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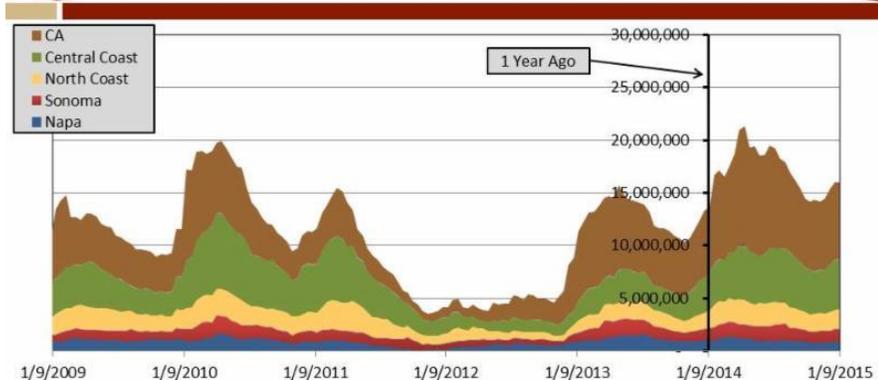
Market Update

The understanding of short and long-term supply dynamics are essential to success in the wine industry. It is not a mystery that we stress both. At the Unified Wine Symposium, you will undoubtedly hear several trends, but it is worth talking to Turrentine Brokerage to see how your individual supply situation can be maximized in the long-term. We look forward to hearing from you or seeing you at Booth #1311 at Unified, next week.

For the first time since 2006, more than 14 million gallons of wine for sale in bulk has been carried over from prior vintages; and for the first time since 2009, large quantities of multiple vintages of most varieties are for sale. However, comparing 2014 to 2009, Turrentine Brokerage has had a 60% increase in the total number of sales of wines in bulk and the transactions have been more focused on smaller quantities of higher quality wines. While there have been more middle and high end buyers, there have been few opportunistic buyers for the large volumes of Interior varietals available at low prices.



More than 15 million gallons actively for sale, most at this time since 2007



Cabernet Sauvignon

Napa Valley/Sonoma County

- Bulk Supply- Low, number of gallons actively for sale is down
- Bulk Demand- High, recent sales for 2013 Napa between \$28 to \$32, sub-appellations between \$38 and \$42
- Grape Demand- Remains strong with buyers a little less aggressive than last year
- Planting- Few open acres being planted and some redevelopment.

Other North Coast

- Bulk Supply- Low, starting to see some 2014's listed
- Bulk Demand- Steady with recent sales for 2013 around \$17 to \$19
- Grape Demand- Steady with buyers out early for resins
- Planting- Increased supply from newly bearing acres will produce more in 2015

Central Coast

- Bulk Supply- 2013 decreasing; 2014 wines beginning to be listed
- Bulk Demand- Slow demand with increasing quality standards; recent sales \$12 to \$14 for good quality lots
- Grape Demand- Slow
- Planting- About 3,500 new acres that will add significant tonnages annually

California Appellation

- Bulk Supply- Increasing. Plenty of both 2013 and 2014 on the market
- Bulk Demand- Increasing quality standards; recent sales in the \$5 to \$8 range
- Grape Demand- Slow
- Planting- New acres went in the last few years and roughly 6,000 non-bearing acres will add to supply over the next couple of years

Chardonnay

Sonoma County

- Bulk Supply- V14 wines beginning to be listed
- Bulk Demand- Steady demand, but less than supply, quality standards increasing; recent sales in the \$13 to \$15 range
- Grape Demand- Steady but slower than last year at this time

