

Grapes: Sour Grapes

Court Ordered Sale

47.5 ac +/- featuring a Chateau, winery, and vineyard, located in the foothills of California included in sale are all improvements, equipment and inventory.

Priced at \$5,300,000.

A winery is a dream that sometimes can become a nightmare. Everyone has a different motivation for taking this particular (and often ill-advised) plunge, and some motivations are more noble and more meaningful than others (but I have yet to meet anyone who went to school to train for becoming a winery owner). Sooner or later, though, almost everyone who does so becomes aware that the reality is quite different from the dream. For those whose only experience is home winemaking, the combination of really hard work, huge facility expenses, big equipment expenses, big inventory expenses and poor cash flow can be a rude awakening. Even for those with considerable exposure to the difficult physical and financial aspects, the gradual dissipation of romantic thoughts (that accompanies the rapid dissipation of personal wealth) about “owning my own winery” can result in a jarring confrontation.

The first problem is that wineries (like almost all small businesses) are usually undercapitalized. It always costs more than expected to put together a winery building (current winery building costs in El Dorado County average about \$150 per square foot, and don't forget the First Law of Winery Size: you need about one square foot for every case of wine you produce each year). The equipment, much of which is used only for a month or two out of the year, has to be purchased (or leased for a monthly rate that includes interest and profit for someone else), and as the volume builds up to a level you planned, the additional barrels, racks, bulk wine and case goods will tie up more of your resources as well as any profit you generate during the expansion phase. If your endeavor is small enough (and you are young and healthy enough), labor is not a complication. If, however, you open a tasting room and ever want to do *anything* else besides make, bottle and pour wine every week and every weekend (or if you are no longer as young as you thought you were), you will be faced with the challenge of hiring people who can assist you. This brings on an immediately greater overhead in dealing with state and federal payroll taxes, unemployment insurance, workers' compensation insurance, etc., etc., and will cost you much more than you could have imagined from the simple hourly rates you expected. This adds either to your burden (if you are skilled at payroll bookkeeping) or adds to your payroll to find someone who is. A likely result of these unplanned-for expenses is that you may need to re- (or second-) mortgage your house to extract the cash you need to continue operations.

It can be brutal when reality finally sets in, and the worst version of it is what I call the “dream not shared” syndrome. After all the grief with (some combination of) taking early

retirement, cashing out your retirement benefits, buying the land, clearing the land, planting the grapes, changing the zoning of your land, finding a contractor, getting a permit, building the facility, buying the equipment, making the wines, and building the inventory, you find out that it's *really hard* to sell the wine. Sure, you have a tasting room, but so do the other 57 wineries that have sprung up recently in Fair Play. Sure, you have decent wine (well, maybe you have decent wine—only the very best true friends would tell you if it's not up to snuff, and medals from competitions are very poor indicators of real quality), but some of the others have *really* good wine, and at prices lower than you need to charge. The number of wineries has tripled, but the number of wine buyers (especially with gas hovering around \$3.00 per gallon) has not. Somewhere around the end of the third year, you realize you're not making any money at this endeavor that once seemed so romantic, and should your wife (it is a testimony to the better judgment of the gentle sex that few have ever said, "Honey, I know we saved all this money for our retirement, but I really want to spend it all on a winery.") ask why you can't buy a new car (or remodel the kitchen, or participate in other traditional domestic activities), you have to admit that you don't have any money, aren't getting a salary, and don't have any prospects for improving the situation for a number of years. At this stage, the romance quickly disappears from winery ownership, and perhaps from wedded bliss as well. Since it was your idea to initiate this devil's bargain, you are now faced with accepting the responsibility (and blame) for its impact on your family's financial well-being. More than one couple has parted company at this juncture, and almost every couple has given it serious consideration.

If the relationship becomes terminal, the trouble really begins. With no liquid assets, you still owe half of everything to your spouse (morally and even legally, in a community-property state like this one), and often the only way to achieve the split is to sell the winery. But wait, owners of many of the 36 wineries that opened right after you found that (pick one) they are now in poor health, the kids don't want to inherit it, they lost interest, it's too much work, they're in almost the same boat you are because they don't have any money anymore, or they're in exactly the same boat you are and trying to provide for a settlement; and they all have their wineries on the market as well. Just as in Economics 101, the supply has gone up and the demand is suddenly way down. If you could sell the winery (and the house), together they might just about pay off the expanded mortgage (oh, yes—while you were absorbed building the winery and the inventory, the red-hot housing market also crashed). Your million-dollar investment (or, as in the ad above, your five-million dollar investment) is now worth about half of that on the open market, and you need to sell at what has now become a bad time to sell real estate in general, and wineries in particular. Please don't even consider what the dream could turn into if you were to build a *second* winery.

Top ten reasons to have a winery:

10. I have too much money.
9. I have enough money, and I wonder what it would be like to be poor.
8. I *really* need a means of self-expression.

7. I *really* like to make wine.
6. I planted grapes at the same time everyone else did and then couldn't sell them, so I wanted to have a winery to use them up like just everyone else did, and now I can't sell the wine just like everyone else can't.
5. I am a hard-driving egomaniac and want my name on the label, and on the sign out front and on everyone's dinner table.
4. I have already excelled in my own chosen field, and there's no challenge left in (pick one) being an airline pilot, being a doctor, being an entrepreneur, being an architect, being a race driver, being a movie actor, being a movie producer, etc., etc.
3. I have researched the clonal selection characteristics, nitrogen compound profile of every known grape variety, and the aromatic nuances of all known yeast strains, and am now prepared to make the finest wine in the world.
2. I have a really good friend (brother, son, father, etc.) who is a really talented winemaker, and I can get him to make really good wine for me.
1. I've already gotten divorced and I'm already completely broke, so what do I have to lose?