Vodka and Gin and E&J Brandy, in addition to imported Scotch whiskies from Whyte & Mackay, including The Dalmore, Jura Single Malt and John Barr Blended.

# L'ESSENCE DE L'ART



# WBM REVIEW OF THE INDUSTRY LARGEST WINERIES

# 2. The Wine Group

Brian Vos, President and CEO
ANNUAL U.S. CASE SALES VOLUME: 53 million
EMPLOYEES: 1,200

The Wine Group continues to focus on leading in value while growing its premium business in the \$8 to \$15 segment. The Wine Group shifted toward higher price points in 2018 with the purchase of the **7 Deadly** brand, the leading Zinfandel brand in the U.S., from Michael David Winery.



First released in 2002, 7 Deadly's lead SKU, 7 Deadly Zins, has been the No. 1 Zinfandel in America since 2015 and is sourced from certified sustainable old-vine Zinfandel vineyards in the Lodi AVA. The 7 Deadly brand also includes 7 Deadly Red, a proprietary red blend from the Lodi AVA.

"We are always looking for strong brands built on quality that have potential to grow, and we are thrilled to bring 7 Deadly into The Wine Group's portfolio," The Wine Group CEO **Brian Vos** said as the purchase was announced.

In another move bolstering its presence in Lodi, the company announced a marketing and sales agreement, giving it exclusive rights to distribute and represent the **McManis Family Vineyards** portfolio of wines in the United States.

Concannon Vineyard launched a Clone Series, which highlights the winery's Cabernet Sauvignon clones. In 1965, Jim Concannon propelled the brand's history of innovation by collaborating with UC Davis on a grapevine certification program that developed the Concannon Cabernet Clones 7, 8 and 11. These clones were developed from three cuttings taken from the "Concannon Mother Vine," a single vine that was brought to Concannon Vineyard Estate from Château Margaux in 1893.

Recent national brand launches have included **Stave & Steel**Bourbon barrel-aged Cabernet Sauvignon and the commercial tier for **Imagery Estate Winery**. The Wine Group purchased **Benziger Family Winery** and Imagery Estate Winery in Sonoma Valley in 2015.

Other major brands include Cupcake Vineyards, Chloe Wine Collection, Franzia, Mogen David, Big House Wine Co., Save Me, San Francisco Wine Co., 10SPAN Vineyards and Cocobon.

Established in 1981, The Wine Group is based in Livermore, California, at the historic Concannon Estate.





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#### 3. Constellation Brands

Chris Stenzel, Executive Vice President and President, Wine + Spirits Division ANNUAL U.S. CASE SALES VOLUME: 50 million (WBM Estimate)
EMPLOYEES: 6,000 globally

**Constellation Brands** is constantly evolving and innovating, extending its position in wine, beer and spirits. This year the company even made an investment in cannabis.

The company is focused on major growth segments—sparkling wine is one of them. This year, the fine wine division forged a partnership with Champagne Palmer & Co. Constellation's TRU Estates and Vineyards division will serve as the Champagne brand's importer in the U.S. Separately, Constellation added capacity for Ruffino, acquiring three vineyards in Italy's Veneto region to expand Prosecco production for a reported \$34 million.

Constellation opened **The Prisoner Wine Company** tasting room in Napa Valley in November 2018. The new Tasting Lounge and The Makery—a private tasting space comprised of four studios, each featuring a local maker and his or her craft—is a destination for immersive wine education and experiences.

Constellation purchased Napa Valley cult winery **Schrader Cellars** in 2017. This year, **Double Diamond** wines were launched under Schrader with **Thomas Brown** as the winemaker. There's a Double Diamond Bomber X Cabernet Sauvignon from Napa Valley and a Double Diamond Amber Knolls Cabernet Sauvignon from Red Hills Lake County.

Another new launch from Constellation is its **Cooper and Thief** bourbon barrel-aged red wine blend and most recently, the Cooper and Thief Sauvignon Blanc, which is aged in tequila barrels, and the 2015 Cooper & Thief Cabernet Sauvignon, which is aged for six months in ex-High West Distillery Rye Whiskey Barrels.

Constellation is also launching **Estancia** in the 3-liter box category, the only appellated wine available in box.

Constellation Brands and Columbia Distributing announced an expanded partnership in Washington and Oregon this year. Opici Family Distributing of New Jersey also announced an expanded relationship with Constellation this year.

Constellation's corporate venture capital group intends to invest \$100 million in female-founded or female-led businesses in the beverage alcohol space and adjacent categories by 2028 through a new program, Focus on Female Founders. The company completed its first investments in two specialty beverage companies: Austin Cocktails and Vivify Beverages.

Chris Stenzel is Constellation's executive vice president and president of the Wine + Spirits Division, reporting to Bill Newlands. Stenzel oversees global sales, marketing and operations functions for the Wine + Spirits Division across the U.S., New Zealand and emerging markets. Chief operating officer Bill Newlands was named president of Constellation this year, succeeding CEO Rob Sands, who relinquished his role as president.

Jim Sabia was named to the newly created role of executive vice president and chief marketing officer, Constellation Brands, this year. Sabia is the marketing lead for the Beer and Wine & Spirits Divisions, responsible for marketing across Constellation's entire alcoholic beverage portfolio.

In October, **Reuters** reported that Constellation is considering the sale of some of its U.S.-based wine brands in a deal sources speculated could be worth more than \$3 billion. The report said Constellation hired **Goldman Sachs** to explore the divestitures.





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## WBM REVIEW OF THE INDUSTRY 5 LARGEST WINEPIES

#### 4. Trinchero Family Estates

Bob Torkelson, President and COO ANNUAL U.S. CASE SALES VOLUME: 20 million EMPLOYEES: 1.000

**Trinchero Family Estates** celebrated its 70th anniversary in 2018; the family's first harvest was in 1948. Leading brands include Joel Gott Wines, Charles & Charles, Echo Bay and Ménage à Trois and, of course, Sutter Home. New line extensions include Ménage à Trois Lavish. a Merlot—and Luscious, a Pinot Noir project. New under Charles Bieler is a Washington Cabernet Sauvignon, Born to Run, which tells the story of Bieler's career in the business.



On the spirits side, the company relaunched Trinchero vermouth, a throwback to a recipe **Bob Trinchero**'s dad made in the 1960s.

In 2017, the company announced a partnership with **Neyers Vineyards**, a producer of small-production wines from top appellations in California with suggested retail prices ranging between \$25 and \$100. That followed acquisitions of two other Napa-based wineries, **Mason Cellars** and **Ziata Wines**, the latter founded in 2008 by **Karen Cakebread**. The Ziata portfolio includes Sauvignon Blanc, Pinot Noir and a proprietary Bordeaux-style blend.

The Trinchero Family Estates' portfolio includes more than 40 brands, including Sutter Home, Ménage à Trois, Trinchero Napa Valley, Napa Cellars, Folie à Deux, Terra d'Oro, SeaGlass and the number one alcohol-removed wine, Fre. TFE also markets and sells a stable of notable brands, including Joel Gott Wines, Charles & Charles, Taken Wine Co. and Bandit. TFE's import portfolio includes Angove Wines from Australia, Doña Paula Wines from Argentina, Carmen and the Wave Wines from Chile, and a spirits portfolio with Amador Whiskey Co and Cruz Tequila.

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# WBM REVIEW OF THE INDUSTRY LARGEST WINERIES

#### 5. Treasury Wine Estates

Robert Foye, Chief Operating Officer
ANNUAL U.S. CASE SALES VOLUME: 15 million (WBM Estimate)
ANNUAL GLOBAL CASE SALES VOLUME: 34 million
EMPLOYEES: 3,600 globally

Treasury Wine Estates of
Australia is publicly held, and
its wine portfolio includes some
of the world's leading premium
wine brands: Lindeman's,
Rosemount Estate, Penfolds
and others. U.S. wineries
include Beringer Vineyards,
Etude Wines, Stags' Leap
Winery, St. Clement
Vineyards, Chateau St. Jean
and Meridian Vineyards.



The company has seen success with its 19 Crimes brand, surpassing 1.5 million cases this year, and a portfolio of animated wine labels that brings new dimension to consumers at the point of purchase. Using augmented reality technology, Treasury developed the "Living Wine Labels" platform across its portfolio. Other brands now using the Living Wine Labels platform include Lindeman's Gentleman's Collection, Beringer Brothers, The Walking Dead Wine and Chateau St. Jean.

Another recent initiative is **Maison de Grand Esprit**, which sells French wine in the U.S. Instead of focusing on a single subregion, the brand, which translates to "House of Great Minds," showcases the Bordeaux, Burgundy, Rhône and Provence regions—all under one brand.

Treasury Wine Estates' chief executive officer **Michael Clarke** announced a series of executive appointments in late 2017, including naming **Robert Foye** as chief operating officer, working with Clarke to oversee major operating units across the global business.

In a major strategy shift, Treasury Wine Estates announced it would pursue a direct route-to-market strategy in the states where it is legal, California and Washington, by directly distributing to retailers on a national and regional level. In others, such as Florida, it is employing a hybrid model in collaboration with **Breakthru Beverage Group**.

Robert Foye discussed the new route-to-market strategy briefly during a presentation at the 2018 Wine Industry Financial Symposium, saying the changes were made to create a more customer-focused organization. "It wasn't because we didn't like our distributors in those markets," he said. "We had to build those skills. We're trying to understand the consumers and what the consumers are buying. Then we're trying to put in programs that pull the product off the shelves. If we're not doing that, it's hard to be good partners with our three-tier distribution system. That was the real key."

Treasury has seen success of late with its business in Asia, where it is now the largest imported wine company by value.

"There is not enough premium red wine in the world to satisfy the hunger and demand by the global consumer, driven by China and Asia over the next 10, 20, 30 years," Foye said at the Financial Symposium. "That's an incredible opportunity for us because we'll be able to invest more to make even better wine to build our brands, not just in the U.S. but across Asia."



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## WBM REVIEW OF THE INDUSTRY

#### a Delicato Family Vineyards

Chris Indelicato, President and CEO ANNUAL U.S. CASE SALES VOLUME: 11 million EMPLOYEES: 800

Delicato Family Vineyards has been growing rapidly for the past several years. While sales volumes were more or less flat at many of the top U.S. wine companies this year, Delicato continued to grow with volume up about 12 percent year-over-year.

Bota Box has been a big driver and is now a 7 million case brand. Other key brands include Gnarly Head,
Noble Vines, Z. Alexander Brown and Twisted. Luxury brands include Black
Stallion from Napa Valley and Diora from Monterey.



Delicato was recently named the exclusive U.S. importer for **Schmitt Söhne Wines**, an exporter of German wines with U.S. sales of 700,000 cases. The portfolio includes Schmitt Söhne Family Wines (the No. 1 selling German brand in the U.S. and No. 1 imported Riesling), **RELAX Wines** (the No. 2 selling German brand in the U.S., and No. 2 imported Riesling), **Fünf Wines** and **Thomas Schmitt Private Collection**. Delicato will import luxury estate wines **Bischöfliche Weingüter Trier**, **Schloss Vollrads**, **Weingut Friedrich-Wilhelm-Gymnasium** and **Franz Keller**, which are distributed but not owned by Schmitt Söhne Family Wines.

Delicato was also named importer for **Torbreck Vintners**, adding high-end wine from Australia, and the U.S. importer for Chilean wine company **Viña Santa Rita**. Delicato Family Vineyards and **Mercer Wine Estates** launched a collaborative new wine from Washington this year as well.

This year Delicato and V2 Wine Group of Sonoma, California completed their strategic alliance, as part of an ongoing premiumization strategy that started with the acquisition of Black Stallion Estate Winery in 2010. The V2 agency brands have now been incorporated into the Delicato portfolio, including such iconic brands as Dobbes Family Estates, Donati Family Vineyard, Mercer Family Vineyards, Merryvale Vineyards, Starmont Winery and Vineyards, Toad Hollow Vineyards, Wine By Joe and Torbreck.

The Indelicato family has been making wine for more than 90 years (celebrating its 100th anniversary in 2024) and owns more than 3,000 acres of vineyards along the Central Coast, Monterey and near Lodi in California. President and CEO Chris Indelicato is the grandson of founder Gasparé Indelicato, and his brother Jay Indelicato is COO. The company is now in its fourth generation, with Stephen Mathews on the winemaking team.

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## WBM REVIEW OF THE INDUSTRY

#### 7. Bronco Wine Company

Fred Franzia, Chief Executive Officer
ANNUAL U.S. CASE SALES VOLUME: 10 million (WBM Estimate)
EMPLOYEES: N/A

Bronco Wine Company may be best known as the company behind Charles Shaw, nicknamed "Two-Buck Chuck." Bronco's organic wine program drew interest this year, selling more than 500,000 cases of organic wines, including Shaw Organic, which features the Helix cork closure, and Rare Earth, which is also sold by Trader Joe's. Bottles of Charles Shaw are now priced at \$2.99 at Trader Joe's. Charles Shaw peaked at about



8.5 million cases, and the brand is still chugging along, selling more than 4 million cases in 2018.

Bronco is seeing traction with brands such as **Rosenblum Cellars**, **Stone Cellars**, **Carmenet Winery** and **R.S.V.P.** 

The company operates as a distributor in California and has a shipping and logistics arm, operating a 150,000-square-foot rail shipping facility at its winery in Ceres, CA to support **Bivo Logistics**, its logistics, consolidation and rail freight service for wineries with multi-store distribution in multiple markets.

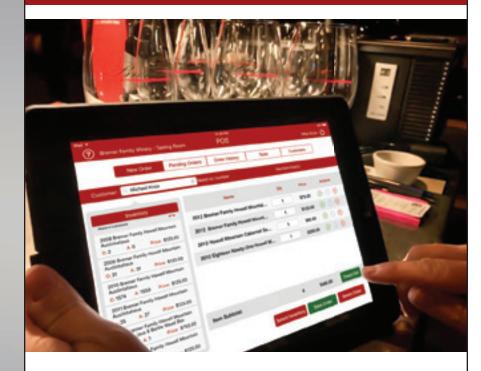
Bronco Wine Company makes wines under the ForestVille Vineyards, Estrella River Winery, Montpellier Vineyards, Grand Cru Vineyards, Silver Ridge Vineyards, Rutherford Vintners, Hacienda Wine Cellars, Foxhollow Winery and Napa Ridge brands, among many others. The company has more than 60 brands, including Harlow Ridge Winery, Santa Barbara Landing, Fat Cat Cellars, Crane Lake Cellars, Forest Glen Winery, Fox Brook Winery, J.W. Morris Winery, Quail Creek Cellars and Sea Ridge Winery.

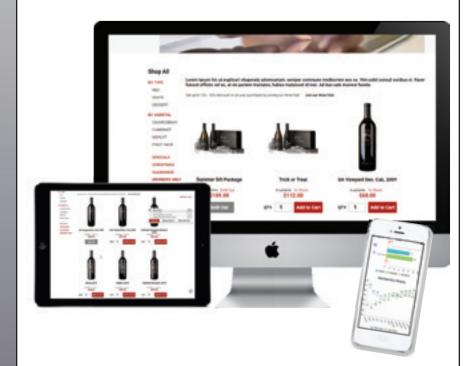
Bronco is a bulk producer with more than 100 million gallons of capacity. Bronco sells wine to 20 of the top 25 U.S. wineries. Bronco makes wine in Ceres and Napa, under contract to **Barrel Ten Quarter**, which it owns. The Franzia family (which has no relationship to **The Wine Group**'s **Franzia** brand boxed wine) has made wine in California for more than 100 years.



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#### 8. Ste. Michelle Wine Estates

Ted Baseler, President and CEO ANNUAL U.S. CASE SALES VOLUME: 9 million EMPLOYEES: 800

Ste. Michelle Wine Estates president and CEO Ted Baseler retired in October 2018 after 34 years with the company, 17 of which were spent leading the Washington-based wine company as CEO. That could be a record tenure for a chief executive of a public company. Baseler was succeeded by Jim Mortensen, a veteran of Philip Morris International (Altria).



Mortensen was previously senior vice president, human resources with Phillip Morris International (now Ste. Michelle's parent company, Altria) and was senior vice president, sales and distribution with **Miller Brewing Company**.

Baseler is credited with overseeing a huge expansion that included strategic acquisitions and capital investments, as well as the creation of an imported wines division, bringing in wine from companies such as Marchesi Antinori from Italy, Miguel Torres from Spain and others. He also orchestrated the acquisition of Stag's Leap Wine Cellars with the Antinori family. While Ste Michelle is the dominant wine company in Washington and its Chateau Ste. Michelle Winery is Washington's oldest, the company has long been lauded for its open tent and unwavering support of other wineries and wine businesses in Washington under Baseler's tenure.

Ste. Michelle Wine Estates is known for a global "string of pearls" collection of wine estates. The company has nearly 4,000 acres of vineyards in Washington and California.

Merf is a new brand named for Northstar Winery winemaker David "Merf" Merfeld. Borne of Fire is a new wine sourced from a pending AVA in Washington called The Burn.

Ste. Michelle Wine Estates purchased California's Patz & Hall, the highly regarded producer of single-vineyard Chardonnay and Pinot Noir, in 2016. In addition to Chateau Ste. Michelle, Ste. Michelle Wine Estates includes Columbia Crest, Snoqualmie Vineyards, Northstar Winery, Stimson Estate Cellars and Red Diamond Wine, among others. The company also produces Col Solare Winery in partnership with Tuscany's Marchesi Antinori family. It owns Conn Creek Winery of Napa Valley, as well as Villa Mt. Eden.

Ste. Michelle Wine Estates imports Antinori wines from Italy in the U.S., has a joint partnership with Antinori in Col Solare and is Antinori's partner in Napa's Stag's Leap Wine Cellars. Ste. Michelle owns Erath Winery in Oregon. The import portfolio includes Champagne Nicolas Feuillatte and Villa Maria Estate from New Zealand.

# WBM REVIEW OF THE INDUSTRY LARGEST WINERIES

#### Jackson Family Wines

Barbara Banke, Chairman and Proprietor 2018 ANNUAL U.S. CASE SALES VOLUME: 6 million

EMPLOYEES: 1,700

Jackson Family Wines, which has been in acquisition mode for the past few years, spent 2018 concentrating on absorbing recent purchases while honing sales and distribution.

Jackson Family Wines announced executive leadership appointments in late 2018. Katie Jackson was promoted to senior vice president, corporate and social responsibility; Gayle Bartscherer was named senior vice president, international marketing and development; Viviann Stapp was promoted to senior vice president,

general counsel; **Kristen Reitzell** was promoted to vice president of public relations; and **Jane Catelani Howard** joined the company as senior vice president of finance.

**Erik Kramer** joined **WillaKenzie Estate** in Oregon as director of winemaking (Jackson Family Wines purchased WillaKenzie in 2016). The company now owns roughly 1,400 acres of vineyard land in Oregon, though not all of that is planted.

The company also continued to garner awards for environmental

initiatives, among them a third **EPA Green Power Award**. Jackson Family Wines emphasizes sustainability in its wineries and vineyards. Most vineyards are certified sustainable.

Jackson Family Wines owns 40 wineries and produces more than 350 different wines. Jackson Family Wines' brands include: Atalon, Cardinale Winery, Hartford Family Winery, Lokoya, Carmel Road Winery, Cambria Estate Winery, Matanzas Creek Winery, La Crema, Stonestreet Wines and Vérité. The company also owns Freemark Abbey Winery and La Jota Vineyard Co. in Napa Valley, the Arrowood Vineyards & Winery in Sonoma, Byron Wines in Santa Maria, Murphy-Goode in Geyserville, and Gran Moraine wines from Oregon. The family's collection of more than 40 wineries and brands spans wine-growing regions across the globe.





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### 10. Deutsch Family Wine & Spirits (Josh Cellars)

Tom Steffanci, President

ANNUAL U.S. CASE SALES VOLUME: 3.5 million

ANNUAL GLOBAL CASE SALES VOLUME: 11 million

EMPLOYEES: 300

Founded in 2007 by Joseph Carr and introduced in 2009, Josh Cellars has been owned by Deutsch Family Wine & Spirits, the marketer and importer of wine and spirits, since 2011, when it was a 60,000-case brand. Josh Cellars is now the fastest-growing premium wine brand. Typically priced between \$13 and \$19, the wines are made by Wayne Donaldson and sourced from regions across California. The wines are made at the Vintage Wine Estates facility in Mendocino, the Ray's Station winery





Deutsch Family Wine & Spirits was founded in 1981 by chairman Bill Deutsch to market wine and spirits from family-owned companies around the world. Deutsch works almost exclusively with private or family-owned companies, has 300 employees, \$700 million in revenue and, in total, sells 11 million cases of wine and spirits with 31 brands from 10 countries (see article, page 174).

The business has grown to include a roster of international brands. Brands Deutsch markets include: Yellow Tail, Yellow Tail Bubbles, Peter Lehmann, Peter Lehmann Clancy's, Bellacosa, Eppa SupraFruta Sangria, Girard Winery, Joseph Carr, Josh Cellars, Josh Cellars Reserve, Kunde Family Estate, Layer Cake, The Calling, Andre Lurton, Cave de Lugny, Fleurs de Prairie, Hob Nob Vineyards, Sauvion et Fils, Skyfall, Barone Fini, Villa Pozzi, The Crossings, Quinta Do Vale Meão, Mar De Frades, Cruz de

Alba, Ramón Bilbao, Clos de los Siete, Ruta 22, and award-winning spirits Redemption Whiskey, Bib & Tucker Bourbon, Masterson's Rye and Luksusowa Vodka.



# WBM REVIEW OF THE INDUSTRY LARGEST WINERIES

#### 11. Viña Concha Y Toro (Fetzer Vineyards)

Giancarlo Bianchetti, General Manager, Fetzer Vineyards

ANNUAL U.S. CASE SALES VOLUME: 2.5 million
ANNUAL GLOBAL CASE SALES VOLUME: 35 million
EMPLOYEES: 308

The big news at Fetzer Vineyards this year was the incorporation of Excelsior Wines into its portfolio, making it the nation's leading supplier of South American wines. Excelsior's portfolio includes the Chilean wines of Viña Concha y Toro as well as its Argentine property, Trivento, and the Little Black Dress and Beckon Central Coast lines from California. Viña Concha y Toro and Banfi Vintners formed Excelsior in 2011 as a sales and marketing venture for the U.S. Excelsior was co-managed by

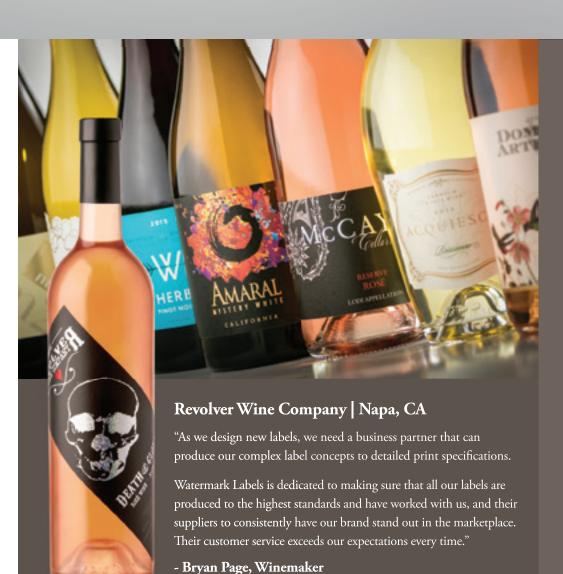
both companies, until June 2018, when Viña Concha y Toro committed to fully acquiring Excelsior.

Following the addition of Excelsior's wines, Fetzer Vineyards' portfolio has doubled in size and comprises 5.2 million cases annually, giving the company more leverage in terms of distribution

Since it was purchased from **Brown-Forman** by Viña Concha y Toro, Chile's largest wine producer and exporter, seven years ago, the Fetzer brand has been repositioned upward. **Bonterra**, the first significantly sized organic wine brand, continues to grow. **1000 Stories**, one of the first bourbon barrel-aged wines in the U.S., is another growth brand.

Fetzer celebrated its 50th anniversary in 2018.





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# **VBM** REVIEW OF THE INDUSTRY

#### 12. Bogle Vineyards

Ryan Bogle, Vice President and Chief Financial Officer ANNUAL U.S. CASE SALES VOLUME: 2.5 million **EMPLOYEES: 100** 

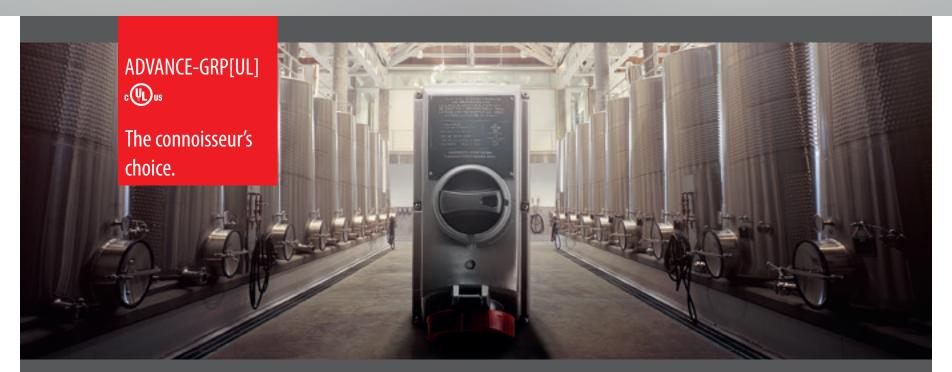
Bogle Vineyards introduced a new brand this year, Juggernaut, inspired by the growth the winery has seen during the past decade. The first wine is a Juggernaut 2015 California Hillside Cabernet Sauvignon for \$20 per bottle. It has a California appellation but is sourced largely from the Indian Spring Vineyard at Penn Valley in Nevada County.

The company continues to hold its own in a competitive market and has been adding tank capacity to support growth. Bogle's wines include Bogle Essential Red Blend, a mix of Zinfandel, Syrah, Cabernet Sauvignon and Petite Sirah. Bogle's leading wine is Chardonnay, though the winery makes a considerable amount of Petite Sirah as well.



The Bogle family has been farming since the mid-1800s, and in 1968, the father and son team of Chris and Warren Bogle planted their first winegrapes in Clarksburg, California. Bogle Vineyards farms more than 1,200 acres of winegrapes in the Delta region.

Warren Bogle, president and vineyard director, is the sixth generation of Bogles to farm in California's Sacramento Delta. Ryan Bogle currently serves as vice president of the company and oversees accounting. Jody Bogle serves as director of public relations.



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#### 13. Precept Wine

Andrew Browne, Founder and CEO
ANNUAL U.S. CASE SALES VOLUME: 2.3 million
ANNUAL GLOBAL CASE SALES VOLUME: N/A
EMPLOYEES: 400

Seattle-based **Precept Wine**, founded in 2002 by **Andrew Browne**, is the largest and fastest-growing private wine producer in the Northwest.

This year Precept Wine announced the acquisition of Truett-Hurst's wholesale business unit and portfolio of national and exclusive brands created for retailers, such as Albertsons, The Kroger Co., Trader Joe's, Total Wine & More and many others. The deal bolsters the company's exclusive label business, the fastest growing portion of its portfolio. It added 300,000 cases to Precept's exclusive label business



As part of the acquisition, Truett-Hurst president and CEO **Phillip Hurst** joined Precept to focus on national and exclusive brands as chief innovation officer. The deal also gave the company a toehold in California with **Colby Red**, **Cense** and **Dearly Beloved**.

**Lindsey Nelson** was named marketing director of **Grape & Grain**. Grape & Grain is a division of Precept Wine dedicated to innovating and producing top-performing exclusive brands for strategic on- and off-premise accounts.

With deep roots that represent more than 30 years of Northwest investments in the wine industry, it owns and maintains about 5,000 planted vineyard acres across Washington, Idaho, New Mexico and Oregon, including HOUSE Wine, Browne Family Vineyards, Waterbrook, Canoe Ridge Vineyard, Gruet, Primarius, Cense, Colby Red and Dearly Beloved, Ste. Chapelle and Pendulum plus tasting rooms and hospitality throughout the Northwest. Shingleback and Red Knot are Precept's holdings in Australia.



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## WBM REVIEW OF THE INDUSTRY 50

#### 14. Vintage Wine Estates

Pat Roney, CEO and Founding Partner ANNUAL U.S. CASE SALES VOLUME: 2 million EMPLOYEES: 420

Vintage Wine Estates acquired Qupé of Santa Barbara, California from Terroir Capital Group this year, and winemaker/founder Bob Lindquist agreed to stay on as consulting winemaker. Vintage Wine Estates also acquired Walla Walla winery Tamarack Cellars and announced the acquisition of Distillery No. 209 and its flagship No. 209 Gin.

The previous year the company picked up Layer Cake, Cherry Pie and If You See Kay brands from **Jayson Woodbridge**.

**Terry Wheatley** was appointed president of Vintage Wine Estates this year. Previously, Wheatley had been executive vice president of sales and marketing, a role she held after the purchase of **Canopy** 

**Management**, the wine company she co-founded in 2008, by Vintage Wine Estates in 2014.

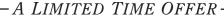
In 2017 Vintage Wine Estates also purchased Cameron Hughes Wine, a brand that pioneered the concept of selling limited series of premium "lots," much of it with **Costco**. That deal bolsters Vintage Wine Estates' direct-to-consumer sales; Cameron Hughes

has a surprisingly strong DTC program despite not having a tasting room—all driven by e-commerce.

Vintage Wine Estates also purchased its first fine wine brand from Oregon in 2017—Firesteed Cellars of the Willamette Valley, a 50,000-case brand—and expanded its Mendocino facility in 2017, constructing a 100,000-square-foot case warehouse and bottling facility at its Ray's Station winery near Hopland.

Vintage Wine Estates is a privately-held wine company. Its winery estates and brands

include Clos Pegase Winery, Cosentino Winery, Girard Winery, B.R. Cohn Winery, Viansa Sonoma, Windsor Vineyards, Cartlidge & Browne, Sonoma Coast Vineyards, Ray's Station, Middle Sister, Wine Sisterhood, Promis-Q-ous, Monogamy, Girl & Dragon, Purple Cowboy and a number of exclusive wine brands.



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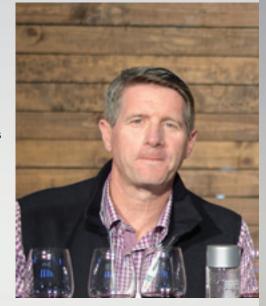
#### 15. The Family Coppola

Corey Beck, Chief Executive Officer
ANNUAL U.S. CASE SALES VOLUME: 1.7 million

EMPLOYEES: N/A

Francis Ford Coppola is incredibly creative, and his latest project is in Oregon, where he has purchased Vista Hills Vineyard in the Dundee Hills. The property is reopening with a revamped tasting room and a soon-to-be-announced new name.

The Family Coppola created a rewards program that brings together its wine, food, luxury resorts and lifestyle experiences this



year. The program allows people to earn points to redeem for various rewards and access a curated list of exclusive experiences.

Francis Ford Coppola also jumped into cannabis last year with The Grower's Series by Francis Ford Coppola, a cannabis lifestyle brand, starting with a limited edition collection that features three appellation-specific organic cannabis flower strains selected to offer "distinct and memorable experiences." The six-time Academy Award-winning director, entrepreneur and winery owner said he created his newest company to give life to a vision for pioneering the highest quality, sun-grown cannabis products through sustainable farming. Wineries aren't legally allowed to sell cannabis: This venture is separate from the Francis Ford Coppola Winery, and involves a licensing partnership with growers in Humboldt County.

Corey Beck was promoted to CEO for The Family Coppola in 2019 and has been with the company for 20 years. He joined The Family Coppola in 1998 and rose from assistant winemaker to winemaker to president and director of winemaking. He is a past president of the Sonoma County Vintners and is regularly involved in a variety of wine industry symposia and advisory councils.

Coppola Diamond Collection Black Label Claret continues to be a volume driver.

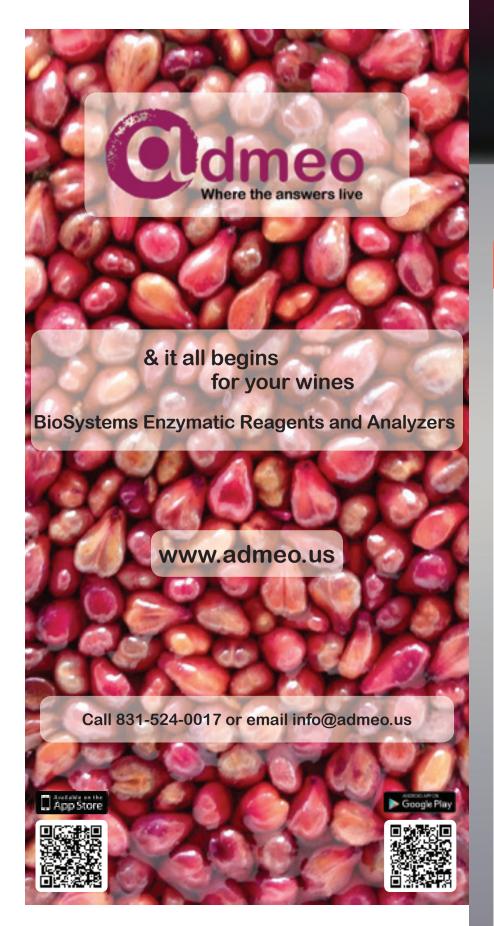
Inglenook remains independent from FFCP's operations.

Francis Ford Coppola Winery produces a variety of wines that can be found nationally, primarily under the Diamond Collection, Sofia, Votre Santé, Director's, Director's Cut and Gia labels. Eleanor and Archimedes are small production Cabernet blend wines. Francis Coppola Reserve wines are limited-production, single-vineyard designate wines.

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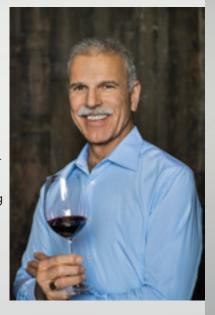
## WBM REVIEW OF THE INDUSTRY 50 1 ADDREST WINEDIES

#### 16. C. Mondavi & Family

Peter Mondavi, Jr., Co-proprietor, Charles Krug Winery ANNUAL U.S. CASE SALES VOLUME: 1.7 million EMPLOYEES: 120

Charles Krug has been celebrating the 75th anniversary of the family ownership of the Charles Krug property. "Our vision is to be recognized and respected as one of the world's great family-owned wine companies with multiple generations of our family," Peter Mondavi, Jr., coproprietor, Charles Krug winery, said.

Direct-to-consumer sales are playing an increasing role, with numerous cultural events hosted at the winery. The winery is leveraging recent investments in the hospitality center with an emphasis on the experience as people visit the estate.



Charles Krug Winery, the first winery founded in Napa Valley in 1861, is owned by the children and grandchildren of **Peter Mondavi Sr.**, who passed away in early 2016. **CK Mondavi**'s diversified portfolio includes luxury-priced Charles Krug and popularly priced CK Mondavi, made in much larger quantities. CK Mondavi operates in a competitive segment of the market against a focused group of competitors and has redesigned its packaging while emphasizing 750 ml bottles and deemphasizing magnums.

Charles Krug produces roughly 80,000 cases.

CK Mondavi, which accounts for most of the volume, continues to hold its own in a competitive price segment and transition from magnums to 750 ml bottles. One of the things that makes the brand unique in the price segment it competes in is that nearly half of the grapes sourced for it are from an estate vineyard in Yolo County.

#### 17. J. Lohr Vineyards & Wines

Steve Lohr, Chairman and CEO ANNUAL U.S. CASE SALES VOLUME: 1.7 million EMPLOYEES: 250



In 2018, J. Lohr Vineyards & Wines purchased Beck Vineyard in the Creston District of Paso Robles. The company invested in, and helped develop, the 103-acre property back in 2012 and had been sourcing fruit from it since. J. Lohr also began development of McCornack Vineyard, a new Adelaida District property on Peachy Canyon Road that, when planted, will supply the winery with 60 acres of Bordeaux and Rhône red varieties.

Longtime J. Lohr red wines winemaker **Steve Peck** was promoted to director of winemaking this year.

J. Lohr continued its push for a more sustainable operation, once again earning the **Certified California Sustainable Winegrowing** distinction from the **California Sustainable Winegrowing Alliance**. The award covered all vineyards, as well as their Paso Robles, San Jose and Greenfield wineries.

J. Lohr produces about 35 different wines in four tiers of wines: The Signature Wines, such as J. Lohr and J. Lohr Estates; The Vineyard Series, a group of single-vineyard, single-varietal wines; The Cuvee Series, a trio of blends and The Gesture Series, which are wines available only in the tasting room and online. In addition, the company still maintains Cypress Vineyards, Ariel non-alcoholic wines and a series of export-only wines, including Painter Bridge.



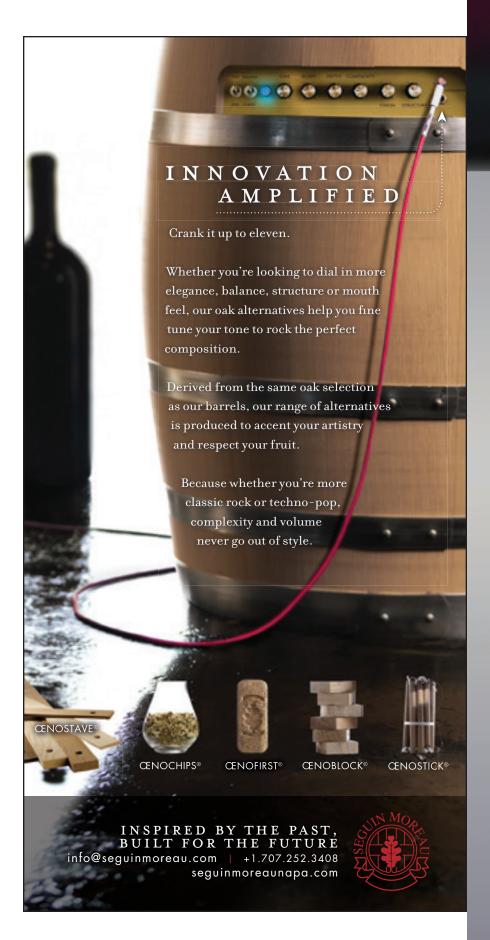
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## REVIEW OF THE INDUSTRY LADREST WINEDIES

#### 18. WX Brands

Peter Byck, CEO
ANNUAL U.S. CASE SALES VOLUME: 1.65 million
EMPLOYEES: N/A

Founded in 1999, WX Brands (previously Winery Exchange) develops exclusive brands of wine, beer and spirits for retailers around the world, and offers a portfolio of proprietary wine brands that are sold globally. WX sources from 17 countries and sells in 12 countries, producing more than 6 million cases. Working with retail partners, the



company creates wine blends, brand names, packaging and marketing plans, managing production, compliance and distribution. The company aims to be the preferred provider of exclusive brands or private labels.

WX acquired Jelly Jar Wines and Reckless Love wines in 2018. WX also aims to acquire and grow unique national brands that aren't exclusive to a particular retailer and have growth potential. Those brands accounted for roughly 1.65 million cases in 2018.

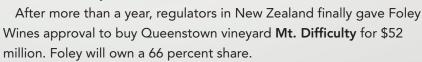
WX has made a number of brand acquisitions in the past four years. The largest national brands it sells include **Bread & Butter**, which it acquired in 2017, and **Jamieson Ranch Vineyards** and its portfolio of wine brands: Double Lariat, Reata, Light Horse and Whiplash. WX purchased **Chronic Cellars** in 2014. It also owns **Our Daily Wines**, the nation's leading organic wine brand.

Linda Trotta was named Jamieson Ranch Vineyards' winemaker in 2017, responsible for its portfolio, as well as a collection of limited-production, winery-only bottlings. Wines are produced at several facilities under contract, and WX has 10 winemakers on staff. WX also operates a bottling business. Kurt Lorenzi, vice president of global sourcing, is the chief winemaker.

#### 19. Foley Family Wines

Bill Foley, CEO
ANNUAL U.S. CASE SALES VOLUME: 1.5 million
ANNUAL GLOBAL CASE SALES VOLUME: 1.7 million
EMPLOYEES: 400

Foley Family Wines purchased
Oregon's Acrobat wine brand from
King Estate Winery in Eugene,
Oregon this year, adding about
150,000 cases to the portfolio.
Acrobat is known for Pinot Noir
and Pinot Gris. In announcing the
purchase, Hugh Reimers, president
of Foley Family Wines, said Acrobat
will serve as a nice complement to
The Four Graces winery in Oregon's
Willamette Valley.





Courtney Foley is winemaker at the family's Chalk Hill Estate and Vineyards. Patrick Foley, who was winemaker with Foley Johnson Winery in Rutherford, passed away this year.

Foley named Hugh Riemers chief administrative officer for Foley Family Wines in 2017 then named him president of the company. Riemers, a winemaker from Australia, had served as president of **Jackson Family Wines** and prior to that was with **Constellation Wines**.

Foley Family Wines was established in 1996 with the purchase of Lincourt Vineyards in Santa Barbara County. Foley then founded Foley Estates Vineyard and Winery in the Santa Rita Hills appellation of Santa Barbara County. In 2007, he purchased Ashley's Vineyard, formerly owned by Fess Parker, in the Santa Rita Hills, which was followed by Firestone Vineyard in Santa Ynez Valley, as well as its sister

winery in Paso Robles. Foley Family Wines owns Three Rivers Winery in Walla Walla, Washington, Merus in Napa, Sebastiani Vineyards & Winery and Chalk Hill Estate Vineyards & Winery in Sonoma, a majority stake in Napa's Kuleto Estate, and EOS Estate Winery on the Central Coast.





# WBM REVIEW OF THE INDUSTRY LARGEST WINERIES

#### 20. Korbel

Gary Heck, President and Owner ANNUAL U.S. CASE SALES VOLUME: 1.5 million EMPLOYEES: 351

Korbel accounts for roughly 15 percent of the total sparkling wine category and half of the premium *méthode champenoise* category and projected gross sales of \$121 million in 2018. Sales volumes were basically even with the prior year at 1.48 million cases. Korbel Brandy sold about 280,000 cases. The company owns 1,000 acres of vineyards throughout California.

The company is continually pursuing creative ways to introduce consumers to sparkling wine, from sporting events, such as golf or skiing, to distinctive packaging



that coincides with special occasions, to new sparkling wine-based cocktails on premise.

Korbel has been consistently advertising on TV for more than 40 years. This year's campaign started in November and was set to run through February. Korbel spent \$3 million in TV advertising and print media support this year. The company advertises via NBC Sports, Bravo, E!, Comedy Central, The Food Network, HGTV, The Travel Channel, USA Network and VH1, in addition to digital campaigns with Facebook, Twitter, YouTube, Food Network, Instagram and Pinterest.

In 2016, Korbel trademarked the name, "the official sponsor of brunch." Korbel was established in 1882. The Heck family has owned and managed the company since 1954.

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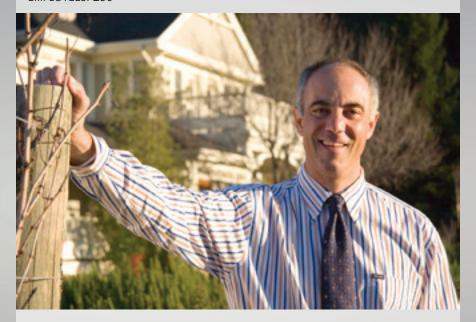
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#### 21. Duckhorn Vineyards

Alex Ryan, Chief Executive Officer
ANNUAL U.S. CASE SALES VOLUME: 1.1 million
EMPLOYEES: 250



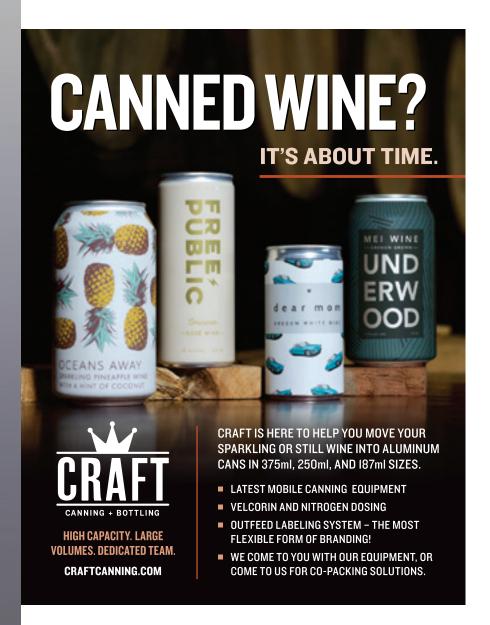
**Duckhorn Wine Company** acquired California Pinot Noir winery **Kosta Browne** this year, a winery known for sought-after Pinot Noirs. The sale included the company, winery, assets and inventory, in addition to 170 acres of vineyards. The Kosta Browne team remains with the winery, including CEO **Scott Becker** and winemaker **Nico Cueva**. Kosta Browne was founded by **Dan Kosta** and **Michael Browne**, with **Chris Costello** joining the partnership in 2001. In 2012, Kosta Browne built a custom winemaking facility in Sebastopol, California. This summer, they unveiled The Gallery, a hospitality space overlooking the winery.

**Duckhorn Vineyards** finished up its second year of leadership under a second private equity firm in 2018. **GI Partners** monetized its 2007 investment with the sale of the business to **TSG Consumer Partners**, in August 2016.

Founded by **Dan** and **Margaret Duckhorn** with the launch of **Duckhorn Vineyards** in 1976, Duckhorn now comprises Duckhorn, **Paraduxx**, **Goldeneye**, **Migration**, **Decoy** and **Canvasback**, a venture on Red Mountain in Washington state that launched in 2012. Decoy, a second label that provides a Duckhorn product at a reasonable price, continues to grow very rapidly, now accounting for about half of production.

With 700 acres of estate vineyards, each winery has its own focused wine-growing program from which to make its wines. Duckhorn Wine Company wines are available throughout the United States, on five continents, and in over 50 countries.





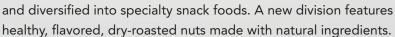
# WBM REVIEW OF THE INDUSTRY LARGEST WINERIES

#### 22. Don Sebastiani & Sons

Donny Sebastiani, Jr., President and CEO ANNUAL U.S. CASE SALES VOLUME: 1.1 million EMPLOYEES: 90

The **Don Sebastiani & Sons** portfolio of wines includes Smoking Loon and Pepperwood Grove, as well as B Side, Don & Sons Sonoma Signature Series Pinot Noir, Sivas-Sonoma, The Crusher (Clarksburg), Il Donato (Italy), Gunsight Rock (Paso Robles), Simple Life (Clarksburg), and Americano and Custard Sonoma Valley Chardonnay.

