

CIATTI COMPANY

GLOBAL WINE & GRAPE BROKERS



GLOBAL MARKET UPDATE – AUGUST 2012

VOLUME 3 ISSUE NO. 8

For the majority of the Northern Hemisphere, August marks the beginning of the harvest season. Reports are mixed for the upcoming crop, when compared to that of 2011. California continues to look strong, as both grape pricing and volume indications remain high for the 2012 crop. Italy is looking to rebound from a very small 2011 harvest. France seems to be down slightly from the larger than average crop last year. After experiencing challenging spring weather conditions, Spain is predicting double-digit decline in production for the upcoming harvest.

Reports are in from the Southern Hemisphere and Chile is leading the way with record highs for the 2012 harvest. The crop was the largest crop in Chile to date, showing a 20% increase in production over last year. Prices have held for wines of good quality, but opportunity for buyers certainly still exists. The Australian wine industry has also released official numbers for 2012 and the crop is up slightly over that of last year.

The bulk market remains active, with some slowing during the summer months in the Northern Hemisphere. Buyers are being more selective, now that their options have increased over the previous couple of months. Some are predicting a market correction in the near future, but as sales continue to be strong, it remains to be seen how far the market will pull back from its recent highs.



ARGENTINA – AUGUST 2012



Argentina continues to experience a dry and warm winter. In contrast to last month, loadings are crossing borders more easily, due to less snowfall in the mountains. The economy seems to be entering a recession, impacting wine sales, and consequently, the bulk wine market.

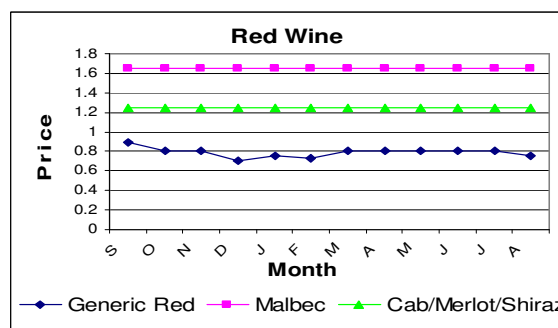
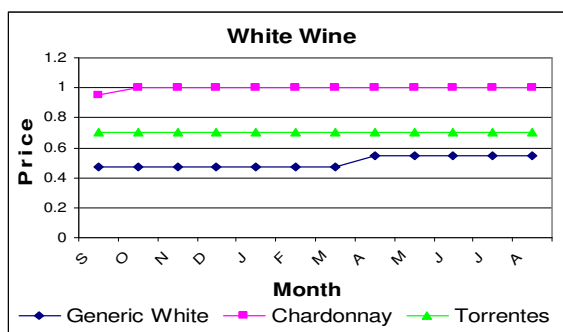
Most prices remain consistent with last month, however, there are some on-going negotiations for generic red wine, with opportunities for lower offers. Bulk wine and concentrate export figures continue to grow, as wineries and concentrate producers are now loading materials contracted earlier in the year.

CURRENT MARKET PRICING

ALL PRICING IN USD/LITER; FCA WINERY:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2011/2012	Generic White	0.50 – 0.60	↑	2011/2012	Generic Red	0.70 – 0.80	↓
2011/2012	Generic White (Criolla)	0.40 – 0.50	↔	2011/2012	Cabernet Sauvignon	1.20 – 1.30	↔
2011/2012	Chardonnay	0.95 – 1.05	↔	2011/2012	Malbec	1.50 – 1.80	↔
2011/2012	Torrontes	0.65 – 0.75	↔	2011/2012	Syrah / Merlot	1.20 – 1.30	↔
2011/2012	Chenin Blanc	0.65 – 0.75	↔	2011/2012	Bonarda	0.95 – 1.05	↔
2011/2012	Muscat	0.75 – 0.85	↔				

BULK PRICING OVER TIME



BITS AND PIECES

The latest official carry-over stock report as of June 1, 2012:

	Generic Wine			Varietal Wine		
	Whites	Reds	Total	Whites	Reds	Total
Total in Gallons	147,567,583	283,031,096	430,598,653	20,066,367	54,851,836	74,918,203
Total in Liters	558,543,300	1,071,272,700	1,629,815,900	75,951,200	207,614,200	283,565,400

