

Market Situation and Trends in Spain



Wine Market Observatory Expert Group
Brussels, November 21st 2023

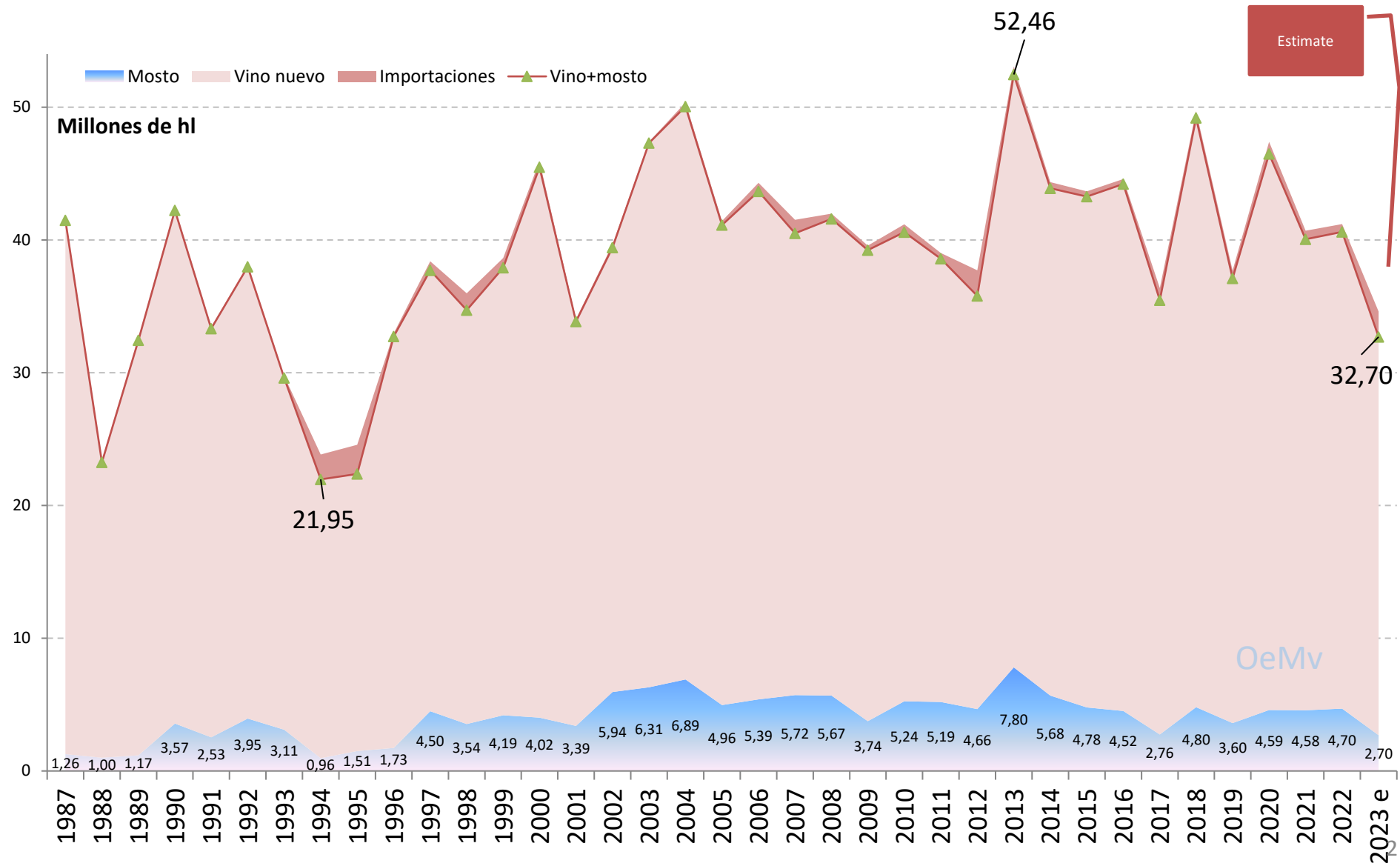


Spanish Observatory of Wine Markets

O^eM_v
Observatorio ESPAÑOL
del Mercado del VINO

Supply: how big is wine production in Spain?

Estimate of a 27-year historic low production this year.



