



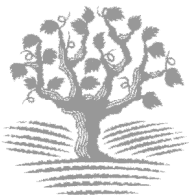
Crush Report Revelations

California's biggest variety, **Chardonnay**, dropped over 4% in 2008 compared to 2007, a reduction of almost 25,000 tons, the equivalent of over 1.7 million cases. The biggest drop was in the Lodi area, down 12,000 tons. The North Coast was down also, especially in Sonoma (-5,000 tons) and Mendocino (-4,000 tons). Monterey and District 14 (Bakersfield area) were the only places to buck the trend, up 13,000 and 11,000 tons respectively.

Pinot Grigio did its best to make up for the losses in Chardonnay, jumping almost 14% statewide, with District 17 (Delta) Pinot Grigio up 1,000 tons; District 13 (Fresno) - a new player in the Pinot Grigio game - up by nearly 2,500 tons; and this year's favored area, District 14, up a massive 11,000 tons. Decreases in every other major producing area limited the net statewide Pinot Grigio increase to 10,000 tons or 700,000 cases.

The big hit was in the reds, especially **Cabernet Sauvignon**, which dropped statewide by a cool 100,000 tons or almost 6.9 million cases. Cabernet Sauvignon was down in every area in the state except the Delta. The biggest percentage drop for Cabernet Sauvignon was in the San Luis Obispo County area, falling a painful 37%, which is almost 17,000 tons or 1.1 million cases. The biggest absolute drop was in Lodi, down 22%, nearly 23,000 tons or 1.5 million cases. The largest impact in dollar terms is in Napa Valley, down almost 16,000 tons. Valuing these tons at the 2008 average price of \$4,623 per ton, that is a value loss of around \$72 million dollars of Napa Valley Cabernet Sauvignon grapes.

The hottest red variety, **Pinot Noir**, powered by maturing plantings, was the only major red variety to increase production, up 17% statewide compared to 2007. That increase equals 15,500 tons, the equivalent of slightly over one million cases. But while the 2008 crop is up from 2007, it is still slightly less than the total 2006 Pinot Noir crop, which had substantially more tons from the North and Central Coasts and many fewer tons from the Interior regions. The biggest Pinot Noir increases for 2008 line up as follows: Monterey County, up 17% or 3,300 tons compared to 2007 (but still below 2006); District 12 (Modesto) up 152% or 3,200 tons; District 11 up 62% or 3,100 tons; District 14, up 394% or 2,200 tons and District 13 - a new producer of the noble grape of Burgundy - up 1,007% or 1,800 tons. The crop in Sonoma was the same as last year and Napa and Mendocino were both down in Pinot Noir production.



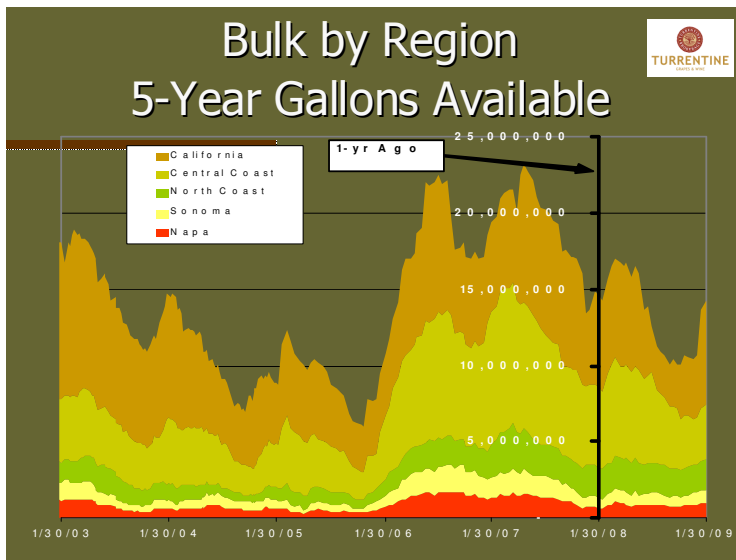
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As The Turrentine Outlook has been predicting, **Merlot** took the biggest percentage decrease of any major variety, down 26%. That is a drop of 79,000 tons or 5.4 million cases. This was driven not only by a light crop but also by the grafting or removal of substantial acres. Merlot was down in every

district except for - you guessed it - District 14, which increased production by 12% or 1,900 tons. Lodi had the biggest drop in absolute quantity, down over 22,000 tons. Napa and Sonoma had the biggest percentage drop, down 35% and 38% respectively, with each of them down by more than 8,000 tons. Monterey dropped more than 9,000 tons and San Luis Obispo / Santa Barbara Counties were down by 6,800 tons.

