

March 2019: Pacific Northwest

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US Wine Sales +3%

Off-Premise +2%

DTC Shipments +11%

Winery Jobs +2%

Variety Diversity, Beyond Pinot and Cabernet

Increased acreage of Oregon Chardonnay makes it the “bright, shiny new thing.”

Southern Oregon’s warmer climates offer potential for an up-and-coming Rhône-zone.

Wine grapes poised to become Washington state’s primary fruit crop surpassing apples.

Affordable land prices help Washington winemakers and growers experiment.

Look at the shelves of any Northwest section in a wine shop and you’ll find them lined with Oregon Pinot Noir. Ask an average wine consumer about wines from Washington, and they’ll most likely sing the praises of Cabernet Sauvignon and Bordeaux-style blends.

But Oregon is home to 19 different growing regions; Washington is planted to 70 different wine grape varieties. And as both states are relatively young wine regions, they are each ripe with potential for growing more than just their stereotypes. There are vintners and winemakers breaking boundaries and experimenting with “new” and “unusual-for-the-region” varieties, finding success in the vineyard, in the winery and across the consumer marketplace — locally, nationally and abroad.

Tom Danowski, president and CEO of the Oregon Wine Board, said Pinot Noir has been the

No. 1 grape variety planted in the state “as far back as the records go.” The earliest record dates to 1981, which states Oregon was home to 403.8 acres of Pinot Noir (241.1 bearing acres), making up 33% of the state’s total acreage (1,237.5 acres). As of 2017, the most recent vintage on file, Pinot Noir now accounts for 59% of the state’s total wine-grape tonnage, 60% of which comes from the Willamette Valley.

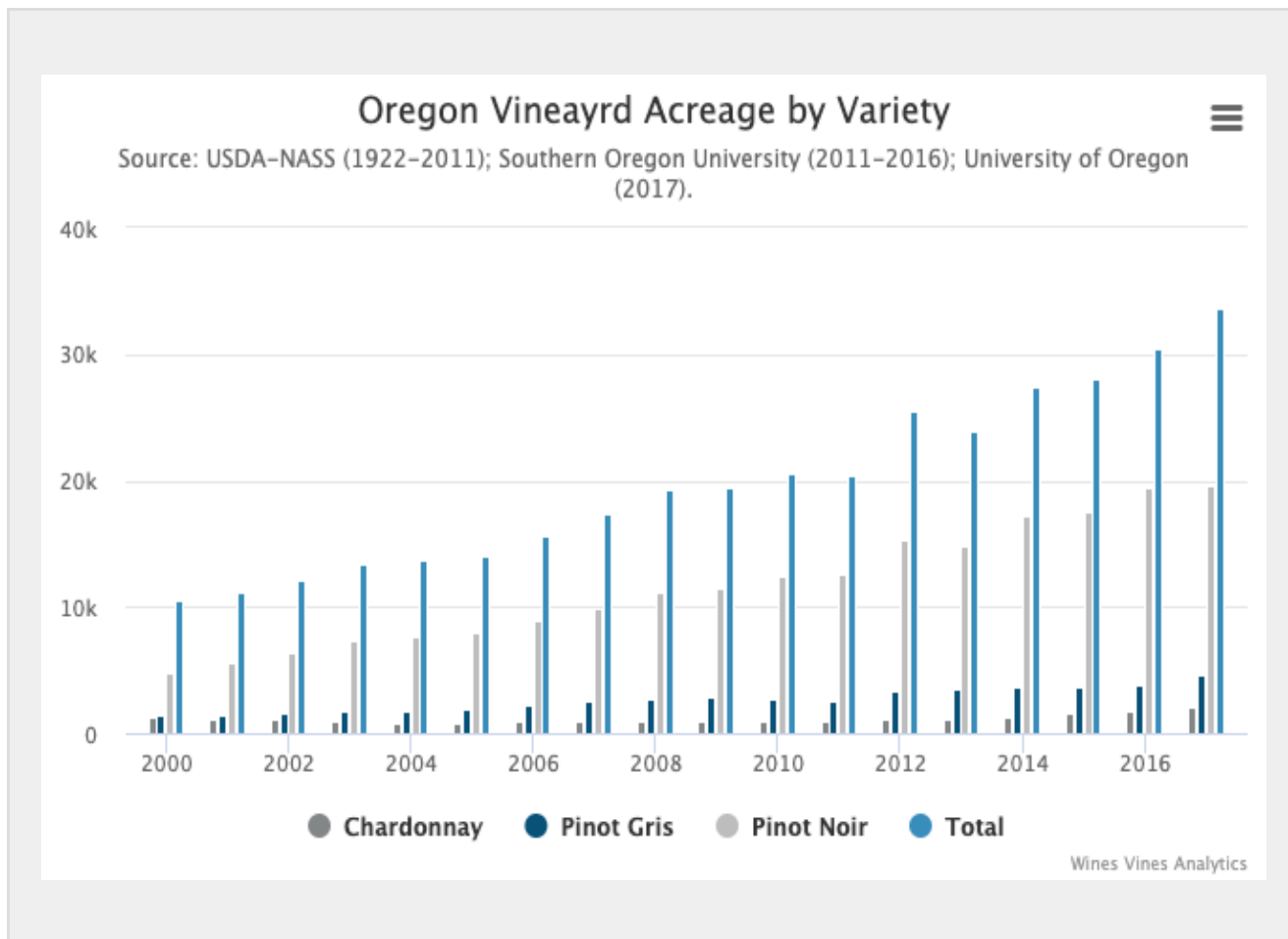
When asked about grape diversity within the state, Danowski said Oregon has seen a 13% increase in grape varieties within the span of a year, jumping from 72 varieties in 2016 to 82 in 2017.

