

CENTRAL COAST

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Bulk Wine & Grape Market Update

Todd Azevedo





# CIATTI

GLOBAL WINE & GRAPE BROKERS

## 26 DEDICATED BROKERS IN 10 COUNTRIES



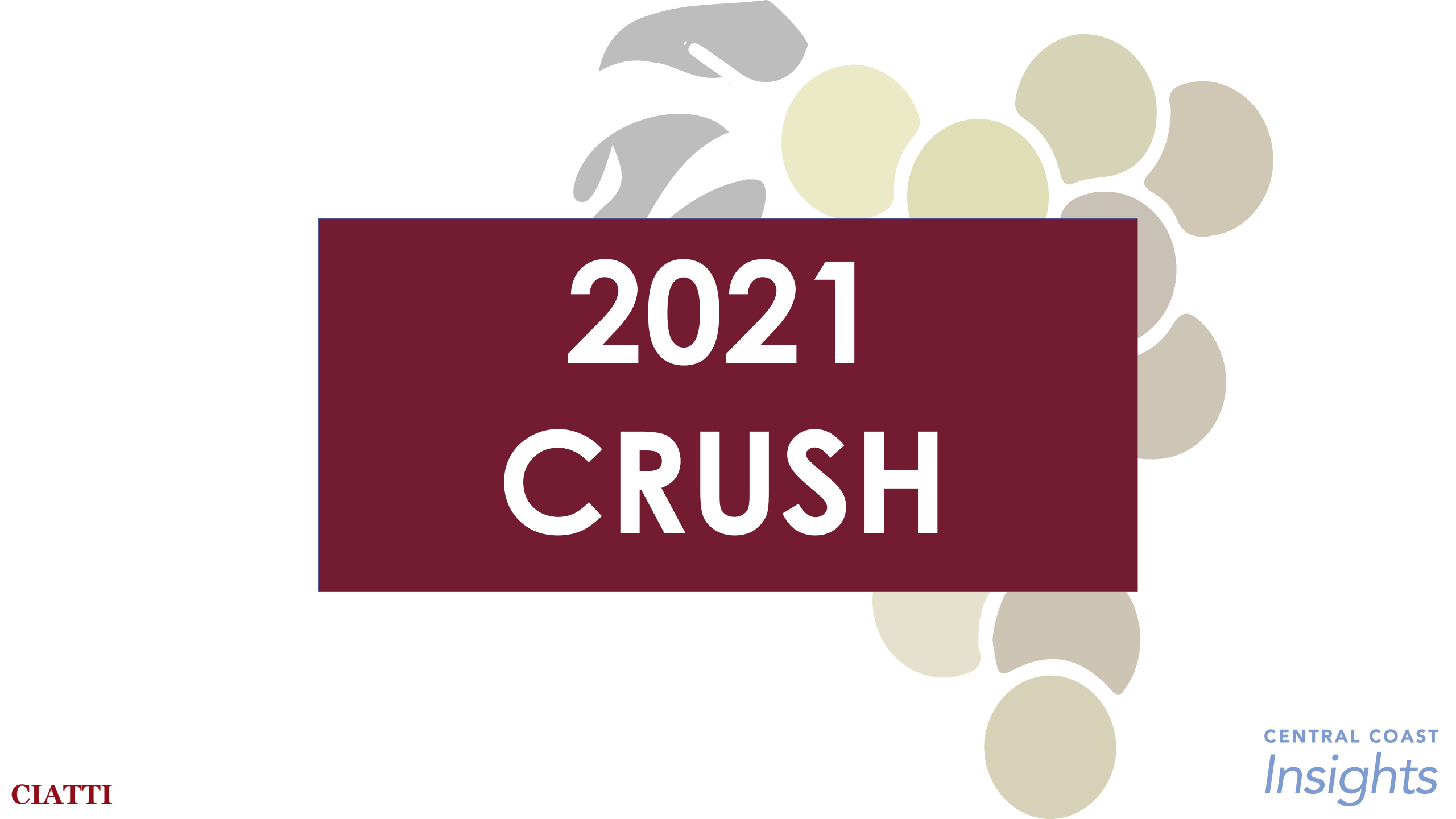
**GLOBALLY BASED TO HELP BUILD YOUR BUSINESS WORLDWIDE**

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# POINTS TO DISCUSS

- ❖ 2021 Crush Review
- ❖ 2022 Grape Market
- ❖ Central Coast Bulk Market
- ❖ Supply/Demand

