

2020 Moss Adams Wine Industry Financial Roundtable

CIATTI MARKET UPDATE

November 5, 2020





CIATTI

GLOBAL WINE & GRAPE BROKERS

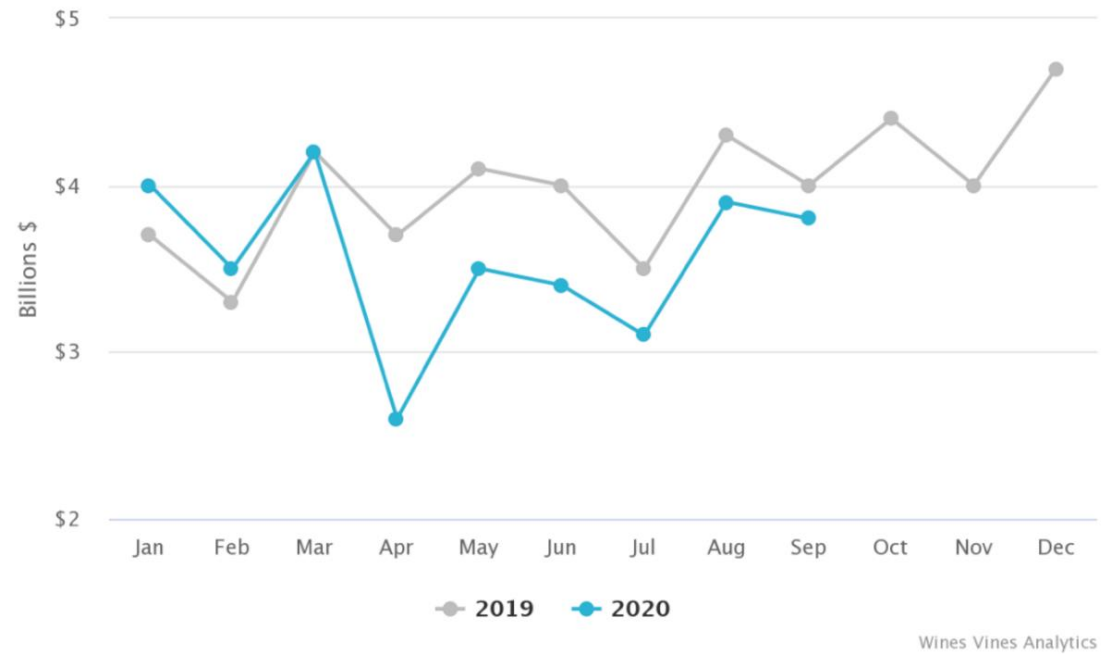
24 DEDICATED BROKERS IN 9 COUNTRIES



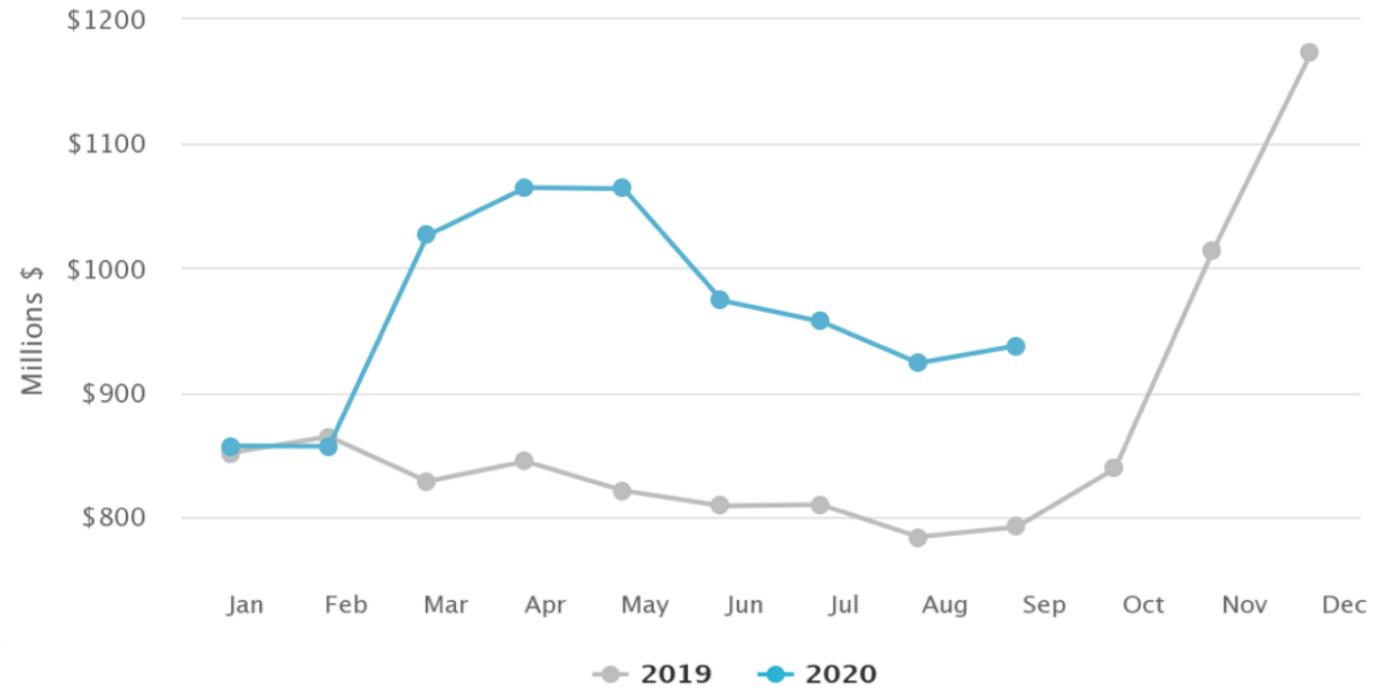
