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**Strategies of Argentinean Wineries
in Export Markets 2009-2011**

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Strategies of Argentinean wineries in export markets 2009-2011

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Abstract

Argentinean wineries experienced a tremendous 4-time growth in their export value between 2000 and 2012, while for the same period the average rise of world wine exports was around 70%. Today, Argentina is the 9th biggest wine exporter in the world. The country has succeeded in building "king of Malbec" notoriety and many of its wines rank as best sellers in foreign markets. This impressive growth is the result of the winning strategies wineries implemented years ago. Indeed, in the late 90's the industry changed its model to focus on the production of quality wines and the development of foreign markets. New marketing and communication tools were created and have strongly contributed to wineries' success. Two decades later, new challenges for this quality model appear. On the one hand, wineries' margins are threatened by high inflation in Argentina. On the other hand, higher buyers' concentration in foreign markets defines wineries' reduced bargaining power. A descriptive analysis, based on Argentina Customs Office data, was carried out to understand last years' performance and identify possible trends. Grape varieties, vintages, price, marketplaces and bottle sizes are described. Main differences between foreign markets are pointed out. Four different categories of wineries are described based on their export volume. Their specific strategies in terms of price segment are assessed allowing an identification of their different profiles. Results show the price upgrading strategy of the Argentinean industry. Cheap wines have traded up towards premium category as the only way to deal with inflation pressures. Whereas some expensive wine have traded down towards premium category in an attempt to conquer consumers threatened by the ongoing economic crisis.

Keywords: wine, export, wineries profiles, Argentina

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1. Introduction

In 2011, 409 Argentinean wineries exported to 122 countries. The increase in market coverage between 2009 and 2011 offered wineries the possibility to vary their sources of income as well as it provided them greater market exposure. The total value exported in 2011 reached U\$ FOB 716.157.661 for 20.825.765 cases of 9L. Between 2009 and 2011, volume and value of exports increased by 6% and 30% respectively defining Argentina as a major player in international wine trade. These results are even more impressive considering that world wine consumption only increased by 2% in volume during the same period (International Organization of Vine and Wine, 2012). Furthermore, world wine exports rose by 12% and 27% in volume and value between 2009 and 2011 (Global Trade Atlas), indicating that even if Argentina did not fully benefit from global volume growth, it performed well in value. The average price for a case of wine from Argentina was U\$ FOB 34,39 in 2011, up to 22% from 2009 while it only increased by 14% at global scale. A 44% rise of the Argentinean wholesale price index was noticed during the same period (Fundacion Mediterranea, 2013). As a consequence of this, wineries experienced loss in profitability, in different magnitudes depending on the strategies they adopted.

The aim of this paper is to describe the various strategies followed by wineries in foreign markets. To achieve this objective, the first section introduces methodology and data used in the scheme of the investigation. The second section provides an overview of the export situation revealing main markets, brands, grape varieties and vintages. Price, sales and positioning are explored in the second section. Then, wineries' strategies in the international market are reported. A focus on four types of exporters is proposed with in-depth investigation on wineries portfolio. Finally, conclusions are presented together with some suggestions on main challenges and opportunities Argentinean wineries have in international trade.

2. Methodology and data

Based on Argentinean Customs Office information, two different data sets were built for analysis. Available information included all export data for all Argentinean wineries towards all export markets during the years 2009, 2010 and 2011.

One data set was built for 2009, including 53.167 observations. For 2011, the data set included 61.285 observations.

For each observation the data set included the following variables: destination market, winery, brand, grape variety, vintage, bottle size, U\$ FOB and 9L cases sold.

For the analysis of wineries' strategic positioning, wines were classified into *extreme value* (< U\$ FOB 5,99), *fighting varieties* (U\$ FOB 6 - U\$ FOB 13,99), *popular premium*

(U\$ FOB 14 - U\$ FOB 23,99), *mid premium* (U\$ FOB 24 – U\$ FOB 33,99), *ultra premium* (U\$ FOB 34 – U\$ FOB 59,99), *luxury* (U\$ FOB 60 - U\$ FOB 119,99), *super luxury* (U\$ FOB 120 - U\$ FOB 399,99) and *icon* (> U\$ FOB 400).

Most of the analysis includes descriptive statistics, as the main scope of this paper is to portray the export situation of Argentinean wineries in 2009-2011 period. The main variables included in the data set were analyzed separately in an attempt to understand singular trends in the export market. Therefore, markets, wineries, brands, grape varieties, vintages, bottle sizes, U\$ FOB and cases sold were described. Absolute variations, compound annual growth rates and market shares are the main used indicators.

For the description of wineries' price positioning the total annual export value for 2011 was considered. With this data three groups of wineries were built and their strategies analyzed. The top 3 wineries were considered separately to avoid any distortion generated by their export value and volume.

3. General picture

Markets

In 2011, wines from Argentina were available in every continent of the world but their performance was mostly related to results obtained in North America. Indeed, the US and Canada accounted for 47% and 44% of total sales in value and volume. Together, Europe and North America represented more than 75% of export both in volume and in value. However, Argentina has sharply increased its presence in high potential markets such as Asia and South America, in an attempt to generate a more balanced portfolio.

Export value increased in every continent except in Africa where it registered an 11% drop. The situation for exported volume was slightly different. Indeed, 3 of the 7 analyzed areas bought less liters of Argentinean wine in 2011 than in 2009. It was the case in Europe, Middle East and Africa. Especially for European countries the main reason for this drop can be found in the economic difficulties experienced after the 2008 financial crisis. North America, South America, Asia and Australia registered growth both in volume and in value. Following a global trend for wine, premiumization of the offer was noticed in every marketplace. In the case of Argentina, wine's premiumization was not only encouraged by the wish to gain in quality, but also by the need to compensate high inflation rates.

Table 1. Argentinean export (in value) by continent in 2011

CONTINENT	VALUE (U\$ FOB)	SHARE (%)	ABS. VAR. ^a VAL. (2009- 2011) (%)	VOLUME (9L-Case)	SHARE (%)	ABS. VAR. VOL. (2009- 2011) (%)
NORTH AMERICA	369.987.896	51,7	29	10.162.477	48,8	9
EUROPE	190.429.916	26,6	15	5.910.414	28,4	-6
SOUTH AMERICA	108.982.424	15,2	51	3.477.543	16,7	13
ASIA	40.153.634	5,6	86	1.065.047	5,1	42
MIDDLE EAST	2.807.880	0,4	16	98.407	0,5	-14
AUSTRALIA	2.498.065	0,3	183	58.077	0,3	116
AFRICA	1.297.846	0,2	-11	53.800	0,3	-25
TOTAL	716.157.661	100	30	20.825.765	100	9

^aABS.VAR.: Absolute variation

Source: Argentina Customs Office 2011

In terms of individual countries, the biggest importer of Argentinean wine in 2011 was the United States who bought 7.083.561 cases for U\$ FOB 257.430.300 whereas the smallest importer, Burkina Faso, purchased 71 cases for U\$ FOB 1.760. The Argentinean export market is characterized by medium-high buyers concentration as four marketplaces accounted for 63% of the value and 61% of the volume exported in 2011 (see Table 2). Note that the ten biggest marketplaces accounted for 78% of the value and 76% of the volume exported in 2011.

