



SEPTEMBER, 2023

THE TURRENTINE
GLOBAL BULK WINE UPDATE



7599 REDWOOD BLVD. STE. 103, NOVATO, CA 94945
(415) 209-WINE



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In our regular market update conversations with our global bulk brokerage partners, the concerns over the lack of consumer demand for value wine continues to increase in each region. The decreasing consumer sales dynamic has led to slow bulk wine markets for larger volumes of value wine regardless of country, varietal, or vintage—especially for red wines. To try to stimulate the market, asking prices for bulk wine are down. This has not yet incentivized opportunistic buyers to come to the market as it has in past cycles.

Historically when faced with oversupply, wineries have resorted to discounting casegoods to stimulate sales, but there are many challenges to do this in today's economic environment. Many wineries have inventory at higher costs as a result of inflation. Additionally, cash positions are compromised by slow sales making them reluctant to lower prices and reduce any margin they may still have. In past challenging economic times, consumers kept buying wine but would shift down in price point. The Wine Market Council did note some signs of domestic consumers trading down in their early September report, but this appears to be less common than historically similar periods. (Of course, what would be preferable for all is if consumers purchased more wine to take market share from beer and spirits.)

Adding to the sales challenges and increased prices are tariff actions and anti-alcohol efforts in the EU and beyond as described in a recent [Meininger's article](#). The effects of the most recent spike in cost for wine due to the UK tax increase will likely slow wine sales there, and producers are likely to turn their focus to the United States if they are unable to sell in the UK. Global actions like this negatively impact and further complicate the ability for domestic wineries to sell wine.

This update highlights the unique supply, demand, and pricing trends from various regions around the world for wines of a quality and style to be competitive in the U.S., and how they might impact markets for California bulk wine and grapes.



France



Consumer demand for value priced wine in France, like other regions of the world, is down. The oversupply in France is due mainly to this lower consumer demand, higher bulk prices relative to competitors, and the conservative nature of global buyers.

As has been widely publicized to deal with the oversupply, the French government and the EU have recently earmarked €216 million for distillation of wine, which has created a temporary floor on the market at €0.45 per liter for generic wine, €0.60 per liter for IGP wine, and €0.70 per liter for AOP wine. This is a short-term attempt to balance supply to demand, but a longer-term solution of removing vineyards or investing in marketing to increase consumption might be more valuable.

Going into the 2023 harvest, supplies of Chardonnay and Sauvignon Blanc were tight, and prices had remained firm all year. Supplies of red wine were abundant and asking prices had decreased. Currently, projections for crop size in France are varied in almost every region due to drought and heat, hail, poor weather during set, and/or disease pressure. There is a limited quantity available for Chardonnay and Sauvignon Blanc, and they expect tight supply of 2023 vintage wine next year as well. Asking prices will likely start out at a similar level as 2022.

Despite the distillation initiative, supplies of Cabernet Sauvignon and Merlot will be in excess of demand, and asking prices most likely still will reflect the challenging market for value red wines globally. Rosé supplies will remain available.

There are competing forces that currently impact prices for importing from France and all of Europe. On one hand, prices are being driven down by reduced container shipping rates from Europe and a softening U.S. dollar against the Euro. On the flip side, costs of glass and other packaging materials, which have remained higher than in the past, are working to keep prices higher.

France is not a region to which U.S. buyers typically look for bulk value varietal wine since prices are usually higher than other regions for similar varietals. Due to the supply/demand balance in other wine producing regions, this likely will remain the case after the 2023 harvest as well. Efforts to export bottled wine to the United States, especially value varietal and Bordeaux wines, likely will increase.

