

NORTH COAST grower W. Andrew Beckstoffer presented the case for a more detailed crush report for the California wine grape industry to clearly define supply and demand by grape type and district.



Five years of erratic crushes puts cloud over wine industry

By DAN BRYANT
Editor

DAVIS, Calif. — Charging the greatest surplus in the wine industry is ignorance, a North Coast grower suggests a detailed crush report as a step to relieve the industry's financial depression.

W. Andrew Beckstoffer of St. Helena sketched a plan for a bulk wine report, issued quarterly if not monthly, to include the following: year of harvest, district, type of grape, color, and whether the owner is licensed to sell bulk wine.

"This is basic data, but it would tell us a lot," he said at the recent Wine Grape Day. "The program, if passed by the legislature, could be financed by the Winegrowers of California.

"Here is an opportunity for the Winegrowers of California to show those who voted for the marketing order some real results."

A paradox

The former Heublein executive, who now owns and manages vineyards in Napa and Mendocino counties, said the California wine surplus is paradoxical. There are shortages or balances in some cases despite depressed prices to growers in the Fresno and Madera areas.

He noted the Thompson Seedless situation in the Central Valley cannot be overlooked, particularly in view of the use of that variety in the popular "cooler" products.

Even with inroads by imported wines the industry is growing slowly, but the overall picture is clouded by erratic crushes since 1980, most notably the large 1982 crush followed by two relatively short years.

Comparing supply statistics with wine sales growth would indicate a balance and no real surpluses, he said. "But let's look at what it has taken price-wise to sell the California wine.

Not in pace

"Prices of table and dessert wines in relation to the producers price index and the consumers price index have not kept pace. Bottled wine prices are not even keeping up with inflation."

Using 1967 as a base of 100, the producer price index for all products had risen to 303 by 1983, while the wine price index was 259. In the same period the consumer price index rose to 297, while wine went to 244.

"We have been selling wine, but only after we have taken a lower price. A surplus of bottled California wine, given current

marketing efforts, is clearly indicated.

"We've got too much wine when we can't sell it at a fair price, or we are not doing a good enough selling job. A normal reaction would be to reduce the supply, but Californians can't do that in a world economy. Any void created by reducing our supply will surely be filled by imported wine."

New products

Beckstoffer said the California industry has to come up with more new products, such as the coolers, to meet the public's taste and market them at better prices to counter import competition.

"If vintners can't market their wines and at least keep up with inflation, how can we expect them to pay grape prices that keep up with inflation?"

Turning to bulk wines, he said the California surplus is estimated at 50 million gallons, although published reports by the Wine Institute suggests that supply and demand "are not that far off."

Why, he asked, are bulk prices the lowest in years? San Joaquin Valley dry whites are going for as little as 40 cents a gallon and Central South Coast wines selling at \$1.25 to \$3.

Price effect

He cited industry estimates that a one percent excess of bulk wine supply will cause a 5 to 10 percent decrease in the market price.

"And there is a real question in the minds of growers as to how much of the excess is of good quality. It is said that even poor bulk wine is being used as security for bank loans.

"So long as the wine exists, the bank doesn't call the loan. If the wine were dumped, the loan, which the grower-owner can't pay, would be due. The wine sits, overhanging the market, with no hope for sale."

Of the 50 million gallon excess, it is further estimated, he said, that 30 million is 1982 dry white, up to ten million is 1983 wine, and over ten million is 1984 wine.

Bids low

"Ten million gallons of 1984 wine is said to be for sale at 65 cents a gallon, with purchase bids at 40 cents. Most of the surplus seems to be white, but nobody really knows.

"The bulk wine segment of the industry is certainly the one most lacking in information. The lack of information has the greatest negative impact on the grower of

white varieties in the San Joaquin Valley and South Central Coast."

It would seem that growers in this group would be better off not harvesting surplus grapes in any given year, he said, considering not only higher harvesting and processing prices, but the effect on the market the following year.

"Does it make sense to take additional risks in order to dispose of these grapes as bulk wine — to recover \$90 a ton in one year's costs — when the predictable effect is to deny the following year's grape sale at \$125 a ton.

"Can you really afford to grow central and southern grapes that sell as wine at \$2 a gallon?"

Situation insights

Beckstoffer credited the Berryhill Bill, which established the annual crush report, with supplying information on grape prices for the various districts in the state. Extrapolation of the statistics is revealing about the situation of bottled and bulk wine.

"If the vintner is paying more per ton for increased tonnage in a particular district, you can bet there is little bulk wine around, and bottled wines are strong at an equitable price," he said.

In his analysis of prices to growers from the high of 1981 to 1984, Beckstoffer said there is no surplus of either white or black grapes in the Napa Valley district.

In the other four North Coast districts both blacks and whites are in balance with demand or at least emerging from surplus.

