

INVESTING IN WINE & VINEYARDS

"Wine to me is passion. It's family and friends. It's warmth of heart and generosity of spirit. Wine is art. It's culture. It's the essence of civilization and the art of living."



General

Argentina is not new to the vineyard/wine making community like most other New World wine regions. In fact, the vineyards in Argentina and here specifically in the Mendoza region, date back 200 years to the founding days of Argentina. Argentina has been the 5th largest wine producing Country in the world for many decades. Yet they had virtually no exports until the 1990s. This is when the Country shifted from a predominantly table wine drinking society to also be drinking a lot of beer products. The immediate drop in table wine consumption was picked up by changing to fine wine production, bringing skilled winemakers from Europe and California to elaborate quality wines with the excellent grapes from Mendoza.

Since the 1990s exports of Argentine wine have increased by over 3000%. In the past 5 years exports have continuously increased from year to year by 10% and more. Just this year, 2011, Argentina has surpassed Chile in exports to the United States. Projected for the upcoming years, Argentina will produce more wine than the US, bringing Argentina from 5th to 4th in wine producing Countries worldwide.

Vines require fast draining soil, warm/hot days and cold nights. Under those conditions the grapes develop a thick skin, which is essential for high quality wine. Fed by the rivers from the glaciers running off the Andes bringing mineral rich waters to the vineyards of San Rafael. Winters are cold but not harsh. Just right to send the vines to sleep and have a long resting period.

Real Estate

Vineyards can be an excellent investment. Taking New World vineyard sites such as Napa Valley as a price example. Napa Valley hit the big league when their wines outperformed the Old World Wines from France in the famous 1976 blind tasting.

Prices for the vineyards increased with the increase of sales of California wines. In 1980 you could buy an acre of vineyard for \$20,000 and 20 years later the same size vineyard would set you back up to \$300,000. Vineyards in France are rarely sold by acres but rather by lines of vines.

At this time vineyards within Gavilan are selling for under \$17,000 per acre. Prices less than Napa Valley 30-years ago. All this packaged into an exclusive gated community with like-minded wine enthusiasts.

Vineyard

A vineyard produces grapes not wine. This will allow a vineyard owner two options to profit from his crop. Your typical vineyard produces 10,000 - 15,000 Kilos of grapes per hectare (2.5acres) of vineyard. At this point you have the option of selling your grapes to a winery.

The price paid for the grapes is based on market conditions. In the past years, with an increase of wine exports and world demand, prices paid for fine grapes have increased year to year. Our biggest increase came from the March/2015 harvest to the March/2016 harvest. 2015 the price paid was about US\$0.75 per kilo while this year the price reached US\$1.10 per kilo. This will give the vineyard owner immediate cash.

The other option is to have the grapes made into wine. Here you contract with a winery of your choice to turn your grapes into wine. There are several processes and types of quality that can be achieved.

This will also decide if production is cut during the growing season. To make high quality wines production is systematically cut from the 10-15,000 kilo to 5-8,000Kilos. At the same time these high quality wines pay better profits than lower quality wines.

Price of Wine

To compare wine prices consult your stores. You will find Argentine wines selling from the lower spectrum but can also find in specialized stores wine selling in the premium and high premium classes. This is where we see the market for our clients.

We found many small and mid sized wine stores very interested in small production wines. They allow the vineyard owner to target a specific market. Personal marketing will develop a small market quickly.

Our recommendation is to aim for a price range of US\$20-30 as the retail price for your wine.

Calculation Per 2ha Lot:

Price of the Estate:	\$ 79,000
Price of planting:	\$ 18,000
Price of maintaining the first 3 years:	\$ 8,000
Total investment before production:	\$ 105,000

Projected Income Based on 2017 Harvest Prices for 2-hectare Estate

4th year harvest (first harvest) 5,000 Kilo	\$ 5,500
Cost for maintenance in 4th year	\$ 4,800
Cost of harvest	\$ 400
Net gain:	\$300

5th year harvest (second) 15,000 Kilos	\$16,500
Cost for maintenance in 5th year	\$ 4,800
Cost for harvest	\$ 1,200
Net gain:	\$ 10,500

After 5th year (full mature vines) 25,000 Kilos	\$ 27,500
Cost for maintenance	\$ 4,800
Cost for harvest	\$ 1,900
Net gain:	\$ 20,800

These calculations are based on the 2017 actual price paid for premium grapes and costs during the 2016/2017 season.



If you should have any further questions or would like to arrange a phone meeting, please feel free to contact us at your earliest convenience:

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