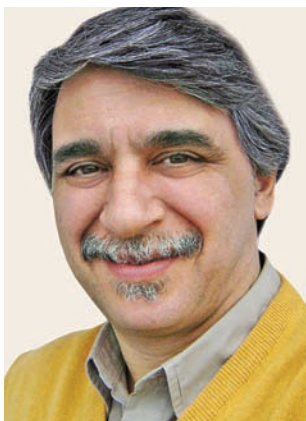


## NEW FOREIGN INVESTMENT



*A trained chef and winemaker, Daniel López Roca recognised the potential of the Internet, and has become Argentina's electronic wine guru.*

Argentinean wines have many advantages, from its geography to its low production costs. Seeing the potential, major investors leapt in, including Austrian Langes-Swarovski, Diageo, Chandon, Kendall-Jackson, Donald Hess, Freixenet and Codorníu. While Argentina still faces macro-economic issues, it seems investors' confidence was justified.

The Argentinean economy underwent a severe crisis in 2001, but has since managed to recover with annual growth that has never fallen below 8.5%, thus competing with the expansion rate of China. For Argentina's wine industry, the weak peso made exporting quality wines a value for money proposition. Yearly figures to the end of August 2007 show that wine exports grew 17.4% to \$37.7m (€25.6m). Over the same period, volume was up 1.9% to 21.6m bottles, with the average price rising by 15.2% to \$20.91 (€14) per case.

According to estimates from Argentina's Instituto Nacional de Vitivinicultura (INV), wine and must exports could reach 590m litres in 2007, with a new record value of \$670m.

The reasons to invest in Argentina are clear. First, the low value of the currency (\$1=3.17 pesos) makes the world's fifth largest wine producer and eleventh largest exporter attractive. Further, Argentina also has an important domestic market for wine. Although annual consumption topped 90 litres per person in the 1970s, it has now fallen to about 30 litres per person year. Still, with 40m inhabitants it is one of the world's largest wine markets. Finally, although it's not yet well known, Malbec's potential may be Argentina's trump card.

In this festive environment, foreign investors continue to arrive. Mendoza, with 75% of the country's production, is the preferred place for them to settle.

That is what led Aria Mehrabi, an American of Iranian extraction - on the advice of the Iranian winemaker Darioush Khaledi from the winery of the same name in the Napa Valley - to invest \$10m in a winemaking and tourism project. Mehrabi purchased 280 hectares, of which 60 were already planted with vineyards, in the Tupungato Valley and will soon start with the construction of a winery and a hotel. Although these are his first steps in the world of wine, he has 10 years of experience in real estate business in the United States, being director of Pacific Star Capital and former executive of RPD Catalyst.

Greeks are also making Malbec in Men-

doza. Greek entrepreneur Constantino Krontiras fell in love with the country and, with his partner Alex Macipe, started a project little concerned with return on investment. With their oenologist, Panos Zouboulis, they now have 18 hectares of Malbec in Maipú.

Guillermo Garcia Lamadrid, on the other hand, is an entrepreneur of Cuban origin, who made his fortune with meat and cheese in the food trade, as the owner of Packers Group Provision, with sales of \$250m. Today he fronts Lamadrid Wines, a company that has 110 hectares of vineyards in Mendoza. His \$4m project includes a one million litre winery that will be operating for next harvest. His oenologist is Héctor Durigutti, better known for the stunning wines he makes at Altos Las Hormigas.

From nearby Chile, the proprietors of Viña Tarapaca began in 2004 with Bodega Tamari in Maipú. Motivated by Argentina's growing wine exports, they invested \$2.5m in a new winery. As they do not own vineyards, their grapes are bought from farmers, but the winery has a capacity of 2.5m litres.

Local investors are also attracted to wine business. Darío Werthein, for example, after selling Finca Flichman to the Portuguese Sogrape group in 2001, invested \$2m in Tupungato, buying 72 hectares of land, 37 of which are planted. Fernando Muñoz de Toro, a lawyer from Buenos Aires, was attracted instead by Patagonia, where he has owned 140 hectares of vineyards since 2006, plus a winery with a 2.1m litres capacity and a wine resort in San Patricio del Chañar.

However, all is not gold. Local and foreign investors, both new and old, are asking the national government to solve the energy crisis that is affecting all wineries. The most important problem facing the industry is the inflation rate that currently runs at 16% to 18% per year and the persistent 'price agreements' that the government proposes. This makes it difficult to project profits. Moreover, producers need better legal security, a credit policy that encourages exports, long term bank financing policies, and an aggressive policy for the promotion of Argentina's brand in the world. ■