Figure 1 - Production in Hectoliters (,000)

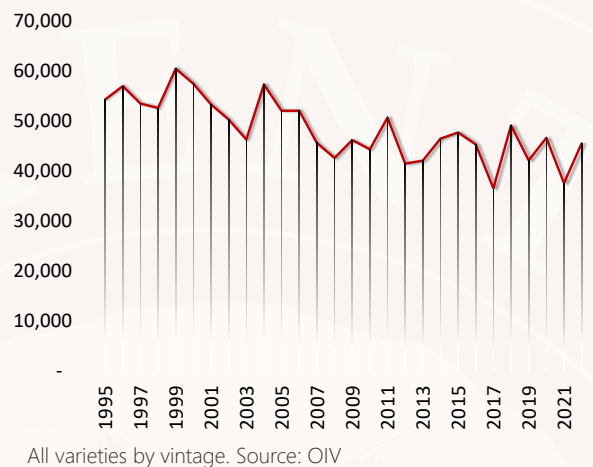


Figure 2 - Relevant Current Pricing

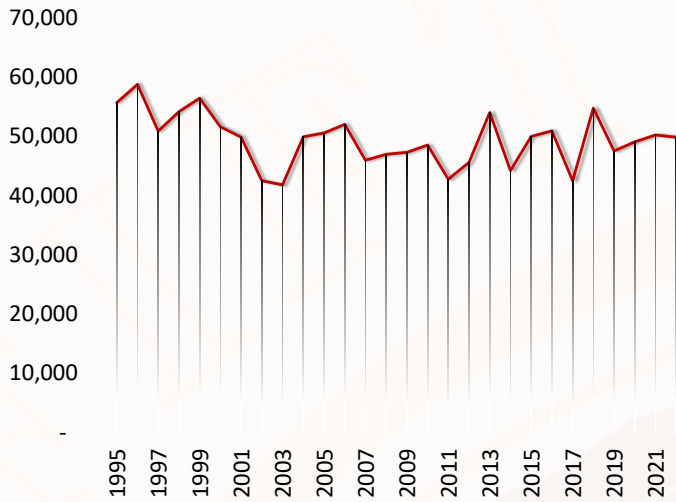
Variety	Region	Supply/Demand			Estimated Price/Liter			Price Trends	Est. USD/Gallon Landed in CA, Duty Paid		
		Strong	/	Weak	€0.90	/	€1.20		\$5.30	/	\$6.50
Cabernet Sauvignon	D'Oc	Strong	/	Weak	€0.90	/	€1.20	↓	\$5.30	/	\$6.50
Chardonnay	D'Oc	Moderate	/	Weak	€1.40	/	€1.60	→	\$7.30	/	\$8.10
Sauvignon Blanc	D'Oc	Moderate	/	Moderate	€1.10	/	€1.30	→	\$6.10	/	\$6.90

Source: CIVS, Turrentine Brokerage

Italy



Figure 4 - Production in Hectoliters (,000)



All varieties by vintage. Source: OIV

Going into harvest there was a slow market for value bulk red wines and excess supplies. Regional Italian red varieties are more in excess than white wine, but not to the extent of the oversupply in France or Spain.

The 2023 harvest is variable due to challenges from heat and disease affecting the white wines and wines from organic grapes to a greater degree. In spite of the challenges there will be Pinot Grigio and Prosecco available from 2023.

As is the case in France, there are competing forces that currently impact prices for importing from Italy.

The majority of the wine that is exported to the United States from Italy is bottled regional red wines, Pinot Grigio, and Prosecco. While buyers looking to source internationally used to look to Italy for Pinot Grigio, their current preference is sourcing from Chile and Australia, as wine from these markets is less expensive and stylistically more like California wine. In the foreseeable future, bulk wine from Italy will have little impact on the California bulk wine market regardless of domestic Pinot Grigio supply, but the efforts to sell bottled wine by the Italians will put increasing pressure on U.S. wineries to compete for consumer demand.

Figure 3 - Relevant Current Pricing

Variety	Region	Supply/Demand			Estimated Price/Liter		Price Trends	Est. USD/Gallon Landed in CA, Duty Paid			
		Strong	/	Weak	€	/		€	\$	/	\$
Pinot Grigio	Veneto	Strong	/	Weak	€1.20	/	€1.30	↓	\$6.50	/	\$6.90
Primitivo	Puglia	Strong	/	Weak	€1.05	/	€1.20	↓	\$5.90	/	\$6.50

