



JUNE, 2023

THE TURRENTINE NEWSLETTER



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Adaptation & Innovation

by Steve Fredricks

We began documenting the excess of the early 2000s in 2001. In 2002, we noted the debut of Charles Shaw (a.k.a., “Two-Buck Chuck”) at Trader Joe’s. By the end of that year, the brand and the competitors it spawned brought innovation to the bulk wine and grape markets and helped absorb excess. It took time and wasn’t easy for the market to adapt, but by October of 2003 the oversupply had dissipated. Another market cycle had passed. Put differently, we had weathered another storm.

The lessons from that time still apply today.

The current market has its share of challenges to replicate success of a Charles Shaw type of program or other innovation that can turn around an excess market and stimulate sales of wine. There are certainly opportunities to be had. The adjustment to change takes time, but the longer it takes the wine industry to accept that this is now an excess market for most regions and varieties, particularly on the bulk market, the more drawn out and difficult the correction will be. Sure, “Two-Buck Chuck” might not be realistic anymore, but an inflation-busting blend could pencil out to ease the inventory bloat and—who knows?—perhaps become a craze for the next generation.

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Market Update

Bulk Market

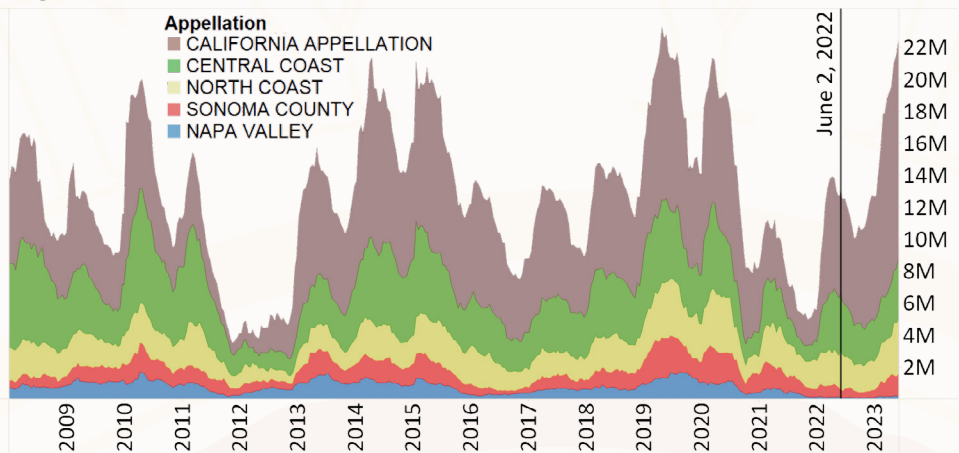
Total California statewide gallons actively for sale are now up to 22.4 million. This volume of wine has only been available on the market four times before, and each time was after a record or near-record sized harvest. In contrast, the 2022 harvest was the lightest in a decade. The elevated volume of bulk wine actively for sale shows the concern of wineries over slowing consumer sales. According to domestic Nielsen IQ FMCG data for the previous 52 weeks as of April 1, 2023, retail sales in scannable outlets are declining 5% overall with the only growing price segment between \$15.00 and \$19.99 per bottle. Similarly, DTC sales were reported to be down 9% overall during the same timeframe, according to Wine Business Analytics/Sovos ShipCompliant.

Many buyers and sellers are still unaware of the extent of change to the bulk wine market in 2023, and some could miss valuable opportunities as a result. This is why it's important to check in with us regularly. If you are a buyer, you likely have more opportunity to find wines closer to your desired quality and price. For sellers, current inventory can feel more like a liability than an asset, so don't get left behind because you are hoping for a higher price. As we'll outline below, moving large volumes of bulk wine before harvest will not be easy.

