



KEEGAN & COPPIN COMPANY, INC.

ONCOR INTERNATIONAL

Commercial Real Estate Services

Vineyard - Winery - Ranch Division

Presents

The Ranch Man News

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"THE RANCH MAN"
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Wine Trivia

Grapes to Wine Conversion Facts:

- 1 Case of Wine = 2.4 gallons
- 1 Ton of Grapes = 149 Gallons
- 149 Gallons = 62 Cases of Wine
- 1 Acre of Vineyards = 6 Tons
- 6 Tons of Grapes = 894 Gallons or 4,470 Bottles
- 894 Gallons = 372.5 Cases
- 1 Case of Wine = 12 Bottles
- 1 Bottle = 3 lbs. of Grapes

Cost to Produce a Bottle of Wine:

Bottle	\$0.50
Bottling	\$0.20
Cork	\$0.12
Employees	\$2.00
Foil	\$0.09
Grapes	\$2.50
Improvement	\$1.73
Label	\$0.11
Oak	\$0.25
Overhead	\$2.50
Utilities	<u>\$0.10</u>
Total	\$10.01

"Wine is the drink of the Gods"

John Stuart Blackie

Former Wine Industry Exec Joins Keegan & Coppin



Former wine industry executive, Kenneth O'Farrell, has joined Keegan & Coppin Company in Santa Rosa as a Commercial Real Estate Broker Associate specializing in wineries, ranches, vineyards, farms, land sales and investments.

O'Farrell brings more than twenty years of experience in the wine trade from the production, wholesale, and retail segments. He sees his transition into the commercial real estate side of the industry as a natural progression of his wine and agriculture interests.

Throughout his career, O'Farrell spent time analyzing major vineyards in Bordeaux and Burgundy in France, the Mosel and Rheingau in Germany, the Tuscan region in Italy, along the Douro River in Portugal, vineyards in Argentina and Chile, and many of the vineyards and farm regions in California, learning the importance of selecting the right location for starting a vineyard or planting a farm.

Between 1990 and 2000, O'Farrell held a number of executive positions with Kendall-Jackson Family Wineries, including

President of Majestic Marketing Group, the in-house company responsible for all sales and marketing. During this time he used his knowledge of viticulture and enology to educate buyers, distributors, importers, and newly hired sales persons around the globe about the unique attributes of all the grapes and wines produced by the Jackson Family.

During the 1980s, O'Farrell was the Corporate Buyer for Safeway Stores/Liquor Barn, Inc. located in San Leandro, CA, and specialized in buying direct from growers and suppliers in Bordeaux, Burgundy, Champagne, Germany, Portugal, California, Chile, and Argentina.

In 1988, O'Farrell was made a Commandeur d'Honneur de L'Ordre du Bontemps de Medoc et des Graves. In addition, he's been a professional wine judge for the Sonoma County Harvest Fair, the Amador County Fair, the Santa Fe Wine Exposition, the San Francisco Wine Exposition, and the Wine & Spirits Buying Guide.

He is excited about combining his knowledge and love of the land with his work at Keegan & Coppin to help clients realize the full value of their existing properties and future investment opportunities.

A graduate of California State University, Sacramento, he currently resides in Calistoga, CA with his wife, Maryann.

Weather & Vintage 2009 Update

If you've lived in Northern California for any length of time, perhaps you've questioned whether there have been some changes in recent weather patterns. If you have, you are not alone. There are many weather experts wondering the same thing.

For most of 2009 to date, my unprofessional perception is that the weather is unlike what it was when I first moved here more than four decades ago. For example, we began this year with a mild January, a wet February, followed by a somewhat dry March and April. We then experienced a flurry of May (not April) showers, so much so that many areas received more than four inches of rain in May alone.

For the most part, June was unseasonably cool (as evidenced by the slow development of every home gardener's

tomato crop). However, July made up for that coolness with a number of heat waves, some punctuated by humid, sultry subtropical moisture floating north from the Gulf of California. It is this influx of subtropical moisture in mid to late summer over the past few years that seems particularly out of character to me.

Whether or not variations in recent weather patterns signal a permanent change, the weather-hand we've been dealt this year has caused some minor issues in the North Bay vineyards that could impact the 2009 vintage, both in terms of quantity and quality. That is, the May rains helped produce vigorous growth, initially portending an above average crop yield.

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However, the cool June weather, including a bit of rain, caused some shatter problems during bloom, and expected yields dropped from that originally anticipated. This is especially true for Napa County merlot and malbec. This year, in addition to the usual pests, specifically leaf hoppers and mites, there were also more weeds than typical. And, some locales experienced minor mildew issues. Fortunately, the mildew hit at a time when the berry clusters were quite loose, thus allowing excellent sun exposure and rapid water evaporation.

Despite the perennial vagaries of the weather, climate change or not, most growers believe this year's crop will produce complex, multi-dimensional and quite flavorful wines. With veraison now in full swing as of this writing, most winemakers and growers are now gingerly predicting that the 2009 vintage will be smaller than originally thought. Moreover, several also believe that

the quality of this year's vintage will be even better than had been anticipated last spring, especially for cabernet sauvignon in Napa and chardonnay in Sonoma.

