



CIATTI
GLOBAL WINE & GRAPE BROKERS



California Report

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**Ciatti Global Wine
& Grape Brokers**

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March on California's bulk wine and grape markets continued where February left off, with transaction levels limited on most items amid a patchy case-good sales picture and a disconnect between buyer and seller price expectations. With another 4-6 weeks still to go before the frost risk passes in the vineyards, many a buyer and seller feel they can hold off from making decisions until May or beyond.

Whether a frosty few weeks would necessarily precipitate a great deal of fresh buying activity – when two previous crops of 3.63 and 3.34 million tons have failed to do so – is another matter. With US consumer confidence indexes showing real pessimism (sometimes at recession-like levels), and recent banking failures, and expectations of a continuation of the long-term stagnation in overall wine sales (in the US as in all mature markets), it remains hard to foresee highly active grape or bulk wine buying across the board in the near future. There will always be specific premium appellations that continue to command demand and high pricing regardless of the wider picture, but most other items do not have that luxury.

Given all the challenges, we continue to see the wine and grape markets shrinking overall in California. Bulk prices currently remain largely stable, but many suppliers are being proactive in making samples available and some are potentially negotiable on price should what they view as a fair offer be made, perhaps indicative of a recognition that bulk buyers – just like shoppers in grocery stores right now – are doubly focused on buying smart.

March into early April continued to be wetter than normal in California, as the state experiences a number of what meteorologists have been calling “atmospheric rivers”. Sierra Nevada snowpack levels were at 237% of normal as of April 1st and state-wide reservoir levels are high, leading to the elimination of over 50 of the state's 81 drought emergency provisions and the State Water Project permitting 75% of requested amounts, up from 35% in February.

This high level of precipitation – together with some cloudiness and cooler temperatures – has delayed vine development by at least a week, so too farmwork, the ground being saturated in many areas. When more spring-like weather does arrive, the replenished groundwater reserves are likely to spur vigorous vegetative growth requiring extra management. The wetness has so far protected the vines from spring frost, but must eventually ease, meaning the height of the frost risk is still to come.

With economic turbulence and a lack of forward visibility, it can be difficult doing business right now. We hope our monthly reports are helping readers form a clearer, more accurate picture of the market reality, and the Ciatti team stands ready to help buyers and sellers navigate the twists and turns: Don't hesitate to get in touch with us direct. In the meantime, read on for our latest analysis.

Robert Selby

The Bulk Market

California's bulk wine market in March was little changed from February. Napa Valley Cabernet, as ever, continues to dominate demand for North Coast wine, with prices even rising on an item that persists in being the most insulated from the trials and tribulations of the surrounding marketplace. Demand for Sonoma County Cabernet and Russian River Chardonnay has cooled a little since February due to increased pricing; consequently, pricing on these items feels like it has peaked and softened a little in recent weeks.

Activity on Coastal Chardonnay from outside the Napa or Russian River appellations has been very limited, at least on those Coastal Chardonnays priced significantly higher than California Chardonnay. This is indicative of the 2019-like picture the bulk market is returning to now that the pandemic sales spike has long since ended: A few specific Coastal appellations are able to command interest and pricing on specific wines, while the rest must to some degree compete with the California appellation, pricing on which may be more amenable to buyers seeking margin in an inflationary environment in which retailers and their customers are resistant to shelf price rises. We continue to see buyers move out of appellation if able, in order to claw back some margin.

Paso Robles Cabernet from the 2022 vintage has continued to dominate Central Coast activity, and there has also been activity on 2022 Pinot Noir. Demand for 2022 wines has continued to outstrip that of 2021: With retail sales lagging, buyers would prefer to cover their needs with forward vintages.

The white varietal activity that we saw in the Interior earlier in the year has narrowed down to small-volume Chardonnay deals. In addition, there have been buyers inquiring into entry-level and/or non-vintage

