



CIATTI
GLOBAL WINE & GRAPE BROKERS



California Report

July 2020

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**Ciatti Global Wine
& Grape Brokers**

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Ciatti Market Update

Please Join Our Webinar!

Wednesday, August 12th, 2020

11:00AM - 12:00PM

The Ciatti Company will be hosting a session to discuss the current market conditions that exist in the Wine Industry. Please tune in and listen - you can register by [clicking here](#). This session will provide insight about the current wine and grape market, and also discuss buyer activity in Europe we will also hear from Danny Brager, Senior Vice President of The Nielsen Company who will discuss current casegood sales trends and consumer behaviors. There will be time at the end of the session for questions and answers from the audience.

Speakers:

Glenn Proctor – Introduction

Johnny Leonardo – Wine/Grape Market Update

Vic Gentis – Exports to Europe and UK

Danny Brager, Nielsen Company – Update Sales & Consumer Trends

REGISTER

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The COVID-19 picture across the United States – as across the world – is mixed, with some areas seeing a rise in cases again and re-closing their bars and restaurants. As a result, it is difficult for the on-premise wine business to take hold and the many unknowns about the future have made it difficult for all parts of the wine industry to have any confidence in planning.

The off-premise sales dynamic originally driven by the Stay in Place orders in March continues today: for the four weeks since our last report, Nielsen data shows wine’s off-premise dollar sales versus last year were up 18.5% in the week to 27 June, 23.8% in the week to 20 June, 20.1% in the week to 13 June, and 23.8% in the week to 6 June. Nielsen also found that canned and 375ml bottle formats were experiencing the largest growth – albeit off small bases – while, over the 17 weeks since COVID-19 first hit the US, the fastest growing wine type was Sauvignon Blanc (+38%). Red blends, Moscato, Pinot Noir, rosé, Cabernet and Riesling also have seen growth of 30%+. Nielsen added that, when comparing the 17-week period to the 52 weeks before it, Moscato and Riesling led the way, followed by red blends, Pinot Noir and Sauvignon Blanc.

The bulk market, although slower than it was in March and April, is still proceeding steadily and is more active than it was this time last year. This is likely due to a combination of factors: buyers supplying the off-premise needing to source more wine, buyers capturing their normal volumes a little later in the cycle than usual, and – as every year at this time – buyers realising opportunities as sellers seek to clear their tanks of older vintage wines ahead of harvest.

The grape market, meanwhile, remains quiet, with limited activity mainly occurring in the Central Valley or at California pricing in the Coast. There are more grapes uncontracted in the Coast now than this time last year. Growing conditions across the State have been good since some spotty rain and frosts during bloom. Timing at this point looks to be ahead of the 3-5 year average, though by exactly how much depends on area. We currently expect a 2020 harvest average in size to slightly smaller than average. Discussions are ongoing within the industry regarding best practices for safe harvesting during COVID-19. Read on for more details and, in the meantime: Stay Safe.

Robert Selby

Opportunities for Buyers	
Bulk Wine	Grapes
18/19 Chardonnay Coastal	Pinot Noir, Chardonnay RRV
18 Cabernet Sauvignon Coastal	Cabernet Sauvignon Coastal
17/18 Cabernet Sauvignon Paso	Pinot Noir Coastal
19 Cabernet Sauvignon - All Areas	Zinfandel - All Areas

Opportunities for Sellers	
Bulk Wine	Grapes
19 Chardonnay, Sauvignon Blanc	Chardonnay, Cabernet Sauvignon Valley
18/19 Cabernet Sauvignon Napa	Syrah, Zinfandel Napa
19 Pinot Noir RRV	Cabernet Sauvignon Napa
	Organic

The Bulk Wine Market

As outlined in the introduction, the bulk market is moving forward steadily with a range of deals getting done. Now is an opportune time for those suppliers still with wine in tank – particularly those with older 2017 or 2018 vintages – to find a buyer ahead of the coming harvest.