In addition to focusing on its core portfolio, Don Sebastiani & Sons expanded into the bottled water business, started importing a tequila



The company has also been expanding its private label wine business with custom labels for retailers, such as **BevMo!**, **Aldi** and **Wegmans**.

Don Sebastiani's grandfather started what is known today as Sebastiani Vineyards & Winery and began running his grandfather's company in 1986. He stepped down in 2000 to create a new wine company and soon recruited his two sons, Donny and August, to assist him in the creation of Don Sebastiani & Sons. Donny Sebastiani, Jr. now leads Don Sebastiani & Sons while August leads 3 Badge Beverage Corporation, a sizable wine company in its own right (formerly known as The Other Guys).

Don Sebastiani & Sons' CFO **Omar Percich** was promoted to chief operating officer, taking over the position from **Tom Hawkins**, who retired.

### 23. Rodney Strong Wine Estates

Carmen Castaldi, President
ANNUAL U.S. CASE SALES VOLUME: 950,000
EMPLOYEES: 180

Rodney Strong Wine Estates unveiled Rowen Wine Company this year, a venture to celebrate the spirit of the pioneering American West focused on the 200-acre Cooley Ranch in northern Sonoma County. The Rowen Wine Company portfolio includes three brands: Rowen, celebrating the art of the blend, and two Cabernet-inspired reds, 2040 and 600L.

After 39 harvests, **Rick Sayre** moved into the role of winemaker Emeritus. **Justin Seinfeld** is taking over as head winemaker after nine years with Sayre.



Rodney Strong Wine Estates, which is all about Sonoma County, farms some 1,400 acres from more than a dozen different estates and is focused on expanding the luxury end of its business.

Upshot was launched in 2017, a high-end red blend brand that released nationally at about \$25, sourced mostly from Alexander Valley and Knights Valley. Upshot is a blend of Zinfandel from Hubbard Ranch with Merlot, Malbec and Petit Verdot.

Proprietor **Tom Klein**'s family has been farming for more than 100 years in the Stockton, California area and has a diversified family farming business, growing nuts, fruits and vegetables. The business also sells grapes to other wineries. The winery was founded in 1959 by **Rodney Strong**. The Klein family purchased **Rodney Strong Vineyards** from **Guinness**, the Irish brewing company, in 1989.

Rodney Strong grows and produces wines exclusively from four Sonoma County appellations: Alexander Valley, Russian River Valley, Chalk Hill and Sonoma Coast. The winery was founded in 1959 by Sonoma County wine pioneer Rodney D. Strong as the 13th bonded winery in the county.





#### 24. Pernod Ricard USA

Jo-Anna Partridge, Vice President Operations, Pernod Ricard Winemakers ANNUAL U.S. CASE SALES VOLUME: 900,000 EMPLOYEES: 850 nationally

Paris-based liquor conglomerate

Pernod Ricard expanded its footprint
in the U.S. at the end of 2014 when
the corporation purchased the
600,000-case Sonoma wine brand
Kenwood Vineyards from Korbel.
Then the corporation invested
in Kenwood with upgrades to its



Kenwood's strong presence in chain

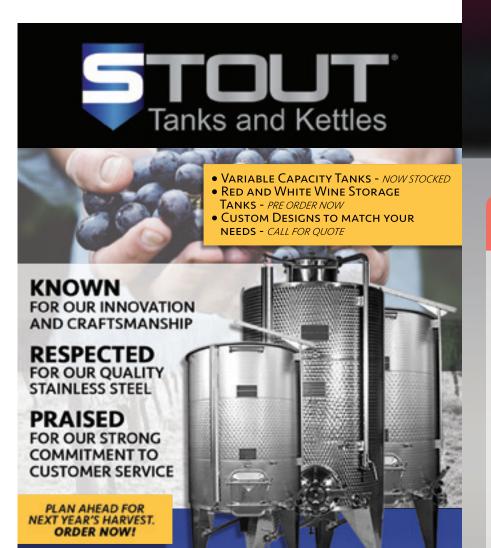
winemaking facility.

accounts strengthened the corporation's presence in the U.S. market, in theory enabling increased distribution of other premium wines and spirits. Kenwood was founded in 1970.

**Pernod Ricard SA** employs 18,000 people worldwide. It is the world's second-largest spirits and wines producer and **Moody's** 

Investors Service rates its debt Baa2. The corporation's spirits and wines include Absolut Vodka, Avión Tequila, Chivas Regal, Glenlivet, Jameson Irish Whiskey, Malibu, Kahlúa Liqueur, Aberlour Single Malt Scotch, Altos Tequila, Beefeater Gin, and on and on. Wines include Brancott Estate, Campo Viejo, Graffigna, Jacob's Creek; Perrier-Jouët Champagne, G.H. Mumm Champagne and Mumm Napa. Pernod Ricard USA is based in New York, New York.







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## WBM REVIEW OF THE INDUSTRY

#### 25. Boisset Collection

Jean-Charles Boisset, President
ANNUAL U.S. CASE SALES VOLUME: 875,000
ANNUAL GLOBAL CASE SALES VOLUME: 6.7 million
EMPLOYEES: 250 (1,000 globally)

Known for its broad portfolio of California and French wineries, the Boisset Collection includes DeLoach Vineyards, Raymond Vineyards and Buena Vista Winery. The company is largely focusing on the \$30 to \$50 and above price points, and on sparkling wines priced at more than \$20. It is continually rolling out new wines and labels.

At Boisset Collection, innovation is continual and so are the newly-created, memorable experiences. The focus is on high-end, super- and ultra-premium wines. Among the new offerings and highlights



in 2018: JCB French Kiss, a red sparkling wine made with Gamay from Beaujolais, and J'Noon, a partnership with **Kapil Sekhri**, the co-founder of Indian winery **Fratelli Wines**. It will include three wines from India. The Boisset Collection has also entered the spirits category with three upscale vodkas and a gin. The spirits are distilled from a wine base of Pinot Noir and Chardonnay sourced from the Côte d'Or in Burgundy.

Boisset Collection launched a range of coffee called First Growth in 2018 and is reportedly planning a perfume line. **Jean Charles Boisset** recently released a new book, *Passion for Wine: The French Ideal and the American Dream*.

Boisset is planning to open a brewery in Windsor, California and recently purchased **Oakville Grocery** in the Napa Valley from **Samantha Rudd**, daughter of the late **Leslie Rudd**.

#### 26. O'Neill Vintners & Distillers

Jeffrey O'Neill, Founder ANNUAL U.S. CASE SALES VOLUME: 760,000 EMPLOYEES: 230



In 2018, **O'Neill Vintners & Distillers** launched **Exitus**, a Kentucky bourbon barrel-aged red wine that is fermented in stainless steel, then aged three months in barrels. It's a blend of Zinfandel, Petit Verdot and Cabernet Sauvignon.

O'Neill Vintners & Distillers purchased Robert Hall Winery in Paso Robles, California in 2016, expanding into California's Central Coast and in a category that is quickly growing. The company's core national brands include Line 39, Austerity, Harken and Camelot Vineyards & Winery. The company has been focused on national distribution of these brands with big retail chains.

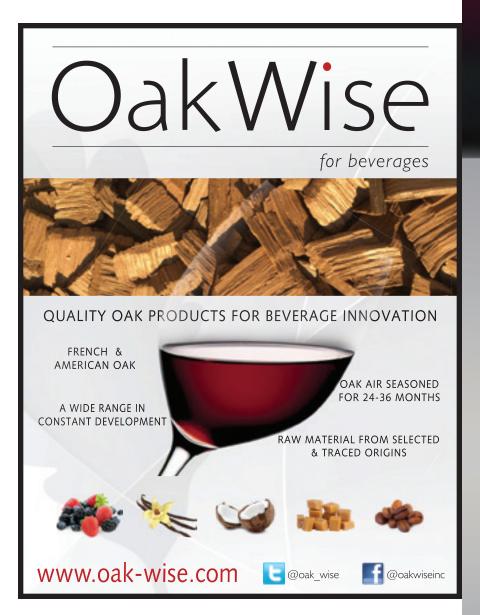
O'Neill Vintners & Distillers acquired **Cecchetti Wine Company** in 2014, combining the winemaking and sales functions of their respective national wine brands. The combined portfolio includes Cecchetti brands Austerity, **Backhouse**, Line 39 and **Redtree** as well as O'Neill labels Camelot, **Allegro Moscato**. Line 39 is the big horse.

Through its extensive vineyards and modern production facilities, O'Neill provides premium winemaking services to the industry, as well as its growing portfolio of proprietary brands and control labels. When one counts those additional labels, the company's volume is more than 1.125 million cases. O'Neill Vintners & Distillers was founded in 2004 by Jeff O'Neill, former CEO of Golden State Vintners.





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## WBM REVIEW OF THE INDUSTRY

#### 27. Hess Family Wine Estates

Timothy Persson, Proprietor and Chairman
John Grant, Chief Executive Officer
ANNUAL U.S. CASE SALES VOLUME: 750,000
ANNUAL GLOBAL CASE SALES VOLUME: 900,000

EMPLOYEES: 167

Tim Persson, son-in-law to founder Donald Hess, and his wife Sabrina took formal ownership of Hess Family Wine Estates as the fifth generation of the Hess family in 2017 as part of the family succession plan and Donald Hess' retirement.

Hess Family Wine Estates continues to build on the momentum of luxury wines, such as **The Hess Collection** Lion Tamer Red Blend, and the prestige Estate wines The Lioness Chardonnay and The Lion.

The next generation of luxury wines under Persson's stewardship include



Panthera Chardonnay, sourced from the Russian River and retailing at \$45, and the soon-to-be-launched Lion Tamer Cabernet Sauvignon from the Napa Valley.

Hess' Allomi Napa Valley Cabernet Sauvignon (\$32) continues to grow in the double digits and has held the rank of fastest-growing Cabernet in IRI at \$25+ and, now at 70,000 cases, is the flagship of The Hess Collection wines. The Small Block Series are DTC-only wines that highlight specific blocks from Mount Veeder, Napa Valley and other unique vineyards.

Built around the needs of restaurants, The Hess Collection Shirtail Ranches Chardonnay and Shirtail Ranches Cabernet Sauvignon continue double-digit growth year-on-year for the last five years, and The Hess Collection introduced Shirtail Ranches Rosé, Sauvignon Blanc and Pinot Noir into the tier. Hess has also expanded the Select tier, its key commercial range focused on six key wines with new packaging that features premium cues to the heritage of the family behind the wine and highlights the importance of the lion symbol.

In 2017, The Hess Collection opened its luxury wine cellar "Lions Head Cellar," after significant restoration efforts from the 2014 Napa earthquake. The cellar includes a display of one of the old **Christian Brothers**' tanks, preserved in its distorted, seismically damaged shape, centered on the cellar floor for visitors to view. New offerings include ATV tours of Mount Veeder and food and wine pairing experiences in the cellar and courtyard garden.

Hess Family Wine Estates is the importer, marketer and selling arm in the U.S. for Argentine wineries **Colomé** and **Amalaya**. The Hess Collection also owns **MacPhail Wines**, a small winery in Sonoma focused on single-vineyard Pinot Noirs from Sonoma Coast and Anderson Valley.

#### 28. Cooper's Hawk Winery & Restaurants

Tim McEnery, CEO and Founder ANNUAL U.S. CASE SALES VOLUME: 700,000 EMPLOYEES: 4,500

Cooper's Hawk Winery & Restaurants is built on the belief that food and wine hold the power to forge lasting connections. It's a lifestyle brand focused on creating memorable moments. The concept combines familiar elements—winery, modern casual restaurant, tasting room and artisanal retail market—for a new hospitality experience aimed at creating community.

Since opening its first location in 2005, about 30 minutes south of Chicago, the business has evolved to include 35 locations

in nine states in the Midwest, Northeast and in Florida. The company plans to open in six new locations during 2019.

The business has grown to the point that it has more some 350,000 wine club members receiving a bottle a month, making it the largest wine club in the U.S. The club combines retail wine discounts and a loyalty program with events, and includes a travel platform for club members. Most members pick up their wines at a Cooper's Hawk location.

Cooper's Hawk produces 47 different varietals. Wines are mostly from California but also are sourced from vineyards in Washington, Oregon, New York, Chile, Argentina, France and Italy. Wines have also been made in exclusive partnerships and collaborations with Jean-Charles Boisset and Francis Ford Coppola.

The average unit volume of a Cooper's Hawk location is \$9.4 million for locations open more than three years and \$8.9 million for locations open more than 18 months.

Cooper's Hawk's winery, bottling facility and warehouse is located in Woodridge, Illinois.





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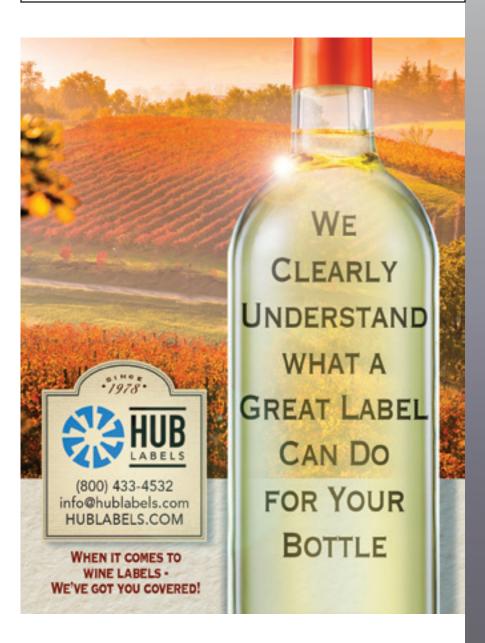
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## WBM REVIEW OF THE INDUSTRY 50

#### 29. NakedWines.com

Nick Devlin, President, U.S.

ANNUAL U.S. CASE SALES VOLUME: 680,000

ANNUAL GLOBAL CASE SALES VOLUME: 1.5 million

EMPLOYEES: 100

Naked Wines is an online wine retailer founded in the U.K. in 2008 by Rowan Gormley, employing a unique spin on crowdsourcing. Customers, called Angels, fund independent winemakers from around the world, in return for wines at wholesale prices. The wine is shipped



in the U.K., the United States and Australia. Naked Wines was acquired by Britain's largest wine merchant, **Majestic Wine**, four years ago.

Naked Wines is a collective team of winemakers that are given great freedom in the winemaking space. Funding independent wine ventures to create a portfolio of wines that is unique in its offerings allows winemakers to express their passion, the company reports.

**Nick Devlin**, previously with Majestic Group, took the helm at Naked Wines in January 2017. Naked Wines now has more than 100,000 Angels. The company moved to a new facility in Napa Valley in 2017. *Nakedwines.com* currently works with about 40 American winemakers and more than twice that globally.

The company has been expanding rapidly and added six winemakers in 2018.

"We believe we're just scratching the surface. We're at a real tipping pint where we have enough scale to bring on even more winemaking talent," Devlin said.

#### 30. Wente Vineyards

Carolyn Wente, Chief Executive Officer
ANNUAL U.S. CASE SALES VOLUME: 650,000
ANNUAL GLOBAL CASE SALES VOLUME: 740,000
EMPLOYEES: 550

Founded 135 years ago, **Wente** is the country's oldest continuously operated, family-owned winery. Today, the winery is owned and managed by the fourth and fifth generations of the Wente family.

Located just east of San Francisco in Livermore Valley, **Wente Vineyards** is recognized as a premier destination, with fine dining, concerts and championship golf. The



winery sees 350,000 visitors each year at its property. Brands include Wente Vineyards, Murrieta's Well, Hayes Ranch and Entwine. One of Wente's new launches is a brand called Ravel and Stitch, a Central Coast Cabernet Sauvignon. Wente is also seeing growth with its Charles Wetmore Cabernet.

This year Wente launched Make Time<sup>™</sup>, an initiative aimed at inspiring people to unplug from their screens, to create their own #MakeTime moments and to focus on what matters most—each other.

"Time is precious and must be lived with purpose. To make the most of it, sometimes it means choosing to say no to distractions and yes to prioritizing each other," **Carolyn Wente**, CEO, said in announcing the initiative. "We acknowledge that digital devices are now threaded into the fabric of our lives, but we sometimes need to be reminded of what connects us all as people, and that's real life human interactions. For generations, our family has lived by this mantra of creating meaningful connections with others over a glass of wine."

The winery also produces bulk and custom crush wine for other wineries. Wente farms approximately 3,000 acres of estate vineyards in Livermore and Monterey, and continues to replant and to plant new vineyards to fuel growth.

### 31. Domaine Chandon Estates & Wines (Moët Hennessy USA)

Arnaud de Saignes, Managing Director, Chandon California
ANNUAL U.S. CASE SALES VOLUME: 650,000 (WBM Estimate, includes Newton)

Napa Valley's **Domaine Chandon** is part of **Estates & Wines**, the wine division of **Moët Hennessy USA**. In addition to U.S. brands **Chandon** and **Newton Vineyard**, Estates & Wines owns **Cloudy Bay Vineyards** from New Zealand, **Terrazas de los Andes** and **Cheval des Andes** from Argentina and Numanthia from Spain. Chandon continues to build on its legacy with sparkling wine.

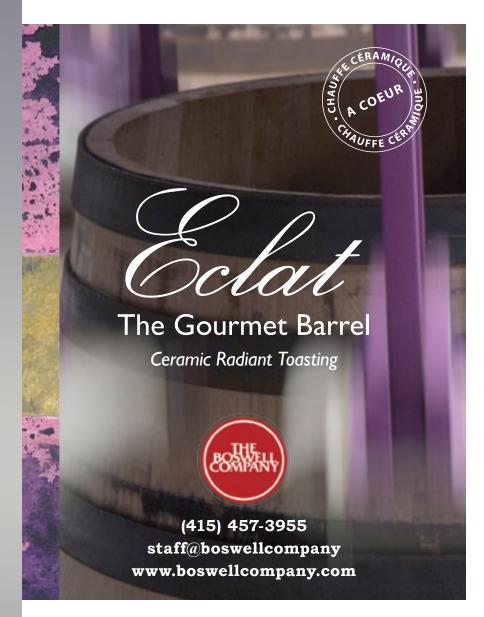


**Arnaud de Saignes** was named the managing director of Chandon in 2017. He

previously ran global marketing and communications for Moët and **Dom Perignon**. **Pauline Lhote** was promoted to head winemaker in 2016. Lhote, who was born in the Champagne region, just completed her 14th harvest at Chandon.

In late 2017, Colgin Cellars owners Ann Colgin and her husband Joe Wender, agreed to sell 60 percent of their Napa Valley winery to LVMH. The deal includes the brand, the winery and its 26 acres of vineyards. Colgin and Wender will stay on in leadership roles, as will COO Paul Roberts and winemaker Allison Tauziet will continue to make the wines.

In 2017, Newton Vineyard introduced three single-vineyard Cabernets (from Spring Mountain, Yountville and Mt. Veeder) as permanent additions to its line. Newton also has a new team. Winemaker Rob Mann returned to Western Australia with his family, and Alberto Bianchi was promoted to head winemaker (he was on the winemaking team at other Moët Hennessy wineries including Cloudy Bay in New Zealand). Newton's new estate director, Jean-Baptiste Rivail, previously worked on Hennessy. New hospitality manager Mario Dussurget was previously with Cloudy Bay.







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## WBM REVIEW OF THE INDUSTRY

#### 32. Terlato Wine Group

Sandra LeDrew, Chief Operating Officer
ANNUAL U.S. CASE SALES VOLUME: 650,000
ANNUAL GLOBAL CASE SALES VOLUME: 2 million
EMPLOYEES: 263 (84 in U.S. and 179 internationally)

The **Terlato** family entered the wine business more than 75 years ago with a single retail store in Chicago. They went on to become major distributors in Illinois, started importing wine then exporting wine, and became winery owners and vineyard developers. The distribution business was sold in 2002. Today, the company focuses on sales and marketing, operating five divisions that sell roughly 2 million cases of wine and spirts each year. The wineries and wine brands it owns in the U.S. produce some 650,000 cases of wine, including **Chimney Rock** and **Rutherford Hill** in Napa, **Sanford Winery & Vineyards** in Santa Barbara, **Klipsun Vineyard** in Washington and **Terlato Vineyards** in Friuli, Italy.

Sandra LeDrew, previously managing director for Treasury Wine Estates Americas, was named president, winery operations and chief development officer of Terlato Wine Group in 2017, with responsibility for Terlato wineries globally, including California holdings and wine ventures in France, Italy and Australia. In 2018 she was promoted to chief operating officer, assuming the additional responsibilities of running Terlato Wines International (2 million cases annually).

Terlato has five different divisions: Premier for the larger consumer brands; Estate for the estate-grown brands; Crew, the high-end division for Burgundies and a couple of selected estates; the Artisan Spirits portfolio, owned jointly with **Distell Group**; and the international division, as the name implies, which sells products around the world. Each is separately staffed and specialized with a focus on their respective brands.

Collectively the divisions represent 109 brands from 65 suppliers in 19 countries, covering 171 appellations.

#### 33. Riboli Family Wines

Steve Riboli, Vice President

ANNUAL U.S. CASE SALES VOLUME: 625,000

ANNUAL GLOBAL CASE SALES VOLUME: 2.4 million

EMPLOYEES: N/A

The Riboli family has operated the San Antonio Winery in Los Angeles for more than 100 years. During Prohibition, the winery made sacramental wine, a niche that is still important to the winery. San Antonio is the only winery in downtown Los Angeles. Fine wine labels include Maddalena Vineyard, San Simeon, Riboli Family Wine Estates, San Antonio Winery, Opaque from Paso Robles and Windstream from the Santa Lucia Highlands.

Riboli Family Wines created Stella Rosa 16 years ago, an imported, low-alcohol, semi-sweet sparkling wine from northern Italy.



It's on fire and sold 2.3 million cases last year.

The Riboli family has expanded into Paso Robles, where a new winery was constructed and a couple hundred additional acres of vineyard land were planted a few years ago. The Riboli family farms about 1,000 acres of vineyards: more than 300 acres in Monterey, 700 acres in Paso Robles and 16 acres in Rutherford. The company operates three tasting rooms, one in Los Angeles, another in Ontario and a third in Paso Robles.

The company has been upgrading its historic working winery in Los Angeles, adding hospitality space and modernizing the facility.

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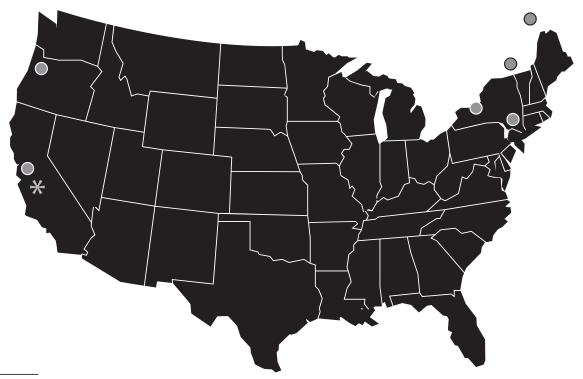
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**PROSPERO** 



# WBM REVIEW OF THE INDUSTRY LARGEST WINERIES

#### 34. Wines of Substance

Charles Smith, Chief Executive Officer ANNUAL U.S. CASE SALES VOLUME: 600,000 EMPLOYEES: 50

Charles Smith, a former rock band manager, has had an amazing ride since moving to Walla Walla, Washington and releasing 330 cases of his first wine in 2001, the 1999 K Syrah. A little over two years ago, he sold Charles Smith Wines, including five brands (Kung Fu Girl Riesling, The Velvet Devil Merlot, Boom Boom! Syrah, Eve Chardonnay and Chateau Smith Cabernet Sauvignon) to Constellation Brands for approximately \$120

million. The deal included no assets. Even after the sale, Smith still had a wine company that produced roughly 550,000 cases in 2017. Smith continues to assist Constellation Brands in producing the wines under a consulting agreement as winemaker.

Charles Smith's wine brands include K Vintners, Wines of Substance, Casa Smith, SIXTO and Charles & Charles—his joint venture with Charles Bieler in partnership with Trinchero Family Estates.

Smith makes wines at four facilities. His newest winery is in Seattle, called Jet City, and is where he makes his higher-end wines.





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## 35. JaM Cellars (John Anthony Family of Wines)

John Anthony Truchard, Founder and CEO ANNUAL U.S. CASE SALES VOLUME: 600,000 cases EMPLOYEES: 49

JaM Cellars produces Butter
Chardonnay, which has been
the fastest growing domestic
Chardonnay for the past couple of
years. This year Nielsen reported
Butter Chardonnay was the No. 1
selling domestic Chardonnay in its
price point. JaM Cellars, part of
John Anthony Family of Wines,
released the inaugural vintage of
Butter Chardonnay in 2010 with
just 1,000 cases.



In February, JaM Cellars launched California Candy, a Rosé of Syrah and Grenache, that retailed at \$14.99 to complement Butter, Toast (a sparkling wine) and JaM Cabernet Sauvignon. In August 2018, JaM Cellars released Butter in cans: ButterCans are available in 250ml 4-packs (1L equiv.).

The company also changed distributors in some states and consolidated with a couple of major national players that are helping distribute Butter in the large chains.

John Anthony Family of Wines includes John Anthony Vineyards, FARM Napa Valley by John Anthony and JaM Cellars. Second-generation Napa Valley vintners John Anthony Truchard and his wife Michele are the "J" and "M" in JaM Cellars. John Anthony Vineyards operates a tasting room in downtown Napa and a second tasting room under JaM Cellars, also in Napa.

John Anthony Truchard started a vineyard management business in the mid-1990s—growing grapes for others to eventually realize funds to plant his own vineyards. John Anthony Vineyards had its first vintage in 2003. In 2008 he started JaM Cellars.

## 36. Mesa Vineyards

Patrick Prendergast, Owner
ANNUAL U.S. CASE SALES VOLUME: 550,000
EMPLOYEES: N/A

Mesa Vineyards was founded in Fort Stockton, Texas in 1984, and built by a French company with the support of the University of Lands systems. Pat Prendergast, a veteran of E&J Gallo and Universal Wine Network, purchased the winery in 2005. Jean-Michel Duforat, executive manager of Ste Genevieve Winery, has been with the winery since its inception.

Ste Genevieve is the main brand, accounting for nearly 400,000 cases, and the winery also crushes fruit for others. Three-quarters of sales are within Texas, so the winery has considerable room to grow outside of the state. The winery produces everything, from Chardonnay, Merlot and Cabernet Sauvignon to Sweet Moscato and red and white blends simply known as Red or White. About 60,000 cases it makes each year is Texas-appellated.

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## WBM REVIEW OF THE INDUSTRY

## 37. Scheid Family Wines

Heidi Scheid, Executive Vice President ANNUAL U.S. CASE SALES VOLUME: 500,000 Employees: N/A

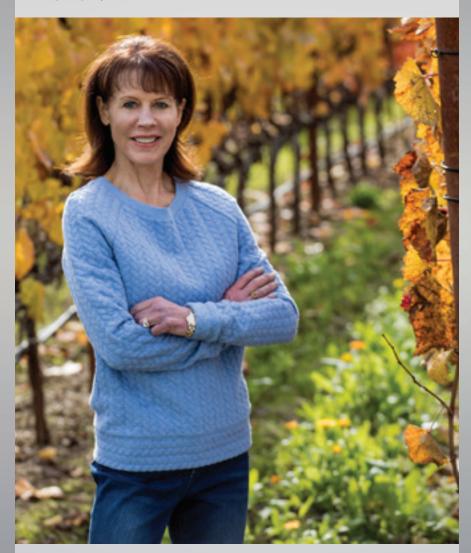


The **Scheid** family farms 4,000 acres of grapes, sells grapes, and operates a large custom crush facility, making wines for its own brands too. Scheid owns 11 vineyards along a 70-mile spread of the Salinas Valley, a state-of-the-art winery with a crushing capacity of 30,000 tons, and a smaller winery where small production wines for **Scheid Vineyards** are made. The Scheid Winery offers luxury-level winemaking on a large scale with cutting-edge technology.

The company uses about a third of its production for its own brands. It sells grapes and wine to scores of other wineries. Scheid had a small brand for many years, but started building that brand and getting it in the national marketplace, starting in 2011. Recently, the company has focused on its District 7 brand, a national label that is in 750 **Kroger** stores and sold by other regional chains. District 7 gets its name from the *California Crush Report* and includes Pinot Noir, Cabernet, Chardonnay and Sauvignon Blanc.

## 38. Ferrari-Carano Vineyards and Winery

Rhonda Carano, Senior Executive Officer and Manager ANNUAL U.S. CASE SALES VOLUME: 480,000 EMPLOYEES: N/A



Ferrari-Carano has become a leading producer with wine made at its Dry Creek Valley winery in Sonoma. While Ferrari-Carano is known as a white wine house, it continues to focus on Cabernet Sauvignon and even Sangiovese. The winery recently hired **Thomas Rivers Brown** as a consultant for its premium Cabernet. Ferrari-Carano owns roughly 1,900 acres with about 1,300 planted in three counties.

This year the company announced an expanded agreement with Southern Glazer's Wine & Spirits.

Rhonda Carano, co-founder of Ferrari-Carano Vineyards and Winery alongside her late husband Don Carano, assumed the position of senior executive officer and manager for the Ferrari-Carano family of brands after Don Carano passed away in October 2017.

The Caranos fell in love with Sonoma Wine Country in the late 1970s on trips to source wines for their hotel/casino, the Eldorado Resort Casino. They co-managed the company from its inception in 1981. Rhonda Carano brings 40 years of experience in business management, marketing, advertising and creative design at Eldorado Resorts Inc., Ferrari-Carano Vineyards and Winery, Lazy Creek Vineyards, Seasons of the Vineyard Tasting Bar and Boutique, Vintners Inn and John Ash & Co. Restaurant.

## 39. Duplin Winery

David G. Fussell, Owner

Annual U.S. Sales Case Volume: 450,000

EMPLOYEES: N/A

Many people don't realize there's a winery in North Carolina that makes more than 450,000 cases each year, but **Duplin Winery** has been focused on the Muscadine vines that are native to the state for decades.

Duplin began in the early 1970s with 20 acres of Muscadine vineyards planted, as a farming investment, when demand and prices were high for the variety. By the time the vines were producing, however, prices plummeted as a tax incentive for farmers to grow those grapes evaporated.

Facing a loss, Duplin Winery founder **Dave Fussell, Sr.** turned to selling finished wines. The first vintage was in 1975. Over time, the winery expanded. It now produces 40 wines and farms more than 1,200 acres of grapes between estate vineyards and 49 contracted growers across four states. Leading wines include Hatteras Red (a sweet Muscadine), Magnolia (a white Muscadine) and Scuppernong.

By 1983, production levels reached 200,000 gallons per year. However, the rest of the decade would prove disastrous for the winery. Changes in tax laws and new legislation resulted in plummeting sales.

In 2009, Duplin Winery received Impact's Hot Brand Award and **Beverage Information Group**'s Fast Track Award. In 2010 and 2011, the winery received both awards for the second year in a row.

The third generation took the helm at Duplin Winery in the early 2000s. Most recently, the winery opened a location in North Myrtle Beach, South Carolina. Rosé is hot, sparkling wines are growing, and the sweet wine segment is still strong. The winery is working on a new wine that incorporates all three.

## 40. Hahn Family Wines

Tony Baldini, President

ANNUAL U.S. CASE SALES VOLUME: 430,000

EMPLOYEES: 75

Hahn Family Wines is a family-owned winery located in the Santa Lucia Highlands appellation of Monterey County, California. Nicky (Nicolaus) and Gaby Hahn purchased land in Monterey County in the late 1970s and began making wine there in 1980. Nicky Hahn spearheaded efforts to establish Santa Lucia Highlands as an American Viticultural Area. Hahn Family Wines owns one of the largest shares of planted vines in the region, equaling more than 650 vineyard acres.



Nicky Hahn, who was a successful business man in Paris, New York and London before arriving in Monterey County in the 1970s, passed away last May in Zurich, Switzerland. He was 81 years old.

The brands of Hahn Family Wines include Hahn SLH, Hahn, Lucienne, Smith & Hook and Boneshaker, an old-vine Lodi Zinfandel. Hahn Family wines includes the Hahn Founder series, Hahn Estate and Hahn Santa Lucia Highlands.

Lucienne is a single-vineyard wine offering that includes six wines: two single-vineyard Chardonnays and four single-vineyard Pinot Noirs. Smith & Hook Cabernet accounts for more than 100,000 cases. In recent years Hahn has repositioned itself with Hahn SLH and Hahn Smith & Hook, representing a greater part of the business.

Hahn has two tasting rooms, one at the Soledad winery and another in downtown Carmel.





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# WBM REVIEW OF THE INDUSTRY LARGEST WINERIES

## 41. A to Z Wineworks

Sam Tannahill, Founder and Director of Viticulture and Winemaking ANNUAL U.S. CASE SALES VOLUME: 400,000

EMPLOYEES: N/A

A to Z Wineworks was started in 2002 by Oregon wine industry veterans Deb Hatcher (The Eyrie Vineyards), Bill Hatcher (Domaine Drouhin Oregon), Sam Tannahill (Archery Summit Winery) and Cheryl Francis (Chehalem Winery).

They purchased bulk wine and made a blend that was honored by *Food* & *Wine* magazine as the Best American Pinot Noir under \$20. Then they did it again, and again, and again. Recognition grew, and production did too. In



2006, the group brought in Oregon wine veteran **Michael Davies** as winemaker and also partnered with **Gregg Popovich**, coach of the NBA's **San Antonio Spurs**, to buy a production facility, **REX HILL Vineyards and Winery**.

A to Z has worked with more than 100 vineyards across Oregon, offering assistance to achieve sustainability certification. A to Z is distributed in 50 states and is still majority-owned by the four founding partners. The company continues to invest in its facility. A to Z leases or owns about 300 acres total, sourcing from more than 4,000 acres in the state. One of the bedrocks of its success is good relationships with growers.

## 42. Michael David Winery

Michael and David Phillips, Co-Owners ANNUAL U.S. CASE SALES VOLUME: 400,000 EMPLOYEES: 180

Michael David Winery sold the 7 Deadly Zins brand to The Wine Group this year, turning its attention to Freakshow, Earthquake, Inkblot, 6th Sense, Incognito (for Kroger), Lust, Rapture, Gluttony and other brands.

First released in 2002, 7
Deadly's lead SKU, 7 Deadly
Zins, started with an initial
release of 700 cases of the
2000 vintage. 7 Deadly Zins
was named one of *Wine Business Monthly*'s Hot Brands
in 2004, grew to more than
250,000 cases annually in its
first 10 years and now annually
sells some 300,000 cases.

In 2017, Michael David purchased a winery in Geyserville from **Silver Oak Cellars**. The sale provided



Michael David its first property in the North Coast region. It is permitted for 70,000 cases annually and has a 12-acre vineyard of Cabernet Sauvignon grapes. The winery crushes North Coast grapes there, mostly for blending into Lodi wines, and plans to create a brand for the winery and release some Sonoma County wines in 2020. Michael David, meanwhile, is consolidating production at its Lodi winery, expanding it to 2 million gallons of capacity.

Located on the west side of Lodi, California, Michael David Winery is run by two brothers (Michael and David Phillips) from a family that has farmed in Lodi for five generations. The winery operation was started in 1984 in an old hay barn and was named Phillips Vineyards. That changed in 1999 after legal disputes over the name with R.H. Phillips Winery and Phillips Distributing of Minnesota. The winery then became Michael David Winery.

## 43. 3 Badge Beverage Corporation

August Sebastiani, President

ANNUAL U.S. CASE SALES VOLUME: 400,000

EMPLOYEES: N/A

Previously known as The Other Guys, 3 Badge Beverage Corporation produces a portfolio of wines and spirits and is headquartered in Sonoma, California. When the company purchased the old Sonoma Firehouse (originally constructed in 1948) and converted it to company offices, August Sebastiani discovered documents that told the story of his family's involvement with the building. One story specifically was that of his grandfather, and namesake, a volunteer firefighter who had worked out of the same building. Subsequent conversations with family led Sebastiani to uncover the three service badges from his grandfather's time as a volunteer. The name 3 Badge Beverage Corporation was chosen, reflecting those roots in the community.

The company's wine brands include Leese-Fitch, Plungerhead, Pennywise, The White Knight, Hey Mambo, Moobuzz and Gehricke; Spirits brands include, Uncle Val's Gin and Kirk and Sweeney Rum. In 2017, the company sold two of its whiskey brands, Masterson's and Bib & Tucker, to Deutsch Family Wine & Spirits.

## 45. Oliver Winery & Vineyards

Bill Oliver, CEO

ANNUAL U.S. CASE SALES VOLUME: 400,000

EMPLOYEES: N/A

Founded by Indiana University law professor William Oliver, Oliver Winery is the largest winery in Indiana. William Oliver was instrumental in getting the Indiana Small Winery Act of 1971 passed into law. Oliver Winery opened to the public in 1972.

Oliver Winery offers a huge variety of wines, growing hybrids, native grapes and vinifera on its own 40-acre Indiana vineyard, as well as bringing in grapes from California, Oregon and a number of other regions. The winery offers an extensive list of honey wines and a few hard-fruit ciders.

Last year, the company capped a three-year re-branding and redevelopment project focused on relevant products that are well-branded and are not Chardonnay or Cabernet. Oliver Winery is a player in the sweet wine world, with recent product introductions such as Apple Pie, Cherry Juice Moscato, and a whole host of other sweet and semi-dry wines and sparkling wines.

## 44. Union Wine Company

Ryan Harms, Founder and Owner ANNUAL U.S. CASE SALES VOLUME: 400,000

EMPLOYEES: 30

Union Wine Company has grown quite a bit since it was founded in 2005, largely led by the Underwood brand, which was one of the first wineries to package wine in cans. Cans now account for about 55 percent of sales of the Underwood brand. Other key brands include Kings Ridge and Alchemist. Union Wine Co. also owns Amity Vineyards, one of Oregon's pioneering commercial wineries.

Union Wine Company now has its own high-speed canning line. It sells wine in 49 states

and 12 countries, and employs six regional sales managers. Ryan Harms created Union Wine Company after working in winemaking roles with Bergström Wines, REX Hill and Torii Mor Winery. Adam Coremin was recently named vice president of sales.



Anthony Scotto III, Chief Executive Officer Annual: U.S. Case Sales Volume: 390,000 EMPLOYEES: 50

The family behind **Scotto Cellars** has been involved in the wine business for five generations although the business in its present form really started about 15 years ago. **Anthony Scotto** started the business with his grandfather, who owned a jug wine brand for 60 years, Villa **Armando Vino Rustico**, a fortified wine that's been made since the 1940s. The Scotto family is one of the few that still produces wine sold in a 4-liter jug, a wine that's sold in stores in New York, New Jersey, Connecticut, Rhode Island and Massachusetts.

While keeping the Villa Armando Vino Rustico going, Scotto launched

other labels. The core brands include **J. McClelland** wine, now in its third vintage, **Heavyweight**, **Napa-by-Napa**, **Scotto Family Cellars**, as well as **Anthony & Dominic** North Coast Pinot Noir and Chardonnay. Scotto Cellars is growing its brands in retail chains.

The company operates a winery in Lodi, California, a tasting room in downtown Lodi, **Sera Fina Cellars** in Plymouth, and leases a small winery in Napa Valley, **Moss Creek Winery**, all part of the portfolio.



# WBM REVIEW OF THE INDUSTRY LARGEST WINERIES

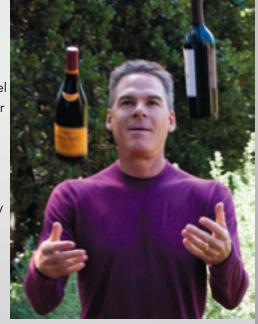
## 47. Purple Wine + Spirits

Derek Benham, CEO

ANNUAL U.S. CASE SALES VOLUME: 375,000

EMPLOYEES: 160

Purple Wine + Spirits,
previously known as Sonoma
Wine Company, produces
the Raeburn Chardonnay,
Calista Pinot Noir, Flint & Steel
Sauvignon Blanc, Avalon, Four
Vines and Scattered Peak
brands. The company makes
wine on a contract basis with
capacity to produce 4 million
cases each year. The company
makes more than 2 million
cases of wine annually for
dozens of clients via three
North Coast wineries.



Since selling the Mark West Pinot Noir brand to

Constellation Wines in 2012, Purple Wine Company has been regrouping and laying out the course for the future with an eye toward new brands, including a foray into craft spirits. The company now produces wine under its brands, though it makes controlled label and private label wines too. Purple Wine Company's sister company, Graton Distilling Company, makes D. George Benham's Sonoma Dry Gin and recently launched a new craft whiskey, Redwood Empire American Whiskey.

The company is in the midst of moving its headquarters from Graton, California south to Petaluma, California, into a 13,000-square-foot commercial complex at the **Foundry Wharf**. Chief financial officer **Aaron Webb** said the move should be completed by mid-2019. At the Graton facility, Purple Wine + Spirits will add 10,000 tons of crush capacity.

Derek Benham started Purple Wine Co. in 2001 when his brother, Courtney, and he sold the Blackstone brand to Constellation Brands, reportedly for \$144 million. Derek Benham built Purple Wine up largely with the Mark West Pinot Noir, plus the Avalon, BEX, Blue Jean and Rock Rabbit brands, joined by Four Vines in late 2011. When Mark West reached 600,000 cases a year, or more than half of Purple Wine's production, Benham sold it to Constellation in 2012.

## 48. Castle Rock Winery

Greg Popovich, Founder and President ANNUAL U.S. CASE SALES VOLUME: 365,000 EMPLOYEES: 11

Castle Rock Winery sources the vast majority of its fruit via long-term grape contracts. Castle Rock sells limited quantities of many different appellationspecific wines, including Cabernet Sauvignon and Merlot from Napa Valley and Pinot Noir from the Russian River. Wine Spectator named Castle Rock as its No. 1 winery for value under \$25 and its No. 2 winery for value under \$40 this year. Castle Rock 2016 Mendocino County Pinot Noir and 2016 California Cuvée Pinot Noir each were awarded a Gold Medal at the Los Angeles International Wine Competition this year.



Castle Rock just released a 2017 Reserve Napa Valley Cabernet, its first Napa Cabernet release in seven years. Pinot Noir remains Castle Rock's flagship, representing 65 percent of annual sales.

Timing played a role in Castle Rock's success. The brand started as many in the trade were emphasizing more expensive wines and was well-positioned when the emphasis among many shifted to value. The brand was also well-positioned when sales of Pinot Noir surged because it was already producing quality Pinot Noir at low prices.

Castle Rock continues to follow the course it has been on for the last couple of years, expanding into the national retail chains. A significant part of its recent growth has also come via the cruise line and airline business.

## 49. Crimson Wine Group

Patrick DeLong, President and Chief Executive Officer ANNUAL U.S. CASE SALES VOLUME: 350,000 EMPLOYEES: 300

Based in the Napa Valley, where it owns Pine Ridge Vineyards, Crimson Wine Group owns more than 870 acres of vineyard across five regions. In addition to Pine Ridge, Crimson owns Seghesio Family Vineyards in Healdsburg, California, Archery Summit Winery in Dundee Hills, Oregon; Chamisal Vineyards in San Luis Obispo, California; and Double Canyon Vineyard in Prosser, Washington.

The company was founded by Ian Cumming and Joseph Steinberg, founders of Leucadia National Corporation, a conglomerate and investment holding company. They got involved through an investment with in Pine Ridge in 1991 and an investment in Archery Summit in 1993. In 2002, Leucadia purchased all of Pine Ridge and Archery Summit. Then in 2006, they purchased 600 acres in Washington state and in 2007 put together a management team that's since been involved in additional winery acquisitions. In 2016 the company acquired Seven Hills Winery in Walla Walla, Washington.

Crimson is focused on each of its wineries being considered best of class or the benchmark for their respective regions and specific varieties.

Construction of the Double Canyon winemaking facility in Washington was completed in time for the 2017 harvest. A two-year-long project, it is the first new facility the company has built from scratch.

50. Rutherford Wine Company

Marko Zaninovich, President
ANNUAL U.S. CASE SALES VOLUME: 350,000
EMPLOYEES: N/A

Rutherford Wine Company's flagship is the Rutherford Ranch Napa Cabernet while Scott Family Estate is sourced from the family's vineyards in Monterey. The winery's Lodi-based brand is called Predator, a reference to ladybugs used in its sustainability program. Lander-Jenkins is a relatively new wine with an on-premise focus. The winery also sells a red blend called Rhiannon. Round Hill is an old stalwart that's been with the company for many years. The winery facility itself is called Round Hill Cellars.

The company has been active with line extensions in areas with strong consumer appeal. Last year, the winery strengthened sourcing for Pinot Noir and augmented the Lander-Jenkins product on-premise. Predator now includes Cabernet and a Red Blend. Similarly, a Napa Red Blend program was added to **Rutherford Ranch Vineyards and Winery**.

Rutherford Ranch Vineyards and Winery is owned by Marko Zaninovich. Zaninovich also owns ASV Wines of McFarland, California. ASV provides bulk wine, bottled products and custom services to wine marketers.

The Zaninovich family owns **Sunview Vineyards**, one of California's largest table grape-growing operations, and ASV operates two California wineries: one in the Central Valley and another on the Central Coast. The family also has considerable vineyard holdings in Monterey County. It has made private label wine since the 1970s. ASV deals in bulk truckloads of wine. Converted to 9-liter cases, those truckloads represent more than 700,000 cases of wine. Rutherford Ranch Vineyards and Winery and ASV are part of an international enterprise that includes a grapevine nursery, laboratory services, package manufacturing, fresh table grapes and other fresh fruits.

## 51. Sonoma-Cutrer Vineyards

Mick Schroeter, Winemaking Director ANNUAL U.S. CASE SALES VOLUME: 350,000 EMPLOYEES: N/A



Brice Jones launched Sonoma-Cutrer Vineyards in the Russian River Valley growing region of Sonoma County in 1981. Twenty-five years later he sold it to Brown-Forman Wines. Based in Louisville, Kentucky, Brown-Forman is part of Brown-Forman Corporation, which markets Jack Daniels, Southern Comfort and Finlandia Vodka, among others. Brown-Forman once owned Fetzer Vineyards, as well, but sold it to Viña Concha Y Toro in 2011.

