Global Grape Report

JUICE PRODUCTS ASSOCIATION
2017 FALL BUSINESS MEETING
NOVEMBER 5, 2017
DEDICATED BROKERS IN 8 COUNTRIES

GLOBALLY BASED TO BUILD YOUR BUSINESS WORLDWIDE
INTRODUCTION

• Ciatti Co ➔ 8 Regional Offices Worldwide
  • Wine & Grape Guys
  • John Fearless – Hops
• Global Perspective
  • World Approach – Local Knowledge
• Information & Data = Market Intelligence = Transact Deals
• Today’s Goal: Discuss World Grape – Production & Usage
  • Wine Industry
  • Concentrate

Be Informative & Interesting
OUTLINE

• Vine Acreage & World Production
  • Europe – France, Italy, Spain
  • Southern Hemisphere – Argentina, Chile, Australia, South Africa
  • USA – California, Other States

• Grape Concentrate
  • Production & Usage
  • White vs. Red
  • Demand & Supply

• Closing – Conclusions
GLOBAL VINE ACREAGE

• Decades of Transition – Around the World
• Generic vs. Varietal
  • Wine Grapes – Dominate Landscape
  • Table/Juice/Raisins/Generics
• Old World - Down
  • → Europe uprooting – Huge Removals – Lower Production
• New World - Up
  • → Planting Varietals – Vineyard Transition
• Total: 7.5 million hectares (was 8.0m)
<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>2010-2015 % CHANGE</th>
<th>PLANTING</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPAIN</td>
<td>6 ↓</td>
<td>SOME REPLANTING</td>
</tr>
<tr>
<td>FRANCE</td>
<td>2 ↓</td>
<td>REMOVED YIELD RESTRICTIONS</td>
</tr>
<tr>
<td>ITALY</td>
<td>8 ↓</td>
<td></td>
</tr>
<tr>
<td>CHINA</td>
<td>42 ↑</td>
<td>SOME VARIETALS G &amp; T</td>
</tr>
<tr>
<td>USA</td>
<td>4 ↑</td>
<td>REMOVAL OF GENERICS / PLANTINGS OF VARIETALS</td>
</tr>
<tr>
<td>ARGENTINA</td>
<td>3 ↑</td>
<td>MALBEC</td>
</tr>
<tr>
<td>CHILE</td>
<td>3 ↑</td>
<td>CABERNET SAUVIGNON, SAUVIGNON BLANC, MERLOT, PINOT NOIR</td>
</tr>
<tr>
<td>AUSTRALIA</td>
<td>13 ↓</td>
<td>REMOVAL OF GENERICS</td>
</tr>
<tr>
<td>SOUTH AFRICA</td>
<td>2 ↓</td>
<td></td>
</tr>
<tr>
<td>GERMANY</td>
<td>0 ↔</td>
<td></td>
</tr>
<tr>
<td>NEW ZEALAND</td>
<td>12 ↑</td>
<td>SAUVIGNON BLANC, PINOT NOIR</td>
</tr>
</tbody>
</table>
GLOBAL WINE PRODUCTION

<table>
<thead>
<tr>
<th>VINTAGE</th>
<th>WORLD PRODUCTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>247 MHL</td>
</tr>
<tr>
<td>2016</td>
<td>260 MHL</td>
</tr>
<tr>
<td>2015</td>
<td>275 MHL</td>
</tr>
</tbody>
</table>
NORTHERN HEMISPHERE

ITALY

FRANCE

SPAIN

EUROPE
ITALY

History: Crush Tonnages (million US Tons)

<table>
<thead>
<tr>
<th></th>
<th>'09</th>
<th>'10</th>
<th>'11</th>
<th>'12</th>
<th>'13</th>
<th>'14</th>
<th>'15</th>
<th>'16</th>
<th>'17 Est.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8.2</td>
<td>7.6</td>
<td>6.6</td>
<td>6.9</td>
<td>8.2</td>
<td>6.8</td>
<td>7.5</td>
<td>7.2</td>
<td>6.0</td>
</tr>
</tbody>
</table>

• Key Varietals:
  • Pinot Grigio, Chardonnay, Prosecco
  • Cabernet Sauvignon, Sangiovese, Pinot Noir

• Largest Exporter to The World

• Vine Acreage:
  • 2000: 850,000 Hectares (2.10 million Acres)
  • 2012: 769,000 Hectares (1.90 million Acres)
FRANCE

Key Varietals:
- Chardonnay, Sauvignon Blanc, Rose, Sparkling
- Merlot, Cabernet Sauvignon, Pinot Noir

Declining Demand Locally – Export Growth to U.S. & China

Vine Acreage:

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>900,000 Hectares</td>
<td>800,000 Hectares</td>
</tr>
<tr>
<td></td>
<td>(2.23 million Acres)</td>
<td>(1.98 million Acres)</td>
</tr>
</tbody>
</table>

Crush Tonnages (million US Tons):

