



CIATTI
GLOBAL WINE & GRAPE BROKERS



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**Ciatti Global Wine
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Veraison has been proceeding at a relatively rapid, uniform pace across California's growing areas in the past four weeks, so that the crop is likely to come in earlier than previously expected: The picking schedule looks to be approximately in line with 2021's. Above-average temperatures are possible through August. Lack of water is a concern, but precipitation – the chances of which are rated normal over the next month – would not be conducive to grape health at this late stage anyway.

Time will tell if the rapid veraison is solely due to conditions, or also an indication of a shorter crop. The latter remains a possible cause, considering we have not experienced the kind of heat levels normally required to bring on veraison so speedily. As last month, degree-day accumulation has been patchy, with Napa, Sonoma and Paso Robles on a par with 2021, Mendocino and King City in southern Monterey still behind 2021 numbers, and Lodi and the Central Valley slightly behind. Humidity levels have been high – attributable to what meteorologists have called an “enhanced monsoon flow” – but vine health, in general, appears normal.

Timing in the North Coast is relatively normal now that veraison has sped up: Some grapes for sparkling programs are starting to get picked, also some early Sauvignon Blanc. More widely across the North Coast, early areas and early whites are expected to be underway in the second or third week of August. Shatter levels this year have led to some expectations of a North Coast crop below average in size.

The veraison pace has reversed expectations of a Central Coast picking timetable 2-3 weeks behind even last year's late one, to a timetable now 2-3 weeks ahead, commencing in the second week of August. Paso Robles and the southern San Joaquin Valley in particular saw some shatter and have been battling dry conditions, with vines and canopies in some areas struggling to look as healthy as they have done up in the northern Central and North Coasts, where some vineyards look healthier than last year. In general, younger plantings appear in better shape than older ones.

The same is true in Lodi, where picking of grapes for sparkling is underway and expected to commence on the still whites in the second week of August: i.e., in line with last year's timetable. Older-vine Zinfandel experienced shot berries and Cabernet shatter, but vines are now fully developed and grapes colored. The Lodi crop could be average-sized if not larger; the southern Valley, however, is a tougher one to call.

Taking all the above into account, we forecast a 2022 crop somewhere in the 3.7-3.9-million-ton range: Below the 4.0-million-ton mark, but up from 2021's 3.61 million tons. Crush and storage capacity remains plentiful.

The bulk wine and grape markets, meanwhile, have grown very quiet, abnormally so even for what is traditionally a quiet time of year. This month's report tries to get a handle on what's going on, and what bulk wine and grape suppliers should be doing in response. The Ciatti team stands ready to draw on its decades of experience to help you navigate a market in flux: Read on for more market information, and don't hesitate to get in touch.

Robert Selby

Market Overview

In July we reported that the bulk wine and grape markets were slow and this slowness has grown more acute over the past month. The markets are quieter now than at this stage last year and, given the fact the coming crop could come in below average in size, raises doubts about case-good sales performance amid an annual inflation rate running, as of July, at 8.5% in the US. Last month we reported that more bulk wine was being placed back on the market. A month on, we have also seen wineries and growers coming forward with available grapes for sale.

Outside of Napa Valley and specific varietals in specific appellations (Russian River Chardonnay for example), there continues to be a disconnect in buyer-seller price expectations on Coastal grapes, hindering deal-making. That said, there is a question mark as to what extent

price reductions would stimulate fresh buying activity when future consumer demand is so uncertain.

On Valley grapes and bulk wines, the large buyers have already covered most if not all of their needs and are happy to wait and assess case-good sales before coming in for more. We discern from the current buyer pause a recent change in the sales picture and it has left grape growers and bulk wine sellers who felt the market was going to come to them – understandably so, given the good early activity levels – with limited demand for their remaining unsold supply. If the crop looks like it may come in even shorter than we currently foresee, will buyers then come onto the market? How much more of a shortness is required in order to trigger buying activity would be a good gauge of the health of retail sales.

The Grape Market

As outlined above, we are seeing more grape supply come onto the market – a surprise, given the expected crop size. State-wide, white grapes have received the most buyer interest, while activity on reds has been quieter, with Cabernet and Pinot Noir receiving the least interest.

Not a lot of grapes remain unsold in Lodi and the Central Valley and most large buyers have contracted what they need there. The slowness of the overall grape market might be brought into further focus if – as the harvest comes in – overages start popping up and there are few if any takers for it. Chardonnay, Sauvignon Blanc, perhaps Pinot Grigio, and southern Valley white blenders, would likely command interest, but the red varietals like Cabernet might struggle to find a home as quickly.

More availability is popping up on the Central Coast's grape market, in larger chunks, and some wineries – revising their needs downward – have been willing to release some of the grapes they have contracted. Grapes arriving onto the market were subsequently being acquired relatively quickly, but over the past month interest has dried up.

The North Coast is not seeing much new grape availability emerge; when it does, it is mainly in Lake and Mendocino and, to some extent, in Sonoma. Grape buyers are still in evidence, though pricing has to make sense. The Napa market, as ever, differs, with very tight grape supply and big demand for Cabernet, Chardonnay and Sauvignon Blanc.

The Bulk Market

The bulk wine market feels abnormally slow in what is often a slow time of year. The larger wineries are mainly inactive, and some wineries have been unexpectedly putting bulk inventory back onto the market. As the coming crop does not appear large, it suggests sales projections have been revised downward.

There continues to be a relatively large amount of bulk Cabernet inventory available, including 2020 Cabernet in the Coast. Pinot Noir inventory is also relatively large; bulk 2021 Chardonnay continues to languish despite very good demand levels on 2022 Chardonnay grapes.

