



FEBRUARY, 2024

THE TURRENTINE NEWSLETTER



7599 REDWOOD BLVD. STE. 103, NOVATO, CA 94945
(415) 209-WINE



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The Fog Has Lifted

By Steve Fredricks

Last year could be summarized by the fog of uncertainty on two fronts. On one hand, uncertainty was due to shifting consumer sales trends—on the other hand, crop size. Crop size is now known since the Preliminary CDFA California Grape Crush Report was released last Friday. The total crush weighed in at 3.67 million tons, and despite significant tonnage field rejected due to disease pressure or grapes left unharvested due to lack of demand, one thing is for sure—it was too much. Since early 2023, we had been reporting indicators of an impending excess market for bulk wine and grapes as described in the [Turrentine Wine Business Wheel](#), but there was still a disconnect between buyers and sellers.

With the crop size known, and more time for sellers to accept the transition to an excess market, the fog of uncertainty has lifted. Now more than at any point last year, buyers and sellers are closer in alignment of their understanding of the current market cycle, helping us make deals happen and evolve through excess.

In this issue of The Turrentine Newsletter, we will discuss our key takeaways from the Crush Report, how these might impact the bulk wine and grape markets, and then provide a bulk market update by variety.

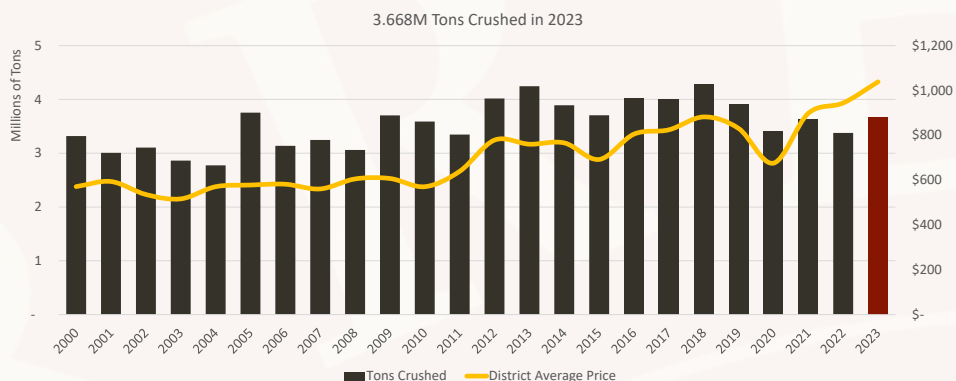


Crush Report Key Takeaways

District Average Price

There was a unique dichotomy in regards to grape pricing in 2023. The highest ever statewide weighted average price was reported. The main factor influencing this price was multi-year contracts negotiated in previous years, many of which use price escalators that continually push price upward. However, spot market transactions in from the spring through harvest were infrequent as a reaction to the uncertainty mentioned earlier. This was more evident later in the year as wineries were not wanting to be overburdened with inventory with the crop sizing. While these late-season spot market grape prices on deals completed were down significantly, there were not enough tons sold at these new prices to significantly impact district average prices. The district average price in 2024 and beyond will most likely be impacted by the downward pressure on spot market grape prices as it is a delayed metric of market cycle change.

Figure 1 - California Statewide Bulk Gallons Available



Tons crushed and weighted average grower returns per ton delivered, all regions, all varieties. Source: CDFA California Grape Crush Report, Turrentine Brokerage

Tons Crushed

Last year, the California wine grape growing season presented numerous challenges for grape growers and wineries alike, with increased rainfall, cooler temperatures, and other weather-related difficulties testing the resilience of those involved in the production side of the wine business. While increased shatter looked to keep the crop a bit smaller, a prolonged late-season hang time allowed for berries to size bringing the crop to 3.67 million tons. Had all grapes been harvested, this could have easily been a 4-million-ton crop, or greater.

