

WINE INDUSTRY FINANCIAL SYMPOSIUM

November 10, 2021

2021 HARVEST IN REVIEW



CIATTI

GLOBAL WINE & GRAPE BROKERS



CIATTI

GLOBAL WINE & GRAPE BROKERS

26 DEDICATED BROKERS IN 10 COUNTRIES



GLOBALLY BASED TO HELP BUILD YOUR BUSINESS WORLDWIDE

POINTS TO DISCUSS

- ❖ 2021 Crush Update
- ❖ 2021-22 Grape Market
- ❖ Bulk Market
- ❖ Supply/Demand
- ❖ Thoughts



A stylized graphic of an olive branch is positioned behind the text. It features several olive leaves in shades of grey and green, and a cluster of olives in shades of yellow and green. The olives are depicted as simple circles with a small stem and leaf.

CALIFORNIA MARKET

CALIFORNIA MARKET OVERVIEW

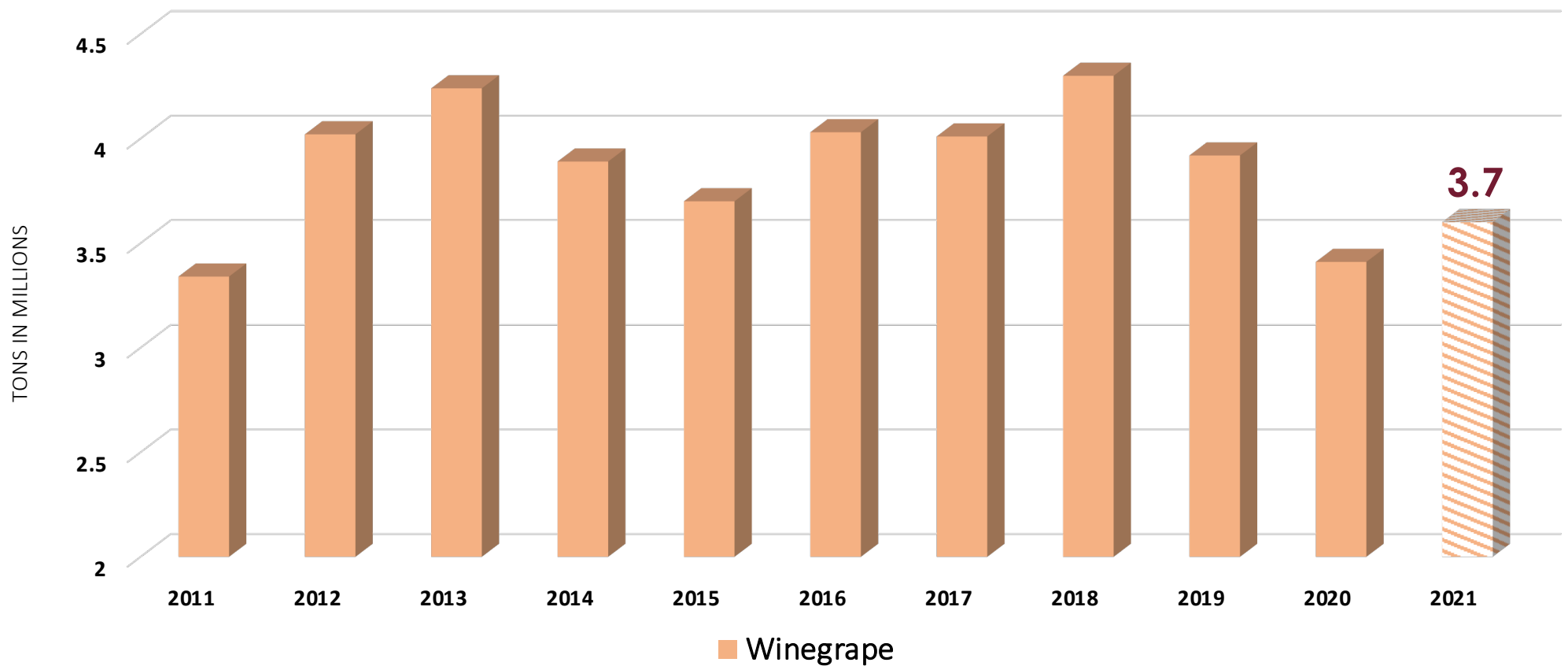
- ❖ Casegood growth has remained relatively flat overall
 - ❖ Off Premise has come back to 2019 levels
 - ❖ On Premise continues to see challenges
 - ❖ Difficult to predict future sales
- ❖ Two small crops 2020 and 2021
 - ❖ Market is Balanced – But Backed into it
 - ❖ Grape Market strengthened with lighter crop – will see early activity for 2022
 - ❖ Bulk Availability Limited - Activity has been relatively quiet but should pick up
- ❖ Challenges will continue
 - ❖ Increased Costs – Decreased Margins and Revenue
 - ❖ Limits remain given the continued uncertainties



