

T U R R E N T I N E



Market Update
April 3, 2019 | Telephone: 415.209.9463

In a short time, April 10th to be specific, the NASS will release their Final 2019 California Grape Crush Report. This, in all likelihood, will not change the current market dynamics except confirm the large yields per acre for a number of varieties in the coastal and interior regions of California. We will send out our customary summary conclusions from the Crush Report when released. The increase in gallons of bulk wine actively for sale, traditional bulk buyers becoming bulk sellers, and the just in time buying patterns in Q1 of 2019 have supported the large crop conclusion, and are consistent with the transition to excess as updated in our [last market update](#).

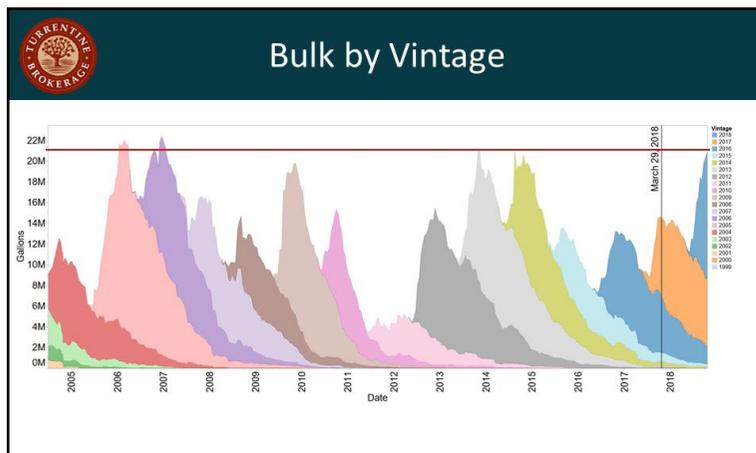
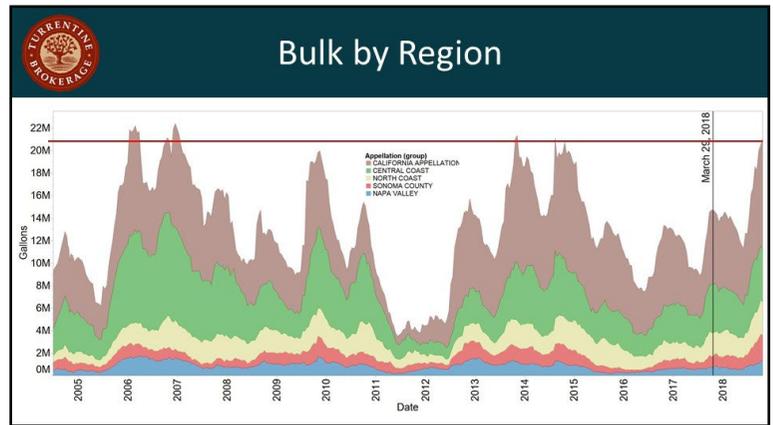
The grape purchasing decisions will likely continue to be slow until early indications of the 2019 crop size are known in the next month or two. Continual rain has left the soil saturated, and many growers at this point are hoping that the ground begins to dry before buds push. The wet winter could provide additional canopy vegetation as the season progresses, possibly resulting in additional shoot thinning and leaf pulling throughout the season. Again, many wineries are playing the waiting-game until they see more out of the 2019 growing season before making their resign and purchase decisions. Opportunities for good quality grapes that were not available a few years ago are out there, so give us a call for a more personalized market update.



Bulk Market

Most market activity has been for wines in bulk driven by clients with a purchase order in hand and typically at smaller volumes than recent years. We are consistently moving wine, but as expected, the supply actively for sale has grown considerably since the start of the year.

The differences in the bulk actively for sale today as compared to 2006, or even 2009 and 2010, is that there are far more winery owned lots compared to grower owned, there is a greater percentage of coastal gallons, and there is an increase in the percentage of older-vintage wine still available. This isn't an issue for reds, but older vintage white wine in bulk will be difficult to move with abundant current vintage supply, and the first offer may likely be the best.



Not a single variety or region is dominating the market activity at the moment. Demand and completed deals have remained fairly consistent for Napa Valley Cabernet Sauvignon, Sonoma County Pinot Noir to a lesser extent, and opportunistic purchases for California Appellation wines as well.

