

WINE BUSINESS INSIDER

Cyril Penn, Editor

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Plastic Wine Bottles Introduced as Single-Serve Category Expands

Foster's Wine Estates announced this week that it is introducing premium wines nationally in unbreakable single-serve bottles under its Stone Cellars by Beringer label. At one-fourth the size of a traditional 750ml bottle, the unbreakable 187ml bottles are considered suitable for places where glass isn't: at sporting events, beaches, for picnics or for camping. Stone Cellars single-serve wines will be available nationwide this fall. They're part of what may prove to be a trend in the making.

While a press release touted the Stone Cellars package as a "first," Fetzter Vineyards introduced single-serve wines in *unbreakable* bottles earlier this year. Valley Oaks Merlot, Chardonnay and White Zinfandel are packaged in 187ml, "SurShot, multi-layer injection-molded PET plastic." Fetzter parent company Brown-Forman Wines has been selling them to airlines and targeting poolside venues at resorts and hotels, sports and concert arenas, and casinos—venues where convenience and safety from glass breakage are important.

Some malt-based beverages and some wines with preservatives previously appeared in PET packages, but new technology allows little oxygen transfer with the plastic bottles, so that preservatives are not needed in the wine. →



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"To date, wine packaging hasn't really adapted to accommodate people's active lifestyles," said **Tom Slone**, the Stone Cellars by Beringer brand manager spearheading the project. "Our focus groups confirmed that people want the benefits of an innovative, shatterproof bottle and the portability of the single-serving size."

Stone Cellars by Beringer will be priced at around \$8 for the four-pack and \$14 for the eight-pack. Chardonnay, Pinot Grigio, Cabernet Sauvignon and Merlot will be available.

Single Servings "Growing Like Crazy"

ACNielsen* data shows that since September 2003, the 187ml packaging format has been growing at double the rate of the overall market in U.S. supermarkets. Sales of table wine in 187s, though most of it was in more "traditional" glass bottles, grew by 28 percent, from September 2003 to June 2005, while total table wine grew by 14 percent in the same time period.

The 187ml category has grown 22.9 percent since June 2004 and 35.8 percent since September 2003.

"It's growing like crazy," said **Tim Peters**, brand manager of Alice White, an Australian brand that is part of the **Canandaigua Wine** portfolio. "One of the challenges you have is that the retailer only dedicates so much space to the size. But I think consumers are catching on." Peters indicated that because there is so little space on retail shelves dedicated to the 187ml market, growth can only be attributed to new consumers being drawn to the category.

Ariel Meyer, group brand manager, **Foster's Wine Estates** commercial brands, said there are "multiple reasons" for the category's growth. "The biggest reason is driven by consumers—they are looking for convenience when it comes to wine. The problem is that most of the brands in the market were lower-end. There was a market opportunity to deliver premium wines in that category."

Companies that have traditionally marketed wines in the 187ml format, such as **Sutter Home**, **Beringer** and **E&J Gallo**, have many newer, premium-priced entries to compete with. Several of the latest entries into the 187ml segment have been imports; some, like **Georges Duboeuf** Beaujolais, from Old World regions, but many are coming from Australia, which is by far the leading imported wine sales challenger in the U.S. retail marketplace.

"Our sales have been growing at a good rate, so now there are new people that are trying to get into that market, including the Australians," said **Jim Huntsinger**, executive vice president production and planning at **Trincher Family Estates**, which produces Sutter Home.

Foster's Wine Estates, owner of Stone Cellars by Beringer, has several other brands packaged in 187ml format, including the premium Australian brands Lindemans and Little Penguin, in addition to the Beringer Blass Wine Estates brands that

Foster's absorbed after the recent company purchase. **Canandaigua**, a division of **Constellation Brands Inc.**, also offers several brands in 187ml bottles. Some, like Vendange, have been in the category for some time, while new entrants include Woodbridge by Robert Mondavi and Arbor Mist flavored wines, as well as the aforementioned Alice White brand.

These new, higher-priced competitors do not seem to have made an impact on the average price of wine sold in the format. In September 2003, the average price was \$5.87 per equivalent 750ml (or about \$1.47 per 187ml bottle), according to ACNielsen data. Despite reaching a height of \$5.99 in February 2005, the average price dropped to \$5.82 per equivalent 750ml (\$1.46 per bottle) in July 2005.

Peter Hall, vice president, marketing at Foster's Wine Estates Americas, does not see the 187ml category slowing down anytime soon. "Wine is a growing category, but 187 is growing even faster. It's certainly got up a good head of steam," he said. "We think it will continue to grow for a number of reasons. One is that PET [plastic] is coming into 187ml, and we think that will fuel interest and growth because of the novelty factor and the new ways it can be used—more ways than in the past with a glass bottle." Hall attributes much of the growth to young adults in the 25-to-35 age range, saying they are more likely to experiment with new sizes and varieties.

