Episode Book

EPISODE #6533

How Economics Broke and Rebuilt Israeli Wine

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SYNOPSIS

Israeli viticulture stretches back to biblical antiquity, but modern winemaking was built by Baron Edmond de Rothschild and the Carmel cooperative in the late nineteenth century. When geopolitical shocks erased export markets after World War I, the industry turned toward high-yield sweet sacramental wine to survive. A look at how monopolistic market structures dictated decades of poor wine, and how two breakthrough moments in 1976 and 1983 finally forced a modern quality revolution.

TRANSCRIPT



Corn

Israeli wine has one of the strangest arcs in the entire wine world, and Daniel wants the whole thing traced. Not just the "new Israeli wine scene" story that starts yesterday — he wants the pioneers, the poor reputation, what actually changed, and where the scene stands now.



Herman

And the honest version is that it's a four-act play. Biblical export commodity, wiped out. A Bordeaux baron restarts it, it turns into a century of sweet sacramental wine, and then a deliberate reinvention that wins trophies in London and Verona.



Corn

Daniel's framing is the good part, though. He points out that people talk about a "new" scene, but the industry is ancient — and the "new" part is really a forty-year quality revolution sitting on top of a hundred-and-forty-year modern restart. Those are two different clocks running at once.



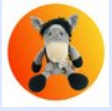
Herman

Two clocks, and almost nobody separates them. Most coverage starts the story in the nineteen eighties and pretends everything before is prehistory. That's the mistake we want to avoid today.



Corn

So let's start at the beginning — and the beginning is a lot older than most people think.



Herman

Act one: the deep roots, and the long erasure. Viticulture in this land goes back to biblical times. The fruit of the vine is one of the seven blessed species in Deuteronomy — wheat, barley, vines, figs, pomegranates, olive oil, honey. Grapes are baked into the religion itself.



Corn

Geographically it makes sense. Israel sits on the trade route between Mesopotamia and Egypt, so winemaking knowledge flowed through. This wasn't a marginal crop in a marginal place.



Herman

Not at all. Under the Romans, wine from this region was exported to Rome, and the good stuff was treated the way we treat classified growths — vintage-dated, with the winemaker's name inscribed on the amphora. You could read the bottle, two thousand years before labels.



Corn

The Roman sommelier could tell you whose vintage it was. Then Islam arrives.



Herman

Under Muslim rule, production was almost entirely wiped out. The Crusaders revived it for a stretch — roughly eleven hundred to thirteen hundred — and then the return of Islamic rule combined with the Jewish Diaspora extinguished it again. Several centuries of essentially nothing.



Corn

That gap is what makes the nineteenth century a restart rather than a beginning. There's no continuous thread of craft being handed down. Whoever restarts it is starting from a French manual.



Herman

Which is almost literally what happens. And that's act two. The First Aliyah settlers arrive from Eastern Europe in the eighteen eighties, and they struggle — badly — to work the land. They're not farmers, mostly. So their representatives go to France and meet Baron Edmond James de Rothschild.



Corn

The owner of Château Lafite. A first-growth Bordeaux estate decides to take an interest in a swampy corner of the Ottoman Empire.



Herman

He was a Zionist before it was easy to be one, and he put real money in — financial and moral support. His first vineyards were planted near Rishon LeZion, southeast of Jaffa. In eighteen eighty-two, French rootstock was imported and the Baron sent his own wine specialists to advise the pioneers. This is not hobby money. This is one of the richest men in Europe shipping his own people out to teach viticulture.



Corn

The cellar came next, I'm guessing.



Herman

Eighteen ninety, a large wine cellar goes up in Rishon LeZion, and in eighteen ninety-two a second winery at Zikhron Ya'akov on Mount Carmel, south of Haifa. The Rishon LeZion winery is described as the oldest industrial building in Israel still in use. Better: it was the first establishment in the country to install electricity and a telephone. The first phone in Israel hung on a winery wall.



Corn

Israel's technological history begins with someone calling about barrels.



Herman

The cooperative formed in eighteen ninety-five — the Carmel Wine Company, set up to export the wines of Rishon LeZion and Zikhron Ya'akov. First to Poland, then Austria, Britain, the United States. Branches opened in Damascus, Cairo, Beirut, Berlin, London, Warsaw, Alexandria. This was a real international business within a decade.



