

# TURRENTINE



Market Update  
June 12, 2019 | Telephone: 415.209.9463

## The Crunch Before Crush

Based upon the weather patterns this spring, it is difficult to comprehend that harvest will start in the next six to eight weeks. The crush may not be starting for months, but the bulk wine market crunch has already begun. Due to our experience with the balance of supply to demand and understanding the cycles, we have been seeing the indicators for a changing market to excess for some time. Our team of brokers and support staff are working persistently to bring opportunities to both sellers and buyers for deals today and relationships that can grow into longer-term contracts. Over the last year or so, we have had a fair amount of success negotiating deals for grapes, bulk wine, and strategic brands, but there are certainly more deals to complete. For those clients that work with us consistently in all market conditions, our work early in the transition to excess has put them in a better position to manage the challenges of this cycle.

Now in crunch time, buyers and sellers are carefully weighing crop estimates against sales projections—unfortunately neither of which are highly reliable. Bulk sellers are determining whether they have sufficient tank space, and cash flow, to carry any unsold bulk wine through harvest. Bulk buyers are coming up against deadlines to wrap up their bulk wine blends to get labels approved, components blended, wines stabilized, and bottled before grape deliveries start.

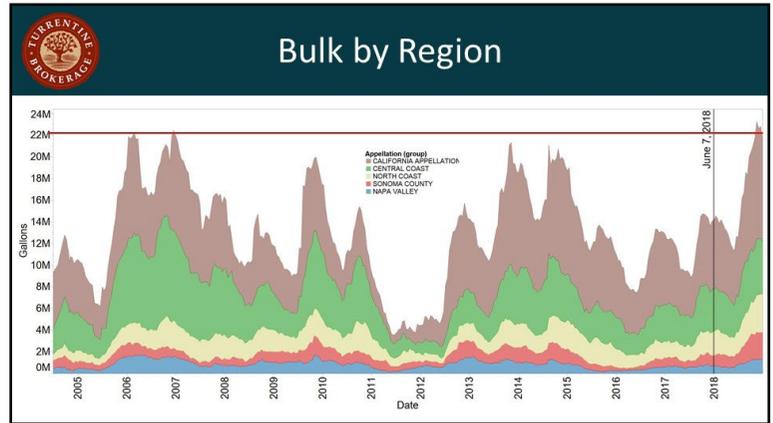


Like crush, crunch time means complex and challenging decisions need to be made quickly. The challenges everyone faces in a market of excess are exacerbated by a combination of excess supply from above average yields, new acres, and high cost of goods during a time of slowing casegood sales growth.

## Bulk Market

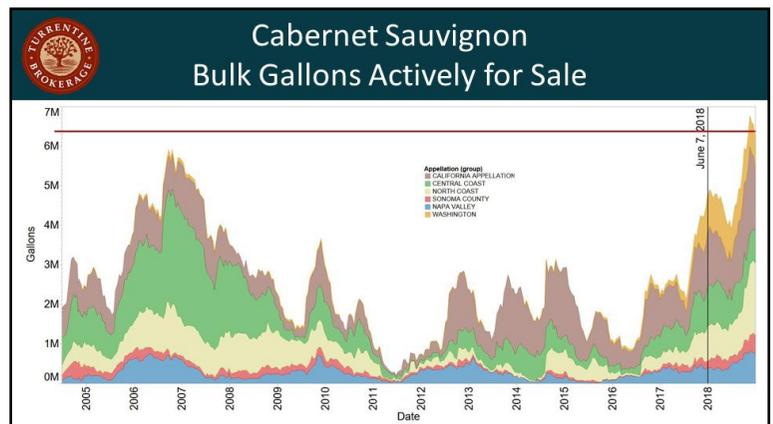
Adding to the yearly complexity of crunch time are the volumes of bulk wine on the market and in tanks due to the bountiful 2018 harvest. Volumes of bulk wine have increased from all regions and are primarily 2018 vintage, but the volume of previous vintage lots are greater than in recent years. This is only encouraging buyers to move slowly and, in some cases, preventing them from taking advantage of available opportunities due to the lack of tank space to store wine. Yet, on the positive side, we are consistently facilitating deals for smaller volumes of wine to innovative and opportunistic clients. We have seen interest in dry white and some varietal red wines at around \$2.00 per gallon and under for larger volumes, but they will likely have more wine offered to them than they can purchase. If you need to sell wine the choices are few, the

the decisions are tough, and unfortunately these decisions need to be made quickly. We have been working the market for months making sure buyers know the options, but crunch time is here. If you are a bulk wine buyer and have not yet made yourself known, please do. Also, if you have tank space available, please contact your broker so we can find the right match.