Another factor in the success of the 187ml size is that for most beverage segments, smaller, single-serving packages are the norm rather than the rarity. "There is obviously a huge market that is smaller than 750ml, when you look at coolers, beers, malt beverages and the like," said Hall. "This is not a strange size to be dealing with, and we know consumers are familiar with it. We think it is going to be a hot space. You get so many advantages with 187s. You can try something without having to buy a full bottle, and [young consumers] are used to drinking beer or flavored malt beverages out of the bottle. It's really a natural way for them to enter the category." ☼

Panther Creek Cellars Purchased by Chambers McMinnville LLC

Ron and Linda Kaplan, owners of **Panther Creek Cellars** since 1994 (when they bought the brand from owner/winemaker **Ken Wright**), have sold the brand to **Chambers McMinnville LLC**, owners of **Silvan Ridge-Hinman Vineyards** near Eugene, Oregon.

According to Ron Kaplan, "We sold everything except the land and building. Panther Creek will remain autonomous. No changes are anticipated. All employees are staying as well as all vineyards. Linda and I will be doing the same things we're doing now for the next five years, the period over which the terms of the buyout are operative."

The sale includes all inventory, staff, the brand name, vineyard contracts, equipment, cooperage, etc., but not the physical building or the land upon which it sits. Winemaker **Michael Stevenson** will remain. ☼

Oregon Winemaker and Vineyard Owner Form Union Wine Co.

Ryan Harms, head winemaker at **Rex Hill Vineyards** in Newberg, Oregon, and **George Hillberry**, owner of **La Colina Vineyard** and **Chehalem Mountain Vineyard** in Oregon's Willamette Valley, have formed a partnership creating **Union Wine Company** and have purchased Kings Ridge, a brand formerly owned by Rex Hill.

Both veterans in the Oregon wine industry, Harms and Hillberry's partnership stems from their personal passion for well-valued wine and their joint philosophy that the best wines are a union of gifted winemaking skills and precise farming techniques in the vineyard. Kings Ridge was first introduced by Rex Hill Vineyards in 1988.

As part of the purchase, Union Wine Company acquired existing 2003 Kings Ridge Pinot Noir inventory from Rex Hill. Harms and Hillberry intend to grow the Kings Ridge production in the coming years, focusing largely on Pinot Noir. ☼

Debut of Joint South African project Aimed at Luxury U.S. Market

Vilafonté is the first American/South African joint wine-making venture, a partnership between **Zelma Long** and her husband **Phil Freese**, and top South African producer **Mike Ratcliffe** of his family's **Warwick Estate** outside of Cape Town, between Stellenbosch and Klappmuts. Vilafonté is also the first winery in South Africa to be focused on producing premium wine for the U.S. market.

Two high-end wines—imported by **Broadbent Selections** in San Francisco—are now available; one Merlot-dominated and one more expensive Cabernet Sauvignon-dominated.

Zelma Long is head winemaker for the Vilafonté project; Ratcliffe serves as general manager. Freese, responsible for viticulture, tends the 30 acres of producing vineyard that Vilafonté owns.

The average planting density of South African vineyards is about 2,500 vines per hectare (1,000 per acre) while Vilafonté has been planted to about 5,200 vines per hectare. This high-density planting is a first for South Africa. The vineyard is designed to have a low production of grapes per vine, yet maintain an economically attractive yield per hectare due to the high vine density per hectare.

The vineyards are the first in South Africa to have underground drainage installed at the time of planting to facilitate the removal of excess groundwater. The introduction of NVDI aerial infrared and multi-spectral imagery has also been pioneered at Vilafonté and is a key factor in the monitoring and management of this vineyard.

The Vilafonté project is named for the rare and dominant soil type known locally as "Vilafontés." ☼

Another UK Wine Investment Company Collapses

Bordeaux Vintners Ltd, which traded under the name BVI, has ceased trading. Since 1998, around 25 UK wine investment companies, which mainly sold Bordeaux, have either been closed by the **UK Department of Trade and Industry** or have failed.

Director **Tim Dunton** wrote to investors on July 22 to inform them that the company "had been forced to cease trading with immediate effect." He blamed this in part on "the failure of one of our suppliers to provide wine purchased on behalf of BVI and subsequently taking up an Individual Voluntary Arrangement leaving a substantial amount of wine undelivered."

In a statement, Dunton claimed, "Though this situation is beyond the control of BVI and therefore not our legal responsibility, I have personally endeavored to replace this shortfall with wines of a similar value. I have also put a substantial amount of my own personal funds into the company to pay for your storage and insurance with Octavian up to this date. Unfortunately I cannot afford to further this cause as I have placed myself in financial difficulties."

