



# Things Certainly Can Change in One Year

by Steve Fredricks

Last year at this time, mere weeks before the United States shut down due to the Covid-19 pandemic, we were in an excess phase of the cycle for nearly every variety in California. Now, less than two months into 2021, the situation is different, in many cases dramatically so. We've seen continued growth in off-premise value brands, limited on-premise channel sales, and we experienced a light 2020 crop in most areas of California. We also are witnessing multiple market dynamics from excess toward balance and even shortage depending on many factors including region, variety, and, more than ever, by company.

The USDA released its annual Preliminary Grape Crush Report on February 10, and the total crush of 3.404 million tons confirmed the light crop in many areas. As you can see from the charts below, overall tons crushed were down across the board. This came as no surprise; statewide yields per acre had been shaping up to be smaller than average due to a warm season, and they were exacerbated by the late summer/early autumn fires in the North Coast and Monterey County and smoke throughout California that caused wineries to reject thousands of tons throughout the coastal regions. Despite such a small crop, we aren't likely to see any dramatic market changes due to the Crush Report moving forward, as wineries already know what they received from the 2020 vintage, and the 2021 markets have already begun to take shape.

	Tons Crushed 2020	Tons Crushed 2019	Net Gain/ Loss	Equivalent Gallons	% Change	2020 % Chg. vs 5Y Avg.
North Coast	362,527	524,942	(162,415)	(26,798,000)	-31%	-29%
Central Coast	400,779	480,478	(79,699)	(13,150,000)	-17%	-19%
Northern Interior	906,346	1,030,288	(123,942)	(20,450,000)	-12%	-9%
Southern Interior	1,712,843	1,854,984	(142,141)	(23,453,000)	-8%	-12%

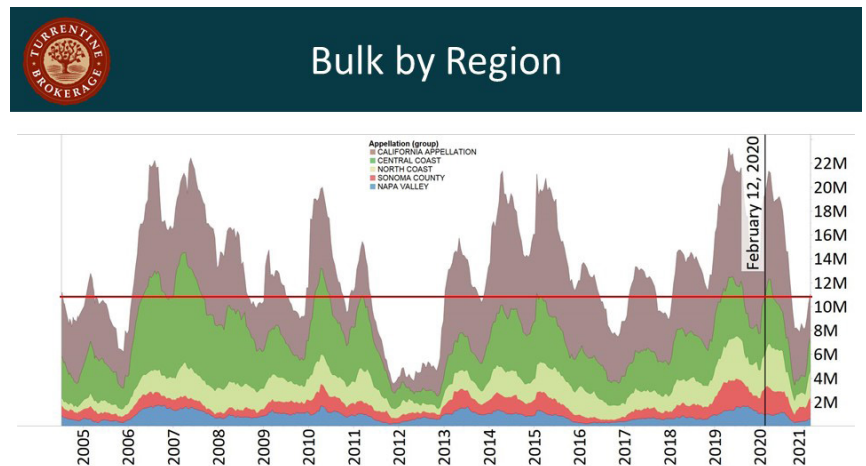
	Tons Crushed 2020	Tons Crushed 2019	Net Gain/ Loss	Equivalent Gallons	% Change	2020 % Chg. vs 5Y Avg.
Chardonnay	538,551	642,067	(103,516)	(17,080,000)	-16%	-18%
Cabernet Sauvignon	498,975	580,945	(81,970)	(13,525,000)	-14%	-14%
Pinot Noir	211,194	266,815	(55,621)	(9,178,000)	-21%	-18%
Merlot	167,306	220,440	(53,134)	(8,767,000)	-24%	-33%
Zinfandel	298,725	349,061	(50,336)	(8,306,000)	-14%	-22%
Pinot Grigio	218,326	246,925	(28,599)	(4,719,000)	-12%	-9%

While many in the wine industry pay attention to the Crush Report, consumer demand dynamics of large retail purchasing versus on-premise purchasing continue to significantly affect wineries' sales and short-term supply plans. The longer it takes for restaurants and travel to reopen after the Covid-19 shutdowns will dictate wineries' sales projections and supply plans for 2021. Larger wineries focused on retail will continue to have better success and may need additional supply, while higher-end wineries focused on restaurant sales may need less supply. As a winery, the questions of how long to go with your 2020 or 2021 vintage supply, or when to list with us, are difficult to answer. If you're waiting for trends to emerge before you act, you could end up being too late to pounce on an opportunity. Please reach out to us for personalized guidance to navigate the supply markets.

