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MOTHER NATURE HOLDS THE HIGH CARDS

International Update

Last year, my conversations with our strategic partners around the world centered on when the market was going to turn around and when buyers would need to buy bulk wine again. Today those conversations are about how we are going to find the volume that bulk wine buyers most likely will need. What a difference a year makes!

It is true that consumer sales of value priced wine are still soft, but global supply actively for sale is decreasing and bulk prices are increasing. What happened? The wine business is agriculture, and Mother Nature continues to hold the high cards. In 2015, tons crushed from California's coastal regions were down, anywhere from 20 to 50 percent from 2014 depending on variety and region due to an elongated bloom during inclement weather which resulted in lighter cluster weights.



Steve Fredricks

Internationally, supply has reduced as well and new acres being planted have virtually stopped. In Argentina and Chile, the 2016 harvest is almost complete, but has been plagued by rains and yields per acre are reported to be down 20 to 50 percent. Quality of 2016 wines is a concern, and the large U.S. based brands have already secured any 2015 wines that were for sale. Some wineries have also withdrawn wines from the market. Asking prices have increased for the 2016 wines, and some wineries are reluctant to quote prices until they are finished with harvest to assess inventories.

In Australia, due to perpetual low prices for excess grapes and bulk, growers and wineries

have removed around 34,000 hectares since their peak in 2008. Meanwhile, exports of Australian wines have rebounded from a combination of new free trade agreements, increased marketing efforts globally, and weak currency resulting in increased demand for bulk wine. As a result, bulk actively for sale is down and bulk prices are on the rise. The 2016 harvest in Australia is complete and yields per hectare appear to be average and of good quality.

European inventories of bulk wine are also down due to smaller harvests and continued sales growth.

In summary, bulk inventories around the world are much more aligned to global demand than last year at this time. There are still great import opportunities and choices, but the market is changing. Be proactive and call us for more specific information.

BULK WINE BROKER UPDATES

Interior

The beginning of the year has brought a lot of change to the market for broad California appellation or interior wines. Last year at this time the majority of bulk wine sellers in the world were feeling that inventory was a liability. Now due to the challenges of harvest, as outlined in the International market update, sellers are generally feeling inventory may be an asset again.



Marc Cuneo

Bulk demand has remained consistent and growing for quality wines, primarily Cabernet Sauvignon, Pinot Noir and high color red blenders such as Petite Sirah and Petit Verdot. Clients are buying for growing varietal wine programs targeted at higher retail price points. Recent sales of Cabernet Sauvignon have been in the \$6.50 to \$8 per gallon range. California appellation bulk wine gallons for actively sale for all vintages and varieties have dropped from 11 Million gallons one year ago to 7 Million gallons today. Inventory has been decreasing as a result of bulk market sales and gallons going back in house for existing bottle programs. There is still very little bulk demand for dry red or dry white programs at the super value bottle price point.

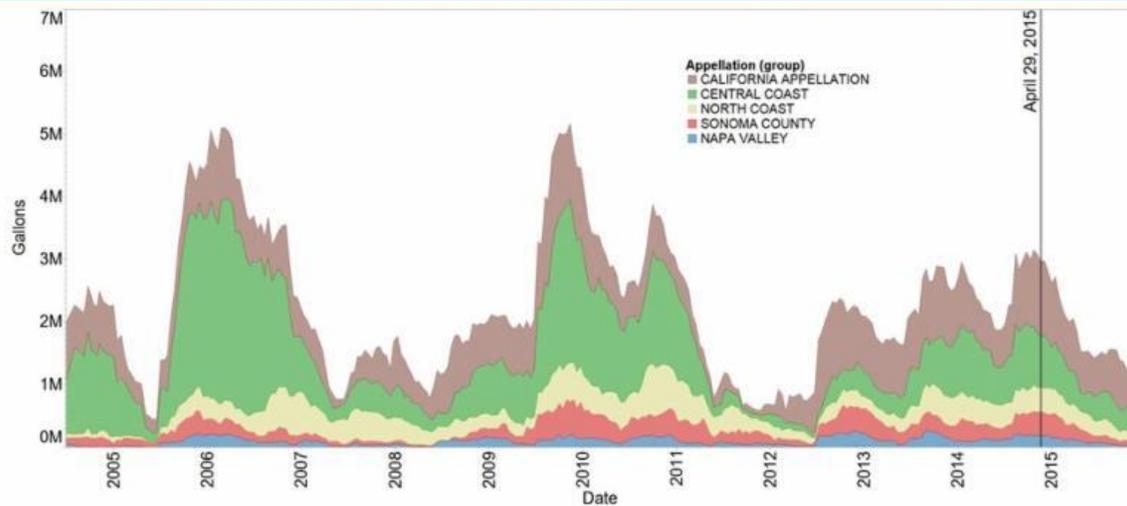
Pinot Noir from the Interior remains in strong demand especially for the highest quality lots. As a result, buyers are agreeing to production contracts for 2016 and beyond. Recent sales of 2015 Interior Pinot Noir lots have been in the \$7 to \$8.50 per gallon range.

