REGIONAL REPORT:

United States

WINECAP

UNITED STATES REGIONAL REPORT

EXECUTIVE SUMMARY

- Today, the USA is one of the key fine wine investment regions.
- Its share of secondary market trade has risen from 0.1% in 2010 to around 6% in the last year.
- Demand has been stimulated by a string of good vintages in the past decade, high critic scores, and expanding distribution.
- Californian wine dominates the investment landscape, but there are other emerging players from Washington and Oregon.
- California is the second-most-expensive fine wine region after Burgundy, based on the average price of its leading estates.
- Californian fine wine has outperformed the Liv-ex 100 and Liv-ex 1000 indices over the last 15 years.
- The most powerful Californian wine brands are Opus One, Harlan Estate, Screaming Eagle, Dominus, Promontory and Scarecrow.
- Prices for Californian wine peaked in September 2022 when the Liv-ex California 50 index reached 407.64.
- Since the latest peak, they have fallen 24% on average, creating great buying opportunities.

Read on to discover key trends and pricing analysis, and why investors should have US wines in their portfolios now more than ever before.

INTRODUCTION

01.

1976 was the turning point for Californian and US wine in general. 'The Judgement of Paris' blind tasting on May 24th proved that France had a serious contender when top Californian Bordeaux blends were tasted against Bordeaux classed growths, and Californian Chardonnays against white Burgundy. To the surprise of many, California led on both fronts.

This was the first step that set the region in motion. In the 1990s, the first Californian 'cult wines' emerged – big brands that attracted collector followings. Producers such as Inglenook, Stag's Leap, and Robert Mondavi were the pioneers, but it was Screaming Eagle that established the formula for success that many followed: tiny volumes, word-of-mouth hype, and soaring prices. Robert Parker's appraisal and perfect scores further bolstered their image.

The early 2000s saw the development of a secondary market, with trades for Robert Mondavi, Ridge Monte Bello, Dominus, and Opus One. More recently, a string of good vintages, particularly 2010, 2013, 2016, and 2018, increased critical coverage and high scores have strengthened California's international image.

The global market for US wines, dominated by California but also featuring wines from Washington and Oregon, has exploded in recent years.

Its share of secondary market trade has risen from 0.1% in 2010 to around 6% this year, and an increasing number of previously overlooked wineries are now showing investment-worthy returns.

02.

INSIDE THE USA'S INVESTMENT MARKET

California has long been the driver behind the USA's ever-growing presence in the fine wine investment landscape, accounting for roughly 99% of the country's secondary market trade. Buying demand has been largely UK and US-driven and centred around the top names: Screaming Eagle, Opus One, Dominus, Harlan Estate, Promontory, and Scarecrow.

PRICE DIFFERENTIALS

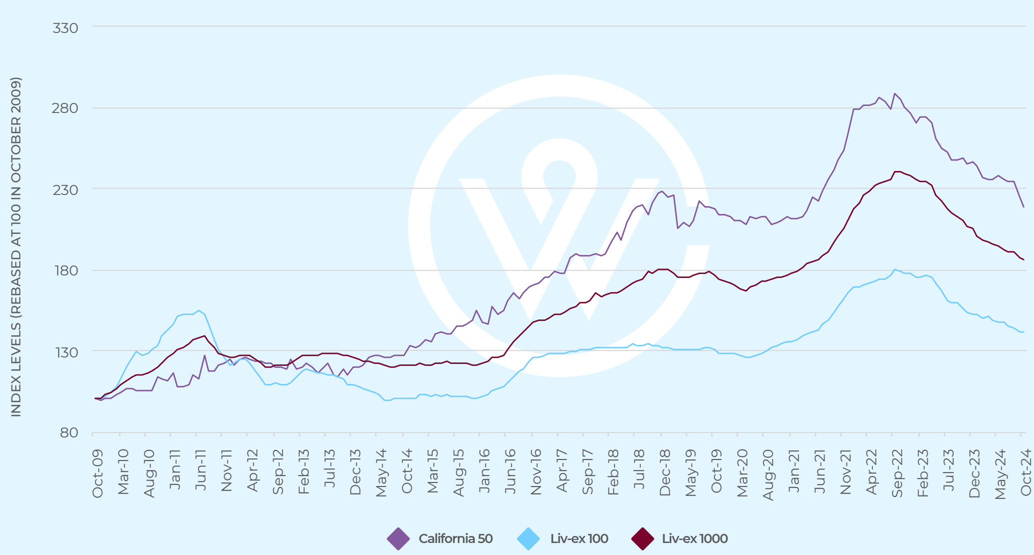
California is the second-most-expensive fine wine region after Burgundy, based on the average price of its leading estates.

