



Global Market Report

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**Ciatti Global Wine
& Grape Brokers**

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May has brought clearer visibility on the Southern Hemisphere harvest situation: Argentina and Chile have both experienced larger harvests than expected, returning to normal outputs after a couple of short years, while the drought-hit Western Cape's shortfall is now forecasted at -15%, a scale of drop Ciatti was expecting but less severe than others had predicted (the Breedekloof region even reported a bigger harvest). The 2018 harvest in Australia will be down on 2017's bumper crop, and average-sized in New Zealand.

Furthermore, early growing conditions in southern France, Italy and (to a lesser extent) Spain have been conducive to optimism about Europe's 2018 crop, even if it may ultimately end up being curbed by frost and heat damage suffered in 2017. California, too, appears on course for at least an average-sized crop. There are some months still to go before harvest, of course, in which Mother Nature could intervene.

Globally speaking, bulk inventory remains tight and prices are higher than they were, say, two years ago, but the picture is more nuanced than the media, seeking clickbait, would have readers believe. Difficult harvests in 2017 did not, counter to reports, herald climate change Armageddon for the wine industry, and England – “further away from the equator” – will not be replacing Spain as a bulk wine powerhouse any time soon.

Indeed, in Spain, with buyers securing only short-term needs, bulk wine prices have softened a little in recent weeks. Again, prices will remain higher than they were two years ago – and higher than many buyers would like – but the softening shows that wine is available on the market and demand isn't frenzied. The market in France, meanwhile, is paused for similar reasons. And with a good-sized harvest of excellent quality, with wines all ready to go and suppliers primed to make deals, Argentina can say: we are open for business. Argentina's offer prices may become even more tempting to international buyers due to the weakness of the Argentine peso, now at approximately 22 to the dollar, down from 16 a year ago. Chile and South Africa's currencies have also weakened against the US dollar.

In short, even if currently there are enough upward pressures to keep prices from falling, there are enough downward pressures to keep them from rising notably. The global bulk wine market in mid-2018 is – in general – stable, or at least stable enough for journalists to find it difficult to produce eye-catching copy.

Finally, Ciatti through its John Fearless business is – in partnership with Stoak Technologies – now offering innovative, all-natural liquid finishing tannins and wine stabilizer to the US wine industry. Check out the John Fearless page for more.

Robert Selby



California

Time on target



HARVEST WATCH: *optimism in the vineyards for a good 2018 crop*

Some rain and cooler temperatures at the beginning of the spring season has meant the growth cycle of California's vines is running a little later than normal. Overall, growers seem happy with how things are shaping up; there's the prospect in the vineyards of a 2018 crop that will be average in size (4 million tons) and potentially larger.

With asking prices high, bulk inventory big (close to 24 million gallons as of April 2018) and US retail sales for wine disappointing, domestic market activity remains subdued except for a few exceptions across the premium areas of the state. Storage feels tight even though more capacity has been added; some sellers are feeling cash flow pressure. With the 2018 harvest roving into view, some wineries may seek to alleviate tank pressure ahead of crushing the new vintage, which could bring opportunities for export deals.

These potential export deals could arise on reds especially, and on Cabernet in particular. California's Cabernet supply is starting to outstrip demand. The Californian Department of Food & Agriculture's latest acreage report, published April, shows 2017 Cabernet acreage at 91,834, twice that of the next most grown red (Pinot Noir) and up from 71,648 acres in 2009. Some 50% of the total red category's non-bearing acreage (13,323 acres) was Cabernet (6,642 acres), and more Cabernet is going in.

International buyer interest in bulk Californian product remains limited. The US-China tariffs, and the US withdrawal from the Trans Pacific Partnership, has harmed the small but growing business with Asia, while Australia's pricing to China is still good. European buyers are waiting on the South American harvests, which appear at least average-sized.

California possesses inventory for export, but as yet most bulk suppliers are unwilling to drop prices to a level that would attract foreign interest. It's possible that potential export inventory is instead going into domestic programs to blend down cost. California is short of generic white, for instance, partly because it is being funnelled into tight white varieties such as Chardonnay and Sauvignon Blanc. Red generics are more plentiful, but at a premium over reds from other countries. Bulk exports out of the US have been sluggish this year.

International customers continue to inquire about California's white **grape juice concentrate**, which is currently expensive and in tight supply, given the continued removal of generic wine and raisin grapes

See next page for more on California.

in the southern Central Valley. In 2017, production of white grapes into concentrate was the lowest in decades. This same scenario is affecting the alcohol market in California both for hi-proof and brandy.

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Red GJC (produced primarily from Rubired grapes) is balanced and stable. Demand for the high color option (8000 and 40000) in the wine, juice and food industries is accelerating. A tremendous amount of base red concentrate is needed in the production of these high color options, concentrating the concentrate supply.

Key Takeaways

The need of some Californian suppliers to alleviate tank pressure ahead of harvest 2018 should motivate export deals, particularly on reds. There could be competitively-priced opportunities, very specific to certain deals. Give Ciatti a call.

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 – 2.11 | ↑ | 2016/17 | Cabernet Sauvignon | 1.32 – 2.11 | ↓ |
| 2017 | Pinot Grigio | 1.19 – 1.72 | ↔ | 2017 | Merlot | 1.05 – 1.58 | ↔ |
| 2017 | Muscat | 1.05 – 1.32 | ↔ | 2017 | Pinot Noir | 1.85 – 2.25 | ↑ |
| 2017 | White Zinfandel | 0.79 – 0.99 | ↔ | 2017 | Syrah | 1.10 – 1.58 | ↔ |
| 2017 | Colombard | 0.86 – 1.12 | ↔ | 2017 | Ruby Cabernet | 0.95 – 1.05 | ↔ |
| | | | | 2016/17 | Zinfandel | 1.15 – 2.11 | ↔ |

Argentina

Time on target

HARVEST WATCH: 2.55 million metric tons; quality excellent

The harvest is over in Argentina and – according to the latest INV estimate – came in at least 10% higher than previously forecasted, at a surprise 2.55 million metric tons. The 2018 harvest, then, marks a return to the average after a couple of short crops. What's more, wine quality is outstanding: maturity, ripeness and alcohol levels, as well as softness and fruit attributes, are all excellent.

