

THE ENGINE OF AMERICAN WINE GROWTH

Ask about the American wine industry and inevitably the conversation begins with California. Larry Walker explores this all-important state, the fourth largest wine producer in the world, and looks at it in total US context.

Any useful analysis of the US wine industry must focus on California, where about 90% of all US wine is produced. California is even more dominant in wine exports, producing some 95% of all US exports.

In 2006, wine sales in the US, including imports, increased 3% over 2005, growing to 301m cases or 2710m litres, with a total retail value of \$27.8 billion. California's share of that was 189m cases with a retail value of \$17.8 billion, about two thirds of all wine sold in the country. Total shipments of California wine to all markets, including exports increased by 2% to 227.6m cases.

California may well be the driving force behind US wine growth, but it isn't possible to talk about California as if it were one wine region. California is at least as various as France and can be just as confusing to those trying to sort it out. At the beginning of 2007 there were almost 100 American Viticultural Areas (AVAs) in California, with many more proposed or pending. In terms of volume, the state is the fourth largest wine producer in the world after France, Italy and Spain, producing more than 225m cases of wine in 2006.

Many regions in one state

Napa may be California's most famous wine region, but there are also wines made from the Mexican border in the south to Lake and Mendocino counties in the north, from the Pacific Ocean in the west to the lower reaches of the Sierra Nevada mountains in the east.

In general the coastal regions are where the best wines are made. These include the North Coast (north of San Francisco including Marin, Sonoma, Mendocino, Lake and Napa counties) and the Central Coast (south of San Francisco almost to Los Angeles, including Santa Cruz, Monterey, San Luis Obispo and Santa Barbara counties). There are also excellent wines from the Sierra foothills and the northern reaches of the Central Valley, especially in the

Lodi American Viticultural Area (AVA).

The Central Valley, a large inland region between the coastal mountain ranges and the Sierra Nevada mountains, produces huge crops of wine grapes, making up more than 60% of the state's planted vineyards. The wine, for the most part, goes into bag-in-box wines and other everyday table wines.

This geographical range has led to a wide diversity in growing conditions as well as varieties. Matching grape varieties to soil and climate has been one of the key goals of viticultural research in California for the past several decades. Soils over most of the state are a jumble of volcanic, older marine sediment and gravelly alluvial fans that have been shaken and stirred over millions of years because of earthquake activity.

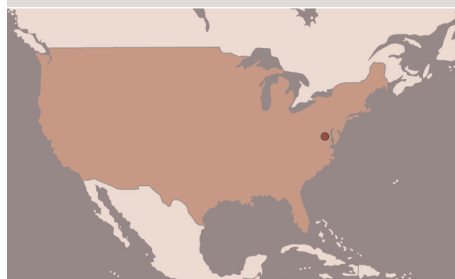
Distinguishing the areas

US wine producers, led by California and the Pacific Northwest, began a serious attempt to sort these diverse growing areas with the introduction of the AVA system in 1977. The AVA system differs sharply from the European appellation system. AVAs have no regulations regarding grape variety and crop size nor do they make any quality claims. There are two kinds of AVA. The first is a

simple political statement, such as California or Napa. This means only that the wine has come from the area designated. The second level makes a geographical distinction, such as Napa Valley or Carneros. At this level there is, theoretically, an underlying similarity of soil and climate which should produce wines related in character.

While this is the ideal, most would agree that most AVAs are too inclusive, becoming political or marketing statements rather than meaningful expressions of terroir. However, as the process is refined, more and more AVAs do accomplish this. Good recent examples include the Green Valley sub-appellation of the Russian River Valley AVA in Sonoma and the Santa Maria Highlands AVA in Monterey.

1	Benchmark Data	www.com
Inhabitants:		301.2m
GNP:	US\$12.98 trillion (€9.76 trillion)	
Currency:		US\$ (€1.36)
Per head annual consumption:		10.9 litres
Annual bottles per head:		14.5
Annual cases sold:		301m
Legal drinking age:		21
Import/domestic (%):		30/70



Following the end of Prohibition in 1933, viticulture in California (and the rest of the US) tended to be a one-style-fits-all design. It didn't matter what varietal was being grown or the site of the vineyard, vines were all pruned the same and planted in wide spaced rows for ease of cultivation. Winemakers trained at the University of California at Davis and elsewhere were taught that soil was relatively unimportant. The vine was regarded as a green 'factory' that produced grapes virtually from sunshine and water.

