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GAIN Report #SP0047

# Spain

## Wine

### Competition Annual

### 2000

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#### Report Highlights:

**Relatively favorable weather conditions have led to a large 2000 vintage of about 36 million hectoliters in Spain. Quality is in general terms standard and grape prices have declined last year's high levels. Domestic wine sales as well as exports sales have recently declined as a result of increased prices. Wine imports into Spain increased notably in 1999 but are declining so far in the current year 2000. The new EU wine regime is being applied this year with its new orientation toward quality enhancement, including a vineyard renewal program. Negotiations for a renewed U.S.-EU wine accord have continued and positions seem now closer.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Annual Report  
Madrid [SP1], SP

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## Executive Summary

Spain's 2000 wine vintage is currently estimated at about 36 million hectoliters (one hl. equals 100 liters), up nine percent from last year's levels. Although absence of frosts or hailstorms have been beneficial, dryness during most of the growing period prevented a larger crop. Quality is in general terms standard. Grape prices in leading wine areas notably decreased from last year's high levels.

Bottled wine sales in the distribution system in Spain decreased to 13.7 million hectoliters in 1999, a three percent decline from previous year levels. Higher prices are behind the decline in wine sales. During the first semester of 2000, consumption of quality and table (ordinary) wines has continued to decline.

Spanish wine exports in 1999 declined 19 percent in terms of volume to 9 million hectoliters but rose five percent in terms of value to Pts.217 billion (\$1.38 billion). The main destinations were the rest of the EU (76 percent), the United States (3 percent) and Switzerland (3 percent). Wine imports in 1999 increased 44 percent to 1.33 million hectoliters worth Pts. 17.1 billion (\$109 million). United States wine imports into Spain last year declined in both terms of volume and value to 4,692 hectoliters and \$0.46 million, respectively. During the first half of 2000, Spanish wine exports have declined in terms of both volume and value, by nine and four percent, respectively. The value of quality wine exports, however, increased. The value of Spanish wine imports during the first half of 2000 declined by a third from the comparable period a year earlier.

In the medium term, Spanish wine exports are expected to continue to grow due to the high competitiveness of Spanish wines. Certainly, during the next two years since the last two consecutive relatively large crops warrant abundant export supplies at moderate prices. For the subsequent years, however, forecasts are difficult to make as Spanish grape harvests are very vulnerable to dryness or freezes. Spain's wine imports are basically bulk "table" wines in addition to a few narrow market segments of quality wines. Thus, Spain should be considered as only a specialty market for wine imports.

A new EU wine regime starts this year. The new scheme seeks the enhancement of quality, a greater market orientation, and the renewal of old vineyards. The restructuring program is expected to renew about 23,000 hectares of vineyards with better varieties in Spain during the current 2000/2001 year.

Negotiations for the renewal of the United States-EU wine accord have continued and positions seem to be closer. Among issues regarding wine trade between the United States and the EU are the mutual recognition of enological practices. The EU restrictive system includes a positive list of practices and the United States is seeking a system of mutual recognition for practices approved in either countries. Other topics of the negotiations include the protection of EU semigenetic/geographic names, traditional EU expressions (such as "vintage", "reserve", "aged five years"), labeling and certification, and tariff disparity.

