

TURRENTINE BROKERAGE

Market *Update*

December 15, 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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On Your Mark, Get Set



By Steve Fredricks

It is amusing to watch sailors try to position their boats for the start of a race. They want to be bearing down on the starting line with powerful momentum when the starting gun fires. But if they approach the line even just a moment too soon, they may need to turn around and sail in the opposite direction to reposition the boat. If the race starts while they are headed in the wrong direction, they could end up dead last at the very beginning of the race.

That sounds like the bulk wine and grape markets after the 2016 harvest. There continues to be strong growth in consumer sales, especially in the \$9.00 to \$20.00 per bottle range. Wineries are coming to us for inventory to grow existing brands or to develop new brands at higher price points and have expanded the regions they are comfortable sourcing grapes and wine from to produce these wines. Most brands retailing in this price range have good margins but are concerned about increased bulk wine and grape costs and brand owners don't want to risk shortage in case they meet or exceed sales projections. Growers are also concerned about increased costs of production for them when signing contracts for 2017 and beyond. Sales projections, on the other hand, are often optimistic and excess inventory can impact margins. Wineries are also concerned about consolidation and the competition to get new wines into the market. Just about everyone, potential buyers and sellers alike, therefore, are busy jockeying for position and trying to guess where the starting line is and when the gun will sound.

Our end of the year Market Update helps to describe some of the various conditions affecting the market to help you start the strategy conversation with us about what tactics to take and when to begin playing the market for grapes and bulk wine. Since the most current changes are to the bulk wine market, that is our primary focus for this update.

In the big picture, the 2016 crop could be very similar in total size to the 2015 crop, but that is where the similarities end. Yields were below average in the southern interior due to heat, effects of drought, poor water quality and acres removed, and returned to long-term average yields in the coast, especially Chardonnay and Pinot Noir from Sonoma County and Central Coast Cabernet Sauvignon. The increase in coastal tons will likely result in wineries having more inventory, more bulk wine offered for sale, and a generally slower bulk market to begin the year as opposed to last year. With an increase in bulk supply from a larger harvest in the coast this year, we are starting to see a renewed priority on the quality standards of buyers. There continues to be very few opportunistic buyers looking to secure large volumes of inexpensive and older vintage bulk wine. It is important to note; the bulk market trends don't necessarily mean the grape market will be slow as well. Grape buyers in coastal areas are already out resigning contracts and looking for uncontracted grapes.

Bulk Wine Varietals

Cabernet Sauvignon

Cabernet Sauvignon continues to lead the charge for bulk market buyers. There are currently very few gallons actively for sale for all coastal 2014 and 2015 vintage wines in bulk and prices have remained

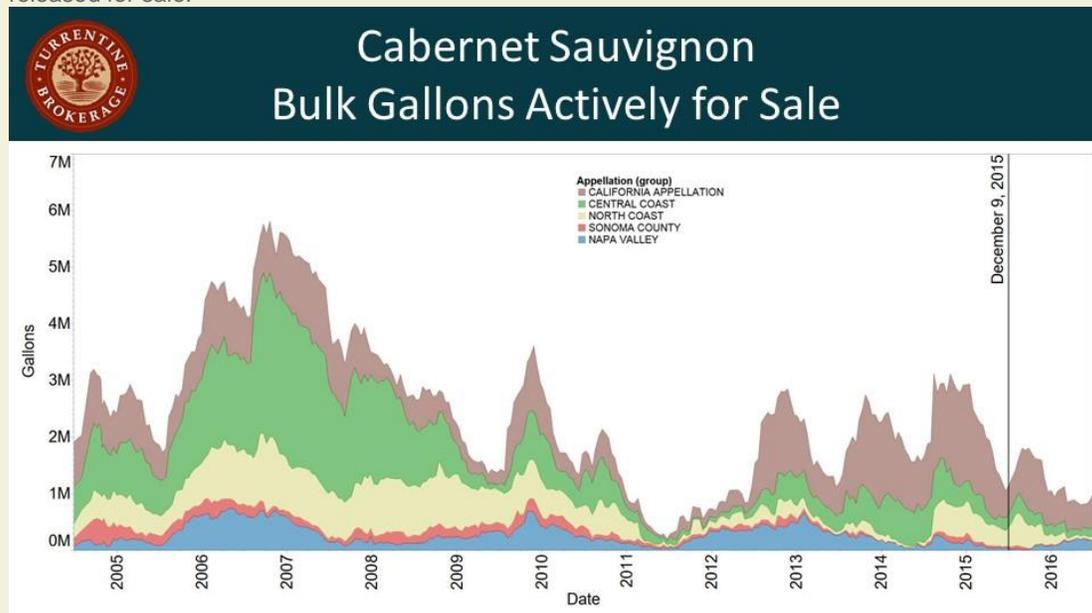
strong all year following the light 2015 crop. There are over 170,000 gallons of Napa Valley Cabernet Sauvignon available on the bulk market currently, but high asking prices above \$50.00 per gallon have kept buyers at bay. We could sell all gallons of 2015 Napa Valley Cabernet Sauvignon at \$40.00 or less per gallon. Recent sales of the best quality Napa Valley lots have been in the \$40.00 to \$50.00 range and Buyer's quality standards continue to increase.