Table 2. Buyers concentration in 2011

CONCENTRATION RATIO	VALUE (%)	VOLUME (%)
C4	63	61
C10	78	76

In terms of value, Canada and Brazil are in the second and third position in the ranking. Together with the United States, these countries accounted for 56% of exports. Between 2009 and 2011, main increase in value concerned the US (+36%),

and two countries belonging to the BRICS: Brazil (+64%) and China (+200%). In the US, Argentinean wineries benefited from global increase of the demand for wine, increasing Malbec popularity and increased wine knowledge. In Brazil and China,

“Brazil became the third biggest marketplace, overtaking the UK.”

they benefited from general economic rise and from the development of wine-culture. Brazil became the third biggest marketplace, overtaking the UK. The US consolidated its leadership and China became the sixth largest importer in value. The fastest growing markets were Nicaragua (+500% at U\$ FOB 300.000), Australia (+220% at U\$ FOB 2.200.000), China (+200% at U\$ FOB 16.300.000) and Taiwan (+120% at U\$ FOB 3.000.000).

The significant increase of the average price per case of Argentinean wine (+50% for China at U\$ FOB 40,87; +45% for Nicaragua at U\$ FOB 31,26; +29% for Australia at U\$ FOB 48,31; +24% for Taiwan at U\$ FOB 40,79), the arrival or increasing involvement of biggest importers in these markets as well as the development of luxury brands driving up value are at the origin of these fast growth in value. Most important declines were observed in Israel (U\$ FOB -600.000), Bahamas (U\$ FOB -600.000) and Denmark (U\$ FOB -600.000). The gap between biggest importers and smallest increased and so did bodegas dependence on a few importers.

In terms of volume, biggest importers were the US, Canada and Brazil. These countries concentrated more than 50% of all volume exported. Between 2009 and 2011, most important increase in volume was concentrated in the US (+1.300.000 cases), Brazil (+400.000 cases) and China (+200.000 cases). As a consequence, Brazil and China became the third and ninth major importers in volume. Among the fastest growing markets were Ukraine (+156%), Australia (+150%), Chile (+130%) and China (+100%). Main losses in volume, mostly due to price increase, were observed in price sensitive markets, such as Paraguay (-160.000 cases; +58% average price per case), and markets with high level of competition, such as Canada (-470.000 cases, +37% average price per case) and the UK (-360.000 cases; +36% average price per case).

Table 3. Ten biggest marketplaces (in value) in 2011

RANK	COUNTRY	VAL. (U\$ FOB)	SHARE (%)	PRICE/CASE (U\$ FOB)
1	UNITED STATES	257.430.300	35,9	36,34
2	CANADA	80.418.271	11,2	37,74
3	BRAZIL	63.724.609	8,9	32,94
4	UNITED KINGDOM	46.196.612	6,5	30,64
5	NETHERLANDS	38.135.921	5,3	30,04
6	CHINA	16.329.105	2,3	40,87
7	MEXICO	15.770.083	2,2	33,77
8	SWEDEN	14.338.482	2,0	33,70
9	SWITZERLAND	13.878.429	1,9	38,00
10	DENMARK	12.566.783	1,8	36,15
11-122	OTHER COUNTRIES	157.369.066	22,0	32,15
	TOTAL	716.157.661	100,0	34,39

Source: Argentina Customs Office 2011

Table 4. Ten biggest marketplaces (in volume) in 2011

RANK	COUNTRY	VOL. (9L-Case)	SHARE (%)	PRICE/CASE (U\$ FOB)
1	UNITED STATES	7.083.561	34,0	36,34
2	CANADA	2.130.828	10,2	37,74
3	BRAZIL	1.934.480	9,3	32,94
4	UNITED KINGDOM	1.507.907	7,2	30,64
5	NETHERLANDS	1.269.700	6,1	30,04
6	PARAGUAY	531.708	2,6	18,72
7	MEXICO	466.966	2,2	33,77
8	SWEDEN	425.535	2,0	33,70
9	CHINA	399.539	1,9	40,87
10	SWITZERLAND	365.227	1,8	38,00
11-122	OTHER COUNTRIES	4.710.314	22,6	33,96
	TOTAL	20.825.765	100,0	34,39

Source: Argentina Customs Office 2011

Among major importers, China was the country that paid the most per case of Argentinean wine (U\$ FOB 40,87) whereas Paraguay was the country that paid the least (U\$ FOB 18,72). The US, Canada, Denmark and Switzerland bought Argentinean

wine at a higher price per case than average (U\$ FOB 34,39), defining them as valuable marketplaces. Countries that paid the most per case of wine were Senegal, Pakistan, Bahrain, Hungary and Armenia but they remained as niche markets because of their limited volume purchased (inferior to 3.000 cases). Australia, British Overseas Territories and France, because of the price they paid and volume imported, were other valuable markets for exports. Countries that paid the least per case were Iquique tax free zone (U\$ FOB 11,07), Liberia (U\$ FOB 13,47) and Tanzania

“In 2011, China was one of the biggest importers that paid the most per case of Argentinean wine.”

(U\$ FOB 14,88) but volume exported to them was reduced. Between 2009 and 2011, countries that experienced an increase superior to 22% of the price per case such as the UK and Canada, generally lowered volume of their import and bought wines coming from countries with more stable prices. China and Brazil are exceptions to this phenomenon. Indeed, despite increasing the average price per case, China and Brazil bought

more volume in the analyzed period. On the other hand, countries where the average price per case remained stable or increased by less than 22%, such as the US, Mexico and Sweden, increased volume imported. These variations highlighted the fact that the performance of Argentinean wines in foreign markets was closely linked to the price-quality ratio of its products. Indeed, the reputation of the country was not always sufficient to balance the negative impact of price increase on sales in major foreign markets. As a consequence, the search for marketplaces that were less sensitive to price variation grew in importance. Exporting to new areas also contribute to reduce Argentinean wine industry dependence towards « traditional » North American and European markets.

Table 5. Price increase in major marketplaces between 2009 and 2011

COUNTRY	PRICE PER CASE -	PRICE PER CASE –	ABS. VAR. ^a (2009-2011) (%)
	2009 (U\$ FOB)	2011 (U\$ FOB)	
CHINA	27,27	40,87	50
CANADA	27,51	37,74	37
UNITED KINGDOM	22,58	30,64	36
BRAZIL	25,20	32,94	31
DENMARK	29,73	36,15	22
NETHERLANDS	25,19	30,04	19
SWITZERLAND	31,99	38,00	19
UNITED STATES	32,61	36,34	11
SWEDEN	32,32	33,70	4
MEXICO	33,52	33,77	1
WORLD	28,11	34,39	22

^aABS.VAR.: Absolute variation

Source: Argentina Customs Office 2009 – 2011

Exporters

The number of wineries operating in the international market increased between 2009 and 2011 to reach 409 exporters. A great diversity in exporters' profiles was observed. Indeed, the biggest exporter made U\$ FOB 97.425.408 for 3.592.610 cases sold while the smallest exporter made U\$ FOB 800 for 10 cases sold. Only 4.4% of exporters sold more than 300.000 cases; 4.4% sold between 100.000 and 300.000 cases, and the great majority, 91.2%, sold less than 100.000 cases. The analysis of exporters concentration ratio revealed that there was a low to medium concentration of exporters in 2011. Thus, the four biggest exporters represented 34% of the value and 39% of the volume, while the ten biggest exporters accounted for 50% and 54% of the value and volume exported in 2011 (see Table 6).

