

**SPRING
UPDATE**

Spring 2017

Allied Grape Growers:
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Allied Grape Growers is a winegrape marketing cooperative with 500 grower members from major winegrape regions of California.

The association exists for the purpose of efficient and competitive marketing of its members' grapes as well as offering marketing services for non-members. Direct lines of communication are maintained year-round with growers and vintners for better understanding of market conditions and opportunities.



**SPRING
UPDATE**

**An "Allied Press"
Newsletter Publication**

Written for the growers and customers of
Allied Grape Growers

Editor: Jeff Bitter

Grape Acreage Report

Useful Tool to Track Trends

Even though we are involved in an agriculture-based industry where there is little predictability due to our dependence on Mother Nature, it can be said that there are some predictable events that happen each year surrounding the wine business.

For example, we know there will be a crush. We know older vintages will move through the system to make way for younger ones; we know that consumers buy more wine around the holidays; and we know that surrounding every vintage there is a pattern of industry events – the Unified Wine & Grape Symposium, the release of the *Grape Crush Report* and the release of the *Grape Acreage Report*. As such, it's that time of the year when the *Grape Acreage Report* is released.

On April 20, the California Agricultural Statistics Service (CASS) provided its 2016 *Grape Acreage Report* to the public, full of valuable details regarding the state's winegrape acreage. Submission of report data by growers is voluntary and, therefore by nature, will be incomplete. But the report serves as a useful tool to track

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QUALITY INTEGRITY STABILITY

AGG Estimates Indicate Acreage Base Shift

trends, identify new areas of development and analyze opportunities to fill in data. For decades Allied Grape Growers has been the state’s authority on winegrape supply and planting information. The data we bring to the industry supplements and completes the data provided by the state’s report. So it is natural for us to evaluate the *Grape Acreage Report* for accuracy and completeness upon its release annually and to fill in the blanks where needed.

This year’s report indicates that there are 460,000 acres of bearing grapes and 23,000 non-bearing acres. Since the state fully recognizes the incompleteness of the voluntarily submitted data, an estimate is made by CASS of the actual data, which consisted of 560,000 bearing and 42,000 non-bearing acres. The state’s estimated numbers are close to what we have estimated at AGG, coming in at just over 570,000 bearing and 65,000 non-bearing acres.

Our basis of knowledge regarding the amount of actual bearing acres comes from an analysis of the crush report as it compares to the acreage report (i.e.: we compute for each variety in every district the yields produced by dividing

the crushed tons by the bearing acreage to ascertain whether data is complete). In doing this, we have found that a pattern exists for incompleteness based on the failure of growers in certain regions to report their acreage.

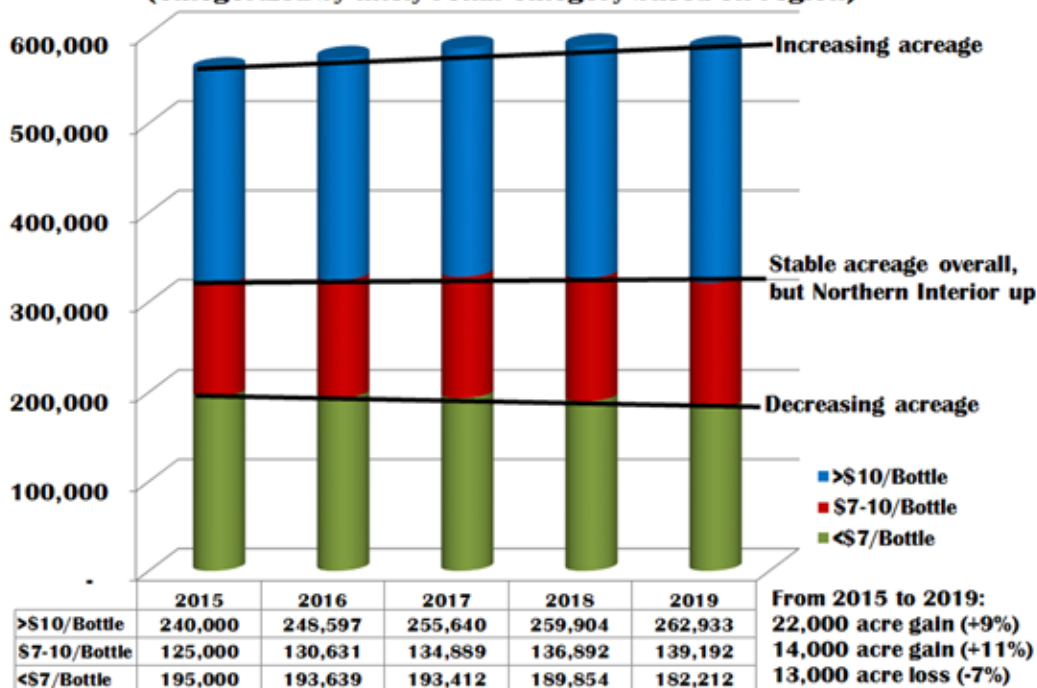
However, since vineyard acreage on a large scale doesn’t change substantially in a short time period, we have been able to identify where the shortfalls are and track them over time to help us complete the data.

