

SURVEY OF LAKE COUNTY GRAPE BUYERS & USERS

Commissioned by the Lake County Winegrape Commission



FULL GLASS RESEARCH

February 2015

Section #1 – Survey of Lake County Grape Buyers and Users

Introduction

In addition to analyzing potential supply vs. demand for Lake County Cabernet and Sauvignon Blanc, the LCWC desires to better understand the role Lake County grapes play for California winemakers and grape buyers, and their perceptions of Lake County quality and viticulture. For this purpose, a survey of employees and owners of wineries was carried out during the period August-November 2014. The survey was suspended for part of September and most of October to accommodate the busy schedule of winery operations during crush.

The list of those invited to take part in the survey was derived from a combination of LCWC's mailing list, trade contacts of Full Glass Research, and personal referrals by Debra Sommerfield and various Lake County growers. A total of 204 invitations were made, and 64 invitees responded. Not every respondent completed all questions in the survey - in some cases because they did not answer, in some cases because they were skipped past irrelevant questions (for example those with no Napa winemaking experience were skipped past the Napa-related questions). Some respondents elected to remain anonymous and did not fill in the winery profile questions. Finally, there were open-ended questions that some did not feel motivated or informed enough to answer. Response levels for individual questions range from 24 to 64.

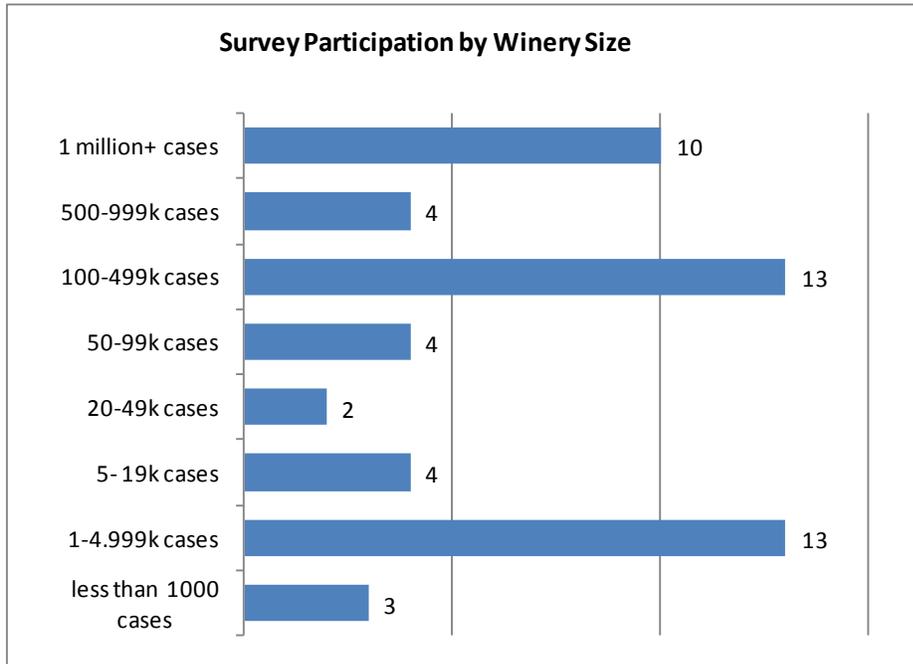
The sample size of 64 is relatively small; in a random but representative sample of a large population, this would imply a 90% confidence interval (margin of error) of 4% to 9%. However, since the sample was derived from a specific list of winery contacts, and the target market is a relatively small population of those who purchase or use significant amounts of Lake County grapes, a random or stratified sample is not feasible. There is no benchmark data on which to recruit to quota for representativeness.

Nonetheless, one can infer that the sample represents a large and significant segment of the market for Lake County grapes by examining the purchasing power of the respondents. If you add up the amount of Lake County grapes reported crushed by those who responded to that question, and add in estimated crush¹ from those who did not fill in the profile questions, then the respondent sample accounts for approximately 55% of Lake County grape harvest. Similarly, if you add up the reported crush of Lake County grapes by respondents from page 1 of the survey, assigning an average proportion of Lake to those checking >200 tons, the Lake County supply processed by the sample totals 22,995 tons. The Lake County wine grape harvest of 2013 totaled 43,618 tons.

As can be seen in the sample description in Section 1, there is good diversity of location, region, size and number of brands among the winery sample, as well as a balance between winemakers, grape buyers and administration. The wineries represented in the sample include among others: Biltmore, Cakebread, Caymus, Cecchetti, Cline, Constellation, Coppola, Delicato, Deloach, Don & Sons, Foley, Gallo, Hagafen, Hess, Honig, J, Joel Gott, Kendall-Jackson, Kenwood, Prisoner, Rutherford Hill, Trinchero, and the Wine Group. Finally, the sample also includes three grape/bulk wine brokers and two consulting winemakers, collectively responsible for the sale and crush of thousands of tons of grapes.

¹ assuming for the biggest wineries that Lake County represents no more than its average share of California grape crush, 1%

Section 1. Sample Description



A wide range of winery sizes participated in the survey, with peaks in the small 5000-case, the upper-mid size and the large winery segments. The majority of the large wineries purchased over 200 tons of Lake County grapes, but Lake County still represented a fairly small proportion of their overall crush. In contrast, for the wineries under 100,000 cases Lake County occupied a wide range of importance, from 5% or less to most or all of their supply.

Answers to most questions did not vary significantly with the size of the winery. A few differences are worth noting. The following differences segment wineries as small (under 20k case production), medium (20k-499k cases) and large (500k+ cases).

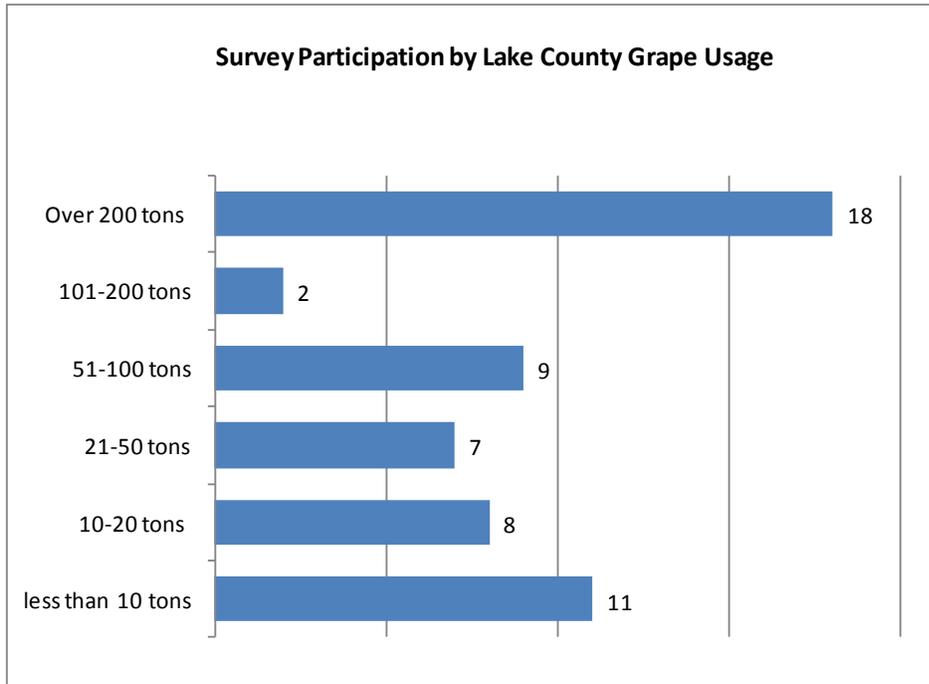
Small wineries were more likely to have experience in producing Lake County AVA wines, and in frequently crushing Lake County grapes. As you'd expect, large and medium wineries were more likely to have experience with blending Lake County wine and with Lake County bulk wine. Medium and large wineries were more likely to produce California appellation wines

