



**CIATTI**  
GLOBAL WINE & GRAPE BROKERS



# *California Report*

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**Ciatti Global Wine  
& Grape Brokers**

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## July 2024

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Following a pleasant May and early June, much of California began experiencing a record heat spell in late June through the first half of July. The prolonged heat may potentially have slowed sugar accumulation and slightly affected yields in the vineyards, but as the growing cycle was running up to three or four weeks ahead of where it was in 2023, and water supplies are good after a wet winter, the heat is not yet – as of the time of writing on July 15th – a significant concern.

With the arrival of some intense heat disincentivizing canopy thinning, and many uncontracted vineyards being minimally farmed, growing areas have appeared green and lush. Mildew pockets have occurred across the state, as per normal, but in general vines seem in positive health. The crop potential in most areas seems to be at least average; there remains plenty of time, however, for Mother Nature to have her say.

Activity levels on the bulk wine and grape markets in June continued the uptick seen in May. The great majority of this activity consisted of inquiries only, as prospective buyers – many of them smaller operatives identifying market niches for specific private labels and other programs – assess the potential opportunities. Second-quarter case-good sales numbers remain unclear and third-quarter figures are mere conjecture at this stage, plus there are still some weeks to go before harvest. Consequently, buyers and sellers alike have good reason not to rush into any decisions. That said, bulk wine and grape prices have continued to soften and deals intermittently occur when motivated sellers – requiring cashflow and/or storage space – intersect with opportunistic buyers on price. Buyers, enjoying plenty of choice and increasingly operating on a just-in-time basis, rarely enter into price negotiation.

We caution that the more positive mood music emanating from a number of recently-released reports and articles – essentially that case-good sales volumes may stabilize sometime this year – is mainly based on forecasts and assumptions, not – as yet – hard numbers. It is too soon to read anything into the aforementioned recent uptick in bulk wine and grape inquiries; it could be normal pre-harvest prep. Some believe the extent of the retailer-distributor destocking over the past 18-24 months, and the number of vineyards that have been – and are continuing to be – removed, amount to an overcorrection, so that any market rebound will be rapid when case-good demand stabilizes. That is speculation and, even if it proves to be the case, no one knows *when* the rebound will occur. In the meantime, many suppliers will struggle for cashflow or to make payments on time, will resize operations or remove vines, or attempt to sell their businesses on a viticultural real estate market that naturally mirrors the wine market: few transactions, reduced prices.

Read on for our detailed assessment of how things stand and – for the most up-to-the-minute information – get in touch with Ciatti directly. The broker team includes industry professionals with over 135 years of collective experience, ready to help buyers and sellers alike navigate through this challenging period.

*Robert Selby*

# The Grape Market

The uptick in grape inquiries that occurred in May has since continued. These inquiries could be characterized as normal pre-harvest prep – as potential buyers assess the availability of specific grapes from specific areas – but the number of inquiries is higher than at this stage last year. Even if only some of this scouting translates into actual transactions, it would equate to more activity than we expected 3-4 months ago. Given the timing, with the new crop on the horizon, prices on any deals that do occur are likely to be more marginal than earlier in the year; we may see buyers move towards supply if they see an opportunity to harness grapes at a discount.

Buyers will be keeping an eye on developments in the vineyards, but given the size of the state's bulk wine inventory and the high number of uncontracted vineyards, it is unlikely vineyard issues will concertedly stimulate grape activity unless those issues are significant. Buyers are also still assessing the sales performances of their brands this year so far: It may be they are still not seeing data indicative of a firming-up – or at least a levelling-off – of retail sales. There is a suspicion that a little activity could beget more activity, as buyers may be waiting for someone to make the first move.

In the Interior, any inquiries that have come in have predominantly been for white grapes: Pinot Grigio, Chardonnay, and then white blenders. Again, these are inquiries, not transactions. Across the spectrum of varieties, the odd deal occurs on a small batch at a heavily discounted price where a grower seeks a sale; there are no discernible trends or concerted movements.

