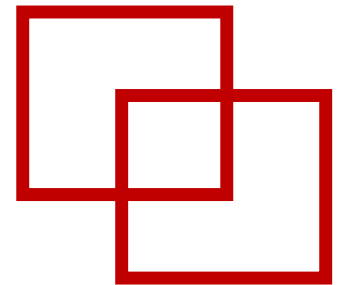




Harvest Update: Large & Late?

Thursday, November 15, 2023

Glenn Proctor





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GLOBAL WINE & GRAPE BROKERS

25 DEDICATED BROKERS IN 10 COUNTRIES



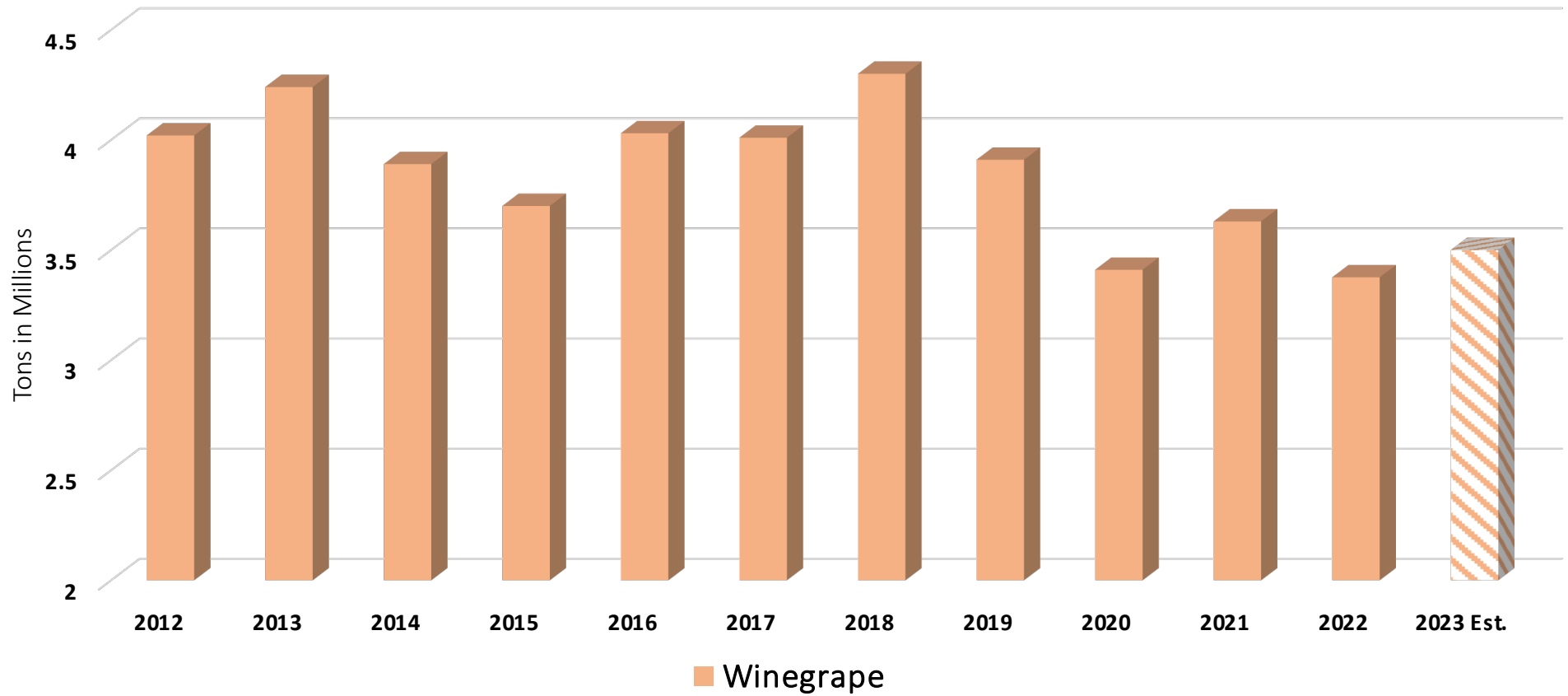
GLOBAL REACH, LOCAL CONNECTIONS

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HARVEST 2023

CALIFORNIA STATEWIDE GRAPE CRUSH



LARGE & LATE – YES IT WAS!

