

TURRENTINE



Market Update
September 12, 2019 | Telephone: 415.209.9463

Here We Are Again

"The market has changed dramatically. It has changed in ways that are disastrous for some, difficult for many, and helpful for very few. It is a disastrous change for growers without contracts, especially growers in less prestigious areas or growers with average or below average quality fruit in any area. It is also disastrous for wineries that over-committed to high priced contracts or below average grapes and now must sell off wine at a fraction of the cost... But there are a few who have positioned themselves to play this market well. This takes either foresight or luck because you can position your company for excess only during the times of shortage. And you can position your company for shortage only during the times of excess. While everyone else is focused on stemming losses, they have a wonderful chance to grab market share. The smartest of these are already thinking ahead to the next time of shortage."

Here we are again, a market of excess. [The Turrentine Wine Business Wheel of Fortune](#) and its depiction of the market cycles are, once again, being discussed, reviewed, and hailed as relevant as ever. For the past 24 months, we at Turrentine Brokerage have been analyzing market variables and indicating to our clients the signs of the shift to a market of excess, especially as we realized the additional acres of Cabernet Sauvignon and Pinot Noir planted and the main focus of the wine business on premiumization.

As of this writing, the current market dynamics of an excess market have been accepted by wineries, grape growers, and other industry observers throughout California, Oregon and Washington. Our experience is that during past changes to excess, clients have described it as the worst they've experienced. The current excess cycle is very challenging for bulk wine and grape sellers to understand, due to the fact that demand, supply and prices have changed so dramatically in a relatively short period of time, just like in 2001 when Bill wrote the paragraph above, or in 1991 when I started at Turrentine.

Some sellers may be waiting to sell and hoping the market improves as harvest progresses, and some buyers maybe waiting as late as possible to get the best price. However, not everyone is waiting. Wineries and growers are making economic and emotional decisions to deal with the current market dynamics by buying and selling at current market pricing.

To balance inventories and to make room for 2019 coastal Pinot Noir, Cabernet Sauvignon and Chardonnay grapes, bulk wine lots have been sold at very low prices. Some varietal wines from the coastal regions and the

interior are being distilled. Certain growers have decided to hold off on inputs to vineyards knowing that an offer, if one comes, does not justify any more expense this year and they are looking toward next year hoping for an improved market. There will, most likely, be varieties in areas of California that will not be harvested due to current market conditions. Some growers are planning to pull out vineyards immediately after harvest and have not decided if those acres will be replanted to grapes.

To take advantage of opportunities there are wineries innovating with new labels, new packages, segmenting markets with new brands, and working through their excess inventory to come back to purchase bulk wine or grapes at a price that will help establish success with their new products. The strategy of securing less supply in 2019 to come back to the market in 2020 is being employed by more wineries than we have seen in the recent past. Negotiators are back in the marketplace to take advantage of opportunities which creates possibilities for sellers.

As stated above, the current market conditions are challenging, even if you have played the cycles properly and your grapes are contracted, or you are not in an over-supply of wine, the market forces can make normal business decisions very challenging. There are many headwinds in addition to the excess supply, but our industry has faced headwinds and challenges in the past and evolved to meet those challenges and grow. A good history lesson of what was happening and the headwinds of past cycles is in an article on the [history of the wheel](#) on our website.

Is this the worst market of excess? How quickly the bulk wine and grape markets move through the excess towards a more balanced market depends on the decisions and actions of wineries, growers, Mother Nature, and of course, Conrad and Connie Consumer. Time will only tell if this cycle is the worst. Actions are being taken to get through it.

-Steve Fredricks, President

Grape Market September 9, 2019

North Coast - *Mike Needham*

Sparkling wine producers are reporting that Chardonnay is picking out on estimates which are close to the five-year average, but below last year. Sauvignon Blanc harvest is well under way in Lake County, and while yields appear to fluctuate from vineyard to vineyard, it appears to be more light than heavy. Some early feedback from wineries is that Russian River and Sonoma Coast Pinot Noir is picking out above estimates, but yields per acre are not as heavy as last year. The most updated analysis from our vineyard visits and talking to growers and grape buyers is that grape maturity across varieties and regions of the North Coast is tracking similar to last year at this time.

In recent years, many of the quality grapes from the best sites and growers had already been contracted at this time, but opportunities are ripe this year. We have Russian River and Sonoma Coast Pinot Noir and Chardonnay, Napa Valley and Alexander Valley Cabernet Sauvignon, Napa Valley and Sonoma County Sauvignon Blanc all listed for sale. The tightest market for supply is Napa Valley Merlot. Buying activity has ramped up as we approach harvest for many varieties driven, in part, by the lower spot market prices. Recent deals for Russian River Pinot Noir and Napa Valley Cabernet Sauvignon have been well below last year's spot market average. If you have interest in any of the varieties listed above or another variety from a region, we are confident we can find great options for you.

Central Coast - Audra Cooper & Erica Moyer

In Monterey County, climatic conditions have allowed for berry sizing of Chardonnay and Pinot Noir, resulting in yield expectations to be average to average plus. Harvest is just getting started in Pinot Noir.

