

CIATTI COMPANY

GLOBAL WINE & GRAPE BROKERS



GLOBAL MARKET UPDATE – SEPTEMBER 2012

VOLUME 3 ISSUE NO. 9

European economic concerns have dominated the headlines over the past several months, and now concerns over European harvest sizes are the big news in the bulk market. Industry experts in Italy, France and Spain are all calling for 2012 crops to be smaller than those of the 2011 harvest. Given the relatively balanced market that we have today, significant crop reductions in these three regions could send the market back into a short position. The California crop looks to be much stronger than last year, and perhaps this larger harvest will, in part, balance some of the losses now expected in Europe.

Market activity remains strong in many countries, with South Africa reporting strong sales for the month of August. Generic wines from South Africa have been in demand, with buyers from Europe and North America competing for supply. With short supply of New Zealand Sauvignon Blanc causing increased pricing, buyers are now looking to Chile and South Africa for their premium Sauvignon Blanc needs.

Demand in the United States remains strong, and many global exporters now anxiously await the results of the 2012 California harvest. Based on current estimates, it is believed that import demand will remain strong, even as the California crop may be larger than harvests in the recent past.



CONCENTRATE – SEPTEMBER 2012

California: Thompson seedless grapes, WGJC

- Crop estimates continue to be down over 20%, and an initial indication from processors is that the overall tonnage is shorter than expected. However, this is no big surprise, coming off the very large tonnage harvest from 2011.
- Strong raisin and winery demand are keeping pricing and sales brisk. Inventory from last year is almost nonexistent, as we transition into the new crop. Expect this crop to move quickly and sell out.

California: Rubired GJC

- This crop is looking average to above average. The hot weather may have sped up sugar production before arriving at full color, but forecasts are for a cool-down in the coming weeks, which will probably remedy this issue.
- Overall crop acreage is expected to grow slightly this year, as new acreage continues to come on-line.
- With approximately 85% of this crop committed to long term contracts, we aren't anticipating any major downward moves in pricing. Expect an increase over last year as demand for wineries and food processors still remains fairly heavy and alternative counties supplies are not very attractive. There should be some firm price indicators by this time next month.

Europe

- Currently, Spain and Italy are feeling the effects of a regional drought that has brought crop size down anywhere from 15-30%, depending on the region. With the Euro weakening and the EU pullout program leaving an imbalance in current inventories, we are bracing for a very difficult year in the GJC market.
- Getting quotes out of Spain and Italy for RGJC and WGJC is not practical at the moment. Most of these crops are dry farmed and wineries will be vying for almost all volumes available. Currently we do have clients from these areas seeking product out of California and South America, looking for enough inventory to keep on-hand for current clients.

Argentina

- There is very little must left to sell after a very disappointing harvest this last spring. Global demand was huge and the crop came in 20% light.
- Current governmental must pricing manipulation and continued inflation issues have caused tremendous strife for the WGJC processor and have made manufacturing/selling of the remaining must almost impossible. This market is expected to remain firm until February or March 2013.
- Current pricing quotes have been in the \$11.00+ range CIF Port East and West Coast.

Chile

- There is little to no inventory to speak of for WGJC or RGJC, as global winery demand took precedence this last harvest season and price ranges for concentrates were never really practical.

Apple Juice Concentrate

- Domestic: If you can find any at all, the pricing will be around \$15.00 USD.
- Imports: Chile has a bit to move in the mid \$11.00 to \$12.00 range.
- China: Currently in a short position as their fresh fruit market continues to flourish, pricing is expected to be in the \$10.00 to \$11.00 USD range.

CURRENT MARKET PRICING

ALL PRICING IN USD PER US GALLON; FCA WINERY:

| WHITE GRAPE JUICE CONCENTRATE | | |
|-------------------------------|---------------|-------|
| Country | Price | Trend |
| Argentina | 8.50 – 9.00 | ↑ |
| California | 11.00 – 13.00 | ↑ |
| Italy | 11.00 – 12.00 | ↑ |
| Chile | 12.50 – 13.50 | ↑ |
| Spain | 11.00 – 12.00 | ↑ |

| RED GRAPE JUICE CONCENTRATE | | |
|-----------------------------|---------------|-------|
| Country | Price | Trend |
| California (1000) | 12.00 – 14.00 | ↑ |
| Spain (1000) | 13.50 – 14.50 | ↑ |
| Chile (600) | 14.00 – 15.00 | ↑ |
| Chile (1000) | 15.00 – 16.00 | ↑ |

| APPLE JUICE CONCENTRATE | | |
|-------------------------|---------------|-------|
| Country | Price | Trend |
| China | 10.50 – 11.00 | ↔ |
| US | 14.50 – 16.00 | ↔ |

