

SONOMA COUNTY WINEGRAPE COMMISSION
DOLLARS AND \$ENSE SEMINAR

JANUARY 14, 2021

GRAPE AND WINE MARKET UPDATE



CIATTI

GLOBAL WINE & GRAPE BROKERS



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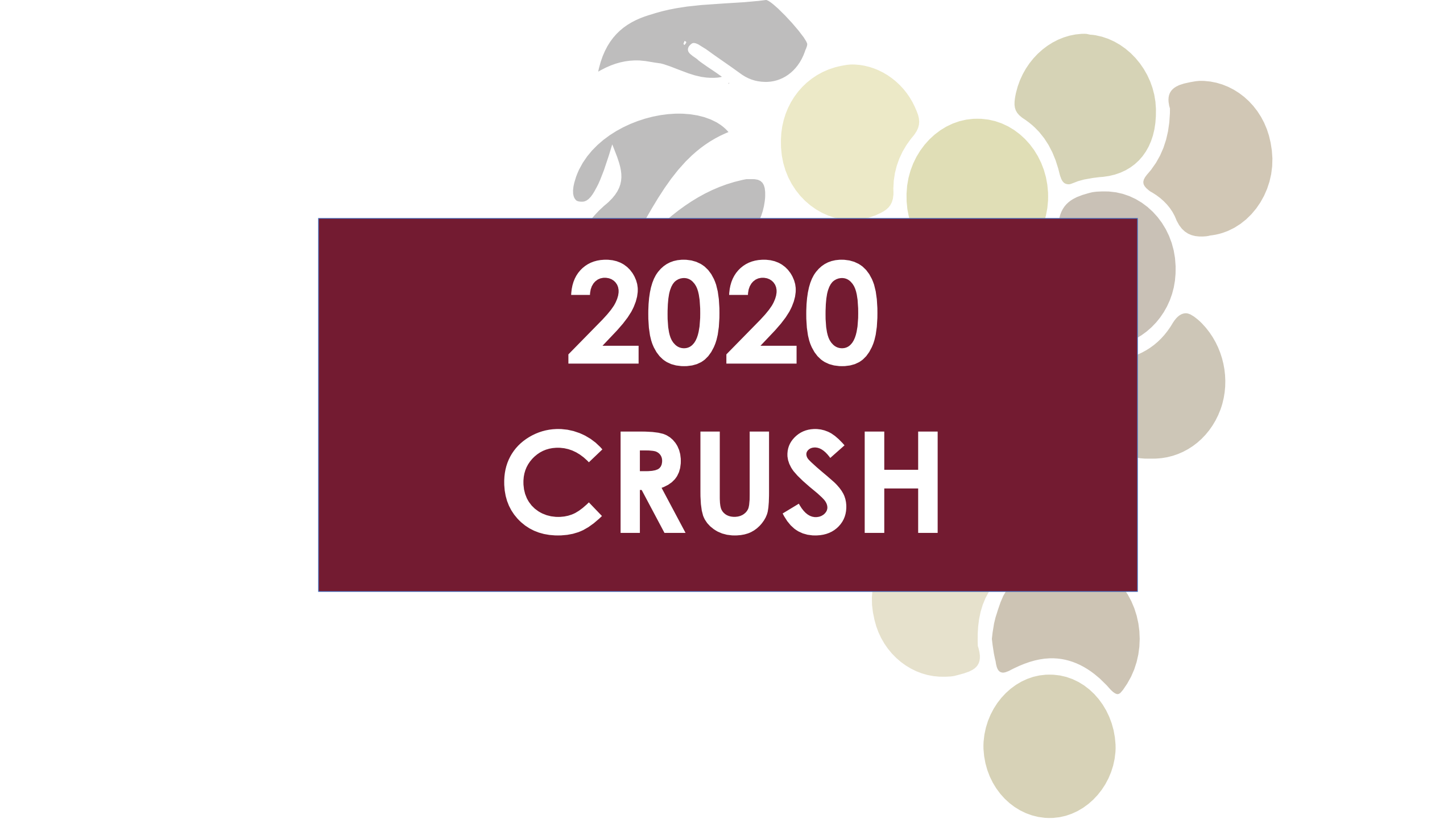
24 DEDICATED BROKERS IN 9 COUNTRIES



