

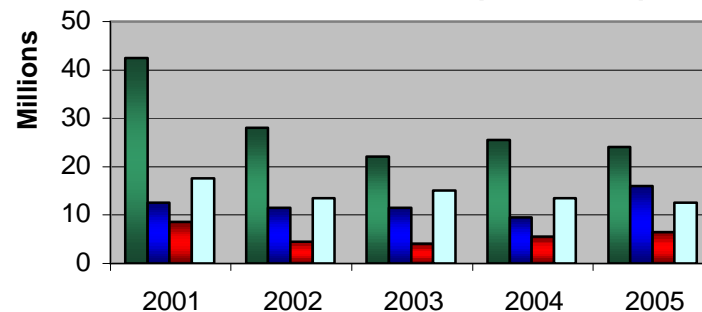
## The U.S. Cooperage Industry And the Southern Hemisphere

### Market Information

The South American market continues to be an excellent destination for U.S. cooperage products such as barrels, staves, and accessories. In 2005, U.S. exports of cooperage products to South America totaled \$6.4 million; up from \$5.2 million exported in 2004, and nearly double the \$3.8 million in 2003. U.S. white oak which is used in cooperage products is an essential element that helps wine producers worldwide create a particular flavor that makes their products unique.

In South America, the 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 wood barrels, South America in general is a good market for U.S. cooperage goods due to the popularity of U.S. goods, competitive prices, and overall favorable trade factors. The situation is shown by the strong demand for U.S.-origin white oak cooperage products by the South American wine industry from 2001 through the first quarter of 2006.

**Total U.S. Cooperage Product Exports to the  
World 2001- 2005 (HS 4416)**



Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. International Trade in Goods and Services, U.S. Exports of Goods and Services, U.S. Exports of Goods and Services by Product Category, U.S. Exports of Goods and Services by Product Category, U.S. Exports of Goods and Services by Product Category, U.S. Exports of Goods and Services by Product Category

U.S. exports of cooperage products to Chile, Argentina, and Uruguay were valued at 5.3 billion in 2005, an increase of 7.1 percent compared with 2004. These countries have been the leading destinations for white oak cooperage products since 2001.

## Influences on the Market

There are a number of important reasons why the South American region holds exciting possibilities for increased U.S. wood and other cooperage-related products. South American wineries are interested in improving the quality of their wines in order to become more competitive in the global wine market.

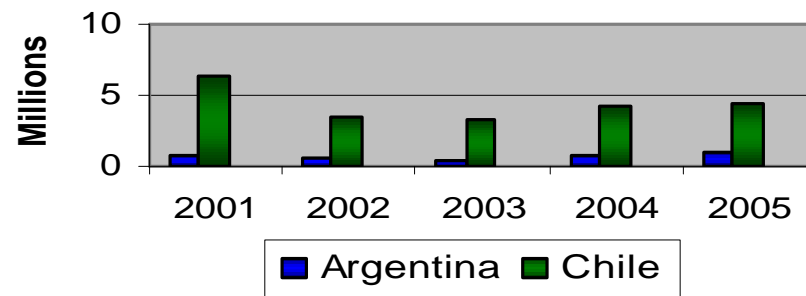
Chilean wine production is growing rapidly. In 1995, there were 12 wineries in Chile. In ten years that number has grown to nearly 100, while Chilean wine production has doubled. Currently, Chile exports 60 percent of its wine, the highest percentage in the world. Argentina's exports of fine wine in 2004 totaled \$195 million, 75 percent higher than five years ago. Exports in the first semester of 2005 were running 30 percent higher than the same period the previous year.

## Duties and Tax Rates U.S. Cooperage Products Exported to South America

**Cooperage Products (4416.00)**

Country	Duty Rate %	Applied On	Additional Taxes	Applied On
Argentina	10%	CIF	21% VAT 0.5% Customs Fee	CIF + duty +customs fee CIF
Chile	6% (Non-FTA) 0% (FTA)	CIF	19% VAT (Non-FTA) 19% VAT (FTA)	CIF + duty FOB
Uruguay	10%	CIF	23% VAT 5% Advanced VAT 1% Customs Fee 3% Cofis 1.5% Consular Fee	CIF + duty CIF + duty CIF CIF CIF

**Total U.S. Cooperage Product to Top South American Markets  
CY 2002-2005 (HS 4416)**



Source: Global Trade Atlas

A number of South American wineries are transitioning away from the production of moderate quality and affordable wines to higher end production.

The Argentine Vintners Association indicates that today approximately one-third of the barrels used in Argentina are U.S.-origin white oak with the balance being French oak. The Argentine Vintners Association believes that U.S. market share can improve if the U.S. industry becomes more proactive in promoting its product. Industry representatives suggest that U.S. coopers participate in the major trade shows in Argentina in order to gain increased access to the market.

Increased demand for U.S. white oak is evidenced by the fact that in Mendoza, Argentina, U.S. white oak barrels are being utilized for aging. The Argentine Vintners Association maintains that there is a market for imported U.S. white oak products, given that local wineries in Mendoza are seeking to expand their operations. U.S. white oak products also command a price advantage over rival French barrels that on average are \$250 to \$500 more expensive than their U.S. counterparts.

South America vintners are increasing the use of U.S. cooperage products because these products complement the types of wine 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 easier to saw than other oak

shows, participate in trade missions and actively interact with potential buyers if they are to retain their reputation as a quality supplier to this important market.



## 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 to \$250 to \$500 for French oak barrels.**
- **U.S. cooperage suppliers offer U.S. white oak all to vintners looking for a cheap way to add “oakiness” to their wine-- from finished toasted barrels and toasted oak chips, to replacement parts.**

