



CIATTI  
GLOBAL WINE & GRAPE BROKERS



# *California Report*

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**Ciatti Global Wine  
& Grape Brokers**

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The moderate temperatures experienced this winter have seemingly encouraged some early budbreak in certain areas of the state, increasing the risk of frost damage moving forward. Some Coastal growers are using water for frost protection, which will mean a greater drawdown on the reservoirs/water reserves in those areas. It's too early to get a clear assessment and we will have more information in April. Heavy snow in the Sierra Nevada Range at the start of March has helped boost the snowpack there, but it remains well down in size on the average due to the below-average precipitation levels experienced so far this winter. Storm activity predicted in the Coast over the next week or so should help replenish water reserves.

Prices are high and activity is slow. There is activity in small increments but, overall, more bulk inventory exists on the market in the Coast than before, which is seemingly indicative of a slowdown in retail sales growth in the premium segments. Continued upward price trends on grapes and wine at one end and softer than hoped-for case good sales at the other is squeezing buyers' margins and moving them into the 'California' appellation when they are able, or holding them back from committing when they are not. Buyers are insisting they are unable to take their retail price points up any further, meaning their capacity to absorb increased grape and wine costs is highly limited.

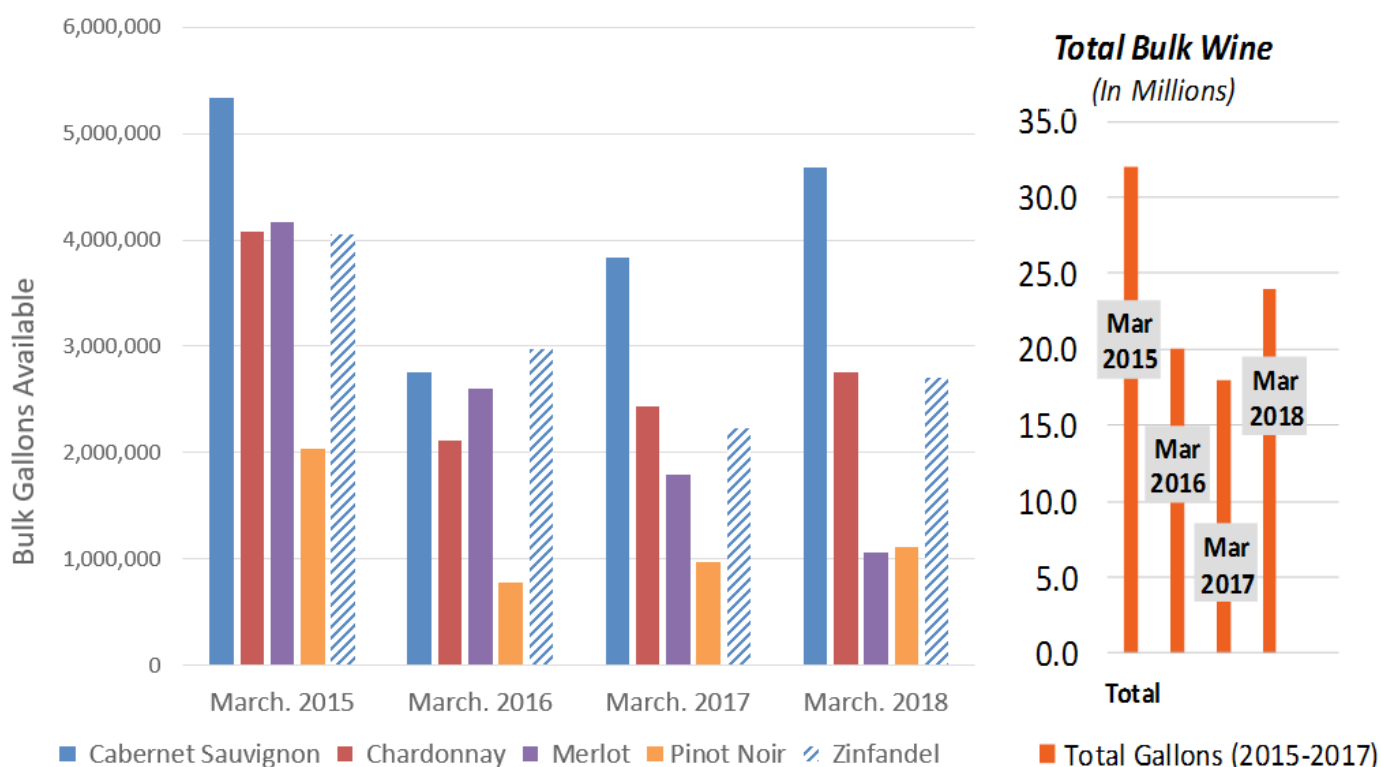
Even on varietals where the supply has appeared tighter between 2016 and 2017, buyers are often seeking the same price quote as last year, or lower. A good example is Chardonnay: some wineries that are traditionally buyers of Coastal Chardonnay have instead put bulk wine back onto the market; in Lodi, some buyers are seeking the Chardonnay grapes at a lower price than last year, despite the crop being 15% smaller this time out. Certainly there's more availability on the market, allowing buyers to be more selective; poorer quality wines are left languishing. The cautious buyer activity raises the question of whether it's the buyers' expectations, or the sellers', that are in tune with the marketplace as it now is. The market feels in a transitional phase.

