



CIATTI

GLOBAL WINE & GRAPE BROKERS

GLOBAL MARKET UPDATE – FEBRUARY 2013

VOLUME 4 ISSUE NO. 2

The 2012 California Grape Crush Report has been released and the crop was larger than expected. Most estimates were for a harvest of 3.7 to 3.8 million US tons, and the number came in at 4.01 million US tons. While a large crop was certainly needed, due to the very short crop of 2011, it remains to be seen if current bulk pricing will hold. Equally important to the large jump in the size of the crop, was the 21% increase in the average price of grapes over the previous year. Chardonnay looks to have seen the biggest increase by volume, as 113 million more liters of wine were made in 2012 compared to last years. Cabernet Sauvignon was second by volume, with almost 70 million additional liters coming in over last year. Bottled sales have been strong in the United States over the past few years, and California certainly needed more volume to continue growing sales. It is also likely that exporters will become much more active in the coming months.

The reports from the Southern Hemisphere continue to come in, and expectations are for healthy and bountiful harvests across the board. Price adjustments on the bulk market in Chile should cause for increased sales activity, and Argentina is looking good, despite some unusually humid weather in the summer months. Australian reports continue to show a crop that will be similar in size to that of last year, and New Zealand producers expect an increase in production in 2013.

We expect that the large California crush, coupled the coming Southern Hemisphere harvests, will keep the bulk market balanced, despite the very poor 2012 crop results in Europe. Some varieties may be headed to a long position in the world market, and bulk buyers will be hunting for opportunities.



ARGENTINA – FEBRUARY 2013

TIME ON TARGET

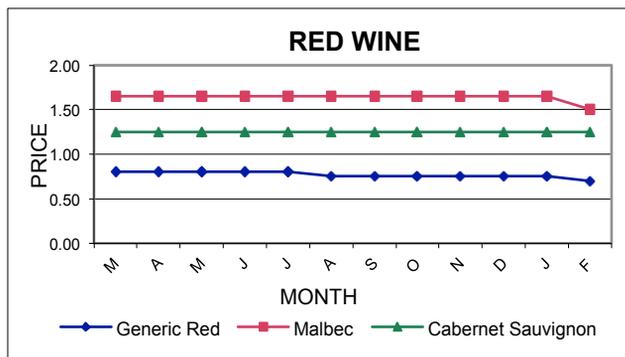
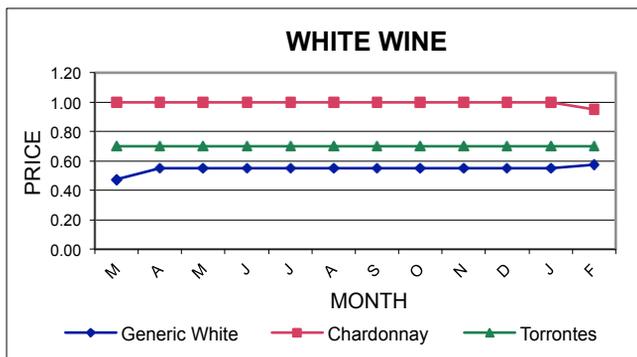
Everyone is finishing up their summer vacations and preparing for harvest. The 2013 harvest is looking good so far, despite the humid summer months. Government forecasts indicated in December that the 2013 harvest would be around 2.8 million tons, which would be an average sized crop for Argentina. There are high expectations for the cheap Criolla grapes, due to the fact that Concentrate prices have grown significantly. Earlier prices paid for Criolla in the San Juan province indicated that prices are 30% higher than the 2012 crop. Varietals, however, are not in such high demand, so we should be seeing a good number of offers at lower prices.

