PREMIUMIZATION BOOSTS INDUSTRY

TRADING UP
Consumers are trading up to higher price points and premium/high-end brands, including smaller craft brands

SPIRITS GET CRAFTY
A revival of craft products and cocktail culture is lifting demand for spirits, particularly brown spirits

WINE SPARKLES
A surge in consumption of sparkling wines and growth in premium wines drive increased wine consumption
Deals are a moving target. A constantly shifting mix of people, numbers, and timing. We’re here to simplify this process for you. Our experts are dedicated to tracking down and flushing out the values you need, even on the most complex deals. So when the time comes to take your shot with Great American, you’re always—right on the money.
Trend Tracker

- **NOLVs**: NOLVs were mixed for wine producers, as the current harvest increases the level of bottled products not ready for release on the market, reducing the level of currently salable wine. However, NOLVs increased for wine distributors due to higher sales, compounded by increased gross margins in core product lines. NOLVs were mixed for producers of spirits due to continued growth in brown spirits inventory, as well as mixed sales and gross margin trends. However, NOLVs increased for distributors of spirits, as craft liquors have seen large increases in sales.

- **Sales Trends**: Sales increased for wine producers due to higher sales of wines at $15-to-$30 retail price points, and sales increased for wine distributors due to expanded markets as well as continued growth in rosé and sparkling wine. Sales trends were mixed for producers of spirits, with sales increases due to new product releases offset by sales of lower-margin private label products. Sales increased for distributors of spirits due to expanded markets and growth in high-end spirits.

- **Gross Margin**: Gross margins increased for wine producers due to continued growth in higher-end product lines and preferential consumer perception of premium wines, and gross margins increased for wine distributors due to the focus on boosting sales of high-end wine. Gross margins were mixed for producers of spirits, positively impacted by increased demand for higher-end spirits, and negatively impacted by sales of lower-margin private label products. Gross margins were also mixed for distributors of spirits, positively impacted by increased sales of higher-margin import products, and negatively impacted by sales of lower-margin private label products.

- **Inventory**: Inventory levels increased for wine producers as case goods levels were built up in preparation for the ongoing 2017 harvest, and inventory levels also increased for wine distributors due to the recent harvest and influx of case wine shipped from wineries to distributors. Inventory levels increased for producers and distributors of spirits in preparation for the holiday season.

- **Pricing**: Pricing for bulk wine remained consistent over the last three months due to uncertainty over the ongoing 2017 harvest, but increased since last year due to price increases in higher-end Napa appellation products amid improved demand. Pricing was mixed for bulk spirits, as pricing for younger brown spirits dropped due to additional capacity and supply coming on line, while bourbon pricing remains strong versus Canadian whiskey. Corn and wheat prices increased versus last year due to lower production after bumper crops last season.
Overview

Premiumization, a trend whereby luxury items become more accessible to consumers while retaining an aura of exclusivity, continues to drive the U.S. alcoholic beverage market. The craft craze that recently consumed the beer segment is now sweeping through the spirits segment, while sales of craft beer have appeared to stabilize in a saturated market. Sales of sparkling wines are on the rise as sparklers transition from celebratory luxuries to everyday treats, while sales of traditional wines priced $15 and above are also growing.

Market research firm Technavio forecasts revenue for U.S. alcoholic beverage market will rise at a compound annual growth rate ("CAGR") of 4% over the next four years. Consumers continue to trade up to higher price points and premium/high-end brands, with some smaller brands becoming more attractive than major labels due to spreading awareness via social media and word-of-mouth. The appeal of alcohol will be further aided by recent reports of health benefits associated with moderate alcohol consumption.

While the beer segment dominated the domestic alcoholic beverage market in 2016 in the wake of burgeoning breweries, beer sales have stagnated in recent years. Though craft brews remain popular, craft sales are starting to level off, and the beer segment overall is slated to decline as a share of the overall market in the coming years as consumer preferences shift toward premium wine and spirits. Still, beer will remain the leading segment for at least the next four years.

Wine consumption is on the rise, with total wine per resident up from 2.87 gallons in 2015 to 2.94 gallons in 2016, according to The Wine Institute. Total table wine gallons jumped from 772 million gallons to 789 million gallons. The swelling consumption was driven by a 6.6% increase in sparkling wine consumption, according to the Beverage Information Group.

