



# TURRENTINE

GRAPES & WINE

Turrentine Brokerage | 415.209.9463 | August 22, 2014 | Vol 26, No. 5 | Copyright 2014

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## The Danger of Risk-Avoidance

People in unsettled times seek to avoid risk however they can. According to articles in the mainstream business press, companies that have been rewarded with high valuations from investors the last several years have often stockpiled cash and have been cautious with hiring and investment. They have been conservative because of concerns about a lackluster recovery, a possibly over-inflated stock market, threatening interest rate increases, a prolonged European recession, multiple Middle-Eastern conflicts and the Ukraine / Russian standoff, not to mention the fact that everyone else is being conservative.

One common way to avoid risk in the wine business is to go as lean as possible on inventory. With tank space still tight after two large harvests, lean inventories seem highly desirable. But concentration on the avoidance of one risk can increase exposure to other risks. Prudent action to avoid too much wine can quickly generate problems of too little, or, at least, of too little of the *right quality and price*. The wine business currently has an over-abundance filling tank farms and barrel racks and casegood warehouses. This is likely to be a problem for some time for brands, and the vineyards that supply them, due to the unfortunate combination of newly bearing acreage and steady sales growth. The wine business, however, has enjoyed strong growth in consumer sales at price points that allow for good margins, especially in the quality-sensitive but potentially highly-profitable \$9.00 to \$20.00 per bottle range, up 9.3% in the 52 weeks ending April 26th 2014, in scanned outlets, according to Nielsen scan data. If this momentum continues-and most wine business people think it will-we could be scrambling within a year or two for sufficient supply with the *quality and pricing* necessary.

Plantings in the coastal areas of the state that have traditionally supplied these price points have been limited. Take Central Coast Pinot Noir. There are currently many tons available as grapes and many gallons available as bulk wine. But only about 6% of Central Coast Pinot Noir plantings are non-bearing.

Since vines in the coastal areas are usually non-bearing for three years, 6% non-bearing relates to about 2% new bearing acres per year, which is close to mere replacement levels, except that most of

the new plantings are designed for higher yields. With strong growth in consumer demand for Pinot Noir, Cabernet Sauvignon, premium red blends and other varieties, however, many brands in the fastest growing price-points could move past excess more quickly than anticipated. Such an incipient price/quality squeeze can already be discerned in Napa Valley Cabernet Sauvignon (6% non-bearing) and especially Sonoma Cabernet Sauvignon (5% non-bearing).

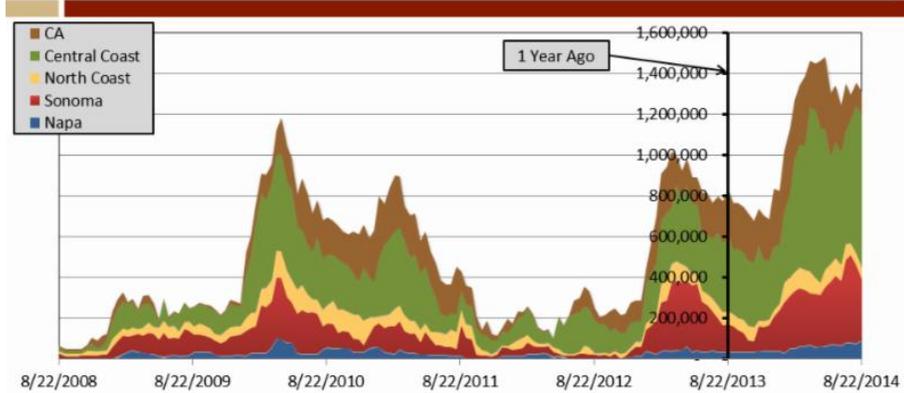
To some extent, the northern interior will ride to the rescue for some brands in the lower-end of these price points. By employing state of the art viticulture and enology, some producers have had success with brands selling over the \$10.00 threshold, using wines from grapes grown in Lodi, the Delta and other northern interior regions. This trend is likely to continue and to constitute an increasing percentage of the supply for wines selling at \$10.00 or above.

