

Covarrubias, Jorge; Thach, Liz

Article

Wines of Baja Mexico: A qualitative study examining viticulture, enology, and marketing practices

Wine Economics and Policy

Provided in Cooperation with:

UniCeSV - Centro Universitario di Ricerca per lo Sviluppo Competitivo del Settore Vitivinicolo,
University of Florence

Suggested Citation: Covarrubias, Jorge; Thach, Liz (2015) : Wines of Baja Mexico: A qualitative study examining viticulture, enology, and marketing practices, Wine Economics and Policy, ISSN 2212-9774, Elsevier, Amsterdam, Vol. 4, Iss. 2, pp. 110-115,
<https://doi.org/10.1016/j.wep.2015.11.001>

This Version is available at:

<https://hdl.handle.net/10419/194505>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<https://creativecommons.org/licenses/by-nc-nd/4.0/>

Wines of Baja Mexico: A qualitative study examining viticulture, enology, and marketing practices

Jorge Covarrubias, Liz Thach*

Sonoma State University, Wine Business Institute, 1801 E. Cotati Blvd., Rohnert Park, CA 94928, United States

Received 15 September 2015; received in revised form 2 November 2015; accepted 12 November 2015

Available online 22 November 2015

Abstract

Mexico has been producing wine since the 1500, yet very little is known about their viticulture, enology, and marketing practices. This qualitative research study was designed to shed more light on these issues. Based on 10 in-depth interviews with winery owners and winemakers in the Valle de Guadalupe of the Baja Peninsula, where the majority of Mexican wineries are located, this study describes viticulture, enology, and marketing practices for Baja wines. It concludes with a discussion on the future of Mexican wines.

© 2015 UniCeSV, University of Florence. Production and hosting by Elsevier B.V. All rights reserved.

Keywords: Wine; Mexico; Viticulture; Economics; Marketing

Contents

Introduction	110
Overview of Mexican wine	111
Major players in the Valle de Guadalupe	111
Terroir and viticulture practices in the Valle de Guadalupe	112
Common winemaking practices in Valle de Guadalupe	112
Sales and marketing tactics of Valle de Guadalupe wineries	113
Pricing strategies	114
Exporting wine from Mexico	114
Conclusion: the future of Mexican wines	114
References	114

Introduction

Mexico has a long history in winemaking and is considered to be the oldest wine growing region in North America. Documents attest to the fact that after conquering the Aztecs in 1521 Cortes requested grapevines from Spain to plant in

Mexico for winemaking (Delsol, 2009). Vines were planted in several locations, but the region where the vineyards thrived was the warm and dry climate of the Baja Peninsula. Brought there in 1701 by Juan de Ugarte, the first wines were crafted in 1707 (Wines of Baja, 2013). Since that time Baja has been producing wine, yet it is only recently that this special region of Mexico has begun to advertise and market its wines.

Today there are approximately 60 wineries in Baja (Laube, 2014), and over 2790 ha (6900 acre) of planted grapes (Trejo-Pech et al., 2010). Vineyard operations are headquartered in the Valle de

*Corresponding author.

E-mail addresses: jcovarrubias2000@yahoo.com (J. Covarrubias), Liz@lizthach.com (L. Thach).

Peer review under responsibility of UniCeSV, University of Florence.

Table 1
Ten Mexican wineries in study.

Winery name	Year established	Approx. annual case production	Vineyard hectares
Monte Xanic	1987	50,000	120
Chateau Camou	1994	15,000	100
Casa de Piedra	1997	3000	30
Adobe	1999	7000	20
Guadalupe			
Vinos Fuentes	2000	2000	70
Vinos Laja	2001	1000	Not available
Vinos Garza	2003	5000	14
Paralelo	2005	15,000	250
Encuentro	2006	500	Not available
Guadalupe			
Las Nubess	2008	3700	30

Guadalupe, which some call “the Napa Valley of Baja”. It is located approximately two hours south of San Diego, California between the cities of Ensenada and Tecate, Mexico. The Valle de Guadalupe accounts for 80–95% of all of Mexican wine production (Vino Mex, 2012).

