Grapes: Where Have All the Grapevines Gone . . .
(. . . long time passing. ♪♫)

(Number 39 in a series of highly opinionated articles about grapes and wine in El Dorado County)

It has always amazed me that prices at the gas pump rise instantly when there is even a hint of conflict in the Middle East, but take forever to come back down, often waiting months after the price per barrel of crude oil has retreated to lower levels. With the realization of a true surplus of grapes, I'm almost equally impressed with what has happened in the past year to the number of grapevines in the ground in California. The California Grape Acreage Report is out (and can be accessed on the web at http://www.nass.usda.gov/ca/rpts/acreage/grapes/305grpac.htm), and for the first time in memory, the total number of acres devoted to wine grapes has declined. The overall total is down by 2.5% to 556,000 acres, and the non-bearing acreage, which shows the trend more clearly since it reflects the more recently planted vines, decreased by 22% from 90,000 to 70,000 acres.

Ups and Downs

The patterns for different varieties are interesting, too. Three grapes are responsible for almost *all* of the decline: chardonnay and french columbard, each of which declined by 4,300 acres from the previous year, and chenin blanc which was down by over 2,000 acres. Pinot gris was the only big winner of the white varieties, increasing by 1,200 acres in a single year. Among the reds, only grenache declined by more than 1,000 acres, while syrah grew by 1,300 acres, and cabernet sauvignon (still the #1 red vine in the state) increased by over 2,000 acres. At the other end of the scale, charbono, which is our sentimental favorite among the obscure varieties, increased by five acres to 86, and dolcetto, which many people thought would be a hot grape in years to come, dropped from 130 to 93 acres!

The varieties I track for prices each year in various areas are shown below, in comparison to last year's acreage:

Variety	2001	2002
Cabernet sauvignon	73,964	75,994
Merlot	51,290	52,190
Zinfandel	49,720	50,381
Syrah	14,735	16,054
Cabernet franc	3,491	3,527

Too Much of a (Mediocre) Thing

We've known this was coming for some time (doggone all those neighbors who planted grapes *after* you and ruined the market for *you*!), but the speed and amount of the decline surprised almost everyone. The greatest decreases, however, were in areas hardest hit by the price declines that accompanied the surplus, concentrating in the Central Valley in general, and the Fresno area in particular. When you can still sell your grapes, even at a reduced price, life is not nearly as bad as when it costs you more to farm an acre of land than you can get for the grapes that come from it. Even in the flattest, densest Central Valley vineyards, where you can apply sprays with airplanes, harvest mechanically, and produce ten tons of fruit per acre, if the going price is $65 per ton, it’s awfully hard to come up with any profit after a year’s hard labor.

In areas like Napa, Sonoma, and El Dorado (which we now proudly include among the true premium grape-growing areas of the state), the trend of increasing acreage has continued unabated—in fact, the foothills are still showing a substantial increase in acreage from last year. With the growth in local wineries, and the realization by premium wineries in those “other” areas of the state that we do produce extremely fine fruit, our grapes have remained in pretty good demand, if not at the high prices of a couple of years ago.

Predicting the Future

As we’ve discussed, it was only about twelve years ago that local zinfandel grapes were selling for about $400 per ton, and we watched the price gradually increase to over $1,000 per ton by 2001, then the drop back to $977 last year. Historically, it has been an eight-year cycle of increase and decrease, but there has never before been an expansion cycle (of vineyards and wineries alike) that paralleled the mid to late nineties. It remains to be seen, as the economy gradually regains its health, if increased demand will catch the falling prices before they plummet back to the previous lows. The pessimists will say that the huge increase in acreage will keep prices on a downward trend for quite a few more years, while the optimists will point to farmers in marginal areas who are ripping out large blocks of grapes, together with increasing demand for wine, as balancing factors.

Wineries, many of which have already suffered from two to three years of decreasing sales and falling prices, are temporarily in a slightly better position than many vineyards. Even though their profit margins have eroded (many of the wines that still appear on tasting room price lists at $30.00 are available at Long’s or Raley’s for as little as $10.99), they will be able to buy grapes at lower prices over the next few years to soften the impact. But not all will make it; there are many Napa Valley wineries, even some very famous names, that are “quietly” for sale, and several are teetering on the brink of bankruptcy. As we’ve said, this is not a happy time for producers of either grapes or wine.

From the Frying Pan…

Perhaps the worst of all worlds is being envisioned today by grapegrowers who have not been able to sell their grapes, and are now considering opening a winery to recover their lost income. We have already wrung our hands in these articles over the sad details of the payback time for a winery investment, but some growers are still hopeful that they can create an outlet for the grapes that no one is currently buying. Logic would indicate that those grapes that are hard to sell to wineries will primarily make wines that are *also* not selling well, and adding value to the grapes by converting them into wine will not magically make those varieties desirable. And this is true regardless of whether you are considering paying someone to make wine for you by custom crushing your grapes, or creating your own facility to do it yourself.

The first things you would have to learn are how to comply with the maze of federal and state regulations about how you can make, store, sell and ship your wine. Then you have to find a way to market an unknown brand, and do it at a time when many of the established brands are scrambling for shelf space, at almost any price. The time and effort necessary to get wines into consumers' hands should never be underestimated, and the simple approach of marketing your wines through distributors has become very difficult, indeed. Some distributors have also gone out of business as profits are squeezed all along the chain, and many of those who are still here have gone into "hunker down" mode until the economy is clearly in recovery. Until that happens, they will be very reluctant to add new, untested wines to their lineup.

So until we all start making and spending more money, and until the balance is re-established between wine supply and demand, there may be no short-term alternative to the three p's: patience, persistence and maybe poverty.