This predominance of white grape inquiries over red is also being seen in the Coast. The North Coast has received inquiries into Sauvignon Blanc and, to a lesser extent, Chardonnay and – in turn – Pinot Noir. Potential buyers are building up their knowledge of what is available, not yet acting upon that knowledge. Down in the Central Coast, there has been some interest in Chardonnay but, in general, inquiries have been few. The quietness of the Central Coast's grape market will lead to fears that, if buying activity does start, it will be on Interior opportunities at the expense of the Central Coast. Interest from local Central Coast buyers has also been muted.

At their annual meeting on June 26th, Allied Grape Growers stated that approximately 30,000 acres of vines had been removed across California so far – much of that in Lodi and the Interior – and the implication was that more removals are needed to achieve long-term supply-demand balance. We see vineyard removals occurring across the state and suspect they will continue post-harvest, when another tranche of multi-year deals lapse and are not renewed. Some growers with vineyards uncontracted last year may have had the capital to persevere for another year, but must now confront difficult questions. Some have already slated their uncontracted vineyards for uprooting after this coming harvest, or at least when the means become available – vine removal services have been struggling to cope with demand. Unpruned vineyards – perhaps not leaf-pulled or suckered – are a visible manifestation of a challenged industry struggling to adjust to an oversupply position, and there are many of them. Ultimately, area under vine is being rationalized to fall in line with the long-term demand trend.

The human element can easily get forgotten when discussing an industry undergoing such a painful adjustment, and there will be growers – who have perhaps farmed for generations – understandably finding it extremely difficult to make the decision to remove a vineyard of longstanding, or even sell-up completely. Custom crushing is one diversification possibility, but we reiterate our ongoing warning that this move must be thoroughly strategized first: Given the bulk market's slowness and the elevated cost of money, it is a move not without risk. Wine sales data for the third quarter of this year will be usefully-timed to help gauge whether or not to crush 2024 grapes into wine ready for the bulk market in 2025. Significant crush space is currently available and there is also storage capacity, although this may change if the harvest comes on fast.

Many vineyards, associated properties and brands are currently up for sale; transactions have been few, and buyers are generally seeking assets at reduced prices. If the grape and wine markets pick up, and investor confidence in the wine industry returns, vineyards and wineries are likely to start trading hands more rapidly.

*See next page for more.*



Growers are increasingly coming together to discuss how their particular area might better promote itself, mirroring efforts at the wine end such as ‘Come Together – A Community for Wine’, officially launched in June by communications professionals to help promote wine’s positive role in culture, pushing back against some of the recent prohibitionist health messaging.

**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

Significant inventory remains available on the bulk market and pricing has been softening in a bid to stimulate buyer interest and clear tank space ahead of the coming harvest. Consequently, highly attractive opportunities offering an excellent price-quality ratio now exist on the market; prospective buyers should get in touch for the latest possibilities.

The uptick in buyer inquiries through May continued into June. Although only few have translated into transactions, it is an encouraging sign and perhaps an indication that retailer-distributor destocking – ongoing for what seems like a very long time now – is winding down. Again, we caution that despite more positive mood music emanating from a number of recently-released reports and articles, stable case-good sales numbers are yet to manifest themselves in hard numbers. Knowing inventory is readily available, prospective buyers will be in no rush and will take their time to be certain of the incoming data before making a play. Some suppliers are speculating – perhaps through hope more than expectation – that the longer it takes for activity to revitalise, the faster activity will bounce back when it does, as buyers jockey for the best deals. Time will tell.

Case-good volume figures for the second quarter of the year will appear in time, and numbers for the third quarter will also – we believe – be very important in understanding where the demand trend is heading. Even among those who feel more optimistic, there is a widespread belief that better news might simply mean sales volumes stable at – or just below – pre-pandemic levels. The recent BMO Wine Market Report states 2023 sales were down at 377 million cases; Gomberg Fredrickson Report Editor John Moramarco has spoken of the end of destocking meaning a return to 400-410 million nine-litre cases.