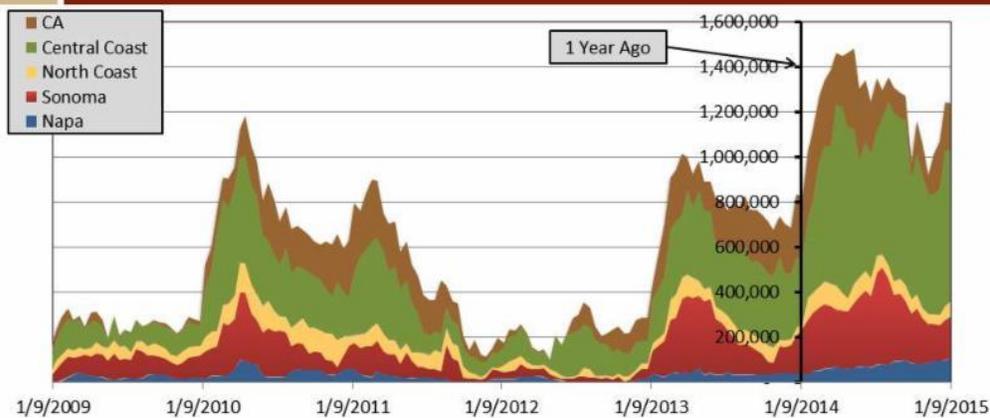
Central Coast

- Bulk Supply- Good supply and increasing volumes actively for sale
- Bulk Demand- Less than supply, quality standards are up, recent sales in the \$8 to \$9 range
- Grape Demand- Slow

Pinot Noir



Pinot Noir 6-Year Bulk Gallons Available



Sonoma County

- Bulk Supply- Steady with 2013 and 2014 wines available.
- Bulk Demand- Steady with increasing quality standards and price sensitive for mid-range programs; recent sales in the \$17 to \$19 range
- Grape Demand- Steady, some buyers out early on resigns but focused on the value vineyards for mid-range programs
- Planting- Some increased tons from newly bearing acres in 2015

Central Coast

- Bulk Supply- Increasing due to another good crop in 2014; wines from Monterey County and Santa Barbara available
- Bulk Demand- Steady, but focused on quality wines for mid-range programs or from buyers looking to upgrade a California appellation wine, recent sales or high quality lots in the \$14 to \$16 range
- Grape Demand- Slow

California Appellation

- Bulk Supply- Increasing from a good 2014 crop, but choices are still limited; competing with some of the supply offered for sale from the Central Coast

- Bulk Demand- Steady with increasing quality standards; recent sales in the \$6.50 to \$7.50 range
- Grape Demand- Steady with very few grapes available
- Planting- Some increase in tons but planted under contract and not available

Merlot

Napa Valley, Sonoma County, and Other North Coast

- Bulk Supply- Steady
- Bulk Demand- Steady; still riding coat tails of Cabernet Sauvignon; recent sales in the \$8 to \$10 range for North Coast, \$15 to \$18 for Napa and Sonoma
- Grape Demand- Slow

Central Coast and California Appellation

- Bulk Supply- New gallons from a good crop in 2014
- Bulk Demand- Very low, supply greatly exceeds demand
- Grape Demand- Very low

Within the context of the overall market, every grower and brand owner faces his or her unique supply and demand challenges. Contact our knowledgeable team of grape and bulk wine brokers today to avoid pitfalls and to make use of market conditions to achieve your goals.

World Market Report: Argentina and Chile

*By Erica Moyer and Steve Fredricks
January 2015*

It is always impressive to arrive at a winery in another country and find the Stars and Stripes fluttering in the breeze in honor of your visit. It makes me feel like I am on a mission from the State Department or something. But our visit was at the service not of the government but of the grape and wine business. In early January, Steve Fredricks and I (Erica Moyer) traveled to Argentina and Chile, as members of our team do periodically, to check in with our strategic partners from San Nicolas Wine Services, (Jamie Lagos in Argentina and Eduardo Bentjerodt in Chile). Our goal was to gather some of the key pieces of information that help us to put together the complex and always changing puzzle of world supply and demand.