CURRENT MARKET PRICING

ALL PRICING IN USD PER LITER; FCA WINERY:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2012	Generic White	0.55 – 0.60	↑	2012	Generic Red	0.65 – 0.75	↓
2012	Generic White (Criolla)	0.50 – 0.55	↑	2012	Cabernet Sauvignon	1.20 – 1.30	↔
2012	Chardonnay	0.90 – 1.00	↔	2012	Malbec Entry-Level	1.40 – 1.60	↔
2012	Torrontes	0.65 – 0.75	↔	2012	Malbec Reserva	1.80 – 2.00	↔
2012	Chenin Blanc	0.65 – 0.75	↔	2012	Syrah / Merlot	1.10 – 1.20	↓
2012	Muscat	0.75 – 0.85	↔	2012	Bonarda	0.85 – 0.95	↓

BULK PRICING OVER TIME



BITS AND PIECES

The domestic bulk market in Argentina has been very quiet. Meanwhile, the export market remains active.

Bottled wine exports fell 3% in 2012, representing 20.24 million cases.

Bulk wine exports amounted to 157.3 million liters, of which 69% of the total volume represents the United States, 12% Russia and 6% Canada.

Concentrate exports amounted to 145.6 thousand metric tons in 2012, which is 1.4% less than in 2011. Price increases caused a reduction in volumes sold for both bottled wines and Concentrate.

AUSTRALIA & NEW ZEALAND – FEBRUARY 2013

TIME ON
TARGET

The 2013 crush is underway, as many warmer inland areas have started picking their Sparkling Base, Chardonnay and Pinot Gris grapes. Speculations on the size of the 2013 crush are similar to 2012. Reports are that crops have sustained heat stress and sunburn after a heat wave in January. Growers are expecting an increase in grape prices if there is a shortage in fruit. However, many wineries will be unwilling to pay the market price for grapes, should they not be at the acceptable quality level (sunburnt). Temperatures above 40°C were recorded, as grapevines went into shutdown mode to protect themselves against the heat, stalling the ripening process. More warm weather is expected through February and into March. Warmer weather and strong winds have caused a number of bushfires to break out, causing havoc for several wineries. Over 100 hectares of vineyards have been burnt in the Finnis area of South Australia, while fire fighters were battling more than 140 bushfires across New South Wales.

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	0.75 – 0.90	↓	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 5.30 – 5.80	↑	2012	Shiraz	1.05 – 1.20	↔
2012	Pinot Gris	0.95 – 1.20	↔	2012	Muscat	0.90 – 1.20	↔

BITS AND PIECES – AUSTRALIA

In the recent *Wine Australia* report, statistics show that Australian wine exports have increased by 3% to 721 million liters. The value of this wine equates to AUD \$1.85 billion. Both the value of bulk (up 2%) and bottled (up 3%) wine have increased, but the volume of bulk wine has taken the lead, as more parties are opting to bottle in-market. This is due to the ongoing strong Australian dollar and the increase of buyers own brands. The UK and the US continue to be Australia's top importers by volume; the US increasingly so, due to California receiving smaller crops in 2010 and 2011.

Speculations that Treasury Wine Estates may be subject to a possible takeover have run rife in recent weeks with rumors that the expected sale price could be as high as AUD \$4 billion. Experts believe a Chinese purchaser will be the most likely buyer of the large corporate structure that owns well-known wineries such as Penfolds and Wolf Blass. Other smaller wineries are also on the radar of Chinese investors and buyers.

BITS AND PIECES – NEW ZEALAND

Interest in Marlborough Sauvignon Blanc continues, even with prices increasing to as high as NZ \$5.80/L FOB. Forward contracts for 2013 material are underway, as suppliers may have some volumes available as they prepare for grape picking in April.

It is too early to predict the total size of the 2013 crush, but many expect that it will be larger than the 2012 crop. Demand for wine remains high. There is also a strong demand for 2013 grapes, and price-points for grapes have increased significantly.

CALIFORNIA – FEBRUARY 2013

TIME ON TARGET

There were over 12,000 attendees in Sacramento, California in January for the Unified Wine & Grape Symposium. This show is the largest wine and grape trade show in North America. Vintners, suppliers and growers gathered together, creating an atmosphere that was upbeat with a great overall feel. As in previous years, the Ciatti Company held a wonderful Wednesday night party after the show.

