

The Mexican Wine Industry Obtains a Position in the Global Market

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2-SP28-10-076

Publication date: July 6, 2022

Last review: July 6, 2022

THE WINE INDUSTRY

For thousands of years, wine has been a popular beverage for mankind. In the world of alcoholic drinks, no other has had such an impact on society. Wine became a matter of trade between cultures and helped open channels for religious and philosophical ideas across Europe. Winemaking is regarded as a significant social and technological innovation among prehistoric societies, where new, sophisticated forms of agriculture are believed to have been triggered.

Different varieties of grapes and strains are significant factors in various styles of wine. There are two types of grapes: white and red, whose fermented juices produce red and white wine in various colors and flavors. Pink wine, also known as Rosé wine or just Rosé, comes from red and white wines (Wine Folly, n.d.).

Nowadays, winegrowing has large producers, where Italy, France, Spain, the US, and Australia are ranked as the top five. In Asia, China rises with excellent production, reaching the ninth place in the world's top 10 wine producers.

Image: Luiz M Santos in Pexels, 2022.



The primary grapes used to produce wine are Cabernet Sauvignon (the world's most famous red wine grape), Pinot Noir, Sangiovese, Chardonnay, Zinfandel, Syrah, and Nebbiolo, among others (Grand View Research, n.d.).



What is wine? Wine is a beverage resulting from the fermentation of grape juice obtained from *Vitis Vinifera*, a unique grape rich in sugars. Yeast consumes sugar and turns it into carbon dioxide and ethanol, releasing heat. Once the juice is fermented, a low-grade alcoholic beverage is produced, about 12 to 15 % or Gay Lussac degrees (Wine Folly, n.d.).

In the field of wines, there are different functions:



Viticulturist, the one that sows and harvests grapes.



Winegrower, the one that produces wine from the viticulturist's product.



Winemaker (a mix of both), whose responsibility, in addition to sowing, is to design and produce wine until it is bottled and stored.

Images. Iconixar and Freepik in Flaticon, 2022.



Vineyards: The places where the vine grows.

Vine: The grape plant. A vine can live about 125 years. The older a vine is, the better grapes it produces.

Image. **Mali Maeder in Pexels, 2022.**



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WINE INDUSTRY IN MEXICO

Wine growing is established in several states in Mexico: Baja California, Sonora, Coahuila, and central Mexico: Zacatecas, Aguascalientes, Guanajuato, and Querétaro.

Mexico is gradually earning its place at the table of significant wine countries. Wine consumption has been increasing at significant rates over the last decade (Wine Intelligence, n.d.).

Consumption per capita is about 1.3L representing a 3 % growth in 2011 and a 6 % growth in 2014.

Trends show a continuous increase from 2018 (historic consumption) and an estimated consumption by 2025.

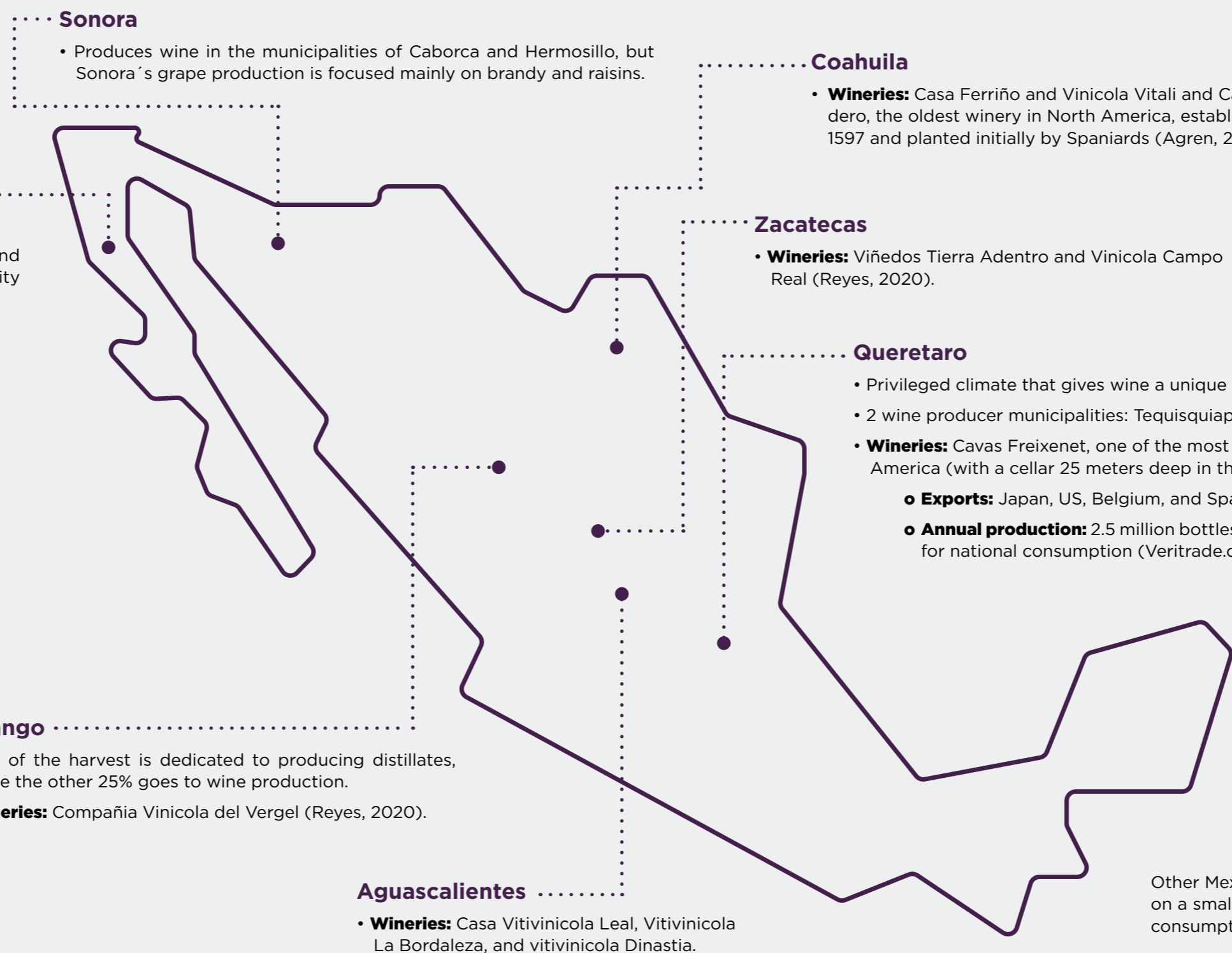
The wine market in Mexico had a revenue of US\$1.4 billion in 2020 and, according to Statista (2022) an increase to US\$2.1 billion is expected.



