

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Panama

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American Wines in Panama

Report Categories:

Wine

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Report Highlights:

Panama is a market with a great potential for growth in U.S. wine sales.

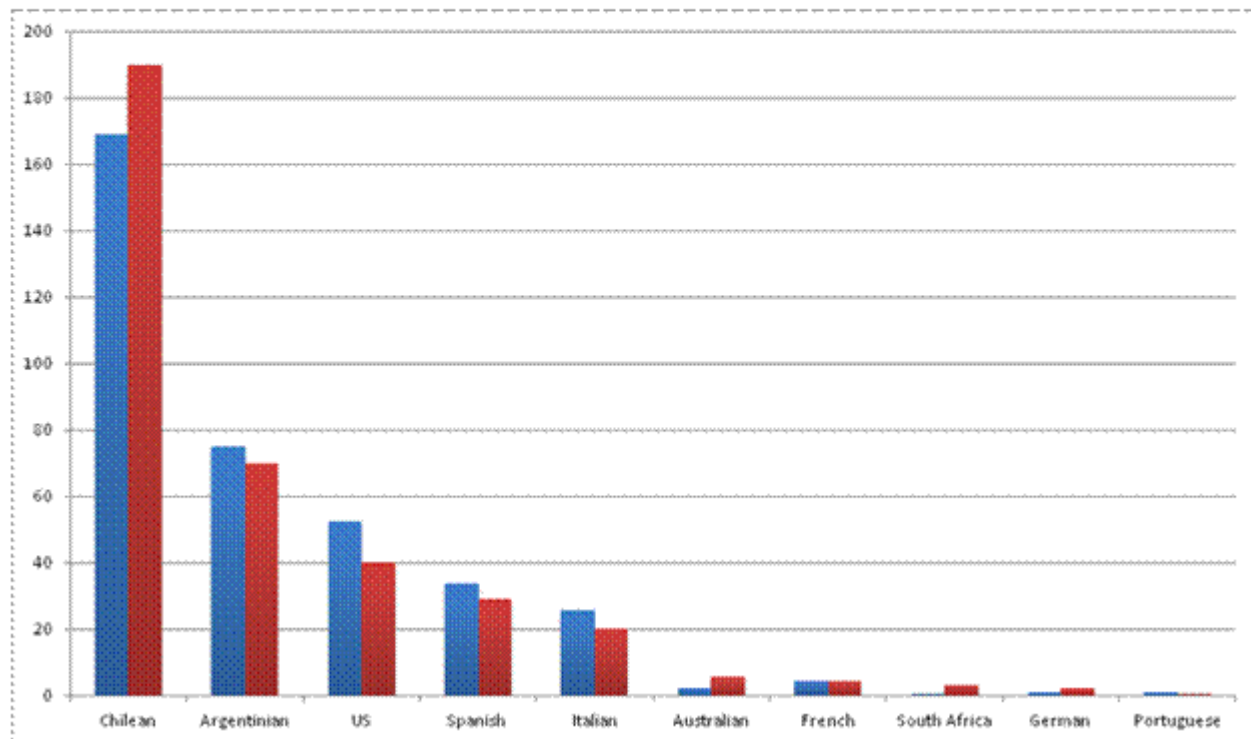
General Information:

While American wines are third in sales in the Panama market, there is still have a long gap to trounce the biggest competitors, Chile and Argentina. American wines are gaining preference among consumers, but there is still work to be done towards promoting and creating a “name” for American wines.

For many years Chilean and Argentinean wines have held the top position in the Panamanian market, mainly due to quality, price and extensive and costly marketing efforts such as introductory parties, wine tastings, etc. Wine importers and sellers in Panama cite lack of vineyard or producer investment in promoting U.S. wines, therefore these wines are beaten out of the market by the aggressive promotion tactics of Chile and Argentina. These businesses believe that with more investment, U.S. wines would be able to take up more market share in the future.

The following chart illustrates the trend in local sales of wines in Panama, per country, per origin:

By Origin (365K cases)



Some of the American wines sold in Panama are: Boones Farm, Night Train, MD 20/20, Carlo Rossi, Beringer, Arbor Mist, Manischewitz, Mondavi, Gallo, KJ, Riunite, Barefoot, Mirassou, Apothic Red, Louis M. Martini,

Chateau Ste Michelle, Columbia Crest H3, Columbia Crest Two Vines, Columbia Crest Grand Estate, Erath, among others, from various States such as California, Washington and Oregon.

As new American wines emerge in the Panamanian market, some are more sophisticated and expensive, while others offer new options for purchasing good, affordable wines. Panama is still a small, family-oriented community, and yet it is a country that is rich in many cultures and growing fast. Therefore, there is an opportunity for small sellers' marketing efforts to reach a variety of consumers who would multiply their outreach by word of mouth.