However, there are big differences in pricing between the region's top names. At the time of writing, the average case price of Screaming Eagle Cabernet Sauvignon is £36,169, compared to £7,367 for Promontory, £3,753 for Opus One, £2,809 for Dominus, and £2,676 for Ridge Monte Bello. To explore average trade prices, visit our indexing tool Wine Track.

PRICE PERFORMANCE

Prices for Californian fine wines have risen slowly and steadily. Over the last 15 years, the Liv-ex California 50 index which tracks the price movements of the last 10 physical vintages across five of the most traded brands (Dominus, Opus One, Harlan, Ridge, and Screaming Eagle) has outperformed both the Liv-ex 100 and Liv-ex 1000 indices. The California 50 is up 119.2%, compared to 41.8% for the Liv-ex 100 and 85.6% for the Liv-ex 1000. Moreover, over the long and short term, California has fared better than Bordeaux as an investment, yielding higher returns.

California 50 index vs Liv-ex 100 and Liv-ex 1000 over 15 years

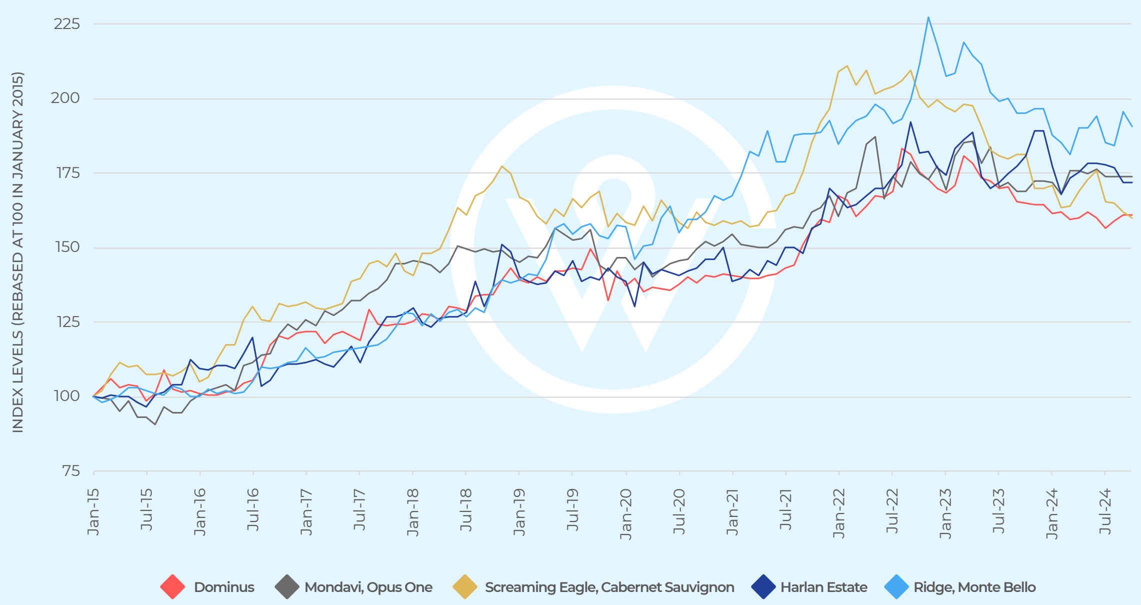


INSIDE THE USA'S INVESTMENT MARKET
CONTINUED

THE BEST BRANDS FOR INVESTMENT

Among the most popular labels, Ridge Monte Bello has been the best-performing Californian wine, up 90.4% in the last decade. It has been followed by Opus One with a 73.7% rise and Harlan, up 71.9%. All the wines in the chart below have risen over 60% in the last decade.