# Bulk Wine Report

*by the Turrentine Bulk Wine Brokers*

As we start the new year, bulk gallons are being released to the market despite such a light crop. Over the last six weeks, we have seen a net increase to 11 million gallons from 8.2 million gallons. Roughly 6.4 million gallons of the new volume are 2020 vintage; comparatively, this time last year we were listing 8 million gallons of the 2019 vintage. We have seen a drop in the number of older vintage gallons on the market, whereas, in mid-February 2020, we listed 11.3 million gallons of 2018 and older wine. Currently, we have just 4.5 million gallons of 2019 and older vintage wine actively for sale.



The bulk wine market in the first few months of 2021 is just as busy as it was in the last few months of 2020. We have seen the floor of bulk wine come up for nearly all vintages, appellations, and varieties due to the success of value brands in retail and the light crop. As we reported in our November newsletter, prices for 2018 and 2019 vintage wines increased in September 2020, but since that time have moderated. The few buyers who have strong retail brand presence and can afford higher asking prices bought wines to make up for the shortfalls of the 2020 vintage and moved on. As price has come down, Strategic Brand buyers who were priced out of the market have returned. For more detail, please see our November newsletter.

The ceiling of price for 2018 and 2019 luxury wines is higher than 2020, particularly for reds. Higher bulk prices incentivized wineries to release additional 2018 and 2019 wine to the market as they looked at the monetary return in bulk versus in bottle.

Even with the lower yields last year, 2020 bulk wine lots are being listed on the market from all regions. Feedback from clients is that the quality of wine from 2020 is better than they expected. We have been selling 2020 wines with smoke effects earlier this year than we did after the 2017 fires. While there are quality issues due to smoke exposure, most of these effects are manageable or minuscule.

Looking forward, wineries seem to have inventories more balanced with sales, but there are still concerns with future consumer sales growth. As more 2020 wines become available and wineries have more information on consumer sales, bulk buyers will figure out what they can afford and how to use the wines based upon their

avenues to reach consumers. There will still be a lot of good wines available. There even might be some great bargains.

## Cabernet Sauvignon

Cabernet Sauvignon bulk sales continue unabated. There has been consistent and growing demand for lots selling below \$8 per gallon from the large brands growing in retail. Most of these wines have been from the California Appellation, but some sales at this price have been from the North and Central Coasts as well. Demand has increased for Paso Robles Cabernet Sauvignon over the last few months, with lots selling from \$9 to \$14 per gallon, with higher-quality, smaller lots selling above \$14. There is little to no 2019 Paso Cabernet Sauvignon available. The market for 2018 and 2019 Sonoma County Cabernet Sauvignon is not as strong as Napa Valley or Paso Robles and current supply exceeds demand. Asking prices at this point are above most buyers' threshold which has limited purchasing activity.

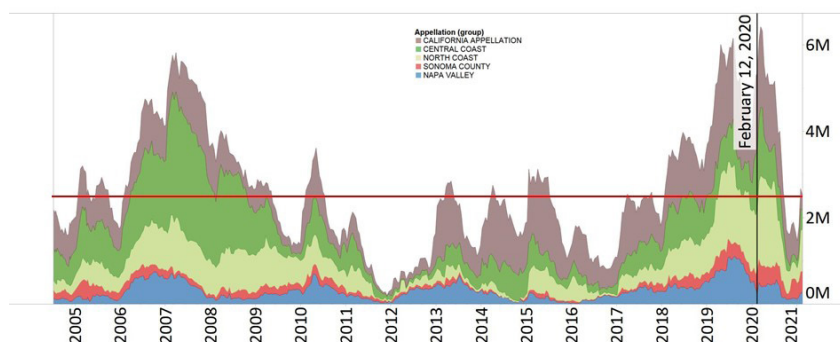
In Napa Valley, demand is consistent for 2019 lots due to limited availability. Recent sales of 2019 Napa Valley lots have hovered between \$30 and \$45 per gallon, but there are fewer buyers at the high-end of this range. Negotiant buyers who bottle Napa Valley Cabernet Sauvignon in the range of \$15 to \$25 per bottle retail are still active. There also is an active market for Napa Valley wine lots with minor effects of smoke. Recent sales for these wines have been between \$10 and \$15 per gallon.