Sonoma-Cutrer is one of the most successful Chardonnay brands of all time, though Sonoma-Cutrer started making Pinot Noir as well in 2002. Sonoma-Cutrer Russian River Ranches Chardonnay is regularly named to the No. 1 or No. 2 position in the *Wine & Spirits Magazine*'s Annual Restaurant Poll. WBM



## The Number of Wineries in the U.S. Surpasses 10,000 Mark

Kerana Todorov

THERE ARE NOW MORE than 10,000 bonded and virtual wineries in the United States—or 4 percent more than a year ago, according to Wines Vines Analytics. The three states with the greatest number of wineries remain California, Oregon and Washington, with each

wineries over the past year.

There are now more than 4,500 wineries in California, 794 wineries in Oregon and 792 wineries in Washington. New York, Texas and Virginia have the fourth, fifth and sixth greatest number of wineries, respectively. Texas' wine industry continues to grow at a fast, 10 percent growth pace over the past year.

experiencing 3 percent growth in the number of bonded and virtual

For some states, it's much easier for a new winery to open up, whether because the market is less saturated, more accessible or neighbors are less hostile to new businesses. In the meantime, opening new wineries in established wine regions, such as the Napa Valley, has become prohibitively expensive, many say.

**Kerana Todorov** is a staff writer/news editor for *Wine Business Monthly*. She is originally from Geneva, Switzerland. She can be reached at *ktodorov@winebusiness.com*.

### Will More Wineries Continue to Open in Napa?

Napa County residents, who celebrated the 50th anniversary of the Napa Valley Agricultural Preserve in 2018, have seen dozens of wineries open over the decades, but there is some doubt that the number of wineries will grow soon. Will more wineries open? "Maybe more lifestyle brands but nothing of any consequence in terms of size," said Michael Honig, president and chief executive officer at Honig Vineyard and Winery. "I think people are realizing that making wine is the easy part. Success is very difficult, and the cost to build and start a brand/winery is very high," he said.

The saturation point has been reached, Honig and others said. Brands are either for sale or will be in the near future, Honig said. Dario Sattui, the entrepreneur who built Castello di Amorosa south of Calistoga and V. Sattui Winery on the edge of St. Helena, also said saturation has been reached. "Wineries are being created faster than the market is expanding," he said. Yet Sattui anticipates more wineries will open in Napa. "This is because it is fashionable to be in the wine business even if you do not derive income from it. We call these people 'lifestylers,'" he said.

**Stu Smith**, founder and managing partner at **Smith-Madrone** in the Spring Mountain District appellation, also said there will be more wineries in Napa. However, most folks prefer to buy an existing winery because of the time and expense of starting a new winery, he said. "I do think we will see a slaking of new applications over the next several years as many folks anticipate a recession," Smith also said.

He asserts that no one is qualified to say whether or not there are too many wineries, adding the motivations, marketing and goals of potential new vintners are unknown. "For instance, profit may or may not be of importance to this new vintner. I firmly believe in the free market system of supply and demand. I believe that the marketplace will determine when there are too many wineries—and this is as it should be," Smith said.

## NUMBER OF BONDED, VIRTUAL AND TOTAL U.S. WINERIES (AS OF FEBRUARY 2019)

STATE	BONDED	VIRTUAL	TOTAL
CA	3,372	1,130	4,502
OR	505	289	794
WA	730	62	792
NY	376	27	403
TX	302	49	351
VA	256	35	291
PA	273	12	285
OH	247	7	254
MI	185	6	191
NC	146	25	171
MD	143	9	152
CO	131	8	139
IL	108	9	117
WI	108	3	111
IN	103	3	106
IA	100	1	101
AZ	65	24	89
MD	79	4	83
KY	70	6	76
MN	71	4	75
FL	68	5	73
OK	66	7	73
GA	64	3	67
NJ	59	3	62
TN	58	4	62
ID	53	4	57

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STATE	BONDED	VIRTUAL	TOTAL
MA	53	4	57
NM	52	3	55
CT	51	1	52
KS	44	-	44
VT	35	2	37
NE	31	2	33
NH	33	-	33
ME	32	-	32
WV	27	1	28
SC	21	4	25
AL	23	-	23
SD	22	1	23
AR	20	-	20
MT	17	-	17
ND	15	1	16
RI	13	-	13
UT	11	1	12
LA	10	-	10
NV	7	2	9
AK	6	1	7
DE	6	-	6
MS	6	-	6
WY	6	-	6
HI	4	-	4
DC	2	-	2
total	8,285	1,762	10,047

WINES VINES ANALYTICS

### **Oregon and Washington Offer Plenty** of Room to Grow

The number of wineries in the states of Oregon and Washington increased by 3 percent this year as well, according to Wines Vines Analytics.

Most of Oregon's winery growth is in emerging winemaking regions, such as the Rogue Valley, where more than one winery opens a month, noted Sally Murdoch, communications manager for the Oregon Wine Board. "The global market is fiercely competitive, and



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# WBM REVIEW OF THE INDUSTRY 10 47

Oregon is faring well with increasing supply generally balanced by surging consumer demand," Murdoch said. "Oregon winemakers are consistently delivering quality across more grape varieties and growing regions than ever before," Murdoch added.

The wine industry in Washington state also shows no signs of slowing.

"With ample room to plant more vines, our vineyard acres have nearly doubled in the past decade, and on average a new winery opens every week," said **Steve Warner**, president of the **Washington State Wine Commission**. "This growth is happening across the state, from new urban wineries in Seattle to large vineyard plantings in the Columbia Valley. We're seeing more outside investment come to Washington as they see how well positioned we are to make premium wine. We see no sign of slowing down yet!"

#### Bonded vs. Virtual Wineries

U.S. wineries are categorized as either bonded or virtual. Bonded wineries have been licensed by the Alcohol and Tobacco Tax and Trade Bureau, a federal agency. They are responsible for all production activities on a winery's premises, including recordkeeping of all activities and filing reports to the TTB. A virtual winery has a physical location, which may be shared with another winery. It produces at least one brand and has its own management and winemaker. Virtual wineries are not bonded; they use the services of a bonded host facility—either a winery or custom crush facility—to produce and bottle wine. Canadian wineries are not broken into bonded and virtual categories because of differing licensing regulations.

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#### The Number of Wineries Increases Nationwide

New wineries continue to open in most states, including Texas, Ohio, Indiana and New York.

The number of wineries in Texas grew by 10 percent over the past year, as it did the previous year, according to Wines Vines Analytics.

Wineries continue to open all around the state, said Dacota Haselwood, executive director, Texas Wine and Grape Growers Association. The historic concentration of wineries seems to persist in the Texas Hill Country—a region at the intersection of South, Central and West Texas—and North Texas in the Dallas and Fort Worth areas, Haselwood said. Vineyard land is concentrated in the Texas High Plains.

Would-be winery buyers come from all walks of life. "The Texas wine and grape business is no longer primarily populated by people seeking second careers," Haselwood noted. "This is partly due to the fact that the investment and lending industry has begun to see the Texas wine and grape industry as a viable option."

Raymond Haak, co-owner of Haak Vineyards and Winery in Santa Fe, Texas, has grown grapes and has been making wine for 50 years in Texas. He opened Haak Vineyards and Winery in 2000 after growing winegrapes and producing wine for three decades. The winery, which produces about 9,000 cases annually, hosts more than 30 weddings a year.

The winery is near Houston, in an area of 4 million residents within a 60-mile radius. Haak said he would not be surprised to see more wineries open.

Haak remains optimistic about the growth of Texas wines, noting their quality and the national and international awards the wines have earned. More than 95 percent of Texas wines are sold only in Texas. Texans like to drink Texas wines, he said. For many years, he added, "We were playing 'catch up' in growing enough premium winegrapes to meet our demands." That meant no one outside Texas even knew the state produced world-class wines. "That situation has changed, and we are closing the gap between supply and demand in our grape production."

The number of wineries in Ohio increased by 22 percent, to more than 250, according to Wines Vines Analytics. **Donniella Winchell**, executive director, **Ohio Wine Producers Association**, expects more wineries to open in her state. The Geneva area is particularly popular, along with burgeoning areas that include Hocking Hills to the southeast of Columbus.

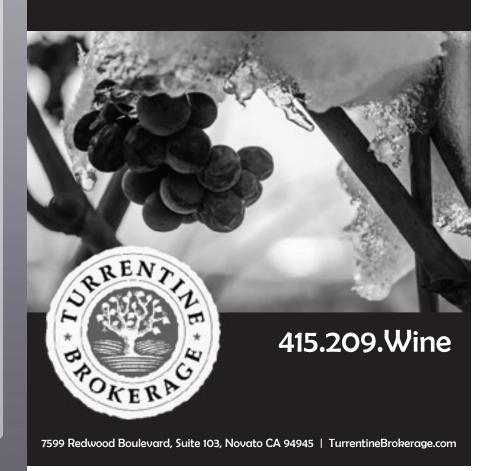
Blaine Davidson, chief executive officer at Hocking Hills Winery in Logan, also anticipates the number to increase as more focus is placed on locally-operated businesses. Davidson grew grapes years ago on his family's farm before opening the winery. HIs winery, which opened in 2015, produces about 6,000 cases a year. Wine production continues to increase. He expects production to eventually reach 10,000 cases a year.

The quality of Ohio wines has improved dramatically in the past 10 years, Davidson noted. In the past, Ohio was known as a sweet wine-producing state, he said. But recently, Ohio's dry wines have gained recognition in the state and at national competitions.

Indiana counts about 100 wineries, according to Wines Vines Analytics.



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# WBM REVIEW OF THE INDUSTRY 1047 WINERIES

The **Schrodt** family owns **Brown County Winery** in Nashville, Brown County, in southern Indiana. There were only nine wineries in the state of Indiana when Brown County Winery was incorporated in 1985, including three in the surrounding area, according to the family. There are now 25 wineries in the region, including six within 20 miles of Brown County Winery. The winery, which produces about 12,500 cases a year, sources fruit from growers in Indiana and other states, including New York, California, Oregon, Washington and Michigan, family members said.

Tourism is the main industry in Brown County. "If it were not for the tourism in the area, we would not be here," co-owner **Cynthia Schrodt** said. "We intentionally chose our location based on the tourism in the area."

There are more than 400 bonded and virtual wineries in the state of New York—or 2 percent more than a year ago, according to Wines Vines Analytics.

Andy Weber, co-owner of Northern Cross Vineyard in upstate New York, successfully petitioned the Alcohol and Tobacco Tax and Trade Bureau to establish the new Upper Hudson American Viticultural Area. Federal officials approved the new AVA northeast of Albany in December.

He anticipates more wineries will open in New York. Cool-climate grapes can make good wine, said Weber, who plans to produce 170 cases this year. "It's a lifestyle or dream that many people have. It's a great way to use farm land and produce value-added product," Weber noted.

The state has made it easy to obtain a farm winery license to conduct tastings and sell wine and other products, such as vinegars or condiments made from grapes, Weber said. More people are trying to open wineries in the region, home to about 20 vineyards, including two non-commercial operations. "They see that it can be done by myself and others. When they try the wine, they realize good wine can be made," Weber added.

Carol Doolittle, co-owner of Frontenac Point Vineyard and Estate Winery in the Finger Lakes region, also anticipates more wineries to open in New York. Recently opened wineries seem to have financial backing from the owners' previous work or income. She is concerned about wineries opening without their own vineyards.

Growing grapes is a lot of work, in addition to making and marketing the wine, she noted. What is a winery? Doolittle asked. "All of the above or only a tasting room/sort of bar?"

One challenge is the inability to sell wine in grocery stores in the state, Doolittle said. She disagreed that doing so would lead to established liquor store closures. She said **Trumansburg Liquor**, a longtime store in town, and **Trumansburg Wine & Spirts**, a relatively new business located in a building next door to a grocery store, have co-existed for years in Trumansburg, a community of 2,000 residents.

However few people who shop at the grocery store carry their groceries to their vehicles and then go shop at Trumansburg Wine & Spirits, Doolittle said. "Few people do that, so wine sales are not what they could be."

### NUMBER OF CANADIAN WINERIES (AS OF FEBRUARY OF EACH YEAR)

PROVINCE	2013	2014	2015	2016	2017	2018	2019
British Columbia	239	257	275	299	309	312	317
Ontario	170	191	225	234	236	238	242
Quebec	79	79	95	95	95	94	130
Nova Scotia	14	15	15	15	20	20	21
New Brunswick	11	11	12	12	15	14	15
Saskatchewan	2	3	4	4	6	6	9
Alberta	4	4	4	4	4	4	5
Prince Edward Island	2	4	4	4	4	4	4
Newfoundland & Labrador	4	4	4	4	3	3	2
Total	525	568	638	671	692	695	745

WINES VINES ANALYTICS

#### Canada Continues to Entice New Wineries

The number of wineries in Canada increased by 7 percent, to 745 wineries, according to Wines Vines Analytics.

The number of wineries in British Columbia and Ontario grew by 2 percent. There are now 317 wineries in British Columbia and 242 in Ontario, according to the data.

**Daniel Lafleur**, national sales manager for **Tawse Winery** in Vineland, Ontario, expects the number of wineries in the province to grow. The potential has not been reached yet, and Niagara is starting to get more attention worldwide, he said.

Tawse Winery, which produces 25,000 cases a year, sells its wine through its retail shop and through the government-run wholesaler. The winery also sells its wines to other jurisdictions in Canada and exports to New York, Florida and other countries, including Japan, the United Kingdom and China. The winery owns 119 acres under vines, he said. All the vineyards are farmed organically and biodynamically, Lafleur noted. One challenge is that the weather is very unpredictable, making every vintage a challenge, he said. Another challenge is that Ontario's consumers are not always keen on buying local wines—either because they find them too expensive or because of a stigma that Ontario cannot make world-class wines, Lafleur noted.

### Overall, Increases are Larger in 2019

The number of wineries in the United States and Canada continues to grow, according to Wines Vines Analytics. However, the increases have been steeper in previous years. The wine industry is present in all 50 states and the District of Columbia, where two wineries opened over the past year, according to Wines Vines Analytics. WBM

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**Enchanted Hill Epoch Estate Wines Estancia Winery Fayard Wines** Fess Parker Winery & Vineyard **Fidelitas Wines** Filipponi Ranch Flying Goat Cellars Foley Family Wines Folktale Winerv Four Sisters Ranch Francis Ford Coppola Fratelli Perata Winery Frolicking Frog Cellars **Fulldraw Vineyard** Gali Vineyards Gary Kramer Guitar Cellars **Georis Winery** Giornata/Broadside Glenn Burdette Glunz Family Winery **Golden Triangle Wines** Hahn Family Wines Halter Ranch Vineyard Harmony Cellars

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Labyrinth Laetitia Vineyard & Winery Lavender Oak Law Estate Wines LaZarre Wines Le Cuvier Winerv Le Vigne Winery Lester Estate Wines Line Shack Winerv Lone Madrone/ Bristols Longoria Wines **MCV** Wines Michael Dusi Logistics Michael Rose Cellars Monochrome Wines Monterey Wine Company **Moonstone Cellars** Moose Mountain Vineyards Nelle Winery **Niner Wine Estates** Niven Family Wine **Estates** Nova Vitae Wine Group Nunno Wine Storage

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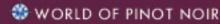












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# WBM HOTBRANDS of 2018

Erin Kirschenmann

Erin Kirschenmann is senior editor for Wine Business Monthly and has been with the magazine since 2012. In addition to production responsibilities for the monthly trade magazine, she writes about wine industry trends, including business, technology and sales and marketing topics for WBM and Winebusiness.com. She graduated from Sonoma State University with a bachelor's degree in communications with a journalism emphasis. She can be reached at erin@winebusiness.com.



Every year, when *Wine Business Monthly* creates our annual list of Hot Brands, we look for vintners, growers, wineries and wines that are making a statement in our industry. Quality is always an important consideration, but Hot Brands is more than a list of the "best" or most interesting wines we've tasted during the year.

When we set out to choose our Hot Brands, our goal is to always represent the American wine industry. Often, that means discovering a new winery in an established region while also paying homage to the stalwarts who continue to move the industry forward. It means we look at wineries in non-West Coast, "traditional" winemaking states, or those who might be bucking a trend or trying new techniques. Our editors look for wines that are embodiments of national trends or have soaring sales. Sometimes we'll choose the winemaker, not the wine.

Quite often, we end up with a couple of wines that were unexpected. During the search for a Pinot Noir, for example, we'll discover a producer who is also making Tempranillo—and is doing such a good job of it, we adjust our plans to get that Tempranillo in. We're never quite sure how the list will turn out, but it's a chance for us to explore new regions, varietals and new winemakers.

Even so, every year we stumble on a couple of themes. Those vary from year to year but, inevitably, we come across a couple of patterns amongst our choices.

The group this year is perhaps our most enterprising bunch yet: one winery started with Kickstarter funding, one is proving that high-quality wine in a can works, another saw enormous success after stealing the show at an important wine competition and two are putting Lodi on the map for something other than Zinfandel. Family is incredibly important: Nearly all of the brands were started by couples, many with each partner contributing strong winemaking and sales and marketing backgrounds and two feature the next generation of family operations pushing the winery forward.

This year, we've selected wines from pioneers, newcomers, million-case wineries and more. While each may grow a different grape or go about making wine in unorthodox ways, all the winemakers selected reflect the diversity that is the wine culture in the United States and all have an innate desire to produce something they, and the consumer, will love.

In the end, this list is comprised of wines that we here at *Wine Business Monthly* would serve to winemakers. That's exactly what we do, as representatives from each of these wineries were on-hand to serve their wines to winemakers, grape growers and industry members at our annual Bottle Bash party at the Unified Wine & Grape Symposium in January. Cheers!

## REVIEW OF THE INDUSTRY

## **HOT**BRANDS of the Past

2017 • Alexandria Nicole Cellars • Amista Vineyards • Ankida Ridge Vineyards • Band of Vintners • Bella Grace Vineyards Winery • Parrish Family Vineyard • Stewart Cellars • Syncline Winery • Vidon Vineyard • Winery Sixteen 600 • 2016 • Amavi Cellars • Dan Cohn Cellars • Fujishin Family Cellars • Illahe Vineyards • Infinite Monkey Theorem Winery • LVVR Cellars • Mi Sueño Winery • Presqu'ile Winery • Senses Wines • Sleight of Hand Cellars • 2015 • Napanook (Dominus) • Guffy Family Wines • Kinero Cellars • Lovingston Winery • Mathis Wine • Naked Wines • Post Familie Vineyards • Savage Grace • Sonoma Collection, District 3 • Cacciatore Fine Wines • 2014 • Brys Estate Vineyard & Winery • Concrete Wine Company • Fiddlebender/Cellar 433 • Halter Ranch • Keller Estate • La Chertosa • McIntyre Vineyards • Skinner Vineyards • Treveri Cellars • Union Wine Company • 2013 • Cowhorn Vineyard & Garden • Drew Family Cellars • Frogtown Cellars • Lake Sonoma Winery • LangeTwins Family Winery and Vineyards • Matthiasson • Rack & Riddle • Riverbench Vineyard and Winery • Rôtie Cellars • Vino Noceto • 2012 • Ca' Momi • Carr Winery • Hidden Ridge Vineyards • Jefferson Vineyards • Kunin Wines • Milbrandt Vineyards • Red Caboose Winery • Tinhorn Creek • Troon Vineyard • Two Shepherds • 2011 • Wine by Joe • Cecchetti Wine Company • JC Cellars • Truett Hurst • Barnard Griffin • Bennett Valley Cellars • Talbott Vineyards • Veritas Vineyard & Winery • Barrister Winery • Lone Madrone • 2010 • Cameron Hughes • Crew Wine Company • Dusted Valley • Twisted Oak • Black Ankle Vineyards • Salinia Wine Company • Bella Vineyards and Wine Caves • Persimmon Creek Vineyards • Willakenzie Estate • Gloria Ferrer Caves & Vineyards • 2009 • Pacific Rim • Wines of Substance • Cambiata • Abacela • Cinder • Swanson Vineyards • L'aventure • Marynissen Estates • Bartholomew Park Winery • Raffaldini Vineyards And Winery • 2008 • Graziano • Four Vines Peasant • Becker Vineyards • Red Tail Ridge • Sojourn Cellars • Domaine Drouhin • Jeff Runquist Wines • Marilyn Remark Winery • Trio Vintners • Purple Wine Company • 2007 • Willamette Valley Vineyards • Ceja Vineyards • Tangent • Clos Du Val • Kutch Wines • Coro Mendocino • J.R. Storey • L'ecole № 41 • King Family Vineyards • Gruet Winery • 2006 • A to Z Wineworks • House Wine • Liberty School • Shannon Ridge • Twenty Bench • Cycles Gladiator • Bedell Cellars • Artesa Vineyards & Winery • Black Star Farms • Buena Vista Carneros • 2005 • Parducci Wine Cellars • Solorosa • Cheapskate • Velvet Red • Incredible Red • Hard Core • Kunde Estate • Hitching Post • Andretti Winery • Esser Vineyards • 2004 • Red Truck • Cartlidge & Browne • Seven Deadly Zins • Oliver Winery • Angeline Wines • Rock Rabbit • Three Thieves Bandit • Sofia Mini • Screw Kappa Napa • Graceland Cellars • 2003 • Hrm Rex-Goliath • McManis Family Vineyards • Sebastiani Vineyards & Winery • Castle Rock Winery • Black Oak • Jewel Collection • Tin Roof • Three Thieves • Jest Red • J Garcia Wines



	Acquiesce Winery		Aridus Wine			
Winery	& Vineyards	Alara Cellars	Company	Elk Cove Vineyards	Intrinsic Wine Co.	
Wine	2016 Belle Blanc	2017 Grenache Blanc	2015 Syrah	2015 La Boheme Brut Rosé Sparkling	2016 Intrinsic Cabernet Sauvignon	
Vineyard/Winery Location	Acampo, CA	Siletto Family Vineyard, Winery in Gilroy, CA	Deep Sky Vineyard and Chiricahua Ranch Vineyards, Willcox, AZ	La Boheme Vineyard, Yamhill-Carlton, OR	Eagle and Plow, Beverly, and Shaw Vineyards/ Paterson, WA	
Price	\$28	\$37	\$37	\$50	\$25	
Case Production	293 cases	74 cases	179 cases	484 cases	130,000 cases	
Blend	45% Grenache Blanc, 45% Roussane, 10% Viognier	100% Grenache Blanc	100% Syrah	100% Pinot Noir	96% Cabernet Sauvignon, 4% Cabernet Franc	
рН	3.53	3.48	3.61	316	3.79	
TA	5.5 g/L	6.2 g/L	6.1 g/L	2.9 g/L	5.4 g/L	
Brix	22	24	24.5	21	26	
Residual Sugar	0 g/L	0 g/L	0 g/L	5.5 g/L	2 g/L	
Alcohol	13%	15.1%	14.3%	12%	14.5%	
WINEMAKING DATA						
Picking Methods	Hand-picked estate grapes	Hand-picked	Hand-picked	Hand-picked	Machine-picked with Selectiv harvesters	
Sorting Methods	Hand-sorted in estate vineyard and at press	N/A	N/A	None, whole-cluster pressed	Selectiv Harvesting	
Crush Details	Whole-cluster-pressed	N/A	N/A	None, whole-cluster- pressed	Harvest in afternoon, destem and lightly crush fruit	
Cold Soak?	No	N/A	3 days	N/A	Two-day ambient soak	
SO <sub>2</sub> Applications	31 mg/L	30 ppm	At receipt, after malolactic conversion and prior to bottling	20 ppm at press	35 ppm at crushpad, 30-35 ppm SO₂ maintenance for storage	
Yeast	Cross Evolution	Vin 13	D254	EC1118	Premier Cuvée	
Fermentation Temperature	55° F	58° F	Max 68° F	52° F to 60° F at the tail-end	Peak of 85° F	
Fermentation Technique	Slow, cold ferment in stainless, jacketed tanks	Pressed immediately, tank- fermented, racked clean into barrel	Cool fermentation in open- top 3-ton fermenters	Stainless steel, no skin contact	10% concrete, rest in stainless steel; 50% stays on skins for 9 months	
Nutrients	Go-Ferm	Go-Ferm, Fermaid K	N/A	As needed, DAP and Fermaid-K, 3 doses at 33 ppm YAN	DAP	
Acid Additions	N/A	N/A	Tartaric to adjust pH	N/A	Tartaric acid to final pH of 3.80 to 3.85 target	
Malolactic?	None	20% through malolactic	Yes	N/A	Native and inoculated, takes place on skins for 50% of wine	
Punch-down/ Pump-over Methods	N/A	N/A	One to two punch-downs daily	N/A	Pump-over twice daily with air	
Oak Program	N/A	33.3% new French oak	15% new French oak, 5% new American oak, 80% neutral oak	N/A	50% blend aged in older, neutral French oak barrels	
Barrel Aging	N/A	5 months	20 months	N/A	12 months	
Racking	Off gross lees	Racked clean into barrel, racked out into tank prior to filtrations	Twice: once 9 months post-harvest, again prior to bottling	Prior to filtration	One racking in spring	
Filtration	300 and 250/50 Pall lenticular filter discs and microbial filter at bottling	Sterile filtration prior to bottling	Sterile filtration at bottling	Cross-flow-filtered a week before tirage	Cross-flow	

Winery	Lagier Meredith	Onesta Cellars	Sangiacomo	Sans Wine Co.	Smith Story Wine Cellars
Wine	2016 Tribidrag	2013 Cinsault	2016 Sonoma Coast Pinot Noir	2017 Zinfandel	2016 Helluva Vineyard Pinot Noir
Vineyard/Winery Location	Lagier Meredith Vineyard, Mount Veeder, Napa, CA	Bechthold Vineyard, Lodi, CA; Winery in Napa, CA	Roberts Road, Fedrick, Amaral Vineyards in Sonoma County, CA	Poor Ranch Vineyards "Easter Block" Mendocino, CA; Winery in St. Helena	Helluva Vineyard, Anderson Valley, CA
Price	\$45	\$35	\$60	\$10 per 375ml	\$40
Case Production	147 cases	500 cases	215 cases	345 cases	400 cases
Blend	100% Zinfandel	100% Cinsault	100% Pinot Noir	100% Zinfandel	100% Pinot Noir
рН	3.95	3.55	3.6	4.12	3.43
TA	6.3 g/L	6.0 g/L	6.1 g/L	5.3 g/L	4.6 g/L
Brix	25	25	23.6 - 25	23.5	25
Residual Sugar	0.4 g/L	0 g/L	0.9 g/L	0 g/L	0 g/L
Alcohol	15.4%	14.7%	14.5%	14%	14%
WINEMAKING DATA					
Picking Methods	Hand-picked	Hand-picked	Hand-picked, night harvest	Hand-picked	Hand-picked
Sorting Methods	Hand-sorted	Vineyard sort	Hand-sorted	Whole-cluster sorted	Hand-sorted
Crush Details	100% de-stemmed, whole berry	100% de-stemmed	Hand-sorted at winery, gentle de-stem only, whole berry to fermenter	De-stemmed, pumped to tank	Pressed in basket
Cold Soak?	N/A	3 days	5 to 7 days	3 days	Yes
SO <sub>2</sub> Applications	50 ppm at crush, 25 ppm post-malolactic	Yes	None at crusher; low-level additions during aging	None	Minimal
Yeast	D254	Zymaflore RX60	Native and commercial blend	Native	Spontaneous fermentation (inoculated to finish due to custom crush environment)
Fermentation Temperature	82° F	80° F	Less than 84° F	88° F	60° F to 70° F
Fermentation Technique	T-bins	Tank fermentation	Each vineyard fermented separately, some by individual clone; open- top stainless steel; no extended maceration	Closed-top stainless steel tank for fermentation and aging	N/A
Nutrients	Small DAP and Superfood additions	Complex organic	N/A	N/A	N/A
Acid Additions	N/A	Minimal	TA adjusted during ferment with H2TA	N/A	N/A
Malolactic?	100% ML	100% ML	100% ML	100% and natural	100% ML
Punch-down/ Pump-over Methods	Manual punch-downs twice daily	Three pump-overs a day during peak fermentation	Daily punch-downs by hand	Pump-overs for primary and malolactic; post- pressing	Manual punch-downs 1 to 2 times daily
Oak Program	Four times used François Frères Burgundy barrels	100% neutral French oak barrels	30% new, medium toast, French oak barrels	100% stainless steel	100% Burgundy, 25% new
Barrel Aging	15 months	12 months	16 months	N/A	10 months
Racking	Gravity racking at ML completion and at bottling	Once during aging	None during aging, aged 16 months sur lie, clean rack 1 week prior to bottling	Prior to canning only to get wine off lees	On its lees until pre- bottling/racking
Filtration	N/A	Cross-flow	Cross-flow	N/A	Unfiltered

## WBM HOTBRANDS



## Celebrating Rhône Whites in the Heart of Zinfandel Country

Acquiesce Winery & Vineyards, 2016 Belle Blanc

It was a white Chateauneuf-du-Pape that changed Susan Tipton's life.

A wine drinker her entire life, she had never tried a white Chateauneuf-du-Pape. But once she had, it started a quest that turned her from a wine drinker into a winemaker. The bottle was a one-off own-brand from <code>BevMo!</code> and enough to pique her interest. Within a few years, Tipton had released the first wines from <code>Acquiesce Winery & Vineyards</code>, dedicated to Southern Rhône whites produced from grapes planted on her property in Lodi.



"I basically tried to buy more of it as a wine drinker and then when I couldn't, just explored the possibility of planting it here in Lodi," Tipton said. "I started with Grenache Blanc and really loved what came out of that and planted the other varietals. I wanted to focus on whites and do them right. I always felt that the white

was like a second-class citizen in a winery. It was like, 'Here's a white and then let's talk about our beautiful reds,'" she said.

When she and her husband moved to the Lodi area, they ended up purchasing an 18-acre vineyard property, with 12 acres planted to Zinfandel. Once Tipton decided to start her own brand, the couple pulled out all but five acres of the income-producing Zinfandel and replanted/planted 10.5 acres of white varieties, including Grenache Blanc, Picpoul Blanc, Clairette Blanche, Bourboulenc, Roussanne, Viognier and Grenache for a Rosé. The Belle Blanc, which WBM named as a Hot Brand, is her homage to that life-changing bottle, made with Grenache Blanc, Roussanne and Viognier.

Lodi's climate lends itself to an all-white line-up. With a Mediterranean, warm climate and a Delta Breeze in the evening, the region boasts an ideal environment for the production of outstanding whites and Rosés. That doesn't mean that it was all smooth sailing for Tipton, who said that producing an all-white wine program posed some challenges.

"As a winemaker, especially a beginning winemaker, I found knowledge resources to make reds readily available. As a home winemaker with red wines, you don't have to worry so much about temperature control, the wines pretty much made themselves," she said. "When I started planting the whites, it was a whole different way of making wine and a lot of attention had to be paid to do it properly."

Tipton brought in a friend, **Heather Pyle Lucas**, as consulting winemaker—who has more than 35 years' experience and one of the founding winemakers of **Opus One Winery**. Lucas now lives in Lodi and makes wine with her husband at **Lucas Winery**.

While Tipton had a great amount of support from other members of the winemaking community in Lodi, there were still a few who recommended having at least one red in her line-up. Tipton respected their opinions but took a different path. At the time, she was making just a few hundred cases and said, "Well, if I don't sell them, I'll just drink them."

She didn't need to. Acquiesce's wines saw overwhelming success early on, selling out every year since 2012, the year of her inaugural release, usually by mid-November. It's the kind of success that has allowed her to steadily increase production each year and she now makes around 4,000 cases each vintage. A good majority of her wines are sold directly to her wine club and direct-to-consumer. The wine is also sold to a few local Lodi restaurants who love to pour her Rhônes.

Tipton hopes to keep it that way. She and her husband are the crew: tending to the vines through the growing season, racking and fermenting, filtering and bottling. Aside from some harvest help, it's up to them.

She's gaining some attention from other Lodi wineries and local buyers, as well as some from France as well. "We were a curiosity, I think, for a couple of years, but totally welcomed," she said. Tipton has been championed by a neighboring winery, whose owner told visitors to the tasting room to go try her wines, even if the customer proclaimed not to like whites.

"These vines are different. You know someone's experience with white wine might have only been an oaky Chardonnay or a real spritzy Sauvignon Blanc and so, when they try these, it kind of opens their world. We see that all the time," she said.

It's that sense of pride and community in Lodi that Tipton sees as a catalyst for growth and better recognition in the region—and not just as a red wine-producing region. She mentioned that most consumers have short memories, forgetting that before Zinfandel became so popular, profitable and synonymous with Lodi, Chenin Blanc was the leading varietal.

"Most people don't realize that Lodi has more grapes than Napa and Sonoma combined. We have 110,000 acres of wine grapes in the Lodi Appellation. We can't just be the secret of all the big wineries. It's taken a few visionary winemakers to break out and make wines in their own style. With 85 wineries and tasting rooms in Lodi, we have a good base for future growth."



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Richie Allen, Winemaker at Rombauer Winery



## WBM HOTBRANDS



## Winemaker Scores Big on Inaugural Release

Alara Cellars, 2017 Grenache Blanc

When Alara Cellars' 2017 Grenache Blanc was named "Best in Show" at the Central Coast Wine Competition—after it was awarded a Double Gold Medal, Best in Class (Grenache Blanc) and Best White Wine—Janu Goelz had to rush to fill the ever-growing number of orders for the wine. The award for her Grenache Blanc, sourced from Siletto Family Vineyard in San Benito County, marked the first time that this varietal was named Best in Show in the competition's history



and, though the varietal is growing in popularity on the Central Coast, served as a catalyst for more outside interest in the grape.

Shortly after the competition results were announced, her Grenache Blanc was awarded Gold and 92 points from the San Francisco International Wine Competition and 90 points from Wine Enthusiast. Goelz, founder and winemaker, said that though a bit overwhelmed at first, she has been incredibly excited over all the attention.

"I couldn't believe it. I wanted to laugh, cry and puke all at the same time," Goelz said. "I was in shock. It was my first competition—I was hoping for Gold and I wasn't even thinking about Best in Show."

The story of Alara Cellars began in 2012 when Goelz was working as a weather anchor for the San Francisco Bay Area's local **NBC** affiliate, KRON 4, as well as on her own fashion design line. That summer, she met **Jason Goelz**, a local winemaker and winery owner (**Jason Stephens Winery**), who would later become her husband. Between days on air, she would go on sales trips with Jason, attending tradeshows instead of taking vacations. Because he led a small team, she was able to become involved and have a hand in all aspects of winemaking as the assistant winemaker, prompting her to pursue an education in wine and leave KRON 4 in 2014. Since then, she has completed WSET III, CSW, **UC Davis** Wine Executive Program and Level 1 Sommelier.

Using that education, plus the knowledge gained from her husband, she set out to make wines in her own fashion and began Alara Cellars in October 2017. "My style is a bit different," she said. "I wanted our wines to be different styles. His have more of an Old World feel to them. Mine are 'drink now,' and a very California style."

While she agrees with Jason that picking later brings in riper, more concentrated fruit, that's about the only tactic she shares with him.

Where she prefers more new oak, higher alcohol and a fuller body, he prefers refined, softer tannins and brighter acid. It's something she points to when people ask if her husband makes her wines. She may have learned how to make wine from him, but the style, the process... it's all her.

That doesn't mean there isn't a little healthy competition between the two. Goelz admits that following the big Central Coast Wine Competition announcement and the resulting attention, it's sparked a fun little rivalry between the two, pushing each to be better. They both have tasting room spaces at **The Stomping Ground**, an industrial building that houses multiple tasting rooms and winemaking space, along with **J Winston Winery** and **Calerrain**.

Sales in both the tasting room and the on- and off-premise have been going well for her. "My husband feels like I'm learning no lessons there, that they're all just really well-received," she joked. "The best thing I hear is when someone goes, 'I like them all.' I work so hard on them, and people are loving them."

Those who enter her tasting space are immersed in her two loves: wine and fashion. Each label features a dress sketch by designer Malene Grotrian. In this collaboration, Janu describes each wine as if it were a dress and Grotrian paints. Some have more structure, others more whimsy. Some wines have bold, bright aromas and need a gown in a striking color. Other varietals are more floral and seek softer, pastel-colored day dresses. Each vintage is different and, as a result, every label will be too. For the five-year anniversary of Alara Cellars, Goelz hopes to put together a fashion show and have each of the labels made into real dresses.

The Tempranillo is both a popular wine and design, and one she quickly sold out of, rivaling the pace of the Grenache Blanc, the wine WBM chose as a Hot Brand. She produced just 1,200 cases in 2017 in total, and doesn't want to grow too big too fast, even with all her success.

"I like the size I'm at; maybe I'll get to 3,000 cases one day, but I like the boutique feel. I don't mind running out of wine," she said.

Since the announcement, everything has been picking up for her: walk-ins to the tasting room, sales, new restaurant/retailer accounts and requests from national wine magazine editors for samples.

"I feel like I'm just holding on at this point," she said. "It has been so surreal."

As for future competition entries? "Now it's stressful," she said. "Do I ever enter another competition? I've set the bar pretty high."



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## Arid, Arizona Climate Hosts Stunning Range of Varieties

Aridus Wine Co., 2015 Syrah

Forty-five miles from the Willcox, AZ-based **Aridus Wine Co.** lies their estate vineyards, nestled in the foothills of the nearby **Chiricahua National Monument**, known for its stone columns, called hoodoos, as well as balancing rocks.



Aridus is a play on the Latin word arid, a fitting name that reflects the climate of southeast Arizona. It was founded by **Scott** and **Joan Dahmer**, a couple who moved to Carefree, Arizona in 2001 in pursuit of a dream to start a winery/vineyard in a region that was beginning to blossom. They purchased the 40-acre property along Turkey Creek in 2009 and began planting. The cellar opened just four years later.

The estate is currently home to 6.2 acres of Sauvignon Blanc, Viognier and Malvasia Bianca, as well as 16 acres devoted to reds, including

Cabernet Sauvignon, Syrah and Malbec. Plans to put some Petit Verdot, Tempranillo, Petite Syrah and Graciano in the ground are in the works.

The wines are under the care of **Lisa Strid**, a former winemaker for **E&J Gallo**. Her career in wine began at her uncle's vineyard and winery in Western Washington. "I just fell in love with it. I liked that it was physical, I liked being outside and I really like that there was a scientific element to it," she said. It encouraged her to join the viticulture and enology program at **Oregon State University**. Strid interned at **Alexana Winery** in Oregon while in school and moved to California after graduation to work with Gallo.

But when she was in her 20s, she spent some time living in Tucson and she knew she'd like to come back. "I love it down here. It's just the most beautiful landscape and the desert is such a wild place," Strid said, noting that rattlesnakes are not uncommon, as are all manner of insects and reptiles. "There are just incredible creatures everywhere, and you really are up close and personal with nature."

Strid's plan was to stick it out in California and make wine with Gallo for a few more years, waiting for the burgeoning wine scene in Arizona to gain some more ground before making a move—but when she saw a posting for a winemaker position at Aridus, she knew it was her opportunity. She joined the team in June 2016 and has enjoyed moving Aridus forward with the Dahmers since.

"I was used to very large plots coming in, or working in research, requesting 25 tons at a time and it just arriving," she said. "Here, it's a lot more of going out to vineyards and looking at the four rows that are going to be ours, as opposed to receiving a massive sample from a vineyard."

At Aridus, Strid is also getting the chance to be more hands-on with each of the varieties. If given the opportunity, there are other varieties she'd like to try, including Duoro reds. "I'd really love to try Alvarinho here. I think there are a few growers that have small test plots of it at the moment, but I would really love to see it, especially in the Chiricahua Foothills," she said, noting that Spanish varietals are gaining in popularity—she believes Arizona could grow them well.

"It's interesting to see. You never know when a variety that has been traditionally grown in a different sort of climate might actually do well. It feels quite a bit like a testing ground right now. Everybody is just conducting a grand experiment," she said.

In contrast to some other hot-climate regions around the country, the vineyards Aridus sources from sit anywhere from 4,100 to 5,200 feet in elevation. That elevation moderates the climate a bit and it can become extremely cold, she said, even resulting in very late frosts.

Between July and mid-September, monsoons will sweep through the region, dropping rain during a peak ripening season, making harvest an even more difficult process. Some years, Strid said, are pretty easy, others, like 2018 are not.

"The rains, they can be quite intense, and they generally only last about 30 minutes to an hour, but once they're gone, it tends to dry out rather quickly, so we're lucky in that we don't necessarily see a lot of fungal pressure because of the rains. But it can be challenging because you can have the grapes ready to be picked, then a monsoon comes in and the Brix will drop and you have to wait again," she said.

The Syrah is made from grapes currently grown at a couple of different vineyards in the area and is usually one of the first reds to come in each year. Strid said that there is usually a good balance of sugar ripeness and flavor development, and retains some of those quintessential Syrah characteristics, pepper and meatiness, but there's also a "dusty quality" she says is unique to the region.

"I'm loving the Syrah that we're getting," Strid said. "I wouldn't claim to know why it does so well here, but I'm really happy to work with it. It's one of my favorites in terms of the reds."

Like many wineries across the country, Aridus is moving to become an entirely estate-sourced operation. With that, comes an increase in production in both the winery's lower-tier brand, the Tank Series, which will see distribution, as well as the launch of a Barrel Select program, a higher-tier than the Aridus tier. Aridus has seen staggering growth since 2015, when Strid joined the winemaking team. That first year, production doubled, and then nearly doubled it again the next year. Now, they are considering a small sparkling wine program, one that would be made completely in-house.



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## WBM HOTBRANDS



## **Early Pioneers Move into New Trends**

Elk Cove Vineyards, 2015 Brut Rosé Sparkling

As a region, Oregon's Willamette Valley had been producing outstanding Pinot Noir and Chardonnay for decades, and the **Campbell** family has been a steward of those grapes since the beginning.

Pat and Joe Campbell are Oregon natives, both spending their child-hoods in Hood River. The two were high-school sweethearts, attending prom together before going their separate ways for college. Eventually they reconnected, married and had their son, Adam, before moving back to the Northwest in 1973. At the time, they knew that they wanted



to plant winegrapes, but there weren't many others doing the same; just the pioneers like Adelsheim Vineyards, Eyrie Vineyards, Sokol Blosser, Erath and others. But they found a nice 200-acre property in Gaston, Oregon, up in the foothills of the Coast

Range mountains. The couple planted and tended to the vines and made the wine themselves, with some additional help from their five children.

Adam left the family vineyard to study political science at **Lewis & Clark College**, but also spent time making wine in Australia. He returned and was named head winemaker in 1999. Since then, he's been buying high-quality vineyards and planting his own, experimenting and increasing total production. Even with six separate vineyards, 380 acres under vine, and a 40,000-case production, since 2017 the winery has retained 100 percent estate fruit and wants to maintain that for years to come.

"Most of our peers seem to be growing by purchasing fruit or purchasing wine. For us, it's always been really, really important to own all the vineyards and have more control that way. That sort of clicked, coincided with the launch of a sister label for us in 2016 called Pike Road," said Cam Christie, sales manager for Elk Cove Vineyards. Pike Road is sourced from the Fruithill, Fairsing and Zenith Vineyards.

That growth has occurred not just through new brands, but in an expansion from the original plantings of Pinot Noir, Pinot Gris and Chardonnay. Christie joked that when Adam pulled some Chardonnay to plant more Pinot Gris, the plan had to work because, if it didn't, his mother would never have forgiven him for pulling out Chardonnay to do it. The winery now produces about 15,000 cases of the grape each year and has seen great success in selling it.

Going forward, Pinot Gris is shaping up to be an important variety in their line-up. With five of its six vineyards in cool-climate regions, the grape grows well in a large portion of its acreage. Elk Cove can ripen it with great reliability. "Sometimes when I'm on market visits I'll say Elk Cove has been making cool-climate wines since before it was cool," he said. "Pinot Gris can become boring, a little bit innocuous, but ours, generally speaking...Adam knocks it out of the park with that wine every year. I think his peers recognize that he's one of the maestros of Pinot Gris in the valley too."

Adam has also moved into sparkling, made from Pinot Noir grapes. However, the sparkling isn't a large part of the program...yet. In fact, they've only released three vintages: 1999, 2011 and 2015. For the 2015 vintage, they only produced 400 cases.

The grapes come from La Boheme Vineyard, planted by Pat and Joe Campbell in 1985. Because of its high elevation, nearly 800 feet above sea level and one of the highest in the Willamette Valley, the Pinot Noir retains great acidity with flavors and aromas of rich, structured dark black and blue fruits, traits that aren't lost through the Rosé and sparkling production.

"Year over year, it's a great site for red wine. We can develop the acidity that we want even in warm years and we adjust accordingly, but we still yield about 12 percent alcohol, and it's balanced," he said.

The wine has been so popular among its direct-to-consumer clients that Elk Cove has created a plan to ramp up production. "It's something that we love to drink at the winery and Adam loves to experiment with. This is one of the things that's near and dear to his heart, and we do get such great acidity and freshness from a lot of different sites," Christie said.

Elk Cove produced a 2016 sparkling Rosé from La Boheme that, as of press time, was resting on the lees and was planned to be disgorged in mid-2019. In 2017, Adam experimented a bit more and made three different sparklings: the 100 percent Pinot Noir, a traditional Brut from Mount Richmond Vineyard using 66 percent Pinot Noir and 34 percent Chardonnay and a Blanc de Blanc made with Chardonnay from Goodrich Vineyard. The wines are likely to be sold predominantly direct-to-consumer for the first year to see how well each is received.

The winemaker continues to evolve and move the winery forward. Christie reports that their Pike Road Pinot Noir is growing "like gangbusters" in the market, likely because they produce a \$15 to \$20 Willamette Valley Pinot that drinks like it costs more. Pinot Noir has been a staple for Elk Cove over the last few decades and will always be. The Elk Cove Pinot Noir and Pike Road Pinot Noir remain the driving force of the brand.