ARGENTINA – SEPTEMBER 2012

TIME ON TARGET

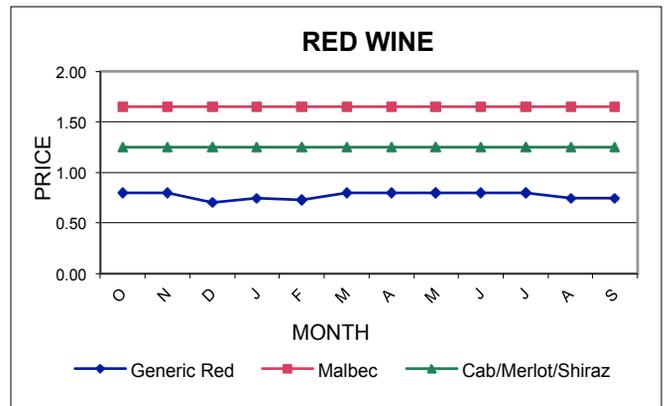
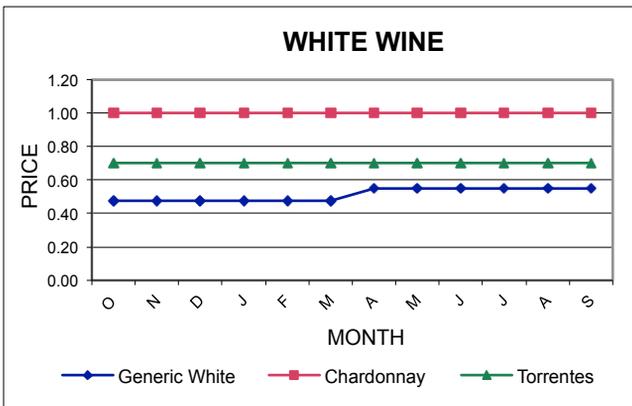
The state of the Argentine economy remains the same, as the wine industry continues to feel the effects of the local economy. Negative actions taken by the government have caused a significant drop in case goods exports to Brazil. Additionally, exporters are in a difficult spot regarding sales outside of Argentina, and are considering partnerships to sell bulk wine to be bottled across Argentine borders.

CURRENT MARKET PRICING

ALL PRICING IN USD PER LITER; FCA WINERY:

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

BULK PRICING OVER TIME



BITS AND PIECES

Export sales are decreasing, especially in the below \$30 category. Local consumption has decreased due to continued inflation and to increased pricing of wine on the shelves. Consequently, the domestic bulk wine market has slowed as a result of sluggish retail sales.

Meanwhile, bulk wine and concentrate exports remain strong, as buyers continue to ship against existing contracts, mainly due to purchases made by the United States. Between January and July 2012, the United States purchased 66% of the total bulk wine in Argentina and 42% of the concentrate. However, if new contracts are not negotiated soon, these numbers will drop dramatically. There are concerns about Chile's continued competitive pricing and its affect on the Argentine wine market.

Carry-over inventories are on the normal to normal-plus side. Dry red wine is available, as producers made more dry red wine in 2011 than dry white wine, which was instead used for concentrate.

AUSTRALIA & NEW ZEALAND – SEPTEMBER 2012



TIME ON
TARGET

Vintage 2013 is just around the corner and bud burst has started to occur in some varieties, which is slightly earlier than normal. There are many conflicting reports on the fruitfulness of buds; only time will tell the actual size of next year's harvest.

Coca-Cola Amatil will invest \$46 million into its future Australian Beer Company joint venture with Casella Wines. Casella Wines has developed a state of the art brewery in Griffith and currently has 2 beers on the market that have been developed by consumers to try and produce "the perfect lager". This new agreement with Casella will give Coca Cola Amatil the opportunity to access a world class, low-cost brewery, enabling them to re-enter the premium beer market in Australia.

Prices for 2012 Marlborough Sauvignon Blanc continue to rise as demand for this distinct white varietal grows from buyers around the globe. Average pricing has now reached over NZ \$5.00/L FOB. New Zealand grape growers are expecting an increase in the price of 2013 vintage fruit, as many wineries compete to secure fruit now. These wineries are looking to rebuild their stocks after a 25% reduction in volume from the 2012 vintage. This equates to a decrease of 46 million liters of wine available in the market.

