



California Report

February 2024
Volume 7, Issue No. 2

**Ciatti Global Wine
& Grape Brokers**

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



February 2024

Volume 7, Issue No. 2

- 3 The Bulk Market
- 4 Wine Sales Update
- 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.

The California Department of Food and Agriculture's preliminary 2023 grape crush figure, published February 9th, totalled 3,668,294 tons, in line with Ciatti's pre-harvest projections of 3.5-3.7 million tons. The crop was 8% larger than 2022's 3.39 million tons but the fifth consecutive crop to come in below the 4-million-ton mark. At least part of the shortfall was attributable to **uncontracted grapes going unpicked: Many wineries were willing to receive grapes only to the contracted volumes and then held growers to that number.**

Chardonnay's total tonnage was up 24.1% versus 2022 to 651,610 tons, re-taking the crown as the state's largest variety which it briefly lost in 2022 to Cabernet (itself up, by 14.1% to 646,941 tons). Versus 2022, some 66,000 extra Chardonnay tons were harvested in Lodi and Clarksburg combined. Sauvignon Blanc experienced the same percentage growth as Chardonnay, up 24.1% to 162,765 tons, while Pinot Gris tonnage was up 19.1% to 233,935 tons. White tonnages in general outgrew reds by 15.3% to 2.3%, with Zinfandel and Merlot the only major varieties to fall back, by 26.2% and 2.1% respectively. Total state-wide pricing was up by an average of 8.5%. **For a more complete breakdown of the preliminary harvest result, and more comment, see Ciatti's press release [here](#).**

California's bulk wine and grape markets remain sluggish and it is doubtful if the greater clarity regarding the 2023 harvest size will stimulate any uptick in activity, considering the fundamentals are yet to visibly change at the retail end. However, as of January, the Conference Board's index of US consumer confidence stands at its highest level since December 2021, thanks to slower inflation, expectations of reduced interest rates, and favorable employment conditions. Interestingly, this "surge" in confidence was highest among a key demographic for wine – "consumers 55 and over". There remains a hope that the distributor/retailer downward inventory adjustment that took place through 2023 has paved the way for more stable wine need in 2024, if consumers start re-entering the wine aisles in greater number.

Through December and January, much of California experienced precipitation levels adequate enough to instill confidence in the water supply for the coming growing season; many reservoirs are at, or near, capacity. Some of the storms that blew through were warm, limiting Sierra Nevada snowpack levels to 50% of normal as of January 31st, raising a question mark over water supplies for later in the growing season. A combination of wet vineyard conditions and uncertainty around 2024 grape demand has noticeably delayed pruning in some instances.

Read on for a detailed assessment of the bulk wine and grape markets as they currently stand and – for the most up-to-the-minute information – get in touch with Ciatti directly. The broker team stands ready to draw on its decades of experience to help guide buyers and sellers through whatever 2024 brings, and beyond.

Robert Selby

The Bulk Market

The bulk market through December, January and into early February proceeded with the same sluggish tempo evident throughout 2023. Bulk inventory is significant and there is likely to be more once the 2023 vintage is fully available on the market. Further availability may also arise if buyers became more active. The 2023 crop ran late – some bulk wine contract approvals that normally get made in November were delayed until February, for example – and this has served to further slow the rate of transactions. Suppliers – now fully cognizant of where the market sits – are being proactive in facilitating buyer interest as best they can, and are open to reasonable offers and opportunities.

The limited buying activity that we have seen has mainly occurred on the 2023 white varietals, namely Chardonnay and Sauvignon Blanc. Sonoma County or Russian River Chardonnay and North Coast Sauvignon Blanc have led what little activity there has been in the Coast, but the buyer pool is price-sensitive and shallow, and large inventory of these wines remains. Inquiries have been made into Napa Cabernet, but mostly at pricing lower than where the market currently sits. Sellers are, however, showing flexibility in accommodating interest.