Estímate of wine in Spain

76,4 M hl

77,0 M hl

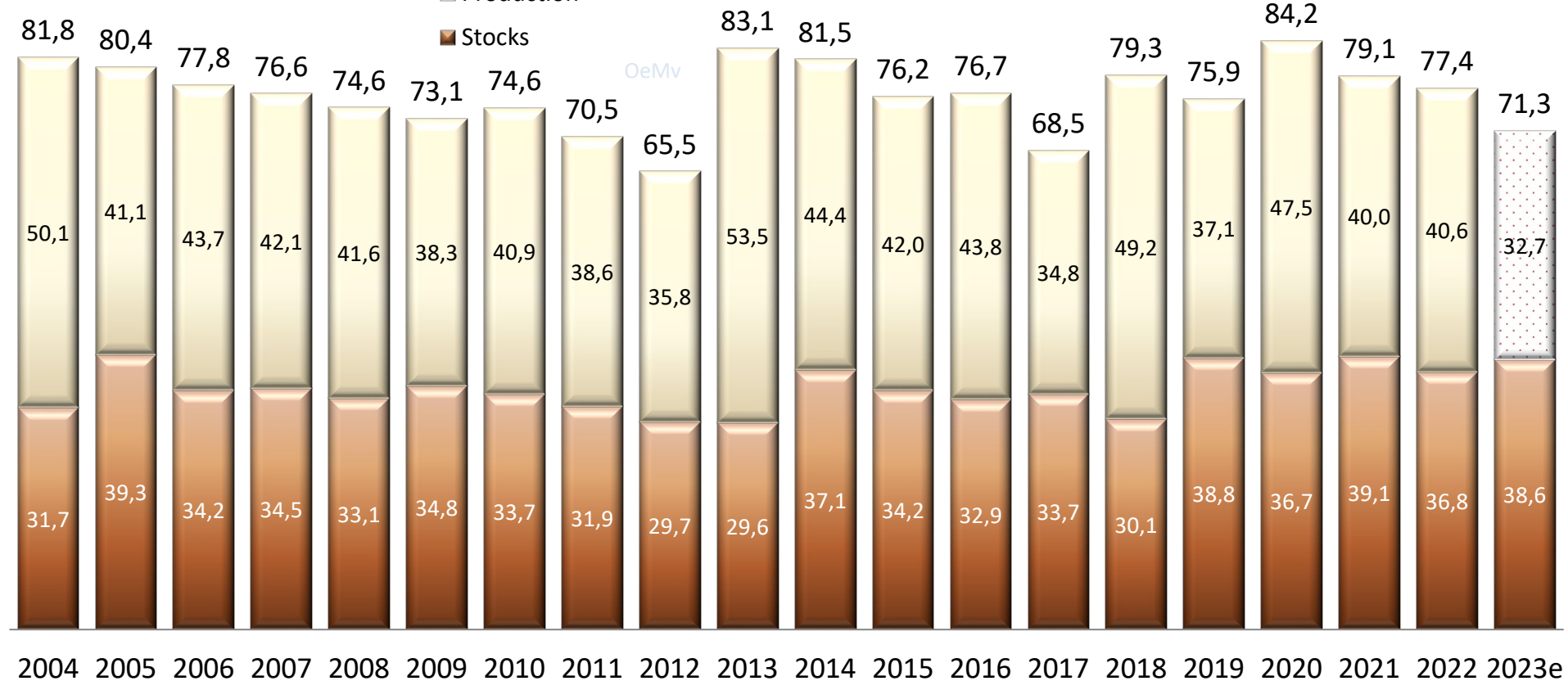
77,6 M hl

Total availability

Production

Stocks

OeMv



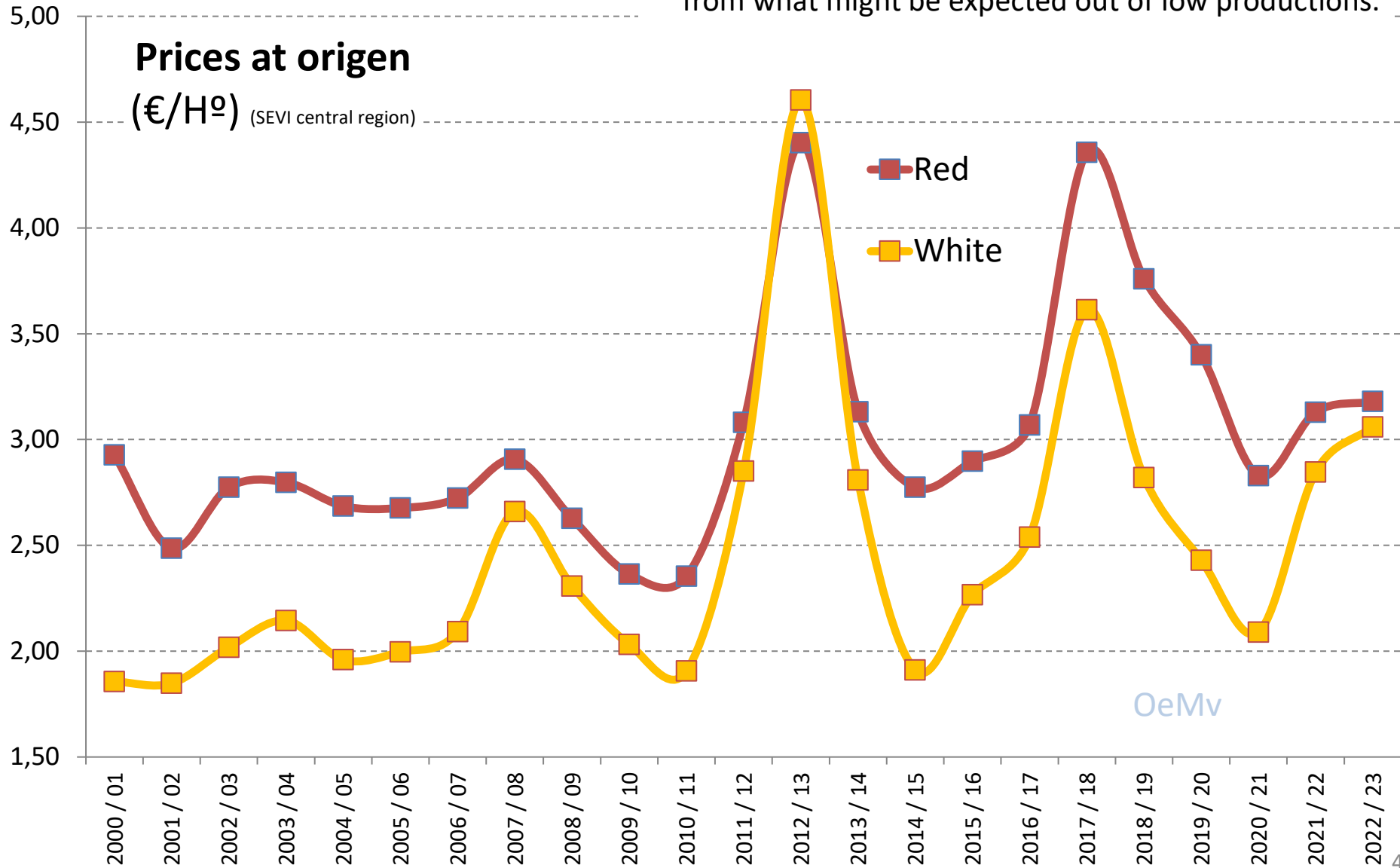
Total stocks below average, despite slightly higher prior to harvest

Effect on prices

Very erratic. Slightly recovering after COVID, but far from what might be expected out of low productions.

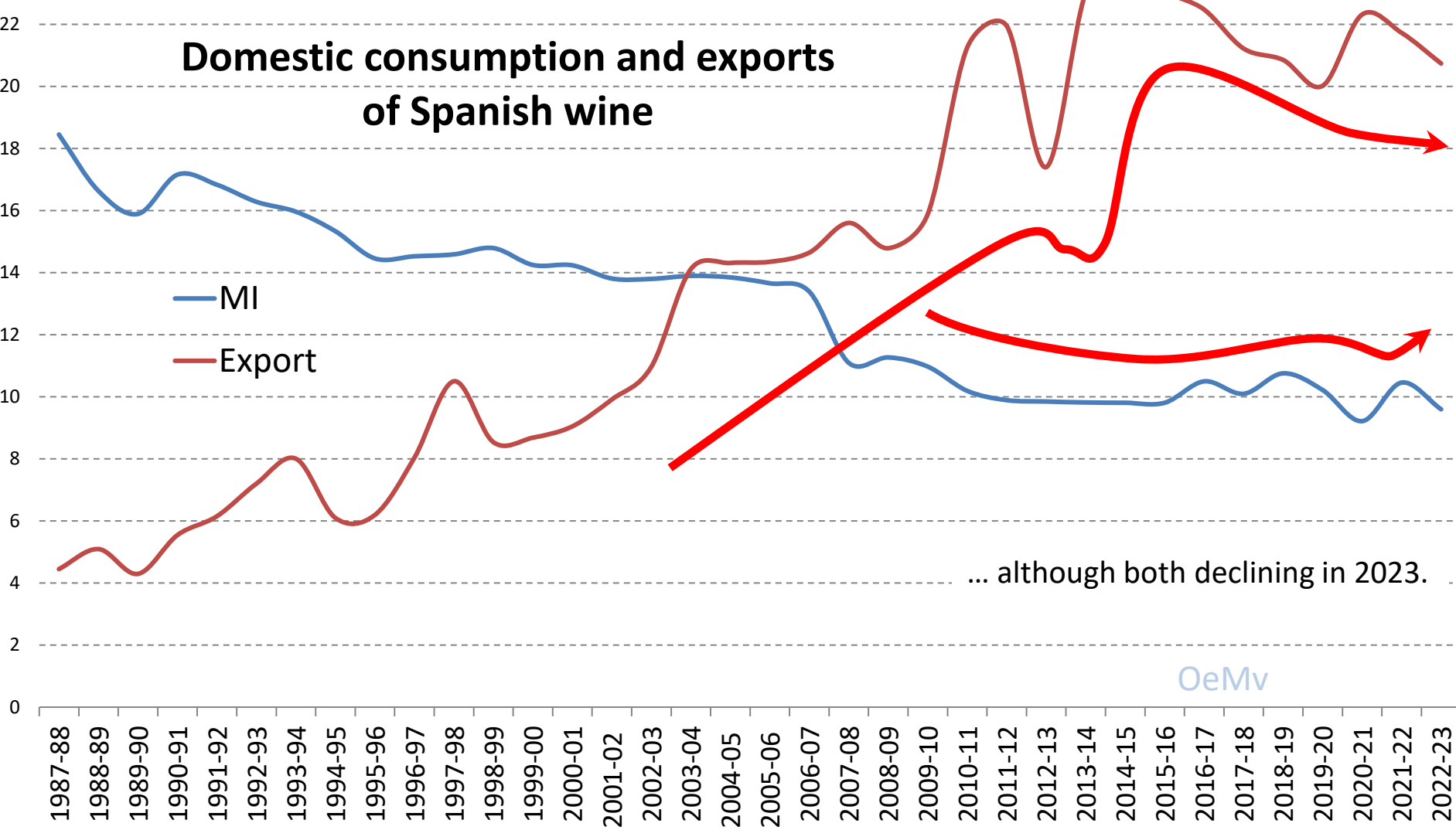
Prices at origin

(€/H^o) (SEVI central region)



Where does Spain sell its wines? – top markets

Our two most important markets – not the only ones – are changing ...
Both, (i) decrease in the domestic market and (ii) pressure to export.