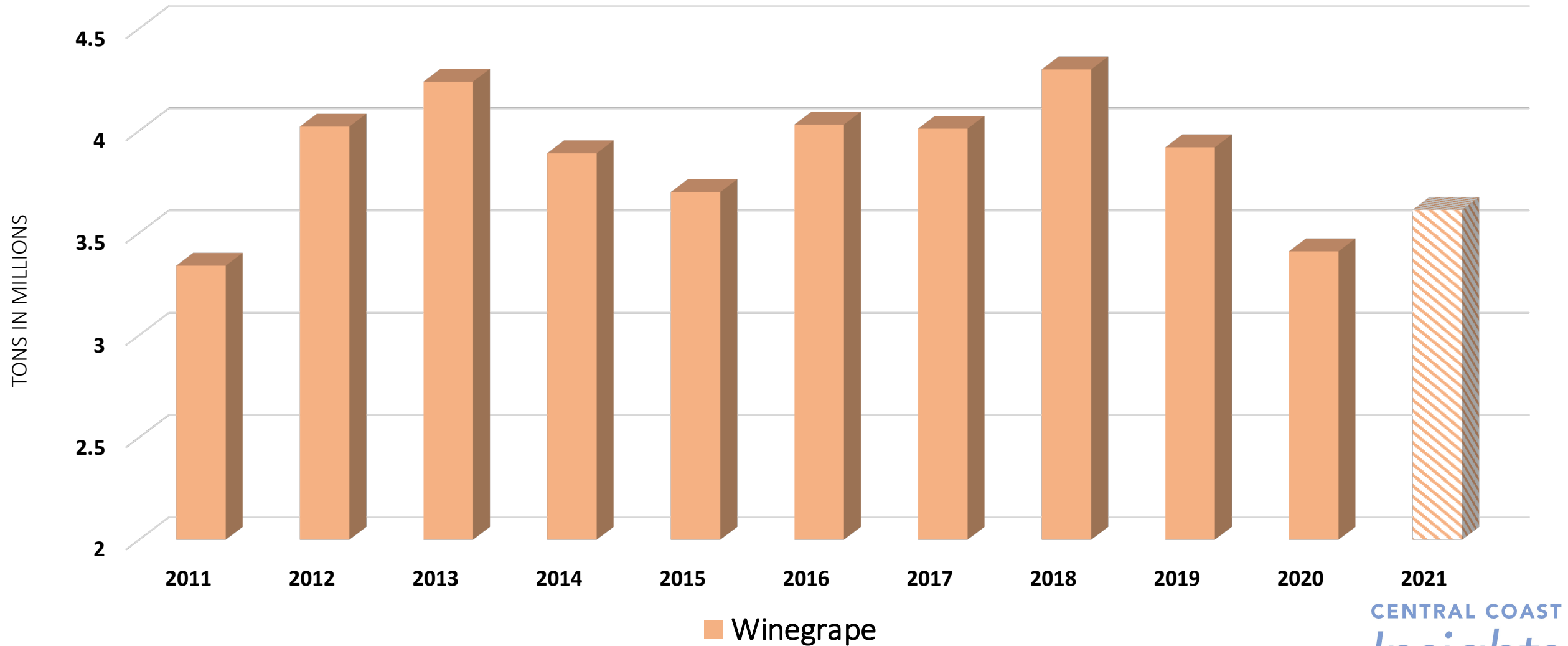




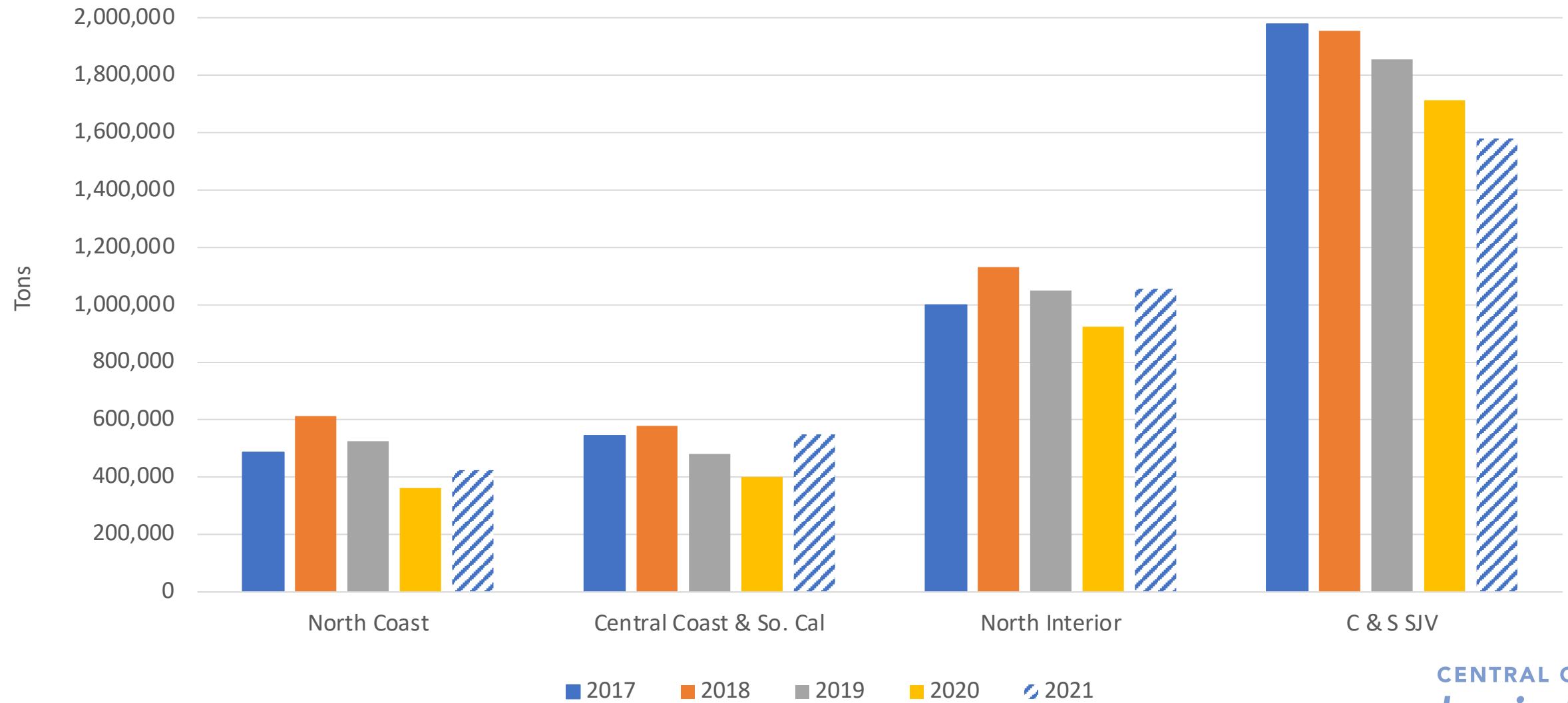
# 2021 CRUSH

# CALIFORNIA

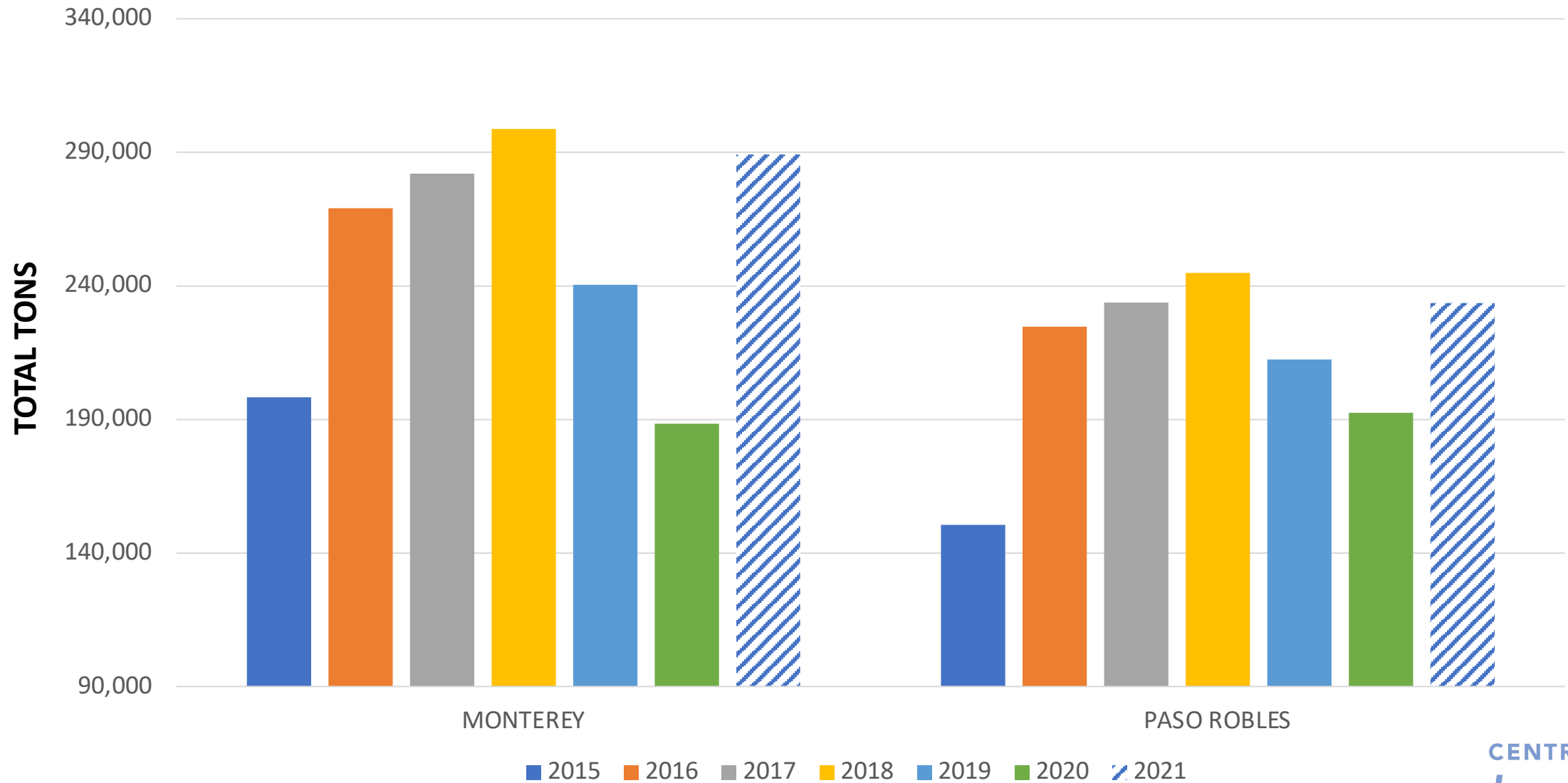