Viticulture and oenology were regarded as distinct areas of study. Winemakers were not encouraged to venture into the vineyard and growers were rarely welcomed in the winery. There were, of course, exceptions to the rule, but that was the general regime.

It wasn't until the 1960s that more growers and winemakers began to question this approach and experimented with rootstocks, pruning and other techniques. By the 1980s the old mantra 'all you need is sunshine' had been discredited; it was clear that soil did make a difference and the best winemakers were spending more time in the vineyards than in the wine lab. This has led to a major increase in wine quality. The state learned its lesson just in time. The intense competition of the global wine market has increased the drive for quality at all price points and California has become a major player in the world market.

"With the strength of other currencies against the dollar, California is more competitively priced," says Joel Peterson, winemaker, Ravenswood Winery. "As a result, international markets are seeing more Californian wines at a higher quality level."

The export equation

In 2006, California wine exports totaled \$876m, an increase of 30% in value over 2005. Volume, at 404.5m liters, was up 4%. The average price per case of bottled exports was up 38% to \$27.15 (€19.98), reflecting not only the surge in premium wine sales, but the practice of shipping cheaper wines in bulk for bottling at the source.

The growth of bulk wine shipments has been one of the key changes in US wine exports in recent years. American bulk wine exports to the United Kingdom and Italy combined soared from 570,000 equivalent cases in 2002 to 11.2m equivalent cases in 2006. In comparison, bottled exports to those countries fell from 10m cases in 2002 to eight million cases last year.

These bulk exports make it difficult to track US wine exports, since the wines are often bottled in one country and re-exported to another. A case in point being Blossom Hill, a Diageo brand shipped in bulk to Italy, bottled there and then shipped to the UK.

The big players: Gallo and Constellation

By far the leading exporter of bottled wines is E&J Gallo. In 2006 through November, Gallo shipped 11.6m cases, more than all other bottled wine exporters combined.

COMMENT FROM CHINA

I think Californian wines at the low end of the price point are doing fairly well – specifically Gallo is shipping lots of wines into the market place.

The overall challenge for California wines is that the public perception of America does not include it being a strong food and wine culture – like they perceive France to be. America is admired in China for a lot of things – entertainment, technology, big brands – but food and wine culture is not one of them. I don't want to say Chinese think America food culture is fast food, but they do not associate a strong relationship between the history of America and the history of food and wine.

I think, however, as tourism to Northern California and Washington State increases, so will the Chinese understanding of how good American wines are. Going to cities like San Francisco or Seattle will increase the Chinese consumer's confidence in the quality of food and wine in the USA, thereby increasing the likelihood they will pay more for these wines in China.

Don St. Pierre Jr, managing partner, ASC Fine Wines, the largest importer of fine wines into China



However, Constellation Wines US is steadily gaining ground, growing by 16% last year. Constellation is the only other producer shipping more than two million cases.

Gallo and Constellation both seek to dominate shelf space by offering a huge array of brands. Gallo has 26 brands in almost 100 countries while Constellation has about 60 brands in 70 countries. The UK, Europe (especially northern Europe), Japan and Canada are the driver markets for Constellation. Markets like the Caribbean and Mexico, are identified as 'opportunity' markets. Constellation has targeted China for further development and is showing strong interest in India.

Constellation's top premium brands include Franciscan Oakville Estate, Mount Veeder Winery, Robert Mondavi Winery, Simi Winery, Estancia Estates and Ravenswood wineries in California and Columbia Winery in Washington State. Mid range offerings include Covey Run from Washington, Inglenook, Robert Mondavi Private Selection, Talus Collection, and Woodbridge by Robert Mondavi from California. Some of the lower range wines include Paul Masson, Echo Falls and Taylor California Cellars, all California brands.