With regard to the non-bearing acreage, our basis of knowledge comes from the annual grapevine nursery survey that we administer each January. The survey, which collects vine sales data directly from the commercial California nurseries, has indicated that at least 65,000 acres have been planted over the last three years combined.

2016 California Winegrape Acreage

	State Reported	State Estimated	AGG Estimated
Bearing	460,000	560,000	573,000
Non-Bearing	23,000	42,000	65,000
Total	483,000	602,000	638,000

Estimated California Bearing Winegrape Acreage, 2015-2019
(categorized by likely retail category based on region)



We fully anticipate that many of the acres planted in 2014 produced in the year of their third leaf (2016), whereas the state doesn’t recognize newly planted vineyards as producing until the fourth leaf year.

The State of California has done a much better job in the last few years of estimating the actual amount of bearing and non-bearing acres. What can be said for sure is that the planting and production dynamics are changing once again as we move through times of premiumization in the business. An acreage base shift from Central and Southern Interior to Northern Interior and Coastal regions is certainly taking place, as evidenced by the chart shown herein.

Bunch Count “About Average”

In mid-May, Allied Grape Growers completed its San Joaquin Valley bunch count survey for 2017. For each of the major varieties, we have numerous sample ranches from Clarksburg and Lodi in the north, to areas south of Fresno. At each vineyard, we sample the same set of vines each year for consistency.

This bunch count is broken into regions as described in the table herein and as applicable for variety. Allied Grape Growers does not report annual bunch counts in the coastal regions due to the fact that most growers adjust their crop load significantly in those regions throughout the growing season to meet winery expectations for crop load and quality.

The summary data included in the table herein represents average bunch counts for the San Joaquin Valley compared to the previous year as well as the 10-year average. Most variety/region combinations show far fewer clusters than last year. However, last year was an anomaly with regard to bunch counts, as we observed some of the highest bunch counts we had ever seen for most winegrapes. Ironically this did not translate into a large crop in 2016.

Since a simple comparison to 2016 would have shown most bunch counts as significantly down, we have also included a column showing how the 2017 counts compare to the 10-year average. For a year like 2017, this may be a better measurement to use, as it may more accurately reflect crop potential.

Overall, we believe the crop looks like what we would classify as “about average.” Nothing we see convinces us of a huge shortage or surplus on any variety. But clearly, the one variety/region combination that stands out as potentially lighter than average is North Valley Chardonnay. Not only do visual

observations by most in the industry support assumptions of a lighter than normal crop, the bunch counts, when compared to last year as well as the 10-year average, also point to something less than average. Other white varieties that are notably light on counts when compared to both last year and the 10-year average are Muscat of Alexander and Thompson Seedless.

As far as other white grapes are concerned, French Colombard looks to be “near average,” but word from the field is that the crop should size up well. Pinot Grigio looks a bit on the lighter side, but Central Valley Chardonnay, despite its brothers and cousins to the north, seems to be right at the ten-year average on counts.

