

UNIFIED WINE AND GRAPE SYMPOSIUM

JANUARY 27, 2021

THE CHANGING MARKET

“Adaptability is about the powerful difference between adapting to cope and adapting to win.” - *Max McKeown*



CIATTI

GLOBAL WINE & GRAPE BROKERS



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26 DEDICATED BROKERS IN 10 COUNTRIES



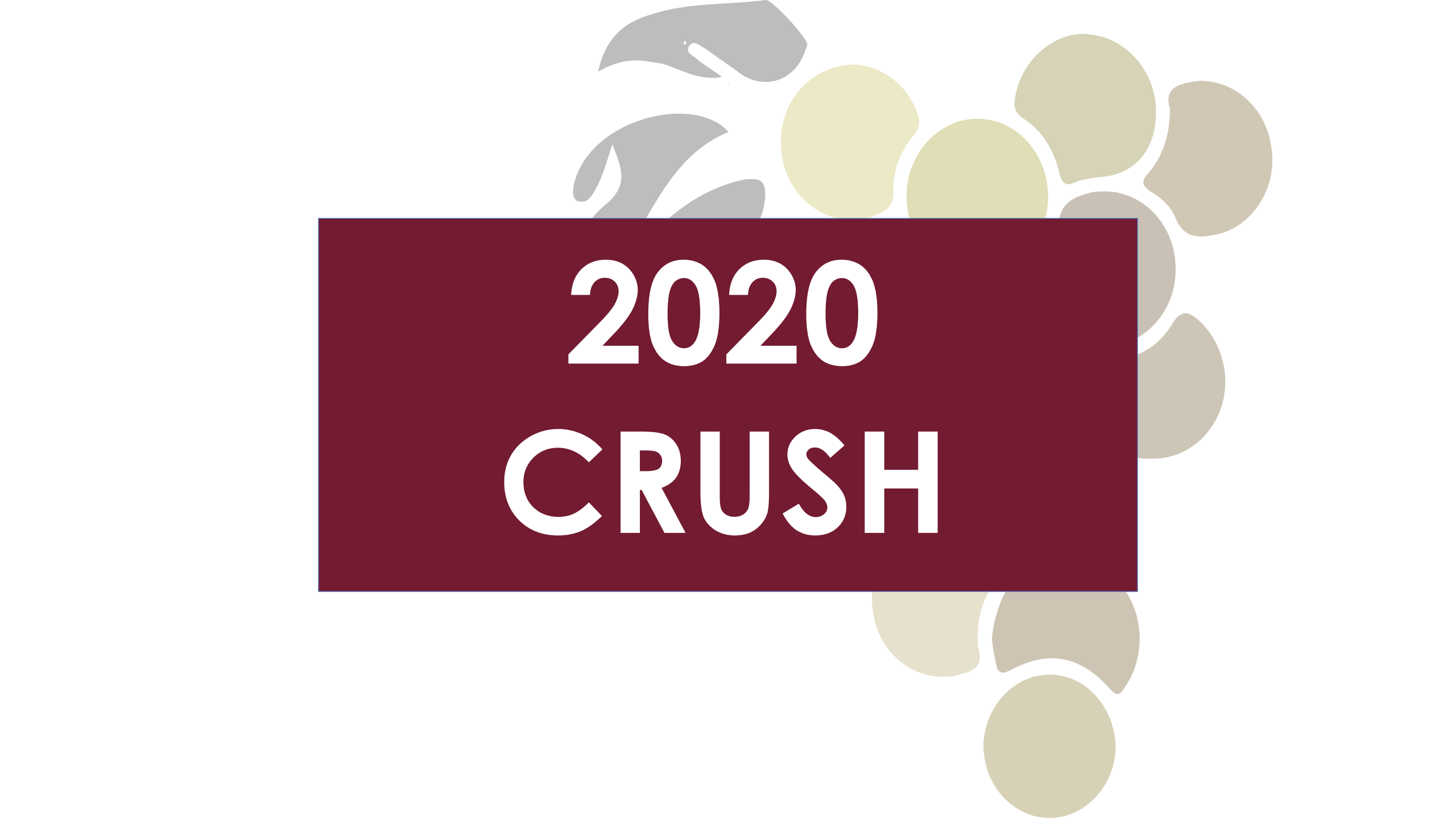
GLOBALLY BASED TO HELP BUILD YOUR BUSINESS WORLDWIDE

A stylized graphic of an olive branch is positioned in the upper right background. It features several olive leaves in shades of grey and green, and a cluster of olives in shades of yellow and brown. The olives are depicted with simple outlines and some have a small stem or leaf detail.

CALIFORNIA MARKET

CALIFORNIA MARKET OVERVIEW

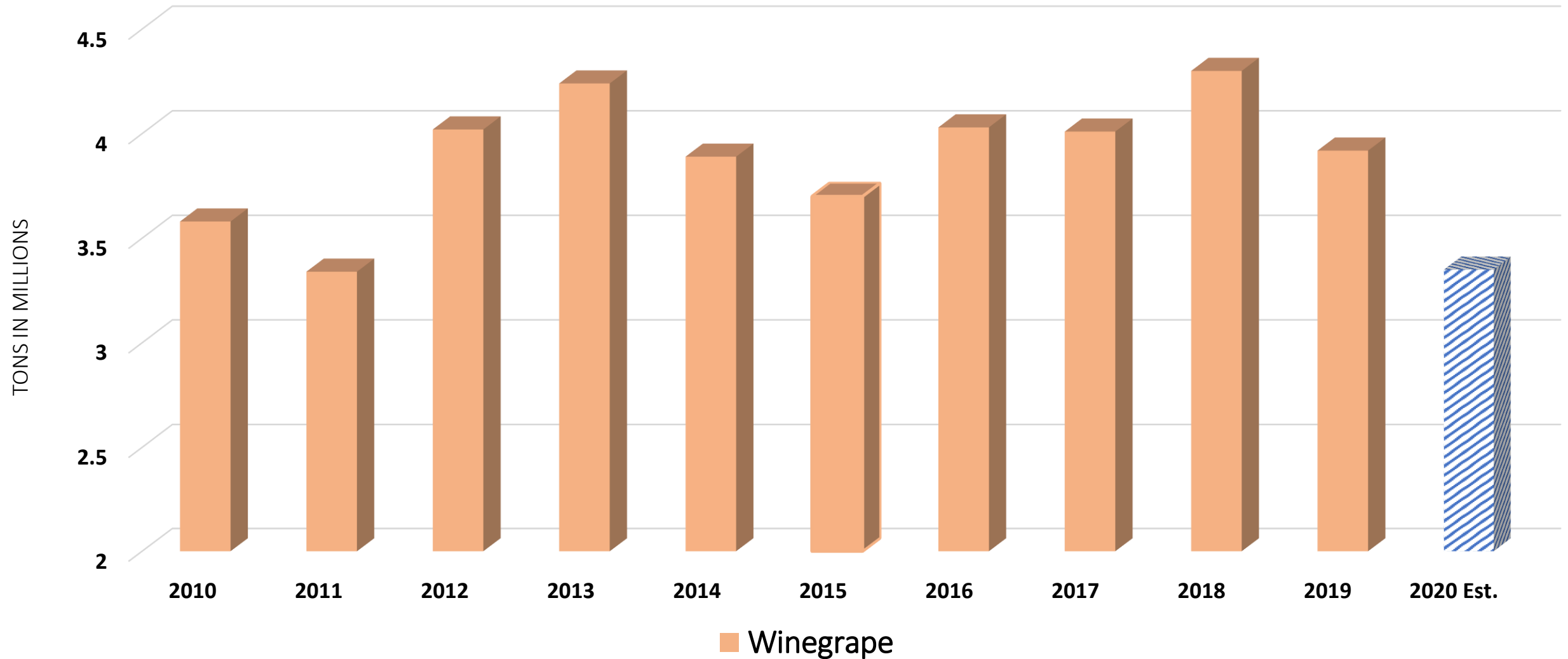
- ❖ Casegood growth has held its own in the Pandemic
 - ❖ Off Premise has seen a big bump
 - ❖ On Premise has seen challenges
- ❖ Enter 2021 with Lower Inventories
 - ❖ Small 2020 Crop
 - ❖ Limited Bulk Inventory Available
 - ❖ Bulk Activity has seen a rebound as well as some prices
- ❖ Challenges will continue – given the unknowns
 - ❖ Bulk Wine and Grape Activity will be better than the last few years
 - ❖ Limits remain given the continued uncertainties



