

BRAZIL'S THIRST FOR WINE

Wine sales are booming in Brazil, as wine becomes a status symbol that everybody wants to know about, says Christian Burgos. But despite the rapid growth of this increasingly sophisticated market, producers who want to get into it still face a number of hurdles.

In the past few years, Brazil officially became a strategic market for Chile, Portugal and France. Was it because Brazil, in common with the other BRIC countries, didn't appear to be affected by the 2008 crisis? Or was it because the World Cup and Olympic Games will be held there in 2014 and 2016, respectively?

The numbers show that Brazil is an important market for bigger reasons than this. From 2001 to 2011, the amount of wine imported into Brazil rose from \$65.2m to \$261.6m - an increase of 315% in the last ten years.

A passion for wine

The reasons why Brazil has been able to escape the economic crisis are the same reasons why wine consumption is increasing: a huge internal market that's developing and consolidating; higher wage levels; increased higher education; and the lowest unemployment rate of recent decades, lower than 6%. Add to that the fact that Brazilians are paying more attention to their health, and travelling abroad like never before, and also that there is a booming luxury market.

More than this, wine is cultural and the habit of drinking wine was really adopted and fostered by Brazil's upper classes, to the extent that any soap opera character who is meant to be sophisticated must have a glass of wine in his or her hands.

The passion for wine was first cultivated by groups of people who dedicated themselves to enjoying wine and to foster a wine culture. Many of those people are now professional leaders of the Brazilian wine industry. This includes people like Carlos Cabral, the founder of SBAV - the Brazilian association of wine lovers - who today is the wine consultant for the Pão de Açúcar Group, responsible for selling more than 17m bottles in 2011. Another is Arthur de Azevedo, one of the founders of ABS-SP (the São Paulo-based Brazilian Sommeliers Association), a former

physician who is now dedicated to wine, both in his capacities as ABS-SP director and as a consultant for importers and supermarket chains.

Snapshot of the consumer

In the past decade, Brazil's consumers have greatly developed their wine taste and knowledge. While overall consumption is growing in red, white and sparkling, and at every

while 34% drink with their regular meals. Wine consumers tend to climb one level in price category when moving from day-to-day wine to special occasions. This brings us to the conclusion that a day-to-day wine to one person is a special wine to somebody else.

Wine rules

Brazilians didn't inherit their wine-drinking habits from the original Portuguese colonists, or from other waves of immigrants, apart from the Italians who initiated the Brazilian wine industry in the south. Brazilians learned to drink wine from watching people abroad and by imitating the upper classes. Drinking wine was then and is now perceived as a status behaviour.

Upper-class Brazilians are becoming gourmets, with their living rooms finding a place for beautiful gourmet kitchens and wine caves. Men are learning to cook and people are not only experienc-

ing and enjoying good restaurants in Brazil, but abroad. In terms of Brazil, particularly in São Paulo, restaurants with good wine lists, beautiful wine caves, special glasses and sommelier attention are quite common. And according to wine producers visiting Brazil, restaurants are treating wine with a level of respect rarely to be found in other places.

The number of people who choose where to eat based on the wine they want to drink is growing rapidly. And the number of people who travel abroad and use their Blackberrys and iPhones to send messages to their friends telling them what wine they are drinking is unbelievable. People are gathering to drink wine and chat, making wine-drinking a social 'must' in Brazil.

Qualitative research conducted by ADEGA came up with insights into what is driving wine consumption:

"I drink wine because I feel better about myself";

"I project a wealthy/cultured aura to others";

"I choose wine because I can and I deserve it".

What Brazilians are prepared to spend on wine:

	Everyday wine	Special occasion wine
10 – 20 R\$*	6%	0%
21 – 50 R\$	65%	8%
51 – 100 R\$	26%	43%
101 – 250 R\$	3%	40%
over 250 R\$	0%	9%

SOURCE: ADEGA

*1R\$ = \$0.49 or €0.39

price segment, it's interesting to look at the major trends. The following comes from the December 2011 research done by ADEGA Magazine.

Brazilians are red drinkers, with 94% of Brazilian consumers preferring red wine. They are middle-aged, with 54% between 31 and 50 years old. They drink more frequently than they did, with 71% of Brazilian fine wine consumers drinking at least once a week. And they are social drinkers, with 80% of consumers drinking either with friends or in special company.

The Brazilian consumer is in the middle of a learning process, with 20% considering themselves beginners and 62% evaluating themselves as having "some knowledge". Wine is part of their regular life, with 81% saying they drink more frequently at their own home, or at a friend's home. Another 11% drink in restaurants, while wine bars are frequented by less than 1%.

Brazilians who say they drink wine with appetizers, bread or cheese come to 43%,

However, although they're learning, Brazilian consumers are not dumb. They look for quality, and while they are in the learning process, they often rely on scores from the Brazilian wine press, or from Robert Parker, the *Wine Spectator* or *Decanter*.