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2017 Allied Grape Growers Bunch Count / % Change

Variety and Location	2017 Bunch Count	% Chg From Last Yr	% Chg From 10-Yr Avg
Whites			
Chardonnay (Dist 11/17 - Lodi/Clarksburg)	62.6	-25.8%	-16.5%
Chardonnay (Dist 12 - Merced-Manteca)	52.0	-13.7%	-31.1%
Chardonnay (Dist 13 - Madera/Fresno)	81.9	-31.4%	1.7%
French Colombard - (Dist 12-14)	104.5	-16.1%	-1.1%
Muscat of Alexander - (Dist 13 - Madera/Fresno)	55.9	-23.2%	-15.1%
Pinot Grigio - San Joaquin Valley (incl. Lodi)	79.9	-16.9%	-7.8%
Thompson Seedless - (Dist 13 - Madera/Fresno)	27.5	-16.0%	-17.4%
Reds			
Barbera	78.0	-20.1%	9.9%
Cabernet Sauvignon (Dist 11 - Lodi)	102.0	1.6%	5.4%
Cabernet Sauvignon (Dist 12 - Merced-Manteca)	116.6	8.8%	9.0%
Cabernet Sauvignon (Dist 13 - Madera/Fresno)	83.0	-15.5%	-4.4%
Carignane (Dist 13 - Madera/Fresno)	85.0	-16.9%	0.1%
Grenache (Dist 13 - Madera/Fresno)	75.5	-6.4%	-4.2%
Merlot (Dist 11 - Lodi)	81.6	27.0%	10.8%
Merlot (Dist 12 - Merced-Manteca)	83.4	12.7%	-3.2%
Merlot (Dist 13 - Madera/Fresno)	87.7	-28.5%	10.5%
Petite Sirah (Dist - Lodi)	57.8	-14.7%	-10.0%
Rubired (Dist 13 - Madera/Fresno)	126.4	-3.8%	-14.9%
Ruby Cabernet (Dist 13 - Madera/Fresno)	102.6	-14.6%	-4.8%
Syrah (Dist 13 - Madera/Fresno)	88.9	8.4%	6.1%
Zinfandel (Dist 11 - Lodi on wire)	50.2	-10.8%	-14.3%
Zinfandel (Dist 11 - Lodi head trained)	50.6	3.3%	1.6%
Zinfandel (Dist 12 - Merced-Manteca)	66.0	-32.0%	-6.5%
Zinfandel (Dist 13 - Madera/Fresno)	62.3	-28.0%	-18.5%

President's Message:



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Everyone is talking about price points! What's selling and what's selling more than the next category, and how do we get into that category. I would like to spend a little time talking about the category of under-\$10 for just a second. I know some people don't think it's a sexy category, but it still represents 60 percent of the value of 80 percent of the volume of wine consumed in 2016.

I believe there are billions of dollars, millions of gallons of tanks and thousands of acres of existing winegrapes already invested that are in the below-\$10 segment of the market. These investments are willing and capable of producing even higher quality and price point winegrapes with a little help from each other. It takes a grower who is willing to perform the proper viticultural operations, including leaf pulling, monitored irrigation, shoot thinning/positioning and pest and disease control. It takes a willing winery that wants to produce wines for the premium market to make a better profit margin. But the grower needs to be adequately compensated for those efforts.

Wineries in the Central Valley should be looking at growers that want to be partners for their various programs. Not all wineries are looking at \$10 programs south of Lodi. If they want \$500 grapes at 12 tons to the acre to supply wines below \$10, it can be found, but I prefer the model of the winery and grower working towards acceptable, obtainable quality to reach the higher price points in the market.

In the North Coast and Central Coast, we see strong demand for winegrapes not seen in many years, driving prices higher as well. Some have asked me about the strength of the current prices, and my response is that the increase in costs due to regulation, labor costs and efficiency, and other ever-rising costs has driven overall farming costs higher. Demand is driving the price of grapes, while the cost of farming is definitely affecting the asking price from growers. The competition among the wineries, however, for the limited supply of certain varieties of grapes (i.e. Cabernet Sauvignon in Napa Valley or Pinot Noir in Santa Barbara) has been more of a driver.

The question returns to the grower again to make the assurance that he can perform to the quality standards per the contract and the price for which he is getting paid. The quality of grape will affect the quality of the wine for which the consumer will be the end judge. We have seen some wineries buying wine and grapes at "lower" price points to blend down their cost to within acceptable standards.

The question being asked at the upper end of the industry is whether this is good for the overall industry, good for the various AVA's, or good for the neighboring growers whose grapes are being bought at higher prices. By the way, did I mention we are selling more California wine at higher prices! California winegrapes are selling at higher prices in 2017 vs. 2016. I think as of today it could be a good 2017 harvest for vintners and growers, but let's see what Mother Nature has to say.

