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**Date:** 3/4/2010

**GAIN Report Number:** AR1001

## **Argentina**

### **Wine Annual**

#### **2010**

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**Report Highlights:**

Calendar Year (CY) 2011 grape production is forecast to increase moderately to 2.6 million MT as production is expected to recover somewhat from below normal production in CY 2009 and CY2010. Production is estimated at 2.4 million MT in CY 2010, an increase compared to CY 2009, but down from normal levels due to unfavorable weather. Wine production in CY 2011 is estimated to increase to 14.1 million hectoliters (hl). Wine annual domestic consumption is estimated at about 10.3 million hl, and exports are expected to increase slightly to 3.5 million hl in CY 2011 as most international markets recover from the global economic crisis. The United States is expected to continue to be the largest export market for Argentine high-quality wine. Red wine stocks are expected to be relatively tight in 2010 due to continued high exports and lower grape production.

## Executive Summary:

Post forecasts a moderate increase in grape production for CY 2011 to a total of 2.6 million MT and for CY 2010 to 2.4 million MT. Production for CY 2010 is expected to increase from the poor crop in CY 2009, but is still below normal levels due to poor weather conditions at the beginning of CY 2010, with extremely high temperatures, low humidity and hail storms. CY 2011 wine production is estimated to increase to 14.1 million hl, but still below the regular level of 15 million hl, and production in CY 2010 is projected to increase moderately to 13.2 million hl, as unfavorable weather conditions affected the grape crop. Wine exports are estimated to increase slightly to 3.5 million hl, as most international markets are expected to recover from the global economic crisis, and domestic consumption, which totaled 10.3 million hl in CY 2009, is forecast to recover gradually following a recovery of purchasing power. Per capita wine annual consumption is estimated at approximately 29 liters. Brazil implemented non-automatic import licenses for Argentine wine imports in October 2009, which is delaying exports to Brazil.

## Commodities:

Wine

## Production:

Production Area

Argentina's wine production area ranges from the northern province of Salta to the southern region known as Patagonia (i.e., the provinces of Neuquen, Rio Negro, and Chubut). This 4,800 mile-long strip of irrigated desert along the Andes Range has proved to be highly suitable for growing grapes of different varieties. Even though the Malbec variety has become the signature for Argentine wine, almost all world varieties grow in Argentina.

The provinces of Mendoza and San Juan cover over 90 percent of the total area planted to grapes in Argentina, and are the traditional wine producing areas. Dry conditions give the vines good health in terms of cryptogamic diseases (fungi, bacteria and virus). According to local wine makers, there is no such a thing as a best region to produce wine in Argentina, but regions where the same variety tastes differently. Mendoza province offers the best combination of climate, soil and logistics, making it the most important wine territory in Argentina.

The three northern provinces of Salta, La Rioja and Catamarca cover 6 percent of the planted area. The Torrontes variety is mainly produced in this region. Another region that is gaining importance as a wine grape producer is composed of the valleys of Neuquen and Rio Negro located in southern Argentina (Patagonia), which covers about 2 percent of the planted area. The remaining 2 percent is shared by the provinces of Cordoba, La Pampa, Tucuman, Buenos Aires, Chubut, Santiago del Estero, San Luis, Entre Rios, Misiones, and Jujuy.

<b>Number of Vineyards and Area Planted to Vineyards by Province 2008 (*)</b>				
<b>Province</b>	<b>Vineyards</b>		<b>Planted Area</b>	
	<b>Number</b>	<b>%</b>	<b>Hectares</b>	<b>%</b>
Mendoza	16,978	65.08	158,964.4291	70.20
San Juan	5,474	20.98	49,279.2540	21.76
La Rioja	1,395	5.35	8,483.3732	3.75
Rio Negro	419	1.61	2,803.1876	1.24
Catamarca	1,228	4.71	2,499.9211	1.10
Salta	282	1.08	2,210.7686	0.98
Neuquen	62	0.24	1,523.0269	0.67

