

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Required Report - public distribution

**Date:** 3/4/2015

**GAIN Report Number:** CI1502

## Chile

### Wine Annual

### Chilean wine production 2015

**Approved By:**

Anita Katial, Agricultural Attaché

**Prepared By:**

Luis Hennicke, Agricultural Specialist

**Report Highlights:**

Chile's wine production fell in CY2014 due to adverse weather condition during the growing season. For CY2015 increased production is expected as weather condition have improved during last spring in most growing areas. As of CY 2015, Chile has an estimated 8,000 wine grape producers and a planted area of 130,000 hectares (ha). While the planted area has nearly doubled over the last ten years, exports quadrupled due to high yields and improvements in the industry.

**Executive Summary:**

Chile's wine production fell in CY2014 due to adverse weather condition during the growing season. For CY2015 increased production is expected as weather condition have improved during last spring in most growing areas. As of CY 2015, Chile has an estimated 8,000 wine grape producers and a planted area of 130,000 hectares (ha). While the planted area has nearly doubled over the last ten years, exports quadrupled due to high yields and improvements in the industry.

**Commodities:**

Wine

**Production:**

Farmers have continued to increase their planted area but at a slower rate than in the past. Most of them are replanting old vineyards to varieties in higher demand and planting new areas as well. According to the Chilean Ministry of Agriculture statistical service, the total planted area of vines for wine will reach 130,000 ha in CY 2015. Out of the total planted area, around 74 percent are red varieties. Also, close to 75 percent of all planted area is irrigated.

Total wine production in CY2014 fell over 24 percent when compared to the previous year. Abnormal weather conditions, such as unusual frost in most production areas and drought that has been affecting production areas for several years affected total yields of grapes for wine. Out of Chile's total wine production, Cabernet Sauvignon represents 36.2 percent of the total, Sauvignon Blanc a 14.3 percent, followed by Merlot with 12 percent. Other varieties like Chardonnay, Carménere and Syrah represent less than 10 percent each. 85 percent of Chile's total wine production in CY2014 was of the Denomination of Origin (DO) type and 11.2 percent without DO type. Almost 70 percent of total production is of the red varieties.

Over 46 percent of wine storage containers are stainless steel in the Chilean wine industry, which shows a high technological development standard for the industry. Additionally, 39 percent of the wineries use oak barrels, French or American, for an average of 3 to 5 years. Over 70 percent of Chilean wine makers believe that they have sufficient storage capacity for their production, while the remaining have reported a need to expand.

**Consumption:**

Total domestic wine consumption in Chile is relatively stagnant. Statistics shows that the average per capita has been recuperating slowly from a low of 13 liters in 1994 to a little over 17 liters last year. Beer consumption has increased 65 percent during the last 10 years, exceeding 40 liters per capita during the same time period. Chile has the lowest per capita wine consumption of all major wine producing and exporting countries. Chile's per capita wine consumption compares to 55 liters consumed in France and 40 liters in Argentina.

<b>Table - Wine Production, Consumption and Exports</b>					
				<b>Exports</b>	
	<b>Area Planted (Th. Has)</b>	<b>Production (Mill. Liter)</b>	<b>Per Capita Consumption</b>	<b>Mill. Liter</b>	<b>Mill. US\$</b>
1982	105	603	52	8	11
1992	62	370	17	74	119
1994	53	411	13	111	143
1996	56	481	16	185	294
1998	75	547	17	251	540
2000	104	679	15	276	585
2002	109	574	15	356	610
2004	112	655	16	474	845
2006	115	845	15	520	965
2008	118	869	16	591	1,384
2010	117	915	16	733	1,554
2012	129	1,255	17	747	1,808
2013	129	1,282	17	885	1,897
2014	129	1,003	17	798	1,841
2015 1/	130	1,180	17	848	1,956
1/ FAS Forecast Source: National Agricultural Society (SNA) and Central Bank					

**Trade:**

Chilean wine exports fell in volume and value during CY2014. But average export prices increased almost 8 percent when compared to the previous year. Higher prices were obtained for sparkling wine and bottled wine in CY2014. The United States is Chile's main wine export market, followed by the

UK. Exports of bottled wine to Spain increased 95 percent in 2013 which made Spain the third largest wine export market in volume. Constant improvements in quality and a good price/quality relationship have helped to keep or increase exports levels.

Chile traditionally exports both bottled and bulk wine. A large number of wineries are making a big effort to increase premium-bottled wine exports. Currently, there are more than 70 Chilean wineries exporting. Over 60 percent of Chile’s total yearly production is exported, supplying more than 150 countries.

