



**CIATTI**  
GLOBAL WINE & GRAPE BROKERS



# *California Report*

**December 2020**

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**Ciatti Global Wine  
& Grape Brokers**

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- 3 The Bulk Wine Market
- 4 The Grape Market
- 5 Grape Juice Concentrate
- 5 Weather Update
- 6 Contacts

Reading online?  
Use the links above  
to jump through this  
document.

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A 2020 that no one could have foreseen is drawing to a close with the bulk wine market active but less active than it was in late summer/early fall when smoke exposure concerns joined with heightened off-premise demand to stimulate a buying frenzy. The market picture is now difficult to summarize because it is so granulated: everyone – buyers and sellers alike – are tentatively trying to navigate their own way through a landscape with little forward visibility.

On the one hand, the commencement of COVID-19 vaccine rollouts in some parts of the world raises the prospect of a more ‘normal’ 2021 – at least by the second half of the year. But on the other hand, the recent reimposition of a strict stay-at-home order across most of California is a reminder that the virus is still very much with us. Once the virus is under better control, if not eliminated, the focus will turn to the economic fallout.

According to Nielsen data, off-premise domestic table/sparkling wine sales in the US have continued strongly, with sales up 17% by value in the four weeks ending October 31 versus the same period of 2019. Consistent statistics such as these have led to a suggestion that total wine sales in the US could be up this year by volume, with the off-premise managing to offset the on-premise’s cratering, but this is based on the assumption that this year’s off-premise OND sales will follow the traditional trend – something that cannot be taken for granted in this, the most untraditional of years. Further data suggests the pandemic has sped-up a pre-existing trend towards online shopping: Up to a quarter of US consumers have now bought wine online, either direct from wineries or from retailers.

We have seen a slight rise in off-premise pricing as on-premise suppliers redirect their wines into grocery stores. There is a big question mark as to how sustainable margins gained from off-premise sales are for many Coastal wineries in the longer term. And redirecting the wine into the off-premise, often with a much-reduced price tag on the shelf, can run the risk of brand devaluation in the longer term.

This year has shown how quickly things can change: As the inventory barometer in this month’s report illustrates, we estimate current Cabernet inventory is now approximately half what it was in December 2019, while the respective inventories of Chardonnay, Merlot, Pinot Noir and Zinfandel are also significantly less than they were to varying extents. Supply of the 2019 vintage is now very limited – and often high in price – and there is little clarity on 2020 vintage availability levels due to the lighter than average crop and any potential smoke impact. Together with this supply instability, the difficulty in making confident sales projections due to COVID-19 means there is demand instability as well. Read on for the latest on California’s bulk wine and grape markets.

As the market currently stands, then, it pays even more to be in dialogue with your broker as we continue to do our best to help you navigate the market. Do reach out to us with your bulk wine samples and the grapes you will have for sale in 2021. Likewise, let us know what bulk wine or grape needs you have. In the meantime, everyone at Ciatti wishes you and yours a very Happy Holidays and a prosperous – and healthy – New Year.

*Robert Selby*

# The Bulk Wine Market

We continue to expect a 2020 harvest figure of approximately 3.4 million tons. The respective volumes of each varietal depend not only on how light they were in a lighter than average year but, in the Coastal areas, when they were picked in relation to the wildfires. The Coast's Chardonnay, Sauvignon Blanc and other whites were lighter this year but most of these varietals were picked before the fires. There are more smoke concerns surrounding the Coast's Zinfandel, Merlot, Pinot Noir and – to some degree – Cabernet.

On the Coast there has been some activity on the 2020 whites, plus on premium reds in appellations such as Sonoma County. We are just starting to see some interest in Coastal Pinot Noir as well, but the pricing is perhaps a little north of what buyers would like. Chardonnay demand, meanwhile, remains highly muted; this could indicate that the varietal's 2020 yield was lighter than average but, for buyers, not scarily so.

