

FUTURES

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likely that fewer contenders will be vying for them.

Ronald Rens, a wine writer and president of The Bordeaux Wine Experience in Bordeaux, is among the select group that tastes and rates the young wines. "I just attended a 2008 futures tasting of the (top wines of the) *St. Emilion* district, and the quality is better than the 2007 vintage," he says.

Mr. Rens also expects prices to be lower this year, but the top chateaux won't release asking prices until June or so. He said the top chateaux are not as concerned about pricing because "the *negociants* (wine traders) in Bordeaux will (have to) buy their allocations" or they will lose them for following vintages. "If they don't (purchase), they are out of the game" for quite some time, he says.

However, the dramatic rise in Bordeaux prices in recent years has allowed other wines to develop more robust futures markets, too.

Jack Farrell, owner of Haskell's The Wine People chain in Naples and the Minneapolis area, says Bordeaux "have become so pricey this helps the New World wines, and there is suddenly a new middle-class price structure." Quality wines from Chile, Australia and other wine areas are priced from \$20 to \$40 per bottle, well below the Bordeaux, he says.

"We expect a tsunami in the availability of good wines in the market," says Mr. Farrell. "This will be good news for the consumer, as many bargains will appear and scarce wines will be more available. There is an awful lot of great wine out there."

There's yet another factor complicat-



JIM MCCRACKEN / FLORIDA WEEKLY
Bob Bulifant, Stacole Fine Wines Florida West Coast district manager.



JIM MCCRACKEN / FLORIDA WEEKLY
Jack Farrell, owner of Haskell's in Naples, stands amidst the store's top wines.

Wine futures 101

>>What: Wine futures are contracts for new wines in the barrel. Also known as *en primeur*, the wines are priced in tranches, or a series of contracts. The first tranche is normally the lowest price, and the chateaux raise (or lower) prices over several months based on the reception of the initial offering.

>>When: Every March and April wines are tasted in barrels at the major chateaux by an exclusive group of wine journalists and large wholesale buyers. These early reviews, plus factors such as the quantity produced and how much previous inventory exists, help determine prices.

>>How to purchase: Select fine wine shops offer futures. Buyers must pay for them when the contract is signed. Delivery takes place about two years later. Buyers must purchase a minimum of one case of wine.

>>Why buy wine futures: To ensure receiving a favorite wine. Some are only sold as wine futures or may be extremely hard to find after release. Also, futures buyers may purchase half bottles and magnums.

>>Why do Bordeaux chateaux sell futures: They get paid before bottling and well before the wines are ready to drink. It also saves on warehouse costs once the wines are bottled.

For more information

>>The Bordeaux Wine Experience offers a free, informative monthly newsletter about all things Bordeaux. Sign up at www.bxwinex.com.

>>Decanter.com is a London-based Web site that offers daily updates about wine news from around the world. Sign up at www.decanter.com.

ing pricing this year: a glut of wine left over from 2006 and 2007.

The high-quality 2005 vintage caused prices to spike. The price of the 2006 vintage was somewhat lower, but demand was lackluster because plenty of the 2005 vintage remained. There was still less demand for the 2007 vintage, which was not considered as good as 2006 but was priced well above the 2004 vintage.

For example, *Chateau Latour* 2005 was \$9,175 per case, the 2006 was \$6,869 per case, and the 2007 was \$5,558 per case — well above the 2004 price of \$2,085 per case.

With prices expected to be lower still for the 2008 vintage, wholesalers and *negociants* who purchased large quantities of the 2007 vintage are likely to slash prices on that inventory to get rid of it.

"If the new vintage is cheaper and better, they will have a problem," says Mr. Rens. "Their customers will skip the

expensive 2007 vintage for the cheaper and better wines. Here you have the problem as seen from the wine traders. The prices have to be lower for the 2008s to sell, and then they lose money on the 2007s."

So what are the prospects for this year's futures?

The top chateaux will always sell because there is a limited quantity of these sought-after wines, says Mr. Rens, adding, "It's in the mid-price that the bloodletting will take place."

Customers buying this year will be those who want a top wine that's in short supply, or who want half bottles or magnums.

Potential buyers should take note that, although the futures might rise in price, the prevailing view is that they are likely to decline, making them relatively risky investments for those hoping to make a profit. ■



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