CURRENT MARKET PRICING

ALL PRICING IN AUD PER LITER:

| Vintage | Variety | Price | Trend | Vintage | Variety | Price | Trend |
|---------|-------------------|----------------|-------|---------|--------------------|-------------|-------|
| NV | Dry White | 0.60 – 0.80 | ↔ | NV | Dry Red | 0.70 – 0.80 | ↔ |
| 2012 | Chardonnay | 0.80 – 0.95 | ↓ | 2012 | Cabernet Sauvignon | 1.05 – 1.30 | ↔ |
| 2012 | Sauvignon Blanc | 0.85 – 1.00 | ↔ | 2012 | Merlot | 1.05 – 1.30 | ↔ |
| 2012 | NZ Marlborough SB | NZ 4.90 – 5.50 | ↑ | 2012 | Shiraz | 1.05 – 1.20 | ↔ |
| 2012 | Pinot Gris | 0.95 – 1.20 | ↔ | 2012 | Muscat | 0.90 – 1.10 | ↔ |

BITS AND PIECES – AUSTRALIA

Australians are drinking more red wine and less white wine. Figures released by the Australian Bureau of Statistics show a drop in domestic white wine sales by more than 13% in the June quarter, while red wine sales increased by more than 17%, compared to the same period last year.

A Government inquiry into the health and social costs of alcohol reveals that a minimum price would help to curb alcohol-related problems. Lobby groups pushing for the plan are modeling a minimum price of \$1.30 per standard drink, which could lead to wine prices quadrupling.

BITS AND PIECES – NEW ZEALAND

Overall exports of New Zealand wine has increased in value by 8% to \$1.18 billion, while total volume in both export and domestic sectors has increased to a record 242 million liters. In value terms, New Zealand is now the 10th largest exporter of wine and the 11th largest by volume.

New Zealand currently exports more than NZ \$380 million dollars worth of wine to Australia, their largest market. The United States, Canada and China are also large importers that have been increasing their intake of New Zealand wine.

CALIFORNIA – SEPTEMBER 2012

After waiting all summer, harvest has begun in California. Estimated crop size is looking to be around 3.7 to 3.8 million tons of wine grapes. Non-wine grapes crushed by processors look to be down from the 2011 harvest.

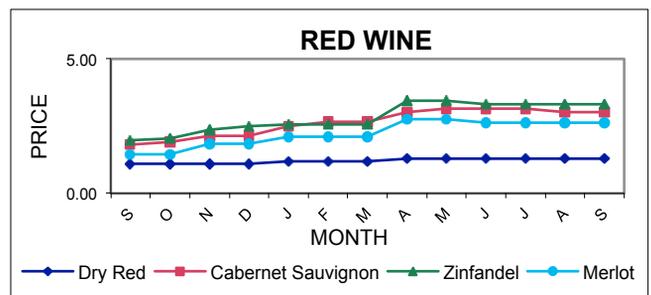
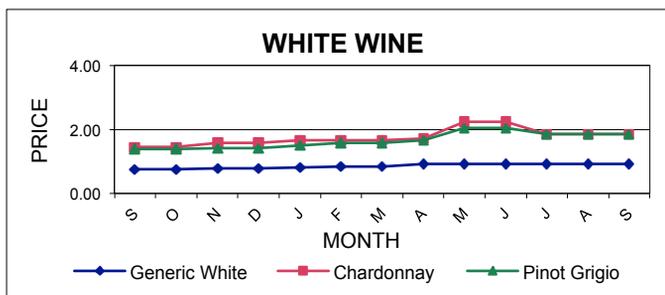
- **Valley:** With only a few weeks of crushing complete, more accurate crop estimations are starting to form. Reports claim average yields for most varieties at this point in the 2012 harvest. Pinot Grigio, White Zinfandel and Pinot Noir are all looking to be of sizable yields. Activity within the coming weeks should stretch capacity, as many more acres are harvested in the Valley.
- **Central Coast:** Labor Day has now passed and many wineries are beginning to schedule pickings. Red varieties show promising yields and quality, especially Cabernet Sauvignon, Pinot Noir and Merlot. Chardonnay looks to be about average in most coastal vineyards.
- **North Coast:** Early reports from sparkling houses are for excellent crops. All varieties have sizable amounts of fruit continuing to ripen. With favorable weather, this vintage should be a banner year. More details are to follow in the next report.