GLOBALLY BASED TO HELP BUILD YOUR BUSINESS WORLDWIDE

US WINE SALES

U.S. Wine Sales

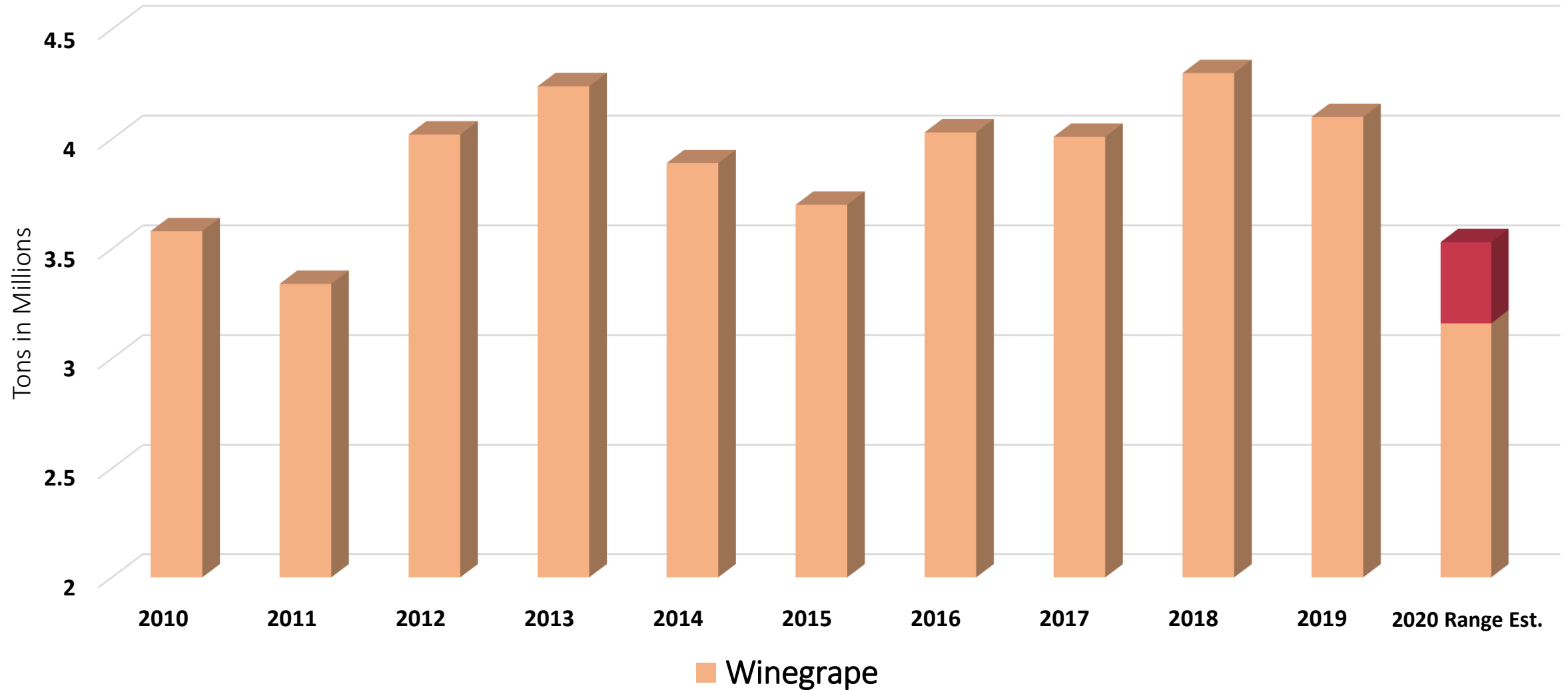


Off-Premise only



CALIFORNIA

STATEWIDE GRAPE CRUSH



2020 WINEGRAPES CRUSHED

❖ Assumptions:

❖ 2019 Crop 4M tons – 200,000 unpicked

❖ 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**

CALIFORNIA GRAPE MARKET

- ❖ Crop size below normal in almost all areas, relatively early year with the potential for outstanding quality
- ❖ Smoke Exposure has left a question mark on the potential
- ❖ Grape purchase activity was mixed
 - ❖ INTERIOR/CENTRAL VALLEY: activity was brisk with little to no concern about smoke damage
 - ❖ COASTAL REGIONS: Smoke unknowns made it difficult to sell coastal fruit
 - ❖ Crop insurance was also part of the conversation
- ❖ Besides smoke - Uncertainty around future needs has been the biggest question
 - ❖ Wineries are trying to understand “new normal”
 - ❖ Not all are being affected equally

BLIND WINE TASTING

Pre-fires vintage



Post-fires vintage



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

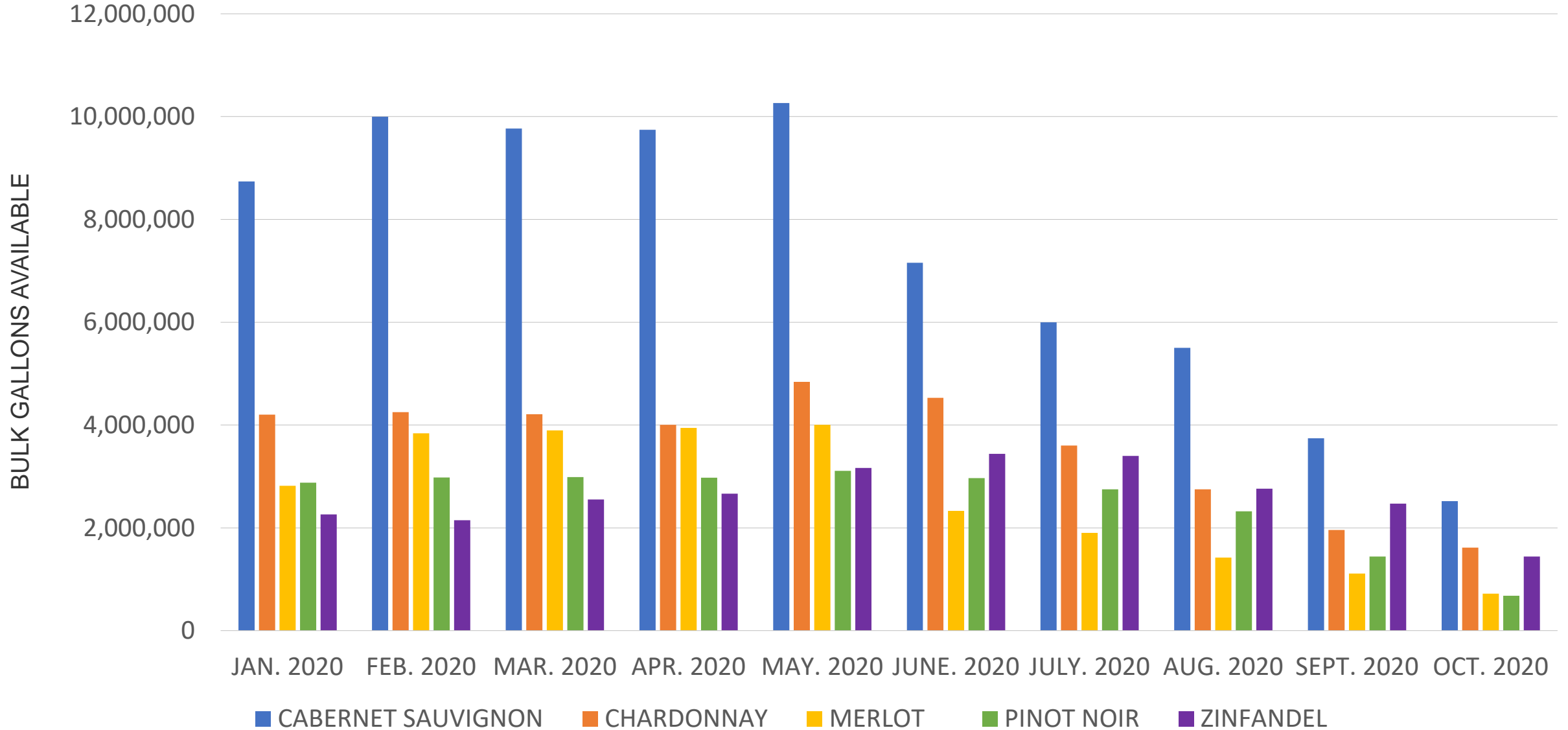
> 6 ug/L

} Grey area

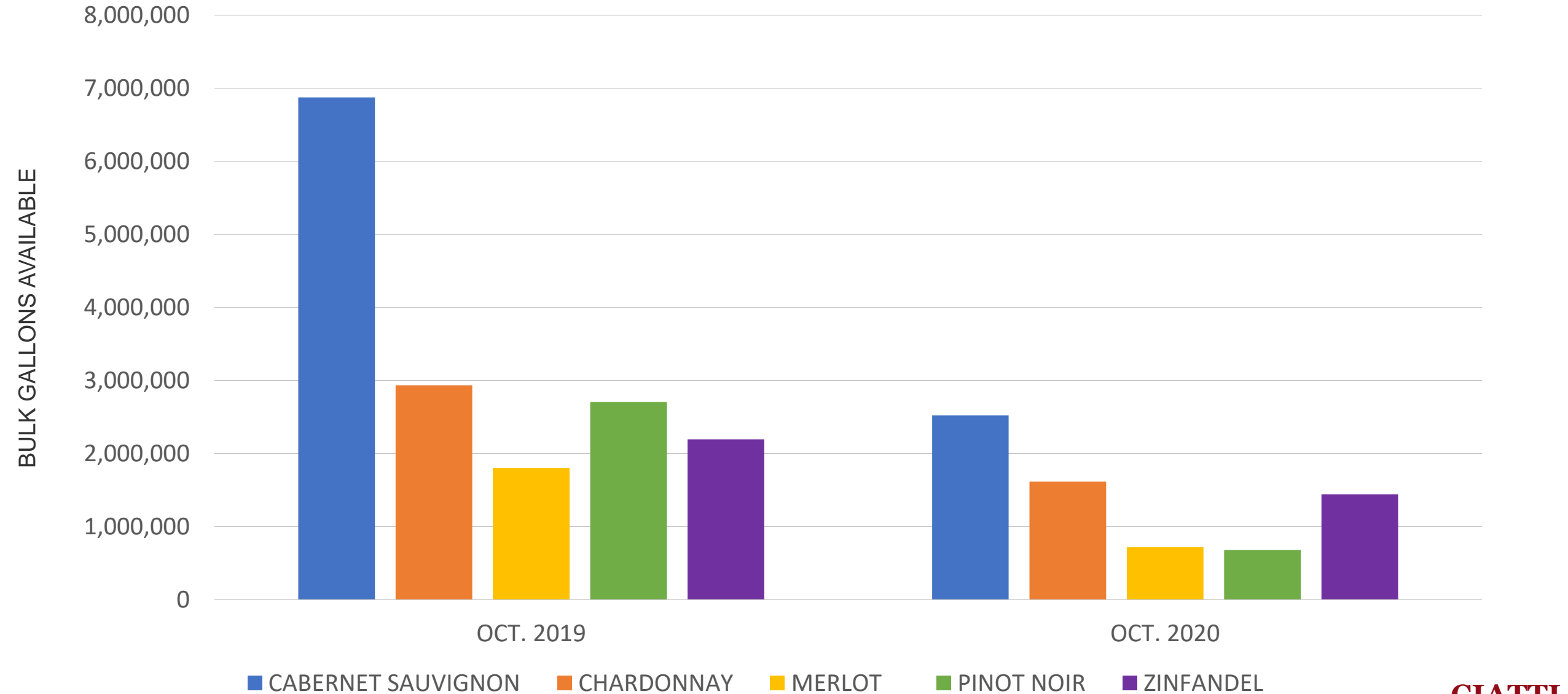
CALIFORNIA BULK MARKET

- ❖ Bulk market has seen dramatic activity over the past two months
 - ❖ Big Brands with Large distribution have controlled the bulk buying activity
 - ❖ Buyer spike in demand for bulk wine has primarily increased in response to perceived supply instability
 - ❖ Shifting from an oversupply to a more normal position
- ❖ Bulk pricing trends
 - ❖ Coastal & CA bulk wines have seen a price separation, after a two year absence
 - ❖ There is a ceiling on bulk Pricing – economy, pandemic
 - ❖ Prices have risen quickly; creating a pricing floor for bulk
- ❖ 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