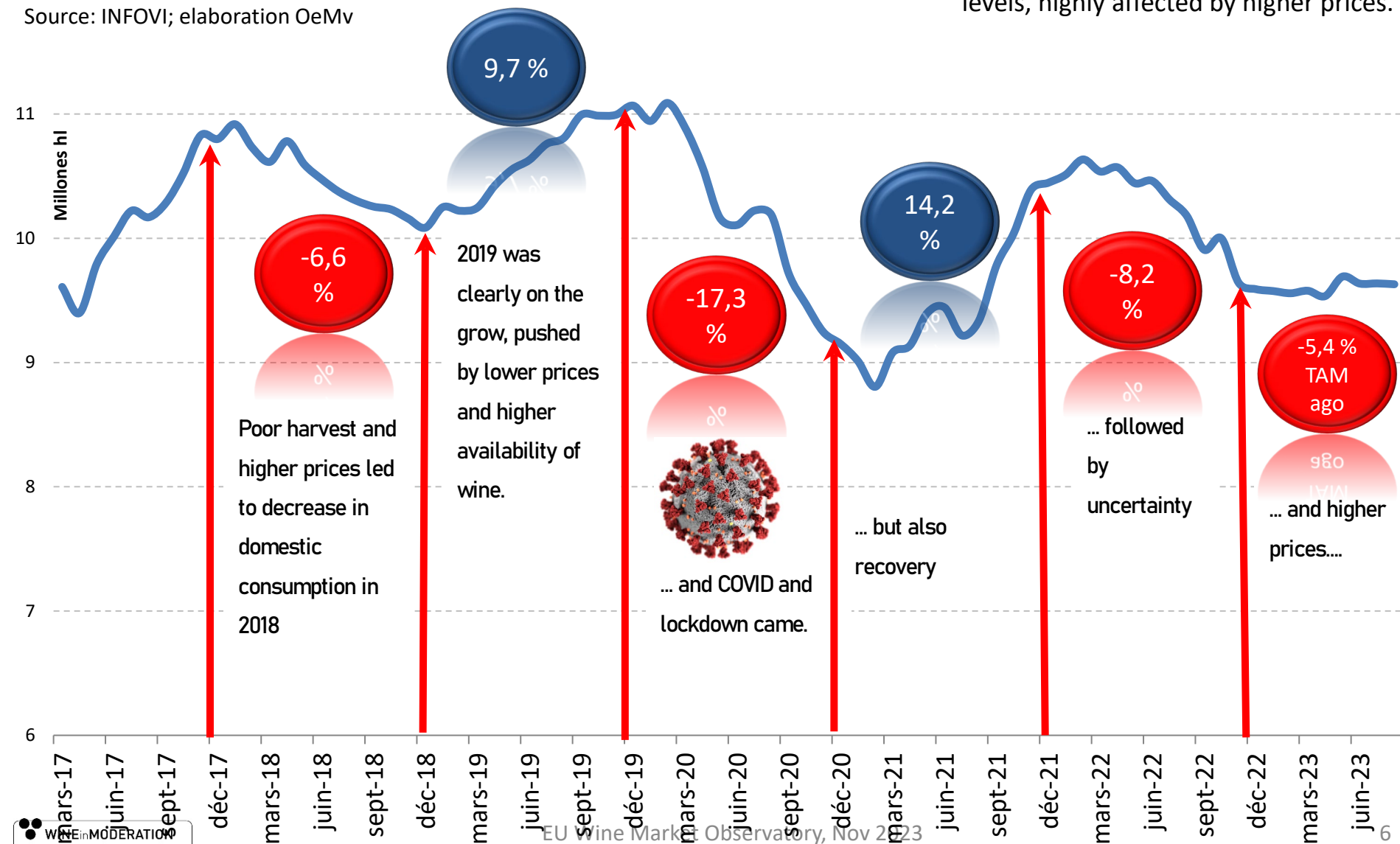


Wine consumption in Spain

Domestic sales (M hl)

Source: INFOVI; elaboration OeMv

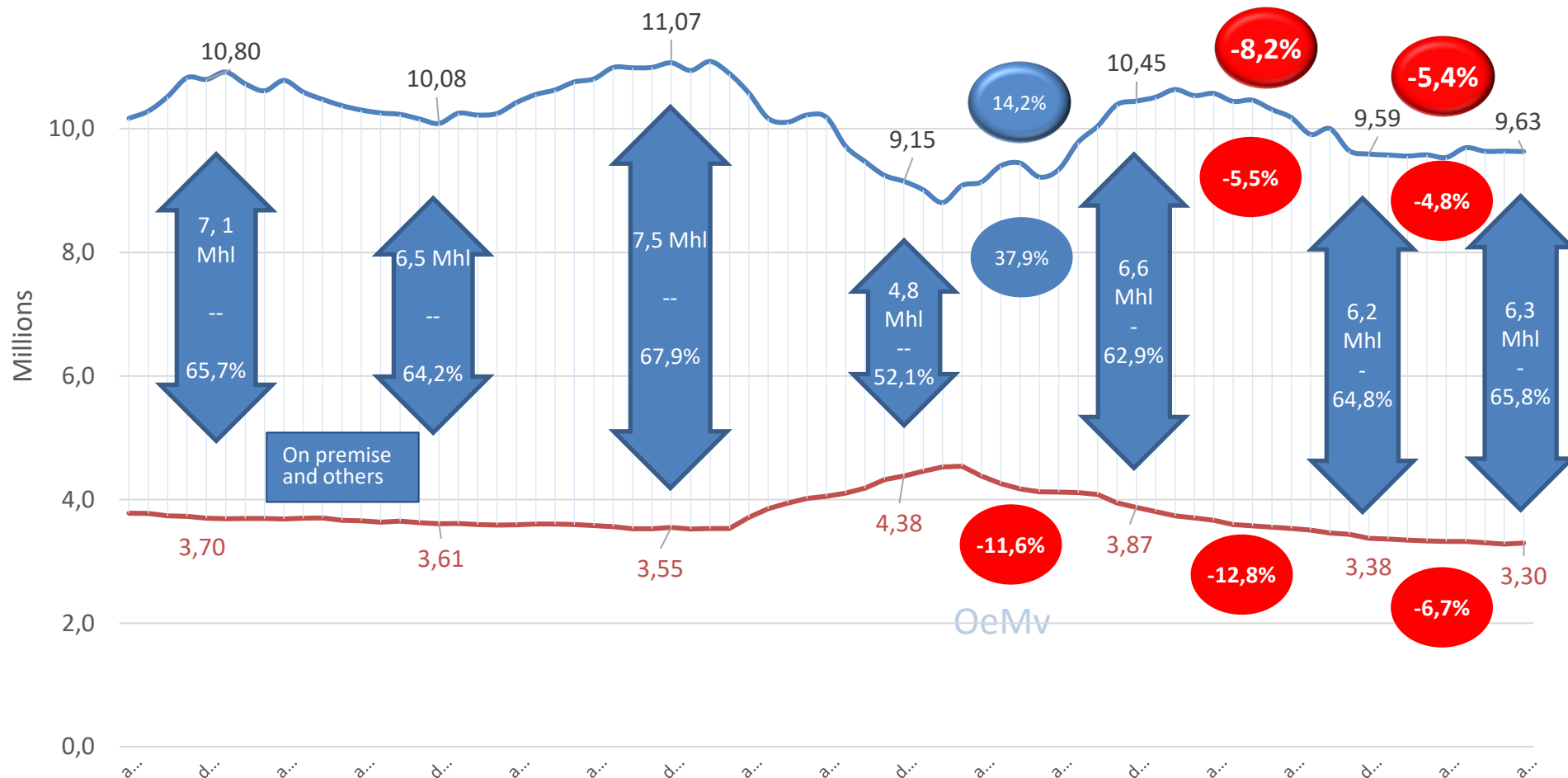
Domestic consumption still does not reach pre-pandemic levels, highly affected by higher prices.