Image. Elevate in Pexels, 2022.

The wine industry is not just about harvesting grapes and producing wine, this industry imports supplies such as oak barrels and chemicals among other goods to produce, mature, and bottling wine.





Sonora

- Produces wine in the municipalities of Caborca and Hermosillo, but Sonora’s grape production is focused mainly on brandy and raisins.

Coahuila

- **Wineries:** Casa Ferriño and Vinicola Vitali and Casa Madero, the oldest winery in North America, established in 1597 and planted initially by Spaniards (Agren, 2021).

Zacatecas

- **Wineries:** Viñedos Tierra Adentro and Vinicola Campo Real (Reyes, 2020).

Queretaro

- Privileged climate that gives wine a unique touch.
- 2 wine producer municipalities: Tequisquiapan and Ezequiel Montes.
- **Wineries:** Cavas Freixenet, one of the most important houses in America (with a cellar 25 meters deep in the ground).
 - **Exports:** Japan, US, Belgium, and Spain.
 - **Annual production:** 2.5 million bottles, 60% for export and 40% for national consumption (Veritrade.com, n.d.)

Durango

- 75% of the harvest is dedicated to producing distillates, while the other 25% goes to wine production.
- **Wineries:** Compañía Vinicola del Vergel (Reyes, 2020).

Aguascalientes

- **Wineries:** Casa Vitivinicola Leal, Vitivinicola La Bordaleza, and vitivinicola Dinastia.

Other Mexican states produce wine on a smaller scale to cover national consumption.

Baja California

- **85%** of Mexican wine is produced here.
- Due to its location on the wine strip, wet winter and dry summers make ideal conditions for high-quality harvests.
- **Vineyards:** Valley of Guadalupe, Calafia, Santo Tomas, and San Antonio de la Minas.
- **Wineries:**
 - **Pedro Domecq:** Exports value based on FOB: + US\$469,000.
 - **LA Cetto:** Exports to the US, Germany, and Canada. Exports value based on FOB: US\$46,000.
 - **Santo Tomás:** Exports to the US and Canada. Monte Xanic.

(Reyes, 2020 y Veritrade.com, n.d.).

GLOBAL WINE INDUSTRY

The global wine market size was valued at US\$417.85 billion in 2022, with a Compound Annual Growth Rate (CAGR) of 6.4% from 2021 to 2028. (Grand View Research, n.d.). The market is characterized by a few well-established players and several small and medium-sized players; mergers and acquisitions occur among wineries worldwide.

In 2020, Constellation Brands acquired Empathy Wines, a direct-to-customer wine brand. Some critical players in the wine market are Asahi Group Holdings, LTD, and Beijing Yanjing Beer Group Corp. The Wine Group, Castel Freres, Accolade Wines, and Constellation Brands.

Images. Smashicons and Freepik in Flaticon, 2022.