With a good-sized harvest of excellent quality and wines all ready to go, a weaker peso against the US dollar and competitive pricing, Argentina is very much open for international business and ready to close deals.

Malbec is available at USD1.30/litre, a significant discount on pricing at the start of the year. Argentina can offer more than Malbec, however, including varietal Cabernet, Merlot and Syrah, as well as Bonarda and generics. The price of generic white has softened since last month, to around USD0.40-0.45/litre; generic red has softened slightly also, to USD0.60-0.65/litre. Argentina is receiving interest for its **grape juice concentrate**, which remains stably-priced at USD1,400/MT with USD1,390/MT possible.

Another benefit for international buyers is Argentina's good supply of 2017 carryover stock. In addition, due to the country's difficult economic situation, consumer confidence has been suppressed and domestic sales have been flat, freeing up more availability for export.

See next page for more on Argentina.

Currency exchange is currently at around 22.6 pesos to the US dollar, down from 16.5 pesos a year ago, as the dollar strengthens against emerging markets everywhere.

The peso-dollar exchange went beyond 23 pesos at the start of May, at which point the Argentine government stepped in to keep inflation under control, selling USD5 billion of currency reserves and bringing Argentina's benchmark interest rate up to a whopping 40%.

Inflationary pressure may partially offset the peso's weakness in terms of price offers for international buyers, but at the moment Argentina's wine prices are more competitive than they have been for a while.

Key Takeaways

With good carryover levels, a 2018 harvest larger than expected and a weak peso, Argentina is able to offer competitively-priced wines in good volumes. Now is the time to take a position: wines are ready to go and suppliers are ready to receive offers. Give Ciatti a call.

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

| Vintage | Variety | Price | Trend | Vintage | Variety | Price | Trend |
|---------|---------------|-------------|-------|---------|--------------------|-------------|-------|
| 2017 | Generic White | 0.40 - 0.45 | ↓ | 2017 | Generic Red | 0.60 - 0.65 | ↓ |
| 2017 | Torrontes | 0.55 - 0.65 | ↓ | 2017 | Cabernet Sauvignon | 1.30 - 1.50 | ↓ |
| 2017 | Chardonnay | 1.00 - 1.20 | ↓ | 2017 | Syrah | 0.85 - 0.95 | ↓ |
| 2017 | Bonarda | 0.85 - 0.95 | ↓ | 2017 | Malbec | 1.25 - 1.50 | ↓ |
| 2017 | Tempranillo | 0.85 - 0.95 | ↓ | 2017 | Malbec Premium | 1.80 - 2.50 | ↓ |

Chile

Time on target

HARVEST WATCH: *bigger crush than expected, approx. 1.15 billion litres*

Chile's harvest is mostly over and the crush looks like being somewhere in the region of 1.15 billion litres, slightly up on expectations. It was a logistically challenging harvest as low alcohol levels saw growers hold-off from picking to let the levels rise: this meant picking was congested at the end. All 2018 grapes have been allocated; they never came down in price. Of the wine that has already been made, quality is very good.

Whites in particular are very good this year. The climate during the growing period was generally cooler: the Valle Central grapes thus came in fresher, and the cooler-climate Casablanca Valley had a bigger harvest than in recent years. As a result, bulk wineries have been able to buy more white out of Casablanca and increase its ratio in white blends, leading to extremely good whites in general. Samples have impressed everybody. The reds benefitted from dry conditions and low fungus pressure: they have come in with good fruit and colour. Tastings are only just starting on the reds as they are still fermenting. Inventories of all 2017 wines are sold out.

See next page for more on Chile.

Of course, a consequence of the cooler growing season has been lower alcohol levels. Suppliers have had to up alcohol levels with concentrated must, adding another reason not to drop the final wine prices. Domestic demand for Chile's 2018 wines is strong, so too demand from China (on red wines and Tintorera) and – to a lesser extent – Europe and Canada, further stabilising prices and not allowing them to drop. Buyers have been pushing for samples as they are out of wine.

Though some US buyers have moved into the market and upped their demand this year, others have held off in the hope that prices will drop. Longstanding customers may see special prices, but many observers believe that, in general, prices will not soften significantly before the 2019 harvest.

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Chilean wineries are trying to increase their wine retail prices to accommodate high grape costs, and cut value-end lines that do not give them margin. The subsequent drop in demand for wine for such programs will have a knock-on effect on overall bulk wine sales, so too quieter US demand and the end of Argentinian interest (now that their own 2018 harvest has come in good-sized). Chile's peso, like Argentina's, has fallen back against the strengthening US dollar in recent weeks: the CLP was at 632 to the dollar as of 10 May, down from 595 in mid-April. However, it is not expected that any of these factors will weaken Chilean prices.

Key Takeaways

With 2017 carryover stock gone, 2018 grape pricing firm and strong wine demand from domestic, Chinese and European buyers, the bigger than expected 2018 crush is not expected to soften Chile's bulk prices. Wine quality looks very good, particularly on the whites.

