

Spain's Bounty

Spanish table wines have a promising future in the U.S., despite headwinds from tariffs and Covid-19

BY JESSICA BEEBE

Spanish table wines have been experiencing relatively sustained growth over the past few decades, with the category exporting 4.32 million 9-liter cases to the U.S. last year, according to Impact Databank, down 5% from 2018. Spain was long overshadowed in the U.S. by import competitors like Italy and France, but that has changed in recent years as consumers have begun to discover the country's wines in earnest. That has continued into 2020, despite obstacles posed by tariffs and the Covid-19 pandemic.

The U.S. volume leaders in Spanish table wine are Campo Viejo, Marqués de Riscal, Marqués de Cáceres, Bodegas Muriel, and Familia Torres. Campo Viejo was up 7.6% last year, to 215,000 cases, while the others were up or down slightly from the previous year. "While Spanish wine is still small in the U.S., it does remain a dynamic category," says Campo Viejo brand manager Jill Prior. "More recently, Spanish wine is becoming something American consumers are exploring."

Miguel Torres Maczassek—fifth-generation Torres family member and general manager of Familia Torres, which joined the portfolio of importer Wilson Daniels in September—adds that tourism kept Spanish wine relevant in the U.S. until the pandemic. "Prior to Covid-19, American tourists in Spain have been increasing every year," he notes. "This has been a great platform to promote Spanish brands, and although it has temporarily stopped, we can see that this trend will continue in the future."

PHOTO BY JORDI ELIAS

Familia Torres (Labastida winery in Rioja pictured)—one of the leaders of the Spanish wine space—has its origins in Penedès, the oldest wine region in Catalonia. The company depleted 75,000 cases in the U.S. last year.





Most Spanish wines on the market sell for less than \$20 a bottle at retail (Sparrow Wine & Liquor Co. shelves pictured), but as consumers continue to become more knowledgeable and appreciative of Spain's myriad wine regions, they're more willing to trade up.

Focus On Terroir

The Spanish wine category is driven more by place than by varietal. "They're terroir-driven," says Armando Luis, owner and president of Sparrow Wine & Liquor Co. in Hoboken, New Jersey, which offers about 200 Spanish wine SKUs. The star regions are Rioja, Priorat, Ribera del Duero, Galicia, and Castile and León. Each area's wines encompass a wide variety of grapes; overall, there are approximately 400 different grape

varietals grown across Spain, among them Tempranillo, Garnacha, Albariño, Carignan, Macabeo, Merlot, and Cabernet Sauvignon.

Rioja in north-central Spain has earned the top wine classification of Denominación de Origen Calificada (DOCa). Rioja winemakers usually blend the region's signature grape, Tempranillo, with four others, making for diverse wines that are often fruity and earthy. "In general terms, Rioja has been the leading force of Spanish wine in the U.S.," says Maczassek. "But in recent years, other names—like Priorat and Galicia—have come to stay." Familia Torres, which depleted 75,000 cases in the U.S. last year, according to Impact Databank, has its origins in Penedès, the oldest wine region in Catalonia, though over the years it has established vineyards in Rioja, Priorat, Ribera del Duero, Rueda, and Rias Baixas. One of the star Rioja wines in the Torres lineup is its Las Pisadas red (\$21 a 750-ml.).

Campo Viejo's core wines—Tempranillo (\$12 a 750-ml.), Reserva (\$16), and Garnacha (\$12)—are all sourced from Rioja. "What has made Spanish wine and Campo Viejo so interesting to consumers is the versatility of the grapes native to their region," says Prior. The brand does branch out from Rioja on occasion; its new Red Blend (\$12) is sourced from across a few different regions.

Priorat, which is in the province of Tarragona in southwest Catalonia, is the only other Spanish wine with a DOCa distinction. The area boasts multiple microclimates, though much of the land is characterized by its black slate and quartz soil, or llicorella. "If you look at the soil, it looks just like rock," says Robin Baggett, vintner at Priorat-based Perinet Winery. "It's hard to believe anything can grow here." Priorat wines tend to be on the higher end of the price spectrum due to the lower supply of their grapes; the super-premium offerings across

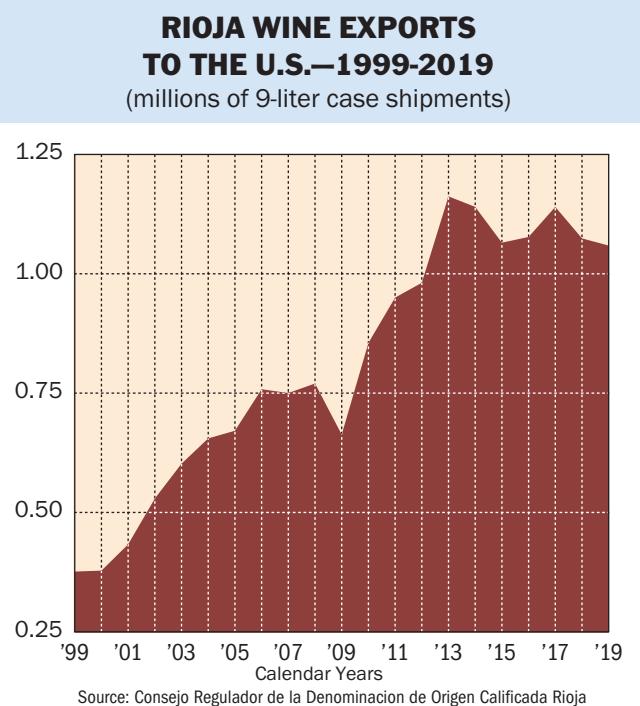


PHOTO BY DAVID YELLEN

LEADING BOTTLED SPANISH TABLE WINE BRANDS IN THE U.S.¹

(thousands of 9-liter case depletions)

