



# WINE/GRAPE MARKET UPDATE



CIATTI

GLOBAL WINE & GRAPE BROKERS

JUNE 23, 2020



# CIATTI

GLOBAL WINE & GRAPE BROKERS

## 24 DEDICATED BROKERS IN 9 COUNTRIES



## GLOBALLY BASED TO HELP BUILD YOUR BUSINESS WORLDWIDE

# CALIFORNIA MARKET - JANUARY

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

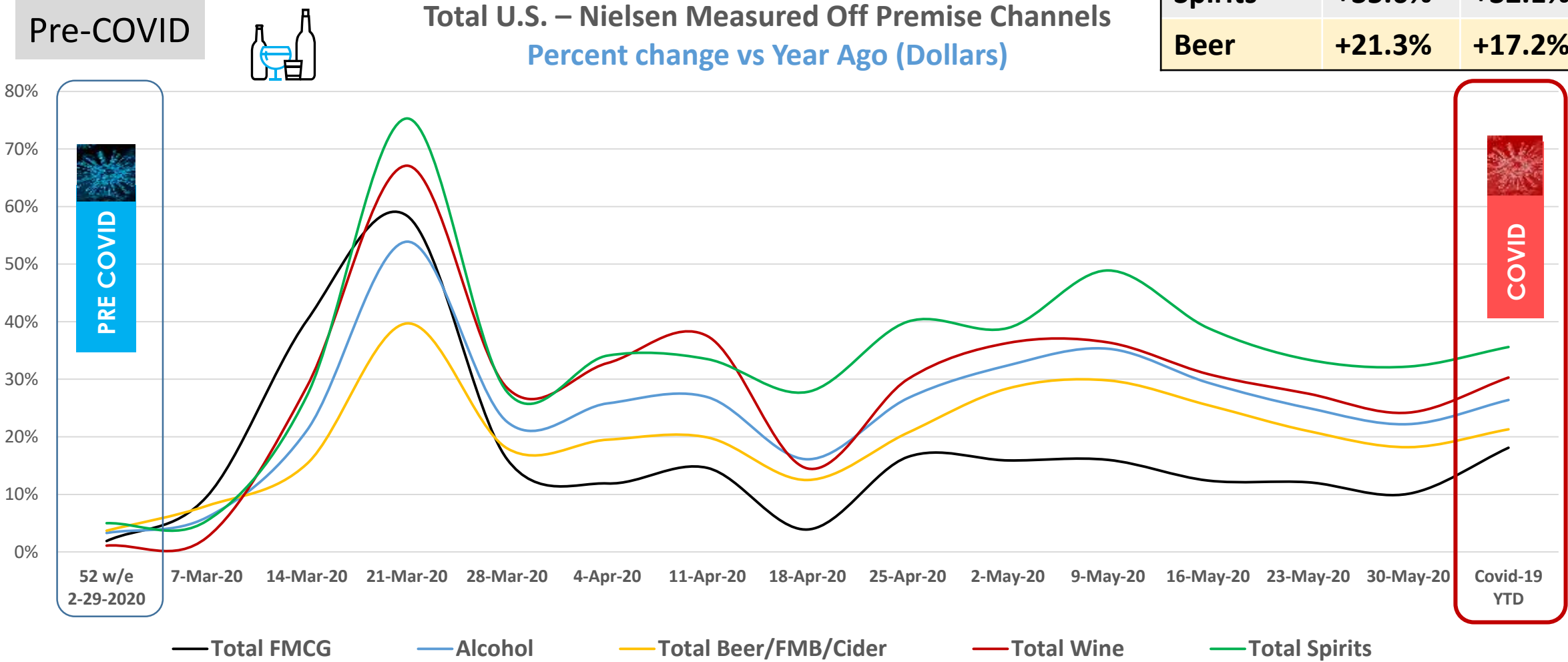
# COVID - PANDEMIC

---

- ❖ 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 RETAIL GROWTH, WINE NEXT, AND BEER TRAILING

