



CIATTI MARKET UPDATE

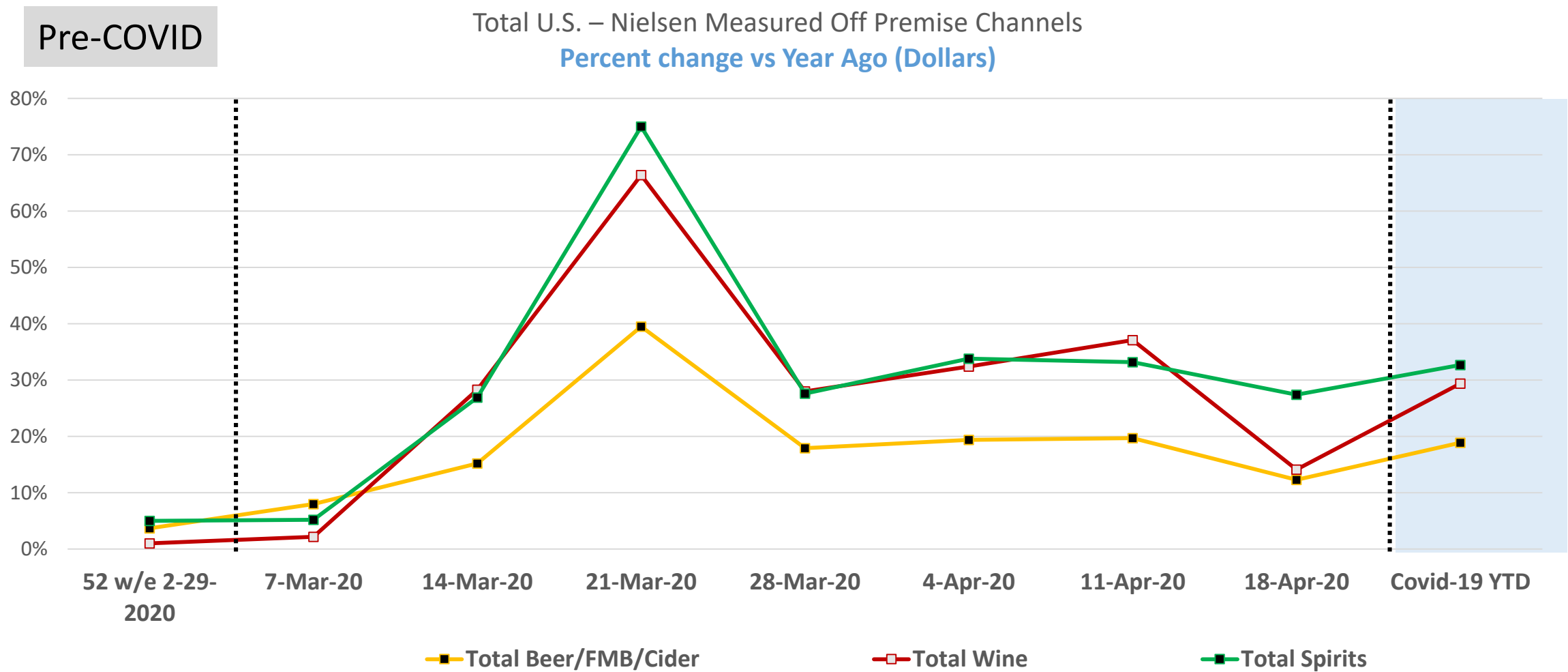
WEDNESDAY, JUNE 3, 2020

11:00AM – 12:00PM

COVID - PANDEMIC

- ❖ MARCH - SIP PROTOCOLS ENACTED
- ❖ CLOSURES/RESTRICTIONS - RESTAURANTS, TASTINGS ROOMS, TOURISM, TRAVEL
- ❖ CONSUMER BEHAVIORS CHANGING DRAMATICALLY
- ❖ DIFFICULT TO UNDERSTAND AND PREDICT HOW CHANGES WILL IMPACT THE WINE INDUSTRY AND HOW LONG THESE CONDITIONS WILL LAST
- ❖ UNDERSTANDING THE “NEW NORMAL”

