



TURRENTINE BROKERAGE

Market *Update*

March 15th, 2018 | Telephone: 415.209.9463

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Ch-Ch-Ch-Ch-Changes

“ Isn't it funny how day by day nothing changes, but when you look back, everything is different... ”

-C. S. Lewis

“ Everything is change; and you cannot step twice into the same river. ”

-Mary Renault

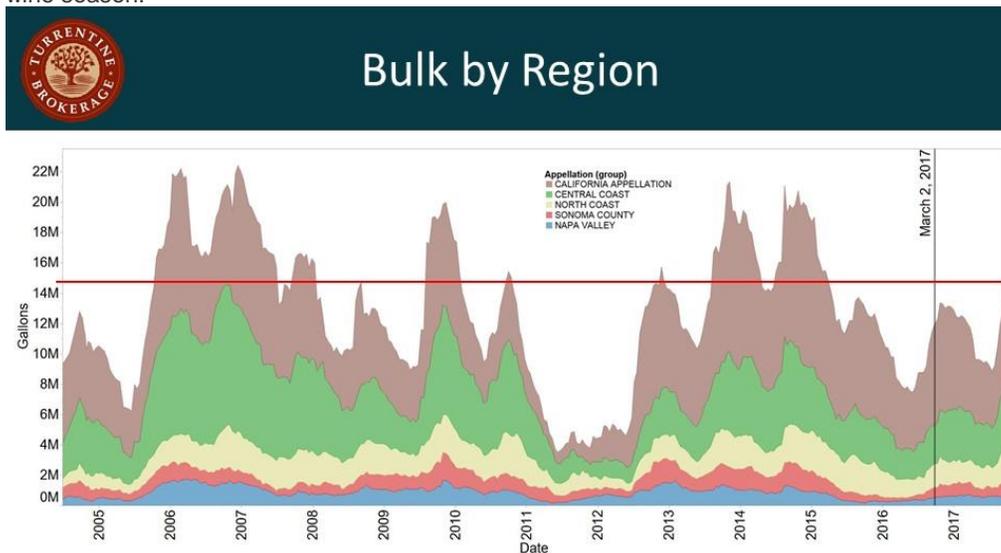
The C.S. Lewis and Mary Renault quotes are excellent descriptions of the short and long-term trends of the wine business cycles. The range of prices that bulk wine and grapes are selling for may be the same as a few months ago or even last year, but the market could be totally different. There are many potential explanations for these differences. It could be that volume actively for sale has changed, the number of lots listed for sale has changed, or the number of buyers has changed. But, even if the price range is the same, the direction of the price could be different or the speed with which deals are done may be longer or slower, or the average volume of deals could be smaller or greater. The effects of these changes could reverberate in the long-term if the supply increase is from new acres or, in the short-term, the supply increase was from larger than average yields. All of these variables put context to the price range and have great influence on decision making in the negotiation of a deal. In today's bulk wine and grape markets, there are many price ranges that look similar to historical prices, but market context around them may be different and therefore vital to good decision making.

For the grape market, many appellations and varieties are fairly similar to the last few years in regards to price ranges and the context of market conditions. A large percentage of grapes are

already under contract for 2018 and the grapes that become available for sale have buyers offering prices similar to last year. Some exceptions to that trend are Cabernet Sauvignon in the regions where there have been new plantings: the interior region of California, Central Coast, and Washington State, but the changing market dynamics are to be expected when acres are planted. There are a few other changes to market dynamics. One such dynamic are the increasing opportunities for premium red blenders. The market is also more competitive from tighter supplies of Grenache and other varietals in demand for Rosé wines. These dynamics are always changing, so give our grape brokers a call to find out more details and get deals done. The next issue of the Turrentine Market Update will be more detailed about the current grape market dynamics.

Bulk wine market price ranges for many wines are also similar to last year, but the market is different. In a historical sense, we do not have an abundance of wine actively for sale in bulk. There have certainly been years where more gallons are available, but the balance of supply to current demand or the intensity of the demand is different from last year at this time and for more varieties.

The following is a summary of the market 'post crush report' and in the heart of the traditional bulk wine season.



