

ARGENTINA CHANGES ITS FOCUS

Alberto Arizu, president of Wines of Argentina, says that Argentina has created high-quality, internationally competitive brands that have made it an export power. Yet the time has come, he tells Jürgen Mathäb, to look to new markets.

Alberto Arizu, owner and managing director of the Bodega Luigi Bosca winery, which was established in 1901, is president of the wine export organisation Wines of Argentina. According to Alberto Arizu, the third decade since the beginning of Argentina's wine export expansion is proving to be "a difficult time" for the country owing to unfavourable cost and exchange rate factors.

Arizu points out that his own company, Luigi Bosca, is a good illustration of the considerable changes that Argentina's wine producers have faced in the last 30 years. "I joined the company in 1992, at a time when Argentina exported hardly any wine. However, per capita consumption, which had stood at about 90 litres in 1980, had declined markedly." In the years that followed, Luigi Bosca, like many other wineries, transformed itself from a local producer into an international supplier. "Today, we produce 7.5m litres of wine, of which 60% is exported. To do this, we had to develop a completely new business culture. As well as marketing ourselves abroad, we needed to radically change our product range."

Even in Argentina itself, it would seem that drinking patterns have changed. Today, consumption stands at 30 litres per year, but a large proportion of this is in the form of high-quality, internationally competitive brands.

Export changes

Arizu believes that three distinct phases of export development can be identified. In the first decade, from 1990 to 2000, a total of \$2.5bn dollars was invested in the Argentinian wine sector, a primarily foreign investment which resulted in significant structural change and modernisation. In the decade from 2000 to 2010, the focus was on export growth, which had been made easier by the end of the dollar

standard and the associated devaluation of the peso, thus making the import of Argentinian wine very attractive to many countries and making it possible to obtain high profit margins. "We have now entered a third decade, in which inflationary internal cost increases, at a time when the currency is relatively stable, have drastically reduced the number of profitable brands and made FOB prices of \$20.00 per case virtually impossible to achieve," he says. "When it comes to higher-quality bottled wines, export growth is still appreciable."

Since last year, bulk wine exports have grown at an increased rate and are taking the place of less-expensive bottled wines. Arizu is somewhat concerned by this: "In the Argentinian winegrowing regions, 100,000 families make their living directly from wine and another 300,000 do so indirectly. We can't afford to export the added value by moving away from bottled to bulk wine."

Arizu considers this a temporary problem that might be solved by macroeconomic changes. Generally, he believes the prospects for Argentina are good. "Our wineries and vineyards are in excellent condition, and we have significantly increased productivity," he says. "However, we only export 25% of what we produce. Our wine constitutes just 4.5% of world exports, not much for a large wine-producing country like Argentina. Chile, where the area under vines is half the size, boasts an 8% share of the market." When asked where he sees potential for growth, Arizu highlights markets with low per capita consumption: "In every country which has a per capita consumption of over 30 litres, wine consumption is stagnating or falling, whereas it is rising virtually everywhere where consumption is still very low." He says that countries like China, Brazil, Japan, South Korea, Mexico and India, whose sizeable



Alberto Arizu, president, Wines of Argentina

populations still drink only small quantities of wine, will become very attractive markets and "we need to target our efforts at these markets if we want to be successful in the long term."

Opportunities elsewhere

The two most significant European import markets are currently bringing the wineries little joy. Arizu believes Britain has become less interesting than it was a few years ago due to market changes and a focus on aggressively-priced wines. The large German market has never proved satisfactory: "We find that importers are not genuinely interested." But, according to Arizu, perhaps the wineries have not been sufficiently active in this difficult market. Canada and the USA, on the other hand, remain very attractive. In both countries, Malbec from Argentina has achieved a high level of recognition and a very good image.

In the long term, Arizu believes that China, on which many countries are currently focusing their activities, is the most interesting market: "We need a local presence and we need to have a strategy. I can see two different levels of business in China. The major, business-oriented cities like Shanghai have already reached levels similar to those in Europe." More important, however, are the 50 or so other large cities that are less-developed, but which will see growth in the foreseeable future. "We need to have a local presence in these cities as soon as possible."

Wines of Argentina is taking these market conditions into account in its future plans. The USA and Canada are still key targets for its export marketing activities, while reduced expenditure in Britain is being replaced by a significant increase in activity in Asia. Indeed, its Beijing office has been open since 2011. ■