As we look at other pressing industry issues, labor and mechanization are at the top of the list. The obvious shortage of labor (and especially skilled, efficient labor) and the cost of labor due to the minimum wage increase are creating a labor crisis for 2017 and beyond. With no realistic immigration reform on the horizon, we will have to continue to face our labor problems and deal with them to the best of our ability. One way to deal with them is to look at mechanization. For areas not yet doing so, we will need to look at mechanization of harvest, pruning, leaf pulling, shoot thinning, suckering and possibly other things for which we have relied on hand labor in the past. But that also means we will be more reliant on skilled labor to run and repair the machines at a higher cost.

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Bunch Count

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Moving on to red varieties (and again paying more attention to how this year compares to the ten-year average rather than to last year), we see that most varieties are only off by single digit percentages one way or the other. Cabernet Sauvignon in the North Valley actually looks to have a solid crop based on counts, as the counts were slightly above last year and above the 10-year average. Lodi Merlot also exhibits the same pattern along with Central Valley Syrah. Most other red winegrape variety/region combinations exhibit counts that are much lower than last year, and just slightly lower or higher than the 10-year average. Petite Sirah, Rubired and most Zinfandel categories show crops that are potentially lighter than average, based on the numbers.

Overall, most in the industry agree that we don't need more than an average crop of any interior grapes. The market is rebounding nicely after three years of spot market softness, but the industry does not yet have enough of a shortage of California appellation wine to welcome a large crop. A year of interior yields that are average or slightly below won't hurt us any in the marketplace, as it will only promote further inventory balancing and market stabilization.

President's Message

(continued)

Sustainability is a buzzword many, including me, have been talking about for years. But what does it mean to you, the winery or the consumer? Who really knows? But it's coming to a theater/winery near you soon! I have been crying wolf to my staff, board and membership for a few years, but now I'm asking all of my membership and any other growers to participate in a volunteer sustainability self-assessment with the California Sustainable Winegrowing Alliance (CSWA).

You can also participate in any of the many other regional programs around the state, such as Lodi Rules, SIP, Napa Green, and Fish Friendly! It's clearly where the future of California wine is going, and it's a better plan to embrace it and drive it than to be subject to it.

Upcoming Events

Mark Your Calendars

Allied Grape Growers' annual meetings are coming soon, so mark your calendar. On Tuesday, July 11, we will be holding our Annual Meeting for our interior region members and guests at Pardini's Banquet Facility in Fresno, Calif. That meeting will be adjourned to our Annual Meeting on Thursday, July 13, at the Hilton Sonoma Wine Country in Santa Rosa, Calif., for members and guests from the coastal districts. (Please note this location, as it has changed from last year.)

Our short business meetings will start at 10:30 at each location. Following our association report, guest speakers will provide insight, followed by a fabulous lunch and raffle of wine and other prizes will follow. We look forward to seeing you there!

We look forward to seeing you at the AGG Meetings

Two weeks after our annual meetings, association President Nat DiBuduo is scheduled to speak at the first-ever International Bulk Wine and Spirits Show (IBWSS) to be held in North America. A complete list of conference and workshop speakers has been announced for this bulk wine, contract bottling and private label show in San Francisco on July 26-27. The event looks to bring the trade together to discuss commercial opportunities that exist for bulk and bottled wines. Nat will be speaking on how current grape supply and demand affects industry players.

Sid Patel, chief executive of the Beverage Trade Network and organizer of IBWSS says, "It is time we made private label and bulk trade a norm. As San Francisco is the most important market in North America where contract bottling, sourcing, private label and bulk trade happens, we decided to make San Francisco our host city for North America."

Over the course of two days, leading figures from the global and U.S. wine industry will share their thoughts, insights and experiences on how bulk wine and spirits can help grow private label and branded product business. Attendees will learn best practices in the industry and walk away with actionable insights on how to grow their business. For more information visit: www.ibwsshow.com.

Producers with Hot Brands Are Driving

As we move toward the 2017 harvest, winegrape markets have been mostly active throughout the state. A common behavioral trait of buyers is that they are generally active in the marketplace after the holidays, purchasing grapes from expired contracts that they know they want to re-sign and/or “new” grapes for which they know they have a specific need, regardless of impending crop size.

