



CIATTI
GLOBAL WINE & GRAPE BROKERS



California Report

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**Ciatti Global Wine
& Grape Brokers**

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California's growing areas have experienced normal levels of heat and sunshine over the past month which has helped vine development move forward at a good pace. Development is still perhaps 10 days to two weeks behind normal timing – depending on area – due to the relatively wet and cool springtime. The Coast is moving through veraison now, while the Central Valley is largely through it. It's too early to tell how berry sizing is going. **Crushing in some parts of the Valley got underway in the first week of August; some sparkling wine grapes will be getting crushed in the Coast by month-end.**

With bulk wine inventory substantial and the bulk wine and grape markets both continuing very slowly, wineries this vintage are reminding growers of the quality standards written into their contracts, and being highly discerning about what grapes they will accept. This is being borne in mind by growers, who are working hard to keep on top of mildew – of which there has been some hotpots this year due to humid conditions and big canopies. We have heard of some buyers' tolerance of mildew being zero. All-in-all, at this stage, we see California being on course for a healthy-sized 2019 crop.

Activity on grapes is very muted: potential buyers are remaining cautious and waiting to see where the market leads, and some that came in to contract grapes are sceptical that they will need the fruit. We are hearing wineries state that they will not buy any grapes this year until they see a reason to. The Central Valley has seen a little bit of grape activity, but only for very small volumes. It's a very tough market for grape suppliers right now.

Bulk wine activity also continues very sluggishly. With the new vintage imminent, bulk wine inventories remain backed-up – both with growers who have custom crushed and at wineries – and price cutting is taking place in a bid to move it. However, there is little demand, making price reductions irrelevant, however significant they may be. This is leading to storage pressure: the availability of smaller tanks is now extremely limited, with a demand bottleneck. As we warned last month, sellers will need to weigh-in carefully the pros and cons of custom crushing any excess grapes they produce this year. There is an argument to be made that the fruit that is contracted should be a grower's overwhelming priority this vintage, especially considering buyers' extra strictness on quality, as mentioned above.

To get some idea of specific buying and selling opportunities on grapes and bulk wine, please see the grid on the next page. There you will also find more market news, and updates on Chardonnay and Pinot Noir.

Robert Selby

Opportunities for Buyers	
Bulk Wine	Grapes
18 Chardonnay Sonoma	CS Napa Valley/Alex Valley/North and Central Coast
17 CS Sonoma County	PN RRV/Sonoma Coast
17 CS Napa Valley	CH Sonoma
17 CS Mendo/ Lake	ZN Lodi/North Coast/Sonoma

Opportunities for Sellers	
Bulk Wine	Grapes
Non Vintage Red and Whites at \$.50 to 1.50 per gallon	Merlot Napa Valley
	Zinfandel Napa Valley

Private Label Growth

In recent months we have been reporting that opportunistic négociants, unencumbered by their own inventory and triggered by falling wine prices, have been moving onto the market to supply retailers, private label programs, short-term labels, and other needs. What is becoming clear is that – at this time of slow sales – the bigger wineries are also identifying this area of the market as an opportunity and becoming active in it, however small (relatively) the volumes involved.

Private label brands are increasingly able to show off appellations or even sub-appellations on their labels. The market, such that it is, is giving retailers elbow room to offer quality wines via their own label at lower prices in ever greater quantities. With California’s wine inventory so substantial, winery brands are going to come under even more pressure from private labels, while retailer demand for bulk wines will get eaten into as they extend their business further into case goods.

Chardonnay & Pinot Noir

Both Chardonnay and Pinot Noir are oversupplied on bulk wine and grapes. There have not been new plantings of Chardonnay, however, so a smaller Chardonnay crop this year than last – when it came in at over 711,000 tons (up 16% from the lighter 2017 crop of 615,000 tons) – could move the market back closer to balance. Chardonnay is particularly susceptible to mildew, which may be a factor this year, especially as buyers are being extra strict on quality. There has been a small level of bulk Chardonnay activity in the Central Valley and little if any on the Coast. Opportunities for buyers are abundant: for example, some 2018 Russian River Chardonnay may be available at Valley prices. For the new vintage, with budbreak late this year we expect to see Chardonnay being harvested from the start of September in the Valley.

and bulk wine markets have slowed significantly. We can only surmise the result of this will be a further slowing of the Pinot Noir market and for a longer period than the Chardonnay market, especially in the Coast. Again, like Cabernet, Pinot Noir was selling at the extreme high prices of a year or two ago, so its prices are falling from a high level on both wine and grapes. Despite this price decline (bulk pricing has been a third of where it was 18 months ago for Russian River Pinot Noir), buyer interest is sluggish. We have heard there is the potential that some buyers are seeking to buy their way out of Pinot Noir grape contracts. In the Valley, the Pinot Noir market is quiet and many long-term contracts end this vintage, unlikely to be renewed. Some buyers who normally source Pinot Noir from the Valley have been checking out the Coast as they can potentially spend there what they were going to pay in the Valley, and get better quality.

Pinot Noir’s story is more analogous with Cabernet’s than it is with Chardonnay’s: new acres have been planted and are starting to come online just as the grape

Hot Opps Box

Bulk wine pricing is at its lowest in five years and trending downward, with some price parity between Coastal and Central Valley wines – with Coastal wines cheaper in some instances. Now is a great time for buyers to step into the market and secure the wine they need, either on spot or contract. There is the ability to buy or even contract out bulk wine for longer periods at more realistic pricing. We have large amounts of very good quality bulk wines available. There continue to be particular opportunities on 2016, 2017 and 2018 Cabernet and other reds – including Pinot Noir – from premium markets in the North and Central Coasts.

It is also an opportune time to secure **2019 grapes** and beyond on multi-year, amenably-priced contracts. If you're thinking about buying grapes, or if you have grapes available for sale this year, **Molly at +1 415 630 2416 or molly@ciatti.com** to get listed.

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