Overview on the Spanish Wine Sector from an Economic Perspective

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Geisenheim, June 2025

Contents

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Framework: The Wine in the World

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Globalization	Evolution of world trade	Top exporters	Top markets	Conclusions

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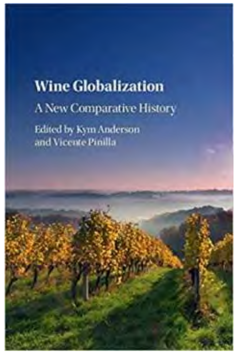
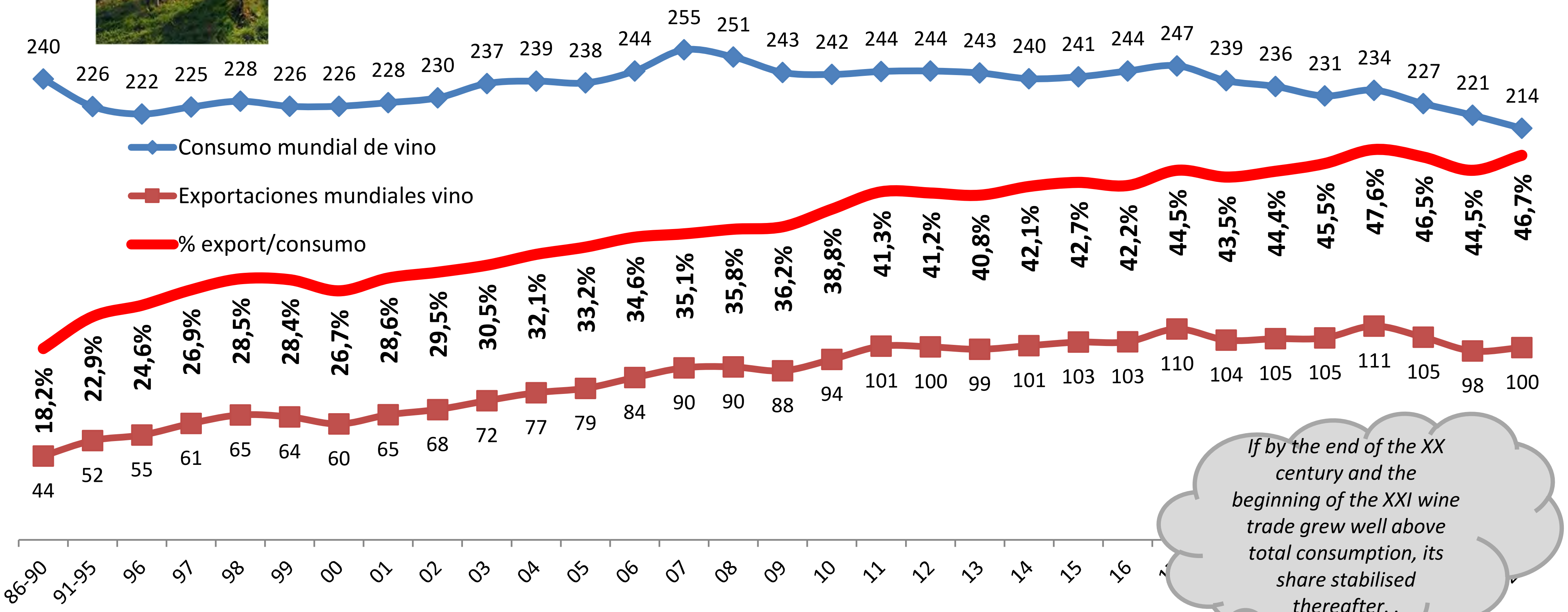
Given a trend of increasing globalization…



THE CONTEXT: Considering Algeria in the XIX century as part of France, "the share of global wine production that was exported was no higher at the end of the first globalization wave [WWI] – nor indeed in 1960 – than it was in 1860, at around 5 percent. By contrast, exports as a share of global wine production grew from 5 percent to 15 percent between 1960 and 1990, and then to 40 percent by 2012"



If by the end of the XX century and the beginning of the XXI wine trade grew well above total consumption, its share stabilised thereafter. .

Share of exports on total consumption declined slightly in 2022 and 2023 but remains above 44% and jumped to 46.7% in 2024.

Increasing globalization

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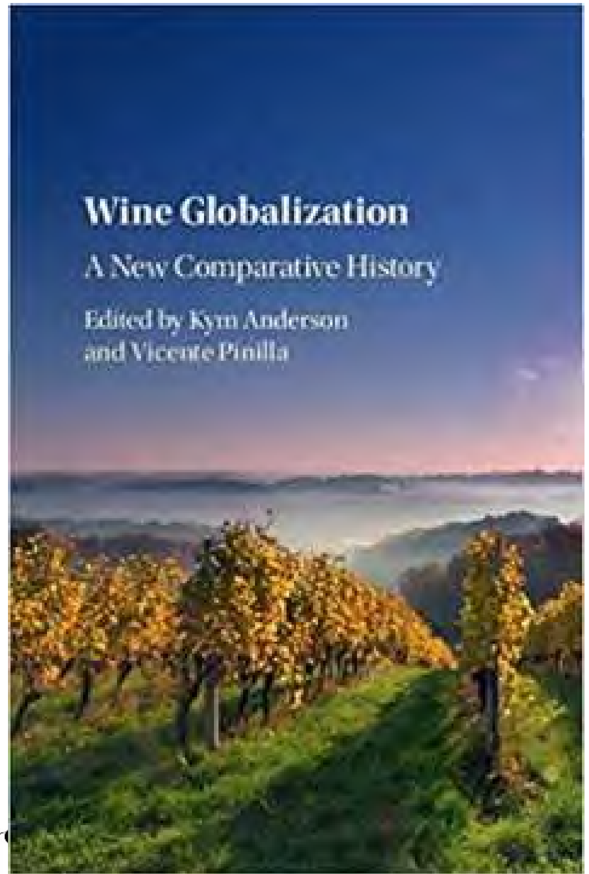
In historic perspective globalization is something relatively new.



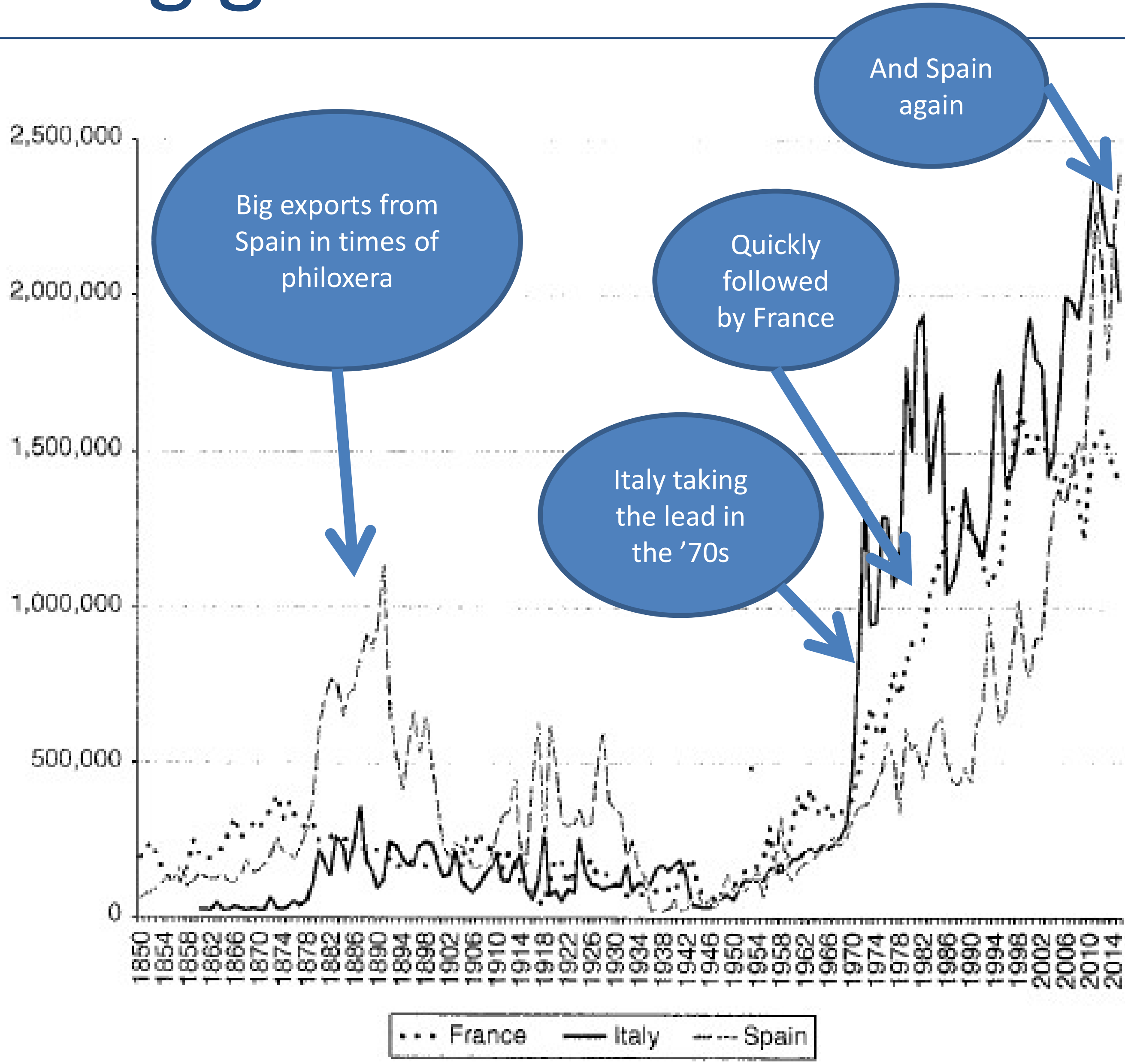


Figure 8.7 Volume of wine exports, Spain, France, and Italy, 1850 to 2015 (KL).
Source: Anderson and Pinilla (2017).

Recent evolution of international wine markets

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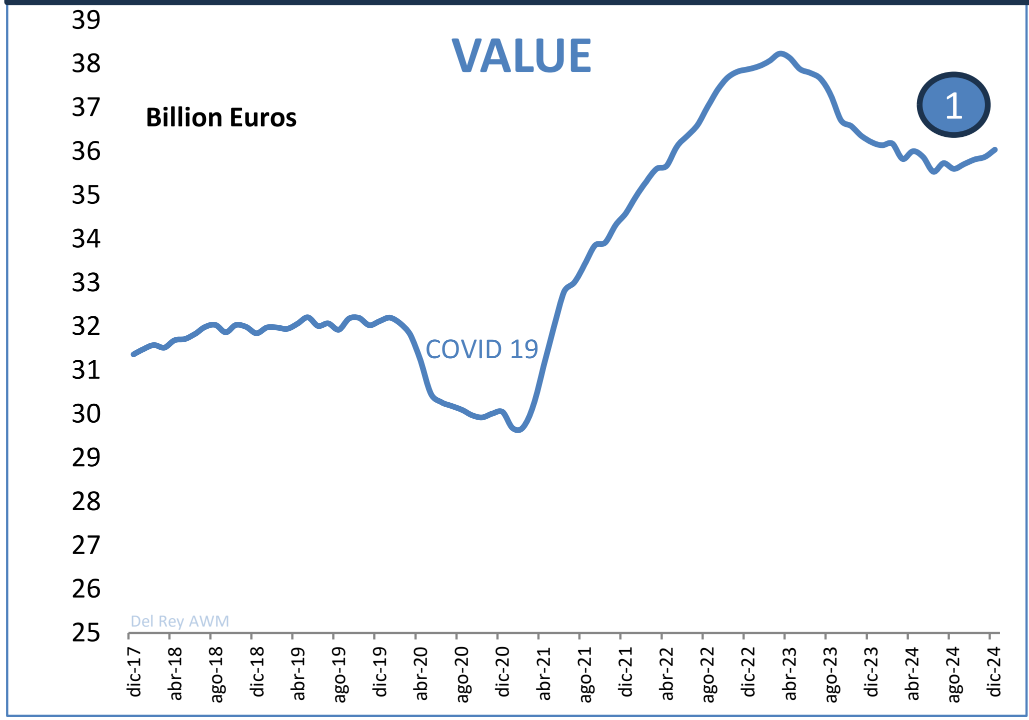
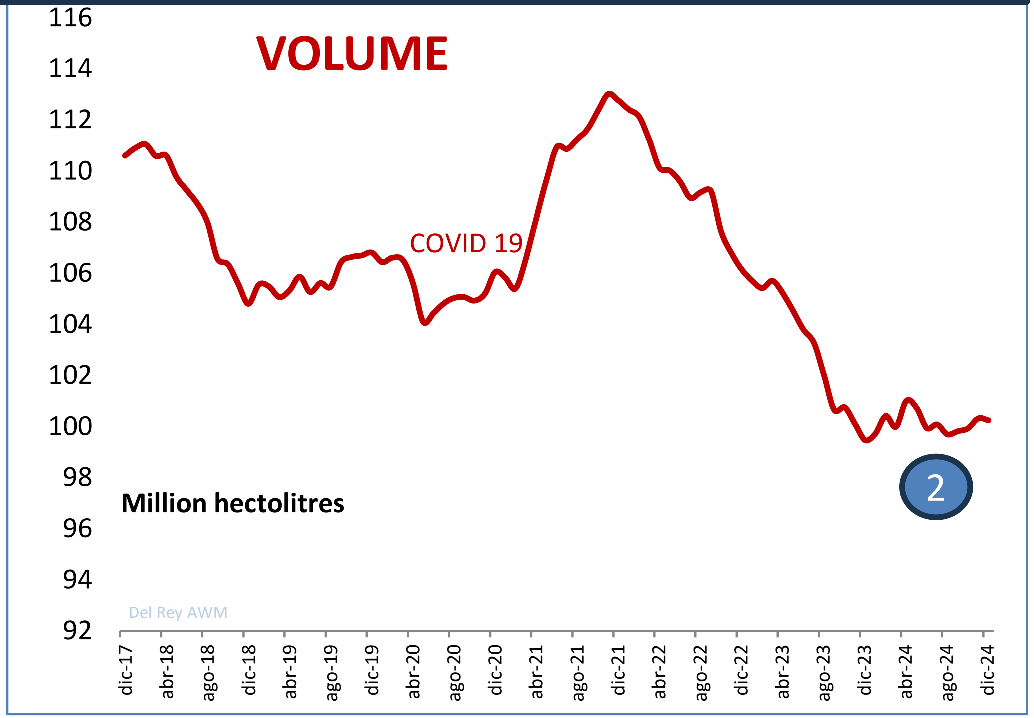
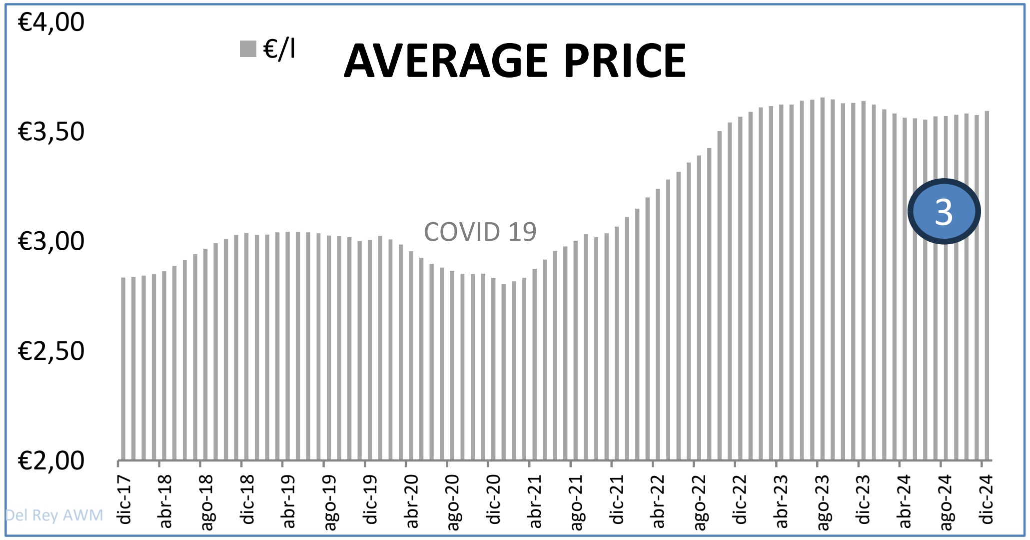
World Exports of Wine & Must

Source; Data S&P; elaboration Del Rey AWM







1. Wine trade in 2024 slightly decreased to €36 billion from €36.2 the previous year…
2. …despite a 0.8% growth in volume to 100.2 million hectolitres…
3. … pushed by a 1.2% decline in average unite prices to €3.60 per litre

This remarkable stability contrasts to sharp downfalls in 2023, when worries pointed at potential structural factors → RECOVERY?

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Trends by wine categories

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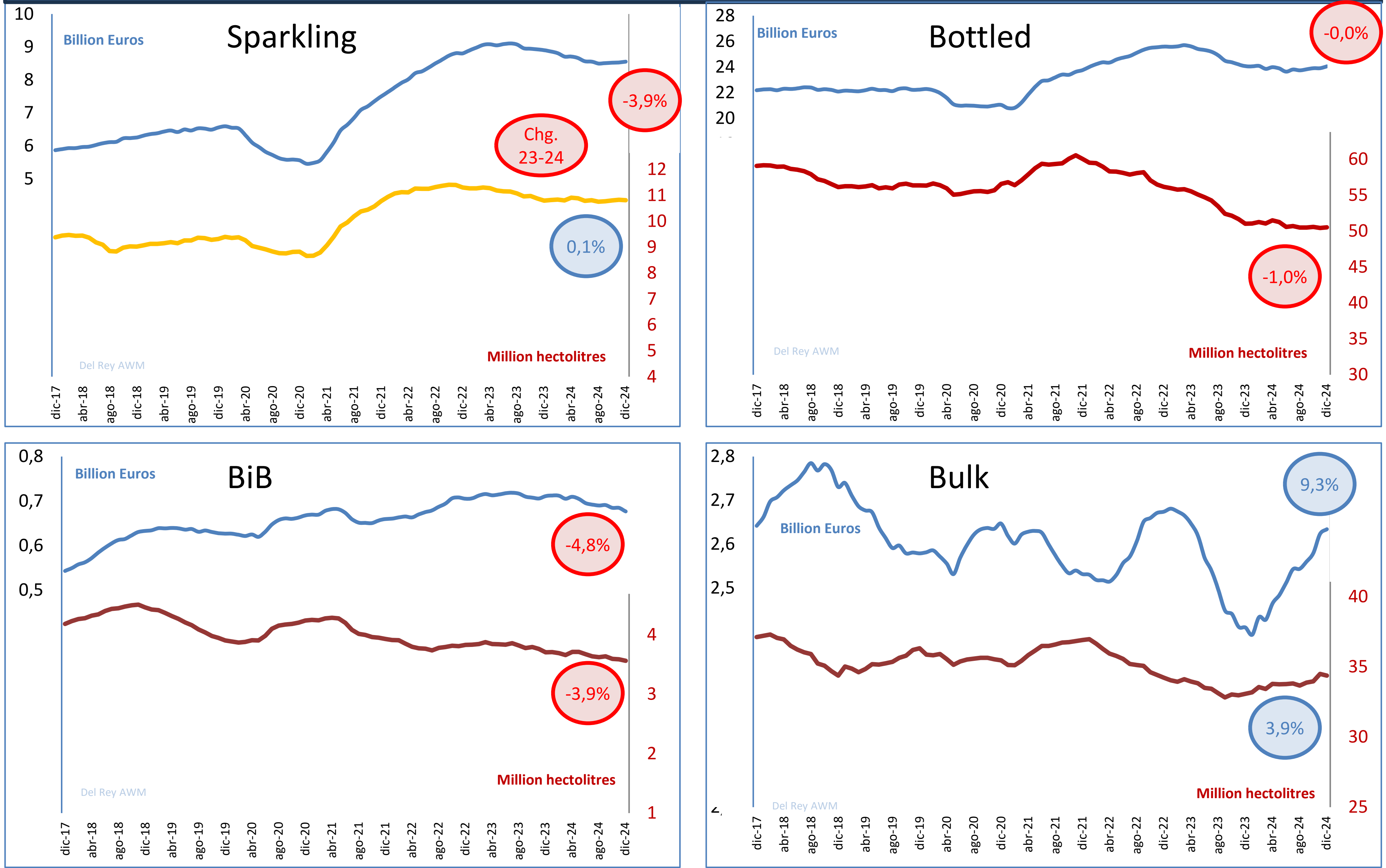
World Exports of Wine by Category

Source; Data S&P; elaboration Del Rey AWM



Trends by colours

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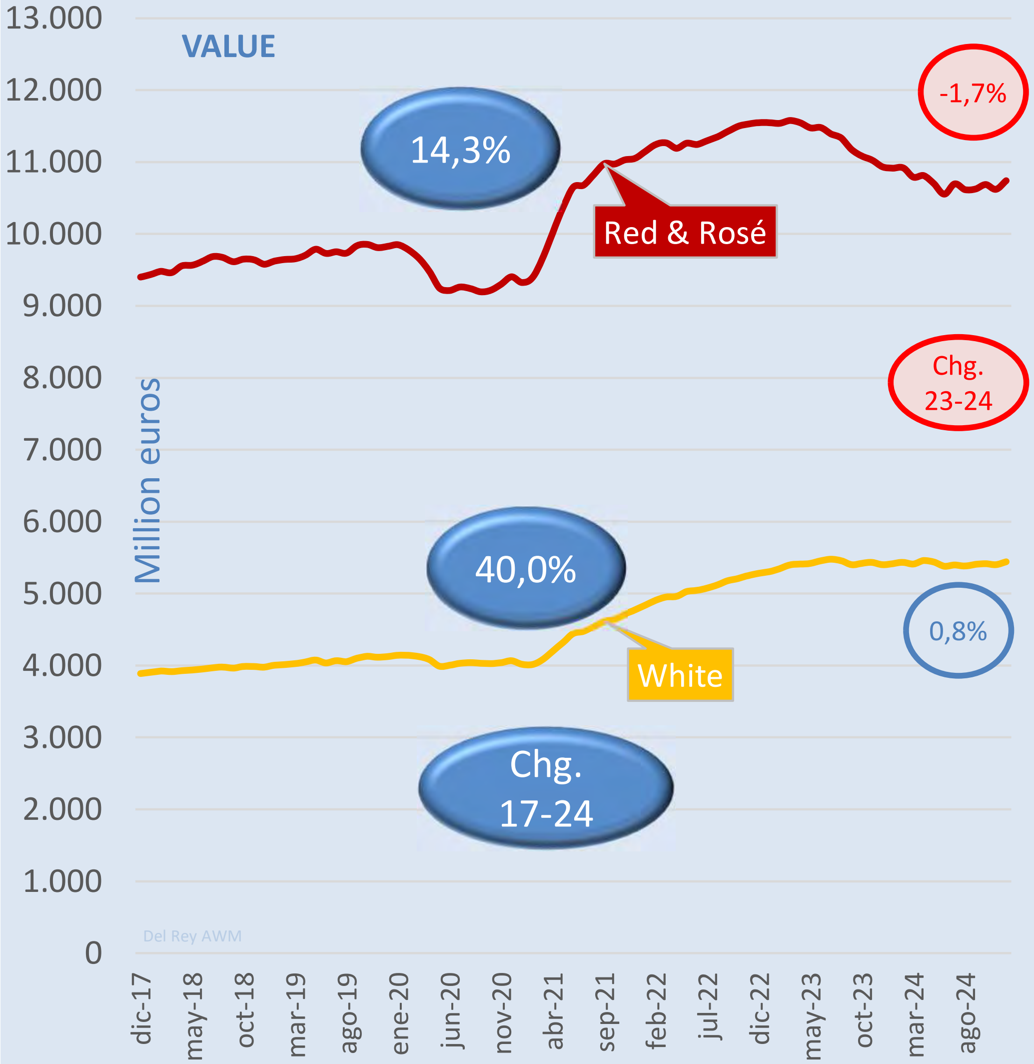
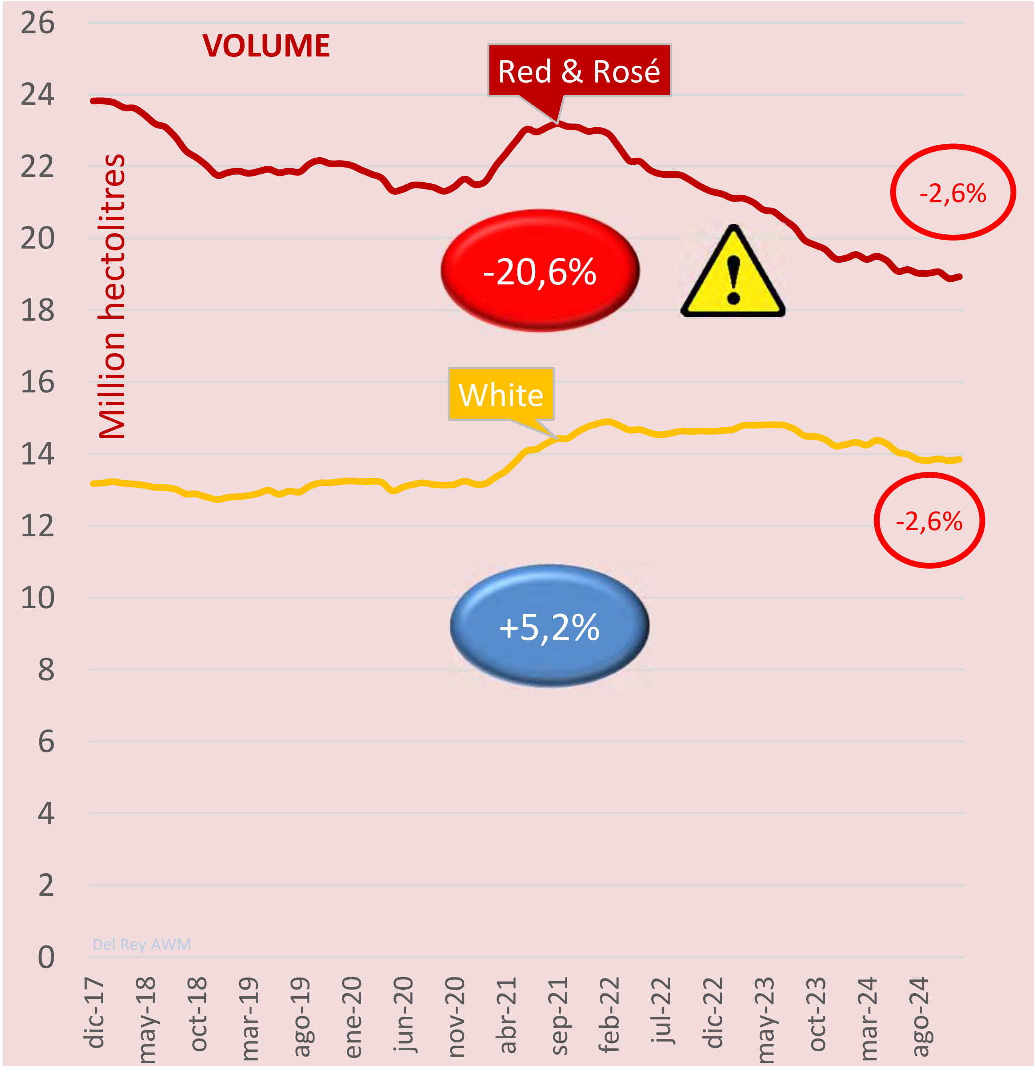
EU world exports of bottled wines by colour

Source; Data HIS; elaboration Del Rey AWM





By colour, the difference between whites and reds & rosés grew in 2024 among EU exports of bottled wines in value.

Stability of whites around €5.5 billion (+0.8%) opposes to a new 1.7% decline of R&R bottled wines to €10.7 bl.

In volume, both colours show a 2.6% negative rate, continuing the crisis of R&R that results in a -20.6% fall in eight years.

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Top wine exporters

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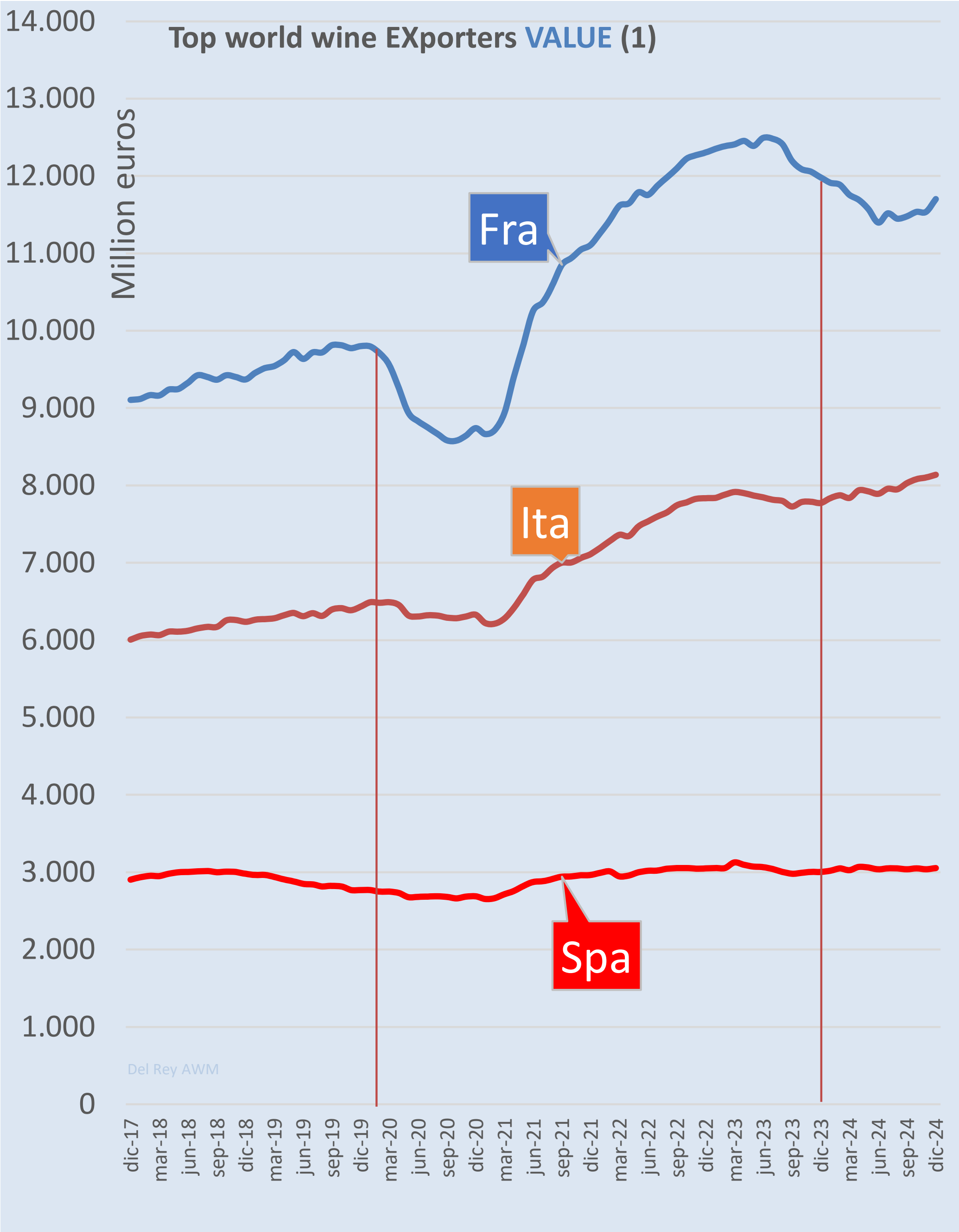
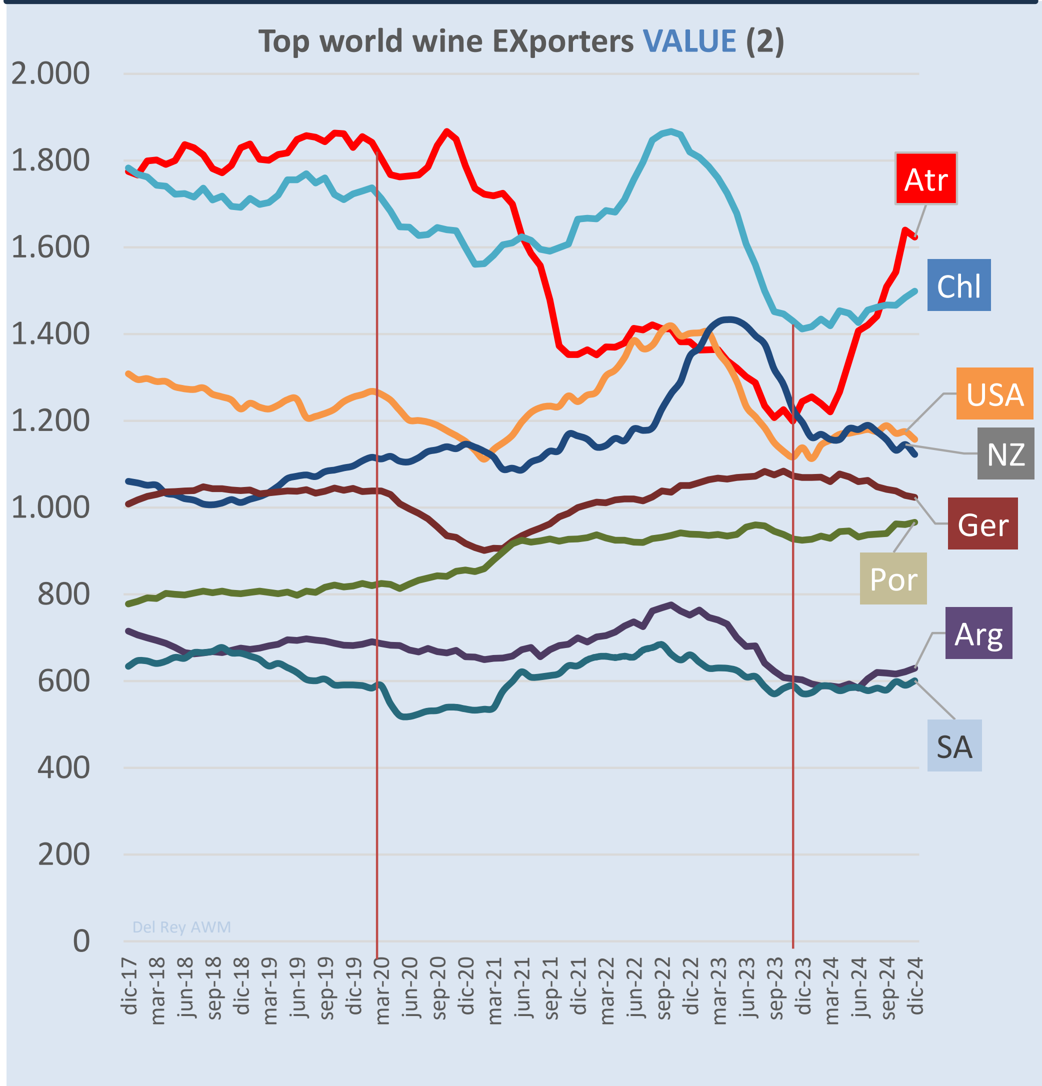


Among top world wine exporters, decline of French exports by 2.4% in euros contrasts with healthy growth of Italy's (4.7%) and small increase of Spanish shipments (1.6%).
Among smaller exporters, the recovery of Australian wine exports after Chinese lifting of deterrent tariffs and the growth of Chile contrast with decline of US and NZ's sales.