Once bud break happens and we move toward bloom, the market momentum normally seems to slow down a bit. By then most buyers have bought what they know they need, and they (along with growers) anxiously observe bunch counts, bloom and set, and eventually bunch development to ascertain crop size.

In short markets, the buying activity continues all the way through the growing season, but in balanced or long markets, buyers move a little slower on presenting offers to buy. For the coastal regions, the market this year seems to be on the shorter side, not so much because the crop looks short, but rather because demand is outpacing supply for most varieties as wines above \$10 per bottle continue to move well in the marketplace. Demand has continued strong as we approach summer.

Cabernet Sauvignon and Pinot Noir continue to be the lead varieties in terms of coastal demand, but Sauvignon Blanc and Chardonnay are not far behind. There aren't many North

Coast districts where Cabernet Sauvignon can be purchased for less than \$2,000 per ton, and in the Central Coast, pricing isn't too far behind that. Pinot Noir in any kind of “cooler” coastal region is going to bring well above \$2,000 per ton, and even “warmer” coastal regions are approaching the \$2,000 per ton mark.

Sauvignon Blanc is a solid \$1,200+ in many coastal districts, while Chardonnay approaches and exceeds pricing closer to \$1,500 per ton.

Geographically popular AVA's, like Napa, Sonoma and others, will bring huge premiums to these prices, but the broader market for coastal winegrapes along California's western edge generally displays pricing consistent with the idea that, if you multiplied the bottle price by \$100, you would arrive at the minimum grape prices being paid.

Not everything in the coast is in high demand though. Zinfandel, Merlot and to some degree Syrah continue to struggle for buyer attention. Pinot Grigio remains very price sensitive, although there is demand for it. Grapes from vineyards that are well positioned as blenders (due to quality/price) are selling simply because of buyers' needs to extend blends and average down costs. Merlot and Zinfandel vineyards of “average” quality or less are not gaining too much buyer attention at this point. Older, head-trained Zinfandel does seem to attract some interest, but mostly from smaller buyers looking for something special.

The high level of interest in Petite Sirah has diminished a bit as production has ramped up over the last couple of years with new plantings. There is still demand, but buyers are more selective and pricing has moderated. Bordeaux blenders, such as Petit Verdot, Malbec and Cabernet Franc, continue to bring demand fueled both by small-production varietal offerings and also the preference to use them as blenders in popular Cabernet Sauvignon. We also continue to receive a lot of inquiries for Rhone varieties, particularly Grenache and Mouvedre as well as Marsanne and Roussanne. Other less common varieties are being sought after as well by buyers who continue to try to differentiate themselves in the marketplace.

As a general statement, spot market prices being offered in the coast for grapes start at previous year's district average and go up from there. There aren't very many coastal grapes being sold below last year's average district prices, by variety. However, like always, pre-existing contracts may have predetermined prices for this vintage and the future. Those prices, in many cases, could be less than the current spot market offerings. Included for reference is a table of coastal district average prices from 2016, for select varieties.

As we move into the interior, the market is a bit less robust than the coast. True to form, buyers were active during the first three to four months of the year, securing the grapes they knew they needed regardless of crop size. However, as Spring sprung, buyers started taking market vacations. The activity hasn't completely stopped; in fact, the slow-down in activity may have as much to do with dwindling supply as it does decreasing buyer appetite. There are fewer grapes available on the spot market currently,

Coastal demand remains strong as we approach summer.

Demand and Seeking the Best Grapes

as compared to last year, and substantially less grape inventory than two and three years ago at this time.

Varieties in the interior that have been in strong demand (albeit experiencing somewhat unexciting prices) have included Chardonnay, Cabernet Sauvignon and Pinot Grigio. Buyers are increasingly critical (and rightly so) of grape quality, as the competitive market leaves no space for mediocre wines. Even among varieties that are in demand, unsold grapes still remain, as buyers pick and choose the best quality sites first. Merlot demand has been hit and miss in the Central Valley this Spring, but even when it hit, the prices were not a big hit with growers.