Interior Chardonnay demand is moderate, which is an improvement from last year. Buyers are in the market because of continued slow growth in cased goods sales, but also because the Coastal crop was so short in 2015. It is important to remember Chardonnay is still the largest single varietal and accounts for approximately 20% of all cased goods sales and consumer sales continue to grow.

The market is still challenged for older vintage Merlot, Zinfandel, or older style blenders. Merlot, Zinfandel and traditional older style blenders, Carignane, Alicante, Rubired are directly competing with newer available gallons of Petite Sirah and Peitit Verdot, which

are preferred for adding color and intensity to a blend.

Chardonnay Bulk Gallons Actively for Sale



North Coast

Although there is a strong bulk market for Cabernet Sauvignon from all North Coast regions, Napa Valley wines remain king. In Napa Valley, gallons actively for sale are decreasing but supply of 2014 and 2015 continue to become available, so make sure you are on our list to see new lots. Asking prices have continued to escalate and just may have peaked. As asking prices have increased, more buyers are slowing down their purchases or backing out of the market. Recent sales of 2014 Cabernet Sauvignon wines have been in the \$40 per gallon range and reserve quality or sub appellation have been in the \$55 to \$65 per gallon range. There are very few gallons of Sonoma County Cabernet Sauvignon available and demand continues to exceed supply. Recent sales have been in the \$25 to \$30 per gallon range. This strong market activity means wines are only on the market for a few days. Lake County and Mendocino County Cabernet Sauvignon volume actively for sale is down and recent sales are consistently in the \$18 to \$20 per gallon range. We have plenty of buyers interested in the remaining gallons, but \$20 per gallon asking prices seems a bit too high at this point. Some buyers are hoping the market will soften and others are looking at options from other regions to maintain price points.



Steve Robertson

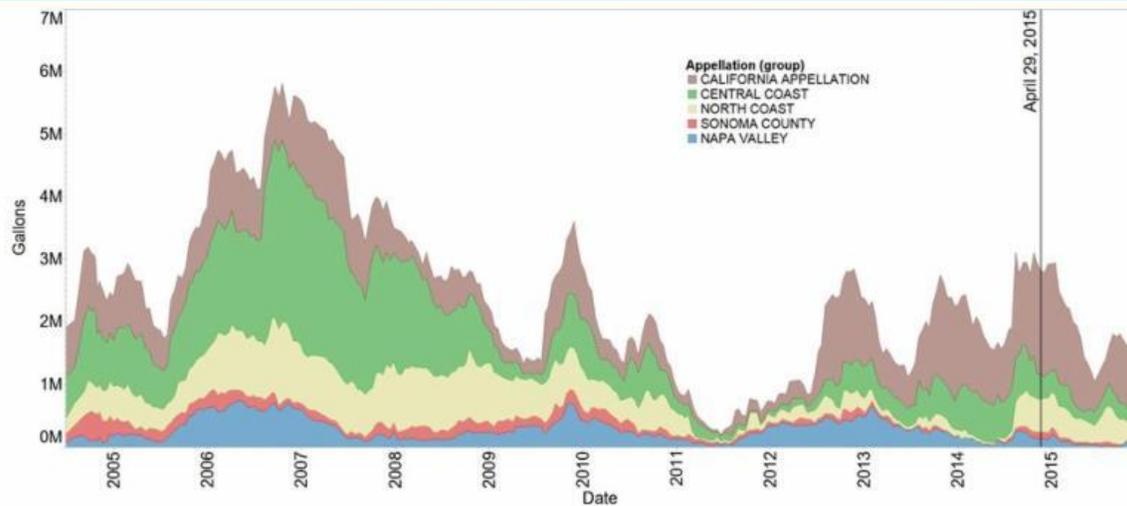
Demand for dark red blenders in the North Coast has increased and recent sales have been in the low to mid-teens per gallon.

Pinot Noir in Napa Valley and Sonoma County continues to sell quickly when available and priced right. Asking prices have increased and buyers remain more conservative in chasing Pinot Noir at a high price vs. Napa Valley Cabernet Sauvignon. Supply remains limited.

