



Grape Buyers to the Top

In most businesses, most of the time, the most important people are the marketing folks. They lead the whole enterprise by figuring out what special promise the company can make to consumers that gets consumers to commit. The production folks then have the admittedly challenging job of delivering on that promise. And the finance folks have the admittedly challenging job of getting the money to make it all happen and making sure that it all produces a profit.

But the wine business is not like most businesses. Oh, the marketing people are always extremely important. For the past seven years of excess supply they have without doubt been the most important part of the winery team. For the next seven to ten years, however, as demand starts to get ahead of supply, the whole paradigm will stand on its head and the grape buyers will become the most important, and pressured, part of the winery team. Great marketers who lack sufficient supply will be left high and dry. But those wineries that control an ample supply of high quality grapes at reasonable prices will take profits and market share from those that do not.

When shooting the rapids, before hitting the white water in earnest, it makes sense to pull over, survey what lies ahead and make some plans. Now is the time that grape buyers, in conjunction with top management, need to be mapping out their strategy for the years ahead. How are we going to recruit new growers in the most effective way? How are we going to retain growers? How are we going to work with growers to achieve top quality? Wineries that plan well around these issues will thrive in the years ahead. Turrentine Brokerage, of course, is well positioned to contribute to these discussions. Give us a call.

State Assembly Bill 4108 - Nothing to Sneeze At

When the government proposes a law regarding the wine business, it is usually not good news. Higher taxes, tighter regulations, more complex operating conditions are the kinds of headaches that usually ensue. But AB 4108 is a noble exception. Although many wine business folks have washed their hands of political involvement, this bill, sponsored by Assembly member Noreen Evans (D-Santa Rosa) and endorsed by Governor Arnold Schwarzenegger, needs your full-blown support. In order to alleviate congestion and improve wine quality, this legislation would prohibit rhinoviruses from



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infecting winemakers. The Governor called for quick passage, stating that this legislation was necessary to protect the integrity of California’s number two product (action films being product number one). In the original form of the bill, influenza viruses were also prohibited, but Speaker Fabian Núñez objected, stating, “I understand that a winemaker cannot blend a world class Cabernet

Sauvignon when all stuffed up with a head cold and obviously something must be done to keep California's juice flowing. But we already have a vaccine for flu. If the working people of California are forced to wait in line to get a flu shot, I am not going to support a special exception for wealthy winemakers." This April, the support of the entire wine industry is necessary to build pressure in both chambers and get this bill passed so that the common cold will be forever wiped out in the California wine business.

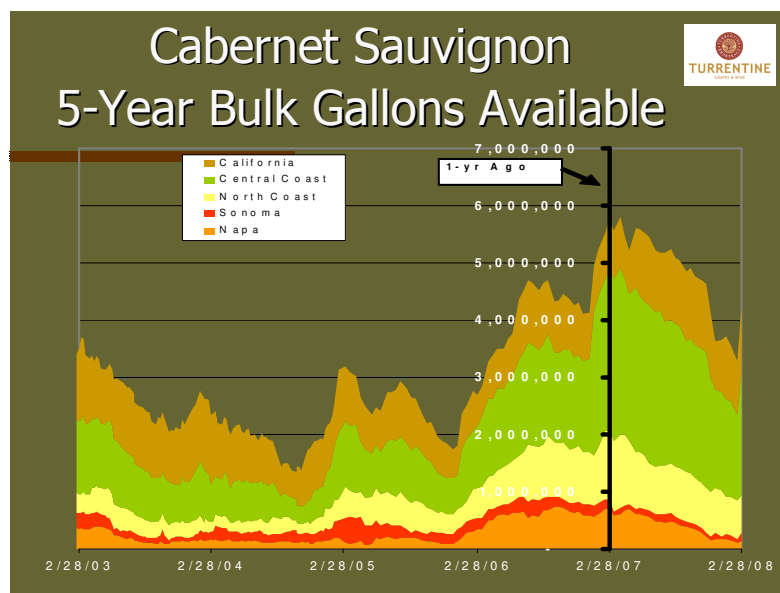
Turrentine Office Expansion

Our relatively new office, just off Highway 101 in Novato, has attracted a stream of clients looking to buy or sell grapes or wine or maybe just to score a free espresso from our machine. In order to provide a better space for clients and to accommodate our growing team, we're pushing out some walls and taking over more space. Check it out when you are in the neighborhood.

