Dan Berger's Vintage Experiences

The Weekly Wine Commentary

Volume XIX, Issue 17 **June 4, 2015**

A Decade of Change

Most of us remember those heady days of a decade ago when Australian wine was a bargain and the days of the Faux Brand were in their infancy.

My how wine has changed!

In the space of 10 years or so (15 if you were ahead of the curve) we have seen a series of cataclysmic events change the way wine is made and sold, and only very few people (economics mavens mainly) are aware of all the pressures that led us to where we are.

The status quo in the early 2000s:

—Australian wines, backed by a multi-tiered major marketing effort at home that started in 1996 with an industry-wide manifesto, came to U.S. shores with reasonably priced wines of excellent quality. Some brands were targeted toward the lower end of the spectrum and did well; doing even better in some ways were brands that established their reputations as longtime stars of the Aussie wine scene.

—Private label brands developed in conjunction with a handful of savvy wine shops and small grocery chains were basically off-the-wall projects with little staying power or a broad future. No one yet saw their vital importance to the U.S. wine scene.

Then in the mid-2000s many things went haywire as a result of various economic factors, two of them vital to the California wine industry and neither of which could have been predicted or controlled.

First, starting at least a decade earlier in the 1990s, was the explosive growth of the Chinese economy based to a major degree on money from U.S. corporations that desired to buy cheaper goods and sell them on the U.S. market at lower prices than American-made goods could be sold for.

We're not talking here only of automobiles and parts, but everything in a department store from clothing to appliances, electronics, carpeting, solar panels, and even many items found in grocery stores, crafts stores, and shoe stores.

So fast were billionaires being created in China that most had nowhere to put their money, so many began to build houses, office complexes, and other edifices for what they anticipated would be a great urbanization boom.

In Beijing's shadow sprouted new cities complete with shopping centers.

The iron ore that was so vital in such construction projects couldn't all come from home; China produces only 15% of the world's iron ore. The country with the world's largest iron ore was Australia. Today it exports 34% of the world's iron ore, far larger than any other country.

As a result, over the last decade, Australia opened up vast new iron ore production fields partially to feed the Chinese construction trades, and the result was a massive strengthening of the Aussie dollar.

Traditionally between 65 and 85 U.S cents, the Australian dollar rose at one point to being worth more than

*(See **Decade** on page 2)*

Second Labels

In the 1970s, U.S. second labels were used to sell off excess wine from existing wineries. Many could be good value.

Among the second-label wines of the past were Stag's Leap's Hawk Crest; Burgess Cellars' Bell Canyon; Charles Krug's C.K. Mondavi (often seen in by-the-glass programs at restaurants), Napanook, the vineyard name and second label of Dominus; LaBelle of Raymond, and Willamette Valley Vineyards' Griffin Creek.

However, some second label wines became a marketing burden, especially if it was seen as so good that it took sales away from the primary brand.

As a result, many wineries began to abandon second labels in favor of the secretive private brand. One of the first to specialize in the private label was Round Hill, which made a lot of wines for the San Francisco retail wine store chain of Ernie's.

And of course there are the well-regarded private labels Bahama Bay Cellars and Ostrich Hollow.

(Never heard of them? Don't worry, I just made them up).

Inside this issue

Decade

(Continued from page 1)

the U.S. dollar, which is hard to fathom given its historically low valuation.

This led to troubles for the Australian wine industry. Prices to the U.S. market were under siege with importers trying to hold the line on retail and restaurant prices at their own loss. Instead of a wine that sold in Australia for $25 being sold here for the same price, the strength of the Aussie dollar made that same wine $35 or so.

As a result, sales of most Aussie wines came to a crashing halt. To encourage such sales, importers took smaller margins and prayed they could push sales back to pre-2000 figures, when some 23 million cases of Australian wines were sold in the United States. (Today it is at just over 15 million cases.)

But that wasn't all. As we all well remember, in the midst of this period came the housing bubble-fueled economic collapse here that affected millions and altered wine buying habits. Millions who had readily paid for overpriced wines (which was almost all wines) traded down to cheaper products and dined out far less often.

Meanwhile, to offer consumers better value and lower-priced wines, more and more grocery chains and numerous chain wine retailers discovered the solution: private labels.

These faux brands had none of the panache as did real brands, but the wines could be marketed at much lower prices, even after special discounts were offered for primary brands.

In the early-1990s I wrote many stories warning the industry about price increases but many well-known brands raised prices regularly that weren't valid based on the quality of the wines—or on the cost to produce them.

