



April 1, 2011

Joto Sake Founder Speaks on Japanese Disaster

Dear Client:

WSD recently spoke with Henry Sidel, founder and president of Joto Sake, to see how his company and sake brewers in Japan are dealing with the aftermath of the tragic earthquake.

Due to power outages across the country, it took "2 or 3 days" to get somebody on the phone, but he was relieved to learn "that everyone was okay." Luckily, "none of our brewers are in the area that was devastated." Their brewers are also far from the Fukushima Daiichi nuclear plant in Northern Japan, so supplies are safe from radiation.

When asked about supply, Henry said "we were fortunate that we had just received a 40 foot container," because "we saw a lot of panic buying immediately after the disaster from our distributors around the country.... We had a huge month in March. But we had been increasing our inventory so we got lucky in that sense."

"Now orders are finally starting to get out of Japan," he said, where the sake is both brewed and bottled. Shipments were delayed because the country went "about 2 weeks where there wasn't any fuel" due to gas rationing. "There were plenty of

boats and containers ready to leave the country but no inland freight." They recently shipped their first container, "and it's only going to be about a week delayed in terms of scheduling." So right now he is hopeful "there won't be any major disruptions in supply."

But it will also depend on how long inspections take in Japan and the US before the shipment arrives at Joto Sake's door. "Everything is going through radiation checks on the Japan and US side. It's interesting because we had a partial container come in on the 18th or 19th of March that had shipped from Japan before the earthquake, but that still had to go through radiation check. It was released, we picked it up and it went in our warehouse, but we couldn't sell it for another day until the results of the inspection went through the FDA." Henry will be sending all upcoming shipments via air, rather than boat, because air has a strict enforcement of inspection.

Since the earthquake they have been in "close contact" with their brewers in Japan "to find out how they are and what the situation is with radiation." We've also been "communicating a lot with our distributors about supply." He said that at first distributors were concerned "about the safety of the breweries," but now they are concerned about supply. "We haven't seen really any slowdown in business, or product."

He said there is some fear among consumers that Japanese products could be contaminated with radiation, but mostly consumers "recognize the leakage is in a pretty isolated area and they understand that a lot of food products at Japanese restaurants come from other places."

"I think the Japanese government has done a good job of keeping a high alert on water and food," noting that they have

already banned food and crops from certain regions that were considered dangerous. "Japanese society is hyper-hygienic," he said. "People wear masks in Japan on a daily basis to make sure they're not sharing germs. Japanese people don't shake hands because it is an exchange of germs.... So that is playing into this in a good way."

NEW YORK LOVES JAPAN FUNDRAISER. Joto Sake, along with the other sake companies in the US, are holding a fundraising event called "New York Loves Japan" on Wednesday, April 27 at La Venue in New York City. They hope to bring in 800 people to the food and sake tasting event, and aim to raise \$100,000 that will go to the Japanese Red Cross. "It's been amazing to see all the different sake companies come together," he said. Together they have already raised \$15,000 for the relief effort. "We've got food purveyors and chefs volunteering from the Culinary Institute," said Henry. "There has been a huge outpouring of people wanting to be involved." Check out the website at www.nylovesjapan.com.

RABOBANK: IMPORTED BULK WINE LOSES SHARE TO BOTTLES

Wine imports into the US "continue to grow at a healthy pace," according to Rabobank's Steve Rannekliev in its Q1 Quarterly Report. Dollar sales grew 7% in the first nine months of 2010, while volumes grew 2%, based on data from The Gomberg-Fredrikson Report.

Volumes of imported bulk wine declined -20%, while bottled import volumes grew 7%. This led "to an improved price mix," said Steve. He noted that the "decline in total bulk wine imports was the result of the decline in bulk imports from Australia (down 29%) and Chile (down 25%) compared to

2009."

The average unit price for imports grew 4.8% in 2010 due to the decline in bulk wine imports, but the average per-bottle price dropped -3.3%. But it gets worse when you compare it to 2008. In that case, the average bottle price dropped -15% "when the greatest impacts of the recession began to be felt."

WSD BRIEFS:

STOCK SPIRITS GROUP, owned by Oaktree Capital, is still considering its options for the sale of its business, [reports](#) Dow Jones. The company will reportedly "decide within the next few weeks or so whether to go ahead with an outright sale or list on the Warsaw Stock Exchange," according to sources.

Diageo is "the only strategic bidder in the process," while Apax Partners is also in discussions. Binding bids are due by mid-April "but the timetable could slip."

SOUTHERN EXPANDING IN UNION CITY. Southern Wine & Spirits is looking to expand its operations in Union City, CA, [reports](#) the Oakland Tribune, where they already employ 725 people. They signed a lease for 192,000 square feet of warehouse space and are expected to be in the building before mid-April. Furthermore, they have also received approval from city officials to construct a brand-new facility for distribution and warehouse operations. The article estimates that Southern generates \$7 billion in yearly revenue.

GLAZER'S DISTRIBUTORS has signed a new 5-year agreement to distribute WJ Deutsch's brands in Indiana through its subsidiary, Olinger Distributing Company.

VISION WINE & SPIRITS has become the exclusive US

importer for Italian labels Biondi Santi of Montalcino and Jacopo Biondi Santi, along with Spanish wines Bodegas Franco-Espanolas' Diamante, Royal, Rioja Bordon and Finca El Encinal brands.

Until Monday, Megan

"Give me the luxuries of life and I will willingly do without the necessities."

Frank Lloyd Wright

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----- Sell Day Calendar -----

Today's Sell Day: 1

Sell days this month: 21

Sell days this month last year: 22

This month ends on a: Fri.

This month last year ended on a: Fri.

YTD sell days Over/Under: 0

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