

# TURRENTINE BROKERAGE

## Market Update

December 12, 2018 | Telephone: 415.209.9463

### *In This Issue*

Bulk Wine Update | International Market Update  
2018 Crop Contest | Turrentine On the Road | Market Opportunities

## A Cornucopia Year

Greek mythology tells of Amalthea, a goat who mistakenly broke off one of her horns while playing with the boy she helped raise, Zeus. In his remorse, Zeus vowed that the horn would always be full of whatever Amalthea wished.



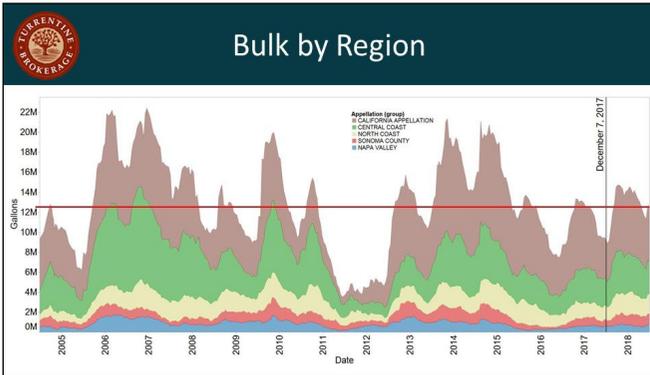
This story has passed down through the generations and there may have even been one at the center of your Thanksgiving table; the cornucopia.

Derived from the Latin words Cornu meaning “horn” and Copia meaning “plenty”, the overflowing apples and grapes of the cornucopia have long been a symbol of abundance during the fall.

As you have likely heard by this point, the 2018 California wine grape crop was a cornucopia in the wake of new acres and larger than average yields per acre from a very mild summer, especially in coastal regions. What is less well known, however, is the degree of excess that was brought upon by such a large crop. Spot market prices for grapes decreased late in the year, but was this tied to the lack of demand for grapes or the lack of space to bring in more grapes? Many of our clients were on both sides of this equation, and time will clarify the surplus of the 2018 harvest.

As we move past harvest, our industry now enters the time of the year of assessing the balance of supply in tanks from 2018 and planning for the 2019 season. The reemergence of a transitioning market to excess has brought opportunity stemming from the diminished prices. While downward pressure on spot market prices for bulk wines and some grapes was a significant characteristic of 2018, the trend actually started in 2016 for many regions and varieties and the peak of prices has most likely already passed. In 2018, spot market prices remained relatively strong early in the year, but as the crop size and the plateau of consumer demand became apparent, spot market prices dropped for many varieties and regions. District average prices may increase for some areas in the 2018 Grape Crush Report come February, but this will likely be an indicator of more early-season purchases and long-term contracts as opposed to late-season purchases. There are numerous indicators throughout the season every year, and many can get lost when just looking at the district average. Without speaking to a broker who has intimacy with the early versus late-season spot market, your company may have unrealistic expectations heading into 2019.

# Bulk Wine Market



A common perception is that the bulk market has been sluggish because of the slowdown in casegood sales growth and the large crop. This, simply put, is not true. Early in 2018, bulk wine supply was increasing, wines were staying on the market longer, and buyers felt they could wait for a deal. Sellers, needing to move bulk wine inventories, reluctantly accepted the market trend of lower prices per gallon. The lower asking prices brought more buyers to the market, including those that have been priced out in recent years and négociants.

While buyers have been active and some are purchasing speculatively, most are still risk averse and contracting wine as needed to fill purchase orders.