Echo Falls and Paul Masson are strong performers in the UK at the competitive £3.99 price point. There are indications that price points of £5.99 and even higher are opening up in the UK, generally regarded as the most competitive wine market in the world. This would open the way for other

REGIONAL ANALYSIS

Constellation brands, like Mondavi Woodbridge, Mondavi Private Selections and Ravenswood.

Although Gallo does not disclose specific market information or make sales projections, they appear to have mastered the art of slotting the right brand into the right region. Important Gallo brands in Europe are Sierra Valley, Gallo Family Vineyards and Redwood Valley, all brands at the lower end of the mid-price market, although there is an occasional spotting of premium lines like Gallo Sonoma, Rancho Zabaco, Bridlewood, Louis Martini and Mirassou.

Gallo has begun shipping bulk wine, a change from previous policies but perhaps the only way to make the necessary price points. They seem to have largely walked away from the premium market in Europe, although they still sell premium brands in Canada. In Japan and Asia, Carlo Rossi is the major brand, a 'value' wine sold as a 'jug' wine in the US and rarely seen in Europe.

The export markets

Gallo, like Constellation, has problems in the UK. However, the importance of the UK market and the export market in general for Gallo was underlined last year when they named Brian Carlisle international vice president for Gallo global sales, and based him in England. It is quite rare for Gallo to step outside their Modesto operations and appoint an 'outsider' to such a key role, especially an outsider more at home with food marketing than wine marketing.

The difficulties with the UK market are not Gallo's alone. "Californian wine does not have a quality image with the average UK consumer, and is vastly under-represented in the £6-to-£10 category," says John McLaren of the UK office of the Wine Institute of California. "The weak dollar helps, but unless California can conquer the mid-price sector and enhance its own 'brand equity', it is not well placed to weather a currency resurgence."

US wines have a market share of 16% in the UK, compared to France at 16.4% and Australia at 22.3%. The California brands driving the market are various Gallo bottlings and Blossom Hill, a Diageo brand. Fetzer, especially its Bonterra label is also strong, as is Ravenswood and Echo Falls, both from Constellation Brands. Premium rosé is also a strong point for California in the UK as well as the rest of Europe.

Canada, the second largest export market recorded a strong gain of 29% in value for 2006. Rick Sloomka, Wine Institute's Canada director says increased sales in Quebec were especially encouraging. He also says the province had always been a difficult market for California wines, adding that a step up in promotional campaigns by many California wines may have led to the growth there.

Brands doing well in Canada include Canada Gray Fox (Wine Group), Liberty School, Rodney Strong and J. Lohr. According to trade sources the Wine Group's Fish Eye brand has recently made a successful launch in Canada.

Other strong growth areas include China, up 53% by value, 44% by volume; Singapore, up 68% by value, 79% by volume

COMMENT FROM THE UK

US wines sell very well indeed [in the UK], primarily driven by Rosé and the key brands. We have just doubled our Rosé range to over 60 lines, with most of them non-USA wines, but there is no doubting the dominance in this area.

The challenge is all about establishing credibility for wines other than the top four brands (Blossom Hill, Gallo, Echo Falls and Fetzer) and sourcing these at reasonable prices. The USA range seems to remain split between volume at affordable prices and the top end, with very little mainstream in between. We had to go and develop our own ideas to fill this gap.

What seems to be the primary factor for the US growth is the switch for younger female drinkers to off dry rose from the Ready to Drink (alcohol) category. Most blush/white Zin is 10-11% alcohol and quite sweet, so very palatable for new consumers to wine

Dan Jago, director of beer, wine and spirits, Tesco



	Groc Mults	Tesco	Groc Mults	Tesco	Other Mults
	52 WE 25.08.07	SOT 52 WE 25.08.07	52 W/E Chg 25.08.07	52 W/E Chg 25.08.07	52 W/E Chg 25.08.07
	Expenditure £ (000's)	Share of Trade	Actual Sales Growth	Actual Sales Growth	Actual Sales Growth
Total Still	2,853,703	34.3%	6.8%	8.2%	6.1%
French Wine	510,314	33.6%	9.4%	1.8%	13.6%
USA Wine	382,603	32.1%	1.6%	8.7%	-1.5%

Neilsen data for total UK grocery market (85% of UK off-trade), comparing US to French wine sales. The growth is clearly stronger for French wine in the UK at present. Although Tesco is showing strong growth in US wines, the total market is in decline.

and Hong Kong, up 19% by value, 42% by volume. Delicato and Wente are both strong brands for California in Asia.