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 | 2.38 – 2.90 | ↓ |
| 2011 | Pinot Grigio | 1.72 – 1.98 | ↔ | 2011 | Merlot | 2.11 – 2.90 | ↓ |
| 2011 | Muscat | 1.58 – 1.85 | ↔ | 2011 | Pinot Noir | 2.38 – 2.90 | ↓ |
| 2011 | White Zinfandel | 1.32 – 1.58 | ↓ | 2011 | Syrah | 2.11 – 2.38 | ↓ |
| 2011 | Colombard | 0.92 – 1.06 | ↔ | 2011 | Zinfandel | 2.64 – 3.43 | ↓ |

BULK PRICING OVER TIME



BITS AND PIECES

All reports in recent months show double-digit sales growth for wines retailing at \$10.00+ per bottle. Sales for wines selling for \$20+ per bottle are even higher.

Along with tracking trends in supply and demand, we have continued to see significant merger and acquisition activity over the last year. Both domestic and foreign buyers have been actively purchasing vineyard properties, winery capacity and branded labels.

The Gomberg-Fredrikson report shows over 86 million gallons of bulk wine imports over the last 12 months. This represents roughly 15% of all shipments from California wineries, which is the equivalent of 500,000 tons of grapes.

CHILE – SEPTEMBER 2012

TIME ON
TARGET

While La Niña will be coming to an end in Chile soon, there will be a change in climate as El Niño begins. Meanwhile, Chile is still experiencing a drought, and has had very little rainfall in the last few weeks. In the Pisco and Muscat growing regions, precipitation to date is 12.6 mm (a deficit of 82%). The area surrounding Santiago is experiencing a precipitation deficit of 44% and in Curico the deficit is 33%. The main problem that Chile currently faces, is the small amount of snowfall in the mountains, which feed the water reservoirs. "La Paloma Reservoir" (the main reservoir in Limari Valley) reached its lowest water level in the last 14 years, and is being declared an area of catastrophe.

CURRENT MARKET PRICING

ALL PRICING IN USD PER LITER; FOB PORT:

| Vintage | Variety | Price | Trend | Vintage | Variety | Price | Trend |
|---------|------------------------------|-------------|-------|---------|----------------------------|-------------|-------|
| 2012 | Generic White | 0.68 – 0.85 | ↑ | 2012 | Generic Red | 0.64 – 0.85 | ↓ |
| 2012 | Chardonnay | 0.93 – 1.30 | ↔ | 2012 | Cabernet Sauvignon (Basic) | 0.70 – 0.94 | ↓ |
| 2012 | Sauvignon Blanc | 0.95 – 1.25 | ↓ | 2012 | Cabernet Sauvignon | 0.95 – 1.15 | ↔ |
| 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 - July 2011 | | | January - July 2012 | | | Vol. Var |
|--|---------------------|---------------|-------------|---------------------|---------------|-------------|--------------|
| | MM Lts | M US\$ FOB | Avg Price | MM Lts | M US\$ FOB | Avg Price | % |
| Bottled | 214.60 | 713.24 | 3.32 | 224.95 | 743.96 | 3.31 | 4.8% |
| Bulk | 96.64 | 111.38 | 1.15 | 144.35 | 177.60 | 1.23 | 49.4% |
| Grape Musts (Juice Concentrates & Alcohol) | 2.72 | 5.98 | 2.20 | 3.61 | 8.53 | 2.36 | 32.6% |
| Sparkling Wines | 1.62 | 6.32 | 3.89 | 1.52 | 6.30 | 4.14 | -6.3% |
| Fruit Wines | 1.15 | 5.12 | 4.43 | 1.10 | 5.15 | 4.67 | -4.5% |
| Packed Wines | 26.62 | 52.63 | 1.98 | 22.80 | 46.90 | 2.06 | -14.3% |
| Total | 343.36 | 894.66 | 2.61 | 398.33 | 988.43 | 2.48 | 16.0% |

BITS AND PIECES

Total exports increased by 16% over the same period last year (January – July), up from 343 million liters to 398 million liters. Bottled wine exports are up 4.8% (from 214.60 million liters to 224.95 million liters). Bulk wine exports are up 49.4% (from 96,64 million liters to 144,35 million liters).

The general situation is a surplus in several varieties, such as entry-level Sauvignon Blanc and basic Cabernet Sauvignon, but a relative balance remains for most varietal wines.

Producers expect that both the domestic and export market will start to re-activate by the last quarter of this year.