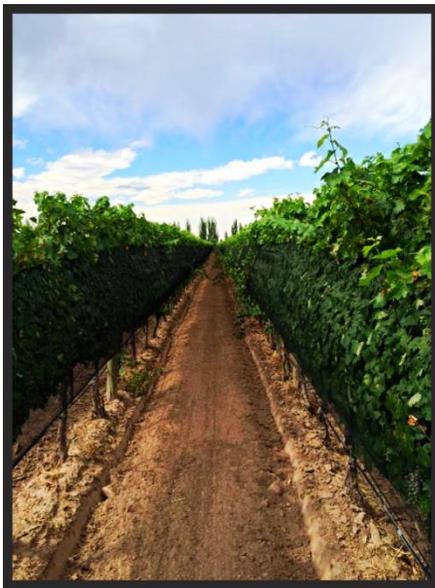
The staples of Chilean agriculture are similar to those in California: wine and table grapes, stone and nut crops, corn and alfalfa. But Chile has more water. Most of the permanent crops are irrigated with drip or micro sprinklers, however, it is not uncommon to see flood irrigation in the low cost, high yield varieties of wine grapes. As in California, Chilean growers and even some wineries have the ability to switch to other crops, like almonds, walnuts, nectarines or plums as the price declines for generic grapes.

Perhaps due to greater geographical isolation, pest and disease issues are not as prevalent in Chile and Argentina as in California. The European Grapevine Moth or *Lobesia Botrana*, however, has found its way into both countries. Due to the economic pressures and turmoil in Argentina, it is harder to control *Lobesia* in Argentina than it is in Chile.

Water in both Chile and Argentina is highly regulated by the government. Chile's primary source of irrigation is surface water whereas Argentina relies on both surface and well water. Argentina is a semi-arid desert that receives only 8 inches of annual rainfall compared to 16 inches in Chile. Chile also receives summer snow melt from the Andes.

Chile is deeply engaged in the world wine market and grows the same main varieties as California: Chardonnay, Cabernet Sauvignon, Merlot, Sauvignon Blanc, Pinot Noir and a little bit of Pinot Grigio. The main trellis system is VSP. However, it is not uncommon to see a Parrone overhead trellis system (think, quad with wire over the middle as a canopy). A significant amount of Tintorera is grown in Chile on a Parrone as well. Tintorera is a red varietal used for color and red concentrate; it is a BIG PRODUCER.

Malbec, of course, is the flagship varietal for Argentina and they are making some magnificent wines. Super Premium Malbec is grown in semi-arid conditions, where the elevation ranges from 1,000-4,000 feet, with an average of 330 days a year of sunshine, and loamy soil, with cobble on VSP trellis. Drip irrigation is



standard in the premium regions and flood irrigation is common on the "bulk" varieties grown on a Pergola Trellis System, which is the same as the Parrone Trellis in Chile. In the Uco Valley, there are vineyards being planted, mostly to Malbec. Most of the land owners are either wineries or professionals outside of agriculture (such as doctors, bankers, and attorneys within Argentina as well as out of country investors). Unlike Chile, there are not many economically viable alternative crops. Though there is limited pest and disease pressure, hail is a major challenge in Argentina. To protect against hail damage, canopy netting is used, especially on the varieties in demand. Some vineyards use overhead netting to prevent hail damage; but this is much more expensive than canopy netting. In California, the same canopy netting is used to deter bird damage.

The scale of farming is larger in Chile than Argentina. However, there are significant vineyards in the Uco Valley region of Argentina, for brands such as Trapiche and Salentein.

Projected production for the V15 harvest in Chile and Argentina is expected to be above last year, in some cases, 20% above V14. In Chile, harvest is two weeks ahead of V14.

-Erica

While Erica was analyzing vineyards and farming practices, I, (Steve Fredricks), was tasting wines and getting an update on market conditions. In Argentina and Chile, the combination of inventory in tanks and the projection of an abundant 2015 crop, (harvest will start in February), have resulted in low prices for wines in bulk and grapes. Wineries would like to move some volume before harvest for cash flow, but did not seem overly concerned about tank space for harvest.

