

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Chile

Wine Annual

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Report Highlights:

Wine production in 2011 is expected to be similar or slightly reduced when compared to that of 2010 as cold weather conditions affected large production areas. Exports are also expected to fall slightly in volume as availability of wine will be reduced due to a fall of stocks.

Executive Summary:

Chile’s wine production fell in CY2010, as weather has been adverse in most growing areas during the spring and early summer. For CY2011 a similar than last year output is expected. Lower than usual temperatures affected vineyards in most production area.

Chile has an estimated 8,000 producers of wine grapes. Planted area has increased over 70 percent during the last 8 years.

Production:

For CY2011 wine production is expected to be similar or slightly smaller than last year. A severe drought is affecting important production areas north of Santiago. The mountains in the northern areas had little or no precipitation during the last two years, as a result there is little or no snow melting and some rivers are running dry. This situation is affecting agricultural production in Regions IV and V (north of the Metropolitan Region, Santiago). Industry sources have indicated that in addition to the decrease in production in the northern regions almost all wine production regions are being affected by a delay in the maturing of the fruit and as a result harvest will start much later than the previous years. Lower than usual temperatures during spring and at the beginning of summer are responsible for this delay.

For the coming years, no significant expansion in production is expected as over 95 percent of the planted area is in the full production stage. Consequently, production increases will depend on weather and management of the vineyards and on future expansion or replacement of lower producing vineyards.

As a result of a constant fall of the dollar value against the peso, the wine business has become tighter during the last few years with a considerable fall in economic returns. As sales are in dollars and costs are in pesos the wine industry is going through same deterioration process as is the rest of the fresh fruit industry. As a result, farmers are not increasing the planted area, only some of them are replanting old vineyards to varieties in higher demand. The Ministry of Agriculture’s estimates total planted area of vines for wine to be 119,000 hectares. Out of the total planted area, around 76 percent are red varieties. Also, close to 75 percent of all planted area is under irrigation.

Wine production in CY2010 fell close to 10 percent due to freezing weather during the spring of CY2009 and lower temperatures during the summer of CY2010 were the main reasons for the fall in production. A smaller production together with an estimated loss of 125 million liters due to the earthquake of Feb 27, 2010 lowered stocks significantly. As a result of a fall in stocks, prices paid to smaller wine producers increased reportedly over 60 percent in CY2010. Larger wineries buy either wine or grapes from smaller producers who normally do not crush the grapes into wine or have a very small operation and do not bottle wine; instead they sell their wine in bulk to larger processors.

Table - Real Domestic Farm Gate Wine Prices							
(CH\$ Per Liter) /1							
1981	1985	1990	1995	2000	2008	2009	2010
248	135	140	205	469	272	210	348
Exchange rate: US\$1.00 = CH\$474.78							
1/ Prices are in Dec 2010 Chilean pesos.							
Source: ODEPA (Ministry of Agriculture).							

Production Factors

Over 46 percent of wine storage containers at wineries in Chile are made of stainless steel, 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 only 12 percent believe they need to expand.

The industry reports to have recovered from the Feb. 27, 2010 earthquake. Close to US\$200 million were spent to recover the damaged infrastructure. Due to the quake a large number of mainly stainless steel storage tanks broke and a total of 125 million liters of wine were lost which represented an estimated US\$250 million.

Table - Wine Production, Consumption and Exports					
				Exports	
	Area Planted (Th. Has)	Production (Mill. Liter)	Per Capita Consumption	Mill. Liter	Mill. US\$
1982	105	603	52	8	11
1990	65	398	25	43	52
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
2007	117	828	16	613	1,262
2008	118	869	16	591	1,384
2009	118	1,009	16	986	1,602
2010	119	915	16	1,024	1,797
2011 1/	119	920	16	950	1,650
1/ FAS Forecast					
Source: National Agricultural Society (SNA) and Central Bank.					

Consumption:

Total domestic wine consumption in Chile is more or less stagnant. Statistics shows that average per capita consumption fell from a high of 52 liters per person in 1982 to only 13 liters in 1994. Since then per capita consumption has been recuperating slowly. Meanwhile, beer consumption has increased substantially exceeding 27 liters per capita during the same time period. Chile has the lowest per capita wine consumption for all major wine producing and exporting country. Chile's per capita wine consumption compares to 55 liters consumed in France and 40 liters in Argentina.

