

# Strategies for Managing through Oversupply

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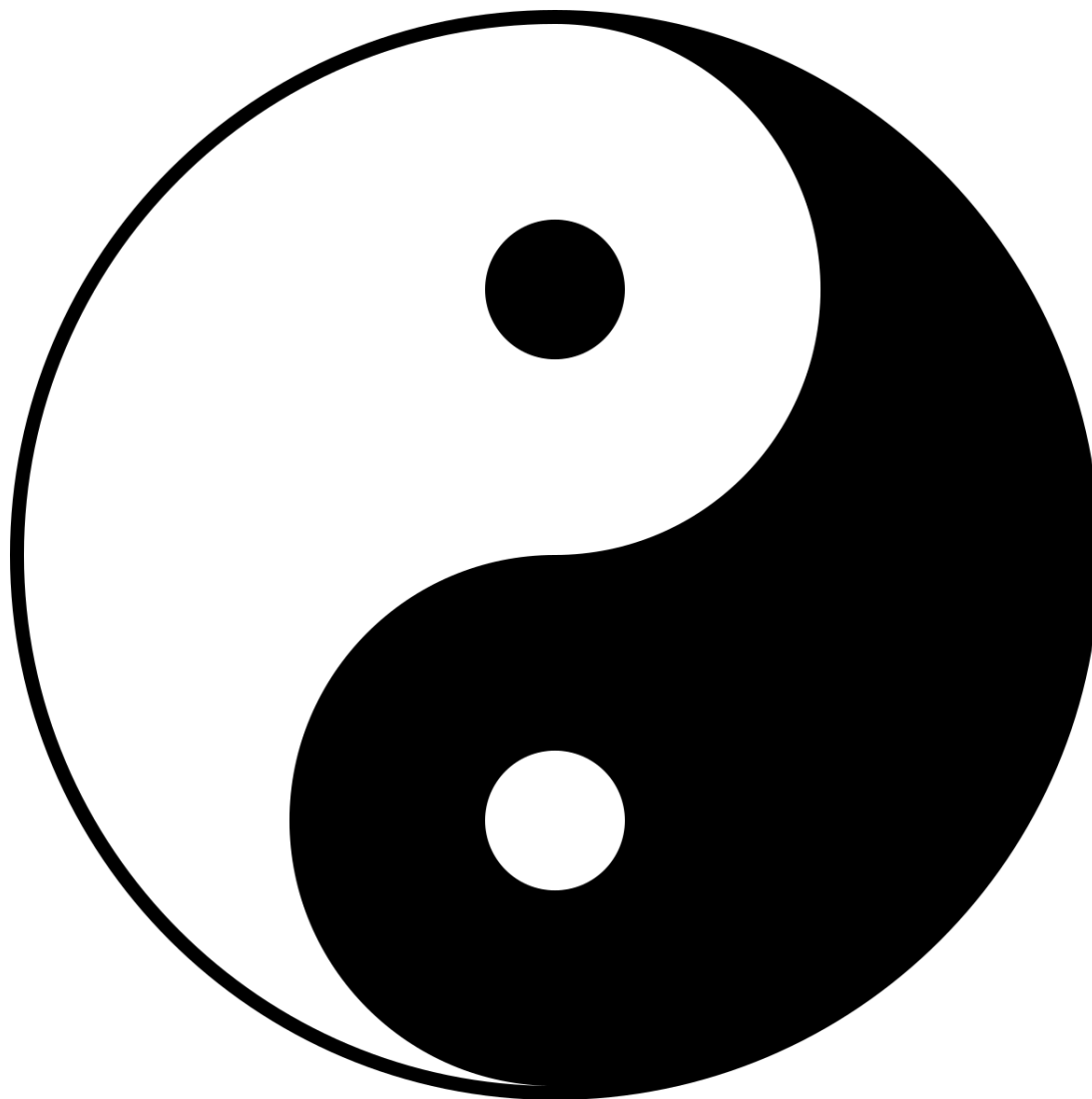
*Steve Dorfman*