Corn

And it had a moment in the sun.



Herman

Two of them. At the eighteen ninety-six International Exhibition in Berlin, in a pavilion devoted to the industries of the Jewish colony in the Ottoman Empire, over a hundred thousand visitors reportedly tasted a glass of Rishon LeZion wine. A hundred thousand glasses.



Corn

Somebody counted.



Herman

Four years later, Rishon LeZion wines won a gold medal at the Paris World's Fair. So within twenty years of the first rootstock, you have a Bordeaux-backed winery winning medals in Paris. On paper this is a success story.



Corn

On paper. What about the ownership trail?



Herman

In nineteen-oh-six the vineyards and management were deeded over to the winegrowers themselves, forming the cooperative. And in nineteen fifty-seven the Rothschild estate deeded the two wineries to the Cooperative of Winegrowers — by then known as Carmel Mizrahi in Israel, Carmel worldwide. The Baron's exit took seventy years, but he did eventually hand over the keys.



Corn

And the famous names in the cellars.



Herman

David Ben-Gurion worked in Carmel's cellars in his youth. So did Levi Eshkol, his successor. Two prime ministers of Israel, at different ends of the same wine cellar. There is no other country where the state's founding generation literally punched in at the winery.



Corn

Most revolutions are fuelled by cheap wine. This one was staffed by it. But the scale of Carmel today is the part I didn't expect.



Herman

It's still the largest winery in Israel. Almost fifty percent local market share. Fifteen million bottles a year. Fourteen hundred hectares of vineyards, twenty-five thousand tonnes of grapes — roughly half of Israel's total harvest. Exports to over forty countries. Owned three-quarters by the Vine-growers Union, a quarter by the Jewish Agency. The largest producer of kosher wine in the world.



Corn

So the thing that started as a baron's charity project became the country's dominant beverage company.



Herman

Which leads us to act three, and the part everybody knows — the bad reputation. Through the early twentieth century the business actually bloomed. Sales rose during the First World War when Allied troops passed through Palestine. Then it collapsed.



Corn

Because the wine was bad?



Herman

No. Because the customers disappeared. The industry lost its principal markets in the space of a few years: Russia to the October Revolution, the United States to Prohibition, Egypt and the Middle East to Arab nationalism. Every major export market, gone at once. Vineyards were uprooted and replanted with citrus.



Corn

The best-performing Jewish agricultural product of the nineteen twenties was the orange, which tells you everything about what happened to the grapes.



Herman

The Second World War and successive waves of immigration revived the industry, but look at who the customer now was: diaspora Jewish communities buying sweet sacramental wine by the case. Kosher wine exported worldwide, much of it from high-yielding vineyards that valued quantity over quality, and — this is the blunt summary — many of them "somewhat sweet."



Corn

That's the structural thesis, isn't it. The soil didn't change. The skill didn't evaporate. The market that rewarded quality got shot by revolution, Prohibition and nationalism, and the only market left rewarded yield.



Herman

Yield and sugar. If your customer is a synagogue in Warsaw or Brooklyn buying by the pallet for Kiddush, you are not competing on nuance. You are competing on litres per hectare and shelf price. The whole system — the cooperative's incentives, the vineyard economics — pointed at volume.



Corn

Which means the famous bad Israeli wine wasn't a winemaking failure. It was exactly what that market asked for, delivered competently.



Herman

Competently and at scale. That's the thing. Adam Montefiore, who's probably the most useful English-language writer on this subject, arrived in Israel in the late nineteen eighties and described what he found: "Carmel Mizrahi was a monopoly with seventy-five percent of the market. Then, Selected was its entry-level brand, and Rothschild its prestige label."



Corn

Seventy-five percent. One company, three-quarters of the wine in the country.



Herman

And here's the paradox — the thing I want to hold onto for the rest of the episode. Carmel was both the problem and the solution's infrastructure. The problem: a monopoly with a sweet entry-level brand and no competitive pressure to be better. The infrastructure: Carmel owned the vineyards, the cellars, the first telephone and electricity in the country, and had employed Ben-Gurion and Eshkol. Any quality revolution would have to happen either inside Carmel or against it.