Silicon Valley Bank projects sales growth of 10% to 14% for premium wines in 2017 amid strong consumer demand and solid supplies, while dollar and volume sales are expected to decline for the under-$9 segment. California wine exports also reflect the premiumization trend, with dollar value outpacing volume shipments. Despite heavily subsidized foreign competitors and high tariffs, California wine exports surged 78% by value in the last decade, according to The Wine Institute, with exports reaching a record $1.6 billion in 2016, even with the challenge of the strong U.S. dollar.

It remains unclear how the wildfires raging through California’s wine country will affect wine supplies and pricing. Winemakers reported 75% to 95% of the grapes had already been harvested when the fires erupted, as the heat wave in late August/early September prompted early picking.
Overview

Within the spirits segment, the scene is dominated by a revival of cocktail culture and craft products. Brown spirits in particular are experiencing a renaissance, with whiskey and bourbon sales outpacing all other liquor types. Rye and Irish whiskeys stole the show with gains of 17.6% and 14.3%, respectively, for the year ended January 28, 2017 versus the prior year; Irish whiskey also enjoyed a 27.6% bump in the run-up to St. Patrick’s Day this year, according to Nielsen. In addition, sales volumes for the leading $25-and-over U.S. bourbon brands increased 15% last year.

Consolidation continues to weave its way through the alcoholic beverage industry, as mergers and acquisitions can be a means to global expansion, diversification across categories, and vertical integration, among other advantages. After two key acquisitions last year, Constellation Wine is reaping the benefits with growth in the acquired brands. However, after Anheuser-Busch InBev’s (“AB InBev”) spate of craft brewery acquisitions in recent years, including Wicked Weed in May 2017, the beer behemoth recently laid off 380 sales force employees related to its craft brewery acquisitions.

Recent merger and acquisition activity includes:

- **April 2017**: Scottish distillery William Grant & Sons acquires New York craft distillery Tuthilltown Spirits.
- **May 2017**: Eastside Distilling, a publically traded craft distillery, acquires Big Bottom Distilling.
- **June 2017**: Diageo, a leading global producer and seller of alcoholic beverages, acquires Casamigos, one of the fastest-growing premium tequila brands in the U.S.
- **July 2017**: French agricultural cooperative InVivo Group acquires U.K. fine wine merchant Armit Wines.
- **August 2017**: Duckhorn Wine Co. acquires Calera Wine Co. in the U.S.; Corby Spirit and Wine Limited acquires The Foreign Affair Winery in Canada. Japan’s Sapporo Holdings Ltd. acquires San Francisco’s Anchor Brewing.
- **September 2017**: Canadian giant Andrew Peller Limited acquires key British Columbian wineries Tinhorn Creek Vineyards, Black Hills Estate Winery, and Gray Monk Estate Winery. International Spirits and Beverage Group Inc. acquires the assets of ASCC, including its signature brand, RWB Vodka.

According to Barron’s, craft spirits are currently in a position similar to that of craft beer 15 years ago, with the potential to seize up to 20% of the market share. However, craft distilleries face higher barriers to entry than craft breweries did, given the greater expertise and longer production/aging time necessary for spirits, as well as the prevalence of high-quality spirits owned by larger, recognized brands. Research & Markets forecasts the global craft spirits market will expand at a CAGR of 26.1% from 2017 to 2021.

Millennials remain a key demographic for the alcohol industry, as a recent Nielsen survey revealed that millennials drink more alcohol than Generation X and baby boomers, while experimenting more often with different alcohol brands and types. Market trends continue to be flavored by millennials’ desire for quality, authenticity, and unique experiences.
Off-premise wine sales increased 2.0% for the four weeks ended July 15, 2017 versus the prior year, according to data from Nielsen. Domestic and imported wine sales increased 2.0% and 1.9%, respectively. For the same period, domestic case volumes increased 0.6%, while imported case volumes decreased 0.5%. Sales for wine at price points from $15 to $19.99 demonstrated the most growth, with an 11.2% increase in sales and a 12% increase in volume, followed closely by wine above $20, which increased 9.8% in sales and 10.8% in volume. The $9-to-$11.99 and $12-to-$14.99 segments grew between 2.0% and 4.0% in sales and volume.

