

Chile 2017

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Chile's agro-industry has matured and many buyers are choosing Chile as their preferred supplier.





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The power in the South

Possibly the greatest compliment paid to Chile was paid indirectly, by one of its southern hemisphere competitors, earlier this year.

By Neil Murray

South Africa's wine industry competes with Chile's in a number of markets, including bulk (cheap) and premium (expensive), and in terms of consumer perception it is about where Chile was 15-20 years ago: it's mainly in the bulk market, but produces some excellent first-grade wines, and is anxious to move upmarket. However, one of the main wine players told IEG Vu that he was envious of Chile's programme of signing Free Trade Agreements (FTAs) with anybody, absolutely anybody, with a single-mindedness that beggars belief. One has the impression that if there was a settlement on the moon, Chile would be negotiating an FTA with it before long.

This is one of the building blocks that Chile has put in place to ensure the success of its food and beverage industry (and other industries, to be fair, but F&B is the second-largest after mining, and looks like overtaking it soon). Chile's success should not be seen solely in the context of the skill of its trade negotiators and the willingness of alternating right-wing and left-wing governments to pursue this policy, without change. Chile has also invested hugely in the essential infrastructure and skills needed to make its food industry a world-class operation.

IEG Vu does not know what the industry's collective capital expenditure represents,

but it must be colossal. Apart from constantly upgrading the factories and processing plants of its long-established products, such as frozen fruits and vegetables, wines and fruit juices, the country has established totally new food industries. Three decades ago, possibly less, there was no avocado industry at all in the country, and now avocados are not just exported in bulk but are an essential component of the Chilean diet. Similarly, an olive oil industry has been started from zero and its oils' quality is already winning awards.

The world is now seeing another seismic shift in Chile's approach to business. The country has embraced sustainability and is taking an early lead in corporate social responsibility (CSR). Not only that, but government-sponsored plans to establish completely renewable energy sources have resulted in colossal progress in the Atacama. Chile's power has mostly come from hydro-electric plants anyway, but the solar energy initiative is something new, and (so far) little-known elsewhere in the world.

What we are seeing now is the emergence not just of a global food power, but a food power built on low emissions, sustainable farming, and completely renewable energy sources. That really is something new.



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Red for Go

One of the surprises of last year's SIAL trade show was the launch of Frutos Rojos, an upmarket red fruits juice blend, by Jugos Chile.

By Neil Murray

Aimed at adults, the juice is a blend of grape, strawberry, maqui, prune, raspberry and blueberry juices. Héctor Muñoz, commercial director of Jugos Chile, told Foodnews that the juice has 60% more antioxidants than wine. "All the fruits are grown in Chile, so it is not easy to make it elsewhere," he added.

Now the drink is in full production, with a potential output of 30,000 bottles per week. As part of Empresas Lourdes, Jugos Chile is part of a business that handles both wine and grape juice. Jugos Chile was chosen as a name because it better reflects the grape-based business. The first production lines are now running. The drink is being aimed at an adult retail market and while it is offered as an alternative to alcoholic drinks – such as wine – it has also proved extremely useful when blended with spirits to make cocktails.

Frutos Rojos has a very high antioxidant content, is relatively low-calorie, uses Chilean fruits as raw material, and is a completely natural product with no added water, preservatives or colours. It taps into

a lot of the current fashion trend for juices and beverages: it's packed in wine bottle-sized bottles, it contains superfruits such as maqui, and it's red.

Unsurprisingly after its SIAL debut, the drink has attracted interest from a number of export markets. The Netherlands is likely to be the first overseas buyer, and Germany and the UK are also lined up as customers before the end of the year.

Early 2016 was not really a good time for the grape and wine business because rain in April reduced the grape volume which placed some strain on existing stocks.



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Track and Trace

Chilean frozen food processors are embracing ultra-high quality standards and social responsibility.

By Neil Murray

“It is a matter of understanding that you are not a grower but part of a chain. Chilean growers understand this”

The frosts that hit so many northern European fruit growing areas in April have been closely monitored by the Chileans. As a major grower and freezer of a variety of different berries, especially raspberries, Chile reckons that if Europe (literally) catches a cold, then it is well placed to capitalise on it.

For all that, the country's industry is being cautious and is waiting to see what the exact effect of the cold snap will be on Serbian and Polish soft fruit prices.

“Nothing will happen until the [northern hemisphere] harvest time,” said Benjamín Vásquez, commercial manager of Comfrut. “We hear these stories all the time, but can never determine the figures, and that is why the market has not moved much.”

Chile's frozen processors – and other sectors of the industry – are moving closer and closer to integrating their raw material sourcing completely and utterly with their factory processes. “European markets have had problems with food safety – norovirus and Hepatitis A,” points out Vásquez, who hastens to point out that the safety issues have almost all been with imported products, rather than European-produced.

“We can offer a very strong safety model. Europeans are more open to a safety offer from Chile.”

Traceability is one thing, but customers increasingly want to know not just where their food came from, but how it was produced and under what conditions. Consumers want details on the labels and want to know what sort of investments companies are doing to manage the food safety risk.

This trend goes further. It comprises corporate social responsibility and ethical sourcing – these are going to be major global trends in a very short space of time.

“It is a matter of understanding that you are not a grower but part of a chain. Chilean growers understand this,” adds Vásquez. “They are linked to a food industry. The knowledge has been transferred more from companies than government, I would say.”

Antonio Domínguez, boss of Nevada Export, and Mr Raspberry in his role as head of the International Raspberry Organisation, reckons that this understanding of the importance of a grower's position in the entire food chain

still is not fully appreciated by, for example, the Chinese raspberry industry.

Such attention to the minutest detail is also needed because the USA's Food Safety Modernisation Act (FSMA) is now in force. This mandates that a food importer has to take total responsibility for its products – it must provide the fullest details of how it was produced, the microanalysis of the water in the fields in which it was grown, and a host of other minutiae. As a major supplier to the US, Chile was ready for this. It means that its purchasing has to be handled in several different ways. Serbia, on the other hand, which has been growing its sales in the US in the last five years, is probably not so well prepared and may lose some sales. Comfrut has even set up a US subsidiary in Miami – Comfrut International – to handle its exports to the US. It allows the company to give its customers the guarantee of being able to sell its products and take full responsibility for all its products.

This careful organisation extends to frozen fruit purchases as well. Chilean frozen food

companies offer mixed fruit packs, and these may contain tropical fruits that do not grow in the country, so the suppliers of these tropicals have to offer the same traceability and ethos. Berries from Chile or tropicals from “wherever” – they all think the same way.

Because Chile has close to (effectively) full employment, there has been an influx of immigrants from Peru, Haiti and elsewhere. They are changing the face of the food market

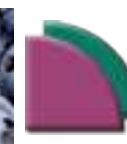
“Their way of thinking also has to be the same,” says Vásquez. “That they are working on the same commitment and strategic plans. It has been a challenge for the last three years.”

On the domestic market, things are simpler, but still changing. Chile's

population is getting older – a pattern seen in other countries. Young people are frequently working long hours, and the number of young women working is increasing, as they choose either not to have children early in marriage, or decide/need to work and are able to find childcare for their young one. These are patterns that have been noted in US and European markets. Alimentos y Frutos (Alifrut) is a major player on the domestic market with its Minuto Verde brand.

