



Market Update

September 29, 2016 | Telephone: 415.209.9463

2016 Crop Contest

Click to enter your best guess!

New Grand Prize & Category:

2016 Statewide Total Wine Grapes

Winner receives a YETI Tundra Ice Cooler

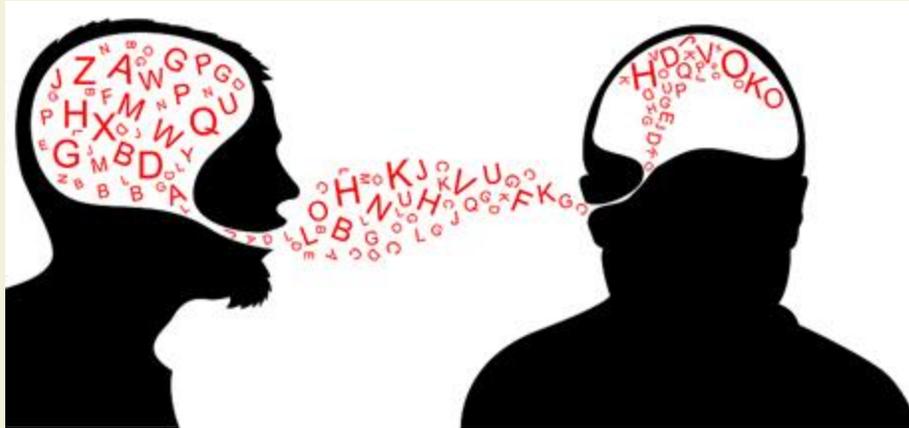
NEW GRAND PRIZE!



Enter your crop estimates in our annual contest
Chardonnay, Cabernet Sauvignon, Merlot, and Zinfandel in
Napa, Sonoma, Central Coast, Lodi/Delta, and Statewide

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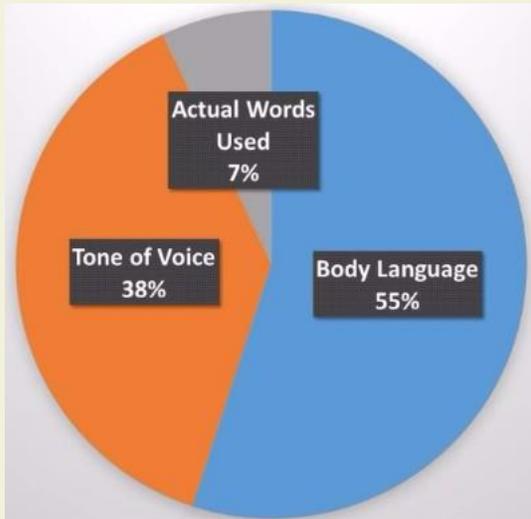
COMMUNICATION AND THE COGNITIVE UNCONSCIOUS

By Steve Fredricks

In searching for inspiration to explain the current dynamics of the bulk wine and grape market cycle, I spent an afternoon reading through the extensive archive of Turrentine Market Update articles written by Bill Turrentine. Although I did not find much applicable to today's market, the exercise inspired a realization; we may not appreciate the full spectrum of communication in today's fast-paced world.

Some believe our computers and smart phones have increased our productivity, we are busier than ever. We can text or reply to e-mails any time of day and from almost anywhere. The increase in productivity and speed has impacted the quality of communication and the value of business interactions because we seem to be too busy to pick up the phone to talk or meet face to face.

Communication is vital to the wine business. As it goes with agriculture, and especially for the wine industry, quality assessments are highly subjective, and there can be conflicting information about the market trends. I recently listened to a lecture series by Professor Dalton Kehoe of York University called Effective Communication Skills. One great metric highlighted the value of different forms of non-verbal communication;



55% comes from body language and facial expressions, 38% comes from the tone of voice and only 7% comes from the words actually used.

His lecture detailed that the majority of our brain power is used by our cognitive unconscious. Using the example of an iceberg, the vast majority is underwater and out of sight with only the tip visible. The conscious mind is that portion of the iceberg above water and the cognitive unconscious is the vast majority underwater. We don't realize how much we rely on these non-verbal cues to get the complete story of what is actually being communicated to us.

