

Great Wall of China

by E. C. Gladstone / photo by Rob Brown

THE BURGEONING
CHINESE WINE
MARKET PRESENTS
CHALLENGES—AND
OPPORTUNITIES

It's no secret: Everyone in the industry knows that the biggest growth market for fine wine consumption in the world is China. However, the status-seeking upper-class Chinese have largely shown a disproportionate liking for classic French wine labels over any others.

That is, until now. In the past year, according to recent figures from the Wine Institute, U.S. wine exports to China/Hong Kong increased by 42 percent (nearly doubling 2010 figures). A great deal of that is likely staying in main cities Beijing and Shanghai . . . but beyond that?

Discovering California

"They're just discovering that California makes wine!" says David Duckhorn of exporter Via Pacifica Selections. For the past four years, Duckhorn has increasingly focused his distribution efforts on China. His company is far from the only one: Firms from giant Pernod Ricard to tiny independents have set stakes in Asia. But Duckhorn feels most still have as much to learn about China as China does about fine wine.

"There are so many wineries here ill-prepared to go into the China market," says Duckhorn. "A lot of wineries here think just because they have a great history in the States, they can walk over there and sell. They can't."

Some of the Chinese resistance to California wines may have to do with perception. As Ch'ng Poh Tiong of the *Singapore Wine Review* recently noted, "What Chinese cuisine dislikes most are those inhumanely extracted, overly oaked, black, tannic reds," for which Napa is of course well known (at least as a cliché). But while winemaking has evolved, understanding lags. And Duckhorn notes that, unlike other markets, the Chinese can be more concerned with the label than the juice.



Several licenses are necessary to distribute in China, but once they are in place, everyone in China becomes a customer.”

“The label, that’s huge over there,” he says. “Second, wine quality; third, price point relative to that.” All three, he emphasizes, must be in sync for a brand to succeed.

A Preference for Fruity Reds

Though there are regional differences in tastes, Duckhorn says there are typical Chinese preferences. “We put out both a bottle of white and a bottle of red on the table,” Duckhorn says, but the Chinese tend to strongly prefer reds. “They like a nice fruity aroma on the nose, a good mouthfeel and a long finish.” Nothing “wimpy,” jammy or sweet. “They just want it to be fruity, and have texture in the mouth. And not high in alcohol.” Neither appellations nor varieties are very meaningful.

Duckhorn certainly isn’t the only one who believes that California has something to offer China. Putting his faith in the potential for Napa, basketball star Yao Ming recently started producing Cabernet Sauvignon in Napa (blending several vineyards) under the Yao Family imprimatur, for export via Pernod Ricard.

It’s certainly a worthwhile risk when one considers the potential. Although the population of mainland China is close to one billion, only ten percent of the market for alcohol is currently spent on any grape-based wine (plum wine, rice wine and varieties of baijiu dominate). But the exploding number of millionaires, the aspirational middle class and a more internationally-minded younger generation are poised to affect those numbers dramatically.

“For the younger age, it’s a status thing,” Duckhorn explains. “But the big potential there is the domestic restaurants. Everyone goes out to dinner; every restaurant is packed, [and] you’re starting to see a lot more wine on the table in an average meal. Western-controlled hotel chains and restaurants are a far more limited market by comparison.”

Selling on Relationships

Duckhorn has learned by experience that the Chinese market is complex, and distinct from the U.S. “Wine in China is still sold today on relationships,” he stresses. “We spend a lot of time getting to know the owners of the restaurant groups and hotels, and getting them to know we’re not trying to take advantage. They are so used to fake goods, they’re very cautious.”

At the moment, Via Pacifica represents ten brands in China, including Ehlers Estate, Cliff Lede and Duckhorn. Via Pacifica is betting that “middle tier” wineries have the most to gain in China. “We’re not going after the dirt cheap [market] or the Lafite-Rothchilds,” says Duckhorn.

Several licenses are necessary to distribute in China, but once they are in place, unlike the U.S., there are no territorial or business-type restrictions (e.g. wholesale vs. retail). “Everyone in China becomes a customer,” as Duckhorn puts it. However, import tariffs are steep, as much as 50%.

Then there are the challenges of making sure the wine is properly stored throughout the journey, and that counterfeits are kept out of the market. On the other hand, there are benefits such as cheap freight costs, thanks to so many empty cargo containers returning to China after shipping to the U.S.

“The Chinese have a mentality that bigger equals better,” Duckhorn continues. “That doesn’t translate to wine. But those ideas are changing, and that has to do with communication.”

Still, there is more to be learned. As Harlan Estates’ Don Weaver recently told *The Huffington Post*, “Trying to solve the China puzzle is the most exciting part of my job right now.” ■■

Year of the Dragon

While U.S. wineries focus on increasing market share in China, one Chinese winery has set its sights on carving a niche in the U.S. market. Called **Dragon’s Hollow**, the company is producing a full range of French varieties in the Helan Mountains of the Ning Xia region in central China, at about the same latitude as Napa and Bordeaux. Founded by Dave Henderson, one of the first importers of U.S. goods into post-Maoist China, the project was originally a collaboration with legendary vintner Jess Jackson. While wine has been produced in China perhaps longer than anywhere else, Dragon’s Hollow labels their bottles “The first premium wines produced in China.”

“China is arguably the last untapped region in the world capable of producing premier wine-making grapes,” Henderson says. “Fifteen years ago there was no New Zealand or Chilean wine in the U.S. China is the next progression.”

