Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 10/1/2002

GAIN Report #PE2016

Peru

Wine

Report

2002

Approved by:
Lawrence D. Fuell
U.S. Embassy
Prepared by:
Violeta Gutierrez

Report Highlights:
Peru imported $ 10 million (CIF value), 61,000 hectoliters, of wine in 2001, a five percent increase over the previous year. For 2002, wine imports are forcasted to grow at least nine percent. Peruvians prefer wines that cost less than $7/bottle, and currently the principal sources are Chile, Spain and Argentina. Wine imports from other than Chile face import taxes of 17 percent (Chilean wine pays only 14 percent). In addition all wines face domestic taxes of 38 percent.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Lima [PE1], PE

TABLE OF CONTENTS

MARKET OVERVIEW

Peru's wine import market was around US$ 10 million (CIF value), amounting to 61,000 hectoliters, in 2001. Peru's wine imports grew five percent annually between 1999 and 2001, and are forecasted to grow at least nine percent in 2002. Compared to 2000, sparkling wine imports grew 13 percent in 2001.

According to the consultancy firm MAXIMIXE, wine and sparkling wine, will represent more than 50 percent of the total imported liquors in 2002. Other liquor imports are rum and whisky, which went down 40 and 24 percent in value respectively between 2000-2001. For 2002, liquor imports are forecasted to grow around 12 percent.

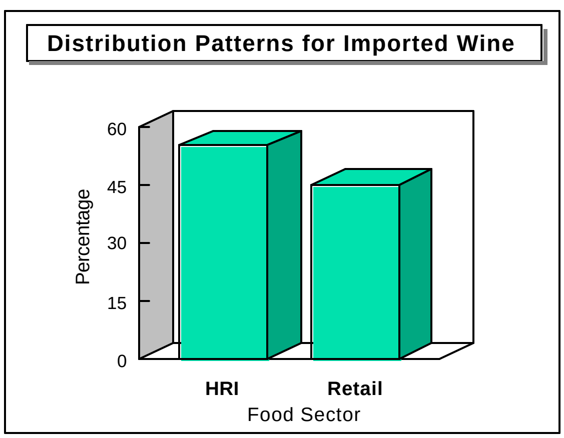
Distribution Patterns

The table below provides an overview on imported wine distribution patterns:

- The imported wine market is distributed between the Food Service Sector with 55 percent and the Retail Sector with 45 percent approximately.

- Two main chains, E. Wong and Ahold Group (Santa Isabel), have 68 and 32 percent of the retail market share.

- Fifty four Four and Five Star Hotels and 96 top restaurants represent a profitable market for wine in the Food Service (HRI) Sector.



Competition

Peru's wine imports in hectoliters and total CIF value for 1999-2001 are as follows:

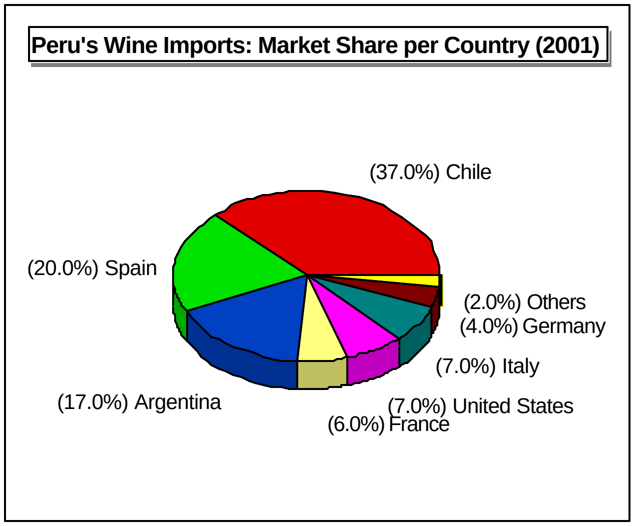
Wine Imports (US$ thousand)			
Country	**1999**	**2000**	**2001**
Chile	3,379	3,735	3,805
Spain	1,500	1,667	2,078
Argentina	1,537	1,680	1,761
France	1,134	1,001	633
United States	**693**	**687**	**699**
Italy	630	457	741
Germany	423	343	404
Others	88	148	180
Total	**9,384**	**9,718**	**10,302**

Wine Imports (Hectoliters)			
Country	**1999***	**2000**	**2001**
Chile	21,119	24,473	27,677
Spain	4,412	4,926	7,262
Argentina	7,320	8,231	8,689
France	6,788	5,962	4,295
United States	**5,718**	**5,632**	**6,389**
Italy	3,150	2,312	3,400
Germany	2,400	1,901	2,608
Others	400	821	434
Total	**51,310**	**54,257**	**60,753**

*Estimated.
Source: Peruvian Customs, 2002.

