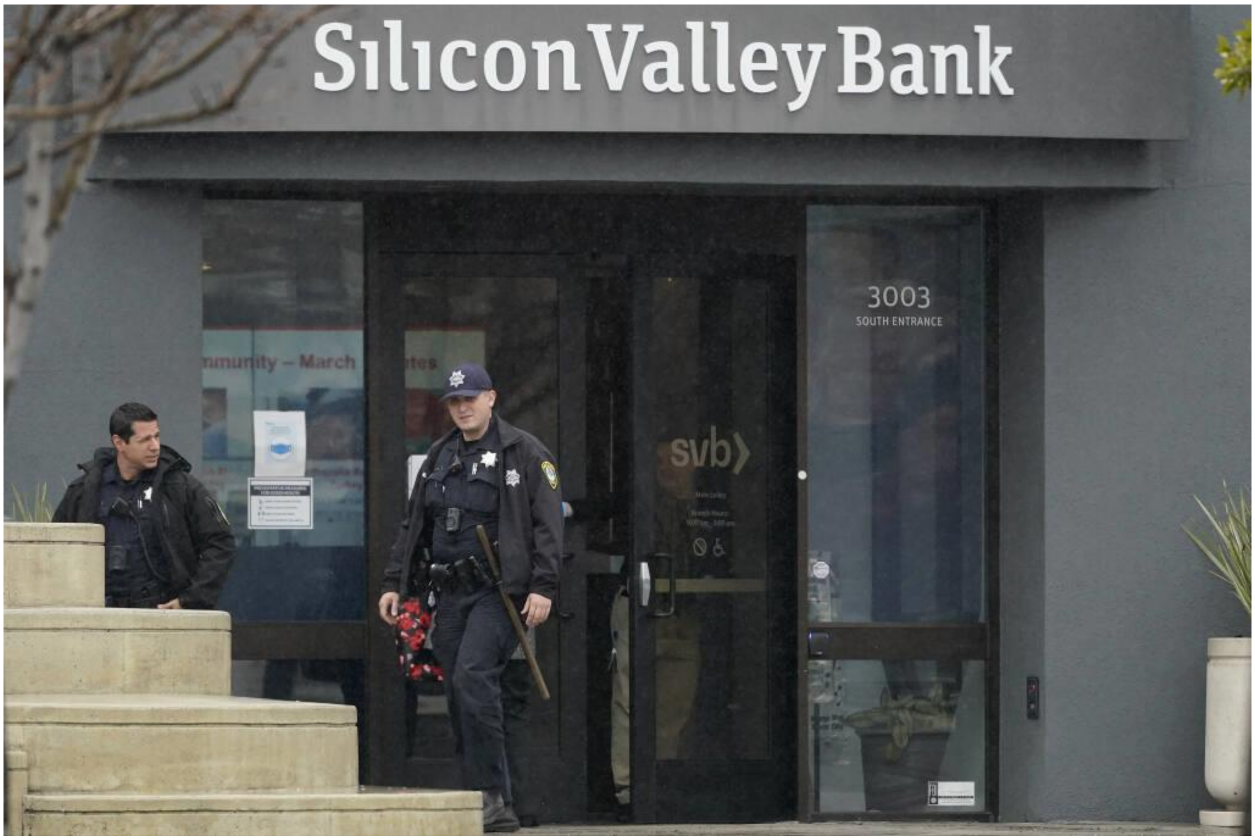
Fed seizure of bank with ties to wine industry leaves some worried



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Closure, followed by regulatory takeover Friday of Silicon Valley Bank, with its footprint in the North Bay as a lender for its wine industry, triggered some concerned customer calls to area banks, and uncertainty from some in that industry.

Friday, the Federal Deposit Insurance Corporation seized the assets of the bank, marking the largest bank failure since Washington Mutual during the height of the 2008 financial crisis. The FDIC ordered the closure of Silicon Valley Bank and immediately took position of all deposits at the bank.

