



June Market Update

by Steve Fredricks

Decision-making on the sourcing of bulk wine and grapes continues to get more complex and difficult. April frosts in the Lodi/Delta, and in other regions of California to a lesser extent, added another challenging variable to the year. As of now, it appears the reduction in supply due to the frost affected Chardonnay and Pinot Noir in these regions the most. Time will provide a clearer picture of the 2022 crop size. In fact, recent crop projections are generally more positive than the initial forecasts after the frosts, but there is still uncertainty as to the extent of the damage. In the North Coast and other parts of California, the frost will likely have less of an impact.

Bulk markets have slowed, returning to a more typical seasonal pace following 18 months of heightened demand, but still remain active. The typical spring slowdown is due to wineries assessing crop size and projected sales trends to inventories. It is more complicated this year for a few reasons. The first variable is assessing the effects of the frost which, as noted above, is not easy. Some sellers of bulk Chardonnay and Pinot Noir pulled some wines back in-house or held to higher asking prices. Another reason for the slowdown is that wineries are still not clear on future sales trends. On one hand, consumers are dining out and travelling more—behaviors that are changing consumer buying patterns and could benefit brands with more of an on-premise placement. On the other hand, and perhaps the largest factor, some wineries may be scaling back sales forecasts as economic concerns of inflation, and a projected recession might slow recovery for discretionary spending for wine. Finally, all business decisions are influenced by inflation which is new to a lot of wine business leaders as the last prolonged macroeconomic inflationary period (inflation above 5%) was last experienced from 1968 to 1982.

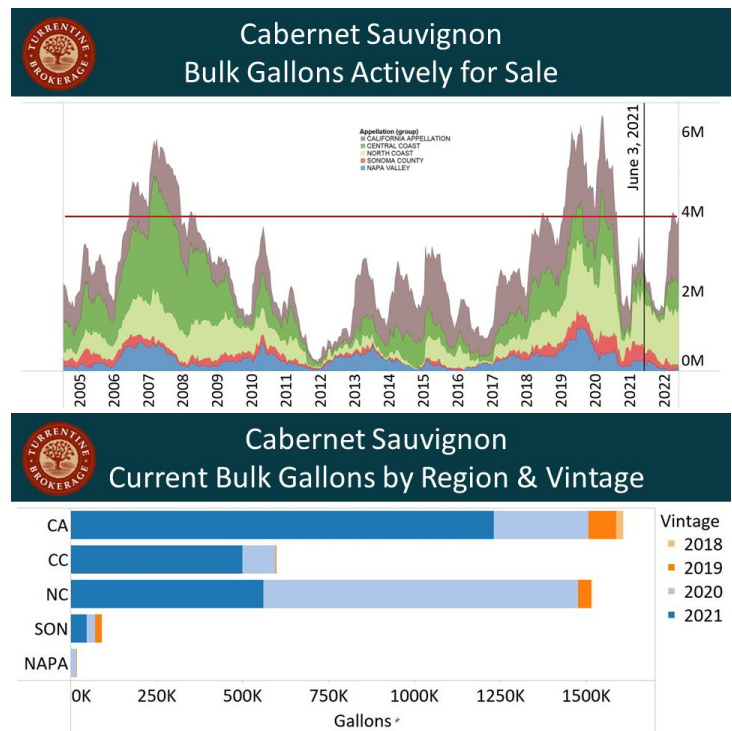
For the above reasons, our advice on what to do in sourcing or selling bulk wine and grapes is even more individualized and targeted than usual.

Cabernet Sauvignon Supply

- Bulk volumes of Cabernet Sauvignon have begun to trend downward from a peak of 4,000,000 gallons since mid-April—mostly due to a reduction of California Appellation lots.
- Volumes remain steadier for North and Central Coast Cabernet Sauvignon, and there is still a sizeable amount of 2020 North Coast supply available.
- Supply of Napa and Sonoma Cabernet Sauvignon actively for sale is tighter than it has been since 2016, and 2021 vintage gallons are particularly limited.
- If historical trends are an indicator for this year, bulk Cabernet Sauvignon gallons are likely to decline slowly through the end of June before a more rapid decrease in supply as harvest begins.

Demand

- The most actively traded wines are California Appellation/Lodi Cabernet Sauvignon, but buyers are looking for smaller volumes. Recent sales have been between \$7 and \$8 per gallon.
- While sales activity for Cabernet Sauvignon lots from the interior are the most active, the most in-demand region is Napa Valley, but limited bulk gallons available have slowed that market. Recent sales have been between \$45 to \$65 per gallon.
- Purchasing activity for Sonoma County Cabernet Sauvignon wines have slowed in recent weeks. Prices have increased with recent sales trending between \$30 to \$35 per gallon, which may be the cause of the slowdown.
- There has been increased interest for Paso Robles Cabernet Sauvignon wines, with recent sales between \$13 to \$18 per gallon. There is choice for lots, but not to the extent of the North Coast.
- In general, there is sustained soft demand for North Coast Cabernet Sauvignon lots.