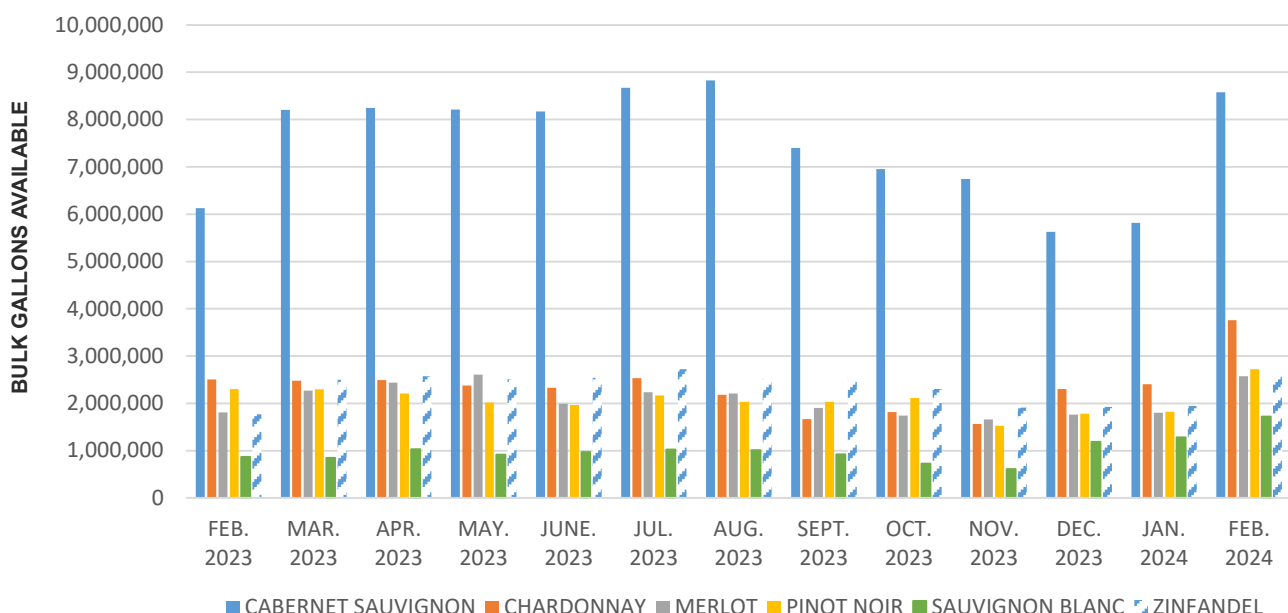
Bulk wine activity levels in general in the Interior have picked up a little in the past month. As in the

Coast, activity has predominantly occurred on 2023 Chardonnay, with buyers quality- and price-sensitive and seeking limited volumes. There have been some scattered deals on other 2023 whites as well as rosés. Many of the major wineries that are traditionally buyers of bulk wine are currently sellers instead, greatly diminishing the buyer pool: We believe this is likely to be the case for the foreseeable. Bulk wine pricing across the state is very difficult to gauge as transactions have been so few.

There has been an uptick in European interest in Coastal wines, Chardonnay in particular, given the highly attractive price-quality ratio they can now offer the international buyer. Suppliers interested in export avenues should get in touch.

Our sample room is starting to fill up with 2023-vintage samples, and bulk wine suppliers should get theirs in to us as it remains the best way for their wines to find a buyer. They can contact either Mark at +1 415 630 2548 / mark@ciatti.com or Michael at +1 415 630 2541 / michael@ciatti.com to get their wines listed. Similarly, buyers requiring wine should get in touch so we can send samples their way.

California Bulk Wine Inventory (February 2023 - February 2024)



Wine Sales Update

It remains unclear how wine's Q4 2023 sales performed at US retail, and what exactly the industry can expect from 2024 in terms of sales. Wineries and growers are trying to understand their business dynamics and are making adjustments in order to adapt. There is a hope that the volume sales squeeze felt through 2023 was at least partly caused by distributors and retailers downwardly adjusting their wine inventories to better suit consumer sentiment, paving the way for more stable, predictable volume requirements through 2024.

During a Wine & Spirits Wholesalers of America 'Access Live' session in January, SipSource analyst Danny Brager warned of 2024 being another challenging year, with the economic headwinds of inflation, interest rates and consumer debt continuing. He said table wines in the \$11-25/bottle area of the market are performing best, white varietals are outperforming reds, and Prosecco's popularity is set to continue.

Silicon Valley Bank (SVB)'s *State of the US Wine Industry 2024*, published mid-January, included data from *Shanken Impact Databank Review & Forecast 2023* estimating a 3% decline in the wine category's total sales volume in the US last year, the third-consecutive year of contraction. The pandemic-induced demand spike of 2020, which saw volume sales grow 4.33%, was the only exception to a trend of marginal or no growth since 2016. Rob McMillan, author of the SVB report, was confident that Q4 2023 sales volumes would be up versus the final quarter of 2022, although this would be at least partly attributable to easier comparables after a tough end to 2022.

The SVB report also illustrated that sales performance across brands and companies has not been uniformly negative, with a small number doing well, and was bullish about the value sales performance of the "premium segment" (e.g., wines above \$12/bottle) in general. The report also drew on Ciatti's bulk inventory statistics, the updated graph of which is included here: As can be seen, Cabernet inventory remains significant – and before a lot of 2023-vintage wines get placed on the market. Cabernet, Pinot Noir, and Zinfandel seem to be the most challenging wines to shift on the bulk market at present.