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Top wine exporters

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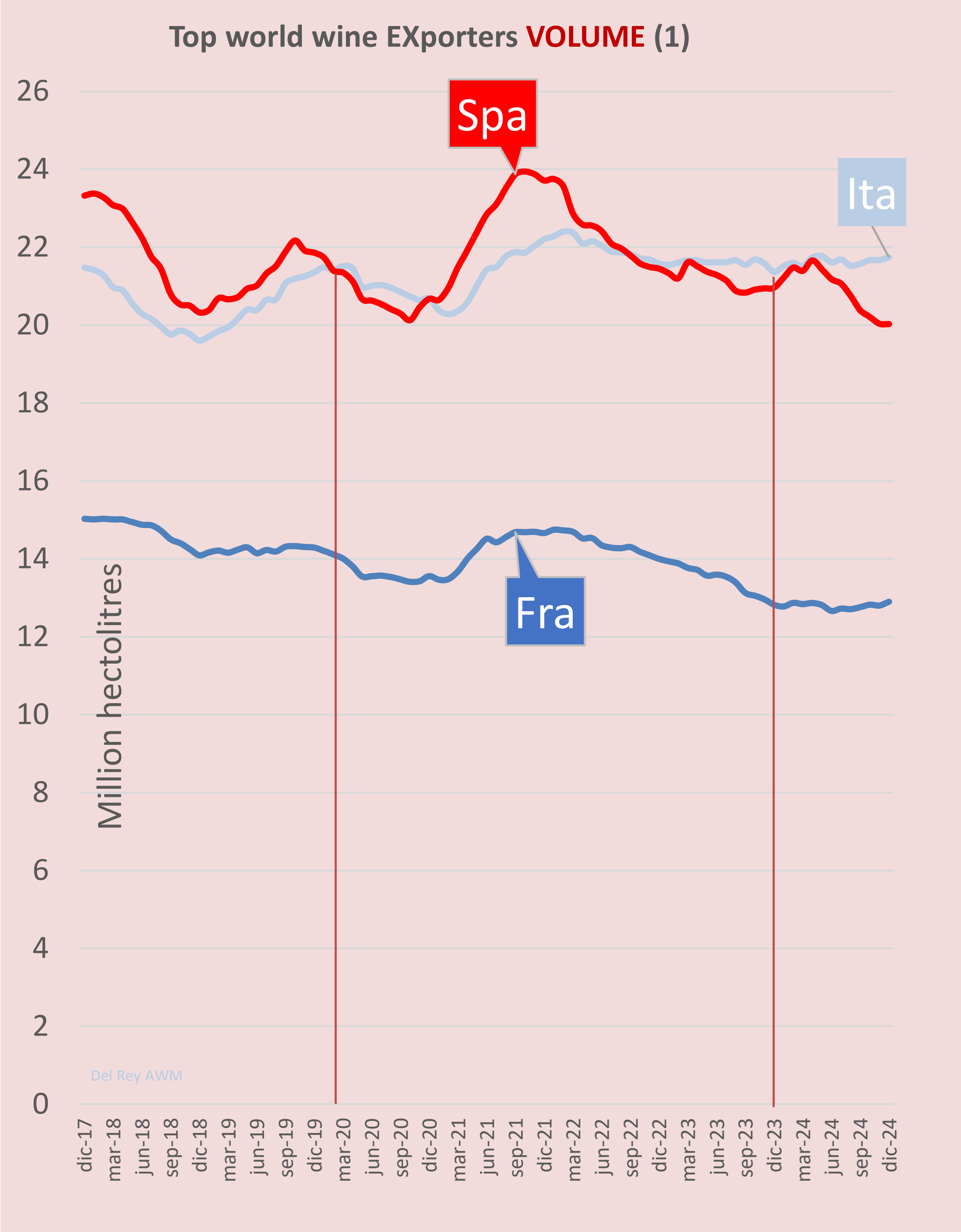
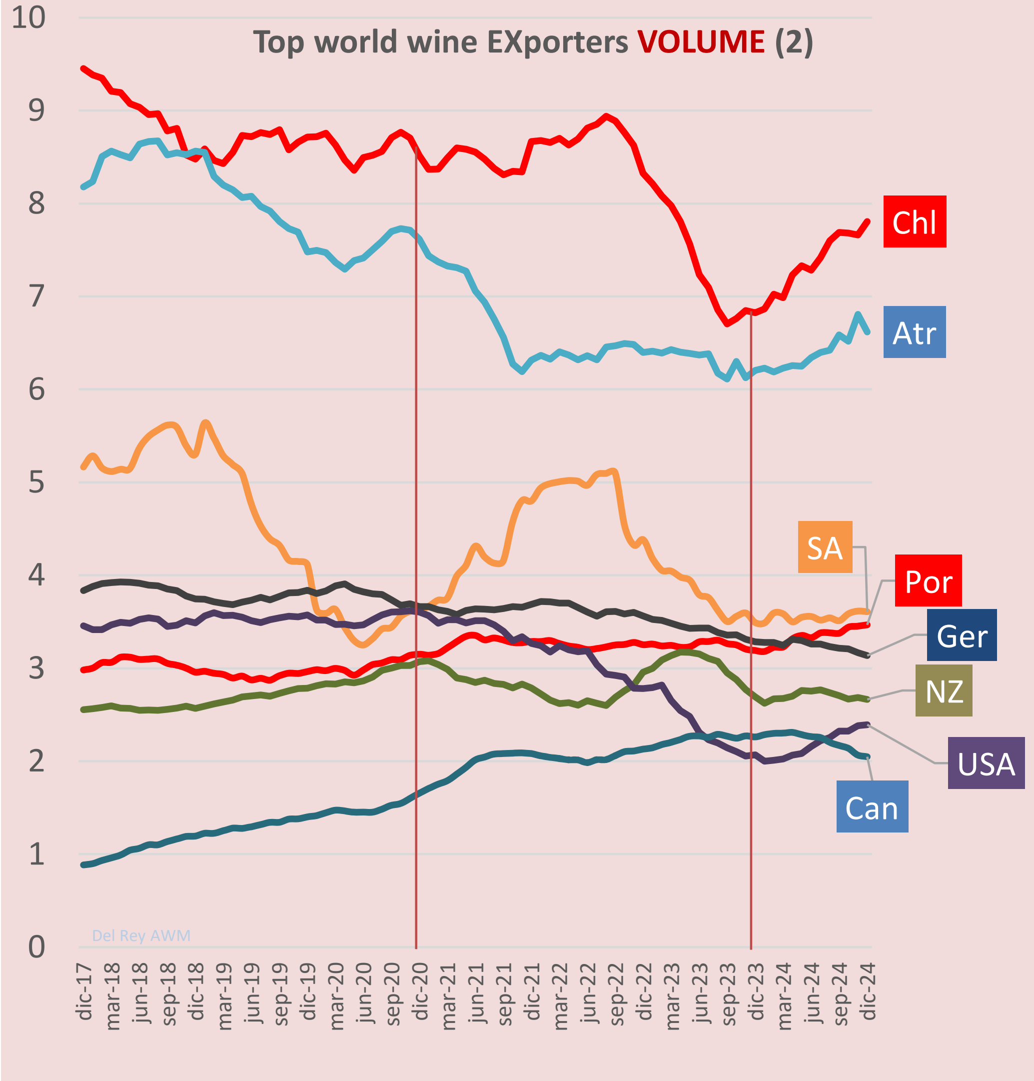


In volume, Italy maintains the lead as opposed to Spanish downturn due to falls in more expensive bulk (-80 M l) and sparkling (-16 Ml). Chile and Australia also grow in litters after decline in 2023.



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Trends by key markets

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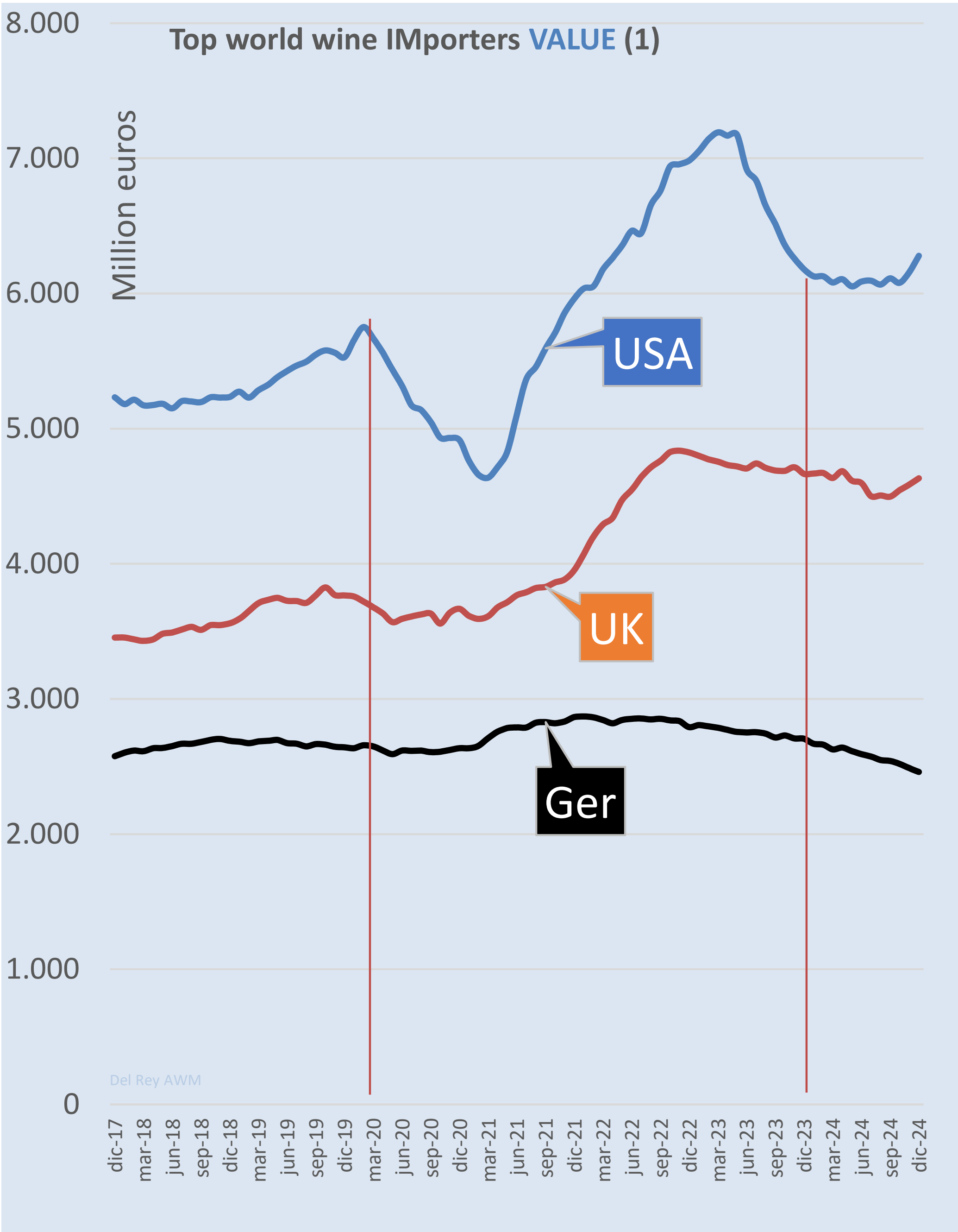
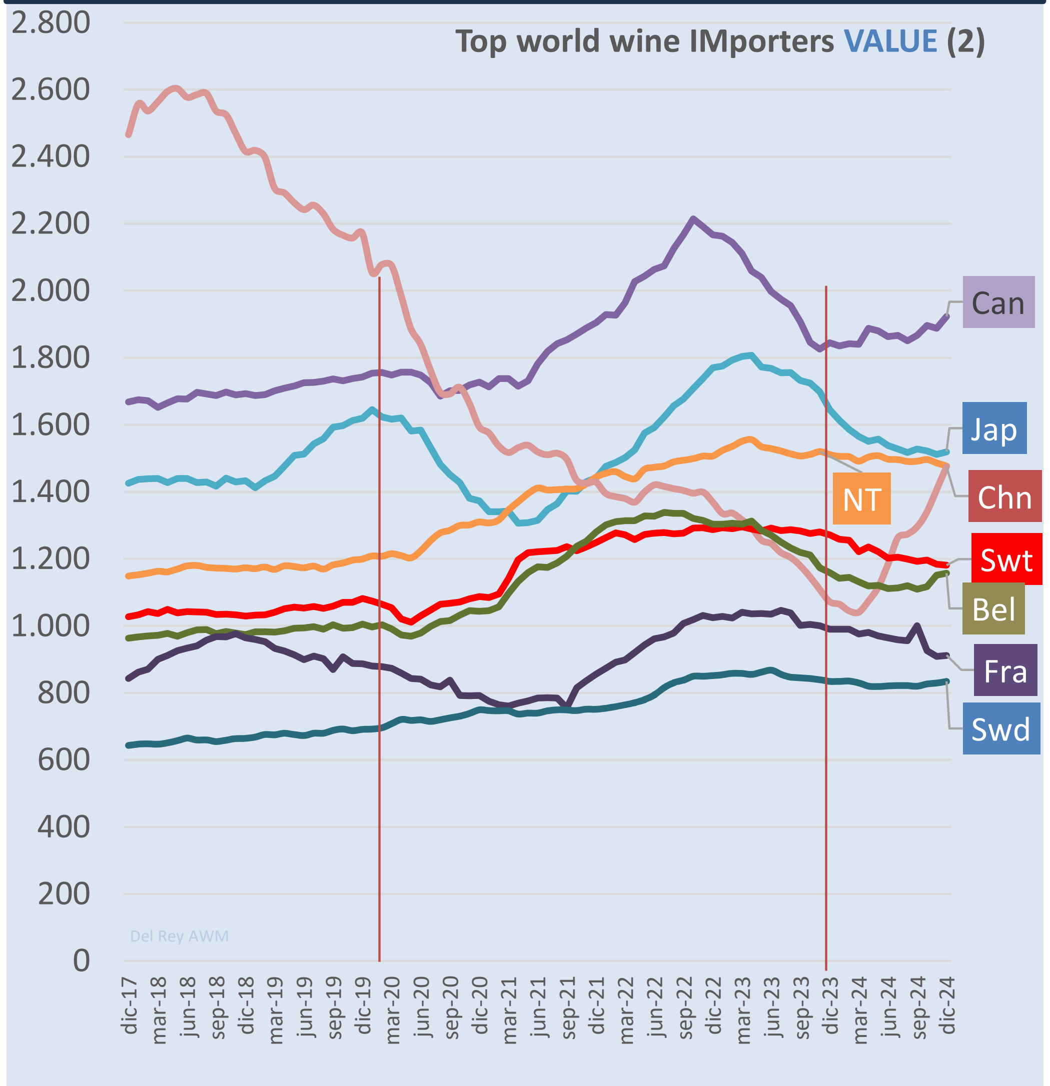


Among top three wine markets, the US recovered imports (+1.6%) after a very negative 2023, UK remains stable around €4.6 bl (-0.7%) and Germany falls to €2.5 bl (-9.1%).
China's 37.6% growth and Canada's +4.2% oppose to declines in other major markets such as Japan, Netherlands and Switzerland.



Trends by key markets

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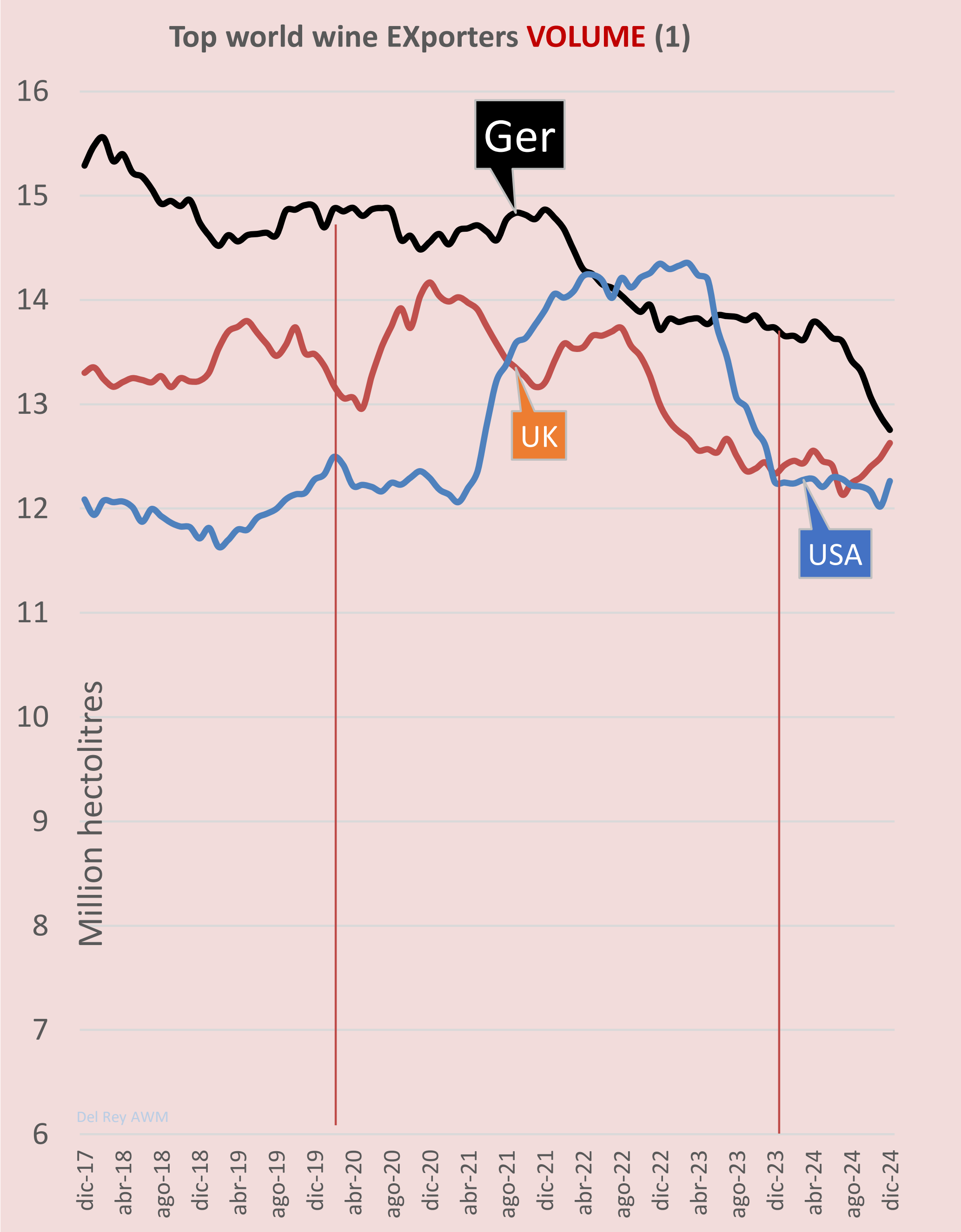
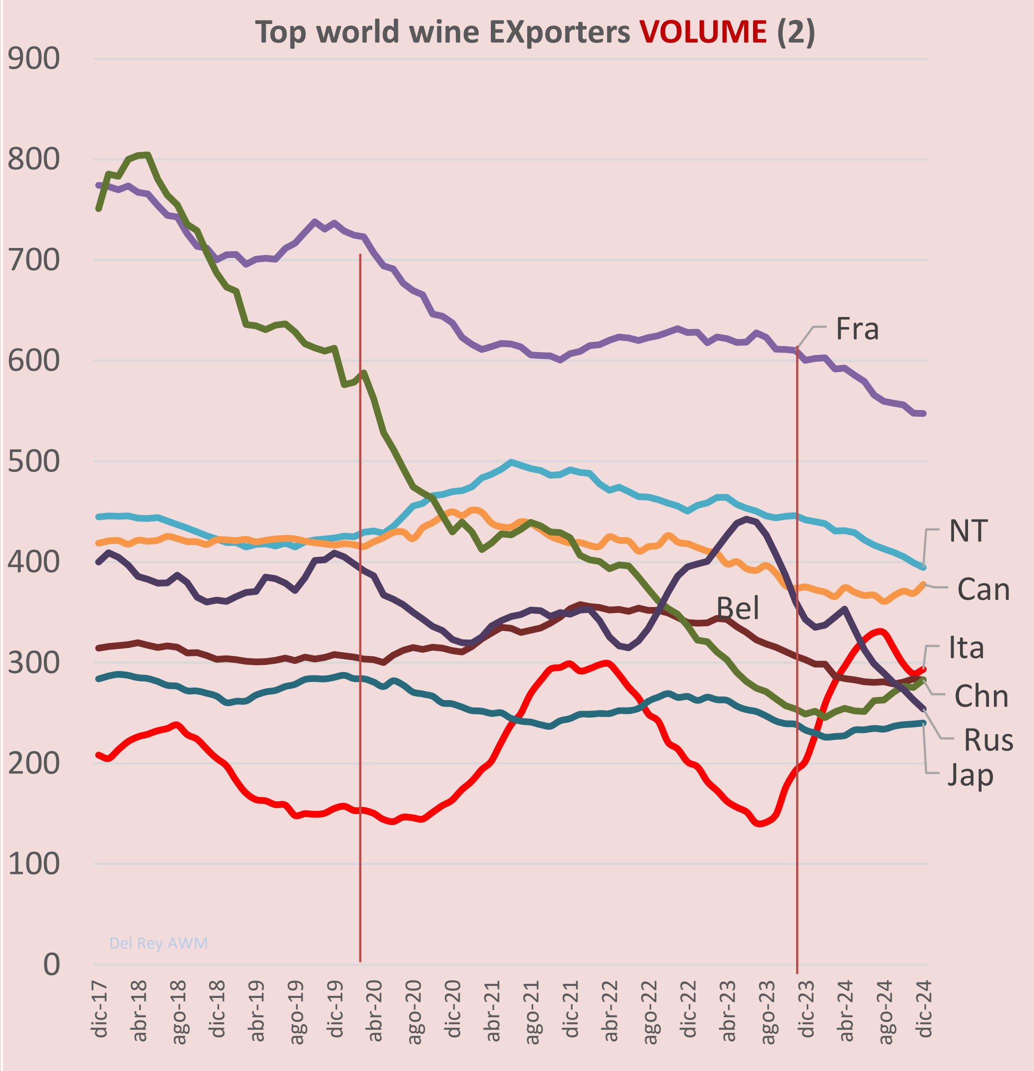
In volume, top three markets import around 12.5 million hectolitres each, with fall in Germany (-7.1%) not compensated last year by stability in the US (+0.1%) and growth in UK (+2.4%).
Negative figures in France and the Netherlands oppose to sharp increase in Italy, led by Spanish bulk exports, and in China.





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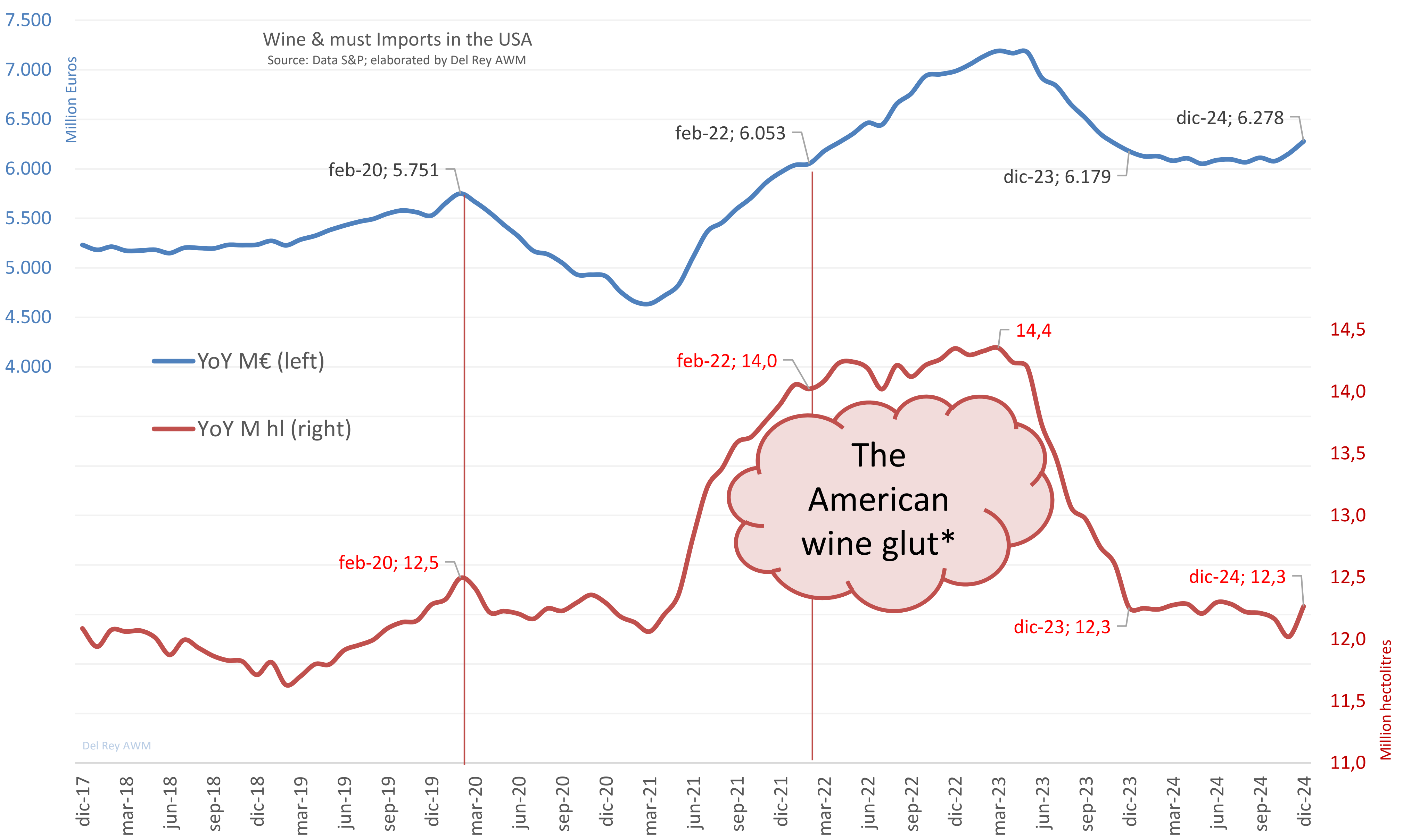
Threats and opportunities USA



* See note at https://www.oemv.es/oemv-note-the-american-wine-glut

Threats and opportunities UK

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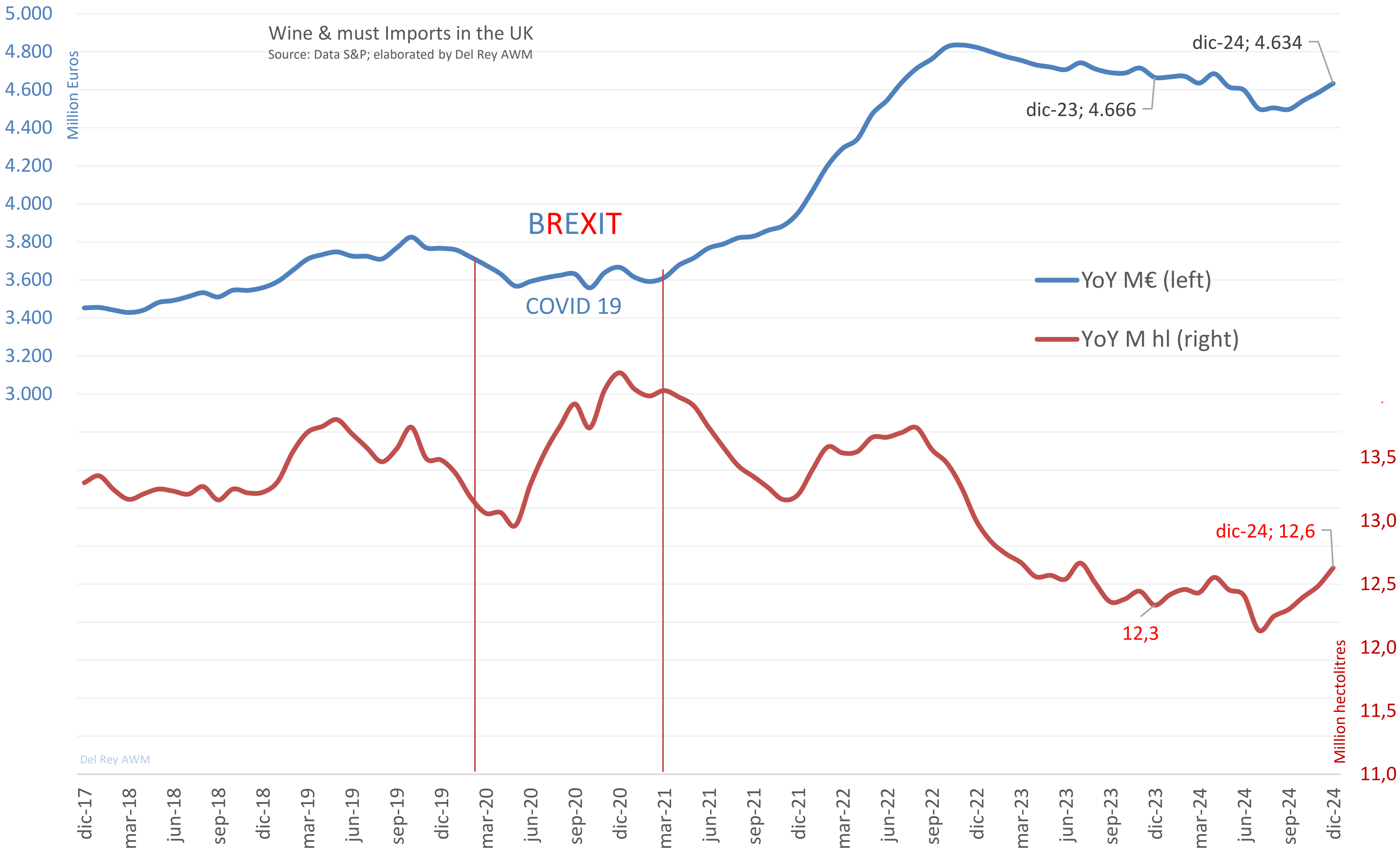

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Threats and opportunities RUSSIA

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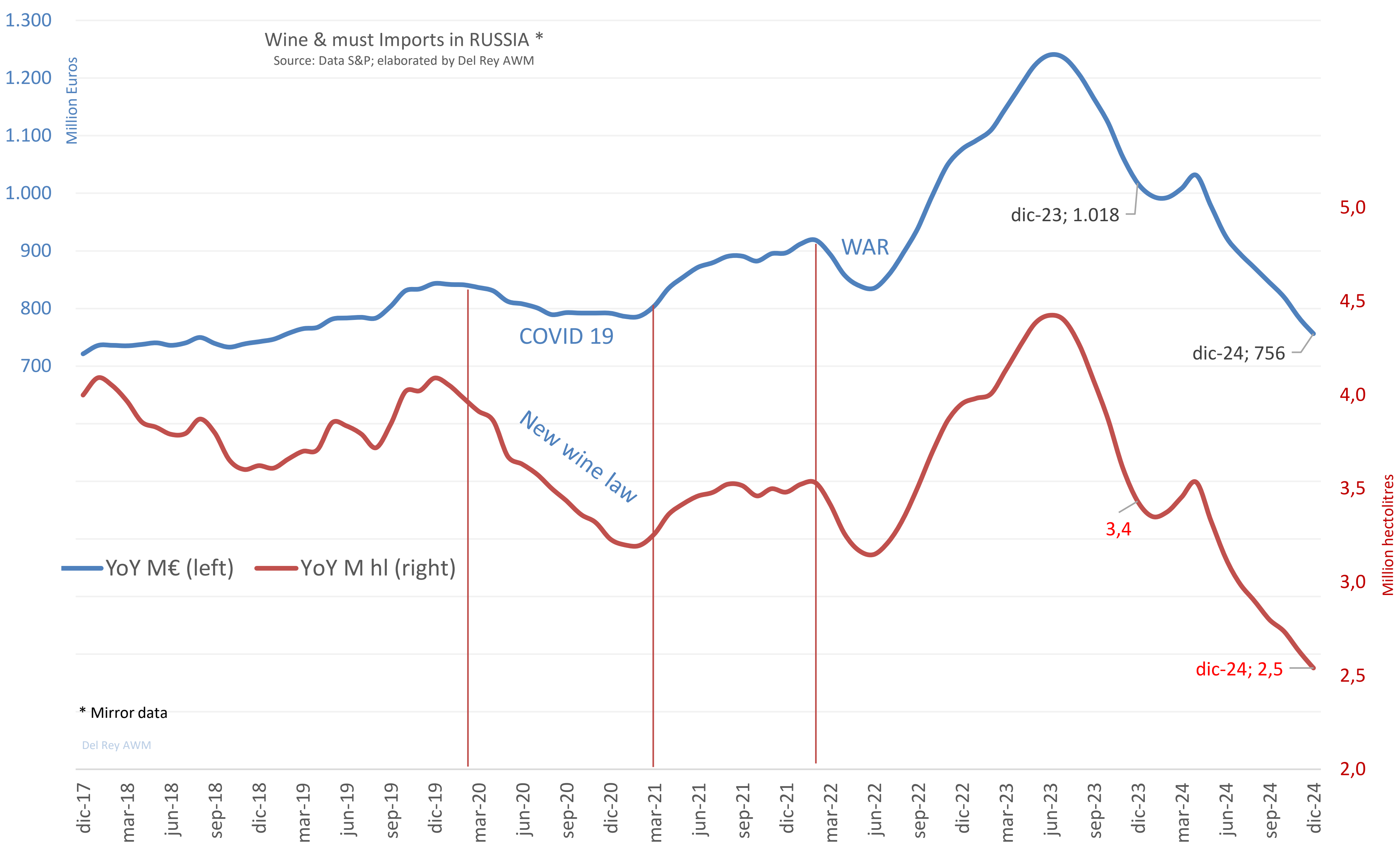

