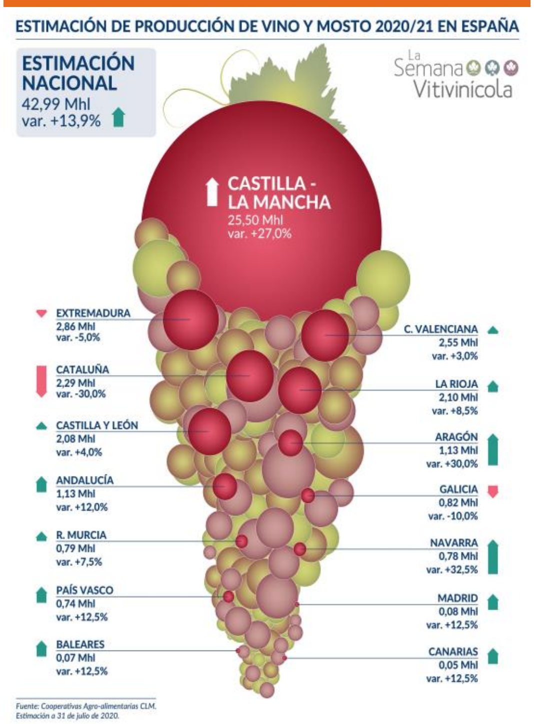
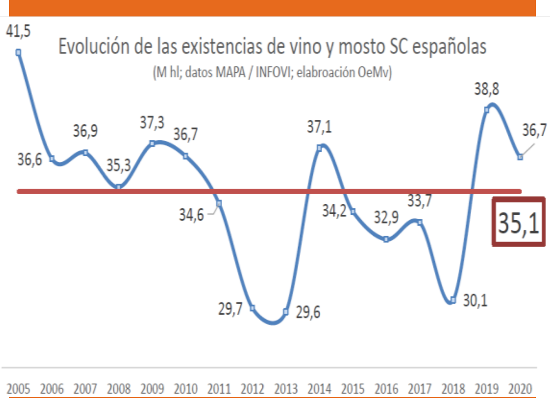
MARKET REPORT SPAIN

2020-10

QUANTITY ESTIMATION PER REGION



AVAILABLE STOCK (07/20)



The harvest 2020/21 in Spain is coming to an end. It has been a long harvest, which will bring a good quality and bigger volume than last year.

The 19/20 campaign has been marked mainly by the COVID-19 crisis. Both the domestic and export market suffered a few months of an unexpected paralisis. Fortunately, the harvest was somewhat shorter than estimated, and summing the previously approved distillation crisis of around 2 million hectolitres, Spain ended the year with stocks slightly lower than 2019 and prepared to face the challenges of the new harvest!

Thanks to environmental factors, this has been an especially good year for the vine. Spain has enjoyed an above-average level of rainfall, a value that has not been repeated since 1983. The abundant rains during last fall and this spring have forced farmers to treat the vineyards more than usual and be more vigilant to plagues. But besides of some areas in Catalonia, pests such as Mildew or Botrytis have not been affected too much.

The new harvest is nearing its end. The good weather has accompanied all the crop season, allowing farmers to wait for the optimal level of grape maturity. It seems that the expected higher quantity, did not have a big impact on the general average grade and only a minor impact in maximum colors expected in the red wines.

The vines, which were rested, have so far yielded amounts higher than last year. The first private and public institutions predict a campaign with volumes above the average; at this point it seems realistic to afirm, that the expected quantity should be above 46 million hectoliters

The general price paid for grapes in the Iberian Peninsula have been lower than last year (around 25%), resulting in more competitive prices at the start of the campaign.

With the current price level, we estimate that the best qualities or special grades will sell especially quickly! The prices are already at a relatively low level, and some agricultural organizations are already complaining to the government for higher returns.

Even having the perfect conditions for an optimal year, quantity and quality, we expect a campaign marked by global uncertainty.

Detailed harvest per main production area

Castilla La Mancha

Castilla la Mancha collects approximately half of the Spanish amount. With an estimate of 23 to 26 million hectoliters this campaign will be approximately 20% higher than the 2019/20 harvest.

The quality of the grapes has been generally good. Bud break started quite early, but the low temperatures that followed in April and May delayed the harvest. Thanks to the temperatures during the harvest, farmers have been able to wait for optimum maturity. The Northeast and highest area of the community, where the wines for the sparkling base are mainly made, has had a better quality than last year. The alcoholic degree is optimal and the natural acidity accompanies this year. The southern area has had a proportionally higher number. Although the quality is normal for the area, it is expected that both the alcoholic degree and the color endowment in red wines will be lower. The prices that have been paid this year for the grapes have been approximately 25% lower than last year!

C. Valenciana y Murcia

The weather for this vintage has been quite benign in the region with a cold winter, followed by some storms that left good water reserves in the subsoil. The spring was cold and delayed the budding of the vine until well into the month of May. In general, it is estimated that the area of Utiel Requena (the one with the highest production in the Valencia Community) should be a harvest higher than that of last year, with an average degree higher than 12% vol Alc. The DO CAVA reduced the maximum quantities allowed per farm for subsequent vinification. This area should be able to offer its surplus wine (mainly Macabeo) to the market at a more competitive price than years ago. Their closeness to the port might also give this region a competitive advantage. The harvest in the area of Alicante, Jumilla and Yecla passed without major complications, except for some isolated storms. It should be noted that this year the grape TINTORERA is expected with somewhat less color and grade. Some exceptional parties could reach 48 points of color, although the average will be around 25 points.

Cataluña

Catalonia has been the community most affected by the weather this year. The abundant rains have brought with them the plague of the mildew that has destroyed great extensions of grapevine. In general, Catalonia expects an atypical harvest with 30% less than last year. Having in mind that the average price in Spain will be lower than last year, producers in the area are facing a challenging year.

Aragón y Navarra

The northern part of Spain, also considered the quality zone, which was badly hit last season, expects a harvest comparable to that of other years. The quality is especially good in varietals that have a high phenolic concentration. Nevertheless this region has some weeks to officially finish the harvest.

Evolution and assessment

This campaign seems to be marked by uncertainty. The wineries that have seen their results diminish due to the global situation, are beginning to pressure the government and the EU to allow a crisis distillation again.

Wine consumption in Spain, which had risen 8% in 2019, reaching 11 million Hls has been slowed. Half of wine consumption in Spain is done away from home, in restaurants and hotels, which, as they are closed, have not offset the increase in food sales. Additionally the effect of Brexit, the new import taxes in EEUU and the new wine regulation in Russia will have an effect on the total volumes exported!

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