Cabernet Sauvignon

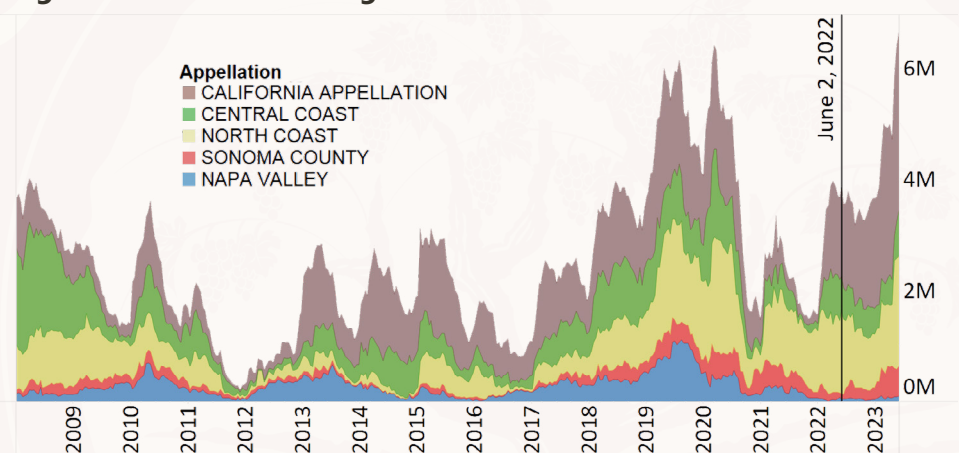
- The total V22 gallons available for sale are now approximately 3.7 million. Total gallons have nearly doubled due to some V21 wines still on the market today.
- About 2 million gallons of North Coast Cabernet Sauvignon are actively for sale.
 - Buyers have yet to show additional interest in opportunistic purchases for large volumes of Cabernet Sauvignon.
 - It will most likely take a price match of California Appellation or imported bulk wine from Chile or Australia to move larger volumes of North Coast Cabernet Sauvignon before harvest.
- California Appellation Cabernet Sauvignon actively for sale is up to 3.2 million gallons. Demand has been low, causing prices for large-volume Cabernet Sauvignon to decrease. Recent sales for volume deals have been well below \$5.00 per gallon.

Figure 1 - California Statewide Bulk Gallons Available



Bulk gallons available statewide, all regions, all varieties. Source: Turrentine Brokerage

Figure 2 - Cabernet Sauvignon Bulk Gallons Available



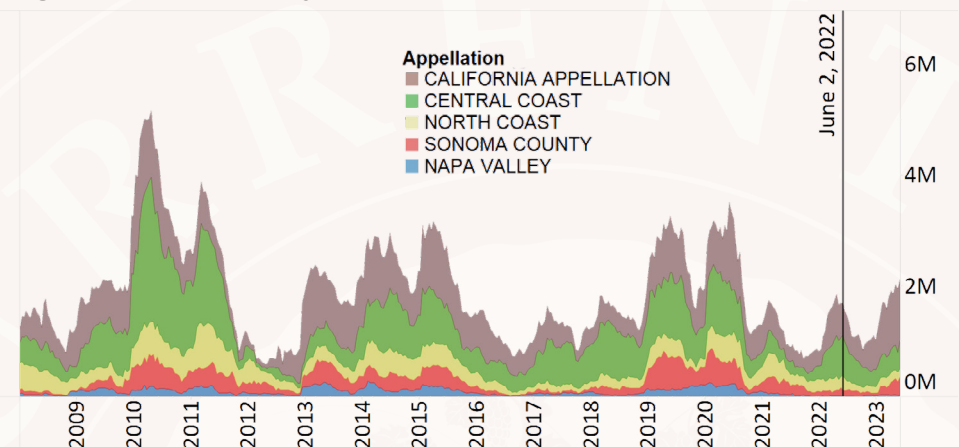
Cabernet Sauvignon bulk gallons available statewide, all regions. Source: Turrentine Brokerage

- Napa Valley Cabernet Sauvignon wines are staying on the market longer, and more buyers are showing price sensitivity. Supply still remains tighter than most other varieties/regions.
 - Recent bulk wine sales have been between \$37.00 and \$60.00 per gallon, with very few small lots selling at the higher price in the range.
 - Retail wine sales above \$30.00 per bottle have decreased in FMCG NielsenIQ data for the 52 weeks as of April 1, 2023.
 - Recent DTC data shows a decrease of 4% in volume of wine sold in the last 12 months, according to Sovos Ship Compliant.
- There is a slight uptick in demand for Sonoma County Cabernet Sauvignon wines, and there are good choices for buyers with roughly 500,000 gallons actively for sale. Recent sales have been between \$17.00 to \$30.00 per gallon.
- The volume of Paso Robles Cabernet Sauvignon wines offered has increased to 400,000 gallons. Buyers remain more active, albeit price sensitive, for V22. Recent sales have been between \$8.00 to \$15.00 per gallon.
- Other Central Coast Cabernet Sauvignon wines have less momentum than Paso Robles. If sellers want to move wines before harvest, it most likely will need to compete with California Appellation or imported bulk wine prices to move volumes before harvest.