Between Sonoma, Mendocino, and Lake Counties, there are only 61,000 gallons actively for sale for 2014 and 2015 vintage wines, and buyers continue to want more Sonoma County wines. Prices have been centered around \$14.50 per gallon for North Coast lots, and between \$28.00 and \$34.00 per gallon for Sonoma County Cabernet Sauvignon.

From our post-harvest client follow-up, there will continue to be a very competitive market for Sonoma County Cabernet Sauvignon and very few gallons for sale. The Napa Valley Cabernet Sauvignon market is likely to continue to be a little slower due to the price gap between Buyers and Sellers and we will see more 2016 Lake and Mendocino County bulk wine listed for sale.

With a larger crop in Paso Robles, there will likely be an increase in bulk gallons actively for sale, and the price could soften, but we still expect to have healthy demand.

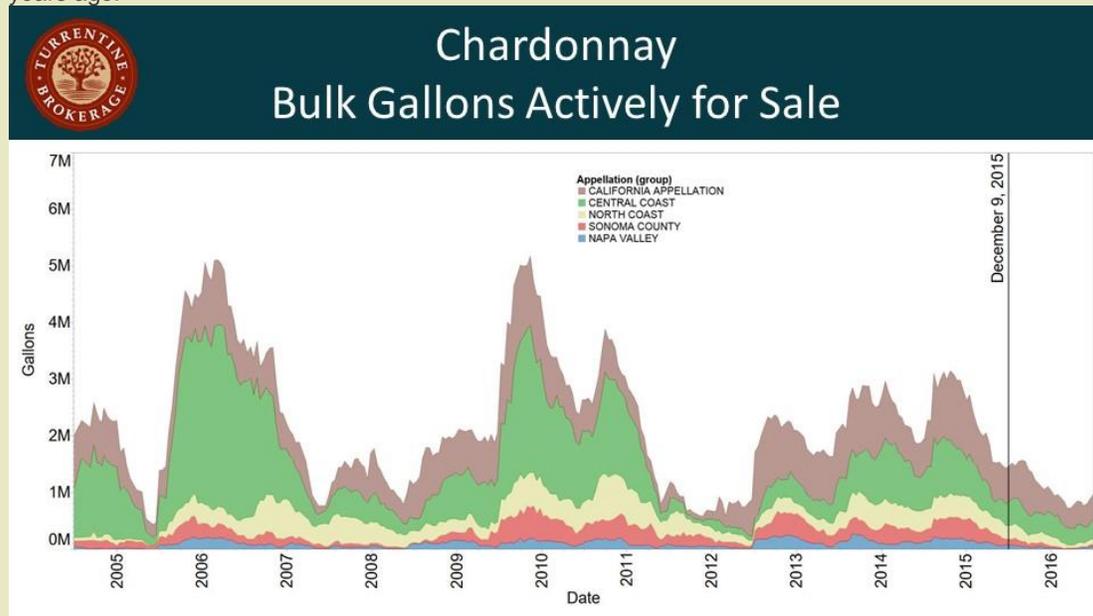
The market continues to be active for Lodi and southern interior 2015 and 2016 Cabernet Sauvignon. There are over 500,000 gallons of mainly 2015 vintage wines actively for sale, which is an increase over last year at this time. Recent sales have been largely focused on quality Lodi lots between \$6.25 and \$7.50 per gallon. We expect continued supply for sale and an active market as 2016 wines start to be released for sale.