2021 CRUSH

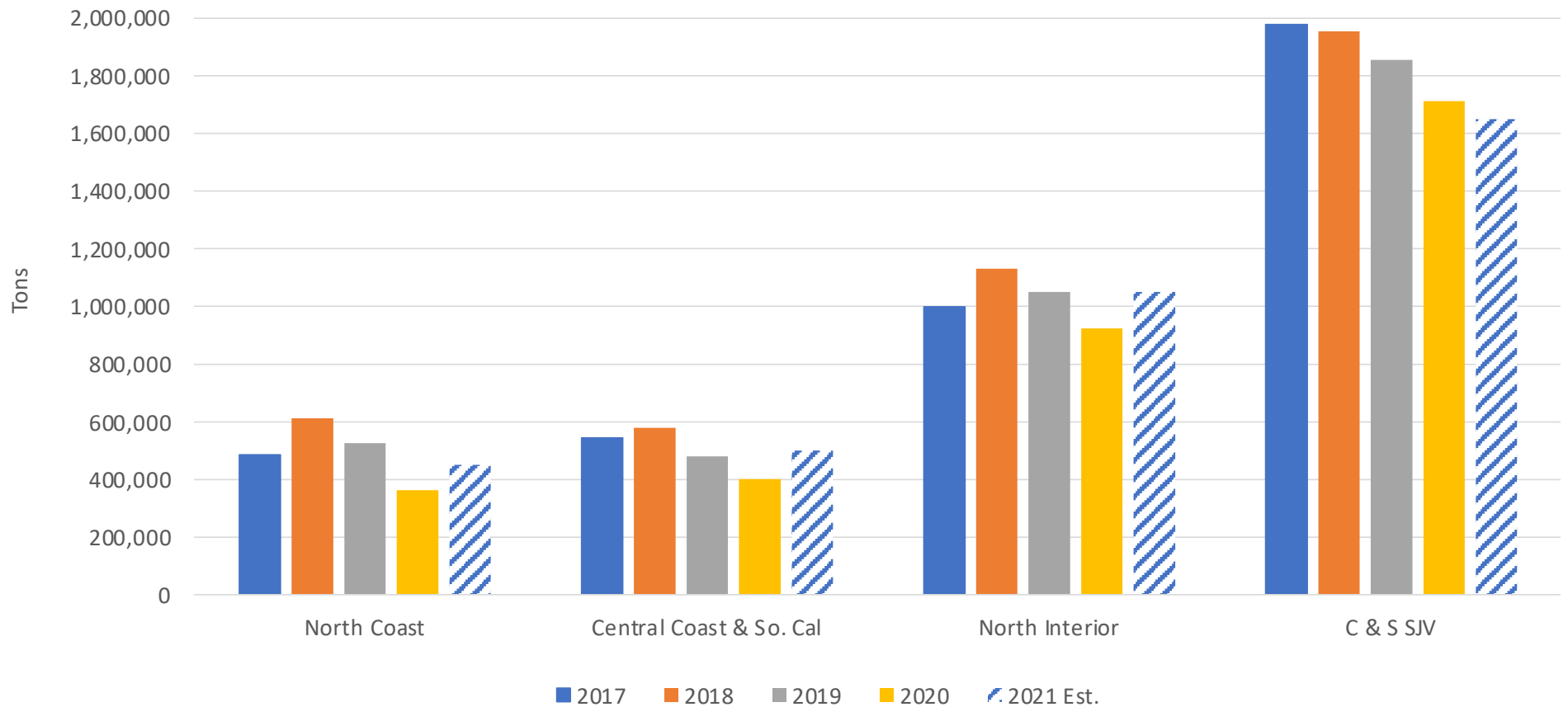
CALIFORNIA

STATEWIDE GRAPE CRUSH

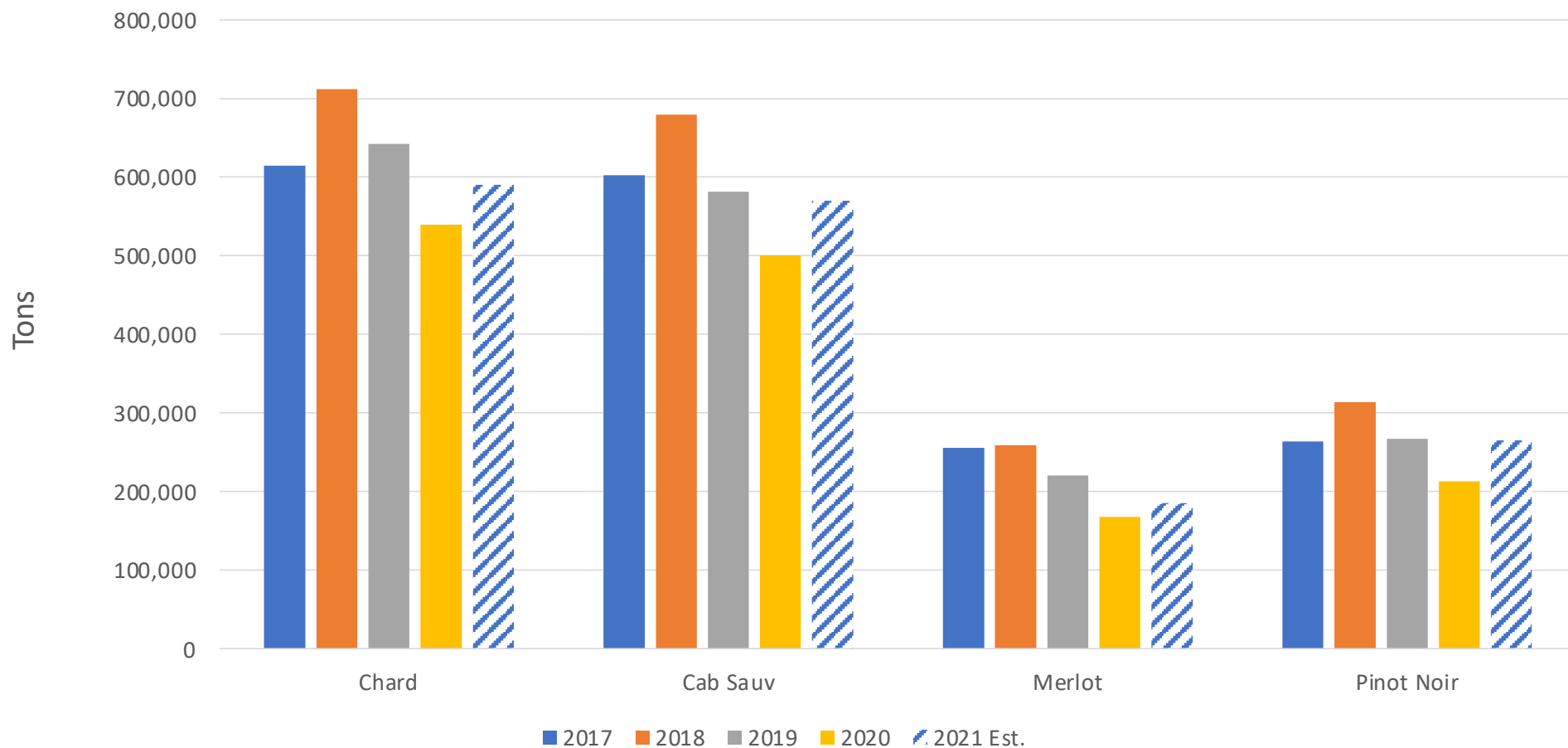


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STATE REGIONAL TOTAL TONS



STATE TONNAGE TOTAL BY VARIETY





REGIONAL REVIEW

NORTH COAST

- HARVEST

- CROP LIGHT – ESP MENDO/LAKE

- Mendo/Lake: - 30% - 40%

- Sonoma/Napa: - 15% - 20%

- EARLY AND COMPACTED

- DROUGHT/SPRING WEATHER IMPACTS

- EXCELLENT QUALITY

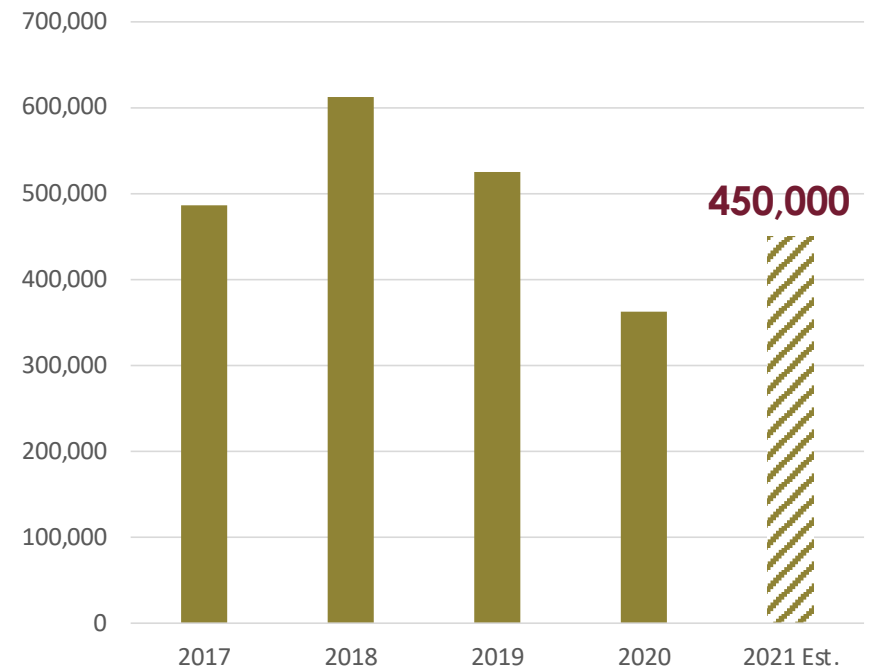
- MARKET

- BUYING ACTIVITY INCREASED THRU SEASON

- CS SAW LIMITED BUYING ACTIVITY IN CERTAIN AREAS

- SB MARKET CHANGED QUICKLY

- WINERIES NO LONGER SELLERS



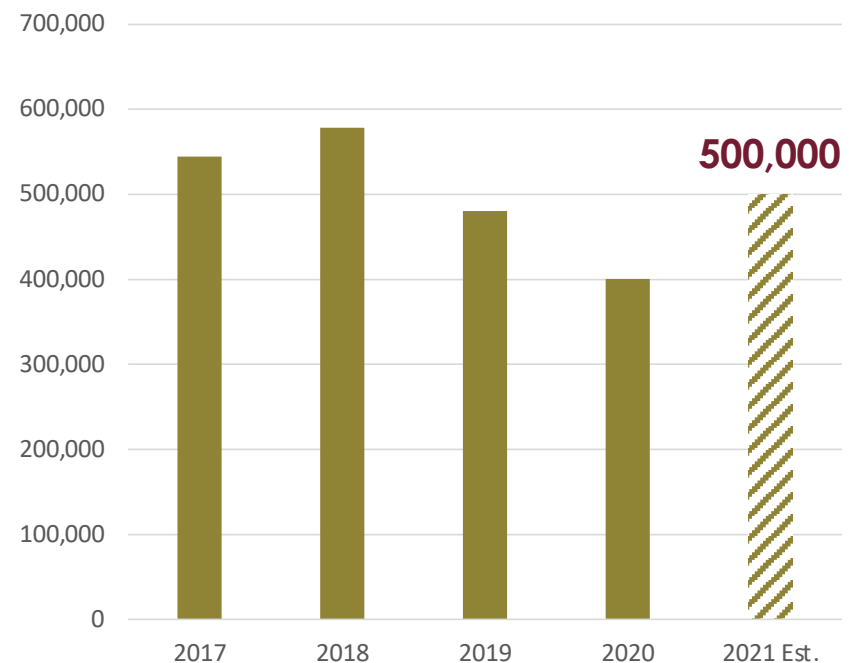
CENTRAL COAST

- HARVEST

- MUCH LATER THAN REST OF STATE
- NORMAL CROP THOUGH APPEARED BIGGER
 - CROP: -5%
- DIFFICULT REACHING SOME MATURITIES

- MARKET

- ACTIVITY PICKED UP AS YEAR PROGRESSED
- AVAILABILITY OF CH & PN
- BUYERS MOVED FROM OTHER SHORT AREAS



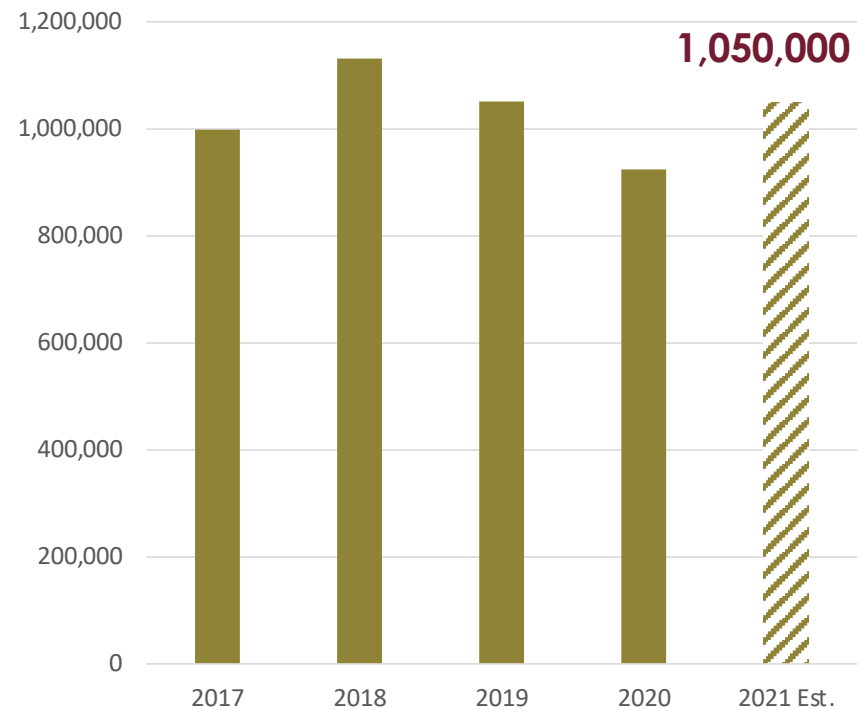
NORTHERN INTERIOR

- HARVEST

- EARLY AND AVERAGE CROP SIZE
- WINTER DAMAGE AFFECTED CROP
- COMPACTED CRUSH – VARIETY OVERLAP
- TRUCKING AND RESOURCE CHALLENGES

