



**CIATTI**  
GLOBAL WINE & GRAPE BROKERS



# *California Report*

**May 2023**

*Volume 6, Issue No. 5*

**Ciatti Global Wine  
& Grape Brokers**

201 Alameda del Prado, Suite 101  
Novato, CA 94949  
Phone (415) 458-5150



May 2023

Volume 6, Issue No. 5

- 3 The Bulk Market
- 4 The Grape Market
- 6 Contacts

Reading online?  
Use the links above  
to jump through this  
document.

No part of this publication may be reproduced or transmitted in any form by any means without the written permission of Ciatti Company.

**A cooler than normal spring to date, following a wetter than normal winter, has delayed vineyard development in much of California by between 10 days to three weeks when compared with recent years. The forecast is for continued cooler weather in the first part of May before the eventual arrival of higher temperatures, raising the prospect of the growing cycle being further behind by the time June comes around.**

While the high precipitation levels of the first quarter of the year have been welcome, as they considerably eased drought levels across the state, growers are now impatient to get on with the season. Recent weeks have finally been dry enough in the Coast to allow vineyard work, including the first preventative sprays; disease pressure has not been a reported issue. The cooler spring has prevented premature budbreak, limiting the frost risk so far, and the very few cluster count reports we have received – mainly from the North Coast – have been positive. Cluster counts have yet to be reported in the Central Coast, where a later growing season is of particular concern given it tends to be the last area picked in the state. The delay to the season's start makes the harvest more susceptible to late-season weather and raises the prospect of logjams at wineries later on if everything ripens close together, particularly in those areas focussed on late-season red grape production.

In the Interior, vine development in the southern Central Valley is probably less behind than elsewhere, and growers have been very glad of the greater water availability. In Lodi, waterlogged ground has continued to impede vineyard work in some areas. Snow melt is a flood risk throughout the Valley and alerts are in place. Sierra Nevada snowpack was at 254% of normal as of May 1st, the second-highest level on record for that time, and rivers are brimming. The cooler temperatures have hindered a steady melt, storing up the potential for flooding when consistently warm temperatures finally arrive.

Only after bloom and fruit set through May and early June can the 2023 crop size be guesstimated. Until then, the bulk wine and grape markets are likely to continue at the lethargic pace we have seen over the past 3-4 months, as buyers and sellers alike bide their time trying to discern the future amid economic fragility that is all too real, as illustrated by the number of wine businesses currently carrying out rightsizing in order to eke out some cost savings.

Interest rate rises, bank failures, and a weakness in wine sales across all settings (on-premise, off-premise and DTC) are understandably spooking wine and grape buyers, while suppliers are seeking to retain margin amid elevated input costs. The result is a buyer-seller standoff on most items in most areas. This market slowness is mirrored throughout the world, and compounds the dragging effect of wine's pre-existing structural issue, globally: consumption has declined since its peak in 2007, as younger drinkers choose from a proliferation of alternative – often better-marketed – beverages.

With all this in mind, we encourage businesses to stay as well-informed and open-minded as possible. The Ciatti team can draw on its many decades of experience to help buyers and sellers navigate the present challenges: Don't hesitate to get in touch. In the meantime, read on for our latest analysis.

*Robert Selby*

# The Bulk Market

The bulk market continues to be active in the North Coast on those appellations seemingly least vulnerable to the surrounding market's trials and tribulations: Napa Valley Cabernet, Sonoma Chardonnay, and Russian River Valley Pinot Noir. That said, these items are not completely impervious to the wider narrative: After the initial post-harvest activity, it is questionable how deep the demand for these items is, at least at current pricing. Some potential buyers are immovable on price and happy to hold off until they find pricing more to their liking.

Outside these North Coast appellations, and throughout the Central Coast, bulk market activity is limited. Intermittent deals have occurred on small volumes of Pinot Noir in the Central Coast. Santa Barbara Pinot Noir availability is high; Monterey Pinot Noir supply is more limited. In general, across the Central Coast, we are seeing more and more bulk wine come onto the market, including batches of 2020 and 2021 product. The high level of Coastal Cabernet availability and slow sales raises the question of whether some might end up priced to compete with the California appellation; we are yet to see that.

The Interior's bulk market has not changed for some months now: Intermittent, small deals have been occurring on a range of varieties. The lack of demand pressure suggests there is no big pool of need for Interior wines, in turn suggesting a porous safety net for those Coastal sellers who assume they will be able to shift their wines at or near Interior pricing if they need to. The decent demand levels the Interior's

