

LIFE AFTER PINOT GRIGIO

Modern Italian Pinot Grigio is an export success, finding a lucrative place for itself in the international market. But this very success has led to its commodification, which may mean that Italy stands to lose market share to imitators, suggests Michèle Shah.

No matter where it's produced, "it is the name that sells, not the typicity nor the origin of the wine," says Emilio Pedron, president of Gruppo Italiano Vini (GIV), one of Italy's leading Pinot Grigio producers. "This is a particularly negative situation for Italy."

The overall market demand for Pinot Grigio is such that it's likely that demand will soon outstrip Italy's ability to supply. According to GIV, Pinot Grigio production outside Italy poses a real threat to Italian production, because Pinot Grigio, for the most part, isn't a *terroir* wine, which means it can be reproduced easily. Moreover New World producers from such countries as Australia and California can produce wine at a lower cost thanks to advantageous regulations, like the ability to add between 15% and 25% of other grape varieties respectively, to bottles labelled 'Pinot Grigio'.

Many analysts believe the Italians have long been doing the same thing. Pinot Grigio does not even appear on the list of the ten most widely planted grape varieties and is nonetheless one of that country's leading export items. Something must be amiss.

"Italy's politics made a fundamental mistake by not protecting the name Pinot Grigio" says Pedron. "Today's market needs to differentiate production, with Italy capitalising on the territorial origin and high quality of its Pinot Grigio from Friuli, Trentino and Alto Adige,"

Despite the success of Pinot Grigio, especially in the export market, it's difficult to pin down Italy's true production figures. There is no one generic body or source of reliable information, whether the figures relate to total country production, or regional production.

"There is no precise data or exact statistics when it comes to calculating the

production of Pinot Grigio in Italy," explains Pedron. "Pinot Grigio is produced in small quantities in many regional IGTs from the north and as far south as Sicily."

The last true survey done in 2000 by the ISTAT put the total vineyard area covered with Pinot Grigio in Italy at 6,668 hectares. "Given the number of cuttings

1 Pinot Grigio in the world	
Country	plantings in hectares
Germany	4,211
California	2,898
Alsace	2,060
Hungary	1,543
New Zealand	715
Australia	329
Argentina	123

SOURCE: WINE BUSINESS INTERNATIONAL

Although Italy is thought to have between 8,500 and 14,000 hectares of Pinot Grigio planted, the rest of the world is closing in quickly.

According to Gomberg Fredricksen, Pinot Grigio accounted for 5% of the American Market in 2006, growing at a 28% annual clip.

sold between 2000 and 2006, the number of hectares in Italy under cultivation must now amount to about 11,600 hectares," believes Giani Zonin. Attilio Scienza, professor of viticulture at Università di Milano estimates that the number must be closer to 14,000 hectares.

Nevertheless, according to figures supplied by Pedron, about 85% of Pinot Grigio is produced in Veneto's Tre Venezie (Friuli-Venezia Giulia, Trentino and Veneto). In total, some eight or nine million nine litre cases are produced in Italy today, of which 90% is exported, mainly to the United States, Germany and the United Kingdom.

GIV alone produced some two million cases of Pinot Grigio in 2006, with exports rising by 40% between 2001 and 2006. GIV's main export market is Great Britain, averaging some 700,000 cases per year, at an average retail price of £4.99 (€7.35). The next most important market is the USA, where some 600,000 cases are sold, at an average price of \$7.99 (€5.80).

GIV mainly buys in IGT grapes and most from the Tre, yet bottles a small amount, some 60,000 cases that retail between €7/8 and \$12/15, at their Conti Formentini and Santi estates from Collio and Trentino.

The majority of Pinot Grigio production comes from the northeastern provinces of Italy: Veneto, Friuli, Trentino and Alto-Adige, where it's processed and bottled by large wineries. Many of these are cooperatives, such as Cantina Viticoltori Trentini (Cavit), and Mezzacorona in Trentino, which is the largest cooperative to process its entire Pinot Grigio production from its own vineyard capacity. Large estates such as Santa Margherita, GIV and Zonin, based in Veneto, buy in the majority of their grapes, as does Friulvini, while niche wineries such as Zenato, Villa Russiz, Alois Lageder and the San Michele Appiano cooperative in Alto Adige, produce lower yield Pinot Grigio from altitude plantings.

Pinot Grigio first experienced export success in the 1970s, thanks to the Santa Margherita brand, marketed to the USA. Cavit was one of the first cooperatives to jump on to the bandwagon. Today Cavit is the largest producer in terms of volume, buying in large quantities of Pinot Grigio in Veneto and exporting volumes to the USA, as well as providing Pinot Grigio to Gallo wineries in the US. Zonin currently exports 180,000 cases internationally.