Figure 2 - California Statewide Bulk Gallons Available

	Tons Crushed 2023	Tons Crushed 2022	Net Gain/Loss	Equivalent Gallons	% Change	2023 % Chg. to 5-YR Avg.
North Coast	576,744	451,856	124,887	20,606,000	28%	21%
Central Coast	523,755	426,816	96,940	15,995,000	23%	7%
Northern Interior	977,756	885,116	92,639	15,285,000	10%	3%
Southern Interior	1,491,654	1,557,538	-65,885	-10,871,000	-4%	-14%

Tons crushed, all varieties. Source: CDFA California Grape Crush Report, Turrentine Brokerage

Napa Valley tons crushed were a whopping 21% larger than the five-year average, which includes the record 2018 crop. Despite Cabernet Sauvignon commanding 55% of the total tons harvested in Napa Valley, and setting a record with 92,261 tons crushed, this was just the sixth largest crop in Napa Valley’s storied history. Many other varieties rebounded from the previous three years, but were down from years prior due to acres being replanted to Cabernet Sauvignon.

Sonoma County tons harvested, driven by the trio of Chardonnay, Pinot Noir, and Cabernet Sauvignon, were 28% above the five-year average following a rebound in supply of all three. Wineries were keener on accepting additional Chardonnay at the end of the year than they were for more tons of Pinot Noir and Cabernet Sauvignon.

The crop in Lake County was huge. The previous record was 47,857 tons crushed back in 2017. The 2023 crop came in at 64,587—a 35% increase from the previous record. The combination of Cabernet Sauvignon up 49% and Sauvignon Blanc up 31% over last year really led to the tonnage increase. The smaller 2022 crop was already too much for the market as evidenced by the consistent excess of bulk wine available. The Mendocino County crop was larger than 2022 for Chardonnay (+28%), Pinot Noir (+45%), and Sauvignon Blanc (+56%), in particular, but remained flat for Cabernet Sauvignon (-1%).

Total tons crushed in the Central Coast increased by 23% over the prior year, reaching an impressive 533,755 tons. Due to a lack of growth in casegoods sales, the demand for Central Coast wine grapes was soft, resulting in unharvested fruit at the end of the season. If all the tonnage had been picked, the total for the Central Coast would have been significantly higher, potentially a record harvest in the region.

Tons harvested in the northern interior regions of Lodi and the Delta were closer in size to the five-year average. The Delta produced higher historical yields than Lodi due, in part, to a rebound in yields of Chardonnay and Sauvignon Blanc coming off the frost events of 2022. The southern interior was the lone region with crop size below average in 2023. Throughout the southern interior, a fair amount of tonnage went unharvested due to disease pressure, lack of demand, and/or not meeting minimum Brix requirements.

Overall, it is very unlikely that any of the information released in the 2023 California Grape Crush Report has any impact on the current grape or bulk wine markets as buyers were already reacting to an excess market before the Crush Report was released.

Most of the current grape buying activity has been for Sonoma County grapes led by a few buyers re-signing contracts early in the year, but most buyers are generally showing patience with the market at this point.