In today's market, overall supply continues to increase as we list 2018 whites and 2017 reds for sale on the market; however, we don't expect the majority of wine for the year to become available until Q1 of 2019. Currently, we have about 13 million gallons available throughout California for all varietals, up from 9.5 million

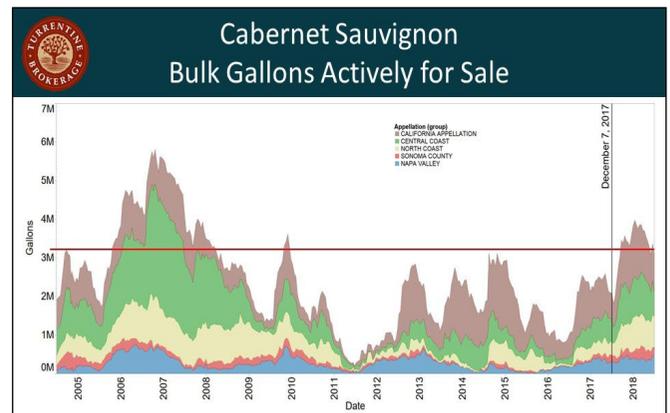
## Cabernet Sauvignon

Supply remains plentiful from all regions. We have over 3.3 million gallons actively for sale, 2.5 million of which is 2017 vintage and 700,000 gallons are 2016 vintage. Just over half of the total Cabernet Sauvignon gallons are California Appellation and Central Coast appellation. Overall, the volume actively for sale is likely to increase in the upcoming weeks and months, and supply is currently in excess of demand.

In recent months, we have completed deals from nearly all areas of the North Coast, led by Napa Valley. There have also been a number of California Appellation sales as well. All of the recent sales prices are lower than they were a few months ago and, as you can see from the graph of supply available, there is good opportunity for bulk Cabernet Sauvignon.

## Recent Sales Ranges per Gallon

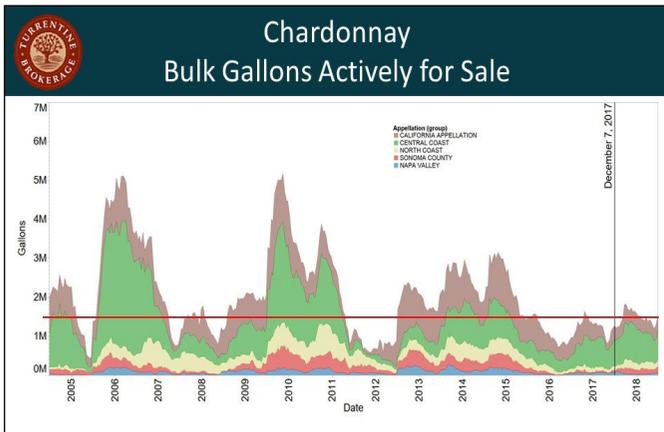
- Napa Valley - \$25.00 to \$40.00; sub appellations at the higher end of the range. Wines with some smoke taint issues are lower, depending on quality and the buyer's perception.
- California Appellation - \$6.00 to \$7.00 for smaller lots of higher quality wines, but the price can be lower for larger volume deals
- Paso Robles - \$7.00 to \$10.00



## Chardonnay

Bulk gallons of Chardonnay actively for sale are starting to increase as 2018 vintage lots are being listed on the market, but the volume actively for sale prior to harvest was quite low from a historical standpoint as we currently only have 1.3 million gallons actively for sale. Of this, only 300,000 is from the North Coast regions including Napa Valley and Sonoma County, and an additional 320,000 gallons are listed as California Appellation. The remaining 620,000 is from the Central Coast.

# Bulk Wine - Chardonnay continued



The larger harvest and lower asking prices from sellers have created some increased demand for Chardonnay. There is plenty of opportunity for Chardonnay in bulk from 2018 and new wines are being listed every day.

## Recent Sales Ranges per Gallon

- Sonoma Coast / Russian River Valley - \$12 to \$15
- 2017 Monterey County - \$7 to \$8
- 2017 Santa Barbara County - \$7 to \$8
- Lodi and Clarksburg - \$5.50 to \$6; larger volumes of California Appellation wines can be even lower

