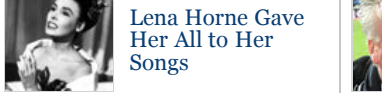


TOP STORIES IN Life & Style



ON WINE | MAY 7, 2010

Taking Advantage of the Wine Glut

Amid an oversupply, Cameron Hughes buys top wineries' excess and resells it for bargain prices

Article Comments (17)

MORE IN LIFE & STYLE >

Email Print Save This Like 520 + More Text

By LETTIE TEAGUE



Cameron Hughes this week, tasting at a broker's office. Mr. Hughes estimates he 'moves about 250,000 gallons of wine a year.'

There is a glut of wine all over the world—an oversupply so significant that it's compelled Australian winemakers to plow up their vineyards, forced French producers to turn wines into ethanol and brought wealthy Napa vintners if not to their knees then to their bankers in search of refinance. The reasons are various—new vineyard plantings by ambitious producers, increased productivity at a time of plummeting demand, winemakers who have overleveraged their brands.

The bulk wine market—which encompasses everything from wine in the barrel to finished wines in unlabeled bottles, aka "shiners"—may absorb some of this excess but with prices as low as \$1 a gallon, it's not going to help winemakers raise very much money, let alone make them rich. Except in the case of Cameron Hughes. Mr. Hughes takes the \$100 California Cabernets that have gone begging for buyers and sells the very same wines under his own labels for \$25 a bottle and less. He packages them in generic-looking bottles with names like Lot 164 Rutherford Cabernet and Lot 135 Syrah and sells them on his website and to retailers like Sam's Club and Costco in 38 states.

On Wine

Read more incisive criticism and accessible advice on the world of wine.

Straight Dope From a Napa Négociant Women and Wine

Robert Parker: 2009 Bordeaux May Be Best Vintage in Decades

California Pinot Noir he'd recently tasted that was an "incredible value." I pulled up a chair. This was a wine I could actually afford. The name of the producer was unfamiliar to me: Cameron Hughes. "His Lot 142 Pinot Noir is amazing," Chris said.

When I got home, I went to the Cameron Hughes website (www.chwine.com). I found the Pinot Noir that Chris had mentioned along with other Lot wines that included Pinot Noirs, Chardonnays, Syrahs and Cabernets. Mr. Hughes says that nondisclosure agreements with wineries prevent him from naming his sources, and each wine was accompanied by a "Cameron Confidential" hinting at its exalted—yet unnameable—origin that necessitated a number instead a name. "We sourced this wine from the vineyard of a famous Cabernet producer," was the Cameron come-on for a \$22 bottle. Another Cab was from "an \$85-a-bottle program" in Napa's Atlas Peak appellation. There were videos of the boyishly handsome Mr. Hughes, including one in which he declared, "This wine has a five-page nondisclosure agreement attached to it." He was speaking of Lot 146 the 2006 Diamond Mountain District Cabernet—the first time I'd ever heard a wine described in terms of its legal pedigree rather than its aromas and flavors.

Of course, for cautious wine buyers this might pose a problem, particularly at a time of rampant wine fraud. Consumers have no way of knowing for sure if the sources of the wines are as Mr. Hughes has claimed, though when I consulted my friend Kim Landsman, a partner with the law firm Patterson, Belknap, Webb & Tyler who specializes in intellectual property, he told me that misrepresenting facts about a wine would leave a broker subject to civil "and probably criminal" liability. I decided to investigate the facts for myself, so I ordered a case of Cameron Hughes's Lot wines—Chardonnays, Pinot Noirs, Syrahs and Cabernets—and I invited some wine-knowledgeable friends over for a tasting.