Much worse if combined with sales to Latvia and Lithuania

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Threats and opportunities CHINA

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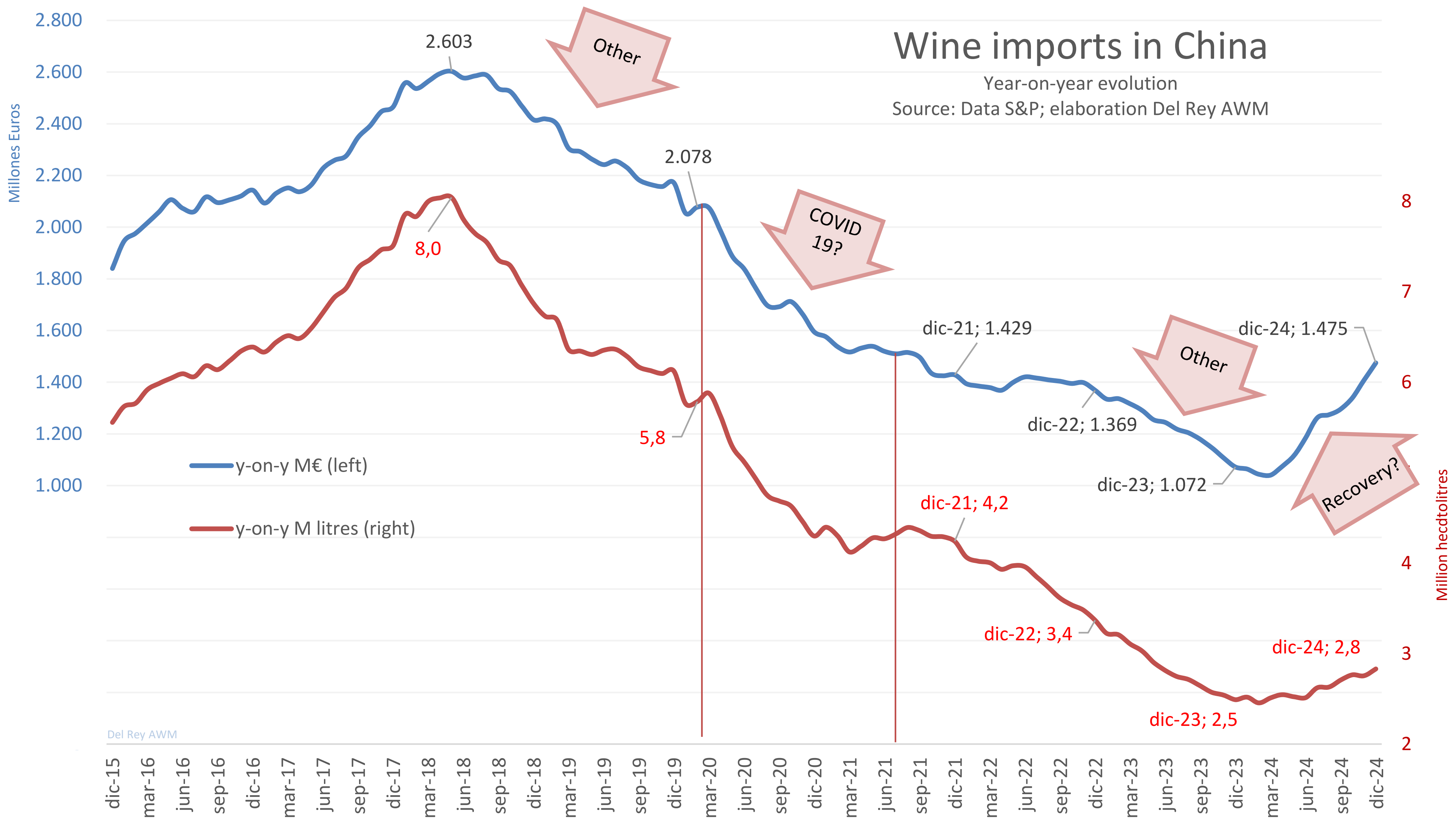

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Something else to worry about

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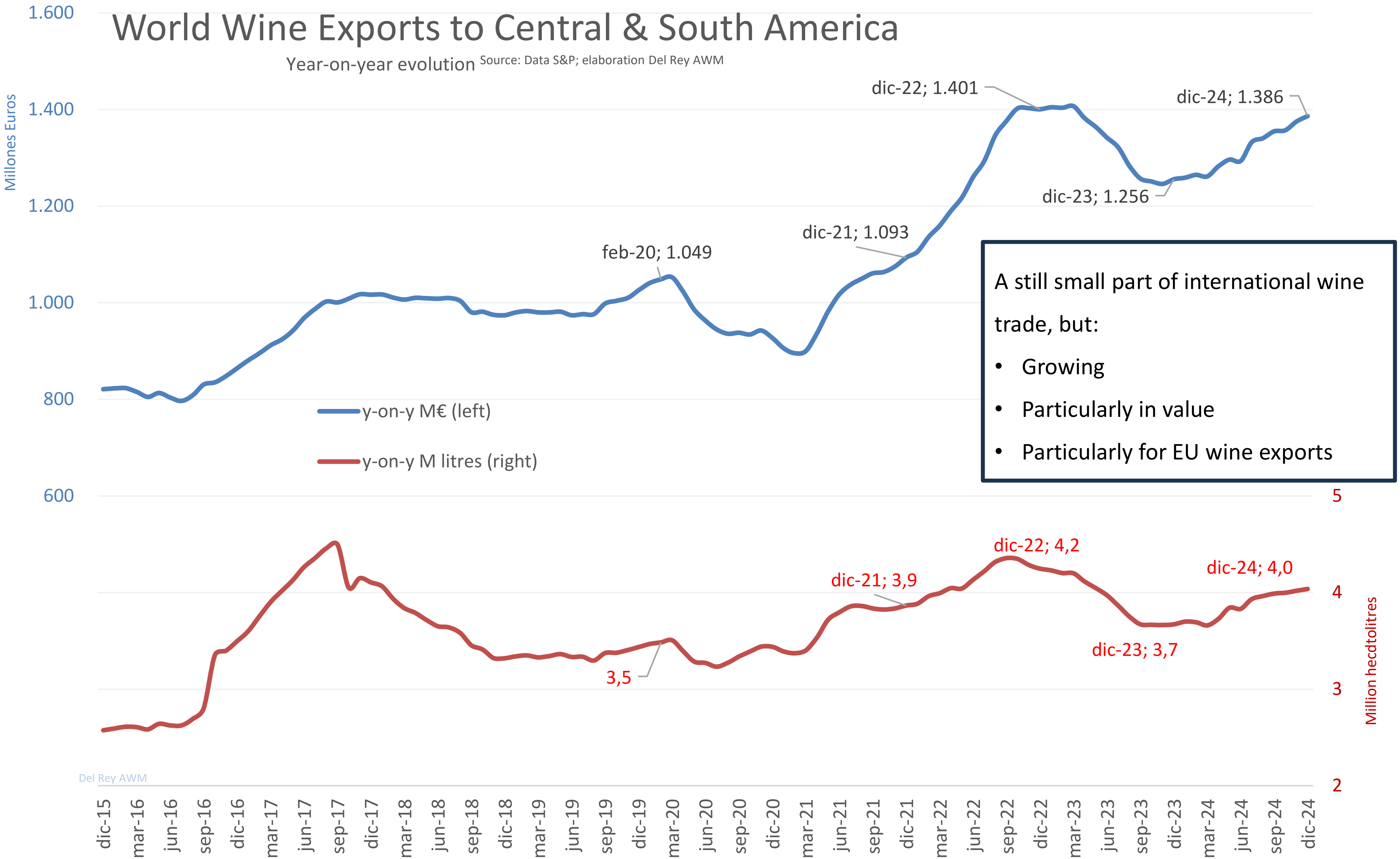
Threats and opportunities Central & South America



A still small part of international wine trade, but:

- Growing
- Particularly in value
- Particularly for EU wine exports

Threats & Opportunities

THREATS

- US tariffs

The facts:

- 20% increase in tariffs to all EU products, announced on April 2 (finally 10% general)
- Affecting all EU countries (as opposed to 2019's)
- With no differences by type of product (no bulk alternative)
- Less than the 30% increase for imports from South Africa…
- … but more than not announced hikes for Australia, New Zealand, Chile or Argentina
- Much less than the 200% increase announced in March

Impact in the USA:

- Total imports (around 12 M hl) account for close to 40% of wine consumption in the USA
- 72.3% of total wine imports in the USA come from EU countries, which cannot be easily replaced…
- … leaving the US consumer facing the alternative of either spend more for the wines he/she likes, move to other suppliers or reduce consumption.

Potential strategies for EU producers:

- Share the impact among (i) the company's profitability, (ii) the importer /distributor and (iii) the final consumer, by price increase (depending on the estimated elasticity) → Repositioning?
- Look for alternative destinations
- Increasing domestic consumption in EU countries
- Compete in the new environment.

Threats & Opportunities

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THREATS

- US tariffs
- World wine consumption → Alcohol concern?
- Russian war
- Chinese recession
- UK's taxes and lower economic growth
- Germany's change of priorities
- Continuous EU decline in wine consumption
- …

OPPORTUNITIES

- US recovery
- British stability
- Chinese recovery
- EU stability
- New products / new flavours to reach new consumers
- Fresh products
- High-end segment for traditional wines
- Cocktails → New image?
- New markets (LA, Africa?)
- …

The polarization hypothesis

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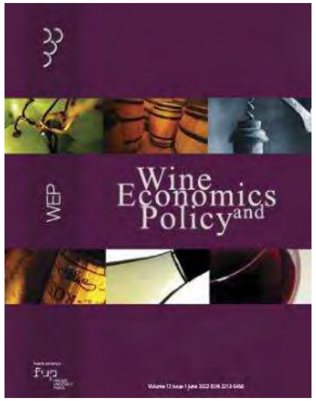

Wine Economics and Policy

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State of the International Wine Market in 2022: New market trends for wines require new strategies

Rafael Del Rey[1], Simone Loose[2,*]

"… a stronger polarization might be expected in the future":

"The small niche of <u>premium and super premium wines</u>… have so far been minimally affected by the crisis…, were able to increase their prices because of a price-inelastic demand by their consumers…" and "… for some wines, even a positive price elasticity was observed": the more they rise their prices, the more there are demanded.

On the other hand, "… there is a large segment of highly price-sensitive consumers who favour more <u>popular and easy-to-drink wines</u> (lighter, fresher, sweeter, white, rosé, sparkling, etc.) at very competitive prices."

And also…

Vol. 13 No. 2 (2024)

State of the International Wine Markets in 2023. The wine market at a crossroads: Temporary or structural challenges?

Simone Mueller Loose, Rafael del Rey

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The polarization hypothesis

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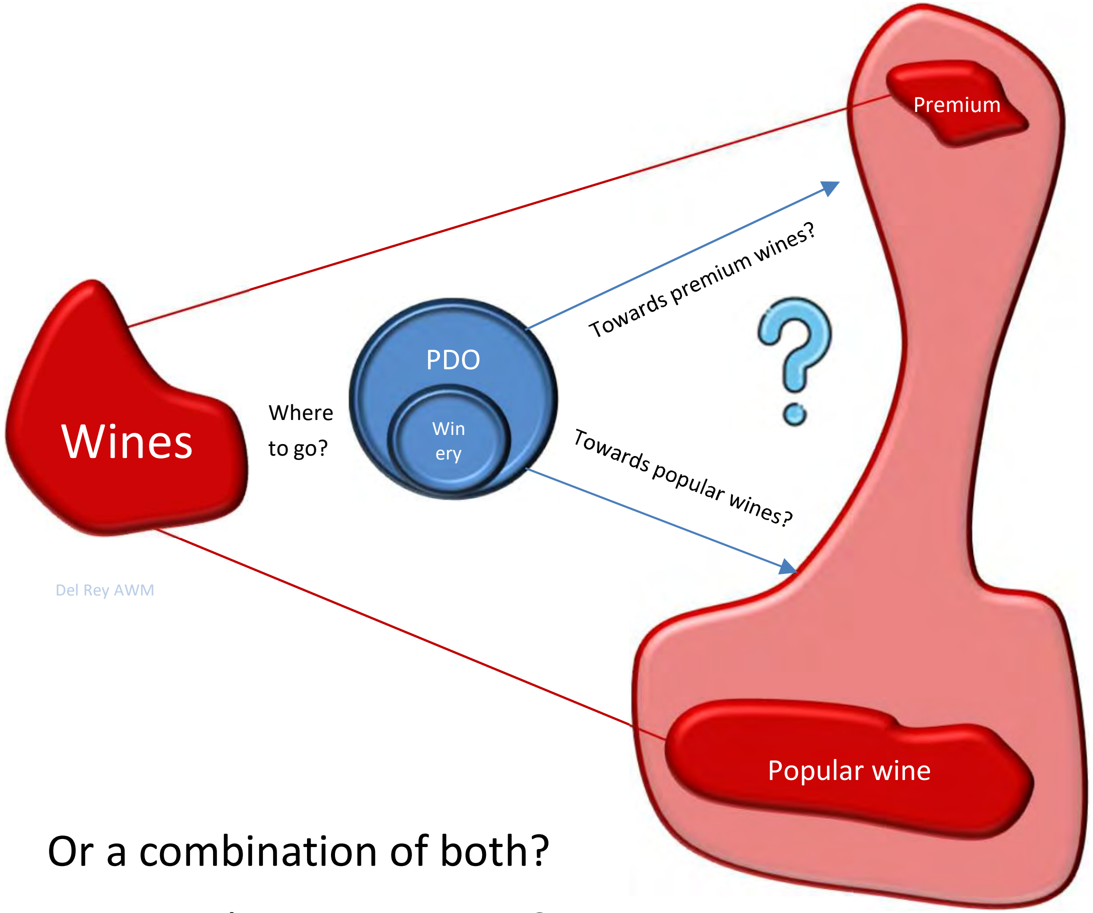
Figures are still consistent – partially at least – with this hypothesis of POLARIZATION:



Or a combination of both?

How do we manage it?

By the way, others are already working on these strategies

IN wine	In other beverages	And even in tourism

Expansión 8 Oct 23

Se potencia la polarización en el negocio

Una de las tendencias cada vez más presente en el negocio hotelero español es la polarización entre activos, con un cada vez mayor protagonismo de las categorías de lujo y súperlujo, que han demostrado ser más resilientes a los cambios de ciclo, y cierto predominio del 'low cost'.

The Milanovic curve?

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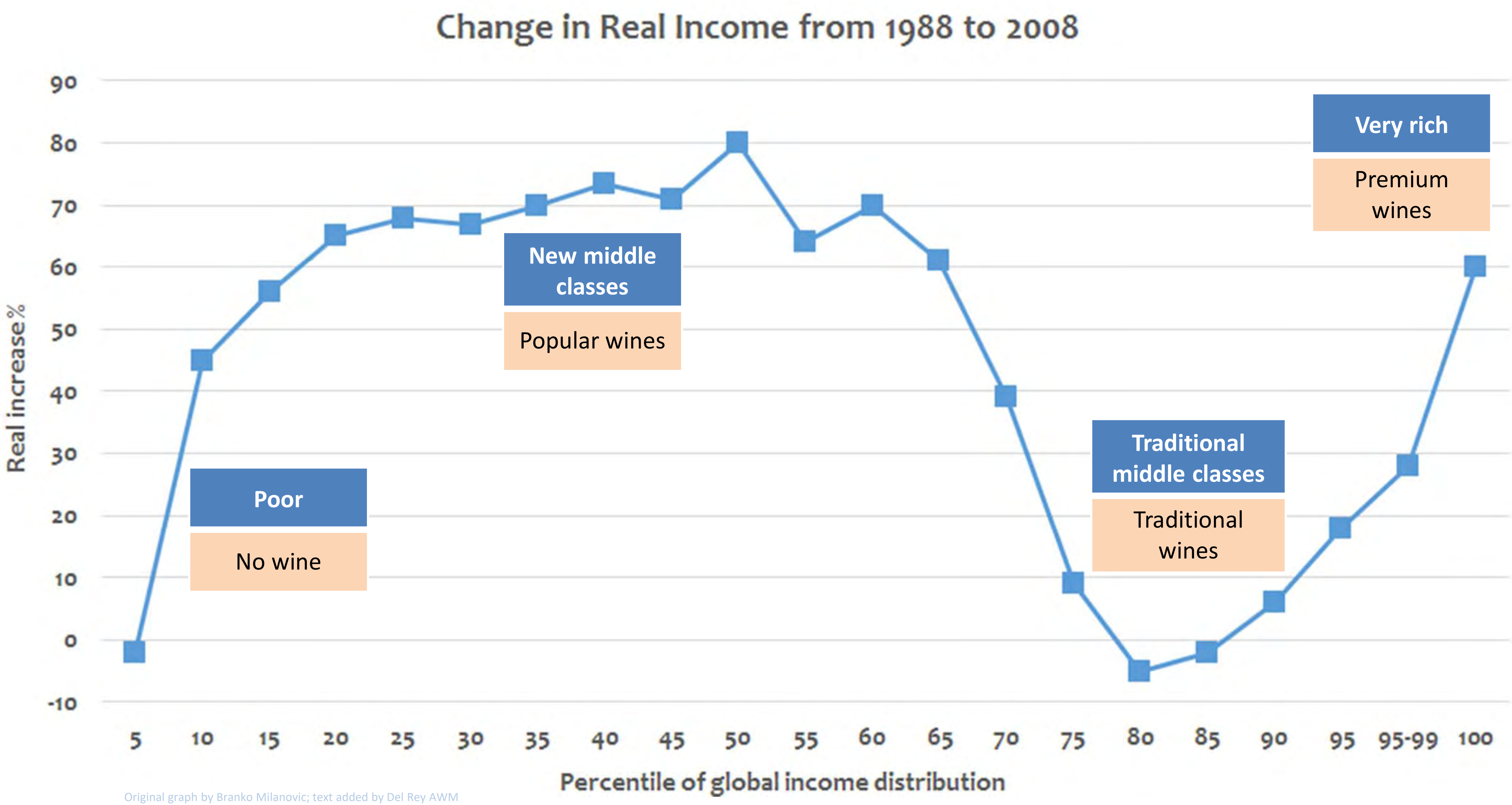
The polarization hypothesis



The Milanovic curve?

The polarization hypothesis

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Different segments of consumers require different strategies

Premium & Super Premium Wines

- Based on subjective wine quality
- Storytelling / recognized brands
- Ownership or very close relations with high quality vineyards and regions
- Recognition by experts. Prescription
- Very good distribution (presence) in the upper segment of the market
- Exclusivity / limited production
- …

Key point: How to manage a diversified portfolio

Potential growth

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Popular / easy-to-drink wines

- Drinkability / easy-to-drink
  Freshness / sweetness / containers
- Competitiveness
- Coste / economic efficiency
  Large scale / bulk → bottling at destination / financial strength
- Large scale production
  Availability of grapes / standardization
- Large scale distribution
  Close relation with retail / own label
- Big brands
- …

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Strategies

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As a result of the evolution of wine markets, three complementary strategies can be followed

Foster traditional consumption of more traditional wines	Promote fresher more popular wines	Re-invent some wines
Probably more based on environmental, rural and social connections of wine, than on health aspects		Closer to other "easy drinks"

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Policies

Del Rey AWM

As a result of the evolution of wine markets, three complen … owed

(1) Promoting wine (to third as well as EU countries; alone or together with other products; all wines; with enough flexibility to allow for small companies to use the measures)

Foster traditional consumption of more traditional wines

…e-invent some wines

Probably more based on environmental, rural and social connections of wine, than on health aspects

Closer to other "easy drinks"

Del Rey AWM

Policies

As a result of the evolution of wine markets, three
tegies can be followed

(2) Fostering flexible regulation to adapt portfolios to changing market conditions

Foster traditional consumption of more traditional wines	Promote fresher more popular wines	Re-invent some wines
Probably more based on environmental, rural and social connections of wine, than on health aspects		Closer to other “easy drinks”

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Policies

Del Rey AWM

As a result of the evolutio[...] complementary strat[...]

(3) Promoting a flexible regulatory framework for innovation in new wines and wine-based products, adapted to new consumption trends

Foster traditional consumption of more traditional wines

Promote fresher more popular wines

Re-invent some wines

Probably more based on environmental, rural and social connections of wine, than on health aspects

Closer to other "easy drinks"

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Conclusions

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- The entire world has become more unstable and unpredictable
- Geopolitical threats, including deglobalization and new priorities on security and energy, affect all economic sectors, particularly in Europe
- But wine has demonstrated to be extraordinarily resilient in previous crisis
- The deep crisis in 2023 was more temporary than structural, despite showing some structural factors particularly affecting
  - New consumers' trends
  - Alcohol related threats coming from institutions
- Actual figures of international wine trade in 2024 show great stability in both value and volume
- Sparkling and white wines – fresher wines – softened their previous increasing trend while traditional bottled reds maintain their crisis. Wine-based cocktails are increasingly popular.
- For some reasons, Italy performs better than Spain and Spain better than France.
- Good news came in 2024 from the USA and China where imports recovered, to particularly benefit Australia and Chile.
- Increasing intra EU trade, together with new markets for probably new products in other regions of the world show up as opportunities.

Points for the debate:

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- Giving globalization of wine consumption, should we understand new consumers or should we “teach” them?
- Is wine consumption decreasing worldwide?
- All wines in a similar way?
- What, then, the best strategies should be? (by price segment)

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Spain in the World of Wine

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Positioning	Economic structure	Supply	Domestic demand	Exports

Given that world global framework…
What is the position of Spain in it?

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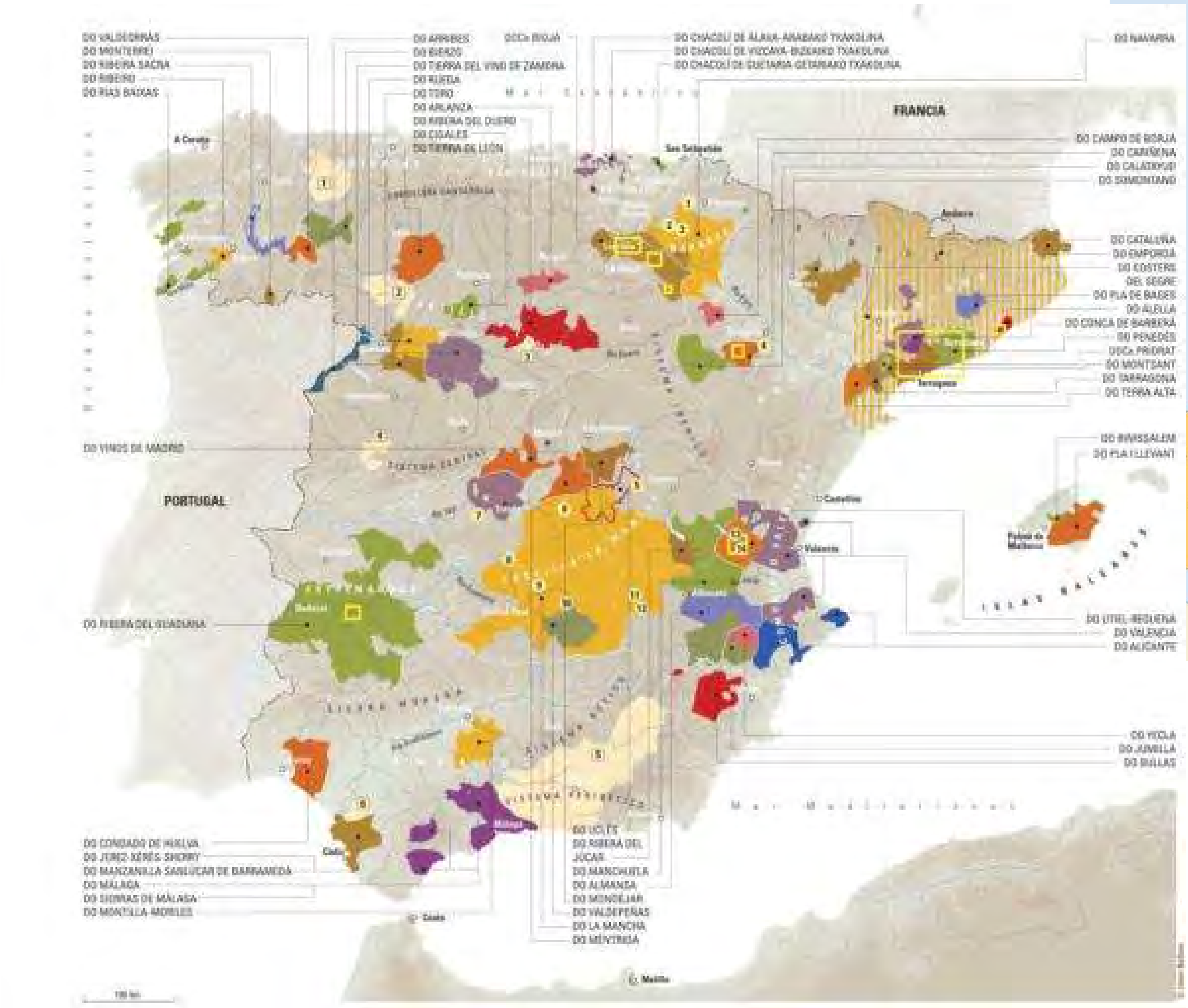
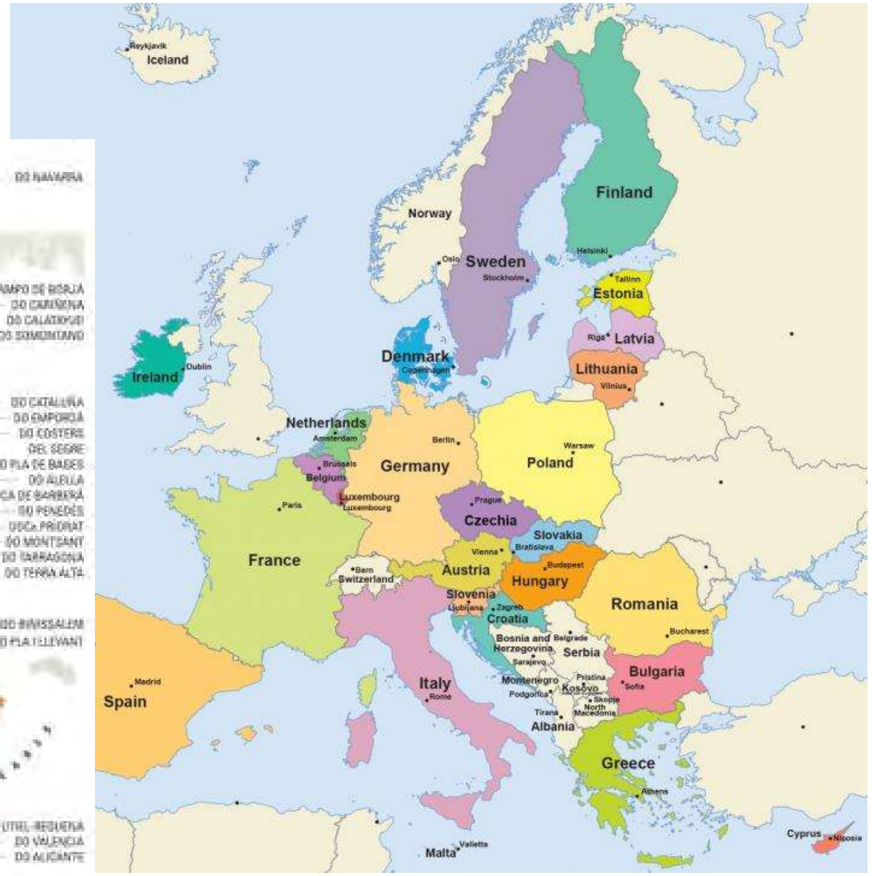
Where are we?





A very much "wine country" in the South West of Europe

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Given that world global framework…
What is the position of Spain in it?

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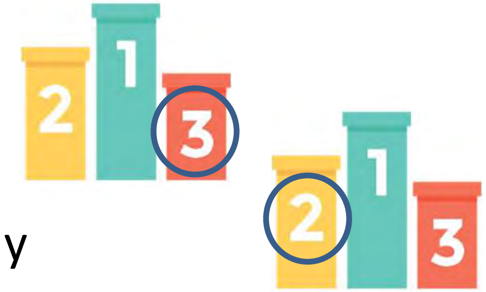

- One of the largest world wine producers and top exporter
- Back to international markets on a massive way only recently
- Surprising the world (consumers, distributors gate-keepers et al.) with a great and large diversity of wines, from traditional to modern
- Rich in its geography and therefore variety
- Learning – quickly – about markets, trade, commercial relations and new consumers
- Ready to combine wine with gastronomy and tourism
- … a wine producer to follow closely and carefully.

… and a great place to visit.

