FOODS & WINES FROM SPAIN – WINE IN FIGURES 2018

1. SITUATION IN THE GLOBAL MARKET

Vineyard

According to figures from the ***OIV*** (International Organization of Wine and Vine), in 2018 the global vine surface area remains stable compared to 2017, being 7,400,000 hectares the total area under vines destined for the production of wine grapes, table grapes or dried grapes, in production or awaiting production.
After the end of the EU program to regulate the wine production, the pace of vineyard reduction in the EU has slowed down. Between 2011 and 2012, the area of EU vineyard decreased by 54,000 hectares, while between 2013 and 2014, it only fell 19,000 hectares. By 2018, the community vineyard would stand at 3.3 million ha. As for the non-Community vineyard, it reaches 3.6 million ha.
China is the main driving force of world vineyard growth and confirms its second place, after Spain, as a world vineyard producer.

Global Production

According to OIV estimates, 2018 global production (not taking into account must and grape-juice) is around 292 million hectoliters. It has increased 17% if compared to 2017.

The biggest producer is Italy, with 54.8 million hl, followed by Spain (44.4 million hl) and France, with a production of 41.9 million hl.

Outside the EU, the United States would reach a production of 23.9 million hectoliters (+ 10%), which is a high production, but still not reaching levels the country reached in 2013. In the southern hemisphere, there has been a fall in the wine production of countries such as Chile, Argentina and South Africa. Thus, in 2016, Argentina recorded a significant decrease in production (-29%) to 9.4 million hectoliters. Production also fell in Chile, with 10.1 million hectoliters (-21%). South Africa, with a production of 10.5 million hectoliters, has lost a 6% compared to 2018 production. Finally, in Oceania, Australian wine production in 2016 stands at 13 million hectoliters (+ 9%) and New Zealand reached a record, with 3.1 million hectoliters (+ 34%).

Global Wine production					
Source:OIV figures: compiled by: OeMv					
Figures (thousands hl)	**2015**	**2016**	**2017**	**2018 est**	**% s/total**

Italy	50,000	45,200	36,700	54,800	18.7%
France	47,500	50,900	42,500	41,900	14.3%
Spain	37,700	39,300	32,100	40,900	14.0%
Other EU	38,254	31,900	31,200	44,300	15.2%
EU Total	**165,800**	**140,700**	**140,700**	**181,900**	**62%**
USA	22.140	23,300	23,300	23,900	8.2%
Argentina	13,358	11,800	11,800	14,500	5%
Chile	12,870	9,500	9,500	12,900	4.4%
Australia	12,000	13,700	13,700	12,900	4.4%
Non EU Total	**104,565**	**110,300**	**110,300**	**110,400**	**37.8%**
GLOBAL TOTAL	**274,400**	**251,000**	**251,000**	**292,300**	**100%**

EU Production

In line with the most recent data published by the OIV, EU wine production is around 181.9 million hl, a 28,3% higher than in 2017 Wine production outside EU was around 101.56 million hl, 3 million hl less than the previous year.

According to European Commission figures, up to date in April 2019, EU wine and grape juice production should reach 189.1 million hl in the 2018/2019 season, constituting an increase of a 31.5% comparing to the 2017/2018 season. The production designated to wine-making is estimated at 182.3 million of hl, of which 83 million hl will be intended as Protected Denomination of origin wines (PDO/DOP, 45.6%) , 36.7 million as Protected Geographical Indication wines (PGI/IGP, 20.2 %) , 12 as varietal wines with neither DOP nor PGI (6.6 %), and 50.5 million as other types of wines (27.8 %).

If we analyze the global production by wine type, France top the list as PDO wine producer, with 23.9 million hl, compared to Italy's 22.7 and Spain's 16.5. When it comes to PGI wines, Italian production amounts to 18.2 million hl, and Spanish production is 12.9 million hl. With regards to varietal wines, Spain leads the ranking, with 9.5 million hl.

