



# *California Report*

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**Ciatti Global Wine  
& Grape Brokers**

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The California Department of Food and Agriculture's preliminary 2022 grape crush figure, published February 10th, totalled 3,349,662 tons, slightly lighter than anticipated. The lightness of the crop – the fourth in succession below the 4-million-ton mark and the smallest since 2011 – was attributable to drought conditions, a severe frost, and ongoing vineyard removals, particularly in the Central Valley. Only Sonoma of the North Coast's four crush districts registered an output reduction versus 2021, but approximately 130,000 fewer tons were harvested in the Central Coast and all but one district of the Interior – the Bakersfield area, up modestly – came in lighter.

Total Chardonnay tonnage was down 15.9% versus 2021 to 520,983 tons, so that Cabernet (-6.5% to 556,787 tons) became the largest variety harvested in the state for the first time ever. Of the largest varieties, Pinot Noir was next after Chardonnay in experiencing the biggest drop, by 15.6% to 232,567 tons. Zinfandel was the only major variety to see an uptick, by 4.8% to 307,168 tons. Pricing was largely in line with 2021: Cabernet (+9% to \$1,847/ton) and Sauvignon Blanc (+8.8% to \$1,110/ton) saw by far the largest growth, mainly due to increased Coastal demand. For a more complete breakdown of the preliminary harvest result, and more comment, see Ciatti's press release [here](#).

California's bulk wine and grape markets have felt sluggish since the turn of the year. The publication of the crop report might help firm-up some activity, perhaps too the passing of the frost risk in spring, but the main causes of buyer hesitation – apprehension regarding the economic picture in general, and signs of softening wine sales at retail specifically – are likely to persist. In general, acquisitions can be characterized as price-sensitive and incremental, even in those areas of the market where demand levels – superficially at least – appear robust.

Amid conflicting economic data and consumer patterns, long-term planning will remain a challenge. Until such time as projections can be made with confidence, many buyers would rather err on the side of caution and risk being short of supply rather than long – at least when bulk prices are as firm as they are. Concurrently, inflationary input costs mean it will not be easy for suppliers to reduce prices in an attempt to stimulate more activity.

California received significant precipitation in December and January: No areas of the state are now in either of the most extreme drought categories for the first time in many years. As of February 1st, Sierra Nevada snowpack was at 205% of the average, the largest since 1995. There is a long way to go until harvest 2023, but signs are positive that there may be fewer water restrictions this growing season.

Get in touch regarding your bulk wine samples and the 2023 grapes you will have for sale. Likewise, keep us updated on your bulk wine or grape needs. We stand ready to draw on decades of experience to help you navigate the challenges through 2023 and beyond. In the meantime, read on for our deeper dives into the bulk wine and grape markets.

*Robert Selby*



# The Bulk Market

Since the turn of the year, the most in-demand bulk wines have been Napa Valley reds and whites, Russian River Chardonnay and Pinot Noir, and Paso Robles Cabernet. The Interior has received good demand for its Pinot Gris. Sauvignon Blanc has also been in decent demand, state-wide.

As mentioned above, activity even on these wines can be incremental and the buyer pool limited. A case in point is Russian River Chardonnay: Despite a light 2022 crop and little or no 2021 carryover, demand is not deep. The wines are desirable, but many buyers, made cautious by inflated business costs and the consumer environment, are potentially discouraged by pricing levels and are happy to reduce their needs or sit things out for now.

High prices are justifiable from a supplier's perspective. They, too, are wrestling with the inflated cost of doing business, experienced another below-average state-wide crop in 2022 and – on specific wines – came into this vintage possessing little or no carryover. However, they must be mindful of the risk of buyers cancelling programs because they can no longer make the bulk price work from a margin perspective. The ultra-competitive retail sector has pushed back against increased shelf prices and some wine industry observers believe consumers have started trading down since the third quarter of 2022.

Is this trading down good news for the sub-\$10/bottle categories that have been languishing during the so-called “premiumization” trend? We are not so certain. During the last recession, in 2008-09, value-end wines came to the rescue as consumers moved down. Fifteen years on, however, these wines must compete with a plethora of alternative alcoholic beverage products such as flavored spirits, spirit RTDs and hard seltzers, some of which now even appear on the same shelf as wine. And in the lower-tier categories where consumers may not necessarily be seeking wine specifically, wine is not competitive versus beer and spirits on a cost-per-unit basis. What has been described as “premiumization” has sometimes in fact been “inflation”: Programs moving up on price as part of the wider general increase in prices, conceding much of the value-end of the market to competitor beverages. Wine, therefore, currently stands to benefit less from a trading-down trend, should it come, than in 2008-09: In that area, it lacks price-competitiveness on a unit basis and innovative products/marketing that might attract new consumers.