## STATEWIDE GRAPE CRUSH



# STATE REGIONAL TOTAL TONS



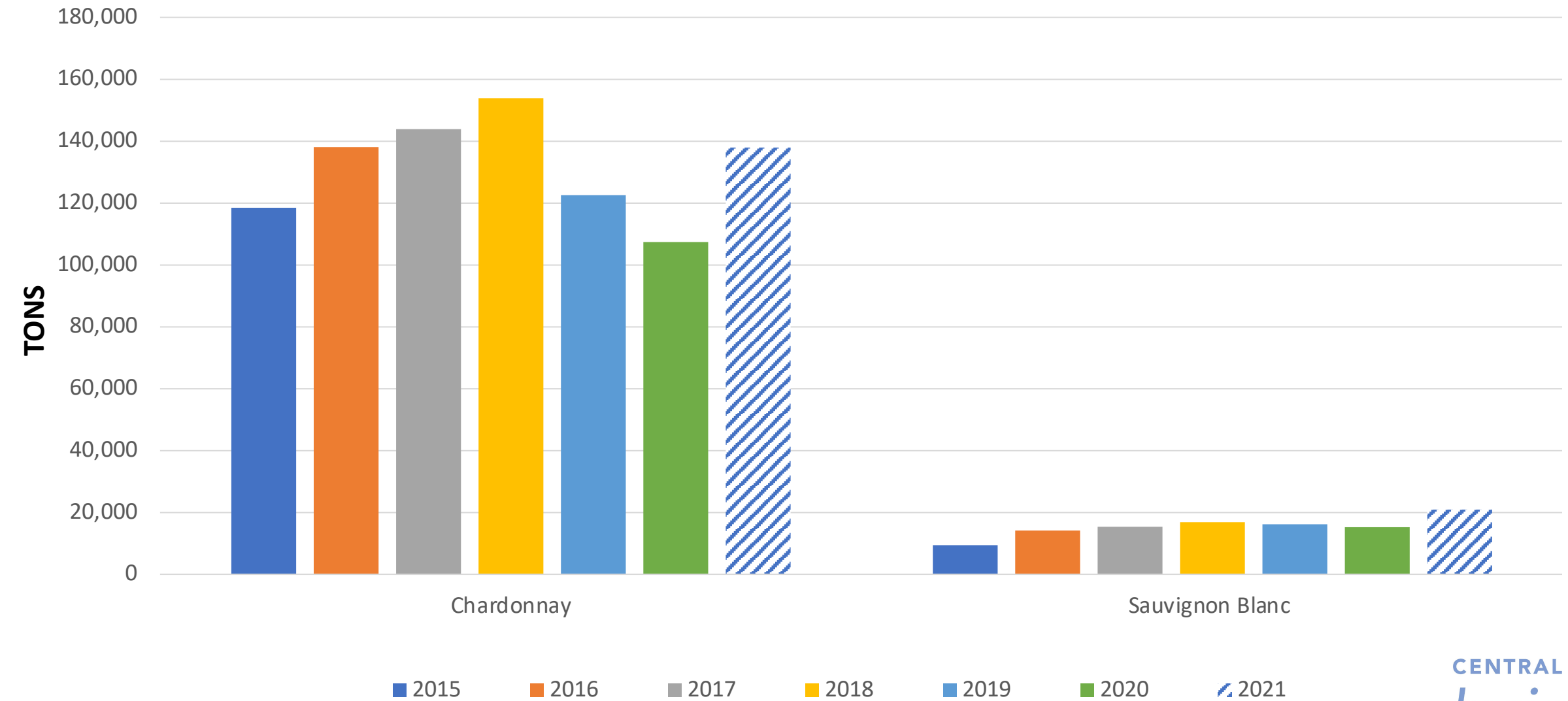
# MONTEREY & PASO TOTAL TONS 2015 – 2021