We tried a wide range of wines and found the Cabernets particularly impressive: The 2007 Lot 164 Rutherford (\$22) was lush and wonderfully aromatic and the 2007 Lot 143 Howell Mountain Cabernet, though a bit tight, was well structured. The 2006 Lot 146 Diamond Mountain Cabernet, meanwhile, was just monumental—rich, dense and substantial. There were also a couple of lovely Pinots (including the one that Chris Freemott liked) and a beautifully balanced 2007 Lot 135 Central Coast Syrah that cost an incredible \$12 a bottle. In fact, with the exception of a mediocre Garnacha from Spain, it was clear that Mr. Hughes was getting good juice. But where was it coming from? I called up a few sources in the business to see what they knew.

Andrew Murray, a Santa Barbara, Calif.-based producer of prestigious Syrahs under an eponymous label that sell for up to \$35 a bottle, was willing to go on the record as the producer of the Lot 135 Syrah. "Even though I make more expensive wines I feel cool about helping Cameron release an affordable wine," he said, adding that the Lot 135 had helped him keep his crew busy, his bottling line active and helped him economically.

Rob Lawson, a broker with the Napa Wine Company, a family-owned winery that sells its own wines as well as those of other wineries in the Valley and also serves as a custom crush facility, told me that he'd connected Mr. Hughes with some producers he knew that needed to sell wine. "There's great wine out there—wines that cost \$20 to \$30 a bottle that might have been in the \$100 range a few years ago," he said.

David Ramey, who makes top wines in both Napa and Sonoma under the Ramey Wine label and has sold off bulk wine from time to time, doesn't see it that way. "No producer makes money selling bulk wine," he asserted. "A guy like Hughes has a business model that revolves around other people's misfortunes. He's like a vulture feeding on carrion."

When I caught up with Mr. Hughes himself on the phone, he had just returned home to San Francisco from a wine fair in Germany and would be leaving soon for Las Vegas. We made a date to meet for lunch in New York.

Mr. Hughes didn't look like a carrion-feeder. In fact, my first impression of him, when we met for lunch at Sparks Steak House was of a low-key, unpretentious fellow. I'd chosen Sparks as our luncheon destination as much for its wine list as the steaks. The former features lots of California Cabernet producers, some of whom I thought might be selling to Mr. Hughes. Perhaps I could get him to divulge a name or two. (There's a history of that sort of thing at Sparks, after all: It's where mafia don Paul Castellano got gunned down for telling mob secrets to the feds.)

Mr. Hughes grew up in Modesto, Calif., and his father was in the wine business, working in sales. He started his own wine brokerage business in October 2001. Mr. Hughes was remarkably cheerful even while narrating the painful early years of his wine brokerage company when he narrowly escaped bankruptcy and divorce. "By the summer of 2003 we were on life support," Mr. Hughes said matter-of-factly. "I owed hundreds of thousands of dollars to our backers, mostly friends of my father's," he added. It wasn't the right time and he didn't have the right wines ("a weird Cab-Merlot-Zin blend" was an early failure.) But Mr. Hughes made valuable connections and gradually learned about the underground pipeline of fine wine. "I met enough people to understand that there were small lots of high end wines available—wines that I could actually sell." And fortuitously for Mr. Hughes, the sea of excess wine was beginning to swell.

There were amateur vintners who had gotten in over their heads, spent too much money building new wineries, grape growers who had bigger crops than they could sell and Hughes was there with the cash to buy their wines. "We're like a bank," he said. "They won't make money on me but I give them the cash that they need." And soon enough, the business began to turn around. By January 2004, Mr. Hughes sold his first wine—a Syrah worth \$27 that he priced at \$8.99 and sold at the Costco San Francisco store himself. Mr. Hughes followed up with a \$7.99 Zinfandel from a prestigious Dry Creek producer. He hired more sales people to sell his wines and eventually convinced winemaker Sam Spencer to join the company.

"Sam can taste through the thousands of tank samples or barrel samples and envision the finished wine." And he could tell if the wine that he and Mr. Hughes received turned out to be different from the wine that they had tasted and purchased, an important consideration—and a real fear—when buying bulk wine. Had they ever been fooled? "Once," said Mr. Hughes. "We had to turn a container of wine around and put it on a boat to China."

