

Top Stories

Superstorm Sandy's Toll on the New York-Metro Wine Business

Superstorm Sandy may have been the most devastating event to happen to the New York Metro's restaurant and retail wine scene since the World Trade Center attacks on Sept. 11, 2001, taking a huge hit on some of the country's dining capitals on which many operators make their livelihood. The legacy of Sandy is going to be long-felt in the Tri-State Area.

One of the Metro Area's largest wholesalers is running three lists that indicate just how hard-hit the New York restaurant community is: the first is a list of restaurants/operators that plan to re-open in a handful of weeks, a list of those that will take three weeks to a year to re-open and finally, a list of those that won't re-open at all.

Many operators said they had been out of business for weeks because of the storm, and some still are. Others didn't have electricity, and some in Lower Manhattan were underwater for so long that they lost much more than just perishable products. The ports were blocked, wine containers were flooded, and distributor delivery trucks had little gas and even fewer drivers as many couldn't make it into work. One wholesaler said only half of his drivers reported to work on Oct. 31—a day where 40 percent of the wine taken out for delivery was returned—and he said that it has been like that ever since. Thirty of his employees lost everything, including their homes, and another 30 lost their cars to the floods.

A LOOK AT THE DAMAGE

"The storm was a devastating blow for New York City restaurants," said **Andrew Moesel**, spokesman for the **New York Restaurant Association**, a 5,000-member, New York City-based group. According to Moesel, thousands of restaurants were affected. He noted that many basements—where operators often store wines—were flooded, deliveries were interrupted, and post-storm conditions could continue to have a detrimental effect if consumers can't access wine.

Moesel said that during the first week of November, even though the numbers were still being run, the loss of income will likely run in the tens of millions of dollar range, hitting everyone from mom-and-pop to four-star restaurants. Losing a week of revenue—and many lost much more—can cost anywhere between \$5,000 and \$500,000, he added.



MICHAEL BOCCHIERI/GETTY IMAGES

Rick Camac, CEO of the three location **Southeast Asian Fatty Crew Restaurant Group**, holds a pessimistic view of the potential cost of damage. "Can't count that high," he said.

Historically, November and December are some of the busiest months of the year for on- and off-premise wine sales. According to the Norwalk, Connecticut-based **Beverage Information Group**, it is a period in which 21.3 percent of yearly wine sales are made.

According to **Ronn Wiegand**, Napa-based editor and publisher of *Restaurant Wine*, high-end restaurants may even do closer to a quarter of their business in that same period. Late October is undoubtedly a ramping-up season for the sales period.

"Losing one week's revenue in the busiest months is going to deal a devastating blow to many restaurants," said Moesel.

A TALE OF TWO CITIES

Much of what happened in the New York Metro Area, and to its restaurants, was divided along geographical lines. Most of Manhattan above 39th Street had water and electricity throughout the area. Much of Brooklyn didn't lose power. Many of the poorer and outlying areas, like Rockaway Beach, less affluent parts of Brooklyn and many areas in affluent and in other parts of New Jersey were also deluged and deprived of power for weeks.

"Atlantic City and the [New Jersey] shore is our more obvious gap as many customers are just now returning to see what is left, along with the immense challenge and decision of re-opening or shutting the doors," said **Daniel Hubbard**, sales director of New York and New Jersey merchants for the New York City-based importer and distributor for **Domaine Select Wine Estate**.

Lower Manhattan saw the lights go out for several long weeks, leaving the Upper West and Upper East sides, two areas with electricity, as restaurant/entertainment magnets. Wholesalers and importers noted that restaurants in those areas were packed and festive in the weeks after the storm. Many

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individual restaurants and hotels—particularly in Lower Manhattan—have continued to be involved in fundraising, providing food carts downtown and in the case of the **Ace Hotel** in Chelsea, putting out power strips so residents could charge their phones and computers.

Down at the restaurants in Lower East Side Manhattan, conditions were tough. **Sother Teague**, a beverage director at **Amor y Amargo** in the area, noted that the five-day total shutdown of the area from lack of power and gas was challenging. “Gas shortages meant several purveyors couldn’t get any deliveries to us for days after power and facilities were restored. I am still a bit staggered,” said Teague. He estimated that the restaurant lost approximately \$12,000 as a result of its closure and the following two days of tremendously reduced business.

THE DYNAMICS OF DOING BUSINESS

A major New York Metro wholesaler and importer said that his company’s ability to do business in the weeks following the storm had been severely limited. Flooded ports, ruined wine labels, delivery trucks without gas and drivers, and restaurants with no working phone lines were all part of the problem. Of the 24,000 restaurants the New York Restaurant Association estimates to operate in New York City, 50 are not likely to ever open again, 550 will re-open in the next couple of weeks, and nearly 300 will be out of commission for three weeks to a year, according to one wholesaler. As a



result, he says, the New York market could be down 30 to 40 percent in November.

“There were a tremendous amount of out-of-stock wines in New York because the docks in New Jersey had been out of commission and are running a few weeks behind,” said the wholesaler. Once many of the containers were opened, the wines were either waterlogged and worthless, or the labels had been damaged or washed off entirely.