GLOBALLY BASED TO HELP BUILD YOUR BUSINESS WORLDWIDE

CALIFORNIA MARKET OVERVIEW

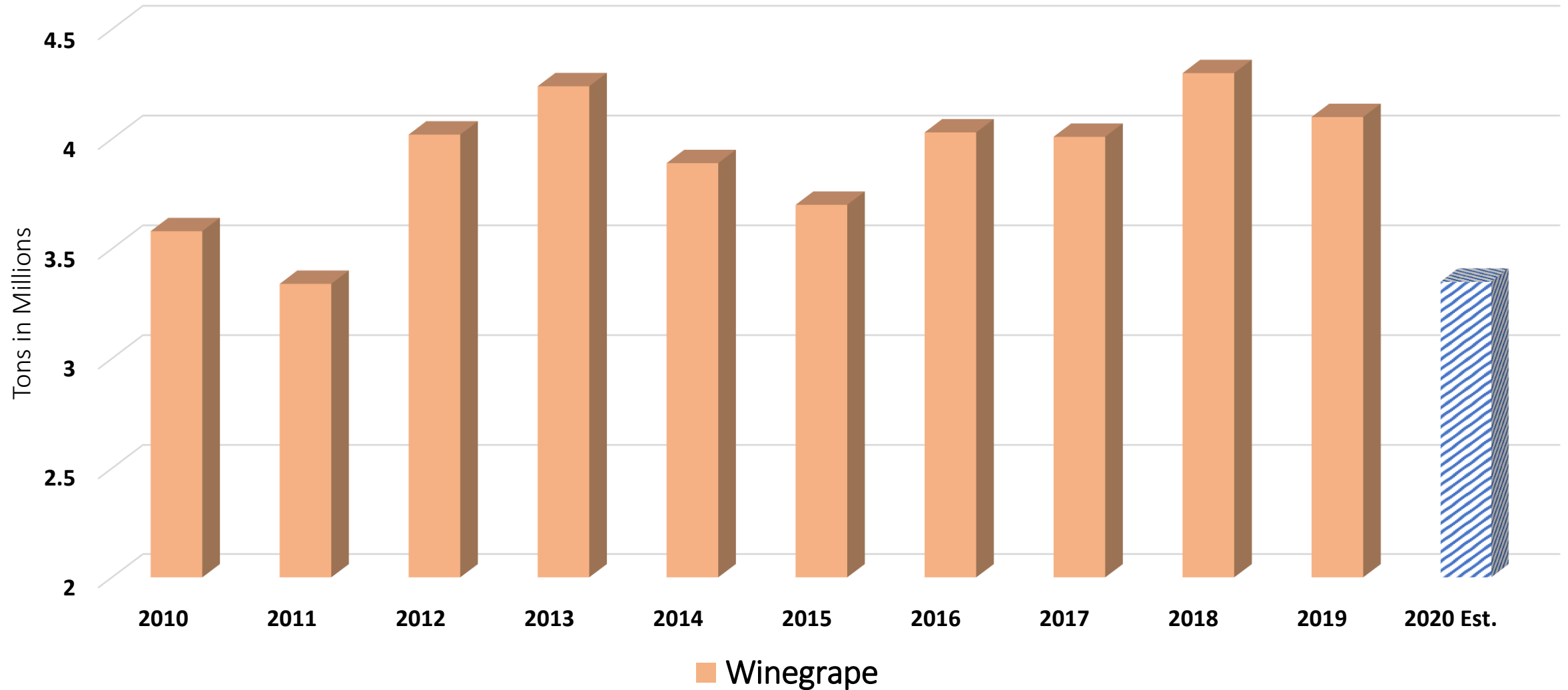
- ❖ Casegood growth has held its own in the Pandemic
 - ❖ Off Premise seen a big bump
 - ❖ On Premise has seen challenges
- ❖ Enter 2021 with Lower Inventories
 - ❖ Small 2020 Crop
 - ❖ Limited Bulk Inventory Available
 - ❖ Bulk Activity has seen a rebound as well as some prices
- ❖ Challenges will continue – 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:

❖ 2019 Crop 4M tons – 200,000 unpicked

❖ Average Crop – 4.2M tons

❖ 2020 Crop:

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

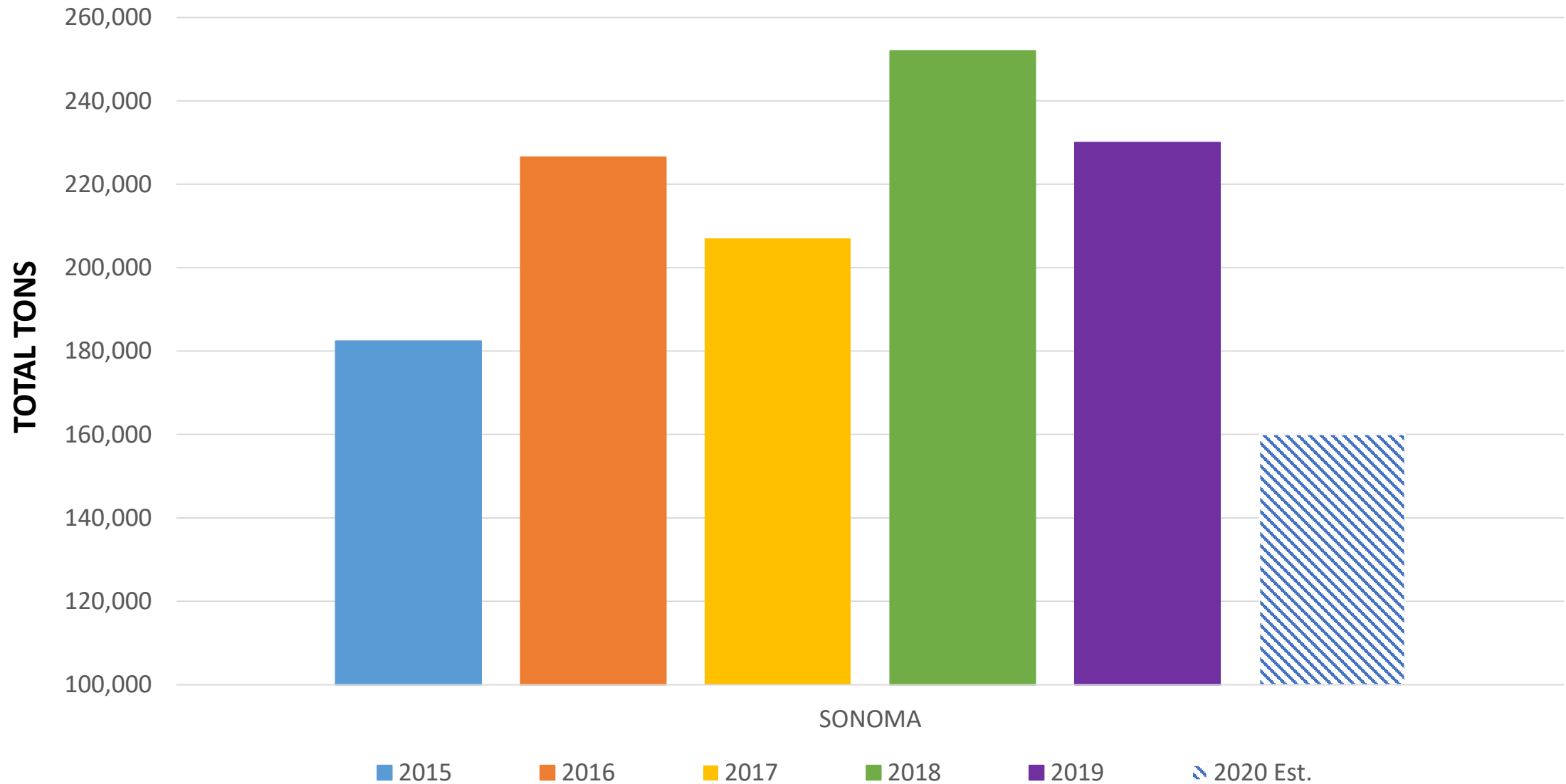
❖ Less Northern Interior rejections (15 – 25K)

