PRE HARVEST-REPORT SPAIN

2023-08

A slighly smaller crop is to be expected in 2023, but to be compensated with the available stocks of the non-sold goods of 2022

The harvest in Spain started slowly with the early varieties like Chardonnay and Verdejo.

It is an usually early start, which makes us believe, that it is going to be a long harvest. Like every year, there are many voices behind the first quantity estimations. Official institutions speak about 36 mio Hl, and private wineries association about 44 mio hl. All in all, each party tries to defend their interests.

In our opinion we expect a harvest slightly smaller, if not the same as last year with aproximatly 40. mio Hl

True is that this year, the vines have had to adapt to an unusual rainfall year. After a very hot July in 2022 the vines started very tiered the new cycle. Spain had a good fall with normal temperatures and precipitations. During the winter and through the spring, the rainfall level was under the average (almost inexistent) through all the Spanish Peninsula. Until Mid of May some areas of Castilla la Mancha had accumulated less then 10mm.

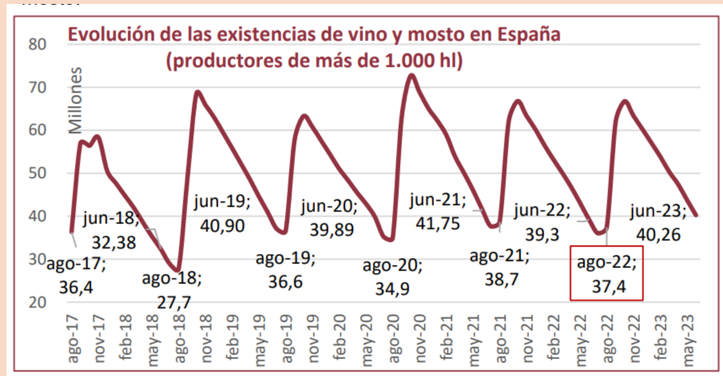
The vine budding and grape growth started very slowly and irregularly. And that is the general trend and tone throughout Spain. There are Fincas with a considerable decrease and others with more production than last year. During the month of June, different strong storms brought around 150mm of rain, sufficient to counteract the effects of the drought; but still it leaves a water year about 15% below the average of the last year. In Spain, half of the vineyards are trellised and irrigate. Therefore, the decrease will come mainly from the rainfed part of the vineyard. Nevertheless,it is important to remark, that with the current price levels of the wine together with the increase of the production cost, have discourage the farmers to invest in the vineyards.

In relation to price, it should be noted that the year has been marked by a steady trend in white wines and a downward trend in red wines. There are not yet prices for the new grapes, but the samll first contracts of must are being signed to prices very similar to previous harvest.

The market, on the other hand, has not evolved favorably. High commodity prices and economic uncertainty have led to an 8% decrease in domestic consumption. Exports in general have not been able to compensate for the loss of the domestic market either. The OeMv highlights a 4.7% drop wine export market. The drop in bulk from May 2022 to May 2023 was around 7.0% in volume terms. It should be noted that in value terms exports increased by 2%.

Monthly Export Variation [Source OeMv]

Stock Variation in mHl [Source Interprofesional]



QUANTITY BY GOWING AREA

CASTILLA LA MANCHA: Castilla la Mancha has 50% of the Spanish vineyards and is therefore the Autonomous Community that produces the most wine. The official analysts speak in general of a decrease of approximately 10% in relation to last year, at around 20 mio hl. This decrease would be greater in red wine. The main red wine area east of Mancha announced that their main grape Bobal has suffered due to the inclement weather. Regarding the white wine, the main variety Airen, seems to have recovered with the waters of June, and is expected to have a greater quantity and better maturity in general. This year there will again volumes of white wines with alcohol above levels above 12.5%

EXTREMADURA: Extremadura is one of the first communities to start the grape harvest. Even today there are not yet defined grape prices, except for the grapes with DOP CAVA. The quantity expected is like last year, but with a much higher quality. The natural export market for this community continues to be Portugal, which has increased the quantity purchased in Spain by approximately 10% since the beginning of 2023.

COMUNIDAD VALENCIANA / MURCIA: In this area, as in the rest of Spain, the white wines looked better that the red wines. The red varieties Tempranillo and Monastrell have performed well, and a normal harvest is expected. On the other hand, both the Bobal and the Garnacha Tintorera have suffered a lag during bud break and are quite uneven. It is still too early to talk about shortages, as the rains before the harvest could influence these estimates. In this area there are still unsold stocks, so the final quantities offered to the market will be similar.

ARAGON / NAVARRA: In this area there seems to be a lot of difference in forecast quantities depending on the subzones. Official reports indicate that the quantity could be lower than last year, since this is a mainly rainfed area. The available stocks in Navarra and Aragon are slightly higher than last year., so a smaller harvest will have no effect on the amount of wine available. In particular, sales of DO NAVARRA have been considerably lower than last year. The main export markets, China, Germany and UK have acquired less quantity than in average.

We remain at your disposal for any further information.