

VEGA-SICILIA GROUP

Case by the Rersearch Division of the Institute International San Telmo, Spain. Prepared by
Professor Miguel Angel Llano Irusta (mlano@santelmo.org)

VEGA-SICILIA GROUP

Executive Summary

The current of Vega Sicilia Group began in 1982, when David Álvarez acquired the winery and the vineyards from the Venezuelan businessman Miguel Neumann. Since that year, the Álvarez Mezquíriz family has developed a policy of harmonisation of present innovative techniques required by the wine sector with the traditional winemaking process. The vineyard area has been extended and a modernisation process has taken place both in and out of the winery. From 1982 to 1985 Jesús Anadón (that began to work on Vega Sicilia in the 50's) was the General Manager

The retirement of Jesús Anadón meant the leaving of a man who assumed his responsibilities as director and oenologist of Vega Sicilia in a highly personal way. On his departure, Pablo Álvarez took full possession of the general management of the winery; the oenology area was taken on by Mariano García, who had been Jesús Anadón's assistant since joining the company in 1968. 1998 saw the incorporation of Xavier Ausás into the technical management of the winery group after working for six years as oenologist in Vega Sicilia. Xavier, together with his sister Mercedes, and Begoña Jovellar, is the father, master and educator of the company's wines.

In 1993, Vega Sicilia founds Tokaj Oremus. The personality of the Álvarez family adds to the historic tradition of both wines. Pablo Álvarez, managing director of Vega Sicilia, is also responsible for this new project. The wine is studied in great detail and with great respect, together with its significance, its laborious winemaking process, historical practices... An experienced team of professionals with good knowledge of the region's wines is also sought. From the moment the vineyards were founded to present day, the Álvarez family, respecting the Tokaj traditions, has made considerable investment in Tokaj Oremus with a view to increasing the technical level of the treatment of the grape and the winemaking installations, so as to make the best wines possible. The objective of the Álvarez family is to give its former grandeur to this vineyard, which is one of the best situated, the most emblematic and significant of Tokaj.

Investigations led to the doors of Bodegas Liceo, a company founded in 1990 and located in Peñafiel (Valladolid). The winery had just begun and had all the technological requirements required. After lengthy discussion, the family acquired the winery on 5th November 1992. Alión was born; a name laden with emotion as it corresponds to the town of León in which the family patriarch, David Álvarez, was born.

In 2000 Primum Familiae Vini, and organisation formed by the twelve family-run wineries of the highest international prestige, which includes Vega Sicilia, held its annual reunion on the state, presided by Pablo Álvarez. The year 2000 was also the year which saw the end of the renovation and modernisation process of the winery. In 2001 Bodegas Alquiriz is the new project that is to promote Vega Sicilia. The desire of the Álvarez family is to make the best Toro wine, a designation that gives wines body, exoticism, an explosion of aromas, and a modern personality and character. For this, since the harvest of 1997, 70 hectares of vineyard have been bought in different places within the Designation of Origin. After four years' study of the concept of the wine, it is

begun to be made in 2001 for commercial purposes. The strategy of this new winery is common to all those in the group: make wines with personality and high quality, which implies limited production of wine.

The company makes and commercialises three types of wine: Valbuena 5º, Vega Sicilia Único, and Vega Sicilia Único Reserva Especial. The last two are presented to the general public at least ten years after they have been harvested. The commitment of this winery with its clients is such that the years that do not offer the quality desired are not bottled. The creation of these magnificent wines is subject to a rigorous production process and strict quality control. The care and attention given to detail is constant in each and every phase. It involves no secrets, but is carried out with great expertise. Vega Sicilia is unquestionably a unique wine, and one of the great Spanish classics. Its personality not only comes from the maximum quality of the grape and the rigour involved in its manufacture, but also, and above all, from the care for detail that the Álvarez family has succeeded in transmitting to the wines.

The main discussion problems on the case are: the Group Expansion opportunities and the consolidation of some of the business they have created in recent years such as Oremus in Hungary, Pintia in Toro Valladolid Spain, the creation of a white wine with French roussanne varieties, marsanne, viogner and chardonnay and the bullock adventure called Valle del Esla in which they have invested many money and also lost so much. The case deals with the matter of growing the business Group being on niche markets using handcraft value chains. The great questions are if this successful model can be cloned in other regions of Spain (Rioja for example) or the world (like France).

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ABSTRACT

The main discussion problems on the case are the Group Expansion opportunities and the consolidation of some of the business they have created in recent years such as Oremus in Hungary, Pintia in Toro Valladolid Spain, the creation of a white wine with French roussanne varieties, marsanne, viogner and chardonnay and the bullock adventure called Valle del Esla in which they have invested many money and also lost so much.

