

CHILEAN WINE in India

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Current Trends & Outlook - India



India's first winery was established during 1980's and by 2000 there were just six operating wineries. However, the industry has expanded significantly over the past decade and by end of 2011 it is expected that it would have approximately 100 producing wineries.

While there are no official statistics and industry estimates vary significantly, wine production is estimated to have increased rapidly from 3.6 million liters (400,000 cases) in 2003 to an estimated 13.5 million liters (1.5 million cases) during 2010.

While there are over 200 million regular drinkers of whisky, rum and beer, consuming an estimated 200 million cases of alcoholic beverages annually, the wine drinking community is estimated at just one to two million people drinking an estimated 12-13 million liters (1.3 to 1.4 million cases) annually.



Wine drinkers are drawn largely from the estimated 20 million upper income consumers (one-to-two percent of the population) in India.

With India's steadily expanding economy, these consumers tend to have rising levels of disposable income, greater exposure to foreign foods through travel and a willingness to try new products. Other factors bode well for the development of a wine market in India such as high levels of education, a young population in which 50 percent of people are under the age of 25.

A growing awareness of health issues is also prompting some consumers to switch to wine from beverages with higher alcohol content. In urban areas, serving wine at dinner events is becoming increasingly common and consuming wine can be considered a sign of status.



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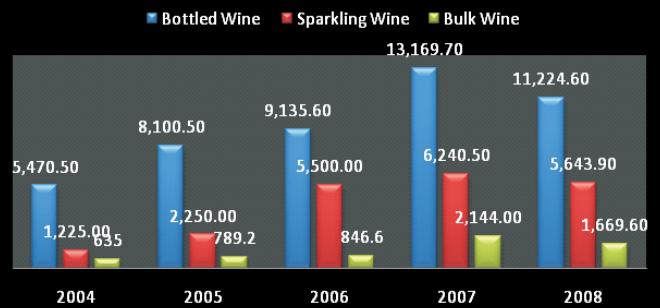
Current Trends & Outlook - India



It is interesting to note that in India, approx. 80% of market is shared by three major players namely Indage, Sula and Grover and rest 20% by other wine manufacturers. While 75% of the total wine market is shared between domestic majors like Sula, Indage, Grovers, ND Wines and Vintage, 13% by other domestic players and rest 12% by foreign suppliers respectively. As per the recent estimates, the production and consumption of wine are expected to increase by 25 to 30% over next decade.

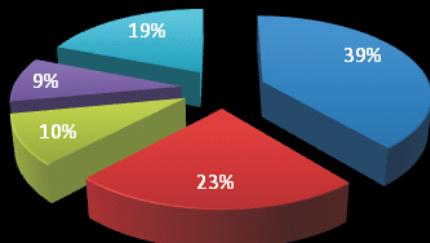
Red table wine is the favourite among Indian wine consumers and accounts for an estimated 52% of all wine sales. White table wine being the second most preferred type of wine, accounts for an estimated 40% of the volume sold by the industry. Sale of Rose wine, Sparkling wine and Vermouth wine together account for the remaining 8% of the wine market in India.

Product Segmentation



Demographic Segmentation

■ Mumbai ■ Delhi ■ Bangalore ■ Goa ■ Other States

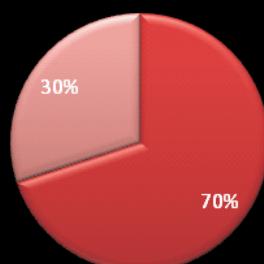


On-trade businesses such as hotels, bars, pubs and restaurants accounts for 70% of the sales in the domestic market of India. Remaining 30% of the sales come from retail outlets such as specialist retailers, foreign embassies, supermarkets and hypermarkets.