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## WBM HOTBRANDS



## Fostering Innovation and Respecting a Region

Intrinsic Wine Co., 2016 Columbia Valley Cabernet Sauvignon

For Juan Muñoz-Oca, innovation is a way of life. A fourth-generation winemaker, he's been involved in some aspect of the wine business since he was a child, fostering a deep wine knowledge that has allowed him to question and build upon conventional processes. He studied winemaking in Argentina, where he grew up, and in Spain, before moving to Washington state to work at Columbia Crest Winery. Muñoz-Oca eventually oversaw the winemaking for Ste. Michelle Wine Estates' 14 Hands, BORNE of Fire, Columbia Crest, Intrinsic, Northstar and Spring Valley Vineyard brands.



Now, as the recently named executive vice president of winemaking, vineyards and operations at Ste. Michelle Wines Estates, he's excited to not only ensure quality across all brands, but keep the company, and the reputation of the state, moving forward.

"I think Washington will be one of the most influential wine regions in the world and I think this will happen within our lifetime, within the next couple of decades. The growth of the industry, the potential that the state has as a grapegrowing region, are second to none in this world," he said. "We have the

land, we have the perfect climate for wine and we are helped by really interesting financials. It's a lot cheaper to make wine in Washington than any other place in the United States and that's important when it comes to getting wines that are \$20 but taste like they should be \$40 or \$45, which I think is what we do beautifully these days."

That pursuit of quality has led Muñoz-Oca and the winemaking team at Ste. Michelle to experiment quite a bit with how each brand is developed. He's not shy about the trials they are conducting, and is an active board member for *Wine Business Monthly's* Innovation + Quality event, a forum dedicated to discovering new processes, products and ideologies in the name of the producing best-quality wine.

To Muñoz-Oca, that means attempting new methods. When he called Intrinsic's production process "very funky," he wasn't joking: half of the wine spends nine months on skins.

"It's a hyper-extended skin contact that you can pull off only if you have the refined tannin structure and the refined phenology matrix that we get in Washington state. We leave the Cabernet on the skins, not because we want to build the tannin structure of the wine, but we leave

it on the skins to refine and resolve the wines, which is what we normally do when we put wine in oak."

Putting wine in oak barrels, of course, plays a role in defining flavors and aromas, as well as softening the wine as the oxygen and tannin in the oak react well with the oxygen and tannin in the wine. Muñoz-Oca said he can get the same result by just leaving the juice on the skins longer.

"We figured out that in order for us to express what's unique about Washington wines, we had to maybe lean less on oak, because at the end of the day, if you put wine from Washington in the same barrel that you put wine from Napa, you get about the same wine. They interact differently, but you get about the same aromas and flavors," he said.

The idea stemmed from the "beautiful" grape-growing conditions of the Columbia Valley: the days are warm enough for flavors to develop, including tannin development at the end of the season for the late-ripening grape, but not warm enough to produce sugar.

"We always felt like the tannin structure in late-ripening varieties in Washington was unique. Tannins are very evident, yet they're high-quality and we felt like we were maybe leaving a lot of that goodness out of the equation by pressing our wines after seven or 10 days on the skins. And because of that unique phenolic matrix, we decided maybe there's more to the skins than what we're getting," said Muñoz-Oca.

It wasn't all a positive progression. At one point during the ninemonth extended skin contact, the juice turned astringent and bitter. Muñoz-Oca also knew that at some point the skins would re-absorb some of that tannin, acting the "sponge" or a "natural fining." "We thought that we just needed to be patient enough to let that happen," he said. That tends to occur in the spring, and the texture resolves itself and the floral aromas begins to stand out before the skins are removed months later, in July. That's how the process evolved in the first vintage in 2016, and the team has been doing it the same way ever since.

The work has inspired the winemaking and research program at Washington State University to conduct its own testing on the method, measuring sensory and phenolic data throughout the extended contact.

What's next for the innovation division of Ste. Michelle Wine Estates? "We have a few wines going into the cellar and so we have some whites that have an extended skin contact, we have some sparklings that are pretty interesting, we have a couple of reds that we're playing with, not only with skins, but also stems... I don't know if we have any plans to make any of them available commercially yet, but we are always tinkering with stuff and thinking about what can be done next and what can complement what we're already doing."



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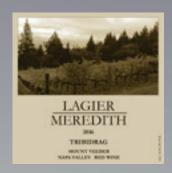


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## WBM HOTBRANDS



## A Love of Land and Research

Lagier Meredith Vineyard, 2016 Tribidrag

Nestled up on Mount Veeder, accessible only by an admittedly "scary" road, lies the vineyard of two wine industry pioneers and legends: **Steve Lagier** and **Carole Meredith**. The two have contributed to some of the wine industry's most important gains in knowledge and have put their talents to use at their namesake property and winery, **Lagier Meredith Vineyard**.



Meredith's entry to the wine industry began after she attended Michigan State University for a postdoctoral fellowship in plant genetics, when the California native realized that she wanted to return home. She first worked for a private company, but in the end, she didn't want

her research to be driven by profits, so she sought out the university life. There were three universities in the region with strength in plant genetics: University of California, Berkeley, Stanford University and University of California, Davis. Though Meredith had worked on a number of other plants, when a position at the Department of Viticulture and Enology at UC Davis became available, she made her way into the winegrape research field.

"I might have ended up working on some other kinds of crops had the timing been different, but in retrospect, of course, I'm really pleased that it worked out the way it did. I had never worked on grapes until I took my job at UC Davis," she said.

Years later, the wine industry can thank Meredith for her work in helping to determine the parentage of some of the most popular grape varieties, like Chardonnay and Syrah, as well as the discovery that Cabernet Franc and Sauvignon Blanc were parents to Cabernet Sauvignon—and that Zinfandel, such an important grape to California, originated in Croatia.

"I would say the Zinfandel work was my favorite because not only did we achieve my objective, which was to find the European home of Zinfandel, but in the course of doing so I think we shone a spotlight on Croatia as an ancient wine-growing country, and just raised its profile. Now people go there on wine tours and I think that Croatia, as an ancient wine region, is now better known among people in the west," she said.

It was at UC Davis where she met Steve Lagier, who at the time ran the research program for a professor looking into the various biochemical consequences of vine-training practices, work that had not been done before. After his time at the university, he went on to make wine at **Robert Mondavi Winery**, where he notably created the first program to track and project fruit availability.

In 1986, the couple bought a property on Mount Veeder, planted some of the acreage to winegrapes and began making wine from the fruit—all while working full-time at UC Davis and Robert Mondavi Winery. Eventually, they were able to generate enough income that they could leave their day jobs and focus their full attention on the vineyard: no employees, no consultants, no partners and no investors. Lagier left Mondavi in 1999 after 14 years with the company to devote his full attention as winemaker of their project, which has been a success because of their willingness to put in the hard work.

"We do our own vineyard work, we do our own winemaking, we do our own sales and marketing and government compliance, packing and shipping and taxes. We do it all," said Meredith.

Zinfandel continues to be a passion for the two and is one of the several wines they make at their 1,000-case production winery. "I think that learning something about the history of Zinfandel and realizing it's not just a California grape, and that it is as ancient as the other classic European winegrapes, that should encourage people to treat it with a higher level of respect and to maybe put it into better barrels or be willing to pay a little more for it if you're buying fruit," Meredith said.

That's exactly what Meredith and Lagier did. The two decided to call their Zinfandel "Tribidrag" to call attention to its lineage, to remind people that it's an ancient European grape. Tribidrag is the oldest known name for Zinfandel, dating back to the 1300s and grown along the Dalmatian Coast of the Adriatic.

Their Tribidrag is sourced from their Mount Veeder property, which they've owned and farmed for 32 years. They planted the vineyard to Zinfandel, Syrah, Mondeuse and Malbec, which do well on the shallow shale and sandstone soil at the 1,300-foot site. Grapes grown here produce distinct and intense flavors; Meredith called the Zinfandel "Spicy, very spicy, balanced and quite complex." Lagier doesn't intervene much or force a style on it—they're both quite content to let a pure expression of the site stand out.

"We think that this is a very distinctive place; every wine that we make really has a distinctive flavor that seems to make it stand out. We like to let the place shine through, we don't want to put any winemaking style mark on it," Meredith said.



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## WBM HOTBRANDS



## Finding Truth in Vineyard Expressions

Onesta Wines, 2013 Cinsault

At **UC Davis**, one of **Jillian Johnson**'s animal behavior classes provided a watershed moment. A self-professed "science geek" since an early age, she attended the university to study neurobiology, with the intention of going into medical research or pursuing medical school after graduation. On the side, she was producing beer at home and pursued an elective course in brewing as part of UC Davis' fermentation science program, from which she learned about the winemaking program and also enrolled in those courses. There she found a creative outlet that met her scientific mind.



But it was a video of a bird that learned how to fly into a vending machine and craftily steal snacks that changed her course.

"I was impressed actually," said Johnson,
"But I sat there, and I thought 'You know, this
is interesting, but this isn't my passion.' So, I
marched right over to the counsellor at the
Viticulture and Enology department and said,
'I'd like to switch my major to viticulture and
enology.'" Since Johnson had done all the
science pre-requisites and then some—she
was able to cruise right in and do all the upper

division classes. "It's been a great life choice."

Since then, she spent some time interning at wineries in Australia and South Africa and held the associate winemaker position at **Bonny Doon Vineyard** in the Central Coast, but she has been blending her geeky and artistic interests as a technical winemaker for **Laffort**, a French company providing precision winemaking products, a position she has held since 2010. In essence, she travels up and down the West Coast, finding solutions for other winemaker's problems.

"I see more trends, more problems, and I'm tasting more wines than the average winemaker who's just at one winery," she said. "I get to help people troubleshoot their wines or improve their wines before bottling or create new protocols and a lot of that does take some scientific research to figure out what's going on."

Her position at Laffort has afforded her the chance to work with and learn from a team of research scientists actively working on the development of new products and innovations that help winemakers produce better wine. While she enjoys the opportunity to be at the forefront of new research and the exposure to dozens of wine regions and varieties, Johnson also wanted to make her own wine.

During her time at Bonny Doon, she worked with the owners of **Bechthold Vineyard** in Lodi, the oldest Cinsault vineyard in the world—the grapes were planted in 1886. **Randall Grahm** purchased all the Cinsault, and the majority of it went into a Vin Gris Rosé, but they also

blended some of it into all of their red wine brands, giving each of their SKUs more of a mid-palate weight and a "pop of fruit."

So, when Johnson heard that Grahm was not renewing the vineyard contract at Bechthold in 2009, she jumped at the chance and bought as much fruit as she could afford at the time—4 tons of Cinsault—and Onesta Cellars was born

Onesta Cellars is her passion project turned business, a chance for her to unleash her artistic expression, while nurturing a love of the vineyard. Onesta is Italian for truth and honesty, something that is reflected in her life and wines.

"The name came to me when I was soul-searching. I was trying to get back to my roots, what is really important to me," Johnson said. She found a **Mark Twain** quote that resonated: "If you tell the truth, you don't have to remember anything." "It totally speaks to me and that's what stuck. Just tell the truth, be yourself, be honest with yourself and with everybody else in life. It'll be so much easier. And that's really what these wines are."

Onesta focuses on small lot, single-vineyard Rhône varieties, true expressions of the place. Currently, she's sourcing about five other Rhône varieties from vineyards in Lodi, Mendocino and Napa, and producing about 1,000 cases, but she'd like to increase production to 5,000 cases.

What does she love about Rhône wines so much? "I love that they're robust. The vines themselves are at the vineyard are usually big, vigorous vines and they produce gigantic clusters. It gives you a lot to work with, they're not so fragile. I've made some Pinot Noir, and I feel like you almost have to whisper around the barrels, tip-toe, where Syrah wants you to play Rolling Stones as loud as it can go. It wants to be pumped over, it wants lots of oxygen and the Rhône varietals express a lot of fruit."

When it comes to vineyard or variety selection, Johnson says she follows her heart, even if it leads to varietals that aren't hugely popular. "I like to make life challenging for myself, they're [Rhône varieties] much harder to sell. The general consumer doesn't understand these varieties. I love them. I make what I love to drink at home," she said. Most of it is sold directly to the consumer, sold through the wine club and out of her tasting space at **Feast it Forward** in Napa.

Johnson is launching a new brand, one she says "morphs honesty to guilty pleasure": Mentida—a Spanish word for "a little lie." With Mentida, she'll focus on blends of different vineyards. "So, not the purest, like Onesta, but blended to perfection," she said. It'll be bottled under a white blend, red blend, and a basic Rosé, giving her the chance to work with more Viognier, Syrah and other fun varieties. She's starting out with 2,500 cases but hoping to ramp it up to 50,000 cases in the future.

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## Showcasing High-End Vineyard Designated Wine...in a Can

Sans Wine Co., 2017 Zinfandel

As the wine-in-a-can category grows in popularity, so too does its quality. It's no secret that in the last few years, consumers have embraced the form of alternative packaging: In the 52 weeks ending Dec. 8, 2018 **Nielsen** data shows that sales of wine in a can reached \$64 million, a 67.4 percent increase over the same time frame the year prior. Sales volume increased as well, up 45.7 percent to more than 700,00 9L-equivalent cases. As a result, premium winemakers have taken note, and the wine going into can has become consistently better.



With Sans Wine Co. we found a couple dedicated to putting high-end vineyard-designate wine in a can, "sans additives, sans chemicals, sans pretense."

Jake Stover and Gina Schober dreamed up the idea for Sans Wine Co. while driving along the

Russian River not long after they started dating. Both are passionate about wine and have experience in both winemaking and sales and marketing, but Stover said it was really Schober's idea. "I thought she was crazy," he said.

"There were cans coming out on the market for some of the bigger brands. I'd see them at some big retailers and thought it was interesting. But on that drive back, I thought of all the people I know who like to go boating, go down the river or on lakes and what not, and all my friends who don't drink beer but really like wine," she said, reminiscing of all the hassle packing up wine in a traditional glass bottle can bring.

While skeptical at first—concerned, that many assume wine in can is inherently bad—Stover quickly came on board. "From the get-go it was important for us to make really high-quality wines and wines that you'd want to drink—and not just because it's convenient, but also because the packaging can be such a stable environment that [the wine] can be something pretty special."

Just a little over a year later, in 2016, they harvested their first grapes. They farm the two Napa vineyards themselves, and source 100 percent organic and sustainable grapes from Menodcino and Lake counties. Wines are made in a more "natural" style; that is, nothing added or taken away chemically, a feat made simpler by the more stable environment a can offers. The winemaking is no different for cans than for glass bottles except at bottling, when it requires a dosage of liquid nitrogen before the top of the can is pressed on so that the proper pressure is exerted on the can wall—avoiding a "squishy can."

"We just wanted to make something that was a little bit different than everything else out on the market, but also keep the quality high," said Schober.

To do that, they turned their attention to small lot, single variety wines sourced from some of the best vineyards in Napa, Mendocino, Lake and Sonoma counties. Sans Wine Co. currently offers a Rutherford Riesling, Napa Valley Cabernet Sauvignon and a Lake County Sauvignon Blanc, as well as a Mendocino Zinfandel, Carbonic Carignan and Rosé of Carignan.

The 2017 Zinfandel was sourced from **Poor Ranch Vineyard**'s Easter Block, a 2.6 acre block sitting at 900 feet in Hopland, California. After crush and fermentation, it aged in stainless steel tanks until it was canned about five months later.

"Our style is lighter and hopefully a pure expression of the variety, the vintage and the site. It's just for us, it makes sense to have lighter wines that are crisp, that tend to have higher acids and lower alcohol—especially since we're packaging in 375 ml cans, which is two very healthy glasses," said Stover.

This style of Zinfandel, Schober said, is enough to change even the most stubborn of minds. Once, while on a sales call in Maryland, she met a sommelier who was dead-set on what a California Zinfandel would taste like: too oak-driven, too high in alcohol and too overwhelming. "I told him, 'Just try ours, it's stainless steel, it's picked a little bit lighter—just try it. Maybe you will hate it, too.' He was blown away and it was one of his favorites out of the line-up, which for me, that's a winner right there, just to hear someone say that and to change someone's perception about what they're trying and seeing it for what it is."

Sans Wine Co. currently has six different single-vineyard, single-variety wines and plans to continue to add more. Smaller lots and higher quality wines will continue to be their focus but, at some point, there is an interest in providing more entry-level brands and growing production in that manner.

"To be able to produce higher-end, more focused wines and then also allow a slightly less expensive, but still premium quality wine that ends up in entry-level packaging that we can get out into the wholesale market is the goal," said Jake. From there, opening up their own tap and tasting room and production facility would be ideal.

"We're not trying to replace bottles in any way. Cans can be really accessible and convenient and make a lot of sense," he said. "We're trying to make pure expressions of these varieties. Just because it comes in a can doesn't mean that it has to taste bad."

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## WBM HOTBRANDS



## Next Generation Moves Growing Operation into the Cellar

Sangiacomo Family Wines, 2016 Sonoma Coast Pinot Noir

The **Sangiacomo** family has been farming in Sonoma County for more than 90 years, but it is this newest generation that is making the leap from grower to grower and vintner.



The story of Sangiacomo Family Vineyards is well-known throughout Sonoma County. In 1927, the grandfather of current owners and siblings Mia Pucci, Mike and Steve Sangiacomo came over to the United States from Italy, purchased a 52-acre fruit tree orchard in Sonoma before marrying their grandmother later that year and then started a family. "The joke is that with every kid that he had he would buy more ranches," said Steve. The orchards of apples, prunes, cherries and pears, grew

to over 300 acres in the 1960s. They worked directly with canneries in order to preserve the large amount of fruit harvested.

It wasn't until the 1960s that a blooming friendship with the Kunde family led the Sangiacomos to plant their first vineyard, **Green Acre Ranch**. As fresh fruit became more popular consumers, as well as more accessible, canneries began to shut down. The Sangiacomos then decided that, in order to maintain their multi-generational business, they had to pull out the orchards and replace them with grape vines. They then sold the fruit to enterprising winemakers around the county.

"Thankfully, as our family made the transition, the wine industry started to grow, started to take off in the '80s, then as we know with what happened after the 60 Minutes special, wine just exploded," said Steve. "We were lucky to have some clients that had some really upstart brands, and we were able to grow with them."

As the California wine market grew, so too did the Sangiacomo vineyard holdings. Today, the family owns 1,600 acres spread over 14 vineyards. In the early 1990s, they purchased 200 acres in Petaluma; in 1999 they moved into the northern end of the Petaluma Gap and planted **Roberts Road Vineyard** in Cotati and Penngrove. Over the last 10 years, they've replanted the older vines and are farming higher-quality grapes than ever before.

Over 25 years, the Sangiacomo's fruit has gone toward some pretty incredible wine brands. They've sold grapes to more than 85 wineries,

including: Artesa, Buena Vista Winery, Chappellet Wines, Flowers, Gloria Ferrer Caves & Vineyards, Landmark Vineyards, MacRostie Winery & Vineyards, Ravenswood Winery, Saintsbury, Schramsberg Vineyards, WALT Wines and many more.

Now, the time is right and the third-generation of the Sangiacomo family is ready to move into winemaking in order to secure the future of the family business for the fourth generation, the oldest of which is 19 and youngest just nine-years-old.

"We have done so much replanting that the quality of our fruit was getting better and better every year. We had a good handle on that. A lot of our other partners and wine brands were making great wines and it coincided that James at that particular time was available," said Mike.

He's referring to James MacPhail, a celebrated winemaker who had previously worked with the Sangiacomos on their Roberts Road vineyard. They brought MacPhail in to serve as winemaker for their own brand, Sangiacomo Family Wines.

The 2016 inaugural vintage is their entrance to this market, of which they produced just 800 cases—400 Pinot Noir, 300 Chardonnay and 100 Cabernet Sauvignon—all made from estate grapes grown across Sonoma County. The goal is to showcase Sangiacomo grapes under a Sangiacomo label, as a complement to the brands made from Sangiacomo Vineyards, and it is their 2016 Sonoma Coast Pinot Noir that Wine Business Monthly chose for its Hot Brands list.

In producing this particular wine, MacPhail and the Sangiacomos were looking to show the diversity of their Sonoma Coast vineyards.

"I've always loved Pinot that has multiple layers to it and could be very layered within a specific site. That's the beauty of Pinot. I think that it's much more of a cerebral wine than others, and you get that from all these different sites that they have. Out of the 1,600 acres that they have, you can bounce around from Lakeville Highway, to Penngrove to Sonoma Valley and each one gives and element that you would want in a wine," said MacPhail.

As part of the launch, the siblings built a tasting room/administrative building, a place where people can congregate and learn more about the family, the vineyards and the wines.

"The whole idea is to get people here, to learn about our family and get a feel for who we are as farmers. Obviously our passion for grape growing, which has lasted 90 years, has now expanded," said Steve.

"There has always been a part of us that's really into wine, which we're excited about, and to have the consumers understand and experience our artistic expression with our fruit in the bottle."



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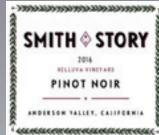
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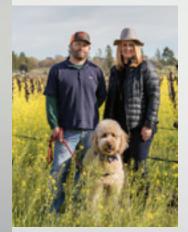




## Couple Kickstarts All-American Wine Story

Smith Story Wine Cellars, 2016 Helluva Vineyard Pinot Noir

Amidst any number of app, animation or product projects, pitches for documentary production funding, or calls for support in self-publishing, one enterprising couple found a loyal new base of friends, investors and future customers on **Kickstarter** and built a brand known by many as the "All-American Wine Story."



Smith Story Wine Cellars, founded by Alison Smith-Story and Eric Story, was one of the first new wineries to be crowdfunded in 2014. Through Kickstarter, they were able to raise more than \$26,000 in just 30 days and begin purchasing grapes, equipment and collateral to start their own wine brand.

Between the two, they have 40 years of experience helping others in the wine industry: He as a buyer for **K&L Wine**Merchants and she as the creator of a sales and marketing agency that helped

other owners build brand equity. Both had opportunities to travel to renowned winemaking regions across the globe, soaking up knowledge with every vineyard and every cellar they visited. In 2003, while helping plant a new vineyard in the Anderson Valley with his colleagues, Story decided it was time to take a sabbatical and went to Germany to work a harvest, now making the wines he was previously tasked with purchasing for the Bay Area retailer.

The two eloped in 2013 and industry friends, knowing the couple's passion and understanding for wine, suggested they start their own winery. "We were told, 'You've been making millions of dollars for others over the years. You've got this,'" said Smith-Story. "We knew what it took: how to put it together, how to sell it, how to make it. We didn't have \$5 million in start-up."

They turned to Kickstarter. Instead of asking for a large sum, they used the crowdfunding platform as a marketing opportunity, creating a campaign to let backers know that this was a farmers-first operation—not a couple buying bulk wine and slapping a cute label on the front—begun by a husband and wife set on creating the best wines they could. "Everything about our label is personal. Our story is personal, how people help us is personal, our relationship with our growers, cellar crews, sales teams and more is personal," Smith-Story said.

Smith-Story has remained transparent, keeping those initial backers—and anyone interested—up-to-date on just how that money was used. Through "The Chapters" section of the website, she keeps them appraised of all that happens behind the scenes.

In 2018, they celebrated their fifth harvest. In five years, the brand grew from zero to 4,000 cases, mostly sold direct and all powered by storytelling and consumer reviews.

Those 4,000 cases consist of some of the best grapes the Anderson Valley and Sonoma County offer, she said, sourced from vineyards that inspired their Old World focus. The Helluva Vineyard is a standout for the two. "Helluva Pinot Noir brings it back to our heart, the Anderson Valley," she said. "I've loved the '14 and the '15 but the '16 is just a doll. It's such a gorgeous, energetic wine," she said, and Wine Business Monthly agreed, choosing the 2016 Helluva Vineyard Pinot Noir over some other stunning wines for its Hot Brands list.

The wine is made at **Grand Cru Custom Crush** in Windsor, where the couple brought on **Katy Wilson** as a consulting winemaker. "We knew enough about winemaking to know we needed someone to check our work," said Smith-Story. Story leads the winemaking side, manages the vineyard relationships and crafts wines that are reminiscent of his time spent in Europe, though distinctly Anderson Valley and Sonoma County.

"It's an Old World style California wine. A lot of times the sommelier trade focuses on the brilliance of Europe," she said. "It's not lost on us that California is more of a geological wonderland, with diverse terroir, micro-climates, elevations and so much land in general to make good wine from."

Smith Story Wine Cellars sources from approximately 14 sustainably farmed vineyards across Mendocino and Sonoma counties, some of them organic, but Anderson Valley holds a special place in her heart. She calls it a wine collector's and wine lover's valley, something she doesn't see changing. It's a gorgeous tucked-away location, 30 minutes from the Mendocino Coast that has managed to keep its private and intimate feeling—it's not a place for mega-winery party buses.

Up next for the All American Wine Story: they're considering building up their hospitality presence with a purchase of land and the construction of a modern tasting room with guest house/lodge. Smith Story recently hired its first full-time employees: a national sales director, to help tell their stories through wholesale partners and bring Smith Story wines to a broader audience, as well as a director of hospitality to elevate their presence in Sonoma County with winery tours and tastings at the winery in Windsor.

The Storys have also received equity funding from a female private investment group. They connected to Smith Story via each other's **Instagram** profiles as well as the couple's dog, **Lord Sandwich**. The goldendoodle winery dog became an incredible force for the brand, with more than 65,000 followers on the social media platform, encouraging visitors from around the world to journey to the Smith Story tasting room. He even has his own charity, Socks for Sandwich: for every bottle of Lord Sandwich wine sold, a new pair of socks is given to a human in need.

The next chapter of Smith Story Wine Cellars looks bright. WBM



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#### winemaking

## **Technical Spotlight ZD Wines** Fifty years of innovative family winemaking



Stacy Briscoe

Stacy Briscoe joined Wine Business Monthly in 2018. She has been writing about wine professionally since 2015, freelancing for multiple publications including The San Francisco Chronicle, Edible Communities and Napa Sonoma Magazine, among others. She also maintains her own website, BriscoeBites.com, dedicated to wine reviews and tasting notes. Outside of wine writing, she also contributes as a freelance editor for the independent publisher She Writes Press. Stacy has a Bachelor of Arts degree in English-Language Literature from the University of California, Santa Cruz.



"I GUESS WE CAN start with Zero Defects," said Brandon deLeuze, winemaker and third-generation owner of ZD Wines in Napa, as he began to tell the story of his family's winery. deLeuze's grandfather, Norman deLeuze, alongside friend and colleague Gino Zepponi, founded ZD Wines back in 1969. The two men were in the aerospace industry, building one of the nation's first rocket engines at Aerojet in Sacramento.

The name ZD is a nod to their career at Aerojet. "ZDs were posted all around that plant, which stands for 'Zero Defects,' a common quality control program," Brandon deLeuze said. Zepponi and deLeuze's industrial engineering, forward thinking and dedication to zero defects transitioned into their careers as winemakers, making ZD Wines' name synonymous with its product.

As the story goes, deLeuze and Zepponi bonded over their mutual love of wine, ultimately deciding to invest \$3,000 each to start their own label. "They started on a shoestring," Brandon deLeuze said. "They got a couple of used brandy barrels, shaved them down and toasted them. They purchased some pumps that were broken and fixed them."

For the first 10 years, the two men kept their day jobs while sourcing Pinot Noir and Chardonnay grapes from whatever vineyards in Carneros they could afford, producing wine in a small barn building they rented just off of Burndale Road. The first wine produced by ZD, a 1969 Pinot Noir, is of historical significance: it was the first wine to recognize Carneros on the label, reading, "Made in Sonoma from grapes grown in the Carneros region of Napa." Carneros was not declared an official AVA until 1983.

#### **Key Points**

- Winery remains 100 percent familyowned and -operated after 50 years
- Organic farming practices in place since 1979
- The deLeuze family designs and manufactures key pieces of winemaking equipment
- Celebrating anniversary with first release sparkling wine

"The way the winery grew the first 10 years was they didn't take any money out," deLeuze said. "All the money they made went right back into the winery." In 1978, Norman deLeuze decided to "take on" the winery as ZD's first full-time employee. "It took him one year to find a bank that would invest in him," deLeuze said.

Norman deLeuze played the part of winemaker for "the first many years," said Brandon deLeuze. When his father Robert deLeuze, Norman deLeuze's son, became head winemaker in 1983 at the age of 21, he was the second full-time employee at ZD Wines (and the youngest winemaker in Napa Valley at the time).

Zepponi, meanwhile, worked as the general manager at Domaine Chandon. "He actually made the automated riddling system they still use today," deLeuze said.

When Zepponi died in 1985, Norman deLeuze and his wife, Rosa Lee deLeuze, bought Zepponi's shares in the ZD Wines' business. Norman and Rosa Lee deLeuze have since passed on, but the second generation has taken the helm, with Robert deLeuze acting as CEO and director of winemaking and his brother, Brett deLeuze, as president. ZD Wines remains 100 percent family-owned and -operated.

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### Technical Spotlight ZD Wines

#### **Organic Vineyards, Eco-friendly Winery**

After Norman deLeuze secured that first loan in 1979, he purchased the current estate property on Silverado Trail along the eastern bench of Rutherford. It was a blank slate—no building, no vines. "My grandpa and my dad literally had carpenter belts on that first year and built this winery," deLeuze said during a tour with *Wine Business Monthly*.

That first year, the two deLeuze men also planted the estate's 3.2 acres of Cabernet Sauvignon vines. Brandon deLeuze can't say when the first official harvest was for the family's Rutherford property since winemaking doesn't focus on vineyard designate wines. "Being that we came from winemaking and not vineyard ownership, we learned early on that we can make superior wine through blending," he said.

Today, about one-third of ZD Wines' total grape sourcing comes from their estate vineyards, which also include 23 acres of Chardonnay and 6 acres of Pinot Noir from their ZD Carneros Estate Vineyard purchased in 1996. "We have probably a dozen Cabernet Sauvignon growers, four or five Chardonnay growers and two Pinot Noir growers outside of ourselves," deLeuze said.

ZD's "legacy," deLeuze said, is getting every one of those growers to convert to 100 percent organic and certify as such through California Certified Organic Farmers (CCOF), which they officially accomplished as of 2018. ZD Wines' estate vineyards are 100 percent organic and have been from the first Rutherford planting in 1979. "My grandpa was just really into that," deLeuze said. ZD Wines' estate vineyards officially certified organic with CCOF in 1999 and today is also certified by Fish Friendly Farming, Napa Green Winery and California Certified Sustainable Winegrowing.

As part of their organic vineyard management practices, the deLeuzes created their own aerobic biological digesting wastewater unit in their Rutherford estate vineyard. The wastewater system utilizes naturally occurring aerobic microorganisms to consume the organic matter and nutrients in the winery's wastewater before using it to irrigate the vines.

The system derived from an original self-contained unit by **Techqua**, purchased in 2003. "This unit did not work," deLeuze said. "The Techqua had two aeration tanks, totaling 1,800 gallons. Since then, we've upgraded the system multiple times." The new "supercharged" system now contains a 10,000-gallon tank with a new membrane bio reactor (MBR) membrane filtration cartridge unit (by **Lyve Systems**), a 6,000-gallon effluent holding tank and two 3,000-gallon irrigation tanks. "The system was put together by us with advice from multiple wastewater specialists," deLeuze said. **Gary McCollum of McCollum General Engineering** in American Canyon, Calif., installed the tanks.

Since the ZD Wines' Carneros Estate Vineyard does not have a wine-making facility, it does not use a wastewater system. The vineyard is, however, plumbed into recycled water from **Napa Sanitation** and runs on 100 percent solar power.

ZD Wines also utilizes 99.9 percent bio diesel tractors in both its estate vineyard locations. "It is made from renewable sources, such as cooking oil. We use this as part of our effort to minimize our use of petroleum," deLeuze said. "The major downside is the delicious smell of french fries is an appetite stimulator."

Variable capacity tanks ferment red wines "hot and fast" at 90°F.

The environmentally-conscious decisions also expand into the winery. The 26,000-square-foot building, which includes both the production and hospitality areas, are 100 percent solar-powered since 2007. The Rutherford winery is home to 712 solar panels, manufactured by Sanyo, estimated to remove 233,224 pounds of CO<sub>2</sub> from the environment annually.

Recycling is also big at ZD Wines. "We are able to recycle nearly all our waste, including shrink wrap, Styrofoam, cork, tin, etc.," deLeuze noted. Wine shippers are made from cardboard, sourced from WineShield by PakSource, and packing material is made from paper provided by Sealed Air's Pack-Tiger Cushioning System. Other eco-friendly details include integration of a high-efficiency air compression system, utilizing multiple stage systems and variable frequency drives; a night air exchange system, decreasing the use of air conditioning; and electrical vehicle charging stations for both employee and guest use.

#### Winemaking

ZD Wines currently produces 30,000 cases annually. "We were steadily growing production over the years until we hit the 30,000 mark. Then we plateaued, simply because we hit the limit of our permit," deLeuze said. In 2017, the family petitioned for, and received, an increase to a 50,000-case production permit. "We chose that number because we can make that here with our current staff," deLeuze said, explaining that they choose to keep the winemaking team small, with Robert deLeuze, director of winemaking; Chris Pisani, senior winemaker; Chad McComber, cellar master; Greg Chouinard, cellarman; and Brandon deLeuze, winemaker. "We don't even take on any interns," he added, "which means we really are doing all the work ourselves."

All grapes are hand-harvested at ZD Wines. "We've done trials with mechanical harvesting, but we haven't seen great results," deLeuze said. The problem, he explained, is that mechanical harvesting is most successful in vineyards that use vertical shoot position (VSP) trellising system. "We've had a lot of success with the larger canopies. We don't do a lot of high-density hedging—we let vines become large if they want to become large," deLeuze said.

#### WHITE WINEMAKING

Robert deLeuze established ZD's winemaking style early on, according to Brandon deLeuze. "At the time it was considered completely, atypically ripe and fruit-forward," he said, specifically speaking to the white winemaking program: Chardonnay grapes are picked at about 25° or 26° Brix in order to maintain a riper expression of the typically subtle white grape.

Grapes are sorted in a receiving hopper, designed by Brandon and Robert deLeuze, fabricated and engineered by Nick Wolff of Wolff's Welding & Fabrication in Sonoma. The hopper can accommodate a half-ton of grapes (the same amount accommodated by the receiving bins) and includes an ultrasonic sensor that ensures the hopper stays filled without overflowing: The sensor is able to see the fill height and automatically controls the speed of the conveyor belt with variable speed controls.

The fluidity of the machine, deLeuze noted, allows him to single-handedly process 15 tons of grapes in under one hour.

The hopper separates stems from berries; stems are fed directly into a compost bin, and compost is then fed back into the ZD Wines' estate vine-yards. Grapes are crushed between two pressure rollers. "If we want, we can open the rollers up and include whole berries," deLeuze said, adding that whole berry inclusion is reserved for certain batches of Pinot Noir and smaller production red wines.



ZD WINES

#### **NEW CONCRETE TANKS**

In 2018 ZD Wines purchased two 240-gallon concrete fermentation tanks, custom made by **Sonoma Cast Stone** in Petaluma, Calif. According to deLeuze, he'd tasted multiple concrete trials that he thought were "really good," and was enthused to try implementing them into both the red and white winemaking program at ZD Wines. "The nice thing about our family winery is I don't have to go to some board to ask permission for purchases," deLeuze said. "If there's something that might have an association with wine quality, I don't have to ask; I just get it."

So far, deLeuze has only run a "test batch" of Chardonnay in one of the tanks and said the resulting wine had "more pineapple on the aroma" compared to ZD's traditionally American oak-fermented white wine.

The plan is to use the new fermenters for the Chardonnay going into the 2018 Rosa Lee wine—a wine that changes from vintage to vintage but is always an "experimental" production.

Further adding to the experiment is the soil inclusion within the concrete tanks: one has soil from ZD Wines' Rutherford vineyard, the other from the Carneros Estate. Though there's not a large amount of soil inclusion, as the concrete needs to maintain its structural integrity, deLeuze is eager to taste test to see if he can detect any differences in flavor and aroma between the two tanks.

#### **ZD Wines**

8383 Silverado Trail, Napa, CA, 94558 | 707-963-5188 | zdwines.com

#### **OWNERS/PRINCIPALS**



Robert del euze CEO, partner



Brett del euze president, partner

#### **WINEMAKERS**



Brandon del euze winemaker



Chris Pisani senior winemaker



YEAR BONDED: 1969

WINERY CASE PRODUCTION: 30,000

average bottle price: \$50

#### VINEYARD INFO

VINEYARD: Rutherford VINEYARD ACREAGE: 3.2 acres APPELLATION: Rutherford AVA VARIETALS GROWN: Cabernet Sauvignon (3.2 acres)

**VINEYARD: Carneros Estate** VINEYARD ACREAGE: 31 acres APPELLATION: Los Carneros AVA VARIETALS GROWN: Chardonnay (23 acres); Pinot Noir (6 acres)

TONS USED VS. TONS SOLD: All used

SUSTAINABILITY CERTIFICATIONS: California Certified Organic Farmers (CCOF), Napa Green certified, Fish Friendly certified, Certified California Sustainable Winegrowing

SOIL TYPE: Rutherford – Perkins Gravely Loam; Carneros – Haire Loam CLIMATE: Quite pleasant

#### Building/Renovating the Winery (Production Area)

YEAR BUILT: 1979

SIZE: 26,000 square feet

ARCHITECT: Dave Bell (Norman deLeuze's close friend)

CONTRACTOR: Nordby Construction, Santa Rosa, CA, nordby.net

FLOORING: urethane concrete

SOLAR: Sanyo (now Panasonic), panasonic.net

OTHER KEY CONTRACTORS/SUPPLIERS USED:

Knight's Electric, Inc., Windsor, CA, knightselectric.com; Refrigeration Technology Inc., Middletown, CA, rti2000.com;

Reid Sheet Metal Services Inc., American Canyon, CA, 707-253-0909; Napa Valley Petroleum, American Canyon, CA, napavalleypetroleum.com

#### Making the Wine (brand/supplier, size, type)

RECEIVING HOPPER AND/OR VIBRATING SORTING TABLE: Custom design by ZD. Fabrication and engineering by Wolff's Welding & Fabrication, Sonoma, CA, wolffswelding.com

DESTEMMERS: Rauch A12

PRESSES: 2 Diemme AR 80 F Bladder presses, diemme-enologia.com

BARRELS: Cooperage Demptos, demptos.fr

Tonnellerie Radoux, tonnellerieradoux.com

Canton Cooperage, cantoncooperage.com

François Frères, francoisfreres.com

Tonnellerie O, tonnellerieo.com

World Cooperage, worldcooperage.com

**Tonnellerie de Mercurey**, tonnellerie-de-mercurey.com

Kelvin Cooperage, kelvincooperage.com

Paul Mueller Stainless Steel, paulmueller.com

PUMPS: Kiesel progressive cavity must pump, wine pumps: Jabsco,

Zambelli, Waukesha, Yamada air

FILTERS (IF USED): Bucher Vaslin cross-flow FM 40, Santa Rosa, CA, bvnorthamerica.com

Della Toffola high solids cross-flow lees filter, Santa Rosa, CA, dellatoffola.us

#### Building/Renovating the Hospitality Area

YEAR BUILT: 1992

YEAR RENOVATED: 2018-2019

ARCHITECT: Leong Architects, St Helena, CA, leongarch.com

CONTRACTOR: Bruce Tucker Construction, Napa, CA, brucetuckerconstruction.com

ENGINEER: MKM & Associates Structural Engineers, Rohnert Park, CA, mkmassociates.com

LIGHTING: Anna Kondolf Lighting Design, Fairfax, CA, kondolf.com

Christman Electrical Contracting, Napa, CA, christmanelectricalcontracting.com

FLOORING: North Coast Tile & Stone, Santa Rosa, CA, nctile.com

SOLAR: Sanyo (now Panasonic), panasonic.net

WASTEWATER: Developed by ZD Wines, starting with **Techqua Winery Wastewater Treatment System** 

#### Packaging

BOTTLING LINE: GAI, gai-it.com

GLASS: Saverglass, saverglass.com

Encore Glass, encoreglass.com

CORKS: Portocork Icon TCA free, portocork.com

CAPSULES: Ramondin, Napa, CA, ramondin.es

LABEL DESIGNER: Sterling CreativeWorks, Napa, CA, sterlingcreativeworks.com

LABEL PRINTING: Paragon Label, Petaluma, CA, paragonlabel.com

CASE GOODS STORAGE: Biagi warehouse, American Canyon, CA,

biagibros.com. In-house, ZD Wines

SHIPMENTS: In-house, ZD Wines



The destemmed, crushed Chardonnay then moves directly into one of the winery's two **Diemme** AR 80 F bladder presses via **Kannaflex** hoses. "The bladder press is a much more gentle way of pressing versus the 'old basket press," deLeuze said, explaining he prefers the slow process of the bladder's press-rotate routine, which allows him to get more volume and better quality juice from the grapes.

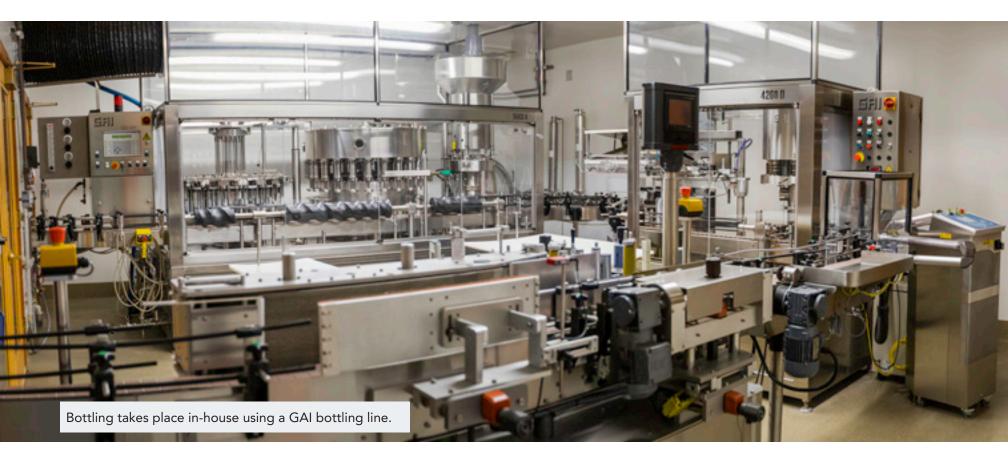
Pressed Chardonnay then moves directly to barrel for primary fermentation. This process takes over two months at ZD Wines since the barrels are stored in a cold room at 46° F. "That's the limit for yeast," deLeuze stated. "It's one of the things my dad instigated really early on: What is the lowest [temperature] yeast can handle? And he came up with this number." deLeuze explained that it's another tactic for maintaining the ripe fruit characteristic in the wine. "That character tends to dissipate at higher temperatures," he added.

Following primary fermentation, Chardonnay is immediately filtered in order to prevent malolactic fermentation. In the past, ZD Wines used

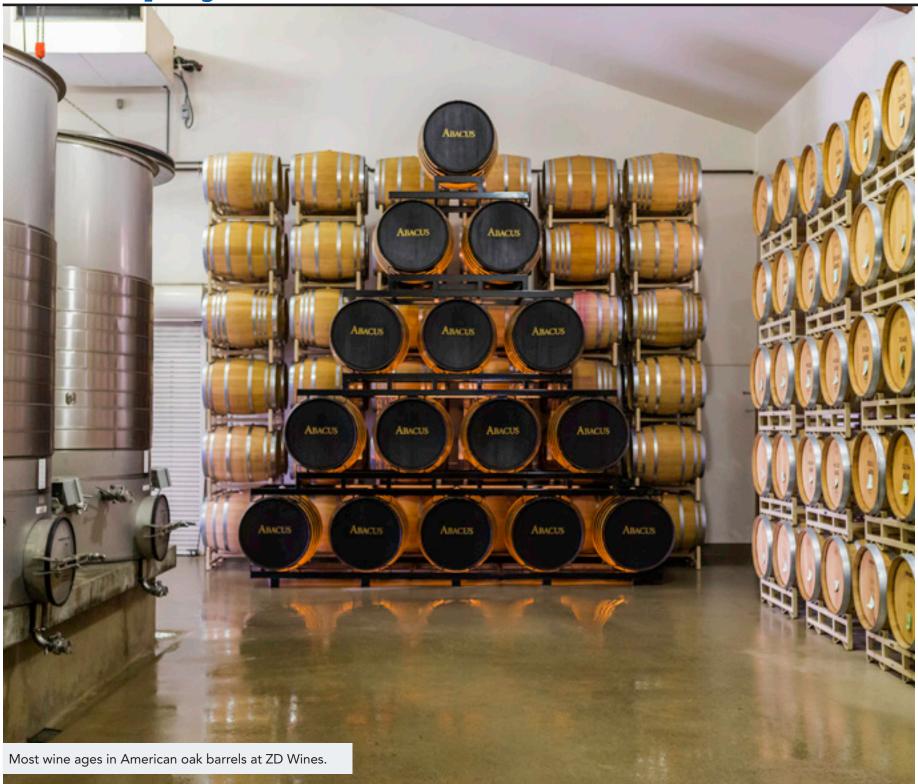
diatomaceous earth (DE) filtration—a filtration process that deLeuze and his team found unsanitary. In 2017 the winery purchased a "stupidly expensive" new **Della Toffola** high solids cross-flow lees filter. "It's more gentle, cleaner and more efficient," deLeuze said. "We usually send 20 percent solids lees to the unit, and it will recover 75 percent of the wine, kicking out the heavy solids with minimal juice or wine loss."

In keeping with ZD Wines' commitment to environmentally friendly winemaking, the leftover solids are sent to a local company that distills it into grappa.

ZD Wines' Chardonnay ages in 100 percent American oak (25 percent new) for 10 months; ZD Wines' Reserve Chardonnay ages for 15 months but is moved to all neutral barrels for the last five months. The choice to use American oak over French oak is another tradition passed down from deLeuze's grandfather, stemming from the days when he and Zapponi could only afford to purchase and refurbish used brandy barrels. Thus, when ZD



### **Technical Spotlight ZD Wines**



Wines could afford wine-specific barrels, they turned to American oak. The result, for Chardonnay, is a wine with a soft, rounded mouthfeel and vanillin characteristics that uplift the wine's floral aromas and fruit flavors.

#### **RED WINEMAKING**

Red grapes are mostly destemmed, with a small percentage of stem inclusion in the Carneros Pinot Noir, and then moved immediately to tank for primary fermentation. The process only takes five days for Cabernet Sauvignon. "We're hot and fast," deLeuze said, explaining that the variable capacity, open-top fermentation tanks, complete with glycol jackets, are kept at 90° F.

deLeuze said his father and grandfather originally employed this technique out of necessity. "We only had so many tanks, and we were bringing in so much fruit. We had to ferment and move on," he said—no cold soak, no extended maceration.