<table>
<thead>
<tr>
<th>Year</th>
<th>Tonnage</th>
</tr>
</thead>
<tbody>
<tr>
<td>'09</td>
<td>7.6</td>
</tr>
<tr>
<td>'10</td>
<td>7.1</td>
</tr>
<tr>
<td>'11</td>
<td>7.8</td>
</tr>
<tr>
<td>'12</td>
<td>6.3</td>
</tr>
<tr>
<td>'13</td>
<td>6.4</td>
</tr>
<tr>
<td>'14</td>
<td>7.2</td>
</tr>
<tr>
<td>'15</td>
<td>7.3</td>
</tr>
<tr>
<td>'16</td>
<td>6.6</td>
</tr>
<tr>
<td>'17 Est.</td>
<td>5.6</td>
</tr>
</tbody>
</table>

History:

<table>
<thead>
<tr>
<th>Year</th>
<th>Tonnage</th>
</tr>
</thead>
<tbody>
<tr>
<td>'09</td>
<td>7.6</td>
</tr>
<tr>
<td>'10</td>
<td>7.1</td>
</tr>
<tr>
<td>'11</td>
<td>7.8</td>
</tr>
<tr>
<td>'12</td>
<td>6.3</td>
</tr>
<tr>
<td>'13</td>
<td>6.4</td>
</tr>
<tr>
<td>'14</td>
<td>7.2</td>
</tr>
<tr>
<td>'15</td>
<td>7.3</td>
</tr>
<tr>
<td>'16</td>
<td>6.6</td>
</tr>
<tr>
<td>'17 Est.</td>
<td>5.6</td>
</tr>
</tbody>
</table>

- 2000: 900,000 Hectares (2.23 million Acres)
- 2012: 800,000 Hectares (1.98 million Acres)
Spain

History: Crush Tonnages (million US Tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>09</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
<th>16</th>
<th>17 Est.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.1</td>
<td>6.1</td>
<td>5.1</td>
<td>4.7</td>
<td>6.9</td>
<td>6.7</td>
<td>6.4</td>
<td>6.4</td>
<td>5.1</td>
</tr>
</tbody>
</table>

- **Key Varietals:**
  - Cheap Generics & Concentrate
  - Tempranillo, Grenache

- **Export to Europe & China**

- **Vine Acreage:**
  - 2000: 1,200,000 Hectares (2.96 million Acres)
  - 2012: 1,000,000 Hectares (2.47 million Acres)
EUROPEAN OUTLOOK

• Exports Needed
  • Italy & France – Large Exporter – Casegoods to The World
  • Spain

• Support & Subsidize – Marketing

• Huge Consumer (234 million hl) – But Declining Consumption
  • 60% of all wine consumed in Europe

• Regulations & Taxes

• Concentrate
SOUTHERN HEMISPHERE

CHILE

ARGENTINA

AUSTRALIA

SOUTH AFRICA
SOUTHERN HEMISPHERE

• 100-yr History – European Roots
  • Continued Growth
• Varietal Leader
  • Market Driven – Newer Vines - Productive
• Exports Required
  • Population Lacking
• Global Players – Personality
• Concentrate
ARGENTINA

History: Crush Tonnages (million US Tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>'09</th>
<th>'10</th>
<th>'11</th>
<th>'12</th>
<th>'13</th>
<th>'14</th>
<th>'15</th>
<th>'16</th>
<th>'17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.4</td>
<td>2.9</td>
<td>3.2</td>
<td>2.5</td>
<td>3.0</td>
<td>2.9</td>
<td>2.6</td>
<td>1.9</td>
<td>1.8</td>
</tr>
</tbody>
</table>

- **Key Varietals:**
  - Malbec
  - Cheap Generics
  - Concentrate - White

- **Large Domestic Market – Tight Supply Today**

- **Government & Inflation**

- **Vine Acreage:**
  - 2000: 240,000 Hectares (593,000 Acres)
  - 2012: 221,000 Hectares (546,000 Acres)
CHILE

History: Crush Tonnages (million US Tons)

<table>
<thead>
<tr>
<th></th>
<th>’09</th>
<th>’10</th>
<th>’11</th>
<th>’12</th>
<th>’13</th>
<th>’14</th>
<th>’15</th>
<th>’16</th>
<th>’17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.6</td>
<td>1.4</td>
<td>1.7</td>
<td>1.9</td>
<td>2.0</td>
<td>1.5</td>
<td>2.0</td>
<td>1.6</td>
<td>1.5</td>
</tr>
</tbody>
</table>

• Key Varietals:
  • Cabernet Sauvignon, Pinot Noir
  • Sauvignon Blanc, Chardonnay, Pisco

• Free Trade Agreements – Vineyard Modernization – Quality

• Vine Acreage: 2000
  170,000 Hectares (420,000 Acres)

  2012
  205,000 Hectares (494,000 Acres)
AUSTRALIA

History: Crush Tonnages (million US Tons)

<table>
<thead>
<tr>
<th></th>
<th>'09</th>
<th>'10</th>
<th>'11</th>
<th>'12</th>
<th>'13</th>
<th>'14</th>
<th>'15</th>
<th>'16</th>
<th>'17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.9</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>2.0</td>
<td>1.9</td>
<td>1.8</td>
<td>2.0</td>
<td>2.1</td>
</tr>
</tbody>
</table>

