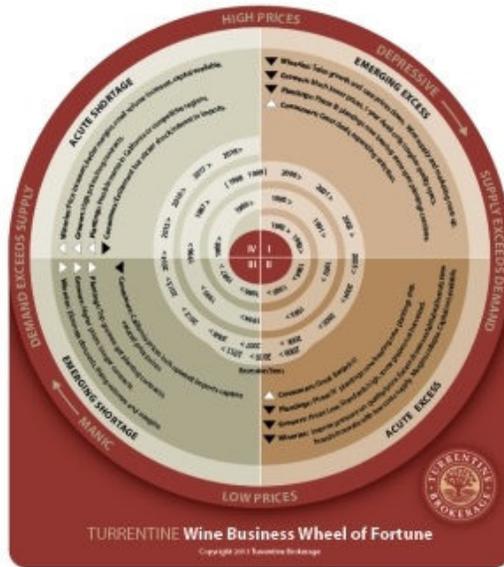


TURRENTINE MARKET UPDATE

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The National Weather Service of Wine

Everyone knows about the horrific tornado that roared through Moore, Oklahoma on Monday, May 20th. It is not often that a federal agency comes in for much praise these days, but the National Weather Service gave the residents of Moore a precious gift. Analyzing massive amounts of data, they issued an urgent warning that gave residents sixteen minutes before Armageddon. Those sixteen minutes were for many the difference between life and death. It gave them time to grab the kids, collar the dog and get into an underground shelter before cars began to fly and houses disappeared as a tornado more than a mile in diameter raked the earth.

Turrentine Brokerage aspires to be the National Weather Service of the wine business. Obviously, early warnings about the supply cycles in the wine business are not anywhere near as critical as tornado warnings. No one dies because they did not receive a warning about a developing shortage or a potential excess of grapes and wines. On the level of business enterprises, however, a failure to anticipate these cycles can cause grave damage. What's the value of a vineyard without grape buyers during a time of excess? What's the value of a brand without supply during a time of shortage? On a positive note, while tornadoes don't have an upside (except for storm-chasers), wine business cycles do. It is disastrous to play them wrong but it can be highly profitable to play them correctly.

Turrentine Brokerage doesn't have satellites and Doppler radar but we do have a remarkable team of brokers in the field and an extensive network of clients and allied businesses with global reach. We sell thousands of tons of grapes and millions of gallons of wine in bulk every month. We track and analyze data available nowhere else that indicates the constantly changing supply and demand dynamics. And we have warned our clients well in advance of the last four major shifts in the supply cycle, reaching back twenty-five years.

Tornados are notoriously hard to predict. Not all cumuliform cloud formations that can produce a tornado actually do produce one. Not all funnels that are actually formed touch down and cause damage. The force

and path of those which do touch the earth are influenced by many variables. Some tornadoes are only yards wide and have wind speeds that top out at 75 mph. Other, monster tornadoes, are more than two miles across and clock winds in excess of 200 mph. This is true in the wine business as well. Cycles in the wine business are influenced by such things as consumer demand trends in the U.S. and globally, crop size in major growing regions around the world, pricing trends, tonnage tied up under long-term contracts, planting activity, exchange rates and tax and distribution changes.

Turrentine Brokerage has now updated a key tool in understanding wine business cycles: The Turrentine Wine Business Wheel of Fortune. The Wheel describes the fundamental dynamics that create these cycles. Wine business veterans have long acknowledged that the Wheel has accurately described past cycles. In each past cycle, however, people have been aware of various changes since the previous cycle and have wondered if the Wheel was still relevant. The Wheel is based on the nature of three things: investor response, grape vines and consumer reaction. As long as these things retain their basic character, the Wheel will be useful in understanding developing storm patterns and in predicting potential shortages and excesses. Let's consider each of these three factors:

1. **Investor Response:** As long as investors alternate between greed and panic, the development of a big profit potential will stimulate over-planting. If conditions limit planting locally, then other competitive regions of the world will more than make up for what is not planted locally. Excess supply, on the other hand, slows and finally stops planting, usually just as increasing sales indicate the possibility of an approaching shortage.
2. **Grape Vines:** As long as grape vines require a huge capital investment to plant and take several years to come into production, the wine business cycle will tend to take a long time - from four to fourteen years - for planting to catch up with demand and an equally long time for demand to catch up with planting when all the new acreage finally comes into production.
3. **Consumer Reaction:** The U.S. market is the biggest and most lucrative in the world - and it is doubly so for most U.S. producers. Consumer demand for varietal wine in the U.S. has tended to be relatively price inelastic. That means that the rate of consumer sales growth holds up pretty well even when supply becomes short and many brands take price increases. In the past, at least, this has made times of shortage very profitable for most wineries and growers. It has allowed many brands to increase their margins during times of shortage by increasing casegood prices more than necessary to cover the increases in the cost of goods sold. When excess drives prices down, however, this same price inelasticity is a huge problem. When brands discount to move excess, they steal market share from other brands but don't increase the total volume of sales by much, forcing the whole margin structure of the business to contract. This makes the changes between the happy times of shortage and the bad times of excess particularly noticeable.

As an aspiring "National Weather Service for Wine," Turrentine Brokerage seeks to do five things:

1. Understand the fundamental dynamics that tend to create wine business cycles.
2. Track the variables that intensify or moderate the situation for each varietal and each region.
3. Constantly monitor market data and update predictions based on real world market performance.
4. Give clients ample warning to prepare for shortage or excess.
5. Help clients implement their plans in a timely and strategic manner.

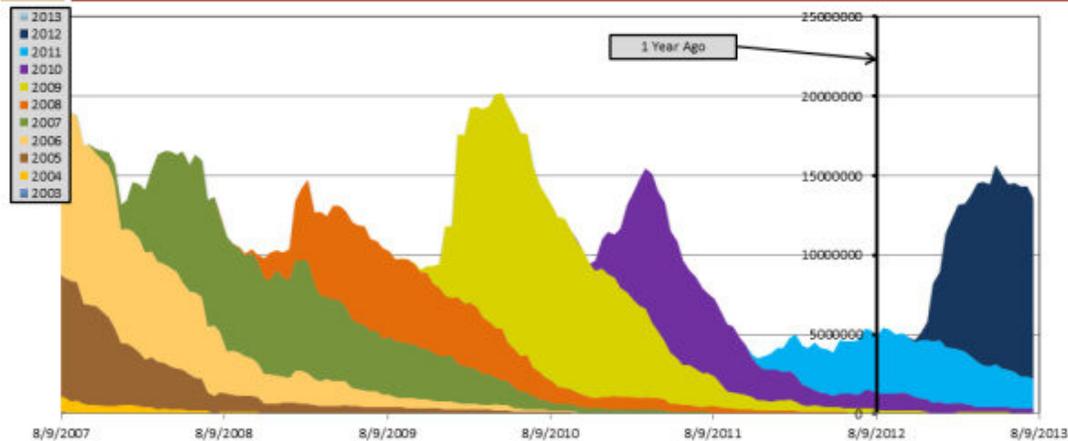
Our goal, of course, is to give our clients more warning than sixteen minutes, or sixteen days, or even sixteen months before shortages and excesses of our normal cycles touch down and cause wine business havoc.

If you would like a ready-to-frame print of the newly updated Turrentine Wine Business Wheel of Fortune, drop us an email at info@turrentinebrokerage.com.

Bulk Wine Available!



Bulk by Vintage 6-Year Bulk Gallons Available



Deals Are Here - But Not For Long

Could we interest you in a sweet deal on some wine in bulk? Thirteen million gallons of wine, to be exact. Get your favorite trucking companies on the line, however, because, if you want a great buy, you will need to ship right away.

Thirteen million gallons is the quantity of wine we have listed for sale in bulk right now. It's a lot of wine; the equivalent of about 76,000 tons of grapes. However, it is less than the twenty million gallons we had for sale at this time in 2007, and casegood sales have grown in the past six years. It is also less than 2% of last year's total crush. Some sellers are eager to move wine in bulk to free up tank space for the onslaught of 2013. Most sellers, however, can hold their excess wine through harvest if necessary. Most of them expect to have enough tank space, provided that we don't have an unusually condensed harvest in which many varieties and areas get ripe at the same time. Most of the buyers remaining active as harvest begins are bargain hunters, trolling for good wine at discount prices. Many sellers still have a few alternative levers to pull, such as extending release dates and ramping up exports.

