



**CIATTI**  
GLOBAL WINE & GRAPE BROKERS



# *California Report*

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**Ciatti Global Wine  
& Grape Brokers**

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## August 2023

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July and early August brought more normal summer temperatures to California following the unseasonably cool, wet spring and start to summer. However, the impact of the prior coolness and wetness is still being felt through the ongoing lag in vineyard development – running between 2-4 weeks behind a normal timetable depending on area – and the level of mildew pressure, which is high across the state.

Growers – alert to the slow case-good sales environment and the resulting softness in grape demand – are this year being especially mindful of the quality standards set out in grape contracts. They have been battling hard to keep mildew under control, at times encountering difficulties in sourcing product – potentially a symptom of understocking across the state following a number of years without significant mildew pressure. In addition to mildew, some shatter and smaller berries have been reported in some areas.

In terms of timing, it is a year hard to generalize. The Coastal growing areas seem to be running 3-4 weeks behind normal, the Interior's are perhaps closer to two weeks, with the southern Valley the least behind. But diving down into any one area, we often see neighbouring vineyards at quite different stages of maturity. What unifies all growers, however, is concern about the lateness, an eagerness to identify veraison as soon as possible, and fears for September weather amid forecasts of weather patterns – to quote viticulture climatologist Gregory V. Jones – “in flux” as El Niño conditions strengthen. Knowing that the time has passed when a prolonged heat spell might spur the ripening curve forward to a normal timetable, growers have been moving in to thin the crop – sometimes with grapes still green – in a bid to push things along.

As the timetable is delayed, and veraison is only starting to occur on the Coast, we remain unable to quote a guesstimate of the 2023 crop size. Nothing we have seen so far suggests that the crop will be significantly shorter than “normal”, which – if the “normal” is the five-year average – is now 3.7 million tons. But there still remains plenty of time for Mother Nature to intervene.

The picture on case-good sales continues to look worrying, with DTC sales – according to Sovos/WineBusiness Analytics data, down 7% in volume and 2% in value in January-June versus the first six months of 2022 – now joining the on- and off-premise channels in seeing contracting sales. For a long time, growth in dollar sales could be relied upon to offset shrinking volumes, but – as premiumization has become squeezed by consumer belt-tightening – both value and volume now appear in retreat. In this context, the bulk wine and grape markets continue sluggishly, sellers are becoming less bullish every month that passes, and reduced pricing does not necessarily stimulate activity.

For the very latest and most detailed picture on pricing, knowledge which would enable you to make the best-informed decisions in the present low-visibility environment, don't hesitate to get in touch with us directly – there are opportunities to be had for buyers and sellers alike in this market, and we can pair them up. In the meantime, read on for our latest analysis.

*Robert Selby*

# The Bulk Market

The bulk market remains becalmed. Indicative of this, even the traditionally strongest appellation, Napa Valley Cabernet, is seeing some protractedness of deal making and softening prices. In the Interior, the large wineries continue to be sellers rather than buyers of bulk, some increasingly so. As a result, only sporadic small deals have been taking place, on an array of items.

Many bulk suppliers across the state are seeking to free-up tank space ahead of the new vintage, and our sample room is packed. Consequently, there are attractive multi-year deals to be had on wines offering an excellent price-quality ratio, and some rare opportunities that come along only infrequently.

Buyers – seeing a slow case-good sales environment, discouraging long-term consumer trends, and increased costs – are extremely hesitant about holding inventory and many have signalled they have finished buying 2022 wines. Any buyers that do come onto the market are very particular about quality and price and – with supply and demand in such imbalance – they know they can afford to be.

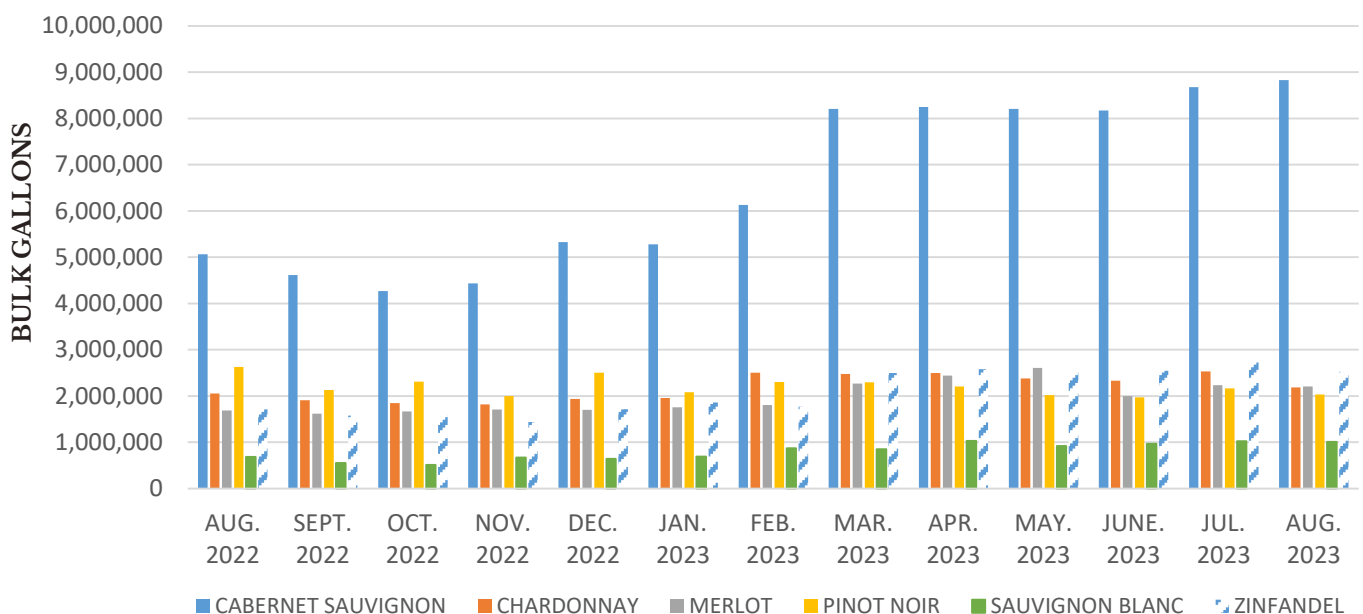
Red wines in general continue to be the hardest items to move and Cabernet specifically, inventory of which

