



## Newsletter Spain – November 2023

As we mentioned in our previous report, the harvest in Spain was very short, ultimately reaching 32 million hectoliters (in 2022: 41), of which only 17 million hectoliters were in the La Mancha region, compared to 22 million hectoliters in a normal one Year.

We also noticed a very short harvest in Italy (especially in the south), which led to the main Italian traders coming to Spain in September to buy mainly musts and white wines. This immediately led to an increase in prices in Spain, which was closely linked to the strong demand in the international market.

Italian producers were not competitive this year, so their usual historical customers (Germany, Central Europe, Greece, etc.) came to Spain for their purchases between September and October because they found better market opportunities there than in Italy. And that has further increased prices in Spain. Despite this increase, Spain is still the producer with the best prices and sales conditions in Europe, despite enormous tensions in the white wine market.

Are we really facing an exceptional situation this year and will Spain really have sold all of its white wine before spring 2024? At the moment all factors lead us to believe that this is the case, but it is still too early to say.

For white wine, we are seeing very strong demand on the market for the third time in a row. We see that we started this new 2023 harvest with almost non-existent stocks. Since the start of the campaign, Spanish producers have already signed huge volumes with customers mainly from all over Europe. Nowadays it is almost impossible to contract large volumes with the same manufacturer as all manufacturers try to maintain a minimum contract with all their customers, causing volumes to continue to decrease. This factor also creates even more tension in the market, as it is difficult for customers to obtain all the usual quantities from their regular producers. This reinforces the current price situation for other producers who are also in the same availability situation.

As for red wine, the stocks of red wine from 2022 and the poor harvest in 2023 mean that producers would consider maintaining the price between 3.20 and 3.50 €/h<sup>o</sup> for deliveries between 2023 and 2024.

We therefore believe that in the short term we will see a “natural” normalization of the situation of the accumulated red wine stocks of the last two seasons. The very uneven demand for red wine on the international market leads us to assume that prices will remain very stable, although there is a very slight upward trend, because despite everything, white wine drives up the prices of red wine.

In summary, we consider it best to make quick decisions to cover the entire 2024 quantity required to secure 2024 supplies, at least until the availability of wines from the new 2024 harvest, mainly for white table wines and wines with grape variety indication. On the other hand, we believe that the price trend for red wine could be very stable in the coming months between 3.20 and 3.50 €/h<sup>o</sup>.

November 13-th, 2023