



Global Market Report

December 2018
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**Ciatti Global Wine
& Grape Brokers**

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Due to big harvests around the world in 2018 – with crops in France, Italy and Spain not only recovering from a short 2017 but exceeding their five-year averages – the global wine supply has moved from a short to a long position. Prices are being adjusted downward as a result. Only Australia's and South Africa's bulk wine prices remain higher now than this time last year: suppliers in both countries are being warned that international competition is increasing.

Challenging conditions during the growing seasons in Chile and Europe meant that the increase in output of good quality wines was not commensurate with the overall volume increase. Prices are thus falling fastest on the entry-level and generic qualities. Suppliers in South Africa – traditionally one of the main sources of generics for European buyers – are urged to be sensitive to the new global supply reality when pricing their 2019 wines.

Mindful of the enlarged global supply, many buyers are being slow to move and, when they do, are covering only short to mid-term needs. November's World Bulk Wine Exhibition in Amsterdam was thus slightly quieter than in the past two years, with suppliers out in force – particularly from Argentina and Chile – but buyers proving elusive. Prices in Chile subsequently adjusted downward by an average of approximately USD0.20/litre. It remains to be seen if price cutting will encourage buyers: Argentinian suppliers, in a bid to generate cashflow and free-up storage space ahead of the 2019 crush, are offering probably the cheapest generic wine prices in the world right now, but the country's market remains slow.

One contributing factor more important than any other for the global supply-demand turnaround is Spain's 2018 crop: at an estimated 48+ million hectolitres, Spain's crush is around 750 million litres larger than the five-year average – and 750 million litres equates to roughly 75% of South Africa's total annual crop. Spanish suppliers are thus able to compete aggressively for business, some of it beyond Europe, such as Canadian, obliging Argentina and Chile to lower their prices.

Having harvested its largest ever wine grape crop in 2018, California is seeking to boost exports. Any downward price trend in the state may be considerably less marked than in the rest of the world, but now is a good time for international buyers considering securing some long-term contracts on excellent quality wines at amenable prices.

We head into 2019 with recent talk of a global supply shortage already feeling like ancient history. What will the new year bring? Our *Global Report* will keep you in the loop. **Everyone at Ciatti wishes you and yours a very Merry Christmas and a prosperous New Year!**

Robert Selby

California

Time on target



HARVEST WATCH: 4.3+ million ton

Given the scale of California's 2018 harvest – 4.3+ million tons – and significant inventory, there will likely be more opportunities for international buyers in the Californian marketplace moving forward. There was plenty of international interest shown in Californian wines at November's World Bulk Wine Exhibition in Amsterdam: we have seen increased interest from China as California has become competitive with Australia at the higher end of that market, and there has been renewed UK interest.

California's domestic grape and bulk wine markets are experiencing more activity from domestic négociants and small, nimble buyers who see an opportunity to start and build new lines and innovate; likewise for international buyers now could be a good time to look into securing some long-term contracts on excellent quality wines at amenable prices. Certainly, Californian companies are seeking to increase their bulk and case good exports. One of Californian wine's chief selling points to the world – its reliably good quality – rings true now more than ever, after a very good vintage. Quality could be reinforced by greater percentages of premium Coastal wine going into the 'California' blends that interest the international market.

There have been no changes on the grape juice concentrate market. Pricing on white GJC is as high as it's been for a while and uncompetitive on the international market; red GJC is competitive.

Gomberg-Fredrikson shipment data for the eight months ended August paints a slightly healthier picture than perhaps feared, with total California bottled wine shipments down 2% – or 3 million 9-liter cases – to 158.9 million cases. Bottled exports were down 15% to 10.5 million cases, but bulk exports look far healthier, perhaps in part due to more wineries shipping wine in bulk that is then bottled under their labels at the other

end. Bottled wine imports were up 2% to 67.7 million cases, led by French, Italian and New Zealand wines.

Early indications on domestic OND sales, meanwhile, are positive, according to BW166 data reported by Wine & Spirits Daily. Wine's share of the alcohol beverage market in the US was up 2.31% in October on the same month of 2017, so that it now accounts for approximately 18% of the total market. Still wine sales were up 4.4% for the month, ahead of a 3% rolling 12-month growth rate; sparkling sales were up 0.75% for the month ahead of a 0.27% rolling growth rate.

The international bulk wine market is transitioning from a cycle of higher prices and shorter inventory to lower prices and more available inventory; in California it's no different. The entrepreneurial buyer will already have an eye on opportunities and we at Ciatti are here to help. This month our US business has relocated to new offices at 201 Alameda del Prado #101, Novato, California, where we have installed an impressive new tasting area for potential buyers – domestic and international – to sample bulk and bottled wines. Get in touch.

To find out more about California's bulk wine market you can read Ciatti's monthly *California Report*.

Key Takeaways

International buyers seeking new opportunities on Californian wines – appellation or 'California' – will find the 2018 vintage offers great choice, quality and some attractive pricing. Californian and Washington state reds in particular offer opportunities – this includes Coastal appellation Cabernets and Pinot Noirs that carry a real cache. As pricing in some of these appellations has become more flexible, the 'California' blends could benefit from a greater percentage of premium Coastal wines going into them. California's red GJC continues to be priced competitively from an international perspective.

See next page for more on California.