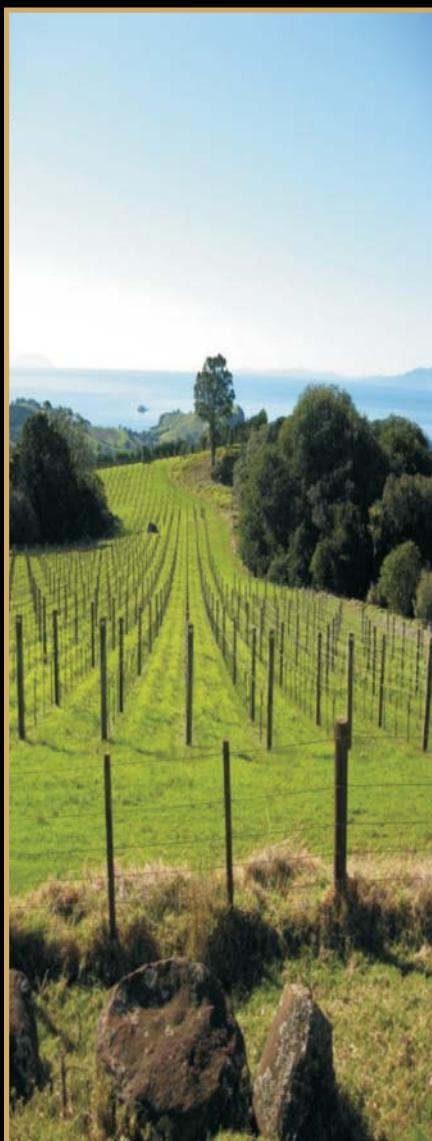
New Delhi, Mumbai, Chennai, Kolkata, Goa and Bangalore together accounts for 80% of total wine consumption. West India accounts for over 41% of total volume sales of wine in India, followed by North India, which accounts for 29% of volume sales.

Market Segmentation

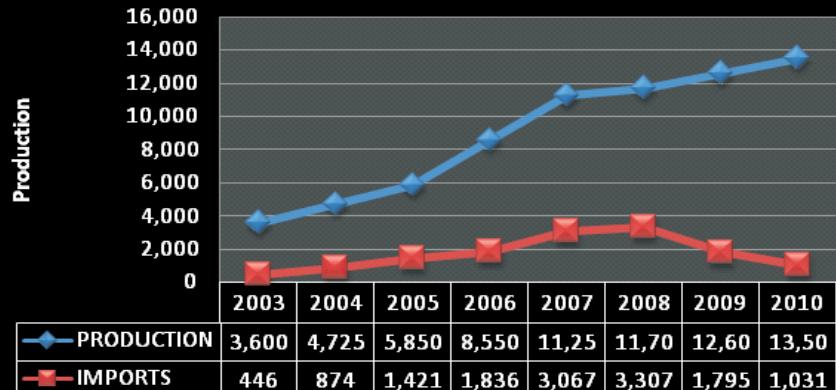
■ On-Trade ■ Retail Trade



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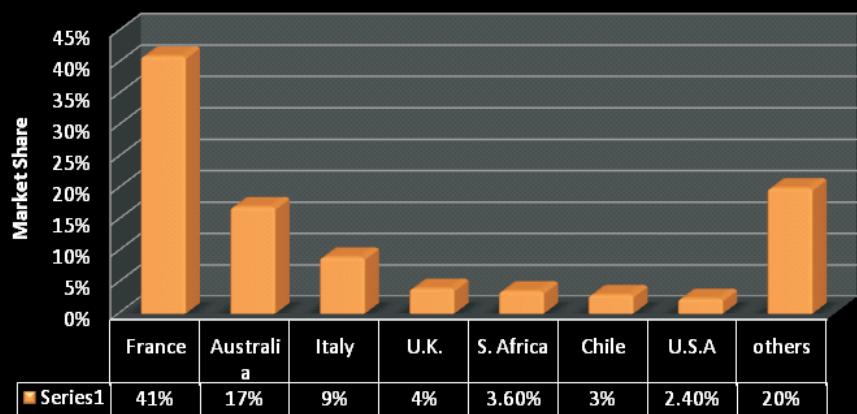
Domestic Production Vs Import



For the last 3 years, wine imports had been showing a downward trend but, it has again picked up momentum & it is expected to touch figures that were there in 2008.

India has been importing wines mainly from France, Italy, Australia, Singapore, USA and UK. However, with the growing interaction with Latin American countries and signing of many bilateral and preferential trade agreements with these countries, a series of opportunities have been created for companies from both sides including in the field of wine import and export. Indian market, because of the high projected consumption pattern and opportunities of growth that it offers to the wine industry, has now began attracting major wine producers from Latin American Countries including Argentina, Uruguay, Peru, Mexico and Chile.

Major Exporters



France is the major exporter of wine with a market share of 41% followed by Australia with 17%, Italy with 9%, United Kingdom with 4 %, South Africa with 3.6%, Chile is the sixth provider with market participation of 3% and USA with 2.4%.

Chilean Wine in India - Opportunities



Current Scenario

Chile, in bottled wine has achieved a progressive position in the Indian market in the last four years. It is demonstrated by the fact that in 2004, it was the sixth provider with a participation of 3.94% in the market and in 2008 it transformed into being the **fourth provider** with market share of 4.9 % as shown in table below.