Despite its long history, very little is known about the Baja wine region from an academic perspective (Olsen et al., 2002; Trejo-Pech et al., 2012). Therefore, a qualitative study was designed to investigate viticulture, enology, and marketing practices for Baja wines. This involved in depth interviews with ten wineries in the region which took place during the spring of 2013 during two visits to the Valle de Guadalupe. The interview data was sorted and coded to identify emerging themes. The wineries included Monte Xanic, Casa de Piedra, Adobe Guadalupe, Vinos Fuentes, Vinos Laja, Vinos Garza, Paralelo, Encuentro Guadalupe, Las Nubess, and Chateau Camou. Table 1 describes year established, approximate annual case production, and number of vineyard hectares for these 10 wineries.

Overview of Mexican wine

Due to its hot climate, the Valle de Guadalupe focuses on producing red Bordeaux varietals, such as Cabernet Sauvignon, Merlot, and Malbec. Other common varietals include Tempranillo, Barbera, Zinfandel, Nebiolo, Petite Syrah and the original Mission grape brought from Spain, where it is still known as Listan Prieto (Alley, 2007). A few wineries also plant Chardonnay and Semillon grapes.

According to the Wine Institute (2014), Mexico ranked as the 25th largest wine producer in the world producing 102,000 l. With a population of 115 million people, per capita wine consumption is reported to be 1.3 l in 2012 (Wine Institute, 2014). Though traditionally a beer and tequila drinking country, Euromonitor (2014) reports that wine consumption is on the increase in Mexico, especially amongst the new wealthier middle class and young people. The Consejo Mexicano VitiVinicola (2014) states that the wine category has been growing at 12% over the past decade, with Mexicans purchasing 26% national wine and 74% imports.

Table 2
Major wine players in Valle de Guadalupe.

Winery name	Average annual case production
L.A. Ceto	500,000
Domecq	194,000
Monte Xanic	50,000
Chateau Camou	15,000
Paralelo	15,000

Major players in the Valle de Guadalupe

Modern day winemaking began in the Valle de Guadalupe in 1972 when Casa Pedro Domecq established operations in the valley. Soon they became the major producer and most of the local growers sold their crop to Domecq. This situation continued for some years until two new players arrived—Hugo D’acosta and Dr. Backoff. Recognizing the potential of the area, these two newcomers began an educational program for the local growers. Hugo D’Acosta created “La Escuelita” a place where growers could come together and learn how to process their own grapes into wine. The school also provided growers with the necessary equipment and tools to make their own wine without the financial burden of requiring each to buy their own fermenters, barrels, and other tools and equipment.

Dr. Backhoff, who founded Monte Xanic Winery, also focused on educating the local population on how to make better business decisions. He negotiated contracts that were more equitable for growers, and encouraged them to focus on growing quality grapes. His main objective was empowering the growers.

Today there are more than 60 wineries in the Valle de Guadalupe, ranging from very small players producing only 500 cases per year to much larger enterprises. The names of the current five largest wineries by production are given in Table 2 (Discover Baja, 2014).

Despite its ancient heritage, the Mexican wine industry is still quite young and is trying to establish its identity on a global stage. Perhaps this is why it has attracted several players from other countries. For example, Tru Miller of Adobe Guadalupe came from Holland originally, and Thomas Egli who established Casa de Piedra Winery came from Switzerland. Hugo D’Acosta of La Escuelita and Co founder of Casa de Piedra Winery has a French background, while Dr. Backhoff of Monte Xanic is from Germany decent.

The Mexican government is trying to encourage winery expansion to some extent. According to one interviewee, “The state government has invested a lot of money to bring the infrastructure up to standards and modern demands. The Federal government offers 50/50 grants to newcomers and/or innovators who would otherwise not have the necessary funds to bring their projects to reality”.

