



# *California Report*

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

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- 3 The Grape Market
- 3 The Bulk Market
- 5 Contacts

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

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California's 2023 crush finally concluded in late November after a cooler, wetter than normal growing season that prolonged ripening. In general, the volume and quality of the white and early red grapes appear to have benefitted from the extended hangtime; the later-season reds still managed to ripen in time, but potentially sized-up to a lesser extent. A significant number of rejections occurred due to high fungus pressure and rot, and some uncontracted grapes went unpicked amid a slow sales year, certainly curtailing the volume that crossed the scales: Our final guesstimate before the CDFA's preliminary grape crush report in February remains in line with last month's 3.5-3.6 million tons, but the extent of sizing in September surprised many, and the crush size could possibly have nudged above that estimate.

The feeling in the North Coast is that the crush returned to a more 'normal' level after the short years of 2022 and 2021, and the wildfire-hit year of 2020. Rejections occurred, and some grapes were left unpicked, but not to the same extent as in the Interior. Chardonnay sized-up most, followed by other whites, Pinot Noir and Zinfandel, while some sizing on Cabernet appeared to offset the impact of spring shatter on that varietal. The Central Coast picture was similar: A larger crop than last year is expected, especially in Monterey and Santa Barbara. Chardonnay, Sauvignon Blanc and Pinot Noir seemed to size most; Cabernet and Petite Sirah enjoyed less hangtime and sized less.

Grape rejections were common in the southern Interior, growing fewer further northward. Thinning to avoid rot, and uncontracted grapes going unpicked, also took a toll on crush size. Whites started to get picked to a normal timetable, but areas experiencing higher yields took time to become ready; some Chardonnay was still on the vine when Cabernet was starting to get picked, and sized up. Overages on a range of varieties became available and there was some early movement on Sauvignon Blanc and – to a lesser extent – Chardonnay; this activity dried-up when the extent of the crop sizing became clearer.

Qualitatively, at this stage, the 2023 vintage generally seems a very good one, with chemistries and sugar levels benefiting from the prolonged hangtimes and the mild growing season lacking weather extremes. In addition, quality standards on grape contracts were strictly enforced. Ultimately, a high-quality vintage is good news for the end consumer, and attempts, in 2024 and beyond, to both retain them and boost their numbers.

Opportunities currently exist on the bulk market, for buyer and seller alike. Lower pricing on excellent-quality wines frees up the industry to innovate with new brands and products – some of which we are already starting to see emerge – that hopefully engage new consumers and younger demographics. Meanwhile, suppliers working to become more flexible in building and maintaining partnerships with buyers are laying the groundwork for their greater future resilience. The old proverb's probably true: "Necessity is the mother of invention."

Read on for a detailed assessment of the marketplace as it currently stands and – for the most up-to-the-minute information – get in touch with Ciatti directly, the broker team stands ready to help guide buyers and sellers through this challenging time. All would like to wish you and yours a very Happy Holidays and a prosperous New Year!

*Robert Selby*

# The Grape Market

As mentioned above, overages on a range of grape varieties became available during harvest and there was some early movement in the Interior on Sauvignon Blanc – and to a lesser extent Chardonnay – that ended when September’s sizing became apparent. In many cases, buyers did not replace fruit they had rejected with overages from elsewhere. The lack of takers for overage illustrates how much the Interior’s crush size this year was essentially dictated by the number of existing contracts – and the number of these was possibly in line with 2022 but more likely reduced. In the Coast, meanwhile, some late-season grape deals were done, some of the overages and uncontracted fruit got crushed – but there was still fruit left on vines.

After some initial interest on Coastal whites, the grape market grew increasingly sluggish through 2023 and came to a halt altogether before harvest. With the crop coming in larger than expected, a spot market failed to develop, and the market for 2023 grapes – bar the odd clean-up deal – is now over.

It is therefore hard to foresee a frenzied market for 2024 grapes, and we suspect a market will not develop until OND sales and the 2023 crop size are clear. Discussions are, however, getting underway on potential needs for, and pricing on, 2024 fruit. Buyers will prioritize re-signing their trusted, longstanding suppliers, but some may go on the hunt for quality, knowing – with the supply-demand dynamic as it is – there will likely be availability from which to choose. When that happens, grape suppliers are urged to keep an open mind with regard to taking the opportunity to have their fruit contracted, given the market and economic context.

In addition, Interior wineries may show an interest in Coastal grapes, identifying now as a good time to boost quality, so Coastal supplier price expectations will need to be flexible.

Coastal growers will need to be cognizant of the trend from appellation to California grape sourcing, as buyers increasingly seek to rebuild some margin into their bulk wines, and the potential for appellation grape demand to be further reduced by higher shelf prices feeding through to lower volume sales on Coastal wines. Consumer confidence remains fragile, and is likely to be similar in 2024, and wine continues to struggle to shore-up volume sales and value sales simultaneously.

Growers and wineries are starting to adjust to the tough market. They are increasingly prepared to accommodate buyer needs, going as far as to discuss re-engineering their business in order to make the prices that buyers can pay work for them. Those suppliers doing this early will get ahead of their competitors.

