

GOING, GOING, GONE HOW I CAUGHT WINE AUCTION FEVER

By Margaret Swaine

I knew I was hooked when I found myself sitting in the brightly lit room of a private club, glued to my chair. There wasn't much to see — just the backs of about 100 heads, one man on a podium and, around the room's periphery, women on phones or in front of computers. I'd arrived early evening, it was nearly 10:00 pm, my bladder was screaming, but I couldn't move. I'd caught wine auction fever.

My affliction began at a charity auction for the Toronto Symphony Orchestra. It could have started, however, at any of a multitude of charity or commercial auctions that take place annually throughout North America and Europe. Wines at auction are sold in numbered lots. That particular night I'd already bagged Lot #136 of eleven Burgundies, including a 1995 Clos de Vougeot and two Gevry-Chambertin from Jadot for \$550, well below the appraisal price of \$1,182. I'd also snapped up Lot #142 of six Leflaive Chassagne-Montrachet for half their value. Lots in an auction can move at the pace of 80 to 100 per hour. That's why I couldn't leave. My persistence paid off as the hammer came down in my favor a few more times. My original intention was to capture a magazine story. In the process I was lured into the hunt.

Charity auctions represent an important and ready way to raise dough for such cash-trapped sectors as the arts, or medical services. The most famous charity wine auction, and likely the one that started it all, is that of the Hospices de Beaune in France. The Hospices charity was set up in the 15th century to assist the poor and the sick of the area. Since 1859, every third Sunday in November they have auctioned off barrels of the latest vintage from dozens of hectares of Grands Crus and Premier Cru Burgundy vineyards. Last year when Christie's auction house took over the running of the celebrated auction, they modernized and now offer sales of bottles as well as barrels.

Wine auctions historically began as a way to sell young wine in barrel. In Ancient Rome and in the Middle Ages, wine was shipped by barrel to a trading post where it would be auctioned. Centuries later, when bottled wine became



the norm, wine gained status as a commodity that could be labeled, aged and collected. Hence a market for older wines grew based on vintage, producer and reputation. In this century, wine-collecting has become so popular that by the late 1960s the world's two leading auction houses had established specialized wine departments. Christie's and Sotheby's, both headquartered in England, have also now set up branches in North America.

Auctions are the best way not only to acquire rare wines and older vintages but also to turn a wine stash into cash. As an observant new addict, I'll pass on a few things I've learned. First, however, the basics of wine auctions: An auction date is announced. Wines get donated or consigned. An appraiser gives them a value. An auctioneer sells them. Bidders buy. Now let's get to the spicy details.



THE AUCTIONS

In 1969, Heublein, Inc. held the first American commercial New World wine auction in Chicago. The charity wine auction boom in the U.S. has been led by the now-famous Napa Valley Wine Auction, which raises millions annually for local health care.

Today, both charity and commercial auctions abound. The fall's commercial auction scene begins in September with flurry of major wine auctions. Houses such as Acker Merrall & Condit, Morrell & Company, Zachys, Sotheby's, Chicago's Hart Davis Hart, Christie's and Edward Roberts International all offer fine old reds and other gems at auction.

While you can find commercial auctions by receiving auction house catalogues or visiting their websites, charity auctions can be trickier. Friends and acquaintances of the particular cause tend to make up the majority of the bidders. These may be the social elite of the city who are on the invitation lists and have the wealth to bid generously. Whom you know matters. If you want to be included on such lists, cultivate the right friends and be prepared to spend.

THE CELLARS AND SELLERS

In a charity auction, people donate their wine. Many do it for the good deed alone. The less philanthropic do it for the tax receipt. The less scrupulous do it to "wine flip," buying wines at a low price and donating them to auction for a guaranteed high appraisal price. Sometimes the auction hammer price is so far below the appraisal, they buy back their own donation. The deduction and the drink secured, they're on to the next charity. In some jurisdictions those schemes are now "toast," as laws are brought in, some even retroactively, to put severe restrictions on such "tax-shelter" arrangements.

Death, debt and divorce are breeding grounds for commercial auctions. People who consign their wine to be sold by an auction house include former spouses of the

wealthy, restaurateurs in need of cash, people who inherit cellars but have no taste for wine, or even collectors who have lost interest in the hobby. Some sell just so they can buy other wines or because the value of the wine has increased beyond their desire to drink up the liquid asset. The unprincipled could sell off product past its prime or offer wines that have suffered the indignities of faulty storage conditions, including Caribbean-hot warehouses without air conditioning, fire-destroyed restaurants, or frozen waterfronts.