Chardonnay

- V22 Sonoma County lots continue to be the most in-demand with a preference of Russian River Valley and Sonoma Coast AVAs. Recent sales have been between \$22.00 and \$26.00 per gallon, though they have been a bit lower for larger volume deals.
- Napa Valley continues to be tight, with approximately 20,000 gallons actively for sale in total. Recent sales have been between \$23.00 and \$28.00 per gallon.
- Buyers are showing some interest in V22 North Coast Chardonnay, mostly due to reduced asking prices. Recent sales have been between \$5.50 and \$13.00 per gallon with demand dropping significantly at the higher end of this range. It likely will take a California Appellation price to move larger volumes of these wines.
- Demand for V22 Central Coast Chardonnay is a bit better than it is for North Coast, and V21 has been difficult to move. Recent sales of V22 have been between \$12.00 to \$14.00 per gallon for higher quality wines that have come to the market, but becoming more difficult to move.
- Lodi/Delta Chardonnay seems more balanced, as recent sales for volumes of one or two truckloads have been between \$5.00 and \$7.00 per gallon. For California Appellation lots, limited demand has been pushed price below \$5.00 per gallon, regardless of vintage.

Figure 3 - Chardonnay Bulk Gallons Available

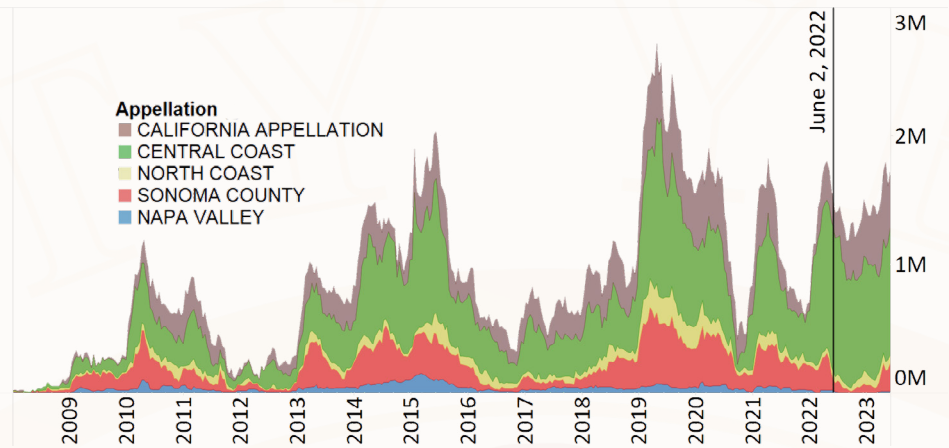


Chardonnay bulk gallons available statewide, all regions. Source: Turrentine Brokerage

Pinot Noir

- The Sonoma County Pinot Noir bulk wine market continues to be moderate, but has slowed with more volume coming to the market. Recent sales have been between \$18.00 to \$28.00 per gallon, and more sellers are having to rethink higher asking prices.
- The North Coast Pinot Noir market has been relatively quiet, and it likely will take a California Appellation price to move larger volumes of wines before harvest.
- Supply of Central Coast Pinot Noir has continued to increase. Sellers are beginning to show interest in moving wine at lower prices, but buyers aren't showing much interest in acquiring.
- There are just 150,000 gallons of V22 California Appellation Pinot Noir actively for sale, but demand is very soft, particularly when buyers may have the ability to buy Pinot Noir from the North Coast and Central Coast at a similar price.

