

Chile—Hot, Like Never Before!

Americas correspondent

ROBERT M. NICHOLSON, International Wine Associates



Chile has produced wines since the 1700s but has never experienced such growth as it is now seeing. The recent explosion onto the world market that started modestly in the mid 1980s is expected to continue for the next few years, as Chilean wines are increasingly well received in major world markets.

To understand just how well Chilean wine has been received internationally, look at their export growth. Between 1984 and 1996 exports of Chilean table wine increased from 5 million litres with revenues of \$7 million to 175 million litres for a value of \$280 million. The following charts detail export revenues and shipments for bottled and bulk table wines in recent years. The 1996 export numbers reflect 11 month actual figures averaged to 12 months.

Total production from the 1996 harvest is estimated to have been 380 million litres. Annual domestic market consumption accounts for 210 million litres of lower priced non-export quality wine (at a declining 14 litres per capita).

Total grape plantings, from the January 1996 survey information, are 116,000 hectares (50,000 table grapes, 9,700 pisco grapes and 56,000 winegrapes). Bearing and non-bearing acreage for the classic varieties (Chardonnay, Sauvignon Blanc, Cabernet Sauvignon and Merlot) total 27,000 hectares (a 6% increase over the 1995 survey and 15% ahead of 1994). Bearing acreage is projected to increase by 2,000 to 2,500 hectares in both 1997 and 1998 and by 3,000+ hectares in 1999.

At conservative yields these new plantings will bring an additional 70 million litres of Chilean varietal wine onto the international market by the year 2000. The Chilean industry is now questioning whether they have enough acreage planted to keep up with world demand for their products. And based on trends for the last few years they are right to do so.

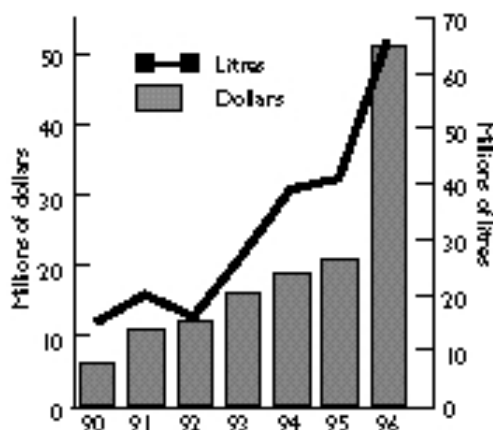
Last year Chilean shipments to the USA and UK accounted for 45% of export volume and 47% of export revenues. The USA has always been Chile's largest market, accounting for one third of total wine exports. Shipments to the USA more than doubled to 54 million litres or 6 million 9 litre cases in 1996.

Of this total 30% was shipped in bulk to make up for the shortfall in recent California and Washington state harvests, which cannot expect to continue once bearing acreage in the USA comes into production. However, bottled shipments also continued their surge by over 70% in revenue and 55% in volume against 1995 to over 4 million cases and Chile now follows Italy and France as the third largest exporter to the market. Two brands from the Concha y Toro group of companies control over 50% of the market (Concha y Toro and Walnut Crest). The other strong brands are Santa Rita and Santa Carolina. The Robert Mondavi joint-venture with Errazuriz launched the re-packaged Calliterra brand in 1996 with all the product being bulk shipped to Mondavi for US bottling.

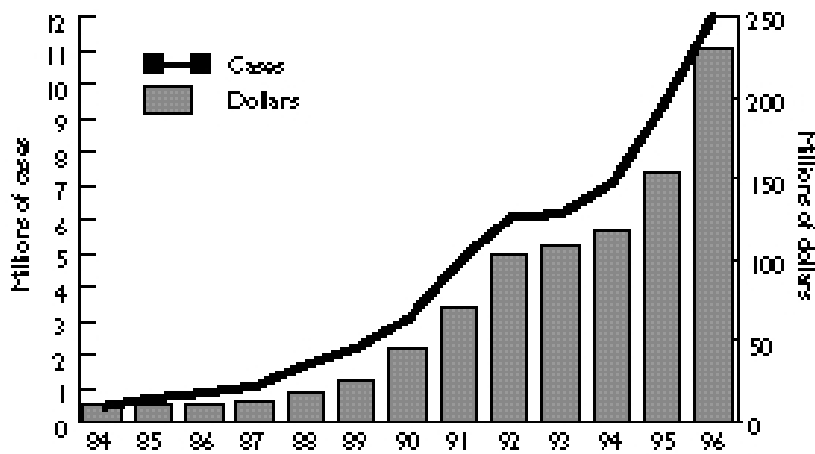
Shipments to the UK shot ahead by 82% in volume to 25 million litres for a value of \$46 (+77%) million as Chile continues to fill critical price points in supermarkets recently vacated by California, Australia and other suppliers. □

Sources: Chilean Exporters Association
Catastro del Vinedo Chileno

ROBERT NICHOLSON is one of the principals of International Wine Associates, a management services company based in Healdsburg, California, that works with wine companies throughout the world on general management, financial, strategic planning and marketing matters and structures joint-ventures and buys and sells companies in the industry. He can be reached by fax at 707/433 7519 or by e-mail wineweb@aol.com



Chilean bulk wine exports to all markets (millions of \$; millions of litres)



Chilean bottled wine revenue all export markets (millions of US\$; millions of cases)