- **August Potential Crop Estimate 3.7-3.8M tons; Current Potential 4.1-4.2M tons**
 - Assuming 500-600K tons were rejected or uncontracted
- **Current Actual Crushed Estimate – 3.5-3.6M tons**
 - More than we needed
- **Crop Continued to Size**
 - Sized in September – in many cases in early September and Late September
 - How late it Sized surprised us all
 - Wineries started using max tons for estimates, many growers had extra in the field after contract tons
- **3-4 Weeks Late across the state**
 - In general whites (Bigger Crop) tended to be later than reds – but everything was behind
 - Mendocino, Lake, East Napa where closer to normal than other areas of the state
 - Severely compacted crush – Turn Tanks! - start late but can't extend the back end

2023 HARVEST

☐ Weather Issues/Disease Pressure

- Early mildew issues
- Tropical Storm Hilary
- Intermittent Rain affects – Rot, Stalled brixes

☐ Significant Rejections

- Wineries held to contract standards
- Central Valley and Lodi affected most – but also saw issues in Coastal Areas

☐ Decisions regarding unsold or overage fruit

- Leave it on the vine? Crush it into wine? Capacity to crush?
- Future Bulk Value ? – are you taking large risk for only marginal return

☐ Quality Vintage

- Color and intensity – bigger middle than some of the wines from 22v
- Early optimism about the potential quality



A stylized graphic of a grape cluster is positioned behind a central text box. The cluster consists of several grey leaves on the left and a bunch of grapes on the right. The grapes are represented by circles in shades of olive green and tan, with some circles overlapping to suggest depth. The text box is a solid dark red rectangle with the words 'GRAPE' and 'MARKET' in white, bold, sans-serif capital letters.

GRAPE MARKET

GRAPE MARKET

- Early activity was limited and weakened through the year
- Whites stronger than reds in early season
- As demand slowed and the crop sized, started to see wineries also put their own grape supply on the market
- No real spot market at harvest
 - Sellers willing to give away fruit and no real takers
 - Compaction of harvest limited interest
 - Valley wineries looked at coastal supply opportunities
 - Overages - some were accepted at reduced pricing – but limited