The history of this estate began in 1848, when Toribio Lecanda, a landowner of Basque origin, bought a 2,000 hectare estate used for agriculture and cattle farming from the Marquis of Valbuena. In 1864, Eloy Lecanda founded the winery that symbolises the golden legend of Spanish red wine. Throughout its long history, it has belonged to different owners, although it has always maintained an unquestionable personality, making concentrated, mature, generous and extremely elegant. With the estate having been acquired by the Herrero family, it is rented to Cosme Palacio, who creates the winery of Domingo Garramiola, a person who is crucial to the history of Vega Sicilia.

Domingo Garramiola Txomin was born in Marquina-Echevarría on 1st October 1878. In Vega Sicilia, Domingo used Bordeaux techniques for making wine. He renewed the aging casks and, above all, made great efforts in cleaning the wine presses. The hard work of Txomin Garramiola gave fruit in 1915, with the birth of two exceptional wines: Vega Sicilia and Valbuena. These wines followed along the lines of the Rioja wines of the day: lengthy aging in vats and wooden casks and bottled to order.

The distribution of these first bottles began among the upper class bourgeoisie and the aristocracy, but not for commercial purposes. The owners of the winery offered this wine as a gift to the good friends of the family. Thus began the forging of the good friends of the family. Thus began the forging of the legend of Spain's most exclusive wine, as it cannot be bought with money, but only with friendship. The wines of Vega Sicilia reached great public recognition thanks to prizes such as that of the World Fair in Barcelona in 1929, awarded to the 1917 and 1918 harvests. Surrounded by his family in his house in Vega Sicilia, Domingo Garramiola died in 1933. The winemaker left a very personal stamp on the best classic Spanish wine. The responsibility of continuing with his work fell on his closest collaborator, Martiniano Renedo.

Jesús Anadón joined the wineries in 1956. He was to be director of the company for several decades and his incorporation was transcendental to Vega Sicilia and he started up the Ribera del Duero Designation of Origin. The current stage began in 1982, when David Álvarez acquired the winery and the vineyards from the Venezuelan businessman Miguel Neumann. Since that year, the Álvarez Mezquíriz family has developed a policy of harmonisation of present innovative techniques required by the wine sector with the traditional winemaking process. The vineyard area has been extended and a modernisation process has taken place both in and out of the winery.

The retirement of Jesús Anadón meant the leaving of a man who assumed his responsibilities as director and oenologist of Vega Sicilia in a highly personal way. On his departure, Pablo Álvarez took full possession of the general management of the winery; the oenology area was taken on by Mariano García, who had been Jesús Anadón's assistant since joining the company in 1968. 1998 saw the incorporation of Xavier Ausás into the technical management of the winery group after working for six years as oenologist in Vega Sicilia. Xavier, together with his sister Mercedes, and Begoña Jovellar, is the father, master and educator of the company's wines.

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The Vega Sicilia wineries are located in Valbuena de Duero, in the province of Valladolid, on an estate made up of a fertile plain that follows the course of the river. The river is the northern boundary of the 1,000 hectares of the property; the southern limit is set by the woods, which stand on the slopes leading to the plain. The estate has a plantation of 250 hectares of vineyard, which contains 80% of the autochthonous tinto fino variety or tempranillo de la Ribera, and the rest is cabernet sauvignon, merlot and malbec. The soils are clayey-limestone, with brown-grey streaks and an alluvial area. To this day, the winery conserves its sober appearance of a Castilian mansion. Its façade is made of brick, and has a monastic air. Inside, there is a chapel, which was built by the

first owners and has the name of Santa Cecilia. It is thought that the name of the estate comes from this name. Over recent years, the Álvarez family, owner of the winery, has increased the surface area of the vineyard in order to basically supply Bodegas y Viñedos Alión.

The Ribera del Duero area has a continental-type climate, with an Atlantic influence. Rainfall is low, with annual averages below 500 mm, concentrated especially in spring and autumn. Sunshine, which is high extensive and abundant, reaches annual averages of 2,200 hours, and the River Duero favours the morning mists and fogs that provide an additional source of humidity. It is a very healthy climate, which means that the occurrence of diseases coming from fungi and insects is very rare. The worst enemies of these vineyards are the spring frosts and the summer hailstorms.

The creation of these magnificent wines is subject to a rigorous production process and strict quality control. The care and attention given to detail is constant in each and every phase. It involves no secrets, but is carried out with great expertise. Vega Sicilia is unquestionably a unique wine, and one of the great Spanish classics. Its personality not only comes from the maximum quality of the grape and the rigour involved in its manufacture, but also, and above all, from the care for detail that the Álvarez family has succeeded in transmitting to the wines.

From a universal perspective, the peculiar characteristics of Vega Sicilia define it as a very Spanish wine and, in fact, it is one of the national wines that receive respect at the mention of its name. The Vega Sicilia wines enjoy a certain old but stately air, like period furniture; wines with great elegance, finesse, complexity and the ample capacity for maintaining their characteristics in the bottle for a long time.

The company makes and commercialises three types of wine: Valbuena 5º, Vega Sicilia Único, and Vega Sicilia Único Reserva Especial. The last two are presented to the general public at least ten years after they have been harvested. The commitment of this winery with its clients is such that the years that do not offer the quality desired are not bottled.

