



WINE INDUSTRY MARKET UPDATE



March 4, 2020



CIATTI

GLOBAL WINE & GRAPE BROKERS

24 DEDICATED BROKERS IN 9 COUNTRIES



GLOBALLY BASED TO HELP BUILD YOUR BUSINESS WORLDWIDE

CALIFORNIA MARKET OVERVIEW

- ❖ SLUGGISH SALES GROWTH
- ❖ BULK MARKET AND SPOT GRAPE CONTRACT ACTIVITY
RELATIVELY SLOW
- ❖ BULK INVENTORIES REMAIN HIGH
- ❖ SPOT AVAILABLE GRAPES INCREASING WITH WINERY
NOTICES
- ❖ **NEW MARKET REALITY**

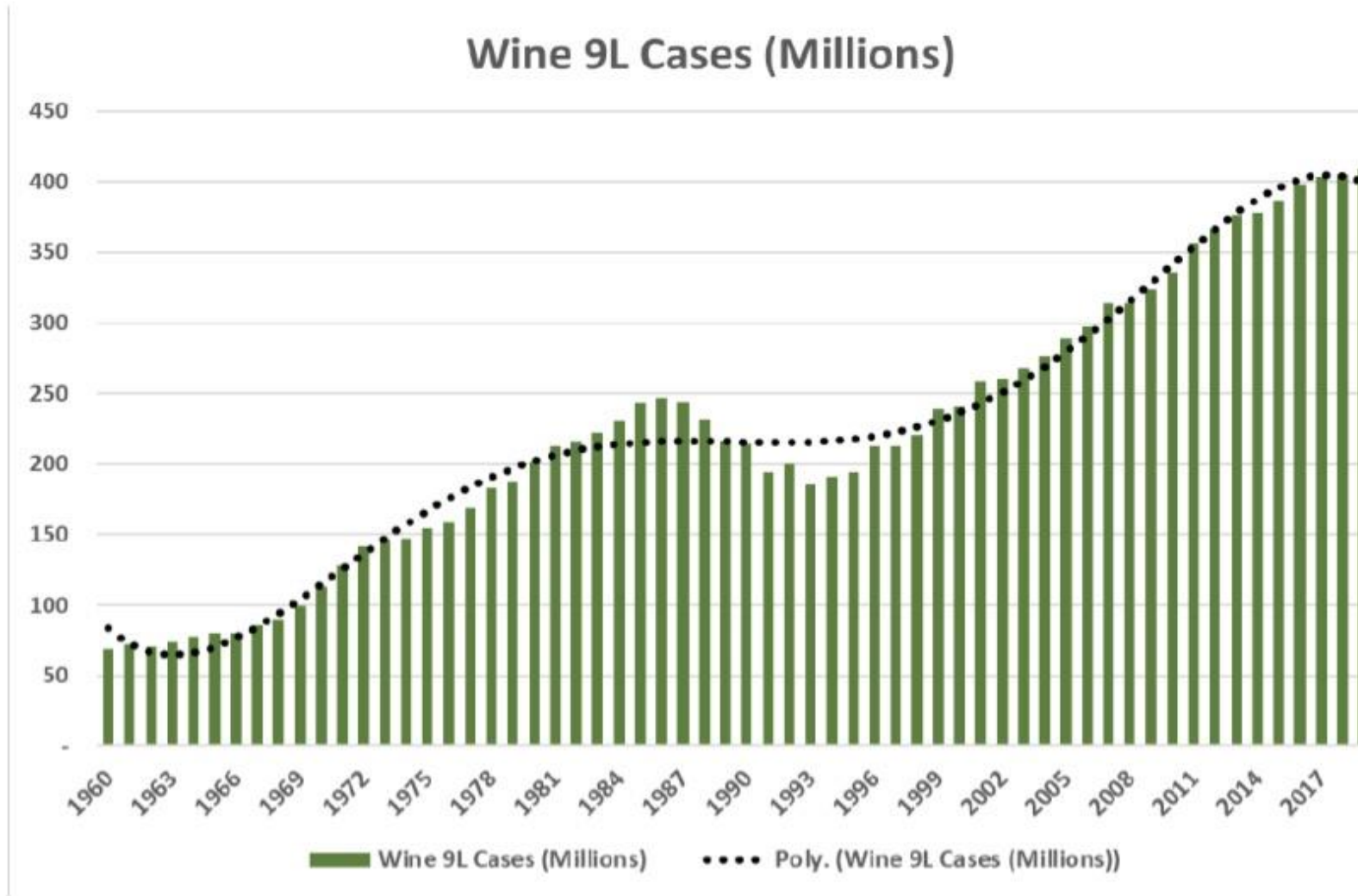
A stylized illustration of a bunch of grapes and leaves. The grapes are represented by several overlapping circles in shades of olive green and tan. The leaves are depicted as simple, curved shapes in a light gray color. The entire illustration is positioned behind a central dark red rectangle.