Chardonnay, the top-selling varietal, maintained 19.3% of the market share in sales and 19.8% in volume. However, for the four weeks ended July 15, 2017 versus 2016, chardonnay sales slipped 0.4%, while volumes dipped 1.1%. The second-largest varietal, cabernet sauvignon, represented 15.4% of sales and 12.9% of case volume. Cabernet sauvignon sales climbed 3.6%, while volumes increased 2.2%. Rosé table wine above $7.99 experienced strong growth, with a 65.1% increase in sales and a 63.4% increase in volume, although this category only holds a market share of 4.0% in sales and 2.8% in volume.

Demand for sparkling wine is on the rise as consumers incorporate sparklers into everyday occasions, such as brunch and picnics, driving more casual consumption - and champagne and prosecco are not the only bottles of bubbly benefiting from this trend. According to Impact Databank, domestic sparklers have also enjoyed growth, with over 10 million cases shipped in the U.S. last year, up 6.5% from the prior year. The market’s six largest domestic premium brands (priced above $15) collectively climbed 4% last year. The top-selling U.S. sparkler above $15 per bottle was Moët Hennessy USA’s Domaine Chandon, which grew 9% in volume in 2016 after averaging 5% in growth the previous five years.

U.S. wine sales through all channels, including on-premise, off-premise, and direct-to-consumer (“DtC”), totaled $3.1 billion in August 2017, rising 14% from the prior year, per Wines & Vines Analytics. U.S. wine sales for the 52 weeks ended August 2017 increased 5% versus the prior year. Domestic sparkling wine sales increased 9% in August, while bulk import sales jumped 24%. DtC shipments increased 16%, with 38% growth for wines priced $60 to $79.99 per bottle. Cabernet sauvignon proved the most popular varietal, with DtC shipments up 17%.
The health of the U.S. spirits market remains robust, with volume sales projected to rise 2.5% to 228.3 million nine-liter cases in 2017, according to Shanken’s Impact Databank Review and Forecast, marking the 22nd consecutive annual volume gain. In addition, spirits are slated to outshine both beer and wine for the sixth consecutive year, powered by growth in the Irish whiskey, cognac, flavored spirits, tequila, bourbon, and single malt Scotch categories. In 2016, Irish whiskey sales were up 18.7% in volume and $19.8% in revenue from the prior year, with high-end and super-premium Irish whiskey sales volumes skyrocketing 736% and 3,456%, respectively, since 2002, according to the Distilled Spirits Council. In addition, in 2016, U.S. bourbon sales hit 20 million cases for the first time in 30 years.

Consumer interest is booming for brown spirits, aided by a trend toward premiumization and a revival of craft products and cocktail culture. For on-premise cocktails, bourbon is big, and rye is all the rage. Flavored whiskey has experienced slower but solid growth, with popularity limited to only a few key flavors: honey, cinnamon, apple, and vanilla, according to Casey Nelson, brand director at Brown-Forman.

In the first six months of 2017, Impact’s “Hot Brands” named for 2016 continued to show strong momentum with a 14% increase in sales volume, compared to 3% for control state spirits overall. Among the Hot Brand whiskies, Crown Royal, Jim Beam, and Jameson increased 12%, 15%, and 16%, respectively, in control states (which hold a monopoly over the wholesaling of certain alcoholic beverages), while Woodford Reserve, Knob Creek, and Tullamore Dew climbed 17%, 11%, and 12%, respectively. Hennessy cognac is now the number-one spirit in the U.S. market in terms of retail value.

Among the Hot Brand vodkas, Tito’s, Deep Eddy, and Platinum 7X jumped 51%, 48%, and 16%, respectively, in sales volume. New Amsterdam vodka is slated for double-digit growth this year to become the fourth-largest spirits brand, after Smirnoff vodka, Bacardi rum, and Captain Morgan rum. Tito’s vodka is expected to beat the 5.0-million-case mark this year to become the sixth-largest brand, behind Jack Daniel’s Tennessee whiskey, and is on track to reach the billion-dollar retail value mark by the end of the year.

Luxury tequila has also benefited from the artisan cocktail movement. While U.S. tequila volumes climbed at an average rate of 5.8% annually, super-premium and high-end tequila volumes jumped 706% and 292%, respectively, since 2002. Top California winemaker Don Sebastiani & Sons has recently made a foray into the tequila category with its Contigo, El Fumador, and El Macho offerings. Among the Hot Brand tequilas, Don Julio, El Jimador, Milagro, and Espolòn climbed 31%, 17%, 13%, and 47%, respectively, by sales volume in control states over the first half of the year.

