



# **The Wine Cycle, and Where We Are Today**

## **Virginia Vineyards Association**

**March 5, 2010**

**Tony Correia, ARA, MRICS**

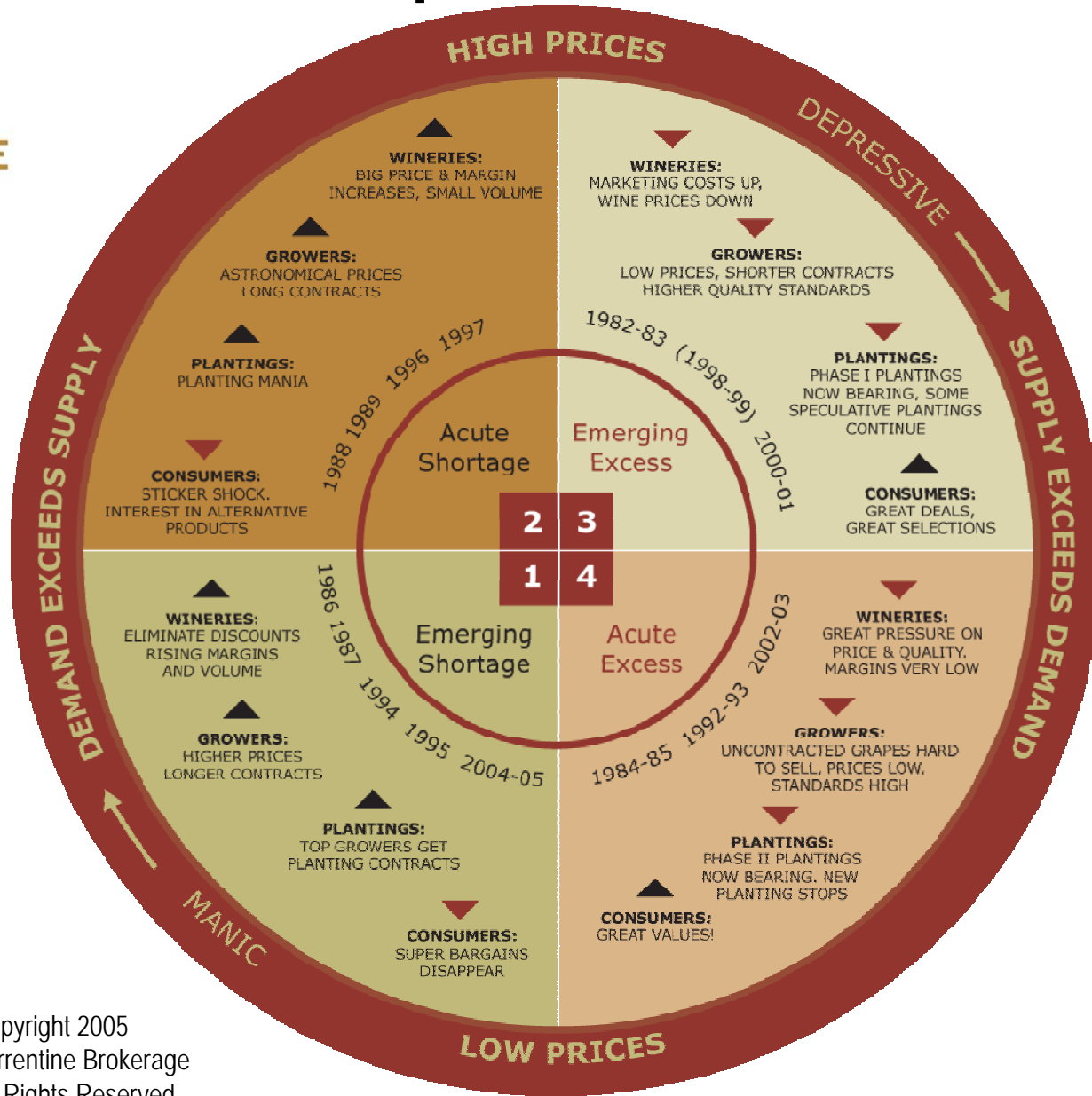
# Manic-Depressive Wheel of Fortune



**TURRENTINE**  
GRAPES & WINE

**DEMAND  
EXCEEDS  
SUPPLY**

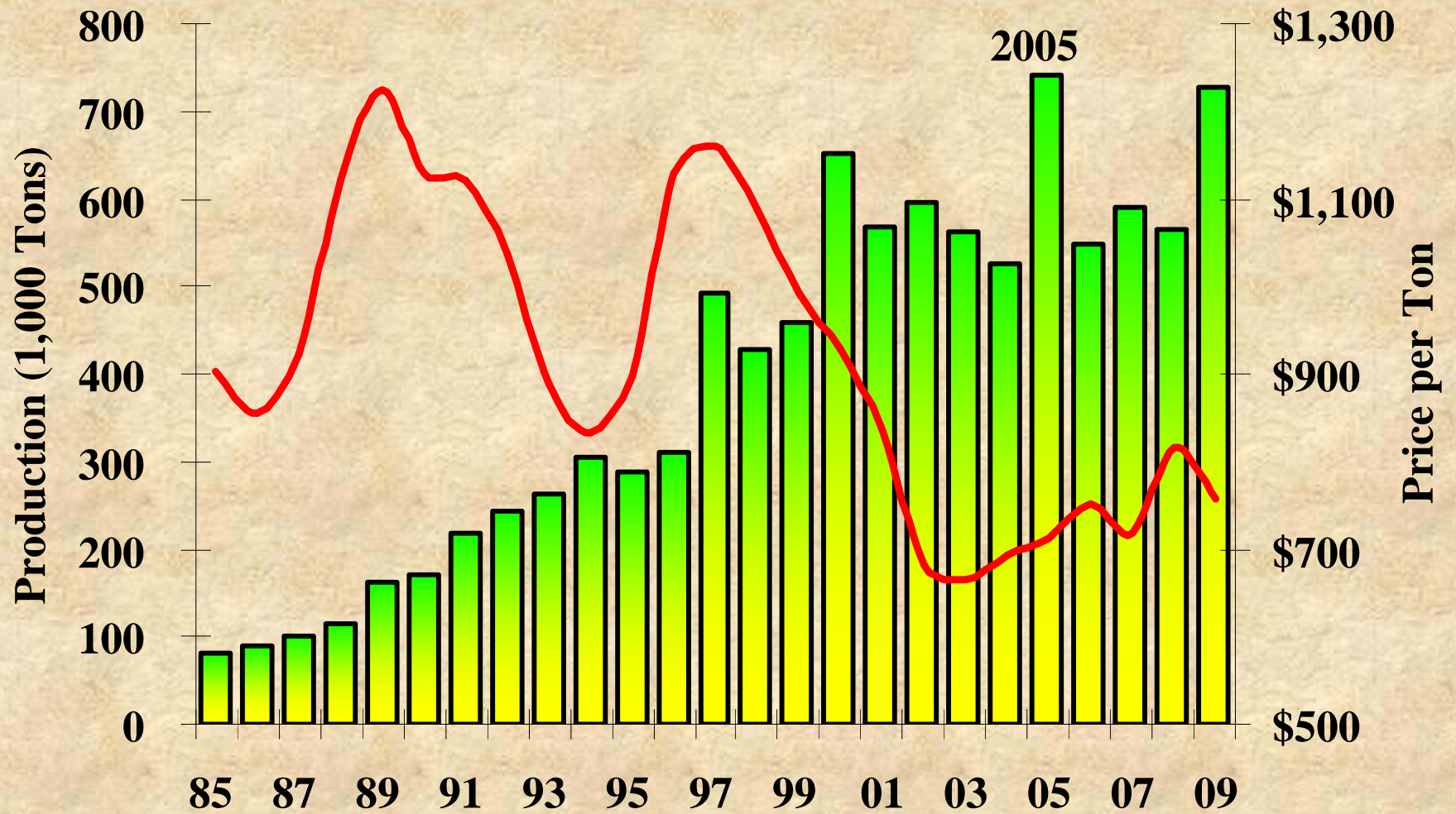
**SUPPLY  
EXCEEDS  
DEMAND**



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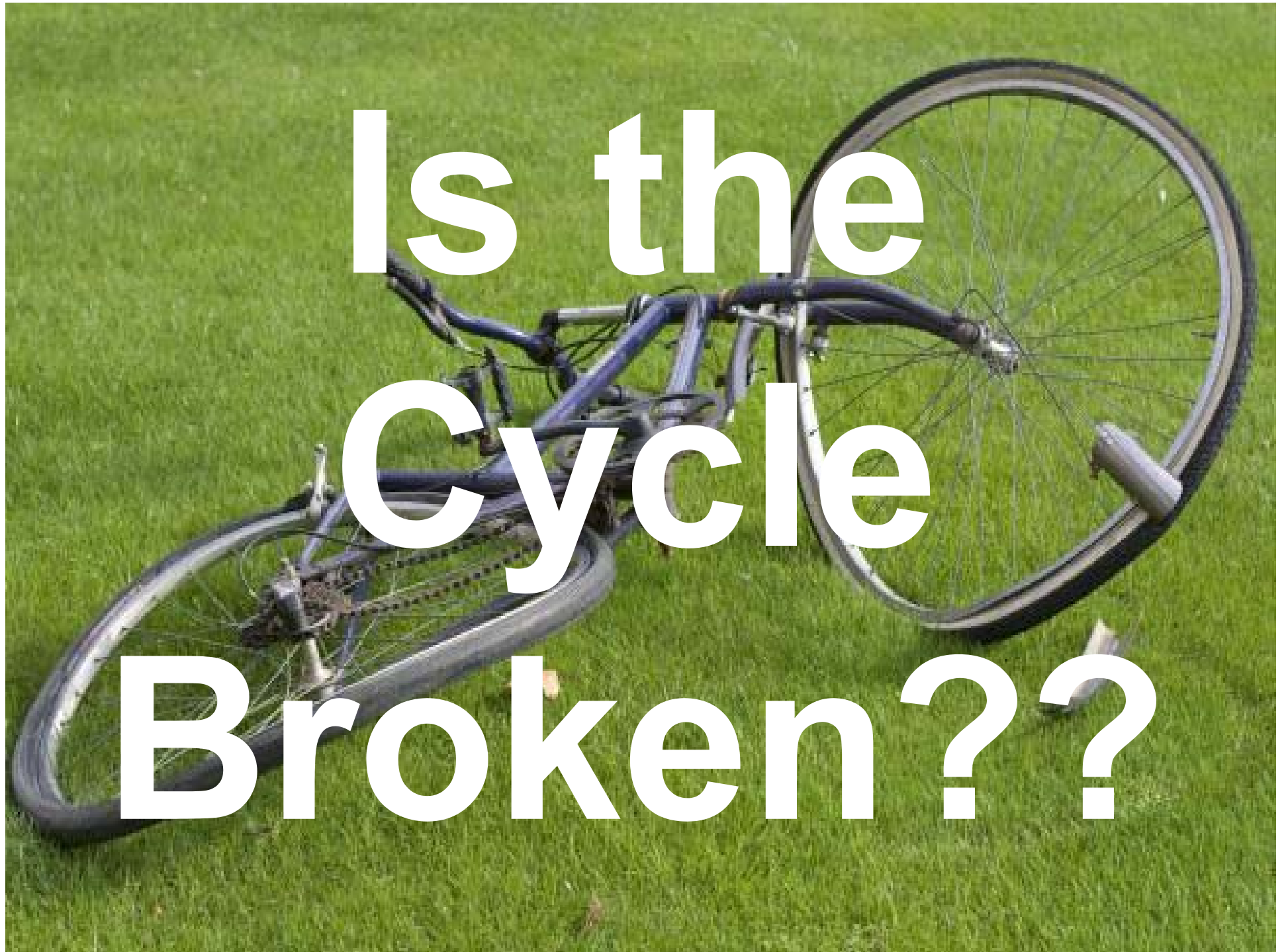
# The Wine Cycle; California Chardonnay

## This Time, It's Different....???



**"Those who cannot  
remember the past  
are condemned to  
repeat it,"**

***Santayana's Law of Repetitive  
Consequences***



Is the  
Cycle  
Broken???

**• Is The Wine Cycle  
Broken?**

**• Nope, its Global**

# Table Wine: Imports

Top 3 Imports – IT, AU, FR – not performing well; Growth leaders are clearly Argentina and New Zealand.

