

February 10, 2011

Contact: Lora Parnell, lora@ciatti.com (415) 458-5150**CALIFORNIA GRAPE CRUSH REPORT SHOWS A BIGGER THAN EXPECTED HARVEST**

(San Rafael, Calif.) – The California Department of Food and Agriculture released their Preliminary Grape Crush Report today showing that the 2010 wine grape harvest was much larger than previous estimates indicated.

Preliminary numbers show that California wineries crushed 3.58 million tons of wine grapes in 2010, making it the third largest crush in California history. According to Glenn Proctor, “In general there was an overall price decline from 2009 to 2010. However; the San Joaquin Valley was up in price and volume from the previous year by approximately 2% to 4%, reflecting growth in the value brands segment of the domestic market. Conversely, coastal areas were down in price for all major varieties. Napa Cabernet Sauvignon, a bellwether in the premium market, declined in price almost 8%, which was indicative of the weaker pricing seen in the Napa – Sonoma Region.”

Despite some regional weather related crop damage in California, tonnages were not as severely affected as previously thought. The largest declines occurred in Lodi, Modesto and Clarksburg, all of which experienced record yields in 2009, while most other regions of the state showed tonnage increases over the previous year. The larger crop in the Southern San Joaquin Valley helped offset the relatively small harvest from the Northern San Joaquin Valley areas.

The unexpected size of the 2010 California wine grape harvest should not alarm anybody. With Balanced inventories and wine sales growing, California producers should look at this as a step in the right direction. Even though the 2010 crop surprised us in size, the decline of off shore wine entering this market has put California in a short position. It should also be noted that significant volumes of grape varieties normally destined as Raisin and Table Grapes were utilized within the wine industry for 2010.

Ciatti Partners note a few numbers in the report of particular interest:

| VARIETAL | 2009 TONS | 2010 TONS | | UP/DOWN |
|-----------------|-----------|-----------|-----------|---------|
| CHARDONNAY | 727,078 | 654,522 | DOWN | -10% |
| CAB. SAUVIGNON | 442,770 | 445,522 | NO CHANGE | 0.6% |
| MERLOT | 326,356 | 310,261 | DOWN | -4.3% |
| PINOT NOIR | 156,704 | 147,416 | DOWN | -5.9% |
| PINOT GRIGIO | 145,369 | 145,580 | NO CHANGE | 0.1% |
| SAUVIGNON BLANC | 119,448 | 102,662 | DOWN | -14.1% |
| ZINFANDEL | 446,942 | 393,810 | DOWN | -11.9% |

CHARDONNAY: Lighter crop in 2010 should help offset the 2009 Chardonnay bulk wine surplus

CABERNET SAUVIGNON: The crop size was similar to last year, however strong demand from wine consumers will most likely leave California in a short position for the foreseeable future.

MERLOT: Steady demand continues to drive Merlot from a long to balanced market and we expect this trend to continue

PINOT NOIR: Volumes were down in all Coastal and Delta regions, the only increases were in the South San Joaquin and prices were down in all regions.

PINOT GRIGIO: Another large crop moves us to a balanced position making Pinot Grigio a major varietal on the California domestic market.

Please call John Ciatti or Glenn Proctor at the Ciatti Company 415-458-5150 anytime after 1PM today, Thursday February 10th for discussion and comment.

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