Finally, when analyzing the category of other wines, Italy is the main producer, with 18.1 million hl, just ahead of Spain (13.9 million hl.).

European Wine production

Source: EU figures; produced by OeMv.

Country (figures in ths hl)	2018/2019	% s/total	Var. % con 2017/2018	Var. % con media 5 camp.

				13/19
Italy	55,783	29.5%	+31%	+14%
France	49,571	26.2%	+38%	+14%
Spain	49,522	26.2%	+40%	+14%
Germany	10,269	5.4%	+38%	+20%
Portugal	6,061	3.2%	-10%	-6%
Rest of the EU	17,894	9.5%		
TOTAL EU	**189,100**	**100%**	**+31,5%**	**+13%**

Consumption

According to the latest OIV data, published in April 2019, world wine consumption stabilized in 2018 at around 246 million hectoliters. There is a slight decrease in consumption in 2018 compared to 2017, due to a consumption decrease in China and in the UK.

If we analyzed country by country, United States, with 33 million hectoliters consumed, remains in 2018 as the world's largest consumer country of wine, with a growth of + 1.1% compared to 2017. As for China, consumption decreased in 2018 (-6.6% to 18 million hectoliters). In addition to China, other countries that decreased wine consumption in 2016 were France (26.8 million hl) and Italy (22.4 million hl).

On the other hand, there is a drop in consumption in countries such as Spain (+1.8%), Germany (+1.3%), Russia (+6.9%), Australia (+6.1%), Portugal (+5.5%) and Romania (+8.7%).

Global Consumption of Wine

Source:OIV figures: compiled by: OeMv (In Milions hl)

Country	**2015**	**2016**	**2017**	**2018 est.**	**Var % 2017/2018**	**% of Total**
USA	31	31.8	32.6	33	1.2%	13.4%
France	27.2	27	27.2	26.8	-0.7%	10.9%
Italy	21.4	22.5	22.6	22.4	-0.9%	9.1%
Germany	20.6	20.2	19	20.0	1.5%	8.1%
China	16.2	17.3	19.3	18	-6.7%	7.3%
United Kingdom	12.7	12.9	12.7	12.4	-2.4%	5.0%
Argentina	10.3	9.4	8.9	8.4	-5.6%	3.4%
Spain	10.0	9.9	10.5	10.7	1.9%	4.3%

Russia	9.3	9.3	11.1	11.9	7.2%	4.8%
Australia	5.3	5.4	5.9	6.3	6.8%	2.6%
Portugal	4.8	4.8	5.2	5.5	5.8%	2.2%
GLOBAL TOTAL	**241**	**242**	**246,7**	**246**	**-0.3%**	**100%**

2. SITUATION IN THE SPANISH WINE SECTOR

Spanish wine sector is crucial, not just for its economic importance, but also for the amount of people who work in this sector, and for the role that it plays in the environmental conservation.

Vineyards

According to the OIV, Spain, with 969 million hectares devoted to the cultivation of grapes in 2018 (97.4% for winemaking, 2% for table grapes, 0.3% for raisin production and the remaining 0.3% for nurseries), remains by far the country with the largest vineyard extension in the European Union and the world. It accounts for almost 30% of the EU total area (followed by France with 23%, and Italy with 22%), and 13% of the world total. Its winemaking tradition goes back to Roman times, although it has not been until recent years when exporting have become a massive and widespread activity.

Spanish production

Wine production in Spain had had 7 continuous seasons of great stability of about 40 million hl (wine and grape juice combined) until the 2013/2014 season when production raised to 52 million hl, 14 million hl. more than the previous season.

In the 2014/2015 season, the FEGA (Spanish Agrarian Guarantee Fund) estimated a production of 43.4 million hl, a reduction of 17.4% if compared to the previous season. Of this 43.4 million hl, 38.2 were wine production and 5.2 grape juice production.