Performance of individual wine labels over 10 years



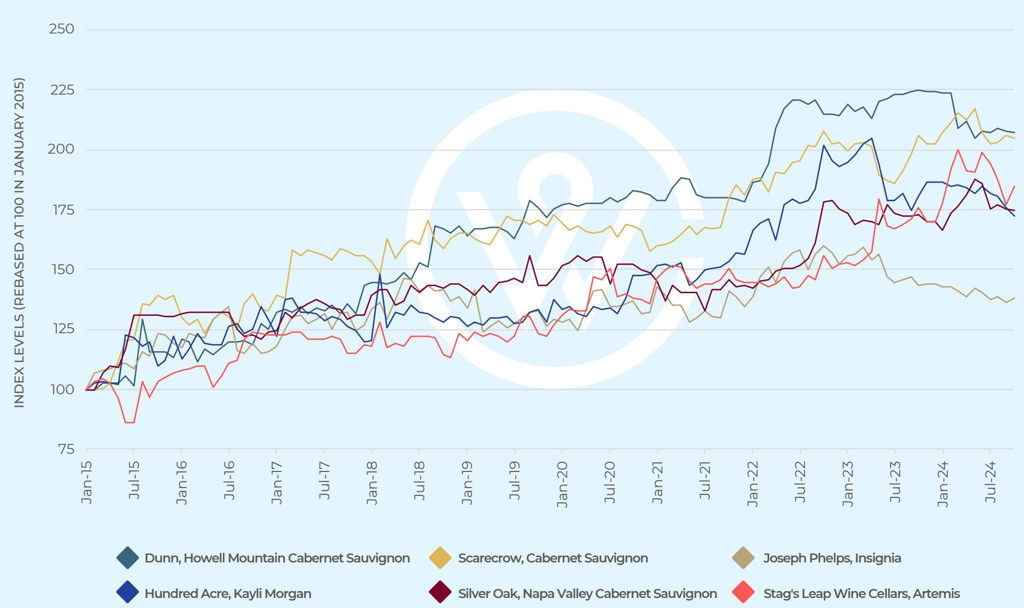
However, other producers beyond the most traded names have also been making waves, such as Dunn Howell Mountain Cabernet Sauvignon (107%) and Scarecrow Cabernet Sauvignon (105%).

This data suggests that there is a significant number of American wines beyond the most popular names that can deliver healthy investment returns.

INSIDE THE USA'S INVESTMENT MARKET

CONTINUED

Performance of individual wine labels over 10 years



CALIFORNIA: A 100-POINT REGION

Price performance has been influenced by 'cult' status and vintage quality. California regularly tops critic rankings as the region with the most 100-point wines. Relatively consistent climate has led to less vintage variation than in other dominant fine-wine-producing regions. Major critic publications like Wine Advocate and Wine Enthusiast highlight 2001, 2007, 2012, 2013, 2015, 2016, 2018, 2019, and 2021 as particularly good.

INTERNATIONAL & DOMESTIC TRADE

03.

The USA is one of the most important wine markets globally: it is the single-largest market for wine in the world and the largest importer by value. It is the sixth-largest exporter by value and the eighth-largest by volume.

The USA is the largest non-European wine region for investors, accounting for roughly 6% of the secondary market by value. There are a number of intrinsic factors that have impacted its development.

LICENSING

A legacy of Prohibition and continuing restrictions on who can sell wines and how they can sell them makes the US domestic market more complicated. Licensed US wineries benefit from the ability to ship anywhere in the country and US consumers can buy direct from wineries tariff-free. Meanwhile, importers and merchants are restricted by where in the US they can ship.

IMPORT TARIFFS

In October 2019, the U.S. imposed 25% tariffs on a range of imported wines, adversely affecting French wine imports and altering domestic consumption patterns. Italian producers, exempt from these tariffs, gained a significant advantage over Bordeaux and Burgundy. Although these tariffs were suspended in June 2021, political risks persist.

