



**CIATTI**  
GLOBAL WINE & GRAPE BROKERS



# *California Report*

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**Ciatti Global Wine  
& Grape Brokers**

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## December 2018

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Following a record-sized 2018 winegrape crop, at 4.3+ million tons, and the lateness of its completion, the bulk wine market in California is taking a little time to develop. Suppliers have needed to catch their breath and get their wines ready for sampling; bulk contract approval tastings are getting underway now.

The big crop has created an opportunity for greater dynamism in the grape and bulk wine markets: with some overage and a little price softening in some quarters, domestic négociants and nimble, entrepreneurial buyers are increasingly active on the market seeking to start and build new lines. As such, Ciatti is eager to solicit inventory from suppliers who feel they may have wines to interest such buyers: we are fielding early, opportunistic interest in 2018 Pinot Noir, Sauvignon Blanc and Chardonnay, for example.

Similarly, wine companies seeking to explore opportunities on private label and control brands – which have accounted for a large part of wine market growth at times in the past decade – should get in touch as we can help build those brands. There is the opportunity for Coastal appellation wines to be more amenable-priced for the buyer, potentially encouraging brands that moved to the ‘California’ appellation to come back, or for the quality of ‘California’ blends to be reinforced by greater percentages of premium Coastal wines going into them. In short, there is inventory available and it can be potentially attractively priced – and appellated, too, in some instances. Here at Ciatti we have recently moved to new offices across town complete with a new sampling/tasting area in which to help facilitate the deals that should arise – see page 2 for more details.

Earlier this year the level of contracted fruit in California was at one of its highest levels ever. Due to the new marketplace realities, we now expect that percentage to gradually ease down as – over time – grape contracts come up for renewal and are renegotiated to cover fewer tons. These contracts may also be agreed at lower pricing, so that average prices soften over time – though slowly, as many grapes are under multiple-year contracts. By this time next year, we expect to see fewer grapes and bulk wines under longer-term contracts, and the spot market potentially able to offer pricing below the market average. This greater market flexibility should suit the opportunistic buyer.

As Ciatti is cautioning suppliers all around the world right now – in the context of a softening global market – when receiving a price offer from a buyer, the supplier must be sensitive to the realities of the marketplace as it is now, not what it once was. Weigh-in the offer carefully; don’t miss out on finding a home for your grapes or wine. **People are still trying to understand the dynamics of the new marketplace: our California Report will continue to do its best making sense of it moving forward.**

**Everyone at Ciatti wishes you and yours a very Happy Holidays and a prosperous New Year!**

*Robert Selby*

# Chardonnay

Chardonnay did not have its biggest harvest this year overall, but crop records have likely been set in some appellation and/or premium areas such as Sonoma County and potentially Monterey. The markets for Monterey and Mendocino Chardonnay may show some weakness. This should help opportunistic buyers clean up remaining 2017 wines at more amenable pricing and – off the back of the large inventory – continue onward with the 2018 vintage.

## OND sales okay?

Tentative, early indications of domestic October-November-December sales, meanwhile, are positive, according to BW166 data reported by *Wine & Spirits Daily*. It reported that “beer continues to lose share to wine and spirits”, with wine’s share of the alcohol beverage market in the US up 2.31% in October on the same month of 2017, so that it now accounts for approximately 18% of the total market. This is against a 34% market share for spirits and 48% for beer. Still wine sales were up 4.4% for the month, ahead of a 3% rolling 12-month growth rate; sparkling sales were up 0.75% for the month ahead of a 0.27% rolling growth rate.

## Weather

The growing regions have seen some replenishing rains in December following a very dry November. According to the monthly weather report by Dr. Gregory V. Jones, of Oregon’s Linfield College, projections at this point are for California to receive a wetter than average December, with the December-January-February period potentially drier than average in the Pacific North West and wetter than average in southern California. This reflects the “influences of a weak to moderate El Niño in the Tropical Pacific and very warm North Pacific”.

Russian River and Napa Valley Chardonnay inventories were arguably tightest going into the 2018 harvest but – with significant levels of overage in some areas creating good volumes of bulk wine this time – it remains to be seen how strong the bulk wine market for these will be. As mentioned above, buyers will dictate what happens this time and suppliers need to be amenable on price: the ability to sell ourselves out of a tough market gives everyone – buyers and sellers – the best opportunity in both the short and long term.

We have heard anecdotal evidence of better sales this OND than last, but it may be a rise off a low base in some instances, and will likely not be nearly enough to offset the big rise in inventory bought about by the large 2018 crush.

Gomberg-Fredrikson shipment data for the eight months ended August shows total California bottled wine shipments down 2% – or 3 million 9-liter cases – to 158.9 million cases. Bottled wine imports were up 2% to 67.7 million cases, led by French, Italian and New Zealand wines.



## FAILING AT THE FINISH LINE

Winemakers spend considerable time, effort and cost in developing a harvest to its full potential. When the final yards approach a nuanced and delicate balance is required to finish strong.

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# New Tasting Area



We have just relocated to new offices at 201 Alameda del Prado #101, Novato, California, where we have installed an impressive new tasting area for potential buyers to sample bulk and bottled wines. Get in touch so we can book you in. We look forward to seeing you!

## Events

Ciatti brokers will be speaking at these upcoming events:

- **January 17:** Sonoma County Winegrowers Dollars & Sense seminar and trade show Luther Burbank Center for the Arts, Santa Rosa
- **January 30:** Unified Wine & Grape Symposium, Sacramento Convention Center

## Hot Opps Box

As outlined on page one, there are potential opportunities available on all varietals – grapes and bulk wine – including from premium appellations. We are seeing Cabernet available from most premium markets in the North Coast. Cabernet from 2016 and 2017 is also available. There are also opportunities on Pinot Noir from the North Coast and Central Coast, including Russian River, at attractive pricing. Zinfandel continues to be available from most areas of the state. Samples of 2018 wines are feeding through now so get in touch.



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