



CIATTI
GLOBAL WINE & GRAPE BROKERS



California Report

May 2021

Volume 4, Issue No. 5

**Ciatti Global Wine
& Grape Brokers**

201 Alameda del Prado, Suite 101
Novato, CA 94949
Phone (415) 458-5150

Ciatti June Global Market Update

Wednesday, June 23rd, 2021

9:00AM - 10:00AM PST

**Review of the Global Market, What has happened this past year and how things
look as we move forward**

Shipping Wine Around the World in a Pandemic – Hillebrand

Market Review by Country:

Petrè Morkel – South Africa

Eduardo Conill – Argentina

Marco Adam – Chile

Florian Ceschi – Europe

Greg Livengood – USA

REGISTER

May 2021

Volume 4, Issue No. 5

- 3 The Bulk Wine Market
- 3 The Grape Market
- 4 Florals & White Blenders
- 5 Structan – a smoke taint solution
- 6 Contacts

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

No part of this publication may be reproduced or transmitted in any form by any means without the written permission of Ciatti Company.

April brought little or no precipitation relief to California's growing areas and – with May forecast to be warmer than average and dry, likewise June and July – water supplies are going to be a consistent talking point throughout the rest of the growing season. This dryness, combined with some colder than normal nights, raised frost concerns and indeed there was some – very limited – late frost in the North Coast. In general, however, the growing areas have come through unscathed.

Both in the Coast and in the Valley, we have been seeing some stunting of – or delay to – shoot growth in some areas. The affected vineyards are showing more clusters than leaves. It has been suggested that this could be the result of an early frost event that snuck in unnoticed back in November, before some vines had fully shut down. In the Valley, a lack of chilling effects over winter may also have contributed. This stunting has equated to uneven progress in vine development in some areas, though in the past week much of the stunting we saw has caught up.

Compounding the uneven development, some cooler than normal night-time temperatures in April and a slower start to heat accumulation in general this year in the northern Coastal areas meant that, by mid-April, vine growth was perhaps running two weeks behind there. However, warmer weather in recent weeks has allowed the vineyards to catch up, so they are perhaps running only 3-4 days behind last year's early timetable. The Central Valley picture is similar; budbreak was perhaps a little later than normal but things have caught up and timing now appears normal.

Central Valley growers have been proactive in dealing with the water supply issue, perhaps keeping more wood on the vines this year and, if they could, starting to irrigate in February in order to recharge the water table. Cluster counts are close to average but the clusters themselves appear less full, so the tentative early signs are for a Valley crop slightly lighter than average. Water concerns stretch over into the Coast, especially south of Monterey. The Central Coast has not seen any notable frost damage and the hope there is for a normal-sized crop.

The on-premise has now reopened in every US state, albeit under varying restrictions. The Labour Department's recent employment report showed leisure and hospitality gained 331,000 jobs in April with hiring at bars and restaurants accounting for more than half the increase. While some industry pundits declare great optimism across the on-trade and forecast "gangbusters" summer business, others point to reduced menus/wine lists – to keep costs down – and the need to work through existing inventory. The off-premise trend, meanwhile, is currently for lower sales versus 2020 (when COVID-19's arrival saw a huge spike in sales) but continuing double-digit growth versus 2019. According to NielsenIQ, wine's off-premise sales were 10% down in the four weeks ending April 17th versus the equivalent period of 2020, but 17% up on 2019. It will be interesting to see, with the country gradually returning to some normality, if or when the on-premise/off-premise sales dichotomy begins to resemble how it was when things were last 'normal', back in 2019.

There will be a Ciatti Webinar on Wednesday June 23rd, at 9am PST, providing a global market update from each Ciatti office as well as a shipping briefing from international logistics company JF Hillebrand. You will not want to miss it. In the meantime, read on for the latest on California's bulk wine and grape markets and don't forget to get in touch with us directly for the most up-to-the-minute opportunities. Stay safe.

Robert Selby

The Bulk Wine Market

As we reported last month, the bulk market overall is slightly less active than in the first three months of the year, particularly in the Coast. We are in a period in which many buyers, covered for now, pause for breath and try to understand the 2021 crop potential and the on-premise/off-premise sales picture.