Wineries especially at lower price points have been limiting price increases to the consumer, in a bid to retain or attract consumer sales. US wine prices were up 3% in scan data in 2022, versus grocery prices up 10%. With inflation in the US falling back, but still at 6.5% in December, winery margins are being squeezed. As well as reducing their bulk needs, we are also increasingly hearing of wineries seeking to offload wines – sometimes significant volumes, and sometimes even on those varieties that could be said to be most in demand. This could at least be partly attributable to increased shelf prices feeding through to lower sales.

January saw a larger number of new-vintage reds hit the bulk market than is normal for the time of year, as the 2022 crop was relatively early. This may skew year-to-year inventory level comparisons somewhat, but it is widely acknowledged that Cabernet and Pinot Noir inventory levels are high, with 2022 supplies adding to entry-level 2021 Interior Cabernet, 2021 Coastal Pinot Noir (mainly Santa Barbara and Monterey), and some Coastal 2020 Cabernet. This high inventory partly stems from the grower – and wider industry – focus on Cabernet and Pinot Noir over the past decade, which risks oversupply in a time when sparkling and white wines are outperforming reds among the important younger demographics.

In the Interior, 2022 Pinot Gris was the one variety receiving larger and multiple buyers in January, with the possibility of a shorter 2022 crop and recent vineyard pull-outs – as well as a relative shortness of supply globally – bringing the variety into supply-demand balance. This activity has since cooled as supply has been drawn down. Similarly, there was decent 2022 Sauvignon Blanc activity levels after harvest – as well as during it, unusually – and this has since eased as supply has reduced. Demand for the Interior's 2022 Chardonnay was high after harvest, but robust pricing has since tempered activity. Beyond the 2022 white varieties, there has been interest in a diverse range of varieties, but nearly all of it incremental. Buyers who normally supply private label programs have not been opportunistic on the market: Again, holding inventory is currently viewed as undesirable and volumes are only acquired when the retailer confirms they are needed.

The continuation of firm bulk wine prices means supply constraint for Californian grape juice

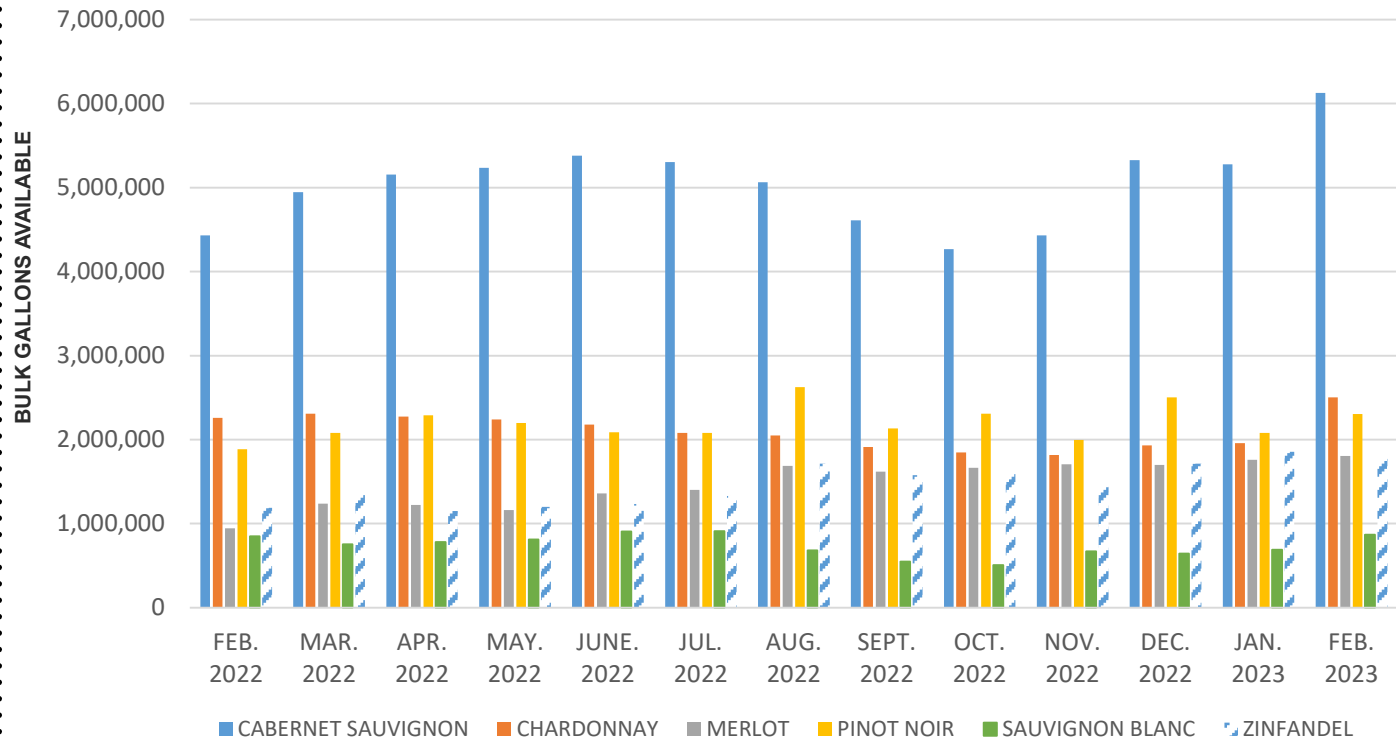
*See next page for more on The Bulk Market.*

