

MEININGER'S

WINE BUSINESS INTERNATIONAL



THE WINEMAKING CEO

Neil McGuigan is CEO of Australian Vintage, one of the most successful wine businesses in Australia. In this interview, he discusses how to attract consumers, the role of innovation, and why listening to the market matters. Page 30

UNDERSTANDING SYSTEMBOLAGET

Swedish journalist Erica Landin goes inside Systembolaget, the national monopoly, to find out how they choose the wines they stock, how they run their tenders, and which approaches work and which don't. Page 22

THE ATTRACTIVE AUSTRALIAN MARKET

While the high Australian dollar has had a negative impact on the nation's winemakers, who now struggle with export prices, it has made overseas wines attractive to the Australian consumer. Page 26

THE RUSSIAN WINE MARKET EVOLVES

Russia is not the easiest place to do business. Yet sophisticated Russians are developing a more diverse taste for wines. Now many companies are finding Russia an important and profitable place to be. Page 40

CAPTIVATING THE TRAVELLER

As the world goes on the move, either for business or pleasure, the duty free and travel retail sectors are growing, offering opportunities for those wine producers who can supply this fast-moving business. Page 52

VIRGINIA IS FOR WINE LOVERS

Virginia, on the eastern seaboard of the USA, once struggled to establish viticulture. Today there's a vinous gold rush going on, as enthusiastic wine lovers flock to the state to stake their claim. Felicity Carter tours a region that's full of excitement and potential.

Thomas Jefferson may have helped draft the Declaration of Independence. He may have designed some of the USA's most notable buildings. And he may have been President for a time, doubling the area of the US with the Louisiana Purchase of 1803. But he was hopeless at winemaking.

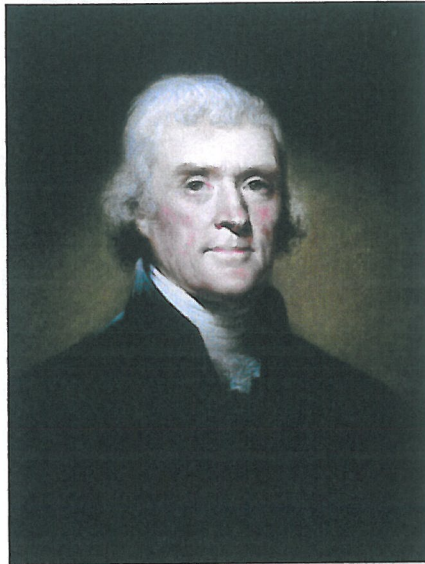
Jefferson was a well-travelled wine connoisseur who came to believe the US was capable of making wine every bit as good as Europe's. A tour of Monticello, his home in Virginia, reveals how important wine was to him: not only did he have a vast wine cellar, but he'd created a pulley system to bring wine to the dining room, ensuring he always had a bottle to hand. In 1774 he gave land to Italian winemaker Philip Mazzei, so he could plant grapes.

Unfortunately, the attempts at grape growing and winemaking failed, probably because of a combination of cold weather and phylloxera. But if he's in some kind of heaven, Jefferson must be smiling. After a rocky start, Virginia's wine country is developing at a rate that other regions can only envy.

Birth of a region

While the state has a diversity of climates, grape growing can be challenging. Virginia does get a moderating influence from the ocean, powered by the Gulf Stream, but these same conditions can create disasters like Hurricane Irene, which wiped out some vineyards in 2011. Winters can produce both mild weather and the occasional blizzard.

So perhaps it's not surprising that when Italian banker Gianni Zonin bought property in Virginia, he was strongly advised to grow tobacco. Zonin, the owner of Casa Vinicola Zonin, Italy's largest privately owned wine company, was visiting Monticello with his wife Silvana. Intrigued by the story of Jefferson and Mazzei, he contacted Dr Harold Olmo, a professor of viticulture at the University of California, Davis. Olmo advised him to look at the Napa Valley instead. Zonin believed, however, that Virginia's Piedmont area had fea-



"We could in the United States make as great a variety of wines as are made in Europe, not exactly of the same kinds, but doubtless as good."

