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Chilean wine in crisis facing global demand shifts and local challenges

An industry's struggle against falling demand

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The Chilean wine industry, renowned globally for its quality and innovation, is currently facing a significant downturn. This decline is characterized by a marked reduction in demand both domestically and internationally, leading many producers to contemplate the drastic measure of abandoning their vineyards. This situation mirrors the challenges faced by other traditional wine-producing countries, such as Spain and

France.

In regions like Bordeaux, France, measures like the withdrawal of approximately 10,000 hectares of vineyards have been taken to address overproduction issues. However, unlike their European counterparts who receive financial support from the European Union, Chilean vintners lack similar backing, making their situation more precarious.

Sebastián Labbé, an enologist from Viña Santa Rita, expressed a bleak outlook for the Chilean industry during a meeting in London. Despite acknowledging the high quality of the latest harvest, Labbé's primary concern is the falling demand, particularly for lower-priced wines. The accumulation of wine stocks in the country poses a significant challenge, as producers need to clear existing inventory to make room for new production.

Viña Santa Rita has experienced an 8-9% decline in sales, while other major producers have seen drops of 30-40%. Labbé attributes these declines to reduced demand in key export markets, especially China, and low local consumption levels. He anticipates that a significant portion of Chile's 130,000 hectares of vineyards could be uprooted, many of which have not been cultivated this year.

Despite these difficulties, Labbé notes that the decreasing demand is primarily for entry-level wines, while sales for higher category wines are increasing. He also highlights this year's harvest as exceptional, with high daytime temperatures and rapid cooling at night, contributing to the freshness of the wines.

Rodolphe Lameyse, CEO of Vinexposium, based on IWSR data, echoed Labbé's observations. He noted that the largest declines in 2022 and projected for this year are in the lower-priced wine sector. However, there is growth in the 'super-premium and above' segment.

Data from the World Bulk Wine Exhibition reveals that in the first half of 2023, Chile's bulk wine exports fell by more than 25%, with bottled wine exports experiencing similar declines.

The Chilean wine industry stands at a critical juncture, contending with global demand reduction and the potential for significant cuts in wine production. While some segments show growth, the overall picture calls for adaptive strategies and possibly a substantial restructuring of the sector.