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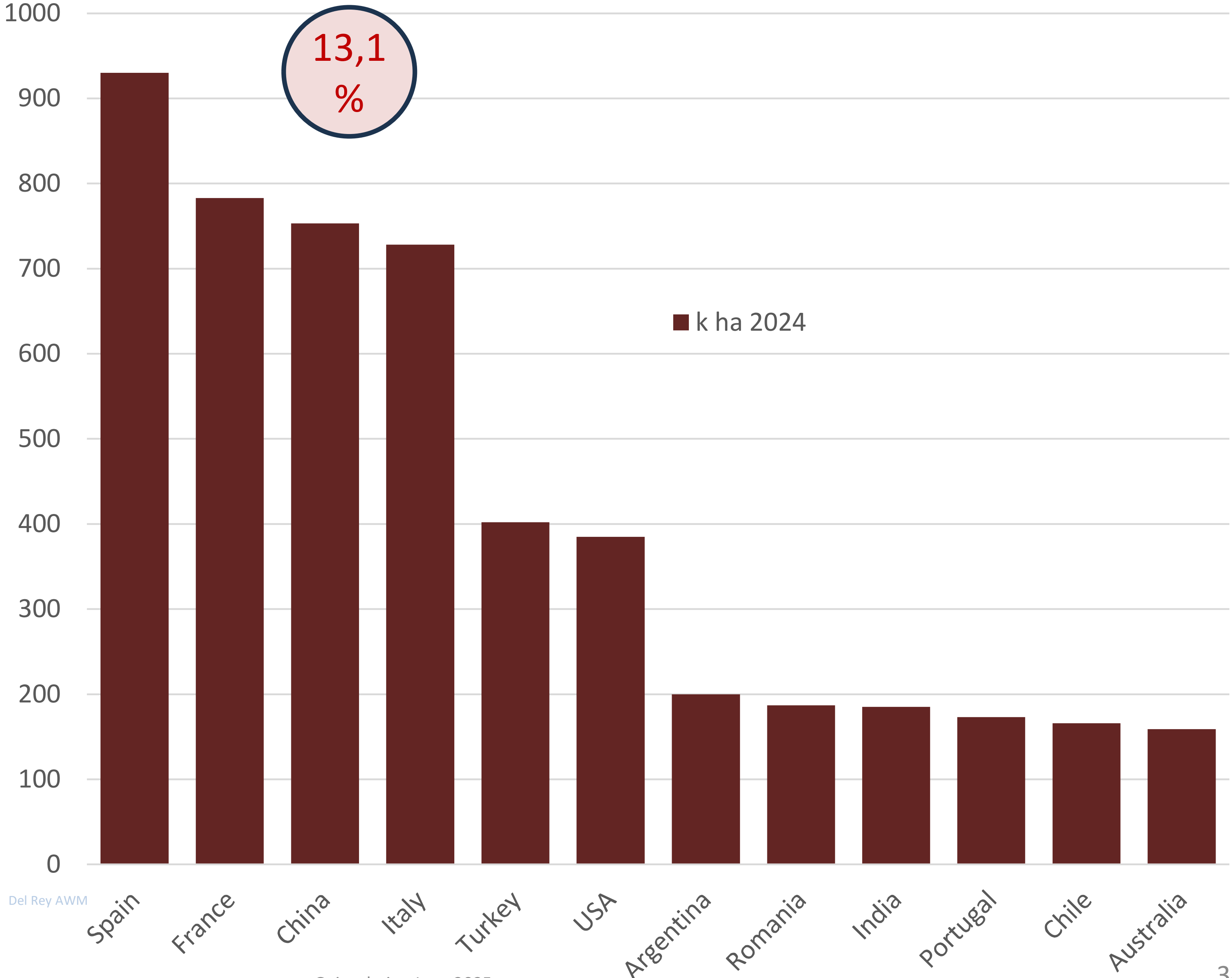
Large surface

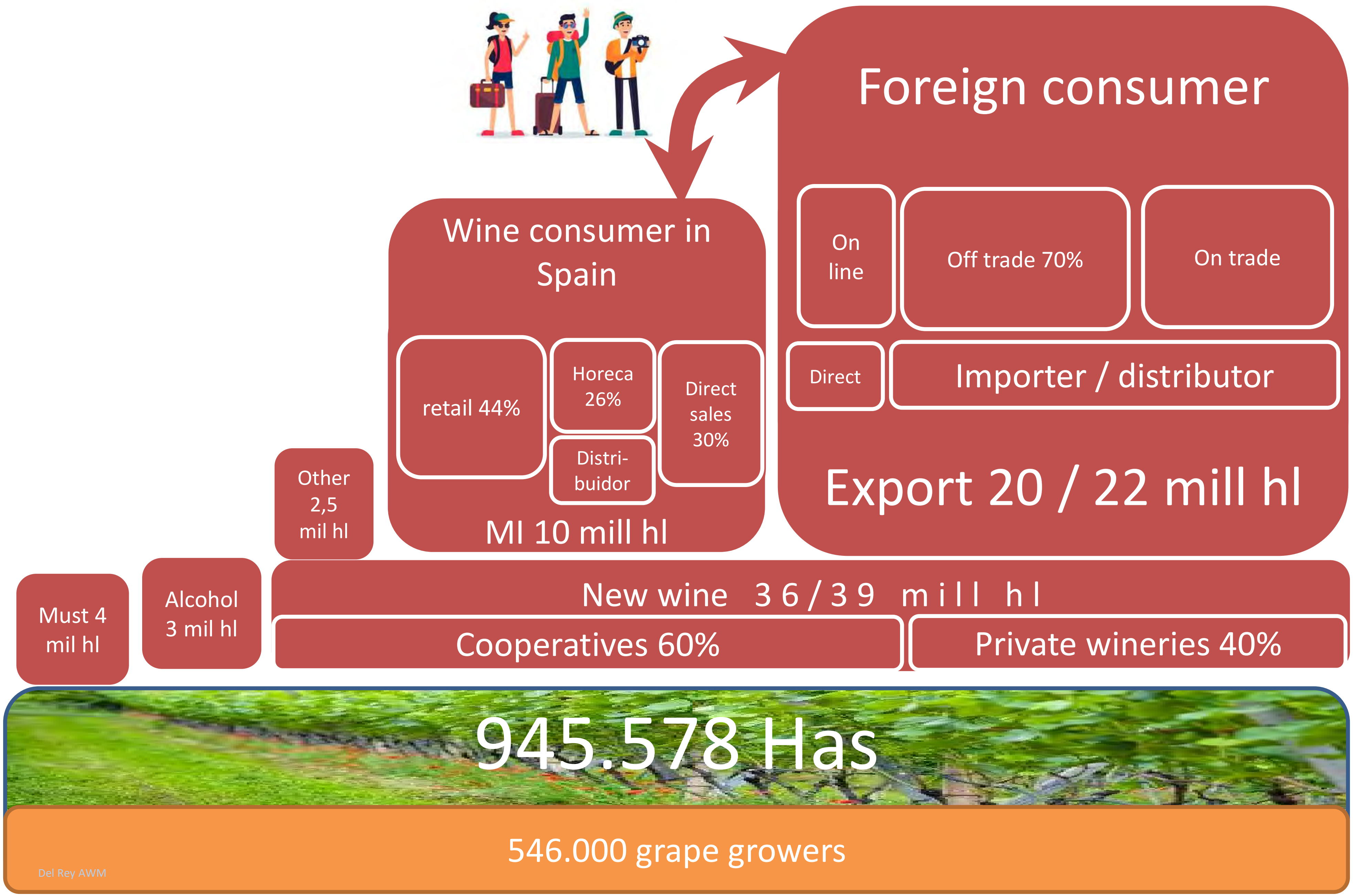
Vinyard surface area of major vine-growing countries 2024 Source Data OIV; elaborated by Del Rey AWM



Spain is the world's top vineyard, with more than 900.000 hectares, representing 13.1% of total… despite decreasing in recent years

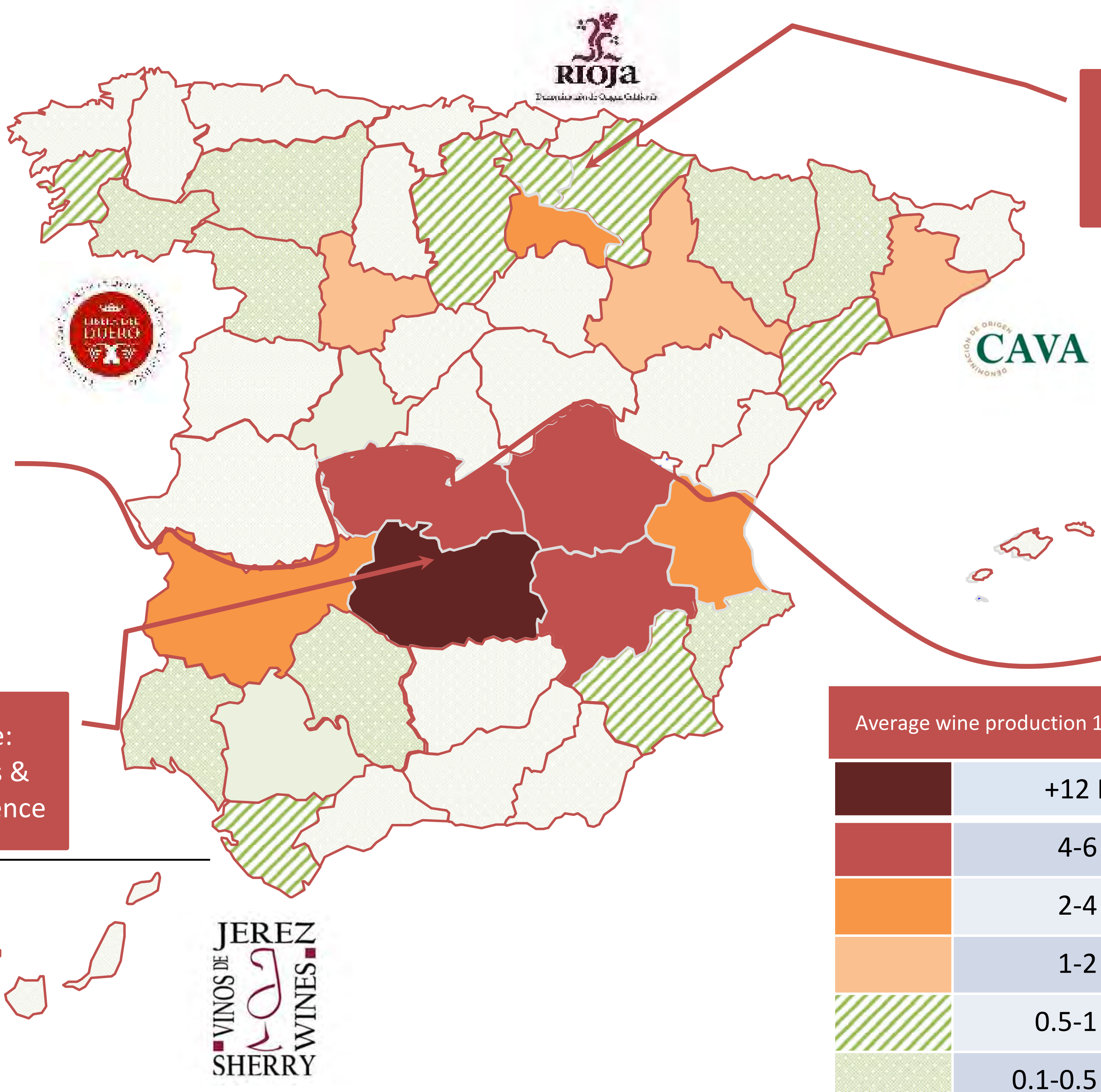
QUESTION:
Why, being Spain the largest surface, it is only third as wine producer?

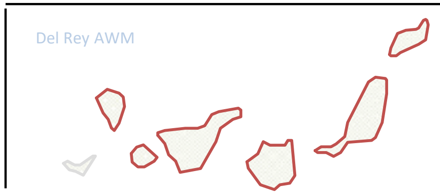
Economic Structure of the Wine Sector in Spain



Economic Structure of the Wine Sector in Spain
Regional Diversity

Wine is produced in all 17 regions and provinces in Spain. The big volume – with plots of excellence – placed in the large central region. More premium oriented in the northern half and the islands.





Large quality producers

Large centre:
Big producers &
plots of excellence

Average wine production 18-20	
	+12 M hl
	4-6 Mhl
	2-4 Mhl
	1-2 Mhl
	0.5-1 Mhl
	0.1-0.5 Mhl
	0-0.1 Mhl

Economic Structure of the Wine Sector in Spain
Regional Diversity… but many playing with large portfolios.

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Since the late ’90s, most wineries decided to expand their wine base and their portfolios, to attend different markets and segments of the market

From north to south and from south to north. Just two examples.

Which are the most extended grape varieties in Spain?

Tempranillo has only recently overpassed Airen.

Why?

Grape varieties for vinification (ha 2023)

WHITE		RED	
Airen	199.085	Tempranillo	199.090
Macabeo	56.764	Garnacha	59.530
Verdejo	25.309	Bobal	53.452
		Garnacha tintorera	42.121
		Monastrell	34.501
Total	**422.288**	**Total**	**475.361**

928.108

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Why is Airen so much planted?

What is it mostly used for?

2024: slight recovery

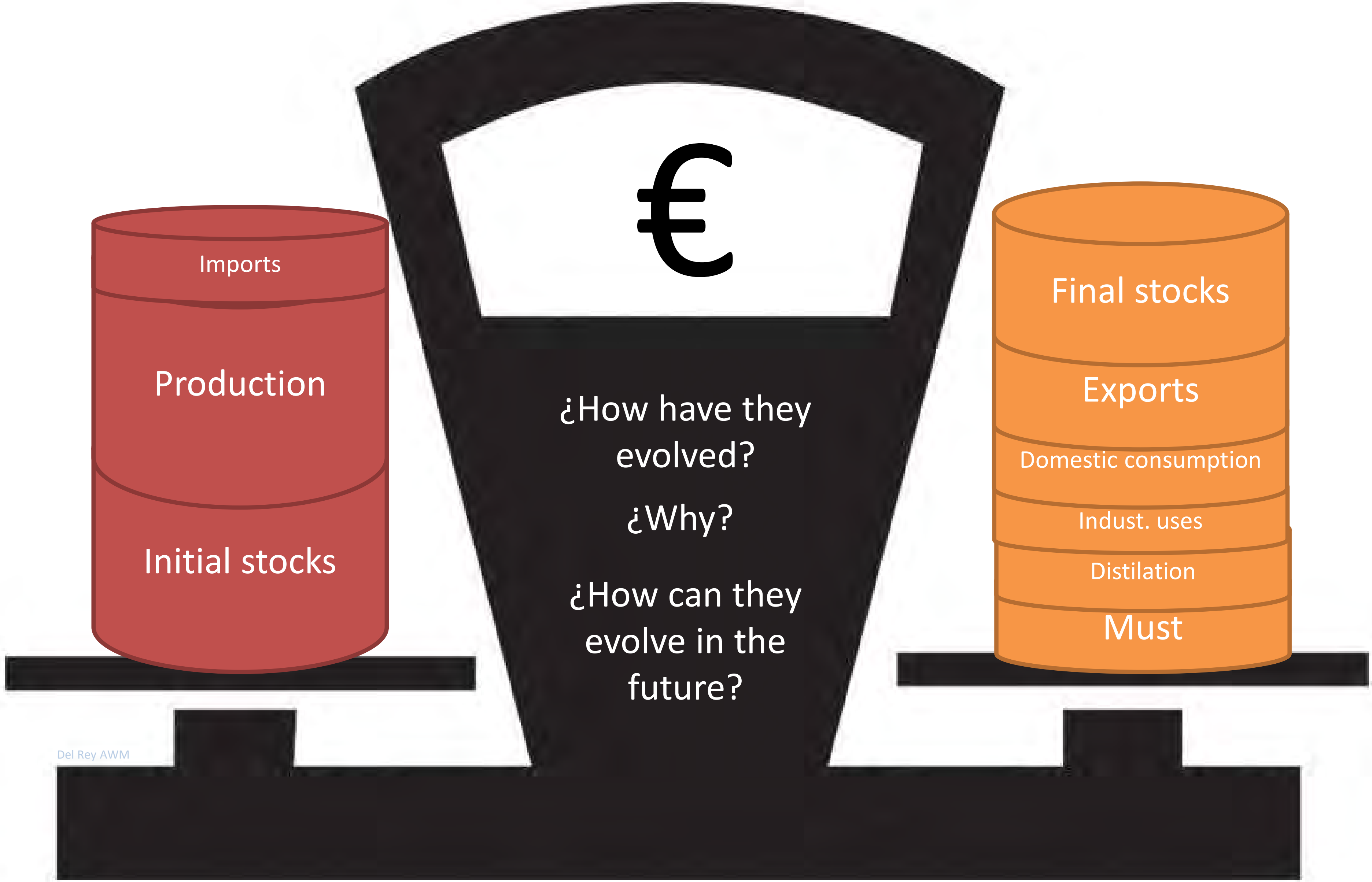
Challenges	RESULTS 2024
Better wine consumption in spain	+2,5% (INFOVI 2024)
Increasing value in exports	+ 3,9% (€/l export wines Bttl 2024) + 9,3% (€/l export wines Blk 2024)

Profitability of wineries

Profitability in the whole value chain

→ Investments

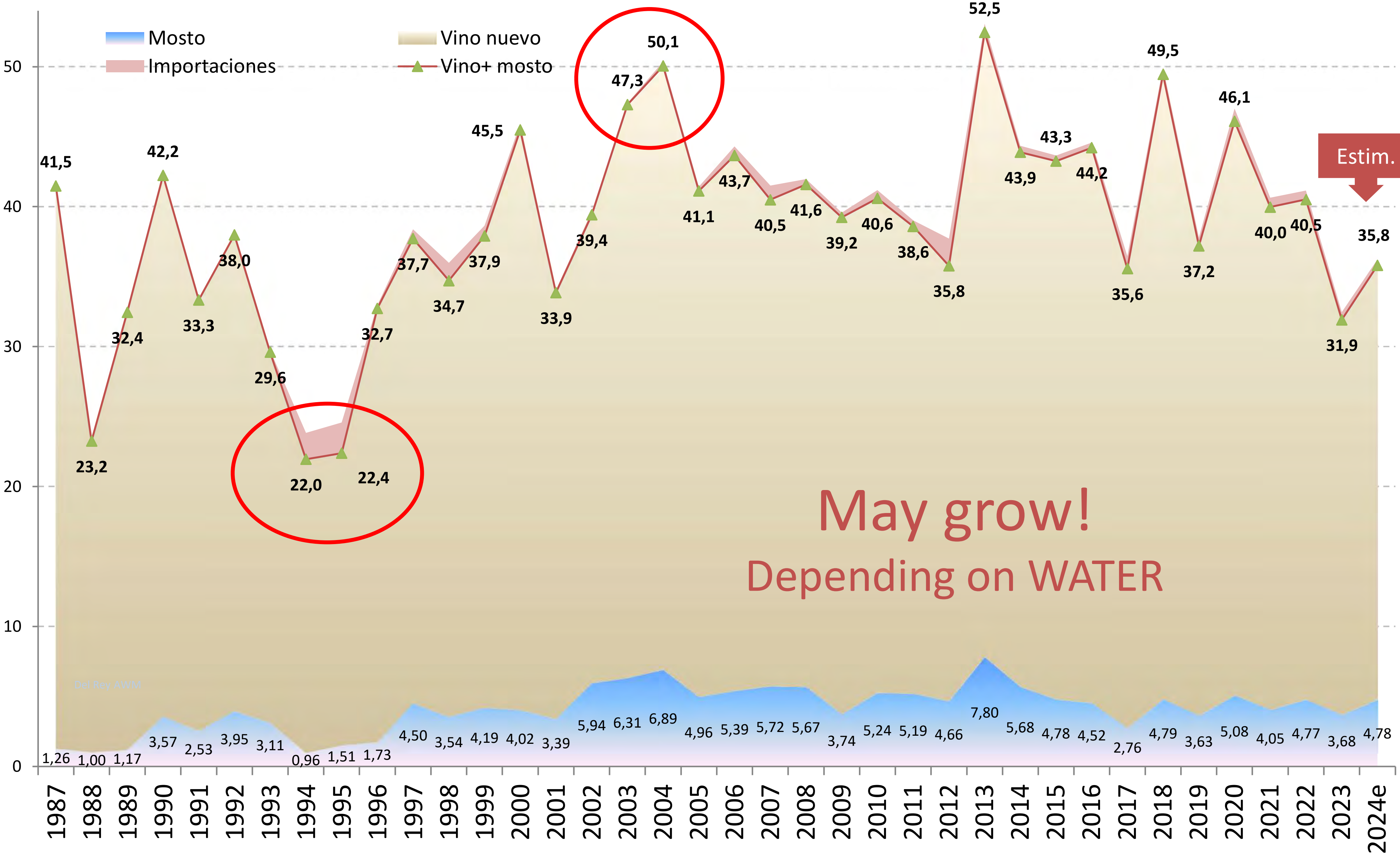
As usual, value is a matter of equilibrium



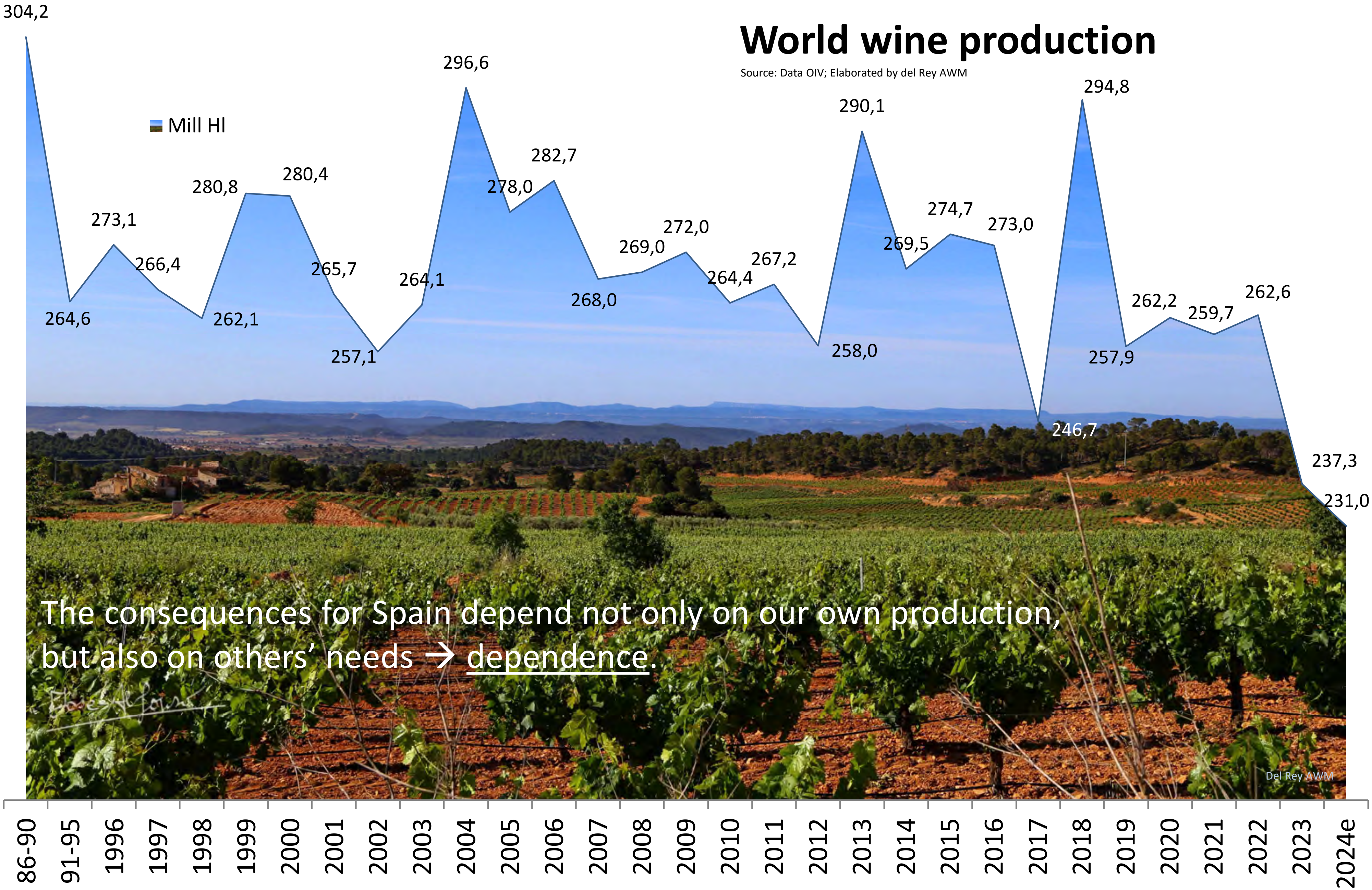
A concern…

Production is erratic and surprises the whole sector, with large ups and downs

Source: Data MAPA/INFOVI; Elaborated by del Rey AWM



… and other:


World wine production
Source: Data OIV; Elaborated by del Rey AWM
Mill Hl
304,2
264,6
273,1
266,4
262,1
280,8
280,4
265,7
257,1
264,1
296,6
278,0
282,7
268,0
269,0
272,0
264,4
267,2
258,0
290,1
269,5
274,7
273,0
246,7
294,8
257,9
262,2
259,7
262,6
237,3
231,0
The consequences for Spain depend not only on our own production, but also on others' needs → dependence.
Del Rey AWM
86-90
91-95
1996
1997
1998
1999
2000
2001
2002
2003
2004
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2007
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2018
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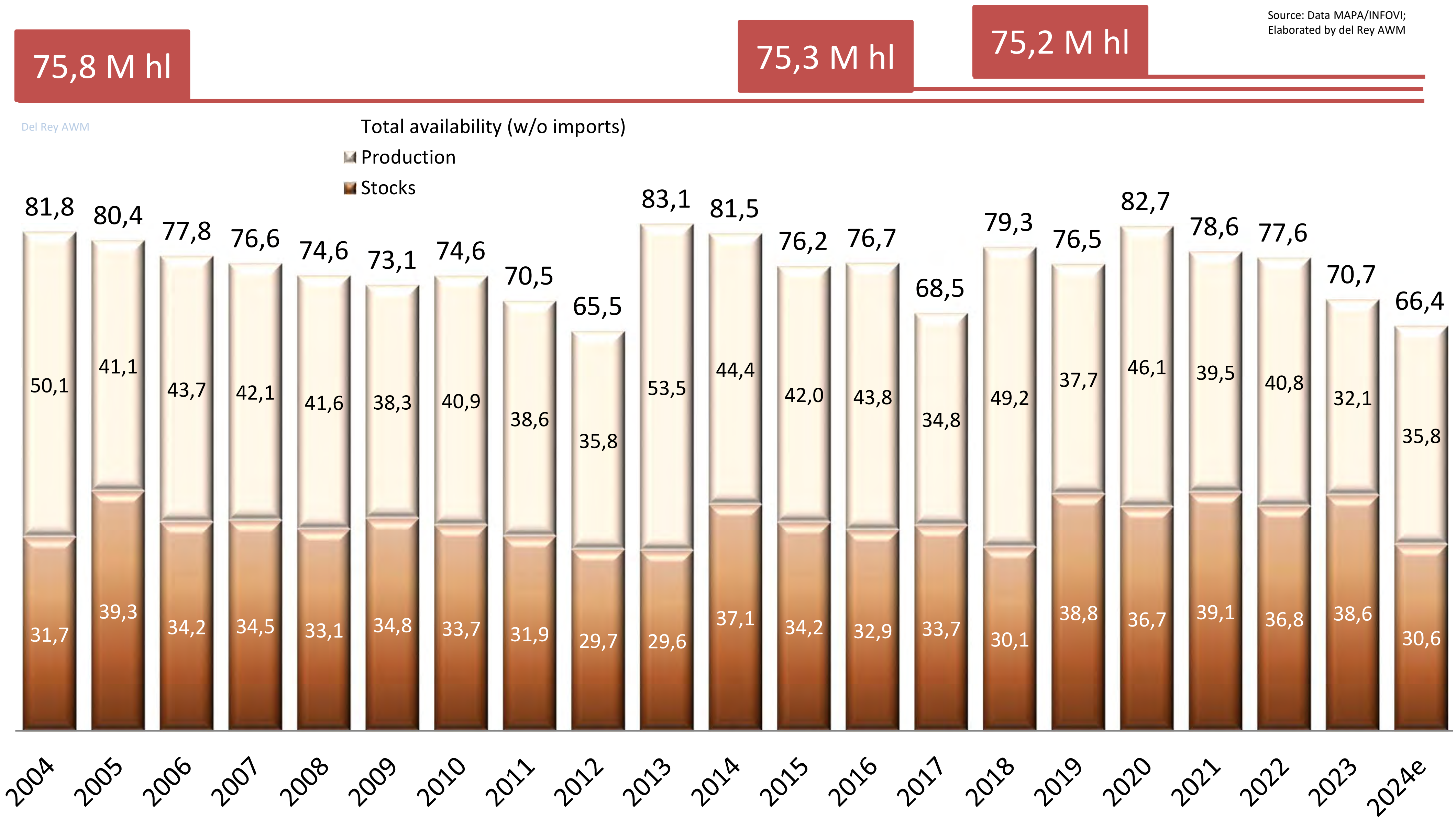
2020
2021
2022
2023
2024e

Availability of wine in Spain



However, if we add (i) initial stocks with (ii) production in the coming year, we get an idea of total wine available (without imports). In this case, we see relatively small total wine for sale, leading to a certain equilibrium.

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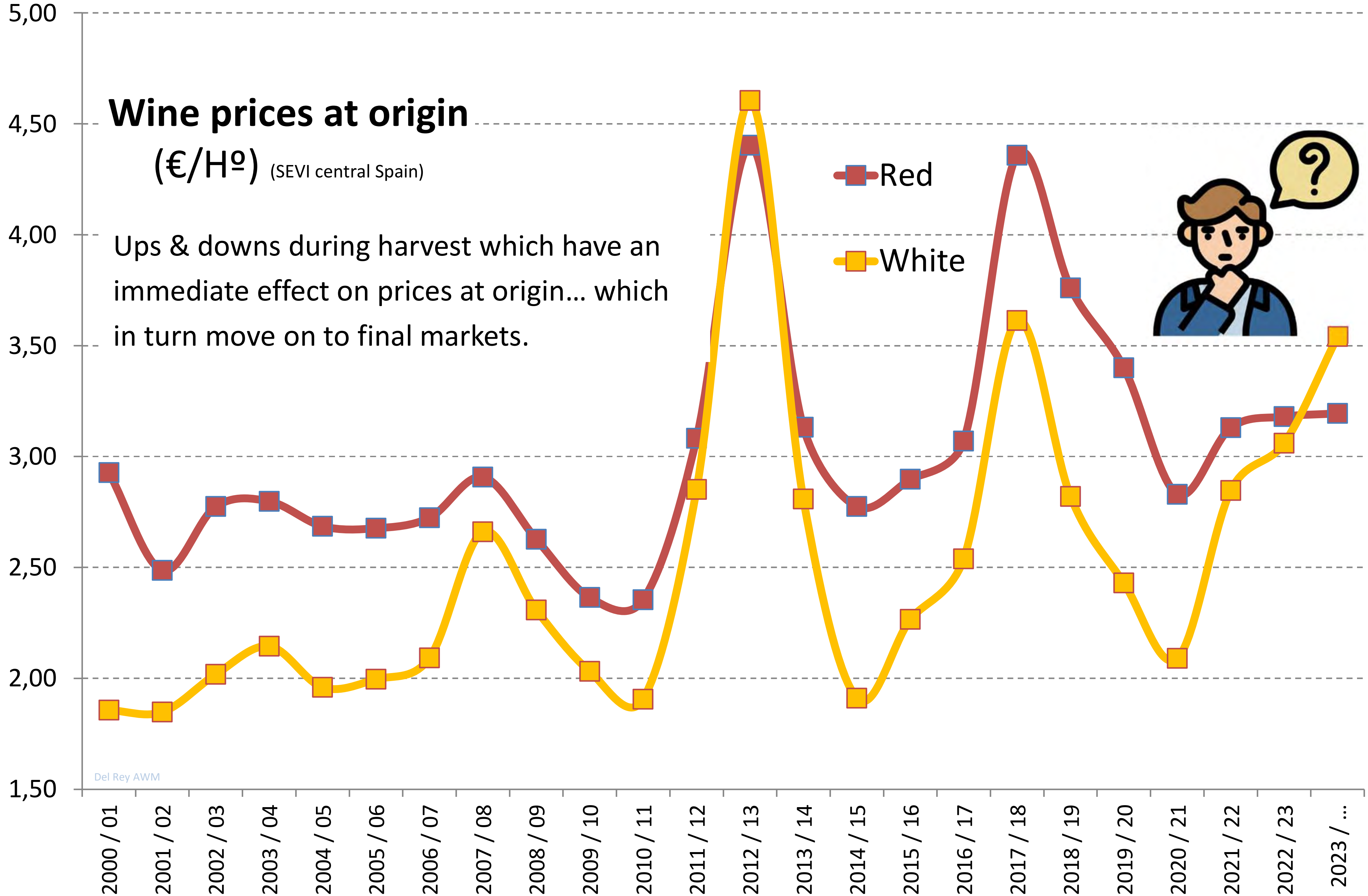
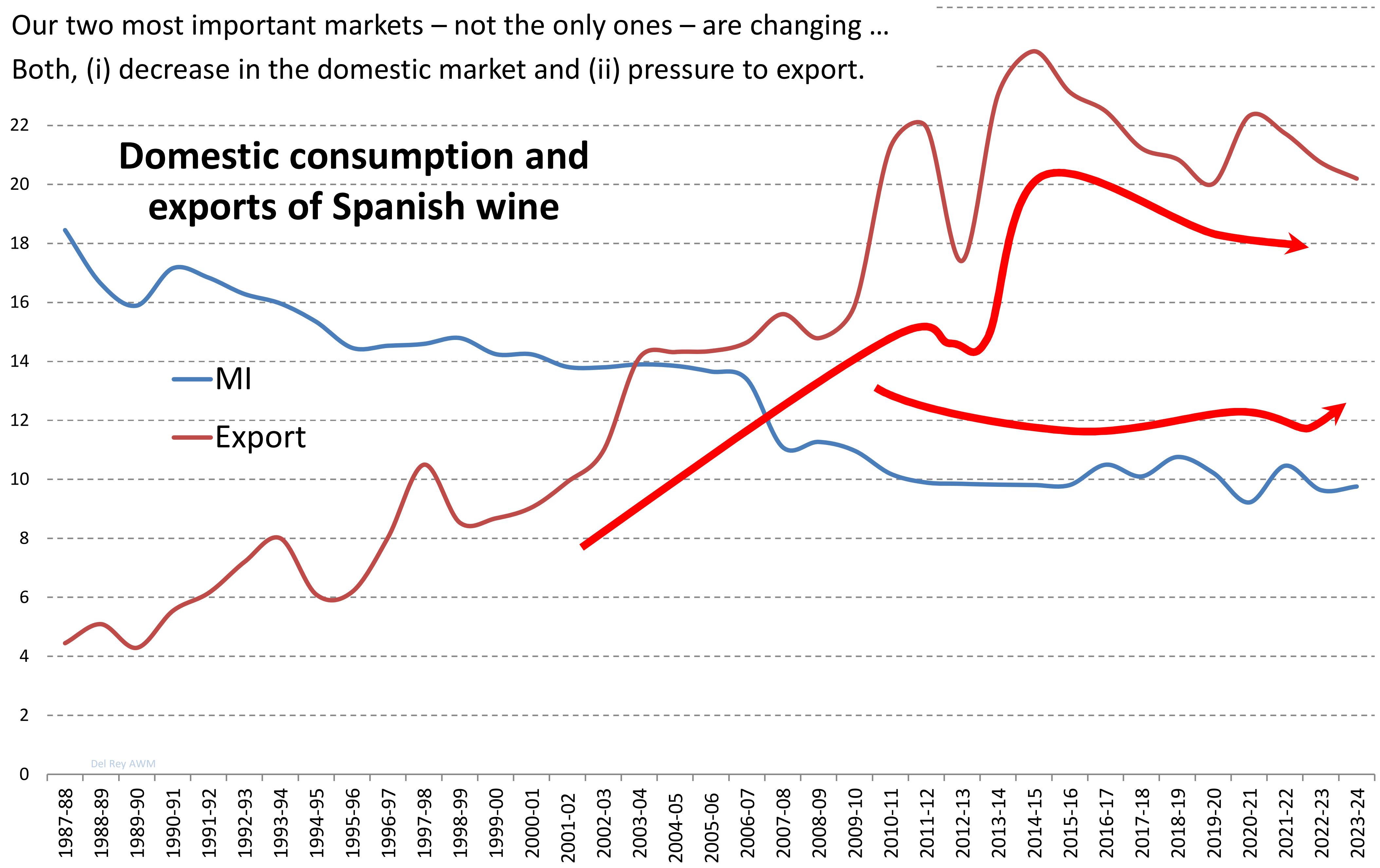
Effect on **prices**



Demand – top markets

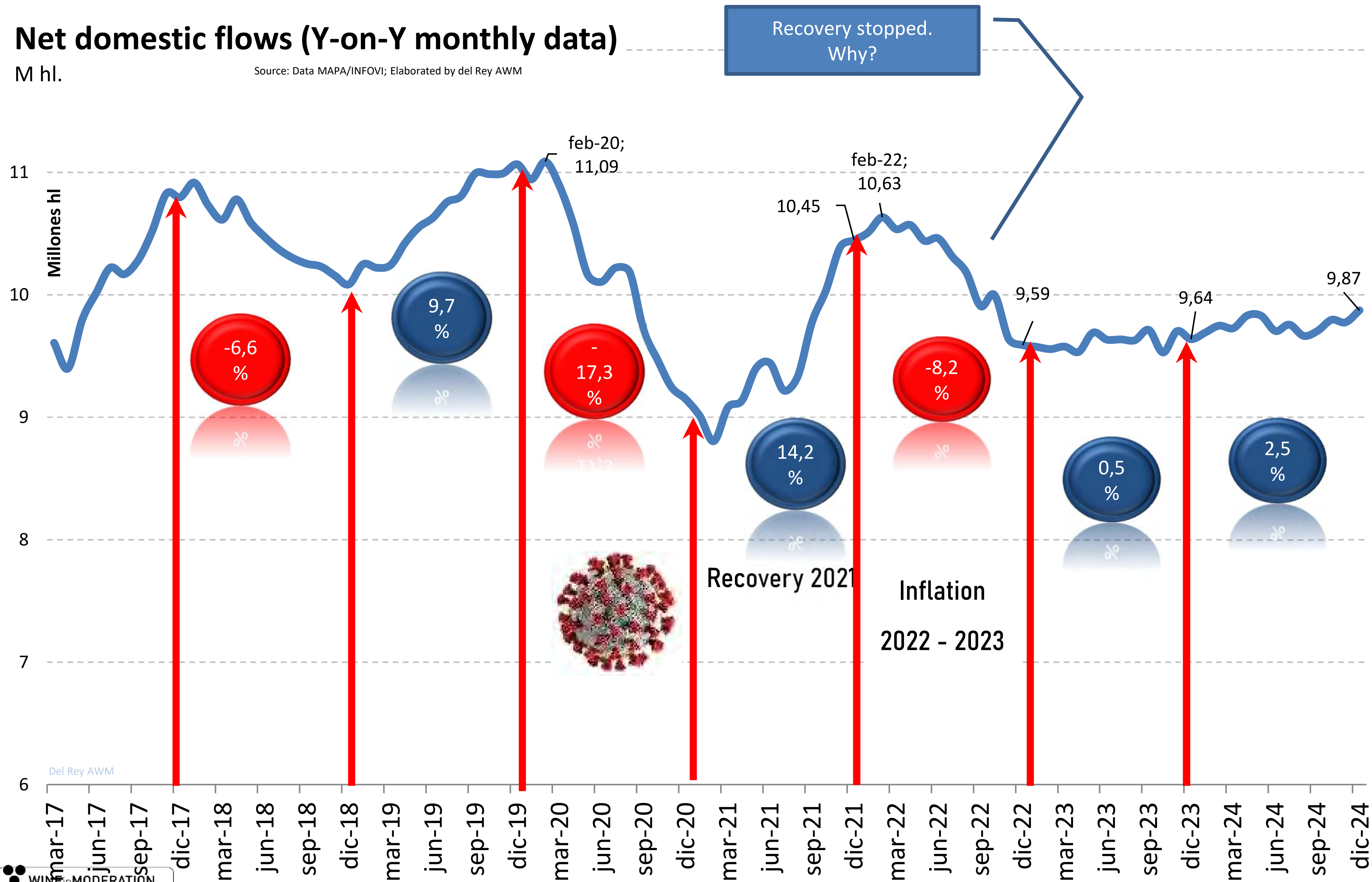
Our two most important markets – not the only ones – are changing …

Both, (i) decrease in the domestic market and (ii) pressure to export.