*Ciatti Company*

# ORDER & CHAOS

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YANG  
KNOWN  
ORDER



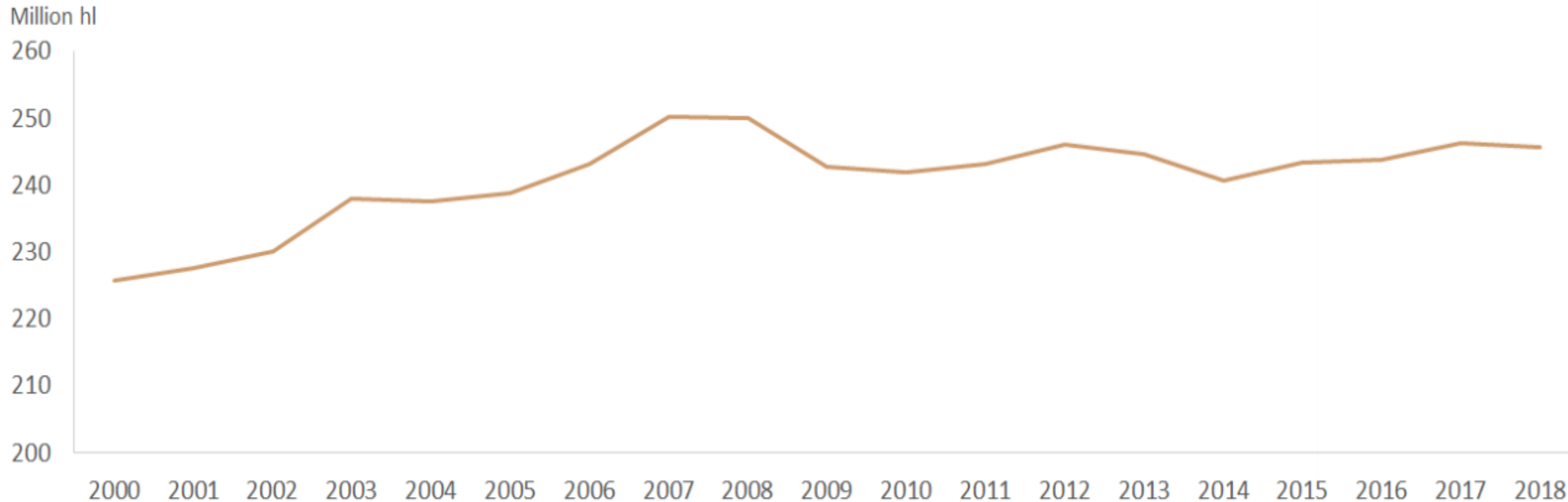
YIN  
UNKNOWN  
CHAOS

# CONSUMPTION BY YEAR

2020

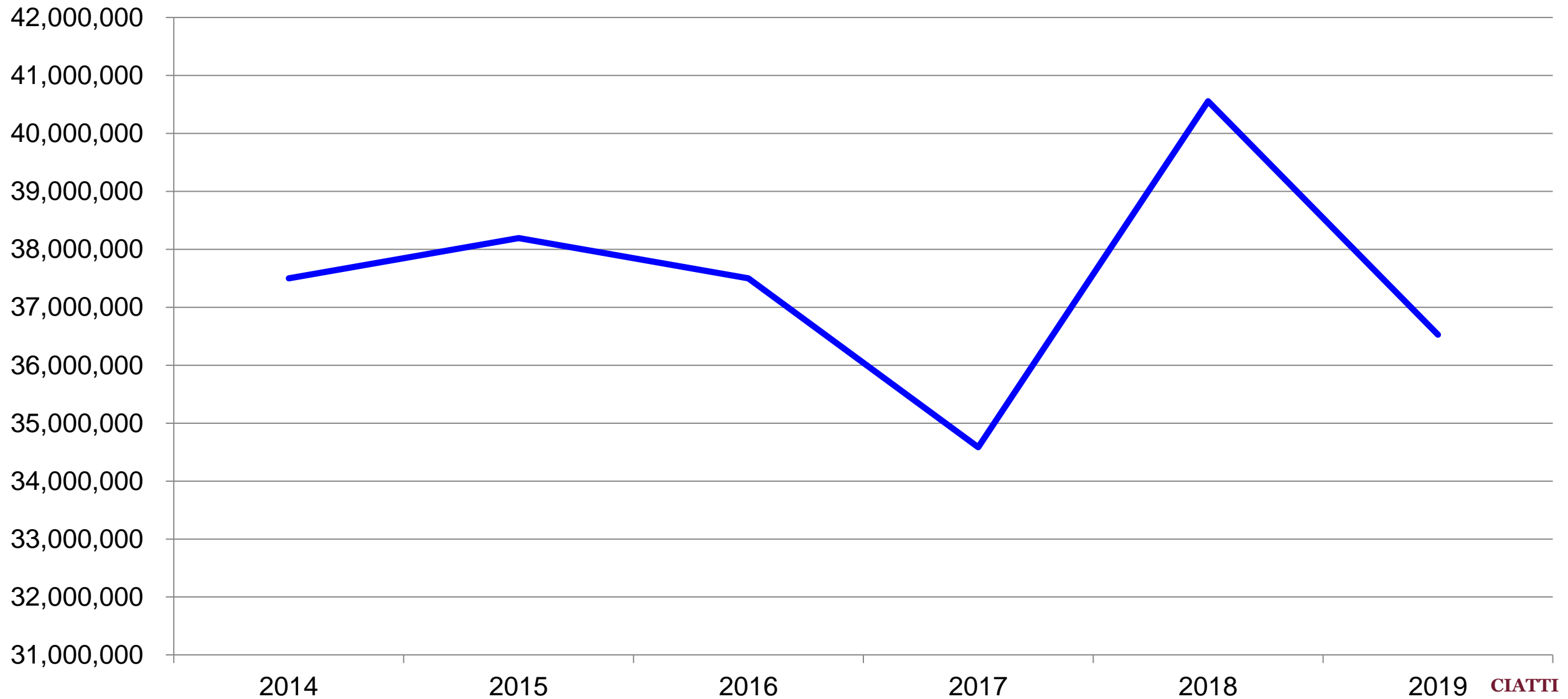
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## Evolution of world wine consumption



# TOTAL PRODUCTION (METRIC TONNES)

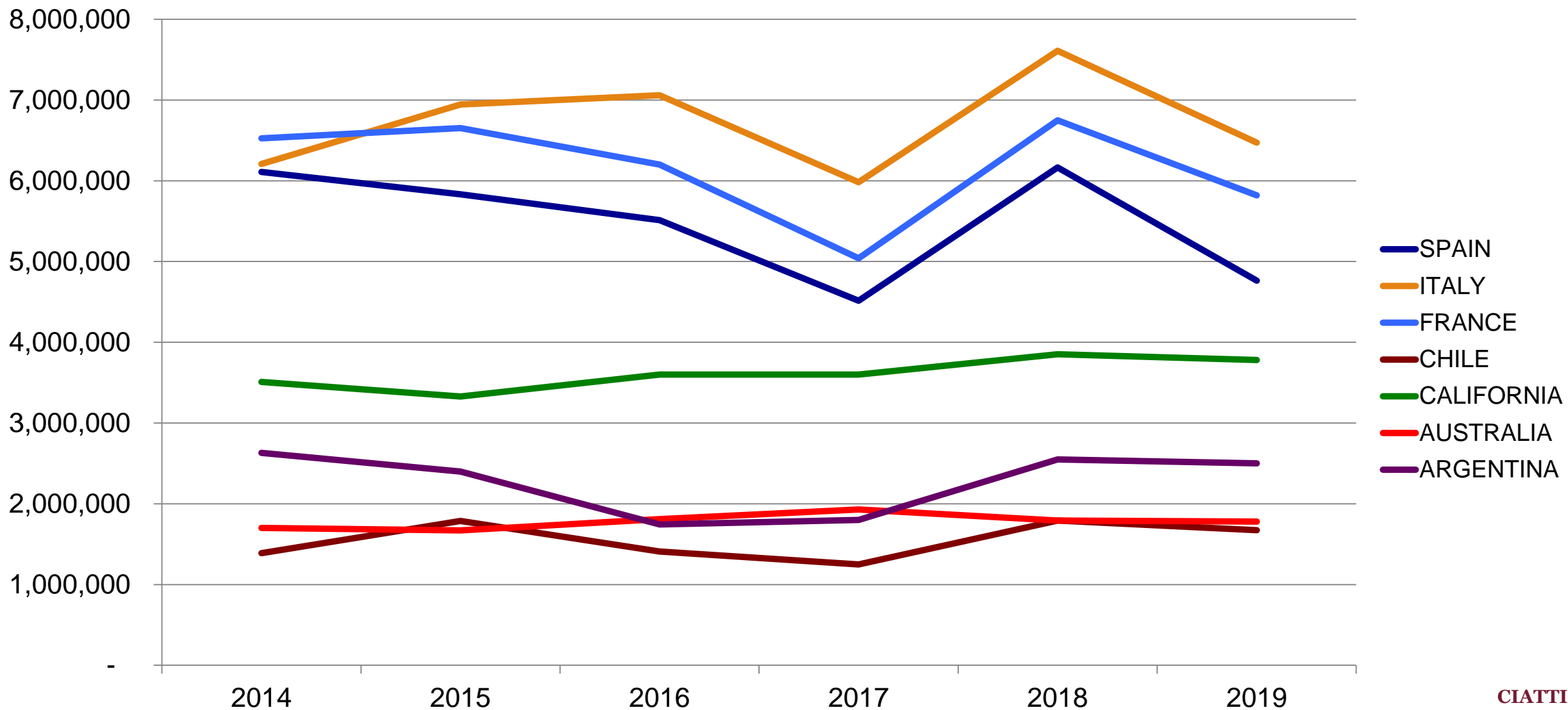
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# MAJOR PRODUCERS (METRIC TONNES)

