



JUNE, 2024

# THE **TURRENTINE** **NEWSLETTER**



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# It's Getting Late Early

*By Steve Fredricks*

As Sir Isaac Newton proved in physics, every action has an equal and opposite reaction. While the forces driving supply and demand in the wine industry differ from those in physics, the market actions and responses often reflect the same principle. The current cycle of excess is being met with industry efforts to restore balance.

There are numerous financial, environmental, and emotional barriers to adapt and evolve in response to excess. Despite these barriers, actions are being taken to reduce supply in the long-term by the removal of vineyards in all regions with more removals expected through 2025.

Many buyers remain hesitant, which has led grape and bulk wine sellers to feel an increasing sense of urgency. This hesitancy from buyers, though understandable, can have unintended consequences. For example, some growers need contract assurances to continue investing in the farming practices necessary to produce the quality of grapes needed to satisfy consumers. For buyers, this means that waiting may result in fewer quality options available, so it's important not to assume that quality supply will be available when needed.



In past excess markets, actions to grow wine sales have occurred faster than expected, but sales growth could be slower in the current cycle due to negative consumer growth rates. What's crucial is that the reaction to excess is well underway; however, the results have yet to be realized.

In this issue, we'll explore what is occurring in the vineyards, bulk market dynamics between buyers and sellers, and the status of the largest varieties throughout the state.

## Grape Market

*By Audra Cooper, Mike Needham, and Christian Klier*

California experienced above-average rainfall this winter and spring, filling the soil profile and maintaining high water reserves for the 2024 season. Unlike last year's cool and wet conditions, this year's spring conditions have been fairly typical, resulting in more normal vineyard timing.

Based upon cluster counts and early information from set, the crop size throughout California's interior regions is best described as average. The Central Coast crop also appears to be average at the moment, with some variances by block and region and a likelihood to be a little light for early varieties. North Coast vineyards show more variance than other regions, with higher cluster counts in Cabernet Sauvignon vineyards (two to three clusters per shoot) with the potential for average to above average crop size followed by average cluster counts for North Coast Chardonnay. Lower cluster counts are seen in Sauvignon Blanc, Sonoma Coast Chardonnay and Pinot Noir, and Mendocino County Pinot Noir indicating average to below average yields per acre so far. Regardless of these cluster counts or crop size potential as of today, there is a long way to go before harvest. Given the current excess, crop size fluctuations are unlikely to change this year's grape market trajectory barring something dramatic.



District 9 Chardonnay, June 9<sup>th</sup>, 2024

In the interior, some re-signs are beginning to be discussed as wineries determine their needs, and wineries are more interested in white varieties than reds. The Central Coast grape market has been fairly inactive, but a few buyers are out window shopping to get a better grasp on available tons. Meanwhile, there has been moderate activity in the North Coast for Sonoma County Sauvignon Blanc, Chardonnay in all North Coast regions, and Napa Valley reds. Despite this, volumes for sale are up, and prices per ton are generally down from last year.

There are many great opportunities for grapes of all varieties and regions. Contact your grape broker for more details and to get out to take a look.

## Bulk Market

*By Steve Robertson, Marc Cuneo, and William Goebel*

Bulk gallons actively for sale peaked at a record 29.5 million in late April, with 27 million gallons still available statewide. This recent decrease is mainly due to older vintage lots being removed from the market. The previous record was 23.2



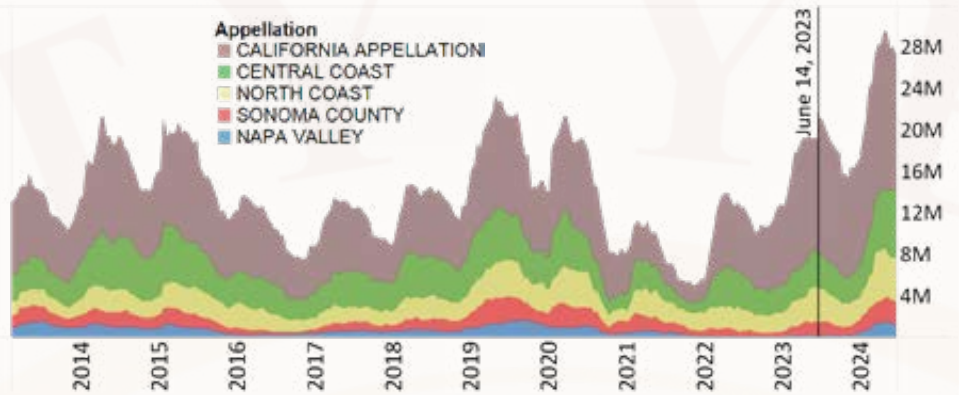
million gallons in 2019, but this was at a time when inventory was viewed as more of an asset rather than a liability.

