

Spanish wine: moving upmarket

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Spain has long been one of the world's major wine producers, but it is only in the last couple of decades that it has begun to carve out export markets, finding itself, as a late starter, in competition not just with giants like France and Italy, but relative newcomers from Australia, New Zealand and the Americas. More recently, the country has increased production rapidly, with a more than 40 per cent increase between 2012 and 2013 alone.

In fact, in 2013, Spain surpassed France and Italy in terms of the largest amount of wine grape acreage and is now the world's third largest wine-producing nation (after Italy and France): it produces nearly 70 per cent more wine by volume than the United States, which is number four in the global wine table.

There are between 4,000 and 4,500 wineries in Spain, many of which now belong to the country's 69 Denominations of Origin. With three main climate types, Mediterranean, semi-arid and Atlantic, along with at least 100 grape varieties, the country produces an astonishingly wide range of very different wines, all reflecting the unique soil and climate qualities of their region: sparkling cava from the northeastern region of Catalonia, as well as from Valencia, Extremadura and La Rioja; sweet but subtle Muscatel whites along the coast in Alicante and in Malaga, heady Jumilla reds from Murcia, fruity youthful reds from Ribera del Duero, the increasingly fashionable Verdejo whites from Rueda, in Valladolid, sherries from Jerez, and even the crisp, fruity Albariños of Galicia... and of course Rioja, far and away the country's best-known wine internationally.

At the same time, as José Luís Benítez, the director general of the Spanish Wine Federation points out, the Spanish wine industry has invested heavily in more productive vineyards, along with new or updated production facilities that use cutting edge technology.

"Spanish wines now regularly win the top prizes around the world, and have all the qualities to succeed in the new global wine market, where value matters more than volume. But it's early days in an increasingly competitive international arena," says Mr Benítez and so far, Spanish wines seem to be pushing against a glass ceiling; in short, he says, in key markets like the United States and the UK, consumer perception of Spanish wines does not reflect reality.

"Italy and France are still the countries people tend to think of first, and in many people's minds, Spain, despite its

status as the world's third-largest producer, ranks on a par with relative newcomers like Australia, Argentina, New Zealand and Chile," he says.

Spain's wine industry is at a crossroads. Domestic wine consumption is slowly picking up after three decades of decline: the enemy at the gates is not so much France and Italy, as spirits, beer and changing consumer habits generally.

In response, Spanish producers want to move their focus from domestic sales to exports. Spain has been the world's biggest exporter of wine since 2014, selling about 2.28 billion litres abroad compared with about 2 billion from France, though it should be noted that France earns considerably more from its exports (€8 billion against Spain's €2.6 billion).

But a little-known fact about the Spanish wine industry is the huge amount of bulk wine it produces. The vast La Mancha region in the centre of the country grows about half of all Spain's wine. The region sells about 2 billion litres of bulk wine each year to a range of countries, including France. This wine costs about €0.35 a litre.

Although the largest export market is Germany, half of sales are bulk wine, effectively making the United Kingdom the leading overseas market for bottled wine, half of which is Rioja and Cava.

Global markets are congested and competition for high-value sales in the United Kingdom will depend to some extent when the full impact of Brexit is finally felt. But Mr Benítez says the general view in the industry is that the UK government is unlikely to increase the average €2 tax per bottle or to impose any further restrictions. "And we see no reason for the British to suddenly start drink less wine," he notes wryly.

How to market such a wide variety of wines?

In the same way that there is no such thing as Spanish food, only regional cuisines, there is no such thing as Spanish wine. The big question in the Spanish wine industry today is how to market so many.

As David Palacios, president of the CECRV, the body that regulates Spain's Denominations of Origin, points out: "Spain, as one of the main wine producers in Europe, is made up of a multitude of regions, each with their own identity and characteristics that define the wine-growing map and confer on each a singular millenarian wealth of tradition. This diversity is the wine's heritage, what gives it its own character, compared to the wines of the

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new world. This singularity is what makes Spanish wines attractive to wine lovers, and at present, some of the best wines in our history are being made, characterised by their quality and authenticity.”

This represents an ideal opportunity for enthusiasts looking for the richness and singularity provided by origin in wines.