FRANCE – SEPTEMBER 2012

TIME ON TARGET

Now that harvest is starting in the South of France and in other French regions, crop estimates are becoming more accurate. These estimates are confirming downward trends. The total French crop was only able to reach 44 million hectoliters, down 16% compared to the 2011 crop (- 9 % for AOP Wines - 15 % for wines aimed for distillation, -12% for IGP Wines, -35% for VDF wines).

In most vineyards, ripening is happening later than last year. There is concerning mildew/ Oïdium pressure in almost every region of France (Loire Valley, Bordeaux, Charente, Champagne being the most affected), which could affect the grape quality and potential yields.

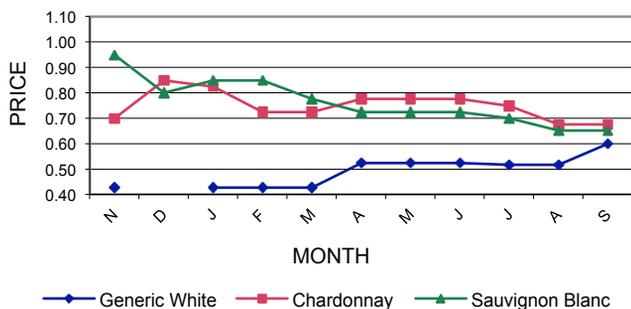
CURRENT MARKET PRICING

BULK WINE PRICES: ALL PRICES IN € PER LITER; EXW:

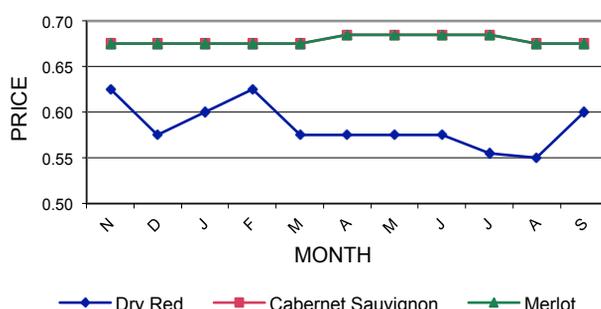
| Vintage | Variety | Price | Trend | Vintage | Variety | Price | Trend |
|---------|--------------------------|-------------|-------|---------|-----------------------------|-------------|-------|
| 2011 | Generic White | 0.5 – 0.65 | ↑ | 2011 | Generic Red (VDF) | 0.55 – 0.65 | ↑ |
| 2011 | Chardonnay (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

WHITE WINE



RED WINE



BITS AND PIECES

Three violent storms took place in the Languedoc region on August 24th, 28th and 30th. It is too soon to know if berry size will be affected, as the storms occurred later in the ripening process.

Lower crop estimates have led to a fairly stable pricing trend and/or an upward pricing trend in most of the regions. In Languedoc, VDF generic wine prices increased rapidly by the end of August. Most 2011 bulk wines have been pulled off the market due to shortages anticipated for the 2012 crop. Producers with 2011 volumes left are holding onto them, in order to compensate for this upcoming shortage.

GERMANY – SEPTEMBER 2012

TIME ON TARGET

The market for 2011 vintage wines is now experiencing a slow down. The first purchases and transports of 2012 fresh must are now being organized. As mentioned in the previous report, pricing for the 2012 vintage are consistent with that of 2011.

Germany is still in the early stages of the 2012 harvest, and many things may change in the coming months. For instance, a low price offer for red wine could cause growers to leave their red grapes on the vine, instead of picking them.

The estimated crush tonnage for the 2012 harvest is looking to be fairly stable at 1.25 million tonnes:

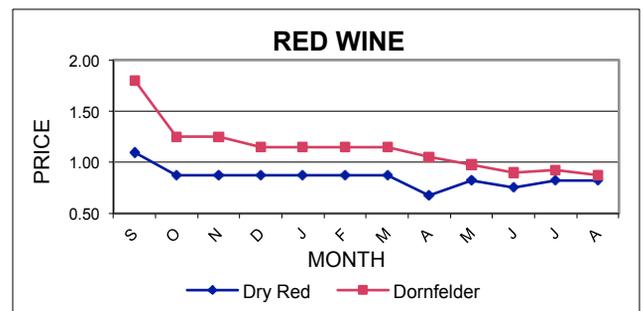
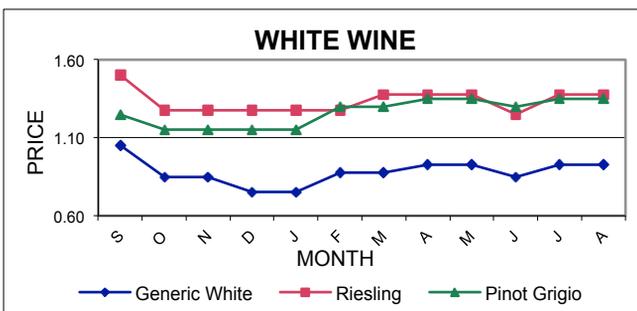
| Annual Crush Tonnages | | | | |
|-----------------------|---------------|---------------|---------------|---------------|
| 2008 | 2009 | 2010 | 2011 | 2012 est. |
| 1.43 M tonnes | 1.31 M tonnes | 0.98 M tonnes | 1.30 M tonnes | 1.25 M tonnes |

