

**Glenn Proctor**

Partner / Ciatti Company

## Market Observations

## Business of Vineyards

March 14, 2024





# CIATTI

GLOBAL WINE & GRAPE BROKERS

## 25 DEDICATED BROKERS IN 10 COUNTRIES



GLOBAL REACH, LOCAL CONNECTIONS

CIATTI

# POINTS TO DISCUS

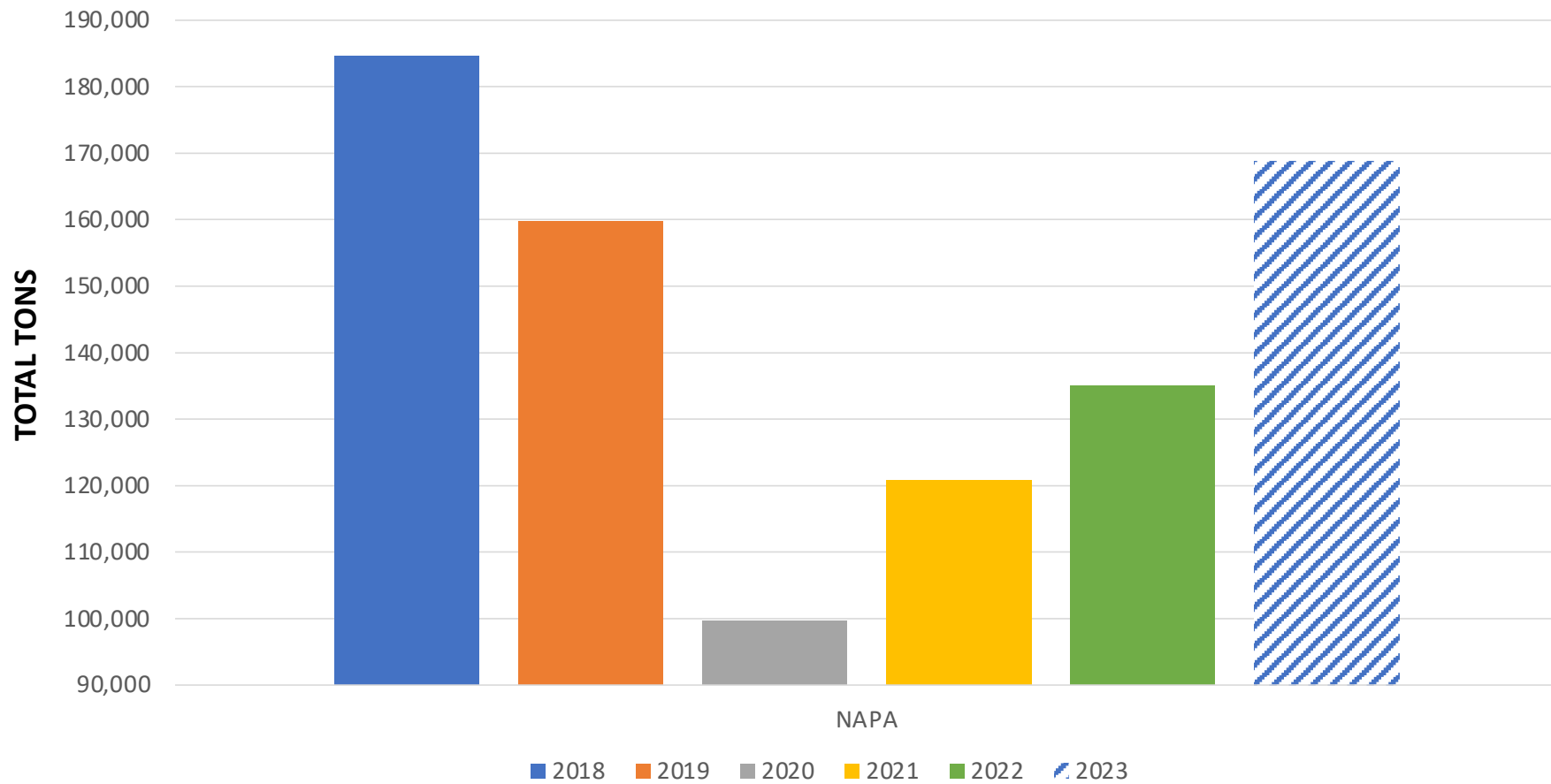
- **Supply/Sales**
- **Grape Market**
- **Bulk Market**
- **Relationships/Contracts**