Because Chile has close to (effectively) full employment, there has been an influx of immigrants from Peru, Haiti and elsewhere. They are changing the face of the food market. Their numbers are about 800,000, and Chile's population is 17 million or so, but already there are shops springing up to provide foods from these immigrants' homelands. Once more, this is a pattern familiar to Americans or Europeans. Alejandro Rodríguez of Alifrut says that the portfolio of frozen foods offered in Chile has not yet changed to reflect the tastes of the new arrivals, “but it is coming”.

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The Chilean industry is helping the frozen berry industry to expand. The tendency of farmers is to clone their own genetic raspberry rootstock from existing plants. This works, but over time the fruits get smaller and the yields fall – this is a practice that Domínguez of the IRO has been campaigning to halt, and Rodríguez reckons it is at least partially responsible for export volumes falling to around 30,000 tonnes from 60,000-65,000 tonnes a decade or so again. Alifrut is supplying farmers with new genetic material. “As an industry, we must do something,” he says. “We must get those volumes back.”

On the plus side, cultivated blackberry plantations are increasing in area, and that is a sector where Chile has an excellent reputation. With the country’s new insistence on an integrated production chain and its insistence on quality, the future looks bright.

Cherries are a sort of unsung success story for Chile. The fresh export market is becoming colossal with China, in particular, a major customer. Frozen fruits find a ready market in the fruit preparations (jam, yogurt base, puree and others) and retailers. APFruit supplies fresh and frozen berries to different markets, including Asia, USA, Canada, Europe and Australia, providing frozen single strength puree as well. That



Eduardo Pinochet (president) and Ignacio Osorio of APFruit said, juice and purée is still a niche sector – the main business is in frozen.

APFruit is presently freezing about 10,000 tonnes of berries (including the berries frozen cherries, kiwi and grapes) and it has capacity to produce 3,000 more tonnes. It also planted its own orchards as a vertically integrated programme, raspberry, blackberry and organic cherries. “Our frozen cherries are mainly for the US, but we believe that China will be the next

frozen export market,” says APFruit’s commercial director Ignacio Osorio. “We are pushing and working with and through Chilealimentos and SAG to develop a sanitary protocol for exports to China. We are doing some cherries in South Korea – they also import from the US. It is a niche market, not like blueberries. But the main volume is the US, and most end users are in retail.”

Like other Chilean processors in other sectors, organic products are commanding greater attention. APFruit does some organic production of raspberry, blackberry and strawberry purées, using different growers. “We are not a company for whom organic fruit is a big item, but we are definitely seeing more demand,” continues Osorio. Last year’s prices were uncompetitive with the northern hemisphere competition, but this year raw material prices have halved, so prospects for international sales have improved.

The government’s initiatives on food safety and quality are also having a positive effect. “We have a very strong policy here,” says Osorio. “We believe Chile will be well placed, especially with regard to the US and its FSMA. All the production chain has to be responsible. We are working hard on that, adapting all our procedures to be within that norm. “It is going to be an opportunity for Chile.”



Raisin the Bar

A Chilean supplier is testing new varieties of grape for raisin production.

By Neil Murray

Natural Chile is heavily involved in dried fruit, and accounts for about 8,000 tonnes of Chile’s annual raisin production of 50,000 tonnes.

This year, according to Rodrigo Saldaña, the company has been able to source enough raw material – it has to take the overspill from the fresh and other grape markets – and prices are 5% lower than they were last year, which is good news.

The company tends to divide its dried vine fruit into two separate markets. The smaller sized raisins go to the ingredients market, but the larger sizes are where the good business is and the growth markets are the EU and the US and especially the Middle East: Dubai, Saudi Arabia and Lebanon, whose snack companies want them for



cereal bars and other products for on-the-go consumption. Happily, rival suppliers to Middle Eastern markets, such as Turkey and Iran, tend to produce the smaller sized raisins rather than more lucrative larger. On the other hand, the Chinese prefer ‘green’ raisins which they buy through Taiwan, and Natural Chile does not produce this type at all.

The growth markets are the EU and the US and especially the Middle East

The most demanding customers are the Japanese, which comes as no surprise. The US has the stringent USDA grade, and the Japanese will only take A graded fruit that conforms to that standard, and stipulate a zero presence of stalks, whereas the USDA standard itself permits 5% fruit with stalks on.

Natural Chile is experimenting with new varieties, as a means of expanding the global market beyond the traditionally known and accepted types of raisin grapes. “There used to be only seven types of table grapes,” says Saldaña. “Now there are 30, and we want types that require less water and need less labour to harvest them.”



Rodrigo Saldaña

Photo credit (top): Ververidis Vasilis / Shutterstock.com



P is for Peach

Agrofoods' managers actually teach at a Chilean school.

By Neil Murray



Patricio Vargas

Peaches for processing may be in shorter supply next year in Chile, according to Patricio Vargas, chief executive of processor Agrofoods, which celebrates its centenary this year. A price rise would be welcome by growers.

This would probably be a blessing in disguise, because Chile has suffered from over-production of processed peach in recent years, as have other producing origins.

"There have been a lot of tree pull-outs (about 300 hectares' worth) so we should have a smaller harvest next year, Vargas explained. Some growers were unhappy with the returns. A lot are moving to cherries and walnuts."

The previous season was a good one, with costlier fruit: more money going into the industry filters down and benefits everyone.

Agrofoods is focused on the Americas: its main markets are the US, Mexico and Peru. Europe is Greece's back yard," emphasises Vargas. "Still, we are finding interest in the EU: not mass-market products, though."

Agrofoods has been developing its added value tubs and purées business. The tubs are in the early stages, so the growth is not yet representative. "We are growing our sales in the US, in cups not in tubs (or tubifruit)," Vargas explained.

The company's 7 oz cups launched in Chile (100% juice) contain only 63 calories.

"We constantly get requests for organic products, but Chile does not have a large organic production"

Organics is another area for expansion. "We are looking into baby food," admits Vargas. "We constantly get requests for organic products, but Chile does not have a large organic production."

The company is also tapping into the social responsibility trend. Make no mistake: this is going to be very big indeed, and Agrofoods is already supporting a Chilean school. Some of its managers even teach classes there.

Organic player

Surfrut is making sweet music on the organic market.

By Neil Murray

Maqui, the Patagonian superfruit, is moving further into the mainstream with the news that another Chilean company is to cultivate the berry.

Surfrut, which makes fruit purées as well as dehydrated fruit products, is conducting trials on harvesting cultivated maqui. A lot depends on growing the trees on which the fruit grows to a certain size and height, in order to facilitate mechanical harvesting.

The company did some trials last year, and these produced good results. "This year," promises Jaime Crispi of Surfrut, "we are going to have a way of harvesting which is economically feasible. This is going to take time, but we want to be there from the very beginning, so now we are building the supply." In fact, Surfrut is going further than just maqui: the company is now integrating vertically by growing its own raspberries and blackberries.

Demand is growing for Surfrut's organic offerings: "Many customers have placed additional orders for organics," confirms Crispi. "For the first time we have enough raw material. A year ago, there was not enough, so we had to tell many customers that we were unable to supply them. Now we can tell them that we are able to supply.