Wine consumption in Spain

Del Rey AWM



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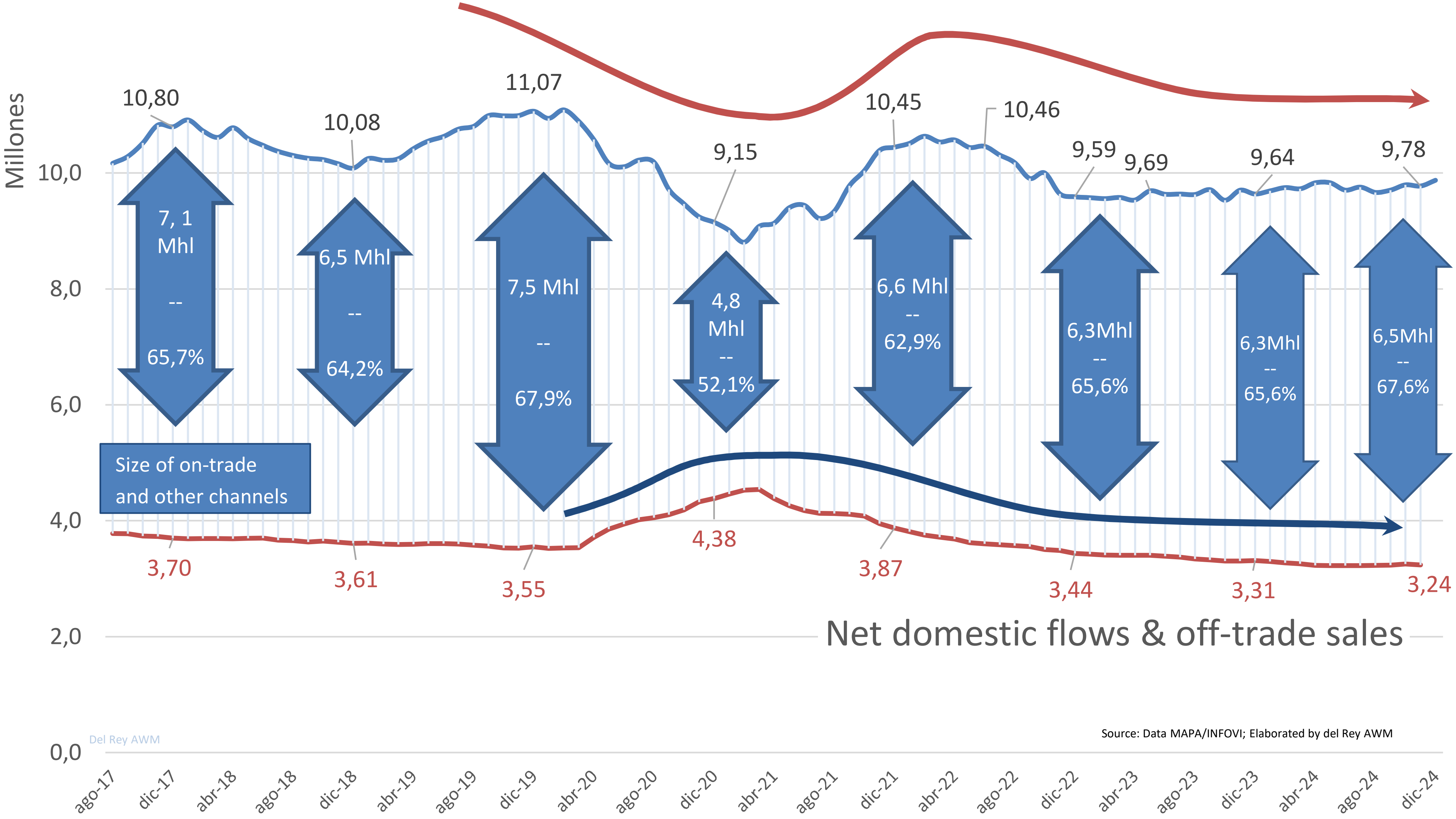
Wine consumption in Spain

Del Rey AWM

Out of total estimated consumption, off trade is just part of it . Despite its large increase during the pandemic, the great decrease of consumption on trade led to a net fall in 2020… not fully recovered yet.

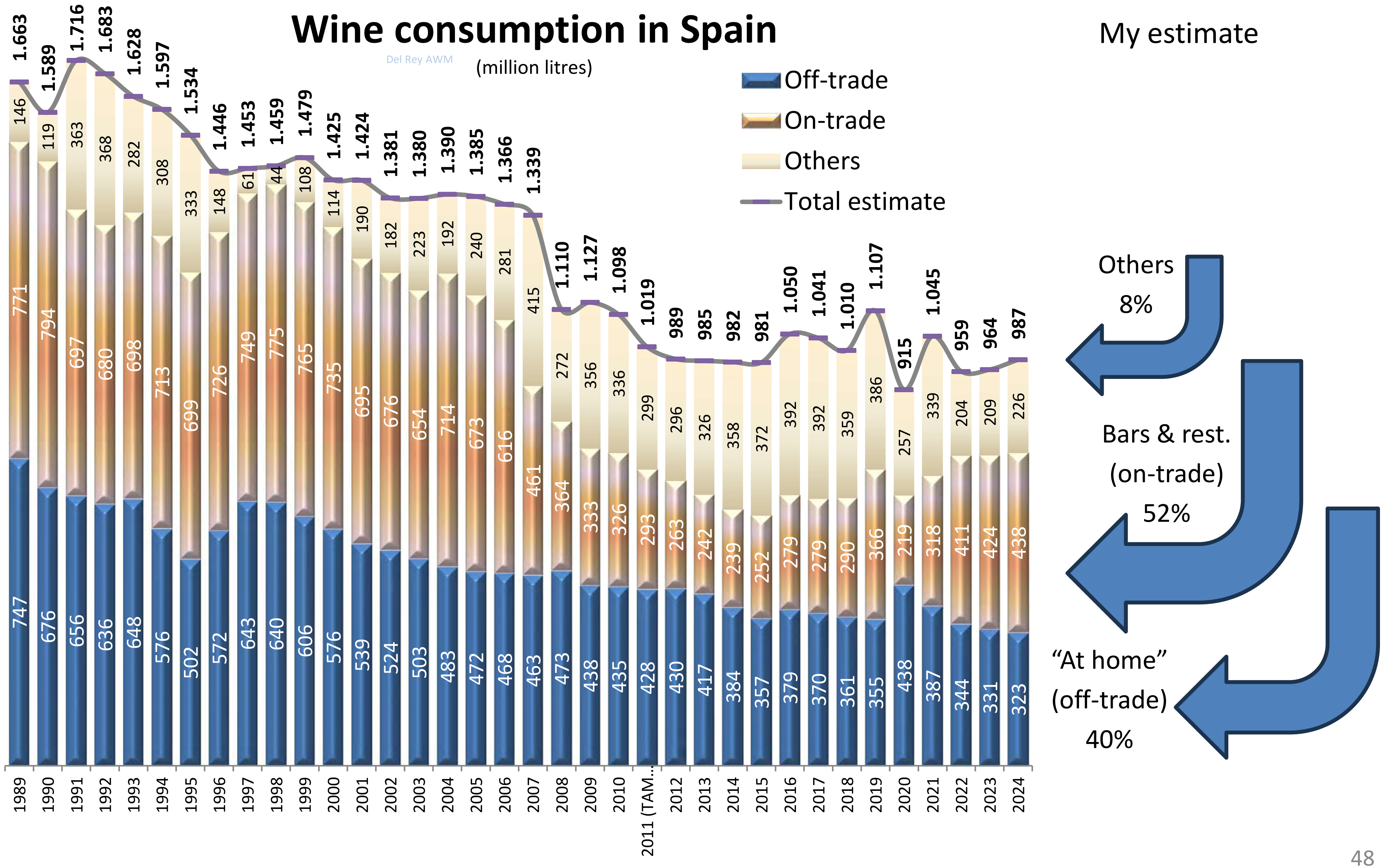


Source: Data MAPA/INFOVI; Elaborated by del Rey AWM

Wine consumption in Spain

Del Rey AWM

How and where do we consume wine



Wine consumption in Spain

Del Rey AWM

How and where do we consume wine

Family / friends at home

CONSUMPTION "AT HOME" - Key factors:

- ✓ Traditional consideration as "food"
- ✓ In the past, even better than water (and more nutritional)
- ✓ … particularly in rural areas
- ✓ Very much linked to celebrations
- ✓ … decreasing?

"At home"
(off-trade)
40%

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Wine consumption in Spain

Del Rey AWM

How and where do we consume wine

Calle Laurel (Logroño) → SOCIABILITY

Wine & tapas → SMALL QUALITY DISHES

Bars & rest.
(on-trade)
52%

Pintxos → SMALL QUALITY DISHES

Wine & celebration

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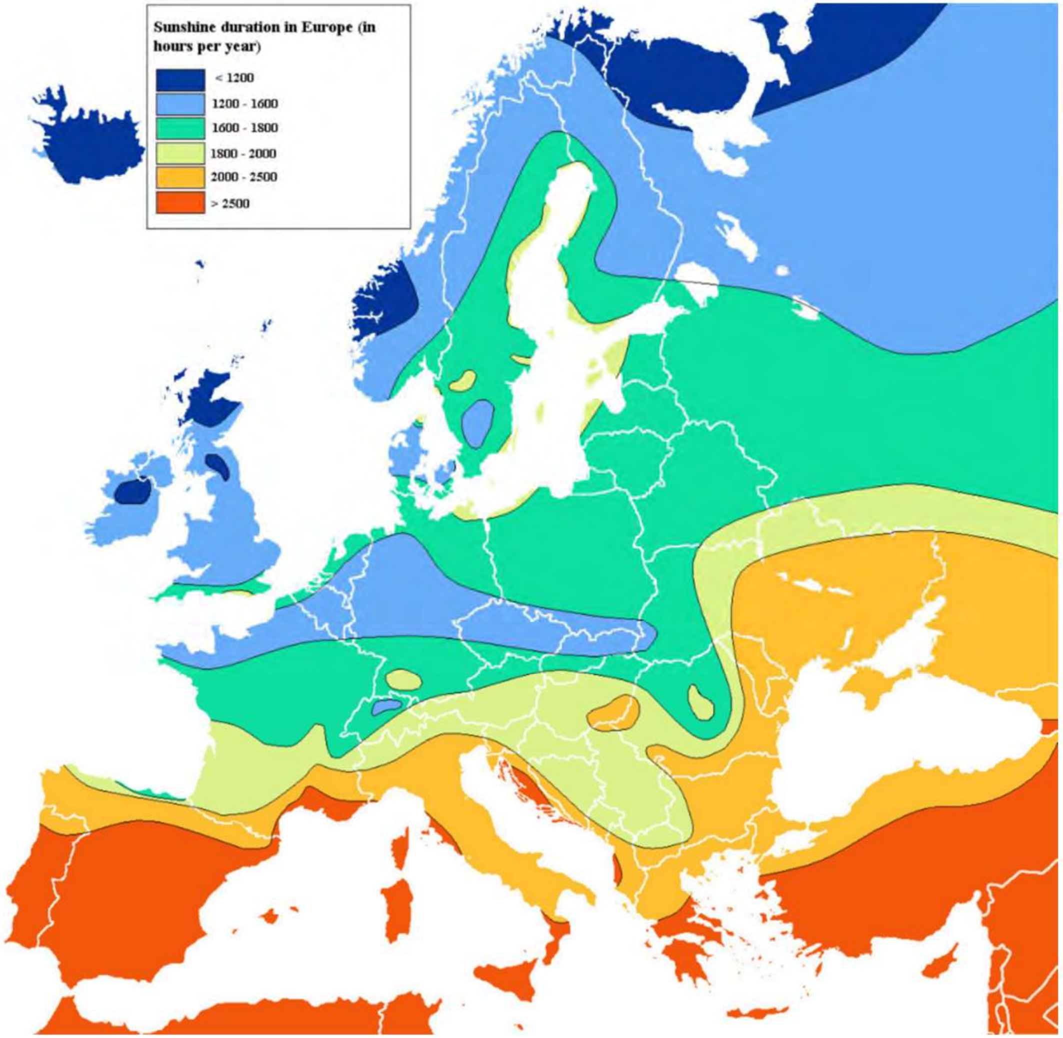
Wine consumption in Spain

How and where do we consume wine



schengen. news

https://schengenvisainfo.com/news/these-eu-cities-have-the-most-sunny-days-a-year/

Spain and Italy dominate the list of sunniest cities in Europe, with a significant number of cities boasting high average monthly sun hours.

Spain's Alicante tops the list with 349 sun hours per month, followed by Catania in Italy with 347 sun hours.

Bars & rest.
(on-trade)
52%

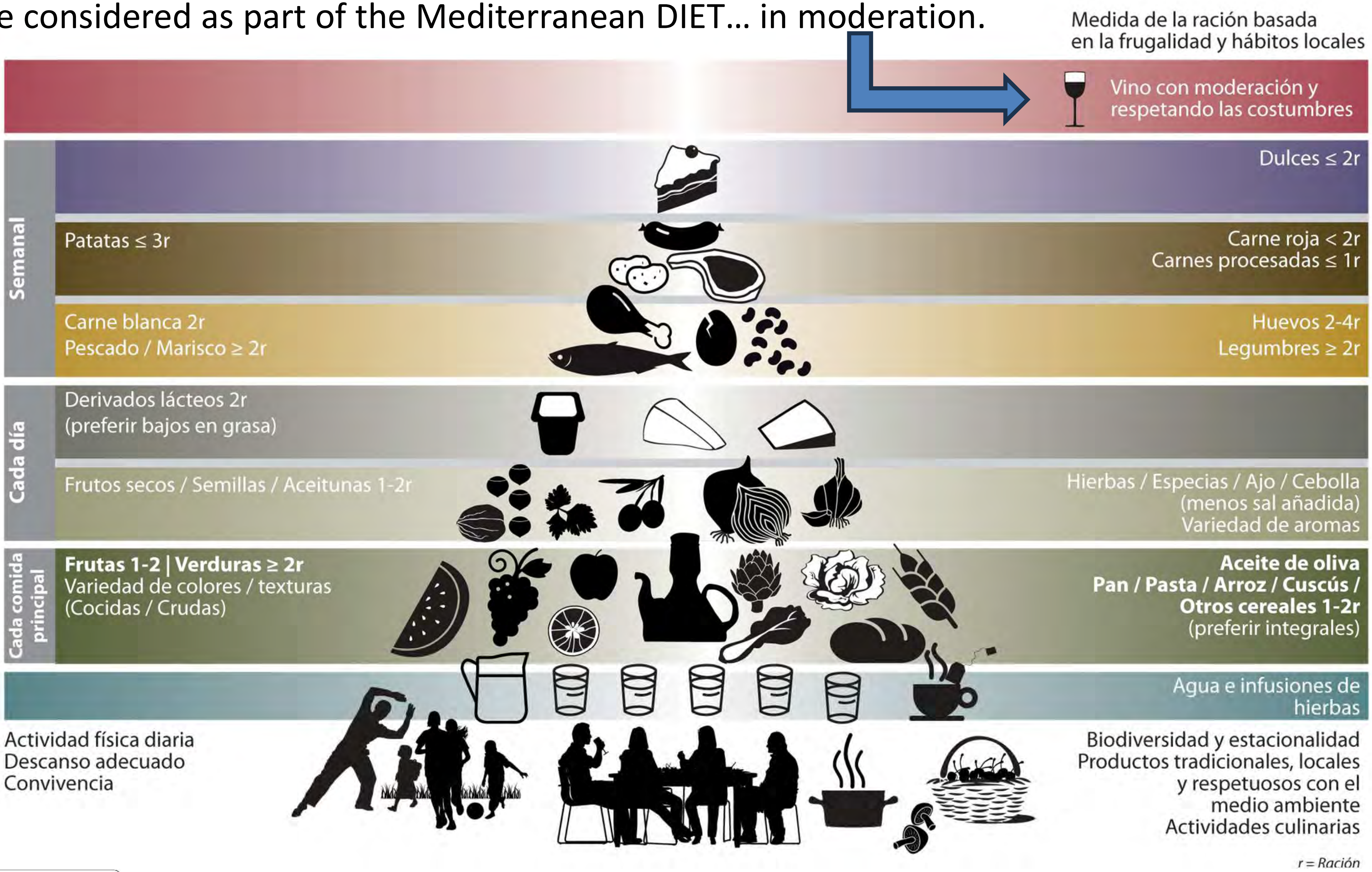
CONSUMPTION "OUT-DOORS" - Key factors:

- ✓ Traditional
- ✓ Good weather
- ✓ Sociability
- ✓ Celebrations
- ✓ Connected to great food

Del Rey AWM

How and where do we consume wine

Wine considered as part of the Mediterranean DIET… in moderation.



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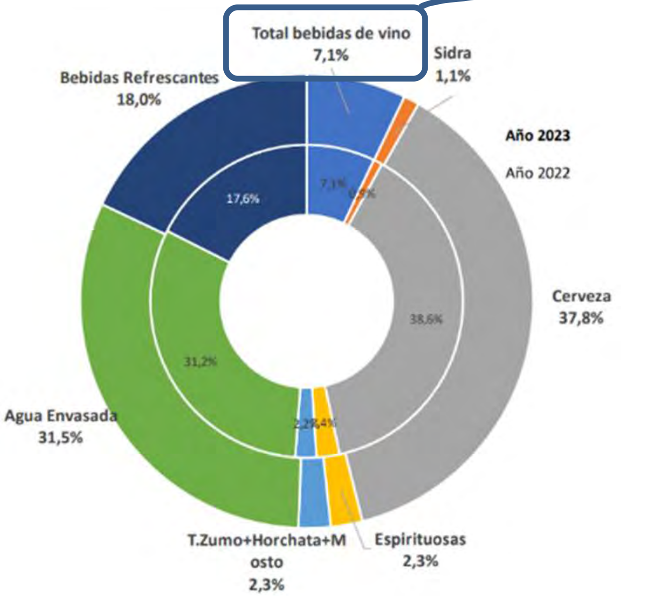
Domestic consumption – On-trade (MAPA)

The information given by the Ministry of Agriculture for the on-trade is scarce and misleading

From the report on food and drinks of the Ministry, we get total consumption of "cold beverages" in the on trade…

.. and some percentages of how they are segmented.

	Consumo extradoméstico de bebias frías en 2023	% Variación 2023 vs. 2022	% Variación 2023 vs. 2019
VOLUMEN (miles consumiciones)	4.356.134,00	-3,8 %	-29,0 %
VOLUMEN (miles kg ó litros)	1.954.786,82	-3,6 %	-30,8 %
VALOR (miles euros)	8.219.553,00	0,0 %	-18,5 %
PENETRACION (%)	91,66	-0,6	-6,1
FRECUENCIA COMPRA (actos)	54,25	-2,5 %	-24,8 %
COMPRA MEDIA (consumiciones)	136,27	-4,5 %	-26,4 %
VOLUMEN POR ACTO (consumiciones)	2,51	-2,0 %	-2,1 %
CONSUMO PER CAPITA (kg ó litros por individuo)	56,05	-4,9 %	-32,7 %
GASTO PER CAPITA (€ por individuo)	235,67	-1,3 %	-20,8 %
PRECIO MEDIO (kg ó litros)	4,20	3,8 %	17,7 %



X 7,1%

138,8 M l

From where we can infer that, in the most optimistic case, wine in 2023 in the on trade would be 7.1% of 1,954,8 M l

… which is not belivable.

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Source: data MAPA; elaborated by del Rey AWM

Domestic consumption – off-trade

WINE CONSUMPTION IN THE SPANISH OFF-TRADE

Source: data MAPA/INFOVI; elaborated by del Rey AWM

Datos tasa anual movil hasta...	Mill. €uros nov.-23	Mill. €uros nov.-24	Mill. €uros Dif.	Mill Ltrs nov.-23	Mill Ltrs nov.-24	Mill Ltrs Dif.	€/l nov.-23	€/l nov.-24	€/l Dif.
Sparkling	140,9	**144,2**	2,3%	23,7	**22,9**	-3,4%	5,94	**6,29**	5,9%
Semi-sparkling	5,3	**5,5**	4,6%	1,5	**1,5**	0,4%	3,50	**3,64**	4,1%
Fortified	44,4	**49,1**	10,7%	9,8	**10,2**	4,3%	4,53	**4,80**	6,1%
Still wine	921,7	**958,0**	3,9%	295,4	**289,0**	-2,2%	3,12	**3,31**	6,2%
*** PDO**	*635,2*	*667,8*	5,1%	*131,9*	*132,6*	0,6%	*4,82*	*5,03*	4,5%
*** PGI**	*64,1*	*61,8*	-3,6%	*25,5*	*21,5*	-15,8%	*2,51*	*2,88*	14,4%
*** w/o QI**	*222,4*	*228,4*	2,7%	*138,1*	*134,9*	-2,3%	*1,61*	*1,69*	5,1%
TOTAL WINES	**1.112,3**	**1.156,8**	**4,0%**	**330,5**	**323,7**	**-2,1%**	**3,37**	**3,57**	**6,2%**
Vermuth and other drinks with wine	157,0	154,5	-1,6%	75,6	70,7	-6,4%	2,08	2,18	5,2%
TOTAL WINE & DRINKS WITH WINE	**1.269,3**	**1.311,3**	**3,3%**	**406,1**	**394,4**	**-2,9%**	**3,13**	**3,32**	**6,4%**

(1) Other wines: since March 2015 they include semi-sparkling, fortified and PGI wines. Before, they included vermouth.

(2) Drinks with wine: include sangria, "summer reds", other wine-based drinks and de-alcoholized wines

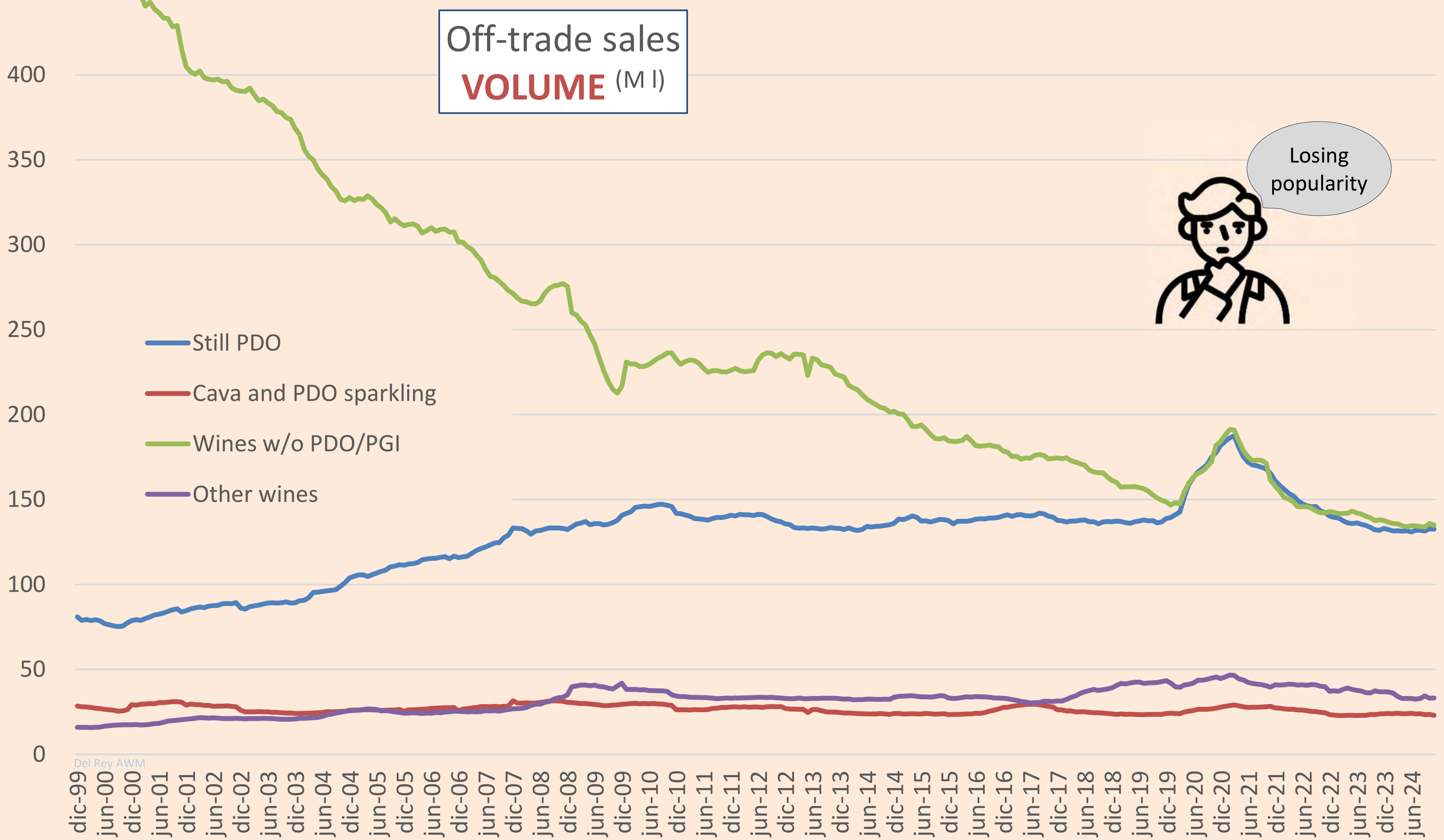
At home (off-trade, MAPA Y-o-Y up to Nov '24):

- Volume falls but not value, due to the increase in average prices
- Semi-sparkling and fortified wines keep ion growing, improving their prices
- But sparkling and still wines decline in volume, particularly PGI, although at higher prices

Off trade

Del Rey AWM

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



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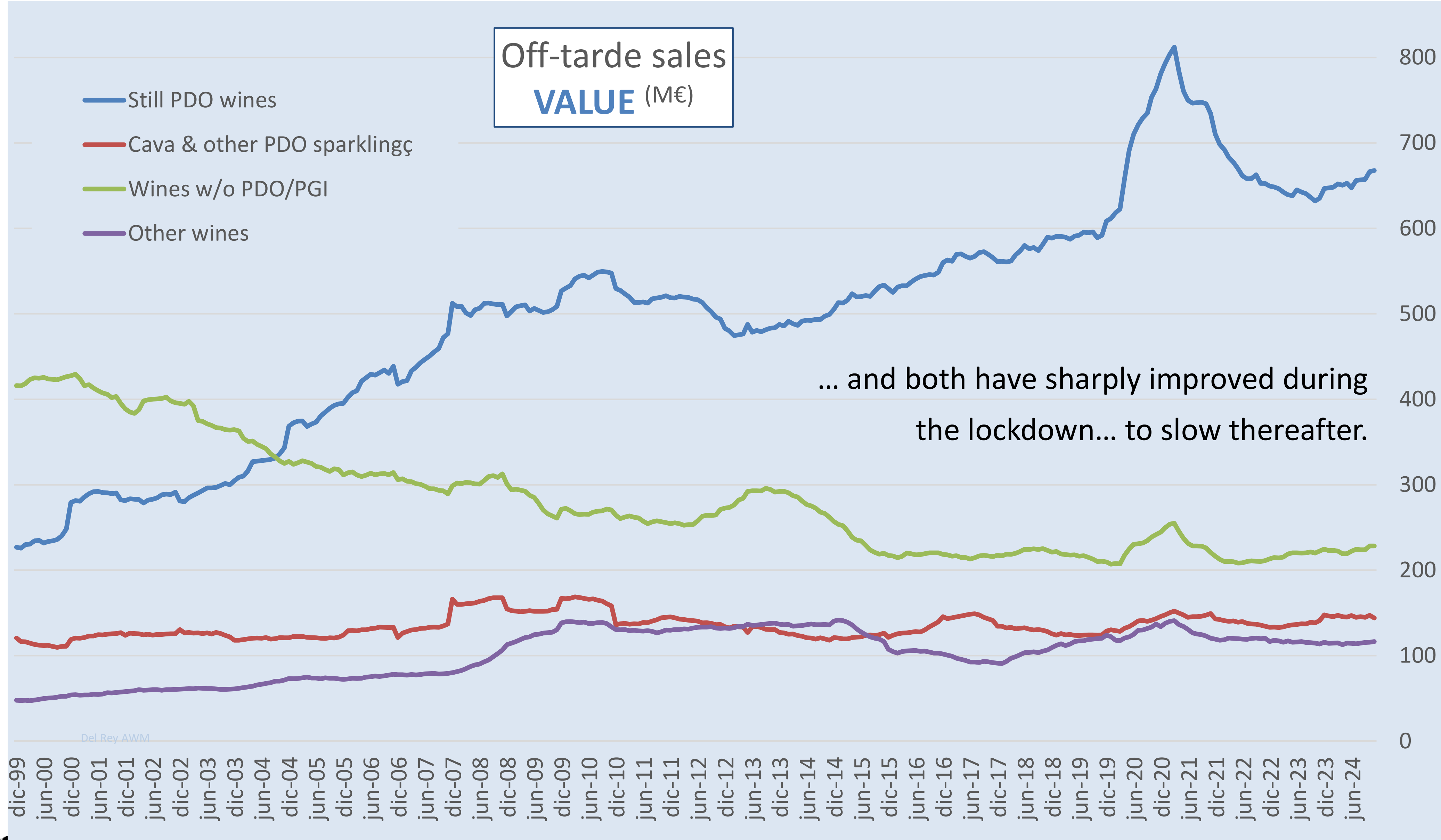
Off trade

Del Rey AWM

However, such fall was compensated in terms of VALUE, where an increase of 500 M€ in PDO wines along 20 years, is well above the decrease of 200 M€ for wines without PDO…



Domestic consumption – off-trade by container

Domestic wine in Spain (off-trade) by container

	Mill. €uros			Mill Ltrs			€/l		
	nov-23	nov-24	Var. %	nov-23	nov-24	Var. %	nov-23	nov-24	Var. %
Less than 75 cl.	**16,46**	**19,48**	**18,3%**	**4,66**	**5,04**	**8,2%**	**3,53**	**3,86**	**9,4%**
75 cl.	**925,19**	**974,87**	**5,4%**	**194,91**	**197,97**	**1,6%**	**4,75**	**4,92**	**3,7%**
1 litre	**75,33**	**69,16**	**-8,2%**	**59,75**	**56,39**	**-5,6%**	**1,26**	**1,23**	**-2,7%**
Bottle	19,27	18,05	-6,4%	8,67	7,97	-8,0%	2,22	2,26	1,8%
Tetra	48,44	47,49	-2,0%	47,79	46,97	-1,7%	1,01	1,01	-0,3%
Otehrs 1 litre	7,62	3,63	-52,4%	3,29	1,45	-56,1%	2,31	2,51	8,4%
Above 1 litre	**95,35**	**93,31**	**-2,1%**	**71,17**	**64,28**	**-9,7%**	**1,34**	**1,45**	**8,3%**
Bottle	35,51	40,33	13,5%	24,38	27,00	10,8%	1,46	1,49	2,5%
Tetra	1,45	1,03	-29,0%	0,95	0,59	-37,4%	1,53	1,74	13,4%
Bag-In-Box	10,47	12,00	14,7%	6,86	6,99	1,8%	1,53	1,72	12,6%
Other > 1 litre	47,92	39,94	-16,6%	38,98	29,70	-23,8%	1,23	1,35	9,4%
TOTAL CONTAINERS	**1.112,33**	**1.156,82**	**4,0%**	**330,49**	**323,69**	**-2,1%**	**3,37**	**3,57**	**6,2%**

Del Rey AWM

Source: data MAPA; elaborated by del Rey AWM

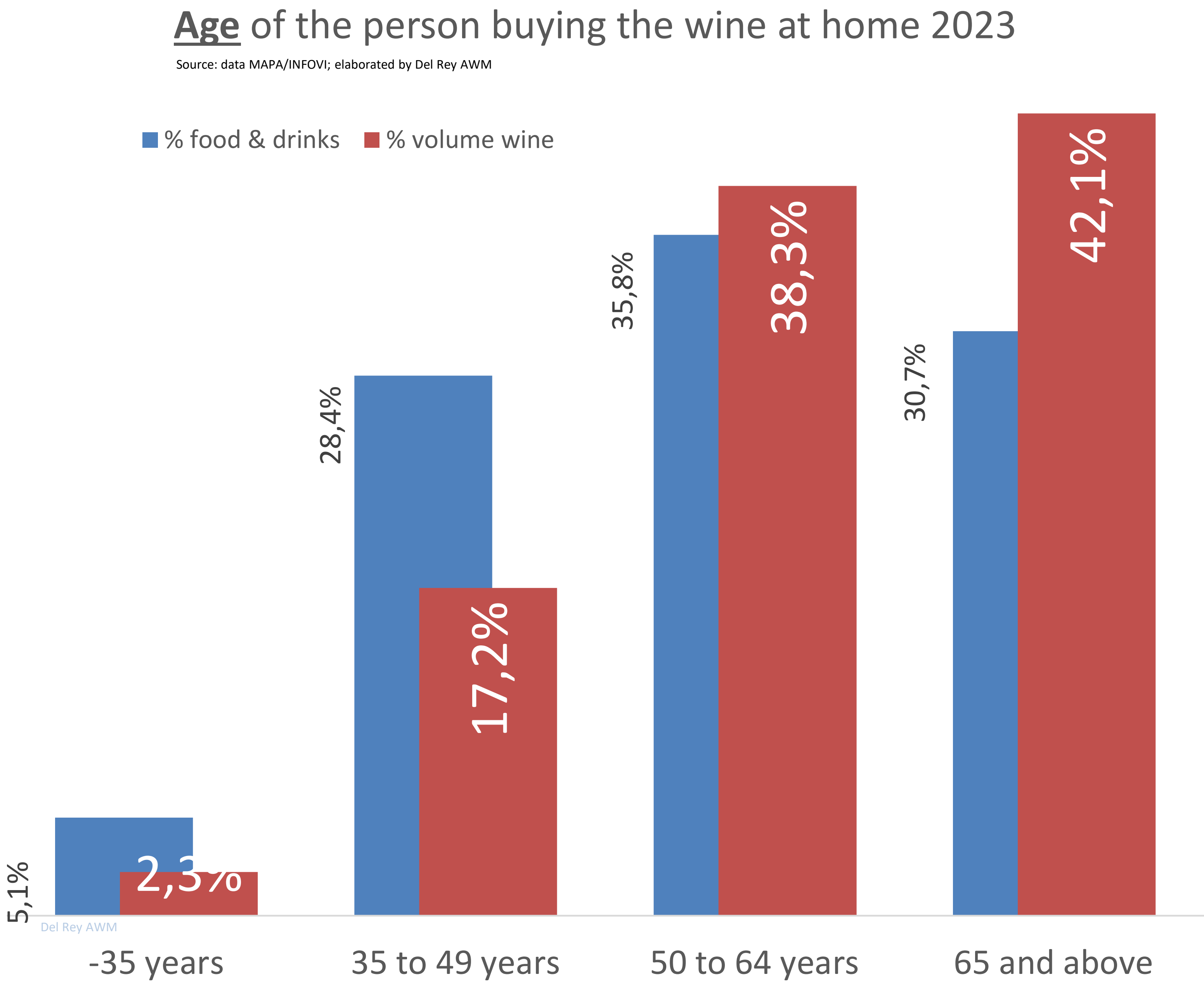
By container, up to Nov 2024 (panel MAPA):

- Consumption of wine in large bottles declines: 1 litre and more than 1 litre
- But sales of traditional bottles recover, more in value than in volume
- …and small containers increase strongly
- To, finally, sell more in value although less in volume.