In the 2015/2016 season, according to FEGA, Spanish wine and grape juice production is estimated in 42 million hl (37.2 million hl excluding grape juice) which means a fall in production of about -3.3%. According to FEGA, of these 42 million hectoliters, 37.2 million correspond to wine production and 4.8 million to musts. The production of wines with PDO has increased (+ 4.5%), as well the production of variety wines (+ 3.2%) and wines with PGI (+ 19%) while wine without any indication production fell (-17%).

The main Spanish wine production area is Castile La Mancha, with 22.5 million hl of wine production which means 53.5% of the total wine and must production.

Vineyard Surface Area

Geographical location, climatic differences and the variety of soils make the Iberian Peninsula and our islands a privileged location for the production of very different wines. All Autonomous Regions in Spain cultivate vines, and almost half of the total is found in Castilla-La-Mancha (473,809 hectares and 49.3% of planted vines), which is the geographical area with the greatest concentration of vineyards in the world, followed by Extremadura (around 83,361 hectares, 9%), Castile-Leon (68,369 hectares) and Community of Valencia (61,317 hectares). After these four we would have Catalonia, La Rioja, Aragon, Galicia, Murcia and Andalusia.

In any case, it seems that the vineyard area is stabilized in Spain, after years of decline. The total area of vineyards in our country in 2016 is estimated, according to MAGRAMA, in 960,758 hectares, compared to 953,607 hectares the previous year. Thus, there was a slight increase of 7,151 hectares (+ 0.7%). The highest increase was detected in Extremadura (+ 6.3%). Castile-León increases in a %, Canary Islands (3%), Valencian Community (2%) and Catalonia (2%).

Spain has 90 production areas of quality wines with Protected Designation of Origin (PDO), of which 69 are Denominations of Origin, 2 are Qualified Denominations of Origin, 6 are registered as Quality Wine with Specific Geographical Indication and 14 are considered Single-Estate Wine. Each PDO, following the European model of production, maintain a strict control over the quantity produced, oenological practices, and the quality of the wines produced in each zone.

There are also 46 areas which are considered Protected Geographical Indication (PGI) wines.
The first authorized Denominations were approved in 1932, and they were Jerez-Xeres-Sherry, Manzanilla de Sanlúcar de Barrameda, Malaga, Montilla-Moriles, Rioja, Tarragona, Priorato, Alella, Utiel Requena, Valencia, Alicante, Ribeiro, Cariñena, Penedés, Condado de Huelva, Valdepeñas, La Mancha, Navarra and Rueda.

According to the most recent figures, 51.1% of the production will be red and rose wines and 48.9% will be white wines. The most common grape varieties in Spain are Airén (23.5%), Tempranillo (20.9%), Bobal (7.5%), Red Garnacha, Monastrell, Pardina, Macabeo and Palomino, in descending order of importance. Of these varieties, Tempranillo, Bobal, Red Garnacha and Monastrell are red, and the others are white.

Meanwhile, the domestic consumption of wine in Spain continues to offer some disquieting figures. Currently it is estimated below 20 liters per person per year, which means being at the bottom of the

European list, although there has been noticed signs of recovery, with an slight growth in consumption in hotels and food in 2016.

3. BUSINESS STRUCTURE

The Spanish wine-making sector is currently undergoing an important process of modernization and updating. Because of this, since 2000, the surface-area undergoing conversion and re-structuring has surpassed 130,000 hectares, the result of an investment of approximately 800 million Euros. It is estimated that about 4,000 wineries in Spain make still wines, sparkling wines and liqueur. For the most part, these are small businesses and mostly they run on domestic capital, often family money, while a great number of them are made up of agrarian co-operatives.

You can find the following names among the major players in this sector: Freixenet, J. García Carrión, Codorníu, Arco Wine Invest Group, Grupo Domecq Bodegas, Grupo Miguel Torres, S.A, Félix Solís Avantis and Grupo Faustino.

