

What's Right, and What's Wrong with the Foothills (or, "Lowered Expectations")

by John L. Smith

(Number 77 in a series of opinionated articles about grapes and wine in our area)

I was sitting in a brewpub and when the food I had ordered didn't arrive for some time, I asked the bartender "Any news on those pizza bites?" "Relax," he told me, "We're known for good beer and bad service, so just lower your expectations!" Within seconds, the sought-after order arrived, at which point he turned to me and said "I look pretty good now, don't I?"

On my first purposeful trip to El Dorado County to look at a vineyard that was rumored to be for sale, I was struck immediately by the scenic beauty of the rolling hills, the majestic Sierras in the background, and the lush, green foliage of the few vineyards that dotted the landscape. "What a wonderful place to grow grapes (and maybe someday have a winery)," I thought to myself as we toured this undiscovered Eden.

I was thrilled to learn that these hills create "microclimates" where almost any grape variety can be grown well, from the very early Gewurztraminer to the late-ripening Charbono. I also learned that other people were just beginning to discover what a wonderful area it was but that only a few pioneering vintners had braved the unknown to capitalize on it as a new viticultural area. The capper was that, while land in the famous Napa and Sonoma areas was already selling for around \$100,000 an acre, an entire local seventeen-acre parcel with seven acres of established vines went for just half again that amount. Realistic expectations, however, were not part of my early evaluation process.

Selling Grapes

First of all, growing grapes in the foothills turned out not to be very lucrative. When we purchased our first vineyard in 1989, grapes were selling for about \$900 per ton, and, just 21 years later, they're up to over a thousand! Look at the numbers below to see how local growers have fared compared to the high-priced areas like Sonoma and Napa.

District 10 (Sierra foothills)

| <u>Variety</u> | <u>1989</u> | <u>2010</u> | <u>increase</u> | <u>Annual increase</u> |
|--------------------|-------------|-------------|-----------------|------------------------|
| Chardonnay | 856 | 976 | 2.1% | |
| Cabernet Sauvignon | 835 | 1132 | 35.5% | |
| Merlot | 967 | 1015 | 5.0% | |
| Average | 886 | 1041 | 17.4% | 0.7% |

District 3 (Sonoma)

| <u>Variety</u> | <u>1989</u> | <u>2010</u> | <u>increase</u> | <u>Annual increase</u> |
|--------------------|-------------|-------------|-----------------|------------------------|
| Chardonnay | 1229 | 1845 | 50.1% | |
| Cabernet Sauvignon | 1137 | 2083 | 83.2% | |
| Merlot | 1104 | 1299 | 17.7% | |
| Average | 1157 | 1742 | 50.5% | 2.4% |

District 4 (Napa)

| <u>Variety</u> | <u>1989</u> | <u>2010</u> | <u>Increase</u> | <u>Annual increase</u> |
|--------------------|-------------|-------------|-----------------|------------------------|
| Chardonnay | 1446 | 2210 | 52.8% | |
| Cabernet Sauvignon | 1474 | 4481 | 304.0% | |
| Merlot | 1434 | 2320 | 61.8% | |
| Average | 1451 | 3004 | 207.0% | 9.9% |

Everyone knows that the cost of fuel, fertilizer, labor, and everything else that goes into growing grapes has continued to escalate, causing an increasing pinch on the profits we might have expected. Many growers, disappointed with the return on their vineyard investment, turned to making wine from the grapes, with the expectation of selling it at much higher prices and profit levels (I can't pretend, though, that my own plan was other than to have a winery from the outset).

Wine Prices

When we opened the winery in 1997, average bottle prices here were about \$12, and now, fourteen years later, they have probably risen to about \$18. We'd love for our bottle prices to approach the lofty levels of that *other* wine region, but we know that's not a reasonable expectation. With most of their wine sold by distributors, those wineries consistently lose money in their tasting room operations, even though they now charge exorbitant tasting fees. Our wineries consistently *make* money (and for many of us, *most* of our money) in our tasting rooms, and we do so precisely because our prices make a day trip here to taste and buy as economical as it is enjoyable, *and* with no tasting fees. We might even expect that those rich wineries could be as envious of our tasting room sales as we are of their wine bottle prices.



