

California vintners court fast-growing Asia market

By Chris Macias, Sacramento Bee

LODI — With bottles ready for tasting, a group of Lodi wine producers waited anxiously last week for a delegation of monied business people they hoped to impress. The vintners burst into applause when the group finally arrived, over an hour late.

These honored guests weren't Hollywood moguls or Silicon Valley venture capitalists. They were potential customers and investors from the city of Shenyang in northern China, coming to check out Lodi as a potential source of affordable wine to supply China's rapidly growing market.

The rising middle class in China and other Asian-Pacific countries is fueling one of the wine world's fastest growing markets. According to the McKinsey Global Institute, China is expected to add 235 million consumers by 2020 and will account for 20 percent of the global luxury market by 2015.

U.S. wineries exported \$62 million of wine to China in 2011, a 42 percent increase from 2010, according to the Wine Institute, an advocacy group for California's \$61.5 billion wine industry. Exports to Hong Kong jumped by 39 percent in the same period, to \$163 million.

Those numbers — while small compared to the total market — have grabbed the attention of wineries looking for alternatives to the cutthroat competition of U.S. wine sales. California wine comprises 90 percent of U.S. exports.

"If you structure the deal correctly, it's both safer and more profitable to sell to China than it is to sell domestically," said Frank Gayaldo, director of international development for

the Lodi District Chamber of Commerce, and organizer of last week's tasting.

"Imports are eating up roughly 20 percent of our domestic (wine) market, and it's difficult for small wineries to get good distribution contracts."

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