- MARKET

- LIMITED AVAILABLE GRAPES
- TIGHT MARKET THROUGHOUT
- PRICES UP IN GENERAL
- COASTAL BUYER INTEREST



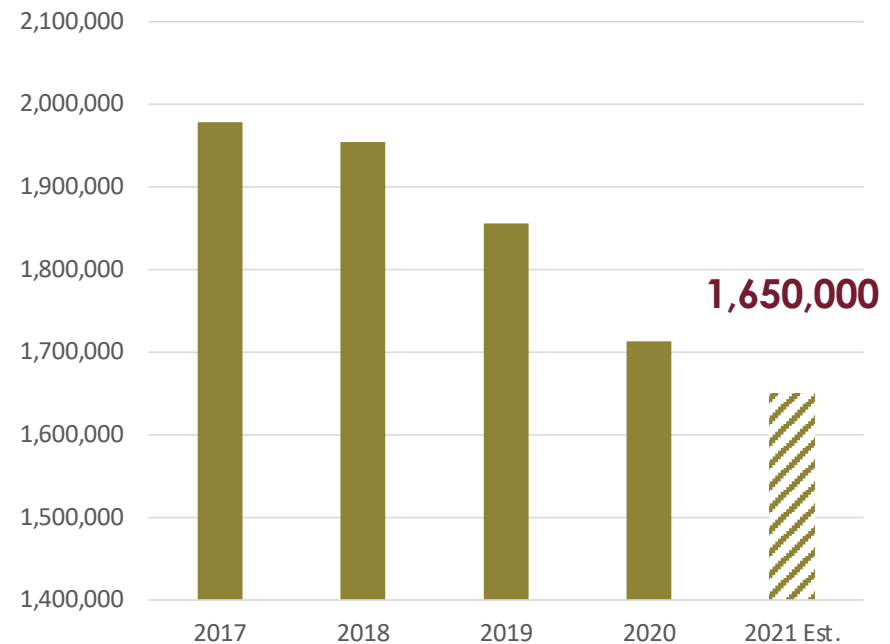
SOUTHERN INTERIOR

- HARVEST

- EARLY AND LIGHT
 - CROP: -12% – 16%
- WINTER DAMAGE AFFECTED CROP
- UNEVEN EARLY GROWTH
- COMPRESSED

- MARKET

- LIMITED AVAILABLE GRAPES
- GENERIC DEMAND – SOME PLANTING
- REMOVALS ARE MAKING AN IMPACT





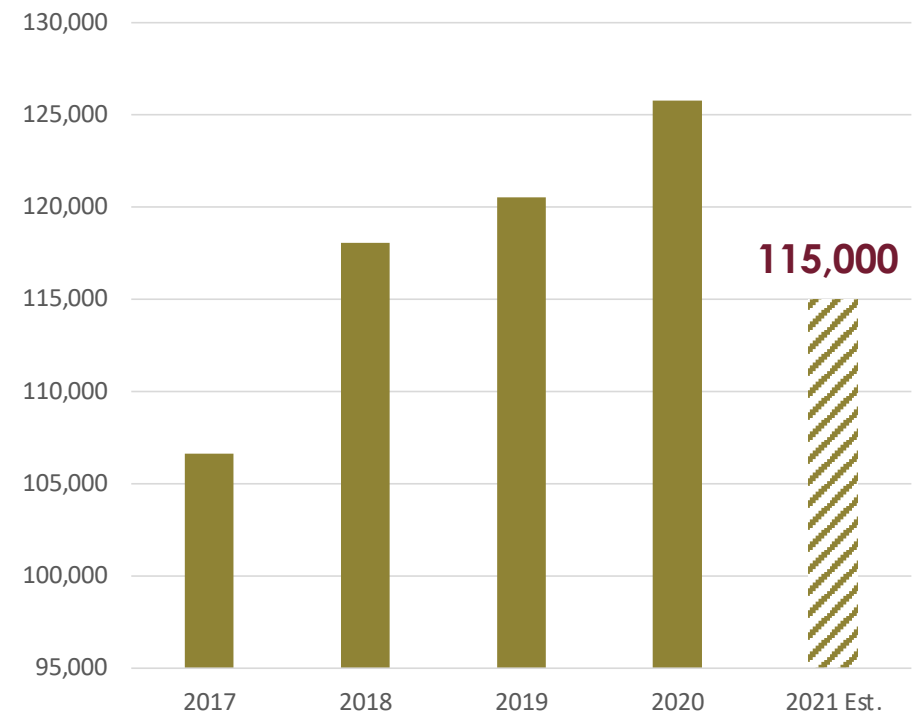
GRAPE MARKET

2021 GRAPE MARKET

- ❖ Strong Buying activity in the Central Valley
- ❖ Coastal Regions activity improved as year progressed – activity remained weaker than rest of California
 - ❖ More Grapes Uncommitted
- ❖ No late spot grape market like we saw 2018 – 2020
 - ❖ Growers willing to make wine if the price was not there
- ❖ Price especially on the Coast was below where growers would like it – but an improvement
 - ❖ Revenue below expectations last two years
- ❖ No smoke issues, and harvest weather challenges

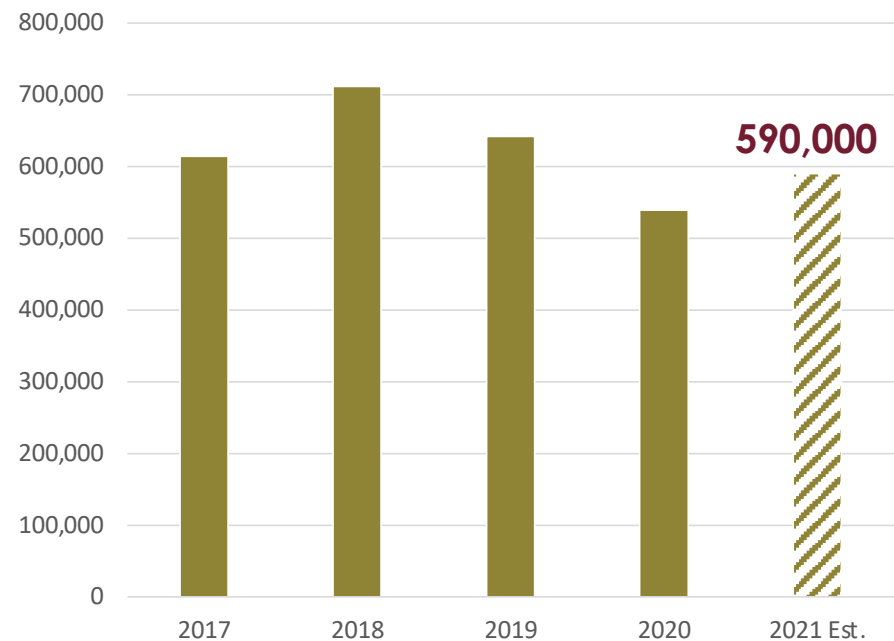
SAUVIGNON BLANC

- ❖ Most in-demand variety last year
- ❖ Extremely light in Mendo and Lake
- ❖ Expect to see early 2022 activity and planting contracts
- ❖ Narrower market
- ❖ Casegood sales are growing
- ❖ Limited plantings in Central Valley – will that change?



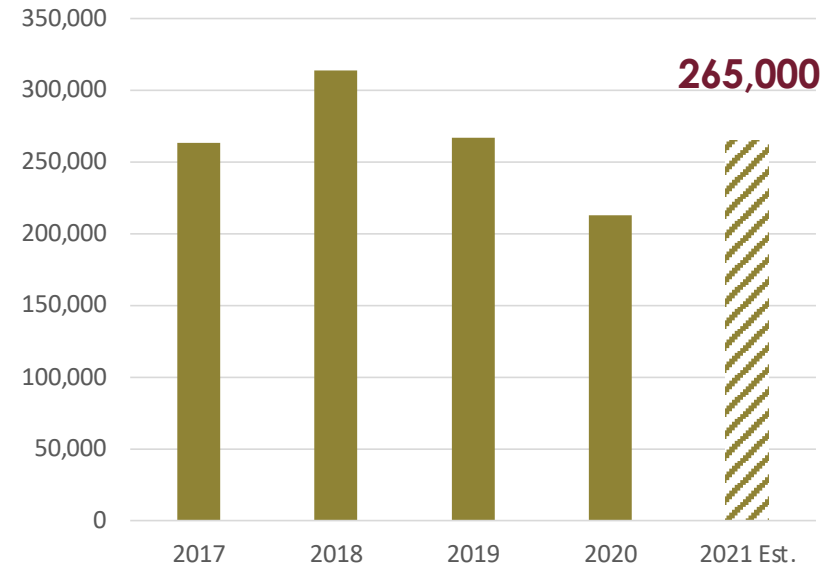
CHARDONNAY

- ❖ Slow market last few years
- ❖ Tightening in most areas this year
- ❖ Limited new acres planted in state
- ❖ Potentially see new acres going into the ground



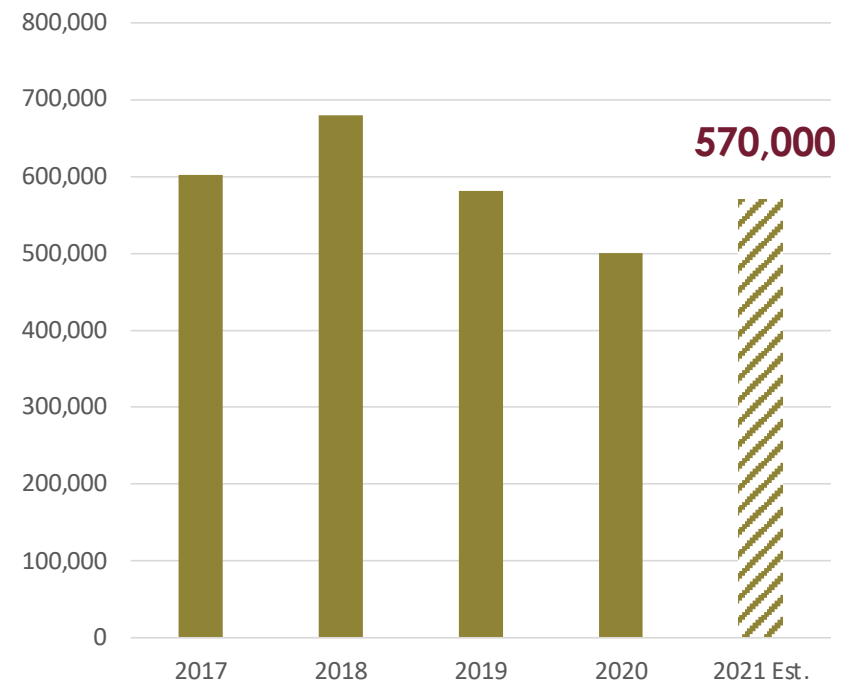
PINOT NOIR

- ❖ Relatively slow market
- ❖ Some grape market availability late in the year
- ❖ Potential pressure on coastal PN as some brands migrate to California
- ❖ Questions remain on how strong demand will be



CABERNET SAUVIGNON

- ❖ Very active market in Central Valley and pricing has been strong
- ❖ Grape availability late in the year in lake and Paso
- ❖ Coastal supply is competing with California
- ❖ Most new acres have come into production



2022 GRAPE MARKET

- ❖ Should see much earlier activity in the Coastal Regions and continued strong demand in the Valley
 - ❖ Short 2020 Crop and 2021 Crop
- ❖ Buyers that signed one year deals last year may look for longer terms
- ❖ Central Valley may continue to be tight and see more planting contracts being offered
 - ❖ Buyer limits on what they can pay, while growers are concerned about rising costs labor and replanting
- ❖ Now may be a time for growers to secure pricing and term. Though we think pricing will still be limited given the unknowns
- ❖ If we do get rain – how big will the 2022 crop be? Is 3.4 – 3.6 the new normal? How will the market react to a 4.2 M ton crop?