	Total Generic and Varietal Wines		
	Whites	Reds	Total
Total in Gallons	167,633,930	337,882,926	505,516,856
Total in Liters	634,494,424	1,278,886,876	1,913,381,300

AUSTRALIA & NEW ZEALAND – AUGUST 2012

TIME ON TARGET

The Winemakers Federation of Australia has released the 2012 Vintage Report and the estimated tonnage for the 2012 vintage has come in at 1.66 million tonnes, up 4% from 2011. Other interesting notes from the report show that Shiraz has again overtaken the top spot from Chardonnay by volume and grape prices show the first signs of firming.

In the recent Wine Export Approval Report, the volume of Australian wine exported has declined 2% to 713 million liters. The total figure of these exports is currently valued at AUD \$1.9 billion. Bottled wine exports have decreased by 12%, as companies continue to export in bulk in favor of bottling in-market. The value of bottled wines, however, is at the highest level in four years at AUD \$4.40/L, mainly due to the popularity of premium wines. The average bulk price is now at AUD \$1.01/L, an increase in value of 4%. The export of red wine has declined by 3%, which may be a reflection of the 15% reduction of red wine produced in 2011 (a consequence of the poor season). China has also seen a slowdown in the export of Australian bulk wine; however, this has been offset with a rise in interest for bottled goods.

Source: Wine Export Approval Report: MAT June 2012

CURRENT MARKET PRICING

ALL PRICING IN AUD/LITER:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
NV	Dry White	0.60 - 0.80	↔	NV	Dry Red	0.70 - 0.80	↔
2011	Chardonnay	0.70 - 0.80	↔	2011	Cabernet Sauvignon	1.00 - 1.25	↔
2012		0.80 - 0.95	↔	2012		1.05 - 1.30	↔
2011	Sauvignon Blanc	0.80 - 0.90	↔	2011	Merlot	1.00 - 1.25	↔
2012		0.85 - 1.00	↔	2012		1.05 - 1.30	↔
2012	NZ Marlborough SB	NZ 4.40 – 5.00	↑	2011	Shiraz	0.90 - 1.10	↔
2012	Pinot Gris	0.95 - 1.20	↔	2012		1.00 - 1.20	↔
2012	Muscat	0.95 – 1.20	↔				

NB: 2012 prices have yet to be released by wineries, these are expected prices only.

BITS AND PIECES – AUSTRALIA

- Accolade and Treasury Wine Estates have agreed on a new packaging agreement. Treasury will pack wines for Accolade in Australia and Accolade will pack wine for Treasury Wines in the UK.
- Penfolds has released yet another premium wine to add to their collection of high-end material. The AUD \$168,000 bottle of 2004 Kalimna Block 42 Cabernet Sauvignon is being sold in special packaging, consisting of a hand-blown glass ampoule suspended in a jarrah box. Only 12 of the bottles have been created and are required to be opened by a tungsten tipped silver tool.

BITS AND PIECES – NEW ZEALAND

- Marlborough grape growers are optimistic about higher grape prices next year, as pricing of bulk 2012 Marlborough Sauvignon Blanc is holding well. Many suppliers require a minimum of NZ \$4.50/L, with some parties asking NZ \$5.00/L and above.

CALIFORNIA – AUGUST 2012

2012 Harvest Outlook

Weather conditions this summer have been ideal. July had one week of extreme heat that hit the Central Valley, but with little damage reported. Our grape team has been surveying all vineyard regions and has reported the following:

