

PREMIUMIZATION Panel Discussion

December 12th, 2017 • LODI WINEGRAPE COMMISSION



Introduction: Dr. Stephanie Bolton, Lodi Winegrape Commission

Panel: Jeff Bitter, Allied Grape Growers
 Markus Niggli, Borra Vineyards and Markus Wine Co.
 Stuart Spencer, Lodi Winegrape Commission (*moderator & panelist*)

Ask questions, ask the panel for examples, speak up – this is an interactive discussion!

The purpose of today is to OPEN the CONVERSATION on PREMIUMIZATION in Lodi. We are not telling you what to do or how to farm, nor are we guaranteeing a higher profit margin, but we want to offer stories and give you information to help you decide if moving into the premium market is the right choice for you.

COMMODITY vs. PREMIUM growing, a generalized chart.

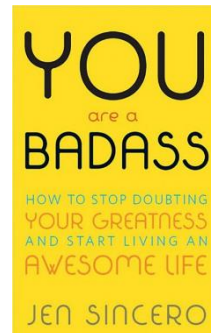
NOTE: One type is not better than the other type – it is good for our region to have a diversified grape market with BOTH commodity grape growing and premium winegrowing.

COMMODITY grape growing come • odd • it • tee a raw material or primary agricultural product that can be bought and sold, such as copper or coffee.	PREMIUM winegrowing pre • me • uhm relating to or denoting a product of superior quality and therefore a higher price.
production-oriented	quality-oriented
profit is based on yield	profit is based on quality
one large buyer	multiple small to medium buyers
the buyer has the power, not the grower	grower & buyer have a working relationship
the grower may not know which wines their grapes are going into	the grapes may go into a vineyard designated wine label and/or the buyer may keep each grower's lot separate
the grower is a price taker	the grower is a price maker
contract may state, "this is not a relationship"	growing may feel like more of a partnership, with mutual respect and trust
vineyard lifespan may be shorter due to excessive yields/need for high yields	vineyard lifespan may be longer since vines are balanced
less communication between the grower & buyer (both parties – "what can I sneak by...")	more communication the between grower & buyer (both parties - "I don't want to be sneaky because I want this buying opportunity to continue")
the grapes are like many others and there isn't necessarily anything special about them	grapes have unique qualities: distinguished site, sustainable certification, rare variety, historical vineyard, desirable flavor profile

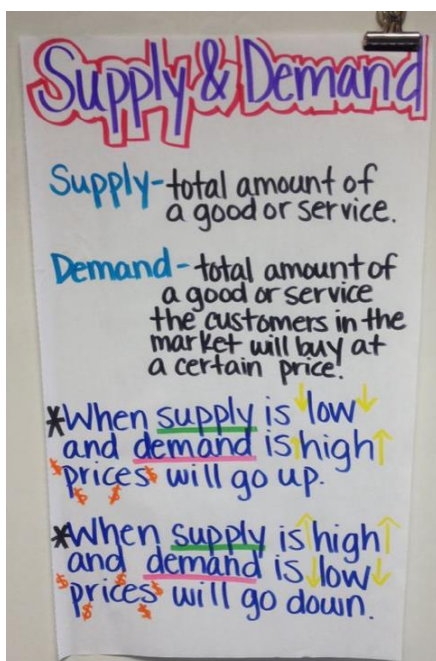
BEING A DESIRABLE GRAPE GROWER (in the eyes of a buyer/winemaker)

Opener: *Take a long, hard look in the mirror.*

Are you someone whom you would want to do business with?



- **Be a bada\$%, not an a%\$hole.** Make your buyer THANKFUL to buy from you – so thankful that this buyer wants to know if you have other growers to recommend who are as awesome as you are!
- **Keep your word, establish trust** – you don't want the buyer to even consider having to watch over your vineyard to make sure that certain practices are being done or to make sure that the grapes are coming from the vineyard that you say they are. If you say that you are going to do something, make sure that you do it. Don't over promise in the beginning. Agree upon clear, reasonable expectations from the start.
- **Deliver MORE QUALITY than expected** – you want the buyer to think the world of you so that they tell their friends or ask you for other grower recommendations.
- **Communicate** early & often – if there's a problem, let the buyer know ahead of time.
- **Be honest!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!** You want the buyer to describe you as a straight shooter. No one has time for smoke blowing.
- **Build a relationship.** Get to know your grape buyer and potential buyers. Invite your buyer to lunch, invite them to a game feed, ask them about their family and remember details about their life.



SUPPLY & DEMAND 101

Opener: *Lodi leads California in tons of grapes crushed for these grape varieties: Cabernet Sauvignon, Zinfandel, Chardonnay, Merlot, Pinot gris, Petite Sirah, Sauvignon blanc, Malbec, Petit Verdot, and several more... There is no question that the supply is high.*

- Perhaps start thinking about quality over quantity.
- In the Zinfandel market, quality is going to be the deciding factor in contracts because current supply is more than current demand.