Table 6. Exporters concentration in 2011

CONCENTRATION RATIO	VALUE (%)	VOLUME (%)
C4	34	39
C10	50	54

Most powerful actors were Peñaflo Group, Bodegas Esmeralda and Bodega y Viñedos La Agrícola. These three groups, also called “big 3”, accounted for one third of total export. They were also responsible for 40% of the total growth in value between 2009 and 2011.

Table 7. Biggest exporters (in value) in 2011

RANK	WINERY/GROUP	EXPORTS VALUE (U\$ FOB)	SHARE (%)
1	GRUPO PEÑAFLORES S.A.	97.425.408	13,60
2	BODEGAS ESMERALDA S.A.	80.032.005	11,18
3	BODEGA Y VIÑEDOS LA AGRICOLA S.A.	37.489.382	5,23
4	TRIVENTO BODEGAS Y VIÑEDOS S.A.	30.796.566	4,30
5	BODEGA NORTON S.A.	25.557.614	3,57
6	FINCA FLICHTMAN S.A.	19.432.771	2,71
7	BODEGAS SALENTEIN S.A.	17.692.309	2,47
8	BODEGAS CHANDON S.A.	17.480.818	2,44
9	LEONCIO ARIZU S.A.A.I.C.	16.724.928	2,34
10	VIÑA DOÑA PAULA S.A.	14.202.447	1,98
11-409	OTHER WINERY/GROUP	359.323.413	50,17
	TOTAL	716.157.661	100,00

Source: Argentina Customs Office 2011

Despite Argentinean exports increased between 2009 and 2011, many wineries had decreasing sales in foreign markets. Indeed, numerous wineries, and especially the ones trading in the fighting varietal segment (U\$FOB 6-13,99 per case) experienced severe decrease in volume. However, volume sold by biggest exporters and premium wineries counterbalanced fighting varietal losses. Leaders in volume were Peñaflores Group, Bodegas Esmeralda and Bodega and Viñedos La Agrícola.

Table 8. Biggest exporters (in volume) in 2011

RANK	WINERY/GROUP	EXPORTS VOLUME (9L-Case)	SHARE (%)
1	GRUPO PEÑAFLORES S.A.	3.592.610	17,25
2	BODEGAS ESMERALDA S.A.	2.108.462	10,12
3	BODEGA Y VIÑEDOS LA AGRICOLA S.A.	1.242.834	5,97
4	TRIVENTO BODEGAS Y VIÑEDOS S.A.	1.171.946	5,63
5	FINCA FLICHTMAN S.A.	697.465	3,35
6	BODEGA NORTON S.A.	615.828	2,96
7	BODEGAS SALENTEIN S.A.	536.790	2,58
8	FECOVITA COOP. LTDA.	525.975	2,53
9	RPB S.A.	428.148	2,06
10	PERNOD RICARD ARGENTINA S.R.L.	405.198	1,95
11-409	OTHER WINERY/GROUP	9.500.509	45,62
	TOTAL	20.825.765	100,00

Source: Argentina Customs Office 2011

Brands

In terms of brands, 2.470 were available on foreign markets in 2011 (2.175 in 2009). Turnover made by a single brand ranged from U\$ FOB 200 to U\$ FOB 27.517.747 for a volume dispersion of 2 - 821.265 cases of 9L. The most expensive brand, *Bressia Ultima Hoja* by Bodega Bressia, was sold at U\$ FOB 1.435 per case for 3 cases sold in 2011. In 2009, the most expensive brand (*Cobos Nico* by Viña Cobos) was sold at U\$ FOB 1.035,39 for 147 cases sold. The cheapest brand, *Uvita* by RPB S.A., was sold at U\$ FOB 9,81 per case, 12.398 cases sold in 2011. In 2009, the cheapest brand (*Uvita*) was sold at U\$ FOB 7,93 for 92.748 cases sold. Most successful brands in overall value were Alamos, Catena and Trapiche Roble. Note that Alamos and Catena, two brands that together accounted for 6% of overall export value, belonged to the same group. The ten biggest brands represented 17% of the export value in 2011 (20% in 2009).

Table 9. Bestselling brands (in value) in 2011

RANK	BODEGA	BRAND	VALUE (U\$ FOB)
1	BODEGAS ESMERALDA S.A.	ALAMOS	27.517.747
2	BODEGAS ESMERALDA S.A.	CATENA	17.736.209
3	GRUPO PEÑAFLORES S.A.	TRAPICHE ROBLE	13.746.696
4	BODEGA Y VIÑEDOS LA AGRICOLA S.A.	FUZION	13.337.748
5	BODEGA NORTON S.A.	NORTON	9.779.127
6	GRUPO PEÑAFLORES S.A.	TRAPICHE	9.524.609
7	LEONCIO ARIZU S.A.A.I.C.	LUIGI BOSCA RESERVE	8.230.200
8	BODEGAS CHANDON S.A.	TERRAZAS RESERVA	8.108.663
9	TRIVENTO BODEGAS Y VIÑEDOS S.A.	TRIVENTO	7.624.695
10	BODEGAS CHANDON S.A.	ALTOS DEL PLATA	7.597.939
11-2470	OTHER BODEGAS	OTHER BRANDS	592.954.028
	TOTAL		716.157.661

Source: Argentina Customs Office 2011

Most important brands in exported volume were Alamos, Fuzion and Trapiche. Note that the most successful brand in 2011 (*Alamos*) sold less than the most successful brand in 2009 (*Fuzion*). The reason at the origin of this loss can be found in brands positioning. Indeed, the ten-bestselling brands in 2011 had a higher positioning (1 brand belonged to ultra premium segment, 5 to mid premium, 4 to popular premium) than the ten-bestselling brands in 2009 (2 brands belonged to mid premium, 6 to popular premium and 2 fighting varietal), resulting in smaller volume sold. The change of leadership was also related to price increase. *Fuzion*, a brand evolving in a price-sensitive segment (Popular Premium, case U\$ FOB 14-23,99), endured a 25% growth of its price per case between 2009 and 2011. *Alamos*, a brand evolving in a less price-sensitive segment (Mid premium U\$ FOB 24-33,99), only experienced a 3% growth of its price per case between 2009 and 2011. Price stability conferred buyers increasing interest on *Alamos*. The ten biggest brands in volume accounted for 19% of the total volume of the export in 2011 and accounted for 24% of total volume exported in 2009. In fact, the growth by 41% of the average price per case of the ten biggest brands resulted in lower volume sold.