Cyril Penn, drawing from *Wine Business Monthly's Review of the Industry*, cited 2023 as a year in which distributors and retailers cut back on inventories in the face of elevated interest rates. In turn, wine companies rationalized, dropped unprofitable lines, and focused on growing core brands rather than introducing new ones. We have seen this visibly, with wine aisles becoming shorter in grocery stores. Various wine industry executives surveyed said that mid or upper price points were doing better – say, from \$15/bottle upward – an area of the market in which Paso Robles Cabernet in particular is said to be performing well. Other trends were reiterated: the relative robustness of white wine sales versus red, and the growth in lower-alcohol wines. Again, like SVB's report, and drawing on Nielsen IQ data from Danny Brager, *Wine Business Monthly* reiterated that some larger brands were growing more than 5% in dollar and volume terms despite the wine market's overall volume sales decline.

The Grape Market

Unsurprisingly, given the slowness of bulk demand, the 2024 grape market remains quiet in terms of transactions. As on the bulk market, many major wineries have become grape sellers rather than buyers. With the number of uncontracted vineyards having increased in the past two years as grape need has fallen, and more area moving out of contract coming into 2024, growers are increasingly showing flexibility in accommodating potential buyers. There will be a tendency for wineries to contract less of what they think they might need, preferring to err on the

side of finding themselves short of inventory, knowing they will be able to top themselves up with grapes later if required.

Some discussions around re-signs have occurred in certain areas of the state – some buyers know they will have need and are seeking to re-contract their longstanding growers – but these are an exception at this time. Much of the activity is conversation only: Buyers trying to gauge what is available and at what price, so

See next page for more.

they can make an informed decision when the time is right for them. This might involve shifting sourcing in order to boost quality, given the array of choice. Similar to the bulk market, grape interest is centred on the white varieties: Chardonnay and Sauvignon Blanc from Sonoma or Napa, and Chardonnay and Pinot Grigio from the Interior. Again mirroring the bulk market, conversation around red varieties – namely Cabernet, Zinfandel and Pinot Noir – is minimal.

As no significant grape activity has occurred, it is difficult to get a handle on pricing. Understandably, growers are themselves wary of committing on price at this stage, given spring is not yet underway, elevated input costs must be covered, and the cost of financing is – for many – currently prohibitive. Some growers will be hesitant to put money into uncontracted vineyards, perhaps opting not to prune until a buyer shows interest. Some are going

further, uprooting uncontracted vineyards that are older, less productive, or of a variety deemed less desirable. Some re-plantings are also going in.

Reflecting the slow wine need and – in turn – the slow rate of bottling, the grape juice concentrate market remains as sluggish as its bulk wine and grape counterparts.

We appreciate it is difficult for growers to accurately gauge, this early, what 2024 grapes they will have available for sale, but they should keep us up to date – even if only with rough guesstimates as placeholders – by contacting Molly at +1 415 630 2416 or molly@ciatti.com. Having grapes listed with us as early as possible assists us in finding a buyer when activity does arise. Potential buyers of grapes trying to get a feel for what is available are also welcome to reach out to us.

Events

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

- **July 23 - 24:** International Bulk Wine and Spirits Show



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

Chris Welch

T. +415 298-8316
E. chris@ciatti.com

John White

T. +415 250-0685
E. johnnw@ciatti.com

Todd Azevedo

T. +415 265-6943
E. todd@ciatti.com

Glenn Proctor

T. +707 337-0609
E. glenn@ciatti.com

Steve Dorfman

T. +707 321-3843
E. steve@ciatti.com

Dennis Schrapp

T. +905 933-8855
E. dennis@ciatticanada.com

Greg Livengood

T. +415 497-5032
E. greg@ciatti.com

Johnny Leonardo

T. +415 717-4438
E. johnny@ciatti.com

Michael Fung

T. +415 630-2541
E. michael@ciatti.com

Jed Lucey

T. +415 595-2993
E. jed@ciatti.com

Mark Ishimaru

T. +415 630-2548
E. mark@ciatti.com

Molly Richardson

T. +415 630-2416
E. molly@ciatti.com

John Fearless CO.
Craft Hops & Provisions

CEO - Rob Bolch
Sales - Thomas Gilbert
T. + 1 800 288 5056
E. rob@johnfearless.com
E. thomas@johnfearless.com
www.johnfearless.com

To sign up to receive the monthly Global Market Report & California Report, please email 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.