Wineries are remaining conservative in their purchasing due to capacity constraints and slowing sales. We have a good supply of Pinot Noir and Chardonnay available in all appellations of Monterey County, including Santa Lucia Highlands. There has been recent activity on Pinot Noir, but there are still good opportunities.

In San Luis Obispo and Santa Barbara Counties the crop is lighter than last year across all varieties and it appears to be hovering around average to slightly above long-term average yield per acre. Similar to



Monterey County good climatic conditions have led to berry sizing of Chardonnay and Pinot Noir. The later ripening reds do still appear to be behind normal maturity as of this date. Good Chardonnay and Pinot Noir grapes from Santa Barbara and San Luis Obispo are available. Good Paso Robles Cabernet Sauvignon and other red varieties are available and due to another year of plentiful rainfall the canopies on most vineyards look better than they have in 10 years. In the last few days limited activity from buyers is picking up as the early white varieties ripen up.

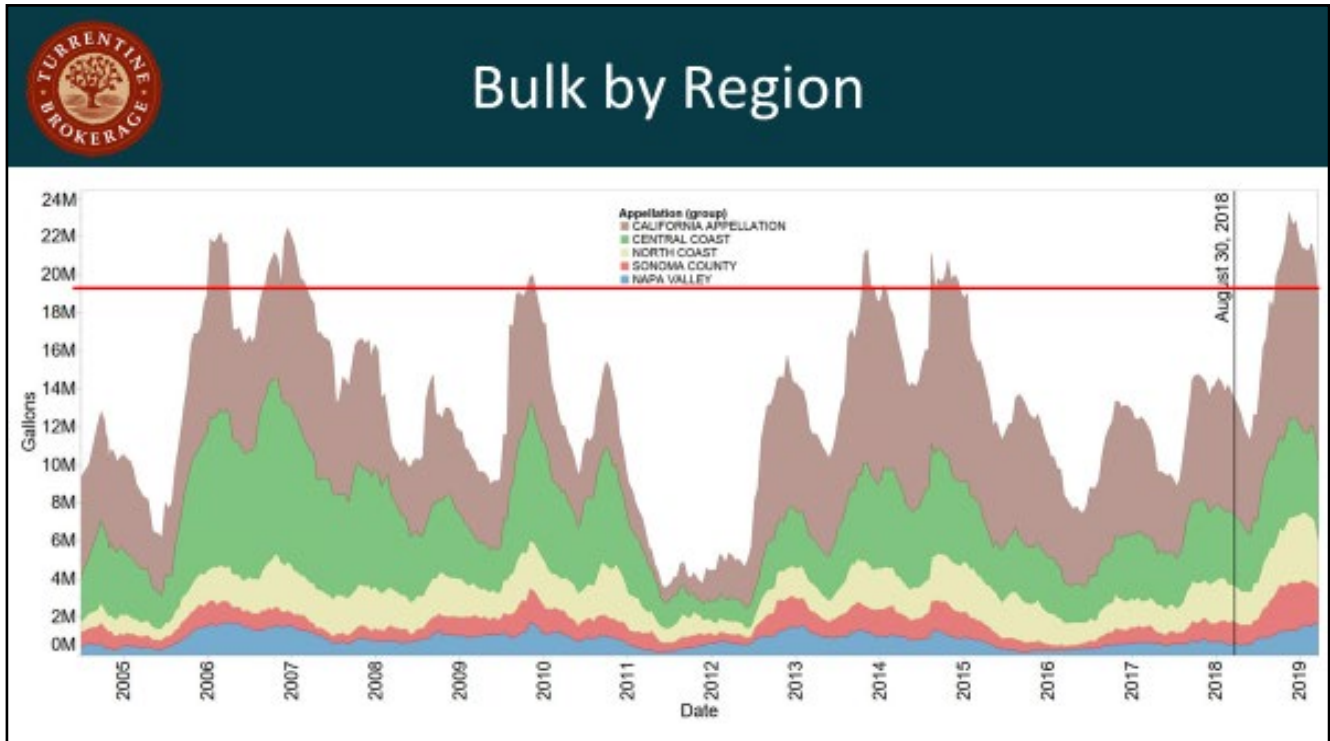
There are still many opportunities for grapes from all regions and all varieties available for purchase at reduced prices.

Interior - Erica Moyer

Harvest in the Interior has been underway for a month. Chardonnay for sparkling, Pinot Grigio and Sauvignon blanc are in the barn, as harvest has begun for Chardonnay, Zinfandel (red/white) and Pinot Noir. Merlot harvest will be right around the corner. In general, wineries are holding growers to their contracts and not accepting excess tons. There have been a couple exceptions, such as Pinot Grigio and Sauvignon blanc, where excess tons were either accepted by the winery or purchased by another winery. Yields for Chardonnay are average to average plus, as we are receiving calls to broker excess tonnage from contracts.