The bank has 17 offices, including its Premium Wine Division head office in Napa.

The bank failed after depositors — mostly technology workers and venture capital-backed companies — began withdrawing their money creating a run on the bank. To pay off the withdrawals, the bank had sold off bond assets, taking a loss. The FDIC said in a statement on Friday that customers will have full access to their insured (up to $250,000) deposits no later than Monday morning.

The bank reported that 1.6%, or $1.16 billion, of its $74.3 billion loan portfolio as of the end of last year was to clients with premium wineries and vineyards, according to the fourth-quarter regulatory filing. The wine loan portfolio had grown 3.7% from the third quarter and 17.6% from a year earlier.

In a mid-first-quarter update on March 8, the institution said that wine was one of three portfolios making up about 6% of loans being monitored for portfolio-specific risks. It noted that its wine customers typically secured their loans with “high-quality real estate with low (loan-to-value ratios).”

SVB has lent over $4 billion to winery clients since 1994, according to the bank’s website. Other clients include tech firms, health care corporations and some startups. Some 400 industry clients banked with SVB’s premium wine division.

At Sugarloaf Custom Crush in Santa Rosa, Ronald Du Preez on Friday afternoon was wondering whether missed beginning-of-the-month payments from a couple of his 30 winemaking clients were because of the bank failure. He’s going to be analyzing customer records in coming days.

“I’m keeping my fingers crossed that we’re not going to see a big impact,” said the general manager and head winemaker. “Before the Great Depression, when an obscure bank failed, it rippled through the economy.”

Ed Barr, president of winery production equipment manufacturers P&L Specialties and Tom Beard Co. In northern Sonoma County, said he’s concerned about the impact on bank customers that had lines of credit to support inventory of wine over the months or years before release to the public.

“This has worried me, because wine has a big piece of the local economy,” Barr said.

Janae Franicevic, owner and general manager of Sunce Winery & Vineyards in Sonoma County’s Russian River Valley, said she had applied to refinance debt via Silicon Valley Bank but the balance was too low to be accepted.

Yet what she’s worried about most is the future of the Premium Wine Division’s reports on the direction of the industry, especially for direct-to-consumer sales. Division founder Rob McMillan has been writing a closely followed industry report and forecast each January for over two decades, and in recent years he added a midyear report on DTC strategies.

There were calls from customers about the health of the banking industry in general Friday, but some leaders of area institutions offered little concern.

“We don’t think the SVB crisis is a harbinger of things to come at other banks,” said Bank of Marin CEO Tim Myers. “What is critical to note is the composition of a bank’s security portfolio, its liquidity base and deposits, along with capital in reserve. The stocks that took a hit recently were for banks had a similar business line or some exposure in the same industry categories as SVB.”

The executive from the Novato-based bank said the tech sector has historical volatility, “when things go south and can create a greater ripple effect when they do.”

Troy Sanderson, president and CEO of Santa Rosa-based Exchange Bank, said, “What intrigued me the most was the volatility of this event and speed at which the FDIC stepped in to take charge, all of which was not on most people’s radar until the last minute/ SVB is a very different bank compared to Exchange Bank, we don’t have a big wine component, perhaps 10% of our lenders.”

Mario Zepponi, a Santa Rosa-based attorney with extensive experience performing valuations, mergers and acquisitions in the wine industry, said, “Silicon Valley Bank’s failure is not good for the banking industry, and it is still too early to predict an outcome or conjecture regarding how it may be resolved.”

Napa-based Crimson Wine Group, whose seven West Coast wineries include Pine Ridge Vineyards in Napa Valley and Seghesio Family Vineyards in Healdsburg, on Monday morning issued a statement that the publicly owned company has “no relationship” with SVB.

Associated Press contributed to this story.

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Correction, March 14, 2023, 10:25 a.m.: The comment from Tim Myers of Bank of Marin about historical volatility referred to just the tech sector, not wine.

Update, March 13, 2023, 8:35 a.m.: Statement from Crimson Wine Group.