

# TURRENTINE BROKERAGE

## Market Update

October 10, 2018 | Telephone: 415.209.9463

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## It Ain't Over Till It's Over

The late Yogi Berra once said “It ain't over till it's over,” a great reminder as the harvest of 2018 continues. The mild weather in July, August, and September resulted in some increased sizing and yields from cluster weights which intensified the concerns of a large crop. Then, with a number of weeks of picking yet to go, rain abruptly came to parts of the North Coast and the Central Valley.

Perhaps the total tons harvested will be different than estimated a couple of weeks ago... Perhaps it won't—you never know.



The variables that go into the market conditions for a variety and region are many and not just based upon crop size. Acres have been planted, sales growth has slowed, and the \$10 to \$20 bottle segment has become increasingly competitive. For some time, a number of market variables have been pointing toward a market of excess supply and seem to currently be outweighing the market indicators for a supply shortage.

Regardless of rain, we seem to be on pace for a crop with higher than average yields, which may intensify some of the market dynamics of excess and continue downward pressure on pricing. Between now and the release of the NASS Crush Report, there will be many predictions of crop size, a number of which are state-wide. While this macro number gives a general direction of supply, it does not help when looking at individual markets. For example, a large crop of Pinot Grigio does not have any influence on the market for Sonoma County Cabernet Sauvignon.

The balance of supply to demand and where we are in the short- and long-term trends of the wine business fluctuates all of the time; it's not wise to assume the markets are the same as when you last talked with us. We continually advise our clients, if needed, to be active in the market rather than attempting to time the high or low of a given market, which carries tremendous risk. That strategy only works with luck and has proven to be unsuccessful in the long run. Instead, the best investment strategy is to dollar cost average and not chase the bulk wine or grape markets. If you have waited for market validation on a theory or decision based around a changing market, then most likely the optimal time has already passed.

Do not assume that due to a larger crop that the markets are not active. Opportunity is out there, so give us a call. Following are market updates from the grape brokers on the harvest of 2018 to date and the current bulk wine market.

# Grape Crop

## North Coast

by Mike Needham



Right now, we are in the midst of harvest, which is later than the last couple of years. This is not a surprise; bud break, bloom, and veraison were later as well, but the size of the crop has slowed ripening. Normally at this time of the year, we would be wrapping up with Pinot Noir and Chardonnay, but a small percentage is still on the vine. All of the reports that we are getting back from growers indicate that grapes are coming in above estimates. We are just starting with Cabernet Sauvignon,

but there isn't any reason to expect that yields will not be above average for Cabernet Sauvignon as well. It is shaping up to be a plentiful crop in 2018.

However, there are some challenges with this harvest. Before harvest started, there was smoke exposure in Lake and Mendocino Counties similar to what Napa and Sonoma experienced last year. Wineries and growers are working through those situations. There was also a rain event in the North Coast on October 1st that was very challenging. Growers are doing everything they can to open up canopies to alleviate rot concerns. Fortunately, there has been some wind since then which will hopefully keep the botrytis at bay. Another challenge in 2018 are tank constraints. Wineries are finding it difficult to take advantage of current supply opportunities since most just don't have anywhere to put the grapes.

Quality of the fruit that has come in is reportedly very good, and there is plentiful supply available. Plentiful equals opportunity. There are opportunities right now for grapes, so if you are in the market or would like more information, please reach out to us and we will talk to you soon.

## Interior

by Erica Moyer

It was bound to happen, it was only a matter of time. Young vineyards, perfect spring, mild summer... BOOM! Increase yields and a lot of juice.

Is there space at the Inn? There was just enough space for contracted grapes, but excess tons from a contract or uncontracted grapes? Space is tight, and prospective buyers are scarce. Most wineries are not taking tonnage above the contracted amount. It has not been since 2008 and 2009 when we last saw a market like this. In the San Joaquin Valley, prices for uncontracted or "surplus" grapes range from \$220 to \$175 per ton. There were a few buyers picking up tons (500ish around \$300 to \$400 per ton), but that was a drop in the bucket compared to the amount currently available. There were reports of record yields of Chardonnay from the Delta to Fresno. At this time, harvest is all red in the San Joaquin Valley.



