



Ready or Not!

Solid but not spectacular sales growth so far this year has left the California wine business still struggling under the excess supply of the massive 2005 harvest and above average 2006 harvest. According to our sources, however, Mother Nature has boldly decided to go ahead with the 2007 harvest. Ready or not, here she comes! Late breaking news from our grape brokers around the state follows:

Brian Clements, Senior Partner, Grapes - North Coast Observations:

- Average of 2 clusters per shoot
- Erratic bloom for many varieties
- The lack of rainfall could impact crop size, especially if there are any prolonged heat waves. Water supplies are limited and salinity can be a problem in some spots.
- Reports of shatter in Cabernet Sauvignon, Merlot, and Chardonnay
- Overall, 2007 seems to be shaping up to be an average-sized crop on the North Coast

Numerous **Pinot Noir** buyers continue to chase a limited number of sellers, although the buyers have become a bit more discriminating. Pinot Noir crop size appears average. Cooler climate **Chardonnay** has been active. Russian River especially is strong and Sonoma Coast and Carneros are relatively strong. Chardonnay vines mostly have two clusters per shoot, but bloom has been erratic and there is also some shatter.

In Napa, the Chardonnay market was fairly active early on, but slowed down as we approached set and currently demand is appellation specific. Market activity is slow in Mendocino, Lake and Solano Counties. Buyers have been relatively busy in the Napa Valley for **Cabernet Sauvignon**. In Sonoma County, there has been good activity for hillside and Alexander Valley Cabernet Sauvignon, although most buyers are currently in a holding pattern. In other parts of the North Coast the market is lukewarm at best. There have been reports of shatter and erratic bloom throughout the North Coast.



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Merlot remains a challenge. Although casegood sales have picked up a bit, most producers still have excess Merlot already in inventory. Until those inventories are depleted, there are few buyers for Merlot grapes. The **Syrah** market has been slow, creating good opportunities for buyers to find

exceptional fruit. The **Sauvignon Blanc** market is short of supply in Napa Valley. Grapes are still available in Russian River and Alexander Valley.

Old Vine Zinfandel in Dry Creek has been active, although there are still good grapes available. In other parts of the North Coast, there are few buyers. There has been interest in high end, small lots of red blenders, particularly from Napa Valley, including **Petite Sirah**, **Malbec**, and **Petit Verdot**. There have also been buyers for **Viognier**, **White Riesling** and **Pinot Gris** in Napa Valley and other cool climate North Coast appellations.

Matt Turrentine, Grape Broker - Paso Robles & Santa Barbara

In Paso Robles, we see plenty of clusters across all varieties, but there is also some serious cold damage from the extreme temperatures in January. Much of Paso Robles reached single digits for 5 days in a row. In the damaged blocks, most vines still pushed, but shoot growth stopped at 4-6 inches. Some experienced viticulturalists believe that there must have been vascular damage in the trunk which has slowed or stopped the flow of nutrients from the roots. The vines pushed based on the stored carbohydrates in the cordon, and stopped growing when that supply was exhausted. In some cases, the vines are coming back, but many blocks remain severely stunted and damaged.

Paso Robles also received a mere 35% of its average rainfall. Many growers expect that this lack of water will result in smaller berries and clusters. There is also some shatter - Cabernet Sauvignon seems to be the worst. The early consensus is that the crop, despite the abundance of clusters, will likely be 10-15% below average for most varieties in this area.

Many winemakers and growers in Paso Robles are working hard to build a reputation for the Rhone varieties and while there are still many tons of Syrah for sale, there is strong demand for Grenache, Mourvedre, Viognier, Roussanne, Marsanne, Grenache Blanc, and high quality Syrah from cooler spots in the appellation. There is also good demand for Red Zinfandel.

Santa Barbara:

Cold damage struck in Santa Barbara County vineyards, mostly in Chardonnay. There are some issues with stuck caps and the set for Pinot Noir and Chardonnay was challenged. The crop for Pinot Noir and Chardonnay will likely be slightly below average.

Pinot Noir is still the hottest variety. However, this year we have seen more wineries balk at paying very high prices for one year deals. Instead there have been offers of 5-7 year contracts at slightly more moderate prices. Chardonnay in Santa Barbara is also in high demand, as are White Riesling and Pinot Gris. Most grapes in Santa Barbara have already found homes.

Erica Moyer, Grape Broker - Monterey Co., Clarksburg, Lodi, Northern & Southern Interior

Winter cold damage has restricted growth in some areas of Monterey County, including some vineyards in Greenfield and San Lucas, particularly on Chardonnay and Pinot Noir. Bloom has been challenging, with many overcast days and lots of wind. As a result, the crop size for Chardonnay and most other varieties appears to be about average. Pinot Noir may prove a happy exception with an above average harvest.

The market for Pinot Noir remains very strong. Chardonnay for the cooler areas has been in reasonable demand. White Riesling is strong.