Activity is uneven across the state. The Central Valley's market has remained very active, supply is limited and pricing is strong – this will likely continue at least until we see the 2021 crop harvested. Activity on the Coast (outside Napa Valley Cabernet and Russian River Pinot Noir) is spottier and pricing – which had already levelled off after last year's big increase – is now showing tentative signs of softening a little. There are buyers out there specifically requiring Coastal wines – they come onto the market and buy selectively – but there is no large pool of buyers waiting behind them.

Consequently, the Coastal/Valley price separation remains in place but has shrunk slightly. Limited Valley supply is bringing the Coastal wine availability into play for California-appellation programs. Moves to Coastal supply are primarily occurring out of supply necessity, though perhaps assisted by some negotiable Coastal pricing.

With the off-premise still driving demand, and narrowed selection in the on-premise, new product lines are currently not the focus and the priority continues to be filling the California-orientated grocery store pipeline.

As such, we are seeing continued growth in California appellation wines, at times at the expense of Coastal appellations.

Robust pricing and/or limited supply in the Valley has led some large buyers to source wine internationally and others to consider doing so. Any moves in that direction might help free-up more domestic wine for other programs.

Residual negative perceptions around smoke exposure persist on the 2020 vintage. This makes some buyers of appellation wines – including those sourcing for private label/control brands – even more reluctant to come into buy, when high pricing is also taken into account. It is likely that pricing will have to settle a little before they make a move.

Over the past month we have seen renewed demand for Chardonnay; the 2020 crop of 538,552 tons was quite a bit shorter – 16% down in size on 2019, itself down on 2018 – so the only question was why it took this long for demand to strengthen. Muscat and floral yields held up better than the varietals in 2020 but the market for these is currently short, with inquiries outstripping supply. See below for more details.

Contact either Michael at +1 415 630 2541 / michael@ciatti.com or Mark at +1 415 630 2458 / mark@ciatti.com to get your wine listed with us.

The Grape Market

Grape market activity mirrors bulk market activity: Availability in the Central Valley is highly limited while Coastal supply is more plentiful. Any Valley grape suppliers who still possess availability only do so because they are being bullish on price and waiting for higher offers. The slowest varietals to shift have been Zinfandel and – as reported last month – Pinot Noir as a red program, but the latter has picked up in recent weeks, if for nothing else by virtue of there being little else available. Zinfandel grapes struggle for interest as White Zinfandel programs are often not deemed lucrative enough and there seems to be limited growth in red Zinfandel varietal brands.

The Coastal grape market continues to be a little slower in general, though grapes are being sold and inventory available for sale has reduced. Zinfandel demand is slow, perhaps due to relatively high prices. Merlot demand also feels lethargic – again, perhaps due to pricing

