

WINES FROM *California*

California continues to grow as a major exporter of wine.

By Melinda Warner

Sales of California wines are growing phenomenally, and as they do, the opportunities for importers of the Golden State's delicious and diverse wines are also growing. Blessed with some of the best (and most varied) wine growing climates in the world, California is the fourth largest exporter of wine in the world.

Because of a huge area stretching 1,500 miles from north to south, the choices are seemingly endless. California has 1,605 wineries, about 4,500 grape growers and 208,000 hectares of wine grapes. The state's crush in 2004 was 2.7 million tons, which includes juice from more than 40 red varieties and at least 26 types of white wines.

Wines with prices that span from low end to high end, as well as countless beautiful labels, mean importers have numerous opportunities for California wine sales.

According to Karen Ross, president of the California Association of Wine Grape Growers in Sacramento, California, "There are great benefits [for importers] because California can produce any number of varieties at various price points, and people around the world really like California wines."

One of the first boosts to California wines came in 1976. A blind wine tasting held in Paris, France, compared California wines and French wines, and California came out ahead. This year the test was repeated with the same vintages. Some predicted the older California wines would struggle 30 years later to hold their own against the French wines, but the blind event proved the opposite to be the case, as the best five wines in the tasting were all from California, with California wines winning the top spot in both the red and the white categories. This event not only proved California is top in its

class when it comes to making wine but also showed California wines have the ability to age gracefully.

California wine is a category just waiting to explode for international consumers. This single state is the fourth largest wine producer in the world, but it has only 5 or 6 percent of the export market, notes Gladys Horiuchi, who does communications for the Wine Institute of California in San Francisco, California. Horiuchi says importers can easily make use of California's international appeal and the fact that California wines "just jump off the shelf."

"California has a lot of cachet and the international consumer recognizes the 'California' part of [a wine label]," Horiuchi says. "The trend-setting, casual lifestyle, innovation, experimentation — people have a very positive image of California as a positive place to visit, and that image of California is exported with our wines."

Many consumers have heard of the Napa and Sonoma Valleys. These popular vacation destinations in the northern part of the state are considered to have an ideal climate for growing quality wine grapes. Cool nights help fruit ripen slowly and gracefully. Wine from these areas is also traditionally higher priced than many other California wines. The rest of California, however, has many award-winning wines to offer at a variety of price points.

In an effort to stay competitive against rivals such as Argentina, France, Australia and other California producers, many wineries are branching out with new lower-priced offerings.

NEW EXPORT OPTIONS

Antonio Silva, CEO of WineTeam, Inc., in Los Angeles, California, is partnering with small, boutique wineries to create new labels especially earmarked for overseas markets. Boutique wineries are smaller wineries that often set up



California's many microclimates produce excellent wines from many grape varieties.

gift shops and tasting rooms for people meandering along a "wine trail," tasting and purchasing wine as they go. Wines from smaller wineries are often not as accessible to importers who may obtain wine from one large company.

WineTeam services include defining the wine consumer purchasing habits of different nations, developing market-based assets in wine exporting, analyzing and choosing proper export markets and countries, determining the best distribution systems for export, selecting an agent or importer within the export market, increasing sales, distribution and visibility, interpreting trade terms and margins, and developing negotiation strategies.

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Mario Andretti stands in the doorway of his award-winning winery.

conducts tastings at various wine clubs, corporate events and restaurants.

An industry magazine, *Wine Business Monthly*, named Andretti Winery one of the hottest small brands of 2005. The winery has also received recognition from the state of California. Daniel Giavina, international trade

specialist for the U.S. Department of Commerce/Commercial Service, working out of the North Bay Export Assistance Center in San Francisco, CA, says, "We actually recognized them for export achievement certificate and congratulations on their accomplishments. In this case it was Mexico." ☼

making wine is not like making orange juice where you make it the same every year. With wine, every year brings new factors that make the wine a little different. But we understand our grapes."

Brutocao is partnering with the WineTeam for its expertise in the export realm. This partnership, he says, makes it possible for his winery to be a consistent presence abroad as well as to navigate the confusing export waters both figuratively and literally.

"They handle everything from customers to relieving small winery owners from the confusing maze of regulation and paperwork. It is good to go through a specialist like Silva," says Brutocao. "I couldn't do it by myself."

One important task any importer needs to take care of is getting a wine shipment to its destination in a speedy, cool manner. One day in a hot warehouse will ruin years of careful wine crafting. Most importers can point to several cases that turned into tragic waste because of delays. Since wine is perishable, all the proper paperwork needs to be in place before the wine ever leaves the country to prevent such delays.

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WineTeam started exporting two years ago and has opened up markets for the wineries it represents in the Czech Republic, Canada, Japan, the Philippines, Denmark, Hungary, Aruba, Mexico and Singapore. Currently the company is working on opening up markets in South Korea, Panama, Italy, the Dominican Republic and Scandinavian countries.

"The key to our success in this saturated market is offering boutique wines for lower prices and giving our distributors several incentive programs," says Silva.

Silva's idea is ingenious, say some. A shipment from WineTeam may contain several offerings from different wineries so retailers can offer more tantalizing choices.

Many boutique wineries boast "estate wines." This term signifies that the grapes are grown on the winery's property, which is a plus with retailers and consumers who like to know the exact origin of the grapes in the bottle. Also, says Steve Brutocao, owner of Bliss Wineries in Hopland (Mendocino County), California, estate wine is often better managed by the winery.

"We try to stay consistent," Brutocao says, "and one way you do this is with estate grapes. For instance, we know block 5 Merlot will always taste different than block 11 Merlot. True,

WINETEAM, INC.