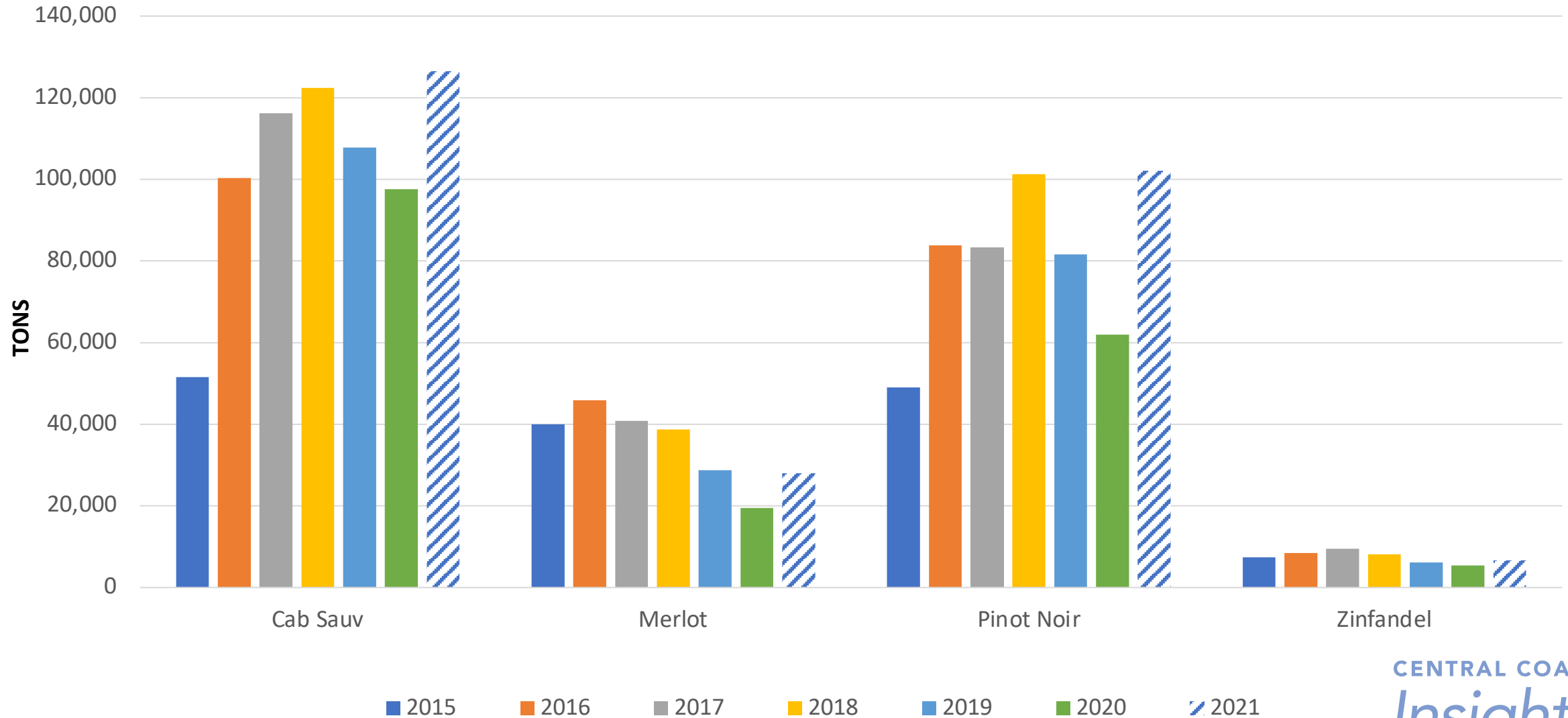
# MONTEREY & PASO WHITE GRAPE TONNAGES

## 2015 – 2021



# MONTEREY & PASO RED GRAPE TONNAGES

## 2015 – 2021



# DISTRICT 7 & 8 STATE RESULTS

State Totals	2020	2021	%Chg	2020	2021	%Chg
Total Wine	380,860.70	526,654.20	38.3%	\$2,696	\$3,002	11.4%
Total Red	230,341.40	333,651.00	44.9%	\$2,892	\$3,196	10.5%
Total White	150,519.30	193,003.20	28.2%	\$2,333	\$2,657	13.9%
Chardonnay	107,353.90	138,891.60	29.4%	\$2,341	\$2,700	15.4%
Sauvignon Blanc	15,253.20	21,092.30	38.3%	\$2,432	\$2,809	15.5%
Cabernet Sauvignon	97,640.00	127,359.80	30.4%	\$2,355	\$2,870	21.9%
Merlot	19,446.90	28,109.00	44.5%	\$2,293	\$2,445	6.6%
Pinot Noir	61,909.50	101,678.00	64.2%	\$3,819	\$3,732	-2.3%
Zinfandel	5,425.50	6,807.20	25.5%	\$3,208	\$3,351	4.5%



