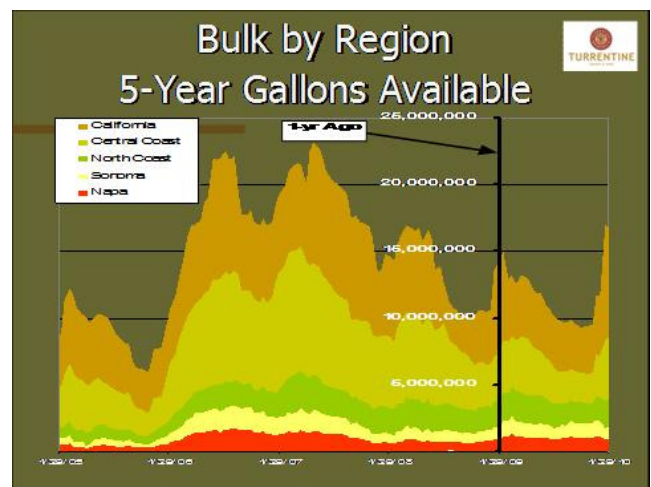




## Crush Report

The 2009 California grape crush numbers are in and the crop was much larger than 2008, increasing by 23% or nearly 700,000 tons. The increase in the Northern Interior was especially pronounced, while the crop on the coast was mixed. Despite current economic conditions, wine sales continue to grow, especially at price points below \$10 per bottle, which are sourced primarily from the areas of the Interior that had a large crop.

2009 was the second largest crop in California history, the total wine grape tonnage came in just 2% below the tank-busting 2005 harvest. According to ongoing proprietary research conducted by Turrentine Brokerage, however, the overall inventory position of the industry is much better today than it was after the record harvest of 2005. Of course, total sales have also grown since 2005 and the big crop helps some but hurts others. The winners are:



1. Consumers, who will have an abundance of high quality wines available at attractive prices from all California growing regions.
2. Growers and wineries from Lodi and the whole Sacramento and San Joaquin Valley, where quickly growing sales of value-priced wines will drink up increases in 2009 production of Cabernet Sauvignon (+35%), Merlot (+44%), Pinot Noir (+48%) and Pinot Grigio (+61%). Chardonnay, of course, is the exception to the rule. Up 160,000 tons, the equivalent of 26 million gallons or 11 million cases, Chardonnay casegood sales growth is slow and competition from imports - especially imports from Australia - has been fierce. At the same time, the 2010 Chardonnay harvest in Australia appears to be down about 30% due to heat spikes at bloom and rain at harvest. That, plus a weaker U.S. Dollar versus the Australian Dollar and tanks full of California Chardonnay, should slow down Australian shipments in 2010.
3. Central Coast growers and wineries enjoyed a return to reasonable yields for Cabernet Sauvignon and Merlot.

The harvest was tough for many premium Central and North Coast growers with grapes on the spot market and for premium wineries which were locked into grape contracts made when their casegood sales and wine prices were on the rise. Chardonnay from around the state and Pinot Noir from the cooler regions are the varieties that have faced the biggest challenges. For most brands,

however, every variety selling for more than \$15 per bottle has faced a challenging sales environment and which is also reflected in the market for the grapes that supply these programs.

Presently, the bulk market is active with Buyers sourcing additional gallons of wine to extend current blends for the next bottling. In 2009, most wineries were successful in reducing inventories to be in a position to capitalize on the bulk market. Buyers are realizing exactly how short the 2008 crop was for California and Central Coast appellation red wines and are competing for the best quality lots. Buyers are not yet ready to invest in 2009 vintage reds, but are likely to do so soon. Contact us with your bulk needs or wines for sale.

Variety	Tons 2008/2009	Increase expressed as:			
		% increase	Tonnage increase	Equivalent gallons	Equivalent cases
Chardonnay	565,000 / 726,000	28%	160,000	26,000,000	11,000,000
Cab Sauvignon	326,000 / 442,000	35%	115,000	19,000,000	8,000,000
Merlot	226,000 / 326,000	44%	100,000	17,000,000	7,000,000
Pinot Noir	105,000 / 156,000	48%	50,000	8,000,000	3,500,000
Pinot Grigio	90,000 / 145,000	61%	55,000	9,000,000	3,800,000

## Market Opportunities

### Grapes Available:

Chardonnay, Cabernet Sauvignon and Merlot, Atlas Peak, Napa Valley  
 Cabernet Sauvignon and small lots of red blenders, High Valley, Lake County  
 Cabernet Sauvignon, Stags Leap, 50 tons  
 Pinot Noir, Russian River Valley, 140 tons  
 Muscat Canelli, Interior, 500 tons  
 Symphony, Interior, 500 tons  
 Chardonnay, Russian River, 100 tons

### Grape Needs:

Cabernet Sauvignon from the Prichard Hill area and Howell Mountain  
 Certified Organic Grapes, Napa Valley and Sonoma County  
 100 year old Zinfandel

### Bulk Wine Needs:

Muscat and other white florals, 2009, California appellation  
 Cabernet Sauvignon, 2008, all appellations  
 Cabernet Sauvignon Blenders, 2008, all appellations  
 Cabernet Sauvignon, 2008, Rutherford, Oakville, Stags Leap, or other Napa Valley sub-appellations  
 Pinot Noir, 2009, Russian River Valley  
 Pinot Noir, 2008, Sonoma County

### Bulk Wine Opportunities:

Chardonnay, 2009, Napa Valley - various lots  
 Cabernet Sauvignon, 2009, all appellations - excellent selection of lots  
 Various lots of interesting white varieties: Marsanne, Roussanne, Albarino, Genache Blanc, Gruner Veltiner and Verdehlo - Call for more details