WINE SALES

USA SHIPMENTS – 2019

| 2019 US Wine Market - Cases Millions | | | |
|--------------------------------------|-------|-------|--------|
| | 2018 | 2019 | Change |
| Total Market | 404.6 | 409.1 | 4.5 |
| Components of Change | | | |
| Domestic Still Wines | | | 1.4 |
| Domestic Sparkling Wines | | | 0.2 |
| Domestic Sangria / Coolers/ Other | | | (1.2) |
| Bulk Imports Bottled in US | | | (1.5) |
| Imported Still Wines | | | 0.7 |
| Imported Sparkling Wines | | | 1.7 |
| Imported Sangria / Coolers / Other | | | 3.1 |
| Total Change* | | | 4.4 |
| <i>* Variance due to Rounding</i> | | | |

NON-GROWING US WINE CONSUMPTION



- Most people do not remember but wine was in decline from the mid 1980's to 1993.
- Wine experienced strong growth for 25 years but that growth has slowed.



2019 CRUSH

CALIFORNIA

STATEWIDE GRAPE CRUSH




MENDOCINO 2019



| | Tons - Table 2 | | | | | | yr to yr | Pricing Table 10 | | | | | Pricing Table : 10 yr to yr |
|-------------------------------|----------------|-----------|-----------|-----------|-----------|-----------|-------------|------------------|-------------|-------------|-------------|-------------|-----------------------------|
| | 2014 Tons | 2015 Tons | 2016 Tons | 2017 Tons | 2018 Tons | 2019 Tons | 18-19% diff | 2015 Prices | 2016 Prices | 2017 Prices | 2018 Prices | 2019 Prices | 18-19% |
| Mendocino - District 1 | | | | | | | | | | | | | |
| Chardonnay | 21,134 | 18,392 | 30,151 | 23,292 | 26,780 | 22,327 | -16.6% | \$1,267 | \$1,262 | \$1,335 | \$1,297 | \$1,361 | 4.9% |
| Sauvignon Blanc | 3,435 | 3,002 | 4,093 | 3,540 | 4,008 | 3,779 | -5.7% | \$1,280 | \$1,290 | \$1,349 | \$1,367 | \$1,395 | 2.1% |
| Cabernet Sauvignon | 8,958 | 8,575 | 10,865 | 12,132 | 14,719 | 12,941 | -12.1% | \$1,935 | \$2,100 | \$2,213 | \$2,263 | \$2,103 | -7.1% |
| Merlot | 5,508 | 6,406 | 5,968 | 5,298 | 6,304 | 3,924 | -37.8% | \$1,190 | \$1,232 | \$1,349 | \$1,368 | \$1,340 | -2.0% |
| Pinot Noir | 7,566 | 6,514 | 9,781 | 9,726 | 10,942 | 10,000 | -8.6% | \$2,901 | \$2,819 | \$3,164 | \$2,908 | \$3,037 | 4.4% |
| Zinfandel | 5,242 | 5,567 | 6,175 | 6,333 | 7,077 | 4,548 | -35.7% | \$1,536 | \$1,610 | \$1,682 | \$1,689 | \$1,695 | 0.4% |
| District Totals | | | | | | | | | | | | | |
| 1 District 1 - Mendo | 61,960 | 57,488 | 77,984 | 70,801 | 81,917 | 67,210 | -18.0% | \$1,499 | \$1,528 | \$1,677 | \$1,667 | \$1,692 | 1.5% |

