A Little Crystal Ball Wine Gazing
by Charles M. Bear Dalton

In the course of my work, I read a lot of wine trade information and talk to a lot of suppliers. Over the past year, I have been getting really mixed signals on California wines from both sources. A lot of articles and a lot of suppliers have been warning of an impending shortage. On the other hand and during the same period, I’ve seen a huge number of bulk wine deals at very aggressive prices and I read about numerous value brands being introduced. The mixed signals made me skeptical about the gloom and doom claims of impending shortage.

The other shoe has finally dropped and we are finally starting to see shortages at the market level. Some of our value-priced specialist suppliers have sent us notice that they will not be able to supply some of their brands at certain price points (mostly in the $7.99 to $14.99 range) anymore. Pinot Noir has been hit hardest and it looks like Napa Cabernet is soon to follow. California bulk wine prices are starting to go up. The signs are there and then this comes in from Wine Business Daily:

Preliminary Grape Crush Report: California Crushes 3.35 Million Tons of Wine Grapes in 2011

The California office of USDA’s National Agricultural Statistics Service (NASS) released the preliminary crush report at noon today, which shows a total of 3.35 million tons of wine grapes were crushed.

NASS said the total crush including raisins was 3,869,894 tons, down 3 percent from the 2010 crush of 3,986,314 tons. Red wine varieties accounted for the largest share of all grapes crushed, at 1,917,132 tons, down 7 percent from 2010. The 2011 white wine variety crush totaled 1,425,557 tons, down 7 percent from 2010.

The 2011 average price of all varieties reached a record high of $588.96, up 8 percent from 2010 and 3 percent above the previous record high set in 2009. Average prices for the red wine grapes were $702.70, up 12 percent from 2010; for white wine grapes, $541.11, up 8 percent from 2010.

It now looks like, even though 2011 is a bigger harvest than all but three of the last twelve, there is in fact a grape shortage in California. Average prices are up and there is less quality juice available. It looks like California wine prices are about to come up at least a bit and it looks like there will be a short supply of some better quality but still value oriented wines.

All of that is pretty certain. No crystal ball necessary. Where the crystal ball (mine is a Riedel Burgundy glass about 1/3 full of Bertrand Ambroise’ Hautes Cotes de Nuits Blanc 2009) would come in handy is figuring out what will fill the gap, as lower-priced California wines either go up in price or disappear from some shelves.

My guess is that a lot of American value wine drinkers will look to Chile and Argentina and even to Bordeaux. A lot of smarter Pinot drinkers will begin looking to Burgundy (Pinot Noir’s home turf) to replace some of the no-longer-available California Pinot labels. Some value business may even find its way to the south of France.

In terms of consumer interest, Chile has slumped in recent years but not because of a lapse in quality. Wine from Chile is still improving in quality and still offers a great bang for your wine buying buck. The slump came because of a lack of buzz about Chile and a lack of value-priced wines from all over the world, including (and maybe especially from) California. The lack of buzz may be due in part to Chile’s unfortunate attempt to promote the regrettably green and nasty Carmenere as Chile’s grape, just as Malbec has become Argentina’s grape or Zinfandel, California’s grape. The problem is that unless Carmenere is perfectly ripe (and virtually none are), it doesn’t make very good varietal wine. Too much of it can ruin a blend. I have had few Carmeneres that I thought were better than just drinkable. As these wines were being heavily promoted, lots of consumers either yawned or looked away. Argentina and its Malbec madness also have contributed to drawing both the spotlight and the consumer’s gaze away from Chile. As Argentina begins re-embracing Cabernet Sauvignon and Chile begins to produce excellent Malbecs and Syrahs, it looks as though consumer interest is returning to Chile, likely with little or no effect on Argentine wine sales. Along with its propensity for making excellent value-priced (and better) reds, Chile has long been a good source for value Chardonnay. As some cooler areas such as Casablanca and Bio Bio come fully online, Chilean Chardonnay will only get better.

Argentina, as noted, is continuing strong with Malbec and seems to be gaining some traction with Cabernet Sauvignon and even grapes like Syrah, Tempranillo, Tannat and, at the lower price points, Bonarda. We are also starting to see more really good Malbec-based blends from Argentina. While I am not a huge fan of Argentine Chardonnay, there are a few very good ones (Catena come readily to mind). I also am not a fan of Torrontes but Spec’s sells a fair amount, so someone must like it.
As Bordeaux is the original home of both Cabernet Sauvignon and Merlot, it stands to reason that consumers will look to Bordeaux for values. It stands to reason, but it hasn’t always happened before. Why will this time be different? Economics, ripeness, and politics. Value Bordeaux hasn’t taken off sooner because the prices were higher (partly due to an inflated euro), past vintages were less ripe (and less consistent), and there was political pressure against French wines as part of the anti-French sentiment from the Gulf War. With a falling euro or strengthening dollar (take your pick), the wines are more affordable and will only get more so if the trend continues. Anti-French sentiments (which maybe should have been directed at the government rather than at the people) seem to have abated with time. And the quality of the wines of Bordeaux is improving with better winemaking, due at least in part to more and better consultants as well as more ripeness (some say due to global warming) from a string of at least very good vintages. Whatever the case, more and more value-priced Bordeaux is making it onto our shelves with the sort of fruit and richness California drinkers are used to.

That faltering Euro will also help get more under $20 red and white Burgundy into the market. As Dr. Samuel Johnson is quoted as saying “People need to be reminded more often than they need to be instructed.” Consider then this a reminder that red Burgundy IS Pinot Noir and White Burgundy IS Chardonnay. In fact, red and white Burgundy are the reference points or touchstones for the vast majority of fine Pinot Noir and Chardonnay from anywhere else in the world. The value-priced versions – whether labeled Hautes Cotes de Nuits or Bourgogne or Marsannay or Santenay or Chorey les Beaune - will offer fine drinking to those willing to do a little exploring.

Even the south of France seems poised to begin coming back as riper varietal wines and some really interesting AOC wines from a variety of ripe vintages are now in the market. The value-priced versions – whether labeled Hautes Cotes de Nuits or Bourgogne or Marsannay or Santenay or Chorey les Beaune - will offer fine drinking to those willing to do a little exploring.

One area I doubt will see much benefit from higher California bulk prices is Australia. While Australian wine prices are stabilizing, their currency is still fairly strong versus the US dollar so they will have a harder time competing on price. Also, the “critter wine” trend (think Yellow Tail) has taken its toll and international interest in Syrah seems to be at low ebb.

A few things seem clear. California wine prices will rise. And some wines including those from Chile, Argentina, Bordeaux, and maybe Burgundy and even the south of France seem poised to fill the void left by them. At least that’s what my crystal ball (now just about drained of that lovely Burgundian Chardonnay) says.