Among the Central South Coast counties, 1984 prices were lower than in the past five years, except for whites in District Six (Santa Clara north).

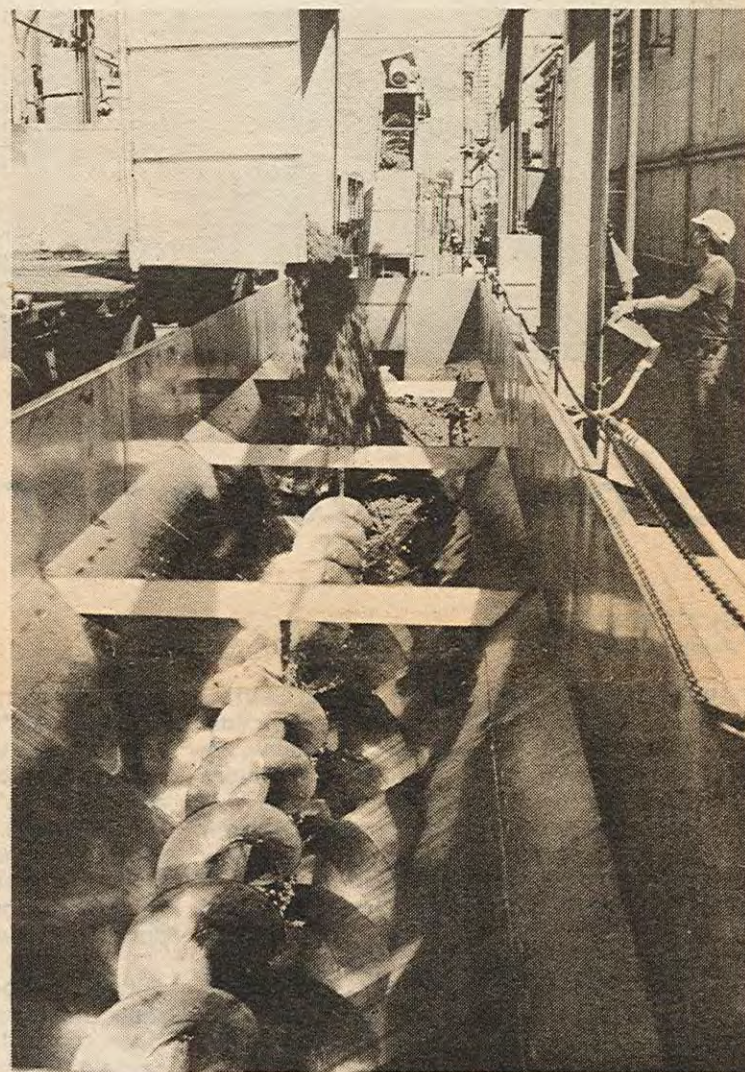
Beyond boom

"An especially critical white surplus situation exists in the Monterey-San Benito area and the San Luis-Santa Barbara-Ventura area. Growers in these areas have simply out-produced the white wine boom."

Other small districts in the state have varied price situations, some up and some down.

There is no denying the surplus in the Fresno and Madera areas, he said. "This must be the area where the import situation and poor bulk wine information take their greatest toll. In all areas where there is a surplus in wine grapes and bulk wine, it is whites."

In the case of Thompson Seedless, all are surplus, with the low-



AN ESTIMATED 50-million-gallon surplus of California bulk wines exists, perhaps 30 million gallons of it from the 1984 crush. Beckstoffer says the industry can't cut back because imports would fill the void, but new products and more aggressive selling would ease the oversupply.

est prices in five years. "Prices in 1984 were roughly one-half what they were in 1981 and 20 to 25 percent lower than 1983. Volume is twice the 1980 level."

Huge excess

With 276,000 bearing acres of Thompson Seedless producing 2,350,000 tons, he said, "If raisins take 1,150,000, fresh grapes 250,000, and 500,000 is crushed, there is still 450,000 tons excess."

The 540,000 tons crushed in 1984 yielded 92 million gallons of dry wine. "The white wine boom started on the back of this grape, but now wineries are off to better wines from wine varieties.

"Can it not be important that the hottest new product, coolers, now requires Thompsons?"

Coolers, he said, used 10 million

to 14 million gallons of Thompson wine in 1984 and have a 350 percent annual sales growth rate.

Financial analyst

"Pray for the cooler, and don't make bulk wines," he advised. "And before you make any more bulk whites, consult a financial analyst, not just an accountant.

"A good farmer can go broke in these times, but a good business man shouldn't. The white wine boom is turning into a bust for most of its grape growers."

He said a classification system to define surpluses and a major information gathering and dissemination on bulk wines, refined by authorities, would help the industry return to a four to five percent growth in table wines.