

# TURRENTINE BROKERAGE

## Market *Update*

May 22, 2017 | Telephone: 415.209.9463

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## It's Not Always About *Price*



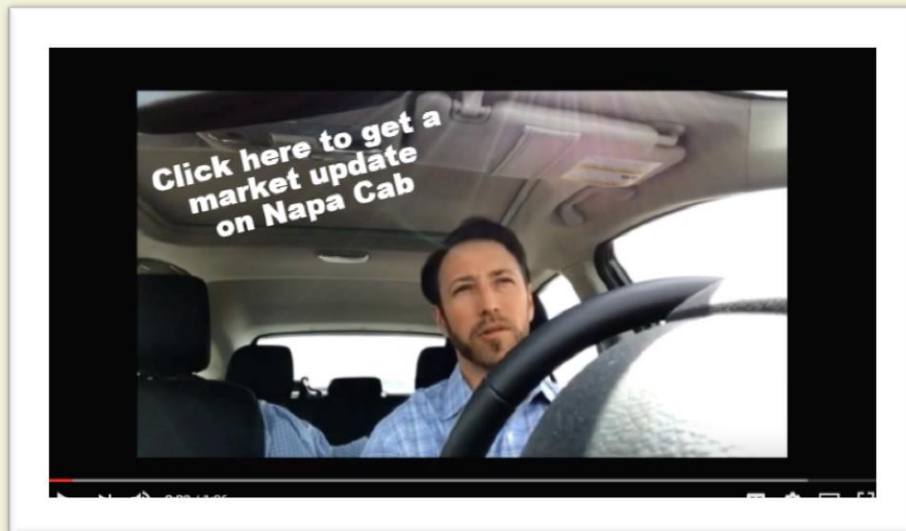
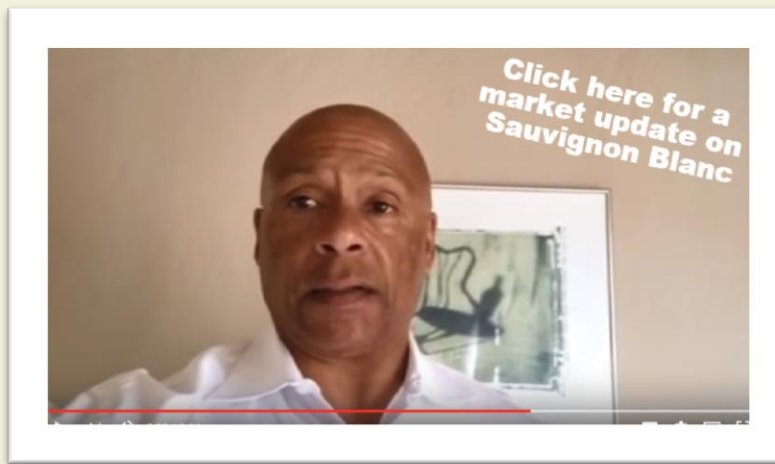
A few years before the big Pinot Noir boom in California, a Carneros grower was receiving the highest price in the state for the great and fickle grape of Burgundy. The price was in the neighborhood of \$4,000 per ton. The grower gave a tour through the vine rows and he was obviously—and deservedly—proud of what he had accomplished with this beautiful patch of earth. Over a glass of the vineyard-designated wine made from his grapes, however, he confided that his winery customer was not only late paying for the most recent harvest but also had not yet paid for the year prior.

Price is obviously a critically important factor for those who buy or sell wine grapes, but pricing for wine grapes is complicated. No two vineyards are exactly alike and no two buyers are exactly alike. Price depends on many things including length of contract, crop load, Brix and other viticultural requirements, appellation, and quality considerations that are often difficult to quantify. Market information is often not much more than coffee shop talk and is subject to error and misinterpretation. The only public data source for the prices of California wine grapes, the annual Federal State Market News Service publication, *The Grape Crush Report*, published in the February (preliminary) and the March (final) following each harvest, provides invaluable and comprehensive data about the previous year's prices paid for wine grapes. While these numbers reveal the actual prices paid, they are published long after harvest is over and they combine without distinction current prices with prices in multiyear contracts, sometimes negotiated in very different market conditions. These prices should not be confused—as they sometimes are—with real spot market prices, those which are being negotiated in the current market. Turrentine Brokerage, in fact, has long been the only source of regularly published current spot market prices based on a significant volume of sales.