Today, deLeuze and his winemaking team believe that the technique is still the best one, especially when it comes to their Cabernet. "The big deal with Cabernet is the fermentation temperature and time on skin—that all dictates how much 'stuff' you get out of the skin," deLeuze said. "The waxy layer around the grape seeds starts to break down after seven days—then you're in full-on extraction mode. We try to beat that," he said.

Pinot Noir also ferments at 90° F but is left on its skins for seven days, simply because the tannin structure is more delicate.

Cabernet receives punch-downs three times daily, the Pinot Noir four. All punch-downs are conducted using a pneumatic punch-down arm, designed by Robert deLeuze and manufactured by **Elect Air** in Fontana, CA. The device is hooked to an I-beam, fabricated by **Morris Welding** in Pope Valley, CA, that runs along the roof of the winery, allowing it to reach any one of ZD Wines' seven open-top fermentation tanks. The length of the arm extends nearly the entire length of the 3,200-gallon tanks.

Similarly, lids, designed by deLeuze's grandfather, can accommodate the tanks' variable capacities. Each lid includes a kind of rubber suction around the perimeter; one simply has to lower the lid to the level of the wine, inflate the rubber and the lid stays.

Once fermentation is complete and the wine pressed, again using the Diemme AR 80 F bladder press, the Pinot Noir ages in French oak (30 percent

#### **CELEBRATING 50 YEARS WITH SPARKLING WINE**

With the enduring innovative spirit of his grandfather in mind, Brandon deLeuze, who was newly appointed to the winemaking position at his family's winery in October 2018, spearheaded a sparkling wine experiment in celebration of ZD Wines' 50th anniversary. "My father calls this project 'an industrial distraction,'" deLeuze said. "It's a lot more work for us than still wines."

The Blanc de Blanc is made from Chardonnay grapes from two separate early pickings from the **Carneros Estate Vineyard**, with grapes picked at 18° and 19° Brix to allow for blending options. The sparkling wine, made in the *methode traditionelle*, required a custom gentle press cycle from the Diemme AR 80 F bladder press. The

ZD Wines' winemaking team hand-riddled the wine using A-frame riddling racks purchased from **Premier Wine Cask** in Napa, CA. "We also had to borrow a wood tirage from a neighboring winery to do the traditional aging in the box," deLeuze said.

ZD Wines turned to a mobile service for dosage and second bottling. **Keith Hock**, former winemaker at **Schramsberg Vineyards** in Calistoga, CA, added a mobile bottling service specifically dedicated to sparkling wine to his wine consulting business, **Hock Wines**. "Keith has been a great partner while producing our first sparkling wine," deLeuze said. "His ability to bring the needed specialized bottling equipment to ZD enabled us to do every step of the winemaking at ZD and ensure our established style translated into this new product."

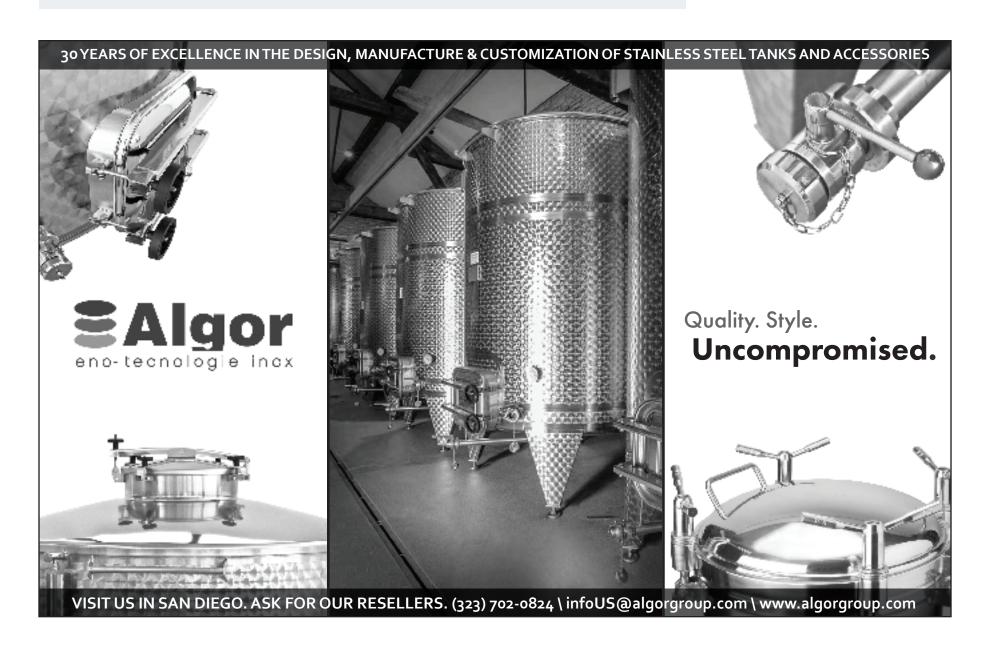
Though deLeuze said the sparkling wine is technically a one-off experiment in celebration of ZD Wines' 50th anniversary, he did divulge that there's a reserve Pinot Noir-Chardonnay sparkling in the works to be released in 2019.

new) for 10 months (or 15 months for the reserve), and Cabernet ages in 100 percent American oak (15 percent new) for two to three years.

Red wines are typically blended before undergoing cross-flow filtration, "but for us there are no rules in terms of order," noted deLeuze.

Bottling at ZD takes place in-house on a **GAI** bottling line, complete with a 20-head nitrogen purger, 24-head filler, 4-head corker and an 8-head foiler, which has autofoiling capability. The line also includes an **Impresstik** labeler, an **Xymark** laser etcher, which puts time and date of bottling onto the bottom of the bottle, and a **Squid Ink** industrial inkjet printer for applying the vintage to the box.

"Bottling sucks," deLeuze said. "That's why most people prefer mobile bottling—they don't want to deal with it. But for us, it's a quality control point—we want total control [Zero Defects] from start to finish." WBM



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#### Partial list of wineries in attendance at IQ 2018

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Capricho Winery Carneros Hills Winery -Jackson Family Wines Celia Welch Consulting Chamisal Vineyards Chateau Montelena Winery Chateau Ste. Michelle Chez Julie S Clarksburg Wine Co. Clos du Val Col Solare Winery Colantuoni Consulting Conn Creek Continuum Estate Corra Wines Dakota Shy Wine Co. Dalla Valle Vineyards **Daniel Baron Consulting** DAOU Vineyards & Winery **Darioush Winery Davies Vineyards** Deerfield Ranch Winery Del Dotto Vineyards Delicato Family Vineyards **Dobson Family Wines Domaine Carneros Duckhorn Wine Company Dutcher Crossing Winery** E&J Gallo Winery Edwards Vineyard & Cellars Eisele Vineyard **Eklund Wine Company** Eleven Eleven Winery Elizabeth Spencer Winery **Erath Winery Euclid Wines** Far Niente Winery Farella Vineyard Farm Collective Winery

Favia Wines Fearless Wines Fernray LLC dba Coursey Graves Fidelitas Winery Fiftyrow Vineyards Folio Fine Wine Partners Francis Ford Coppola Winery Frog's Leap Gamble Family Vineyards Garden Creek Ranch Vineyards Winery Goldline Brands Hahn Family Wines **HALL Wines** Halter Ranch Vineyard Herb Lamb Vineyards Heringer Estates Vineyards **Hess Collection Winery** Honig Vineyard & Winery House Family Vineyards **Hudson Wines** Hundred Acre Wine Group Hyde Estate Winery Hydeout Sonoma J. Lohr Vineyards and Wines **Jackson Family Wines** Jarvis Estate Jericho Canyon Vineyard **Joel Gott Wines** Jollymour Wines Joseph Phelps Vineyards Justin Vineyards & Winery Keenan Winery Keever Vineyards & Winery Kendall-Jackson

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Pellegrini-Olivet Lane Pernod Ricard Winemakers Pisoni @ Lucia Vineyards Pisoni Vineyards Plata Wine Partners PlumpJack Winery Porter Family Vineyards Pride Mountain Vineyards Quinta do Tedo Quintessa Quivira Vineyards Ramey Wine Cellars Rancho Sisquoc Winery **Rarecat Wines** Raymond Vineyards Realm Cellars **Red Rooster Winery** Ridge Vineyards Robert Biale Vineyards Robert Craig Winery Robert Keenan Winery Robert Mondavi Winery Rocklands Farm Rodney Strong Vineyards Rombauer Vineyards Rosa Fierro Cellars Round Pond Estate **Rowland Cellars** Rudd Oakville Estate Saintsbury Sandhill Winery Scheid Family Wines Schramsberg Vineyards Seghesio Family Vineyards Senders Wines Zialena Winery Sequoia Grove Vineyards Signorello Estate Silverado Vineyards **Smith Devereux Wines** Sonoma-Cutrer Vineyards

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## **Sponsorship Opportunities**



#### **Winemaker Trials**

## Velocity Winemaking via STARS-XF Technology Realizes Major Cost Savings

When this unit reduced overall processing time from 14 days to just 12.5 hours, The Hess Collection's winemaker wanted to see just how it could reduce her energy and labor costs as well.

Michael S. Lasky

**Michael S. Lasky** is the former editor of *AppellationAmerica.com* and is the author of hundreds of articles for national magazines and newspapers.

WINERY: The Hess Collection

WINEMAKER: Alison Rodriguez

**OBJECTIVE:** To evaluate time/energy cost and quality of STARS-XF versus cold-stabilization followed by cross-flow microfiltration.

**SUMMARY:** First, stabilize and filter 3,000 to 6,000 gallons via traditional cold stabilization followed by cross-flow filtration for the control, while simultaneously filtering and stabilizing the same amount via STARS-XF. Minimum wine volume requirements for the trial: 2 pounds per 1,000 gallons of KHT and 4 pounds per 1,000 gallons of KHT; 3,000 to 6,000 gallons for STARS-XF.

#### The trial targets are:

- $\bullet$  XF:  $\sim$  0.2 to 0.45  $\mu m$
- Stability: Stability target of less than 3 percent change of conductivity via Davis Test (0° C, 30 min 15gr/L of KHT)
- Four cases of before and after samples for both XF and traditional cold stabilization

Based on a previous trial, and pending results, this trial should show that STARS-XF significantly decreases stabilization time (microbial and tartrate stability) by approximately 80 to 95 percent, offers potential advantages by eliminating wine losses, multiple tank transfers, color and phenolic loss, as well as the need for seeding and diatomaceous earth/pads/cartridges, and provides an overall faster processing speed.

Lot 1: Chardonnay, cold-stabilized, followed by racking and cross-flow filtration

**Lot 2:** Chardonnay, single-pass cross-flow filtration and tartrate stabilization via STARS XF



ALISON RODRIGUEZ With a degree in viticulture and oenology from the University of Applied Sciences in Geisenheim, Germany, the Baton Rouge, Louisiana native moved to California in 2006, working for Gallo, Acacia, Sterling and Beringer Vineyards in different positions at each winery. Alison joined The Hess Collection in 2016, specializing in bright white varietals and Cabernet Sauvignon from limited 200 case icon wines up to much larger commercially available cuvées, like the Monterey Chardonnay used in this trial.



LABORATORIES

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## Winemaker Trials Velocity Winemaking via STARS-XF Technology Realizes Major Cost Savings

**CONCLUSION:** Previous data show that overall processing time was reduced from six weeks to just 12.5 hours in the case of a Chardonnay and from 14 days to 12.5 hours in the case of a Pinot Noir. The main time savings were attributed to long cold stabilization time. STARS-XF showed some color improvement for a Pinot Noir sample and no change on a Chardonnay. It was noted that STARS allowed for greater adjustment of final pH level(s). STARS, combined with reverse osmosis, lowered water consumption by approximately 70 percent from 12 percent to 3 percent of total wine volume processed.

**Note:** The trial was made possible by **Oenodia** (*oenodia.us*), which loaned the STARS-XF equipment to The Hess Collection for its evaluation of a possible purchase and to conduct the trial as part of that evaluation. [Comments from Oenodia are included following the postmortem.]

#### Winemaker's Postmortem



## What led to the creation of this trial?

Rodriguez: What really started it is our cross-flow that's about 15 years old. We needed a new one and have been exploring our filtration options, and it just seemed like a natural progression to look at filtration plus cold stabilization. If you can achieve both of those in the same pass, that's pretty efficient. What I did for the actual IQ trial was compare the STARS XF versus our regular cold stabilization and our regular cross-flow. I also tested out several other cross-flow iterations as well, which were not included in the trial.

I should probably say is it's almost like a misnomer to call it cold stabilization. It's actually tartrate stabilization because we never drop the temperature of the wine using STARS technology. So, to the best of my knowledge, this is the only set-up out there that can get your wine tartrate stable and basically bottle-ready in one pass.

#### How much fruit was ultimately involved?

**Rodriguez:** We stabilized two 25,000-gallon tanks of Chardonnay. This is fruit that is headed to our Monterey Chardonnay program, which comprises the largest fruit allocation in our portfolio.

## Considering the size of the lots, isn't that a large investment to risk on an experimental trial?

**Rodriguez:** I think both technologies involved and the STARS XF are well-adopted by our industry. Cross-flow, on its own, is a proven technology and has been for many years. And STARS is a proven standalone technology that has been adopted by the industry, I'd say for at least the past 10 or 15 years. So, I didn't really feel like it was a big risk, considering both of those technologies are so normal. It was just really taking a look at what could we do. By combining the two technologies, would we really save in terms of time, in terms of energy, in terms of water, in terms of labor and in terms of wine? So, no, I didn't really feel like it was a big risk with how proven the technologies are.

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The Oenodia Stars-XF unit was a short-term loaner to The Hess Collection. Did the results of the trial convince you to purchase it?

**Rodriguez:** We are still evaluating our choices. I think the price is a little high. {The price quoted is in the mid- to high-six figures.]

## Does the price of the STARS XF machine compensate for the reduced processing time and other possible long-term savings?

Rodriguez: I think that depends on what your cost of labor is, and it also depends on what your individual days to stabilization are. I've worked at other wineries in my past where it took two weeks and sometimes more to stabilize a tank using traditional cold stabilization. Here at The Hess Collection, we can stabilize usually inside of a week. But commonly, I would say the industry standard is more like two to three weeks. For those wineries, it makes a whole lot of sense. Trying to cold-stabilize in the middle of summer for three weeks, for instance, if you're running cooling towers, you end up running a lot of water through your winery just to chill that wine down.

There is that expense and the general environmental factors that one must weigh in before making a final purchasing decision.

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# From the results of this trial what have you learned, and how will you use this knowledge in future winemaking?

Rodriguez: I've learned that the STARS-XF technology saves a lot of wine, in addition to energy and water. But I've learned that the quality level is absolutely comparable and practically indistinguishable from your regular cold stabilization. While we only had the machine in our winery for a few days, I saw that it is not a labor-intense system. Aside from hooking up the machine to your tank and then hooking it up to your receiving tank, having someone in place to push out the small amount of lees that flow through the cross-flow, there's not much to it, other than that—so, if you can run a regular cross-flow, you can easily run the STARS-XF machine.

Sometimes you have "lightbulb" moments in winemaking—and STARS is like that. I learned how fast and easy modern tartrate stabilization and filtration can be with STARS-XF, with no impact to wine quality, while saving time, energy, labor and water. Definitely a slam dunk from that perspective. This is technology I can easily imagine stabilizing our white wines in the \$15+ price segment in the market. At the moment we are still evaluating the exact configuration of STARS unit for our winery.

## **Explanatory Follow-up by Oenodia's Benoit Murat**

## OEN GOIN

## So why would a winemaker want the STARS-XF system?

**Murat:** There are several advantages of the STARS unit: one of the main ones is there is no wine loss. When they do cold stabilization, they can

lose between 1 and 2 percent of the wine. With the STARS unit you have no loss. This is because the system just pushes the wine through a membrane using connectivity, so that allows us to separate pretty accurately wine and water. It's not like a cross-flow filtration where you always lose some wine. With cold stabilization you will lose some wine because you'll have something at the bottom of the tank. But with the STARS unit you have no losses at all because it's just pumping the tank of wine from one tank to another.

On the Oenodia website it is touted that wineries need just a single operator to use it. What does a single operator do to get the system connected and running?

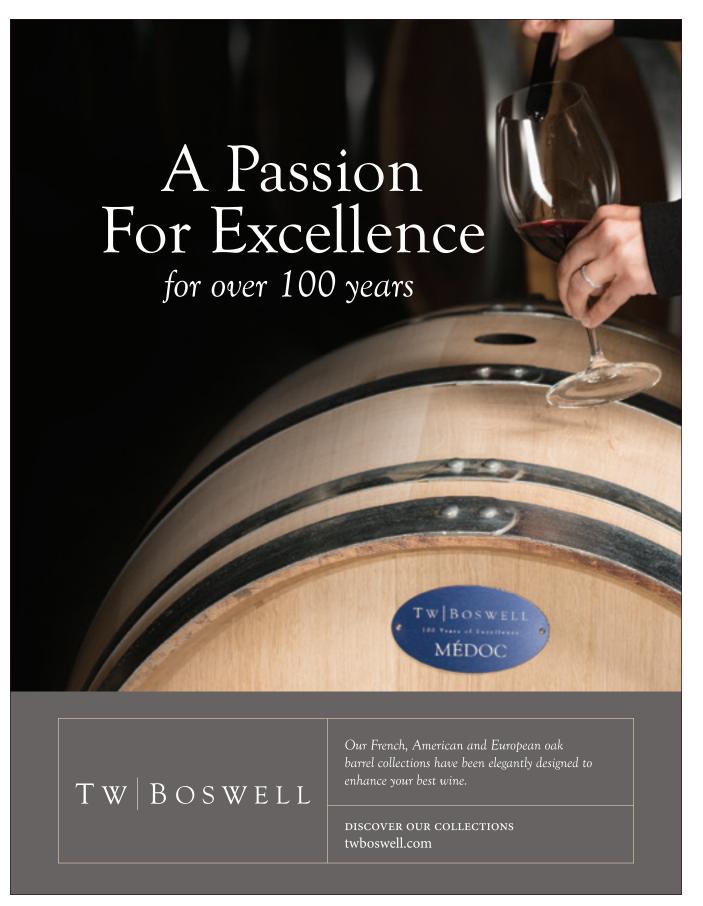
Murat: We have two different types of unit. One is a semi-automatic unit with a touch screen, and the operator must follow the instructions on the screen. It can take maybe 20 minutes to start: The operator starts the pump, opens the valve and closes the valve. But you just connect it from one tank to another, and then you will take probably 20 minutes to start. It then can run for 12 hours by itself before you need to clean it.

The other unit is a fully automatic one in which, basically, you just push the start button. Then the unit will do everything and will work for up to a week without anybody touching it. After 12 hours, the unit flushes itself, cleans itself and starts again without anybody doing anything.

## Point taken that this system saves labor costs. But does it save energy, too?

**Murat:** Yes, the main advantages of it are the savings of energy. We save 90 percent energy compared to cold-stabilization because cooling down the tank and keeping them cold for six, 10, 20 days uses a lot of energy. We save a lot of energy with that, and we also save a lot of water because a [traditional] cooling system uses tons of water. While the STARS unit uses some water, it is way less than the cold-stabilization.

Mostly also, we use no additives at all. You don't need to add anything to your wine. We just subtract iron, potassium and tartrate, but we don't add anything. We totally respect the product, and there's not any addition at all. **WBM** 



## ASEV Brettanomyces Symposium Recap Researchers, Winemakers Focus on Brett Control During Fermentation and Aging

Ted Rieger

Ted Rieger, CSW, is a wine journalist based in Sacramento, California and a writer for wine industry media since 1988.

#### BRETTANOMYCES BRUXELLENSIS,

known commonly as "Brett," is a yeast species generally regarded by winemakers as a problematic and unwanted spoilage microorganism in wine that causes undesired aromas and flavors. However, in some cases, its presence can contribute aroma and flavor characteristics perceived as positive, and it can contribute to complexity and quality in some wines.

A comprehensive exploration of current understanding about the genetic origins of *Brettanomyces*, detection and monitoring procedures, and management and control options was presented at a day-long **Brettanomyces Symposium** during the **National Conference of the American Society for Enology and Viticulture** (ASEV) in Monterey, California, June 19, 2018.

Symposium moderator and **UC Davis** enology professor emeritus Dr. **Linda Bisson** called *Brett* "the other yeast," and said, unlike Saccharomyces, which is solely focused on sugar, *Brettanomyces* does not have a single-minded focus. The products that *Brett* consumes and produces can be highly variable, based on strain and other factors. "It's like having a tiger for a pet," Bisson said.

She noted that winemakers and consumers have a love/hate relationship with *Brett*, depending on its influence on wine character and their perceptions of what it is. "Consumers have said they liked it when they thought it was a vineyard character, but they don't like it when they find out it's not," Bisson observed.



TED RIEGER

The ASEV Brettanomyces Symposium included a sensory sampling of Brett characteristics in red wines and a copy of "The Brettanomyces Aroma Wheel" for attendees.

#### **Brett Science and Characteristics**

*B. bruxellensis* was first identified in wine in the 1930s. It is often found in wine, along with lactic acid bacteria, and is more commonly associated with barrel-aged red wines. *Brett* can also exist in the vineyard, and some winemakers report *Brett* issues from specific vineyard sites across multiple vintages. Its impact on the aroma and flavor of wine and other beverages can be highly variable.



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**Ileana Vigentini** of the **University of Milan** in Italy presented a history of *Brett* science with a focus on its genetic and physiological diversity. Genetic profiling shows an extensive genetic biodiversity within the *B. bruxellensis* population. Vigentini said, "*B. bruxellensis* is a species that presents a high level of polymorphism at the genetic level. It's able to survive, adapt and grow in different and extreme environments." *Brett* is able to produce biomass from limited nutrients.

Brett growth promoters are sugars and yeast assimilable nitrogen (YAN). Brett inhibitors are sulfur dioxide (SO<sub>2</sub>), ethanol, low pH, low cellar temperature and lower amounts of nutrients. Brett produces volatile phenol compounds, including 4-ethyl-phenol (4-EP) and 4-ethyl-guaiacol (4-EG) that are used as markers in lab analysis to detect Brett in wine.

Descriptions of common *Brett* aromas in wine include: earthy, medicinal, horse sweat, leather, Band-Aid, metallic, burnt plastic/rubber, smoky, tobacco, barnyard, putrid, and floral and fruity characters, such as lilac and rose. "The *Brettanomyces* Aroma Wheel" was developed at UC Davis following investigations by researchers **Lucy Joseph**, **Beth Albino** and Linda Bisson and shows the wide range of aromas and flavors associated with *Brett* in wine. (*See August 2013* Wine Business Monthly, "*UC Davis Introduces Brettanomyces Aroma Wheel.*")

## Brett Detection, Sampling and Management

Dr. Richard DeScenzo, microbiology group leader with ETS Laboratories, provided an overview of *Brett* detection, lab analysis methods and measures to manage and control *Brett* based on his many years of working with winery clients. *Brett* detection methods include: microscopy; plating; monitoring 4-EP/4-EG and DNA-based molecular diagnostics, such as Scorpions, available from ETS. Considerations in detection/analysis choice include cost, time required to obtain results, test accuracy and the ability to perform testing in-house versus using outside lab services.

Proper sampling is critical for meaningful *Brett* detection and analysis. Controls are critical for accurate plating and PCR testing to avoid false positives and false negatives. When sampling, it is important to understand that stratification occurs over time in wine vessels. DeScenzo stressed the importance of stirring barrels to homogenize contents before extracting a sample and the need to sanitize the stirring rod before use in each barrel. If sampling from tanks, the tank should be rolled or mixed before sampling. DeScenzo emphasized, "Barrels and tanks are individuals. Consistent and representative samples are critical."



DeScenzo provided answers to questions he often receives:

Q: At what level can Brett impact wine sensory characteristics?

A: It's hard to give a definitive answer because every *Brett* strain is unique.

*Q: When does Brett produce 4-EP?* 

A: Some strains produce it immediately.

Q: What level of 4-EP will result in wine spoilage?

A: 4-EP and 4-EG are markers that indicate the wine has been in contact with *Brett* at some point during the winemaking process. More than 40 compounds are associated with *Brett* in wine. Negative *Brett* attributes are based on the metabolites produced, their ratios and the wine matrix.

DeScenzo recommended, "Have control or intervention methods available for rapid deployment when *Brett* is detected." These include: SO<sub>2</sub>, racking, filtration, reducing temperature (55° F and lower slows *Brett* growth), and the use of **Chitosan** or **Velcorin**, depending on the stage in wine production.

*Brett* blooms can occur in bottle. "There's no way to predict it. Low sugar levels at bottling do not protect against *Brett* growth," DeScenzo said. When *Brett* is present at bottling, options include filtration (0.45 microns) or the use of Velcorin, which provides control when *Brett* levels are less than 500 cells/ml.

For barrel sanitation, DeScenzo believes steam works best, and barrel stave exteriors must reach a temperature of 180° F before refilling. "The higher the level of *Brett* in the barrel, the harder it is to sanitize," he said.

DeScenzo summarized: "You manage *Brett*. It's extremely difficult to eradicate it. Determine at what population levels 4-EP/4-EG production occurs. Set target levels for intervention. Have a plan ready. Monitor as often as possible and routinely check."

#### **Brett in Pomace and Barrels**

Dr. Charles Edwards, professor of microbiology with Washington State University, Pullman, discussed recent research on *Brett* in winery waste/grape pomace, and on *Brett* contamination in barrels. *Brett* can survive in pomace placed in vineyards if enough nutrients and proper conditions exist. *Brett* in pomace can survive low temperatures for extended periods. Edwards recommends caution when disposing of winery waste. When composting pomace, this material should be heated to temperatures above 50° C (when inactivation begins) for a sustained time period. "We don't know as much about the transmission of *Brett* from pomace to grapes in vineyards, but we know *Brett* can be transferred by air," Edwards said.

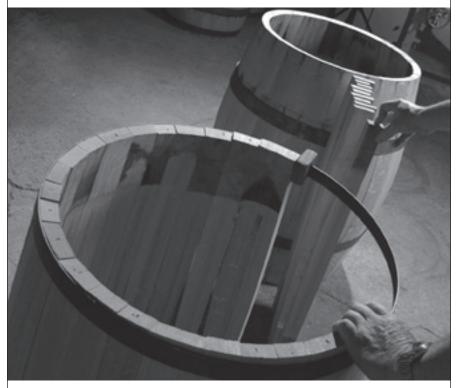
Studies indicate *Brett* can penetrate into barrel stave wood to 9mm, which is deeper than wine color penetrates the wood. *Brett* penetration is affected by oak species and toasting level. *Brett* tends to be present in higher levels around bung holes and more concentrated with deeper penetration in top staves closer to bung holes. It is difficult to reach and control *Brett* in barrel wood with antimicrobial chemicals.

Experiments performed on sections of oak staves indicate that steaming for a minimum of nine to 12 minutes is needed to control *Brett* penetration in wood. Research on the use of hot water for barrel sanitation indicates equivalent results with steaming for the following: 0 to 4mm cross-section depth—70° C for 20 minutes or 80° C for 15 minutes; 0 to 9mm cross-section depth—70° C for 30 minutes or 80° C for 20 minutes. "Time and temperature are critical. The higher the population, the more difficult it is to control, and it will require longer time and higher temperature," Edwards said. "All parts of the barrel must get up to proper temperature."



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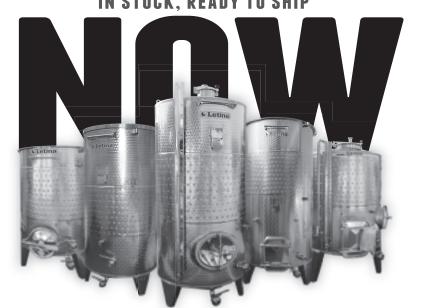
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#### Researchers, Winemakers Focus on Brett Control During Fermentation and Aging

Edwards suggested the use of multiple "hurdles" in winery practices to control Brett:

- · Avoid importing unfiltered wine into the winery
- · Avoid used barrels
- Use SO<sub>2</sub>, low temperature and ethanol levels to reduce favorable growth conditions
- Use filtration (0.8 micron absolute)
- Be careful when adding pomace to vineyards
- Have an effective cleaning/sanitizing program

#### **Brett Interactions with Oenococcus**

Dr. James Osborne, associate professor and enology extension specialist with Oregon State University, presented recent research on interactions between B. bruxellensis and Oenococcus oeni that indicates O. oeni can impact Brett growth and volatile phenol production during malolactic fermentation (MLF).

Studies have been conducted on the impact of O. oeni strains on volatile phenols produced by hydroxycinnamic acids in wine and the production of volatile phenol precursor compounds, such as p-coumaric acid, ferulic acid, coutaric acid and fetaric acid. Strains of O. oeni that are cinnamic esterase-positive and used for MLF in wine produced greater amounts of volatile phenols and higher levels of 4-EP. Based on these studies it is recommended that cinnamic esterase-negative O. oeni strains be used for barrel-aged red wines where the risk of *Brett* infection is increased. Relying on "native" O. oeni strains to conduct MLF may increase the risk of *Brett* wine spoilage because it is not known whether the O. oeni strain that conducts MLF is cinnamic esterase-negative or -positive. Osborne said some O. oeni strains have now been identified by yeast suppliers as cinnamic esterase-negative or -positive.

The studies also showed that wines that went through rapid MLF with inoculated O. oeni cultures are better protected during and shortly after MLF when wine is particularly susceptible to Brett spoilage. "We're not saying this is a favored control strategy, but it is one more tool to be aware of and use," Osborne said. "While winemakers must continue to use sound winemaking practices, such as appropriate SO<sub>2</sub> and pH management and rigorous sanitation to prevent the growth of Brett in their wines, this work has shown that the presence of high populations of O. oeni at the end of MLF may offer some limited protection for the wine until SO<sub>2</sub> can be added," he summarized.

#### Winemakers Discuss Brett Management

Steve Peck, red winemaker for J. Lohr Vineyards & Wines in Paso Robles, discussed *Brett* prevention at J. Lohr and how it has evolved in recent years. "My main issue with *Brett* is that it can negate varietal character," Peck said. "I've never seen a new vintage of wine test positive for Brett in tank. Brett always flares up after barreling." In vintages with Brett problems, barreled wines will start to test positive in May or June following harvest. Peck said vintage variation can affect Brett and noted that grapes came in at lower Brix levels in 2010 and 2011. "VA Filtration saw their business double in our region in 2011. It was a cooler vintage, and I think Brett issues were due to having lower alcohol wines in the cellar," Peck said.

Brett management has evolved in relation to J. Lohr's increased red wine production, primarily for Cabernet Sauvignon that is 100 percent barrelaged, and for Syrah. From 1998 to 2014, the winery performed routine 4-EP testing as part of its standard procedure during barrel topping. By 2014, the winery was spending \$100,000 per year for outside lab services. In 2014, the winery switched to using Invisible Sentinel Veriflow testing, a DNA-based Brett detection technology. Veriflow testing is done in-house at a cost of \$50,000 per year for supplies by an in-house lab tech, who spends 5 percent of their work hours on testing and analysis.

Barrel inventory now exceeds 50,000. The winery does 350,000 barrel toppings a year, topping each barrel an average of every 60 days. The winery has a barrel testing schedule, and not every barrel is sampled at every topping. The *Brett* sampling protocol involves stirring the barrel contents then taking a 187ml sample prior to adding  $SO_2$  and topping. Veriflow analysis can be done in batches of 23 samples, and test results are available in less than four hours. The winery uses the lab reports to track repeat problem barrels.

Peck said the winery monitors and maintains the following wine parameters as key control variables for *Brett*: maintain wine temperature at less than or equal to  $13^{\circ}$  C, pH at less than or equal to 3.7, and molecular  $SO_2$  at greater than or equal to 0.5 mg/L.

**Jackson Family Wines**' winemaker **Marcia Torres Forno** has been battling *Brett* throughout her career. She listed tools she has used for "battle" and their pluses and minuses. These include:

- Plating for detection, which requires waiting 14 days for results
- Using a broth culture for detection, which requires waiting 14 days and is cheap, but may have false positives
- PCR analyses with Scorpions, which produce results in one day but are costly
- Veriflow analyses, which produce results in four hours, can detect lower levels of *Brett* and can be done with in-house testing

She advised winemakers to train the cellar crew and lab crew to detect 4-EP, *Brett*-associated aromas and to identify *Brett* with a microscope. Work on and deploy a critical sanitation plan for the winery. Use bioluminescence ATP testing at critical points of possible contamination in the winery, including hoses, pumps and sampling valves. Smell barrels for *Brett* when working in the cellar. Reduce barrel room temperature to 50° F to 52° F. Lower pH levels provide benefits, beginning with adding tartaric acid at the crush pad.

Forno said, "We will not control *Brett* 100 percent." She said used barrels can be a major source of contamination. Her experiments in washing/sanitizing red barrels showed the best results using steam for five minutes. She listed potential *Brett* vectors in the winery that include fruit flies; humans via their hands, clothing and shoes; and cellar air-handling systems. **WBM** 

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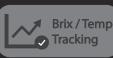
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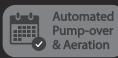
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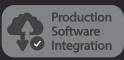












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# Wine Producers Have a Head Start in Becoming Craft Distillers

For those craft distillers looking to get their start, multiple regulatory and financial challenges must be endured, but wineries already have some production infrastructure in place; and while other hurdles lay ahead, they have a slight advantage.

Michael S. Lasky

**Michael S. Lasky** is the former editor of *AppellationAmerica.com* and is the author of hundreds of articles for national magazines and newspapers.

**THE POPULATION EXPLOSION OF** small craft distillers and brewers continues to expand exponentially. Back in 2016, the **American Craft Spirits Association** reported 1,315 producers, and 1,589 just a year later. At the last official count, made in Sept. 2018, that number rose to 1,835. By the time you read this, the number of small craft distilleries across the U.S. will have reached more than 2,000, and five states—California, New York, Washington, Texas and Colorado—lead the way with the highest numbers of producers.

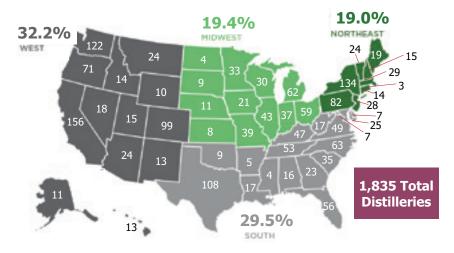
According to a report from research firm **Technavio**, one driver influencing this market is the growing demand for craft spirits among Millennials and GenX consumers. The popularity of craft spirits is mainly driven by social media or word-of-mouth marketing. Further, the report states difficulty entering the market, producing the capital for equipment and supply, long waits for regulatory permits and the length of time for spirits to age are just some of the many challenges in starting a distillery.

After speaking with various craft producers, trade associations and spirits advocates, a number of hurdles any new distiller faces quickly emerged. For wineries considering adding distilled spirits to a portfolio, the experiential information and advice from many of them can be beneficial.

#### Active Craft Distillers by State and Region

CRAFT SPIRITS

# of Active Craft Distillers by State and Region as of August 2018



Sources: TTB, ACSA, ADI, State ABC Boards, State Guilds, Team Analyses

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"A lot of distilleries make 40 percent of their profit from their tasting rooms, which actually allow them the time and resources to get a distribution network going."

Kellie Shevlin, executive director, Craft Beverage Expo

#### Getting Permit Approvals: The Federal, State and Local Regulatory Quagmire

The regulatory hell experienced by **Ted Seestedt**, owner and founder of the McMinnville, Oregon-based **Ransom Wine Company and Distillery**, was typical of what most small craft distillers interviewed said they endured.

Seestedt recalled, "This was one of the scary moments for me because I had invested my life savings in starting my distillery. The TTB policy was that until you had a turnkey operation all set up, meaning either leased space or owned building with all your equipment, your tanks, your still and your lab equipment, they would not start processing your application. Of course, the fear for me and I think for many people is that, well, how do we know we're going to actually get a license after investing all that money?

"For me, that process, from leasing my space to getting my license, was probably about a year-and-a-half, and the time from submitting my license application to getting my license was about 10 months. Of course, during that year-and-a-half, you're paying money on rent or mortgage or whatever it may be for a business that you can't operate until you have your license. If they were to deny you for some reason, then you just wasted a whole lot of money trying to start a business," Seestedt said.





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"I'm always surprised by the amount of paperwork we fill out on the distillery side versus the winery side, and the same on taxation. It seems like the checks we write to cover federal and state taxes on the distillery side are 10 times what they are on the winery side."

Mhairi Voelsgen, CEO, Brovo Spirits

For **Arthur Hartunian**, owner and founder of the decade-old **Napa Valley Distillery** and the first distillery in the county since Prohibition, his startup encountered a similar time-suck, thanks to the sheer number of governments and departments he had to work with, including the local, state and federal government, as well as the building, health and fire departments.

"As we found out the hard way, it requires a tremendous amount of patience and desire to finish what we've done—and we did it twice. That's because we started out at a different facility than the one we're at now, and we had to redo all the permits because it was a totally different space. We went from 1,300 square feet to 12,000 square feet," he said.

Depending on your local jurisdiction, dealing with the fire department can be tricky; but though there were some obstacles owing to the fact that there had never been a distillery in the city of Napa, Hartunian had a fairly positive experience. "They didn't really quite know how to approach issues with a distillery. The fire department was fantastic with us. They sat down and worked with us to better understand what we're trying to do. It was challenging but not unreasonably impossible to accommodate."

The health department, on the other hand, presented a major roadblock for Hartunian. "Because we operate a tasting room, and distilled spirits tasting rooms are not exempt from California code requirements like wineries are, we had to actually set up a tasting room that's equivalent to a food facility. This entailed putting in special flooring, four different sinks... the countertops had to be a specific material even though all we were doing is pouring spirits."

Perhaps the challenge faced with meeting regulatory demands is best summed up by the president of the **Washington State Distillers Guild** and CEO of Seattle's 9,000-case **Brovo Spirits**, **Mhairi Voelsgen**. "I'm always surprised by the amount of paperwork we fill out on the distillery side versus the winery side, and the same on taxation. It seems like the checks we write to cover federal and state taxes on the distillery side are 10 times what they are on the winery side," she said.

Margie Lehrman, American Distilled Spirits Association (ADSA) executive director, agreed. "I think the regulatory scheme is probably something that would be shocking for many coming in. Wineries, because they have been around for a while, have the kind of established trade groups around that make the regulatory scheme at the state level, and even at the federal level, moderate compared to where spirits currently lie," Lehrman said. And it's that delay-prone permit process, among other considerations, that gives investors pause.

Kellie Shevlin, executive director of the Craft Beverage Expo tradeshow, added: "It's the regulatory minefield. It's very different from wineries. Because, like wine, regulations are different in every state, but costs associated with getting started, in terms of getting a still and getting your license, is different than wines. With a distillery startup, you have to navigate through all of those regulatory issues that are much harder to navigate on the distilling side than on the wine side." Shevlin has been guiding distillery newcomers and experienced craft artisans on the ins and outs of the spirits world since before she founded the Expo.

per bottle. You better have another quicker aging spirit to bring in income—like eau du vie, vodka or gin."

Much like small wineries not being able to coax distributors to take on their wines and rely instead on DTC sales, distilleries are more often at the mercy of state and local regulators. But as Shevlin points out, even with tight restrictions, about 40 percent of distilleries in the U.S. can have tasting rooms, and that is where much of their income derives. "A lot of distilleries make 40 percent of their profit from their tasting rooms, which actually allow them the time and resources to get a distribution network going. One distiller just told me recently that he's in 36 states, but he nevertheless gets 48 percent of his business from the tasting room."

#### The Money Pit: Initial Expenditures Can Bust Planned Budgets

The time it takes to satisfy the various bureaucracies must be considered before the first dollar comes in. Accordingly, the ADSA advises would-be distillery startups to expect initial costs to be higher than you might estimate.

"The very first thing that distillery-interested wineries might find a challenge is actual funding for the distillery," said Lehrman. "Wine has had a long history where there's been a solid economic analysis of that particular sector. Until we started the Craft Spirits Data Project, which gave us real, verified numbers, there had never been any kind of record where one could go into a bank and secure funding. Funding has always been very difficult for distillers. That picture's starting to brighten just a bit, but again, until recently, finding funding from equity partners and banks has been hard. That's number one."

Once distillers get over the startup obstacles, they must consider not only the time it takes for aging some spirits, but the hidden expense of the actual production process.

"Part of the issue is a lot of people don't realize the reduction factor, for example, of making brandy: It's about a 10-1 ratio," said Seestedt. "You're looking at 10 barrels of wine to make one barrel of brandy, so the cost of producing that product, the cost of raw materials, is quite high



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The heart of distillery production is the still or multiple stills. A simple Google search for stills brings up thousands of hits. The three considerations before purchasing that first still, are: Which spirit is to be produced; how much to spend, and how much spirit is going to be made. Because there are so many still manufacturers and different types of stills, it's best to ask existing distillers for advice, reach out to national or state distillers' trade associations and attend distiller conventions populated with dozens of exhibiting vendors. Then there is this first-hand advice:

"Don't spend too much on a still," said Hartunian. "I get asked which still someone should get all the time by those who are starting new. I tell them, based on my experience, just don't spend too much money on a still because you're spending money to make a product that you don't know yet whether or not you can sell. You don't even know if it's going to come out good. Whatever you think you need, go with a quarter of that and save your money because you're going to need it for marketing and packaging, a website and all the other required needs that come with spirits production."

#### **Brand Differentiation:** The Same Challenge

Wineries, of course, have had to figure out how to get their brands recognized by consumers and have their product stand out on evermore crowded retailer shelves—but it's actually much worse for distilleries. Distillers WBM spoke with all said getting distribution for either consumer sales or on-premise placement remains problematic.

Cory Muscato, partner and operation manager of Buffalo, New York-based Lockhouse Distillery, attests to that, and his learning experience was typical of other distillers we heard from. "We started out with vodka, and then we went to gin. The turnaround on those being a lot quicker [to produce, i.e., three to six months], it helps bring in cash. We started off with only doing retail and did some self-distribution for about the first year-and-a-half of our operation before we partnered with a regional distribution company. And then after about a year-and-a-half we were able to move toward other specialized spirits, which had some gaps in the market," Muscato explained.

"I would say beyond licensing, beyond production, beyond all the regulator stuff, sourcing, even branding, the most difficult part of our industry is market access. And rolled up in that can be distribution, partnerships and relationships. We chose to work with a smaller house, not a **Southern Glazer**, just a regional distributor that handles a couple counties, our home market, so to speak, not the entire state. That gave us an advantage because they are already so familiar with our market, not a much wider territory that could have gotten complicated," Muscato continued.

Added ADSA's Lehrman, "What members have consistently mentioned to me is they have a very difficult time finding a distributor because oftentimes the distributor will look for only one craft spirits brand or product to put out there on the market. In some cities, and I'll take Madison, Wisconsin as an example, you may have growth of maybe seven or eight distilleries popping up in the larger suburban area; and if there's only one major distributor picking up just one product, you can imagine then that tasting room sales are probably going to be relied on more than anything else—that is, if they are allowed to sell out of that distillery."

Muscato, who is currently the president of the New York State Distillers Guild, offers some salient advice to prospective distillers. "What I would suggest for anyone just starting is that they're going to have to have a decent

#### For more information

These websites offer information and guidance to get the lay of the land.

Distilled Spirits Councildistilledspirits.orgAmerican Distilling Institutedistilling.com

American Craft Spirits Association american craftspirits.org

Craft Spirits Cooperative craftspiritscoop.com

Craft Spirits Exchange craftspiritsxchange.com

marketing budget or distribution budget to gain distribution from the get-go. Otherwise, they should spend some time to build the brand themselves. Whether it's self-distribution or just working face-to-face with the retailers, the wholesalers and the general public to get them to know the brand, create the value that the distributor can then use to build on and increase the brand recognition."

Most wineries are already a step ahead in the distillery startup process since they already have production infrastructure, a customer list and, depending on their size, various levels of retail and wholesale connections. But the next consideration is whether to create a separate distillery brand so that the winery reputation does not run the risk of being ruined.

Added Kellie Shevlin, "One of the bigger questions is, do you use the branding that you've created on your winery and extend it over to your distillery, like **Rogue Spirits** and **Rogue Beer**, which uses the Rogue name across the board. Or do you think, 'Okay, well, I've already built this name up for my winery, and I already have this reputation. I'm kind of new to the spirits thing; I'm going to create a completely different brand and separate the two completely.'

"And it bears repeating then how these questions become relevant in terms of stacking licenses. Because you have a winery doesn't mean that you can automatically be a distillery; you have to get your distillery license, which is different. You have to stack your licenses and be up and running on that end as well. In addition, most states require that the distillery be housed in a different building other than the winery," noted Shevlin.

While many of the challenges to be expected in adding distilled spirits to an existing wine portfolio are addressed here, even a veteran winemaker will face a calculated learning curve in producing the spirits. Education can begin online with the websites noted in the sidebar. **WBM** 

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MANAGEMENT OF VINEYARD NUTRITION is not an exact science, but nutrient/fertilizer management is not something that should be handled generically either. It's quite easy to approach fertilization with off-the-shelf blends that your distributor carries, and those may be quite adequate. Or they may not be. As for most of viticulture, timing is everything. So, the application of nutrients has a time element. Instead of my typical approach of discussing the topic nutrient-by-nutrient, I'll discuss them instead by phenological stages.

#### **Budburst**

At budburst (some people told me that "budburst" was more accurate than "budbreak" so I'm trying to use that term when I remember to), soil is cold, and roots are just emerging from dormancy, and the vine is not doing a whole lot of uptake of anything, so fertilizer applications now should be limited. However, I have found that vineyards that lack in vigor benefit from a small application of nitrogen (N) at budburst. Now, ideally, this nitrogen should be mostly available from storage within the vines' tissues, so post-harvest fertilization can help here. But since we're going chronologically here, I had to start somewhere. Regardless, some vineyards struggle early in the season, so a small application of nitrogen fertilizer at budburst is sometimes advisable.