North Valley Pinot Noir and Cabernet Sauvignon have attracted multiple buyers in the \$700+ range, which makes for relatively happy growers. Sauvignon Blanc has experienced very strong demand in the interior, as buyers look at ways to extend coastal blends or even offer Sauvignon Blanc below \$10 per bottle consistently. Chardonnay demand has been good in the North Valley, but larger buyers continue to offer less than what growers believe the grapes are worth when considering economic sustainability and potential crop size.

Surprisingly, the interest in florals rebounded substantially in 2017 in the Central Valley, as buyers' programs have become inventory-balanced since the days of "swimming in Muscat."

floral imports have also dried up, which has helped create increased demand for domestic florals.

A lot of conversation has developed around generic whites in the Central Valley, as the overall need is large, but supply is also large. This category includes French Colombard, Thompson Seedless and, to a lesser degree, Chenin Blanc. Chenin Blanc demand has been strong with sales to-date well exceeding last year's average district price. Select buyers for French Colombard have been offering premiums to growers that provide logistic benefits, but the larger traditional buyers would rather pay last year's price than offer a sustainable price that starts with a "3."

The Thompson Seedless market has yet to fully develop, with hesitant buyers nervous about the unknown created by the relatively monstrous raisin industry.

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Although Moscato sales are not growing substantially anymore, buyer inventories are finally moderating, and many growers who had older floral vineyards have since removed them, easing the supply pressure a bit. Bulk

Coastal District Average Prices from 2016

	Mendocino	Lake	Sonoma	Napa	Suisun Valley	Santa Cruz/ East Bay	Santa Barbara/ Monterey	SLO
Chardonnay	1,262.13	1,261.53	2,146.60	2,615.16	1,208.00	853.02	1,318.00	1,455.94
Marsanne	1,954.87	N/A	2,259.16	3,519.83	N/A	900.00	2,384.11	1,593.56
Pinot Gris	1,499.17	1,200.00	1,692.04	1,796.68	1,085.00	714.87	1,213.42	1,324.76
Roussanne	1,695.05	1,634.48	2,504.37	4,191.57	N/A	900.00	3,400.00	2,212.51
Sauvignon Blanc	1,290.29	1,155.47	1,678.99	2,145.65	1,054.00	752.21	1,134.27	1,314.70
Cabernet Franc	2,754.93	1,979.58	2,872.38	7,150.54	1,799.04	2,496.71	1,282.46	2,039.85
Cab Sauvignon	2,099.90	2,355.75	2,958.66	6,845.72	1,973.42	1,378.96	1,312.99	1,509.80
Grenache	1,904.62	1,613.09	2,855.47	4,224.83	1,562.77	1,284.55	1,435.71	1,760.00
Malbec	1,777.78	1,921.14	2,618.78	5,353.02	1,600.77	1,150.52	1,251.59	1,403.91
Merlot	1,231.75	1,387.98	1,808.00	3,292.87	1,340.60	880.91	1,099.37	1,034.09
Petit Verdot	1,953.82	2,257.70	2,981.82	6,168.23	1,885.18	885.47	1,311.16	1,537.56
Petite Sirah	1,726.86	1,903.50	2,782.77	3,592.03	2,086.00	1,238.25	1,250.35	1,369.57
Pinot Noir	2,811.76	2,278.50	3,668.64	2,718.29	1,034.00	1,894.26	1,908.95	2,976.61
Syrah	1,524.18	1,613.47	2,569.76	3,569.21	1,548.97	1,049.90	1,213.80	1,442.74
Zinfandel	1,609.88	1,656.44	2,829.05	3,542.80	1,053.80	1,156.61	1,609.34	1,458.38

Featured Vineyard - Sonoma County

Fanucchi-Wood Road

The Fanucchi-Wood Road Vineyard in Sonoma County is one of our most highly sought after sites, producing some of the most highly regarded Zinfandel bottlings in the world. The site is a true “old vine” site – head-trained, dry farmed, heritage, picturesque. Peter Fanucchi, the son of our long time member, the Fanucchi family, has taken this vineyard from a mediocre farmed site to arguably one of the best we have in our entire portfolio.

Our North Coast Operations Manager Chad Clark said of the property, “If only these vines could talk! This vineyard is like taking a walk back in time. The gnarled, hollowed out vines are somewhat artistic in a way...the original low height, head-trained vine structure was modified and raised to about 4 feet, allowing for increased sun exposure and air circulation within the vines.” Clark added, “We do a pretty intense early season leafing pass, which can be scary to see, but given the location of this vineyard, our belief is that, with increased exposure, we are able to get the wineries’ desired fruit components earlier in the season. Zinfandel does not like rain, and the earlier we can get the wineries’ desired components, the less concern about potential rainy weather.”