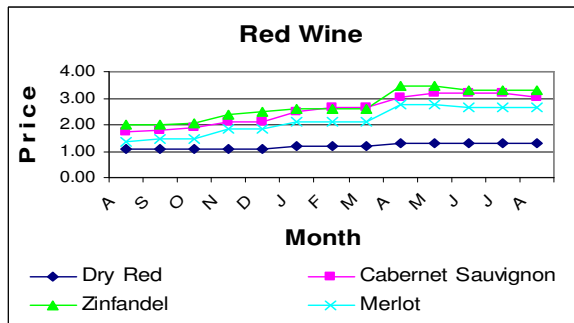
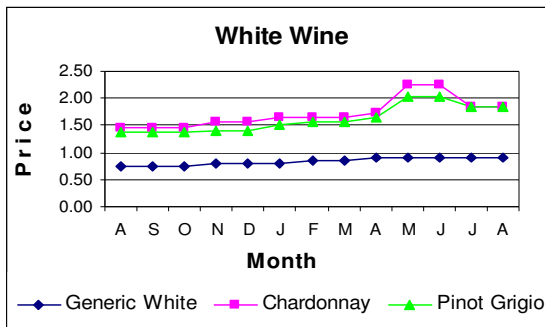
- **Central Valley:** Other than Thompson Seedless, which looks lighter than previous years, most viniferous grapes are showing average to above average yields. Red grape yields look stronger than whites, and the northern interior seems heavier than in the South. Look for Pinot Noir, Zinfandel and Merlot to have sizable crops. Chardonnay in Lodi and the Delta continue to size up and could surprise many in the final report.
- **Central Coast:** Coastal vineyards have rebounded from last year's weather-related issues. Look for all varieties to have above average yields. All reds with the exception of Syrah are showing excellent quality and quantity. In Monterey County, Chardonnay always has the potential of sizing up prior to picking, while Pinot Noir could fair the best of all varietals.
- **North Coast:** Similar reports of average to above average crops for all varieties. Napa Cabernet Sauvignon looks strong with the potential for very good quality. Sonoma Pinot Noir and Chardonnay have solid crops and are disease-free. Merlot all around the North Coast is looking big.

CURRENT MARKET PRICING

All pricing in USD per liter:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2011	Generic White	0.79 – 1.05	↔	2011	Generic Red	1.10 – 1.45	↔
2011	Chardonnay	1.72 – 1.98	↓	2011	Cabernet Sauvignon	2.64 – 3.43	↓
2011	Pinot Grigio	1.72 – 1.98	↓	2011	Merlot	2.38 – 2.90	↔
2011	Muscat	1.58 – 1.85	↓	2011	Pinot Noir	2.38 – 3.17	↔
2011	White Zinfandel	1.45 – 1.70	↔	2011	Syrah	2.11 – 2.64	↔
2011	Colombard	0.92 – 1.06	↔	2011	Zinfandel	2.90 – 3.70	↔

BULK PRICING OVER TIME



BITS AND PIECES

- Recent bulk sales have slowed as is typical of the summer months. We have observed the top side of pricing start to recede from the highs of early spring. Grape activity continues to focus on Central Valley grapes where available. Pricing has remained solid.
- Look for labor and trucking shortages during this year's harvest. It is apparent that many plantings and replanting are taking place in all regions of California. Many new vines have gone in the ground in the last few months. The timing of this year's harvest looks normal compared to the last few years. Crop size and weather patterns will confirm this trend.
- Per the most recent Gomberg-Frederikson Report, bulk wine imports continue to arrive into the United States. Over 46 million gallons have been imported so far this year (+167%). In contrast, bulk wine exports from the United States have been declining (-5%).

CHILE – AUGUST 2012

TIME ON TARGET

The official 2012 harvest volume has been released, showing the 2012 crop to be the largest in history at 1.1255 billion liters. This is 20% bigger than the 2011 harvest of 1.046 billion liters. Of the 2012 crop, 80.9% are varietal wines, 13.7% are generic wines and 5.4% are table wines. By varietal, Cabernet Sauvignon makes up 33.3% of the total volume with 339 million liters, followed by Sauvignon Blanc 13.5% (137 million liters), Merlot 11.9% (121 million liters), Chardonnay 9.3% (95 million liters), Carmenere 8.4% (85 million liters), Syrah 6.7% (68 million liters) and Muscat of Alexandria 3.3% (34 million liters).