Wine consumption in Spain

Off premise sales fall below pre-pandemic levels
while on premise still does not fully recover.

Domestic consumption in the on - & off-premise channels

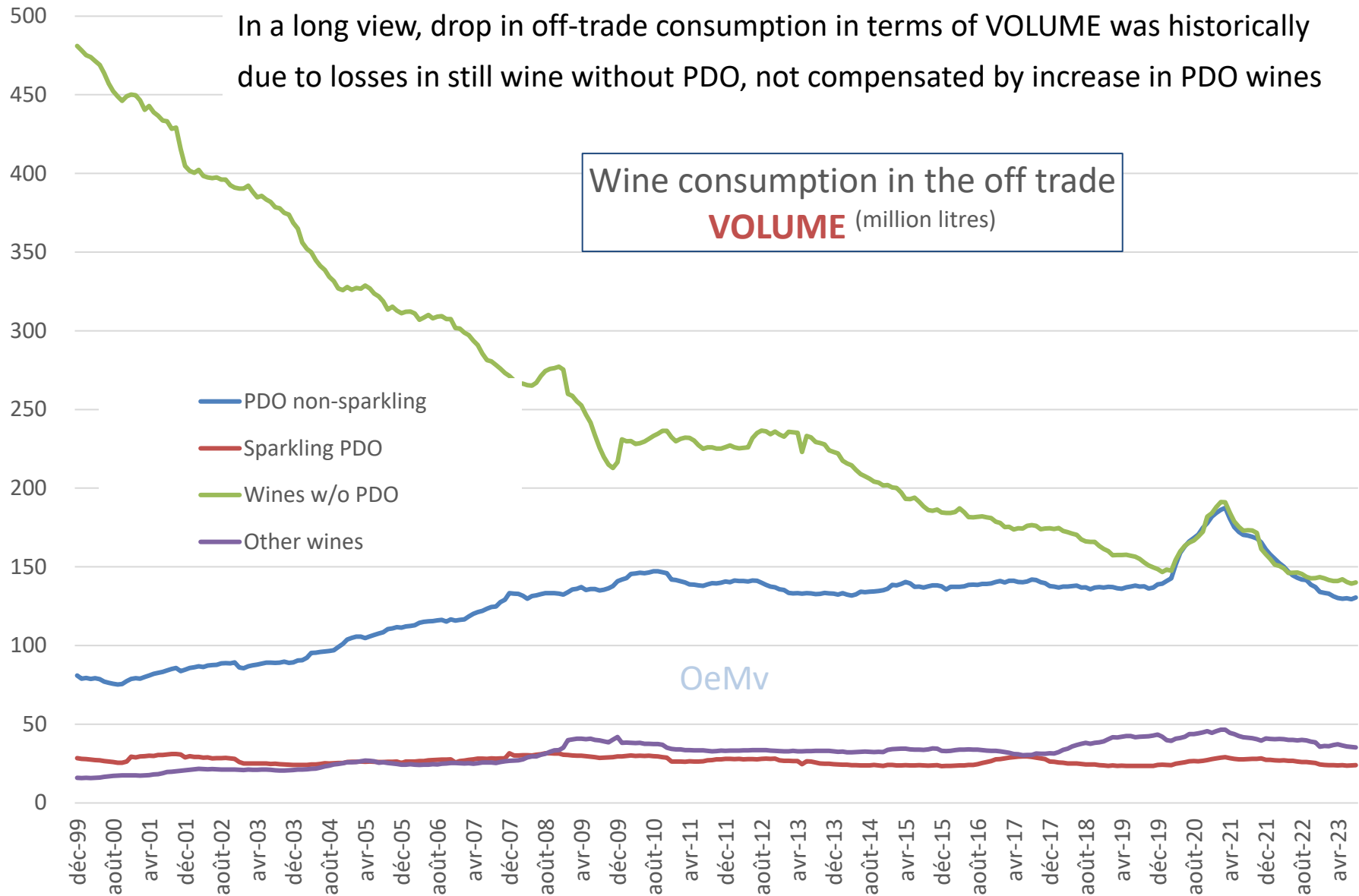


Off trade

In a long view, drop in off-trade consumption in terms of VOLUME was historically due to losses in still wine without PDO, not compensated by increase in PDO wines

Wine consumption in the off trade

VOLUME (million litres)



Off trade

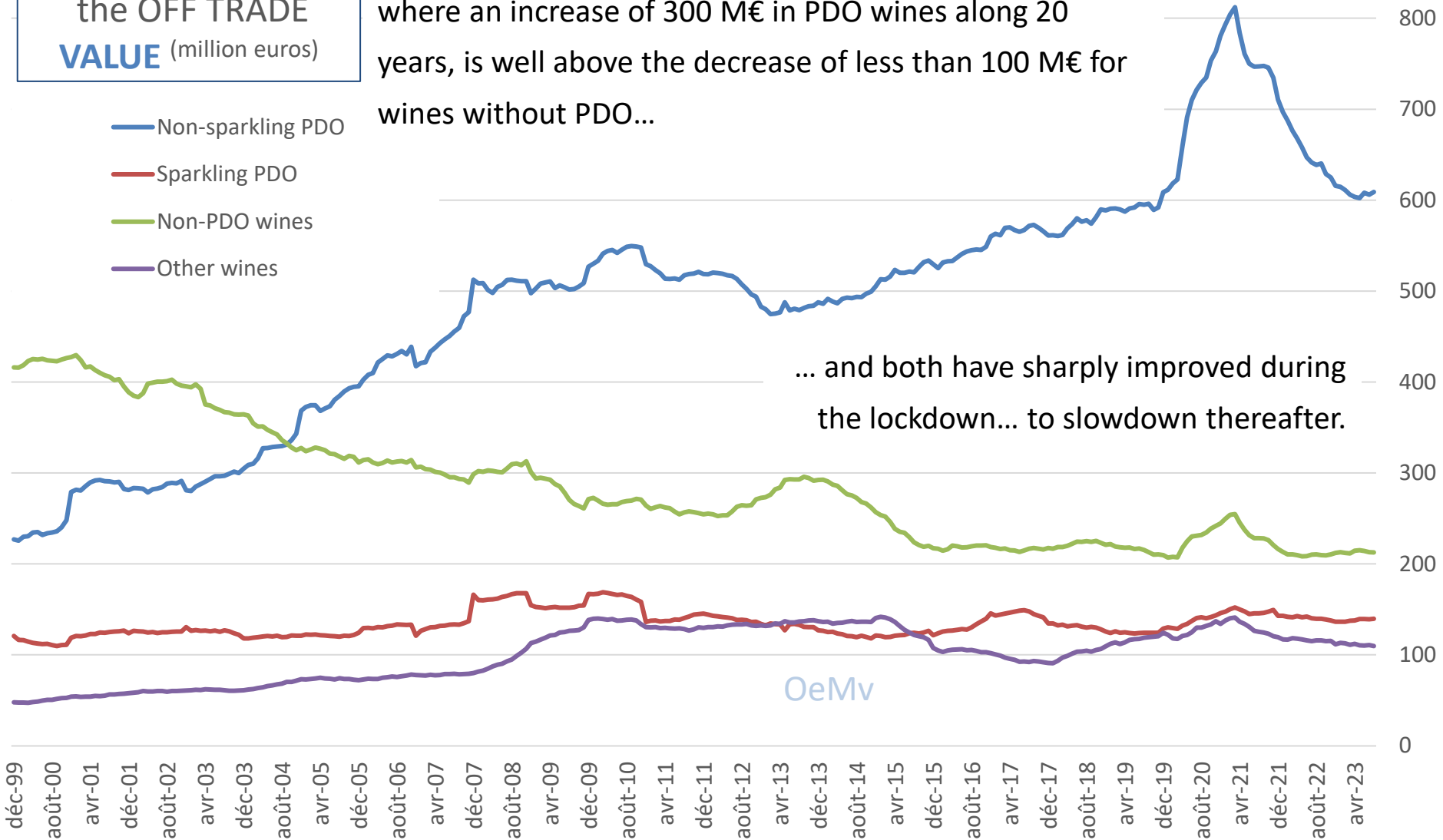
Wine consumption in
the OFF TRADE
VALUE (million euros)

However, such fall was compensated in terms of VALUE,
where an increase of 300 M€ in PDO wines along 20
years, is well above the decrease of less than 100 M€ for
wines without PDO...

