



**EUROTRADE**

BUSINESS SERVICES Ltd.

## **Newsletter Spain - September 2017**

According to our last market report from August 2017, the harvest for the varietal wines is almost completed. It is confirmed that the harvest in 2017 is between 30% and 40% lower than the harvest in 2016. The harvest of the Airén grapes started from September 4-th, 2017) and will finish at the end of September.

In Spain, it is generally known that the harvest in Italy this year will be about 25% lower, this corresponds to a total quantity of about 41 million hectoliters, and that the harvest in France will be 18% lower than last year, with 37,2 million hectoliters.

It is already clear that this year, in Europe as a whole, the quantity will be between 20 and 25 million hectoliters less than last year (between 17 and 20% less than in the 2016 harvest). It is the first time that at the same time the harvest will be bad in the three largest cultivation areas in Europe.

In Spain the quality will be everywhere excellent, because all grapes enter in perfect phytosanitary conditions in the wineries.

The situation for the expected prices of the new vintage is very uncertain because of the severe drought that has prevailed in Spain for several months, and because the grapes which come to the wineries have a very much lower juice yield than last year. As a result, the prices, as we know so far, are +/- 20% higher than last year. After the meeting of the main Spanish cooperatives at the beginning of week 36, we can inform you on your request about the first prices which were set at this meeting.

As can be seen across Europe, the prices will be about 20% higher than last year. We will observe exactly the reactions of the most important buyers in Europe, because every price increase, which can ultimately be accepted by the consumer or the general market, has its limits.

Producers will certainly accept more favorable prices for their traditional customers, for specific demands of products with determined quantities and delivery schedules.

As we have already mentioned above, the Spanish harvest will be much smaller with about 35 million hectoliters. In La Mancha we expect this year a harvest which is 20% smaller than last year. This corresponds to approximately 9 million hectoliters of white wine, 7.5 million hectoliters of red wine, 2 million hectoliters of sulfurized white grape must and 500,000 hectoliters of sulfurized red grape must.

In our opinion, two scenarios can happen:

1) Either the market (generally in Europe and the rest of the world) accepts the prices demanded by the producers in Spain, Italy and France, and we are in a normal market situation with higher prices, and with quantities such as we already know will be smaller, and which will be sold and delivered.

2) Or we could be faced with a situation similar to the 2012/2013 crop, are similar to the situation after the 2012/2013 harvest, where prices have risen after a general psychosis situation, and the sales broke down, so prices have declined sharply from March 2013 to June 2015. So, the price for white wine in October 2012 was € 5,60/hl<sup>o</sup>, and fell to € 1,60/hl<sup>o</sup>, until June 2015, the lowest since 2007, within of 2 and half years.

We advise in every case to wait quietly for the end of the 2017 harvest, which is expected to be at the end of September 2017, as all producers will publish their prices. **IT IS EXTREMELY IMPORTANT THAT ALL PURCHASES FULFILL THE DATE OF VALIDITY OF THE DELIVERIES**, as the producers confirm that the quantities ordered will be delivered within the specified delivery times, but if the delivery date is exceeded, the outstanding quantities will be automatically canceled.

We will inform you once again at the end of the harvest, but if you would like to receive offers from us for the products you need from the new harvest, please contact us and tell us the qualities, quantities and deliveries, and we will look for suitable offers.

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