# CALIFORNIA STATEWIDE GRAPE CRUSH



# NAPA TOTAL TONS 2018-2023



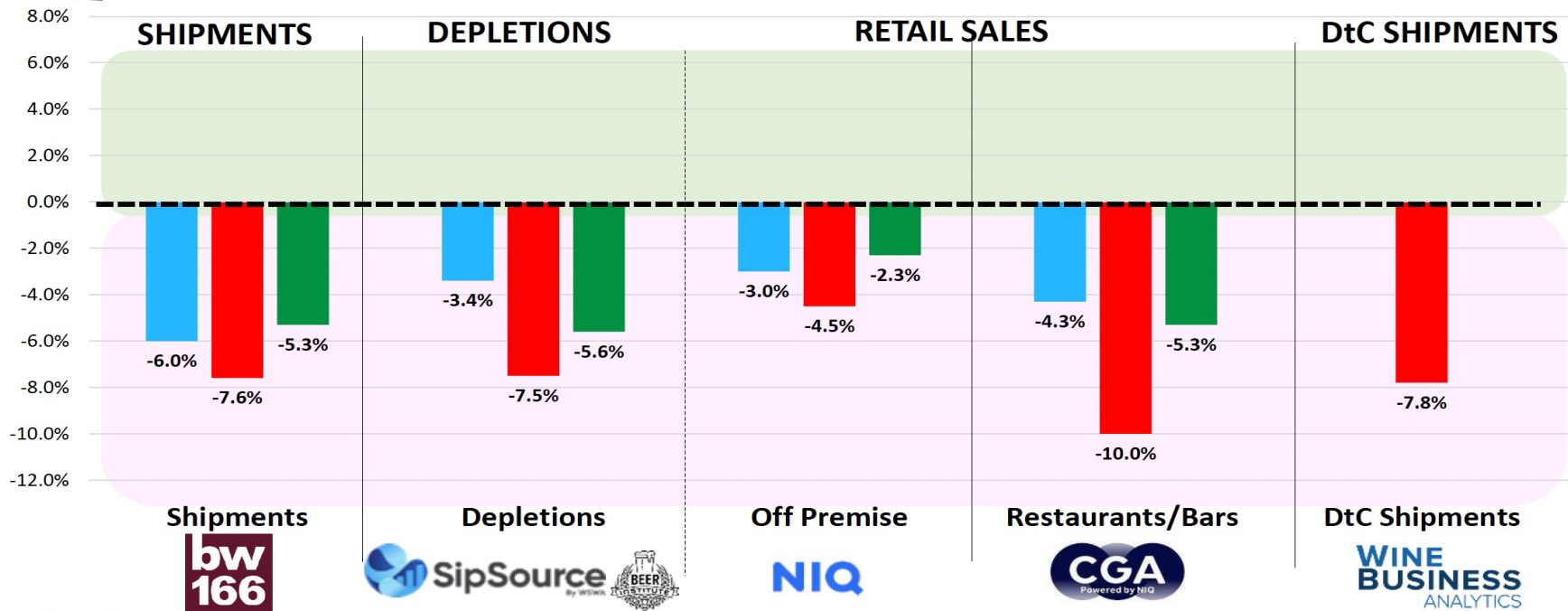
# SALES CONTROLLING THE DYNAMIC

## Not a Pretty Picture – Aberration or Tipping Point?



Beer, Wine, Spirits – Annual (2023) Volume percent chg vs year ago

■ Beer ■ Wine ■ Core Spirits (excl RTD'S)



