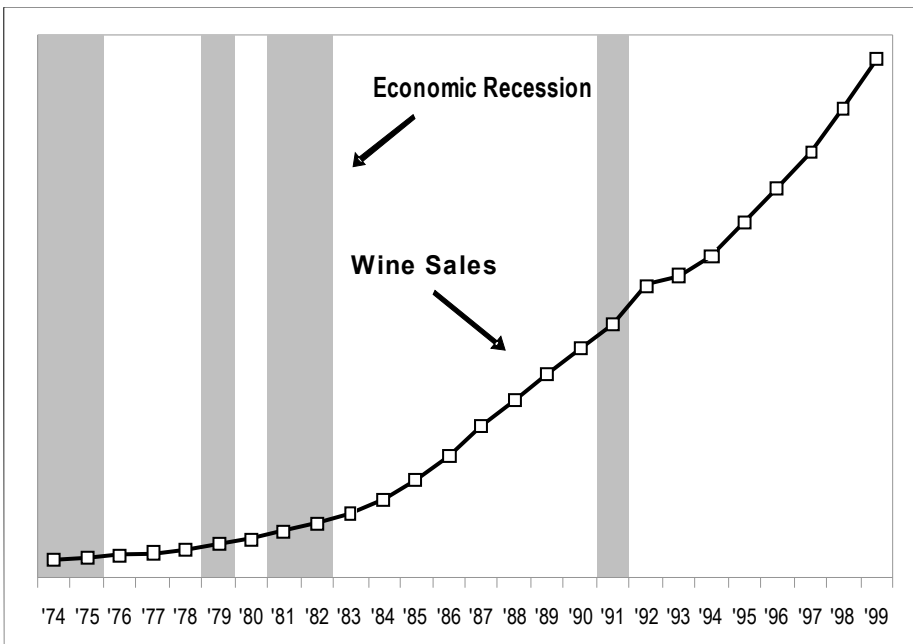




Stimulus Proposal

Federal Reserve Chairman Ben Bernanke could be the most important person in the wine business. Oh, he may immerse himself in the boring economics of less important goods such as automobiles, soy beans, or computer chips, but we know that wine is the quintessential product, the product that reveals the soul of America. The health of the vineyards of the sole surviving superpower depends not just on rain and sunshine and patriotic minerals in the soil, but also on the warm glow generated by the credit card activity of America's wine lovers. But will that warm glow continue to grow as the economy begins to waver?

Economists, never a jolly lot, were saying that any slowdown would be short and shallow but now they are sounding more pessimistic. Politicians, always happy to throw tax dollars at any problem, are rushing to provide stimulus to the economy, hoping, of course, to stimulate votes. What these wise rulers really ought to do is to provide every citizen over 21 with a mixed case of good California wine. People would laugh, relax, and celebrate. That would stimulate the economy and more. It would promote friendship, romance, and happy family meals and it would be heart healthy at the same time. That's a stimulus package that makes sense and tastes good at the same time. Of



Source: MKF 2000. (Sales in dollars, not volume.) According to Full Glass Research, during the economic weakness from 2000 through 2002, overall wine sales grew moderately and wines over \$15 per bottle grew faster than the overall market.

downturns on wine sales have not been well researched but that premium wines sales have continued to grow right through the tough times in the past and total revenues from wines sales have increased through the last four recessions. This does not mean that everything continues to grow in exactly the same pattern as it did before. High end restaurant sales, for example, have usually dropped in

course, the Supreme Court would need to suspend the Byzantine alcoholic beverage delivery requirements in the 50 states. And illegal immigrants would be restricted to three bottles per person instead of a full case, unless they apply from their home countries.

But our wise rulers may not be quite wise enough to pull off the great wine cure. That means that the dark clouds of recession may rain on the wine business parade. According to Christian Miller of Full Glass Research, however, that may not be as bad as it sounds. Christian notes that the effects of economic

economic downturns but off-premise sales have made up the slack. Different price segments have behaved differently and, of course, each economic downturn hits different segments of the population differently. In any case, the long term data and the academic research to date indicate two things: 1) Gross Domestic Product growth is not a good predictor of wine sales; and 2) economic difficulties may or may not impact spending on wine (and hence wine prices) but typically do not impact the volume of consumption. Christian's interpretation is that wine volume is typically driven by demographic, cultural, and taste trends more than changes in income or unemployment.

