An Overview of the Organic Wine Sector in Chile

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The purpose of this study is to provide a brief overview of ongoing developments in organic farming and we then focus on the recent evolution of organic wine production in Chile. The objective is to derive some possible lessons regarding the future of organic grape and wine production in Chile.

Over the last four years the global sales of organic products have increased by 20.6%, a phenomenon that has been observed in the demand for organic wine has experienced a similar trend. According to the International Federation of Organic Agriculture Movement (IFOAM) the organic products market reached $59.1 billion USD in 2010. In the five years prior to 2010 the market grew at an average annual rate of $5 billion due to consumer concerns regarding food scandals (e.g. dioxin) and advances in artificial food technology (e.g. Genetic Modified Organisms and irradiation) (Olivas and Bernabéu, 2012). Consumers have increasingly requested healthy and high quality foods produced with environmentally friendly methods and these are attributes viewed as positive distinguishing features from traditional foods. Furthermore, the shift in preferences has largely been driven by consistent findings that highlight the consequences of non-organic agricultural production. Research has shown that pesticides cause nearly a million nonlethal poisonings among agricultural workers and consumers, and about 20,000 deaths per year (Figiel, 1994).

Global organic food demand is concentrated in North America and Europe and these regions generate 96% of global revenues. In terms of supply, Africa and Latin America are the major producers and exporters of organic foods (Willer and Kilcher, 2012). The organic sector in Chile is still small and the domestic market is quite scarce. According to IFOAM, 90% of Chilean organic food production is sold to food-importing countries, while the remainder is sold domestically mainly as conventional products (Lernoud, 2008).

Chilean statistics show that 126,331 hectares were managed organically during the 2011/12 agricultural season. Almost 90% of the organic land is associated with the harvest of wild products (e.g., rosamosqueta), natural pasture, and fallow land. The most important organic crops are berries, mainly blueberries and raspberries, which represent 40% of the total organic agricultural land (4,736 hectares). Organic production is located mainly in the Maule and Bio-Bio regions, which account for roughly 72% of the total land under organic production. Currently, at least 500 farms grow organic products, all located between the Coquimbo and de los Ríos Regions in Central Chile (SAG, 2012).

Although it pales in comparison to total area of grapes planted, the area used for organic grape production in Chile evolved significantly between 1997 and 2011, going from 44 to 4,707 hectares (SAG, 2011). The grapes used to produce organic wine must be organic; however, there are two distinct classifications for organic wine depending on the production technique used. Organic Wine is subject to a completely organic production process while Transition Wine or Wine made with organic grapes uses organic grapes in a conventional winemaking process. Most major wine producing countries have standardized rules that clearly define the organic wine classification (e.g., US, Chile, South Africa, and Australia).

There are currently six regions that produce organic grapes, which are concentrated in the center of the country and stretch from Coquimbo to Bio-Bio. These regions are able to specialize in organic production because their soil and climatic conditions offer an ideal setting for organic vineyards. As for the variety of organic wine cultivated in Chile, red varieties are much more popular than white. The main red varieties grown organically are Cabernet Sauvignon, Merlot, Syrah, Carmenère, Malbec, Cabernet Franc and Pinot Noir. The most common white varieties are Sauvignon Blanc and Chardonnay.

During the 2008/2009 season a total of 4.4 million liters of organic wine was exported, mainly to Europe (90%), followed by North America (7%) and Asia (1.44%). FOB prices for a case containing 12 bottles ranged from US $50 to US $300 depending on the quality of the wine. According to estimates by
Gallardo (2005), the production of organic wine reached 5.96 million liters of wine, 72% (4.28 million liters) was organic and the remaining 28% (1.68 million liters) was transitional wine. In 2009, 2,946 hectares of organic vineyards produced a total of 8.09 million liters of wine, 70% (6.23 million liters) was used to produce organic wines and 30% (1.86 million liters) was used to produce transition wines. In the agricultural season 2011/2012, 4,707 hectares produced 23,800 tons of grapes - averaging yields of 5.05 tons per hectare - and 14,700 tons of grapes were processed into 11.5 million liters of organic wine. The two most produced and exported Chilean organic wines, Cabernet Sauvignon and Merlot, accounted for more than 2 million liters and 1.8 million liters respectively.

Chilean vineyards anticipate that the demand for organic products will continue to grow and offer promising export opportunities. Thus, organic production in the country is expected to continue to exhibit robust growth over the next several years (Eguillor 2012). However, relatively inexperienced firms are still trying to overcome challenges with product quality, differentiation and consolidation within export markets (Agroecología 2010). It is important to emphasize that organic consumers are usually better educated than consumers of non-organic food. In general, these consumers are drawn towards organic products because they care for the environment, are keen to support organic farmers, and/or regard organic food as healthy and safe. Despite shifting consumer preferences, organic wine lags slightly behind the aggregate demand increase for organic products. This could be due to the stigma that organic wine is of lesser quality; however, this perception is changing as more organic wines are being purchased and receiving recognition for their high-quality.

In sum, the organic wine sector in Chile has showed an important development in the last 10 years; however, more research is needed in several areas. First, there is need to explore alternative markets such as Asia and Latin America. Second, it is also important to identify clearly consumer preferences for organic wine in the main international markets. Finally, and keeping in mind that the domestic market is quite small, it is necessary to study the best strategies for increasing organic wine consumption in Chile.

Keywords: Organic agriculture, wine sector, Chile

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