Main Producers

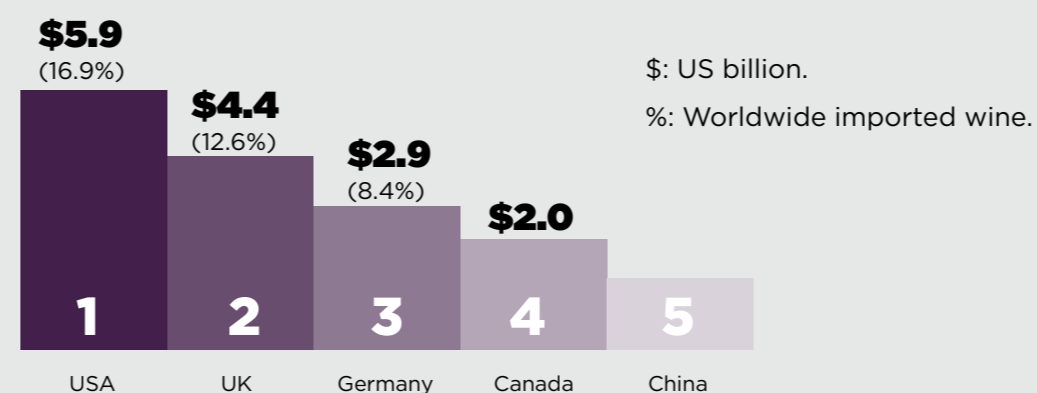
Countries that produce, import, or export wine are in every continent. Some of these do not produce but consume wine among all age groups, from the youth generation (García-Cortijo et al, 2017) to the old age population, being a critical factor of global market growth. The covid-19 pandemic disrupted the wine distribution channels due to extensive restrictions on hotels and restaurants worldwide. 77% of the world's hotels were affected, and restaurants had a decrease of 91% in 2020 (Mileham, 2020).



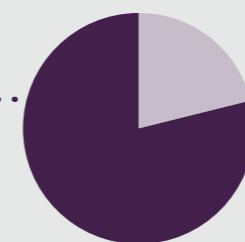
Main Importers

Over a year, from 2019 to 2020, a downward trend in wine consumption was -5.2%.

TOP 5 WINE IMPORTERS IN THE WORLD (2020)

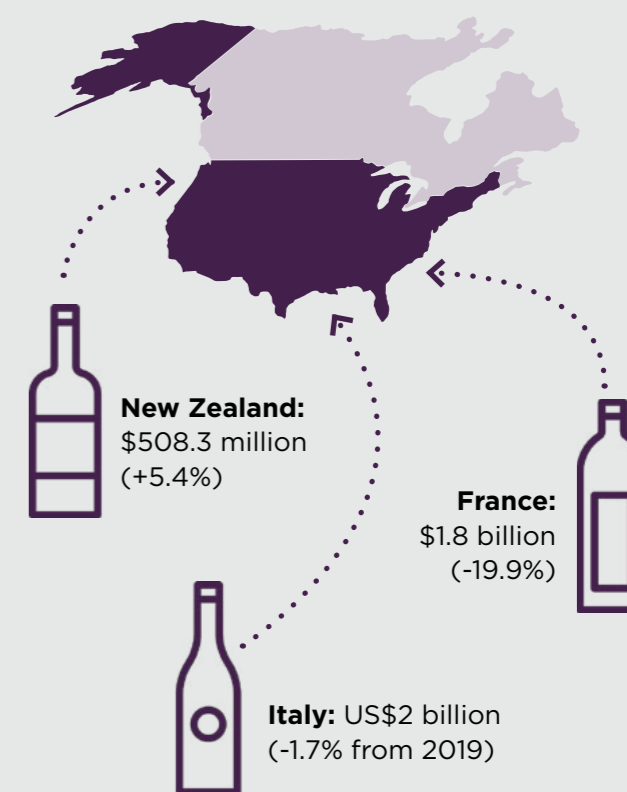


They imported almost **49 %** of the world wine **production** in 2020.



These listed countries purchase **79 %** of all **imported** wine.

These listed countries shipped **99.3 %** of wine imported by the US in 2020:



Fuente. Workman, 2022



TRENDS AND PROBLEMS

The real challenge for viticulture is to modernize wine estate management to ensure the industry's future. This means investment is required to update equipment and labor.

Over the last decade, the organic sector has been growing in Europe. In 2018 over 11% of European vineyards were certified as organic (Bordeaux Sciences Agro, n.d.) An organic vineyard certification means no use of pesticides and fungicides, and welcoming biocontrol to maintain pests controlled.

On the other hand, global warming has an impact on grapevines. These plants live in hot weather, and this is a condition that produces more sugar, generating higher alcohol levels that change the aroma and organoleptic properties of wine. Droughts are another real danger for vines.

Image. Hello David Prado Perucha in Freepik, 2022.



Environmental challenges are faced by the wine industry. Pressure from consumers and citizens requires winegrowers to radically change the way they produce wine and decrease the high-water consumption.



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