With regard to 2008 average annual prices of wine, United Kingdom stands out with USD 8.81/ liter, followed by France with USD 8.69/litre, Italy with USD 6.17/ litre, Australia with USD 4.21 / litre, Chile with USD 3.26/litre & USA with USD 3.21. This reflects the Chilean tendency of placing itself in the upper intermediate segment with wines of prestige and international quality.

Country of Origin	2004	2008
	USD (in Thousands)	Litres
FRANCE	3,257.4	905,847
AUSTRALIA	859.9	1,054,000
ITALY	879.1	276,999
SINGAPORE	105.1	75,450
UNITED KINGDOM	583.8	69,944
SOUTH AFRICA	52.1	686,389
CHILE	316.9	180,226
USA	408.5	155,636
SPAIN	90.7	108,645

Courtesy, ProChile Commercial Office
Embassy of Chile, New Delhi, India
www.prochile.cl | www.chileinfo.com

The recent data published by **ECLAC** demonstrates that Chile has moved farther and faster than any other country in South America and that's why this country is considered as a model in Latin America. The Global Competitiveness Report data by World Economic Forum, 2010-2011 ranks Chile as 30th most competitive country in the world and the first in Latin America. Chile's average annual GDP per capita growth has been 4.4% since 2000 and market optimism has run so deep that the private sector has voiced the possibility that Chile will return to annual growth of 7%, which it achieved from 1987 to 1997, a period known as the "Golden Decade."

Chile's open markets, privatization and preferential trade agreements have helped its economy to grow during the last two decades, thus playing a big role in the growth of its industries, especially its wine industry. In the wine sector Chile has played a lead role with the national industry growing exponentially.

In the last 2 decades, Chile with the help of its rising export figures has gained reputation as a global producer of excellent wines and spirits. Flavor, color and centuries of experience, are some of the features that make Chilean wine one of the popular wines of the world. The valleys of Chile receive an ideal combination of soil, sunlight, temperature and humidity, which lead to world class grapes and hence the world class wine.

Two important factors that have helped the exponential growth of Chilean wine are:- 1. Its geographical location, 2. Its climate - similar to other important wine regions around the world such as Europe and some US wine regions. A Low land and labor costs give Chile an advantage over other wine producing nations. During the last decade Chile's open market, privatization and free trade agreements with leading economies of the world provided required acceleration to the Chilean wine industry.

Chile currently ranks 1st in the global league of wine exporting countries against domestic consumption, ahead of any other wine manufacturing country. Foreign investment has significantly influenced development of the Chilean wine industry. Today, Rothschild, Pernod Ricard, Kendall-Jackson, Francisco State, Bruno Prat are among those international vintners which have made substantial investments in the Chilean wine industry.

Growth in production in the last decade is closely linked to increasing demands from abroad. However, it should be noted that Chilean government has taken many proactive measures to promote this industry. The Chilean government has heavily invested in up gradation of technology that in turn has resulted in increase of production. Also, government is helping the manufacturers in marketing their products abroad by establishing Pro Chile offices in major economies of the world.

In the Indian context, strategic collaborations and partnerships with Indian importers have helped Chilean Exporters increase their market share. While leading wine exporters have witnessed a downward trend in their exports to India between 2008-2010, Chile continued to maintain its upward movement. Thanks to proactive role played by Chilean government through its Pro Chile office in India.