Table 10. Bestselling brands (in volume) in 2011

RANK	BODEGA	BRAND	VOLUME (9L-Case)
1	BODEGAS ESMERALDA S.A.	ALAMOS	821.265
2	BODEGA Y VIÑEDOS LA AGRICOLA S.A.	FUZION	567.433
3	GRUPO PEÑAFLOR S.A.	TRAPICHE	357.431
4	TRIVENTO BODEGAS Y VIÑEDOS S.A.	FRONTERA	338.989
5	GRUPO PEÑAFLOR S.A.	TRAPICHE ROBLE	322.768
6	TRIVENTO BODEGAS Y VIÑEDOS S.A.	TRIVENTO	315.235
7	BODEGAS ESMERALDA S.A.	ARGENTO	305.387
8	BODEGA NORTON S.A.	NORTON	293.493
9	GRUPO PEÑAFLOR S.A.	ASTICA	280.767
10	FINCA FLICHMAN S.A.	FINCA FLICHMAN	277.610
11-2470	OTHER BODEGAS	OTHER BRANDS	16.945.387
	TOTAL		20.825.765

Source: Argentina Customs Office 2011

The volume exported by the ten biggest brands decreased by 16% between 2009 and 2011 while their average price per case increased by 42%, showing a relatively inelastic demand.

Eight economic groups (they were six in 2009) owned the ten biggest brands in volume and value in 2011. Half of the brands of the top 10

were sold for more than US\$ FOB 38,05 per case (US\$ FOB 28,11 in 2009). Brands with the lowest average price per case moved back in the ranking between 2009 and 2011. In 2011, most expensive brands were *Bressia Ultima Hoja*, *Cobos Nico* and *Cobos*. Viña Cobos, that owns two of the three most expensive brands of the ranking, appeared as a leading winery in luxury segment. Note that two brands among the top 10 were also part of the portfolio of leading economic groups (Finca Flichman and Leoncio Arizu) in volume and value in 2011.

“The demand for top ten brands was relatively inelastic between 2009 and 2011”

Table 11. Most expensive brands in 2011

RANK	BRANDS	BODEGA	PRICE/CASE (U\$ FOB)
1	BRESSIA ULTIMA HOJA	GRAPPOLO S.A.	1 435,00
2	COBOS NICO	VIÑA COBOS S.A.	912,38
3	COBOS	VIÑA COBOS S.A.	839,05
4	ACHAVAL FERRER DIEGO ROSSO	FLORIDA DEL TUPUNGATO S.A.	661,30
5	PARCELA 26	FINCA FLICHMAN S.A.	645,66
6	FAMILIA OTERO RAMOS	TIERRA DEL ANDE S.A.	616,57
7	NOEMIA 2	BODEGA NOEMIA DE PATAGONIA S.A.	562,00
8	LUIGI BOSCA ICONO	LEONCIO ARIZU S.A.A.I.C.	557,11
9	PRECIADO	ROCA S.A.	556,55
10	WEINERT ESTRELLA	BODEGA Y CAVAS DE WEINERT S.A.	548,45
-	AVERAGE PRICE PER CASE FOR ARGENTINEAN WINE		34,39

Source: Argentina Customs Office 2011

Cheapest brands were Uvita (despite a 24% increase of the price from 2009) Talacasto and Rincon de Oro. The two leaders in the fighting varietal segment, RPB and Fecovita Coop., owned seven of the ten cheapest brands in 2011 as a result of their clear position and long-term strategy in the low-price segment. However, as previously mentioned, these two economic groups might have to rethink their strategies if inflation continues endangering their profitability.

Table 12. Cheapest brands in 2011

RANK	BRANDS	BODEGA	PRICE/CASE (U\$ FOB)
1	UVITA	RPB S.A.	9,81
2	TALACASTO	RPB S.A.	10,27
3	RINCON DE ORO	FECOVITA COOP. LTDA.	10,72
4	ALVEAR	BODEGAS Y VIÑEDOS PASCUAL TOSO S.A.	10,73
5	CAVIC	RPB S.A.	10,77
6	MESIDOR	COOP. VITIVINICOLA NUEVA CALIFORNIA LTDA.	10,79
7	CORCHEA	BODEGAS Y VIÑEDOS DON FERNANDO	10,80
8	VINO TORO	FECOVITA COOP. LTDA.	11,09
9	ARCS DE VIGNE	FECOVITA COOP. LTDA.	11,12
10	MARQUES DE LA COLINA	FECOVITA COOP. LTDA.	11,21
-	AVERAGE PRICE PER CASE FOR ARGENTINEAN WINE		34,39

Source: Argentina Customs Office 2011

Price positioning

Considering the well-known classification of wine prices, two thirds of the exporters chose premium positioning; almost one-third opted for luxury positioning and only 2% chose fighting varietal as their main target. Premium positioning (U\$ FOB 14-59,99), as a leading segment, accounted for 86% of the volume and 76% of the value exported by Argentinean wineries. With increasing presence in the luxury segment, these figures revealed the upgrade strategy of Argentinean wineries and foreign market's appetite for high-end wines.

Table 13. Exporters positioning in 2011

POSITIONING	PRICE POSITIONING PER CASE (U\$ FOB)	VALUE (U\$ FOB)	VALUE SHARE (%)	VOLUME (9L-CASE)	VOLUME SHARE (%)
Icon	> 400	5.319.993	0,7	11.913	0,1
Super Luxury	120 – 399,99	27.746.678	3,9	150.892	0,7
Luxury	60 – 119,99	126.517.326	17,7	1.716.016	8,2
Ultra Premium	34 – 59,99	224.810.947	31,4	5.222.799	25,1
Mid Premium	24 – 33,99	197.249.193	27,5	6.780.230	32,6
Popular Premium	14 – 23,99	122.217.719	17,1	5.950.072	28,6
Fighting Varietals	6 – 13,99	12.295.805	1,7	993.843	4,8
Extreme Value	< 5,99	0	0,0	0	0,0
TOTAL		716.157.661	100,0	20.825.765	100,0

Source: Argentina Customs Office 2011

Brands belonging to iconic positioning increased their value between 2009 and 2011

“Mid premium was the category that improved the most in volume and value.”

while volume exported remained steady. Brands belonging to super luxury and luxury grew their share both in volume and value. Premium, ultra premium and mid premium brands grew their share in volume and value. Mid premium was the category that improved the most in volume and value (+5 percentage point in val. / +10 pp in vol.) between 2009 and 2011. A paradox was observed

in the popular premium category. Indeed, in spite of Peñaflor’s investment in this category, popular premium wines suffered losses in volume and value exported (-14pp in volume and 12pp in value). Focusing on lower-end segment, fighting varietal category suffered losses in volume and value. No wineries participated in the extreme value category neither in 2009 nor in 2011.

Grape varieties & Vintages

In 2011, 44 grape varieties were exported. Among them, 52% were red, 44% white and 4% rosé. Argentinean wineries exported 42 types of varietal wines and 80 types of blends. Red varietal wines dominated sales in foreign markets accounting for 74%

of the value (up to 3 percentage point from 2009) and 69% of the volume (up to 5 percentage point from 2009).