# 2020

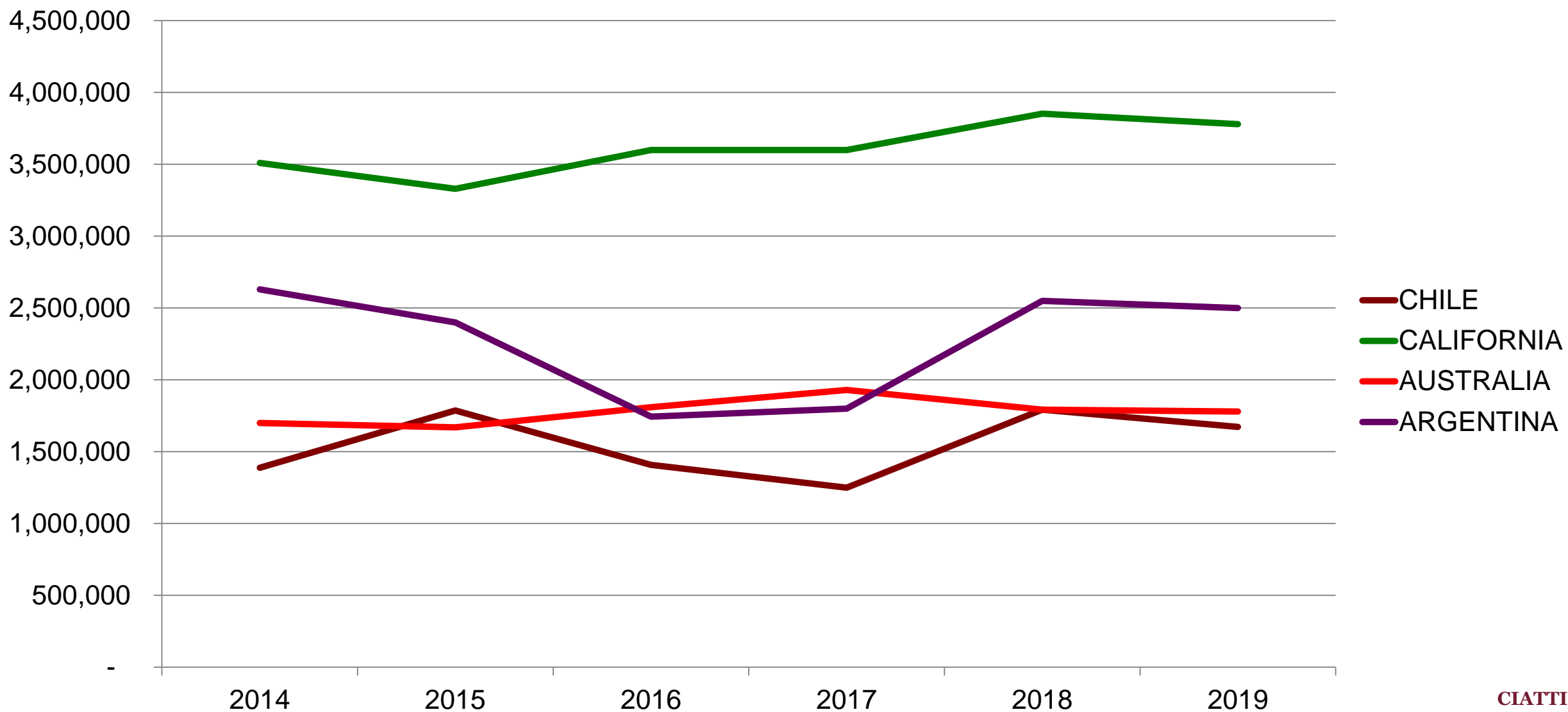
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# NEW WORLD (METRIC TONNES)

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- The market is currently in a long position. Most of the world has an excess of bulk wine, and prices remain attractive to buyers. Not all supply countries are long, but several are in a severe long position
- Long term consumer demand is now a major concern, as volume consumption has slowed in both the USA and China
- Share of stomach and head are challenged like never before



- Historic Drought
- Civil Unrest – calm for the moment
- Grape Prices Have Increased
- Domestic Activity Strong
- Prices Continue To Be Attractive
- Favorable trade agreements
- Buyers working on 2021 Calendar Year Contracts



- Domestic Demand Has Decreased
- Pricing Very Attractive For Buyers
- Good Quality For Export
- Questions About Political Future
- Few Beneficial Trade Agreements

- Severe drought conditions
- Strong Grape Market
- Bushfires/Smoke - quality issues?
- China demand slowing – Now the Coronavirus!
- Bulk pricing mixed
- Favorable trade agreements

- Smaller crop than the very large 2018 vintage
- Losing demand in China and Russia
- Inventory of generics, but still light on classic varietals
- Buyers entering the market later this year, due to '18 commitments
- Price drop expected; especially for generic white

- Market very quiet due to possible USA Tariffs.
- Pinot Grigio and Prosecco are big sellers in the USA Market.
- New rules are a concern for world blend buyers
- Winter weather has been tough, with heavy rains and floods