Since the first of the year, many new 2012 wines have entered the market, replenishing stocks that were missing over the last 12 months. There are many new wines from coastal districts, reflecting additional yields from the past season. Wines from the Central Valley are generally available, but not in abundance. We are seeing interest on all wines and should be seeing movements in the next six months.

CURRENT MARKET PRICING

ALL PRICING IN USD PER LITER:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2011	Generic White	0.80 – 1.05	↔	2011	Generic Red	1.05 – 1.32	↓
2011	Chardonnay	1.05 – 1.45	↓	2011	Cabernet Sauvignon	1.72 – 2.64	↓
2011	Pinot Grigio	1.32 – 1.58	↓	2011	Merlot	1.58 – 2.37	↓
2011	Muscat	1.18 – 1.58	↓	2011	Pinot Noir	2.11 – 2.64	↓
2012	White Zinfandel	1.18 – 1.45	↔	2011	Syrah	1.58 – 2.11	↓
2011	Colombard	0.92 – 1.18	↔	2011	Zinfandel	1.84 – 2.37	↓

BITS AND PIECES

The Preliminary California Grape Crush Report released today shows the 2012 Winegrape crop reached an all-time high of 4.014 million tons, up 20% from 2011. In addition, the overall grape pricing for California grapes rose by 21%. Most surprisingly were the increases noted below in Chardonnay, Pinot Noir and Zinfandel. These increases should alleviate some of the supply pressures in the US market. The increases were primarily in the Northern interior, but we saw significant increases in vineyards in the North Coast counties and Monterey County. We look for California to have more inventory available, to help replenish the wines destined to the export market.

Varietal	2011 Tons	2012 Tons	Up / Down	% Up / Down
Chardonnay	558,280	734,864	+ 176,584	+ 24.03 %
Cabernet Sauvignon	383,601	495,662	+ 112,061	+ 22.61 %
Merlot	285,934	334,485	+ 48,551	+ 14.52 %
Pinot Noir	169,985	247,303	+ 77,318	+ 31.26 %
Pinot Grigio	173,486	195,365	+ 21,879	+ 11.2 %
Sauvignon Blanc	78,960	113,146	+ 34,186	+ 30.21 %
Zinfandel	344,893	449,650	+ 104,757	+ 23.3 %
Muscat	112,006	143,726	+ 31,720	+ 22.07 %

CHILE – FEBRUARY 2013

TIME ON
TARGET

2013 grape prices were released in early January. All varieties are significantly cheaper than in 2012. Until a couple of weeks ago, expectations were for grape prices to be very low and some international buyers were predicting a continuous drop on wine prices. Instead, we have recently seen an increase on grape pricing. This increase is not huge, but shows that the market predicts a smaller crop than that of previous years. Significant drops are expected for Chardonnay (down 15-20%) and Merlot (down 10-15%) compared to last year.

The Sauvignon Blanc crop is looking to be bigger than last year, while Cabernet Sauvignon is looking to be about the same. However, these are predictions, as it is still too early to say for sure. Overall, the crop looks to be two weeks late. Generic white prices remain at a higher value than what many markets are looking for.

CURRENT MARKET PRICING

ALL PRICING IN USD PER LITER; FOB PORT:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2012	Generic White	0.60 – 0.75	↔	2012	Generic Red	0.58 – 0.90	↑
2012	Chardonnay	0.85 – 1.30	↔	2012	Cabernet Sauvignon (Basic)	0.70 – 0.90	↓
2012	Sauvignon Blanc	0.75 – 1.15	↓	2012	Cabernet Sauvignon	0.95 – 1.30	↓
2012	Sauvignon Blanc (Casablanca)	1.05 – 2.50	↓	2012	Cabernet Sauvignon (High Quality)	1.80 – 3.00	↔
2012	Pinot Noir	1.10 – 1.50	↔	2012	Merlot	0.90 – 1.30	↔
2012	Syrah	0.90 – 1.15	↓	2012	Malbec	1.45 – 2.00	↔
2012	Carmenere	0.90 – 1.30	↔				

