EUROTRADE
BUSINESS SERVICES Ltd.

**Newsletter Spain – May 2020**

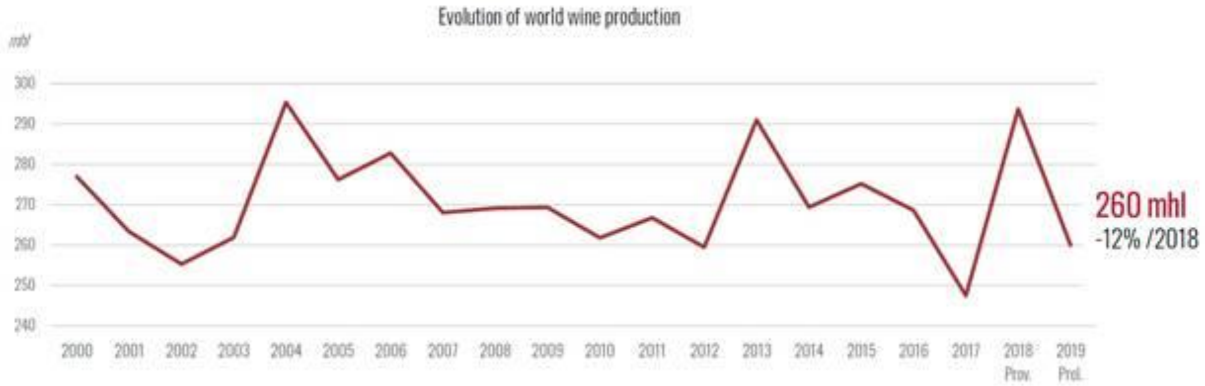
Because of the situation on the international market caused by COVID-19 in March and April 2020, prices generally start to decrease a little after the stability we have had in recent months. In general, the white and rosé wines stay close to the prices mentioned in our last two newsletters, as they reached a level in March / April 2020 that we think is already very low, but in the coming weeks could possibly continue to sink slightly. (You can take the opportunity to make purchase offers based on your specific needs. This is the best way to get good offers so far).
It is likely that we can offer market opportunities in late May / early June when there is no possibility of frost anymore, but it is very risky to condition volumes for a year as we do not know when and what balances we will have available .

We currently have various indicators that make the following scenarios possible:

- Household wine consumption increased by more than 40% during the ban on going out, but this cannot compensate for the loss in the HO-RE-CA trade, because although the volume is very large, the average prices are significantly lower
- Throughout Europe we will have a forecast of -7% consumption and -14% of the exported volume this year, based on a comparison of the quantities over the past 5 years

| WINE | 2018/2019 | 2019/2020 |
|---|---|---|
| Production | +37% | -14% |
| Exports | -1.0% | -14% |
| Imports | -5.3% | -11% |
| Consumption | +2.5% | -6.7% |

- We hear reports of a possible crisis distillation that could be subsidized with European funds, but until now, after verifying this information with most of the cooperatives we work with, it is far from reality.
- Some regions in Spain such as RIOJA and RUEDA (mainly bottles) would consider a sharp reduction in wine production in 2020 in order not to depreciate their current stocks. However, this has not yet been confirmed.
- Worldwide production in 2019 was 260 Mil. hl (-12% compared to 2018) with a total consumption of 244 Mil. hl (+ 0.1%).