2020 CRUSH

CALIFORNIA

STATEWIDE GRAPE CRUSH



2020 WINEGRAPES CRUSHED

❖ Assumptions:

❖ Average Crop – 4.2M tons

❖ 2020 Crop:

❖ Less 12 – 17% for short yields (504 – 714K)

❖ Less Northern Interior rejections (15 – 25K)

❖ Less Central Coast rejections/unsold (50 – 100K)

❖ Less North Coast rejections/unsold (100 – 200K)

❖ **Estimated Crush 2020 Range (3.16 – 3.53 M tons) 3.35 M Tons**

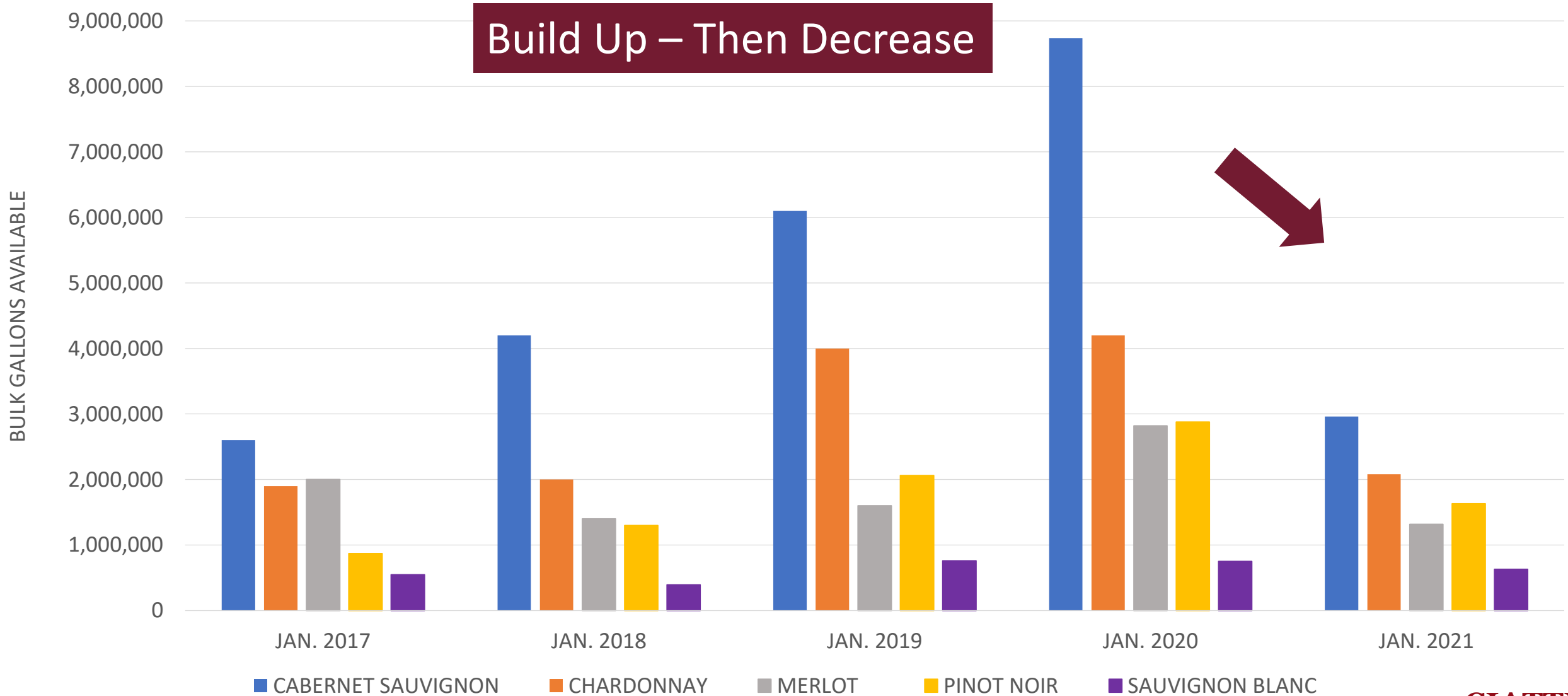


BULK MARKET

CALIFORNIA BULK MARKET

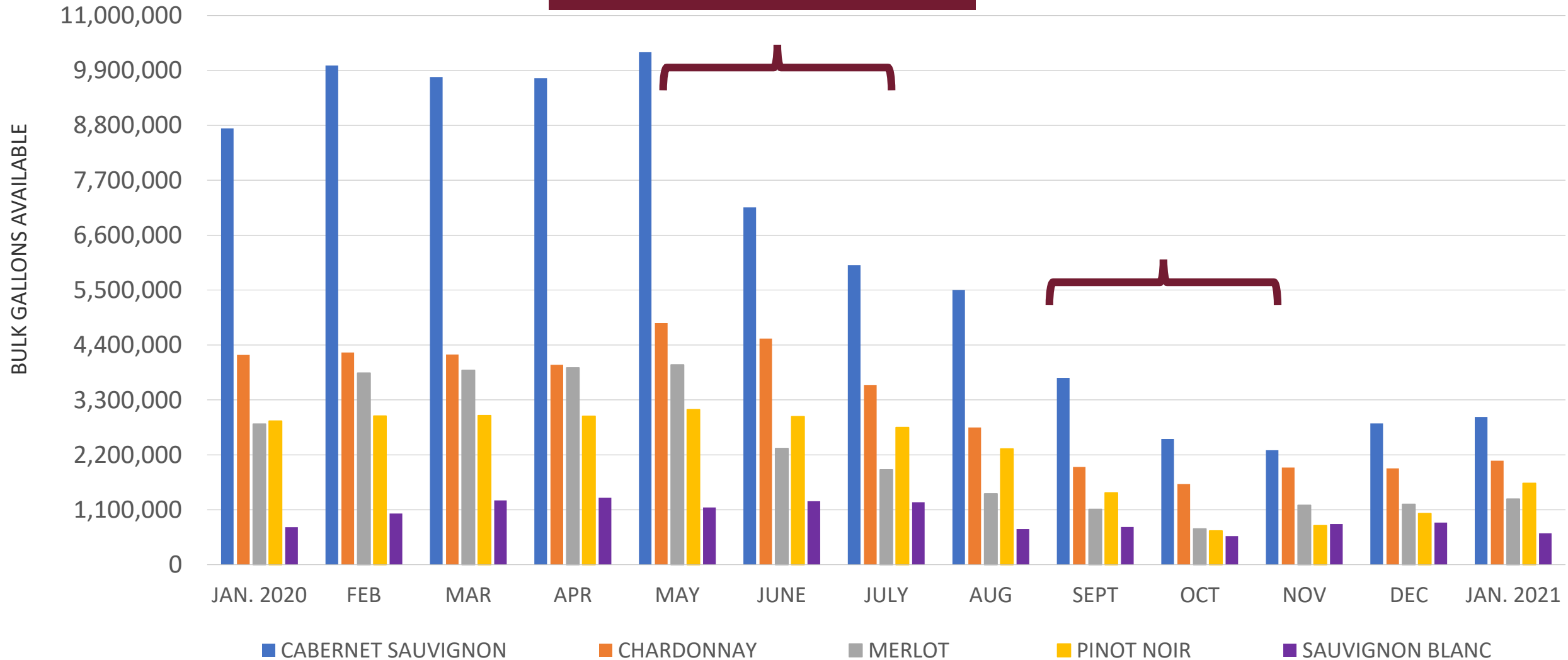
- ❖ Bulk market has seen dramatic activity since August
 - ❖ Big Brands with Large distribution have controlled the bulk buying activity
 - ❖ Buyer spike in demand for bulk wine primarily in response to perceived supply instability
 - ❖ Shifting from an oversupply to a more balanced position
- ❖ Bulk pricing trends
 - ❖ Coastal & CA bulk wines have seen a price separation, after a two year absence
 - ❖ Inventories are relatively light
 - ❖ Prices have increased with virtually all varieties in all regions
- ❖ Bifurcation of Buyers
 - ❖ VALUE END/MID PRICED WINES – sourced for well positioned off premise brands
 - ❖ Strong activity in the bulk and grape market feeding these brands
 - ❖ PREMIUM END WINES – Sourced for smaller brands rely on tasting room and on premise
 - ❖ Limited activity in the bulk and grape market feeding these brands
 - ❖ Wineries have revised forecasts