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California: Current Export Market Pricing (USD per liter)

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2017	Generic White	0.85 – 0.99	↔	2017	Generic Red	0.85 – 1.05	↔
2017	Chardonnay	1.32 – 1.98	↔	2016/17	Cabernet Sauvignon	1.25 – 1.85	↓
2017	Pinot Grigio	1.19 – 1.72	↔	2017	Merlot	1.18 – 1.58	↔
2017	Muscat	1.12 – 1.45	↔	2017	Pinot Noir	1.59 – 2.11	↓
2017	White Zinfandel	0.83 – 0.99	↔	2017	Syrah	1.10 – 1.58	↔
2017	Colombard	0.86 – 1.12	↔	2017	Ruby Cabernet	0.95 – 1.05	↔
				2016/17	Zinfandel	1.18 – 1.85	↔



Argentina

Time on target



HARVEST WATCH: *On course for average-sized at least*

Argentina's 2019 wine grape crop is on course to be at least average in size: the growing season is proceeding smoothly with normal conditions in the vineyards and any impact from drought – present in some areas – unlikely to be felt this coming vintage.

Argentinian suppliers experienced an active World Bulk Wine Exhibition in Amsterdam but in courting European and Canadian business they faced stiff competition from Spain, which has positioned itself very aggressively on price – particularly when freight costs and duties are taken into account. Potential deals between Argentinian suppliers and China are being headed-off by Chilean suppliers dropping their generic red prices.

Argentina, however, is confident about the quality of its offer, with generic reds and whites at 12-13.5%+ alcohol and very good colour on the reds. There are good volumes of good quality 2018 wines available at attractive prices open to negotiation. The peso weakened to almost 40 pesos to the US dollar at the end of November, before moving back in to 37.60/dollar in the second week of December.

Slow sales of Argentinian wines both at home and abroad, combined with early signs of a good-sized 2019 crop, have got growers worried about finding wineries able or willing to accept grapes from the new vintage; storage capacity could be an issue. In addition, with wineries not making sales, growers are struggling with cashflow and the ability to fund the picking of the 2019 grapes. Borrowing is not a viable option: interest rates in Argentina are up at around 70%. December, traditionally a quiet month buying and selling-wise, is unlikely to

alleviate the situation; it is likely a big discussion will start from late January onwards regarding the growers and wineries requiring financial assistance from the government.

Buenos Aires recently hosted the thirteenth meeting of the G20. Warm words from world leaders about their hosts could not conceal the fact the popularity of Argentina's Macri government is being sapped by continuing economic stagflation. Although the International Monetary Fund (IMF) has been happy enough with the steps the government is taking to improve the country's economic situation, releasing more bailout funds, Argentinians themselves are not feeling tangible benefits. With inflation forecast to come in at 47% for the year, real wages are expected to fall by 11% in the last four months of 2018. Domestic consumption is thus falling away and the country is in recession: the IMF predicts that Argentina's economy will contract by 2.6% in 2018 and by 1.6% in 2019. According to the government's own figures, economic activity in Argentina contracted on a yearly basis for a sixth straight month in September (-5.8%).

Key Takeaways

Argentina is able to supply attractively-priced, good quality wines (11-12.5%+ alcohol, reds of good colour) in big volumes. The offer is wide: everything from dry reds and whites to varietal wines such as Malbec. The peso has strengthened in recent days but is still at 37.66/dollar, twice as weak as the 17.20/dollar it was at a year ago. Prices are open to negotiation.

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See next page for pricing.

Argentina: Current Market Pricing (USD per liter; FCA Winery)

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2018	Generic White (Basic)	0.24 – 0.26	↓	2018	Generic Red	0.45 – 0.50	↓
2018	Generic White (Standard)	0.28 – 0.32	↓	2018	Cabernet Sauvignon	0.65 – 0.85	↓
2018	Muscat	0.35 – 0.40	↓	2018	Merlot	0.60 – 0.70	↓
2018	Torrontes	0.45 – 0.50	↓	2018	Syrah	0.60 – 0.70	↓
2018	Sauvignon Blanc	0.65 – 0.60	↓	2018	Malbec Standard	0.85 – 0.95	↓
2018	Chardonnay	0.70 – 0.80	↓	2018	Malbec Premium	1.00 – 1.20	↓
2018	Bonarda	0.50 – 0.60	↓	2018	Malbec High End	1.40 – 2.00	↓
2018	Tempranillo	0.50 – 0.60	↓				

Chile

Time on target

HARVEST WATCH: *Growing season proceeding smoothly*

Following a quiet month on the market, both domestically and internationally, prices in Chile are softening. Highlighting the global surplus situation, the country's suppliers were out in force at the World Bulk Wine Exhibition in Amsterdam – some of whom traditionally avoid the bulk market. Price cutting in Argentina especially has obliged Chileans suppliers to reassess their price expectations; it remains to be seen if lowered pricing stimulates more activity, however.

The large Northern Hemisphere harvests have really slowed the market. Buyers including the Chinese are seemingly content to wait to see where the market will end up; they know that there is inventory both in Chile and across the world to buy at some stage. The WBWE made this picture clear and brought about an average downward adjustment in Chilean prices of approximately USD0.20/litre, with the entry level qualities softening most. Chile's prices remain higher than Argentina's but, when duties and freight are taken into account, are competitive with their neighbour's.