Transactions have been slow all year. The limited bulk market activity has been for smaller volumes from wineries and negociants with private label brand offerings or new lower price point wines. These buyers continue to be interested in smaller volumes for just-in-time inventory bottlings to minimize risk. Recent larger volume sales are moving below \$2.00 per gallon, but there are limited buyers. Some of these sales are offsetting what buyers have historically purchased internationally.

There has been some activity in selling wines for distillation, but demand for brandy and neutral grape spirits is soft, limiting the demand from distillers. It is highly unlikely that distillation buyers will absorb enough volume to impact the bulk market before harvest.

Seller's face increasing pressure to reduce supply, and asking prices have continued to fall, yet this hasn't spurred enough additional buyers. With limited activity and a plethora of opportunities for buyers, bulk wine sellers need to invest in quality improvements to make their wine stand out, yet this brings additional costs to wine that may not sell at a break-even price. However, if sellers don't invest in quality, they will not stand out in a saturated market and face a greater risk of not being unable to sell.

**Figure 1 - California Statewide Bulk Gallons Available**

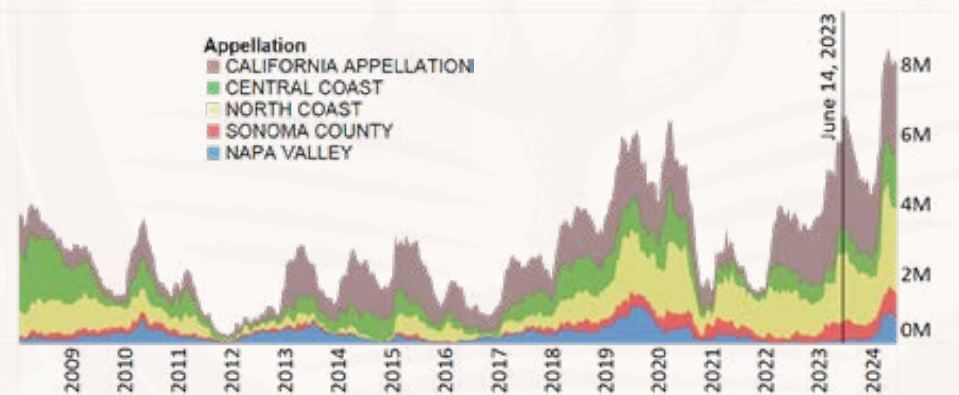


Bulk gallons available statewide, all regions, all varieties. Source: Turrentine Brokerage

## Cabernet Sauvignon

- Napa Valley Cabernet Sauvignon actively for sale nearly reached one million gallons, with continued moderate demand for 2022 vintage lots at \$30.00 to \$40.00 per gallon. It is still early for 2023 Napa Valley Cabernet Sauvignon wines to sell, and demand has been soft, but sellers reducing asking prices to \$20.00 or lower per gallon have piqued buyers' interest and have started that market despite buyers' inability to quickly bottle and sell the 2023 vintage.
- Sonoma County Cabernet Sauvignon supply has remained static due to lack of buyer interest. This has led to downward pressure on prices. Some sellers are accepting prices in the low-teens to possibly single digits, but buyers remain slow to act.
- North Coast Cabernet Sauvignon has significant excess spanning multiple vintages. A few larger deals were recently completed between \$3.50 to \$7.00 per gallon, with the most recent sales trending towards the lower-end of this range.
- The Paso Robles Cabernet Sauvignon market has slowed, resulting in prices softening. Buyers are shifting focus to the 2023 vintage where there is more volume and choice available, but even with the

**Figure 2 - Cabernet Sauvignon Bulk Gallons Available**



Cabernet Sauvignon bulk gallons available statewide, all regions. Source: Turrentine Brokerage

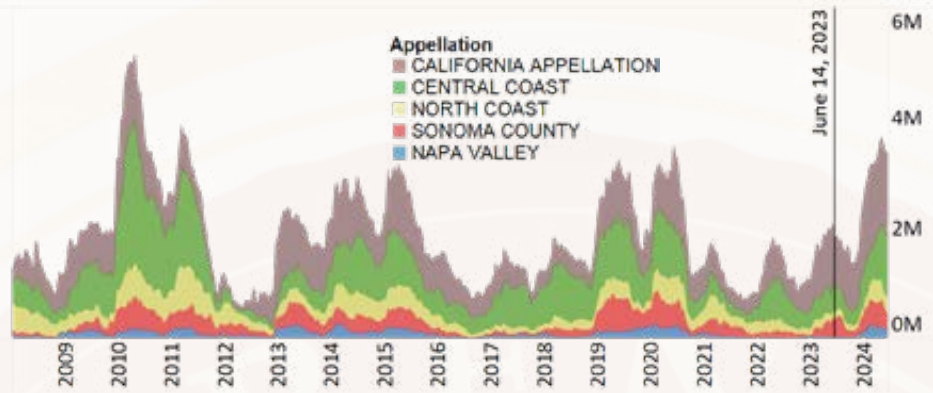
lower asking prices, activity remains low. Central Coast Cabernet Sauvignon is less active, needing prices of \$4.00 or under to move the wine.