- Non-sparkling PDO
- Sparkling PDO
- Non-PDO wines
- Other wines

... and both have sharply improved during
the lockdown... to slowdown thereafter.

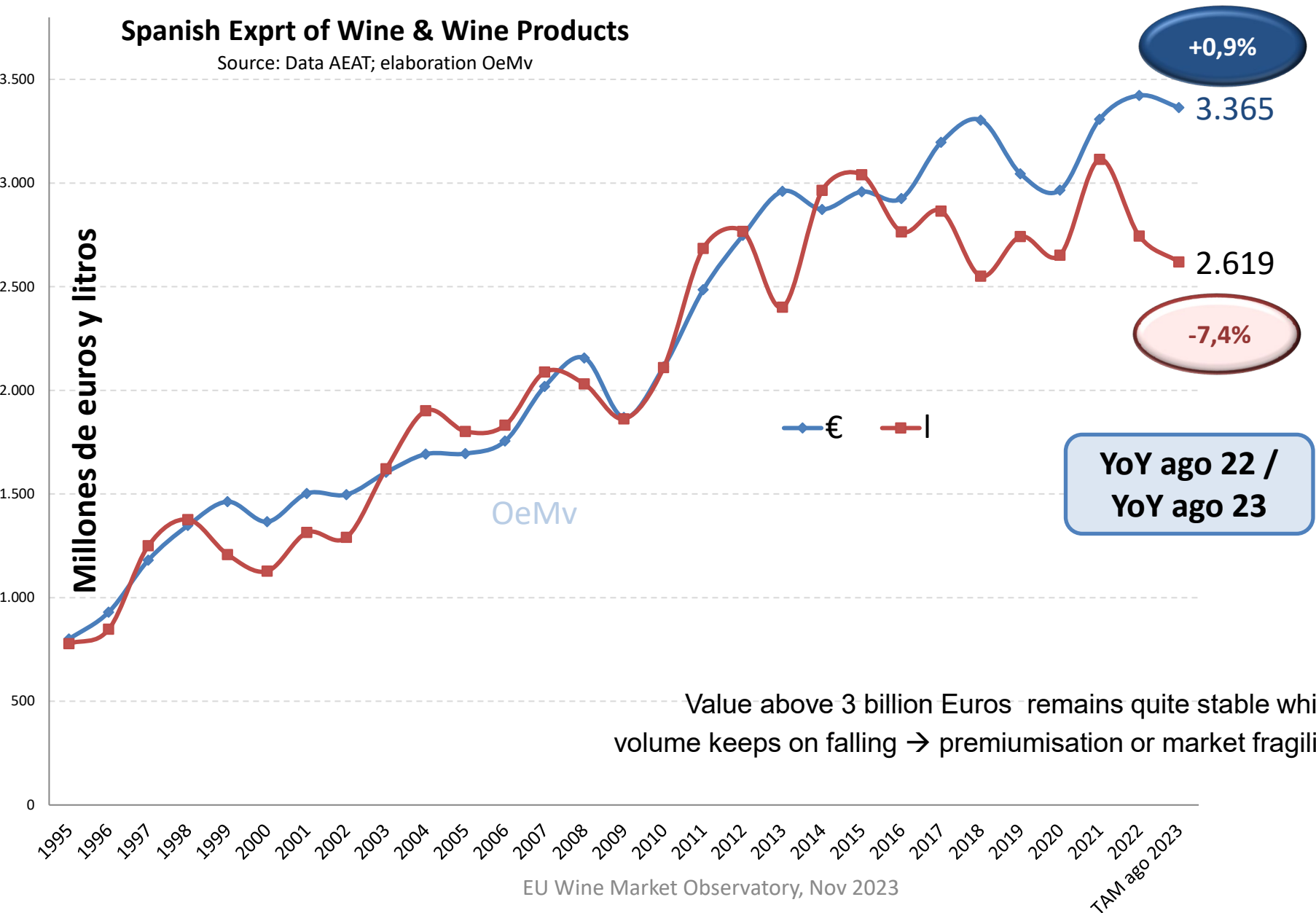
OeMv



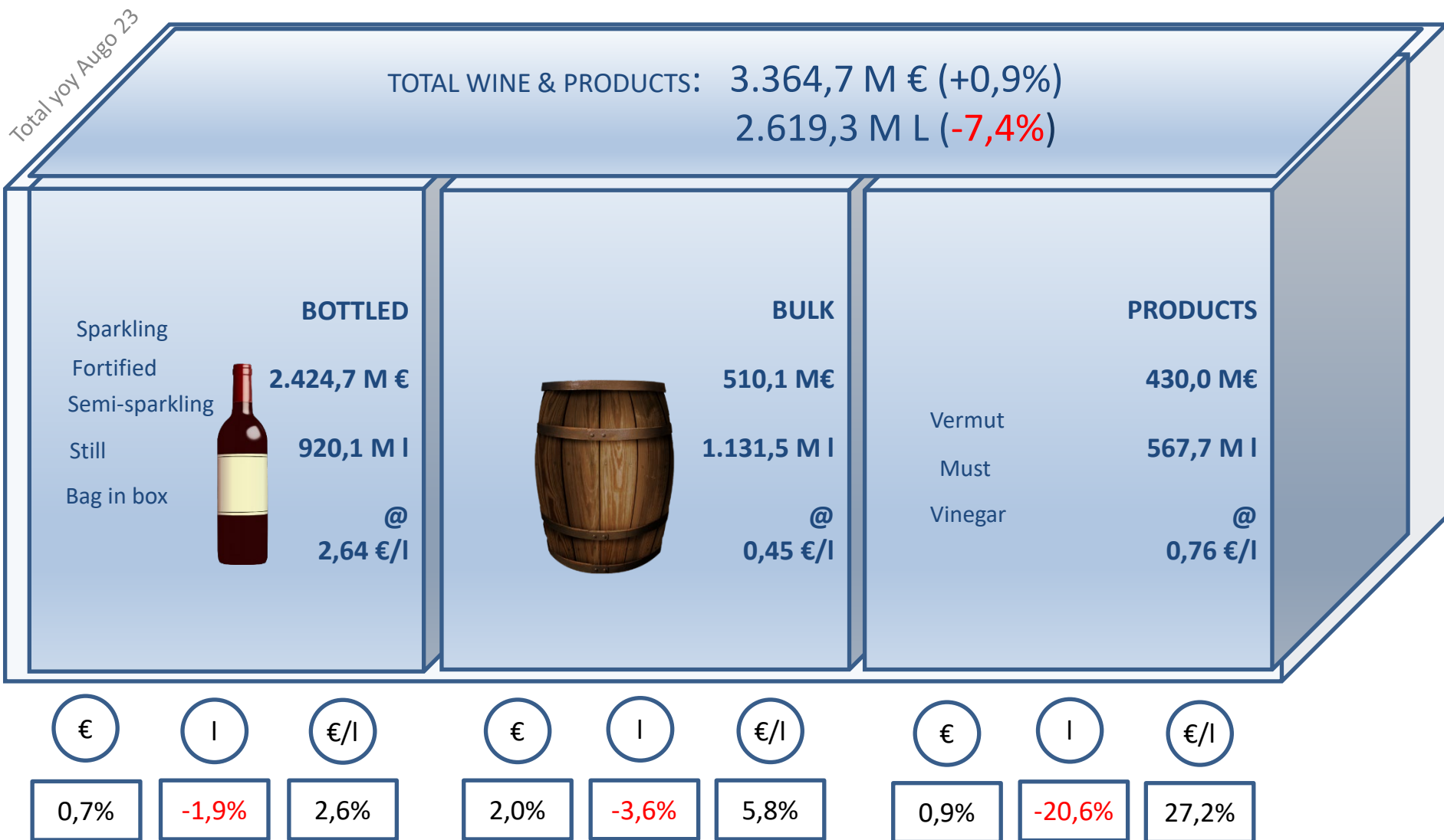
Therefore, in relation with consumption in Spain