Kind / Year	2012	2013	2014
<b>Sparkling</b>	4,001	3,485	4,090
<b>Bottled</b>	452,431	462,606	464,314
<b>Bulk</b>	297,617	419,173	329,417
<b>TOTAL</b>	754,049	885,264	797,822

Kind / Year	2012	2013	2014
<b>Sparkling</b>	15,927	14,578	17,260
<b>Bottled</b>	1,436,457	1,466,782	1,526,880
<b>Bulk</b>	355,371	415,210	296,758
<b>TOTAL</b>	1,807,754	1,896,570	1,840,898

Kind / Year	2012	2013	2014
<b>Sparkling</b>	3.98	4.18	4.22
<b>Bottled</b>	3.18	3.17	3.29
<b>Bulk</b>	1.19	0.99	0.90
<b>Average</b>	2.40	2.14	2.31

Although Chile’s main export market for wine continues to be the US followed by the EU (United Kingdom), the industry continues its focus on expanding its market share in Asia. However, less than 10 percent of total exports go to that market, according to “Wines of Chile”, a public-private organization created to promote Chilean wine exports.

**Table - Wine Exports by Country of Destination**

	Quantity (1000 Liters)			Value (Thousand US dollars)		
	2012	2013	2014	2012	2013	2014
<b>U.S.</b>	156,032	152,036	147,441	300,599	287,234	262,225
<b>U.K.</b>	101,744	111,708	104,274	228,072	237,929	228,867
<b>China</b>	64,091	83,079	88,211	144,808	149,824	148,825
<b>Japan</b>	48,478	61,532	67,049	127,190	156,547	157,453
<b>Germany</b>	34,785	58,368	44,009	63,256	78,023	70,206
<b>Canada</b>	24,066	31,419	40,225	93,129	92,181	94,581
<b>Netherlands</b>	34,338	35,185	37,094	95,289	97,599	105,907
<b>Brazil</b>	31,107	28,764	34,423	95,252	93,305	110,738
<b>Denmark</b>	20,967	24,546	23,037	52,911	59,009	59,316
<b>Others</b>	193,712	212,470	212,059	580,203	595,801	638,780
<b>TOTAL</b>	754,049	885,243	797,822	1,807,754	1,896,521	1,840,898

Source: ODEPA (Ministry of Agriculture).

On the imports side, sparkling wine represents over 60 percent of total wine imported into Chile, and over 50 percent of it comes from Argentina. Wine from the U.S. is also available, usually in premium outlets. However, demand is dampened by prices well above the local market average. The current tariff rate for all U.S. wine imports into Chile zero. There is also a 19 percent value-added tax and a 20.5 percent liquor tax applied to all wines sold in Chile (imported or domestic). This tax increased from 15 to 20.5 percent last October 1, 2014. In agreements signed with other trading partners, Chilean exports have a zero tariff since 2011 in all Mercosur member countries. Chile has already a free access in Canada, Mexico and the European Union. Exports to China have a zero tariff since 2015. The recent agreement signed with Japan calls for a 12 year phase out period from the present 15 percent duty.

### **Policy:**

Wine production and exports are regulated and certified by the Agriculture and Livestock Service (SAG) of the Ministry of Agriculture. All wine produced in Chile for both the domestic and export market is periodically sampled by SAG. SAG also issues the export certificates that include the wine's origin and quality.

The government provides no direct subsidies to support wine production or subsidize exports. Although Chile does have a successful market promotion campaign called "taste of Chile" that includes wine. Promotions are managed by an organization called "Wines of Chile" which is co funded by both of the wine producers associations, Vinos de Chile and Chilevid. The marketing funds are used for generic promotion. The Government contributes 15 percent of the total amount, through its export promotion agency called ProChile. Wines of Chile spend most of its allocated budget on promotional activities in Canada, England, Germany and the United States. Activities include the "Taste of Chile" campaign that promotes fruits and wine. The images used build on the natural beauty of Chile and the quality of the products. Another promotional program is the activity called "Wine Show and Tasting". This activity takes place normally once a year. It consists of seminars and wine tasting. ProChile contributes with logistics and market information and the wineries pay the costs. With this strategy the wine industry is

promoting wines in markets like Russia, Netherlands, Denmark, Sweden, Czech Republic, Brazil, Mexico, Venezuela, Taiwan and Hong Kong.