

# MARKET



# UPDATE

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## ABUNDANCE

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A group of wine business folks were brainstorming about the most important topics for an up-coming symposium and one wit, with a dark sense of humor, suggested suicide prevention. Obviously, the market has changed dramatically. It has changed in ways that are disastrous for some, difficult for many and helpful for a very few. It is a disastrous change for growers without contracts, especially growers in less prestigious areas or growers with average or below quality fruit in any area. It is also disastrous for wineries that over-committed to high priced contracts or below average grapes and now must sell off wine at a fraction of cost.



But there are a few who have positioned themselves to play this market well. This takes either foresight or luck because you can position your company for excess only during the times of shortage. And you can position your company for shortage only during the times of excess. Happy are those few who saw through the euphoria and played the market well. They are coming into this time of excess with growing sales, improved quality and limited supply commitments. While everyone else is focused on stemming losses, they have a wonderful chance to grab market share. The smartest of these are already thinking ahead to the next time of shortage. Of course, many folks think that a time of shortage will never return. But just a couple of years ago, many folks thought a time of excess would never return.

In the meantime, while the marketing and sales folks are working to create another period of shortage, we have the stark reality of superfluity. Or perhaps you would prefer to call it a redundancy, superabundance, saturation, nimiety, profusion, plenty, repletion, plethora, engorgement, congestion, surfeit, overflow, inundation, avalanche, accumulation, surplus, bonanza, copiousness, amplitude, exorbitance, embarrassment of riches, flood, or overdose. My personal favorite is the sweet euphemism, abundance.

We have actually been selling a plethora of small lots of wine in bulk. It is amazing the degree to which buyers have pushed off purchases to the last moment. But you can dip a cup into a lake many times without much reduction in the water level. Grape sales have been fairly active in selective areas of Napa and Sonoma. Most other areas have been slow. Give us a call to get your grape or wine needs rolling.

## COOPERATIVE ACTION

A key purpose of the WineVision strategic planning effort is to explore those areas in which it makes economic sense for wine business companies to cooperate for mutual benefit. Of course, the level of cooperation that already exists in the wine business is highly unusual. But there is good reason to keep building upon this cooperative spirit. The wine business has at least four compelling reasons, as set forth below, to work together in such areas as public policy, market expansion and quality research. One-way to highlight the wine community's unusual need for cooperation is to compare it with another business that doesn't have the same dynamics. As it happens, toothpaste works well for this comparison.

	 <b>Toothpaste</b>	 <b>Wine</b>
1.	No well-financed, politically suave organizations think toothpaste is inherently evil and devote their expertise to the cause of reducing the total usage of toothpaste.	A number of well financed, internationally connected organizations think alcoholic beverages are inherently evil and are devoted to reducing total consumption by increasing taxes and imposing marketing restrictions of all sorts.
2.	Toothpaste has reached market saturation in the U.S. It is hard to find someone who does not use toothpaste on a regular basis (and it would not be very pleasant to talk to him even if you found him). Growth for any one brand of toothpaste must come at the expense of other brands. This is an expensive way to grow.	There is a huge opportunity to grow the total wine market, especially because there are many people who already like wine but think it is too formal to enjoy on an everyday basis. Brand marketing usually targets the biggest consumers. This opportunity to expand the market by appealing to infrequent wine consumers may best be approached on a united industry basis.
3.	Quality research in the toothpaste business can probably be done entirely by individual brands. It is a manufactured rather than an agricultural product and its sensory characteristics are not nearly so complex as wine.	Quality research in grapes and wine involves long periods of time (only one harvest per year) and thousands of variables. It must be done on a large scale with sufficient replicas to produce statistically valid results. Again, a united industry approach may be best.
4.	It is very unlikely that the raw materials that go into toothpaste will ever be so short that toothpaste brands will need to go on allocation. Nor is it likely that toothpaste brands would ever need to discount their tubes because they are stuck with a massive over-supply of raw materials. Therefore, toothpaste brands have no reason to be concerned about anything except the prosperity of their own brand.	The wine business goes through cycles of shortage and excess. Everyone, growers and wineries alike, tends to prosper during times of shortage. Everyone tends to suffer from excess. Even those brands that have positioned themselves well for times of excess still must compete with increased marketing expenditures and discounting from those who have not. Therefore, each wine brand has reason to work not only for its own growth but also for the prosperity of the wine business as a whole.