is accumulating prodigiously: We estimated Cabernet inventory levels at getting on for 9.0 million gallons in July, just shy of double the inventory level in July 2022 and triple the level in July 2021. Those seeking to sell reds must carefully assess whether the price they can get for their wines now – at a time of year, just prior to harvest, traditionally reserved for value deals – is as good as, or better than, what they might get post-harvest. On the one hand, there is the chance some bulk buyers have not yet bottled their 2022 reds, and may come back to the vintage. On the other, price upticks look unlikely for the foreseeable unless the 2023 crop comes in dramatically short.

As we have said in recent reports: Sensible, reasonable offers should not to be dismissed lightly by sellers. Generally, we are seeing suppliers grow more flexible on price, acknowledging that buyers can afford to be selective. Our sample room may be filled but sending in your samples is the best way to help us pair your wines with a potential buyer – so do send them in

**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 (August 2022 - August 2023)



# The Grape Market

Concern among grape suppliers has ratcheted-up again in the past month as a few more weeks of slow or no sales have passed by. Some of those lucky enough to have sold their 2023 grapes are already thinking about how much harder it may be next year, should the case-good sales picture not improve in the meantime. They see many wineries rationalizing the fruit they take in this year – in some instances taking losses to head-off future losses – and suspect the market could be at least as tough in 2024.

Wineries work hard to nurture their relationships, but with uncontacted grapes still available on the market to choose from if required, many will seek to strictly apply the quality standards and delivery schedules set out in their grape contracts. Meanwhile, indicative of the financial troubles being experienced in the wider economy, other wineries may simply lack the ability to pay for the fruit they have contracted.

Most potential buyers of grapes are waiting for the crop picture to become clearer before determining if they need to re-enter the market and, if so, at what price. Another month has passed by without the crop size becoming confidently guessable, further protracting this year's grape-buying campaign. In any case, many buyers have already made up their mind that the 2023 crop will be at least average in size and, as a result, have withdrawn from the market.

Even if the crop was to come in at the lighter end of expectations, we would still have some concerns about all grapes finding a home. Growers still with unsold fruit might choose to hold out hope for a sale as long as possible, then – if a buyer does not materialize – reduce pricing just before harvest in an attempt to attract a last-minute deal. Discounted grapes from more premium appellations may prove too good for buyers to ignore – and some kind of spot market may develop on these – but, for the rest, there is a question mark over the number of speculative grape buyers out

there, considering the current case-good picture. The opportunistic negociants with the sales avenues and the brand vision, present in the slow markets of the past, have been hard to find up to now.

Given the weak environment for grape sales, it is understandable that some growers' minds will turn to the possibility of custom crushing and taking their chances on the bulk market. But as mentioned above, the bulk market itself is sluggish – especially on reds – and price upticks look unlikely for the foreseeable unless the 2023 crop is dramatically short. The fundamentals – the short-term economic squeeze on consumers compounding the long-term drift away from wine consumption (in the US as in all mature markets) – may not change any time soon. Consequently, crushing into bulk wine could come with significant risk – and for minimal return. We reiterate: Having a sound, vetted strategy in place before custom crushing is important. It should be treated by growers as a serious strategic diversification of the business and given careful forethought accordingly. Get in touch if you are a grower needing assistance with such deliberations, we can draw on our decades of experience to help guide you.

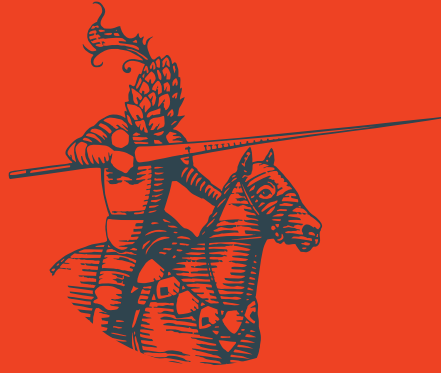
Reflecting the bulk market, white grapes continue to attract more interest than reds in both the Coast and the Interior. There has been some more interest in Sonoma County Chardonnay and North Coast Sauvignon Blanc grapes, but prospective buyers may wait to purchase uncontracted or overage fruit once the harvest is underway. Inquiries for Sauvignon Blanc and Pinot Grigio persist in the Interior, but these varieties are contracted already – all the while, symptomatic of the slow red wine market, Cabernet and Zinfandel grapes remain unsold.

**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:

- **November 30:** WinExpo Tradeshow & Conference



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