Newsletter Europe and Spain – September 2018

Please find our latest report about the situation on the wine markets on 20/09/2018.

As predicted, we see that the harvest is generally very good across Europe. The harvest has begun in Spain with a delay of about 10 days compared to a normal year, but we already have today concrete information about the most important growing areas in Europe.

In Germany, the first estimates confirm a harvest of around 10 million hectoliters, compared with last year's harvest of only 7.7 million hectoliters. This means that the German wineries will buy nearly three million hectoliters less abroad.

In France - the first estimate confirms a total of 46 million hectoliters across the country and a harvest a few days before a normal year. In general, the harvest in France is very good in terms of quantity and quality, especially to replenish the stocks.

- We hear that in the Languedoc region many areas of viticulture are affected by mildew, especially red grapes. We believe that this will lead to a smaller production, especially for the rosé wines in this region, so these quantities have to be bought from Spain or other areas. The situation on the rosé market will certainly be strained in the first months of 2019 as we approach the next summer season.
- In the southwest, the harvest is not too abundant, and probably even with small quantities, except in the Gascony, where the harvest was very good.
- In the Bordeaux region, the harvest is very good for the white wines, but the red grapes have problems with the maturation.
- In the Touraine, the harvest of white grapes is good despite the frost, and in the Loire, the wineries will reach more or less its production quota.
- In the Charente, despite the frost that has affected over 5,000 hectares, the yield is sufficient for the Cognac production this year.
- In Provence, the total production is more than correct, despite the mildew or the oidium.
- In Champagne, Bourgogne, Alsace and Beaujolais, this is a good year compared to a normal year, with correct production.

In Italy - we can certainly speak this year of a historic harvest, according to all predictions, we speak of a crop that will be well over 50 million hectoliters. We hear that Italian producers have to make space in their cellars to receive and process all the grapes that have been harvested. As we have heard from some customers in Germany, contracts have been fixed for base white wine for sparkling production 10% / 10.5% from the harvest 2018, with a quick delivery at EUR 31,00/hl.
At the moment, the Italian market is very unstable, official price lists don't exist and the wineries accept to negotiate, especially in the northern areas where it has rained a lot. This situation will certainly continue until the Spanish market stabilizes. It should be noted that the harvest in Italy started 10 days before the Spanish harvest this year, although it is usually the other way around, and the Spaniards harvest earlier than the Italians. Once prices are set in Spain it will not be that easy anymore to find such aggressive offers in Italy.

In Spain, as we wrote in our last market report, the harvest is expected to be 43 million hectoliters (+34% compared to the 2017 harvest of 32.1 million hectoliters).

In La Mancha we expect 23/24 million hectoliters (compared to the 19 million hectoliters of the 2017 harvest, of which 2.75 were stored as must).

Up to today, the phytosanitary conditions are perfect, with a good ripening of the grapes thanks to the temperatures of about 32º - 35ºC during the day and a drop to 21ºC or even lower during the night. But we must not lose sight of the situation during the second part of the harvest until mid-October. Due to the delay of two weeks this year, it is very probable that in the last two weeks we could face extremely bad weather conditions and heavy rains, which can cause corresponding damage. Therefore, there is the risk that in the end, a smaller crop with a lower quality for the late harvested grapes can come. Therefore, we must follow closely the development of the weather situation.

In recent days, the heavy rains in Spain have not affected the La Mancha area, and even though the storms in the Mediterranean area were very strong, it had no negative impact on the production areas in Valencia and Jumilla. The prices for Spanish grapes were officially announced this week on 18/09/2018 by some wineries, and with this information we can now more accurately estimate the price base, on which the Spanish growers are negotiating the sales contracts for this new campaign.
Pay attention to the pricing strategies that cooperatives are pursuing at the beginning of this campaign. In fact, the boards have many problems in getting winegrowers to understand the reasons for this price decline compared to 2017. According to the latest information we have received, many of them would have the intention of starting with high starting prices as close as possible to the harvest of 2017. So the first cooperatives that will be able to make the market and their Understanding circumstances will be the ones that will conclude contracts.
We expect prices for white, rosé and red wines to stabilize over the next few weeks as we point out that the harvest in Spain will not be over until well into October 2018.

The wines with indication of grape variety and vintage are nearly harvested. In general, the harvest was excellent, with a very good quality and with the quantity we had anticipated.

If you plan to include varietal wines from Spain in your assortment this year, you should not waste any time. The prices for varietal wines will not fall because Spain can normally always sell its entire stock before the next harvest because the quantity is very limited and with a very good price / quality ratio. You can send us your suggestions considering the following prices:

White Varietals - crop 2018

- Chardonnay – from € 5,50 hlº to € 6,50 hlº
- Sauvignon Blanc – from € 4,60 hlº to € 5,50 hlº
- Verdejo – from € 3,90 hlº to € 4,50 hlº
- Moscatel – from € 3,80 hlº to € 4,00 hlº
- Macabeo – from € 3,45 hlº to € 4,00 hlº

Red Varietals - crop 2018

- Merlot – from € 4,50 lhº to € 5,40 hlº
- Cabernet Sauvignon - from € 4,00 hlº to € 5,00 hlº
- Syrah – from € 3,80 hlº to € 5,00 hlº
- Tempranillo – from € 3,60 hlº to € 4,75 hlº

Table Wines – crop 2018 origin Spain without indication of the varietal in the AAD. The cooperatives say that wines from the Airén grape (Spanish main grape variety for cheap white wine) will have a low degree. It will be hard to find white wine with a graduation above 11.5%.

- White Wine – traditional fermentation (F/T) – from € 2,90 hlº to € 3,50 hlº
- White Wine – controlled fermentation (F/C) – from € 3,00 hlº to € 3,80 hlº
- Rosé Wine – traditional fermentation (F/T) – from € 3,10 hlº to € 3,60 hlº
- Rosé Wine – controlled fermentation (F/C) – from € 3,10 hlº to € 3,90 hlº
- Red Wine from 11% to 12,5% IC min 5 - from € 3,50 hlº to € 4,30 hlº
- Red Wine from 12,5% to 14,5% IC min 8/9 - from € 3,70 hlº to € 4,50 hlº

Deionised Grape Juice Concentrate

Assuming that the price of the must needed to produce the MCR is in line with the price of grapes in Spain in 2018, today we can offer for contracts delivered from November 2018:

- Rectified Grape Must Concentrate. 65 Brix –
  from € 1,40/Kg to € 1,60/Kg (from € 3,55 to € 4,05 A.P.)

Note: – crop 2018 from La Mancha region:

- White Wine will be ready for load from End of November 2018 and Red Wine with finished malolactic fermentation will be ready to load from end of December 2018.

We advise you to let us know your expected purchase plan for the grape variety and vintage wines as soon as possible, as this is the only way we can offer you the best quality on the best terms, as you already know to get the best deals, these wines must be purchased before end of October 2018 with deliveries until the end of December

2019 (delivery agreement after confirmation of the purchase by the supplier depending on the delivery quantity).

Concerning generic wines, we believe that it is better to wait until the harvest is completely finished, and to observe the prices that the producers propose, because until the harvest is not completed, we do not know on what price basis we need to negotiate with you about the quantities, qualities for you.

September 2018