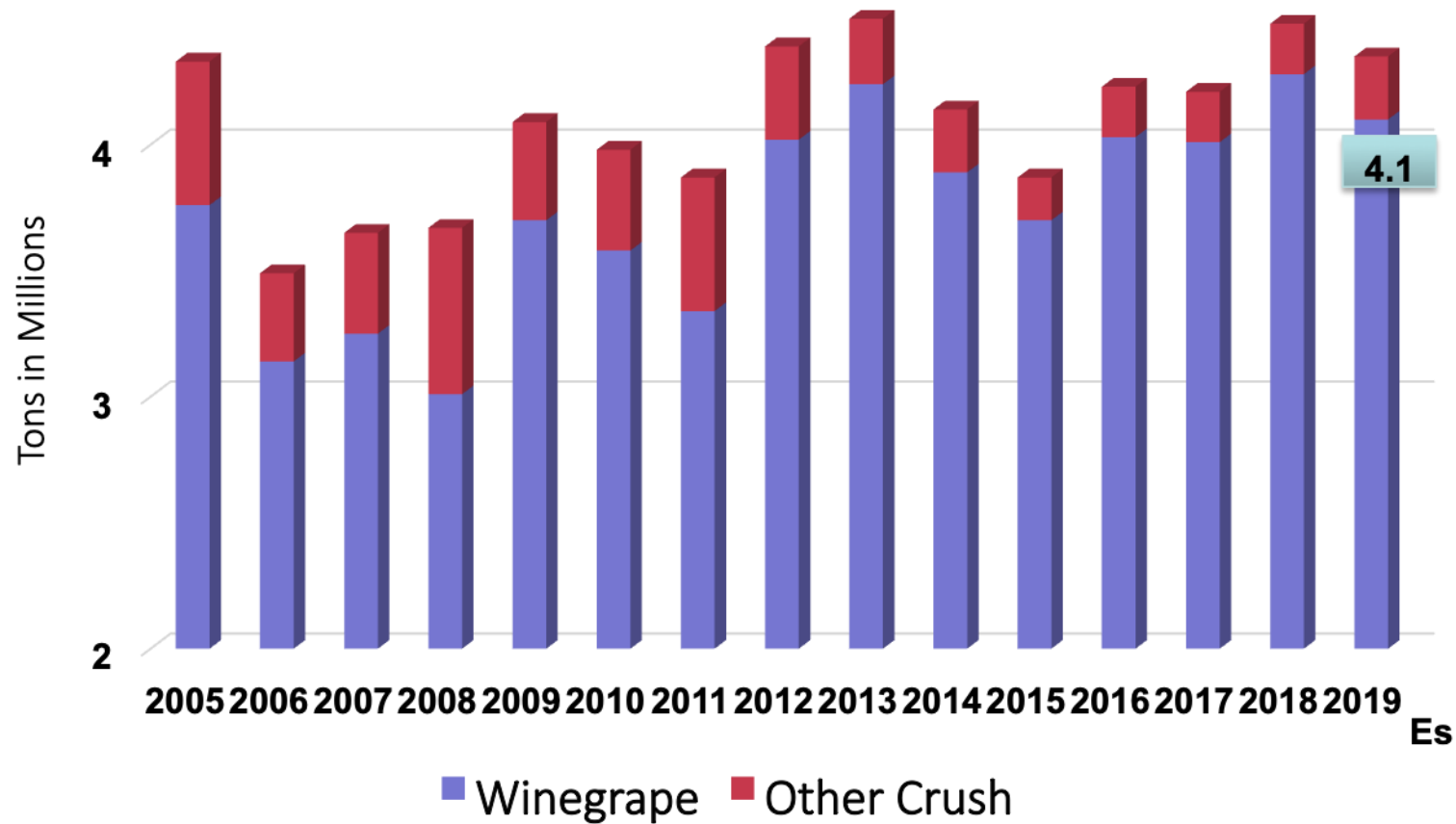
- Low inventory of white wine, due to smaller crop
- Red wines are slower to move
- Big concerns over the USA Tariff situation - Rose
- Bordeaux has the best opportunities now
- General strike causing problems for exporters

- Grapes left on the vine in (Washington State as well)
- Good deals available on several varietals
- Coastal market in California is still in a very long position
- Demand is flat or in decline in domestic market
- CBMA is causing increase in import demand
- <https://www.ttb.gov/what-we-do/taxes-and-filing/tax-reform-cbmtra>

# CALIFORNIA Statewide Grape Crush

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# HISTROIC 2018 HARVEST

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## AVERAGE CHANGE IN WINE GRAPE YIELDS (2017-2018)