Table 14. Export - Share of the different types of wine (in volume and value) in 2011

TYPE OF WINE	VOLUME SHARE (%)	VALUE SHARE (%)
RED	69	74
WHITE	15	13
BLENDS	12	9
ROSÉ	2	1
NO DATA	2	3
TOTAL	100	100

Source: Argentina Customs Office 2011

Looking at red varieties, the average price per case jumped from U\$ FOB 31,20 to U\$ FOB 37,14 between 2009 and 2011. This price increase influenced the overall value and volume exported. In 2011, Malbec was the red variety that made the most value. It tremendously grew in importance among red varieties, increasing its sales in volume (up to 35% from 2009) and value (up to 50% from 2009). The average price for a case of Malbec was U\$ FOB 38,81 in 2011 (up to 11% from 2009). In-depth

“Malbec, Cabernet Franc and Bonarda, were safe bet for importers.”

investigation on Malbec price per case suggests a strong vintage effect. Indeed, the average price per case for vintages 2002, 2003, 2005, 2006 and 2007 was superior to U\$ FOB 100 per case while a case of 2011 Malbec was sold at U\$ FOB 26,86. With growing presence around the world and uprise notoriety, Malbec was more than ever the flagship of the Argentinian wine industry. In the same way, Cabernet

Franc and Bonarda, which combined growing sales in volume and value, were a safe bet for international buyers (see Table 15). As a consequence of increasing price per case, other red varieties experienced decreasing sales in volume between 2009 and 2011. It was the case for Cabernet Sauvignon (+17% in the price per case, -4% in volume sold), Syrah (+11% in the price per case, -13% in volume sold), and Non-varietal Red (+53% in the price per case, -16% in volume sold). In spite of decreasing sales, Cabernet Sauvignon remained strategic for Argentina in international trade. Indeed, it was the second best selling red variety, accounting for 10% of total volume and value exported.

Table 15. Export - Red varieties' evolution between 2011 and 2009

GRAPE VARIETY	VALUE (U\$ FOB)	VALUE ABS. VAR. (2009- 2011) (%)	VOLUME (9L-CASE)	VOLUM E ABS. VAR. (2009- 2011) (%)	PRICE PER CASE (U\$ FOB)	PRICE ABS. VAR. (2009- 2011) (%)
MALBEC	350079.655	50,5%	9020.703	35,1%	\$38,81	11,4%
CABERNET SAUVIGNON	72108.268	11,9%	2070.494	-4,3%	\$34,83	16,9%
NON-VARIETAL RED WINE	53828.930	27,9%	1504.243	-16,2%	\$35,78	52,7%
SYRAH	16434.765	-3,3%	587.628	-12,9%	\$27,97	11,0%
MERLOT	12493.147	-5,6%	424.349	-18,3%	\$29,44	15,5%
PINOT NOIR	10688.289	18,0%	237.766	-0,6%	\$44,95	18,7%
RED WINE (WITHOUT DESCRIPTION)	5690.415	185,3%	175.996	125,0%	\$32,33	26,8%
BONARDA	5569.805	32,3%	162.480	2,6%	\$34,28	28,9%
TEMPRANILLO	3106.102	-4,9%	105.560	-24,6%	\$29,42	26,1%
CABERNET FRANC	802.380	128,8%	9.768	127,7%	\$82,14	0,5%
TANNAT	781.400	-3,7%	18.025	-30,7%	\$43,35	38,9%
OTHERS	922.194	5,0%	18.878	-16,1%	\$77,51	13,1%
TOTAL	532.505.350	36,5%	14.335.890	14,7%	\$37,14	19,0%

Source: Argentina Customs Office 2009 - 2011

Most valuable red varieties in 2011 were Nebbiolo (average price per case of U\$ FOB 300), Petit Verdot (U\$ FOB 89,66) and Cabernet Franc (U\$ FOB 82,14). The two main reasons at the origin of these high prices were found on the limited quantity offered as well as their use for high-end wines production. Note that volume sold, less than 5.000 cases for each variety, remained reduced.

Looking at white varietal, the increase of the average price per case (+17% to U\$ FOB 29,33) had negative consequences on volume sold (-2% between 2009 and 2011). Chardonnay was the white varietal that made the most value in 2011 (see Table 16). However, its volume sold dropped by 7% from 2009.

Chardonnay was sold at U\$ FOB 31,30 in 2011, up to 15% from 2009. This grape variety was also influenced by vintage effect. Indeed, 2006 and 2008 vintages of Chardonnay were sold at a price per case superior to \$80,00 while 2010 and 2011 vintages were sold for less than U\$ FOB 32,00 per case. Torrontés was the white variety that prospered the most. Despite an 18% increase in its average price per

“Torrontés was the white variety that prospered the most.”

case, volume and value exported grew by 28% and 51% respectively. Following the example of Torrontés, Pinot Gris and Verdelho, with increasing sales in volume and value, and limited increase of the average price per case, gained importers' interest. Other white varieties, such as Sauvignon Gris, Viognier, Riesling, and Chenin Blanc, remained minor in volume and value exported in 2011. Most valuable white varieties in 2011 were Petit Manseng (U\$ FOB 203,64 per case), Gewurztraminer (U\$ FOB 103,61 per case) and Tocai Friulano (U\$ FOB 51,79 per case). Their high prices were also explained by limited quantity offered as well as high-end wine produced with them.

Table 16. Export - White varieties' evolution between 2009 and 2011

GRAPE VARIETY	VALUE (U\$ FOB)	VALUE ABS. VAR. (2009- 2011) (%)	VOLUME (9L-CASE)	VOLUM E ABS. VAR. (2009- 2011) (%)	PRICE PER CASE (U\$ FOB)	PRICE ABS. VAR. (2009- 2011) (%)
CHARDONNAY	39.162.220	7,6%	1251.222	-6,9%	\$31,30	15,5%
TORRONTES	22.927.706	51,0%	722.161	27,9%	\$31,75	18,1%
SAUVIGNON BLANC	10.320.477	-3,7%	361.164	-14,9%	\$28,58	13,1%
PINOT GRIS	7.054.029	20,3%	258.189	14,2%	\$27,32	5,3%
NON VARIETAL WHITE	6.504.822	18,3%	324.535	-2,9%	\$20,04	21,8%
VIOGNIER	2.617.326	-30,5%	85.415	-39,3%	\$30,64	14,4%
WHITE (NO VARIETAL DESCRIPTION)	842.300	-5,0%	33.767	-22,4%	\$24,94	22,3%
RIESLING	250.037	-61,6%	19.209	-62,7%	\$13,02	3,0%
VERDELHO	235.954	49,9%	7.648	38,7%	\$30,85	8,1%
CHENIN BLANC	209.391	-57,6%	10.416	-73,9%	\$20,10	62,3%
SEMILLON	168.033	51,5%	4.418	13,1%	\$38,03	34,0%
OTHERS	133.390	-42,7%	4.865	-39,7%	\$27,42	-5,0%
TOTAL	90.425.685	13,1%	3.083.009	-3,2%	\$29,33	16,8%

Source: Argentina Customs Office 2009 - 2011

Regarding blends, the increase of the average price per case (+27% to U\$ FOB 26,02) had negative consequences on volume sold (-27%) between 2009 and 2011. Blends of Cabernet Sauvignon - Bouchet had the highest average price per case, at U\$ FOB 305,88 per case (U\$ FOB 294,18 in 2009), among red blends. The exclusivity of the product, less than 500 cases sold, explained its price. Another expensive blend was Malbec - Cabernet Franc (U\$ FOB 138,04). Blends of Malbec - Cabernet Sauvignon were sold at U\$ FOB 39,70, Malbec - Syrah blends at U\$ FOB 30,14, Syrah-Malbec at U\$ FOB 22,77 and Merlot-Malbec at U\$ FOB 20,80. Most expensive white blends were Sauvignon Blanc - Riesling (U\$ FOB 58,92), Semillon - Sauvignon Blanc (U\$ FOB 57,27) and Torrontés - Viognier (U\$ FOB 50,00). Other popular white blends were

Chenin Blanc – Chardonnay (U\$ FOB 22,98), Torrontés – Chardonnay (U\$ FOB 23,37), and Chardonnay – Viognier (U\$ FOB 26,61). New blend varieties, such as Chardonnay-Torrontés, Torrontés-Pinot Gris, Chenin Blanc-Torrontés, and Chenin Blanc-Chardonnay, were proposed in foreign marketplaces. Blends of Chardonnay-Chenin Blanc, Malbec-Merlot, Cabernet Sauvignon-Syrah, and Chardonnay-Viognier, with increasing sales in volume and value as well as limited increase of average price per case, gained the most in recognition in the international market.