In addition, the Distilled Spirits Council reported exports of U.S. distilled spirits jumped 10.6% in the first half of 2017 versus 2016, led by the top category – American whiskies, including bourbon, Tennessee whiskey, and American rye, which climbed 6.1%. Smaller categories, such as brandy, vodka, and rum, boasted strong growth of 39.4%, 51.2%, and 49.5%, respectively. Exports enjoyed the largest gains in the U.K., Germany, France, Brazil, Panama, and Japan.

“Around the world, adult consumers are seeking out American spirits because of their diversity of flavors and styles, mixability, and authentic heritage,” said Christine LoCascio of the Distilled Spirits Council. “As in the domestic market, premiumization is the backbone of our export strength.”

Consolidation is imminent in the industry, with major alcohol groups seeking to acquire craft distilleries in the midst of the craft spirits craze, in addition to other strategic brand-grabs, including premium brands. According to Forbes, Constellation, Diageo, and Brown-Forman are likely to be the biggest acquirers in the space. Diageo has recently agreed to acquire Casamigos, a super-premium tequila brand, which now joins Don Julio and DeLeon in Diageo’s portfolio.
Beer may be losing its fizz, with domestic sales remaining relatively flat over the past few years and slowing in 2017 thus far. The Brewers Association reported 0.0% beer sales volume growth in 2016 to 196.7 million barrels. Beer sales continue to outpace wine and spirit sales due largely to pricing. However, growth in beer consumption pales in comparison to growth in wine and spirits consumption, as women are upping their alcohol intake but prefer wine and spirits over beer, and as men are expanding their preferences from beer to include whiskey and wine.

While craft beer rose to take up 12.3% of the U.S. beer market in 2016, the once-explosive category may be reaching maturity amid a saturated market. Nielsen reported that dollar sales of craft beer grew between 15% and 18% from 2013 through early 2016, compared to dollar sales of beer overall between 1.3% and 3.5% over the same period. However, dollar sales of craft beer slowed markedly for the year ended January 28, 2017, with growth of only 2.9% in off-premise channels, compared to growth of 1.9% for beer overall.

In addition, for the 13 weeks to June 17, 2017, year-over-year craft beer sales in dollars and volumes fell 0.7% and 1.5%, respectively, while overall beer volumes slipped 1.0%.

Still, AB InBev’s Anheuser-Busch division suffered even sharper drops in its established Bud Light and Budweiser brands, which each saw declines of over 8% in the four weeks to June 17, 2017, signaling that craft brands may still be faring better than traditional domestic brands.

With the proliferation of small craft brands on the market, and given fickle consumer tastes and fads, retailers and distributors are having trouble knowing which brands to stock. Small, independent brewers are starting to worry about being swallowed up by giant breweries like AB InBev, which controls nearly half of the American beer market and has expanded its portfolio of small craft breweries in recent years. Larger breweries like AB InBev can leverage their relationships with distributors to get their own craft brands on the shelves.

AB InBev may not have additional acquisitions in the cards for the near future, given the recent mass layoffs in its division related to craft brewery acquisitions. However, Japanese breweries have been eyeing opportunities to grab new beer brands. In August 2017, Sapporo Holdings Ltd. acquired San Francisco craft brewery Anchor Brewing. Asahi Group Holdings, another Japanese company, indicated it was ready to spend billions of dollars more on acquisitions after acquiring $11 billion of beer brands (including Peroni, Grolsch, and Pilsner Urquell) across Europe from AB InBev last year.

Imported beer, meanwhile, is realizing the benefit of the ongoing premiumization trend while being at a lower price point than craft beer. With a 17% market share, imports have seen case and dollar sales rise in the past year, driven by Mexican beers, which outpaced the overall import segment.
BULK WINE
The 2017 California wine grape harvest is soon coming to an end. California accounts for nearly 90% of American wine production, with more than 280 million cases produced per year. The U.S. includes over 9,000 wineries, with nearly half of them located in California.

After a wet, cool winter and spring, Napa Valley experienced a triple-digit heat wave in late August and early September, which brought the timing for the start of the harvest in line with previous years, while tightening the grape-picking window. In addition, the heat resulted in smaller berries and lighter yields than normal. Smaller berries can translate to concentrated flavors and higher-quality wines. However, for berries not ready to be harvested, the rush to pick them during a heat wave in harvest season may not allow the flavor to be fully developed, while irrigating vineyards too close to harvest may dilute flavors.