- ❑ It fell below 10 Mhl in 2020 due to COVID-19, it recovered sharply 2021, but fell down again in 2022 and 2023, below pre-COVID levels.
- ❑ Data for the on-trade are not reliable and consumption may vary, with a very bad trend in 2020 but growing in 2021-2023, although not yet in pre COVID levels
- ❑ In the off trade the substitution of non PDO wine by PDO did not compensate in volume terms but it did in value, generating a great performance in 2020 but back to normality (or worse) now.
- ❑ An estimated third of total wine consumption takes place outside traditional (measurable) channels, including direct sales, “self-consumption”, specialized stores, on line sales and others, needing more detailed analysis, but can open new ways to reach the consumer.
- ❑ Product and marketing innovation, better knowledge of the consumer and consumer opportunities, progressive approach to women and young consumers, seem to be key points to keep on growing.
- ❑ Inflation in 2022 and lower in 2023 may be the key factor explaining new falls in consumption (price sensibility).

Exports are erratic again



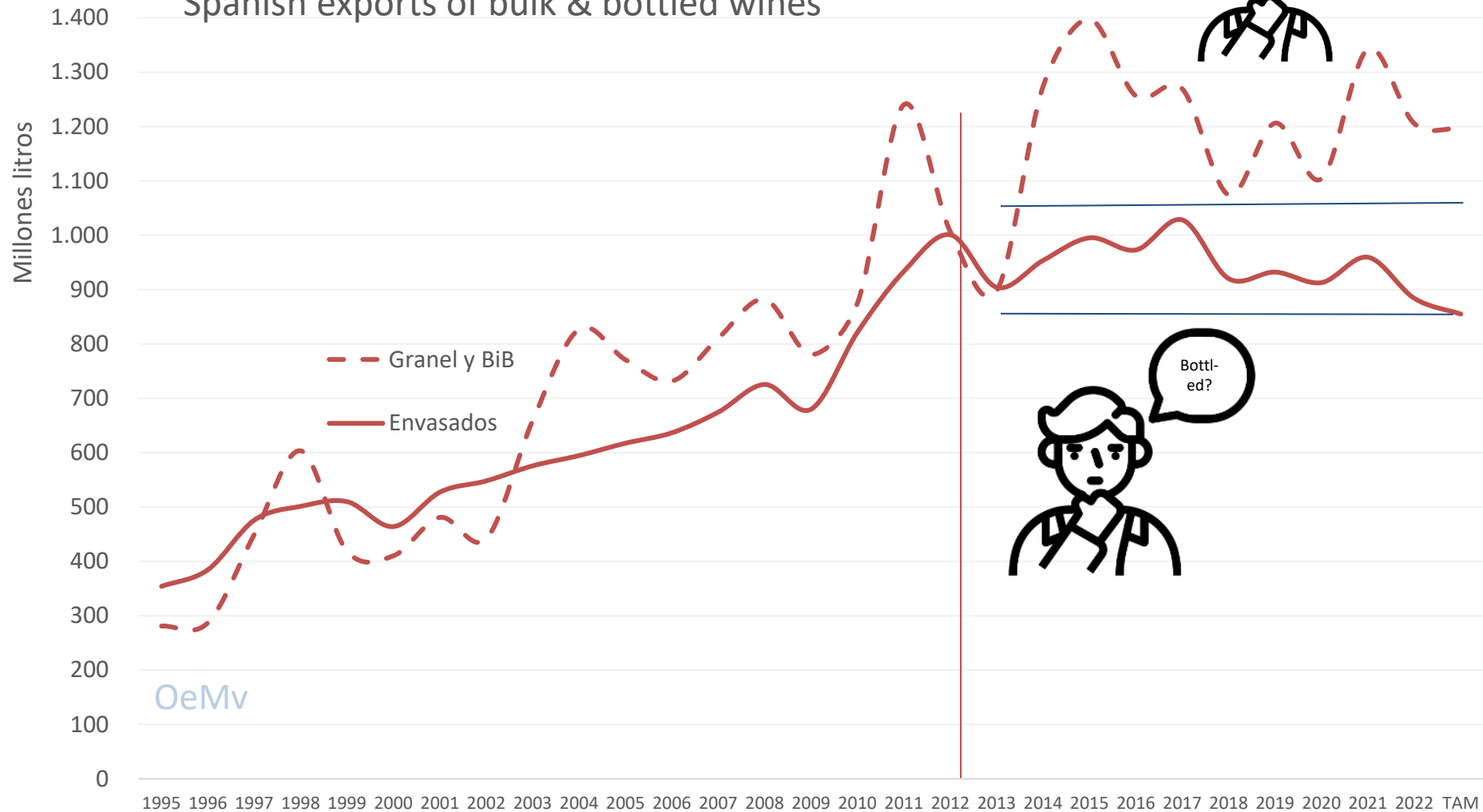
What type of wines does Spain export?



Spain – exports

Bulk wines and bottled wines evolve in very different ways, being the former much more erratic than the later... which remain more stable in recent years.

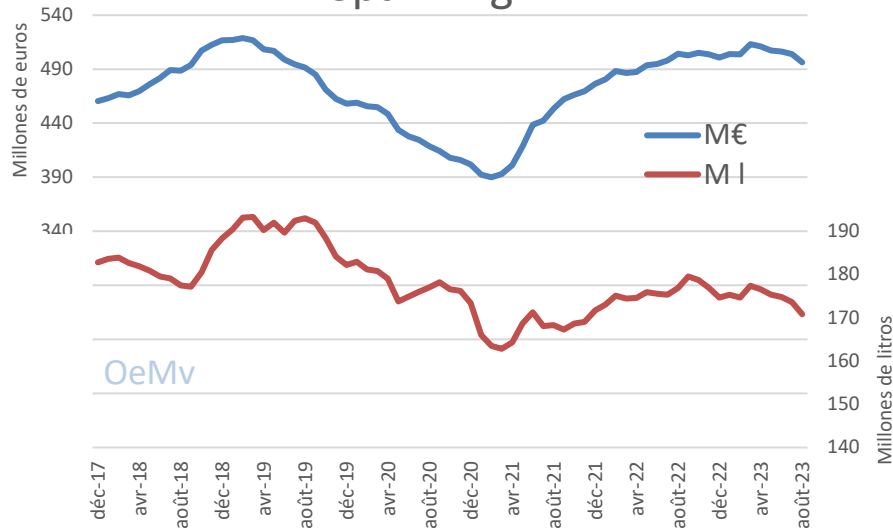
Spanish exports of bulk & bottled wines



Which are our main categories of wines?