		Value % Change			Volume % Chg
		Lat 52	Lat 26	-0.2	Lat 13
28.4%	Imported	-0.4	-1.6	-3.1	-2.8
9.0	-Italy	-3.3	-5.0	-6.0	-5.7
8.7	-Australia	5.2	-6.6	-8.1	-6.1
2.6	-France	-7.8	-8.0	-8.5	-9.2
2.2	-Chile	+8.7	+5.5	+2.4	+1.9
1.6	-Argentina	+41.9	+41.0	+36.1	+30.4
1.2	-New Zealand	+14.9	+14.5	+13.7	+17.5
1.2	-Spain	+4.2	+5.0	+2.4	+3.6
1.1	-Germany	+3.6	+1.9	-0.2	-2.6
0.4	-S. Africa	-0.9	-3.0	-7.1	-10.4
0.2	-Portugal	+1.6	+1.2	-8.0	-5.7

Source:  
Nielsen Total U.S. Food/Drug/Conv/Liquor Plus; thru 11-14-09

YO, PIG...YOU MET THE NEW OWNERS OF THIS DINER? THIS IS TINA AND THAT'S ARCHIE. THEY'VE RE-NAMED OUR DINER 'EVITA'S.'

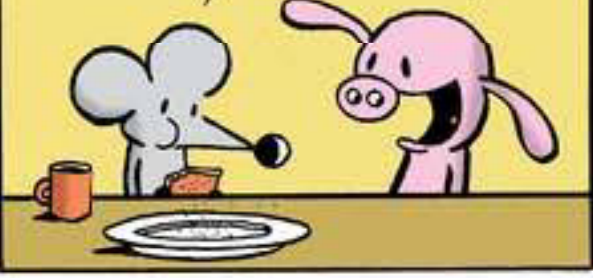
THAT'S GREAT! HI, TINA. HI, ARCHIE.

HI.

CALL ME ARCH.

DUDE, YOU'VE GOT TO TASTE THEIR TOASTED RYE BREAD AND COFFEE.

