



CIATTI

GLOBAL WINE & GRAPE BROKERS

GLOBAL MARKET UPDATE – JUNE 2016

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Due to a VERY active month of global bulk wine sales, sorting through South America's difficult harvest and a very hot California grape market, this month's report is somewhat abbreviated, but no less important! Read on

Next month look for a revamped report not just in format but in substance and approach to reporting what is happening in the Global wine business

CALIFORNIA

- Early reports on overall crop size around the state look to be average, at best. We are hearing some concerns, from both growers and vintners, about shatter in the later blooming varieties in various regions, due to recent heat spells.
- M&A activity continues with additional purchases in recent weeks. Gallo buys Orin Swift Cellars; Jackson Family buys Copain Wines; Constellation buys Prisoner; GI Partners buys Far Niente Estates.
- Sales growth on wine within the US continue to expand for virtually all major producers in 2016. Note that 2/3 of the growth has come from the "Big 3"
- Sparkling wines continue to grow in all categories. Domestic producers of both value and premium sparklers grew again at double digit pace for the first quarter of 2016. There is a similar percentage growth for imported sparkling wine, led by Italian and Spanish producers.
- One area of concern is a recent slowing of removals from the various warehouses around California. This reflects movements of many smaller producers. This could be effects of consolidations of the 3 tier system; recent price increases; or just lack of supply given the lighter 2015 harvest.



TIME ON TARGET

AUSTRALIA



TIME ON TARGET

The market place has been busy with much activity for irrigated material from 2016. Sauvignon Blanc, Cabernet Sauvignon and Moscato remain popular as many buyers look to sample early and lock in parcels quickly. Many suppliers have allocated a large portion of their inventory already. Supply and demand has seen prices staying firm and if not rising for most varieties. We expect continued demand in Australia with the smaller crops available in Chile and Argentina this year. Premium wines from the Barossa Valley are still in high demand for older vintages, less so for younger stock which is readily available.

Water shortages are placing pressure on grape growers for the pending 2017 crop. The Murray Darling Basin Authority have advised that this year's inflow was in the lowest 5% on record. The government has set a minimum opening water allocation of 36% from the 1st July. This is the first time it has below 100% in the past 5 financial years. Growers are praying for decent rainfalls in the catchment areas and have already since seen a good start to winter with many of the eastern states receiving heavy downpours. Without sufficient rains, growers will be forced to either sell their water to other growers and leave their vineyards for the season or buy in temporary water at high costs – up to \$300 mega-liter. In the middle of the drought period, the water prices spiked to \$1200 a mega-liter.

NEW ZEALAND



TIME ON TARGET

Marlborough grape growers have had their most profitable harvest in more than five years. The expected average price paid for Sauvignon Blanc grapes this year is circa NZD \$1800 per ton. Official figures are yet to be released for pricing or the size of the crush. In comparison with previous years, pricing has fluctuated heavily from as high as \$2500 in 2008 to as low as \$1100 in 2010. Demand for Sauvignon Blanc remains high and the future of the industry is concerned with the availability of land suitable for planting. Demand continues to grow and it will reach a point where demand exceeds supply. Of New Zealand's 36,192 hectares of vineyards, 24,020ha is planted in Marlborough, the majority being Sauvignon Blanc. Total plantings are expected to increase by just over 1,000ha to 25,119ha by 2018.

ARGENTINA

- As expected, Argentina is feeling the impact of the very difficult 2016 harvest. Sales of both domestic and export are down from previous year due to strong price increases
- Export numbers have dropped by 3% since the beginning of the year, with higher priced wines fairing better than the lower priced value wines.
- In the bulk market, the domestic business is extremely active. Prices are very high, and traditional sellers have become buyers. Today the most basic Malbec is trading near USD\$1.50 per liter. Buyers are concerned as the traditional bulk exporters are nearing the the position of being sold out.
- Concentrate prices are holding at USD\$1200 per metric ton, but buyers are not committing at this time. Demand has been weak, and interest in concentrate has been light.



TIME ON TARGET

CHILE

- The Chilean crop was definitely shorter than expected, as consecutive rain episodes complicated the harvest and the grape condition deteriorated over time
- Domestic wineries are in need of wines, and prices are constantly in flux
- International buyers are working to secure their needs, adding to the market frenzy
- Over the years Chile was in oversupply and as a result many wineries wanted to start selling bulk wines into. Many of those wineries now have no wines and the amount of wineries able to supply the export bulk business is very limited.
- Due to the delayed and difficult harvest, red wines have taken longer to be ready.
- Several wineries have being able to come with a good quality product, and we have seeing buyers happy with the quality as it has above what has been expected.
- We believe that by the end of the year there won't be many wines available for sale, as many wineries will sell out.