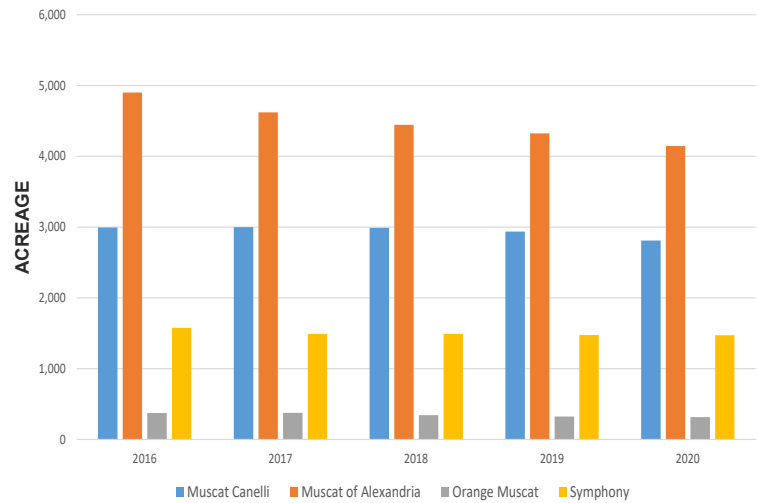
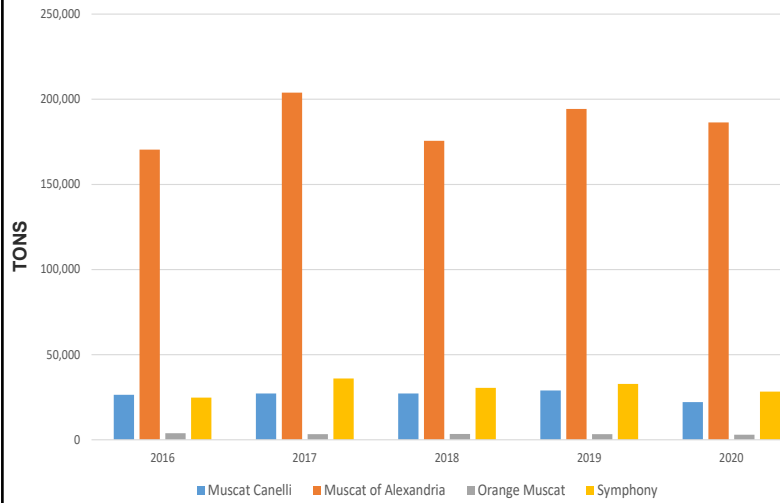
being at a level above the Central Valley's. Chardonnay had been moving slowly but interest has picked up in recent weeks. Demand for Central Coast Pinot Noir feels quiet. In short, there is a feeling that buyers will come back onto the Coastal grape market when the 2021 crop picture is clearer.

The Californian Department of Food & Agriculture's grape acreage report was published April 20th and – drawing on data voluntarily provided – estimated California's winegrape area at 620,000 acres, down 2.4% from 2019's 635,000 acres. Of that, non-bearing area represented 40,000 acres, down 11% on 2019. We suspect that, with significant oversupply in the years leading up to 2020, culminating in a large amount of 2019 grapes going unpicked, the decline in acreage reported is an underestimate and more vines have been pulled out

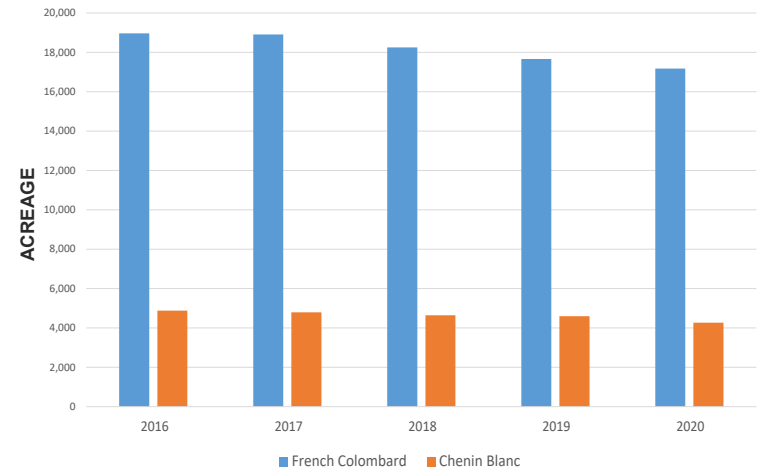
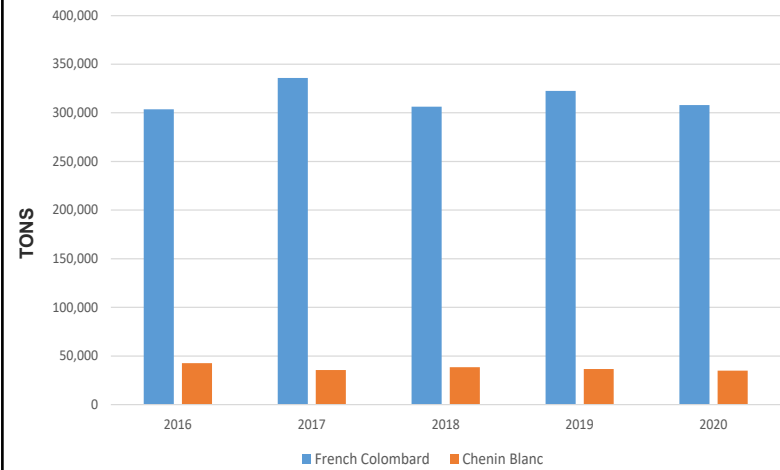
If you have grapes to sell, contact Molly at +1 415 630 2416 or molly@ciatti.com to get them listed.