It is hard to take seriously the possibility of shortage in the midst of today's excess. History suggests that most brands do not reconsider the advantages of long-term grape and bulk wine relationships and contracts until the market has already shifted, prices have escalated and selection has diminished. The general business climate, however, is beginning to change. Investors are starting to reward companies that are investing rather than hoarding. This change may also affect the wine business. Growth in profitable price points will sooner or later be dominated by those who have an ample supply of good quality grapes and wine at a cost that works for their programs.

-Bill Turrentine



## Statewide Pinot Noir 6-Year Bulk Gallons Available



## Go Fish



In the brokerage business, it can sometimes feel like you have stumbled into the children's card game, Go Fish. (Broker: "Do you have any Sonoma County Cabernet Sauvignon for sale?" Client: "No, Go Fish.") Michael Robichaud, however, after fourteen very successful years with Turrentine Brokerage, has decided to literally Go Fish. He has purchased a boat, upgraded his fishing tackle and is ready to haul in some big ones. Known to his colleagues as "Robo-Broker" for his efficiency in closing bulk wine sales, Michael, a partner in Turrentine Brokerage, is retiring from the wine brokerage business. He plans to spend more time with family, travel and engage in some volunteer work, not to mention filling the new boat with fish. Then he may seek to re-enter the wine business in some other capacity or maybe pursue other, non-wine business opportunities after his break. Michael has agreed to stay on at Turrentine Brokerage through the transition towards the end of the year.

## Grape Market Field Reports

### **NORTH COAST**

*Mike Needham*

#### **Napa, Sonoma, Mendocino, Lake, and Suisun:**

Can you say "three years in a row?" The potential for another great quality crop is here in the North Coast. Crop size in the North Coast, overall, looks to be nearly as large as this point last year, which in some cases, broke records. The current weather is ideal for cluster sizing as it is not hot enough to stress out the vines, yet there is still have a ways to go. Unfortunately, disease pressure has also been high for rot and mildew lately. Sales activity has slowed over the last month or so from the rapid pace of deals

### **INTERIOR**

*Erica Moyer (Central Valley and Monterey County)*

#### **The Good, The Bad and The Ugly, in reverse.**

The heat in June-July along with lack of water and/or poor water quality, negatively impacted some early varieties in the Southern San Joaquin like French Colombard and Pinot Grigio. But as harvest began in the Northern Interior on early varieties, some vineyards are picking out above estimates(Good) and other vineyards are below on Pinot Grigio and Chardonnay. Expect to hear that theme throughout harvest in the Interior: Up and Down, which may balance out

that were closed earlier in the year. At this point, most of this year's crop has been contracted, but there are still a few varieties in the North Coast that have fruit looking for a home. We have Chardonnay, Merlot, Pinot Noir, and Sauvignon Blanc to name a few.

**Napa Valley:**

The grape harvest for Chardonnay and Pinot Noir destined for sparkling programs and Sauvignon Blanc is in full swing. The early reports on tonnage is that the crop is not as heavy as last year overall, but there is a sizeable crop. There are also yield inconsistencies from vineyard to vineyard. Over the last week or so, we have seen some winery owned fruit listed on the market, mostly Cabernet Sauvignon and Chardonnay. Pricing on Chardonnay has started to soften but Cabernet Sauvignon is currently holding strong. Only time and tons available will tell if Cabernet Sauvignon prices will soften at the end of the year, as they did a year ago.