Small wineries and co-operatives function alongside large companies, who operate in production centers in different areas, with the aim of offering greater variety. In an attempt to control quality throughout the production process, some wineries have bought out or extended their vineyards, as most supply to Spanish wineries comes from other vineyards or directly from co-operatives in the form of wine. There has also been considerable investment in the building of new wineries, the improvement of facilities and machinery and the adoption of different ageing techniques in order to offer a wider range of quality wines, although this level of investment has dropped off in recent years with the economic crisis. It has been interesting to observe, in this context, re-launching of activity and innovation of many wineries which have been trying out different grape varieties and using local varieties to produce wines more suited to the tastes of today's consumer.

The DOC Rioja holds the highest number of registered quality wineries, (801), followed by DO Cava (390) DO Ribera del Duero (310), DO La Mancha (269), DO Cataluña (202), DO Penedés (173) and DO Rías Baixas (184).

This process of modernization has even led to the construction of new wineries, projects which have been undertaken by world famous architects. We can find in Rioja the most outstanding ones such as the new Domecq winery, the Ysios Winery (designed by Santiago Calatrava), the CVNE (designed by Philippe Maziéres), the Frank O. Gehry project for Marqués de Riscal, the R. López Heredia Shop by Zaha Hadid, or the Rafael Moneo project. Also in Navarra we can find Señorío de Arínzano by Rafael Moneo for Chivite Wineries.

It is an incredibly dynamic and also highly concentrated sector; as an example the 5 top companies together hold almost 28% of the market. There has not been much foreign investment among the major players, although joint ventures with other countries are growing in order to improve the opportunities of global marketing. There has also been an increase in the number of alliances between marketers to face the strong process of internationalization in which the Spanish wine sector is involved.

4. EXPORTATION

Global Exports

Global transactions are increasingly becoming more important in the wine sector. Exports have risen from 72.2 million hl, in the 5-year period 2001-2005, to 101,4 million hl in 2018, according to OIV estimates.

In terms of value, according to the GTA, which compiles data from the customs of various countries, the global amount of wine and grape juice exports have reached 29,335 million Euros in 2017/2018. The global market, considered by the OIV to be the sum of all exports from all countries, has increased over the last year by 1.2%. The volume has fallen a 4.9% in the same period.

In 2018, according to GTA figures, Spain is the world's leading producer of wine and grape juice in terms of volume and the third country in terms of value, with 20.1 million hl. of production and 2,939 million euros respectively. The average price of Spanish wine abroad was set at 1.46 euros per liter, which means an increase of 17.6%. Despite that, it is still much lower than the rest of the main supplier countries, whose price average is 2.83 euros per liter.

Spain is followed by Italy as the second largest supplier in the world, with 19.8 million hectoliters exported in 2018. However, France is again the main exporter in terms of value, with 9,361 million turnovers, followed by far by the 6,203 million euros sold by Italy. In volume, France exported 14.1 million hectoliters, far from Italy and Spain, which means a much higher average selling price. In 2018, French export wine price was 6.65 euros per liter, the highest among the twelve major suppliers worldwide. The difference is even greater when we compare to the average prices of its main competitors, Italy (€ 3.94/l.), and Spain (€ 1.46 l.).

The sum of Italy, Spain and France accounted for 52.8% of the volume and 58.8% of the total value of wine and grape juice exported worldwide in 2018. But, ¿how did they evolve from the previous year? Spain leads the decline in volume sales; however it is still the world leadership country in volume sales, with a drop in bulk, but with an increase in average sales prices, with has increased its turnover for its wine exports.

Italy, on the other hand, reduces its exports in volume, with a strong increase of its value. France also increased its turnover last year.

After these three major European producers, Australia ranks fourth in value and volume. Chile ranks fifth, and USA ranks sixth in value while South Africa, with much more wine but cheaper, ranks sixth in volume.

Spanish Exports – 2018

According to AEAT (Spain's National Tax Administration Agency), Spanish wine exports saw an increase in turnover (+1.9%) and a decline in volume exported (-13.6%) in 2018, as the average sales price rose by 17.9%. Exports totaled **1,986.1 million liters last year**, worth **2,912.7 million euros**, at an average price of **€1.47/liter**. In absolute terms, Spain exported 311.5 million liters less, but it invoiced 54.8 million euros more. The average price increased by 23 cents.