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

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

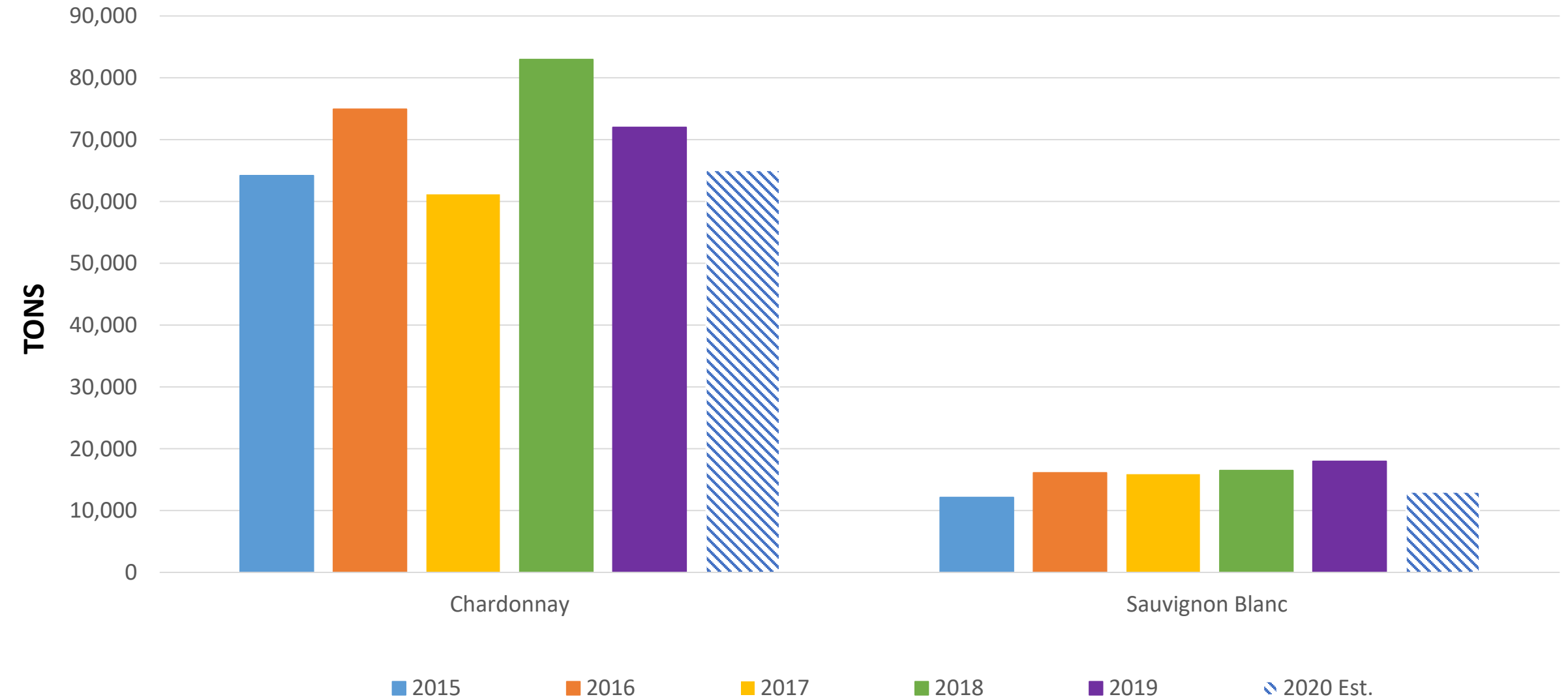
❖ **Estimated Crush 2020 Range 3.16 – 3.53 M tons 3.35 M Tons**

SONOMA TOTAL TONS 2015 – 2020 Est.



