



CIATTI  
GLOBAL WINE & GRAPE BROKERS



# *California Report*

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**Ciatti Global Wine  
& Grape Brokers**

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## June 2018

Volume 1, Issue No. 5

- 3 North Coast
- 3 Central Coast
- 4 Lodi/Delta/Northern Interior
- 4 Pinot Noir
- 4 Other Reds & Whites
- 2 Hot Opps Box
- 5 Contacts

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

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The first weekend in June brought heat to the Coast and northern Central Valley after a cool spell from late April through May. Late spring's cool temperatures – as well as some wind and rain – has meant the growing season is running a little behind where it would normally be, certainly behind last year's, but it will catch up quickly if June continues as hot as it started. Some Lodi and Coastal areas especially experienced May moisture – in addition to late winter rains – but mildew has not been a problem: growers remain vigilant. See pages three and four for more details on how each growing area is faring.

With three months to go until harvest, there is still plenty of time for Mother Nature to have a big say. The Center for Wine Education at Oregon's Linfield College has forecasted a 'strong chance for warmer than average conditions over the western US' for June through August, with seasonally dry conditions and the Pacific North West being the driest region. Linfield's forecasts indicate that 2018 is 'highly likely' to end up close to the five-year average for heat accumulation.

On California's bulk market, wine is moving every day – and at good prices – but continues to do so in small increments. At the present purchasing rate, the large Californian inventory will take some time to work through. In the past month Ciatti has received an uptick in requests from suppliers wishing to move wines, to clear tank space ahead of the upcoming harvest or to generate cash flow. It seems there is some pressure on trying to move wine before crush; this will only continue over the next two months, particularly as the 2018 crop is looking average-sized at worst. Sellers can offload small lots of wine at the current prices, but those wishing to move large volumes must consider discounting their price. This is when opportunities could arise for buyers.

*Robert Selby*

## Hot Opps Box

Opportunities continue on Coastal reds in premium appellations, a lot of it Cabernet from Napa, Sonoma and other Coastal appellations. In these areas there is also some Zinfandel and – in the Central Coast – 2018 Pinot Grigio both as grapes and wine. There are opportunities on the Californian bulk wine market for domestic and international buyers who can load and move product quickly, in the next 60-90 days.

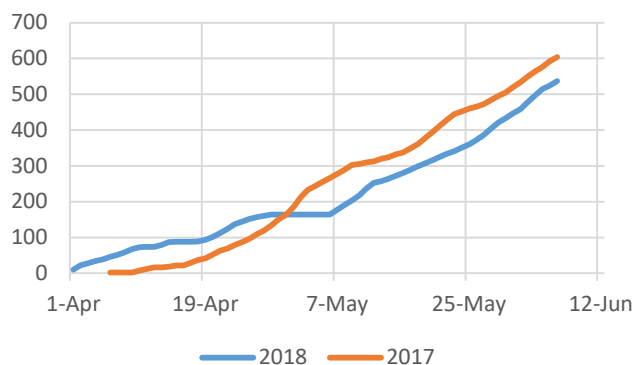
# Deep Dive: Crop Potential by Region

## North Coast

The temperatures the North Coast experienced in late April through May were below normal for the time of year. There was also some wind and rain, and some overcast or foggy mornings. Growing degrees (the accumulated total of daily temperatures over 50 degrees since April 1) have since April 30 lagged behind where they were last year. Degree Day accumulation in Windsor, California for example were their lowest level since 2011. As a result, the growing cycle in the North Coast is probably 7-10 days behind where it was last year.

### Growing Degree Days

Windsor (elev: 85 ft) Degree Days



Cluster counts on **Cabernet** look good, particularly on the younger vines, while – at the time of writing – set appears adequate enough to ensure a healthy crop. California as a state will produce a record Cabernet crop this year because of the new plantings coming on-line.

Concerns earlier in the season about cluster counts on North Coast **Chardonnay** seem to have been quelled; in the past we have seen how late winter rains leading to good soil moisture, combined with cool growing conditions later on, can really size-up Chardonnay later in the year. Cluster counts so far look fine, set adequate. Growers are now more confident about this crop, particularly in the North Coast's warmer areas.

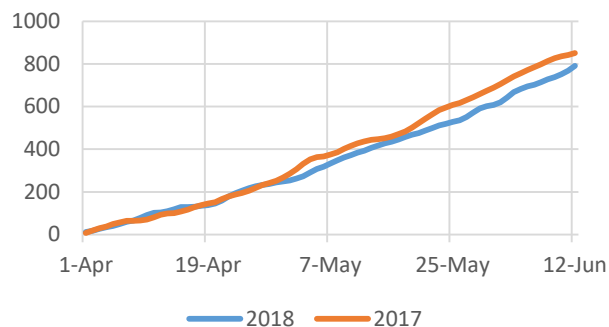
**Zinfandel**'s set looks to have been impacted by the cool, windy weather; as a result, expectations in the North Coast are for a below-average Zinfandel crop this year. With the lack of pressure on the Zinfandel market, a slight tempering of supply is probably not a negative. **Pinot Noir** started out looking below average, with lighter set in the cooler areas, but things have improved, with the North Coast now on course for an average to average-plus Pinot Noir harvest in terms of volume, just as across the state in general.

