



July Market Update

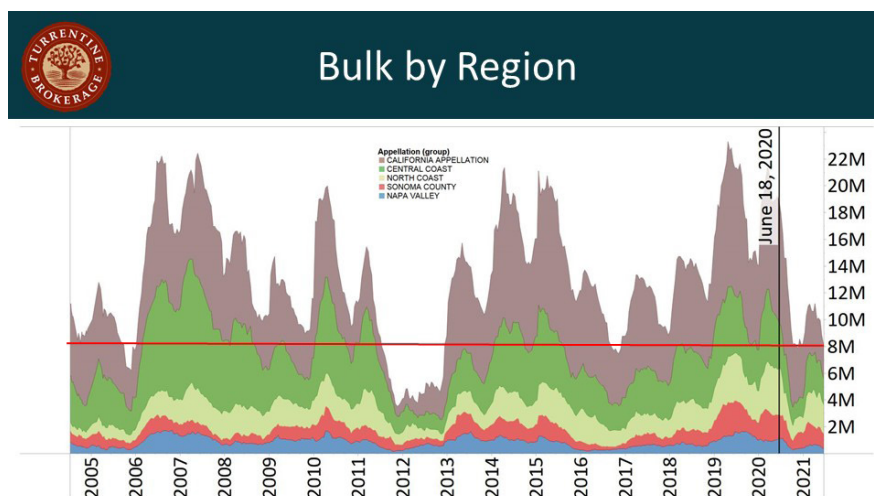
by Steve Fredricks

Last month I was impatiently waiting for my favorite Philly Cheesesteak as I overheard another sandwich lover describing the success of his investment in Dogecoin to his friend. He was touting Dogecoin as a “sure investment” based on his study of the price trend, and was looking forward to spending his yet unrealized gains. I couldn’t help but be reminded of reading about confirmation bias while studying psychology and behavioral economics. Confirmation bias is the tendency to place greater weight on the variables which support the future that most benefits us and to discount information that does not. Mr. Philly Cheesesteak failed to acknowledge the speculative nature of Dogecoin. I hope his friend didn’t choose to invest; shortly after overhearing that conversation, Dogecoin dropped 40 percent.

Markets, in reality, are complex beasts with many evolving variables and more determining factors than just today’s price and direction. History has taught us that markets can change rapidly, especially when buyers and sellers can get caught up in irrational exuberance and speculate like our friend did with Dogecoin, or for example, the Moscato craze a few years ago.

This time of year, clients are looking to us for evolving market information and often ask, “What is the size of the crop?” and, “What is the market?” To properly answer these queries, we regularly review the variables which determine the landscape. Some of these include supply of grapes and wine actively for sale, the number of sellers in the market, the number of buyers in the market, the volume those buyers are looking for, and information on cluster counts and bloom information. Additionally, we keep a close eye on consumer trends and wineries’ confidence in sales.

The year 2021 has thrown us some curveballs. In a typical June we can derive reasonable conclusions about the market and crop size based on several known factors over time. This year, however, the market is rife with additional uncertainties. No. 1 on that list: The incoming supply due to the current drought. The second uncertainty are consumer sales trends, both on- and off-premise, as we recover from COVID-19. Both issues are crucial to how buyers are projecting inventory needs in the current market, and the margin for

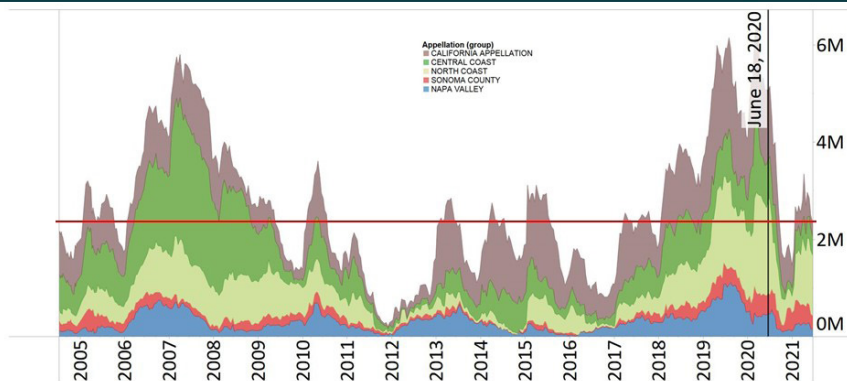


error in their projections for these two are greater than usual.

