



**CIATTI**  
GLOBAL WINE & GRAPE BROKERS

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## CALIFORNIA MARKET REPORT – November 2013

### Volume 1 Issue No. 6

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**Market  
Snapshot**

Long term demand continues to support the overall market. Weakness remains in some areas of the Bulk Market. Questions regarding potential effects of the 2013 crop size, cleanliness of planting material, and consumer demand are still being answered.

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## CALIFORNIA MARKET OVERVIEW

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The 2013 harvest is just wrapping up and all reports indicate it will be near the historical 2012 harvest of last year. Two large crops in a row have potentially put California into an oversupply position, at least in the short term. It is too early to fully understand how this supply will impact the bulk and future grape market, but we do think it will have some effects. In reviewing bulk inventory available for sale from California – and comparing inventory levels for September 2012 with September 2013, we show that for September 2013 there is more than 2.5X the level of inventory we showed for September 2012. This is before any inventory from the 2013 Crop has hit the market. So for the short term, we do have supply available and it could be a challenging time in the bulk market. Bulk buying activity has been slower than the last two years, which is to be expected. Wineries in general got their fill with the last two harvests. We do expect to see buyers who had moved to off shore sourcing come back to California given the supply and expected pricing for California bulk wine and that could have a stabilizing influence. As always – overall case sales numbers will have a very big effect on how needed this supply will be. But we feel this should be more of a short term supply overage situation, given its hard to believe that we will have 3 Bumper crops in a row – but with mother nature – who knows.

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## CALIFORNIA WINE & GRAPES BY REGION – NOVEMBER 2013

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### NORTH COAST

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#### Grapes

The 2013 harvest is at the top of everyone's mind these days. It appears that the crop size in the North Coast will be very close to or above last year in some areas. Early reports out of Sonoma are indicating that the overall crop will be within a few percent of 2012 – which was at a historical high of 265,000 tons last year. Pinot Noir and Zinfandel look to be up in Sonoma, with Chardonnay and Cabernet Sauvignon slightly down from last year. Reports in Napa have the crop at above last years historical high with the biggest increases seen on Chardonnay and Merlot. Quality has been excellent with great color on reds mentioned, especially. The weather cooperated with us in general, especially the excellent weather we had after the mid season rains. The biggest harvest issues were around capacity. A big 2012 harvest had much of the cooperage filled going into this harvest and the compacted crush. With much being done in a 6 week period, the lack of capacity was further exacerbated. This created some challenges especially on getting late reds picked in a timely manner. Grape buying activity was good going into crush but did die down with the larger harvest. Most of the grapes were picked. Some of the overage pricing was compromised for sales later in the year, but it seemed that was more based on capacity issues than need. We are watching to see how 2014 buying activity develops – but we are seeing buyers asking about next year.

#### Bulk Wine

With harvest just wrapping up, the North Coast bulk wine market has been somewhat quiet. The challenge all through harvest has been managing tank space during a large 2013 vintage that was preceded by a large 2012 harvest. With tanks being full, the question that is being asked is “who will be buying bulk wine if all tanks are full?” To answer that, you have to break out the North Coast by varietal and by appellation. 2012 Sonoma Cabernet Sauvignon bulk wine is actually in demand at the moment, so if you have some for sale, contact us regarding getting us samples. 2012 Napa Valley Cabernet Sauvignon looks to be readily available in multiple lot sizes. This speaks to the variance in pricing of the two areas and the market is searching for Cabernet Sauvignon but at the right price. With successive large Pinot Noir harvests the spot bulk market for Pinot Noir continues to be under the equivalent price per ton for grape contracts signed prior to harvest 2012. Look for Sonoma Pinot Noir to continue to trade at less than \$20 per gallon with some deals happening in the \$13 per gallon range. In review, with harvest being completed earlier than normal, we expect to see some market activity pick up prior to the end of the year. What that activity will look like remains to be seen. We would not be surprised to see motivated sellers looking to move bigger volumes just to get some activity going.

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## CENTRAL COAST

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### Grapes

The 2013 harvest for Central Coast was compacted, as we saw Pinot Noir, Chardonnay, Merlot and Cabernet Sauvignon all getting picked with-in days of each other. There were reports of Chardonnay getting picked in late October. Capacity was an issue on the Central Coast along with the rest of the state. What growers recall most about the 2013 harvest was the “sea” of Pinot Noir. This theme was talked about from Monterey through San Luis Obispo and down to Santa Barbara. What effect the large Pinot Noir harvest will do to the overall grape market has yet to be determined. Growers and Producers noted Cabernet Sauvignon in Paso Robles was not a big crop. Chardonnay in Monterey and Santa Barbara felt as big or bigger than 2012. The overall premise of the 2013 grape harvest was “big”. Cluster counts were high, quality was excellent and buyers continued to pick up fruit. Coastal overages were sold at a reduced price, but with capacity issues not a lot of these deals will impact the bulk market.

### Bulk Wine

Sellers in Central Coast bulk wine market saw a shift in pricing after the potential large 2013 harvest loomed, but buying activity was strong throughout the harvest. Central Coast Pinot Noir activity was strong, although you did see the top of the market prices start to come down from a three year high of \$22, to a more representative level of \$16. Cabernet Sauvignon retained its superiority, and price. Early season Cabernet Sauvignon deals for 2012 bulk were at \$12-\$15. Even as we ended October, the price range for Cabernet Sauvignon had not changed. Chardonnay inventories did hurt the overall bulk market pricing, but Central Coast quality and the girth of labels helped to move the product. Zinfandel was affected by the large 2012 crop. Buying activity for Zinfandel has really dropped off after the first half of the year and bulk inventories are starting to build up. We expect to see a more traditional bulk buying market, where white wines will sell first and red wines will have more movement towards the end of spring and following year.

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## LODI / CENTRAL VALLEY

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### Grapes

With the 2013 harvest wrapped up in the San Joaquin and Sacramento valleys, the resulting tonnage appears to reflect that of 2012: close to average in the southern-most end of the valley, with yields increasing as harvest moved north toward Lodi. With an early start to harvest, most varieties in the south valley saw a nice consistent, average sized crop, with Zinfandel perhaps a bit larger. Overall the south valley tonnage could be equal, if not slightly larger than 2012. As harvest continued, most larger wineries stopped buying excess grapes as their capacity filled. In the Lodi area there may be another near-record sized harvest, rivaling that of 2012. Chardonnay may be the only variety slightly down as early mildew pressure had an effect but most varieties had very good yields. Sauvignon Blanc, Pinot Grigio, and Zinfandel had very good sized crops. While demand was good for early excess grapes, growers had difficulty finding homes for overage as harvest ended due to wineries’ capacity issues.

### Bulk Wine

The bulk market slowed dramatically as the 2013 harvest began looking larger than expected. Inventories for 2012 bulk are plentiful with a large chunk of that being Zinfandel. After record high prices for Zinfandel a year ago and limited inventory, there are now many large lots with prices around \$5-\$7 per gallon. Although Cabernet Sauvignon fell from the \$10+/- gallon mark that we saw at the beginning of the year, demand has still been decent relative to other varieties. Price per gallon is now in the \$6-\$8 range with several lots available. Despite the slowing market, activity was still good for Pinot Grigio and Sauvignon Blanc through harvest with interest already for the 2013 vintage as well. With what may be the two largest harvests in history back-to-back, the next 12 months should see near record volumes of bulk wine available.

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