Chardonnay

Bulk gallons of Chardonnay actively for sale statewide have dropped below one million gallons for the first time since 2012 due to the light 2015 Chardonnay crop coupled with an increase in demand. At this point, nearly the entirety of bulk Chardonnay actively for sale is 2015 vintage from the Central Coast and California appellation, but we are seeing 2016 samples and listings.

Demand remains strongest for any Sonoma County lots that come to the market and recent sales for 2015 and some early 2016 lots have been in the \$18.00 to \$20.00 per gallon. With a much better crop in 2016 we will see more gallons of Sonoma County wines listed for sale in the coming weeks. Recent sales of the few Napa Valley Chardonnay gallons have been between \$18.00 and \$23.00 per gallon. There is solid demand for 2016 Monterey County Chardonnay lots and our post harvest follow up indicates more wine will be for sale, but there are currently fewer than 50,000 gallons actively for sale, which could keep prices more firm. Recent sales have been around \$12.00 per gallon. California appellation Chardonnay from the 2015 vintage has still been moving in the \$5.00 to \$6.50 per gallon range and we are starting to see 2016 wines listed for sale. Similar to Cabernet Sauvignon, quality standards from buyers are higher. On the global market, there are still Chardonnay opportunities in Australia, but not to the extent of a few years ago.