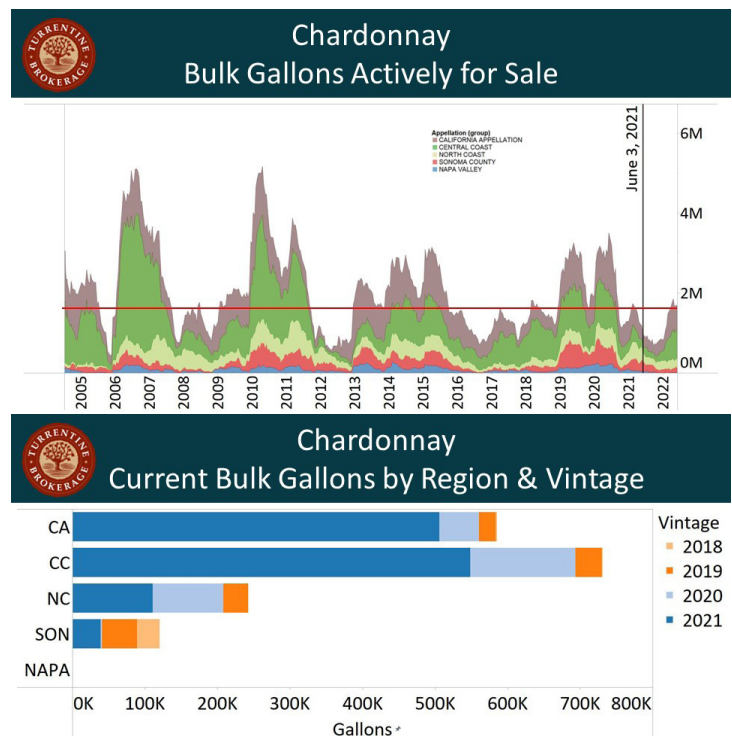


Chardonnay Supply

- There are currently just 1,200,000 gallons of 2021 vintage Chardonnay, which is just 1% of the total Chardonnay crush last year; most of these gallons are split between 2021 Central Coast and California Appellation.
- Supply is limited for Chardonnay throughout the North Coast, particularly for Napa Valley and Sonoma County, with 18,000 and 90,000 gallons available, respectively.

Demand

- Buyers have been most interested in Sonoma County wines, with recent prices between \$23 to \$28.
- There has been steady demand for California Appellation/Lodi/Delta Chardonnay between \$6 and \$8 throughout the year.
- Buyers did not enter the bulk market due to the frost, but supplies did go down as some sellers pulled wine off the market.



Pinot Noir

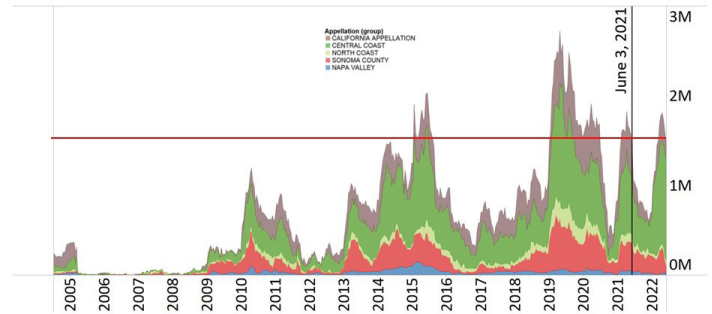
Supply

- Supply of Pinot Noir has come off the peak of 1.8 million gallons from late-April and has begun to decline for the year.
- Central Coast Pinot Noir remains in more of an excess position than other regions, and bulk gallons have held steady over the last two months.
- The volume of available Sonoma Pinot Noir has reduced quickly since late April, down over 70% to 80,000 gallons.