Pablo Álvarez is a member of the family that owns Vega Sicilia, and is currently the director of the winery group. This young man, completely given to absolute respect for quality, maintains a feeling of sincere admiration for the wines of Vega Sicilia and is efficiently directing the Alión, Tokaj Oremus and Alquiriz companies. Without letting himself be carried away by his passion for wine, he applies the rigour and scrupulousness in this microcosm of four unique wineries as if they were sacred precepts. The oenological shadow of Pablo Álvarez is Xavier Ausás, technical director of Vega Sicilia. This great wine chef was born in Figueres (Gerona) in 1968. In 1986, he studied in the School of Oenologists in Requena (Valencia), but soon looked to France, where he attended oenology classes in the Brevet Technicien, in Blanquefort. From 1990 to 1992, he achieved the Diplôme National d'Oenologue from the Paul Sabatier University in Toulouse. Xavier began working as an oenologist in Vega Sicilia in 1992, working on the supervision of fermentation, aging and bottling processes. He is currently technical director of the wines of the winery group. Highly-qualified young professionals, with great love for our wines, work with Xavier in the technical and oenological areas of responsibility.

The case deals with the matter of growing the business Group being on niche markets using handcraft value chains. The great questions are if this successful model can be cloned in other regions of Spain (Rioja for example) or the world (like France).

Keywords:

Craft Production
Diversification
Great Wines
Internationalization
Niche Markets

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1.- INTRODUCTION

Today, Vega Sicilia produces some of Spanish best wines, notably Unico, which has in turn, become one of Spain most expensive wines. Typically, when released, it can often be found for anything from €150 to €250 per bottle, depending on the vintage, and as it ages, where current wine maker Xavier Ausas is quoted to have said "Vega Sicilia starts discretely and finishes hugely" - its price also increases. Unico is often regarded to only be drunk after a considerable period, anything up to 50 years, where it reaches its full potential and develops all its secondary flavours and aromas. Today, Unico can be regarded as one of Spain's best wines, old style winemaking, showing off the terroir, and adhering to time-honoured traditions. Hence the name, "Unico" means Unique.

2.- THE FACTS

2.1.- History

In 1848 a Basque landowner, Don Toribio Lecanda, met the bankrupt Marques de Valbuena and bought from him a 2,000 hectare estate, the Pago de la Vega Santa Cecilia y Carrascal, in the western part of what now is the Ribera del Duero wine region. At some stage that was shortened to Vega Sicilia.

For the first 16 years, the land was used for agriculture, until Don Lecanda's son, Don Eloy Lecanda y Chaves, founded the winery in 1864. From one Monsieur Beguerié in Bordeaux he bought 18,000 young vines of Cabernet Sauvignon, Carmenere, Malbec, Merlot and Pinot Noir. They may have made some wine at that stage, but most of the production went into brandy and ratafia.

Vega Sicilia winery symbolizes the golden legend of Spanish red wine. Throughout its long history, it has belonged to different owners, although it has always maintained an unquestionable personality, making concentrated, mature, generous and extremely elegant.

In 1876, in the Philadelphia Fair, Lecanda obtained a quality certificate for his brandies. That same year, he succeeded in achieving the position as supplier to the Royal Family, and in 1880, he obtained the Grand Cross of Isabel the Catholic; all before the birth of the red wine that was to make the company famous.

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The hard work of Txomin Garramiola gave fruit in 1915, with the birth of two exceptional wines: Vega Sicilia and Valbuena. These wines followed along the lines of the Rioja wines of the day: lengthy aging in vats and wooden casks and bottled to order. The distribution of these first bottles began among the upper class bourgeoisie and

the aristocracy, but not for commercial purposes. The owners of the winery offered this wine as a gift to the good friends of the family. Thus began the forging of the legend of Spain's most exclusive wine, as it cannot be bought with money, but only with friendship.

The wines of Vega Sicilia reached great public recognition thanks to prizes such as that of the World Fair in Barcelona in 1929, awarded to the 1917 and 1918 harvests. Txomin, who had trained as a winemaker at the Haro Oenological Centre. At first most of the wine was sold in bulk and – presumably – passed off as Rioja. When the Rioja vineyards had recovered from Phylloxera in 1915, Garramiola turned to making estate bottled wine. Initially this wasn't a commercial venture, but was given away to aristocratic friends and acquaintances of the Herrero family. The quality of these wines was obviously not an issue: the 1917 and 1918 wines won prizes at the World Fair in Barcelona in 1929, an achievement still celebrated on the labels of all Vega Sicilia's Unico today.