The selection of Chardonnay available from all North Coast regions including Sonoma County is not very extensive. We continue to advise buyers to not assume it will be available. Sonoma County recent sales have been in the \$18 to \$20 range.



Cabernet Sauvignon Bulk Gallons Actively for Sale



Central Coast

Activity remains steady in the Central Coast for 2014 and 2015 bulk red wines, but continues to be slower for the whites as we move into the second quarter. Cabernet Sauvignon continues to be a focus for most buyers, but availability and asking prices above \$20 per gallon are holding the market back. Recent sales of Paso Robles lots have been in the range of \$18 to \$20 per gallon and other Central Coast appellations have been in the \$14 to \$17 per gallon range. Buyers are also actively sourcing Cabernet Sauvignon in other regions to make up for volume they did not get in 2015 or because they are priced out of the current bulk market in their desired area. Merlot has seen a very slight bump in interest due to the limited supply of cost-effective Cabernet Sauvignon for price sensitive programs, but demand continues to be directed at darker red varieties such as Petite Sirah, Petit Verdot and Malbec. Recent sales of Merlot have been in the \$8 to \$10 per gallon range and some good opportunities are available.



William Goebel

After coming off large harvests in 2013 and 2014, most wineries are feeling more balanced in their supply of Central Coast Chardonnay even after the below average crop of 2015. Gallons actively for sale are down and there are not as many buyers in the market. Recent sales of Central Coast Chardonnay have been in the \$13 to \$16 per gallon range.

Summary

In summary, the markets are dynamic and every client has a different need, so please call and talk to your Turrentine Broker to get an update on the dynamics that are most important to you. With our broad base of understanding and experience in the market, Turrentine Brokerage will come up with creative ways to help you, even in challenging markets.

Monterey/San Benito

Warm spring temperatures and spring showers are a making for happy vines but canopy growth does not equal more clusters. The cluster counts are a reflection of last spring where cooler, grey weather dominated the spring for an extended period of time. These factors are not optimal conditions for fruitful bud differentiation. The result, mostly single clusters, blank shoots and very few doubles. As Pinot Noir and Chardonnay were going through bloom, there was a week of strong winds. Hopefully, 2016 will have a better set than 2015.



Erica Moyer

Lodi/Delta

Vines are happy everywhere! Sunshine, warm temperatures, followed by a few showers and maybe a hail storm, or two. No hail or frost damage has been reported as of yet but the impact of the showers during bloom for crop set is yet to be determined. Crop size and bunch counts depend on the age of the vineyard. Newer plantings are feeling their youth, lots of clusters moving through bloom. Where older vineyards are struggling with an average crop, mostly singles and a few doubles. We are seeing some elongated clusters with wings, mostly on the younger blocks.

San Joaquin Valley

A few spring showers, along with warm temperatures make for good growing conditions and also the increased potential for powdery mildew. There are no big surprises in crop size, large or small. However, the spotty regional downpours may affect the set in some vineyards. The younger vineyards have the horse power for a good crop and the older vineyards (if still in the ground) are trying to maintain an average size crop.

Paso Robles

Although we are not overly excited in Paso Robles, we are pleased to see a potential for an average to maybe slightly above average crop if it sets and sizes for Cabernet Sauvignon, Petite Sirah, Merlot, and some of the other reds. Chardonnay and Sauvignon Blanc, however, do not look as solid. That being said it is still very early and although we would like to forget just how light the 2015 crop was, it is still very fresh in our memories and this time last year we did not know it would be as light as it was. Fingers crossed we get an average crop in Paso Robles; however, we still have bloom, set, and sizing to go.



Audra Cooper

Southern San Luis Obispo and Santa Barbara Counties

Despite starting off with some very early crop estimates at above average, we've had many growers, but not all of them, throttle back their estimates a touch on Chardonnay and Pinot Noir. On Chardonnay specifically, there is a decent amount of singles. As with any crop this time of year, it is still anyone's guess. At the moment there is concern regarding the weather patterns we are having and the effect it will have on bloom. The Central Coast is no stranger to damaging winds this time of year. This week was certainly calmer than the previous two

weeks, but May is often a windy month for our area.

North Coast

The 2016 vintage has started early again. Bud break in all areas of the North Coast is near the same date as last year. And for most growers 2015 was the earliest harvest they have ever experienced. The earlier varieties are anywhere from 15% to 50% bloom currently. The current weather is not exactly what growers would hope for at bloom. The North Coast has experienced unsettled weather patterns with showers and overcast days during the beginning of bloom.