Of the most significance, by far, is the increase in Oregon’s growth and production of Chardonnay over the last 10 years. According to the University of Oregon’s winery and vineyard census, planted acres of the white grape has increased from 958 acres in 2009 to 2,059 acres in 2017 and accounts for 6% of the state’s total vineyard acreage. It is the second most widely planted white grape following Pinot Gris, which at 4,692 acres makes up 14% of Oregon’s total vineyard acreage as of 2017.

And Oregon Chardonnay has found a following among U.S. wine consumers. According to the latest Nielsen-tracked data, Oregon Chardonnay sales increased 14.6% in 2018 “in a segment that’s completely flat,” Danowski noted.

He added that because of Willamette Valley’s cooler climate, diurnal swings and minimal humidity, the Chardonnays tend to have higher acid levels, preserving the freshness and providing a “real varietal clarity” to the wines. “Consumers are responding to that contrast to the more oaked, round, tropical Chardonnays typical of California,” Danowski said. “These are crisp, light and age-worthy.”

Outside of the Willamette Valley, Danowski points to both the northeast corner of the state and southern valleys, with warmer, drier climates and sturdier soils. The regions are seeing an increase in Rhône and Spanish varieties, specifically Syrah, which now makes up about 3% of the state’s total vineyard acreage.



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While growers and vintners in Oregon have sought to diversify the state's plantings, Pinot Noir remains dominant and is referred to as the state's "queen" variety. In 2017, Pinot Noir accounted for 58% of the state's total acreage.

Southern Oregon – potential Rhône region

Craig Camp, general manager at Troon Vineyard in Grants Pass, Ore., in the Applegate Valley AVA, said that because of the vineyard location, the winery has seen the most success with the varieties grown in the Languedoc and Rhône regions of France.