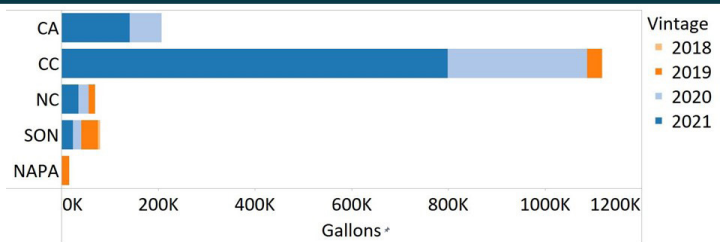
Demand

- Russian River Valley continues to hold the torch for Pinot Noir demand, with recent sales between \$25 and \$31 per gallon. Buyers are already letting us know that they want to see 2022 wines as soon as possible.
- There has been purchasing activity for the Monterey County regions of Arroyo Seco and Santa Lucia Highlands, with recent sales between \$13 and \$16 per gallon, but there are signs of a that market slowing.
- Demand has softened for California Appellation as retail sales have not dictated additional need for volume. Completed deals have been between \$6.50 and \$8.50 per gallon.
- Buyers did not come to the bulk market due to the frost events, but some sellers pulled supply off the market as they assessed their own supply.

Pinot Noir Bulk Gallons Actively for Sale



Pinot Noir Current Bulk Gallons by Region & Vintage



Sauvignon Blanc

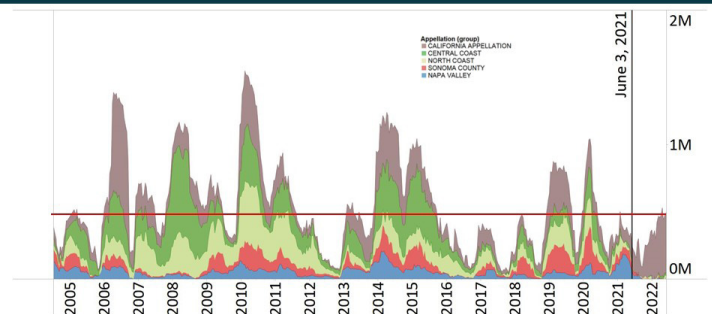
Supply

- Sauvignon Blanc continues to be tight in coastal regions, with lots becoming available intermittently. At the same time, due to the seasonality of the variety, supply currently exceeds demand for all regions outside of Napa Valley and Sonoma County.
- The larger quantities of California Appellation wines on the bulk market, fueled by growth in bearing acres, have raised the tonnage expectation each year for the past few years. The 2021 crop was another record in the Lodi/Delta region, with bulk supply still available.

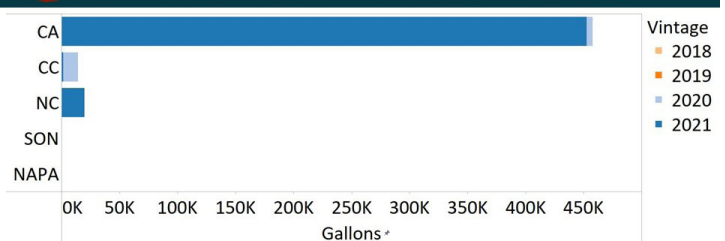
Demand

- As gallons become available on the coast, programs in need of supply have placed upward pressure on price with recent sales between \$25 to \$29 per gallon for Napa Valley lots.

Sauvignon Blanc Bulk Gallons Actively for Sale



Sauvignon Blanc Current Bulk Gallons by Region & Vintage



- The deals that have been done are primarily for California Appellation/Lodi Sauvignon Blanc due to availability, with recent deals between \$6 to \$10 per gallon.
- Seasonal demand is waning for Sauvignon Blanc, with wineries needing to place orders for dry goods and begin bottling. Buyers are looking ahead at vintage 2022.

ProWein 2022

by Steve Fredricks

The world gathered once again at ProWein in Düsseldorf, Germany, from May 15th to May 17th. This was not the first wine trade fair to happen this year, but it is always the largest gathering of buyers and sellers from all over the world. There was real joy among people seeing each other again in real life.

An important aspect of being in-person was the ability to engage in real conversations with global partners to assess the market. Many of the conversations revolved around the same set of questions. What is really going on? How is the wine industry dealing with inflation, price increases, and logistical and material sourcing challenges? When will consumer sales rebound and grow? What is the wine industry doing to adapt? As always, our global partners and clients have been working hard to answer these queries and stay ahead of challenging variables. On the supply side, producers from most regions feel more comfortable with their inventories versus projections for sales, but added challenges of growing costs of packaging materials, securing materials, coordinating timely logistics, and rising costs of freight are affecting everyone.

The following is a high-level summary for key regions based upon our meetings with suppliers and our broker partners from all over the world. All prices quoted are the equivalent dollars per gallon landed in the United States. Many of the landed import prices are elevated due to the cost of transportation. For example, the costs for transporting a container of bulk wine have increased the equivalent of \$0.60 and \$0.80 per gallon since early 2020. Prices do not take into account CMBA credits or duty drawbacks. Call us for all for specific information on a wine or region and we can update you on opportunities.