The general atmosphere in Valle de Guadalupe is one of optimism and innovation. Most of the wineries support one another and encourage newcomers. “Valle de Guadalupe is the Napa Valley of 30 years ago, only with less technology,” reported one winemaker.



Fig. 1. Vineyards in the Valle de Guadalupe.

Terroir and viticulture practices in the Valle de Guadalupe

The climate of the Valle de Guadalupe is extremely dry and arid, with an average temperature of 30 °C (86 °F) in the summer and a low of 5 °C (42 °F) in winter (Weatherbase.com, 2014). Rainfall averages only 7–10 cm (3–4 in.) per year. The rainy season occurs in the months of August and September, but the amount of rainfall is not enough to satisfy vineyard needs, therefore irrigation is a must. According to one vineyard owner, “the area is very dry and we cannot rely on rainfall”.

In terms of soil composition, there is not much documentation on different soil types. One vineyard owner stated that the three most identifiable soil types in the area are “red clay, sandy loam and sand”. The soils are primarily well-draining.

The most common trellis system in the Valley is a two wire VSP (vertical shoot position) system. This trellis has one wire on the top to support the fruit and the other at the bottom to hold the dripping hose. Vineyard spacing varied from one location to another. For example Casa de Piedra sets spacing at 1 m × 1 m and 3 m × 1 m depending on varietal. Monte Xanic determines spacing by tractor size typically 1.8 m–2.7 m. Vinos Garza vine spacing is set at 1 m × 2 m if harvested by machine and 1 m × 1.5 m if harvested by hand (Fig. 1).

Single line drip irrigation is the common method used, and most vineyard managers apply the watering schedule based on past experience. However, the more experienced operators have a different approach:

“We’ve set up a system that measures hydration levels of the plants at the root level, this data allows us to come up with a watering schedule keeping in mind that pre-stressed vines produce higher quality grapes. We learned this method at U.C. Davis.”

Green harvesting is the practice of dropping green fruit in order to reduce total yields; the idea being that nutrients will be re-distributed to the remaining clusters. Again this practice varies amongst the wineries. For example, Vinos Laja and Vinos Fuentes

Table 3

Terroir and viticulture practices in Valle de Guadalupe.

Average temperature	86 °F in summer, 46 °F in winter
Average rainfall	3–4 in. (rainy season in August–September)
Soil	Red clay, sand, and sandy loam
Trellis	VSP 2 wire
Spacing	Varies
Irrigation	Single line drip
Canopy management	Some deleafing and green harvest
Replanting philosophy	Varies
Harvest	Late July–Early October
Average yield	4–6 ton per hectare

do not practice green harvesting. Instead they let nature dictate the amount of fruit produced. “If nature wanted the vine to produce less fruit, it would do so on its own” said one owner. Whereas others have established a prescribed method based on experience. “The goal is two clusters per shoot, and an average of six to eight shoots. Quality vs quantity, we practice de-leafing in order to achieve the desired quality.”

Valle de Guadalupe does not have a systematic replanting strategy. Some vineyards strive for older vines, whereas others only replant as needed. These different philosophies are highlighted below in comments from four vineyard managers:

“The average life span of a vine is about 40 years, however we strive for older vines.”

“We do not replant an entire field, we only replant as it is needed, to replace a damaged vine or similar situations.”

“Our vineyards are fairly new, we’ll cross that bridge when we get there.”

“Syrah, Malbec and Merlot require planting more often than other varieties.”

Harvest may begin as early as July and run through October. The famous Vintage Festival, called the Valle de Guadalupe Vendimia Wine Harvest Festival, usually takes places in August and features the wines of the area as well as paella and other local cuisines. During harvest the average fruit yield also differs by winery. Some focus on four tons per hectare, whereas other achieve six tons per hectare (Table 3).

Common winemaking practices in Valle de Guadalupe

With the exception of adding a 25% luxury tax on wine, the Mexican government primarily gives winemakers the creative freedom to produce wines in the style they prefer. According to those interviewed, there is currently no appellation system in place, labeling restrictions, or production requirements that can be found in other more established wine regions. “Aside from collecting their share,” said one interviewee, “the government lets the industry run on its own.”