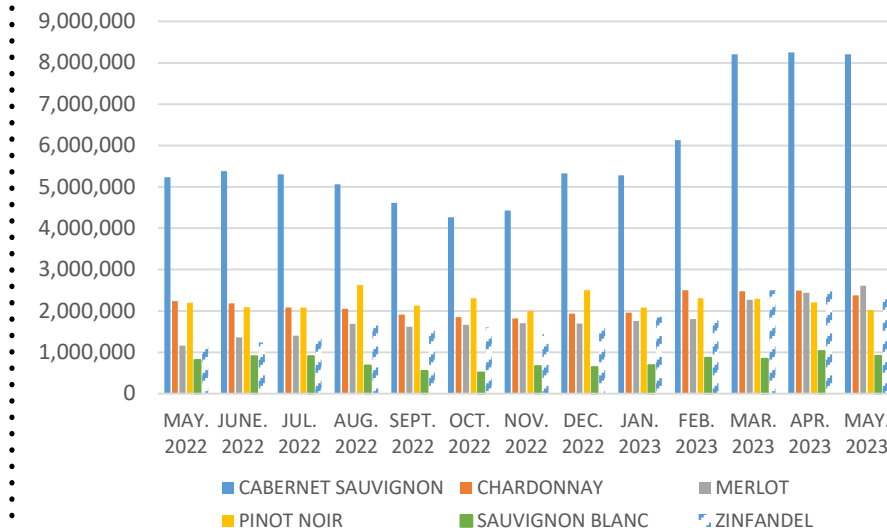
white varietals received at the start of the buying campaign have dwindled on all but Pinot Grigio, which has benefited from vineyard pull-outs maintaining some kind of supply-demand balance, as well as a global shortage of the variety that may have encouraged domestic sourcing over imports. Chardonnays and Sauvignon Blancs, meanwhile, continue to linger. Chardonnay pricing is generally lower than it was a year ago, despite a state-wide Chardonnay crop some 15.9% smaller versus 2021, illustrating the lack of demand pressure. Pricing is potentially negotiable, though suppliers are understandably fighting to retain margin amid elevated input costs.

As on the Central Coast, some older-vintage wines have been popping up on the Interior bulk market in the months since harvest, including 2021 Lodi Zinfandel. This is symptomatic of bulk deals having fallen through, or a disinclination by wineries to use the wines internally, potentially due to slow sales. It may also be a result of speculation, with older vintages originally being kept back in case the shortness of the 2022 crop stimulated bulk need and increased prices. Now that it is clear – where we sit seven months after harvest – that such market strengthening has failed to materialize, wine is being put up for sale.

Demand for 2022 reds both in the Coast (outside the aforementioned appellations) and Interior is slow, as indicated by the higher Cabernet, Merlot and Zinfandel inventory levels on our monthly graph versus a year ago. This is a record of what has been listed with us and is likely a partial picture of what is available out there. Of all the varieties in the Interior, Cabernet is the biggest concern – both on grapes and bulk wine – as its inventory is the highest. The picture is more mixed in the Coast due to the ongoing relative strength of the Napa Valley Cabernet market, but demand for Cabernet outside that appellation is slow, including in Paso Robles. While it remains early days for the 2022 Cabernet at least, the current slowness of demand creates a storage cost issue that sellers will need to consider when discussing pricing with potential buyers.

**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 (May 2022 - May 2023)



# The Grape Market

Through April, the grape market in the North Coast continued its sluggish pace. Injecting further availability onto the market, some wineries are switching from being buyers of grapes – or users of their own grapes – to sellers, due to the negative wine sales picture. In addition, some wineries are releasing their grape suppliers. Consequently, even some traditionally bullish grape suppliers have grown more flexible on price. Particularly among Cabernet (outside Napa) and Zinfandel grape suppliers, given the market quietness on red wine and grapes in general, there has been a growing willingness to consider options and be flexible in order to stimulate some buyer interest.

Where contracts are made, they tend to be shorter term, potentially because many are one-year inventory adjustments in which, long on 2022 bulk supply, wineries are seeking to sell 2023 grapes in order to help move back into supply balance. With the market picture – and the economic environment – so choppy, buyers are reluctant to commit to one-year deals, let alone three years. Grape contract prices in the North Coast have in general been comparable with last year, e.g., not the uptick most suppliers would have preferred given inflationary input costs, but a fair price considering the market slowness.

Grape activity in the Central Coast can be described as minimal. Demand for red grapes is lowest, reflecting the high red wine inventory and pricing that most buyers deem too high; on the whites, there has been some recent demand for Pinot Grigio, Sauvignon Blanc, and Gewürztraminer. Continuing uncertainty around the 2023 crop size – things should start to become a little clearer over the next month – is a factor in the buyer hesitancy, but the more concerning cause is the significant remaining inventory of 2022 bulk wines. With cost pressures as they are, sitting on inventory is currently a liability and the natural response is to cease or reduce purchasing of the next vintage's grapes until such time as the current vintage's bulk wines have been removed.

The grape picture in the Interior is not dissimilar. Interest in red grapes is at a minimum and attempts by sellers to include them in package deals with whites are

nearly always swiftly dismissed. Prices on red grapes are generally stable but suppliers have become less bullish when receiving inquiries. Chardonnay is the subject of most inquiries into conventional grapes and offers are being made, but these are usually too low – lower, at least, than last year – for growers to accept. There is also interest in Sauvignon Blanc and Pinot Grigio grapes, the latter – as on the bulk wine – due to limited supply state-wide.