Some suppliers in the Central Valley are already sold out of their 2020 wines. This mainly applies to whites such as Sauvignon Blanc, Pinot Grigio and Muscat. Some potential buyers have moved overseas to source these three varietals, illustrating that – should they be unable to find the wines in the requisite volumes and/or at the requisite prices in California – buyers have the ability to go elsewhere. Many of the reds are still moving through the approval process, but Central Valley Cabernet is perhaps already proving harder to find. The Valley's limited Pinot Noir inventory, meanwhile, is receiving interest.

As outlined in the introduction, the remaining inventory of good-quality 2019 wines across the state is greatly diminished (and high in price) while the picture on 2020 availability is murky at best. We can assume there will continue to be good off-premise demand for Cabernet – the USD15/bottle or less California appellation Cabernet being such a strong retail category – but this may prove hard to source in the Valley (due to limited supply there) and also hard to source in the Coast (at the required price). The latter problem is exacerbated by

the return of the bifurcated marketplace, with Coastal wines commanding – or at least attempting to command – a premium. Consequently, a disconnect could open up between the areas that can supply Cabernet and the prices being offered for the varietal.

During the state's wildfires there was a genuine concern for availability across all varieties, inflating prices, but as fears around smoke exposure have diminished, so too has activity. On the whole, prices remain, for now, pretty stable. Purchasing will proceed in smaller increments as buyers seek to cover only their short- to medium-term needs. Demand for Coastal wines will be most impacted by the closure of restaurants across California – and elsewhere across the US – as fresh COVID-19 restrictions kick in, raising the possibility of a price softening on Coastal wines in a bid to attract more buyer interest.

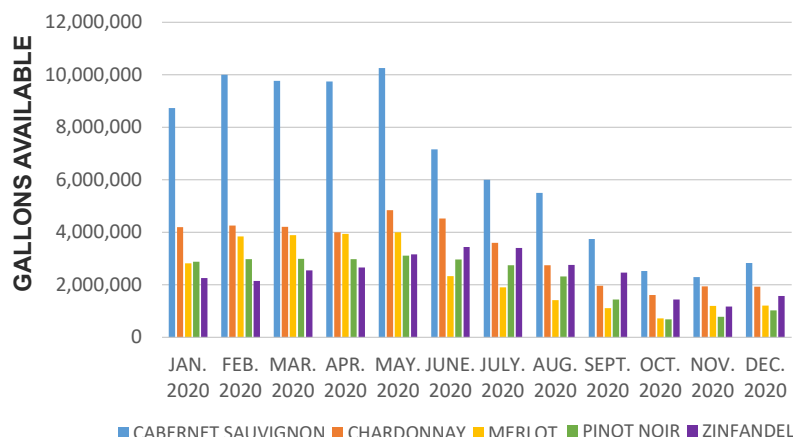
Complicating the picture further: With so much uncertainty around, speculation is occurring, with some suppliers keeping some of their wines off the market in the hope it will command a higher price later. We see wines cropping up on the Coast when suppliers think the price is right.

Some buyers are discussing 2021 wine contracts already. This may be because they have robust retail brands to fulfil, or it is simply a reflection of the lower wine availability now versus a year ago making them less confident of locating the wine they need when they need it.

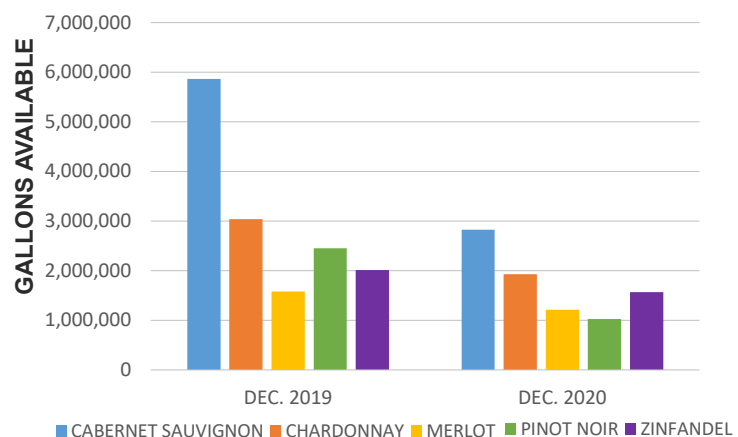
This month's inventory graphs illustrate the situation well. Cabernet inventory is half what it was a year ago, while the other tracked varietals are also well down to varying extents. Inventory fell swiftly in the May to October period – powered by the off-premise sales uptick, then California's wildfires – before starting to build again as the new 2020 vintage becomes available.