Buyers, beware both types of auction. While auctioneers inspect the cellars of some sellers, they rarely take back the liquid assets after a sale is made. Buyers must do their research, watch the ullage (or fill) levels of bottles and if possible learn about the cellar of the seller. Wine auction catalogues are the key source for ullage levels (usually specified with words like "bottom neck" along with illustrations). They'll also give details such as the condition of the label and whether the wine comes from a cellar of pedigree. At one commercial auction I attended, two bottles of 1820 port I bought had only sketchy details in the catalogue. When I picked them up, I found they lacked labels and were in completely different styles of bottles. The only identification was the word Harvey and the date stamped in the old wax covering their corks. Said a companion who agreed to split the purchase with me, "We overpaid."

THE APPRAISERS

Wine appraisals are about as scientific as the practice of medicine, which is to say that, in principal, practitioners do the best they can based on current knowledge and research. The value of an item is no more certain than the exact course of a cancer. Pure charlatans aside, some people are quite frankly better at their jobs than others. Wine agent and appraiser Rob Jull is considered among the best in Canada. His methodology is based on replacement cost determined by international price with added tax and transport. His main source of data comes from auction houses in the US and the UK. Even the Canada Customs and Revenue Agency crosschecks wine appraisals with him.

According to Jull, there is corruption in the appraisal business for charity wines. "I'm looking at some appraisals that are absurd," he said. "I saw one bottle appraised at \$500 that I put at \$165." Even honest appraisers can be coerced by donors into overly generous assessments. Jull often fends off calls from people who try to pressure him into appraising their wine higher than market value. While he claims never to be intimidated into this, he added, "They can be convincing. They are lawyers, doctors — powerful, brainy people.

Some appraisers eventually fall under their spell.”

Commercial auction houses have their learned staff do the appraisals. While there are fewer shenanigans in the business side, I've still found many appraisals to be, shall I say, “optimistic.” The higher the hammer prices, the more commission money the auction house makes. They charge the consigner of wine a fee that generally amounts to ten to 20 percent of the hammer price. They also collect a commission from the buyer of 15 to 20 percent.

THE AUCTIONEERS

Auctioneers learn how to goad impulse buyers gently. A good one can raise the price by at least 20 to 30 percent. It's as though they've taken a Dale Carnegie course in psychology, one auctioneer told me. “You're out, Sir. He's in. Now you're back in,” and “Are you going to let him get away with that?” — the patter of skilled masters at work.

Testosterone-led bidding can raise the price of lots well beyond their worth. At charity auctions, the bidders, most often well lubricated beforehand with generously poured wine, tend to lose self-control as the evening progresses. It's part of the fun to watch two presumably intelligent bidders get caught in a classic ping-pong of ever-higher prices until the hammer comes down at a vastly inflated sum. The same wine in earlier or later lots may barely draw interest. I've seen commercial auctions boast in press releases about their skills at extracting fortunes. One reported that “eight bottles of Amarone sold for \$2,600, three hundred per cent over their high estimate of \$900.” I've got caught myself and should be savvy by now. At a hospital fundraiser, I ended up paying double the retail price for six bottles of port because the desire to win overran my common sense. I barely managed to save my pride by picking up 12 bottles of the very same port in a subsequent lot for just \$50 dollars more.

THE BIDDERS

Bidders are the other essential element of an auction. Once they fill in the forms with credit card details or other guarantees of payment, they receive a paddle with a number and they are in the game. When they want to bid, they raise the paddle. At every auction there are dealers, professionals and hobbyists, as well as the merely curious.

That said, auctions have been called a blood sport for the rich, and rightly so. A third-generation auctioneer told me there were many wild stories in the auction world. “You wouldn't believe the drama that goes on behind the scenes,” he said, pointing out several tell-all books in his office written by retired auctioneers. No active auctioneer would go on record about his wealthy clientele. One of the traditional appeals of auctions is that they have been a cash business. The money can go in both directions, either to pay the consigner or from the buyer to the auction house. The same auctioneer told me, “If you buy a Rolls for \$200,000 cash, it looks weird. But at an auction it's legit. The old-timers do this regularly.”

The treasurer of a charity auction confided to me that she has never forgotten the man who handed her about \$10,000 in cash for his purchases of the night. Totally unprepared for

such an occurrence, she had to rent a safety deposit box in the hotel because the banks were closed. The official in charge of the first commercial wine auction in Ontario had a similar experience. “We had one guy who paid his \$60,000 in cash at the auction at the table. It was pretty weird,” he told me.

