



CIATTI
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**Ciatti Global Wine
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Harvest weather in California has been good in recent weeks, with no disease-friendly conditions reported, nor extreme heat. That said, temperatures have still been in the 90–100°F+ region on a consistent basis, speeding up ripening so that the harvest is ahead of normal in many areas – to varying extents but, in general, by approximately a week or so. The severe state-wide drought has inevitably played a big part in the quick ripening: Water curtailment mandates are in place up and down the state's rivers and there have been drought stress issues visible on some vines, including lack of berry sizing and desiccated foliage.

Consistent heat and longstanding drought have led to some compaction in picking readiness. For example, some vineyards in the Central Valley – where it has been particularly dry and hot – have reported picking Merlot and Cabernet already, ahead of Sauvignon Blanc. Sometimes sugar levels are ready but other parameters are not, and slowing things down is difficult without access to adequate water supplies. Harvest compaction will potentially create some short-term logistical headaches at wineries regarding crushing capacity, and might exacerbate the pre-existing problem of trucking scarcity if grapes are coming in all at once. Issues around the supply of hand labor – or rather the lack of it – persist; like the trucking, this is symptomatic of limited resources across supply chains as the US economy powers out of the pandemic.

How about smoke exposure? The Caldor Fire has perhaps caused some smoke exposure issues that are very limited in extent in terms of grape-growing area, so too the Dixie Fire. In many areas across the state, smoke is sometimes evident high up in the atmosphere, too distant to have much – if any – effect; wineries remain largely unconcerned to date.

The state's forecast for the 2021 harvest of 3.6 million tons, issued August 12th, still looks accurate, but the potential is there for it to be smaller. Some areas still have the potential to come in close to normal (the Central Coast, parts of Sonoma County and Lodi, for example) but there are too many lighter crops out there being reported (Lake, Mendocino, and Napa Valley counties and importantly the southern Central Valley) for the total crop to come in close to the average of 4 million tons.

There has been an uptick in bulk activity in recent weeks but the level of buyer hesitation that – in general – still pervades the market is perhaps greater than would be felt in a so-called 'normal' light crop year, especially as it will be a second successive lighter crop. This hesitancy perhaps hints at an awareness that the increase in off-premise sales volumes versus the last comparable year, 2019, is shrinking as the months go by, while the on-premise is only starting to get back on its feet. More simply, there is an inability to make confident sales projections right now. The grape market, meanwhile, has been more active: the Central Valley is essentially sold out, while pockets of Coastal availability are gradually diminishing.

Read on for more on the bulk wine and grape markets and a deeper-dive into the latest. If you're a grower, good luck with harvest, and – whether you're a buyer or a seller – don't hesitate to call if you need our assistance. Stay safe.

Robert Selby

Harvest Update – by area

North Coast

Picking in the North Coast is – in general – approximately 1-2 weeks ahead of normal, but timing differs between areas and varieties. In Lake County, some Cabernet started getting picked at the end of August when normally it is not ready until October, a reported fall in tonnage per acre being the likely cause. The crop is going to be light across the North Coast but,

again, it is difficult to make generalizations at this stage. Chardonnay is picking pretty well in parts of Russian River and Alexander Valley, but light in Mendocino and Los Carneros. Sonoma County's total 2021 crop should not be as light as last year's unless wildfires intervene again.

Central Coast

The harvest potential for the Central Coast looks average-sized but this is still going on eye test as the area is only just beginning to pick. In that regard, then, timing is close to normal and the likely condensed nature of this year's crop is not something new for the

Central Coast. Cabernet in the San Miguel and northern Paso Robles area has been coming in roughly 10% down from June/July estimates but, again, picking is still in its early days.

Central Valley

All indicators point to the southern Central Valley's crop coming in lighter than average, news that comes as no surprise considering the severity of the drought in this region. In the north, Lodi's crop will potentially be lighter to an extent as well, but the lightness will be somewhat variety and site-specific. Of the three varieties that command the greatest area in the Valley, Chardonnay is looking slightly lighter than last year

which – considering last year was considerably light – would be a significant shortfall from the average. Zinfandel, too, is understood to be coming in even lighter than last year's light crop. Cabernet is already being picked – in some cases before Sauvignon Blanc – and volumes appear average, but it is too early to tell confidently.

The Grape Market

Sauvignon Blanc continues to be the hottest grape in California and supply is negligible across the state, though in the past month some very limited pockets in the Central Valley were acquired by buyers. Chardonnay and Pinot Noir grapes are becoming harder to find as wineries start to discern that they have a need or realize that the crop is coming in lighter – there have been runs on Monterey Chardonnay and Pinot Noir, for example. Pockets of Cabernet grapes remain available in diminishing quantities on the Coast: Considering the high level of inquiries now coming in regarding the remaining bulk 2020 Cabernet, the expectation is that demand on the remaining 2021 Cabernet grapes will rise and they will soon be sold out.

Enough of the 2021 fruit has already been allocated to make a spot market unlikely, and potential buyers

who have hesitated to acquire grapes will find – when they do decide to come onto the market – that they will have to get in line for wines instead. Buyer hesitation regarding the harvest picture is understandable given the unpredictable nature of wine sales and margins amid the pandemic. It ought to be remembered that while the off-premise sales boom was a big boost for some large grocery store brands, for other brands it was less so.