Source: CIVS, Turrentine Brokerage

Spain



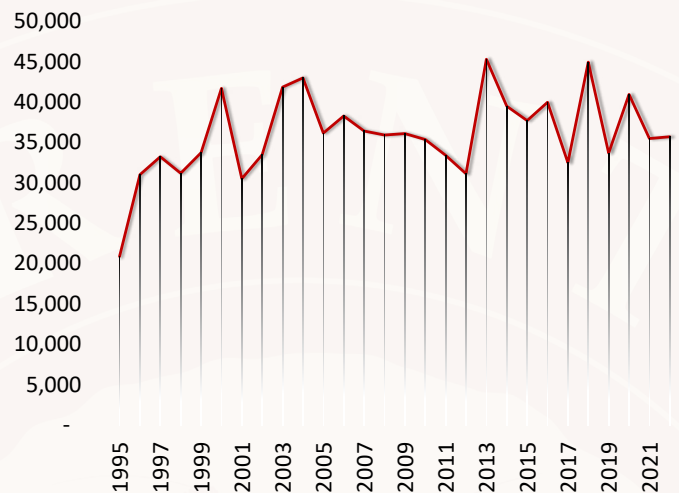
Supplies of Spanish red and white wines are available from most regions and offering prices are very low. Most of the red wine volume is Garnacha and Tempranillo. Projections for crop size in Spain are down an estimated 20-30 percent, but supplies are still projected to be in excess of demand. As in the rest of Europe and in California, value volume buyers are not active due to lower consumer demand for value wine in Europe and other regions of the world.

Slow bulk wine sales mean asking prices are very low, as well. The lack of deals being completed makes quoting specific ranges challenging. If a buyer came in for a large volume and was willing to move quickly, there would be plenty of options from which to choose.

As is the case in France and Italy, there are competing forces that currently impact prices for importing from Spain. When California value Cabernet Sauvignon was not available or too expensive, U.S. bulk buyers did look at Spanish Cabernet Sauvignon as a possible substitute. Recently, however, wineries have preferred to source wine from Chile and Australia rather than Spain.

If consumer demand for value wine increases, bulk wine from Spain could have a minor impact on the domestic market for generic red or white wine, but supplies in California are large enough to satisfy any increase in sales for some time. The continued efforts to sell bottled wine from Spain will put increasing pressure on U.S. wineries to compete for consumer demand.

Figure 5 - Production in Hectoliters (,000)



All varieties by vintage. Source: OIV

Figure 6 - Relevant Current Pricing

Variety	Region	Supply/Demand	Estimated Price/Liter	Price Trends	Est. USD/Gallon Landed in CA, Duty Paid
Cabernet Sauvignon	Standard	Strong / Weak	€0.60 / €0.80	↓	\$4.00 / \$4.80
Merlot	Standard	Strong / Weak	€0.60 / €0.80	↓	\$4.00 / \$4.80
Tempranillo	Standard	Strong / Weak	€0.60 / €0.75	↓	\$4.00 / \$4.60
Garnacha	Standard	Strong / Weak	€0.60 / €0.80	↓	\$4.00 / \$4.80
Dry Red	Standard	Strong / Weak	€0.50 / €0.70	↓	\$3.60 / \$4.40
Dry White	Standard	Strong / Weak	€0.55 / €0.70	↓	\$3.80 / \$4.40

Source: CIVS, Turrentine Brokerage

Chile

The majority of the production of wine in Chile is for export, and the low global consumer demand for value wines has greatly affected that market.

The supply situation for Chilean wines echoes global trends. While Sauvignon Blanc and Chardonnay bulk wines are available, they are not in excess supply. Conversely, red wine varieties such as Cabernet Sauvignon and Merlot are in oversupply, aligning with trends observed in other wine-producing regions around the world.