Medium size wineries gave slightly higher than average quality ratings, but were less likely to say Lake County is different and superior to competitor regions. Small wineries were even more positive on Lake County quality.

Small wineries rated Lake County Cab Franc, Petite Sirah, Syrah, and Muscat higher than medium & large wineries. Small & medium wineries rated Lake County Merlot and Tempranillo higher than large wineries. Large wineries rated Lake County Zin higher than small or medium wineries. The only ratings that were dramatically higher than average were for Tempranillo, Syrah and Petite Sirah from small wineries.

Small wineries more likely to see a role for LC Cabernet as a blender in \$20+ Napa wine. Medium and small wineries more likely to blend in Lake County wines to meet production goals, whereas cost reduction was a higher priority for large wineries.

Medium and large wineries more likely to have experience with Red Hills fruit; small wineries more likely to have worked with Kelsey Bench fruit.



While the largest number of respondents reported purchase of over 200 tons of Lake County grapes, there were significant numbers at every purchase level except for 101-200 tons.

As can be seen in the table below, the sample represented a wide diversity of winery types and respondent jobs or roles.

Attribute	Respondents
# of Brands	16 x 1 brand, 9 x 2 brands, 6 x 3 brands, 23 x 4+ brands
Region of Winery Location	15 x Napa, 10 x Sonoma, 8 x Lake Cty, 1 x Central Coast, 1 x Lodi, 5 "Other", 17 Multiple
Job/role at winery	22 winemakers, 12 grower relations/grape buyers, 7 CEO/COO, 10 accounting/admin, 7 other

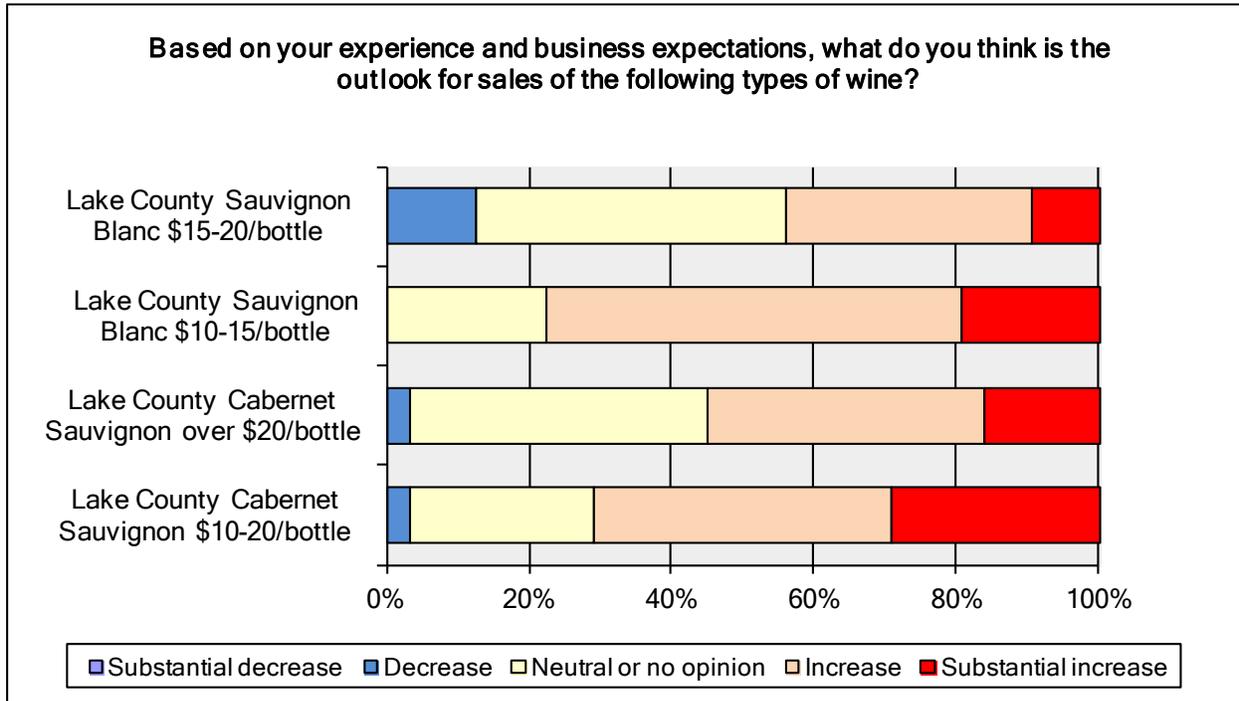
Question: Describe extent of your experience with Lake County grapes, including previous jobs. Please check any or all that apply.

Answer Options	Response Percent
Have produced Lake County AVA (or sub-AVA) wines	53%
Have crushed grapes from Lake County occasionally or a few times	25%
Have crushed Lake County grapes frequently, extensively, but mainly from one or a few particular vineyards	45%
Have crushed Lake County grapes frequently/extensively, from a variety of vineyards	34%
Have used Lake County grapes/bulk wine in blending California or North Coast wines	47%
Have blended Lake County grapes/bulk wine into Napa Valley or Napa County or Sonoma County wines	25%
Have bought/used Lake County bulk wine on multiple occasions	42%
Have brokered or consulted on Lake County grapes or wine	11%
None of the above	5%

Over half of the respondents have produced Lake County AVA wines and nearly half have experience in purchasing Lake County grapes for blending. Most respondents had a variety of experiences with Lake County. Twenty checked at least two of the above listed experiences; 13 of those had "crushed Lake County grapes frequently...from a few vineyards". Typically they checked that plus either "produced Lake County AVA" or "used for blending". Twenty-four respondents checked 3-4 of these experiences, while 9 checked 5 or more.

