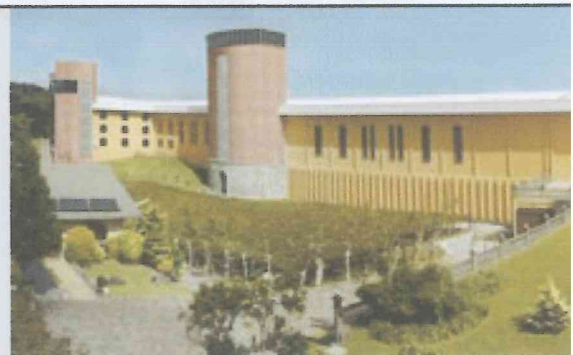


BRAZILIAN MOVES

Brazil faces a number of challenges in getting its wines taken seriously, from a difficult climate for grapes to a domestic market that drinks *Vitis labrusca* wines. Simon Tarmo reports on a winery that has decided not only to conquer its own market - but also the world.

SUMMARY BOX

- Casa Valduga is a Brazilian winery that believes it has to help build Brazil's overall image, if it is to succeed.
- Unusually for Brazil, it is a family-owned winery that operates without international investment.
- Improving quality production is not easy in a country where wine consumers are offered cheap wines made from *Vitis labrusca* vines.
- Casa Valduga has built Brazil's first oenotourism complex.
- The company is taking advantage of Brazil's growing thirst for domestically produced sparkling wines.



João Valduga is presenting an elite selection of Casa Valduga wines to foreign journalists. He stands, in every sense, right behind these offerings, all produced in the heart of Brazil's most distinguished wine region, the Vale dos Vinhedos (Valley of the Vines), nestled in the Serra Gaucha mountain range in the far south of the country. As the tasting unfolds and the group of mainly Europe-based journalists sniff, sip and spit their way through the winery's eight best examples, Valduga, the director of oenology, paces back and forth, scanning every face for telltale signs of approval or disappointment. He demands comments on every wine, and although language differences make communication difficult at times, the consensus is that there are some serious wines here and Casa Valduga is a serious winery.

This is no small thing for a Brazilian producer, particularly one without any foreign involvement; Casa Valduga remains 100% family-owned and, not counting some of their Italian winery technology, has relied on its own resources and expertise throughout the winery's history. This is unlike a number of Brazil's other top wine producers, who have in recent decades opened their doors to significant foreign investment and influence.

How it began

The Casa Valduga story began when the Valduga family moved to Brazil in 1875, direct from the town of Rovereto in the Italian province of Trento. They were part of a wave

of late nineteenth century immigration; between 1875 and 1900, more than one million Italians moved to Brazil's southern states, now home to over 25m Italian-Brazilians. Among the first Italian families to arrive in the region, the Valdugas helped settle the area that is now the Vale dos Vinhedos, and they planted some of the valley's first vineyards, albeit with non-noble vine stock that has long since been replaced. Nowadays, there are 31 wineries spread over the valley's 82 square kilometres, with around 2,100 hectares of vineyards; 42 hectares are owned by Casa Valduga. Casa Valduga also has 132 hectares in the Encruzilhada do Sul region, about 200km south-west of the valley.

Although the Vale dos Vinhedos is not the most naturally advantageous wine region in the world, it is one of the best spots in Brazil, thanks to its hilly, winding topography offering a range of sites and microclimates. The region is in Brazil's southern-most state, Rio Grande do Sul, on the 29th parallel south, 120km north of Porto Alegre, the state capital, and around 450km from the Uruguayan border. Vineyard sites are at an altitude of between 450-650 metres, while the climate is mild, sub-tropical and damp. Although there is some frost in colder years, summer hailstorms are a bigger issue.

Despite these challenges, in 2001 the Vale dos Vinhedos achieved Brazil's first and only Geographical Indication. In keeping with its pioneering history, Casa Valduga played a central role in this success, and is also a key

figure in the push to attain a DOC for the valley, once further development and improvement of vineyards and winemaking facilities has reached the required levels. The winery is currently run by brothers Erielson, Juarez and João Valduga, all of whom work hard not only to develop the credentials of Casa Valduga, but also those of the Brazilian wine industry as a whole. Amongst other things, Juarez was the first president of the Association of Fine Wine Producers from the Vale dos Vinhedos (APROVALE), an umbrella body formed in 1995 with the aim of creating a spot for the valley on Brazil's rather crowded tourism map. João, on the other hand, has been very active in the Institute of Brazilian Wines' promotional program Wines from Brazil, which aims to forge an identity for national wines both domestically and in key export markets.

Despite this outward focus, Casa Valduga recognises that its own vineyards and winemaking facilities are of paramount importance. The winery currently produces 1.1m litres of wine per year, split equally between sparkling and still. All of Casa Valduga's wines are made from *Vitis vinifera*, which is uncommon in Brazil, where more than 70% of all production is cheap table wine made from *Vitis labrusca*. Furthermore, following a major conversion project in 2000, all vines are now from imported and certified stock. In 2008, the company imported R\$400,000 (US\$235,000) worth of Merlot clones from France.

