



GLOBAL MARKET UPDATE – OCTOBER 2015

VOLUME 6 ISSUE NO. 10

The 2015 Northern Hemisphere harvest is coming to an end. Estimates are coming in from around the globe and the results are mixed. Italy and France seem to have enjoyed a good year, in terms of both quality and quantity, while Spanish suppliers are reporting lower yields and smaller production than those seen in 2014. The report in California similarly describes a year of lower yield and a decrease in overall production. We won't know until the official reports are released, but the expectations of lower available volume in Spain and California have served to ignite activity in the bulk market.

Spring in the Southern Hemisphere brings sun and warmth to Australia, and rain and snow to Chile and Argentina. The markets in Chile and Australia continue to be active, with South Africa picking up in activity in recent weeks. Argentine suppliers continue to struggle, as the economic factors plaguing the country have continued to make business very difficult for suppliers in the region.

Buyers and sellers of bulk are getting ready for the annual bulk wine fair in Amsterdam November 23-24, and there will be plenty to discuss, given the recent sale of Diageo wine assets to Treasury Wine Estates. If you are attending the fair, please be sure to come by Ciatti standC46. We look forward to seeing you at the show!

This October issue of our report introduces the Ciatti Craft Beverages page. We will be covering the latest news and trends in the Craft Beer World, and we look forward to your feedback regarding this new page.



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ARGENTINA

TIME ON TARGET

Spring has started in Argentina with very cold weather and snowstorms in the mountains, causing several blackouts at the borders last month. Even though the snow is good for the water reserves, it causes concern for risk of frost.

Bulk wine exports grew 16% in 2015 compared with the same period in 2014 (January to August) from 44 million liters to 51 million liters. The bulk wine market remains slow, both domestically and on the export market. Prices remain stable.

MARKET PRICING

ALL PRICING IN USD PER LITER; FCA WINERY:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2015	Generic White	0.32 – 0.35	↔	2015	Generic Red	0.40 – 0.45	↔
2015	Generic White (Criolla)	0.30 – 0.32	↔	2015	Cabernet Sauvignon	0.70 – 0.80	↔
2015	Chardonnay	0.65 – 0.75	↔	2015	Malbec Entry-Level	0.80 – 0.90	↔
2015	Torrontes	0.40 – 0.50	↔	2015	Malbec Mid-Level	0.90 – 1.20	↔
2015	Sauvignon Blanc	0.55 – 0.65	↔	2015	Malbec Premium	1.20 +	↔
2015	Muscat	0.35 – 0.45	↔	2015	Syrah / Merlot	0.60 – 0.70	↔
2015	Bonarda	0.50 – 0.70	↔	2015	Tempranillo	0.60 – 0.70	↔

BITS & PIECES

Argentina is experiencing a crisis within the wine industry, as domestic wine consumption has increased in quality, but not in quantity. Furthermore, wine has lost market share to other beverages such as beer. Total consumption per capita has dropped from 45 liters in the early 1990s to a current rate of only 23 liters. Meanwhile, Argentina continues to lose export sales as a result of the poor economic situation of high inflation (30%) and a fixed exchange rate.

There is huge concern and debate over the future of Criollas and Cereza grapes (low quality grapes categorized as pink grapes), which are commonly used for cheap wines (red and white) and sulfited must for the Grape Juice Concentrate business since the early 1990s. Both businesses have been falling significantly in recent years, so the question becomes whether or not future growers who have mainly these grapes will continue to grow them.

All of the above is impacting winery activity and many are already for rent/sale, as they can no longer afford to maintain business operations.

AUSTRALIA

Spring has arrived with warm and sunny weather in many regions. New shoots are present on vines as many wineries now look to contend with potential frost occurrences. Inventories of 2014 irrigated red wines now appear to be running low from the large producers. Chardonnay continues to tighten up and international buyers are already looking to lock in 2016 Pinot Gris. Many premium buyers have shifted their purchases from the expensive Barossa Valley to the more affordable McLaren Vale.

Accolade Wines has sold 50% of its stake in UK distributor Matthew Clarke. The sale permits the 80% owner of Accolade, CHAMP Private Equity, to share in the \$200 million profit. The remaining 20% of Accolade is still owned by Constellation Brands. Accolade's portion of Matthew Clarke, the biggest drinks distributor to pubs in the UK, has been sold to Conviviality Retail. Accolade has since purchased a winery in Chile for an estimated US \$30-35 million. The winery, Vina Anakena, is based in the foothills of the Andes Mountains and the sale includes the 3,000 tonne winery, brands and vineyard.