In Monterey County, two to three weeks before Pinot Noir and Chardonnay harvest, we had a quick market for a limited amount of tonnage at prices half of the district average or less. The same scenario in Monterey is happening in the San Joaquin Valley—wineries are holding to the contracted amount. The Chardonnay harvest began as Pinot Noir finished. This harvest is three weeks later than last year.

Growers that are trying to figure out what to do with their excess tons: sell at "surplus" prices, custom crush or..... We can help you in making that decision.

We have been here before, and we can help you plan for what lies ahead.

# Grape Crop continued



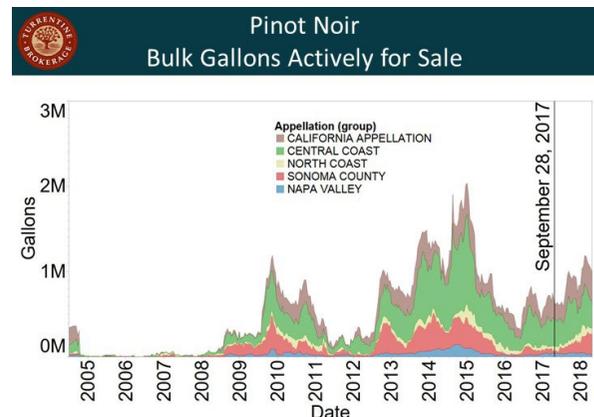
## Central Coast

by Audra Cooper

White varieties are nearly through harvest in the warmer areas, and many reds are starting to be picked or are two to four weeks from reaching their desired Brix. All varieties have sized, but it is difficult to say with any certainty what the true size of the crop actually is until we are well into harvesting each variety. April and May's frost did diminish the crop in some areas such as Santa Maria, Creston, and Shandon, but overall, the crop appears to be healthy. Chardonnay in most areas looks to be above average with the exception of Santa Maria Valley. Cabernet Sauvignon appears to be closer to the average for the areas of the Central Coast where they have already started picking, but for the spots where Cabernet is still 20-22 degrees Brix, the crop looks healthy.

Currently, there are opportunities to purchase grapes throughout the Central Coast for several varieties including; Chardonnay, Pinot Noir, Cabernet Sauvignon, Grenache, Syrah, Merlot, and Petite Sirah. The current market climate is a buyer's market and most everything available is at attractive prices. The clock is ticking: call us soon to discuss the finer details of the market and potential opportunities for you.

# Bulk Wine Market



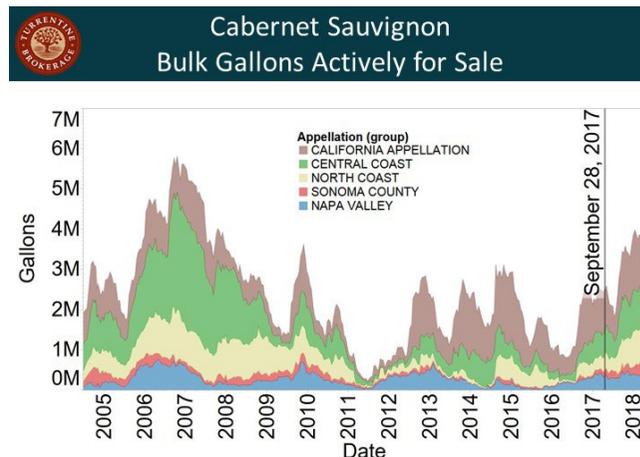
## Pinot Noir

by William Goebel

Currently, there are over 1 million gallons of Pinot Noir available in the current market. Nearly a quarter of these gallons are from Oregon. In the state of California, we have just under 1 million gallons available as indicated above.

The majority of the supply is from the Interior and the Central Coast. In Sonoma County, there are just over 150k gallons available of 2017 Pinot Noir available as we begin harvest in 2018. Supply is outpacing demand in this market, and we have seen a wide range of pricing on bulk wines that have traded from all appellations. Demand in the Interior and Central Coast is for single-digit prices and we have seen a softening in Sonoma County and Russian River Pinot Noir which are currently selling in the low-teens. We have also seen some deals in Willamette Valley moving at similar prices to Sonoma County.

