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CHILE

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A land of giants

In this year's Chile supplement, you can read about the Chilean government's success in helping lift the country's food and drink exports to the point where the country is now one of the world's top 10 food exporters.

Think about that for a moment. The world's largest food exporter is, believe it or not, the Netherlands. That surprises a lot of people, but a massive volume of product goes out to the world through Rotterdam.

Not all of it is Dutch, though. Hardly anything that Chile exports was produced outside the country. And did you know that Chile is the world's fifth-largest wine producer, after France, Italy, the US and Spain? (Source: FAO 2013). Chile's food and drink export success is a staggering achievement: the country is competing with countries far bigger than itself, with populations many times larger (there are only about 17.5 million Chileans).

Chile's economy is presently growing at about half the rate it enjoyed a decade ago, so around 2.5% annually. The weaker demand for copper, still the country's largest export, but not for much longer if the food industry continues to expand, has put a brake on growth and weakened the Chilean peso, to the relief of exporters.

President Michelle Bachelet's programme of social reform (education, medicine, etc) is worrying those who will have to pay for it (corporation tax is being increased). A labour shortage is becoming more acute every year. But these are not major problems. The

country remains a Latin American benchmark for stability and sensible financial management – its sovereign bond rating is the strongest on the continent.

Chile's single-minded pursuit of free trade agreements around the world has proved exceptionally successful. Doing business with Chile is easy. The country exports products in every sector covered by *Foodnews* and has a very good reputation in each. This is not just for the quality of its food and beverage industries, but for the way they do business: the paperwork is correct, contracts are honoured, and problems are few. Chile is a good country with which to do business.

Chilean food processors have been telling *Foodnews* for some years of their intention to add more value to their products. It is happening now. More sophisticated food products are appearing and are being listed by supermarkets around the world. The new priority seems to be a desire to tap into the general global health and wellness trend: red fruits, superfruits, vegetable juices, cunningly conceived dried and dehydrated fruits and vegetables. Some will be used as ingredients by food manufacturers elsewhere, and some will be uniquely Chilean. Maqui, which we feature inside this supplement, will be in both camps.



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Maqui marque

Branded maqui products are coming from the south of Chile.

By Neil Murray

If maqui is about to hit the mainstream, or close to it, one company that is well-placed to benefit from it is Bayas del Sur, one of the earliest Chilean companies to process the fruit and start marketing the juice and concentrate.

Bayas del Sur is expanding its maqui portfolio far beyond juice. For juice itself, the company is providing a variety of juices, single strength and concentrate, and is also growing strongly in organics. Secondly, it is moving much deeper into fruit powders freeze dried, and spray dried fruits. “Nobody else in Chile is doing what we are doing,” says general manager Miguel Montes. The third arm is simple trading: buying and selling juices. The fourth is purées, and the fifth is supplying superfruits to the domestic market, both retail and industrial.

There’s no denying that the margins on many superfruits are attractive. Compare the prices demanded (USD30-35 per kilo for maqui concentrate, for example) to those asked for the bulk mainstream juices.

“When I started in 1985, the AJC price was USD6.60 per gallon,” reflects Montes. “After almost 30 years it’s USD5.75-6.00/gallon. Nobody is making money on apple juice, pear juice, or white grape juice: the margins are extremely poor. If the companies are not giant companies for these commodities, they are losing money.”

Bayas del Sur is paying particular attention to the markets of Japan, Taiwan, South Korea and Malaysia: these four areas are growing fast, and Japan is one of the world’s top countries for food science and research into healthful food and beverages. Chilean superfruits are truly global: in Brazil, Juxx uses Bayas del Sur’s blueberry products, as does ITO EN in Japan, which also buys maqui. In China, Zhonglu wants to make apple juice blended with superfruits.

The company has invested heavily in recent years. The factory site now covers nearly 10 hectares. New equipment in the plant includes a decanter for juice (supplier:

Chilean superfruits are truly global: in Brazil, Juxx uses Bayas del Sur’s blueberry products, as does Itoen in Japan, which also buys maqui. In China, Zhonglu wants to make apple juice blended with superfruits.

Flotweg of Germany), an evaporator with aroma recovery (Unipektin, Switzerland), a vacuum filter (Padovan, Italy), ultrafiltration equipment (Bucher, Switzerland), a stone fruit de-stoner and washer (Albion, Argentina), and a frozen mill; a specialist machine that shaves slices off a frozen block (Fluidor, Holland).

“We have made good profits in the last five years,” continues Montes, “and we are re-investing the money. The shareholders are not taking the money out but are reinvesting and also making a full diversification.”

While the company will continue to supply maqui, in all its forms, as an

ingredient to food, beverage, nutraceutical and cosmetics manufacturers, it is also launching its own brand after a USD1.0 million spend on new product development.

South Life is an organic freeze-dried maqui powder, packed in 130g tubs: one tub is sufficient for a month's consumption. Other freeze-dried berries are also packed in 130g tubs. Then there are concentrated raspberry blends (just add water) and spray-dried powder that is offered as an ingredient. “You can make cakes with it,” says Montes. The powders can be either conventional or organic, according to demand. Slightly left-field is an alcoholic maqui cordial (16% ABV).





Maqui makes its mark

Maqui is poised to join other fruits as a cultivated berry.

By Neil Murray

Foodnews has paid particular attention to maqui (*Aristotelia chilensis*) in the past few years. This is partly because it is a highly interesting fruit, partly because it only grows in one region of the world (Patagonia, both on the Chilean and Argentine sides), partly because there is only one country processing it (Chile), partly because of its extraordinary health-giving properties, and partly because it grows wild, like açai in Brazil which makes the raw material supply uncertain and ensures prices are high.

The Chilean government has also taken a keen interest in maqui and has been studying it for many years, conducting research into how it grows, what it can be used for and (most importantly) how it can be cultivated. Research actually goes back to 1978.

Marcela Samarotto, who works for FIA (Foundation for Agricultural Innovation), a governmental institution, is an expert on maqui. Maqui's usefulness goes far beyond

the fruit. The wood of the maqui tree is prized by woodcarvers and makers of musical instruments, its fibres can be spun and its leaves can be used for medicinal purposes. The fruits themselves have applications in the food and beverage, nutraceutical, pharmacological and cosmetics industries. "It is hyper-versatile," she says, proudly.

"Delphinidin, found in maqui, is a very powerful antioxidant," points out Samarotto. "It has anti-ageing, anti-inflammatory and anti-cancer properties: it can help vision, strengthen blood vessels, and could be useful to combat Parkinsons and Alzheimers diseases."

Maqui fruit yields are small and variable: a mere 170-430g of fruit per tree translates to 160-280 kilos per hectare. The plant characteristics are similar to aronia, actually.

FIA and various universities have studied the fruits and the leaves, and made extracts

Maqui's usefulness goes far beyond the fruit. The wood of the maqui tree is prized by woodcarvers and makers of musical instruments, its fibres can be spun and its leaves can be used for medicinal purposes.

from them. The University of Concepcion discovered that maqui has natural parabens (a class of widely used preservatives in cosmetic and pharmaceutical products), and so can be used to replace synthetic parabens within the cosmetic industry. But it is gaining considerable traction in functional foods and beverages.