EXPORT FIGURES

Wine export Figures (Bulk, Bottled & Sparkling)	January – December 2011			January – December 2012			Vol. Var
	MM Lts	M US\$ FOB	Avg Price	MM Lts	M US\$ FOB	Avg Price	%
Bottled	438.5	1,414.7	3.23	439.0	1,420.0	3.23	0.1%
Bulk	191.6	198.3	1.03	275.6	292.0	1.06	43.9%
Sparkling Wines	3.8	14.7	3.87	4.0	16.0	3.99	5.5%
Total	633.9	1,627.7	2.57	718.6	1,728.0	2.40	13.4%

BITS AND PIECES

The export figures for 2012 have just been released. Bottled exports grew only 0.1% (from 438.5 million liters in 2011 to 439 million liters in 2012). Meanwhile, bulk exports grew 43.9% (from 191.6 million liters in 2011 to 275.9 million liters in 2012). The average price of bulk exports was \$1.03 in 2011 and \$1.06 in 2012. The largest bulk buying countries were the US 93.8 million liters, Spain 44.1 million liters, China 43 million liters, Germany 24.3 million liters and the UK 21.5 million liters.

Over the last 10 years, the wine grape surface has grown 16% (from 107,000 to 126,000 Ha). Cabernet Sauvignon is the largest variety with 32.4% surface area, followed by Sauvignon Blanc (11.1% - which passed the Merlot for the first time), Merlot (9.1%), Chardonnay (8.7%) and Carmenere (8%). The largest reductions in surface area were Pais (Mission) (-53%), Semillon (-48.4%) and Merlot (-11.3%). The largest increases in surface area were Syrah (+236.5%), Pinot Noir (+157%) and Sauvignon Blanc (+108.6%).

FRANCE – FEBRUARY 2013

TIME ON TARGET

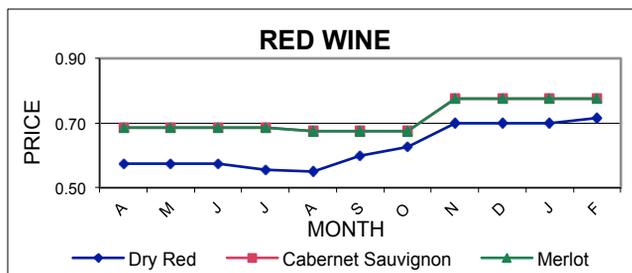
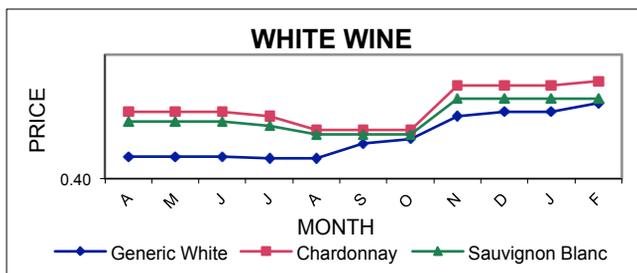
France is experiencing a contrasted market situation at the moment, varying for each wine segment. After the first rounds of purchases in December, we saw an increase in terms of purchase volume and speed, compared to last year. It seems the market has slightly calmed down since then, as expected. Loadings continue at a normal pace and there are no signs of a break in the market.

CURRENT MARKET PRICING

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

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2012	Generic White	0.80 – 0.85	↑	2012	Generic Red (VDF)	0.68 – 0.75	↑
2012	Chardonnay (VDF)	0.90 – 1.00	↑	2012	Cabernet Sauvignon (VDF)	0.75 – 0.80	↔
2012	Chardonnay (IGP OC)	0.95 – 1.10	↔	2012	Cabernet-Sauvignon (IGP OC)	0.76 – 0.90	↔
2012	Sauvignon-Blanc (VDF)	0.80 – 0.90	↔	2012	Merlot (VDF)	0.75 – 0.80	↔
2012	Sauvignon-Blanc (IGP OC)	0.85 – 0.95	↔	2012	Merlot (IGP OC)	0.76 – 0.90	↔
2012	Generic Rosé (VDF)	0.70 – 0.75	↑	2012	Syrah (IGP OC)	0.75 – 0.80	↔
2012	Varietal Rosé (IGP OC)	0.76 – 0.88	↔	2012	Dry Muscat (IGP Oc)	0.95 – 1.05	↔