The slowness of the market in Chile has contributed to some concern among wineries regarding storage capacity for the coming 2019 harvest, with some wine still unshipped. Some of these wines are sold and the buyer is being tardy in shipping – a reversal of the situation in the past two years when wine got shipped as soon as possible. The wines that are unsold could pop up at attractive prices for the buyer should the wineries need cashflow.

Another consequence in Chile of the wine market's slowness is an inactive 2019 grape market; prices are still to be set, and are expected to be lower than they were on the 2018 grapes. The grape price on Carmenere is expected to hold up most due to low stocks and good demand.

The weather in Chile's growing regions continues to vary wildly from one day to the next, its unpredictability due to the El Niño effect. However, there has been little if any deleterious impact on the vines and the growing season is proceeding smoothly from a grower's point of view.

See next page for more on Chile.

Key Takeaways

The World Bulk Wine Exhibition made clear to many Chilean suppliers that – due to large harvests around the world in 2018 – the initiative now resides with the buyer. Prices immediately moved downward, the most on the entry level qualities. Chile has good volumes of good quality wines available, at competitive pricing. Pricing on 2019 grapes will not be set until the picture on the 2018 wine market is clearer, but it is sure to be lower than it was on the 2018 grapes.

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Chile: Current Market Pricing (Pricing in bulk; FOB Chilean Port)

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
NV	Generic White	0.50 – 0.58	↔	NV	Generic Red	0.57 – 0.60	↔
2018	Chardonnay	0.80 – 0.95	↔	2018	Cabernet Sauvignon (Basic)	0.75 – 0.88	↔
2018	Sauvignon Blanc	0.80 – 0.95	↔	2018	Cabernet Sauvignon (Varietal Plus)	0.90 – 1.10	↔
2018	Syrah	0.75 – 0.95	↔	2018	Merlot	0.75 – 0.95	↔
2018	Carmenere	0.90 – 1.10	↔	2018	Malbec (Basic)	0.95 – 1.20	↔
2018	Pinot Noir	1.05 – 1.20	↔	2018	Malbec (Varietal Plus)	1.50 – 2.00	↔

Chilean Export Figures

Wine Export Figures	January 2016 - October 2017			January 2017 - October 2018			Volume
	Million Liters	Million US\$ FOB	Average Price	Million Liters	Million US\$ FOB	Average Price	Variance %
Bottled	425,64	1.332,85	3,11	412,94	1.332,50	3,23	-2,99
Bulk	315,84	261,64	0,83	270,53	278,98	1,03	-14,35
Sparkling Wines	3,96	16,32	4,12	3,71	15,68	4,23	-6,51
Packed Wines	21,77	37,96	1,74	19,40	35,85	1,85	-10,91
Total	767,23	1.638,77	2,45	706,58	1.663,01	2,58	-7,91



France

Time on target



HARVEST WATCH: *46.1-46.7 million hectolitres, +27% on last year*

The bulk wine market in France is experiencing normal levels of activity and proceeding within the context of a softening global market: prices have on average adjusted downward by approximately EUR0.05/litre. The pricing on France's high-quality wines remains in-line with this time last year, however, as the increase in the production of these wines in 2018 was not commensurate with the overall volume increase.

With the global supply situation now in surplus, the World Bulk Wine Exhibition in Amsterdam was a little quieter this year. However, after a slow start due to the extended harvest, the buying campaign in France itself is proceeding steadily, with bulk wine négociants starting to cover their needs for the next 5-6 months, until springtime, generally at prices that made the EUR0.05/litre adjustment. With Spain and Italy very aggressive on price, non-European interest in France's bulk wines remains limited.

The buying campaign on the reds is finally underway following malolactic fermentation; buyers are actively seeking wines, sampling and purchasing. The better-quality AOP and IGP reds are most sought-after and selling at prices in-line with last year. The picture on the

Vin de France and standard table red market remains less clear, but the EUR0.05/litre adjustment looks to have been applied to this category too. Likewise, the price for the Vin de France and standard table whites out of the South West/Gers region is trending downward by approximately EUR0.05/litre.

As mentioned above, the increase in France's overall wine production this year outstripped the increase in the supply of its higher qualities. As such, buyers seeking the higher-quality wines should not wait to move onto the market: the best qualities will be sold out, we believe, by February 2019.

Key Takeaways

Buyers seeking the higher quality AOP and IGP wines in big volumes should consider making their moves soon as the increase in production of these in 2018 was not commensurate with the overall volume rise: they could be sold out by February. For this reason, pricing in France has seen a downward adjustment by EUR0.05/litre on average but on the best qualities has remained in-line with last year.