There have been continuous requests from the wine industry for reform of the current Wine Equalisation Tax rebate. Submissions have been lodged by the industry's two main bodies, the Winemakers Federation of Australia (WFA) and Wine Grape Growers Australia (WGGA) to urge the government to change the current regulations, in order to inject saved funds into marketing strategies and better assist those who rely on the rebate. The debate continues and change does not look set to occur in the near future.

CURRENT MARKET PRICING

ALL PRICING IN AUD PER LITER:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
NV	Dry White	0.50 – 0.65	↑	NV	Dry Red	0.60 – 0.75	↔
2015	Chardonnay	0.70 – 0.80	↑	2015	Cabernet Sauvignon	0.75 – 0.95	↔
2015	Sauvignon Blanc	0.85 – 1.00	↔	2015	Merlot	0.70 – 0.90	↔
2015	NZ Marlborough SB	NZ 4.85 – 5.50	↓	2015	Shiraz	0.75 – 0.95	↔
2015	Pinot Gris	1.10 – 1.30	↔	2015	Muscat	0.70 – 0.90	↔

NEW ZEALAND

The US market has overtaken Australia and is now valued at \$372.2 million (around one quarter of wine exports), up 13% from last year, according to the *2015 Annual Report* of New Zealand Winegrowers. Australia slipped to second place at \$362.2 million, down 5%, while the United Kingdom was the third biggest export market for New Zealand wines, with exports growing 11% to \$353.9 million.

Most of this growth is due to the ongoing popularity of New Zealand Sauvignon Blanc. Indeed, overall exports of Sauvignon Blanc soared from 160.5 million liters in 2013-2014 to 177 million liters in 2014-2015. Total wine exports (now at 209.4 million liters) grew 7% to \$1.42 billion in 2014-2015, up from 186.8 million liters the year before.

Cold conditions for Marlborough vineyards have caused helicopters to take to the skies to combat frost. Bud burst for Chardonnay and Pinot Noir is expected to occur a week late compared with last year, due to September being an unusually cold month. The month provided the coldest since 1997 with 2x air frosts and 7x ground frosts. Sauvignon Blanc buds normally burst in early October, but is also expected to be later this year. Pricing continues to hold well for bulk Sauvignon Blanc.

CALIFORNIA



As with our previous reports, the 2015 California harvest has been the earliest and potentially one of the lowest yielding vintages on record. The combination of unsettled spring weather which caused rampant shatter, the continued effects of the prolonged drought and consistently warm temperatures during the ripening period, all added to the smaller tonnages. This news will help correct some of the oversupplied varieties and further exasperate supply shortages in the highly desired appellations and varieties. Quality of wines and grapes across the state has been outstanding.

Given the tremendous amount of new acreage (36,000 hectares) about to come online over the next few years, it could be that Mother Nature has done the industry a huge favor. The industry still needs to regain consistent sales increases above current levels.

CURRENT MARKET PRICING

ALL PRICING IN USD PER LITER:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2014	Generic White	0.60 – 0.80	↔	2014	Generic Red	0.80 – 1.05	↓
2014	Chardonnay	0.99 – 1.32	↔	2013/2014	Cabernet Sauvignon	1.32 – 2.11	↑
2014	Pinot Grigio	1.58 – 1.98	↔	2014	Merlot	1.05 – 1.45	↔
2014	Muscat	0.92 – 1.32	↓	2014	Pinot Noir	1.58 – 2.11	↑
2014	White Zinfandel	0.85 – 0.99	↔	2014	Syrah	1.18 – 1.45	↔
2014	Colombard	0.73 – 0.99	↔	2013/2014	Zinfandel	1.45 – 1.64	↔

BITS & PIECES

We note the premium segment of our California industry in many reports. Ciatti Company is deeply involved in the sourcing and sales of many high-end grapes and wines sold domestically. These premium sales will be affected by the lighter harvest in the coastal regions. The pricing of these wines and grapes could see another increase as various lots come available for sale. Currently, we are seeing pricing at or near historic levels. Below are price ranges for a few selected varieties from key appellations:

Cabernet Sauvignon

Napa Valley	\$9.25 – 12.00	per liter
Sonoma – Alexander Valley	\$6.60 – 7.90	per liter
Paso Robles	\$3.70 – 4.75	per liter

Pinot Noir

Russian River / Sonoma Coast	\$5.00 – 7.40	per liter
Santa Barbara	\$4.50 – 6.00	per liter
Santa Lucia Highlands	\$4.00 – 5.50	per liter

CHILE

TIME ON TARGET

It seems that “El Niño” has arrived in Chile. Winter rains came late and spring looks more like winter than a normal year. The ski season remains open and will continue for several weeks, since the rain has continued week after week. This late rainfall is not normal for this time of year. It is causing concern for stone fruit producers, since the rainfall came during blossom. Grape growers fear the presence of fungus in the vineyards, which is now a daily topic.