REGION	CHANGE
NAPA	29.5%
SONOMA	33.3%
MONTEREY	5.9%
LODI	14.4%
FRESNO	-1.2%
CALIFORNIA TOTAL	6.6%

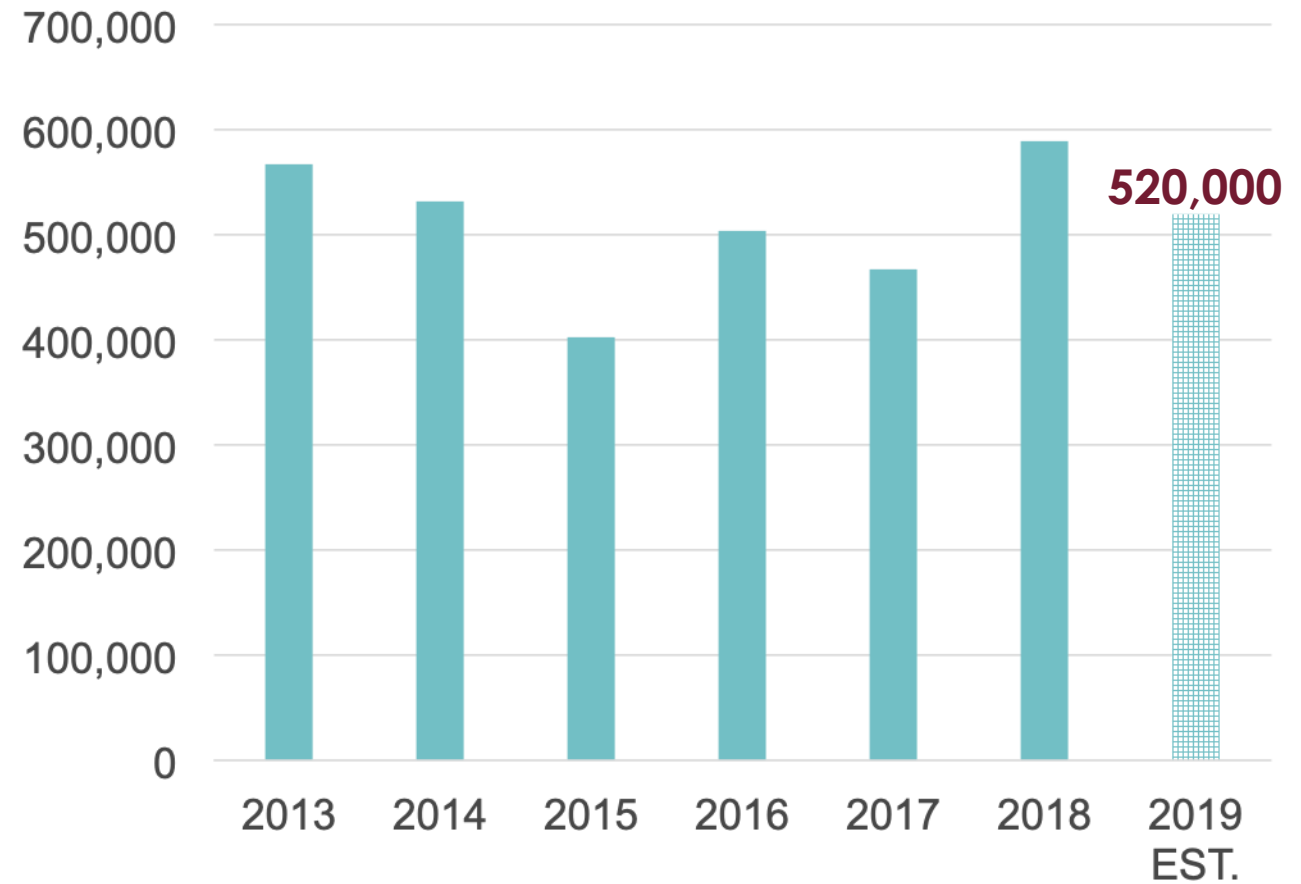


## Harvest

- Crop Feels “Normal”
- Capacity Issues
- Fire Challenge
- Excellent Quality

## Market

- Buying Activity Quiet
- No Late Season Buyers
- Wineries Were Sellers
- Pressure On Quality/Yield

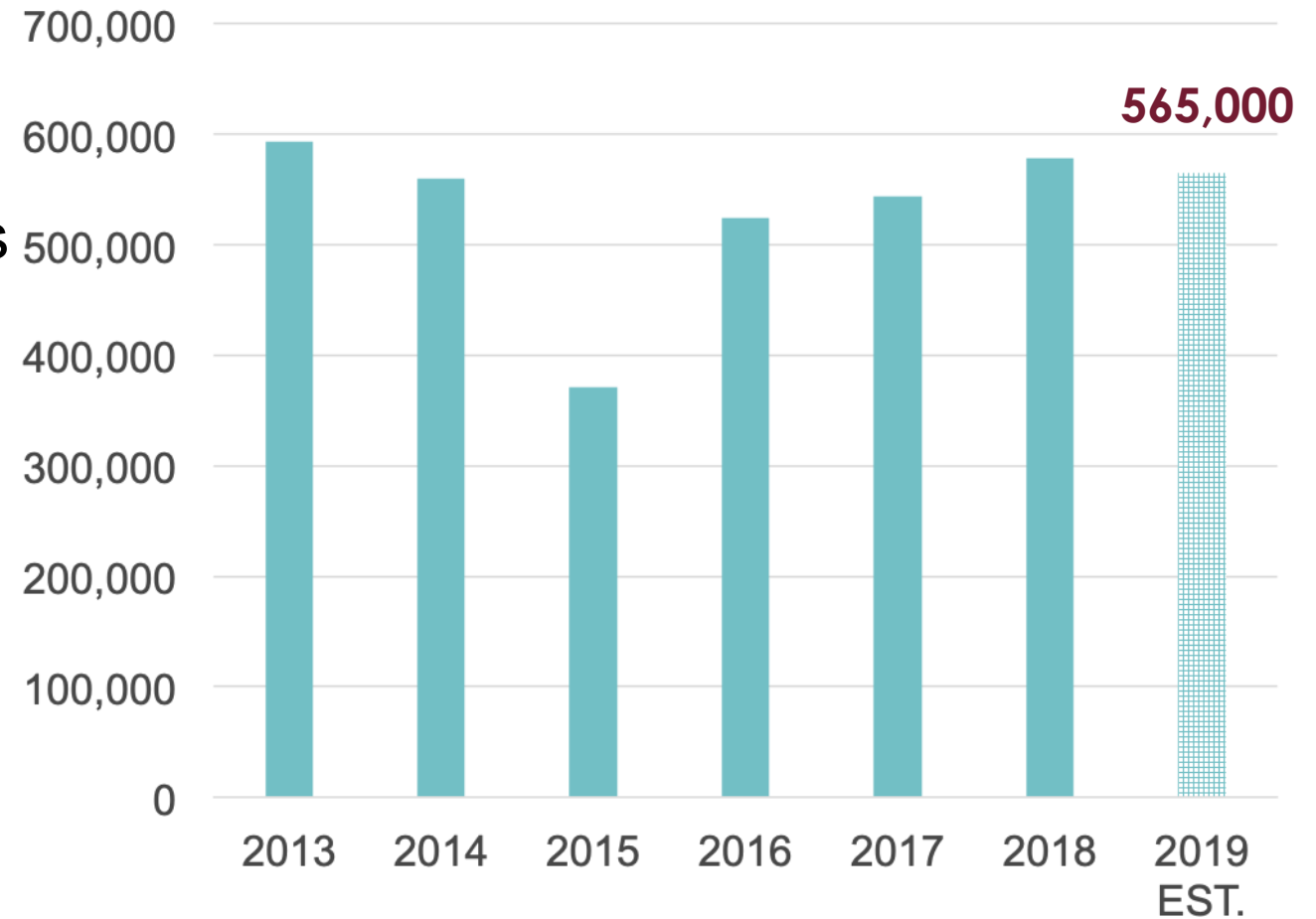


- ## Harvest

- Later Than Normal
- Extended - Helped Maturity
- Yields Varied, New Vs. Old Vines
- Good Quality