Shipments



Depletions



Off Premise



Restaurants/Bars



DtC Shipments

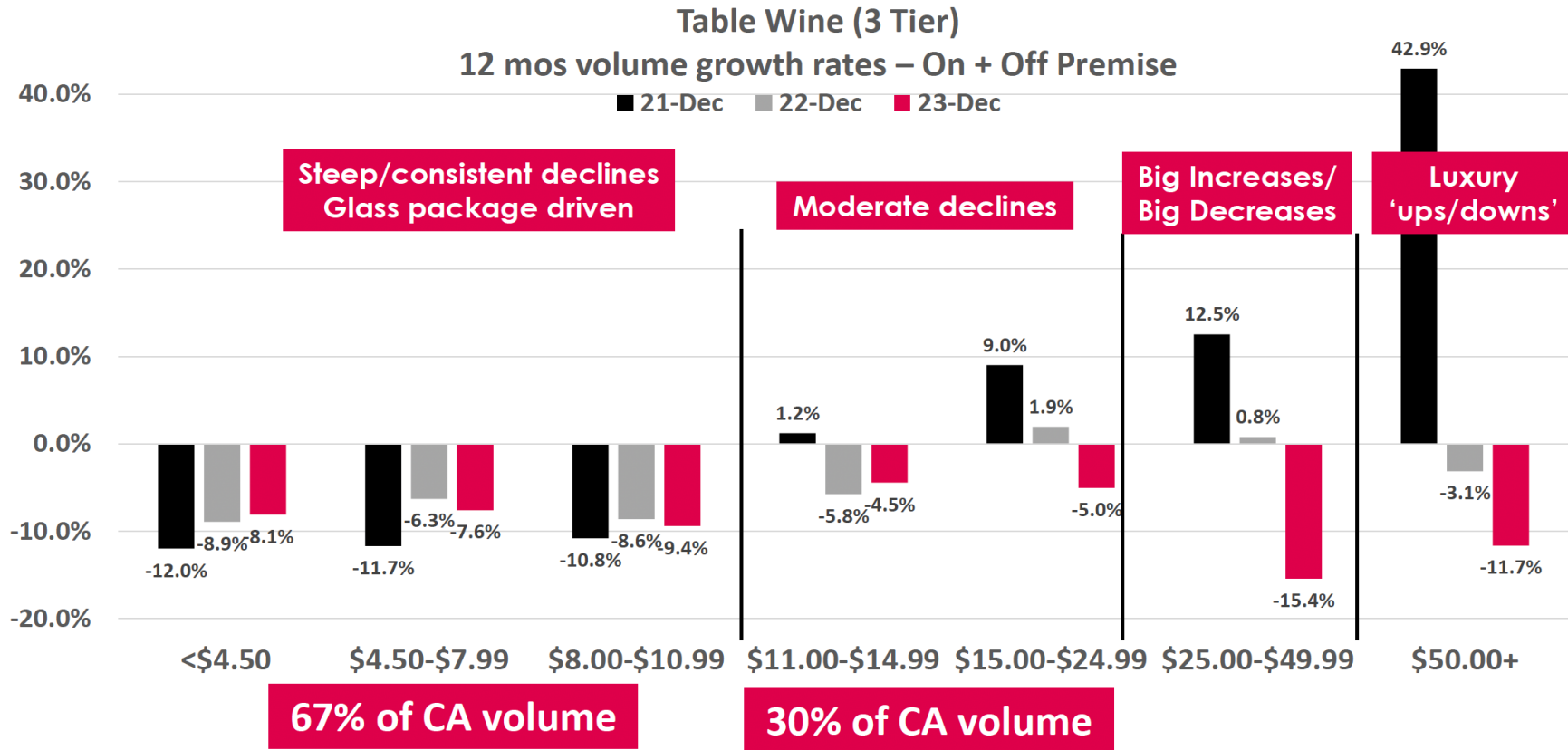


12 mos/52 weeks

GFA Shipments –thru Sept 2023/SipSource Depletions –thru Dec 2023; NIQ Off Premise – thru Dec 30, 2023; CGA On Premise – thru Nov 4, 2023; DtC Shipments thru Nov 2023