However, the industry needs a product that is homogenous, consistent, healthy, and safe, and that means it needs a cultivated, not wild, raw material source.

FIA is now developing the plantlets, producing cuttings and developing the structuring of the plant. In the wild, the trees are some four metres high, so they need to be brought down to a manageable size for harvesting, and different types of trees need to be studied to determine the best productivity, hardiness and more.

“We also have to consider size of the fruits

and their colour: we need consistency of colour,” added Samarotto.

So far, the experimental trees are growing very well, with 90% survivability. Manual harvesting is producing 800g of fruit per man per hour. FIA has been using blueberry harvesting whose efficiency is only described as “OK” by Samarotto (“It’s OK; not very good, but OK”). Trials are now proceeding with olive harvesting machines that shake the trees.

Another key issue: maintaining the cold chain

Maqui is versatile. It can be dried, freeze-dried, spray-dried, frozen and turned into juice, pulp, concentrate or extracts. Applications include vegan superfood bars, jam, juice blends, sports drinks, energy drinks and even alcoholic drinks (yes, there’s an 18% ABV alcoholic cordial).

To sum up, the growing technology needs to be perfected, as does the mechanical

harvesting, a programme of genetic improvement needs to be put in place, together with harvesting best practice, and there must be investment in products derived from maqui that promote its unique ethnic and functional characteristics.

Prices presently reflect the high cost of harvesting a wild fruit and the relatively low yields. Freeze-dried fruit is some USD40-45 per kilo and 65 brix concentrate is around USD30-35/kg, but assuming the cultivation programme is a success, and there is no reason not to, prices can be expected to tumble. It will never be cheap, but it will definitely move further into the mainstream.

And after maqui? There is a new fruit with even more antioxidant and healthy properties that is being studied, and developed in the same way. It grows even further south than maqui. *Watch out for calafate: the maqui 2.0 for the future.*

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Quality at fair prices

Normally mutually exclusive, but Chile managed it with its peaches this season.

By Neil Murray

Chile has had a successful season so far for its processed peaches, with a sharp increase in first-half exports. Sales to Mexico nearly doubled, more than compensating for the slump in sales to Venezuela, and weaker sales to Colombia and Ecuador. Europe is not a destination for Chilean canned peach, but it is worth noting that the UK took a small consignment.

Chilean peach purée has also been viciously competitive on price this year.

“We had cheaper costs. We are sold out in most of the purée, and a lot of that purée has already been sold, so there won’t be much of a carry-over,” Roberto Murphy of Aconcagua, a major Chilean processor, told *Foodnews*. “Today the Argentines are short, the Greeks are short, the Americans are short and we are normal, as usual.”

Low temperatures during Chile’s spring and summer delayed the harvest of all peach varieties from eight to 10 days

(Chile normally starts running its peaches in late January, a month or so after South Africa, which is always the first southern hemisphere to start processing).

At the CanCon conference in Argentina earlier this year, it was announced that the country’s total peach production was 14,000 tonnes higher than anticipated at 288,000 tonnes. The previous year’s production was 282,000 tonnes.

According to 2015/16 estimates, the volume of peaches going into canning would dive by 15% to 89,000 tonnes, the amount of pears being canned would increase by 100 tonnes to 1,750 tonnes this year, while just 66 tonnes of apricots, 22 tonnes less than last year, would be canned.

In terms of end product forecasts, this meant canning peach production in cartons of 24xA2 ½ fell short of early-season estimates to 4.0 million cartons, an 11% decline from the initial forecast

‘Today the Argentines are short, the Greeks are short, the Americans are short and we are normal, as usual.’



and 14% down against last year's output.

The amount of apricots processed into purée shrank by 21% to 4,050 tonnes. Conversely, the volume of fresh peaches processed for purée rose 7.5% to 171,000 tonnes. The amount of fresh pears going into purée soared by 45% to 89,600 tonnes.

However, peach purée (28-32 brix) production was expected to increase slightly to 55,000 tonnes (+3.7%), pear

purée output would climb by 45% to 32,000 tonnes, while apricot purée would dip to 1,500 tonnes.

Chile has thus been able to offer its peach puree at lower prices compared to their traditional rivals such as (principally) Greece and Spain especially taking into account Chile's reputation for quality.

Murphy expects things to return to a more normal balance between canned products and purée next year, with five million

cases of canned peach and perhaps 50,000 tonnes of 30/32 brix purée.

"We have already planted peaches on 1,000 hectares to replace old plantations, so instead of investing in plant we have invested in farms," he says. "The main thing is to remain competitive with the Greeks. We will never be competitive with the Chinese, but theirs is a different peach. The main thing is to keep costs low in order to be competitive."

'We had cheaper costs. We are sold out in most of the purée, and a lot of that purée has already been sold, so there won't be much of a carry-over.'

Chile has had a normal winter; perhaps even a colder one than usual. There has been plenty of snow in the Andes and plenty of rain elsewhere, so the irrigation prospects for next season look excellent. "We are behind the chilling hours we had last winter, but will probably make them up, maybe this week," observed Murphy in late June.

In short, everything looks positive. The only problem is that whilst Putin bans the fresh fruit coming from Europe to Russia the peach puree will stay low because of the huge availability of freestone peaches that finally ends up in puree.

CHILEAN CANNED PEACH EXPORTS, JANUARY-JUNE, TONNES									
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Mexico	19628	18878	24610	25564	17769	21432	20120	15261	30848
Peru	7891	11450	12271	16801	17205	12680	15803	11907	11918
US	2365	2341	3529	1563	1914	3595	2923	2781	4828
Colombia	6039	5003	7019	8774	7402	5635	6130	5463	3548
Bolivia	1078	1659	2399	2351	2535	1359	1624	1708	2408
Ecuador	5176	5443	4177	6034	5511	5321	5458	5973	2358
El Salvador	656	398	590	531	473	339	502	425	511
Venezuela	6629	7154	6130	3832	5732	3186	3800	1990	417
Costa Rica	1174	519	688	583	593	433	380	398	406
Korea South	28	48	145	356	1032	323	402	18	290
Guatemala	667	517	905	1282	689	821	211	269	281
UK		0	0	68	68	0	0	0	139
Others	256	844	1342	3878	2354	1086	333	366	231
Total	51587	54254	63805	71617	63277	56210	57686	46559	58183

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Cleaning up its act

And clean production actually saves companies money.

By Neil Murray

Chilealimentos is leading the Chilean processed food industry in the implementation of a new Clean Production Agreement, intended to improve the industry's emissions and water consumption, and in so doing, to reduce its costs.

"This is a huge investment and will take time," Carlos Descourvières told *Foodnews*.

The first clean production agreement was signed 10 years ago between the private and public sectors. The second was signed in July 2012, and completed in December 2015, with 35 plants and factories participating.

The previous agreements have produced remarkable results. First, 100% of all lines in participating plants are now HACCP certified. Average weekly water consumption has dropped from 57 cubic metres per tonne of finished product to just 20 cu.m., and there was an overall 9% reduction in electricity consumption, and a 20% decrease in oil consumption. Some Chilealimentos members have also experimented with biogas as a fuel.

