

Grapes: Now What Will You Do?

By John L. Smith, Oakstone Winery

(Number 29 in a series of highly opinionated articles about grapes and wine in El Dorado County)

It's happened—the long-predicted grape glut has hit California viticulture with a bang! From Temecula to Mendocino, from Santa Cruz to El Dorado, there were just too many grapes to go around this year. And it could have been worse—the harvest was smaller than expected, which means that not all growers have yet been affected. Not surprisingly, the biggest surpluses were seen for merlot and chardonnay (you *were* warned), but some cabernet sauvignon, syrah, sangiovese and even pinot noir grapes had trouble finding buyers around the state (Agajanian Vineyards even faxed out a periodic “Homeless Grape Update,” which listed 1,190 tons of their unsold grapes in early October). Stories abounded of grapes that sold last year for \$2,000 per ton being offered at only \$400 in 2001. The Grape Crush Report will issue in February; my guess is that the prices will reflect the surplus, and it won't be pretty!

Since 1989, the continuous increase in grape prices has enticed many of your neighbors (and maybe you) to convert empty fields to vineyards, with the expectation that the demand would continue to grow. Now, with decreasing demand and falling prices, new strategies will be required, and new temptations must be avoided. Let's consider, for a moment, what the consequences of this new situation are.

Grapes with an Attitude

During the glory years, farmers could expect phone calls from wineries, asking “Gee, Sam, do you suppose you could let me have a few tons of your wonderful zinfandel this year—of course, price is no object. Oh, sure, we'll be glad to pick them up; just let us know when you feel they're ripe and we'll send our truck out.” Barely a day went by *this* harvest that each winery's phone didn't ring with the following plea “Hey Charlie—this is Sam. Say, I've got an extra twenty tons of merlot looking for a home. I don't expect to get the full district average, but it's really terrific stuff and I'll let you have it for, say, \$800 per ton? Oh, and we'll be glad to deliver it to you whenever it's convenient for you.” Inherent in this reversal is the traditional economic principle of supply and demand, but more subtle is the reversal of role, in only a year, from a dominant to a more subordinate posture for many growers.

It stands to reason that growers, some of whom may have skirted the edge of arrogance in recent years, will need to make an attitude adjustment to allow their true nature of sweetness and light to re-emerge. If you've maintained a good relationship with your favorite winery for many years, treated them well, priced your grapes fairly and allowed the winery a reasonable time to pay for them, you might expect that they will repay the courtesy now that the tide is turning. If you tried to hold them up for every possible penny, demanded payment in full on delivery, or rationed their supply of a wine they put

your vineyard name on, you should not be surprised when they return that approach in kind. In any event, now is the time to begin rehearsing a pleasant smile and an engaging demeanor—it just might get you a better reception at the winery crush pads next fall.

Quality Counts

An immediate, unfortunate response to decreased prices is the feeling that you can no longer afford to take really good care of your vineyard. Nothing could be further from the truth, because as supply increases, wineries become more and more selective about the quality of grapes they're willing to accept. Skipping a spray or failing to keep the vineyard free of weeds are false economies in these times. It's better to keep the quality up, even if your profits fall, because the winery owners may be more willing to pay a reasonable price for good grapes, and substandard fruit may go completely unsold. If it gets so bad that you will lose money farming your field, remember to do the minimum: prune the vines to keep them from running wild, since recovering an overgrown field when prices finally go back up is a multi-year proposition, and will prevent you from cashing in as early as your neighbors.

It's certain, too, that this is not the time to increase tonnage in order to make up for reduced prices. Unless your grapes are in a hidden location with no access, it's pretty easy to see who has decided to bump up the yield, and easy for the wineries to make another choice at harvest time. People have long memories, too, and if you slip some overcropped fruit into a winery one year, they will not likely be very responsive to your calls in future years. You might even take extra pains at harvest time remove leaves and unsightly clusters to produce bins of grapes that will leave a lasting positive impression on the winery's personnel.

The Dark Side of the Grape

Already this year, the bottom feeders have appeared at ripe vineyards, offering ridiculously low prices for some very high quality fruit. If you wait until harvest time to establish a solid relationship, you can expect to see vultures of one kind or another circling overhead when September and October roll around. Inevitably, there will be those who hope to take advantage of growers by failing to honor contracts, reducing prices at the last moment, or stretching out payments for an unreasonable time. You can reduce the chances of getting caught this way by cementing your relationship (and contract) at the earliest possible time, and by being realistic about the prices you should expect for next year's grapes. And don't expect that any contract is ironclad, either, since it's a well established fact anything once negotiated can be re-negotiated, especially when times are hard.

There is a good historical connection between falling grape prices and the success of wineries (although correlation is not causation, as my statistics professor used to say: just because it rained two Tuesdays in a row doesn't mean that the third day of the week causes rain), and it may be that the dramatically expanded winery industry is due for a shakeout. Just as the drop in prices for Central Valley grapes signaled the coming of the

overall grape surplus, we should pay attention to the fact that many of the high-dollar wines that used to be snapped up on release at the winery are now spending considerable time on store shelves at lower prices. If this happens, you may find yourself connected to a winery that is unable to meet its financial commitments after taking your grapes. Try to stay informed about the financial health of your customers, and avoid doing business with someone who might not be able to pay you for your grapes. Taking stainless steel tanks instead of money will provide you with some attractive yard decorations, but they're not very good for putting food on the table (at least one winery in our area got a lot of its initial equipment from a grape customer whose winery went under, and who had only equipment to pay bills with). If the winery can't pay cash, consider taking payment in wine. You may not be able to spend it either, but you may not care as much about your predicament.