COVID YTD	Value	Volume
Wine	+30.3%	+26.4%
Spirits	+35.6%	+32.1%
Beer	+21.3%	+17.2%

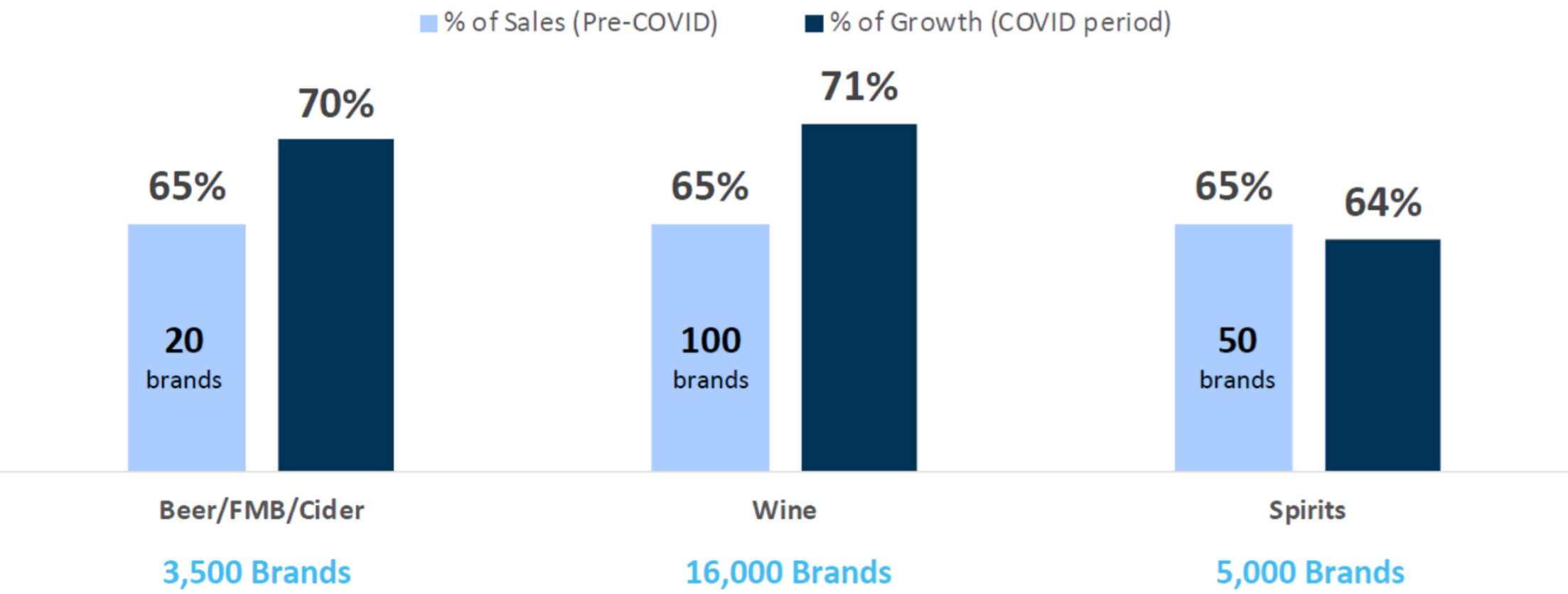


Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars) COVID-19 to Date; w/e March 7 through May 30, 2020

# BEER & WINE LARGER BRANDS GROWING FASTER THAN SMALLER BRANDS, UNLIKE SPIRITS

Trusted brands? And/or available and easy to find (less browsing), in the right format/size?

