

WINE

## A global wine expo opens a door to China for U.S. wines

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Lisa James/Register

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FRIDAY - MARCH 22, 2013 - NAPA, CA - Dr. Joe Chuang stands in his Firefly Vineyards in Napa on Friday. Chuang, a Taiwanese native who studied chemical engineering, started the vineyard as a hobby. Today the wine is shipped to China with proceeds going to help educate children from poor families in rural areas. Lisa James/Register

Some 6,000 miles separate Napa Valley from Flower Valley, but Dr. Joe Chuang is embarking on a project to bridge this distance and provide a new gateway for U.S. winemakers to bring their wines to China.

Chuang recently broke ground on the Flower Valley Global Wine Expo, an innovative venture in China that will allow 40 participating wineries to showcase and sell their wines year-round through the expo, giving them additional options to existing distributors and insuring protection for their brands.

Chuang, who lives in the Napa Valley, wants 20 of those wineries to be from California.

He is building the Expo in Huailai County, a premier wine region northwest of Beijing that is considered the "Bordeaux or Napa Valley of China," Chuang said as he outlined his plans at his Napa office.

The Expo facilities will include vineyards, a winery, restaurants, wine storage, a conference center, entertainment areas and 40 "pavilions" where wineries from around the world can present and sell their wines.

Chuang said "Flower Valley Winery, a joint venture enterprise approved by the Chinese government, has the right to import wines, to create "Wholly Foreign Owned Enterprises (WFOE)" for members established in Flower Valley Global Wine Expo and to sell the wines directly from WFOE or through their own (existing) channels to customers throughout China".

The Flower Valley Winery Global Wine Expo has been approved for 40 WFOEs and Chuang wants 20 of them to be from California or other U.S. wineries. The remainder will be made available to other international wine regions, including Italy, France, Germany and Spain, as well as South America and Australia.

Chuang, a scientist and businessman with a global perspective, makes wines for his "hobby and charity" in the Napa Valley. His wines aren't for sale in California, however; he ships them to China where he sells them to support a foundation he has established to help poor, rural children attend high school and university.

Chuang said his experiences in bringing wines to China have shown him the problems American vintners face in marketing their wines in China.

"It is very hard for Americans to compete with wineries from France and Australia," said Chuang, who noted that other countries have strong support from their governments to aggressively market their wines in China. As a result, he said, California wines still have a low profile in China compared to the fabled wines of Bordeaux and Burgundy.

"So far, most Chinese consumers think that French wines are the best since they are the only wines they have been exposed to, as they have little experience in trying California wines in China," explained Qi Guimei, a prominent Chinese viticulture and wine authority, and editor of the official Chinese magazine, Gourmet, and of the Sino-Overseas Grapevine and Wine website.

Qi said, "Flower Valley Wine Expo will give Chinese consumers, for the first time, an opportunity to get to know many California wines collectively at one time, including the world-famous Napa wines, since they can taste and learn about these wines directly from the reliable sources of California wineries stationed at the Wine Expo."

A potential 50 million consumers live in the two nearby metro regions of Beijing and Tianjin, and while the goal of Flower Valley is to introduce Chinese people to international wines, Qi said she also anticipates foreigners living in Beijing and Tianjin will visit the Expo "to buy authentic wines directly from the wineries."

With 20-plus wineries in one place, Chinese consumers can "learn the best of California wines year-round," Chuang said. "This is more effective than what the French are doing now by conducting week-long Bordeaux and Burgundy wine festivals in China."

Napa Valley wine public relations consultant Harvey Posert said of the Flower Valley plan, "This is a great opportunity for our wineries to go into China with an appropriate platform and a smart business plan."

A little light in the dark

Chuang studied chemical engineering in his native Taiwan before earning a Ph.D. at the State University of New York. He continued his research at the Max-Planck Institute in Dusseldorf, Germany, before joining Armco Steel Corp, and went on to become an independent consultant on chemical and metallurgical projects in the U.S., Europe and China.

Working in partnership with a French pharmaceutical company, in 1994, Chuang went on to build the world's largest progesterone plant in China. Independently Chuang also formed Eco Global Solutions (EGS), seeking to "find environmentally sound products for oil, gas and mining industries." It produces engine fuel additives that lower emissions, extend mileage and improve performance. After being based for

30 years in Southern California, in 2007 Chuang relocated EGS to Napa and made the valley his new family home.

"From working with the French, I'd become interested in wine," he explained. He purchased 10 acres in east Napa, planted vineyards, and he and his son, Max, who studied at UC Davis, began making wines, the sale of which would support Chuang's educational foundation in China.

He named his property Firefly Vineyards. "A firefly is a little light in the dark," he explained. In this case, he added, it's a light for poor children.



