

# The California Négocce

## Bare-bones operations yield fleshy results

By JOHN INTARDONATO

It's becoming much easier to buy high-quality wines at low prices, a welcome scenario in an economic climate where a gallon of milk is flirting with \$5. Vineyards were planted hand-over-fist during the global wine boom of the 1990s in major regions like Australia, Chile, the South of France and, most significant for those who prefer to drink "local," California. Subsequently, there's a lot of very good juice out there, and a new breed of California wine producer is buying it all up.

These savvy insiders are generally very well-connected wine industry veterans who were prepared to capitalize on what had become a wine flood. Obtaining quality fruit, juice and even finished wines at bargain prices is their basic business plan, but these 21st-century *négociants* have also figured out how to cut the right corners in order to bottle very respectable, and often rather exceptional, wine, while streamlining production costs. This strategy makes it possible to place top-quality wines on America's dinner table without owning a single vineyard or even a winery.

For more than 600 years, generations of European wine *négociants* have been employing similar tactics, yet their modern American counterparts are not necessarily adhering to the basic, long-established premise of selling fair wine at a fair price. Whenever possible, the New Age *négocce* is vying to send very high-quality wine to market at the lowest, most competitive price.

The role of the American wine *négociant* actually dates to the early 1900s, when California bulk wine was shipped to East Coast cities where it was bottled and sold to newly arrived, wine-thirsty European immigrants. Industry observers credit its return after Prohibition to two young wine entrepreneurs named Ernest and Julio Gallo, who went in search of quality North Coast wine to flesh out their Central Valley fruit, and to supplement their expanding needs.

Back then, it was common knowledge that the Gallo brothers often bought a large share of the wine being made in both Napa and Sonoma counties, as well as the bulk of the region's grape crop. Sourcing the contents for today's well-bred bargains is a more delicate matter. Confidentiality guides every transaction, so it is next to impossible to trace the actual bloodlines of any given bottle. And in order to keep the relationship between conventional winery and



bargain-hunter *négocce* mutually beneficial, secrecy is absolutely paramount.

The current California grape glut has made it possible to again snap up — albeit discreetly — the oversupply from premium Central Coast and North Coast wineries, even fruit from some of Napa's and Sonoma's most distinguished properties. Much of the wine being bought as bulk from ultrapremium wineries is the same wine the seller is bottling, labeling and pricing at \$50, \$75 and \$100-plus prices. The *négocce* who secures the excess is, in theory, bottling, labeling and selling the same wines at a mere fraction of the price of the original.

While a lot of *négocce* bottlings sport "California" designations, more and more varietal bottlings boast sterling

provenances such as Oakville for Cabernet and Russian River Valley for Pinot. And, like traditional bottles bearing broader appellations, such as a Napa Valley designation, the contents are a blend of lots from subappellations (think Rutherford, Mt. Veeder, Diamond Mountain, etc.). The same holds true, of course, for Sonoma and Mendocino, Monterey and Santa Lucia Highlands. And when you buy a generic store label (such as Safeway's, for example), a restaurant's private bottling or pull the cork on a hotel chain's welcoming in-room split, there's a good chance that a *négociant* packaged it.

While taking advantage of periodic oversupplies of wine is paramount, there are other factors that also create opportunity. For example, producers sometimes use their young wines as a cash crop; rather than wait three to four years to oak age, rack, bottle and distribute it, they may choose to sell it off in bulk for cash flow. Another factor is that more wine is always made than is bottled by a winery, even in Napa and Sonoma counties, where vineyard land is at a premium. Consider that every luxury or reserve wine has to meet a

According to Cameron Hughes, owner of his namesake wine company, being a wine *négociant* is a question of simple arithmetic. "We don't own vineyards or ferment wine. We don't feel we have to. Wine just doesn't cost that much to make," he said. "Just do the math: Grapes make up about seven to eight percent of the cost, and making the wine another nine percent. With packaging, taxes and marketing, another 12 percent. Wholesaling and retail take up over 50 percent. So cut the fat and make money."

Hughes became interested in wine while working for the Wine Group at the original Franzia Winery in Ripon. "I became a cellar rat, and in the time I spent there, I think I learned about efficiency, and about giving customers good quality at the lowest price available." He later worked for a wine company in the Bay Area, where he says he learned the *négociant* side. "I knew what they were paying for the wine, and then saw the prices they were selling it for. That convinced me."

Because he believes that all of the wines he sources are so exceptional, they are offered as a Lot Series, which means they are never blended. "I bottle it unadulterated and never 'back blend' into lesser quality wines. This, I feel, preserves the ultrapremium quality of the original lot of wine. It preserves each lot's integrity, making it an exceptional value. Each Lot [Series] is numbered to maintain the integrity of the original wine, such as Lot 14 Merlot." His are nominally priced between \$9 and \$20.

Despite an ill-timed launch three days after 9/11 when wine sales had plummeted, Hughes plowed ahead. "I opened on September 14, 2001, and thought, 'What did I get myself into?' I had a tank of this great Syrah, a big wine, aged in French Oak, everything was done right by the winemaker, but no one would buy it because it was from Lodi. Then I called the guy at Costco, who didn't know me from Adam, and he told me to drop a sample off. He called back and said he'd take everything I had. That was my Lot 1. My Lot 2 was a killer Dry Creek Zin."

Hughes notes that he has released as many as 40 wines, including a Bordeaux red from Saint-Emilion, as well as a German Riesling. He uses aging and blending facilities in Modesto and American Canyon, bottles in Sonoma County and has a national distribution network. Current production is about 125,000 cases with plans to double that this year. He largely relies on his own palate for sourcing juice and wine, but also hires a consulting winemaker. "We just call him John. He also works for a high-end winery, who might not appreciate the notoriety."

Joe Briggs is making the wine for Greg Popovich at Castle Rock Wine company. He has a first and last name because he owns August Briggs winery in Calistoga and answers to no one. "He's not just my consulting winemaker, he's also a very close friend," notes Popovich, whose LA-based *négociant* firm sold 370,000 cases in 2007 (235,000 in Pinot Noir alone) and should hit 500,000 this year.

To offer quality wine at a reasonable price, Popovich says production costs must be fat-free. "We operate our whole company with only 6 employees. I've seen producers our size with as many as 100 employees. I worked in the wine business for over 20 years, and I worked in wineries that were successful until the owners decided they had to build temples to themselves."

He says he grounds his margins in realism: "We work with our growers, and we pay our bills on time. They appreciate that, and it gives us better leverage."

Popovich started his single-label company about 15 years ago, and while California fruit fuels the engine, he also buys Washington and Oregon grapes and wine as well. He uses production facilities at Sebastiani Vineyards & Winery in Sonoma, where he has registered his own bond. Additionally, he leases



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**Above:** Speaking of his ability to prosper in a crowded marketplace, Castle Rock owner Greg Popovich says, "We work with our growers, and we pay our bills on time. They appreciate that, and it gives us better leverage."

**Right:** Cameron Hughes explains his eponymous *négoce* company's "cut-the-fat-and-make-money" philosophy thusly: "We don't own vineyards or ferment wine. We don't feel we have to."