Domestic consumption – off-trade by age

What type of buyers are they?

By age, purchase of wine is clearly more frequent among persons above 50 years old, much less in younger people and below the average in the segment of people between 35 to 49 years old.



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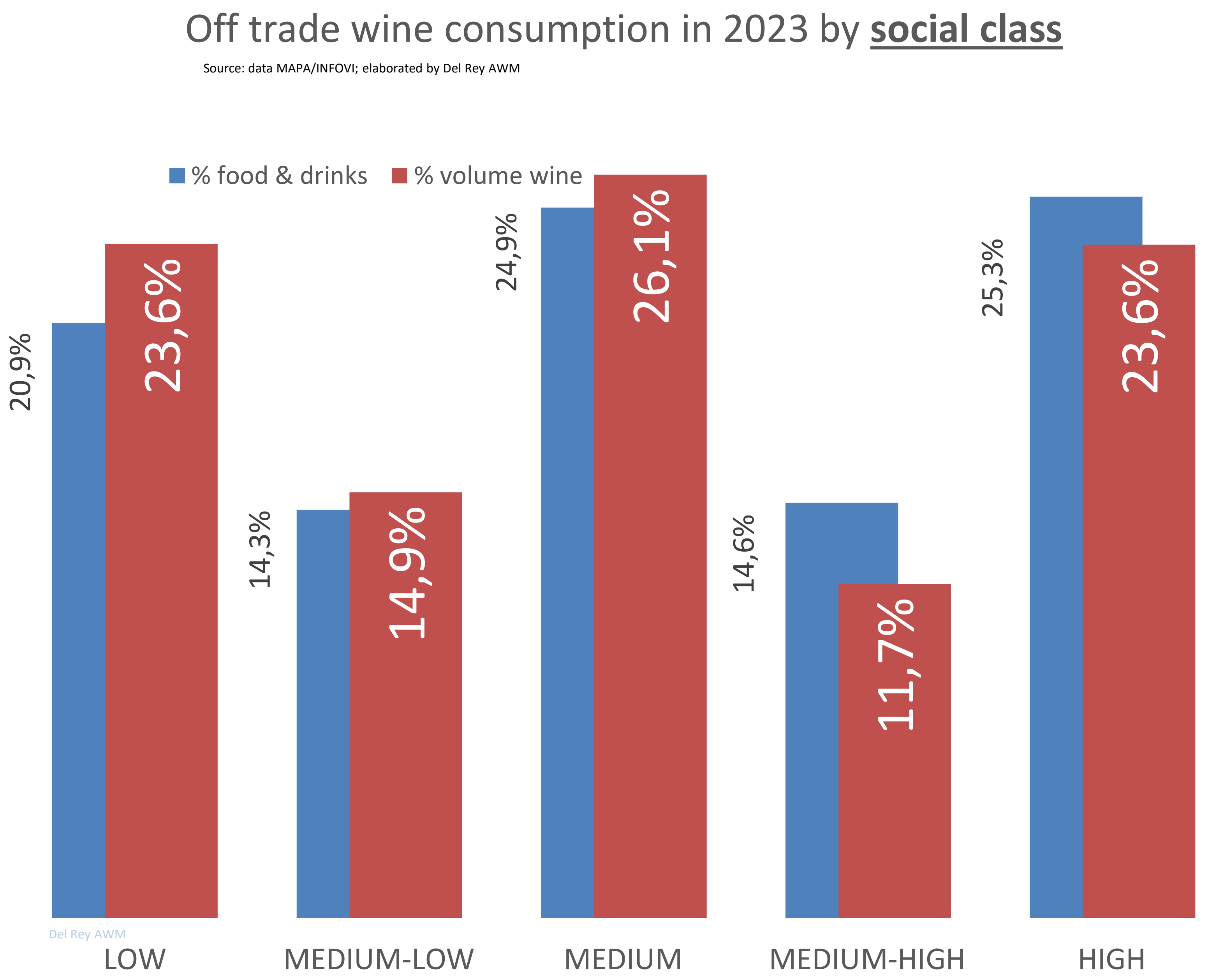
Domestic consumption – off-trade by social class

Curiously, compared with consumption of total foods & drinks, wine consumers are in this case better represented in relatively lower segments.

And less frequent in higher or medium-hight segments.



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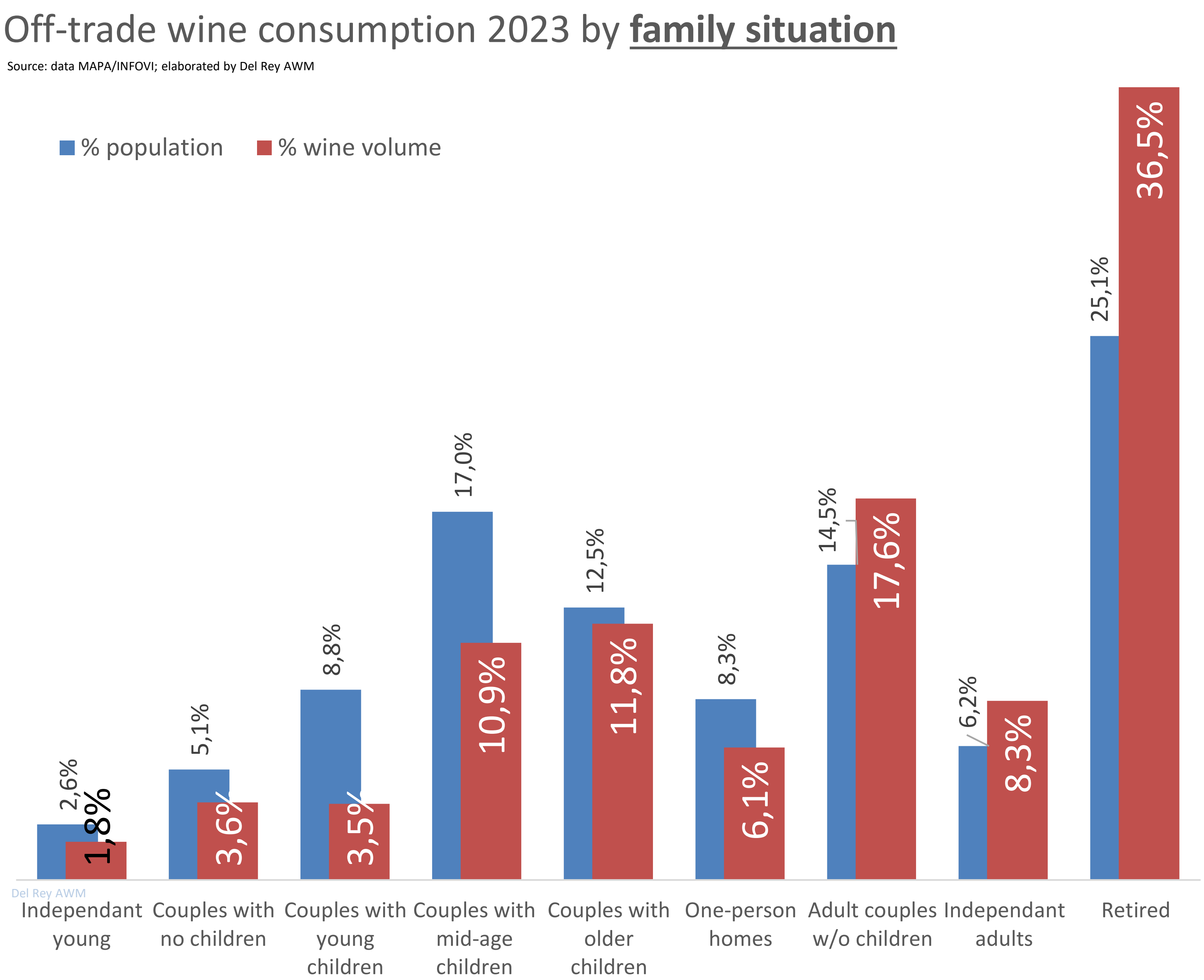
Domestic consumption – off-trade by family situation

By family characteristics, wine is better among retired persons, adults with no children and homes with “independent adults”. As compared to consumption of total F&D, wine is less present in homes with younger people or with young children.



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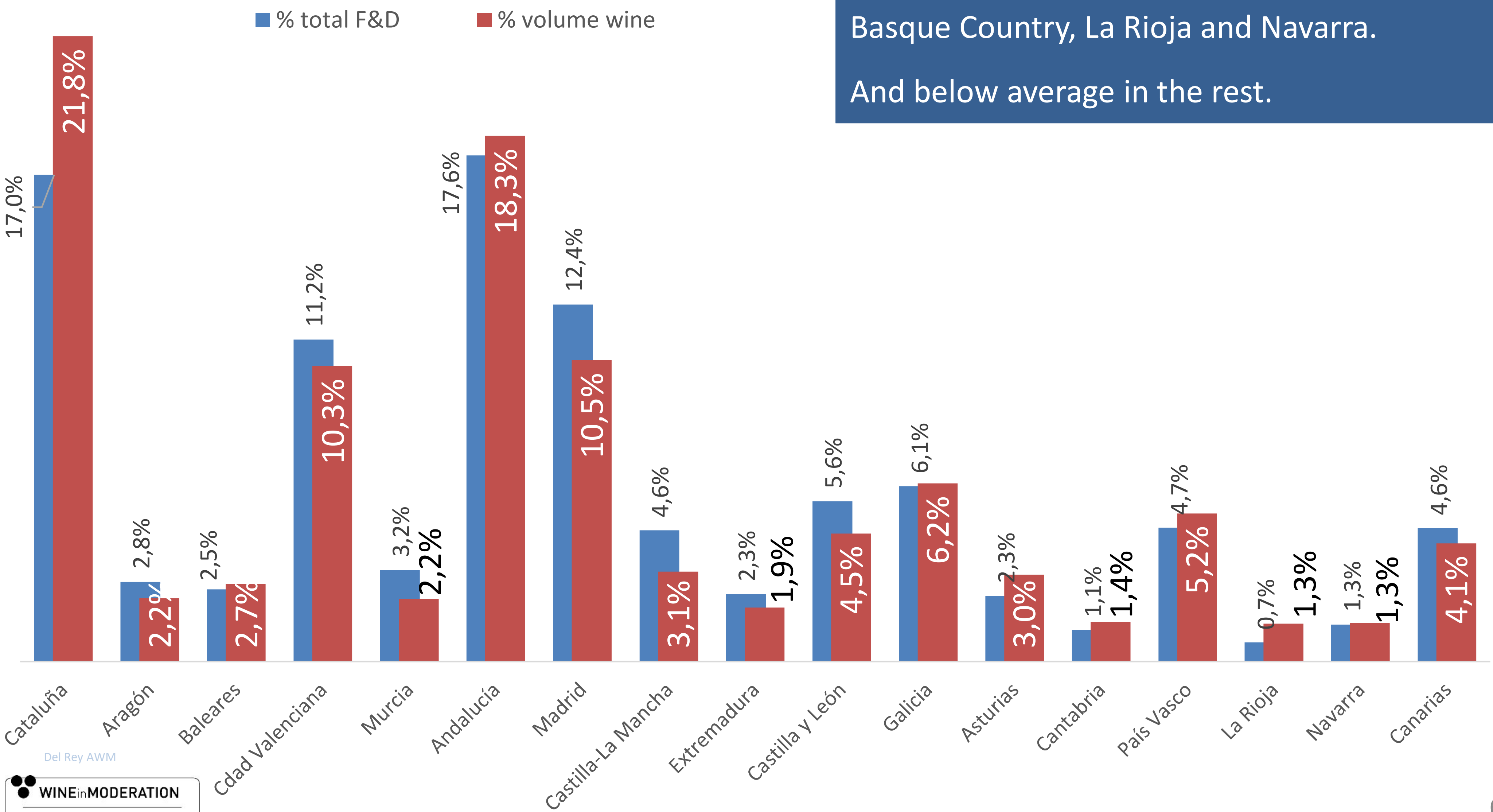
Domestic consumption – off trade by region

By region, off-trade wine consumption in Spain is above average F&D in Catalonia, Balearic Islands, Andalusia, Galicia, Asturias, Cantabria, Basque Country, La Rioja and Navarra.

And below average in the rest.

Off-trade wine consumption 2023 by **AACC**

Source: data MAPA/INFOVI; elaborated by Del Rey AWM



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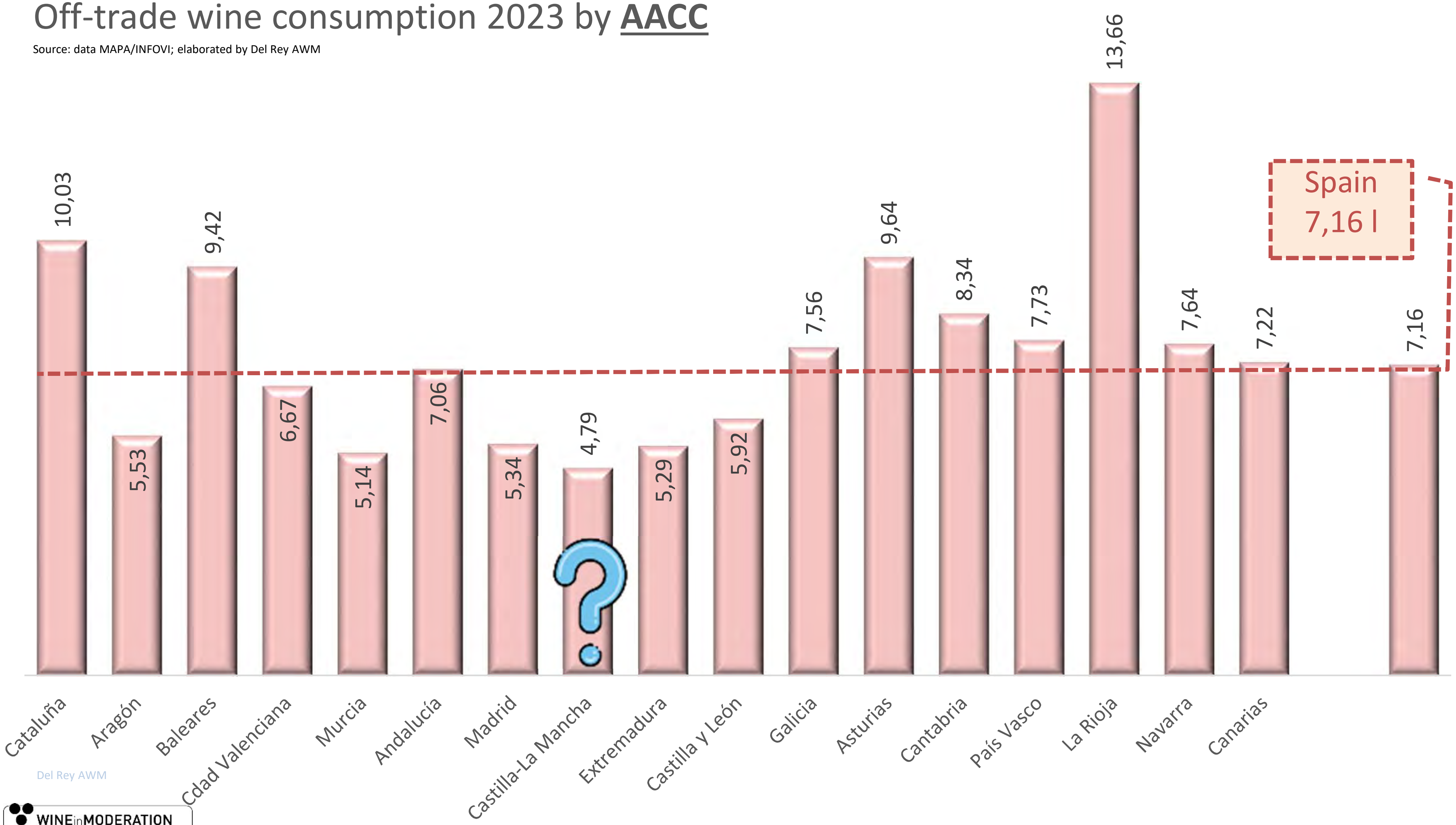
Domestic consumption – off-trade by person

… what makes per capita consumption – in the off- trade – clearly higher in regions which are not or very limited wine producers (Asturias & Cantabria), although also in other regions close to wine like Balearic Is, Catalonia, Galicia, Basque Country, La Rioja and Navarra.

Off-trade wine consumption 2023 by **AACC**

Source: data MAPA/INFOVI; elaborated by Del Rey AWM



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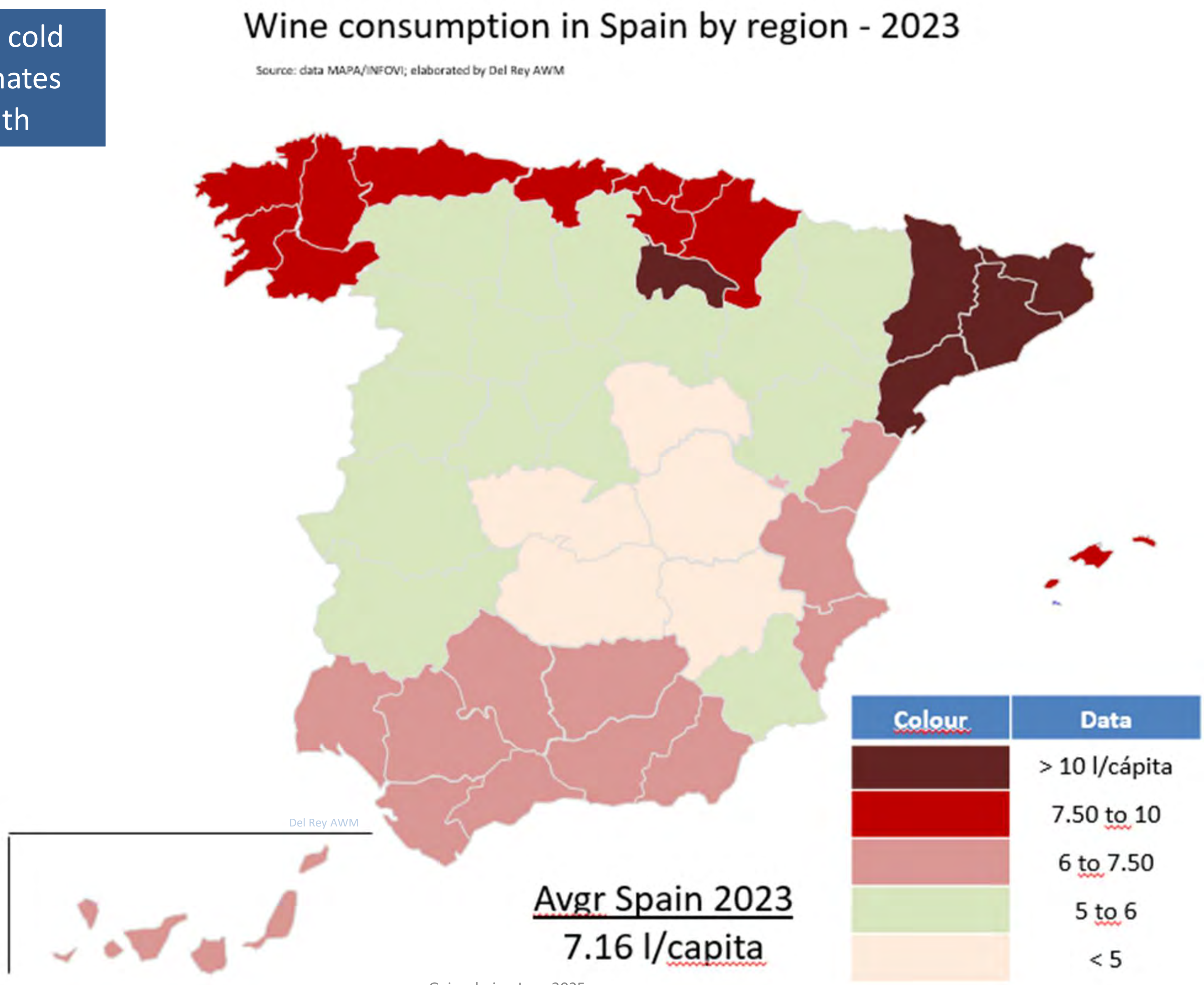
Domestic consumption – off-trade by person

Graphically, the cold north predominates vis a vis the south



WINE in MODERATION
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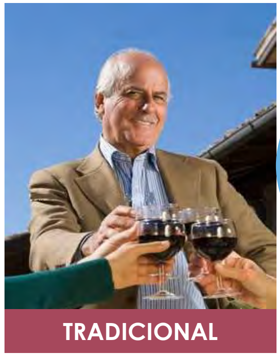
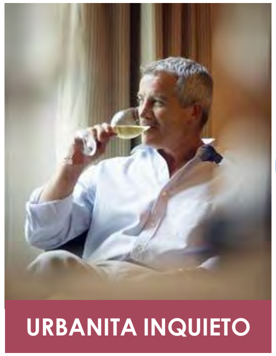
Wine consumers in Spain: ***22.454.740***



6,9% Consumidores

52,8 litros anuales	149
82 mio. litros	10,3%
587 mio. euros	9,2%



7,6% Consumidores

51,6 litros anuales	146
88 mio. litros	11,1%
723 mio. euros	11,3%

26,4% Consumidores

37,5 litros anuales	106
222 mio. litros	27,9%
1.885 mio. euros	29,5%

21,5% Consumidores

35,5 litros anuales	100
171 mio. litros	21,6%
1.283 mio. euros	20,1%

24,5% Consumidores

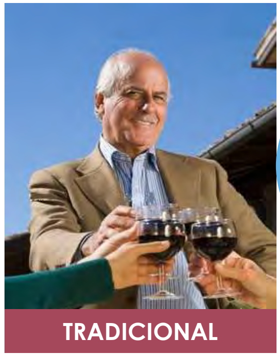
32,4 litros anuales	91
178 mio. litros	22,4%
1.465 mio. euros	23,0%

13,0% Consumidores

18,7 litros anuales	53
55 mio. litros	6,9%
436 mio. euros	6,8%

Del Rey AWM

Wine consumers in Spain: ***22.454.740***



6,9%
Consumidores

52,8 litros anuales	149
82 mio. litros	10,3%
587 mio. euros	9,2%

TRADITIONAL:

- The most similar to growers and producers
- Drinking on a daily basis, with food (meals & dinners)
- Affordable and traditional wines
- Always from the same region (and probably brand)
- But… a small portion of the population
- And… getting old.

Getting to know better our consumer

Del Rey AWM

Wine consumers in Spain: ***22.454.740***

URBANITA INQUIETO

7,6%
Consumidores

51,6 litros anuales	**146**
88 mio. litros	**11,1%**
723 mio. euros	**11,3%**

RESTLESS URBAN:

- ❑ Good consumer
- ❑ Of better wines
- ❑ But changing & moving to new and fashionable wines
- ❑ Ready to pay more for better wines
- ❑ Enthusiast
- ❑ But… also a small portion of total population.

Getting to know better our consumer

Del Rey AWM

Wine consumers in Spain: ***22.454.740***

26,4%
Consumidores

TRENDY:

- ❑ Self recognised as "interested in wine"
- ❑ Talk, talk, talk …
- ❑ New wines, fashions, grape varieties, aware of comments…
- ❑ But… drinking much less than previous groups
- ❑ … and it is a very big group of people.

37,5 litros anuales	**106**
222 mio. litros	**27,9%**
1.885 mio. euros	**29,5%**

Wine consumers in Spain: *22.454.740*

OTHER LESS INTERESTED GROUPS OF CONSUMERS:

- ❑ Relatively interested in wine, just occasionally … or non at all
- ❑ Drinking, from time to time, just to enjoy it
- ❑ Looking for more refreshing and easy-to-drink wines (white, sparkling, low…?)
- ❑ In many cases, just as a social habit
- ❑ … and they are the great majority

RUTINARIO

21,5% Consumidores

35,5 litros anuales	100
171 mio. litros	21,6%
1.283 mio. euros	20,1%

OCASIONAL INTERESADO

24,5% Consumidores

32,4 litros anuales	91
178 mio. litros	22,4%
1.465 mio. euros	23,0%

SOCIAL

13,0% Consumidores

18,7 litros anuales	53
55 mio. litros	6,9%
436 mio. euros	6,8%

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Getting to know better our consumer

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There is not only one type of consumer

Nor just one occasion for consumption

Getting to know the differences

Satisfy everyone's needs for every occasion

… and the non-consumer

Del Rey AWM

Which are the key factors that hinder wine consumption

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Key elements affecting non-consumption

Del Rey AWM

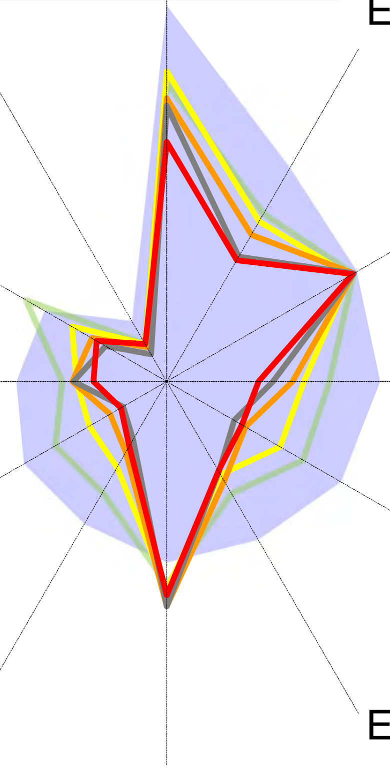
Which are the key factors influencing wine consumption / non-consumption?

Ikerfel / OeMv 2012

LE VOY A IR CITANDO UNA SERIE DE MOTIVOS Y ME GUSTARÍA QUE ME COMENTARA ¿HASTA QUÉ PUNTO LE INFLUYEN A VD. PARA NO CONSUMIR VINO / NO CONSUMIR VINO CON MAYOR FRECUENCIA? (P.29) - Base: Total de personas entrevistadas.

BASTANTE + MUCHO (4 + 5)

TASTE



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Therefore, in relation with consumption in Spain

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- It fell below 10 Mhl in 2020 due to COVID-19, it recovered sharply 2021, but fell down again in 2022, below pre-COVID levels.
- Data for the on-trade are not reliable and consumption there may be very much above what mentioned by Nielsen (and much more than the lower figure given by the Ministry), with a very bad trend in 2020 but growing later, 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 and back to normally (or worse) now.
- Between ¼ and 1/3 of total wine consumption takes place outside traditional (measur-able) 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 may be the key factor explaining new falls in consumption (price sensibility).