These prices are critical in our job of assisting growers and wineries negotiating grape purchases, but spot market pricing trends are not all that growers and wineries need to know. Growers need to know such things as the financial stability of the winery, as well as its marketing prowess, its reasonableness, its Brix ranges, crop load targets and other viticultural requirements. Wineries need to know the quality potential of the grapes and the viticultural skill of the grower. Can he or she be counted upon to deliver high quality fruit in the quantities agreed to even in difficult years? Both grower and winery have to consider the advantages and disadvantages of multiple year contracts and the numerous pricing mechanisms that can be employed to determine the price in future years.

Since 1973 team Turrentine has been walking vine rows and making deals, not merely as a commodity broker but as a relationship facilitator. We understand that while getting the best price for your grapes is important, knowing who you are doing business with, may be even more critical. Don't get burned like the Carneros grower. Put our knowledge of a complicated and always changing market to work for you, to make the best deal.

## Bulk Broker Updates



# Turrentine Annual Crop Contest

Turrentine Brokerage would like to thank everyone who participated in this year's Annual Crop Contest for the 2016 harvest. It was a great turnout, with lots of competition!

## GRAND PRIZE WINNER!

### WILL NORD

### NORD VINEYARD SERVICES

### State Wide Total Wine Grapes

All winners received a plaque and a bottle of champagne.  
Grand prize winner received a Yeti Cooler!



And CONGRATS to all the winners!

<b>Andy Weyrich</b> Mesa Vineyard Management <i>Napa Chardonnay</i>	<b>Dr. Nichola Hall</b> Scott Labs <i>Statewide Cabernet Sauvignon</i>
<b>Fiona Hardin</b> Delicato Vineyards <i>Sonoma Chardonnay</i>	<b>Jerry Chong</b> Duckhorn Wine Company <i>Napa Cabernet Sauvignon</i>
<b>Matthew Reid</b> Benessere Vineyards <i>Central Coast Chardonnay</i>	<b>Don Clark</b> Nord Vineyard Services <i>Sonoma Cabernet Sauvignon</i>
<b>Megan Hill</b> Lambert Bridge Winery <i>Lodi/Delta Chardonnay</i>	<b>Mike Shoup</b> Sin Nombre! Vineyards <i>Central Coast Cabernet Sauvignon</i>
<b>Gabriel Froymovich</b> Vineyard Financial Associates <i>Statewide Chardonnay</i>	<b>Louise Tolbert</b> Joel Gott Wines <i>Lodi/Delta Cabernet Sauvignon</i>
<b>Daniel Estrin</b> Littorai Wines <i>Statewide Merlot</i>	<b>Betsy Beros</b> Geyserville Investments <i>Statewide Zinfandel</i>
<b>Julie Nord</b> Nord Vineyard Services <i>Napa Valley Merlot</i>	<b>Jason Domingos</b> JD Farming, Inc. <i>Napa Zinfandel</i>
<b>Jon Ruel</b> Trefethen Family Vineyards <i>Sonoma Merlot</i>	<b>Jim Simmons</b> Russian Creek Vineyards <i>Sonoma Zinfandel</i>
<b>Charlie Gilmore</b> CK Mondavi <i>Central Coast Merlot</i>	<b>David Sailer</b> Paso Robles Wine Services <i>Central Coast Zinfandel</i>
<b>Patrick Callagy</b> Taft Street <i>Lodi/Delta Merlot</i>	<b>Dana Grande</b> Ferrari-Carano Vineyard & Winery <i>Lodi/Delta Zinfandel</i>



# Wine Benchmarking Survey



**TURRENTINE**  
GRAPES & WINE



Because You're Different

**MOSS ADAMS LLP**

Certified Public Accountants | Business Consultants



**AMERICAN  
AGCREDIT**  
MONEY FOR AGRICULTURE

## Want Benchmarking? Participate.

### Take the 2017 Moss Adams Wine Industry Financial Survey

The most comprehensive industry survey of financial and operational benchmarks provides wineries and grape growers with comparative information—especially vital for an industry in which such data is difficult to obtain or present in a meaningful way.