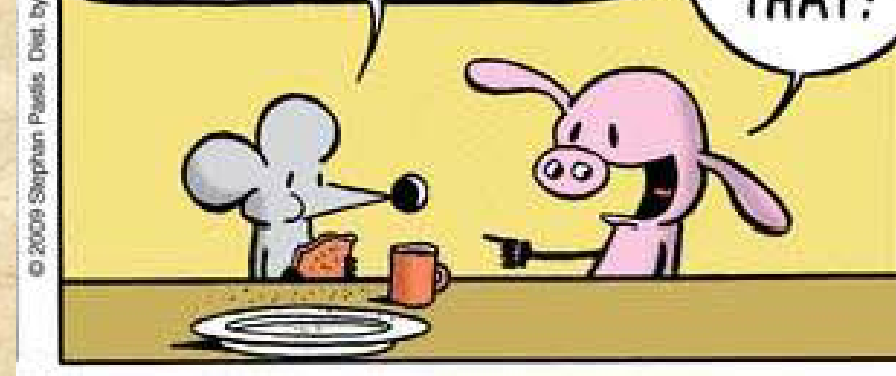
OH, YEAH?



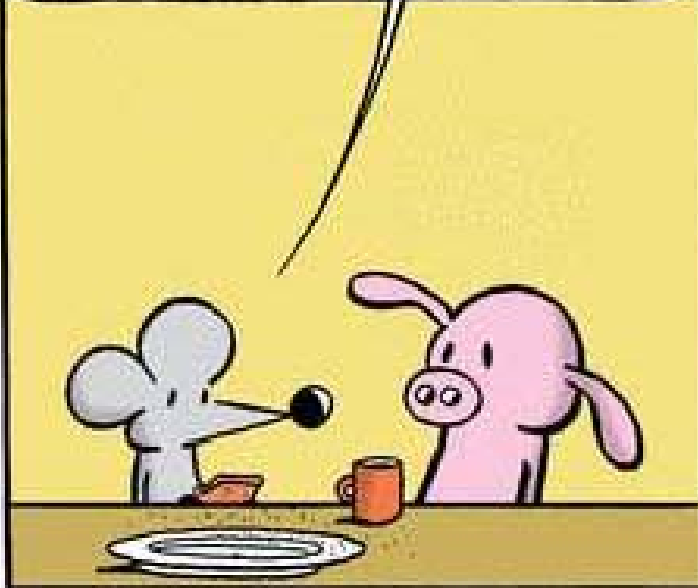
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YEAH. BEFORE THEY SERVE IT TO YOU, THEY DUNK THE CORNERS OF THE BREAD IN THE COFFEE. TASTES GREAT.

OH, BOY! I WANT THAT!

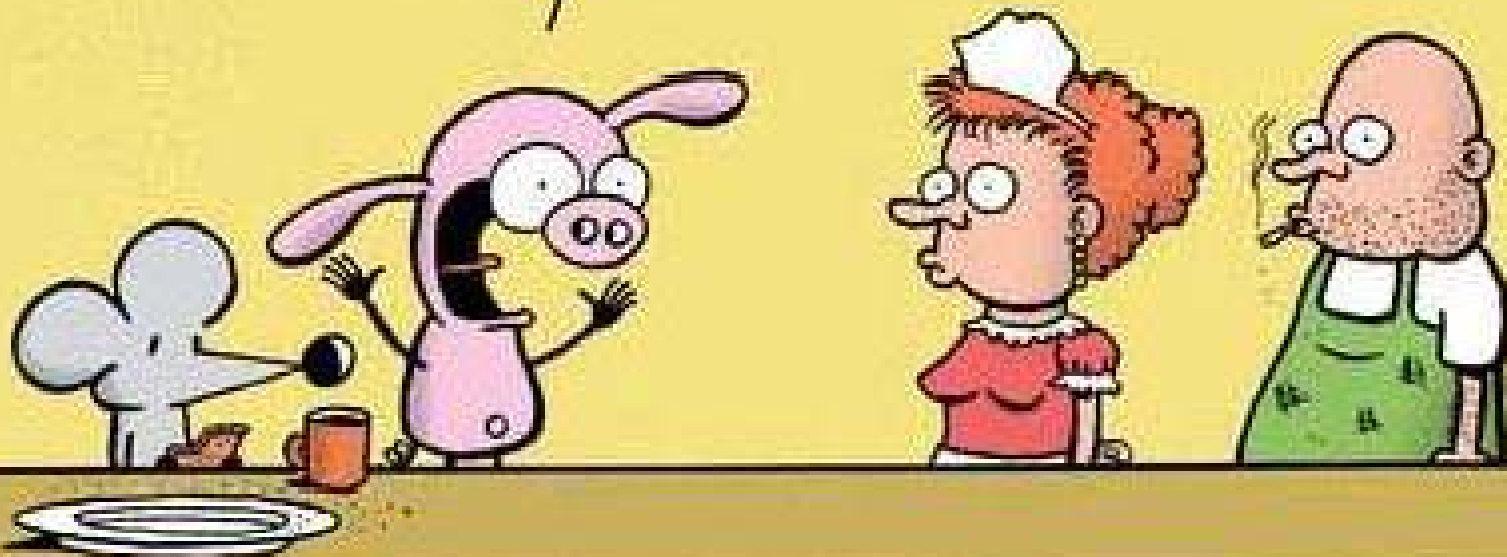


WELL THEN TELL THEM.



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**DUNK RYE FOR ME, ARCH AND TINA!!**





# California's 2009 Crush

- **Spot grape market was dead last half of the growing season. Note; Spot market is NOT the whole grape market, many grapes were sold under long-term contracts**
- **Wineries simply disappeared from the market, did not buy grapes other than contracted deals.**

# 2009 Crush

- **Some Growers custom crushed their unsold grapes, and now waiting to sell their bulk wine, hoping for a stronger market**
- **Imports hitting some segments HARD**
- **(Some Bulk Imports have TRIPLED)**

