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## Oregon Wineries Step Up, Outside Players Move In

Mergers and acquisitions, plus explosive growth of brands, transform the state's industry

by Peter Mitham



*Chehalem winery and vineyards, seen here, is now part of the newly formed Stoller Wine Group. Bill Stoller's reorganization of his companies is one of many recent changes in the Oregon wine industry.*

*Portland, Ore*—Oregon is a special place, runs the conventional line: it may not have the perfect climate for wine (the claim neighboring Washington makes for itself) but it is home to small, family-run estate wineries.

While heavyweights like Ste. Michelle Wine Estates and Precept Wine call the Seattle area home, 81% of the 773 wineries in Oregon produce less than 5,000 cases a year, according to the Wines & Vines Analytics winery database. Ste. Michelle typically processes two-thirds of the Washington

grape harvest, or close to 8 million cases annually, whereas one of Oregon's largest vintners, A to Z Wineworks, produced a mere 375,000 cases last year.

But both Ste. Michelle and Precept have holdings in Oregon, and Jackson Family Wines of California has made big moves into the state through acquisition. Smaller wineries are sitting up and taking notice, bulking up even as out-of-state capital continues to flow in.

Union Wine Co. in Sherwood, for example, has quietly grown into Oregon's largest producer. It plans to produce 391,000 cases in 2018, versus A to Z's expectation of 350,000 cases. The growth of canned wines has played a key role as consumers have embraced alternative packaging at retail.

This year, Union Wine Co. will produce 244,000 cases of its Underwood canned wine, up 94% from last year. Wine in glass packaging, by contrast, will account for 147,000 cases, up 13% from last year. It has expanded its footprint to keep pace, adding a 43,000-square-foot packing a packing facility as well as sales staff to expand sales east.

Willamette Valley Vintners Inc. also continues to expand its collection of estate wineries held under the Oregon Estate Vineyards umbrella, created in 2015. It produces approximately 152,000 cases a year. Demonstrating that investment can flow south as well as north, it launched a tasting room in Folsom, Calif., for its brands this year.

Stoller Family Estate, meanwhile, announced the creation of Stoller Wine Group as part of an overhaul aimed at improving management of a portfolio that now includes Stoller Family Estate and Chehalem Winery as well as the established History label and a new brand, Canned Oregon. Together, the four brands account for more than 90,000 cases of wine, all moving through distinct distribution channels.

Stoller has grown sales significantly since 2011 and was grappling with the challenges of managing distribution when it built a new production facility in 2015. The new building included office space designed to accommodate its multifaceted sales team and growth beyond its 215-acre estate vineyard.

Now, the new operating entity promises to lend greater coordination to the several divisions and production from 258 acres in three AVAs. "[This] strategically positions a suite of brands and products based on various price points and distribution models," Bill Stoller said in a statement announcing the change.

Supporting the activity is the expansion into Oregon of advisory firm Metis LLC, a subsidiary of Seattle merger and acquisitions firm Exvere Inc. Metis opened an office in Portland this week headed by Andy Steinman, a partner in Walter Scott Wines of Salem and no stranger to the local drinks business.

"Regardless of the motivation, there's just a lot going on," he says. "There's been tremendous growth

and some of the earlier wineries are reaching the latter point in their career and are considering doing something else. ... And at the same time, there are many, many parties interested in getting into Oregon wine from an investment standpoint.”

These include not only local vintners intent on expanding and securing established brands and vineyards, but also outside wine companies and capital simply looking for a home. The latter include farmers from elsewhere in the United States who need to reinvest their proceeds in agriculture for tax purposes, as well as institutional investors such as Harvard Management Co., manager of the endowment fund underpinning Harvard University, which has invested in southern Oregon vineyards as well as California.

“It’s a good alternative to traditional financial vehicles. ... Land isn’t subject to the same variations as the stock market or the bond market,” he says. “You add in the factor of an investment dollar getting you a lot more here in Oregon or in Washington versus California, it’s easy to see that attraction.”

However, as some players get larger, others are capitalizing are refocusing.

Adelsheim Vineyard, for example, took advantage of a change in leadership in 2016 to refocus on the Chehalem Mountains AVA without a dramatic change in ownership. When founder David and Ginny Adelsheim did sell the winery in 2017, following the selection of CEO Joth Ricci, it was to co-owners Jack and Lynn Loacker.

Refocusing was also the name of the game when King Estate in Eugene divested itself of its hugely successful Acrobat brand earlier this year. The sale halved production from 310,000 cases a year to 150,000 cases, and boosted Foley Family Wines’ share of Oregon wine production and fruit sources, while allowing King Estate to explore new avenues. “Our customers are best served if we’re not trying to get bigger every year,” King Estate co-founder and CEO Ed King told *Wines & Vines* at the time. “Bless all those big companies that are doing it and getting bigger and bigger all the time, but it’s a decision about where you want to go in the world.”