Agrofoods Central Valley changed the worm drives in its waste water treatment and achieved an incredible saving, and all it took was 2.5 hectares of extra land.

As Descourvières points out, such figures represent a substantial cash saving. "Some people reduced their consumption so much that they didn't need their own waste water treatment plant and took it to city plants in trucks! Others used it as irrigation."

The second agreement was cheaper than the first, as with the earlier agreement, investment was in the first stage, and involved building of the water treatment plants.

This third agreement will measure water footprints as well as carbon footprints, and the results will be evaluated with the country's environmental ministry.

Other initiatives include the phasing out of environmentally unfriendly refrigerants such as CFCs and HCFCs, and the setting up of new targeted training programmes.



A gentle nudge

Chile's government is famously non-interventionist, but is willing to offer guidance to industry.

By Neil Murray

Neil Murray: The last time I spoke with Corfo, I was told that it was becoming easier to set up companies in Chile and also that it was going to be easier to return to business after bankruptcy. Has that happened?

Gonzalo Jordan: Company formation? Yes, certainly that has become easier, compared with what it used to be five-10 years ago. Unfortunately, the other part of your question, how do you erase your past, is not quite so simple. On paper, you can clear it up. In theory, you can erase everything, but the banks keep their records and everyone with a history is being set to one side. The banks are really strong here and they can manage that kind of information really well.

I have personal experience of this. I am a producer of nuts for export. Creating a nut orchard is not something you can do just like that and it takes a lot of money. I had some problems but I was able to renegotiate cashflow, and so on, and carry on but unfortunately the banks were aware that I was on the edge and

they were pushing me because of that.

I know that every suggestion that you can clean up your past is a lie.

The Chapter 11 equivalent has gone ahead (*this was to introduce a similar protection system as the US employs, to give companies in difficulty time to sort themselves out – NM*). The law for bankruptcy changed three years ago. What I was describing is post-law.

NM: What sectors is Corfo involved in?

GJ: Corfo is involved in a new national policy. There was a productive agenda designed by the economic and treasury ministries. The economy has been losing competitiveness and productivity so it was decided to focus on seven sectors called Strategic Sectors and we will decide an industrial policy for the state to use with them.

This was linked to a discussion 10 years ago when there was a discussion on whether the government should intervene in the economy or not. That was the



Gonzalo Jordan, external advisor to Corfo

beginning of the discussion and then there was a change of government and a new government, the Piñera government, which said that this was the business of the market and nothing to do with government. So we missed not four years in the negotiations, but seven (*Chile now has a socialist government again- NM*).

So the government decided again to choose seven sectors: mining, tourism, healthy food, construction, the creative economy, fishery and agriculture, and technology services in health.

NM: And what was the procedure for implementation?

GJ: We identified other platforms to enable the technologies: logistics, energy and water, smart industries, advanced manufacture, biotechnologies – these are the enabling technologies for these sectors. The future of Corfo is through these seven strategic programmes. In this current year, 50% of all Corfo investment in the productive sectors will be in these seven programmes, and it will be 85% in 2017.

NM: and what happens next?

GJ: In the food sector, food, first of all, the ecosystem and environment in which these programmes have to be developed is in public/private partnerships. My board works mainly in the private sector but I also have all the public sectors involved in issues of food and also some universities and societies that will work with a consumer point of view.

NM: Why did you choose the food industry as a sector?

GJ: The food industry accounts for roughly 25% of the economy. It also accounts for 23% of exports, and 31% of companies in Chile work in the sector. It provides 23% of our employment and 20% of total national sales, so it is something that is really important in this country.

Why should we do something like this? Chilean food exports have grown at two digits for the last 25 years so why should we try to push a sector like that to change its main flow? The thing is, we have studied it and there are quite a lot of opportunities in this area of which we should take advantage. The health food industry is growing at 36.2% globally, but

only 12.5% in Chile. We should work on that and, if we compare our country with others of similar size in agriculture, then we will find that Holland or Belgium or Italy or the UK or New Zealand produce much more food than we are doing.

NM: How many companies are we talking about?

GJ: In Chile there are 64 food sectors that account for 90% of exports. Italy has 140; Belgium and the Netherlands 170-180. So let's group our exports in fresh and slightly processed or refined food: 76% is in unprocessed food and refined food is 23%. In Italy the split is 28/72%; in Belgium 39/62%. Our sectors that have sales of USD2.0 billion are three: wines, fish and grapes. Belgium has several. So it looks like we have quite a long way to go.

In 2003, we analysed the Chilean potential in this area and we were exporting USD3.5 bln worth of food and we were far away from the top 10 countries in this area. We launched with a target of USD10 bln by 2015. In 2014, we exported USD17.3 bln and became one of the top 10!

NM: What is the next target?

GJ: Do we carry on towards the next target, as before? No because that way is already full of competitors and we were basically aiming at raw materials with low added value. Our new route is of high added value, and diversified, and we are really aiming to be among the world's top five producers. Look, the largest export earner for Chile is copper. By 2030, we will be exporting more food than copper. Our target is USD36 bln. Last year copper exports were USD37 bln, but the price of copper is going down....

Unfortunately, this has not been followed as a policy by various governments.

NM: What is the process to achieve this desired aim of making more value-added products?

GJ: Value addition starts with the consumer. The consumer chooses a product and starts a value chain. If you want to be in the supermarket, your product has to be attractive to make the consumer choose it. Or the consumers will choose it if they have experience of the product. If they don't they will examine

it carefully, so packaging is important.

As an example – to produce a cookie, you need a certain type of wheat, a certain type of machine, etc etc but without the raw material, wheat, you won't produce a cookie.

At every interface of the production chain there is a KPI. Value is created at those links, not the stages themselves. We need a policy for every stage in the process to be more productive. You need to get the right raw material, and the industrial quality of wheat changes according to location, variety, water, nitrates, etc. So you have to use the right wheat for this type of production.

NM: Can this system be applied to a chain of multiple ingredients?

GJ: Absolutely. For example, there is a new Japanese fruit grading machine with amazing functions. Now, Chile is the number one supplier of cherries to China. They have a very good reputation but the problem is if you are grading by hand, you have faults. This new Japanese sorting table looks at the very molecular structure of the fruit, and improves quality. Another example: a Chilean avocado company had a rejection rate of 18%. There was a lot of small damage caused through people's nails and brutal treatment. We discovered seven causes that explained 75% of rejections and after two years got to a 7% rejection rate. So you have to maximise quality all through the food chain, not just at the end of it.

NM: Chile is also working to highlight the advantages of its unique geography, as well, isn't it?

GJ: Yes. The Humboldt current causes temperature gradations to rise and fall overnight, and is unique to Chile. We are working on a *denomination d'origine* for fish and other foods. Our ecosystem produces foods of lower molecular weight than elsewhere. The Japanese have proved it, and Japanese scientists are coming to Chile to work on it. The potential for the healthy foods market is enormous. We missed an opportunity to do the same thing with Russian scientists after the Wall came down (*it seems that the Russians' salary demands, though they now sound incredibly low, were rejected: NM*). We don't want to miss it again.