The COVID–inspired pantry–stocking spike in 2020 set a bottom price for the bulk market; with buyer demand now so muted, that bottom has now been removed. For the past six months the downward trajectory in seller price expectations struggled to keep up with buyer price expectations, until a point has now been reached where there may not be buyer interest even at the lowest possible price, simply because – at the current time – there is no need for extra inventory.

Each month, we continue to hear of a few more wineries having difficulty in moving some of their case-good products – this is not true of all wineries, but the number finding the present environment challenging is definitely increasing and now outnumbers those performing buoyantly. As mentioned last month, the ultra-competitive retail sector is seeking to protect its consumers by insisting suppliers hold their prices in the face of inflationary pressure. Consequently, programs are switching from Coastal to premium California supply in order to retain margin.

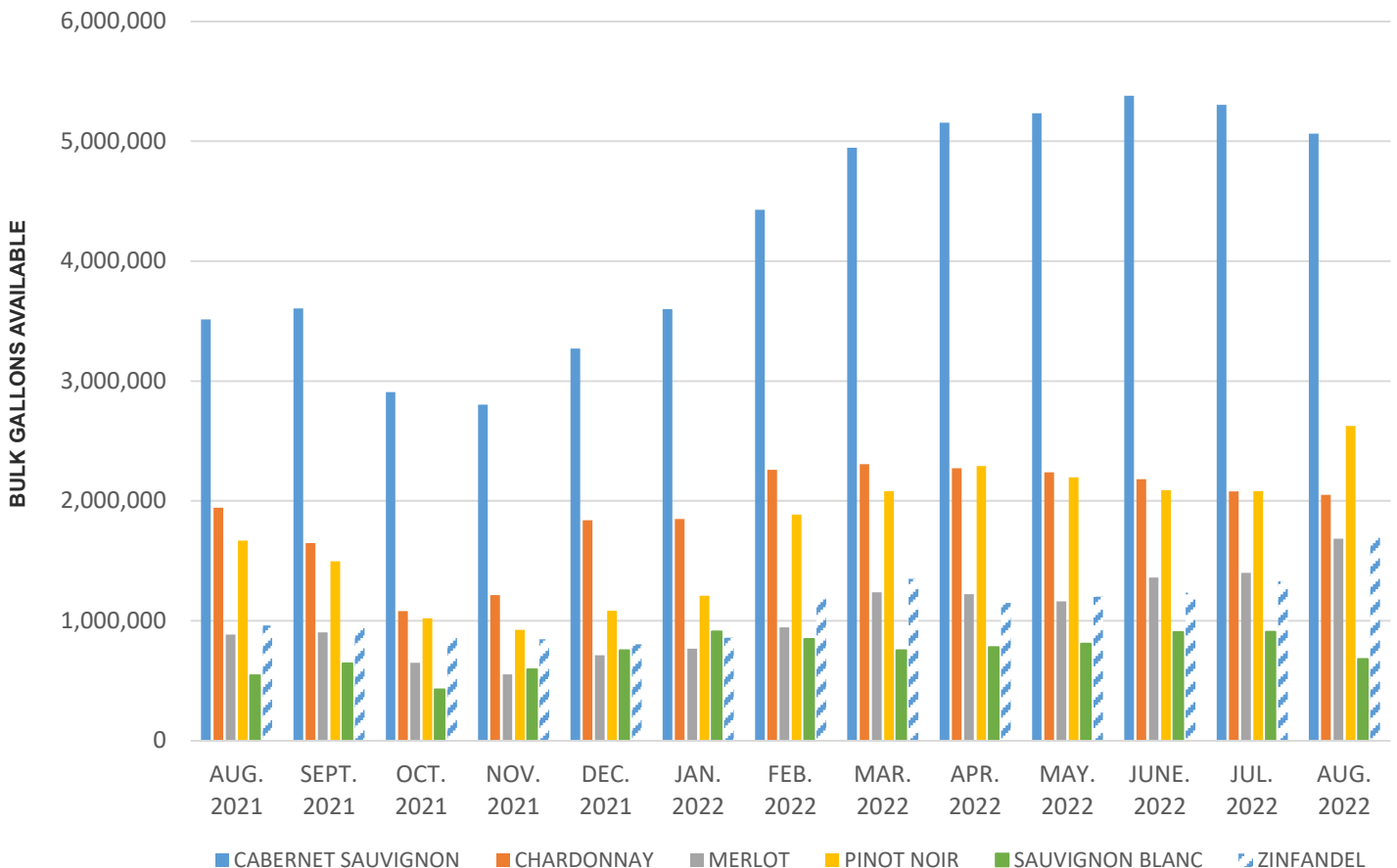
The period of “messy data” continues, with consumer patterns – emerging from the COVID-19 era into a period of high inflation – still yet to solidify. Recent

NielsenIQ data for the past 12 months shows wine sales in the US off-premise down 10% to 121.2 million cases, while direct-to-consumer shipment volumes fell 9% in the first half of 2022, a fall attributed to the wider reopening of the on-premise sector. The 2022 edition of Shanken’s Impact Databank Review & Forecast, meanwhile, forecasts a second straight year of sales volume declines in 2022 after the pantry–stocking spike. It also projects that Italian wine brand Stella Rosa will become the largest wine brand by retail value in the US this year – a reminder that not only must Californian wines weather the deteriorating economic environment and upstart innovations (like hard seltzers), but also the threat of imports taking market share.

Key Takeaways

Given all of the above, we encourage our clients – in times as uncertain as these – to base their business decisions on the reality of the market currently in front of them. All the signs now would suggest that, should reasonable offers come in, especially for bulk wine, suppliers should give them a fair hearing and strong consideration.

California Bulk Wine Inventory (August 2021 - August 2022)



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