President-elect Donald Trump has proposed a 20% tariff on all imports, aiming to boost domestic purchasing and consumption. However, such tariffs often lead to retaliatory measures from affected countries, potentially escalating trade tensions. The full impact of the tariffs remains uncertain.

ACCESSING THE WINE

Private mailing lists remain the principal avenue cult producers use to sell their wines. Waiting lists can be extremely long; in some cases, it can take a staggering 20-30 years to be added to the top wineries' lists. A handful of US producers are starting to use similar distribution channels to Old World estates through a series of autumn releases by leading French négociants. Today Opus One, Vérité, Joseph Phelps, and Inglenook are released via La Place de Bordeaux. So far, this has proven effective and welcomed by consumers.

COVID-19 AFTERMATH

The pandemic has had consequences for US wines, as it has for other wine-producing regions around the world. These have included rising freight costs, on-trade closures, and increased home consumption.

HISTORY OF THE US WINE INDUSTRY

04.

Viticulture in the USA is as old as the country itself. Settlers from Europe discovered an abundance of wild native varieties and, using Old World techniques, produced the first New World wine. The first record of European varieties being grown was in New Mexico in 1629.

Thomas Jefferson wrote in 1818 that ‘no nation is drunken where wine is cheap’ and the cost of imported wine, along with the scarcity of native wine, ensured an enduring preference for high-alcohol spirits. In 1823, per capita spirit consumption, including non-drinkers, was a staggering 35 litres a year. The social consequences of such excessive drinking would hit the wine industry hard in years to come.

By the mid-19th century, US winemaking was garnering global recognition, featuring in the Illustrated London News in the late 1850s, where Nicholas Longworth’s Ohio sparkling wines were celebrated as ‘transcending the Champagne of France’, as well as winning prizes at the 1899 Paris Exposition. It was during this period that many of the now-established American wine-growing regions began to emerge.

Unfortunately, this golden age of prosperity preceded a series of disasters that crippled the industry. While severe frosts and the 1906 San Francisco earthquake created setbacks, it was the phylloxera blight and the passing of the Volstead Act in 1923 – which resulted in Prohibition – that triggered deathblows. Phylloxera killed production and Prohibition tempered the demand for wine.

By the time Prohibition was repealed in 1933, the wine industry was in ruins. Fine wine vineyards had been uprooted and replaced with other varieties, institutional knowledge was lost, and the vast majority of vineyards closed. It took until 1968 for the consumption of table wines to overtake sweet wines and until 1971 to exhaust the glut of low-quality grapes.

Despite this, visionaries persisted, and a quiet revolution was taking place in California. In the late 1930s, André Tchelistcheff migrated from France and began working for Beaulieu Vineyards. He would go on to define Californian wine and its techniques, mentoring the winemakers who would project Napa Valley into the consciousness of oenophiles some 40 years later.

For American wines, particularly those produced in Napa Valley, the 1976 Judgement of Paris was a pivotal moment as the wines earned their place on the global stage.

10 red wines and 10 white wines were tasted blind in Paris. Drouhin, Ramonet, Leflaive, Mouton Rothschild and Haut-Brion, among others, went up against the then underdogs, Stag’s Leap, Ridge, and Mayacamas.

To the surprise of Stephen Spurrier, the organiser, American wines won both categories. While Time Magazine announced the results with great fanfare, Le Monde and Le Figaro predictably derided them. The tastings were repeated in 1978, 1986 and 2006, with the American wines actually improving their performance over time.

05.

US WINE REGIONS

Every state in the union has at least one winery. Still, the best producers are concentrated in Washington, Oregon, New York, and California (the most significant region for investors). As the scope of investment-worthy wines continues to grow, other regions are nonetheless worthy of attention.

NEW YORK

New York is one of the largest wine regions in the United States, with 14,164 ha of vineyards. Within it, there are six wine-growing areas with 11 AVAs (American Viticultural Areas). The Finger Lakes AVA is arguably the most important and is notable for producing premium Riesling wines, which evoke comparisons to German Riesling.