Looking at rosé, in spite of increasing average price per case (+8% from 2009 at U\$ FOB 25,25), volume exported increased by 22% between 2009 and 2011. Value made grew by 32% during the same period. Rosé made of Malbec was released at U\$ FOB 30,46 per case (U\$ FOB 25,74 in 2009) and it was the most popular rosé. It was followed by Syrah rosé (U\$ FOB 23,81/case in 2011) and Non-varietal rosé (U\$ FOB 13,13 in 2011). Rosé made of Pinot Noir was the most expensive rosé. It was sold for U\$ FOB 57,05 in 2011 (down to 13% from 2009). Other expensive rosé were Cabernet Franc rosé (U\$ FOB 46,33) and Malbec-Torrontés rosé (U\$ FOB 33,93).

Table 17. Export - Bestselling (in value) varieties/blends in 2011

RANK	WINE	VALUE (U\$ FOB)	SHARE (%)	Avg Pr/Case (U\$ FOB)
1	MALBEC	350.079.655	48,88	38,81
2	CABERNET SAUVIGNON	72.108.268	10,07	34,83
3	NON-VARIETAL RED	53.828.930	7,52	35,78
4	CHARDONNAY	39.162.220	5,47	31,30
5	TORRONTES	22.927.706	3,20	31,75
6	SYRAH	16.434.765	2,29	27,97
7	SYRAH - MALBEC	14.999.058	2,09	22,77
8	MERLOT	12.493.147	1,74	29,44
9	PINOT NOIR	10.688.289	1,49	44,95
10	SAUVIGNON BLANC	10.320.477	1,44	28,58
-	OTHERS*	113.115.146	15,80	40,67
TOTAL		716.157.661	100,00	34,39

*Others: refers to "other grapes" and "no data."

Source: Argentina Customs Office 2011

Table 18. Export - Bestselling (in volume) varieties/blends in 2011

RANK	WINE	VOLUME (9L-Case)	SHARE (%)	Avg Pr/Case (U\$ FOB)
1	MALBEC	9.020.703	43,32	38,81
2	CABERNET SAUVIGNON	2.070.494	9,94	34,83
3	NON-VARIETAL RED	1.504.243	7,22	35,78
4	CHARDONNAY	1.251.222	6,01	31,30
5	TORRONTES	722.161	3,47	31,75
6	SYRAH - MALBEC	658.842	3,16	22,77
7	SYRAH	587.628	2,82	27,97
8	MERLOT	424.349	2,04	29,44
9	SAUVIGNON BLANC	361.164	1,73	28,58
10	NON-VARIETAL WHITE	324.535	1,56	20,04
11-137	OTHERS*	3.900.424	18,73	40,87
TOTAL		20.825.765	100,00	34,39

*Others: refers to "other grapes" and "no data."

Source: Argentina Customs Office 2011

Table 19. Most valuable varieties/blends in strategic marketplaces in 2011

MARKETPLACES	1st RANK	2nd RANK	3rd RANK
US	Malbec (67% of the value made in this market)	Cabernet Sauvignon (8%)	Non-varietal Red (6%)
CANADA	Malbec (45%)	Syrah-Malbec (11%)	Cabernet Sauvignon (10%)
BRAZIL	Malbec (42%)	Cabernet Sauvignon (16%)	Non-varietal Red (11%)
UK	Malbec (43%)	Torrontés (7%)	Pinot Gris (5%)
PARAGUAY	Non-varietal Red (41%)	Malbec (23%)	Cabernet Sauvignon (9%)
CHINA	Malbec (34%)	Non-varietal Red (21%)	Cabernet Sauvignon (11%)
MEXICO	Malbec (49%)	Cabernet Sauvignon (12%)	Non-varietal Red (6%)
FRANCE	Malbec (43%)	Non-varietal Red (30%)	Chardonnay (6%)
WORLD	Malbec (49%)	Cabernet Sauvignon (10%)	Non-varietal Red (8%)

Source: Argentina Customs Office 2011

In 2011, the 2010 vintage represented 46% of the value made in foreign markets. It was followed by vintage 2009 (21% of total sales value) and 2011 (15%). Most expensive vintages were 1977, 1994 and 1999. The 2010 vintage was also the best selling vintage in volumes, representing 53% of total exports. It was followed by vintages 2011 (15% of the total volume) and 2009 (19% of the volume). This reveals that wineries may be concentrating their sales in new wines as a way to reduce financial costs associated to wine storage.

As for most wine exporters, the 75cl bottle content was the most popular packaging in foreign markets (96% of the total value and 91% of the total volume). It was followed by 150cl, 70cl, 37,5cl and 1.000cl.

4. Portfolio analysis.

Four distinctive categories of wineries were defined in 2011: those who sold less than 100.000 cases, between 100.000 and 300.000, more than 300.000, and the biggest three exporters also called “big 3.”

Table 16 provides an overview of the main characteristics of wineries by category, followed by an in depth analysis for each category.

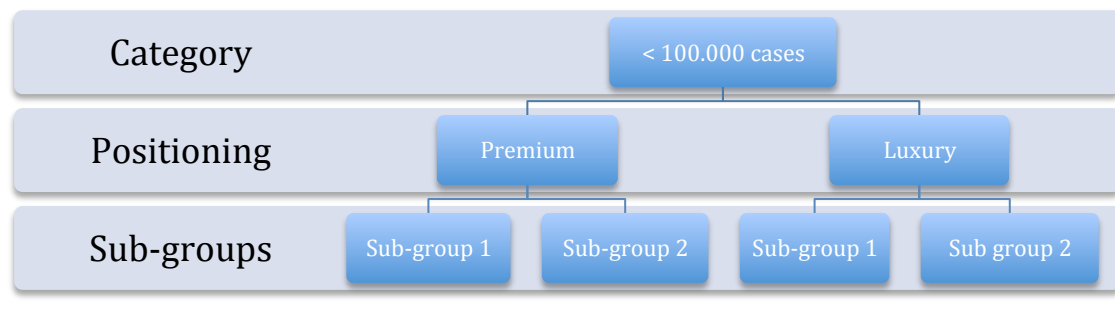
Table 20. Wineries’ main characteristics for each category in 2011

Category	<100.000	100.000-300.000	>300.000	Big 3
Average (Av.) price per case (U\$ FOB)	46,30	40,39	32,86	30,16
Av. export value (U\$ FOB) by winery.	121.100	5.856.258	13.471.431	80.032.005
Av. export volume (9L-case) by winery.	2.600	152.830	404.876	2.108.462
Quantity of wineries	373	18	15	3

Wineries exporting up to 100.000 cases

The first category, composed of wineries that exported less than 100.000 cases, represented 91% of the exporters in 2011. The category was characterized by the high selectivity in the choice of foreign marketplaces. In general, wineries exported to one or three countries with special interest in the US market. The average value and volume exported was U\$ FOB 121.000 for 2.600 cases sold. Average price per case was U\$ FOB 46,30. Two price-positioning dominated this category: premium and luxury. For each of them, two sub-groups were analyzed (Graph. 1).