# Bulk Wine Market continued



## Cabernet Sauvignon

by Marc Cuneo

We are currently looking at more gallons of Cabernet Sauvignon available on the bulk market than we have at any point since 2008. What does this mean?

There are approximately 300k gallons of Sonoma County, 370k gallons of Napa Valley, and about 1.3 million gallons in the Central Coast. It is a different market for Cabernet Sauvignon than we have seen in the past. Understanding how this market pertains to you and your business in 2018 heading into the holidays, and more importantly, how things set up going into the first quarter of 2019 are very important. Give your Turrentine wine broker a call early and often to figure out your situation around Cabernet Sauvignon or any of your other bulk wine buying or selling needs.

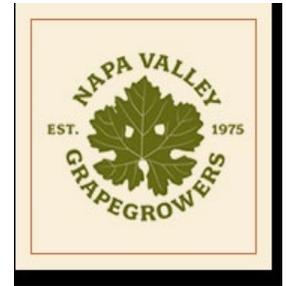
## The 2018 Crop Contest is Underway!

Enter your best guess for a chance to win the Grand Prize!  
**A YETI Tundra Ice Cooler!**



# Turrentine on the Road

2018 ROOTSTOCK - November 8th  
Napa Valley College



Join Turrentine Brokers at the only event of its kind in the industry focused on connecting vineyard practices to wine quality. Turrentine will have a booth at this event, so be sure to stop by.

[Click here for more information.](#)

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2018 WINE INDUSTRY EXPO - December 6th  
Sonoma Co. Fairgrounds, Santa Rosa

Turrentine Session:  
**HARVEST RECAP &  
2019 GRAPE AND BULK WINE FORECAST**



This session presented by **Brian Clements** and **Bryan Foster** of Turrentine Brokerage, will recap the 2018 harvest and provide an update of the current state of the bulk wine market and grape market with specific emphasis on the North Coast. The session will also examine sales data, trends in the marketplace and cyclical activities that have historically impacted the North Coast and forecast what we might expect that impact to be.



In addition, visit our **Booth #128**, as many of our brokers will be present to discuss the market. [Click here for more information.](#)



## AVAILABLE

- +2018 Napa Valley Sauvignon Blanc
- +2018 Lake County Sauvignon Blanc
- +2018 California Sauvignon Blanc
- +2018 Sonoma County Chardonnay
- +2018 Sonoma County Pinot Noir
- +2018 Napa & Sonoma Co. Rose
- +Paso Robles Cabernet Sauvignon: 626,000 gallons
- +Napa Valley Cabernet Sauvignon: 360,000 gallons
- +2016/2017 Central Coast Pinot Noir: 40 lots
- +2016/2017 Central Coast Chardonnay: 80 lots
- +All North Coast Zinfandel: 491,000 gallons
- +2016/2017 Merlot: various availability
- +2016/2017 CA Petite Sirah: various availability
- +2017 Rose: various availability
- +2017 Russian River Pinot Noir
- +2017 Willamette Valley Pinot Noir
- +2016/2017 Washington Cabernet Sauvignon, Merlot, Riesling, Chardonnay, Syrah and Dry Red

## NEEDED

- Storage
- Processing



## AVAILABLE

### North Coast:

+Sauvignon Blanc, Chardonnay, Pinot Noir, Merlot and Cabernet Sauvignon from all areas, truckload quantities

### Central Coast:

- +Westside Paso Robles Cabernet Sauvignon, 4 truckloads
- +Westside Paso Robles Head-trained Zinfandel, 5 tons
- +Eastside Paso Robles Cabernet Sauvignon, Large and small lots
- +Edna Valley Grenache, currently at 22.1 brix, 10-15 tons
- +Edna Valley Chardonnay and Pinot Noir, truckload quantities
- Monterey Chardonnay, Pinot Noir, Grenache and Cabernet Sauvignon, truckload quantities

### Interior:

Cabernet Sauvignon, Tannat and Malbec, truckload quantities

## BULK WINE BROKERS

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