In terms of the Casa Valduga winery and production facility, significant investment in technology and equipment in recent years has resulted in one of the most modern of its type in South America, including what was Brazil's first oenotourism complex. Called Villa Valduga, the complex includes a bed & breakfast style hotel, a thematic garden, wine

('Identity') that allows buyers to customise the bottle labels; a new category of kosher wines aimed at Brazil's Jewish community; and brandy, grappa and liqueur offerings.

Despite this comprehensive selection, it is ultimately Casa Valduga's sparkling wine that is the brand's backbone, in terms of quality, consumer recognition and sales. Casa Valduga was one of the first Brazilian wineries to develop and use the champenoise method, and is now recognised as one of, if not the leading Brazilian sparkling wine brands. The winery prides itself on its 'espumantes', resulting in a number of wines that have won over 100 medals and trophies at key events around the world, including Brazil's only Silver Medal at the International Wine Challenge.

In Brazil, sales of national sparkling wines have been growing at over 20% per year since 2007, while imported equivalents are decreasing, and Casa Valduga believes domestic consumption will rise. Their sparkling wine cellar, a chamber that's more than 150 metres long and located under the main production and bottling facilities, has a 6m-bottle capacity. At the moment it's around 25% full, a figure that can vary depending on when the lines are released – the top end remains there for up to 72 months. The intention is to reach full capacity in ten years. Another plank of the expansion strategy was unveiled in 2008 when Casa Valduga established a new company called Domno, which produce charmat-method sparkling wines and can thereby expand production while protecting the reputation of its existing sparkling selection. Domno, which is being run by João, was established with a R\$10m (\$5.8m) investment, including the purchase of a former facility of Pernod Ricard's Domecq brand in Brazil.

Performance

Casa Valduga grew 12% from 2007 to 2008; however, the ongoing success of the Casa Madeira brand and new Domno business has contributed to a forecast 30% growth rate for 2008-2009. Although financial figures were not supplied, a 2005 research report by Brazil-based researcher Miriam Aguiar estimated that the company had revenue of \$6.4m for the year 2004-2005, on production of 750,000 litres, suggesting that the current 1.1m-litre production figure would have the company around the \$10m mark.

Beyond the winery, Casa Valduga takes a disciplined approach to marketing, aiming to reinforce the brand's credentials as a premium product, at least in the domestic market. Distribution is restricted to specialist shops, gourmet supermarkets, hotels and restaurants, avoiding the Brazilian supermarket sector, which has a mediocre reputation in terms of the selection and presentation of wine. Despite the noble intentions, this distribution mix may be an area to re-examine. Although recognition is high in the wine industry itself, more needs to be done to market the brand to Brazil's emerging middle class and help grow wine consumption which stands at less than 21 litres per head.

Exports

While only exporting 10% of its wines – the majority to the US and a number of European markets – moves to expand are underway, principally as part of its key role in the Wines from Brazil project. Casa Valduga has had some success raising its profile at a few major events around the world, winning some trophies and medals along the way; however, as a new and very small player on the international scene, questions remain over whether these small inroads into a few markets can be sustained and lead to bigger things, particularly as the wine itself has not yet been proven as a consistent, quality offering year in, year out. Also, while achieving international sales and recognition should be an important part of the company's future, the domestic market is crucial, particularly in terms of reinforcing and building on Brazil's acceptance of the quality of its national sparkling wine (an acceptance which is far less advanced for still wines).

With such challenges ahead, it becomes clear why Casa Valduga takes such a strong position on the need for the Brazilian wine trade to improve its fruit quality, winemaking techniques, marketing efforts and oenotourism. As João Valduga himself says about the push for Vale dos Vinhedos to gain DOC status, a range of improvements are still required, including further conversion of old-fashioned vineyards into modern, ecologically correct systems, with better technologies and lower yields. As he says, it's all about "aiming at quality and not quantity, while always maintaining the roots". ■

Casa Valduga in the Vale dos Vinhedos, in the far south of Brazil.



education facilities, and two of the region's best restaurants. It was further upgraded over the last two years at a cost of over R\$1m (US\$585,000). The complex currently receives around 70,000 visitors annually, which is almost half of 150,000 that visit the valley; the winery aims to boost both these numbers with more promotions and national media coverage. Added to this, in 2003 Casa Valduga created a new non-wine business called Casa de Madeira, producing fruit juice and preserves. Initial results have been very promising, with 100% annual growth, albeit from a small base.

The wines

As for the wines, Casa Valduga has an extensive range incorporating a number of price brackets and brands, including a series of special editions that are made only in exceptional years; the latter evidence of Casa Valduga's pursuit of excellence that also acknowledges the growing regions' limitations in terms of consistency.

At this top end there are the Grand Reserve and Premium lines, while in recent years Casa Valduga has also developed a range of wines called Mundus, which are elaborated from grapes grown in Argentine and Chilean vineyards. At the lower end there are the Duetto (various blends, each of two varieties), Arte and Naturelle ranges. The winery also has two rosés marketed separately under the Amante Rosé line; a special varietals range called Identidade