The Chilean Peso has gained some strength in the last week, moving back to around CLP 670 per USD, compared to CLP 705 seen a few weeks ago. Domestic sales continue to be stable, mainly driven by medium-sized wineries, since the biggest three wineries have been quiet in recent weeks. International buyers have been looking for high quality Sauvignon Blanc, which is almost sold out by this time of year. International demand has also been stable and “quality + price” is the main driver. Many small and medium-sized wineries have entered the bulk wine export market for the first time, looking for alternatives to existing buyers. Chilean growers expect an increase on 2016 grape prices, which is looking to be small.

CURRENT MARKET PRICING

ALL PRICING IN USD PER LITER; FOB PORT:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
NV	Generic White	0.45 – 0.55	↔	NV	Generic Red	0.39 – 0.45	↑
2015	Chardonnay (Basic)	0.95 – 1.05	↔	2015	Cabernet Sauvignon (Basic)	0.49 – 0.54	↑
2015	Chardonnay (Varietal Plus)	1.15 – 1.40	↔	2015	Cabernet Sauvignon (Varietal Plus)	0.55 – 0.80	↑
2015	Sauvignon Blanc	0.70 – 0.85	↔	2014/2015	Cabernet Sauvignon (High Quality)	1.50 – 4.00	↔
2015	Pinot Noir	0.85 – 1.15	↑	2015	Merlot	0.51 – 0.63	↑
2015	Syrah	0.48 – 0.58	↑	2015	Malbec (Basic)	0.60 – 0.70	↑
2015	Carmenere	0.48 – 0.58	↑	2015	Malbec (Varietal Plus)	0.75 – 0.95	↑

EXPORT FIGURES

Wine export Figures (Bulk, Bottled & Sparkling)	January – August 2014			January – August 2015			Volume
	Million Liters	Million US\$ FOB	Average Price	Million Liters	Million US\$ FOB	Average Price	Variance %
Bottled	292.60	986.73	3.37	306.89	976.34	3.18	4.88
Bulk	213.69	175.92	0.82	237.28	170.98	0.72	11.04
Sparkling Wines	2.03	8.68	4.28	2.47	10.09	4.08	22.08
Packed Wines	16.91	33.32	1.97	18.34	31.60	1.72	8.46
Total	525.22	1,204.64	2.61	564.98	1,189.02	2.43	7.57

- In the period January to August, Chilean wine exports were up 7.6% in volume from last year, driven by an 11% increase in bulk wine and 22% increase in sparkling wines, which continues to grow.
- The top bulk buyers this year were China (58.7 million liters, up 122% with the largest growth), the US (49.7 million liters, down 24%), the UK (33.6 million liters, up 12%), Germany (26.6 million liters, up 18%) and Japan (16 million liters, up 32%) respectively.

FRANCE

TIME ON TARGET

Harvest is almost finished in most wine production regions in France, with good results overall. As of October 1st, the French harvest is believed to reach 47.7 million hectoliters. This is 1 million hectoliters more than was forecasted in August, due to good rainfall on the Atlantic Coast.

CURRENT MARKET PRICING

ALL PRICING IN EUR PER LITER; EX-WINERY:

Vintage	Variety	Price	Vintage	Variety	Price
2015	Generic White	0.80 – 0.85	2015	Generic Red	0.75 – 0.80
2015	Chardonnay	1.15 – 1.20	2015	Cabernet Sauvignon	0.95 – 0.97
2015	Sauvignon Blanc	0.95 – 1.00	2015	Merlot	0.93 – 0.95
2015	Generic Rosé	0.80 – 0.85	2015	Syrah	0.93 – 0.95
2015	Varietal Rosé	0.85 – 0.90			

Please note that these prices are estimates for the 2015 harvest

BITS & PIECES

In Languedoc-Roussillon, only a few Cabernet Sauvignon and Carignan vineyards remain to be harvested, but figures are optimistic overall (13.5 million hectoliters forecasted, up 7% in volume from 2014 and equivalent to the 2013 harvest).

