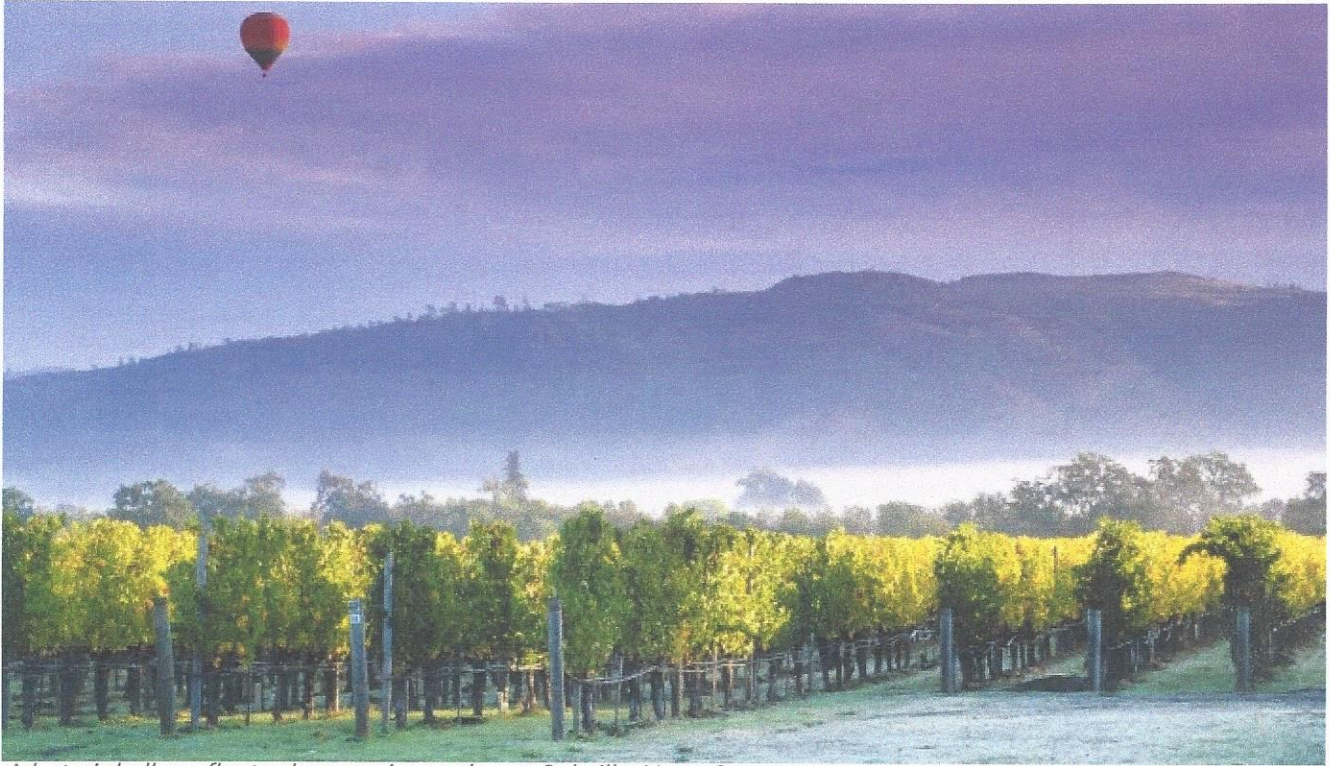


**Napa Valley**

## China's grape rush



*A hot-air balloon floats above a vineyard near Oakville, Napa County*

JUNE 12, 2015 by: **Hannah Kuchler**

The early morning fog floats away over the imposing Mount George, revealing Joe Chuang's rows of Chardonnay vines running across the floor of Napa Valley. Short and neat in a dark corduroy jacket and blue striped shirt, Chuang surveys the vineyard from the balcony of a pale yellow, two-storey house.

Inside, the interiors are decorated with Chinese calligraphy; Chinese characters are written on bottles of his Firefly Vineyards wine. But outside, the 12-acre vineyard is sandwiched between fields (where a Texan cowboy is storing hay) and twee wooden Napa houses with US flags hanging from their porches.