Brand	Importer	2005	2010	2015	2016	2017	2018	2019	Percent Change ² 2018-2019
Campo Viejo ³	Pernod Ricard USA	33	96	105	145	173	200	215	7.6%
Marqués de Riscal	Shaw-Ross International Importers	110	110	141	172	174	176	178	1.1
Marqués de Caceres	Vineyard Brands	189	157	165	149	144	144	139	-3.5
Bodegas Muriel	Quintessential Wines	-	-	120	91	90	85	88	3.5
Torres	Miguel Torres USA	45	45	71	77	82	80	75	-6.0
Honoro Vera	Blue Ventures	-	-	64	73	77	76	75	-0.8
CVNE	Europvin USA	-	-	48	56	60	63	69	9.5
Martín Códax	E. & J. Gallo Winery	-	50	75	65	60	55	55	-
Total Leading Brands⁴		377	458	789	829	860	878	894	1.8%

¹ Still wine not over 14% abv; excludes bulk imports and sangria

² Based on unrounded data

³ Excludes Cava

⁴ Addition of columns may not agree due to rounding.

Source: IMPACT DATABANK ©2020

Perinet's labels range from \$75-\$140. The primary grape used in Priorat wine is Garnacha, though Carignan is also used. Often, the two are blended in a Bordeaux style.

Ribera del Duero, a DOP in Spain's northern plateau with a flat, rocky terrain, is one of the 11 "quality wine" regions within Castile and León. These wines, like Riojas, are made primarily from Tempranillo grapes; however, in this region, there's no blending with other grapes. More than 300 wineries belong to the Ribera del Duero DOP, including Bodegas Casajús, Vega Sicilia, and Dominio de Pingus.

While red wines dominate across Spain, white offerings are not uncommon. Macabeo is the main grape for white Rioja wines, and is often blended with others in the production of Cava. Albariño grapes, meanwhile, are grown in several regions including Galicia, which borders northwest Portugal's Vinho Verde region, an Albariño hot spot. At Sparrow, La Cana Albariño (\$17 a 750-ml.) is a top-seller in the Spanish table wine category, notable for its botanical aroma.

A newer entrant in Spanish white wine is Avaline White, which debuted in July. The 11.5% abv offering (\$25 a 750-ml.), which is produced by Can Ràfols dels Caus in the Garraf subzone of the Penedès region, is a blend of Xarello, Macabeo, and Malvasía grapes, and is crisp and light. "There's an enormous wine culture in Spain, and people are curious and want to taste everything," notes Alexandra Manovel, export manager of Mas Oller winery for Can Ràfols dels Caus. At press time, Avaline was preparing to release a sparkling Spanish offering.



Campo Viejo (winemaker Clara Canals pictured) was the top-selling Spanish wine in the U.S. in 2019, depleting 215,000 cases. While the Covid-19 pandemic has decimated the on-premise, the brand has experienced its largest growth period due to the off-premise surge.

Maintaining Success

To increase sales in the U.S., many Spanish wine brands have looked to innovation and marketing. Rioja producers like Bodegas Muga, Bodegas Valdemar, and Bodegas Pinord have innovated by tapping into the rosé trend. Other Spanish brands are exploring alternative packaging: Avaline hopes to release single-serve as well as larger-format offerings next year.

Marketing is crucial for Spain to get a more solid footing in the U.S. Avaline White has done extremely well with this area, thanks to its partnership with actress Cameron Diaz, who co-founded the company with entrepreneur Katherine Power. "Cameron's voice has lent to us a very speedy engage-



Spanish wine-appellated Avaline White has seen success thanks to the celebrity status of co-founders Cameron Diaz and Katherine Power (pictured left). Perinet (barrel cave pictured right), meanwhile, has made gains in the off-premise as consumers stock their at-home bars.

ment," says Avaline CEO Abbott Wolfe. "We were able to reach tens of thousands of Instagram followers within a week." As Avaline targets a younger consumer base, its marketing is solely online. "Virtually everything we do is on social media," says Wolfe. "We're very strong on interacting with consumers and having dialogues."