The flat lands of the coastal regions of Aude, Hérault and Gard will register bigger results than last year, but the most northeast regions will produce less on average. (See table to the right)

Region	2015 (HL)	2014 (HL)
Aude	3,850,000	3,620,000
Hérault	5,390,000	4,430,000
Gard	3,390,000	3,530,000

For varietal wines, a good crop is expected for Chardonnay and Merlot, but smaller for Sauvignon Blanc and disappointing for Cabernet Sauvignon. Cabernet Sauvignon could soon be an issue, as disappointing production, combined with high vine mortality, ripening problems and more frequent uprooting, are making it a difficult market. Generic and varietal rosé wines should see an average to slightly lower production for 2015, but the real 2014 carry-over inventory is still unknown, but apparently big enough to impact the starting price of the buying campaign.

In other regions such as the Sud-Ouest and Bordeaux, 2015 should be a good vintage in terms of volume and quality overall. Colombard, Sauvignon Blanc and Chardonnay should be abundant, along with red generics and varietals. Generic white wine volumes of Gers and Charente combined should offer good opportunities for buyers. Production in the Loire Valley is average to slightly up, so the market should be able to offer some interesting possibilities. Champagne, Alsace, Burgundy and Beaujolais should register a smaller crop. Cotes du Rhone and Provence volumes should be balanced with stable market pricing.

GERMANY

TIME ON TARGET

The 2015 grape harvest is almost finished and can be characterized by unusual market conditions compared to recent years. The price for white grape juice started around 0.20 Euros per liter lower than last year and dropped another 10 cents after only a few days of trading. Now, the challenge for German bottlers is to calculate annual tenders for next year's delivery. Based on the juice price, they could sell it cheaper than last year, but most need to buy a large part of their annual volumes as finished wines later in the season. The trouble is that no one knows exactly where the road will lead them.

Below you will find statistics that help to explain the current price drop.

CURRENT MARKET PRICING

ALL PRICING IN EUR PER LITER; EX-WINERY:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2014/2015	White Wine	0.80 – 0.90	↔	2014/2015	Red Wine	0.65 – 0.80	↔
2014/2015	Pinot Grigio	0.95 – 1.20	↔	2014/2015	Dornfelder	0.95 – 1.05	↔
2014/2015	Riesling	0.95 – 1.20	↔	2014/2015	Pinot Noir	0.90 – 1.00	↔

MARKET DEVELOPMENT

The following table shows the impact of the small crop in 2010. Volumes produced came back to normal in terms of quantity, but wine prices continued to increase year-by-year. Meanwhile, both consumption in Germany and export volumes decreased. As a result, imported wine filled the gap and a slightly bigger 2015 crop was the last straw.

Year	Wine Production (HL)	%	Consumption Qualitätswein Rheinland Pfalz (HL) (60% market share)	%	Wine Exports (HL)	Price €/HL	Imported Wine (1,000 HL)
2014	9,211,686	+ 9 %	4,899,621	- 1.4 %	1,174,000	268	16,012
2013	8,432,146	- 7 %	4,971,529	+ 0.4 %	1,294,000	258	15,982
2012	9,081,147	- 2 %	4,951,527	+ 0.5 %	1,305,000	246	15,601
2011	9,257,973	+ 31 %	4,927,721	- 6.1 %	1,435,000	238	15,368
2010	7,055,243	- 23 %	5,247,554	- 0.5 %	1,715,000	207	14,700
2009	9,139,461	- 9 %	5,275,870	- 2.7 %	2,068,000	193	14,170
2008	10,001,430	- 4 %	5,422,271	+ 0.7 %	2,231,000	196	14,317
2007	10,364,767	+ 14 %	5,383,224	- 0.6 %	1,924,000	200	14,629
2006	9,063,002	- 1 %	5,405,018	+ 1.9 %	1,865,000	194	13,619
2005	9,128,610	- 10 %	5,302,204	+ 0.5 %	1,721,000	183	13,158
2004	10,140,517	+ 22 %	5,278,028	0 %	1,897,000	162	13,068

ITALY

TIME ON TARGET

The Italian harvest is entering the final stage. Overall, quality is better than last year, there is a higher average alcohol content, higher quantity (estimated 46 million hectoliters) and higher color on red grapes. A lot of wine is still fermenting and some grapes are still to be harvested, about 2 weeks later than last year. This situation is creating a quietness on the market, but in reality, the bigger international companies started to contract Prosecco and Pinot Grigio in September. The hope of Italian producers is that the “money for value” factor will help Italy in the competition against Spain for the lower end of the market where Italy lost a big part of its market share last vintage. In recent days, many foreign companies have come to Italy asking for samples and offers...this seems to be the year for Italy!