Most of the Mexican producers consider this a blessing, because they have total freedom to express their creativity. For example, Casa de Piedra has started producing a blend wine



Fig. 2. Wine cellar at Casa de Piedra.

from Valle de Guadalupe and juice imported from France, which is called “Contraste”. The lack of regulation has also allowed growers to experiment with many different varietals, such as the blends created by Miguel Fuentes which include a mixture of Vinifera grapes with Ruby Red or Thompson grapes.

In terms of winemaking practices, most producers prefer to ferment in stainless steel, however the length of fermentation and maceration varies depending on stylistic choices. “We stagger the harvest in order to get fermentation going on three batches in three different intervals”, explained one winemaker. Choice of yeast in the Valle is primarily commercial yeast.

Most every winery ages their red wines in oak, mostly French and some American oak as well. The average aging time varies from a few months up to 12–24 months for higher priced wines. According to one winemaker, “We age for 12 months in mostly French oak, medium toast; 25% new oak 25% first year, 25% second year and the remaining 25% third year oak.”

Winery equipment ranges from a very basic set of plastic containers for fermentation to state of the art equipment such as that found at Adobe Guadalupe. La Escuelita also functions as a custom crush facility, mainly for the small producer who does not have the necessary equipment or the financial means to obtain it (Fig. 2).

Case quantities are reflective of winery size, length of time in the business, capacity and brand positioning. For example, case production at Casa de Piedra is around 30,000 cases per year. Monte Xanic makes 12 different labels and yearly production is about 50,000 cases per year. Vinos Garza’s production varies from 4000 to 6000 cases per year, whereas Vinos Fuentes produces around 2000 cases per year. According to the winemaker, “I consider myself a small producer, 2000 covers my needs for the restaurant, the tasting room and some outside events that I participate in. When my children take over it will be their decision to stay at this number or change it based on their needs.”

Sales and marketing tactics of Valle de Guadalupe wineries

The majority of the wineries in Valle de Guadalupe sell *direct to consumers (DTC sales)* who visit their tasting rooms, as well as to restaurants along the Baja Peninsula. Wine tourism is embraced by most wineries, and Valle de Guadalupe has been fortunate in that some top American wine magazines, such as *Wine Spectator* and *Wine Enthusiast*, have written positive articles about visiting the region. However due to restrictions on the amount of wine that can be carried across the border, most of the DTC wine is consumed while visiting the Valle and enjoying the many hotels, restaurants and relaxing resorts. Many of the wineries also have lodging and restaurants, so tourists can stay for several days and enjoy the wines. One winery manager reports:

“Tourism has grown in the past couple of years, especially American tourism, but sales are not reflective of the increase in visitors to our tasting rooms, due in part to California’s 1-Liter max allowance at the border. Americans are not buying that much because they can’t bring it home.”

The larger wineries also pursue *distribution* throughout Mexico as well as the US and Canada to some extent. Within Mexico, the major wine markets are Mexico City and Guadalajara, which is not surprising since these are the two largest cities in the country. According to interviewees, the consumers in the larger cities are more educated in the culture of wine, and there is a significant number of image seekers in the markets who desire to drink wine. As in other countries, production size usually impacts distribution strategy, with smaller wineries selling more locally and larger wineries distributing throughout Mexico, as illustrated in the following quotes.

“90% of sales are direct to consumer in our tasting room or restaurant and 10% are through distributors.”

“90% of sales are off premise via distributors and 10% are direct to consumer thru our inn and restaurant.”

Transportation logistics can be an issue in Mexico in that shipping from Baja to Mexico City requires going thru the desert and exposing the wine to extremely high temperatures. This has hindered wine club development and other types of wine sales that require recurring shipments. “We only ship in the cooler months, no shipping takes place in the summer,” admits one winery owner.

