



Market and Trade Data

Aged in Wood: The U.S. Cooperage Industry Barreling Into South America

By Luis Cervantes

South America continues to be an excellent market for U.S. cooperage products such as barrels, staves, and accessories. In calendar 2005, U.S. exports of cooperage products to South America totaled \$6.4 million, up 23 percent from in 2004, and nearly double the \$3.8 million in 2003. U.S. white oak, widely used in cooperage products, is an essential element that helps wine producers worldwide create a flavor that makes their products unique -- and uniquely desirable. In South America, the most prominent producers of wine and the most attractive markets for U.S. cooperage products are Argentina and Chile. In spite of Argentina's 10-percent tariff on wooden barrels, South America in general is a good market for U.S. cooperage goods due to their popularity, competitive prices, and favorable overall

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trade factors. Demand for U.S. white oak cooperage products in the South American wine industry has been strong in 2004 and 2005.

Chile, Argentina, and Uruguay are the leading destinations for U.S. white oak cooperage products, buying \$5.3 billion in 2005. These countries have been the leading destinations for white oak cooperage products since 2001. The upward trend is likely to continue for the foreseeable future.

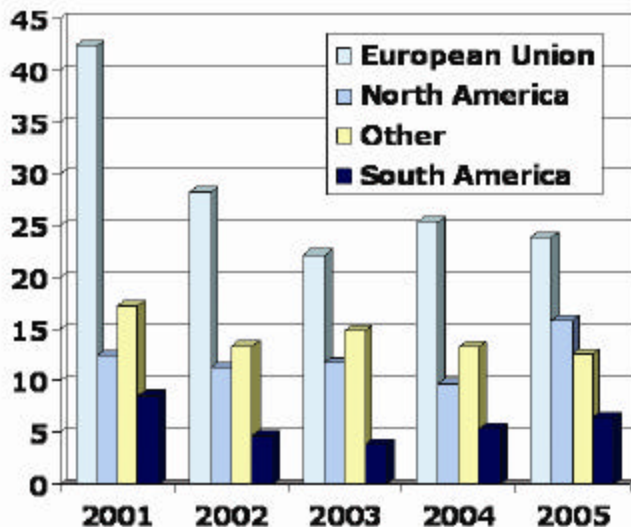
Building on Market Influences

There are a number of important reasons why the South American region holds exciting possibilities for increased U.S. wood and cooperage products. South American wineries are interested in improving the quality of their wines to become more competitive in the global wine market. A number of South American wineries are transitioning away from making moderate quality and affordable wines to higher end products.

South America's vintners are increasing their use of U.S. cooperage products, which complement the types of wines that they produce. These wineries have identified U.S. white oak as an excellent wood with unique characteristics at an affordable price. American white oak is less porous and

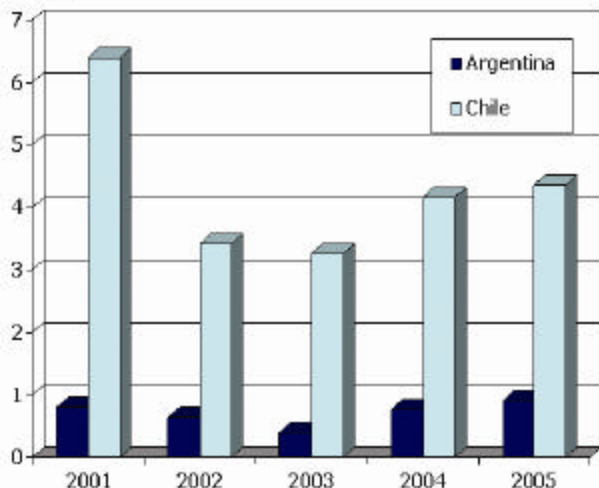
South America Comprises a Growing Market for U.S. Cooperage Products

\$ Million



Since 2003, U.S. Exports of White Oak to Top Two South American Markets Have Grown Steadily

\$ Million



easier to saw than other oak species, reducing costs and wood waste for barrel markets. In addition, it imparts a special flavor in the aging process, and works well with wines high in tannin.

Chilean wine production is growing rapidly. In 1995, there were 12 wineries in Chile. That number has now grown to nearly 100, while Chilean wine production has doubled. Chile exports 60 percent of its wines, the highest percentage in the world. Argentina's exports of fine wines in 2004 totaled \$195 million, 75

Did You Know:

- U.S. white oak is increasingly becoming the material of choice for South American vintners.
- U.S. white oak is less porous and easier to saw than white oak from France and other countries.
- The average cost of a finished barrel of U.S. white oak ranges from \$235 to \$350, compared with \$250 to \$500 for French oak barrels.
- U.S. cooperage suppliers offer all sorts of U.S. white oak products to vintners looking for an inexpensive way to add "oakiness" to their wines – from finished toasted barrels and toasted oak chips to replacement parts.

percent higher than five years earlier. Argentinean exports in 2005 were 34 percent higher than the previous year.

The Argentine Vintners Association estimates that approximately one-third of the barrels used in Argentina are U.S.-origin white oak, with the balance being French oak. The association believes that U.S. market share can improve if the U.S. industry becomes more active in promoting its products.

Rising demand for U.S. white oak is evidenced by the fact that in Mendoza, one of Argentina's major wine-producing areas, U.S. white oak barrels are being used for aging wines, and that Mendoza wineries are seeking to expand their operations.

U.S. exporters need to market the quality and affordability of their products. It is worthwhile for cooperage exporters to attend trade shows, participate in trade missions, and interact with potential buyers if they are to retain --and build on -- their reputation as quality suppliers to this important region. ■

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