

Wine Industry Intent on Truly Going Green

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The wine industry is making a concerted effort to adopt environmentally responsible practices but sees a need for better education among both consumers and professionals on many 'green' issues, according to two surveys of wine industry professionals and executives conducted by Robert Smiley, professor and director of wine studies in the Graduate School of Management at the University of California, Davis.

'These industry leaders are very concerned that their firms authentically 'walk-the-walk' when it comes to environmental issues and that they not be accused of just 'greenwashing' their businesses,' Smiley said.

He added that while survey participants reported that the high prices of gasoline and other inputs have negatively impacted their costs and revenues, they remain optimistic that the industry will ride out the current nationwide economic downturn.

Smiley reported his findings from the recent surveys at 8:30 a.m. Tuesday, Sept. 23, during the Wine Industry Financial Symposium held at the Napa Valley Marriott in Napa, Calif.

Survey of wine executives

As part of his 10th annual wine executives survey, Smiley gathered the opinions and projections of 28 heads of key wine operations, ranging from growers to vintners to distributors.

All of the executives interviewed said their firms were actively engaged in environmentally friendly business activities, such as package redesign, use of biodiesel fuel, wastewater reclamation and developing 'green' building plans. They expressed a concern, however, over the lack of clarity in the industry and among consumers over what many environmental terms like 'sustainable,' 'green,' and 'low carbon footprint' actually mean and how industry can genuinely adopt environmentally sensitive practices.

Survey respondents also said that rising prices for gas, electricity, supplies and transportation have significantly raised the cost of doing business across the industry at the same time that wine consumption has been hurt by the general economic downturn. They reported that consumers are responding to rising gas and food prices by dining out less and buying less wine, and noted that wine sales at both casual and high-end restaurants have suffered as a result.

'Despite that downturn in sales, the majority of the wine executives surveyed said that they believe the industry will survive the current economic slump on the strength of non-restaurant sales, particularly the moderately priced \$10-\$14 wines,' Smiley said. 'They are confident that the millennial generation's love of wine provides a solid foundation for the industry.'

Respondents to the executive survey also reported that:

Consolidation of distributors is not having a significant impact on large wine producers but is making it difficult for small- to medium-sized wineries to gain a market share.

There is, or likely will be, a grape shortage in Napa and Sonoma counties, especially of major varieties such as Cabernet Sauvignon and Pinot Noir.

There is concern that some Central Valley growers will replace wine grape vineyards with other crops.

Major changes in wine packaging during the next five to 10 years are anticipated, with most producers using screw caps rather than corks and less expensive wines being sold in soft-sided packages rather than bottles.

Survey of wine professionals

Smiley's industry trends survey of wine professionals, now in its 17th year, included responses from 73 vineyard and winery representatives from throughout California.

'One of the biggest changes reflected in this survey was that consumers are increasingly viewing wine as an integral part of a healthy lifestyle,' said Smiley. 'And for the first time, these wine professionals said that they are finding consumers to be more accepting of alternative packaging.'

This survey, like the wine executives survey, also reflected a marked increase in businesses using sustainable practices. Eighty percent of the vineyard representatives participating in the survey said they have used sustainable farming practices on at least part of their acreage during 2008. And 46 percent of the respondents said they have been, or plan to be, marketing their grapes as 'sustainable' or 'organic' during the current or upcoming year.

Survey participants from vineyard operations also reported that they are reducing their use of vineyard chemicals and mechanized equipment to deal with the rising cost of inputs.

They predicted that the growing consumer perception of wine as an everyday beverage and the rising quality of California wines relative to their prices are the top factors that will impact California wine sales during the next three years. Growing recognition of the health benefits of wine, as well as the deregulation of direct shipping of wine, will likely also provide

short-term boosts for the industry, they projected.

And for the first time, survey participants from the winery side of the industry noted that their firms are planning to introduce new, lighter-weight packaging for their wines.

Results of both the wine executives and wine professionals surveys are available online at www.gsm.ucdavis.edu/2008winestudy.

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