# **“The New Normal”**

- **Direct to Consumer Models**

**“Social Media”**

**Tasting Rooms; Wine Clubs**

**Wine Tourism – HISTORY**

**Wine Trails**

**Events**

# California Wine - "Cheap is Chic"

- Consumers

**"Buying Down"**  
–(Short or Long Term  
Phenomenon?)

**Isn't this a lovely wine??  
Parker 95.  
\$350 a bottle...**

**2007**

**What a cool guy!!!!**



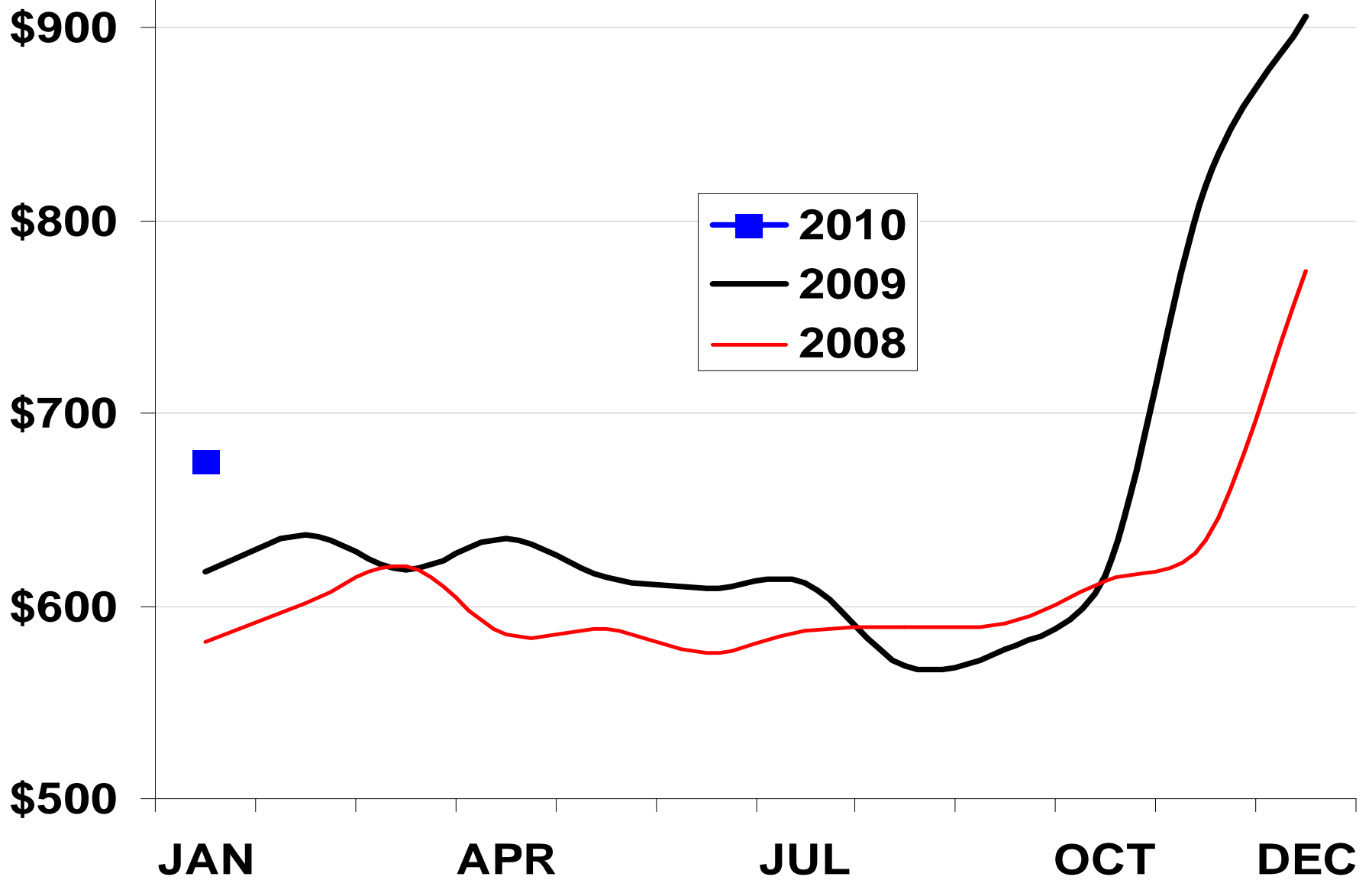
**Isn't this a lovely wine??  
Costco.  
\$15 a bottle...**