A Partnership of Boutique Wineries



MENDOCINO
VALLEY



MARIO
ANDRETTI WINES



ORGANICALLY
GROWN GRAPES

WineTeam is becoming the leading exporter of America Boutique wines. We work with a fantastic team of international partners who import and distribute our brands throughout the world.

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cisco, California. "Wine can get spoiled very quickly, so it is critical to work with your shippers and immediately put the wine into an appropriate storage. Once it hits customs, make sure you have all the necessary paperwork, especially for new exporters or importers. You need a certificate of analysis, proper labeling which varies county by county. Sometimes we will approach the embassy of a particular market, and they will tell us here is what you need to export."

Giavina says importers should deal with companies that travel abroad and develop partnerships. They will meet consistent demand and are committed to the export market. His department recently gave WineTeam an achievement award for opening up Mexico to Andretti Wines out of Napa, California. **Editor's note: See *The Wine Is A Champion, Too* on page 12.**

Besides handling all the paperwork for team members, an organization like WineTeam offers another advantage. Relying on a broker means the importer receives different wines from month to month. With WineTeam, a consistent supply of certain unique offerings allows customers to find and continue consuming their favorite quality wines.

MORE WINE THAN DEMAND

Many growers have plenty of land and lots of grapes — more than current customer demand. Surplus grapes are often sold to nearby wineries to blend with their own juice or other juices from that region. Many wineries would like to expand their estate offerings to customers overseas.

Bliss Wineries' Brutocao says it is a big world with plenty of room to grow his market. The winery sells some 150,000 gallons of juice to other wineries from almost 600 acres of prime vineyard. The company is looking to expand its own labels, including Bliss Wines, a new fruit-forward label for export.

Another winery handled by WineTeam is Girasole Vineyards, Redwood Valley (Mendocino County), California. It, too, has plenty of grapes to grow its offering of organic wine and also present a new label designed to be affordable in other countries.

Charles Barra, the 80-year-old owner of Girasole Vineyards, notes, "There are wine consumers who would want to know that besides good wine Girasole is all about the environment. We don't contaminate the water. We build the soils. We promote sustainability and stewardship of all kinds of birds and animals here."

This sounds like extra work, and Barra says people often assume organically grown wine is more expensive. They are pleasantly surprised to learn otherwise. "Many people have a fear

that organic wine is more expensive, but in this area we don't have a lot of insect problems to contend with," he says. "People also think American wine in general is too expensive and overly oaky."

Both of these fears are easily allayed. With low overhead and careful control of vineyard input, plus some old-fashioned thrift, Barra can stay competitive while still offering an added-value product with organically grown wine. Soon to celebrate his 60th grape harvest, he

The Wine Institute of California supports international market development with wine tastings, tours of California's winegrowing regions, shows abroad and offices in seven countries.

knows the cost and input that goes into each wine. Many wineries are getting away from oak barrels, which are more expensive, or they are at least offering other options besides this type of wine process.

GOVERNMENTAL SUPPORT

The U.S. Department of Commerce helps with matchmaking, setting up one-on-one meetings with wineries or winery representative and food and wine industry importers. Some importers may be looking specifically for organic wine. "Every importer is looking to make a profit, and California wines are top selling," Giavina says. "Some people want high-end wines only or low-end wines only. Some importers want to buy bulk wine and bottle it themselves and put their own label on it. We have people doing that in Vietnam because of the cost issue."

The U.S. Department of Commerce works closely with the Wine Institute of California, which has offices all over Asia and Europe. Since 1985, the Institute has served as administrator of the U.S. Department of Agriculture's (USDA) Foreign Agricultural Service (FAS) programs. About 125 California wineries participate in the Institute's international program. The Institute supports international market development with wine tastings, tours of California's winegrowing regions, shows abroad and offices in seven countries.

According to the Institute's Horiuchi, "We have promotions going on in 10 to 20 different markets, and we have 10 trade offices outside the United States. We conduct trade shows and help connect wineries with importers."

Horiuchi applauds the recent European Union Wine Trade Agreement, which has been in the works for more than 20 years. The agreement addresses wine trade issues including

mutual recognition of currently authorized U.S. and E.C. winemaking practices, recognition of each other's wine place names of origin, the U.S. limiting the use of certain semi-generic names in the U.S. market, and simplifying the certification process for both markets. It is the first phase of a broader agreement intended to promote trade between the United States and the European Community, which are major destinations for one another's exports.

"This agreement provides our California

wineries with long-term access to European markets so we can make marketing investments with greater certainty," notes Robert P. 'Bobby' Koch, president and CEO of the Wine Institute of California. "This is an important first step in leveling the playing field, and establishes an environment for continued communication. We are hopeful that the next round of World Trade Organization negotiations will reduce the huge E.C. subsidies to their wine sector."

"This agreement removes a major impediment to future growth of U.S. wines overseas," says Eric Wente, chairman of Wente Vineyards in Livermore, California. He is also chairman of the Wine Institute and long-time head of its international committee. "With more stable market conditions, California vintners can focus undivided attention on promoting the high quality, value and distinctiveness of their wines and on California's commitment to sustainable winegrowing."

Total U.S. wine exports to all markets reached \$658 million in revenues in 2005. Nearly half of U.S. wine exports (\$325 million) were shipped to countries in the European Community, the largest market for American wines. The Wine Institute reports exports have increased from \$35 million in 1985 to a record \$808 million in 2004. Currently 18 percent of total production is exported to more than 125 countries. The 10 most important export markets for California wines are the United Kingdom, Canada, Germany, Japan, the Netherlands, Switzerland, Ireland, Mexico, Denmark and Belgium. ☉

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