Cabernet Sauvignon

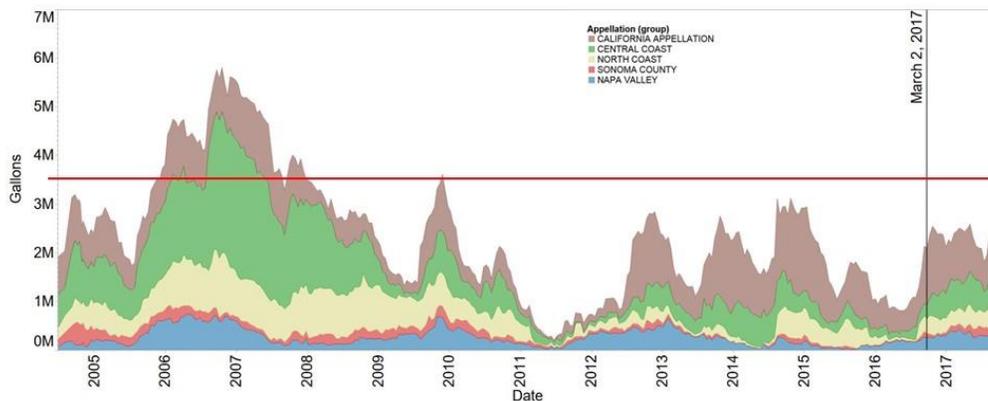
The 2017 Napa Valley Cabernet Sauvignon crop was up slightly from 2016 despite two heat waves. The result is that the volume of bulk from 2015 and 2016 is greater than last year at this time. Demand is consistent to last year, however, buyers are holding out in hopes of decreasing prices for the volume needed. Buyers have been reluctant to accept historically high asking prices due to several years of escalating cost of goods. Smaller lots of perceived higher quality wines, or

sub-appellation wines, are still moving within Napa Valley at higher prices, but not as quickly or at the same prices as two years ago. Recent sales for 2015 and 2016 wines where sellers have reduced asking prices to get deals done have been in the \$30 to \$36 range and the \$44 to \$55 for the best quality lots. So far this year, we have seen very few wines that have been listed with smoke taint, and the guaiacol levels seem to be much lower than in wines from 2008. Call your Turrentine broker for an up to date market report on options for 2016 wines as well as 2017 wines that are continuing to be listed for sale.

The market in Sonoma County is much easier to describe. Supply of Cabernet Sauvignon for sale in bulk is slightly up due to a 2017 crop that was slightly up from 2016, and demand seems to be steady. Recent sales have been in the \$25 to \$30 range. In both Napa Valley and Sonoma County, the push back from buyers on price continues to increase.



Cabernet Sauvignon Bulk Gallons Actively for Sale



The 2017 crop in Lake and Mendocino Counties was up over last year and there has been 2016 bulk Cabernet Sauvignon actively for sale ever since the 2016 crush ended. We now have 2016 and 2017 vintage wines actively for sale, and demand is lower than a few years ago as some buyers were priced out and supply is more readily available from the Central Coast and Lodi. Despite fewer sales, prices have been above \$15 per gallon which has sellers holding out hope for the market to retain that price. Meanwhile, buyers are opting to wait and/or buy wines from other regions at lower prices. Recent sales have been in the \$18 to \$21 range with buyers focusing on smaller volumes to add to a blend rather than opportunistic volumes. The large volume buyers are holding firm to prices in the \$12 to \$14 range or are purchasing wines from other regions.

The volume of Paso Robles and Monterey County Cabernet Sauvignon bulk wines offered for sale is growing due to a combination of newly bearing acres that are increasing the overall supply

and competition from growing supply in the North Coast and Lodi. Demand had been consistent with last year but buyers are now seeing more supply options available in Paso Robles leading to a more moderate approach for 2016 and 2017 vintage needs. Recent sales on wine that are meeting the current quality standards of buyers and that need a Central Coast AVA have been in the \$11 to \$14 per gallon range. Recent sales of wines that are of a lower quality tier purchased for a California Appellation wine have been in the \$8 to \$10 per gallon range.

Despite newly bearing acres, the 2017 harvest in Lodi was similar to 2016. Supply and demand of bulk wine actively for sale is about the same as last year. There was an increase in crop size in the interior regions from District 12 south. Quality on the new acres coming into bearing on the east side of District 12 can be more competitive with the quality parameters of color and phenolics. Recent sales have been in the \$6.50 to \$8 range. There is little demand for volume at the value-end and there are good options for California supply at prices similar to the increased prices from Chile.

The 2017 crop in Washington was lower than the massive 2016, but still way up from 2015 due to new acres coming into production. There is considerable volume of 2015, 2016, and 2017 wines available. There are plenty of options for Washington Cabernet Sauvignon from various regions to satisfy both small lot high-end buyers and volume buyers.

