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QUO VADIS PORTUGAL?

In times of crisis some people rise to their best, turning dire straits into great opportunities. The Portuguese wine industry seems to be at such a moment. Paulo Amorim, president of the G7, the association of the seven largest domestic wine companies, has expected this for several years. Amorim is the former sales director of G7 member Aveleda and

president of the National Association of Exporters of Wine and Spirits (ANCEVE). Having spent four years in the Porto business, 25 years with Vinho Verde and 16 years in the Douro, he truly understands the Portuguese wine scene. The recent major acquisitions by Joe Berardo are, he believes, the natural consequence of the current state of affairs.

Berardo is a self-made billionaire who grew up on Madeira and worked in a winery in his youth. Having made a fortune in South Africa, he returned to Portugal and diversified his investments. These span interests from contemporary art – his €300 million collection is now on display in Lisbon's Centro Cultural de Belém – to sports. More an investor than a manager, Berardo first invested in the wine business in 1995 when he bought a controlling share of JP Vinhos, also a G7 member, and now owner of the historic Quinta da Bacalhã. A major shareholder of JP since 1998, it bought a stake in Quinta do Carmo in Estremoz, a part of the Lafite-Rothschild group, in 2000. However, it was in June 2006 that Berardo astonished the Portuguese wine world by buying more than 30% of Sogrape, the largest domestic wine company, and owner of such historic brands as Mateus Rosé and Barca Velha. When everyone expected a quick resale at a large profit, Berardo surprised the world again in March 2007, by taking a strong position in G7 company Caves Aliança, which he plans to take to the stock market.

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Portuguese wines need and expect growth opportunities on the export market. Amorim himself is starting a new venture with two dynamic entrepreneurs, Filipe de Boton and Alexandre Relvas, with the winemaking trusted to Luís Duarte, who following 20 years at Esporão, is famous for Quinta do Mouro and Malhadinha Nova. The new endeavour, called Wine Vision, will have premium and icon wines from Alentejo, Douro and Vinho Verde, which, according to Amorim, have the best export potential. Similar projects like Azul Portugal, an umbrella brand, covering all Portuguese regions, including fortified wines from Porto and Madeira, will also rely heavily on the export market. Azul Portugal will work with prestigious winemakers like Anselmo Mendes and Jaime Quendera, basing its strategy on branding and relying on the 'saudade' market of Portuguese immigrants.

Portugal has traditionally been the best market for its own wines, with icon wines commanding a premium price locally. There are, however, clouds on the horizon. As the competition becomes more ruthless, it is no longer easy to sell high priced wines in Portugal. Nor does the public condone extravagant spending. At the same time, the per capita consumption in Portugal has fallen from almost 80 litres in 1970 to just over 50 litres today. If Spain is any example, we may not have reached the bottom yet.

Exports are thus the only solution, but the international market is even more competitive than the national one, as France, Spain and Italy have discovered. Port is the most well-known wine that Portugal has to offer, but its exports have steadily declined since 2001, with 2006 sales of just over 10 million cases worth €396 million, a further 2.2% fall. Yes, Douro table wine sales increased 14.9% by volume, but from a much smaller base.

Portuguese wine seems to be facing imminent peril and, at the same time, great opportunities. Never in its history has Portugal seen so many great wines grow in its vineyards. Maybe Joe Berardo knows more than we do.