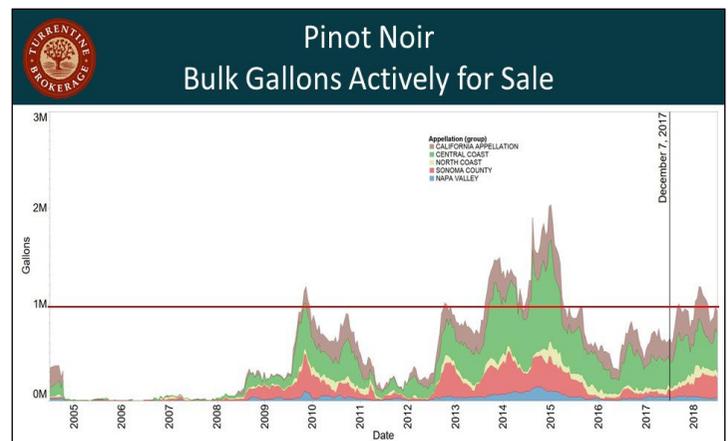
## Pinot Noir

Just like Chardonnay, the supply of Pinot Noir actively for sale will increase due to the size of the 2018 crop, and we are already noticing an increase in the number of 2017 and 2018 lots listed for sale. Current supply consists of roughly 250,000 gallons available from both Sonoma County and the California Appellation, and 400,000 gallons from the Central Coast. An assortment of lots are available from all major regions; Russian River, Sonoma Coast, Monterey County, Carneros, Santa Barbara County, Clarksburg, Lodi, Willamette Valley, and Oregon.

Pinot Noir is one of the more in-demand varieties right now as we have done more deals in Q4 than for any other variety, but supply now exceeds demand. The region in most demand is Sonoma County with demand for Monterey County and California Appellation close behind.

## Recent Sales Ranges per Gallon

- 2017 Sonoma Coast / Russian River Valley - \$14 to \$16
- 2018 Sonoma Coast / Russian River Valley - \$12 to \$14
- Monterey County - \$12 to \$15; for larger volumes and for 2018 wines it can be lower
- Clarksburg and Lodi - \$6 to \$7



## Premium Red Blender

Premium reds were a focal point of the recent planting wave, and supply of premium red blenders is currently quite high, especially for Petite Sirah and Zinfandel. We are currently listing 600,000 gallons of Petite Sirah and 1.6 million gallons of Zinfandel. Merlot, Petit Verdot and Malbec are at more modest levels historically; there are currently about 1.3 million gallons of Merlot, 85,000 gallons of Petite Verdot, and 100,000 gallons of Malbec.

Supply exceeds demand. Current demand is still sporadic and driven by just in time inventory buyers finishing blends. Merlot from the North Coast regions including Napa Valley and Sonoma County is more in demand than Merlot from other regions, but this demand is still limited.

## Recent Sales Ranges per Gallon

- 2017 California Appellation Petite Sirah - \$4 to \$6
- 2017 Napa Valley Merlot - \$25 to \$30

# International Market

*The following international update is a collaboration with our international broker partners; CIVS, San Nicolas and Austwine, and updated after the World Bulk Wine Exhibition in late November.*

## Southern Hemisphere

The volume of bulk wine actively for sale continues to grow in Chile, and demand is still lagging behind seasonal levels as a result of elevated asking prices a few years ago coupled with a return to more normal yields per acre in 2018. Similar to the market in California, sellers are working to lead the market down with lower asking prices in order to stimulate sales and offload inventories before the 2019 crop. While it is still early, the 2019 crop size appears to look solid at this point. Prices for Cabernet Sauvignon in bulk of Reserva level quality are in the \$3.90 to \$4.65 range delivered to California.



