



TURRENTINE

GRAPES & WINE

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Real Entrepreneurs

When the economy stalls, economists theorize and politicians pontificate, but real entrepreneurs take action. You know the old story, of course. The family is watching a movie on Netflix when a brick comes crashing through the living room window. Wrapped around the brick and secured with a rubber band is a flyer for Fast Willie's Window Repair: "25% off emergency glass replacements with this flyer. (P.S. Please feel free to dispose of the brick by throwing it through your neighbor's window and take advantage of our good neighbor discount plan.)"



Someone should sling a brick or two in the California wine business. Potential bulk wine buyers already have a lot of inventory after two big harvests. Their needs are not urgent and they figure that, with harvest upon us, prices are more likely to go down than up. Potential sellers, however, are not eager to sell, especially to their competitors, at prices below the seller's average cost of goods. And what if casegood sales continue to grow and the drought gets worse and they are forced in 2015 to replace, at higher prices, inventory they sold at a loss in 2014? They (and their lenders) would very much like to move their current excess supply in bulk or as 2014 grapes. And winemakers are getting nervous about tank space for harvest. But owners and financial folk are not at all happy with the kinds of offers, when there are offers, in the current market. This leaves us, your favorite brokers, with the challenging job of putting deals together between lackadaisical buyers and reluctant (not to say cranky) sellers. The grape market labors under a similar divergence of seller and buyer expectations.

-Bill Turrentine

Grape Market



In the Central Valley the season has started a week or so earlier than last year. The first fields picked in the Southern Interior have been lighter than projected, but that is typical of first fields picked. Drought has been a pressing concern all year. Growers have been working hard at irrigation management and canopies are holding up so far. Further north in the interior there is less immediate concern about water with regards to the 2014 crop. Most buyers and sellers seem to feel yields per acre will be down from the last two years, but there will still be plenty of grapes. Most of the tonnage was already under multiple-year contracts. The demand, however, for the relatively small quantity of uncommitted tons has been soft. Late season grape buying will be determined by (1) the demand for each specific variety; (2) tank space available as determined by the size and pace of harvest; and (3) the quality of the grapes.

The North Coast is running about a week ahead of last year and veraison is almost complete for the later ripening reds. Canopies look good so far and most drought concerns are focused on future years rather than the 2014 crop. Regarding market activity, we are closing deals like clockwork on Napa Valley Cabernet Sauvignon grapes. We have multiple buyers for any Sonoma County Cabernet Sauvignon grapes. We are also making deals on other North Coast Cabernet Sauvignon. Buyers remain active for Russian River Pinot Noir and Sonoma Coast Chardonnay, but there are different pricing expectations to resolve. For everything else the market remains quiet as clients wait to gauge berry sizing, calculate how much room they will have and, of course, watch what everyone else is doing.

The Central Coast is still a few weeks earlier than last year. The Pinot Noir crop in Monterey appears average while Chardonnay is average at best. The latest ripening reds have almost completed veraison. There are some fields in the Paso Robles area affected by problems with water quality, but for the most part canopies look okay across the Central Coast. A few fields of Pinot Grigio in Santa Barbara County are projected to be harvested in the next few days. Most grapes are already under contract, but we do have fruit of every variety listed for sale.

