



**CIATTI**  
GLOBAL WINE & GRAPE BROKERS



# *California Report*

**August 2018**  
*Volume 1, Issue No. 7*

**Ciatti Global Wine  
& Grape Brokers**

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Lodi and the coastal growing areas of California have experienced some hot days in recent weeks but temperatures have not been excessive, with cool mornings and nights. This has been conducive ripening weather, with veraison catching up with a more 'normal' timetable after a slow set period brought about by the cool late spring. Overall, things look optimistic in terms of timing, quality and volume: Ciatti's July forecast of a state-wide crop at 4.2 million tons still stands.

The North Coast's growing season has been smooth, with no disease pressure and canopies under control. The Central Coast envisions a good quality year with everything looking well-balanced: the fruit-canopy ratio seems good and growers are happy with how yields are looking on the vine. Lodi growers expect an average-sized crop and are highly optimistic that it will be an excellent quality year. The slight delay in the timetable compared to last year has simply meant ripening has been allowed to flourish and reach better flavors.

The south Central Valley, meanwhile, has experienced some intense heat which may have retarded maturity somewhat and kept the crop there from sizing up as much as first estimated: perhaps an average-sized crop in this region in now expected instead of average-plus. Harvesting of some early programs got underway in the south Valley the week commencing Monday August 6th.

Time will tell if greater heat arrives to speed things up in California and compress the harvest so that processing timing becomes an issue. With a slower rate of bulk wine being bottled in recent times, storage space will continue to be a point of discussion. Some big operators have come out and offered spare capacity in recent weeks, alleviating concern. It is expected that the harvest – which in many parts of the state was highly compressed last year because of a September heat spike – will come in to a more normalized timetable this time.

It is normal for the bulk market to be muted in the run-up to harvest anyway, so little can be inferred from the market's current quietness. There has been a little uptick in bulk market activity on the coast in recent weeks, in fact, perhaps stimulated by growing realism among sellers with regard to the prices they should expect, and in turn buyers having a clearer idea of what they need.

Sadly, California is suffering from serious wildfires once again. Ciatti's thoughts are with those people affected by the fires, and the brave firefighters battling to put them out.