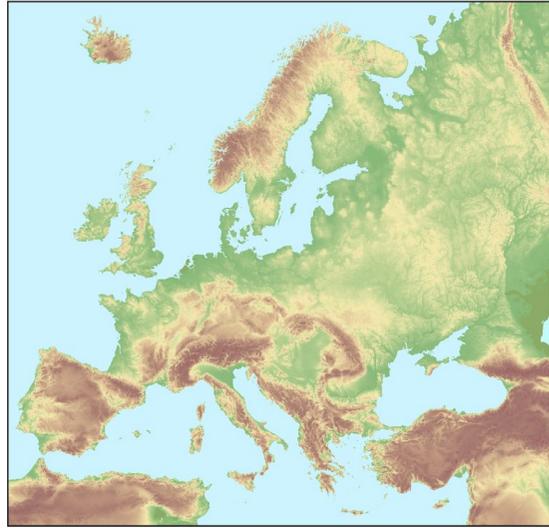
In Argentina, there is excess supply driven by slow domestic markets and a larger 2018 vintage. Sellers are trying to stimulate export demand with lower asking prices, which are even more attractive due to the weak Argentine Peso. The challenging market for sellers may last throughout 2019 since the early reports on the 2019 crop appear to be for larger yields per acre. Higher quality Mendoza Malbec is available in the range of \$4.85 to \$5.20 delivered to California, down considerably from a few years ago. Good volumes of Dry Red and Dry White are also available with asking prices in the range of \$2.75 to \$3.15 per liter ex cellars.



In Australia, supply continues to be tight for inland red wines and the market for Chardonnay is fairly balanced. The 2018 crop wasn't able to fully satisfy demand which has resulted in increased upward pressure on pricing as buyers try to win their share of the 2018 harvest. The value-end is tighter than premium level wines, and the varieties most in demand are Shiraz, Cabernet Sauvignon, Merlot, Sauvignon Blanc and Pinot Gris. Demand is steady from Australian producers to supply growing sales to China. Chardonnay is available and asking range of \$3.60 to \$3.75 per liter landed in California. The inventory available is not high, but wineries would like to move wine before the 2019 grapes begin to be picked. The 2019 growing season has been a challenge for Australian growers following a very dry winter. Access to irrigation water is expensive and limited.

## Europe

Crop sizes throughout the major wine production regions of Europe returned to more normal levels and, in some regions, yields per acre were above long-term averages. In general, there appears to be a healthy increase of grapes over the very light 2017 harvest. This resurgence of yields per acre is especially true in Spain, which has resulted in declining asking prices. Northern Italy also received a bumper crop and could result in softening prices for Pinot Grigio, Pinot Noir, and Prosecco. Reports from Languedoc and Burgundy are also signaling a return to average crop size.



There are some regions throughout Europe, however, that did not reach average crop sizes. The crop size in the Puglia and Sicily regions of Southern Italy had a warm and rainy year which diminished the overall crop size. In France, the Rhone and Provence regions did not reach the long-term average yield per hectare.

Overall, the reemergence of a cornucopia of available supply both internationally and domestically will likely place downward pressure on prices moving forward during this period of transition to an excess market. Many wineries and growers are working out their plans for the 2019 season, so call up your broker now to work out your 2019 supply strategy and we can work together to fill your cornucopia at this time next year with money saved from playing the markets well.

## 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

2019 DOLLARS & \$ENSE - JAN 17TH  
Luther Burbank Center for the Arts, Santa Rosa

Dollars & \$ense focuses on new initiatives for the year and broader trends in the grape and wine marketplace, both in the U.S. and globally.

Please visit our booth, as many of our brokers will be present to discuss the market. [Click here for more information.](#)



2019 UNIFIED WINE & GRAPE SYMPOSIUM - JAN 29-31  
Sacramento

Don't miss Brian Foster as Moderator at the session:

## ALTERNATIVE ROUTE TO THE RETAIL MARKET

And don't forget to stop by **Booth #1311!**  
[Click here for more information.](#)



## AVAILABLE

- +2018 Lake County Sauvignon Blanc: 7 lots, 61,000 gallons
- +2018 California Sauvignon Blanc: 5 lots, 113,000 gallons
- +2018 Sonoma County Chardonnay: 8 lots, 104,000 gallons
- +Central Coast Pinot Noir: 44 lots, various sizes, appellations & vintages
- +Paso Robles Cabernet Sauvignon: various lot sizes, volumes & vintages
- +Central Coast Chardonnay: 56 lots, various sizes, appellations & vintages
- +Dark Red Blenders: many options from all areas
- +2017/2018 Willamette Valley Pinot Noir
- +2017/2018 Washington Cabernet Sauvignon, Merlot, Riesling, Chardonnay, Syrah and Dry Red

## NEEDED

-Storage

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