



CIATTI
GLOBAL WINE & GRAPE BROKERS



California Report

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**Ciatti Global Wine
& Grape Brokers**

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Following mid-April's frost episode in parts of the Delta, California's growing areas have been experiencing changeable conditions. Areas of the North Coast, particularly Lake County, received some isolated frost and hail episodes in May, with damage spottily distributed and less than was seen in the Delta the previous month. The vines were either in bloom or entering into it, raising some concern that fruit set may potentially have been affected. Since mid-May there have been some heat spells followed by cooler periods; early June brought some late rain and humidity, raising the prospect of some disease pressure.

What rain has fallen has been nowhere near enough to alleviate California's drought. Where possible, growers have been irrigating to improve available water levels. Water usage curtailments are in force and it is hoped the impact of these can be mitigated by voluntary sharing agreements between growers, such as the Russian River's Voluntary Water Sharing Program in which those with 'senior' water rights can sign up to share their allotments with those with 'junior' rights.

Lodi, meanwhile, has been experiencing unusually prolonged windy conditions – 15-20mph daily for a month or so – which raises the prospect of increased shatter. In the main, however, since mid-April's frost, conditions in Lodi have not been extreme and bunch counts and berry-sizing look good. Further south, in the Valley, a heat spike past 100°F towards the end of May was followed by milder and then – with a sprinkling of rain around – more humid conditions.

In general, across the state, in spite of the longstanding drought and the real mixed bag of spring and early summer conditions, cluster sizes and architecture appear good. With degree-day accumulation lagging behind last year, vine development is certainly behind last year's early timing and thus closer to average. We will need to wait for veraison to get underway before making a crop estimate.

The 2022 grape market has continued briskly, with supply now tight in Napa, Sonoma and the Central Valley. The bulk market, meanwhile, reflects the grape market, with activity focused on Napa, Sonoma and – for small lots – in the Valley. Grape pricing is generally high, and we are seeing some consequences of this, such as Coastal brands switching to California and, in turn, California export pricing moving up. Retail clients are understandably pushing back against increasing shelf prices in the current inflationary environment, expecting the wine industry to make things work at pricing in line with before; the consequence will be grape and bulk wine buyers shopping around more for sourcing that can work.

The Ciatti team stands ready to draw on its decades of experience to help you navigate these topsy-turvy times: Don't hesitate to get in touch. In the meantime, read on for more on the bulk wine and grape markets, and stay safe.

Robert Selby

The Grape Market

Continuing from last month, there does seem to have been some – limited – grape market activity stimulated by weather, with some buyers perhaps less confident of their supply on specific 2022 grapes from specific areas than before, and seeking to top-up.

Supply of Napa and Sonoma Cabernet grapes (as well as any grapes at all in these two areas) is now hard to come by. We are seeing some wineries make adjustments on Lodi and Central Valley Cabernet, based on a number of factors, with some availability potentially popping back onto the market. The wave of new, high-yielding Cabernet vineyards in recent years (with more due to come on-line over the next three vintages or so) has perhaps been sufficient to satisfy the market. Demand in the Valley is strongest on Zinfandel – due to ageing vines and dwindling supply after years of pull-outs – and Chardonnay.

Russian River and other Sonoma Pinot Noir grapes are being steadily contracted but, in Monterey, Pinot Noir grapes are currently a slow-mover and there is adequate supply due to the price-competitiveness of Central Valley Pinot Noir. Pricing on Monterey supply may not be attractive to those seeking California pricing levels. Good demand for Central Coast Chardonnay – due to low Chardonnay supply levels in the North Coast and Central Valley – is potentially creating the opportunity for Chardonnay-Pinot Noir package deals.

Overall, the grape market this year can be characterised as strong – perhaps the briskest we’ve seen it for 4-5 years. There seems to be good levels of need, though of course there is also a degree of buyer hesitancy considering the uncertain times the world is living through.