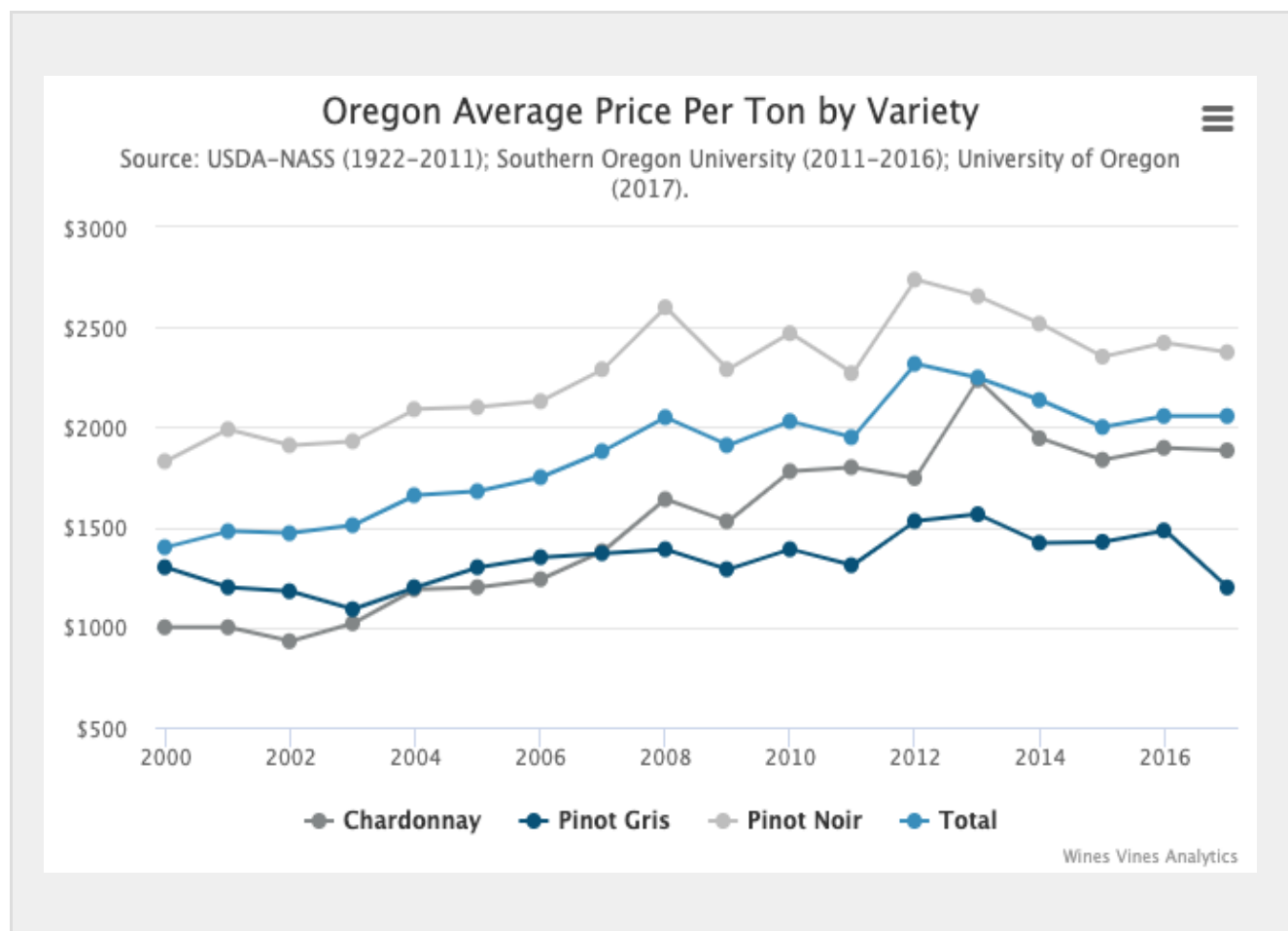
When he first took over as general manager in 2015, Camp had the vineyard soils tested to ensure the grapes planted were those best suited to the land. "The previous owners just tried stuff without any real plan," he said. "We tested the soils and then created a 10-year game plan."