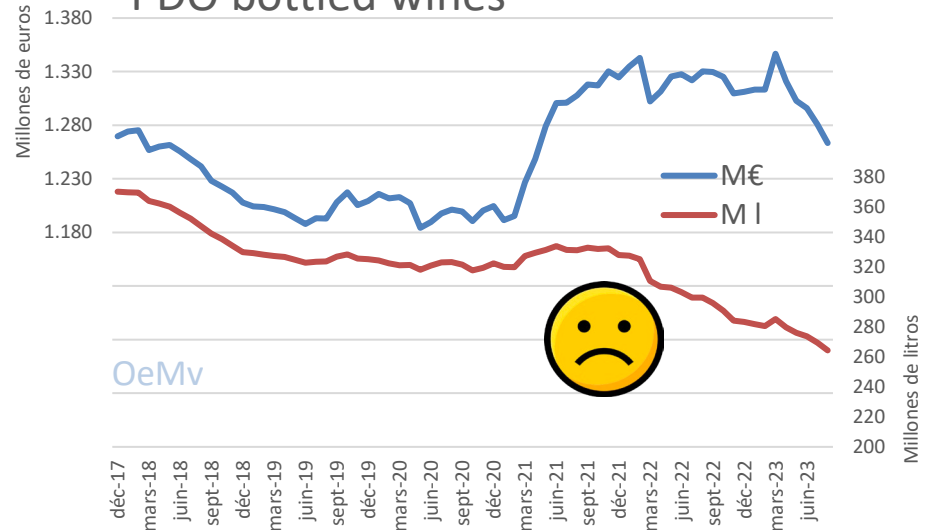
Strong recovery of Sparkling wines, particularly in value terms; now more stable..

Sparkling



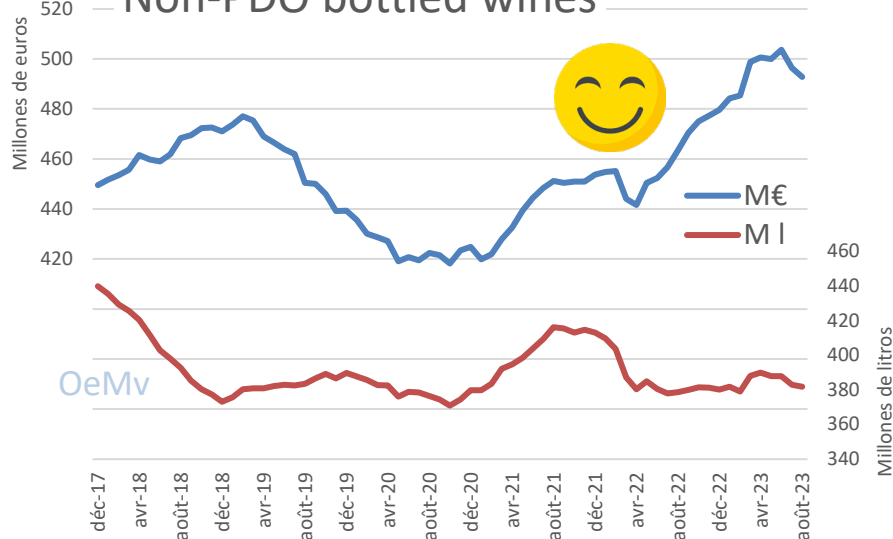
Bottled still wines reaching record high sales in Euros after COVID but .sharply falling in 2023

PDO bottled wines



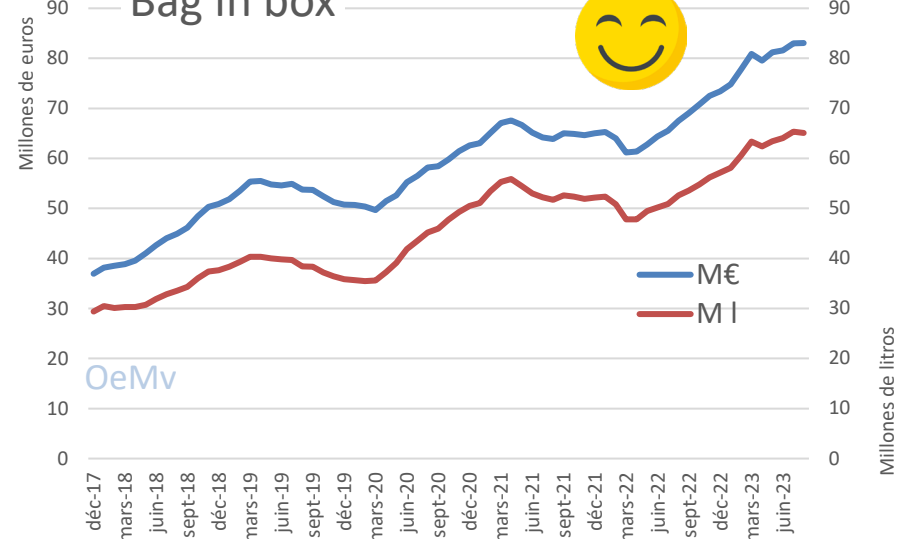
Non-PDO wines on the rise, particularly in value terms

Non-PDO bottled wines



BiB remains the fastest growing category after COVID..