Source: Danny Brager

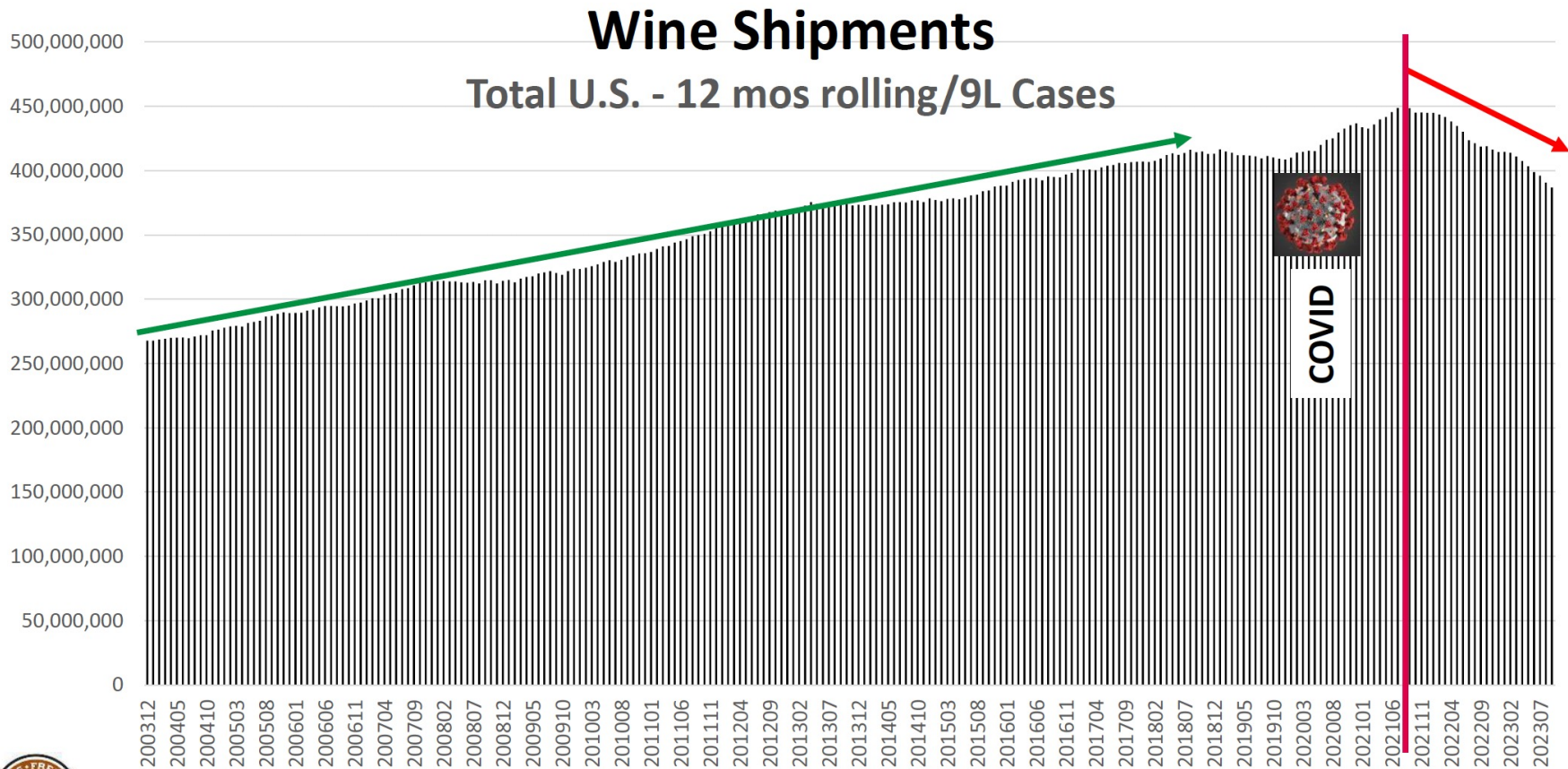
# \$11-\$25 Provides A Good Combination – Size, Affordability, And Growth Prospects



SipSource by WSWA 12 mos thru December of each year (Volume)