Moving inland, in the Clarksburg area and in various locations around Lodi, cold damage has slowed growth. Shatter could affect the crop size for Zinfandel in the Northern Interior while the Southern Interior has a good Zinfandel crop. The Chardonnay crop also has some shatter, but some viticulturists think that the good weather after set may allow the remaining berries to size up and compensate for the shatter. Shatter has affected Cabernet Sauvignon and Merlot and the crop size for each of them now appears to be only slightly above average. Pinot Noir and Pinot Grigio also appear to be above average. With a good number of clusters per vine, the main factor affecting the size of the crop is berry size and bunch weight. With the summer beginning, extended periods of heat could have an adverse affect on berry size and bunch weight.

Demand is good, of course, for Pinot Noir and Pinot Grigio, and also for White Zinfandel and White Riesling. Chardonnay sales have been start and stop. Lots of Chardonnay and Cabernet Sauvignon are still available and Merlot is painfully neglected. Red Zinfandel is better off than Merlot but still is surprisingly slow compared to last year. Some interesting Rhone varietals are looking for Rangers to ride.

Stressing Out Over Wines in Bulk

We were hoping for a light 2006 harvest and strong sales growth in the first half of 2007. We got an above average crop in 2006 and moderate sales growth. As a result, the bulk market ain't what it could have been. But it is still healthier than it was last year. A weak dollar and Australian woes have helped export markets. Higher end domestic sales have also been doing reasonably well. When all of the 2005 vintage wine still lingering on the stage finally finds a home, however humble, the market will perk up.

- Cabernet Sauvignon. There are large quantities of both 2005 and 2006 Cabernet on the bulk market from all regions. Sales of most 2006 Cabernet and of average quality 2005 Cabernet are slow. But the demand for top quality wines is surprisingly strong. We have a long list of active buyers, especially for wines from Napa and Sonoma.
- Chardonnay. Russian River and Napa Valley have been strong all year, although a few lots have come out after most buyers finished their blends. Recent sales of Russian River Chardonnay have been \$8- \$14 and Napa Valley \$9-\$13. Other Sonoma County Chardonnay has been in the \$7-\$12 range. The market for Monterey 2006 has been in the \$6-\$8 range, with a much smaller volume for sale than from 2005. With the smaller 2006 harvest, Santa Barbara County Chardonnay moved up to the \$8-\$10 range. There is still some 2005 Central Coast Chardonnay that needs to move before harvest. The market for Mendocino County, Lake County, and Central Coast 2006 is still challenging. California appellation Chardonnay in bulk is slightly improved for 2006 wines versus 2005, selling in the \$3.00 to \$4.00 range.
- Merlot from 2005 and 2006 still floods the bulk market and buyers are scarce as a teetotaler in Italy.
- Pinot Noir is still the hottest wine in town. However, even a luscious Pinot Noir is still not strong enough to serve as a locomotive pulling a long train of Merlot or other wines. Most proposals that packages Pinot Noir with other wines did not gain traction. Pinot Noir from Languedoc and Northern Italy continues to play a role in the bulk market.
- Pinot Grigio, Pinot Noir's stylish twin sister, has also been active. Demand is strongest for Pinot Grigio from the Northern Interior, but we have been moving Pinot Grigio from other appellations as well, including, of all places, Italy.

We have now begun the countdown to crush, when the bulk market gets stressed. Buyers are stressing because they must finish last minute blends and they still have not found that elusive lot of wine that will make the whole blend sing. Sellers are stressing because they still have tanks full of wine and the 2007 crop is breathing down their necks. Brokers are stressing because buyers and sellers are stressing.

Welcome Stephens Moody, Broker of Wines in Bulk!

We are pleased to announce that Turrentine Brokerage is continuing to expand in order to provide the best coverage and follow through in the grape and bulk wine business. Stephens Moody is now Turrentine employee number 17 - and the first Eagle Scout on the team. Stephens grew up on the grounds of the Petri Winery in Escalon, where his famous father Ed was a winemaker. Stephens most recently has been assisting with Pinot Noir and Chardonnay winemaking at Sonoma-Cutrer. Before that, he handled slightly larger lots at Bronco Wine Company for six vintages. He has also made wine in Argentina and worked for World Cooperage. He is well rounded, has lots of varied experience, is smart, out-going and both hard working and fun. Stephens is a welcome addition to our growing team, as we strive to serve you better.

Management by Espresso

A few years ago, we purchased an office espresso machine. Ever since, Steve Fredricks' productivity has soared. In fact, the rest of us spend much of our time just trying to slow him down. About the same time we purchased the espresso machine, Steve took on additional responsibilities for coordinating the day to day efforts of our expanding team, while President, Bill Turrentine is focused on team development and strategic planning for clients and for Turrentine Brokerage. In return for Steve's promise to limit his espresso intake to two per day, we have bestowed upon him a title that fits his responsibilities: Managing Partner in charge of operations.