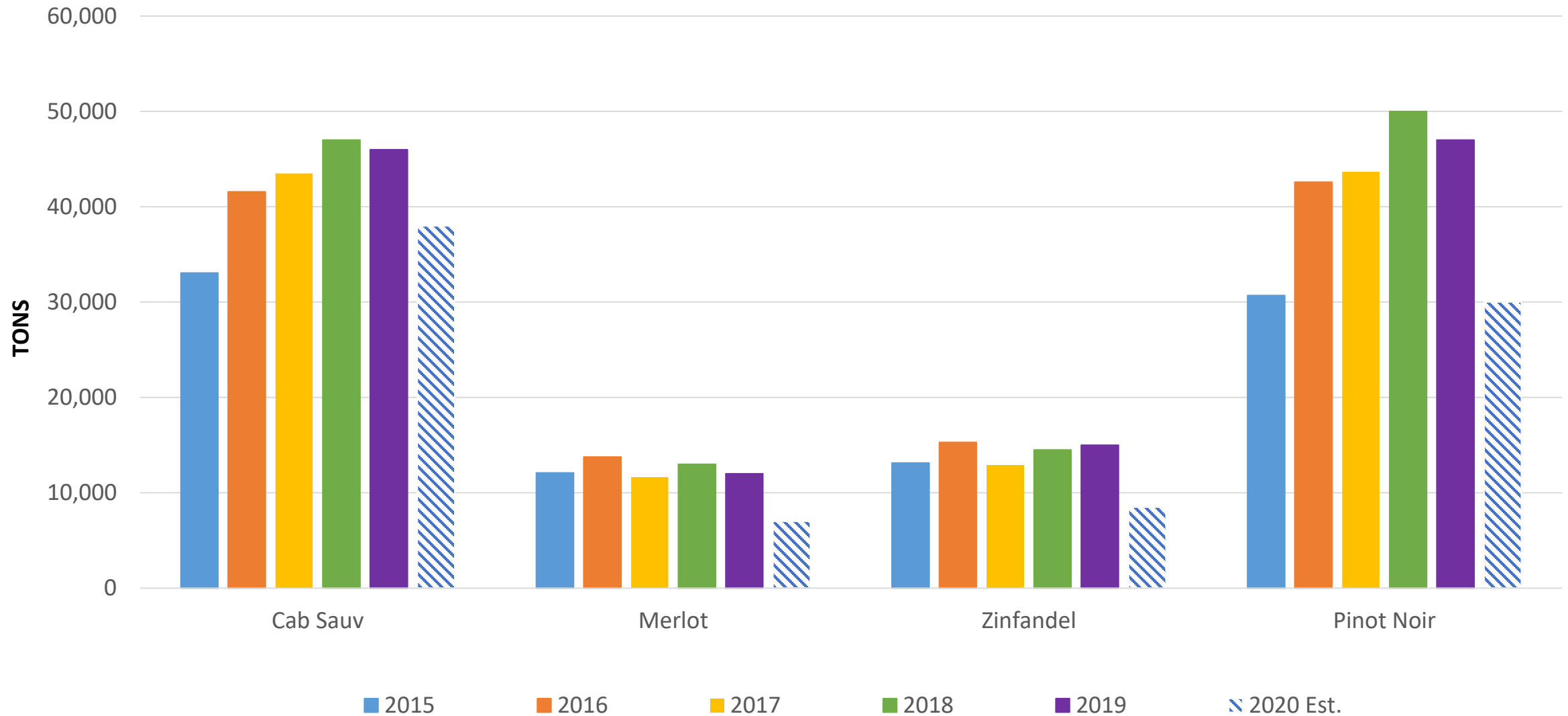
SONOMA COUNTY WHITE GRAPE TONNAGES

2015 – 2020 Est.



SONOMA COUNTY RED GRAPE TONNAGES

2015 – 2020 Est.