Moving into macadamia

One of Chile's major dried fruit and nut companies reckons the country is perfect for the premium nut.

By Neil Murray

With annual sales of USD 18 million, and production of 10,000 tonnes of raisins annually, Natural Chile is a serious player in Chile's dried fruit and nut industry. It processes walnuts in San Bernardo, raisins in Lops Andes and prunes in Santa Cruz, and finances other growers to produce its raw material.

Its biggest customers are Walmart and Kelloggs. Four years ago, it started exporting and now, according to founding partner Juan Francisco Saldaña, it exports to no less than 71 countries including South Africa, Australia, Colombia, the US, Ecuador, and many European countries. The company is BRC and HACCP accredited and its products are halal and kosher certified: the core products are raisins (Thompson, Flames, Golden, Jumbo, Black), prunes (d'Agen), walnuts and almonds. The black natural raisins are sun dried; golden raisins are tunnel dried.

Like others in the industry, Saldaña identifies walnuts and prunes as products with the greatest growth potential.

European sales volumes are slightly, due mainly to exchange rates (the US dollar has appreciated against the euro and sterling). "But next year volumes will rise because of the tax on Turkish products," points out

Saldaña. Interestingly, UK buyers go for the highest specification, along with the Japanese. As for nuts, 80% are sold as eating nuts and 20% for ingredients. Natural Chile's next task is to focus on and expand its industrial business.

The weather conditions in Chile are perfect for macadamia.

All the latest equipment is in place: Sortex laser sorters, X-ray scanners, and more.

But Natural Chile has its eyes on other products: it is planting 100 hectares of macadamia nuts in Copiapo, up in the Atacama. "We are only the second or third firm to do this," Saldaña told *Foodnews*. "The weather conditions in Chile are perfect for macadamia."

The anticipated yields are 15 tonnes per hectare but it takes seven years for the trees to reach economic bearing, so this is not a short-term investment. And at the same time, the company has south-east Asia and Oceania in its sights. "Eight hundred million people," smiles Saldaña. Natural Chile is in the business for the long haul.



Juan Francisco Saldaña





Red Tide

Chilean foreign deliveries of frozen raspberries in 2015 were broadly unchanged against the previous year as regards volumes shipped and export value.

By Neil Murray

The leading Latin American raspberry origin exported 31,085 tonnes of frozen product worth USD121 million, according to Chilealimentos. Of this, USD102 mln was for conventional raspberries and USD19 mln for organic.

Frozen raspberries are by far the leading exported commodity within frozen fruit and vegetables, which in turn was the best-performing category within processed produce, ahead of juices, canned, dehydrates and oils.

However, trade data for the commodity over the last decade shows a downtrend in volumes exported in the most recent years, and an uptrend in the overall value of total trade.

Exports peaked in 2011 at almost 50,000 tonnes, and have been slowly declining since. Deliveries the following year fell to

some 40,000 tonnes, then further to 30,000-odd tonnes, a level maintained for the last two seasons.

Chilean product is still highly prized abroad. This may be partly due to the strategic position the origin holds on the raspberry market, being the leading producer in the southern hemisphere, thus supplying northern hemisphere destinations in a counter-seasonal fashion with virtually no competition.

Sources in Chile told *Foodnews* earlier this year that trading was difficult with European customers in this early stage of the 2015/16 season, and shared their concerns for the evident declining production in the country.

“We are quite worried about the low volumes of raspberries in Chile these last seasons,” an industry contact said. “The

Chilean product is still highly prized abroad. This may be partly due to the strategic position the origin holds on the raspberry market, being the leading producer in the southern hemisphere.

country is starting to react, and I think that in two or three years will have new plantations already producing fruit.”

Investments are being directed into setting up new orchards in some of the key growing regions, such as Maule. A first programme has started with the aim of renovating 300 hectares of farmland by 2017.

Antonio Dominguez, as well as being the chief executive of Chilean trading house Nevada Chile, is also president of the International Raspberry Organisation, and is generally known as Mr Raspberry for his all-encompassing knowledge of the industry.

The raspberry juice concentrate price was sky-high last year. It was unsustainable and “not a long-term price”, as Dominguez puts it. It went too high and killed demand.

“We have been telling farmers that a high price isn’t necessarily a good thing,” he adds. “It is better to have a lower price but stable. Concentrate is now around USD14-16 per kilo.

“I am worried about the industry, because volumes have been going down,” admits

Dominguez. “Frozen raspberries are 85% of the industry. The reason why this is happening is the genetic stock. We have been trying to convince small farmers not to clone their own rootstock and I think, finally, they are understanding.

Investments are being directed into setting up new orchards in some of the key growing regions, such as Maule. A first programme has started with the aim of renovating 300 hectares of farmland by 2017.

“We are in close touch with the agriculture ministry and we are working on a plan to replant in different areas, using good genetic material so I think and hope that this low production level will be history and next year Chilean raspberry production will increase again, and we will recover our production and image, especially in the US with Heritage fruit.”

There has also been an issue with

pesticide residues, especially in juice concentrate: one processor has decided not to produce strawberry concentrate this year. This issue will also be addressed.

“When you have too many farmers it is hard to control quality,” agrees Dominguez. “In the US, they have been having cases of listeria and they are very worried. Really worried. There have been many recalls in the US for listeria: more than for norovirus or hepatitis.

“So, internationally, we are pushing and promoting and talking about this issue. Foods will probably never be totally secure. There will always be a risk and we want to minimise this risk. We are persuading farmers to minimise this risk by adopting good agricultural practices. We are trying to improve behaviour all along the food chain.

“If we continue harvesting by hand we have to improve conditions at farm level rather than in cold storage. Cold storage is easy to control.

Nevada history

Nevada Chile itself started doing business in Argentina 15 years ago, with dried fruit and juices. The company started with prunes, built its own plant in San Rafael, south of Mendoza, selling 30% of its production on the local Argentine market and sending 70% for export.

It has a coldstore near Chillán, south of Santiago, freezing raspberries, blueberries, strawberries and asparagus, grown by local farmers, and is a sales agent for grape juice concentrate.

“This year was very complicated for grapes because of the early rain – 20-30% of grapes went mouldy,” says Dominguez. Luckily, the carry-over stocks had been getting bigger so we were able to dip into and reduce carry-over stocks.

“Prices went up but they were very low anyway.

“We will continue our services to Europe more and more. The US is more focused on the retail market and we are not really focused on that. The new US anti-terrorism laws also put a lot of responsibility on importers . . .” This is a complaint echoed by other exporters to the US.





A firm of many talents

Sutil is diversified and aims to be a leader in several categories.
Interview with general manager Edmundo Ruiz.

By Neil Murray

Neil Murray: How concerned are you about Brexit? What are the implications for Sutil, particularly on the wine side? Because (of course), the UK is still – I think – Chile's biggest market for wine exports.

Edmundo Ruiz: From the perspective of Empresas Sutil, we are not really concerned about Brexit. The UK market is a significant but not a major market for our company.