Graph 1. Positioning of wineries that exported less than 100.000 cases in 2011



Focusing on premium positioning, wineries increased their sales in volume and value between 2009 and 2011, even if they experienced high-rise of their average price per case (more than 20% in general). More than 50% of sales were concentrated in the ultra premium segment (U\$ FOB 34-59,99 price range), that is a segment in which the degree of competition drastically rose between 2009 and 2011. The increasing degree of competition found its origins on the arrival of new entrants, the shift in positioning made by some exporters (mostly from fighting varietal to premium), and a price concentration phenomenon. The mix premium/luxury grew in popularity to the detriment of fighting varietal/premium mix. The number of marketplaces increased as well as the number of brands per winery.

“The degree of competition in the ultra premium segment drastically rose”

First premium sub-group includes wineries that sold less than 10.000 cases. Due to their small size, they generally focused on a limited number of foreign markets, three or less, to concentrate strengths and maximize chances of success. Many of them only exported to a single country. The US market remained attractive but more « exotic » destinations such as South Korea, Hong-Kong, India, Ecuador or Peru were also reported. Brands’ portfolio generally included 1-3 references, all-available in export markets. Wineries were either positioned at a 100% in the premium segment or had a mix of fighting varietal/premium or premium/luxury.

Second premium sub-group was composed of wineries that sold between 10.000 and 100.000 cases. Because of bigger size and power, the number of markets they exported to was up to five. The US market was crucial in export strategies, concentrating up to 40% of their sales. Other important markets were Brazil, Canada, Venezuela, Mexico and Peru. In addition to the US, strong Latin-American orientation was noticed in the choice of foreign marketplaces. The number of brands per portfolio varied from 1 to 5. The complete portfolio was available in major marketplaces while 40 to 80% was available in minor. Consistent moves to upwards positioning were noticed. None of the wineries analyzed had fighting varietal brands in their portfolio.

The other type of positioning observed for wineries that sold less than 100.000 cases was luxury. Again, because of exporters difference of profiles, two sub-groups were distinguished.

First luxury group includes wineries selling exclusively in the luxury segment. They endured a fall in the average price per case from 2009 to 2011. Only Cheval des Andes succeeded in maintaining its price in foreign markets. In 2011, the ten leading wineries in this group made 1% and 0,2% of total value and volume exported by Argentinean wineries. Note that volume sold by these ten wineries was 3,7 times bigger in 2011 than in 2009. Main markets were Brazil, China, France, Japan, Singapore and the US. The emergence of Brazil, China and Japan as serious marketplaces for luxury wines needs to be highlighted. The presence of France as a major importer is explained by close links some wineries have with France in terms of partnership or ownership, benefiting at the time of French wineries know-how and distribution channels. In spite of increasing number of marketplaces they exported to, wineries belonging to the first luxury group opted for selective distribution strategies. Wineries exported to 2 to 18 countries. All wineries' brands (one to three per winery) were positioned in the super luxury segment.

Table 21. Average price per case of the ten leading wineries in the first luxury group.

RANK	BODEGA	PRICE/CASE 9L (U\$ FOB)
1	CHEVAL DES ANDES S.A.	398,12
2	RAUL DAVALOS	210,47
3	TUNDRA S.A.	200,00
4	VIU MANENT ARGENTINA S.A.	190,45
5	FLORIDA DEL TUPUNGATO S.A.	155,49
6	BODEGA CHACRA S.R.L.	149,42
7	VISTAFLORES ESTATE S.A.	143,50
8	BODEGA NOEMIA DE PATAGONIA S.A.	141,81
9	GRAPPOLO S.A.	131,47
10	VIÑEDOS DEL VALLE DE UCO S.A.	123,35
-	AVERAGE PRICE PER CASE IN ARGENTINA	34,39

Source: Argentina Customs Office 2011

The second luxury group was composed of wineries that sold not only in the iconic segment but also in the premium and/or fighting varietal segments. As a consequence of their involvement in at least two segments, they had larger portfolios than wineries belonging to the first luxury group. Unlike first luxury group, an increase of the price per case occurred between 2009 and 2011. These wineries generally exported to more countries (from 12 to 45) than first luxury group. Their brands' portfolio was wider (5 to 25 brands per winery) and positioning either 100%

luxury or a combination of luxury and premium wines. A few cases of wineries also selling in the fighting varietal segment were reported but remained almost insignificant. Finally, they were less dependent on a single marketplace, favoring more balanced distribution and so dividing risks of failure in foreign markets. Their main marketplaces were Brazil, Canada, the US, Netherlands and the UK. They proposed 20 to 100% of their portfolio in each marketplace with wider range available in the US, Brazil and the UK.

Table 22. Wineries with the highest price per case in 2011

RANK	BODEGA	PRICE/CASE 9L (U\$ FOB)
1	GRAPPOLO S.A.	1 435,00
2	VIÑA COBOS S.A.	912,38
3	VIÑA COBOS S.A.	839,05
5	FINCA FLICHMAN S.A.	645,66
6	TIERRA DEL ANDE S.A.	616,57
8	LEONCIO ARIZU S.A.A.I.C.	557,11
9	ROCA S.A.	556,55
10	BODEGA Y CAVAS DE WEINERT S.A.	548,45
-	AVERAGE PRICE PER CASE IN ARGENTINA	34,39

Source: Argentina Customs Office 2011

Wineries exporting from 100.000 to 300.000 cases

The second category of exporters embodied wineries that sold between 100.000 and 300.000 cases on foreign markets during 2011. Only wineries with premium positioning were found in this category. However, unlike previous premium groups, their core range was either positioned in popular premium (U\$ FOB 14 –23,99) or mid premium (U\$ FOB 24 –33,99) with wider portfolio than other premium groups. In fact, they had 2 to 12 brands per portfolio. Range proposed for a single brand was also deeper. Indeed, it was composed of the standard, reserve, collection, and single vineyard expression of a terroir. Most important markets were the US, Canada, Brazil, the UK, Russia and Mexico. Wineries used to make at least 30% of their turnover in a single country, mostly in the US. No clear strategy was revealed regarding brands coverage for each market. Indeed, wineries proposed 6 to 100% of their brands portfolio per country.

