

Why are some wines so expensive?



One of the most common questions I have heard in my wine career is, "Why is some wine so expensive?"

It's understandable why much of the public doesn't understand wine pricing and quality because of what the average consumer is exposed to.

There is no shortage of inferior, mass-produced wines made by huge wine conglomerates. Through massive advertising campaigns and store placement, these companies influence what the public drinks.

Raw ingredients



Purchasing grapes in bulk can be less expensive than growing them on the property and harvesting them on site.

The quality of the grapes purchased can affect the price. High-quality grape prices can vary from \$1,000 a ton to \$10,000 a ton, depending on the quality. The grapes' cost alone can add anywhere from \$1.00-\$14.00 to a single bottle's production cost.

Aging



Is the wine aged in oak barrels or stainless steel? An oak barrel costs between \$900 to \$2000, while French oak is twice as expensive as American oak. Oak barrels give wine oak flavor for four to eight fills, and the oak flavor diminishes with each use.

Over 30 years, expect to spend at least \$4,500 or more replacing each barrel. Do the math: if a winery uses 100 barrels over 30 years, that is \$450,000 in barrel costs alone.

A stainless-steel wine barrel costs around \$900 and lasts much longer, resulting in much lower costs.

The wine label

How much work went into the label? Is it a simple label, like the Saldo wine, or is it like the Meeker Handprint Merlot, where someone painted their hand, then pressed it on each bottle to imprint a colorful handprint?

Marketing and advertising

The average business spends 5% - 12% of its budget on marketing. So, if your winery generates \$5 million in revenue, 10% of your budget is \$500,000.

According to Statista.com, Anheuser-Busch spent \$428 million on advertising in 2019.

The markup

Retail markup averages 50%, and restaurant markup averages 75%.

Labor

A five-star restaurant requires a higher caliber staff than a fast-food restaurant. A top-quality winery cannot produce premium wines without a high-caliber team, who command a higher salary, adding to the cost of the wine.

Miscellaneous costs

Salaries, utilities, the lease, corks, boxes, water bills, taxes, and other miscellaneous expenses add up quickly.

Real estate



It's all about the location. A house in prestigious Beverly Hills is more expensive than a house in rural Midwest America. The same goes for wine regions. Wines from famous areas such as Napa Valley or Burgundy will command higher prices than lesser-known regions.

Putting cost in perspective, the price per acre in Napa Valley is \$300,000, while in Virginia, the price per acre is \$15,000.

Old vines make wine more expensive

A high-quality old vine wine is more expensive than its young vine counterpart. There are several reasons behind this, but in short, old vines produce better quality grapes,

which results in higher quality wines, adding to the cost. Think of old-vine grapes as the *crème de la crème* of grapes.

Who is the winemaker?

Established winemakers command a higher salary than lesser-known winemakers, which contributes to the cost of a bottle of wine.

Awards and accolades

A winery with award-winning wines can command higher prices, just as an Oscar award-winning actor commands a higher salary.

How does vintage contribute to the cost?



There are two basic approaches to making wine.

One approach called *vintage variance* means giving nature more influence over the wine. The quality of the fruit and the weather play key roles in determining the success or failure of each vintage. Therefore, certain vintages are more prized and expensive than others.

The other approach, mass-production, provides consistency and lower cost, but like anything mass-produced, the quality suffers.

Is the wine estate-bottled?

The following are terms found on wine labels that may confuse the novice, so let's review.

Estate wine: This can come from many vineyards if they are all owned or controlled by the actual *estate*, the winery.

Single vineyard: The wine in a bottle came from a single vineyard site.

Estate-bottled: United States law defines "estate-bottled" like this: 100% of the winemaking process must take place at the winery, and the winery must own the grapes.

Estate-bottled represents the highest quality control, which contributes to the cost.

Yield



How much juice is available to make wine? Less yield equals less wine to sell, which means less revenue. Wineries charge higher prices to compensate for the lower yield.

Vineyards producing higher-quality wines may reduce the number of grapes on the vine by pruning. Why do they do this? For better quality grapes. Fewer grapes on a vine mean the remaining grapes receive more nutrients resulting in higher quality grapes, which leads to better tasting wine and a higher retail price.

How much does pruning reduce yield? Significantly. Pruning can reduce the average yield of five tons per acre to just over three tons.

Grapes are pressed to make wine. The more force used during pressing, the more unpleasant things, like tannins and solids, pass into the grape juice. This results in a higher yield but lower quality juice. Using minimal pressure prevents those unsavory things from passing into the juice, resulting in less yield, with higher quality grape juice. Less yield contributes to the cost.

Are the grapes hand-picked or machine-harvested?

Let's clarify the two terms. Hand-picked means just what it says; the grapes are hand-picked using hand tools. Hand-picking requires much labor, and workers need training, which adds to the cost.

Machine-harvesting was one of the most significant advancements in the wine industry in the 20th century.

Hand-picking is slow and laborious, but machines can harvest grapes at speeds no human can match. Machines can harvest an acre in under an hour, while humans may take over five hours.

Hand-picking is a gentler process for the vines and grapes, and wineries often reserve this method for their flagship wines because of the higher costs of manual labor.

Are expensive wines worth the price?

This is subjective, but here is a point to consider.

Those who have less exposure to high-quality wines may not taste the difference between lower and higher quality wines, so more affordable wines may be the answer.

With more exposure to more high-quality wines, one's palate develops, understanding why the best wines command the highest prices.

Conclusion

There is no need to spend exorbitant sums of money on one wine but remember: wine is like any other product; you get what you pay for.

Cheers,

Curt Sassak