



GROWER-WINERY RELATIONS: IT CAN BE A ROUGH RIDE



The Vineyard and Winery Relationship: The Key to Fine Wine Northwestern Michigan Winegrape Kickoff

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- Making wine is all about relationships between people and vines
- Grape growers and wine makers should share in the risk and rewards
- Teamwork and communication makes great wines
- It's not about you, it's about us!



Vineyards and Wineries: joined at the hip



Chateau Montrose in Bordeaux

- Wine and Grapes: a unique relationship
- The European system of estate vineyards
- U.S. blend of estate and independent vineyards

Historic Hopewell Vineyard, PA



The Current Reality

- Many independent vineyards fail to deliver the quality of grapes expected by the wineries
- Winemakers fail to communicate their expectations and needs to the grower
- Growers don't taste their wineries' wines
- Wine makers don't understand viticulture, the cost of production and do not visit their vineyards,
- Growers do not understand the goals of the winery, e.g. wine quality and style, price point, etc.
- Growers overcrop their vines, wine quality suffers
- The weather is extremely unpredictable, every year is different (see 2009 and 2010 for extreme examples)
- Prices are depressed, costs are high,

Working Together Instead of Against One Another

- Shifting from antagonistic relationship to one based on mutual cooperation and trust
- Plan and work towards a common goal
- The grower's job is to grow grapes that make wines that the winery can sell
- Growers: bite the bullet...it's about making the wine maker happy
- Find working examples and find out how and why they work!

The Relationship: Matching Goals, Economics and Temperament

- Try to match these qualities:
 - Grapes to wines
 - Shared values, respect and goals – business and wine
 - Personality match
 - Professionalism
 - Business stability
 - Communication skills and willingness
 - Trust
- Business relationships and friendships can coexist (but it is a business first!)
- Spend time together in the vineyard and winery
- Look for successful examples



Pinnacle Ridge Vineyard and Round Ridge Vineyard: a beautiful partnership



How to Make Good Wine Together



The Adelsheim Chardonnay Example



It's not easy, but it can be done!

Vineyard Objectives

- Growing the best grapes possible. Balancing production and quality and meeting or exceeding winery specifications.
- Secure the best price possible
- Selling every berry you grow
- Getting paid on time
- Sharing the risk of farming: acreage contracts
- Creating a stable and reliable of customer base
- Team work between vineyard and winery
- Generate accurate crop estimates
- Minimizing harvest complications



The Plight of the Independent Vineyard

- Making ends meet
 - The ever increasing costs of farming: inputs and inflation
 - Grape prices are holding steady
- Quantity vs. quality conundrum in the vineyard
 - Market vs. viticulture
 - Site realities
 - Viticulture realities
- Estate vineyards: don't let the vineyard become the poor stepchild of wine production

A Successful Independent Vineyard Story

- Grow good grapes and they will come
- Matching viticulture to the wine
- Getting a good price (\$10-12K gross/ac/yr)
- Consistency of product



What the Winery Needs

- High quality (ripe, defect free) raw materials that will allow it to make wines of a certain style at a particular price point
- Consistent, reliable, secure, high quality product from year to year
- Input into how the grapes are grown
- Participation in determining grape maturity and the harvest date
- Accurate assessment of yields and fruit quality
- Educating growers about winery goals
- Pay growers a fair price and on time
- Have a strategy to cope with up and down vintages.



Starting Out: what you need to know

- It's a business. Please have a plan!
- The great conundrum: what are the right species/varieties and clones?
 - Viticulture considerations: what are the most suitable grapes for the site
 - Marketing considerations: what grapes or wines are in highest demand
- What kind of grapes do you grow? What is the type, style and price point of the wine?
- Identify, study and meet your customers
- Know your costs! Determine prices and farming costs and what you need in return to make it economically sustainable.
- Know what the wineries are charging for their wines
- Understand the local and regional markets for grapes and wines



Finding a Home for Your Grapes

Your Customers

- Local wineries
- In-state wineries
- Out of state wineries
- Bulk wine and juice producers
- Home wine makers



Customer Considerations

- Match the quality of your grapes to the quality and price of their wines
- Distance: transportation time and costs
- Reputation: do they pay on time, are they going to be around?
- How many wineries to sell to (eggs in a basket)?

