



New Year, New Opportunities

The market entered 2020 still in oversupply, but we're beginning to see signs of correction

By Steve Fredricks

In 2019, the bulk market was flooded with supply — and pessimism. There were record tons of grapes for sale at the beginning of the 2019 harvest while many tons languished un-harvested. Traditional buyers became sellers, while many buyers opted to not extend expiring contracts and purchased less in 2019. Some sellers received no offers at all, and what was sold endured severe price corrections, especially late in the year. Some growers started removing financially untenable vines. A tough growing season only added to the misery, with rain at bloom, frost both early and late, high disease pressure, another fire in the North Coast, power outages — let's just say we're all happy to see 2019 in the rearview mirror.

But cycles of excess supply and demand aren't new; just check our [Wine Business Wheel of Fortune](#) for a visual. Such swings are a natural part of the wine business, and over the last five decades we've counseled clients through times of both excess and shortage offering strategies to play the cycles.

Although each market shift has its nuances, we find that times of oversupply like this are particularly punishing for buyers and sellers alike. Still, there are some relative glass-half-full trends:

More active buyers than last year at this time.

When harvest ends, we begin to see increased demand for bulk wine. More buyers are looking for bulk wine right now than at this time last year. These buyers tend to be quality-focused, relationship-focused, and opportunistic in their purchases. Small to mid-sized wineries are especially attracted by lower prices and are actively seeking to feed their programs.

Wineries are actively working to grow consumer demand.

Yes, we all know the stats: U.S. alcohol consumption per capita is flat, competition is fiercer than ever with the plethora of non-alcoholic drinks, there's a growing "sober curious" culture, and competition from hard seltzers, spirits, and craft beer makes for mean competition.

In response, we see many wineries investing more heavily in marketing and sales to grow consumer sales. Some are offering discounts at retail, especially for strategic brand and private-label wines. We predict this trend will intensify as excess supply persists into 2020 and beyond. We also firmly believe the industry needs to grow consumer sales at all price segments. Wineries focused only on premiumization miss the opportunity to capture a new crop of wine-curious customers who often enter at lower price points.

When will it end? Crystal balls are foggy when looking out a few years, but here are some things we know for sure:

- **Sellers** holding out for a higher price must ensure they have an alternate use for their wine. Look for any opportunity to sell excess wine and know that your first offer may be your best — or only — offer. Rely on your broker to help guide you to the best price possible.
- **Buyers** should not assume that the quality of wine they want, from the region they want it, at the price they want to pay, is going to be available. A general market oversupply doesn't mean the exact wine you need is free. Your broker can steer you toward the best grapes or wine for your needs.
- **For everyone**, it's never enough to compete on price; you must always also compete on quality.

Above all, remain calm. The bulk wine and grape markets are dynamic, but our experience shows that the market will eventually cycle out of this period of excess. We're all in this together.

Come see Turrentine Brokerage's President, Steve Fredricks as part of the State of the Industry panel at Unified on February 5th, visit us at our Booth #C1122 at Unified on February 5th and 6th, and give us a call to strategize on a plan of action.



Bulk Wine Report

By the Turrentine Bulk Wine Brokers

While the grape spot market was soft in 2019, bulk wine transactions continued throughout the year, and **Turrentine actually ended up brokering more transactions and moving more gallons last year than in 2018.**

Unfortunately, not everyone found a buyer for their bulk wine before harvest, and some had to sell their excess for distilling material to make room, a story that may repeat before the 2020 harvest.

While some of the large traditional buyers flipped to become sellers last year, they now appear to have inventory more in balance with sales. We don't believe they are likely to make large, opportunistic purchases at low prices, but at the same time they're not looking to sell large quantities, either.

Bulk Market Rebound?

Right now we're seeing interest in the bulk market picking back up, with more buyers than in January 2019. **Typical buyers now are small to mid-sized wineries and négociants who are purchasing for just-in-time inventory.** They have a purchase order in hand to buy for direct-to-consumer and private label programs.