Mike Needham

The potential crop at this point seems to be very hit and miss, depending on where the vineyard is located and what variety you are growing. Some vineyards have 2 clusters per shoot and some have single clusters or blanks. Age of vine and cane vs. spur pruned vineyards, are showing differences in potential crop for 2016. The short term outlook for weather is projecting warming up without wind, which will be a welcomed change. Time will tell how the area fairs with set, as both wineries and growers are hoping for a more fruitful year.

CONGRATULATIONS TO ALL THE WINNERS OF OUR ANNUAL CROP CONTEST!

Thanks to everyone who participated. If you didn't place this year, be sure to play for the 2016 harvest. Look for the announcement in our Newsletter and on our website!

Each winner receives an official engraved plaque along with a bottle of champagne, compliments of Turrentine Brokerage.

THE WINNERS!
ANNUAL CROP CONTEST - 2015 HARVEST

Gloria Mercado-Martin
Don Sebastiani & Sons

Corey Beck
Francis Coppola Winery

Marty Peterson
Vintage Wine Estates

Michael Boer
Stipp Ranch

Bruce Fry
Mohr-Fry Ranches

Julie Nord
Nord Vineyard Services

Rodney Schatz
R&G Schatz Farms

Erik Mallea
Sanford Winery

Mike Shoup
Sin Nombre! Vineyards

Niels Udsen
Castoro Cellars

Neal Mettler
Kazmet Ranch

TURRENTINE ON THE ROAD

The **21st Annual Vineyard Economics Seminar** hosted by the Wine Industry Symposium Group is **Wednesday, May 25th**. Don't miss the grape and bulk wine duo of **Mike Needham and Marc Cuneo** speak on the current markets at this event! [Event Information](#)





BULK WINE MARKET OPPORTUNITIES

AVAILABLE

- > 2014/2015 CA/Lodi Cabernet Sauvignon: 35 lots
- > 2014/2015 North Coast Cabernet Sauvignon: 19 lots
- > 2014/2015 CA/Lodi Zinfandel: 30 lots
- > 2014/2015 Central Coast Merlot: 45 lots
- > 2014/2015 CA/Lodi Merlot: 20 lots
- > 2014/2015 CA/Lodi Petite Sirah, Petit Verdot & Malbec: 37 lots

NEEDED

- > 2014/2015 Napa Valley & Sonoma County Cabernet Sauvignon & Merlot
 - > 2014/2015 Paso Robles Cabernet Sauvignon
 - > 2015 CA/Lodi Pinot Noir
 - > 2015 Sonoma County Chardonnay & Pinot Noir
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GRAPE MARKET OPPORTUNITIES

AVAILABLE

- > North Coast Merlot, Truckload quantities
- > North Coast Syrah, Truckload quantities
- > Westside Paso Robles Cabernet Sauvignon, 2 Truckloads
- > Santa Maria Valley Chardonnay, 100 tons
- > Paso Robles Petite Sirah, Estrella, 22 tons
- > Paso Robles Cabernet Franc, Estrella, 10 tons
- > Paso Robles Westside Viognier, 14 tons

- > Paso Robles Grenache Blanc, 9 tons
- > Happy Canyon Cabernet Sauvignon, 2 Truckloads
- > Paso Robles Grenache, 1 Truckload
- > Paso Robles Mourvedre, 30 tons
- > Paso Robles Cabernet Sauvignon, Truckload quantities

NEEDED

- > Napa Cabernet Sauvignon
- > Russian River Pinot Noir

BULK WINE BROKERS	GRAPE BROKERS
<p>Steve Fredricks (415) 847-0603 President Bulk Wine</p>	<p>Brian Clements (707) 495-8151 Vice President Grapes</p>
<p>Steve Robertson (415) 827-0110 Broker/Partner, Bulk Wine <i>All California & Interstate Regions</i></p>	<p>Erica Moyer (209) 988-7334 Broker/Partner, Grapes <i>Interior & Monterey County</i></p>
<p>Marc Cuneo (707) 217-1369 Broker/Partner, Bulk Wine <i>North Coast, Interior & International</i></p>	<p>Audra Cooper (805) 400-9930 Broker/Partner, Grapes <i>Central Coast</i></p>
<p>William Goebel (415) 798-5515 Broker, Bulk Wine <i>Central Coast & North Coast</i></p>	<p>Mike Needham (707) 849-4337 Broker, Grapes <i>North Coast</i></p>
<p>Neil Koch (415) 686-6669 Broker, Bulk Wine <i>North Coast & Interior</i></p>	