**WOK & ROLL | Peter Kwong**

**Breaking down the cost of a bottle of wine**

Recently, I did a wine seminar at the Potter’s Shed in Shell Lake. And this time, it was on a much broader scale. We got the Saratoga Liquor Company, a wine distributor, to help us out; and we had over 150 wine lovers who turned out to try 40-plus different wines from countries around the world – Australia/New Zealand, Argentina/Chile, Spain, Italy, France and the U.S.

Without spending a fortune, folks could taste the wines from different countries and be able to tell the difference, even if it was from the same varietal grapes. Think about it, if a bottle of wine costs $15, you would have to pay over $600 for all the wines on the display tables.

So, how could the same Cabernet Sauvignon grapes from the Napa Valley in the U.S. taste differently from those that were grown in Australia? An easy, simple and very logical question indeed. Yet, it will take a professional wine connoisseur to explain in detail. And all I can tell you is — one is grown in the Northern Hemisphere, and the other one down South. Fair? The climate is different, and the soil is different; not to mention the aging process. And all that affects the final product.

The next most popular question was, “What is the difference between a $15 bottle of wine and a $50 bottle of wine; and better yet, a $500 bottle of wine?” I really don’t know how to answer that question, as oftentimes, I myself would ask the same. I have tasted wines that cost $200 to $300 or more a bottle. But hate to say, I would not pay that much for a bottle of wine.

I like wines that please my taste buds. Many times, the expensive wines do not meet my expectations at all. Maybe I just have less expensive (don’t like the word cheap) taste buds to please? Probably. But again, drinking wine is to be able to enjoy it. It is not a competition. If you like the aroma, the taste, the color and the texture of a certain wine, stick with it. But, it will take some time before you find your own prince/princess, so to speak.

So, how much does it cost to produce a bottle of wine? And how do folks like the “Two-Buck Chuck” makers who can sell a bottle of wine for less than three bucks be able to sustain a profit? The answer is volume. To sell 5,000 bottles at a cost of $15 will make you $75,000. With a margin of 5 percent, you make $3,750 profit. But what if you sell 50,000 bottles at a cost of $3? You make $150,000. With the same margin of 5 percent, your profit is $7,500.

So, the question remains, who are you? Do you want to have an honorable reputation of being a “classic” wine? Or do you just want to make a profit? Trader Joe’s carried the wine dubbed “Two-Buck Chuck” for years. I could fill my wine rack for less than $50. Or, should I spend $50 for just one bottle of wine? Again, it is your own preference. What kind of a wine lover are you?

After all these years, I am happy that by just taking one sip of the wine, I can tell what varietal it is. Hmmm, is it Gamay Beaujolais? Or maybe Pinot Noir? You have to start somewhere to acquire that knowledge. I am not advising you to start drinking. But hate to say, you have to start somewhere, somehow. Maybe now is the time? No, no, no.

I don’t mean grabbing just any bottle and drink yourself silly. Start going to wine tasting events and using a wine chart to grade and record your experience of the wines you have tasted, and you will become a wine expert yourself. What is the appearance? The taste? The aroma? The finish? And how does it compare to others?

Going back to the costs of a bottle of wine, here is a comparison:

**$15 average**

* Cork: $0.08 (plastic)
* Cap: $0.08 (plastic)
* Bottle: $0.60 (normal)
* Label: $0.20 (plain)
* Grapes: $1.17 (California)
* **Total: $2.13**

**$50 average**

* Cork: $0.41 (natural)
* Cap: $0.26 (tin)
* Bottle: $0.80 (heavy)
* Label: $0.31 (embossed)
* Grapes: $6.24 (Napa Valley)
* **Total: $8.02**

So, just how does Two-Buck Chuck make a profit, selling wines under $3? Again, volume. There is a secret in every trade. So, what is your reputation? Are you a table wine? Or are you something different?

It reminds me of my early days working as a consultant. I have a very good friend that works for a spice company. They make small packages of seasoning for restaurant chains — ketchup and mustard packages; dipping sauces; and the “secret blend” for a fried-chicken chain. I was working with him with a special blend for a BBQ company. And somehow, the name McDonald’s came up. And he grunted and shook his head.

Being curious, I couldn’t help but ask why the long face. Then he explained that McDonald’s, being the largest restaurant chain in the world, would take advantage of their buying power. For a certain seasoning blend, the cost may be $1 a pound, and the profit margin might be 5 percent, which is 5 cents per pound. But McDonald’s would come in and tell them that they would pay 60 cents a pound instead of a dollar per pound. But they would buy 50,000 pounds at a time. So, instead of making your normal profit, you make much less. But somehow, you turn your idle inventory into floating cash instead.

So, back to the world of selling wines. What other costs are there? Think about it, how much does it cost to fly the wines from Australia or Argentina to the U.S.? And first, they would be stored at the wholesale distributor. Then, who would pay for the transportation? As the distributor has to send them to the individual wine or liquor stores, and then eventually to the restaurants.

don’t want to bore you with the figures, but you can do your own calculations. A bottle of wine that might cost $4 could end up costing $40 at a restaurant; which might cost them less than $15 from the distributors. Come to think of it, paying $40 for a bottle of wine (even if it is mediocre) is still a good deal. The owner has to pay for the maintenance, the helpers, the advertising … you name it.

So, look for any wine-tasting events, and open your horizons about wines from different countries. Become an expert yourself by knowing the difference of flavors, colors and aromas. Then, learn how to pronounce “Chateauneuf du Pape” without spitting on someone.

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