SPIRITS LEADS OFF PREMISE GROWTH, WITH WINE CLOSELY BEHIND, AND BEER TRAILING

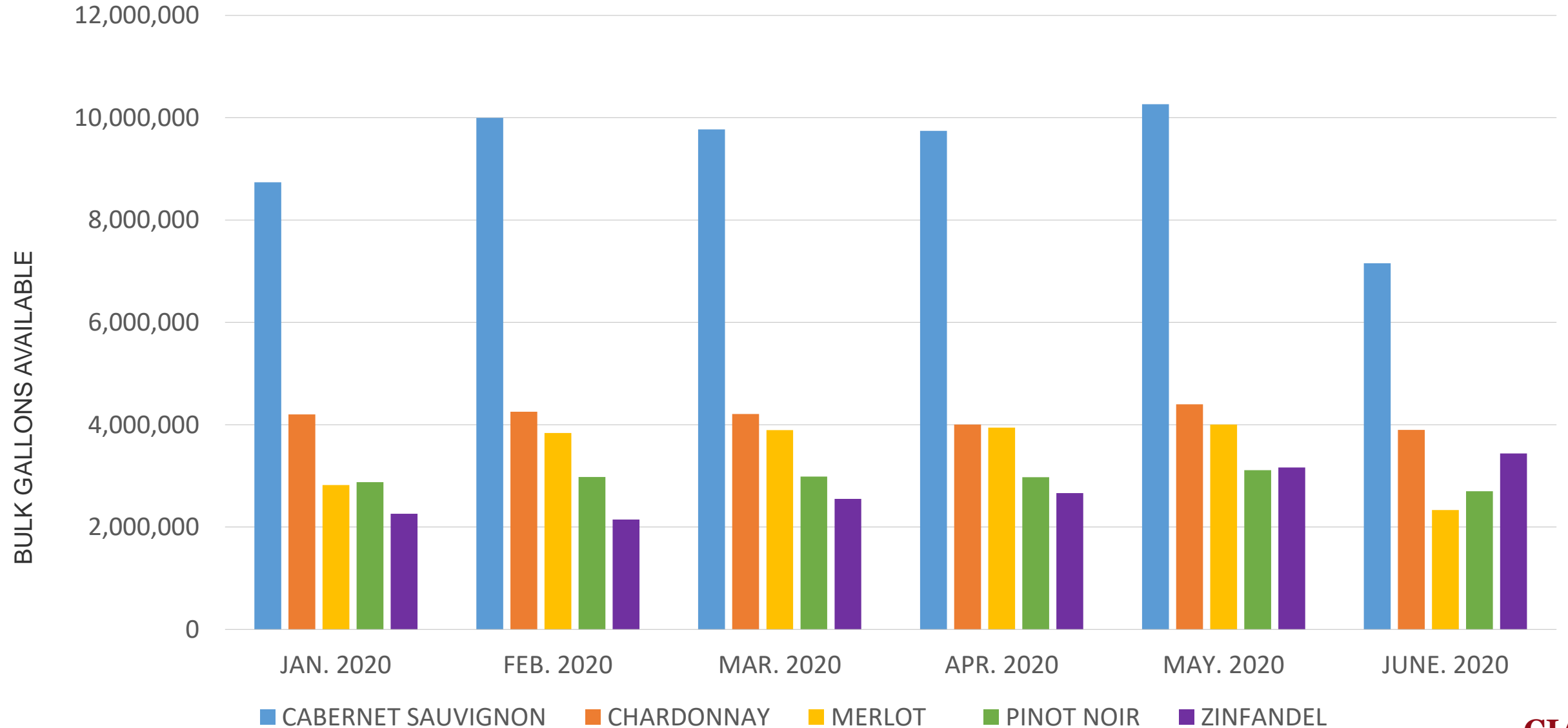


Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars) COVID-19 to Date; w/e March 7 through April 18, 2020

