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# GAIN Report

Global Agricultural Information Network

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**Date:** 2/24/2014

**GAIN Report Number:** CI1402

## Chile

### Wine Annual

#### Chile Wine Annual Report

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**Report Highlights:**

Wine production in 2014 will be smaller than last year. Freezing weather during the spring season is the main factor for this reduction. But exports are expected to expand as the foreign demand is still strong.

**Executive Summary:**

Chile's wine production increased in CY2013, as weather conditions in most growing areas were excellent. For CY2014 a smaller production is expected as adverse weather condition last spring affected most growing areas. Chile has an estimated 8,000 wine grape producers. Planted area has increased over 70 percent over the last 8 years.

**Commodities:**

Select

**Production:**

Planted Area.

Despite the fall of the dollar value against the peso during the last few years which has affected the wine business, farmers have increased the total planted area. As sales are in dollars and costs are in pesos, the wine industry is going through same deterioration process as the rest of the fresh fruit industry. Farmers are increasing planted area, as most of them are replanting old vineyards to varieties in higher demand and planting new areas as well. Latest figures published by the Ministry of Agriculture of total planted area of vines for wine are now 129,000 hectares. Out of the total planted area, around 74 percent are red varieties. Also, close to 75 percent of all planted area is irrigated.

Production.

Wine production in CY2013 grew only 2 percent when compared to the previous year. Nevertheless total output reached an all-time record level of 1,282 million liters. Prices paid to wine producers in 2013 fell in real terms over 20 percent compared to the previous year. 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. The higher price paid for grapes and or wine, for the last few years is has been a positive factor in output expansion, according to industry insiders. As a result of higher prices for bulk wine paid to a significant number of small farmers, they have improved the care of the vines (like pruning, watering and other labor) resulting in an increase of yields and production. Out of total wine production, Cabernet Sauvignon represents 33 percent of the total, Sauvignon Blanc a 13.5 percent, followed by Merlot with 11.9 percent. Other varieties like Chardonnay, Carménere and Syrah represent less than 10 percent each. An 81 percent of total wine production in 2013 is with Denomination of Origin (DO) type and 14 percent without DO type. Almost seventy percent of total production is of the red varieties.

For CY2014 wine production is expected to be slightly down from this year, as weather has not been favorable in most production areas. Frost during spring (September 2013) which had a bad effect on most fresh fruit production, also negatively affect wine-grape production.

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

<b>Table - Real Domestic Farm Gate Wine Prices</b> (CH\$ Per Liter) /1							
<b>1981</b>	<b>1985</b>	<b>1990</b>	<b>1995</b>	<b>2000</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
271	148	153	224	512	416	363	275
Exchange Rate: US\$1.00 = CH\$529.45							
1/ Prices are in Dec 2013 Chilean pesos.							
Source: ODEPA (Ministry of Agriculture).							

#### Production Factors.

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 only 12 percent believe they need to expand.

<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
2009	118	1,009	16	696	1,390

2010	117	915	16	733	1,554
2011	126	1,046	17	668	1,703
2012	129	1,255	17	747	1,808
2013	129	1,282	17	885	1,897
2014 1/	129	1,214	17	935	1,834
1/ FAS Forecast Source: National Agricultural Society (SNA) and Central Bank					

**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.

**Trade:**

Chilean wine exports increased mainly in volume and fell slightly in value during CY2013 when compared to the previous year. Higher prices were obtained only for sparkling wine in CY2013. The exported volume of bulk wine increased over 40 percent in 2013, which made the value of bulk wine increase 17 percent in 2013. 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	2011	2012	2013
<b>Sparkling</b>	3,797	4,001	3,485
<b>Bottled</b>	446,094	452,431	462,606
<b>Bulk</b>	217,863	297,617	419,173
<b>TOTAL</b>	667,754	754,049	885,264

Kind / Year	2011	2012	2013
<b>Sparkling</b>	14,653	15,927	14,578
<b>Bottled</b>	1,420,193	1,436,457	1,466,782
<b>Bulk</b>	268,314	355,371	415,210
<b>TOTAL</b>	1,703,160	1,807,754	1,896,570

Kind / Year	2011	2012	2013
<b>Sparkling</b>	3.86	3.98	4.18
<b>Bottled</b>	3.18	3.18	3.17
<b>Bulk</b>	1.23	1.19	0.99
<b>Average</b>	2.55	2.40	2.14

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 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

	Quantity (1000 Liters)			Value (Thousand US dollars)		
	2011	2012	2013	2011	2012	2013
<b>U.S.</b>	129,989	156,032	152,036	273,258	300,599	287,234
<b>U.K.</b>	107,474	101,744	111,708	234,548	228,072	237,929
<b>Spain</b>	748	44,729	86,136	3,456	27,045	49,069
<b>China</b>	35,339	64,091	83,079	91,800	144,808	149,824
<b>Japan</b>	39,945	48,478	61,532	100,140	127,190	156,547
<b>Germany</b>	41,440	34,785	58,368	71,779	63,256	78,023
<b>Netherlands</b>	34,047	34,338	35,185	97,937	95,289	97,599
<b>Canada</b>	26,364	24,066	31,419	93,765	93,129	92,181
<b>Brazil</b>	27,927	31,107	28,764	89,902	95,252	93,305
<b>Denmark</b>	23,471	20,967	24,546	61,437	52,911	59,009
<b>Others</b>	201,011	193,712	212,470	585,138	580,203	595,801
<b>TOTAL</b>	667,755	754,049	885,243	1,703,160	1,807,754	1,896,521

Source: ODEPA (Ministry of Agriculture).

Wine is mainly imported from Argentina in tetra pack cartons and/or bulk to supply the domestic demand for inexpensive 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 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 have a zero tariff since 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.

#### **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