Chuang makes 5,000-6,000 cases a year to ship to China. The wines have found fans with Chinese consumers, and the government, acknowledging his charitable work, has served Firefly wines at state banquets, a rare honor for wines made outside of China, Chuang said.

To provide more exposure for California wines, Chuang opened the Flower Valley California Wine Club in Beijing not far from Tiananmen Square. Located in the lobby of his business associates, the giant Cosco Shipping line, the stylish bar sells Firefly Wines, as well as other Napa Valley labels, including Flora Springs, Frank Family, Ladera and Prisoner.

Still, however, Chuang decided he wanted to do more to help other California wineries gain traction in China.

#### Creating Flower Valley

Ten years ago, the French had embarked on a two-year survey in China to find the optimum site for a Sino-French demonstration vineyard. They chose Huailai, which lies within the metropolitan Beijing region, but in an area designated as “environmentally protected” by the Chinese government.

Because there was no water, there had never been any industry, Chuang explained, leaving the soil pure and uncontaminated. The government has since built two reservoirs nearby and forbidden any heavy industry. Windmills also line the area, which lies at the foot of the mountains where 2,000 years ago, the Chinese began building the Great Wall. Huailai is now home to 75 wineries.

The inspiration for Flower Valley came from a dry creek that runs through the property. “We could not develop it,” Chuang said, “because some day it might be a river.” Instead, he filled the dry creek bed with flowers — more than 70 kinds now bloom there in spring and summer. He also planted fruit trees and vegetables, and vineyards with rootstock given to him by the nearby Sino-French Vineyard.

“Many visitors now come from the cities to see the flower gardens,” he said. “Kids who don’t like vegetables will taste the ones we grow here and like them.” People also come to be married in the gardens, he said, and weddings will be another feature of the Flower Valley Global Wine Expo. “It has become popular in China to be married at vineyards and wineries,” he said.

Another incentive for visitors, he added, is that the site is about a 15-minute drive to the Great Wall of China. “And every Chinese person wants to visit the Great Wall in their life.”

#### The plan

“Getting 20 California wineries to participate in the Flower Valley Global Wine Expo is the first major step to achieve the goal,” Chuang said.

By obtaining a Wholly Foreign Owned Enterprise license through Flower Valley, Chuang said, vintners will be able to reduce the cost of their wines, a problem in China where tariffs and distributors fees and restaurant markups can lead to prohibitive prices for U.S. wines. It’s not unusual for bottle of wine that sells for \$20 in the U.S. to be \$200 in a restaurant, he noted.

In addition to gaining direct access to consumers, distributors, retailers and restaurants without middlemen, Flower Valley participants will also have the advantage of a secure warehouse facility on the Flower Valley grounds. Being able to buy wines directly from the producers will be “a welcome respite” for wine drinkers in China, where problems with knock-offs and counterfeiting labels persist, he said.

Materials prepared for the Flower Valley Global Wine Expo project by Overseas Investor Services note that Christie’s auctioneers now destroy wine bottles after tastings in Hong Kong and China to prevent these bottles from being refilled with inferior wines.

Tom Ward, a managing director with Overseas Investor Services said this company is working with Chinese investors to build the expo pavilions. These, in turn, will be leased to participating wineries at a cost he anticipates will be "around \$6,000 per month for a 4,500 square-foot pavilion.

"While the Expo is a permanent fairgrounds, the initial lease is just five years for the winery with an option to renew," he said.

In an email from Dusseldorf, Germany where he is attending the ProWein international wine and spirits event, Ward wrote "the Global Wine Expo concept at Flower Valley in Huailai, China was enthusiastically received in meetings with wine industry leaders such as Jean-Charles Boisset, owner of Boisset Family Estates [which own wineries in Napa and Sonoma counties as well as in France] and Rick Tigner, president of Jackson Family Wines [based in Sonoma County], among others, as a distinctive concept and for its other prospective strategic benefits."

"We're trying to establish Napa Valley wines as being deserving of the same view of being ultra-premium as many other U.S. goods," Ward wrote. "The population of China is over 1.35 billion people. To put this in relative terms, I compiled a list of the top 10 (other) wine consuming countries, U.S., Italy, France, Germany, the UK, Argentina, Spain, Russia and Romania, and then added five more countries, Japan, Canada, South Africa, Australia, and the Netherlands. Total population? 1.08 billion.

"Combine this with the fact that in just eight years, (2005-2012) China's wine imports have grown from 40 million cases to

200 million cases, a staggering 500 percent ... and you can see why we are so excited about what the Flower Valley Global Wine Expo brings to the table for Napa Valley wineries," Ward said. "This is going to be H-U-G-E."