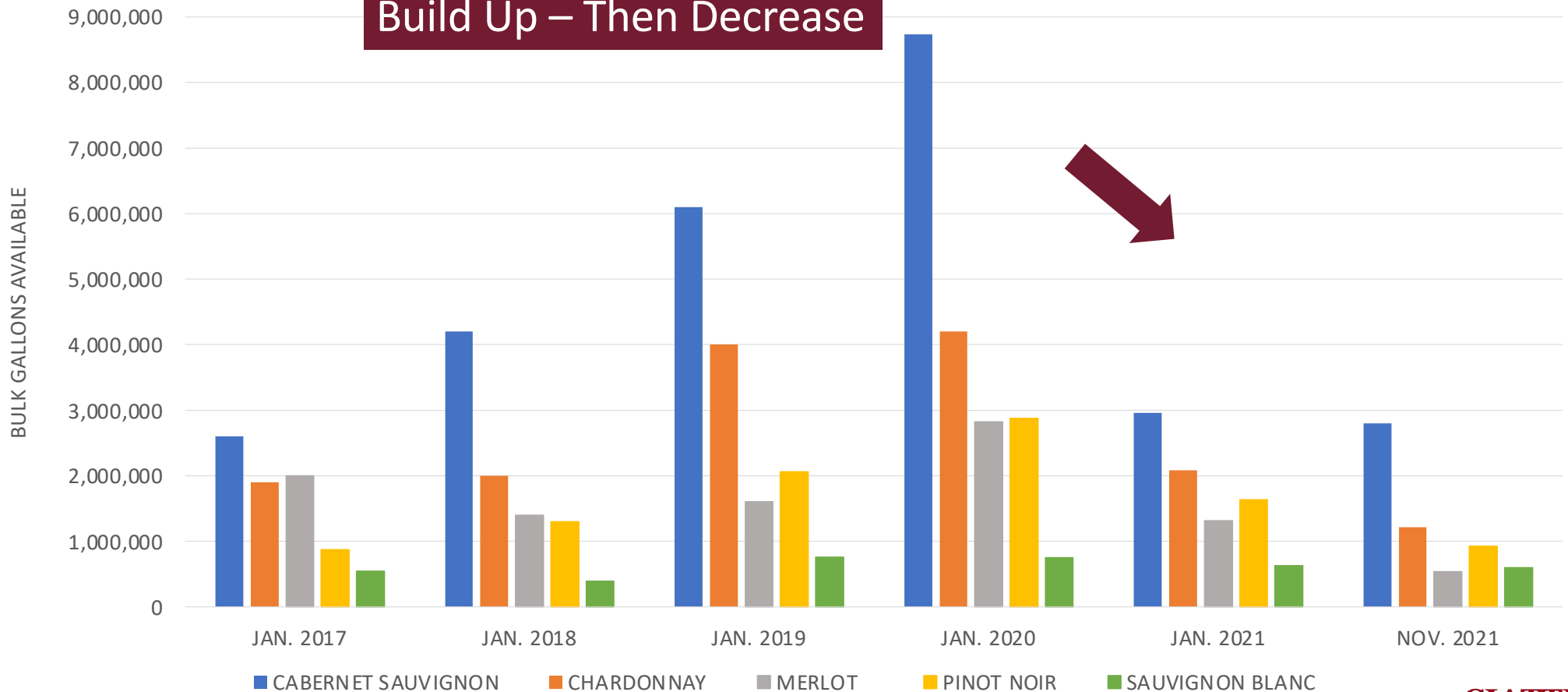
BULK MARKET

CALIFORNIA BULK MARKET

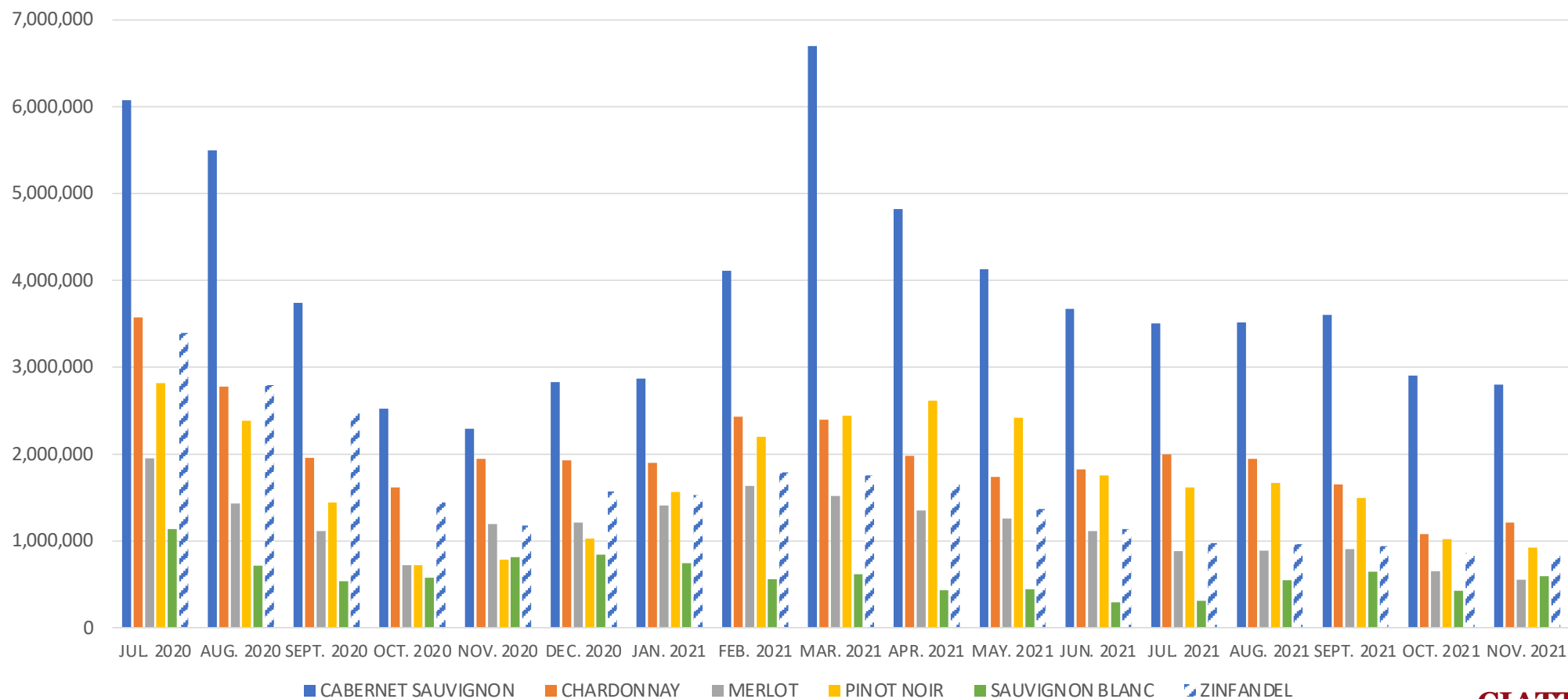
- ❖ Bulk market has slowed from the dynamics we saw after last harvest
 - ❖ Balanced position, especially for the Valley
 - ❖ Buyers relatively quiet – as they try to understand 2021 yields and their future sales projections
 - ❖ May see renewed demand as season progresses – questions remain on price limits
- ❖ Bulk pricing and inventory trends
 - ❖ Inventories are relatively light – but there are larger inventories on the Coast vs the Interior which is unusual
 - ❖ Prices have increased especially in the interior and has limited activity to some degree
 - ❖ Inventory remains of 2020 wines – especially Central Coast CS and PN
- ❖ Potential Concerns
 - ❖ Coastal Supply may continue to spill into California Demand – as Premium California Appellations grow, and prices merge closer
 - ❖ Wineries are taking price up on some of their brands to maintain margin, also concerns about sales
 - ❖ Wineries could cough-up supply back onto the market