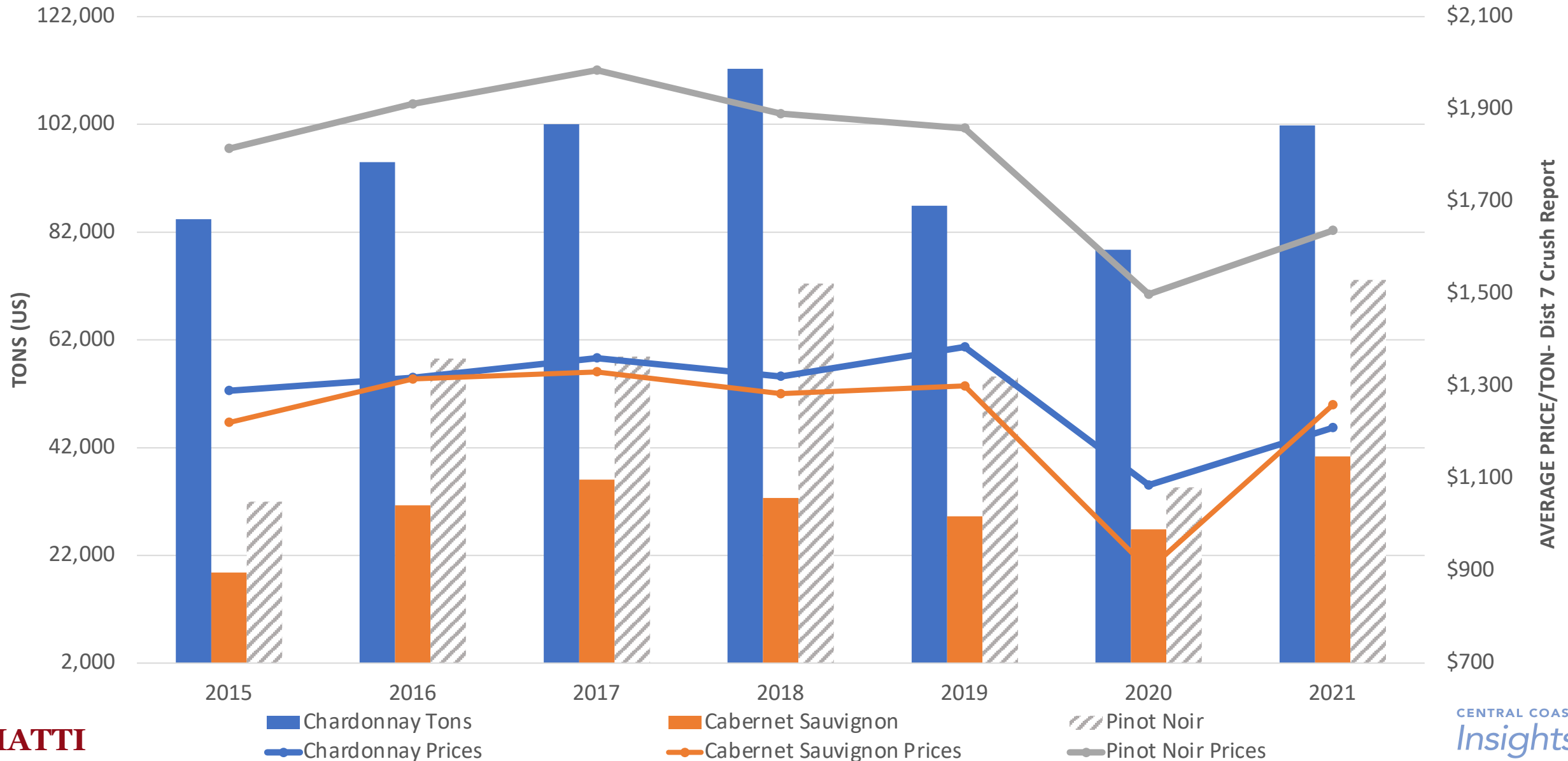
# GRAPE MARKET

# 2022 GRAPE MARKET

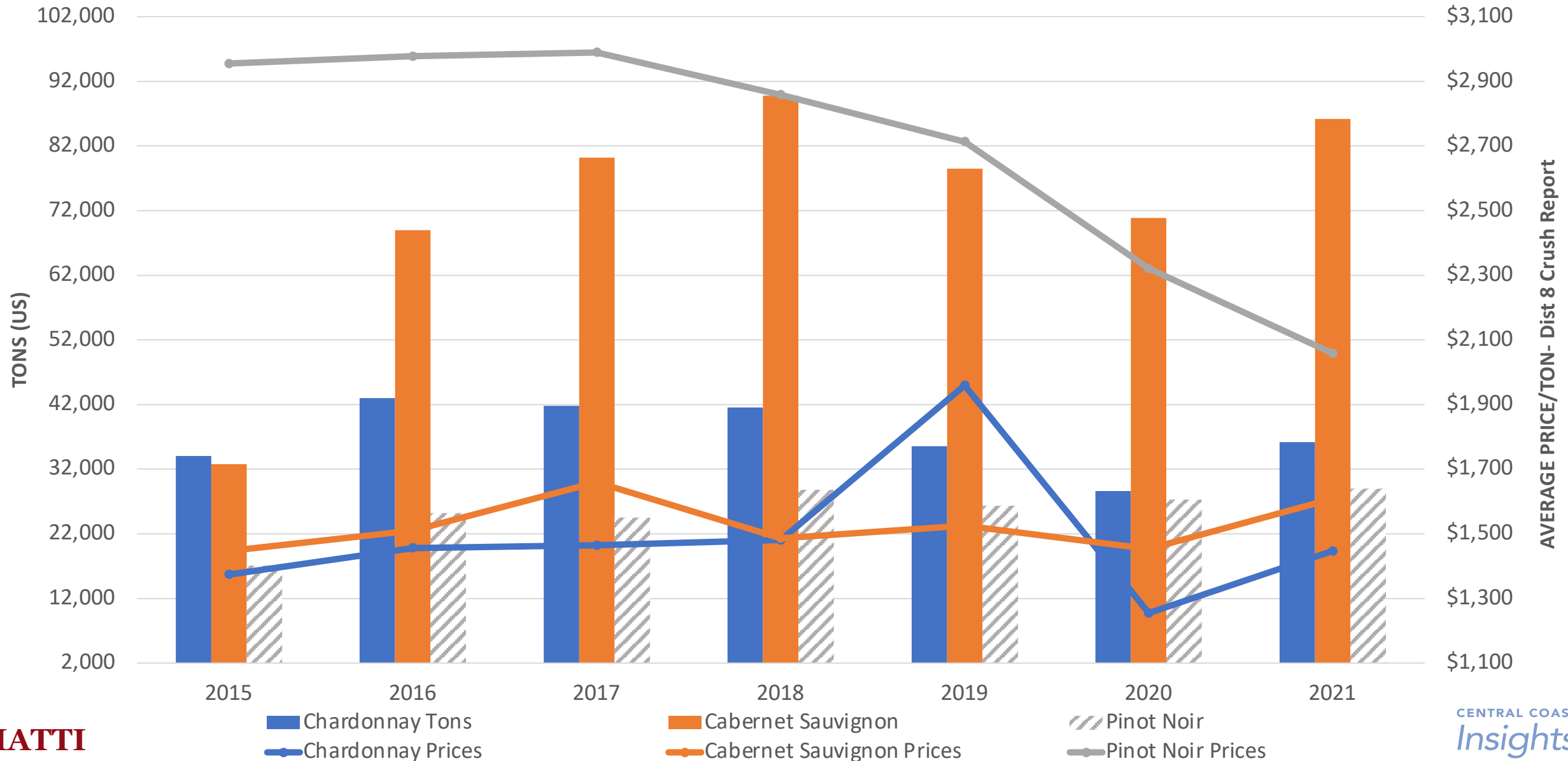
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- ❖ Much earlier activity in the North Coast (Specifically Napa/Sonoma) and continued strong demand in the Central Valley... Central Coast Demand is slowly picking up
  - ❖ Short 2020 Crop and 2021 Crop
- ❖ Buyers considering longer term deals
- ❖ Early Price Tension in the Market: Buyer limits on what they can pay to maintain margins, while growers are concerned about rising costs, labor, and replanting
- ❖ Concerns regarding another potentially limited crop in 2022 (Drought, Frost, etc), has caused those "fence sitting" to jump into the market
- ❖ Wineries not selling Grapes
- ❖ Sauvignon Blanc and Chardonnay have been the strongest early, now seeing activity on Pinot Noir, Cabernet Sauvignon, and "removed varieties" i.e. Zinfandel