"The organic raw material price was increasing, but now the price has slowed down – a little, anyway. And we can keep our margins. We think this organic trend will continue. Conventional orchards have been transitioned to organic, and I think this has benefited all players. Even though baby food does not require organic raw materials, the purchasers feel reassured. It's an additional safety factor. We are doing much more on berries – organic berries are getting much more important."

The whole quality upgrade in Chile's consumer offerings extends to juice



Jaime Crispi

products. Crispi says that the large companies are changing their recipes to include single strength juices rather than reconstituted.

All this is to do with export markets. The Chilean domestic market is not developed enough yet for organic products to have any significant presence. "It's too new," says Crispi, a trifle regretfully. "No, the main market is the US, but Europe is getting interesting." China is also proving a slightly tough market for Surfrut's purées. "Give it some time: it's going to take longer than I thought."

Surfrut is also getting more involved in corporate social responsibility. Make no mistake, this is going to be one of the big issues quite soon. Consumers want to know more and more about their food, and this is extending to who provides the raw material, and how those farmers are treated by their customers. "While Donald Trump has rejected the Paris agreement, our company is one of three in Chile that has made a commitment to the community.

"I signed an agreement just three weeks ago."





Single-minded

ProChile pursues the promotion of Chile with utter dedication, and is an extremely strong force in the country's establishment of free trade agreements worldwide. Neil Murray interviews ProChile's Alejandro Buvinic.

NM: What are the latest Free Trade Agreements (FTAs) to be signed by Chile, and what FTAs are currently under negotiation?

AB: Chile's trade policy will continue to open frontiers for our international business, helping to create jobs and more opportunities for SMEs, women, young people and entrepreneurs in every Chilean region. In fact, today close to 95% of our exports go to countries with which Chile has signed free trade agreements.

This year we have, therefore, continued to reinforce our work on trade negotiations and deepening and modernising our trade agreements. This includes beginning talks to expand FTAs with China and South Korea and resuming trade negotiations with Indonesia. In addition, we are continuing to enlarge the scope of other agreements with important trading partners, such as the European Free Trade Association and the European Union, which has already issued a mandate to begin talks.

We are in the midst of concluding negotiations with Argentina to deepen our

trade agreement and we are also working on some issues with Brazil. We will also continue to seek out new trade horizons in other regions of the world. For example, we are developing a medium- and long-term exploration plan with countries in Africa. We have also made contacts with the Eurasian Economic Commission, a trading bloc made up of Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan.

In addition, we expect to continue making progress within the framework of APEC, with the Collective Strategic Study for a Free Trade Area of the Asia-Pacific (FTAAP), an initiative that we have firmly supported and which includes a work plan to advance toward this objective. In addition, along with our partners in the Pacific Alliance (Peru, Colombia and Mexico), we have begun negotiations with Australia, New Zealand and Canada.

NM: Where have new ProChile offices been opened in the last 12 months?

AB: We've been strengthening our 55 offices around the world, implementing improvements in terms of the people who

work there, as well as strategies to reinforce Chile's positioning in different markets where we have a presence.

NM: How can ProChile unite various aspects of its work in different sectors, such as tourism and food production?

AB: ProChile is one of the few Chilean government agencies that has a presence in so many different countries, so part of our work in international markets is to promote exports but also to support other government agencies to attract foreign investment and tourism.

In the case of exports and specifically the food industry, our offices are always in contact with importers interested in learning more about our country and promoting Chilean products. We also constantly monitor market and consumer trends in order to enter with new products and exporters.

In terms of attracting investment, our work is coordinated with InvestChile, and we support them in whatever they need to meet their objectives. For example, a few years ago we were involved in the process through which the Polish company KGHM started operations in northern Chile, with mining installations in Sierra Gorda. Also, we always have space at international events where InvestChile can organise seminars and promote what Chile has to offer to investors.

For tourism, we collaborate with the Office of the Undersecretary for Tourism to determine where to roll out campaigns to attract tourists to Chile, as well as events where we need to participate to promote the wonderful things our country has to offer. For instance, every year we support Chile's presence at the International Tourism Fair (FITUR) in Madrid in Spain.

But we have also been working to unify our policies to strengthen our country's positioning. For example, one of the greatest ambassadors for our country is wine. We've linked it to tourism through wine tourism, to promote Chile. This helps diversify the products we export and brings together two key Chilean products.

ProChile doesn't have policies to promote sectors individually. Through our Sector Brands programme, we encourage different sectors to work collaboratively on their



Alejandro Buvinic

activities abroad. For example, if there's an international event on mussels, we'll pair that with wine and promote both products. In addition, we've launched a new tool known as "The bounty of our land delivered to your table", which promotes Chilean food, through business meetings and gastronomical events with participation from all sectors of the food industry, even if exporters of those products don't have a presence in the chosen market.

NM: What is the global perception of Chile, do you think?

AB: The global perception of Chile is very positive. According to the international indices, Chile is viewed as a serious and responsible business partner, a country where there is respect for the law, low levels of corruption and a high degree of transparency. We are definitely viewed as a stable country, offering certainty and a mature democracy.

We always notice this when we participate in international events such as trade fairs and also in our relationships with importers who want to do business with Chile. In addition, we've seen how Chile's name is quite well known in some countries. For example in China, after intense promotional campaigns by ProChile in partnership with the private sector, knowledge about Chile has greatly increased. We recently began a study of Chile's brand perception in China that includes interviews with important figures in the business world, and 59% said they know about or are familiar with Chile.

But, in addition to everything we have to do to show the world and what the world

sees, such as our natural treasures and our food, I ask myself: what is special about Chile? And my answer is: its people.

Chile is a resilient country. Seven years ago, we experienced one of the most devastating earthquakes in our history, which was followed by a tsunami in the south. In addition, this country has the highest concentration of active volcanoes in the world, and climate change is having an impact with floods and other natural disasters. But Chileans never lose hope. We get right back up again. In the case of the 2010 earthquake, we verified our construction standards to be better prepared for the next event and the different industries in Chile responded immediately in order to continue exporting. This way of thinking is what sets us apart and it's what the world perceives about us as well.

NM: Does ProChile consider the Latin American markets to be 'mature', or is there still room for expansion there?

AB: Latin America continues to be one of the most important markets for Chile. This is the natural starting point for many Chilean SMEs, especially when they are just beginning to export. Latin America is also the destination of our highest value added food products. There is no language barrier in Latin America for Chile and the circumstances in other countries in the region are very similar to our own.

We believe there is still a great deal of room in Latin America for Chilean companies and export products. We also have the Pacific Alliance trade bloc, which has generated many benefits for our companies. Most of the talks have moved in the direction of strengthening trade relations among the member countries of the bloc: Chile, Colombia, Mexico and Peru.

NM: What activities is ProChile conducting in China?

AB: Our work in China takes a variety of forms. First is the opening of four trade offices in Beijing, Shanghai, Guangzhou and Hong Kong, which help our exporters and are constantly monitoring demand from the Asian Giant.

Furthermore, through our Agriculture and Livestock Competition and participation in the largest trade fairs in this market, we

support Chilean companies in prospecting and deepening their business relationships. This is in addition to ProChile's promotional work for Sector Brands, which are public-private initiatives where we promote specific products. One example is cherries: 80% of the cherries sold in China come from Chile. Wine has also achieved a great position in China.