WASHINGTON

Far inland, Washington has proved to be an excellent place to ripen Vitis vinifera. The cold winters and sandy soils mean that phylloxera has been largely kept at bay, but the very winters that allow ungrafted vines to thrive also mean vines are frequently frost-damaged. Quilceda Creek is arguably the best-known of Washington's producers, but the likes of Horsepower Vineyards, Cayuse and Leonetti all produce excellent wines. For investors looking for something outside of California that offers relative value, Quilceda Creek's Cabernet Sauvignon is well worth consideration.

OREGON

Oregon is widely recognised as a world-class wine region with an inescapable link to Pinot Noir. Quality at the top end is excellent, led by producers like Beaux Frères and Sequitur. There is foreign interest in the region too. For instance, Louis-Michel – producer of the eponymous Liger-Belair wines in Burgundy – has entered a partnership with the Rose and Arrow Estate.

CALIFORNIA

Blessed with an abundance of viable land and the moderating climate of the Pacific, California is the key US wine region, producing more than 80% of the USA's wine. It also makes the vast majority of the country's fine wine and almost all of its internationally recognised wines. Over 90% of all US wine exports hail from the region. California has double the area under vine than Bordeaux.

For a long time, Californian wine was all about the brand and, while this still holds true, terroir is becoming a much more important factor. Marcassin, for instance, is a stalwart of modern Californian winemaking that produces traditional, Burgundian-style Pinot Noir and Chardonnay. Founded in 1998, Verité is another winery that embodies the timeless traditions of France and the limitless possibilities of California. Vigneron and winemaker Pierre Seillan takes inspiration from Bordeaux and as such produces wines from Merlot, Cabernet Sauvignon and Cabernet Franc. Kistler Vineyards also warrants attention for its groundbreaking work. It has used a single Chardonnay clone – the parent material of which was imported from Burgundy in the 1980s – planted across 15 vineyard sites to create 11 vineyard-designated Chardonnays of 'ideal wines of site'.

CALIFORNIA'S MOST SIGNIFICANT APPELLATIONS

06.

There are 139 appellations (AVAs) in California. The most important fine-wine-producing areas are Napa Valley, Sonoma Valley, Santa Cruz Mountains, and Paso Robles.

SANTA CRUZ MOUNTAINS

At high elevation, planted among soaring redwoods and wiggling mountain roads, the Santa Cruz Mountains AVA is the most dramatic of California's wine regions. Nestled high up in the northern reaches of the Santa Cruz Mountains is Ridge's Monte Bello Estate, famous for its Cabernet Sauvignon and Zinfandel. The 1971 Monte Bello Cabernet made waves at the Judgement of Paris tastings and it has easily kept both its reputation and value high. Ridge Monte Bello is the most affordable of the five labels included in the Liv-ex California 50 index, while also being the best performer.

PASO ROBLES

Paso Robles showcases Rhône varietal wines, albeit Zinfandel and Cabernet Sauvignon still have a strong presence in the area. It was the 'Hospices du Rhône' festival that shone a light on the area, drawing the attention of prestigious Rhône producers such as Château de Beaucastel's Perrin family who partnered with the Haas family to establish Tablas Creek.

SONOMA COUNTY

Sonoma County, Napa Valley's nearby neighbour, is home to more than 1,800 winegrape growers, many from multi-generational families who have been farming in the region for centuries. The region is famous for its Chardonnay, Pinot Noir, Zinfandel, red blends, and sparkling wines. Its flagship wineries include St. Francis, Ravenswood, Kendall-Jackson, and Francis Ford Coppola. Other names of note from Sonoma that are starting to make waves on the secondary market include Vérité, Marcassin, Peter Michael, Aubert and Kistler. While many have attracted investment interest, Sonoma is generally seen as a more accessible and diverse Californian region.

NAPA VALLEY

Napa Valley is California's first recognised AVA and the second in the United States. It is undeniably the most revered region in California and, indeed, the whole country. Cabernet Sauvignon is its calling card, although top-quality Pinot Noir and Chardonnay are also produced. Napa leads the way for the most expensive and most sought-after wines.