BULK PRICING OVER TIME



BITS AND PIECES

In terms of generic wines (Vin de France), inventory available is still limited, especially for white and rosé. This is due to a very small production and high demand. Major wine merchants have been able to stabilize non-vintage dry red prices, as 2011 inventories (all segments) are still ample and available for blending. However, the situation could change within the coming months if the market remains this active.

The market is already extremely tied for IGP varietal wines, especially for Chardonnay from Languedoc and Colombard from the South West. After the overproduction seen last year, along with low priced sales, 2012 Sauvignon Blanc from Languedoc is making a good comeback on the market with higher prices than last year, but stable thus far. Rosé varietals, such as Grenche and Cinsault, are becoming less available. Red varietals, such as IGP Cabernet Sauvignon and Merlot, are still in ample supply, but VDF red varietals from the Bordeaux region are almost exhausted.

Wine Segment	2012 Production	Change 2012 vs. 2011
AOP Wines	19,400,000 hl	-15%
Wines for Brandy	7,000,000 hl	-20%
IGP Wines	11,500,000 hl	-19%
Others (VSI, etc.)	2,900,000 hl	-45%
TOTAL	40,800,000 hl	-20%

Source: Agreste December 2012 Figure Estimates

GERMANY – FEBRUARY 2013

TIME ON
TARGET

Expectations were that German red wines, particularly Dornfelder, would see a price increase. However, the opposite seems to be true, as pricing pressure remains and bulk prices have decreased slightly. Even though case good sales for Dornfelder in Germany are growing, the total sales in 2012 were still down 250,000 hectoliters from previous years. Riesling is also seeing pricing pressure after a larger than average Riesling crop size. Generic white wines are again in short supply.

CURRENT MARKET PRICING

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

Vintage	Variety	Price	Trend
2011 / 2012	White Wine	0.95 – 1.05	↔
2011 / 2012	Pinot Grigio	1.40 – 1.50	↔
2011 / 2012	Riesling	1.30 – 1.50	↔
2011 / 2012	Red Wine	0.75 – 0.90	↓
2011 / 2012	Dornfelder	0.90 – 1.00	↓

BITS AND PIECES

German Wine Imports: December 2011 to November 2012

According to the latest import data provided by *WEINIMPORT Aktuell 2/2013*, during the period of December 2011 to November 2012, wine imports amounted to 15.355 million hectoliters (2.354 billion Euros). When compared to the same period the previous year, this shows an increase in import volume by 3.5% and an increase in import value by 7%. During this period, the average price was 153 Euros per hectoliter.

Percentage by country on total wine import volume:

- Italy 39%, France 17%, Spain 20%, Australia 3%, Austria 2%, Others 19%.

Top 10 Countries of German Wine Imports in November 2012

Countries	Value 1.0 Euro	Volume hl	Euro/hl	Movement in Value	Movement in Volume
Italy	83,000	563,000	147	20%	26.2%
France	76,000	259,000	294	0.2%	19.5%
Spain	32,000	229,000	140	1.9%	- 2.4%
South Africa	7,000	62,000	110	- 37.7%	- 38.3%
USA	7,000	39,000	175	8.7%	19.1%
Australia	6,000	38,000	147	20.2%	34.4%
Austria	5,000	25,000	211	70.1%	124.7%
Chile	4,000	24,000	188	- 14.8%	- 28.9%
Portugal	3,000	18,000	168	- 10.3%	97.9%
New Zealand	3,000	9,000	316	173.9%	242%
Others	7,000	79,000	89	-	-
TOTAL	233,000	1,345,00	174	6.5%	14.3%

