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THE **TURRENTINE** **NEWSLETTER**



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Waiting Game

By Steve Fredricks

In the ever-evolving narrative of the wine industry, the cadence of buyers' decision-making often moves to the rhythm of market cycles. The quick decisions and immediate transactions of 2021 and 2022 are behind us and have been replaced by a market where buyers, acutely aware of the consumer demand challenges, excess supply, and the luxury to gauge the development of the 2024 crop, aren't in much of a hurry to secure their needs. This isn't to say that supply is not moving, it is and the number of transactions is comparable to last year, but contracted quantities are less.

In this issue, we will explore the effects of this strategic 'Waiting Game', and how collective breath-taking is impacting market dynamics and influencing pricing strategies from both a domestic and global perspective following our recent trip to ProWein.

International Update

ProWein consistently offers a unique perspective on the current state of the global wine industry, and 2024 wasn't any different, revealing more signs of change and adaptation to lower global consumption of wine. Despite a noticeable reduction in both exhibitor

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and attendee numbers, the intensity of scheduled meetings and engagements remained high, underlining the importance of such gatherings for the global wine industry. Our team's exhaustive itinerary of meetings with suppliers from Italy, France, Spain, Austria, Chile, Argentina, Australia, and New Zealand echoed the domestic concern over decreased consumer sales and the ongoing challenge of excess red wine inventories and more balanced inventories of white wine.

Throughout the world, the message was clear: the industry is in a phase of strategic recalibration of supply to demand. Actions for this recalibration are already underway, with vineyard acreage removed in response to over-supply in regions such as Chile, Argentina, Australia and France. The Southern Hemisphere's 2024 harvest projections suggest a short-term, positive adjustment with expected yields ranging from average to below average. Efforts are visible to compete for consumers with strategic product innovation including more low and no-alcohol offerings, innovative packaging, and branding.

Regional Highlights

Europe: The situation in Europe presents a varied landscape due to a lower-than-average 2023 harvest in parts of Italy and Spain, contrasted with a more typical harvest in France. White wine supplies are relatively balanced, while red wines are in surplus. Initially, bulk wine asking prices were quite firm; however, there has been a slight softening recently as bulk sales have slowed, prompting sellers to consider reducing asking prices. For example, asking prices for quality IGP Languedoc Sauvignon Blanc are now between €1.10 and €1.20 per liter (\$6.20 to \$6.60 per gallon landed), with potential for further negotiation. Likewise, good quality IGP Languedoc Chardonnay is priced between €1.30 and €1.35 per liter (\$7.00 to \$7.20 per gallon landed), and Cabernet Sauvignon is around €1.10 per liter (~\$6.20 per gallon landed). In Italy, Pinot Grigio supplies are tighter, yet available, with recent quotes for bottled Pinot Grigio from Veneto showing a decrease from previous months. Spanish entry-level red wines are priced between €0.60 and €0.65 per liter (\$3.20 to \$3.40 per gallon landed), and white wines between €0.40 and €0.45 per liter (\$2.50 to \$2.60 per gallon landed), both experiencing downward pressure on price. Opportunities are plentiful for varietal and appellation wines from many regions, particularly from Rioja, and competitively priced Bordeaux offerings.

Chile: Reports are that bearing acres have reduced by about 15% over the last few years leading to projections of a smaller than average 2024 crop. Early signs are pointing to lower yields per acre for key varietals including Sauvignon Blanc, and down further still for Cabernet Sauvignon and other reds, but the harvest is just starting.

In our meetings with San Nicolas Wine Services of Chile, the bulk market remains fairly slow with low demand for smaller volumes of wine, but demand seems to be slowly returning and prices have stabilized. The projections are for 2024 prices to possibly increase. Prices for 2023 Sauvignon Blanc are in the range of \$0.75 to \$1.00 per liter FOB port (\$3.80 to \$4.70 per gallon landed) and for Cabernet Sauvignon in the range of \$0.45 to \$0.48 per liter FOB port (\$2.60 to \$2.80 per gallon landed).