Corn

So the bad reputation was structural, not accidental — a market-design problem as much as a winemaking one.



Corn

And the man who'd notice that is the one who walks in from outside.



Herman

Montefiore walked in from a career in the British wine trade, saw the monopoly plain, and spent decades writing about what replaced it. Though I'll say, Vex's tea towel theory has a certain structural elegance if you strip out the tea towel.



Corn

Vex has a textile cousin and a spirit level, Herman. That's not structure, that's craft night. And I still don't know how he keeps getting through the call screening. We changed the number.



Herman

The number change didn't work because Vex doesn't call, he appears. The man measured forty tea towel loops, Corn. Dedication like that deserves a better theory. Anyway — if the bad reputation was structural, what broke the structure? Two dates matter, and they're four years apart.



Herman

Nineteen seventy-six, and nineteen eighty-three. And the fight over which one is "the" start is real — Montefiore and the Israeli Wines site date the revolution to seventy-six, which he calls "a pivotal year... the year that showed the first twinge in the wine revolution that followed." The standard account, the one Wikipedia carries, credits the founding of Golan Heights Winery in eighty-three.



Corn

Two events in seventy-six, though. It's not one thing.



Herman

Two unconnected things, which is what makes it interesting. First, vineyards were planted on the Golan Heights for the first time. Second, Carmel produced the Special Reserve nineteen seventy-six — Israel's first international-style wine. Neither event knew about the other. The monopoly and the future wine region, both twitching in the same year.



Corn

So seventy-six is a twinge and eighty-three is a founding. Those answer different questions.



Herman

That's how I'd adjudicate it, yes. Seventy-six is the proof of concept — a signal that dry, serious table wine was even possible here. Eighty-three is the institutional break — an organisation that wanted it and took the steps. A revolution needs both. A twinge without an institution is a hobby.



Corn

Tell me about the eight moshavim.



Herman

Golan Heights Winery was founded in nineteen eighty-three by eight settlements — moshavim and kibbutzim that also supply the grapes, which is a lovely piece of symmetry when you think about who owned Carmel. The cooperative agricultural sector took on the cooperative wine monopoly. First vintage released in eighty-four. And Montefiore's line on it: "The first light dawned with the founding of Golan Heights Winery in 1983. This was the first time an Israeli winery really wanted to make high-quality wine and took the steps to achieve it."



Corn

The implication is that everyone before had the capability and not the desire.



Herman

That's exactly the implication, and the market structure supports it. If you hold seventy-five percent of the market, wanting to make great wine is an expensive hobby. Michal Neeman of the Israel Export Institute put it plainly: "Everyone agrees that they were the first winery to produce excellent wine. Then came the boutique wineries, then the medium-sized, and then the large ones. There were a lot of other factors as well, but when you pinpoint the revolution, it started at Golan Heights."



Corn

Then the results came fast.



Herman

Fast and in the right currency. The Yarden Sauvignon Blanc, the eighty-three, was called "Israel's first world class" wine in America. The Yarden Cabernet Sauvignon eighty-four won the Winiarski Trophy at the nineteen eighty-seven International Wine and Spirit Competition in London. That's a Cabernet from a winery three vintices old taking a trophy in London.

v

Vex

Listen to me, every kitchen in this country has a tea towel, and every tea towel has a little loop stitched on the corner, right? That loop is the exact same width as a wine bottle neck, and I have measured forty of them, forty, from Haifa to Beersheba, and it is not a coincidence, because the whole so-called new Israeli wine scene is being aged in kitchens, not cellars, and the sweet sacramental slump never ended, it just went underground and got a tea towel.

v

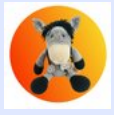
Vex

I have got receipts, I have got photographs, I have got a cousin who works in textiles, and the timeline matches the eighteen eighties restart exactly, so do not tell me the bad reputation was structural, it was a loop, and you two need to look into it on air, right now, before the next harvest.



Corn

Against the French, presumably.



Herman

Against everybody. And the technical side explains it. The nineteen eighties brought an influx of winemaking talent from Australia, California and France — people carrying modern technology and know-how. Golan's chief winemaker is Victor Schoenfeld, a Napa native. The winery runs pneumatic membrane presses, must chillers, computer-controlled cooling of stainless steel tanks, and an actual experimental winery for research and quality control.