We still have valuable information on several variables. The bulk wine and grape markets, in most cases, have been very active for the first half of 2021. Some wineries with a strong off-premise retail presence have been able to grow sales and have been active in securing supply. Many other wineries have not been so fortunate. This has triggered an uptick in supply changing hands.

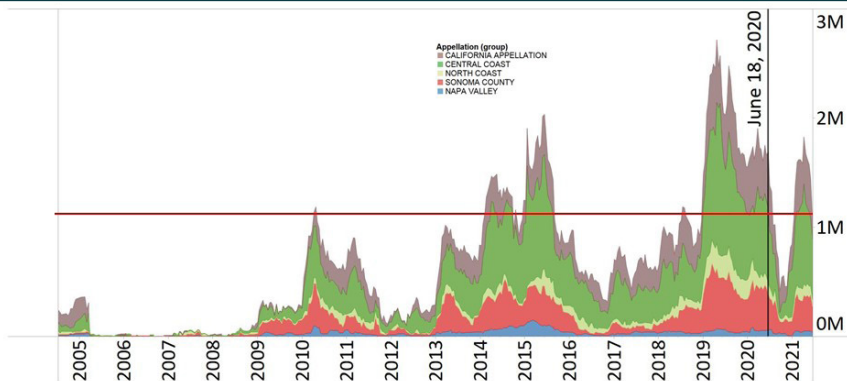
Also, many wineries are preparing for the return of sales in the on-premise channel, however fast or slow that might be. Bulk wine actively for sale and grapes available are down considerably from last year, and the floor and ceiling of prices are higher for nearly every variety in every region. Indicators are that we have transitioned away from an excess market. While prices have increased from last year, the demand for bulk wine and grapes

Cabernet Sauvignon Bulk Gallons Actively for Sale



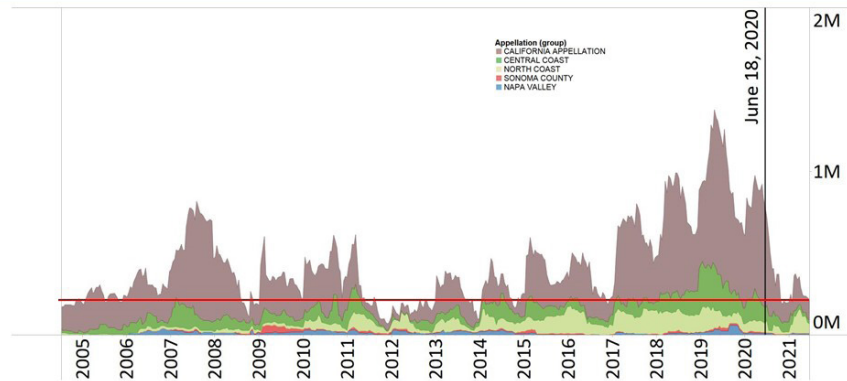
is driven by the wineries with big brands in chain retail. Buyers are paying more, but are also price sensitive, and some have backed away from the market as asking prices increased. Also, while markets have been active, they could slow as large brands have already contracted a good amount of their supply.

Pinot Noir Bulk Gallons Actively for Sale



Even though the volume of bulk wine actively for sale might be down, the number of lots for sale and the number of sellers with wine on the market are higher. These are indicators of clients concerned about future sales or an excess market. While markets overall have been active, there are varieties from regions where the volume of bulk wine for sale is in excess of current demand. This presents opportunities for buyers and should caution sellers on their price expectations. In some cases, sellers are confident in their assessment of the market and are willing to carry wine through harvest rather than come down to buyers' offerings. Some of these wines highlighting the gap in expectations between buyers and sellers are 2019 and 2020 Central Coast Pinot Noir and Chardonnay, 2019 and 2020 North Coast Cabernet Sauvignon and red blenders, and 2020 Sonoma County Pinot Noir (excluding Russian River Valley). As a broker, our job is to match buyers and sellers, share information to raise awareness, and facilitate the market. Despite being presented with the aforementioned opportunities, buyers generally remain unmotivated to buy these items at the moment.

Petite Sirah Bulk Gallons Actively for Sale



There are many active markets as well, such as 2020 Napa Valley Cabernet Sauvignon with recent sales between \$28 and \$35 per gallon, premium Paso Robles Cabernet Sauvignon with recent sales between \$12 and \$17 per gallon, Russian River Valley Pinot Noir with recent sales between \$14 and \$18 per gallon, and all blenders under \$4 per gallon including dry white, dry red, and older vintage wines.

For all bulk purchasing decisions, please keep in mind that some logistics—including trucking—are slower than they have been. You may need to allow for additional time to complete a deal and make decisions sooner than you usually expect.