TIME ON TARGET

FRANCE



TIME ON TARGET

- The french market has been slow on both the national and international arenas until now.
- Exporters are registering lower sales on traditional european markets but it's been a bit compensated by better performances on US and Asian markets, specially on AOP wines such as Provence Rosé, Cotes du Rhone and Bordeaux.
- Bulk wines loadings are behind schedule and running at slow pace which is worrying the growers, 2-3 month ahead of the harvest kick-off.
- Vin de France and IGP wines prices are softening due to moderate demand, specially for generic white wines and rosé wines. Other varietal wines show a balanced inventory. Good opportunities are showing up for every varietal.
- Looking towards harvest, the South West, Languedoc, Cotes du Rhone and Provence, are good, with enough water supply and good weather conditions for a good vine development and a promising crop potential.
- On the contrary, Alsace, Burgundy, Loire Valley and champagne have experienced complicated growing conditions, impacted by April frost and May hailstorms followed by heavy rains and flooding.

SPAIN



TIME ON TARGET

- Spain has experienced good growing conditions thanks to regular rainfall, coupled with moderate temperatures. Vine development is behind schedule with flowering expected by mid- June
- Growers remain careful and are starting to spraying vines for mildew/odium. If weather conditions remain favorable until the harvest season, crop potential is believed to be promising.
- In terms of market activity, sales are registered at moderate.
- Loadings are running at an average pace and inventory is in a balanced situation. Consequently, overall market pricing has started to slightly soften since the end of May with good buying opportunities to come.
- The small crops in the southern hemisphere haven't had a real noticeable impact on the market yet but when exact Chilean crop figures will be published, international buyers eyes will turn towards

ITALY

- Italy remains a fairly stable market with some exceptions
- Prosecco: Even if the growing region voted new laws to extend their capacity they may be out of stock by October.
- Prosecco is on a 20% growth VS 2015. Interestingly, March grew at +34%, April 0%, May +30%!
- Prices should remain firm and similar to 2015.
- DOC Venezia Pinot Grigio that was supposed to be announced is still expected. No confirmation or official signs are known until now. We still don't know if it can be released from next vintage on.
- Overall the local and export market is still slow
- Regarding weather conditions: the rainfall is more often than usual. No big major issues to be declared such as frost or hail during the last month.



TIME ON TARGET

SOUTH AFRICA

- Ongoing dry conditions persist and the long term prediction is that bigger rainfall will only be evident in the latter part of June and July. Dam and river levels are extremely low in many winegrowing parts and good winter rain is needed in all parts.
- Wine sales and exports has slowed down a bit in the month of May after good growth in sales in March and April.
- The beginning of June has seen a lot of movement and requests, locally and for exports.
- Pricing has kept stable in the last two months after it increased at the beginning of the year, based on smaller crop and increase in demand.
- Varietals like Sauvignon Blanc, Chardonnay and Cabernet Sauvignon is in high demand and contracted quickly at this stage. Different to other varietals, pricing of those varietals has gone up.
- The SA Rand is still trading very low against all major currencies and this is also helping SA at this moment to be very competitive in all exporting countries. The prediction is that it will keep on being volatile and no bank wants to commit at this stage at what level it will be in the coming months.



TIME ON TARGET

Export Pricing: USD per liter
Currency Conversion Rates as of June 15, 2016

ARGENTINA

Pricing in bulk; FCA

Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
2015	Generic White	0.40	-	0.45	↑	2015	Generic Red	0.60	-	0.80	↑
2015	Generic White (Criolla)	0.35	-	0.38	↑	2015	Cabernet Sauvignon	1.30	-	1.50	↑
2015	Chardonnay	0.90	-	1.20	↑	2015	Malbec Entry-Level	1.30	-	1.50	↑
2015	Torrontes	0.60	-	1.00	↑	2015	Malbec Mid-Level	1.30	-	1.50	↑
2015	Sauvignon Blanc	0.90	-	1.00	↑	2015	Malbec Premium	1.50	-	+	↑
2015	Muscat	0.40	-	0.45	↑	2015	Syrah / Merlot	1.00	-	1.20	↑
2015	Bonarda	0.00	-	1.20	↑	2015	Tempranillo	0.80	-	1.00	↑

AUSTRALIA & NEW ZEALAND

Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
NV	Dry White	0.44	-	0.52	↑	NV	Dry Red	0.56	-	0.63	↑
2016	Chardonnay	0.63	-	0.70	↑	2016	Cabernet Sauvignon	0.67	-	0.74	↔
2016	Sauvignon Blanc	0.67	-	0.74	↑	2016	Merlot	0.67	-	0.74	↑
2015	NZ Marlborough SB	2.63	-	2.82	↔	2016	Shiraz	0.70	-	0.78	↔
2016	Pinot Gris	0.89	-	0.96	↑	2016	Muscat	0.59	-	0.67	↑

AUD Rate: 0.741114

NZD Rate: 0.625559

CALIFORNIA

Pricing in bulk; FCA

Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
2014	Generic White	0.60	-	0.80	↔	2014	Generic Red	0.80	-	1.05	↓
2014	Chardonnay	1.45	-	1.88	↑	2013/2014	Cabernet Sauvignon	1.58	-	2.11	↑
2014	Pinot Grigio	1.58	-	1.98	↔	2014	Merlot	1.18	-	1.58	↔
2014	Muscat	0.92	-	1.32	↓	2014	Pinot Noir	1.85	-	2.25	↑
2014	White Zinfandel	0.85	-	0.99	↔	2014	Syrah	1.18	-	1.58	↔
2014	Colombard	0.73	-	0.99	↔	2013/2014	Zinfandel	1.72	-	2.11	↑

