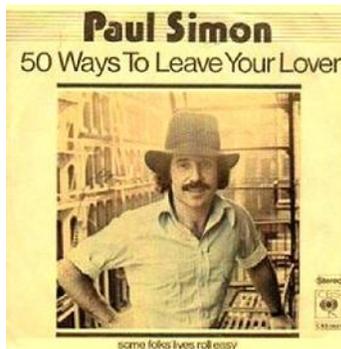




MARKET UPDATE

April 5, 2013 | Vol. 25, No. 3 | Copyright 2013 Turrentine Brokerage | Bill Turrentine, Editor

50 Ways to Raise Your Casegood Price, by Paul Simon



The owners of growing brands face a dilemma. Their cost of goods sold jumped after the light 2011 harvest. Grape and bulk wine prices have now moderated somewhat due to the large 2012 harvest but costs are still up. Brand owners would really like to raise prices to preserve margins but they are afraid. Do you remember that famous song by Paul Simon, 50 Ways to Raise Your Casegood Prices? Apparently, Mr. Simon had talked with a marketing consultant who had some cogent advice:

*"The problem is all inside your head", she said to me
The answer is easy if you take it logically
I'd like to help you in your struggle to be free
There must be fifty ways to protect your margins*

Slip out the back, Jack

(Allocate supply to new or existing higher priced brands)

Make a new plan, Stan

(Where possible pivot from traditional distribution to direct sales)

You don't need to be coy, Roy

Just listen to me

(Switch to a less expensive appellation, blend to the max or just raise your price already)

Hop on the bus, Gus

(Eliminate promotions and discounts)

You don't need to discuss much

(Reduce marketing costs)

Just drop off the key, Lee

And get yourself free

(Let distributors and retailers choose: future supply allocations or the price hike necessary to secure supply)

I don't know exactly who Paul Simon's marketing consultant is, but I'll bet her email is jammed and her phone constantly busy with brand owners like Jack, Stan, Roy, Gus and Lee, all looking for a little margin relief.

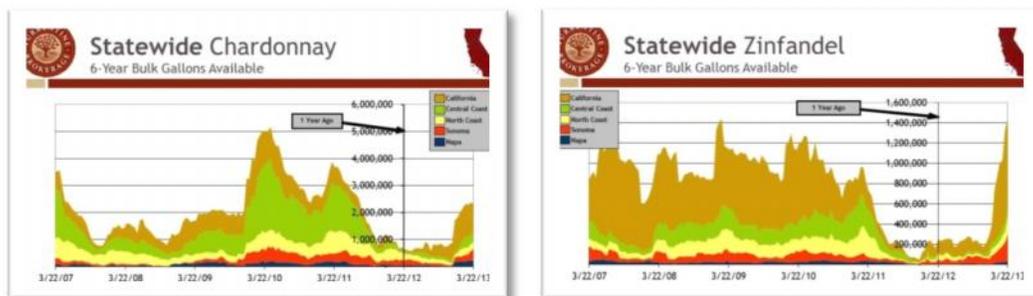
- Bill Turrentine

May I have this Dance?

Markets for Grapes and Wines in Bulk

Like dance partners whose moves complement each other in dynamic and complex ways, the market for grapes and the market for wines in bulk make different moves even as they dance together to the same music. Although we do negotiate many long-term bulk wine deals, much of the bulk market functions as a pressure relief valve to blow off short-term excesses or to fill short-term shortages. Bulk wine buyers pushed back from the table during January and February to digest the large 2012 crop. Lower prices have enticed some of them back in April and sales activity has picked up. Deals are available especially on Sonoma County and Napa Valley Chardonnay, Sonoma County Pinot Noir, California Chardonnay, Napa Valley Cabernet Sauvignon 2011 and 2012, and Lodi Zinfandel.

The grape market, however, tends to be more of a long-term proposition. If you don't buy Gregory Grower's grapes this year, someone else will. Another buyer may tie them up for several years and at least will jump to the front of the line for future years. Besides, this year in many regions of the state, there are just not a lot of un-contracted tons. Increased bulk wine supply – in the U.S. and internationally – has influenced grape buyers subtly, but projected long-term sales growth is an even stronger influence.