For conventional vineyards, I like to apply something as simple as urea (46-0-0) at that time, usually only at 3 pounds of N per acre. For organic vineyards, I will apply more N but no more than 5 pounds of N per acre. Organic fertilizers have their N largely in organic form (obviously), which will be broken down and mineralized by soil microbes for uptake by plants. This is a much slower process than the application of mineral forms of N.

It's important not to apply the N too early in a wet climate because nitrate-N will easily leach through the soil profile. However, applying fertilizer around

budburst time and towards the end of the rainy season is a pretty safe bet. I like to use urea because it is cheap and because it quickly breaks down into ammonium ions, which are not likely to leach. However, they will rapidly volatilize, so it is important to chase the urea with some water, after injection of urea, to push the minerals below the soil surface. While plants can take up ammonium, they are much more prone to take up nitrate-N. Urea will be nitrified by microorganisms rapidly so that the nitrate can be taken up by the vines.

Besides, N, there is really nothing else that needs to be applied at budburst.

#### Pre-bloom

Pre-bloom is time for micronutrients primarily. This is the best and usually the only time that micronutrients are applied, and the application method is usually foliar. Commonly, boron and zinc are applied at this time, but some vineyards have benefited from an application of molybdenum as well. Molybdenum has been shown to be effective for Merlot, but I like to add it to foliar applications in vineyards that tend to set fruit poorly. It's needed only at rates of ounces (by weight) per acre, so the cost is low unless it is included in some proprietary fertilizer blend.

It is usually advisable to apply both boron and zinc before bloom, however, unless tissue levels of these nutrients have tended to be adequate or elevated. This is especially true for boron, which is toxic to vines at elevated levels. Ideally, I prefer to split the micronutrients in two consecutive sprays, included with the standard mildew control sprays. The reason for splitting the application is really twofold: as a hedge for getting the timing right (ideally applied two weeks before bloom), as well as a way to reduce risk of phytotoxicity, primarily by boron. Incidentally, with respect to boron, borax is often used as an organically-acceptable form of boron, applied foliarly. However, it is a

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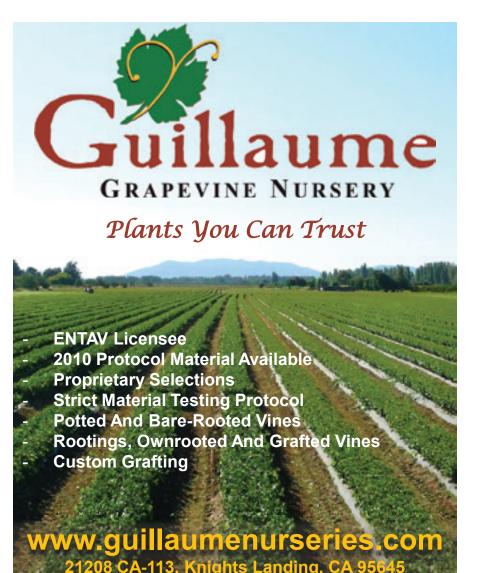


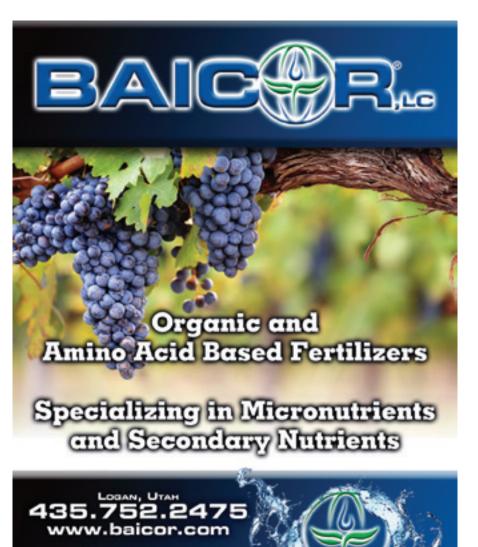
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sodium salt and can possibly cause desiccation of flower parts or pollen, so we usually try to avoid its use after bloom has started. Otherwise, there is no hazard in applying micronutrients even during bloom.

Also, we have found that boron applications during the winter to the vine rows can be effective. It can be added to an herbicide strip spray. Organic vineyards may not use herbicide sprays, so this may not be an acceptable alternative, but it is one to consider if herbicide sprays are conducted. Zinc applications may also be made in this manner, but it is essential that zinc fertilizers applied to the soil be in a chelated form, or they will quickly become unavailable to the vines.

Aside from micronutrients, we often see "spring fever" symptoms at this stage, and this is usually caused by a temporary potassium (K) deficiency. This is seen in spring, most often during cool or wet springs when the root system has not fully flushed, and nutrient uptake is restricted as a result. So, it is sometimes advisable to put on a small application of K fertilizer prior to bloom. We don't want nitrogen because excess N could impair fruit set, so a K-only product is usually best. This can be done through the drip system, using something like sulfate of potash (acceptable for organic), but there are some foliar K materials that work as well. I have been liking the potassium acetate-based products as they seem to be effectively taken up by the plant. But, for organic applications, it is not an acceptable product.

#### **Post-set**

Fertilization after set is the big fertilization event of the year. Usually following our receipt of tissue sample lab results, this is where we apply most of our macronutrient fertilizers. It's, conveniently, also a time where uptake rate of the macronutrients is at a high level, so applying the majority of our nutrients at this stage is the optimal time. Another shot of N is good right now, to keep shoots elongating and leaves green and productive. Still, I only apply 3 to 4 pounds of N per acre to premium vineyards because I want to slow shoot elongation down before veraison, and too much N will reduce that ability.

Potassium and phosphorus (P) can also be applied at this time as both are being taken up rapidly at this stage. This is the time I prefer to apply the majority of both those nutrients, especially K, as applying K, during ripening, may cause elevated K in the juice, which could, in turn, hamper wine quality. For non-organic vineyards, a fertilizer blend could be used, with much higher rates of K and P being applied than N. So, if I use a blend, I still aim for the 3 to 4 pounds per acre of nitrogen. If additional K is needed, it is easy to find liquid fertilizers, but my go-to is finely-ground sulfate of potash, which can be suspended and partially solubilized and injected. Phosphorus, on the other hand, is usually found in fertilizer materials, along with nitrogen, such as in solid and fairly soluble monoammonium phosphate (MAP, 11-52-0) or liquid ammonium polyphosphate (10-34-0).

For organic vineyards, nitrogen and potassium are easy. Fish emulsion has good amounts of nitrogen and varying amounts of P and K. But again, if high amounts of K are needed, it can be supplied by sulfate of potash, which is okay to use in organic systems. The difficult nutrient for organic vineyards is P. It is difficult to make a P fertilizer that is soluble and injectable through the drip system. There are organic P fertilizers, but many are suspensions of phosphorus materials that are not soluble. Phosphorus is readily bound in the soil, so insoluble phosphorus is not readily available to vines, unlike the solution-based inorganic materials. For long-term issues with P-deficiency in organic vineyards, it is better to apply a large amount of rock phosphate, or preferably soft rock phosphate that comes in finer particle sizes, under the vines and under the emitters if the vineyard is irrigated.

Aside from the N-P-K fertilization, calcium (Ca) and magnesium (Mg) materials may also be applied at this time if they are found to be needed, either from bloom tissue samples or from veraison tissue samples from the prior year. Ca is commonly applied as suspension-grade, finely-ground gypsum, which can be injected using the proper machinery. Alternatively, calcium thiosulfate (CaTs) is soluble and may be injected using any solution injection equipment. For Mg, we usually inject Epsom salts (magnesium sulfate, 10 percent Mg), which are very soluble and can be injected easily. There are really no other materials to use for Mg applications. One thing that I and my associates have found is that it is not effective to apply Epsom salts as an amendment, i.e., in large quantities. I usually apply Mg at about

30 pounds per acre and apply it one or two more times after the post-set application (if the vines need it).



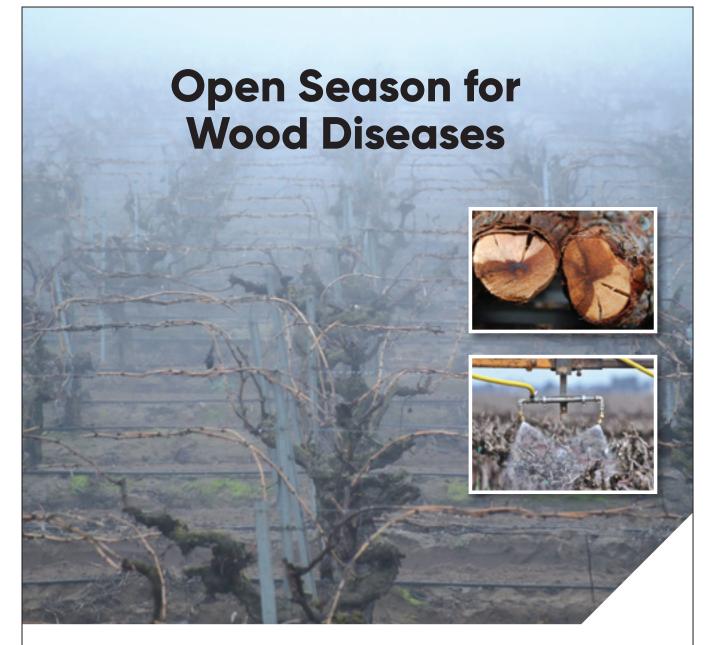
would prefer to apply N now than after veraison, if only because I prefer to do as little manipulation once the vines are ripening fruit. However, the amount should be small (less than 3 pounds N per acre). Nitrate does have a suppressing effect on some of the ripening processes that occur at and after veraison, including pigment formation, so we want to be very judicious about its use at this time.

This is a good time to make a second application of Ca or Mg if those nutrients tend to be needed.

## Lag-phase, Pre-veraison

Vines continue to take up macronutrients readily at this time. Yet, as I stated before, we try to avoid applying K this late because it could cause issues with wine quality. Nevertheless, we've been more and more willing to apply K just prior to veraison if the vines are chronically low in K, in which case the risk of high juice K is minimal. Also, and even though the university says it doesn't help, I still believe that elevating K (as well as P) this late into the growing season may help to reduce symptoms of red blotch and leafroll virus. Or, at least it may help the vines to better cope with the loss of photosynthesis that goes along with the symptom expression. So while I have no problem applying P at this time if the vines are low in P, I always take all factors into consideration when deciding whether to apply K fertilizer or not.

On the other hand, applying a little N may be wise, but again, only if we are tending to be on the low side of total-N in the plant tissues. We don't want to apply so much that the vines continue to grow past veraison; but if we've got them under control and the shoot tips are slowing down or have stopped growing, we can apply a small amount of N now to keep the vines green and leaves productive through the ripening phase. And winemakers generally do not mind a little bit extra yeast-assimilable nitrogen (YAN) in their musts. I





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## Ripening

As I mentioned above, I prefer to apply as little inputs as possible after veraison. We generally forego any N-P-K at this stage, with the possible exception of late-season applications of N and/or K if fruit ripening stalls, usually for reasons of disease and only in truly dire circumstances. Otherwise, we forego fertilization, though again, it is perfectly fine to apply Ca and Mg to vines at this time if they are needed. I know of no downside to fruit and wine quality by late-season applications of either of these nutrients.

#### **Post-harvest**

The most neglected time of the season is post-harvest. Growers are busy picking other blocks, are busy thinking about harvest and only harvest, and when they get around to thinking about fertilization, the vines have dropped their leaves. At least this is a common sequence. Just like post-harvest irrigation, it is very important to apply some fertilizers at this time. The primary nutrients stored in the vine itself are N and K, so an application of these nutrients (or more likely an N-P-K blend) should be applied post-harvest. Again, a modest quantity is all that is needed, such as 3 pounds of N per acre and roughly 6 to 8 pounds of K per acre. There is no harm in going at a higher rate of K since it will not be lost, but applying amounts of N that cannot be taken up by the vines will be lost in wet climates by leaching. Furthermore, we don't want the vines to start putting out new growth, which saps carbohydrate from the vines.



It is usually not necessary to apply other nutrients, but I also like to apply Ca and Mg materials post-harvest if the vines are in good shape and leaves are green and well in advance of dropping their leaves.

Finally, since the following growing season starts at harvest, it is important to sow a cover crop in most situations, and a portion of the cover crop seed blend should be made up of N-fixing legumes, such as beans, peas and clovers. I don't care for vetches because they tend to creep and become invasive. The relative amount of legumes in the blend should be commensurate with the inherent vigor of the site. Vigorous vineyards should have no legumes in the blend.

## To Conclude

Roughly 3 pounds of nitrogen, 0.6 pound of phosphorus and 5 pounds of potassium are removed with every ton of grapes. This is a balance that should be remembered, but it doesn't mean that every pound removed needs to be replaced each and every year because there are nutrients provided by soil reserves (organic matter and minerals), by cover crops (nitrogen) and by deposition (also nitrogen). Tissue and soil sampling are a crucial component of nutrient management. It will always help to have a crop advisor working with you. I suggest obtaining an independent advisor that you trust. While not necessary, you may want to look for certifications, such as Certified Crop Advisor or Certified Horticulturist. Consultants with advanced degrees in agricultural sciences are also worth seeking out. WBM









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## **Grapevine Shoots and Roots**

Interconnectedness of the above and below ground grapevine

Stan Grant

**GRAPEVINE SHOOTS AND ROOTS** operate in very different environments and they serve very different functions, but their activities are closely related and, in many regards, interdependent. Shoots are the sources of carbohydrates that roots require for metabolism and growth. Roots are the sources of water and mineral nutrients that shoots need for their metabolism and growth. In addition, certain shoot tissues produce hormones (auxins and gibberellins) involved in root activities while roots synthesize hormones (cytokinins, gibberellins and abscisic acid) used in shoots.

The interdependency of grapevine shoots, including the fruit they bear, and roots is evident in their growth cycles. Root growth begins shortly after shoot growth, as carbohydrates newly available from photosynthesis in young leaves move downward to them. After bloom, the rate of root growth markedly decreases as carbohydrates are redirected into developing berries. Post-harvest, the rate of root growth again accelerates, as more carbohydrates are available. Throughout this time, roots are translocating water and mineral nutrients to the shoots.

The ratio of shoot mass to root mass is a measure of the growth balance between these two groups of vine organs. Individual varieties have characteristic shoot-root ratios, which are somewhat elastic. For example, Chenin Blanc shoot to shoot-root ratios ranged between 0.71 and 1.09, depending on pre-plant soil preparation. Below we will further explore the interplay between shoots and roots.



PROGRESSIVE VITICULTURE

**FIGURE 1.** When shoot growth is excessive, vines invest proportionately less in roots.

**Stan Grant** is a consultant working mainly with grape growers and vineyards in the Northern Interior of California and the eastern San Francisco Bay Area. He initiated his consulting business, Progressive Viticulture, in 2000. Previously, he was director of farming at Duarte Nursery and viticulturist with Gallo Vineyards.

### **Key Points**

- Altering the partitioning of growth between shoots and roots is one way grapevines respond to their environment.
- Research findings indicate grafting a scion onto a rootstock alters the interactions and growth of shoots and roots.
- Vineyard management practices can impact shoot-to-root ratios.

## **Effects of the Environment on Shoot-Root Relations**

As a root environment becomes a less favorable environment, grapevines usually partition a greater portion of their total growth into roots. Drought, compaction, waterlogging and low fertility are examples of root zone conditions that promote the growth of roots at the expense of shoots. Conversely, where soil water and mineral nutrients are easily acquired and roots easily grow, vines partition less growth into roots and proportionately more growth into shoots (see FIGURE 1).

Levels of specific mineral nutrients in the soil can impact the ratio of shoots to roots. When soil nitrogen is excessive, shoot growth is abnormally rapid and exceeds the rate of root growth. Under these conditions, shoot to root ratios are unusually large. Magnesium deficiency likewise increases shoots relative to roots.

Very low soil nitrogen has the opposite effect, with roots growing rapidly as they receive proportionately more carbohydrates from shoots (see FIGURE 2). Excess soil phosphorus stimulates root growth, while phosphorus deficiency inhibits shoot growth more than root growth. Both extremes in soil phosphorus supply favor a reduced shoot-root ratio.

There are, however, limits to shifts in the shoot-root ratio. For example, transpiring leaf surfaces cannot exceed water-adsorbing root surfaces without vines wilting. Similarly, shoots collapse when soil-borne pests and diseases, such as Phytophthora root rot, rapidly reduce the number of functional roots. Sudden and extensive defoliation due to early season frost or severe water stress arrests root growth and causes some roots to die. Such responses demonstrate the tendency for shoots-to-roots to remain balanced within specific ranges.

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FIGURE 2. Under nitrogen deficiency, shoot growth is restricted more than root growth.

PROGRESSIVE VITICULTURE

## **Effects of Rootstocks on Shoot-Root Interactions**

Cultivated grapevines are commonly composite plants consisting of a variety (scion) grafted onto a rootstock resistant to soil borne pests of concern. These two vine components are different species or hybrids of *Vitis* that possess different anatomical and physiological traits (see FIGURE 3).

Unsurprisingly, grafting alters the partitioning of shoot and root growth and their metabolism. In one study, Syrah vines on Ramsey had shoot-root ratios less than half of those of vines on 140R and Schwarzmann. (These three rootstocks commonly differ in the effects on scion growth vigor with Ramsey greater than 140R, which is greater than Schwarzmann). Unfortunately, our understanding of scion and rootstock interactions on shoot-root ratio and their implications for vineyards is limited.

## Management Effects on Shoot-Root Relations

Delaying of pruning delays the onset of new root growth, likely due to altered hormone production in shoots. Actually, pruning, in general, depresses root growth, as does any other purposeful defoliation, including shoot-thinning, leaf removal, hedging and cordon removal to eliminate canker disease or in preparation for grafting. The effect is often both direct, due to reduced carbohydrate production associated with leaf loss, and indirect, due to increased carbohydrate allocation toward new leaf growth or fruit. Similar but opposite reallocation of growth occurs after roots are pruned during deep cultivation in established vineyards.





PROGRESSIVE VITICULTUR

FIGURE 3. Due to differing growth characteristics, scions commonly overgrow rootstocks.

Applied fertilizer nitrogen, especially nitrogen as nitrate (calcium nitrate or CN-9), stimulates shoot growth more than roots. Moreover, routine applications of excessive nitrogen applications can diminish a root system's capacity for anchoring a vine. Phosphorus fertilization (such as 10-34-0 and 3-12-14), on the other hand, tends to enhance root growth over shoots. Phosphorus combined with organic acids and micronutrients is particularly beneficial for vineyards that have carried very large crops, have been top-worked, or have experienced some other phenomenon causing root stress and dieback. The purposeful use of the different effects of fertilizer nitrogen and phosphorus is an essential component of balanced mineral nutrient management for optimized vine nutrition and consistent fruit production.

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#### **Grapevine Shoots and Roots**



PROGRESSIVE VITICULTURE

**FIGURE 4**. A complete, mature and healthy Pinot Gris canopy suggests a favorable ratio of shoots to roots.

## Take Home Messages about Shoots and Roots

Shoots and roots are interdependent, and their mutual dependency is apparent in their relative growth, commonly measured as the shoot-root ratio. Shoot-root ratios are somewhat elastic, varying within limits as vines adapt to their environment and management inputs. A favorable root environment is critical to normal growth of both roots and shoots, and consistent production of fruit (see FIGURE 4). WBM

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**Dedication:** This article is dedicated to Doug Gubler, UC Cooperative Extension Plant Pathology Specialist.

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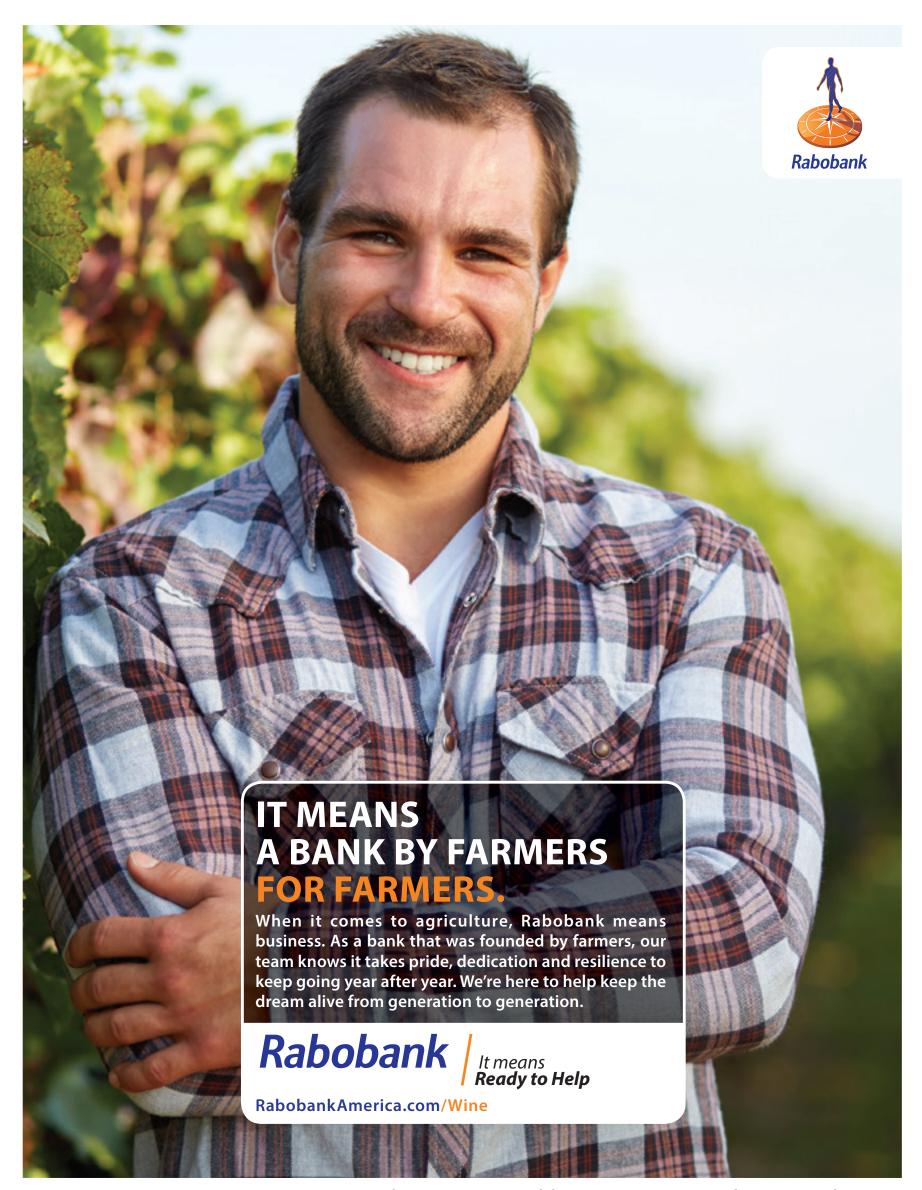
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## **Root Zones and Rhizospheres**

Considering the below-ground vineyard at different scales

Stan Grant

**Stan Grant** is a consultant working mainly with grape growers and vineyards in the Northern Interior of California and the eastern San Francisco Bay Area. He initiated his consulting business, Progressive Viticulture, in 2000. Previously, he was director of farming at Duarte Nursery and viticulturist with Gallo Vineyards.

#### **Key Points**

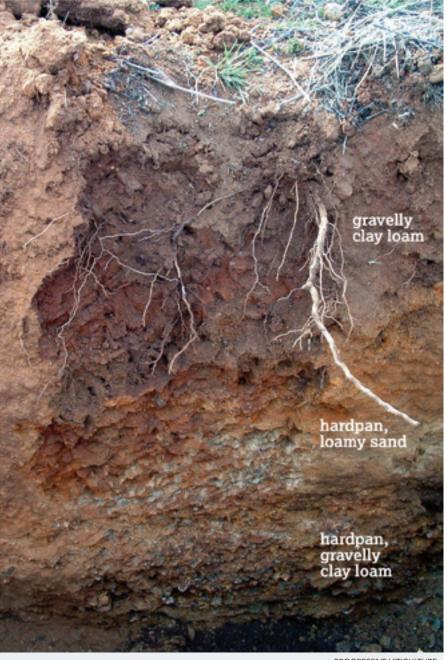
- Characteristics of root zones, the vineyard soil inhabited with grapevine roots, vary in space and time.
- Effective root zone management begins prior to vineyard planting and continues throughout a vineyard's life.
- Rhizospheres are narrow zones where vine roots interact with soil and microorganisms.

ground. The above-ground portions of vines, being visible, are easy to monitor and manage. The situation for vine parts below ground is nearly the opposite. They are mostly invisible, difficult to monitor and indirectly managed through actions applied to the soil or top of the vines. Despite these challenges, understanding and managing the vineyard underground is critical to vine growth, health and productivity. We will consider the subterranean vineyard from two perspectives—root zones and rhizospheres.

## What are Vineyard Root Zones and How do They Function?

A vineyard root zone is the volume of soil populated with grapevine roots (see FIGURE 1). The root zone is home to between 16 percent and 27 percent of a vine's biomass, depending on the time of year, and about 43 percent of stored carbohydrate reserves. A vine draws almost all water and mineral nutrients from its root zone.

A root zone is a three-dimensional soil environment, possessing qualities that vary spatially with depth and across vineyards in all directions (see **FIGURE 2**). Within any part of a vineyard, specific soil characteristics greatly influence distribution of grapevine roots and their access to soil resources essential to vines. Soil depth, texture, organic matter, aggregation and degree of compaction are paramount in this regard. Their importance is due to their influences on soil, air, water, mineral nutrients, resistance to root elongation and the presence of pests and pathogens.



PROGRESSIVE VITICULTURE

FIGURE 1. A vineyard root zone cross-section, Borden Ranch AVA, California.

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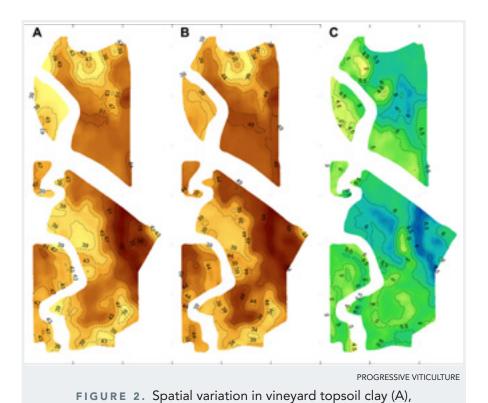
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Root zone differences within vineyards induce variations in root system size and functions, such as water uptake, mineral nutrient uptake and hormone synthesis. Such differences in root attributes are common causes of shoot, cordon and trunk growth variability visible above ground. As a consequence,

the above-ground vine often serves as an indicator of root zone conditions.

subsoil clay (B) and plant available water holding capacity (C),

Brentwood, California

Root zones vary over time as well as in space. Early in most growing seasons, root zones are thoroughly wet from winter rains, but cool soil temperatures somewhat restrict root activity. As root-zone soils warm, root activities increase and, correspondingly, so does shoot growth. Later, as stored moisture from winter rains is consumed, root activity recedes into the vine row and under the drip emitters. The rate of root zone retreat into the vine row depends on evaporative demand above ground and soil hydraulic properties.

Diminished mid-season vineyard root zones may be 4 percent to 13 percent of their full early season size, depending on spacing of drip emitters along the drip hose and vine rows. Correspondingly, such root zones offer proportionately reduced amounts of water and mineral nutrients. At the same time, the root zone is home to abnormally large numbers of roots and concentrated root activity, making them very responsive to inputs applied through drip irrigation systems.

## How to Manage the Root Zone to Best Advantage

Competent root zone management involves pre-plant actions. The first step is an evaluation of soil conditions using **Natural Resources Conservation Service** (NRCS) soil survey information, soil assessments in trenches and/or sensor-derived maps of soil characteristics (such as **Veris**). Often, the results of the pre-plant soil evaluation indicate a need for organic and mineral amendments to enhance soil tilth, permeability to air and water, water holding capacity and fertility.

Deep cultivation follows, which may be shallow ripping (3 feet deep or less), deep ripping, or slip plowing, depending on subsurface conditions



identified during the soil evaluation. The objective of deep cultivation is to create a uniformly deep and permeable root zone across the future vineyard.

Next, the soil surface is disked and floated (smoothing the surface of the vineyard floor) to remove impediments to surface flow and potential puddles. For some sites with shallow soils or a high water table, berm mounding may follow to create the deepest and most favorable root zone possible under the vine row. The final pre-plant measure is installation of a high performance drip irrigation system for uniformly applied irrigations and fertigations.

Root zone management continues after planting with regular additions of organic matter and minerals, including mineral nutrients, to the tractor row and vine row. Cover crops are cost-effective sources of organic matter, and they contribute positively to soil tilth, permeability and fertility. Permanent cover crops, however, may limit the number of vine roots in the tractor row and concentrate them in the vine row.

## What is a Rhizosphere and How Does it Function?

A rhizosphere is the very narrow section of a root zone immediately adjacent to grapevine roots (see FIGURE 3). Rhizospheres are highly dynamic zones where plants affect soil through exudation of carbon-rich compounds, such as sugars, organic acids, amino acids and phenolics. Typically, about 5 percent of the carbon fixed through photosynthesis is exuded into the soil, but quantities can be greater. Minerals, including nitrogen, potassium, magnesium and calcium, may also be exuded.

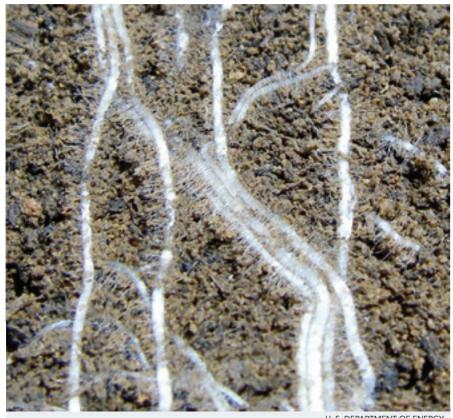


FIGURE 3. The rhizosphere is the root zone environment immediately adjacent to grapevine roots.



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Root exudates stimulate soil microbes, including symbiotic mycorrhizae and many bacteria. For this reason, the vast majority of soil microbes (90 percent or less) reside in the rhizosphere. Naturally, the benefits of microbial activity on soils and vines are concentrated in the rhizosphere.

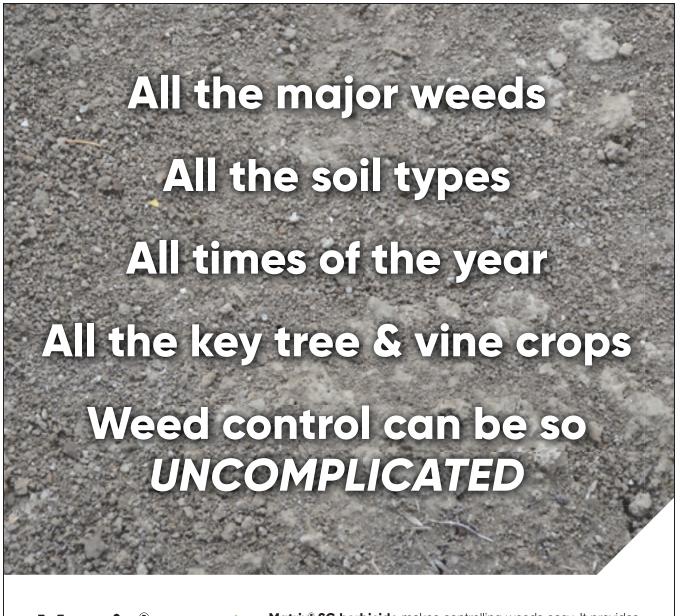
For example, microbial products and root exudates increase soil mineral solubility and mobility, and thereby, their availability to vines. These effects are often important for micronutrients, like iron and manganese. The character of root exudates and rhizospheres likely varies among rootstocks as it does among other plant species and hybrids.

## How to Manage Rhizospheres to Best Advantage?

Maintaining healthy vines with extensive root systems foster optimized rhizospheres. Certain foliar sprays can also help, particularly if the sprays encourage the downward movement of beneficial compounds. For example, foliar-applied calcium phosphite promotes the movement of calcium to the roots.

Viable root zones and rhizospheres are crucial to successful grape growing. Do not treat your vineyard soil like dirt. WBM

**Acknowledgement:** The author gratefully acknowledges Mid Valley Agricultural Services for permission to use their 2016 viticulture newsletter article as the basis for this text.





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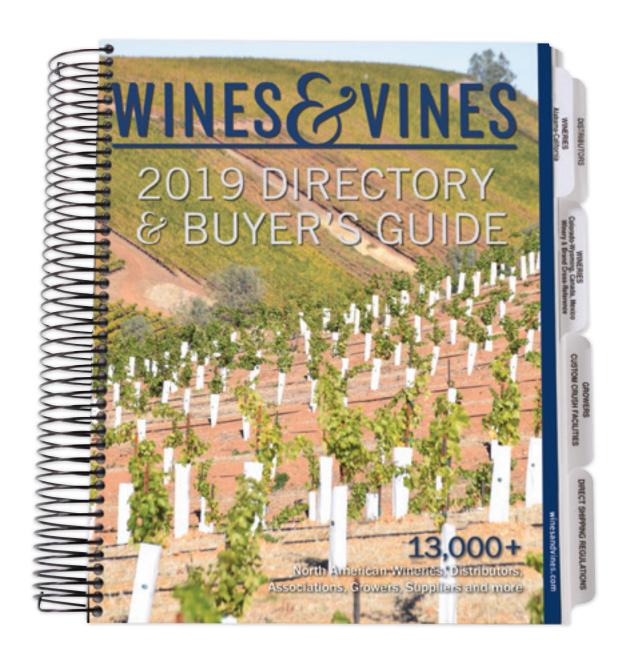
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## **Insight & Opinion:**

Making Organic Vineyards Sustainable: The Amisfield Approach

Dr. Richard Smart

Dr. Richard Smart is an international viticultural consultant based in Truro, Cornwall in the U.K. He can be reached at vinedoctor@smartvit.com.au.

A CLEVER APPROACH TO viticulture has been developed at Amisfield in Central Otago, New Zealand, which can improve the sustainability of drip-irrigated organic vineyards worldwide: mid-row irrigation. In fact, these techniques will likely also find application in sustainable and conventional vineyards as well, as they are based on current concepts of economically sustainable production. The approach at Amisfield, a 90-hectare vineyard planted in 2000 in Central Otago turned organic in 2013 (certification completed by 2021), does lead to better vineyard economics within a more sustainable environment, though there are some drawbacks.

## The Challenge of Viticulture in Central Otago

Central Otago is cool in summer but sunny. The region around Amisfield is quite arid, with only 360mm of annual rainfall, 240mm of which falls in the October to April growing season. Drip irrigation is widely practiced, with growers normally applying around 200mm per season.

The soils of the region are generally light-textured, often sandy loam, and contain significant quantities of stones and gravel. These soils, therefore, have low water-holding capacity, as well as low nutrient content and low organic matter, as there is little native vegetation in this arid climate. The predominant soil type on the property is known as Waenga and has a native organic matter content of 4.6 percent.

The combination of the cool, dry climate and low retention soils presents problems for conventional viticulture and is exacerbated by the use of organic principles. Deficiencies of many nutrients are common, especially N, P, K, S and Ca. Low levels of yeast assimilable nitrogen (YAN) are also very common, especially with organic vineyards.

## The Further Challenges of Organic Viticulture

The challenges of organic viticulture are not unique to Central Otago, but the environment there makes organic viticulture more difficult. Weed control under the organic regime is always troublesome in drip-irrigated vineyards. Mid-row cultivation and/or mowing can control competing weeds and is easier in drier climates, like Central Otago. However, undervine drip irrigation encourages weed growth, and the presence of trunks and line posts compromises mechanical weed control by cultivation, especially with vigorous perennial weeds. This problem is overcome in conventional viticulture with herbicides.

A second challenge is the ban on "chemical" fertilizers, especially nitrogen. A common presence in organic vineyards in New Zealand (and elsewhere) is yellow, nitrogen-deficient vines, often with reduced vigor. Animal manure and compost have low N content and are therefore expensive to transport and spread, as well as often reliant on nearby livestock farming. This nutrient supply problem is exacerbated on lighter textured soils, especially those with low organic matter, as in Central Otago. Other nutrients can also be difficult to economically provide in "organic" form.

The relatively dry growing season facilitates fungal disease control although there are issues with adequate wound protection to overcome grapevine trunk diseases with non-chemical products.



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#### **Insight & Opinion:** Making Organic Vineyards Sustainable: The Amisfield Approach



FIGURE 1. Photograph, May 2018, showing the larger and fine root growth concentrated in the berm, underneath the drip line, conventional irrigation. Some major roots are painted white. Pinot Noir on 3309C, planted 2008.

## Development of the Amisfield Approach

This conversion has been a team approach although Amisfield's vineyard manager, South Africa-born **Andre Lategan**, has been a major contributor. Lategan was trained in viticulture at **Elsenburg College** and, after working in local Cape vineyards, moved to Central Otago in 2001 and has been managing Amisfield since.

I recall Lategan's anxiety about the conversion to organic during a consulting visit in 2013, and his principal concerns were for nutrition and weed control. My suggestion was to use geo-textile fabrics for under-vine weed control, but Lategan's inventive mind considered an alternative, and probably simpler, approach, which has led to the Amisfield system described here. This was a very good example of lateral thinking—figuratively: by moving the irrigation system laterally. He reasoned that weed control would be much easier if he stopped watering under-vine so why not irrigate mid-row where weeds were easier to control. Why not?

Interestingly, Lategan's idea of mid-row irrigation takes me back many years to the very early period of global drip irrigation development in the late 1960s when I studied this new technique at **Griffith** in Australia. At that time there was more drip irrigation in the Hunter Valley on vineyards than anywhere else in the world. I recall several scientists and farmers worried about under-vine irrigation because of weed control issues, but the more widespread use of herbicides eventually solved that problem, so early suggestions surrounding mid-row irrigation were not followed up on.

Lategan further reasoned: "Why not bury the drip system to allow weed control by mowing rather than by tillage, another concern in these fragile soils?" He did not intend to bury the drip system deep—just at 10cm to avoid any implement damage. The logic here is that this will encourage the greater lateral spread of water and hence vine roots. There is currently some commercial interest in buried drip systems mid-row, but this is a different approach to that followed here.

## Do Vines Suffer with Mid-row Irrigation?

This is the first question that will come to mind for the grape grower. Are not all the roots in the berm, underneath the vine, occupying a better soil environment, made moister by irrigation and cooler because of canopy shade? The answer is yes, more or less. **FIGURE 1** shows clearly the within-berm concentration of large and fine roots with conventional irrigation at Amisfield

However, we know that roots will grow in wet soil, and they are encouraged to grow in the mid-row by occasional winter-spring-autumn rainfall and are inhibited by summer drought. Lategan tested his ideas beginning in 2010 by installing second-hand drippers in the mid-row for a 1 hectare planting of Pinot Noir on 3309 rootstock. For five years he maintained both the undervine and mid-row irrigation systems, dividing water application between the two, and then in 2016 he stopped the under-vine irrigation altogether at the beginning of the season.

The result was surprising. There was only a minor setback in early growth of vines previously with under-vine irrigation, and no effect was noticeable by the end of the season. For the last two seasons yield was maintained at 7t/ ha with well-ripened Pinot Noir grapes. Lategan now believes that vines will adjust to mid-row irrigation by developing a root framework to the middle of the row and a zone of higher feeder root density under the mid-row drippers. **FIGURE 2** shows roots growing to the row center and the growth of fine vine feeder roots below the mid-row dripper tube.



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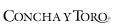












































#### **Insight & Opinion:** Making Organic Vineyards Sustainable: The Amisfield Approach



FIGURE 2. Showing lateral growth of a main root away from the berm towards the mid-line drip row. The root branches and fine roots are evident at each in-line dripper. Some roots are painted white. Photo taken May 2018, Pinot Noir on 3309C, planted 2008.

## So Why Not Irrigate Legumes Mid-row To Provide Nitrogen?

This was Lategan's second "light bulb" moment. He thought, "Why not now grow a source of nitrogen in the mid-row, while also producing some much-needed organic matter?" Clover seeds were hand-spread in an 80 cm wide band over the mid-row dripper line in 2016 and lightly "spiked" and rolled in.

Perennial clover types were chosen over annuals, saving yearly planting and soil disturbance. **FIGURE 3A** shows a sward of red clover. Red, white, crimson and subterranean clovers, as well as Lucerne, are now being evaluated. The legume growth was prolific, occurring in warmer summer months with adequate water supply.

Irrigated legumes in pastures in the South Island of New Zealand will produce up to around 3,000 kg/ha of dry matter and fix around 100 kg N/ha. For a strip of vigorous legumes that occupy 40 percent of the vineyard area, we might expect 1,200 kg/ha of dry matter and 40 kg N/ha. Prior to converting to organics, Lategan found that 10kg/ha/year of N gave adequate canopy growth and YAN values of up to 300 mg/L. The N requirements of vineyards are commonly considered around 10 to 25 kg N/ha/year, depending on yield and crop removal.

The mid-row legume sward has also produced substantial amounts of organic matter. Measurements were made in spring 2018 at 0 to 5cm soil depth to compare soil organic matter under an eight-year-old Lucerne clover sward to an adjacent mid-row without sward that used conventional undervine irrigation. Organic matter levels were 41 percent higher at 6.2 percent than for mid-row with no sward at 4.4 percent; there was also a waiting period to break down 1.2 percent of roots and litter under the sward compared to 0.1 percent mid-row with no sward. This is a substantial gain in soil organic matter in eight years.

By simple modifications to the mower, some or all of the legume foliage can be retained, and the cuttings may be spread, as desired, over more or less of the soil surface.

#### **GOPHERS POSE PROBLEM TO METHOD**

Growers should be aware of gophers. In preparing this article, I was cautioned about the possible impact of gophers on this system. They enjoy clover roots and, further, may damage the drip line. No root blockage has been found at Amisfield, though the drip line is shallow and readily accessible for maintenance.



FIGURE 3A. Red clover sward, planted 2016. Photo Dec. 2017.



red clover in background in adjacent row. In the mid-foreground are vine leaves dropped during autumn 2018. Photograph taken May 2018.

Clovers planted Oct. 2017.



**FIGURE 3C.** Red clover beginning growth spring Sept. 2018 while vines are still dormant. Red clover sown Oct. 2017.

## Installing the Amisfield System on New Plantings

Lategan had the assistance of retired farmer **Bert Sim**, an exceptional metal worker, in the project. Sim has developed a simple device to allow mid-row irrigation to be installed. The "cleaver" roller shown in **FIGURE 4** is a simple, towed implement made from a metal drum (filled with concrete) that can be pulled and lifted by a tractor. A similar implement, the "spiker," was developed for use pre- and post-legume seeding. A conventional mower with two cutting blades was modified to trim the clover with a "mohawk" cut where foliage growth needed to be reduced.

The target root zone for irrigation with new vine plantings is limited. This time is also an opportunity to begin training roots laterally, from the beginning of the vineyard's life. During the first year, the dripper line is laid about 30 to 50 cm to one side of the vine row, close enough to ensure that the wetted zone will extend to the young vine roots.

During the second growing season, the drippers might be put in a temporary, shallow trench using the cleaver, say at 0.8 m away from the vine row. The advantage of the shallow trench is that the dripper line can be easily removed for the beginning of the third season to the row center. These distance suggestions are tentative and are under trial at Amisfield. Wet soil conditions in early spring will encourage lateral root spread, as will heavier-than-usual irrigation applications.



**FIGURE 4.** Andre Lategan (left) and Bert Sim beside the cleaver attachment.

#### **Discussion**

The Amisfield Organic System represents a new concept of organic viticulture suited to drip-irrigated vineyards, especially with light textured soils in regions with low summer rainfall.

There are two key benefits of the approach. The first is that under-vine weed control is facilitated by reducing weed amount and growth, due to competition from the established vine root system. Lategan finds that only three passes are now required per year compared to the previous six when using under-vine tillage.

The second benefit is that rather than some irrigation water being wasted by weeds, it is now used to "grow" nitrogen supply to the vines, by using solar energy and the rhizobia bacteria of the legumes. The resulting summer growing sward is easy to manage by mowing, and there will be valuable organic matter addition to the soil from the legume sward as shown.

There have been no root blockages of drippers noticed at Amisfield, and dripper line ends can be easily accessed for periodic cleaning. This approach also utilizes more of the vineyard soil volume, much more so than with conventional drip-irrigated organic viticulture where vines and weeds compete for water and nutrients under the vine row.

I can anticipate sustainable vineyards also adopting this approach for the benefits of reduced herbicide use, for improving soil organic matter and for a free source of nitrogen fertilizer. **WBM** 

## Blaufränkisch or Lemberger— What's in a Name?

New York producers discuss growing methods, winemaking procedures for the grape

Ray Pompilio

Ray Pompilio is a wine writer based in Ithaca, NY. An avid follower of the Finger Lakes wine scene and new grape varieties across the East and Midwest, Pompilio likes to find new and interesting methods of growing grapes and producing top quality wines in these regions.

**THE FINGER LAKES WINE** region just celebrated the 36th anniversary of becoming an approved AVA (American Viticultural Area). Since that approval, the area's wine industry has branched out in many directions. One relatively new branch that exhibits good signs of growth is a variety with two names in New York: Blaufränkisch/Lemberger.

The Blaufränkisch grape is considered a middle-European variety, most commonly identified with Austria. However, in Germany, it is planted primarily in Württemberg, where it is called Blauer Limberger, but the wine is called Lemberger. It is also widely grown in Hungary, where the variety is known as Kékfrankos. While first releases of the wine in New York were labeled Lemberger, it appears that Blaufränkisch is gaining as the more popular name.

Like some other *vinifera* grapes in the Finger Lakes, the vines require careful site selection. This cultivar is early budding and late ripening, and thus can be susceptible to weather problems at both ends of the growing season. The grape is beginning to flourish and produce some exciting wines: The two producers profiled here are **Dr. Konstantin Frank's Wine Cellars** and **Keuka Spring Vineyards**, both located on the shores of Keuka Lake.

## Dr. Konstantin Frank Wine Cellars, Hammondsport, NY

The oldest wine estate in the Finger Lakes, Dr. Konstantin Frank Wine Cellars, was founded in 1962 by **Dr. Konstantin Frank**, a viticulturist from the Ukraine. The winery has since grown to approximately 140 acres of bearing vineyards and produces an average of 50,000 cases, plus an additional 3,000 cases of *méthode champenoise* sparkling wine.