There has been a tendency to consume cheap wines due to economic recession during the past years. Consequently, wine imports are growing more in quantity than in value. Total wine imports growth in hectoliters for 2000-2001 were 12 percent, compared to a six percent in value growth.

Wine imports principally come from Chile (37 percent), Spain (20 percent) and Argentina (17 percent) in 2001. Chilean and Argentinian wine in Tetrapak package represented around 15 percent of Peru's total wine imports that year.

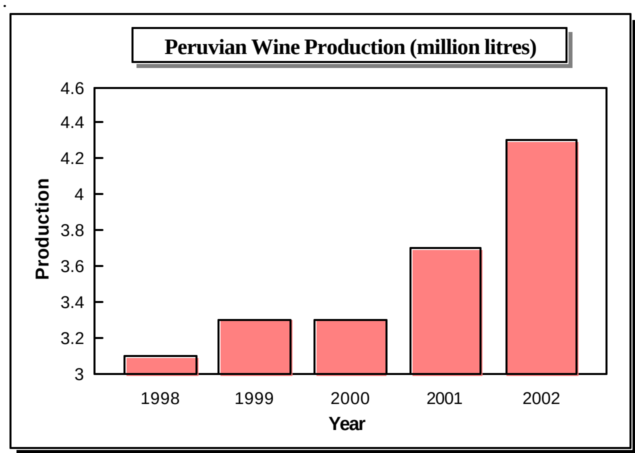


Source: Peruvian Customs, 2002.

Value of imports between 2000-2001 from Italy grew 62 percent, from Spain, 25 percent and from Germany, 18 percent. Imports from Argentina grew four percent, imports for Chile and U.S. grew only two percent in 2001.

PRODUCTION

Wine and sparkling wine production in Peru grew 14 percent between 2000-2001. Comparing the first quarter of 2001 with 2002, wine and sparkling wine production has grown 26 percent in 2002. The potential for increased production is great. The wine industry in 2001 used 21 percent of the installed capacity, 1.4 percent greater than 2000. Peruvian wine production is expected to reach 4.3 million litres in 2002.



Ica department is the main growing area for Peruvian wine grapes. Grapes in this area are sown from August to October and harvested from October to May.

* 2002 is estimated.
Source: Data and projection taken from MAXIMIXE Consultancy.

CONSUMPTION

Wine consumption per inhabitant in Peru reached only 700 cc. in 2001. Between 2000-2001, wine and sparkling wine consumption increased 13 percent. Wine imports reached 6,075 thousand litres in 2001, about 1.7 times grater than the local production.

Wine imports for Retail and HRI sectors represented around 2,430 thousand litres and 1,170 thousand litres respectively in 2001. Around 2,470 thousand litres come in bulk.

In 2001 most wines sales ranged up to seven dollars per bottle (750 cc.) represented 1,350 thousand litres and 990 thousand litres from seven to fifteen dollars. Bottles of wine above 15 dollars, represented 360 thousand litres approximately. Wine imports in Tetrapack package reached around 900 thousand litres.

Wine and sparkling wine apparent consumption (thousand litres)			
Wine and sparkling wine	**2000**	**2001**	**Variation (%)**
Production	3,267	3,732	14
Imports	5,426	6,075	12
Supplies	8,693	9,807	13
Exports	28	53	90
Apparent consumption	**8,665**	**9,754**	**13**

Source: MAXIMIXE Consultancy and Peruvian Customs.

Wine consumer preferences

A. Retail Sector

Target segments for wine are devided according to family income, each of them presenting defined characteristics and preferences.

Family income per month above $800:

‘ Size of this sector is around 180,000 inhabitants, 12 percent of total population located in Lima city.