**2010**

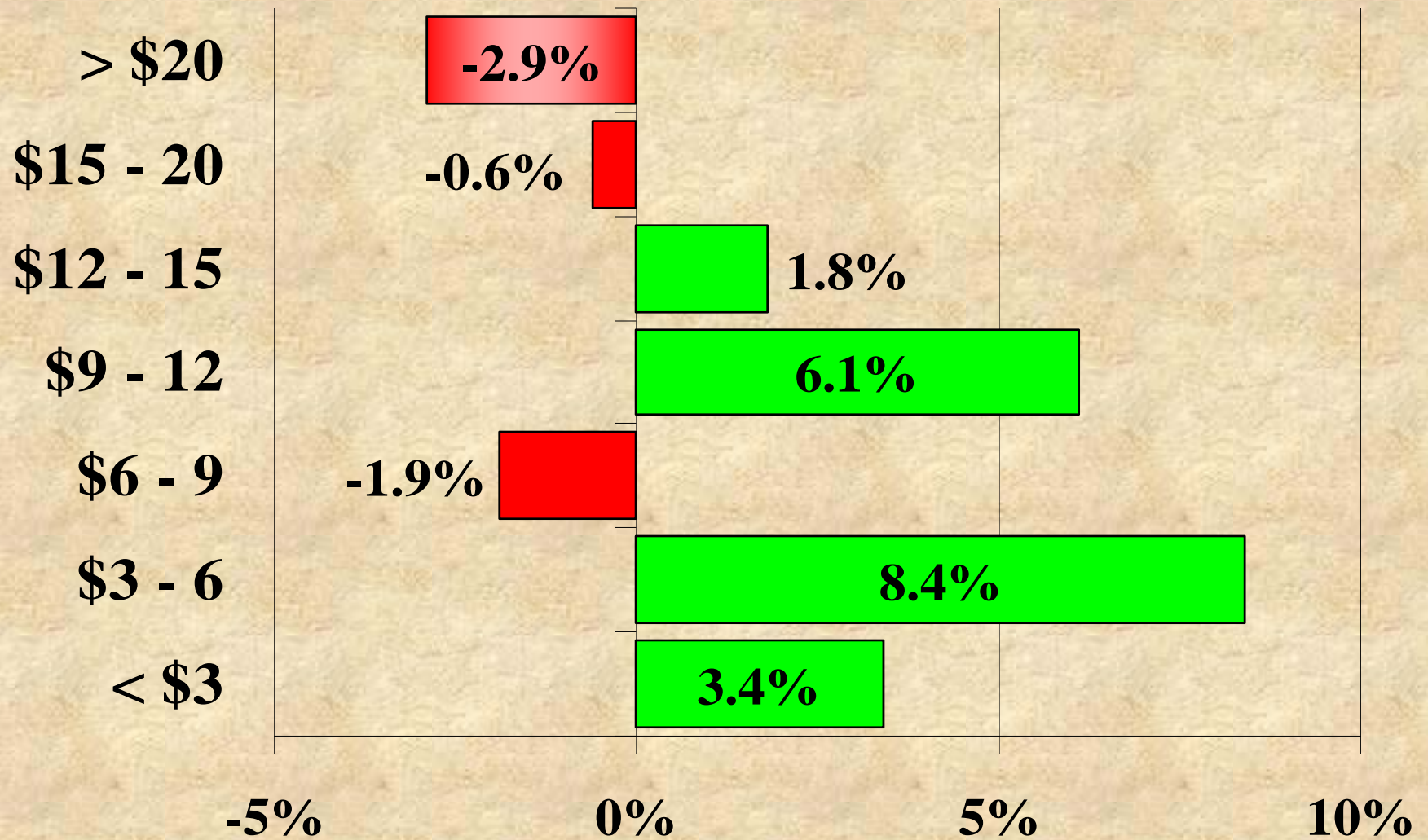
**What a cool guy!!!!**



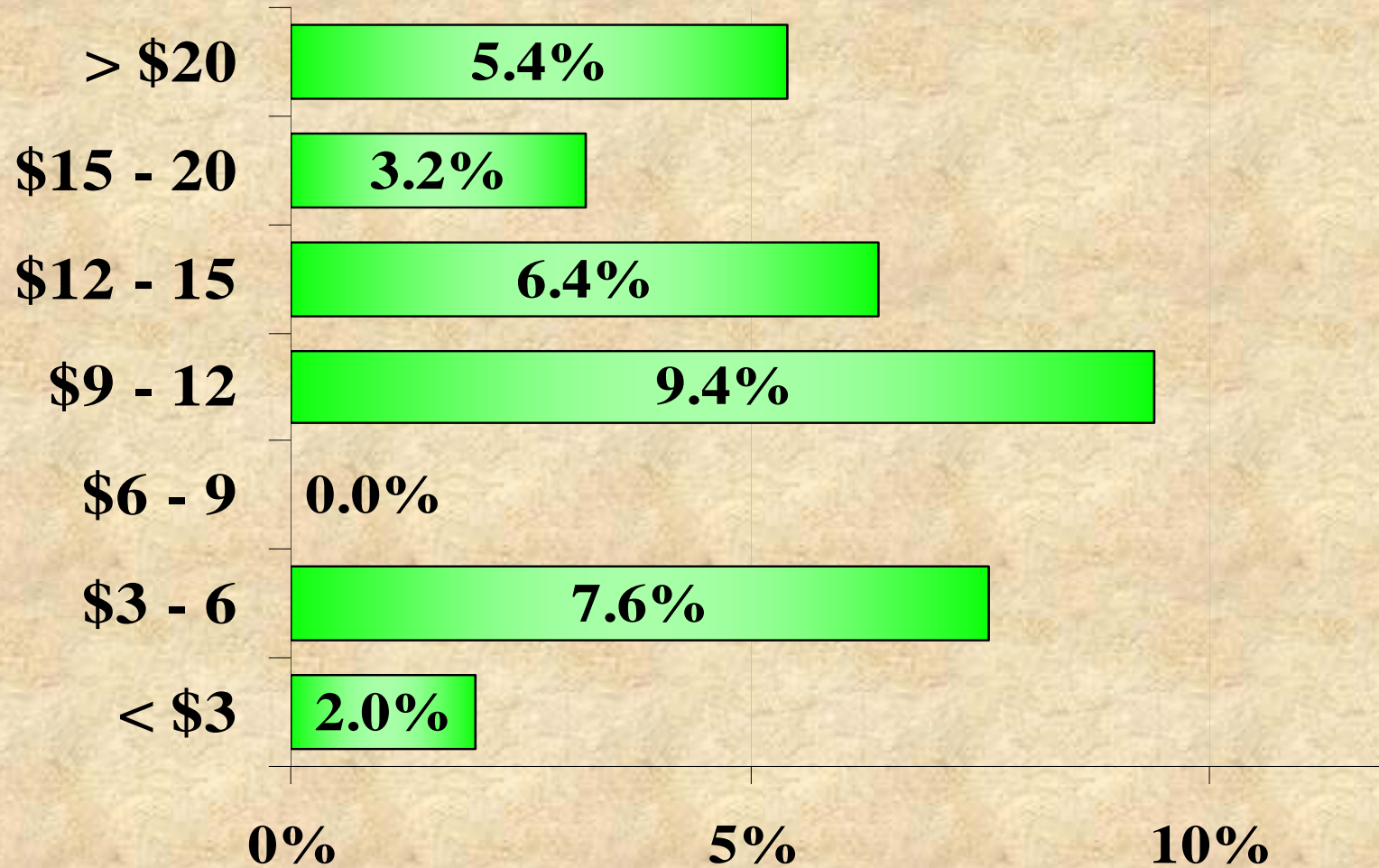
# Wine Sales, Nielsen Data; Dollars; (\$ Millions)



