

Nat DiBuduo



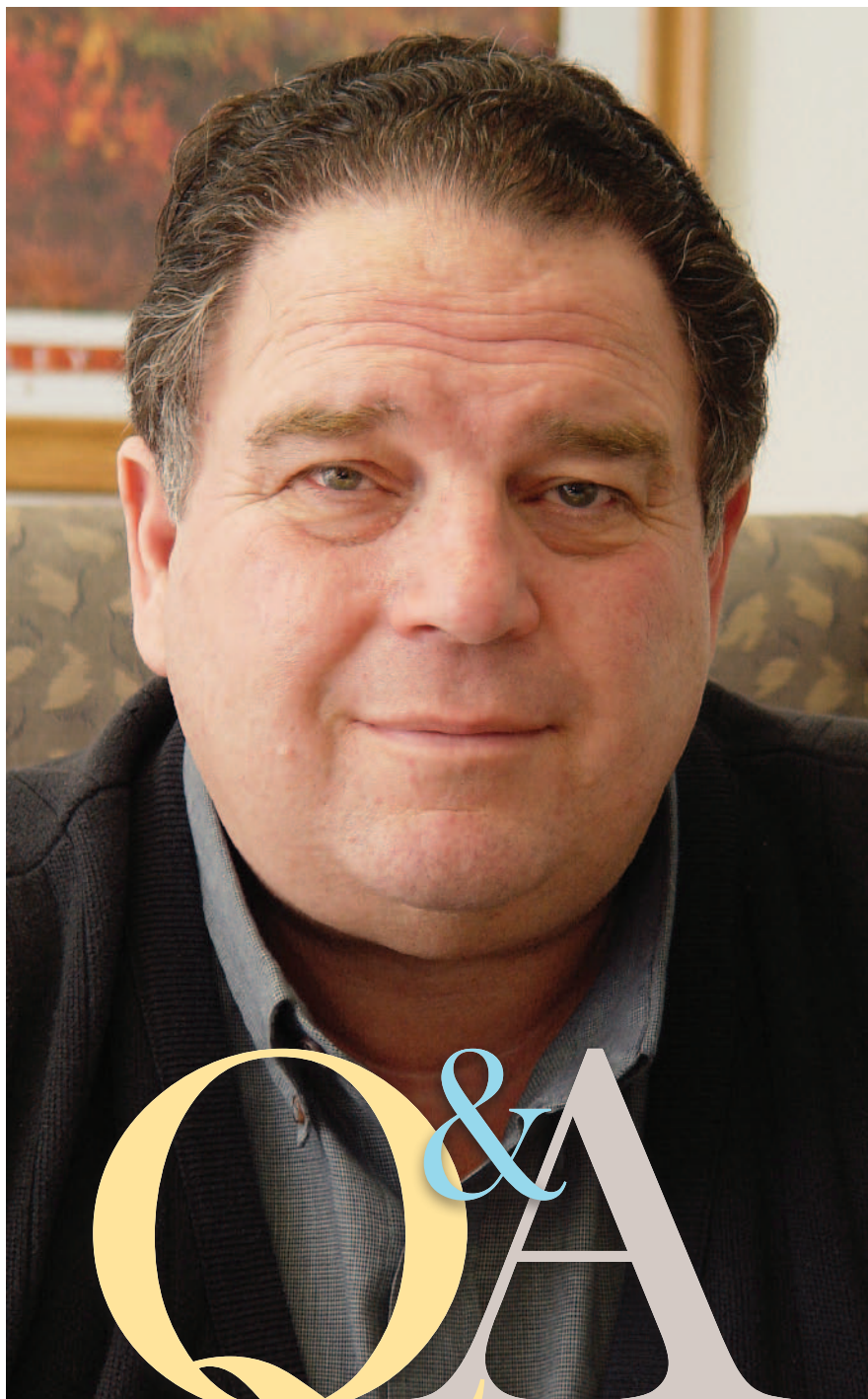
Allied Grape Growers
president upbeat
about grape market

By Ted Rieger, senior feature editor

Nat DiBuduo is president and CEO of Fresno-based Allied Grape Growers (AGG), a wine grape marketing association representing nearly 600 member growers. AGG members farm 30,000 acres throughout California that produce up to 285,000 tons annually. The association's main function is to provide competitive marketing of its members' grapes and maintain year-round communication with growers and vintners to better understand market conditions and opportunities. Allied sells wine and concentrate grapes to more than 100 vintners and processors in the North Coast, Central Coast, Lodi and San Joaquin Valley regions.