Wine Business Insider understands that BVI valued its total wine sales at around £2.5 million (\$4.49 million). However as the company charged substantially above the market price, the realizable value is closer to £1.5 million (\$2.69 million). At present it is not known how much wine is missing. Dunton has arranged a deal with **Uvine**, the universal wine exchange, whereby clients of BVI will only be charged 5 percent for selling or buying wine through that company.

In his letter to investors, Dunton admitted that uvine offers the possibility to "purchase wines at a value that BVI simply could not match." ☼

Who's Who and Where

Foster's Wine Estates Americas announced the formation of a new marketing structure, reporting to recently appointed vice president of marketing **Peter Hall**. Hall joined the company, then known as **Beringer Blass Wine Estates**, in January, 2005 as vice president of marketing. He is a native of Melbourne,



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W I N E S	Year	Appellation	Gallons	Sale Price Per Gallon
Merlot	2004	Napa Valley	3,200	\$14.00
Cabernet Sauvignon	2004	Dry Creek Valley	2,400	\$12.00
Sauvignon Blanc	2004	Mendocino County	3,975	\$5.50
G R A P E S	Year	Appellation	Tons	Sale Price Per Ton
Cabernet Sauvignon	2005	Napa Valley	50	\$1,800
Pinot Gris	2005	Monterey County	75	\$1,200

Australia, and held management positions with **Diageo**. Hall has created a new marketing structure, consolidating brand marketing, innovation, consumer insights, trade marketing, hospitality, merchandising and public relations functions. His "Marketing Leadership Team" will include seven direct reports:

- VP Import Brands: A position held by former BBWE VP Import Brands, **Oren Lewin**, with the expanded role of managing the former **Southcorp** brands: Penfolds, Rosemount Estate, Lindemans and the Little Penguin.
- VP California Brands: Held by **David Biggar**, continuing in the same position he held at BBWE, managing all the company's California brands, excluding Beringer, Chateau St. Jean, Chateau Souverain, Stags' Leap Winery, Meridian Vineyards, St. Clement, TAZ and Cellar 8.
- VP Beringer Brands: Formerly held by Peter Hall, currently open for recruitment. Oversees marketing for Beringer Vineyards Napa Valley, Knights Valley and Reserve lines, Beringer Founders' Estate, Stone Cellars by Beringer and Beringer Blush.
- VP Innovation: Held by former BBWE Director of Innovation, **Tracey Mason**.
- VP Consumer Insight: New position, currently open for recruitment; will oversee research and planning related to sensory and consumer insights.
- VP Public Relations: Held by **Mora Cronin**, former BBWE VP PR and Corporate Affairs. Cronin has announced she'll be leaving the company after she assists with the transition, so recruitment for her replacement will begin shortly.
- VP Marketing Services: New position, currently open for recruitment; will oversee the Merchandising, Trade Marketing and Hospitality functions.

Custom Napa Valley wine production company **Silverado Hill Winery** hired two new employees to help manage its custom crush service and retail sales center. **Kevin O'Brien** has been hired as the director of financial strategies and business development. He was previously a financial planner at **Diageo**

Chateau and Estate Wines. **Megan O'Donnell** was hired as compliance and hospitality director. She was previously director of hospitality for **Ballentine Vineyards** and established their tasting room. Silverado Hill is owned by **Premier Pacific Vineyards**, a joint venture with **CalPERS** (California's \$180 billion dollar employee pension plan).

Fess Parker Winery & Vineyard has appointed **Mikael Sigouin** assistant winemaker. In 1999, Sigouin began his career at **Beckmen Vineyards** where he helped to increase sales on both the marketing and winemaking fronts. He began working harvest, and in only three years was promoted to assistant winemaker.

Judd Wallenbrock joined winery direct sales software provider **Inertia Beverage Group** as chief marketing officer. Wallenbrock is the founder and owner of **Humanitas Wine Company**, which donates all profits to charity. Prior to Humanitas, he held executive positions at **Robert Mondavi** and **De Loach Vineyards**.

Jason Lett, son of "Papa Pinot" **David Lett** of the pioneering **Eyrie Vineyards**, has decided to step away from the day-to-day operation of the vineyard and winemaking at **Bishop Creek** so that he can step into the role of winemaker and winegrower of his family's Eyrie Vineyards.

Recently, David Lett has made it clear that he wants to change his priorities. After 40 years of very hard work (highlights of which include planting the first Pinot Noir in the Willamette Valley in 1965, introducing America to Pinot Gris, and putting Oregon Pinot Noir on the international map in the early 1980s), the senior Lett has decided to retire.

"This year," the junior Lett said, "he's asked me if I'd like to take it from here. And how do I feel about this? Honored, thoroughly challenged, and eager to get started. David's shoes are big ones to fill. The vineyards will continue to produce truly profound wines, if I can exercise the same wisdom and restraint that my father has."

Bishop Creek owner **Reuel Fish** will give more responsibilities to assistant winegrower **Jeremy Saville**, but Fish is currently looking for a new winemaker/vineyard manager. ☺