

BERINGER BLASS BUYS CHALONE'S CARMENET LABEL

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Beringer Blass Wine Estates announced a deal Wednesday to acquire a small but well-known Sonoma Valley wine brand, Carmenet Vineyards, from Chalone Wine Group.

Beringer Blass will purchase the Carmenet name and existing inventory of wine. Chalone will retain two Carmenet spinoff labels, Moon Mountain Vineyard and Dynamite Vineyards, along with vineyards and production facilities used to make all three brands.

The purchase price was not disclosed Wednesday. However, Beringer Blass paid less than \$5.5 million for the Carmenet brand and inventory, according to a source at the Australian wine company.

Founded in 1982, Carmenet outgrew its production facility in the Sonoma Valley by creating spinoff brands that sourced grapes from across the North Coast. Last year, Chalone produced 115,000 cases under its trio of labels affiliated with Carmenet.

In December, Chalone split Carmenet into three distinct brands: Moon Mountain, Dynamite and Carmenet.

"It became hard to describe what Carmenet was. They had something like 15 different wines and three different labels," Ken Morris, a spokesman for Chalone, said.

By selling Carmenet, Chalone will now focus on other brands in its portfolio. Moon Mountain, which produces 7,900 cases annually, will remain at its hillside winery in the Sonoma Valley. Dynamite, which produces 90,000 cases annually, will move from its Vintage Lane production facility in Glen Ellen to a new winery planned in Lake County.

"This asset sale allows us to invest into new acquisitions and other opportunities to help grow the company," said Tom Selfridge, president and chief executive at Chalone.

Beringer Blass, on the other hand, gains another premium brand to push through its distribution network.

“It is a small acquisition. We do feel it fits real nicely in the portfolio,” said Mora Cronin, a spokeswoman for Beringer Blass.

“We see a brand that has a great track record. It has been around for 20 years. It is well known, primarily for appellation and vineyard-designate wines. We feel we have the fruit -- from Napa, Sonoma, maybe some from the Central Coast -- to supply the brand in the foreseeable future,” Cronin said.

The deal is scheduled to close by Sept. 30, Cronin said. A winemaker will be named before the end of the year.

Beringer Blass plans to boost sales under the Carmenet label. Last year, Chalone sold 17,000 cases under its core Carmenet brand, with most wines priced from \$10 to \$20 a bottle.

“We do intend to increase its distribution and volume, but very carefully, making sure we maintain the integrity of what that brand has been,” Cronin said.

The Carmenet deal will likely be replicated as wineries continue to consolidate, said Robert Nicholson, head of International Wine Associates in Healdsburg, which served as financial advisor to Chalone in negotiations. Large wineries will find it cheaper to grow by acquiring existing brands instead of building a brand from scratch.

“It is much more efficient for companies to acquire existing brands that are well positioned and provide some synergy with their own distribution network to help them grow their business.

“As the industry consolidates, I think we are going to see more of that thing,” Nicholson said.

Although it is selling Carmenet and moving Dynamite to Lake County, Chalone is still interested in maintaining a presence in Sonoma County. The Napa wine company debuted a Russian River pinot noir for shareholders in May and plans to release the as-yet-unnamed brand in 2005.

“It is so new we haven't even got a name for it,” Morris said. “Sonoma is definitely in the long-term plans.”