Even though current budgets may not permit larger marketing outreach events, there are still opportunities for smaller-scale marketing activities. Visits of U.S. wine producers to the local market to present their product and introduce themselves to the key players in the wine industry within the country would be an excellent way to open doors. Making visits to the many restaurants, as well as reaching out to chefs and food and beverage managers to introduce and recommend products, makes a positive impression and creates good opportunities for the product. Many maître d' are responsible for the promotion and subsequent success of a new wine product. It is notable that participation in local wine fairs and events has also rendered benefits to some of the companies representing new U.S. wine brands in the market. Another low-budget effort would be hosting in-house events at local stores, restaurants or diplomatic residences.

Competitors in the market have been aggressive in their campaigns with promotional activities such as:

- Offering wine tasting events at hotels to promote their brand, lineage, etc.
- Vineyards bringing oenologists to explain the quality characteristics of their product and offering pairing dinners at hotels and restaurants. Sometimes these events are announced in the media and there is charge to participate. The events could be dinners and/or cocktails with snacks, videos, advertising items, etc.
- Joint events with restaurants that announce special menus paired with the wine to be promoted.
- Promoting the wine at local wine stores or other points of sale with wine information and special introductory prices.
- Using local and/or important holidays such as Mother's Day, St. Valentine's, Father's Day etc. when people normally dine out to offer special wine promotions.
- Using brand managers and local wine stores that would specially promote their product and make the adequate approach/marketing with hotels and restaurants to recommend their product.

Upcoming wine fairs in Panama City that could be used as an excellent promotional source are:

Feria de Vinos de Varela Hermanos to be held July 18-19, 2013 at Hotel Riu

Contact Info: Patricia Porras, email pporras@varelahermanos.com, telephone (507)215-1510

Panama Gastronomica to be held August 30 – September 1, 2013 at Atlapa Convention Center

Contact Info: info@panamagastronomica.com, www.panamagastronomica.com, info@partnerscorp.net
telephone (507) 392-0292

Felipe Motta Wine Fair to be held October 17-18, 2013 at Hotel Riu

Contact Info: Virginia Aizpurua, email vaizpurua@felipemotta.com, telephone (507) 269-6633

These fairs offer great opportunities to reinforce and/or present product to the local market as they have vast exposure within local communities interested in wines and gourmet items, in addition to the activity receiving wide local press coverage. Main wine producing countries such as Argentina, Australia, Chile, France, Greece, Italy, Spain, and Uruguay participate in these events, which usually run from 4 to 9 pm for two days and tend to be a nice social gathering for customers. California has always been present at these events. Each stand usually offers a maximum of five wines to taste, and sometimes stands are shared among two companies. You may contact the above listed addresses for greater details about participating in these events.

The quality of U.S. wines should be reinforced and maybe also promoted among the wine clubs that exist in the country, again, as a marketing effort that would gain a lot of recognition by word of mouth recommendations, which is very effective in this country.

Free Trade Promotion Agreement benefits for wines and spirits is as follows:

HTS Codes	Description	Base Rate	Phase Out	Sales Tax
22041010	Sparkling Wine (Champagne)	10%	10 years	10%
22042111	With alcohol above 20% by volume	15%	5 years	10%
22042119	Not Elsewhere Specified	15%	5 years	10%
22042129	Not Elsewhere Specified	15%	5 years	10%
22042199	Not Elsewhere Specified	15%	Duty Free	10%
22043000	Not Elsewhere Specified Grape Must	15%	5 years	10%
22051911	With alcohol above 20% by volume	15%	Duty Free	10%

Law 15 of March 12, 2013 was recently approved, increasing taxes on liquors with retail prices below \$18.00 per liter and more than 4.99% of alcohol content. In this respect, the following table will be applied:

1. \$0.1325 tax per liter for beverages containing 0.6% to 0.4.99% of alcohol.
2. A linearly increase of \$0.04 per liter for those containing 5% to 20% of alcohol.
3. For liquors containing more than 20% of alcohol the linear tax will be \$0.062 per grade of alcohol per liter.

For alcoholic beverages with a wholesale price of more than \$18.00 per liter, sales tax will be calculated at a linear rate of \$0.105 per grade of alcohol content per liter. The law also states that all bottles should have a label indicating the country of origin, name of the manufacturer, name and type of liquor, quantity of the liquid content and percentage of alcohol content. If alcohol content is above 5% it should have a special identification and a tax stamp and the label should state its traceability. The above identification process is to be regulated. Sale of liquors containing more than 5% of alcohol will not be allowed without the above-mentioned label and tax stamp. Specifically for wines, sales tax will be calculated on the basis of its alcohol content as per the above table.

In summary, even though Panama is a small market, there is still room to grow U.S. wine exports and gain a larger share of the market. The U.S. wine producers and exporters need to reinforce the perception of the high

quality of U.S. wines and stress the fact that there are very good American wines for all budgets and many interesting and new tastes that consumers will want to buy again and again.