The extra 30 to 45 minutes of effort is well worth the benefits and information you will receive!

#### What you'll get:

- **A free copy of the final report.** Receive it before non-participants can purchase it—a \$495 value!
- **Complimentary personalized benchmark reports.** Measure your business against validated, reliable industry statistics in an easy-to-understand, personalized report—exclusively for participants.
- **Supporting the work you love.** Participation by the wine industry is crucial in compiling significant data all participants can benefit from.

[Click here](#) to participate. Once registered, you'll receive an email with your unique survey link and instructions. Check your spam folder if you don't receive the email within five minutes.

### Here are some excerpts from the last survey done in 2013:

#### CHANNEL STRATEGY

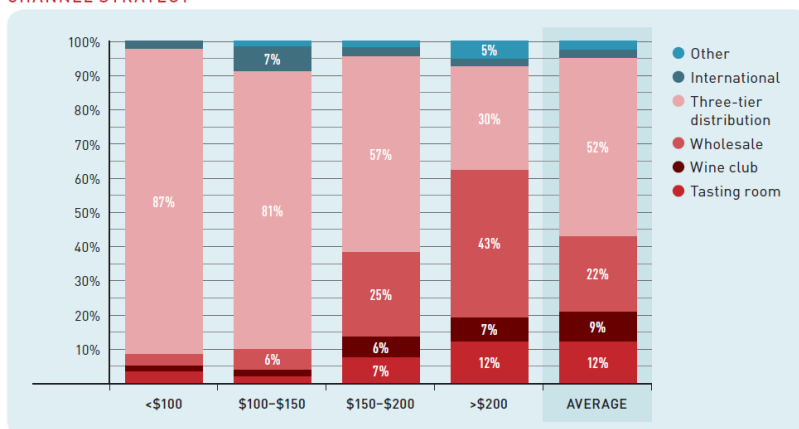
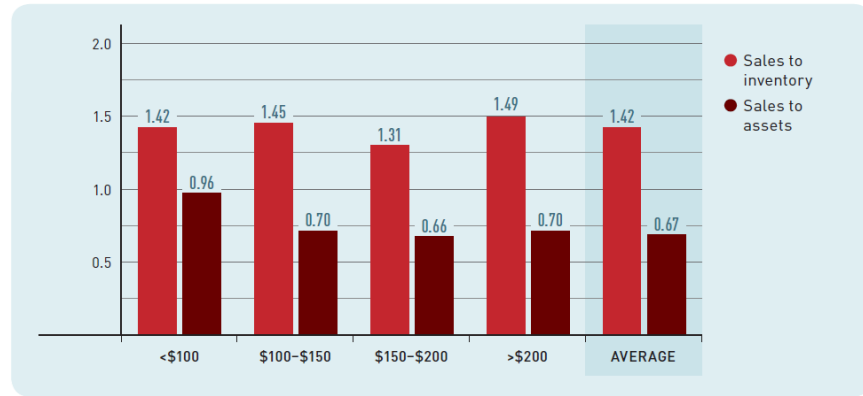


Figure 28 clearly shows that lower-priced wine products are more likely to be sold through the three-tier distribution channel. At 87%, the sub-\$100 price segment showed a 1% increase over what was reported in 2009. In the three higher-priced categories, the percentage sold through three-tier distribution declined from the 2009 survey results, particularly in the over \$200 segment, which dropped by 50%, to 30%. The channel analysis clearly supports the notion that higher-priced wine is less likely to be sold via the three-tier distribution system and as the percentage of wine sold through the three-tier distribution channel has declined, the direct-to-consumer percentage has increased. The 2013 data set shows the industry sold an average of 52% of its wine through three-tier distribution. Producers of the highest-priced wines used this channel for only 30% of their sales and sold 43% through wholesalers.