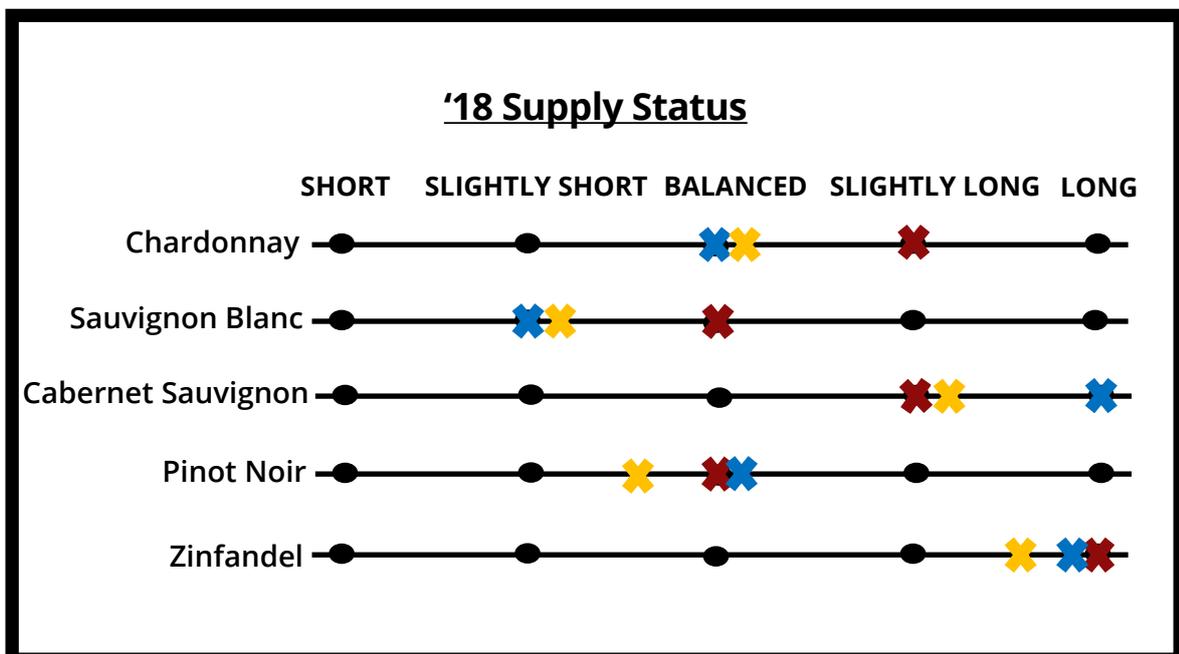
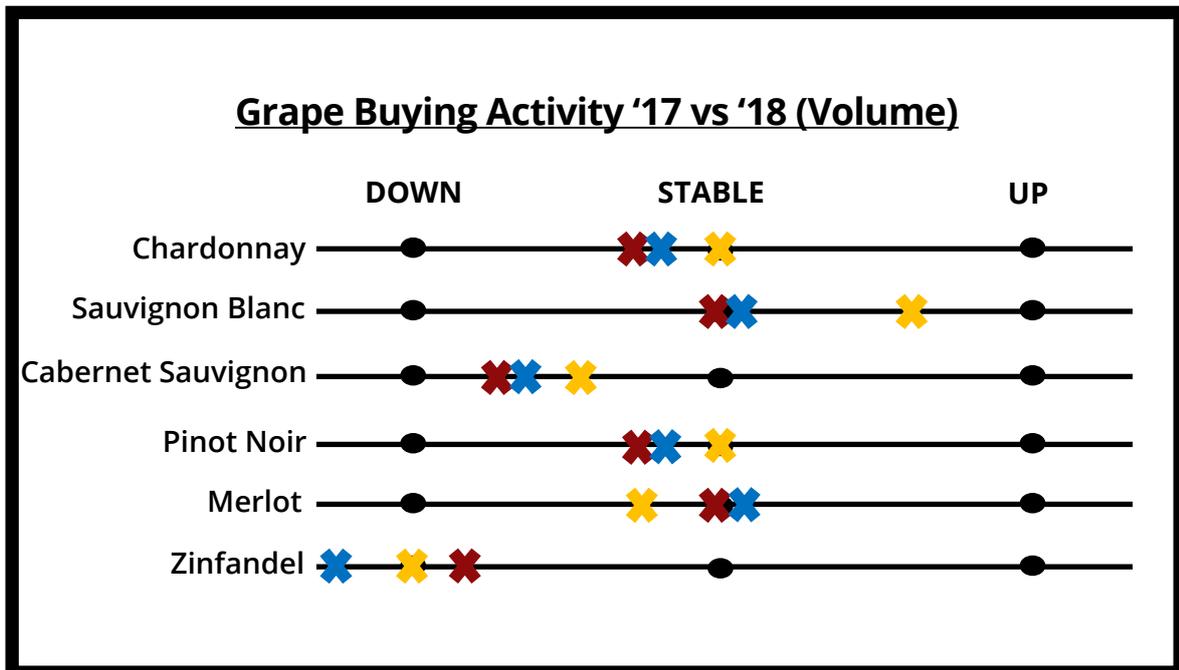
*Robert Selby*

# The Grape Market

Buying activity on the 2018 grape market has been muted. In general, the Chardonnay and Pinot Noir markets have been active while the Cabernet and Zinfandel markets have lagged behind. Buyers have been reluctant to commit, assessing if they do in fact need supply, and some have been giving notice on long term contracts to provide greater flexibility. It is now questionable if suppliers' expectations of year-on-year price increases are sustainable. Below we dive a little deeper into the grape situation by growing area.

## North Coast/Central Coast/Lodi Grape Activity 2018 vs 2017

◆ North Coast ◆ Central Coast ◆ Lodi/Delta



## North Coast

The grape markets for Napa Valley Chardonnay and Sauvignon Blanc, and Russian River Chardonnay and Pinot Noir, have been active. Activity across the North Coast on Chardonnay, Pinot Noir and Merlot has been okay. Overall though, despite a lighter crop than expected in the North Coast last year, the demand we expected on the grape side did not materialize. Demand at the premium end for North Coast fruit has pulled back or at least has not grown as fast. Buyer activity throughout the year has been sluggish, with some hesitation in committing to long-term contracts – and some giving notice on contracts – as spot markets can appear more attractive. The Zinfandel and Cabernet

grape markets have been at a standstill. Prices are perhaps a little higher than many buyers would like, but is that the only factor for the muted market? As mentioned above, buyers see a slowdown in higher-end case good sales that potentially makes supplier expectations of year-on-year price increases untenable. In general, this is not a market where reducing a price will automatically lead to a transaction. Ciatti has seen some wineries put some grape inventory back onto the market because they perceive they don't need it. Some have moved brands into the Central Coast or Lodi to ameliorate cost using the 'California' appellation.

