

A Greener Vision

Wine and Spirit Companies Institute Environmentally Friendly Business Practices

By Laura Holmes Haddad

While words like “organic” and “sustainable” and even “carbon-neutral” are being thrown around the food and beverage industries, just how those words translate to business practices is paramount. For many beverage companies, “going green” means more than using organic ingredients; it also means environmentally-friendly packaging and eco-conscious workplaces. Now as wine and spirit producers become more environmentally aware and begin to change their business practices, these influences are taking shape across all the tiers of the beverage alcohol industry.

Wineries Lead the Way

Wineries have led the change in the environmental movement, incorporating green elements into the production and packaging elements of their product, with many starting years before the green consumer movement was considered mainstream. “We’ve focused on this for a number of years and we’re perceived as leaders in this area,” says Michael Honig, president, Honig Vineyard and Winery in Napa Valley’s Rutherford district. The winery incorporates numerous eco-friendly practices, from using trailers and trucks that run on biodiesel, changing watering practices in the vineyard, using solar power in the vineyard and the winery, encouraging employees to carpool to work, and paying employees a living wage. Honig has also established an extensive animal program to control insects in the vineyard: bluebird boxes and bat “condos” were built to encourage the population to grow (both the birds and bats eat insects harmful to vines) and they’ve purchased hawks and created a habitat for barn owls to control pests. The winery is also helping train dogs to sniff out the vine mealybug, an insect that destroys vines by encouraging mold and requires large amounts of pesticides to eliminate.

“This isn’t marketing for us – we really care about it,” says Honig, who isn’t immune to the bottom line. “Of course we think about profit; we’re a family business. The solar was a big expense — it takes 8 to 9 years to pay for itself — but then we have 50 years of free power. Initially things may cost more but long term they pay

green feature

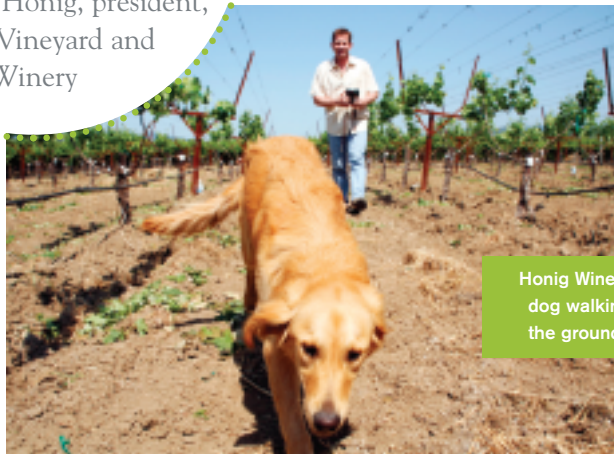
for themselves. Bird boxes are \$30 and a couple of bucks to put up but if the vines get eaten by insects, we're out for four years."

Keenan Winery in Napa Valley's Spring Mountain is another winery that is getting on the green bandwagon: they recently switched to solar power, joining approximately thirty other wineries in California to go solar. Keenan's 2006 Napa Valley Summer Chardonnay will carry the label "Solar Powered and Sustainably Farmed," a nod to the winery's switch to solar power to power the winery and the sustainably grown vineyards. This move will also reduce Keenan's carbon-footprint by more than 37 tons of carbon dioxide. For a winery that produces 11,000 cases, this is a substantial step. "Electricity costs are a pretty small cost of the winery — it's 1 percent of our overall cost — and I didn't have time to think much about it," says Michael Keenan. "But I got facts and figures and realized what a great benefit it was and how affordable it was." (It pays for itself in eight years.) Keenan struggled with where to place the panels and mounted one on the end of each row of vines. But he says this move to solar will have no impact on the price of the wine. "Some people will pay more for wild salmon but I don't feel like I can pass incidental costs onto the consumer," says Keenan. "Thankfully, we have subsidies provided by the utility company in California and federal subsidies. Without the subsidies we probably wouldn't have done it." Keenan's next "green" project will be looking at shipping; the winery currently encourages customers to bring shipping materials back so the winery can reuse them.

At Charles Krug Winery in Napa Valley, proprietor Peter Mondavi, Jr., a third-generation Napa Valley vintner, concentrates his green-friendly practices in the vineyard. "Our big motivation for organic farming is taking care of our backyard — we're not approaching this from a marketing standpoint," says

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— Michael Honig, president, Honig Vineyard and Winery



Honig Winery dog walking the grounds

"We are very much against 'greenwashing'; that is, people saying products are environmentally friendly just to promote the brand."