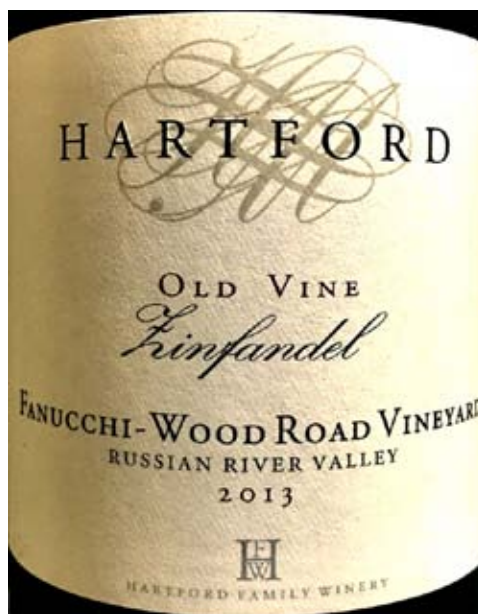
Regarding vine health, Clark stated, “Of course we do see some virus symptoms in these vines..., but it’s expected with any vineyard planted over 100 years ago. We work with it and try to keep the symptoms to a minimum during the important growing times of the season.... The amount of care and dedication Peter has shown (to this vineyard) over the years gives it all the right components to continue to flourish each year. The vineyard location, vine health, water availability, age of vines, farming practices - all of it..., it all just works and works really well.”

Clark concluded, “This is truly a special site with all the right attributes to remain one of the top Zinfandel vineyards in the world. It’s a great honor to be able to represent the Fanucchi Wood Road Vineyard, and it’s even more exciting to be able to taste the wines throughout the process.”

98 Points -

Robert Parker, *The Wine Advocate*

“The 2014 Fanucchi-Wood Road Vineyard Zinfandel comes from nearly century-old Zinfandel vines, aged in 30 percent new French oak prior to being bottle unfiltered and unfiltered after eight months. This is as close to perfection as a Zinfandel can get, and interestingly enough, there is a little Petite Sirah in the blend, which may add to the blue fruit and floral character that this incredibly complex, multidimensional, magnificent Zinfandel offers. This is right up there among the greatest Zinfandels I ever tasted in Northern California, and literally must be consumed to be believed. Huge fruit, big, bold flavors, and an all-American style make for quite an expressive, exotic, super-concentrated and compelling Zinfandel. Drink it over the next 5-8 years.”



A 2013 vintage is shown here.

Driving Demand

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Optimism is high that the raisin market will rebound from last year’s crash, but the question is how much and how fast. Most onlookers believe the price will be up from last year, but even if a 20 percent increase is realized and the price is \$250 per ton, it is still simply not economically sustainable to produce.

Generic reds are hit and miss in the San Joaquin Valley, as demand for Syrah has been strong while the only demand for Ruby Cabernet can be characterized as “lack of.” The same can be said of North Valley Merlot. Barbera and Grenache experienced strong demand early on, mostly associated with the newly popular Rosé category, but also for use as blenders in affordably priced Cabernet Sauvignon programs.

Zinfandel, whether for white or red, has experienced painfully absent market demand this year. The tons that have moved thus far have been mostly under re-signed contracts, but “new” purchases are few and far between. Zinfandel, Ruby Cabernet and North Valley Merlot are probably the toughest sells in the market this year, but even with that said, we anticipate spot market pricing on those to be near last year’s levels.

We don’t see any segment of the market that looks weaker than last year with regard to pricing and demand.

Overall, the market is healthier than it has been in the interior for the last three years, even though there are still signs of weakness. But as long as wines below \$10 continue to stagnate in the market, finding robust grape demand will be challenging.

Producers with hot brands are driving demand, but they also seek the best grapes. The crop is maturing on a schedule that is closer to normal than the last few years, where we have experienced one early crop after another. The question is whether the healthier prices and demand can be coupled with a good crop, or is it going to be countered by less-than-average crop sizes?