#### SALES EFFICIENCY



When we compared asset utilization efficiency across price categories, a clear correlation didn't emerge with the data. Similar to our 2009 results, the highest sales-to-asset ratios were generated by the under \$100 category, while all the over \$100 price categories experienced relatively similar results to what was reported in 2009. The analysis indicates that wineries in the lower-price segments used their assets more efficiently by virtue of a higher sales-to-asset ratio. This ratio analyzes the amount of sales generated with each asset dollar, and the findings are consistent with the size advantage of large-volume wineries with low-price-point products. However, all the price segments had somewhat similar sales-to-inventory results, which shows that the high-volume, low-price-point wineries weren't generating substantially more revenue dollars for every dollar of inventory on hand. As compared to our 2009 survey, the industry average sales-to-inventory ratio was nearly identical but the sales-to-asset level was nearly 50% greater.

## Turrentine On The Road

### VINEYARD ECONOMICS SEMINAR

May 24th

Grape Broker Mike Needham and Bulk wine broker Marc Cuneo will be presenting at this event. The seminar continues a long tradition of researching and analyzing the wine industry with the goal of presenting vital and useful information for winegrowers, as well as vintners and professionals involved in the financial and legal sectors of the wine business. [Click here](#) for more information.



## LODI VINEYARD AND WINE SYMPOSIUM

June 29th

You won't want to miss Lodi area Grape Broker Erica Moyer and Bulk wine broker Marc Cuneo presenting at the Wine & Roses Conference Center. A full-day event, the program is filled with wine experts and influencers active in shaping the future of the wine business in Lodi and surrounding regions. [Click here](#) for more information.



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## INTERNATIONAL BULK WINE & SPIRITS SHOW

July 26th-27th

Save the date. Our international team of Steve Fredricks, Bryan Foster and Chance Hoschild will be attending. [Click here](#) for more information on this event.





## **AVAILABLE**

+2015/2016 Paso Robles Cabernet Sauvignon

+2015 Central Coast Pinot Noir: 15 lots

+2016 Central Coast Pinot Noir: 18 lots

+2015 Central Coast Chardonnay: 15 lots

+2016 Central Coast Chardonnay: 25 lots

+2016 CA/Lodi Zinfandel: 36 lots

+2014/2015 Sonoma County Zinfandel: 25 lots

+2014/2015 Central Coast Merlot: 24 lots

+2016 Rutherford Sauvignon Blanc

+2016 North Coast & Sonoma County  
Sauvignon Blanc

+2016 CA Pinot Grigio

+2016 CA Pinot Noir

+2015/2016 Blush Wines: 41 lots

+2014/2015 WA & OR Red and White Wines

+2016 WA Cabernet Sauvignon

+2016 WA Riesling

+2016 OR Pinot Noir

## **NEEDED**

-2015/2016 Napa Valley & Sonoma County  
Cabernet Sauvignon

-2015 Napa Valley & Sonoma County Red  
Bordeaux Blenders

-2016 Sonoma County Chardonnay &  
Pinot Noir





## AVAILABLE

+Contra Costa Cabernet Sauvignon

+Lodi Syrah & Petite Sirah

+Paso Robles Petite Sirah, Malbec and Chardonnay, truckload quantities

+ Santa Lucia Highlands Pinot Noir: Premium, handpick

+San Antonio Valley Dolcetto

+North Coast Merlot, truckload quantities

## NEEDED

-2017 Pinot Noir

-2017 Chardonnay

-2017 Central Coast Grenache

-2017 Central Coast Sauvignon Blanc

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