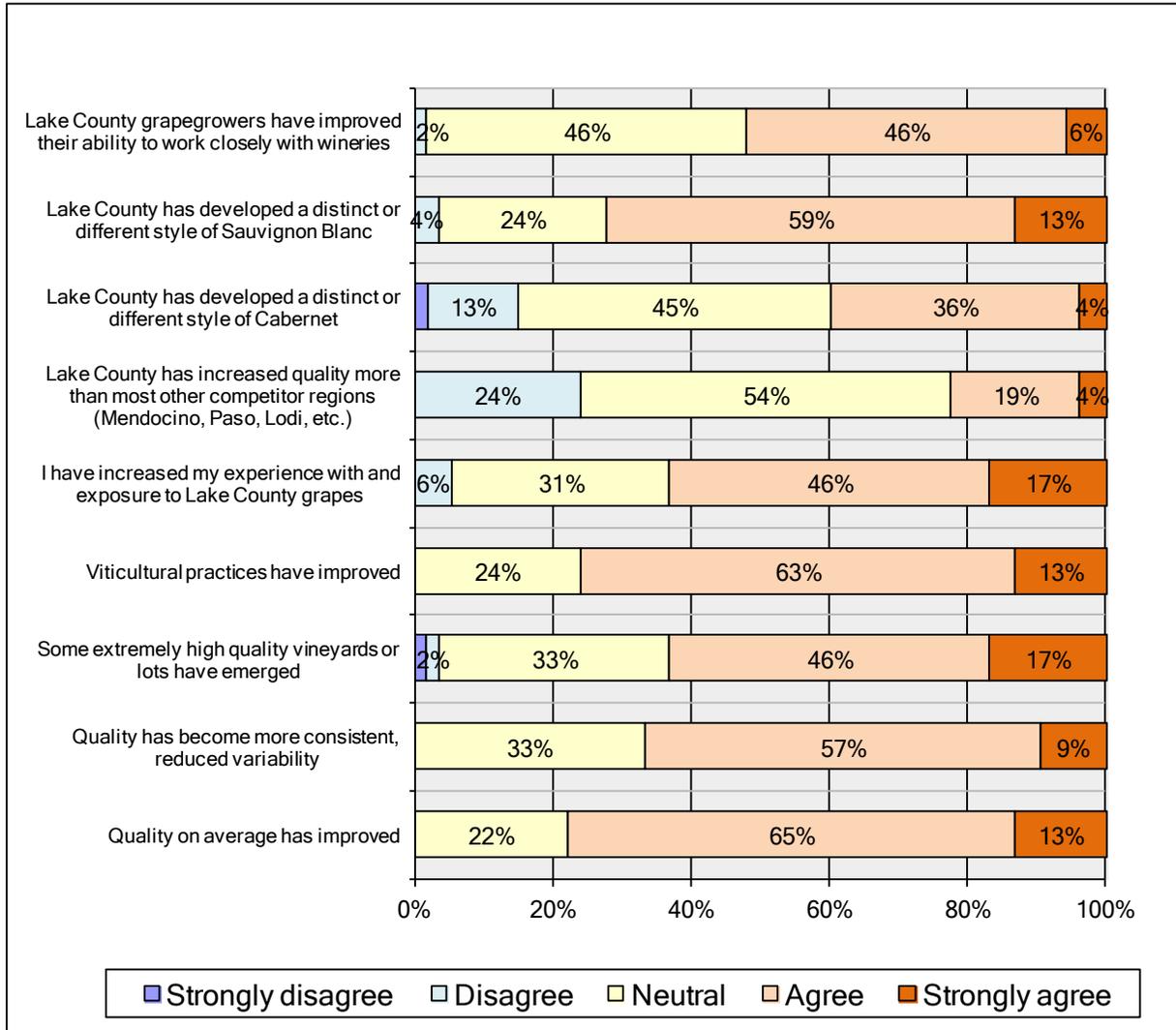
Section 2. Opinions on Lake County Wines, Grapes and Viticulture

Q: Based on your experience and business expectations, what do you think is the outlook for sales of the following types of wine?



Substantial majorities are bullish on sales of Lake County \$10-15 Sauvignon Blanc and \$10-20 Cabernet Sauvignon. There is less certainty regarding sales prospects for Lake County Sauvignon Blanc above \$15 and Cabernet above \$20, but very few believed sales of such wines would decline.

Question: In your opinion, how have Lake County grapes changed over the past five years? Please indicate your level of agreement with each statement on the scale given below.



Survey participants were asked their level of agreement with a number of statements about Lake County grapes and winegrowing.

Nearly ¾ (72%) agreed that Lake County had a distinctive style of Sauvignon Blanc; a substantial minority (40%) also said this was true for Cabernet.

Majorities of respondents agreed that Lake County grape quality, consistency and viticulture had improved across four different measures, with % agreement ranging from 63% (extremely high quality vineyards/lots) to 78% (average quality has improved). Encouragingly, almost nobody disagreed with any of these statements.

There was less widespread agreement on whether Lake County growers had improved their winery relations, with only 52% agreeing and 46% neutral. Again, very few disagreed.

The highest disagreement level (24%) occurred with the statement that Lake County quality had improved more than competitor regions. Furthermore only 23% agreed with this statement, while the

majority was neutral. This suggests that comparative quality may be as important as absolute improvements, when planning for the future of Lake County grape marketing.

Question: Please rate the typical quality of Lake County grapes by variety, compared to other coastal appellations of Mendocino, Monterey, Paso Robles, South Central Coast, and better quality grapes from Lodi. If you are unfamiliar with a particular variety from Lake County, just skip it.

Variety	Lake County is substantially better	Lake County is slightly better	Lake County is about average	Variable - both better and worse	Lake County is slightly worse	Lake County is substantially worse
Cabernet Sauvignon	14%	39%	32%	9%	5%	2%
Cabernet Franc	13%	16%	32%	26%	10%	3%
Merlot	3%	18%	42%	30%	6%	0%
Malbec	9%	22%	50%	13%	3%	3%
Zinfandel	3%	28%	36%	26%	5%	3%
Petite Sirah	14%	46%	30%	5%	3%	3%
Syrah	3%	33%	48%	6%	6%	3%
Tempranillo	7%	33%	47%	7%	3%	3%
Sauvignon Blanc	23%	47%	28%	2%	0%	0%
Muscat (all types)	0%	25%	54%	21%	0%	0%
Riesling	0%	28%	38%	28%	3%	3%

Indeed, when Lake County quality is compared to competitor regions for a variety of grapes, opinions are fairly wide-ranging, with the largest proportion rating Lake County average to slightly above average.

Sauvignon Blanc is rated the highest vs. the competition, with 70% rating it better and nobody worse.

Cabernet Sauvignon is perceived as better than the competition by a majority (53%) but about 1/3 call it average. Petite Sirah from Lake County received similar ratings, with 60% better and 30% average.