According to Pedron, Pinot Grigio really took off in the 1990s, both inducing and accelerating the fall in demand for Soave. The demand for Pinot Grigio was such that production couldn't keep up, opening the doors to imitations. "Pinot Grigio has no real territorial style and with modern technology is an easy wine to imitate," says Pedron.

At its most basic, Pinot Grigio is a fruity, easy drinking, 'quaffing' wine that shows little character. When grown at altitude, however, it can show excellent quality. Italian examples include the Alois Lageder single vineyard cru Benefizium Porer from Alto Adige as well as the Russiz Superiore Pinot Grigio which undergoes skin maceration, a process which can yield an elegant complex wine with a long finish.

Part of Pinot Grigio's huge success, especially in export markets, is that it's a good alternative to Chardonnay, a wine characterised by extensive oak ageing, making it difficult to pair it with food, as well as to Riesling and Sauvignon Blanc, which are too aromatic and assertive for many consumers.

"Pinot Grigio has filled this vacuum nicely," says Leonardo Locascio, President of Winebow Inc, who is one of America's main importers of Pinot Grigio. "Most of it sees no oak, has refreshing acidity, making it a great food companion, and it is easy and uncomplicated to pronounce and remember."

The success of Pinot Grigio was not driven by overproduction and cheap prices, but in response to a real market need, and there is no sign of it fading away, as the once-popular Lambrusco did. "I think that Pinot Grigio is here to stay. Santa Margherita deserves the credit for pushing Pinot Grigio and making it a popular name," says Locascio.

While the UK does not have a strong brand like Santa Margherita, the category has a large number of players. While the trend is clearly led by the on-trade, this popularity has spilled over into retail.



"Enotria have been importing Pinot Grigio in various forms for over 20 years, but we have never seen demand at the levels of today and we certainly don't see any sign of the trend ending," said Damian Carrington, head of marketing at Enotria Winecellars Ltd in London, which imports Jermann & Colterenzio Pinot Grigio.

Although Gallo and Blossom Hill are making inroads in the market, consumer research undertaken by Enotria indicates that the average consumer still sees Pinot Grigio as Italian. Be that as it may, a recent store check at Waitrose revealed that only five of their 18 Pinot Grigio selections were from Italy. Still, according to Carrington, the consumer tends to steer away from North American versions. "The trade talks a great deal about the decline of interest in Chardonnay and yet the volume sold is still three times the level of Pinot Grigio," says Carrington.

Pinot Grigio was launched into the United States by Paterno Imports and Santa Margarita. "I thank my lucky stars and Santa Margarita for building the Pinot Grigio market in the States," says Brian Larky, managing director of California-based Dalla Terra imports, who represents Alois Lageder.

"We are still seeing significant growth in Pinot Grigio exports, though we are carefully monitoring the competitive growth from domestic American production," says Ettore Nicoletto, managing director of Santa Margherita.

Santa Margherita's Pinot Grigio sales reached 8.5m bottles in 2006, with 65% of exports destined for the US market, making it the "absolute leader" in the US premium sector, with 500,000 cases sold and a retail per bottle price above \$20 (€14.50).

"Most Pinot Grigio which sells above \$10 comes from Italy and this price bracket is even more evident within the on-trade," says Nicoletto.

He sums up Santa Margherita's enormous success as an

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Ettore Nicoletto, MD of Santa Margherita

While Pinot Grigio has been exported from Italy for more than two decades, it's in a growth phase at the moment. But this success has drawn the attention of competitors, who can produce the style at much lower cost.



'obsessive pursuit of quality'. Its Pinot Grigio is sourced from the DOC Trentino, DOC Alto Adige and DOC Valdadige where they have longstanding contracts with grape-growers. It's made a big investment in marketing to create consumer awareness and make the brand attractive to distributors, retailers and restaurants, and generating high profit margins.

The following are statistics about Santa Margherita published by the 18th edition of the Wine & Spirits Restaurant Poll, conducted in March 2007:

- #1 imported wine for the 12th consecutive year;
- #1 Pinot Grigio since the inception of the poll;
- #1 most popular Italian Wine since the inception of the poll.

However, according to Larky, Santa Margherita's era is fading as consumers see the wines cost twice as much in the USA as in Italy, and as higher quality Pinot Grigio becomes available.

The message for Pinot Grigio producers is clear. "Think bigger, think globally, think China," says Larky. "Forward thinking producers are already recognising this threat and are working hard to build their brand names first and Pinot Grigio second - for soon, Pinot Grigio could come from anywhere, not just northern Italy. At that point, those who have built a solid brand name will be in good shape, while those who have not will be in floundering in the Pinot Grigio tsunami growing off shore." ■