Joe Rollo, director of the International Department at Wine Institute in San Francisco is strongly optimistic about export growth. "I expect compound export growth of 10% to 15% over the next three years. I see strong growth continuing in Europe, Canada and China." He adds that sales to China have doubled over two years ago. "And it's real business, it's not a matter of bringing in bulk and dumping it at low prices. South Korea is also up and we are doing good business again in Singapore. There's been a slow but steady increase all across Asia. We are also seeing a strong comeback in Mexico."

Although there is a lot of interest in the developing wine market in India, Rollo is not as upbeat about it. "This market

THE UNITED STATE'S KEY PLAYERS

<p>1 E&J Gallo</p> <p>600 Yosemite Blvd., Modesto, CA 94354 www.gallo.com</p> <p>Bottled Wine Cases Shipped: 60.1 million (wine only) Total Litres Shipped, including Bulk: 545.8 million</p> <p>Gallo, a family-owned winery, remains the dominant California and US producer, holding 26.6% of the US wine market. Gallo has something for everyone, from cheap street wines to premium wines under its Gallo of Sonoma brand. Gallo continues to expand in Napa. The family bought well-respected Louis M. Martini winery there in 2002 and more recently bought additional Napa vineyards and the William Hill Winery from Beam Wine Estates. Gallo is, by far, the leading US wine exporter.</p>	<p>6 Bronco Wine Company</p> <p>6342 Bystrum Road, Ceres CA 95307</p> <p>Bottled Wine Cases Shipped: 8.7 million Total Litres Shipped, including Bulk: 99.9 million</p> <p>Bronco president Fred Franzia is one of the most flamboyant characters in the California wine business. He has battled the Napa establishment, where he owns a production facility, over the use of Napa on his wines that are not made from Napa grapes. Bronco is best known to the wine drinking public, however, as the producer of 'Two Buck Chuck', the \$1.99 Charles Shaw brand wines that has sucked up thousands of gallons of California bulk wine since it was launched in 2003.</p>
<p>2 Constellation Wines US</p> <p>235 N. Bloomfield Rd., Canandaigua, NY14424 www.cwinesus.com</p> <p>Bottled Wine Cases Shipped: 37.2 million Total Litres Shipped, including Bulk: 359.6 million (Canandaigua Wine Co.)</p> <p>Including its global brands, Constellation is the world's largest wine sales company, with over 60 wine brands in 70 countries. The company, including all its divisions and the spirits and beer business, had sales of more than \$4 billion in 2005. It was founded by brothers Marvin and Mack Sands in 1945 in the Finger Lakes region of New York. The company now owns wineries around the world, having invested a reported \$4 billion in new wineries since 2003, beginning with BRL Hardy, then Robert Mondavi in 2004 and Vincor in 2006.</p>	<p>7 Kendall-Jackson</p> <p>Paproc 111, 64-300 Nowy TomyślPhone: +48 61 44 26 100 www.kj.com</p> <p>Bottled Wine Cases Shipped: 4.1 million Total Litres Shipped, including Bulk: 37 million</p> <p>Kendall-Jackson has grown slowly, mostly through acquisitions of other wineries since it was founded by Jess Jackson in 1982. The company now owns wineries in France, Chile and Australia. In California, KJ's premium wineries are grouped under the Jackson Family Farm name. They include: Cardinale, Atalon, Lokoya, Carmel Road, Cambria, Hartford Family Wines, Matanzas Creek, La Crema, Stonestreet, Verite and Archipel. The popularly-priced Kendall-Jackson range includes the well-known Proprietor's Reserve range.</p>