- ## Market

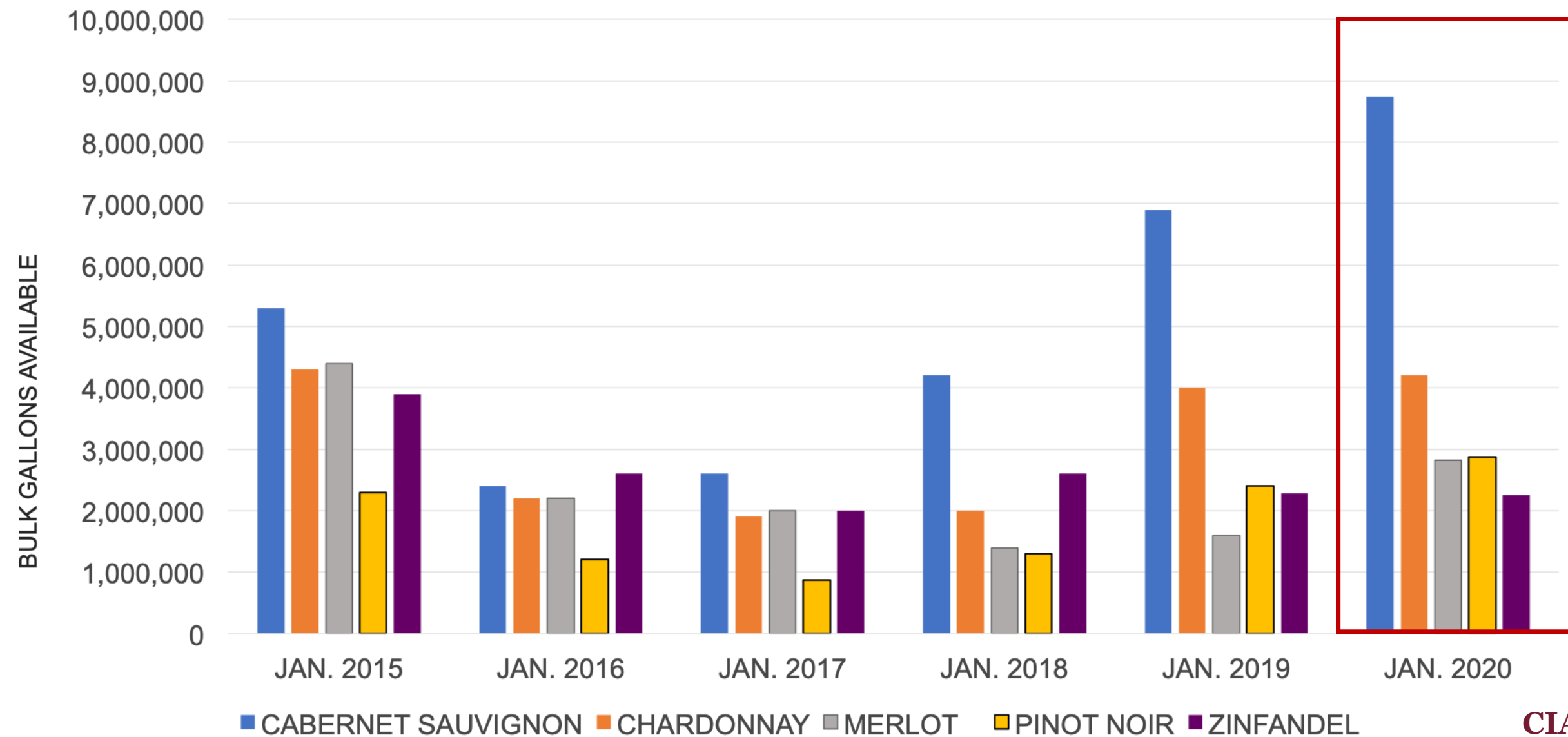
- Slow Market
- Ca Pricing
- No Late Buying
- Over Supply Cabernet
- Fruit Unpicked