CALIFORNIA BULK WINE INVENTORY

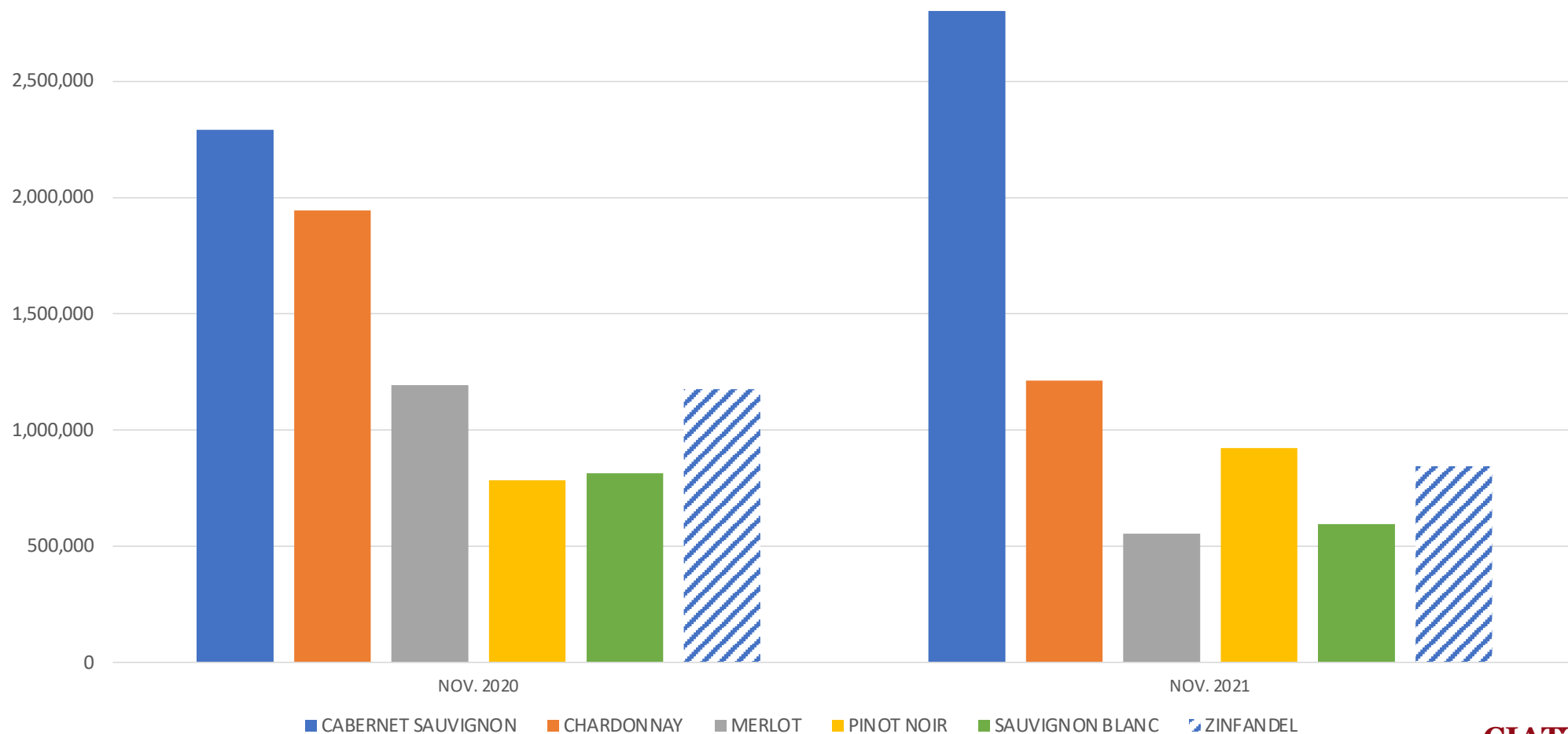
Build Up – Then Decrease



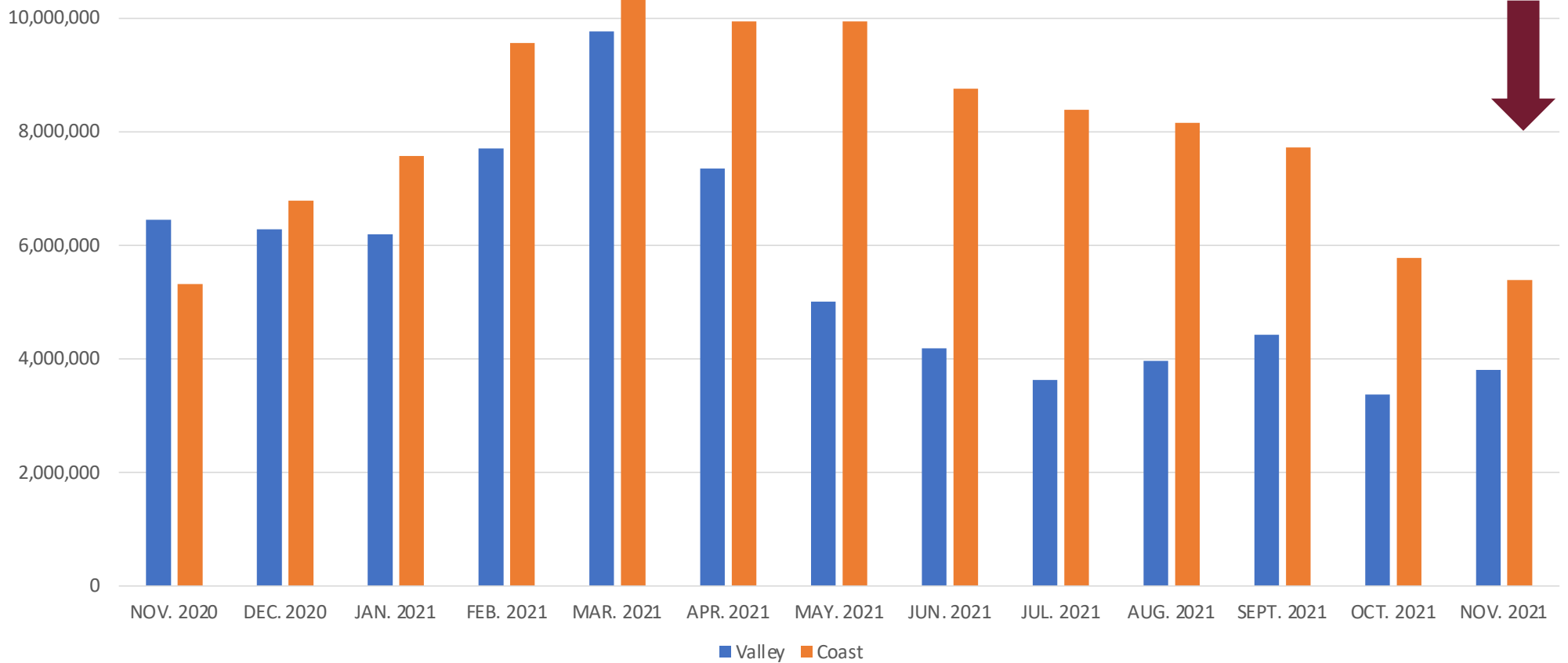
CALIFORNIA BULK WINE INVENTORY JUL. 2020 – NOV. 2021



CALIFORNIA BULK WINE INVENTORY NOV. 2020; NOV. 2021

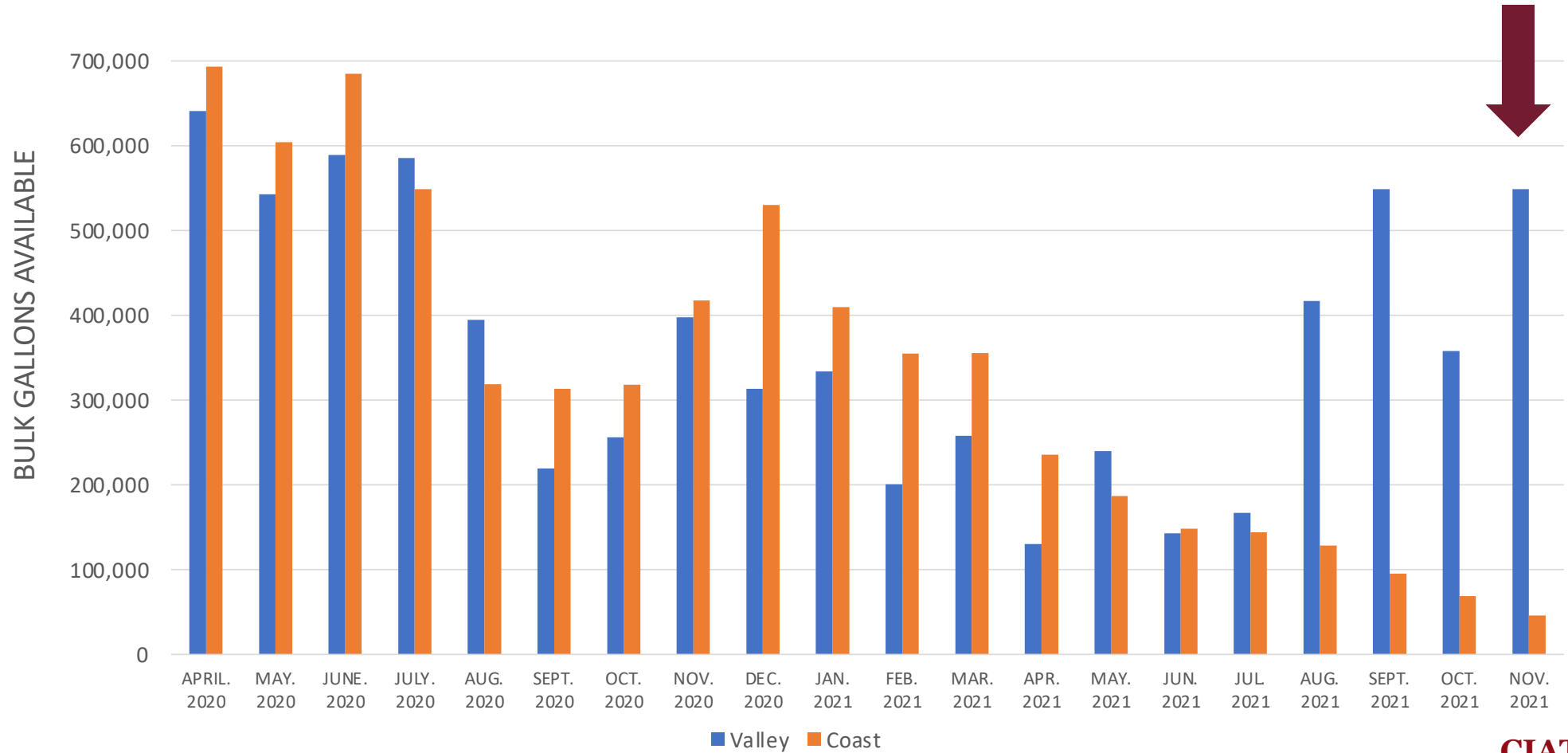


VALLEY & COASTAL



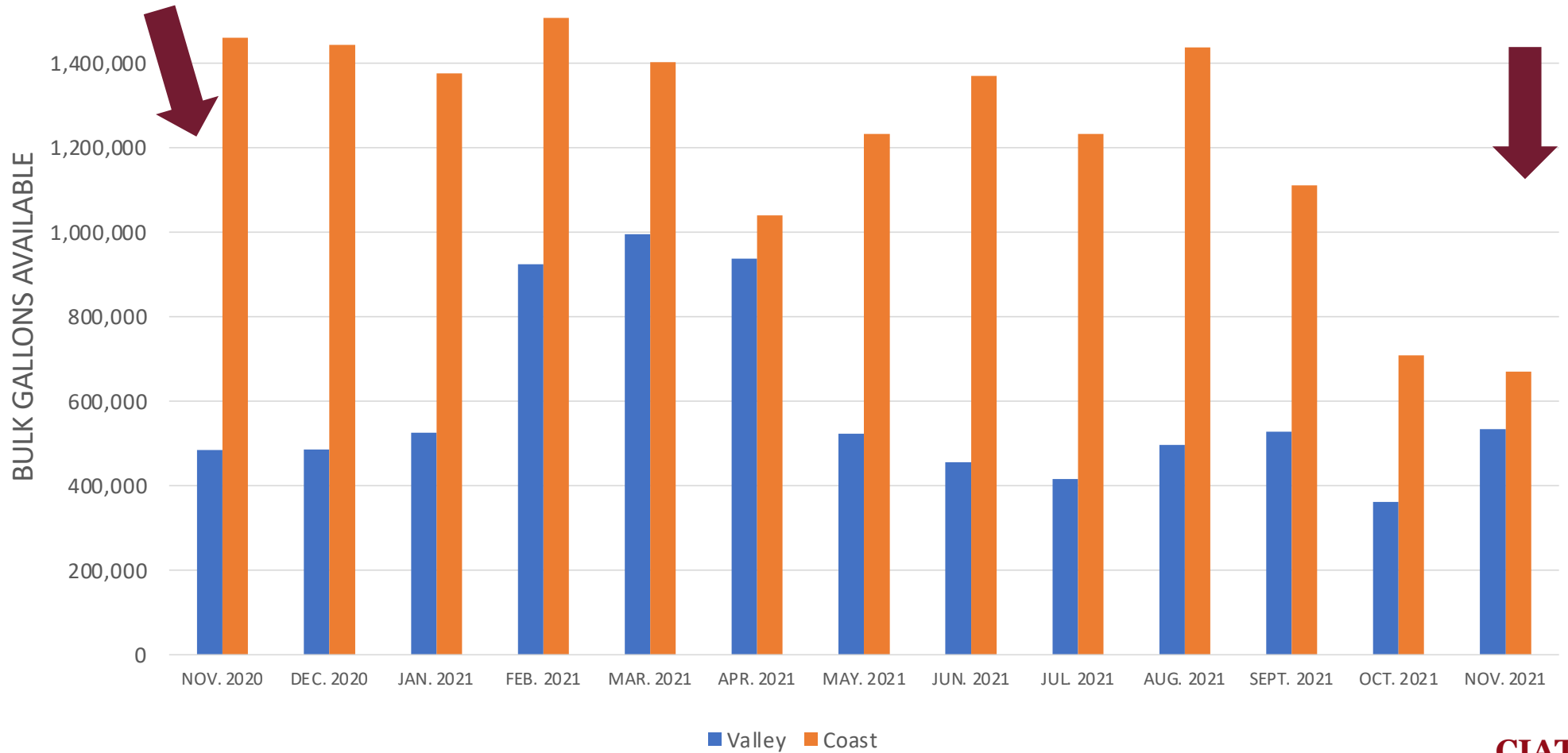
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SAUVIGNON BLANC