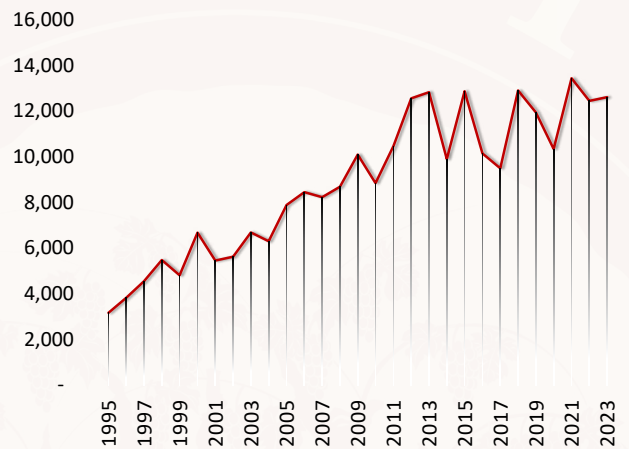
Soft global demand has led to decreased asking prices for bulk wine. Sauvignon Blanc could land in California at prices equivalent to somewhere between \$3.60 to \$4.00 per gallon. Adding to the allure, container shipping rates have declined significantly and are nearing pre-pandemic levels, making Chilean wines a viable bulk alternative.

Historically, Chile has been a go-to region for U.S. buyers seeking value in Cabernet Sauvignon, Merlot, and Sauvignon Blanc. This trend is likely to continue due to U.S. buyers' long-term concerns about competing on price at the value end of the market with California grapes and wines.

The outlook for the Chilean wine market is a very challenging market that does not seem like it will turn around any time soon. Good-quality red wines can still be had for between \$0.60 and \$0.65 per liter in Chile, or the equivalent of \$3.20 to \$3.40 per gallon landed. Bulk wine from Chile will continue to be an option for value bulk wine buyers and have an impact on the markets for bulk Cabernet Sauvignon, Sauvignon Blanc, and Merlot for some time.



Figure 7 - Production in Hectoliters (,000)



All varieties by vintage. Source: OIV

Figure 8 - Relevant Current Pricing

Variety	Region	Supply/Demand		Estimated Price/Liter		Price Trends	Est. USD/Gallon Landed in CA, Duty Paid	
		Strong	Weak	\$	\$		\$	\$
Cabernet Sauvignon	Standard	Strong	Weak	\$0.60	\$0.65	↓	\$3.20	\$3.40
Chardonnay	Standard	Moderate	Weak	\$0.70	\$0.80	→	\$3.60	\$4.00
Sauvignon Blanc	Standard	Moderate	Weak	\$0.70	\$0.80	↓	\$3.60	\$4.00
Pinot Grigio	Standard	Moderate	Weak	\$0.80	\$0.90	↓	\$4.00	\$4.40
Pinot Noir	Standard	Moderate	Weak	\$0.80	\$0.90	↓	\$4.00	\$4.40
Merlot	Standard	Strong	Weak	\$0.60	\$0.65	↓	\$3.20	\$3.40

Source: San Nicolás Wines S.A., Turrentine Brokerage

Australia

The trade war with China continues to depress the Australian bulk wine and grape markets, but this has had more of an impact on red wines than on whites.

Supplies of white wines such as Sauvignon Blanc and Chardonnay are tight due to a challenging 2023 growing season and have also been moderately boosted by the past shorter supply from New Zealand. The 2023 crop shortfall has kept prices firm at roughly \$4.00 to \$4.20 per gallon landed in the United States for Chardonnay. On the other hand, red wine varieties, specifically Cabernet Sauvignon and Shiraz, remain oversupplied despite a smaller 2023 crop. Entry level prices are currently valued at \$2.40 to \$2.80 per gallon landed in California. Projections are for another short crop in 2024. This is largely attributed to low grape prices, which have led farmers not to farm certain blocks.

Container availability has improved, somewhat easing logistics and distribution concerns. In addition, shipping rates have decreased, although they have not dropped as substantially as those from Europe or Chile.

Australian Chardonnay has long been a global competitor and a viable substitute for California Chardonnay. Market balance in Australia and California, coupled with strong prices in California throughout 2022, have led to an increase in Australian bulk Chardonnay imports into the United States. For some brands, especially those who feel they may not be able to compete with California on price, the high cost of California Cabernet Sauvignon has spurred interest and experimentation with more affordably priced Australian options. Some brands are even considering Australian Cabernet Sauvignon as a long-term substitute, a development likely to influence the market dynamics for years to come.