Chuang frequently insists that he only makes wine as a “hobby”, with the profits going to fund education for underprivileged children in China. Yet with 5,000 cases a year to sell from Napa, another vineyard in China 20 times the size of this one, and a new non-profit organisation set up to promote Californian wine in China, it is hard to believe.

“Actually, I was not looking for a property that can grow so much wine. I just wanted a gentleman’s vineyard so I can make a little bit of something,” the 72-year-old owner of energy company Eco Global Solutions says. “If I keep it as a hobby, it is more fun. If I turn it into a business then all the grey hair will come and I will look 80 years old.”

Chuang was one of the first Chinese investors to buy a Napa vineyard when he moved to the Californian wine-growing region eight years ago. Since then, many more have bought properties as they seek to sell wine to China, which consumed 1.94bn bottles in 2014, according to a report from the Wine Academy at the Northwest Agriculture and Forestry University in China’s Shaanxi province.

Some, like Chuang, have lived in the US for decades but maintain strong links with China, others have moved to California to try their hand at winemaking or employ Americans to run their vineyards and produce wine for Chinese tastes.





*Joe Chuang, owner of Firefly Vineyards*

Even Yao Ming, the 7ft 6in Chinese basketball star, launched a Napa wine label in 2009, and now sells Yao Family Wines to China. He visits four times a year to help steer the creation of the wines. His 2010 Cabernet Sauvignon was rated 90 points by eminent wine critic Robert Parker.

As well as profits, Chinese owners benefit from the prestige of owning premium property in Napa, where they often throw parties for business associates, and the potential to gain US residency thanks to the EB-5 immigrant investor programme that offers a visa in return for creating or preserving jobs in the US.





*One of Chuang's fields*

Stanley Cheng, a Chinese-American who is chief executive of the Meyer cookware company, appears to have taken the hotly disputed title of the first Chinese winemaker in Napa when he bought what became Hestan Vineyards in 1997. Originally from Hong Kong, Cheng made his mark more recently by opening a tasting room just a few doors down from the triple Michelin-starred French Laundry restaurant.

Yet the wave of buyers has taken off in the past five years as demand for wine in China grew and people began to look beyond buying in Bordeaux. Those shelling out for wineries and vineyards included the Sloan Estate, which sold to a Hong Kong-based company in 2011 for a reported \$40m; Bialla Vineyards, which sold for about \$3.2m to another Hong Kong buyer in 2012; and Quixote Winery, which was bought by a Chinese company last year for about \$29m.

John Bergman, a realtor who has been in Napa since 1987, is predicting an “onslaught from the Asian market”. He says that as well as good wine brands, a



beautiful property and views were important to these buyers, who regard a winery as a high-end possession.



*A tasting room at Hestan Vineyards, owned by Stanley Cheng*

“They would like to make sure it is aesthetically pretty, has good ‘eye appeal’. It is important to be able to bring their friends over and show off a little bit,” he says, adding that many such buyers host large dinners for associates to taste their wine.

Realtors describe Chinese and other Asian clients making a splash at the annual charity auction in Napa, held in June, by trying to bid up the most expensive wines as a way to promote themselves in their new community.

Xinyue Zhang moved from China in 2011, working her first harvest in Napa in 2012. The 25-year-old oenologist at Calla Lily Vineyards speaks fast as she runs through the grapes that we see on the hillside in front of us: 60 per cent Cabernet Sauvignon, 25 per cent Petite Syrah and 15 per cent other Bordeaux varieties. But she gets even more excited when she recalls the moment she found out that a nearby vineyard had also been bought by Chinese owners.

“This winery property was purchased at almost the same time. So after I moved here to work, I heard about them, then I knocked on their door and talked to them,” she says. They now see each other two or three times a week. “Both of us are new wineries and we’re all from China so there are many times if we need help, we do help each other.”



*One of the grapevines at Firefly Vineyards*

On the other side of Howell Mountain from the centre of Napa Valley, the sun beats down and a small lake glistens. Far from the tourist-jammed roads, the silence is broken only by birdsong. Since Calla Lily Vineyards was bought by CCF Wines, a group of Hong Kong-based businessmen in 2013, the tasting room has been closed to visitors.