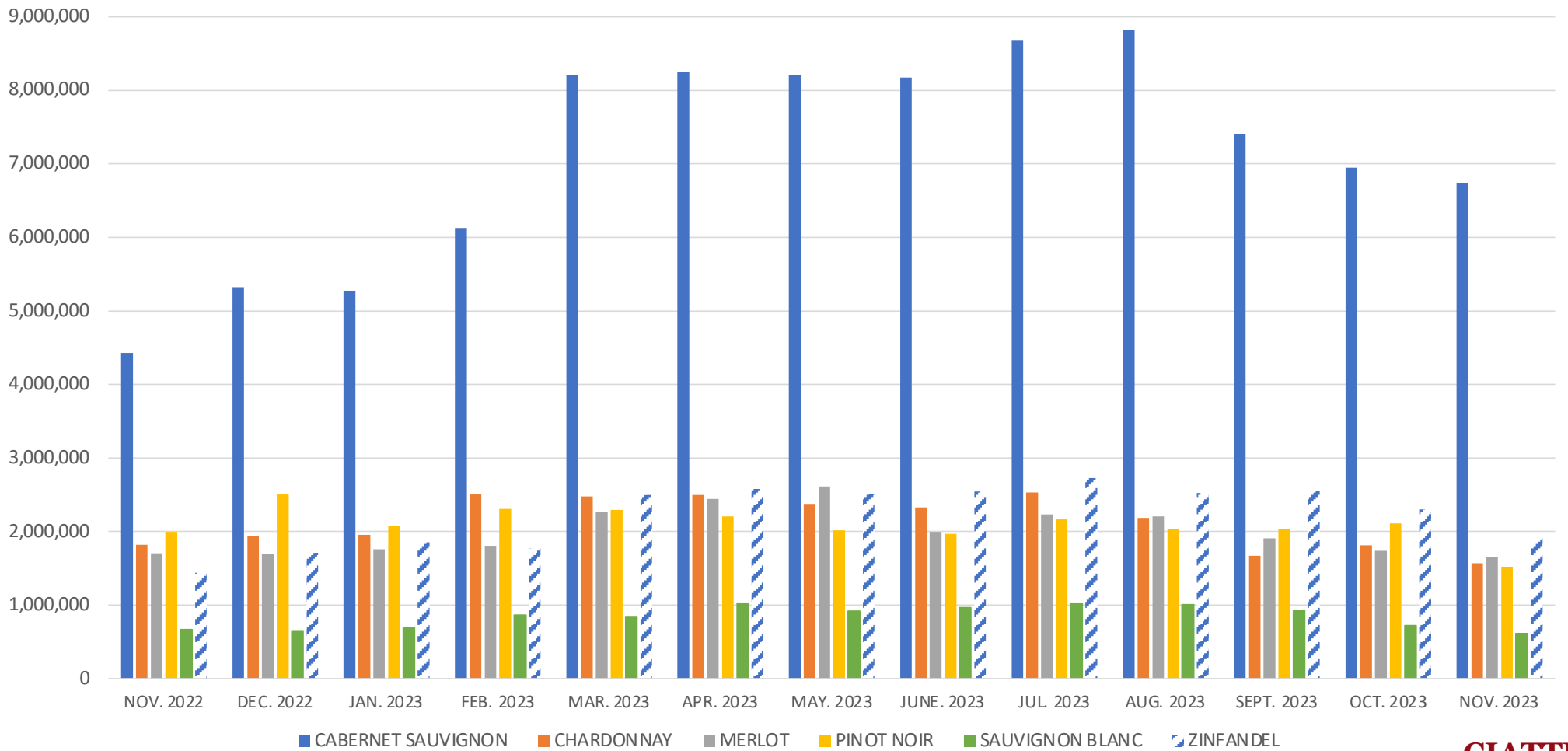
BULK MARKET

BULK MARKET

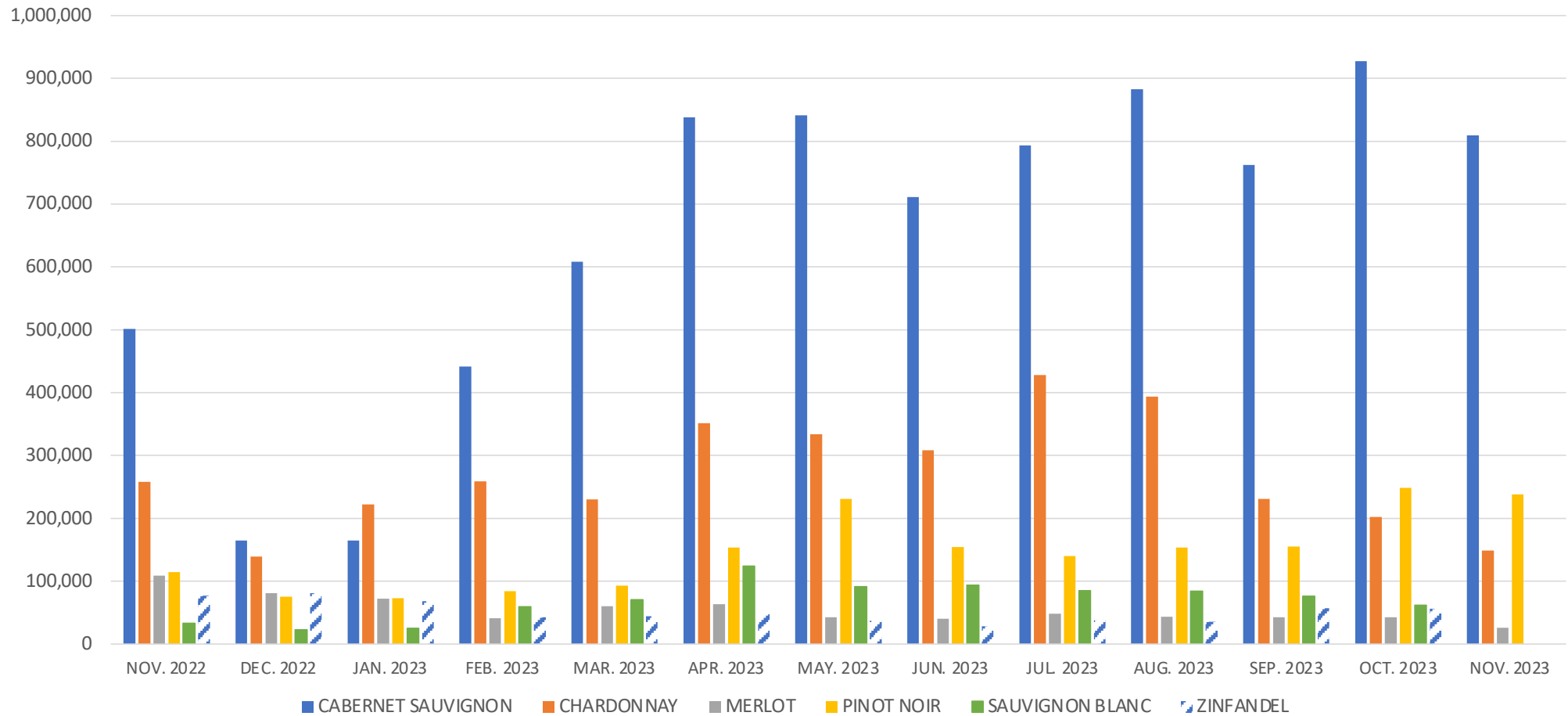
- **Bulk market over the last year has been subdued**
 - Some Napa CS, Napa Whites, RRV CH and PN activity – rest of market extremely slow
 - Buyers are not buying until they need it and not many NEED inventory – just in time (Maximize cash flow, Debt, Sales etc)

- **Bulk pricing trends – Expectations will move lower**
 - Pricing has been weakening as the year has progressed
 - Wineries are net sellers of bulk wine – so limits buyers
 - Price is not a motivator for purchase. Difficult if you need to MOVE wine