By far, one of the most powerful activities we undertake is Chile Week China, which will be held for the third time this year. This is where the public and private sectors from Chile spend an entire week promoting exports, investment and tourism, among other activities.

This year we will visit six cities: Beijing, Chengdu, Shenzhen, Guangzhou, Hong Kong and Wuhan, with exposure to more than 60 million people.

During the Chile in China event there will be seminars about Chile and its opportunities, sector lunches, bilateral meetings, technical visits, business round tables and high-impact events for the media and consumers, among other things. In total, there will be more than 45 activities.

But in addition to the activities, we've been working on deepening our FTA with China, which is now 10 years old and is the first FTA that China signed with a Latin American country. We're also working continuously with health authorities to ensure that our products are able to enter Asian Giant. Two years ago we succeeded in bringing in avocados, and last year it was unshelled walnuts, and before that, cherries.

As a result of all this, China is the top destination for our exports as a whole and the second-largest for non-copper exports. In fact, in 2016 our food exports to China reached USD1.799 billion and Chile became the leading supplier of fresh fruit in this market.

NM: On social media, what sort of people is ProChile trying to contact or influence? What is the most effective social media? Facebook, Twitter, LinkedIn or another?

AB: With our social media presence, we're trying to reach the country's exporters but also those who have export potential or are thinking about expanding outward, as well as those who haven't considered it but could. ProChile also wants to educate the



general public about the work we do, from the calls for participation and events we organise to where our trade offices are located and the investment behind every promotion.

We also use social media so that consumers around the world can learn about us. We constantly promote our food products through the "Foods from Chile, Source of Life" campaign. We also adapt our communications to the circumstances in each country and the most important social media for them.

In terms of the most effective social media, that depends on the message we want to deliver. For example, Facebook is an excellent tool to reach out to SMEs and entrepreneurs, above all when we put out calls to participate in our events. Meanwhile, to publicise our activities and the work we do every day, Twitter is the best social medium. That varies depending on the country where we are marketing products.

What is clear is that social media is the reference these days, for consumers in Chile and around the world, so that's where we have to be.

NM: How does ProChile decide which sectors and/or companies to support and promote? What are the defining factors?

AB: One of the engines for determining the work to be done is the private sector, which understands best what its needs are. They

choose the sectors that need to be promoted and the markets they want to enter and let us know through the various ProChile tools.

In addition, we have a network of trade commissioners and advisors and our research department, who study trends and demand overseas. This information is shared with our sector specialists, who discuss it with the private sector.

Moreover, we are continuing to explore new needs in all sectors and identify opportunities for Chilean goods and services. For instance, we're emphasising our information technology services and also those related to agroindustry, because we see a significant opportunity for growth there.

There are also less traditional sectors that are growing substantially, such as creative industries, film and fashion. Today Chile is exporting shoes, for example, and doing very well.

In terms of companies, ProChile supports small and medium enterprises, and also large ones. Obviously the level of support differs according to the size, so we provide more for small companies. We also encourage companies to form associations, since this is a good way to begin exporting and also to promote the country.

Today we're seeing demand in the food industry from informed consumers who are looking for higher environmental and food safety standards, etc. These standards reflect the attributes of Chilean food: safety, quality, an international guarantee, traceability and natural flavours.

Alejandro Buvinic Alarcón is a lawyer by profession, specialising in the area of foreign trade and international relations. Today, from his current position as ProChile director, he is determined to boost the export of products, services, creative economies but above all Chilean talent. He is a native of the city of Punta Arenas.

He has worked for 25 years to internationalise his country in different positions, outside the country as in Geneva before the WTO and in the Embassy of Chile in Washington DC.

In Chile, his career has developed in the Economic Direction of the Chancellery, Direcon. Since November 2016 he has been acting as director of ProChile.

A new Red Power

A major Chilean fruit juice processor is diversifying into tomato paste, using expertise and assistance from its parent company.

By Neil Murray

Patagoniafresh is best known for its fruit juice concentrates. Iansa, which owns Patagoniafresh, already owns Icatom, a tomato processing operation in Peru's Ica Valley, is building a new processing plant adjacent to the main Patagoniafresh factory in Molina, Chile. The new factory will produce tomato paste, starting in March 2018, and then add apple, peach, and pear purées.

The USD51 million project is split into three phases, Karl Huber of Patagoniafresh told IEG Vu. The plant will have an initial raw material capacity of 1,200 tonnes of tomato per day (74,000 tonnes annually) plus 600 tonnes of fruit (38,000 tonnes over the season).

The second phase will increase this capacity to 2,400 tonnes of tomato daily (148,000 tonnes annually) and the third will take it to 3,600 tonnes/day (222,000 tonnes).

The factory is under construction and the new Rossi & Catelli equipment will be installed in July. The plant should be completed in January next year.



All the raw material for the tomato paste will be controlled by Iansa, from seedlings to the fruit itself. It will be completely integrated, and thus will allow Iansa to offer tomato paste from two locations in South America.

The USD51 million tomato paste project is split into three phases. The plant will have an initial raw material capacity of 1,200 tonnes of tomato per day (74,000 tonnes annually) plus 600 tonnes of fruit (38,000 tonnes over the season)

As regards Patagoniafresh's other operations, apple juice production is likely to be down this season, due to a smaller apple crop in Chile. In addition, the US, Chile's main customer, has had two large harvests in succession and China, in its efforts (largely successful) to exclude Poland from the US market, has been viciously competitive on price – and even so, China's sales to the US are lower than they were in the previous season. "You can sell whatever you like in the US but you have to follow the Chinese price," points out Huber.

Grape juice has been problematic as well", says Huber. "There was an important decrease in wine grapes supplies to the wine industry, so they bought a lot of fruit, that otherwise would have gone for juice, to make low quality wine from table grapes. Finally, the juice industry had much less volume and paid for the fruit more than twice what was paid in 2016".





The Green Zone

The coming year should give a welcome boost to Chile's apple juice concentrate (AJC) exports in terms of value, if not volume, because Chile should be more competitive in the vital US market.

By Neil Murray

Demand for Chilean apple juice is also increasing in China, which is gradually moving away from Chinese product to that made in the southern hemisphere

Chile's AJC production is much reduced this season. There are no hard figures but the country's production in 2015/16 of 80,000 tonnes was exceptional because so much weather-damaged fruit was diverted from the fresh market. Inevitably, less fruit was going to be processed in the Chilean autumn (March-May) this year

A well-placed source in the country reckons that next season's apple production could be 25% lower than this season's. The problem is that the country's orchards are ageing and not particularly high-yielding, and there is simply not enough fruit available for AJC processing. IEG Vu has heard, for example, that Agrozzi probably made 28,000-30,000 tonnes of AJC this year, but actually has the capacity to produce 40,000 tonnes.

In any event, Chile is probably sold out of AJC this season. Brazil has had a bad harvest, and has been forced to import AJC from Chile, and Argentina's apple and

AJC production, despite early hopes for modernisation and better productivity, is declining. Demand for Chilean apple juice is also increasing in China, which is gradually moving away from Chinese product to that made in the southern hemisphere.

