

Defined

Life outside

All,

as it is about a month since I left the firm, I thought I should give you a quick update on life outside (metaphorically as well as physically). You will find more on what I am doing and why at the bottom - as well of course as the option to unsubscribe.

My first week started badly - my mortgage application, that I had initiated last autumn and is crucial for my EU grant application, was rejected (due to a short lease) and the friend who was selling me a second hand press casually announced that she had sold it to someone else.

However things have picked up since - I have another mortgage offer (whilst the freehold purchase that I initiated last May rumbles on) and have completely reviewed my equipment requirements. More importantly, having visited various wineries and vineyards, I have a string of letters of support for my EU grant application and a potential client that would enable me to meet a third of my annual sales target before September - when I had imagined sales would start! I have done this by working with neighbouring farmers to put old fruit cold stores back into service to age wine (traditional method sparkling wine has to spend at least 9 months 'on lees' as part of its secondary fermentation in the bottle), which there is a shortage of in UK, especially after last year's bumper harvest.

I spent one day last week helping to 'disgorge' 10,000 bottles of English sparkling wine, which is one of the services I will offer in the future. It was good fun but hard work - loading bottles into the neck freezer, the first part of the process - lack of automation a trade off for the capital expense of additional machinery.



One of my priorities has been to find a winemaker, which I have now done - just

need to agree terms. This will allow me to start to recruit the rest of the staff and start marketing properly, as the first question potential clients ask is: 'who is your winemaker?' I also now have a logo (courtesy of my best man) and some icons (courtesy of my godson's brother) and my first advert will appear in the wine trade press this month.



Otherwise I have been meeting contractors for quotations for work to be done on my site; tramping over muddy fields talking to potential clients; looking at other wineries; chasing equipment contractors; talking to the Food Standards Agency and Produced in Kent; and applying for trade effluent consent and my wine production licence, when not

walking the dogs. I take over my premises next month, though as it is currently 8 degrees in there will mostly be working from home!

Regards,

Henry

A promotional graphic for Defined Wine Ltd. The background features several wine barrels in a cellar. The text is overlaid on the image. At the top, the word 'Defined' is written in a large, white, serif font, with 'Defined Wine Ltd' in a smaller, white, sans-serif font below it. A red diagonal banner in the top right corner contains the text 'Storage from April', 'OPENING 2019', and 'Pressing from September'. A dark red horizontal band across the middle contains the words 'CONTRACT WINERY' in large, white, bold, sans-serif capital letters, with the tagline 'No vineyard or brands, just contract services for others' in a smaller, yellow, sans-serif font below it. At the bottom, two columns of white text list services: 'Full 'crate to case' service', 'Still and sparkling', and 'Storage - including on lees' on the left; and 'Pressing', 'Riddling and disgorging', and 'Bottling' on the right.

Background

Why wine? Having grown up in Germany and spent summer holidays staying with my grandparents in the South of France, I started drinking wine before strictly legal and was an avid reader of Hugh Johnson wine books. As a result, at University I ran the wine tasting team (yes, free wine for students, sponsored by an off licence chain which perhaps unsurprisingly is long since defunct) and have retained a love of wine since. Given the huge growth in English wine (we currently produce 6 million bottles per year, this is expected to grow to 40 million by 2040),

it made sense to see what opportunities there were - and it became clear that there is a shortage of contract winemaking.

What is contract winemaking? Making wine for others. I will offer a range of services: a full winemaking service ('crate to case') aimed at small vineyards; any part of this (I already have some big producers interested in 'custom crush' - pressing grapes grown locally); plus storage in bottles or tanks; and potentially an export support service. So essentially I will be a service provider without any vines or brands of my own.

Is there a demand for this? In UK, 600k new vines were planted in 2016, 1M in 2017 and 1.7M in 2018, so there is already a requirement for extra winemaking. Vineyards are experiencing a problem with bottle storage (if you have a group of nice farm buildings, you don't want several 100,000 bottles clogging them up, sparkling wine needs to age 'on lees' for anything between 1 and 5 years). And a big change in the sector is that in the past most vineyards were set up by couples wanting the 'Good Life', so they were fairly small scale. Now, particularly in Kent, it is farmers who are entering - and they don't want to produce their own brands (not many cattle farmers design and sell handbags on Bond St). They are also getting much better yields. For small producers, it takes on average 10 years to pay back the cost of setting up a winery, so it is far most cost effective to outsource.

Will we reach 'peak English sparkling wine' soon? There is a view that there will be limited demand for English sparkling wine selling at £35-40 per bottle (some brands are now retailing at under £20). However as we drink more than 160 million bottles of sparkling wine in UK every year (110 million Prosecco, 30 million Champagne) and only produce about 2-3 million bottles ourselves at the moment (the rest is still wine), there is probably a long way to go yet!

Are there other contract winemakers? Yes, however the highest margins are in selling own brands - so most producers have concentrated on growing, making and then marketing and selling their own wine. Contract winemaking for other vineyards has been a handy source of extra cash but not the main purpose. But that means that wine made under contract, is being made by competitors, never very reassuring. My USP is not having my own brands and focussing on what my clients want - hence the name: 'Defined Wine'.

How long will it take? I need to be up and running by harvest this year (earliest harvest in UK is end of August, to first week in Nov). Equipment needs to be ordered in March, which I will do when I have confirmation that I have EU funding.

How much will it cost? About £1.5M in capital costs over the next 3 years. I am

applying for an EU grant (whilst these are still available!), am re-mortgaging to invest myself and the rest will come from private investors and crowdfunding, in exchange for a share of equity (as I won't have my own brands, I can't give away wine!).

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