Current Exchange rate: 187 pesetas/\$1.0

PSD Table						
Country	Spain					
Commodity	Wine				(1000 MT)(1000 HL)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		09/1998		09/1999		09/2000
TOTAL Grape Crush	0	4734	0	5051	0	5474
Begin Stock (Ctrl App)	0	0	0	0	0	0
Begin Stock (Other)	0	0	0	0	0	0
TOTAL Beginning Stocks	0	21000	0	21000	0	19700
Prod. from Wine Grapes	0	0	0	0	0	0
Prod. from Tabl Grapes	0	0	0	0	0	0
TOTAL PRODUCTION	0	30000	0	33000	0	36000
Intra-EU Imports	0	1000	0	500	0	500
Other Imports	0	300	0	200	0	200
TOTAL Imports	0	1300	0	700	0	700
TOTAL SUPPLY	0	52300	0	54700	0	56400
Intra-EU Exports	0	8000	0	8500	0	9000
Other Exports	0	2000	0	2500	0	3000
TOTAL Exports	0	10000	0	11000	0	12000
Dom. Consump(Cntrl App)	0	3100	0	3000	0	3100
Dom. Consump(Other)	0	18200	0	21000	0	18800
TOTAL Dom. Consumption	0	21300	0	24000	0	21900
End Stocks (Cntrl App)	0	0	0	0	0	0
End Stocks (Other)	0	0	0	0	0	0
TOTAL Ending Stocks	0	21000	0	19700	0	22500
TOTAL DISTRIBUTION	0	52300	0	54700	0	56400

## PRODUCT NARRATIVE

### Production

Despite a recent major reduction in Spanish vineyards, the area planted to vineyards in Spain continues to be the largest in the EU, accounting for about one third of the EU vineyard area, followed by France and Italy. Nevertheless, total Spanish wine production ranks behind French and Italian production, mainly due to limited rainfall, poor soils in certain areas, and restrictive measures on vineyard irrigation.

The area planted to vineyards in Spain has dramatically decreased since the EU vineyard uprooting program has been mainly applied in Spain. The latest estimate on the wine grape area is about 1.1 million hectares, compared with 1.5 million hectares in 1985, when Spain joined the EU. Despite this acreage reduction, production levels, however, have not diminished dramatically. Greater marketing in the EU has lead to increased grape growers's returns that

have been invested in modernizing their vineyards, increasing mechanization and irrigations. Moreover, the new EU vineyard uprooting program will certainly contribute to a further boost to Spanish wine competitiveness in the future and increase exports.

Due to the diversity of Spanish soils and climates, there are numerous Spanish wine areas which produce an broad range of wine types. There are currently more than 50 different Appellation of Origins (AO) throughout the country. Of the 17 Autonomous regions, only two– Asturias and Cantabria– do not have any AO.

Wine production this year is estimated to be above the average crop year output. Although rains during April and May in certain areas were beneficial and no frosts damaged vineyards this year, dryness during the rest of the growing period reduced previous expectations for a larger crop. Quality this year is variable depending on regions, but in general terms is standard.

Prices for grapes in leading wine producing areas have notably decreased from previous year high levels. Thus, grape prices in Rioja which were up to 400 pesetas per kilogram in 1999 have dropped to about 125 pesetas this year.

Breakdown of "wine and must" production by areas in the last two years are as follows:

	1999	2000
	(Hectoliters)	
Castilla-La Mancha	19,503,000	20,831,000
Extremadura	2,999,000	3,404,000
Cataluna	3,212,000	3,149,000
Rioja	1,551,000	1,995,000
Andalucia	1,989,000	1,931,000
Valencia region	2,079,000	1,814,000
Castilla-Leon	1,336,000	1,438,000
Aragon	1,035,000	1,095,000
Galicia	1,054,000	1,056,000
Navarra	624,000	842,000
Pais Vasco	445,000	583,000
Murcia	620,000	564,000
Madrid	212,000	351,000
Canary Islands	115,000	200,000
Others	28,000	29,000
- TOTAL WINES AND MUSTS	36,802,000	39,282,000

A new EU wine regime, approved in 1999, is being applied to the current 2000 vintage. The new scheme seeks the enhancement of quality, a greater market orientation, and the renewal of old vineyards. The new regime will encourage quality enhancement by restructuring vineyards (54,000 hectares annually in the EU) with better varieties or appropriate production techniques. The program in Spain is expected to restructure about 23,000 hectares during the current 2000/2001 year. The EU share for the financing of restructuring programs will be 50 percent, and in the least developed areas could be up to 75 percent. Uprooting programs would be maintained, however, only exceptionally and on a voluntary basis. In addition, the current vineyard planting ban would be extended through July 31, 2010. A reserve of planting rights of no more than one percent of the total vineyard area would be created in each member state to

permit transfers of planting rights between regions, with young farmers to be the main beneficiaries of such a reserve.