## Central Coast

For the past couple of years Chardonnay and Sauvignon Blanc have been tight grape markets in the Central Coast. These varieties are highly contracted, with little spot market availability. The Chardonnay re-plantings currently taking place are bound to increase production, with improvements in growing practices. This, along with the new acreage of Pinot Noir in the Central Coast, should provide adequate supply and hopefully be in line with case-good growth in the future. The 2018 Chardonnay grapes were first contracted by small and medium-sized wineries paying a good price to secure

supply; activity on Chardonnay grapes has continued since, through the second quarter of 2018 into this quarter. Sauvignon Blanc grapes all got contracted up early, with only a little activity since the first quarter of this year. Contracting of red grapes such as Cabernet has been slower, with some wineries that usually buy seeking to sell fruit instead. Rosé is growing in importance: Ciatti is seeing a lot of activity on Rhône-style rosés, some of it multi-year deals. Grapes for rosé – such as, among others, Grenache, Merlot and Sangiovese – are becoming more sought-after.

## Lodi & South Central Valley

The grape market in Lodi has been generally slow. Chardonnay (much of which is under longer-term contract) was in demand early on from smaller buyers who were proactive in securing supply at a decent price; the big wineries held off until more recently, waiting for suppliers to reduce their price expectations a little. Sauvignon Blanc grapes were in strong demand at the start of the year and were essentially fully secured then. The market for all the other grape varieties has been slow. There has perhaps been a little recent uptick in Cabernet grape interest. It may be that buyers have waited until they have been able to offer a price that grape suppliers earlier in the campaign might have rejected but will now accept. Lodi's Pinot Noir grape

market has been steady all year, the best of the reds. With the market for Zinfandel flat, the varietal has been coming off contract and is now being purchased year-to-year. Cabernet is starting to come off contract, too, because of healthy supply. Chardonnay has gone in the opposite direction, becoming increasingly contracted because the state's output of the varietal is flat.

In the south Central Valley, the most in-demand grapes have been the generics, sometimes fetching as good a price as some of the varieties. Hot markets include Grenache, Colombard and Chenin Blanc – i.e. some of the traditionally more marginal varieties pulled out in recent years which are now in demand to meet the rosé trend.

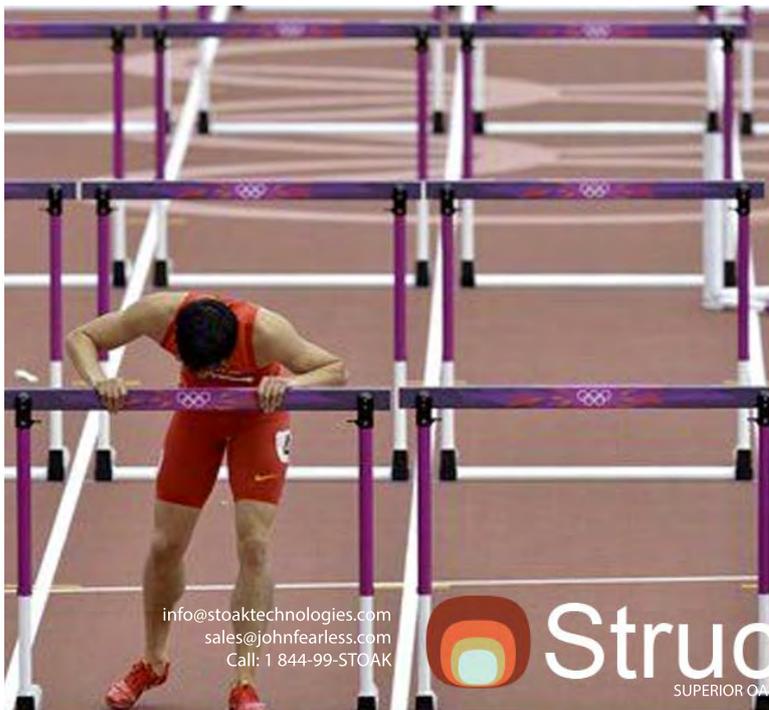
# Worldview

Bulk wine imports into the US have fallen back significantly in 2018 but readers of our *Global Market Report* will know that prices in Chile and Argentina have been softening in recent weeks due to good-sized 2018 harvests in those countries and expectations of a healthy-sized Spanish crop. Chile's prices are not yet at a level at which there is crossover with south Central Valley bulk prices – but this could happen in the coming weeks/months. The south Valley's bulk suppliers must bear this in mind when quoting prices or the door could be opened to imports.

Want to know the global picture and how it may affect your business? Check out our monthly *Global Market Report*.

## Hot Opps Box

New plantings and three successive above-average crops in Oregon (with a fourth likely) have opened up competitively-priced opportunities on the state's good quality Pinot Noir and Pinot Grigio wines. Back in California, there are some signs suppliers are willing to compromise a little more on bulk wine pricing, so if you have need now is a good time to look at the market. Opportunities continue on Coastal reds – including Cabernet – from premium appellations, as well as on Pinot Grigio grapes and wine from the Central Coast and the Central Valley.



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