Australia

As projected in the April 2022 newsletter, red grapes stayed on the vine due to holdover inventories of 2021 red wines, the continued high tariff blocking the vast majority of exports to China, and a good-sized 2022 crop. All white grapes were harvested, and bulk wine prices remain steady for Chardonnay at the equivalent of \$4.75 to \$5.00 landed.

Prices have decreased from last year for entry-level Cabernet Sauvignon and Shiraz currently between \$4.25 to \$4.50 landed for current vintage. There are less common bulk wine opportunities at attractive prices for appellationed reds, including Barossa Valley Shiraz from \$11.25 to \$15.50 per gallon landed as well. Australian wineries are working hard to expand markets in other countries and bulk prices are dropping to incentivize buyers to overcome the costs of transportation.

New Zealand

The 2022 Sauvignon Blanc crop was fortunately larger than the previous two. Even though the 2022 harvest season was challenging, it appears that quality is good. Suppliers are mainly providing wine to existing buyers and providing it in volumes lower than most buyers would like, despite higher inventories. Prices remain high for the wine available.

France

Short crops have led to more balanced inventories, and prices are not as attractive as other regions as a result. White wines remain in short supply, especially Sauvignon Blanc. The inventory of red wines is more plentiful, particularly for Cabernet Sauvignon from the Languedoc and Bordeaux, with prices between \$7.75 to \$8.25 and \$8.25 to \$9.00 per gallon landed, respectively. Rosé is more plentiful but Côtes de Provence wines remain tight in general.

Spain

Spain has the largest inventories and most attractive bulk prices among primary grape-growing countries in Europe. Outstanding quality Tempranillo and Garnacha are available at roughly \$5.00 per gallon landed from many regions with varied quality levels, styles, and prices. Spain is also the one region where 2021 dry white wines are available in volume, with prices for Airen ranging from \$4.50 to \$4.75 per gallon landed.

Italy

Prosecco remains in a shortage position and suppliers are not quoting on new programs. Inventories are such that there are opportunities for good red wines from most regions and in varying styles. Super Tuscan wines are available from \$9.25 to \$10.50 per gallon landed and organic reds are available from \$8.25 to \$8.75 per gallon landed.

Chile

The 2022 harvest is complete and quality is very good. Chilean supply is more in balance than most other global regions, in part, because the country has been able to capitalize on the tariff war between China and Australia. Chile already had inroads to China, aided by years of work and a free trade agreement. The Sauvignon Blanc market is in balance as most 2022 volumes are committed. If any good quality Sauvignon Blanc does become available, it would likely sell between \$6.00 to \$6.30 per gallon, and sellers feel that price will remain steady. Cabernet Sauvignon and Merlot from 2021 and 2022 are available at prices starting at \$4.75 for basic quality up to \$6.25 per gallon landed for reserve higher-quality wines.

Argentina

The market and export logistics in Argentina continue to be complicated. The 2022 harvest is complete and, as projected, volumes were down. Sellers in Argentina have not been able to take advantage of the opportunity to sell to China as Chile has, due to the fact they do not have a free trade agreement. Good-quality Malbec from Mendoza is available in the range of \$6.00 to \$8.50 per gallon landed for better-quality wines. Dry White wine inventories are lower and prices are not as competitive on the global market.

South Africa

The influx of supply from the 2022 crop has again made red and white wines available. Prices are aided by the favorable exchange rate. Sauvignon Blanc can be sourced between \$5.00 to \$5.25 landed while Muscat and Chenin Blanc are closer to \$4.00 to \$4.25 landed. Like Argentina, South African sellers were not easily able to grow their exports to China as they were hamstrung by the absence of a free trade agreement.

Summary

The market for bulk wine and grapes remains active in California despite complex challenges facing wineries and growers both here and around the world. Wineries and growers are weighing more variables affecting their busi-

ness than in recent history, but businesses are not just sitting on the sidelines waiting for clarity—they are acting.

For bulk wine and grapes in California, there is a higher probability that the markets will stay active and prices will remain consistent. There are always some bulk bargains as harvest approaches, but there are expected to be fewer this year. Again, the advice on what to do in sourcing or selling bulk wine and grapes is even more individual than usual, so give your broker a call for more detail regarding your specific needs.

2021 Crop Contest Winners!

GRAND PRIZE WINNER



EMILY COVINGTON, E&J GALLO WINERY

And for the first, and likely last time ever, we have a 4-way tie for Napa Valley Cabernet Sauvignon!