# US Wine Sales Growth by Price; Fifty-Two Weeks to Feb 6, 2010



# US Wine Sales Growth by Price; Four Weeks to Feb 6, 2010



**California Wine - Cheap is Chic"**

Consumers **"Buying Down"**

**(Short or Long Term  
Phenomenon?)**

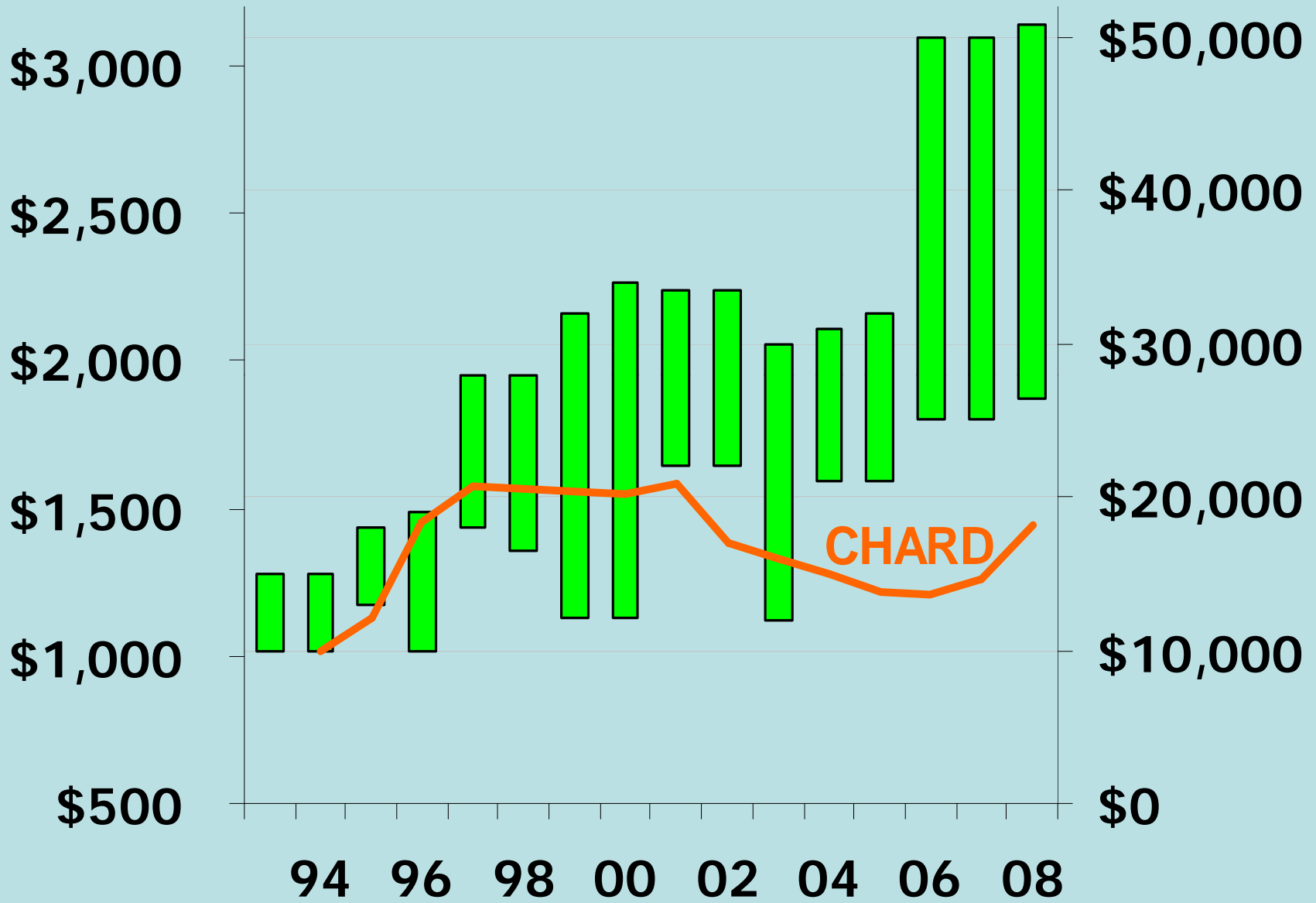
**Impact on Growers?**

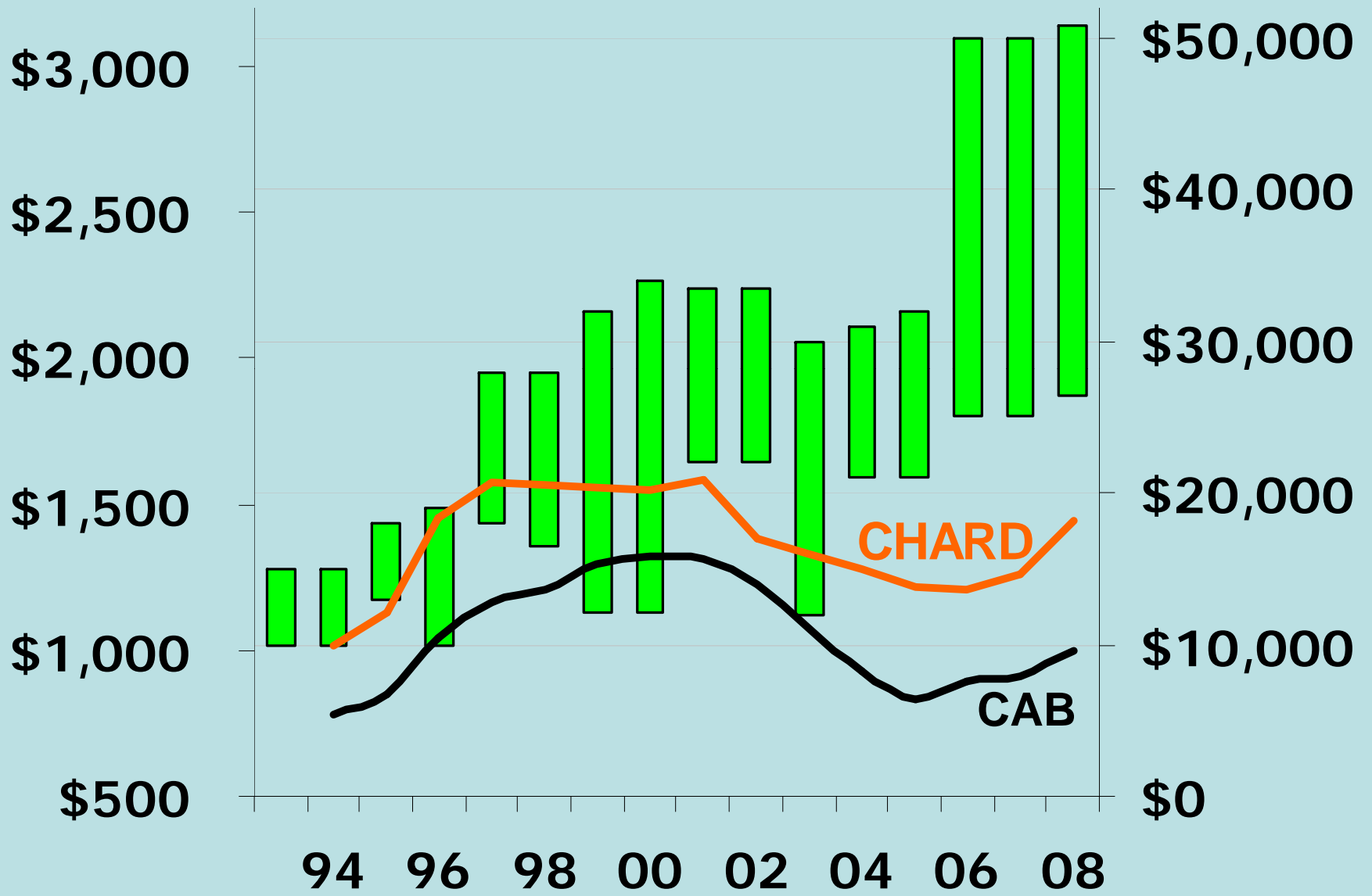
- Can I sell my grapes?**
- At what Price?**
- When will I get paid?**
- And WILL I get paid?**

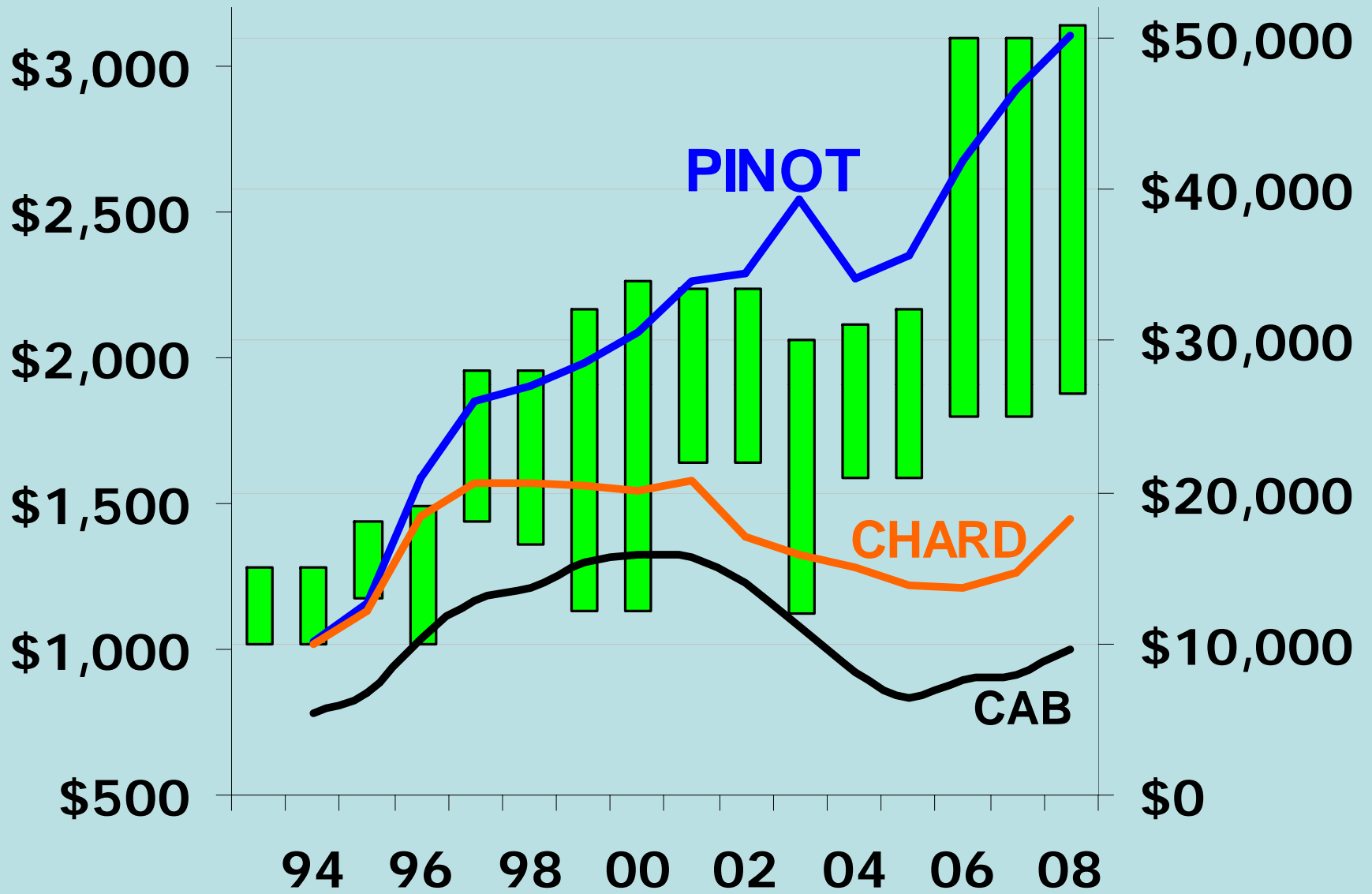
**Wine prices drive  
grape prices which  
drive land and  
vineyard prices,  
ergo...**