Just then his phone rang. Mr. Hughes looked at the number. It was a wine broker trying to close "a very big deal, about 10,000 gallons of wine," said Mr. Hughes, who estimated he "moves about 250,000 gallons of wine a year." The call was from "a really big name," Mr. Hughes said. "A name you would know."

"What about Screaming Eagle?" I asked of the legendarily hard-to-get Cabernet, the priciest on the list at \$1,749.95 a bottle. "There's a guy who gets bulk wines from Screaming Eagle. No one knows who he is," Mr. Hughes said. Did he? Mr. Hughes shook his head. "No one does." (I later spoke with Andy Erickson, the Screaming Eagle winemaker, who confirmed that it "classified" a certain amount of wine every year.)

Whether or not the Hughes business model is sustainable remains to be seen. The wine business goes in cycles, after all. Mr. Hughes said he hopes to "get closer to the ground" and buy his own vineyards one day. (And to be part of the next glut cycle?) In the meantime, unlike the hapless Paul Castellano, Mr. Hughes has managed to keep his mouth shut and produce some really good wines at prices that are almost too good to be true.

Write to Lettie Teague at wine@wsj.com

Printed in The Wall Street Journal, page W6

MORE IN LIFE & STYLE

Tools Sponsor: Constellation

Like 520 people like this.

Share: Facebook Twitter LinkedIn etc.

Two Stocks to Buy Now Get David & Tom Gardner's 2 top-rated stocks free!

Get A Fixed Mortgage Now \$200,000 for Only \$1,044/Month, Fixed Rate for Life at LendingTree

Bank of America Mortgage Take Advantage Of Low Refi Rates For Home Loans Up To \$3 Million.

Add a Comment JOURNAL COMMUNITY

We welcome your thoughtful comments. Please comply with our Community rules.

Want to participate in the discussion? REGISTER FOR FREE

Or log in or become a subscriber now for complete Journal access.

Track replies to my comment Go to Comments tab

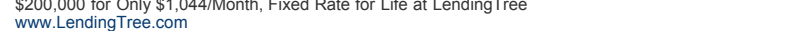
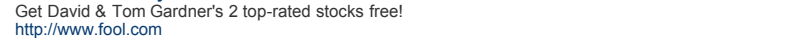
CLEAR POST

WSJ.com Expand your access to WSJ.com

It only takes a moment Click here to unlock your FREE access to more newsletters, alerts and key analysis

CLICK HERE

Editors' Picks



BACK TO TOP

WSJ.com Account: My Account Subscriber Billing Info

Create an Account: Register for Free Subscribe Now

Help & Information Center: Help Customer Service Contact Us

New on WSJ.com Tour the new Journal

About: News Licensing Advertising Advertise Locally Conferences About Dow Jones Privacy Policy & Terms of Use - Updated Copyright Policy Jobs at WSJ.com

WSJ.com: Site Map Home World U.S. New York Business Markets Market Data Tech Personal Finance Life & Style Opinion Autos Careers Real Estate Small Business Corrections

Tools & Formats: Today's Paper Video Center Graphics Columns Blogs Topics Guides Alerts Newsletters Mobile Podcasts RSS Feeds Journal Community WSJ on Twitter WSJ on Facebook WSJ on Foursquare My Journal Portfolio

Digital Network WSJ.com Marketwatch.com Barrons.com SmartMoney.com AllThingsD.com FINScan.com BigCharts.com Virtual Stock Exchange WSJ U.S. Edition WSJ Asia Edition WSJ Europe Edition WSJ India Page Foreign Language Editions: WSJ Chinese WSJ Japanese WSJ Portuguese WSJ Spanish