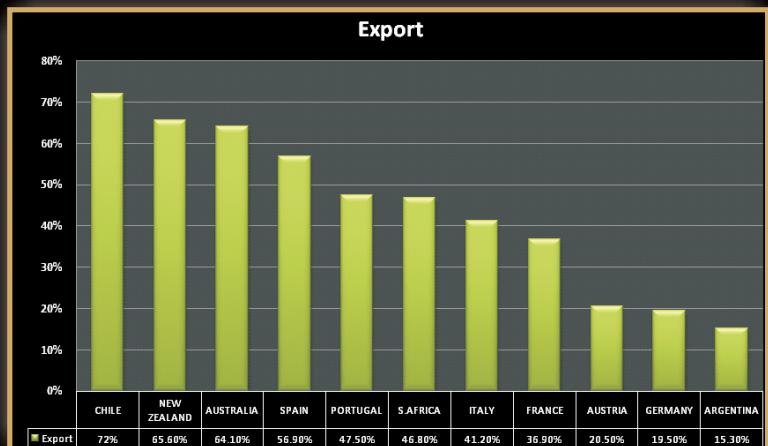


Chilean Wine in India - Facts & Figures

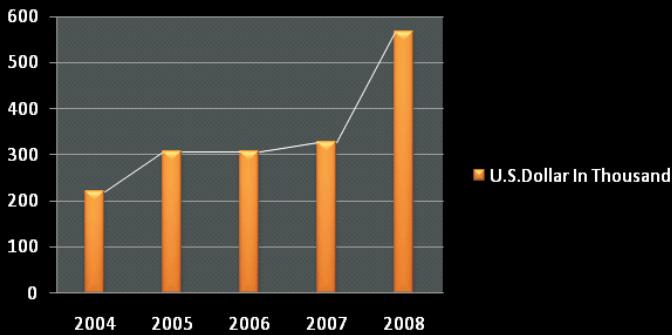


Until last decade, wine exports from Chile was directed towards European countries which accounted for 50% of total exports by Chilean wine manufacturers. High competition within European Market and comparatively better avenues in Asia has prompted Chilean wine exporters to look for new destinations in the region. It has become imperative for Chilean wineries to device a strategy well in advance to compete in a totally new emerging market which currently constitutes only 6% of their total exports. India being very new for Chilean wine exporters in Asia, the principal market is Japan, with 65% of total sales in the region.

New wine producing entrants have appeared in Latin America, Europe, United States, Australia and New Zealand. International trade patterns and shares have thus shifted with the new market entrants increasing their exports not only to traditional European markets but to other importing regions as well. Chile stands tall when it comes to export of wine, 72% of total production is exported which is quite high compared to other wine manufacturing countries. Looking at white vs red wine production, again Chile holds number one position with 78% red wine production.



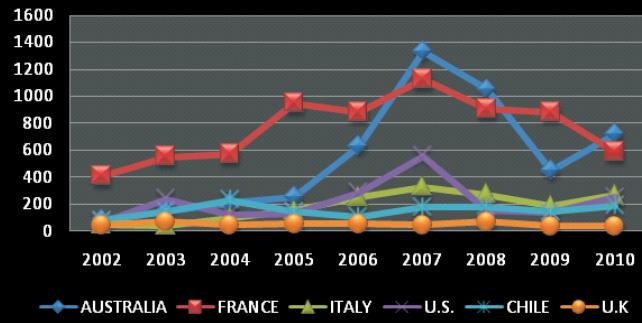
Chile Wine Export To India



In the last four years, Chile has achieved a major position in the Indian market. This is demonstrated by the fact that in 2004, Chile was the sixth provider of bottled wine with a share of 3.94% in the market and in 2008 it transformed into the fourth provider with 4.9% of the market share.

As wine imports in India have been showing a downward trend for almost every wine exporting country and major exporters confirm the drop reflected in Indian import statistics, indicating that exports of wine to India dropped from 4.3 million liters in 2007 to 2.2 million liters in 2009. Export and Import data shows a modest rebound in Indian wine imports during 2010 to 2.6 million liters, 40% below the 2007 peak. However, the Mumbai terror attacks of November 2008, the global financial situation and the imposition of stiff excise fees in the major consuming states lead to a drop in imports but still Chile maintained its upward movement compared to other major wine exporting countries.

Major Suppliers (1000 ltr.)



Chilean Wine in India - Varieties



Chile has wide range of styles in Wine on account of diversity of its climate from north to south, added by influence of the Andes and the sea. Chile is a viticultural paradise with a unique combination of diverse geographical areas and Mediterranean climate where organics and biodynamics are perfectly viable for eco-friendly wine growth.

Chile stands tall when it comes to export of wine, 72% of total production is exported which is quite high compared to other wine manufacturing countries. With nearly 500 years of its wine making history, Chile's wine industry is still fresh, young and innovative and its wines are now available in more than 90 countries spread into 5 continents with an access to 86% of the world's GDP and 2.5 billion potential customers across the world. A wide variety of grapes and wine styles are produced throughout the country from crisp Sauvignon Blanc, lush Chardonnay, zippy Riesling or fragrant Viognier to vibrant Pinot Noir, juicy Merlot, spicy Syrah, classic Cabernet Sauvignon, to their very own Carmenère.

Below is the list of different varieties of Chilean wine well acknowledged world over. The wine brands from Chile are gaining popularity globally and which helps Chile in portraying fresh outlook apart from being the world's leading exporter of natural resources.

AGUSTINOS GRAN RESERVA (PINOT NOIR)

This Pinot Noir is 100% pure and is harvested from the Bio Bio valley. One of Chile's southernmost wine producing regions. This Pinot Noir undergoes malolactic fermentation and is aged in French Oak barrels.