Thomas Jefferson
(1743-1826)

tures in common with some regions of Italy. After looking at several properties, the Zonins bought a sheep farm. Barboursville wasn't just any property, as it had been owned by the statesman Governor James Barbour. Jefferson designed the mansion that once stood on the property; only ruins remain today, thanks to the world's worst Christmas present - a fire on Christmas Day, 1884.

Creating a vineyard on the property was always going to be a formidable challenge, not least because of the difficulty in sourcing the ideal clones, not to mention the right equipment, which had to be shipped from Italy. The first property manager, Italian agronomist Gabriele Rausse, later recalled that 50% of the

first vines died that winter. Not surprisingly, the early vintages were not a great success, with one New York Times writer saying they "exhibited a bouquet redolent of gym socks". Yet he persevered and Rausse has since been credited with helping to plant more than 49 vineyards and open 14 wineries. He now has his own winery, and consults to Monticello, where he recreated Jefferson's vineyard.

When winemaker Luca Paschina arrived from Italy in 1990, better quality plants were becoming available. "We are replanting old vineyards," says Paschina. "We started making better wines in the 1990s from vineyards that were three or four years old, than from vineyards planted in the 1970s." But, of course, when pioneering a new area it's also important to test different grapes, which partly explains Barboursville's very large wine range, which includes varieties from Nebbiolo to Vermentino to international varieties. The pinnacle is the Octagon blend of Merlot, Cabernet Franc, Petit Verdot and Cabernet Sauvignon, that has been called Virginia's best wine.

Today, Barboursville produces 37,000 cases, a large percentage of which is sold locally, or to surrounding states. The ultimate goal is to produce 50,000 cases. The property also has a notable restaurant - Palladio - while the Georgian villa and slave cabins have been turned into luxury accommodation. When Zonin bought the property, there were only a handful of wineries in Virginia. The state is now the fifth-largest producer of wines in the USA, and can boast 210 wineries - with more on the way.

Explosive growth

Worried that someone would buy the mountain behind his property and look down on his house, Jefferson bought 483 acres there in 1771. Today, the Montalto property houses an education centre, where a group of wineries from the Monticello Wine Trail gathered in September to host a tasting. The wine trail, one of eleven in the state, begins, of course,

with Monticello the historic home. But Monticello is also the name of a defined American Viticultural Area (AVA) - of which Virginia has six - which sits in the centre of the Piedmont area, along the eastern slopes of the Blue Ridge Mountains.

The people standing behind the pouring tables, representing 16 wineries, were a mix of professional winemakers and people from other industries who have made a lifestyle change. Some of the wineries had barely opened, evidence of how fast the industry is expanding, and some produce as few as 500 cases. "The most important change in Virginia's wine industry is the change from hobby to serious in the late 1990s with the dot com boom," explains Michael Shaps from Virginia Wineworks and Michael Shaps Wines, a custom crush facility. He adds that people came to Virginia in part because they didn't want to pay Napa Valley prices.

As for the wines on show, they were of mixed quality, with some best described as work in progress. Yet there were some beautifully made, elegant wines as well, such as those from King Family Vineyards. Overall, they were quite unlike the wines of the Napa Valley, being lighter and generally less alcoholic, and potentially more European in style. Meritage blends, Cabernet Franc, Petit Verdot and Viognier - a regional specialty - do well, while white Petit Manseng, usually associated with sweet wines of south west France, also shows promise.

With prices ranging from \$14.00 to \$40.00 per bottle, some of these wines would struggle to compete with French or Italian wines of the same price. But not only do many wineries not have problems selling their wines, they have a problem keeping up with demand, thanks to heavy tasting room traffic. That's because the Monticello Wine Trail snakes through some of the United States' most historic areas. The wineries, naturally, capture tourists on their way to see other things.

Not everyone who has opened a winery has been successful. Last year the foreclosure of the Kluge Estate Winery and Vineyard in Charlottesville hit the headlines, partly because it was owned by socialite Patricia Kluge. Still, one person's disaster is another

person's opportunity, and the winery was sold to Donald Trump for \$6.2m. "We're moving the winery into a new direction and starting fresh," explains general manager Kerry Woolard. She says the winery has been able to retain its winemakers and that the new owners are "investing a ton of money. More than they purchased it for." Woolard adds the winery has just signed a contract in Canada and will "explore Asia", because Trump has properties there.