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2018 French Harvest Estimate by Acre (AGRESTE, 1st October 2018, UNIT : 1,000 HECTOLITRES)

REGION	5-YEAR AVERAGE	2017	2018	2018/17	2018/AVERAGE
Champagne	2,511	2,238	3,497	56%	39%
Bourgogne-Beaujolais	2,221	2,204	2,665	21%	20%
Alsace	1,038	919	1,172	28%	13%
Savoie	107	97	117	20%	9%
Jura	71	46	117	154%	66%
Val de Loire	2,507	2,214	3,002	36%	20%
Charentes	8,162	6,877	8,915	30%	9%
Sud-Ouest	3,325	3,001	3,556	19%	7%
Bordelais	5,134	3,691	5,600	52%	9%
Languedoc-Rousillon	12,548	10,440	12,300	18%	-2%
Corse	334	288	315	10%	-5%
Sud-Est	5,292	4,268	4,708	10%	-11%

France: Estimated Market Pricing (EUR per liter; Ex-Winery)

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2018	Generic White	0.65 – 0.80	↓	2018	Generic Red	0.65 – 0.80	↔
2018	Chardonnay IGP	0.95 – 1.10	↓	2018	Cabernet Sauvignon IGP	0.90 – 1.10	↔
2018	Chardonnay VDF	0.90 – 1.05	↓	2018	Cabernet Sauvignon VDF	0.85 – 0.90	↔
2018	Sauvignon Blanc IGP	0.95 – 1.10	↓	2018	Merlot IGP	0.85 – 1.00	↔
2018	Sauvignon Blanc VDF	0.90 – 1.00	↓	2018	Merlot VDF	0.80 – 0.85	↔
2018	Generic Rosé IGP	0.85 – 1.00	↓	2018	Syrah / Grenache IGP	0.85 – 1.00	↔
2018	Generic Rosé VDF	0.80 – 0.90	↓	2018	Varietal Rosé IGP	0.85 – 1.10	↓



The Bulk Wine & Spirits Show Comes To Shanghai

5-6 November 2019, Shanghai, China

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INTERNATIONAL BULK WINE & SPIRITS SHOW-CHINA



Spain

Time on target



HARVEST WATCH: *Estimated at 48+ million hectolitres*

The buying campaign in Spain got underway more slowly this year than last due to the country's large 2018 harvest; the prolongation of the picking season due to climatic issues also added to the delay in the start of the red wine buying campaign. Competing aggressively with Italy, Spain's prices have softened significantly in recent weeks – with some halving from where they were this time last year – and this has had a knock-on effect on prices in Argentina and Chile.

Because of this price trend, sales of Spain's international varietal wines – Cabernet, Merlot, Shiraz, Sauvignon Blanc and Chardonnay – are proceeding strongly. Buyers in need of Spain's international white varietals such as Sauvignon Blanc or Chardonnay should not wait to cover their needs as the big volumes will be sold out by the beginning of 2019. The international red varietals market in Spain is further behind, with sampling only starting to take place in the past couple of weeks, but all the signs point to very competitive prices versus those in France; buyers with significant needs of Spanish Cabernet, Merlot or Shiraz should not wait to move onto the market.

With good volumes of generic wine produced in Spain this year, buyers are covering only their short-term needs of these. That said, the price trend for Spain's generics – EURO.35/litre for standard quality generic white, EURO.45/litre for standard quality generic red – has plateaued: going any lower would remove any kind of margin for the supplier. Ciatti thus does not envision prices on Spain's generics falling much further, if at all. For good quality table wine, Spain will likely be the cheapest country of supply in the world and will remain so for the foreseeable future.

Spain's rosé market has also softened; its offer of very competitively-priced pale rosés – some at EURO.35/litre – could prove attractive to those buyers struggling to source from Provence. Spain is also a good alternative source for organic table wines, particularly reds. It should be noted, however, that its supply of international varietal organic wines is being bought-up quickly and its organic Chardonnay and Sauvignon Blanc are already becoming very hard to find.

Finally, prices have also softened on Spain's rectified grape juice concentrate market; there remain good opportunities.

Key Takeaways

Prices on Spanish generic wines have softened aggressively in recent weeks and are now some of the cheapest in the world. Prices on the country's international varietal wines have also softened and the market for these is very active: those seeking big volumes should move sooner rather than later (with the big volumes of Sauvignon Blanc and Chardonnay likely to be sold out by the start of 2019). Spain also has a good supply of pale-coloured rosés, organic table wines and rectified GJC.

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See next page for prices.

Spain: Current Market Pricing (EUR per liter; Ex-Winery)

Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
2018	Generic White	0.35	-	0.45	↓	2017	Moscatel	0.50	-	0.70	↓
2017	White Blends (Higher Quality)	0.45	-	0.55	↓	2017	Generic Red	0.40	-	0.60	↓
2017	Sauvignon Blanc	0.65	-	0.80	↓	2017	Generic Red (Higher Quality)	0.50	-	0.70	↓
2017	Chardonnay	0.70	-	0.90	↓	2017	Cabernet Sauvignon	0.60	-	0.75	↓
2017	Generic Rosé	0.35	-	0.45	↓	2017	Merlot	0.65	-	0.75	↓
2017	Varietal Rosé	0.55	-	0.75	↓	2017	Syrah	0.60	-	0.75	↓

Italy

Time on target

HARVEST WATCH: *Volumes 20-25% up on last year*

The Italian wine market has seen a general delay in the purchasing decisions made both by domestic and international buyers. The volumes sold have been less than normal and confirmations are taking a while. This delay is unusual, though some big buyers have started to buy the best quality wines.

The biggest requests are for the international varietal reds and whites, with a wide price range between the entry level and the top quality. Prosecco is still in good demand and the average monthly increase of certifications during the past 11 months was +5.9% on the previous period, so the market forecast is for a stable price during 2019. Also, in November the certifications of Pinot Grigio DOC reached 190,000 hectolitres with a good volume of sales.