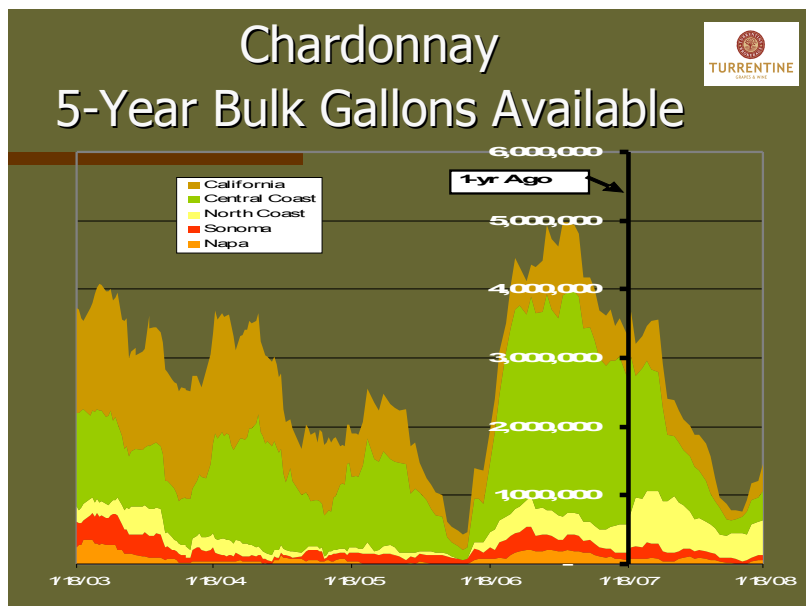
Unified Symposium

Turrentine's brokers will be holding forth at booth 1210 at the Unified Symposium in Sacramento, January 29 - 31. Come by and meet Christian Gardet, Turrentine's allied broker in Europe. Also, Bill Turrentine will be part of a panel discussion on Thursday, January 31st, Convention Center Room 305.

Grapes & Wines in Bulk

What a difference a year makes! The bulk market was very active for the quarter of 2007 and has continued to be very active in early 2008. Even the grape market, which is typically quiet during the dead of winter, has been full of interest this year.

The Chardonnay bulk wine market has had the most dramatic change. As the chart below illustrates, the quantities of Chardonnay actively for sale have fallen sharply. At the same time, the number of buyers has increased. Recent sales of 2007 California appellation Chardonnay have been between \$3.75 to \$5 per gallon. Central Coast lots have sold from \$7.50 to \$12. Napa and Sonoma supplies are limited, with sales in the \$10-\$15 price per gallon range. Russian River Valley and Carneros appellations have brought the top prices. We are already getting some contracts signed for 2008 Chardonnay grapes and are completing 2008 Chardonnay bulk wine contracts.



This chart shows gallons of Chardonnay wine listed for sale with Turrentine Brokerage. We believe it is the best proxy available for total inventories.

Robles, Mendocino and Lake County lots have sold from \$5 to \$9.

Even Merlot demand has picked up for the best quality lots. Coastal Pinot Noir remains strong, although so far the short 2007 crop has not seemed to have elevated prices any further than the already exalted level reached the last couple of years. Supply is very low but buyers are still holding out for wines which will not negatively affect the quality of their blends.

The earlier we know about your wines for sale or your needs, the more opportunities we can bring you. Come and see us at our Unified Symposium booth for a personalized update on the market.

Although we have more than 3.75 million gallons of Cabernet Sauvignon listed for sale, demand is significantly stronger this year than last. The best quality lots often have multiple offers. Sonoma County Cabernet Sauvignon has been in the \$11-\$17 range on 2006 lots and we have already sold a few 2007 lots, which is surprising this early in the year. Much of the demand for Napa Valley Cabernet Sauvignon has been driven by negotiant brands, which are very price sensitive. As Napa asking prices have inched up to the \$15 to \$20 range, sales volume has stalled. California appellation Cabernet Sauvignon is getting some interest between \$4.00 to \$5.50 and Paso