Surrounded by his family in his house in Vega Sicilia, Domingo Garramiola died in 1933. The winemaker left a very personal stamp on the best classic Spanish wine. The responsibility of continuing with his work fell on his closest collaborator, Martiniano Renedo. Jesús Anadón joined the wineries in 1956. He was to be director of the company for several decades and his incorporation was transcendental to Vega Sicilia and he started up the Ribera del Duero Designation of Origin. The next significant change was not until 1982, when the Denominacion de Origen Ribera del Duero was established, after other red wine bodegas had been established in the region in the 1970s. This move meant that Unico (and the other wines) was no longer classified as a "simple" table wine. At the same time, the Alvarez family bought Vega Sicilia, and began to modernise and expand, a process which has continued, including the creation of new estates: Bodegas Alion in 1992, Bodegas Alquiriz (in Toro) in 2001, and Tokaj Oremus in Hungary, founded in 1993. 1982. The Álvarez family acquired Bodegas Vega Sicilia.

The current stage began in 1982, when David Álvarez acquired the winery and the vineyards from the Venezuelan businessman Miguel Neumann. Since that year, the Álvarez Mezquíriz family has developed a policy of harmonisation of present innovative techniques required by the wine sector with the traditional winemaking process. The vineyard area has been extended and a modernisation process has taken place both in and out of the winery.

From 1982 onwards, the family, with David Álvarez and his sons and daughters Pablo, Jesús David, María José, Emilio, Juan Carlos, Elvira and Marta, have developed a policy of harmonization of present innovative techniques required by the wine sector with the traditional winemaking process. The vineyard area has been extended and the vineyards and vines, which were almost half a century old, have been replanted in rotation.

The retirement on 1985 of Jesús Anadón meant the leaving of a man who assumed his responsibilities as director and oenologist of Vega Sicilia in a highly personal way. On his departure, Pablo Álvarez took full possession of the general management of the

winery; the oenology area was taken on by Mariano García, who had been Jesús Anadón's assistant since joining the company in 1968.

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Bodegas Pintia is the new project that is to promote Vega Sicilia. The desire of the Álvarez family is to make the best Toro wine, a designation that gives wines body, exoticism, an explosion of aromas, and a modern personality and character. For this, since the harvest of 1997, 70 hectares of vineyard have been bought in different places within the Designation of Origin. After four years' study of the concept of the wine, it is begun to be made in 2001 for commercial purposes. The strategy of this new winery is common to all those in the group: make wines with personality and high quality, which implies limited production of wine.

2.2. The Winery & The Winemaking

The Vega Sicilia wineries are located in Valbuena de Duero, in the province of Valladolid, on an estate made up of a fertile plain that follows the course of the river. The river is the northern boundary of the 1,000 hectares of the property; the southern limit is set by the woods, which stand on the slopes leading to the plain. The estate has a plantation of 250 hectares of vineyard, which contains 80% of the autochthonous tinto fino variety or tempranillo de la Ribera, and the rest is cabernet sauvignon, merlot and malbec. The soils are clayey-limestone, with brown-grey streaks and an alluvial area.

The winery is essentially a modern day, pristine and glorious winemaking palace. It consists of rather classy looking lighting, top of range equipment, most of it bespoke, and everything is laid out in precise order, with lots of attention to detail, to the point of obsessiveness. Perhaps this goes back to the time when the 1994 Valbuena had to be recalled, it is said because of a cork problem. Certainly, everything is done to avoid any possibility of taint: metal is stainless steel throughout, down to the bands on the barrels, shipping palettes, and even the wedges on which the barrels rest. The wood used for cases is tested to ensure it is chemically inert, and no wine is shipped between June and October, unless in temperature controlled lorries.

The cork testing regime is absolutely rigorous. Their cork suppliers are instructed to send samples, which are independently tested in specialist laboratory in France. Upon delivery, a further double trial is carried out, with further samples being sent for testing. If a cork fails, the whole batch is rejected, with costs charged to the supplier. On average, Rafael Alonso (current Export Manager) believes that two out of every three corks are rejected.

Valbuena and Unico spend several years maturing in oak before release, Valbuena for three and a half years, Unico for at least seven years. Vega Sicilia use a mix of new French oak, and a mix of new and used American oak. Correct "seasoning" of the oak and barrels is another priority here.

Whilst Valbuena will spend one and a half to two years in bottle before being released, the length of time that Unico is aged in bottle depends on the format: single bottles have at least three years in bottle; magnums and double magnum rather longer.

The Ribera del Duero area has a continental-type climate, with an Atlantic influence. Rainfall is low, with annual averages below 500 mm, concentrated especially in spring and autumn. Sunshine, which is high extensive and abundant, reaches annual averages of 2,200 hours, and the River Duero favours the morning mists and fogs that provide an additional source of humidity.

The creation of these magnificent wines is subject to a rigorous production process and strict quality control. The care and attention given to detail is constant in each and every phase. It involves no secrets, but is carried out with great expertise.

2.2.1. The vine

The estate of Vega Sicilia has a plantation of 250 hectares of vineyards. The rigour involved in making these wines begins with the racemes of grapes, which are controlled down to each detail. In this way, the winery has established limits to the production of its vines, which do not surpass 22 hectolitres per hectare; the grape is not picked if it has less than 13 degrees; the number of vines per hectare is around 2,200; irrigation is not used, but a careful system of green pruning to eliminate racemes so that each vine produces less than two kilos, with the minerals and nutrients from the soil being concentrated in this low production.

