



NELSON Grape & Wine

The Official Newsletter of The Nelson Winegrowers Association



Rabbit Hill. Photo: Chocolate Dog

In this issue...

Words from the Chair	1
Marketing Report	2
Biosecurity Watch – High Risk Season for Stink Bug.	4
Himmelsfeld - 25 years in the making	6
Uncorking Brazil: what to know about this young drinking nation	8
Winemakers Workshop – Pinot Noir Revisited	12
Immigration helps wine businesses stay ahead of boom	14
Wine Career -Get Ahead Online	16
New Member - Rabbit Hill	18
David McIntosh Memorial Scholarship	20
Calender of events	21
Classifieds	21

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UNCORKING BRAZIL: WHAT TO KNOW ABOUT THIS YOUNG DRINKING NATION

By Rodrigo Lanari – Winext

Imagine yourself in front of a shelf with more than 2,000 different labels from 15 countries and uncountable regions ranging from US\$10 to US\$10,000 per bottle, only very few of them from New Zealand, in a nation where the wine culture is still in its early years. Consumers are thirsty for knowledge and disoriented at the same time. Welcome to Brazil.

If you have ever considered selling your products in Brazil, it is first worth taking a look at the macro trends that shape this young but fast growing market and what opportunities lay ahead for producers from New Zealand.

Here are some facts and figures about wine in Brazil to help you get started.

1. It's not all about fine wine

Early attempts at grape growing in the southern part of Brazil were stymied by rot and fungus. It wasn't until a cultivar of *Vitis labrusca* was introduced in 1840 that winemaking became possible. Even now, Brazilians mostly consume the so called "table wines" - a sweet and flat style of red, sold in 4.5 litre bottles and made up of non *vinifera* grapes.

Average per capita consumption of wine is low, with only 1.8 litres per year, of which just half a litre is made from *Vitis vinifera* grapes or, to put it another way, fine wine. So, in this respect, we are closer to China (0.62 lt)⁽¹⁾ than Argentina (23 lt)⁽¹⁾.

Brazil is the 26th export market for New Zealand wines. The country is New Zealand's largest market in South America at 138,000 litres - approaching 1 million glasses of New Zealand wine drunk per year by Brazilians. A little over 25 New Zealand brands are sold in the country, with 90% of them working closely with the local New Zealand Trade and Enterprise (NZTE) office in São Paulo. NZTE has an extremely good relationship with New Zealand wine importers and distributors and since 2015 has been working on

several different initiatives to promote New Zealand wine across the country, like the celebration of Sauvignon Blanc Day, trade shows, road shows and special tasting to sommeliers.

The total volume of fine wine sold in Brazil accounted for 118 million litres in 2015, of which 70% was imported. The remaining domestic share is divided into 13% still wine and 17% sparkling ⁽²⁾. It is the consensus that Brazil's best wines to date have been sparkling.

2. Mercosur domination and international taste

Taxes in Brazil are extremely high. Depending on the origin, duties and taxes may reach almost 84% of the final retail price ⁽³⁾. Due to special trade agreements, wines from Argentina, Chile and Uruguay face zero import taxes compared to 27% from other origins. As a result, our South American neighbors bite into 65% of the import pie, followed by Portugal at 13%, Italy 11% and France 5%. Distant New World producers such as the US, Australia and New Zealand have less than 3% market share ⁽²⁾.

Despite the warmer climate, reds dominate the market, accounting for 82% of total consumption, followed by 16% whites and 2% rosé⁽²⁾. But this trend is changing, as 10 years ago red wines were more than 90% of the market. International grape varieties such as Cabernet Sauvignon, Malbec, Merlot, Pinot Noir and Carmenere are the most consumed (in that order). On the white side, Chardonnay and Sauvignon Blanc dominate.

Tastes and habits vary according to the region. São Paulo, Rio de Janeiro and the main cities in the south tend to follow international tastes and are more open to innovation, whereas in the northern regions consumers tends to be more conservative. But, most importantly, Brazil is a beer drinking nation, a category that has been massively publicised for decades and is strongly tied with our main cultural icons: beach, soccer and carnival.

3. Domestic production in a good moment

It is no exaggeration to say that the local wine industry has never had it so good. According to Decanter magazine, "this was the year it all came good for Brazilian wine"⁽⁴⁾. The British publication dedicated an entire article highlighting the outstanding performance of Brazilian wines at their annual competition, the Decanter World Wine Awards, bagging three Gold medals for the first time. According to the same



New Zealand wine was on show earlier this year at ExpoVinos in Brazil. The wine event is one of the most significant for the wine market in Latin America.

publication, "Not only has Brazilian wine come of age, it has stepped into the spotlight".

The largest television broadcaster, TV Globo, also recently gave tremendous exposure to a new generation of local wine growers exploring new regions and grape varieties in its one-hour show ⁽⁵⁾.

All this contributes to creating a good basis for further growth, welcoming new consumers to the category. It reminds me of the early 1990's when, in the US, CBS News broadcasted a programme on their *60 minutes* show about the benefits of moderate wine consumption on health. Just like now in Brazil, Americans drank two litres of wine per person at that time and are now drinking a whole 9lt case.

So, how can wine producers from a distant and less-known region, such as the sunny and creative Nelson in

New Zealand, make the most of this young and exciting wine market?

The first and most important attitude is to act together, promoting the category, instead of individual wineries acting alone. Non-competitive behavior, so commonly seen in the production side of our business, becomes scarce in promotion initiatives. Collaborating together towards a common goal is key to delivering a stronger message to your target audience. Nelson's golden sand beaches and cooler regions wine styles that match perfectly with fresh foods are relevant assets in which the region can differentiate itself to catch the attention of Brazilians.

When you are entering a new market, the ability to build your reputation from scratch is an asset. It is harder to recover a damaged image than to build one.

And New Zealand has the advantage of having a solid reputation among wine enthusiasts all over the world. The challenge is to spread the word.

Regarding market strategy, a segment that should be targeted in Brazil is the adventurous consumer - a category that is growing in spending and size. There is no available data on the size of this category, but it can be stated that it is growing fast. These individuals are eager to explore new regions, varieties, producers and spend more than the average consumer⁽⁴⁾.

Last but not least, a specific market segment in a given region should be focused on first - working the consumer first and then building the route to market from there. Very commonly, wineries look for distribution first and then try to reach their customers, which increases the risk of failure. Find your customers first, create demand and then look for the right partner to distribute. Brazil alone has more than 300 companies importing wine every year. I am quite confident most of the wineries knock at the same 15 doors and ignore the rest.

So, are you ready to navigate the vast waters of Brazil's wine market?

Rodrigo Lanari, 38, is founder of Winext, a consulting company that assists wineries to optimize their presence in the Brazilian market. For more information, visit www.wine-xt.com.

NZTE is the Government's international business development agency. Its purpose is to help New Zealand businesses grow bigger, better, faster in international markets. Through its office in São Paulo, NZTE works with over 25 New Zealand wine brands in the Brazilian market

⁽¹⁾ Wine Institute Org. Per capita wine consumption 2011

⁽²⁾ Ideal Consulting - imports period jan-dec 2015 and Ibravin (ibravin.org.br)

⁽³⁾ Instituto Brasileiro de Pesquisa Tributária, 2016

⁽⁴⁾ Decanter Magazine, October 2016 pp. 71-73

⁽⁵⁾ Globo Reporter, Nov 18th 2016 (g1.globo.com/globo-reporter)

⁽⁶⁾ For more information about wine consumer segments refer to Constellation's Wine Genome Research



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