Any change in market dynamics is unlikely to occur in time to affect the bulk market pre-harvest. In the meantime, buyer activity remains predominantly – as on grapes – inquiries only. Conversations are happening around possible opportunities and there is some entrepreneurial energy present on the market, at least more now than earlier in the year. Deals that do occur are often small in size, indicative of the type of buyer involved – i.e., those seeking to fulfil private label programs or put specific blends together for which they perceive there is a gap in the market.

Prices that lead to transactions are often – and are likely to continue to be – below where they were in previous years, reflecting where an opportunistic buyer and a motivated seller can come to an agreement. These may only be one-time deals as they are price-dependent, but they are at least a way for suppliers to offload inventory in the short-term. Other sellers may choose to hold onto their wines to see if the improved mood music translates into a more buoyant market later this year and into next.

Over the past month in the Interior, some activity has occurred on generic whites and some darker reds. In the North Coast, there has been some activity on – and inquiries into – Napa Cabernet and blenders from both the 2022 and the 2023 vintages. Many 2023 reds are not yet ready to be released; consequently, much activity is confined to conversation. We expect 2023 Napa Valley Cabernet will – at lower pricing than previously – prove an attractive proposition for buyers (feedback on quality has been very positive), so too other appellation reds possessing cachet like Paso Robles. Other 2023 reds are likely to struggle to command interest, or at least interest not at heavily discounted pricing. Offers may well come in the form of discounted pricing

*See next page for more.*

on multi-year deals, which may prove tempting for suppliers needing to move inventory and generate cashflow but which may be unsustainable, margin-wise, in their second and third years. In the Central Coast, the 2022 vintage has been picked over and demand for 2023-vintage Chardonnay and Pinot Noir has been limited.

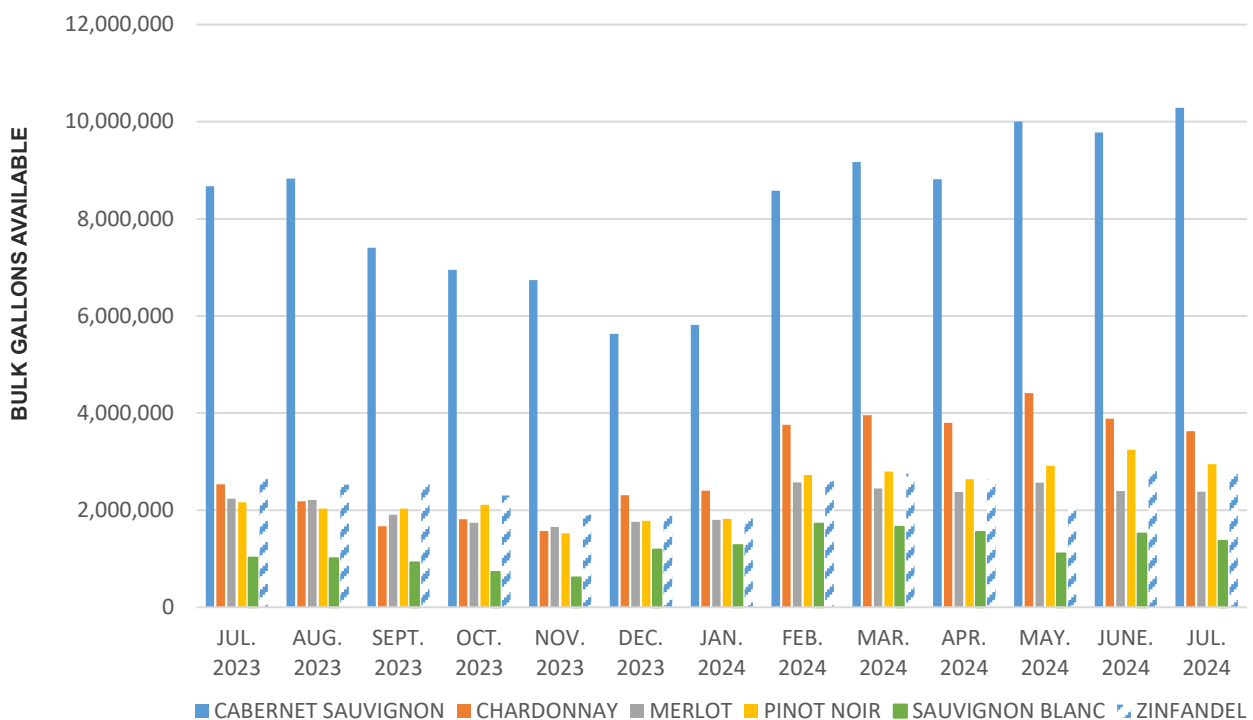
Demand for Chardonnay across the state remains slower than one might expect, considering case-good sales of the varietal appear to be holding steadier versus other varietals and white wines in general have been performing better than reds. Following a good-sized crop for the varietal in 2023 – up approximately 25% versus 2022 – Chardonnay inventory levels in June were twice as high as they were 12 months before, and it may be that those who normally require Chardonnay already have enough. Likewise, Pinot Noir demand is noticeably muted, activity on the varietal has been marginal and inventory is building to levels approximately 50% higher than this time last year.