Top Brands % of Sales vs % of COVID Period Growth



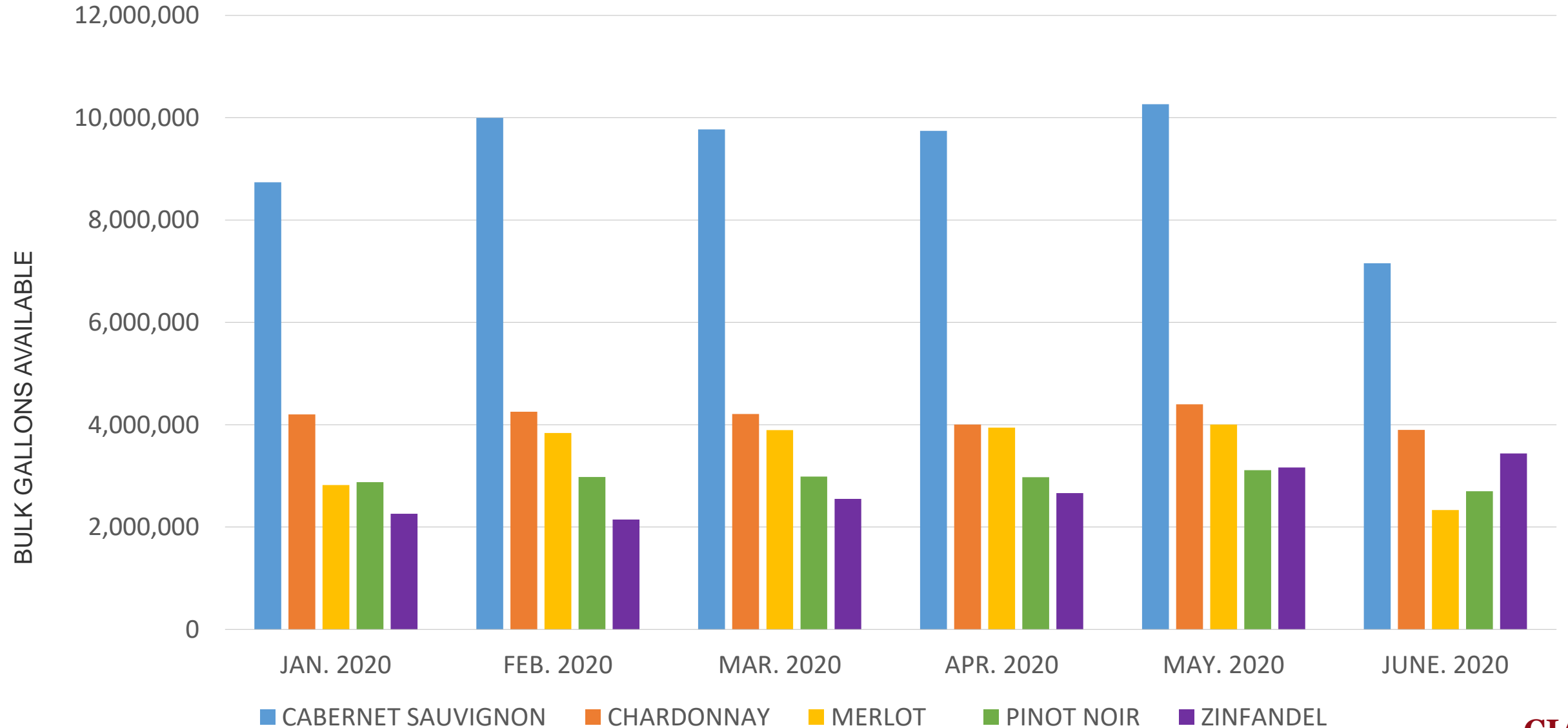
Source: Nielsen Measured Off Premise Channels (Dollars); Pre-COVID (52 w/e 2-29-2020); COVID (w/e March 7 thru w/e May 16, 2020)

