



Market Snapshot

The 2014 Harvest is in full swing. The good news is that the crop looks to be solid but not a bumper crop. Given the current levels of wine the industry has in tanks, this is a positive thing. Activity continues to be the weakest for both grapes and bulk wine in the Central Valley. We believe a moderate crop will help to stabilize the market in the future, especially if we continue to see case good growth. Quality looks good so far, and harvest has been earlier than normal throughout the state.

Our thoughts go out to our friends in Napa. Even though there was damage and loss, we are so grateful that there was no loss of life. We know you will all continue to move forward and prosper.

CALIFORNIA MARKET REPORT: An Inside Look at California's Bulk Wine & Grapes

North Coast

GRAPES

How large is the 2014 crop really going to be? This is still the big question on everyone's mind, and no one has the answer yet. At first glance, it appears that a few varieties and areas in the North Coast will see normal crop sizes without a bumper crop coming our way. With an early harvest, it feels more like October 1st than September 1st and overall quality to date appears very good across the region. This month started with a few hot days causing brixes to rise quickly, and the humid weather at the end of August led to little botrytis in some areas, but is not an issue at this point. If the weather remains warm, red and white varieties may be ripe and ready to pick very close to one another, possibly creating a compacted crush. Pinot Noir and Sauvignon Blanc are being picked in many parts of the region, and some vineyards are coming in below estimate to this point. We have continued to see spot activity on Cabernet Sauvignon, which has the strongest demand by far. There has also been activity for Russian River Valley Pinot Noir, Sonoma Sauvignon Blanc, and Sonoma Zinfandel. It should get very busy in the next few weeks.

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WINE

For the most part, coming into harvest 2014, the North Coast bulk market is fairly well balanced. There are a few varieties, such as Sauvignon Blanc and Zinfandel that are still in a long position due to prolific yields from the 2012 and 2013 harvests. However, looking at the core varieties such as Cabernet Sauvignon (tight), Pinot Noir (balanced to tight), and Chardonnay (balanced), you see a market that has successfully weathered back to back big vintages rather well. What we don't see is large carry-over stocks of these varieties through the coming vintage. If we did – that could be a significant drag on current and future markets. What effect the loss of inventory from the recent Napa earthquake will be is not

yet known. It looks as though there were some larger tanks that lost wine and a few issues regarding barrels toppling, but we haven't heard reports (yet...) of anything that will move the needle of the market significantly. This could change, and if it does, we imagine it would be centered on replacing 2013 Napa Valley Cabernet Sauvignon.



CURRENT TRENDS: A GLIMPSE OF RECENT TRANSACTIONS

<u>GRAPE</u>	<u>Region</u>	<u>Price/Ton</u>
Zinfandel	Sonoma County	\$2,350 - \$2,500
Sauvignon Blanc	Napa Valley	\$1,800 - \$2,000
Chardonnay	Lodi	\$300 - \$350
Pinot Noir	Monterey	\$1,800 - \$2,000

<u>WINE</u>	<u>Region</u>	<u>Price/Gallon</u>
Cabernet Sauvignon	Napa	\$28.00 - \$32.00
Zinfandel	Lodi	\$4.50 - \$6.50
Pinot Noir	Russian River Valley	\$17.00 - \$19.00
Chardonnay	California	\$3.00 - \$5.00

Central Coast

GRAPES

With harvest starting two weeks earlier than last year in most of the Central Coast, growers and producers alike are questioning the size of the crop. As grape harvests usually go, early harvests result in lower yields; late harvests tend to have heavier yields. The early reports out of the Central Coast may debunk this typical harvest notion, as yields have been above expectation. We have seen variability with reports of growers picking at 30% over estimates and some growers coming in as much as 15% under estimates. Another concern with the coastal crop is that in some cases, Cabernet Sauvignon is being picked before Chardonnay, and Zinfandel before Pinot Grigio. Recent grape market activity has slowed given the solid crop, but we still have seen some activity in the Central Coast for Northern Monterey Chardonnay, Santa Barbara Pinot Noir, and Paso Robles Cabernet Sauvignon. Although harvest started early in the Central Coast, the eye test says we are going to be picking fruit all the way until Halloween. Hopefully Mother Nature and space will not limit producers in the Central Coast.

WINE

The Central Coast is carrying a relatively large inventory of unsold bulk wine into the 2014 harvest. There is still ample supply of previous vintage Chardonnay, quality Pinot Noir, Merlot, Rhone Varietals, and Riesling wines. Recent bargain pricing has motivated a few large buyers; however more volume needs to exchange hands before the prices on these wines strengthen. On the other hand, Cabernet Sauvignon and Pinot Grigio continue to remain active and prices are holding firm. We expect to see 2014 bulk sample of white wines as early as November this year.



“...CABERNET SAUVIGNON AND PINOT GRIGIO [WINES] CONTINUE TO REMAIN ACTIVE & PRICES ARE HOLDING FIRM.”

Lodi / Central Valley



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GRAPES

Harvest is well underway and the effects of the current drought are becoming evident. The earlier varieties, including mostly whites and White Zinfandel, have smaller berries and cluster size contributing to overall less weight than last year. In the Southern Interior, the overall crop appears to be down from last year's record harvest with early estimates off around 10%. The north is also seeing lighter weights at an even higher percentage than the southern end of the valley. With most reds still on the vine, harvest will ramp up in the next couple of weeks. The Market in both regions has been extremely quiet, with little market activity except for a few scattered purchases in the Southern Valley. With limited space, wineries are holding all contracted grapes to their specified quantity and it appears what few grapes are left un-contracted may struggle to find a home. As the forecast predicts relatively mild weather, there should be very few quality issues.

The generic grape market for concentrate and distillation remains unclear to date, as buyers are slow to quote prices. Many overages of varietal grapes will find their way to these buyers, as Raisin and Table Grape markets remain strong. This could help us to keep unwanted excesses from next year's bulk market.

WINE

As this year's harvest progresses, the bulk wine market activity for Central Valley wines has been extremely quiet. Price reductions offered by suppliers, have had little or no affect in decreasing the volume in many full tanks being carried in to harvest. Merlot, Zinfandel and White Zinfandel have had the least demand this entire selling season and large inventories remain. The 2014 Zinfandel harvest may provide some relief as reports are confirming decreased crop estimates, although Merlot still remains large.

Pinot Noir from the Valley had movement during the spring and less carry in inventory. This year's harvest should be average in yield but still sizable. The real problem for the valley Pinot Noir is the large volumes of coastal appellation Pinot Noir wine still remaining from the 2013 vintage.

Chardonnay and Cabernet Sauvignon from 2013 remain readily available though we continued to see moderate movement right into this current vintage. Harvest totals will be keenly watched, as early reports of lower volumes now seem closer to average. Given the new plantings in the valley over the past two years, an upward tonnage trend in the future is expected.

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