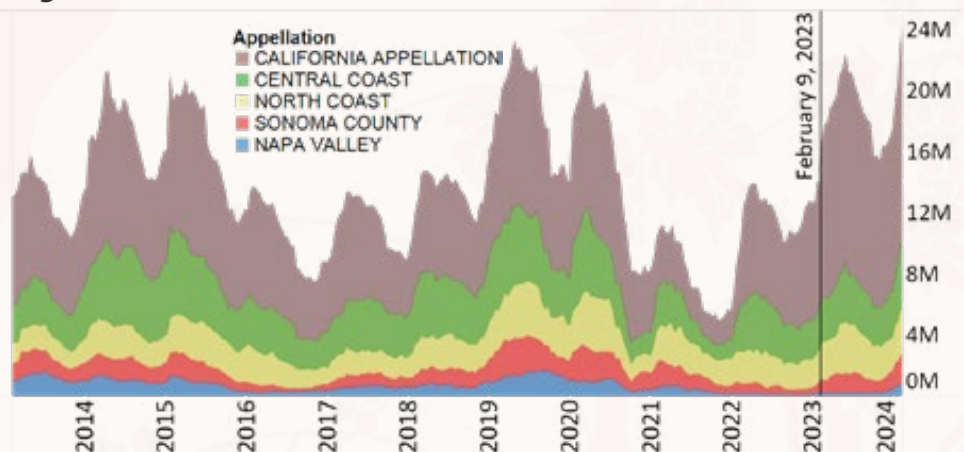
Bulk Market Update

By the Bulk Wine Brokers

Bulk gallons actively for sale continue to increase from all regions as the 2023 vintage wines are released. We are now listing 8.7 million gallons of 2023 vintage wine and 24 million gallons overall—a record number of gallons actively for sale through Turrentine Brokerage. This is due, in part, to the quantity of older vintage gallons that have remained on the market due to a lack of demand.

Despite the record gallons available and slower consumer demand, the bulk market is active due to the increase in opportunities of wine for sale and lower asking prices of key varieties, but there are *fewer buyers in the market* than there have been since 2018. The market for white varieties continues to be more in-balance than the market for red varieties, in general, but demand overall is still down significantly from the last several years. The good news is that the quality of 2023 vintage wines is being reported as exceptional given the extended hang time and this higher quality could stimulate additional demand for new or growing programs.

Figure 3 - California Statewide Bulk Gallons Available

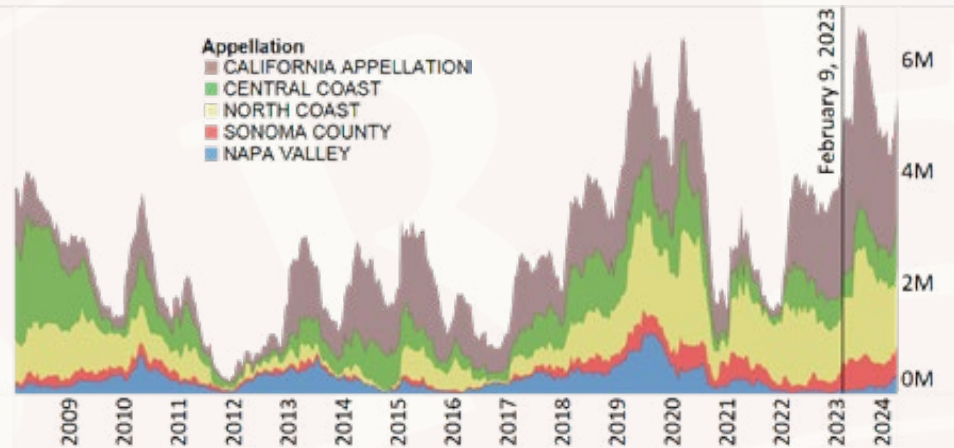


Bulk gallons available statewide, all regions, all varieties. Source: Turrentine Brokerage

Cabernet Sauvignon

- Supply of Napa Valley Cabernet Sauvignon has increased in recent months following a record crop size. Demand from traditional brand buyers has given way to negotiant buyers with moderate demand overall. Buyers are generally holding out for prices below \$30.00 per gallon. With that said, some deals have been done well above that price for AVA wines and reserve quality smaller lots.
- Paso Robles Cabernet Sauvignon supply is fairly tight for the 2022 vintage. 2023 vintage lots have come to the market and the volumes being offered are far greater than 2022. Buyers have yet to show interest since they received more grapes than estimated.
- Demand for Cabernet Sauvignon in other areas of the state including the North Coast, Central Coast (other than Paso Robles), and California Appellation has been particularly low with volume for sale increasing and asking prices at or below \$5.00 to garner any interest.