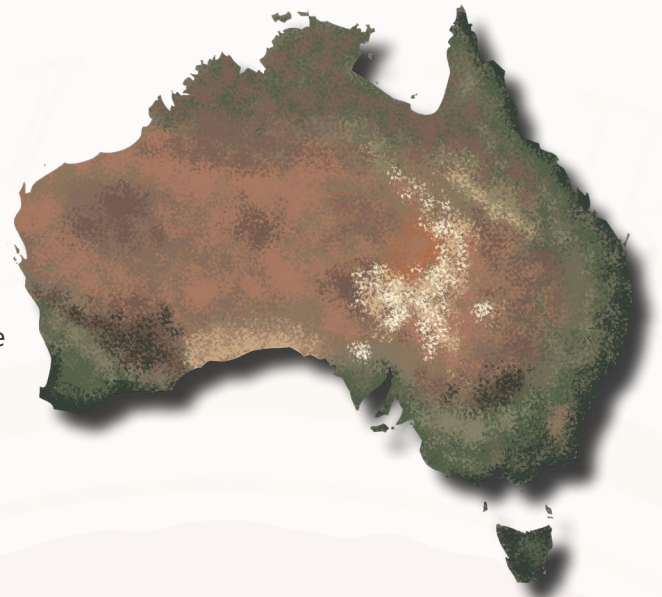
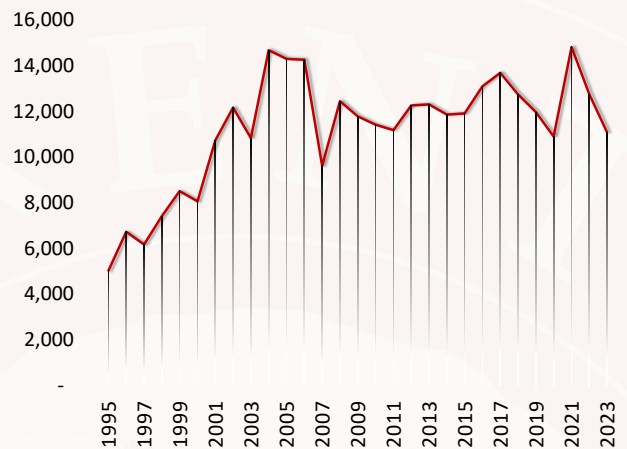


Figure 9 - Production in Hectoliters (,000)



All varieties by vintage. Source: OIV

Figure 10 - Relevant Current Pricing

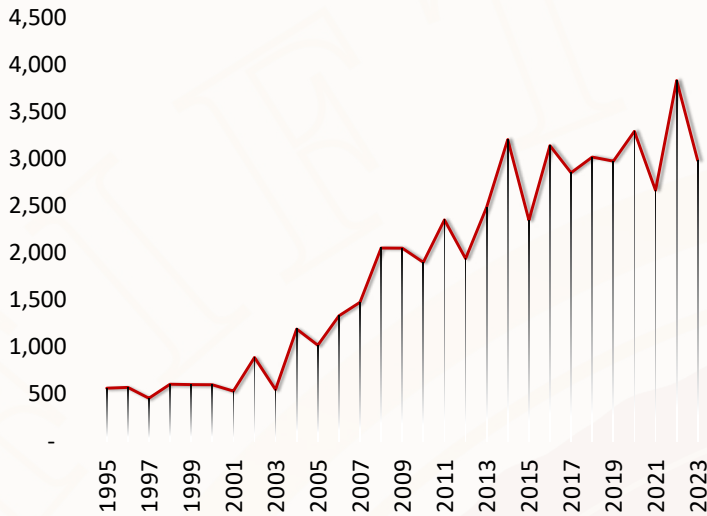
Variety	Region	Supply/Demand			Estimated Price/Liter			Price Trends	Est. USD/Gallon Landed in CA, Duty Paid		
		Moderate	/	Weak	AUD 0.50	/	AUD 0.65		\$2.40	/	\$2.80
Cabernet Sauvignon	Inland	Moderate	/	Weak	AUD 0.50	/	AUD 0.65	↓	\$2.40	/	\$2.80
Chardonnay	Inland	Weak	/	Moderate	AUD 1.15	/	AUD 1.25	→	\$4.00	/	\$4.20
Sauvignon Blanc	Inland	Weak	/	Moderate	AUD 1.30	/	AUD 1.50	→	\$4.30	/	\$4.80
Pinot Grigio	Inland	Weak	/	Moderate	AUD 1.25	/	AUD 1.40	→	\$4.20	/	\$4.60
Shiraz	Inland	Strong	/	Weak	AUD 0.50	/	AUD 0.65	↓	\$2.40	/	\$2.80