Wine is a relatively small business for us: it represents less than 3% of our consolidated sales and profits, and is growing slower than our other businesses. It is just so hard to sell at a profitable price! Of course, we would like to expand at the premium levels, but we have not found a profitable way to do it.

We are quite a diversified company (always within agribusiness), and diversification includes markets, of course. We sell wine, nuts, dried and frozen fruits to the UK, but it does not represent more than 5% of sales for any of these categories.

NM: You said you wanted to expand your dried fruit and nut exports to 10% or export market share from its current 6%. How, precisely, do you intend to do that?

ER: The Pacific Nut & Dried Fruits formula is simple, but it takes discipline and strong management: good product quality (delivered according to specs), good service (on-time delivery of full orders and correct documents) and efficient processing (cost per kilo).

The price, of course, is set by the market. You need to add capital investment as required, which is also one of our strengths. We've been quite successful in applying this simple formula for eight years and will end this year as the second largest exporter of walnuts, almonds, prunes and raisins altogether, with close to 7% market share. We plan to be at 10% in three to four years. This is the same formula we're now applying at Frutícola Olmué, our new investment in the frozen fruits and vegetables business, and we will end this

'We are quite a diversified company (always within agribusiness), and diversification includes markets, of course. We sell wine, nuts, dried and frozen fruits to the UK, but it does not represent more than 5% of sales for any of these categories.'



year in the third position in terms of exports, from fourth last year.

NM: You mention the need for more automation and mechanisation, and that some sectors – like raspberries – are still dependent on a lot of relatively small farmers to provide your raw material. Do you think the whole Chilean agro-industry is going this way? Towards larger size and economies of scale?

ER: There is no doubt the Chilean agro-industry has been and still is undergoing continuous concentration. Farming, distribution of farming supplies, farm financing, processing and export activities are all going in the same direction. In the case of farming the process is not only about economies of scale (bigger works better), but mainly about capital and management capabilities. Mechanisation at the farm level is absolutely critical when it comes to farming costs, especially harvest costs, and getting things done on time, which frequently makes the difference between profits and losses. Harvesting machines for wine grapes, walnuts, almonds, prunes and many other crops are the standard today. Rain protection systems for cherries and frost protection systems for blueberries, cherries and almonds are a must if you want to see a reasonably stable crop year after year.

The same happens at processing plants. Take walnuts as an extreme example. Five years ago, Chile mainly exported in-shell

and hand-cracked walnuts. Today, we export mainly machine-cracked, laser-sorted walnut kernels. Pacific Nut would need about 1,000 people cracking walnuts by hand to process the volume we currently run through our plant, and we would lose money on every single 10kg box.

Mechanisation at the farm level is absolutely critical when it comes to farming costs, especially harvest costs, and getting things done on time.

When it comes to distribution of farming supplies, economies of scale is the name of the game: volume related efficiency is critical to succeeding in this business. So you have all drivers for concentration together: volume-related efficiencies, intensive capital requirements and the need for strong management capabilities.

NM: Organics – how much potential is there, and in which markets? Does anybody know?

ER: The organic market has been growing quite consistently, but from a food industry perspective is still a new market. Only a very small percentage of the world population knows and cares about organic and an even smaller percentage can and is willing to pay for organic.

Most of the world's population is concerned about what they spend at the grocery store. You can assume that if organic food products had the same cost and consumer appeal (condition and appearance) as conventional, then everyone would prefer organic. Right? But the problem is that this is not the case, and then the question is: how close can organic get to conventional in terms of cost and consumer appeal? This we don't really know.

At Sutil, we are only selling organics in our frozen fruits and vegetables business: raspberries, strawberries, blueberries, blackberries and asparagus. There are no organic walnuts, almonds, prunes or raisins being produced in Chile. The market for wines produced with organic grapes is small, and at Sutil we do not produce organic wine grapes.

NM: What is your main competition outside Chile? Which companies do you particularly admire?

ER: Our main competition outside Chile is other Chilean companies that fight for the same markets and customers with the same products grown/produced in Chile. If we talk about non-Chilean companies, then it depends on the product: Californian almonds and walnuts, prunes from Argentina and California, raisins from Turkey and Argentina, frozen raspberries from Serbia, frozen strawberries from Poland and Mexico, frozen blueberries from many US growing states, and wines from everywhere in the world.



Comfortable with ingredients

And much more besides. Sutil is more of a service industry.

By Neil Murray

Sutil is relatively unusual in Chile in that it is a very diversified agro-industrial company. From Coagra (a large company that supplies farming, feeds, fertilisers and business financing), Sutil's interests extend to wines in five of Chile's 15 Regions, through dried fruit and nuts, mushrooms, frozen fruit and frozen vegetables, grains and canned foods brokerage.

Newest of all is Fruticola Olmue, a frozen fruits and berries company, which packs in bulk (accounting for 60% of business) and retail containers, all of which are destined for export. It also freezes green asparagus, of which over 80% goes to retail, mostly hand packed in open bag and sachets and sized and cut before freezing. Sutil also has a small business importing frozen fruits.

The company is not involved in the recipe dishes and ready meal sector. "The way we look at it, says general manager Edmundo Ruiz. "The ingredients business is a totally different business. If you move to ready meals and microwave

dishes, that's a totally different animal.

"We see ourselves as a service provider to the farmer – we do contract growing and financing. We feel very comfortable being an ingredients supplier. We don't have a problem with that. We have a different perspective on value added: it's not easy to have for our bulk customers.

The walnut business is becoming more important for Sutil, and for Chile as a whole. It's lucrative, but this year the weather took a large chunk out of the crop.

"Production was down by about 35%," admits Ruiz. There are not a lot of early sales in Chile – not a lot of the crop is pre-contracted. The reason for that is historical. For the past many years volumes have been up, not just in Chile but worldwide. Until this year the prices have not shown any signal of going down.

"With that dynamic, you don't know what the price is going to be. With stable

'We see ourselves as a service provider to the farmer – we do contract growing and financing. We feel very comfortable being an ingredients supplier. We don't have a problem with that.'



Juan Suti, president of Sutil (left) and Edmundo Ruiz

production and a stable market, you know. When you have this shifting demand, you don't know what the price is going to be. And you don't take the risk on price because if get your pricing wrong, you're in dead trouble.

"So we see what the crop is, what demand is, and the market starts to build. We're harvesting in April and we know what the market is in mid-May or early June, and only 15-20% of sales are early sales.

"It's not only the seller's perspective: it's the buyer's perspective. Buyers don't want to buy at too high a price."

Sutil's plan for the five years is to increase its dried fruit and nuts share of the country's export basket to 10% from its present 6%. It's an industry that has consistently been concentrated in terms of market, and there are a lot of new exporters but the larger exporters are taking a bigger part of the pie. Sutil's

priority, in order, is walnuts, raisins and prunes. Walnuts is the only one that has significant growth. "Raisins is mostly market share. " But Sutil has made an investment in a plant and is intending to double production from its present level of 4,000 tonnes annually.

'We think the way the industry is going is from fresh to frozen.'

