

# MARKET REPORT SPAIN



2017-07 / Report N°3

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*“The final production in Spain for the vintage 2017/2018 will be around **40-42 million hectoliters de hectolitros** – almost the same quantity as last year*

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## Vinexpo

Vinexpo ended the 21st of June, after 4 days of hard work.

This year 2.300 expositores mainly from France and Asia have profit by presenting their products to international stakeholders..

Nevertheless, it is our opinion that this fair is loosing importance in the international wine landscape.

## Turbulent times in the market!

We started the vintage 2016/2017 with higher prices on the grapes and therefore higher prices in the market . It wasn't until the first quarter of the new year, when due to a lower demand than expected, the market started giving up to the international pressures.

In April 2017 some frozen damages, which affected some areas in middle Europe also had an impact on the northern and north- western part of Spain. Adding to this fact the poor vintages or higher prices coming from the souther hemisphere, it has occasionated, that both farmers and wineries have the will to defend higher prices in the next crop. Both red and white wines are experiencing a higher price trend. We see a risk, that exactly those prices will open the crop 2017/2018.

Nevertheless, it is our opinion, that Spain will have a similar quantities than last year. The zones affected by the drought and high temperatures will be compensated by the areas with new hrrigated vineyards. The farmers foresee a higher production of whites wines rather than red wines; but with sufficient alcohol degree and color. The crop could come in some areas already middle of August.

Opportunities	Threats
Similar wine production quantities than last year - 40-42m hl.	Higher prices will open the next wine campaign
Higher production efficiency coming from the new vineyards	Higher prices of the grapes
	High temperatures and drought of the summer.

## The effects of the climatology in 2017

As in the rest of Central Europe, some production areas in Spain have been affected, due to the low temperatures during of the last weekend in April. Temperatures reached around  $-5^{\circ}\text{C}$  in some Northern and Northern-Western areas of the Iberian peninsula.

The provinces of Galicia, Ribera de Duero (North-west) and some part of Rioja (north) have received some of the frost. As of today some analysts predict around 10% of losses due to the frozen damages. This could imply a higher movement of grapes/ must and wine from the south to the north in the coming months, putting more pressure in the Spanish market.

Neither the key key bulk production areas of La Mancha and Valencia, nor the rest of the zones have been affected by the frost. The coming summer months will be crucial in the final development of the grapevine; the high temperatures of this summer and the lack of rain in certain provinces might lead to some productivity losses.

Again it is our impression that there will be enough quantities to comply with the demand. Spain most likely maintain its position as world export market leader, the question would be to what price?

### STOCK AVAILABILITY OF BULK WINE in m.HL MAY 2017

#### RED:

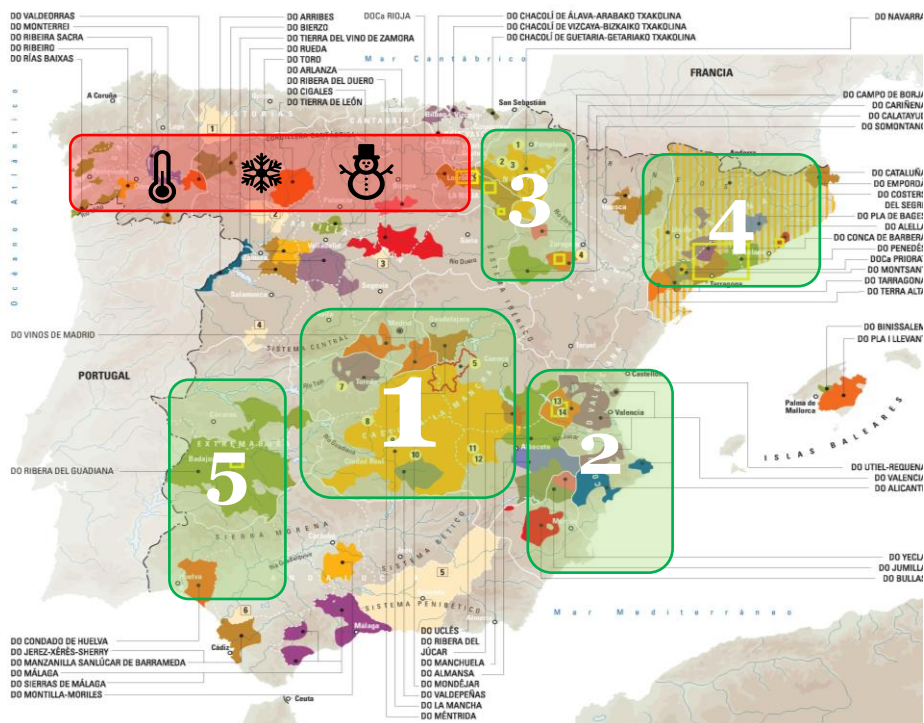
Zone	03/17	05/17	Dif.
1	7,9	7,1	0,8
2	2,5	2,3	0,2
3	2,5	2,3	0,2
4	1,2	1,1	0,1
5	0,8	0,7	0,1
ESP	23,9	21,6	2,3