MARKET PRICING

ALL PRICING IN EUR PER LITER; EX-WINERY:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2015	Generic White	0.32 – 0.35	↔	2015	Generic Red	0.32 – 0.35	↔
2015	Chardonnay	0.60 – 0.85	↔	2015	Cabernet Sauvignon	0.60 – 0.80	↔
2015	Pinot Grigio	1.05 – 1.15	↔	2015	Merlot	0.55 – 0.75	↔
2015	Prosecco	1.70 – 1.85	↔	2015	Chianti	1.55 – 1.80	↔

Please note that these prices are estimates for the 2015 harvest

BITS & PIECES

Top Wine & Must Producers: 2015/2016 Forecasts

Country	Hectoliters	Var. %
Italy	46,953,000	+ 11.6
France	46,450,000	- 1.4
Spain	42,000,000	- 4.7
Germany	8,788,000	- 4.5
Portugal	6,703,000	+ 8.1
Romania	4,069,000	+ 5.9
Greece	2,650,000	- 5.4
Austria	2,501,000	+ 25.1
Hungary	2,500,000	- 9.8
Bulgaria	1,538,000	+ 84.6
Croatia	943,000	+ 80.3
Slovenia	857,000	+ 21.0
Czech Republic	740,000	+ 38.1
Slovakia	360,000	+ 25.9
European Union	167,340,000	2.5

Wine & Must Production in Italy by Region

Region	Hectoliters	Var. %
Veneto	9,317,000	+ 13
Emilia Romagna	7,618,000	+ 9
Puglia	6,480,000	+ 19
Sicilia	5,447,000	+ 20
Toscana	2,778,000	0
Piemonte	2,642,000	+ 10
Abruzzo	2,323,000	+ 2
Fruili Venezia Giulia	1,552,000	+ 14
Lazio	1,432,000	+ 10
Lombardia	1,388,000	- 3
Campania	1,386,000	+ 17
Trentino Alto Adige	1,162,000	+ 13
Marche	993,000	+ 9
Sardegna	802,000	+ 8
Umbria	787,000	+ 17
Italy	46,953,000	+ 12

SOUTH AFRICA

TIME ON TARGET

In the last month, there has been more movement on the export market for both bulk and packaged wines. South Africa is coming out of a very dry winter and not much rain is predicted in the long-term.

Financial analysts are in disagreement in predicting the future of the Rand against the US Dollar, British Pound and Euro. The Rand has weakened 10% against these major currencies in the last two months. The Rand is not expected to strengthen in the near future.

CURRENT MARKET PRICING

ALL PRICING IN SA RAND PER LITER; FOB CAPE TOWN:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2015	Generic White	4.70 – 5.00	↔	2014/2015	Generic Red	5.40 – 6.30	↓
2015	Chenin Blanc	4.80 – 5.40	↔	2014/2015	Cabernet Sauvignon	6.80 – 8.00	↔
2015	Sauvignon Blanc	6.50 – 8.50	↑	2014/2015	Ruby Cabernet	6.00 – 6.30	↔
2015	Chardonnay	6.50 – 7.50	↑	2014/2015	Merlot	6.50 – 8.00	↓
2015	Muscat	5.60 – 6.00	↔	2014/2015	Pinotage	6.35 – 7.50	↓
2015	Generic Rosé	4.95 – 6.00	↔	2014/2015	Shiraz	6.50 – 8.25	↓
2015	Cultivar Rosé	5.60 – 6.60	↔	2014/2015	Cinsaut	5.80 – 6.30	↔

BITS & PIECES

- Packaged wine exports have increased nearly 5% over the last 12-months, compared to the previous 12-month period. The weakening of the Rand against all major currencies has helped this increase in exports. Bulk exports have decreased by 8%.
- There has been increased interest in Chardonnay, Sauvignon Blanc, Chenin Blanc and Cabernet Sauvignon. These varietals are now becoming limited in availability.
- Dry red and some red varietals are more available than others at this stage.
- The domestic market has seen some very good growth over the last 12-months, up 7% from the previous 12-month period.
- From August 2014 to July 2015, about 362.7 million liters of natural wine were sold in South Africa and 416.7 million liters of natural wine were exported.
- The UK, the biggest buyer of South African packaged and bulk wine, has shown 4% growth in South African wine imports.

SPAIN

TIME ON TARGET

Harvest is still in full swing in Spain and the Airen varietal harvest only just started two weeks ago. As a consequence of the summer heat wave, different varieties ripened at different paces. International white varieties were picked as early as the end of August, followed by the red international varieties in September, and Tempranillo and Airen by the end of September or beginning of October. In terms of quality, there were no fungus diseases and vines benefited from late rainfalls in September. Therefore, the majority of wines will be of excellent quality. The only issues are the lower than usual total acidity, lower alcohol on average and the smaller crop size.