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

| Vintage | Variety | Price | Trend | Vintage | Variety | Price | Trend |
|---------|-----------------|-------------|-------|---------|------------------------------------|-------------|-------|
| NV | Generic White | 0.70 – 0.85 | ↑ | NV | Generic Red | 0.70 – 0.85 | ↔ |
| 2018 | Chardonnay | 1.15 – 1.25 | ↔ | 2018 | Cabernet Sauvignon (Basic) | 1.10 – 1.20 | ↔ |
| 2018 | Sauvignon Blanc | 1.15 – 1.20 | ↔ | 2018 | Cabernet Sauvignon (Varietal Plus) | 1.25 – 1.35 | ↔ |
| 2018 | Syrah | 1.10 – 1.20 | ↔ | 2018 | Merlot | 1.15 – 1.25 | ↔ |
| 2018 | Carmenere | 1.30 – 1.45 | ↔ | 2018 | Malbec (Basic) | 1.25 – 1.40 | ↔ |
| 2018 | Pinot Noir | 1.25 – 1.40 | ↔ | 2018 | Malbec (Varietal Plus) | 1.60 – 2.00 | ↔ |

Chilean Export Figures

| Wine Export Figures | January 2016 - March 2017 | | | January 2017 - March 2018 | | | Volume |
|---------------------|---------------------------|------------------|---------------|---------------------------|------------------|---------------|---------------|
| | Million Liters | Million US\$ FOB | Average Price | Million Liters | Million US\$ FOB | Average Price | Variance % |
| Bottled | 111,13 | 342,72 | 3,08 | 112,63 | 363,93 | 3,23 | 1,35 |
| Bulk | 120,51 | 96,21 | 0,80 | 95,07 | 95,81 | 1,01 | -21,11 |
| Sparkling Wines | 1,04 | 4,22 | 4,05 | 0,80 | 3,60 | 4,52 | -23,69 |
| Packed Wines | 6,19 | 10,57 | 1,71 | 6,23 | 11,37 | 1,83 | 0,64 |
| Total | 238,86 | 453,72 | 2,41 | 214,72 | 474,71 | 2,65 | -10,11 |



France

Time on target



HARVEST WATCH: *promising start to growing season*

A much-needed wet winter followed by a warm and pleasant April has meant good vine development in southern France's vineyards: growers, happy, have been busy in the vineyards carrying out their normal springtime operations. The start of May brought intermittent rain and wind but the main rains – and the frost risk – have now passed. The potential is in the vineyards, though vines that were frost-affected last year may produce sub-average yields this time.

Because of the potential for a good-sized harvest, the market in recent weeks has been paused. Buyers are purchasing only on a short-term basis. With 3-4 months still to go before the 2018 harvest, most buyers are still covered. A lot of the wine still in tank is contracted; any that becomes available is bought on the free market by spot dealers.

Unless the 2018 harvest is massive it's hard to foresee a significant drop in southern French prices: they remained stable last year despite the global context, and prices around the world continue to be firm or on the rise, so there is scope – suppliers believe – to at least maintain prices where they are. That said, because of a softening on generics in Spain, pricing on France's 2017 table/generic wines is softening slightly, especially on Vin de France generic white.

All wines can still be found in southern France, though buyers seeking big volumes will need to focus on non-vintage. On the free market there remains Vin de France generic white and, to a lesser extent, Vin de France red. The varietal and IGP red market is pretty

much balanced, with volumes (including of Cabernet and Merlot) available but not massive. Prices are negotiable, especially on generic white.

There are some pockets of rosé available at high prices, released by small growers or those suppliers who speculated that the market would become tight. If the rosé-drinking season is disappointing weather-wise (May commenced wet) there may be some batches released back onto the market in time for summer.

The harvest situation in South Africa has been causing frustration and concern for French buyers of Cinsaut rose and German buyers of Shiraz rosé in particular, with South African suppliers not offering (see South Africa page) even with the rosé-drinking season imminent in Europe. Alternative sources are now being considered.

Key Takeaways

All wines remain available in southern France but volume varies depending on type and varietal. Only non-vintage wines are available in the biggest batches. Prices are stable but negotiable, particularly on Vin de France generic white. The situation on good quality rosé in southern France is tight, though pockets open up occasionally. The growing season has commenced positively, with hopes of a harvest size at least returning to average.

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See next page for pricing.

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

| Vintage | Variety | Price | Trend | Vintage | Variety | Price | Trend |
|---------|---------------------|-------------|-------|---------|------------------------|-------------|-------|
| 2017 | Generic White | 0.75 – 0.80 | ↑ | 2017 | Varietal Rosé IGP | 0.95 – 1.50 | ↑ |
| 2017 | Chardonnay IGP | 1.00 – 1.20 | ↔ | NV | Generic Red | 0.70 – 0.75 | ↑ |
| 2017 | Chardonnay VDF | 0.95– 1.05 | ↔ | 2017 | Generic Red | 0.77 – 0.85 | ↑ |
| 2017 | Sauvignon Blanc IGP | 0.95 – 1.05 | ↔ | 2017 | Cabernet Sauvignon IGP | 0.95 – 1.30 | ↑ |
| 2017 | Sauvignon Blanc VDF | 0.90 – 1.00 | ↔ | 2017 | Cabernet Sauvignon VDF | 0.90 – 0.95 | ↑ |
| 2017 | Generic Rosé IGP | 0.90 – 1.10 | ↑ | 2017 | Merlot IGP | 0.90 – 1.20 | ↑ |
| 2017 | Generic Rosé VDF | 0.80 – 0.90 | ↑ | 2017 | Merlot VDF | 0.85 – 0.95 | ↑ |
| | | | | 2017 | Syrah / Grenache IGP | 0.90 – 1.20 | ↑ |

2017 French Harvest Estimate by Acre (AGRESTE, 1 OCTOBER 2017, UNIT : 1,000 HECTOLITRES)

| REGION | 5-YEAR AVERAGE | 2016 | 2017 | 2017/16 | 2017/AVERAGE |
|----------------------|----------------|--------|--------|---------|--------------|
| Champagne | 2,463 | 2,077 | 1,946 | -6% | -21% |
| Bourgogne-Beaujolais | 2,150 | 2,066 | 2,150 | 4% | 0% |
| Alsace | 1,088 | 1,230 | 861 | -30% | -21% |
| Savoie | 110 | 119 | 109 | -9% | -1% |
| Jura | 77 | 94 | 37 | -61% | -52% |
| Val de Loire | 2,455 | 2,113 | 2,288 | 8% | -7% |
| Charentes | 8,321 | 7,830 | 6,917 | -12% | -17% |
| Sud-Ouest | 3,409 | 4,064 | 3,261 | -20% | -4% |
| Bordelais | 5,519 | 6,078 | 3,721 | -45% | -33% |
| Languedoc-Rousillon | 12,900 | 12,362 | 10,350 | -16% | -20% |
| Corse | 338 | 350 | 270 | -23% | -20% |
| Sud-Est | 5,448 | 5,799 | 4,507 | -22% | -17% |