Wine competitions, medals and scores are not as important in the mind of Mexican consumers as they are for American wine consumers. “In Mexico competitions are not taken seriously. They are not well organized and judges tend to favor those who have healthier financial resources,” said one interviewee. However, some of the larger wineries do participate in competitions outside of the country and have had some success in expanding brand recognition with this method. Indeed Vinos Garza had a very positive experience when *Wine Enthusiast* magazine gave them an Editor’s Choice Award and

featured them in an article entitled “Mexican Wine Revolution” published in October of 2012.

Though wine scoring systems are not as prominent in the Mexican market, there are some publications that emulate this practice. Rodolfo Gershman, who is considered the equivalent of Robert Parker in Mexico, publishes *Catadoeres*, *Vinisphere*, and *Guia del Palacio de Hierro*. All three publications have high credibility in the Mexican wine industry.

Social media and ecommerce are still in their infancy in the Mexican wine industry, though there is much interest in it based on the interviews. “The internet has experienced great improvement over the years,” reported one manager, “but here it is mainly used as an information and publishing tool. Mexico is behind the times in Internet technology.”

Pricing strategies

When discussing pricing strategies most wineries reported that they take into account the cost of goods, supply and demand, and positioning. Larger wineries work closely with their distributors when developing pricing strategy in order to remain competitive throughout the country as a whole. In general, they sell to distributors at a discount, similar to the FOB pricing concept in other countries, with varied discounts of 20–30%. The Mexican wineries did not seem to focus on the concept of depletions or demanding this type of data from their distributors, however most described the importance of giving support to their sales teams and distributors in the form of samples.

Average suggested retail prices in the tasting rooms ranged from a low of \$15 per bottle to highs of over \$100 for top tier reserve wines. In the US market, the average retail price for Monte Xanic’s entry level wines ranges from \$15 to \$19 per bottle (WineSearcher.com, 2014).

Exporting wine from Mexico

Some of the larger wineries in the Valle export their wine to the US and Canada, and Casa de Piedra and Adobe de Guadalupe both export to Holland. Monte Xanic used a unique approach to capture US market share in their early days. “We bought a name list from American Express, did cold calling, and asked customers to participate in a short survey. Those who agreed received a small bottle of Monte Xanic wine to sample.” This approach worked well, because today they are one of the more recognized wines from Mexico in the US market.

A few producers collaborated to create Vinos from Mexico, an export company that was designed so that U.S. consumers could purchase wine online and have it delivered to their homes in the U.S. via a warehouse in Napa, California. However, the website is no longer active.

Conclusion: the future of Mexican wines

According to Euromonitor (2014), wine consumption in Mexico is predicted to increase, especially amongst the

growing middle class and younger consumers. This bodes well for wineries and winegrape growers in the Valle de Guadalupe. Furthermore the strong positive spirit and resilience of the industry founders who still reside in the Valle indicate that as long as they maintain their desire to produce high quality wines that celebrate the heritage and terroir of the region then they should be successful. A healthy national pride and growing interest in buying local foods and products (Euromonitor, 2014) should also assist the Mexican wine industry.

Challenges include the border unrest that frightened some visitors and caused a decrease in tourism for a while. This coupled with the global recession caused a dent in wine sales that is just recently turning around. Wines from Mexico also suffer from an identity crisis in that there are no clear signature varietals or focus on what they do well. Mexican beer and tequila are much more famous as alcoholic beverage choices. In addition, Mexico lacks a centralized marketing organization to promote “Wines of Mexico” both within the country and internationally. Some of these issues are normal in a newly emerging wine region, and require more collaboration amongst wineries as well as government support for marketing.

In conclusion, the wineries of the Valle de Guadalupe have illustrated that they can survive the ups and downs of the global economy and continue to produce award winning wines. The region has received much positive press from wine writers over the year (Alley, 2001; Heger, 2007; Esparza, 2012; Wine Enthusiast, 2012; Dunne, 2013; Weinberg, 2013), and is now considered a great wine tourist destination south of the border where good food, wine, beautiful desert scenery, and a relaxed environment allow people to be one with nature. The winery owners also appear to enjoy living in the Valle. As one reported:

“The best part of working here is being part of a growing region. It is a valley full of surprises, with lots of creativity. I enjoy being part of those who are creating the history of the valley.”