For the most part, my words fell on deaf ears.

In recent years, the hoped-for urbanization of new Chinese cities hasn't occurred and many of those nouveau-billionaire fueled towns remain vacant. As a result, iron ore from Australia is no longer as vital as it once was, and today the Aussie dollar is back down to 76 U.S. cents.

However, the faux brands that now fill stores shelves at Trader Joe's, Total Wine, and most supermarket chains (including the well-known Kirkland brand of Costco) now are a staple of the wine business.

At the same time, all those new-winery brands that added interest to retail-store shelves already well stocked with cult classics had another competitor: the one-shot faux brand. More about this in an upcoming issue.

See the story on Page 4 for more about this phenomenon.

Old Bridge Cellars

One of the first efforts to market quality Australian wines in the United States occurred in the early 1980s when a small line of wines was imported.

The wines showed promise. Though different from California wines, quality was only moderate.

Two years later we began to see better Aussie wines, among them the great Grange Hermitage of Penfolds, a wine first made in the early 1950s by the great wine maker Max Schubert.

Twenty-five years ago, quite early in the game, a small, adventuresome importer, Old Bridge Cellars (OBC), boldly brought in many Aussie wines that I had only heard about. They were brands that Australians regarded highly.

The risk: almost no Americans had ever heard of them, and prices were not all low enough to sell as bargains.

OBC was bringing in some Aussie favorites, many of which were concept wines that had stories attached, and often that story was untold. Many retailers liked the wines, but few of them had the patience to tell buyers. And restaurant wine servers often were too busy to explain them.

What eventually got the ball rolling was the great promotion of the wines. The more many brands gained name recognition (some through winning medals at U.S. wine competitions) the more the public started recognizing the names and then seeking out the stories.

Recently OBC has made a few California wines and has added some French and Chilean wines to its lines.

Our Tasting Notes (Page 3) are but a tiny sampling of the OBC portfolio. All of the wines are exemplary and made in a more restrained style, some of which may be misunderstood by those who prefer a more in-your-face style of wine.

We'll look at other Aussie importers in upcoming issues.

Wine of the Week

2013 **Giant Steps** Pinot Noir, Yarra Valley ($42): Cool-climate Pinot Noir rarely shows off its distinctiveness the way this one does. The aroma has a green tea leaf character and the red fruit is more elegant and graceful than it is powerful. The mid-palate is terrific with Burgundian elements, and the finish is simply a joy when served with lighter red meat dishes. A great wine from vintner Phil Sexton, who also makes the excellent-value Innocent Bystander wines.

Tasting Notes

The wines below were tasted open last Wednesday.

Exceptional

2013 **Greywacke** Pinot Noir, Marlborough ($39): Very young and vibrantly fruity, this exciting wine offers deep cranberry and rhubarb aromas and has a smoky note from barrel aging, and so much complexity that it will age handsomely for at least a decade. From former Cloudy Bay wine maker Kevin Judd.

2010 **Leeuwin** Chardonnay, Margaret River, "Art Series" ($89): The wine that changed the face of Australian Chardonnay and got others to emulate the style. This wine has a citrus and cream aroma with obvious oak, but it all works within the context of great white Burgundy. Note the vintage; the wine is still years away.

2012 **Greywacke** Wild Sauvignon Blanc, Marlborough ($29): Those who love Chardonnay with its stirred lees will adore this dramatic wine. Ultra-complex with a kind of Didier Dagueneau texture and finish. Not to be missed.

2008 **Brokenwood** Semillon, Hunter Valley, Oakey Creek ($32): If you like crisp wines and whites that will age a decade, this wine is it! The Hunter Valley wrote the book on this historic style and this may be the best Semillon maker of all. The wine, now 7+ years old, is still an infant and needs at least five more years; even more time would be better.

2012 **Cullen** Sauvignon Blanc-Semillon, Margaret River, "Ephraim" ($35): This Western Australia gem has a delicate grass/hay aroma that's matched to a crisp and flavorful mid-palate with hints of clove (probably from oak aging). Best in 3-5 more years.

2012 **Chapter 24** Pinot Noir, Willamette Valley, "Fire" ($60): A new OBC wine that is more about fruit, fairly rich with plum, blue-berry and earth notes. Made from vines growing in sedimentary soils.

2012 **Chapter 24** Pinot Noir, Willamette Valley, "Flood" ($60): From volcanic soils, more red cherry fruit with spice and cranberry. An electric kind of flavor and a wine with a great future.