CALIFORNIA BULK WINE INVENTORY

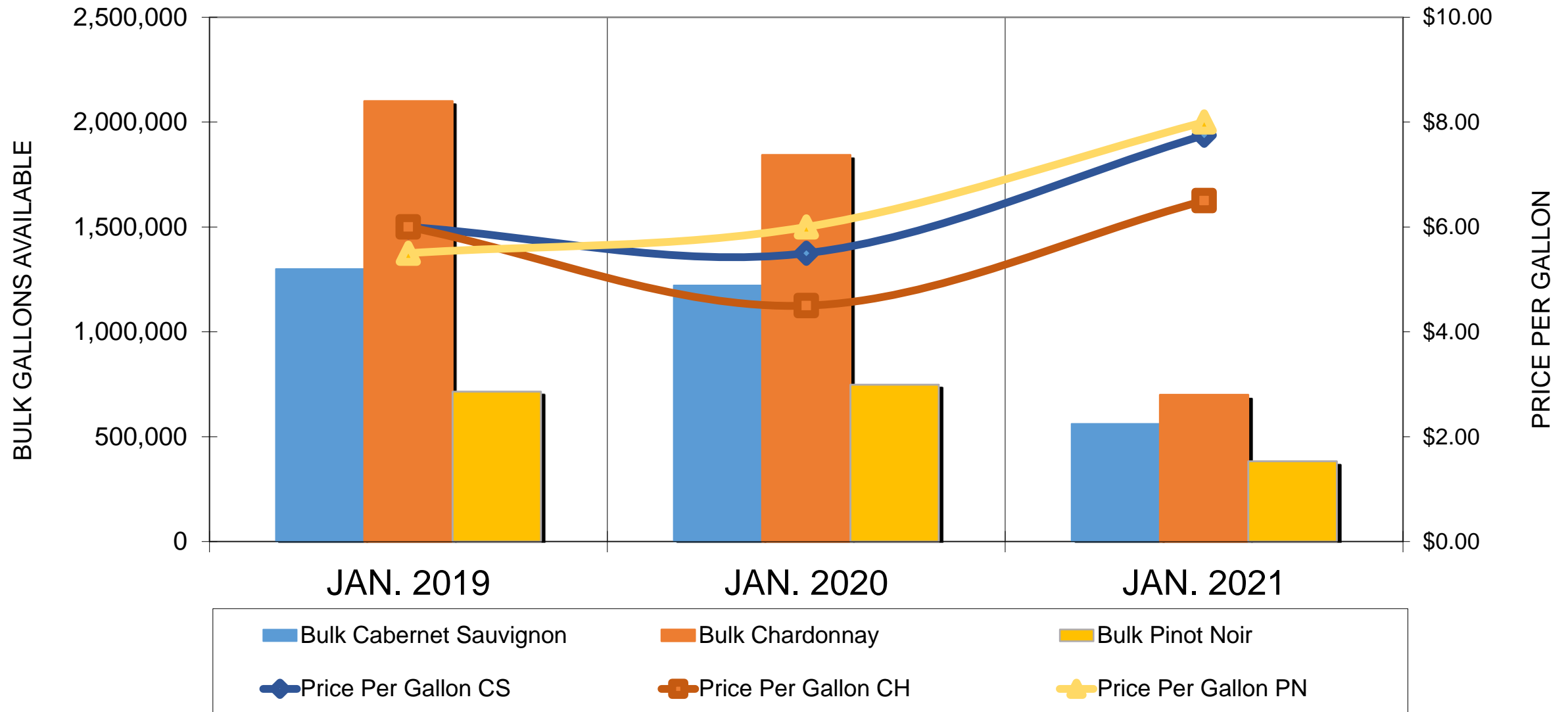


CALIFORNIA BULK WINE INVENTORY JAN 2020 - JAN 2021