# Vineyard Values Santa Barbara + San Luis Obispo

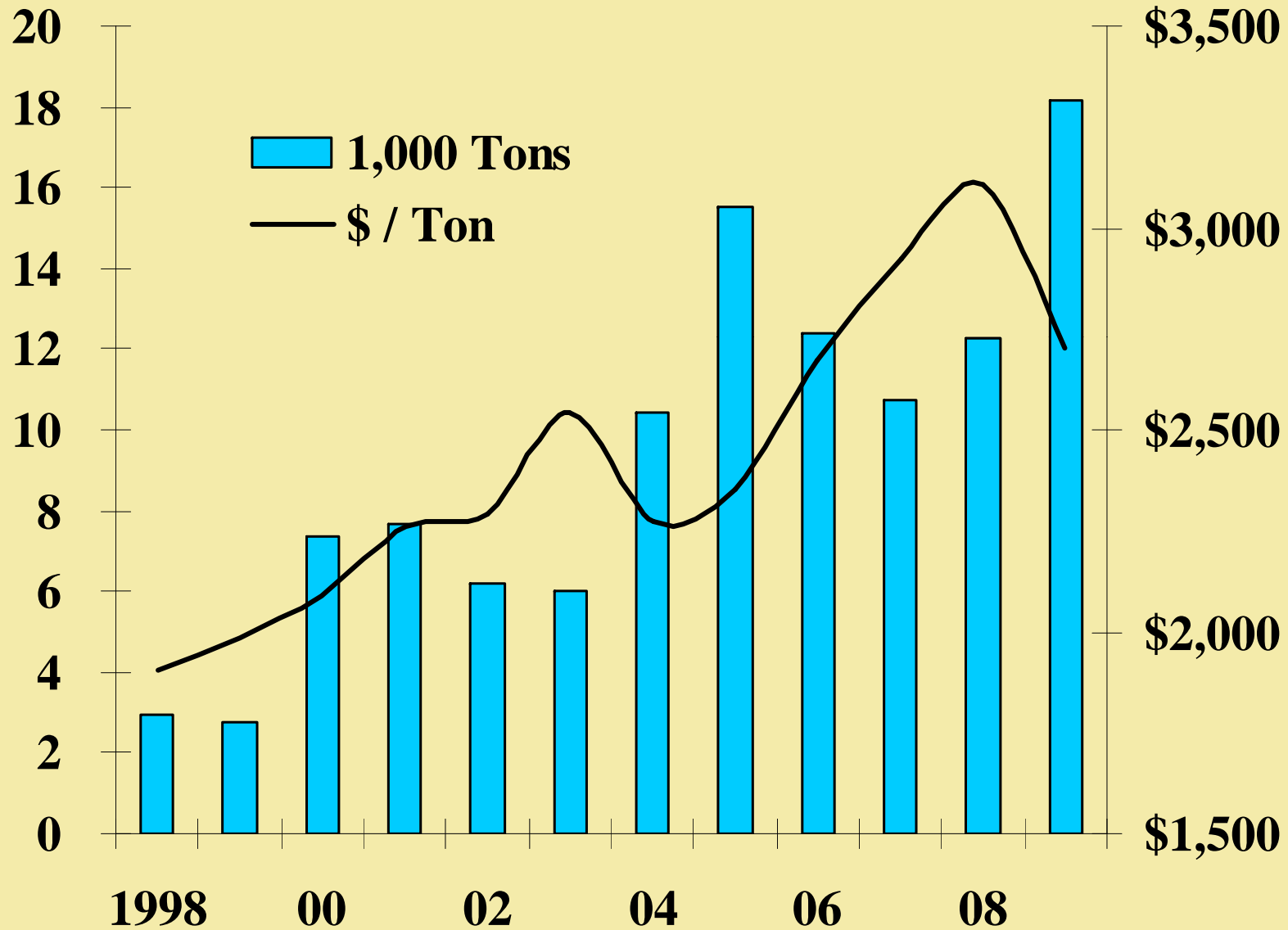








# SB / SLO Pinot, Production vs Price



# Vineyard Markets

- Credit available, but only for “qualified”, “solid” borrowers,  
**FOCUS ON CASH FLOWS**  
**DEBT SERVICEABILITY**
- Buyers waiting on the sidelines;  
**One person’s problem is another’s opportunity.**

# Vineyard Markets

- **Financial stress already apparent in many markets**
- **Vineyard values tend to be “sticky”**
- **Good properties are always good properties, Napa Valley is still Napa Valley. Best properties in best areas most insulated from stress.**
- **Marginal properties, and secondary or tertiary areas, feel impact if/when grape prices slide and growers suffer losses.**

# **Grape Supply**

- **Few new plantings in the past 3-5 years, and few expected for several more.**
- **California Wine Grape Acres, with the exception of Pinot Noir, have declined 4% since 2001.**