In the Lodi/Delta and Southern Interior regions, many tons remain unsold and our list of available grapes continues to grow, as wineries remain conservative in their purchasing due to capacity constraints and slowing sales. Although we have been busy making deals happen by being at the right place, with the right variety, with the right grower, at the right time. There has not yet been the volume of tons moved compared to last year and prices are typical of surplus prices, in the \$200-300 per ton range, trending more to the mid to lower \$200. Give us a call to review opportunities.

The volume of bulk wine actively for sale has begun the seasonal downturn as wines are sold or sellers remove it from the market because they have higher and better use than to sell at current market prices. There are 2 million fewer gallons over the last two weeks and the volume continues to decline. Buyers still have plenty of wine to taste though, but inventory is always changing as wines come off the market and new 2018 wines are listed for sale.



Despite harvest starting there are still a number of active buyers for bulk wine at this time, mostly the smaller growing companies and négociants, but storage space is limiting some purchases. We still can find storage to make a deal happen. Many large purchasers, similar to the grape market, have decided to hold on purchasing additional 2018 wines until after harvest and a few may not come back to the market at all. With plentiful supply, bulk sellers are more willing to accept the new prices, and in some instances more creative payment terms, which means deals can be done more quickly than earlier in the year. Attractive pricing is the main driving factor for deals right now, but the quality still has to be there.

The wines that continue to be most in demand are Napa Valley Cabernet Sauvignon, Russian River Valley Pinot Noir and Chardonnay, and other higher-quality lots of Central Coast Chardonnay and Pinot Noir. Recent sales of Napa Valley 2017 and 2018 wines as low as \$15 per gallon. Larger volumes with quick shipment have gone for even less. Russian River and Sonoma Coast Pinot Noir lots have been sold for less than \$10 per gallon. The extra tons of Chardonnay that wineries crushed last year have been offered for sale in bulk and it has taken some very low prices to move that wine in the last few weeks. A few buyers are still active purchasing wine for distillation, but delivery of wines on these deals need to be scheduled weeks in advance, so please reach out to us if this is of interest to you.

Bulk Market continued

Do not assume that nothing is happening or what others will or will not be doing. We have actually sold considerably more gallons of bulk wine this year to date than last year. Do not assume that the wine or grapes you need will be available when you enter the market to buy them. The best advice is to call us, talk over your situation and work with us on a plan for success in buying or selling. Our grape and wine brokers are continuing to work hard to find any and all buyers by calling and meeting with buyers that have the ability to enter the marketplace and do some purchasing. Since 1973 we have experienced all the challenges in all the cycles.... we have been here before and we are always here to help our clients navigate the cycles, so please give us a call.



GRAND PRIZE! YETI TUNDRA 105 ICE COOLER

Enter your best guess in the category '2019 Statewide Total Wine Grapes' for a chance to win the Grand Prize!

The Grand Prize Winner will receive a plaque and a YETI Tundra Ice Cooler!

How will the Grand Prize Winner be selected? The actual number for the 2019 Statewide Total Wine Grapes will be taken from the Final Crop Report, Table 2, Total Wine Grapes. Winner will be chosen by selecting the closest number without going over.

Previous winners below left to right: Don Clark, Will Nord, Julie Nord-Nord Vineyard Services; Scott Williams-Coastal Vineyard Care; Glenn Andrade-Trinchero Family Estates





Ron Rubin

An AED saved Ron's life. Ron is on a mission and we want to help. Ron has given away over 200 AED's so far to California Wineries. We want to help him achieve his goal to give away over 400 AED's. Please read below and click on the link to get your own AED and possibly save a life.

TRAINED FOR "SAVING LIVES"

In collaboration with the American Red Cross
and ZOLL Medical Corporation,
Ron Rubin Winery is covering the cost of
one ZOLL AED PLUS (Automated External Defibrillator)
unit for each qualifying California winery.

STEP 1

To qualify to receive a
ZOLL AED PLUS, California
winery owners or representatives
must contact Ron Rubin:
ron@ronrubinwinery.com
or 314.726.9630



STEP 2

After your winery qualifications are approved to
receive a ZOLL AED PLUS, you will be promptly
contacted by a representative from the
American Red Cross to schedule CPR/AED/First Aid
training for your winery team.

(Winery participants will cover the cost of their staff training.)



Turrentine on the Road



Rootstock

November 14, Napa, CA

Turrentine's North Coast Grape Broker, Mike Needham will be attending this year's event.



Sonoma Grape Expo

November 15, Cloverdale, CA

North Coast Grape Broker Mike Needham will be attending this year's expo. There are nearly 2,000 ultra-premium wine growers and PCAs in this area. This event along with other Malcolm Media Ag Expos has generated nearly \$150,000 in scholarship endowments for the viticulture programs at Cal Poly-San Luis Obispo, Fresno State, Santa Rosa Junior College and UC Davis.



WIN Expo

December 5, Santa Rosa, CA

Use our promo code to register for free. Expires December 2nd. We look forward to seeing you there!

Market Opportunities

There is a large, diverse amount of opportunities available.
Please give us a call to learn more about them.

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BULK WINE BROKERS

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GRAPE BROKERS

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