A lot of Chile's apple orchards date back to the 1990s, growing a limited number of commercial varieties (mainly for the fresh export markets), with few modern high-density high-yield orchards, like those that are now nearing full production in Poland. Chile's Gala yield, for example, is believed to be relatively low.

"We believe that setting up new plantings is something that we must do," IEG Vu was told.

Others in the country believe the same. Speaking to Portalfruitcola.com, Vicente Vargas, president of Corporación Pomanova (an apple conference in Chile), said: "We all know that apple is going through difficult times and low



Cristián Alemparte

"These orchards and varieties that were planted [in the 1990s] are no longer meeting what markets are demanding today. They are not easily harvested orchards because of their height and are not generating good yields: in short they are obsolete"

profitability and we believe that what producers want and need to know today is how to improve their production."

"These orchards and varieties that were planted [in the 1990s] are no longer meeting what markets are demanding today. They are not easily harvested

orchards because of their height and are not generating good yields: in short they are obsolete."

Vargas points out that approximately 65% of apple orchards in Chile are in this situation, adding that what the market is demanding are high density orchards with smaller trees that facilitate harvesting.

He added that southern hemisphere countries like Australia and New Zealand have revolutionised their industries with varieties that have become very popular and demanded like Jazz, Rockit, Envy, and Pink Lady.

There is little vertical integration in Chile: few processors own their own orchards, but then this is the same in Poland and China.

At the time of writing, Chile's stocks are believed to be relatively low. AJC production was down on recent seasons, partly because juice manufacturers could not benefit from large quantities of weather-damaged fruit and partly because Chile's area under apple cultivation is reducing. According to Cristián Alemparte of Agrozzi, it has fallen by 4,000 hectares.

On the other hand, the industry is aware of the issue and if China, as IEG Vu expects, raises its prices into the US market this year, Chile will be able to follow suit, especially in the second half of the (northern hemisphere) season, when Chile is perfectly placed to capitalise on late demand and top-up orders.



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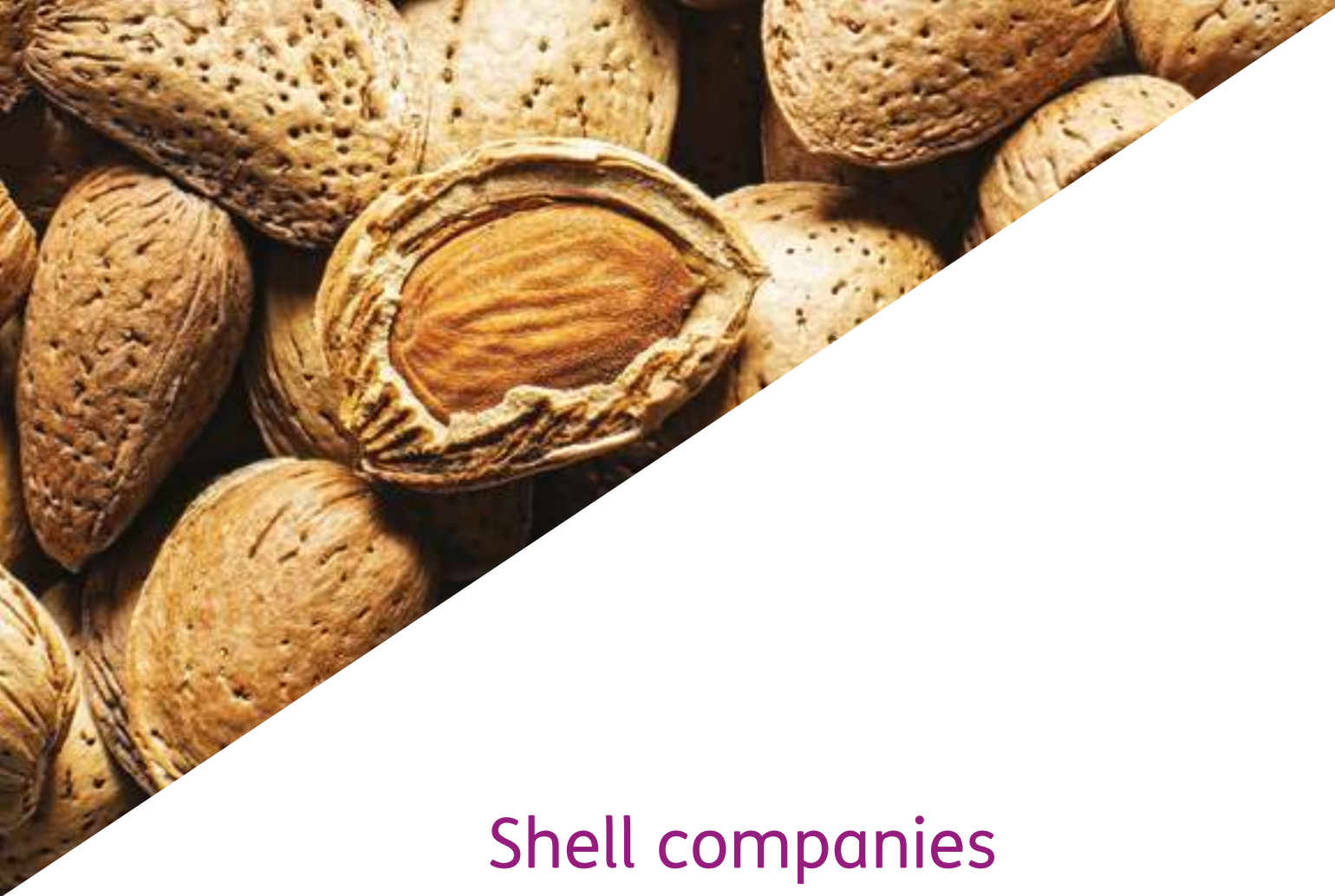
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Shell companies

Chile's almond harvest has shown a recent decline in volume, according to growers in the South American country, but the future looks brighter.

By Neil Murray



Some estimates say the total volume of almonds has decreased by 15% to 25%, and the calibres are also smaller." This is attributed the downturn to a year with many frosts in Chile, followed by drought during May, June and July 2016, which is the normal rainy season.

The lack of rainfall resulted in fewer flowers, but also in damage due to the accumulation of salts in the soils, as there was no rain to wash these away. In summer, the temperatures were abnormally high, up to 40°C, and there was not enough water to water the trees. The good news is that the Chilean winter season this year has been marked by good rainfall and equally heavy snowfall on the Andes, so the prospects for next season are better.

"The harvest was 30% down from normal, but we are recovering from the freeze," says Cristián Manterola of almond processor Parmex. Parmex offers

processed almonds as an ingredient for large food manufacturers such as ice cream and cereal bar makers. The shortage of last season has meant that customers have been covering early this time. "Most of their contracts are made after harvesting; normally in February, but in January this season. In any event, the season was also shorter this year, finishing in the third week of February rather than in May. Contracts with customers in Latin America seem to be signed in May, June and July, though.

In order to service its key clients, Parmex was forced to cut back on supplies to resellers – those companies that repack the nuts, generally into mixes. "When you get involved with the big companies, it's like marriage," he says. "It lasts forever." This is partly because almond growing requires a lot of commitment: it can take seven years before trees reach their commercial bearing potential. On the other hand, Russia is a repacking and

resellers' market and (perhaps surprisingly) is regarded as important by Parmex, because its buyers demand very high quality. "We expected them to ask for low prices as well, but they didn't...