CURRENT MARKET PRICING

ALL PRICING IN EUR PER LITER; EX-WINERY:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2015	Generic White	0.31 – 0.38	↑	2015	Generic Red	0.32 – 0.40	↑
2015	Sauvignon Blanc	0.52 – 0.56	↑	2015	Cabernet Sauvignon	0.48 – 0.52	↑
2015	Chardonnay	0.60 – 0.65	↑	2015	Merlot	0.48 – 0.52	↑
2015	Generic Rosé	0.32 – 0.40	↑	2015	Tempranillo	0.35 – 0.40	↑
2015	Moscatel	0.55 – 0.65	↔	2015	Syrah	0.45 – 0.50	↑

Please note that these prices are estimates for the 2015 harvest

BITS & PIECES

The global Spanish crop is expected to be 40 to 41 million hectoliters of wine and grape juice (23.18 million hectoliters in Castilla La Mancha), according to the Spanish Ministry of Agriculture estimates in July. This estimate means an 8% decrease compared to last year crop (44.4 million hectoliters). However, these figures are to be taken lightly, as growers in La Mancha are announcing much lower forecasts.

It is believed that Airen production could be down 20 to 30%, making a big impact in regions focused on white wine production. In terms of generic red and rosé, the south/southeast regions more focused on red varieties will be producing more than last year (2014 figures were down by 30 to 40%), but still slightly lower than an average year. International varietal wines should see their production stabilize and the grape juice sector could see a drop in volume produced, as growers will deliver less grapes to the concentration factories. Overall, the total loss could reach -15 to -20%, but only time will tell.

In terms of market pricing, Spain's biggest operators had to regularly increase grape prices throughout harvest (a 5-10% increase from last year) to guarantee the purchase of enough material to fulfill their wine needs.

The bulk wine market followed the same trend, with all wine categories increasing in price. However, it remains to be seen if these price increases will continue, as most international buyers will put Spain in competition against its biggest opponents: Italy and Chile. White wines should see a steady increase until spring. Red wines could see pricing stabilize by end of the year or beginning of next year.

BUYER'S PAGE: CRAFT BEER

The rise of small, local Breweries has been a huge change in the Beer Industry globally over the past 10 to 15 years in particular, and none more so than in the United States (US) with the emergence of 'Craft Beer'.

What exactly is 'Craft Beer'?

In the US, a 'Craft Beer/Brewery' is defined (according to the US Brewers Association) as:

- Independent: 75%+ owned by a local Craft Beer entity/ies
- Small: under 6 million barrels, (~ 3% of total US production) and
- Traditional, in that the beers flavor is derived from traditional brewing ingredients and their fermentation (i.e. the use of hops, malt, water and yeast as the key ingredients)

Ten or so years ago, an average bar in the US would have a limited range of beers – mostly from the big domestic producers like Budweiser, Miller or Coors, with one or two Imports (e.g. Guinness, Heineken, Foster's etc) and probably a local Craft Beer, depending on where you were in the Country e.g. Sierra Nevada on the West Coast and Samuel Adams on the East Coast.

Today, that scene has changed completely, with most bars having dozens of tap handles dedicated only to craft beer – in fact, it's hard to find a mainstream beer brand on tap.

WILL IT STOP?

As of 2014, Craft Beer now represents 11% of total volume and 19% of value, and is the fastest growing segment in beer (large, traditional non craft 'domestic' beer volumes have been static or declining). There appears to be no stopping this growth.

As of Q2 in 2015, Retail sales are up 17.2%, and production volumes up 16%. In 2014, there was a new Craft Brewery opened every 18 hours in the US!! Similar trends are being experienced across the Globe. All major consumer markets – in Europe, Africa, Australasia, South America – are experiencing a Craft Beer 'revolution', albeit it at a slightly different pace to the US.

Will it stop?

All indications are that the shift is 'permanent' - the trends have been consistent for several years. Most importantly, the Consumer shift is the key driver i.e. the interest and support for all things 'local', the preference for more flavorful products, the interest in trying new things and the power of social media to let consumers know of these small producers etc.

But won't 'Big Beer' take over?

Well, 'Big Beer' companies are actually 'joining in' vs. 'stamping out', as many of the global beer companies have been buying into Craft Breweries as they see this consumer trend growing globally.