concentrate and other usages. California's bulk wine export supply and pricing remains stable. Imports have become less impeded by transport costs and delays: Container prices are elevated but well down from their 2021 highs, transit times have reduced, and West Coast port efficiency has improved. Imports of Cabernet and Merlot from Australia have increased due to their price-competitiveness, at Chile's expense. Chile remains a focus for Sauvignon Blanc, Pinot Gris and Pinot Noir.

Improved Dry White output coming from the southern Interior's 2022 harvest, and slow sales for value-end wines on the US retail shelf in general, have slowed interest in South African product.

**Please contact either Mark at +1 415 630 2548 / [mark@ciatti.com](mailto:mark@ciatti.com) or Michael at +1 415 630 2541 / [michael@ciatti.com](mailto:michael@ciatti.com) to get your wine listed with us.**

## California Bulk Wine Inventory (February 2022 - February 2023)



## The Grape Market

January saw inquiries into 2023 grapes and some re-signs on grape contracts. Indicative of the balanced bulk market for Sauvignon Blanc, there was good interest levels in the variety's grapes across the state. In general, however, the grape market has been slow while growers wait for the crush report, perhaps also the budbreak or flowering stages in the vineyards. They must also weigh-up their margins on the one hand, amid inflationary input costs, and what potential buyers would be willing to pay on the other. Meanwhile, buyers are gauging their own margins and assessing an array of sourcing options for the year ahead, if their programs allow them to. Some potential buyers who declared early interest have since decided to wait.

In the North Coast, discussions have been focussed on Napa Valley grapes and on Chardonnay and other white grapes in Sonoma, including Russian River Chardonnay. Sonoma Chardonnay grapes have probably seen the most purchasing so far, but pricing is high enough to make buyers hesitate and consider other sourcing options. It's a difficult balancing act.

Central Coast grape activity has been focused on Cabernet, especially in Paso Robles. Beyond that, interest is limited, sometimes on a specific variety in a specific vineyard or even part of a vineyard. As on the bulk wines, grape buyers only wish to commit to volumes they will definitely need.

Grape activity in the Interior is definitely behind where it was at this stage last year, with large buyers holding off and some limited activity on specific items, mainly whites. The slowness could be partly attributable to a high number of ongoing multi-year deals. January 2022 may not be a representative comparison anyway, as it was a time when a short 2021 crop had come

in just after the pandemic-induced retail spike had dramatically reduced bulk wine inventory levels.

**Please update us on the grapes you will have for sale for 2023 by contacting Molly at +1 415 630 2416 or [molly@ciatti.com](mailto:molly@ciatti.com).**

## Events

Ciatti brokers will be attending and will have a booth at these upcoming events:

- **February 16:** Sonoma County Winegrowers Dollars & Sense Seminar and Trade Show
- **July 25 - 26:** International Bulk Wine and Spirits Show
- **November 30:** WinExpo Tradeshow & Conference



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