‘ Annual wine consumption in this sector is 1,580 thousand litres approximately, 65 percent of total retail wine sales.

‘ Prices of most consumed wine in this sector range from six to fifteen dollars per bottle of 750 cc.

‘ Most people prefer red wines with perfect bouquet under 11.5 to12.5 alcoholic degrees.

‘ Major wine consumers are middle-aged (30 to 50 years old), representing around 40 percent of the niche market. People in their fifties represent around 30 percent.

‘ Around 70 percent of the total market are male purchasers.

‘ Young consumers usually buy wines below seven dollars. Boone’s fruited wine from the United States, is preferred among these group.

‘ U.S. wines are mainly consumed in this market. The best known U.S. wine is Carlo Rossi from Gallo winery.

‘ Preferred wine labels include:
T Chilean wine: Cousiño Macul Merlot (reserved), Casillero del Diablo.
T Argentinian wine: Luigi Bosca Merlot, Navarro Correas Malbec.
T Spanish wine: Marques de Arienzo.
T U.S. wine: Carlo Rossi.

Family income per month range from $300 to $800:

‘ The size of this sector is around 262,000 inhabitants, representing 18 percent of Lima City’s total population.

‘ Wine consumption in this sector is around 610 thousand litres, representing 25 percent of total retail wine sales.

‘ People in this sector usually purchase inexpensive sweet wines, made of burgundy or combined varieties which include wines in Tetrapak package.

- The most popular wine is the chilean wine Concha y Toro (reserved), with an average price of $3.80 per bottle of 750 cc.

- Prices of mostly consumed wine, per bottle or in Tetrapak presentations, range from two to six dollars.

- Other wine labels preferred are:
  - Chilean wine: Gato Negro and Gato Blanco, Clos de Pirque (Tetrapak).
  - Argentinian wine: La Riojana (Tetrapack).
  - Peruvian wine: Tabernero (Borgoña), and Tacama (red).

Family income less than $300 per month:

- No data is available but it is believed that wine consumption of this group is extremely low.

B. Food Service Sector

- Top restaurants costumers belong to the highest income segment. Consequently, wine characteristics and brand preferences of most consumers of wine in this group are similar to the ones observed in the retail sector.

- Major wine consumers are middle-aged (30 to 50 years old).

- Approximately 1,200 costumers are habitual wine consumers with sophisticated preferences for wine. They prefer wines with wooden taste, strong and fullbodied, made of red grapes, such as cabernet, tempranillo and sirah with around 13 to13.5 alcoholic degrees.

- A survey among top restaurants was carried out by FAS/Lima to find out costumer preferences for wine brands and their respective prices. Fifteen restaurants returned the result of which are shown in Appendix B.

- According to the survey, wine labels preferred by the food service costumer are:

  - Chilean wine: Casillero del Diablo, Montes Alfa, Cousiño Macul, Concha y Toro (reserved).
  - Peruvian wine: Fonde Cave Ocucaje, Tacama (special selection).
  - Argentinian wine: Truful, Navarro Correas.
  - Spanish wine: Ribera del Duero, Marques de Riscal, El Coto.
  - French wine: Chateau Bordeaux.

- Preferred U.S. wine labels were not identified in any of the surveys returned.

MARKETING

The Embassies of Chile and Argentina have been organizing promotional activities such as receptions and trade missions in their Ambassador's residence for key contacts related to HRI and Retail Sectors to meet new vineyards representatives.

Alicorp S.A. has signed an strategic alliance with Viña Cono Sur from Chile to distribute "San Jose" wine made for the taste of Peruvians exclusively. Alicorp is a leader company in the mass consumption market, which has an important distribution network with more than 100 thousand points of sale all over the country. This wine is expected to reach US$ 3.3 million in sales in the first year.

E. Wong, Peru's largest retail chain, promotes wine activities to introduce new brands in which frequent consumers of specific wine types are invited. These activities include educational conferences and wine tasting.

Ahold Group, which owns the second largest retail chain in Peru, signed an agreement with La Rioja, a Spain vineyard, to develop their private label wine. This wine is commercialized in Santa Isabel Supermarkets and Plaza Vea Hypermarkets.