Bag in box



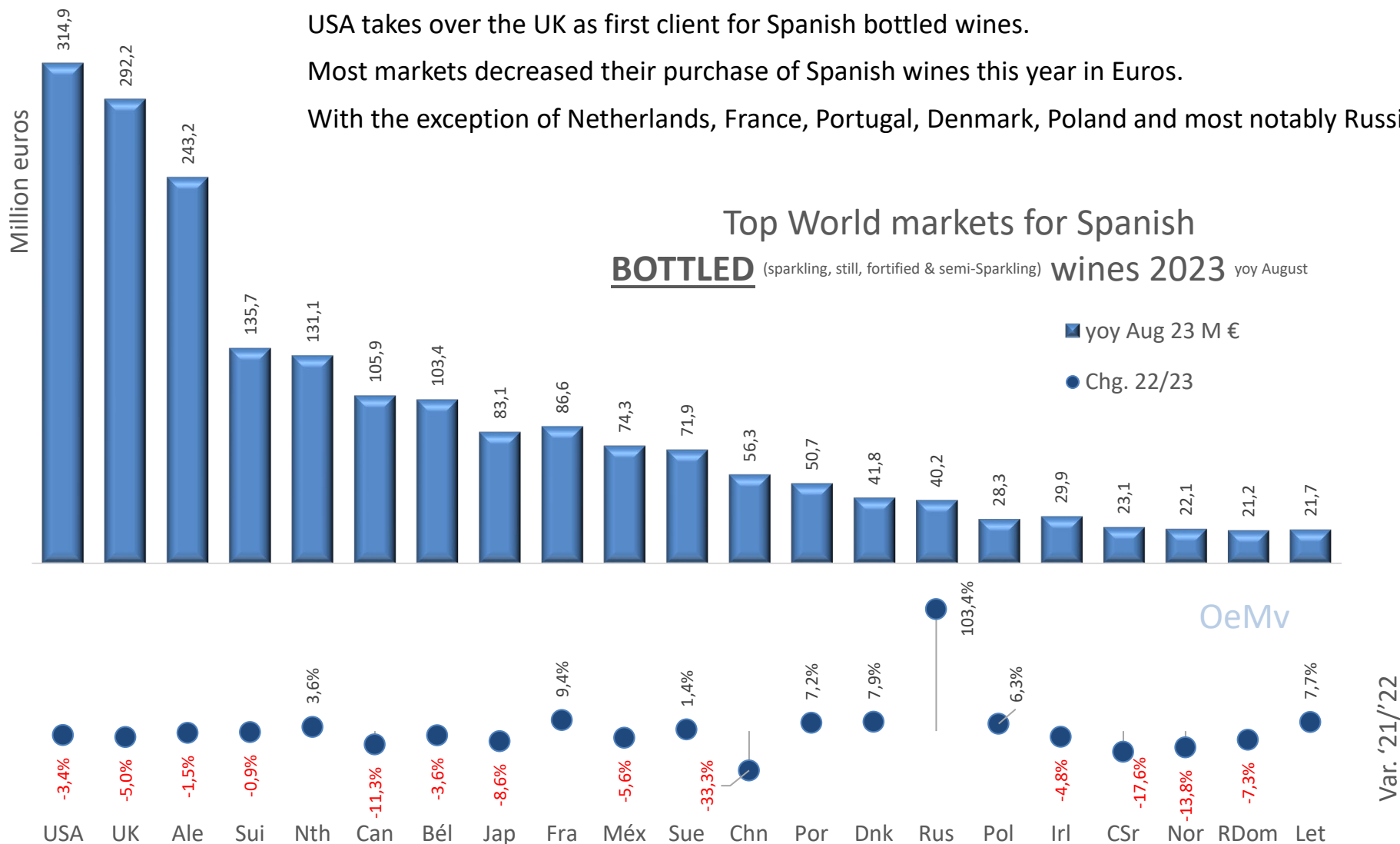
Export of bottled wines

Different markets evolve in different ways

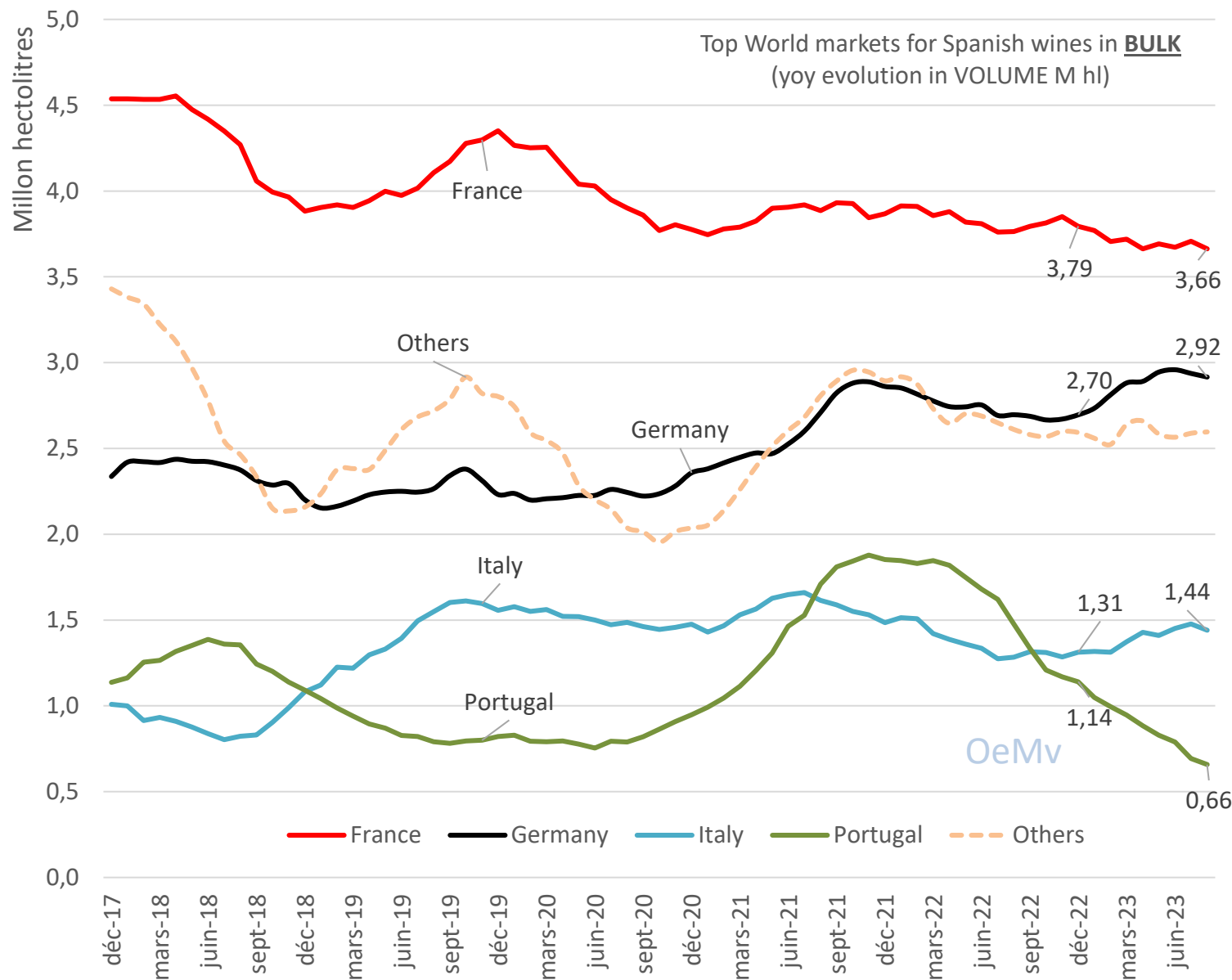
USA takes over the UK as first client for Spanish bottled wines.

Most markets decreased their purchase of Spanish wines this year in Euros.

With the exception of Netherlands, France, Portugal, Denmark, Poland and most notably Russia.



Export of bulk wines



For bulk exports, four markets account for more than 77% of total sales in volume. All of them are (1) wine producers and (2) wine exporters, what means great concentration and strong dependence on (1) their own wine productions and (2) their sales... competing with ours.

Therefore, in relation to wine exports from Spain

- ❑ We follow the general trend of higher –or stable– values vis a vis decreasing volumes
 - ❑ Long term premiumisation
 - ❑ Short term inflation
- ❑ Bulk wines, particularly in the low-price segment concentrated in 4 big markets, extremely erratic depending on
 - ❑ Harvest size
 - ❑ Our clients' needs (← depending on their markets evolution)
- ❑ Bottled wines
 - ❑ Negatively affected by deep fall for PDO wines
 - ❑ But showing strong growth for varietals and BiB
- ❑ Almost same impact than other producers from the markets' evolution, but
 - ❑ Less exposed to Chinese decreasing demand
 - ❑ Favoured by growth in Latin America
- ❑ Relatively less positively affected by the good evolution of sparkling markets

Hypothesis



- ❖ Spain – as many other wine producing countries before – had a strong domestic consumption and, therefore, limited need to export
- ❖ Change of EU regulation in 2009, eliminating subsidies to distillations in 2011 deeply affected regions where distillation was a large percent (up to 30%) of total production → from +9 Mhl to 3 Mhl
- ❖ The alternatives were:
 - ❖ Producing less wine to compensate less distillation
 - ❖ Increasing wine sales in the domestic market
 - ❖ Increasing exports
- ❖ Production did not decrease; it rather grew to historic records
- ❖ ... leading to urgent need to export large amounts of previous distilled wines
- ❖ But international trade and distribution is not easy, nor quick, to implement
- ❖ ... what made Spain the world's large exporter of cheap wines to other exporters
- ❖ And will remain this way until two big changes take place:
 - ❖ Gaining experience in international trade → expand distribution nets
 - ❖ Move wines from lower to higher quality levels → in larger, more visible, amounts
- ❖ But, at the same time, larger amounts of quality wines are produced and exported and ready to be discovered

Potential future trends

- ❖ Production
 - ❖ Will keep on being erratic, depending on the availability of water
 - ❖ Pushed in the south to obtain higher yields that may compensate low prices
 - ❖ Limited and controlled in the north
- ❖ Domestic consumption
 - ❖ General trend to be positive once inflation has been assumed (back to 2019)
 - ❖ Stable in the off-premise vis à vis better performance in the on-premise
 - ❖ Fresher, sweeter and more easy-to-drink wines slightly affected by the crisis
 - ❖ Weaker growth for premium wines than internationally
- ❖ Export markets
 - ❖ Taking advantage of the dichotomy:
 - ❖ more premium & super-premium wines
 - ❖ together with better distribution and growing sales of popular wines
 - ❖ Slow move of bulk wines towards higher value markets
- ❖ Other wine & grape products
 - ❖ Must and wine alcohol showing good potential
- ❖ Proliferation of diversified portfolios.

The risk is in
the middle

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Thank you



European
Commission

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del Mercado del VINO