Grape Market Update

The 2021 crop size is still a mixed bag and most people are rightfully putting off any conclusions, but cluster counts generally point to long-term average yields per acre. Due to drought and the concerns over extended heat waves like last year, most are hedging the crop is more likely to be closer to the lighter side than it is to the heavy.

North Coast

by Christian Klier

We currently are listing half as many tons available throughout the North Coast this year than we did last year at this time. Overall, vineyard timing is a bit off this year; vineyard managers report that vines have been confused by strange weather patterns. This could be part of the reason why the crop size throughout the North Coast appears to be trending downward as we move through the year. It also has made an already active grape market more active, especially for Chardonnay, Sauvignon Blanc, and Pinot Noir. Speculation of a lighter crop and active grape buyers continues to drive the price for grapes upward, though this climb is happening at different rates by region and variety.

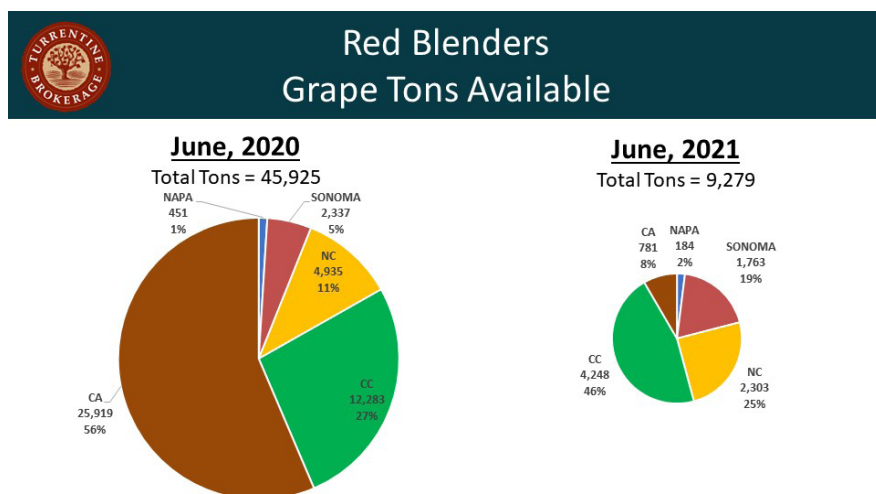
Initial cluster counts of Cabernet Sauvignon throughout the North Coast looked average to average-plus, but, similar to other varieties, crop size appears to be decreasing with shatter. The Cabernet Sauvignon market has been slower than other varieties due to different pricing expectations between buyers and sellers.

Central Coast

by Audra Cooper

Tons actively for sale in the Central Coast are down from last year, but there are still opportunities to lock in supply of Paso Robles Cabernet Sauvignon and Monterey County Chardonnay and Pinot Noir, in particular. The extent of the supply is questionable, however, as there is potential for a below-average crop size that could limit available tonnage depending on variety. For nearly all available tonnage, the price floor and ceiling have increased from last year.

While we are still months away from harvest, we can make some educated guesses of what crop size will be. As always, these are subject to change. Chardonnay, at this point, appears to be slightly below average unless we have



nearly perfect sizing. Cabernet Sauvignon crop size is variable as an extended bloom left us with a sporadic crop potential. For Cabernet Sauvignon, as with Chardonnay, sizing will be the shifting variable. The crop of Pinot Noir also appears to be quite variable with buyers declaring a larger crop while sellers are declaring a shorter crop.

San Joaquin Valley

by Mike Needham

The crop in the San Joaquin Valley continues to look average, with mostly two clusters per shoot and minimal reports of shotberry or shatter for all varieties. The weather from here until harvest will determine how the clusters size. If temperatures are moderate, the vines will have more water for sizing clusters. If we have a hot summer the vines will use that water to cool themselves instead of leveraging the water to further size the crop. Time will tell what the true crop size will be.

The 2021 market started shortly after the 2020 harvest and nearly all supply is under contract already. If any fruit does become available, it is being contracted quickly and at higher prices than in recent years. The growth of off-premise since March 2020 has led some California Appellation brands to look forward in their contracting with growers. We don't expect much additional supply to come to the market, and buyers may need to look elsewhere in the state or to the bulk market for additional supply. Opportunities do arise, so please make sure you are checking in frequently.

Looking Forward

What could have some impact on the market as we head into harvest? The lack of access to irrigation water combined with a warm summer could potentially reduce the crop size and increase the demand for bulk wine and grapes.