In frozen raspberries, Ruiz takes exactly the same viewpoint as Antonio Dominguez of the International Raspberry Organization: it is a very fragmented industry with a multitude of small farmers supplying the raw material from small fields. "We see it going towards new varieties and improved harvesting machines. "The reason why the industry went in the direction it went is labour: no other reason." As Chile continues to

automate and mechanise, those practices and forms of farming are vanishing and (again) as Dominguez observes, there is a benefit in food safety as well as production volumes and yield. The new varieties are also more suitable for mechanical harvesting.

"The blueberry industry has already gone that way, points out Ruiz. We think the way the industry is going is from fresh to frozen. This year, we're at about 75% capacity, and we want to go from 15,000 tonnes to 20,000 tonnes in the next two years.

That means investment in sorters, laser sorters (a Best one is already in commission and another on order), equipment that would help the company with selection, more automation and back-up equipment for freezers – compressors, condensers, and so forth.

Chile will soon be back on top of the world for frozen raspberries.

From export to domestic

How a successful product can make the transition between markets.

By Neil Murray

This is an excellent example of how demand from export markets can result in more added-value sales to domestic customers.

Alifrut, a prominent Chilean frozen food processor (it owns the popular Minuto Verde brand), has rolled out microwaveable packs of frozen vegetables for export markets. Prior to the launch, polybags with the right breathable technology were not available in Chile, but now they are, and the products are successfully established on the domestic market as well.

There is a limit to what can be achieved on the Chilean domestic market. It remains relatively unsophisticated, with fairly basic products and it is a small market: there are only 15 million Chileans. Added-value impetus general comes from export markets.

Packaging innovation, though, is showing some traction: hence the breathable polybags. Alifrut is now packing frozen fruits

and vegetables in free-standing doy packs.

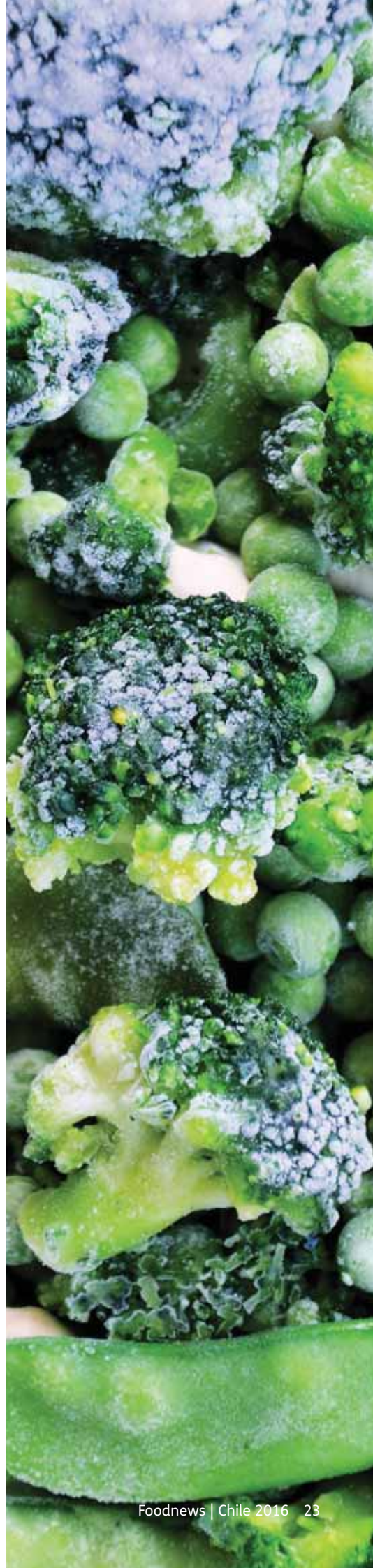
Blueberries are also proving to be a growing line. "In our factories in Chillán and San Carlos, a huge investment has been in a new blueberry freezing and packing line, using a Frigoscandia tunnel freezer," export manager Alejandro Rodriguez told *Foodnews*. "We do about 8,000 tonnes of frozen blueberries per year for the Asian market (South Korea and Japan), the US and the UK – especially the UK.

"I would like to attack the Indian market – there is a lot of foreign investment in India. I would love to be in that market. The question is when they are going to start eating berries..."

The European market remains price-sensitive and, as ever, the toughest markets to crack are the Japanese and the Korean, with their very, very tight requirements for pesticide MRLs.



Alejandro Rodriguez





Strength through unity

Chilealimentos is the trade association for Chile's processed food and beverage industries. Neil Murray quizzes president Alberto Montanari.

By Neil Murray



Alberto Montanari

NM: How do you view the industry this year?

AM: It remains firm on its foundations, which allows it to sustain a vigorous long-term growth. Companies continue to invest and develop a wide range of new products that will increase the country's product offering in the coming years.

The 'super cycle' of copper is a thing of the past. The exchange rate has become again more attractive to invest in activities such as the production of fruit and vegetables and, from them, the development and diversification of products of highest quality, as it is characteristic of our offerings.

NM: But did you have major weather problems in 2016?

AM: Chile, with its Mediterranean climate and geographical characteristics, must be one of the countries with the greatest climate stability in the world. This allows us to grow fruit and vegetable varieties that are

difficult to produce elsewhere, including cherries, berries and almonds...and so forth.

In 2016, we experienced late rains that caused crop losses in some areas of the country. We had not experienced this in the last 50 years, confirming that such problems are very rare in Chile.

As I mentioned, our country is characterised for the cultivation of products that are not profitable in other countries: cherries, almonds, bell peppers to name but a few. For more traditional fruits as apples, grapes, pears and kiwis, agricultural yields are exceptionally high. All this means that Chile is a very competitive, high quality producing country and, of course, it enjoys a highly stable crop.

NM: what are the new products and markets being developed?

AM: Aside from the steady supply of processed fruits and vegetables, of which Chile has positioned itself in the top ten of world exports, today we add investments in

fields and processing plants that are generating a greater supply of, for example, organic products, infused fruits, retail products and so on.

I would also highlight the progress in our international agreements. The deepening of the trade agreement we have with India will favour frozen, canned and juice products. Similarly, the consolidation of the Pacific Alliance, composed of Chile, Peru, Colombia and Mexico, will mean integration not only in trade, but also in the movement of people and capital in the region.

In short, we look to the interior of the food industry, and we see a lot of activity by companies, allowing us to predict that Chile will continue to progress in its efforts to expand its exports. All this under the principle that this growth is an opportunity not only for Chileans, but for those that trade with our industry, which offers business opportunities really attractive.

No doubt that in the pages of this special edition, *Foodnews'* readers will be able to check everything these companies are doing in Chile.

NM: How was the performance of processed food exports that Chilealimentos offers?

AM: In the early 1980s, Chile exported about USD50 million in processed foods. In 2015 we reached the figure of USD3.52 billion fob, which highlights the great development that our industry has carried out.

In the main canned products, juices, pulps, dehydrated and frozen goods we produce, we rank among the top 10 countries exporting globally. Our products are sold to hundreds of nations from the five continents. We cannot be more proud of that.

NM: How do trade associations operating in Chile work and when was Chilealimentos created and what does it do?

AM: In Chile, trade associations are voluntary. Their members set up their statutes, internal organisation and define the activities of their concern.