<p>3 The Wine Group</p> <p>240 Stockton Street, #800, San Francisco, CA 94108</p> <p>Bottled Wine Cases Shipped: 28.9 million Total Litres Shipped, including Bulk: 310.7 million</p> <p>The privately held Wine Group shuns publicity, offering mostly bargain basement wines that don't attract a lot of attention. The top performer is Franzia, the leading box wine in the US. It also offers bottled bargain wines such as Corbert Canyon, Concannon, MG Vallejo and Glen Ellen. The company has several production plants in California and also owns and produces Mogen David wines in New York. It is an important supplier of bulk wines for both the domestic and export market.</p>	<p>8 Fetzer (Brown-Forman)</p> <p>P.O. Box 611, Hopland, CA 95449 www.brown-forman.com</p> <p>Bottled Wine Cases Shipped: 3.7 million Total Litres Shipped, including Bulk: 33 million</p> <p>Fetzer is Brown-Forman's flagship wine brand in California. The Kentucky-based company also owns Sonoma-Cutrer, and the Bel Arbor, Five Rivers, Jekel and Bonterra brands. Fetzer was a leader in organic grape growing in California under the Fetzer family. Since the sale to Brown-Forman, the Fetzer family has continued in organic-biodynamic viticulture. In the past few years, Brown-Forman has closed the Jekel Winery in Monterey and the Five Rivers Ranch Winery in San Luis Obispo County, moving production to the Mendocino County plant.</p>
<p>4 Foster's Wine Estates</p> <p>P.O. Box 111, St. Helena, CA 94574 www.fostersgroup.com</p> <p>Bottled Wine Cases Shipped: 11.1 million Total Litres Shipped, including Bulk: 99.5 million (Beringer Vineyards)</p> <p>This is the US division of Beringer-Blass, Australia's largest wine company. It was formed in 2005 with the purchase of Southcorp. Major California brands are: Beringer, Etude, Stags' Leap, St. Clement, Chateau St. Jean, Chateau Souverain and Meridian. Recent introduction of a budget brand called Beringer's Founders Estate has been very successful. Rather less successful was White Lie Early Season Chardonnay, a low-calorie wine aimed at women. In 2006, Fosters' sold Chateau Souverain to Coppola Wine Estates. Foster's retained the brand name.</p>	<p>9 Beam Wine Estates</p> <p>P.O. Box 25, Geyserville, CA 95441 www.beamwineestates.com</p> <p>Bottled Wine Cases Shipped: 3.0 million Total Litres Shipped, including Bulk: 26.9 million (Geyser Peak Wines)</p> <p>Beam Wine Estates (BWE) is owned by Fortune Brands (Jim Beam Whiskey.) It was formed in 2005 when Fortune bought US wine brands that had been owned by Allied Domecq. The BWE portfolio includes Geyser Peak, Clos du Bois, Buena Vista, Haywood Estate, Gary Farrell, Atlas Peak, Mumm Napa and Callaway Coastal. In July of this year, BWE sold William Hill Winery in Napa and Canyon Road Winery in Sonoma to E&J Gallo. BWE appears to be focused on wine in the \$10-to-\$15 range and up.</p>
<p>5 Trinchero Family Estates</p> <p>P.O. Box 248, St. Helena, CA 94574 www.tfewines.com</p> <p>Bottled Wine Cases Shipped: 9.7 million Total Litres Shipped, including Bulk: 88.6 million</p> <p>TFE, then Sutter Home Winery, launched White Zinfandel in 1972, creating a White Zinfandel boom in California that peaked in the 1980s but is still going strong. Besides Sutter Home, the Trinchero family owns Montevina, a Sierra Foothill winery, Fré, an alcohol free wine, and Folie à Deux, a premium Napa producer. The Trinchero label is reserved for its super-premium Napa wines. The long range goal is to offer more varietals in the Sutter Home line and become less dependent on low end sales of White Zinfandel.</p>	<p>10 Delicato</p> <p>12001 South Highway 99, Manteca, CA 95536 www.delicato.com</p> <p>Bottled Wine Cases Shipped: 1.8 million Total Litres Shipped, including Bulk: 40 million</p> <p>Family-owned Delicato is a recent Californian success story. Founded in 1935, the winery was known until relatively recently as a producer of jug wines of no particular distinction. Delicato began to turn things around with the purchase of vineyards in Monterey County and the Lodi region. In 2005, Delicato launched the Clay Station brand, focusing on premium wines from those regions priced at about the \$10 level. The brand has had good success, especially in the export market, where Delicato scored gains of 21% in 2006.</p>

Only California production for 2006.