Substantial majorities rate Lake County average to slightly better for Muscat, Tempranillo, Syrah and Malbec.

Riesling, Zinfandel, Merlot and Cab Franc ratings were mixed, with substantial numbers calling them average or variable (both better and worse). Cab Franc had the highest proportion of worse-than-average ratings at 13%.

Question: Please comment on the region or regions you find closest to Lake County in quality and usage for Sauvignon Blanc and/or Cabernet.

Question	% Who Responded
Region most similar to Lake County for Cabernet Sauvignon:	44%
Any comments?	17%
Region most similar to Lake County for Sauvignon Blanc:	44%
Any Comments?	17%

Nearly half of respondents did suggest a region or regions that were similar to Lake County for Cabernet or Sauvignon Blanc.

Among those that left specific comparisons for Cabernet, the most frequently named region was Mendocino with 12, followed by Sonoma with 6 and Napa with 5. There were 2 mentions of Lodi, Paso Robles, 1 each of Sierra Foothills and Central Coast, while 2 people mentioned multiple regions such as Sonoma, Mendocino, Paso Robles and Solano. Among those mentioning Napa, 2 specified the north end of the valley and 1 the hillside AVAs such as Howell or Diamond Mountain. Among the Sonoma contingent, 2 also mentioned hills or hillside vineyards.

For Cabernet, 6 of the comments were positive in comparing Lake County quality to others, while 4 were neutral comments regarding yield, usage, style or specific vineyards.

Among those that suggested comparisons for Sauvignon Blanc, 8 named Mendocino, 7 Sonoma, 4 Napa and 3 specified Alexander Valley. There was also one each for New Zealand and Stellenbosch South Africa.

In the Sauvignon Blanc comments section, 4 comments were positive about Lake County quality vs. others, whereas 2 comments talked about flavor components, 2 specified keeping yields down, 1 referred to ripening issues and 1 was mixed (the quality was good, but hard to sell).

The following is a list of the verbatim responses to this question:

Cabernet Comparable Region	Cabernet Comment
Paso Robles/Livermore/North Napa	
Lodi	
Lodi	
Mendocino	
Mendocino	
Mendocino (Ukiah Valley)	Mendo tends to be riper, but not as intense tannins
Mendocino	Yield very important factor
Mendocino	
Mendocino	
Mendocino	To blend into high priced Napa/Sonoma cabernet's to help price average the input costs

Mendocino	
Mendocino County	
Mendocino Hillside, Pope Valley	
Higher elevation Sonoma County, Mendocino and Solano County	
inland Mendo, hotter Napa	
Mendocino, Paso, Sonoma, Napa,	Good Quality Fruit, but under marketed
Napa	better value
Napa	Lake County grapes are the 25% in Napa Cabs. Would be way more if Napa labeling was different.
Howell Mountain, Diamond Mountain	
Paso Robles	Lake County elevation an advantage
Paso Robles	
Foothills	
Northern Sonoma	Lake County is fairly distinctive for Cab Sauv
I only work in the North Coast, so Sonoma?	Great cab for low \$. Wish I could get sales to push harder.
Sonoma	
high elevation Sonoma	= Red Hills
Clear Lake Oaks	Shannon Ridge
Sauv Blanc Comparable Region	Sauv Blanc Comment
mid-lower Napa Valley	
Mendocino	Lake County does it best. Not a popular item for us though.
Kelseyville	
Lodi/Mendo	
None	
New Zealand	Lake County SB has the Citrus front end and more tropical finish
Monterey	
Alexander Valley	
None- totally unique to me	
Mendocino	Both are very good
Alexander Valley	very close in profile when grown for tonnage
Napa	This should be your grape... and maybe Tempranillo and Petite Syrah
Sonoma (Alexander Valley)	ripens faster in Lake than AV
I do not know	
Mendocino	Yield very important factor for quality
Sonoma	
Not sure	
Napa	
Sonoma County	
Sonoma county	To blend into high priced Napa/Sonoma sauvignon blancs to help price average the input costs
Mendocino	
Mendocino County	

Lodi
 Sonoma
 Mendo/Sonoma
 Stellenbosch

Lower pyrazines and increased tropical fruit along with
 firm acidity (grapefruit)

Sonoma
 Napa
 inland Mendo, warmer Sonoma

better value

Question: Thinking of all possible uses for Lake County grapes, please indicate the uses where Lake County grapes contribute most to the marketability or profitability of the resulting wine. You may check as many or few boxes as you like for each variety. If you are not familiar with the variety or any of those uses, just skip that line.

Variety	A substantial part of a \$12/bottle California blend	A substantial part of a \$16/bottle North Coast or California blend	As 5-15% of a \$20+ Napa or Sonoma wine
Cabernet Sauvignon	28%	54%	46%
Merlot	26%	24%	16%
Zinfandel	24%	38%	18%
Petite Sirah	16%	46%	34%
Chardonnay	28%	22%	12%
Sauvignon Blanc	48%	40%	22%

Responses were extremely diverse to this question. While most respondents (47) checked at least one of these boxes, there were very few uses of Lake County grapes that were felt to be particularly impactful by even half of them. 54% thought that Lake County grapes contributed significantly to \$16 North Coast or California Cabernets. Nearly half thought that Lake County was impactful for \$12 California Sauvignon Blanc, \$16 Petite Sirah and as 5-15% of a \$20+ Napa or Sonoma Cabernet. Relatively few saw Lake County Merlot, Zinfandel or Chardonnay as being useful for \$20+ wines. The lowest average impact across all three uses was for Lake County Chardonnay and Merlot.

Section 3. Usage of Lake County Grapes in Napa Valley Cabernet and Sauvignon Blanc Wine

Question: Over the past five years, have you worked at a winery that produced Napa Valley or Napa County wines that included grapes from other counties or AVAs in them?

- Yes 62% (qualified)
- No 38% (skipped past Napa section)

Question: How widespread would you estimate blending wine from other regions into Napa Valley wines to be?

Answer Options	less than ¼ of the wineries do it	¼ to ½ wineries do it	½ to ¾ wineries do it	¾ to most/all wineries do it
for Napa Valley or Napa County wines retailing between \$10-30?	22%	30%	17%	30%
for Napa Valley or Napa Valley sub-AVAs retailing over \$30?	61%	26%	4%	9%

There was little agreement on the prevalence of blending wine from other regions into Napa Valley wine targeted at retail prices of \$10-30. Once above \$30, the majority believed that less than ¼ of wineries kept this practice, and only 13% believed that a majority of Napa wineries did this.

Question: For wineries blending grapes/bulk from other regions into Napa wines, what are most typical blending rates for:

Answer Options	% of Blend			
	1-3%	4-6%	7-11%	12-15%
For Cabernet Sauvignon?	3	4	1	9
For Sauvignon Blanc?	1	2	4	9

The number of respondents for this question was quite low, so answers are expressed by count rather than percent. Again, there was considerable variation in responses with 7 respondents thinking the level of blending for Cabernet was 6% or less, whereas 9 thought the level would be high, up to the legal limit.