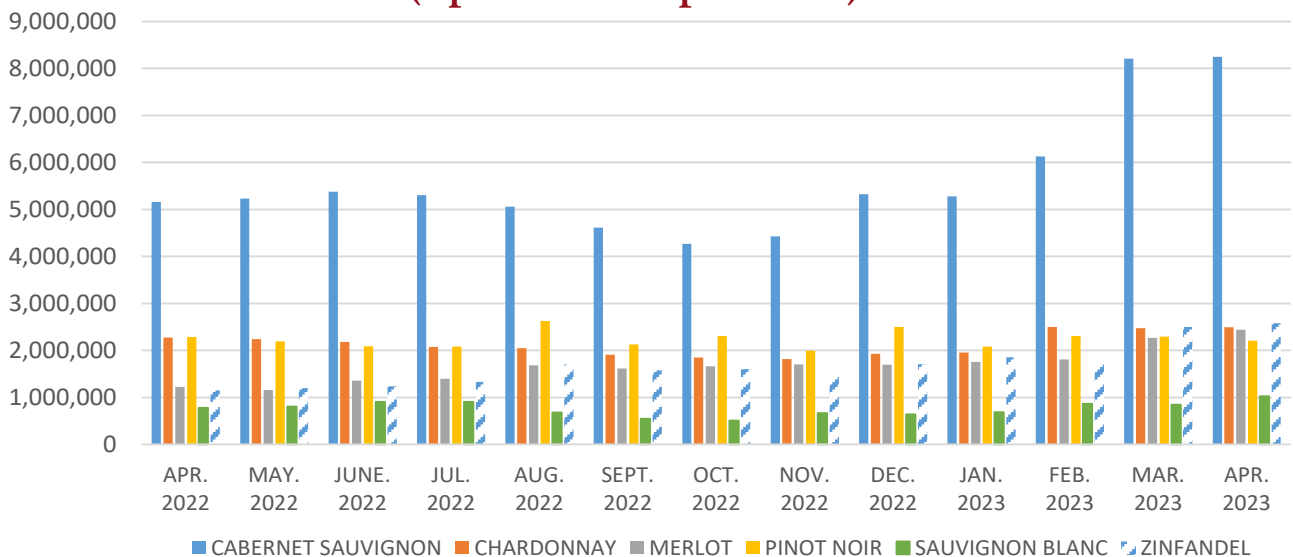
Chardonnay in larger volumes – likely as a potential alternative to overseas supply – but the current pricing, kept firm by the lack of Chardonnay carryover, may not necessarily meet their needs. Pinot Grigio demand in the Interior slowed as it became clear there is availability, while the Sauvignon Blanc market has been quiet for a while.

Cabernet, meanwhile, remains a concern for many Interior wineries due to the limited nature of current interest, even at those wineries that may have produced less than in previous years. Demand has mainly come from smaller buyers seeking limited volumes. Our March inventory graph showed over 8 million gallons of Cabernet inventory – some 3 million gallons more than in March 2022 – with perhaps half of that figure coming from the Interior, but such is the quietness of the market it remains questionable how effective lowering prices would be in stimulating interest.

Although bulk wine pricing in general remains stable, state-wide we see sellers not relying on the market to come to them: They are being proactive in making samples available and many are potentially negotiable on price should a fair offer be made. We believe such open-mindedness is the way to proceed, given the economic context and the retail sales picture. Any frost impact might tempt suppliers to firm-up or increase their prices but, from the evidence we have seen, only the most in-demand wines – Napa Valley Cabernet or Sonoma County Chardonnay, for example – would be given much leeway by buyers to do this.

Please contact either Mark at +1 415 630 2548 / mark@ciatti.com or Michael at +1 415 630 2541 / michael@ciatti.com to get your wine listed with us.

California Bulk Wine Inventory (April 2022 - April 2023)



The Grape Market

California's grape market is little changed since February, with the ongoing frost risk and the impasse in buyer-seller price expectations continuing to apply the brakes. Growers are understandably firm on pricing given inflationary input costs and successive shorter crops; wineries are increasingly margin-sensitive and would prefer to err on the side of caution, going without grapes instead of overpaying if need be. Consequently, offer prices have mostly been too low for growers to accept, though this is not unusual for the time of year when the coming harvest still remains unquantifiable.

There has been activity on Napa Valley, Sonoma and North Coast Sauvignon Blanc grapes, but there is some pessimism as to how deep this demand is given the trend towards California sourcing amid margin pressure; some wineries have also invested in their own Sauvignon Blanc vineyards. There has also been demand for Napa Valley Cabernet and Sonoma Chardonnay grapes, and to a lesser extent Russian River Pinot Noir. Some Cabernet grapes are being sold as part of package deals with Sauvignon Blanc.

Central Coast grape activity has continued to reflect the bulk market, with demand for Paso Robles Cabernet

grapes, also some Sauvignon Blanc. As across the state, the buyer-seller price impasse is preventing many deals from getting over the line.

Grape demand in the Interior has continued to be quiet. Cabernet and Zinfandel availability is most prominent, simply a consequence of the large amount of Cabernet grown and the high percentage of Zinfandel deals that are one-year. Some wineries have been putting bulk Zinfandel onto the market, perhaps indicative of slow sales on specific programs and/or the slowdown in the red blend category in general.

To help get Cabernet grapes moving, some Interior sellers are ready to include them in package deals with Chardonnay, but Chardonnay activity has also been limited, so it remains unclear as yet if there will be buyers of package deals out there. Some growers who sold their grapes in package deals to a buyer last year could well receive a request from that buyer for only the one varietal this year, illustrating – again – the hesitant, incremental nature of demand.

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.

Events

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

- **April 19:** Mendocino Winegrowers EXPO 2023 - Steve Dorfman will be speaking from the Ciatti Company
- **July 25 - 26:** International Bulk Wine and Spirits Show
- **November 30:** WinExpo Tradeshow & Conference



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