Source: Numbers from The Gomberg-Fredrikson Report and Industry Estimates

REGIONAL ANALYSIS



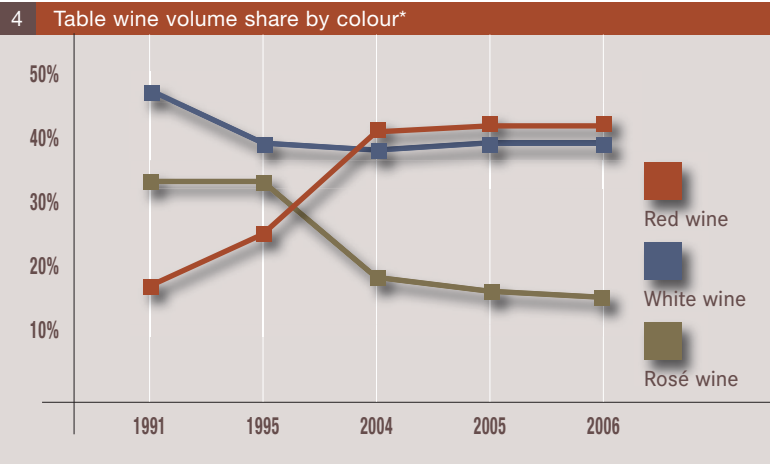
3 Wine consumption*

Year	Total ¹⁾	Per head ²⁾
1934	125	0.98
1944	374	2.79
1954	537	3.32
1964	703	3.66
1974	1,319	6.19
1984	2,098	8.84
1994	1,697	6.69
2004	2,313	8.85

* since Prohibition ended, in ten year increments
¹⁾ in millions of litres; ²⁾ in litres
 figures rounded to nearest whole number

SOURCE: WINE INSTITUTE AND GOMBERG-FREDRIKSON & ASSOCIATES

SOURCE: ADAPTED BY THE AUTHOR FROM WINE INST. NOTE: PER HEAD ADULT CONSUMPTION IS HIGHER



SOURCE: BASED ON US SUPERMARKET DATA FROM THE NIELSEN COMPANY

* in US supermarkets

5 US table wine exports in '000s of 9l cases*

Country	2006	Change in cases	% Change
Italy	5,964	719	14%
UK	5,184	3,153	155%
Canada	1,643	-299	-15%
Japan	539	203	60%
Germany	727	48	7%
Netherlands	116	-273	-70%
South Korea	94	63	202%

