HARVEST REPORT SPAIN

2020-05

LUXIUM WINES

PRODUCTION PER REGION

REGION	Prod. 19/20 (m.hl)	Dif. %
Galicia	0,90	**- 10%**
P. Asturias	0,001	**- 25%**
Cantabria	0,001	**- 5%**
Basque Country	0,82	**- 10%**
Navarra	0,40	**- 35%**
Rioja	2,27	**- 20%**
Aragon	1,45	**- 10%**
Catalonia	2,41	**- 10%**
Balearic	0,05	**- 10%**
C. and Leon	1,93	**- 10%**
Madrid	0,17	**- 25%**
C. la Mancha	19,97	**- 30%**
C. Valenciana	2,27	**-10%**
Murcia	0,93	**- 15%**
Extremadura	2,99	**- 30%**
Andalusia	1,02	**- 21%**
Canary islands	0,05	**- 35%**
Total	**39,01**	**- 20%**

(Source: Spanish Ministry for Agriculture)

Link EU Legislation R(EU)2020/592

https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1589276647625&uri=CELEX:32020R0592

Covid-19 and how the Spanish wine market has been affected

The Spanish Ministry of Agriculture revised the amounts of wine and must production for the 2019/20 season at 39 million Hl, which would mean 22% less than the previous season and 10% less than the average of the last 4 seasons.

Of the total figure, 90.5% went to the production of wines and the remaining 9.50% to the production of grape musts.

Of the total number of wine production, 53% have been red and rosé wines and the remaining 47%, white wines.

Of the total wine production, 43% have been DOP wines, 13% IGP wines , 19% are grape varietal wines and the rest, 14%, table wines.

By region, 54% comes from Castilla-La Mancha, 9% in Catalonia, 8% in Extremadura, 7% in Valencia land and 5% in Rioja.

The stocks of old wine at the beginning of this season were 36.8 million Hl, that is equivalent 24% more than at the beginning of the previous season.

First Semester evaluation and prospects

Season started with higher prices than last year, due to that the harvest was shorter than anticipated. This situation caused a slightly decrease in Spanish exports, which were later aggravated by the stopping of the economy with the COVID-19 Crisis in Spain.

Wine consumption in Spain, which had risen 8% in 2019, reaching 11 million Hls, has been affected. Half of that consumption is away from home, and since HORECA bas been closed for almost 3 months, the consumption will have droped.

In addition to the actual available quantities, the weather in Spain has been very benevolent, and forecast for the next crop is particularly good! It has been

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the wettest spring in Spain since 1983. That is why the wine industry is asking for support!

Spanish Government Plans to support the wine market during the sanitary crisis

Given that agricultural aid falls under the competence of the European Union and not of the member states, Brussels published regulation R (EU) 2020/592 on 30/04 which authorized member states to help their agricultural sectors affected by the market disruption caused by COVID -19. No extra budget has been put at their disposal, meaning that the quantity of the help will be decided on a national level.

In Spain, the administration and the wine sector have so far reached the following agreement. It has not yet been published, so it might variety a little.

1. Crisis distillation of 2 million Hls, at the price of 30, - € / Hl (incl also 0,5mio hL for DO wines at 40€/hL)and the alcohol from this distillation can only be used for chemical or sanitary uses, never for the beverage industry
2. A wine storage aid for 6 to 12 months, for which it would charge € 0.02 / Hl per day.
3. And finally, and given the good harvest forecast, limit production per hectare to 18 ton / Ha for reds and 20 for white wines.

These measures are lower than expected and not what the industry have hoped, but the Spanish government has no more budget. The effect in the industry is still to be seen, but we expect those measures to create a short-term disruption in the market. By setting a fixed price for the distillation wine, the government has also set the minimum market price. White Wine prices will increase and will drag the red wine prices.

In addition to that, France may also approve a crisis distillation. Expected budget could be around 170mio € and they pretend to compensate the industry with setting the minimum price of 0,70€/L. In previous wine distillation crisis, where the wine price was different between countries, we saw a lot of movement between borders.

On a medium term, prices could go slowly down until the beginning of the next harvest. From our side, we do have still generic red and white wines, as varietals like Cabernet Sauvignon, Merlot, Syrah, Garnachas, Tintoreras as red and Chardonnay, Sauvignon Blanc, Macabeo, Verdejot and Airen as white varietals both in traditional and organic.

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