Frank pioneered the planting of *vinifera* cultivars in the East in his vineyards high above the western shore of Keuka Lake. The site selection proved to be a portrait of what would challenge growers of classic European grapes. While Riesling and some other grapes have done well in this location, there wasn't enough lake effect to moderate winter temperatures for many cultivars.



Blaufränkisch grapes on Aug. 23, 2018

Fred Frank, grandson of Dr. Frank, is currently the president of the estate winery. After graduating from Cornell University, he studied at the Geisenheim Research Institute in Germany; and after 12 years with Banfi Vintners, he joined the winery. Under his direction, it was decided to find a more suitable site for varieties, such as Grüner Veltliner, Blaufränkisch, Pinot Gris and Gewürztraminer. In 2006 the winery purchased about 70 acres in Hector, NY on the eastern shore of Seneca Lake, which is known as the region's "banana belt" for its ability to moderate harsh winter conditions. They have purchased additional land nearby and expect to have a total of 100 acres planted on the east side of Seneca Lake soon.



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## Blaufränkisch or Lemberger—What's in a Name?

#### IN THE VINEYARD

In 2008, 3.5 acres of Bläufränkisch were planted, sourced from **Vintage Nurseries** (renamed **Wonderful Nurseries** in 2017), which is based in Wasco, CA. The vines are on 3309C rootstock and planted with 8.5 x 4 foot spacing. "The spacing is not traditional," said **Brien Gardner**, the current vineyard manager. Gardner recently came to Dr. Frank's from **Anthony Road Wine Co.**, where he worked for 11 years. The dense planting helps to moderate vine vigor, he said. With some 1,400 vines per acre, the yield per vine does not need to be excessive, and hopefully, the density results in higher quality fruit.



Dr. Frank's Blaufränkisch vineyard that slopes towards Keuka Lake

The sod between the vineyard rows also helps to reduce vigor while limiting possible soil erosion on the steep slopes of the planting. Vertical shoot positioning (VSP) is employed, with an ideal bud total of 40 on the four canes. Due to the relatively milder winter temperatures on the site, the vines are not laid down; rather each vine is hilled up to cover the graft union for cold protection.

Gardner's experience with the grape has taught him that while relatively winter-hardy, when temperatures reach -5° F, the vines can become compromised. "This variety has a really weak cell structure, with soft, brittle wood," he said, which might be a factor in winter damage. Another problem associated with the brittleness is seen every spring when shoots are positioned on the wire. If care is not taken while attaching the shoots, it is common to have shoots snap off in one's hand.

Vineyard maintenance for spraying is less than for other cultivars in the vineyard, and the spray schedule usually starts by early May based upon the existing shoot growth. Due to the vine's vigor, regular vine maintenance is required. Leaf-plucking on the vines is done in two stages—the first, by mid-June, is done mechanically, and hand-removal is done to protect the fruit prior to veraison, usually from late July to early August. In 2018, veraison began by the end of the first week in August. Gardner noted that the amount of hand-plucking is determined by each vine's vigor, and a vine that is not exhibiting excessive growth will have little or no leaf removal.

"One thing we did this year was a high hedge on the vines, and I can see a pretty good balance with no new shoots, so all the vine's energy goes into the fruit," Gardner said. He also likes how the vines exhibit straight upward growth, which suits the VSP perfectly. "It's a friend of the grower." When to



Brien Gardner, manager of Dr. Frank's vineyard in Hector, NY, in front of the winery's Gregoire G8 harvester, which has an on-board de-stemmer/crusher

harvest is decided jointly by the winemaking team and the vineyard managers, with taste being the primary determinant. Attention is also paid to the sugar, acid and pH levels. Finally, weather conditions and disease pressure can also play a major role in the decision. While yield will vary, they feel that 3.5 to 4 tons per acre provides them with quality fruit.

The average harvest date follows Grüner Veltliner and Pinot Noir, usually from early to mid-October. The winery also makes a dry Rosé, using grapes picked in late September with about 19° to 20° Brix. Depending upon when the grapes are picked, harvest can be done mechanically or by hand. When picking by machine, they use a two-year old **Gregoire** G8 harvester with an on-board de-stemmer. The grapes are picked either at night or early in the morning and then are trucked to the winery, 45 minutes away.

#### MAKING THE WINE

Once the Blaufränkisch grapes arrive at the winery, they are in the hands of assistant winemaker **Joél Heno**, who came to the winery from France in 2017. Educated for three years at the **Montpellier SupAgro**, he graduated in 2013 and then worked at wineries in New Zealand, France and Australia before coming to New York. Much of his time in France he worked in the Loire, which he thinks prepared him to work with the grapes of the Finger Lakes.

Before the grapes are transferred to the winery, they receive a less than 10 ppm addition of sulfur for stability. If the grapes have been machine-picked, they will already have been de-stemmed. If hand-picked, they will go through a **Puleo Vega** 15 de-stemmer/crusher, distributed by **Carlsen & Associates**, of Healdsburg, CA. Regardless of picking methods, the grapes are only lightly crushed and go through only two rollers.

















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Heno, who grew up in France

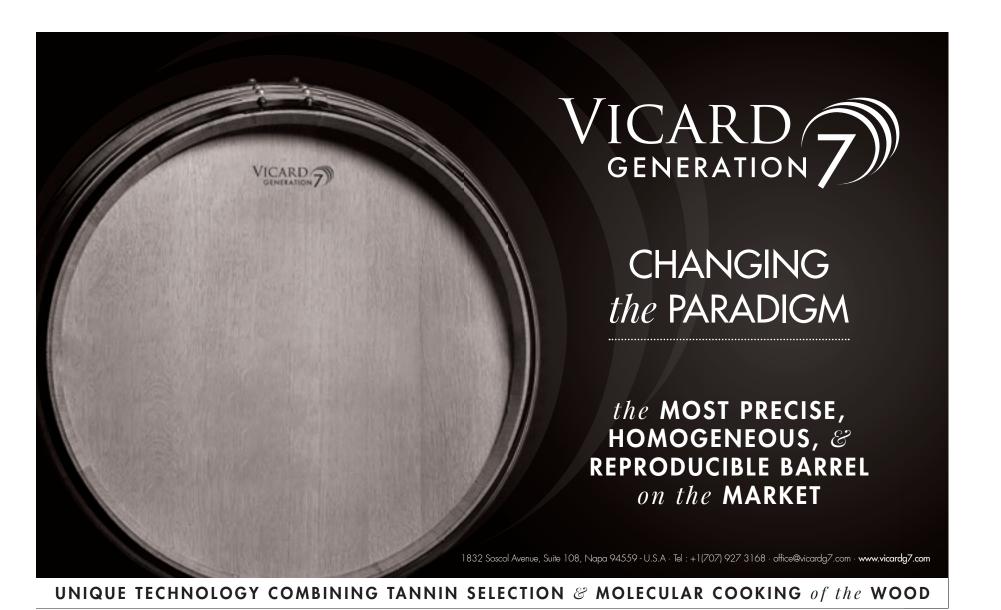
The fruit is then transferred to open fermenters, ranging from 2-3 to 5-tons, depending upon the size of the run. The square fermenters have two cooling jackets to facilitate a cold-soaking of the grapes and to maintain a moderate fermentation temperature. Heno likes to keep the temperature no more than 20° C to 25° C (68° F to 77° F), with fermentation taking 10 to 14 days. He uses up to three different yeasts, one each per fermenter. He likes Lallemand CSM to emphasize dark fruit and body, Lallemand 71B for fresh esters, and Laffort Zymaflore XPURE for even more body. He thinks the three yeasts add complexity to the wine and uses them in different

percentages to achieve the best balance of flavor. One day after the primary yeast inoculation, a malolactic (ML) culture is added—Beta Co-Inoc, from **Scott Laboratories**.

The grapes are punched down three times daily for the first two to three days; then a pump-over is added for three to four days. Once the wine reaches about 5 percent alcohol, punch-downs take place twice a day. When the fermentation is complete, he follows with one more gentle punch-down. If the ML fermentation is not complete, it will be allowed to finish before racking the free run. The grapes are pressed in one of two **Euro-Machines** presses at the winery and transferred into stainless steel tanks to settle. Heno adds enough potassium meta-bisulfite ( $K_2S_2O_5$ ) to reach 30 ppm free sulfur; and after blending trials, the wine is transferred to a blend of barrels.

The barrels, from about 12 different coopers, are mostly French oak, and also include Hungarian and American oak with a medium toast level. The barrel age ranges from about 20 percent new to 20 percent each of one- to four-year-old barrels. The wine remains in oak for 12-18 months and is topped off monthly. The barrels are then emptied into a stainless-steel tank,  $K_2S_2O_5$  is added to attain 30 ppm free sulfur, and the wine will undergo two filtrations. The first is through a **Pall** Oenoflow cross-flow filter and then a 0.45-micron sterile filtration just prior to bottling.

A **GAI** 3013 16-bottle filler from **Prospero Equipment** is used for bottling, and the 750ml bottles are topped with **Diam** 30 corks (guaranteed for 30 years). The cased bottles are aged in a temperature-controlled warehouse at 60° F until release. The 2016 vintage is currently available for \$21.99, and production was 500 cases. Earlier this year it garnered the Best Red Wine award at the **New York Wine and Food Classic**, where all wines from New York can compete. The winery also produced several hundred cases of 2017 Dry Rosé of Blaufränkisch, which sold at \$15.99 at the winery only and by August was completely sold out.



## Keuka Spring Vineyards, Penn Yan, NY

Founded by **Len** and **Judy Wiltberger**, who planted their first vines on the eastern shore of Keuka Lake in 1981, **Keuka Spring Vineyards** has grown to a production of 10,000 cases annually. Still owned and run by the Wiltberger family, their winery was just awarded the **Governor's Cup** (Best of Competition) and Best White Wine for their 2017 Gewürztraminer in this year's New York Wine and Food Classic, joining Dr. Frank's Winery of the Year and Best Red award for their Blaufränkisch. This article, however, profiles the Wiltberger's 2016 Lemberger, which was made from grapes grown in their vineyard, as well as fruit purchased from **Anthony Road Wine Co.** on Seneca Lake's west shore in Dundee, NY.

#### **GROWING THE GRAPES**

Currently, Keuka Spring has just over an acre of Lemberger that was planted in 1998. The vines are on 3309C rootstock, but the clone is unknown. **August Deimel**, winemaker at Keuka Spring, mentioned that he believes the clone at Keuka Spring, and possibly other eastern sites, is somewhat different than those found in Austria. Although he could not document it, he thinks the berry size was smaller in Europe, possibly affecting a difference in wine character.

Their vines are trained to a Scott Henry system, with an 8-foot-high trellis. It has a vertically divided canopy with four arms, two divided up and two down. Each cane averages 10 to 12 buds in length. The vine spacing is about 8 x 6 feet, resulting in about 900 vines per acre with an average yield of 4 tons per acre. The grapes they purchase from Anthony Road (6 tons in 2017) come from vines spaced 8 x 5 feet, with VSP trellising. These vines yield between 4 and 8 tons an acre.

Deimel noted that because they have a moderate amount of shoot growth from the center of the vine, it requires active canopy management, including suckering and shoot-removal. The growth is very vigorous, which means regular shoot-thinning and repositioning must take place, as well as leaf-pulling. "It's not like [we can] just set it up and go," he said. The vines have large clusters, also necessitating cluster-thinning to moderate the crop load. The clusters are not tight, but the berries are fairly large, measuring up to 2.1 grams per berry in 2017. All vine maintenance is done by hand in the 1-acre plot.

"The key challenge is how to respond to vine vigor," said Deimel. In an average Finger Lakes' growing season, there is not a lot of disease pressure on their Lemberger. The only time that they have had disease pressure occurred when they were behind in their canopy management practices. He feels the vine cold-hardiness is acceptable for the region, though susceptible to severe cold. **Peter Anthony**, vineyard manager at Anthony Road, identifies -6° F as a danger level, with "bad damage" likely if -8° F is reached.

On average, Lemberger harvest at Keuka Spring occurs the second or third week in October. The grapes are picked as soon as the berries begin to soften, and sugar reaches around 21° to 22° Brix. Acid averages around 0.75 TA, with a pH of 3.5-3.7. Last year 6 tons of grapes were purchased from Anthony Road, which are harvested seven to 10 days earlier, with an average of 20° to 22° Brix and a higher 0.9 TA. Grapes from both vineyards are mechanically harvested.

#### WINEMAKING TECHNIQUES

The grapes are treated at the weigh scale with about 25 ppm of  $K_2S_2O_5$  (up to 50 ppm if some fruit is compromised) and fed into a **Lugana** 2R de-stemmer/crusher sourced from Prospero Equipment. The rollers are employed, and the grapes are crushed into 1-ton bins, a 3,000L stainless red fermenter from **Criveller** and an 850L **Flextank USA** Apollo high-density polyethylene egg.

Once in the fermenting containers, "I immediately, and I do mean as quick as a bunny, pull out the saignée," Deimel said. He takes out as much as 40 percent of the juice from the crushed grapes to concentrate the red wine color. This juice will also be made into still and sparkling Rosé wines. The primary yeast he has used is Lallemand D254, which he feels emphasizes a Rhône-like character. He has been experimenting with Laffort FX10, which brings out soft, primary fruit elements. "Bringing out more fruit in Lemberger is the challenge, and that's why I'm leaning towards FX10," he said.



August Deimel, winemaker at Keuka Spring Vineyards

Fermentation is between 75° F to 90° F, with an ideal of 80° F to 85° F.

The lower range lifts the aromatics while the higher temperatures provide a fuller extraction and better structure. Completion takes 10 to 14 days, with morning and evening punch-downs and a full "rack and return" in the middle of each day. Prior to pressing there must not be any residual sugar, which sometimes requires several more days for the fermentation to complete.

The wine is pressed for about 1.5 hours, using a Euro-Machines EHP3000 up to a maximum of 2 bars of pressure. It settles for two to three days and then is racked off the sediment into 300-gallon Flextanks for storage at ambient temperatures. After about one to two months, Deimel will add **Viniflora CiNe** malolactic bacteria, which produces very little diacetyl and preserves the primary fruit in the wine.

About two weeks after ML is initiated, usually in late February-early March, 40 ppm of  $K_2S_2O_5$  is added, and every couple of months more  $SO_2$  is added to have about 35 to 40 ppm by bottling. The wine is racked again in the spring and held until August. It is filtered through a plate and frame filter with **Beco** Pad 220 nominal sterile pads and is followed by in-line **Millipore** 0.45-micron sterile filtration. Bottling is done in-house with a **Fimer** RT nine-head filler in combination with a **Newtec** labeling machine, both supplied by Criveller.

A combination of Diam 2 and 5 corks are used, supplied by Hauser Packaging, and the bottles are 750ml W65 bottles from Waterloo Container. The bottles are topped with Enocapsule "Smoke" capsules, also from Waterloo Container. The labels are provided by WS Packaging and are designed by Watermark Design in Charlottesville, VA.

Deimel identifies Lemberger as a reductive varietal. "I do think it benefits from time in bottle to work through all that," he said, adding that in a perfect world he would bottle-age the wine for two years but obviously must bow to the reality of supply and demand, usually providing a year or less time in bottle before release. The 2016 Lemberger is sold at the winery and distributed at \$18.95 retail. Just 350 cases were produced in 2016, and the 2017 vintage will probably produce more. In addition, Keuka Spring has released 600 cases of a 2017 Dry Rosé made from 60 percent Cabernet Franc and 40 percent Lemberger. The winery has also just produced a *méthode champenoise* sparkling Rosé of Lemberger, not yet released. "We're all in on Lemberger," he said with a smile. Indeed they do seem to be—wines for thought for the Eastern industry as this grape's production, regardless of name, increases in the future. WBM

# Retail Sales Analysis: Off-Premise Wine Sales Rise 3.5 Percent

Off-premise total table wine sales increased 3.5 percent from the same period of the previous year in the four weeks ending Dec. 1, 2018, according to Nielsen-tracked data. In the 52 weeks ending Dec. 1, wine sales increased 2 percent.

**DOMESTIC WINE SALES INCREASED** 3.3 percent while imported wine sales increased 3.9 percent in the four weeks ending Dec. 1. In case volume during that same period, domestic case volume increased 0.1 percent and imported case volume increased 1.2 percent.

The three major wine-producing states, California, Oregon and Washington, saw good growth in both sales and volume. Sales of Oregon wines were up 12.7 percent in value and 10.2 percent in volume; Washington wine sales were up 6.9 percent in value and up 5.7 percent in volume; and California wine sales were up 2.7 percent in value and down just 0.6 percent in volume in the four weeks ending Dec. 1.

The Portuguese, New Zealand and Italian wine categories were the imported categories with the highest growth: Portuguese wines were up 8.3 percent in sales and up 3.4 percent in volume; New Zealand wines were up 10.8 percent in sales and 10.3 percent in volume and Italian wines were up 6.7 percent in sales and 3.1 percent in volume; Sales and case volume for imported wines from Argentina, Chile, Spain and South Africa decreased in the four weeks ending Dec. 1. Of note, the sales value of German wines dropped 4.4 percent in the four weeks ending Dec. 1, but sales volume increased by 21.7 percent.

Sales for wines in the ultra-premium glass, \$15 to \$19.99 price point segment had the most growth, increasing 11.9 percent in sales and 13.1 percent in volume in the four weeks ending Dec. 1.

The remaining premium price point categories had fair growth in the four weeks ending Dec. 1: the super-premium, \$11 to \$14.99 segment increased 8.5 percent in sales and volume; the luxury, \$20 to \$24.99 segment grew 10 percent in sales and 10.2 percent in volume; and the super-luxury, more than \$25 segment grew 7.5 percent in sales and 6.3 percent in volume. Sales and case volume for wines priced \$10.99 and below dropped.

## **By Varietal**

Rosé table wine, as a category, saw a 43.4 percent increase in sales and a 43.8 percent increase in volume in the four weeks ending Dec. 1. Red blended table wine is up 3.4 percent in sales and 1.5 percent in volume, and white blended table wine is down 5.5 percent in sales and 4.8 percent in volume.

Chardonnay was the largest selling varietal by case value and volume on the market: Chardonnay sales were up 0.9 percent and volume decreased 1.4 percent in the four weeks ending Dec. 1. Cabernet Sauvignon increased 5.9 percent in sales and 2.5 percent in volume.

Sauvignon Blanc, Pinot Noir and Pinot Grigio/Gris were the varietal categories with the most growth; sales of Sauvignon Blanc grew 8.4 percent in value and 6.3 percent in volume; sales of Pinot Noir grew 5.1 percent in value and 2.8 percent in volume and sales of Pinot Grigio/Gris grew 2.4 percent in value and 2.8 percent in volume. Sales and volume for Malbec, Merlot, Muscat/Moscato, Riesling, Shiraz/Syrah and White Zinfandel have all decreased in the four weeks ending Dec. 1.

## **Packaging**

In this issue's "Industry Outlook and Trends" article (see page 20), a number of the CEOs interviewed mentioned that alternative packaging has grown, both in the number of brands offering new containers for wine, but also in consumer acceptance of the packaging.

Nielsen's data supports this. Sales value of wine sold in glass increased 3 percent, but the sales volume of those wines decreased 0.8 percent in the four weeks ending Dec. 1, 2018. Sales of boxed wines were up 6.7 percent in value and 4.3 percent in volume; sales of canned wines were up 86.5 percent in value and 62.6 percent in volume; sales of wines in plastic bottles were up 12.5 percent in value and 13 percent in volume; and sales of wine in Tetra packs were up 11.6 percent in value and 10.1 percent in volume.

## **Types of Wine**

Outside of table wine sales, Nielsen also tracked the sales of sparkling wine, sangria, dessert wine and wine-based cocktails, each of which saw positive growth.

Sales of sparkling wine, which holds the second-largest share of the market—still table wine holds the lion's share—were up 7.9 percent in value and 4.4 percent in volume; sales of sangria increased 10.4 percent in value and 5.5 percent in volume; and sales of dessert wines increased 1.3 percent in sales and 0.5 percent in volume.

Wine-based cocktails saw the highest growth, up 60.8 percent in sales value and up 43.1 percent in sales volume. The category holds just a 0.3 percent market share in value and 0.4 percent market share in volume. **WBM** 

Nielsen Table Wine Category Segments MARKET: Total US xAOC+Conv+Military+Liquor Plus PERIOD: Week Ending December 1, 2018

1	ielsen	Dollar Value		Dollar Value % Chg YA		9L Equivalent Volume		9L Equivalent Volume % Chg YA		Avg Equivalent Price Per 750ML	
	IICISCII	Latest 52 Wks - W/E 12/01/18	Latest 4 Wks - W/E 12/01/18	Latest 52 Wks - W/E 12/01/18	Latest 4 Wks - W/E 12/01/18	Latest 52 Wks - W/E 12/01/18	Latest 4 Wks - W/E 12/01/18	Latest 52 Wks - W/E 12/01/18	Latest 4 Wks - W/E 12/01/18	Latest 52 Wks - W/E 12/01/18	Latest 4 Wks - W/E 12/01/18
	TOTAL TABLE WINE	14,239,764,553	1,287,373,531	1.5	2.7	161,930,414	14,135,231	-0.5	-0.2	7.33	7.59
SS SS	BOX	1,345,283,210	113,216,692	4.8	6.3	33,276,525	2,771,288	2.1	3.8	3.37	3.41
	\$0-\$3.99	573,880,799	46,927,274	-2.4	1.0	20,259,747	1,651,086	-2.8	0.1	2.36	2.37
Ë	\$4+	771,197,769	66,238,629	10.8	10.3	13,010,871	1,118,710	10.8	9.8	4.94	4.93
PRICE TIERS BY CONTAINERS	Total Table Wine Glass	12,649,640,627	1,154,905,113	1.0	2.2	125,468,275	11,115,225	-1.5	-1.3	8.40	8.66
	Value Glass \$0-\$3.99	712,470,669	57,808,634	-3.7	-6.0	18,093,729	1,465,051	-4.1	-7.1	3.28	3.29
	Popular Glass \$4-\$7.99	3,247,531,537	275,566,010	-5.6	-4.5	49,308,905	4,198,941	-5.5	-5.0	5.49	5.47
	Premium Glass \$8-\$10.99	3,429,863,895	309,007,050	-0.4	-1.0	30,351,798	2,747,623	-0.5	-2.0	9.41	9.37
	Super Premium Glass \$11-\$14.99	2,664,519,114	251,487,744	7.1	8.5	17,614,649	1,677,134	7.2	8.5	12.60	12.49
	Ultra Premium Glass \$15-\$19.99	1,297,163,936	130,555,690	9.2	11.9	6,349,151	648,986	9.5	13.1	17.02	16.76
	Luxury Glass \$20-\$24.99	584,674,558	56,824,971	6.8	10.0	2,242,292	220,331	6.6	10.2	21.72	21.48
	Super Luxury Glass \$25+	709,029,590	72,707,750	4.1	7.5	1,482,374	151,141	2.5	6.3	39.84	40.07
IMPORTED	IMPORTED	3,763,153,234	335,830,285	1.7	2.5	40,357,485	3,533,532	0.3	0.6	7.77	7.92
	ITALY	1,176,159,258	111,979,269	1.2	3.4	10,471,222	969,905	-0.5	0.3	9.36	9.62
	AUSTRALIA	728,276,200	62,950,373	3.4	2.4	12,008,410	1,014,932	0.3	0.6	5.05	5.17
	FRANCE	452,103,863	37,002,965	8.9	5.9	2,944,588	240,197	9.1	2.5	12.79	12.83
	CHILE	258,146,823	22,265,103	-4.5	-3.9	3,852,334	331,551	-3.0	-3.0	5.58	5.60
	SPAIN	165,371,604	14,785,969	-2.2	-1.1	2,088,684	180,677	-0.5	0.2	6.60	6.82
	GERMANY	84,007,925	8,402,418	-5.1	-5.0	990,804	106,584	17.4	22.9	7.06	6.57
	NEW ZEALAND	459,736,243	39,155,307	8.5	10.8	3,319,778	282,715	7.8	10.3	11.54	11.54
	ARGENTINA	348,141,070	31,530,822	-7.7	-5.2	3,843,332	335,767	-8.9	-8.5	7.55	7.82
	SOUTH AFRICA	24,536,760	2,047,868	-10.5	-4.9	213,555	17,473	-9.7	-5.4	9.57	9.76
	PORTUGAL	40,214,387	3,600,971	10.5	11.9	446,154	38,922	7.6	3.9	7.51	7.71
	DOMESTIC	10,476,611,318	951,543,246	1.4	2.8	121,572,929	10,601,700	-0.8	-0.4	7.18	7.48
	CALIFORNIA	9,443,136,037	852,849,625	1.3	2.4	112,925,936	9,785,594	-0.9	-0.7	6.97	7.26
	WASHINGTON	614,236,143	57,772,548	1.7	6.6	5,152,084	487,146	1.5	5.4	9.93	9.88
DOMESTIC	OREGON	188,618,517	19,511,582	12.5	12.4	968,904	98,099	12.6	9.8	16.22	16.57
	TEXAS	32,152,501	2,767,917	-3.5	-0.9	394,308	33,351	-7.1	-2.6	6.79	6.92
	NEW YORK	36,615,188	2,923,630	0.0	-1.4	508,638	42,660	-2.5	-2.4	6.00	5.71
	NORTH CAROLINA	39,819,254	3,943,800	-0.5	5.4	418,220	39,989	-0.4	3.9	7.93	8.22
	INDIANA	23,497,848	2,210,941	-1.3	-1.4	262,036	24,582	-3.0	-1.9	7.47	7.49
	MICHIGAN	22,293,813	2,129,049	-1.3	-3.1	242,910	23,271	-0.9	-2.2	7.65	7.62
, Si	RED	7,355,178,958	709,480,953	1.1	2.7	74,671,791	6,887,529	-1.0	-0.4	8.21	8.58
TYPES	WHITE	5,819,754,748	496,483,984	0.2	1.5	70,954,245	5,935,824	-1.0	-0.4	6.83	6.97
	PINK	1,063,287,624	81,231,978	12.8	10.8	16,286,788	1,310,023	4.1	2.6	5.44	5.17
	TOTAL CHARDONNAY	2,549,294,796	213,875,390	-0.1	0.9	30,333,418	2,482,170	-1.5	-1.4	7.00	7.18
	TOTAL CABERNET SAUVIGNON	2,595,945,572	250,250,988	3.8	5.9	24,519,932	2,261,428	1.3	2.5	8.82	9.22
	TOTAL PINOT GRIGIO/PINOT GRIS	1,299,746,863	109,960,641	1.2	2.4	17,143,606	1,437,143	1.8	2.8	6.32	6.38
	TOTAL PINOT NOIR	1,063,930,853	108,166,963	1.9	5.1	8,380,690	820,061	0.0	2.8	10.58	10.99
	TOTAL MERLOT	753,122,445	67,103,860	-5.8	-4.2	10,560,811	905,380	-6.3	-6.3	5.94	6.18
	TOTAL SAUV BLANC/FUME	926,768,675	78,469,538	5.8	8.4	8,208,449	689,491	4.2	6.3	9.41	9.48
VARIETALS	TOTAL MUSCAT/MOSCATO	652,762,173	59,261,119	-1.7	-0.3	9,979,157	890,669	-2.6	-2.7	5.45	5.54
	TOTAL WHITE ZINFANDEL	291,050,450	24,124,261	-7.2	-7.6	5,915,831	486,675	-7.9	-8.9	4.10	4.13
	TOTAL MALBEC	268,841,897	25,031,935	-6.9	-4.5	2,542,420	231,749	-7.5	-6.7	8.81	9.00
	TOTAL RIESLING	248,330,639	24,000,748	-4.9	-5.3	2,765,201	264,034	-4.3	-6.3	7.48	7.57
	TOTAL ZINFANDEL	228,674,412	21,565,323	-2.4	0.6	1,653,494	151,055	-5.5	-4.0	11.52	11.89
	TOTAL SHIRAZ/SYRAH	153,860,379	13,519,735	-5.1	-5.4	1,793,299	153,006	-8.2	-8.9	7.15	7.36
	WHITE BLENDS (ex. 4/5L)	224,569,569	18,949,085	-5.6	-5.5	2,719,045	223,426	-4.2	-4.8	6.88	7.07
	RED BLENDS (ex. 4/5L + CHIANTI)	1,844,389,441	181,836,190	3.5	3.4	17,156,708	1,647,023	2.5	1.5	8.96	9.20
	ROSE BLEND	483,226,705	32,013,680	42.3	43.4	4,156,487	296,064	46.1	43.8	9.69	9.01
	750ML	10,237,677,075	950,846,257	2.2	3.5	82,498,469	7,498,225	0.1	0.5	10.34	10.56
SIZES	1.5L	2,131,427,136	180,945,617	-3.9	-3.4	37,119,567	3,144,714	-3.7	-4.0	4.79	4.80
S SIZ	3L	64,849,524	5,362,698	-8.6	-7.3	1,716,511	140,486	-9.6	-8.3	3.15	3.18
GLASS	4L	82,666,972	6,920,192	-6.3	-9.9	2,674,113	219,480	-8.6	-13.6	2.58	2.63
15	187ML	105,901,739	8,001,720	-1.4	-4.1	1,313,463	99,061	-2.4	-5.1	6.72	6.73
	375ML	17,208,838	1,644,395	1.7	20.7	68,022	6,845	4.7	34.4	21.10	20.04
	ex. 4/5L	853,991,515	73,130,366	9.3	9.9	15,279,944	1,306,255	8.5	9.1	4.66	4.67
ES	1L	28,802,676	2,376,477	9.4	11.4	439,486	35,719	8.0	7.3	5.46	5.54
SIZES	1.5L	14,279,149	1,216,526	0.1	4.5	231,877	19,870	0.8	4.0	5.13	5.10
BOX	3L	621,252,543	54,152,434	8.1	10.0	12,040,554	1,044,736	7.7	9.3	4.30	4.32
_ <u>~</u>	5L	491,290,146	40,086,170	-2.2	0.3	17,996,539	1,465,029	-2.7	-0.5	2.28	2.28
	TETRA	218,729,740	17,802,915	14.2	10.5	3,009,788	242,080	13.1	8.9	6.06	6.13

Source: Nielsen

# Deutsch Family Wine & Spirits President Tom Steffanci: Buying and Building Brands

A business model based on creating partnerships and velocity

Cyril Penn



AS WINE AND SPIRITS businesses look to expand by incorporating new brands into portfolios, they are faced with a key decision: build a brand or buy an existing brand? How do you determine the worth of an existing brand or the cost of building something new? Or do you pursue joint ventures, which Tom Steffanci, president of Deutsch Family Wine & Spirits, said are often overlooked and a great opportunity for the seller to get a partner to help them scale. At the 2018 Wine Industry Financial Symposium, Steffanci discussed how Deutsch Family Wine & Spirits, which works almost exclusively with private or

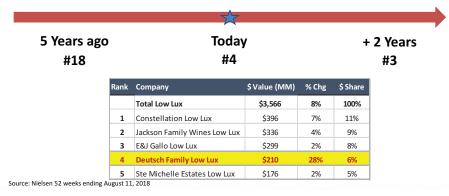
family-owned companies and has 300 employees, \$700 million in revenue, and sells 11 million cases of wine and spirits with 31 brands from 10 countries, approaches the decision.

"Keeping your portfolio manageable and not allowing yourself to talk yourself into over SKUing is an important lesson in our business," Tom Steffanci said. "When I joined 10 years ago, we had 40 brands and half the revenue and a third the profit, so it's interesting that as we've tripled the profit of this business, we have been pretty tight about managing the portfolio, and that's a key."

## A Quick History of Deutsch Family Wine & Spirits and Its Brands

In the beginning, Deutsch was an importer. Years ago, the firm moved into sales and marketing and worked with **Francis Ford Coppola** to create the Coppola Diamond Series, building it to a quarter million cases before Coppola decided to use its own sales force. Ten years ago, the company got into the spirits business. Five years ago, the company decided to focus on wines priced between \$10 and \$25. Joint ventures have been a key strategy in building a strong portfolio.

## **Fastest Growing "Low Lux" Player**



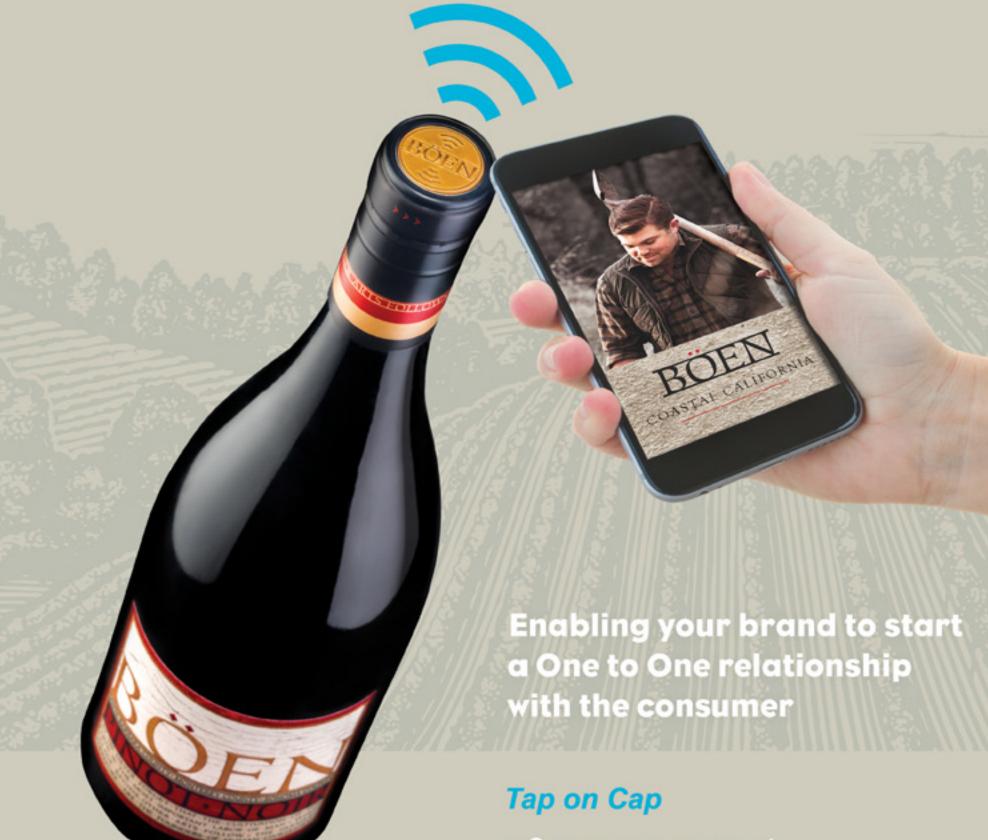
Today, most of Deutsch's ventures include some form of shared trademark equity. Three models are in play: brands Deutsch has agency agreements with, brands where Deutsch shares trademark equity and brands Deutsch owns 100 percent of. The company has equity stakes in most brands it works with, brands such as Yellow Tail, Kunde, Fleurs de Prairie, Masterson's Rye, Peter Lehman and more.

The Calling is a joint venture between CEO Peter Deutsch and sportscaster Jim Nantz. The company has a joint venture in Washington with Precept on Skyfall and represents other brands in California as an agent. Bellacosa is a joint venture with Dan Cohn, son of Bruce Cohn.

**Josh Cellars** started as a joint venture and is now owned by Deutsch Family Wine & Spirits although founder **Joseph Carr** remains actively involved with the brand. It is now one of the country's fastest growing wine brands and sold more than 3 million cases last year.



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## Three Types of Partnerships to Build Brands

There are three main types of partnerships that Deutsch Family Wine & Spirits engages in: Traditional agency partnerships, joint ventures and acquisitions. In the beginning, **Bill Deutsch** started by convincing families to let him represent their brand as part of a traditional agency partnership. He would earn a margin, and they would have a contract that lasted for a given period with no ownership involved. Deutsch still has eight agency partnerships but doesn't look to add agency partnerships unless they're big.

A second approach Deutsch employs is the joint venture. Some brands are 50 percent acquisitions, some are created as joint ventures, and some brands start as agency partnerships then convert to being joint ventures. Joint ventures represent most of what Deutsch does today. There are 12 joint venture brands owned with partners.

The third type, an acquisition, can happen outright in one fell swoop, or joint ventures can morph into brand acquisitions. Deutsch owns 100 percent of four brands it acquired. When the company acquires a brand, the goal is to scale it.

## **Joint Venture Benefits**

In a joint venture, the trademark is held with an LLC. Nothing transacts in the LLC. Deutsch buys half of the trademark. Operationally, Deutsch agrees with its partner on what they're going to sell the product for and what Deutsch is going to sell it for. The margin pool is calculated after Deutsch covers overhead so that both parties have half the margin pool each. Typically, the partners will want Deutsch to handle the expenses because it's simpler for the partner. Deutsch provides the capital, marketing and distribution, and the partner gets the opportunity to own half of something bigger.

## Measuring Joint Ventures: An Example

In the example at the top is a brand that was 50,000 cases and doing a million dollars in cap, so Deutsch agreed with the partner to put in nine times multiple on that CAAP. They bought half the brand for \$4.5 million. The brand got to 200,000-plus cases, so the cumulative proceeds are \$30 million when the partner exits. In the example below, the partner went it alone. They got a higher multiple but ultimately earned \$20 million less. The partner makes more money over time, eliminates the need to raise capital, and gets expert marketing and sales capability, as well as distribution.

Most importantly, said Steffanci, the founder gets 80 percent of their time back to focus on the areas where they add the most value because most people like to do the stuff they're good at. "The joy quotient is important," he said.

Steffanci noted one of the biggest mistakes people make in acquisitions, especially at big companies, is not retaining the founders. "They bought the brand, and they forget that they left behind the humanity of the brand. We see the retention of the people, the skills, the knowledge, the history, as a huge part of us tapping into that expertise. We love the idea of them being the face of the brand."

Retaining the founders helps get deals done because the brand will be worth more later. It also leads to greater transparency and honesty.

"Letting people participate in how that runs up is a big, big benefit. Typically, I can limit the need to overpay because you're going to pay based on how the thing gains value."

The exit strategy usually involves coming up with a call that is agreed to in a certain number of years at a pre-determined ratio, though some partnerships don't have a call and are permanent partnerships.

Steffanci said Deutsch sometimes negotiates against themselves because they're looking for partnerships, not "winning deals." "We remind the other side, we say, 'Hey, we should write in that we're required to spend this much on marketing," Steffanci said. "We put things in that keep the brand healthy and growing."

## Sizing up Brand Velocity: Points of Distribution Divided by Depletions

Steffanci said the most important metric Deutsch looks at in considering an acquisition is a brand's velocity (see FIGURE 2).

Brand A has 300,000 cases, 33,000 points of distribution and is a national brand. Brand B has 25,000 cases in only 1,250 distribution points in 15 states. Which brand has more potential if velocity is the driver?

In this case it is the smaller brand because Deutsch is established and has the ability to get a wine into 20,000 points of distribution. "The big deal is getting it to stay there," Steffanci said.

### What is Velocity and Why is it important?

· Which brand has more Potential?

#### **Brand A**

- 300k cases
- 33,000 Points of Distribution
- National Distribution

Velocity = 9.1

#### **Brand B**

- 25k cases
- 1,250 Points of Distribution
- 15 states

Velocity = 20

High Velocity Will Earn **Brand B** the "Right" to More Distribution: @ 33,000 PODS x 20 cs/POD = 660k case POTENTIAL of **Brand B** 

"As good as we are at building distribution, we have yet to figure out how to force consumers to pick up bottles over and over again off the shelf," Steffanci quipped. "If the brand comes to us with velocity, we can build on that. We can get distribution. A brand that has done a good job of getting wide distribution but doesn't have [return purchases] is very hard to scale.

"It's pretty rare that a brand has low velocity for years of its life, and the geniuses on my marketing team come up with the golden idea to turn lousy velocity into great velocity. It's happened, but I don't bet on it."

Factors that drive velocity are many and varied, but occupying a space first in consumers' minds is big. **Santa Margarita** was the first luxury Pinot Grigio. **Caymus** was the first widely distributed luxury Cabernet Sauvignon.

Coming up with the perfect balance between elegance and approachability is powerful. Steffanci said that is the key to velocity with Josh Cellars—Josh being an approachable name and sporting an elegant label. Steffanci also cited **Butter**, now the #2 Chardonnay in dollars after **Kendall-Jackson**, ahead of Josh Chardonnay at #3, as an example. Butter built velocity by making it easy for consumers to know what to expect.

"What these folks did is ask, 'What if we actually put on the bottle a depiction of what you should expect to get from the taste of the wine and we did it in an elegant way?"

There are different ways velocity is built, and finding the way a brand unlocks velocity is critical, Steffanci said. He observed that if you have velocity but you don't understand why you have it, you need to understand it because that's where you should invest.

"If you don't have velocity, you want to be very careful about going into the next state because if your strategy is 'maybe I'll find velocity when I go onto the next state,' that is the strategy called 'hope' and it turns out that hope is actually not a strategy."

Succeeding in creating brands is difficult. Steffanci said that after creating four brands each year for many years and creating just one brand that surpassed 200,000 cases, the company decided to focus on acquisitions and to only create brands if they found an opening where consumers' needs were unmet. He cited Nielsen data, which showed that new brands have a 2 or 3 percent success rate. "Most big companies have given up on it," he said. "They don't have the ingenuity or creativity.

"We've got to be confident there's a need we can meet better than every-body else," Steffanci said of creating brands. One brand the company did create recently is Fleurs de Paris, a Provence Rosé. It was created as a joint venture with a partner in Provence after research provided insight into what affluent women who drink Whispering Angel look for.

#### **ACQUIRE SMALL BRANDS TO SCALE THEM**

but the velocity has not changed, Steffanci said.

Steffanci said the company's favorite approach is to acquire a small brand, either as a joint venture or outright, and then scale it. "It means that you kiss a lot of frogs," he said. "You look at an awful lot of brands and try to uncover where velocity is."

Deutsch discovered Josh during a distributor incentive trip in New Hampshire. At the time, the brand was tiny but had high velocity in New Hampshire. Now the brand is in 62,000 points of distribution,

"You also need to have an excellent sales and marketing capability. We are blessed in our company to have phenomenal people, whom we've recruited from the best companies, and we've got a very, very high capability and owners who are willing to invest aggressively. If you're going to bring these things in, you have to be willing to lavish them with talented people and a lot of support."

Steffanci stressed that scaling small brands requires decent distribution.

"However worried you are about what's going on in the distributor world, you should be more worried than you are," Steffanci said. "They know that 15 percent of their brands do 85 percent of their profits. They also now know that spirits are more profitable than wine, and they know that there are about 12 suppliers that really determine their lot in life, so they are shifting resources toward the largest suppliers and their brands pretty dramatically at the expense of smaller brands. The margin requirements are different. The quotas are different."

When brands are consumer-led, they can navigate this, but they don't stay consumer-led and don't get to their full potential without having a distributor behind them, Steffanci said. "You may have a brand that's doing very well and is consumer-led. Make no mistake, that's not the phenomenal job that your distributor did by paying extra. That's the job you did by creating something consumers like."

#### **ACQUIRE SCALED BRANDS**

If you're going to buy an already large brand, you must be able to grow that big brand to pay back the bank—which means you have to be clever enough to figure out how to grow the brand.

**Constellation** acquires established brands regularly. Steffanci cited **Mark West**, which Constellation bought at 620,000 cases and grew to 820,000 cases, as well as **Meiomi**, which the company bought at 645,000 cases and quickly took to 1.2 million. "You can buy a big brand and have trouble scaling it, and it's hard to pay back, or you can buy a big brand and a find a new gear to grow," he said.

#### WHICH ACQUISITION TARGET IS A BETTER DEAL?

Which acquisition target would be a better deal? On the top is a brand going from 125,000 cases to 540,000, but to get this deal done, you're going to have to pay 12 times CAAP, or Contributions after A&P (advertising and promotion), your gross profit minus what you spend on marketing and price promotion. At 12 times, one would pay \$30 million.

The bottom example shows a little bit slower growth, paying \$19.2 million, and that's eight times CAAP.

A pays back in four years the way Deutsch measures it if its projections are right. Things that are expensive and sell for high prices are expensive because they're worth it. In the end, Steffanci said it's about how fast you can get your money back.



A) \$28.8 & 12x CAAP or B) \$19.2 & 8x CAAP

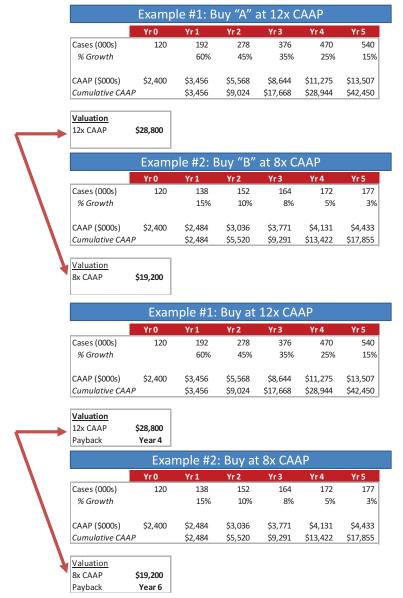


## **Answer**

"A" pays back in 4 yrs.

"B" pays back in 6 yrs.





## Valuing Brands: The Price Tag is About the Payback

Deutsch determines the target acquisition price by how quickly the company thinks it can repay its investment. For wine, the guideline is four years. On spirits, the target is 10 years.

The company builds growth projections based on what it thinks it can do with the brand. The most important factor is velocity, followed by factors such as potential for greater distribution, supply, and advertising and promotion spending. The company prefers deals with high velocity where they can put advertising and promotion against a brand to fuel growth.

The competitive landscape is always a consideration. "Having the wind at your back in a growing segment is very, very helpful," he said.

In getting a deal done, what other potential buyers are willing to pay is a factor, but Deutsch doesn't base its decision on more commonly used multiples.

"We decide based on whether we can get our money back. Then we look at what we think others are willing to pay, and maybe that has us move a little bit, but we don't overstretch," Steffanci said. "We are a family-owned company. We don't set goals about what deals we have to do, and we don't feel badly, when we don't get something done, because it's got to make good sense."

Steffanci works on more spirits deals than wine deals but gets fewer spirits deals done. "Everybody thinks they're George Clooney," he said, referring to the sale of Clooney's Casamigos tequila brand to Diageo for nearly \$1 billion. "You'd be shocked at the number of conversations where I've had to explain to people that they're not George Clooney."