Figure 4 - Cabernet Sauvignon Bulk Gallons Available

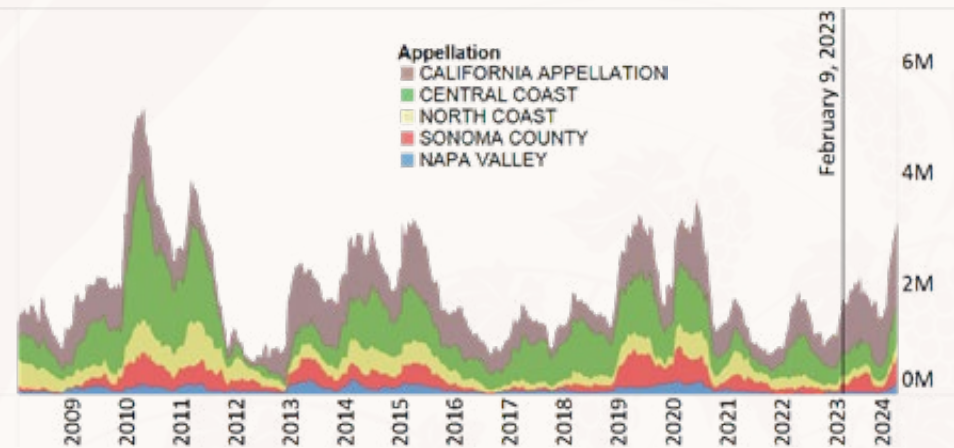


Cabernet Sauvignon bulk gallons available statewide, all regions. Source: Turrentine Brokerage

Chardonnay

- The relative bright spot for Chardonnay has been from Sonoma County. While buyers have yet to close on any deals, there is some underlying interest, particularly for the 2023 vintage lots. Meanwhile, available supply has been growing over the last couple of months.
- There has been some demand for 2023 California Appellation/ Lodi Chardonnay with recent prices between \$5.00 to \$7.00 per gallon for smaller volumes. Volume actively for sale has remained flat for the last couple months, but is generally higher than it has been for a few years after a larger than average crop in the Lodi/Delta.
- Demand for Chardonnay from the North and Central Coast has been very quiet. It may likely take more of a California Appellation price to move this wine.

Figure 5 - Chardonnay Bulk Gallons Available



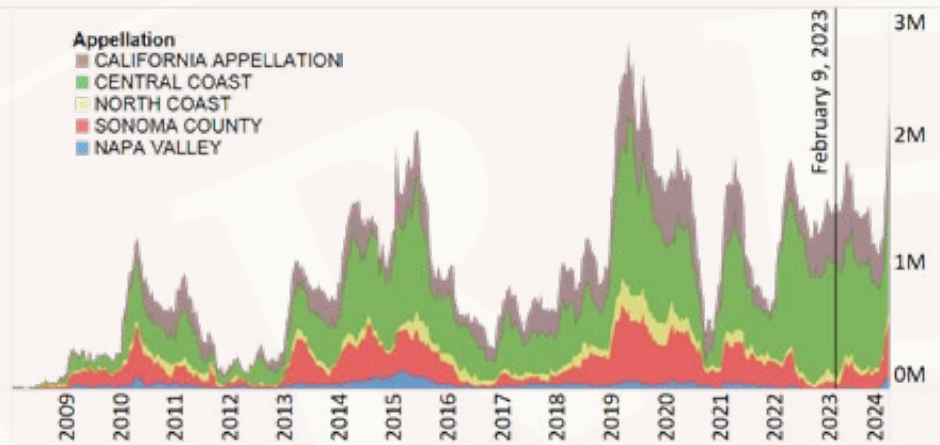
Chardonnay bulk gallons available statewide, all regions. Source: Turrentine Brokerage

Pinot Noir

- Sonoma County gallons available have more than doubled since the start of the new year as 2023 wines are being released. Demand is softer for Russian River Valley and Sonoma Coast wines as brands driving the market received more tons in 2023 and negociants have yet to become active.

- Activity has been slow for both North Coast and Central Coast wines. Gallons of Central Coast Pinot Noir have spiked to nearly 850,000, far more than buyers' needs.
- Deals for California Appellation Pinot Noir have been similarly infrequent, with recent deals being completed between \$4.00 to \$7.00 per gallon.