The likely results of buyers moving from a Coastal appellation into a 'California' one is that the price discrepancy between the Coast and Lodi/Northern Interior will compress a little, and the respective growing areas of Lodi/Northern Interior will become differentiated by quality reputation and price, as seen in the Coast but something that would be new for the Central Valley.

Finally, the weaker US dollar and increased bulk wine prices around the world should, from a price point of view, make Central Valley bulk wines supplying the value segment of the market more attractive to domestic and international buyers moving forward.

*Robert Selby*

# California Bulk Wine Inventory



**Bulk wine inventories available on the market have increased.**

## Pinot Noir

Pinot Noir continues to see good demand but, as per the overall market, there seems to be some appellations in which a little extra product is available. With new plantings of Pinot Noir going in and coming on-line (in places like Sonoma County, Monterey, Santa Barbara, it's been the second-most planted variety after Cabernet in recent years) and potential price increases at the consumer end, it will be interesting to see if this remains as well-balanced a market as it traditionally has been or if there will be some push-back.

There is a concentrated case good buyer pool on Coastal Pinot Noir supplying a couple of major brands; if some of these major buyers slowed on their purchasing there could be some downward pressure on the market. On retail shelves there's a strong emphasis on premium Pinot Noir being Coastal, making a possible switch to a 'California' appellation less likely than on other varietals. Russian River has been the strongest market in terms of Coastal activity, garnering the highest price and the most demand.

Pinot Noir			
	2017	Pricing Change 16-17	Pricing Change 13-17
California	\$1,938	2.3%	8.5%
Sonoma (Dist. 3)	\$3,887	5.9%	26.3%
Monterey (Dist. 7)	\$1,987	4.0%	17.4%
Santa Barbara (Dist. 8)	\$2,989	0.4%	13.7%
Clarksburg (Dist. 17)	\$786	5.4%	6.0%



# Cabernet Sauvignon

Cabernet case good sales have continued to grow.

However, another record Cabernet harvest in 2017

(599,833 tons, some 5.9% larger than the previous record

set in 2016) and the softer overall sales picture has helped

normalize the Cabernet market after 3-4 years in which,

due to demand pressure, the aging period was reduced

and the sales time frame for the varietal was cut from

12-16 months to as little as three. The larger Cabernet

harvests have moved the market for the varietal back into

balance, enabling buyers to be selective (not just in the

Central Valley but in the Coastal areas too) and push back

on grape prices. At least early in the season, buyers in the

North Coast were saying they are unable to take their retail prices up.

As a result, Napa Valley Cabernet is available on the bulk market, so too Sonoma County Cabernet. There is also some Lake County Cabernet available, some of which might previously have been taken into Napa Valley to help margins. Down in the Central Coast, demand for Paso Robles Cabernet appears to have softened a little just at a time when new acres are coming on-line.

Cabernet Sauvignon			
	2017	Pricing Change 16-17	Pricing Change 13-17
California	\$1,572	4.8%	8.5%
Napa (Dist. 4)	\$7,449	8.8%	37.4%
Sonoma (Dist. 3)	\$3,020	1.8%	24.5%
Paso Robles (Dist. 8)	\$1,661	10.0%	22.3%
Lodi (Dist. 11)	\$700	2.4%	-3.2%

# Chardonnay

Although the 2017 harvest for Chardonnay was light

in the North Coast, Central Coast and across the state,

the market is tight only in certain segments. Sonoma

County Chardonnay in general and Russian River

Chardonnay in particular is still tight, but there is North

Coast Chardonnay from Mendocino, and Central

Coast Chardonnay from Monterey and Santa Barbara,

available on the bulk market.

Ciatti is seeing some new bulk Chardonnay become

available from a lot of different areas, including wine

put back on the market by wineries because they think

they have too much. Increasingly, Ciatti is hearing that sales are growing but not at the rate previously projected,

with it proving harder to increase prices at the retail end. In this respect, the heat during the growing season which

sized-down the final Chardonnay crop was not the worst thing for the market. It could be that buyers are holding

off and waiting for prices to soften; finance departments seem to have a firm grip of companies' buying activities at

the moment. If you need Coastal Chardonnay, there is availability: give Ciatti a call.

Chardonnay			
	2017	Pricing Change 16-17	Pricing Change 13-17
California	\$978	4.2%	6.9%
Sonoma (Dist. 3)	\$2,308	7.5%	20.4%
Monterey (Dist. 7)	\$1,360	3.2%	14.7%
Santa Barbara (Dist. 8)	\$1,464	0.6%	19.0%
Lodi (Dist. 11)	\$558	8.1%	1.1%

## Hot Opps Box

There are opportunities for buyers on 2017 Coastal Chardonnay, Napa Valley Cabernet, and on Cabernet, Sauvignon Blanc and Zinfandel from other areas of the state. Also, there is greater availability of Coastal red grapes.

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