Ultimately, when good grape supplies were still available a few weeks/months ago some wineries deemed them not worth the risk. Furthermore, given the likelihood of another shorter crop this year, growers still with unsold grapes now feel comfortable crushing them themselves. Consequently, they are prepared to hold out for a premium grape price should a buyer come in.

See next page for more.

With Central Valley grape supply very tight, new grape juice concentrate could well be limited in supply and prices are set to rise, at least on the whites: The first white GJC prices are up \$2/gallon versus last year. Red

GJC prices are likely to be more stable. We are hearing of issues around white grapes – lacking yield and sugars – that might affect white GJC.

The Bulk Market

As mentioned above, a previously relatively quiet bulk market has picked up in the last 2-3 weeks as buyers take note of the signals emanating from the vineyards and seek to acquire the remaining uncontracted 2021 wines or at least those 2021 wines that growers are crushing themselves. The preference for buyers continues to be 2021 wines versus remaining 2020 supply, which mainly consists of Cabernet, Pinot Noir and some Zinfandel.

The bulk wine in most demand reflects the grape market: Sauvignon Blanc, Chardonnay and – we are just starting to see – Cabernet in various areas of California. Prices are currently stable but buyers getting wind of the shorter crop are solidifying their ask prices. Potential buyers have come in for Chardonnay and Pinot Noir from appellations such as Mendocino and Monterey but these inventories are limited. The remaining 2020 wines could appreciate in price considering the likelihood of limited supplies of 2021 bulk.

As is normal for the time of year, nimble negotiant buyers are actively seeking limited volumes for their October and November bottlings. However, as mentioned in the introduction, the overall level of buyer hesitation that still pervades the marketplace is greater than would be felt in a ‘normal’ light crop year. One senses pockets of inventory remain at some wineries and, again, making future sales projections with any degree of confidence is currently very difficult.

Wine’s off-premise dollar and volume sales continue to track below where they were during the pantry-stocking boom in 2020 but above their 2019 levels. NielsenIQ data for the week ending March 6th through August 14th shows dollar sales up 15% versus 2019 but volume growth below 5%. While this volume growth would be highly respectable in normal times, especially given flat volumes in the years leading into the pandemic, the volume increase versus 2019 is trending smaller as the months go by so that, into 2022, volumes could again go flat. The disparity in the size of the value and volume growth is indicative of premiumization, assisted by suppliers to the on-premise diverting their wines into the off-premise when the restaurant sector

was heavily restricted or shuttered altogether. According to NielsenIQ, this off-premise premiumization is moderating – perhaps a sign that the on-premise is opening back up and consumer spending habits are returning closer to normal, allowing some of that redirected wine to re-divert to its original destination. Meanwhile, DTC sales, though still accounting for a small part of the total wine market (8.4 million cases in 2020 versus the off-premise’s 212 million), continue to see very robust growth over 2019, of 41% in volume and 53% in value.

The market fundamental is that we are moving back into a more balanced supply-demand position not because of a genuine growth in wines sales but because of a temporary pantry-stocking spike in 2020 combining with a supply shortage from the 2020 and 2021 crops caused by adverse weather, drought, wildfires and vine removals. If total wine sales volumes return to 2019-like levels, and should the 2022 crop come in more normal-sized than its two predecessors, non-Napa Valley Coastal appellations could become re-exposed to the market trend for brand-driven California wines, or at least California-level prices, over appellationed and sub-appellationed Coastal wines.

The likelihood of a second-successive short crop – as well as vine pull-outs on some specific varieties in recent years – have led some buyers to inquire into sourcing wines from overseas – namely Sauvignon Blanc (from Chile and South Africa), Pinot Gris (several markets including Italy), and Muscat (Chile, South Africa, and Australia). White vinegar buyers will also struggle to locate what they need in California and may therefore source internationally, mainly from Spain.

Going the other way, the southern Valley’s export prices remain stable despite feeling a great deal of upward pressure. California’s exporters are facing the same logistical challenges currently being experienced the world over, but they seem to be particularly acute in the US: Trucking scarcity, container shortages at ports, delays to shipping and increased freight costs all mean patience is required when moving product internationally.

Structan

A Smoke Taint Solution



As winemakers around the world are now only too aware, after a year of wildfires in a number of wine-producing countries, 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 characterised 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.

There are three main factors that increase the risk of smoke-exposed grapes becoming smoke-tainted: being close to picking readiness, 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. 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. 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 colour attributes, for up to five years.

Structan has been used successfully over a number of years by several wineries around the world who have had to contend with smoke-affected wines (and one of the Western Cape's premier wineries, which sells into the European market, used Structan to make a red wine that went on to become an award winner). The fires of the past year have also led to an uptick in interest in Structan and, from this, new trials are ongoing. Consequently, Structan now comes with a full trial protocol, refined over the years by the experience of multiple wineries. The protocol differs depending on whether the wine in question is red or white and it outlines, for example, the size and timing of dosing. Structan's 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 flavours and aromas.

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. Further scientific validation is ongoing at Stellenbosch and adding to the growing body of evidence, from the lab and out in the field, that Structan has a very significant positive impact on smoke-affected wines; the latest report will be ready at the end of the year. In the meantime, give us a call to discuss Structan further and start your own trial.

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