Grape Prices

- No matter what species/variety: grow high quality grapes
 - Reputation matters!
 - Face to face negotiation
 - Know the macro and micro economics of the wine/grape industry
 - Get the facts-knowledge is critical
 - How much are do your neighbor's grapes sell for?
 - State statistics for wine grapes
 - Neighbor states' pricing data
 - Bottle prices of your customers – understand the trickle down economics of the wine business
 - A guiding principle: 100x bottle price formula: the Beckstoffer To Kalon example
- Playing the spot market: don't get burned
 - The value of long term relationships/contracts
 - Quality and quantity incentives
 - Give and take – after the vintage is over, try the wine and make judgments based on real wine quality



Ways of Doing Business

- Handshake agreements: common but unreliable
- Contracts: why contracts make sense
 - A written reminder of long ago discussions
 - A check list of responsibilities
 - An incentive to fulfill obligations
 - A legal document in case of dispute or emergency
- Impediments to contracts
 - Too much hassle
 - Shows mistrust or disrespect for the other party
 - May involve lawyers

Grape Contracts



- A written record of what you discussed months earlier that you can refer to during the chaos of harvest
 - Prices
 - Amounts
 - Conditions
- A legally binding document just in case things go wrong
- Think about what you need
- Think about what the other guy wants/needs
- Find one you are comfortable with: one page or 20 pages, it should fit you.
- Grape growing is a business. Why not treat it like one?

Contract Content

- Varieties/clones
- Vintage
- Tons
- Acreage – designate rows, area
- Prices
- Payment schedule
- Legalese
- Bonus clauses – brix, bottle price
- Deductions
- Transfer of title
- Force Majeure
- Life – trial period then go
- Attorney's fees

WINEGRAPE CONTRACT		VINTAGE:												
<p>This agreement made on _____ by and between Temperance Hill Vineyard of Salem, Oregon, hereinafter referred to as Grower, and _____ hereinafter referred to as Winery, who agrees to buy winegrapes at the following prices and subject to the following conditions of sale as set forth below.</p> <p>Whereas, Temperance Hill Vineyard has 100 acres of varietal winegrapes located at 6020 Bethel Heights Road NW, Salem, Oregon, 97304 it is agreed as follows:</p> <p>Grower agrees to sell, and Winery agrees to buy the following grape varieties and quantities determined by tonnage or on an acreage basis:</p> <ol style="list-style-type: none"> <p>Winery agrees to pay Grower the following prices:</p> <table><tbody><tr><td>1. _____ variety and clone</td><td>Price per acre: _____ Total acres: _____ Max price per ton: _____ Field: _____ Row #'s: _____</td><td>Notes: _____</td></tr><tr><td>2. _____ variety and clone</td><td>Price per acre: _____ Total acres: _____ Max price per ton: _____ Field: _____ Row #'s: _____</td><td>Notes: _____</td></tr><tr><td>3. _____ variety and clone</td><td>Tons: _____ Quality parameters: _____</td><td>Price: _____</td></tr><tr><td>4. _____ variety and clone</td><td>Tons: _____ Quality parameters: _____</td><td>Price: _____</td></tr></tbody></table> <p>Additional Grapes: _____</p>			1. _____ variety and clone	Price per acre: _____ Total acres: _____ Max price per ton: _____ Field: _____ Row #'s: _____	Notes: _____	2. _____ variety and clone	Price per acre: _____ Total acres: _____ Max price per ton: _____ Field: _____ Row #'s: _____	Notes: _____	3. _____ variety and clone	Tons: _____ Quality parameters: _____	Price: _____	4. _____ variety and clone	Tons: _____ Quality parameters: _____	Price: _____
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3. _____ variety and clone	Tons: _____ Quality parameters: _____	Price: _____												
4. _____ variety and clone	Tons: _____ Quality parameters: _____	Price: _____												