## Central Coast

The disparity in this April and May's temperatures compared to the same months of last year has been less marked in the northern Central Coast than they have been in the North Coast: in the King City-Oasis Road area of Monterey, for example, it's been only narrowly cooler than in 2017 and 2016, and warmer than in 2015. In the southern Central Coast, in the Atascadero area of Paso Robles, it's been markedly cooler than normal. The Central Coast has, like the North, experienced some wind, rain, and overcast/foggy mornings. This has caused difficulty in determining the set situation.

### Growing Degree Days

King City-Oasis Rd (elev: 540 ft) Degree Days



Cluster counts seem to be good in the **Cabernet** vineyards, though shatter will remain a threat for a little while longer. **Pinot Noir** cluster counts look similarly positive but cluster sizes look smaller than normal for the time of year; in general the picture on Pinot Noir is more positive than it was a month or so ago, with an average to average-plus crop expected.

As in the North Coast, the **Chardonnay** crop looks average, especially in the region's warmer areas; it's now a case of waiting to see how Chardonnay sizes up. **Petite Sirah** vines seem to be benefiting from their relative youth, proceeding robustly with big clusters that could size up. **Merlot**, **Zinfandel** and **Syrah** all look to be on course for an average to average-plus crop. The final Merlot volume may be down on previous years, however, due to vine removals; outside of Napa and Sonoma, Merlot is increasingly used as a red blender, with Cabernet (and to a lesser extent Pinot Noir and Chardonnay) more attractive to growers from an economic point of view.

*See next page for more on Central Coast.*

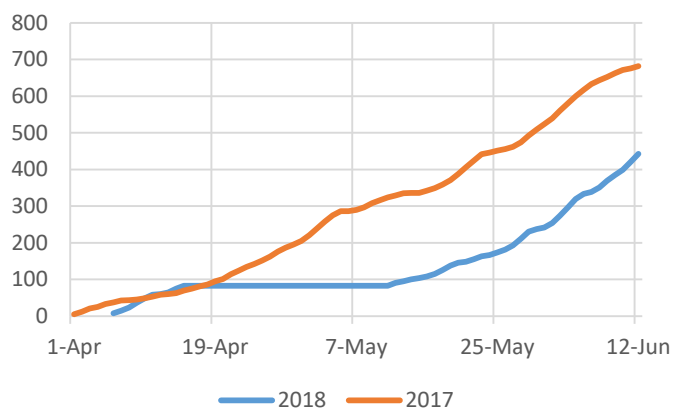
The Central Coast's **Sauvignon Blanc** crop looks average at best and maybe slightly down. Any new plantings of Sauvignon Blanc are still waiting to come on-line so old vines must bear the workload for now. We've seen some new acres recently going into the ground in the Central Coast, Sonoma and Lodi to help meet Sauvignon Blanc demand; they will come on-line in the coming years.

## Lodi/Delta/ Northern Interior

Even in Lodi and the northern interior temperatures from late April through May were cooler than normal. Set in the northern half of the Lodi/Delta area looks to be 7-14 days behind the five-year average, with some varieties just completing bloom. Most varieties look to be average based on bunch counts but sizing looks strong.

### Growing Degree Days

Atascadero (elev: 885 ft) Degree Days



**Cabernet** and **Merlot** look well-placed for a good-sized crop, but as in the Central Coast, with recent rain and winds there is the potential for some shatter. As on some varieties in the Coast, younger vines seem to have healthy crops, including on **Zinfandel** (while old Zinfandel, where it has not been pulled out, looks more on the average side). **Pinot Grigio** and **Sauvignon Blanc** also look strong, while **Chardonnay** is beginning to size with potentially above average cluster weight.

Growers have been proactive this year with mildew prevention after a few problems last year; there seems to be few mildew issues so far.

# Varietal Focus:

## Pinot Noir

The Pinot Noir bulk and grape markets are stable and demand in general has been very solid. However, the market's stability, like everything else at the moment, is tempered by being a place where pricing must still work. Asking prices perhaps currently exceed what is attractive for the buyer, meaning there's more Pinot Noir bulk inventory than one might have envisioned as we move into June, even in the North Coast/Sonoma/Russian River area (where there remains good demand). Sellers still think prices have the ability to rise, but we are seeing the bulk market on all wines increasingly unwilling or unable to digest price increases.

Some big buyers of Pinot Noir are looking to sell instead; medium-sized players will eat into that stock but – as applies to all varieties in California at the moment – small amounts of high-end Pinot Noir is moving, not large amounts. To justify the prices, demand for Pinot Noir has got to be as good as it's ever been on the shelf. Nobody will be starting new programs at current prices, only filling small holes in existing programs. Some sellers sitting on inventory may hold onto it into next year, which may not be desirable from a tank space point of view.

## Other Reds & Whites

Demand has increasingly focused California's supply on the big three or four varieties (Cabernet, Merlot; Chardonnay, Pinot Grigio). In only chasing this limited selection of – what are perceived to be financially 'safe' – varieties, the industry risks losing diversity in its offering of blender or discovery varieties. Ciatti continues to receive requests in limited amounts for the more esoteric reds and whites, requests that are increasingly difficult to fulfil. These esoteric wines are not only going for use in tasting rooms or special products – there are potentially buyers out there who wish to grow, say, a Viognier or Sangiovese program who are being thwarted by limited availability.

It may be that growers and sellers who have longstanding, secure relationships with buyers of more esoteric varieties need to think twice before ending these and switching to varieties that apparently offer a greater financial yield. It's always good to keep one eye on opportunities that may arise should one or two of the big varieties take a step back or level off.

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