Of course many auction-goers attend because they love the scene, the collecting and maybe even the drinking. Then there's the reward of hearing the auctioneer say, “Nice work, it's a bargain.” One buyer who received such praise had acquired a bottle of 1978 Romanée Conti that hammered down at \$3,400. Its appraised auction book value was \$13,728.

THE SALE

There are reserve bids at commercial auctions. If the wine doesn't make a certain price, then it's not sold. The auction house sets the reserve with the seller, but there's always an amount below which the hammer never bangs. In this case the seller can lose on several fronts. A handling fee of about five percent of the reserve price must be paid and the errant wine picked up — no small task if the seller lives in another country. A distant sale isn't unusual. Those in it for the money go where they think they'll get the best return. The biggest seller at the second commercial auction in Ontario was a New Yorker who tendered about \$400,000 in wines. At this auction I overheard one consignee lamenting that his vertical collection of Sassicaia had failed to meet reserve. He was pacing around muttering, “They've got to go for it.” He was clearly hoping it would sell later at the post auction.



(Wines that don't make reserve can be offered to perspective buyers after the event, by phone or Internet.)

At charity auctions no commissions are charged and all wine must sell, regardless of low price. The auctioneer may or may not be professional. For these reasons charity auctions offer greater chances of a deal. If no one seems interested, the price drops so low that someone in the room is finally unable to resist, whether or not they need, want or can afford. "Oh, I spent too much," is often heard at charity auctions, spoken much like a person exiting a buffet groaning and holding their stomach.

On the other hand, there are fancy American charity auctions where buyers happily bid way beyond estimates because they get a tax receipt for all amounts paid above 20 per cent of the appraisal price. Members of the moneyed crowd attending the Naples Winter Wine Festival in Florida regularly bid this way with gusto. A case of 1961 Latour recently sold for a stunning US\$180,000 — just one of 68 different lots, most which achieved five-figure sales. This auction has become a way to donate big, have fun and still leave with wine.

THE PAY-UP

At commercial auctions, taxes are collected. The sum of commissions and taxes can raise the price 30 to 40 percent above the hammer price. It can be a shock. Fellow wine writer Tony Aspler exclaimed to me, "I bought one lot at a

commercial auction last year for \$1,000 and it was \$1,541 when I picked it up." I had my own sticker shock when I bid on a case of Thirty Bench Pinot Noir. I thought I got a bargain at \$250 but the final tally of \$342.13 took away the boasting factor.

At charity auctions, what you bid is what you pay. Charity auctions can therefore offer much better deals to the wine lover. You must be invited to attend and most often pay money, sometimes a great deal, to the charity to do so. Commercial auctions are open to the public and are mainly free.

THE ADDICTION AFFLICTION

Regarding the behavior of those with auction fever, it's primal. Logic plays little part in the pursuit. Ritchie's auction house has people who paid for their wine years ago and have neglected to pick up the goods. Rather than pure consumption, hunt-and-capture is the game for many. I have no such compunction. I've cracked open a good number of my purchases. Unlike art or antiques that take up space unless they're resold, wine is a liquid asset in more ways than one. When my husband and I drink up the cellar, I smile. Empty spaces mean more auctions for me. I have wine auction fever. What a perfect affliction. **LM**

Margaret Swaine is a wine, food and travel writer happily addicted to her chosen craft.



CANADIAN

WINE AUCTIONS

BRITISH COLUMBIA

March 2007: The Bacchanalia Gala Dinner and Auction is the crown jewel of the Playhouse International Wine Festival. Featuring a delectable five-course dinner paired with wines from around the world, the evening is highlighted by silent and live auctions of rare and valuable wines. www.playhousewinefest.com

ONTARIO

October 2007: Next year marks the 17th anniversary of the Toronto Symphony Orchestra Fine Wine Auction. It's one of the most successful fundraising events for the TSO, raising more than \$4 million in funding since its inception.

www.tsvc.on.ca

October 2007: Vintages Auction (2002 was the inaugural year) held in association with Ritchies Auctioneers features the largest and most extensive commercial fine wine auction in Canada. www.vintages.com

QUÉBEC

The Société des alcools (SAQ) in Quebec is involved in a multitude of wine auctions in the province including the Sports Celebrities Festival event in the spring. www.saq.com

AUCTION HOUSES

Christie's www.christies.com

Sotheby's www.sothebys.com

Bonhams & Butterfields www.butterfields.com

The Chicago Wine Company www.tcwc.com

Winebid (Internet-based) www.winebid.com

Ritchies www.ritchies.com

Hart Davis Hart www.hdhwine.com

Zachys www.zachys.com

Acker Merrall & Condit www.ackerwines.com

Morrell & Company store.morrellwine.com

Edward Roberts www.eriwine.com