Argentina: The 2024 Argentine crop may be slightly reduced due to heavy summer hail storms, though the quality remains high. With domestic consumption waning, supply outstrips demand. There is likely to be ample availability of Dry White and Malbec, though it is still early. Mendoza Malbec is priced between \$0.85 to \$1.15 per liter FOB Chilean port based on quality (\$5.50 to \$6.60 per gallon landed), with Dry White currently at \$0.65 per liter FOB Chilean port (~\$4.70 per gallon landed). Should the domestic economy rebound, prices might stabilize; however, prices could soften as the year progresses amid a period of lackluster export demand. Suppliers are eager for robust export offers.

Australia: Has been playing a different Waiting Game in hopes that the punitive tariffs imposed by China on Australian wine would be lifted. News during ProWein indicated that these tariffs would be lifted soon, and there was a noticeable change in the mood of Australian suppliers. Soon, shipments and sales to China can resume which should help alleviate some of the oversupply and hopefully improve prices for grapes and bulk wine, but the improvement is not likely to be quick. The market in China is not likely to regain pre-pandemic size due to social and economic challenges in China.

There has been a much better growing season in 2024 with far less disease pressure. Early projections are for a larger harvest for Chardonnay, Sauvignon Blanc, and Pinot Gris which is welcome since supplies of 2023 whites have been limited for some time. Asking prices for bulk 2023 white wines have been firm and prices are likely to remain firm despite the larger 2024 crop. Projected prices of 2024 Sauvignon Blanc are expected to be in the range of A\$1.15 to A\$1.25 per liter FOB port (\$4.00 to \$4.30 per gallon landed), and 2024 Chardonnay are expected in the range of A\$1.05 to A\$1.10 per liter FOB port (\$3.80 to \$3.90 per gallon landed).

Cabernet Sauvignon and Shiraz inventory from 2023 and older vintages are still high and prices low. Tons harvested are likely to be down due to lack of demand. As a result of the smaller crop, asking prices for 2024 red bulk wines are most likely going to start higher and also expected to increase over time. Current pricing for 2023 and older reds are A\$0.50 to A\$0.60 per liter FOB port (\$2.40 to \$2.70 per gallon landed). While prices are likely to increase for red wines in the near future, they are still not sustainable for growers and most likely need to increase to A\$1.00 per liter.

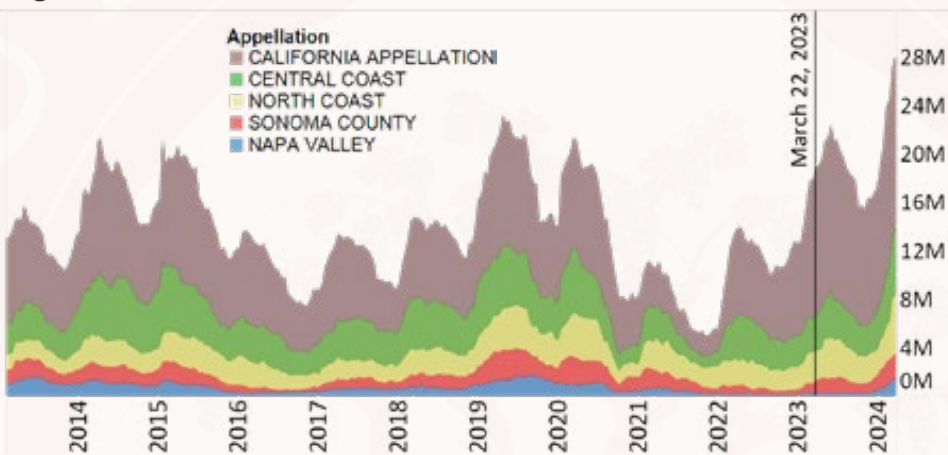
New Zealand: Faced a challenging year. Recent projections are for lower-than-average yields per acre for white varieties following a difficult set, possibly balancing out some of the oversupply from the large 2023 crop. The crop is likely closer to the size of 2022 or 2021. Some suppliers expect that the net result of the smaller 2024 crop will allow them get release dates back to their desired timing, but there is still time before harvest is concluded. Supply of 2023 Sauvignon Blanc in bulk is still in excess of demand and current asking prices have stabilized at around NZ\$4.50 to NZ\$4.80 per liter ex cellars (\$11.90 to \$12.60 per gallon landed). This presents opportunities for good quality 2023 lots.