In terms of value, turnover increased for all still bottled wine, except for PDO bottled wine, and for sparkling wine and all still bulk wine.

In terms of volume, at 2018 year-end, exports of all categories of still bottled wine, liqueur wines, and semi-sparkling wines declined. In the case of bulk wine, the volume exported in all categories also declined, except for DO wines, for which sales expanded by 10%.

Considering the performance of Spanish wine exports since 2000, turnover peaked in 2018. Average annual growth since 2000 is 4.8% in value and 4.7% in volume, with the average price increasing slightly, by 0.2%, since the start of the century. With the exception of liqueur wines and PDO bulk wines, all products have experienced growth since 2000.

At 2018 year-end, Spanish exports of **bottled wine** (excluding bulk wine), including still, sparkling, liqueur, semi-sparkling and bag-in-box wines, saw a slight rise in turnover (+0.4%) and a decline in the volume exported (-9.8%), and the average price rose by 11%. Exports totaled 954.5 million liters and 2,313.3 million euros, at an average price of €2.42/liter. Performance varied by subcategory. Sparkling wines rounded out 2018 in positive territory, with growth of 10% in value and 1.5% in volume, to 506.9 million euros and 185.3 million liters, respectively. The average price increased by 8.5%, to €2.73/liter. Of the total, 77% of the value and 66% of the volume correspond to DO Cava sparkling wines.

As for still bottled wines, PDO wines remain the most exported product and are the only category within still bottled wines to see their turnover slide (-5%). PDO wine exports amounted to 328.9 million liters (-11%) and 1,205.9 million euros (-5%), at an average price of €3.67/liter in 2018. The other subcategories included in still bottled wines (PGI, DO and without DO) saw an increase in turnover and a decline in volume exported.

Spanish wine exports

Source: figures:AEAT; Produced by: OeMv

Thousand €	2015	2016	2017	2018	% var. 2017/18
DO bottled	1,198.7	1,217.6	1.269,7	1.205,9	-5,0%
DO bulk	27.2	26.9	25,6	25,7	0,6%
Without DO bottled	412.4	404.4	449,5	471,0	4,8%
Without DO bulk	476.9	467.1	564,6	624,5	10,6%
Sparkling	438	422.7	460,3	506,9	10,1%
Liqueur	65.7	68.3	65,2	61,7	-5,3%
Semi-sparkling	22.2	28.2	23,0	17,0	-26,0%
TOTAL WINES	**2,637.9**	**2,635.3**	**2.857,9**	**2.912,7**	**1,9%**
Thousand lit.					
DO bottled	358.5	364.9	369,9	364.9	1.6%
DO bulk	24.8	25.1	24,1	25.1	1.2%
Without DO bottled	436.5	400.6	439,8	400.6	-6.8%
Without DO bulk	1,371.7	1,229.3	1.245,2	1,229.3	-10.5%
Sparkling	168.8	168.2	182,8	168.2	-1.2%
Liqueur	20.3	18.4	17,5	18.4	-9.4%
Semi-sparkling	15.7	19.5	18,3	19.5	23.3%
TOTAL WINES	**2,393.3**	**2,226**	**2.297,6**	**2,226**	**-7%**
€ per liter					
DO bottled	3.34	3.34	3,43	3.34	4.3%
DO bulk	1.10	1.07	1,06	1.07	34.4%
Without DO bottled	0.95	1.01	1,02	1.01	-7.3%
Without DO bulk	0.35	0.38	0,45	0.38	-8.8%
Sparkling	2.58	2.51	2,52	2.51	6.1%
Liqueur	3.23	3.70	3,73	3.70	4.0%

Semi-sparkling	1.38	1.45	1,26	1.45	12.7%
TOTAL WINES	**1.10**	**1.18**	**1,24**	**1.18**	**-2.9%**