ALMAVIVA

Dark ruby-colored, it exhibits an expressive bouquet of wood smoke, pencil lead, blackcurrant, and blackberry. Elegantly styled and impeccably balanced, it will evolve for several more years and drink well through next decade at least.



ANAKENA ONA SYRAH

Anakena's ONA line of premium wines has been garnering praise in the last few years. The ONA Syrah originates from Chile's Rapel Valley. It spends 10 months in French Oak barrels.



CASA LAPOSTOLLE CLOS APALTA

This Chilean red wine has blend of Cabernet Sauvignon, Merlot, Carmenere, and Petit Verdot. In 2008, Wine Spectator magazine named the 2005 Clos Apalta, its Wine of the Year.



CONCHA Y TORO DON MELCHOR CABERNET SAUVIGNON

Concha y Toro's Don Melchor has consistently been rated one of Chile's best wines. This is a big and bold Cab from Chile's Maipo Valley. Don Melchor has been one of Chile's most highly awarded wines year after year.



CONCHA Y TORO CARMÍN DE PEUMO CARMENERE

This maybe Chile's most highly scored Carmenere. "The Carmin de Peumo is the winery flagship and a candidate for Chile's finest wine."



Chilean Wine in India - ProChile



DE MARTINO ESTATE MERLOT

This sensually expressive Merlot is packed full of raspberries and cherries supported by a mildly tannic backbone, and topped off with a dusting of toasty oak flavours.



MONTES PURPLE ANGEL

Purple Angel is a blend of 92% Carmenère and 8% Petit Verdot from the Colchagua Valley. Of this, half of the Carmenère comes from Montes' La Finca de Apalta estate, bringing sophistication and elegance.



Mr. Nestor Riveros Talks about chilean wine



pro|CHILE



Mr. Nestor Riveros, Minister Counsellor and Head of ProChile, the Commercial Office of Embassy of Chile in India in an exclusive interview with our editor in chief Prof. Ravi Kumar said that his office has set many goals to promote Chile - India Commercial relations and it aims at making Chile the second largest wine exporter to India in next three years. This could mean Chile sharing approx. 18% of the wine import market of India with a portfolio of at least 60 regular brands.

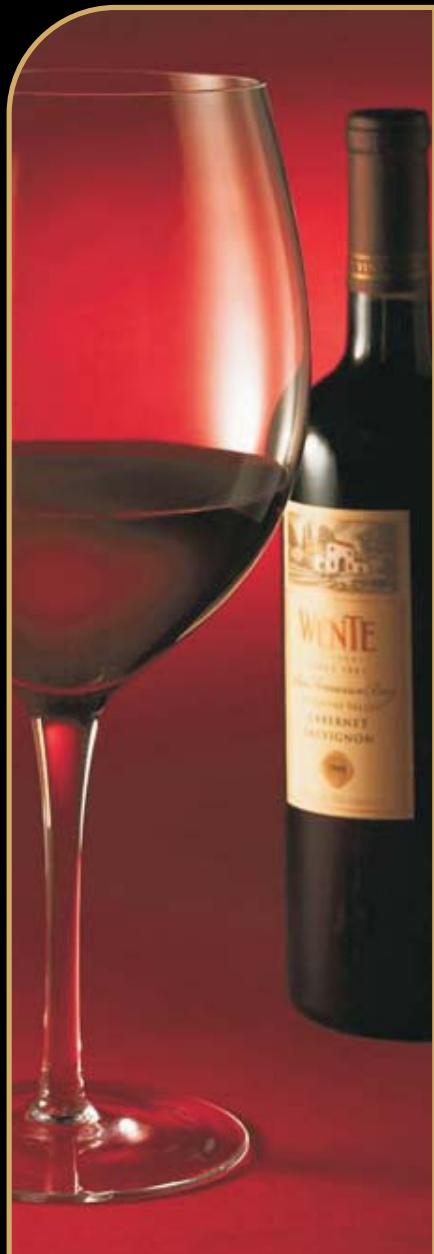
He also mentioned that Chilean Wine has much more to offer to Indian consumers. For promoting Chilean wine, he said, “The Chilean strategy will be to promote quality wines oriented to the intermediate upper segment”. He is quite confident about future of Chilean wine in India and stressed on the following:

- ♦ Chile exports its best wine production, not its surplus.
- ♦ The consumption of Chilean wine grants the best Value for Money.
- ♦ Chile offers Carmenere, the exclusive variety of Chilean wine.
- ♦ Chilean Wine is the only variety not contaminated by pests or plagues.