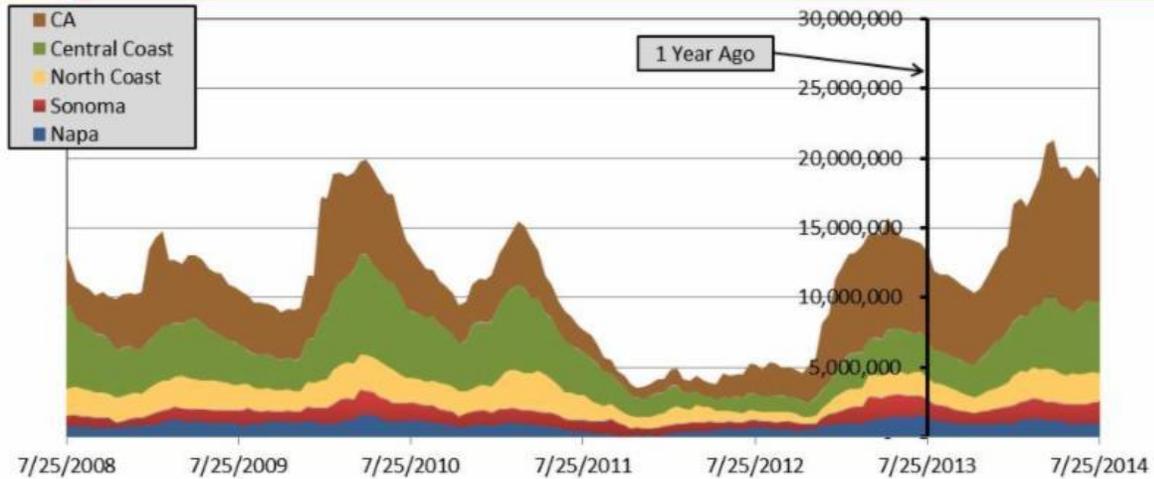
Economists theorize. Politicians pontificate. Real grape and wine brokers hustle to make deals even through the market doldrums. Give us a call to discuss your particular needs and options.

Bulk Market

There is a positive trend from the seller's point of view: the total gallons of almost all varieties listed for sale in bulk has declined as harvest gets underway. Unfortunately, much of the decrease is due to sellers withdrawing from the market wine that was not selling in bulk, often to store it in little tanks made of glass and holding 750 ml. each. As one winemaker said recently, "Our favorite tanks are bottles."



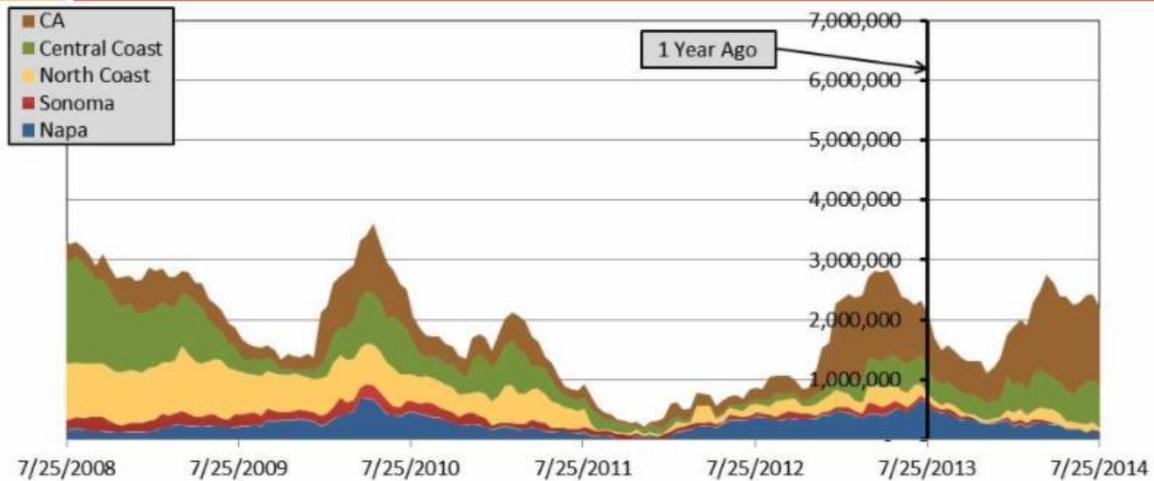
Bulk by Region 6-Year Bulk Gallons Available



The great exception to the market doldrums is Napa and Sonoma Cabernet Sauvignon. We are still closing deals pretty much every day for 2012 and 2013 Cabernet Sauvignon from Napa Valley and Sonoma County. Sonoma County Cabernet Sauvignon bulk inventory is now almost non-existent and the inventory from Napa Valley is down to about 18 lots. There has also been some renewed interest in Paso Robles Cabernet Sauvignon, although the spread between asking price and offers is still hard to bridge.