# 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



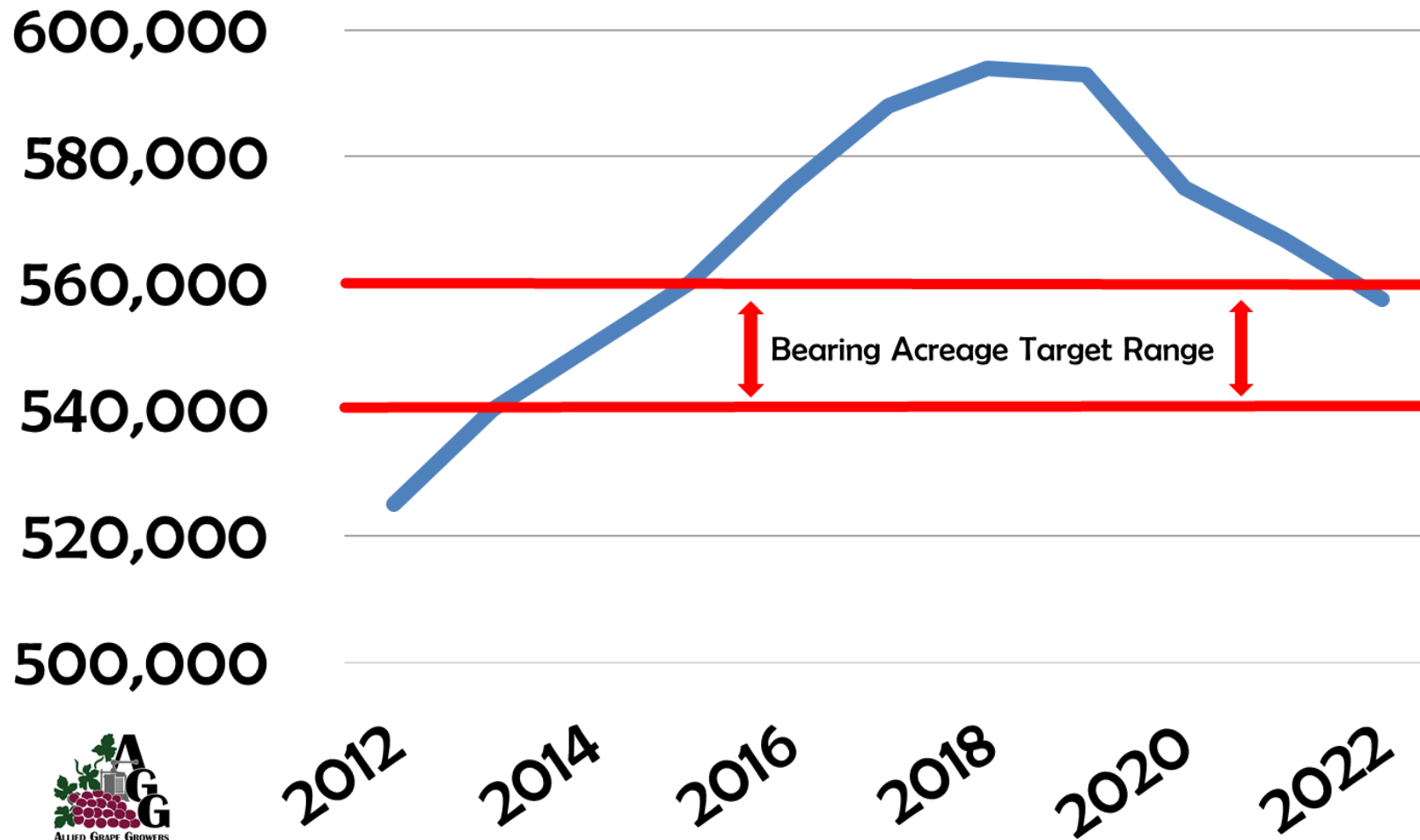


# CALIFORNIA GRAPE MARKET

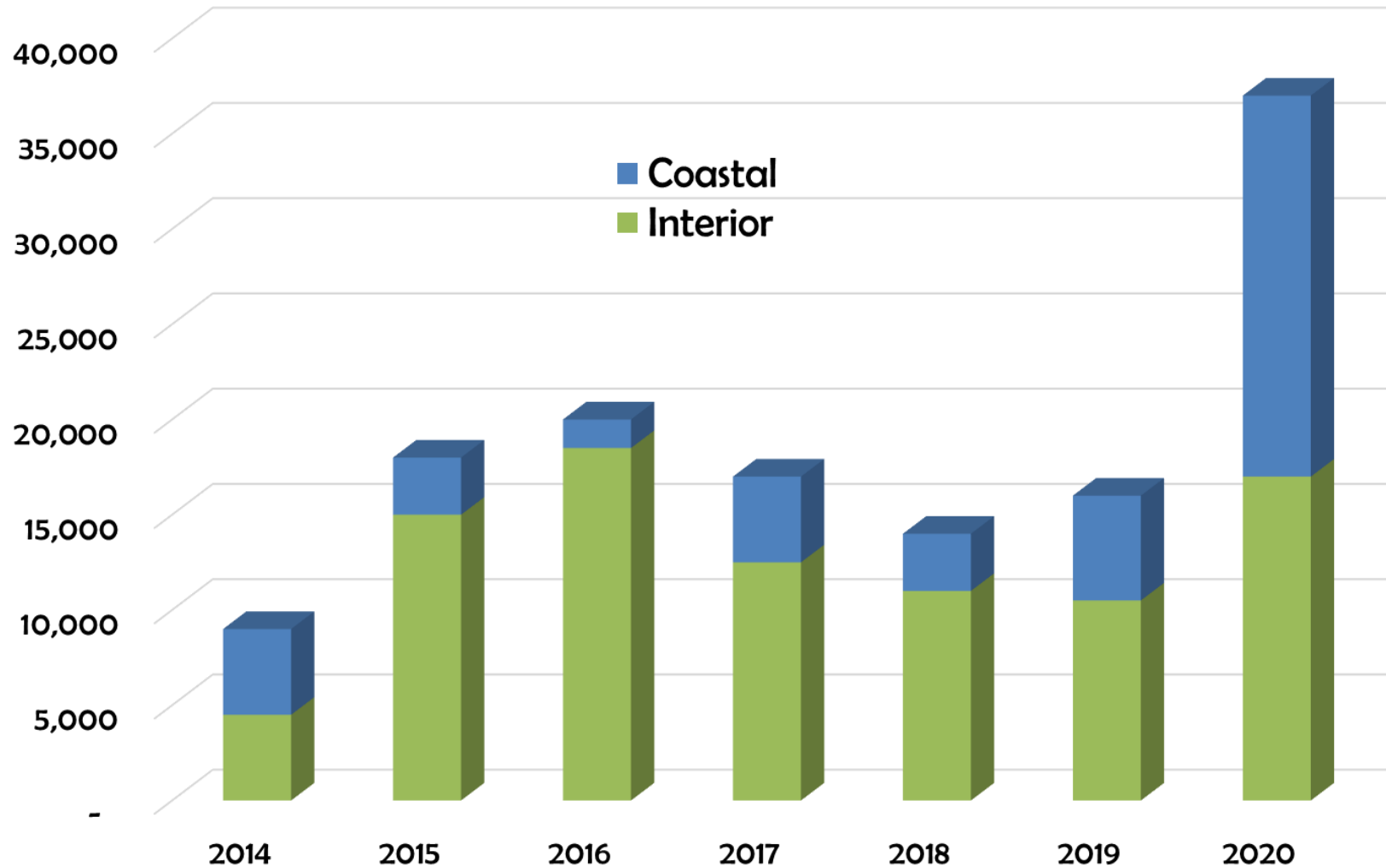
---

- ❖ 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”

# Estimated and Forecasted California Bearing Winegrape Acres



## Estimated Vineyard Removals, 2014-2020 (Prior to each harvest year listed)



# 2020 Vineyard Removal Percentages

- Interior Regions: 4-5% of bearing acreage
  - Almost all planted to orchards
- North Coast: 4-5% of bearing acreage (some abandoned vineyards)
  - Most removals being redeveloped
- Central Coast: up to 15% of bearing acreage
  - Winery vineyards being replanted, grower vineyards not so much.



# 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 REPORTS

---

- CALIFORNIA MARKET REPORT
- GLOBAL MARKET REPORT
- [WWW.CIATTI.COM](http://WWW.CIATTI.COM)

# THANK YOU!

Glenn Proctor  
[GLENN@CIATTI.COM](mailto:GLENN@CIATTI.COM)  
707.337.0609