CURRENT MARKET PRICING

ALL PRICING IN USD/LITER; FOB PORT:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2012	Generic White	0.63 – 0.85	↑	2012	Generic Red	0.65 – 0.90	↔
2012	Chardonnay	0.93 – 1.30	↔	2012	Cabernet Sauvignon (Basic)	0.85 – 0.98	↓
2012	Sauvignon Blanc	0.95 – 1.25	↓	2012	Cabernet Sauvignon	1.00 – 1.25	↔
2012	Sauvignon Blanc (Casablanca)	1.80 – 2.50	↑	2012	Merlot	1.00 – 1.40	↔
2012	Pinot Noir	1.40 – 2.00	↑	2012	Malbec	1.45 – 2.00	↑
2012	Syrah	1.00 – 1.25	↔	2012	Carmenere	0.90 – 1.30	↔

EXPORT FIGURES

Wine export Figures	January - June 2011			January - June 2012			Vol. Var
	MM Lts	M US\$ FOB	Avg Price	MM Lts	M US\$ FOB	Avg Price	%
Bottled	182.6	607.0	3.3	189.5	624.6	3.3	3.7%
Bulk	84.6	96.3	1.1	130.3	159.6	1.2	53.9%
Grape Musts (Juice Concentrates & Alcohol)	2.0	4.7	2.3	2.8	6.4	2.3	39.8%
Sparkling Wines	1.4	5.6	3.9	1.3	5.3	4.2	-12.3%
Fruit Wines	1.1	4.8	4.4	0.9	4.4	4.7	-12.5%
Packed Wines	22.5	44.3	2.0	19.4	39.9	2.1	-14.0%
Total	294.3	762.6	2.6	344.1	840.2	2.4	16.9%

BITS AND PIECES

- July was a very dry and sunny month in Chile, due to "La Niña". The highest temperature of the month was on July 18th at 28.4°C / 83.1°F. This is the highest July temperature that Chile has seen over the last 23 years. "El Niño" is expected to arrive in August and ease some of the drought.
- Total wine exports increased in volume by 16.9% over the last year. Case goods exports continue on an increasing trend (March -3.9%, April -1.1%, May +2.1%, June +3.7%), along with bulk wine exports (+53.9%).
- The most appreciated currency against the US Dollar in 2012 has been the Colombian Peso (7.52%). Following the Colombian Peso has been the Chilean Peso (5.02%).
- Prices remain stable, with the exception of basic Cabernet Sauvignon and basic Sauvignon Blanc.

FRANCE – AUGUST 2012

TIME ON TARGET

As of mid-July, FranceAgriMer has estimated the 2012 crop to be 46.5 million hl. Forecasts are for a crop down 8% over the 2011 vintage and close to the five year average. All wine producing regions are expected to see a decrease in production (-6% for DO wines and -4% for distillation material). The potential production decrease in wines of IGP designation (mainly varieties from Languedoc) could reach -12%.

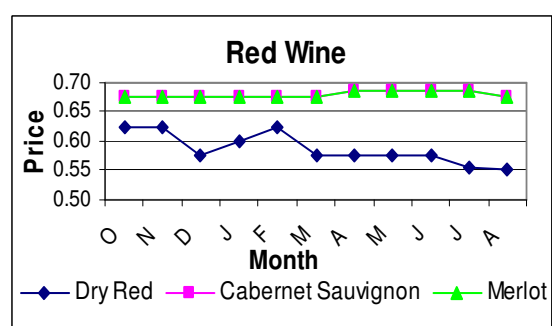
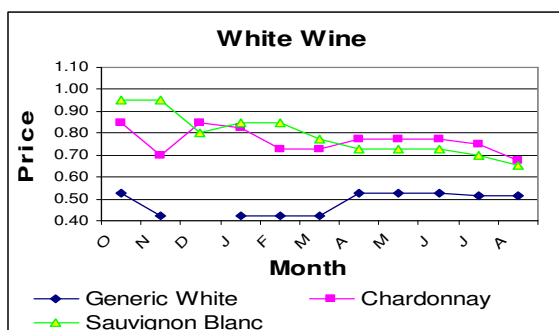
This may cause a decrease in IGP wine volumes, due to reclassifying them as wines without geographical indication. 2012 vineyard development is progressing slower than the previous three premature harvests. Some regions are still undergoing bloom, increasing uncertainty for the 2012 harvest forecast. Cool and wet spring weather has caused inconsistent bloom and shatter throughout the country. As the growing season progresses, an increase in both temperatures and humidity will increase the risk of mildew throughout all grape growing regions. Fortunately, the wet spring weather has increased soil moisture after a dry winter.