Bulk Market Update

By the Bulk Wine Brokers

Gallons actively for sale in California continue to climb north of 27 million, 12.9 million of which is 2023 vintage. The current vintage gallons for sale are up 4 million gallons from last year at this time and also up 4 million from one month ago. This represents a larger percentage of the new vintage tons crushed than usual, particularly throughout the North Coast—not a surprise given larger than average yields per acre in some cases and conservative consumer sales projections.

Figure 1 - California Statewide Bulk Gallons Available



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

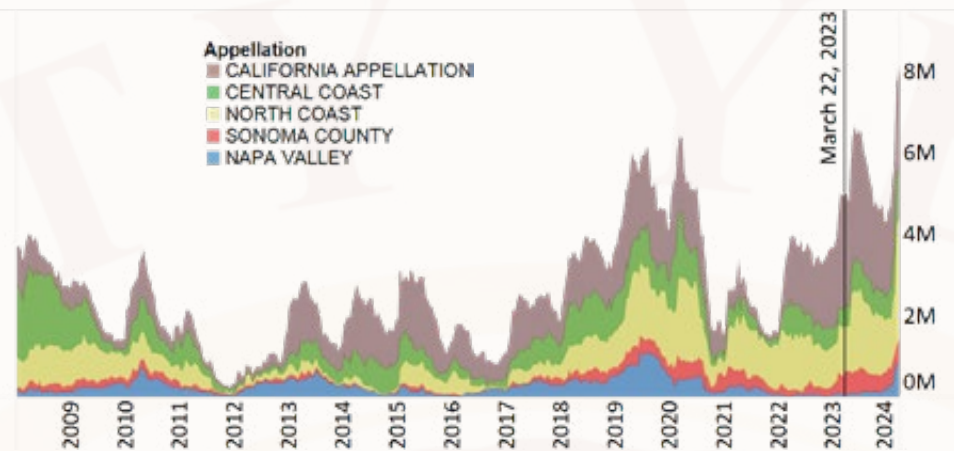
The total volume of gallons actively for sale increases through March or April in a normal year, but last year, gallons increased through early June as the bulk market continued to shift towards excess. It remains to be seen when available gallons will peak this year, but could push past the traditional window given the current lack of demand.

Sellers, in general, have realized the conservative nature of buyers in this market, and are more willing to listen and accept more offers. We have yet to see a true clean-up buyer willing to purchase significant volume at low prices, but they are inquiring. Despite the excess, there is a little life to the market, and it is being carried in large part by buyers looking for smaller quantities, sub-appellated lots, or for specific programs. There have been a similar number deals than last year at this time, but the size of these deals has been smaller.

Cabernet Sauvignon

- Supply of Cabernet Sauvignon is at record levels after 1.5 million North Coast gallons were listed over the last month bringing the statewide volume available over 8.0 million gallons.
- Demand for 2022 vintage Napa Valley Cabernet Sauvignon remains steady, but buyers are more cautious, with recent sales of 2022 vintage wines between \$38.00 to \$54.00 per gallon. Ample supplies of 2023 vintage lots are being listed earlier than normal presenting opportunities for buyers. Sellers are currently asking for an average of \$30.00 per gallon for the 2023 vintage, and buyers would be willing to make deals today for good volumes at prices closer to \$20.00 per gallon.
- Sonoma County Cabernet Sauvignon demand remains soft putting downward pressure on price. Recent sales of 2022 vintage lots have been between \$10.00 to \$20.00 per gallon, but prices could continue to trend downward entering Q2.
- Prices for 2022 vintage Paso Robles Cabernet Sauvignon are holding in the mid-teens with both supply and demand limited. Prices for 2023 vintage lots are coming down due to an increase in supply and lower demand. Additionally, bulk sales are likely to return to a slower, more traditional time on the market before selling.
- 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. More sellers are more willing to listen to any and all offers than just a few weeks ago.

