



# TURRENTINE BROKERAGE

## Market *Update*

August 16, 2018 | Telephone: 415.209.9463

*In this issue*

[Bulk Wine Market Update](#) | [Grape Market Update](#)

[2018 Crop Contest](#) | [Turrentine On The Road](#)



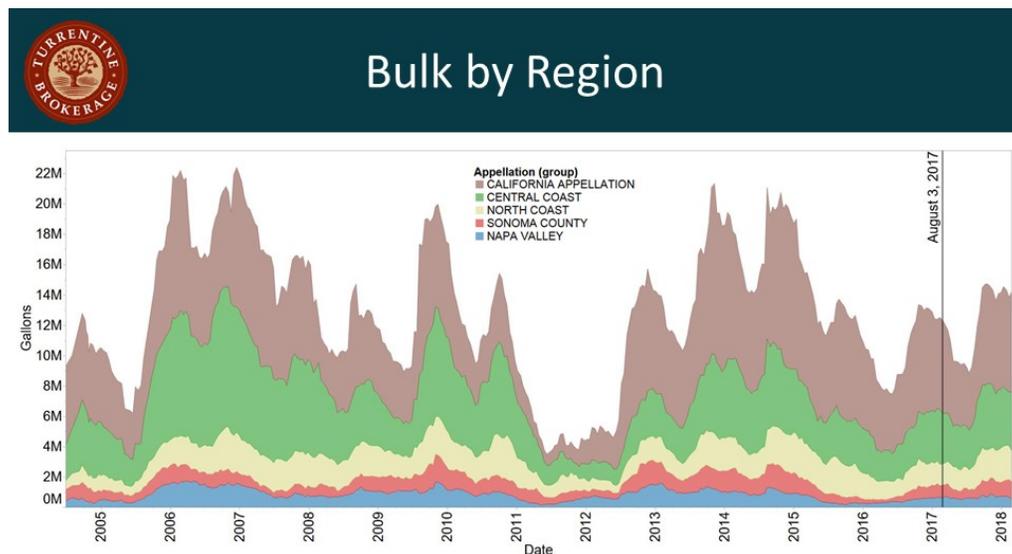
Nearly every day of every year we help bring clarity to our clients on the uncertainties in the market for grapes and bulk wine, including where we are in the wine market cycles. For some time we have been talking about the signs of transition; in the [Turrentine Market Update](#), at the Unified Symposium State of the Industry in January, Dollars and Sense in Sonoma County in January, Central Coast Insights in March, The Vineyard Economics Seminar in June and at the Lodi Winegrape Symposium in June. Depending on variety and region, we continue to observe trends indicating transition to excess. Change can be intimidating and difficult and uncertainty can be frustrating, but change also presents rare opportunities for those prepared to be proactive which can be immensely lucrative. Many brands over the years have capitalized on the supply growth during a transition to excess. These companies were able to purchase grapes and wines on the spot market at lower prices than their competition which provided larger margins to invest in marketing to grow their brand. While there are many great success stories like this, there are also many missed opportunities. Waiting to be certain of change in the market can mean an opportunity missed.

The current market for bulk wine, in many ways, has returned to what many consider to be a normal buying cycle in regards to buyers' purchasing habits. With buyers focused on wines for current bottling for the first time since the Global Financial Crisis, this doesn't feel normal to many, since it has been nearly ten years. We, as an industry, need to be cognizant of the differences between indicators of market change and annual occurrences without falsely giving meaning to that which happens every year, regardless of where we are in the [wine market cycle](#).

Every year as summer stretches on, wineries and growers prepare for harvest. The markets for grapes and bulk wine transform based upon the uncertainty of crop size. As a result of that seasonal uncertainty, the market for bulk wine slows due to wineries focusing on grapes in the vineyard and making sure they have space to ferment. Bulk buyers, as a result, have a harder time finding storage to buy last-minute wines. With regards to the grape market, the uncertainty on crop size can keep wineries and growers on the sidelines until they are more confident in yields per acre. These changes to the market are not new but happen in different degrees of variation every year. The incomplete data for the wine industry and the consensus over slowing sales growth has added additional uncertainty this year. Fortunately, we will soon have more details on the crop as harvest begins in the south.

The update on the market below is a good starting tool for conversations with the brokers. Our goal is to bring some clarity to the uncertainty and help you be proactive in the market.

## Bulk Market



### Value Segment

For a few years, we commented on the lack of demand for opportunistic purchases of large

volumes from buyers which left sellers with a sale for distilling material as the only option to sell prior to harvest. That trend has reversed somewhat this year. This change is, in part, due to more conservative supply strategies coupled with shorter 2017 harvests globally that have resulted in lower inventory levels of wineries. There hasn't been much real change in consumer demand for value wines, but at least there is action in the bulk market.

