

WINERY OF THE MONTH



WINERY from cover

expensive Cab is \$75, and he points out that the winery makes a very small amount at a time when Napa wineries could decrease their inventories of expensive Cabernet only by giving it away. "We're located smack dab in the middle of Napa Valley, and we are half the price or a third the price of many of our competitors."

But Morgan is growing his business even in this economy because his wines are delicious and offer exceptional value, which wine consumers are diligently pursuing now. He is especially proud of his new Cabernet blend Rhiannon, from the Welsh meaning "golden." The wine is an unusual blend of Cabernet, Merlot, Petite Sirah, and Syrah, which peaks his customers' interest as well as their palates. They know they love the wine but are not quite sure what they are drinking, except that it is delicious and costs \$28 a bottle when most Napa wines of equivalent quality would be much pricier.

Morgan also manages the Scott Family estate with vineyards in the Arroyo Seco appellation of Monterey County, a cool-climate region that is especially suited to Pinot Noir and Chardonnay, which consumers still can't get enough of. At this point, the estate is producing very small quantities of both wines, but again its customers are enjoying ultra-premium quality for less than ultra-premium prices. The Zaninovich Family named the estate after Morgan's 98 year-old maternal grandfather, who had been a banker. "He's very alert, very attentive. It's interesting to talk to him about economic issues because he lived through the Great Depression. He sees this as coming full circle. Because he was a banker for many years, he couldn't believe what was going on with lending, the leniency that banks were exercising."

Morgan also manages the Round Hill label that retails around \$10 a bottle and is mostly intended for restaurants. The newest label is Lander-Jenkins that specializes in Cabernet Sauvignon and Chardonnay for around \$15 a bottle. From ultra-premium wines to very moderately priced value wines, he offers pricing that most Americans are now willing to pay.

Apart from good value, Morgan points out that relationships are very important in hard times, with not only customers but also growers. Although the family owns over 20 acres of estate vineyards, Morgan buys grapes from other Napa viticulturalists to round out his portfolio of wines, and obtaining the best fruit at the best prices becomes very important. It's a cliché that the wine business is about relationships, he says. "It's become crystal clear to me that it is in fact." He goes on to say, "Obviously, we can't be that close to all of our consumers, but at least we can with our trade partners throughout the industry as well as the growers that I work with in the Napa Valley." He says that it's too early in the growing cycle to know exactly but that the 2009 vintage seems to be very large. "This year, I would think that we'll have a dual issue. Slowing sales of higher priced wines means that there will be a backlog of fruit, and in addition, we'll have a very large crop." While this is bad news for growers, it's good news for consumers, who should see better wine at lower prices.

About ten percent of the company's production is allocated to export although the wine could easily be sold here. Morgan explains that diversified markets are important for any business. Referring to his father's business, he says, "As a family, we've traveled internationally ever since I was very

young. We're very comfortable in international markets, particularly in Western Europe but in Japan and Korea too. We've been selling table grapes there for 35 years." The son of a Croatian farmer, Morgan's father Marko Zaninovich farms 2000 acres, devoted mostly to wine and table grapes, in six California counties as well as in South America. Most of the production is devoted to bulk wine that he sells to wineries that use it in their own production or to food service companies that use wine as an ingredient in a food product, a sauce for example. The company also makes raisins from some of the fruit. While Morgan is developing the family's premium wine business at Rutherford Ranch, Morgan's two older brothers also have assignments in the family business that their father originally developed, Andrew on the table grape side and Marko on the bulk wine side.

"If I can have trade partners in Denmark and China, and they can make money and be proud of selling our wine there, that's great," Morgan says. "We are maximizing opportunities abroad as well as in the U.S. ... I think people are happy to get business wherever they can right now. But again, if you haven't laid the foundations, and made the relationships and the framework, you're not going to be able to gain from it now."

At just 35 years-old, Morgan Zaninovich exudes a quiet competence. While developing a business during good times can be relatively easy, doing so now is a lot more challenging. But together with his family, Morgan is making many good decisions as well as some terrific wines. Economic cycles come and go, and by the time that the economy rebounds, he will have learned much that will make him a formidable talent in the California wine business.



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Winery of the Month



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In the year 2000, Marko and Theo Zaninovich purchased Rutherford Ranch and turned over management to their son Morgan, who had carefully prepared for the assignment. He studied agricultural economics at Purdue and then spent two years working for Gallo, which has the reputation for offering the best sales training in the business. Finally, he worked at Rutherford Ranch, managing California sales, before his family purchased the property from the original owners. The following year, the September 11th bombings hit, and while the economy slowed temporarily, Americans enthusiastically continued to increase their consumption of premium wine. The biggest challenge that California wineries faced was to stock the nation's retail shelves with enough wine to satisfied escalating demand. Prices, of course, continued to rise with the economy, especially in Napa, where the Rutherford Ranch winery is located on the Silverado Trail, surrounded by 20 acres of organ-

ic vineyards, planted mostly with Cabernet Sauvignon.

But if the learning curve was ever steep for Morgan, it was nothing compared to now. Since the banking crisis has brought the country to its knees, Morgan has had to run the business in what has become a hostile climate for premium and ultra premium wine. He exports ten percent of his wines to a half dozen countries, and because of his relationships abroad, he says that he has become acquainted with the words for "crisis" in many different languages. Crisis "is a global concept now," he says. But he thinks that Rutherford Ranch is prepared for the times in ways that others are not.

While premium wine prices were escalating, Rutherford Ranch was never tempted to the extremes that other Napa wineries were. Most Rutherford Ranch wines are around \$20. In a neighborhood that abounds with \$150 Cabernet Sauvignon. Morgan's most

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