CALIFORNIA BULK MARKET

- ❖ BULK MARKET ACTIVITY HAS PICKED UP SINCE MARCH
 - ❖ “HAND TO MOUTH”
 - ❖ LARGE BUYERS BECOMING BUYERS AGAIN
- ❖ BULK PRICING HAS REMAINED FIRM
 - ❖ SLIGHT STRENGTHENING IN VALUE SEGMENT
 - ❖ SOME SLIPPAGE IN PREMIUM SEGMENT
- ❖ MAINSTAYS ARE MOST IN DEMAND – CH,CS,PN
 - ❖ CONSUMERS BUYING WHAT THEY KNOW
 - ❖ RRV PN, CH, NAPA CS STILL SHOW ACTIVITY – NOT AS ACTIVE AS EARLIER
- ❖ BIFURCATION OF MARKET
 - ❖ VALUE END/MID PRICED – WELL POSITIONED OFF PREMISE BRANDS GROWING
 - ❖ BULK AND GRAPE MARKET FEEDING THESE BRANDS ARE SHOWING ACTIVITY
 - ❖ PREMIUM END – ON PREMISE, TASTING ROOM, SMALLER SIZED BRANDS EXHIBITING SALES WEAKNESS
 - ❖ BULK AND GRAPE MARKET FEEDING THESE BRANDS EXHIBITING SOME WEAKNESS
 - ❖ REVISING FORECASTS DOWNWARD

CALIFORNIA BULK WINE INVENTORY



CALIFORNIA GRAPE MARKET

- ❖ MORE AVAILABLE GRAPES AS WINERIES GIVING NOTICE ON LONG-TERM CONTRACTS
- ❖ GRAPE PURCHASE ACTIVITY HAS BEEN SLOW
 - ❖ CENTRAL VALLEY - WE HAVE SEEN RECENT ACTIVITY- BUYERS BEING SELECTIVE
 - ❖ COASTAL – VALUE BUYERS LOOKING FOR OPPORTUNITIES, REGULAR BUYERS STILL WAITING, SOME BUYERS BECOMING SELLERS
- ❖ CROP SIZE LOOKS AVERAGE TO SLIGHTLY BELOW – BUT IT IS EARLY
- ❖ UNCERTAIN FUTURE NEEDS HAS BEEN THE BIGGEST ISSUE OF BUYERS
 - ❖ SIGNIFICANT GRAPES STILL AVAILABLE
 - ❖ NEED UNDERSTANDING OF “NEW NORMAL”

THOUGHTS

- ❖ COVID MARKET EFFECTS ARE BENEFITING SOME AND CHALLENGING OTHERS
- ❖ OTHER OBSERVATIONS:
 - ❖ DELAYED PAYMENTS – CASH FLOW
 - ❖ CONTRACT PRICE AND PAYMENT TERM RENEGOTIATIONS
 - ❖ FINANCIAL TIGHTENING
- ❖ THERE COULD BE MORE OPPORTUNITIES AS WE GET A BETTER IDEA OF WHAT OUR "NEW NORMAL" WILL BE AS WE LOOSEN SIP REGULATIONS.
- ❖ BE WILLING TO BE CREATIVE WITH DEALS AND GET THROUGH IN THE SHORT TERM
- ❖ WE WILL ALL GET THROUGH THIS TOGETHER!