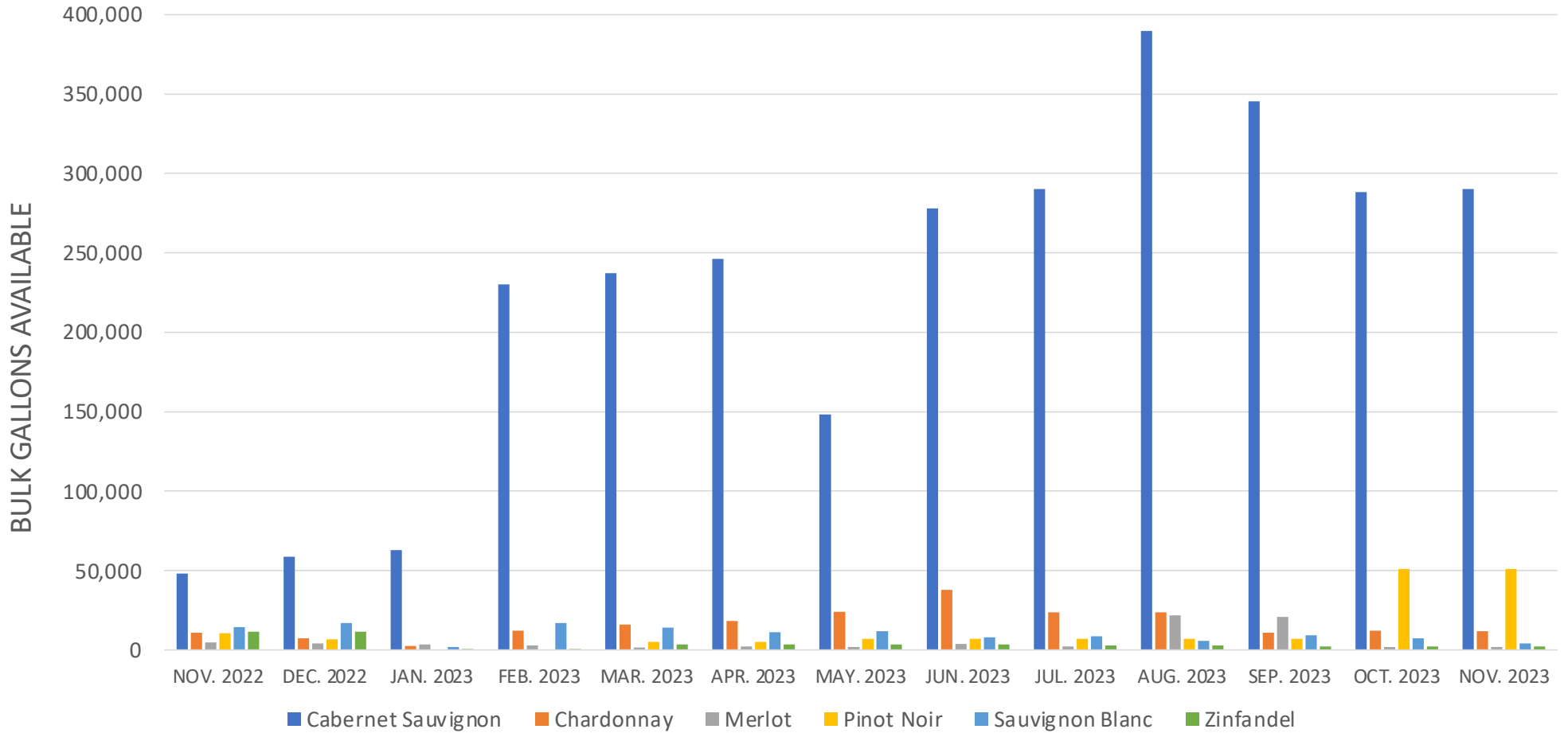
CALIFORNIA BULK WINE INVENTORY NOV 2022 - NOV 2023



SONOMA COUNTY NOV 2022 - NOV 2023



NAPA COUNTY NOV 2022 - NOV 2023



BULK MARKET

□ Maintaining margins

- Buyers for some premium Coastal programs are adjusting sourcing strategy and moving to a Premium California Appellation and removing vintage
- Affecting Price and Demand for some appellations
- Outside of Napa and a few areas of Sonoma – coastal bulk wines competing with California

□ Buyers Market

- Be open to offers
- Be careful of carrying inventory
- May need to take more term and buyer risk to move wine