What he found was that the granitic soils, in combination with the region's warmer climate, were well-suited to some, but not all, varieties already in place, including Tannat, Vermentino and Malbec. "There was Pinot Noir that was made and sold. I tore that out and planted more Vermentino," Camp said.

In his opinion, with the sun exposure that the vineyard receives at its 1,400-foot elevation, the Pinot Noir tasted too much like “California Pinot Noir,” he said, adding, “and that was not interesting to me.”

Most recently, Camp has increased his plantings of Rhône and Languedoc varieties, including new plantings of Mourvèdre, Cinsault, Counoise, Carignan, Grenache and Syrah for red varieties and the white varieties Grenache Blanc, Picpoul Blanc and Clairette Blanche. Camp admits that his is a bit of a niche market but added that the wider marketplace has developed a space for that niche. “With the distributor consolidation, there’s been a spawn of a new set of small, niche distributors ... who specialize in *terroir*-driven wines,” he said.

Troon Vineyard, which produces 8,000 cases annually, is sold in 13 states and sells about 50% of its wines direct-to-consumer.



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Understanding Willamette *terroir*

Inside the Willamette Valley, “Pinot Noir will always be queen,” said Jason Lett, winemaker

and co-owner of Eyrie Vineyard in McMinnville, Ore. Eyrie Vineyard produces 10,000 cases annually, among them the popular Pinot Noir as well as Chardonnay, Pinot Gris, Pinot Blanc, Pinot Meunier and Trousseau.

One of Lett's claims to fame is that he planted the Willamette Valley's first Trousseau vineyards back in 2012. Today, the estate is planted to 1.37 acres of the variety, producing anywhere between 300 and 500 cases. Lett said his Trousseau is distributed in 23 states as well as abroad. He said consumers, especially local wine drinkers, are tired of having only two options: Pinot Noir and Pinot Gris. "They're curious what else is out there," he said.

But the Willamette Valley is at a slight disadvantage when it comes to grape diversity because of its climate that limits which grapes can be grown successfully, especially red grapes. Aside of Pinot Noir, he said it's mainly Pinot Meunier, Trousseau and Gamay Noir. "I predict you'll see a lot more Gamay Noir in a few years," Lett said.

When asked about the rise in popularity surrounding Chardonnay, Lett said it is, indeed, the hot new variety. "But at one time it was actually much more widely planted. In 1981 it was 38% of total acreage," he said. "But it petered out in the early 2000s because people were growing it without really understanding it. It's so expressive of how it's grown and how it's treated."

Lett called Chardonnay the "bright, shiny new thing" in Oregon, saying that many are planting it because they feel they should. "We have to be careful that we're growing the right variety in the right place," he said.

Making a case for Cabernet Franc

Leah Jorgensen, owner and winemaker of her eponymous winery, Leah Jorgensen Cellars, proudly stated, "I do not make a drop of Pinot Noir!" during her interview with *Wine Analytics Report*. In fact, save for a little bit of Gamay Noir, Malbec and Sauvignon Blanc, Jorgensen works exclusively with Cabernet Franc and said she is the only winemaker in Oregon dedicated to the variety. "It's one of the most age-worthy grapes because of its exceptional acidity and tannin structure: It's what gives structure and ageability to Bordeaux blends," Jorgensen said. "Alone, it can be as elegant as any Pinot Noir, but with more structure, flirty flavors and serious texture."

Jorgensen's inaugural vintage was in 2011, when she sourced grapes out of Walla Walla, Wash. According to the Washington State Wine Commission, in 2011 the state produced 2,500 tons of Cabernet Franc (about 1.5% of production that year). But in 2012, Jorgensen began working exclusively with grapes from southern Oregon.