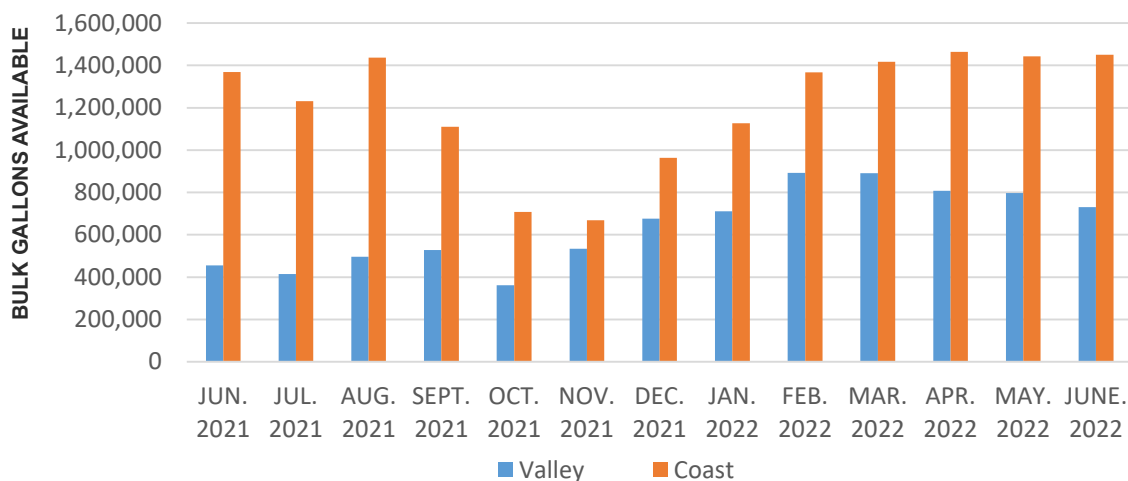
Chardonnay Grapes & Bulk Wine

Chardonnay from the coming 2022 vintage – grapes or bulk wine – is becoming harder to find and Chardonnay grape supply both in the Coast and Valley feels tighter than for some years. This could be the cumulative result of successive shorter crops in 2020 and 2021, perhaps even a lack of sufficient plantings, and also April’s frost incident in the Delta, in which Clarksburg was one area concertedly affected. Demand for the Interior’s Chardonnay grapes has been robust and there is not much currently available on the open market, while Napa and Sonoma Chardonnay is very difficult to come by. Consequently, Central Coast Chardonnay is receiving good demand and, as mentioned above, for

buyers there could potentially be some opportunities for Chardonnay-Pinot Noir package deals.

On the bulk side, 2022 Chardonnay is receiving a lot of inquiries, all the while 2021 Chardonnay volumes remain on the market, with many potential buyers only willing to show interest in 2021 wines at opportunistic prices. This could simply be an illustration of the bias in favor of newer wines on whites. The supply of 2021 whites may not be that plentiful anyway, if some was diverted into generic white production. Price-sensitive demand from California Chardonnay programs has been high. Availability of Napa and Sonoma 2021 Chardonnay is now very limited.

Chardonnay Valley & Coastal



The Bulk Market

Availability on 2021 Napa and Sonoma Cabernet is low and prices are high on what remains. Now that the 2022 vintage is on the horizon, some 2020 vintage North Coast Cabernet is being sold off at discounted pricing. Activity on the remaining Napa Cabernet has settled somewhat, potentially due to high pricing combined with early tentative expectations of a good-sized 2022 crop or some slowing sales data – there is not a lot of bulk wine remaining in Napa to go get anyway. In Lake and Mendocino, 2021 Cabernet is still available, and there is some Lake Cabernet available at competitive pricing. Some Pinot Noir remains in Napa and Sonoma at high pricing. Monterey Pinot Noir supply, meanwhile, feels plentiful.

The Central Valley’s bulk market continues to be active, albeit on small lots. Lodi prices remain elevated and availability persists. There continues to be good volumes of 2021 California Cabernet available, but demand is currently muted.

