



Requesting Permission to Come Aboard

By Bill Turrentine

My cousin, Chuck, is a pilot on the lower Mississippi River. When he is on-call, his phone will ring at any time of the day or night and he will be directed to a ship arriving from China, Japan, the Middle East or Europe. His wife drives him in their suburban to a remote levee somewhere downriver of New Orleans. (She's a sweet southern Belle who packs a .45 and knows how to use it - you never know what you might meet out there.) An assistant in a little crew boat arrives to ferry him to the ship. When they locate the ship, they make radio contact. Chuck then has to transfer- sometimes in stormy conditions - from the crew boat to a ladder dropped down the outside of the ship and then he



climbs 40 or 50 feet up the ladder to the deck. The captain welcomes him aboard. These ships range from 450 feet to 900 feet long. The captains are mostly highly competent sailors and some have sailed the Mississippi for years. Much of the time, the more experienced of these captains probably could navigate the lower Mississippi River on their own without help from cousin Chuck and without major glitches. The problem is, there's no telling which trip it will be in which he saves their neck. The river changes at least a little bit every day. Someone who navigates it several times a year doesn't have the same feelings for its moods and hidden treacheries, as a pilot who may go up and down a particular section of the river 150 times a year and has done so for over twenty years. Chuck, who grew up in New Orleans, knows the river in flood and he knows the river during times of drought. He has experienced how surprisingly strong the current can be around this bend with the oak tree jutting out and can tell you all about the sandbar near that junction, where barges often gather and the deep water channel becomes quite narrow.

The brokers of Team Turrentine are also a type of pilot. They can help you navigate the mighty river of supply, teeming with millions of gallons of wines in bulk and millions of tons of wine grapes. This river changes daily. It also floods and constricts based on long-term cycles. Experienced wine company captains, who are well aware of the opportunities and dangers of this river, place a high value on the most current and accurate knowledge. They anticipate - and make money from - changes that threaten to capsize others who are less prepared. Our highest value service, which has been worth many millions of dollars to clients who have heeded our advice, involves advanced planning around supply cycles for key brands and the leading growers and producers who supply them. We also provide nuts and bolts consultation on how to achieve the results your company needs through the use of the grape and bulk wine markets. Market timing, proper sampling and evaluation, efficient negotiations, accurate documentation, avoidance of innumerable and shifting sandbars are all important, if often unnoticed, elements of the successful navigation of the river of grape and bulk wine supply. Those who slip anchor without the best advice may never know what they have left behind - or what lies ahead. (As an example, some who search the river for supply on their own may do so because they would

rather keep the facts of their credit history concealed beneath the muddy waters.) Providing guidance on price and strategy is like reading the moods of the Mississippi: it requires thousands of transactions each year and years of experience.

So, the next time you talk with your broker from Team Turrentine, think of him or her as your pilot, providing safe passage up the mighty river of grape and bulk wine supply.

--Bill Turrentine

(For more details on the guidance provided by Turrentine Brokerage, see our web site <http://www.turrentinebrokerage.com/what-a-broker-does/>)

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## *Bulk Wine Market Update*

The Christmas tree was fresh from the forest and the living room floor groaned with the weight of brightly-wrapped packages. Now the only thing on the floor is a carpet of needles from a dry tree. That sounds a lot like the bulk wine market. We were swimming in a surplus of wonderful wines and now we're prospecting high and low for supply. Economics 101 taught us, of course, that limited supply is allocated by increasing price. In the wine business, that often means that sellers raise prices beyond what buyers are willing to pay and bulk sales activity freezes on some items until something happens to break the impasse - maybe a new crop estimate will promise greater future supply or some brands will have success raising case good prices, intensifying demand. Sooner or later, a compromise is made, buyers come up or sellers ease down or they meet in the middle and the market gets moving again.

The activity in the final few months of last year centered on 2010 reds and also returned to 2010 whites as the 2011 crop came in below expectation. Currently, we are selling the remaining 2010 wines rapidly but buyers are more cautious on 2011 wines. Whites from 2011 are showing up ready for sale and North Coast, Napa Valley and Sonoma County Sauvignon Blanc offerings have been moving. Because of the low crop in Napa Valley and Sonoma County, buyers are paying more of a premium for those appellations. A smaller harvest leaves Napa and Sonoma brands with a bigger volume need but less room to purchase out of their area because of the need to stay within appellation requirements. Recent prices of Napa Valley and Sonoma County appellated Sauvignon Blanc have been in the mid to high teens, while the Lake County and Mendocino County lots have been less than \$10 per gallon.