* to 7 leading markets

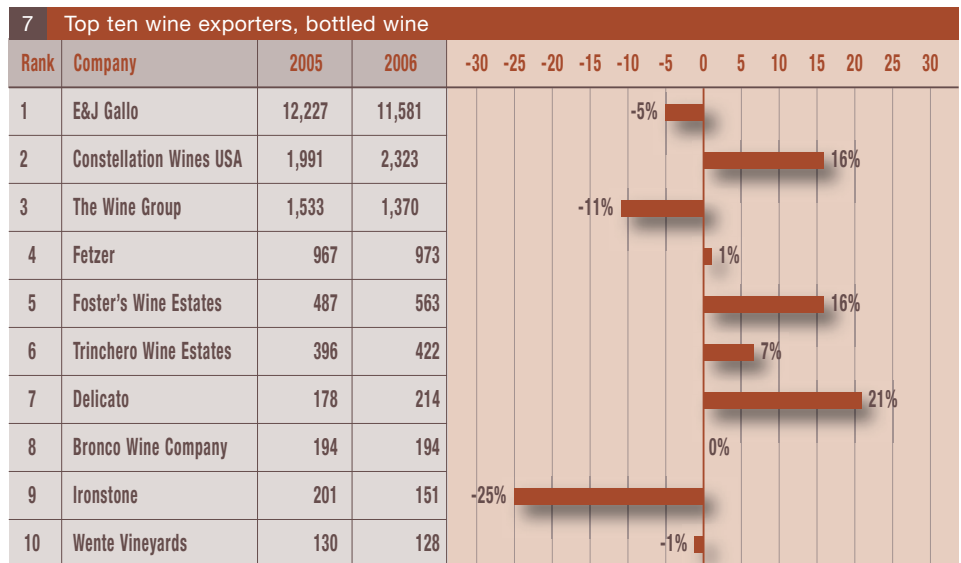
SOURCE: THE GOMBERG FREDRIKSON REPORT

6 US wine exports 1996-2006

Year	Volume ¹⁾	Value ²⁾
2006	404.5	876
2005	388.5	674
2004	461.3	809
2003	349.2	621
2002	282.1	549
2001	303.9	541
2000	294.2	547
1999	290.6	560
1998	272.0	537
1997	227.3	425

SOURCE: AUSTRIAN WINE MARKETING BOARD

¹⁾ in millions of litres; ²⁾ in millions of dollars



numbers rounded to nearest whole number

SOURCE: CALIFORNIA STATE BOARD OF EQUALIZATION/THE GOMBERG FREDRIKSON REPORT

COMMENT FROM JAPAN

US wine imports to Japan are down in the last 12-months by 9.8%. Considering that large containers above two-litres have driven the sector of late, 4% declines are surely of concern.

But demand for super-premium and ultra-premium US wines in Japan continues to exceed supply, according to importer Hotei. Given that Californian wine of this price-point is near impossible to sell anywhere else aside from the domestic US market, this is surely fortuitous. Importers dealing with this ilk of wine reported 30% to 40% increases in the first half of the year. With the currency fluctuation however, steep rises in FOB prices for premium wines are demanding that the mid-range punch above its weight. Alas, this is something that California has traditionally failed to do.



*Ned Goodwin,
Japan correspondent*

will take a while. The tariffs are still exorbitant. India recently lowered the spirits tariffs, but increased wine tariffs.”

While the export picture is generally bright for US wines, importers are steadily gaining market share. Import share of the market is hovering at around 30%, an historic high. And it seems certain to grow, according to a report from the Wine Market Council. The report shows that US wine consumers aged 21 to 30, often called the Millennial generation, prefer imports to domestic wines by a margin of 63% to 37%.

Of all importers, the turnaround in French sales has been the most remarkable. In the patriotic fervor post 9/11, French wine sales plunged. In 2006, they were on top, up 25% from 2005. France isn't the only importing company scoring strong gains. Argentina, Italy, Spain and New Zealand all posted strong 2006 gains.

It is not surprising that virtually every wine producing region in the world is targeting the US market. It is the fastest growing market and will soon be the largest; also, Americans spend more on a bottle of wine than anyone else. It's the price of success.

What lies ahead

For the short term, the California (and US) wine business would seem to be in good shape, although there are long-term problems that growers and winemakers need to be thinking about. The first concerns land use, coupled with California's rapidly growing population.

Housing development and shopping centers are being built next to vineyards and winery operations. In 2002, Wine Institute and the California Association of Winegrape Growers (CAWG) produced the Code of Sustainable Winemaking Practices. The Code is designed to not only



THE REST OF THE USA

Wine is now produced in all 50 US states – even Alaska. Of all the states, New York, Washington and Oregon are most notable.

New York produces 5% of the USA's grapes, but much of it is from hybrid varieties and Concord grapes. The two most important areas are Long Island and the Finger Lakes in the northwest part of the state. The important Finger Lakes AVA has about 90 wineries making around 151,500 litres of wine annually.

Washington's main wine area is the Columbia Valley, a high desert plateau. The state produces some 68m litres of wine from more than 306 wineries. At an average of \$8 a bottle, Washington is the USA's second largest premium producer and has, since the mid 1889s, exported to Canada, Japan and the UK.