Mr. Riveros also emphasized that India should expedite discussions on widening the Free Trade Agreement with Chile for mutual benefits. Chile has various types of free-trade agreements with 58 countries, including the U.S., China, and the European Union, representing 60% of the global population and 90% of the global GDP. The Free Trade agreement with Chile will give India a greater access to the rest of Latin America and North America. Mr. Riveros said “Ours is an open economy. Chile is a partner whom India should trust. The FTA will enable India to do business faster than what it is doing today. FTA will result in reciprocal investment, cultural and academic exchanges; science and technology cooperation and expand bilateral trade.”

ProChile Commercial office in New Delhi is working extensively to promote the food sector including fresh fruits, processed fruits and vegetables, wine – an area in which a concerted effort is on to highlight Chilean wine in the international markets and Seafood including salmon and trout.

Chilean Wine in India - Challenges ahead

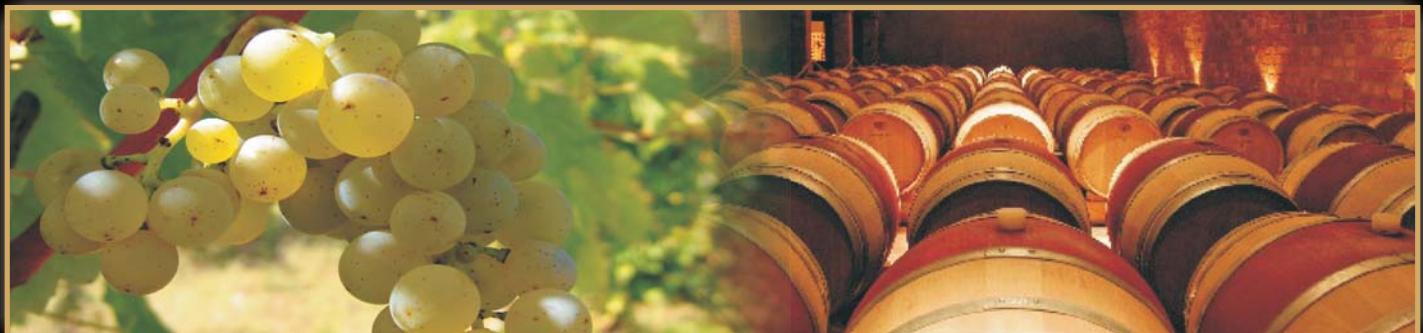


During an interaction with the research team of HispanicIndia and Mr. Sandeep, Marketing Manager of ACE Beveragez, several key issues were discussed. Amongst these issues, the most important ones were the government policies towards wine import as well as wine industry in general. It is striking to note that Indian government is yet to come out with a proactive program to promote the wine industry of India which has a very high growth potential. At one side government is yet to get away with the protectionist policy and on the other hand it has not yet taken concrete steps to promote domestic production. Mr. Sandeep expressed his anguish while stating that "government is neither reducing the excise duty nor it is helping domestic players to formulate action plans to promote and market wine in India. He also expressed his concern over illicit practices being followed in the trade to evade tax that originates from the fact that there is no uniform taxation in India and state-level excise duties range between Rs25 and Rs500 per litre on Indian-made foreign liquor, or IMFL. The excise duty on wine ranges from Rs70 a litre to a high of 200% on the base price of the wine. Maharashtra imposes the highest duty of 200% of the declared cost of a bottle.

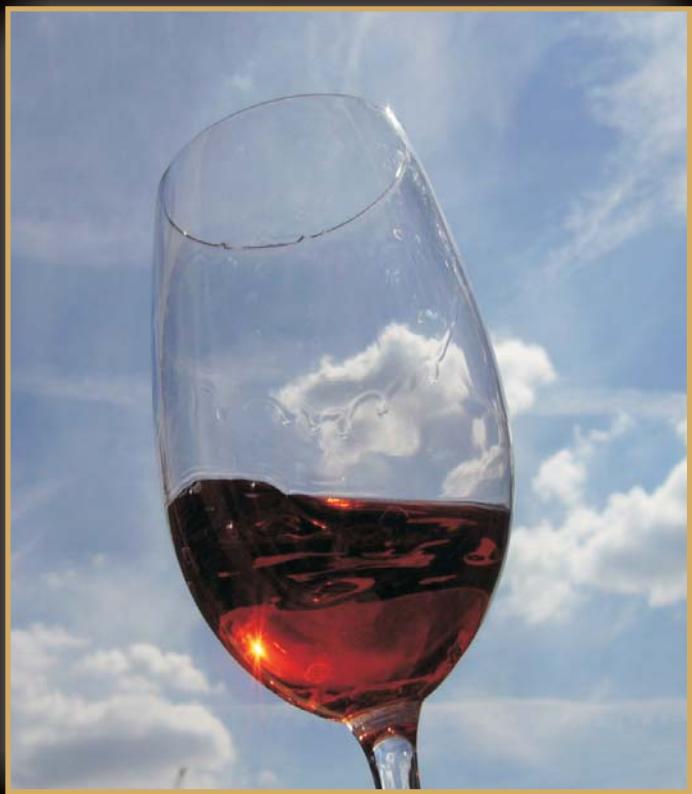
The price hike in Maharashtra and variations across the states has also led to increased grey market operations, as most of the states now follow a duty structure of 100% to 150%, according to some retailers in Mumbai. Additional VAT is also charged which varies from no VAT to 53%.