We are seeing an increasing number of smaller wineries in Lodi selling grapes – mainly red – rather than use them for themselves. This would suggest a contraction in sales in the tasting rooms and elsewhere, resulting in an increase in inventory and a fall in confidence when looking at the medium-term sales picture. In the Interior and across the state as a whole, there is a general reluctance to make bulk wine right now: Again, sitting on inventory is currently viewed as a liability.

There is a fairly active market in the Interior – a small but growing one – for organic wine grapes, which are in limited supply. Organic production has previously failed to take off as the grapes failed to command a premium versus conventional, but that has since changed. As on the wider, conventional grape market, white grape interest predominates, with few inquiries into reds.

Looking ahead to the 2023 harvest, crush and storage capacity is plentiful and prices – following three consecutive short crops – are stable, as storage suppliers compete for business. Storage will become more of a conversation should the bulk market continue at the present pace, not least because storage space will decrease and the cost of it will accumulate if bulk wines sit unsold for any length of time. This is another reason why bulk wine suppliers are encouraged to be open-minded when considering offers – making a sale not only provides a return now but also avoids further costs later.

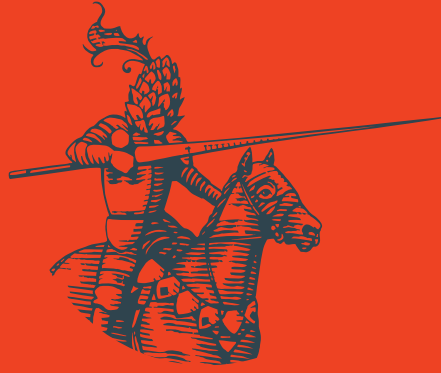
**Please update us on the grapes you will have for sale for 2023 by contacting Molly at +1 415 630 2416 or [molly@ciatti.com](mailto:molly@ciatti.com).**

## Events

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

- **July 25 - 26:** International Bulk Wine and Spirits Show
- **November 30:** WinExpo Tradeshow & Conference





# JOHN FEARLESS®

WINE BARREL PROGRAM



## WE BUY & SELL USED BARRELS

Located in the heart of wine country, we have an extensive barrel program in which we buy and sell used barrels of all types.

Please contact Thomas Gilbert for any and all barrel related matters:  
Thomas@johnfearless.com

[WWW.JOHNFEARLESS.COM](http://WWW.JOHNFEARLESS.COM)

FOLLOW US ON   

*Contact Us :* 201 Alameda Del Prado #101  
Novato, CA 94949  
Phone (415) 458-5150

---

### Chris Welch

T. +415 298-8316  
E. [chris@ciatti.com](mailto:chris@ciatti.com)

### John White

T. +415 250-0685  
E. [johnw@ciatti.com](mailto:johnw@ciatti.com)

### Todd Azevedo

T. +415 265-6943  
E. [todd@ciatti.com](mailto:todd@ciatti.com)

### Glenn Proctor

T. +707 337-0609  
E. [glenn@ciatti.com](mailto:glenn@ciatti.com)

### Steve Dorfman

T. +707 321-3843  
E. [steve@ciatti.com](mailto:steve@ciatti.com)

### Dennis Schrapp

T. +905 688-1340  
E. [dennis@ciatticanada.com](mailto:dennis@ciatticanada.com)

### Greg Livengood

T. +415 497-5032  
E. [greg@ciatti.com](mailto:greg@ciatti.com)

### Johnny Leonardo

T. +415 717-4438  
E. [johnny@ciatti.com](mailto:johnny@ciatti.com)

### Michael Fung

T. +415 630-2541  
E. [michael@ciatti.com](mailto:michael@ciatti.com)

### Jed Lucey

T. +415 630-2431  
E. [jed@ciatti.com](mailto:jed@ciatti.com)

### Mark Ishimaru

T. +415 630-2548  
E. [mark@ciatti.com](mailto:mark@ciatti.com)

### Molly Richardson

T. +415 630-2416  
E. [molly@ciatti.com](mailto:molly@ciatti.com)

---

## John Fearless CO. Craft Hops & Provisions

CEO - Rob Bolch  
Sales - Thomas Gilbert  
T. +1 800 288 5056  
E. [rob@johnfearless.com](mailto:rob@johnfearless.com)  
E. [thomas@johnfearless.com](mailto:thomas@johnfearless.com)  
[www.johnfearless.com](http://www.johnfearless.com)

---

*To sign up to receive the monthly Global Market Report & California Report, please email [info@ciatti.com](mailto:info@ciatti.com)*

#### DISCLAIMER

Whilst we have tried to ensure the accuracy and completeness of the contents of the California Report, Ciatti cannot offer any undertaking, warranty or guarantee, either expressly or implicitly, including liability towards third parties, regarding how correct, complete or up to date the contents of the California Report is. We reserve the right to supplement or to change or delete any information contained or views expressed in the California Report.

Where we have provided links to third party websites for further information, you should be aware that we are not responsible for the accuracy, availability or functionality of these sites, and thus cannot be held liable, directly or indirectly, for any loss however caused by your use of these linked sites.

Ciatti accepts no liability for any loss or damage howsoever arising out of the use of, or reliance on, the content of the California Report.