Spain

Time on target



HARVEST WATCH: *some May frosts in Castilla-La Mancha*

Spain's growing areas experienced some frost episodes in early May, affecting vineyards in the Toledo, Cuenca and Ciudad provinces of Castilla-La Mancha. The affected vineyards have been impacted sometimes up to 50-80%, especially on the early budding varieties (Tempranillo among them), damaging the first leaves. The overall impact has not been fully assessed and the rumour mill has been getting out in front, but the market has not been affected so far.

With replenished ground water stocks after a wet winter, growers in the areas unaffected by these frost episodes are confident that – barring severe weather events in the meantime – their crops will at least be average in size. As the vines suffered a great deal last year from frosts and drought, the likely best case scenario this time is an average-sized harvest.

Negotiators have already been providing pre-harvest offers when usually they do so only from July onward, suggesting confidence among them that the harvest will be good and pricing will trend downward. The market in Spain is similar to that in France: buyers are securing only short to mid-term needs on a spot basis as they are aware there is still wine on the market and the 2018 harvest is looking good. In addition, many buyers covered their needs when news came through of the shortfall in 2017, and are still living off their case good inventories.

The lack of real pressure on the market has served to soften price slightly and all prices are open to negotiation, depending on payment and loading terms. This has ensured some market activity. White wine is softening in price the most, with red wine slightly behind on the downward curve: the cheapest whites that were at EUR5.20/hectograde a couple of months ago can now be found at EUR4.80/hectograde. The rosé price is following the red, softening slightly, but the quality of what remains is declining: rosé buyers looking for a positive price-quality ratio should not wait.

Although prices are softening, they remain well above what they were, say, two years ago and this is likely to continue. The days of EUR35-45/hectolitre are not going to return any time soon – maybe EUR50/hectolitre on whites, EUR55/hectolitre on reds, and EUR60/hectolitre on rosé.

Although Argentina and Chile have both experienced better harvests in 2018, Spain remains competitive, the first port of call for most European buyers and attractive to the Chinese. As Spain's 2018 crop should be average-sized at best, its prices should not fall away dramatically. If there's still good 2017 inventory by harvest time, buyers will purchase small quantities on a spot deal basis and wait a bit longer to buy batches of 2018 product, meaning a slow kick-off for the 2018 vintage buying campaign.

Small pockets of international varietal wines open up every now and then, where potential buyers have not exercised options and product is put back onto the market. France offers a better price-quality ratio on varietals. Spain's **grape juice concentrate** market, meanwhile, continues to be stable: although production has been very small, so has demand, with buyers requiring GJC for industrial purposes seeking alternative markets.

Key Takeaways

Prices in Spain are softening slightly – albeit from a high point – and open to negotiation, depending on payment/loading terms. Generic whites in particular are softening. Expectations of an average-sized 2018 crop, at best, mean prices will not soften considerably, and the 2018 vintage buying campaign could be slow to start as prices may commence firmer than buyers would like. Spain's 2017 generics remain very competitive for European buyers; those seeking international varietals will find a better price-quality ratio in France.

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See next page for pricing.

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

| Vintage | Variety | Price | | Trend | Vintage | Variety | Price | | Trend |
|---------|-------------------------------|-------|--------|-------|---------|------------------------------|-------|--------|-------|
| 2017 | Generic White | 0.55 | - 0.65 | ↓ | 2017 | Moscatel | 0.70 | - 0.80 | ↑ |
| 2017 | White Blends (Higher Quality) | 0.70 | - 0.80 | ↔ | 2017 | Generic Red | 0.65 | - 0.80 | ↑ |
| 2017 | Sauvignon Blanc | 0.90 | - 1.00 | ↑ | 2017 | Generic Red (Higher Quality) | 0.75 | - 1.00 | ↑ |
| 2017 | Chardonnay | 0.90 | - 1.00 | ↑ | 2017 | Cabernet Sauvignon | 0.90 | - 1.00 | ↑ |
| 2017 | Generic Rosé | 0.65 | - 0.75 | ↔ | 2017 | Merlot | 0.90 | - 1.00 | ↑ |
| 2017 | Varietal Rosé | 0.75 | - 0.85 | ↔ | 2017 | Syrah | 0.85 | - 1.00 | ↑ |

Italy

Time on target



HARVEST WATCH: *promising start to growing season*

In April, Italy's market was focussed on Vinitaly (Verona, 15-18 April), where it was hoped some visibility on the future market would be provided. Interest from European customers was slowing by mid-April, with good weather conditions – plenty of replenishing rains and no frost – all across Europe. Deliveries started to increase in the second half of April but the major companies are delaying their purchasing decisions in order to arrive almost empty at the 2018 harvest when (in theory) prices will be lower.

Our outlook is cautious, however: the stock of entry level wines in Italy is limited and small increases in demand during June and July could immediately move the market.

It's too early to forecast Italy's 2018 harvest but it could be constrained by the impact on the vines of last year's hard frosts and extremely hot summer. Even if the 2018 crop is larger, prices may not start lower than where they did last year because demand for fresh wines for quick loading will be strong until the end of October.

Current market prices in Italy are stable and, in general, have not changed from last month. The Prosecco price is slightly down compared to April, but bottling activity remains on average 8-10% up on last year, so there is likely to be only a small downward trend in prices until the 2018 harvest comes on-line (should expectations for the harvest remain good over the next few months).

Key Takeaways

The growing season has started promisingly weather-wise but the final harvest size could be constrained by the impact of last year's frosts and heat. Activity is slow due to the prospect of a promisingly-sized harvest, but prices remain stable due to relatively constrained availability.