CIATTI CRAFT BEVERAGES

Over the past 18 months Ciatti has been working with Craft Brewers to identify areas of opportunity. We started with small volumes of Concentrate sales, and grew with sales of used wine and bourbon barrels, which have grown with the popularity of barrel aged beers. We are now adding hops to our list of products to service Craft Brewers.

Hops are a nice fit within the Ciatti business model. As a crop, it has many similar dynamics to wine/grapes – it's a permanent crop with a dormant season, there's one harvest a year, it's grown on a (elevated) trellis, and they are grown globally – often in the same places as traditional cool climate wine growing regions. Plus, as we all know, 'it takes a lot of beer to make great wine!'

Aroma hop varieties (those that give beer a lot of its aromatic characters – think of IPA's) have become popular globally. With Ciatti's experience in wine, we feel we are well-positioned to apply our experience and knowledge to help assist Craft Brewers in their long term supply/demand requirements for hops.

CRAFT BEER: MORE LIKE WINE THAN YOU THINK

So, how is Craft Beer *'More like wine than you think'*?

Did you know?

The first new 'Craft Brewery' in the US after Prohibition was established right in the middle of Northern California Wine Country! It was the New Albion Brewing Co., which started on the outskirts of the township of Sonoma in 1976. Its pioneering vision inspired many of today's Craft Brewers. It was the true definition of a Craft Brewery – independent, small and re-introduced traditional beer styles to the US public.

POP QUIZ

Pop Quiz: 5 questions below to test your Beer knowledge!

Please send answers to Lindsay@ciatti.com, and a prize will be awarded to the first set of correct answers.

Good luck!

- Wine:** In 2014, there were 10,417 registered Wineries in the USA (Ref. Wine Institute).
Beer: in 1985 there was 100 breweries in the US, in 2010 there were 1,800. As of October 1, 2015, how many are there in the USA?
- Wine:** In 2014, the Retail Value of Wine in the US is \$24.6 billion (Ref. somebody on the Web!).
Craft Beer: In 2014, what was the retail value of the Craft Beer segment in the US?
- Craft Beer:** How many gals of beer are in one barrel of beer? (It will help you answer the next question!)
- Wine:** In 2014, there were 893 million gals of wine consumed in the US (Ref. Wine Institute).
Craft Beer: In 2014, how many millions of gallons of Craft Beer were consumed in the US?
- Wine:** The top 12 Grape varieties made up 70% of all wine grape volume grown in 2014 in the USA (Source: 2014 Grape Crush Report).
Beer: The top 12 Hop varieties made up what % of 2014 hop production volume in the US?

Export Pricing: USD per liter
Currency Conversion Rates as of October 12, 2015

ARGENTINA

Pricing in bulk; FCA

Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
2015	Generic White	0.32	-	0.35	↔	2015	Generic Red	0.40	-	0.45	↔
2015	Generic White (Criolla)	0.30	-	0.32	↔	2015	Cabernet Sauvignon	0.70	-	0.80	↔
2015	Chardonnay	0.65	-	0.75	↔	2015	Malbec Entry-Level	0.80	-	0.90	↔
2015	Torrontes	0.40	-	0.50	↔	2015	Malbec Mid-Level	0.90	-	1.20	↔
2015	Sauvignon Blanc	0.55	-	0.65	↔	2015	Malbec Premium	1.20		+	↔
2015	Muscat	0.35	-	0.45	↔	2015	Syrah / Merlot	0.60	-	0.70	↔
2015	Bonarda	0.50	-	0.70	↔	2015	Tempranillo	0.60	-	0.70	↔

AUSTRALIA & NEW ZEALAND

Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
NV	Dry White	0.37	-	0.48	↑	NV	Dry Red	0.44	-	0.55	↔
2015	Chardonnay	0.52	-	0.59	↑	2015	Cabernet Sauvignon	0.55	-	0.70	↔
2015	Sauvignon Blanc	0.63	-	0.74	↔	2015	Merlot	0.52	-	0.66	↔
2015	NZ Marlborough SB	3.57	-	4.05	↓	2015	Shiraz	0.55	-	0.70	↔
2015	Pinot Gris	0.81	-	0.96	↔	2015	Muscat	0.52	-	0.66	↔

AUD Rate: 0.736402

NZD Rate: 0.671832

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	0.99	-	1.32	↓	2013/2014	Cabernet Sauvignon	1.32	-	2.11	↔
2014	Pinot Grigio	1.58	-	1.98	↔	2014	Merlot	1.05	-	1.45	↓
2014	Muscat	0.92	-	1.32	↓	2014	Pinot Noir	1.58	-	2.11	↔
2014	White Zinfandel	0.85	-	0.99	↔	2014	Syrah	1.18	-	1.45	↔
2014	Colombard	0.73	-	0.99	↔	2013/2014	Zinfandel	1.45	-	1.64	↓