Chardonnay demand has picked up a little but asking prices for the remaining 2010 and the new 2011's have increased dramatically. The buyers want the volume but are questioning the size of the asking price increases. Buyers would like to wait for bud-break and more accurate crop estimates and further case good sales data - but it is hard to know how much volume will be available by then. Different buyers and sellers play the market differently. Some are gamblers, willing to place big bets on their sense of where the market is headed. Others are risk-managers who hedge against supply risks and against price risks, cost-averaging their buying and selling over time. We think the cautious approach works best long-term - and it makes for better relationships between suppliers and brands. But the client is the quarterback and is free to ignore our suggestions and to throw for the touchdown every time, as long as he is prepared for an occasional interception. Footballs bounce in funny ways and grape and wine markets do so also.

Cabernet Sauvignon demand has been strong for all Coastal 2010 lots. Napa prices have been consistently in the \$30 to \$40 range with multiple offers on all lots. Sonoma County Cabernet Sauvignon prices have increased with recent sales and are mostly in the \$18 to \$22 per gallon range. Paso Robles 2010 Cabernet Sauvignon wines have been in the range of \$10 to \$15 per gallon. Consumer sales of Cabernet Sauvignon from the Central Valley and the Northern Interior are still growing strongly and harvest tonnage was below demand. In addition, more preseason contracts were signed for 2011 bulk wines, leaving a lower percentage of production for spot sales. The few lots of 2010 Interior Cabernet Sauvignon that have surfaced in the last couple of months have been snapped up at \$9 to \$11 per gallon. Very little 2011 Northern Interior Cabernet Sauvignon has been released so far, although potential buyers are ready to go.

The 2011 Merlot crop in many areas of the state was stronger than Pinot Noir or Cabernet Sauvignon. Merlot is sharing in some of the glory of Cabernet Sauvignon, with increased demand as a blender for Cabernet Sauvignon and as a base for sweet red blends, as well as for Merlot varietal bottlings. Merlot 2010 wines are starting to move at prices not seen since the heyday of Merlot as a hot new varietal. Napa lots have ranged from \$18 to \$20; Sonoma County lots have been mostly \$12 to \$18 per gallon; Paso Robles has commanded \$9 to \$11 per gallon.

Consumer sales of Pinot Noir in the \$10 to \$20 per bottle sweet spot are strong. The crop in Monterey County - a key source of supply for mid-priced Pinot Noirs - was very light. The result is a Pinot Noir supply squeeze. Very little 2011 Pinot Noir is likely to dribble onto the market - and many thirsty buyers will be eager to capture every drop. Some brands may discover that they can make as much money, and make it a lot faster, selling Pinot Noir on the bulk market rather than as case goods.

Zinfandel has also received a boost from the popularity of the new, sweet red wine blends. The 2011 crop was down in Lodi, by far the biggest Zinfandel region.

--Bulk Broker Team

## *Global Supply*

The global market does not offer much supply relief. France is the only region that has inventories larger than last year from a crop up some 10 percent, however prices for varietal wines in the Languedoc are still strong, ranging from \$6 to \$9 per gallon landed. Chile has some Cabernet Sauvignon and Dry Red available and asking prices have moderated a bit as the 2012 harvest approaches. Chile's supplies are limited and their sales are strong. Early projections for harvest peg the crop of the key varietals at about 10 to 20 percent above last year's volume. No one, however, seems concerned about absorbing that increase.

In Australia, inventories of quality wines are low. The approaching 2012 harvest should help to rebuild inventories, but that wine will not be ready for blending and bottling for eight or nine months. Argentina may be an opportunity for some last minute Malbec or Dry Red, as wineries free up tank space for harvest.

--Steve Fredricks

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Grape Market Update

Central Coast

The grape market on the Central Coast is already quite active, with increased interest from buyers in most varieties. Many growers, however, have decided to wait until later in the spring before contracting their grapes. Demand continues to be strongest for Cabernet Sauvignon, Chardonnay and Pinot Noir, but all varieties are in greater demand than we've seen for most of the last decade. Following a challenging year in 2011, both growers and wineries are praying for rain - and hoping for a frost-free March and April!

--Matt Turrentine

North Coast: The Waiting Game

It's no secret the grape market has improved. With inventories depleted, wineries not purchasing much in 2009 and 2010, and a light crop in 2011, demand for grapes has increased exponentially. Grape sellers are now in a much different position than they were three years ago and grape buyers are becoming active once again during the winter months. So, that leads us to the "waiting game." Grape buyers are relatively active at the moment, having discussions regarding sourcing plans, evaluating and making offers on resins, and in some cases taking a look at new grape sources. While there is interest and activity currently taking place in the North Coast grape market, many grape sellers are waiting and feeling out the market before making decisions. Now is the time in the market when, as a grape seller, one takes a moment or two to sit back and evaluate one's dating options. Maybe we should be calling it the "dating game" and not the "waiting game."