“But diversity is also a challenge because it means that you need to be both a winemaker and an educator. Spain's regions and grape varieties are unfamiliar to many wine enthusiasts and to engage them you need to inform them,” says Mr Palacios. How to establish a market identity for such a diverse group of wines?

“Education is important to the future of the wines of Spain. The number of unfamiliar regions and grape varieties is a challenge that must be addressed if wines from Spain are to achieve their obvious market potential,” he says.

Uncorking the potential of wines from Spain

As Mr Benítez points out, wines from Spain have many strengths that go beyond their obvious quality in the glass. “Wine plays a central part in our culture and that is something we want to transmit to the world: Spanish food and culture are popular and Spain is one of the world's leading tourist destinations, factors that can be leveraged in the marketplace. Intangible cultural factors have always helped sell Italian wines, so it is not unreasonable to think that Spain can benefit from them as well,” he notes.

There are weaknesses, too, of course. While sparkling cavas are very popular, offering Champagne quality at beer prices in some cases, other segments of the Spanish wine industry suffer from consumer ignorance or indifference. Sherry wines from Andalusia, for example, suffer the same challenge as Riesling wines. Consumers *think* they know what they are (simple, sweet stuff we remember our grandparents enjoying) but they are wrong. The diversity of styles and complexity of the best wines gets lost. For those who know them sherry wines are the great bargains of the wine world. But most consumers never find out what they are missing. That needs to change.

Nevertheless, overall, and in the long run, the amazing diversity of Spain's table wines will prove a strength, says Mr Benítez, noting that consumers are keen to try new products if they perceive good value. But diversity is also a weakness to the extent that it confuses consumers (especially US consumers) who are looking for a ‘brand’ identity and can't find it. “Spain doesn't have a distinct regional identity that would draw in consumers initially and then encourage further experimentation as some other wine producing areas do,” says Mr Benítez.

In search of Brand Spain

Several countries have tried selling their wines by branding a product that offers good price quality: the

French opened up the UK market back in the 1980s with le Piat d'Or, and since then Australia's Jacob's Creek and California's E&J Gallo have copied the approach to give their country's wines a foothold in overseas markets. But Spain produces so many different types and styles of wine that none of them defines it, except perhaps Rioja. Regional identity is unclear. This is a barrier when trying to break into new markets, but a strength once a market beachhead has been established.

So far, Spain shows no signs of creating a Mondavi or Antinori that could define a ‘brand Spain’ in the global market. Many quality producers, particularly in La Rioja are trying to achieve this, but the industry is still fragmented.

Nevertheless, says Mr Benítez, the continuing economic crisis is a great opportunity for Spain to expand its export market share, especially in the United States, where the market for wine is still growing in the mid-market segments.

But as he also notes, it is important to avoid being defined by low price alone. Spanish wines, despite their quality, still largely compete on price. The other major challenge facing producers is how to get consumers to pay the same sorts of prices for top-quality Spanish wines, of the kind regularly given top market by Robert Parker and *Wine Spectator*, as they do for upscale French and Italian wines.

Spain's first and fourth largest export markets (Germany and France) still buy mainly low-cost wines to stock the shelves of Aldi and similar discount sellers. Instead, says Mr Benítez, Spain needs to focus on the UK and US where higher prices and margins are possible.

And there has been progress, he says: “A decade ago in Chicago's Binny's, the Midwest's largest distributor of wines and spirits, they had the Spanish wines down in the basement, along with those from Portugal. But in the intervening years, we've been able to raise our profile, and now in the same store, there is a Spanish aisle, with different types of Spanish wine: Cava, Rioja, and Rueda whites.”

Mr Benítez says Spain's success in the international market depend on resisting the temptation to conform too closely to the international market. “Wines that are alike become commodities at some point and it seems to me that Spain, with its already huge lake of surplus wines, wants to get out of that part of the market.”

But there's a Catch-22. It is easier, perhaps, to break into the market with a good value ‘me-too’ wine. But it is hard to build upon that foundation (hence Australia's current wine slump). Better to be yourself: distinctive, even quirky, if you can get consumers to give you a try.

The prospects for Spain are as complex and multi-dimensional as the wines themselves, but there is every reason to believe that Spain's wine industry will navigate this complicated passage successfully. **F**