Figure 4 - Pinot Noir Bulk Gallons Available

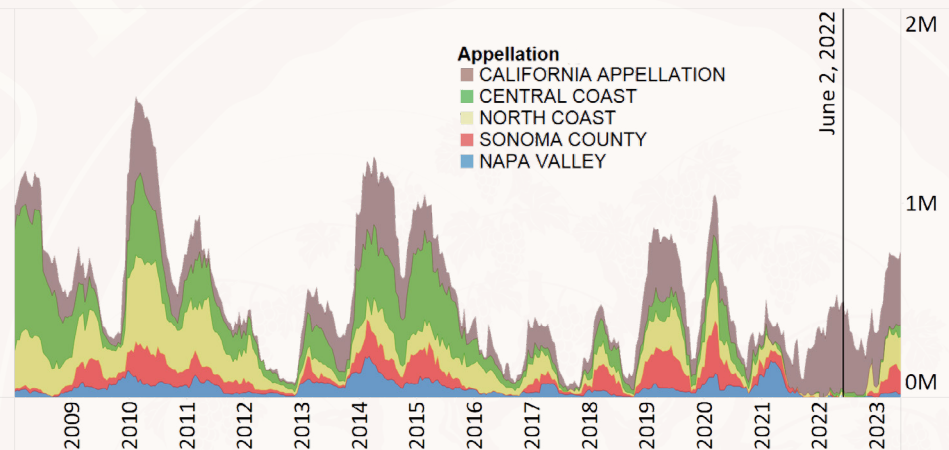


Pinot Noir bulk gallons available statewide, all regions. Source: Turrentine Brokerage

Sauvignon Blanc

- The window is essentially closed for V22 Sauvignon Blanc statewide, as many wineries are finishing blends and bottling. There still have been a few deals done in recent weeks for Napa Valley and Sonoma County lots at reduced prices.
- There are opportunities for Sauvignon Blanc from the California Appellation, North Coast, and Sonoma County, with fewer gallons available in Napa Valley and the Central Coast.

Figure 5 - Sauvignon Blanc Bulk Gallons Available



Sauvignon Blanc bulk gallons available statewide, all regions. Source: Turrentine Brokerage

Global Market

The global bulk wine market has a similar feel to the California market, and several of the trends outlined in March have only intensified since then. Demand for volume deals at value prices is very soft, and buyers generally are not looking to take a risk on opportunistic inventory with past vintage inventories still on hand. Most buyers feel as though they can buy as they need at a later date.

In Europe, red wines are generally more in excess than white wines, and prices of both are softening as people are looking toward the 2023 harvest. In the southern hemisphere, harvest has concluded and a lighter-than-average crop has done

little to impact excess markets. Red wines continue to be offered at attractive prices in Australia and Chile. White wines are generally more in balance in Chile and leaning towards short in Australia keeping prices firmer, but prices remain attractive for buyers. Please call if you need more specific opportunities for wine or you would like more specific market information. We will respond with up-to-date information from our long-term partner brokers around the world.

Grape Market

Due to the extended winter weather and cool spring, vineyards are, on average, two to three weeks behind in most areas of the state. This has slowed markets a bit as growers and wineries assess supply potential. Field reports indicate there are mostly two clusters per shoot with the rare third, which is setting up for what appears to be an average crop at this point. There is a long way to go until harvest. Tons actively for sale have increased from the last two years, but are still well below what was listed on the market in 2018 and 2019. Buyers, in general, are waiting to see what the crop potential will be, and are waiting for updated case sales projections before buying more.

North Coast

Vineyards throughout the North Coast are about two and a half to three weeks behind schedule in comparison to the last few years. This is likely due to the shift to wet and cool weather this year from drought and hot weather in previous years. While the increased access to water has been a huge relief, the later vineyard timing has growers and wineries worried as this could mean a later harvest. If a later harvest is paired with significant rain in the fall, it could be more expensive for the farmers to protect against mildew and botrytis.

Vineyards are showing mostly two clusters per shoot with the occasional third. If there are no more frost events, the potential for a good-sized crop is lining up. This is not surprising considering the amount of rain we had this winter (and in the wake of the last few light years). The potential of a larger crop than last year has impacted the grape markets in different ways based on region and variety within the North Coast. The market for Napa Valley grapes appears to be relatively insulated from a larger crop. The same can be said for Sonoma County Chardonnay, particularly from Russian River Valley and Sonoma Coast. In Lake and Mendocino Counties, the potential for a larger crop has emboldened buyers who are waiting for prices to come down. Growers with uncontracted grapes are concerned that there may not be a home for everything. This concern has growers willing to come down on their asking prices.