According to the Oregon vineyard and wine census, as of 2017, the state has just 292 acres of Cabernet Franc, making up less than 1% of total vineyard acreage. Jorgensen said many of these vineyards were planted with the intention of using the variety for blending

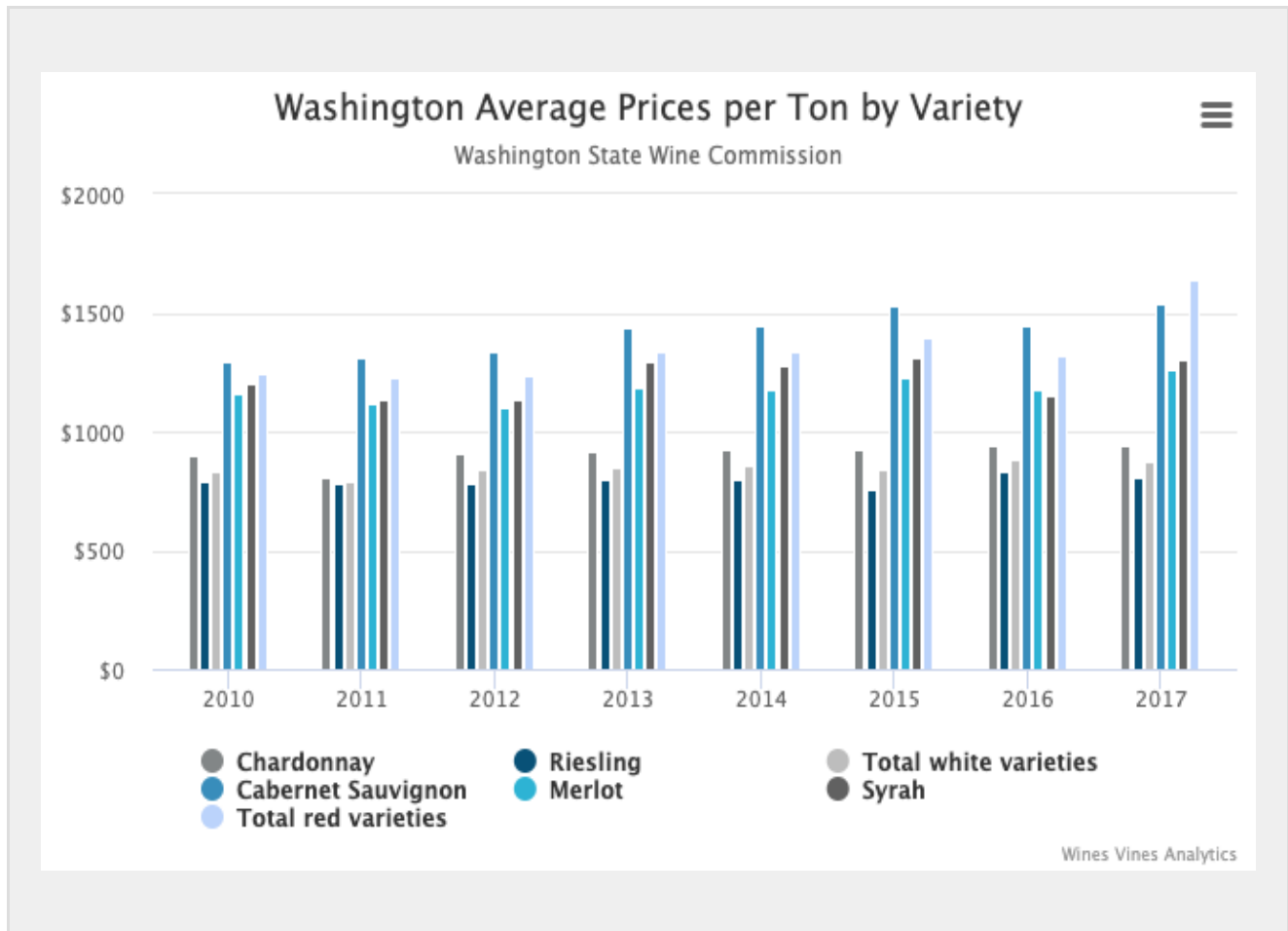
purposes, creating Meritage or Bordeaux-style blends.