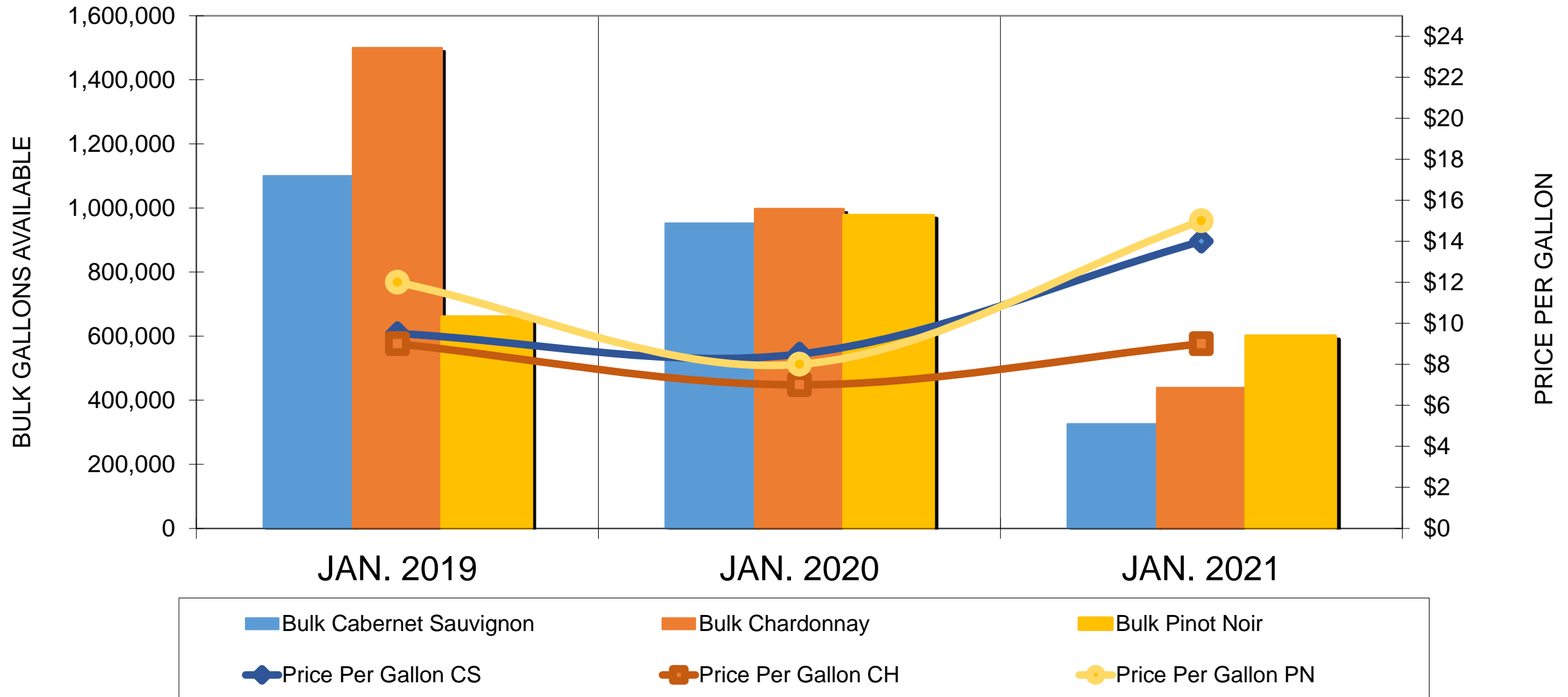
Two Inflection Points



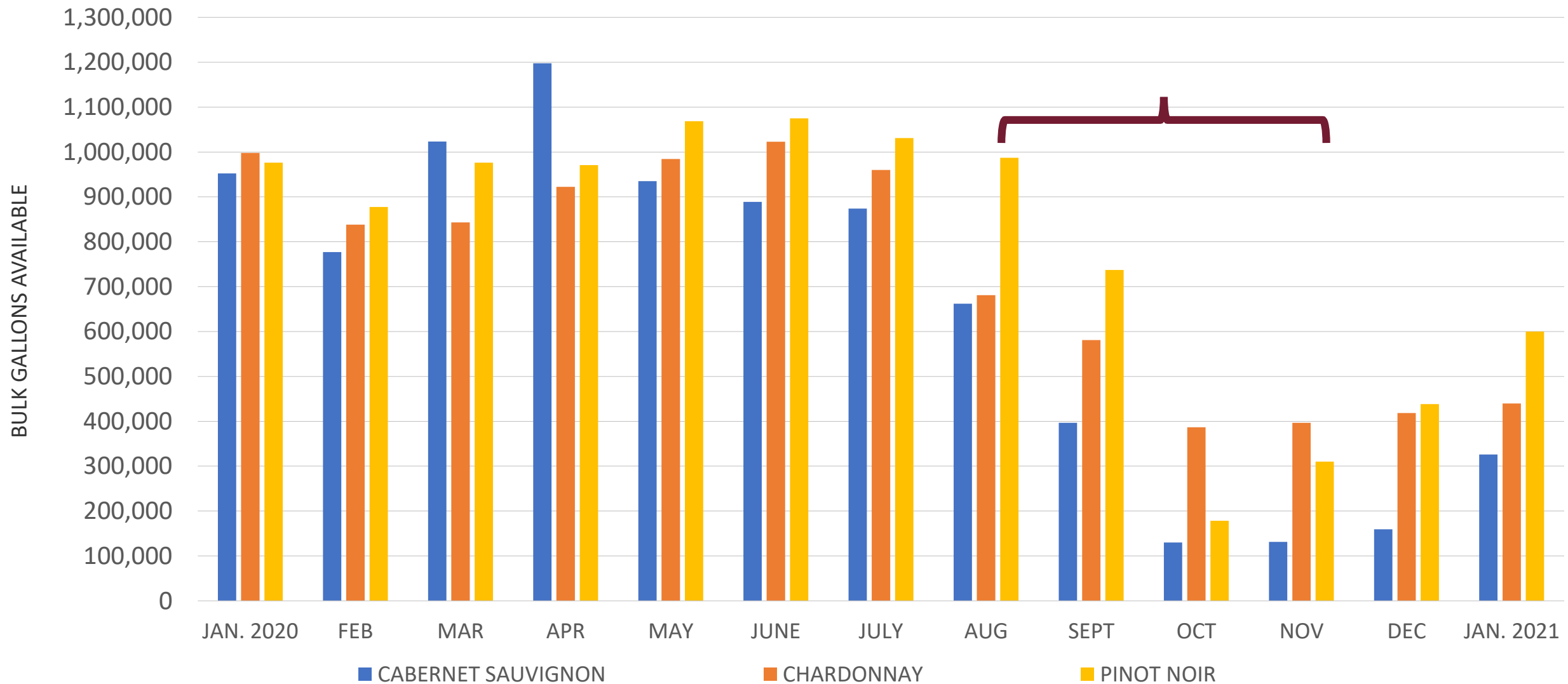
CENTRAL VALLEY Inventory and Pricing by year