The new EU wine regime includes a special distillation scheme to secure alcohol to producers of fortified wines and brandy, as well as a "crisis" distillation scheme for potential surges in wine stocks or severe quality reductions would also be created. The previous wine storage aid scheme is maintained. Enological practices are also maintained, including the chaptalization, the practice of adding sugar to wine during the fermentation process to increase the alcohol content. This is a very contentious issue between Northern and Southern European countries. The former use chaptalization because the sugar content of northern grape varieties is low and the latter, as is the case of Spain, believe that only grape must or concentrated juice should be used to enhance the alcohol content of wines. The EU budget for the wine sector would be increased from 800 million Euros for 1998 to 1,292 million Euros for the year 2001 and 1,335 million Euros for the year 2003.

The renewal of the United States-EU wine accord have stalled due to disagreements about several issues regarding wine trade between the United States and the EU. Discussions are focused primarily on differences in enological (wine making) practices and the procedures to approve new practices. The United States has been proposing that there be mutual recognition of approval systems. The major EU argument against mutual recognition centers on its desire to control "good wine making practices." The EU wants to use a positive list of practices and the United States wants a systems of mutual recognition for practices approved in either countries. Other topics of the negotiations include the protection of EU semigeneric/geographic names, traditional EU expressions (such as "vintage", "reserve", "aged five years"), labeling and certification, and tariff disparity. In December 1998, the EU granted a five year derogation for United States wine making practices and certification, thereby allowing formal negotiations toward a new agreement to begin. Positions seem to have narrowed recently.

## Consumption

After three years of growth, per capita wine consumption in Spain decreased last year to about 34.3 liters, a 3.6 percent decline from 1988. Current levels, however, have nothing to do with those in the early seventies when per capita wine consumption was about 70 liters. Current Spanish per capita wine consumption levels also contrasts with about 60 liters in France and Italy.

As shown in the table below, domestic bottled wine sales in 1999 declined three percent due largely to increased prices. Wine prices rose last year by ten percent. Domestic sales of quality wine declined 4.3 percent from the previous year's record level and domestic sales of table wines declined 2.6 percent. During the first semester of 2000, the tendency of declining consumption of quality wines as well as of table (ordinary) wines have continued.

Table (ordinary) wines are the most consumed in Spain. During last year, average annual per capita consumption of table wines was about 24.6 liters, compared to 7.7 liters for quality wines and 1.3 liters for sparkling wines. Table (ordinary) wines are mostly sold in tetra-brick packs, followed by 3/4 liter bottles and returnable containers and are mostly consumed in homes.

In the quality wine market, reds are the most sold, accounting for nearly 60 percent of sales. Whites and roses account for about 20 percent of sales, each. Rioja is the leading quality wine type sold, followed by Valdepenas, Penedes, Navarra, and Ribera del Duero. Retail prices for a regular 75 CL bottle ranged on average last year as follows: Ribera del Duero (\$8), Rioja (\$4), Rueda (\$3), Penedes (\$3), Navarra, Carinena, Mancha and Valdepenas (\$2).

Below are data on bottled wine sales in the distribution system and per capita wine consumption in Spain during the last three years.

	CY 1997	CY 1998 (Hectoliters)	CY 1999	1999 over 1988 (percentage)
Total Wines	13,924,000	14,147,000	13,717,000	(3.0)
-Quality	3,026,000	3,199,000	3,062,000	(4.3)
-Table	9,881,000	10,096,000	9,838,000	(2.6)
-Sparkling	591,000	538,000	501,000	(6.8)
-Other	426,000	314,000	316,000	0.1
Per capita direct wine consumption	34.8	35.6	34.3	(3.6)

PSD consumption data also include industrial use, losses and distillation.