- There is still an abundance of 2022 California Appellation and Lodi Cabernet Sauvignon, requiring a price of \$4.00 or under and better-than-average quality to sell.

## Chardonnay

- The Sonoma County Chardonnay bulk market is more active than other regions, but deals are still more challenging than the last few years due to greater supply. Recent sales of higher quality, smaller lots could still be above \$10.00 per gallon, but larger volume deals are below \$10.00 per gallon.
- North Coast and Central Coast Chardonnay have limited demand, likely needing a California Appellation price below \$4.00 per gallon to move. Even at low prices, demand remains soft.
- California Appellation Chardonnay has moved in smaller quantities below \$3.50 per gallon, with buyers hard to find.

**Figure 4 - Chardonnay Bulk Gallons Available**

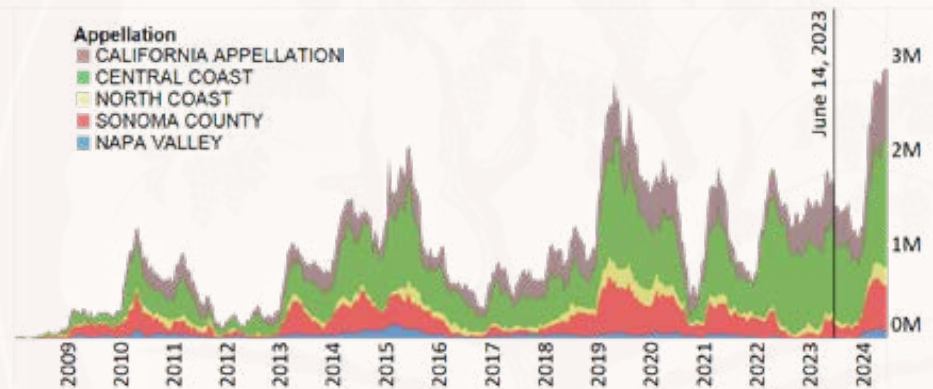


Chardonnay bulk gallons available statewide, all regions. Source: Turrentine Brokerage

## Pinot Noir

- Sonoma County Pinot Noir bulk market is more active than other regions but not by much. Supply has remained steady at around 500,000 gallons. Supply of Russian River Valley is higher than in recent years, with softer prices, but this hasn't translated to increased demand.
- North Coast and Central Coast Pinot Noir have more gallons actively for sale than needed, likely requiring a California Appellation price around \$3.00 or less to move, with buyers scarce.
- The California Appellation Pinot Noir bulk market has been quiet all year, with no current demand for the approximately 740,000 gallons actively for sale.

**Figure 3 - Pinot Noir Bulk Gallons Available**



Pinot Noir bulk gallons available statewide, all regions. Source: Turrentine Brokerage



# Conclusion

It's getting late early for sellers of bulk wine and grapes across all varieties and regions. The mounting pressure on sellers, in particular, underscores the urgency for supply contracts to help support the market. Again, growers may need contract assurances to continue investing in the farming practices necessary to produce the quality of grapes and wine to be competitive and resonate with the consumer. Although investing in quality is challenging when prices are low, quality is essential for expanding consumer sales. Without committing to supply early as a buyer, there aren't any assurances that the quality of bulk wine or grapes you are looking for will be available late in the year despite the numerous options.

As discussed in previous newsletters, there are two primary actions to address this excess supply, and they are not mutually exclusive. First, we must reduce overall supply in both the short- and long-term. As mentioned earlier, actions are already being taken to achieve this. Second, we need to collaborate to return to sales growth. Sales growth is supported by making sure we have quality products at all price points. Additionally, we need to collectively invest in marketing wine, whether that is traditional consumer-level advertising or in our everyday interactions with consumers to promote the benefits of wine with food in moderation and push back on the anti-alcohol agenda.

It may seem that markets are stagnant, but don't get caught making this incorrect assumption. The cycles are always moving. After all, from the teachings of Sir Isaac Newton, "for every action there is an equal and opposite reaction." Reactions to the oversupply are happening, and more will need to be done, but the results of these actions are not yet fully realized. We encourage you to reach out for us regularly, ask questions, and engage in discussions to gain insights. We look forward to hearing from you and working together to navigate this challenging phase of the cycle.