Low alcohol entry level white wines are still under price pressure, while there is a strong demand for high quality and high alcohol white wines. The reds market is more active in general with a good quantity sold; the Rossissimo market was softening a little but the level of requests is still good. Every category of organic wine

is experiencing strong demand. Primitivo and other varietals from Puglia (Salice Salentino, Negroamaro, Castel del Monte) are in good demand, as are their appassimento-style versions.

International competition is very strong but this year Italy offers good value for money on a wide range of products (*see updated pricing table*). Call Ciatti for requests and precise quotations.

Key Takeaways

As elsewhere in Europe following big harvests this year, purchasing of 2018 wines in Italy has taken a little while to get into its stride but demand is now rising. Prosecco, Pinot Grigio and all categories of organic wine are experiencing good demand. There are volumes of low alcohol entry level wines available at very competitive pricing, particularly on whites, and – in general – Italy is highly competitive on a wide range of wines.

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See next page for pricing.

Italy: Current Market Pricing (EUR per liter; Ex-Winery)

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2018	Generic White (Alc. 9 - 10%)	0.32 – 0.38	↔	2018	Generic Red (Alc. 11 - 12%)	0.43 – 0.55	↔
2018	Generic White (Alc. 11 - 12.5%)	0.42 – 0.50	↔	2018	Generic Red (Alc. 13%)	0.53 – 0.70	↔
2018	Organic Generic White (Alc. 10 - 12%)	0.55 – 0.70	↔	2018	Organic Generic Red (Alc. 11 - 13%)	0.75 – 1.00	↔
2018	Varietal Chardonnay (Alc. 11 - 13%)	0.60 – 0.90	↔	2018	Varietal Cabernet Sauvignon (Alc. 12 - 13%)	0.65 – 0.95	↔
2018	Organic Pinot Grigio (Alc. 12%)	1.30 – 1.50	↔	2018	Varietal Merlot (Alc. 12 - 13%)	0.60 – 0.90	↔
2018	DOC Pinot Grigio delle Venezie	0.90 – 1.10	↔	2018	Varietal Syrah (Alc. 12 - 13%)	0.65 – 0.95	↔
2018	Pinot Grigio IGT (Different Regions)	0.95 – 1.10	↔	2018	Rossissimo (Alc. 12.5%)	0.90 – 0.95	↔
2018	Pinot Grigio IGT (Blends)	0.60 – 0.90	↔	2018	Primitivo IGT Puglia/ Salento (Alc. 12 - 14%)	1.10 – 1.50	↔
2018	DOC Prosecco (Cannot be sold outside of Italy)	1.75 – 1.85	↔	2018	Sangiovese IGT (Alc. 11.50 - 13%)	0.45 – 0.70	↔
2018	Soave or Garganega DOC	0.90 – 1.00	↔	2018	Trebbiano IGT (Alc. 10.5 - 12%)	0.40 – 0.55	↔
2018	Chianti	2.00 – 2.25*	↔				

**Bottled Price*

South Africa

Time on target



HARVEST WATCH: *No adverse weather issues; fruit set underway*

The World Bulk Wine Exhibition in Amsterdam was very quiet from a South African perspective: international bulk wine buyers know the Western Cape has little availability, while aggressive pricing – especially in Argentina, Chile, Spain and Italy – following big 2018 harvests around the world means that, even if the Cape did have volumes available, its current prices are still not very attractive.

The OIV stated in a 26 October press release that world wine production in 2018 was “very high”, in fact one of the highest since the year 2000, moving the global supply situation from short to long. Argentina and Chile experienced bumper crops while European harvests exceeded their five-year averages. Spain, for instance, produced some 750 million litres more this year than average – an increase that equates to roughly 75% of South Africa’s total annual crop. In addition, adverse weather conditions in Europe resulted in more wines of lower quality, thereby increasing supply of generics – traditionally one of the main products demanded by European buyers from South Africa.

See next page for more on South Africa.

The Western Cape's suppliers should be sensitive to these new realities when pricing their 2019 wines, especially after the 30% average price increases seen on the 2018 vintage wines. This is because, at this stage, international buyers are willing to quote volumes to their South African suppliers but their price expectations are being kept confidential. These buyers sense that there is ample time to assess their options between now and the end of the first quarter of 2019, or at least until ProWein 2019 (17-19 March), when the final Southern Hemisphere 2019 crop expectations will be clearer.

Total wine stocks at Western Cape wineries are expected to be at their lowest level in ten years as of 31 December. This is due to four factors: a short global harvest in 2017 subsequently increased demand for South Africa's 2018 wines; the Rand currency was favourably positioned at around ZAR14/USD and ZAR16/euro for most of 2018; for the second successive year since its implementation, European buyers shipped early in the campaign to ensure their wines were eligible under the EU's annual duty-free import quota for South African wines; and a thirsty domestic market in South Africa took any availability that arose, due to the shortage. Even this domestic trend is slowing though, as the higher raw material wine cost has only recently been reflected in shelf prices and, in turn, are now being felt by consumers' pockets.