**TRADE****Trade Flows**

	CY 1997	CY 1998	CY 1999
<b>VOLUME OF WINE IMPORTS</b>			
(Hectoliters)			
-Intra EU Imports	130,147	915,784	1,040,692
-Extra EU Imports	38,153	7,017	289,858
<b>TOTAL</b>	<b>168,300</b>	<b>922,801</b>	<b>1,330,550</b>
<b>CIF VALUE OF WINE IMPORTS</b>			
(Million pesetas)			
-Extra EU Imports	6,090	12,998	16,295
-Extra EU Imports	506	597	812
<b>TOTAL</b>	<b>6,596</b>	<b>13,595</b>	<b>17,107</b>
<b>VOLUME OF WINE EXPORTS</b>			
(Hectoliters)			
-Intra EU Exports	7,451,637	8,381,394	6,857,510
-Extra EU Exports	2,564,613	2,842,914	2,216,786
<b>TOTAL</b>	<b>10,016,250</b>	<b>11,224,308</b>	<b>9,074,296</b>
<b>FOB VALUE OF WINE EXPORTS</b>			
(Billion pesetas)			
-Intra EU Exports	133	151	158
-Extra EU Exports	47	55	59
<b>TOTAL</b>	<b>180</b>	<b>206</b>	<b>217</b>

**Import Market Profile**

	CY 1997	CY 1998	CY 1999
<b>VOLUME OF WINE IMPORTS</b> (Hectoliters)			
Wines	126,346	885,182	1,259,638
-Sparkling	12,809	13,257	16,681
-Quality, still	9,527	32,374	32,004
-Table, still	95,828	828,809	1,197,748
-Fortified	8,182	10,742	13,205
Other: grape must, vermouth, sangria, other flavored wines	41,954	37,619	70,912
<b>TOTAL</b>	<b>168,300</b>	<b>922,801</b>	<b>1,330,550</b>

	<b>CIF VALUE OF WINE IMPORTS</b> (Million pesetas)		
Wines	5,328	12,654	16,132
-Sparkling	2,739	3,063	3,896
-Quality, still	530	917	742
-Table, still	1,407	7,914	10,584
-Fortified	652	760	910
Other: grape must, vermouth, sangria, other flavored wines	1,268	941	975
<b>TOTAL</b>	<b>6,596</b>	<b>13,595</b>	<b>17,107</b>

**Wine Imports by Source in CY 1998 and 1999**

Country	1998		1999	
	Volume (Hls.)	Value (Million Pts.)	Volume (Hls.)	Value (Million Pts.)
EU countries	915,784	12,998	1,040,692	16,295
The United States	385	44	4,692	72
Chile	2,406	124	33,786	130
Argentina	1,108	43	14,692	67
Australia	51	3	1,250	16
South Africa	73	4	-	-
China	569	12	2,732	3
Hungary	245	4	3,017	25
Israel	37	2	1,749	2
Bulgaria	13	1	-	-
Switzerland	554	19	5,556	39
Other	1,576	341	222,384	458
<b>Total</b>	<b>922,801</b>	<b>13,595</b>	<b>1,330,550</b>	<b>17,107</b>

**Export Market Profile**

	<b>VOLUME OF WINE EXPORTS</b>		
	(Hectoliters)		
	CY 1997	CY 1998	CY 1999
Wines	9,419,432	10,652,851	8,463,149
-Sparkling	1,055,548	709,176	1,009,949
-Quality, still	3,188,050	3,308,710	1,440,065
-Table, still	4,550,627	6,089,997	5,402,281
-Fortified	625,207	544,968	610,854
Other: grape must, vermouth, sangria, other flavored wines	596,818	571,457	611,147
<b>TOTAL</b>	<b>10,016,250</b>	<b>11,224,308</b>	<b>9,074,296</b>

	<b>FOB VALUE OF WINE EXPORTS</b>		
	(Billion pesetas)		
	CY 1997	CY 1998	CY 1999
Wines	169	198	210
-Sparkling	31	34	50
-Quality, still	81	96	108
-Table, still	32	47	16
-Fortified	25	21	27
Other: grape must, vermouth, sangria, other flavored wines	11	8	16
<b>TOTAL</b>	<b>180</b>	<b>206</b>	<b>217</b>

