

## California winemakers brace for smaller supply of grapes

Growers and vintners estimate this year's crop in the state could be 20% smaller than in 2007, hurt by bad weather.

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As California's winemakers begin the 2008 harvest, they are scrambling to find enough Pinot Noir, Chardonnay and Cabernet Sauvignon grapes.

After several years of bumper crops, Mother Nature turned fickle this year, offering up deep frosts, followed by hot weather and ultimately not enough rain.

"This is one of the strangest weather patterns that I have seen in more than 30 years of farming," said Andy Beckstoffer, the largest independent grower on California's North Coast.

Growers and winemakers estimate that the state's grape crop, especially in such prime wine regions as Napa and Sonoma counties and the Santa Rita Hills near Solvang, could be 20% smaller than last year and as much as one-third less than a massive harvest in 2005.

It's likely there won't be enough grapes to meet all the needs of wineries, said Beckstoffer, who has already sold most of what he is growing and came up 5 tons short on a 50-ton order of Sauvignon Blanc grapes last week.

"The growers who have grapes are going to benefit from higher prices, those who lost grapes to the frost and other bad weather will suffer and the wineries that don't have their own vineyards are going to get squeezed," said Rob McMillan, who heads the wine industry lending business at Silicon Valley Bank in St. Helena.

That could translate to fewer bargains on the wine shelves at stores, McMillan says, adding that the slow economy will help keep prices in line for consumers for now.

Winemaker Ken Brown will be paying "more for grapes than I ever have before." The Pinot Noir specialist based in Buellton has contracts to purchase grapes by the acre rather than the ton. And with vineyard yields plunging, that has really hurt him this year. He's on the hook to purchase the output of three acres of grapes from one grower in the Santa Rita Hills that, because of the frost, has lost about 70% of its crop, Brown said.

Only a "not-to-exceed" clause in his contract, which caps the price, has saved this harvest

from turning "catastrophically" costly, Brown said.

As the season's first white grapes were being picked last week, Clay Shannon of Shannon Ridge Winery & Vineyards in Lake County said he saw a flurry of interest by wineries in the classic red Cabernet Sauvignon grapes out of fear that supplies would run out in the coming weeks.

"We are short on Sauvignon Blanc and Syrah in a couple of areas," said Joe Hurliman, winemaker for Herzog Wine Cellars in Oxnard.

The winery purchases grapes from many areas of the state and is also concerned about the Cabernet Sauvignon crop, "but until everything is in the bin and at the winery, we just won't know," Hurliman said.

The expected smaller crop comes at a time when demand for domestic wine is growing by 3% to 5% a year and the market for wines in the \$12-to-\$20 range is soaring by 18%, McMillan said.

He expects a grape shortage to develop because in addition to this year's smaller crop, demand for California wine is growing faster than vineyard plantings.

Stung by a grape glut in 2002 and 2003, farmers pulled out thousands of acres of vines and have been reluctant to add to their holdings.

Although a shortage would be tough on some wineries that don't have large vineyard holdings or long-term contracts with growers, the state's roughly \$19-billion wine industry typically is at its most profitable when there is a slight grape deficit, McMillan said.

It enables growers to get more money for their fruit and keeps wineries from having to discount to move product as they did with the giant 2005 vintage and in earlier grape gluts, the banker said.

Additionally, the current weak U.S. dollar will continue to help the industry by bolstering exports of California wine and making it harder for foreign producers to make money here, he said.

McMillan and others in the industry believe that the state could be at the start of a sustained grape shortage. Even if growers rush to plant new vineyards in the spring, it will be years before those new plantings would produce any quantity of grapes.

The varieties that will be most affected are Pinot Noir, Chardonnay and Cabernet Sauvignon, said Beckstoffer, who has been adding acres of Cabernet in Napa and Lake counties and Chardonnay in Mendocino County.

"I think we are a bit ahead of the curve," he said. "The market for growers is going to be

excellent over the next several years."

Although the Central Valley did not get the frost that attacked vineyards closer to the coast, it did get the rest of the bad weather, "and the grapes we are picking are 10% to 15% off from last year," said Nat DiBudo, president of Fresno-based Allied Grape Growers, the state's largest grape cooperative.

He said the price increase for grapes wouldn't be as profitable for growers as he had hoped because of soaring energy and fertilizer expenses.

Many of the state's coastal wine-growing regions experienced heavy winter rains in January and February followed by an unusually dry spring that was punctuated with a heavy frost, said George Rose, spokesman for Kendall-Jackson Winery in Santa Rosa. A June heat wave came next and then there were lightning storms, setting off brush fires statewide.

Rose said that by August the weather became more predictable, settling into the expected pattern of warm days cooled by moist Pacific Ocean breezes at night.

Kendall-Jackson, one of the state's largest vineyard owners, farms about 12,000 acres in the coastal regions up and down the state. It expects its harvest to be off by about 5%.

Beckstoffer said he was curious to see whether the smoke and ash that settled into many growing regions would affect the grapes by filtering light or causing other changes.

"The strange weather and smoke doesn't mean the wine won't be good," Beckstoffer said, "but we won't know for sure until we get the grapes harvested and in the tank."