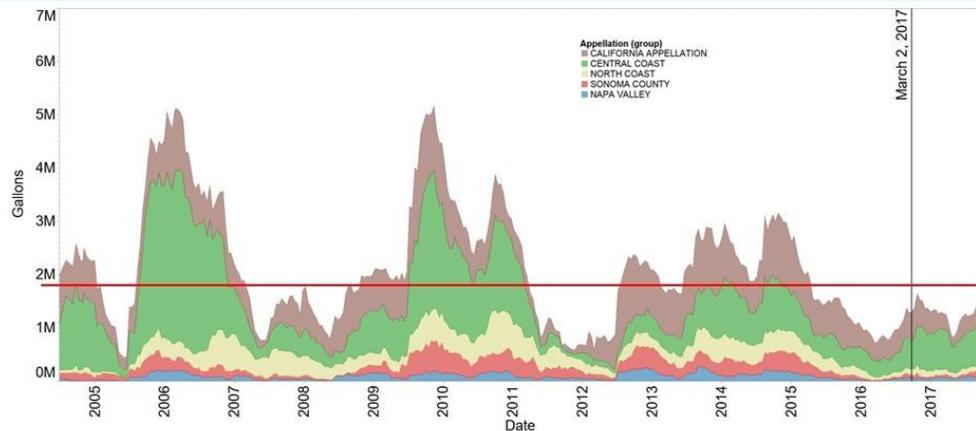
In summary for Cabernet Sauvignon, there are great opportunities and options for supply from many regions to establish new brands and to grow existing brands.

Chardonnay

The market for Chardonnay the last few years is like the aforementioned C.S. Lewis quote, "Isn't it funny how day by day nothing changes, but when you look back, everything is different..." There has been little planting and slowly growing sales have brought the market into balance. The Chardonnay crop in 2017 was down from 2016 in almost every region of California except for the Central Coast, and bulk supplies have generally mirrored the 2017 crop size. The change is in demand which is up from last year at this time. The demand trend for both volume and value buyers of bulk wine shifted in the third quarter of last year and has remained steady since that time. Prices are also steady to up in almost every region. Recent sales of Napa Valley wines have been in the \$20 to \$22 per gallon range and we have more demand than wine available.



Chardonnay Bulk Gallons Actively for Sale



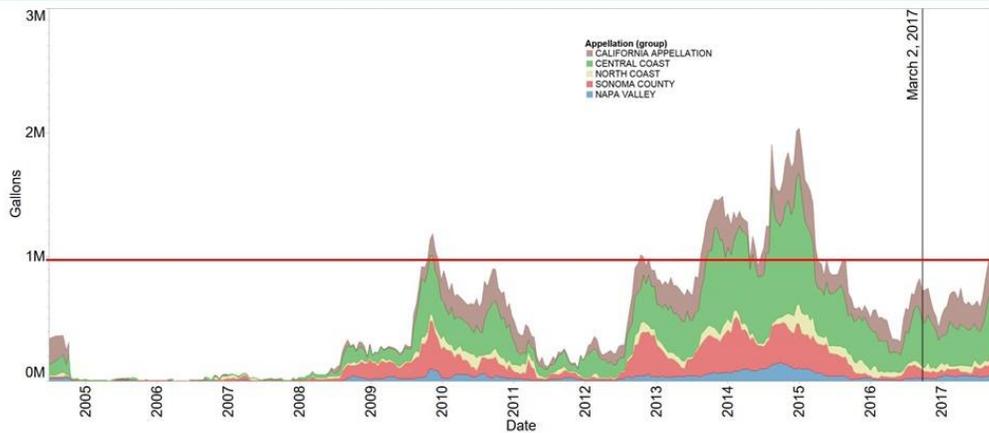
Demand for Sonoma County wines from Russian River and Sonoma Coast is still strong and recent sales have been in the \$20 to \$24 per gallon range. With increased volumes of Monterey and other Central Coast Chardonnay available, we have seen increased activity and recent sales are in the \$10 to \$12 per gallon range for 2017 Monterey County lots. There seem to be more opportunities for wines in bulk out of Monterey from 2017 than there are for 2018 grapes. Recent sales for interior wines have been in the \$6 to \$8 per gallon range. Buyers are looking for greater volumes to make sure they have inventory but are still feeling somewhat comfortable with current inventories. Since the overall supply is not growing from new acres, buyers should be paying close attention to their current and future sourcing of Chardonnay.

Pinot Noir

The overall crop of 2017 Pinot Noir was slightly up compared to 2016, mainly due to the increase in supply from the interior of California. The crop in Sonoma County and the Central Coast was about the same as the previous year. The Sonoma County crop would most likely have been above 2016 if not for the two heat waves. There are changes to the bulk market though. There are increased gallons actively for sale from the key regions, and we have also seen softer demand in Sonoma County and Monterey County. The decrease in demand might have more to do with bulk prices staying at relatively high levels rather than the increase in supply. Recent sales of Russian River and Sonoma Coast wines have been in the \$26 to \$30 per gallon range. Monterey County 2017 wines have recently sold in the \$15 to \$18 per gallon range and 2016 wines from all Central Coast AVAs have been in the \$11 to \$14 range. Demand is stronger for Clarksburg and Lodi as it seems buyers are sourcing there for the balance of quality and price for a California Appellation label. Buyers previously sourced larger volumes from the coastal regions but were priced out. Recent sales have been in the \$7 to \$8 per gallon range.