So, what's the point? It's the nature of the wine business that no brand can really make it completely on its own. The few who have played the market correctly will do well even in this difficult market. But to

do really well, we must all pull together so that demand gets ahead, and stays ahead, of supply.

## **CROP 2002**

Every one is concerned about excess. No one is concerned about shortage. Early on it looked like a potentially big crop all over the state. But what Mother Nature has not trimmed back with small, loose clusters, many growers have been pruning with a vengeance. Some varieties are so over-planted that it would take a major crop failure to produce anything resembling a shortage. Other varieties may be closer to balance. Many buyers are waiting for the last moment to purchase. But they still want to buy only the best quality. The last minute action on quality grapes of varieties such as Merlot, Sauvignon Blanc, White Riesling, Petite Sirah and other good red blenders could get exciting if yields come in below expectations. (By the way, if you have an observation about crop size in your area, please send us a fax or e-mail.)

## **MARKET OPPORTUNITIES**

**Many buyers have waited to the last moment to purchase bulk wine. Many others are still waiting to buy grapes. In the meantime, buyers who act now have the pick of the lot. Give us a call with your needs and what you have for sale. Also, check out our website: [www.grapes-wine.com](http://www.grapes-wine.com), which lists all available grapes and bulk wine.**

**Needed:** Top quality Sonoma wines such as Russian River or Carneros Pinot Noir, Alexander Valley, Sonoma Valley or other appellation Cabernet Sauvignon, Russian River or Dry Creek Zinfandel, Chardonnay, Viognier, other wines from specific Sonoma appellations. Bulk wine, 1,200 gallon lots or bottled, unlabeled, 500 case lots. Quality more important than price.

**Needed:** 24 pallets of a good white wine, Viognier, Chenin Blanc, etc. (but not Chardonnay), quick shipment and quick payment. Seller must provide label.

**Needed:** 600 case lots of good red and white varieties for a private label.

**Needed:** Sauvignon Blanc grapes, Central Coast, cooler areas.

**Needed:** Napa Valley Cabernet Sauvignon grapes, 50 to 100 tons.

**Needed:** Sauvignon Blanc bulk wine 2001, all regions.

**Needed:** Napa Valley Pinot Noir, 2000 or 2001, 3,000 to 6,000 gallons.

**Needed:** Closeout case goods of all kinds.

**Available:** Bulk wine storage, barrel storage and case good storage.

**Available:** Italian varieties, Central Co.: Arneis, Fiano, Fresia, Teroldego, Nebbiolo, Tocai & Vernaccia. **Available:** Premium grape processing on the Central Coast.

**Available:** Great buys on Chardonnay, Cabernet Sauvignon and others if you can ship before harvest.

**Available:** Pinot Noir grapes from excellent vineyards, Santa Barbara, San Luis Obispo, Monterey, Carneros and Russian River.

**Available:** Petit Verdot: Napa Valley 2000, 3,000 gallons; Paso Robles 2001, 6,500 gallons; Dunnigan Hills 2000, 2,000 gallons; California 2001 2,900 gallons; Lodi 2001, 1,900 gallons.

**Available:** Napa Valley 2000 Cabernet Sauvignon, several new lots available.

**Available:** 1999 wines in bulk, priced to move: 3,100 gallons Napa Valley Cabernet Sauvignon, 6,400 gallons Mendocino Syrah; 4,300 gallons Napa Valley Merlot; 5,000 gallons Dunnigan Hills Tempranillo; 60,000 gallons of North Coast Merlot; 65,000 gallons Mendocino Carignane.

## **LAST CHANCE CROP CONTEST**

There are just a couple of days left for our crop contest. Pick it up from our website: [www.grapes-wine.com](http://www.grapes-wine.com), e-mail or call us for a contest form. Entries must be sent by August 9<sup>th</sup>. Give it a try.

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