Buying activity has been spurred by lower prices, but generally not from the larger local buyers who want significant volume. As has been true for some time, **attractive pricing continues to be the most important**

factor for buyers. Higher quality lots also have a significant competitive advantage. While there are more buyers, we believe a market rebounding around price in 2020 is unlikely.

Vintage 2019 White Wines Coming Online

As we write this, **2019 white wines are continuing to make their way to the bulk market.** Volumes are not as high as 2018 at this time and buying activity is slow, but there is interest brewing for Pinot Grigio, Sauvignon Blanc, Chardonnay, and Rosé. The majority of the white wine lots that are moving now are Coastal.

Recent Sales

As you can see from the chart below, buyers of both red and white wines want the traditional varieties, which lead the market in volume sold:

Recent Gallons Sold by Variety and Vintage

	Total	2017	2018	2019
Cabernet Sauvignon	36%	5%	30%	0%
Chardonnay	17%	0%	9%	8%
Pinot Noir	9%	0%	8%	1%
Merlot	8%	4%	5%	0%
Zinfandel	7%	0%	7%	0%
Pinot Grigio	5%	0%	4%	2%
Sauvignon Blanc	3%	0%	1%	2%
Other	15%	4%	9%	1%

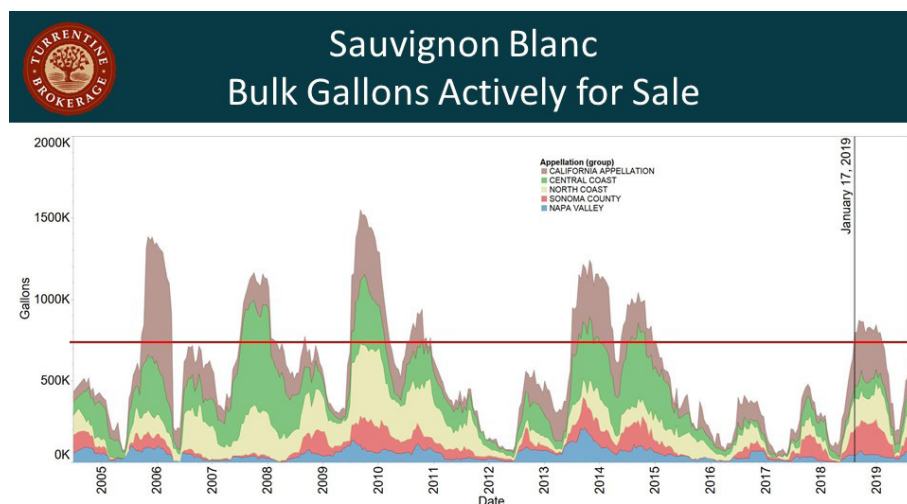
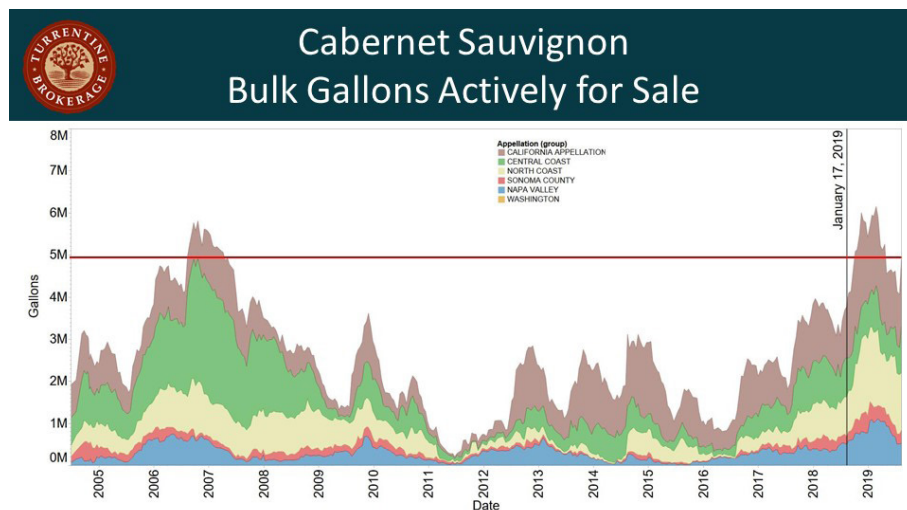
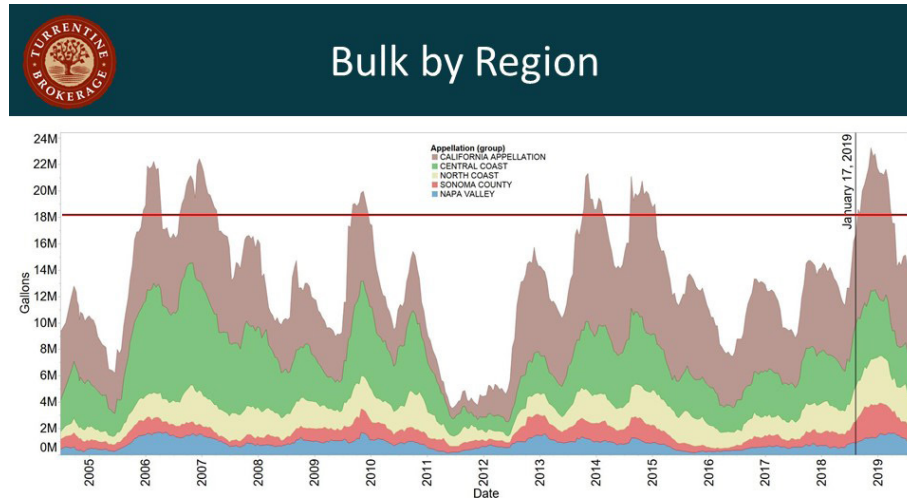
Below we've also charted some recent sales prices. (Note that in 2019, wine also sold at a global generic bulk price of \$2 per gallon, and less in some cases.) As always, the exact price of each deal depends on many factors, such as lot size, quality requirements of both buyer and seller, and payment and shipment terms. Ask your Turrentine broker for help understanding your specific needs and options:

Wine	\$/gal.	Remarks
2017 and 2018 Cabernet Sauvignon California Appellation	\$2 – \$7.50	Larger volume sales closer to the bottom end of the range
2017 and 2018 Cabernet Sauvignon Napa Valley	\$18 – \$22	This price is beginning to stabilize. For larger lots and lots that need to sell in a hurry—the lower end of the price is more likely. For higher quality, smaller lots from sellers that can be more patient—the higher end is likely
2017 and 2018 Cabernet Sauvignon Napa Valley sub-appellation	\$25 – \$32	Wines must be of a higher quality for these prices
2018 Cabernet Sauvignon Paso Robles	\$7 – \$12	These prices are paid by buyers looking for smaller quantities and a specific style and quality; moving larger volumes requires California Appellation pricing
2018 Pinot Noir Sonoma County	\$6 – \$12	Large yields in 2018 meant wineries needed to clear tanks, creating great opportunities for buyers; there are still terrific opportunities available
2018 Chardonnay California Appellation	\$2.50 – \$6	Interest will soon shift to 2019 vintage and the market is likely to get tougher
2018 Chardonnay Sonoma County	\$3 – \$8	Demand has slowed as 2019 will soon be available; sellers who needed to move wine before 2019 harvest generally sold at California Appellation pricing
2019 Sauvignon Blanc Napa Valley	\$10 – \$12	Volume actively for sale is similar to last year. Contact us now if you're in need

Summary

Turrentine does not anticipate significant change in bulk wine market prices in 2020. Some buyers who went lighter on 2019 may return to the market, but we **don't expect significant change until the larger traditional buyers return to purchase larger volumes of wine.**

Since the bulk market is dynamic and the availability of lots can change quickly, we encourage you to **reach out to us early** so we can work to find you solutions as soon as possible.



Grape Market Report

North Coast

By Mike Needham

Right now, North Coast wineries are approaching their grape purchase decisions very conservatively. We do see some wineries emerging from oversupply and getting ready to re-sign lapsed grower contracts. There are still wineries in an excess position that won't be ready to discuss re-signs until later in the year, if at all.