Within the Napa Valley AVA exist 16 nested AVAs, including Atlas Peak, Calistoga, Chiles Valley, Coombsville, Diamond Mountain District, Howell Mountain, Los Carneros, Mt. Veeder, Oak Knoll District of Napa Valley, Oakville, Rutherford, St. Helena, Spring Mountain District, Stags Leap District, Yountville and Wild Horse Valley.

NAPA VALLEY'S INVESTMENT-WORTHY WINES

07.

Within Napa Valley, three AVAs are firmly in the investment spotlight: Oakville, Stags Leap and Rutherford.

OAKVILLE

Many of California's top investment wines come from Oakville, including the 'cult wine' Screaming Eagle and Opus One, the brainchild of Robert Mondavi and Baron Philippe de Rothschild. Oakville is also home to Harlan Estate and its founder's Bond wines, considered to be the 'Grand Crus' of Napa.

STAGS LEAP

Stags Leap District and its eponymous Stags' Leap Cellars, which took the top prize at the Judgement of Paris, are equally sought-after. Shafer Vineyards has also been producing wines in the area and is best known for its 'Hillside Select' Cabernet Sauvignon and the Syrah-based wine named 'Relentless'.

RUTHERFORD

Rutherford is the final subregion that constitutes the prestigious Napa Valley triumvirate. The warmest of the three, Rutherford is home to Scarecrow, another 'cult' classic, and Francis Ford Coppola's Inglenook. Inglenook was one of the first gravity flow wineries, the first to plant Merlot and the first bottling assembly line. It is best known for its Rubicon Estate Bordeaux-style red wine, which has been made since 1978.

08.

CONCLUDING THOUGHTS

Today, the USA is one of the most important fine wine markets, both as a producer and as a buyer. It is the pillar of New World winemaking, with California firmly in the investment spotlight. The region offers extreme diversity in styles, brands, history, and pricing. Its performance has been characterised by stability, providing steady returns and outperforming the broader Liv-ex 100 and Liv-ex 1000 indices over the last 15 years.

Among the most important brands are Opus One, Harlan Estate, Screaming Eagle, Dominus, Promontory, Ridge Vineyards, Scarecrow, Joseph Phelps, Realm Cellars and Vérité; however, there is a rising number of other producers that offer attractive investment prospects.

A string of good vintages, supported by high critic scores, and an expanding distribution, including through La Place de Bordeaux, make the US market more alluring than ever.

American wines have a firm foundation to see increased trade and improved liquidity. It is more important than ever that wine investors have some exposure to this sector in their portfolios, especially at the current favourable prices.

MAKING WINE INVESTMENT AFFORDABLE, TRANSPARENT AND SIMPLE FOR YOU.

09.

Our mission is to democratise wine investment, making it more affordable, more transparent and easier to access. With decades of experience navigating the international fine wine market, we offer propositions that translate into maximised profits for our customers. Put simply, we facilitate easy access to wine: a proven, highly desirable asset that has historically delivered stable and substantial returns.

We've developed our own, bespoke technology that analyses over 400,000 wine prices a day to identify the right, undervalued wines to buy and sell across the global market at the right time and price. By automating this process, we can pass substantial cost savings on to our customers and not charge any management fees.

Assuming the role of agent, we analyse our customers' goals and circumstances and then work to source the optimal wines to create a sound, diversified and profitable portfolio. With our longstanding UK alliances, our customers also benefit from the most developed secondary fine wine market in existence. We're excellently positioned to buy well and sell high due to our sister companies in Bordeaux and the US. We have an unparalleled global reach as we are strategically positioned in London: the fine wine market hub.

Whether you're new to the world of wine or a seasoned investor, we work hard to establish a personal relationship with you. Our priority is designing a customised portfolio that meets your objectives, all while ensuring that you retain full and unconditional ownership of your assets. This strategy means we've built an organisation over the years that elicits trust, partnership and profitability. We're proud of the accolades our investors have provided to us regarding the quality and reach of services and we welcome an opportunity to share them with you.

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