Figure 6 - Pinot Noir Bulk Gallons Available

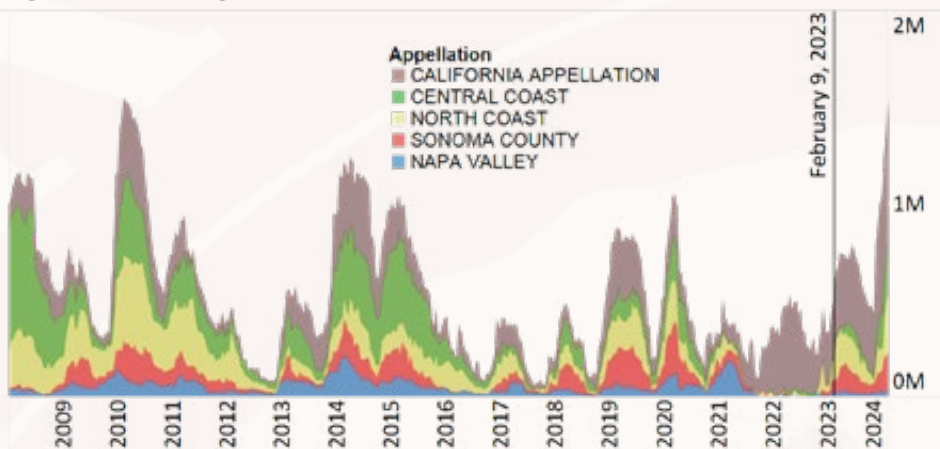


Pinot Noir bulk gallons available statewide, all regions. Source: Turrentine Brokerage

Sauvignon Blanc

- High yields per acre and additional acres coming into bearing helped to create a record crop. As a result, more gallons are currently available than what we have listed over the last decade. Unfortunately, there is not the same demand for bulk wine as the last several years.
- The majority of the deals done have been from California Appellation and Lodi wines between \$3.00 to \$7.00 per gallon.
- It is likely that what little demand there is in the market will begin to dissipate as early as March as wineries need to begin bottling. There is a very low probability there is enough interest, even at very low prices, to move the volumes already actively for sale.

Figure 7 - Sauvignon Blanc Bulk Gallons Available



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

Red Blenders

- Supply has remained relatively flat for coastal red blenders outside of Napa Valley, but unfortunately, demand is even softer with fewer buyers than last year.
- There has been some interest in Napa Valley, particularly for Merlot, but buyers have yet to feel a sense of urgency to complete deals.
- The deals that have been done out of Lodi have mostly been smaller quantities priced between \$4.00 to \$8.00 per gallon, but supply significantly outweighs demand.

Conclusion

Navigating beyond the current cycle of excess demands a blend of short- and long-term strategies. The current short-term strategy wineries are taking is to list excess wine for sale in bulk hoping another buyer will have a need for it and they can recover close to the value they have invested in it. Historically, that strategy creates competition at lower prices and innovation of new brands which can benefit the market, see the Turrentine Newsletter on ["The Other Guy"](#) for more details of this strategy. In the short-term, wineries will also need to be aggressive in selling wine to consumers and may need to compete on price. In doing so, however, brands may just be cannibalizing market share more than growing total sales. Nobody wants to take these actions, but history tells us that price competition will happen.

In the long-term, the wine industry needs to put in the work to grow consumer sales again—not easy considering the current high costs and thin margins and other consumer demand headwinds. This endeavor demands collective action from everyone in the wine industry to expand the market, rather than fighting over a diminishing share of the pie. An example of working together would be to find ways to promote moderation and sharing wine with friends and family over dinner, a key message used in the 90's.