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

The following table shows sales by turnover and by volume in Germany from July 2011 to July 2012. There seems to be growth in both the volume of sales and the volume of consumption:

| | Red Wine | Sparkling Wine | White Wine | Wine-Based Drinks | Rose Wine | Semi-Sparkling Wine | Dessert Wine | Sherry | Remaining |
|------------------------------------|-----------|----------------|------------|-------------------|-----------|---------------------|--------------|--------|-----------|
| Turnover in €1,000 | 1,469,575 | 1,361,113 | 966,091 | 263,220 | 231,874 | 197,258 | 20,686 | 18,919 | 173 |
| % Change from 2011 | 6.1 | 6.4 | 5.7 | 8.9 | 7.4 | 11.4 | 0.1 | -5.9 | 9.6 |
| Sales Volume in 1,000 units | 505,043 | 437,800 | 379,260 | 168,961 | 99,972 | 103,671 | 3,436 | 4,680 | 26 |
| % Change from 2011 | 1 | 6.4 | -0.3 | -1.8 | 5.8 | 12.3 | -1.2 | -6.3 | -12.1 |

ITALY – SEPTEMBER 2012

TIME ON TARGET

Most vineyards and grapes are showing no signs of disease. This is a good sign in terms of quality, while alcohol levels are expected to be higher than average. Along with Spain and France, Italy is experiencing low juice-yields obtained from crushing.

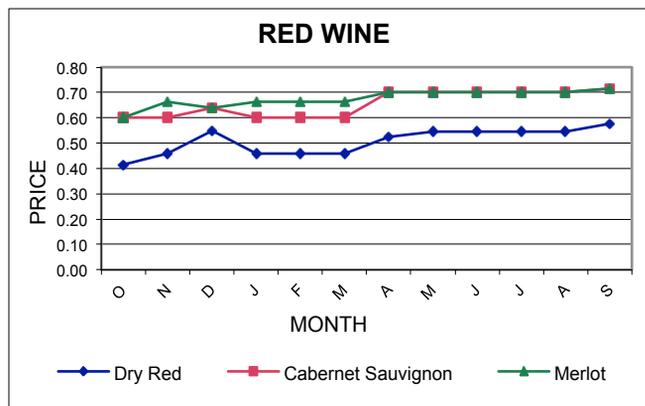
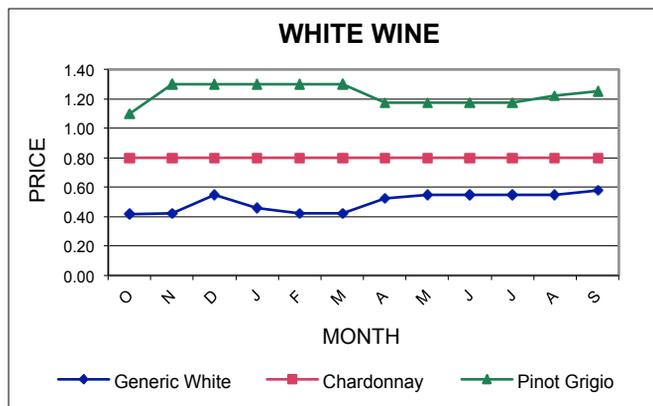
Severe August heat and drought conditions have changed initial predictions for the 2012 crop. Initially, the 2012 crop was expected to be larger than that of 2011, whereas now we are seeing more conservative expectations for a crop this is equal to or even smaller than 2011.