Source: Danny Brager

# We've Come A Long, Long Way, But Declines Recently



Source: Danny Brager



# GRAPE MARKET

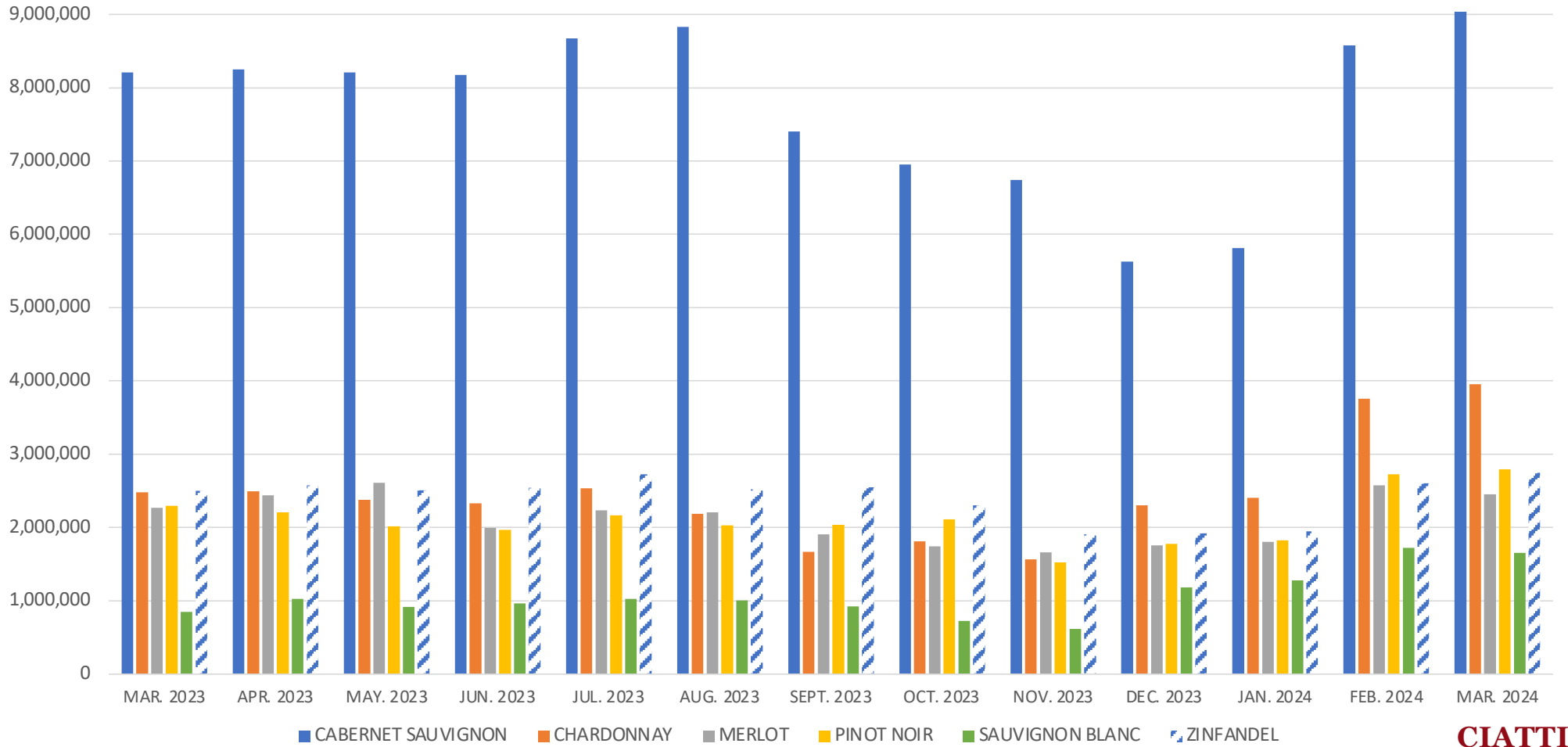
- **More available fruit – contract notices**
- **Limited Early Activity**
- **Whites Stronger than Reds – Chardonnay/Sauv Blanc**
- **Buyers very cautious – not committing to full needs**
- **May not see more activity until we get an idea of crop size and case good sales**
- **Prices still a question mark?**

# BULK MARKET

- **Bulk market over the last year has been subdued**
  - Buyers are not buying until they need it and not many NEED inventory – just in time (Maximize cash flow, Debt, Sales etc)
  - Vibes of the 2019 harvest year – homogenous CA bulk pricing
  
- **Bulk pricing trends – Expectations will move lower**
  - Pricing has been weakening vs last year
  - Wineries are net sellers of bulk wine – so limits buyers
  - Price is not a motivator for purchase.