Excess supply cycles do catalyze the evolution of new products, appropriate grape varieties for specific terroirs, and elevated quality standards—all benefits in the long-term. Innovation is being done with various products designed to target consumer segments and draw upon current demands of both new and established consumers both new and established. These include wines that are low alcohol, no alcohol, organic, and sustainable, among others. More needs to be done and the challenges of getting new products to the consumer are great. The market might not be seeing the results of the work yet and it may take more time than we would like, but wineries have been making the effort to grow consumer sales with the brands for some time.

The last long-term strategy to evolve past this excess is vineyard removals. Each grower and winery must assess their land to identify underperforming acres. These choices to remove acres that are not economically viable, don't consistently ripen, or features unsuitable grape varieties for the region are not easy, but they are necessary.

The good news? 2023 appears to be a fantastic vintage and the fog of uncertainty has lifted. With buyers and sellers now more on the same page and understanding excess, we can work together to get out of this! If you are the "Other Guy" please don't be a stranger. For any bulk wine or grape needs, please give us a call.

Turrentine on the Road



Christian Klier will be presenting in:

Ukiah –	March 5th
Geyserville –	March 6th
St. Helena –	March 7th



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**Audra Cooper and
William Goebel will
be presenting at
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March 26th



WiVi Central Coast | March 27, 2024
Paso Robles Event Center



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

'22/'23 Napa Valley red blenders
'22/'23 Sonoma County red blenders
'22 Russian River Valley/Sonoma Coast Pinot Noir
'23 Russian River Valley/Sonoma Coast Chardonnay
'23 California Appellation Pinot Grigio
'22/'23 Paso Robles Cabernet Sauvignon
'23 Monterey County Pinot Noir
'23 Monterey County Chardonnay

Available

'22/'23 Napa Valley Cabernet Sauvignon
'22/'23 Sonoma County Cabernet Sauvignon
'21/'22 Lake and Mendocino County Cabernet Sauvignon
'23 North Coast Sauvignon Blanc
'21/'22 Central Coast Pinot Noir from various regions
'21/'22 Central Coast Cabernet Sauvignon
All '21/'22 California Appellation red wines
'22/'23 California Appellation Chardonnay
'22/'23 California Appellation Sauvignon Blanc
'22/'23 California Appellation Dry White

Grape Market

Available

Napa Valley Cabernet Sauvignon
Napa Valley Chardonnay
Napa Valley red blenders
Sonoma County Cabernet Sauvignon
Sonoma County Chardonnay
Sonoma County Sauvignon Blanc
Sonoma County red blenders
North Coast Cabernet Sauvignon
North Coast Chardonnay
North Coast Sauvignon Blanc
North Coast red blenders

Santa Lucia Highlands Pinot Noir
Willow Creek CCOF newly planted Syrah and Cabernet Sauvignon
Santa Rita Hills Pinot Noir
Santa Ynez Valley Sauvignon Blanc
Cabernet Sauvignon throughout the San Joaquin Valley
Chardonnay throughout the San Joaquin Valley
Merlot throughout the San Joaquin Valley
Zinfandel throughout the San Joaquin Valley
Pinot Grigio throughout the San Joaquin Valley
Sauvignon Blanc throughout the San Joaquin Valley



Steve Fredricks, President
(415) 847-0603

Brian Clements, Vice President
(707) 495-8151

BULK WINE BROKERS

Steve Robertson, Broker/Partner
All California & Interstate Regions
(415) 827-0110

Marc Cuneo, Broker/Partner
North Coast, Interior & International
(707) 217-1369

William Goebel, Broker/Partner
Central Coast & North Coast
(415) 798-5515

GRAPE BROKERS

Audra Cooper, Broker/Partner
Central Coast
(805) 400-9930

Mike Needham, Broker/Partner
California Interior
(209) 443-0022

Christian Klier, Broker
North Coast
(707) 867-8212

STRATEGIC BRANDS

Bryan Foster
National Sales Manager of Strategic Brands
(707) 849-9948

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Turrentine Brokerage | 7599 Redwood Boulevard, Suite 103, Novato CA 94945

Tel: 415.209.9463