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WINE & WINEMAKING

Vintners see squeeze on fine wine market

By TOM LONG
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SANTA CRUZ — Wine sales across the U.S. are expected to fall further during 1991, but local winemakers say that although they'll be hit it's too early to tell how hard.

"I definitely think the '90s are going to be a bumpy road," said Martin Bargetto, marketing director for Bargetto Wineries in Soquel and president of the Santa Cruz County Winery Association. "I think we're in a correction phase."

There's little argument about the bumps; the industry is feeling, but there is some argument about who

will feel the bruises and what will be corrected. Wines & Vines, an industry trade journal, is predicting a 6 percent overall drop in volume in 1991. That drop off would follow an estimated 3 percent fall in 1990 and 5 percent declines in 1988 and 1989.

But most of the lost sales are expected to come from continued declines in the the jug wine and wine cooler markets. For now it looks like the category of wines affected least by the industry's plummet is premium wines — wines costing more than \$5 a bottle — and all the wineries in Santa Cruz County deal primarily in such premium

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wines.

"Lower priced wines are the ones that are losing sales rather than higher priced wines," said Patrice Boyle, manager of Bonny Doon Winery. "People seem to be drinking less but drinking better."

The jug wine market has been in decline for a decade and is expected to drop off an additional 11 percent in 1991, according to economist Jon Fredrikson's article in Wines & Vines. And the wine cooler market, which made up 16 percent of all wine sales last year, is expected to drop by 15 percent.

"I think the wine cooler drinkers' taste buds changed and now they're premium wine drinkers," said Louise Holloway, operations manager for Central Coast Wine, one of the largest distributors of premium wines locally. "For a lot of people wine drinking is an evolution." Frederikson's article blames the decline in wine sales on higher taxes on alcoholic beverages, health concerns about the dangers of alcohol, drunken driving arrests and a faltering economy.

But once again, where jug wines are expected to be hit hard by new federal taxes, premium wines will probably not be hit as hard. "When you add 50 cents to a bottle that's going for \$40, it's not that significant," said Bonny Doon's Boyle. "But when you add 50 cents to a bottle that's \$3, that's significant."

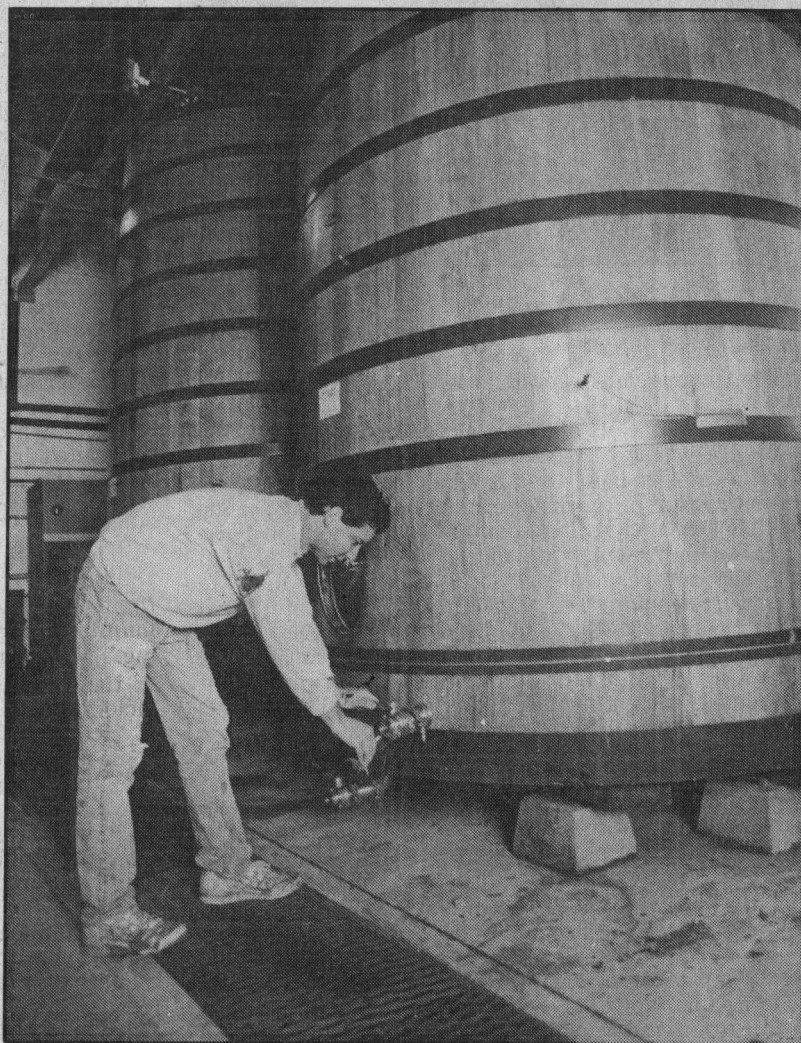
Still, while premium wine sales seem least affected — Holloway says her group has seen premium wine sales go up — local winemakers are still concerned about the overall drop.

"It does have a trickle-up effect," said Boyle.

"Overall people are drinking less so the premium and super-premium wines are going to be hit as well," said Bargetto.

And they may be hit this year.

"The premium market is going to be flat this year and there's going to be perhaps a decline for the first time," predicted Greg Patricio, sales manager for Central Coast Wine. "The market is also quite saturated. There's a lot of wine out there sitting back at win-



Dan Coyro/Sentinel

Andrew Rich, of Bonny Doon Vineyards, checks cask.

eries. That's going to push prices down.

"There's a lot more competition now," said Patricio. "It would be a bad time to get into the winery business."

"We've been experiencing a decline in sales locally in the past year, but on the local level you have to look at the ravages of the (Loma Prieta earthquake)," said Bargetto. "A lot of our accounts just weren't doing business."

And while dependence on local accounts may have hurt local wineries following the quake, Boyle says that having a strong local following may well keep Santa Cruz County wineries from taking a financial plunge.

"When a wine has a local following, people tend to support them," said Boyle.

But the industry will, as always, continue to rely on people's drinking habits, according to Bargetto.

"I think people will continue to moderate their drinking patterns," Bargetto said. "The big question is whether when new consumers come on board whether they're going to choose wine as their beverage."

"I'm concerned, but it may just be a matter of having to pedal a little faster to stay in place," said Boyle.

The Associated Press contributed to this report.