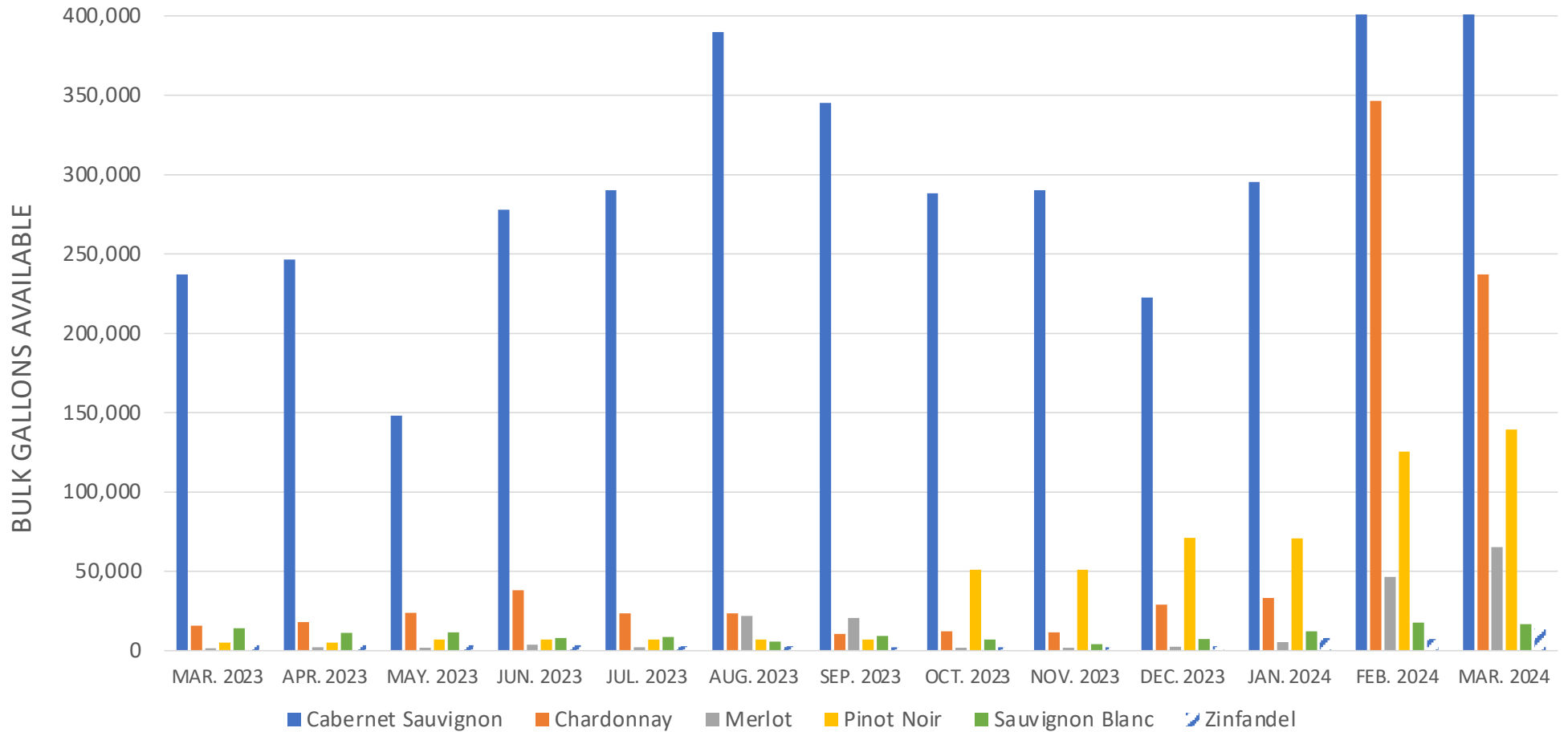
# CALIFORNIA BULK WINE INVENTORY

## MAR 2023 - MAR 2024



# NAPA COUNTY

## MAR 2023 - MAR 2024



# BULK MARKET

- **Buyers Market**
  - Be open to offers
  - Be careful of carrying inventory
  - May need to take more term and buyer risk
- **Grower Bulk Wine – Have a plan**

# GRAPE CONTRACTS



# WINE / GRAPE MARKET – LONG OR SHORT



# MANAGEMENT OF QUALITY & RETURN

- $\text{Return per Acre} = (\text{Tons} \times \$/\text{Ton}) - \text{Farming Costs}$
- $\text{Winery Value} = \text{Quality} / \text{Price per Unit}(\$/\text{Ton})$
- What opportunities exist to maximize return per acre and winery value to benefit both the grower and winery and deliver consumer value



# CONTRACTS TERMS/PRICING – NEXT 1-2 YEARS

- Expect Shorter Terms
- Reduced use of Reference Plus pricing
- Pricing that more Reflects Spot Market
- High End Vyds will still see Percentile Pricing and Per/Acre Contracts –  
but will be pressure to limit these

# MARKETING GRAPES IN CHALLENGING MARKET

- Accept the reality of the current market – understand your options
- Relationships Still Matter
- Talk to Buyers but Don't Pressure
- Openness to Discuss Price and Terms
- Reputation of Seller and Fruit Quality will Matter – buyers have choices
- Cast a Wide Net



**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**
  - Light crop, Frost, New Sales Trends, etc

## 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

# CIATTI REPORTS / PUBLICATIONS

- CALIFORNIA MARKET REPORT
- GLOBAL MARKET REPORT
- [WWW.CIATTI.COM](http://WWW.CIATTI.COM)

Glenn Proctor  
[glenn@ciatti.com](mailto:glenn@ciatti.com)  
707.337.0609



CIATTI

GLOBAL WINE & GRAPE BROKERS