Bulk Wine & Grape Markets

Late Season Bulk Wine Notes

Pinot Grigio demand has been strong but price-sensitive throughout the spring and early summer. Buyer interest has now mostly shifted to the 2013 vintage and that is hard to find. Sauvignon Blanc also held up well this year, although most brands have put their 2012 in the bottle and are now only interested in 2013.

Red Zinfandel and Merlot are both slow. The volume of red Zinfandel bulk wine for sale continues to climb even this late in the season. The large harvest for Zinfandel, the shift to red production from white and the increase in supply of other red varieties for red blends are the culprit for the large supply. The 2013 crop in Lodi could be of good size again which may make the 2012 Zinfandel bulk supply a little tougher to sell even after harvest. A large harvest of Cabernet Sauvignon in 2012 reduced interest in Merlot as a blender and varietal Merlot casegood sales are

Grape Market Field Reports

NORTH COAST

Brian Clements, Mike Needham & Alicia Kump

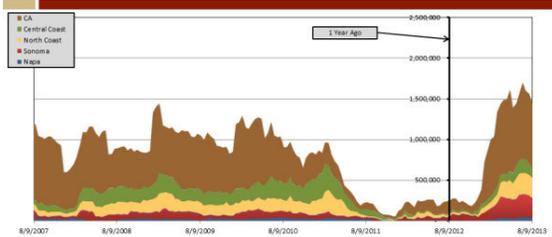
The North Coast in general is looking to be a little ahead of where we were last year at this time physiologically. The abnormally cool weather lately has slowed down the ripening considerably. Winemakers are not complaining though; the slower the rate of maturity should help with hang time and flavor development. Crop estimates are all over the board but most lean toward average to above average, for all varieties. The grizzled veterans, however, seem skeptical of back to back record crops after a dry spring. This is especially true for Pinot Noir and Chardonnay.

Not many tons are still available in the North Coast at this late date and the few growers with uncommitted fruit are generally holding out for

dropping, which has produced a backup of Merlot in bulk.



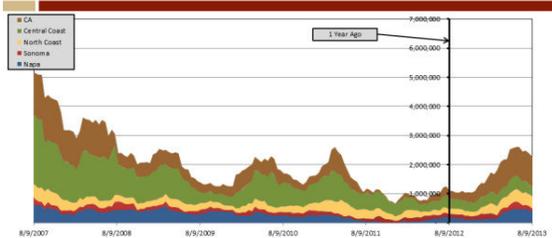
Zinfandel
6-Year Bulk Gallons Available



Tank space considerations have produced some bargain deals on 2012 Napa Valley Cabernet Sauvignon. The Southern Hemisphere harvest is complete, and bulk inventories have increased. Prices are softening and exchange rates are also moving in the favor of U.S. buyers, which will create further competition on the bulk wine market.



Merlot
6-Year Bulk Gallons Available



It is important to remember that the bulk market is always a messy place, especially during crush. Everyone usually wants to sell the same items at the same time and it is hard to find buyers. The few motivated buyers want to buy the same items and it is difficult to find sellers for high-demand varieties. Overall, however, the wine business seems to be doing pretty well. Casegood demand is still growing and the fastest growth is coming at price points that allow for a decent margin.

county average or better. We also have had some winery-owned or controlled fruit, including some Napa Valley fruit, which in some cases could be more negotiable.

North Coast growers are having to be very proactive in their spray programs due to the higher disease pressure from the late rains in June and the subsequent higher humidity.

Another problem is labor. If you want ten men, you're lucky to get five, and it does not look like that is going to change soon. A lot of growers have had to increase pay or risk losing their already inadequate work force. Labor issues have caused some growers to fall behind on cultural practices.

CENTRAL COAST

Erica Moyer (Northern Monterey) & Audra Cooper (Southern Monterey, San Luis Obispo Co., Santa Barbara)

Monterey Chardonnay looks strong but Monterey Pinot Noir is much lighter than last year.