CIATTI

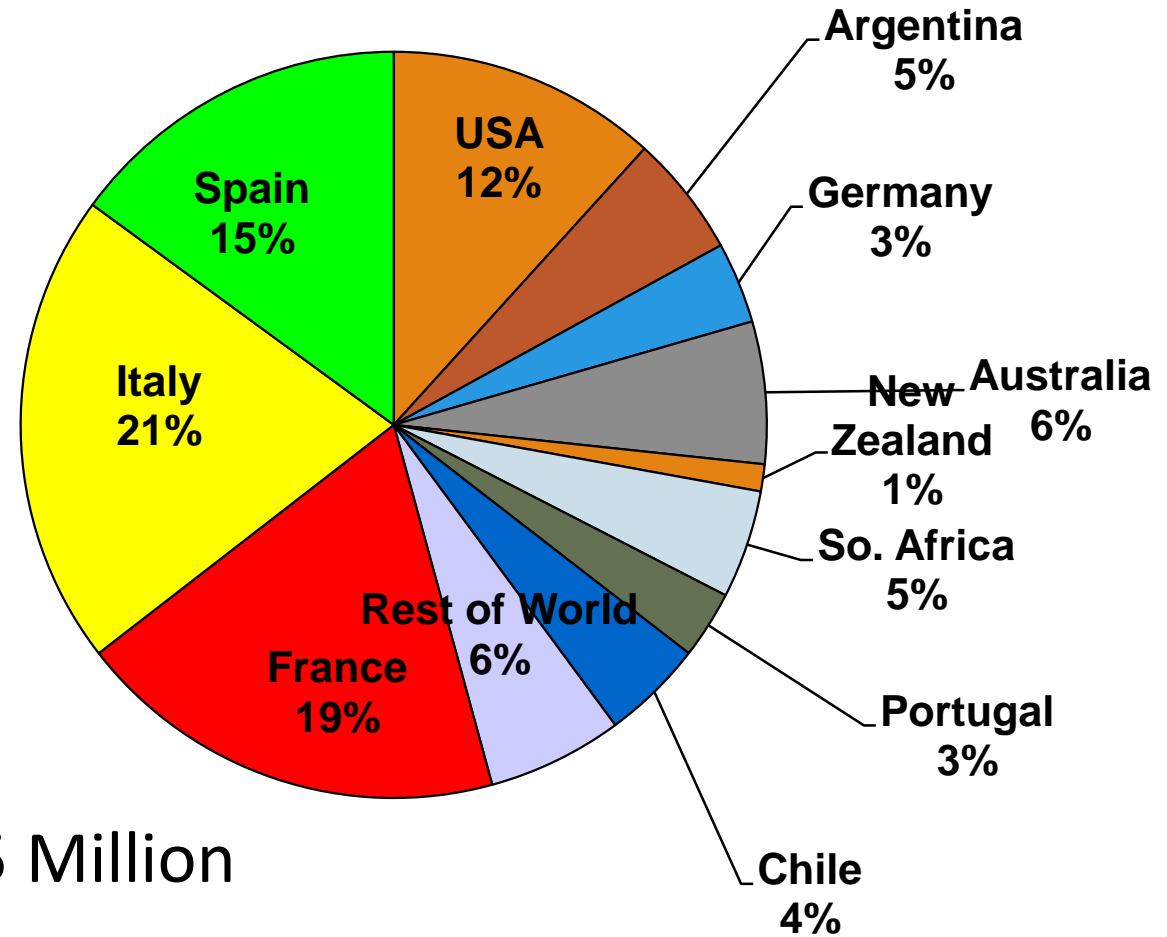
GLOBAL WINE & GRAPE BROKERS

Global Update

JUNE 3, 2020

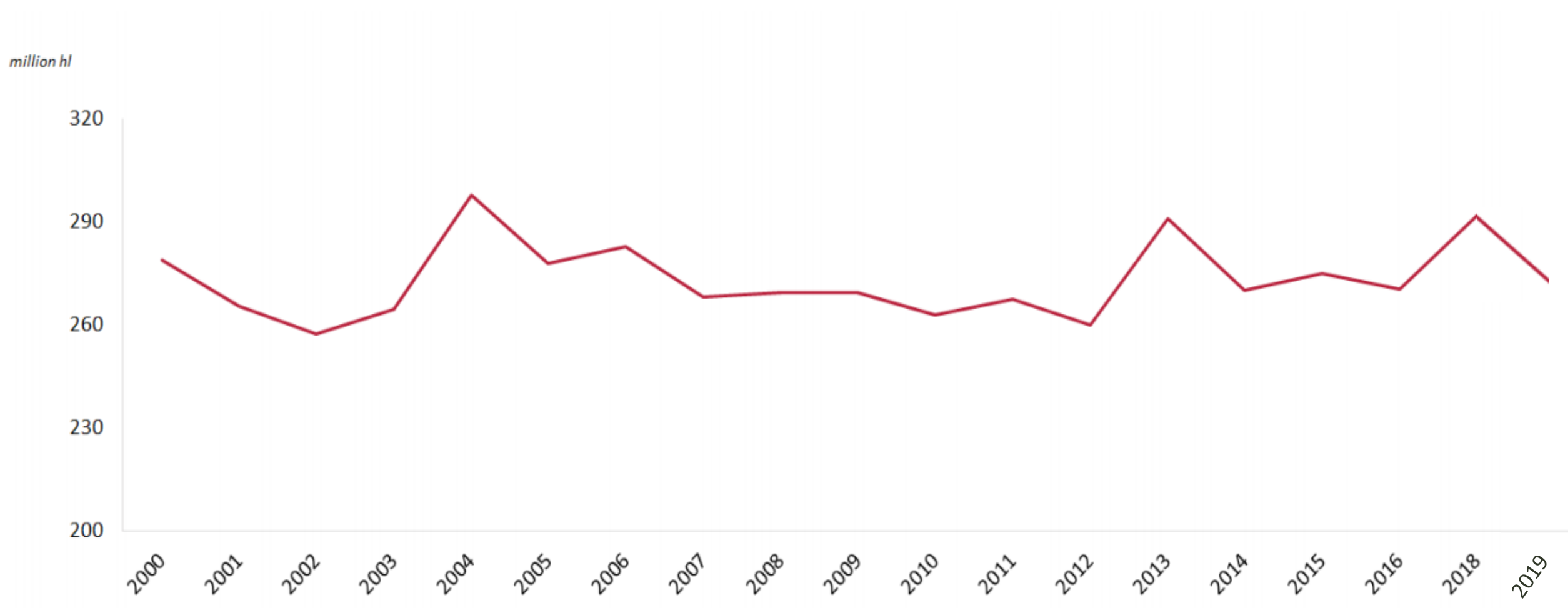
GLOBAL WINE PRODUCTION

VINTAGE	WORLD PRODUCTION
2019	263 MHL
2018	292 MHL
2017	247 MHL
2016	260 MHL
2015	275 MHL



Total 36.5 Million
Tonnes

Evolution of world wine production



Source : OIV 2019 Statistical Report on World Vitiviniculture

Current Supply / Demand Situation

- 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 was already a concern, with COVID 19, and the economic fallout that will follow, demand will be a major issue
- The 2019 harvest was slightly smaller than average, but carry over inventory from 2018 harvest remains. A smaller 2020 Southern Hemisphere harvest is fortunate.

Chile

- Harvest expected to be down 20%
- Historic Drought
- Civil Unrest Curfew / COVID 19 Quarantine Destroyed On Premise Sales
- Despite increase in grape prices, bulk prices have fallen
- North American bulk sales have been strong. China still a big customer, but European buyers taking their time

Argentina

- Harvest Looks To Be Down 20%
- Domestic Demand Has Steadily Decreased And Export has become very important
- Pricing Very Attractive For Buyers
- Good Quality For Export
- Questions About Economy As Debt Deadline Looms

Australia / New Zealand

- Australian Crop Likely Down 15% – 20%
- Bushfires/Smoke could magnify decline in supply
- Strong Grape Market going into harvest
- China demand is a concern, given latest political fallout
- Bulk pricing mixed –starting to show some weakness
- New Zealand crop looks to be down on estimate but near average
- Prices have been able to hold, as demand for Sauvignon Blanc remains strong

South Africa

- Harvest looks to be up slightly
- Lost a lot of market share over the past two years
- Market Hardest Hit by COVID 19 - All Wine Sales Halted For Months
- Always a good supplier of SAUV BLANC and other white wine. Pricing is very attractive today

Europe (Italy, France, Spain)

- Major Distillation Project Announced
- The bulk market has been slow in each country
- Very dependent on the On Premise trade
- As they emerge from quarantine, hopes for a boost in tourism

Obstacles and Opportunities

- Global politics, trade disputes, and Civil Unrest all need to be monitored
- The smaller harvest in the Southern Hemisphere is welcome, now all eyes turn to the North, as a big European harvest would have negative impact
- Much of the global bulk market trade is in, “value” wine. The current economic situation tends to increase demand for wines in this price category