For Sauvignon Blanc, the answers tended to favor a higher rate of blending, with 13/16 specifying 7-15%.

Question: What is the maximum price per ton that would typically be paid for Sauvignon Blanc grapes from counties outside Napa that are going to be blended into Napa Valley or County wine retailing at the following prices. (Please skip if you don't vinify or blend Sauvignon Blanc.)

	Price per Ton								
Retail Price Segment	Under \$500	\$500-700	\$700-900	\$900-1100	\$1100-1300	\$1300-1500	\$1500-1700	\$1700-1900	Over \$1900
\$15-20?	0	2	3	5	2	3	0	0	0
\$20+?	0	0	1	5	3	4	0	0	1

The number of respondents for this question was quite low, and the number of answer choices high, so answers are expressed by count rather than percent. For a bottle retailing between \$15 & \$20, the answers were extremely variable, with at least two respondents picking every price bracket between \$500 and \$1500. A majority would not pay more than \$1100.

For a wine retailing over \$20 there was roughly more agreement, with nearly all respondents specifying within a range of \$900 and \$1500.

Question: What is the maximum price per ton that would typically be paid for Cabernet grapes from counties outside Napa that are going to be blended into Napa Valley or County wine retailing at the following prices. (Please skip if you don't vinify or blend Cabernet Sauvignon.)

Maximum Price per Ton	Retail Price per 750ml		
	\$15-20	\$20-30	\$30-60
Under \$500	0	0	0
\$500-700	0	0	0
\$700-900	1	0	0
\$900-1100	1	1	0
\$1100-1300	3	1	0
\$1300-1500	2	3	0
\$1500-1700	2	1	1
\$1700-1900	0	0	1
\$1900-2100	1	2	2
\$2100-2300	2	3	4
\$2300-2500	0	1	1
\$2500-2700	0	0	2
\$2700-2900	1	2	0
\$2900-3100	0	0	1
Over \$3100	0	0	2

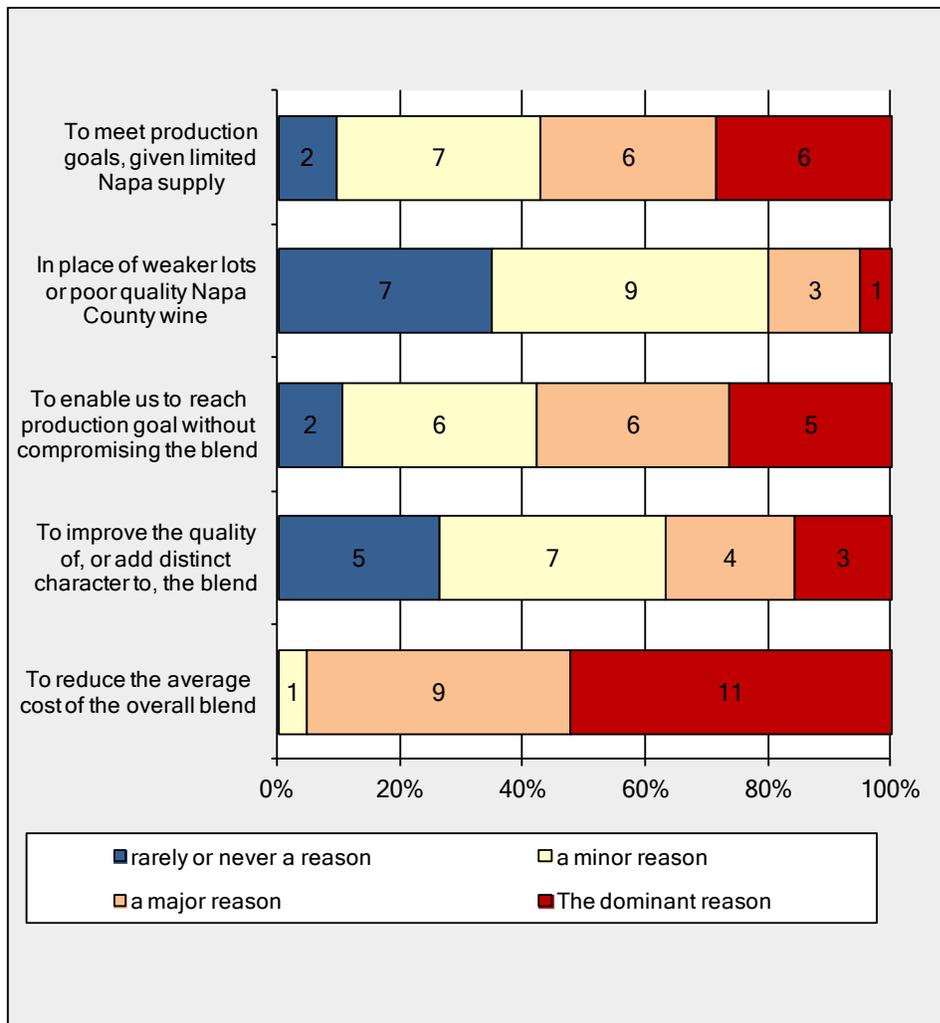
The number of respondents for this question was quite low, and the number of answer choices high, so answers are expressed by count rather than percent. Again, answers were spread widely across the price scale.

For \$15-20 Cabernet, roughly half clumped in the area of \$1100-1700. This is a higher range than for Sauvignon Blanc in the same price segment, which suggests that Lake County Cabernet may have more price-averaging “leverage” on the Napa blender market. A smaller contingent said \$1900-2300. 7 out of 11 would not pay more than \$1700.

For \$20-30 Cabernet, the pattern is similar, but with more in the \$1900-2300 segment and fewer in the \$1100-1700 segment. 11 out of 14 would not pay more than \$2300.

When the Cabernet was priced at \$30-60 retail, the permissible price spectrum shifted upwards, with a wide spread from \$1900 upwards. However, 8 of 14 would not pay more than \$2300.

Question: Below is a list of reasons that wineries might blend Lake County Cabernet into Napa County or Napa Valley wines. Please indicate your opinion on the importance or frequency of each reason.