## Cabernet Sauvignon

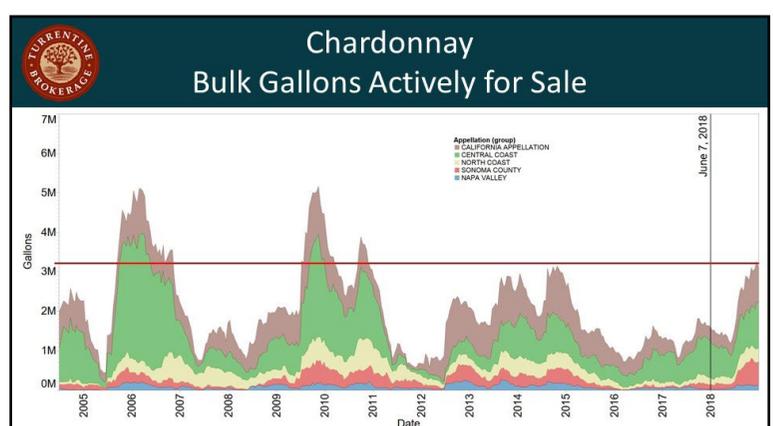
The largest volume percentage increases from last year are Napa Valley and California appellation wines. Both regions had great yields in 2018 coupled with newly bearing acres. Escalation of price over the last few years for Napa Valley appellation grapes and wines drove some buyers to source from alternative appellations, and we have been communicating the opportunities with these buyers. Some have



taken advantage of it and returned—but not all. Demand for Napa Valley wines has been for both 2017 and 2018 vintage wines with prices lower than last year but holding over the last few months. However, with harvest a few weeks away, the downward pressure on price is upon us. There were some early buyers in the market for Paso Robles wines in the \$8.00 to \$11.00 range for smaller volumes of specific quality lots of 2017 and 2018 wines. These buyers have made their purchases and are now out of the market. There are still some larger volumes of 2018 Paso Robles Cabernet Sauvignon, and the market for those lots is challenging as harvest approaches. It may take California appellation or global varietal pricing to sell prior to harvest. Sales of Lodi appellation wines has been consistent for more moderate sizes of one to four truckloads, but recently the activity has slowed. Options for bulk buyers remain abundant for high quality Sonoma County, Lodi, North Coast, and Central Coast wines in bulk.

## Chardonnay

Despite larger yields per acre in the coastal areas, especially in Sonoma County, the bulk inventory is still relatively modest compared to past years. As we have been reporting, the current Chardonnay bulk volume increases are likely to be more short-term due to the higher than average yields per acre in 2018 as opposed to growth in supply from new acres, but that may not necessarily translate to higher bulk wine prices today. Buyers

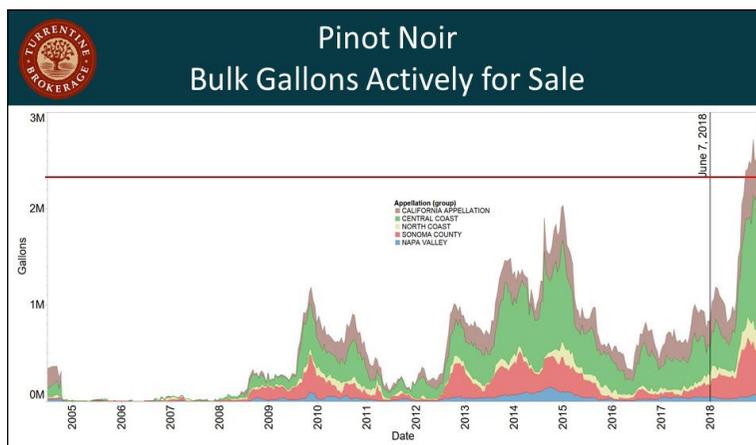


have been intermittently active for Sonoma County and California Appellation lots, but supply is outstripping current demand. There are some great options for buyers looking for Russian River Valley and Monterey County Chardonnay still on the market.

Meanwhile, global supply of value Chardonnay is more balanced than it has been in a few years. The bulk price for 2019 Australian Chardonnay has been steady and inventory for sale is low. Chile is not a large global supplier of Chardonnay, but the harvest in Chile was better than early projections which has brought more wine to the bulk market.