Chilealimentos is a consortium of processed food businesses founded in 1943, which means we have been in existence for 73 years.

As a business association, the activities undertaken by Chilealimentos relate to the development of the industry it represents.

Chilealimentos provides various services, including the production and commercial development of our partner companies, companies' research and development, sustainability, corporate presence in international fairs and forums, participation in the creation of laws and regulations related to food production and the defence of the interests of the industry both in Chile and abroad.

NM: How does Chilealimentos help its member companies?

AM: Chilealimentos has implemented all necessary actions to achieve the goals set by its partners in all areas of work. We have carried out this task through our professionals, forming committees working with our partner companies or hiring third-party firms that have helped us to find means to achieve the solutions we required. Also, the permanent work with public sector bodies has always given us good results.

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We have the fruit

Carozzi can guarantee its raw material supply.

By Neil Murray

Believe it or not, it's been a good season for apple, according to Cristian Alemparte of Carozzi. "At the start of year we were estimating a reduction to the crop of more or less 10%. Then we had heavy rain and that caused additional fruit to be sent to industry. It was good for the industry: with the very strong rain some of the fruit fell to the ground and I believe some of the fruit quality was not good enough for export."

It has been a normal season's production. "I believe Chile is nearly sold out of AJC," adds Alemparte. Chile's main market is the US, and it stopped selling there midway through the season because, he says, the country was anticipating a fall in output. "We went back into market because we had some additional volumes."

In Latin America generally, the crop was not so good. Brazil's harvest was dramatically down and some Brazilian companies are looking to buy AJC from Chile.

"We are a good alternative for the American market and that's all, so in that particular sense we are not threatening anyone in the world market," says Alemparte.

Carozzi built a new AJC plant in 2012 and has a processing capacity 1,500 tonnes of fruit per day. The company is adding a new evaporator which is part of its production plan, which was originally designed for a 2,000 tonne capacity.

'We have three Bucher presses and a new Unipektin evaporator, so we will increase AJC production by 10,000 tonnes.'

"We have three Bucher presses and a new Unipektin evaporator, so we will increase AJC production by 10,000 tonnes," predicts Alemparte, adding firmly: "And we will get the fruit. We have a lot of exclusive orchards so we are not putting additional pressure on the market. So AJC has been a good business for us."

Chile has ruffled a few feathers with its low peach purée pricing recently. Some growers are taking out their trees, and



Carozzi even has a company store on site

Alemparte reckons that this year's harvest was "probably lower than expected", because of this. He adds that prices are unlikely to remain low simply because production will thus be constrained.

Last year's Chilean tomato crop was good, but 2015 also saw a record crop in the US, a good crop in Europe, and a lot of cheap offers. However, Carozzi has won itself a good reputation for quality in Europe (as have all

Chilean suppliers, really) and 30% of its paste exports go to Europe, although there has been a drop because of the strong European production. Nevertheless, Alemparte and Carozzi are utterly convinced that Chilean paste will remain in demand in Europe.

'We are a good alternative for the American market and that's all, so in that particular sense we are not threatening anyone in the world market.'

"Chile today is the second most competitive country, worldwide, in terms of tomato cost. One tonne of fruit delivered into plant costs USD72. We can get into Europe and compete very directly with all the European suppliers. We can be a back-up supplier. We plan to keep and strengthen our position in Europe. Chile is not more than 2.5-3% of global tomato production."



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Raising the profile

Mention 'Chile' to consumers worldwide, and the reaction is almost always positive and favourable. ProChile is the organisation that works to keep it that way, and to raise Chile's public image even further. Neil Murray talks to ProChile director Roberto Paiva.

By Neil Murray



Roberto Paiva

NM: What countries are strategically most important for ProChile's activities right now?

RP: Chile is a global country. We have 25 Free Trade Agreements (FTAs) in place with 64 markets, which together represent 64.1% of the world's population and 86.3% of global GDP. The whole world is our priority. We attend the main international trade fairs for goods and services with Chilean businesspeople, looking for opportunities. We have a network of over 50 offices around the world to help us with this task.

NM: Has ProChile increased its work in Russia as a result of the embargo on food imports from the US and many European countries?

In 2015, Chile's exports to Russia totalled close to USD600 million.

ProChile's work in this market has increased consistently because of the significant interest there in importing more products from Chile. This is reflected slightly in the 0.4% increase in the value of exports between January and May 2016. This could be indicative of a stabilisation of the economy and a small improvement in consumption levels.

This is why we continue working hard in this market. This year, Chile took part again in Prodexpo, one of Russia's most important food and drink fairs. We also organised Chile Day in Yaroslavl and in Nizhny Novgorod, two very important Russian regions, where people showed a clear interest in Chilean



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to have well trained personnel and the most sophisticated food safety systems as:

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products and many retail importers requested direct contact details so they could begin negotiations with Chilean companies.

NM: In ProChile's mind, what do people in other countries think of first when they hear the name 'Chile'?

RP: People associate us with the south of the world, with new flavours, marvellous tastes and exuberant landscapes.

NM: And is this what you want? If not, what perceptions are you trying to change?

RP: We want them to know us even better. We want people everywhere in the world to know about our country, our trade attributes and the natural and geographical characteristics that enable us to produce and export goods and services of international quality.

Together with other public and private organisations, we contribute to strengthening Chile's image overseas. We particularly support this by using trade promotion to bring importers and consumers closer to the origins of the products they consume. We do this through our international Foods from Chile campaign, which encompasses all the events to promote Chilean food products around the world, and Chilean businesses from the sector also work with it.

Through this campaign, we talk about the natural and geographic wealth of our country and how it is a world class food producer. We explain that our products are born in a land protected by natural barriers that enable them to be perfectly safe, of high quality, with an international guarantee and natural flavour.

NM: Where have new ProChile offices been opened in the last two years? Africa was being talked about as a target.

RP: We have opened trade promotion offices in Johannesburg in South Africa and in Asunción in Paraguay, and we are working together with the other Pacific Alliance countries in joint promotion offices in Istanbul in Turkey and Casablanca in Morocco.

Africa is important in diversifying the markets for Chilean exports. The continent has high economic growth figures and a

growing middle class and this could open up opportunities for the consumption of imported products, for instance from Chile. Especially since Africa only produces sufficient to cover 13% of its own food requirements.

The figures show that Africa imports 5,400 products from around the world, while Chile exports more than 3,800 products globally. Africa currently imports 328 products from Chile but our research shows the potential for us to sell more than 2,800 products to the African continent that it currently buys elsewhere; that is 63% of Africa's entire imports in 2015.

People associate us with the south of the world, with new flavours, marvellous tastes and exuberant landscapes.

In order for us to continue growing, since 2014 we have been developing activities through our ExportaÁfrica plan, including participation in the Algiers International Fair and the Saitex show in South Africa. We have also held trade missions to South Africa, Angola, Ghana, Morocco, Algeria and Egypt and information seminars in some cities in Chile.

This year, we're taking part again in some of the most important trade fairs in Africa. In August there will be a trade mission to Africa, during which business people will visit South Africa, Mozambique and Kenya. Then, on 9 January 2017, we will hold Africa Day in Santiago, where we will provide information to businesses about the opportunities available on this continent.