Chilean companies like Parmex are minnows compared with the gigantic whale that is California, but have carved out niches because of their quality and responsiveness to customers

"We are trying to increase our volumes. This year, we will do 2.5 million kilos."

China, for the record, prefers to import its almonds in-shell.

Next season, producers will begin to plant new drought-resistant varieties throughout the country, particularly in

rootstocks. California has done a superb job in increasing global demand for the nut while doubling its own production in a decade. Chilean companies like Parmex are minnows compared with the gigantic

whale that is California, but have carved out niches because of their quality and responsiveness to customers. And demand still outstrips supply, as Manterola points out.





Unchangeable policies

Chile may change its government every four years, if it chooses to, but some policies remain carved in stone and followed by right-wing or left-wing governments.

By Neil Murray

“We have the opportunity to develop the industry with added value and knowledge in line with global trends and we need to go deeper correcting some aspects and improving what can be improved”

One such policy, pursued with single-mindedness that has earned nods of approval even among Chile's competitors, is that of establishing free trade agreements with as many countries as possible. Another is the equally single-minded insistence on quality and hygiene inherent in its food and beverage exports.

The Chilean Agency for Food Safety and Quality (Agencia Chilena para la Inocuidad y Calidad Alimentaria, or ACHIPIA) has a “leadership based on sustained political strategies”, says its executive secretary Michel Leporati. “This has enabled some basic requirements allowing us to be in every international market.”

There are three key indicators. First, that the country has no real problems with food-borne diseases. Secondly, that there are no problems with access to food. And thirdly, that the country is highly developed in terms of animal and plant health. “All that allows us to be present in 190 countries, with 1,500 products.”

In addition to the proactive private sector, public policies have been key in developing Chilean food quality and hygiene. And understandably so, because the food sector is considered a key sector in the country's national development. Only the copper industry is more valuable, and the way things are going, food earnings will overtake those from copper in the near future. After all, mining is effectively non-renewable. Food is renewable.

“We have the opportunity to develop the industry with added value and knowledge in line with global trends,” continues Leporati. “And we need to go deeper: correcting some aspects and improving what can be improved.” The second aspect includes encouraging a tendency to consume more healthy food: for the industry and ACHIPIA, this means finding a way to manage the food industry within a framework that is more preventive than corrective: setting it on the right path *ab initio*, rather than changing direction in mid-stream.

This applies to domestic food and beverage products as much as those destined for export. “We recognise that this is a complex system, and stakeholders have complex roles,” says Leporati. “We must generate standards as similar as possible so there is no differentiation between local and export products.”

There are, admittedly, some gaps that need to be closed on the home market, and ACHIPIA is working with Chilealimentos on the matter of traceability. The most important gaps are in primary production and involve small farmers. However, an emerging issue is that of street vendors, described by Leporati as “very complex”. This needs to be addressed from a public point of view. “We recognise that the biggest food safety problems happen at the



point of consumption.” Also, most people recognise that the need for standards to control the Horeca sector.

ACHIPIA is not setting out to simply update the original food safety policy, which expired in 2015, but to add the keyword ‘quality’ to it. The goals include reducing the number of public institutions (simplicity is always best) and strengthening active aspects such as monitoring and inspection. Another key intention is to seek denomination of origin status for some products – a system that has worked superbly in Europe. The possibility of a system like the French Label Rouge (a pure quality appellation) has also been discussed. Label Rouge focuses on food and drink products that have been traditionally produced for years, adhering to well-known production norms, and this is of interest to

Chile that has a number of traditional food items of its own. It could be a purely voluntary system.

Another key intention is to seek denomination of origin status for some products – a system that has worked superbly in Europe

Incredibly, Chile has 300,000 food and beverage production units, ranging from one-man-band cottage industries right up to industrial giants, but only 20,000 are involved in exporting. ACHIPIA wants to maintain the present activity by established exporters and bring other stakeholders into the export sector. Leporati points out that European agro-industrial colossi like France, Spain and Italy all have small artisanal companies that are successfully involved in exporting. A legal framework will not only help Chilean companies, but will also bring improvements in quality and hygiene.

“In the next 10 years we will see a diversification and sophistication of Chilean products, with the emphasis on health,” stresses Leporati. It is a long, long way from cheap bulk products.





Organisational power

The Chilealimentos trade association is the driving force behind the Chilean processed food and beverage industry, uniting companies into a single powerful unit. Foodnews/IEG Vu editor Neil Murray interviews its President, Alberto Montanari.

Chile is one of the top walnut exporting countries, along with almonds and hazelnuts. The industry has launched other added-value products such as mixed nuts, almond squares, laminated products, roasted products, flours, etc.

NM: What growth has the Chilean processed food industry shown in the last year, and what are the forecasts for 2018?

AM: According to the first-half figures, processed fruit and vegetable production volumes increased by 10% and the value by 7%. This is a good outcome despite the bad weather our fields have suffered.

Our 2018 intention is to expand our sector as we have been always doing. In 10 years, export values have increased more than 70% and production volumes by close to 50%, which explains annual growth of 6% and 4% respectively.

In recent years, weather conditions in Chile, as in many other countries, have frustrated our intentions. That is why it wouldn't be a surprise if, in 2018, our business growth exceeds the historical estimates.

NM: Chile is moving deeper and deeper into more sophisticated added-value

products. What are the best examples of this, among Chilealimentos members?

AM: The industry is divided into different sectors.

The pulps and purée businesses have diversified significantly into more concentrates used as industrial ingredients, to products destined for retail such as fruits and vegetable blends, or to organic pulp production of different varieties.

Dried foods have widened their nuts offers. Chile is one of the top walnut exporting countries, along with almonds and hazelnuts. In addition to this, the industry has launched other added-value products such as mixed nuts, almond squares, laminated products, roasted products, flours, etc. There has been also an improvement in the production and export of products based on dehydrated apples, with different levels of grain density and different kinds of snacks for retail.

Other highlighted products are infused

dried fruits, rehydrated using other fruit juices, so the result is a larger range of products.

Finally, dried maqui, one of the native Chilean fruits with a very high level of antioxidants, has also started to be produced in recent years.

In frozen, Chile is the world's second-largest exporter of frozen fruits. Berry exports rank in the top place for both industry and retail. There is also a wide variety of frozen fruits and temperate weather vegetables, one of the main characteristics of Chilean production.

In juices, even though Chilean products are mainly exports of apple and grape concentrates to be used as ingredients, there is also the capacity to produce berry juices for retail. A few years ago, Ocean Spray set up an operation in Chile to process cranberry. They offer a wide range of juices and dried products. The juice industry is also an important supplier of aromas, obtained from the fruit they processed. Those aromas are used in both the food and the beauty industries.

Finally, we must highlight the importance of the co-packer within the processed fruit and vegetables industry in Chile, to supply retail markets in other countries. This technique is changing and growing as fast as the consumption changes all over the world and in a market in which more and more brands are playing.

