

THE PRESS-ENTERPRISE

Vintner undeterred by high-end wine slump

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Kenzo Tsujimoto overlooked no detail in creating his \$100 million Napa winery: He replanted 70 acres of vines with the finest grapes and turned to world-renowned chef Thomas Keller to create the tasting-room menu.

What he couldn't control was demand for high-end California wines. The industry is mired in its worst slump in at least 17 years, hitting wines above \$20 especially hard.

Tsujimoto, chief executive officer of Japanese video-game publisher Capcom Co., is joining the scores of California vintners that have opened new wineries since last year, undeterred by the slump.

After tapping Napa's biggest names to craft the wine and build a state-of-the-art facility for visitors, Tsujimoto doesn't expect the industry's woes to keep customers away. The winery, called Kenzo Estate, opened May 1.

"If I wanted to get 80 percent of the market share of wine, that would be a huge problem," said Tsujimoto, speaking through an interpreter, as he sat by the



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"The wine we can produce from here is comparable or better than French wines. That's why I decided on this place," says Kenzo Tsujimoto of his new winery in Napa.

fireplace in the estate's pool house. "Of course, if you're going to go somewhere, clear weather would be nicer than pouring rain, but I'm going to go anyway."

Tsujimoto, whose company created the "Street Fighter" and "Resident Evil" games, is relying on some of the best-known people in the Napa wine business. In addition to Keller — the chef of the French Laundry restaurant — he tapped Heidi Barrett, who owns La Sirena Winery, as a consultant winemaker. David Abreu, a viticulturalist who has worked for the region's top labels, is the vineyard manager.

The question is whether those celebrities alone will

spur drinkers to pay top dollar for a Bordeaux-style bottle of wine, says Pat Merrill, a wine-industry consultant. Kenzo Estate plans to charge \$60 to \$75 for its bottles, in addition to offering a few higher-priced wines.

"If you have names behind you like that, that could overcome a lot of people's

resistance," said Merrill, co-founder and partner of Merrill Research in San Mateo. "At a \$75 price point, that's awfully tough, though."

Last year, shipments of California wine fell 1.2 percent, while the retail value of those shipments dropped 3.2 percent to \$17.9 billion, according to the San Francisco-based Wine Institute. It was the first decline in shipments since 1993.

Even so, the number of wineries in California rose 4.5 percent to 2,972 last year, according to the institute, which represents more than 1,000 businesses in the state.

The competition is especially tough for higher-end wines, as buyers shy away from expensive bottles, says California restaurateur Bill Upson.

"There's virtually no market left for us for anything over \$40 a bottle," Upson said at a Napa Valley Grapegrowers conference in April.

Terry Hall, spokesman for the Napa Valley Vintners, isn't so glum. Citing Nielsen Co. data, he sees things picking up. Sales of standard-size wine bottles costing \$20 or more increased 13 percent to \$101.2 million during the 13-week period ending April

3, according to Nielsen.

"The market is better in 2010 than it was in 2009, that's for sure," said Hall, whose group includes almost 400 vintners.

The 4,000-acre Kenzo property, located on Napa's Mount George, has two new fermenting rooms — one for stainless-steel tanks, another for concrete vats. There's also a cave for aging wine-filled barrels. Electronic gates keep deer from munching on the 70 acres of planted grapes, and faint horse trails line the rolling hills.

Abreu insisted on ripping out the property's existing vines, as well as digging up the top 4 feet (1.2 meters) of earth to ensure consistency in the soil, says Michael Terrier, Kenzo Estate's general manager.

Tsujimoto chose Napa over other wine regions because Capcom's U.S. headquarters is in San Francisco, and when he retires, he plans to spend half of his time here.

"I'm not making the wine just to show off, or for status," he said. "The wine we can produce from here is comparable or better than French wines. That's why I decided on this place."