We have such great technology at our fingertips to help us enhance the value of communication, yet we seem to rely increasingly more on a lesser means of communication. I have stressed with our brokers not only the enjoyment of speaking with the various wine business personalities, but how much value there is in hearing the tone in a client's voice or the pause or exhale in response to offers (using your cognitive unconscious). These cues help us to understand a situation better and improve upon the service we offer. The vast majority of our clients pick up the phone to discuss deals or the market dynamics, but we are noticing an increased trend towards texting over the last few years. Our feeling at Turrentine is, we cannot be too busy to talk to our clients over the phone.

So let's all learn from Prof. Kehoe and receive the benefit from the vast majority of our brains cognitive unconscious to help improve communication. After all, being in the brokerage business is all about the service. Let's talk more on the phone, or by Skype, or by Face Time. It is important to the bottom line.

Regional Harvest Update

We are trying out a new video format.

Click on the video pictures to watch the harvest updates.

Let us know what you think!

SOUTHERN INTERIOR and MONTEREY County

By Erica Moyer, Grape Broker/Partner

September 26, 2016

From Dunnigan to Lodi, from Modesto to Bakersfield, grape harvest has reached the mid-way point, as the early varieties are in the barn and reds are being harvested: Zinfandel, Merlot, Petite Sirah and Cabernet Sauvignon. Yields are coming in, at expectation or below. Very few vineyards are producing tonnages over contract, which was the same for the early varieties, like Pinot Grigio, Chardonnay and Pinot Noir. What is high this harvest, are the brix, which can be yield or maturity related or _____.

In Monterey, San Benito and Santa Clara County, Pinot Noir is wrapping up and Chardonnay has begun. To say that the Pinot Noir crop is better than 2015, is not saying much. The crop is not as large as the buyers and growers would have liked, which does say a lot. Chardonnay is “hopefully” going to come in the same as 2015.

Mother Nature has been shining on the second half of the 2016 harvest with a few heat spikes but overall, mild weather is producing good color, flavor and moderate sizing, keeping supply in balance.

CENTRAL COAST

By Audra Cooper, Grape Broker/Partner

September 22, 2016



NORTH COAST

By Mike Needham, Grape Broker

September 28, 2016



LODI and CLARKSBURG

By Erica Moyer, Grape Broker/Partner

September 26, 2016



Bulk Wine Market Update

CENTRAL COAST

By William Goebel, Bulk Wine Broker

With harvest underway in the Central Coast, conversations with bulk buyers have switched from needing more 2016 bulk to feeling pretty happy with current inventories based upon harvest so far. Market activity is likely to change weekly as we finish up harvest. We are beginning to receive 2016 listings for bulk Sauvignon Blanc, small amounts of Pinot Grigio, and warmer climate Chardonnay. Central Coast appellation Pinot Grigio is still in demand, but supply is limited and buyers are price sensitive.

Throughout this year we have signed up more wineries and producers for pre-season bulk wine contracts for 2016 and 2017 vintage wines. Bulk buyers have been talking about their need for 2016 Paso Robles Cabernet Sauvignon for quite some time, and with what appears to be a much better 2016 crop vs 2015 we anticipate more supply to come into the bulk market than we saw last year. There continues to be very low inventories of bulk 2015 Paso Cabernet Sauvignon actively for sale, and recent deals on top quality lots have been in the \$20 per gallon range.

Activity for 2014 & 2015 Central Coast Pinot Noir has slowed due to differences on quality and price expectations from both buyers and sellers. Buyers have been holding to a \$8-\$12/gallon range, and sellers are asking \$18-\$22/gallon leaving some volume on the market. So far, traditional sellers of Monterey and Santa

INTERIOR

By Marc Cuneo, Bulk Wine Broker/Partner

As we enter the second half of the 2016 harvest, bulk wine market activity remains centered around Cabernet Sauvignon, Pinot Noir, and more recently Chardonnay. Lately there have been fewer deals due to Buyers focusing on the 2016 harvest; however, premium lots of Cabernet Sauvignon and Pinot Noir have held consistent with pricing in the \$6.50-\$8/gallon and \$7-\$8/gallon range, respectively. We have seen a recent increase of activity for quality lots of 2015 Chardonnay from the interior, with pricing at \$5-\$6/gallon. This is a significant improvement in the market as purchasing opportunities were under the \$4/gallon range with very little interest from Buyers.