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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 |
|-------------|-----------------------------------|---------------------|-------|-------------|-----------------------|---------------------|-------|
| 2017 | Generic White | 0.60 – 0.80 | ↑ | 2017 | Generic Red | 0.65 – 0.75 | ↑ |
| 2017 | Chardonnay | 0.90 – 1.10 | ↑ | 2017 | Cabernet Sauvignon | 0.90 – 1.10 | ↑ |
| 2017 | DOC Delle Venezie Pinot Grigio | 1.25 – 1.45 | ↔ | 2017 | Merlot | 0.90 – 1.10 | ↑ |
| 2017 | DOC Prosecco | 2.90 – 3.20* | ↑ | 2017 | Primitivo / Zinfandel | 1.20 – 1.40 | ↔ |
| | | | | 2017 | Chianti | 2.00 – 2.25* | ↑ |

**Bottled Price*

South Africa

Time on target



HARVEST WATCH: *down 15% from 2017 to 1.2 million tonnes*

April brought much needed rainfall to the drought-stricken Western Cape. Precipitation levels were more than double that of the same month of 2017 – hopefully an omen for a wet winter. At just 21% as of 10 May, Cape Town’s dam water levels remain precarious: considerably more rain is needed. The vineyards have received water after harvest which should be helpful in regards to future growth.

The 2018 harvest is complete: according to industry body Vinpro, the crop came in at 1,220,920 tonnes, down 15% on 2017 but not as big a fall as some had feared. Vinpro expects the wine harvest – including juice and concentrate for non-alcoholic purposes, wine for brandy and distilling wine – to amount to 948.3 million litres. All regions except Bredekloof (which benefited from good conditions and new Colombard and Pinotage plantings) reported a smaller crop than last time; the Olifants River area was hardest hit.

In general the reds are now undergoing malolactic fermentation while, from the start of May, the first containers of whites and rosés have already begun to ship. Buyers with contracts are requesting samples as quickly as possible so they can start shipping.

There is a lot of interest from European buyers (US interest has quietened down) but the market remains quiet transaction-wise as suppliers prefer not to quote offers while they assess their crop and calculate what they can allocate and to whom. Some suppliers will be over-contracted due to the shortfall. There is far less supply for speculative buying compared to previous years. Suppliers will service their long-term customers first (such as the local wholesalers and the perennial overseas buyers who lock in the volumes and the contracts) while less regular buyers seeking, for example, offers to fulfil tenders, will receive less priority.

European interest in South Africa’s generic, Cinsaut and Shiraz rosé continues. With peak retail season for rosé imminent in Europe, Cinsaut rosé buyers are frustrated that South African supply is limited this year, due to both the smaller crop and suppliers opting to make

See next page for more on South Africa.

more generic red with this varietal, which sells at higher pricing than rosé. There is also significant international buyer demand for varietal wines – any that become available is contracted almost immediately – and generic whites due to the supply situation around the world. In addition, there is big demand for generic red coming from the domestic market, where buyers are happy to secure volumes even at prices higher than the export price.

Domestic sales in the past 12 months were stable to slightly up on the previous year. Bulk exports were remarkably stable, coming in at 270 million litres for the April 2017 to March 2018 period, the same figure as for the prior 12 months. Underneath the headline figure, an impressive increase in exports to Germany off a big base (+21% to 71 million litres), as well as increases to the UK (+7% to 70 million litres) and the US (+65% to 12 million litres), offset declines in exports to France, Canada and Russia. The combined bulk and packaged wine figure was

also basically in-line at 444 million litres, up marginally from 442 million litres.

Rand pricing has remained stable for the past few months but the Rand has weakened against the US dollar in the past month, from 11.8 Rand to the dollar on 4 April to 12.6 Rand to the dollar as of 4 May. It has now stabilised over the past week at around 12.30 Rand.

Key Takeaways

There is strong interest in South Africa's 2018 wine, particularly from Europe, but offers are not yet being given by the suppliers who are assessing the final crop situation. Buyers with contracts are requesting samples as quickly as possible and some contracted whites and rosés have already begun shipping. Prices remain stable.

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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 | 6.90 – 7.20 | ↑ | 2018 | Generic Red | 8.50 – 9.00 | ↑ |
| 2018 | Chardonnay | 9.50 – 10.50 | ↑ | 2018 | Cabernet Sauvignon | 10.00 – 12.50 | ↔ |
| 2018 | Sauvignon Blanc | 9.50 – 12.00 | ↔ | 2018 | Ruby Cabernet | 8.50 – 9.25 | ↑ |
| 2018 | Chenin Blanc | 7.25 – 7.50 | ↑ | 2018 | Merlot | 9.50 – 11.50 | ↔ |
| 2018 | Colombard | 7.10 – 7.30 | ↑ | 2018 | Pinotage | 9.00 – 9.50 | ↑ |
| 2018 | Muscat | 7.50 – 8.50 | ↔ | 2018 | Shiraz | 9.50 – 10.50 | ↑ |
| 2018 | Generic Rosé | 6.90 – 7.30 | ↑ | 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: *down from record 2017 crop in Au; disease pressure in NZ*

Demand for Australia's entry level wines remains high with many buyers seeking to lock in material from the 2018 vintage: Shiraz, Cabernet, Merlot and Chardonnay are all proving to be top of the list. Many suppliers are still allocating wines to their own programs, labelled goods and long-term customers before they can advise on the excess they will have for other buyers. This 'excess' is very limited: many suppliers are already stating they are fully allocated.

Entry level 2017 wines are difficult to source with inventories consistently low. Mid-range to premium wines are easily accessible and some buyers are sliding up the price scale in order to obtain volume. Good winter rainfall is required by all: many wait with bated breath.

Australia's wine exports are riding a wave of success: according to Wine Australia's latest export report, published in March, there has been an overall increase in the value of Australia's wine exports by 16% to

AUD2.56 billion – the highest figure for 10 years.

