At the outset of the twenty-first century, Argentine wines have begun to command serious attention worldwide from the experts as well as from the wine-consuming public. That Argentina is capable of producing superb wines should come as no surprise. Its diverse Andean wine regions have almost ideal conditions for production—excellent soils, dry climate with substantial variations between daytime and nighttime temperatures and near absolute control over water. What surprises is Argentina’s long-term hesitance to produce the quality wines it is clearly capable of. Whether in the early stages of the industry’s growth during the initial years of the twentieth century or eight decades later, quality wine production was hardly the norm.

Indeed, from the outset of the industry wineries faced a crucial choice: produce large quantities of mediocre wine; or produce much smaller quantities of good to excellent wine with distinctive aromas and intense and engaging flavors. In large part, the decision to pursue the quantity strategy was based on the historic belief in the nearly unlimited growth potential of Argentina’s undifferentiated domestic market. But by the late 1960s this comfortable market had essentially reached the saturation point. Just when wine production was hitting its all-time high, domestic consumption first topped off in the 1970s and then started to shrink radically at the end of the decade as a severe economic recession cut deeply into the purchasing power of the population. Simultaneously, alternative beverages, specifically beer and soft drinks, were experiencing rapid market growth. The result was the drop in per capital consumption from 90 liters in 1970 to 28 liters in 2001. As a result, beginning in the 1980s, Argentina’s wine industry experienced the most profound crisis in its 100 year history.

In the midst of this downturn, a small but increasing number of forward-looking entrepreneurs came the realization that future growth and development would not be possible without fundamental changes; they began what would become known as the
“reconversión” of the Argentine wine industry. This paper will focus on the key strategies that drove the reconversión. Areas of analysis include:

- The pursuit of exports given the saturation and then contraction of the industry’s historic market.
- Concentration on the production of wines that could attain levels of quality to make them competitive internationally as well as in a changing domestic market.
- A growing tendency toward vertical integration in order to avoid the disjunctions and conflicts between grape producers, wineries and distributors.
- Sweeping upgrades in technology both in the winery and in the vineyard.
- The importation wine exports as well as machinery from abroad to maximize the impact of the technological advances.
- Increased planting of fine wine grape varieties to the exclusion of table wine grapes.
- And guiding the whole process, a fundamental change from a producer-centered to a consumer-centered industry focused on international markets and an altered domestic market.