Harvest is always late - 1st October at the earliest (2003 is the exception, when they started mid September!) - and by hand. They employ a team of around 130 harvesters

who pick in several passes through the vineyards. The grapes are brought in plastic crates holding about 20kg each. There is another rigorous selection at this stage, and the grapes are carefully de-stemmed. In general the different varieties are fermented separately, with grapes destined for Valbuena being fermented in stainless steel and those for Único in oak vats.

The low yields and careful selection keeps production low, helping to maintain the myth of Vega Sicilia. Annual production is around 25,000 cases and they currently have about 2000 people on a waiting list for an allocation. Around 50-60% of production goes to the domestic market and the rest to around 50 export markets. Interestingly, buyers are not required to take Alion or Oremus in order to get hold of Vega Sicilia proper.

2.2.2. Fermentation

The alcoholic fermentation usually lasts fifteen days, and the maximum temperature it may reach is of 32 degrees. The optimum ripeness of the selected grape from the harvest and the alcohol content, which varies between 13% and 14.5%, facilitate the extraction of colour and tannins. Vega Sicilia Único ferments preferentially in oak vats, and Valbuena in stainless steel vats. Then, the wine undergoes malolactic fermentation. With the Valbuena wines, this second fermentation takes place in cement vats. For the Único wines, the liquid is poured directly into oak storage containers. There, the wines undergo malolactic fermentation at the same temperature as the Valbuena. Once finished, the wine remains in the containers for a further year, calmly resting and clearing.

2.2.3. Manufacture of casks

In Vega Sicilia, the oak cask forms part of the philosophical essence, forging a true consortium with the wine. In the same way that the grape used for these wines has its origin in the vineyards themselves, most of the casks are made in the winery itself. In a part of the estate, Vega Sicilia has a small cooper's workshop, which not only repairs and reconditions, but also makes new casks with American oak. The wood is left to dry for at least three years: two in the open air, and then under cover. Once its humidity has been reduced to 12%, the master cooper works the wood and, with fire, hammer, know-how and tradition, forges its geometry into the familiar shape of the barrel.

2.2.4. Aging in the cask

The aging of the wine begins in January; first in containers and then in new casks. For the Valbuena, the duration of the aging process in wood is three and a half years, and for the Único, a minimum of seven years. During this time, the wine is rotated from new casks to casks that are more and more used. With a view to achieving a perfect balance between the wine and the wood. Once this has been achieved, the wines finally rest in large wooden vats, which prepares them for later bottling.

Unico sees a complicated series of rackings from huge barrels to new oak, to used American oak, back to new oak again, and on it goes. Winemaker Xavier Ausas refers to these stages somewhat romantically as "muscularisation", "education", "recuperation" and so on. Whatever these phases are called, Unico certainly receives very prolonged barrel ageing, with the 1970 seeing over sixteen years! And yet these are not washed out, stretched, overly oaky wines when mature, testimony to the quality of the raw materials on which they are based

2.2.5. Bottling

The bottling process of the wines takes place in very modern installations, with the winery's dual mechanical and chemical control system of the corks. For this, the samples sent by the manufacturer are passed on to the prestigious French laboratory Excel. If the specified requirements are fulfilled, the supplier is told to send the order. On reception, random samples are taken from the different lots and resent to France for examination. If the order meets the winery's quality standards, the wines are bottled using the corks in question. The cork testing regime is absolutely rigorous. Their cork suppliers are instructed to send samples: these are then sent to Excel, a specialist laboratory in France, where they are tested for mechanical and chemical soundness. If the tests are successful, an order is placed. Upon delivery, a further double trial is carried out, with a sample of corks being sent away for testing. When corks fail, the whole batch is rejected, at the cost of the supplier, who also foots the bill for the laboratory testing. On average, Rafael Alonso believes that two out of every three corks are rejected.

2.2.6 Ageing in the bottle

The aging in the bottle requires time and care. The wines of Vega Sicilia end their journey with a calm rest in the bottle in specially acclimatised installations. The time they remain there depends on the format of the bottle: Vega Sicilia Único in Bordeaux format (0.75 litres) takes three years or more to age; the Magnum (one and a half litres) and the Double Magnum (three litres) are subjected to much longer periods of aging in the bottle. For the Valbuena, the period for aging in the bottle is the same for all three formats: around a year and a half. A system that takes us back in time. There is no hurry in Vega Sicilia. Everything is done to avoid any possibility of taint from any source. Metal is stainless steel throughout, down to the bands on the barrels and the wedges on which the barrels rest. Even the palettes used for shipping are stainless steel. The wood used for cases is tested to ensure it is chemically inert. No wine is shipped between June and October, unless temperature controlled lorries are used.