**Wine Exports by Destination in CY 1998 and 1999**

Country	1998		1999	
	Volume (Hls.)	Value (Billion Pts.)	Volume (Hls.)	Value (Billion Pts.)
EU countries	8,381,394	151	6,857,510	158
The United Kingdom	215,959	14	229,380	16
Switzerland	381,526	10	278,928	12
Canada	58,697	2	63,060	3
Norway	77,768	3	72,656	3
Japan	157,352	6	108,786	4
Andorra	45,867	1	43,522	1
Mexico	26,415	1	31,885	2
China	356,827	5	240,868	2
Russia	83,320	1	39,779	1
Other	1,439,183	12	1,107,922	15
<b>Total</b>	<b>11,224,308</b>	<b>206</b>	<b>9,074,296</b>	<b>217</b>

Peseta/US\$ exchanges rates: 1997 - 146.41; 1998 - 149.40; 1999 - 156.33; current - 193.00  
Source: Spanish Customs Office.

During the first half of 2000, Spanish wine exports have declined in terms of both volume and value, by nine and four percent, respectively. The value of quality wine exports, however, increased. The value of Spanish wine imports during the first half of 2000 declined by a third from the comparable period a year earlier.

In the medium term, Spanish wine exports are expected to continue to grow due to the high competitiveness of Spanish wines. Certainly, during the next two years since the last two consecutive relatively large crops warrant abundant export supplies at moderate prices. For the subsequent years, however, forecasts are difficult to make as Spanish grape harvests are very vulnerable to dryness or freezes. Since Spanish wine exports are concentrated in the rest of the EU, the current Asian economic recovery is not likely to have a major impact on the Spanish wine industry. Spain's wine imports are basically bulk "table" wines in addition to a few narrow market segments of quality wines. Thus, Spain should be considered as only a specialty market for wine imports.

### Market Access

1. Import Tariffs: Current import tariffs are as follows:

	(Euros/100 liters)
Bottled wine, still	13.10*
Sparkling wine	32.00

\*At the current Euro/United States dollar rate of 0.8596, it makes 11 United States cents per liter or 8.44 United States cents for a regular 75 CL wine bottle.

2. Excise taxes: no excise taxes apply to domestic or imported wines in Spain.

3. Value Added Tax: Like domestic wines, imported wines are subject to a 16 percent VAT.

### Market Opportunities

Spain's wine imports are basically limited to a few narrow market segments. Thus, Spain should be considered as only a specialty market for wine imports. Some high priced United States brands already have in-country distribution, and there are also some marketing opportunities for medium priced wines.

### Import Requirements:

Importers may be any individual or company located in Spain or in any other EU country. Spanish importers with an address in Spain have to have a fiscal I.D. from the Ministry of

Finance (Ministerio de Economía y Hacienda). For wine shipments larger than 3,000 liters, an import certificate– called AGRIM– is required. A deposit, with rates depending on the type of the wine, must be made. However, deposits not exceeding 120 Euros are exempted. The import certificate has to be requested prior to the shipment, with a validity for the rest of the month in which it was issued plus 4 months, i.e. a certificate issued on November 24 will be valid through March 31. The certificate is valid for the entire EU.

The following documentation is required for customs clearance of wines:

- 1) Bill of lading
- 2) Certificate of Origin
- 3) An original Commercial Invoice with a copy
- 4) An import declaration

As indicated above, wine imports into Spain are subject to the EU import duty rates shown on the table as well as to a 16 percent VAT.

Wines are also subject to sanitary inspection at Customs. Importers have to be registered at the Public Health Unit of the Autonomous Region's Government where they are located. Importers based in other EU countries not having a domicile in Spain, however, should be registered with the Central Government's Ministry of Health at the following address:

Registro Sanitario de Alimentos  
Direccion General de la Salud Publica  
Subdireccion General de Higiene de los Alimentos  
Ministerio de Sanidad y Consumo  
Paseo de Prado, 18-20  
28071 Madrid  
Phone: (34) 91 596-1966 and 91 596-1950  
Fax: (34) 91 596-4487

Please note that importers must have a sanitary registration number which, along with their names and addresses, must appear on the label.