Cordoba	178	0.68	304.7662	0.13
La Pampa	14	0.05	216.9081	0.10
Tucuman	25	0.10	48.5137	0.02
Buenos Aires	5	0.02	42.3065	0.02
San Luis	1	0.00	26.1000	0.01
Chubut	1	0.00	20.0000	0.01
Entre Rios	5	0.02	11.0745	0.00
Santiago del Estero	1	0.00	8.8000	0.00
Misiones	7	0.03	5.2500	0.00
Jujuy	13	0.05	2.6948	0.00
	26,088	100.00	226,450.3743	100.00

Source: National Wine Institute (INV, [www.inv.gov.ar](http://www.inv.gov.ar))

(\*) Data based on end of 2009 harvest

Planted Area

<b>Area Planted to Vineyards by Use (hectares)</b>				
	2000	2006	2007	2008 (*)
<b>Processing</b>	188,398	208,936	211,231	211,261
<b>Table grapes</b>	8,754	10,278	10,711	11,161
<b>Raisins</b>	3,483	3,574	3,681	3,804
<b>Other</b>	478	246	223	224
<b>Total</b>	201,113	223,034	225,847	226,450

Source: FAS Buenos Aires based on data from the National Wine Institute (INV, [www.inv.gov.ar](http://www.inv.gov.ar))

(\*) Data based on end of 2009 harvest

Total area planted to grapes in Argentina totaled 226,450 hectares (ha) by the end of the 2009 harvest. In the past couple of years, area planted to grapes increased slightly by 0.3 percent in 2008, compared to 2007, and by 1.2 percent in 2007, compared to the previous year. Compared to 1990, the red grape area increased from 42,381 ha to 100,174 ha in 2007; the white grape area, during the same period, decreased from 60,398 ha to 48,161 ha; and the rose grape area fell from 99,367 ha to 62,896 ha.

<b>Area Planted to Vineyards by Color of Grape Variety (hectares)</b>				
Color	2000	2005	2006	2007 (*)
<b>Red</b>	70,048	92,993	97,489	100,174
<b>White</b>	49,432	47,640	47,970	48,161
<b>Rose</b>	68,918	64,389	63,477	62,896
<b>Total</b>	188,398	205,022	208,936	211,231

Source: FAS Buenos Aires based on data from the National Wine Institute (INV, [www.inv.gov.ar](http://www.inv.gov.ar))

(\*) Data based on end of 2009 harvest

This trend is consistent with a shift in the consumer market, where domestic consumption of table white and rose wine has decreased, and domestic consumption and exports of red wines (especially the Malbec variety) have increased significantly in the past 20 years.

High-quality red varieties accounted for most of the increase. For example, the area planted to the Malbec variety went from 10,000 ha in 1990 to 27,000 ha in 2009. Similar increases were noted among the following varieties: Bonarda (12,000 to 18,700 ha); Cabernet Sauvignon (2,000 to 17,900 ha); Shiraz (700 to 13,000 ha); and Merlot (1,000 to 7,200 ha).

Planted Area by Main Grape Varieties – 2008 (\*)  
(%)

<b>Red Wine Grapes</b>	<b>%</b>
Malbec	25.56
Bonarda	18.37
Cabernet Sauvignon	17.57
Shiraz	12.80
Merlot	7.12
Tempranillo	6.43
Sangiovese	2.27
Aspirant Bouchet	1.89
Pinot Negro	1.51
Bequignol	0.90
<b>White wine grapes</b>	
Pedro Gimenez	28.43
Torrontes Riojano	17.29
Chardonnay	13.21
Moscatel de Alejandria	8.74
Chenin	6.06
Torrontes Sanjuanino	5.37
Ugni Blanc	5.16
Sauvignon	4.35
Gibi	2.28
Semillon	2.03
<b>Rose wine grapes</b>	
Cereza	48.16
Criolla Grande	34.35
Moscatel Rosado	14.43
Valencia	1.13
Criolla Chica	0.87
Pinot Gris	0.56
Buonamico	0.35
Ferral	0.05
Garnacha	0.04
Traminer	0.03

Source: FAS Buenos Aires based on data from the National Wine Institute (INV, [www.inv.gov.ar](http://www.inv.gov.ar))

(\*) Data based on end of 2009 harvest

During the past 20 years, production of high-quality grape varieties increased significantly. In CY 2009, almost 61 percent of the grapes destined for wine production were high-quality grapes. Red grape varieties accounted for 68 percent of the total production of high-quality grapes; and white grape varieties, about 32 percent.

