

TURRENTINE BROKERAGE

Market *Update*

April 17, 2017 | Telephone: 415.209.9463

In this issue

[International Market Update | Benchmarking Survey](#)

[Turrentine On The Road | Market Opportunities](#)

Steve Fredricks' Prowein & International Update



Each March the wine world gathers at Prowein, held in Dusseldorf Germany, to market their wares. This year's event was larger and more impressive than ever; yet even though the event expanded in size, the producers were still turned away because of lack of space. Attending the event affords Turrentine the opportunity to get an update on the wine market from around the world. In order to understand the 'market', it is important to understand more than the cost of goods. We were there, in part, to get an update on current trends of quality and style, the balance of worldwide supply and demand, the mood of suppliers from other regions, and their perception of the opportunities and competitive landscape. The commitment to understanding all aspects of the market is why we originally developed and continue to use the Turrentine Wine Business Wheel. After all, a simple understanding of price may not bring clarity on consumer trends, long-term grape supply trends, short-term bulk wine and grape supply, or changing demand for grapes and bulk wine that facilitate good decision making.

Some take-aways from Prowein this year:

- Wine quality continues to improve from around the world.
- Wine style continues to evolve and more suppliers are able to match the styles U.S. consumers prefer.
- Packaging continues to improve and is more similar and universal, making it more difficult to regionally identify old world from new world wines.
- Supply is more in balance globally and in California.
- Wine suppliers are more positive than a few years ago.
- On the marketing and sales side, producers from around the world are looking to sell to buyers that

are focused on quality and willing to pay a higher price.

As we have been reporting, global supply is more in balance in the short-term because of average to below average crops. Chile and Argentina have now had back to back small crops. Australia had an average crop on smaller acres in 2017. We saw a rebound in yields in 2016 in California with the net result being average for most varieties and an increase in supply of Cabernet Sauvignon and Pinot Noir from the Lodi/Delta. Despite these smaller harvests the overall tighter global supply doesn't mean there are not bargains out there. Larger than normal crops on select varieties from select regions have created new opportunities for buyers.

Chile: The 2017 crop is down due to poor spring weather and a hot summer resulting in low cluster weights. Chilean growers and producers were hoping for a good crop to maintain successful global placements and continue growth. Grape prices increased from last year and, as a result, bulk wine asking prices and sales prices have increased for all varieties. Argentina is again sourcing a lot of generic red for domestic consumption. Due to the low inventory levels and higher prices, Chileans are concerned about losing placements to Spanish suppliers for bulk exports to Europe and China. The quality of 2017 wines will be better than 2016 and the long-term trends of improving quality and style can be tasted, keeping them competitive in the US market.

Europe: Confidence seems high and the mood is positive amongst wineries that export to the United States. European producers feel good about the sales prices for their wine and the inventory levels they have. As with Chile, the average quality of wine continues to increase along with the percentage of wine that is more consumer friendly. Asking prices for bulk wine in France, Spain and Italy remain steady. The creativity in the ways they are making wine and getting to the market in the US has expanded making them more competitive than ever.

Australia: One sign of an improving Australian wine industry was the return of a number of Australian wineries exhibiting at Prowein. Times are better due to better grape and bulk wine pricing. Their long-term excess supply was balanced out by vineyard removals, average yields per acre, and sales growth in China and other parts of Asia. As harvest ends, bulk inventories from previous years are very low. Although Chardonnay is not in excess, current market prices can make it price-competitive for a buyer to look at Chardonnay from Australia vs. California. There are still opportunities for dry land regional wines like Limestone Coast. In the US, there do seem to be some stirrings of increased interest from retail buyers to expand their offerings of Australian wines.

Argentina: The crop is up from last year, but still not enough to satisfy internal needs for generic red and generic white. They continue to import bulk wine from Chile. There will be 2017 Malbec available with both quality and asking prices higher than 2016. In conversations with San Nicolas Wine Services, their view is that the higher asking prices are driving some clients to look to Chilean Malbec as an alternative.

Besides generally short supply from lower than average harvests, there are other matters keeping upward pressure on price. Argentina continues to struggle with inflation. Last year, the rate of inflation was 40%, but the government hopes to decrease that to around 25% this year. The exchange rate is not favorable either, which deters some global opportunities.

CABERNET SAUVIGNON GLOBAL PRICING:

Country/Area	Region	Supply/Demand			Estimated Price/Liter		Market Price Trends	Estimated Price in USD/Gallon landed in California duty paid			
California	Warm	Strong	/	Moderate	\$1.20	/	\$2.15	→	\$4.50	/	\$8.10
	Cool	Moderate	/	Moderate	\$3.18	/	\$5.29	→	\$12.00	/	\$20.00
France	d'Oc	Moderate	/	Strong	€1.10	/	€1.40	→	\$6.00	/	\$7.20
Italy	Veneto/Sicilia	Weak	/	Weak	€0.90	/	€1.20	→	\$5.20	/	\$6.40
Spain	Standard	Moderate	/	Moderate	€0.60	/	€0.85	↗	\$4.00	/	\$5.00
Australia	Warm	Moderate	/	Moderate	\$1.15	/	\$1.20	↗	\$4.10	/	\$4.30
Argentina	Warm	Weak	/	Strong	\$0.90	/	\$1.10	↗	\$5.00	/	\$5.80
Chile	Warm	Moderate	/	Strong	\$0.85	/	\$1.00	↗	\$4.10	/	\$4.60

