



**CIATTI**  
GLOBAL WINE & GRAPE BROKERS



# *California Report*

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**Ciatti Global Wine  
& Grape Brokers**

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## May 2024

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The weather across California was largely normal through April into early May, perhaps exhibiting a tendency to be slightly erratic, with warm spells of sunshine interspersed by cooler temperatures and some rain. Few if any issues were encountered in the vineyards; the frost risk has now all but passed without notable incident, some frost-prone areas perhaps experiencing limited damage. Budbreak and the early stages of flowering have occurred at a normal timing, perhaps up to three weeks ahead of the lateness seen last year. With some warm periods expected through May, the expectation is that the flowering stage will proceed quicker than last year, when it was greatly protracted by unseasonable coolness. It remains too early to read much into cluster count reports, which have been variable.

A second-consecutive helpfully wet winter means the growing season opens with good soil moisture levels and water reserves, with reservoirs and Sierra Nevada snowpack at or in excess of 100% of their averages. Looking ahead, much of California has an equal chance of experiencing slightly above or below average temperatures and rainfall, according to viticultural climatologist Gregory V. Jones in his May through July forecast.

With the 2024 grape market so slow, it is hard to imagine news from the vineyards stimulating increased grape interest unless Mother Nature stages a major intervention. The bulk market is only slightly more active than its grape counterpart and transactions are hardly making a dent in overall inventory levels. Suppliers of bulk wine and grapes are increasingly aligning their price expectations with those of buyers in order to help make a sale and are being proactive in listing with us what they have to offer. Over and above that, they are thinking strategically about their assets – how they manage them to reduce their running costs and improve margins, or whether to divest them altogether. As businesses increasingly seek to hold less inventory and move away from supply, we see vineyards and associated operations up for sale across the state, although, as on the bulk wine and grape markets, transactions appear few.

Meanwhile, buyers – knowing there is bulk wine and grape availability on most items as and when they need it – are increasingly proceeding on a just-in-time basis to avoid inaccurate sales projections and holding inventory for long. Some may consider taking on inventory but only at a significant price reduction, in order to make it worthwhile to them in terms of cost. This might help improve the price-quality ratio of the wine offering on retail shelves and, in turn, drive more volume sales – ultimately one of the two developments that needs to happen for the wine industry to return to equilibrium. The other, of course, is rationalization of supply, and we are seeing vine removals being undertaken across the state.

This month we welcome our friends from Saxco – the leading provider of rigid packaging solutions to the wine industry in North America – who will be providing us with monthly bulletins on market dynamics in packaging. Read on for their first update and – as ever – our detailed assessments of the bulk wine and grape markets. If you have any questions, don't hesitate to get in touch via your Ciatti broker or [info@ciatti.com](mailto:info@ciatti.com).

*Robert Selby*

# The Grape Market

Some grape contract renewals are occurring within pre-existing relationships, but activity on the spot market for grapes is minimal. If no major weather events occur between now and harvest, the key determiner of crop size will be the number of vineyards out of contract and, in turn, how many grapes are left unpicked.

Some potential buyers may be waiting for the crop size to become clearer before making a move, but it is likely many do not feel the need to secure grapes any time soon, either because they believe they have plenty of time – given availability levels – to work out what they will definitely need, or because they intend not to buy at all. Dealing solely in bulk wine may seem attractive to businesses seeking to reduce costs and fulfil programs on a just-in-time basis.

Spot activity in the Coast has been slow, with some re-signs on those varieties receiving the most bulk wine interest, such as North Coast Cabernet. In the Central Coast, contract renewals have occurred on small volumes of white varieties and florals such as Sauvignon Blanc, Muscat, or Viognier. In the Interior, a significant quantity of grapes remains uncontracted, even more than last year as an increasing number of multi-year deals – many established in response to the pandemic’s demand bubble – come to an end and are not renewed.

With every month that passes, it becomes increasingly evident that the pandemic delayed an important supply correction. Vine removal, just starting to get underway in 2019, was mainly put on pause when retail demand spiked. We are now seeing vineyards getting uprooted across the state in varying quantities: The California Association of Winegrowers estimates 15,000 acres of California’s estimated 600,000+ total acres have been removed so far

this year, and some industry experts suggest removals need to go further, faster. We are hearing of a shortage of certain vine removal services as demand for them rises. Obstacles to removal – complications surrounding burning due to air-quality regulations, for example, or the high cost of alternative methods such as chipping, and wait-times to receive them – mean some vineyards will simply languish unfarmed in the meantime. Consequently, there are signs here and there of low or no maintenance in some areas, with pruning having not been carried out.