Looking ahead to the 2019 harvest, the Cape has experienced a cold and wet winter and – despite recent dry spells – water supplies are said to be sufficient even in the traditionally driest regions. There have been no adverse weather issues in the vineyards. Fruit set is underway in some areas and so far a healthy, normal-size crop is expected.

Key Takeaways

When setting their 2019 prices, the Western Cape's bulk wine suppliers need to be sensitive to the new global reality: significantly increased bulk wine availability and falling prices. The Cape's bulk wine market is quiet due to a lack of availability; most wine that does become available has been picked up by the large domestic brand owners. International buyers are sitting back and assessing the global situation into 2019.

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South Africa: Current Market Pricing (SA Rand per liter, FOB Cape Town)

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2018	Dry White	7.00 – 7.50	↑	2018	Generic Red	8.50 – 9.50	↑
2018	Chardonnay	10.00 – 11.50	↑	2018	Cabernet Sauvignon	10.50 – 13.00	↔
2018	Sauvignon Blanc	9.50 – 12.00	↔	2018	Ruby Cabernet	9.00 – 9.50	↑
2018	Chenin Blanc	7.50 – 8.50	↑	2018	Merlot	10.50 – 12.50	↔
2018	Colombard	7.30 – 8.00	↑	2018	Pinotage	10.00 – 11.50	↑
2018	Muscat	7.50 – 8.50	↔	2018	Shiraz	10.50 – 12.00	↑
2018	Generic Rosé	7.00 – 7.70	↑	2018	Cinsaut Rose	8.40 – 8.80	↑
2018	Cultivar Rosé	8.50 – 9.00	↔				

NB: pricing is directly related to remaining available stock and - due to the current short situation - can change without notice



Australia & New Zealand

Time on target



HARVEST WATCH: 2018: 1.79 million tonnes in Au; 419,000 tonnes in NZ

Australia's wine prices are holding up thanks to strong demand from China and a favourable exchange rate, but international competition is likely to increase in the medium term as supply pressures ease, a new report by Wine Australia has warned. Big wine harvests around the world in 2018, combined with "economic uncertainty and static consumption", mean that "of all the major wine producing countries, only Australia and (drought-affected) South Africa's bulk wine prices are still higher than this time last year".

Wine Australia observed that the OIV, in its recently-released '2018 Statistical Report on World Viticulture', estimated that wine production in 2018 came in 13% up on 2017 at 27.9 billion litres, "the fourth-largest production in the past 18 years". The big increases have come from the world's largest wine producers: Italy, France and Spain. Between them, they are estimated to have produced an additional 2.4 billion litres – roughly double Australia's total annual wine production.

"Demand is expected to remain strong for Australian wine in the medium term," Wine Australia said. "However, with additional wine available from competitor countries, the global market environment will become increasingly competitive." Australia's 2018 harvest was close to long-term averages but 10% below the record 2017 crop. This means existing stocks are likely to have been drawn down to support the increase in exports over the past 12 months.

Police in China have arrested 11 people and seized more than 50,000 bottles of fake wine bottled as Australia's Penfolds and China's Changyu brands in a crackdown

in the central Hebei province near Beijing. The raids uncovered over CNY7 million (USD1 million) worth of fake Penfolds and fake Changyu wines worth more than CNY6 million (USD865,000).

Agriculture exports from Australia to Hong Kong, including wine, have received a boost with the conclusion of negotiations on the Australia–Hong Kong Free Trade Agreement, which locks-in zero tariffs and – according to Australia's Minister for Agriculture David Littleproud – supports an AUD1.4 billion agricultural trade relationship.

Australian Vintage has become the first wine producer in Australia to sign a landmark large-scale hybrid Renewable Corporate Power Purchase Agreement (PPA) to ensure 90% of consumption at its largest site is met by solar and wind power. Pernod Ricard Winemakers, meanwhile, has committed to sourcing 100% renewable electricity in Australia by mid-2019, supporting the company's global sustainability and responsibility goals.

Houghton Wines – owned by Accolade Wines and one of Western Australia's oldest and most iconic wineries (the state's most feted winery, established in 1836), is moving its wine production from Swan Valley to its second site in Nannup. The move is being called strategic: its Nannup production base is halfway between Margaret River and Frankland River, the two wine regions from which Houghton sources most of its grapes.

Australian winemakers picked up 393 medals in the latest round of the International Wine Challenge (IWC). Last year it brought home 256 in total – making this year's haul a 54% increase from last year. The McGuigan Shortlist Chardonnay 2015, from the Adelaide Hills, was the joint highest scoring wine in the competition, with 97 points.

In the year ended 30 June 2018, the value of **New Zealand** wine exports grew for the 23rd year in a row, by 2.5% to reach NZD1.7 billion, according to the annual report of New Zealand Winegrowers. Volumes reached 255.1 million litres, up from just 15 million litres worth NZD100 million in 1998. Sales to the UK grew in each one of those 20 years: according to Nielsen data, New Zealand is the only producer country showing both volume (+6.3%) and value (+6.6%) growth in the UK's off-trade. Next year will mark 200 years since the first wine grape vines were planted in New Zealand – in Northland, on the North Island.

Nelson's troubled Mahana Estates Winery – which includes a 1,589 sqm winery and 21 hectares of Pinot Noir, Pinot Gris, Riesling and Chardonnay vineyards – has been put up for sale by receivers.