Main objectives in international markets

VALUE

IMAGE

All along the portfolio

Exports are erratic again

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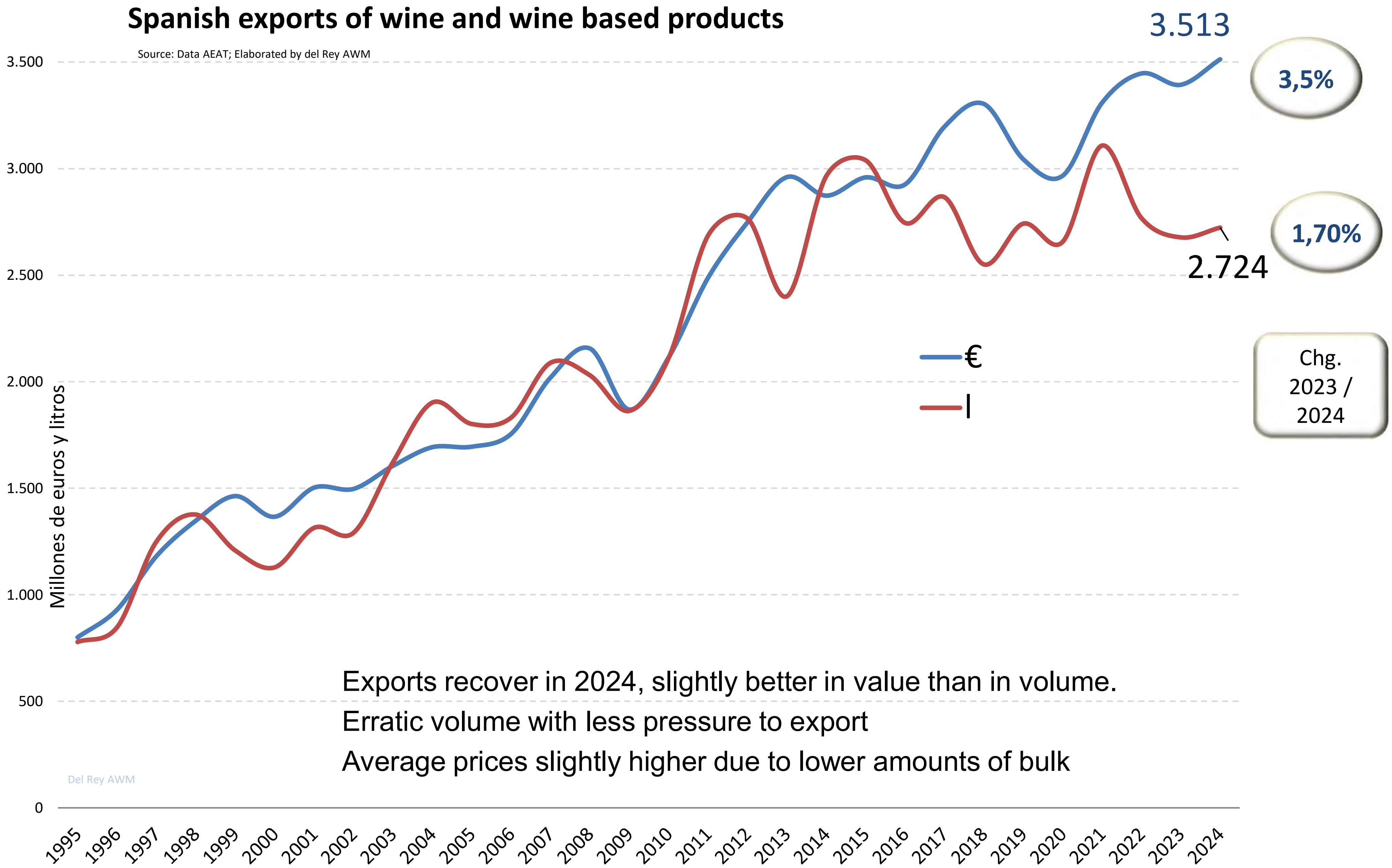


Spain – exports

Del Rey AWM

Total 2024

TOTAL WINES: 3.513,0 M € (+3,5%)
2.723,6 M l (+1,7%)

BOTTLED

Sparkling
Fortified
Semi-sparkling
Still
Bag in box

2.454,2 M €

866,5 M l

@ 2,83 €/l

BULK

523,6 M€

1.068,8 M l

@ 0,49 €/l

PRODUCTS

Vermouth
Must
Vinagre

535,2 M€

788,3 M l

@ 0,68 €/l

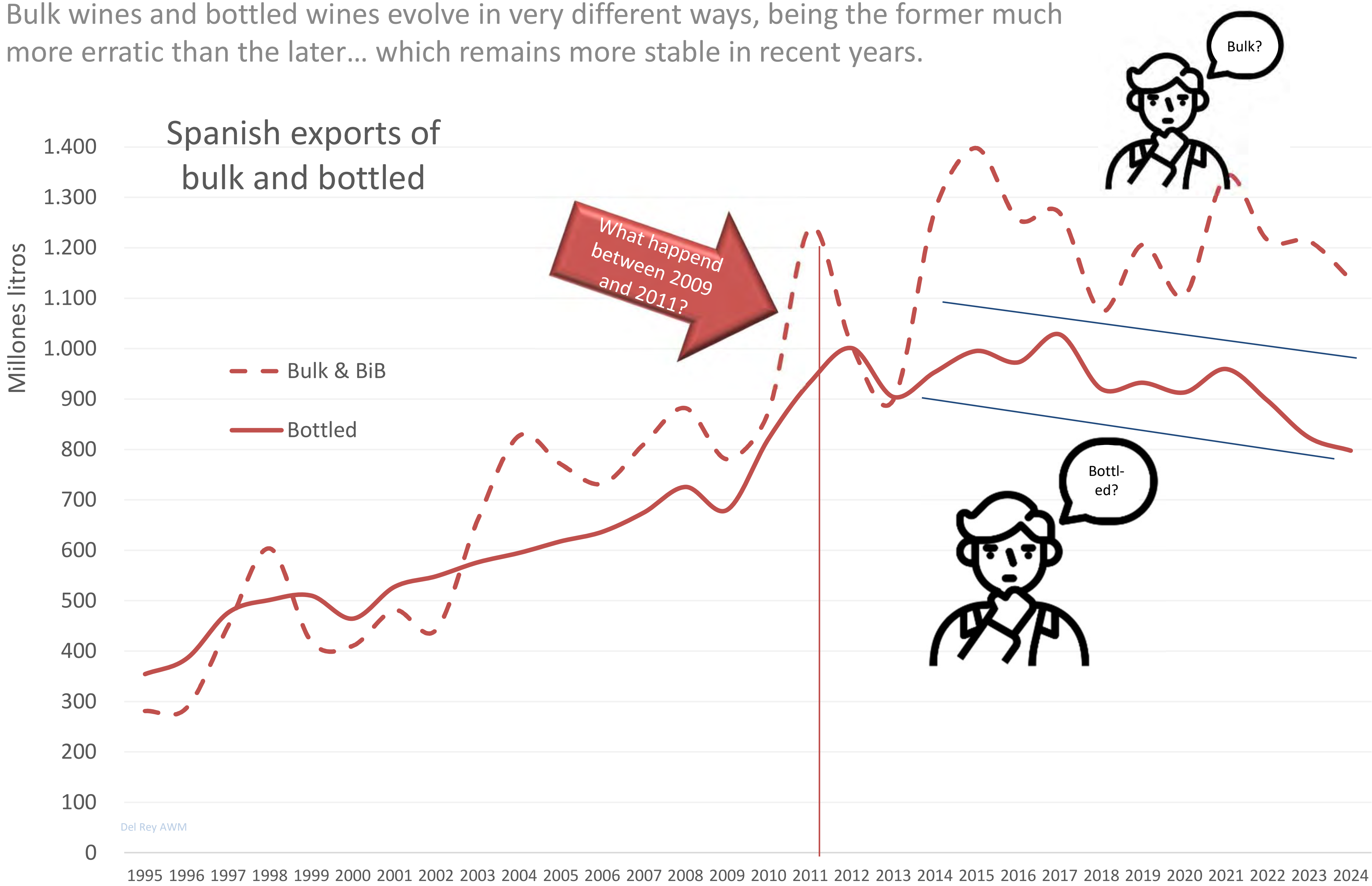
Del Rey AWM

Bottled €	Bottled l	Bottled €/l	Bulk €	Bulk l	Bulk €/l	Products €	Products l	Products €/l
1,3%	-2,5%	3,9%	1,7%	-6,9%	9,3%	17,1%	23,0%	-4,8%

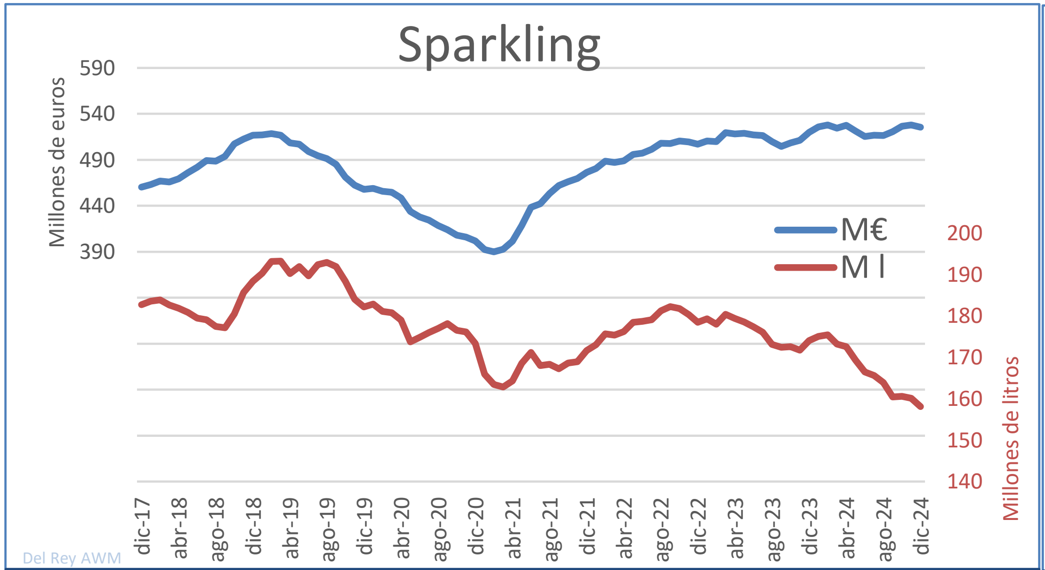
Source: data AEAT; elaborated by del Rey AWM

Spain – exports

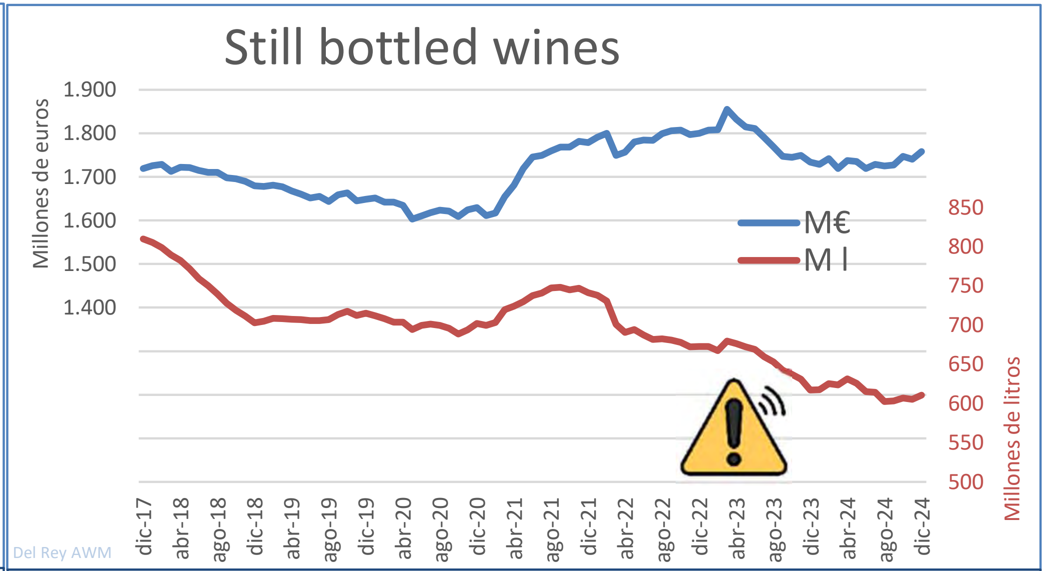
Bulk wines and bottled wines evolve in very different ways, being the former much more erratic than the later… which remains more stable in recent years.



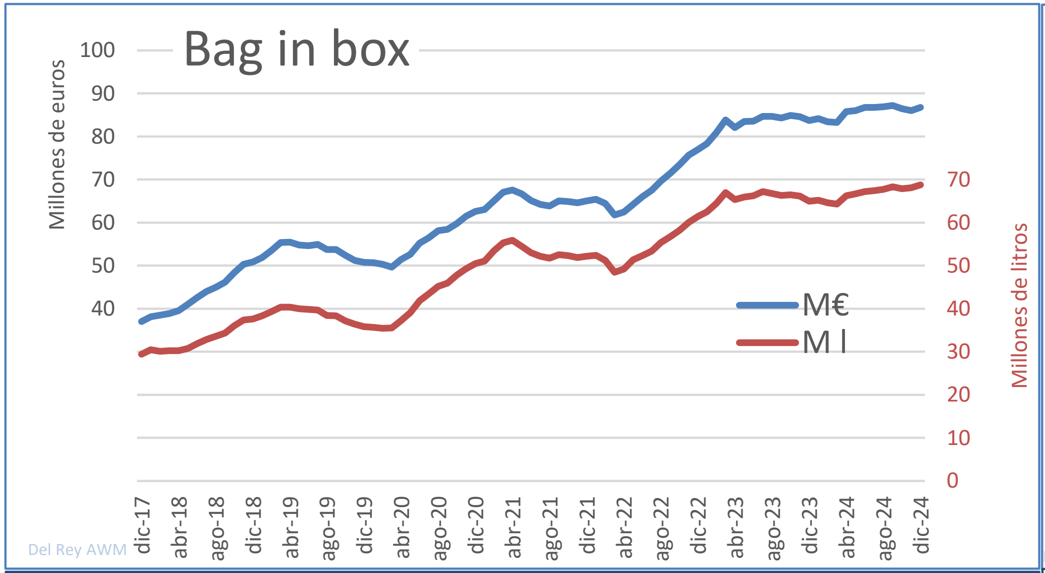
Spain – exports



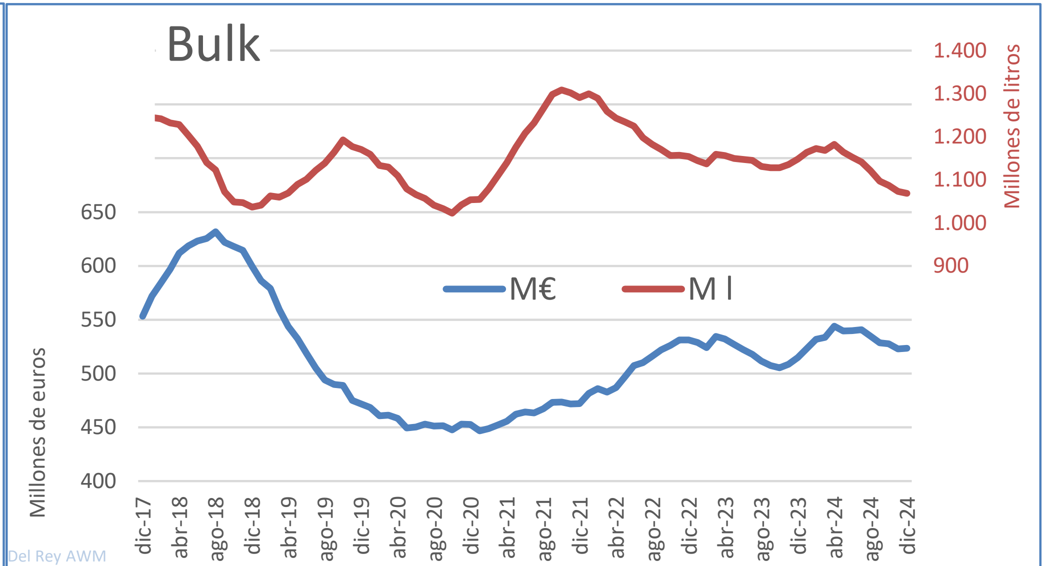
Sparkling wines remain quite stable in value, but decreasing volumes



Still bottled wines are the ones with worst performance, particularly in volume and worse since 2021, but stable in value.



BiB slows its very good development during the pandemic and after

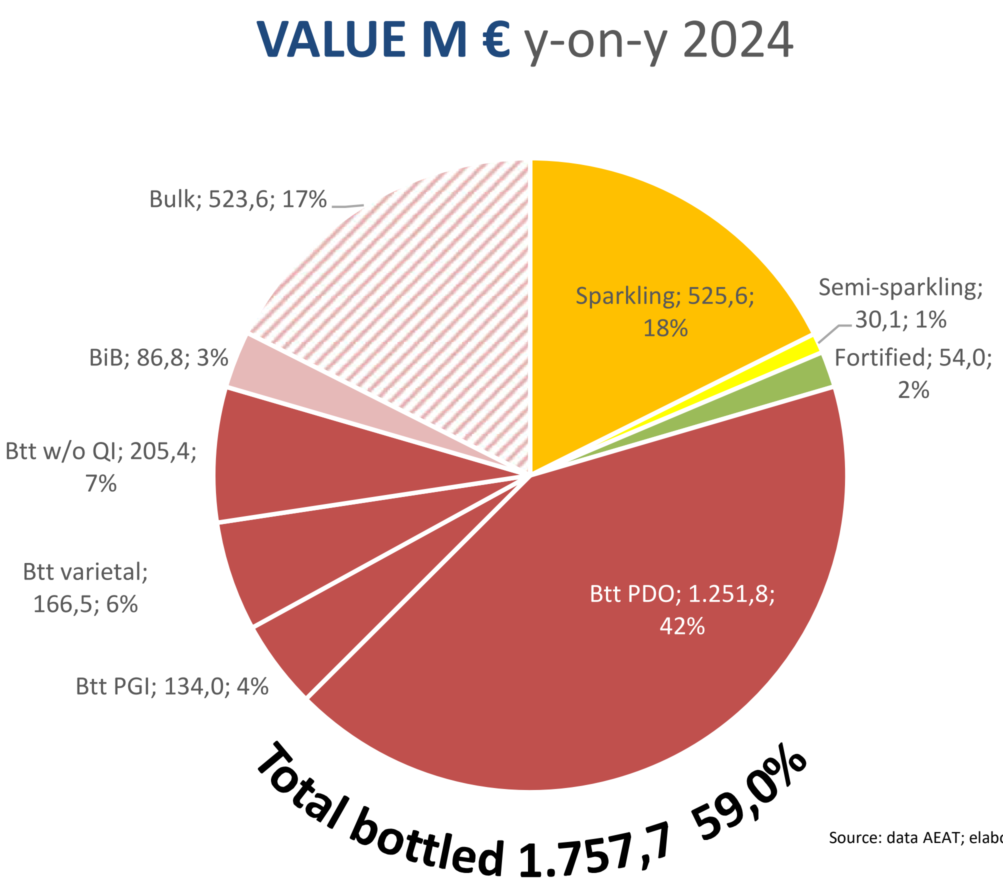


Bulk wines show big fluctuations, with an average price below 1 euro per litre, and again declining at the end of 2024 after previous growth.

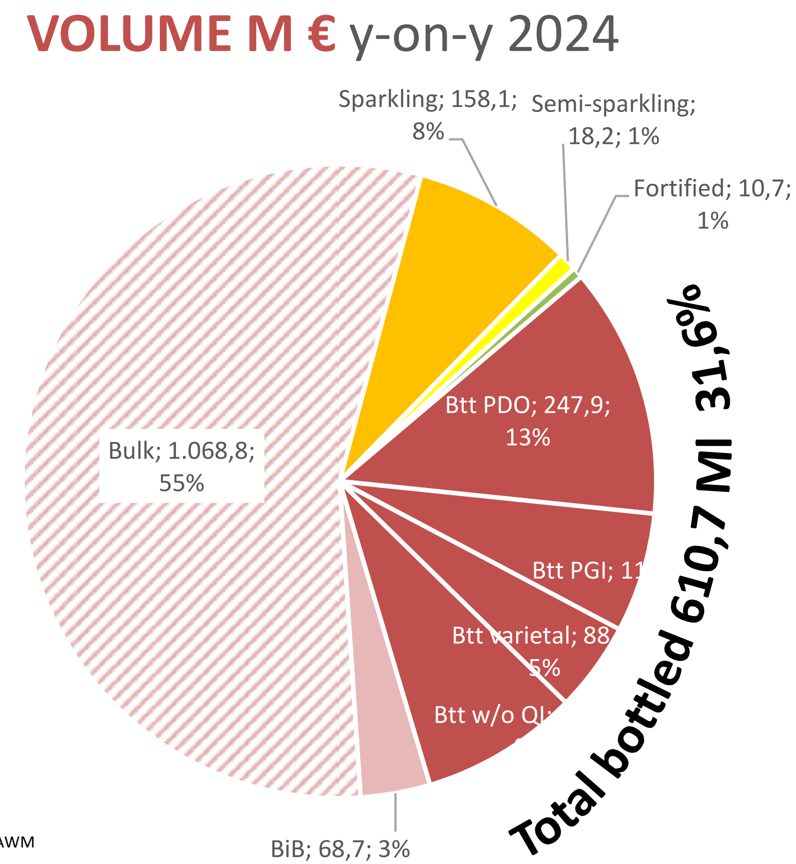
Spain – exports

Among still wines, which account for 59% of total value and 31,6% of volume…

… the evolution si also different →



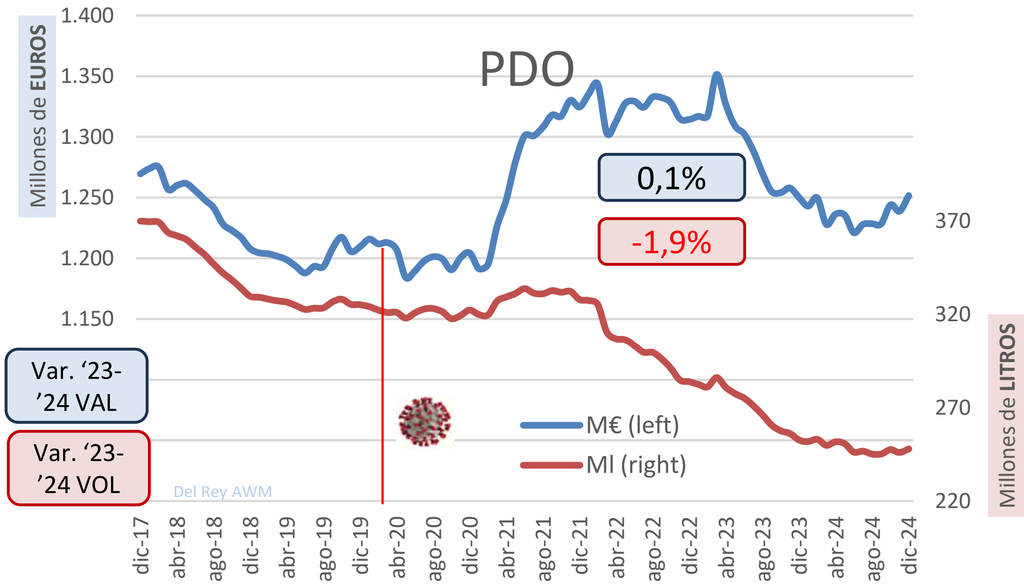
Source: data AEAT; elaborated by del Rey AWM



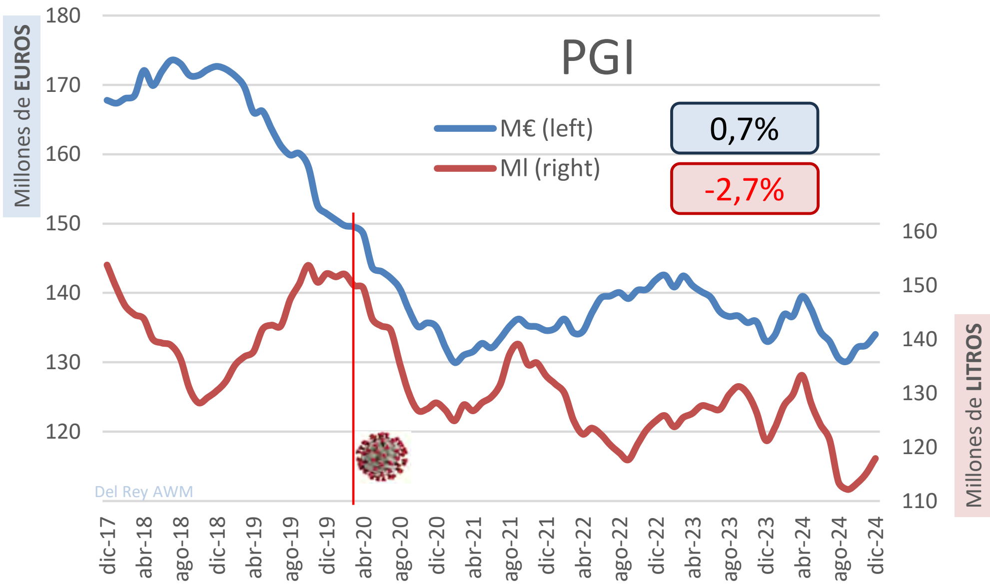
Spain – exports of still bottled wines

Del Rey AWM

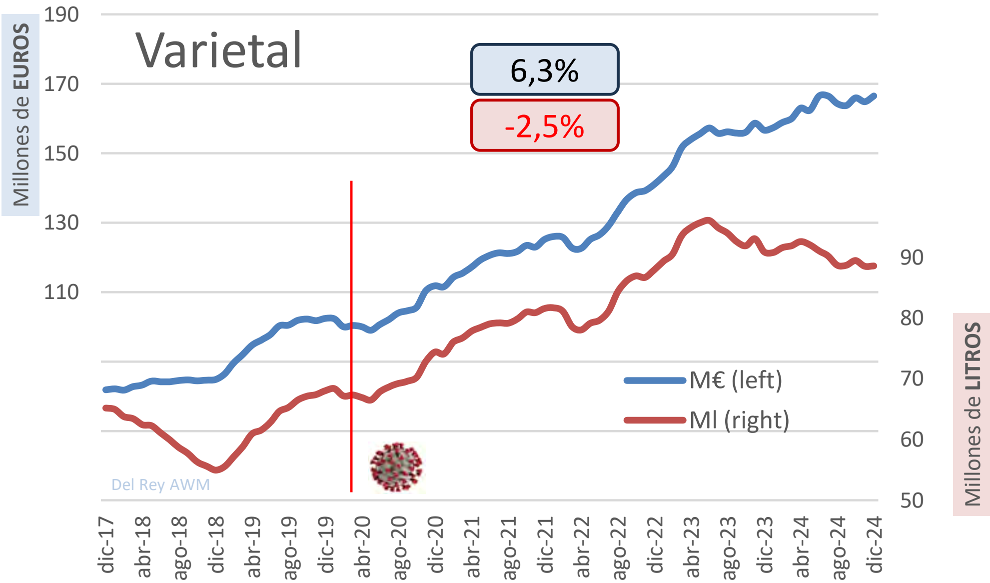
PDO wines are our major concern due to their relevance. They fall particularly in volume since 2021, seeming to slow by the end of 2024



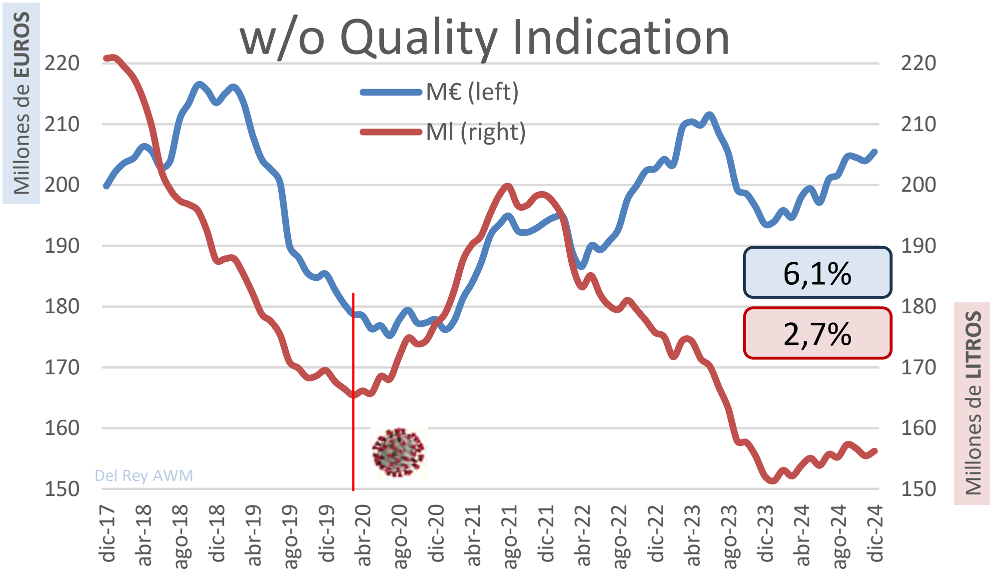
PGI wines account for much less than PDO, are erratic, and keep on falling although less sharply than during 2019-2020.



Contrary to other categories, BiB has been growing steadily in recent years, including during the pandemic, but shows certain decline in volume in 2024.



Wines wine no quality indication recover in 2024, both in value and volume.



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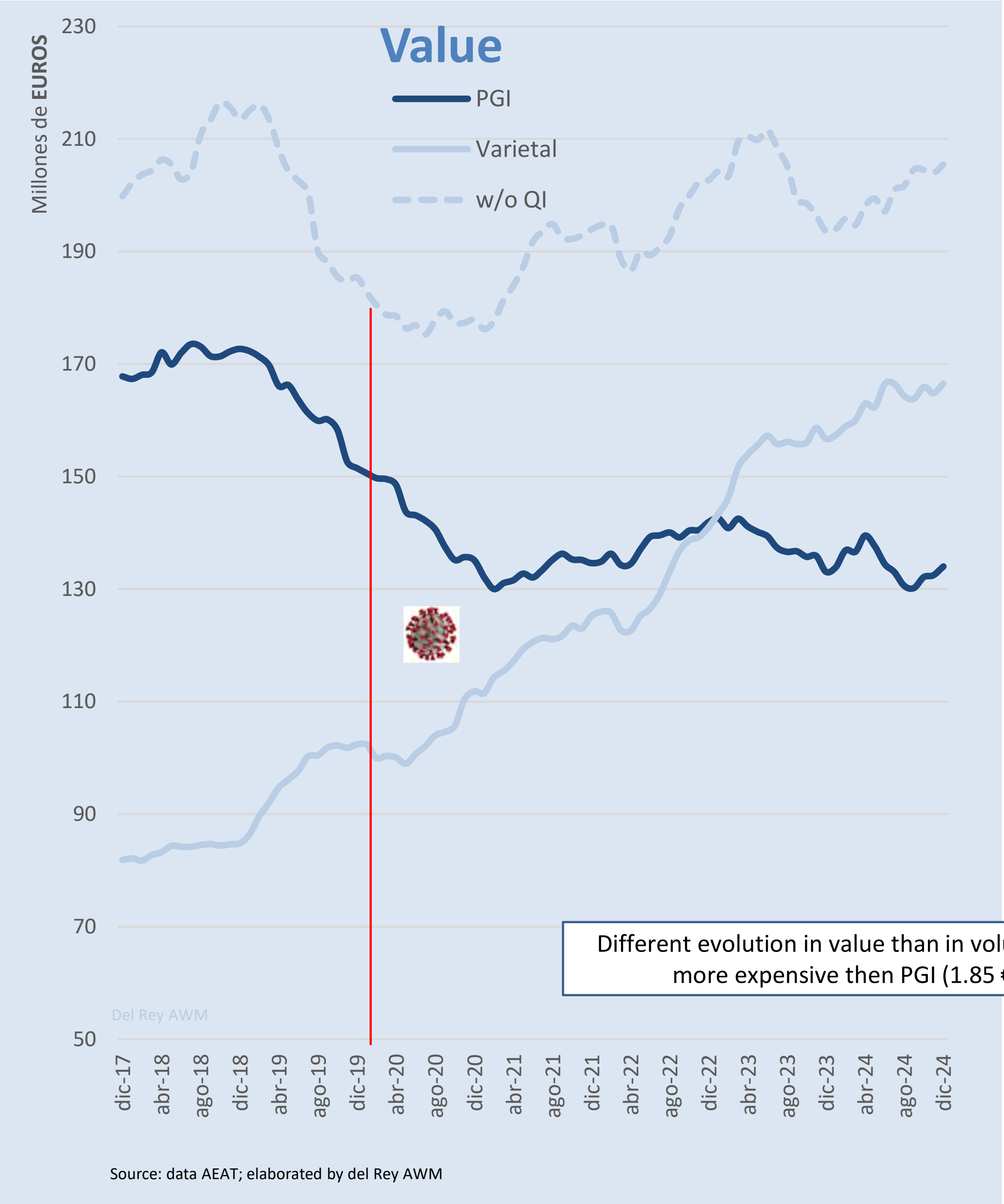
Source: data AEAT; elaborated by del Rey AWM

Spain – exports of non-PDO wines

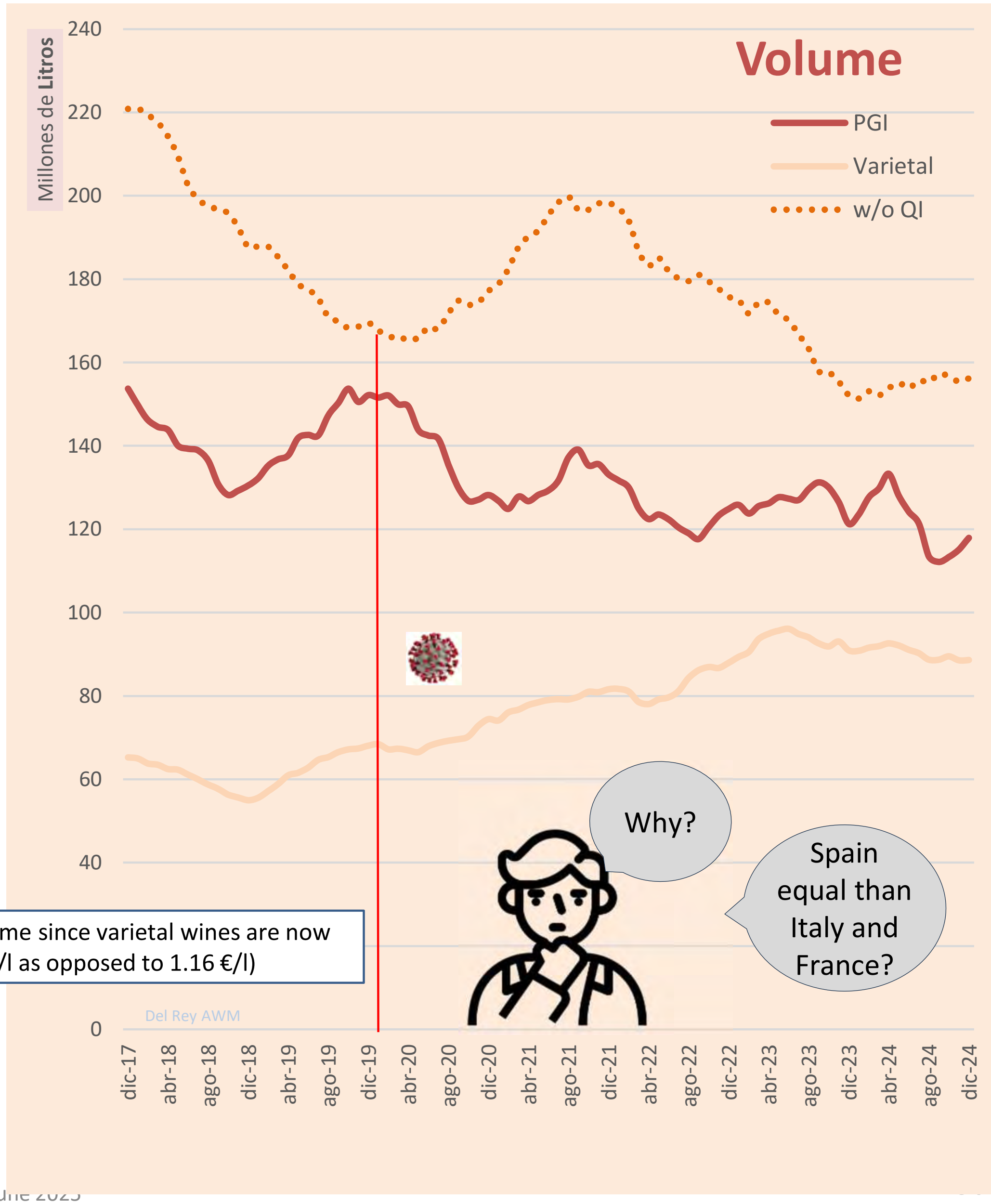
Del Rey AWM

We keep on looking at the relationship between varietal and PGI wines

Despite the slight recovery of PGI wines in value, varietals have long ago surpassed them



In volume, the distance between both is decreasing. Although growth of varietal wines is weaker then in value.