High Quality Red Grape Varieties – 2008 (\*)

<b>Variety</b>	<b>Hectares</b>	<b>%</b>
Malbec	27,092	28.10
Bonarda	18,743	19.44
Cabernet Sauvignon	17,923	18.59
Shiraz	13,054	13.54
Merlot	7,260	7.53
Tempranillo	6,566	6.81
Sangiovesse	3,214	2.40
Pinot Negro	1,533	1.59
Barbera	771	0.80
Cabernet Franc	588	0.61
Tannat	569	0.59

High Quality White Grape Varieties – 2008 (\*)

<b>Variety</b>	<b>Hectares</b>	<b>%</b>
Pedro Gimenez	13,123	35
Torrontes Riojano	8,249	22
Chardonnay	6,374	17
Chenin	3,000	8
Ugni Blanc	2,250	6
Sauvignon	1,875	5
Semillon	1,125	3
Viognier	750	2
Sauvignonasse	750	2

Source: FAS Buenos Aires based on data from the National Wine Institute (INV, [www.inv.gov.ar](http://www.inv.gov.ar))

(\*) Data based on end of 2009 harvest

Grape Production

CY 2011 grape production is forecast to increase slightly 2.6 million MT, compared to 2.4 million MT the previous year, down from normal harvest levels, as production is not expected to fully recover from unfavorable weather conditions in CY 2009 and early CY 2010. CY 2010 grape production is expected to increase to 2.4 million MT, also below normal standards, due to unfavorable weather conditions, namely high temperatures and low humidity in January and hail storms in February 2010.

Grape production for CY 2009 totaled 2.2 million MT, down 600,000 MT from CY 2008, as a result of unfavorable weather conditions, including frosts and hail, followed by extremely high temperatures with low humidity levels, which mainly affected bulk wine production. The wine producing area in the Province of San Juan was the most adversely affected.

Grapes devoted for wine production accounted for 95.8 percent (roughly 2.1 million MT) of total grape production; raisins, 2.50 percent (54,700 MT); and fresh table grapes, 1.70 percent (37,000 MT). Production of grapes that had high capability to produce good quality wine accounted for approximately 845,000 MT (red varieties), and 400,000 (white varieties). Main red varieties were: Malbec, Bonarda, Shiraz, and Cabernet Sauvignon. Main white grape varieties were: Pedro Gimenez, Torrontes Riojano, Chardonnay, Chenin, and Ugni Blanc.

<b>Grape Production (1,000 MT)</b>					
<b>Type/Year</b>	<b>CY 2007</b>	<b>CY 2008</b>	<b>CY 2009</b>	<b>CY 2010</b>	<b>CY 2011</b>
<b>Red</b>	1,145	1,050	900	880	950
<b>White</b>	724	650	500	580	640
<b>Rose</b>	1,100	1,000	700	850	910
<b>Others*</b>	1	100	100	90	100
<b>Total</b>	<b>2,970</b>	<b>2,800</b>	<b>2,200</b>	<b>2,400</b>	<b>2,600</b>

Source: FAS Buenos Aires based on data from the Wine Institute (INV, [www.inv.gov.ar](http://www.inv.gov.ar)) and private sources

\* Table grapes and raisins

## **Wine Production**

Wine production in CY 2011 is estimated to increase to 14.1 million hl, below the regular level of 15 million hl. Wine production in CY 2010 is expected to increase to 13.2 million hl, less than previous estimates, due to unfavorable weather conditions which affected the grape crop.