Growth stoppers

Although wealthy people are drinking more frequently and better wines, there is still a limit as to how much they can drink. The recent drink-driving laws are very strict, and in a country with terrible public transportation, it's understandable why people are drinking more frequently at home. So, the challenge is how to bring more of the whisky- and beer-drinking middle class consumer over to wine. The appeal of looking wealthier and more sophisticated, allied to the health message can help a lot, but there's one big problem: wine prices in Brazil are close to absurd. Wine is more than three times more expensive than in Europe, partly due to high taxes and partly because of the cost of raising money to invest in business ventures. (Interest rates average 2.5% per month or over 34% a year.) These problems affect both importers and Brazilian producers alike.

Paradoxically, wine imports are growing yet Brazilian consumption per capita is not increasing. It's partly that a lot of the population is still not drinking wine, but that's not all. A huge part of Brazil's wine production is made from American and hybrid grapes: 260m L of what's called 'table wine' is responsible for 67% of the overall consumption. Wines produced with *Vitis vinifera* are called Vinhos Finos and represent 110m L in volume, of which 77% are imported. The growth of imports is partly based on a migration from table wines to Vinhos Finos, even though table wine consumption began to increase again in 2009, to 15m L in 2011.

The Brazilian *Vitis vinifera* wine industry is also changing and experiencing an upswing. Established family companies such as the Miolo Wine Group and Casa Valduga are growing; cooperatives like Garibaldi and Aurora are back on track; and dozens of traditional family wineries and new ventures are emerging in the hands of successful business people, such as Pericó and Villa Francioni in Santa Catarina State. The

quality of Brazilian wine is also improving. Brazilian sparkling wines are particularly good and reach the market at affordable prices, making them a very competitive product - even taking into account the large amount of cheap and poor quality Lambruscos that are reaching supermarket shelves. In terms of reds, Brazilians are undergoing a steady evolution, particularly in regions like Vale dos Vinhedos, who have been able to identify Merlot as their premier grape, with the help of foreign oenologists such as Michel Rolland.

According to a study performed by import specialist and consultant Adão Morellatto, in 2011 wine importation grew 16.54% in FOB value and 3% in volume. In terms of value, Chile leads the market at 29.10%, and has been in first place since 2002, when it over-



Arthur de Azevedo, a former physician, is one who has helped ignite the passion of Brazilians for wine. A founder of the Sommeliers Association, he is now also a consultant.

took Italy as market leader. In second place comes Argentina at 21.4%, followed by Italy at 13.81%, Portugal at 12%, and France at 8.72%. Between them, these countries hold 85% of the market. Spain has experienced high growth rates in the last years and their 32% increase in 2011 brought them to a 4.75% market share. Although they have a market share of less than 1%, Australia grew by 50.75% last year, New Zealand by 33.87%, and the USA by 30.63%.

Part of the predominance of Chile and Argentina can be understood by the tax advantage they gain from their free trade agreements with Brazil; nevertheless, I see the increasing quality in their wines and their proximity playing an important role due to the wine tourism trend.

Selling wine in Brazil

São Paulo city is obviously of particular importance when it comes to wine consumption, with the other state capitals Rio de Janeiro, Porto Alegre, Curitiba and Florianópolis also

being good markets. New regions are also experiencing a wine boom, such as the cities in the interior of São Paulo state, or Brasília, Salvador and Recife, to mention just a few. This means that selling wine to Brazil is no longer a matter of a once-a-year trip, visiting São Paulo from Monday to Thursday and Rio de Janeiro from Friday to Sunday. Wine merchants need to spread their message in order to reach their potential in this country of 196m inhabitants.

Although the overall wine business is good, life is not easy for wine importers or foreign wine producers who want to sell in Brazil, not least because protection barriers are being raised on a yearly basis. In 2010, all wine sold in Brazil was supposed to receive a tax stamp that increased time spent in Customs and other costs. Even with legal battles in the Judiciary that are clearing many importers of the obligation, the future may not be on the importers' side.

Brazil's wine industry associations claim the tax stamp is going to prevent smuggling and other irregularities; as well, other acts against imported wines are being considered. There are also protectionist demands being evaluated by the government, like the one that claim for safeguards in the form of importation quotas and other commercial barriers. Nobody knows when the industry is going to unite itself in order to defend wine from the gourmet beer that is experiencing a substantial growth.

Fortunately, Brazilian consumers don't appear to be very price sensitive when their wine passion is at stake. After all, it's more important to know about wine these days than it is to have a brand new car. Wine information is eagerly sought, and weekly newspaper wine columns, articles in general interest magazines, and articles about wine travel in tourist magazines proliferate, while food and wine pairing recipes are all part of daily cable television. Meanwhile, all kinds of artists, businessmen and celebrities discuss their wine preferences.

We can bet that wine consumption will continue to grow steadily for the next decade or - as Brazilians themselves predict in their business plans - at least until the 2016 Olympic Games are over. ■

Christian Burgos is the publisher of ADEGA magazine, mentioned here.