CURRENT MARKET PRICING

BULK WINE PRICES: ALL PRICES IN € PER LITER; EXW:

| Vintage | Variety | Price | Trend | Vintage | Variety | Price | Trend |
|---------|---------------|-------------|-------|---------|--------------------|-------------|-------|
| 2012 | Generic White | 0.55 – 0.60 | ↑ | 2012 | Generic Red | 0.55 – 0.60 | ↑ |
| 2012 | Chardonnay | 0.70 – 0.90 | ↔ | 2012 | Cabernet Sauvignon | 0.68 – 0.75 | ↑ |
| 2012 | Pinot Grigio | 1.20 – 1.30 | ↑ | 2012 | Merlot | 0.68 – 0.75 | ↑ |

BULK PRICING OVER TIME



BITS AND PIECES

Besides the severe drought conditions, the expected crop in the northern regions could be down between -5% to -15%, while the southern regions of Italy may be equal to last year or even up by +10%.

This year, Sicily did not do a “Green Harvest,” where excess bunches are removed. This is one of several contributing factors for the increased crop size in southern Italy. The Abruzzo region’s crop is expected to be larger than 2011. There remains uncertainty regarding Puglia’s position regarding which table grapes will go to wine production.

Assoenologi's (The Union of the Winemakers) latest forecast is for the 2012 crop to be about 41.2 million hectoliters, 3.5% lower than the 2011 crop of 42.7 million hectoliters.

While national consumption is down, there is increasing concern for white wines, of which most stocks are low. It is a market where financially and economically stable Buyers who can afford to pay cash upfront or offer favorable payment terms, will enjoy a considerable advantage.

SOUTH AFRICA – SEPTEMBER 2012

TIME ON
TARGET

Loadings of both bulk and packaged wine contracts have begun to speed up dramatically over the last few weeks. Many negotiations have been finalized as contracts, as the ZAR exchange rate remains stable and favorable against most major currencies.

Red varietal stocks are looking to be in balance. White varietal stocks are still readily available; however, generic white, especially non-vintage, is coming under pressure with at least 24 million liters contracted in the last month. Loadings aren't scheduled until mid-2013.

CURRENT MARKET PRICING

ALL PRICING IN SA RAND PER LITER; FOB, CAPE TOWN:

| Vintage | Variety | Price | Trend | Vintage | Variety | Price | Trend |
|-----------|-----------------|-------------|-------|---------|--------------------|-------------|-------|
| 2012 / NV | Generic white | 4.00 – 4.30 | ↔ | 2012 | Generic Red | 5.50 – 6.30 | ↔ |
| 2012 | Chardonnay | 5.75 – 7.25 | ↔ | 2012 | Cabernet Sauvignon | 6.50 – 8.00 | ↑ |
| 2012 | Sauvignon Blanc | 5.75 – 7.80 | ↓ | 2012 | Ruby Cabernet | 5.85 – 6.30 | ↔ |
| 2012 | Generic Rosé | 5.00 – 6.00 | ↓ | 2012 | Merlot | 6.40 – 8.00 | ↔ |
| 2012 | Cultivar Rosé | 5.55 – 6.00 | ↓ | 2012 | Pinotage | 6.40 – 7.50 | ↑ |
| 2012 | Chenin Blanc | 4.35 – 5.00 | ↓ | 2012 | Shiraz | 6.60 – 8.25 | ↔ |
| 2012 | Muscat | 4.75 – 5.00 | ↔ | 2012 | Cinsaut | 5.85 – 6.30 | ↔ |

BITS AND PIECES

- At the end of 2011, there were 101,016 hectares of vineyards planted in South Africa.
- These hectares were made up from 3,527 producers.
- There are 582 cellars that crush grapes. This includes estates, groups and producer cellars.
- There are 54 producer cellars in South Africa.
- There are 25 producing wholesalers in South Africa.
- Co-operatives and similar functioning companies crush about 80% of all grapes harvested.
- 80% of grapes harvested goes into the making of table wine.

Info as per www.sawis.co.za

2012 Harvest Comparisons

| Wine Growing Region | Total Tons/Region | % Difference from 2011 |
|---------------------|-------------------|------------------------|
| Breedekloof | 250,241 | ↑ 24% |
| Worcester | 172,211 | ↑ 21% |
| Robertson | 238,460 | ↑ 22% |
| Olifants River | 223,341 | ↑ 3% |
| Klein Karoo | 44,451 | ↑ 23% |
| Orange River | 118,511 | ↓ 7.5% |
| Malmesbury | 91,455 | ↓ 17% |
| Paarl | 139,628 | ↓ 5% |
| Stellenbosch | 116,860 | ↓ 7.5% |
| Total | 1,395,158 | ↑ 7% |

SPAIN – SEPTEMBER 2012

TIME ON
TARGET

Harvest has started in Spain, and the whole industry is in agreement that the 2012 crop will be small in volume, but of high quality.