Many vineyards and wineries are up for sale but, just as on the bulk wine and grape markets, interested buyers are few and the low level of transactions makes going prices hard to gauge. In the Central Coast, for example, those sales faring best are vineyards with value-added prospects, such as their own tasting rooms, as crush capacity in and of itself is not deemed desirable. Anything that speaks to a reliance on the health of the wider industry – as opposed to artisanal in-house production and regional cache – is not in demand. Rabobank, in a recent report analyzing the prospects for wine and spirits sales in the US this year, forecast that wine sales may show some stability by 2025, but that it saw “mostly downside risks” to this assessment. Such caution is echoed on the market for wine industry assets: many of them are currently not seen as a risk-free investment.

**Growers should keep us up to date – even if only with rough guesstimates as placeholders – with the 2024 grapes they may have for sale by contacting Molly at +1 415 630 2416 or [molly@ciatti.com](mailto:molly@ciatti.com). Having grapes listed with us as early as possible assists us in finding a buyer when activity does arise. Potential buyers of grapes trying to get a feel for what is available are also welcome to reach out to us.**

## The Bulk Market

The bulk market proceeded through April into early May as it has done for a number of months: Intermittent demand, mainly for small volumes, and little if any discernible pattern as to what wines are required. In the Coast, 2022 reds – namely Cabernet from Napa Valley, Alexander Valley, and Paso Robles – constitute much of the activity. Supply of 2022 Cabernet in the Coast has been drawn down a little in some areas, assisted by suppliers willing – if they are able – to be more flexible on price. However, 2023-vintage availability then comes in to replenish the supply, and demand for 2023 Cabernet – as on all other 2023 wines – is sluggish. Consequently, sales that do take place make little dent on the overall inventory, which continues to build.

There has been some interest in 2023 Sonoma County or Russian River Pinot Noir, with small volumes getting contracted by buyers discriminating in terms of quality and

seeking to pay lower than what they did last year. Coastal Pinot Noir inventory is large and consists of 2021 and 2022-vintage wines as well as 2023, and some suppliers – acknowledging this – have softened pricing in an attempt to solicit buyer interest from further afield, including those seeking wines for California appellation programs.

Suppliers are naturally cautious in setting their prices – sensitive to the risk of selling their wine below market price or pricing it out of the market – and the process is currently more fraught than ever, as the current lack of transactions makes market pricing unclear. Generally, however, suppliers are advised to carefully consider any offer they receive, given the lack of demand pressure and the fact that – as we set out last month – many buyers are now operating on a just-in-time basis, have multiple supply

*See next page for more.*



options to choose from, and do not see the need to become embroiled in back-and-forth negotiations.

Bulk activity in the Interior mirrors the Coast in being quiet, the odd deal occurring on 2022 or 2023 Lodi Cabernet and some of the 2023 varietal whites. Buyers seeking value prices have been present on the Interior’s market; at least some of these are wineries seeking to improve a program’s margins by completing their volume needs with some lower-priced wine.

In April the International Organisation of Vine & Wine (OIV) published its ‘State of the World Vine and Wine Sector in 2023’ report which showed global wine consumption at 221 million hectolitres (approximately 5.7 billion gallons), 2.6% down versus 2022 and the lowest volume recorded since 1996. The OIV’s consumption graph was stark, showing that all the gains made in terms of growth in the first decade of this century have now unwound. It stated that wine consumption in the US decreased by 3% in 2023 versus 2022, totalling 33.1 million hectolitres (approximately 874 million gallons), in-line with pre-pandemic consumption levels. The France-based OIV’s view of the US market can sometimes be a little hazy, but its statistics help reiterate the passing nature of pandemic demand and that fact that, in experiencing falling sales volumes, the US wine industry is certainly not alone.

Two trends recently highlighted by Rabobank that might help explain why wine sales in the US are particularly suffering – post-pandemic, versus other alcohol beverages – are perhaps more country-specific: A greater post-pandemic economic pessimism among the older demographics more likely to drink wine versus the young, and a so-called “rich-cession” – amid an otherwise relatively resilient US economy – affecting the tech and finance sectors and, in turn, the more affluent consumers likelier to drink wine. This might partly explain the level of consumer pushback we are hearing some wineries have