Trump isn't the only person moving into Virginian wine, bringing wealth, status and

tastings. Standout wines include those from Boxwood Estate Winery, run by Rachel Martin, where Bordeaux superstar Stéphane Deroncourt consults. At the quirkier end, there are the Norton wines presented by Jennifer McCloud of Chrysalis Vineyards, who is on a mission to resurrect the native American, "foxy-tasting" grape.

Other assets

Given the proximity to Washington DC, the capital, perhaps it's no surprise to find that Virginian wineries benefit from competent governance. In 2008, for example, the Virginia Department of Agriculture and Consumer Services (VDACS) established the Virginia Winery Distribution Company to provide wholesale wine distribution services to wineries, allowing them to bypass the USA's complex three-tier distribution system. This means wineries can self-distribute 3,000 cases of wine a year to Virginian restaurants and retailers, a quirk which Jean Case is hoping to use to market Virginia's wines.

Governor Bob McDonnell and his wife Maureen have taken a particularly keen interest in the

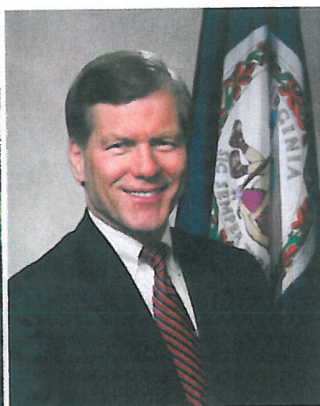
growing industry. McDonnell, who served in the US military, says the couple discovered wine while stationed in Germany. Two of McDonnell's priorities are to develop tourism further, and attract film companies to the state. McDonnell says that after discussions with his wife, First Lady McDonnell and Agriculture Secretary Todd Haymore, they decided that the wine trade had "tremendous potential" and added it to the list.

When the First Lady moved into the Executive Mansion in Richmond, Virginia's capital, she planted 10 vines in the tiny garden. She says they were planted in honour of "Acte 12, one of the first legislative acts passed by the Virginia House of Burgesses in 1619," which required that every landowner should plant 10 grape vines. Barbourville's winemaker Luca Paschina, along with viticulturalist Lucie Morton, helped to choose Chambourcin, a French-American hybrid. The first harvest will be in 2013.

For his part, Governor McDonnell has mandated that any tax revenue from wine has to be put back into wine research, marketing and



Barbourville winemaker Luca Paschina.



Governor Bob McDonnell has made building the wine industry a priority.

business acumen with him. In mid-September, another revamped winery opened its doors: Early Mountains Vineyard in Madison County. Originally Sweely Estate, it went bankrupt, and was bought by Steve Case, the co-founder of AOL, and his wife Jean. Initially sceptical about the quality of Virginian wines, they changed their minds after visiting wineries in the region. So confident are they about Virginia's wine future, that their remodelled winery comes with a plan to help boost Virginia's overall wine industry. Their new tasting room will also feature wines from seven wineries chosen by them: Barbourville, Breaux, Ankida Ridge, Chatham, King Valley, Linden and Thibaut-Janisson. Jean Case told The Washington Post that, as a native Virginian, she was keen to build exposure for the state's wines.

Northern Virginia is also experiencing a wine boom. Loudoun County, one of the wealthiest in the US, currently has 33 wineries - and expects to have 55 by the end of the year. Being humid, it's a tough place to grow grapes, but the winemakers have a can-do attitude and are happy to band together for

education. The legislation comes with a business incentive written into it: "If taxation revenue falls, so does the money to the wine industry, creating an incentive to keep revenues high," he says.

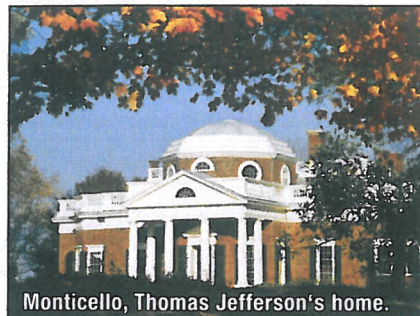
Secretary Haymore says that, previously, only a fraction of the wine taxes collected was returned to the industry and the new legislation has enabled more market research to be conducted. He adds that while not all the growth can be attributed to the funding incentives, the economic impact reviews have shown it's clearly been effective. "In the two years McDonnell has been in office, there have been double-digit sales increases. Wine-related jobs have increased from 3,000 five years ago, to 4,700 today," he says. "We've seen sales to China and sales to London."