2012 **Jane Eyre** Gevrey-Chambertin ($75): Wild spice notes with deep and dramatic flavors of earth and racy dark berries. Still an infant, needs a decade or more.

2012 **Maison L'Envoye** Pinot Noir, Willamette Valley, "The Attaché" ($40): Red fruit and a load of complexity mark this stylish and faintly oaky wine. Good value.

2013 **Kilikanoon** Riesling, Clare Valley, "Killerman's Run" ($20): This young wine already has a trace of the TDC/petrol character you often get in older wines. Stylish and basically dry. It has a tiny trace of sugar, so it isn't austere. As with many Aussie Rieslings, it has a great future.

White Wine Production

I wasn't into wine in the 1960s, so I never had a chance to try the first white wines that displayed the new style of white wine production.

But when you think about it, the overwhelming majority of today's white and rosé wines could never have been made the way we now make them.

Indeed, wine maker (and wine-making historian) Clark Smith pointed out in an article recently that most of the white wines we now make are done so without oxygen playing a role. It's a technique that only recently was widely adopted.

Smith says that it wasn't until about the mid-1940s that wine-making began to change with the use of some technical tools for white wines that we now take for granted.

Imagine how a 50- or 75-year-old white Burgundy was made, using what today we'd call rudimentary techniques. I've tasted some of these wines. Many are still in great shape.

But they were made using what Smith says was a hyper-oxidized technique that nonetheless made wines that still aged nicely.

It is still possible to use that technique today, but many wine makers are using what Smith calls a "totally reductive" method of making white wines and are aiming to get some of the same results in terms of aging.

The best of these are being made in Australia and New Zealand—a topic for a more technical journal.

My only caveat here: Some of the most interesting Chardonnays being made these days are from Down Under, but are not often explained to wine buyers.

More on this topic another day.

Bargain of the Week

2014 **Bieler Père et Fils** Rosé, Coteaux d'Aix en Provence ($10): Its 41% Grenache gives the wine its racy/earthy aroma and 38% Syrah adds weight to an otherwise delicate and stylish pink wine. Dry, but not austere. Annually a dramatically great value.

Second Wines

The practice of putting out a second wine originated in Bordeaux where the concept has long been formally acknowledged by the French government.

I still have a bottle of what once was a great wine, 1970 Forts de Latour, the second label of Latour. (It is now rather tired, but still drinkable.)

Over the years I've enjoyed many other Bordeaux "seconds," such as the great Pavilion Rouge of Chateau Margaux, Les Fiefs de Lagrange, and Les Tourelles de Longueville.

In the last few years some prestige Bordeaux houses actually put out a third wine, and a smaller number have added a fourth wine. In most cases, prices are significantly lower for the lower-tier wines.

In the 1970s and 1980s in California, if a winery had more wine to sell than it could comfortably market under its primary brand, it often would sell some excess under a second label. (See article on Page 1 for more on this.)

Such wines were bargain priced, although that began to change in the early 1980s when Chalone, then still a prestige brand, began to sell some lesser lots of its famed Chardonnay under the name Chaparral.

A few Southern California wine shops got small amounts and were asked not to publicize Chalone's hand in making the wine. But word soon got out and sales were brisk.

The private label is a wine made by a winery or wine company for specific clients to their specifications. There are wine makers who are contracted by various companies who make only such wines, and many use wines from the bulk market—wines priced at $15 a gallon to $20 a gallon and are blended to the company's specs.

A wine maker told me years ago that she had access to some superb bulk Cabernet from Rutherford that, after a bit of treatment (addition of a small amount of Merlot), would make a great wine that could justifiably sell for $25 a bottle.

A giant chain retailer contracting for this wine, for one of its California stores, agreed to take the wine—and then sold it for $15!

I asked the wine maker where the wine came from. "Can't say," she said.

A few of the Italian-grape wines in the Trader Joe's lineup are called Trader Giotto. The company almost never says where a wine is from, but if you ask at your local Trader Joe's store, an employee may be able to say something. But putting that into the company's flyer is *verboten* by contract.

The number of companies that contract to make such private label wines has increased dramatically in the last decade, especially since the 2008 economic collapse.

We reported here some years ago about a company called AW Direct of Novato, Calif., founded in 2003.

AW Direct's president Bruce Cunningham has developed a full-fledged business plan for all sizes of clients. The company offers such services as label designs, bottling options, and other marketing concepts for a wide variety of clients.

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