When DiBuduo joined AGG in May 2000, about two-thirds of its members' acreage was in the San Joaquin Valley, the rest in the North Coast and Central Coast regions. Since that time, nearly 150,000 acres of less-profitable and under-producing vineyards have been removed from the San Joaquin Valley, and member acreage is now split 50/50 between the valley and coastal regions. However, San Joaquin Valley growers still provide about two-thirds of Allied's total annual sales tonnage.

DiBuduo was born and raised in the Fresno area and grew up in the



Q&A

grapegrowing business. His family was among the first to plant varietal wine grapes in the San Joaquin Valley in the 1970s.

Before joining AGG, DiBuduo was executive manager of Capital Agricultural Property Services Inc., responsible for managing 22,000 acres of agricultural land in California and Arizona, from 1994 to 2000. He owned and operated his own company, DiBuduo Agri-Resource Services, an agricultural farm management and consulting firm. He holds a bachelor's degree in plant science/viticulture with a minor in business administration from California State University, Fresno, and is a graduate of the California Agricultural Leadership Program.

In 2007, DiBuduo was named Agriculturalist of the Year by the Greater Fresno Area Chamber of Commerce, and in 2008 was chosen Fresno State Distinguished Alumnus of the Year.

V&WM: *What is the outlook for grape sales and price trends?*

Nat DiBuduo (ND): The price trends for 2011 were stronger than for 2010. In general, we saw a 20% increase in prices for many varieties. In the Central Coast, there was an increase even prior to the

Central Coast wineries came to the San Joaquin Valley to buy grapes in 2011 due to their short crop. Overall, it's not like prices were in 1999 and 2000, but the price trend is good.

V&WM: *Do you have a prediction on what the grape price change or increase will be for 2012?*

ND: I see no indicator at this time why prices would fall based on demand we are already seeing, and what the 2011 California crush appears to have been. Prices should at the very least remain constant and may strengthen for some varieties and regions.

V&WM: *How does it look for value-priced wines versus high-end?*

ND: Consumers have been given good quality and good value wines in recent years, and I think most consumers are smarter wine buyers today. Demand and consumption in the value-priced wine category continues to strengthen.

NAT DIBUDUO'S RESUME

- **Birthplace:** Fresno, Calif.
- **Education:** B.S., plant science/viticulture with a minor in business administration, California State University, Fresno
- **Current Position:** President and CEO, Allied Grape Growers
- **Previous Experience:** Executive manager, Capital Agricultural Property Services Inc. Owned DiBuduo Agri-Resource Services, an agricultural farm management and consulting firm.
- **Personal:** DiBuduo enjoys spending time with family on trips to the Central Coast. "I enjoy watching the ocean," he said.

spring frosts there, which drove those prices even higher. Prices for North Coast grapes are more stabilized, although they were a little better than in 2010. In the San Joaquin Valley, prices were strong in 2011 from the get-go, largely driven by demand for high-quality, competitively priced wines. Also, more

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One of the biggest challenges is in the \$25-\$45 bottle range, but I think consumers will buy in that price range again as their economic situations improve. American consumers are drinking more wine in general, and that's a positive trend.

V&WM: *Do you see new vineyard planting increasing in the near term, given that grape demand is up?*

ND: I think it is time to plant more grapes in California, but I would not encourage people to plant on speculation. Growers need to plant smart, work with wineries that know what varieties they need, and plant with contracts. Wineries are not only offering planting contracts, but also offering long-term grape purchasing contracts. That was happening back in the late 1990s, but when the oversupply hit, the buying contracts went to year to year.

Today, Allied has mostly multi-year purchasing contracts for member growers of three to five years. Almost everything going in the San Joaquin Valley has been done with planting contracts, and we've seen a fair amount of grapes going back in the ground. Over the past 10 years, 150,000 acres of grapes were pulled out in the San Joaquin Valley, about half of that Thompson seedless. There are still vineyards being pulled out, but these growers have other options. They can plant 3 acres of almonds for the same price as planting 1 acre of grapes, and almond prices are still higher than the prices of some grape varieties. We see some planting in the North Coast and Central Coast, but mostly redevelopment and replacement of older vineyards, commonly winery-owned vineyards. I hope to see more planting contracts, and

long-term buying contracts at all price-points.

V&WM: *What do you see in variety pricing and demand trends? For example, is moscato production meeting demand, or is there a danger of excess in a few years?*

ND: I'm hoping variety pricing will pick up a little bit this year. Moscato production – including muscat blanc and muscat of Alexandria – is not meeting demand. Last year I could have sold all the moscato I had three times. It's being planted on better ground, and we're getting good-quality production along with good tonnage. We're also seeing a lot of it being imported, and U.S. wineries are even producing American-labeled moscato that can have up to 25% foreign-produced wine. I don't think there is a danger of excess very soon, because right now it's selling



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off the shelf; however, I would still not plant moscato on speculation, without a contract.