--Audra Cooper

The San Joaquin Valley

There is demand for all varieties from Alicante to Zinfandel, red or white, from Generic Red to Generic White and any floral in between.

Buyers are buying or trying to.

Sellers are.... mostly waiting.

Prices are better than last year and a multi year contract is now five plus years, not three years.

Supply is tight and getting tighter.

Planting contracts are being offered but the choice is to plant a vineyard, or put a stick in the ground and grow a nut.

That is if there is ground available with water.

Is there rain in the forecast?

Time to get back to work and wait for your call.

--Erica Moyer

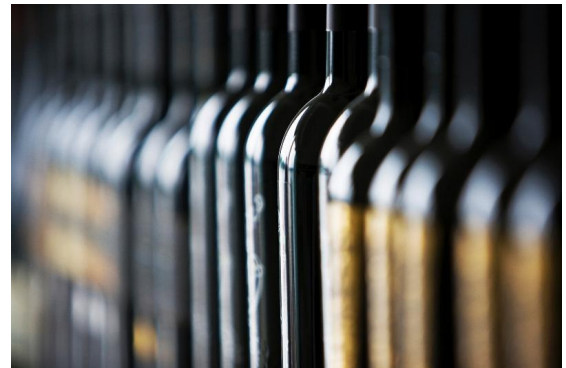
Sagacity in Sacramento

The Unified Symposium is the place for this winter's wisdom. Brian Clements will hold forth on the Complicated World of Grape Contracts, Tuesday, January 24 (panel from 1:30 to 3:00pm). Steve Fredricks will explore the conventional wisdom vs. the reality of local and global supply and demand as part of the State of the Industry address on Wednesday, January 25, 8:30 to 11:00am. Many other members of Team T will offer their commentary from booth 1310 in the exhibit hall. We look forward to seeing you there.

Market Opportunities

Bulk Wine Available

- 2010 Chardonnay, Mendocino, truckload quantities
- 2009 and 2010 Syrah, Central Coast, 1/2 load quantities
- 2011 Chenin Blanc, Santa Barbara, load quantities
- 2010 and 2011 Pinot Noir, Oregon, truckload quantities
- 2010 Merlot, Mendocino, Lake, and Central Coast appellations, truckload quantities



Bulk Wine Needed

- 2010 and 2011 Cabernet Sauvignon, all appellations
- 2009 and 2010 Merlot, Napa Valley
- 2010 and 2011 Pinot Noir, all lot sizes and all appellations
- 2010 and 2011 Zinfandel, Sonoma County, California, and Lodi appellations
- 2009 and 2010 Petite Sirah, Lodi, load quantities
- 2011 Pinot Grigio, all Coastal appellations
- 2011 Sauvignon Blanc, Napa & Sonoma load quantities
- 2010 Red wines for blending with Cabernet Sauvignon, Napa Valley and Sonoma County

Grapes Available

Snap shot of available Grapes (please note there are several other available lots of grapes, please give us call to discuss your needs):

- 40 tons ~ Alexander Valley Chardonnay
- 15 tons ~ Dry Creek Valley Cabernet Sauvignon
- 80 tons ~ Knights Valley Chardonnay
- Truckload quantities ~ Lake County Sauvignon Blanc
- 70 tons ~ Mendocino County Petite Sirah
- 42 tons ~ Mendocino County Orange Muscat
- 30 tons ~ Oak Knoll Merlot
- 30 tons ~ Russian River Valley Chardonnay
- Truckload quantities of Rutherford Cabernet Sauvignon
- 40 tons ~ Sonoma Coast Chardonnay
- 30 tons ~ Sonoma Coast Pinot Noir
- Arroyo Seco Pinot Noir
- Open Ground for planting, Clarksburg



Grapes Needed

Snap shot of needed Grapes (please give us a call to list your grapes no matter what the variety or location):

- Napa Valley Cabernet Sauvignon
- Mountain appellated Napa Valley Cabernet Sauvignon
- Mendocino County Cabernet Sauvignon
- Lake County Cabernet Sauvignon
- Alexander Valley Cabernet Sauvignon
- Russian River Valley and Sonoma Coast Chardonnay
- Russian River Valley and Sonoma Coast Pinot Noir

- Sonoma County Sauvignon Blanc
- Napa Valley Sauvignon Blanc
- Bordeaux Red Blenders, all north coast appellations
- Dry Creek Valley Zinfandel
- All varieties, all appellations of the Central Coast
- Zinfandel Interior
- Pinot Noir Interior
- Cabernet Sauvignon Interior

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### **Turrentine Blog**

Catch the thoughts and experiences of our brokers on our Turrentine Blog:

<http://www.turrentinebrokerage.com/blog/>

### **Turrentine Website**

[www.turrentinebrokerage.com](http://www.turrentinebrokerage.com) Tel: (415) 209-WINE (9463)

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