Mr. Mukesh Sinha from Brindco Ltd. talked about similar problems and highlighted some facts and problems faced by wine importers on different fronts right from import to distribution and collection of payment.

With the rising demand of Chilean wine in the world market due to its price and quality, blended with pro active support of its government, it is bound to take extra milage over other counterparts from Latin America in making inroads in Indian market. The price and quality combo offered by Chilean wineries is an added advantage which would further help them to reach affluent and ever growing middle class.



Major Importers & Exporters



Chilean Wine Exporters

Top 10 Chilean Wine exporters to India (by Volume)

1. Vina Concha Y Toro S.A.
2. Vina San Pedro S.A.
3. Vina Santa Rita S.A.
4. Montes S.A.
5. Vinedos Emiliana S.A.
6. Vina Caliterra S.A.
7. Soc.Vinicola Miguel Torres S.A
8. Baron Philippe De Rothschild M
9. Vina Tarapaca Ex Zavalal S.A.
10. Vitivinicola Del Maipo S.A.

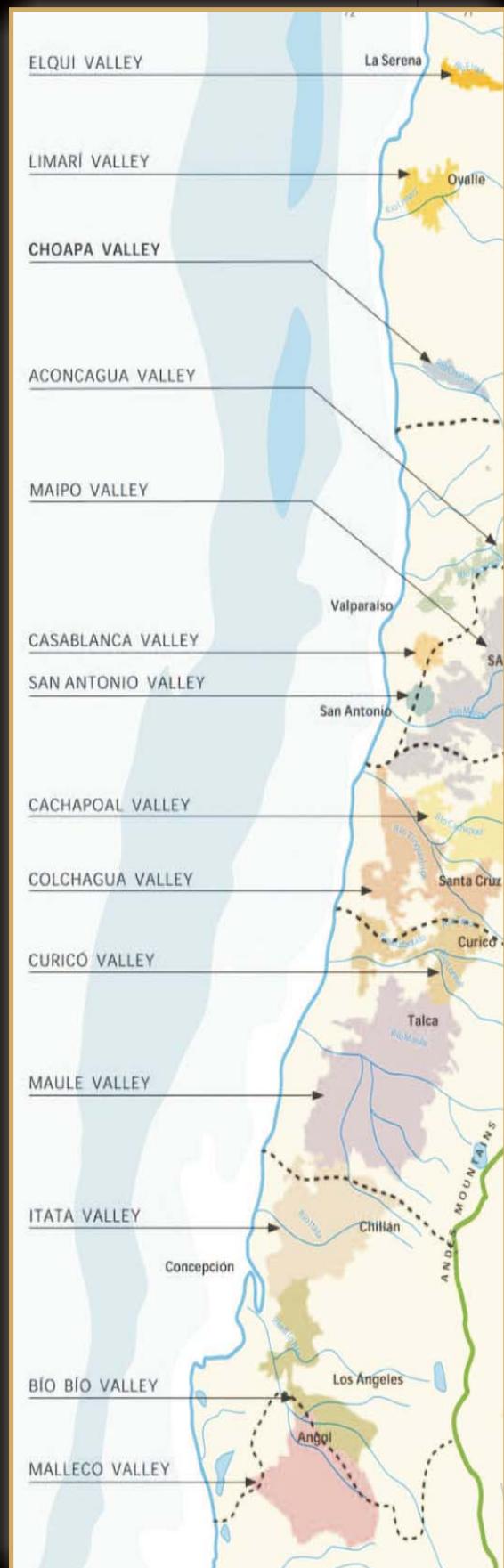
Indian Wine Importers

Top 10 Wine Importers in India (by Volume)

1. Brindco Ltd.
2. Sonarys Co Brands Pvt. Ltd.
3. Moet Hennessy India Pvt Ltd
4. Global Tax Free Traders Inc.
5. Hema Connoisseur Collections (P)Ltd
6. Pernod Ricard India Pvt. Ltd
7. Sula Selections
8. FineWinesnMore
9. Mohan Brothers (P) Ltd.
10. TT&G Trading (P) Ltd.