## Pinot Noir

Opportunities for bulk Pinot Noir from Sonoma County and the Central Coast are plentiful. Above average yields in 2018 and newly bearing acres have resulted in increased inventory. The bulk market for 2018 vintage Pinot Noir wines started as grapes were being harvested. Over the last few months, the active buyers in the market have been sourcing smaller volumes of 2018 vintage Pinot Noir for opportunistic labels or for private labels, but the market has slowed in recent weeks.



Give us a call for market information on any other varieties or regions. Now is as good a time as any to contact us if you need some wine or if you have not already listed the wine you would like to sell. If you have extra tank space also give us a call!

## Grape Market

### North Coast - Mike Needham

The season has been cooler than normal resulting in vine development that is two to three weeks behind last year. Growers are dealing with the heavier than normal vegetative growth as a result of the amount of rain this winter and well into spring. Bloom is just finishing in some of the warmer regions of the North Coast. So far there are a few signs of shatter, an indicator that the May rains may have had a minor impact on set. Much more information will be coming in over the next couple of weeks to determine the level of impact by region and variety on the market going forward. While it is still early, the perception of growers and buyers is that the crop potential remains average to above average, but there is still a lot of time for Mother Nature to alter the size of the crop. Buyers, as usual at this time of year, are waiting to get a handle on the crop post set.

The pace of the market is the slowest we have seen since 2011. There are opportunities for Russian River Chardonnay and Pinot Noir and Napa Valley Cabernet Sauvignon that we have not seen in a number of years. The earlier you make decisions, the higher the probability that growers can accomplish the viticultural practices necessary to grow and harvest grapes that will meet and exceed your standards.

## Central Coast - Audra Cooper & Erica Moyer

The season is 10 to 14 days behind last year, which was also a cooler year, but fortunately the May rains have not affected the vines or set in any way. There have been some windy afternoons, but those are not uncommon. Santa Barbara County and Monterey County are nearly 100% through set and the indicators are that the crop size looks solid for both Pinot Noir and Chardonnay. In the next few weeks, Cabernet Sauvignon in Paso Robles will be finished with set. At this time, there are fields with 10-20% shatter; however, the overall crop size in these fields still have the potential to be at least average.



Bunch counts appear to be similar to last year, setting up for average to above average yields. Buyers are waiting to make any additional purchases until they get further information on crop size and updated casegoods sales projections. There have been some recent sales of Paso Robles Cabernet Sauvignon from both the Westside and Eastside, but demand is currently much smaller than supply actively for sale. The market in general is slower than last year for all varieties including Grenache for Rosé and Sauvignon Blanc that have been more active the last few years. In Monterey County, there were early sales of a small quantity of Pinot Noir, with very limited resins.

There are a lot of opportunities for varieties, so don't assume that what you need is not available. To echo the comments from the North Coast, the earlier you get out to see the grapes and make a deal the higher the probability that growers can accomplish the viticultural practices necessary to grow and harvest grapes that will meet and exceed your standards. If you have grapes you need to move, please call us as soon as possible.

## Interior - Erica Moyer

In the Lodi/Delta region, the May rains did not have an adverse effect on crop set for the early varieties like Chardonnay and Pinot Noir. However, there is shatter in later varieties such as Cabernet Sauvignon and Merlot. The amount of shatter will likely not reduce the crop, as cluster counts are similar to last year, and in some cases above. The May rains did bring more moisture, resulting in high vigor and vegetation. In the Southern Central Valley, the bunch counts are greater than last year and the vineyards are healthy after the abundant rainfall.

Market activity has been similar to last year with limited resins, along with quick and swift Chardonnay purchases in Lodi, Clarksburg, and farther south, but there are still Chardonnay grapes available, and as mentioned in the bulk market update, the long-term supply seems more balanced with demand on the value-end of the market.

We are empathetic to the challenges that our clients are facing and we have been, and continue to be, working hard to bring all opportunities to sellers and buyers to help them move through this part of the cycle. During this time in the market cycle, being strategic in selling and buying grapes and bulk wine is key. Timing is also important, so don't hesitate and give us a call. We are the team to help you maximize your options in today's market.

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## 2018 CROP CONTEST

The results are in!

A big thanks to all who participated!

All winners receive a bottle of Champagne and a personalized plaque for bragging rights.

### Grand Prize Winner:

SCOTT WILLIAMS  
COASTAL VINEYARD CARE

**Statewide  
Total Wine Grapes**

Congratulations Scott on winning the Grand Prize!  
Scott will receive a brand spankin' new YETI Cooler!

