

## Why Do So Many Wines Cost So Much?



Is wine kept in a vault because it costs a fortune?

The wine industry's term for a "premium wine" is one that costs about \$15, which may come as a surprise to those who peruse their wine shop shelves and find that few wines not bottled in jugs by the largest commercial wineries come close to that low price. Of course, there are a few really, really cheap wines for under ten bucks and there are some very good wines that run from \$15 to \$25, which, quite candidly, is a lot of money for the average wine drinker to shell out for a casual dinner several nights a week. And from there things go askew, with wines that for no reason at all sell for \$50 to \$100, and then way upwards of there. Many Napa Valley Cabernets now sell for in excess of \$200. Since all wine is nothing more than fermented grape juice, what could possibly make wines cost so much?



EPERNAY, FRANCE - 2003: Perrier-Jouet vintage 2000 champagne in the famous "flower bottle" quietly

The simple reason is supply and demand, even though many of the world's most prestigious wineries play fast and loose with how much they produce and how much they sell, sometimes in the gray market. In advance of the Millennium, Champagne producers warned—*quel horreur!*— that there simply wouldn't be enough of their bubbly to go around because the demand would be so great. Guess what: It wasn't. There were oceans of Champagne available at all kinds of prices. Many people avoided the hiked-up prices of Champagne and drank Italian prosecco or Spanish cava. And after the recession hit in 2009, with demand down, prices fell, too, with a lot of wines that once sold for \$100 marked down to half that amount or less.



Leading figure of the Burgundy winegrowers, co-heir and co-manager of the estate of La Romanée

In some countries, like France, the number of bottles allowed to be produced by an historic appellation is restricted, so as to keep producers, even in a highly productive vintage, from upsetting the market prices. Nonetheless—and this is a very good thing—the bottled oversupply was not allowed to carry a premier cru label but can sell the same exact wine under a secondary label at a fraction of the price. In many cases, especially in Burgundy where merchants called *negociants* keep the market in balance, some do very well with that segment of the market. In Burgundy's prestigious Côte d'Or, which includes famously expensive wines like Romanée-Conti, La Tâche and Richebourg, the amount of red wines in any vintage rarely tops 13,000 hectoliters (343,000 US gallons), which is actually several thousand bottles more than they used to produce before 1985. Romanée-Conti makes only 500 cases (6,000 bottles) each year, selling for \$12,000 and up per bottle. Bordeaux's Lafite-Rothschild produces 35,000 cases overall, although, given the year, the premier cru wines of the estate may number 25,000 cases, which is a whopping 300,000 bottles, each of which sells for about \$1,000. (Add to this the 10,000 counterfeit bottles seized in China in 2012—believed to be between 50 and 70 percent of all the Chateau-Lafite sold there—said to be worth \$16 million.



Europe. France. Bourgogne-Franche-Comté. department. Mercurey. Wine Region. (Photo by: Mahaux)

Prices have dipped since 2009 and during the pandemic, with a lot of Chinese and Russian billionaires, who had been buying up the stuff like Dr Pepper, dropping out of the market.

The question, though, is not whether such wines could possibly be worth that kind of money, assuming there is a market for them, but what, aside from relative supply, is it about them that would allow producers to charge such prices? The easy answer is that such wines have, over centuries, earned reputations for excellence that exceeds even those wines of the same region that come from the same soil and grapes. This is where “terroir”—the most cherished and marketable of terms—comes in. It refers to the unique confluence of soil composition, sunlight, rain, temperature and other agricultural factors that consistently make such wines taste as wonderful as they do.

A case in point: Once, standing on the roadside that cuts through the Côte d’Ôr, a vigneron gave me grapes off the vine to taste, and, being from the Côte d’Ôr, they were very good, with ample sugar and acids. Then we moved up the slope of the vineyards, no more than a few yards, and tasted those grapes. Hmm, even better. Higher up, where the hillside gets optimum sun, the grapes tasted best of all, rather like Goldilocks finding her ideal porridge. But then, the vigneron took me just a few yards to the left where the grapes didn’t have much flavor at all. He said that *that* terroir—right next to the first vineyard—had never produced superior grapes. I understood very clearly at that point the importance of micro-climates and terroir. And those far superior vineyards on the Côte d’Ôr were the most costly as real estate.

So, too, the prime terroirs of California’s Napa Valley now sell for astounding prices. According to *Napa Valley Register*, “To own a piece of the choicest land on the valley floor, a buyer will have to pay an

average of \$310,000 per acre, compared to \$270,000 in 2014.” Which is why the old cliché holds true: To make a small fortune in the wine business, you have to smart with a big fortune.



left to right Petrus, La Clemence, Le Pin, Tenuta di Trinoro, Le Dome and Screaming Eagle

Yet, in order to keep the supply small for the market, these estates, which may not even have even a twenty year pedigree behind them, sell their wines for \$200 and up. Granted, that doesn't come close to Romanée-Conti or Lafite, though a so-called "trophy wine" like Screaming Eagle in Oakville can fetch up to \$2,000 a bottle.

Screaming Eagle is an example of how the market responds to wine media ratings—the highest being 100 points—by publications like *Wine Advocate* and *Wine Spectator*, whose declaration of a "wine of the year" may cause its price to triple or quadruple as a result of publicity. No other agricultural product can make that claim. There will always be those who—and they are usually *not* true connoisseurs—for whom pride is no object, reminding me of Oscar Wilde's observation of a cynic: "A man who knows the price of everything and the value of nothing." In so many cases, you do get what you pay for, which is a label.

Back in the late 1990s every casino restaurant in Las Vegas clamored to stock Chateau Petrus, a Pomerol, some wine media exalt as the finest in the world, year after year, which in a wine shop can cost