In an ever-changing and increasingly international wine and grape market, it is critical to stay on top of supply and demand trends. Brand owners like Jack, Stan, Roy, Gus and Lee, are consulting the marketing experts, looking for a little margin relief. Equally important for the long-term, they should also call the supply experts at Turrentine, looking for the right long-term supply plan that will lock-in the rocket-juice necessary for brand growth.



International Markets Warm Up

It was cold in Dusseldorf last week, as the global wine trade gathered to trade wine globally. The temperature inside the annual ProWein show, however, was warm, as the already massive show swelled with additional attendees and exhibitors from all over the world. Buyers were looking for sellers, and sellers for buyers; and everyone was hungry for the critical information on supply and demand, which is so important to wine business success.

Steve Fredricks and Stephens Moody from Turrentine Brokerage met with suppliers, tasted wines with buyers and talked to colleagues from all major markets and growing regions. Here are a few key observations from their trip to Germany:

- ❖ It tastes like several Languedoc and Rhone Valley producers are putting in place all of the style changes necessary to become competitive with new world wines in international markets. The Grenache, Syrah and Mourvedre blends were especially delicious.
- ❖ Spain continues to couple artistic label design with some of the best wines in the world. Supply is still short on the value end and prices strong. There is some thought of softer prices later in the season.
- ❖ The Italians have suffered through two short crops, with a continuing shortage of Pinot Grigio, but have red wines available and a more stable supply of Prosecco.
- ❖ The Chileans are ready to make deals in order to clear out remaining 2012 varietals as the 2013 harvest rolls on. Quality is good and prices are more competitive than they have been in recent years.
- ❖ Argentina is also in the game with good supplies of Dry Red, Dry White, Malbec and some International varietals of good quality and competitive prices.
- ❖ Australian wine business did a great job over many years of developing long-term international markets. Several years of oversupply, however, eroded margins and now their strong currency is squeezing their margins. They are working hard to reestablish themselves at a higher price point and are strongly focused on Asian markets.
- ❖ Across the entire global wine business, there are two common themes: everyone is complaining about higher costs and seeking a path to command higher prices and every marketing company in the world is hoping to have success in the U.S. market for the \$10 to \$20 per bottle price range.

Call us for a global perspective - to tap some great wines in bulk or bottles, for a control label or your own.



Minds & Buds Open on the Central Coast

This spring, as the buds have begun to swell and break in the vineyard, there has been an intellectual bud break as well, with three great seminars. On March 5th Paso Robles Wine Country Alliance held a meeting focusing on the grape market in which Lise Asimont from Francis Coppola Winery, Allen Bowman from Adamski Moroski from Madden Cumberland & Green LLP and I discussed markets, winery

and grower relationships, and contracts. Overall, the grape market so far this year is similar to the market of last year. As always, of course, markets change depending on crop projections and casegood sales data. Growers must do their homework, know the dynamics of the bulk wine and grape markets, read and understand the details of grape contracts, and be proactive in communication throughout the year with their winery customers – and, of course, their broker.

Central Coast Insights was held on March 14th, featuring multiple panels of industry professionals and elucidating positive trends for growth and profitability for the Central Coast region. The two day conference and trade show, WiVi Central Coast, was on March 19th and 20th, during which Lowell Zelinski, Ph.D. gave his annual “Growing Year in Review” presentation. Also at WiVi, Central Coast trailblazer, Jerry Lohr, moderated a panel aptly named “Beautiful Minds,” presenting the current research from UC Davis, Fresno State, and Cal Poly. It was a great reminder of the importance of research to improve quality and efficacy for long term success, as well as the need to work together as a winegrowing community.

In the meantime, out in the real world of sun and rain (or the lack thereof) and soil, grapevines are getting ready to do it all over again. Santa Maria tends to be one of the first areas in the Central Coast to be out and this year was no exception.

The weather has been mostly warm until last week when we began to experience a bit of a cooling trend, only to heat up for a few days this week, and then of course cool down again. Last week, I did a vineyard tour with a winery representative starting in Santa Maria; from there we worked our way north to Paso Robles.



9 am in Santa Maria, the majority of the bud break already completed.



Later that morning in Paso Robles, a few vines had bud break, but mostly bud swell.



It turned out to be a beautiful spring day.