SONOMA 2019



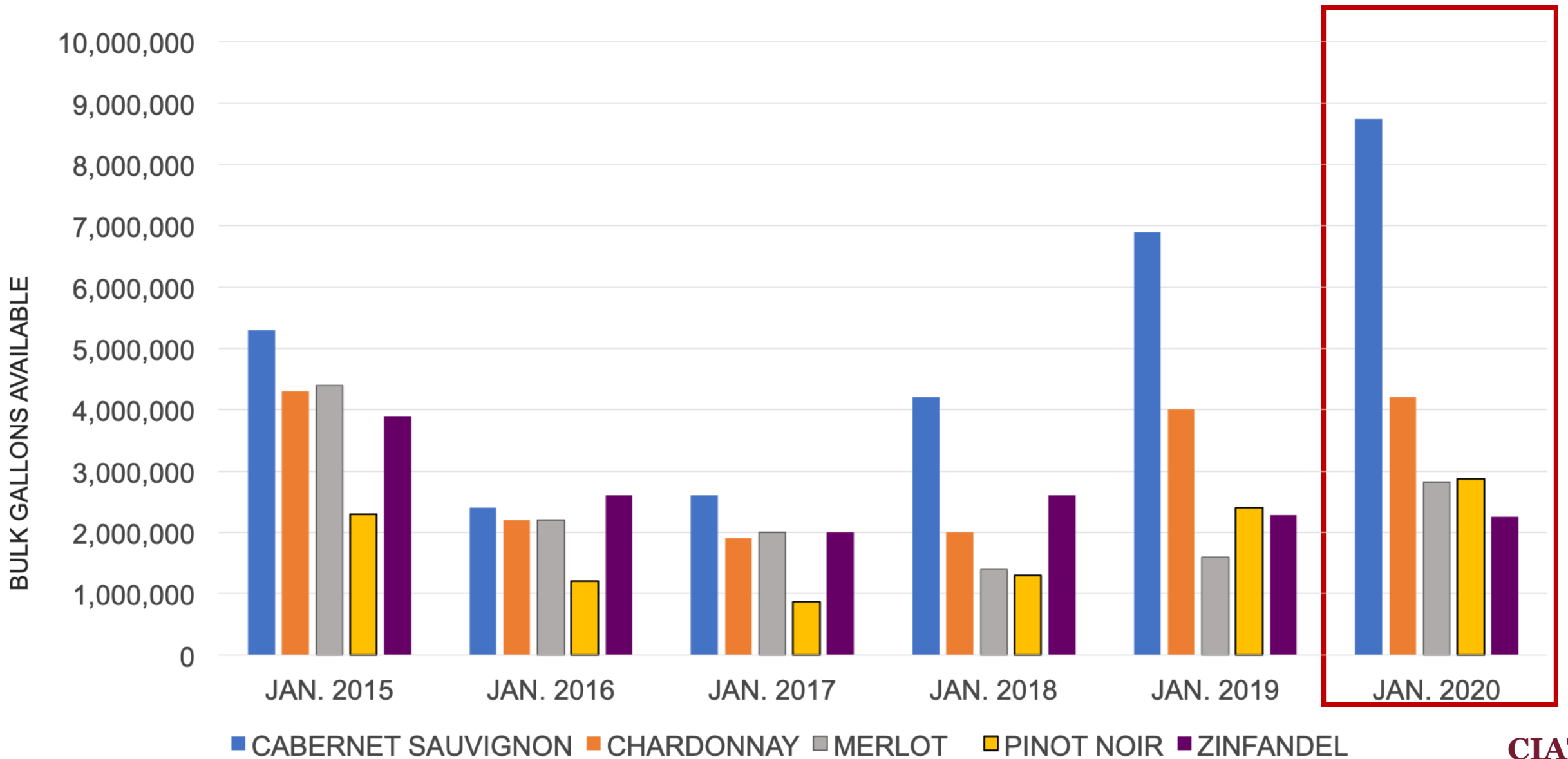


| | Tons - Table 2 | | | | | | yr to yr | Pricing Table 10 | | | | | | Pricing Table : 10 yr to yr |
|-----------------------|----------------|-----------|-----------|-----------|-----------|-----------|-------------|------------------|-------------|-------------|-------------|-------------|--------|-----------------------------------|
| | 2014 Tons | 2015 Tons | 2016 Tons | 2017 Tons | 2018 Tons | 2019 Tons | 18-19% diff | 2015 Prices | 2016 Prices | 2017 Prices | 2018 Prices | 2019 Prices | 18-19% | |
| Sonoma - District 3 | | | | | | | | | | | | | | |
| Chardonnay | 87,381 | 64,209 | 74,957 | 61,052 | 88,311 | 71,083 | -19.5% | \$2,070 | \$2,147 | \$2,309 | \$2,356 | \$2,379 | 1.0% | |
| Sauvignon Blanc | 17,541 | 12,125 | 16,114 | 15,815 | 18,918 | 17,574 | -7.1% | \$1,605 | \$1,679 | \$1,729 | \$1,787 | \$1,799 | 0.7% | |
| Cabernet Sauvignon | 45,772 | 32,947 | 41,573 | 43,490 | 56,948 | 45,284 | -20.5% | \$2,647 | \$2,967 | \$3,027 | \$3,050 | \$2,973 | -2.5% | |
| Merlot | 16,990 | 12,031 | 13,761 | 11,633 | 15,492 | 12,119 | -21.8% | \$1,700 | \$1,808 | \$1,907 | \$1,953 | \$1,981 | 1.4% | |
| Pinot Noir | 47,677 | 30,667 | 42,582 | 43,670 | 57,986 | 46,119 | -20.5% | \$3,519 | \$3,669 | \$3,888 | \$3,796 | \$3,895 | 2.6% | |
| Zinfandel | 15,597 | 13,071 | 15,289 | 12,891 | 15,598 | 12,765 | -18.2% | \$2,710 | \$2,828 | \$2,979 | \$3,117 | \$3,094 | -0.7% | |
| District Totals | | | | | | | | | | | | | | |
| 3 District 3 - Sonoma | 255,635 | 182,069 | 226,512 | 207,025 | 275,810 | 223,264 | -19.1% | \$2,414 | \$2,567 | \$2,770 | \$2,792 | \$2,784 | -0.3% | |

