

PENEDÈS REVOLUTION & PREMIUMISATION

Economic analysis of the agricultural revolution and the future of the Penedès wine industry

ABSTRACT

1. Motivation

The Penedès region has been undergoing a constant transformation over the last 30 years on multiple levels, including agricultural practices, the use of unique and ancestral varieties, changes in business models and family structures, regulations in wine categorisation, economic decisions of large wine companies, and currently the changes closely linked to the climate crisis.

My professional involvement in the industry of this wine region since 2002 has given me an insider's perspective on different behaviours from the grape varieties planted and approaches to projects to the change of market positioning of the wines.

Therefore, my motivation is to show, analyse and compare economically this agricultural revolution and oenological future with its subsequent premiumisation of its wines.

2. Objective

Penedès, a region historically characterised by high-volume, cheap wines due to the shadow of Cava and its adjacent economic effects in the years of industrial development, has often overlooked a landscape with special geographical features, which include an ideal climate for growing unique varieties, proximity to the great capital of Barcelona, with a rich gastronomy and culture.

Three decades have passed where several generations have grown and coexisted with very different and visionary perspectives. Together with several economic, political, and climatic crises, these have drastically revolutionised the way of working the land, making wines, and positioning them on the premium wine market.

The objective is to see this transition, assess the current state of change and the future projection of the region, with the strategic changes at different levels:

- ✓ Agricultural: organic farming and a focus on indigenous and ancestral varieties.
- ✓ Social: small winegrowers grouped together to create synergies for positioning the sale of their own wines.
- ✓ Political: appellations of origin focus on organic certification in premium categories.
- ✓ Economic: improving profitability from grape growing with the challenges of climate crisis.

3. Methodology

Through a comparative economic analysis of three current wine business models, with the perspective of the past, present and future, we will analyse the change of category from high-volume products to premium wines, which the Penedès is offering in international markets for their unique value.

The first phase of the research has been based on my own professional experience in one part of the region's wine industry, particularly in a family winery, which has given me a real point of view and data on the social, political, and economic situation.

The second phase has been carried out with interviews with key stakeholders, including:

- winegrowers with large and small vineyard holding.
- managers of medium and large wineries
- managers of cooperatives and winegrower partners
- the director of the Penedes appellation of origin
- managers of grouped winery startups.

The third phase has been a compilation of economic data to compare costs and benefits of each viticultural business model, and to evaluate the results in the three types of business currently available to winegrowers.

4.Content

Historically, the Penedes focused on growing neutral varieties for Cava and international red varieties for high-yield production, often used in inexpensive, mass-market wines. Medium to large winegrowers, often associated with cooperatives or large wineries, were typically paid low prices for their grapes. The research content focuses on:

- The social change that has developed in the area seeing small and medium-sized winegrowers disappear, so that winegrowing companies take over large masses of vineyards to deal with the high costs and low profits that the system offers.
- How this model is facing the future in front of changes in the strategy of large wineries, which are no longer managed by families, but by multinationals, which do not have the emotional connection of the territory.
- How some of the small winegrowers still have confidence in and love for their land and are looking for strategies to revalue their work and product, hence they have grouped together in public or private wineries to share winemaking costs and increase profits.
- Others have been able to create a new micro winery thanks to their heritage, or thanks to the economic springboard of the grouped winery startups, to produce and sell wines in the national and international premium segment.
- How the strategy of the DO Penedès to become the first organic wine appellation of origin in the world, starting in 2025, will affect the region.

5.Conclusion

With the above data, and with a variability of internal and external factors, which can influence the mere conceptualisation of the comparison of the three business models, we can understand the revolutionary change of the Penedes region at the agricultural level, product development, winery concept, and above all revaluation and segmentation in a new premium positioning on the market.

In a situation marked by low prices, internal struggles in the big houses, lack of protection of the farmer, search for identity as an area and style of wine, coupled with the challenge of fighting to mitigate climate change, new business roles have been born between winegrowers and producers to increase profits and focus on a higher category of international recognition.

The revolution in the change of mentality of agricultural work, structural changes of companies, tireless search for revaluation of the product and with the challenges of climate crisis, Penedès has already in the last decade gained a well-deserved international reputation. The future lies in the premium organic wines of many small and medium-sized wineries, led by a young generation that has no limits of motivation and imagination.