It's true that we do have a few wineries in our area charging \$50, \$75 and even \$100 per bottle for their wine, but those prices are for operations with a total production of perhaps a few hundred cases per year, and the wines are probably sold one or two bottles at a time. Selling thousands of cases per year means having pricing competitive with other wineries in the area, and anyone planning to grow to that level needs to consider what the average selling price must be to compete locally and adjust expectations accordingly.

Supplies

There are now several hundred wineries in the foothills, but it's thought that the average one sells only about 5,000 cases per year. This means, while there are a lot of us, each one has very little individual clout when it comes to dealing with suppliers. Vendors who sell glass bottles, corks, capsules, and labels deal with wineries of all sizes, but the prices (and the priorities when it comes to deliveries and customer service) are very different for the smaller players. The glass bottle companies are set up to deal with big wineries up to really large wine factories, and when they're told that 48- and 53-foot trailers aren't even legal on our roads, they often feel it's an inconvenience to accommodate our restrictions. And it's generally not practical to combine orders among wineries, because much of what we do is highly individual (and on different schedules), with no two wineries preferring the same bottles, corks or capsules. Fortunately, there are companies who are willing to deal with our smaller quantities, and while the pricing for us is not at all the same as for

the big guys, most of us have learned to find suppliers who will deal fairly with us and with whom we have established long-term, positive relationships.



Promotion

The wineries of an area are more than the sum of the parts. Each winery does its own advertising, promotion and public relations, but none of us is large enough to individually make much of an impact on the wine buying public. The El Dorado Winery Association, with about 33 members (out of 68 wineries open in the county), raises money from the annual Passport Festival, but the total available for promotion is very small by national or even state-wide publicity requirements. The Fair Play Winery Association, with fewer members and a smaller annual event—the Fair Play Wine Festival—raises considerably less.

The last wine area to have made a significant impact (and one with a reputation to overcome, based at least in part on a song by Credence Clearwater Revival) is Lodi. Growers and wineries there banded together to create a “marketing order” that imposes a tax on the grape growers which is reported to raise over \$1 million each year. They have built an attractive Wine and Visitors Center, with tasting and sales for area wineries of all sizes—even those too small or too new to have their own tasting rooms. The income provides an economic engine for promotion that our smaller areas simply can’t match. Why can’t the foothills follow this model and become equally well known? In Lodi, a *small* vineyard is 200 acres, while the largest holding in our counties is probably less than

100 acres, and most are in the five- to twenty-acre range, so taxing the growers (or the small wineries that have resulted) would not begin to approach what Lodi generates.

Fame and Ratings

There are a few influential publications (or writers) who largely determine what is considered “good,” what is valuable, and what wines the country’s enophiles should buy and consume. Wine Spectator, Robert Parker, Connoisseur’s Guide, and a couple of others publish ratings that tell buyers what they need to know. These publications are in national circulation, so they are mainly interested in reviewing wines that are also in national distribution, and those are NOT wines from small family-run wineries in obscure places like the Sierra Foothills! There is also speculation, possibly unfounded, that taking out a full-page ad (for tens of thousands of dollars) might improve the scores these publications award to the wines.



But guess what? When our same small, family-owned wineries enter major wine competitions (like the San Francisco Wine Competition, the Orange County Wine Competition, and the California State Fair), we often outperform the big, famous places, so much so that quite a few of the famous names no longer enter for fear of being shown up by these upstarts with no national ratings. And if you add to this that we get to know thousands of really nice customers who come to see us precisely because we are small, friendly, family-owned wineries with reasonable prices, and where the owners and winemakers often pour the wine, it’s easy to understand why, when our expectations are properly lowered, we *love* the foothills!