Josh McCarthy Rack & Riddle Custom Wine Services 1st Place Napa Chardonnay	Robinson Woolley Delicato Family Vineyards 1st Place Sonoma Chardonnay	David Baird Folktale Winery 1st Place Central Coast Chardonnay
Brad Kurtz Gloria Ferrer 1st Place Lodi/Delta Chardonnay	William Ricioli Ricioli Bros. 1st Place Statewide Chardonnay	Brianna Yray Klinker Brick Winery 1st Place Napa Cabernet Sauvignon

Michael Abernathy John Anthony Family of Wines 1st Place Sonoma Cabernet Sauvignon	David Ostheimer Delicato Family Vineyards 1st Place Central Coast Cabernet Sauvignon	Tony Stephen Scheid Family Wines 1st Place Lodi/Delta Cabernet Sauvignon
Greg Brickey Majascul Wine 1st Place Statewide Cabernet Sauvignon	Jeff Quirici Trinchero Family Estates 1st Place Napa Merlot	Chris Crispo Bush Crispo Vineyards 1st Place Sonoma Merlot
Brian Sheehan Duckhorn Wine Company 1st Place Central Coast Merlot	Michael Boer Stipp Ranch 1st Place Lodi/Delta Merlot	Jeffrey O'Neill Blood Company 1st Place Statewide Merlot
Matthew Reid Benessere Vineyards 1st Place Napa Zinfandel	Debbie Reardan River Bend Vineyards 1st Place Sonoma Zinfandel	William Knuttel William Knuttel Winery 1st Place Central Coast Zinfandel
Nathan Mee Nimble Vineyards 1st Place Lodi/Delta Zinfandel	Bud Bradley Delicato Family Vineyards 1st Place Statewide Zinfandel	Nicolas Quille Crimson Wine Group 1st Place Napa Cabernet Sauvignon
Grayson Stewart The Wine Group 1st Place Napa Cabernet Sauvignon		George Neveling E&J Gallo Winery 1st Place Napa Cabernet Sauvignon



George Neveling



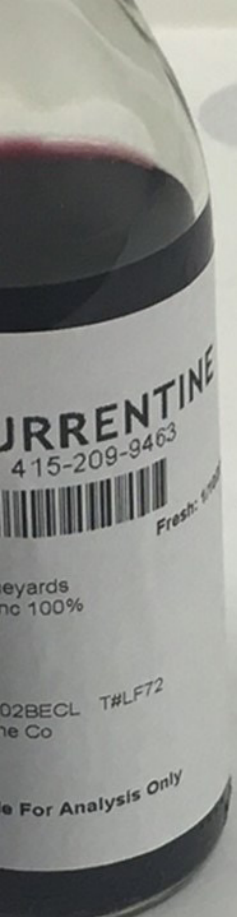
William Ricioli



Greg Brickey



Nicolas Quille



Turrentine will be in Attendance for:

ASEV Conference, June 20th to 22nd

Love of the Land, July 13th

IBWSS, July 26th to 27th

We hope to see you there!

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

2021 Napa Valley Cabernet Sauvignon
2021 other Napa Valley/Sonoma County reds
2021 and 2022 Russian River Valley Pinot Noir
2021 and 2022 Russian River Valley/Sonoma County Chardonnay
2021 Napa Valley Chardonnay

Available

2020 and 2021 Central Coast Pinot Noir
2020 and 2021 Central Coast Chardonnay
2021 Rose statewide
2021 California Appellation/Lodi Cabernet Sauvignon
2021 California Appellation/Lodi Zinfandel
2021 California Appellation/Lodi Merlot
2020 California Appellation dry red
2021 California Appellation Sauvignon Blanc

Grape Market Opportunities Needed

Lodi/Delta and Southern Interior Chardonnay
Lodi/Delta and Southern Interior Pinot Noir
Lodi/Delta and Southern Interior Sauvignon Blanc
Central Coast Sauvignon Blanc
Central Coast Rhones, truckload and larger or sub-appellated smaller lots
Paso Robles Zinfandel
Central Coast Petite Sirah
North Coast Sauvignon Blanc
Sonoma County Chardonnay
Napa Valley Cabernet Sauvignon
Napa Valley Merlot
Napa Valley Chardonnay
Napa Valley Sauvignon Blanc
Napa Valley red blenders

Available

San Lucas Cabernet Sauvignon, large quantities
Hames Valley Cabernet Sauvignon, large quantities
Monterey County Gewurztraminer
Paso Robles Cabernet Sauvignon
Santa Barbara County Pinot Noir
Santa Barbara County Chardonnay, truckload and larger
Mendocino County Chardonnay
North Coast Cabernet Sauvignon
North Coast Merlot





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