# MONTEREY COUNTY PRICING DYNAMICS



# PASO ROBLES PRICING DYNAMICS

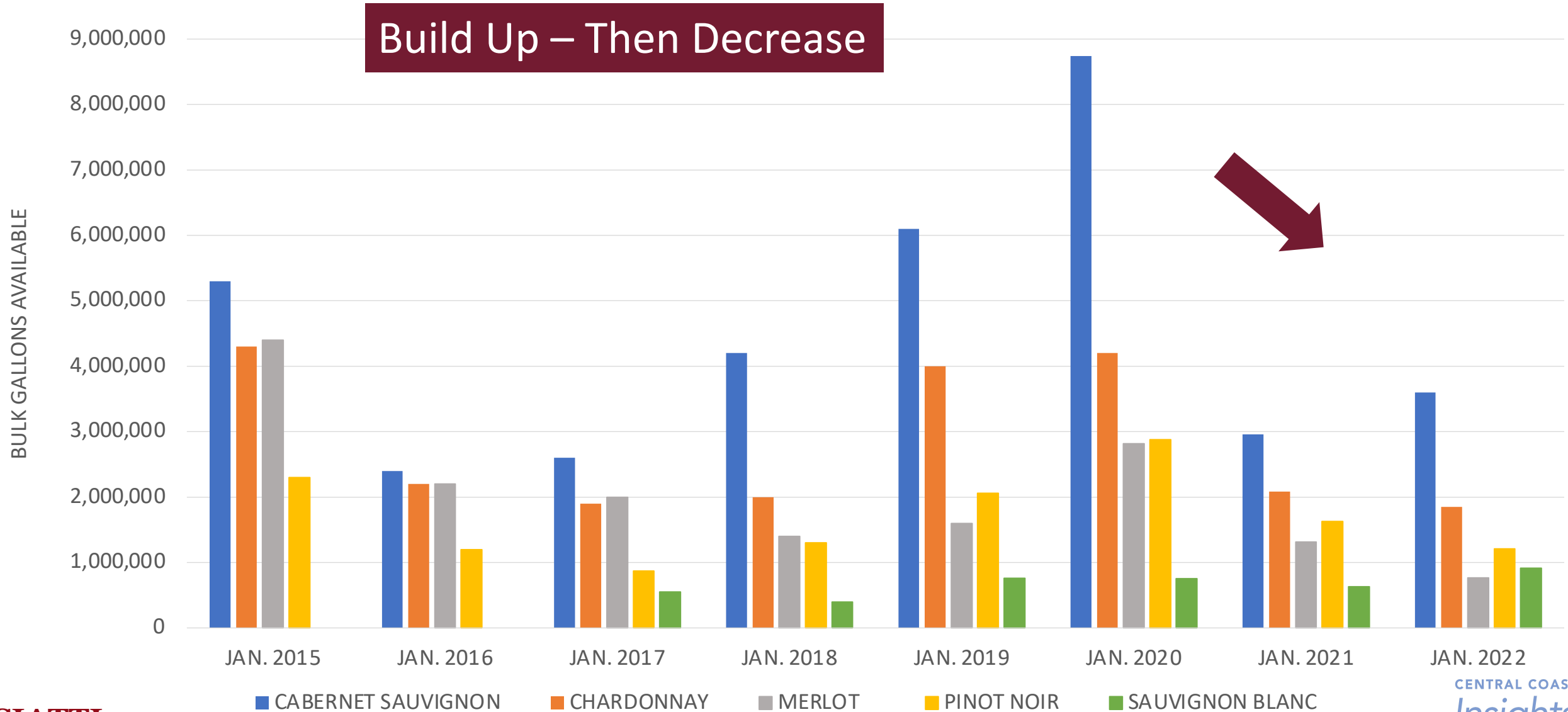




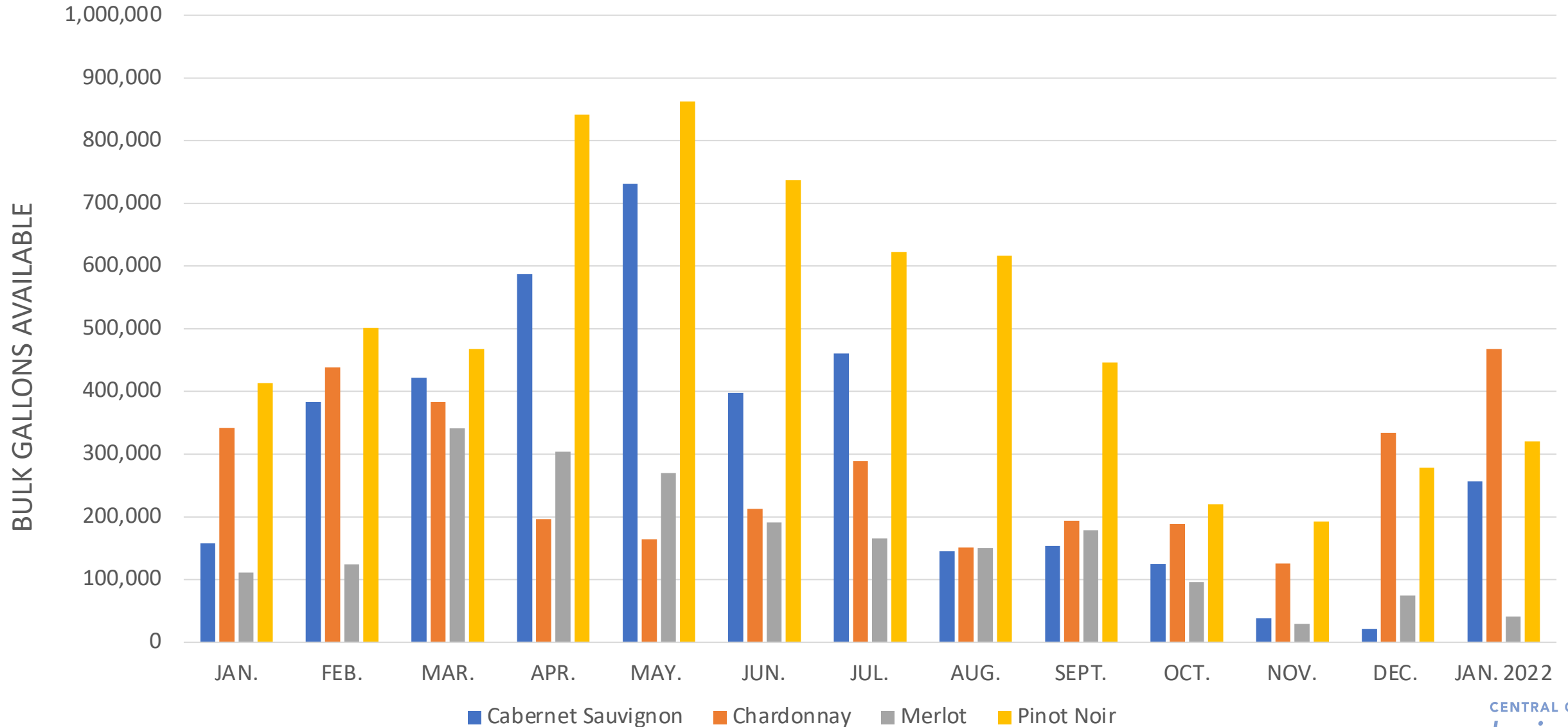
# BULK MARKET



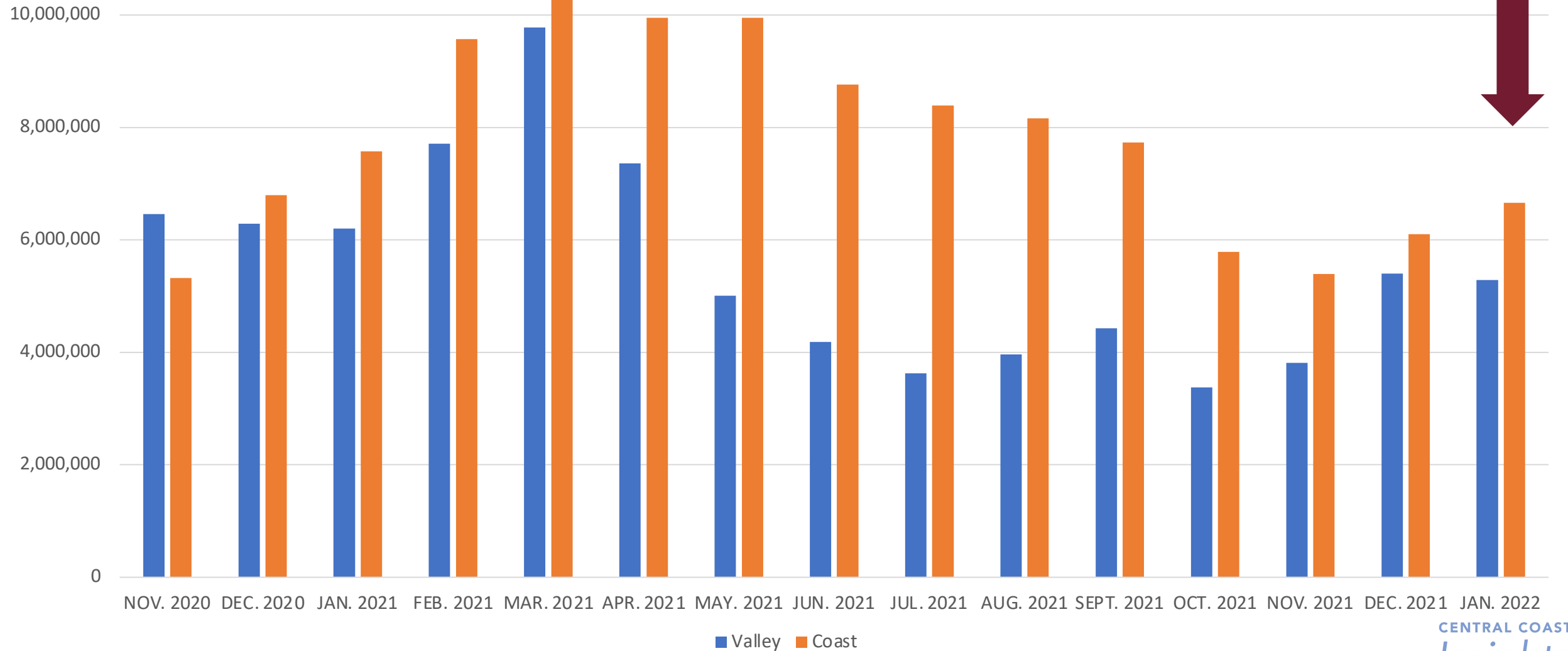
# CALIFORNIA BULK WINE INVENTORY



# MONTEREY & PASO ROBLES JAN 2021 - JAN 2022



# VALLEY & COASTAL

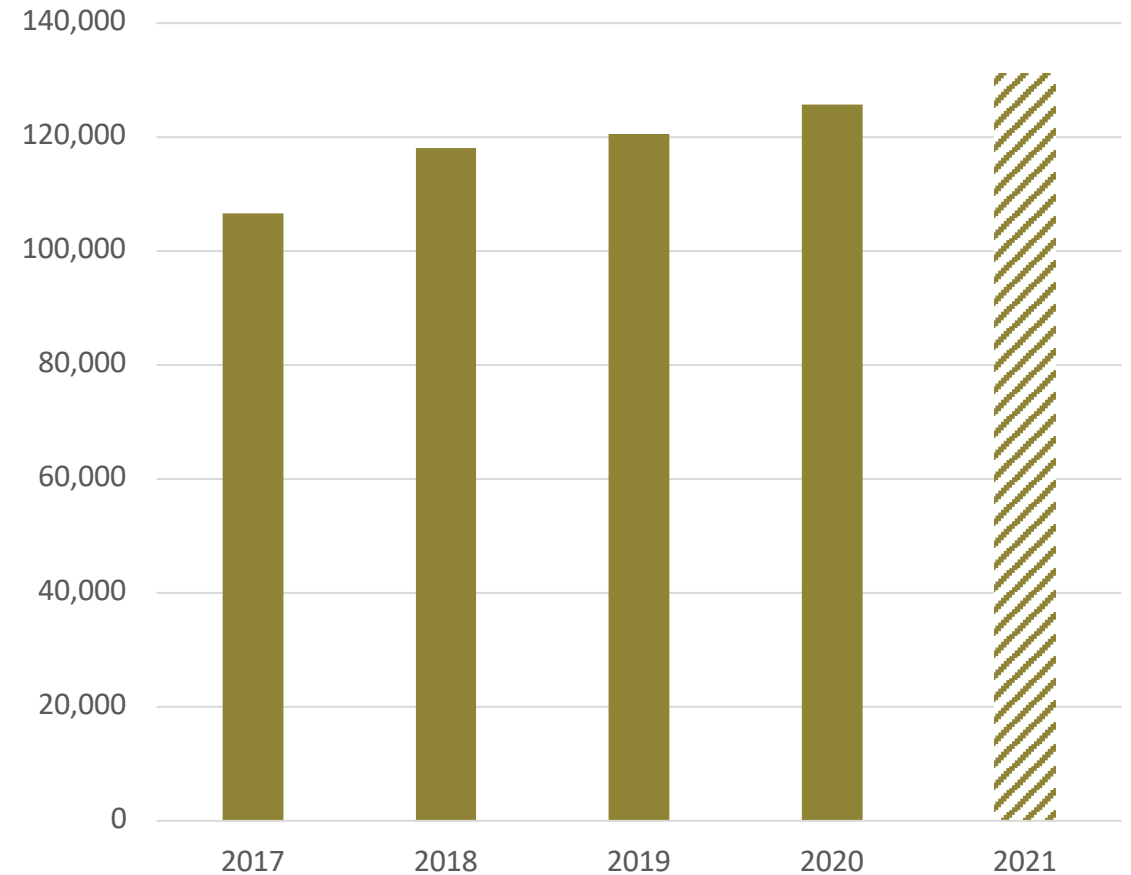


# CENTRAL COAST BULK MARKET

- ❖ Bulk market has recently seen renewed activity
  - ❖ Jan/Feb very active – especially for CH, SB, and CS
  - ❖ Napa and Sonoma main areas of activity