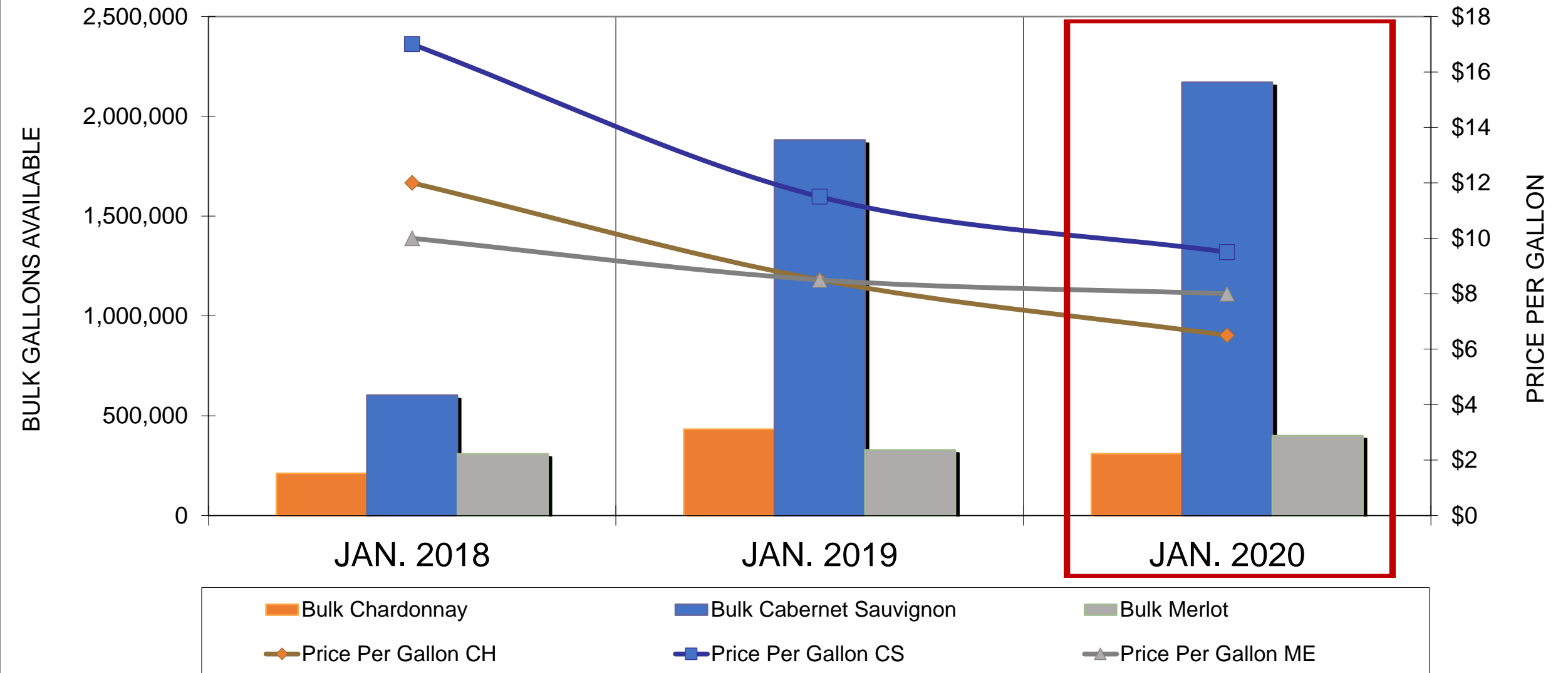


CALIFORNIA BULK MARKET

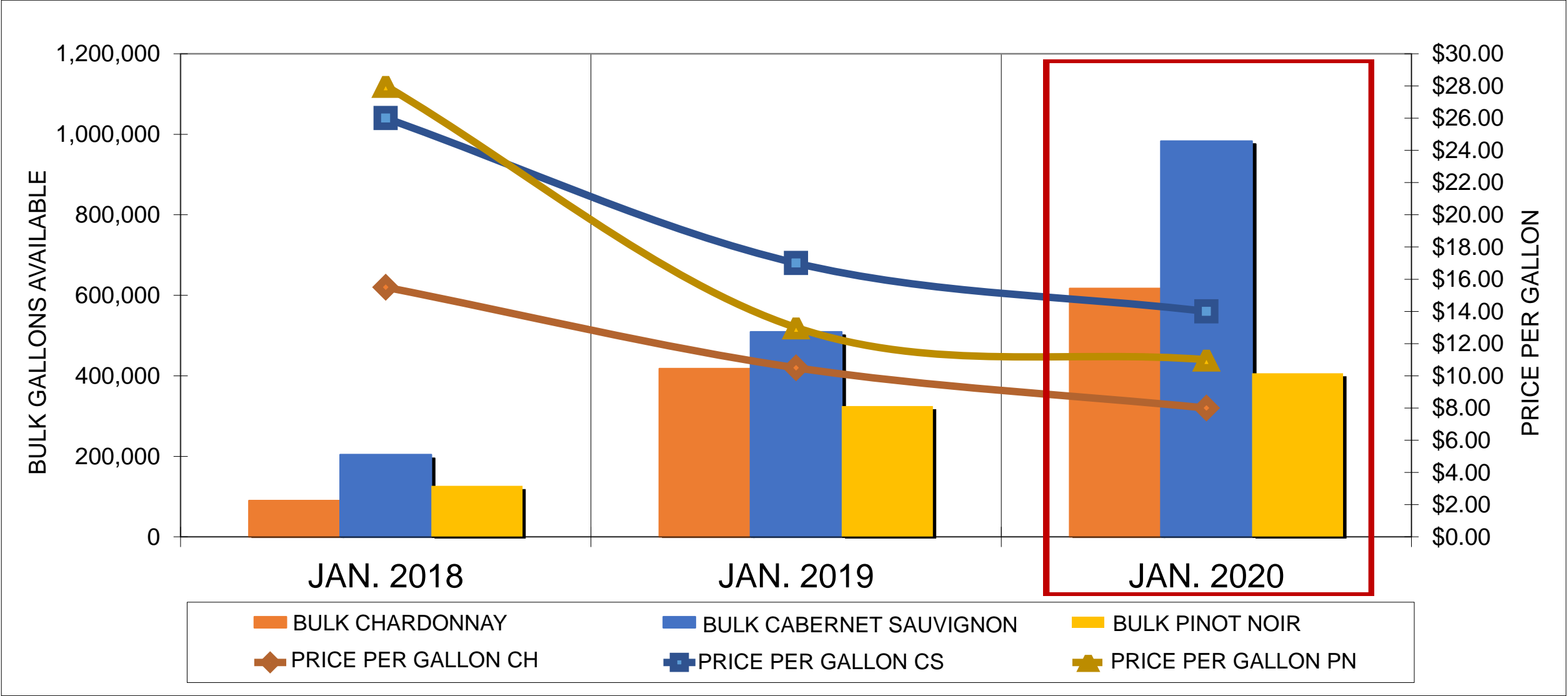
CALIFORNIA BULK WINE INVENTORY



LAKE/MENDOCINO



SONOMA

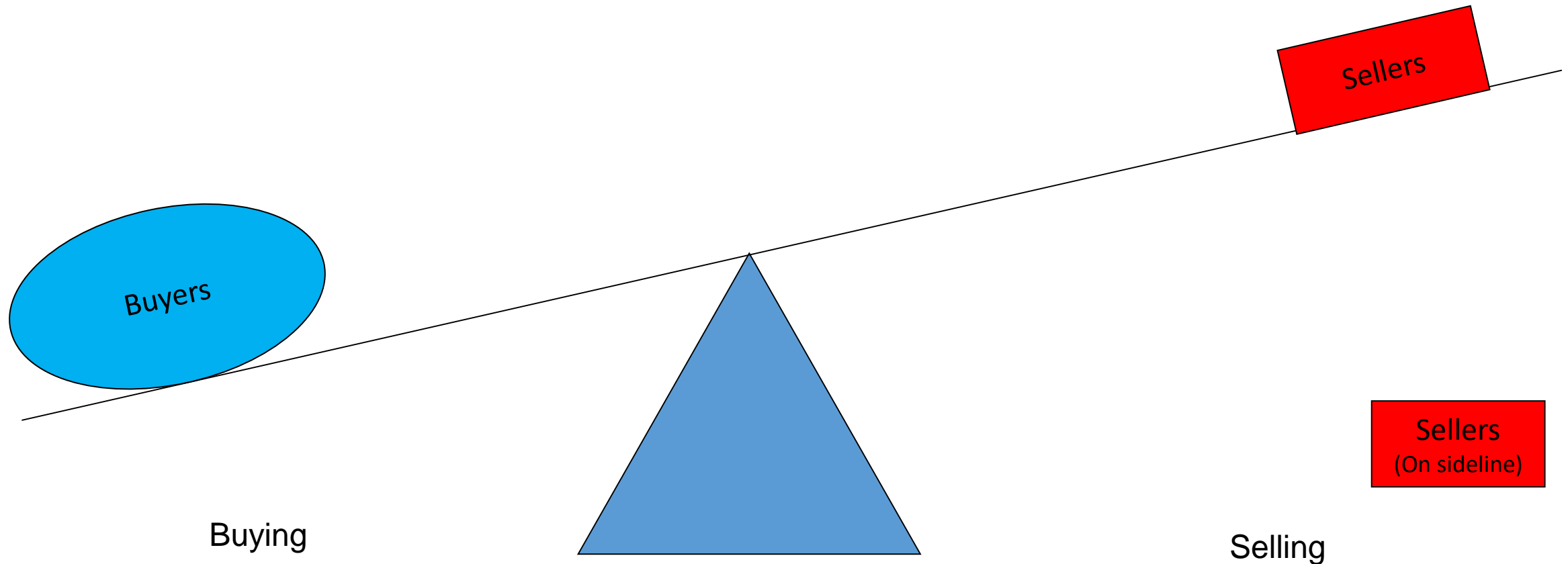




SUPPLY DEMAND DYNAMICS

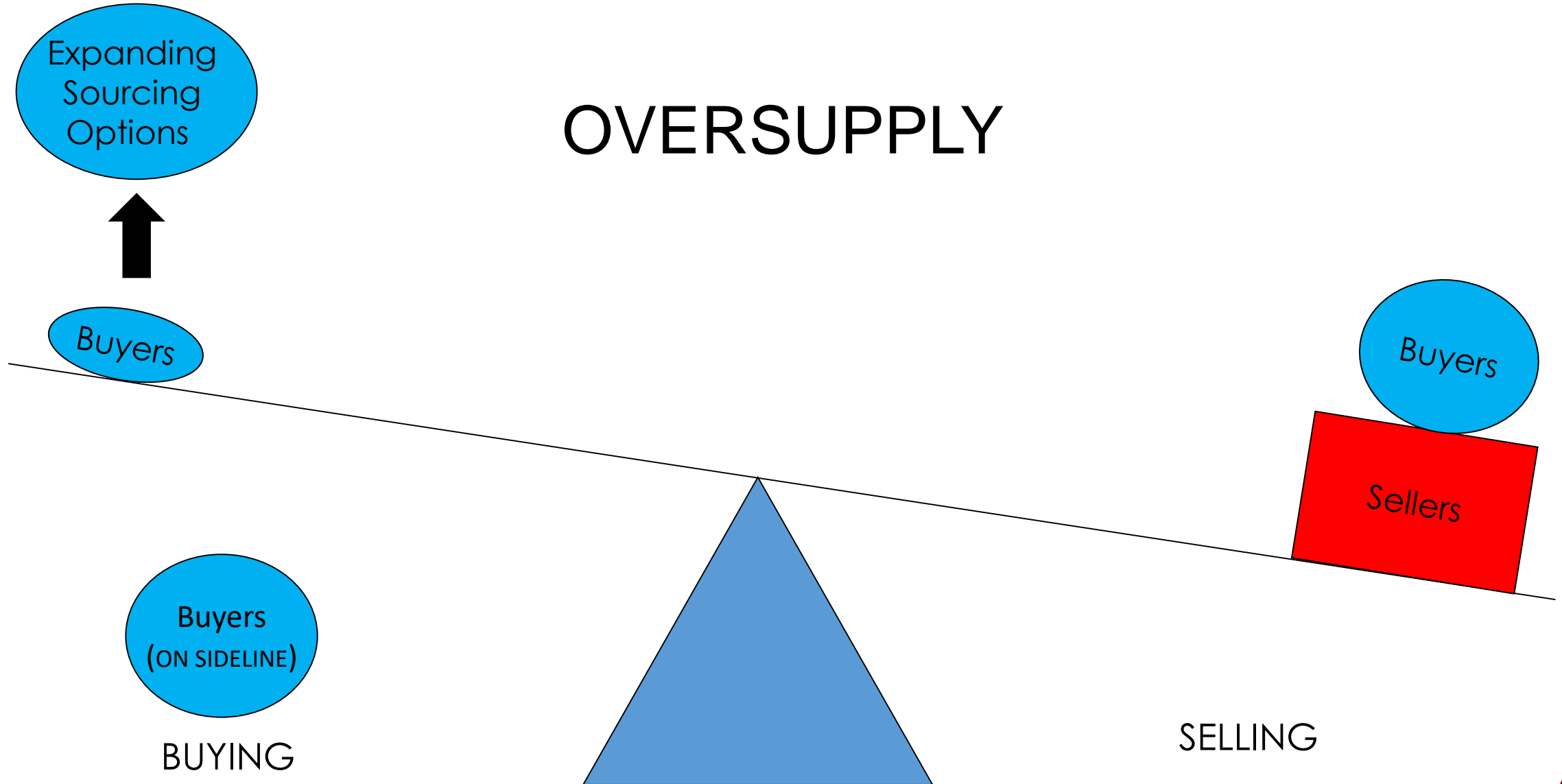
SUPPLY/DEMAND DYNAMICS 2016 – EARLY 2017

Tight Supply Market



SUPPLY/DEMAND DYNAMICS TODAY

OVERSUPPLY



FOR SALE **20+ TONS**
CAB. GRAPES

2009

CABERNET GRAPES

FOR SALE

#707-

2019

ACTIONS TO TAKE

- ❖ ADJUST YOUR EXPECTATIONS - BE OPEN TO THE REALITIES OF THE NEW MARKET PLACE
 - ❖ SOMETIMES THE FIRST OFFER IS THE BEST OFFER
- ❖ STRENGTHEN RELATIONSHIPS WITH CURRENT BUYERS – RECOGNIZE THEIR NEEDS
- ❖ BUYERS PREPARING TO BUY?
- ❖ INVENTORY ADJUSTMENTS TAKING PLACE
 - ❖ REMOVING INEFFICIENT VINEYARDS
 - ❖ LESS BULK WINE PRODUCED
- ❖ OPPORTUNITIES FOR NEW BRANDS
 - ❖ “NECESSITY IS THE MOTHER OF INVENTION”

CIATTI REPORTS / PUBLICATIONS

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

THANK YOU!

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