



California Report

October 2023
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**Ciatti Global Wine
& Grape Brokers**

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California's 2023 crop has continued to run behind by between two and four weeks, depending on area: Lake and Mendocino counties, for example, can be characterized as running less behind than other areas of the Coast. September brought generally cool conditions, some spotty rainfall to northern California mid-month, and some more widespread showers at the end, exacerbating the pre-existing delay to berry sizing and ripening caused by unseasonable coolness throughout the growing season and Hurricane Hilary's humidity in August.

This meant berries were sizing up all through September, then a mini heatwave at the start of October brought a few successive days of 90°F+. Consequently, a lot of fruit sized and became riper in a short period of time, shifting the harvest into higher gear and potentially putting pressure on logistics such as trucking, crush capacity and storage. Now that we are into mid-October, the urge to get the grapes in will intensify: Sales of grape juice concentrate have been robust as winemakers seek to mitigate any lower sugar levels. How far the crush window can extend is in Mother Nature's hands: Will she permit picking as late as the second half of November? At this point, that may be how long is required. Some Coastal sparkling grapes are still getting picked into October, for example.

We have seen the crop continue to size late in the season thanks to cool weather, adequate soil moisture, and lush vine growth. The shatter of earlier in the season is now of less concern, as the berries that were left have sized up markedly in many instances. Most growers adjusted their practices because of soil moisture levels, but few foresaw the extent of the sizing and the ensuing difficulty in getting all the fruit to ripen before the season closes. Big berries have in turn led to some tight clusters, complicating the pre-existing rot issue, which has been particularly evident in the Interior, although that may simply be because harvest there is slightly more advanced than in the Coast.

The main consequence of grape sizing is more vineyards producing tonnages above estimates, albeit performances vary considerably from area to area, vineyard to vineyard. It does seem that whites in areas of the northern Interior have come in heavier than expected, delaying ripeness to coincide with any average-cropping red grapes. The picture on the Interior's Chardonnay and later reds – namely Cabernet – remains unclear, so too the crop in the southern Valley in general. The lack of clarity in general prevents us from being able to provide a confident state-wide crop estimate. In addition to the season's lateness, rejections of fruit by wineries and the fate of unsold grapes further complicate calculations. What is certain is that the more fruit picked this year, the more downward pressure will be exerted on 2023 vintage bulk prices.

The above and following pages simply relay what we have been seeing: There remains a lot we still do not know. For the most up to the minute information, get in touch with Ciatti directly – the broker team can draw on its many decades of experience to help guide buyers and sellers through this low-visibility environment.

Robert Selby

The Grape Market

The past four weeks have seen some limited transactions taking place on overage fruit. These deals are very specific in terms of variety, region, and grower. Generally, they take the form of a buyer accepting some extra grapes from their existing supplier at pricing low enough to minimize financial risk. Wineries are preferring to obtain extra grapes in this way – grapes already picked, coming from trusted suppliers – instead of moving onto the spot market, where they must contend with the ongoing uncertainties of the harvest. This, together with a general lack of need for grapes, means the spot market is intermittent to non-existent. As it has become clearer that the northern Interior's white grape harvest has been coming in above expectations in some areas, demand for white grape overage in the Interior has dissipated over the past month to negligible levels.

Some wineries with spare crush capacity have inquired into the possibility of buying Coastal grapes at discounted pricing. This is not through need but opportunity, identifying a potential upside. The spot/overage prices they are seeking are often hard for Coastal growers to accept. Growers in general, however, have understandably grown more amenable on price if they still have grapes uncontracted, with many proactively hunting for a buyer. Those dissatisfied with late-season clean-up pricing may choose to crush their unsold grapes themselves, but they will need to ensure

they have a well-considered strategy in place for selling the bulk wine.

It ought to be stated that, from what we have seen and heard, wine quality so far this vintage has been very good where fruit has been brought in clean, with only sugar levels a little patchy. Grape juice concentrate – for use in assisting fermentation and/or to have on hand in case further rain events stall sugar levels again – is experiencing the highest level of demand that we have seen for a few years.

Struggles to attain the required Brix levels, together with the existence of rot, raises the prospect of grape rejections. Many wineries will be working with their growers to bring in the grapes and make the best wine possible, but others – in a year in which bulk wine demand has been sluggish – will be strictly adhering to quality parameters set out in their contracts. How this all shakes out will only become clearer as we move further into crush. These days there seem to be few if any third-party state or county inspectors at winery scale houses, so most issues will have to be sensitively worked through by growers and wineries themselves.

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.

The Bulk Market

The past month saw some activity on the bulk market both in the Coast and the Interior, consisting mainly of acquisitions of 2022 wines in larger volumes at clean-up pricing or smaller deals for specific 2022 wines at stable pricing. At least some of the latter activity is being carried out by Coastal buyers seeking value in Lodi to build themselves some margin. Most transactions are for quick bottling, indicating that acquisitions are only being made when there is definite need: Holding inventory remains something to be avoided.