## Chardonnay

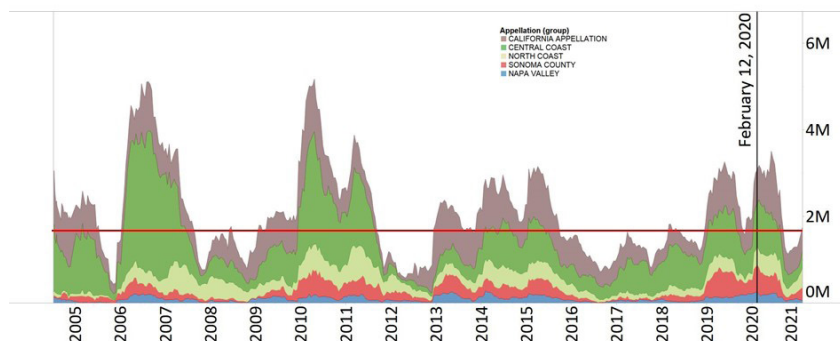
Across the board, interest is growing for 2020 and waning for 2019 vintage Chardonnay. 2020 Sonoma County Chardonnay has been in demand due to the lighter 2020 crop and limited supply actively for sale; but asking prices above \$20 per gallon have exceeded buyer's pricing threshold, thus limiting early activity. Recent sales have been in the range of \$17 to \$18 per gallon.

The market for 2020 Central Coast Chardonnay has improved with recent sales between \$8 and \$13 per gallon; however, supply still exceeds current demand. It's worth noting that 2020 California Appellation Chardonnay has been active as well, with wines moving between \$6.50 and \$7.50 per gallon.

### Cabernet Sauvignon Bulk Gallons Actively for Sale



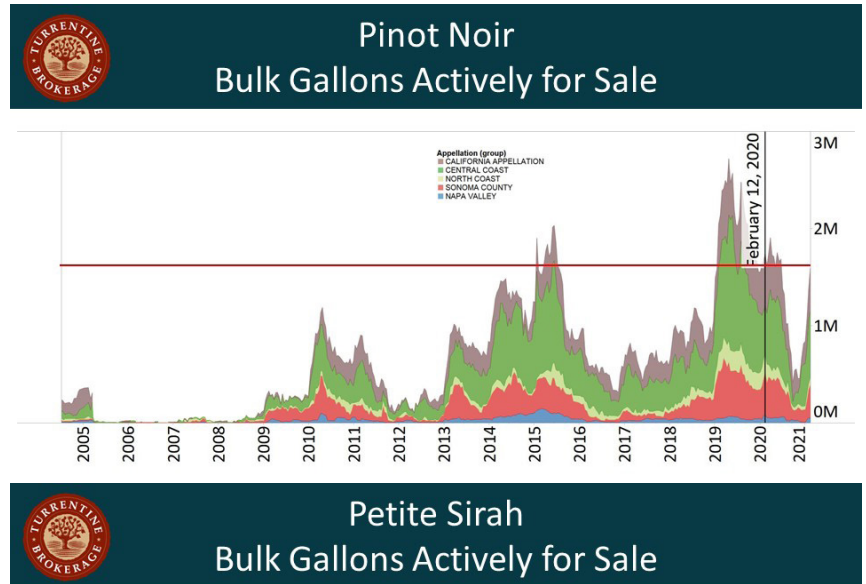
### Chardonnay Bulk Gallons Actively for Sale





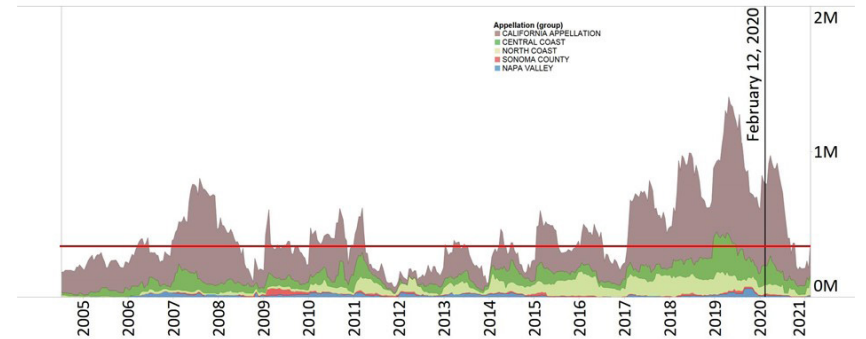
# Pinot Noir

The volume of 2019 Sonoma County and Russian River Valley is limited, and demand continues to be strong. Recent sales have been in the \$25 to \$30 range. There is some price-sensitive demand for 2019 Pinot Noir from the North and Central Coasts. Demand is strong for 2019 and 2020 California Appellation Pinot Noir, and recent sales have been between \$7.50 and \$8.50 per gallon with limited supply. The market is slowly beginning to become more active for 2020 Sonoma, Monterey, and Santa Barbara County, but price ranges have yet to be established as buyers are assessing supply needs and quality.