#### WHITE:

Zona	03/17	05/17	Dif.
1	7,5	6,4	1,1
2	0,8	0,5	0,3
3	0,2	0,2	-
4	1,65	1,5	0,15
5	1,3	1,2	0,1
ESP	14,9	13,4	1,5

SOURCE: INFOVI 03/07/2017

## ANALYSIS IN DETAIL PER BULK WINE ZONES



### La Mancha (Zone 1)

La Mancha represents the half of production of Spain, with a high degree of cooperatives. With approximately 450.000 hc La Mancha is the biggest production area in the world.



Mancha (Zone 1)



Utiel-Requena (Zone 2)



Extremadura (Zone 5)

In Castile La Mancha it is necessary to emphasize the influence of the climatology marked by the drought and hail storms that affected some local areas in the north of the province. However, harvest reduction at the regional level would not be significant because of these events and compensated by the production of the new vineyards.

Frost in April managed to increase sales by lowering the stock level. Both wineries and farmers hope to be able to defend a higher price for grapes and wine in the upcoming campaign.

### Valencia & Murcia (Zone 2)

Our partners in the production areas of Valencia including Utiel-Requena, Alicante and Murcia (Yecla and Jumilla) reported a similar harvest as last year for the upcoming campaign. Both the quality and the alcoholic volume seemed to be higher. The intensity of colour is good and the grade Beaumé will be around 11 degrees to 14.5 degrees, with a total acidity slightly higher than the previous year; which gives the wines great body and liveliness.

After a fall and winter with mild temperatures and short pluviometry, the spring began with rains that favoured the vegetative development of the vines. The growth of branches, leaves and clusters has been normal. The summer period is dry and warm, with no rainfall, which seems to favour the absence of any type of cryptogamic disease. The risk lies in the possible drought and severe summer storms.

### Navarra & Aragón (Zone 3)

The northern part of the country, dominated by high quality international varieties, as well as Tempranillo Grenache, the quantities of the grapes are expected to match last year's crop. It is a zone mainly in trellis and with irrigation, reason why only the excessive heat of the summer could have an effect in the production.

In the coming months, we should pay a higher attention to the development of the Tempranillo grapes, which could come shorter than expected.

### Cataluña (Zone 4)

Some hail storms on the border with France have partially affected 2-3% of total production in the region. Even so, and like in the rest of the Peninsula, the vintage will be of similar quantity to the previous season.

### Extremadura (Zone 5)

The zone of Extremadura is the one being more affected, by the high temperatures and plagues. The total harvest will be lesser being the red wines more affected than white wines. To that loss we should add the actual tendency to replant white wine at the expense of red. Macabeo in that area seems to be also very affected.

¡Any question? Contact us!

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