Since 2005, wine-related visits to Virginia have climbed from 1m to 1.62m, a 62% increase; the number of grape growers has risen 47%, from 262 to 386; and the industry now contributes \$747m to the state economy, an increase of 10%.

An integrated approach

Virginia is the eighth-biggest state for tourism. Not only is it spectacularly beautiful, but it has some unique attractions, including its Civil War battlefields, its proximity to Washington DC, and tourist draws like Arlington Cemetery and the colonial towns of Williamsburg and Jamestown. Patrick Duffeler, the owner of Williamsburg Winery and the luxury Wedmore Place hotel, says Virginia's tourism, his-

tory and wine work well together, and offer a hook for wine promotions. On the 400th anniversary of the first settlement in Jamestown, for example, Duffeler and his winemaker Matthew G.R. Meyer headed to London, to present wines to top wine writers. In a display



Monticello, Thomas Jefferson's home.

Virginia's AVAs

Eastern Shore
Monticello
North Fork of Roanoke
George Washington Birthplace
Rocky Knob
Shenandoah Valley

of the kind of cooperation that the state's producers have adopted, they invited other wineries to come along. Duffeler is keen for more wineries to open. "There is no one winery in Virginia that will make an impact on the world market," he says. "It will be a collective effort."

Duffeler means what he says about a collective effort, opening the hotel so that other winemakers could show their wines. One win-

emaker, Jon Wehner of Chatham Vineyards, particularly impressed the visiting Europeans, both with his movie star good looks and his elegant Chardonnay, and Cabernet Franc, both relative bargains at \$19.00. Wehner says he sells about 75% of his wines at cellar door.

The export market

Virginian officials have recently gone on energetic trade missions around the world, taking the opportunity to talk up their wines. Yet, they say privately, building an export market is not their primary aim - they believe that creating a prestigious image abroad will build prestige at home, and encourage international wine tourism. And while some wineries do sell small amounts overseas, there is little incentive to export, given that the total production in the state is around half a million cases, and that good producers can sell most of their stock at the cellar door. But Christopher Parker, of New Horizon Wines, is working to introduce Virginian wines into the UK market. He sees great potential for the "core" wines of Viognier, Petit Verdot, Cabernet France and the blends. But will the high prices be a stumbling block? "Virginian wines are premium wines," he says. "It's not about the price, it's about the experience. Virginia has such a rich history that links so well with wine."

Parker believes the Virginian wine industry will double in size in the next decade. "Gianni Zonin investing in 1976 has resonated through the years," he says. "Virginia is about many wineries, not one, but when you look back and ask what the significant steps were, that was one."

It's hard to imagine that Virginia's wine industry can be anything but a major success in the coming years, given its many assets: strong tourism, high levels of investment money, the positive relationship with government and, above all, the willingness to promote one another. The only thing Virginia has in short supply is patience. While there are some wonderful wines being produced, there are still some less exciting ones as well, and perhaps it's too early to be running international comparison tastings with other regions, or making claims about regional quality that will take time to emerge. Then again, given the high level of enthusiasm, perhaps expecting patience is expecting too much. And Virginian wine is definitely going places. Thomas Jefferson would be pleased - but not surprised. He always had faith. ■

Virginia grape production

SOURCE: VIRGINIA WINE	2010 tons	2011 tons	2010 weighted average price	2011 weighted average price
Total	6,557	7,728	\$1,603	\$1,625
Vinifera	4,788	5,521	\$1,718	\$1,790
Hybrids	1,429	1,603	\$1,083	\$1,062
American natives	340	604	\$1,145	\$1,354
Top 4 white varieties				
Chardonnay	952	1,035	\$1,578	\$1,639
Viognier	440	554	\$1,854	\$1,942
Petit Manseng	132	201	\$1,787	\$1,934
Pinot Gris/Grigio	149	206	\$1,597	\$1,556
Top 4 red varieties				
Cabernet Franc	832	907	\$1,576	\$1,639
Merlot	710	856	\$1,712	\$1,756
Cabernet Sauvignon	451	516	\$1,771	\$1,894
Petit Verdot	317	358	\$1,969	\$1,983