Both Valbuena and Unico spend several years maturing in oak before release, Valbuena for three and a half years, Unico for at least seven years. The wine is initially in large vats, then moves to new barrels, before being racked into successively older casks, on average every 10 months. Before bottling, the wine spends some more time in large vats to settle it. Vega Sicilia use a mix of French and American oak. The French barrels are used only once, the American ones will be re-used for about six or seven years. The French oak barrels are bought in, while American oak is imported and seasoned in the winery yard for at least two years, with a further year's seasoning under cover, before being made into barrels in the estate's own cooperage. The smell in the cooperage is

amazing: a mixture of a carpentry shop and toasting oak, and a single taciturn cooper works diligently, resenting this intrusion.

3.- Wines

There are three key wines in the Vega Sicilia portfolio that carry the Vega Sicilia name: Vega Sicilia Unico Reserva Especial is the top of the range; a non-vintage reserva blend produced from the best years.

Vega Sicilia Unico Gran Reserva is a vintage wine, produced only in good years and released after a minimum of ten years ageing, often much longer. Valbuena 5° is Vega Sicilia's second wine, and made from younger vines in most years, though in years when Unico is not produced (e.g. 1992, 1997, 2000, 2001), grapes normally destined for Unico will go into Valbuena. It is released only after 5 years' ageing, which explains the "5°" part of the name. A lower grade Valbuena, released after 3 years and called Valbuena 3°, was discontinued a few years ago.

The estate covers around 1,000 hectares, of which 230 - 250 are under vines. The best vineyards are on north facing slopes, while others are on the alluvial deposits in the valley: in all there are 19 different soil types. The bulk of the vines are now Tempranillo (here called Tinto Fino or Tinto Pais), with some Cabernet Sauvignon, Malbec, Merlot, Carmenère, and a small amount of Albillo (a local white grape). In the vineyards, yields are kept low by green harvesting, with each vine producing less than 2 kg of grapes. Harvest at Vega Sicilia is always late - 1 October at the earliest (2003 is the exception, when they started mid September) – and always by hand. They employ a team of around 130 harvesters who pick in several passes through the vineyards, note - no machines, commercial wines take note. There is another rigorous selection at the winery, and the grapes are carefully de-stemmed. The low yields and careful selection means annual production is only around 25,000 cases, and around 2000 people are on a waiting list for an allocation. Interestingly, buyers are not required to take Alion or Oremus in order to get hold of Vega Sicilia proper - this "bundling" is not uncommon with other "cult" wines.

Vega Sicilia is unquestionably a unique wine, and one of the great Spanish classics. Its personality not only comes from the maximum quality of the grape and the rigour involved in its manufacture, but also, and above all, from the care for detail that the Álvarez family has succeeded in transmitting to the wines. From a universal perspective, the peculiar characteristics of Vega Sicilia define it as a very Spanish wine and, in fact, it is one of the national wines that receives respect at the mention of its name. The Vega Sicilia wines enjoy a certain old but stately air, like period furniture; wines with great elegance, finesse, complexity and the ample capacity for maintaining their characteristics in the bottle for a long time.

The Valbuena red has aged for less time than the Vega Sicilia Único. It is a wine that comes from the younger vines and, it is mostly made with the varieties of tempranillo and more merlot than cabernet sauvignon. It has the garnet cherry red colour of its older brother, with orangey undertones, the ethereal expression of its alcohol content and the accent of an excellent oxidative evolution, which is the fruit of oak that has been well tanned, which is a characteristic of the company's red wines. Its personality is reminiscent of the varieties used, with a hint of ripe red fruit. In the mouth, it has less

structure than the Vega Sicilia Único, but holds the complexity of the wine-fruit association.

Reserva Especial has no vintage, as it blends harvests, and is representative of the more stable concept of Vega Sicilia. With this wine, the winery seeks to continue a very old Spanish custom and bring together the balance of different vintages. Traditionally in Spain, the few wineries that bottled their wines (most sold their wines from the cask) made two types of wine with each harvest: that of the current year, and another wine without a specific harvest, which was called "Reserva Especial". It was a blend of wines from the best harvests, which came to be the most representative wine of the winery.

Único is the reference wine of Vega Sicilia, although it shares its special character with the rest of the wines from the winery. It comes from the older vines on the estate and is made with the varieties of tempranillo and more cabernet sauvignon than merlot. Although it is old, the red wine maintains its liveliness thanks to its good acidity level compensated by solid alcohol content. It has an intense ripe cherry colour, with the lively edge of a wine that is always at its best. The aroma prevails with hints of roast from the wood, and touches of hazelnut from its oxidative evolution from its years in the cask. It has generous tastes of old but clean wood, with dry tannins that are pleasantly embittered by the oak, together with the sensation of its light sweetness of its alcohol. It is a pedigree wine with a long, lasting taste.

4. -CLIENTS, COMMERCIAL POLITIC AND DISTRIBUTION

The wine vault's sales make it directly by shares' system to those enterprises or people that are included on the clients' database; at the same way, only sells to restaurants and shops that are on the clients' list. Is not easy to a private person to accede to the list; often are clients from many years ago.

