

Vintage time for wineries

The challenge is for growers to boost exports in a tough world market.

By **TIFFANY WOODS**
REUTERS

CASABLANCA, Chile — Julio Cornejo stops the truck and gestures at 334 acres of vines that Santa Rita, Chile's third-largest wine exporter, planted in 1998 and 1999.

"In March 2001 we will harvest our first production," the vineyard's administrator said.

Today the vines are maturing in this valley 50 miles west of Santiago. The land is part of thousands of acres of new plantations that will begin bearing fruit in the next few years in this South American nation that exported almost as much wine as the United States last year.

Chilean wineries' vats will bulge and they will have to step up their marketing and invest in infrastructure to store the wine, industry experts say.

"The market is super-competitive. Not only Chile will be growing but Australia, the United States, France and Spain are growing," said Matias Elton, general manager at Vina San Pedro, Chile's second largest wine exporter.

"More wine will enter the market and it will be very necessary that we continue advertising, showing our wines and going to fairs," Elton said.

Sandwiched between the Pacific Ocean and Andes Mountains, about 40 wineries in Chile produce about 2 percent of the world's wine and make up about 3 percent of world wine exports in terms of volume.

Although the numbers do not begin to match those of Old World masters like France, Italy and Spain, Chile has entrenched its brands on international shelves.

Exports have soared almost 5,000 percent since 1985, when they totaled \$10.9 million. The market has expanded to 97



HARVEST TIME: A worker in the booming Chilean wine industry unloads a crate of grapes at a vineyard west of Santiago, owned by the Franciscan Estates of California. Reuters photo/Martin Thomas

countries from 40. Last year wine made up 5.4 percent of Chile's non-copper exports, but work still lies ahead.

"It is necessary that Chilean wineries continue to make efforts to hold onto their stakes in markets in which they already participate, as well as position their brands in order to obtain stable growth in the future," ratings agency Duff & Phelps said in a report.

Santa Rita's maturing plantation

is just a drop in the wineglass. In the next three years up to 50,000 acres of new wine grapes will begin to produce in Chile, Duff said.

If local and foreign sales grow a conservative 5 to 6 percent a year, he said, in 2002 Chile will post a surplus of more than 100 million liters of wine made from three types of grapes: table, wine and pisco, also the basis for a hard liquor.

From 1994 to 1999, the number

of planted acres of wine grapes surged about 50 percent to 198,000, said Rafael Guilisasti, president of the Association of Vinas de Chile.

"In Chile, producers that want to evaluate future wine projects must take into account that returns are going to be less. It is necessary to be prudent. We recommend moderation in new plantations," he said.

Exacerbating the situation is an expected cooling of exports. For most of the 1990s Chile saw more than 20 percent annual growth in exports and in the value of those shipments.

"They're not going to keep that percentage," said Demetrio Zanartu, development manager at Vina Santa Rita. "We will need to work hard to keep a good rate of growth in terms of exports."

Owing in part to a 71 percent plunge in Japan's purchases, wine exports in 1999 grew only 2.16 percent to \$525.74 million compared with 1998, Vinas de Chile said. Industry experts said this was the lowest growth rate in a decade.

Export volume in 1999 dipped 0.46 percent to 234.16 million liters, the group said.

Chile's wine exports will rise about 10 percent this year to about \$580 million, Vinas de Chile predicted. Wine exports in the first quarter of this year rose 23.70 percent over last year to \$115.73 million, the ChileVid lobby said.

Export volume climbed 20.96 percent to 52.29 million liters in the first quarter against January-March 1999, it said.

Zanartu did not think the trend would continue for the rest of the year. He said some clients might have purchased their full-year stocks in the first quarter. "I would prefer to say (exports will be) in the 10 percent range."

The home front is not offering much help either. With beer as a substitute, the local market, which drinks about half of Chile's production, consumed 19 liters per capita last year, down from almost 45 liters 20 years ago, Duff said. France and Italy, by comparison, each consume about 40 liters per capita annually.