Anthony Fung, chief executive of CCF, said the group first looked at buying a Bordeaux vineyard. In a China preoccupied with buying the most premium brands, old-world wines have been traditionally more popular for impressing dinner guests.

“[But] we couldn’t really find any quality vineyards in France and Bordeaux that were for sale and in the US we were able to get good quality land at more reasonable prices,” he says. “We have no regrets whatsoever.”





*Xinyue Zhang, oenologist at Calla Lily Vineyards*

Latife Hayson, a real estate agent for Sotheby's in Napa, says CCF is not alone. There is still a "great fascination with Bordeaux" for Chinese vineyard buyers, she says, but the prices are becoming "ridiculous". "You can pay up to \$1m per planted acre over there, which can really, really zing."

Prices in Napa are less than a third of that, at an average of about \$300k an acre last year, according to research by Vintroux Estates and Vineyards, a real estate company.

Californian wines are less well known in China but many in the Napa wine industry believe that they suit Chinese palates better, since they tend to be bolder, fruitier and better paired with strongly flavoured foods.

Vintroux is marketing a Napa wine estate for \$9.5m, featuring a 5,000 sq ft house with a heated pool on the edge of a private five-acre lake. The vineyard has 35 acres of Cabernet Sauvignon and Merlot vines. The property also includes a potential winery site.





*Home with 24 acres of land in Calistoga, \$8.75m*

In neighbouring Sonoma, the same agent is selling a 13-acre estate, with a five-bedroom, five-bathroom house and 20,000 Pinot Noir and Chardonnay vines, for \$2.3m.

Meanwhile, Hayson is offering a large estate in Calistoga, Napa Valley's spa town, for \$8.75m. An unusual building with floor-to-ceiling windows and a large wooden terrace with mountain views, the estate does not yet feature a vineyard or winery but the preliminary work has been done if the new owner wants to explore that option.

In the small close-knit community of Napa, everyone has their own story of Chinese buyers misunderstanding the wine business. For Hayson, it is the former farmers who swilled cola with their Château Latour and came to Napa looking to make a quick buck. Seeing how complicated the wine business can be, they gave up on the wine industry to buy apartment blocks in Ohio instead.



Scott Meadows, the ebullient US general manager of Chinese-owned Silenus Winery, tells of how at the height of the boom in China, from about 2010 to 2012, students from the University of California in Berkeley would drive up to Napa and “break down the door” to try to buy containers of wine. They promised to make the owners a lot of money by selling it in China as long as they could buy it from the winery at less than \$5 a bottle.

“I’d be like, ‘Kid, you don’t understand, I don’t need to sell my wine to you and we’re not going to,’” he says. Meadows sells Silenus wines at between \$19 and \$85 a bottle in the US — and about 200 per cent more than that in China.



*Vineyard estate in Napa Valley with private lake, \$9.5m*

All agree, however, that Chinese investors now either understand much more about wine or are happy to run their properties at arm’s length. Silenus Winery is owned by Chinese real estate developer Veronica Wang, but managed by Meadows, and the company sells its wine in China with his help. “Frankly, one of the things [Wang] did that I thought was very smart was she knew enough to realise that it is



one thing to buy a Napa winery, it is another thing to know something about wine and running a winery,” he says.

Many in the valley are even hopeful that the anti-corruption crackdown launched by Xi Jinping, China’s president, could help sell more Napa wines, as Chinese wine buyers seek bottles of what they enjoy, rather than the big-name French wines that were commonly used to bribe officials. “There will be fewer people trying to make a quick buck and not really understanding what they are doing, but there will be more investment,” says Meadows.

Pouring his own Chardonnay and Cabernet Sauvignon at a nearby Italian restaurant, Chuang believes that only the top 1 per cent of wines will suffer from the drive to eliminate bribery in China.

“It is limited to a very small number of people that drink it not because they really, really like them. They drink them because they are hosting important officials, so [they think] ‘I have to order this because it is the most expensive’,” he says. “This won’t happen from now on: people will go after the wine they like the most.”

### **Buying guide**

- Napa’s population is about 80,000, with 11,000 living in neighbouring Sonoma
- Average temperatures range from about 13C in January to 27C in September
- There are about 400 wineries in Napa
- A winery permit is required, costing \$500 to \$2,000 for a small winery