

Voluntary Report – Voluntary - Public Distribution

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Report Highlights:

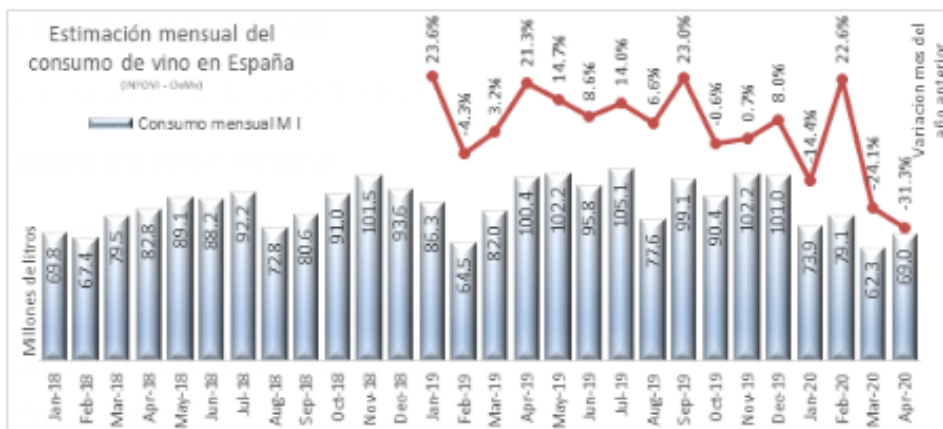
During the first quarter of 2020, Spanish data shows a significant drop in wine sales to the domestic and international markets. The drop in Spanish wine sales is primarily due to the closure of the hospitality and tourism sectors in response to the COVID-19 crisis. Average prices for Spanish wine are also expected to decline. The Ministry of Agriculture implemented a set of extraordinary measures to alleviate the pandemic's negative impact on the Spanish wine sector and to avoid a surplus of wine during the upcoming season. With the end of the Spanish State of Alarm and the reopening of nonessential activities, Spanish industry observers expect the wine sector to rebound.

General information

According to [EU official data](#), in 2019/20, Spain produced 38,100 thousand hectoliters (HL) of wine including grape must, a 23 percent drop from the previous market year and 11 percent below the five-year average. The planted area to vineyards stood at around 902,000 hectares, a two percent decline from the previous period and 1.7 percent below the five-year average. Spain leads the area planted with organic vineyards in the EU with 113,412 hectares. There are about 4,300 wineries in Spain, 75 percent of which are export oriented. Spanish wine production represents 23 percent of the total wine produced in the EU, ranking third after Italy and France. Of this total wine production, Spain produces 33 percent of its wines under Protected Denomination of Origin (PDO) and nine percent of wines with Geographical Indication (GI). The rest are varietal wines without PDO or GI. Spain produces wine throughout all its 17 autonomous regions, with a total of 70 different PDOs and 42 GIs. In Spain, there are about 150 native grape varieties planted. The most cultivated varieties are *Airen*, *Tempranillo*, *Bobal*, and *Garnacha Tinta*.

According to Spanish Wine Market Observatory (OEMV) [data](#), in 2019, Spanish wine consumption increased almost 10 percent compared to previous year to 11 million HL (see Chart 1). However, during the first quarter of 2020, Spanish wine consumption decreased almost 15 percent due to the closure of hospitality and tourism sectors. Spain's declaration of the State of Alarm in response to the COVID-19 pandemic started on March 14 and ended on June 21.

Chart 1. Monthly Spanish Total Wine Consumption Jan 2018-Apr 2020, (Million liters)