Different evolution in value than in volume since varietal wines are now more expensive then PGI (1.85 €/l as opposed to 1.16 €/l)

To whom?

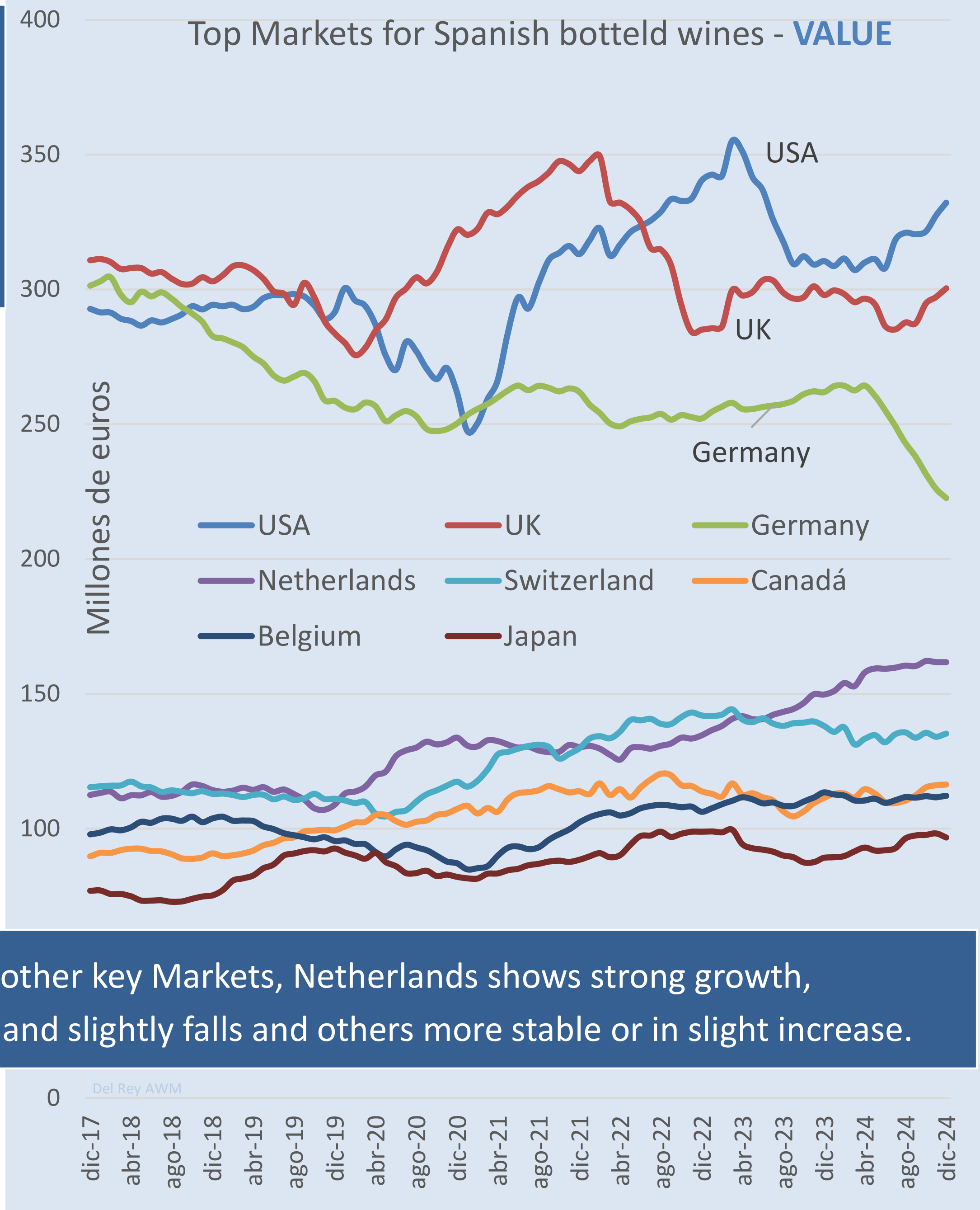
Del Rey AWM

USA, UK and Germany are the top Markets for Spanish exports of bottled wines, accounting for more than one-third of total bottled wines, with Germany decreasing sharply this year (particularly sparkling), UK remained quite strong after declining in 2022 and the USA recovered after its very negative evolution in 2023.

BOTTLED '24 oct

	País	Value M€	Vol. M L	€/l	
1	USA	332,2	66,5	5,00	34,9%
2	UK	300,5	103,4	2,91	
3	Germany	222,7	99,7	2,23	
4	Netherlands	161,8	55,1	2,94	56,3%
5	Switzerland	135,3	15,0	9,04	
6	Canada	116,3	22,4	5,20	
7	Belgium	112,2	37,7	2,97	
8	Japan	96,7	39,7	2,44	
9	France	92,7	59,4	1,56	
10	México	86,9	22,7	3,83	
11	Sweeden	85,7	25,0	3,43	
12	Denmark	50,5	18,1	2,79	
13	China	48,4	12,9	3,75	
14	Portugal	45,6	67,3	0,68	
15	Poland	37,2	20,4	1,82	
16	Ireland	32,9	8,8	3,75	
17	Domenican Rep.	28,5	9,6	2,96	
18	Brasil	24,8	9,5	2,59	
19	Russia	24,7	12,7	1,95	
	Others	418,3	158,2	2,64	

Del Rey AWM



Among other key Markets, Netherlands shows strong growth, Switzerland slightly falls and others more stable or in slight increase.

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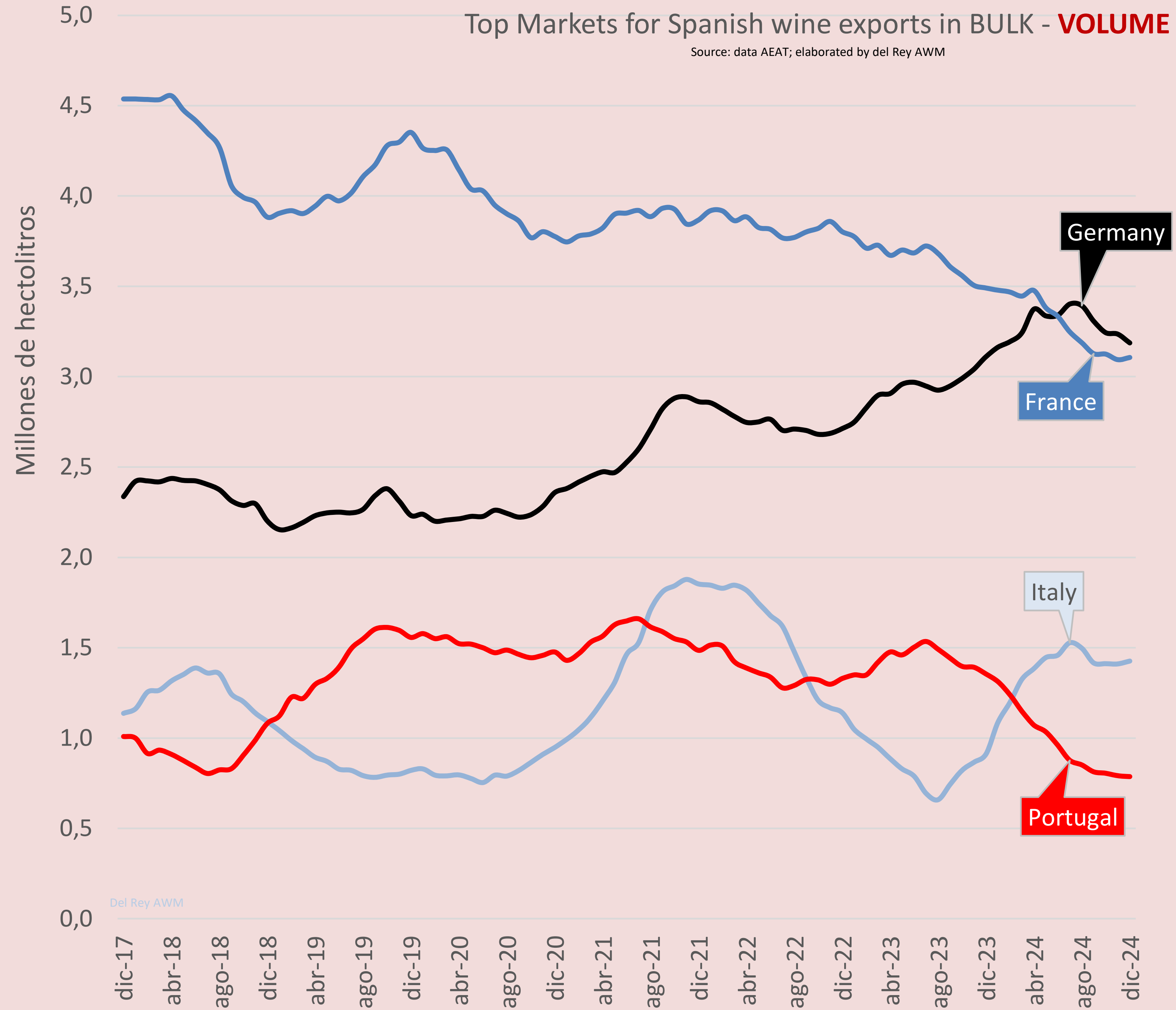
Exports – Markets for bulk

79,3% of total 10.7 M hl of Spanish wine exports in bulk are shipped to only four markets: Germany, France, Italy and Portugal, which have switched positions in the ranking this year,

- Germany takes the lead ahead of France
- Italy – very variable – surpassed Portugal



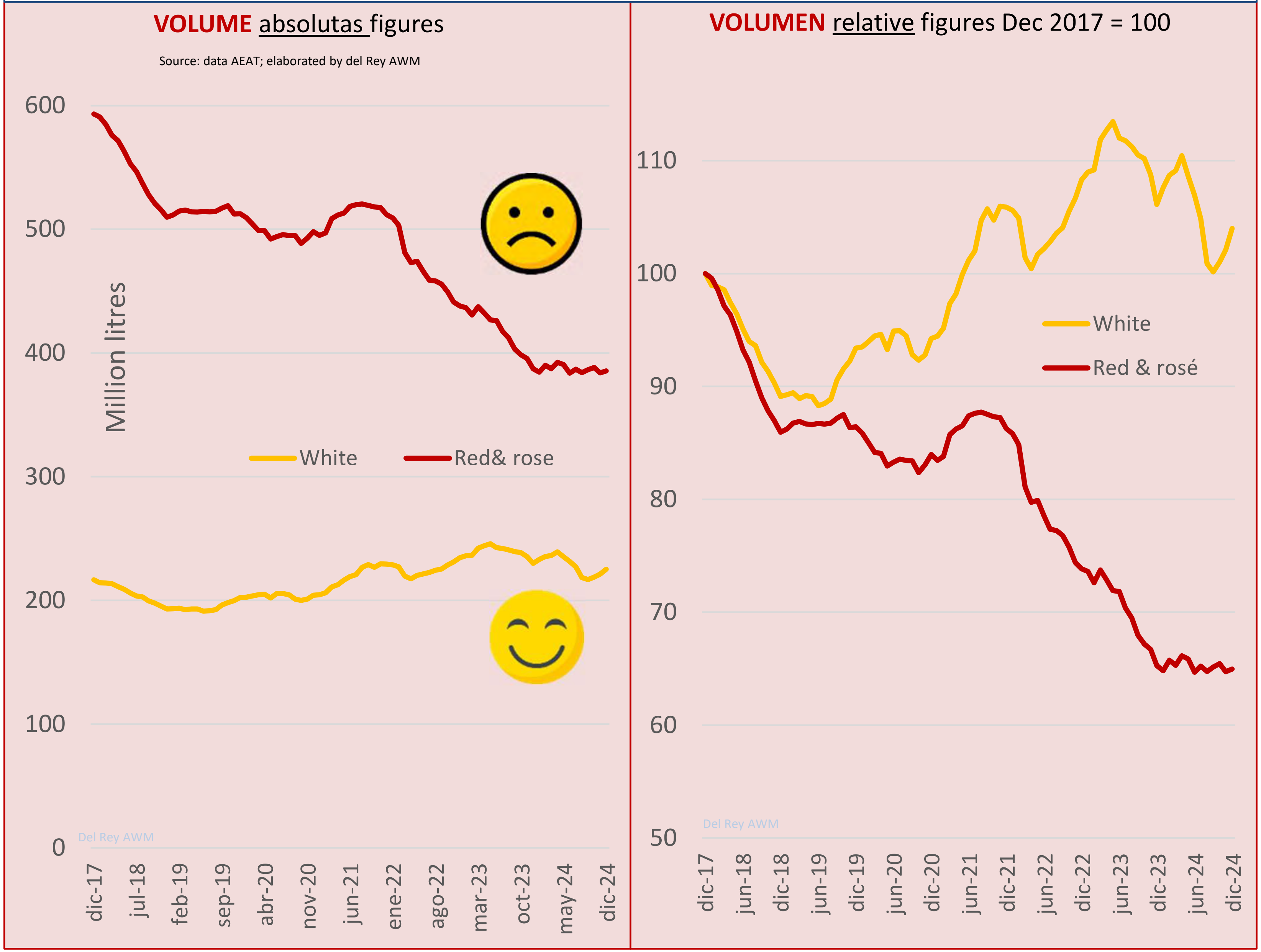
Exports – by colour

There are also clear differences by colour in Spanish wine exports.

In absolute terms, white gets closer to reds and rosés.

In relative terms (Dec 2017 = 100%) whites have evolved much better than R&R.

Spanish wine exports by colour



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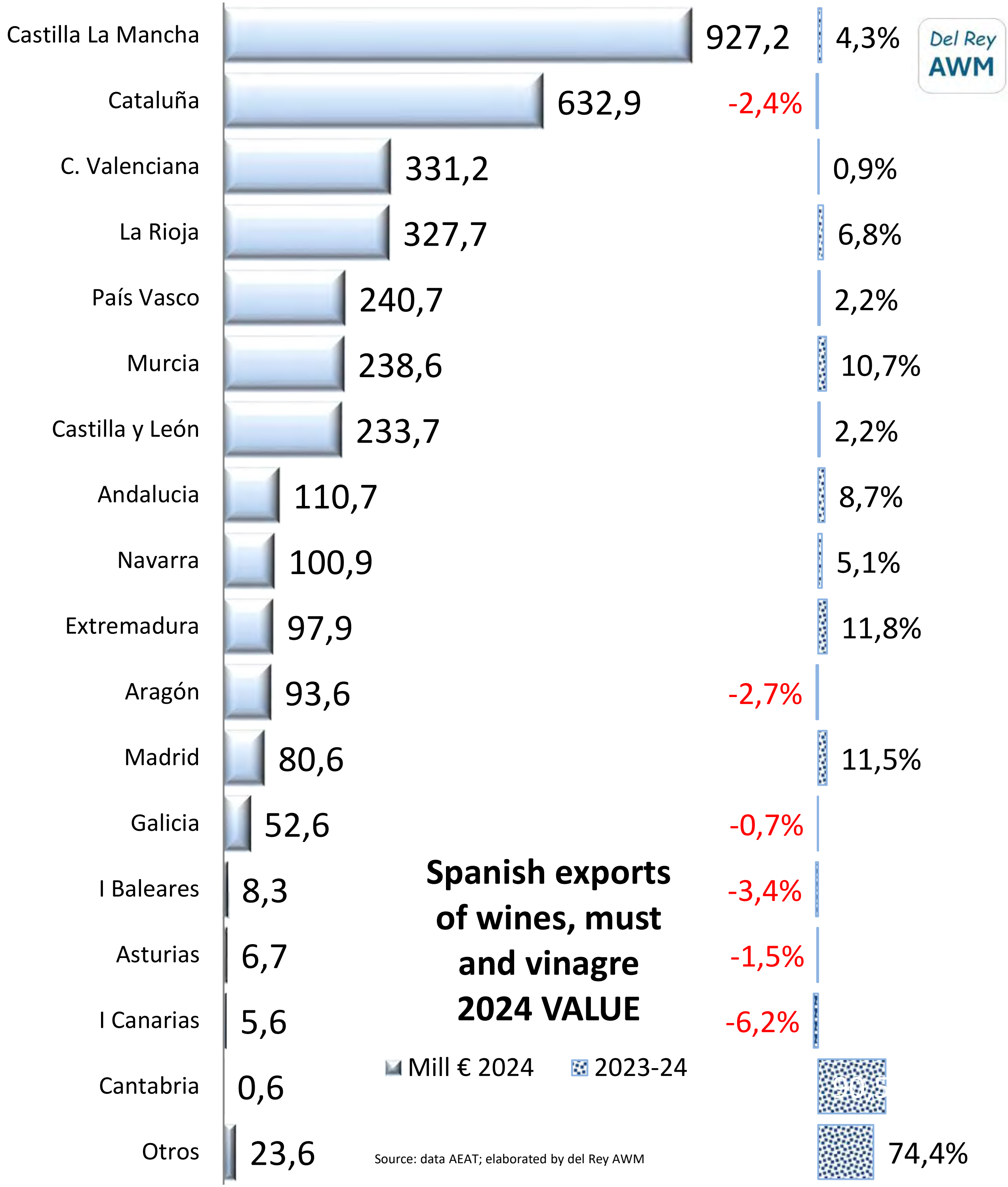
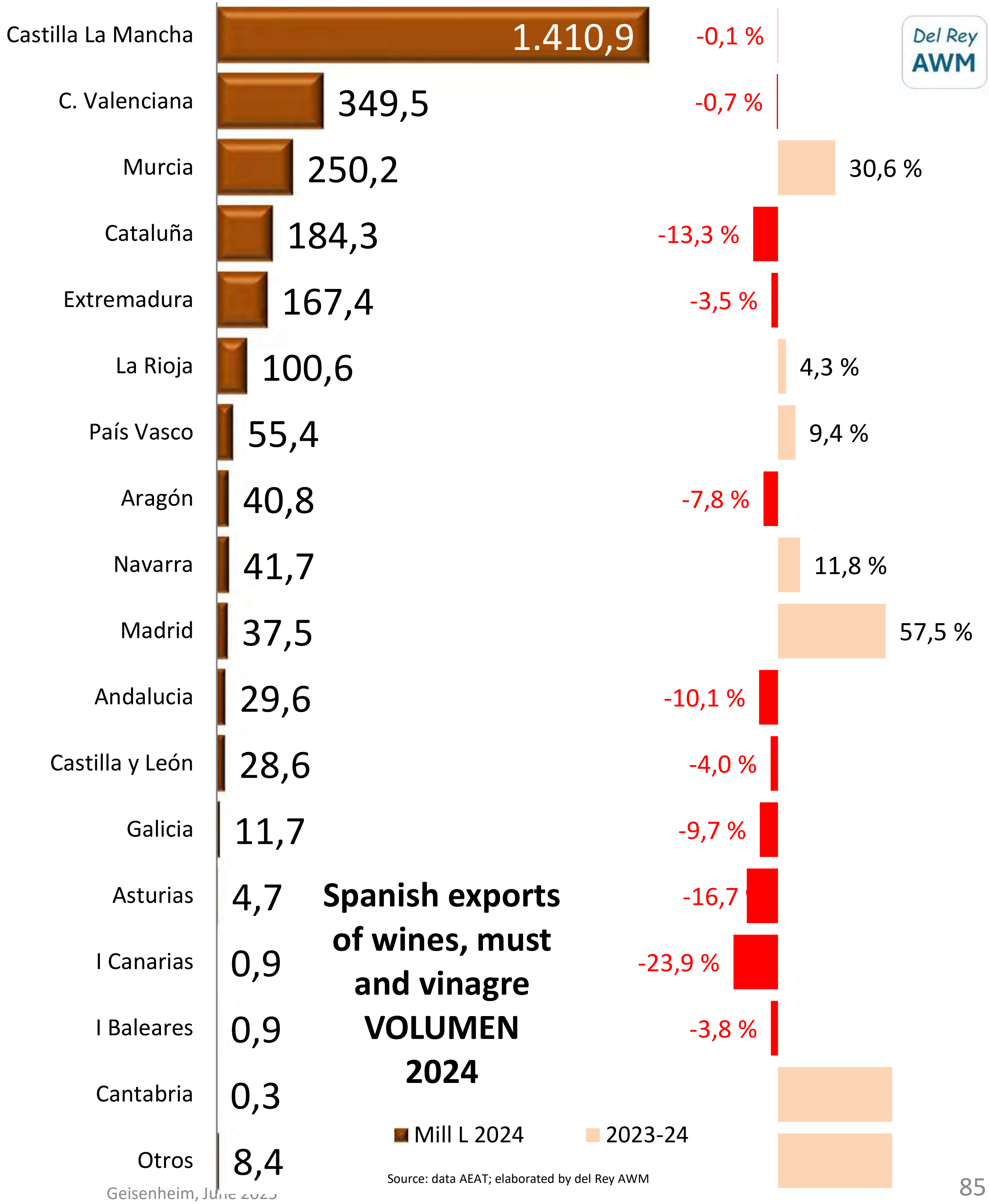
From where in Spain?

In <u>value</u> terms, it is Castilla-La Mancha (central and most productive region) who has taken the lead in the last 10 years, with Catalonia, La Rioja and the Valencian Community following.



From where in Spain?

In **volume**, the central region, including CLM, Valencia and Extremadura, together with Catalonia are clearly the origin of most litres exported by Spain.



From where in Spain?

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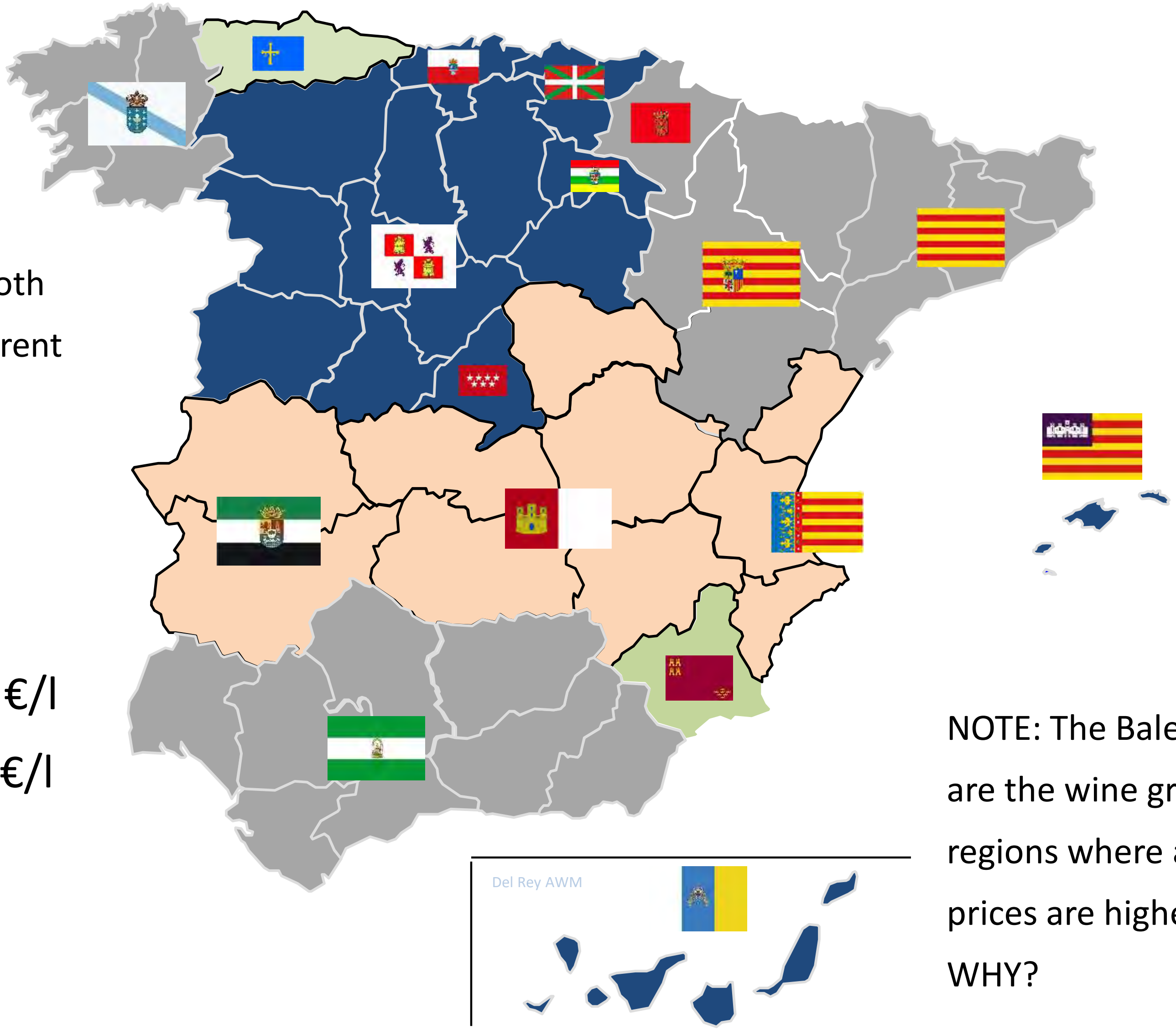
Different amounts of export in both value and volume, derive in different average prices for each area.



(dark blue)	+ 3 €/l
(grey)	From 2 €/l to 3 €/l
(light green)	From 1.00 to 2 €/l
(peach)	Below 1.00 €/l

NOTE: The Balearic Islands are the wine growing regions where average prices are highest in Spain. WHY?

Hypothesis

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- 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

Therefore (international)

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- Spanish wine has also become global
- We are leaders in export
- Forced by necessity
- With no return
- The road ahead can be extraordinary… as long as we increase VALUE
- Thanks to efforts & investments already on their way

In the short run, …

- 2020 supposed a delay but also a relief
- Recovery in 2021 was impressive
- 2022-23 showed growth in Euros, not litres
- 2024 points at slow recovery
- We are still very dependant on top bulk clients, also producers (they buy when they need) and also exporters (competition)

SWOT analysis & final considerations

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SWOT

Final considerations

Strengths – Weaknesses – Opportunities - Threats

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Strengths

- One of the leading countries in the world of wine
- Long tradition (something to tell)
- Diversity of regions, wines and stories
- Competitiveness
- Increasing strength of commercial departments and global distribution
- Media and critics in favour

Weaknesses

- Unbalance between supply and demand, push prices down and worsen image
- Excessive mental dependence on domestic tradition, flavours and habits.
- Delay in opening the mind to globalization

Opportunities

- Consumption will keep on growing, perhaps not in litres, but in value
- Increasing interest for new regions and grape varieties
- Enlargement and strength of the fine wine segment
- New wines & wine-based cocktails
- Environmental: organic & bio wines
- Combination of wine with gastronomy and tourism; Spain being big in all 3

Threats

- Global fight against alcohol (WHO - EU Parlament)
- Limits to international trade (tariffs, anti-dumping sanctions, wars…DE-GLOBALIZATION)
- Competition??? NO

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Final considerations

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Why should we count on Spain?

- Great wines to taste and to drink
  - Excellence
  - Diversity
  - Affordable
- One of the leading wine producers in the world
- Leading world wine tourism (putting together wine, gastronomy and tourism)
- Starting to be global after 3,000 years of international wine trade

WINE TASTING OF THE BEST WINES OF SPAIN
ACCORDING ROBERT PARKER JR., PEÑÍN GUIDE & PROENSA GUIDE

What may happen next?

- Increase number of top wines
- Moving from “basic bulk” to final destinations
- Greater presence in restaurants and shops
- More commercial activity
- A place, a food, a wine to enjoy

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Final considerations

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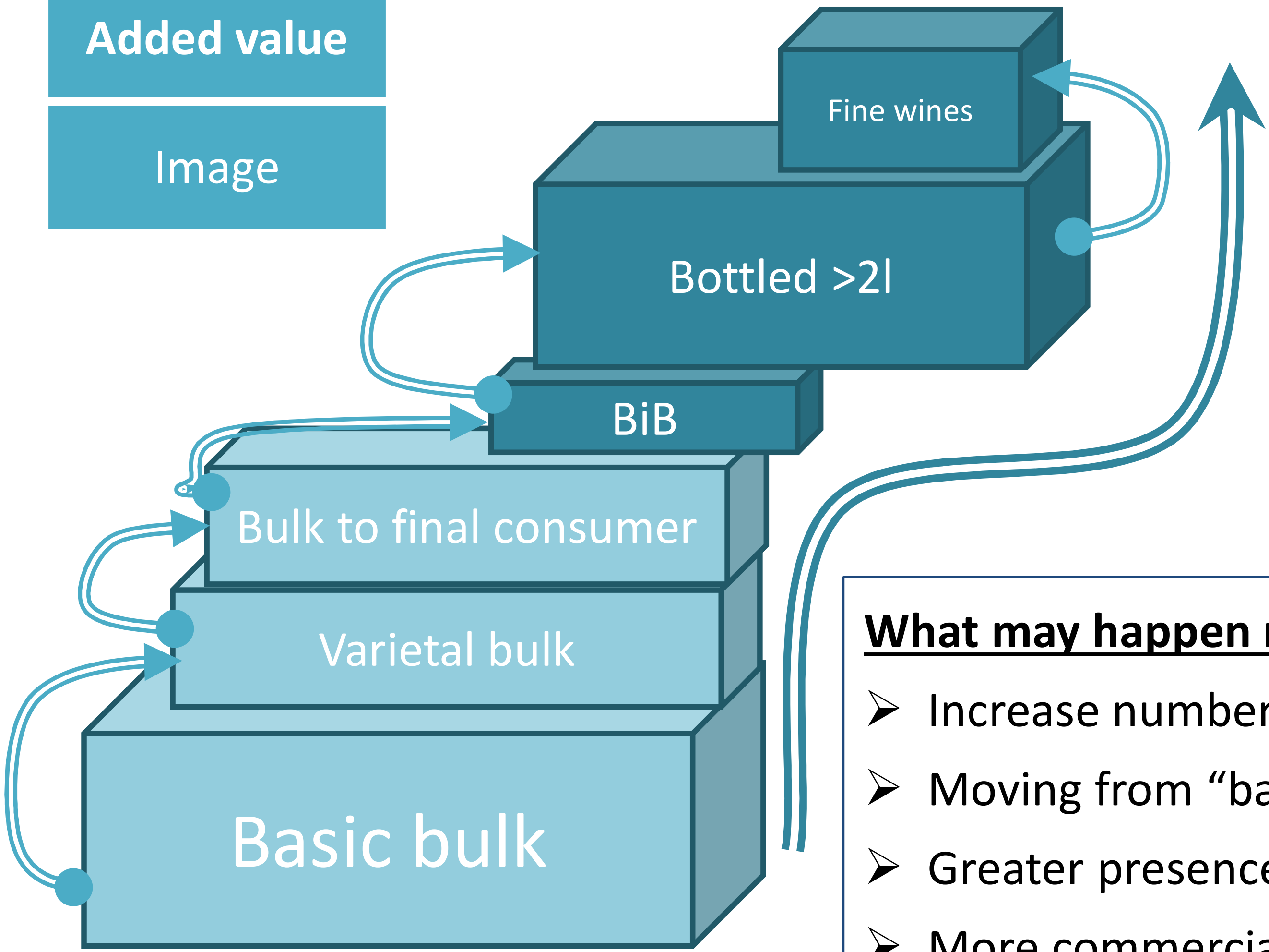
PREMIUMISATION and VALUE generation along the whole portfolio are the key points.

Added value

Image



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Final considerations

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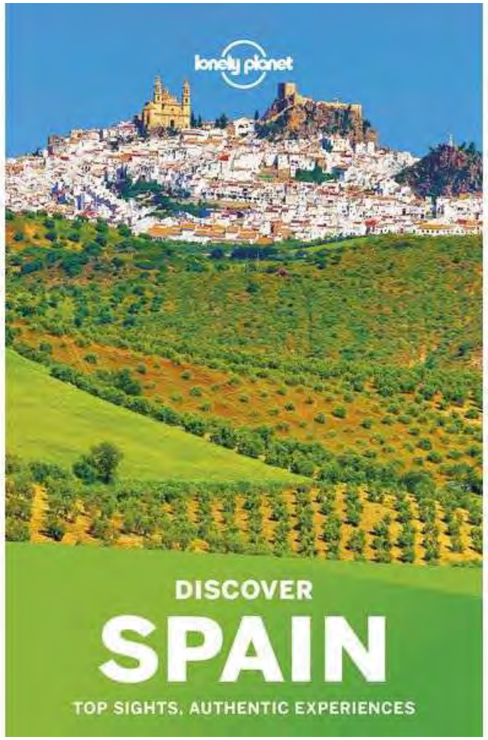

If wine – as life – is to be enjoyed, particularly after the pandemic, Spain is the place

What may happen next?

- Increase number of top wines
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- More commercial activity
- A place, a food, a wine to enjoy

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Some questions for the debate

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- How could the image of Spain and Spanish wines be improved?
- Is it a problem of knowledge, marketing, distribution, flavour, price…?
- Is a large number of PDOs an asset or a problem?
- Is segmentation within the PDO a potential solution to improve quality and positioning?
- Should big volumes be limited, even at the expense of higher prices? Is reducing the supply the solution?
- Can new containers be successful?
- Will there really be new wines and wine-based drinks?

Overview on the Spanish Wine Sector from an Economic Perspective

Del Rey AWM

Much more information at:
www.delreyawm.com

And, highly recommended:
https://culturadelvino.org/fcv/wp-content/uploads/pdf/publicaciones/terrunos28i.pdf

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June, 2025