The good water levels from the wet winter helped sustain California through the heat spell, which was also partially offset by new acres that came on line, as well as cooler temperatures in mid-September. However, more recently, massive fires ravaged the Napa, Sonoma, and Mendocino Valleys in early and mid-October, damaging a number of wineries and vineyards. California Governor Jerry Brown declared a state of emergency in the related counties.

In early October, Ciatti Company projected the 2017 California harvest would be reasonably sized at approximately 3.9 million to 4.0 million tons, compared to the 2016 crush of 4.2 million tons. Ciatti Company expects the white varietals to be most hurt by the earlier heat, particularly chardonnay. Reds, especially cabernet, which is more resistant to heat, will fare better. However, it remains to be seen how the North Coast wildfires impact the final harvest tally once the dust settles.

Between July 1, 2017 and October 1, 2017, Ciatti bulk wine values for cabernet, merlot, pinot noir, and chardonnay remained consistent in the Napa, Sonoma, and Central Valleys as the market took a wait-and-see approach while the 2017 harvest progressed. However, Ciatti bulk values for October 1, 2017 versus 2016 increased 18% to 25% for these varietals in Napa Valley, 7% to 30% in Sonoma Valley, and 8% to 22% in Central Valley due to improved demand, with the exception of Napa Valley cabernet, which experienced consistent prices.

GA relies on bulk wine prices from the nation’s two leading brokerage companies, Ciatti Company and Turrentine Brokerage. According to John Ciatti, Ciatti Company completes over 4,000 transactions globally on over 100 million gallons of bulk wine annually. In addition, Turrentine claims that its broad range of values covers approximately 95% of sales, while its most likely range applies to roughly 80% of sales. However, estimates from neither brokerage are guaranteed to reflect actual market prices.
Pricing Trends

**BULK SPIRITS**

Bourbon and whiskey are aged for multiple years and become more valuable as they age. As of August 22, 2017, market prices for bulk Kentucky bourbon ranged from $6.45 to $28 per original proof gallons (“OPG”), depending on the barrel age, while Canadian whiskey prices ranged from $4.25 to $19 per OPG. While American corn whiskey tends to require less barrel age, its value increases over time in a consistent manner with Kentucky bourbon and Canadian whiskey, with bulk prices ranging from $4.25 to $9.75 per OPG.

In recent months, bulk prices for new fillings decreased for Kentucky bourbon and American corn whiskey, and bulk prices for products aged up to two years decreased for Kentucky bourbon, due to additional capacity coming on line. Bulk spirits prices are also influenced by the market prices of the agricultural commodities used as production inputs. The most commonly used raw materials include corn and wheat.

**CORN**

The corn marketing year runs from September of one year through August of the next year. After stabilizing between $3.56 and $3.82 per bushel from 2015 through mid-2016, corn prices plunged to a record low of $3.21 per bushel in August 2016, the end of the 2015/2016 corn marketing year, due to record-high corn production in 2016.

Corn prices increased to the $3.40 range in 2017 through July, before dipping to $3.27 in August 2017, as the U.S. Department of Agriculture increased its September forecast for this season’s corn harvest to 13.2 million bushels from the previous month. However, the projected 2016/2017 corn harvest remains 6% below the previous year’s harvest. As of October 10, 2017, the corn harvest was 22% complete.

The average farm price for the 2016/2017 corn marketing year was $3.35 per bushel, down from $3.61 the previous marketing year. For the 2017/2018 marketing year, the average farm price is expected to be between $2.80 and $3.60 per bushel.
WHEAT
The wheat marketing year runs from June of one year through May of the next year. U.S. wheat prices declined steadily from $8.47 per bushel in November 2012 to $3.48 per bushel in September 2016 due to mounting supplies amid bumper crops, before turning a corner and climbing to $4.83 in August 2017 amid lower production.

Wheat ending stocks for the 2017/2018 marketing year were projected at 933 million bushels as of September 2017, which would be a decline from 1.2 million bushels for the 2016/2017 season and from 976 million bushels for the 2015/2016 season.

