

## Vino's twin peaks

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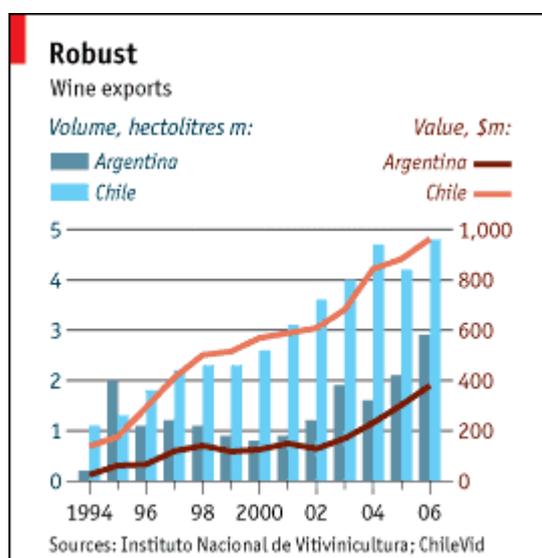
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### Argentina is catching up with Chile—but not as fast as it might

EARLIER this month, 70,000 visitors descended on Mendoza, Argentina's wine capital, for the annual festival marking the start of the grape harvest. Locals crammed the hilltops surrounding the city's packed amphitheatre, to watch the dancing and the beauty pageant. They had much to celebrate: in the past four years, Argentina's wine exports have more than doubled in volume and have tripled in value.

Until fairly recently, Argentina was a backwater for oenophiles. It was a big producer of low-quality table wines for local quaffing. That is changing fast, especially since a devaluation in 2002. Foreign investment has poured in and exports have boomed. Thanks partly to the arrival of foreign winemakers, quality has greatly improved. Nowadays Argentines themselves drink beer and less, but finer, wine.

Yet a glance across the Andes, whose towering, snowcapped peaks form the dramatic backdrop to Mendoza's festivities, ought to temper the euphoria. Neighbouring Chile became an important wine exporter a dozen years before Argentina. And it still has a big lead (see chart)



One might think that Argentina ought to be winning this battle hands down. It is the world's fifth-biggest wine producer, and has endless suitable land. Chilean winemakers envy their neighbours' trademark Malbec grape, which produces a potent red wine that has become known across the world. Fresh, perfumed whites made with Torrontés grapes, mainly around Salta, are similarly distinctive, if less complex. By contrast, Chile exports mostly standard varieties, such as Cabernet Sauvignon and Chardonnay, which are widely produced across the world. Its only unique grape is Carmenère, from which it is far trickier to make good wine.

Argentina's exports to the United States are growing much faster than those of Chile. That may be partly because its robust, fruit-packed wines are to American taste. *Wine Spectator*, the bible for American oenophiles, gives ratings of 90 points or over (out of 100) to 172 reds from Argentina, compared with 138 from Chile. The \$120-a-bottle top wine of Achával-Ferrer, a locally-owned boutique vineyard, was recently given a 95.

But Chile has some powerful strengths of its own. A wealth of different *terroirs* nestle among secluded valleys; cool Pacific breezes make it possible to produce fine white wines as well as reds. And last year *Wine Spectator* gave 96 points to Don Melchor 2003, the top Cabernet from Concha y Toro, the largest wine firm.

Chile's greater economic stability has also helped. "With quality wines, you need 15 to 20 years for an investment to mature," says Aníbal Ariztía of the main winegrowers' association. Since 1995, the area under vines in Chile has doubled to 100,000 hectares (250,000 acres). In Argentina, the total area has remained static, though vine quality has improved.

Perhaps Chile's most important advantage is its export vocation. Its web of free-trade agreements has helped, not least because of the (sometimes negative) media coverage these have generated in importing countries. Chile's wine exports to South Korea took off when farmers there demonstrated against a trade agreement. Wines of Chile, a trade body, opened an office near London in 2002. Since then Chile's market-share in Britain (the world's biggest wine importer) has risen from 5% to 7%, says Ricardo Letelier, its general manager. It plans an office in the United States and hopes to boost worldwide exports to \$1.2 billion by 2010, with most of the growth coming from higher prices.

Yet paradoxically, marketing is where Argentina has an unexploited edge. Chile has built a reputation for reliable, good-value wines. But its marketing men worry that its ability to command

higher prices is restricted by the lack of a clearer country image. “Argentina has the tango, Evita and Maradona; Chile doesn't have their equivalent,” agrees Patricio Tapia of *Wine & Spirits*, a New York-based magazine. While Argentina's winemakers have yet to unite in a single trade body, the industry did open a London outpost last year.

Both countries' wine exports—especially Argentina's—have the potential to carry on growing. But not all producers will thrive. Chile's are battling with a strong currency (the result of high copper prices). Mr Letelier reckons that most of the country's 150 exporters are barely managing to cover costs at the moment. Their smaller local market offers less of a cushion, though some have sought to diversify by investing in Argentina.

Argentine winemakers may face bigger headaches. Record profits have attracted a flood of new investment. But double-digit inflation has caused wages and the cost of inputs to soar. José Manuel Ortega, of O. Fournier, a Spanish vineyard in Mendoza, reckons that the cost of building a winery has quadrupled in dollar terms since 2002. A 5% tax on wine exports and the government's lack of interest in trade agreements are further obstacles. That points to a coming shake-out: Mendoza alone has more than 800 separate producers. But for now, variety and innovation continue to thrive on both sides of the Andes.