New Zealand's Ministry for Primary Industries (MPI) announced on 11 December that it has prosecuted Yealands Estate Wines Limited for “deliberate, deceptive, and sustained breaches of the Wine Act”. The MPI stated that Yealands Estate Wines had pleaded guilty in Blenheim District Court to adding sugar – at the post-fermentation stage – to wines destined for the EU market, a breach of EU market regulations. The breach took place between 2013 and 2015. The wine was not unfit for consumption: there was no health risk.

Yealands Estate Wines Limited received a fine of NZD400,000, with former general manager of winery operations Jeff Fyfe, former chief winemaker Tamra Kelly, and founder Peter Yealands, each receiving individual fines.

“The charges relate to all parties being complicit in making false statements regarding export eligibility applications, and material omissions in wine records relating to the use of added sugar – a breach of EU market regulation winemaking requirements,” the MPI stated.

The MPI emphasised, however, that the “offending is historic and significant changes have been made by the new owners of the company [electricity supplier Marlborough Lines]. Since the offending came to light, Yealands Estate Wines Ltd has changed its production processes so that all wines are manufactured to EU requirements, regardless of the market in which they are to be sold.”

Key Takeaways

Wine Australia has warned the Australian wine industry that international competition on wine prices is likely to increase in the medium term as supply pressures ease across the world due to big 2018 harvests (see in particular the Argentina, Chile, Spain and South Africa pages in this Ciatti Global Report). New Zealand's wine exports continue to grow, and are currently outperforming all other countries in the UK off-trade.

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Australia: Current Market Pricing (AUD/litre unless otherwise stated)

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
NV	Dry White	0.85 – 0.95	↔	NV	Dry Red	1.10 – 1.25	↔
2018	Chardonnay	0.95 – 1.10	↓	2018	Cabernet Sauvignon	1.45 – 1.65	↔
2018	Sauvignon Blanc	1.10 – 1.20	↔	2018	Merlot	1.45 – 1.65	↔
2018	NZ Marlborough SB	NZD 3.50 – 4.00	↔	2018	Shiraz	1.45 – 1.65	↔
2018	Pinot Gris	1.20 – 1.40	↔	2018	Muscat	0.85 – 0.95	↔

Price stated are indicative only; all offers subject to prior sale and subject to volume, drawdown and terms

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Export Pricing: USD per liter

Currency Conversion Rates as of December 13, 2018

Argentina (Pricing in bulk; FCA)											
Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
2018	Generic White (Criolla)	0.24	-	0.26	↓	2018	Generic Red	0.45	-	0.50	↓
2018	Generic White Standard	0.28	-	0.32	↓	2018	Cabernet Sauvignon	0.65	-	0.85	↓
2018	Muscat	0.35	-	0.40	↓	2018	Merlot	0.60	-	0.70	↓
2018	Torrontes	0.45	-	0.50	↓	2018	Syrah	0.60	-	0.70	↓
2018	Sauvignon Blanc	0.55	-	0.60	↓	2018	Malbec Standard	0.85	-	0.95	↓
2018	Chardonnay	0.70	-	0.80	↓	2018	Malbec Premium	1.00	-	1.20	↓
2018	Bonarda	0.50	-	0.60	↓	2018	Malbec High End	1.40	-	2.00	↓
2018	Tempranillo	0.50	-	0.60	↓						

Australia & New Zealand (Pricing in bulk; FCA)						AUD Rate: 0.722170 / NZD Rate: .685460					
Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
NV	Dry White	0.61	-	0.69	↔	NV	Dry Red	0.79	-	0.90	↔
2018	Chardonnay	0.69	-	0.79	↓	2018	Cabernet Sauvignon	1.05	-	1.19	↔
2018	Sauvignon Blanc	0.79	-	0.87	↔	2018	Merlot	1.05	-	1.19	↔
2018	NZ Marlborough SB	2.40	-	2.74	↔	2018	Shiraz	1.05	-	1.19	↔
2018	Pinot Gris	0.87	-	1.01	↔	2018	Muscat	0.61	-	0.69	↔

California (Pricing in bulk; FCA)											
Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
2017	Generic White	0.85	-	0.99	↔	2017	Generic Red	0.85	-	1.05	↔
2017	Chardonnay	1.32	-	1.98	↔	2016/2017	Cabernet Sauvignon	1.25	-	1.85	↓
2017	Pinot Grigio	1.19	-	1.72	↔	2017	Merlot	1.18	-	1.58	↔
2017	Muscat	1.12	-	1.45	↔	2017	Pinot Noir	1.59	-	2.11	↓
2017	White Zinfandel	0.83	-	0.99	↔	2017	Syrah	1.10	-	1.58	↔
2017	Colombard	0.86	-	1.12	↔	2017	Ruby Cabernet	0.95	-	1.05	↔
						2016/2017	Zinfandel	1.18	-	1.85	↔

Chile (Pricing in bulk; FOB Chilean Port)											
Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
NV	Generic White	0.50	-	0.58	↔	NV	Generic Red	0.50	-	0.60	↔
2018	Chardonnay	0.80	-	0.95	↔	2018	Cabernet Sauvignon (Basic)	0.75	-	0.88	↔
2018	Sauvignon Blanc	0.80	-	0.95	↔	2018	Cabernet Sauvignon (Varietal Plus)	0.90	-	1.10	↔
2018	Syrah	0.75	-	0.95	↔	2018	Merlot	0.75	-	0.95	↔
2018	Carmenere	0.90	-	1.10	↔	2018	Malbec (Basic)	0.95	-	1.20	↔
2018	Pinot Noir	1.05	-	1.20	↔	2018	Malbec (Varietal Plus)	1.50	-	2.00	↔