During CY 2009, wine production accounted for 12.1 million hectoliters (hl), below regular levels, as a consequence of lower grape production.

Every year, the governments of the grape producing provinces in Argentina establish the volume of grapes which will be used for must (grape juice) production. In CY 2010, 20 percent of the grape harvest will be devoted for must production (in CY 2009, 24 percent).

<b>Wine Production (1,000 HL)</b>					
<b>Type/Year</b>	<b>CY 2007</b>	<b>CY 2008</b>	<b>CY 2009</b>	<b>CY 2010</b>	<b>CY 2011</b>
<b>Red</b>	--	8,100	7,300	7,950	8,480
<b>White</b>	5,500	6,400	4,640	5,040	5,380
<b>Colored*</b>	9,546	200	160	210	240
<b>Total</b>	<b>15,046</b>	<b>14,700</b>	<b>12,100</b>	<b>13,200</b>	<b>14,100</b>

Source: FAS Buenos Aires based on data from the National Wine Institute (INV, [www.inv.gov.ar](http://www.inv.gov.ar)) and private source

\* For CY 2007, the "Colored" category included red and rose wine.

## **Investment**

According to private sources, land prices reached a plateau by mid-2007. Foreign investors are still interested in buying vineyards but the political and economic environment, combined with high land prices and the business uncertainty as a consequence of the global financial crisis are hampering the process. One hectare with high-quality vineyards costs between \$35,000-40,000, while bare land is sold at US\$10,000 per hectare.

## **Consumption:**

Wine domestic consumption in CY 2009 totaled 10.3 million hl, according to INV official data. In CY 2010 and 2011, consumption is expected to recover gradually following the recovery of the economy. Per capita wine annual consumption is estimated at approximately 29 liters.

Wine consumption in Argentina had been falling at an annual rate of between 1 and 2 liters per person per year during the 20 years prior to CY 2006, when the downward trend changed. According to industry sources, the marketing promotional campaigns carried out by wine associations began to pay off. Also, the success of Argentine wines in many high-value international markets has echoed in the domestic market where, during the past few years, a lot of specialty wine stores have opened in larger Argentine cities. Some of these stores have, however, closed due to slower growth in the local economy.

According to a market study carried out by CCR, a local private consulting company, for the Mendoza Wine Fund and the Argentine Wine Corporation, during January-May 2009, wine sales in supermarkets and grocery stores decreased by 3 percent in volume, and increased by 26 percent in value, due to an average increase of 30.4 percent in prices as a result of reduced grape production.

The HRI (Hotel, Restaurants, and Institutions) sector was also affected by domestic price increases, which resulted in a 15 percent sales decrease in wine stores, a significant reduction of customers in restaurants due to the local economic slowdown, and less affluence of foreign tourists who usually buy expensive wines.

During the first six months of 2009, sales of medium, medium-high, and high-priced wines increased from 6 to 13 percent, compared to the same period of CY 2008. However, the only segment which continued to grow throughout CY 2009 was medium-high priced wines (\$3.00-\$8.00), where the consumer perceived a very favorable price-quality relation.

## **Trade:**

Exports of Argentine wines in CY 2011 are estimated to increase slightly to 3.5 million hl, as most international markets are expected to have recovered from the global economic crisis. Wine exports in CY 2010 are forecast to increase to 3.4 million hl since the impact of the crisis is projected to begin to moderate.

The U.S. and Canada are expected to continue to be the largest export markets for Argentine high-quality wine, since the price-quality relation is forecast to continue to be favorable. Also, the Malbec and Torrontes varieties, which have become Argentina's signature wines, are expected to continue to expand their market in the U.S. According to Global Trade Atlas data, in CY 2009, Argentine wine exports accounted for 2.9 million hl. Exports to the U.S. totaled about 785,000 hl and were valued at \$197 million, and exports to Canada reached around 298,000 hl and were valued at \$73 million.