Grapes & Wines in Bulk

While light crops are always painful for vineyard owners, the wine business as a whole is better off with trim inventories during recessionary times. The last couple of recessions have hit the wine



business during times of over-planting and excess supply and that is a terrible combination for everyone. This time the recession began just as sales were finally catching up with supply for most varieties. The light crop in 2008 has further helped to keep the bulk market in balance. While we expect listings of wines in bulk to climb over the next couple of months, they should still be much less than the 23 million gallons listed after the 2005 harvest or the 25 million gallons listed after the 2001 harvest. In the meantime, casegood sales have grown and demand for bulk wine has grown with it. The bulk market is developing slowly at the high end, which has been especially hurt by declining

restaurant sales. At the same time, prices for San Joaquin County and moderately priced Central Coast wines have firmed since last year. Concerns about punitive excise tax increases and water shortages add to complexity of the picture.

Cabernet Sauvignon: Recent sales of California appellation Cabernet Sauvignon in bulk have been in the \$5.75 to \$6.50 per gallon range. Central Coast 2007 Cabernet Sauvignon has been mostly \$8.00 to \$9.00 per gallon. We have sold some 2007 North Coast lots at prices over \$10 per gallon. The market for Napa and Sonoma County Cabernet Sauvignon in bulk has been slow as sellers sort out inventories and buyers figure out their needs and their financing. The grape market has been active with re-signs and some new deals in the Northern Interior, the Central Coast, Mendocino, Sonoma and especially Napa.

Chardonnay: The market for Chardonnay in bulk is relatively slow, except for Sonoma County. We have sold Russian River Chardonnay recently in the \$20 to \$22 per gallon range and other Sonoma County Chardonnay lots have gone for about \$15 to \$19 per gallon. Asking prices for California appellation Chardonnay from the 2008 vintage are in the \$4.25 to \$5.50 range, but sales activity is off to a slow start. Demand remains strong for Napa and Sonoma County Chardonnay grapes. Buyers are active in the Southern Interior as well.

Merlot: The quantities of Merlot offered in bulk have continued to decline and many wineries received less 2008 Merlot grapes than expected. Although casegood sales growth is minimal, we are expecting the bulk market to be active. At this point, however, both the bulk market and the grape markets are hibernating.

Pinot Noir: The recession has trimmed Pinot Noir's wings. Demand is still strong for both coastal and warmer region Pinot Noir but the buyers are not willing to pay the extraordinary prices of the past few years. We currently have Pinot Noir listed from most major appellations. Sales over \$20

per gallon are now few and quality standards have increased. Interior region Pinot Noir is also available. The market is active and Pinot Noir is selling but buyers have a much greater selection.

Market Opportunities

Bulk Wines

Available: 2008 Pinot Noir - Santa Barbara, Monterey, Sonoma County
Available: Custom processing for 2009 harvest and bottling and storage options
Available: 2007 Merlot bulk wine - all California appellations
Available: 2008 Pinot Grigio bulk wine - Monterey County
Available: 2008 Chardonnay - all Central Coast and Northern Interior appellations
Available: 2007 Zinfandel bulk wine - all appellations

Needed: 2008 Cabernet Sauvignon - Paso Robles, Central Coast, California
Needed: 2008 SLO county or Central Coast Rhone Reds (Mourvedre, Grenache, Cinsault)
Needed: 2008 Napa Valley Merlot and Cabernet Sauvignon
Needed: 2006 Top Quality Napa Valley Cabernet Sauvignon up to about 1,000 gallons.
Top prices paid for the right wine.
Needed: 2008 Sonoma County Chardonnay bulk wine
Needed: 2007 and 2008 bulk wine - Alexander Valley Cabernet Sauvignon
Needed: 2008 Russian River Valley Sauvignon Blanc bulk wine
Needed: 2008 Gewurztraminer - any coastal appellation

Grapes

Available: 200 tons Sonoma Coast Chardonnay grapes
Available: 17 acres first crop Russian River Valley Chardonnay
Available: 20 acres first crop grafted Russian River Valley Chardonnay
Available: 30 acres open Russian River Valley
Available: 11 acres open Dry Creek Valley
Available: 100 tons Mountain Dry Creek Valley Cabernet Sauvignon
Available: 25 acres Pinot Noir - Lodi 2011 production
Available: 75 tons Pinot Noir - Lodi
Available: 115 tons White Riesling Lodi - Borden area
Available: 400+ tons Pinot Grigio - various blocks, Lodi and Contra Costa
Available: Paso Robles Petite Sirah and Cabernet Sauvignon grapes
Available: High quality Santa Barbara Chardonnay grapes

Needed: Monterey County Pinot Grigio and Pinot Noir grapes
Needed: Interior Petite Sirah grapes
Needed: Sonoma County Chardonnay grapes
Needed: Napa Valley Cabernet grapes
Needed: Dry Creek Zinfandel grapes
Needed: Sonoma County Pinot Noir grapes
Needed: Small lots of red and white Rhone varieties grapes from the North Coast