If we do have a smaller harvest, the varieties that would most likely have premiums placed on available supply are Sauvignon Blanc statewide, Russian River Valley Pinot Noir, Napa Valley Chardonnay, Lodi Zinfandel, and premium dark red blender varieties like Petite Sirah and Petit Verdot.

If the crop is larger than expected, the demand and price for Central Coast Pinot Noir, some Paso Robles Cabernet Sauvignon, and North Coast Cabernet Sauvignon would most likely soften for both bulk wine and grapes. Markets for other varieties and region combinations are not as likely to be impacted by a large or small crop. For example, a smaller harvest of North Coast Cabernet Sauvignon is less likely to stimulate additional demand due to the larger volume of bulk and grapes actively for sale and the lack of demand at sellers' asking prices.

Obviously, another challenging fire season would be difficult and could reduce supply. The industry knowledge and technology to mitigate the effects of smoke have improved since last year but are still far from perfect and parameters in grape contracts are still evolving. On the demand side, we are still in a volatile world, and any unforeseen COVID-19 restrictions or changes to the financial markets could impact the wine sales later this year.

Our team has many conversations every day in which we share information internally and with clients to assess trends and likely changes for tomorrow. This information is complex and ever-changing, so having Turrentine Brokerage's collective spectrum of information is crucial if you don't want to fall into the same confirmation bias mentioned earlier. Our success for clients is not only working with them when they are uncertain about the market, but we have found that it is even more valuable for clients when they think they are certain about the market.

2020 Crop Contest Winners!

GRAND PRIZE WINNER



NIELS UDSSEN, CASTORO CELLARS

Stasi Seay Hope Family Wines 1st Place Napa Chardonnay	Ryan Boomer Redwood Valley Cellars 1st Place Sonoma Chardonnay	William Stokes Stokes Brothers 1st Place Central Coast Chardonnay
Kevin Phillips Michael David Winery 1st Place Lodi/Delta Chardonnay	Grayson E Stewart The Wine Group 1st Place Statewide Chardonnay	James Phillips Madrigal Family Winery 1st Place Napa Cabernet Sauvignon
David Sailer Grapewagon Custom Crush 1st Place Sonoma Cabernet Sauvignon	Michael Boer Stipp Ranch 1st Place Central Coast Cabernet Sauvignon	Randy Heinzen Vineyard Professional Services, Inc. 1st Place Lodi/Delta Cabernet Sauvignon

Lise Asimont Prudential 1st Place Statewide Cabernet Sauvignon & Central Coast Zinfandel	Tom Payette Winemaking Consultant 1st Place Napa Merlot	Brianna Yray Klinker Brick Winery 1st Place Sonoma Merlot
Serena Friedman Four Sisters Ranch 1st Place Central Coast Merlot	Kyle Peterson Winehaven Winery and Vineyard 1st Place Lodi/Delta Merlot	Jason Robideaux Clos LaChance Winery 1st Place Statewide Merlot
Peter Reale Meta Wine 1st Place Napa Zinfandel	David Ostheimer Delicato Family Vineyards 1st Place Sonoma Zinfandel	Bruce Fry Mohr-Fry Ranches 1st Place Lodi/Delta Zinfandel
	Rodney Schatz Peltier Winery 1st Place Statewide Zinfandel	

Stasi Seay
Hope Family Wines



Tom Payette
Winemaking Consultant



Kyle Peterson
Winehaven Winery



William Stokes
Stokes Brothers



Turrentine on the Road

Come by our booth at the SCW Grower BBQ on July 15th, 2021.

The event will be held both virtually and in person in 2021! With presentations from key speakers over Zoom in the morning, and an update from President Karissa Kruse on Sonoma County Winegrowers marketing activities, sustainability initiatives, and much more.

In Person Trade Show & Lunch (at the Luther Burbank Center | East Lawn & Pavilion) 10am-12:30pm

To register for the in person trade show & lunch, please [click here](#).



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

Paso Robles Cabernet Sauvignon '19 and '20
Napa Valley Cabernet Sauvignon '19 and '20
California floral varieties '20
California Cabernet Sauvignon and red blenders '19 & '20

Available

North Coast Zinfandel '20
Central Coast Pinot Noir '20
Sonoma County Cabernet Sauvignon '20
North Coast Cabernet Sauvignon

Grape Market Opportunities Needed

All North Coast Sauvignon Blanc
Central Coast Sauvignon Blanc
Westside Paso Robles Zinfandel
Interior generic whites and florals



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