France (Estimated Pricing in bulk; Ex-Winery)										Rate: 1.135950	
Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
2018	Generic White	0.74	-	0.91	↓	2018	Generic Red	0.74	-	0.91	↔
2018	Chardonnay IGP	1.08	-	1.25	↓	2018	Cabernet Sauvignon IGP	1.02	-	1.25	↔
2018	Chardonnay VDF	1.02	-	1.19	↓	2018	Cabernet Sauvignon VDF	0.97	-	1.02	↔
2018	Sauvignon Blanc IGP	1.08	-	1.25	↓	2018	Merlot IGP	0.97	-	1.14	↔
2018	Sauvignon Blanc VDF	1.02	-	1.14	↓	2018	Merlot VDF	0.91	-	0.97	↔
2018	Generic Rosé IGP	0.96	-	1.14	↓	2018	Red Syrah / Grenache IGP	0.97	-	1.14	↔
2018	Generic Rosé VDF	0.91	-	1.02	↓	2018	Varietal Rosé IGP	0.97	-	1.25	↓

Italy (Pricing in bulk; Ex-Winery)										Rate: 1.135950	
Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
2018	Generic White (Alc. 9 - 10%)	0.36	-	0.43	↔	2018	Generic Red (Alc. 11 - 12%)	0.49	-	0.62	↔
2018	Generic White (Alc. 11 - 12.5%)	0.48	-	0.57	↔	2018	Generic Red (Alc. 13%)	0.60	-	0.80	↔
2018	Organic Generic White (Alc. 10 - 12%)	0.62	-	0.80	↔	2018	Organic Generic Red (Alc. 11 - 13%)	0.85	-	1.14	↔
2018	Varietal Chardonnay (Alc. 11 - 13%)	0.68	-	1.02	↔	2018	Varietal Cabernet Sauvignon (Alc. 12 - 13%)	0.74	-	1.08	↔
2018	Organic Pinot Grigio (Alc. 12%)	1.48	-	1.70	↔	2018	Varietal Merlot (Alc. 12 - 13%)	0.68	-	1.02	↔
2018	DOC Pinot Grigio delle Venezie	1.02	-	1.25	↔	2018	Varietal Syrah (Alc. 12 - 13%)	0.74	-	1.08	↔
2018	Pinot Grigio IGT (Different Regions)	1.08	-	1.25	↔	2018	Rossissimo (Alc. 12.5%)	1.02	-	1.08	↔
2018	Pinot Grigio IGT (Blends)	0.68	-	1.02	↔	2018	Primitivo IGT Puglia/ Salento (Alc. 12 - 14%)	1.25	-	1.70	↔
2018	DOC Prosecco (Cannot be sold outside of Italy)	1.99	-	2.10	↔	2018	Sangiovese IGT (Alc. 11.50 - 13%)	0.51	-	0.80	↔
2018	Soave or Garganega DOC	1.02	-	1.14	↔	2018	Trebbiano IGT (Alc. 10.5 - 12%)	0.45	-	0.62	↔
2018	Chianti*	2.27	-	2.56*	↔						

**Bottled Price*

South Africa (Pricing in bulk; FOB Cape Town)										Rate: 0.070497	
Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
2018	Generic White	0.49	-	0.53	↑	2018	Generic Red	0.60	-	0.67	↑
2018	Chardonnay	0.70	-	0.81	↑	2018	Cabernet Sauvignon	0.74	-	0.92	↔
2018	Sauvignon Blanc	0.67	-	0.85	↔	2018	Ruby Cabernet	0.63	-	0.67	↑
2018	Chenin Blanc	0.53	-	0.60	↑	2018	Merlot	0.74	-	0.88	↔
2018	Colombard	0.51	-	0.56	↑	2018	Pinotage	0.70	-	0.81	↑
2018	Muscat	0.53	-	0.60	↔	2018	Shiraz	0.74	-	0.85	↑
2018	Generic Rosé	0.49	-	0.54	↑	2018	Cinsaut	0.59	-	0.62	↑
2018	Cultivar Rosé	0.60	-	0.63	↔						

Spain (Pricing in bulk; Ex-Winery)								Rate: 1.135950			
Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
2018	Generic White	0.40	-	0.51	↓	2017	Generic Red	0.45	-	0.68	↓
2017	White Blends (Higher Quality)	0.51	-	0.62	↓	2017	Generic Red (Higher Quality)	0.57	-	0.80	↓
2017	Sauvignon Blanc	0.74	-	0.91	↓	2017	Cabernet Sauvignon	0.68	-	0.85	↓
2017	Chardonnay	0.80	-	1.02	↓	2017	Merlot	0.74	-	0.85	↓
2017	Generic Rosé	0.40	-	0.51	↓	2017	Syrah	0.68	-	0.85	↓
2017	Varietal Rosé	0.62	-	0.85	↓	2017	Moscatel	0.57	-	0.80	↓



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