As mentioned, crush space is currently available and there is also storage capacity. This may change if the crop matures rapidly and becomes ready to pick all at once. With bulk inventory large, cooperage is needed for storage and this could affect total capacity.

Reflecting the cautious bulk market, demand for white grape juice concentrate is minimal. Suppliers are presenting themselves as having carefully balanced their inventories in anticipation of the market sluggishness and therefore inventory is not a problem; market pricing is currently stable. The high-proof alcohol industry, meanwhile, has more supply than it needs and currently represents only a very limited outlet for excess wine.

**Sending their samples in to us remains the best way for bulk wine suppliers to find a buyer. 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. Buyers requiring wine should get in touch so we can send samples their way.**

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



# Saxco

## Saxco Update

**Welcome to Saxco's July update on market dynamics in packaging.**

We are committed to keeping you informed about the latest industry changes that could affect your business operations. As we all continue to navigate the ongoing uncertainties surrounding US tariff investigations, it is important to understand the implications of the immediate and continued supply and demand imbalances and how the manufacturing industry must consider aligning capacity to the broader market.

The Department of Commerce is set to announce its Anti-Dumping Preliminary Determination concerning imported glass wine bottles and similar containers (740ml-760ml) from China, Mexico, and Chile on July 29th. Following the Department's May 29th Preliminary Determinations for Countervailing Duties against China, which necessitate cash deposits ranging from 21.14% to 202.70%, the outcome of these investigations could significantly influence market dynamics with immediate impacts to costs and longer-term implications on a rebalancing of manufacturing capacity and lead times.

In response to the supply and demand imbalances, Ardagh Group has publicly disclosed its decision to close its glass facility in Houston and idle furnaces in Seattle. These strategic moves reflect evolving market conditions and required operational adjustments within the sector. It is unclear at this time if there will be further changes to domestic glass manufacturing capacity. Story here: [Global bottle maker lays off hundreds in Seattle | The Seattle Times.](#)

Peak beverage season is upon us for aluminum cans and is driving longer than usual lead times for sleeving and digital print options which are typically for smaller quantities and short lead time orders.

The packaging market continues to face inflationary pressure. Corrugated packaging price increases have been announced as increases in containerboard and kraft paper have impacted the market. Diesel fuel prices have risen by 1% since May, adding to operational costs across the supply chain. Equally concerning is the rapid increase in ocean freight rates from Asia, skyrocketing from \$2,000 per container in January to nearly \$7,000 in June. Red Sea piracy has compounded shipping challenges between Asia and Europe, driving up insurance rates and contributing to shipping congestion. As a result, there are reports of port delays in the Asian market due to congestion and logistical bottlenecks.

As these situations unfold, we remain vigilant in monitoring developments and their potential implications for your business. Stay tuned for further updates as we navigate through these dynamic times together.

*See next page for more.*



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

In summary, this month will be critical for illuminating the bottling challenges and availability for the 2024 bottling season. If you are risk-averse or have limited sourcing options, you should be proactive in your procurement process in July.

*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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