ITALY – FEBRUARY 2013



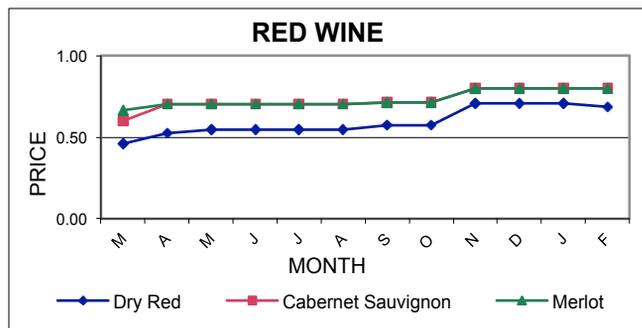
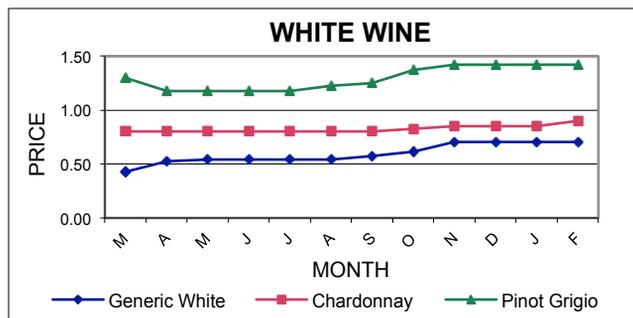
Since the end of harvest, the market continues to see price increases in all categories with strong interest from buyers. For the first time, January has been a quiet month. Stocks are lower than last year. Some suppliers have even decided to slightly lower their prices for generic reds. Everybody is awaiting the first figures from supermarket distributors to see if the latest price increase will have an effect on national consumption. Inflation in Italy may also be a factor in national consumption. On the other hand, Italian buyers continue to show interest for non-European wines as an alternate offer for generic wines.

CURRENT MARKET PRICING

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

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2012	Generic White	0.66 – 0.75	↔	2012	Generic Red	0.64 – 0.73	↓
2012	Chardonnay	0.85 – 0.95	↑	2012	Cabernet Sauvignon	0.75 – 0.85	↔
2012	Pinot Grigio	1.35 – 1.50	↔	2012	Merlot	0.75 – 0.85	↔

BULK PRICING OVER TIME



BITS AND PIECES

The latest figures from ISTAT have recently been issued. From January to October 2012, there were a total of 477 million liters of wine exported, representing a decrease in exported volume by 22%, when compared with the same period in 2011. Despite this decrease in volume exported, the value is up 10% over last year.

Countries that have seen the biggest *decrease* in terms of volume are:

- Germany: 214 million liters, down 20%
- Hungary: 56 million liters, down 28%
- France: 27 million liters, down 45%
- Czech Republic: 17 million liters, down 60%
- Austria: 15 million liters, down 36%
- Switzerland: 13 million liters, down 10%

Countries that have seen a market *increase* in terms of volume are:

- Sweden: 14 million liters, up 14%
- China: 7 million liters, up 49%
- Canada: 7 million liters, up 39%
- Norway: 5 million liters, up 54%
- The United States: 4.7 million liters, up 35%

SOUTH AFRICA – FEBRUARY 2013

TIME ON
TARGET

The year 2013 is off to a good start with very good growing conditions for South African grapes in almost all winegrowing areas. Producers and wineries are expecting a bigger than average crop. Steady sales from the end of 2012 have continued into 2013 and stock levels are below average for most wineries, even after a big 2012 crop. The strong downward trend of the South African Rand against all major currencies makes South Africa an even more attractive country for sourcing wine.