Recent sales of older vintage reds and current vintage California Appellation dry red have been in the \$2.00 to \$3.50 per gallon range for volumes over 50,000 gallons, but the market is softening. Recent sales of dry whites have been in the \$2.00 to \$3.00 range. There have been a few deals for 2016 and 2017 Lodi Zinfandel bulk wine in the \$4.00 range and a large volume of 2017 California Cabernet Sauvignon at less than \$4.00 per gallon.

There are still a number of options for buyers who want to take advantage of some harvest pricing bargains. We are working hard to try to find matches for all sellers and buyers that would like to make deals before harvest, but time is working against everyone.

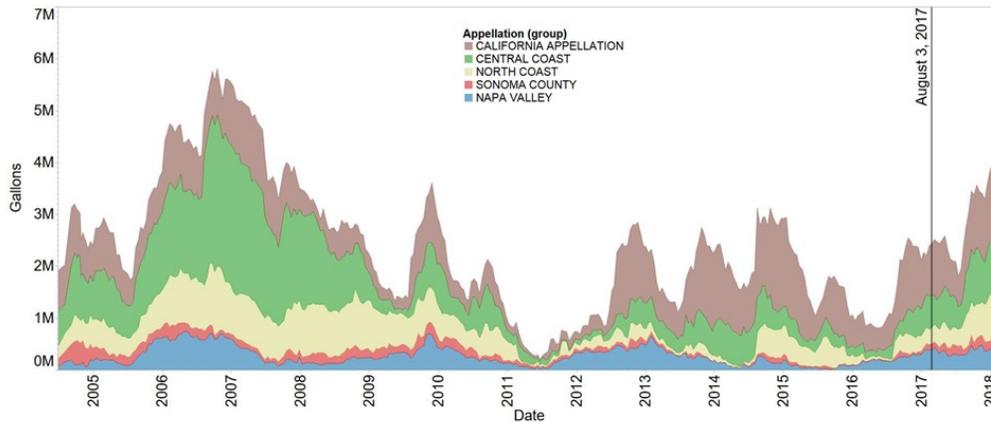
## Premium Segment

Demand remains steady for smaller volumes of Cabernet Sauvignon, Chardonnay, and Pinot Noir that buyers feel will work in their \$9.00 to \$20.00 per bottle retail programs. Still, buyers are looking for one or two loads and are confident that they can get the desired volume after harvest, perhaps at a lower price. Demand is centered on 2017 whites and 2016 reds with some 2017 reds as well. After harvest, demand is likely to soften for 2016 vintage red wines and not rebound but will continue on for the current vintage wines.

Recent sales of Lodi Cabernet Sauvignon have been in the \$6.00 to \$7.00 range, Lake and Mendocino Cabernet in the \$10.00 to \$14.00 range, and Paso Robles Cabernet ranging between \$8.00 and \$12.00 and there are more gallons of wine available from all of these regions. We also have opportunities for Monterey Chardonnay and Pinot Noir, and while demand has been relatively soft, prices for some of these wines could range between roughly \$8.00 to \$10.00 per gallon for Monterey Chardonnay, and \$12.00 to \$14.00 for Monterey Pinot Noir.



## Cabernet Sauvignon Bulk Gallons Actively for Sale



### Luxury Segment

On the luxury end, demand for bulk wine is softer and there are fewer active buyers than the last several years. The most in-demand luxury wine is 2016 Napa Valley Cabernet Sauvignon; however, the majority of 2016 vintage Napa Valley Cabernet Sauvignon has already been sold, and there are currently plenty of opportunities for the 2017 vintage. The price for 2016 Cabernet Sauvignon wines have been too high for most negociants; but now that some sellers are willing to listen in the \$30.00 per gallon range that buyers have been offering, buyers are hampered by harvest starting and it is tough to find storage.

The market for 2017 Cabernet Sauvignon has not really started yet which is another indicator of the return to a normal yearly buying cycle. We expect demand for 2017 vintage Cabernet Sauvignon from Napa Valley and Sonoma County to really get started after the upcoming harvest. The market for 2017 Cabernet Sauvignon from these regions may also take some time to materialize after harvest as companies continue to research and understand what various levels of guaiacol mean for their wines. The chemical pathways are complicated. The effects are different on various varietals and also the threshold of acceptance may depend on the intended use by the winery. Each company is working through their own tolerances. With more time, clients will gain knowledge, and the market for those wines will be clearer. Needless to say, this is a complicated issue.