Currently, there is significant interest for new and growing Pinot Grigio and Sauvignon Blanc programs. Available lots of these varieties are beginning to come on the market and Buyers are ready to see samples. Bulk gallons of Pinot Grigio and Sauvignon Blanc actively for sale are at historic lows, and there are very few carry-over gallons from all past vintage bulk wine, including 2015.

Overall bulk gallons actively for sale from the interior is at the traditional 12-month low as we work into the 2016 harvest. New gallons of 2016 that will become available will impact the overall available gallons, however we won't have the initial inventory of bulk gallons like we have seen in recent years. This is primarily due

Barbara Pinot Noir are reporting they may have some bulk from the 2016 harvest but not much.

to size of the crop and activity from wineries buying grapes, and there has not been large available grape buying opportunities that typically work back to the bulk market. There are still available gallons of older vintage Zinfandel, Merlot and other red blenders that are still in the market with very little interest from buyers despite opportunistic prices.

LAKE and MENDOCINO Counties

By Neil Koch, Bulk Wine Broker

As harvest is underway in the Lake and Mendocino Counties, focus of bulk market buyers and sellers has shifted toward early 2016 volume indicators. Based on early feedback, Sauvignon Blanc yields look to be above projections. The first Sauvignon Blanc samples should be accessible the first week of October. We already have buyers interested in seeing wines as soon as they are ready.

Sellers of 2015 North Coast red wines, including Cabernet Sauvignon and blenders continue to be bullish, with asking prices still in the range of \$18-20/gallon for Cabernet Sauvignon. Buyers have been hoping to pay less than \$15/gallon. Demand has decreased for these wines due to the start of the 2016 harvest, however it is likely to pick up for 2015 wines after the conclusion of harvest as winemakers look to finalize their blends early next year.

WASHINGTON

By Neil Koch

Wine production in the state of Washington continues to grow based on new plantings and increasing yields with the 2016 vintage. Growers and wineries are experiencing yields to be in the range of 5% to 10% above long term average and there are as much as 5,000 new acres coming into production this year. The new acres are primarily planted to Cabernet Sauvignon. Production contracts for Cabernet Sauvignon, Chardonnay, Riesling, and Pinot Grigio are available at competitive prices for 2016 and beyond. There continues to be opportunities for 2015 red and white wines including Cabernet Sauvignon, Merlot, Syrah, Chardonnay, Pinot Grigio, and White Riesling. Contact us for more details and samples.

OREGON

By Neil Koch

Large volumes of 2015 bulk Pinot Noir remain available and a number of sellers are more motivated with harvest underway. The combination of another good crop and previous vintage bulk wine inventories actively for sale has created an opportunistic position for buyers who are looking to start a new program or add volume to an existing project.

NAPA VALLEY

By Steve Robertson, Bulk Wine Broker/Partner

Cabernet Sauvignon remains at the forefront of most Napa Valley Buyers' needs, and most Buyers have moved to the 2015 vintage. Additional gallons made their way to the bulk market as harvest approached and sellers heard of the continued high prices being paid. These gallons, however, have not moved as quickly as earlier in the year for a few reasons. First of all, asking prices kept increasing, many Buyers were able to secure an adequate supply earlier in the year, and there could be some Buyer fatigue.

Sellers are expecting \$55/gallon and buyers are holding out for \$35 to \$45/gallon. Asking prices for sub-appellation Cabernet Sauvignon in bulk are currently much higher and demand is still strong for them.

Napa Valley Sauvignon Blanc has been very tight as well for most of the year and there aren't any gallons of 2015 wine currently available. The 2016 vintage should be coming in soon, and reports from the vineyards are that the crop should come in heavy enough to bring prices down from what we have seen.

Other red blenders and Merlot from Napa Valley are currently selling at \$20/gallon and up with limited demand.

SONOMA County

By Steve Robertson

There isn't much Sonoma County Cabernet Sauvignon listed on the bulk market, and that doesn't appear to change any time soon. If something became available, it would likely sell in the \$23 to \$25/gallon range. Demand is also strong for Chardonnay from both Russian River Valley and Sonoma Coast, but gallons are equally difficult to find. There should be an increase in bulk gallons available after the 2016 vintage moves to the bulk market, and prices will likely be more moderate. Similarly, 2016 Sonoma County Sauvignon Blanc should make its way to the market soon, and prices will likely start out strong.

