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THE WALL STREET JOURNAL

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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

By LETTIE TEAGUE



Peter McCollough for The Wall Street Journal

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Write to Lettie Teague at wine@wsj.com

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THE WALL STREET JOURNAL

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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

By LETTIE TEAGUE



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Peter McCollough for The Wall Street Journal
Although Cameron Hughes bottles a wide variety

of California Cabernet costing hundreds if not thousands of dollars. But when one of the dinner guests, a fellow named Chris Freemott, began talking about an \$18 California Pinot Noir he'd recently tasted that was an "incredible value," I pulled up a chair. This was a wine I could

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

of wines under his Lot Wine label, the Cabernets are particularly impressive. In addition to these wines, I'd suggest looking for Lots 143 and 140. A caveat: The imported Lot wines that I tasted were not of the same caliber as those from California.

2007 Lot 135 Syrah Central Coast, \$12

A great buy in a truly well-made and balanced Syrah. Notes of smoky bacon and spice in the nose, ripe fruit and refreshing acidity. It's made by Santa Barbara-based star Syrah producer Andrew Murray.

2006 Lot 146 Diamond Mountain Cabernet Sauvignon, \$22

This was probably my favorite Lot Cabernet of them all; a densely rich but beautifully structured and supple wine. It also came with "one of the biggest NDAs I've ever seen," said Cameron Hughes.

2007 Lot 164 Rutherford Cabernet Sauvignon, \$15

With its beguiling aromas of red fruit and spice, this soft, approachable Cabernet is more charming rather than substantial—a good everyday wine at a great everyday price.

2007 Lot 167 Napa Valley Petite Sirah, \$20

A dark and brooding wine, this Petite Sirah comes from a vineyard owned by a friend of winemaker Sam Spencer. It's immense in every way—including some very stiff tannins that softened by the second day.

2007 Lot 142 Carneros Pinot Noir, \$18

Mr. Hughes says that parts of this juicy, ripe full-bodied Pinot came from a famous vineyard in Carneros. It may not be complex, but it is certainly delicious.

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

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

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 "declassified" 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.

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