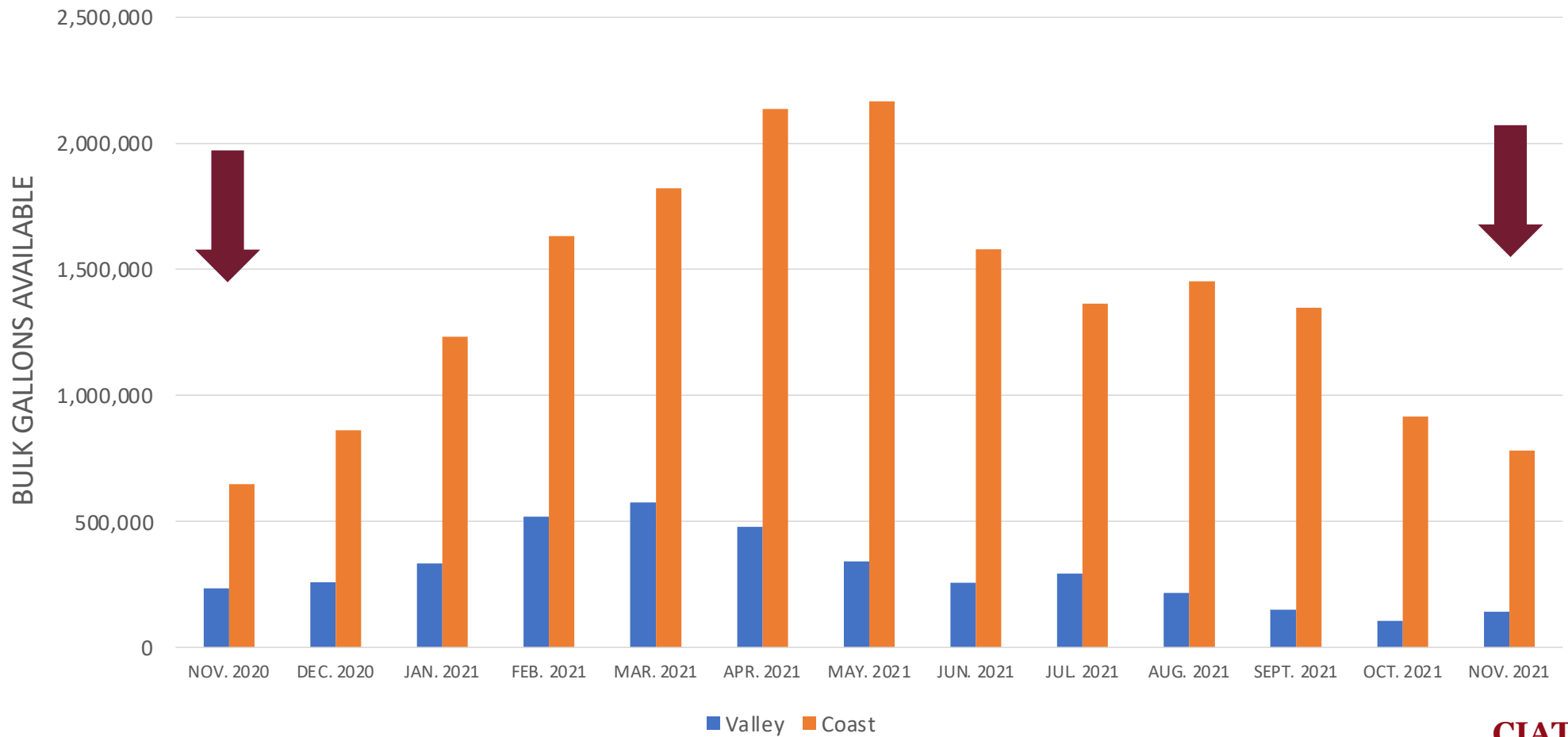
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CHARDONNAY



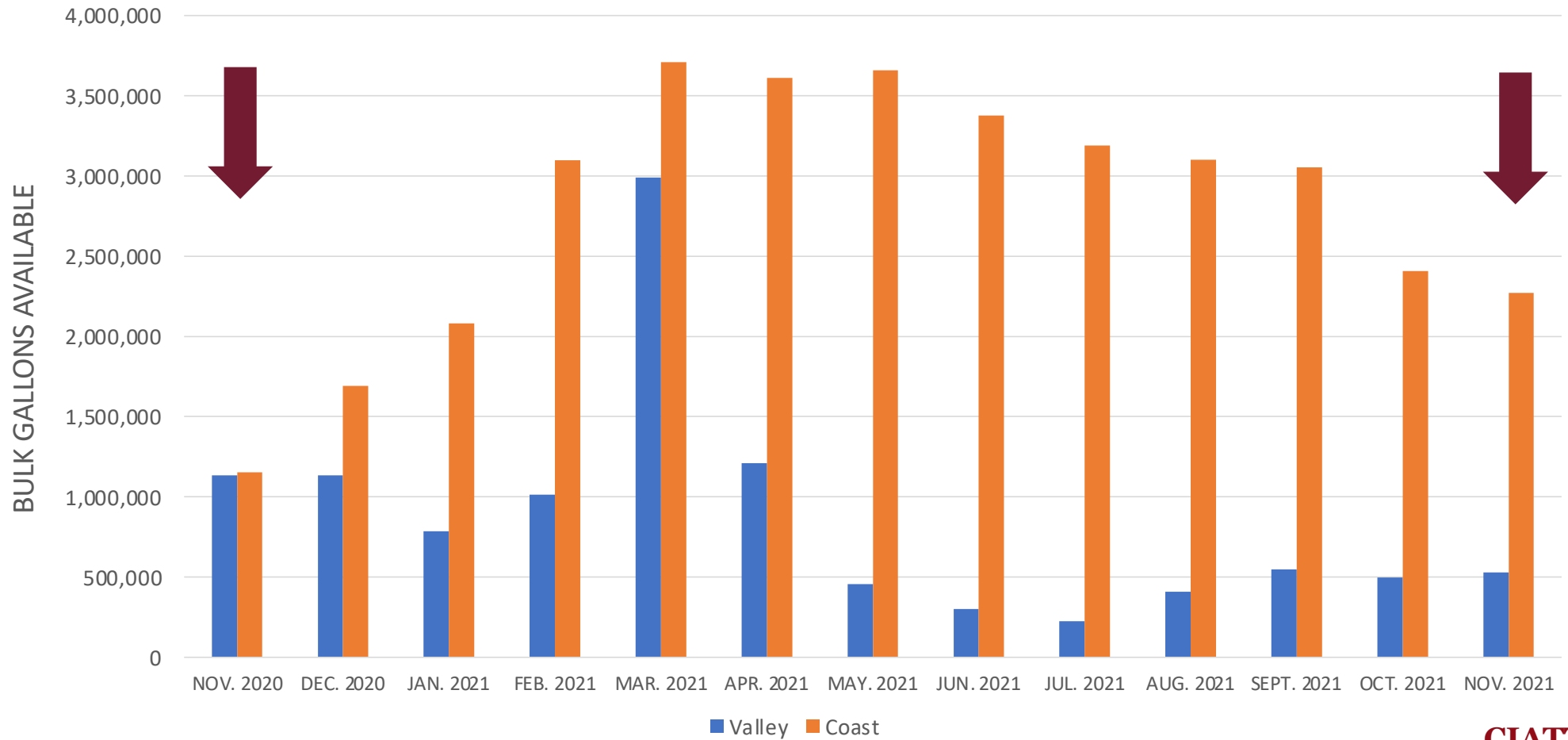
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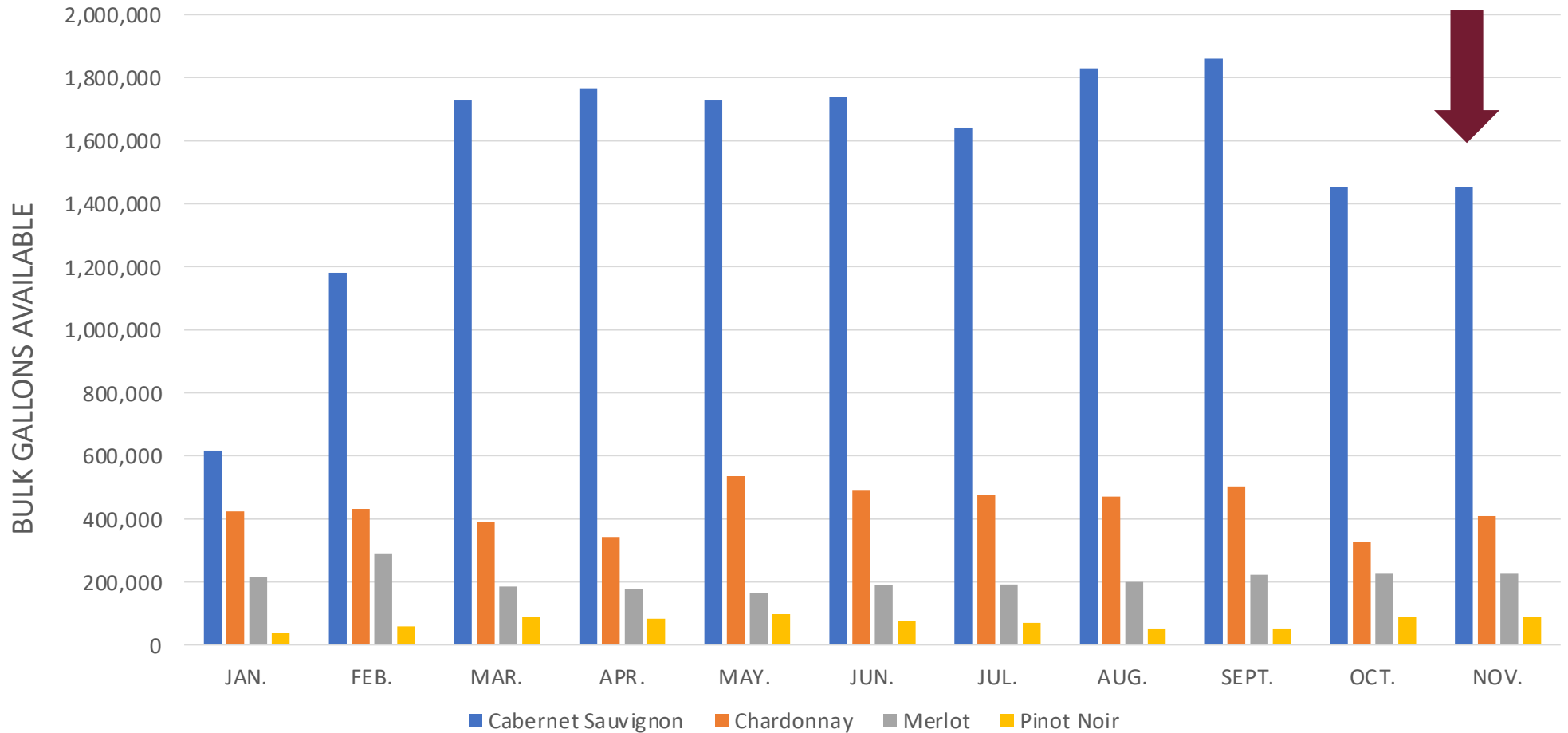
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CABERNET SAUVIGNON