We are seeing more planting contracts in the San Joaquin Valley for grapes for both red and white generic wines such as rubired, barbera, French colombar, chenin blanc and white zinfandel.

V&WM: *Recently completed field trials in the San Joaquin Valley showed that petit verdot, malbec, tannat and petite sirah can produce good-quality red wine. Are growers increasing acreage of these for varietal production?*

ND: Petite sirah is being planted for varietal wine production in the San Joaquin Valley under contract. We're starting to see some planting of petit verdot on a limited commercial scale. But I haven't seen the big wineries come out and offer contracts for planting significant

acreage for these "newer" varieties. Jim Wolpert and his UC Davis researchers have done some great work in evaluating many different varieties, but I don't think we want to proceed down the same road we went with syrah a few years ago, which resulted in excess production in relation to consumer demand. I think the jury's still out on the lesser-known varieties until the wineries step up and offer more contracts to plant them.

V&WM: *What are the effects of current land prices, the real estate market, bank lending and other economic factors on vineyard sales, land acquisition and new vineyard planting and investment?*

ND: Current ag land prices are sky high, and a lot of investors are looking for land throughout California. There are very few vineyards available for sale, and there are

more buyers than sellers. In terms of bank lending, there is more pressure from institutions for due diligence. They want to see copies of grape-buying contracts. They are still funding ag investments, but they don't want to get burned. The banks are doing more smart lending in the current economy.

The cost of getting into a North Coast vineyard is high, and people that do are buying into the lifestyle, because it's usually not done based just on the potential return on investment for grape production. Allied has a formula that considers the cost factors and enables growers to figure the cost of production and potential income in order to calculate the return on investment. They need the right combination of productivity in terms of yields and the right price per ton. The smart growers in the Central Valley are

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those that pulled out unprofitable vineyard acreage over the past 10 years. There are people out there who are willing to buy open land and plant vineyards. And growers are now asking, "What's the return on investment for planting?" and that's a good sign.



DiBuduo examines grape clusters in a Fresno State vineyard.

V&WM: *Are quarantines for the European Grapevine Moth (EGVM) and the Light Brown Apple Moth (LBAM) affecting grape sales, movement and prices in some locations?*

ND: We've had some restrictions due to quarantines that create additional costs for transporting grape loads outside quarantine zones. This includes additional paperwork, inspections, and there are requirements for tarping of loads. Some wineries don't want to go through the hassle of buying and moving grapes from a quarantine zone. Generally, we've been able to move grapes within the San Joaquin Valley without major restrictions. But we've had some confusing signals when moving grapes from county to county. In Fresno County, we've not had any new EGVM finds in 2011, so we hope to have the quarantine lifted. Napa County also had significantly fewer finds in 2011, so we hope this will be less of an issue in the future.

V&WM: *Will labor issues get worse before they get better, and*

what is the outlook for labor availability and immigration policies?

ND: Labor issues got worse in 2011. There was a labor shortage statewide, and the ag labor shortage is a national issue. The wine grape harvest was complicated in the San Joaquin Valley by a late

raisin harvest, so crews were still picking raisins when wine grapes were ready to harvest. I also heard of some vineyards in the North Coast that couldn't get picked ahead of the rains, because labor was unavailable. We need comprehensive immigration reform at the national level. I think Senator Dianne Feinstein is working with other California representatives to propose ag jobs legislation, but until we can get both our Republican and Democratic friends seeing eye-to-eye, it won't get better.

V&WM: *Did immigration enforcement create problems with the 2011 harvest?*

ND: Immigration enforcement officials were doing their jobs during the harvest. Most of the enforcement we heard about was done off-premise rather than at job sites. They were picking up workers and checking for documentation in agricultural communities when the workers were going to grocery stores, for example. Enforcement was also heavy along the border, so potential workers were discouraged. Again, we want

to see some kind of immigration reform, so legal workers are available when needed.

V&WM: *Any other advice you'd give growers in the current market?*

ND: As a word of caution to growers negotiating long-term deals: Don't get greedy, but get the right amount up front. That's a potential problem in an up market. It's possible to tie up prices that are too low, and be sorry in later years. Overall, I'm upbeat. This is the best potential market I've seen for California wine grape growers since May of 2000. ■

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Ted Rieger, CSW, is a writer and photographer based in Sacramento, Calif., and has been a contributing editor for V&WM since 1990.
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