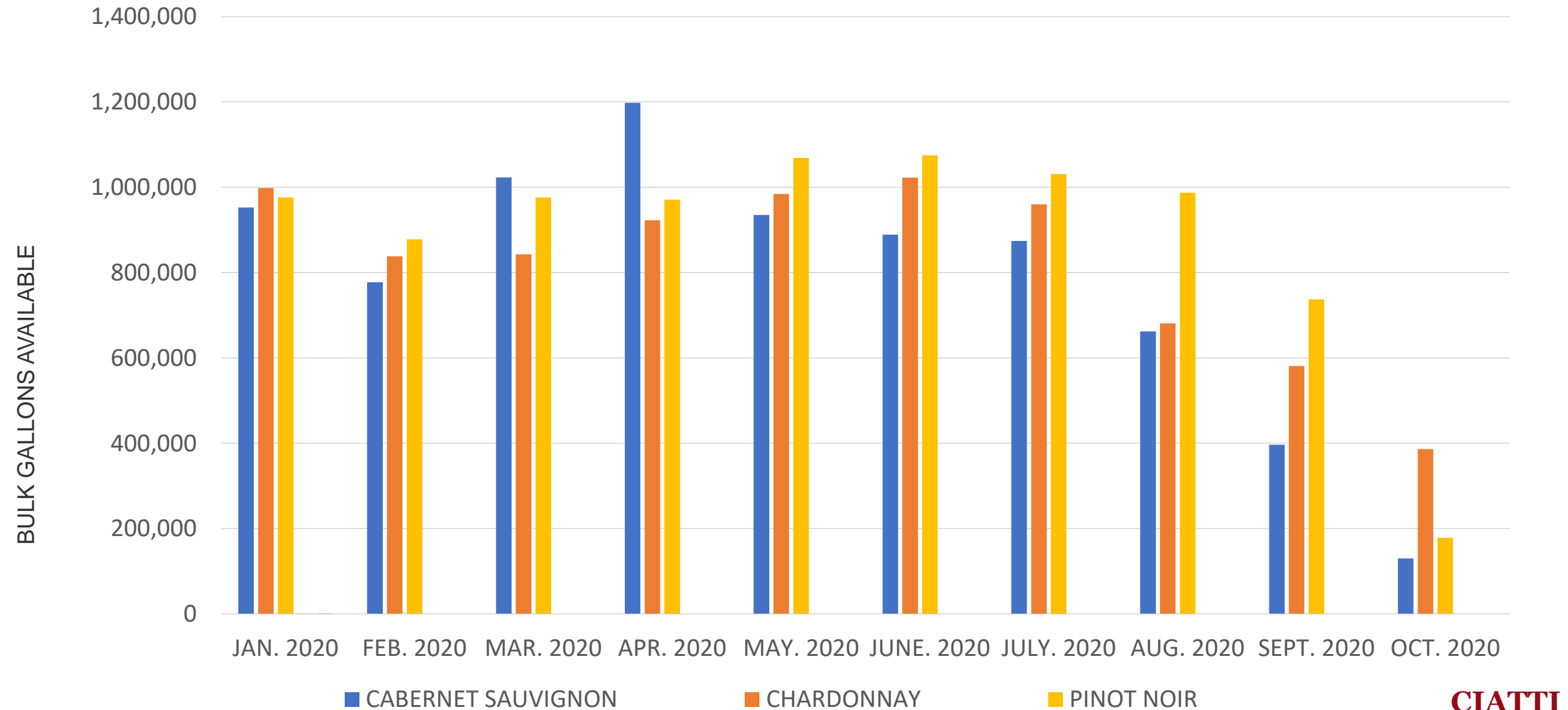
CALIFORNIA BULK WINE INVENTORY



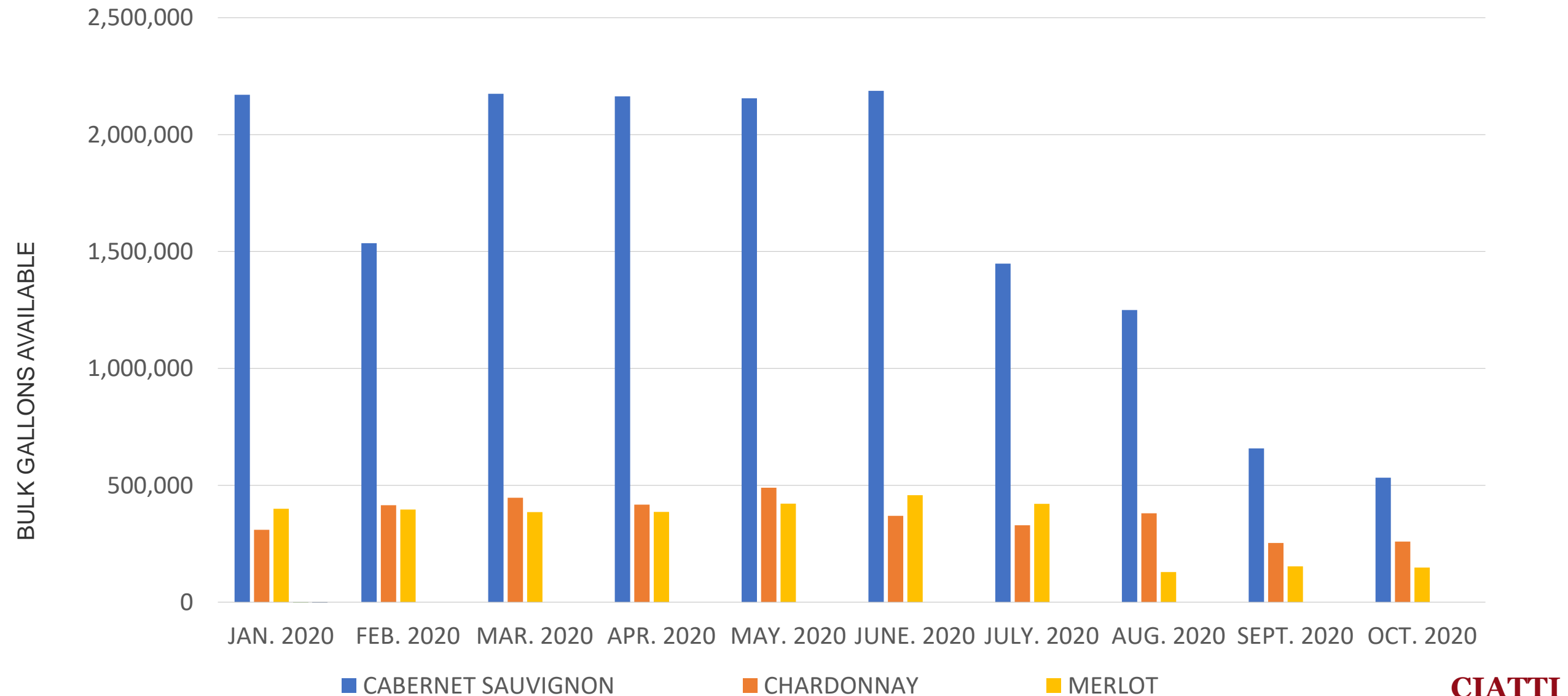
OCTOBER 2019 VS OCTOBER 2020



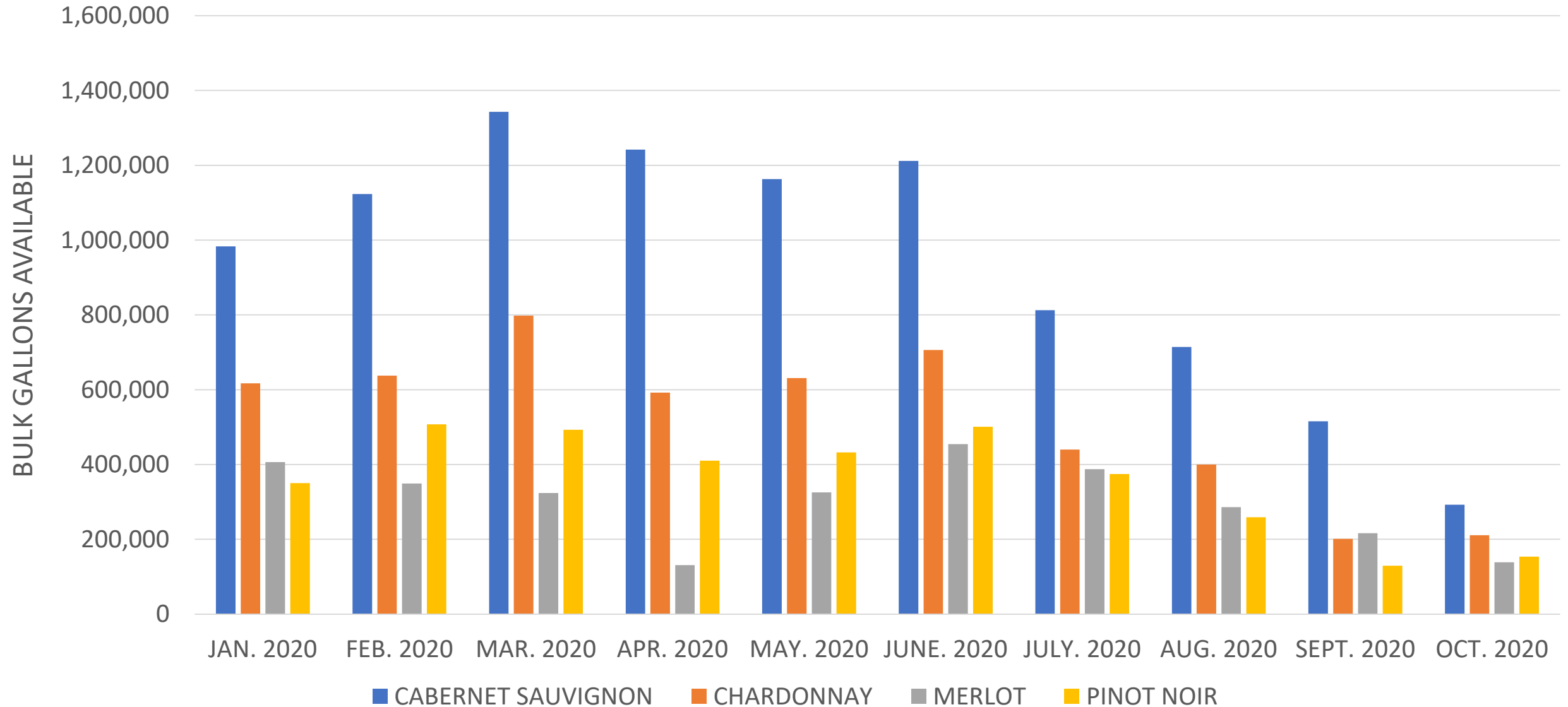
CENTRAL COAST



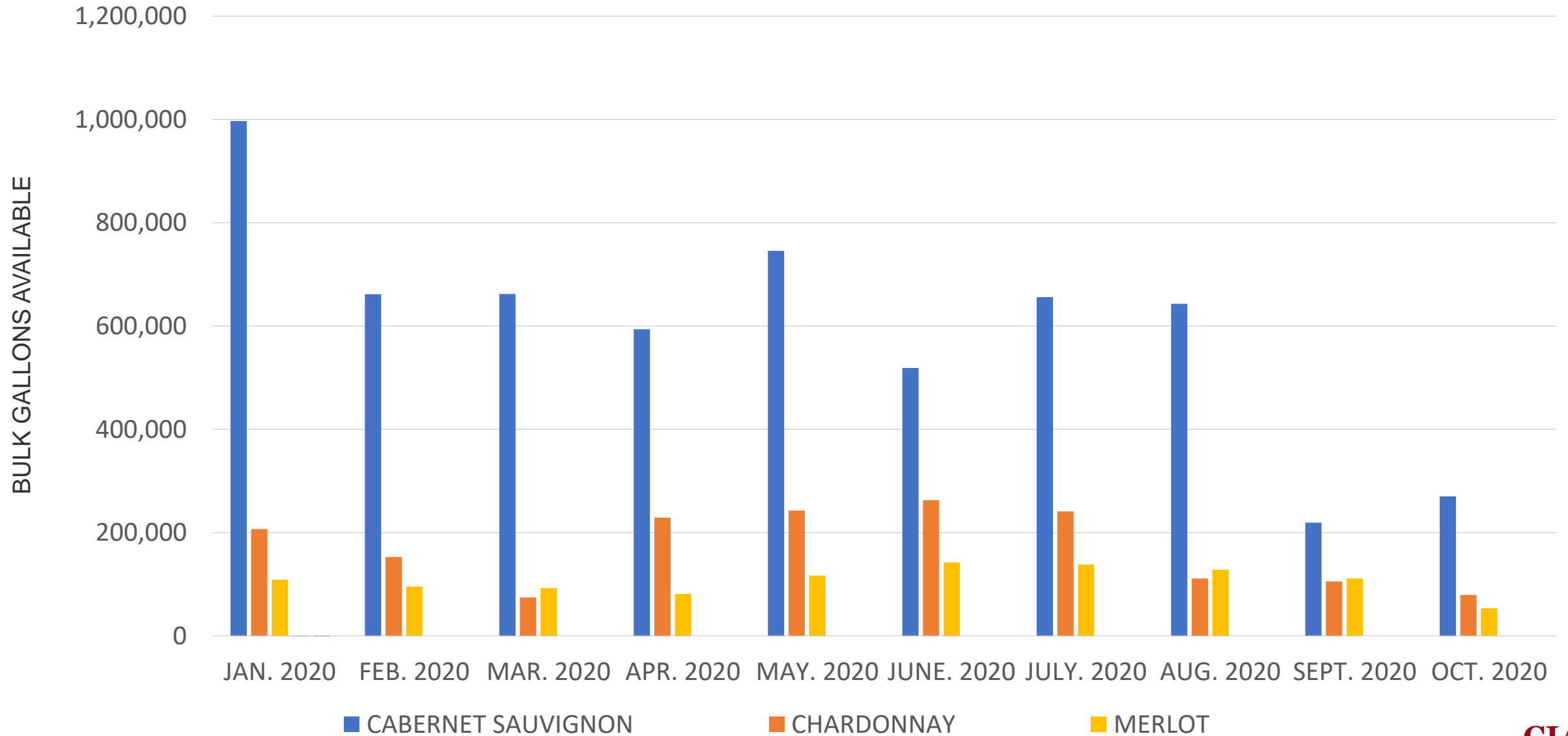
LAKE AND MENDOCINO COUNTIES



