

# California grapevines disappear as imports flood market for low-priced wine

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Faced with stagnant sales of low-priced wine and a glut of overseas competitors, grape growers in the Central Valley are ripping out their vines and replacing them with more profitable crops such as almonds.

The attrition of vineyards was highlighted in Wednesday's State of the Industry briefing at the Unified Wine & Grape Symposium, the annual trade show and convention for the state's wine industry. The presentation by Bay Area wine consultant Jon Fredrikson drew a standing-room-only crowd of more than 1,500 to the ballroom of the Hyatt Regency hotel across from the state Capitol.

Farmers, vintners and other wine professionals who gathered for the event learned that the market for lower-priced wines declined in 2014, while bottles priced at \$10 and above enjoyed growth as the economy improved.

"It's a tale of two different wine markets, with a widening gap between the two," Fredrikson said. "(Premium wines) have done well in the past year, and the prospects are terrific."

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According to a survey by Gomberg, Fredrikson & Associates, the consulting and research firm co-owned by Fredrikson, wine shipments to the U.S. from all sources, including foreign countries, rose to 375 million cases in 2014, a 1 percent increase over the previous year. An estimated 224 million of those cases were produced in California.

According to data from the Nielsen Company, table wines priced up to \$7, a segment that's considered the core of the domestic wine market, saw sales slip by 1.2 million cases in 2014. Wines priced above \$7 rose by more than 1.7 million cases during the same period, buoyed by a string of quality vintages and increased consumer confidence.

Allied Grape Growers, a Fresno-based grape growers association, estimates that 4 million tons of grapes were crushed statewide in 2014, which is 3 percent above average.

But the wine industry at large faces an increasingly crowded market, with 15,000 entities producing beverage alcohol in the United States. The rising popularity of hard cider, craft beer and cocktails is cutting into the market share for wine, especially everyday value wines, Fredrikson said.

Wines are also getting squeezed off restaurant menus. Fredrikson cited a survey by Winemetrics, a firm that analyzes wine sales at restaurants and other on-premise establishments, which showed wine listings by the bottle were down 16 percent in 2014. This analysis of 6,500 wine-oriented eateries also showed wine listings by the glass slipped 12 percent.

"Wine seems to be losing the leading-edge image that it's had in past years and decades," Fredrikson said. "People are getting so passionate about these other beverages."

The combined effect of stagnating sales of lower-end wines and the proliferation of inexpensive imports has changed the Central Valley landscape. About 22,000 acres of vineyards have been removed from the San Joaquin Valley, an area central to producing everyday wines, since the 2014 harvest ended in the fall. Farmers are replacing grapes with almonds and other alternate crops that can fetch more in the marketplace.

“Those bulldozers have been busy,” said Jeff Bitter, vice president of operations for Allied Grape Growers. “It’s likely those removals will continue at the current pace through spring. The reality is that we are struggling in the Central Valley to compete with other countries with regard to providing wine into the marketplace at three to five dollars a bottle.”

Unified Wine & Grape Symposium continues through Thursday at the Sacramento Convention Center and nearby hotels. The convention, which began Tuesday, was expected to draw more than 14,000 people and generate more than \$3 million in economic activity.

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