

Grapes: Being Right Isn't Much Fun!

(Number 37 in a series of highly opinionated articles about grapes and wine in El Dorado County)

After having built my credibility, established my reputation, and gone out on a limb for four years by being consistently wrong about the trend in grape prices, it should be gratifying to finally get it right, but there is no joy in Mudville over this final score. The results for grape prices of the 2002 harvest are in, and following last year's increase of 5.5%, prices for selected red grapes in our area plummeted by 8.4% in 2002, or lower than they have been, in most cases, since 1998. It may be worse because it has taken so long to finally hit the price charts (but don't even *try* to pretend you didn't know this was coming).

The Hard Facts

You can see all the data on the website for California's agricultural statistics, <http://www.nass.usda.gov/ca/bul/crush/indexgcb.htm>, and the site includes historical data back through 1991. Across the state, red wine grape prices were down an average of 10%, while white wine grape prices declined by 13%. In our area, prices for selected red varieties back to 1999 are shown in the table.

<u>District 10</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>Increase</u>
Merlot	1,413.53	1,354.69	1,385.86	1,190.32	-14.1%
Cabernet Franc	1,209.91	1,321.38	1,441.24	1,371.47	-4.8%
Cabernet Sauvignon	1,107.01	1,200.04	1,254.59	1,102.84	-12.1%
Zinfandel	936.24	978.72	1,043.56	977.41	-6.3%
<u>Syrah</u>	<u>1,232.69</u>	<u>1,237.55</u>	<u>1,246.44</u>	<u>1,195.40</u>	<u>-4.1%</u>
Average	1,179.88	1,218.42	1,274.34	1,167.49	-8.4%

Even Napa County has slowed its upward trend, with an average jump of 4.7% percent (it was 24% last year), including an 8 percent surge for Syrah to \$3,780 per ton and an average price for Cabernet Sauvignon up over \$4,000 per ton! There is a chink in the armor, though, since the first price decrease for any red grape in that county since 1994 occurred last year with zinfandel dropping by 6.6%. In Sonoma County, which has paralleled Napa for the same eight years, all the red grapes except cabernet franc held steady or decreased (a ton of cabernet sauvignon could be had there for the bargain price of only \$2,689, \$9 less than last year). The complete numbers and charts showing the price trends for all these grape varieties in the various districts (all the way back to 1991) can be found on a special web page, <http://www.oakstone-winery.com/prices.htm>. The page has been updated to include white grapes, because they have fared worse, showing an average decrease even in Napa. Sonoma County (District 3) has also been added in case you have pinot envy for their grape variety that reached an all-time high of \$2,125 per ton.

But It Could Be Worse. . .

Once again, there was a substantial decline in areas where two-thirds of California's wine grape crop is grown: San Joachin, Stanislaus, Merced, Fresno, Madera and Tulare Counties. As you can see, there is now more than a ten-fold difference between red wine grape prices for the rich and the not-so-rich areas. At least we belong, for the moment, to the areas that still have a comma in the price.

<u>District</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>Increase</u>
3 (Sonoma)	2,024.73	2,213.27	2,395.14	2,384.39	-0.4%
4 (Napa)	2,149.64	2,439.51	2,913.37	3,051.37	4.7%
10 (Foothills)	1,170.99	1,218.42	1,274.34	1,167.49	-8.4
11 (Lodi)	623.00	561.34	555.47	435.17	-15.8%
12 (Manteca)	480.00	382.07	351.77	295.87	-13.1%
13 (Fresno)	386.99	302.14	298.84	241.08	-12.9%
Average (10,11,12)	506.66	415.18	402.03	324.04	-13.9%

The Tip of the Iceberg

The total crush of red wine varieties in the state was up by only about 6% (1.8 million tons), while white wine grapes crushed were down 1% to just under 1.3 million tons. Had we had a really big crop (as we did in 1997 when many thousands of today's acres weren't yet in production), the prices would certainly have dropped even further. The crush in our district produced 16,280 tons, compared to 15,938 tons in 2001, for an increase of about 2 percent,

That might not be the whole story, though. You can learn a lot if you look at the tonnage crushed as well as the price over several years. For District 10 zinfandel, which is still in pretty good demand, about 6800 tons were crushed in 2002, compared to about 7100 the previous year. For chardonnay, where demand is definitely declining, only 318 tons were crushed, compared to 739 tons in 2001 and 988 in 2000. Since it's unlikely that two-thirds of all the chardonnay in the county was ripped out or grafted over, a more likely conclusion is that most of it didn't even get sold last year. In the Crush Report, only grapes which are sold are reported, and those that are left to hang on the vine are never counted. It's been estimated that perhaps 10-15% of our county's grapes went unpicked last year (and we're not alone in that regard), and while we can only infer missing tonnage this year, the impact will be significant on next year's prices. Growers who paid all the farming expenses but received no income last year are likely to be more aggressive in locating customers early this year, and low prices are a lot better than no prices.

As mentioned earlier, the market for wine is still soft, especially at the top and bottom price levels. This means that wineries, many of whom are experiencing large inventory surpluses and serious financial difficulty, will likely cut back even further on purchases

this year. These trends can be expected to continue until the economy improves and the supply of grapes is reduced to the level of demand.

Varietal Variations

We can't do anything about *where* we grow our grapes, but we certainly can do something about *which* grapes we grow. In District 13 (Fresno), over 16,000 tons of carignane was sold at Gallo's basement price of \$65 per ton, but one enterprising grower managed to sell 4.8 tons of black muscat for \$850 per ton, or more than his neighbor got for 62 tons of the less-desired variety. When prices are down (and, all kidding aside, they are almost certain to go lower for several more years), it's a good time to survey the vineyard for varieties that no one wants anymore, and consider grafting them over to a variety that will be in demand. You only lose a year or two in re-grafting, and if you now have grapes no one wants to buy, you've hardly lost anything at all. If you do graft, be sure you're able get certified virus-free budwood, so you don't wind up permanently reducing the value of your vineyard.

There's no way to be sure what will be hot year after next, but one of the techniques that generally works is to get together with winery owners and watch their faces as you recite the names of the grapes you're considering converting to. Since they have a pretty good handle on what's not selling, they're likely to frown, snarl or even become violently ill when you mention the bad ones. If you can get a pleasant expression, there's at least a chance of success. And by the way, if you're successful at figuring out what those new varieties should be, please share your prediction skills by passing along a few sure-fire stock tips as well!