Wineries exporting more than 300.000 cases

The third category of exporters was composed of wineries that sold more than 300.000 cases. Two types of positioning, premium and fighting varietal, were observed in this category. Wineries belonging to the fighting varietal segment experienced hard times between 2009 and 2011 because they had to face major challenges in a context of demand reduction and higher internal costs. The fall of the sales of the two leaders in the fighting varietal segment, Fecovita Coop. and RPB, perfectly illustrated difficulties encountered. Between 2009 and 2011, their total sales dropped by 21% and 37% in value and volume. In 2009, they represented 3% and 8% of the overall value and volume exported. In 2011, it was only 2% and 5% of the overall value and volume made by Argentinean wineries. Fecovita Coop and RPB were leaders in the fighting varietal segment. They operated in 18 to 36 marketplaces but made more than 80% of their sales in a limited number of countries (the US, Brazil and Paraguay). Because of high heterogeneity in brands distribution, no clear distribution strategy was revealed. Fighting varietal wineries usually increased their presence in popular premium segment creating brands or upgrading existing ones. In fact, the fighting varietal share dropped between 2009 and 2011. Fecovita Coop. and RPB approximately had 80% of their portfolio in the fighting varietal segment in 2009. In 2011, this share was only 43% for Fecovita Coop and 56% for RPB. Despite upward moves in their positioning, price range reduction was observed for these two wineries. As a consequence, an intensification of products price pressure occurred with higher risks of product cannibalism.

The Big 3

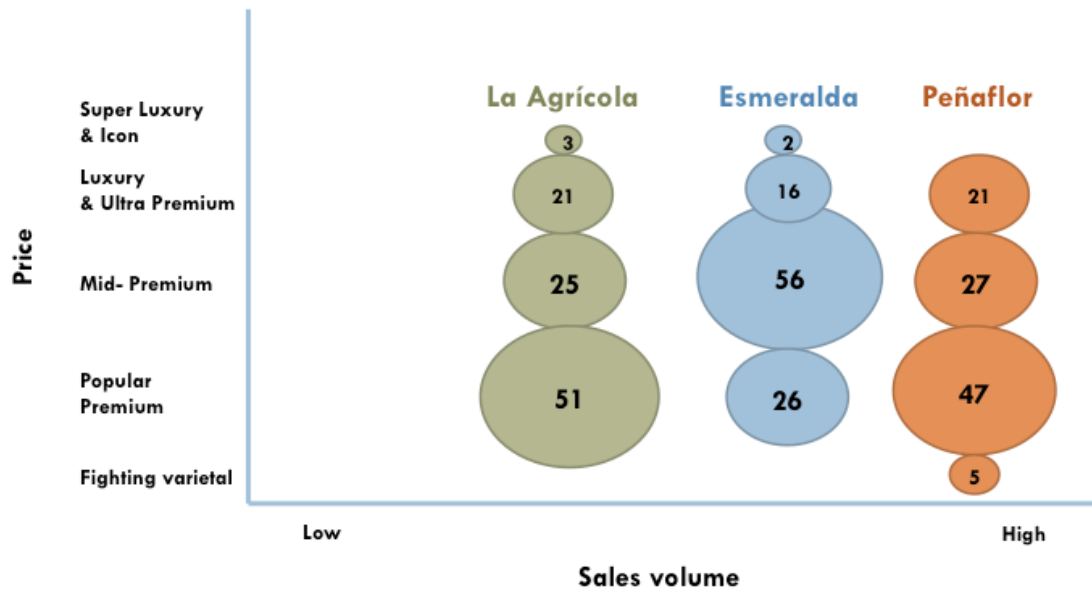
The last category of exporters concerned the “big 3”. Their importance grew between 2009 and 2011. Indeed, the largest three groups increased their share in value (+1 percentage point, 30% of total value exported) and volume (+3 percentage point, 33% of total volume) in total sales made by

Argentinean wineries in foreign markets. A prodigious leap forward, made by the Peñaflores Grp. (+75% in val. / +58% in vol.), also occurred in the 2009-2011 period. Groups composing the “big 3” were positioned in every segment of the market. Indeed, they owned fighting varietal, premium and luxury brands. Premium segment was dominant in every case with more than 70% of the brands belonging to it. Then, depending on group strategy, the share of the portfolio allocated to fighting varietal (from 0 to 5% in 2011) and luxury (from 1 to 15% in 2011) varied. Every member of the “big 3” lowered its share in fighting varietal segment and increased it in luxury one. Differences in strategies applied to positioning were found at premium level.

“The importance of the “big 3” grew between 2009 and 2011.”

Indeed, two groups lowered their share in premium segment while the other, and most successful one, increased it.

Graph 2. The « Big 3 » positioning.



The number of brands owned by the « big 3 » was far superior to other exporters. Peñaflor Group, with 142 brands under its flagship, had the largest portfolio. It was followed by Bodega y Viñedos la Agricola (43 brands) and Bodegas Esmeralda (42 brands). Every member of the “big 3” increased number of brands between 2009 and 2011. Only a few partnerships with wholesalers to produce distributor brands (Tesco, Mark and Spencer) were noticed. Looking at price range, Bodega y Viñedos la Agricola had the most concentrated offer (standard deviation of U\$ FOB 29,39) of the “big 3”. On the contrary, Bodegas Esmeralda had the least concentrated offer (standard deviation of U\$ FOB 90,45) of the “big 3.”

Economic groups composing the “big 3” showed disparity in the increase of the average price per case between 2009 and 2011. The economic group that increased volume and value the most between 2009 and 2011 was also the one with the lowest variation in its average price per case, suggesting that export markets valued price stability. Also, a concentration of the price of the offer was noticed.

A general increase in the number of export marketplaces was observed. However, despite these groups had a worldwide coverage (from 51 to 84 exports marketplaces), they made most of their sales in the US, Brazil, Canada, Netherlands and the UK. The dependence towards a few markets was even more expressed by the fact that, in some cases, more than 40% of sales were made in a single country. Note that compared to 2009, the “big 3” reduced its dependence to specific marketplaces trying to improve sales equilibrium among countries. The “big 3” usually proposed 25 to 50% of its brands portfolio per marketplace, limiting risks of

product cannibalism. The UK appeared as the most brand looking country with more than 40% of the “big 3” range available in it.

5. Conclusions

With increasing exported volume and value made between 2009 and 2011, the Argentinean wine industry succeeded in its expansion objective. Wineries not only increased the number of marketplaces they exported to, but also extended the number of brands and products available per market. Beneficiating from positive results and excellent strategic choice, Peñaflor Group became a « giant » between 2009 and 2011, boosting Argentinean wine presence at the international arena. A general upscale move of the offer was observed for two reasons. First, and because of inflation pressure, premiumization justified increasing price per case. Then, in a way to avoid the same mistake Australian producers did with Shiraz, moving uprange gave Argentinean producers the opportunity to confirm their leadership in notoriety and quality for Malbec. Moves from fighting varietal to premium positioning as well as new entrants in international markets contributed to an intensification of the degree of competition in « premium » segment. In this context, the need to differentiate the offer to face competition gained in importance. As a result, wineries worked on commercialization of other grape varieties than Malbec, such as Bonarda, Cabernet Franc, Torrontés, Pinot Gris and Verdelho. The 2009-2011 period was also characterized by the loss in profitability of Argentinean wineries. On the one side wineries had to deal with galloping inflation, and on the other side they had to limit final price increase to remain competitive. The situation resulted in an erosion of the price-quality ratio of Argentinean wines. This loss had direct and substantial consequences on wineries with fighting varietal positioning. Indeed, these wineries had to rethink their business model to survive. Without inflation control, premium wineries, at the heart of Argentinean wine industry, might soon experience the same fate. However, because of its considerable resources in terms of land and know-how as well as the quality of its product, growing potential in foreign markets for Argentinean wineries remains important.

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