— Tomas Manasek, VP, director of global branding, Finlandia

Mondavi, Jr. "It's taking care of our local environment." In addition, they've worked on reducing their energy use through changes such as replacing a refrigeration condenser, as well as incorporating smaller changes: the winery's brochures are printed on recycled paper using soy-based ink. The price of Charles Krug products isn't affected by these practices, says Mondavi, Jr., who contrasts organic wines with organic dairy products. "Wine isn't like organic dairy products; you really don't see a premium price for organic wines," he says. Noting that many of the "green" improvements are capital investments, Mondavi, Jr. believes that in the long run the changes should actually work to lower costs and save consumers money.

Fetzer Vineyards, Bonterra Vineyards, Frog's Leap, Shafer Vineyards, Charles Krug, and Benziger Family Winery are a handful of California wineries known for their "green" friendly practices; Benziger has been experimenting with earth-friendly practices for twenty years and uses sustainable vineyard management,

biodiesel tractors, and even built wetlands on their property to recycle water.

Catch the Spirit

An opportunity in the marketplace is what led to the creation of Square One Organic Vodka. "I've always been a big organic consumer; I buy organic, I cook organic. I saw an opportunity for a spirits company to be organic and I thought this is the perfect opportunity to take the concept of organic and sustainability behind the bar," says founder and CEO Allison Kent Evanow, who started the company in January 2006. "We're organic on the farming end, organic during fermentation, and organic on the packaging side." The packaging includes a long list of environmentally responsible elements: the paper for the label is made from a by-product of sugar cane, cotton, and bamboo, which uses much less energy to produce than regular paper, according to Evanow; the ink is soy-based; and the cork stopper is certified organic and recyclable. "Our side label is plastic, and I hate that. But with a luxury brand you have to think of the packaging," she says.

Social & Socially Conscious: Square One is a 100% certified organic American rye vodka.



Evanow also notes that the company decided not to go with the frosted bottles because they must be dipped in acid, but the direct screen printing does use petroleum based ink. Currently bottles using recycled glass can't be used for the brand because the square design of the bottle wouldn't support the weaker glass used in recycled glass bottles. But despite those ele-

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Michael Keenan of Keenan Winery with "Summer Blend" Chardonnay and solar arrays (background).

"Summer Blend" Chardonnay, back label, which now reads "Keenan Winery and Vineyards are solar powered and sustainably farmed."



ments, Evanow says the company does encourage customers to "re-purpose" the bottle, filling it with olive oil or using it as a vase. On the marketing side, Square One consumer events are held in conjunction with non-profits that focus on environmental issues, and the company contributes to environmental causes through cash and corporate sponsorships.

How does this eco-friendliness translate to the bottom line? "The liquid expense is off the charts because all along the way there are extra costs – organic rye costs are significantly more than regular rye, and rye has a lower yield, so you're already spending more on rye than wheat or corn," says Evanow. "Because we have to process it, our costs are much higher." The cost is also higher for the company's printing services, which are handled by a "green" printer. "If we were to take the same margins as the other \$30 vodkas we would be at least a \$40 vodka," says Evanow. "But we can't do that, so our average price point is \$33 to \$34.99, and because we have already consumed a lot of that margin, we share the burden with the consumer."

Evanow is optimistic that more beverage companies will go green. "Part of me is really happy and really proud that as tiny as we are we've gotten a lot of press attention and I'm convinced it's impacted others in our industry," she says. "A few companies are coming out with organic vodkas and have a green approach, with the green movement becoming mainstream. I worry a bit about them doing 'greenwashing' rather than digging deep and looking at how green they are. They need to be really trying to push it down throughout the organization and not just do it for marketing reasons."

The Real Deal

Another "green" vodka is 360 Vodka, a premium vodka made by McCormick Distilling Co. of Missouri. As Chairman Ed Pechar puts it, "Everything about this product that we can make sustainable, we do it." That means that the bottles are made from 85 percent recycled glass; the labels, shipping cartons, and press materials are made from 100 percent chlorine-free recycled paper and cardboard; the ink is soy or water based rather than petroleum based; and the company donates \$1 to an environmental organization for every closure that consumers send back in a pre-paid envelope, called the "360 Vodka Close the Loop Program." The distillery reuses emissions from the distillation process to reenergize the system, cutting down on carbon dioxide output. In what might be a sign of future spirits labeling changes, McCormick recently received permission from the government to add the words "eco-friendly vodka" to the 360 label. The company moved quickly on the product: the idea was hatched in August 2006 and the bottles started shipping in May 2007; it's currently distributed in 40 states.

Even vodka giant Finlandia is environmentally conscious, although as Tomas Manasek, VP, director of global branding says, "we don't like to shout about it." Manasek points to the water and production process as green elements