This system makes that the clients feels wine vaults' members; there was the case of people that phoned asking how many Vega Sicilia's shares has his father and also a client with an important infirmity that the doctor prohibit him to drink wine. He went from Madrid to the wine vault in taxi to ask for; his son inherited his share.

At present on Vega Sicilia's base there are 4.000 clients and an admission list of about 3.000 people waiting. Every wine vault- Vega Sicilia, Alión and Pintia – have its own clients list and independent of the rest; not existing toe possibility of crossed purchases or entailed synergies.

The first decision after the purchase in 1982 of the Vega Sicilia's wine vaults was increase to the bottles' price of the next year's in out sale in a 40%, only lost 6 clients from the 3.500 clients that have the wine vault in those dates. Only those clients that during 2 years do not make any order and the unpaid are eliminated of the client's base.

Vega Sicilia never had the necessity to find clients so it never offered wine at market, never announced and make publicity of its products. The wine vault wants a marketing director, publicity director or public relations. The clients' visits, journalism and sommeliers attend Pablo Álvarez or Javier Ausás.

“As all the wine sells, we dedicate so many time to attend our clients when they visit our wine vaults or to visit them in their origin’s countries, making dinners, tasted or participated in benefit festivals, to the consumer of these wines loves to put face to what they drink”, says Pablo Álvarez.

In February, Pablo send a personal letter to all Spanish resident clients, telling them that it is disposable the New Year’s wine to their disposition indicate them the new prices and imploring them to not ask for so many wine. Receives the order’s confirmation to the clients by letter, e-mail, telephone or fax, and it goes supplied to the clients by a national enterprise of urgent sending, considering that during summer’s months, from June to September do not supply wine to do not spoil by the hotness.

Generally before summer there were send the 70% of the clients their orders: These clients are in their totally Spanish or resident in Spain, and often ask for 1,5 to 3 times superior than the bottles assigned quantity. In September consumed all the stock from Vega Sicilia. The new wine vault in Toro, Pintia, consumes 135.000 bottles in 3 days.

The minim order by client is about 3 bottles on a year. By general, the demand triplicate Vega Sicilia’s production. When prepare the order, also elaborate the invoice.

These national clients represent the 60%-70% of the client’s totally, approximately the 80% of the national clients are particular that ask for the 50% of the production. The 20% rest of clients that must be restaurants and specialist shops buy the rest. The 30% - 40% rest of production exports to about 70 countries, which have an importer to country, except in Mexico that are two and in the USA are 29 importers.

Before they inform to the importers, on January, about the new year’s wine output; it require them the totality’s payment by anticipate being the freight by it own; they charge to the national clients to 30 days invoice date and includes the transport in the bottle’s price. The unpaid volume is less than 0, 5%, and it use to be relate with the enterprises’ payment suspensions.

At the last 15 years, the prices designated to the Vega Sicilia’s wine by the wine vault are experimented an increase superior than 500%. At the last 5 years, the increment was being the 30%.

In Vega Sicilia did not receive many calls at the call canter and when these produced, almost never the wine was so bad. In all case, in Vega Sicilia always pay attention to the client, conscious that also in one box, every bottle evolution by different way.

Another service offered to the collectors was the cork. For this, receive the bottle and substitute the old cork by a new one, produced in the presence of a public notary if it is solicit by the client.

5.- Staff

The General Director, Pablo Álvarez, is a member of the family that owns Vega Sicilia, and is currently the director of the winery group. This young man, completely given to absolute respect for quality, maintains a feeling of sincere admiration for the wines of

Vega Sicilia and is efficiently directing the Alión, Tokaj Oremus and Alquiriz companies. Without letting himself be carried away by his passion for wine, he applies the rigour and scrupulousness in this microcosm of four unique wineries as if they were sacred precepts.

The oenological shadow of Pablo Álvarez is Xavier Ausás, technical director of Vega Sicilia. This great wine chef was born in Figueres (Gerona) in 1968. In 1986, he studied in the School of Oenologists in Requena (Valencia), but soon looked to France, where he attended oenology classes in the Brevet Technicien, in Blanquefort. From 1990 to 1992, he achieved the Diplome National d'Oenologue from the Paul Sabatier University in Toulouse. Xavier began working as an oenologist in Vega Sicilia in 1992, working on the supervision of fermentation, aging and bottling processes. He is currently technical director of the wines of the winery group. Begoña Jovellar, Highly-qualified young professionals, with great love for our wines, work with Xavier in the technical and oenological areas of responsibility.

The Vineyard manager, Enrique Macías Gómez, studied at the Agriculture Engineering School as well as at the Oenology School in Madrid. Masters Degree in viticulture and winemaking by the UNESCO. After some years working at leading companies in the field, he starts in Vega Sicilia with the 2003 harvest as vineyard manager for the group of wineries.