Volume has also significantly increased, by 10% to 844 million litres. According to the report, the average value of wine per litre increased by 5% to AUD3.14/litre.

The increases in value and volume are seen across both bulk and bottled exports, although bottled goods take home by far the majority of the value. Bulk delivered an increase in volume of 10%, to 462 million litres, and a 19% surge in value to AUD486 million. The average value for bulk wine exports is at AUD1.05/litre, an increase of 8%. For bottled goods, value was up 15% to AUD2.15 billion from a volume of 374 million litres, up 10%. We see the shortage of European stocks channelling high demand for wine from Australia.

Continuing growth across all price points is noted but especially so on the following segments: AUD20.00-29.99/litre (+68% to AUD148 million), AUD50.00-99.99/litre (+52%), and AUD200.00+/litre (+42%). Red wines continue to dominate the export scene, with Shiraz (+16% to AUD609 million) the leading variety, followed by 'no variety label claim' red blends, dry reds etc. (+25% to AUD406 million), then Cabernet (+25% to AUD357 million), Shiraz/Cabernet (+39% to AUD191 million), and Cabernet/Shiraz (+40% to AUD114 million).

| Australia's Top 5 Export Markets by Value | | Australia's Top 5 Export Markets by Volume | |
|--|-------------------|---|--------------------|
| Country | % of Export Value | Country | % of Export Volume |
| China (inc. Hong Kong/Macau) | 39% | UK | 29% |
| US | 17% | China (inc. Hong Kong/Macau) | 21% |
| UK | 14% | US | 20% |
| Canada | 7% | Canada | 8% |
| New Zealand | 3% | Germany | 5% |

Source; Wine Australia: Export Report March 2018

In **New Zealand**, meanwhile, allocations are underway for 2018 material. It looks like there will be two distinct quality levels again this year, with some problems during harvest with disease pressure. There are still some stocks of 2017 Sauvignon Blanc available.

Record land pricing is being seen in the Marlborough region, with a recent purchasing estimated to be at NZD330,000 per hectare. Most of Marlborough is 'Sold Out' of land as the region's wine industry continues to go from strength to strength.

As in Australia and Scotland, there have been calls in New Zealand to introduce minimum alcohol pricing. Australia's federal government recently issued a draft strategy regarding minimum alcohol pricing, while in Scotland, as of 1 May 2018, the minimum price of alcohol became GBP0.50 per 'unit' (10ml or 8g of pure alcohol). The debate has been a heated one across all three countries.

Fine Wines of New Zealand, curated by seven of New Zealand's leading wine experts, has published its annual list of the country's most prestigious wines. Pinot Noirs have stood out this time, with 18 making the cut from the North Canterbury, Central Otago, Marlborough, Martinborough and Nelson regions. Sauvignon Blanc followed with 11, all from Marlborough, while there were 10 wines selected each in the Chardonnay and Aromatics categories. Bordeaux Blends, Sparkling, Sweet wines and Syrah also featured.

Key Takeaways

Australia's entry level wines remain in big demand and excess product from the 2018 harvest is very limited. The country's bulk exports continue to boom thanks to big Chinese demand and continuing UK and US interest. The allocating of 2018 wines is also underway in New Zealand, where stocks of 2017 Sauvignon Blanc remain available.

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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 | ↑ |
| 2017 | Chardonnay | 0.95 – 1.05 | ↑ | 2017 | Cabernet Sauvignon | 1.35 – 1.55 | ↑ |
| 2017 | Sauvignon Blanc | 0.85 – 1.05 | ↔ | 2017 | Merlot | 1.35 – 1.55 | ↑ |
| 2017 | NZ Marlborough SB | NZD3.25 – 3.65 | ↓ | 2017 | Shiraz | 1.35 – 1.55 | ↑ |
| 2017 | Pinot Gris | 1.30 – 1.50 | ↔ | 2017 | Muscat | 0.75 – 0.90 | ↔ |
| <i>Price stated are indicative only; all offers subject to prior sale and subject to volume, drawdown and terms</i> | | | | | | | |
| Indicative pricing for 2018 material below. Prices stated are indicative only, all offers subject to prior sale and subject to volume, availability, drawdown and terms | | | | | | | |
| 2018 | Chardonnay | 1.05 – 1.20 | | 2018 | Cabernet Sauvignon | 1.40 – 1.60 | |
| 2018 | Merlot | 1.35 – 1.55 | | 2018 | Shiraz | 1.40 – 1.60 | |



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In addition to a wide range of programs running throughout the fair, the trade show will also feature a business conference dedicated to the private label and bulk wine and spirit business. With in-depth market studies and instructional seminars from some of the industry's biggest names, the central part of the conference's remit is to encourage sustainable growth and profitability in the bulk wine and spirit sector.

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BEVERAGE TRADE NETWORK

John Fearless Update

JOHN FEARLESS
PROVIDER OF CRAFT HOPS AND PROVISIONS



John Fearless has acquired the distribution rights for Stoak Technologies and their innovative, all-natural liquid oak extracts for wine making: **Structan** finishing tannins and **Wine Shield** preservative. **Structan** and **Wine Shield** are extracted from 150 year old French oak and 90 year old American oak, are US and EU organic-certified, environmentally-friendly, and play a key role in the wine finishing process as well as in assisting in reducing a winemaker's use of SO₂.

These exciting new products are possible because Stoak Technologies has spent seven years researching and developing a new method of extraction that captures key congeners and phenolics contained in oak into a highly concentrated liquid form. The resulting liquid extracts have been independently tested and are FDA registered, TTB approved, OIV certified and EU compliant. **Structan** and **Wine Shield** are currently being used by winemakers in South Africa and are now available for distribution throughout the world.