CENTRAL COAST Inventory and pricing by year

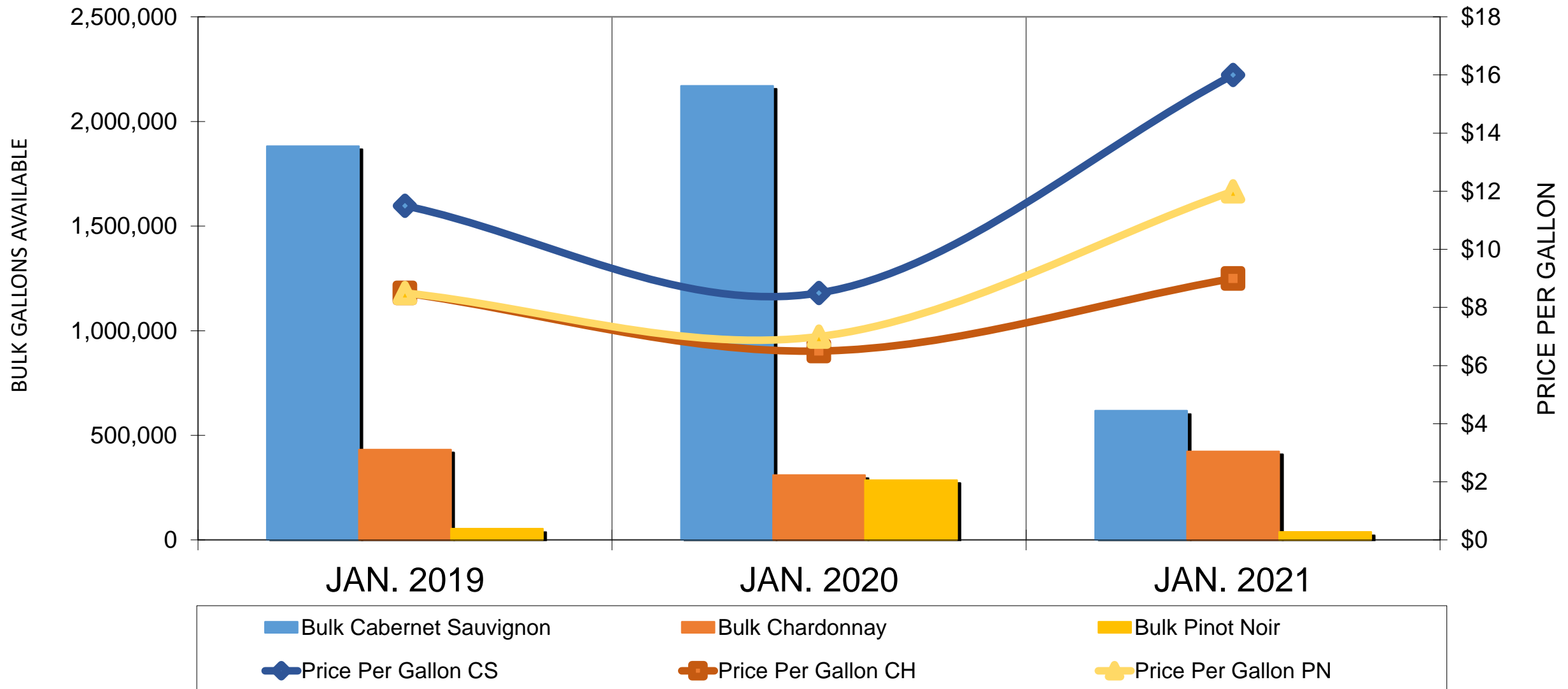


CENTRAL COAST JAN 2020 - JAN 2021

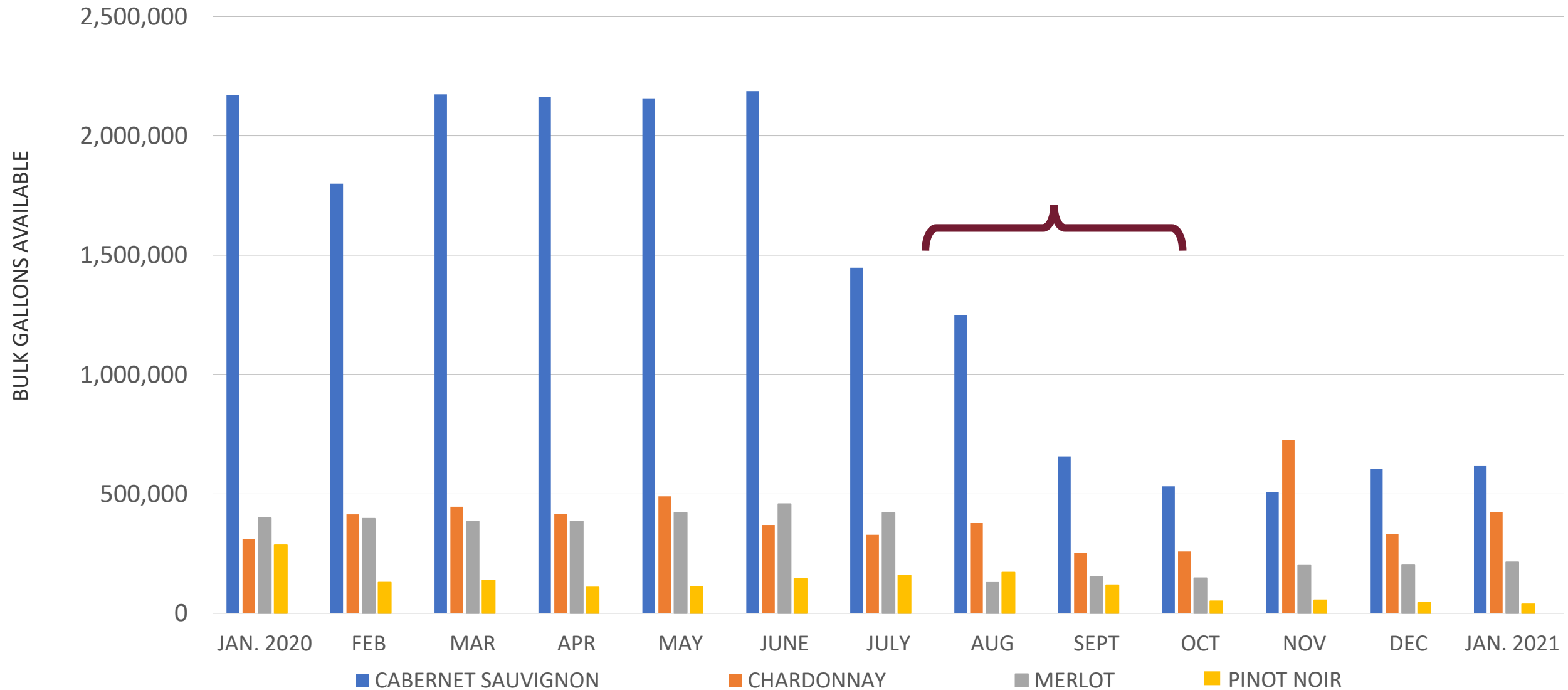


LAKE AND MENDOCINO

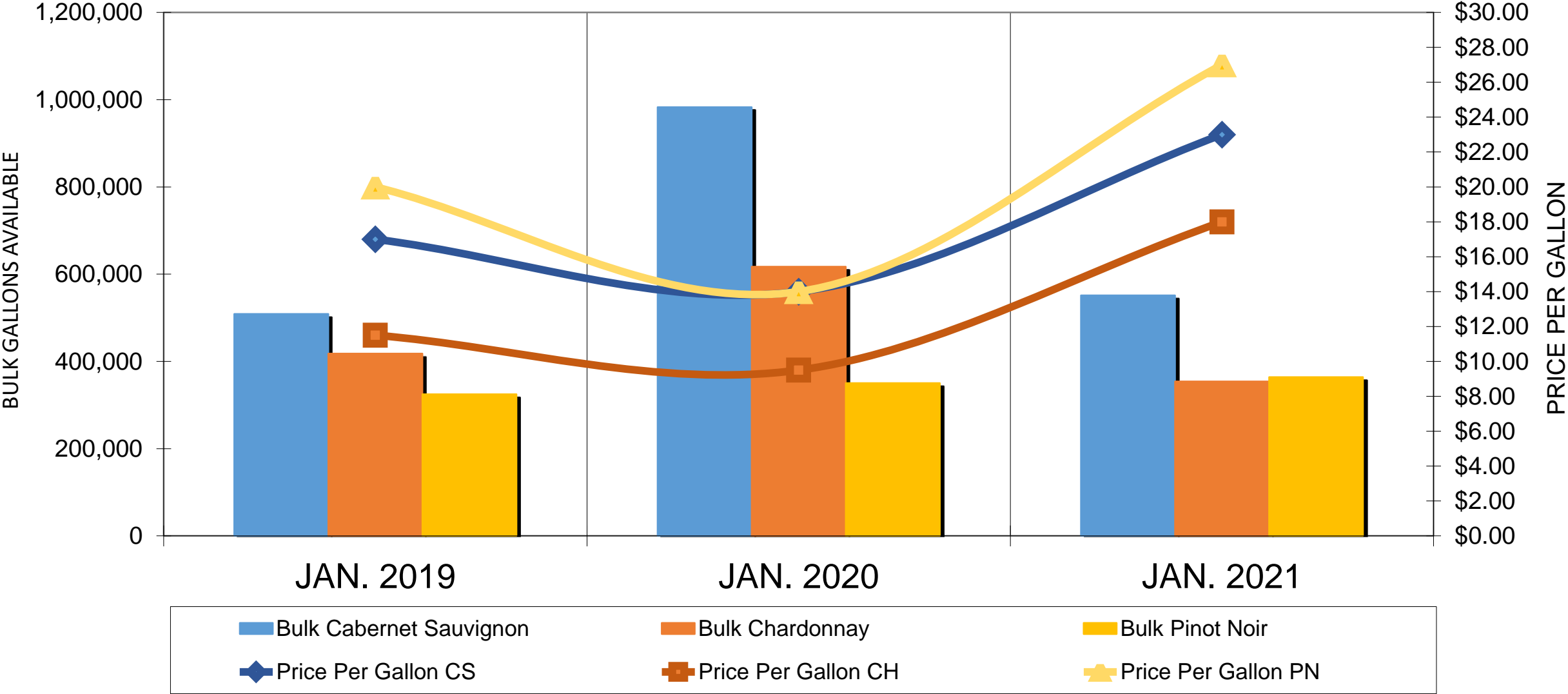