We believe the buyers who are in the market for grapes in 2020 will be focused on **quality, value, and enduring relationships**. Some wineries will be looking to trade up in quality, and we anticipate that many sought-after growers will have excellent grapes available — grapes that are almost always under contract during a short market cycle.

In other words, **we see many opportunities to negotiate North Coast grape contracts during 2020**. Sellers should be sure their grapes are listed with us, and buyers should get in touch with us as soon as possible to ensure access to the high-quality fruit that is available now for purchase.

Central Coast

By Audra Cooper

The Central Coast remains in structural oversupply across all major varieties. Demand is limited and the market is depressed. Recent corrective measures have included acreage removal in Monterey, San Luis Obispo, and Santa Barbara Counties, which seems to be picking up pace this January. In some cases, ground has been left fallow. Acres planted over the last few years continue to come into full maturity which will offset some of the supply decrease from the acres removed.

Conversations with grape buyers seem more positive than at this time last year, as the current grape sales activity seems targeted toward limited re-signs and must-have, niche market purchases.

As in all regions of California, **wineries that need grapes in 2020 will be focused on quality and price**. Growers with younger, well-managed, healthy vineyards that can consistently meet quality parameters will do best, while those with older vineyards that do not consistently reach the desired Brix levels will see challenges. All growers should work swiftly to list their fruit for sale.



Current Central Coast grape needs:

- **Paso Robles Petit Verdot:** Planted after 2005. Free of virus, no wood disease. Must be capable of getting consistently ripe (above 24.0 Brix).
- **Cool climate Central Coast Syrah:** For a Red Syrah program. Minimum of two truckloads from one site. Yields less than 5 TPA. Grapes must be capable of producing a dark, inky-colored wine.
- **Los Alamos Chardonnay:** Minimum of two truckloads from one site.
- **Central Coast Cinsault:** Minimum of ten tons from one site.

Interior

By Erica Moyer

To prune or not to prune? It's just one aspect of the overall decision making a grower is faced with in 2020 — whether in the San Joaquin Valley or Central Coast. If the grapes were not contracted in 2019, the outlook for contracting for 2020 is challenged. If the grapes were contracted in 2019, the outlook is better, but it still depends heavily on variety.

Sellers and buyers alike should refer to Turrentine Wheel and work with us through this period of excess. Through targeted marketing, short- and long-term contract negotiations, and supply management, we can help all firms develop a strategy for the next three to five years.

Turrentine on the Road

Unified Symposium

  <p>February 7th, 8:30AM at the Cal Expo Sacramento, CA</p> <p>2020 Unified Symposium State of the Industry Presented by Steve Fredricks</p> <p>And don't forget to stop by Booth #C1122 to see your broker!</p>	
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ProWein


<p>Steve Fredricks & National Sales Manager, Bryan Foster, will be gathering the latest information on international trends.</p>	
<p>THE WORLD'S NO.1 International Trade Fair for Wines and Spirits 15-17 March 2020 Düsseldorf, Germany</p>	

Central Coast Insights

CENTRAL COAST
Insights

The economic and financial forum for growers, wineries
and wine industry professionals on the Central Coast.

Central Coast Insights is presented by the Wine Industry Symposium, a subsidiary of WINE BUSINESS MONTHLY



**Audra Cooper & William Goebel will be presenting their market update
again this year at Central Coast Insights.
March 24th at the Paso Robles Event Center. Don't miss it!**



2019 Preliminary Crush Report

The California Department of Food and Agriculture's Final Grape Crush Report for 2019 is a barometer for the wine and grape industry, containing prices and tons of wine grapes crushed during the 2019 harvest. The Crush Report provides growers and wineries insight into the inventory position for the California wine business as a whole, and influences market dynamics for the current bulk wine market as well as the upcoming 2020 harvest.

Call us to find out why this Crush Report isn't telling you the full story...

Market Opportunities

Turrentine Brokerage is always working to find opportunities for companies in oversupply or need to buy. We believe firmly in a personalized approach tailored to each client's specific needs and unique position. Give us a call.

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