In Paso Robles and Santa Barbara, the crop is mostly average and mostly committed, with some Santa Barbara County Pinot Noir, Chardonnay, Aromatic Whites and some Paso Robles Merlot still for sale. A few buyers are still active.

INTERIOR - Erica Moyer

With maturities running a week to ten days ahead of last year, Interior growers are finding that some facilities are not quite ready to swing open their gates for grape deliveries even as some vineyards reach target sugar levels. When those gates do open, the trucks will flood in.

Some wineries, of course, have been open a couple of weeks already and have crushed a lot of Chardonnay and Pinot Grigio. Muscat varieties and Pinot Noir are not far behind.

The crop size is all over the board. There are so many factors that are influencing yields that even the "seasoned" folks are scratching their heads. Much of the variation is due to water (who has it and who used it), mildew (who has it, who doesn't) and heat impact.

The only variety that seems consistent across the Interior is Zinfandel, looking big, again. The whites seem to have been impacted by the heat.

Maybe we will see some sizing in reds with the recent temperate weather.

What's New



William Goebel: Rising Star

Turrentine Brokerage is pleased to announce that three year Turrentine veteran William Goebel has been promoted to serve as one of the company's bulk wine brokers. A native of Salinas, William graduated from Sonoma State University with a degree in business administration and a specialty in wine business strategy. At Turrentine, William has coordinated sample delivery and follow-up, has provided sales support for the brokerage team and has directly handled bulk sales for many clients. Prior to signing on with Turrentine Brokerage, William worked for Trincherro Family Estates, both dragging hoses as a cellar rat at Napa Cellars and Folie a Deux and selling wine in the tasting room. Turrentine clients have appreciated William's calm, laid-back demeanor combined with great energy and organization that gets things done. Please welcome William to the brokerage team.



Only 2 days left to participate in the Wine Industry Financial Benchmark Survey - extended to August 15th due to demand

Where does your business stand against industry leaders? Hurry, as partial responses will not be eligible for the complimentary report. [Survey](#)

Short on time? Already started the survey and want to complete it? Don't have the time to complete the survey? Our team can help you. Contact Rick Boland (707) 535-4114 for assistance.

Don't miss the opportunity to be a part of the most comprehensive industry survey that includes both financial and operational benchmarks, plus:

- A complimentary copy of the final report: Receive it before non-participants can purchase it - a \$495 value. Partial responses will not receive the complimentary report.
- Benchmark your business: Get priceless benchmarks on sales and production, viticulture, plus operating and financial metrics by region.
- Support the industry you love: Participation by the wine industry is vital to compiling meaningful data that all participants can benefit from.

PLUS all participants who complete their survey by the new deadline of August 15th will be entered to win lunch for your entire team - a \$500 value! Say thank you to your team for helping your business take part in this important industry benchmark.



Crop Contest: Don't miss out! Last chance to enter is August 30, 2013

Make your best prediction of total tonnage (in listed varieties) and you may be awarded a beautiful plaque, international acclaim and a bottle of sparkling wine!

[Enter Here](#)

Market Opportunities



Bulk Wine Available

- 2012 Lodi/CA Zinfandel: 32 lots, 800,000 gallons
- 2012 Napa Valley Cabernet Sauvignon: 40 lots, 600,000 gallons
- 2012 Napa Valley Sauvignon Blanc: 13 lots, 58,000 gallons
- 2012 CA (all appellations) Merlot & Dry Whites



Bulk Wine Needed

- 2011-12 Napa Valley Reds
- 2011-12 Sonoma County Reds
- 2011-12 Central Coast Chardonnay, Pinot Noir



Grapes Available

- Santa Barbara County Gewurztraminer, White Riesling, Chenin Blanc: truckload quantities
- Sonoma County Zinfandel: truckload quantities
- Lake County Riesling: 2 truckloads
- Sierra Foothills Sauvignon Blanc: up to 2 truckloads
- Sierra Foothills Sangiovese, Petit Verdot, Orange Muscat, Primitivo, Semillion, Pino Grigio, Viognier: small lots
- Eastern Contra Costa County Barbera, Cabernet Franc, Mourvedre, Petite Sirah, Zinfandel: 1 to 2 truckloads
- Santa Lucia Highlands Pinot Noir: truckload quantities



Grapes Needed