**Please let us know what 2020 bulk wines you have available, and we will help you find a buyer. Likewise, if you are in need of bulk wine, get in touch for the most up-to-the-minute availability.**

## California Bulk Wine Inventory



## December 2019 vs. December 2020



# The Grape Market

There has been some limited desire from wineries to look into grapes already. This has mainly been on Central Valley grapes and, even then, preliminary discussions only. As a result of the lighter than average 2020 crop and the reduction in bulk inventory, grape suppliers are somewhat hesitant to commit to a contract now, especially if the winery is coming in with the same offer as on the 2020 grapes.

At the moment we are seeing plenty of vines getting pulled out both in the Coast and in the Valley – likely the removal of old and inefficient vines in the main, but there is a question mark over the level of replantings. Areas will be left fallow, or given over to something else, if the grape pricing does not make sense.

Interestingly, there is a call for more Merlot acreage in the Coast and – in general across the state – it feels like there is a real demand for more acreage of varieties outside the big five (Cabernet, Pinot Noir, Chardonnay, Sauvignon Blanc and Zinfandel). There is a sense that, in some areas of the state, Cabernet has become predominant to the detriment of healthy supply diversity. Over in the Valley, there has been

some discussion around planting contracts on Merlot, the availability of which is beginning to suffer from many successive years of pull-outs. There has also been planting contracts discussed on Chenin Blanc in the southern Valley – for use as a blender, or in sparkling, and even as a varietal – and to a lesser extent on Colombard.

There have been discussions around Coastal grapes, too, but to a lesser extent. These are mainly to do with renewing deals that have expired. It is too early to tell as yet what the prices will be – they will not be where they were three years ago, but they are likely to be higher than they would have been last year if there had been demand. As there is currently limited confidence in sale projections, it remains unknown what tonnage volumes will be requested, and there is a bigger question mark in the Coast over pricing than in the Valley, but at least everyone is being receptive and talking.

**Please update us on the 2021 grapes you will have for sale by contacting Molly at +1 415 630 2416 or [molly@ciatti.com](mailto:molly@ciatti.com). In addition, if you require 2021 grapes, get in touch to register your interest.**

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## Grape Juice Concentrate

California's grape juice concentrate market continues to be highly active, suggestive of robust bottling activity. Some GJC varieties are earmarked as limited supply, mainly the whites. Pricing is up a little after

two stable years, not only because of demand and the lighter 2020 crop but in order to cover higher labor costs – the industry is facing labor competition from other California-based industries.

## Weather Update

November was dry in California and climatologist Gregory V. Jones of Oregon's Linfield University forecasts La Niña conditions dominating the "90 day forecast from December to February [... with] California and the central to southern states forecast to be warm and dry." One illustration of how dry California continues to be is the fact that wildfire warnings have been issued into December.

There is plenty of discussion about not having rain in the vineyards and what does it mean: Are we facing a drier than normal growing season in 2021? It is far too early to tell but the concern is real. Irrigation is underway in some Coastal and Valley vineyards – particularly in the semi-arid regions such as Paso Robles – to simulate some of the rainfall they are not receiving.

## Events

Ciatti brokers will be virtually attending or speaking and will have a booth at these upcoming events:

- **January 14:** Sonoma County Winegrowers Dollars & Sense Seminar and Trade Show
- **January 26 - 28:** Unified Wine & Grape Symposium
- **March 4:** WineExpo Tradeshow & Conference



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