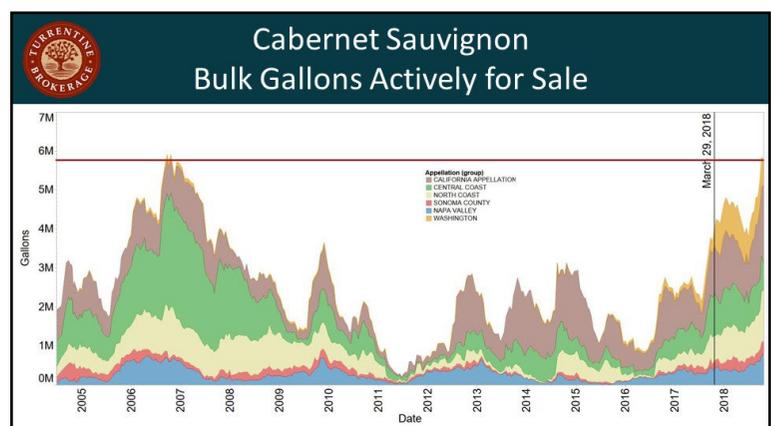
Red Varieties

There is building interest in 2018 vintage reds, and it might take another several months to a year for the market to shift focus to these wines. Wineries are full, and we have been in more conversations than usual with our clients about storage opportunities going forward. In the current market, buyers have been more difficult to find, and average deals have been smaller, but gallons are being transacted nonetheless.

Cabernet Sauvignon again leads the market in both activity and price, but some of the armor has faded with nearly 5.1 million gallons of wine available from California, and an additional 650,000 gallons from Washington.

Recent sales for Cabernet Sauvignon of the quality and style buyers need now. The market is more active for 2017 compared to 2018 wines:

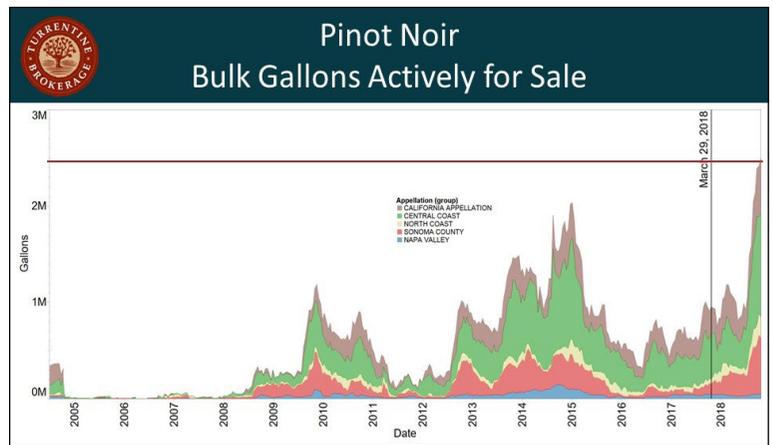
- Napa Valley—\$25.00 - \$40.00
- North Coast—\$12.00 - \$15.00
- Paso Robles—\$8.00 - \$10.00
- California Appellation—\$3.00 - \$7.00



Pinot Noir bulk gallons actively for sale continue to grow. Across the state, there are 2.5 million gallons, 580,000 of which are from Sonoma County, 1.1 million are Central Coast, and nearly 800,000 are from the California Appellation. All of these quantities are at or near record levels for Pinot Noir.

Recent sales for Pinot Noir for both 2017 and 2018 vintage wines:

- Sonoma County—\$12.00 - \$17.00
- California Appellation—\$6.00 - \$7.00



White Varieties

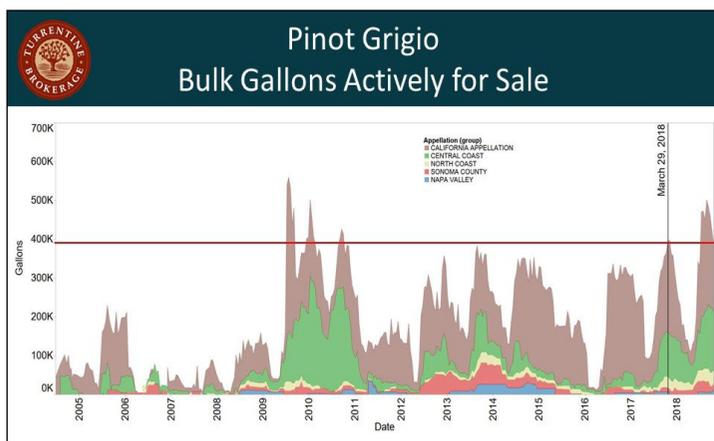
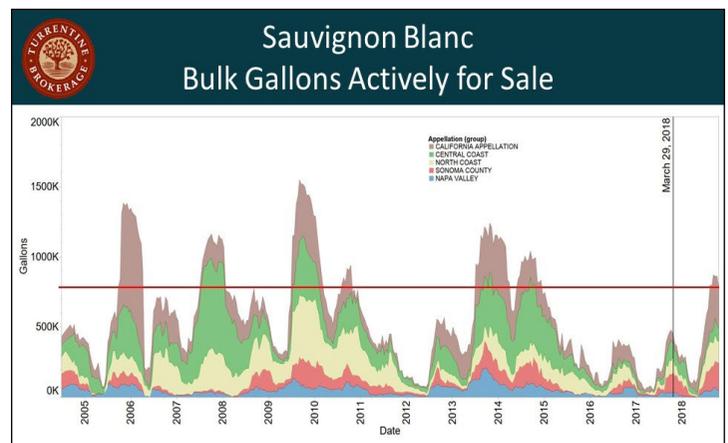
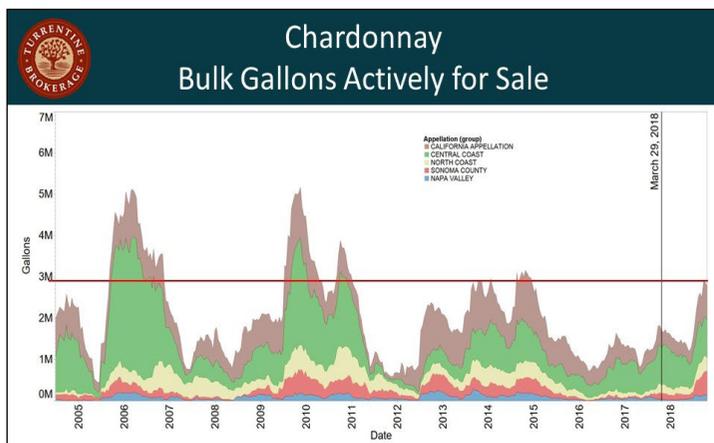
We have moved 2018 Chardonnay, 2018 Sauvignon Blanc, and 2018 Pinot Grigio to date. There continues to be some interest in dry white wines from any vintage in the \$2.00 to \$3.00 per gallon range.

Recent sales for Chardonnay with buyers focused more on 2018 vintage wines:

- Sonoma County—\$9.00 - \$12.00
- Central Coast—\$8.00 - \$12.00
- California Appellation—\$6.00 - \$7.50
- Napa Valley—\$12.00 - \$15.00

Recent sales for 2018 Sauvignon Blanc. There was very little early activity for 2018 Sauvignon Blanc and the market may begin to slow for the year:

- Napa Valley—\$9.00 - \$12.00
- Sonoma County—\$8.00 - \$12.00
- North Coast—\$8.00 - \$10.00
- California Appellation—\$6.00 - \$7.00



Recent sales for 2018 Pinot Grigio:

- California Appellation—\$5.50 - \$6.00

International Update

ProWein 2019 has come and gone and what a difference a year makes. Mother Nature and quickly changing consumer preferences are powerful forces that cause many in the wine industry to react (or overreact). These emotional changes regularly intensify the short-term and long-term cycles.

Rebound in 2018

Despite cultural differences, the wine industry around the world has a lot in common with the overreaction to the short-term. Last year the conversations were about the historically short 2017 crop in France, Italy, and Spain and there was talk of not enough wine, which spurred higher asking prices across the board.

Chilean, Argentine, Australian, and California producers hoped for increased opportunities to sell wine in China, other parts of Asia, the UK, and Northern Europe. The bump in sales as a result of the short European crop did not materialize. Looking back now, there was a little bit of an overreaction and plenty of wine for everyone's needs, as there always is.

Inventory Summary

As for where inventories stand today, there was a good 2018 crop in the Southern Hemisphere and a rebound in yields in Europe. There were large crops in California, Washington, and Oregon. In addition to the larger 2018 harvests the slowing sales growth in the US and in China are also impacting inventory levels.

French and Italian inventory of 2018 vintage wine is more balanced based upon asking prices and deal pricing trends. The exception is for Côtes de Provence Rosé and Prosecco which are again short. In Spain, inventories are strong and there are opportunities for buyers that need good quality wine at fair prices. Sellers feel fairly comfortable with inventories, but pricing is softer than last year.

Wineries in Chile have plenty of bulk inventory and prices are certainly lower than last year. Prices for bulk wine have stabilized, but at lower levels than a few years ago. Entry level quality varietal wines can be sourced

at approximately \$3.25 to \$3.75 per gallon landed in the US, higher quality wines are closer to \$3.75 to \$4.25 per gallon. For reference, these prices were \$4.75 per gallon landed and above a few years ago.