In summary, the global market is more balanced after two below average years in many winegrowing regions. Competition is now one of the more prevalent topics at global events like Prowein. The premiumization of consumer trends in the U.S. has many global wineries focused on the same consumer price points as California, Washington, and Oregon producers. Wine quality from around the world continues to increase, and the flavor profiles are friendly to the U.S. consumer's palate.

What does this mean? It means that you need to understand who you are competing with, and that your competition is not necessarily within your same AVA. The markets can change rapidly, especially global markets with increased substitutability. There are almost always opportunities for bulk wine and grapes, even when supply appears to be tight, so make sure you call us to understand today's market dynamics and what opportunities are out there, not just today's price.

Want Benchmarking?
Participate.

Take the 2017 Moss Adams
Wine Industry Financial Survey

Turrentine Brokerage
Moss Adams
American AgCredit
Heffernan Insurance

The most comprehensive industry survey of financial and operational benchmarks provides wineries and grape growers with comparative information—especially vital for an

industry in which such data is difficult to obtain or present in a meaningful way.

You will receive:

- **A free copy of the final report.** Receive it before nonparticipants can purchase it—a \$495 value.
- **Complimentary personalized benchmark reports.** Measure your business against validated, reliable industry statistics in an easy-to-understand, personalized report—exclusively for participants.
- **Supporting the work you love.** Participation by the wine industry is crucial in compiling significant data all participants can benefit from.

[Click here](#) to participate. Once registered, you'll receive an email with your unique survey link and instructions. Check your spam folder if you don't receive the email within five minutes.

TURRENTINE ON THE ROAD

MENDOCINO WINEGROWERS SUMMIT May 11th

Mike Needham and Marc Cuneo will be presenting on the state of the grape and bulk wine market and Mendocino. [Click here](#) for more information.



VINEYARD ECONOMICS SEMINAR

May 24th

Grape Broker Mike Needham and Bulk wine broker Marc Cuneo will be presenting at this event.

[Click here](#) for more information.



INTERNATIONAL BULK WINE & SPIRITS SHOW

July 26th-27th

Save the date, as Steve Fredricks will be speaking on Wednesday the 26th about factors to consider when buying bulk wine. He will be accompanied by Strategic Brands National Sales Manager, Bryan Foster. [Click here](#) for more information on this San Francisco venue.



**Bulk Wine Market
Opportunities**

AVAILABLE

+2016 Paso Robles Cabernet Sauvignon
+2015 Central Coast Pinot Noir: 14 lots
+2016 Central Coast Pinot Noir: 25 lots
+2015 Central Coast Chardonnay: 15 lots
+2016 Central Coast Chardonnay: 36 lots
+2016 CA/Lodi Zinfandel: 30 lots
+2014/2015 Sonoma County Zinfandel: 24 lots
+2014/2015 Central Coast Merlot: 28 lots
+2016 Rutherford Sauvignon Blanc
+2016 North Coast & Sonoma County
Sauvignon Blanc
+2016 CA Pinot Grigio
+2016 CA Pinot Noir
+2015/2016 Blush Wines: 43 lots
+2014/2015 WA & OR Red and White Wines
+2016 WA Cabernet Sauvignon
+2016 WA Riesling
+2016 OR Pinot Noir

NEEDED

-2015/2016 Napa Valley & Sonoma County
Cabernet Sauvignon
-2015 Napa Valley & Sonoma County Red
Bordeaux Blenders
-2016 Sonoma County Chardonnay &
Pinot Noir
-2016 California Sauvignon Blanc



AVAILABLE

+Contra Costa Chardonnay, Cabernet
Sauvignon and Pinot Grigio
+Oakdale Cabernet Sauvignon, District 12
+Paso Robles Petite Sirah, Malbec and
Chardonnay, truckload quantities
+San Antonio Valley Dolcetto
+North Coast Merlot, truckload quantities

NEEDED

-2017 Pinot Noir
-2017 Chardonnay
-2017 Central Coast Grenache
-2017 Central Coast Sauvignon Blanc

BULK WINE BROKERS

Steve Fredricks, President
415.847.0603

GRAPE BROKERS_

Brian Clements, Vice President_
707.495.8151

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
Central Coast & North Coast
415.798.5515

—
Neil Koch, Broker
North Coast & Interior
415.686.6669

—
Bryan Foster
National Sales Mgr of Strategic Brands
707.849.9948

Erica Moyer, Broker/Partner
Interior & Monterey County
209.988.7334

—
Audra Cooper, Broker/Partner
Central Coast
805.400.9930

—
Mike Needham, Broker
North Coast
707.849.4337



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