Corn

An experimental winery inside a commercial one.



Herman

A research lab that pays for itself in wine. That's the Australian-Californian playbook imported whole — treat winemaking as an engineering discipline, measure everything, run trials. And remember the local advantage: a dry April-to-October growing season. Dryness is a protective barrier against grape diseases, and drip irrigation lets growers control vigour and yields precisely. You can dial the vine's water stress like a thermostat.



Corn

The desert gives you a lever the French don't have. They get the rain the sky sends; you get the rain you order.



Herman

That's why harvests often happen at night, too — grapes come in cold, oxidation stays low. It's all process. None of it is magic terroir, and I find that the interesting part: the revolution here was engineering-led, not mysticism-led.



Corn

Which is why it could be executed by committee. Eight kibbutzim can build a process; eight kibbutzim cannot improvise poetry.



Herman

The revolution had a flagship — now it needed an army. Margalit Winery, founded in eighty-nine, was the first boutique winery, and the nineties wave was led by Margalit, Domaine du Castel and Tzora Vineyards — names Montefiore says "were to become part of our wine history." Then the numbers go vertical. Seventy wineries in Israel by two thousand. A hundred and forty by two thousand and five. Hundreds today.



Corn

From a wine scene with one company to a wine scene with hundreds of producers inside two decades.



Herman

The incumbent didn't die, either — and this is where the monopoly paradox resolves. In two thousand four Carmel hired Peter Stern, formerly of Mondavi and Gallo, as a winemaking consultant, and founded "Handcrafted Wines of Israel." They renovated, brought in a new winemaking team. And the same year, the two thousand four Yarden Cabernet Sauvignon became the first Israeli wine listed on the Wine Spectator Top 100.



Corn

Wait — Carmel hired Stern in 2004 and the same year the Yarden Cabernet makes the Top 100?



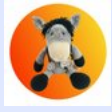
Herman

Yes. Two thousand four was a busy vintage for everyone. The point is Carmel adapted rather than collapsed — it provided the infrastructure the revolution ran on, then had to compete on quality once the revolution existed. Yatir is the cleanest example of that: built in two thousand at Tel Arad as a joint venture between Carmel and local growers, vineyards planted from ninety-seven on a hill nine hundred metres up on the edge of Yatir Forest, the winemaker Eran Goldwasser trained in Adelaide. Robert Parker gave the wine accolades, and it was the first Israeli wine listed in the main selection at Selfridges in London.



Corn

Selfridges. From sacramental cases in Brooklyn to a shelf on Oxford Street.



Herman

There's a detail at Yatir I love. A hundred and eighty ancient wine presses were found on the winery grounds. They planted a hill in nineteen ninety-seven on top of two thousand years of previous vintages. The deep-roots story and the modern-scene story are literally on the same hill.



Herman

So where does all this leave Israeli wine now? Five recognised growing regions. Galil, which is Galilee including the Golan Heights — considered the most suited to viticulture, for elevation, cool breezes, marked day-night temperature swings and well-drained soils. Snow in winter, on the high Golan.



Corn

Snow. For a country at the latitude of San Diego.



Herman

Elevation will do that. Then the Judean Hills around Jerusalem — our back garden — Shimshon between the hills and the coastal plain, the Negev, where drip irrigation made grape growing possible at all, and the Sharon plain around Zichron Ya'akov and Binyamina, the largest grape-growing area. Structurally, though, the interesting number is market concentration: the three largest producers — Carmel, Barkan and Golan Heights — account for more than eighty percent of the domestic market.



Corn

Hundreds of wineries, and three companies pour four bottles in five.



Herman

The sacramental share, meanwhile, has collapsed the other way — less than fifteen percent of Israeli wine is now made for sacramental purposes. The United States is the largest export destination. And regionally Israel punches well above its weight: about one-quarter of Lebanon's planted acreage, yet a driving force in Eastern Mediterranean winemaking, largely through willingness to adopt new technology and that big export market.



Corn

Which is the quiet triumph of the whole story. Lebanon never had its industry erased — they had a civil war, but the vine culture was continuous. Israel restarted from a manual and overtook them on technology adoption.