Jorgensen said that southern Oregon is “the best place in America” to grow a nuanced style of Cabernet Franc. She said the Rogue Valley, where she sources her Cabernet Franc from Crater View Ranch and Quail Run Vineyards, is rich with oceanic-influenced soils. “We have ancient marine fossils, shell imprints and mollusk shells in the vineyards we work with ... dating back to about 250 million years ago,” she said, adding that this type of oceanic rock is very similar to that found in France’s Loire Valley.

Climate change could very well expand where Cabernet Franc is grown in Oregon, and while she doubts the variety will ever be the “trendy grape” taking over the top spots at bars, restaurants and wine shops, she is confident in the grape’s Northwest future. She mentioned she’s been approached by a few other Oregon-based wineries to produce Cabernet Franc for them. “It’s something I’m considering,” she said.

Jorgensen said she feels the need to reference the Loire Valley when talking about her work, as it “validates her decision” to work with Cabernet Franc in the land where Pinot is queen. “Eventually, I hope, I will be able to drop the Loire point of reference and just proselytize Oregon Cab Franc, and people will know what it’s about,” she said.

Today, Jorgensen produces just about 500 cases annually, most of which is Cabernet Franc (including a rosé of Cabernet Franc, as well as a Cabernet Franc Blanc). About 30% of her business is conducted direct-to-consumer through online sales, events and her wine club. The rest is sold through distribution. Despite her small-batch winemaking, she said, she hasn’t had to face any challenges in the marketplace. “I’m the only person dedicated to Cabernet Franc in Oregon, which means I don’t really have any competition,” she said. “If I was putting out another Pinot Noir to the wine universe, it would be a different story. That’s an oversaturated category. But to be the one person associated with Oregon Cabernet Franc — and to do it well — that makes it an easy sell.”



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Washington Wines: Beyond Bordeaux

The shift to Washington's Cabernet Sauvignon-centric wine production is one that is only a few years old. According to the Washington State Wine Commission, it wasn't until 2015 that the red grape took over as the leading variety by tonnage at 47,000 tons. Previously, it was Riesling that dominated wine production, yielding more than 10,000 more tons than Cabernet Sauvignon as recently as 2012. In 2018, Cabernet Sauvignon accounted for 29% of the state's total tonnage, at 74,400 tons, according to the most recent statistics from the Washington State Wine Commission.

But the commission's president, Steve Warner, says one of the hallmarks of Washington as a wine region is that the sub-appellations within the greater AVAs have very diverse microclimates. "We actually grow 70 different wine grape varieties," he said.

The state has seen a steady increase in vineyard acreage over the past few years. Today, Washington is home to 58,000 acres of grapevines, and Warner said the state has the available land to farm up to 200,000 acres. "And if we continue with the steady incline in vineyard acreage we've seen the past few years (of about 8.5% since 2009), grapes will surpass apples as our No. 1 agricultural product," he said. "We're known as the 'apple state,'

so that's kind of a big deal."

When asked what that increase in acreage would mean for the diversity of wine-grape growth and production, Warner said Washington is one of the best places for winemakers to experiment. "The first AVA was only established in 1983. ... The average age of our wineries is 12 years old," he said. "So Washington is still in a state of learning what the right vineyard site-grape variety combination is."

Warner also said that land in Washington is "relatively cheap" for vintners to experiment. "Pulling out different varieties to try something new isn't as costly as pulling out Napa Cab," Warner said. "At about \$30,000 per acre, there's a lot of wiggle room."

Columbia Valley — home to the Rhônes

Craig Leuthold, owner of Maryhill Winery in Washington's Columbia Valley AVA, said that one of his goals is to showcase what his specific region is capable of doing within the state. The winery sources from 14 growers (27 total vineyard sites) within the Columbia Valley, representing seven of the 14 sub-appellations within the AVA.