NM: In which sectors is there the biggest growth in added-value products? To what extent does Chilealimentos collaborate and work with other Chilean trade associations? Are there any examples of notable successes deriving from joint efforts?

AM: We have always had a close relationship with other business associations to collaborate with the governmental sector and develop public policies that affect our industry, both in commercial and production terms. We work with agricultural products associations related to the export market to support and develop the criteria in the Fondo de Promoción de Exportaciones de Chile, through the Agriculture Ministry. Every year, this organisation supports the promotion of all kind of exports in the country and launches different projects such as



Alberto Montanari

publications like this Chile Special that Foodnews writes for Chilealimentos. We do something similar with the Ministerio de Economía through Corfo (Production promotion corporation).

NM: How easy is it for the industry to cope with different governments? Do both Left and Right governments share the same vision for the Chilean food industry?

AM: Dealing with other organisations is part of our daily work. We remain oblivious to political relationships between the parties in power. We have a long-term task to develop the industry. This means working as a team with the different governments after their election. Our task is to convince the authorities that the industry priorities relate to the economic and social development of the country and, hence, also the priority of the government. We are against any political measure not related to what we consider development benefit.

We have been very successful in this sense, as we have always worked in a coordinated manner with all different governments in our country.

NM: How is Chilealimentos working to solve the problem of a lack of skilled and qualified labour?

AM: Our work is focused on training people to balance the natural migratory process from the countryside to the city that characterised developing countries. Since the beginning, we have supported

our companies in training procedures and we have recently inaugurated a work training facility in Chilealimentos with the aim of reinforcing this task by investing in human capital.

NM: Are there any new food and beverage sectors emerging in Chile that would benefit from membership of Chilealimentos?

AM: Yes, there are. I could name four sectors in which clearly there are new members and more growing interest among the members: organic products, with new companies coming into the market; in the area of services to the industry, as food needs more and more sophisticated analyses and certificates to assure quality of imports and exports; and (except for blueberry), there is also clear growth in the processed berries sector for juices, canned and dehydrated.

There is also a growth in industrial inputs. There is a rise in demand for products related to the health of the people and many companies have found, in Chilealimentos, the place to show what they do and get support to develop their businesses.

NM: How does Chilealimentos measure the success of its performance?

AM: First, from the results of the associated companies. Processed fruit and vegetable exports is one of the activities that have grown the most in the last decade. Its expansion depends on added value and this is what Chilealimentos focuses on.

Secondly, according to what our associates say about us and about what we do: sustainability, human capital, productivity, commercial, legislation and relations with governments are Chilealimentos's main priorities.

NM: How does Chilealimentos help its members with research and development and consultancy?

AM: Through the specific department known as the Innovation Office. It is in charge of putting into practice ideas for development projects. The Association gives its support to companies that need resources to turn their endeavours into reality.



Guaranteeing supply

Aconcagua is taking greater control of its raw material supply, while at the same time devoting even greater attention to quality.

By Neil Murray

“We are going to process 90,000 tons of clingstone peaches by 2022 so we are looking forward to keeping serving our clients across the globe with the same high standards as usual”

When it comes to peaches in the southern hemisphere there has been a company truly aiming at the future in the last three years. This is Aconcagua Foods located in the central region of Chile.

“We love peaches and we know them very well, we are ready to become one of the largest canned peach processor in the world” Roberto Murphy, general manager of Aconcagua Foods told IEG Vu. The company’s five-year plan embraces a USD10 million investment in fields to increase the owned raw material proportion from 30% to 60%, always maintaining a strong relationship with its farmer base. “We are going to process 90,000 tons of clingstone peaches by 2022 so we are looking forward to keeping serving our clients across the globe with the same high standards as usual,” export director Héctor Arriagada told IEG Vu.

It is important to gain productivity without putting quality and service at

stake. Aconcagua Foods has been preparing for this challenge in the recent years, investing not only in the fields, but also in the plant and its people. “Our plant is ready to take this raw material: only a few adjustments needed for it but more crucial is to have our people and processes ready for this scenario which is coming sooner than you may think so we have been focusing on those affairs lately,” commented supply chain manager Matias Bascuñan.

A wider range of offerings

The focus is not only canned peaches; Aconcagua also produces Mediterranean fruit cocktail, cherries, strawberries, apples and pears to supply different markets for eight years now. It has also been growing fast in the bulk purée industry, serving the most important clients around the world. “We can guarantee excellent and consistent quality to the following industries; beverage, baby foods, smoothie,

candy and others that have purée within their principal ingredients” commented Arriagada.

Staying reliable

Reliability is key for success in today’s world. Aconcagua Foods has a sophisticated laboratory that allows it to follow up quality aspects as well as microbiological levels throughout the production season and afterwards if required. Furthermore, a BRC certification has been part of its quality strategy for eight years (current grade AA) plus several clients’ annual audits so controls are in place within the plant.

“Our plant is ready to take this raw material: only a few adjustments needed for it”

Because responsibility starts in the field, Aconcagua Foods is working to get GAP certified. “We already have good practices in the fields with both our people and our fruit so we are committed to show the market once again we are here for the long run”. Roberto Murphy told IEG Vu. All told, Aconcagua is clearly reinforcing its commitment to its clients and preparing to be “the best choice in the southern hemisphere”.





Linking the Sectors

A minor revolution is taking place in the overall direction of Chile's national food industry.

By Neil Murray

The government has noted that Chile is facing certain economic growth challenges – there has been a fall in productivity in certain sectors, chiefly the copper industry, which has been affected by falling demand in China – and therefore other sectors need to be stimulated to make up any potential future shortfall. The government intends to do this, by harnessing new technologies, through Corfo (the Chilean Economic Development Agency).

Marcela Angulo, head of Corfo's Technological Capabilities Division, says that, for the mining sector, this means developing the clusters that supply the industry and for the food and beverage industry, diversifying its portfolio and developing more sophisticated exports.

Fascinatingly, these initiatives are linked to the development of solar energy in Chile. The country has next to no oil or gas of its own. A lot of electricity is supplied from hydro-electric plants, using snow melt and water from the Andes, but Chile has quietly been establishing solar

energy plants in Atacama and elsewhere in the north – these now supply a gigawatt of electricity, are competitive (with zero subsidies) with prices of other forms of electricity supply, and the country is now developing its own solar energy hardware (hitherto, everything has been imported).



The idea is to tie everything together – cheap renewable energy, innovation, technical development, and the result should be a large increase in exports of technically advanced products.

The aim is to double exports by 2025 – today's exports of everything are worth



Graciela Urrutia, Francisco Rossier and Marcela Angulo

about USD17 billion. For the food industry, says Graciela Urrutia, director of the country's National Food Strategy Programme, the focus is on special sectors such as food ingredients, packaging and healthy added-value foods. Funds are being allocated to support innovation in certain areas. Note that these funds are not being channelled directly to the food manufacturers themselves in the form of grant or subsidies: Chile does not work like that. Instead, the money will fund the development and meeting of new standards, tackling the issue of residues in fruit and vegetables, animal health and welfare and more.