Cabernet Sauvignon is the wine in most demand and the Chileans have elevated the average quality level

over the last several years, picking at higher sugars and using micro-oxygenation and oak adjuncts to produce wines with less green flavors, more fruit and softer tannins. Supplies are good and prices are attractive. Large lots of standard quality Cabernet Sauvignon can be sourced for \$0.50 per liter ex cellars, or \$2.75 per gallon landed. Prices are higher for smaller lots and higher quality wines.

The inventories of Sauvignon Blanc and Chardonnay wine in Chile are still low due to last year's frost, which is supporting prices for these varieties.

In Argentina, we tasted Malbec, Bonarda, and Cabernet Sauvignon from a number of producers and wine quality was consistently good and significantly improved from a few years ago. You can taste and see the effects of better viticulture and more care in winemaking. Generally, in Argentina, as you move up in elevation you also move up in quality. Good Malbec is available for \$1.00 per liter and less, or \$5.40 per gallon landed.

Overall, on the eve of the 2015 South American harvest, there are good supplies of wines available from both Chile and Argentina and these wines reflect a steady improvement in quality due to enhanced vineyard and winemaking practices. A higher percentage of this wine is now of a quality and style which should be able to compete in the U.S. market in price points at \$7.00 and above per bottle.

Since Erica and I were unable to take a World tour I called Jim Moularadellis of Austwine for the update on Australia. They have had some rain issues and a few wildfire issues. The net effect will reduce the crop size, but not make any large changes to the supply and demand dynamic. There are supplies of Chardonnay, Shiraz, Cabernet Sauvignon, Merlot, and Sauvignon blanc available. Demand is still soft for the large value priced parcels.

Global competition for Grapes. The pace of grape acreage removals in California is increasing and in 2015 we might see the most number of acres of grape vines removed in the South Valley since the early 2000's. The combination of strong prices for alternative crops, Almonds or other nuts, low grape prices and drought are all factors. Most of the acres are generic vs the main varieties.

-Steve

New Faces & Support at Turrentine



Neil Koch

Bulk Wine Broker

We are pleased to announce that a new broker has joined our growing team. Neil Koch (rhymes with scotch) grew up among the vineyards and wineries of Napa Valley. He graduated from Vintage High School and studied enology and viticulture at both Napa Community College and Fresno State University. He worked in production for Seavey Vineyards and Bryant Family Vineyard and became enologist and cellar master at Lewis Cellars. Then he moved to the oak side of the business, selling barrels in Northern California and Washington state for Mistral Barrels, Bouchard Cooperage and Seguin Moreau.

Neil has joined the Turrentine bulk wine brokerage team, working mainly with clients in the North Coast and Northern Interior regions. Neil lives in Walnut Creek and is an avid cyclist.



Service improvements

We continue to invest in ways to improve upon our customer service to make sure we can provide the most efficient, timely, and thorough service to our clients. We are excited to announce the promotion of Gabriel Bonifacio to Bulk Broker Support and the hiring of Chance Hochschild as Bulk Broker Support. Gabe has been working for us for 3 years and most of you know him from his great work in the Sample Room. Chance is a graduate of Cal Poly SLO with a degree in Ag Business Finance with a minor in Wine & Viticulture, and has brokering in his blood with a father that is a produce broker in Los Angeles. Gabe will be working closely with William Goebel and Steve Robertson and their clients and Chance will be working more directly with Marc Cuneo and Neil Koch and their clients. I am sure you have already started to hear from them. Feel free to contact them if you need information and they will do their best to get it to you. David Lundquist will be in charge of the Sample Room and inventory and at the beginning of February a new driver will be starting. We are excited for the changes and confident the energy and enthusiasm of the team will help us to provide better service to you.