CURRENT MARKET PRICING

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

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2012 / 2013	Generic White	4.35 – 4.50	↑	2012 / 2013	Generic Red	5.80 – 6.30	↔
2012 / 2013	Chardonnay	5.55 – 7.25	↔	2012 / 2013	Cabernet Sauvignon	6.70 – 8.00	↔
2012 / 2013	Sauvignon Blanc	5.95 – 7.80	↔	2012 / 2013	Ruby Cabernet	5.85 – 6.30	↔
2012 / 2013	Generic Rosé	4.65 – 6.00	↔	2012 / 2013	Merlot	6.40 – 8.00	↔
2012 / 2013	Cultivar Rosé	5.40 – 6.00	↔	2012 / 2013	Pinotage	6.60 – 7.50	↔
2012 / 2013	Chenin Blanc	4.60 – 5.10	↑	2012 / 2013	Shiraz	6.80 – 8.00	↔
2012 / 2013	Muscat	4.85 – 5.00	↔	2012 / 2103	Cinsaut	5.85 – 6.30	↔

BITS AND PIECES

Local sales and conditions:

- It is believed that brandy sales decreased by as much as 12% during 2012. This caused a sharp downward trend on the 2013 vintage pre-harvest contract volumes for base wine for brandy, compared to 2012.
- There has been a 3% growth in the sales of natural wine in the local market. Taking into account the number of immigrants annually entering South Africa from its African neighbors, this is actually a negative growth in per capita consumption.
- Expectations are for a crop that is the same size as or a bit smaller than the 2012 crop. This is still a bigger than average crop size. The only areas that show a slightly smaller crop are the coastal areas of Paarl, Malmesbury and Stellenbosch. Other areas such as Robertson, Worcester, Breedekloof and Olifantsriver are expecting sizeable crops of good quality.
- The 2013 harvest is about 10 days later than the 2012 harvest.
- Harvest has begun in most areas. It is expected that harvest will be in full force by the second week of February.

Exports:

- Strong sales of all bulk wine, especially dry white and rose, were evident towards the end of 2012. The same trend is now being seen in 2013.
- Red wine pricing is still stable, while stock levels are low for most wines.

Total Exports of Natural Wine in 2012			Trend vs. 2011
White Wine	Packaged	70,743,168	-
	Bulk	145,282,037	-
	Total	216,025,205	-
Red Wine	Packaged	83,420,653	-
	Bulk	79,488,123	-
	Total	162,908,776	-
White & Red Wine	Packaged	160,535,926	Down 9.3%
	Bulk	248,433,122	Up 43.9%
	Total	408,969,048	Up 16.7%

SPAIN – FEBRUARY 2013



TIME ON TARGET

The current situation in Spain is causing difficulties in short/mid-term forecasts. Over the last couple of months, we've seen prices reaching highs for all categories, due to the small Spanish harvest (especially for dry red in Valencia, Navarra and Extremadura regions) and high demand (particularly on dry white). It now seems that the situation is softening and we are starting to see a downward pricing trend on all segments (subject to availability).

Most producers are starting to realize that a price adjustment is necessary to compete against cheaper supply countries such as South Africa, Chile, Argentina and Eastern Europe. We will see in coming weeks if this price adjustment will help to re-launch sales and lower prices. Wine fairs in Russia, Asia and Germany may have the opposite effect on bulk pricing, as potential case goods sales will put more pressure on the market. In terms of inventory availability, we are seeing good-sized inventories being put back on the market, especially generic reds and generic whites. The varietal market remains tied, as it was last month.

CURRENT MARKET PRICING

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

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2012	Generic White	0.63 – 0.68	↓	2012	Generic Red	0.58 – 0.65	↓
2012	Generic Rosé	0.63 – 0.68	↓	2012	Cabernet Sauvignon	0.70 – 0.75	↔
2012	Moscatel	0.80 – 0.85	↓	2012	Merlot	0.70 – 0.75	↔
2012	Syrah	0.65 – 0.70	↔	2012	Tempranillo	0.65 – 0.70	↓

BITS AND PIECES

According to the latest figures given by the Spanish Department of Agriculture, the Spanish bulk wine commercial balance reached 446 million Euros (November 2011 to October 2012), representing a 13 % progression compared to last year (395 M €),

Exports reached a total value of 469 million Euros, almost 15 % more than in the same period of 2010-2011. Nevertheless, foreign bulk wine imports into Spain grew over the last few months, with a total of 23.05 million Euros (November 2011 to October 2012).