# Red Blenders

There are limited quantities of 2019 Petite Sirah and other red blenders, a considerable change from last year. Recent sales for 2019 lots have been between \$7 and \$10. Inventory of 2020 vintage wine should become available soon. If you have demand for these blenders, please let us know soon as we do not expect new volumes to rise to levels seen in recent years.



# Grape Market Report

*by the Turrentine Grape Brokers*

A second consecutive lighter statewide crop has brought more balance to the interior and has reduced some of the oversupply in coastal regions for many varieties. This has resulted in an earlier, more active market for grapes than we have seen over the last few years.

In the San Joaquin Valley, the Crush Report is in the rearview mirror and was deceiving. What the Crush Report does not show is the increased demand for grapes and the tightening of supply, not just because of the crop size, but because of demand, primarily from California Appellation brands selling below \$8 that are quality and price driven. As soon as harvest ended, grapes were contracted at higher prices, existing contracts were extended at higher prices, and planting contracts are being written throughout the San Joaquin Valley. Pinot Grigio experienced a demand resurgence in 2020, although the district average price for Pinot Grigio only inched up 2%. Generic whites and florals were also comebacks in 2020, perhaps fueled by the shortage of Chardonnay and demand for wine seltzers.

Nearly all grapes are currently under multi-year contract in the San Joaquin Valley. Prices have come up roughly

15 to 20 percent from last year. Those buyers still looking for fruit in 2021 are focused on driving retail growth below \$15 and are sourcing in both the San Joaquin Valley as well as areas of the Central Coast.

On the North Coast, most activity is from wineries that are re-signing with existing growers and adding volume as well as other varieties. Most of the activity has revolved around Chardonnay and Sauvignon Blanc in Sonoma County and Napa Valley, with additional interest in Napa Valley Cabernet Sauvignon and Merlot. The Crush Report confirmed nearly 35,000 fewer tons of Napa Valley Cabernet Sauvignon were delivered in 2020 than in 2019—a 43 percent decrease. District average price decreased 21% in Napa Valley last year—a reflection of late-season discounted prices due to smoke concerns, sub-appellated Cabernet Sauvignon buyers rejecting smoke exposed grapes, and grapes actually destroyed in the fire. Pricing for 2021 grapes is starting out stronger than it did last year at this time, but there is still downward pressure on price from the luxury end.

In Paso Robles, like the North Coast, activity is earlier than recent years, with targeted buying both for re-signs and new contracts. While overall grape availability on the Central Coast is down from the peak in 2020, varieties such as Cabernet Sauvignon are still at a point of excess. Other varieties have moved closer to or surpassed balance. For Paso Robles Cabernet Sauvignon specifically, buyers are focusing on growing their contracted tons with existing growers. Petite Sirah has been the hottest variety in recent months, with other high-quality red blenders following shortly behind. Available tons are limited of quality red blenders. There is currently moderate interest in Chardonnay and limited interest in Pinot Noir.

Individual grape buyers find themselves in unique situations based on sales channel mix and growth trends since March of last year. At this point in the market supply cycle and with the current sales trends, knowing where the market is and where the market is going are more important than knowing where the market was last year. Give us a call early to list available grapes and make sure you see all opportunities.

# International Report

*by Steve Fredricks*

The combination of generally lighter crops in 2020, disruptions of consumer sales due to Covid-19, government interference of trade and tariff fights, and government support for crisis distillation have kept global supply and bulk prices similar to what they were last year. The supply of value wine continues to shift toward larger retail brands and retail outlets, while inventory and supply for higher-end wines that are generally sold for on-premise/restaurant use continue to grow. Sellers are generally trying to hold price with confidence that prices will remain stable. Bulk buyers looking for value are putting more downward pressure on price. Due to the challenges of selling wine during the pandemic, there is a greater probability for more bargains and discounting than prices increasing in the coming months.

As we head deeper into 2021, the crop looks to be average in Australia, but larger than the last few years. The Chilean and Argentinian crop projections are for below-average yields per acre—the result of a more challenging growing season. South African projections are for a normal crop. The combination of southern hemisphere crop sizes means that supply will not be shifting into excess after 2021. Looking at individual varieties, the volume of value Sauvignon Blanc could end up tight, and the balance of lower supply of 2021 Cabernet Sauvignon from Chile could be offset by a greater volume of Cabernet Sauvignon from Australia.

