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Wine

Argentina Wine Annual Report

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Prepared by:

Randall J. Hager

U.S. Embassy

Drafted by:

Edna Accari

Report Highlights:

Total Argentine wine production in 1999 is forecast at 15,851,750 hectoliters (hl), up 26 percent from the previous year due to favorable weather. Wine exports in 1998 reached 1.0 million hl.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
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Executive Summary

Total Argentine wine production in 1999 is forecast at 15.8 million hectoliters, up from last year's level due to good weather. During 1998 Argentina exported 1,073,925 hl, valued at US\$ 102.3 million. Wine exports in 1999 are forecast to increase somewhat.

SECTION 1. SITUATION AND OUTLOOK

Production

According to the National Wine Institute (NWI), total wine production in 1999 is forecast at 15,851,750 hectoliters, up nearly 26 percent from the previous year. As with other countries, in 1998 Argentina suffered the effects of the climatic phenomenon known as El Nino, with its characteristics of excessive rains in some regions and droughts in others. Climatic conditions were very good for grapes for wine this year, with practically no rain during the ripening period, and with the necessary temperature for obtaining the right sugar content. The same source reports that there are more than 210,000 hectares of vineyards in Argentina. Mendoza and San Juan provinces are the main producers, accounting for 92 percent of the country's total.

The trellis systems that are most currently used for vineyards are the low vertical shoot position with three wires (5,000 plants/ha), the high vertical shoot position with four wires (2,500-3,000 plants/ha) and the arbor (1,500-2,000 plants/ha). In San Juan all the vineyards were trellised in arbors, but during the last years high vertical shoot position has been installed. The system that is becoming more important, is the vertical shoot position because of the possibility of the mechanization of a cultivation practices, such pre-pruning, canopy management, and harvest.

In Tupungato, Mendoza (which is one of the most well-reputed regions of the province because of its red and white wines) technology to produce good quality grapes is advancing rapidly. For red wines, cabernet, pinot noire, malbec, and merlot varieties are used; and for white wines, chardonais, sauvignon blanc, chenin and semillon. The distance used for new crops is 1.5 meters between plants; 2-2.5 between rows and even 1.8 of height to favor cultural treatments as well mechanical harvests. Minimum tillage, direct sowing and green fertilizer is also being used. In addition, major wine operations have made significant investments in the industry which have served to further this process of modernization. The competitive advantage of the Argentine wines is based upon the ecological quality and the utilization of water for irrigation which is very inexpensive as it comes from the snow that falls in winter all along the Andes Mountains.

Mendoza viticulture has changed dramatically in the last 10 years. The quality of the grapes and the wines, common or fines, are much superior to those registered 10 years ago, and of course, that is noticed in the price of the grapes. For example, for 1999 producers of fine grapes that can yield from 10,000 to 15,000 kilos are in an excellent position as when production starts they can obtain a net income of 10,000 pesos per hectare. According to data from Mendoza Stock Exchange, some fine wines such as Cabernet Sauvignon, Malbec, Chardonnay and Chenin, had price increases of 50 to 100 percent this year.

Table 1. Wine Supply and Demand

PSD Table						
Country:	Argentina					
Commodity:	Wine					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		06/1997		06/1998		06/1999
TOTAL Grape Crush	0	0	0	0	0	0
Begin Stock (Ctrl App)	0	0	0	0	0	0
Begin Stock (Other)	0	0	0	0	0	0
TOTAL Beginning Stocks	0	19,706	0	18708	0	17378
Prod. from Wine Grapes	0	0	0	0	0	0
Prod. from Tabl Grapes	0	0	0	0	0	0
TOTAL PRODUCTION	0	13,500	0	12673	0	15851
Intra-EU Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	75	0	47	0	0
TOTAL SUPPLY	0	33281	0	31428	0	33229
Intra-EU Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	1204	0	1074	0	1300
Dom.Consump(Cntrl App)	0	0	0	0	0	0
Dom.Consump(Other)	0	0	0	0	0	0
TOTAL Dom.Consumption	0	13369	0	12976	0	12950
End Stocks (Cntrl App)	0	0	0	0	0	0
End Stocks (Other)	0	0	0	0	0	0
TOTAL Ending Stocks	0	18708	0	17378	0	18979
TOTAL DISTRIBUTION	0	33281	0	31428	0	33229

Consumption

While others agricultural producers face a difficult situation due to the current low prices received for their output, the wine growers are happy for the money they received this season. This year for fine grapes they were paid 60 cents per kilo, or 35 percent higher than last year. In general, producers received from 15 to 17 cents per kilo for common grapes and up to one peso or more for high quality grapes such as the ones used for making malbec wine. The high humidity of the 1997-98 grape crop caused many problems including rotten grapes and in some cases the wines manufactured with those grapes did not have the sufficient alcoholic degree. Therefore, the wineries decided to recompose their stocks, and thus higher prices were paid.