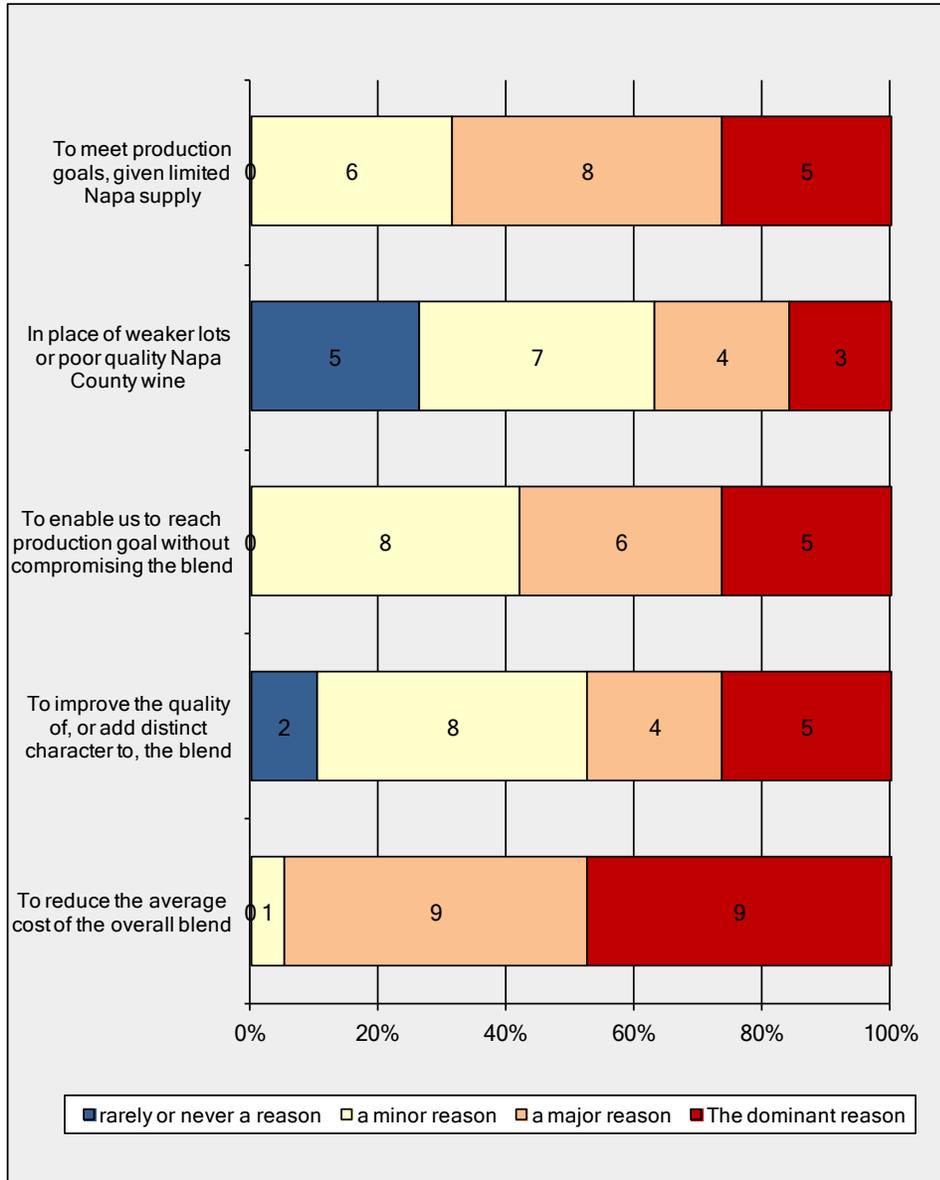


Respondents were offered a variety of reasons why they might choose to blend Lake County Cabernet into Napa Valley wine. By far, the most highly endorsed reason was to reduce the average cost of the

wine, with 95% agreement that it was a major or dominant reason. Slight majorities also cited meeting production goals or meeting the goal without reducing quality as major or dominant reasons.

A minority felt that the Lake County Cabernet could improve the blend: 7 out of 19 felt doing so would add to the character or quality and just 4 out of 20 thought that using Lake County Cabernet in place of weak or poor quality Napa Cabernet was an important reason for blending.

Question: Below is a list of reasons that wineries might blend Lake County Sauvignon Blanc into Napa County or Napa Valley wines. Please indicate your opinion on the importance or frequency of each reason.



The usage of Lake County Sauvignon Blanc in Napa wines received similar responses to the Cabernet, with nearly everyone seeing cost reduction as the major or dominant goal, and distinct majorities using it to meet production goals, with over half not seeing it as a quality compromise. Roughly half thought

Lake County Sauvignon Blanc added character or quality, but again substitution for poorer quality Napa wine was not seen as a major reason for using Lake County.

Section 4. Usage of Lake County Grapes in North Coast or California Blends

Question: Over the past five years, have you worked at a winery that produces any of the following types of wines or brands? (Please check any or all that apply)

Answer Options	Response Percent
Brand or a significant SKU with a North Coast appellation (<i>Qualifies</i>)	52%
Brand or a significant SKU with a California appellation (<i>Qualifies</i>)	60%
None of the above (<i>Skipped to next section</i>)	24%

Question: Below is a list of reasons that wineries might blend Lake County Cabernet into North Coast or California appellation wines. Please check any or all reasons that are leading or key reasons for such blending.

Answer Options - Cabernet	Response Percent
To reduce the average cost of the overall blend	77%
To improve the quality of the blend	53%
To enable us to reach production goal w/o compromising the blend	56%
To offset weaker or lower quality lots in the blend	35%
To meet production goals, given limited grape supply	56%
Other (please specify)	6%

The most widely cited reason, as with Napa blending, was to reduce the average cost, with over ¾ checking it. This is somewhat disturbing, because in the case of North Coast or California Cabernet, Lake County is competing with a number of regions with equal or lower prices. Unlike when blending into Napa Cabernet, Lake County Cabernet does not automatically lower the price of a California blend, in fact the reverse is as likely.

Slim majorities also say that Lake County Cabernet is used to improve the quality of a blend, or at least reach production goals without compromising quality. Over 1/3 stated that Lake County would offset the weaker parts of a blend. Other reasons cited included adding tannins or complexity, or replacing vineyards that had dropped out of supply.

However, it is clear that a large proportion of those purchasing Lake County grapes do not see Lake County as the “high note” in a North Coast blend. They are as likely to be seeking value-priced grapes or using them to offset the cost of more expensive Sonoma or Napa grapes in the blend.

It is interesting to contrast the primary usage of Lake County Cabernet in North Coast or California blends vs. Napa wines. Lake County is more likely to be seen as an “improver” or to offset the weaker parts of the blend in the case of North Coast or California. But the differences of opinion here are not huge. Roughly equal numbers see Lake County as a means to hit production targets.

Answer Options - Cabernet	North Coast/CA	Napa (dominant or major reason)
To reduce the average cost of the overall blend	77%	95%
To improve the quality of the blend	53%	37%
To enable us to reach production goal w/o compromising the blend	56%	58%
To offset weaker or lower quality lots in the blend	35%	20%
To meet production goals, given limited grape supply	56%	57%
Other (please specify)	6%	0%

Question: Below is a list of reasons that wineries might blend Lake County Sauvignon Blanc into North Coast or California appellation wines. Please check any or all reasons that are leading or key reasons for such blending.