Market activity is beginning to pick up as well. “Serious Tire Kicking” has been the main action in San Luis Obispo and Santa Barbara Counties, but we are now starting to see offers on the table. There is really not all that much uncommitted tonnage – but it looks like April and May will be deal-time in the Central Coast.

Give me a call to harness market dynamics while there is still time –

-- Audra, Turrentine Brokerage, Central Coast Grapes, Tel: 805-400-9930



Crop Prophets

Cameron Hughes of Cameron Hughes Wines, does a great job with Cabernet Sauvignon in the bottle and now it is evident that he has an eye for Cabernet on the vine as well. Winning in an impressive three categories, in Turrentine Brokerage’s annual crop contest, Cameron monopolized Cabernet Sauvignon (Napa, Sonoma and Lodi). **Jacob Mauney** of Duckhorn Wine Company also scored in three categories: Chardonnay and Zinfandel State totals and Napa

Merlot. **Craig Rous** of Bear Creek Winery, a winner in past years as well, prophesied correctly in two categories this year: Lodi Merlot and Zinfandel.

Michael Brughelli of Bien Nacido Vineyards performed an awesome feat - his estimate of Central Coast Zinfandel was only sixteen tons shy of the actual. That’s precision viticulture! He also won the Sonoma Zinfandel category.

Other prophets include **Dan Aguilar** of Silicon Valley Bank, **Don M. Brady** of Robert Hall Winery (tied for Cabernet State total), **John Pritchard** of Simi Winery (Merlot State total), **Dave Umino** of Umino Vineyards (Napa Chardonnay), **Douglas Lumgair** of Windsor Oaks Vineyards (Sonoma Chardonnay), **Tom Payette**, winemaking consultant (Central Coast Chardonnay), **Michael Boer** of Stipp Ranch (Lodi Chardonnay), **Tom Eddy** of Tom Eddy Winery (Central Coast Cabernet), **D. W. Lucas** of Lucas Winery (Sonoma Merlot), **Richard Mansfield** of Winery Exchange (Central Coast Merlot), and **David Gibbs** of Chelle Mountain Vineyards (Napa Zinfandel).

Congratulations to all of our grape crop prophets! In addition to international acclaim, all winners will receive an engraved plaque and a bottle of sparkling wine to celebrate their amazing prophetic capabilities.



Market Opportunities

Bulk Wine Needed	Bulk Wine Available
2011-2012 Paso Robles Cabernet Sauvignon-load size minimum	2011-2012 California Chardonnay-40 lots, 1.04 Million Gallons
2012 North Coast & California/Lodi Petite Sirah-load size minimum	2012 Sonoma County Pinot Noir-39 lots, 306,000 Gallons
2012 California Pinot Noir-load size min.	2012 Sonoma County Chardonnay-34 lots, 435,000 Gallons
	2011-2012 California/Lodi Zinfandel-36 lots, 846,000 Gallons
	2011-2012 California/Lodi Cabernet Sauvignon-31 lots, 1.28 Million Gallons
	2012 Central Coast Syrah-19 lots, 161,000 Gallons

Grapes Needed	Grapes Available
Lake, Mendocino & Sonoma Counties Cabernet Sauvignon	Sonoma Coast Pinot Noir, 40 tons
Lake, Mendocino & Sonoma Counties Sauvignon Blanc	Dry Creek Cabernet Sauvignon, 25 tons
Napa Carneros Pinot Noir	Alexander Valley Cabernet Sauvignon, 28 tons
	Pope Valley Cabernet Sauvignon, 60 tons
	Sonoma Carneros Pinot Noir, truckload quantities
	Sonoma Carneros Chardonnay, truckload quantities
	Paso Robles Zinfandel, 150 tons
	Paso Robles Chardonnay, 200 tons
	Santa Maria Valley Pinot Noir, truckload quantities
	Santa Maria Valley Chardonnay, truckload quantities
	Nevada County Sauvignon Blanc, truckload quantities
	Amador County Syrah, 20 tons
	Chualar Canyon Pinot Noir, 10 tons
	Monterey County Riesling, 200 tons

Turrentine Brokerage, 7599 Redwood Blvd., Suite 103, Novato, CA 94945 | 415.209.9463 | turrentinebrokerage.com