Figure 2 - Cabernet Sauvignon Bulk Gallons Available

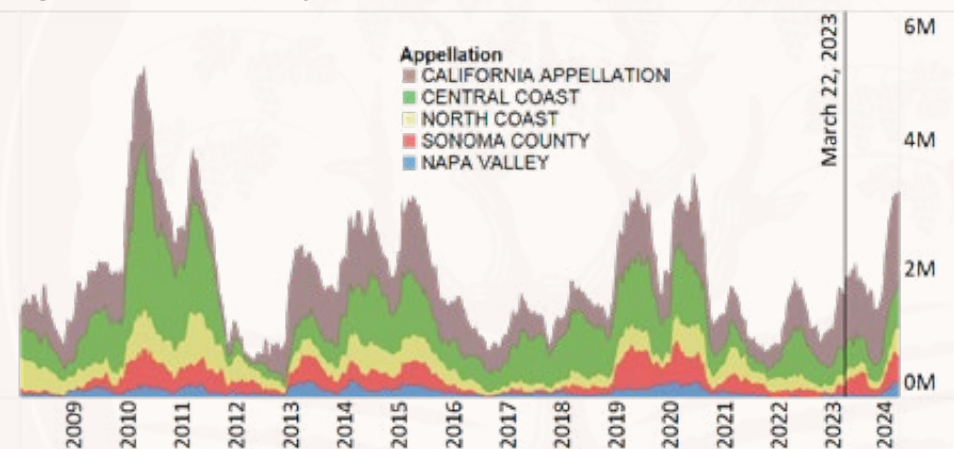


Cabernet Sauvignon bulk gallons available statewide, all regions. Source: Turrentine Brokerage

Chardonnay

- There has yet to be many deals completed for 2023 Sonoma County Chardonnay, but there are active buyers focused mainly on this vintage. Recent sales of Russian River Valley Chardonnay have been between \$11.00 to \$15.00 per gallon. While volumes available have increased in recent months, total supply actively for sale is not abundant and is similar to historical averages.
- There have been some transactions for 2023 California Appellation/Lodi Chardonnay with recent sales between \$5.00 to \$7.00 per gallon for smaller volumes. Prices would likely be below \$4.50 per gallon for larger volume deals. Gallons actively for sale have remained flat for the last couple months, but are generally higher than the last few years after a larger than average crop in the Lodi/Delta.

Figure 3 - Chardonnay Bulk Gallons Available



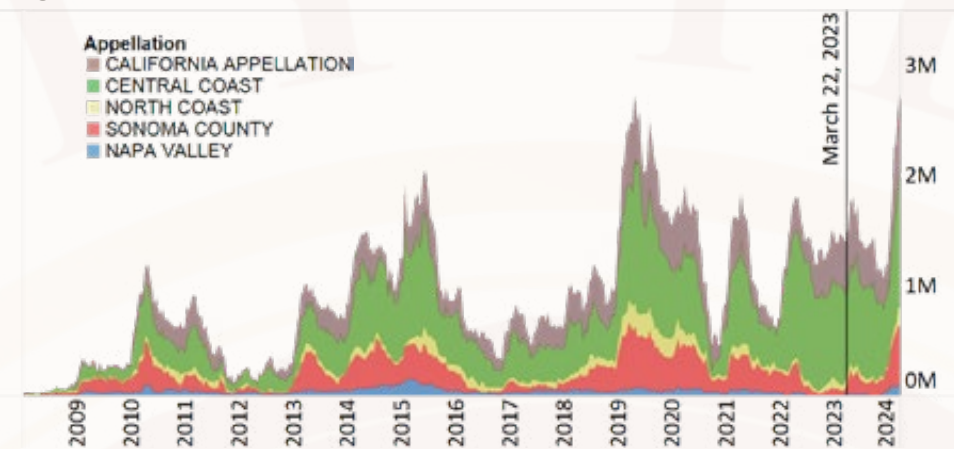
Chardonnay bulk gallons available statewide, all regions. Source: Turrentine Brokerage

- Demand for Chardonnay from the North and Central Coast has been very soft. It may take more of a California Appellation price to move this wine.

Pinot Noir

- Additional lots of Pinot Noir in bulk continue to be listed with volumes actively for sale statewide continuing to increase to more than 2.7 million gallons.
- Demand for Russian River Valley and Sonoma Coast wines is softer than last year as brands driving the market received more tons in 2023 and negociants have yet to become active. Recent sales for both 2022 and 2023 vintage wines were between \$10.00 to \$18.00 per gallon.
- Activity has been slow for both North Coast and Central Coast appellation wines. Gallons of Central Coast Pinot Noir actively for sale has spiked to nearly 1.3 million, far more than buyers' needs.
- Deals for California Appellation Pinot Noir have been similarly infrequent, with recent deals being completed between \$4.00 to \$6.00 per gallon.