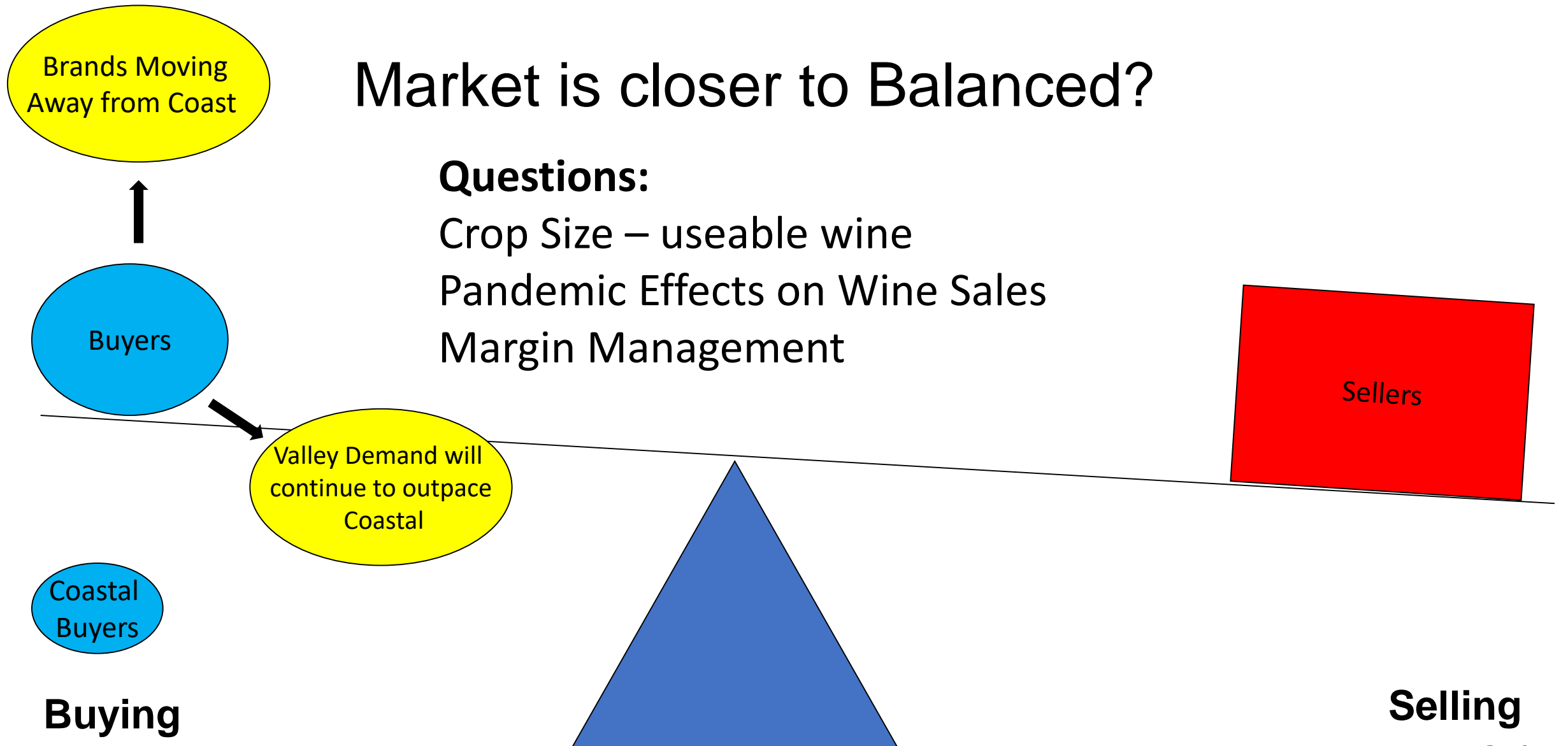
SONOMA COUNTY



NAPA COUNTY



CALIFORNIA SUPPLY DEMAND BALANCE



THOUGHTS / QUESTIONS

- ❖ 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 bulk wine activity should move us to a more balanced market
- ❖ Have we removed enough vineyards?
- ❖ Smoke guidelines present challenges – smoke damage is a gray area
- ❖ Contract price and payment term renegotiations – how will this play out – are some not going to make it?
- ❖ Be willing to be creative with deals and get through in the short term to be able to prosper in the long term
- ❖ Optimistic About the Future – but we need to make it there

CIATTI REPORTS / PUBLICATIONS

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

THANK YOU - QUESTIONS

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