Inventory and pricing by year



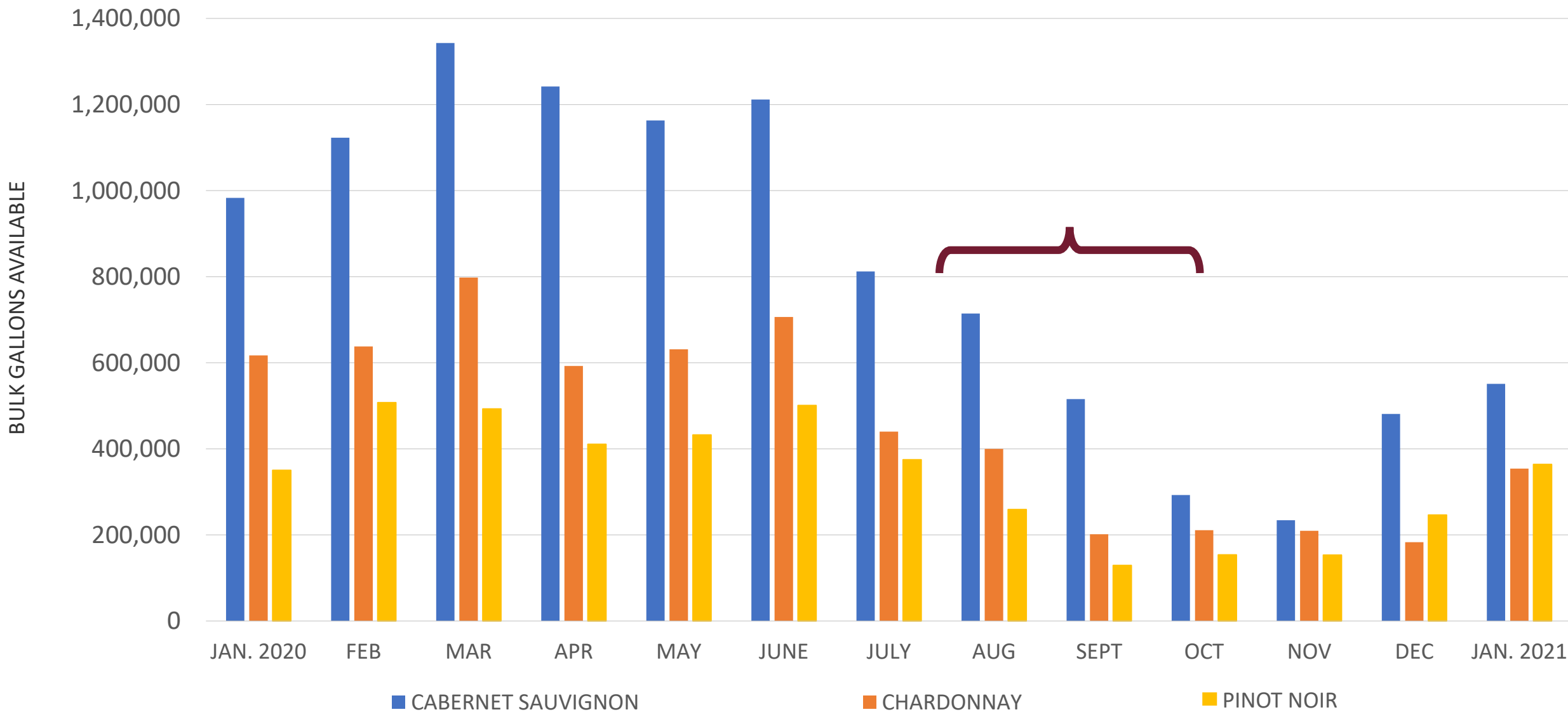
LAKE AND MENDOCINO COUNTIES JAN 2020 - JAN 2021



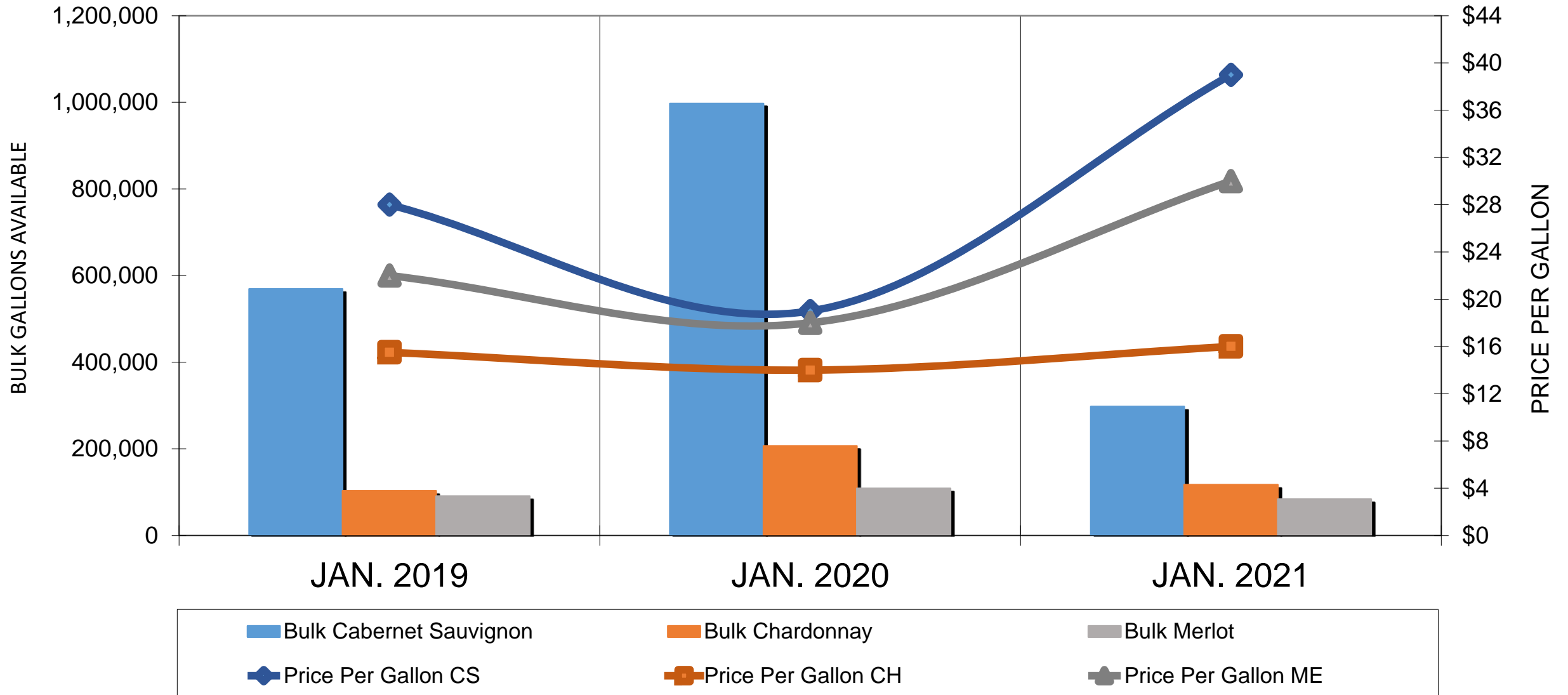
SONOMA COUNTY Inventory and pricing by year