Figure 4 - Pinot Noir Bulk Gallons Available

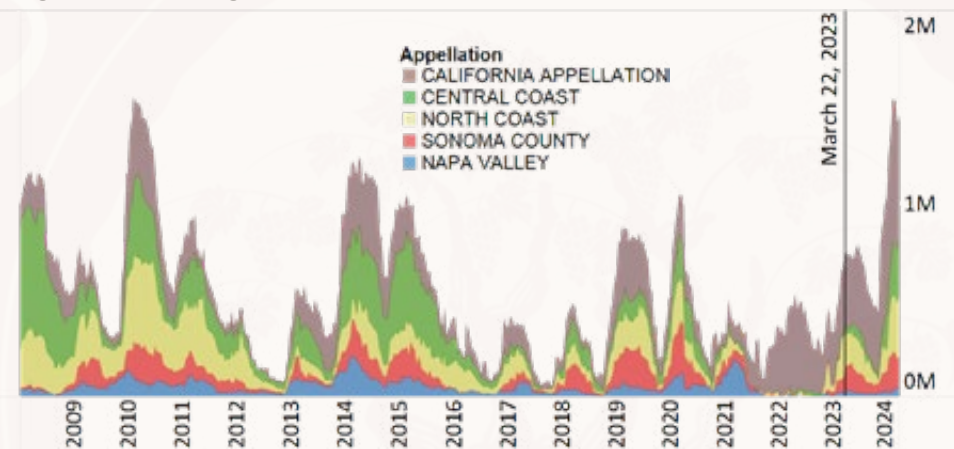


Pinot Noir bulk gallons available statewide, all regions. Source: Turrentine Brokerage

Sauvignon Blanc

- New vintage activity has been quieter than it has been for the last four or five years due to the increase in supply.
- There has been some spot market activity for Sauvignon Blanc, almost all of which has been for Napa Valley (\$14.00 to \$24.00), Sonoma County (\$6.00 to \$15.00), or North Coast (\$6.00 to \$13.00).
- It is likely that what little demand there is in the market will begin to dissipate as early as this month as wineries need to begin bottling. Unfortunately, there is a very low probability of enough interest, even at very low prices, to move the 1.1 million gallons of 2023 vintage Sauvignon Blanc still actively for sale.

Figure 5 - Sauvignon Blanc Bulk Gallons Available



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

Other Varieties

- With more gallons coming to the market, more niche varieties are being listed in larger quantities than we have seen for some time. For more details, please reach out to us with your needs.

Conclusion

Amid slow consumer sales, an oversupply, and a watchful eye on 2024 crop development, transactions are more cautious with a focus on smaller quantities and strategic purchases. It is a waiting game and not easy for all parties to remain patient. While bulk wine and grape markets may be waiting, we are not. Brokers are on the road and on the phone getting updates on wines and grapes for sale and relaying that information to potential buyers to capitalize on the opportunities—anything to try to get the market moving.

Concerns over global wine consumption and sales persist, but action is underway. Efforts to reduce short- and long-term supply imbalances, alongside positive developments in trade relations and strategic product innovation, suggest a better market in the next few years.

As we continue to monitor these developments, our focus remains on providing timely insights and strategic guidance to navigate this complex and dynamic market. The road ahead may be challenging, but it's paved with opportunities for those prepared to adapt and innovate.

Turrentine Brokerage has been in business for over 50 years. Leverage our collective experience to find ways to work through today's challenges. And remember, positioning your business correctly now can help set you up for success in the future. Please call us if you have any questions or if you are interested in learning more about what opportunities you can capitalize on.

Turrentine on the Road

CENTRAL COAST
Insights

The economic and financial forum for growers, wineries
and wine industry professionals on the Central Coast.

**Audra Cooper and
William Goebel will
be presenting at
Central Coast
Insights**

March 26th

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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
'23 California and Clarksburg Albariño
'21/'22 Central Coast Cabernet Sauvignon
'23 Central Coast and Lodi Grenache Blanc
'22/'23 California Appellation Chardonnay
'23 Clarksburg Chenin Blanc
'23 California Appellation Pinot Grigio

Grape Market

Available

Napa Valley Cabernet Sauvignon
Napa Valley Chardonnay
Napa Valley red blenders
Napa Valley Sauvignon Blanc
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
San Benito County Pinot Gris from a newer planting
Central Coast Chardonnay, including newer plantings and clones
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



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