Structan finishing tannins are a concentrated liquid alternative to traditional chips, staves, powders and other alternative oak products and finishing tannins. Its use provides many benefits including dramatically improving wine quality and balance, limiting astringency, increasing mouth feel, and giving structure and stabilisation of flavor, aroma and color. Stoak products are highly efficient, they are in liquid form requiring no pre-mixing, are easy to add into production and incremental dosing is encouraged. Stoak products act on a molecular level integrating swiftly and delivering results over a 48 hour period. This allows the winemaker to fine tune the desired wine profile. The winemaker is able to avoid the scalping effects of powders as well as the continuous flow and agitation required for other solid products.

Whereas chips and powders can – like oak barrels – vary in character between batches, **Structan** is consistent from batch to batch, bringing confidence to the producer that he is able to deliver the same outcome on his wine year to year.

While **Structan** enhances the flavor and aromatics of a wine first and foremost, Stoak has additional products in its range that focus on delivering oak wood's outstanding antioxidant qualities. Stoak's **Wine Shield** preservative delivers the powerful antioxidants contained in oak tannins that help preserve wine, reducing the need for SO₂. Winemakers seeking to mature and improve their wines at an accelerated rate would greatly benefit from using this product. **Wine Shield** does not affect the wine's flavour and aroma. It is long-lasting, giving the winemaker peace of mind that their wine's flavor profile will not wane and allows the winemaker to reduce levels of SO₂, which is under scrutiny in some jurisdictions due to perceived deleterious effects on health.

Structan enhances the quality and stability of the wine, while **Wine Shield** locks in those enhancements, shielding them against oxidation. The two products complement each other, but can be used separately. Estate winemakers can benefit by reducing the amount of timber used per liter of wooded product and in doing so can lower a winery's carbon footprint.

Structan and **Wine Shield** are available to order: send Stoak and or John Fearless a message.

For more information, please contact:
info@stoaktechnologies.com and sales@johnfearless.com

Call: 1 844-99-STOAK

For more information on products:
www.stoaktechnologies.com



Export Pricing: USD per liter

Currency Conversion Rates as of May 16, 2018

| Argentina (Pricing in bulk; FCA) | | | | | | | | | | | |
|----------------------------------|---------------|-------|---|------|-------|---------|--------------------|-------|---|------|-------|
| Vintage | Variety | Price | | | Trend | Vintage | Variety | Price | | | Trend |
| 2017 | Generic White | 0.40 | - | 0.45 | ↓ | 2017 | Generic Red | 0.60 | - | 0.65 | ↓ |
| 2017 | Chardonnay | 1.00 | - | 1.20 | ↓ | 2017 | Cabernet Sauvignon | 1.30 | - | 1.50 | ↓ |
| 2017 | Torrontes | 0.55 | - | 0.65 | ↓ | 2017 | Syrah / Merlot | 0.85 | - | 0.95 | ↓ |
| 2017 | Tempranillo | 0.85 | - | 0.95 | ↓ | 2017 | Malbec | 1.25 | - | 1.50 | ↓ |
| 2017 | Bonarda | 0.85 | - | 0.95 | ↓ | 2017 | Malbec Premium | 1.80 | - | 2.50 | ↓ |

| Australia & New Zealand | | | | | | | | | | | |
|---|-------------------|-------|---|------|-------|---------|--------------------|-------|---|------|-------|
| AUD Rate: 0.747651 / NZD Rate: 0.686366 | | | | | | | | | | | |
| Vintage | Variety | Price | | | Trend | Vintage | Variety | Price | | | Trend |
| NV | Dry White | 0.64 | - | 0.71 | ↑ | NV | Dry Red | 0.82 | - | 0.93 | ↑ |
| 2017 | Chardonnay | 0.71 | - | 0.79 | ↑ | 2017 | Cabernet Sauvignon | 1.01 | - | 1.16 | ↑ |
| 2017 | Sauvignon Blanc | 0.64 | - | 0.79 | ↔ | 2017 | Merlot | 1.01 | - | 1.16 | ↑ |
| 2017 | NZ Marlborough SB | 2.23 | - | 2.51 | ↓ | 2017 | Shiraz | 1.01 | - | 1.16 | ↑ |
| 2017 | Pinot Gris | 0.97 | - | 1.12 | ↔ | 2017 | Muscat | 0.56 | - | 0.67 | ↔ |

| 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 | - | 2.11 | ↑ | 2016/2017 | Cabernet Sauvignon | 1.32 | - | 2.11 | ↓ |
| 2017 | Pinot Grigio | 1.19 | - | 1.72 | ↔ | 2017 | Merlot | 1.05 | - | 1.58 | ↔ |
| 2017 | Muscat | 1.05 | - | 1.32 | ↔ | 2017 | Pinot Noir | 1.85 | - | 2.25 | ↑ |
| 2017 | White Zinfandel | 0.79 | - | 0.99 | ↔ | 2017 | Syrah | 1.10 | - | 1.58 | ↔ |
| 2017 | Colombard | 0.86 | - | 1.12 | ↔ | 2017 | Cabernet | 0.95 | - | 1.05 | ↔ |
| | | | | | | 2016/2017 | Zinfandel | 1.15 | - | 2.11 | ↔ |

| Chile (Pricing in bulk; FOB Chilean Port) | | | | | | | | | | | |
|---|-----------------|-------|---|------|-------|---------|------------------------------------|-------|---|------|-------|
| Vintage | Variety | Price | | | Trend | Vintage | Variety | Price | | | Trend |
| NV | Generic White | 0.70 | - | 0.85 | ↑ | NV | Generic Red | 0.70 | - | 0.85 | ↔ |
| 2018 | Chardonnay | 1.15 | - | 1.25 | ↔ | 2018 | Cabernet Sauvignon (Basic) | 1.10 | - | 1.20 | ↔ |
| 2018 | Sauvignon Blanc | 1.15 | - | 1.20 | ↔ | 2018 | Cabernet Sauvignon (Varietal Plus) | 1.25 | - | 1.35 | ↔ |
| 2018 | Syrah | 1.10 | - | 1.20 | ↔ | 2018 | Merlot | 1.15 | - | 1.25 | ↔ |
| 2018 | Carmenere | 1.30 | - | 1.45 | ↔ | 2018 | Malbec (Basic) | 1.25 | - | 1.40 | ↔ |
| 2018 | Pinot Noir | 1.25 | - | 1.40 | ↔ | 2018 | Malbec (Varietal Plus) | 1.60 | - | 2.00 | ↔ |