Pinot Noir Bulk Gallons Actively for Sale



In summary, the overall supply is not in excess. A potential challenge for the luxury-end of the market and for all wineries could be the cost of goods in a competitive market to sell casegoods and raise bottle price. Along with the options discussed above, there are also great opportunities for premium red blenders to add color and intensity to blends and various styles of Rosé.

Give our Turrentine brokers a call to discuss the opportunities on the bulk market to buy or sell. We are available to help you grow, succeed and navigate the turbulent rivers of change.



AVAILABLE

- +2015/2016 Paso Robles Cabernet Sauvignon: 220,000 gallons
- +2015/2016 Napa Valley Cabernet Sauvignon: 37 lots
- +2015/2016 Central Coast Pinot Noir: 274,000 gallons
- +2015/2016 Central Coast Chardonnay: 37 lots
- +2015/2016 Sonoma County Zinfandel: 156,000 gallons
- +2015/2016 Merlot: various availability
- +2015/2016/2017 CA Petite Sirah: 195,000 gallons
- +2016 Napa Valley Chardonnay
- +2016 CA Pinot Noir
- +2017 Coastal Chardonnay
- +2017 Rose: various availability
- +2017 Monterey County Pinot Grigio
- +2017 Willamette Valley Pinot Noir
- +2016/2017 Washington Cabernet Sauvignon, Merlot, Riesling, Chardonnay, Syrah and Dry Red

NEEDED

- 2017 Sonoma County Chardonnay & Pinot Noir
- 2017 California Chardonnay
- 2017 North Coast Sauvignon Blanc



AVAILABLE

- +North Coast Chardonnay
- +North Coast Zinfandel
- +North Coast Merlot
- +Monterey County Pinot Noir
- +Lodi Head Trained Zinfandel
- +Paso Robles Mourvèdre- 30 tons
- +Paso Robles Cabernet Sauvignon- truckload quantities
- +Paso Robles Petite Sirah- truckload quantities
- +Santa Maria Chardonnay- truckload quantities
- +Santa Maria Pinot Noir- two truckloads
- +Edna Valley Chardonnay- 2-3 truckloads

NEEDED

- Central Coast Grenache
- Central Coast Sauvignon Blanc
- High End Paso Robles Zinfandel
- Head Trained Paso Robles Zinfandel
- Clarksburg Chardonnay and Pinot Noir
- Foothills Grenache, Petite Sirah
- Central Coast Vermentino
- Napa Valley Sauvignon Blanc
- Lake & Mendocino Sauvignon Blanc
- Russian River Valley/Sonoma Coast Chardonnay
- Russian River Valley Pinot Noir

Turrentine On The Road

PROWEIN 2018

Dusseldorf, Germany

March 18th-20th

Steve Fredricks and National Sales Manager of Strategic Brands, Bryan Foster will be gathering the latest information on international market trends. ProWein is a prime international trade fair for the wine and spirit industry in Germany, Western and Central Europe. The last edition of the trade show in 2017 brought together over 6500 exhibitors and 58,500 trade visitors from 130 nations from across the world. To learn more about this show visit <https://www.prowein.com/>



VIN ITALY 2018

Verona, Italy

April 14th-17th

Steve and Bryan will continue their road trip where more than 4,200 exhibitors will gather - the International Wine and Spirits Exhibition founded in 1967 has marked the evolution of the wine-growing system on a national and international scale, thereby helping to make wine one of the most captivating and dynamic realities in the primary sector. All the players in the sector come together at Vinitaly to discover excellence, learn more about market trends and especially for business. The event is increasingly investing in innovation and technology to provide operators with effective digital tools to connect supply and demand, and bridge distances between continents. [More Information.](#)

CENTRAL COAST INSIGHTS
Allegretto Vineyard Resort, Paso Robles
March 20th

Grape Broker/Partner Audra Cooper and Bulk Wine Broker William Goebel will be speakers at this year's event. They will examine the trends of the bulk wine and grape market. How is the Central Coast positioned? What challenges lie ahead and how can Central Coast producers compete?

[More information and registration.](#)



Wivi CENTRAL COAST
Paso Robles / BOOTH #507
March 21st

Audra Cooper and William Goebel will be at booth #507. Stop in and say Hello!

[More information.](#)

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