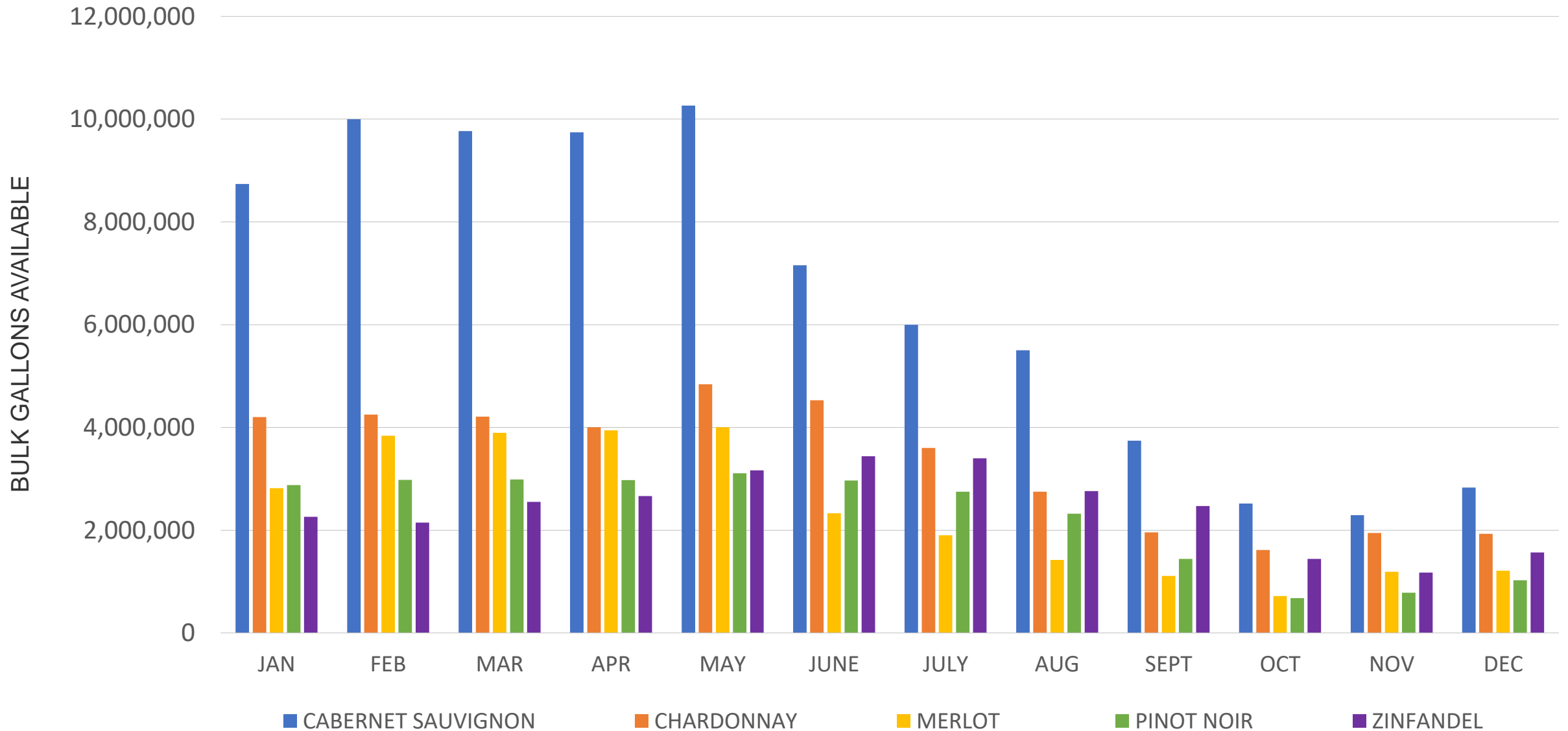


BULK MARKET

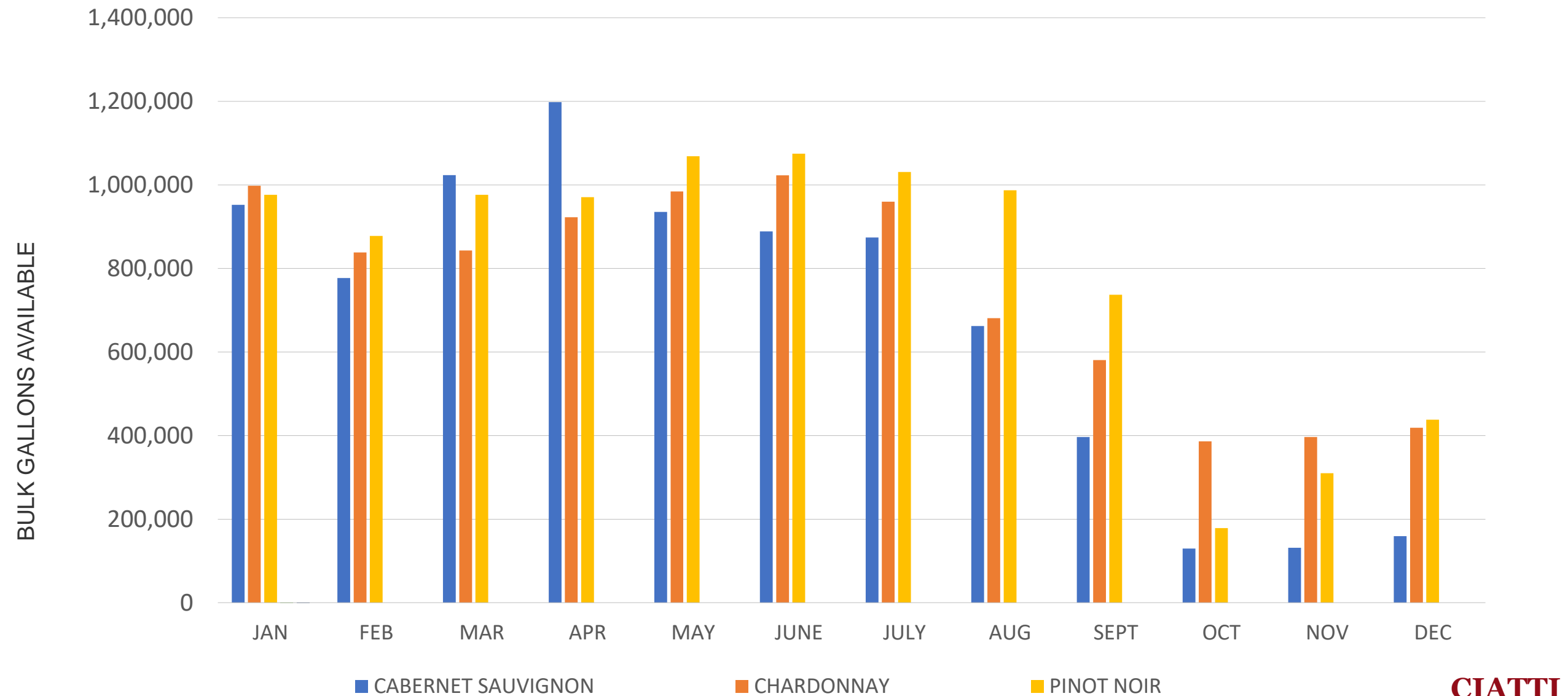
CALIFORNIA BULK MARKET

- ❖ Bulk market saw dramatic activity since August
 - ❖ 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
 - ❖ Inventories are relatively light
- ❖ 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