Source: Austwine, Turrentine Brokerage

New Zealand



Figure 11 - Production in Hectoliters (,000)



All varieties by vintage. Source: OIV

The 2023 harvest in New Zealand has led to a rebound in supply, marked by bulk offerings from multiple suppliers and an increase in the volume of bottled wines on U.S. retail shelves.

The surge in 2023 harvest volumes, coupled with an increased volume of 2022 wine from California and other regions, has led to a softening in demand for New Zealand's bulk wine. Multiple sellers have reached out with wine priced below NZ\$5.00 per liter, which translates to roughly \$12.50 landed in California.

Although containers are readily available, shipping rates have not decreased to the extent seen from Europe, remaining more on par with rates from Australia thus keeping the landed price in California higher than in the past.

Lower bulk prices haven't yet attracted new U.S. bulk buyers. The increased supply of wine available will likely impact domestic brands that are in direct competition. Meanwhile, Sauvignon Blanc from California and other areas of the world seems to have carved out a larger and possibly more permanent spot in the market, offering U.S. consumers a broader range of styles and flavors. This abundance of supply also may negatively influence demand for California bulk wine as we transition into 2024.

Figure 12 - Relevant Current Pricing

Variety	Region	Supply/Demand			Estimated Price/Liter		Price Trends	Est. USD/Gallon Landed in CA, Duty Paid			
		Strong	/	Moderate	NZ \$3.50	/		NZ \$5.00	\$9.40	/	\$12.70
Sauvignon Blanc	Marlborough	Strong	/	Moderate	NZ \$3.50	/	NZ \$5.00	↓	\$9.40	/	\$12.70

Source: Austwine, Turrentine Brokerage

Domestic Impact

Despite attractive pricing for bulk wine on the global market, overall demand from U.S. buyers remains soft. The current domestic availability and competitive pricing of red wine seem to be discouraging U.S. buyers from looking overseas for their needs. While sellers' efforts have been ongoing to market the potential of value wines in bulk, real buyer interest has yet to materialize. Negotiant buyers appear to be in the exploratory phase, test-marketing various options but not yet committing to purchases.

Sellers in the red wine market are facing difficult conditions. In the white wine sector, particularly with Chardonnay, supplies are more in balance and are being closely watched by potential buyers. Sauvignon Blanc growers and brands should be particularly mindful of the increased volume of wine entering the market, with heightened supplies notably coming from Chile and New Zealand. This influx is likely to lead to increased competition on retail shelves.

It is also important to remember that even if a country isn't a primary competitor for bulk wine imports to the United States, an oversupply situation can cause that country to be a secondary competitor as efforts to sell wine in the bottle may increase the competition in the U.S. market.

If you are interested in buying international bulk or bottled wine, or are looking to export, please reach out to us at (415) 209-9463 to discuss your options.