Chardonnay	Cabernet Sauvignon
GLENN ANDRADE TRINCHERO FAMILY ESTATES STATEWIDE	DAVID OSTHEIMER DELICATO FAMILY VINEYARDS STATEWIDE
JASON ROBIDEAUX CLOS LACHANCE WINES NAPA	MIKE SHOUP SIN NOMBRE! VINEYARDS NAPA
RYAN BOOMER REDWOOD VALLEY CELLARS SONOMA	NIELS UDSEN CASTORO CELLARS SONOMA
EMILY COVINGTON E & J GALLO WINERY CENTRAL COAST	GRAYSON STEWART THE WINE GROUP CENTRAL COAST
MEGAN HILL IRON HORSE VINEYARDS LODI/DELTA	RODNEY SCHATZ PELTIER WINERY & VINEYARDS LODI/DELTA
Merlot	Zinfandel
MICHELLE NEVAREZ CONTRERAS DELICATO FAMILY VINEYARDS STATEWIDE	JERRY CHONG DUCKHORN WINE COMPANY STATEWIDE
NICHOLAS FANTOZZI KIRBY VINEYARDS NAPA	DON ACKERMAN CONSTELLATION BRANDS NAPA
BILL RICIOLI RICIOLI BROS SONOMA	TERRENCE SMITH SMITH VINEYARD SONOMA
MICHAEL BLANEY PARAGON VINEYARD CENTRAL COAST	KYLE PETERSON WINEHAVEN WINERY CENTRAL COAST
ANDY WEYRICH MESA VINEYARD MANAGEMENT LODI/DELTA	CALEY SHOEMAKER HANGAR 1 DISTILLER LODI/DELTA

# Turrentine on the Road



**CALIFORNIA  
ASSOCIATION  
of WINEGRAPE  
GROWERS**

CAWG 2019 Summer Conference  
June 25, Sonoma, CA

Turrentine's Erica Moyer and Steve Fredricks will be attending the CAWG 2019 Summer Conference in Sonoma.



IBWSS  
July 23-24, San Francisco, CA

Turrentine broker William Goebel will be attending along with Strategic Brands National Sales Manager, Bryan Foster.

IBWSS is the biggest gathering of bulk and private label wine, beer, and spirits professionals and will give supermarkets, retailers, restaurants, wineries, distilleries and other buyers a premier international platform to source bulk wine and spirits and meet private label suppliers.

## BULK WINE market opportunities

### AVAILABLE

- +2018 All of North Coast Sauvignon Blanc: 63 lots, 472,000 gallons
- +2018 Sonoma County Chardonnay: 56 lots, 528,000 gallons
- +2017 & 2018 California Cabernet Sauvignon: 65 lots, 1,500,000 gallons
- +Napa Valley Cabernet Sauvignon: 160 lots, 988,000 gallons
- +Sonoma County Cabernet Sauvignon: 66 lots, 428,000 gallons
- +2018 Sonoma County Pinot Noir: 44 lots, 434,000 gallons
- +Central Coast Pinot Noir: 78 lots, 947,000 gallons
- +Central Coast Chardonnay: 78 lots, 1,000,000 gallons
- +Dark Red Blenders: many options from all areas

NEEDED - Storage

## GRAPE market opportunities

### AVAILABLE

- +Russian River Pinot Noir - truckload quantities
- +Napa Valley Cabernet Sauvignon & Chardonnay: truckload quantities
- +Sonoma Coast Chardonnay - truckload quantities
- +Sonoma County Sauvignon Blanc - truckload quantities
- +Santa Barbara County Pinot Noir & Chardonnay in all sub-appellations
- +South Paso Robles Cabernet Sauvignon - truckload or greater quantities *(Continue next page)*

# GRAPE market opportunities (continued)

+Santa Ynez Grenache, Syrah, & Sauvignon Blanc

+San Antonio Valley Chardonnay & Cabernet Sauvignon

+Hillside Contra Costa County Mourvedre - 25 tons

+Hillside Contra Costa County Albarino, Verdejo, Graciano, Chenin Blanc - small quantities

+Lodi Old Vine, Head Train Zinfandel

## BULK WINE BROKERS

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Steve Robertson, Broker/Partner  
All California & Interstate Regions  
415.827.0110

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Marc Cuneo, Broker/Partner  
North Coast, Interior & International  
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Neil Koch, Broker  
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Bryan Foster  
National Sales Mgr of Strategic Brands  
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