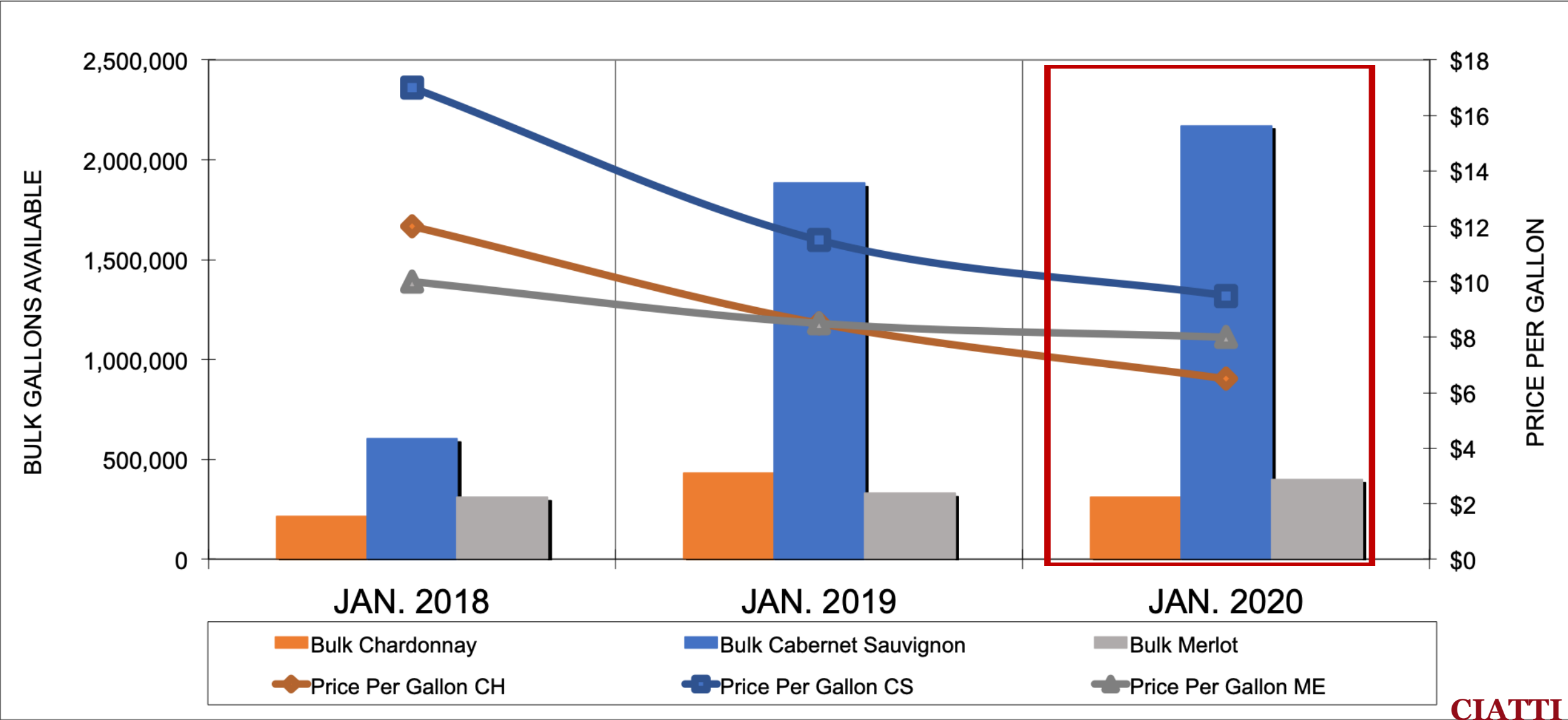


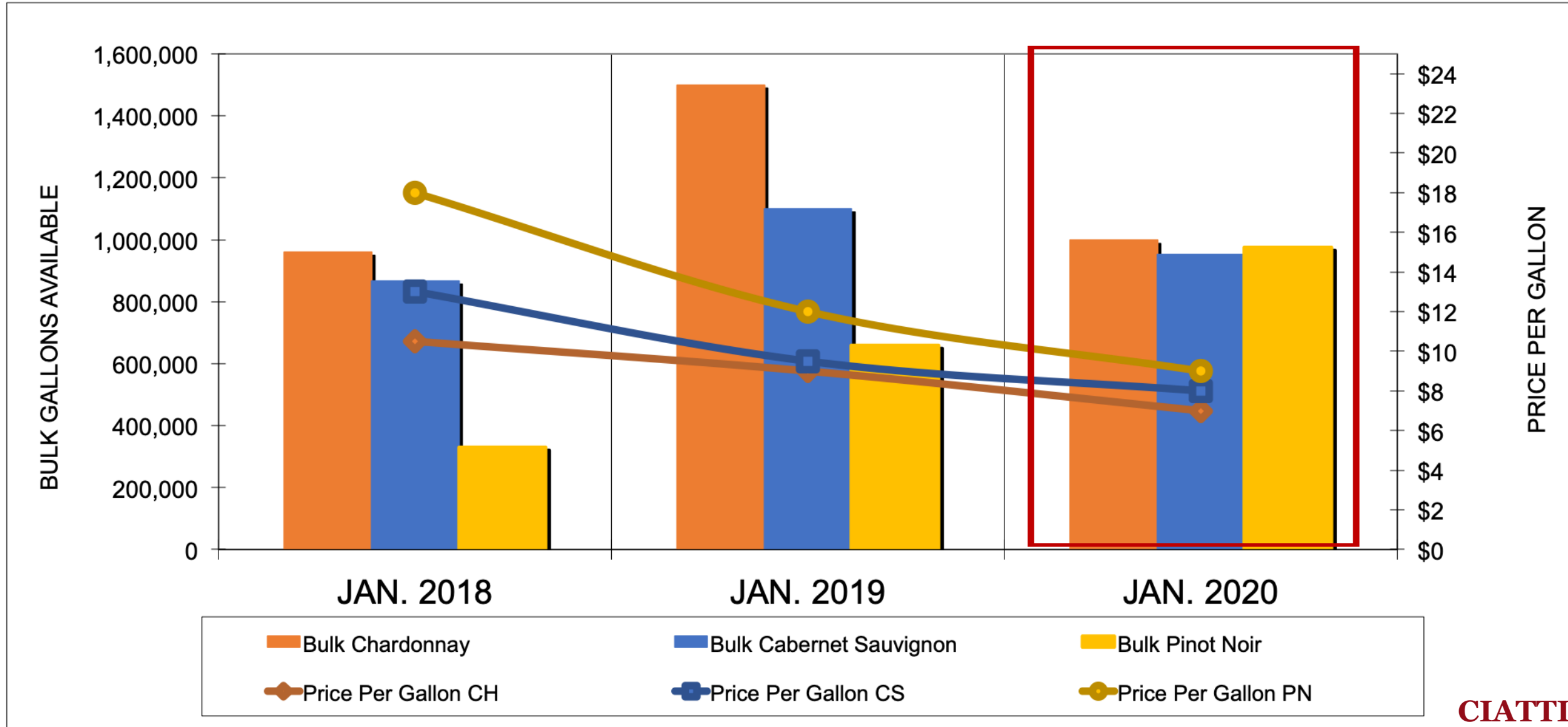
# CALIFORNIA BULK WINE INVENTORY

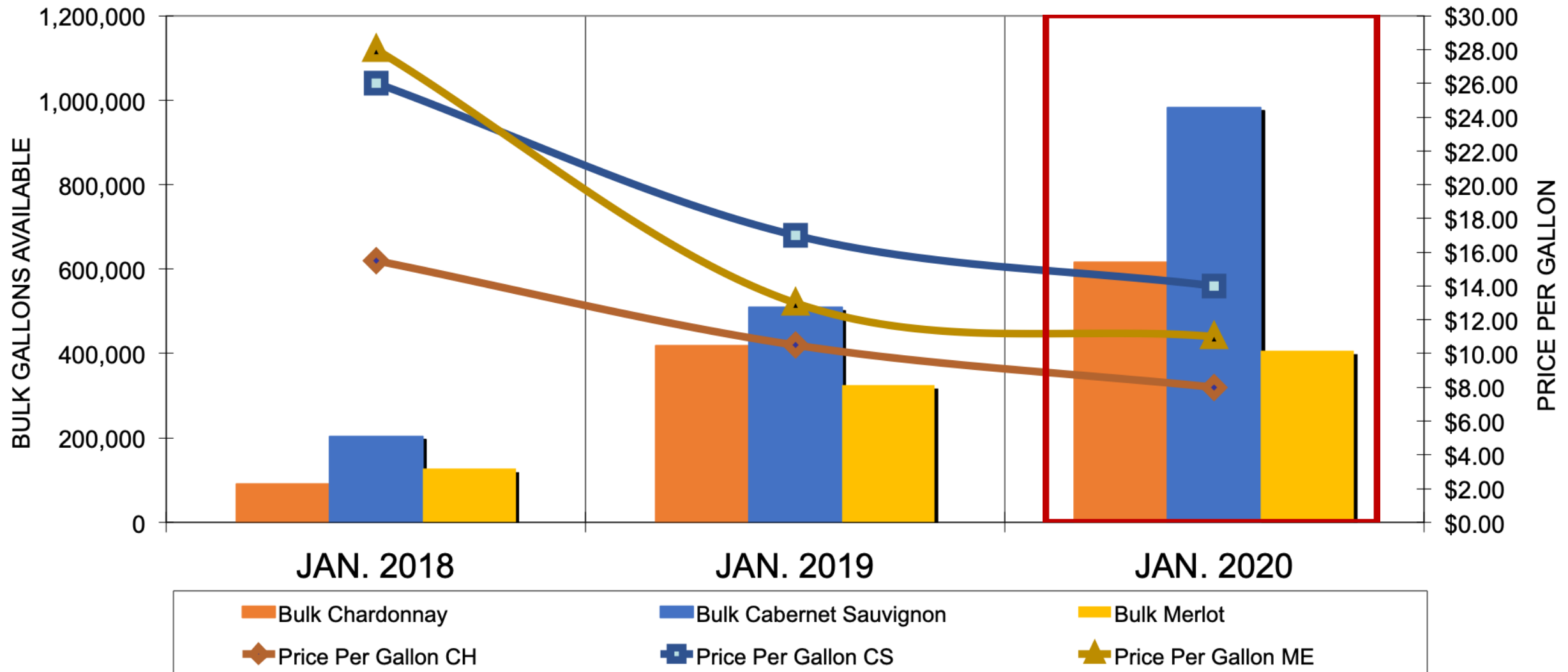
# 2020

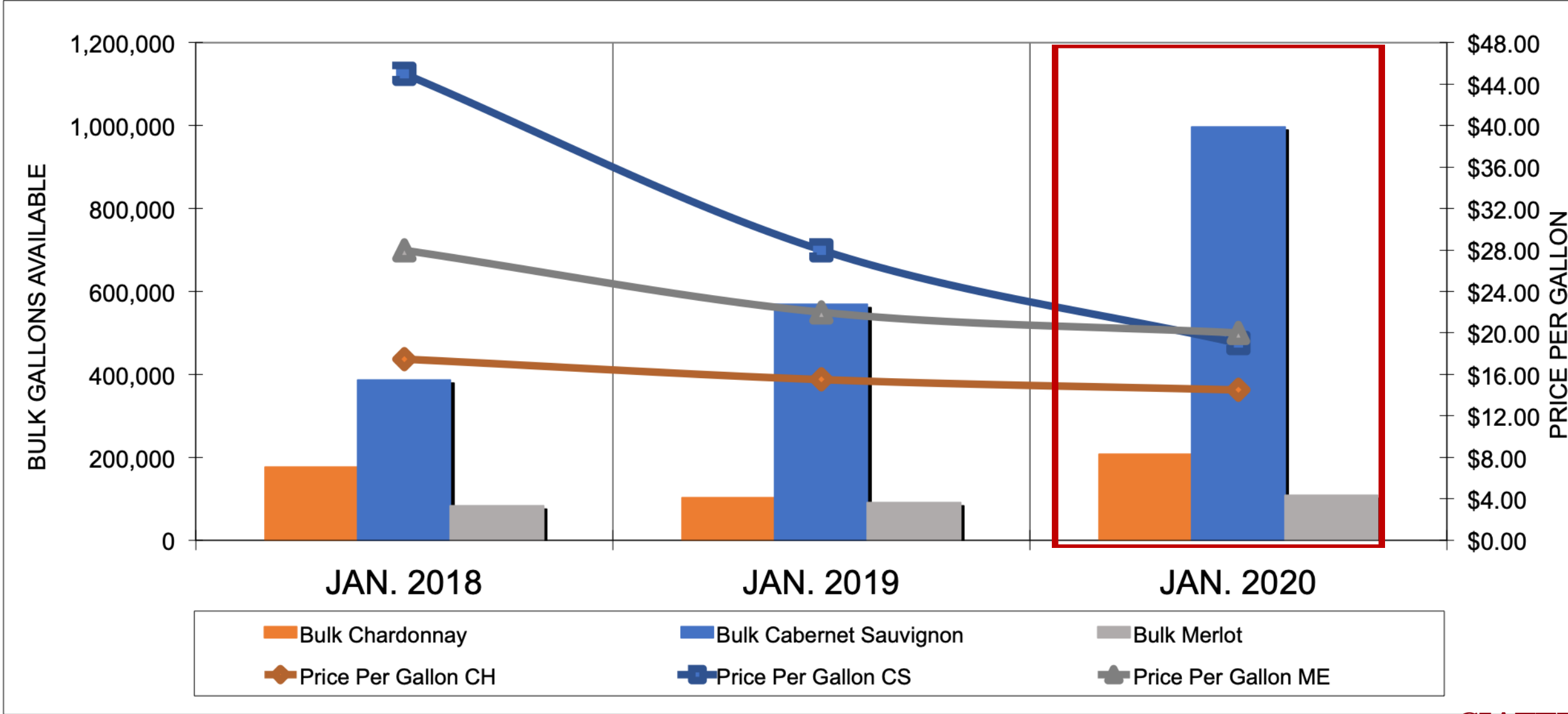
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**2009**



**2019**



- Market has likely hit bottom
- Inventory Adjustments Taking Place
  - Removal of Inefficient Vineyards
  - Produce Less Bulk Wine
- Manage current relationships and look for alternative sources of supply
- Watch global consumption trends
- Global politics and trade disputes need to be monitored – tariffs
- Adjust Expectation – Be open to the new realities of the marketplace
- Reset Core Supply with Better Quality at more Reasonable Pricing
- Opportunities for New Brands & Reinvention
  - “Necessity is the Mother of Invention”

## Order out of Chaos

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Vote early and vote often.

— *Al Capone* —



“SELL EARLY AND SELL OFTEN”

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