Copyright ©2010 Dow Jones & Company, Inc. All Rights Reserved

GET 2 WEEKS FREE THE PRINT JOURNAL SUBSCRIBE NOW! THE ONLINE JOURNAL

Log In

Life & Style Opinion Careers Real Estate Small Business

Speakeasy Arts & Entertainment Cars Books Fashion Food & Drink Sports Travel WSJ. Magazine Columns & Blogs

ON WINE | MAY 7, 2010

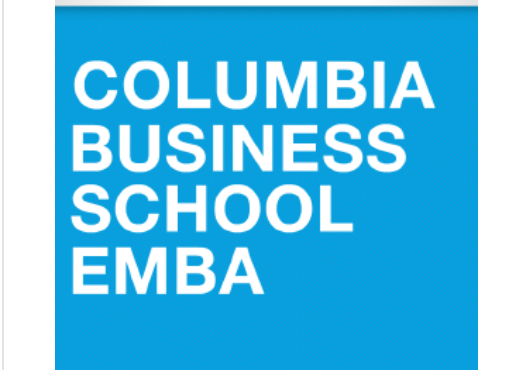
Taking Advantage of the Wine Glut

Amid an oversupply, Cameron Hughes buys top wineries' excess and resells it for bargain prices

Article Comments (17)

Email Print Save This Like 520 + More Text

By LETTIE TEAGUE



Columbia Business School Executive MBA

Executive MBA Next Information Session: Thursday, May 20 Midtown Manhattan

Register Now

WSJ.com Expand your access to WSJ.com

It only takes a moment Click here to unlock your FREE access to more newsletters, alerts and key analysis

CLICK HERE

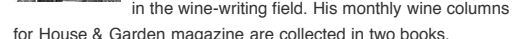
Recent Columns

A Writer, Importer and Gentleman Spy

Taking Advantage of the Wine Glut

The Ocean in a Glass

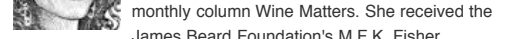
About Jay McInerney



Jay McInerney, the author of seven novels, including "Bright Lights, Big City," is one of the country's best-known contemporary fiction writers.

He has also emerged as one of the freshest voices in the wine-writing field. His monthly wine columns for House & Garden magazine are collected in two books, "Bacchus and Me" and "A Hedonist in the Cellar." In 2006, he was the recipient of the James Beard Foundation's M.F.K. Fisher Distinguished Writing Award. A collection of his short stories, "How It Ended," was published in 2009.

About Lettie Teague



Before joining The Wall Street Journal in 2010, Lettie Teague was the executive wine editor at Food & Wine magazine, where she wrote the monthly column Wine Matters. She received the James Beard Foundation's M.F.K. Fisher

Distinguished Writing Award in 2003 and won a 2005 James Beard Award for magazine columns. She is the author of "Educating Peter: How Anybody Can Become an (Almost) Instant Wine Expert," published by Scribner in 2007, and the illustrator and co-author of "Fear of Wine: An Introductory Guide to the Grape," published by Bantam in 1995.

Email Mr. McInerney and Ms. Teague at wine@wsj.com.

People Who Viewed This Also Viewed...

On WSJ.com In My Network

The Ocean in a Glass

Wines That Pack a Little Extra Kick

The Poetry of Golf

Stellar Cellars

One List's Leader Is Another's Also-Ran

Video

Brown to Step Down 1:20 Merkel Suffers Election Defeat 3:41 Hot Stocks: Financials Skyrocket 1:37

More in Life & Style

Lena Horne Gave Her All to Her Songs

Instant Success

Not Your Finest Hour

Having a Cow About Steak Quality

Flying Lotus Soars

Most Popular

Read Emailed Video Commented

1. Dow, S&P, Nasdaq Gain More Than 3%

2. Opinion: Richard Epstein: ObamaCare's Phony Medicaid 'Deal'

3. Shale Gas Will Rock the World

4. World Races to Avert Crisis in Europe

5. Opinion: Fouad Ajami: Islam's Nowhere Men

Most Read Articles Feed