



TURRENTINE Market Update

GRAPES & WINE

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Marc Cuneo Joins Team T

If he cuts his hand rock climbing, Marc Cuneo bleeds Italian American Red Wine. The grandson of Sonoma County wine business icon, August Sebastiani, Marc has done just about every job that needs doing around a vineyard or winery, including planting vines, negotiating contracts, crushing grapes, racking tanks, blending, bottling, selling casegoods, selling brands and hosing down the floor – and that was before he was in high school. But seriously, Marc has done it all and done it well. One part of this crazy business Marc especially enjoys is dealing with the critical and constantly changing challenge of grape and bulk wine inventory management. As a winery, how do you make sure you have the right quantities and the right quality at the right price to sustain your brands? As a grower – and Marc has worn the grower hat as well – how do you make sure you have the right varieties with the right quality and yield at the right cost contracted for the right number of years to the right buyers? Turrentine Brokerage helped Marc with these complex challenges when he was Vice-President of Grower Relations and Vineyard Operations for Sebastiani Vineyards and when he managed independent vineyards. When the family winery was sold and Marc was looking for new wine business challenges, he contacted Team T to see if there might be a fit. We're excited to have him on board.

Jingle Bells 2010: The “Other Guy” is Calling

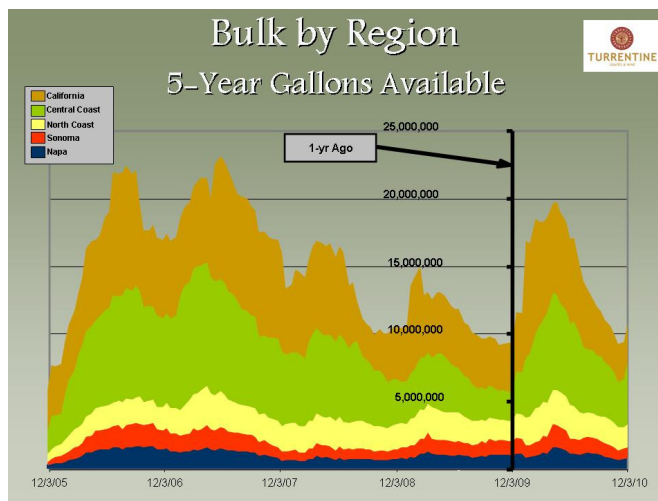
In the Fall of 2009 Steve Fredricks spoke at the Wine Industry Financial Symposium about the “Other Guy”. Even though casegood sales have continued to grow, especially at the value end of the market, just about every winery has been focused on the short-term goal of conserving cash. As long as the “Other Guy” was also sitting on his hands, the market at all price points has been mostly well supplied with wine and grapes and there has been no incentive not to please the banker and hoard cash. The trouble with the “Other Guy” strategy, of course, is that the “Other Guy” uses it too. As long as everyone holds back, everyone holds back – and supply appears more plentiful than it really is relative to consumer sales. For the value end of the business, at least, it will not take much of an up-tick in demand or much of a drop in supply for the “Other Guy” to start buying. In fact, the “Other Guy” is already active in the market in response to a lighter harvest in 2010 and continued growth in casegood sales.

From our vantage point as brokers of grapes and wines in bulk, we see the first changes in the market. Last year at this pre-Christmas time, our phones were ringing like crazy with growers who had custom-crushed and wineries that needed to reduce inventory, especially high-end inventory. Missing in action, however, were those folks who can actually make a market happen – the all-important buyers. This year our phones are ringing away again, with a large percentage of those calls from buyers, mostly

looking for red varietals. As the graph below illustrates, volumes of wine in bulk listed for sale are down at the same time demand, at least for red wines, is up. 2011 is going to be the year the “Other Guy” starts to buy.

Cabernet Sauvignon

The market for Cabernet Sauvignon continues to be the most active, with demand for 2009 vintage wines from all regions. Demand is centered on the value end of the business in every region. Recent sales of California and Lodi Cabernet Sauvignon have been in the \$6.00 to \$7.00 per gallon area and supply is tight. Recent sales of Central Coast and North Coast Cabernet Sauvignon have been in the \$6.00 to \$9.00 per gallon range. While the luxury end of the market is still soft, value brands have demonstrated increasing interest in Napa Valley 2009 Cabernet Sauvignon, with multiple offers on lots of wine and increased pressure on price. Some offers have risen above the \$20.00 per gallon mark.



Chardonnay

Demand is slow for Chardonnay but 2010 production decreased, bulk imports shrank dramatically and the volume custom crushed by growers is much less than last year. In the meantime, Chardonnay casegood sales are growing slowly.

Pinot Noir

We have seen steady interest in Pinot Noir, but it continues to be price-sensitive. As a result of lower than projected yields per acre in the Interior and the Central Coast in 2010, we have seen increased interest in the remaining 2009 California appellation wines, with recent sales in the \$6 per gallon range. Central Coast prices remain in the \$11- \$14 per gallon range. There is almost no Russian River Pinot Noir from 2009 currently offered for sale.

2011 Grape Market

Last year at this time, growers were eager to sell their grapes but the financial folks at wineries decided to hibernate for the winter – and the spring, and most of the summer. This year, our team of grape brokers has already concluded a number of multi-year extensions and are well into the process of putting together 2011 strategies with both growers and wineries.

Obviously, our jingling phones are singing a song of a changing market. The “Other Guy” is making his move. Contact your favorite Turrentine broker for more detailed market information and customized analysis and strategies for short and long-term success.

Check out the Turrentine Blog for an update on the importance of properly prepared and labeled samples.

<http://www.turrentinebrokerage.com/blog/bulk-wine-101/>

Market Opportunities

Bulk wine needed: Viognier 2010 Napa Valley appellation

Bulk wine needed: Pinot Noir 2010 Napa Carneros, Russian River, Santa Barbara and Monterey County appellations

Bulk wine needed: Cabernet Sauvignon 2009 Napa Valley and all Sonoma County appellations

Bulk wine needed: Sauvignon Blanc 2010 Napa Valley

Bulk wine needed: Zinfandel 2009 and 2010 Dry Creek Valley

Bulk wine needed: Chardonnay 2010 Russian River and Carneros appellations

Bulk wine needed: 2009 and 2010 California appellation wines from Organic grapes

Grapes needed: 2011 Generic reds and French Colombard

Grapes needed: 2011 Lodi and Sierra Foothills Zinfandel

Bulk wine available: Pinot Grigio 2010 Monterey County Arroyo Seco appellation and California appellation

Bulk wine available: Gewurztraminer 2010 Santa Barbara County appellation

Bulk wine available: Chardonnay 2009 Santa Barbara County appellation

Bulk wine available: Paso Robles 2010 Grenache and Petite Sirah

Bulk wine available: California appellation Petite Verdot 2010

Planting opportunities: Districts 11, 12, and 17

***Note to all growers: We need to know what you have available earlier rather than later in order to provide you with as many opportunities as possible.**