The consumption of non-alcoholic beverages will continue to increase, with the exception of juices to dilute and soda. The products that will increase more will be water, sour and pure juices. Common table wine sold in 1998 was 4,000,000 hl., down 12.3 percent versus 1997. Means of sales during 1998 were as follows: demijohns 14.8 percent, bottled 1.8 percent, Tetrabrick 83.4 percent. Regarding sales channels, supermarkets counted for 1.5 percent, self-service 33.2 percent and stores for 51.9 percent. The consumption of fine wine of medium quality is presently growing. It accounts for 28 percent of total sales when a few years ago accounted for only 15 percent. Consumers' habits for wine consumption have changed. Per capita consumption of wines is more or less 38/40 liters depending on quality and brands, but consumption of improved quality is going up, and red varieties are consumed more than whites. For example, a person that goes for a quick lunch in a large city will opt for a hamburger and/or a sandwich, and will be more inclined to purchase a soft drink than a glass of wine.

Per capita consumption for 1998 of juices and other beverages in liters were as follows: Juices: orange 0.51, soft drinks, 68.1, wine, 36.9, and beer, 29.5.

Trade

Total wine exports in 1998 reached 1,073,925 hl. versus 1,204,700 hls in 1997.

Historically Argentine fine wine shipments represented 3-4 percent of total production, but presently it has increased to 15 percent, of which 94 percent correspond to products from Mendoza. Principal Argentine destination are: United States with 25 percent, United Kingdom with 18 percent, Japan with 14 percent, Germany with 8 percent, Holland, France and Canada with 4 percent, respectively, and Brazil with 2 percent. Foreign consumption tendency is inclined toward red varieties. Argentine fine wine exports in 1999 are projected to slightly increase over this season level.

During 1998 Argentina exported a total value of US\$ 102.3 million of wine. This amount surpassed the value of 1997 of 72 US\$ million, the highest ever since Argentina started exporting fine wines. For 1999 it is expected nearly the same export value as for 1998, although some exporters believe that it could be increased by 20 percent or more.

Total imports of wines during 1998 totaled 46,693 hl against 75,264 hl a year ago. In 1998 the principal sources for table wines were Spain with 38 percent followed by Germany with 28 percent. For fine wines, Chile was in the first place with 38 percent of total imports, followed by France with 27 percent and Italy with 9 percent. In sparkling wines France took 35 percent of the market, followed by Germany with 19 percent.

Table 2. Wine Prices

Prices Table					
Country:	Argentina				
Commodity:	Wine				
Year:	1998				
Prices in (currency)	pesos	per wholesale hl.			
Year	1997	1998	% Change		
Jan	20.77	23.56	13.4%		
Feb	22.98	23.82	3.7%		
Mar	19.4	26.85	38.4%		
Apr	23.85	33.1	38.8%		
May	25.09	30.47	21.4%		
Jun	22.41	30.96	38.2%		
Jul	21.1	32.79	55.4%		
Aug	23.16	32.8	41.6%		
Sep	24.57	33.8	37.6%		
Oct	23.19	33.9	46.2%		
Nov	23.14	33.88	46.4%		
Dec	21.53	32.74	52.1%		

SECTION II. STATISTICAL INFORMATION**Table 3. 1999 Estimated Argentine Wine and Must Production, in hl. :**

Province	Must	Wines	Total
Catamarca	16714	1414876	158200
Cordoba	29	5059	5088
La Rioja	65986	794460	860446
Mendoza	1756717	10746700	12503418
Salta	-	204363	204363
San Juan	1218266	3830028	5048295
Neuquen	140	351	491
Rio Negro	2535	129298	131832
Total	3060387	15851749	18912137

Table 4. Argentine Wine Producing Regions, in hectares:

Region	Province	Area	Percentage
North West	La Rioja	7072	61.22
	Salta	1543	24.64
	Others	2000	14.14
	Total	10615	5.07
West Central	Mendoza	143764	74.63
	San Juan	48869	25.37
	Total	192633	91.45
Southern	Rio Negro	5300	97
	Others	100	3.37
	Total	5400	2.58
Others	Total	788	0.38
	Grand Total	209436	100

Table 5. Area Dedicated to Grape Varieties

Red grape varieties	Hectares	White grape varieties	Hectares
Bonarda	12133	Torrontes	15727
Malbec	9895	Chenin Blanc	4342
Tempranillo	5085	Ugni Blanc	3261
Cabernet S.	4201	Chardonnay	2236
Sangiovese	2870	Semillon	1273
Merlot	1994	Tacai Friulano	1052
Syrah	1907	Sauvignon Blanc	621
Barbera	1712	Riesling	190
Pinot Noir	572	Others3444	
Others	5273		
TOTAL	45102	TOTAL	32148

Argentine wine exports during 1998 by country of destination, in hl.**Table 6. Table Wines**

Country of destination	Volume (hl)	Value in thousand US\$
Germany	2690	190
Bolivia	58972	3384
Canada	2150	6359
Chile	97162	6359
Colombia	2312	156
Costa Rica	198	130
Cuba	204	13
Denmark	206	13