"With the complex diversity of the growing regions in eastern Washington, we choose the right vineyards for the specific varieties we would like to source," he said. Outside of the classic Bordeaux varieties, the winery's other main focus has been on Rhônes varieties, which Leuthold said grow well in the Columbia Valley's hot, dry climates and sandy loam soils.

The star of the Rhône red wine show at Maryhill Winery is certainly Syrah; the portfolio currently includes both a classic and reserve Syrah as well as five vineyard-designate Syrahs, each of which, Leuthold said, showcases the unique *terroir* of the individual sub-appellation of those vineyard sites.

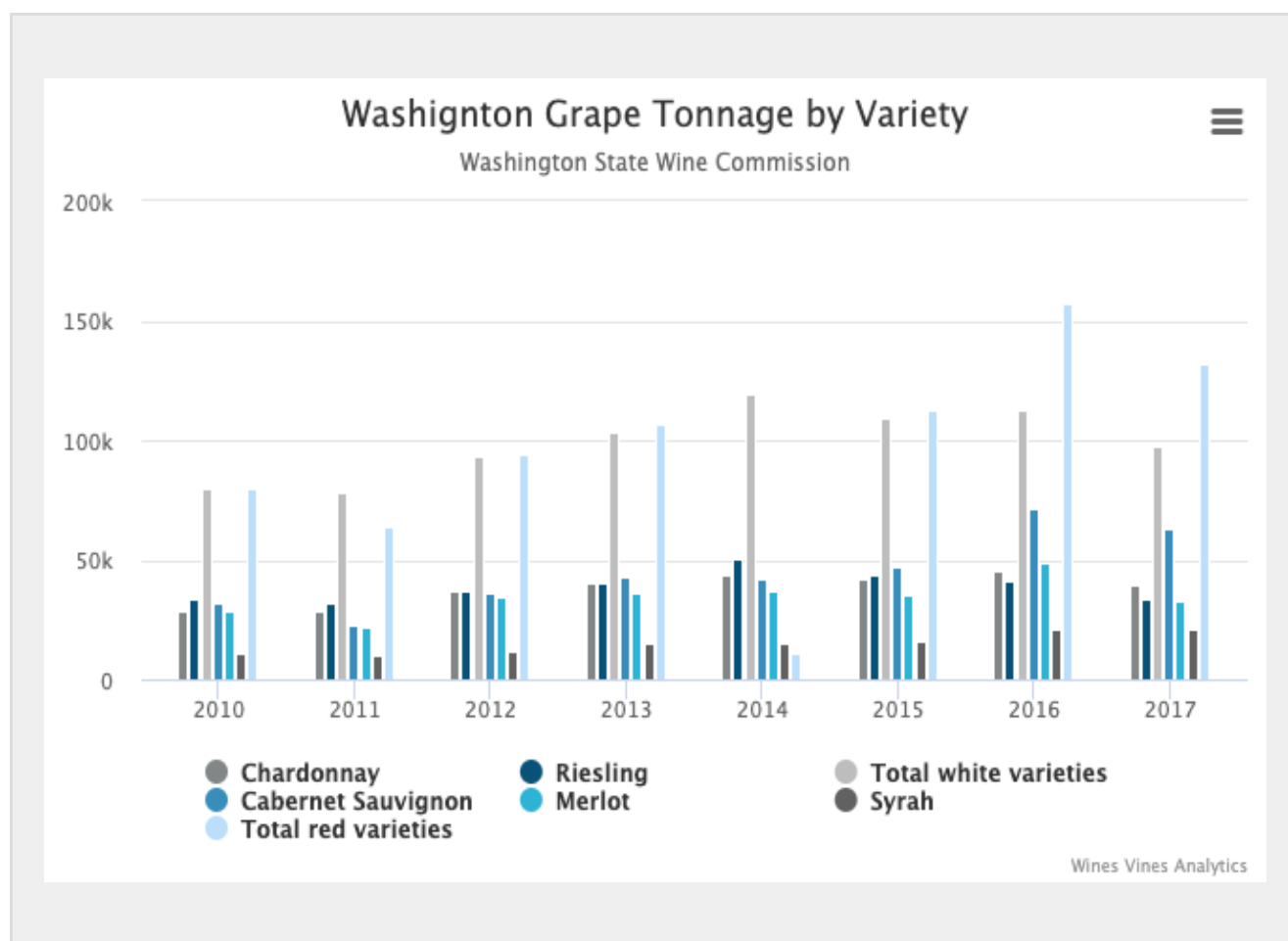
According to the state wine commission, Syrah accounted for 24,300 tons, or 9% of the state's total wine grape tonnage, in 2018. The grape has seen a continued increase within the last few years, jumping from 11,800 tons in 2012 to 16,000 tons in 2015, before crossing the 21,000 ton mark in 2016.

