



# New Breakdown of Wine Cost Revealed

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*Are you paying too much for your wine? Kasey Carpenter examines the cost breakdown of wine from vine to store shelf.*

PR9.NET May 15, 2008 - Chester, PA. - Kasey Carpenter is known as "The Wine Mogul," and he deals in the business of wine. There's no shortage of wine fans in the U.S. (in fact, that number is growing every day), but few people really dig into the dollars and cents of how vino is produced. Isn't it curious how some bottles of wine can cost \$5, while others cost \$200? Is it the grapes, wages, or reputation that makes the difference? Carpenter uses his extensive experience and knowledge to create a comprehensive guide uncovering the true cost of wine. <http://www.classicwines.com/articles/Breaking-Down-The-Cost-Part-I>

No matter if you're a wine shopper, writer, maker, or distributor - understanding this bustling market can prove invaluable. Gabriella Opaz, co-founder of the popular wine website Catavino.net, had this to say –

"Having only stepped into the wine world professionally three years ago, I am still green to the behind the scenes set-up and management of a winery. Typically, as a wine writer, I find myself with blinders on, focused solely on quality and availability of the end product. Rarely, do I even take a second thought to consider how a winery derives their costs. Part of my ignorance stems from my location, allowing me to boast of Iberia's dirt cheap wine prices, without thinking twice as to how the costs are accounted for, and the other part comes from simply not considering the day to day management of a winery."

It's true, reviewing the end product is often the focus of most folk who enjoy wine. But there is a complex world behind that. With the request of anonymity, a Russian River Valley Winery assisted Carpenter in determining what real wineries pay for. Using this information, Carpenter created number sets for us to follow and accurately gauge the kinds of costs incurred.

Some factors are predictable. We all know there must be a price for grapes, bottles, and land. But there are other factors that are less obvious and quite convoluted. For example, an unassisted look into interstate wine shipping laws could result in headache, loss of appetite, and possible nausea. According to Carpenter –

"Regarding State and Federal Licenses, AKA Compliance - First there is the whole setup for being a winery in California, which depending on your level will cost you according to the number of cases you plan to produce. And if you go over your permit rating, hello penalties and fees! But that just takes care of California. Oh, and then if you want to sell in California, you need a separate license for that.

And let's say you want to move those two-thirds of your wine to the other top markets in the US, then you need licensing for those states as well. Let's say you want NY, TX, FL, IL, and because you have family in Denver who would get a kick out of seeing your wine at their local cafe, you need CO as well. Five states, with an average of \$400.00 per year in label approvals and registration. Ah, compliance. So plan on about, \$4500.00/year for production and interstate sales compliance licensing. Support your local government."

Joel Vincent, creator of WineLifeToday and the Open Wine Consortium, added – "Wine, as most spirits and lifestyle businesses, is a pretty high margin business, but that margin gets eaten away by the multi-level distribution required, hence the drive for wineries (particularly small ones) to leverage tasting room and direct to consumer sales as much as possible and the reason the shipping laws are thought to hurt smaller wineries that can't afford the time or money to deal with so many differing regulations."

Most small business owners will agree that "the devil is in the details." On paper, a business model can seem perfect, but in action, profits are eaten away by parasitic hidden costs. Wine production is especially susceptible to this. The wine makers at Crushpad even predicted that Carpenter's numbers may be on the conservative side, and costs could be even more severe than predicted – "I think some things are a bit low (high end Pinot Noir is now more than \$5K/ton...a \$45 Pinot tends to have a better bottle and cork than the standard costs)." (Quote courtesy of Michael Cochran, creator of Cult Vines and <http://www.cultvines.com/>).

So what is the truth? Are high end bottles gauging consumers, or are wineries barely breaking even? Get Carpenter's full story here. <http://www.classicwines.com/articles/Breaking-Down-The-Cost-Part-I>

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