CHILE

Pricing in bulk; FOB Chilean Port

Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
NV	Generic White	0.45	-	0.55	↔	NV	Generic Red	0.39	-	0.45	↑
2015	Chardonnay	0.95	-	1.05	↔	2015	Cabernet Sauvignon (Basic)	0.49	-	0.54	↑
2015	Chardonnay (Varietal Plus)	1.15	-	1.40	↔	2015	Cabernet Sauvignon	0.55	-	0.80	↑
2015	Sauvignon Blanc	0.70	-	0.85	↔	2014/2015	Cabernet Sauvignon (High Quality)	1.50	-	4.00	↔
2015	Pinot Noir	0.85	-	1.15	↑	2015	Merlot	0.51	-	0.63	↑
2015	Syrah	0.48	-	0.58	↑	2015	Malbec	0.60	-	0.70	↑
2015	Carmenere	0.48	-	0.58	↑	2015	Malbec (Varietal Plus)	0.00	-	0.00	↑

FRANCE

Pricing in bulk; Ex-Winery

Vintage	Variety	Price			Vintage	Variety	Price		
2015	Generic White	0.91	-	0.97	2015	Generic Red	0.85	-	0.91
2015	Chardonnay	1.31	-	1.36	2015	Cabernet Sauvignon VDF	1.08	-	1.10
2015	Sauvignon Blanc VDF	1.08	-	1.14	2015	Cabernet Sauvignon	1.08	-	1.10
2015	Generic Rosé VDF	0.91	-	0.97	2015	Syrah IGP OC	1.06	-	1.08
2015	Varietal Rosé IGP OC	0.97	-	1.02					

* Please note that these prices are estimates for the 2015 harvest

Rate: 1.136150

GERMANY

Pricing in bulk; Ex-Winery

Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
2014/2015	White Wine	0.91	-	1.02	↔	2014/2015	Red Wine	0.74	-	0.91	↔
2014/2015	Pinot Grigio	1.08	-	1.36	↔	2014/2015	Dornfelder	1.08	-	1.19	↔
2014/2015	Riesling	1.08	-	1.36	↔	2014/2015	Pinot Noir	1.02	-	1.14	↔

Rate: 1.136150

ITALY

Pricing in bulk; Ex-Winery

Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
2015	Generic White	0.36	-	0.40	↔	2015	Generic Red	0.36	-	0.40	↔
2015	Chardonnay	0.68	-	0.97	↔	2015	Cabernet Sauvignon	0.68	-	0.80	↔
2015	Pinot Grigio	1.19	-	1.31	↔	2015	Merlot	0.62	-	0.85	↔
2015	Prosecco	1.93	-	2.10	↔	2015	Chianti	1.76	-	2.05	↔

Rate: 1.136150

SOUTH AFRICA

Pricing in bulk; FOB Cape Town

Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
2015	Generic White	0.35	-	0.38	↔	2014/2015	Generic Red	0.41	-	0.47	↓
2015	Chardonnay	0.49	-	0.56	↑	2014/2015	Cabernet Sauvignon	0.51	-	0.60	↔
2015	Sauvignon Blanc	0.49	-	0.64	↑	2014/2015	Ruby Cabernet	0.45	-	0.47	↔
2015	Generic Rosé	0.37	-	0.45	↔	2014/2015	Merlot	0.49	-	0.60	↓
2015	Cultivar Rosé	0.42	-	0.50	↔	2014/2015	Pinotage	0.48	-	0.56	↓
2015	Chenin Blanc	0.36	-	0.41	↔	2014/2015	Shiraz	0.49	-	0.62	↔
2015	Muscat	0.42	-	0.45	↔	2014/2015	Cinsaut	0.44	-	0.47	↔

Rate: 0.075065

SPAIN

Pricing in bulk; Ex-Winery

Vintage	Variety	Price			Trend	Vintage	Variety	Price			Trend
2015	Generic White	0.35	-	0.43	↑	2015	Generic Red	0.36	-	0.45	↑
2015	Sauvignon Blanc	0.59	-	0.64	↑	2015	Cabernet Sauvignon	0.55	-	0.59	↑
2015	Chardonnay	0.68	-	0.74	↑	2015	Merlot	0.55	-	0.59	↑
2015	Generic Rosé	0.36	-	0.45	↑	2015	Tempranillo	0.40	-	0.45	↑



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GLOBAL WINE & GRAPE BROKERS

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