- Regarding the rains in the main production region of Spain, we can give the following data: (see also https://www.meteociudadreal.com/index.php/historico/precipitacion/valores-hvprecipitacion.html )
  It was raining in La Mancha in October 2019 (26.6 liter), November 2019 (59.1 liter), December 2019 (48.6 liter) with a total rainfall of 287.8 liter in 2019 compared to an average of 428 liter per Year, 2019 was the driest year in the last 10 years
- We started with 21.8 liter in January 2020, only 3 liter in February, 67.2 liter in March and 65.60 liter in April 2020 (over the 4 months total 157.60 liter).
- Today, contrary to what we said in our March 2020 market report, we believe that the rains that have fallen could be enough to count on a good harvest 2020.
- The bloom was very powerful, very early, and it seems that we have overcome the possible risk of frost, but we have to wait a few weeks before we can confirm it.
- In Italy we heard that the large cooperatives did good business with cheap wines, which are in great demand from the large chains for domestic consumption. There is no shortage of inexpensive wines, nor are stocks high, so prices are stable (€ 3.00 / hl° for white, € 3.50 / hl° for red). The problems lie with the wineries that produce high-quality wine because there is little gastronomy and tourism. The situation for the next harvest is similar to that in Spain, it rained in the spring, there is no frost damage, no crisis distillation is expected.
- The 2020 harvest in the southern hemisphere is generally generally 5% lower than in 2019

| Country | crop 2019 | crop 2020 | % Var. |
|---|---|---|---|

| | (.000 HLS) | (.000 HLS) | |
|---|---|---|---|
| Argentina | 13.019 | 11.600 | -10,9% |
| Australia | 11.970 | 11.500 | -3,9% |
| Brasil | 2.025 | 2.000 | -1.2% |
| Chilie | 11.939 | 10.500 | -12.1% |
| New Zeland | 2.974 | 2.900 | -2,5% |
| Southafrica | 9.696 | 10.00 | +5,2% |
| Uruguay | 585 | 650 | +11,1% |
| TOTAL | 52.208 | 49.350 | -5,5% |

- To date, the indicative market prices in Spain have decreased compared to those in December 2019 (as we had already said in our last reports). Today's prices are back in the normal range and are stable, the dates are for information only and subject to the confirmation of the producers:
- White wine 11% FT -> € 2.60 hlº
- White wine 11% FC -> € 2.70 hlº
- Sparkling wine base 11% FT AT 6-> € 2.70 hlº
- Sparkling wine base 11% FC AT 6-> € 2.80 hlº
- Rosé wine 11% FT -> € 2.80 hlº
- Rosé wine 11% FC -> € 2.90 hlº
- Red wine 11% IC MIN 5 -> € 3.00 hlº
- Red wine 12% IC MIN 5 -> € 3.20 hlº

- Varietal wine, white 100% MACABEO -> € 2.90 hlº
- Varietal wine, white 100% VERDEJO -> € 4.00 hlº
- Varietal wine, white 100% MOSCATEL -> € 4.00 hlº
- Varietal wine, white 100% SAUV. BLANC -> € 4.80 hlº
- Varietal wine, white 100% CHARDONNAY -> € 5.50 hlº
- Varietal wine, red 100% TEMPRANILLO -> € 3.50 hlº
- Varietal wine, red 100% CABERNET SAUVIGNON -> € 4.50 hlº
- Varietal wine, red 100% SYRAH -> € 4.50 hlº
- Varietal wine, red 100% MERLOT -> € 4.80 hlº
- rectified (de-ionised) grape must concentrate RTK 65 Brix –> from € 1,20 kg
- grape must concentrate, white 65 Brix -> from € 1,10 kg

For your information: In February 2020, farmers in Spain (even before the COVID-19 crisis) went on strike in several producer regions for several weeks in order to defend a more uniform starting price for their productions. We also inform you that we have recently heard of possible future strikes to defend a "fair" price for the farmer for the new 2020 harvest. Below is a table with the Spanish winemakers' market prices for bulk wines of the past three years in € / hl:

| Product | 2017 | 2018 | 2019 | (%) 19/18 | (%) 19/17 |
|---|---|---|---|---|---|
| White Wine | 46,33 | 51,85 | 40,50 | -21,9% | -12,6% |
| Red - and Rosé wine | 55,37 | 80,58 | 62,23 | -22,8% | +12,4% |
| Must | 41,08 | 33,51 | 30,37 | -9,4% | -26,1% |

Do not hesitate to contact us and tell us what you need to know about the qualities / quantities / delivery program, so that we can find you offers at the best market conditions.

May 2020