#### STEFFANCI'S TIPS FOR BUILDING BRANDS:

- Be a wolf, not a sheep. Your brand has to be different in a sea of sameness. There is no other category with more promiscuous consumers than wine consumers so find differentiation.
- Joy and legacy will impact your happiness more than money. If you're going to go it alone, make sure that you do it in a way that you can spend your time on the things that bring you joy and hire capable people for the rest of it. Pay up for the talent. It'll make your life better, and it'll allow you to focus on what you're good at.
- Objectively determine that you offer superior quality. Make sure that your quality is somehow objectively measured.
- Identify and focus on the things that drive velocity.
- Invest in velocity driving activities and carefully measure impact.
- Build a foothold in a small number of geographies and then build from
- Invest in velocity-driving activities and carefully measure impact.
- Build a foothold in a small number of geographies first.
- Ensure you have outstanding packaging that's professionally researched.
- Seek professional help.
- Seek a partner with experience to partner when you're ready to scale.

Steffanci, who joined Deutsch Family Wine & Spirits in 2009, is a former COO of Terlato Wines and was president of Allied Domecq's Northern Business Unit. He spent seven years in senior positions with Diageo, PLC, including running the company's largest business unit as senior vice president and general manager, California. Before joining Diageo, he held marketing and sales positions with Coors. WBM





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## What is Duty Drawback?

The curious tale of how wine won and (finally?) lost a subsidy

Barbara Insel

**Barbara Insel** is Founder and CEO of Insel & Co, the successor company to Stonebridge Research Group LLC, a leading wine business strategy and economics firm.

THE ORIGIN OF "DUTY DRAWBACKS" in the United States may date back to Alexander Hamilton's days as U.S. Treasury Secretary, but its meaning hasn't changed substantially. Simply, if you import some "thing" and use or process it in some way, then export the final product without it ever actually entering the U.S. market, you are refunded, on export, any import duties you initially paid on that "thing."

We didn't actually export too much in those early days and didn't use the duty drawback that often—perhaps on paper to print a book we then sold back to Europe, or on silver for fine silver works—but it became a standard practice that grew in tandem with the U.S. economy. Today, one prime example would be auto parts that are used to make cars that are exported. Duty drawbacks have become more flexible over the years, with something called "substitution drawback" applying to "commercially interchangeable" products.

## **Duty Drawbacks for Wine and the** "Refund" of Excise Tax

In 1960 the **Internal Revenue Service**<sup>1</sup> announced by circular that it was introducing a new procedure, authorizing a producer of wine, beer or spirits, in addition to receiving a refund of the import duty when applying for drawback, to receive to a credit or refund for the [excise] tax applicable to the exported commercially interchangeable product. Later agricultural legislation defined "commercially interchangeable" as "wine<sup>2</sup> of the same color having a price variation not to exceed 50 percent between the imported wine and the exported wine," and later clarified that a wine is still eligible for drawback by being manipulated in any of a long list of actions, including blending, packaging/ bottling or carbonation.

Since excise taxes are only owed, in the example of wine, "when the wine is removed<sup>3</sup> from bond<sup>4</sup> for domestic consumption or sale," it is only fair to refund any excise tax that was inadvertently paid for wines that were ultimately exported. Moreover, wine producers are specifically entitled to export wine directly from bond "without payment of [excise] tax<sup>5</sup>."

"In 2004, a local port director of Customs furnished a California winery with a private letter ruling stating that the domestic wine it exported was eligible for substitution drawback for the quantity of wine it imported taxpaid at the time of importation." Thus, no excise tax would be paid on either the wine exported non-tax-paid nor the imported wine which did enter the domestic market and therefore owed excise tax. "The private letter ruling only dealt with wine...the National Office of Customs never issued a similar letter ruling so the only authority is a local Port Director's opinion."

In 2009 the Bureau of Customs and Border Protection of the Department of Homeland Security, jointly with the Department of the Treasury, published in the Federal Register a notice of proposed rulemaking<sup>7</sup> to amend Title 19 of the Code of Federal Regulations to "preclude the filing of a substitution drawback claim for internal revenue excise tax paid on imported merchandise in situations where no excise tax was paid upon the substituted merchandise or where the substituted merchandise is the subject of a different claim for refund or drawback of tax under any provision of the Internal Revenue Code." It also proposed to add a bond requirement "to foster compliance with the amended drawback provision. These proposed amendments are necessary to protect the revenue by clarifying the relationship between drawback claims and Federal excise tax liability." As justification for this amendment, the proposal noted that the "Integrity of the Federal excise tax system [was] at risk." It also noted that several other products might eventually claim such rebates, including beer and spirits, tobacco products and petroleum products, undermining federal revenue collection, if this procedure was not ended.

- Office of the Commissioner of Internal Revenue, Alcohol and Tobacco Tax Division, Circular 60-15, dated May 23,1960. "Crediting of Drawback. Section 5062(b), I.R.C., as amended by Public Law 85-859, introduces a new provision of law which provides for crediting drawback of tax. This permits giving of credit for drawback on a wine tax return. The revised Form 1582-A provides for the claimant to indicate his choice as to receiving credit or refund. Actual procedures for taking the credit, with respect to wines, will be contained in Part 240. Form 2639 has been prepared for use of the assistant regional commissioner in giving the claimant formal notice of the allowance of his claim together with the authority to take credit for such amount against his returns sub- mitted on Forms 2050."
- $^{\scriptscriptstyle 2}\,$  U.S. Code of Federal Regulations, Title 19, Chapter 1313, p. 79
- <sup>3</sup> 27 CFR 24.270 https://www.ttb.gov/tax\_audit/taxguide.shtml
- <sup>4</sup> Bonded wine premises: "Premises established under the provisions of 27 CFR Part 24 on which operations in untaxpaid wine are authorized to be conducted" [usually winery or warehouse.] https://ttb.gov/forms\_tutorials/glossary/glossary. html
- <sup>5</sup> "The provisions of 27 CFR 24.292 and 27 CFR 28.121 provide for the withdrawal of wine without payment of tax from bonded wine premises. Authorized withdrawals of wine without payment of tax [referring to excise tax] include: Exportation to a foreign country;"
- <sup>6</sup> The law establishing Homeland Security transferred custom and border security responsibilities to the Department of Homeland Security, including collection of customs duties, but the Secretary of the Treaasury retailed authority to define policy for duty and tax collection. Excise taxes on alcohol and tobacco continue to be collected by the Alcohol and Tobacco Department (*ttb.gov*) of the Department of the Treasury and are defined by the Internal Revenue Code.
- <sup>7</sup> [USCBP-2009-0021] RIN 1505-AC18. CBP\_Fed\_Reg\_101509.

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On November 3, 2009, 10 Senators from wine-producing states, led by Senator Charles Schumer, wrote<sup>8</sup> to the Treasury and Homeland Security Secretaries to request that the proposed amendments be withdrawn, arguing that the growth of the U.S. wine industry, and U.S. wine exports, was linked to the existing drawback system, which also became known as "double drawback" by the CBP or "substitution drawback" in the Senators' letter.

The proposed revision was withdrawn.

The California Association of Winegrape Growers (CAWG) also became concerned about the practice in 2009. Was "double drawback" an incentive to imports at the expense of domestic production, especially at the expense of CAWG members? The issue raised a delicate issue for these growers since the excise tax refund benefited some of the major customers for their grapes. Wine producers competing in the value segment whose entire business was domestic, meaning they purchased domestic grapes to produce wines for the domestic market, were also aggrieved by this apparent subsidy for their competitors who also imported bulk or bottled wines. Companies which imported wines to the U.S. but did not export wine also felt this "double drawback" was unfair competition.

CAWG commissioned a study of the impact of this drawback practice, first from **Stonebridge Research**, then from **UC Davis**. Stonebridge sought specific data about the scale of the subsidy. Although individual or company tax data is, by law, confidential, aggregate tax data is usually disclosed for most federal taxes, though no such public disclosure of duty drawback payments—and especially these "double drawbacks"—was found. A Freedom of Information Act request (FOIA) would be needed to obtain even aggregate data on the value and timing of these payments and the volumes of both imported and exported wine involved.

UC Davis worked with major producers using the double drawback procedure to conduct an economic analysis and concluded that the use of substitution drawbacks appeared to follow the ebb and flow of demand and supply for U.S. wine and grapes, rather than drive it, while noting its value as an incentive to U.S. wine exports.

Nonetheless, "refunding" an excise tax that was never paid is a subsidy, reducing the price and shifting the demand curve upward for either imported wines in the U.S. market or exported U.S. wines to international buyers.

California accounts for 90 percent of U.S. wine exports. The average value of California's wine exports in 2017<sup>10</sup> was \$36.25 per 9liter case, equivalent to \$15 per gallon or \$3.02 per 750ml bottle. The excise tax for wines with up to 16 percent ABV is \$1.07 per gallon<sup>11</sup>, equivalent to \$2.54 per case of wine or \$0.21 per 750 ml bottle. (Sparkling wines are taxed at a slightly higher rate.) Thus, the excise refund represents about 7 percent of the average value<sup>12</sup> of a bottle of exported wine.

The U.S. wine production industry is an upside-down pyramid, with the number of wine producers multiplying as the price of wine increases—the highest priced wines generally produced in small quantities and the lowest priced wines produced in large quantities. There are only a handful of U.S. wine companies that both import and export a large volume of wine in the U.S. They are the same small number of companies that dominate production of low-cost wines in the U.S. A \$2.54 per case subsidy would be an attractive incentive to the export or import of a million cases of low-priced wine.

The Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA) was intended to clarify and simplify trade regulations to encourage exports.

- The TFTEA makes drawback more flexible by extending the time period to match import with an export to qualify for drawback from three years to five years. It also simplified the documentation required to claim drawback.
- TFTEA also fully converts the concept of "duty drawback" from the original principle of processing, or adding value to, an imported product for export, to that of substituting a imported product for an exported product by authorizing drawback of 99 percent of "(I) the amount of duties, taxes, and fees paid with respect to the imported merchandise; or "(II) the amount of duties, taxes, and fees that would apply to the exported article if the exported article were imported."
- This expanded definition of substitution drawback appears to be applied to all products, subject to Secretary of the Treasury regulations.
  - For wine, it reiterated the application of drawback to "commercially interchangeable products." Specifically: "if the imported wine and the exported wine are of the same color and the price variation between the imported wine and the exported wine records does not exceed 50 percent," on export of the comparable amount [however packaged or processed], the amount of the refund shall be equal to 99 percent of the duties, taxes, and fees paid with respect to the imported merchandise." Thus, wine exports became entitled to a refund of the actual excise tax paid on the matching import that did enter the domestic market.
  - The Act has a special carve out for wine appearing to exclude from the requirement for other products that the drawback must be the "lesser of" the duties, taxes and fees" paid with respect to the imported merchandise or the matching exported merchandise.
  - o It also appears to exclude wine from the report required from the Government Accountability Office within one year of the Act's passage identifying differences in specific drawbacks authorized by the 2015 Act in comparison with previous Acts and regulations, although this should be confirmed.

As the Treasury Department began developing the implementation regulations for TFTEA in 2018, it is not surprising that the administration, pre-occupied with trade balances and seeking revenues to fund the 2017 tax cut, would see "double drawback" as both a loss of revenue and an import incentive. The initial interim guidance for these regulations were issued in February 2018, proposing to "disallow" double drawback—a rebate of excise taxes for non-tax-paid wine exports under substitution drawback.

https://votesmart.org/public-statement/465634/schumer-slams-flawed-customs-proposal-to-make-exporting-nys-wine-more-expensive-asks-departments-of-treasury-and-homeland-security-to-withdraw-proposal-immediately#.XCM4-s9KjOQ and http://schumer.senate.gov/new\_website/record.cfm?id=319614

Full disclosure: Insel & Co is the successor company to Stonebridge Research Group LLC.

Divide the total value of wine exports as reported in "California Wine Sales in U.S. Market Hit \$35.2 Billion in 2017," (a press release from the Wine Institute, May 23, 2018), by the total volume of wine exports as reported in the same report.

Until the 2015 Trade Facilitation and Trade Enforcement Act of 2015 (TFTEA) the excise tax rate for wines with ABV above 14 percent was \$1.57 per gallon and \$1.07 for wines with ABV at 14 percent or less. The Act has increased the Alcohol by Volume (ABV) allowed for the \$1.07 tax rate from 14 percent to 16 percent ABV.

<sup>12</sup> It is reasonable to assume most wines are exported at wholesale value, generally 50 percent of U.S. retail price. Imports tend to be less than U.S. wholesale value, to leave a margin for importing companies.

In May 2018, CAWG sent CBP a letter supporting this proposal, arguing that it produced "significant distortions" in the U.S. wine market. CAWG argued that such substitution drawback disproportionately favored "those enterprises engaged in both import and export of wine" and that, although "under prevailing market conditions where the volume of wine imports exceeds," substitution drawback may encourage exports, the "lack of transparency of the program makes it difficult to determine with confidence which wine industry sectors and operators are helped or harmed by the program."

On November 30, 2018, following another interim guidance in August 2018, Senators **Dianne Feinstein** and **Kamala Harris** (both D-Calif.) and **Patty Murray** and **Maria Cantwell** (both D-Wash.) issued a statement calling on "the Trump Administration to not block wineries from using the duty drawback program. The program, which allows wineries to recoup duties, taxes and fees on imported wines after exporting domestically-produced wines, has contributed to a 200 percent increase in wine exports since 2001." One has to wonder if the Senators fully understood how this procedure actually operated.

On December 15, 2018, the Treasury Secretary issued the final regulations<sup>13</sup>, including the following words, interestingly similar to the language used by Customs in 2009 when trying to revise the double drawback procedure: "This document also finalizes regulations clarifying the prohibition on the filing of a substitution drawback claim for internal revenue excise tax in situations where no excise tax was paid upon the substituted merchandise." The ruling specifically states that, "Drawback for payment by CBP is a privilege, not a right, subject to compliance with prescribed rules and regulations administered by CBP. See 19 U.S.C. 1313(1)." It further concludes that double drawback is prohibited by U.S. law and drawback of excise taxes not paid is specifically prohibited by the Internal Revenue Code, as amended in 1986—and exemptions specified for wine in TFTEA do not impact that.

The ruling elicited complaints from both the Distilled Spirits Council (DISCUS), the public policy/lobbying arm of the spirits industry, and the Wine Institute, that their producers will not be receiving funds to which they believe they were entitled by TFTEA and insisting that the rebates they believe to be authorized by TFTEA be allowed.

The statements suggest that DISCUS apparently concluded that TFTEA's language to have extended double drawback to spirits or that the Wine Institute concluded that TFTEA specifically enabled double drawback for wine in contrast to the Government's understanding of TFTEA.



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This document is scheduled to be published in the Federal Register on 12/18/2018 and available online at https://federalregister.gov/d/2018-26793, and on govinfo.gov 2 or where the substituted merchandise is the subject of a different claim for refund or drawback of tax."

TABLE 1: U.S. Wine Imports				
	Total Value (\$)	Total Volume (9L Cases)	Ave. Case Value	Ave. U.S. Retail Value
2010	\$4,273,661,644	105,275,278.1	\$40.60	\$108.00
2011	\$4,848,697,624	113,953,980.4	\$42.55	\$114.88
2012	\$5,096,192,073	130,987,412.1	\$38.91	\$105.05
2013	\$5,289,666,079	123,319,958.0	\$42.89	\$115.81
2014	\$5,420,226,941	121,158,837.3	\$44.74	\$120.79
2015	\$5,436,692,607	124,488,700.0	\$43.67	\$117.91
2016	\$5,609,291,097	126,000,710.7	\$44.52	\$120.20
2017	\$5,991,859,943	136,628,481.1	\$43.86	\$118.41

Source: United States Department of Commerce, Bureau of the Census, Foreign Trade Division, TPIS Database: USHS IMPORTS, Revised Statistics for 1989-2017, Unrevised for 2018.

TABLE 2: U.S. Wine Exports				
	Total Value (\$ Millions)	Total Volume (Million 9L Cases)	Ave. Case Value	Ave. U.S. Retail Value
2010	\$1,140.0	47.3	\$24.10	\$48.20
2011	\$1,390.0	50.6	\$27.47	\$54.94
2012	\$1,400.0	47.2	\$29.66	\$59.32
2013	\$1,550.0	48.4	\$32.02	\$64.05
2014	\$1,490.0	49.2	\$30.28	\$60.57
2015	\$1,610.0	51.2	\$31.45	\$62.89
2016	\$1,620.0	51.2	\$31.64	\$63.28
2017	\$1,530.0	42.2	\$36.26	\$72.51

Source: Wine Institute. The estimates of U.S. retail equivalent value assume U.S. producers export at U.S. wholesale value (roughly 50 percent of retail), although there are some exceptions, but imports enter at somewhat below U.S. wholesale prices, to allow for importers' margins.

# Who Wins and Who Loses? What is the Impact of the "Substitution Drawback" Subsidy?

Is/was duty drawback a subsidy on imports or exports? Supporters argue it is an "essential" incentive to export wine, but it is an "export incentive" you only receive if you import wine in the first place. In this way, it also could be considered an import incentive—but only an import incentive accessible to those who export. Who is hurt and helped by this procedure?

To put this analysis in context, consider the data on the value and volume of U.S. wine imports and exports, as shown in TABLES 1 AND 2, and then at some key trends in the U.S. wine market over the same period.

#### IS DOUBLE DRAWBACK AN IMPORT SUBSIDY?

At least since 2010, the U.S. has been importing higher-value wines than it has been exporting. This pattern reflects two underlying trends in the U.S. wine market:

- First, as premiumization continues in the U.S. wine market, selling lower priced wines domestically has become challenging, driving producers to the export market. The low end of the wine export market is extremely competitive, with most producing countries having large surpluses in this segment, committing substantial resources to export promotion.
  - Was "double drawback" essential to build these export markets?
     U.S. wine export promotion has long focused on this price segment, but those programs are modest compared to those offered by the European Union and Australia.
- Secondly, as our trade research has consistently found, in the aftermath of the financial crisis, U.S. consumers "traded down." To entice consumers back into the market, retailers, restaurateurs and wholesalers searched for more affordable wines (wines in the \$10 to \$25 price segment that has become the core growth segment of the U.S. market) that could compete with the higher-end wines these consumers had previously favored—and found these values increasingly among imports from lesser-known wine importing regions, including Southwest France, Southern Italy, regional Spain, Mendoza in Argentina, Greece and other points east.
  - Reflecting this growth in mid-priced imports, California wines have lost several points of market share in the U.S. for the last several years and now represent just about 57 percent<sup>14</sup> of all sales of wine in the U.S.
  - It has become increasingly difficult for new or lesser-known more expensive U.S. brands to grow sales in this market, competing with a growing volume of appealing mid-priced imports. This trend has been commented on lately, by Silicon Valley Bank among others, but it actually began in 2010.

Thus, while the U.S. has been exporting its low-end wines, it has also been importing mid-price wines to satisfy the surging growth in the mid-price segment. Has double-drawback subsidized these imports, at the expense of U.S. producers?

The \$43.36 average price per case for imported wine in 2017 translates, using standard wine industry metrics, represents winegrapes costing \$943 per ton. The average price for all wine grapes produced in 2017 in California was \$778 per ton. CAWG was concerned that prices of domestic grapes, which would normally rise in tight markets, faced unfair competition from subsidized imported bulk wine. The UC Davis study found that bulk wine imports notably increased when domestic grapes were in short supply. Would producers have been willing to pay \$1.07 per gallon more for bulk wine from domestic grapes in the absence of double drawback?

#### IS DOUBLE-DRAWBACK AN EXPORT SUBSIDY?

To what extent were exports the major markets for the lower cost volume domestic wines American consumers no longer consumed and thus a lifeline for these growers? There is anecdotal evidence that some of these lower cost brands would have been discontinued in the absence of these exports, damaging many winegrape growers.

- Would the producers who exported these wines have maintained overall production by replacing these wines with more popular mid-price wines?
- Could the growers that supplied the grapes for the low-cost brands have adapted to produce higher-quality wine grapes, once they were relieved of the intense price pressures they have known so long?
- Would that have been possible with the soils and climate of the Central Valley regions where these grapes were grown?
- Or were subsidized exports the only market for wines produced from these grapes??

There is still another side to the export incentive question: the pre-occupation by major producers and the export promotion program of the U.S. with building the exports of the cheapest U.S. wines has helped develop an image of U.S. wines in many parts of the world as "cheap, industrial wines"—to quote a frequent description used in China—making it much harder for better U.S. wines to sell into these markets, further compromising the market for mid-price U.S. wines.

- Most of the producers of wines in higher priced segments are not significant importers and thus unable to benefit from double drawback. In any case, a \$1.07 gallon "subsidy" would have negligible impact on the competitiveness of a wine exporting at \$50/gallon. U.S. wines priced above \$10 per 750 ml retail equivalent, especially above \$15 per 750 ml retail equivalent, now represent an extremely small share of U.S. wine exports and find the reputational barriers to marketing U.S. fine wines in many export markets are substantial.
- If these large producers had not focused so intensely, almost exclusively, on the lowest price export wine segments, could a stronger export market have been built for "better" wines—the wines produced by most U.S. producers?

If double drawback is indeed ended, we will need to understand the "distortions" and benefits it may have brought to our market and the wine industry and how its absence will impact the industry. **WBM** 

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<sup>&</sup>lt;sup>14</sup> California Wine Sales in U.S. Market Hit \$35.2 Billion in 2017, Wine Institute, May 23, 2018.

# people

### Wineries & Winemaking

Deutsch Family Wine & Spirits, an importer and marketer of wines and spirits from around the world, announced that Scott Ehrlich joined the company as vice president of fine wine on January 14. In his role, Ehrlich is responsible for the company's portfolio of high-potential priority and scalable brands, direct to consumer sales and gem brands. Ehrlich brings 18 years of experience in the wine and spirits industry. He spent the past six years at Constellation Brands in San Francisco, most recently as the director of portfolio strategy where he helped launch a luxury wine sales and marketing division and led the development of the company's fine wine strategy. Prior to Constellation, Ehrlich was the director of marketing, luxury imports at Ste. Michelle Wine Estates.

Current Don Sebastiani & Sons CFO, Omar Percich was promoted to chief operating officer of Don Sebastiani & Sons. Percich is taking over the position from current COO, Tom Hawkins, who is retiring at the end of the year. Hawkins has been with Don Sebastiani & Sons for the past 10 years and has been a tremendous force in the growth and success of the company. Prior to his tenure with Don Sebastiani & Sons, Hawkins was with Beam Global Spirits & Wine for more than 26 years. Percich previously worked as controller



Omar Percich

and CFO for **Foley Family Wines** in Napa. Since joining Don Sebastiani & Sons in 2017, he has been pivotal in cementing Don Sebastiani & Sons path for continued success as one of the few remaining family-owned wine businesses. Percich holds a degree in finance from **San Francisco State University**.

Vintage Wine Estates appointed Jeff Nicholson to the new role of chief operating officer. Most recently, Nicholson was an operating partner at AGR Partners, an investment firm dedicated to food and agribusiness who acquired a minority equity stake in Vintage Wine Estates in April 2018. Nicholson will continue to be on the Advisory Board for AGR Partners. He now has all VWE operations reporting to him including winemaking, production, warehouse, supply chain, purchasing and IT.

Wines of Substance founder Charles Smith announced that Todd Smith joined the company as director of sales for the Southwest region, representing K Vintners, SIXTO, CasaSmith, Substance and B. Leighton. Smith brings more than 30 years of experience in the wine and spirits business and began his career at Young's Market Company in California. During his time there, he started on the first-ever chain merchandising team and was quickly promoted to a sales territory. During this time, he became a Certified Specialist of Wine, passing with a perfect score on his exam. Most recently, Nelson held the position of vice president portfolio director, and oversaw 55 supplier portfolios generating \$100 million in revenue across all trade channels.

Gabriel Howe started his new role as vice president and general manager with Bertrand's Wines on Jan. 1, 2019. Gabriel Howe spent the last six years developing the portfolio of classified wines in the state of Texas and growing the sales of suppliers such as Becky Wasserman, Diva Beaune and other Burgundy merchants.

Precept Wine chief marketing officer Alexandra Evans announced Lindsey Nelson as the newly promoted marketing director of Grape & Grain, one of its fastest-growing business divisions overseeing innovation wines and exclusive brands. Nelson has a team of four brand and marketing managers along with support from the Precept Wine creative services team of in-house design, public relations, and social media. She joined Precept Wine full-time as a sales coordinator upon graduation, moved into the innovation



**Lindsey Nelson** 

division (now known as Grape & Grain) in 2013, was promoted to brand manager in 2015 and for the last three years has stewarded the department through tremendous growth, including Precept Wine's recent \$18 million acquisition of innovation brands from **Truett-Hurst**'s wholesale division.

The Fess Parker Family Portfolio hired Greer Shull in a strategic marketing role for the organization. Shull is a granddaughter of the family's late patriarch, Fess Parker, and was raised around the family business that she now joins. A graduate of Westmont College, Shull previously worked in public relations in the wine industry, and in an account executive role at Yelp's global headquarters in San Francisco. Her transition into marketing for the Fess Parker Family Portfolio is a natural step for a brand proudly celebrating 30



**Greer Shull** 

years in business in 2019. In addition to her marketing duties, Shull will also serve as family representative, traveling to key markets for the business to carry on the family's legacy of high-touch, relationship-driven management.

Napa Valley winery, Anderson's Conn Valley Vineyards (ACVV), announced the addition of key team members, both in direct-to-consumer sales and in wholesale sales for the brands Anderson's Conn Valley Vineyards, and Ghost Horse Vineyards. Anderson's Conn Valley appointed Brandii Magliulo as director of consumer sales. Magliulo was most recently head of DTC sales at Martinelli Winery and prior to that with Pezzi King Winery. Her team also welcomes Tom Lynch as DTC sales manager, who was previously handling similar departments at the Martinelli and V. Sattui wineries. Both Magliulo and Lynch are based at the winery in Conn Valley, St. Helena. Conn Valley also appointed Keith Shulsky to the national sales director position for all brands. Shulsky was previously director of sales for Bonny Doon Vineyard in Santa Cruz, and prior to that with California wholesaler Epic Wines.



Black Hills Estate Winery named a new head winemaker, Ross Wise. Originally from New Zealand, Wise holds a Bachelor of Viticulture and Advanced diploma in wine science from Charles Sturt University in Australia. He worked with renowned producers in New Zealand and Ontario before the cool-climate wine industry in British Columbia drew his attention. After 16 years of winemaking, viticulture and consulting experience, Wise and his family settled in Oliver, British Columbia. Prior to Black Hills, Wise was head winemaker and general manager at Phantom Creek Estate. Wise holds a WSET Level 4 Diploma in Wines and Spirits and is pursuing his Master of Wine.



Garth Hodgdon joined Accendo Cellars in the newly created position of director of national sales. The Araujo family of Accendo Cellars, Napa Valley, said that Hodgdon will take on responsibility for the sales and strategy of all domestic distribution of Accendo's Cabernet Sauvignon and Sauvignon Blanc wines. Hodgdon holds the Level III Advanced Certification from the Court of Master Sommeliers and has extensive knowledge and 15 years of experience working with the most celebrated restaurants and brands in the world. For the past five years, Hodgdon worked with Krug as United States brand ambassador.

Mike Holden joined Groth Vineyards & Winery as chief sales and marketing officer. His responsibilities will encompass leadership for all sales and marketing for Groth. Holden has an extensive background in the luxury wine and spirits industry. Most recently, he was chief sales officer at Huneeus Vintners and prior to that he held similar leadership roles at Treasury Wine Estates, Francis Ford Coppola and Diageo, among others. In his three decades in the business, he has built and led sales and marketing teams that have achieved significant growth domestically and internationally.

The **Stoller Wine Group** promoted Katie Santora to winemaker for Chehalem Winery. In a year of changes for the brand, Santora's seven-year tenure gives her an understanding of Chehalem's vineyard sites, and winemaking style, which made her perfect for the position. Santora, a Utah native, fell in love with wine while attending UC Davis. After completing her enology and viticulture degree, she set out to travel the world and make wine along the way. Ultimately, Oregon called to Santora as "home." She



joined Chehalem in 2012 as assistant winemaker and was promoted to associate winemaker in 2016.

Thacher Winery and Vineyard announced Tony Quealy will serve as the winery's first-ever general manager. In his role, Quealy will manage all consumer-facing channels including the tasting room, wine club operations, and lead efforts to bolster Thacher's sales and marketing reach. He will also help in developing new customer experiences. Most recently, Quealy spent nearly eight years at Halter Ranch Vineyard in Paso Robles in various leadership roles, including wine club manager and tasting room manager, where he oversaw the opening of a new tasting room and helped forge the winery's touring and tasting programs.

Wine by Joe and Dobbes Family Estate hired two new employees: Sarah Pearson is the company's first vice president of marketing and sales and Doug Vuylsteke is the new Wine by Joe cellar master. Pearson and Vuylsteke are both wine industry veterans who joined from 3 Badge Beverage Corporation of Sonoma, California and Sokol Blosser Winery of Dayton, respectively. Prior to becoming Sokol Blosser's production winemaker in 2001, Vuylsteke spent 12 years at Rex Hill as cellar master and assistant winemaker. Pearson has more than 16 years of beverage industry marketing and sales experience including additional management positions with Hess Family Wine Estates, Constellation Brands and Freixenet.

## people

C. Mondavi & Family, the parent company behind wineries and brands such as Charles Krug, CK Mondavi and Purple Heart Wines, named Claire Hobday as the company's chief financial officer. Hobday's tenure in the finance industry spans more than 20 years, with 16 years at an executive level and seven in wine industry financial leadership roles. Most recently, Hobday acted as director of finance and accounting of wine entities for Pacific Union Company. In this role she provided strategic financial leadership and reporting for entities such as Harlan Estate Winery and BOND Estates. Beyond her latest industry role, Hobday worked as finance director for Treasury Wine Estates where she lead the Beringer brand business unit in Napa.

Ryan Pass, who has worked at Farella Vineyard since the 2015 harvest, was promoted to winemaker after three years as assistant winemaker. Tom Farella will take the title of vintner, though the working relationship will remain in place with Farella and Pass collaborating on wine style, blends, harvest decisions and production methods. Both are California natives and UC Davis graduates, nearly 30 years between. Both had worked at several wineries both domestically and abroad before settling in at Farella. Pass is also a co-owner and winemaker of Etxea Wines, which are also produced at Farella.

Jackson Family Wines made several executive leadership appointments that reinforce a new generation of leaders and a legacy strengthened by female representation in key roles. Under chairman and proprietor Barbara Banke, Katie Jackson was promoted to senior vice president, corporate and social responsibility; Gayle Bartscherer was appointed to the executive team as senior vice president, international marketing and development; Viviann Stapp was promoted to senior vice president, general counsel; Kristen Reitzell was promoted to vice president of public relations; and Jane Catelani Howard joined the company as senior vice president of finance.

As senior vice president of corporate and social responsibility, Katie Jackson will continue to oversee the Sustainability Department and co-manage the Government Relations and Regulatory Affairs Department. A native of England, Gayle Bartscherer will continue to head the international brand team and international marketing and business development for the entire Jackson Family Wines portfolio. Viviann Stapp will manage and oversee day-to-day legal matters for Jackson Family Wines and the Jackson family's vineyard related companies. Kristen Reitzell will lead day-to-day operations of the Public Relations Department and implement strategic planning and communications for all 40 wineries within the Jackson Family Wines portfolio. As senior vce president, finance, Jane Catelani Howard will oversee the company's accounting, inventory and cost accounting, payroll and financial operations.

### **Distributors, Importers & Retailers**

Southern Glazer's Wine & Spirits, a pre-eminent distributor of beverage alcohol, announced it appointed John Acott to the position of vice president, general market of Southern Glazer's Illinois. In this role, Acott will oversee sales for the Chicagoland Wine and Spirits General Market, reporting directly to Southern Glazer's vice president of sales for Illinois, Mike Housey. Acott spent the last five years as Southern Glazer's vice president and general manager of Minnesota. Scott Westerman, executive vice president and general manager of the company's North Central sub-region, will assume Acott's responsibilities in the interim, until the position is filled. Prior to working for Southern Glazer's Minnesota, Acott held the position of vice president of retail wine for 11 years in Illinois, where he led and managed five sales divisions.

### **Industry Services & Suppliers**

The Emetry team welcomed digital marketing and e-commerce expert Scott Moss to the team as vice president of direct to consumer. Moss will lead the DTC strategy as Emetry sets a new standard for applying wine data sources and provides wine brands unique and exclusive insights fundamental to their future success. He brings a wealth of knowledge and over 15 years of wine industry DTC management experience to the team. Most recently Moss managed DTC digital marketing, e-commerce and operations for Vintage Wine Estates, overseeing and integrating over 25 brand acquisitions, and before that led e-commerce and digital marketing for Constellation Brands and Treasury Wine Estates.

The **GreatVines** team appointed **Tom Baril** as vice president of sales. Baril's history in the beverage alcohol community has revolved around launching new sales divisions that better align with distributor networks and driving unique channel strategies through his sales teams. He has developed brand and distribution management skills in executive roles at **Treasury Wine Estates** and **Crimson Wine Group Brands**.



### **Associations & Education**

Wine Market Council announced that Heidi Scheid, executive vice president of Scheid Family Wines, has been elected as chair of the non-profit trade association's board of directors. Scheid succeeds former chair Emma Swain of St. Supéry Vineyards & Winery, who will continue to serve on the board. Prior to joining the family's wine business in 1992, where she worked as director of planning and vice president of finance and chief financial obefore assuming her role as executive vice president, Scheid served as a senior valuation analyst at Ernst & Young, LLP and as an associate at the



Heidi Scheid

venture capital firm of InterVen Partners. She also served as a director of the California Association of Winegrape Growers for nine years, the last two years as chair. She holds an MBA degree from the University of Southern California.

### In Memorium

Wine industry pioneer John McClelland passed away peacefully on December 5, 2018 with his family by his side. He is survived by his wife Ann, son John and daughter Kristen. John McClelland has left a permanent stamp on the California wine industry. His 60-year career includes stints as the president and general manager of Almaden, Geyser Peak and Alderbrook. He served as chairman of the California Wine Institute and has held leadership positions at the Wine Growers Association and the Wine Educators Associates. His knowledge



of varietal history was encyclopedic, and he remained active in the industry until his death, acting as an advisor to **Anthony Scotto III** and winemakers **Paul Scotto**, **Mitch Cosentino** and **Mark Smith** to craft award-winning Napa Valley wines for **J. McClelland Cellars**, a brand named in McClelland's honor in 2015.



ccella, Burgess Cellars, C Donatiello Winery, Cain Vineyard and Winery, Cakebread Cellars, Cine CThe Wine Industry's Leading Online Job Site Winery, Charles (Bock), Chappellet Winery, Charles Krug Winery, Chateau Bianca, Chateau Diana, LLC, Chathery, Cline Cellars, Inc., Clos Du Bois, Clos Lachance Winery, Clos Pegase Winery, Constantative Vineyard, Constellation Wines, Constellation Wines U.S., Continuum Estate, Conway Family Vines, Coquelicot Wine Corliss Estates, Corners De Cellars, Cruy Vin Dogs Wine Group, Crusta, Delicary Vin Dogs Wine Group, Crusta, Delicary Vines, Constellation Carros Vines, Constellation Vines, Constellation Vines, Constellation Vines, Continuum Estate, Conway Family Vines, Constellation Vines, Constellation Vines, Continuum Estate, Conway Family Vines, Constellation Vines, Constellation Vines, Continuum Estate, Conway Family Vines, Constellation Vines, Constellation Vines, Continuum Estate, Conway Family Vines, Constellation Vines, Constellation Vines, Continuum Estate, Conway Family Vines, Constellation Vines, Constellation Vines, Continuum Estate, Conway Family Vines, Constellation Vines, Constellation Vines, Continuum Estate, Conway Family Vines, Constellation Vines, Constellation Vines, Continuum Estate, Conway Family Vines, Constellation Vines, Constellation Vines, Continuum Estate, Conway Family Vines, Constellation Vin

R Cohn Winery, Bedell Cellars and Corey Creek Vineyards, Bell Wine Cellars, Bennett Lane

amily Winery, Bergevin Lane Vineyards, Bergstrom Winery, Bianchi Winery and Tasting Roc

te Winery, Black Stallion Estate Winery, Blackbird Vineyards, Bogle Vineyards, Inc., Bouchai

Ironstone Vineyards, Inc., J F J Bronco Winery, J Lohr Vineyards & Wines, J Vineyards & Wines, J Vineyards & Winery, Joseph Phelps Vineyards, Justin Vineyard Keller Estate, Kendall-Jackson, Kenneth Volk Vineyards, Kenzo Estate, King Estate Winery, Kenzo, Korbel Champagne Cellars, Krupp Brothers Estates/Stagecoach Vineyards, Kunde Famina, Laird Family Estate, Lambert Bridge Winery, Lancaster Estate, LangeTwins Winery & Vineyards, Lewis Collars, Italian Wines, Medical Collars, Minery Wines, Medical Collars, Medical Collars, Minery Wines, Medical Collars, Medical

ery, Frog's Leap Winery, Galante Family Winery, Inc., Glenora Wine Cellars, Inc., Goosecross

Hills Estate, Groth Vineyards & Winery, Gundlach Bundschu Winery, Hagafen Cellars, Hahn

all Wines, Hanna Winery, Hedges Family Estate, Heitz Wine Cellars, Hess Collection Winery,

Ardu**than** any other conline; Mobiline of Manager Mondine of Napa, Nickel & Nickel, Niner Wine Estates, Oak Ridge Winery, LLC, O'Neill Vintners & Distillers, Coge Wines, Patz & Hall Wine Company, Paul Hobbs, Peju Province Winery, Pezzi King Vineyards, Plumpjack Winery, Prairie Berry Winery, Precept Wine Brands, LLC, Premier Pacific Volneyards, Ouixote Winery, LLC, R B Wine Associates - Rack & Riddle Custom Crush Wine

Vineyards, Regusci Winery, Reynolds Family Winery, Ridge Vineyards, Robert Hall Winery, LI Vineyards, Robert Sinskey Vineyards, Robledo Family Winery, Rodney Strong Wine Estates, Roc., Rombauer Vineyards, Rosenthal - The Malibu Estate, Round Pond Estate, Rubissow Family or WINE BUSINESS MONTHLY Winery, SVP Winery, LLC, Saddleback Cellars, Sa

onio Winery, Saracina Vineyards, Sawyer Cellars, Inc., Schramsberg Vineyards & J Davies Vineyard, Sebastiani Vineyards & Winery, Sequoia Grove Vineyards, Shafer Vineyards, Signorelak Cellars, Silverado Vineyards, Sokol Blosser Winery, Sonoma Wine Co. - Wheelhouse Wine

Cutrer Vineyards, South Coast Winery, Resort & Spa, Spring Mountain Vineyard, St. Francis V s, St. Supéry Vineyards & Winery, Stag's Leap Wine Cellars, Stags' Leap Winery, Ste. Michel

## **Smoke**

**JAKE LORENZO, WINE COUNTRY** private eye sat in his living room chair, gazing through the windows like a prisoner under house arrest. Jakelyn's mother's garden still hung on with dahlias, Peruvian lilies and cosmos, but the shadowy light filtering through the thick smoke created an eerie glow. For more than a week we had been confined indoors, and I was going stir crazy.

I had already stocked and rearranged the wine cellar. I found dozens of bottles that needed to be opened immediately to see if they were drinkable at all and dozens more that were surely on the brink, but I couldn't get enthused about trying them. The smell of smoke had somehow crept into the wine cellar, and that depressed me.

I spent hours making a CD. I started with Bill Monroe's "Fire on the Mountain." Run boys, run indeed. I followed that with "Burning Down the House" by the Talking Heads. Sam Cooke's dreamy "Smoke Rings" started out with the line, "Where do they go, the smoke rings I blow?" It's a pretty existential question for this detective. "Smoke on the Water" began with

one of the great guitar riffs of all time; but because I was despondent, I used the Pat Boone version, which was so bad it made me want to set the CD on fire.

Jake Lorenzo doesn't know why there are so many songs with "smoke" in the title. Of course, not all those songs have to do with fires raging out of control, killing people, burning houses, melting cars and torching dreams. A lot of them have to do with enjoying cannabis, which is now legal in California. Songs like "Smoke Two Joints" by Sublime or "Smoke Some Weed" by Ice Cube, but they just make me think of Mike Benziger's attempts to operate the

first Biodynamic cannabis farm last year. The Wine Country fires incinerated the entire project just a week before harvest.

Lots of songs use smoke as a warning sign for relationships going bad, like Johnny Winters' "I Smell Smoke" or "Smoke from a Distant Fire" by Sanford-Townsend Band. There are even smoke standards, like "Don't Smoke in Bed" covered by Peggy Lee, Nina Simone and K.D. Lang, among others. The greatest smoke standard is "Smoke Gets in Your Eyes," written by Jerome Kerns and Otto Harbach for the 1933 musical Roberta. The most famous version was done by The Platters in 1958, but it has been recorded by an incredibly eclectic group of artists like Nat King Cole, Harry Belafonte, Dinah Washington, Eartha Kitt, Barbra Streisand, Charlie Parker, Thelonious Monk, Benny Goodman, Jerry Garcia and Bryan Ferry.

On the other hand, Jake doubts that any of them would try singing that song in this thick haze of smoke that has blanketed the entire Bay Area for more than a week. The smoke is so thick and the air so bad that school has been cancelled, along with college football games, children's soccer matches and even outdoor celebrity wine tastings. Our air is currently the worst on the planet. Outdoor activities are verboten, which fits into Jake Lorenzo's current exercise regimen but is still disheartening.

As a wine writer (not to mention a detective), I suppose I should be writing about which wine best goes with ash-filled air, scratchy throats and irritated nasal passages. A delightful Rosé might work, but it reminds me of the haze during a smoke-filled sunset. Zinfandel goes with barbecue, but we can't fire ours up because it's another spare the air day. Whichever variety we decide upon, wearing one of those N95 masks certainly complicates drinking a good bottle.

At least Jake Lorenzo still has a barbecue and a wine cellar and a house. The same cannot be said for the people of Paradise. They got hit with the biggest, deadliest, fastest moving fire in California history. Jake Lorenzo can't imagine what it must be like for those people even though we went through the Wine Country Fire just a year ago. At the time, the Wine Country Fire was the



biggest, deadliest, fastest moving fire in California history. No more. Jake Lorenzo wonders who will get the title next year.

There are people who strive to control every detail of their lives. They make elaborate plans and postpone things they dream of doing, but then there is a car accident, cancer or a wildfire, and the plans are like smoke in the wind. The anger of dreams deferred, when you realize they are no longer within reach, is intense.

Jake Lorenzo is not convinced that we have a lot of control over our lives.

As a wine writer (not to mention a detective), I suppose I should be writing about which wine best goes with ash-filled air, scratchy throats and irritated nasal passages. A delightful Rosé might work, but it reminds me of the haze during a smoke-filled sunset.

Perhaps that is why my friends say I am driven. I try to defer nothing. If we want to go to Europe, then let's go now. If the Valle de Guadalupe looks interesting, then we need to check it out as soon as possible. Sausage looks like fun so let's invent the Rabbis of Pork and make some. Restaurant wine prices are through the roof: let's start the WinePal program and see if we can change things.

This detective tries to be aware of how good I've got it. I've been living with the same woman for a very long time, and we've got a pretty great kid. I built my own house in Sonoma Valley, one of the most beautiful places in California. We love wine, and I have learned how to produce some world-class bottles on my own. We love to eat good food, so I've become handy around a stove. We've got lots of friends who come to visit often, and they put us up when we're in their neighborhood.

Most of all, Jake Lorenzo is content. I do not take things for granted. I enjoy sitting on the porch, sipping a nice bottle of wine while I watch hummingbirds flit around the flowers. Reading books still gives me joy, and I can multi-task by reading and listening to music at the same time. This ongoing thick smoke haze is miserable, but Jake Lorenzo knows that the rains will come and wash it all away. The sky will be blue again, and we will enjoy the view from the Mayacamas to San Francisco.

In the meantime, we will try to help those who have lost their homes. We will continue to offer hospitality to those who come to our table. We will always be on the lookout for new friends and new adventures. Is that what gives meaning to life? Jake doesn't know; it's another one of those existential questions, like where do they go, the smoke rings I blow? **WBM** 

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NAME AND TITLE: Jay Turnipseed, winemaker

#### WINERY NAME AND LOCATION:

Rutherford Wine Company, Rutherford, Napa Valley, CA. Family owned and managed for three generations, Rutherford Wine Company is dedicated to the art of crafting fine wine. Their portfolio of wines includes Rutherford Ranch Winery, Scott Family Estate, Predator Wines, Rhiannon Red Wine, Lander-Jenkins, Four Virtues Wines and Round Hill California wines.

ANNUAL CASE PRODUCTION: Approximately 325,000 cases

PLANTED ACRES: Napa Valley acres: 80 estate acres;

Arroyo Seco: 1,200 estate acres

CAREER BACKGROUND: My wine career really started when I was working in the restaurant business in San Diego. There I began learning about fine wine and food and how the flavors and textures changed when paired with different wines. After a taste of a 1953 Chateau Margaux, I knew exactly where my career was heading. I moved to Northern California to attend University of California at

Davis in order to earn my degree in Viticulture and Enology. My first job out of school was in Sonoma County and was a great experience. After two harvests in Sonoma, I moved to Napa and have been working here for the last 15 years.

what has been your biggest professional challenge? The harvest of 2011 still gives me anxiety! As heartbreaking as that harvest was from a lost crop perspective, I think we as an industry learned a lot about how to make good wines in difficult vintages. In Northern California, we have been spoiled with many years of great weather. Now, with 2011 in the rearview mirror, we look to address a number of challenges that range from environmental issues to disease pressure. I have a new appreciation and perspective when it comes to making tough decision to ensure that we are sending only the best wines of the highest quality to the bottling line.

VARIETALS THAT YOUR WINERY IS KNOWN FOR: Rutherford Ranch Napa Valley Cabernet Sauvignon, Scott Family Estate Arroyo Seco Chardonnay, Predator Old Vine Lodi Zinfandel and Four Virtues Bourbon Barrel Zinfandel

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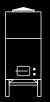


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