



CIATTI
GLOBAL WINE & GRAPE BROKERS



California Report

July 2019

Volume 2, Issue No. 7

**Ciatti Global Wine
& Grape Brokers**

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Due to a springtime wetter and cooler than normal, vine development is running behind schedule in California's growing areas – by between 10 days and 2-3 weeks, depending on location – so that veraison is only now getting underway in a few places. As such, it is difficult to assess the state's crop potential, but cluster numbers and the probability of berry sizing continue to lead us to believe it will at least be normal in size.

May and early June's rain and – in some places such as the Northern Interior – wind caused some significant shatter, on certain varieties more than others. As well as the northern Interior, Sonoma County and Santa Barbara seem to have been particularly affected by shatter. However, although across the state there may be fewer berries, we expect berry sizing to occur and – with cluster numbers looking good – the impact on the final crop figure of the unseasonable late spring weather is likely to be minimal.

Late spring's wetness has subsequently ensured vine growth is very healthy and significant early canopy work – leaf removal – is required, especially if there is a continuation of the cloud cover and humidity we have seen at the start of July in the Central Coast and the Interior. Although growers are cautious of removing too much canopy – as a period of extreme heat could be just around the corner – they are being particularly attentive to mildew this year and carrying out preventative measures.

With the potential for a healthy-sized crop, and the continuing slowness of the bulk wine and grape markets, buyers are making growers especially aware of the maximum tonnages and viticultural guidelines written into their contracts. Activity in the vineyards – such as shoot-thinning, leaf-pulling and thinning of clusters – is noticeably up this year.

To get some idea of specific buying and selling opportunities on grapes and bulk wine, please see the grid below. For news on the market, and an outline of some helpful strategies, read on.

Robert Selby

Opportunities for Buyers	
Bulk Wine	Grapes
18 Chardonnay RRV	CS Napa Valley/Alex Valley/North and Central Coast
17 CS Sonoma County	PN RRV/Sonoma Coast
18 Zinfandel Lodi	CH Central Coast
17 CS Napa Valley	ZN Lodi/North Coast
17 CS Mendo/ Lake	

Opportunities for Sellers	
Bulk Wine	Grapes
Non Vintage Red and Whites at \$.50 to 1.50 per gallon	Merlot Napa Valley
	Zinfandel Napa Valley

Selling Strategies

Buying activity has continued to be slow both on bulk wines and grapes. There is the potential for grape buying to pick up after the picture on veraison is clearer, but at this point the 2019 crop looks like a healthy one and – where the grape market sits right now – it would most likely take the prospect of a significantly light harvest to get the market really moving again.

With ample bulk wine inventory left unsold as the new vintage nears, storage capacity has become tight. As such, with the bulk wine market very slow, bulk prices weakening and with the prospect of paying storage fees over harvest, plus the scarcity of crush capacity, sellers will need to weigh-in carefully the pros and cons of custom crushing any excess grapes they produce this year. There is a line of thinking that, right now, making bulk wine is not what the industry nor what the individual seller needs. We detect an

awareness of this in the extra level of care growers this year are taking in the vineyards to ensure they meet the viticultural guidelines of their contracts and not exceed maximum tonnages.

What can sellers of grapes and/or bulk wines do to help themselves in what is a difficult market from their perspective?

- Be especially open to offers as we move through the season.
- At least on a short-term basis, be willing to take price to move inventory.
- Cast a wide net. Sellers should let us know what grapes they have for sale. They should keep their available bulk wines listed with Ciatti and keep us stocked with samples, so that should a buyer materialize we are prepared to seize the opportunity.

A positive outlet for California's inventory would be export sales,

but there is no denying that Californian wine, on the world stage, is currently collateral damage in the current global economic climate – whether that be trade wars, higher costs, or Brexit uncertainty. We consider these short-term issues.

An export-dampening issue we as an industry do have in our power to tackle is our relative inability to meet demand – particularly European demand – for certified sustainable and/or organic wines. The Californian wine industry as a whole is behind where the French, Italian and Spanish ones are in terms of possessing a unified, comprehensive and easily understood strategy for sustainable and/or organic certification. We see instances where international buyers wish to buy Californian wine but cannot do so because it is not yet sufficiently and/or clearly sustainable or organic-certified all along its supply chain.

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Merlot & Zinfandel

Like all varietals, Merlot and Zinfandel have been suffering from slow markets, but they feel in slightly better supply-demand balance than more fashionable varietals such as Cabernet and Pinot Noir. Why? Overall demand for Merlot and Zinfandel is not necessarily growing, but the level of removals in recent years has brought supply and demand closer to balance.

We have seen Merlot continuing to be removed and, in many cases, replaced with Cabernet and even Pinot Noir. In response, some Merlot planting contracts have recently been put in place in Napa Valley, and there has been some bulk wine and grape activity for Napa Merlot (and, to a lesser degree, Sonoma Merlot). Indeed, what feels most in demand from Napa now

is Merlot, Zinfandel and Sauvignon Blanc – three varietals that have been removed in recent years to make way for Cabernet. As the table of Napa’s vineyard acres shows, growth in Merlot acreage between 2009 and 2017 was negligible compared to Cabernet’s.

Zinfandel has been removed in the Coast and in the Central Valley (namely Lodi), and case good demand continues to be sluggish for the varietal except in Napa Valley where – as with Merlot – some planting contracts are going in.

Zinfandel has lost varietal cache over the years and has, like Merlot, been going into red blends.

That said, there has been some very tentative signs of varietal Zinfandel sales increases in the small but growing Direct-to-Consumer category, including wine clubs. (In 2018, US wineries’ DTC shipments on all wines grew by 11.6% in value to be worth a record \$3 billion, according to Savos & Wines Vines Analytics, with volumes up 9% to 6.3 million 9-liter cases.) Growing Zinfandel again as a varietal wine,

as well as using it to make good quality dry rosé, will take time but we still see it as a vital part of California’s wine offer.

Napa Vineyard Acres				
Varietal	2009	2017	Difference	% Change
Cabernet Sauvignon	17,824	21,201	3,377	19%
Merlot	4,703	4,881	178	4%
Zinfandel	1,314	1,389	75	6%
Chardonnay	6,399	6,917	518	8%

Hot Opps Box

Bulk wine pricing is at its lowest in a number of years and trending downward, with some price parity between Coastal and Central Valley wines – with Coastal wines cheaper in some instances. Now is a great time for buyers to step into the market and secure the wine they need, either on spot or contract. There is the ability to buy or even contract out bulk wine for longer periods at more realistic pricing. More wines are being listed and coming onto the market each day and we have large amounts of very good quality bulk wines available. There continue to be particular opportunities on 2016, 2017 and 2018 Cabernet and other reds – including Pinot Noir – from premium markets in the North and Central Coasts.

It is also an opportune time to secure **2019 grapes** and beyond on multi-year, amenably-priced contracts. If you’re thinking about buying grapes, or if you have grapes available for sale this year, **Molly at +1 415 630 2416 or molly@ciatti.com** to get listed.

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