



Newsletter Spain – July 2020

The crisis distillation that took place in Spain can be summarized as follows: The distilleries received support from the state, which amounts to 30,00 EUR/hl for a generic wine and 40,00 EUR/hl for a DO wine with denomination of origin, minus the costs for transportation and distillation, with the government's total official volume set at 2 million hl.

This means that the subsidy was intended for the distillery itself and is responsible for entering into contracts with each cooperative or producer, but we are convinced that there have been other agreements between producers and distilleries. We believe that the total amount that has been distilled is largely insufficient to regulate wine prices, but so a very large proportion of the wines with certain deficiencies have been withdrawn from the market.

It is very difficult today to make a correct and accurate estimate of the wines still available from the 2019 harvest that are still in the producers tanks. After distillation, prices have settled to a stable level, but it will not last too long because the upcoming 2020 harvest is expected to be large and because the contracts signed in recent months (particularly due to COVID) have generally not been too extensive.

After talking to the managers of the wineries in the main growing areas of La Mancha about the development in the last few days, we can generally confirm that the wine fields are in very good condition and that the fruit development is very correct. We therefore assume that the harvest in Spain will be very good. Until the start of the harvest, we will observe whether there is still some rain, which could still have a positive effect on the quantity, but also pose the risk of diseases such as mildew.

If you look at the precipitation information in Spain, you can be reassured, because from January 1-st, 2020 to June 30-th, 2020, 186,8 liter of rain fell in La Mancha. (Source: www.meteociudadreal.com). All over Spain, water reserves are below normal, but thanks to the latest rains, one is optimistic about the new harvest.

We now have to see whether there will be a big heat wave this summer, as in previous years, which can still have an impact on the development of the vines. The growers

estimate that the 2020 harvest will be significantly larger than last year when there was only a relatively small harvest with 38 million hl due to the severe drought in Spain (minus 11,4% compared to a normal harvest).

Frost risk is no longer an issue and has had no significant impact on the development of the wines. We therefore estimate that the 2020 harvest volume essentially corresponds to that of the 2018 harvest, when more than 48 million hl were harvested in Spain, of which 25 million hl in the La Mancha.

For your information: The total area under vineyards in Spain is around 960,758 hectares, 40% of which are trellised and irrigated, the rest are ground cover without irrigation. La Mancha has a production area of 474,000 hectares, which corresponds to 5% of global production, compared to 86,500 hectares in Extremadura and 68,000 hectares in Castilla y Leon.

Today, ORGANIC / ECOCERT wines are produced on 107,600 hectares in Spain, which corresponds to approx. 11% of the area under vineyards. In the La Mancha region alone, 57,000 hectares of organic wine fields are cultivated. Spain is one of the main suppliers of organic wines in the world and has a wide range of varietal and generic wines that are certified as ORGANIC / ECOCERT. This fact is very important as it gives us a real opportunity to procure a wide range of different grape varieties and also high-quality generic wines with BIO / ECOCERT at very favourable conditions.

The market is currently as follows:

- Prices for white wine, previously a slight downward trend - prices between € 2,50/hl° / € 2,60/hl° EXW. But you have to know that, like every year in this season, many producers start offering reduced white wines with very high doses of SO₂, which have been treated to protect them from the high temperatures that we have had in Spain for a few weeks. These low prices represent wines with the corresponding low quality. However, there are always high-quality white wines at slightly higher prices and you should tell us whether you need the lowest price or good quality in your inquiry so that we can offer you accordingly.
- The prices for rosé wine are currently very attractive with a downward trend - prices between € 2,60/hl° / € 2,70/hl° EXW.
- The prices for red wine today are between € 2,90/hl° and € 3,20/hl° EXW. The prices are stable, even if you know that it is still very difficult to find high-grade wines with colour intensities of more than IC 7/8.
- There are only very limited quantities of red and white wines with indication of the grape variety and the vintage on the DAe, but the prices are stable
 - Red varietal wines (100% Cabernet Sauvignon, Merlot, Syrah, etc) between € 3,00/hl° for Garnacha and € 4,50/hl° for Merlot
 - White varietal wines (100% Macabeo, Chardonnay, Sauvignon Blanc, Verdejo, etc.) - between € 2,80/hl° for Macabeo and € 4,80/hl° for Chardonnay
 - Ask us for specific offers to get the best possible conditions.
- ORGANIC / ECOCERT wines are great market opportunities today as some manufacturers are willing to offer their stocks at the same prices as their normal generic wines.

- De-ionised (rectified) grape juice concentrate currently costs between € 1,25/kg and € 1,30/kg EXW from reputable producers 100% Vitis Vinifera.

It is of course too early to give prices for the new 2020 harvest. Watching the development, the harvest should start in early August. But until the Airén harvest begins in early September, the main variety in Spain, there will be no prices for the new wines. The price of the Airén white wine determines all other prices in Spain.

If the vineyards will develop normally, we could have lower prices after harvest than now and we estimate the following prices:

- White Wine FT traditionally fermented (entry level price) around € 2,30/hl^o EXW.
- White Wine FC controlled fermentation at around € 2,40/hl^o EXW.
- Rose wine FT traditionally fermented (entry level) around € 2,40/hl^o
- Rose wine FC controlled fermented around € 2,50/hl^o
- Red wine between 11%vol. and 12% vol. colour 4-5 points € 2,60 - 2,70/hl^o
- Red wine between 12,5% and 14,9%vol. colour 8-9 points € 2,70 – 3,10 /hl^o
- Varietal wines should follow this tendency, but as they are limited in quantity, we have to wait until the crop to give real estimates.

Do not hesitate to contact us and tell us your needs, which wines / qualities / quantities / delivery program and target prices you are looking for, so that we can find suitable offers for you. We are happy to assist you.

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