Ecuador	1152	65
El Salvador	114	7
Estonia	617	47
Finland	1919	140
France	1472	103
Holland	723	45
Margarita Island	120	9
Japan	8614	4844
Letonia	1030	70
Lituania	5180	348
Norway	250	21
Panama	78	6
Paraguay	204867	14785
Peru	1017	69
Poland	201	12
Puerto Rico	414	35
Dominican Republic	166	13
Singapore	165	13
South Africa	3708	166
Sweden	99	17
Uruguay	59091	4073
Venezuela	24	21
Free Zone	687	53
TOTAL 1998	535081	35325

Table 7. Fine Wines

Country of destination	Volume (hl)	Value in thousand US\$
Germany	4188804	5848
Aruba	3	1005
Australia	140	57
Austria	11456	345
Belgium	6287	1418
Bolivia	6247	3068
Brazil	11309	3068
Canada	222286	4902
Chile	592	553
China	1119	144
Colombia	641	144
Costa Rica	377	48
Croatia	99	25
Cuba	213	37
Denmark	23467	4089
United Arab Emirates	190	55
Ecuador	95	14
United States	132413	24112
El Salvador	144	44
Spain	966	206
Estonia	86	23
Philippines	73	26
Finland	5609	1437
France	22407	2245
Guatemala	298	59
Holland	22481	3296

Honduras	34	13
Hong Kong	75	38
United Kingdom	94662	18047
Ireland	5670	1737
Santa Lucia Island	99	32
Virgin Islands	5	1
Israel	283	71
Italy	518	112
Jamaica	556	116
Japan	73564	16791
Malaysia	34	11
Mexico	2018	544
Norway	719	261
New Zealand	1829	323
Panama	567	194
Paraguay	8782	1705
Peru	4375	1050
Puerto Rico	511	119
United Kingdom	615	144
Czechoslovakia	45	9
Dominican Republic	771	156
Russia	80	19
Singapore	252	77
South Africa	5655	606
Sweden	14864	3149
Switzerland	8255	2234
Taiwan	517	158
Thailand	220	43

Trinidad Tobago	94	31
Turkey	61	42
Uruguay	3367	873
Venezuela	2101	318
Free Zone	1817	366
TOTAL 1998	538844	103379

SOURCE: National Wine Institute

Argentine wine imports during 1998 by origin, in hl.

Table 8. Table Wines

Country of Origin	Volume (hl)
Germany	486
United States	18
Spain	670
France	318
Italy	102
Portugal	162
TOTAL	1756

Table 9. Fine Wines

Country of Origin	Volume (hl)
Germany	4311
Belgium	108
Chile	10250
United States	428
Spain	1211
Hungary	4
Israel	160
Italy	2411
Mexico	9
Portugal	454
South Africa	90
Uruguay	148
France	7389
TOTAL	26978

Table 10. Sparkling Wine

Country of Origin	Volume (hl)
Germany	3431
Chile	2600
United States	290
Spain	5036
France	6348
Israel	113
Italy	141
TOTAL	17959

SOURCE: Argentine Wine Association.

Note: The Association does not report values.

SECTION III. Narrative on Supply and Demand, Policy & Marketing

Policy

To bring wine into Argentina, the importer must obtain an import permit from the National Wine Institute (INV). Alcoholic grades for wines are 11-12 percent for whites and 12-13 percent for reds. The importer should request that a National Wine Institute inspector extract a sample of the imported wine. An official certificate of the country of origin must accompany any shipments. All imported wines including champagne pay an import tax of 23 percent plus 0.5 percent of statistical tax.

Marketing

Over the last year, Argentina's leading wine cellars merged up with, or were purchased by, foreign investors. Premier was purchased by Concha y Toro of Chile; San Ana by Santa Carolina of Chile; Vaschetti by Vinos Morande of Chile, Norton by Swarosky of Austria; Navarro Correa by Cinba of Great Britain; Etchart by Pernod Richard of France; Martins by Berberena of Spain; Finca Flichman by Sogrape of Portugal; Orfila by Cavas de Santa Maria. The last one was again purchased by Bernard Tailland Vins of France. As an example of this Kendall Jackson, of the United States purchased more than 1,000 hectares in Tupungato (Mendoza Province). It will plant grapes, and will build a wine cellar for production of fine wines for export.

One of Argentina's challenges this year is to expand the market in Japan and intensify the sale of wines to the United States and the United Kingdom.

Recognized Regions: One of the most important steps toward presentation of wines is to obtain certification of their original denomination, which is exhibited on the label, and secures their identity. Argentina has signed commitments which will become effective next December, in which it expresses that the country should be covered by an internal legislation to protect the Geographic Indication (GI) in the first place, after which the wines Original Denomination (OD), followed by Controlled Original Denomination (COD) and Guaranteed Controlled Original Denomination (GCOD), will be protected in subsequent stages. At present a project is being discussed for a law at the Commerce Commission in Congress. The Geographic Indication is the origin of the grapes, and the Original Denomination refers further, such as, procedure in which the wine is elaborated.

Argentine wine producers are reaching the end of the millennium experimenting a sweet taste of success. Also, the potentials of production and exports point to a promising future. All indications are that wine crops will continue giving good returns.