Trade:

Chilean wine exports increased in volume and value during CY2010 when compared to the previous year. Higher prices obtained mainly for bulk and bottled wine explain the higher returns for exports in CY2010. Industry sources indicate that Chile is the tenth largest wine producer and fifth largest exporter in the world. Improvements in quality and a good price/quality relationship help 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; bottled wine expanded more than bulk wine in CY2010. Currently, there are more than 70 Chilean wineries exporting. Over 60 percent of Chile's total yearly production is exported, supplying more than 100 countries.

Table - Wine Export Volumes (Thous Liters)			
Kind / Year	2008	2009	2010
Sparkling	2,728	2,438	3,306
Bottled	370,582	395,598	431,156
Bulk	218,070	588,072	589,544
TOTAL	591,381	986,109	1,024,007
Table - Wine Export Values (Thous.US\$ FOB)			
Kind / Year	2008	2009	2010
Sparkling	9,885	9,566	12,871
Bottled	1,174,379	1,151,448	1,276,548
Bulk	199,730	440,515	508,009
TOTAL	1,261,799	1,601,530	1,797,428

Table - Wine Export Prices (FOB current US\$ per Liters)			
Kind / Year	2008	2009	2010
Sparkling	3.89	3.92	3.89
Bottled	3.17	2.91	2.96
Bulk	.92	.75	.86
Average	2.13	1.62	1.76

Wine is mainly imported from Argentina in tetra pack cartons and/or bulk to supply the domestic demand for in-expensive wine. U.S. wine 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 is 6 percent ad valorem. There is also a 19 percent value-added tax and a 15 percent liquor tax applied to all wines sold in Chile (imported or domestic). The US-Chile Free Trade Agreement had no effect on Chilean wine export volumes to the US, as the duty for most wine is 6.3 cents per liter and will be phased out over a total of 12 years (2016). In the case of US wine exports to Chile, the 6% tariff will remain at base rate until 2010. Beginning this year, in January 2011, duties will be reduced by 3.3%. In January 2012, duties will be reduced by 21.7%. In 2013, duties will be reduced by 40.0%. In 2014, duties will be reduced by 58.3%. In 2015, duties will be reduced by 76.7%. U.S. wine can enter Chile duty free in 2016. In agreements signed with other trading partners, Chilean exports will have a zero tariff in 2011 in all Mercosur member countries. Chile has already a free access in Canada, Mexico and the European Union. The present duty of 11.2 percent in China will be reduced to zero in 2015. The recent agreement signed with Japan calls for a 12 year phase out period from the present 15 percent duty.

Chile's main export market for wine continues to be the EU followed by the US. China is the third largest export market. The industry continues its focus on the Asian markets. 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)		
	2008	2009	2010	2008	2009	2010
U.S.	69,890	139,080	169,751	199,788	241,914	275,958
U.K.	96,710	113,420	152,849	223,046	216,364	256,806
China	47,980	55,590	109,952	51,357	54,306	128,228
Germany	47,350	46,310	93,332	65,091	65,752	105,662
Argentina	60	11,210	69,322	180	4,851	32,760
Japan	22,600	27,330	46,005	54,861	64,036	89,605
Denmark	30,070	29,510	41,408	69,829	61,882	77,006
Canada	32,160	38,070	40,920	80,572	77,789	96,304
Netherlands	25,310	27,130	35,872	67,492	72,028	86,106
France	16,890	18,340	29,512	21,984	21,859	35,390
Brazil	18,270	21,860	24,615	52,210	62,572	70,904
Others	184,080	458,260	210,780	497,270	613,177	542,699
TOTAL	591,370	986,110	1,024,007	1,383,946	1,601,530	1,797,428

Source: ODEPA (Ministry of Agriculture).

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 "tastes 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 in Chile, 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 "Tastes 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.

An industry sources indicated that ProChile has budget to spend US\$3 million this year in promotional campaigns.