In Argentina, bulk wine inventories are high from very slow sales last year. Good quality Mendoza Malbec can be sourced around \$4.50 to \$5.00 per gallon landed. Similar quality wine sold for well above \$5.50 per gallon a few years ago. Entry level quality varietal wines can be source for \$3.75 to \$4.50 per gallon and generic red and generic white are available for less than \$2.75 per gallon landed.

2018 vintage inventory of red wines and white wines in Australia was in balance to short. Demand for wine is still strong from wineries exporting to China and other Asian countries. The desire to continue to grow sales in Asia has kept upward pressure on bulk prices. Recently, there were purchases of 2018 Chardonnay in response to the short 2019 harvest which helped firm up the market.



2109 Southern Hemisphere Crop Update

The 2019 harvest is well under way in the Southern Hemisphere and so far, yields per acre are not abundant and below long-term average as a result of a number of Mother Nature's forces. There will still be enough wine, and the trend is moving the market towards less excess. As we continually advise, the wine industry is a long-term business and successful management of inventories is managed over multiple vintages. It pays to focus on the long-term rather than overreacting to the short-term.

The Chilean crop of Chardonnay and Sauvignon Blanc appear to be 10% to 15% lower than long-term average. Merlot was just getting under way and most likely also lower yields than last year.

Yields per acre in Argentina are projected to be about normal, but some vineyards of generic grapes and entry level quality varietals are not being farmed this year because of the low prices for grapes and the holdover of bulk inventory. The exact impact of these actions by growers on the total harvest will not be known for some time but will certainly reduce the total tons harvested in Argentina.

Australia's drought and hot weather has reduced yields on inland irrigated vineyards by 5% to 10% from projections. Dry land (coastal) yields per acre are down 20% to 40% from long-term average. With a shorter crop than projected, there will be even more upward pressure on asking prices for Australian bulk wine. That may make it challenging for them to be competitive in other parts of the world, like Northern Europe, UK, or the USA.

The 2019 season in New Zealand has been warm and dry resulting in lower yields per acre than normal, but they do have some increase in bearing acres so the net result of the lower crop may be mitigated. Global sales of New Zealand Sauvignon Blanc continue to grow, so it would be safe to assume that prices will most likely stay consistent, but asking prices may increase.

After nearly a decade of attending ProWein and 15 years of work in global markets, it is apparent that wine quality continues to improve. A greater percentage of the wines tasted were of a style to compete in the United States. Global wineries are working as hard as domestic wineries to compete in the \$10.00 per bottle and above category and are faced with the same challenges of distribution competition. Globally, conversations around authentic, natural, low additive, lower alcohol, organic, sustainable wines continue to increase. Spain and Sicily have taken the lead for value wine in volume from organic grapes.

For over 45 years, Turrentine Brokerage has facilitated buyer and seller relationships with not only neighbors, but those throughout the world. There are a lot of great opportunities in the market today for grapes and wine from all regions and for all varieties. Please call if you have more specific inquiries to buy or sell grapes, bulk wine, or strategic brands.

Turrentine on the Road

VINITALY 2019 APRIL 7-10
Verona, Italy



Bryan Foster will be at the largest international wine & spirits exhibition in the world, gaining the latest knowledge and trends in Italian wines.

[Click here for more information.](#)

BULK WINE market opportunities

AVAILABLE

- +2018 North Coast Sauvignon Blanc: 16 lots, 115,000 gallons
- +2018 Sonoma County Sauvignon Blanc: 23 lots, 200,000 gallons
- +2018 Sonoma County Chardonnay: 40 lots, 500,000 gallons
- +2017 California Cabernet Sauvignon: 36 lots, 734,000 gallons
- +Napa Valley Cabernet Sauvignon: 158 lots, 774,000 gallons
- +2018 Sonoma County Pinot Noir: 36 lots, 477,000 gallons
- +Central Coast Pinot Noir: 74 lots, various sizes, appellations & vintages
- +Central Coast Chardonnay: 62 lots, various sizes, appellations & vintages
- +Dark Red Blenders: many options from all areas
- +Whiskey & Brandy, High Proof

GRAPE market opportunities

AVAILABLE

+Napa Valley Cabernet Sauvignon: truckload quantities

+Russian River Pinot Noir: truckload quantities

+Monterey County Chardonnay

+Westside Paso Robles Cabernet Sauvignon

+Westside Paso Robles Zinfandel

+Westside Paso Robles Grenache

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