However, the latest trends show that the bulk wine commercial balance only reached 27.21 million Euros in October 2012, a 19% decrease since October 2011. This drop that can be explained by the decrease in exports (-17%) and by the dynamism in bulk imports to fulfill national needs (+16.7%).

The European Union remains the main exit for Spanish bulk exports (344.9 million Euros to date, which is 71% in total). France registered monthly purchases of 30.06 million liters, followed by Germany (14.5 million liters) and Italy (9.55 million liters).

Outside of the European Union stands Russia with 8.58 million liters imported monthly, although wine exports have diminished by 30% in value.

In terms of bulk imports, Spain mainly sourced directly from the European Union (85% of the total, mainly from Portugal, Italy and France). The remaining bulk wine imports are provided by South American countries, such as Chile, with an average of 257,000 liters imported monthly (average price 0.47 Euros per liter). Surprisingly, Argentina has seen its bulk exports to Spain increase, whereas it wasn't even mentioned as a supply country to Spain previously.

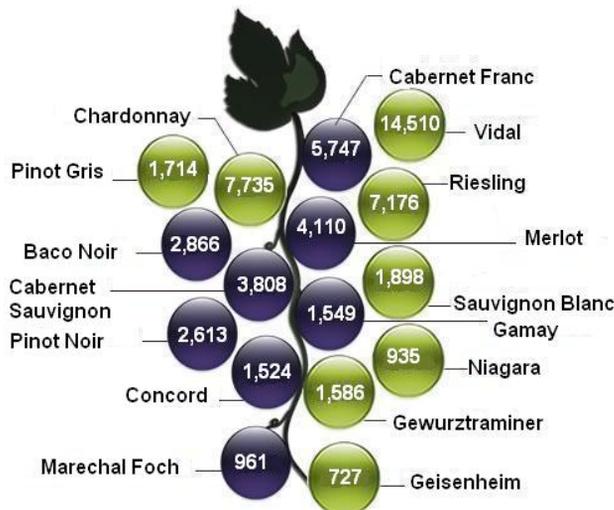
BUYER'S CORNER: CANADA - FEBRUARY 2013

This month we are focusing on the largest growing region in Canada: the Ontario market.

There are approximately 475 registered growers in the province of Ontario as of 2011. They are divided into 6 districts, spanning from the Niagara region (the largest), South Western Ontario and Prince Edward County.

Compared globally, Ontario is a very small component of the world market, with an approximate tonnage of 60,000 tonnes annually.

Displayed to the right are the top varieties produced (in tonnes) in Ontario in 2011.



WINE CONTENT

Vintners Quality Alliance (VQA) is an appellation designed system very similar to Appellation d'Origine Contrôlée (AOC) in France. It was set up as a means to define standards in winemaking and was officially established in May 1999. For wines to meet this standard they must:

- be made of 100% Ontario grapes of approved varieties.
- meet sugars levels minimums for grapes at harvest for that specific variety.
- be made from a minimum of 85% from the same vintage year (indicated on the label)

The 75% import / 25% domestic for Cellared in Canada (CIC) in Ontario has been phased out. Replacing it is a new look! A winery that is allowed to blend must have an average of 40% domestic content in their portfolio. This means that some wines can be 100% import, or even 100% domestic...as long as the average overall is 40% domestic.

There were approximately 23 million liters of wine imported into Ontario for the purpose of blending in 2011.

There were 3.5 million liters of concentrate imported into Ontario in 2011 and approximately 980,000 liters of juice.

WINE SALES IN ONTARIO

A total of 60 million liters of Ontario wine were sold in Ontario in 2011. Numbers are increasing and this category now represents nearly 38% of the market.

In 2011, there were 95 million liters of imported wine sold in Ontario; numbers continue to increase.

There were approximately 455,000 liters of "out of province wine" sold in Ontario in 2011, which is a big drop in comparison with previous years. In 2011, total wine sales in Ontario were estimated at 155 million liters.

Note: Wines can only be sold through LCBO Government stores, winery retail stores and by direct delivery to Licensees. LCBO is the world's largest purchaser of alcohol beverages from more than 60 countries!



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