In CY 2009, the U.S. also became Argentina's top export market in volume, after bulk wine exports to Russia decreased significantly due to the impact of the global economic crisis (Argentine wine exports to Russia totaled 203,000 hl, compared to 1 million hl in CY 2008).

Reduced grape production in CY 2009, followed by increased prices and the global economic and financial crisis, resulted in a decrease of bulk wine exports both in volume and value terms, mainly because of a significantly smaller demand from Russia. However, bottled wine exports continued to increase, primarily to the main export markets: the U.S. (about 20 percent in value terms, compared to 2008), and Canada (32 percent). The main reason for this sustainable increase throughout the past few years was the opportunity for Argentine high-quality wines created by the global crisis.

Local wines have positioned very well in the \$10-\$20-bottle segment of the U.S. market, and wineries have been actively promoting wines of Argentine labels with excellent results. A few local wineries have signed contracts with large U.S. wine distribution companies to sell Malbec wines which, in CY 2009, accounted for 41 percent of total high-quality wine exports. Several wine labels have also received high marks in prestigious U.S. specialized magazines, which contributed to promoting Argentine wines.

In CY 2009, Argentina exported over 1,300 brands to 128 countries. The first ten largest exporters have only 46 percent (in value) and 52 percent (in volume) of total exports, which shows the reduced concentration of the wine sector. While total wine exports in CY 2009 were valued at \$630 million, high-quality wine exports totaled roughly \$580 million, with an average FOB price of \$2.17 per liter.

<b>Total Wine Exports</b>				
<b>Year</b>	<b>CY 2008</b>	<b>CY 2009</b>	<b>CY 2010</b>	<b>CY 2011</b>
<b>Volume (1,000 hl)</b>	4,300	2,900	3,400	3,500
<b>Value (million \$)</b>	646	630	740	750

Source: FAS Buenos Aires based on Global Trade Atlas data

Argentina's primary wine export destinations in CY 2009 are illustrated below:

<b>Country</b>	<b>Volume (1,000 hl)</b>	<b>Country</b>	<b>Value (million \$)</b>
U.S.	784	U.S.	197
Canada	298	Canada	73
Paraguay	281	U.K.	42
Russia	204	Brazil	41
U.K.	181	Netherlands	34
Brazil	148	Paraguay	22
Netherlands	129	Japan	21
Japan	110	Denmark	17
Denmark	66	Sweden	15

Source: FAS Buenos Aires based on Global Trade Atlas

Although wine imports continue to be negligible, they have increased significantly from 3,546 hl in CY 2008 to 122,294 hl in CY 2009. These volumes of generic/table wines were imported primarily from Chile to supply export markets due to reduced grape production and high domestic prices. Imports from Chile (market share 96.7 percent) were valued at \$5.7 million. Other countries of origin, which supplied high-quality wines, were: Spain (with a market share of 1.7 percent), France (0.27 percent), and the U.S. (0.15 percent), among others. It is expected that Argentina will import similar volumes of table wines from Chile in CY 2010.

<b>Wine Import Tariff and Export Taxes (HS 2204)</b>		<b>%</b>
<b>Import Tariff</b>	<b>Outside Mercosur Area</b>	20
<b>Statistical tax</b>		0.5
<b>Export tax</b>		5
<b>Export Rebate</b>		6

Source: National Wine Institute (INV, [www.inv.org.ar](http://www.inv.org.ar))

## **Stocks:**

Due to reduced grape production in CY 2009 and 2010, red wine stocks have been very limited and wineries were forced to import table wine, primarily from Chile. According to INV official data, by June 1, 2010 (without considering the current harvest), red wine stocks will be very low while there will be between 7 and 8-month stocks of white wines.

The INV is urging the private sector to develop a policy focusing on stock reconversion to face the increasing international demand for Argentine wines.

## **Policy:**

In mid October 2009, Brazil established import restrictions to Argentine wines through the requirement of non-automatic import permits, which have caused up to 30-day delays in the entry of wine into the country. On the import side, Chilean wine is subject to automatic import permits, although Chile is not a full Mercosur member, which has become a significant disadvantage for local wines.