THOUGHTS

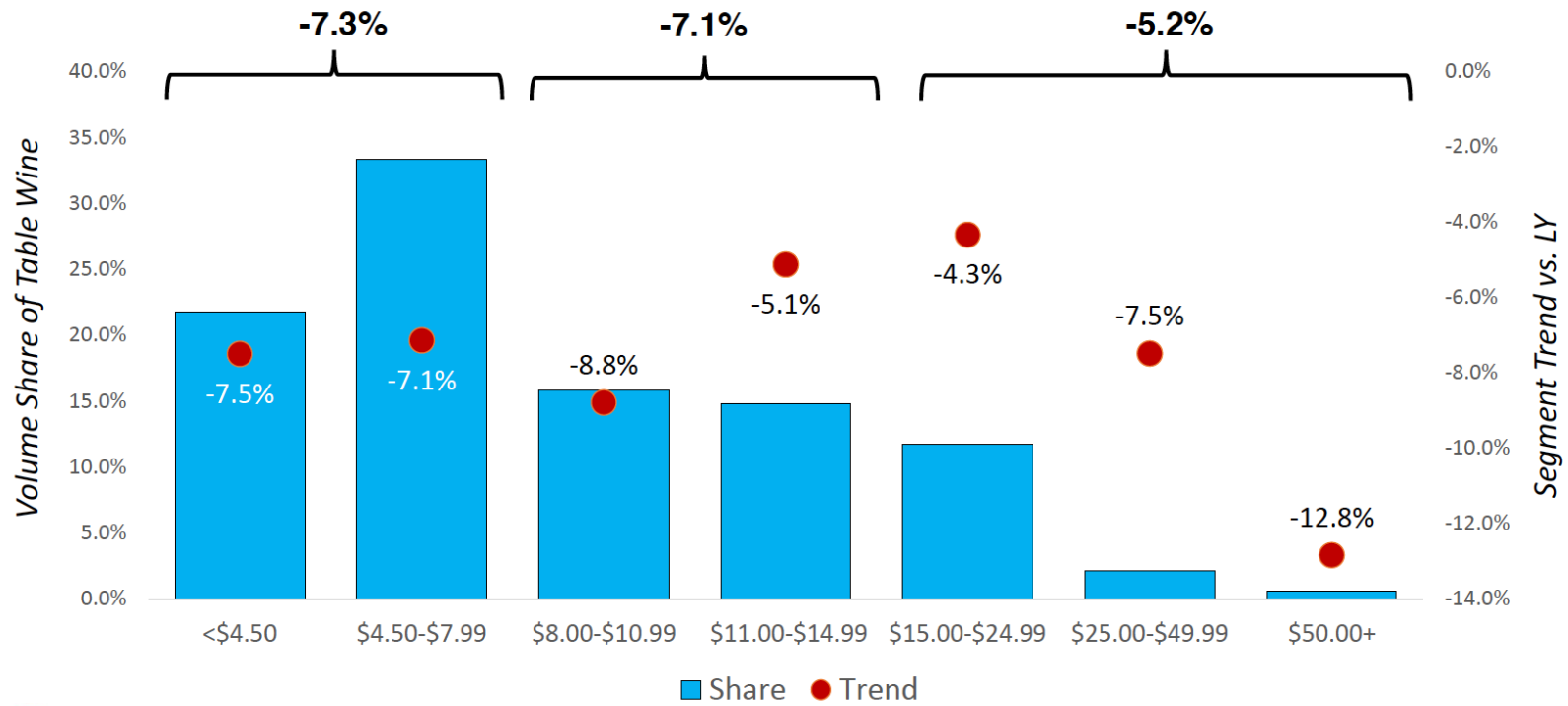
OBSERVATIONS

- **Bigger 2023 Crop than needed and expected**
- **Sales challenges - Hesitant buyers**
 - Flat Sales would stabilize the market (OND improvement) – reduce fear
- **Growers and Wineries adjusting to a harsher reality**
 - Removing Vineyards (uncontracted), Improving efficiencies, Selling assets, Adjusting COGS
- **Grapes will be needed in 2024 – question will be how much and at what price**
- **Changes could also affect market to the positive**
 - Light crop, Frost, New Sales Trends, etc

SALES CONTROLLING THE DYNAMIC



Challenging August Hit All Price Tiers Of Table Wine



FINAL THOUGHTS

- The wine industry is getting smaller and more competitive
- Opportunities exist - but must make decisions based on the current market realities
- Creative engagement of consumers – meeting their wants and needs

THANK YOU

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