CURRENT MARKET PRICING

BULK WINE PRICES: All prices in € per Liter; EXW:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2011	Generic White	0.49 – 0.54	↔	2011	Generic Red (VDF)	0.50 – 0.60	↓
2011	Chardonnay (VDF)	0.60 – 0.75	↓	2011	Cabernet Sauvignon (VDF)	0.65 – 0.70	↔
2011	Chardonnay (IGP OC)	0.65 – 0.85	↓	2011	Cabernet-Sauvignon (IGP OC)	0.70 – 0.75	↓
2011	Sauvignon-Blanc (IGP OC)	0.60 – 0.70	↓	2011	Merlot (VDF)	0.65 – 0.70	↔
2011	Generic Rosé (VDF)	0.60 – 0.70	↔	2011	Merlot (IGP OC)	0.70 – 0.75	↓
2011	Varietal Rosé (IGP OC)	0.60 – 0.75	↓	2011	Malbec (IGP)	0.85 – 0.95	↔
2011	Dry Muscat (IGP Oc)	0.85 – 0.95	↓	2011	Syrah (IGP OC)	0.65 – 0.70	↓

BULK PRICING OVER TIME



BITS AND PIECES

- Although the sales volume of IGP wines overall are now similar to 2011, the market analysis by color still shows a more favorable situation for red wine (4,529 M hl, +4% at the end of June, 2011), which has increased in volume. Conversely, transactions for rosé wine (1,890 millions of hl; 3%) and for white wine (1,337 millions of hl; 6%) remain in decline, compared to 2010 and 2011.
- There is still a fair amount of unsold wine, particularly white wine and rosé wine, due to the larger than average 2011 crop and lower consumption. However, the loading pace for bulk wine is still low in comparison to previous years. Given that the harvest will start in a couple of months, growers are looking to clear cellar space for the upcoming harvest.

GERMANY – AUGUST 2012

TIME ON TARGET

Grapes are ripening quickly, though berry development remains inconsistent. Purchases for 2012 grapes and must are in the early stages of negotiations. The prices for 2012 vintage wines will most likely be consistent with that of 2011 vintage wines. The 2012 harvest is expected to be smaller than the 2011 harvest, but still looks to be about average overall.

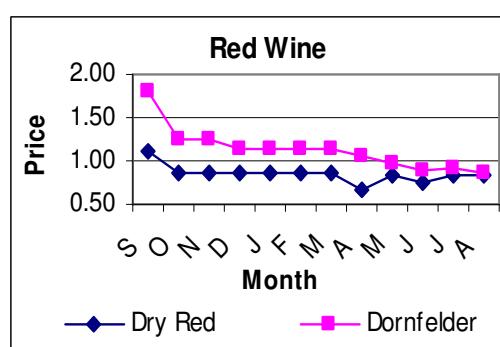
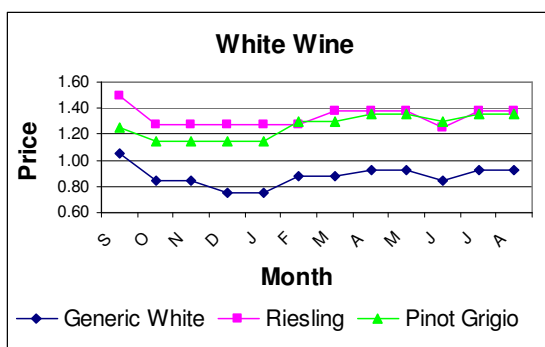
Annual Crush Tonnages				
2008	2009	2010	2011	2012 est.
1.43 M tonnes	1.31 M tonnes	0.98 M tonnes	1.30 M tonnes	1.25 M tonnes

CURRENT MARKET PRICING

BULK WINE PRICES: ALL PRICES IN EURO PER LITER EX WINERY:

Vintage	Variety	Price	Trend
2011	White Wine	0.90 – 1.00	↔
2011	Pinot Grigio	1.30 – 1.40	↔
2011	Riesling	1.25 – 1.50	↔
2011	Red Wine	0.75 – 0.90	↔
2011	Dornfelder	0.80 – 0.95	↓

BULK PRICING OVER TIME



BITS AND PIECES

- Dornfelder, Germany's most popular varietal, saw a decrease in pricing and an 18% drop in consumption during 2011.
- Of all consumed varietal wines sold in food retailers in Germany, Dornfelder has 6.5% market share, followed by Merlot (4.8%), Mueller-Thurgau (4.5%) and Riesling (3.8%).
- Approximately 8000 ha (20000 acres) in Germany are planted with Dornfelder, of which more than 90% are in the Rhineland-Palatinate.

ITALY – AUGUST 2012

TIME ON TARGET

The 2012 Italian grape harvest is trending in two directions. Drought has struck several areas in central and southern Italy (Abruzzo, Puglia, Emilia Romagna), while other areas are fighting late blight and powdery mildew. Northern grape growing regions have experienced problems with hail storms. Northern Prosecco production has increased in acreage planted and tons per acre, and can thus be offered at a lower price point to comparable products. Pinot Grigio production is estimated to be 10-15% lower than 2011, especially in Friuli, Veneto and Trentino. Meanwhile, red varieties such as Merlot and Cabernet Sauvignon are expected to have slightly larger yields than last year.

CURRENT MARKET PRICING

BULK WINE PRICES: All prices in € per Liter; EXW:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2011	Generic White	0.52 – 0.57	↑	2011	Generic Red	0.52 – 0.57	↑
2011	Chardonnay	0.70 – 0.90	↔	2011	Cabernet Sauvignon	0.65 – 0.75	↔
2011	Pinot Grigio	1.15 – 1.30	↑	2011	Merlot	0.65 – 0.75	↔
2011	Zinfandel rosé	0.85 – 0.95	↔	2011	Primitivo (Zinfandel)	0.85 – 0.95	↔

BITS AND PIECES

- Empty wineries in northern and southern Italy are pushing bottlers to begin looking for new products as they enter the 2012 harvest.
- The Italian bulk market remains very tight. Many producers are hesitant to sell, believing that prices will continue to increase. Bottlers are hesitant to pay the ask price, out of fear that the consumer will not absorb increased pricing.
- The latest figures of Italian wine imports and exports from January to April 2012 are as follows:

Italian Wine Import January - April 2012						
	Liters	Var.%	Euro	Var.%	Euro/liter	Var.%
Spain	73,368,712	156	26,792,727	186.8	0.37	12
USA	18,757,037	15.8	14,476,881	172	0.77	1.2
France	4,243,449	24.5	3,187,572	39.7	0.75	12.2
Argentina	120,000	**	175,311	**	1.46	**
Australia	23.89	-74.8	33,253	-63	1.39	46.8
Total	99,315,429	87.9	46,202,750	81.3	0.47	-3.5

Including Spanish generic red	13,032,635 Liters	69.50%
Including Spanish generic white	49,371,123 Liters	239.90%

** In 2011 figures, it was equal to zero

SOUTH AFRICA – AUGUST 2012

TIME ON TARGET

Winter brought fair amounts of rain over the last few weeks throughout most winegrowing areas. It is the time of year for many wine shows and tastings in South Africa, so most winemakers and wineries will be busy with these events. Local wine sales remain constant and there has been a small decrease in wine export sales.