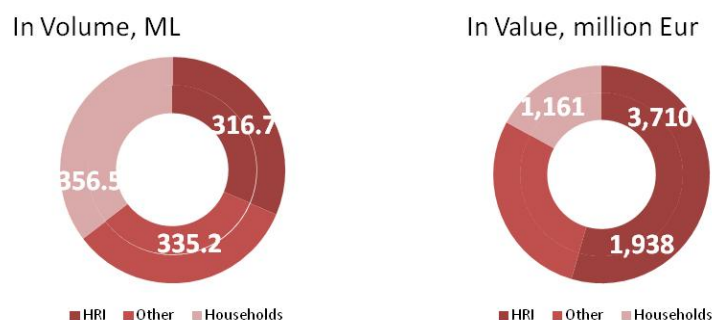


Source: OEMV

Official consumption data shows that during the first 10 weeks of confinement from week 11 to week 21 of 2020, average wine consumption in Spanish households rose 42 percent. Additionally, during the Spanish lockdown there was a significant increase in on-line wine sales. However, this rise in sales did not compensate for the sales loss incurred from the closure of the hospitality sector in terms of both volume and value. Household wine purchases tend to have lower value than the wine destined to Hotels, Restaurants, and Institutional (HRI) and tourism.

According to a [study](#) by the Spanish Wine Interprofessional (OIVE) and OEMV, in 2018, one third of the total volume of Spanish wine consumption (10.08 million HL) represented household consumption. Another third represented HRI consumption, and the last third represented consumption through other channels, namely gourmet stores, direct sales in wineries, on-line sales, and direct sales to tourists. However, only 17 percent of the total value, \$7.7 billion (6,810 million Eur) reached in 2018, represented household consumption. The HRI sector consumed 54.5 percent, and other channels 28.5 percent (see Chart 2).

Chart 2. 2018 Spanish Wine Consumption in Volume (ML) and Value (million €)



Data Source: OEMV and OIVE

According to the Spanish Wine Federation, the loss of HRI and other channels during the lockdown cut wineries' income by 35 percent during the first quarter of the year. However, with the opening of HRI and tourism during the coming months of 2020, industry observers are optimistic that total wine consumption will recover.

In response to the pandemic's negative impact on the Spanish wine sector and seeking to avoid a surplus of wine during the new 2020/21 wine season, the Spanish Ministry of Agriculture implemented [a set of extraordinary measures](#) (Spanish only). The package of measures published in the Royal Decree 557/2020 allocates \$102 million (90.5 million Euro) from the Wine National Support Program (PASVE) 2020. The measures include crisis distillation \$74 million (65.5 million Euro), aid for private storage \$17 million (15 million Euro), and greening \$11 million (10 million Euro). It is important to note that these measures taken to support the wine sector and to balance the market are accompanied by market regulation measures such as limitations on grape yields per hectare.

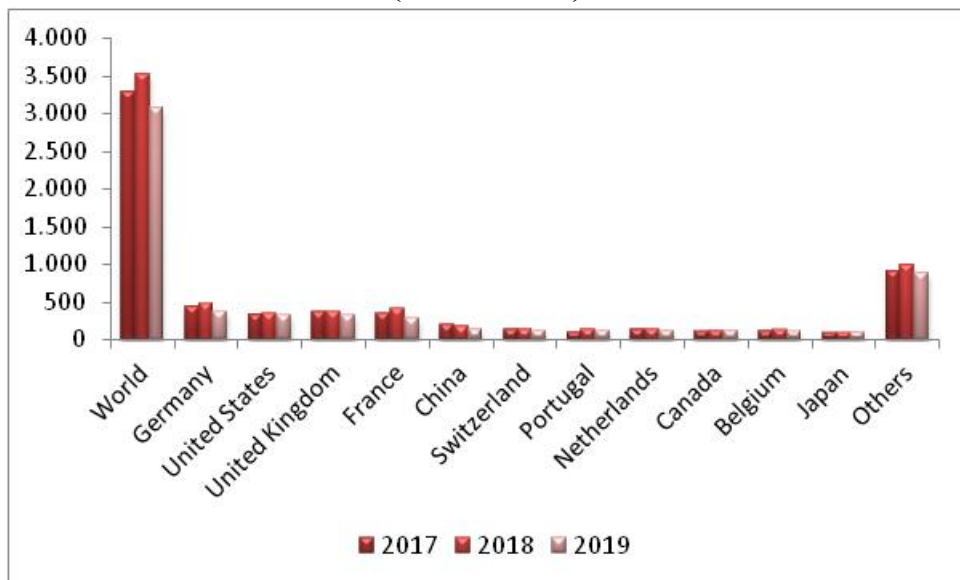
The crisis distillation measure covering 2 million hectoliters will have separate quotas for wines under PDO and for other wines. The measure will also benefit both wineries and distilleries. As previously stated, this measure is valued at \$74 million (65.5 million Euro), with aid of \$45 (40 Euro) per hectoliter for wines under PDO and \$34 (30 Euro) per hectoliter for other wines. The alcohol obtained from the distillation of wine must be used only for industrial and energy purposes.