The Master Cooper is Jesús Rodríguez. In 1987, the Álvarez family introduced cooperage into Bodegas Vega Sicilia. For this, the winery contracted the services and machinery of José María Payueta, who was from the region of La Rioja, and who was to teach his trade to a worker of the company. Jesús Rodríguez, who had joined Vega Sicilia in 1985, was the person who, after retiring from Payueta in 1991, took charge of the cooperage. Jesús has passed on all his knowledge to his son José Enrique, who has taken the baton and continues the traditional craft methods of the trade. José Enrique is 31 years old and began working in Vega Sicilia at the age of 19.

6. - SUSTAINABILITY OF BUSINESS MODEL AND FUTURE TREATS

“ Wine changes and must change, we do not drink the same wine now than 100 years ago, people changes, their customs, their work and their pleasures; the only immutable it is the grape” says Pablo Álvarez.

“In Europe there is a big opportunity to produce great wines, here is the tradition and the knowledge of Centuries, and it is a cultural and philosophic question. We can make great wines, with personality that reflects the climatic year. There is an important market niche in the great quality wines. A great wine it is very difficult to make. It cannot be for all the people”, continuous Pablo Álvarez.

Another concern is the falsifications. How can we have the security that the etiquette corresponds with the inside of the bottle? If this it is relatively secure in the harvests of recent apparition in the market, the risk when we come near to older wines.

Another problem that faces it is laws' hardness as much as nationals and European about the alcoholic drinks that pretend to impose in Europe dispositions more similar to the famous old American dry law.

The first decision after the Álvarez family's purchase of Vega Sicilia's wine vaults, of increase the price of the 20.000 bottles to a 40%, permitted to pay the credit good demand for the wine vault's purchase in only 3 years.

In 2005, the group's invoicing overtaken the 30 millions euros, which 21 millions correspond to Vega Sicilia's wine vault-“Unique” and Valbuena-, 7 millions correspond to Alion and the rest to Pintia and the Tokaji Hungarian wine vault .The net margin rounds the 90% and the net about 30% of the invoicing. Until 2006 did not distribute dividends, in that year 10% was intend of the benefit. All the inversions suffer Vega Sicilia's wine vault.

Alion is sold in about 20€ the 75 centilitres' bottle; foresaw that its production goes reduce during the next 10 years until diminish a 10% in volume while will increase it price in a 50%.

Although Oremus it is not yet a profitable business they do not loose money. “The difficult were multiples, the Hungarian authorities did not understand that some Spanish people goes to by wine vaults and produce wine; from French people it is ok” says Pablo Álvarez. At the first, there were proprietor of the 70% and the 30% remainder was from Hungarian government. At present day, they have the 90% of the business.

Vega Sicilia used to produce white wines until 1948. For this reason and being Pablo Álvarez a lover of the great white wine of the world, in particular from borgoña's and ródano's, Vega Sicilia planted 20 ha from the French roussanne varieties, marsanne, viognier, and chardonnay. All these varieties proceed from the high Ródano and plant in the coldest zone of the property.Loyal to the home philosophy, wine vault's responsible waited that the stumps have more than 10 years- period that in Vega Sicilia considerer essential to the plant can equilibrate and contribute in all it capacity-for start to elaborate the white wines. “If the final result after these 5 years of work it is positive and the wine evolves and make old ok, it continuous with the project; on the contrary pull up the stumps”, signalled Javier Ausás , Vega Sicilia's technical director.

If this disagreeable situation will appears, the wine vault's white 'adventure' will obtains spoils of 500.000 euros. “The first experience with these year's grapes, turn us so happy”, suggested Ausás, that adds that to this white wine goes finally out sale, has to demonstrate « that it is a great product, in the home's philosophy ».

In any case, if the idea materializes, this wine will convert in a worship object. The annual production will oscillates between 15.000 and 20.000 wine's bottles that will be produce in new barrel, which will make the malolactic in oak-tree (depending of the wine's year and the variety) and that, will ready to live a large life.

Many years ago, were also an intention and or a rumour of the purchase of a great 'château' in Burdeos, Cheval Blanc. However, unfortunately, the operation does not close and Cheval Blanc was selling again 2 years ago.

Álvarez's also entered in the quality beef meat's production, from dark-skinned and Alpine race from the Leon's mountains. Also, dare to a comparative taste of their meat with one of the best of the world, as it is the famous from Kobe in Japan, something that it done yet- publicly compare with the best of the world, without any complex- with their wines since some years ago.

This business called Valle del Esla specialized in bullock, that needs from 3 to 4 years to rising, in ancient times was a work animal and only take advantage of the 10% from the 1.000 kilograms that weigh because the restaurants, wholesalers and direct sale only want the loin and the chop.

"We have invested a lot of money and also lost so much, We haven't sold it by a sentimental question of my father". When he received in 2005 The Economist-Spencer Stuart prize in the Professional Success, told "I am 77, I am the not honorary president of the group and daily I get solutions. I rule so much and if it is not credible, ask my children".