

Consumer Trends: Rabobank Reports on Spanish Wine Industry

NEW YORK (Rabobank) — Rabobank has published a new report looking at the Spanish wine industry, and exploring two possible strategies for growth and internationalization of the Spanish wine sector.

In the report, published by the bank's Food & Agribusiness Research and Advisory group, Rabobank says that an improvement in the Spanish wine industry's productive structure and orientation to the international market is necessary for the country to remain globally competitive. Recent EU support programs have improved the efficiency of Spanish wine production, but oversupply remains an issue.

There are two strategic options available to Spain to improve its competitive positioning:

1. Spain must either increase production of international varieties or
2. Build foreign market consumer demand for its traditional varieties.

For either strategy, the process of achieving greater success in extra-EU markets could be facilitated by continued efforts to restructure the supply base.

"While Spain has seen marked improvements in its wine production efficiency as a result of EU subsidies, it still struggles to build penetration in non-EU markets," states Rabobank analyst Stephen Rannekleiv. "In conjunction with grubbing-up subsidies, Spain was also a major recipient of vineyard restructuring funds which has raised yields and is expected to lead to an increase in wine in the market. A pressing concern for many is that much of this increased production is destined for markets already dealing with their own oversupply issues, such as France and Italy."

While these EU markets will remain important destinations for Spanish bulk wine, the industry must focus efforts on building market demand outside the EU. Spain will need to build stronger brands in international markets and adopt a more consumer-driven marketing focus which will require continued improvement of grower and brand-owner alignment.

Increasing penetration of foreign markets will likely come from either expanding production of varieties with stronger international demand or by building demand for one or more of Spain's traditional varieties. From a strategic standpoint, a focus on increasing production of international varieties quickly opens up new export opportunities for Spain, but will generally force Spanish producers to compete on price with New World producers (e.g. Chile, Australia and South Africa) in the more

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commoditized segment of the market where prices can be more volatile. In spite of the challenges, this strategy offers good opportunities in the near and medium term.

An additional albeit more challenging option and longer process for Spanish producers is to build consumer acceptance of traditional wine grapes as signature varieties (e.g. Tempranillo) to attain more premium pricing. However, positioning it as such will require a consumer-led approach and will require coordinated efforts between growers, cooperatives and the large Spanish wine brand owners that will take time to develop.

“Improving the ability of suppliers in Spain’s main production region of Castilla-La Mancha to develop strong brands with demand beyond the EU markets will have an important positive impact on the wine industry in Spain, but also in the rest of the EU,” states Rannekleiv.

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