Outlook

The third issue of *The Turrentine Outlook: Forecasts and Strategies for a Competitive Advantage* is being printed and mailed to subscribers. Available by subscription, this is the most complete information on key wine business metrics available anywhere. In today's changing markets, those with the best information have a distinct competitive advantage.

Grapes & Wines in Bulk



Cabernet Sauvignon listed with Turrentine Brokerage for sale in bulk.

While there is still a lot of **Cabernet Sauvignon** on the bulk wine market, strong retail sales growth has translated into increased bulk demand as well. The remaining 2005 vintage Cabernet is tough to move but there are a number of active buyers for 2006 Cabernet Sauvignon and even an occasional deal on 2007 Cabernet Sauvignon. Buyers always seem to want the same lots of wine. Recent sales of California appellation 2006 Cabernet Sauvignon have been in the \$4 to \$5 per gallon range. Buyers will find the choice of Interior Cabernet Sauvignon is limited compared to last year at this time. The Central Coast supply, mainly Paso Robles

appellation, is still strong. Recent sales have ranged from \$4.50 to \$8 per gallon. The Mendocino and Lake County market has also strengthened, with recent sales from \$7 to \$9 per gallon. Cabernet from all Sonoma County appellations is hot, with recent sales in the \$12 to \$15 per gallon range for 2006 wines. Napa Valley, as usual for Cabernet Sauvignon, is the shining star with a plethora of buyers. Recent sales have been in the \$20 to \$25 range for 2006 wines. Asking prices have risen enough to price some buyers out of the market.

The Cabernet Sauvignon grape market has been pretty strong in Napa Valley. In Sonoma County, buyers have signed up almost all of the hillside fruit and are still looking for more. Buyers in Mendocino County have been making vineyard visits but there are still plenty of grapes available. Demand is slow in much of the Central Coast. In Paso Robles, perceived top quality Cabernet Sauvignon vineyards are receiving offers from multiple buyers, often including multiple year offers.

Demand is much slower, however, for vineyards perceived as average quality. Higher end buyers from out of the area have been returning to Lodi this year. Lodi pricing is higher than it was in 2007 and multiple buyers have been offering long term contracts.

Although the **Chardonnay** crop was up significantly in Lodi, the Delta and the rest of the Interior regions, the volumes on the bulk market are down from last year. This may be at least partially a result of the weak dollar, which has made imports more expensive and has accelerated our exports. Recent sales have ranged from \$3.75 to above \$5.25 per gallon for special lots. Most of the sales have been between \$4.25 to \$5 per gallon. The market for Monterey County has been mostly in the \$10 to 12 per gallon range. There has been very little Santa Barbara County 2007 Chardonnay offered for sale. Wines from other Central Coast appellations have been around \$7 per gallon. For Napa Valley and the Sonoma County appellations, the market has maintained its strength with prices from \$10 up to \$18 per gallon for some Napa Valley and Russian River lots. Mendocino Chardonnay has been in the \$7 to \$10 range, up from last year but not as strong as one might expect after a Mendocino Chardonnay harvest smaller than nine of the past ten years.

The Chardonnay grape market has been very strong in Napa Valley and Sonoma County and we are looking for additional supply. Demand in Mendocino County is stronger than it has been in several years, although there is still fruit available. Chardonnay supply is tight throughout the Central Coast, especially for cooler climate fruit. We are searching for more Chardonnay in most areas of the state.