Oregon, which produces high quality Pinot Noir and Pinot Gris, had 47 bonded wineries in 1986. Today it has 350, most of them small. Production has climbed from 612,512 cases in 1994 to 1,590,367 cases in 2006.

8 Top ten wine brands in US Food Stores, 2006

Rank	Brand	Market share
1	Yellow Tail	4.0%
2	Beringer (Foster's)	3.5%
3	Sutter Home (Trinchero)	3.4%
4	Kendall-Jackson	3.3%
5	Franzia (Wine Group)	3.2%
6	Mondavi Woodbridge (Constellation Brands)	3.0%
7	Livingston Cellars (Gallo)	2.1%
8	Gallo Twin Valley	1.9%
9	Carlo Rossi (Gallo)	1.7%
10	Clos du Bois (Beam Wine Estates, Fortune Brands)	1.6%

SOURCE: AC NIELSEN

A BRIEF HISTORY OF CALIFORNIAN WINES

It was from Mexico that vine cuttings were first brought to California, then still a part of Mexico, by Franciscan missionaries in the 1770s.

After the US seized California, along with several other territories, from Mexico in 1847, the centre of the California wine industry moved from the Los Angeles area to the San Francisco Bay area. Wine quality steadily improved and California wines were shipped east by rail and also exported to England and elsewhere. However, the wine industry suffered a severe blow when Phylloxera struck in the 1880s. Just as the industry was recovering, Prohibition came into force in 1919.

A limited amount of wine was produced during Prohibition for 'sacramental' purposes. Home winemaking, which was legal with certain restrictions, flourished. Wine historians say that it was the

home winemakers who really dealt a major blow to California wine. They liked high sugar content in the grapes in order to achieve higher alcohol levels and often had a taste for sweet wines. For decades following the end of Prohibition in 1933, sales of sweet wine, often fortified, were higher than dry wine sales

For reasons not entirely clear (everyone has a theory) interest in wine in the US suddenly blossomed in the late 1960s and 1970s, which many mark as the beginning of the modern wine era. The wine boom was more evident in California, but many other areas of the US were

involved. In the Pacific Northwest, Oregon and Washington lagged behind California but by the 1980s, they were being recognised as quality wine producers.



PHOTO: CINETEXT BILDARCHIV

encourage sustainable agricultural but to make wineries and growers "better neighbors" to suburban and exurban home owners who are less than thrilled to wake up to the sound of a mechanical harvester at 4 a.m.

It is a step in the right direction if it leads growers and vintners to consider the environmental impact of growing grapes and making wine. However, the code is voluntary and too often used purely as a public relations tool.

Then there's the potentially devastating impact of global warming, especially considered in conjunction with water use. The vast majority of California vineyards are irrigated and many of those would probably not be economically viable without irrigation. At the same time, water is in increasingly short supply in the state, due to growing urbanisation and temperature increases.

Many farsighted winegrowers are exploring ways to make deep cuts in water use or even farm grapes without irrigation, a common practice in coastal areas up until the 1970s and the introduction of drip irrigation.

Leaders in the dry farming movement, such as John Williams of Frog's Leap Winery, argue that wine made from grapes grown in irrigated vineyards do not truly reflect the

site. Other issues include labor shortages and maintaining a balance of grape supply and wine demand, issues affecting many other wine growing regions as well.

But for wine producers who can manage these issues, the future looks promising, thanks to the increasing interest in wine inside the USA.

"Wine consumption in America reached new heights in 2006, as a growing number of adult consumers drank more wine than ever before," says wine analyst Jon Fredrikson, the publisher of the Gomberg-Fredrikson Report. "Wine's positive image, its extensive media exposure with scores of stories about the potential health benefits of moderate wine consumption, and the widening distribution of a vast range of appealing wines broadened the consumer base."

Eric Morham, senior vice president of international sales at Constellation Brands agrees, also pointing to an increase in disposable income. "In the US, the \$12-15 price segment is the fast growth part of the market," he says. And Morham believes as people become more discriminating, they will continue to buy better wines. "Once you trade up, it becomes more difficult to return to a wine without the nuance and flavour of the premium wines." ■