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## Argentina

### Wine

### Annual

### 2008

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**Report Highlights:**

Marketing year (MY) 2009/2010 grape production is forecast to increase as younger vineyards will enter into production. The Argentine wine industry continues to grow domestically and internationally. Domestically, the consumption of fine/premium wines continues to increase and in MY 2007/2008 overall domestic consumption increased for the first time in 20 years. Internationally, Argentine wine exports continue to expand. Imports continue to be negligible due to the high cost of imported products, and the preference of the Argentine consumer for local wine.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Buenos Aires [AR1]  
[AR]

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## Section I. Situation and Outlook

### Production Areas

Argentina's production area for wine 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 thrive in Argentina.

The provinces of Mendoza and San Juan cover 90 percent of the total area planted with 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 six 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 cover two percent of the planted area. The remaining two percent is shared by the provinces of Misiones, Buenos Aires, Cordoba, Santiago del Estero, San Luis, Chubut, Tucuman, La Pampa.

Land planted to vineyards per province (hectares)				
Province	Vineyards		Planted Area	
	Amount	Percentage	Hectares	Percentage
Mendoza	17108	65.47	156571	70.2
San Juan	5418	20.73	48627	21.8
La Rioja	1392	5.33	8372	3.75
Catamarca	1204	4.61	2881	1.29
Rio Negro	434	1.66	2447	1.1
Salta	274	1.05	2046	0.92
Neuquen	59	0.23	1443	0.65
Cordoba	179	0.68	304	0.14
La Pampa	14	0.05	218	0.10
Tucuman	23	0.09	43	0.02
Buenos Aires	4	0.02	37	0.02
Chubut	1	0.00	20	0.01
S. del Estero	1	0.00	9	0.00
San Luis	2	0.01	6	0.00
Entre Rios	2	0.01	5	0.00
Misiones	6	0.02	4	0.00
Jujuy	12	0.05	2	0.00
	26133	100	223034	100

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

## Planted Area

Total area planted with grapes in Argentina reached 223,000 hectares in MY 2007. In the last three years area planted with grapes has increased at an average annual rate of 2 percent. Compared to 1990, the red grape area has doubled from 42,000 hectares to 97,000 hectares, the white grape area has decreased from 60,000 hectares to 48,000 hectares, and the rose grape area has fallen from 100,000 hectares to 63,000 hectares.

	2000	2005	2006	2007
Red	70,048	92,993	97,489	110,000
White	49,432	47,640	47,970	53,000
Rose	68,918	67,389	63,477	60,000
<b>Total</b>	<b>188,398</b>	<b>205,022</b>	<b>208,936</b>	<b>223,000</b>

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

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

High quality red varieties account for most of the increase. For example, the area planted with the Malbec variety went from 10,000 hectares in 1990 to 22,000 hectares in 2005. Similar increases were noted among the following varieties: Cabernet Sauvignon (2,000 to 17,000 ha); Shiraz (700 to 12,000 ha); Merlot (1,000 to 7,000 ha); and, Bonarda (12,000 to 18,000 ha).

Variety			
Variety	1990	2000	2005
Barbera	958	1,061	910
Bonarda	12,186	14,989	18,033
Cabernet Franc	76	207	431
Cabernet Sauvignon	2,347	12,199	16,928
Malbec	10,457	16,347	22,462
Merlot	1,160	5,513	7,371
Pinot Negro	232	1,047	1,253
Shiraz	687	7,915	11,678
Tannat	42	136	429
Tempranillo	5,659	4,335	6,099
<b>Total red wine grapes</b>	<b>33,804</b>	<b>63,748</b>	<b>85,594</b>
Chardonnay	908	4,625	5,155
Chenin	4,031	3,591	3,027
Pedro Gimenez	20,647	15,101	14,312
Riesling	293	156	125
Sauvignon	278	827	1,487
Sauvignonasse	998	798	713

Semillón	1,255	1,028	988
Torrontés Riojano	8,625	8,181	8,106
Ugni Blanc	2,229	2,846	2,603
Viognier		151	464
<b>Total white wine grapes</b>	<b>39,266</b>	<b>37,303</b>	<b>36,980</b>
Total varieties of highly enological quality	73,069	101,051	122,575
Total varieties of low enological quality	129,077	87,347	82,447
Total varieties to make wine	202,146	188,398	205,021
Total table grapes varieties	3,352	8,754	9,812
Total rasins varieties	4,166	3,483	3,497
<b>TOTAL</b>	<b>210,371</b>	<b>201,112</b>	<b>218,590</b>

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

## Production

### Grape Production

The MY 2009/2010 grape crop is forecast to increase to 3.4 million metric tons (MT) due to a larger area planted with vines and more vineyards reaching maturity.