References

- Alley, L., 2001. Mexican Milestones Baja California is Making New Wines for a Changing Country. Wine Spectator, March 2001.
- Alley, L., 2007. Researchers Uncover Identity of Historic California Grape: Spanish researchers solve mysteries surrounding the Mission variety and viticulture throughout the Americas. Wine Spectator Online. <http://www.winespectator.com/webfeature/show/id/Researchers-Uncover-Identity-of-Historic-California-Grape_3412> (retrieved 29.11.14).
- Consejo Mexicano VitiVinicola, 2014. Economy and Markets of Mexican Wine. Wine Mexican Council Website. Translated from English: <<http://translate.google.com/translate?hl=en&sl=es&u=http://www.uvayvino.org/index.php/economia&prev=search>>.
- Delsol, C., 2009. A toast to Mexico's Undiscovered Wine Country. San Francisco Chronicle, San Francisco, CA.
- Discover Baja, 2014. Discover Wine Country: The Wine Capital of Mexico. Discover Baja Website. <<http://www.discoverbajacalifornia.com/guides/wine-country/>> (retrieved 26.08.15).
- Dunne, M., 2013. Valley de Guadalupe Moves Toward its Promise as Baja's ‘Napa’. Sacramento Bee, 23 November 2013.

- Euromonitor, 2014. Wine of Mexico – Executive Summary. Available at: <http://www.euromonitor.com/wine-in-mexico/report>.
- Esparza, B., 2012. Valle de Guadalupe, For an Entirely Different Kind of Wine Country, the Place to be is South of the Border. *Los Angeles Magazine*.
- Heeger, J., 2007. Mexico's Wine Industry Growing Rapidly ... in Quantity and Quality. *Napa Valley Register, California*. Retrieved 2013.
- Laube, J., 2014. Baja's Romance Amid Reality. *Wine Spectator*, April 2014.
- Olsen, E., Nowak, L., Clarke, T.K., 2002. Country of origin effects and complimentary marketing channels: is Mexican wine more enjoyable when served with Mexican food?. *Int. J. Wine Mark.* 14 (1), 23–33.
- Trejo-Pech, C.O., Arellano-Sada, R., Coelho, A.M., Weldon, R.N., 2012. Is the Baja California, Mexico, wine industry a cluster?. *Am. J. Agric. Econ.* 94 (2), 569–575.
- Trejo-Pech, C.O., Lopez, Reyna, Carmen, House, L.A., Sarmiento-Perez, F.J., 2010. White Paper: Globalization in the Wine Industry and the Case of Baja California. Available at: http://www.ifama.org/files/conf/2010/223_casestudy.pdf.
- Vino Mex, 2012. The Mexican Wine Situation. White paper. Available at: http://mexicanwines.homestead.com/Mexican_wine_situation.pdf.
- Weinberg, E., 2013. Explore Valle de Guadalupe Wine Country. *Sunset Magazine*, April 2013.
- Wines of Baja, 2013. Wines of Baja – Renewing the History of Mexico's Wines. Available at: <http://www.chiff.com/a/wine-baja.htm>.
- Wine Institute, 2014. Statistics by Country. Available at: <http://www.wineinstitute.org/resources/statistics>.
- Wine Enthusiast, 2012. Mexico's Surprising Wine Revolution. Available at: <http://www.winemag.com/Web-2012/The-Mexican-Wine-Revolution/index.php/cparticle/6>.
- WineSearcher.com, 2014. Monte Xanic wines. Available at: <http://www.wine-searcher.com/find/monte+xanic>.
- Weatherbase.com, 2014. Weather in Valle de Guadalupe, Mexico. Available at: <http://www.weatherbase.com/weather/weather.php3?s=914159&cityname=-Valle-de-Guadalupe-Jalisco-Mexico>.