CURRENT MARKET PRICING

ALL PRICING IN SA RAND, FOB, CAPE TOWN:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2011/2012	Generic white	4.15 – 4.40	↔	2011/2012	Generic Red	5.50 – 6.30	↔
2011/2012	Chardonnay	5.65 – 7.25	↔	2011/2012	Cabernet Sauvignon	6.40 – 8.00	↔
2011/2012	Sauvignon Blanc	5.75 – 8.00	↔	2011/2012	Ruby Cabernet	5.80 – 6.30	↔
2011/2012	Generic Rosé	5.30 – 6.00	↔	2011/2012	Merlot	6.40 – 8.00	↔
2011/2012	Cultivar Rosé	5.75 – 6.35	↔	2011/2012	Pinotage	6.40 – 7.25	↔
2011/2012	Chenin Blanc	4.35 – 5.20	↔	2011/2012	Shiraz	6.50 – 8.25	↔
2011/2012	Muscat	4.75 – 5.00	↔	2011/2012	Cinsaut	5.85 – 6.30	↔

BITS AND PIECES

Top 7 Export Countries (Packaged and Bulk) (L) From July 2011 to June 2012

Country	White	Red	Blanc de Noir / Rose	Total July '10 to June '11	Total July '11 to June '12	Trend between 2 Years
United Kingdom	42,842,189	35,946,260	7,639,964	89,824,593	86,428,413	96
Germany	31,057,092	43,079,971	6,748,016	72,587,382	80,885,079	111
Sweden	15,509,335	17,678,376	943,046	37,972,392	34,130,757	90
Netherlands	10,775,661	9,645,378	2,872,712	25,817,759	23,293,751	90
USA	16,175,921	4,120,206	268,794	14,529,526	20,564,921	142
Canada	11,384,555	4,917,236	43,434	14,146,608	16,345,225	116
Denmark	4,160,184	11,775,375	394,630	17,236,622	16,330,189	95

- Pricing remains constant for most varietals in South Africa.
- Stock levels at wineries are 21% higher than the same time last year.
- There was a 3.8% increase in export sales for all natural wine in the period of July 2011 to June 2012, compared with the same period in the previous year (packaged and bulk wine).
- White wine exports increased 11% and red wine exports decreased 2.6% during this period.
- Packaged wine sales decreased 11.2% and bulk wine increased 20% in the same period.
- China, Russia and India are showing interest as potential emerging markets for South African wines.

SPAIN – AUGUST 2012

TIME ON TARGET

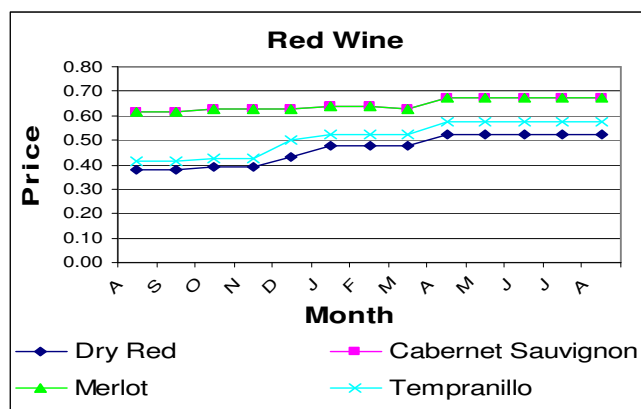
Available stocks have reached their lowest level in years, while the loading pace is running regularly and smoothly. Many producers are currently expressing concern as first estimates for the 2012 crop size are calling for a 20% decrease over last year. Factors that led to lower fruit set were the dry winter and temperature stress throughout spring. February frosts and freezing temperatures also contributed to vineyard damage. In addition, southern Spain is currently experiencing a drought.

These factors have led to an uncertainty regarding pricing for the upcoming vintage. Furthermore, producers are not yet willing to quote, particularly for commodity wines such as generic red, generic white, generic rosé and varietal Muscat. The crop reduction, combined with growers' claims for a grape price increase, have led to many discussions between producers and Spanish grape and wine buyers.