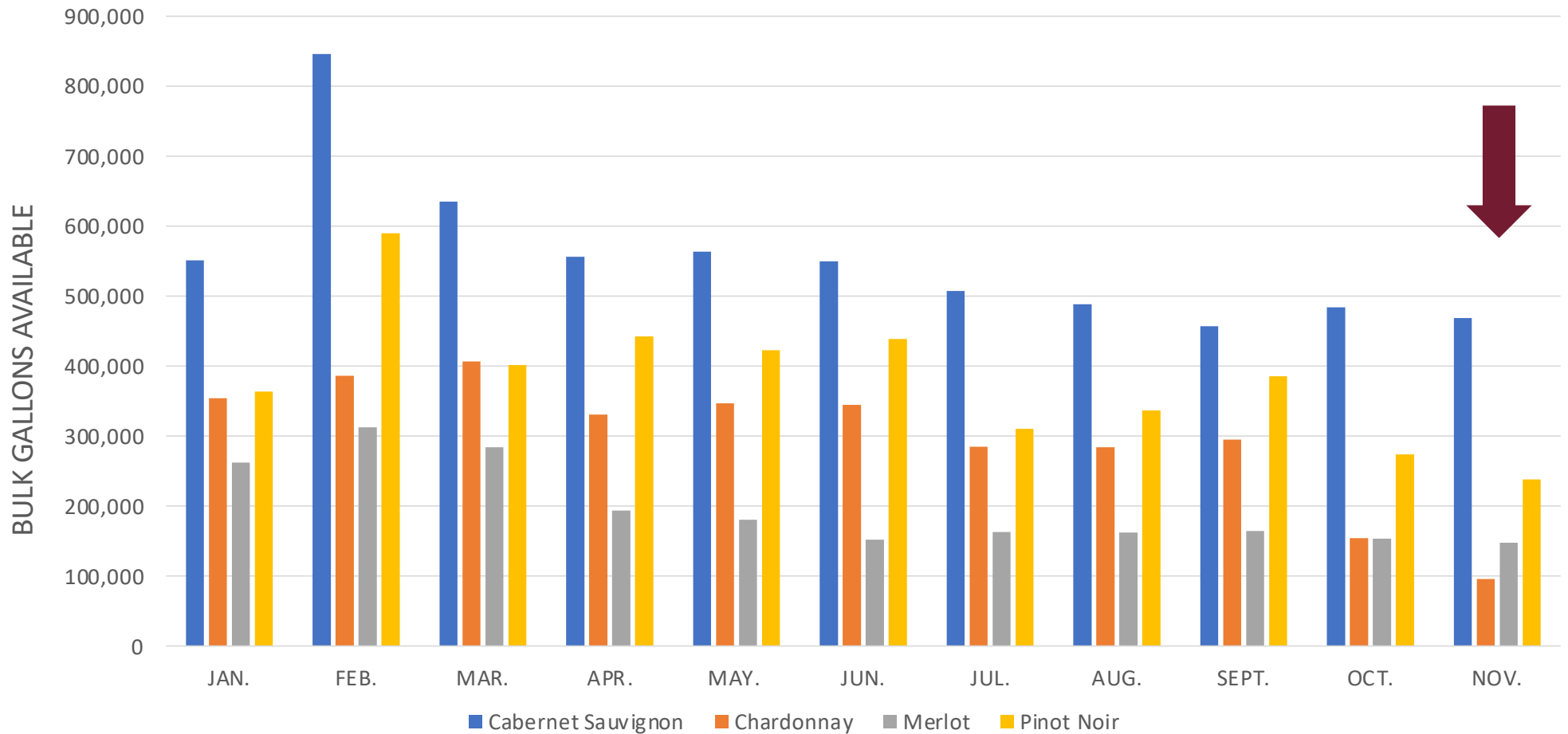
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LAKE AND MENDOCINO COUNTIES JAN 2021 - NOV 2021



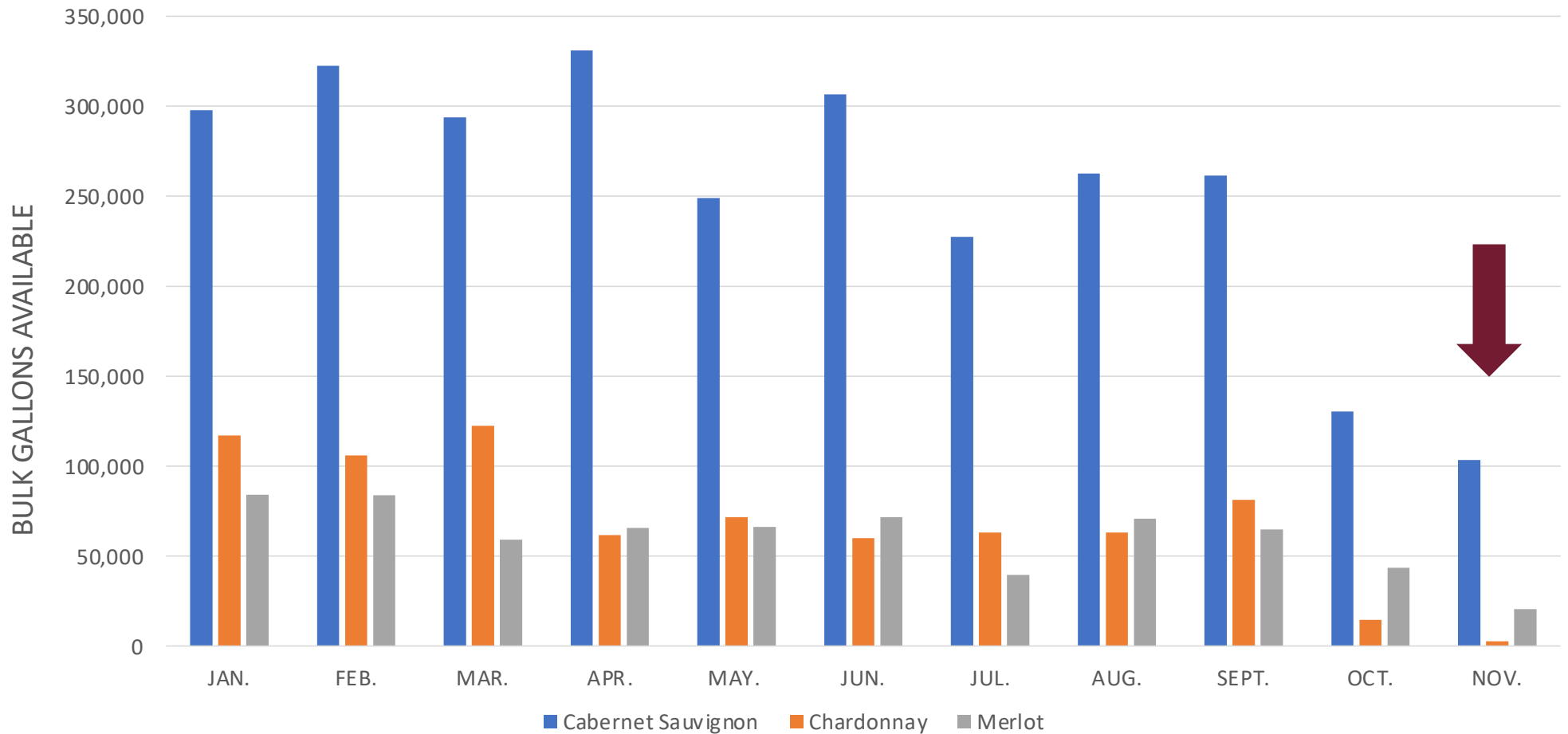
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SONOMA COUNTY JAN 2021 - NOV 2021



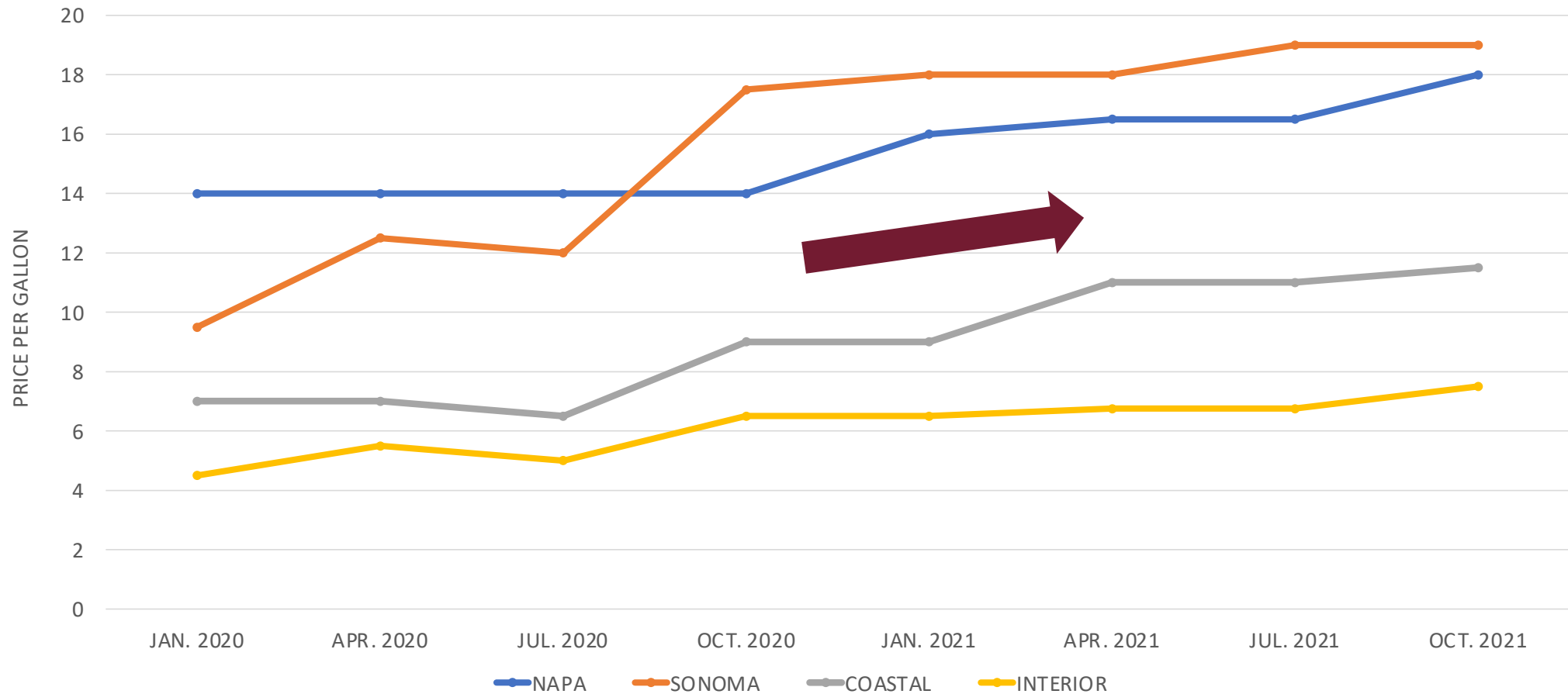
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NAPA COUNTY JAN 2021 - NOV 2021