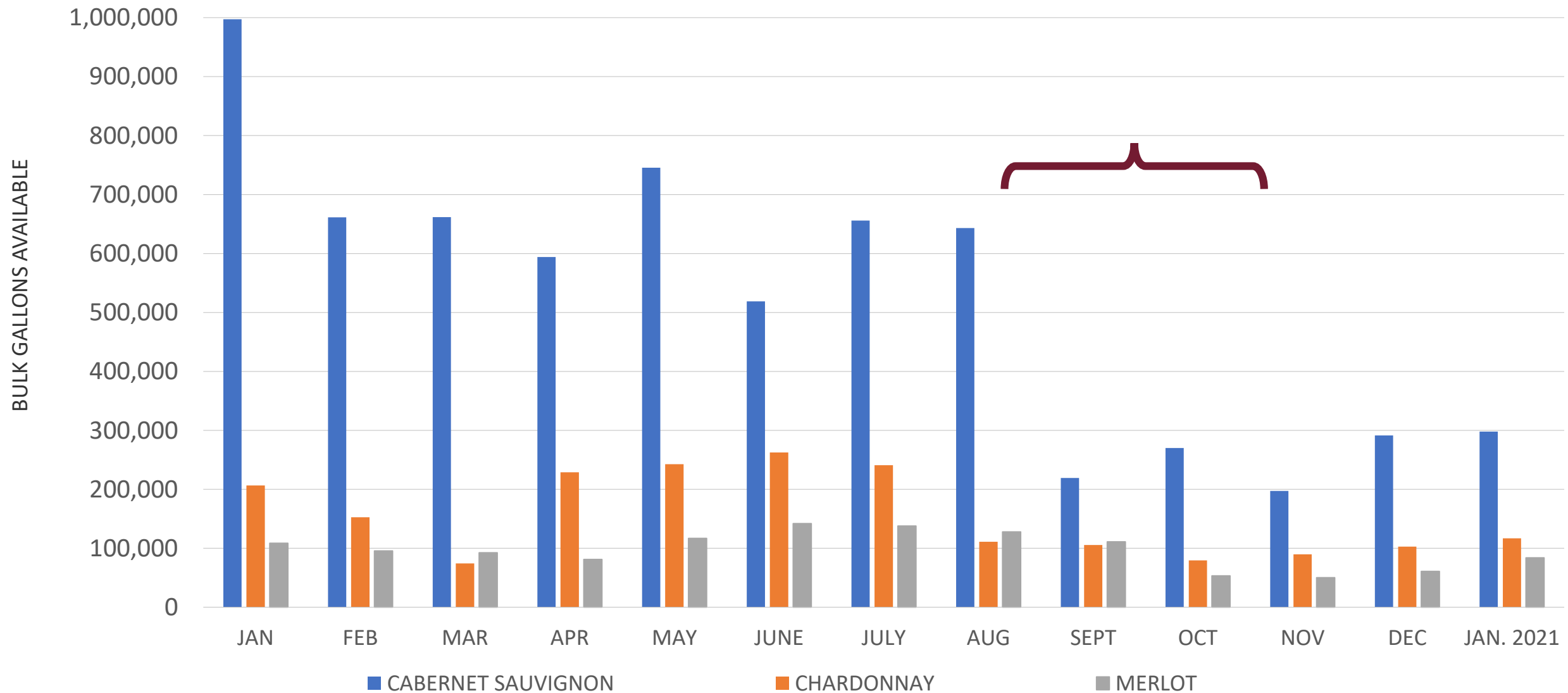
SONOMA COUNTY JAN 2020 - JAN 2021



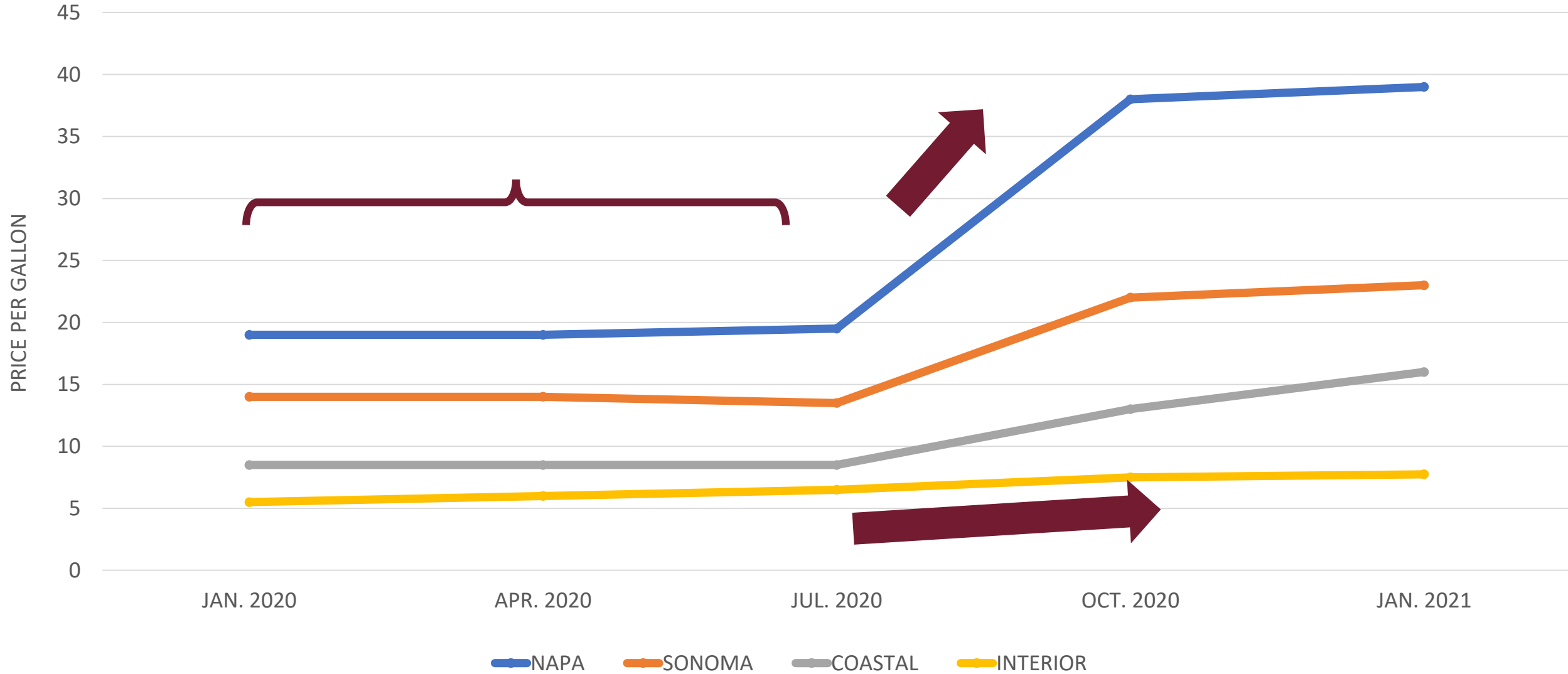
NAPA Inventory and pricing by year



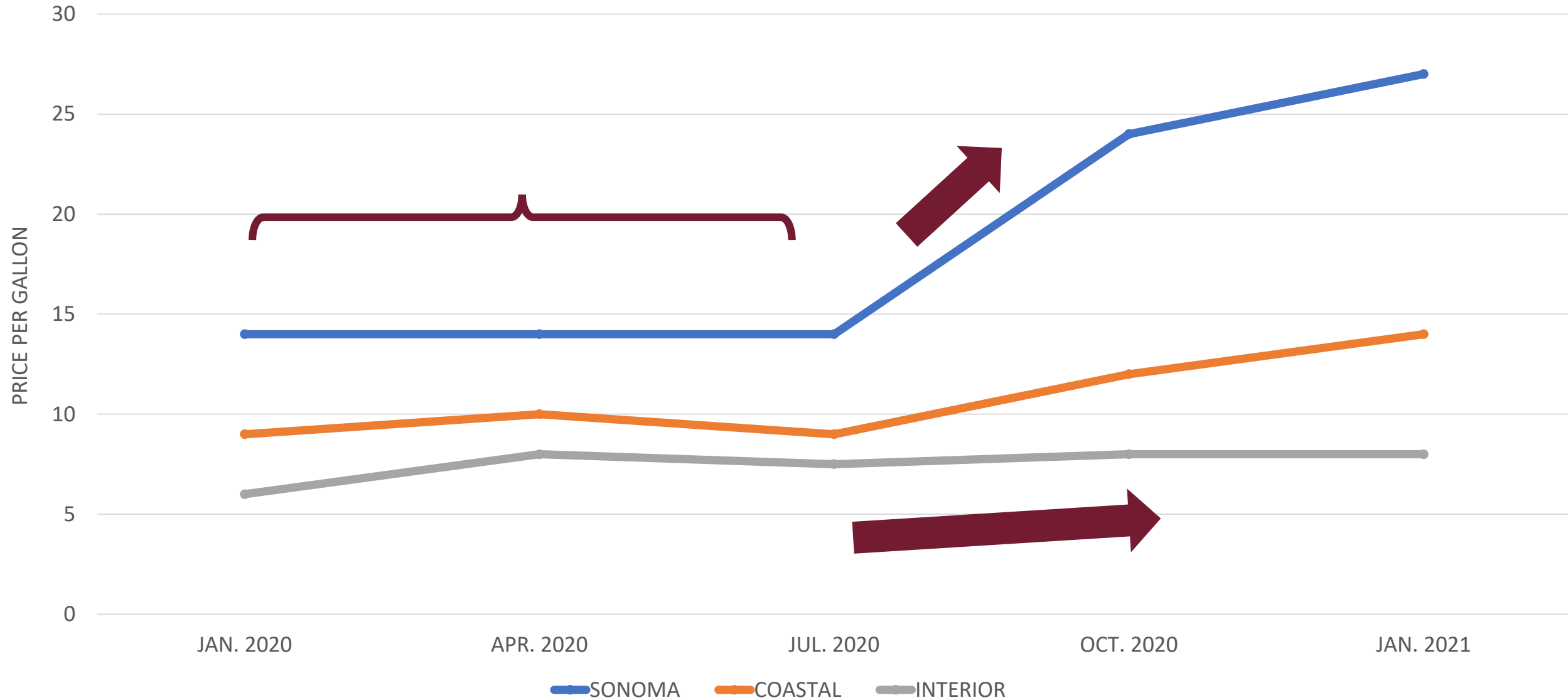
NAPA COUNTY JAN 2020 - JAN 2021



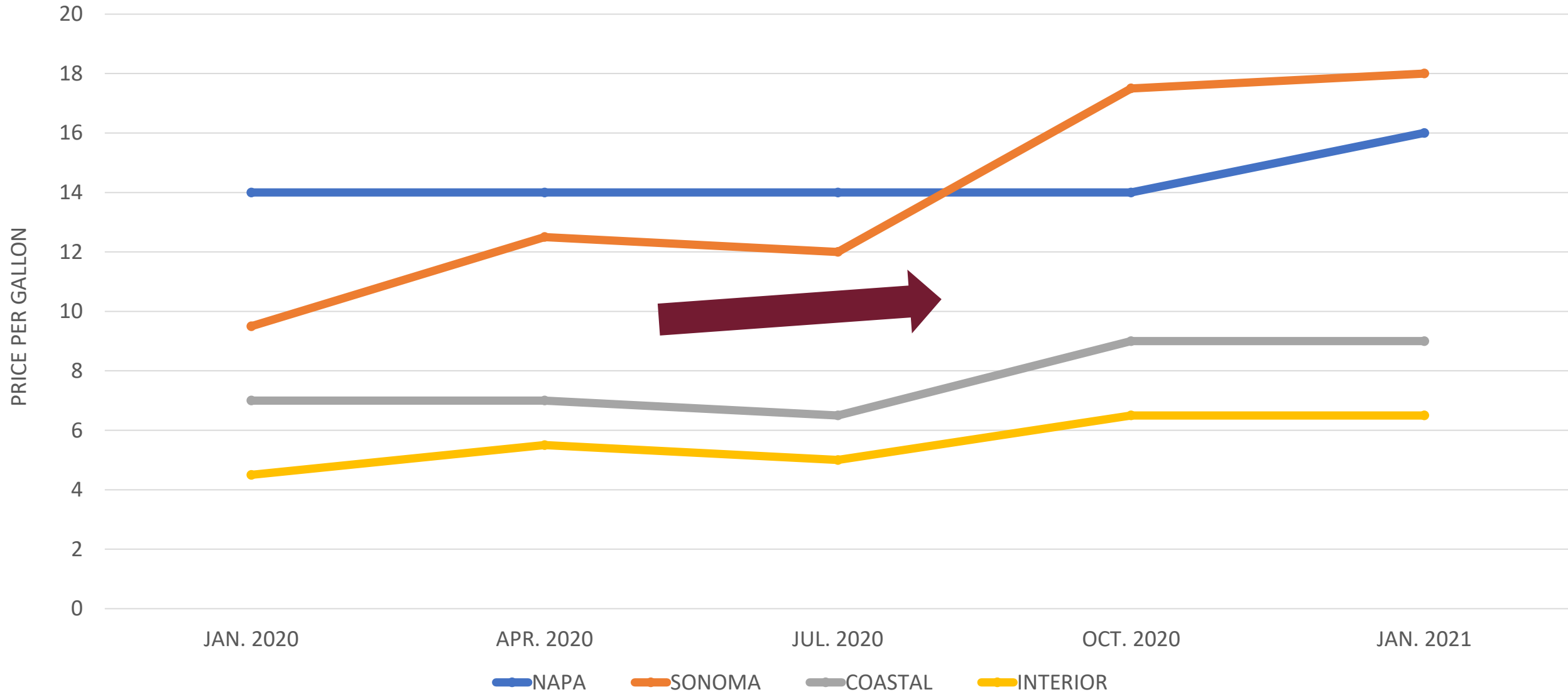
CABERNET SAUVIGNON BULK PRICING



PINOT NOIR BULK PRICING



CHARDONNAY BULK PRICING



A stylized illustration of a bunch of grapes. The grapes are represented by circles in shades of olive green and tan, with some circles having a thin white outline. The stems and leaves are depicted in a light gray color. The entire illustration is positioned behind a dark red rectangular box.

GRAPE MARKET

SMOKE EXPOSURE

- ❖ We cannot afford to repeat 2020 on how we dealt with smoke
- ❖ Need baseline numbers so we can better understand affected numbers
- ❖ Industry recognized standards and measurement techniques – so we are fair and equitable
- ❖ Access to data so informed decisions can be made
- ❖ Address needs and concerns: Wineries, Growers, Labs, Crop Insurance, ETC
- ❖ ETS laboratories recommendations (exclude Syrah)

Grapes

G (ug/kg)

Unlikely

< 0.5

Low to med risk

0.5 – 1.0

Med risk

1.0 – 2.0

High risk

> 2.0

Wines (MF)

G (ug/L)

Unlikely

1-2 ug/L

Low to med risk

3-4 ug/L

Med risk

5-6 ug/L

High risk

> 6 ug/L

} **Grey area**

2021 EXPECTED GRAPE MARKET

- ❖ Seeing much better activity than 2020
 - ❖ Short 2020 Crop, Low Bulk Inventories
- ❖ Strong Buying activity in the Central Valley