Florals & White Blenders

Florals



White Blenders



CIATTI

Supply of florals Muscat Canelli, Muscat of Alexandria and Symphony currently feels tight. The apparent Muscat shortage is surprising considering the big increase in plantings undertaken a decade ago to meet a rise in demand, a demand that did not continue on its steep upward trajectory. That said, Muscat of Alexandria acreage fell every year between 2016 and 2020, from nearly 5,000 acres to just over 4,000. Muscat Canelli acreage has exhibited a similar trend, though off a smaller base. Symphony acreage has remained steady. In terms of output, Muscat of Alexandria surpassed the 200,000-ton mark in 2017 but fell short of that in each of the three crops since. In 2020, with the smaller harvest in general, Alexandria, Canelli and Symphony tonnages were all down on the prior year.

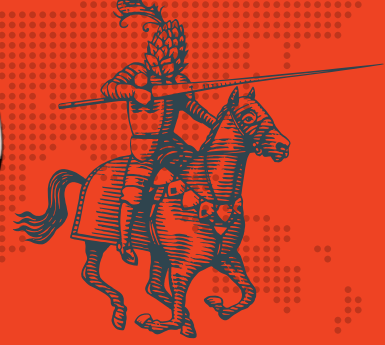
If brands using Muscat have performed well during the off-premise boom of the past 12 months, the gradually declining – or at best stable – Muscat output might now be felt in the marketplace. Florals are often an important

part of canned wine brands and infused white wine drinks, which have been increasing in sales. When supply gets short brands in alternative packaging can more easily search for more supply internationally, and we have received some inquiries regarding Muscat from other countries.

Looking at varietals often used as white blenders, Colombard acreage declined each year between 2016 and 2020, from approximately 19,000 acres to 17,000. Chenin Blanc acreage fell from roughly 5,000 acres to closer to 4,000. These declines perhaps reflect a lack of replantings as older vines get removed. Across the five years, Colombard’s output levels do not confirm a pattern of decline, but Chenin Blanc output has trended down slightly. Planting contracts for both varietals have recently been offered in the Central Valley, suggesting there is need for more, but growers are wary of committing in light of the rising costs of planting and production.

Structan

A Smoke Taint Solution



As many winemakers in California are currently only too aware, after wildfires blazed across the state following August's freak lightning storms, the biggest commercial damage caused by fire can be smoke drifting into vineyards prior to – or during – harvest. Wines made from smoke-affected grapes can be characterized by unpleasant smoky, ashy or burnt aromas with an excessively drying back palate and retronasal ash character. Unsurprisingly, consumers have been shown to respond negatively to such wines.

The three main factors that determine if smoke-exposed grapes become smoke-tainted are: the growth stage of the grapevine, the variety of the grapes and the length of their smoke exposure. Grapes close to picking readiness, grapes being of the typically most susceptible varieties (Cabernet and Pinot Noir of the reds, Pinot Grigio, Chardonnay and Sauvignon Blanc of the whites), and prolonged smoke exposure, increase the taint risk. All three factors currently apply in California: the smoke has settled in vineyards mid-harvest, the most sensitive varieties are the state's leading cultivars by acreage, and smoke has been lying in some areas for many days.

The compounds in smoke known as free volatile phenols (such as Guaiacol and 4-methylguaiacol) are absorbed directly by the grapes and can bind to grape sugars as glycosides. These glycosides break apart during fermentation (or over time in the barrel or bottle), releasing the volatile phenols into the must/wine so that a smoky flavor becomes perceptible. They can also be released in the mouth during drinking, contributing to the perception of smoke taint.