Answer Options - Sauvignon Blanc	Response Percent
To reduce the average cost of the overall blend	66%
To improve the quality of the blend	69%
To enable us to reach production goal w/o compromising the blend	59%
In place of weaker lots or poor quality wine from other regions	38%
To meet production goals, given limited grape supply	56%
Other (please specify)	9%

Question: For Sauvignon Blanc, while a majority cited cost reduction as a reason for blending into North Coast or California wines, slightly more respondents cited quality improvement.

Answer Options - Sauvignon Blanc	North Coast/CA	Napa (dominant or major reason)
To reduce the average cost of the overall blend	66%	95%
To improve the quality of the blend	69%	47%
To enable us to reach production goal w/o compromising the blend	59%	58%
To offset weaker or lower quality lots in the blend	58%	37%
To meet production goals, given limited grape supply	38%	68%
Other (please specify)	9%	0%

In contrast to its use in Napa Valley, Lake County Sauvignon Blanc is more of an “improver” for North Coast or California wines.

Question: What is the maximum price per ton that would typically be paid for grapes that are going to be used as a substantial part of a North Coast or California blend for a wine retailing at:

Maximum Price per Ton	Retail Price per 750ml		
	\$12	\$15	\$25
<\$800	4	1	0
\$800-900	4	0	0
\$900-1000	3	4	0
\$1000-1100	6	0	0
\$1100-1200	8	3	0
\$1200-1300	0	4	0
\$1300-1400	2	4	5
\$1400-1500	1	6	2
\$1500-1600	1	2	1
\$1600-1700	0	2	1
\$1700-1800	0	0	0
\$1800-1900	0	2	4
\$1900-2000	0	0	1
\$2000-2100	0	0	3
\$2100-2200	0	0	0
\$2200-2300	0	0	1
\$2300-2400	0	0	5
\$2400-2500+	0	0	2

The prices respondents were willing to pay for grapes blended into North Coast or California wines were highly dependent on the retail price of the wine. For \$12 or \$15 wines, there was a higher level of consensus and concentration at within a range than for blending into Napa wines.

For a \$12 wine, 25 out of 29 (86%) would not pay more than \$1200/ton and nearly half would pay less than \$1000. For a \$15 wine, 17/28 (61%) would pay from \$1100 to \$1500/ton. However, 93% would not go above \$1700/ton.

Three distinct pricing clumps were observed for a \$25 wine, with 28% saying \$1300-1500, 32% saying \$1800-2100, and 28% saying \$2300 and up. Apparently the price paid for grapes going into high end non-AVA bottling depend on the role the grapes play, whether as cost-cutter or “top note”.

Question: For wineries blending grapes/bulk from Lake or Mendocino counties into North Coast or California appellation wines, what are most typical blending rates for:

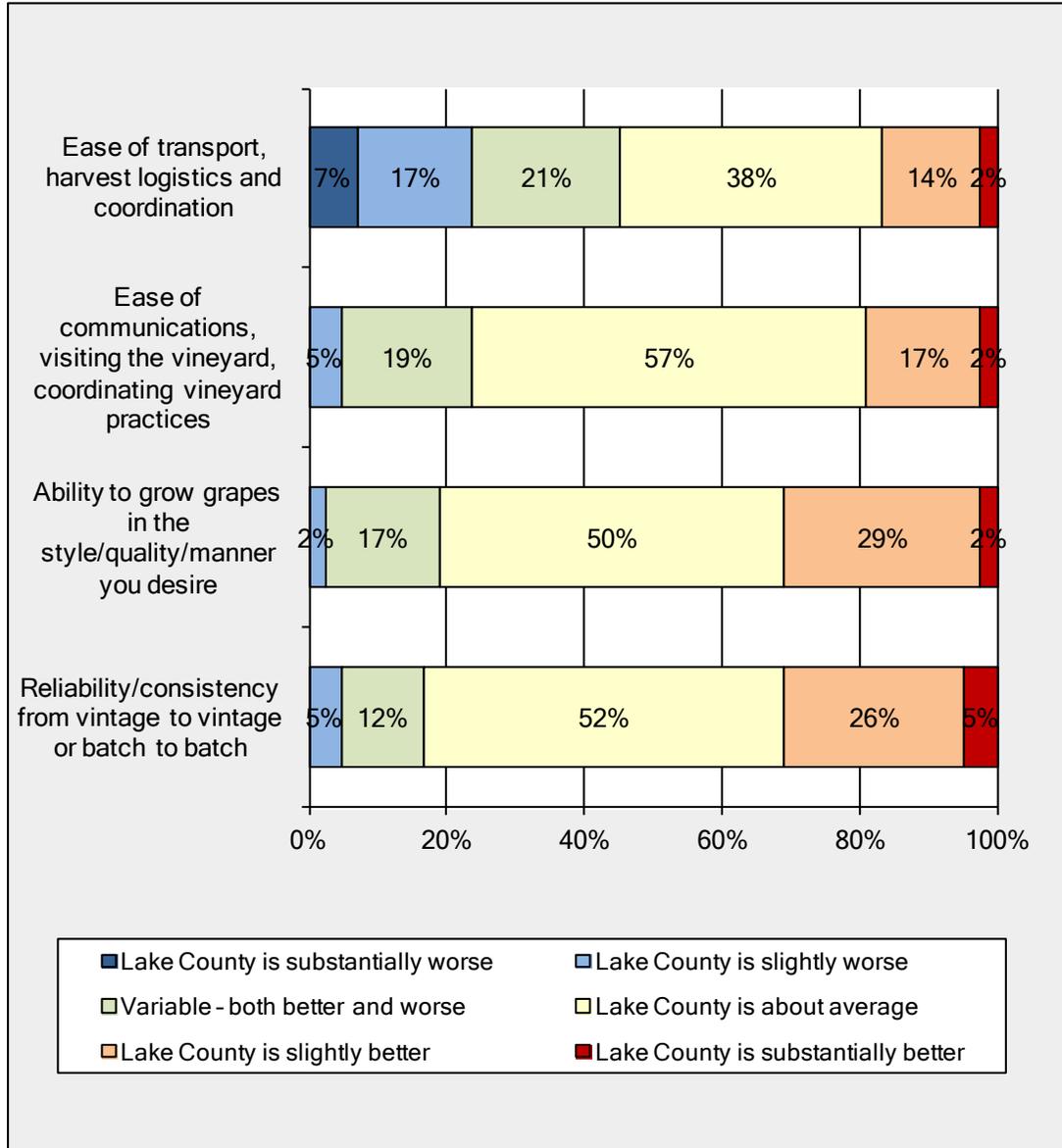
Answer Options	1-20%	20-40%	40-60%	60-80%	Over 80%	Depends on situation
Cabernet Sauvignon?	8	4	3	2	1	6
Sauvignon Blanc?	4	6	2	4	4	1

One third of all respondents said that Lake County grapes would typically constitute 20% or less of a California or North Coast blend. However, there were entries at every rate from 20 to over 80%, and ¼ stated that it depended on the situation.