- ❖ Coastal Regions activity improving but still weaker than rest of California
 - ❖ More Grapes Uncommitted
- ❖ Some Wineries will be cautious given the Pandemic and unknowns regarding future sales.
- ❖ Pricing may be below where growers would like it – but an improvement from last year.
- ❖ Buyers will need supply to reload from 2020

CALIFORNIA SUPPLY DEMAND BALANCE

- ❖ Overall Market moving to balanced
 - ❖ It may continue to tighten during the year
 - ❖ Coastal regions could weaken as we get into 2020v
- ❖ Tenuous Balance Achieved by 2020 Supply Adjustment
 - ❖ Supply Adjustment vs Demand Growth
- ❖ Questions:
 - ❖ Pandemic Effects on Wine Sales
 - ❖ Usable Wine from 2020v
 - ❖ Crop Size – 2021 does it fill or overfill



THOUGHTS

- ❖ COVID market effects are benefiting some and challenging others
 - ❖ Traditional large Off-premise brands are doing well with sales, expanding brand offerings, new product lines, etc.
 - ❖ High Value On-Premise focused brands are having challenges
- ❖ The smaller 2020 crop and limited bulk inventory wine should move us to a more balanced market
- ❖ Removals of older vineyards needs to continue
- ❖ Buyers will need supply given 2020 harvest – but there will be pricing limits
- ❖ Optimistic About the Future

FINAL THOUGHT

TODAY'S CHALLENGES ARE TOMORROW'S
OPPORTUNITIES

Continue to Adapt to Win in these changing
times!

CIATTI REPORTS / PUBLICATIONS

- CALIFORNIA MARKET REPORT
- GLOBAL MARKET REPORT
- WWW.CIATTI.COM

THANK YOU