Harvest is expected to kick off around mid-August when grapes used for sparkling wines are picked. It is anticipated that the bulk of the harvest will begin in earnest between the second and third week of September. If so, this would be about two weeks later than last year's harvest, perhaps another indication of subtle weather changes?

We hope to evaluate the various North Bay harvests in our next issue, so please stay tuned...



Adding Value Through Tasting Rooms and the Internet

Can the wise use of the Internet and a retail tasting room bring added value to your vineyard, winery or brand? The short answer is definitely yes. And, if you are currently not using these tools to communicate directly to the buying public, perhaps you should.

Many small and large wineries alike have been successfully using the Internet for some time to reach their consumers through blogs, Twitter, and short clips aired on such social networks at You Tube and Facebook. The latter two, in particular, are a great way to quickly "show and tell" the world about your products. As one longtime Napa winemaker recently told me, "Blogging directly to the consuming public is in essence an extension of my tasting room. It lets me instantly reach countless number of people in a very informal manner. I love it."

For most wineries, retail tasting rooms, direct mailers and winery tours were the traditional avenues to communicate directly to the public. That's no longer the case. Now, wineries, winemakers and growers alike can all reach consumers directly in their homes and businesses, ensuring that their message is heard unfiltered and in its entirety.

Especially for wineries, the Internet has become a supplement to, not a substitution for, a retail tasting room and winery visits. The experience of wine after all is intrinsically dependent on our senses of smell and taste, and to a lesser degree sight and touch. Nothing can compare to the personal experience of smelling, tasting and savoring wines, especially at their source of production.

While wineries have known the financial benefits of tasting rooms forever it seems, the same cannot be said

for vineyard owners. But, why not? With the proper licenses, permits and perhaps zoning variances, vineyard owners could open tasting rooms of their own to showcase wines made from their grapes. And, should that not be possible, they can still easily and inexpensively reach the world online.

Today, tasting rooms, direct shipments and the Internet are undoing the way the wine business was historically conducted. That is, until recently, the only way to reach the consumer was through the three-tier distribution system - with tier one being the producing winery, tier two the wholesaler who in turn sold the wine to tier three, the restaurants and retail stores. This system was years ago described to me as an hourglass - with the producers being the large top half of the glass, the wholesalers/distributors the narrow middle, and the consumers the large bottom half of the glass. The trick, of course, was to get your product through the narrow part of the glass.

Now, with the proliferation of tasting rooms and easy Internet access, wineries, winemakers and growers can all bypass that narrow part of the hourglass more than ever before.

While the intricacies of website development are far beyond my meager understanding of all things high tech, I can, however, offer assistance to those of you contemplating a retail tasting room of your own.

Declining Grape Prices -- A Condition or a Problem?

Many years ago while I was in the midst of a business dilemma, my father offered some paternal advice: "Is your dilemma a condition or a problem?" "A condition", he explained, "is a phenomenon that usually cannot be solved and must simply be accepted and dealt with, e.g., the weather." On the other hand, "a problem may in fact have a solution or two." Simple advice from a father to a son at the time. But, can that advice apply as well to today's decline in grape prices?

From what I can gather, the current situation is indeed a challenging financial problem, perhaps a year or more in duration, and not a permanent condition.

Granted, the news does not look good. Within the past month, two winemakers - one from Napa and one from Sonoma - have told me that they are having difficulty selling extra bulk wine this summer. And, they are not the only ones. When they have found a market, the buyers were not willing to pay last year's higher prices.

And, it is common knowledge that restaurants and retailers alike are suffering from the current drop in consumer spending. But, isn't that to be expected in any financial downturn? And, more importantly, aren't all downturns eventually followed by economic upswings?

Recently, a number of growers have learned that some wineries will not be able to honor their grape contracts in whole or in part. So, what are their options? Either sell the grapes for a loss, let the grapes die on the vine, or make wine. I can think of at least two former growers, now hugely successful vintners, who launched or grew their business during the 1981-83 recession when they were faced with such a situation.

Could such success be repeated? Possibly. Whether a grower decides to ride out the present downturn or try his or her hand at winemaking, history has shown that a period of expansion is to be expected. And, if the equities market is any indication - the S&P 500 having risen about 40% since March (as of this writing), then perhaps that sustainable economic expansion is in sight.

It is noted that, unlike the 1981-83 recession, it is more difficult today for businesses, grape buyers included, to secure credit. However, there are also signs that the credit markets have begun to stabilize as well and that the flow of credit is slowly returning.

Farmers especially understand the risks of crop growing, from Mother Nature's whims to the uncertainties of political and economic change. The present decline in grape prices is but one example of the risks inherent in this business. And, as any farmer will tell you, it is not a

permanent condition, but a mere problem that will in time be solved when the economy turns around - which it will do.

So, now may be a great time to position your business to benefit from the expected economic expansion by adding commercial interests, such as the following properties, listed on the back page, to your portfolio.