In June 2009, the Government of Argentina (GOA) established a \$14 million support fund for the wine sector. President Cristina Fernandez de Kirchner announced the creation of the support fund in March 2009. The fund is financed with 50 percent of the export taxes paid for wine and will be reimbursed to the sector to promote the development of cooperatives of small and medium-sized producers and processors. The fund has several objectives such as the implementation of integrated plans of businesses within the wine sector, the strengthening of institutions, and the support and promotion of new technologies that contribute to the value added of the wine production chain.

In addition, wine producers who own up to 20 hectares planted to vineyards will benefit under a \$50 million loan from the Interamerican Development Bank (IDB). They will not receive financial assistance individually but will be required to associate into integrated business program groups. The ultimate goal of the program is to assist 60 associated groups, integrated by 1,800 primary producers and at least 60 leading establishments, totaling about 10,000 planted hectares.

In order to promote investments, the GOA also decided to extend for two more years a tax exemption originally implemented in 2005, which benefits sparkling wine producers. Producers are exempted from paying a 12.5 percent domestic tax and, in return, they must commit to invest 25 percent over the amount of the tax savings. According to INV, during 2005-2008, sales of sparkling wines totaled over \$337 million, and investments made by the wine sector reached over \$100 million.

## **Sanitary Issues**

In January 2010, the German sanitary authorities found residues of natamycin in 7 of 42 Argentine wines analyzed, which resulted in the closing of the market until the local authorities can meet the German import requirements. INV professionals have already made technical visits to their counterparts in Germany, and they are planning to buy the same analytical equipment that Germany uses for the detection of natamycin levels in wine. So far, this issue has not affected trade with other EU countries.

## **Marketing:**

The Argentine wine association, Wines of Argentina, represents more than 90 percent of the wineries that have a presence in the international market. In 2007, they hired a consulting company to do research on the best way to promote Argentine Wines. The market study concluded that Argentina should use symbols that foreigners recognize when they hear the word "Argentina". Among them, tango and "Latin passion" are the most widely mentioned in the study. In addition, Wines of Argentina hired Gustavo Santaolalla, an

Argentine musician who is known in Hollywood, and named him as the “Wine Ambassador of Argentina” in order to promote Argentine wine in the United States and the rest of the world.

The Argentine wine sector, including the government, the industry and producers, have created the Wine Strategic Plan with the ultimate objective of positioning Argentina among the leading wine producing countries in both the export and domestic market. The goal is that, by the year 2020, Argentine wine exports will be valued at \$2 billion, and will have a world market share of 10 percent (currently, only 4.5 percent).

The specific goals of the Wine Strategic Plan are as follows:

- better position Argentine high-quality wines in the Northern Hemisphere markets,
- develop the Latin American wine market and promote wine consumption in the domestic market, and
- support the development of small grape producers, and incorporate them into the wine business.

#### Prices

The average wine FOB price in CY 2009 was \$2.17, compared to \$1.51 in CY 2008. Domestic prices also increased due to higher costs, mainly transportation and labor, and less fruit availability. Private sources estimate that, in CY 2009, domestic prices increased by 27 percent. Retail prices range from \$4 and over \$85.

#### **Author Defined:**

##### Useful Websites

[www.inv.gov.ar](http://www.inv.gov.ar) (Instituto Nacional de Vitivinicultura)

[www.bodegasdeargentina.org](http://www.bodegasdeargentina.org) (Bodegas de Argentina)

[www.idr.org.ar](http://www.idr.org.ar) (Instituto de Desarrollo Rural de Mendoza)

[www.fondovitivicola.com.ar](http://www.fondovitivicola.com.ar) (Fondo Vitivicola de Mendoza)

[www.areadelvino.com](http://www.areadelvino.com) (Area del Vino)

[www.vitivinicultura2020.com.ar](http://www.vitivinicultura2020.com.ar) (Corporacion Vitivicola Argentina)

[www.argentinewines.com](http://www.argentinewines.com) (ArgentineWines.com)