**Sonoma County:**

Chardonnay's potential yields might not live up to last year's record breaking crop in Sonoma County. We currently have some inventory for Chardonnay for those who would like to acquire more. Pinot Noir does not look to be as fruitful as last year's crop at this point, yet some deals have closed in the last week in Russian River Valley and we have quality Pinot Noir grapes that are still for sale. Cabernet Sauvignon is looking average plus at this point without much inventory to speak of, and price should not significantly soften for overage tons. The Alexander Valley Sauvignon Blanc harvest has started, but it is notoriously hard to get a good read this early, on actual tonnages that have been picked. Please call if you are interested in late season opportunities.

to "Average." Unfortunately, the fluctuation in yields has NOT increased demand for the thousands of tons of Chardonnay, Merlot, some generic reds and whites and even some Cabernet Sauvignon, looking for a home in the Valley.

Another impact from Mother Nature was the unusual monsoonal weather in July while growers were irrigating (yes, there was water), with full canopies as berries were sizing, rot is showing up in Zinfandel, Pinot Grigio and Pinot Noir. Growers need to be vigilant to deliver quality grapes as wineries are strictly enforcing quality standards for rot, disease and MOG.

**CENTRAL COAST**

*Audra Cooper (Southern Monterey, San Luis Obispo Co., Santa Barbara)*

**Paso Robles:**

Harvest has begun and it is moving fast. All grape varieties are maturing early and growers are picking two weeks to four weeks early. Thus far, early whites such as Sauvignon Blanc have been coming in at early season estimates or slightly below. It is still too early to have a good handle on red varieties; however, in the case of Cabernet Sauvignon, the crop appears to be smaller than anticipated in the late spring due to both shatter and smaller berries. The market has been soft for almost everything in the Paso Robles region, with the exception of Cabernet Sauvignon, but it too has softened as compared to earlier in the year. We have a good selection of Paso Cabernet Sauvignon grapes. The earlier you come take a look, the better the selection.

**Santa Barbara County:**

Harvest will be speeding up soon in Santa Barbara County, with a lot of Chardonnay and Pinot Noir sitting at 20° to 23° brix. The Pinot Noir crop looks quite good once again; however, it is not likely to be as large as the previous two years, but it is large enough to put unsold excess tonnage on the market. The Chardonnay crop is

spotty and yields are dependent on site and farming practices; however, the crop appears to be close to average at this point. The market for Chardonnay has drastically softened since May, and most of what is available is seasonal production that remains unsold.

## Stellar Performer

This means, of course, that Turrentine Brokerage is looking for a stellar performer to join our high-performance team. This is a great opportunity for someone who enjoys building profitable, long-term relationships with key players in the supply side of the wine business. The right candidate will have great people skills, lots of wine business knowledge, attention to detail and a willingness to always put the client's interest first. If you or someone you know may be the right person for this exciting position at the heart of wine business trends, send an email to:

[Steve@turrentinebrokerage.com](mailto:Steve@turrentinebrokerage.com). All inquiries are held in the strictest confidence.



## Market Opportunities



### Bulk Wine Available

- 2013 Monterey Pinot Noir: 26 lots
- 2013 Santa Barbara Chardonnay: 25 lots
- 2012/2013 Central Coast Cabernet Sauvignon: 45 lots
- 2013 Central Coast Syrah: 22 lots
- 2013 Lodi Petite Sirah: 12 lots



### Bulk Wine Needed

- 2012/2013 All North Coast AVA's Cabernet Sauvignon: 1/2 load size +
  - 2013 California Pinot Noir: truckload sizes
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### Grapes Available

- Lake County Sauvignon Blanc: truckload quantities
- Lodi Cabernet Sauvignon: truckload quantities
- Santa Lucia Highlands & Arroyo Seco Pinot Noir: truckload quantities
- Santa Barbara



### Grapes Needed

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- 2013 California  
Grenache: 5 lots

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Chardonnay:  
large lot

-Santa Rita Hills  
Pinot Noir:  
truckload quantities  
ready to pick very soon

-Paso Robles  
Cabernet Sauvignon,  
Syrah, Petite Sirah &  
Merlot:  
truckload quantities

-Paso Robles  
Chardonnay:  
large lot ready to pick  
very soon

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