There had been some transactions on 2022 wines as insurance against the uncertainties of the 2023 vintage, but this activity has eased and we can say that the bulk market is currently not reacting to anything occurring on the grape market. This suggests winery confidence that there will be sufficient bulk supply out there as and when needed. Activity on even in-demand wines – Napa Valley Cabernet, for example – has settled down as attention turns squarely to the harvest, as is normal for the time of year.

Bulk wine sellers are increasingly approaching us unsolicited with inventory they have for sale. We believe that, with bulk inventory levels high, any increase in market pricing would stimulate more bulk availability being declared. Efforts by suppliers to sell – including sending out samples – are certainly greater than they normally are at this time of year.

There seems to be some belief among analysts that the decline in wine's consumer sales may slow – or that consumption may even stabilize – in the second half of 2023 as the tough comparisons with the pantry-stocking spike of 2020 and 2021 move into the past. Gomberg, Fredrikson & Associates editor Jon Moramarco has suggested it was not just consumers who pantry-stocked during the pandemic but also distributors and retailers, and it has taken them some time to work through that inventory, hence the slow demand on the bulk market through 2022 into 2023.

Inflation and higher interest rates, as well as their impact on consumer spending power, have meant that most distributors and retailers, once they have worked through the aforementioned inventory, wish to stay lean, reducing purchases or purchasing incrementally. While wine's struggles to attract younger consumers is a problem that can only be remedied slowly (and which must involve firmly countering moves in some quarters to make alcohol beverage consumption less socially acceptable, like tobacco), of immediate concern is the economic situation: Headline inflation is much lower than a year ago but beginning to tick up again with, in turn, the prospect of interest rates doing the same; bankruptcies are also rising. It is hoped OND sales perform well, but visibility on that and what 2024 has in store economically is currently negligible.

As part of industry soul-searching regarding wine's diminishing attraction (across all mature markets, not just in the US), Robert Mondavi's robust defence of wine – written in a foreword to the 1989 book *Plain Talk About Fine Wine* by Justin Meyer – has recently been revisited. The arguments Mondavi made against what he dubbed “neo-prohibitionists” are as relevant today as they were 34 years ago: More so, in fact, considering the greater abundance and cut-through of health messaging now versus then, and the growing culture of abstinence among Millennial (born from 1981 onward)

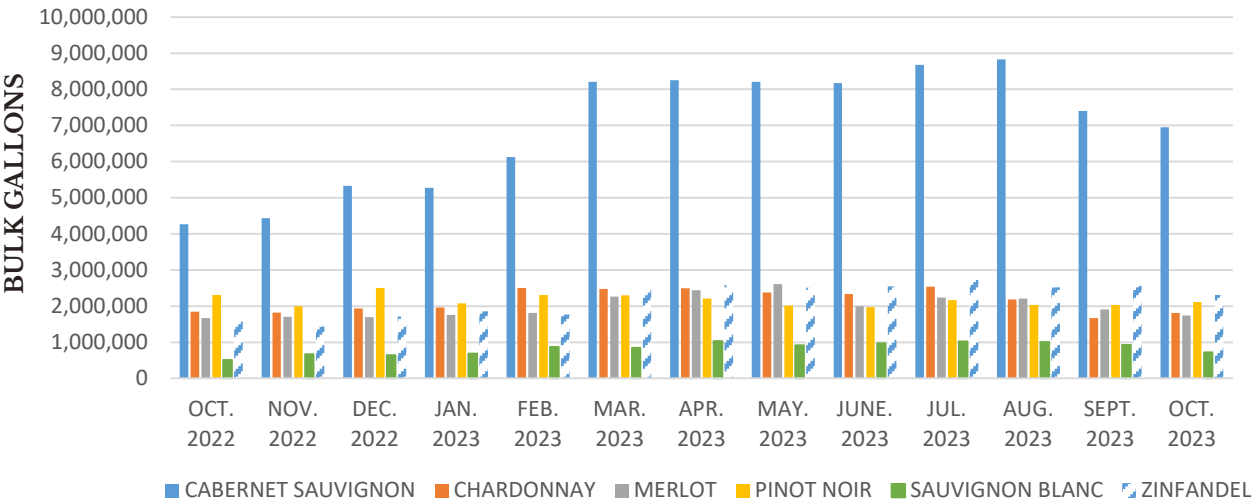
and Generation Z (from 1997 onward) consumers. In reaction, a discussion is now starting to take place around wine's sometimes intangible – or at least hard to scientifically quantify – benefits to individuals and society.

A recent *Psychology Today* article by psychologist Mark Travers, PhD, is an example. While stressing moderation and drinking responsibly is always essential, Travers draws on separate studies, one suggesting that alcohol can “enhance social bonding” in social contexts and another that it can also be a “legitimate hobby” – both things that can enrich life and boost mental wellness outcomes: “Wine tasting, for instance, isn't just about drinking; it's a deep dive into understanding the complexities, aromas, and history of different vintages [...] By focusing on the sensory aspects of alcohol, individuals can find relaxation, joy, and even a sense of purpose.”

These ideas extend, more scientifically, Mondavi's 1989 arguments that wine is “the natural beverage for every celebration” and “a source of pleasure and diversion”, and potentially provide a path via which wine might try to resonate more with younger consumers.

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 (October 2022 - October 2023)



Events

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

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

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