Cabernet Sauvignon 6-Year Bulk Gallons Available



The supply of Sonoma County Pinot Noir remains ample with about 50 lots of 2013 wine actively for sale. Buyers are most interested in 2013 Russian River Valley Pinot Noir. 2013 Sonoma Coast Chardonnay is also surprisingly active.

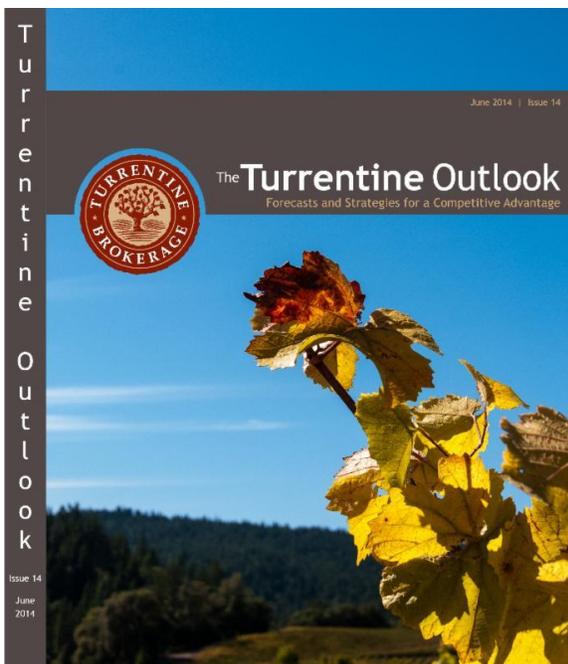
Turrentine Outlook: Issue 14

Historical Perspective. Current Status. Future Trends. Strategic Plans.

Issue 14 updates the supply and demand balance of Cabernet Sauvignon, Chardonnay, Merlot, Pinot Noir, and Pinot Grigio. In an effort to provide an ever-greater product, analyses of Zinfandel, Petite Sirah and Moscato are included this year. We have also consolidated the graphs, providing a more succinct and clear evaluation and In the final chapter, we have released the newest version of the Turrentine Wheel. So far we have received positive feedback from quite a few of our clients.

The nature of the wine business requires large capital investments and long-term planning. Growers face expensive planting and other investment decisions. Brand owners need to project and control costs and to ensure adequate supply for growing brands while avoiding the very painful trap of excess inventories. Wine marketers must decide when to launch new products, and how to prepare for periods of shortage and excess. Published once each year, The Turrentine Outlook© is designed to provide timely intelligence and critical guidance in these kinds of decisions.

The Turrentine Outlook© is fully updated and published each year in June and is part of a yearly subscription of ongoing strategic information. [Purchase at www.turrentineoutlook.com](http://www.turrentineoutlook.com)



Market Opportunities



Bulk Wine Available

- 2012/2013
California/Lodi
Zinfandel: Over 100 lots

- 2012/2013
California/Lodi Cabernet
Sauvignon: Over 50 lots



Bulk Wine Needed

- 2013 Sonoma County
Cabernet Sauvignon:
1/2 load size plus

- 2013 Sonoma Coast
Chardonnay: load size



Grapes Available

- Lake County
Sauvignon Blanc:
truckload quantities

- Russian River
Pinot Noir:



Grapes Needed

-Interior
Pinot Grigio: truckload
quantities

Paso Robles (Westside)
Cabernet Sauvignon:
truckload quantities

- 2013 Central Coast Pinot Noir: Over 50 lots	- 2012/2013 Napa Valley Cabernet Sauvignon: 1/2 load size plus ***	truckload quantities - Santa Lucia Highlands & Arroyo Seco Pinot Noir: truckload quantities	***
- 2013 Central Coast Chardonnay: Over 50 lots			
- 2013 Central Coast Merlot: Multiple lots		- Paso Robles (Eastside) Cabernet Sauvignon, Petite Sirah, Merlot: truckload quantities	
- 2013 Central Coast Cabernet Sauvignon: Over 25 lots			
- 2013 North Coast Sauvignon Blanc: Over 50 lots ***		- Santa Barbara County Chardonnay & Aromatic Whites: truckload quantities ***	

Bulk Broker Contacts	Grape Broker Contacts
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