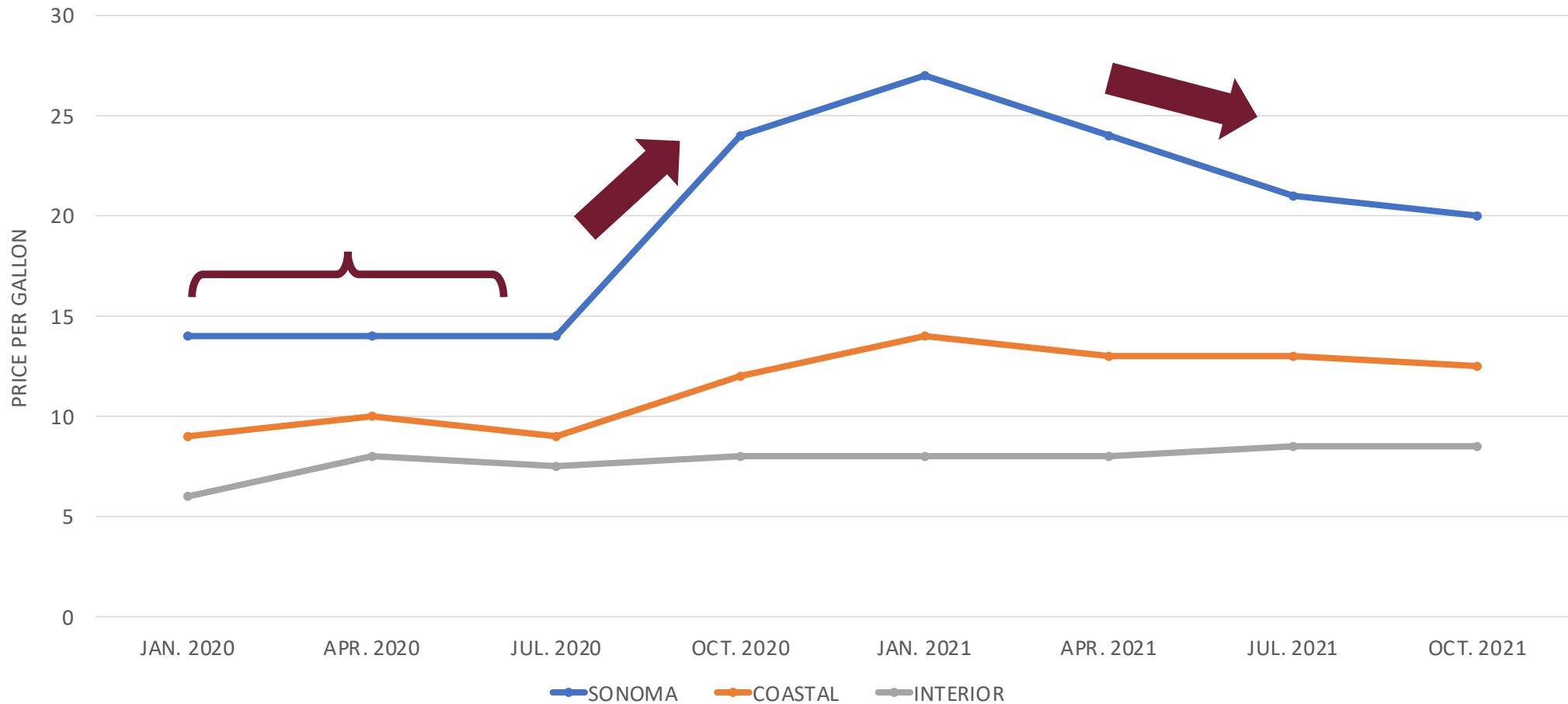


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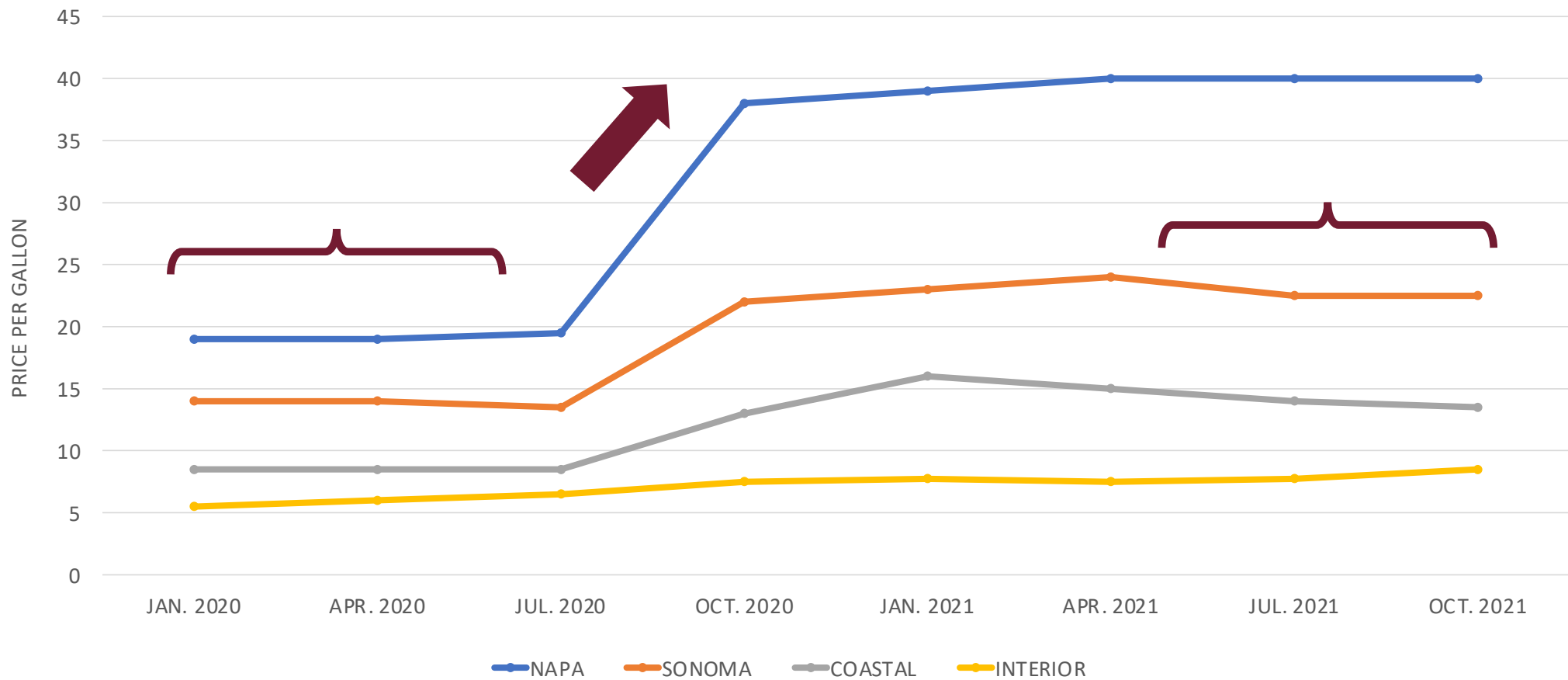
CHARDONNAY BULK PRICING



PINOT NOIR BULK PRICING



CABERNET SAUVIGNON BULK PRICING

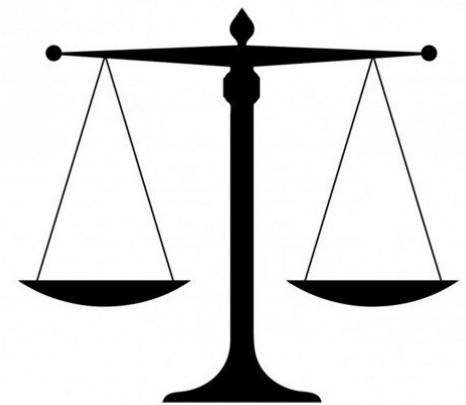




THOUGHTS

CALIFORNIA SUPPLY DEMAND BALANCE

- ❖ Overall Market is balanced
 - ❖ Bulk Wine “Hesitant” - could improve with confidence in sales expectations
 - ❖ Expected early season 2022 Grape Activity
- ❖ Balance Achieved by 2020/2021 Supply Adjustment
 - ❖ Supply Adjustment vs Demand Growth
- ❖ Questions:
 - ❖ Casegood sales moving forward??
 - ❖ Unexpected Inventory hitting market
 - ❖ Rain/Crop Size – 2022?

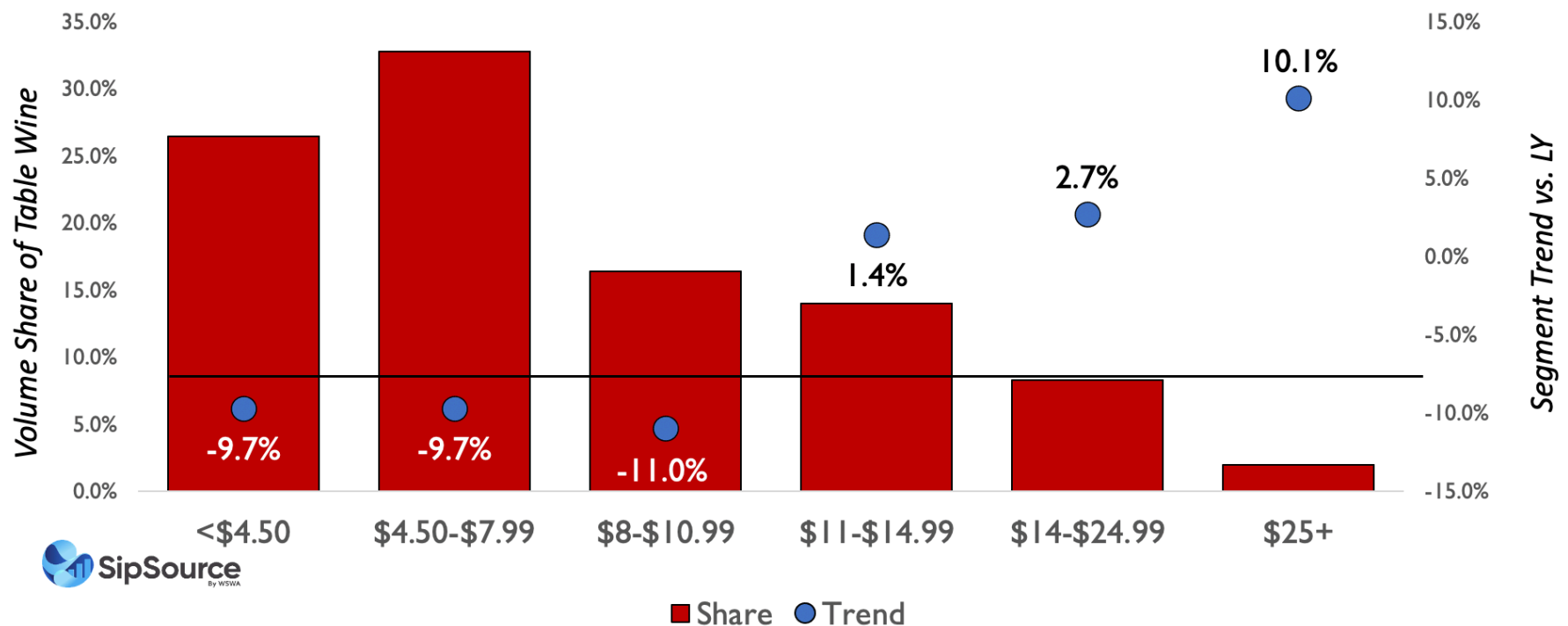


OBSERVATIONS

- ❖ Revenue challenges – Margin Squeeze
 - ❖ Growers/Wineries: Light crops, lower pricing, costs rising, disasters, changing sales channels, retail pressure
- ❖ Industry delaying capital investments
- ❖ Wineries repositioning brands - bottle pricing up to hold margin, lowering sales projections
- ❖ Erosion of Appellated Brands by growth of Premium Calif Market
 - ❖ New brands not filling supply void

Table Wine Sales — Sip Source, Danny Brager

TABLE WINE: \$25+ LEADS THE WAY; <\$11 VERY SOFT



12 Month Rolling Sept 2021 Ending

**“Forecasting
is very
difficult,
especially
about the
future.”**

Mark Twain



FINAL THOUGHT

Innovation and Adaptability will
continue to be important - be willing to
change



THANK YOU

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