Wines that were still in good condition and sent out to accounts were often returned as many operators had no electricity and no way to store or serve the wines. A wholesaler and importer added that entire business areas were swept away, including the lucrative Dunes Road area of the Hamptons on Long Island. Where there were once high-end restaurants, there aren’t even dunes left on the beach, he noted.

The wines delivered to the New York Metro Area in those days had been shipped by suppliers in good condition, so importers and wholesalers couldn’t send them back; their only recourse was to file insurance claims. Those are numerous and mounting, so many wholesalers, importers and operators think there may be a serious uptick in business once some of them are paid.

THE SHORT- AND LONG-TERM IMPACT

Sorting out how to help the Metro Area operators is going to be challenging. According to many operators in the business, including Camac, the best thing that consumers could do at this point would be to come out to eat and drink. For some, the most damaging part of the storm was the psychological

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impact, according to **Dominic Rodriguez**, president of Stamford, Connecticut-based importer **Classic Wine Inc.** Rodriguez estimates he lost approximately \$50,000 in sales during the period.

“Restaurants are going to be much more careful about how and where they store their perishables and wine,” said Moesel. He added that it is apparent at this point that weather patterns are changing and restaurants will have to adjust and evolve; many of them have already started updating emergency plans and taking proactive steps to reduce damages in the future.

The wholesaler who ran the lists on long- and short-term restaurant closures remained positive about the future for New York City’s on- and off-premise wine business. “New York and New Jersey will be rebuilt bigger and better,” he said, noting that the same happened to Florida when Irene hit in 2010. According to the wholesaler, part of what will facilitate the process is the money that will come in from insurance claims. “I have tens of thousands of people moving here to participate in rebuilding. They will stay in hotels, take short-term rentals and enjoy themselves in and about New York, drinking alcoholic beverages.”

He noted that it might take a few months to see this uptick in business but that the early months of 2013 would likely be dynamically positive for the New York Metro Area. He added that rebuilding the city will also bring some new benefits to lesser-known wine brands. Some of the newcomers may not be as brand loyal. “If you are on the shelf in the right location, you are going to sell.”

—Liza Zimmerman



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California

Governor Signs Bill to Deter Unlicensed Farm Labor Contractors

California **Governor Jerry Brown** signed into law AB 1675, which would allow the Labor Commissioner new tools to enforce penalties on labor contractors that practice without a license. The bill strengthens the existing farm labor contractor licensing law and ensures farmworkers are employed by contractors that are operating under provisions of the law. Under the current law, farm labor contractors are required to obtain a license, and there are no penalties for those who don't. The new law levies up to \$50,000 in penalties for those who operate without a license.

“This bill will assist the Labor Commission in its enforcement efforts, will guarantee bad actors are penalized and will deter unlicensed contractor activities through the assessment of civil penalties,” said Assemblywoman **Susan A. Bonilla** (D-Concord), the bill’s author. AB 1675 will tighten up on fines and regulations, putting rules and enforcement on par with the construction industry, where unlicensed operators are subject to a civil penalty of \$200 per employee, per day of the contract.

Penalties collected will be credited to the **Farmworker Remedial Account**, a farmworker wage protection fund. Funds for the account come from contractor licensing fees and are overseen by the Labor Commission. Contractors can access the account when unable to pay workers or to make restitution when an employee has been wronged.

Foley Family Wines Makes Three Notable Purchases

Foley Family Wines acquired a majority interest in the Sonoma County **Lancaster Estate** through the purchase of the winery, vineyards, residences, inventory and the Lancaster and **Roth** labels. Details of the transaction were not released.

Lancaster Estate boasts nearly 50 acres of estate vineyards, and the winery and tasting room building is designed by architect **Eugene Silva**. A labyrinth of dark, cool caves carved into the adjacent hillside is used for winemaking and barrel storage. The purchase also includes a 6,000 square foot proprietor’s home and a smaller guest cottage.

Founder **Ted Simpkins**, who will continue to be an owner and involved with the business, said, “I am excited to be partnering with **Bill Foley** to further expand the Lancaster Estate and Roth brands. We strongly believe that the wines have great potential and the Foley Family Wines team will be excellent stewards of the brands.”

Foley Family Wines also announced its purchase of the Ramal East Vineyard in the Carneros appellation of Sonoma County, with approximately 206 acres devoted to Chardonnay and Pinot Noir to be used to support **Chalk Hill Estates’** new Sonoma Coast tier of wines.

The tier is scheduled to launch in 2013 with the release of a small amount of the 2011 Sonoma Coast Chardonnay into limited distribution. Future plans call for increased production of Chardonnay in 2012 and 2013 and the introduction of a Sonoma Coast Pinot Noir with the 2013 vintage. These wines will be marketed at a lower price point than Chalk Hill’s Estate wines.

“With the launch of the new Sonoma Coast tier we needed to make sure the winemaking team had access to a consistent supply of high-quality fruit,”