2017 Russian River Pinot Noir, and 2017 Russian River Chardonnay are still in demand, but buyers have not been willing to pay the current asking prices. Recent sales of Russian River Pinot Noir are in the \$20.00 to \$24.00 range and Chardonnay from Sonoma Coast and Russian River are in the \$18.00 to \$20.00 per gallon range. Sellers are slowly reducing prices to meet where buyers had been holding, and there are additional buyers ready to move if the prices soften further.

There are options for buyers to find great wines at prices not seen in a few years. Please don't assume market dynamics since they are constantly evolving—give your Turrentine broker a call

whether you are looking to sell or buy. Also let us know if you have any available storage because we might be able to find clients that are in need.

## Grape Market

### Interior

Harvest has begun in the San Joaquin Valley, about seven to ten days later than 2017. Chardonnay yields are slightly better than 2017 and Pinot Grigio yields are up from 2017. Pinot Noir yields are expected to be above average. Generic whites and “value” Chardonnay have seen good demand going into harvest. There has been a very limited amount of market activity on Zinfandel for white and red in Lodi, leaving a sizable amount of Zinfandel from Lodi to the Foothills still looking for buyers, along with Merlot and Syrah. Cabernet Sauvignon is widely contracted on long-term contracts.

#### Opportunities:

- Small amount of Chardonnay in the northern interior looking for a home.
- Pinot Grigio from Lodi/Delta, looking for a buyer
- Lodi and Foothills Zinfandel, Merlot, and Syrah

### Central Coast

In Monterey County, harvest for sparkling Chardonnay is set to begin the last two weeks of August. Yields are expected to be similar to 2017—average. Pinot Noir yields are also similar to 2017 except for younger Pinot Noir blocks where yields are average plus. Market activity has been very quiet for the past two to three months with limited available tons of Chardonnay and Pinot Noir moving.

In San Luis Obispo and Santa Barbara Counties, the growing season for most varieties is seven to ten days behind the average ripening curve. The crop loads are as follows:

- Pinot Noir- average to above
- Chardonnay- below average
- Cabernet Sauvignon- average to below
- Merlot- average to below
- Syrah- average to below

#### Opportunities:

- Small amount of Chardonnay in southern Monterey County, looking for a home.
- Santa Rita Hills: Pinot Noir

- Paso Robles/San Luis Obispo County- Cabernet Sauvignon, Merlot, Syrah, Chardonnay

## North Coast

As we approach harvest, here are some thoughts on the current market and what is currently going on:

- A wide range of reports coming in about the timing of veraison from a year ago. Most growers are recording anywhere from seven to twenty days behind where we were from a year ago, as ripening goes.
- The crop size is looking average-plus at this point for all the major varieties throughout the North Coast. The crop compared to a year ago at this point is up.
- A lot of contracts were signed in the first quarter of the year, both long and short-term, but we do have some grapes in almost every region and variety that have become available as of lately in the North Coast (with the exception of Napa Valley, Russian River, and Sonoma Coast Chardonnay). If you are in the market or potentially going to be in the market, please reach out to get a market update. If we know you are looking we can put opportunities in front of you as they arise.

### **Opportunities:**

- Sonoma County Chardonnay, Pinot Noir, and Cabernet Sauvignon in truckload quantities
- North Coast Cabernet Sauvignon, Merlot, and Chardonnay in truckload quantities
- Napa Valley Cabernet Sauvignon and Pinot Noir in truckload quantities

The markets are dynamic and every client has a different need, so please call and talk to your Turrentine Broker to get an update on the dynamics that are most important to you. With our broad base of understanding and experience in the market, Turrentine Brokerage will come up with creative ways to help you, even in transitioning markets.

The 2018 Crop Contest is Underway!



Enter your best guess for a chance to win  
the Grand Prize!  
**A YETI Tundra Ice Cooler!**



## Turrentine On The Road

**2018 ROOTSTOCK**  
Napa Valley  
November 8th

Join Turrentine Brokers at the only event of its kind in the industry focused on connecting vineyard practices to wine quality. Turrentine will have a booth at this event, so be sure to stop by. [Click here for more info and to register.](#)

## BULK WINE BROKERS

Steve Fredricks, President  
415.847.0603

-

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

## GRAPE BROKERS

Brian Clements, Vice President  
707.495.8151

-

Erica Moyer, Broker/Partner  
*Interior & Monterey County*  
209.988.7334

-

Audra Cooper, Broker/Partner  
*Central Coast*  
805.400.9930

-

Mike Needham, Broker/Partner  
*North Coast*  
707.849.4337



7599 Redwood Blvd, Suite 103, Novato CA 94945, Copyright 2018