Avaline White has also made gains by promoting itself to a health- and wellness-minded consumer base. The vegan-friendly offering is made from organic grapes and forgoes added sugars, concentrates, and colors. "The millennial wine consumer is definitely looking for a clean product,

and Avaline White is organic with minimal intervention," says Wolfe. Most Spanish wines abide by similar organic and natural standards, and should perhaps focus more on promoting these aspects to their respective consumer bases. On the sustainability front, Familia Torres boasts a decarbonization program and works—as most Spanish wineries do—to remain sustainable and environmentally friendly. In early 2019, the company partnered with Jackson Family Wines on the "International Wineries for Climate Action" initiative, which encourages wineries to reduce carbon emissions.

Overcoming Obstacles

While Spanish table wines have seen increased popularity with U.S. consumers, they still face some obstacles. Last fall, importers, distributors, retailers, and restaurateurs had to scramble when a 25% tariff was slapped onto a number of European Union drinks imports in the U.S. market, owing to a long-running dispute over aircraft subsidies. At Sparrow Wine, Luis has indeed seen some price increases, though the retailer notes that most of the wineries behind his Spanish table wine offerings have decided not to pass the tariff to retailers.

Indeed, most of the bigger brands are absorbing the tariffs, including Campo Viejo—though Prior notes that as more and more consumers are gaining interest in Spanish wine, they may be willing to trade up. Perinet has likewise absorbed the tariffs and maintained pricing, though Baggett says the costs will have to be passed onto consumers if they persist.

Gregory Doody, president and CEO of Vineyard Brands—which has a broad international portfolio of fine wines that includes three offerings from Spain—discussed the situation with MARKET WATCH sister publication Shanken News Daily in August. "I'm not a fan of trade wars, as they never end well for anyone, and I'm particularly opposed to the tariffs on wines from France, Germany, and Spain," he said. "When the tariffs were first announced, our goal was to maintain as many of the

placements we had worked so hard over so many years to obtain. We worked with our winery partners and distributor partners to adjust our pricing so that accounts would be impacted as little as possible." Doody added that he finds it "particularly inappropriate" for the tariffs to continue amid the on-premise devastation from Covid-19.

Tariffs aside, this year Spanish wine brands also had to face the consequences of Covid-19, which shuttered restaurants and bars starting in March. While many states have slowly reopened their venues—largely at limited capacity and with restrictions—the threat of further lockdowns persists, and the temporary loss of business has been a small blow to the Spanish wine category. "The key to sales and growth of a brand is lips on a glass," says Baggett of Perinet, which had to shutter its on-premise tasting room in March. "Covid really devastated the on-premise, but thankfully consumers were willing to look for wine elsewhere."

Indeed, the blow from the on-premise loss has been offset, to varying degrees, by the sales surge in the off-premise. Campo Viejo, for one, experienced its largest growth period in U.S. history this year, according to Prior. Familia Torres and Perinet also saw sales increase significantly as consumers stocked up their at-home bar supplies. Luis of Sparrow notes that big Spanish brands are "dominating the sector" more than they normally do, accounting for about 6% of his wine sales. "They're outperforming the rest of the wine too, by a significant margin in terms of profit," he adds. He notes that as consumers shop during this stressful time, they "gravitate toward the brands they know."

Familia Torres is one of those brands, and Maczassek notes that the winery is no stranger to hardships. "When our winery was bombed during the civil war in Spain, many customers in the U.S. helped us rebuild it by placing orders," he says. The same has happened through the Covid-19 crisis. "There seems to be a sort of timeless, trusting relationship between the consumer and our wines," he adds. "The U.S. isn't just another market—there's a connection there with my family that goes through history."

Looking Ahead

If consumers remain curious and continue to explore the world of imported wines, Spanish table wines will certainly see contin-



Familia Torres (Waltraud cellar top; general manager Miguel Torres Maczassek above) is one of the familiar brand names consumers have turned to throughout the Covid-19 crisis as they drink at home.

ued growth in the U.S. in the coming years. "Spain is such a diversified wine country," Sparrow's Luis says. "There's a lot to be discovered that even consumers who are experienced with Spanish wine would be surprised to find." But, Luis notes, more consumers must pay attention to the category.

In addition to innovating and marketing, Spanish wine brands may look to premiumization to make further gains in the future. The majority of Spanish table wines in the U.S. market retail at less than \$20 a bottle, with many priced below \$10. But now, as consumers become more knowledgeable about Spanish wine regions, they may be willing to pay up. Baggett of Perinet certainly hasn't seen any resistance to the higher pricing of his winery's Garnacha and Carignan offerings. "We've had no resistance to pricing, and we've grown each year since our debut in

2017, in both the DTC and wholesale channels," Baggett notes, adding that 90% of the winery's sales come from DTC.

Brands can also help themselves by focusing more on consumer education. "Spain has historically been one of the largest producers in the world, but it's not as well-known as France or Italy or the U.S.," says Baggett. "But people understand Bordeaux and Burgundy, so they'll come to be familiar with Spanish regions." Maczassek of Familia Torres hopes that the curious appetites of today's consumers will continue to drive the Spanish wine category in the U.S. "There's a new generation of wine consumers whose knowledge is growing every day," he says. "This empowers Spanish winemakers to take risks and to start producing wines in new regions or with relatively unknown grape varieties."