What solution can our partners at Stoak Technologies offer winemakers visited by smoke? Well, Structan – their all-natural, organic-certified, liquid oak extract – can not only be used as a finishing tannin and wine stabilizer but also as a smoke-taint masking option.

Results from chemical analysis and sensory evaluation against a control,

carried out by PhD research in the Viticulture & Oenology Department at the University of Stellenbosch, have shown that Structan reduces the perceived intensity of smoke-taint flavor and aroma in smoke-affected wines.

While other winemaking interventions – such as reverse osmosis – may reduce the concentration of smoke-derived volatile phenols in wine, it has not yet been shown that it is possible to completely remove them and, anyway, such interventions also strip the wine of its best characteristics (and any positive impact does not last). Structan, however, successfully masks the volatile phenols through increasing the wine's overall complexity, thus preserving the wine's best flavor, aroma and color attributes, for up to five years.

In fact, one of the Western Cape's premier wineries, which sells its wines into the European market, used Structan to make a highly successful red wine. That was after a wildfire similar to those seen in California, when thick smoke lingered in the vineyards for three weeks.

In summary, Structan is your smoke taint solution. And its stable liquid form makes measuring and adding really simple, with no premixing or dissolving necessary. Just dose during the fermentation process and/or in the blending tank, to get stabilized, complex wines free from unpleasant flavors and aromas. Give us a call.

Fearless Contacts

**CEO
Rob Bolch**

T. +1 800/288 5056
E. Rob@johnfearless.com

**Purveyor of Quality Used Oak Barrels
Thomas Gilbert**

E. Thomas@johnfearless.com

**Manager, Brewing Technical
Support and Key Accounts
Matt Johnson**

E. Matt@johnfearless.com

www.johnfearless.com

**Sales Manager, Customer
& Operations Support
Geoff Eiter**

T. +1 800/288 5056
E. Geoff@johnfearless.com

Andrew Planting

T. +707/699-5117
E. Andrew.planting@stoaktechnologies.com

www.stoaktechnologies.com

Contact Us : 201 Alameda Del Prado #101
Novato, CA 94949
Phone (415) 458-5150

Chris Welch

T. +415 298-8316
E. chris@ciatti.com

John White

T. +415 250-0685
E. johnw@ciatti.com

Todd Azevedo

T. +415 265-6943
E. todd@ciatti.com

Glenn Proctor

T. +707 337-0609
E. glenn@ciatti.com

Steve Dorfman

T. +707 321-3843
E. steve@ciatti.com

Dennis Schrapp

T. +905 688-1340
E. dennis@ciatticanada.com

Greg Livengood

T. +415 497-5032
E. greg@ciatti.com

Johnny Leonardo

T. +415 717-4438
E. johnny@ciatti.com

Michael Fung

T. +415 630-2541
E. michael@ciatti.com

Jed Lucey

T. +415 630-2431
E. jed@ciatti.com

Mark Ishimaru

T. +415 630-2548
E. mark@ciatti.com

Molly Richardson

T. +415 630-2416
E. molly@ciatti.com

John Fearless CO. Craft Hops & Provisions

CEO - Rob Bolch
Sales - Geoff Eiter
T. +1 800 288 5056
E. rob@johnfearless.com
E. geoff@johnfearless.com
www.johnfearless.com

To sign up to receive the monthly Global Market Report & California Report, please email info@ciatti.com

DISCLAIMER

Whilst we have tried to ensure the accuracy and completeness of the contents of the California Report, Ciatti cannot offer any undertaking, warranty or guarantee, either expressly or implicitly, including liability towards third parties, regarding how correct, complete or up to date the contents of the California Report is. We reserve the right to supplement or to change or delete any information contained or views expressed in the California Report.

Where we have provided links to third party websites for further information, you should be aware that we are not responsible for the accuracy, availability or functionality of these sites, and thus cannot be held liable, directly or indirectly, for any loss however caused by your use of these linked sites.

Ciatti accepts no liability for any loss or damage howsoever arising out of the use of, or reliance on, the content of the California Report.