The bulk market activity is due to a combination of factors: buyers capturing their normal volumes a little later than usual, wineries with well-positioned off-premise brands requiring more supply to meet consumer demand, and opportunistic buyers seeking late-season clean-up deals on older vintages. We are potentially detecting – on the clean-up deals in some areas – the proactiveness coming more from the buyer than the seller, with the bottom price of the market in some cases moving upward. It must be reiterated, however, that prices are – overall – significantly down from where they have been historically, with much of the activity in the Coast taking place at California pricing.

With steady activity and some wineries with off-premise brands taking bulk wine inventory back off the market to use for themselves, inventory is reducing. Though it remains significant overall, specific qualities on specific varieties are becoming more difficult to find. For example, Central Valley Cabernet at a certain price point has become harder to find, so buyers have moved into the Coast to capture Cabernet at that California pricing.

Activity continues to center around Chardonnay, Cabernet and Pinot Noir, with – again – most of the larger deals involving wineries seeking California supply but finding they can source Coastal wines for the same price. There continues to be activity on Russian River Pinot Noir and Napa Valley Cabernet but at pricing below historical expectations. Due to this demand, **we are particularly keen to hear from suppliers with 2018 Napa Valley Cabernet available.**

The Grape Market

The grape market continues to be less active than the bulk market, though there is some – selective – contracting taking place in the Central Valley. Uncontracted Cabernet and Merlot is becoming a little harder to find there. Of the whites, Chardonnay, Pinot Gris and – in particular – Sauvignon Blanc are harder to come by. Demand for Zinfandel has been detected, potentially for red blends. It should be reiterated that the prices being offered on deals are workable but below sellers' expectations.

Demand for the Valley's Pinot Noir grapes feels a little slow, with a decent amount still uncontracted in the Lodi/Delta area (ditto Petite Sirah). This could be due to the ability of grape buyers, now free of contracts, to go source Coastal Pinot Noir grapes at Valley pricing. With the trend evident in the past two years of buyers not renewing contracts, many are now free to operate on the spot market, and we may see more spot market activity this year as a result.

Indeed, we are starting to see buyers who traditionally operate in the Valley coming into the Coastal areas and have success offering prices that in the past growers there would likely not have accepted. The

normal Coastal buyers are not active and there is a significant amount of fruit still available on the Coast – more tons than we saw last year at this point, a reflection of the non-renewal of contracts over the past two years.

Where grape contracts do exist, there is some activity occurring in terms of wineries seeking a reduction in price, or a renegotiation of payment terms, in light of the COVID-19 difficulties. We have also heard from wineries who have adjusted their sales forecast downward and now have grapes they need to sell – some of these wineries were buyers of the same grapes four months ago. Wineries particularly affected by the on-premise shutdown will naturally be hesitant to buy grapes and may go through this harvest short on supply. This leads to the million-dollar question: should growers with uncontracted grapes at harvest go ahead and make bulk wine themselves, in the hope that the market will come back in 2021?

With the 2020 harvest rapidly approaching, do **let us know the storage and processing capacity you possess or require, so we can refine our picture of what's out there and better help you.**

Vineyards Update & COVID-19 protocols

Harvest timing feels ahead of where it was in the past 3-5 years, perhaps by as much as 7-10 days, depending on area. Veraison occurred earlier than expected in many areas.

The weather has been normal for the time of year with no extremes, the grapes look clean and vineyard conditions healthy across the State. Overall, we currently seem on course for a crop average in size or slightly below average – mainly simply due to the law of averages rather than any particular setbacks, though there was some spotty rains and frost during bloom in some areas (particularly the Central Coast). Cabernet seemed to be performing well early on – especially young Cabernet – but is looking more average now, while Chardonnay and Sauvignon Blanc on the Coast look lighter overall.

Growers and wineries are trying to understand how to modify their practices to allow crush to flow smoothly while also limiting the spread of COVID-19. They are in dialogue with each other and also contacting us.

We would like to direct anyone with inquiries on this matter to the California Association of Winegrape Growers (CAWG), and their website has useful information here. In addition, CAWG, the Wine Institute and the California Sustainable Winegrowing Alliance hosted a joint webinar entitled 'COVID-19 Harvest Protocols' on 7 June and, as it was recorded, should be available imminently.

Ciatti will host its own webinar – on the Californian wine industry and the global bulk wine industry more generally – in August. Check out this month's cover page for details.



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