What does this mean for California producers? Not much—at least for 2021. Supply and demand are relatively balanced in the interior and domestic sellers aren't concerned about moving 2021 grapes and 2020 bulk wine. At current pricing levels, there is not a great incentive to source internationally. Looking ahead to 2022 and beyond, if prices in the interior rise too high or excess inventory grows in the southern hemisphere, some buyers could

increase international sourcing of value bulk wine, which will impact the domestic grape demand.

Please reach out to us for specific market information on variety and region.

# Conclusion

With over 48 years in the wine business, Turrentine Brokerage has the knowledge and expertise to guide buyers and sellers through the supply cycles. Our market intel based on the deals we negotiate and the scope of our business gives us a full picture of the market. We see trends at the vineyard level before they happen on the bulk market and retail shelves. Again, if you're waiting for trends to emerge before you act, you could end up being too late to pounce on an opportunity. Here are a few Do's and Don'ts for approaching deals in 2021:

1. Don't make market assumptions from limited data.  
Do make informed market decisions based on Turrentine Brokerage data and your Turrentine broker's recommendations.
2. Don't wait to react until you see a trend—you already may be too late.  
Do be proactive by interacting with us frequently and often.
3. Don't assume that a short-term trend will become a long-term trend.  
Do let us help you apply market trends to your specific needs.
4. Don't overreact.  
Do give us a call to strategize your approach to the market.

Perhaps most of all, it is important to remember that the best customer isn't always the one who meets your desired price. Instead, reputation, quality, financial stability, and a willingness to collaborate are critically important characteristics for successful long-term customer relationships. Call your broker early and often to make sure you align with the right customers, and to make sure you put your company in the best position to succeed.

# Exciting News!

## New Turrentine Grape Broker

We are very pleased to announce the newest edition to Team Turrentine;

### Christian Klier, North Coast Grape Broker!

For many years, Christian was well known to us and countless others in the wine industry as the Vice President of Shannon Ranches Inc. He was responsible for all farming operations totaling 4,500 acres of vineyards in six Northern California counties, negotiating all grape sales totaling 50,000 tons, and the ever important skill of client relations.

Christian will begin putting grape deals together on Monday, February 22. We are very excited to have him join our team and know he will do a tremendous job helping you buy and sell your North Coast grapes.



# William Goebel: New Turrentine Partner

William Goebel, a hardworking and dedicated Bulk Wine Broker for Turrentine Brokerage, has recently been promoted to Partner. William joined Turrentine Brokerage in 2010 leading the sample room and providing sales support to the bulk wine brokers. Since joining Turrentine, William quickly learned our business from the ground up and gained experience with a diverse client list ranging from large to small wineries and negotiants. William is our main bulk wine broker for clients in the Central Coast region, but has clients throughout California. William's expertise and experience is not limited to California, but he has also gained experience with our Oregon and Washington clients and International partners negotiating successful deals for European wines. William has become a regular industry speaker on bulk wine market trends at many wine industry events. We are both excited and proud to have William as a shareholder at Turrentine Brokerage.

## Turrentine on the Road



**Wednesday, March 3<sup>rd</sup>**

**Smoke Exposure: A Growers Perspective  
Presented by Brian Clements**



**Russian River Valley  
Winegrowers  
Association**

March 17<sup>th</sup> at 4PM

**Mike Needham &  
Marc Cuneo**

# CENTRAL COAST *Insights*

March 30<sup>th</sup>, 2021

**Audra Cooper &  
William Goebel**

## 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.

### **Bulk Market Opportunities Needed**

2019/2020 Paso Robles Cabernet Sauvignon  
2020 California Appellation Zinfandel and Petite Sirah  
2019 California Appellation Cabernet Sauvignon  
Napa Valley Cabernet Sauvignon - All Vintages  
2019 Napa Valley Red Blenders  
2019 Sonoma County Cabernet Sauvignon and Red Blenders  
2020 Napa Valley Chardonnay

### **Available**

2020 Central Coast Pinot Noir

### **Grape Market Opportunities Needed**

Central Coast Sauvignon Blanc  
Paso Robles Zinfandel, truckload or larger

### **Available**

Santa Barbara County Pinot Noir, truckload or larger  
Younger Paso Robles Cabernet Sauvignon, truckload or larger  
Monterey County Chardonnay  
Monterey County Pinot Noir





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