- ❖ Bulk pricing and inventory trends
  - ❖ Inventories are relatively light
  - ❖ Prices have increased especially as we have gotten into the 2021v
  - ❖ Some inventory remains of 2020 wines
- ❖ Observations
  - ❖ Central Coast & Central Valley Bulk activity has been slower paced, while North Coast activity has been brisk
  - ❖ Varietal activity and lack of supply has moved buyers into considering all areas of CA

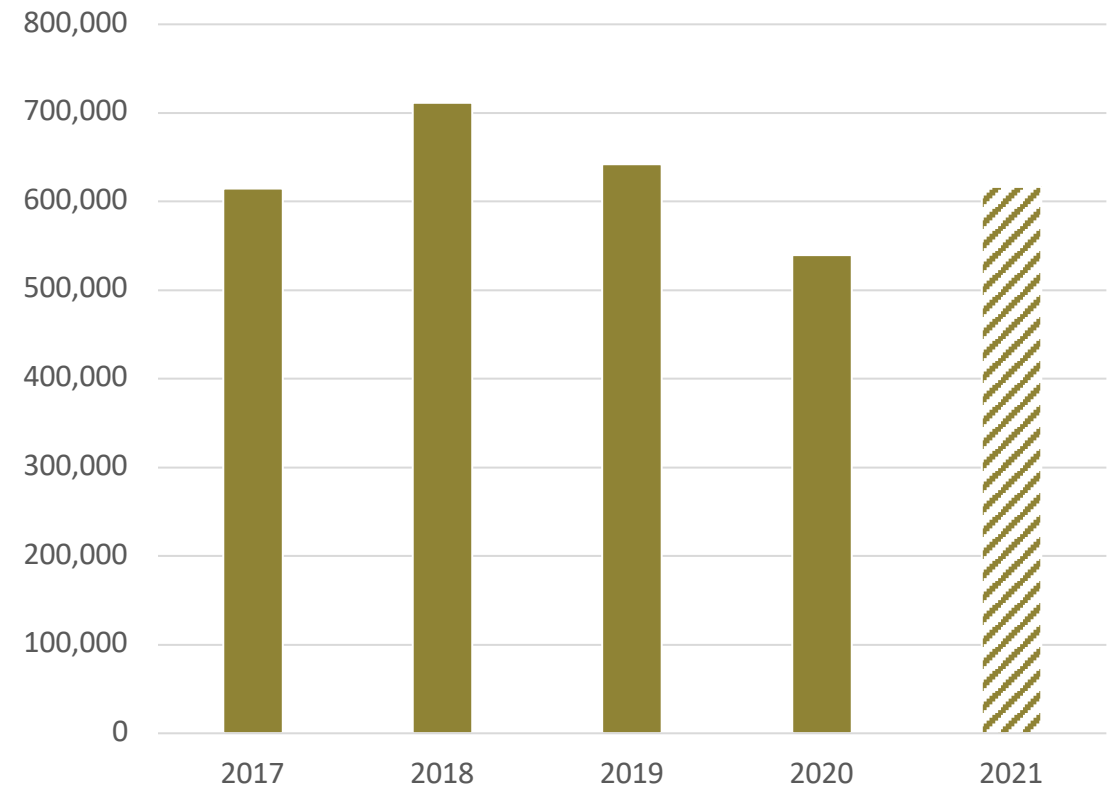
# SAUVIGNON BLANC

- ❖ 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?