The Wine Regions of Chile



Denomination of Origin

Chile has four major demographic divisions, from north to south. Chile's appellation system, known as Denomination of Origin or D.O. is made up of four major regions, from north to south: Coquimbo, Aconcagua, Central Valley and the Southern Region. Each of these has several sub-regions, each with distinct climatic features and terroir.

Elqui Valley (D.O. Coquimbo)

Hectares planted: 508

Main grapes: cabernet sauvignon, chardonnay, merlot, carmenère

The area has long been known for its table grapes as well as Chile's distilled spirit Pisco.

Limarí Valley (D.O. Coquimbo)

Hectares planted: 1,667

Main grapes: cabernet sauvignon, merlot, chardonnay, carmenère

The Limarí Valley is both an old and new wine region. Cooler climate area near the Pacific and the Andes.

Choapa Valley (D.O. Coquimbo)

Hectares planted: 134

Main grapes: syrah, cabernet sauvignon

This region spans the narrowest point in Chile, and is divided into two sub-sectors: Illapel and Salamanca.

Aconcagua Valley (D.O. Aconcagua)

Hectares planted: 1,098

Main grapes: cabernet sauvignon, merlot, syrah, carmenère

Valley is 80 kilometre north of Santiago and is the last east-west valley above the Central Valley region, which runs north-south.

Casablanca Valley (D.O. Aconcagua)

Hectares planted: 3,852

Main grapes: chardonnay, sauvignon blanc, merlot, pinot noir

Chile's first cool-climate coastal region, famous for crisp, fresh wines that caught the world's attention.

San Antonio and Leyda Valley (D.O. Aconcagua)

Hectares planted: 327

Main grapes: chardonnay, sauvignon blanc, pinot noir

San Antonio is a sub-region of the Aconcagua Valley and is divided into four sectors: Leyda, Lo Abarca, Rosario, and Malvina.

Maipo Valley (D.O. Central Valley)

Hectares planted: 10,800

Main grapes: cabernet sauvignon, merlot, chardonnay, carmenère

Vineyards stretch eastward from Santiago to the Andes and westward to the coast to form three distinct sectors of the Maipo Valley best known for its well-balanced red wines.

Cachapoal Valley (D.O. Central Valley/Rapel)

Hectares planted: 10,889

Main grapes: cabernet sauvignon, merlot, carmenère, sauvignon blanc

Just south of Santiago, the Rapel Valley is Chile's agricultural heartland and further divided into two winegrowing sectors mainly red grapes.

Colchagua Valley (D.O. Central Valley/Rapel)

Hectares planted: 23,368

Main grapes: cabernet sauvignon, merlot, carmenère, syrah

The southernmost portion of the Rapel Valley is one of Chile's best known wine regions.

Curicó Valley (D.O. Central Valley)

Hectares planted: 19,091

Main grapes: cabernet sauvignon, sauvignon blanc, merlot, chardonnay

Winegrowing is this region's primary industry, where more than 30 varieties of wine grapes have been planted since the mid-1800s.

Maule Valley (D.O. Central Valley)

Hectares planted: 31,483

Main grapes: cabernet sauvignon, merlot, sauvignon blanc, carmenère

Maule is the largest, and one of the oldest, wine growing regions in Chile. It is made up of three climatic zones: coastal, mid-valley and mountain.

Itata Valley (D.O. Southern Region)

Hectares planted: 10,504

Main grapes: moscatel de alexandria, cabernet sauvignon, chardonnay

A low coastal ridge protects the vineyards from the cold Pacific winds and provides a sheltered lee side for the vines.

Bio Bío Valley (D.O. Southern Region)

Hectares planted: 3,524

Main grapes: moscatel de alexandria, cabernet sauvignon, pinot noir, gewürztraminer

The region, with its cool, damp weather, is becoming increasingly well known for organic wine growing practices.

Malleco Valley (D.O. Southern Region)

Hectares planted: 17

Main grapes: chardonnay, pinot noir

Low temperatures, high rainfall and risk of spring and fall frosts means growing in this area can be challenging, but doing so comes with major rewards.

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