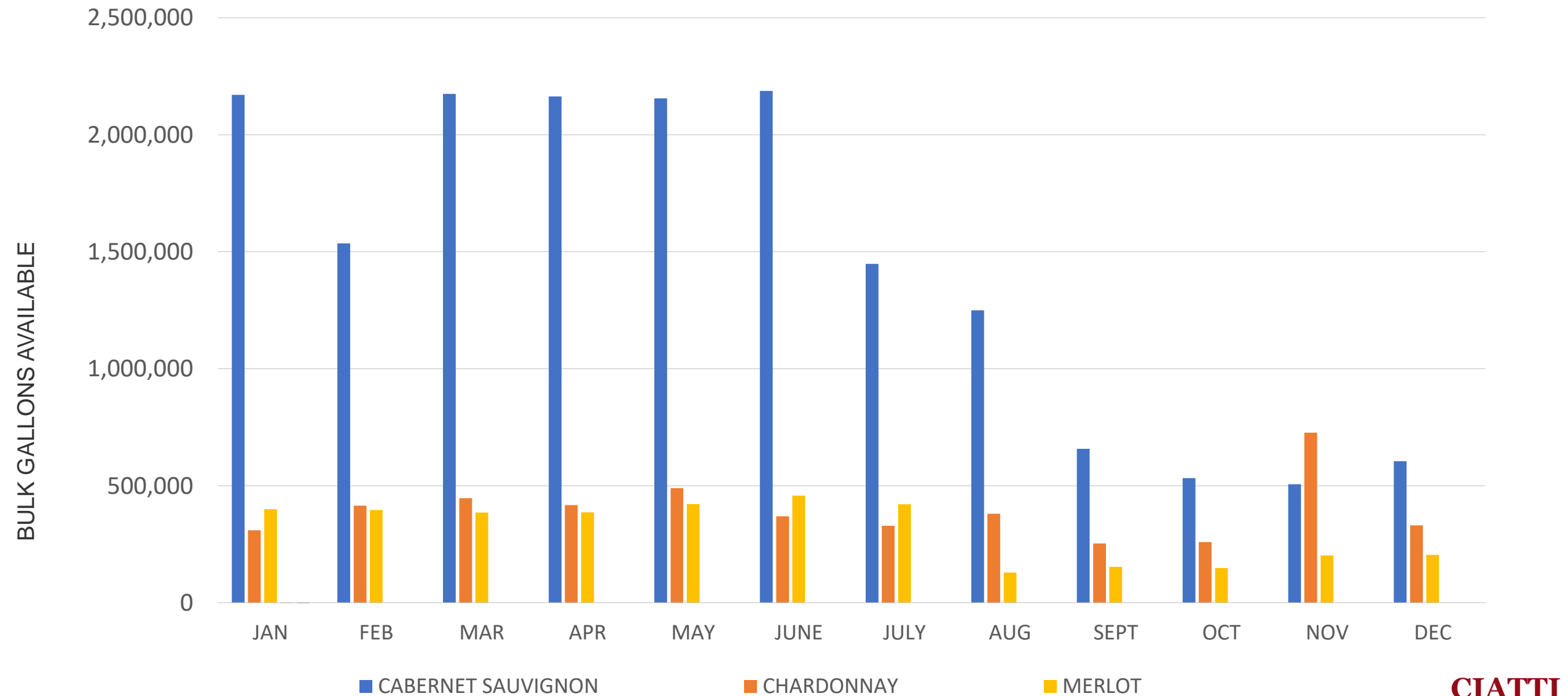
CALIFORNIA BULK WINE INVENTORY 2020



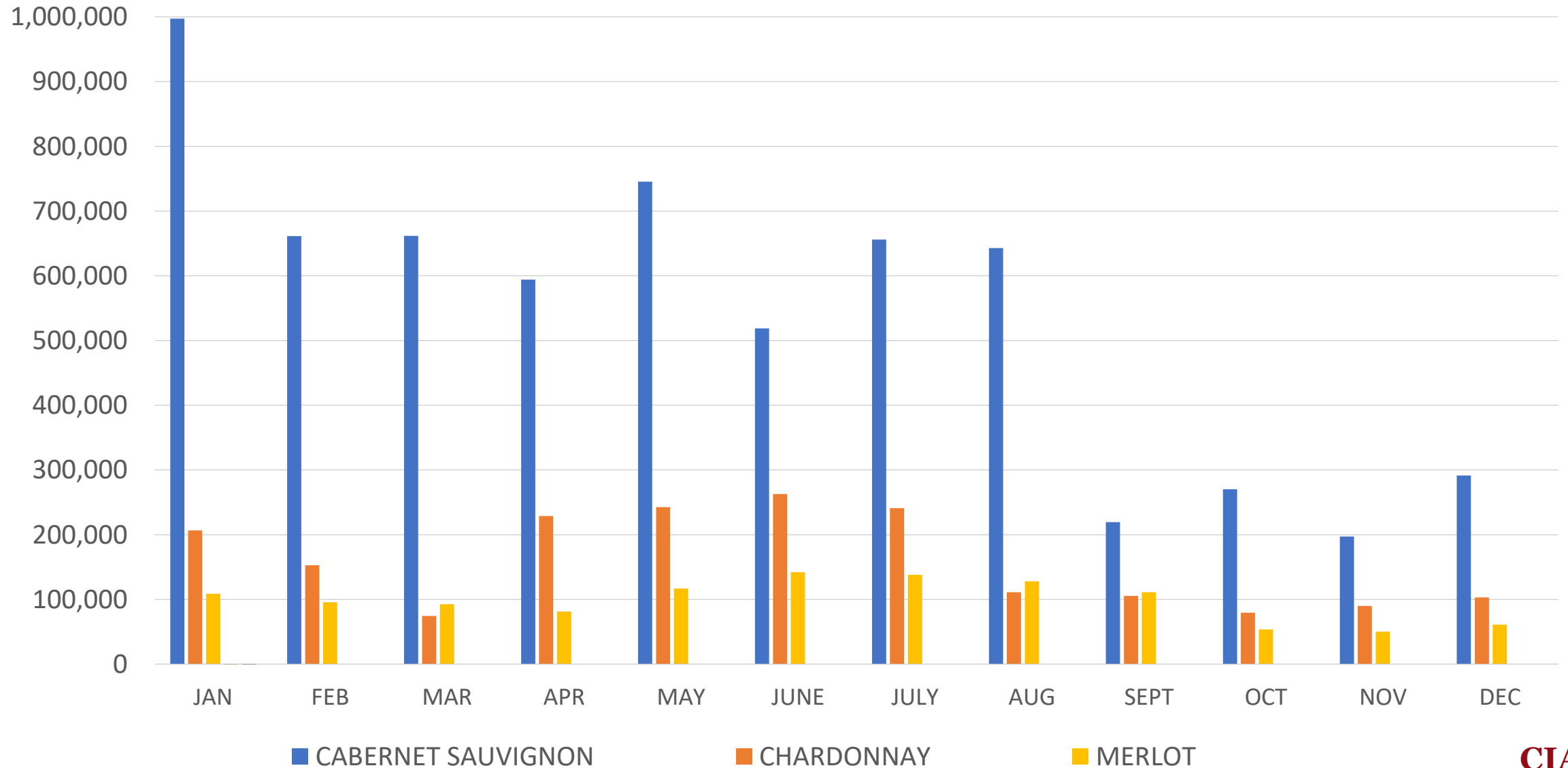
CENTRAL COAST 2020



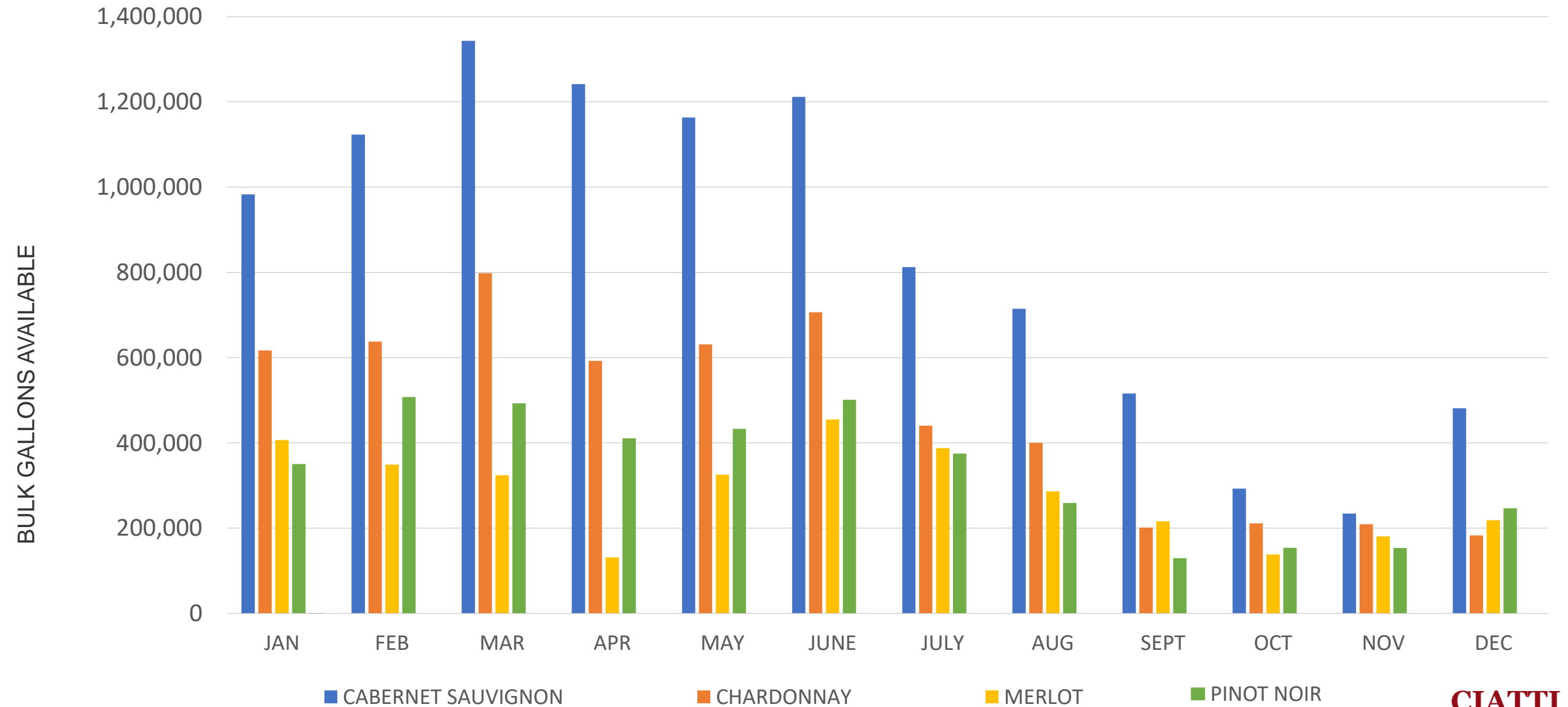
LAKE AND MENDOCINO COUNTIES 2020



NAPA COUNTY 2020



SONOMA COUNTY 2020



BULK MARKET PRICING

California Appellation

	JAN	APRIL	JULY	SEPT	DEC
CHARD	\$3 – 6	\$4.50 – 6.50	\$4 – 6	\$6 – 7	\$6 – 7
CAB SAUV	\$4.50 – 6.50	\$4.50 – 6.50	\$4 – 6.50	\$6.50 – 8.50	\$6.50 – 8.50
PINOT NOIR	\$5 – 7	\$7 – 9	\$6 – 8.50	\$6.50 – 9	\$6.50 – 9

Napa

	JAN	APRIL	JULY	SEPT	DEC
CHARD	\$12 – 16	\$12 – 16	\$12 – 16	\$12 – 16	\$13 – 17
SAUV BLANC	\$12 – 17	\$8 – 12	\$8 – 12	\$15 – 20	\$14 – 17
CAB SAUV	\$17 – 25	\$18 – 23	\$18 – 25	\$30 – 45	\$30 – 45
MERLOT	\$19 – 25	\$19 – 25	\$19 – 25	\$20 – 30	\$20 – 30

BULK MARKET PRICING

Sonoma

	JAN	APRIL	JULY	SEPT	DEC
CHARD	\$7 – 12	\$10 – 15	\$9 – 15	\$15 – 20	\$13 – 20
SAUV BLANC	\$8 – 13	\$6 – 11	\$6 – 11	\$12 – 18	\$10 – 15
CAB SAUV	\$12 – 18	\$12 – 18	\$12 – 16	\$18 – 26	\$18 – 27
PINOT NOIR	\$12 – 16	\$12 – 16	\$12 – 16	\$20 – 28	\$24 – 30
MERLOT	\$10 – 14	\$9 – 14	\$8.50 – 13	\$10 – 15	\$10 – 15
ZIN	\$9 – 13	\$9 – 13	\$9 – 13	\$12 – 18	\$12 – 18

A stylized illustration of a bunch of grapes in the background. The grapes are represented by circles in shades of olive green and tan, with grey leaves. A dark red rectangular box is overlaid on the center of the image.