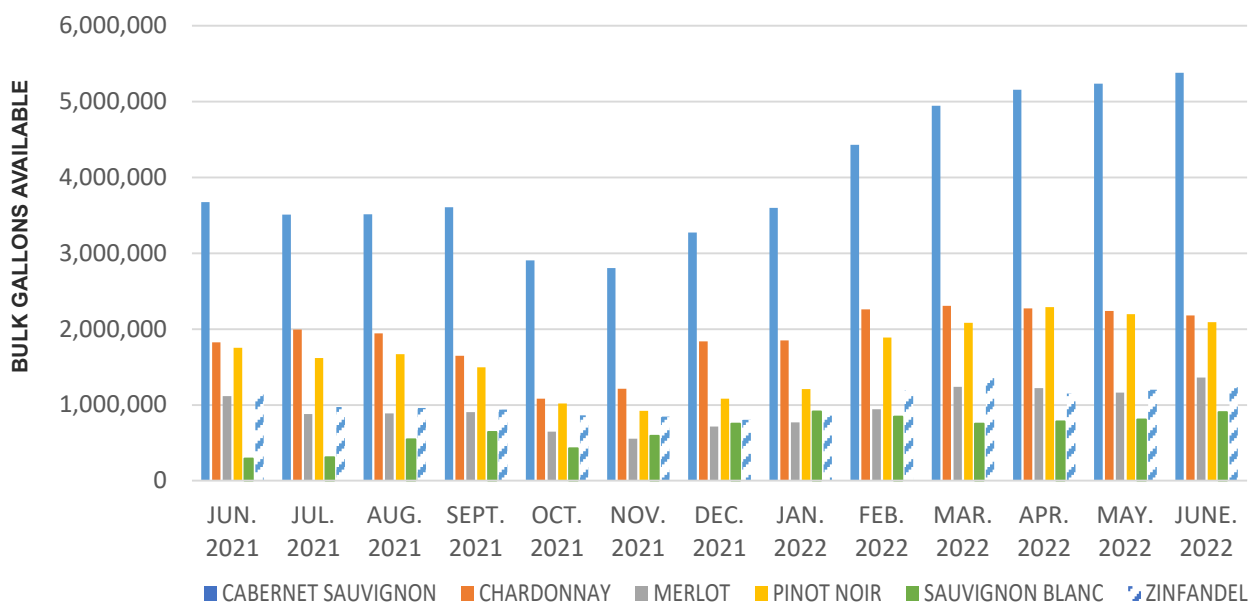
Processing and storage capacity remains in good supply, potentially at price in line with 2021. This availability is potentially indicative of the successive lighter crops of 2020 and 2021, combined with there being big capacity in the industry. If you require processing or storage, or have either to offer, get in touch with us so we can help match you up with a buyer or seller. Shortages of dry goods continue to be a talking point, with the supply and spiralling cost of glass a particular headache – some bottling lines are standing idle while they await supply.

A moderate increase in some Californian bulk wine export pricing was announced at ProWein, as suppliers seek to retain margin amid higher grape prices and inflationary pressure. As part of the wider global supply chain crisis, shipping into and out of the ports of Oakland and Los Angeles remains a challenge. We expect this to be true for the foreseeable. There is the possibility it could be exacerbated by contract negotiations – which commenced May 10th – between West Coast port workers and their employers ahead of new employment contracts due to start July 1st. (The last time such negotiations took place, in 2014, a contract dispute hampered port operations for nine months.)

The wine sales picture for the US market, as everywhere, is murky at best. We continue to see data – such as that recently published by the Wine Market Council (WMC) – showing premium wine categories holding their own better than the overall market, which is moving back to its pre-COVID ‘normal’ in terms of total volume. While the number of people drinking wine daily or more than once a week is declining as the ‘Boomer’ generation is replaced by subsequent generations – such as ‘Gen Zedders’ and ‘Millennials’ – more likely to consume less, drink alternatives or abstain altogether (about one-fifth of all ‘marginal’ wine drinkers have dropped out of the category since 2019) – younger drinkers are as much as three-times more likely to take part in wine tourism around California. Premiumization and the DTC channels are avenues worth investigating – though an ongoing annual inflation rate of 8%+ in the US will be a test of their strength.

California Bulk Wine Inventory

(June 2021 - June 2022)



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