Leuthold also said that Maryhill Winery is the largest producer of Viognier in Washington, making almost 75% of the state's total production. The wine commission reported that the white Rhône grape accounted for 1,800 tons (0.7%) of Washington's total tonnage in 2018 — a number that has seen only minor fluctuations throughout the last few years. "We are also the second-largest domestic producer of Viognier," Leuthold added. The winery produces about 15,000 cases of Viognier, which is just slightly less than 20% of its total case production.

Maryhill Winery sells approximately 22% of its 75,000 annual case production direct to

consumer and has found the most success showcasing its Rhône varieties inside the tasting room. “Especially the vineyard-designated wines,” Leuthold said. “It allows our tasting room staff to explain the origin of the varietals, vineyard sources as well as their individual characteristics.”

Leuthold said that by the end of 2019, the winery will have three remote tasting rooms within the state: Spokane, Vancouver and Woodinville. This, he said, will allow his team to educate even more consumers on these “unusual varieties.” The only Rhône varieties Maryhill Winery sells through distribution are its Viognier and “Classic” Syrah. Leuthold said that about 80% of Maryhill’s wines are sold within the Pacific Northwest, but that they also see distribution in 20 states throughout the country.



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Yakima Valley — Spanish variety success

Ruby Magdalena, a small winery producing just 250 cases annually in the Rattlesnake Hills AVA in Washington’s Yakima Valley region, has found its success growing and producing Spanish-inspired varieties, including Tempranillo, Graciano, Garnacha Tinta (or Grenache Noir) and Orange Muscat. Besides Grenache Noir, for which the state wine commission

reported a total tonnage of 1,400 tons in 2018 (0.5% of the state's total tonnage that year), plantings of these varieties are so rare, they are not recorded individually, but are lumped in with "other reds" and "other whites."

Marty Johnson, owner and winemaker of Ruby Magdalena, said he chose these varieties from Rioja because after traveling to the northern Spanish wine region, he noticed that the climate was quite similar to that of eastern Washington. "It surprises most people to learn that we get very little precipitation this side of the Cascade Mountains — just around 5.5 inches a year ... most of which comes in winter and early spring," Johnson said.

His 1.25-acre vineyard sits at 970 to 1,000 feet of elevation with a "complex soil system coupled with as complex weather patterns."

Johnson said he sees the limited nature of his "rare and obscure" varietal production as an asset, supporting the limited nature of his brand. The winery sells its wines almost exclusively direct, save for a few local retail outlets and one local restaurant, where Johnson self-distributes his wines. DtC is conducted through limited retail sales at the vineyard and winery and through the winery's website with fulfillment by VinoShipper.

He acknowledges that when it comes to Washington wine, the focus will continue to remain on Cabernet Sauvignon, that the market will always favor this variety as the state's premier red grape variety. "But we're really just beginning to scratch the surface as far as the more uncommon varieties go," he said.

— *Stacy Briscoe*