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Climate change worries vintners

Survey: Short-term optimism but concern about land values

By Jim Downing - Bee Staff Writer

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Optimism in the California wine business is as widespread as it has been in years, but a growing number of industry leaders worry that global warming is a serious long-term threat, according to a survey of wine and grape executives to be presented today.

More than 70 percent of the survey respondents expect wine industry profits to rise over the next one to two years, up from about 55 percent last year.

Wineries anticipate strong sales growth, particularly for bottles in the \$10-and-up range, and they expect to benefit from newly relaxed regulations that make it possible to sell directly to more customers nationwide, rather than through distributors.

At the same time, grape growers say the wine glut that depressed the value of their crop for more than five years has largely disappeared.

"The industry is a cyclical one. Right now, we're in a good period," said Robert Smiley, a professor of management at the University of California, Davis, who has surveyed the wine industry annually for the past 15 years.

This year's study draws on 25 interviews with industry leaders and 104 responses to a written survey. Smiley will present the results today at the Wine Industry Financial Symposium in Napa.

As a counterpoint to the industry's general good mood, Smiley found growing anxiety about climate change.

"If you bought Napa land thinking that you're going to be growing very premier grapes, and all of a sudden global warming occurs and what you've really got is Central Valley land, you're out a lot of money," Smiley said.

Napa County cabernet sauvignon grapes sold for an average of \$4,126 a ton last year, according to the U.S. Department of Agriculture. The same variety grown in the southern San Joaquin Valley went for \$170 a ton.

"Because we're an industry that's so dependent on climate and geography, or terroir as we call it, (climate change) potentially has a bigger influence on us than on other businesses," said Paul Dolan, a partner in Mendocino Wine Co.

Others in the business, however, see climate change as a relatively low-priority issue, and something the industry will be able to adjust to.

"If we've got 50 years to work it out, we'll cope with it," said Jack Cakebread, chief executive and chairman of Cakebread Cellars in Rutherford.

Smiley also surveyed executives on specific industry trends, including new types of packaging and the boom in pinot noir, touched off by praise in the 2004 Oscar-winning movie "Sideways."

U.S. consumers now have about 100,000 choices when buying wine, after accounting for all the combinations of winery, grape type and, increasingly, the variety of bottle sizes and even boxes that the wine comes in.

Based on the results of Smiley's survey, that total should grow significantly this year: 43 percent of the winery heads surveyed plan to roll out new varietals (wines made from grapes that the winery hasn't used before) and 38 percent plan to launch new types of packaging.

As for the prospects for pinot noir, Smiley's respondents anticipated continued growth for the high-priced bottles grown from coastal grapes. But they warn that a bust is on the way for the lower-priced wine made from grapes grown in inland areas, where vineyard plantings of pinot noir have increased in response to demand and higher prices.

"They're pretty uniformly worried that it's just not very good wine," Smiley said. "It's going to turn off some consumers who are expecting to taste something that they're not going to taste."

John Kautz, chairman of Ironstone Vineyards, a major grape-growing operation in the Lodi region, has been growing pinot noir for years and has recently slightly expanded his acreage of the varietal. He called pinot "a nice wine," but even he doesn't think the bubble can last.

"To me, it's a fad," he said. "(Pinot noir) is not that much better than it was prior to 'Sideways' -- but now you can sell it."

On the other hand, Kautz is a strong believer in merlot, a varietal he grows in abundance.

"I'm looking for a new movie that will portray merlot as wonderful wine again," he said.

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