For Sauvignon Blanc, the average blending ratio was higher, but the variance in answers was also higher, with 29% stating 20-40% of a blend as typical, but 1/5th each stating 1-20%, 60-80% or over 80%. Respondents seemed to have a clearer idea of the role for Lake County Sauvignon Blanc grapes, as only 1 said it depended on the situation.

Section 5. Lake County Details

Question: Thinking of your experience with, or the reputation of, Lake County vineyards and growers, how would you rate them compared to other California regions in terms of:

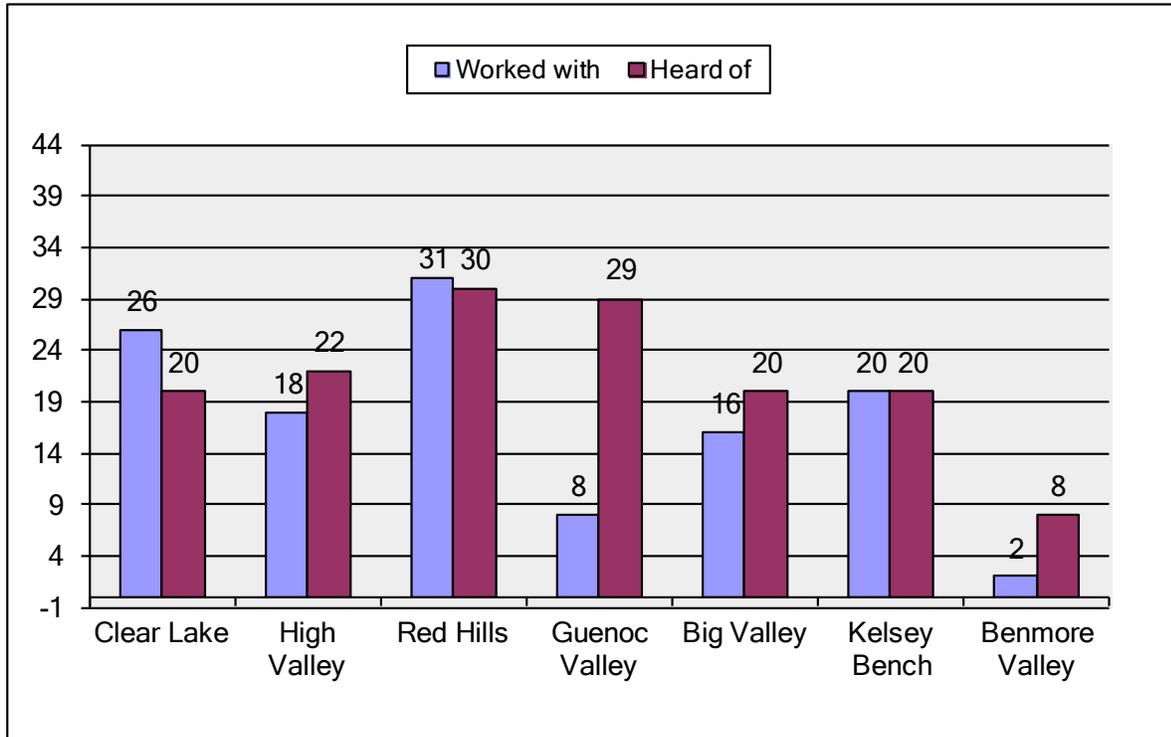


When comparing the business experience with Lake County growers to other regions, positives outweighed negatives, but the majority of respondents was neutral or mixed in their reactions.

The two attributes with the highest positive experience were reliability or consistency and ability to grow grapes in the style or quality desired (31% say Lake County is better for each). For these two attributes and ease of communications, a minimal number of respondents said Lake County was worse than other regions. However, for these three attributes, 50-57% said Lake County was average, and 12-19% said their experience had been variable, both better and worse.

The weakest area for Lake County was in logistics for transport and harvest. One quarter called Lake County worse than other regions in this respect, 21% had variable experiences and 38% thought Lake County was average.

Question: Please indicate which AVAs or sub-regions within Lake County you have heard of, or whose grapes you have worked with, by clicking the buttons below. If you're not familiar with any, please skip this question.



Red Hills had by far the highest familiarity, with 70% of those answering this question having worked with them. Over half of the respondents had heard of or worked with Clear Lake. Guenoc had high awareness, but relatively small number of people who had actually used their grapes. Benmore Valley clearly lagged in awareness and familiarity.

Question: Choosing a Lake County variety and sub-AVA or region you are most familiar with, please comment briefly if possible on the quality and value of the grapes or your experience with them.

This question was completely open-ended, with an essay box to write comments into. Twenty respondents entered a variety or region plus in some cases detailed commentary.

There were 13 positive comments on Lake County generally. Six of them mentioned Red Hills - 4 of them the Cabernet, 2 for reds in general. There were 2 comments each on Lake County (value!) and Kelsey Bench.

There were 7 comments focused specifically on AVAs and their attributes. All of them mentioned Red Hills, 3 referencing Cabernet, 2 the prices. There was 1 mention each for Big Valley and High Valley.

The following are the verbatim responses to this question:

“Red Hills”

“Red Hills, High Valley”

“Red Hills”

“Red hills = big tannins, color in CS, MA PV PS; Big Valley = weak color, thin CS, ME, PS”

“Cab Sauv from Red Hills.”

“Red hills cabernet sauvignon - there is a premium on price, and mostly under contract”

“Red Hills - very good Bordeaux Varieties at reasonable but increasing prices.”

“Red Hills is good location for Cab Sauv, substantial tannins, good structure”

“The Cab Sauv we get from Red Hills is great. Great grower who farms the right way for his location. good site.”

“All good”

“Cabernet Sauvignon. Lake Cty appellation. Excellent quality and increasing value.”

“Red Hills Cabernet Sauvignon: excellent final wine quality and good viticultural practices”

“Kelsey Bench produces a number of very high quality red wines. There are fewer white grapes produced here, but quality is quite good.”

“Red Zinfandel and Cabernet Sauvignon can be very good (yield important factor as well as location). Sauvignon blanc is OK”

“High Valley tremendous quality on white wines. Red Hills rocks the reds.”

“Red Hills and Kelsey Bench. Both are sought after with completely different characteristics. Matching these qualities with what buyers need for blends is our forte.”

“Vigilance Vnyds - beautiful fruit”

“Red Hills produced good quality fruit at a reasonable price.”

"Price and Quality have always been great from Lake County - the high altitude aspect is very important as I find we can harvest a slightly lower sugars and achieve better balance and lower alc levels..

"Red hills cab Beckstoffer excellent quality and value. Cache Creek Petite Sirah outstanding and great owner to work with."