## Turrentine on the Road

**USA**  
**IBWSS**  
INTERNATIONAL BULK  
WINE & SPIRITS SHOW

**ATTENDING**  
BRYAN FOSTER  
MARC CUNEO  
WILLIAM GOEBEL  
STEVE ROBERTSON

JULY 23-24<sup>TH</sup>, SAN FRANCISCO

# Grand Prize Winner Statewide Total

**Mike Eaton**  
**Jackson Family Wines**

## Regional Winners



Statewide  
Chardonnay

**Bill Stokes**  
*Stokes Farms*

Napa Valley  
Chardonnay

**Brian Sheehan**  
*Duckhorn Wine Company*

Sonoma County  
Chardonnay

**Simon Roth**  
*G3 Enterprises*

Central Coast  
Chardonnay

**Niels Udsen**  
*Castoro Cellars*

Lodi/Delta  
Chardonnay

**Montse Reece**  
*Pedroncelli Winery*

Statewide  
Cabernet Sauvignon

**Jeff Osterman**  
*O'Neill Vintners & Distillers*

Napa Valley  
Cabernet Sauvignon

**Alex Sokol Blosser**  
*Sokol Blosser Winery*

Sonoma County  
Cabernet Sauvignon

**Damian Grindley**  
*Brecon Estate*

Central Coast  
Cabernet Sauvignon

**David Brathcer**  
*McBride Sisters Wine Company*

Lodi/Delta  
Cabernet Sauvignon

**Alex Beloz**  
*Obsidian Wine Company*







Damian Grindley, Brecon Estate



David Ostheimer, Delicato Family Vineyards

**Statewide  
Merlot**

**Josh Hnizdor**  
*Lava Cap Winery*

**Napa Valley  
Merlot**

**David Ostheimer**  
*Delicato Family Vineyards*

**Sonoma County  
Merlot**

**Jason Robideaux**  
*Clos LaChance Winery*

**Central Coast  
Merlot**

**Jeremy Menkhaus**  
*Homestead Capital*

**Lodi/Delta  
Merlot**

**Brianna Yray**  
*Klinker Brick Winery*

**Statewide  
Zinfandel**

**Michael Boer**  
*Stipp Ranch*

**Napa Valley  
Zinfandel**

**Melissa Bauermeister**  
*Staglin Family Vineyard*

**Sonoma County  
Zinfandel**

**Bimmer Udsen**  
*Castoro Cellars*

**Central Coast  
Zinfandel**

**David Brown**  
*Bear Creek Winery*

**Lodi/Delta  
Zinfandel**

**Rich Parducci**  
*McNab Ridge Winery*

## 2024 Crop Contest Entries Now Open

Enter your best guess in the category '2024 Statewide Total Wine Grapes' for a chance to win a YETI Tundra Ice Cooler! [Click here to learn about our Grand Prize.](#) Other category winners will receive a 1st place plaque and a bottle of sparkling wine!

Winners will be selected by selecting the closest entries to Table 2 of the Final Grape Crush Report without going over.

**[ENTER NOW](#)**





# Market Opportunities

Turrentine Brokerage is always working to find opportunities for our clients. We believe firmly in a personalized approach tailored to each client's specific needs and unique position.

Give us a call at (415) 209-WINE

## Grape Market Available

Napa Valley Cabernet Sauvignon  
Napa Valley Chardonnay  
Napa Valley red blenders  
Napa Valley Sauvignon Blanc  
Sonoma County Cabernet Sauvignon  
Sonoma County Chardonnay  
Sonoma County Sauvignon Blanc  
Sonoma County red blenders  
North Coast Cabernet Sauvignon  
North Coast Chardonnay  
North Coast Sauvignon Blanc

North Coast red blenders  
Paso Robles Cabernet Sauvignon from all AVAs  
Santa Lucia Highlands Chardonnay  
Santa Lucia Highlands Pinot Noir  
El Pomar Albariño  
Cabernet Sauvignon throughout the San Joaquin Valley  
Chardonnay throughout the San Joaquin Valley  
Merlot throughout the San Joaquin Valley  
Zinfandel throughout the San Joaquin Valley  
Pinot Grigio throughout the San Joaquin Valley  
Sauvignon Blanc throughout the San Joaquin Valley

## Bulk Market Available

'22/'23 Napa Valley Cabernet Sauvignon  
'22/'23 Sonoma County Cabernet Sauvignon  
'21/'22 Lake and Mendocino County Cabernet Sauvignon  
'23 North Coast Sauvignon Blanc  
'23 California and Clarksburg Albariño  
'21/'22 Central Coast Cabernet Sauvignon  
'23 Central Coast and Lodi Grenache Blanc  
'22/'23 California Appellation Chardonnay  
'23 Clarksburg Chenin Blanc  
'23 California Appellation Pinot Grigio





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Marc Cuneo, Broker/Partner  
North Coast, Interior & International  
(707) 217-1369

William Goebel, Broker/Partner  
Central Coast & North Coast  
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Mike Needham, Broker/Partner  
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Christian Klier, Broker  
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### **STRATEGIC BRANDS**

Bryan Foster  
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