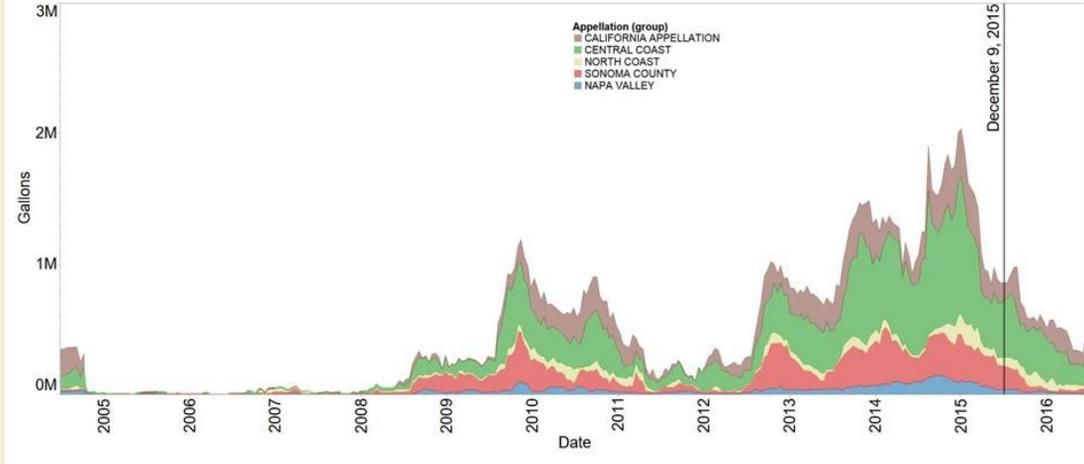


Pinot Noir

Combined, there are just 70,000 gallons actively for sale from the North Coast. Virtually all of the remaining supply is 2015 vintage from the Central Coast and California appellation, but buyers, for the most part, are waiting for 2016 lots to become available at this point. Demand is strongest from bulk buyers building \$10.00 to \$30.00 per bottle Pinot Noir programs out of Monterey and Sonoma County and less than \$10.00 per bottle programs from the Lodi/Delta region. For all regions, buyers' quality standards have increased. Sellers' asking prices have also increased, keeping some buyers out of the market. Recent sales have been for California Pinot Noir at \$6.00 to \$8.50 per gallon, and to a lesser degree, Central Coast Pinot Noir between \$12.00 to \$16.00 per gallon, but the 2014 and 2015 gallons still actively for sale have been moving slowly due to high asking prices. Recent sales of Sonoma County 2015 wines have been in the \$24.00 to \$30.00 per gallon range. The 2016 harvest will bring more supply to the bulk market, which could result in buyers moving more slowly in the first quarter of 2017.



Pinot Noir Bulk Gallons Actively for Sale



Sauvignon Blanc

The larger crop will result in additional coastal gallons of Sauvignon Blanc on the bulk market, and downward pressure on price for 2016 wines. Recent sales for 2016 vintage lots have been around \$12.00 per gallon in Lake County, near \$16.00 per gallon in Sonoma County, and between \$6.00 and \$7.00 for California appellation Sauvignon Blanc.

Pinot Grigio

Supply of 2016 Pinot Grigio is coming onto the bulk market, primarily from the California appellation. Buyers continue to be very price sensitive for California appellation Pinot Grigio and haven't been moving yet. They seem to be more confident in waiting for prices to come down before they move.

Red Blenders

Many wineries were able to get more of their supply of red wines to grow proprietary red blends and to improve and darken blends to compete above \$9.00 per bottle through the grape market in 2016. There has been some demand for Napa Valley Merlot and Lodi Zinfandel, but otherwise the markets have been quiet.

The increased production of Petite Sirah, Petit Verdot, Malbec, and Teroldego to enhance quality and color have generally lessened the demand for California appellation classic red blenders such as Grenache, Barbera, Carignane and Ruby Cabernet, but it has also reduced demand for Zinfandel and Merlot from the interior.

The current bulk market trends noticed above may not be the same for the grape market or other varieties. Also keep in mind, knowing the market price does not necessarily equate with an understanding of the market, as you may not have all the pertinent information needed for your specific wine or grapes. So call your broker at Turrentine to get the latest update on the shifting winds of market conditions and to discuss strategies for the varieties and appellations that matter most to you.

TURRENTINE ON THE ROAD

2017 UNIFIED SYMPOSIUM Booth # 1311 January 24th-26th

The entire broker team will be at Unified and we look forward to seeing everyone. Contact your broker to set up a meeting, or just stop by the Turrentine booth located on the first floor, exhibit halls A-E.

[Click here](#) for more information.

Sonoma County Winegrowers DOLLARS & \$ENSE SEMINAR and TRADESHOW January 12th

Turrentine brokers will be at this event. Come by the booth as they discuss the 2017 market.

[Click here](#) for more information.

WASHINGTON ASSOCIATION OF WINE GRAPE GROWERS CONFERENCE February 7th

Steve Fredricks will be speaking during the State of the Industry session.

[Click here](#) for more information.



AVAILABLE

- +2015/2016 Paso Robles Cabernet Sauvignon
- +2015 Central Coast Pinot Noir: 16 lots
- +2015 Central Coast Chardonnay: 15 lots
- +2014/2015 CA/Lodi Zinfandel: 33 lots
- +2014/2015 Sonoma County Zinfandel: 18 lots
- +2014/2015 Central Coast Merlot: 33 lots
- +2016 CA & North Coast Sauvignon Blanc
- +2016 CA Pinot Grigio
- +2015/2016 CA Pinot Noir: 160,000 gal.
- +2015/2016 Blush Wines: 21 lots
- +2014/2015 WA & OR Red and White Wines

NEEDED

- 2015/2016 Napa Valley & Sonoma County Cabernet Sauvignon
- 2015 Napa Valley & Sonoma County Red Bordeaux Blenders
- 2016 Sonoma County Chardonnay & Pinot Noir
- 2016 Monterey County Chardonnay & Pinot Noir

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