MY 2008/2009 grape production is estimated at 3.2 million MT, a 6 percent increase when compared with the MY 2007/2008 crop. This increase is due to higher yields in young vineyards that have not fully reached their growing potential yet.

Overall Argentine grape production in MY 2007/2008 was 3 million MT, a ten percent increase with respect to MY 2006/2007. Out of the total grape production, 2,970,000 MT (96%) was used to produce wine in MY 2007. Production of grapes that have high capability to produce good quality wine was 1,63 million MT in MY 2007/2008. Red varieties such as Bonarda, Malbec, Cabernet Sauvignon and Shiraz lead with 853,600 MT in MY 2007/2008 out of the total 1.073 million MT. Within the whites, Pedro Gimenez, Torrontes Riojano, Chardonnay and Chenin accounted for 84 percent of the total white wine grape production in MY 2007/2008. According to data from the Argentina National Wine Institute, production of these kinds of grapes has been increasing from MY 2000/2001 at an annual rate of 26 percent.

The MY 2006/2007 crop reached 2.9 million metric tons, nearly seven percent higher than the MY 2005/2006 crop as a result of the expanded planted area and higher yields. MY 2005/2006 was uncommonly drier than previous seasons with only four inches of rainfall (average rainfall has been around six inches in the last 10 years), which resulted in very healthy vines and exceptional grape quality.

The MY 2005/06 growing season was characterized by an increase in grape production based upon good plant health due to favorable. Also, good weather conditions (dry and sunny) at harvest favored evenly matured grapes with an excellent alcoholic grade (13.33 percent) yielding wines of superb quality. Driven by a higher international demand for premium wines, the demand for and price of top quality grapes increased in MY 2005/2006.

Grape Production to Crush (MT)					
Kind/Year	2005/2006	2006/2007	2007/2008	2008/2009*	2009/2010*
Red	930,000	1,000,000	1,145,000	1,200,000	1,300,000
White	700,000	820,000	724,000	800,000	820,000
Rose	1,000,000	1,000,000	1,100,000	1,150,000	1,200,000
Others**	70,000	80,000	1,000	50,000	80,000
<b>Total</b>	<b>2,700,000</b>	<b>2,900,000</b>	<b>2,970,000</b>	<b>3,200,000</b>	<b>3,400,000</b>

Source: The National Wine Institute (INV – [www.inv.gov.ar](http://www.inv.gov.ar)) adjusted by FAS Buenos Aires

\*FAS Forecast

\*\* Table grapes and raisins varieties

### Wine Production

Wine production in MY 2009/2010 is forecast to increase 3 percent to 15.9 million hectoliters (HL). Also, the trend to produce more red wine is expected to continue since the Malbec, Bonarda and Cabernet Sauvignon varieties are increasing in both domestic and international consumption .

Wine production in MY 2008/2009 is also expected to increase by 3 percent as increasing demand would otherwise overcome the supply. Currently, the government caps production at around 15 million HL. Every year the government fixes the rate of grapes that are sent for must (grape juice) production. Currently, 30 percent of the grape harvest in Mendoza and San Juan goes to grape juice production.

Wine Production (1000 HL)					
Kind/Year	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
White	6,600	6,500	5,500	5,400	5,200
Colored	8,600	8,500	9,546	10,000	10,100
<b>Total</b>	<b>15,200</b>	<b>15,000</b>	<b>15,046</b>	<b>15,400</b>	<b>15,900</b>

Source: The National Wine Institute (INV – [www.inv.gov.ar](http://www.inv.gov.ar)) adjusted by FAS Buenos Aires

### Consumption

Wine domestic consumption in MY 2009/2010 and 2008/2009 is forecast to increase to 30.5 and 3.25 liters per capita as younger generations are adopting wine as a cultural and social drink. Wine domestic consumption in MY 2007/2008 is estimated at 30 liters per capita, a slight increase above the previous three years where the wine consumption in Argentina was for MY 2006/2007, 29.23 liters, for MY 2005/2006, 29.18 liters and 29.87 liters for MY 2004/2005. Wine consumption in Argentina has been falling for the last 20 years at an annual rate ranging between one and two liters per person per year. That trend seems to have changed in 2006 when, for the first time in 20 years, domestic consumption of wine increased compared with the previous season. According to sources in the industry, all the marketing work that has been done by the wine associations is now paying off. Also, the success that Argentine wine is enjoying in the rest of the world is echoed in the domestic market. One indicator of the latter is the amount of specialty wine shops that have opened in all the large cities of Argentina. It is now possible to find more wineries and wine tasting clubs in Buenos Aires than ever before.