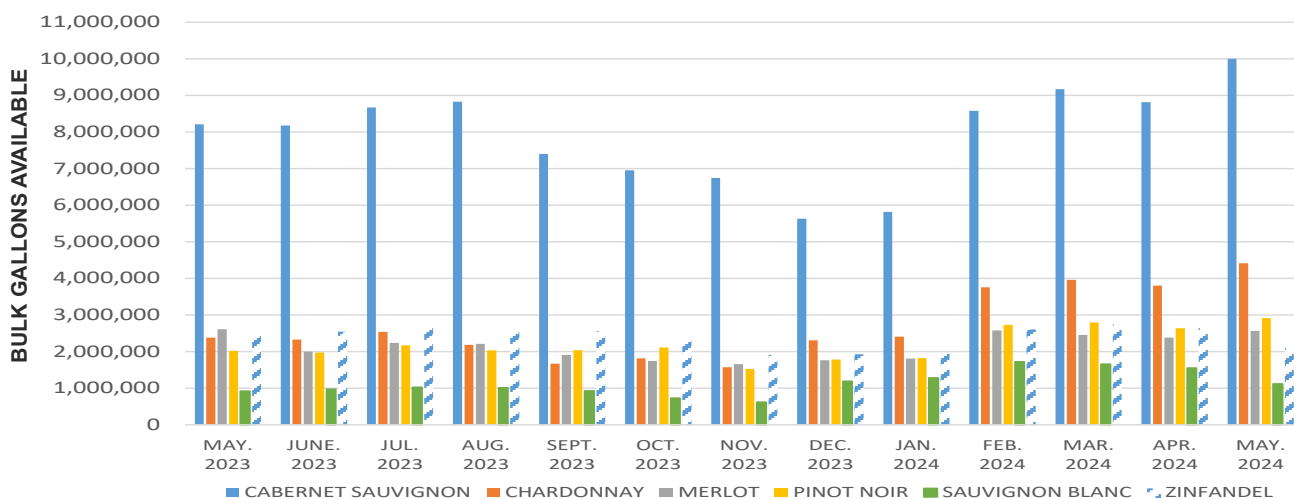
recently received when trying to increase shelf prices. If such pushback continues, it will bring the California appellation – or even American appellation – more into play. As mentioned above, Rabobank suggests that consumer demand for wine should find its “equilibrium” in 2025, “likely below pre-pandemic levels but perhaps above the dismal performance in 2023”.

Rabobank highlighted that Wine & Spirits Wholesalers of America’s analysts SipSource had stated that wine distributor depletions in 2023 were down 7.5%, and SipSource has since released wine depletion data for the 12 months to the end of March 2024 (-8.3%) and the first quarter of 2024 (-10.9%) showing greater declines. However, they remain confident that “trends for wine will stabilize and should show moderate improvement in the back half of the year”, if nothing else because – as SipSource analysts Dale Stratton and Danny Brager set out in a recent Rabobank podcast – the comparables will be easier (January 2023 was relatively strong versus the rest of the year). Importantly, referring to wine and spirits, Stratton added that “wholesaler inventory levels remain at an all-time high which could impact shipments from suppliers”.

As we have reiterated in the past, sales are not uniformly negative and some brands have been performing well. The recent sales success, for instance, of wine in single-serve Tetra Paks at convenience stores has got beer distributors who service this sector considering adding wine brands to their offering, and shows how innovative packaging and placement can stimulate sales growth.

Thank you to all those who have already heeded our call to send in samples. **Bulk wine suppliers can contact either Mark at +1 415 630 2548 / mark@ciatti.com or Michael at +1 415 630 2541 / michael@ciatti.com to get their wines listed. Doing so remains the best way for wines to find a buyer. Similarly, buyers requiring wine should get in touch so we can send samples their way.**

## California Bulk Wine Inventory (May 2023 - May 2024)



# Saxco Update

Welcome to Saxco's first monthly update on market dynamics in packaging.

## Market Dynamics

Overall, the beverage market is soft, with a slight increase in price and decrease in volume affecting package supply. As such, there is more bottle availability than in previous years, but customers' prices are still up from inflation. Overall, even with price pressure and with freight surcharges coming down, there is an overall decrease in packaging costs.

## Packaging Trends

Global Wine Bottle Market: Market Dynamics			
	May	June	July
Supply	↑		
Fuel Costs	↔		
Transportation	↔		
Port Availability	↓		
Furnace Capacity	↔		
Lead Times	↔		

## Key Insights

Most major elements of wine packaging are stable. While still high, fuel has not increased to change overall packaging pricing. All ports are operating. However, due to decreased demand, there is renewed rationalization in non-standard bottle production and furnaces.

## Additional Notes

The ITC is exploring anti-dumping and countervailing duties that may have incremental tariff impacts on wine bottles from China, Chile, and/or Mexico – specifically, 750ml bottles. Additional information will be available by late May.

The new bottle bill affecting wine has been in effect since Jan 2024, and by July 2025, redemptions for bottles and aluminium cans will be enforced.

*Please find the link to our Substack homepage here:*

<https://ciatticompany.substack.com/>

## Events

Ciatti brokers will be attending and will have a booth at these upcoming events:

- **July 23 - 24:** International Bulk Wine and Spirits Show

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