Sour grapes

By Ambrose Clancy

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That crisp Pinot Grigio or mellow Côtes du Rhône is costing you up to 20 percent more than last year, not because it's cleaner on the palate or smoother going down. It's because of the rapid spike in what it costs to go from grape to glass.

The suddenly pricey journey from a European vineyard to your favorite restaurant and liquor store is producing a sea change in where wine is imported from and has local wine businesses scrambling.

Importers and distributors here are trying to cope in a brave new world of skyrocketing fuel costs, the dollar's seemingly bottomless descent and copycat profiteering.

A telling statistic: Metric tons of European wine imported from January to July to the United States is down 15 percent this year over the same period last year, according to Zepol Corp., an online trade database.

And South America is filling the breach with a 7 percent increase of imported wine to American shores over the same time span. Importers, distributors and wine buyers all agree that much more favorable exchange rates, especially in Chile and Argentina, are driving the change in drinking habits.

For European wines, the cost begins with importers exchanging dollars for Euros, thus getting battered by the rate. Then, once they've cut a deal with European wineries, they have to put cases on a truck to get to a port. Through-the-roof fuel prices keep the meter running, adding costs the importers have never experienced.

Shipping it across the Atlantic is another hit local importers and distributors take from global energy prices and bottles don't get here by walking to warehouses before they get to retailers.

And longshoremen holding picket signs protesting those energy costs cause delays and does nothing to help your wine budget.

Many domestic wineries are unfairly profiting from the increased cost of European wines. East End-based Chris Miller, a wine educator for Sherry-Lehman, the legendary Manhattan wine shop, is also a sommelier and buyer for upscale retailers. Miller said retailers also had to cope with something the industry calls "the Californian dollar."

This means an increasing number of Left Coast wine producers are charging more to keep pace with European prices.

"They say, 'Well, we buy French oak barrels,'" Miller said, adding that's simple price gouging. Oak is not behind the increase, he said.

To solve the European dilemma, Long Island companies are jacking up prices or locking in exchange rates with banks. Frank Gentile, owner of Huntington's San Giuseppe Wines, which are imported from Italy, said a 40-foot shipping container loaded with Italian wine has doubled in price in two years. In his 45 years in the wine business he's never seen exchange rates and fuel costs so dire, especially considering that 10 years ago the dollar was strong and the Italian lire was weak.

With the exchange rate/fuel cost reality staring him in the face, Gentile said he has only two options: raise prices or cut the quality of the wine he purchases, blends and imports every November.

San Giuseppe Wines now cost 15 percent more than last year, Gentile said.

Even importers in Italy are becoming concerned with America, its best market, because we're looking more and more to South America and away from their traditional paisans.

Gentile talked to one Italian exporter who said, "The only reason I'm still here is the food."

The steep cost of buying euros with dollars has Lake Success-based Martin Scott Wines, one of the region's largest distributors, working with banks to lock in exchange rates over periods of time to stay clear of wild fluctuations.

"We don't always lock in at the optimal rate, but we've done a pretty good job of keeping it stable and competitive," said David Kunicki, vice president of Martin Scott.

The company is continually evaluating the market and buying euros when it's worth the risk, Kunicki said.

In business since 1990, Martin Scott will lock in a price for several hundred thousand euros beginning now until the end of the year to pay invoices coming due, Kunicki said.

But Martin Scott can't control European unions. Picket lines and strikes have slowed, but are still affecting the flow of wine. A standard turnaround for orders from France used to be eight weeks, Kunicki said. Now another six weeks can be added on.

This hurts the schedule and bottom lines. With lighter, summery wines such as rosés arriving late, Martin Scott winds up with more inventory than normal.

"You don't have an opportunity to get out and prime the pump," Kunicki said. "You have an interrupted flow and you have to reduce prices later in the year."

But by keeping exchange rates stable, and servicing New York, New Jersey and Connecticut – one of the great wine-drinking regions in the world – Martin Scott is doing well. In fact it had its best year last year, according to Martin Gold, co-founder and co-owner of the company.

Sommelier Miller said price resistance has cut into the sales of premium European wine.

"People who were buying $70 wines are now asking for $40 wines," he said.

But the real bargains, fine wine comparable to Europe's best, are found with labels from South America.

"There is really excellent wine priced from $9 to $18," he said.

The glory days of American's buying wine in bulk from the noble houses of Europe may be waning. If prices of imported wines go beyond a threshold, consumers will look for alternatives, Kunicki said, adding that Martin Scott is developing many more ties to south-of-the-border wineries.

"Wines from Chile and Argentina are coming on strong because of their old-world flavor and new-world fruit," he added.

And also much less expensive.