

California wineries forecast healthy sales in 2013

By Chris Rauber, San Francisco Business Times

A surprisingly healthy Bay Area wine grape harvest in 2012 is bolstering spirits of local vineyard and winery owners, while weak harvests in France and other competitors is another short-term boost.

That doesn't mean the region's wine industry is entirely out of the woods, after several tough years, but it gives folks some things to be happy about, along with stronger sales in some categories.

"We've seen an upswing in our sales" in 2012, said Tim Persson, recently appointed CEO of Napa's Hess Collection winery. "It's been very welcome, after several years of intermittent results."

Persson, who started as chief executive in July, said the industry as a whole is benefiting from the broader economic recovery and is experiencing something of a supply-demand rebalancing after years of "a glut of supply relative to demand" in international wine markets.

But Bay Area wineries still face dangerous potential icebergs, including the fears that "debt wranglings" in Washington, D.C., could tip the economy back into recession or otherwise weaken the value of the dollar.

Dangers more specific to the wine business also lurk in the coming year and the years ahead.

"The wine business itself is very robust and has pulled out of the recession pretty nicely," said Rob Carrol, a San Francisco-based partner at Nixon Peabody LLP law firm and head

of its Beverage Alcohol Group. But some higher-priced wines could continue to suffer since recession-tutored consumers “realize there are some fine wines at the lower price levels.”

Carrol and others, including Persson, believe the industry is likely to see further consolidation in coming years at all levels, from the rapidly merging distribution channels to vineyards and wineries in the Bay Area’s backyard.