BULK WINE PRICES: All prices in € per Liter; EXW:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2011	Generic White	0.50-0.55 (limited)	↔	2011	Generic Red	0.50-0.55	↔
2011	Generic Rosé	0.50-0.55 (limited)	↔	2011	Cabernet Sauvignon	0.65-0.70	↔
2011	Moscatel	0.85-0.90 (limited)	↔	2011	Merlot	0.65-0.70	↔
2011	Syrah	0.55-0.60	↔	2011	Tempranillo	0.55-0.60	↔

BULK PRICING OVER TIME



BITS AND PIECES

- During the first five months of 2012, accumulated sales showed slight growth of 2.9% in volume, up to 890.8 million liters, and an 11.7% increase in value, up to 940.2 million Euros. Bulk wine export volumes are down 9.8% over last year, due to price increases.
- The OEMV, recently stressed to producers of Castilla La Mancha (CLM) that raising prices too high could potentially lose markets, targeting in particular to those producers who sold their entire bulk wine inventory while strongly increasing their prices in 2012 (Spain used to carry a large amount of permanent stock, creating a bulk reserve over the years, helping to maintain stable prices). Consequently, due to a 34% average price increase, CLM has experienced a 20% decrease of bulk wine exports in volume.
- Some of the biggest Spanish bulk wine-importing countries have now reduced volumes imported: France (-2.4%), Russia (-48%), China (-12.6%) and Portugal (-5.2%). On the other hand, some countries saw an increase in bulk wine imports: Germany (10.2%), the UK (21.6%), the United States (17.6%), Canada (12%) and Italy (50.3%).

BUYER'S CORNER – UNITED KINGDOM AUGUST 2012

In this month's Buyer Page we would like to focus on the United Kingdom, one of the worlds most diverse and challenging places to sell wine.

United Kingdom's role in world market

The UK wine & spirits market is described as the most challenging by global leaders of the wine business. Aggressive retailing, along with ever-increasing taxes and duties puts excessive pressure on margins. However, many international companies are firmly committed to this market for the long-term and retailers in other European countries think that while the UK's position as trendsetter has slipped slightly, it is always important to look at what their neighbor is doing.

What is Hot in the United Kingdom

CHILE

Chilean wines have become a staple of UK consumers over the last few years due to a high quality to value ratio. However, it is important to note a change in the minds of retailers as of late. Due to price increases of up to 20% from Chilean producers, retailers are getting more inventive. They are offering more premium brands and are looking to quality increases over volume. Also, they are launching varieties like Carmenere, Syrah and Riesling, which, given their low international demand, provide good value and feed the desires of consumers looking to explore the world of wine.

ITALY

Italian Pinot Grigio grew by 17.6% to 5.1 million cases last year, according to Nielsen. This continued success of Pinot Grigio and Prosecco has given buyers confidence to expand their ranges. More and more people are experimenting with wines like Fiano, Grillo and Nero d'Avola. Even the price increase (approx 20% on bulk prices) of the 2011 vintage did not slow down the success of Pinot Grigio and Prosecco in the UK.

Summer wine trends in the United Kingdom

Rosé, with it's lighter style and sweeter taste profile, should perform around 3.7% above it's average volume for the year, while white wines in general should grow by 2.4%. Red wines are expected to hold flat due to the warmer summer months, with one interesting exception – chilled lower alcohol red wines that are starting to appear on the market. Sparkling wines have closed the gap on Champagne as the on trade's leading fizz. With the UK economy in a state of uncertainty, sparkling wine has gained share. Sparkling wine uplift in the summer is expected to be 1.2% vs Champagne – 0.9% (last year Champagne performance was 0.6%). Sparkling wine has benefited from the early summer and the bank holiday celebrations as consumers look towards a treat spend without breaking the bank. However, Champagne still rules when it comes to the Holiday Season.

The Olympics expectations in the United Kingdom

Will it be a success or a loss?

For the drinks business, people have to be an official partner to be able to use the official logo or even "London 2012". Some already found a way to get around this with very creative marketing campaigns without using the Olympic terminology or logo. Consumers' profiles will be different but adding the Queen's Jubilee to the Olympics will contribute to the increase of sales in London. Sainsbury's appears as the Official partner of the Paralympics Games and will be celebrating it's 145-year history with seasonal themed drinks. In general, sellers would tend to focus on quality and good value for money wines instead of price only. Some players in the drinks business feel that an extra £ 323 million will be spent in the on-trade category, compared with the £ 917 million that was spent in 2011. This year analysts expect spending to go up to £ 1.24 billion. (Source: Harpers)

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GLOBAL WINE & GRAPE BROKERS



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