TIPS to break into the PREMIUM market

- **Timing is key.** Do not approach buyers when you are desperate and in need of a buyer. Approach buyers when the market is short and they need your grapes. This may mean that you have to wait several years, but in the meantime, you can be getting your vineyard ready and practicing your marketing skills.
- **Figure out your true operational costs** (costs per ton & per acre) – including your time and the value of your land. Knowing what you're worth goes a long way in negotiations. Forget about the “add two zeros to a bottle cost” algorithm in the negotiation process. Telling a winemaker what they should be paying for grapes going into a bottle at a certain price is a quick way to lose a contract opportunity.
- **Brand your vineyard.** Name it, put a sign up, take pictures of it. Learn what makes it special. Have an elevator speech ready and use the strength of Lodi viticulture to back you up. Learn how to **tell your vineyard story** in a way that highlights the positives. Create a “sell sheet” to help you which includes high quality photographs and references from current buyers.
- Foster a **sustainable relationship** – you may have to start out small with an up-and-coming winemaker, but you then have the opportunity to grow along with their wine brand.
- **Show interest** in your targeted buyers. Really get to know their wine programs and find one that you get excited at the opportunity to be a part of. The matching of grower and winery is very important for a successful long-term contract.
- Offer **flexibility** to the buyer with a cash flow option. For example, let them pay you 20% by December 1st and then the remaining 80% by April 1st.
- **Do your research** and target small wineries that are nearby who have some room for Lodi grapes in their bottles (for example, many AVAs allow 15% to blend in from another AVA). Grab your family and go wine tasting, scouting out wineries you may want to sell to one day. Talk to the owners. You aren't good at being a salesperson? Maybe your wife or your son is!
- **Clean up your roadsides** and be ready to show off your vineyard to potential buyers.
- **Learn the winemaker vocabulary** by attending wine tastings and reading wine magazines to see what is trending in the wine world. These skills will help you to feel more confident when negotiating a contract.

STARTING MATERIAL

Opener: Take a close look at your vineyard blocks. Do you have a block that is capable of premiumization?

- Is your vineyard block cut out for premiumization?
 - ✓ if the flavor profile of the grapes is excellent, it ripens without problems, there is little disease, and you are set up for flexible management practices....then **YES**
 - ✗ If the vineyard is full of virus and has a hard time reaching sugars or if you have no flexibility in your management...then **NO**

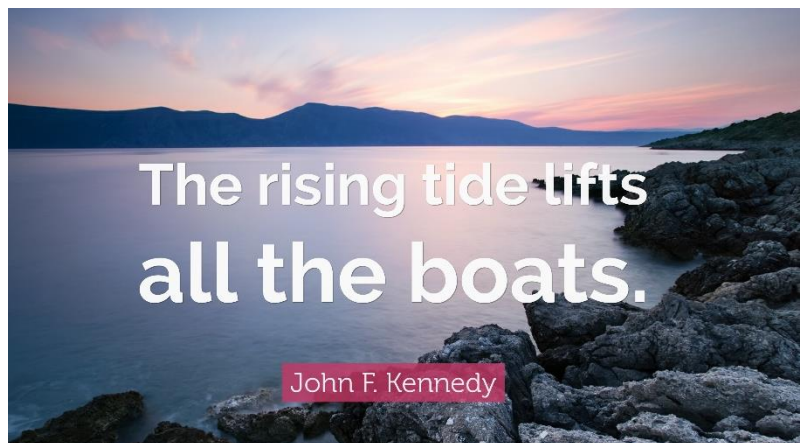
FARMER SKILLS

Opener: Getting premium contracts takes more of a hustle. You'll want to look at the skills and energy required to see if that sounds exciting to you.

- Are you ready to be a grape marketer and to brand your vineyards?
- Are you prepared to hustle for contracts?

Closing thoughts...

Lodi viticulture is **exceptional**. We have decades and **generations** of farming experience, and we are incredibly **efficient** while also being **stewards of the environment** and recognizing the value of our people and our community. We have so many wonderful, dedicated people who work for the greater good of building our reputation as a winegrowing region. We often hear “**Those Lodi grape growers are the best in California.**” If you feel that PREMIUMIZATION is the right decision for your business and your family, use Lodi’s amazing viticultural reputation to tap into the PREMIUM market and help **RISE the TIDE!**



The LODI WINEGRAPE COMMISSION has **grower education programs** planned and **region-wide initiatives** in the works to help both commodity & premium growers. Here’s just a peek at some of our plans:

“How to Tell the Lodi Story” Seminar

“Wine Tastings for the Serious Grape Grower”

“Vineyard Agritourism” & “Vineyard Beautification”

“Vineyard Branding” Seminar

Mechanization Demonstrations

Virus & Mealybug Management

Further reading to get you in the mood to HUSTLE: [You are a bada\\$%](#) by Jen Sincero.