Figure 13 - Relevant Current Pricing by Variety

Variety	Country	Region	Supply/Demand		Estimated Price/Liter		Price Trends	Est. USD/Gallon Landed in CA, Duty Paid	
Cabernet Sauvignon	France	D'Oc	Strong	Weak	€0.90	€1.20	↓	\$5.30	\$6.50
	Spain	Standard	Strong	Weak	€0.60	€0.80	↓	\$4.00	\$4.80
	Chile	Standard	Strong	Weak	\$0.60	\$0.65	↓	\$3.20	\$3.40
	Australia	Inland	Strong	Weak	AUD 0.50	AUD 0.65	↓	\$2.40	\$2.80
	USA	California Appellation	Strong	Weak			↓	\$4.00	\$7.00
Chardonnay	France	D'Oc	Moderate	Weak	€1.40	€1.60	→	\$7.30	\$8.10
	Chile	Standard	Moderate	Weak	\$0.70	\$0.80	→	\$3.60	\$4.00
	Australia	Inland	Weak	Moderate	AUD 1.15	AUD 1.25	→	\$4.00	\$4.20
	USA	California Appellation	Moderate	Moderate			→	\$4.50	\$6.50
Sauvignon Blanc	France	D'Oc	Moderate	Moderate	€1.10	€1.30	→	\$6.10	\$6.90
	Chile	Standard	Moderate	Weak	\$0.70	\$0.80	↓	\$3.60	\$4.00
	Australia	Inland	Weak	Moderate	AUD 1.30	AUD 1.50	→	\$4.30	\$4.80
	New Zealand	Marlborough	Strong	Moderate	NZD 3.50	NZD 5.00	↓	\$9.40	\$12.70
	USA	California Appellation	Moderate	Weak			→	\$4.50	\$6.50
Pinot Grigio	Italy	Veneto	Strong	Weak	€1.20	€1.30	↓	\$6.50	\$6.90
	Chile	Standard	Moderate	Weak	\$0.80	\$0.90	↓	\$4.00	\$4.40
	Australia	Inland	Weak	Moderate	AUD 1.25	AUD 1.40	→	\$4.20	\$4.60
	USA	California Appellation	Weak	Moderate			→	\$4.50	\$6.00
Pinot Noir	Chile	Standard	Moderate	Weak	\$0.80	\$0.90	↓	\$4.00	\$4.40
	USA	California Appellation	Strong	Weak			↓	\$4.50	\$7.00
Merlot	Spain	Standard	Strong	Weak	€0.60	€0.80	↓	\$4.00	\$4.80
	Chile	Standard	Strong	Weak	\$0.60	\$0.65	↓	\$3.20	\$3.40
	USA	California Appellation	Moderate	Weak			↓	\$4.50	\$6.00

Variety	Country	Region	Supply/Demand		Estimated Price/Liter		Price Trends	Est. USD/Gallon Landed in CA, Duty Paid	
Dry Red	Spain	Standard	Strong	/ Weak	€0.50	/ €0.70	↓	\$3.60	/ \$4.40
	USA	California Appellation	Strong	/ Weak			↓	\$3.00	/ \$4.50
Dry White	Spain	Standard	Strong	/ Weak	€0.55	/ €0.70	↓	\$3.80	/ \$4.40
	USA	California Appellation	Moderate	/ Weak			↓	\$3.25	/ \$4.00

Source: CIVS, San Nicolas Wines S.A., Austwine, Turrentine Brokerage

Turrentine Crop Contest

Enter your best guess in the category '2023 Statewide Total Wine Grapes' for a chance to win the Grand Prize! The Grand Prize Winner will receive a plaque and a YETI Tundra Ice Cooler! YETI Ice Coolers are known for their legendary toughness and ice retention, perfect for chilling wine bottles, hunting, fishing, tailgating, or any outdoor adventure. Winner will get to choose their color! Click here to learn about our Grand Prize: <http://yeti.com/tundra-105-cooler/>

How the Grand Prize Winner will be selected? The actual number for the 2023 Statewide Total Wine Grapes will be taken from the Final Crop Report, Table 2, Total Wine Grapes. Winner will be chosen by selecting the closest number without going over.

Other category winners will receive a 1st place plaque and a bottle of Champagne!

Please turn in all entries by January 31, 2024.



[**ENTER NOW**](#)



Steve Fredricks, President
(415) 847-0603

Brian Clements, Vice President
(707) 495-8151

BULK WINE BROKERS

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Steve Robertson, Broker/Partner
All California & Interstate Regions
(415) 827-0110

Audra Cooper, Broker/Partner
Central Coast
(805) 400-9930

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

Mike Needham, Broker/Partner
California Interior
(209) 443-0022

William Goebel, Broker/Partner
Central Coast & North Coast
(415) 798-5515

Christian Klier, Broker
North Coast
(707) 867-8212

STRATEGIC BRANDS

Bryan Foster
National Sales Manager of Strategic Brands
(707) 849-9948

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Turrentine Brokerage | 7599 Redwood Boulevard, Suite 103, Novato CA 94945

Tel: 415.209.9463