



CIATTI
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**Ciatti Global Wine
& Grape Brokers**

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The Sierra Nevada snowpack fell from over 90% of the average for December to under 50% for the end of February, illustrating what a dry month February was. While water reserves are not an immediate concern – considering good rainfall levels in the past two years – February’s dryness has raised the prospect of some early budbreak, extending the vines’ exposure to the risk of frost by a couple of weeks.

The North Coast in particular is seeing vine development a little more advanced than normal, by two weeks or so. In the North Coast and Central Coast, the cost of getting through the season with water could potentially be a challenge if it remains as dry as it has been in recent weeks. That said, Mother Nature is capricious and things can change quickly: a wetter March or April would bring its own problems such as risk of mildew. The current picture is less uniform in Lodi and the Interior than on the Coast – not everything is two weeks ahead of a normal timetable, but there is a concern regarding potential frost, particularly in the hills.

The preliminary 2019 crush figure released in February – 3,890,253 tons, down 9.1% from the 2018 harvest and perhaps smaller than many predicted – has not moved the bulk wine and grape markets discernibly. It should be noted that 2018 was a record harvest and, from an historical standpoint, 2019 could simply be viewed as a move back towards the average, though we believe much of the reduction in yield – 200,000 tons or so – can be attributed to fruit going unpicked.

The bulk wine market continues to be more active now than at this stage last year but, again, from a historical perspective, it is quiet. Moving inventory is – we believe – still the strategy to take as a seller. There are thus opportunities for buyers, but they need to bear in mind that, on some varieties, the 2019 vintage was characterised by excess grapes going unpicked rather than getting crushed, so the deals they saw on the vintage 2018 wines – providing the most attractive price-quality ratios – may be fewer in number this time. In short, we believe that, should a buyer have bulk needs, now is a good time to secure the quantities they require. The grape market is similarly seeing more activity than at this stage last year, but is still sluggish, and certainly quieter than the bulk market.

Robert Selby

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

Opportunities for Sellers	
Bulk Wine	Grapes
19 Chardonnay, Sauvignon Blanc, Pinot Gris (Send Samples)	Syrah, Zinfandel Napa
18 Cabernet Sauvignon Napa	Cabernet Sauvignon Napa
Pinot Noir Oregon and Willamette Valley	Organic
19 Pinot Noir RRV	

The Bulk Wine Market

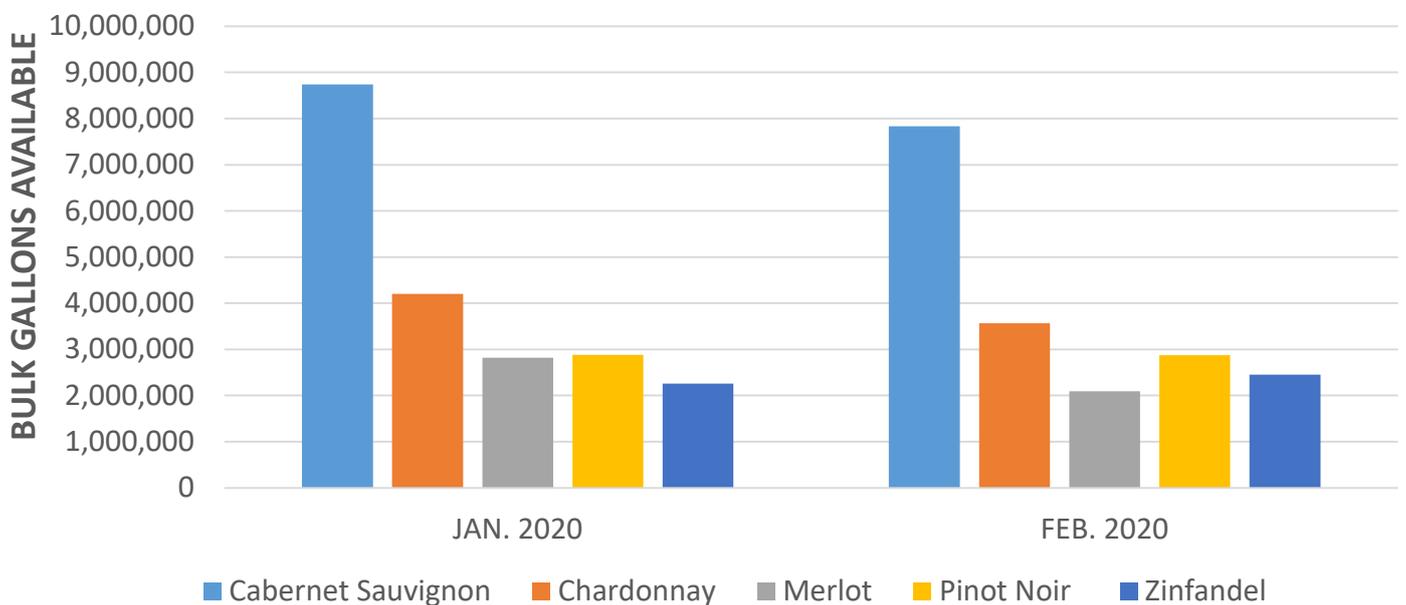
There's a level of – very cautious – optimism regarding the bulk wine market after a more active January and February than last year. Our latest calculation of inventory shows it moving in the right direction between January and February on all the key varietals except Pinot Noir.