Napa Valley is maybe 25% to 35% into bloom. Sonoma County overall is a bit behind Napa Valley entering bloom, but Chardonnay and Pinot Noir are right around the 25% to 35% as well. Lake and Mendocino Counties are farther behind. Fortunately, recent weather conditions have been perfect for bloom—not too hot, cold, or windy which will hopefully lead to a good set.

Central Coast

Vineyards on the Central Coast are mostly showing two clusters per shoot with decent cluster architecture—in some cases larger than average cluster architecture. While there is a larger than average crop potential currently, the cooler weather the Central Coast is experiencing during bloom can easily reduce the crop potential down to a more average level.

Activity from buyers has been slow in recent weeks. Many have already secured supply under multi-year contracts or were active early on in the buying season. This, coupled with increasing available grape supply, has led to diminishing market optimism. It is worth noting, however, that despite new tons coming to the market, overall supply available is still roughly half of what was listed in 2018 and 2019, when markets were in the height of excess.

While the Central Coast markets in general have slowed, some regions and varieties are in higher demand. Some of the more popular white and red blenders are extremely limited, so if you're looking to secure additional supply—run, do not

walk, to the market. Also, premium sub-AVAs such as Santa Rita Hills and Santa Lucia Highlands are not overly abundant in general, so do not assume supply will be available throughout the year.

San Joaquin Valley

Vineyards throughout the San Joaquin Valley are going through bloom at the moment, and unfortunately, early and late varieties are in bloom at the same time. This could lead to a more compacted harvest later this year. To this point, there are mostly two clusters per shoot. We are finishing up bloom now with no word of shatter to this point. The weather has been very mild, which should lead to a decent set (barring any late surprises, of course).

There is a lot of supply under long-term contracts, which has limited the tons actively for sale this year. At the same time, there are increased opportunities compared to the last few years, particularly for reds. The market for red wine grapes has been slower this year than it has been over the last three years. White grape varieties are leading the way with the most interest for Chardonnay, followed by Pinot Grigio and Sauvignon Blanc. Supply is limited for these varieties at the moment.

Generally, wineries have inventory on hand and have contracted the supply they need. In some cases, they are long and looking to unload supply to get back into balance. The problem is that buyers are, in general, scarce. There have been some North Coast buyers securing San Joaquin Valley grape supply, but not to the extent of years past.

Conclusion

The global wine industry has experienced a tumultuous period in recent years, marked by the Covid-19 pandemic and changing retail channels. All the while, annual tons have been historically variable, particularly in California. The situation has made it difficult to assess the true supply and demand picture accurately, but the trend is now clear—the market resembles the 2019 pre-Covid era.

Excess inventories of bulk wine and grapes have created downward pressure on prices, meanwhile, increased costs of production is constricting margins and making it hard for businesses to compete on price. However, these challenges also offer opportunities for innovation. Companies that have prepared for this period can take advantage of excess wine and grapes while everyone else is scrambling to rightsize inventories.

The faster the wine industry can adjust to the current market conditions, the easier and faster this period of change will be. Dealing with change is never easy, and the wine industry has faced its fair share of difficulties over the years. However, the industry has always adapted and emerged stronger.

As a company that has been in business for 50 years, we understand the challenges facing the wine industry, and we are committed to helping our clients navigate through this difficult period. We have amassed a vast collective knowledge and experience over the years, making us uniquely qualified to help our clients capitalize on the current market conditions primed for innovation and opportunities. We remain dedicated to bringing all opportunities to sellers and buyers and assisting them to move through this part of the cycle.

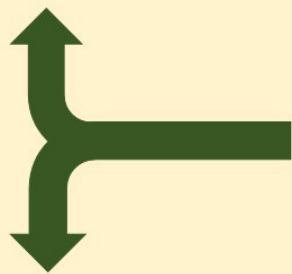
Turrentine on the Road

NAPA

JUNE 26-29, 2023

74TH ASEV NATIONAL CONFERENCE

Napa Valley Marriott Hotel
Napa, California USA



Christian Klier

&



William Goebel
will be in attendance

2023 Annual Grower BBQ, Seminar, & Tradeshow

June 28th, 2023 from 8:00AM to 1:30PM at Shone Farm



**BRYAN FOSTER & STEVE ROBERTSON
WILL BE ATTENDING**

IBWSSUSA

**INTERNATIONAL BULK
WINE & SPIRITS SHOW**

July 25 & 26, 2023



2022 Crop Contest Grand Prize Winner

Jason Domingos
JD Farming Inc.