Herman

There's a wine culture now, too — upscale restaurants, an increasingly wine-conscious clientele. But Montefiore has an observation about the present that I find funny. "Funnily enough, the best-selling brands in each category remain the same... Carmel Selected, Tempo's Goldstar, and Elite Arak lead the way as they always did."



Corn

The revolution won the trophies and lost the checkout counter.



Herman

That's the unresolved tension. The boutique boom changed what's possible; it hasn't changed what most people drink. And one more thing, because the better the wine gets, the more this matters: Golan Heights wines were at the centre of a labelling dispute in Sweden. The state monopoly, Systembolaget, relabelled them "Made in Israeli-occupied Syrian territories" after customer complaints, then dropped country-of-origin references entirely and classified them as "other origins."



Corn

"Other origins." The bureaucratic register for "we'd rather not say."



Herman

The geography of Israeli wine is contested geography — the Golan vineyards that started the revolution sit on land the Swedes won't name. The quality revolution made Israeli wine internationally visible, and international visibility means the politics arrives in the bottle. That's the second-order consequence nobody planned for in nineteen eighty-three.



Hilbert

The garage on Mapu Street, Corn, that's where I first had it. A friend was running Carignane and a bit of Cabernet in glass carboys, early eighties, and he'd hand you a glass warm, in a coffee cup, and it was dry. That was the remarkable part. Dry. Before that, everything I'd been handed from this country was sweet enough to glaze a ham. He gave me a bottle with a hand-written label — it reads "Cabernet Sauvignon, 1981, do not drink before 1984."



Corn

And you drank it in 1982.



Hilbert

I drank it in 1982. The bottle's on the shelf next to the tax returns, label and all. I'm not saying Golan Heights didn't make excellent wine — they did, and the Winiarski Trophy speaks for itself, you covered that. I'm saying the order is wrong. The boutiques came after the home winemakers, not after Golan. The garages proved somebody would drink dry wine from this soil before any winery decided to sell it. Herman ran the whole technology segment and never once mentioned the carboys, and the carboys came first.



Herman

But they couldn't scale. Your friend on Mapu Street could make forty bottles; the revolution needed pneumatic presses.



Hilbert

Forty-two. He counted.



Herman

Forty-two. But there's a difference between proving a market exists and being able to serve it — Golan could ship a million bottles of the same wine. The garage couldn't. And I'd want to taste that Cabernet against a Yarden of the same era before I moved the timeline.



Hilbert

You can't. That's the point. I've never opened another bottle of Israeli wine since — I'm convinced nothing's matched it, and I'd rather keep the conviction than test it. I still buy them. I give them away.



Corn

You're running a one-man export business out of spite for the entire modern industry.



Hilbert

No, out of respect. There's a difference and it's not subtle. And I gave the last Yarden to my postman. He seemed pleased. That was the third one this year.



Corn

The postman has a better cellar than most restaurants at this point. Herman, the open question on your numbers, though — everything we cited for "where it stands now" is dated. The newest hard figures we've got are twenty-eleven exports and twenty-twelve vineyard area. The hundreds-of-wineries picture and the three-producers-over-eighty-percent picture is solid, but the volume story is more than a decade old.



Herman

Which is worth flagging plainly, because the wine press doesn't. The qualitative picture is the reliable part: the two-tier structure. Trophy bottles winning in London and Verona, and a domestic mass market where Carmel Selected still leads exactly as it did when Montefiore arrived. Whether the boutique boom ever changes what most Israelis actually drink — that's the question I'd leave with. Revolutions at the top of a market are real, but they travel slowly downward.



Corn

And the one thing Hilbert's postman taught us is that even the sceptics keep buying. That's not nothing.



Herman

Thanks as always to Hilbert Flumingtop at the desk, producing this show and apparently the postman's cellar. If you want more of this, try episode fourteen oh eight, Israel Wartime Readiness Field Guide. This has been My Weird Prompts — no question too obscure, no rabbit hole too deep. If you enjoyed this one, leave us a review on Spotify, and the website is my weird prompts dot com.



Corn

See you tomorrow, Herman.



Herman

See you tomorrow, brother.

SOURCES

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