• Key Varietals:
  • Chardonnay, Pinot Gris
  • Shiraz, Cabernet Sauvignon, Merlot

• Net Exporter – China Big Market – US & UK

• Balanced Market Today

• Vine Acreage: 2000
  180,000 Hectares (445,000 Acres)
  2012
  169,000 Hectares (418,000 Acres)
SOUTH AFRICA

History: Crush Tonnages (million US Tons)

<table>
<thead>
<tr>
<th></th>
<th>’09</th>
<th>’10</th>
<th>‘11</th>
<th>‘12</th>
<th>‘13</th>
<th>‘14</th>
<th>‘15</th>
<th>‘16</th>
<th>‘17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.5</td>
<td>1.4</td>
<td>1.4</td>
<td>1.4</td>
<td>1.6</td>
<td>1.7</td>
<td>1.5</td>
<td>1.5</td>
<td>1.6</td>
</tr>
</tbody>
</table>

• Key Varietals:
  • Chardonnay, Chenin Blanc, Brandy
  • Pinotage, Cabernet Sauvignon, Merlot, Syrah

• Demand From Europe – Currency Fluctuates

• Vine Acreage:
  2000
  100,000 Hectares (240,000 Acres)
  2012
  131,000 Hectares (323,000 Acres)
ASIA

• China: Population 1.4 billion
  • Plantings → 1 million acres → 1.2m
  • Mainly Generic
  • All Internal, Not Seller
  • Growing Wine Consumer – World Buyer

• Turkey / Iran: Food – No Alcohol

• Russia & Eastern Block: Cheap Buyer
  Embargo – Agriculture Politics

• India/Japan/Korea
USA – Total Country

History: Crush Tonnages (million US Tons) – All Grapes

<table>
<thead>
<tr>
<th>Year</th>
<th>’09</th>
<th>’10</th>
<th>’11</th>
<th>’12</th>
<th>’13</th>
<th>’14</th>
<th>’15</th>
<th>’16</th>
<th>’17 Est.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.3</td>
<td>4.3</td>
<td>4.1</td>
<td>4.7</td>
<td>5.0</td>
<td>4.8</td>
<td>4.4</td>
<td>4.7</td>
<td>4.6</td>
</tr>
</tbody>
</table>

Sales

- **Domestic** – 85% - Growing
- **Export** – 15% - Declining
  - Canada/Europe/Asia
- **Growth of Premiums** – Decline of Value Brands
- **Transition to Meet Demand**
- **Vine Acreage:**
  - 2000: 410,000 Hectares (1,013,000 Acres)
  - 2012: 407,000 Hectares (1,005,000 Acres)
CALIFORNIA

85% of US Production

- Wine Grapes – Coast vs. Valley
- Generic vs. Varietal
- Table & Raisin – Valley
- Grape Concentrate
  - Food/Beverage
  - Wine Blending
- Brandy & Alcohol
- Home Winemaking
- Consolidation – Big get Bigger
OTHER STATES

- **Washington - 2016**
  - Wine grapes – 270,000 Tons
  - Juice – 218,000 Tons

- **Oregon - 2016**
  - Wine grapes – 67,000 Tons

- **New York - 2016**
  - Wine – 40,000 Tons
  - Juice – 115,000 Tons

<table>
<thead>
<tr>
<th>Acreage</th>
<th>2010</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington</td>
<td>61,000</td>
<td>73,000</td>
</tr>
<tr>
<td>Oregon</td>
<td>16,800</td>
<td>23,000</td>
</tr>
<tr>
<td>New York</td>
<td>37,000</td>
<td>37,000</td>
</tr>
</tbody>
</table>
GRAPE CONCENTRATE

• **Usage & Capacity**
  • Food & Juice
  • Wine

• **White Grape Concentrate**
  • Declining in U.S.
  • Sustainable

• **Red Grape Concentrate**
  • Growth

• **High-Color Concentrate**
  • 8000 Purple & Red
### CALIFORNIA CONCENTRATE PRODUCTION

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TONNAGE</th>
<th>% of Total Crush</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>655,200 T</td>
<td>14%</td>
</tr>
<tr>
<td>2014</td>
<td>469,900 T</td>
<td>11%</td>
</tr>
<tr>
<td>2015</td>
<td>434,600 T</td>
<td>11%</td>
</tr>
<tr>
<td>2016</td>
<td>393,000 T</td>
<td>9%</td>
</tr>
</tbody>
</table>

- Includes: Varietal Grapes; Table & Raisin Grapes
GRAPE CONCENTRATE

• Sustainability
  • Farming Costs
  • Alternation Crops - Competition
  • Global Commodity – Who’s Cheapest?
• Millennials – Future Consumers
  • Health & Hydration
  • Alcohol Comparison
• Commodity vs. Specialty Products
  • Retool – Capacity
  • Multiple Product lines
CLOSING

• A Lot of Stuff!!

• Many Changes Globally in Grape Production

• Commodity Cycles – Always Changing

• Global Market Report

• Thanks for the Opportunity to Share
Thank You!

WWW.CIATTI.COM
CIATTI-WORLD REPORT

JOHN CIATTI
JOHN@CIATTI.COM