

The trade war dimension

It is usually safe to presume that when a warning of this kind surfaces on matters involving international trade, powerful forces have already determined an intended outcome.

Given the rumblings against the United States in European policy circles, the faltering negotiations around the General Agreement on Tariffs and Trade (GATT) and the European Community's Maastricht Treaty, and similar trade impasses, which recently included U.S. threats of trade war against French wine, it were hardly a guess that this development is no exception. In fact, the source reports, significant lots (hundreds of cases) of "second-tier" wines—some unavailable for years—are suddenly appearing, in the already depressed London as well as New York and other wholesale markets, at prices that haven't been seen for over a decade.

At the same time, the grand mogul of the U.S. market, the Bronfman-owned Seagrams' Chateau and Estates importers, is dumping large quantities of wine on the Belgian and German markets.

If wine prices do drop significantly, this can only hurt California growers, who are already ripping out tens of thousands of acres of vines in prime wine country, due to the unchecked spread of a voracious new type of the dreaded root louse *phylloxera*. Given the \$10,000-per-acre cost of replanting on resistant root stocks—and new vines don't even produce fruit for three years—the cost is already estimated in the billions for the known infestation. If it should spread further, the figure could soar. There is no doubt, given the credit crunch at banks and the financial indebtedness of many growers, that hundreds of wineries will go out of business.

A new Prohibition?

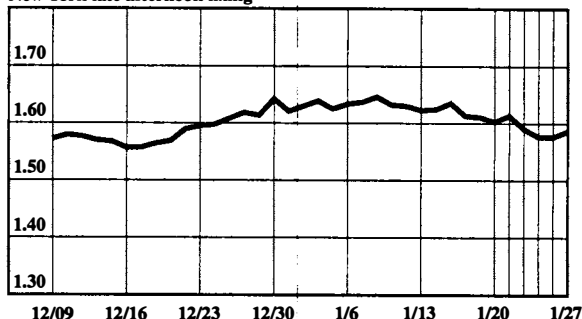
Other factors may also come into play over the coming years. The neo-Prohibitionist movement, which already has a significant voice in federal alcohol regulatory and enforcement agencies, as well as among millions of fundamentalist Christians, may well grow. The last round of Prohibition was no accident, but rather a well-orchestrated boost for the Bronfman-Lansky organized crime rings. The hands and feet of the Bronfman interests should again be closely watched as matters progress.

In the 1990s, our source predicts that only about two more major vintages will be declared (after 1990): one, mid-decade; the other, 1999. Meanwhile, many of those who made major investments recently in wine futures will "take a bath." Wineries and vineyards will be hit hard by collapsed revenues. Major dealers and other players with multimillion-dollar funds assembled between now and then to purchase large volumes of wine at the lower prices, will clean up. The prices of the wines will come back, he said; "they always do," but with a hiatus of about five years before prices recover.

Currency Rates

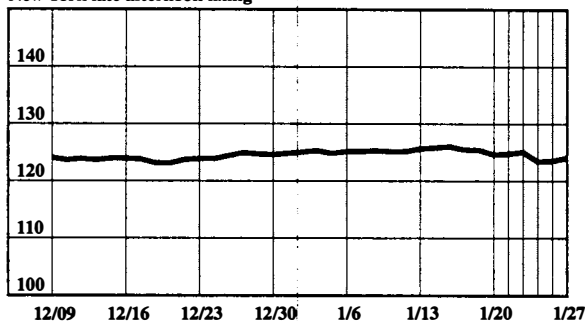
The dollar in deutschemarks

New York late afternoon fixing



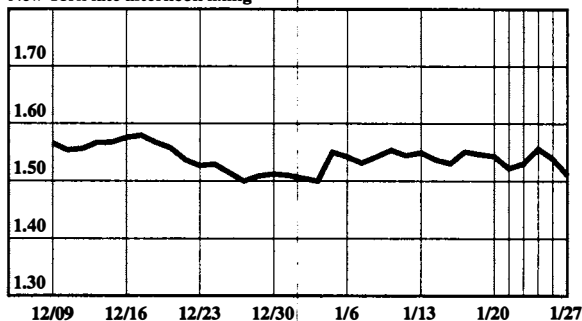
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