CHILE

Pricing in bulk; FOB Chilean Port

Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
NV	Generic White	NA	-	NA	↑	NV	Generic Red	NA	-	NA	↑
2015	Chardonnay	NA	-	NA	↑	2015	Cabernet Sauvignon (Basic)	NA	-	NA	↑
2015	Chardonnay (Varietal Plus)	0.00	-	0.00	↑	2015	Cabernet Sauvignon	NA	-	NA	↑
2015	Sauvignon Blanc	NA	-	NA	↑	2014/2015	Cabernet Sauvignon (High Quality)	NA	-	NA	↑
2015	Pinot Noir	NA	-	NA	↑	2015	Merlot	NA	-	NA	↑
2015	Syrah	NA	-	NA	↑	2015	Malbec	NA	-	NA	↑
2015	Carmenere	NA	-	NA	↑	2015	Malbec (Varietal Plus)	NA	-	NA	↑

FRANCE

Pricing in bulk; Ex-Winery

Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
2015	Generic White	0.90	-	0.96	↓	2015	Generic Red	0.79	-	0.90	↓
2015	Chardonnay IGP	1.35	-	1.57	↔	2015	Cabernet Sauvignon IGP	1.07	-	1.24	↓
2015	Chardonnay VDF	1.24	-	1.35	↔	2015	Cabernet Sauvignon VDF	1.07	-	1.24	↔
2015	Sauvignon Blanc IGP	1.07	-	1.24	↔	2015	Merlot IGP	1.01	-	1.18	↓
2015	Sauvignon Blanc VDF	1.07	-	1.24	↑	2015	Merlot VDF	0.96	-	1.01	↔
2015	Generic Rosé IGP	0.84	-	0.96	↑	2015	Red Syrah / Grenache IGP	1.03	-	1.12	↔
2015	Generic Rosé VDF	0.84	-	0.96	↓						
2015	Varietal Rosé IGP	0.96	-	1.01	↓						

Rate: 1.124950

GERMANY

Pricing in bulk; Ex-Winery

Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
2014/2015	White Wine	0.67	-	0.79	↔	2014/2015	Red Wine	0.73	-	0.90	↔
2014/2015	Pinot Grigio	1.07	-	1.35	↔	2014/2015	Dornfelder	1.07	-	1.18	↔
2014/2015	Riesling	1.07	-	1.35	↔	2014/2015	Pinot Noir	0.96	-	1.12	↔

Rate: 1.124950

ITALY

Pricing in bulk; Ex-Winery

Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
2015	Generic White	0.36	-	0.39	↔	2015	Generic Red	0.36	-	0.39	↔
2015	Chardonnay	0.67	-	0.96	↔	2015	Cabernet Sauvignon	0.67	-	0.90	↔
2015	Pinot Grigio	1.18	-	1.29	↔	2015	Merlot	0.62	-	0.84	↔
2015	Prosecco	2.81	-	2.92	↑	2015	Chianti	1.74	-	2.02	↔

Rate: 1.124950

SOUTH AFRICA

Pricing in bulk; FOB Cape Town

Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
2015/2016	Generic White	0.32	-	0.34	↑	2015/2016	Generic Red	0.37	-	0.43	↔
2015/2016	Chardonnay	0.44	-	0.51	↑	2015/2016	Cabernet Sauvignon	0.46	-	0.56	↑
2015/2016	Sauvignon Blanc	0.44	-	0.56	↑	2015/2016	Ruby Cabernet	0.39	-	0.43	↔
2015/2016	Chenin Blanc	0.35	-	0.40	↑	2015/2016	Merlot	0.45	-	0.52	↔
2015/2016	Muscat	0.38	-	0.42	↔	2015/2016	Pinotage	0.43	-	0.49	↔
2015/2016	Generic Rosé	0.32	-	0.39	↔	2015/2016	Shiraz	0.45	-	0.54	↔
2015/2016	Cultivar Rosé	0.37	-	0.43	↔	2015/2016	Cinsaut	0.38	-	0.41	↔

Rate: 0.065576

SPAIN

Pricing in bulk; Ex-Winery

Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
2015	Generic White	0.28	-	0.39	↑	2015	Generic Red	0.31	-	0.39	↑
2015	White Blends (Higher Quality)	0.45	-	0.67	↑	2015	Generic Red (Higher Quality)	0.39	-	0.56	↑
2015	Sauvignon Blanc	0.58	-	0.63	↔	2015	Cabernet Sauvignon	0.56	-	0.73	↔
2015	Chardonnay	0.67	-	0.73	↔	2015	Merlot	0.62	-	0.79	↔
2015	Generic Rosé	0.31	-	0.43	↔	2015	Tempranillo	0.45	-	0.67	↑
2015	Varietal Rosé	0.45	-	0.56	↑	2015	Syrah	0.51	-	0.67	↔
2015	Moscatel	0.51	-	0.67	↔						

Rate: 1.124950



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