# **Market Perceptions 2010**

**Sellers think it's  
still 2007.**

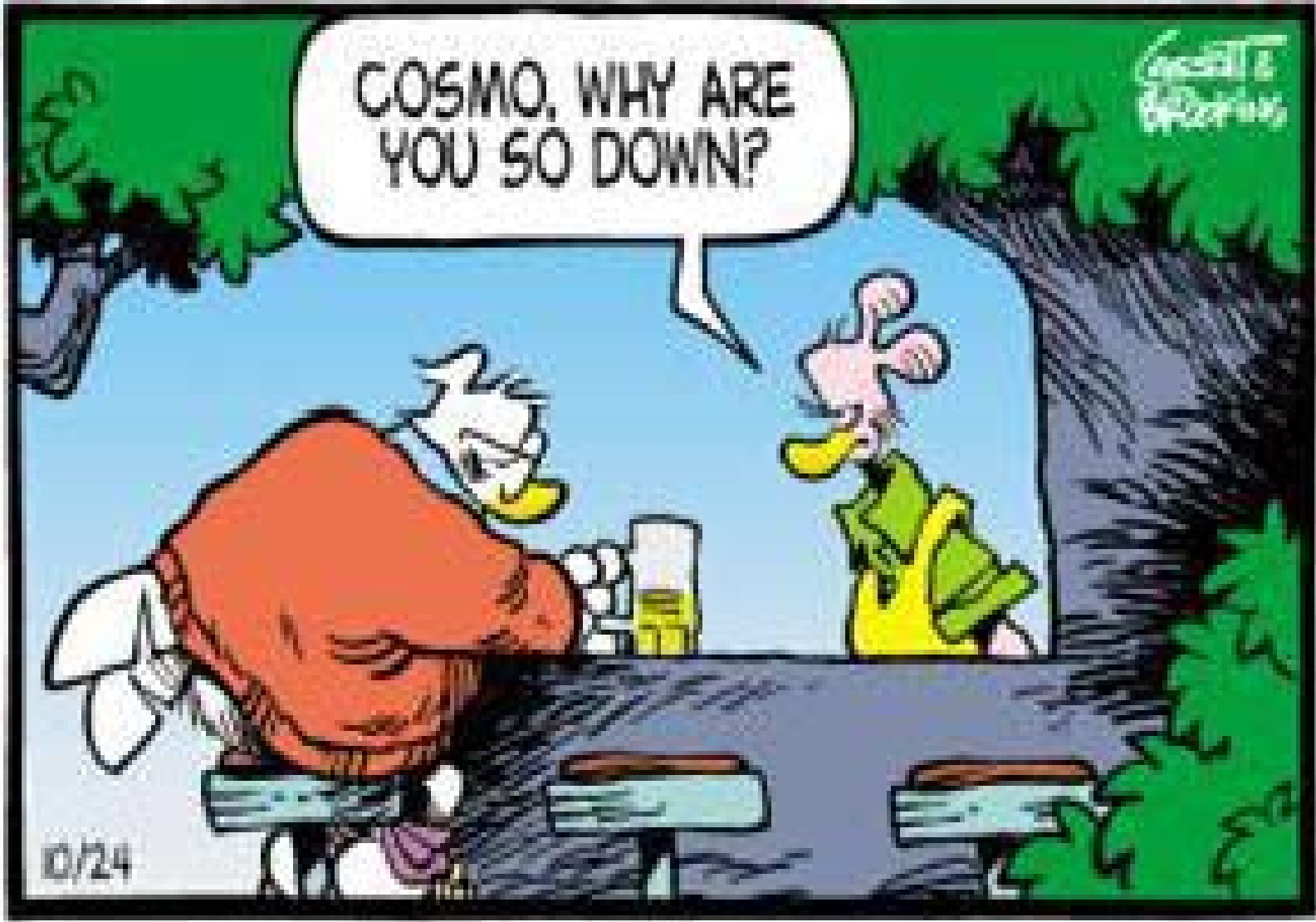
**Buyers are thinking  
it's the '30s.**

# **The Wine Cycle**

**Quality, and the Perception of Value,  
Continues to be the key to  
Survival, Today, and  
Success, Tomorrow.**

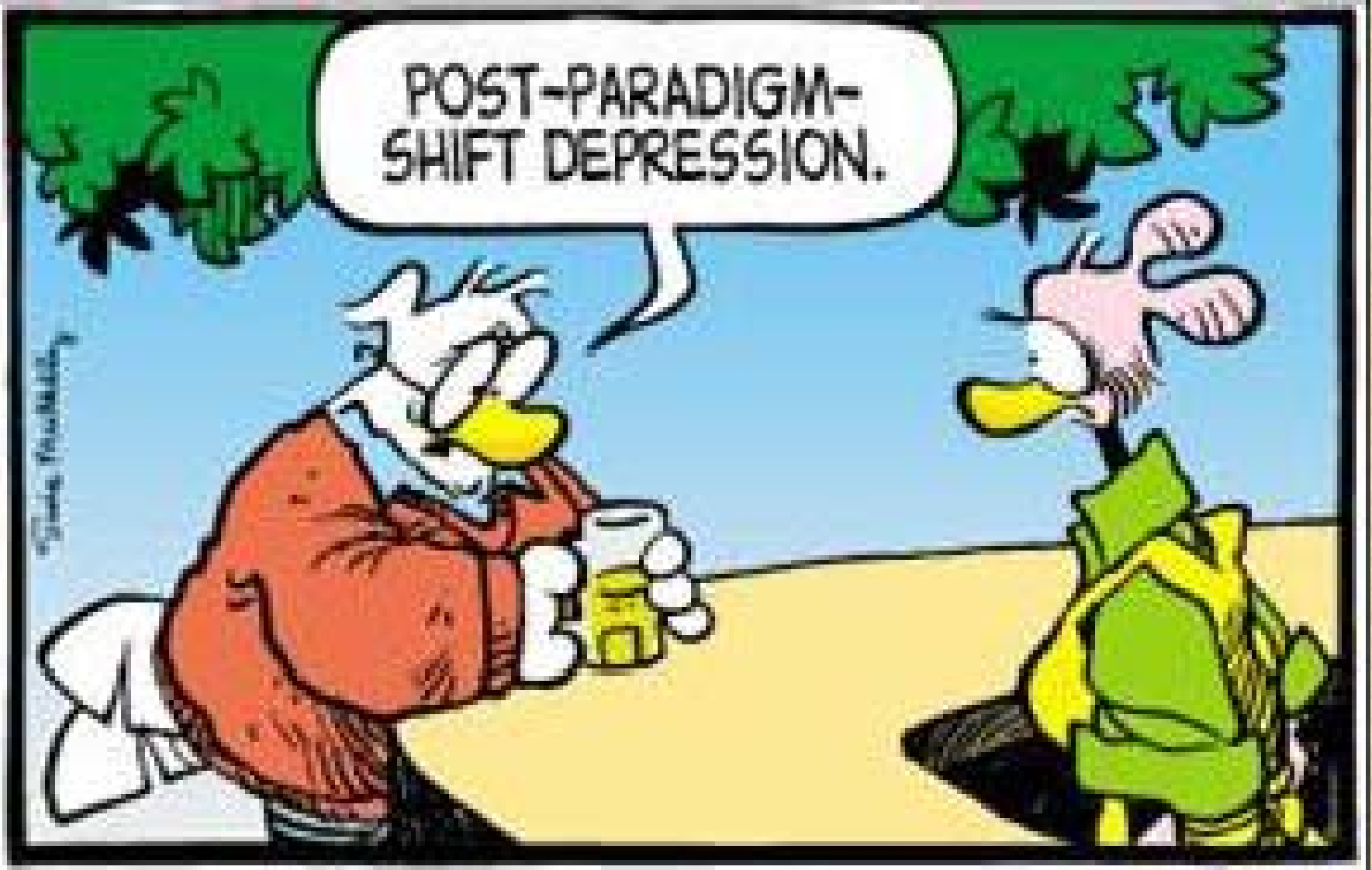
# Pieces of the Sky...

- **Wine prices under pressure from slow sales; and  
“Buying Down”**
- **Grape prices under pressure**
- **So.....Land, vineyard and winery prices?**



10/24

POST-PARADIGM-SHIFT DEPRESSION.



**The Future? WARP!**

**Wine**

**Asset**

**Recovery**

**Program**

**“Cash for Cab?”**

**Thank You!!!**



**And  
Drink  
More**

**Virginia  
Wine!!!**

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