U.S. Wheat Average Farm Price Received per Bushel
12 Months Ended August 2017 versus 2016
**Reference Sheet**

**CALIFORNIA BULK WINE**

Percent change in varietal prices per gallon from the previous period

<table>
<thead>
<tr>
<th>Region</th>
<th>Date</th>
<th>Cabernet</th>
<th>Merlot</th>
<th>Pinot Noir</th>
<th>Chardonnay</th>
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<td>Napa Valley</td>
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<tr>
<td></td>
<td>July 1, 2017</td>
<td>0% (5%)</td>
<td>5%</td>
<td>(3%)</td>
<td></td>
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<tr>
<td></td>
<td>April 1, 2017</td>
<td>0%</td>
<td>4%</td>
<td>(4%)</td>
<td>0%</td>
</tr>
<tr>
<td>Sonoma Valley</td>
<td>October 1, 2017</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>July 1, 2017</td>
<td>4%</td>
<td>0%</td>
<td>10%</td>
<td>13%</td>
</tr>
<tr>
<td></td>
<td>April 1, 2017</td>
<td>(5%)</td>
<td>(6%)</td>
<td>(8%)</td>
<td>(12%)</td>
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<tr>
<td>Central Valley</td>
<td>October 1, 2017</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>July 1, 2017</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>38%</td>
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<tr>
<td></td>
<td>April 1, 2017</td>
<td>0% (8%)</td>
<td></td>
<td>(38%)</td>
<td></td>
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**U.S. CORN**

Average farm price received per bushel

<table>
<thead>
<tr>
<th>Marketing Year</th>
<th>SEP</th>
<th>OCT</th>
<th>NOV</th>
<th>DEC</th>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
<th>APR</th>
<th>MAY</th>
<th>JUN</th>
<th>JUL</th>
<th>AUG</th>
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</thead>
<tbody>
<tr>
<td>2015/2016</td>
<td>$3.68</td>
<td>$3.67</td>
<td>$3.59</td>
<td>$3.65</td>
<td>$3.58</td>
<td>$3.56</td>
<td>$3.56</td>
<td>$3.68</td>
<td>$3.82</td>
<td>$3.60</td>
<td>$3.21</td>
<td></td>
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<tr>
<td>2016/2017</td>
<td>$3.22</td>
<td>$3.29</td>
<td>$3.23</td>
<td>$3.33</td>
<td>$3.44</td>
<td>$3.49</td>
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<td>$3.43</td>
<td>$3.49</td>
<td>$3.27</td>
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</tr>
<tr>
<td>Change</td>
<td>(12.5%)</td>
<td>(10.4%)</td>
<td>(10.0%)</td>
<td>(8.8%)</td>
<td>(7.1%)</td>
<td>(3.9%)</td>
<td>(2.0%)</td>
<td>(3.7%)</td>
<td>(6.3%)</td>
<td>(10.2%)</td>
<td>(3.1%)</td>
<td>1.9%</td>
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</table>

*U.S. marketing year for corn is from September to August.

**U.S. WHEAT**

Average farm price received per bushel

<table>
<thead>
<tr>
<th>Marketing Year</th>
<th>SEP</th>
<th>OCT</th>
<th>NOV</th>
<th>DEC</th>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
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<th>MAY</th>
<th>JUN</th>
<th>JUL</th>
<th>AUG</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015/2016</td>
<td>$4.72</td>
<td>$4.86</td>
<td>$4.86</td>
<td>$4.75</td>
<td>$4.82</td>
<td>$4.61</td>
<td>$4.40</td>
<td>$4.46</td>
<td>$4.45</td>
<td>$4.20</td>
<td>$3.75</td>
<td>$3.68</td>
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<tr>
<td>2016/2017</td>
<td>$3.48</td>
<td>$3.68</td>
<td>$3.88</td>
<td>$3.90</td>
<td>$4.01</td>
<td>$4.16</td>
<td>$4.37</td>
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<td>$4.05</td>
<td>$4.37</td>
<td>$4.77</td>
<td>$4.83</td>
</tr>
<tr>
<td>Change</td>
<td>(26.3%)</td>
<td>(24.3%)</td>
<td>(20.2%)</td>
<td>(17.9%)</td>
<td>(16.8%)</td>
<td>(9.8%)</td>
<td>(0.7%)</td>
<td>(2.0%)</td>
<td>(9.0%)</td>
<td>4.0%</td>
<td>27.2%</td>
<td>31.3%</td>
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</table>