Payment

- Payment scheduling
 - 30 days
 - Deposits and up front payments
 - Scheduled payments
- Interest: everyone else collects it, so should you
- Communication for late payments
- Non Payment
 - Collection agencies
 - Agricultural liens
 - Patience

YOUR CONTRACT INFO 284458

CUSTOMER'S ORDER NO. <u>1</u>		DATE <u>04 VINTAGE</u>				
NAME <u>WINERY XYZ</u>						
ADDRESS _____						
CITY, STATE, ZIP _____						
SOLD BY	CASH	C.O.D.	CHARGE	ON ACCT	MOBE. NETD.	PAID OUT
<u>MTC</u>						
QUAN.	DESCRIPTION		PRICE	AMOUNT		
1 LOT	PINOT NOIR		2K	4000	-	
2 LOT	CHARDONNAY		1500	15,000	-	
3						
4	PAYMENT TERMS					
5						
6						
7						
8						
9						
10						
11						
12						
RECEIVED BY _____						

4728 KEEP THIS SLIP FOR REFERENCE

Acreage Contracts

- Only for vineyards with a track record
- Shared risk and reward
- Best for quality driven wine growing (high quality red wine varieties)
- Encourages consistency in grapes and wines
- Demands great communication and teamwork
- Must be able to accurately estimate yields
- Works well with people who work well together

Requirements

- Vineyard practices, e.g. chemicals, cultural practices etc.
- Yields and thinning – how much and who pays?
- Yield verification after crop estimation, after veraison
- Delivery
 - Who, When, Where, How, we know What
- Container size, cleaning and return to vineyard
- Sampling – who, how often, what numbers? Third party verification
 - The flavor conundrum
- Harvest date and method
- Determination of Weight – keep those tickets!
- Tonnage reduction OR over production
- MOG
- Rejection conditions

Making the Deal

- When to talk – after the vintage, assess the wine and talk about grapes for next vintage
- Give and take – the art of compromise
- Make a list of what is essential
 - For winery
 - For vineyard
- Set lower limits and exceed them
- Sweat the details – contracts can be long or short but they must be comprehensive
- Growers and winemakers: you should be signing contracts now!

Harvest

- Sampling: both parties sample
- Pulling the trigger: it should be a team decision but the wine maker takes the lead
- Sweat the weather together and keep each other's needs in mind
- Logistics: planning makes for a smoother execution
- Teamwork and communication
- Patience and tolerance
- Use the contract as a reference resource
- At the crush pad: don't say anything you will regret later



Quality

- Quality must be the most important goal in the vineyard and the winery.
- An ounce of prevention...
- Don't be afraid to reject a load of grapes but make it absolutely clear why you are not accepting them
- Sort grapes in the field and at the winery
- The winery must do its part to insure quality. A bad wine is not always the vineyard's fault (but it may be).
- Reward outstanding quality

Some Tips...

1. Wineries should strive to keep vineyards or even sections of vineyards in smaller, separate identifiable lots.
2. Vineyards and wineries should seek out and develop long term relationships and contracts
3. Wineries should not accuse growers of producing crappy grapes during harvest. Wait until spring to assess the wines
4. Wineries should conduct tastings with growers in the spring to highlight positive and negative aspects of wines for educational purposes and constantly seek to improve the quality of grapes and the relationship
5. Wineries should reward outstanding growers and share wines with them.
6. Payment for grapes is not optional or something done when funds are available or convenient for the winery.
7. If a winery cannot make a payment on time, tell the grower right away and work something out.
8. Communicate: talk, talk, talk, be open and honest. It's about 2 businesses and families
9. Wine makers: get into the vineyard and understand grower needs
10. Growers: taste and understand wines and winery goals



Questions?

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