There are a range of options: The removal of uncontracted vineyards, improving efficiencies, adjusting cost of goods, rationalizing headcount, selling assets. With operating loans harder to come by and interest rates stubbornly high, mothballing uncontracted older vineyards may prove attractive. Some will go further, putting their business up for sale if they believe doing so offers a profitable exit strategy.

**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).**

## The Bulk Market

The bulk market currently has vibes of 2019: Pricing has weakened as the year has progressed and – outside Napa and a few areas of Sonoma – the price hierarchy has condensed somewhat towards California-appellation pricing. Also like 2019, some Coastal programs are switching their sourcing to premium California wines in order to shore-up margin.

While our inventory graph may show lower volumes at the end of 2023 versus where they were 12 months ago, the bulk market’s ongoing inactivity combined with this year’s crop size – even at 3.5-3.6 million tons, enough to keep inventory long – will mean the inventory graph

should climb again once the 2023 wines start to become available. In addition, some 2022 wines are returning to the market.

When assessing the current rate of activity on the bulk market, it must be remembered that the 2023 crop was a late one, only recently completed, so the buying timetable will be a little delayed. In addition, some buyers, including negociants in the Coast, will be waiting to assess February’s crush statistics and what wines have become available, before moving onto the market to locate price-quality opportunities and bottle on a just-in-time basis.

*Please see next page for more on The Bulk Market.*



The Coastal bulk market is slower than normal at this stage: Price-sensitive activity and demand has occurred on 2023 Sauvignon Blanc, and some price-sensitive interest in 2022 Napa Cabernet and Coastal Pinot Noir. As in the Coast, the bulk market in the Interior is quieter than normal for the time of year and any activity that has occurred has been mainly limited to 2023 whites, Sauvignon Blanc and Chardonnay.

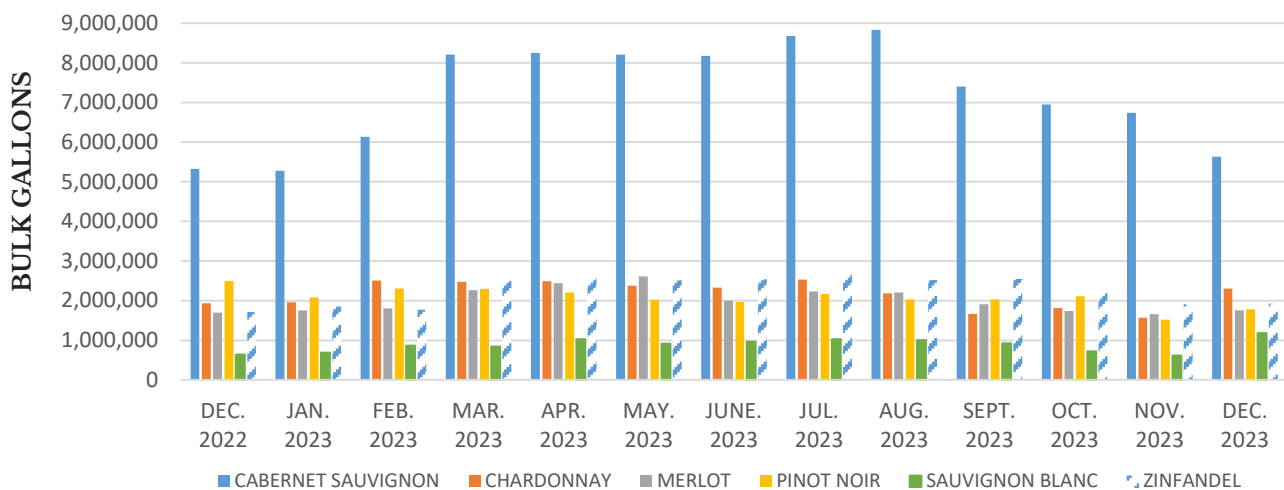
In general, bulk wine suppliers have come to understand the fragility of current demand and are acting accordingly, being proactive in providing samples and accommodating of buyer needs, and trying to be flexible on price to offload inventory and generate cashflow. The lack of bulk wine transactions makes market pricing difficult to get a firm handle on, but it is definitely weaker on most items in the Coast and in the Interior than 12 months ago.

The mood music emanating from OND sales continue to be that they are better than previous months – i.e., at least flat and predictable, versus depleting

and unpredictable – and that a normalization of distributor inventories may be underway. But until such time as consumer confidence improves, wine, not being a staple, will continue to struggle for growth. Shelf pricing on wine has not risen inappropriately compared to other products, but it does seem that wine finds retaining consumers after a price uptick more challenging. Wine pricing has remained impressively stable over the years compared to other products, so recent increases may have spooked consumers. Consequently, while some sales values are holding or even rising, sales volumes have retreated slightly. Retail price upticks will not be reversed, so volume growth is most likely to stem from new programs, products and private labels – and the bulk market currently offers some excellent price-quality opportunities with which to fulfil them.

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 (December 2022 - December 2023)



## Events

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

- **January 24 & 25: Unified Wine & Grape Symposium**



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