*U.S. marketing year for wheat is from June to May.
GA was involved in the liquidation of Havens Wine Cellars and Billington Imports LLC and has liquidated several national and regional grocery stores that included wine and spirits such as A&P, Andronicos, Cost Cutter, Food Pavilion, and The Markets. GA has also worked with and appraised numerous companies within the wine and spirits industry. While our clients remain confidential, they include industry leaders, including large distributors and specialty retailers of alcoholic beverages, producers of wine and beer, and national and regional grocery stores. Products have included a variety of value-priced, mid-tier, premium, and ultra-premium brands including highly recognizable and reputable names. GA’s extensive list of appraisal experience includes:

- Leading regional distributors of spirits, wine, and beer with products such as vodka, whiskey, cognac, rum, brandy, scotch, tequila, various wines, craft beers, and non-alcoholic beverages such as mixers, water, and carbonated drinks.
- Producers and rectifiers of whiskey and other distilled spirits, including vodka, gin, tequila, liqueurs, and absinthe, which are sold under well-recognized, nationally distributed brands.
- A producer and distributor of private label wine, beer, and spirits for large retailers primarily in the U.S. and the U.K.
- A vertically integrated distributor of a known vodka brand.
- One of the largest specialty retailers of alcoholic beverages in the West that offers more than 3,000 types of wine, 1,500 types of spirits, and 1,200 types of beer.
- One of the largest U.S. distributors of wine and spirits with revenues of over $1.5 billion, servicing liquor and grocery stores, restaurants, bars, casinos, and reservations.
- National and regional grocery stores that sell a wide variety of beer, wine, and spirits.

In addition to wholesalers of case and bulk wine, including those mentioned on the previous page, GA also maintains extensive appraisal experience with numerous domestic wineries, allowing for additional specialization.

- A well-known producer of ultra-premium, luxury wines from estate vineyards in Napa Valley and Anderson Valley, as well as from vineyards in the Russian River Valley and Sonoma Valley.
- A producer of wines originating primarily from California’s North and Central Coasts, as well as from the Lodi AVA in the Central Valley, which are sold under its well-known labels throughout the U.S. and the world.
- A producer of moderate- to high-end wines, with varietals including pinot noir and chardonnay and sourced from its three estate vineyards in the Carneros AVA, while the remainder is sourced from growers primarily in the same AVA in Napa and Sonoma counties.
- A bottler and distributor of wines under several proprietary labels, with varietals sourced from California and internationally.
- A Napa Valley producer of high-end wines sold under well-known proprietary labels, with over 99% of grapes sourced from its 235-acre estate in Rutherford, California.
- A producer and marketer of moderate- to high-end wines in the Napa Valley and Sonoma County, all of which are produced with estate-grown fruit and sold under three owned brands.
- A producer of moderate- to high-priced wines in the Pacific Northwest and California including eight well-known brands with an annual production of over half a million cases.
- A high-end producer of wines, including Bordeaux-style blends and varietals such as merlot, chardonnay, and pinot noir, which are sourced from its own 100-acre vineyard near Napa, while the remainder is from several California vineyards.
- Numerous importers and marketers of more than 500 foreign and domestic brands of wine.

In addition to our vast liquidation and appraisal experience, GA maintains contacts within the wine and spirits industry that we utilize for insight and perspective on recovery values.
Monitor Information

GA’s Wine & Spirits Monitor relates information covering most wine and spirits, including industry trends and market pricing, and their relation to our valuation process. Should you need any further information or wish to discuss recovery ranges for a particular segment, please feel free to contact your GA Business Development Officer.

The information contained herein is based on a composite of GA’s industry expertise, contact with industry personnel, liquidation and appraisal experience, and data compiled from a variety of well-respected sources believed to be reliable. GA does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this issue. Neither GA nor any of its representatives shall be liable for use of any information in this issue or any errors therein or omissions therefrom.
About Great American Group

Great American Group is a leading provider of asset disposition solutions and valuation and appraisal services to a wide range of retail, wholesale, and industrial clients, as well as lenders, capital providers, private equity investors, and professional services firms. In addition to the Wine & Spirits Monitor, GA also provides clients with industry expertise in the form of monitors for the chemicals and plastics, metals, food, paper and packaging, and building products sectors, among many others. For more information, please visit www.greatamerican.com.

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