Most consumers are reluctant to pay the same price for a new brand of U.S. wine compared to another from Chile, Argentina, Spain, France or Italy, due to the lack of knowledge regarding U.S. wine quality.

TRADE

Import regulations

Although Peru has pursued an open trade policy since the 1990s, wine faces high import duties, 17 percent presently.

Peru, as a member of the Andean Community of Nations, has given tariff preferences to Colombia, Ecuador and Venezuela which are exempted from paying any import duty. However, imports from these countries are almost non existent. Peru is also a member of the Latin-American Integration Agreement (ALADI). Under this agreement, Chilean wine faces a 14.6 percent duty.

Other taxes

Both local and imported wines are assesed to pay a selective tax (ISC) of 20 percent and the value added tax (VAT) of 18 percent.

Although the ISC decreased from 40 to 20 percent in 2001, the wine market is clearly impacted by the higher final prices to the consumer. The high taxes are one of the principal reasons for smuggling and adulteration growth, reaching around 20 percent of total wine imports.

If you have any question or comments regarding this report or need assistance exporting wine to Peru, please contact the Agricultural Affairs Office in Lima at the following address:

American Embassy Lima, FAS
Mailing Address: Office of Agricultural Affairs, Unit 3785, APO AA 34031
Address: Av. La Encalada cdra. 17, Monterrico, Lima 33
Phone: (511) 434-3042
Fax: (511) 434-3043
E-mail: AgLima@fas.usda.gov

Appendix A: Final Prices for most frequent wines sold in the Retail Sector (750 cc. per bottle)

Brand	US $
Clos de Pirque* (red)	2.70
Gato Negro (red)*	2.85
Boone's Apple	3.00
Boone's Tropical	3.00
Concha y Toro Reservado	3.80
Borgoña Tabernero (mid-dried)	4.06
Tinto Traful (red)	4.20
Gato Negro Cabernet Sauvignon	4.30
Gato Blanco (white)*	4.30
Gato Negro Merlot	4.30
Gato Negro Merlot	4.30
Tacama Gran Tinto (red)	5.14
Carlo Rossi (red)**	6.40
Casillero del Diablo (red)	6.50
Casillero del Diablo (white)	6.99
Carlo Rossi (white)**	6.99
Matías Cousiño (red)	8.70
Merlot Bordeaux Ferrande	8.95
Montes Alpha Cabernet Sauvignon	9.50
Marqués de Riscal (white)	9.70
Cousiño Macul (reserved)	11.50
Navarro Correas Sauvignon Blanc	11.90
Navarro Correas (Malbec)	12.20
Marqués de Arienzo (red)	14.95
Marqués de Murrieta	16.00
Merlot Luigi Bosca	16.50
Tinto Marqués de Riscal (red)	21.50
Tinto Montes Alpha	21.60
Sauvignon Luigi Bosca	22.90
Marqués de Arienzo (reserved)	31.50

* One litre in Tetrapack.
** Bottle of 1.5 litres.
Most prices were converted into dollars. Money exchange: one dollar is 3.50 soles.

Source: E.Wong Supermarket Chain final prices.

Appendix B: Prices for most frequent wines sold in the Food Service Sector (750 cc. per bottle)

Brand	US $
La Riojana *	1.60
El Coto	11.00
Undurraga	11.00
Truful	12.14
Tabernero	12.43
Queirolo	12.71
Coteaux de Languedo	12.71
Fonde Cave Ocucaje	13.57
Tacama Gran Vino Tinto (red)	13.86
Concha y Toro, reserved	14.41
Tacama (special selection, white)	14.71
Cousiño Macul	15.57
Tacama (white)	16.00
Montes Sauvignon (white)	16.86
Casillero del Diablo Tinto	16.86
Casillero del Diablo Sauvignon Blanco	16.86
Navarro Correas (red)	18.29
Ribera del Duero	18.86
Tacama (special selection)	19.71
Chateau Sain Florin	19.71
Montes Alpha	20.29
Tacama Gran Cosecha	22.29
Chateau Bordeaux	22.57
Navarro Correas Coleccion Privada	26.86
Marques de Riscal (Reserved)	28.14

* One litre in Tetrapack.
Most prices were converted into dollars. Money exchange: one dollar is 3.50 soles.

Source: Food Service survey (consumer final prices).