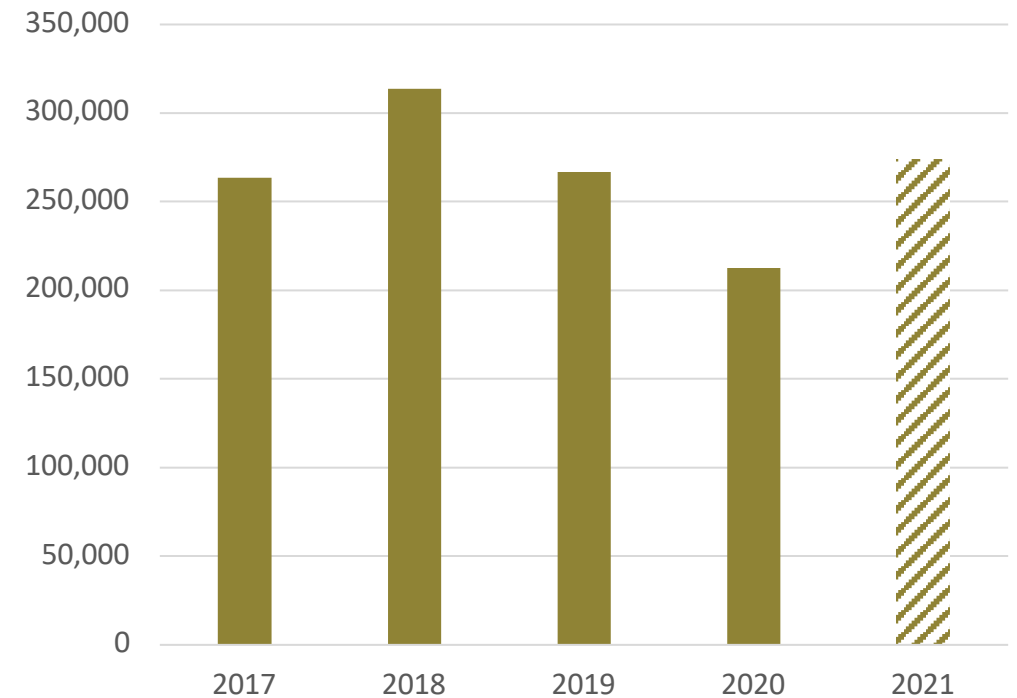
# CHARDONNAY

- ❖ 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



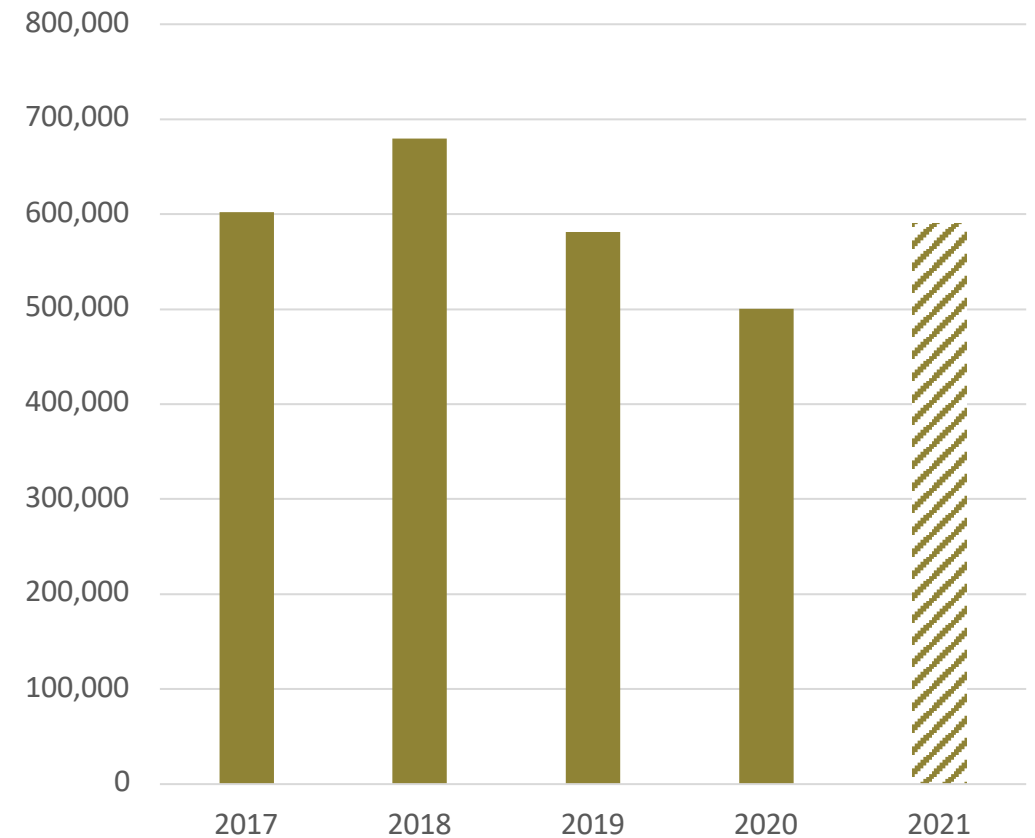
# PINOT NOIR

- ❖ 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







# THOUGHTS

# CALIFORNIA MARKET OVERVIEW

- ❖ Casegood growth has remained relatively flat overall
  - ❖ Off Premise has come back to 2019 levels
  - ❖ On Premise continues to see challenges
  - ❖ Wineries taking bottle prices up
  - ❖ 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

# SUPPLY/DEMAND

- ❖ Overall Market is balanced
  - ❖ Renewed Bulk Wine and Grape Activity
  - ❖ Tightening in Napa/Sonoma – potentially loosening in the Central Valley
- ❖ Balance Achieved by 2020/2021 Supply Adjustment
  - ❖ Supply Adjustment vs Demand Growth
- ❖ Uncertainties
  - ❖ Casegood sales moving forward??
  - ❖ Unexpected Inventory hitting market
  - ❖ Crop Size – 2022?



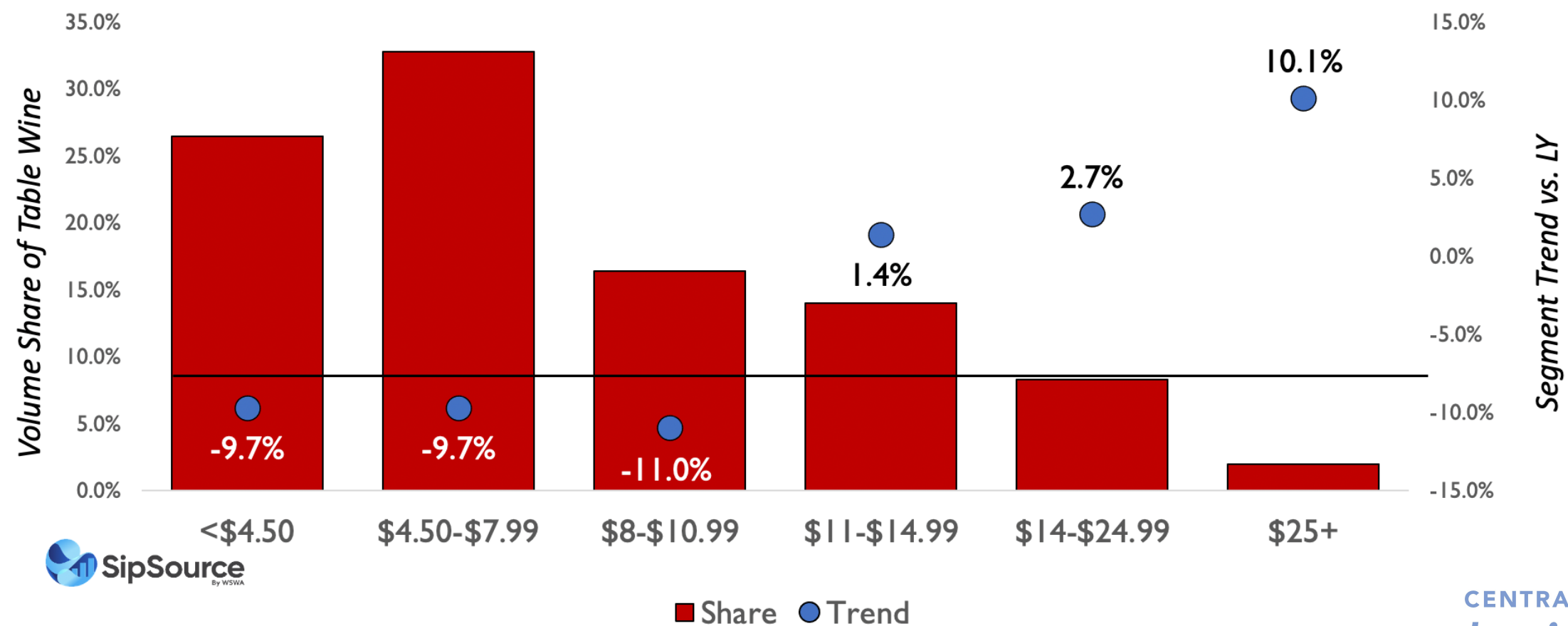
# OBSERVATIONS

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- ❖ 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



■ Share ● Trend



# THANK YOU

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