With production down 9% in 2007, **Merlot** is still not as healthy as Chardonnay or Cabernet Sauvignon but at least it is back from the dead. The volume of Merlot for sale in bulk has dropped from about 5,000,000 gallons last year at this time to about 3,000,000 gallons today. While there are plenty of lots to choose from, buyers are not overly excited about the quality of many of the offerings. Recent sales for Interior 2006 Merlot have been in the \$3.50 to \$4.50 range and Central Coast and North Coast appellation lots have been in the \$4 to \$5 range. Napa Valley and Sonoma County sales have been in the \$9 to \$15 range.

The Merlot grape market has been active in Napa Valley, especially for clone 181. Buyers are still mostly in the tire-kicking mode in Sonoma County. Merlot grape movement is still slow in both Mendocino County and the Central Coast. Lodi area grape buyers have been swallowing Merlot in packages with Chardonnay, including many multiple year contracts. Prices are up from previous years.

The **Pinot Noir** market remains hot, fueled by the painfully low yields per acre in 2007, which resulted in a 16% decrease in statewide production. Sales keep growing, especially for the more moderately priced wines. Demand is strong for bulk wine from all appellations, including continued demand for Pinot Noir in bulk from around the world. Recent sales of Russian River Pinot Noir have been in the \$20 to \$25 range. It has been tough to find Monterey County or Santa Barbara lots this year. We have seen more sellers offering Interior Pinot Noir but total volume is still well below demand. The few recent sales have been in the \$9 to \$11 per gallon range.

Demand for Pinot Noir as grapes remains strong all over the state. Growers are able to obtain excellent prices and long term commitments. We need additional listings.

Although the statewide **Sauvignon Blanc** crop was down 4%, the Sauvignon Blanc market has been slow. Many brands bottle their Sauvignon Blanc early, which means that bulk market activity for Sauvignon Blanc often peaks earlier than it does for most varieties. Right after this year's light harvest, there was some action but the market is slow for the remaining lots. Some 2007 Central Coast Sauvignon Blanc was made especially as a blender for Chardonnay.

The Sauvignon Blanc grape market has been very active in Napa Valley but relatively slow in most of the rest of the state.

The market is still hot - although price sensitive - for **Pinot Grigio**. Since the crop was way below expectation, only up 3% statewide, very little has made it onto the bulk wine market. Some opportunities may exist for buyers of Interior Pinot Grigio willing to commit to future gallons.

We have multiple buyers for Pinot Grigio grapes and prices are strong. We need to find additional supply, especially in the Delta, Lodi, and the Central and Southern Interior.

Call, e-mail, fax, or stop by, but however you do it, do let us know what you need or what you might want to sell. It is a dynamic market and opportunities change day by day.

Market Opportunities

Available: Bottled unlabeled Napa Valley 2004 Merlot, Napa Valley 2005 Merlot, 2005 Paso Robles Syrah, 2007 Monterey Pinot Grigio. Lot sizes from 2 to 8 pallets.

Available: Garnacha 2007 from Spain in bulk, 0.50 euros per liter ex cellars. Multiple containers only.

Available: Pinot Noir 2007 IGT Pavia, Italia - 172,000 liters, Pinot Noir Germany 2007 and non vintage. Multiple container minimum.

Available: Processing in the North Coast, Central Coast and Interior. Contact us for more details.

Available: Bottling services in the North Coast and the Central Coast.

Available: 2007 Central Coast appellation white blenders for Chardonnay or Pinot Grigio.

Available: Various lots of Sauvignon Blanc 2007 bulk wine, Lake County, Mendocino County, Monterey County, and Paso Robles appellations.

Available: Chardonnay 2007 in bulk, Northern Interior.

Available: New Zealand Sauvignon Blanc in bulk 2007. Available now and 2008 available soon.

Needed: 2007 Pinot Grigio in bulk, all appellations.

Needed: 2007 Pinot Noir in bulk, all appellations.

Needed: Sonoma County 2007 and 2006 vintage Cabernet Sauvignon. Alexander Valley preferred, but interest in all Sonoma appellations.

Needed: Organic 2008 grapes - Chardonnay, Cabernet Sauvignon, or Merlot.

Needed: Sangiovese 2007, Sonoma County or other North Coast appellations.

Needed: Labeled casegoods - interest in assorted varieties, appellations and vintages.