Turrentine On The Road



Turrentine will be at Booth # 1311 at this year's Unified Symposium, Jan 28-29th

Turrentine Brokers will be available and await your visit at our booth. The following brokers and support will be in attendance:

Steve Fredricks
Brian Clements
Erica Moyer
Audra Cooper
Mike Needham
Steve Robertson
Marc Cuneo
William Goebel
Neil Koch
Alicia Kump
Kelly Mahoney



Look for Grape Broker, Erica Moyer at the Lodi Grape Day at Hutchins Street Square on February 3rd.



North Coast Grape Broker, Mike Needham

is speaking at the Ag Unlimited 19th Annual Grower meetings in the month of February, in Hopland, Geyserville and Napa, on February 24-26th.

Publications

Grape Crush Report

Please keep an eye open for our upcoming reports and insight analysis of the **Preliminary Grape Crush Report** for 2014 immediately following the release on February 10th. We will analyze key topics facing the industry, any surprises, and what is likely to affect the market moving into 2015.

The California Department of Food and Agriculture's Preliminary Grape Crush Report for 2014, is a critical barometer for the wine and grape industry, containing prices and tons of wine grapes crushed during the 2014 harvest. Don't forget to contact your broker if you have any questions regarding the 2014 crop.

Market Opportunities

Get a head start on 2015! List your available grapes with Turrentine ASAP. Please give us a call today. 415-209-9463.



Bulk Wine Available

- 2013 Central Coast Cabernet Sauvignon: 28 lots
- 2013 Ca/Lodi Cabernet Sauvignon: 34 lots
- 2013 Sonoma County Chardonnay: 19 lots
- 2013/2014 Central Coast Chardonnay: 63 lots
- 2013 North Coast Merlot: 228,000 gallons
- 2013/2014 Central Coast Pinot Noir: 63 lots
- 2014 Central Coast Sauvignon Blanc: 172,000 gallons
- 2013 Ca/Lodi Zinfandel: 34 lots
- 2014 Ca/Lodi Pinot Noir: 208,000 gallons



Bulk Wine Needed

- 2013/2014 All North Coast AVA's Cabernet Sauvignon: 1/2 load size +
- 2014 CA/Lodi Pinot Grigio: load sizes +
- 2013/2014 Ca/Lodi Petite Sirah: load sizes +



Grapes Available

- El Pomar District Cabernet Sauvignon: 80 tons, Merlot: 65 tons
- Creston Cabernet Sauvignon: 100 acres planted 2014, clone 2,4,15, and 337
- Unplanted acres: available for planting contracts



Grapes Needed

- North Coast: Cabernet Sauvignon
- Lodi, Delta, Interior, Monterey County: Pinot Grigio

Bulk Broker Contacts	Grape Broker Contacts
<p>Steve Fredricks (415) 847-0603 President/Partner Bulk Wine</p>	<p>Brian Clements (415) 495-8151 Vice President/Partner WineGrapes</p>
<p>Steve Robertson (415) 827-0110 Broker/Partner, Bulk Wine <i>All California & Interstate Regions</i></p>	<p>Erica Moyer (209) 988-7334 Broker/Partner, Grapes <i>Interior & Monterey County</i></p>
<p>Marc Cuneo (707) 217-1369 Broker, Bulk Wine <i>North Coast, Interior & International</i></p>	<p>Audra Cooper (805) 400-9930 Broker/Partner, Grapes <i>Central Coast</i></p>
<p>William Goebel (415) 798-5515 Broker, Bulk Wine <i>Central Coast & North Coast</i></p>	<p>Mike Needham (707) 849-4337 Broker, Grapes <i>North Coast</i></p>
<p>Neil Koch (415) 686-6669 Broker, Bulk Wine <i>North Coast & Interior</i></p>	

7599 Redwood Boulevard, Suite 103, Novato CA 94945 www.turrentinebrokerage.com