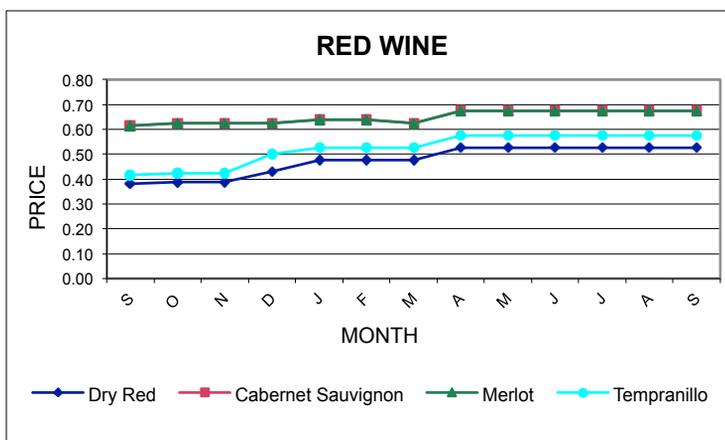
Due to the hot, dry summer and a lack of rainfall, many grapes that have been harvested are not producing high yields of juice. No quotes have been given for the 2012 crop, but are expected in the coming weeks. However, pricing for both white and red bulk wine are expected to be higher than last year.

CURRENT MARKET PRICING

BULK WINE PRICES: ALL PRICES IN € PER LITER; EXW:

| Vintage | Variety | Price | Trend | Vintage | Variety | Price | Trend |
|---------|---------------|---------------------|-------|---------|--------------------|-----------|-------|
| 2011 | Generic White | 0.50-0.55 (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

The Spanish Wine Federation has recently announced the first crop estimations. These estimations are for a crop that will not exceed 35 million hectoliters, compared to the 37.5 million hectoliters of the 2011 vintage. This decrease in crop volume is mainly due to the drought, which affected all of Spain. During the month of August, temperatures reached up to 45°C (113°F).

In Castilla La Mancha, first estimates call for a crop of 16.5 million hectoliters, compared to the 18 million hectoliters in 2011.

Buyers are feeling pressure, as shorter contract lengths are now pushing loadings to take place only two to three months out.



TIME ON
TARGET

The United States remains the world's largest consumer of wine with over 347 million cases consumed annually. The US is quickly becoming the most diverse market, with growth of both domestic and imported wines from all countries and at all price points. It is virtually the only country where a \$10+ bottle of wine is seen as the norm versus the exception.

OVERALL WINE SALES

Sales grew over the first six months of 2012 at a rate of 3%. While this may seem low, one must remember that supplies of California wines have been constrained by a supply stream that went from feast to famine in very short order. In fact, globally, the supply stream has moved in the same vane. Wine companies with the ability to globally source and plant vineyards have been able to grow their brands over this time. In August of this year, sales have seen a rebound. Off-premise sales of domestic table wine grew by 8% year over year, while overall 52-week sales rose 7%.

DOMESTIC WINE SALES

As domestic wineries saw sales increasing and supply starting to get constrained, many have implemented targeted price increases. These increases, along with constrained supplies, have slowed some of the pace, but increased the profitability of wineries that struggled through the down years of 2008-2010. The shortage of supply also inhibited the sales of California wines overseas, and overall sales fell 6%. The exceptions to this trend were Canada and China, which both posted strong gains. However, domestic shortage has once again opened the door for international supplies of both bulk and bottled wines.

Growth of Domestic Wines by Price Point August 2012

| | |
|----------------|-------|
| \$5 - \$7.99 | + 5% |
| \$8 - \$10.99 | + 12% |
| \$11 - \$14.99 | + 11% |
| \$15 - \$19.99 | + 10% |
| \$20.00+ | + 20% |

INTERNATIONAL WINE SALES

Overall, imported wines rose by triple digits throughout the first six months of 2012, led by Chile, Argentina and Australia, and to a lesser extent by New Zealand, Spain, France, Italy and South Africa. It is interesting to note that while much of this growth has happened over the first six months of 2012, harvests around the world have either not been that big, or are expected to be some of the lowest on record (ie. France and Italy). At the moment, California is looking to have a decent harvest, as harvest moves into full swing. Moving forward, this should have a beneficial effect on domestic sales.

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GLOBAL WINE & GRAPE BROKERS



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