Global Market Update

from AUSTRALIA

By Jim Moularadellis, Austwine Brokers

The 2016 crush was up a modest 6% on last year to 1.807mT.

The increase was almost all due to increased crops from the premium regions, which increased by 25% on last year, leading to abundant inventories of wines from these regions immediately after vintage. In contrast, tonnes from the warm inland regions were static and have been for the last four years. Driven by ongoing robust demand from China, coupled with increased demand for Cabernet Sauvignon and Merlot due to difficult vintage conditions in Chile, has led to little surplus stocks of the major varieties, especially red varieties, from the warm inland regions. Prices of inland wines are generally edging up, whereas prices from premium regions are softening.

from CHILE

By Eduardo Bentjerdot, San Nicolas Wine Services

The market has remained steady with prices in the \$.80 per liter range and up to \$.90 per liter for better quality Cabernet Sauvignon and Merlot. The inventory actively for sale is 2016 wine due to the inventory of 2015 being purchased during the 2016 harvest as a hedge against the light challenged 2016 crop. Most bulk suppliers were able to make enough quality wine in 2016 to fulfill on needs for long term buyers. There is greater than normal inventory of



from ARGENTINA

By Jaime Lagos, San Nicolas Wine Services

So far there are very few liters actively for sale in Argentina due to a harvest with 34% less wine production than in 2015. Quality has been a challenge because of the rain during harvest.

There is speculation that inventories in the larger wineries may not be enough for them to make it to the next vintage without running out, especially for red wines. The bulk price increases are causing wineries to struggle. Some buyers are looking at buying bulk wines from Chile.

There was some Spring frost that hit mainly the early white varieties, but red grapes were not far enough out and most likely escaped any damage.

We hope that the new harvest comes with more normal numbers in order to stabilize everything in Argentinean wine production. There is still good hope in the market that the new government is doing the right thing for a better economy for years to come.

below average quality wine still on the market, but also some good quality wines at fair prices. As mentioned in the Argentina update the Argentine buyers are looking for generic red wine and Malbec in Chile. There are some rumors of recent deals happening in the last few days. If the crop in Spain is shorter than normal the volume of value priced generic red and varietal wine could further be tightened.

Spring has been warm so far and early prices for grapes are double what they were last year at this time, translating into bulk prices of \$.80 to \$.90 a liter for 2017 wines.



Mendocino Winegrowers Harvest Party

Friday, November 4th

Turrentine Attendees: Mike Needham

SRJC Agstravaganza

Saturday November 5th

Turrentine Attendees: Brian Clements

Turlock Tree and Vine Expo

Tuesday, November 8th

Turrentine Speaker: Erica Moyer

Rootstock, Napa Fairgrounds

Napa Valley Grapegrowers

Tuesday, November 8th

Turrentine Booth Representatives: Mike Needham, Neil Koch

Central Coast Grape Expo, Mid State Fairgrounds, Paso Robles

November 11th, 2016

Turrentine Speaker: Audra Cooper

Turrentine Booth Representatives: Audra Cooper, Erica Moyer, Brian Clements, William Goebel

World Bulk Wine Exhibition, Amsterdam

November 21st-22nd

Turrentine Attendees: Steve Fredricks

Moss Adams: Post-Harvest Industry

Round Table Wednesday, November 30th

Turrentine Speakers: Steve Fredricks & Daniel Tugaw

WIN Expo

Wednesday, December 1st

Turrentine Speaker: Brian Clements

Turrentine Booth Representatives: Mike
Needham, Steve Robertson, William Goebel,
Marc Cuneo



AVAILABLE

- +2015 Central Coast Pinot Noir: 13 lots
- +2015 Central Coast Chardonnay: 18 lots
- +2014/2015 CA/Lodi Zinfandel: 29 lots
- +2014/2015 Sonoma County Zinfandel: 12 lots
- +2014/2015 Central Coast Merlot: 33 lots
- +2015 California Sauvignon Blanc: 26,200 gal.
- +2015 California Pinot Noir: 150,000+ gal.
- +2015 California Blush Wines: 15 lots
- +2014/2015: WA & OR Red and White Wines

NEEDED

- 2015/2016 Paso Robles Cabernet Sauvignon
- 2015/2016 Sonoma County Chardonnay
- 2015/2016 Sonoma County Pinot Noir
- 2016 California & Central Coast Pinot Grigio
- 2016 California Sauvignon Blanc

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