GRAPE MARKET

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 – but so far so good
- ❖ 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

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

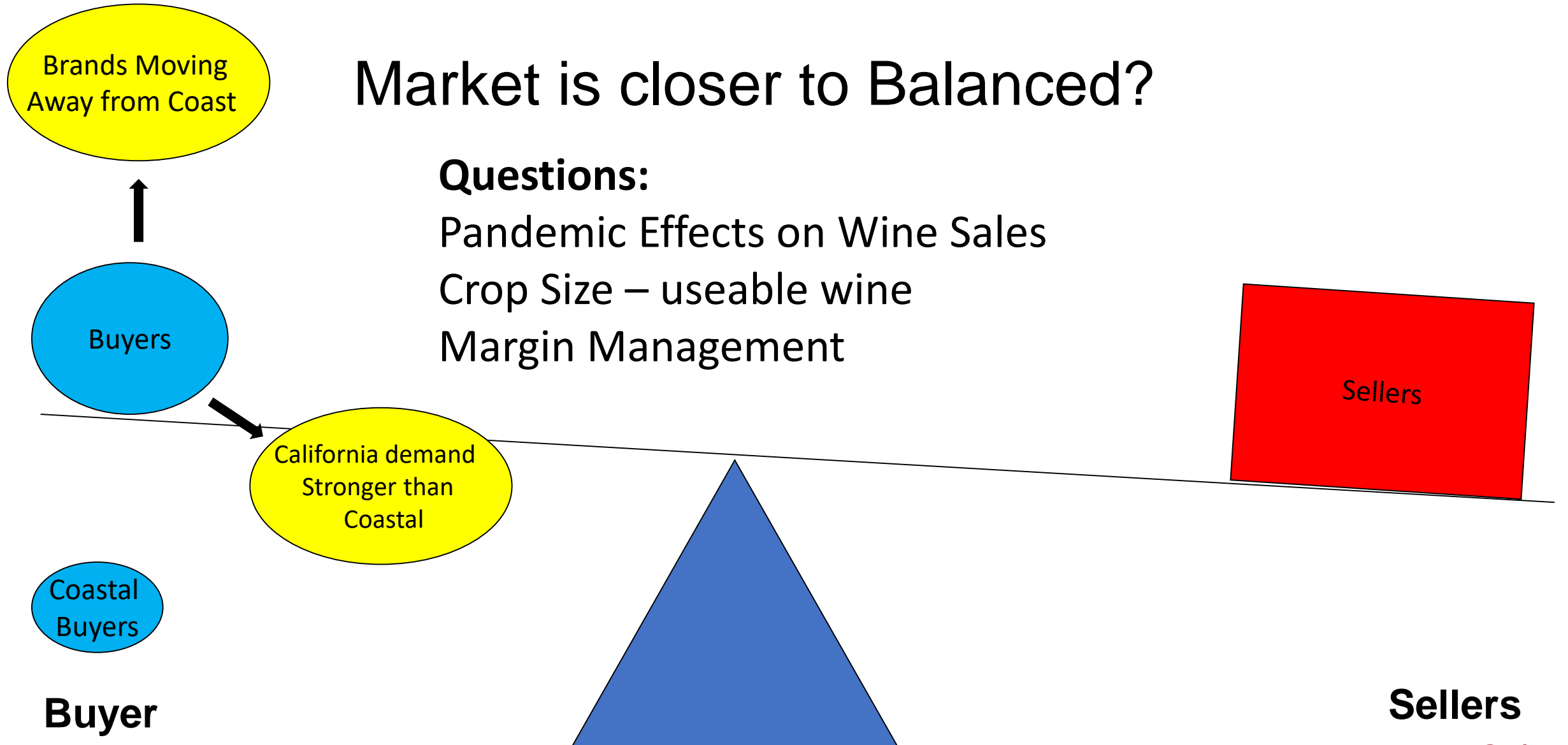
2021 EXPECTED GRAPE MARKET

- ❖ Should see better activity than 2020
 - ❖ Short 2020 Crop, Low Bulk Inventories
- ❖ Wineries will be cautious given the Pandemic and unknowns regarding future sales.
 - ❖ Some buyers still have too much inventory
- ❖ Pricing will be below where growers would like it – but an improvement from last year.
- ❖ "Normal Buyers" may still be reluctant – Activity could come from non-normal buyers
- ❖ Buyers will need supply – be ready and willing

“Cast a Wide Net”



CALIFORNIA SUPPLY DEMAND BALANCE



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 bulk wine activity should move us to a more balanced market
- ❖ Removals of older vineyards will continue
- ❖ Buyers will need supply given 2020 harvest – but there will be pricing limits
- ❖ Be willing to be creative with deals
- ❖ Optimistic About the Future

THE WORLD HAS CHANGED! BUT:

- ❖ Consumers will continue to drink California and Sonoma county wine
- ❖ New creative opportunities are happening
- ❖ We are going to see great innovations in the wine business
- ❖ When we get through the pandemic – consumers will be looking for the food and beverage occasions that wine compliments
- ❖ Given all that is going on – the wine business is doing well!!

QUOTE

“Always wake up with a smile knowing that today you are going to have fun accomplishing what others are too afraid to do.”

Mark Cuban

CIATTI REPORTS / PUBLICATIONS

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

THANK YOU

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