The product of one industry is the raw material of another, so improved and more diverse ingredients permit more sophisticated added value products further down the chain

In 2006, the Chile Food Power initiative was launched. Exports have doubled since then, but Corfo has noted that the products exported have barely changed – fresh fruit and vegetables, seafood, frozen fruits, fruit juices, etc. In 2006, Chile ranked 21st in the list of global exporters and has slipped two places since. Moreover, the top 10 countries (as Angulo dryly remarks) “have a lot of land”. The 2006-16 growth was impressive, but it was not coordinated. A fully coordinated

approach, integrated with technical developments in other fields, should produce even better results.

How is this being achieved? For a start, ingredient industries tend not to sit ‘together’, so are being grouped together. The product of one industry is the raw material of another, so improved and more diverse ingredients permit more sophisticated added value products further down the chain. Some plans are large, like the creation of a National Technical Centre for the food industry, with a focus on ingredients, added value, packaging etc, and some are small, intended to support smaller manufacturers rather than the giants who already have their own pilot plants and infrastructure.

The second stage is the launch of specifically proposed consortia to produce natural and functional ingredients for the

ready meals industry. An eight-year term is allocated for this particular project, and funds have already been released for the first four years. Then there is the development of packaging and packaging technology. Chile is a long way from its major client markets, and packaging is important. This project involves the participation of six Chilean universities.

New crops are being planted: hazelnuts, berries, cherries and more. The idea is to introduce new, more hardy varieties in the north and to expand the frontiers of fruit production in the south

Finally, there is the matter of fresh produce. Climate change is affecting the development of the Chilean fresh fruit and vegetable industries. Avocados and citrus fruits are particularly at risk. The whole wine industry is moving south, to cooler climes. However, not all the fruit industry is following suit (raspberries are an exception). New crops are being planted: hazelnuts, berries, cherries and more. The idea is to introduce new, more hardy varieties in the north and to expand the frontiers of fruit production in the south.

So far, the country has spent USD100 million on this support: 60% is public money and Chilean industry has provided the rest. For a country with a population of around 18 million, even allowing for its large and developed agro-industry, these are impressive figures.





Absolutely topping

Tomato paste is a popular topping for pizzas and Sugal Group is one of Chile's companies involved in producing this and other items for the tomato sector. Neil Murray, head of processed commodities at IEG Vu, spoke to Juan Manuel Mira, chief commercial officer of Sugal Group, about the company's role in this industry.

“Our strategy is to offer quality product at a competitive cost. For this reason, our productions are complementary and coordinated”

NM: Tomato is going through a hard period of flat demand and dropping prices, what is the strategy of the Chilean tomato industry to strengthen its market position?

JMM: The ups and downs of prices is a situation that we know in this industry. Sugal has been in this business for 60 years and our goal is to always be competitive through constant investment, seeking improvements in productivity and a greater speed thanks to the two seasons we have a year, where we combine production from July to October (Portugal and Spain) with the southern hemisphere season from February to April (Chile).

NM: What is Chile's competitive advantage compared with its competitors in the northern hemisphere?

JMM: Our production in Chile is competitive for several factors. We have a climate and excellent soil for tomato cultivation and

low presence of pests and diseases due to a cold winter. Therefore, the agricultural performance is one of the best in the world, but is still lacking improvements in irrigation technology. On the other hand, there are the advantages of the Free Trade Agreements with most countries, which allows us to offer our product competitively in the five continents.

NM: How do you think the actual crisis will reshape the tomato market?

JMM: As in all crises, theoretically there must remain in the market the most competitive factories in terms of costs and quality, and therefore there are adjustments in the supply that regulate the price towards average levels, adjusting the supply and demand.

If we analyse the current market situation, it does not go through large production volumes over demand. Instead, there are certain imbalances in productive areas

Expert Agribusiness Consulting

Policy change can have major impacts on the agri-food and bioenergy sectors, as well as on the overall macro economy. In the EU, policy makers must address the direct impact of Brexit as well as the shape of the Common Agricultural Policy post-2020. This will be impacted by the post-2020 EU budget agreement as the EU loses its second largest net contributor.

A host of policy issues – both directly and indirectly impacting agriculture – are being discussed around the world. These involve trade agreements, environmental regulations, climate change and renewable fuels/bioenergy, approach to GMOs.

There is considerable uncertainty about what the new agri-food and bioenergy policies might look like and what they may mean for businesses operating along the value chain. Are you prepared for these changes and how they will impact your business?

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and markets, which have generated a tendency of price reductions that we believe should change in the short-term due to the volumes of production of this season being lower than expected.

NM: Organic is often mentioned as an option to stabilise tomato prices. In 2016, Sugal announced its intentions of investing in organic. What's the situation now for this segment?

JMM: In our opinion, we do not consider that organic production is the solution to market problems, but is a complement to the currently existing tomato product lines. Our company has organic tomato production in the three countries where we have operations (Portugal, Spain and Chile). Our industrial volumes have had as an objective to cover the needs of the clients that we have in the more than 70 countries where we sell our products. This has been our strategy, which has allowed us a permanent and balanced growth in our offer of organic tomato paste, as well as other organic tomato products in retail format, which are manufactured in Portugal.

In addition, our operation in Chile offers to the market aseptic fruit pulps (mainly apple, peach, pear, plum, prune, etc.) where we can also offer organic fruit pulp.

NM: Which organic products does Sugal offer and which ones are expected to enter into the organic segment in the future?

JMM: Currently at industrial level we have in the market, tomato paste in various concentrations, tomato cubes, passata and others. Also in retail format we offer whole tomatoes, cubes, tomato sauces, in various formats and containers that we process during the season. Out of the line of tomatoes, we have the industrial fruit pulps that are used by our customers in the production of juices and nectars, baby food, etc. About new products, we are always looking for potential new products and developing ideas and projects with our clients.

NM: How much land is now under tomato cultivation in Chile?

JMM: In Chile we estimate to cultivate for the harvest of February 2018 a total of approximately 8,000 hectares. Of this 700

hectares is under our own management and the main proportion with farmers is on an annual contract basis. We have been increasing our own management fields with the idea of generating a source of development and dissemination of drip irrigation technology.

NM: Last year, Sugal's yield suffered. Has it recovered this year?

JMM: In agricultural production there are always years better than others and what needs to be revised is the trend, and our trend has been upwards in terms of agricultural yields, so we are always working to continue with this trend.

NM: How much paste has Chile and Sugal produced in the last season, and what is the intention for next season?

JMM: The production of the 2017 season in Chile was 1,080,000 tonnes of raw material that is dedicated to the production of different tomato products. Of this Chilean production Sugal Chile represents approximately 70% of the total.

NM: How well integrated are the sales functions of the two main Sugal origins (Portugal and Chile)? Are tomato products from both countries offered together?

JMM: The commercial development of Sugal Group has a single vision since we are a single company, and our strategy is to offer quality product at a competitive cost. For this reason, our productions are complementary and coordinated. On the one hand we have customers that are supplied from Chile or from Europe, and with that they obtain a product that is always fresh, which lowers inventory costs and diversifies the risk. In addition, there are customers that are supplied from where our logistical and tariff advantages allow us to offer our products more easily and competitively.

NM: Is Sugal able to obtain the labour it needs for planting and harvesting tomato in Chile?

JMM: Our development is based on the mechanisation of the tomato crop. Today in Chile, mechanisation is present in almost the entire agricultural process, from transplantation, cultivation and even harvesting.



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