Support for private storage covers 2.25 million hectoliters and is exclusively for wines under PDO and GIs. Valued at \$17 million, this aid is directly intended for wineries, with € 0.027 / HL of wine per storage day for a period of 180 days. This period can be extended to 270 or 360 days in the case of red wines.

With a budget of \$11 million, the greening measure will be paid directly to wine growers. For the first time in Spain, the measure also includes the possibility for plots covered under PDO to apply for support under greening measures.

Regarding trade, Spain is a net exporter of wine, the top global wine exporter in volume terms while third largest exporter in value. Following a shorter-than-expected harvest and relatively high 2018 wine stocks, according to official trade data, Spain’s wine exports increased 6.7 percent in volume to 21.7 million HL in 2019 compared to previous year. However, due to a 14 percent decline in average Spanish wine prices, in 2019, the value of Spanish wine exports dropped 12 percent to \$3 billion. Last year, Spain’s wine exports to the EU, its major market, declined 18 percent mainly due to the value decline in exports to France, Portugal, and Italy. Additionally, U.S. tariffs related to the WTO case against EU aircraft subsidies imposed on October 18, 2019, lowered Spanish wine exports to the United States by six percent to \$330 million. Nevertheless, the United States remained Spain’s second largest export destination. Spanish wine exports to China also declined in 2019, both in value and volume, to \$143 million (see Chart 3). Conversely, last year, Spain’s wine exports to Japan and Canada continued trending upward.

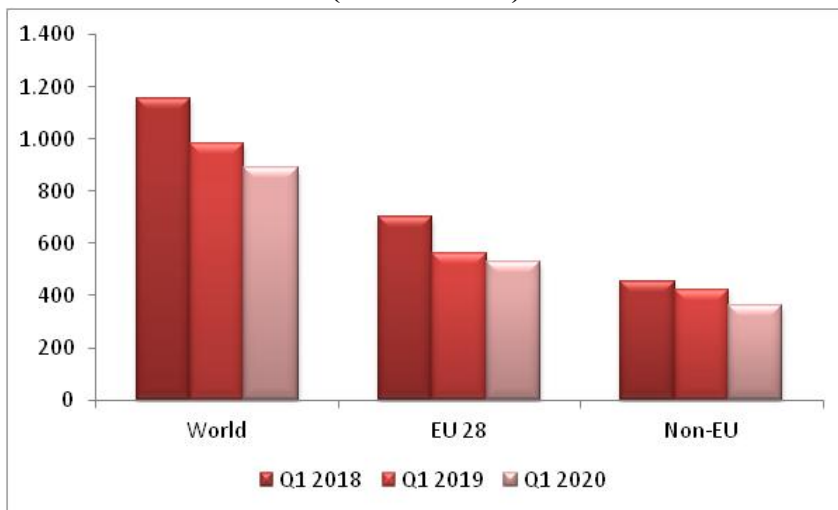
**Chart 3. Spain’s Exports of Wine 2017-2019
(Million USD)**



Source: TDM

In the first quarter of 2020, the situation was radically different. Spanish wine prices rose 5.7 percent compared to the same period in 2019. Exports fell 11 percent in volume and 9 percent in value (see Chart 4). During this period, Spain’s wine exports to the EU dropped 6 percent and 13 percent to non-EU countries. Global closure of the HRI and tourism sectors, movement restrictions, and some logistical issues at international destinations due to COVID-19 pandemic were the major reasons for the export decline. Notwithstanding, as confinement measures ease in Spain and worldwide, wine observers expect a rebound in sales during the second half of 2020.

**Chart 4. Spain’s Exports of Wine Jan-April 2018-2020
(Million USD)**



Source: TDM

Attachments:

No Attachments.