Cabernet inventory is estimated to have declined by about 800,000 gallons. There has been activity on Napa Valley Cabernet and also an uptick in interest in Cabernet from elsewhere in the state. There has also been interest in Russian River Pinot Noir. Now is traditionally the time of year when the big red programs start to get bottled, so to some extent an uptick in interest on these varietals is to be expected.

A lot of the current activity surrounds the buying of Coastal wines at or near California prices – recently we have seen this particularly on Chardonnay, with low-priced Chardonnay from across the state receiving interest. There has also been some interest in Russian River Chardonnay, at slightly higher pricing level than the California level. Activity in the Interior continues to be the odd truckload here or there of Zinfandel, plus Cabernet and Pinot Noir at low prices.

The larger wineries are still yet to enter the marketplace and the buyers we do see are very focused on value and low prices. It will be interesting to see if and when the big buyers come onto the market as it would potentially indicate that the market is moving along the bottom rather than having the scope to fall further.

California Bulk Wine Inventory JAN. VS FEB. 2020



The Grape Market

The grape market is more active than at this stage last year but still very quiet, particularly in the Interior where wineries have adequate supply of past vintages and thus possess a lot of latitude in terms of when to come onto the market and what volumes they need to secure. Some may wait until the picture becomes clearer on the state's 2020 crop.

Much of the activity in relation to grapes is discussion around availability and pricing, with many buyers seemingly deep in analysis, waiting

for more sales numbers and/or to see how the 2020 crop looks before committing. In some segments of the bulk wine market, buyers have found availability, quality or pricing not to their liking, and have then looked into the grape market instead.

In the Coast there have been a few wineries re-signing their preferred suppliers on 2-3-year deals. At some stage more sustained activity will start to occur on the state's grape market but at what price, and when, remains unknown.

Pinot Noir

At the last calculation, Pinot Noir inventory was close to three million gallons. It feels like there is ongoing demand for bulk Pinot Noir and indeed we have seen some price-sensitive activity, namely on Russian River and other high-end Coastal appellations, or on California.

What we said in our introduction applies to Pinot Noir: for bulk buyers seeking a very attractive price-quality ratio, like the ones they saw after the large 2018 vintage, now may be a good time to come onto the market as the attractively-priced 2019 deals that also deliver on quality are not limitless in number. Sellers this vintage either did not pick the excess

grapes, or may have taken a lower Coastal price. The very attractive price-quality ratio deals on 2018 wines are diminishing, and there are fewer of them to start with on the 2019 wines.

On the grape side, there has been little Pinot Noir activity. It is hard to determine who the buyers will be given that some grow their own grapes, have long-term planting contracts, and are telling us they do not require more grapes. Pinot Noir is one of the varieties that has been planted – especially in the Coast – in recent years, so there continues to be concern that supply will be an issue as these vineyards come into production.

Sauvignon Blanc

Sauvignon Blanc tends to be purchased early in the year on the bulk market and it was no different this year. Most of the activity came in the North Coast, though activity has since slowed again with good levels of Sauvignon Blanc – particularly in Sonoma County – still available. Now we are into March, the window for selling bulk Sauvignon Blanc is rapidly closing: sellers are advised to be proactive in soliciting potential deals and be realistic about the prices they can receive. In turn, there are opportunities for buyers.

The Central Coast, meanwhile, does not hold a lot of Sauvignon Blanc inventory, and the market in the Interior is pretty well balanced. Sauvignon Blanc grape activity, meanwhile, has been limited but we have seen some interest in long-term sourcing contracts – a good indication that there is growth in this varietal and more need for it. Indeed, of all the varieties in the state, Sauvignon Blanc seems to be closer to balance than most and hopefully that demand will continue.

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