As in other EU countries, product labeling must comply with stringent information requirements including net content, alcoholic degree, lot marking, country of origin and importer's name, address and sanitary registration number. Label information must be in Spanish. Stickers are allowed.

There is some labeling information which is mandatory in the United States but prohibited in the EU, as follows: The government warning statement and the sulfite declaration. In addition,

generic or semigeneric designations having geographic significance such as Sherry or Champagne, or the terms “Method Champanoise”, “table wine”, and “reserve” are prohibited in the EU.

A customs agent or broker is normally involved in clearing products at customs. Import declarations are made at the State Secretariat of Commerce or its branch delegations in major port cities throughout the country. Declarations must use the exact terminology of the tariff classification under which the goods are being imported. A three-month grace period is allowed for United States-origin goods arriving without proper documentation, subject to a written guarantee by the customs agent.

## MARKETING

### Distribution

In country distribution is normally made through wineries’ distributors. As shown in the table below, while hotels, restaurants and institutions are the main markets for quality wines, sales of ordinary table as well as sparkling wines are mainly done in supermarkets for home consumption. HRI markets are supplied mainly by distributors (80 percent). The balance is met by wholesalers (8 percent), supermarkets (6 percent) and cash&carries (4 percent).

Wine type	Wine Sales in CY 1989 (volume terms)		Market Shares (Percentage)	
	HRI	Home	Home	Total
Quality	71	29		100
Table	49	51		100
Sparkling	42	58		100
Other	65	35		100

Concerning exports, the most common way for Spanish wineries is to sell directly to an importer located in the destination country. Lack of industry concentration and organization on the part of Spanish wine producers usually enables distributors to fully extract price concessions in the domestic and foreign markets. Only a very few large producers are able to implement their own marketing criteria. There are about 3,800 wine companies in Spain, of which about 50 account for 80 percent of total wine exports.

### Foreign Market Development

The Spanish Foreign Trade Institute (ICEX), an Agency of the Ministry of Industry, Commerce and Tourism, is responsible for diversified government-funded foreign market promotion programs for food products as well as other non-food items such as industrial products, consumer goods, and fashion.

ICEX food product promotional activities are focused on EU markets and include sponsorship and participation in trade fairs, point-of-sales promotions, market research, trade missions,

training and direct assistance to exporters. The Institute's promotional activities abroad are supported by eleven promotional centers, seven of which are food/beverage-related and located in New York, Toronto, Dusseldorf, The Hague, London, Paris and Milan, and by 80 trade offices around the world. Five trade offices are located in the United States (Chicago, Los Angeles, Miami, New York, and Washington). There is also an office in San Juan, Puerto Rico.

Competitor's market promotion activities are mainly conducted by the Port Wines Institute, the Italian Institute for Foreign Trade, and the French SOPEXA. Market development efforts for wine in Spain are for the most part focused on participation in Intervin, a wine and spirit show associated with ALIMENTARIA, which is held biannually in Barcelona. ALIMENTARIA is the third largest such event held in Europe, after ANUGA and SIAL. 666 exhibitors participated at Intervin this year. The next Intervin show is scheduled for March 2002.

### **Government Support**

Under the current limits of the WTO, EU export refunds are available for table wines and certain fortified wines to certain destinations. Spanish wine exports with EU export refunds primarily consist of bulk reds and roses destined to African markets and bulk whites shipped to Eastern European markets.

Subsidizes wine exports amounted to 1.6 million hls. of wine in 1998, down from 2.50 million hls. in 1997. Export refunds on these exports declined from 4.7 billion pesetas in CY 1997 to 3.6 billion pesetas in CY 1998.

### **Export Regulations**

The Spanish Vineyard, Wine and Alcohol Act of 1971 is the legal framework for the production, marketing and imports and exports of Spanish wines.