Wine Domestic Consumption in liters per capita				
Year	2006/2007	2007/2008*	2008/2009*	2009/2010*
Wine (Lt/capita)	29.23	30.00	30.25	30.5

Source: The National Wine Institute (INV – [www.inv.gov.ar](http://www.inv.gov.ar)) adjusted by FAS Buenos Aires  
\*FAS forecast

## Trade

Exports of Argentine wine are forecast to increase in MY 2009/2010 to 5.3 million HI while MY 2008/2009 exports are forecast at 4.4 million HI. The United States will continue to be the largest importer of Argentine wines in these two seasons since the price/quality ratio is expected to continue to be favorable. Also, the Malbec (red) and Torrontes (white) varieties which are the signature wines of Argentina are expected to continue to expand their markets in the United States.

Argentina exported 1,300 brands to 135 countries in MY 2007/2008, but only 10 wineries contribute 21 percent of the total exports. Overall wine exports in MY 2007/2008 increased 21 percent in volume with respect to MY 2006/2007. While total wine exports in MY 2005/2006 were worth US\$302 million, fine/premium wine exports reached US\$224 million with an average FOB price of US\$3.8 per liter. Sources in the industry expect total wine exports to approach US\$800 million by MY 2009/2010.

Wine Export Volumes (1000 HL)				
Kind/Year	2006/2007	2007/2008*	2008/2009*	2009/2010
Wine	2,899	3,507	4,364	5,264
Sparkling wine	29	27	30	30
Others	6	6	6	6
<b>Total</b>	<b>2,934</b>	<b>3,540</b>	<b>4,400</b>	<b>5,300</b>

Source: The National Wine Institute (INV – [www.inv.gov.ar](http://www.inv.gov.ar)) adjusted by FAS Buenos Aires

In MY 2007/2008, the United States continued to be the top importer of Argentine wines in volume and value with purchases totaling 674,000 HI valued at US\$115 million while in MY 2006/2007 exports of wine to the United States had been 411,000 HI for US\$82 million. The United Kingdom follows with US\$ 44 million of purchases in MY 2007/2008 while in MY 2006/2007 exports to that destination were US\$35 million. However, as a whole, the European Union (EU) is by far the largest purchaser of Argentine wine with purchases of 660,000 HI valued at US\$140 million in MY 2007/2008.

Wine Export Values (US\$ FOB Buenos Aires)				
Kind/Year	2006/2007	2007/2008	2008/2009*	2009/2010*
Wine	371,174,000	477,127,000	589,000,000	739,000,000
Sparkling	10,000,000	10,500,000	10,000,000	10,000,000
Others	1,206,000	1,230,000	1,000,000	1,000,000
<b>Total</b>	<b>392,380,000</b>	<b>494,000,000</b>	<b>600,000,000</b>	<b>750,000,000</b>

Source: The National Wine Institute (INV – [www.inv.gov.ar](http://www.inv.gov.ar)) adjusted by FAS Buenos Aires  
\*FAS forecast

Imports of wine have remained insignificant since the massive peso devaluation in February 2002. In CY 2007 imports were mainly of sparkling wine from France and in smaller amounts from Spain and Italy.

Wine Import Tariffs and Taxes		%
Import Tariff	Outside Mercosur area	20
Statistical tax		0.5
Export tax		5
Rebate		6

## Factors Affecting Industry Structure

### Prices

International wine price continue to be the great advantage which benefits the Argentine wine industry. FOB prices increased nine percent in 2007. Domestic price have increased a little due to higher costs, mainly transportation and labor. Retail prices are in the ranges of US\$2-4; US\$6-12; and US\$12 above.

### Investments

According to sources in the sector, 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 are hampering the process. One hectare with a vineyard of good quality may cost US\$35,000 while bare land is sold at US\$10,000.

### Marketing

The Argentine wine association, Wines of Argentina, represents more than 90 percent of the wineries that have presence in the international market. Last year, Wines of Argentina hired a prestigious consulting company in order to research the best way to promote Argentine Wines. The company presented the results of the study in August 2007 and Wines of Argentina has already begun to implement its recommendations. According to the aforementioned study, Argentina should use symbols that foreigners recognize when they hear the word Argentina. Among them, tango, and the Latin passion are the most mentioned in the study. In that line, Wines of Argentina has hired Gustavo Santaolalla, an Argentine musician who is recognized in Hollywood, and named him as the "wine Ambassador of Argentina" in order to promote Argentine wine in the United States and in rest of the world.