Regional Crop Contest Winners



Damian Grindley, Brecon Estate



Kyle Peterson, Winehaven Winery

Statewide Chardonnay	Scott Williams Coastal Vineyard Care
Napa Valley Chardonnay	Rich Parducci McNab Ridge Winery
Sonoma County Chardonnay	Alexandra Graziano Graziano Family of Wines
Central Coast Chardonnay	Lee Ann Pearce Bank of the Sierra
Lodi/Delta Chardonnay	Clinton Nelson Fetzer Vineyards
Statewide Cabernet Sauvignon	Don Ackerman Constellation Brands
Napa Valley Cabernet Sauvignon	Brian Sheehan Duckhorn Portfolio
Sonoma County Cabernet Sauvignon	Jason Robideaux Clos LaChance Winery
Central Coast Cabernet Sauvignon	Damian Grindley Brecon Estate
Lodi/Delta Cabernet Sauvignon	Kyle Peterson Winehaven Winery
Statewide Zinfandel	Tom Payette Winemaking Consultant
Napa Valley Zinfandel	Chris Crispo Bush Crispo Vineyards
Sonoma County Zinfandel	Michael Boer Stipp Ranch
Central Coast Zinfandel	George Neveling E&J Gallo Winery
Lodi/Delta Zinfandel	Glenn Andrade Trinchero Family Estates
Statewide Merlot	Andy Weyrich Mesa Vineyard Management
Napa Valley Merlot	Brandie Baumbach Bear Creek Winery
Sonoma County Merlot	Eric Sanchez Republic National Distributing
Central Coast Merlot	Brianna Yray Klinker Brick Winery
Lodi/Delta Merlot	Jeff Osterman O'Neill Vintners & Distillers & Matt Crafton Chateau Montelena

Market Opportunities

Turrentine Brokerage is always working to find opportunities for our clients. We believe firmly in a personalized approach tailored to each client's specific needs and unique position.

Give us a call at (415) 209-WINE

Bulk Market

Needed

2021/2022 Napa Valley Cabernet Sauvignon
2021/2022 other Napa Valley reds
2021/2022 Sonoma County red blenders, as needed
2022 Russian River Valley/Sonoma Coast Chardonnay

Available

2021/2022 Sonoma County Cabernet Sauvignon
2020-2022 Lake/Mendocino County Cabernet Sauvignon
2022 North Coast Sauvignon Blanc
2021/2022 Pinot Noir from various Central Coast regions
2020-2022 Central Coast Cabernet Sauvignon
2021/2022 California Appellation Cabernet Sauvignon
2021/2022 California Appellation Merlot
2021/2022 California Appellation Zinfandel
2022 California Appellation Pinot Noir
2021/2022 California Appellation Chardonnay
2022 California Appellation Dry White
2021/2022 Sonoma County red blenders

Grape Market

Needed

Sonoma County Chardonnay
Napa Valley Cabernet Sauvignon
Sauvignon Blanc throughout the San Joaquin Valley

Available

North Coast Cabernet Sauvignon
North Coast Merlot
North Coast Zinfandel
North Coast Syrah
Mendocino County Chardonnay
Paso Robles Cabernet Sauvignon small lot, truckload, and larger lot options
Paso Robles Petite Sirah in small lots
San Antonio Valley Cabernet Sauvignon - 300 tons
Hames Valley Cabernet Sauvignon with wine samples available
Arroyo Seco Chardonnay- clone 809 and old Wente Clone
Santa Ynez and Los Olivos Cabernet Sauvignon
San Benito County hillside Pinot Noir
San Benito and Santa Clara Counties Chardonnay
Cabernet Sauvignon throughout the San Joaquin Valley
Merlot throughout the San Joaquin Valley
Pinot Grigio throughout the San Joaquin Valley
Zinfandel throughout the San Joaquin Valley
Pinot Noir throughout the San Joaquin Valley



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