| France (Pricing in bulk; Ex-Winery) | | | | | | | | | | Rate: 1.185300 | |
|-------------------------------------|---------------------|-------|---|------|-------|---------|--------------------------|-------|---|----------------|-------|
| Vintage | Variety | Price | | | Trend | Vintage | Variety | Price | | | Trend |
| 2017 | Generic White | 0.89 | - | 0.95 | ↑ | 2017 | Generic Red | 0.91 | - | 1.01 | ↑ |
| 2017 | Chardonnay IGP | 1.19 | - | 1.42 | ↔ | 2017 | Cabernet Sauvignon IGP | 1.13 | - | 1.54 | ↑ |
| 2017 | Chardonnay VDF | 1.13 | - | 1.24 | ↔ | 2017 | Cabernet Sauvignon VDF | 1.07 | - | 1.13 | ↑ |
| 2017 | Sauvignon Blanc IGP | 1.13 | - | 1.24 | ↔ | 2017 | Merlot IGP | 1.07 | - | 1.42 | ↑ |
| 2017 | Sauvignon Blanc VDF | 1.07 | - | 1.19 | ↔ | 2017 | Merlot VDF | 1.01 | - | 1.13 | ↑ |
| 2017 | Generic Rosé IGP | 1.07 | - | 1.30 | ↑ | 2017 | Red Syrah / Grenache IGP | 1.01 | - | 1.42 | ↑ |
| 2017 | Generic Rosé VDF | 0.95 | - | 1.07 | ↑ | 2017 | Varietal Rosé IGP | 1.13 | - | 1.78 | ↑ |

| Italy (Pricing in bulk; Ex-Winery) | | | | | | | | | | Rate: 1.185300 | |
|------------------------------------|-----------------------------------|-------------|---|-------------|-------|-------------|-----------------------|-------------|---|----------------|-------|
| Vintage | Variety | Price | | | Trend | Vintage | Variety | Price | | | Trend |
| 2017 | Generic White | 0.71 | - | 0.95 | ↑ | 2017 | Generic Red | 0.77 | - | 0.89 | ↑ |
| 2017 | Chardonnay | 1.07 | - | 1.30 | ↑ | 2017 | Cabernet Sauvignon | 1.07 | - | 1.30 | ↑ |
| 2017 | DOC Delle Venezie Pinot Grigio | 1.48 | - | 1.72 | ↔ | 2017 | Merlot | 1.07 | - | 1.30 | ↑ |
| 2017 | DOC Prosecco* | 3.44 | - | 3.79 | ↑ | 2017 | Primitivo / Zinfandel | 1.42 | - | 1.66 | ↔ |
| | | | | | | 2017 | Chianti* | 2.37 | - | 2.96 | ↑ |

**Bottled Price*

| South Africa (Pricing in bulk; FOB Cape Town) | | | | | | | | | | Rate: 0.079419 | |
|---|-----------------|-------|---|------|-------|---------|--------------------|-------|---|----------------|-------|
| Vintage | Variety | Price | | | Trend | Vintage | Variety | Price | | | Trend |
| 2018 | Generic White | 0.55 | - | 0.57 | ↑ | 2018 | Generic Red | 0.68 | - | 0.71 | ↑ |
| 2018 | Chardonnay | 0.75 | - | 0.83 | ↑ | 2018 | Cabernet Sauvignon | 0.79 | - | 0.99 | ↔ |
| 2018 | Sauvignon Blanc | 0.75 | - | 0.95 | ↔ | 2018 | Ruby Cabernet | 0.68 | - | 0.73 | ↑ |
| 2018 | Chenin Blanc | 0.58 | - | 0.60 | ↑ | 2018 | Merlot | 0.75 | - | 0.91 | ↔ |
| 2018 | Colombard | 0.56 | - | 0.58 | ↑ | 2018 | Pinotage | 0.71 | - | 0.75 | ↑ |
| 2018 | Muscat | 0.60 | - | 0.68 | ↔ | 2018 | Shiraz | 0.75 | - | 0.83 | ↑ |
| 2018 | Generic Rosé | 0.55 | - | 0.58 | ↑ | 2018 | Cinsaut | 0.67 | - | 0.70 | ↑ |
| 2018 | Cultivar Rosé | 0.68 | - | 0.71 | ↔ | | | | | | |

| Spain (Pricing in bulk; Ex-Winery) | | | | | | | | | | Rate: 1.185300 | |
|------------------------------------|-------------------------------|-------|---|------|-------|---------|------------------------------|-------|---|----------------|-------|
| Vintage | Variety | Price | | | Trend | Vintage | Variety | Price | | | Trend |
| 2017 | Generic White | 0.65 | - | 0.77 | ↓ | 2017 | Generic Red | 0.77 | - | 0.95 | ↑ |
| 2017 | White Blends (Higher Quality) | 0.83 | - | 0.95 | ↔ | 2017 | Generic Red (Higher Quality) | 0.89 | - | 1.19 | ↑ |
| 2017 | Sauvignon Blanc | 1.07 | - | 1.19 | ↑ | 2017 | Cabernet Sauvignon | 1.07 | - | 1.19 | ↑ |
| 2017 | Chardonnay | 1.07 | - | 1.19 | ↑ | 2017 | Merlot | 1.07 | - | 1.19 | ↑ |
| 2017 | Generic Rosé | 0.77 | - | 0.89 | ↔ | 2017 | Syrah | 1.01 | - | 1.19 | ↑ |
| 2017 | Varietal Rosé | 0.89 | - | 1.01 | ↔ | | | | | | |
| 2017 | Moscatel | 0.83 | - | 0.95 | ↑ | | | | | | |

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