NM: What is being done to combine ProChile's activities in the food and beverage industry with its activities in other sectors, such as tourism?

RP: ProChile carries out activities which bring together industries such as food and tourism. For example, every year there is a food media trip for journalists from around the world (usually six to eight people). This media trip brings together the food and tourism industries. The guests are able to get to know local producers and new products and cuisine and also go trekking in the mountains and forests.

Then last year, together with the Agriculture Minister and the Food Exporter Council, we launched Foods from Chile, an overarching brand that brings together all the industries that make up the food industry and associates them with their origins. Foods from Chile invites people to find out about Chilean products associated with our original peoples, specific aspects of Chile's geography and climate and so on.

This campaign also highlights five attributes: food safety, quality, international guarantee, natural flavour and traceability. We show these attributes through different activities that involve tourism, for example, but also services and innovations associated with the food industry.

NM: Has ProChile's budget been increased under the present government?

RP: The funds have been redistributed according to our new focus, which is to include more companies, especially smaller ones, among Chile's exporters.

NM: How does the government measure ProChile's performance?

RP: As an institution of the State of Chile, we have taken on board the commitment made by president Michelle Bachelet's government to include smaller businesses in Chile's export activity. We have therefore implemented a series of specific programmes and tools to train and empower small businesses to go out into the world. In 2015, 696 small- and medium-sized companies succeeded in exporting for the first time.

The number of companies working with ProChile also increased by 27% in 2015, reaching a total of 6,264 by year end. What makes us especially proud is that SMEs accounted for 43% of this total. These figures are the result of specific plans that we have developed to support our small businesses.

NM: Where does Chile stand in the global figures for food and beverage production? I see Chile stood in 17th place in 2014. Will Chile be in the top 10 by 2020?

RP: Chile is now one of the world's principal food exporters. In 2015, Chile was the world's biggest exporter of fresh grapes, blueberries and cherries, dehydrated apples, prunes, mussels and

frozen salmon fillets. It is also the world's second-biggest exporter of frozen raspberries, frozen turkey pieces, agar-agar, unshelled hazelnuts and frozen swordfish fillets and the third-biggest exporter of raisins, walnuts, salt, seaweed, inulin and apple juice.

NM: How effective is social media as a tool?

RP: We live in a globalised digital world. It is therefore vital to be present in the social media in order to reach new markets and consumers. The ability to talk with users and send them our messages more spontaneously and directly helps more people to find out about more about our country, products and services.

Currently Direcon and ProChile are present on five social media platforms (Twitter, Facebook, Youtube, Flickr and LinkedIn) and we have a total community of 80,000 subscribers.

Within this community, our main social network is Twitter, as this is where we have the biggest number of followers: 56,789 for ProChile and 7,500 for Direcon. We can potentially reach 64,289 users if we publish on our two principal Twitter accounts.

NM: What countries is Chile presently working with to add to the list of Free Trade Agreements?

RP: The negotiations for the Transpacific Partnership (TPP) agreement were finalised in late 2015 and this will soon be sent to the Chilean Congress for approval. The FTA with Thailand entered into force in November 2015 and the Pacific Alliance trade protocol became operative this May. The negotiations for deepening the scope of the partial agreement between Chile and India have also been concluded.

We are currently negotiating an FTA with Uruguay and the fourth round of negotiations is due to take place in August.

We started formal negotiations with Indonesia in May 2014. Both countries have agreed to centre our initial negotiations on trade in goods and have made a commitment to broaden it out to include matters related to services and investment. Joint studies have also been concluded for a possible agreement with the Philippines and negotiations should get under way in the coming months. A Memorandum of Understanding was also signed with the Eurasian Union with a view to realising a trade agreement in future.

NM: Has the weakening of the Chilean peso in the last year or two made a noticeable difference to trade, or does it weaken the proposition be making Chile a 'cheap' supplier?

RP: The Chilean currency has not weakened more than other currencies. In fact, within the dollar zone we have gained some exchange rate competitiveness.





Smiling through the rain

Inclement weather hasn't dented Sugal's progress and the company is moving into organic tomato paste.

By Neil Murray

The heavy rain earlier in the year jeopardised Chile's tomato harvesting. Juan Manuel Mira of Sugal told *Foodnews*: "Our main concern was to support the farms to keep the factories working as long as possible." So the company, which now works with more than 250 farmers, told farmers they would keep the plants open and functioning for as long as possible, to take all available fruit.

Chile now has 9,000 hectares of land under tomato cultivation. Mira points out that the country is famous for good soil, with good organic material in it, but the poor weather did bring problems. "This year, we suffered some losses on the farms," he acknowledged. "Our yield dropped to 89 tonnes per hectare. It's not a disaster because we left behind around 350 ha of tomatoes unharvested.

"In Chile, we have very stable weather conditions. This year, we will produce around 80,000-82,000 tonnes of paste. This is a disaster in terms of averages, but in terms of volumes it is not a disaster – it is 7-8% below our target. It is an affordable number."

The real issue was not so much the damage to the fruit (although dampness does bring mould and rot problems), but more that machinery cannot get onto the muddy and waterlogged fields to harvest the fruit.

'We want to increase our growing area to around 8,000 ha from its present 5,500 ha, so we are investing a lot of money here.'

"We were working with one tomato harvesting machine plus three other tractors that were trying to pull the machine along," remembers Mira. "We had six different tractors like a wagon train, to keep the machines working!"

Chile's national tomato paste production, therefore, is down this year. For January-June, Chile exported 44,736 tonnes of paste, down 15% from 53,016 in H1 last year. Most is sold to other Latin American countries, but Saudi Arabia is a major customer, Japan buys a reasonable



quantity, and Taiwan, South Korea and the Netherlands also purchase some.

Chilean prices are 40-50% higher than Chinese, but the global market generally has recognised the quality and reliability of different suppliers: not just Chilean, but also European and American.

“China will not increase its volumes by offering discount prices in the market,” says Mira, firmly. “It will only create a price depression. Chile’s price for double strength paste is about USD900 per tonne, fob.

“The main issue with China is that its quality is not reliable or stable,” continues Mira. “They will have some good loads and then you will receive another load with poorer quality. The big advantage of Chilean paste is that the quality is consistent, and with very good colour.”

Sugal’s parent company is Portuguese and is investing in new production equipment for its Chilean operation. “We want to increase our growing area to around 8,000 ha from its present 5,500 ha, so we are investing a lot of money here. I think that next season we will have around 750,000 tonnes of raw material: enough for 120,000 tonnes of double concentrate paste,” reveals Mira.

“We will increase our operational capacity with some new pre-evaporators and another packing line. We also need to increase the fillers. We have enough unloading space because we built a new unloading area two years ago.”

The higher raw material requirements will be good news for the farmers that supply Sugal, and with which it works closely. Together, farmers and processor are moving towards drip irrigation. Actually, this winter has been looking very good for Chilean water supplies, which depend on snow melt from the Andes. The meltwater also powers the country’s hydro-electric plants.

This year, there has been plenty of snow. The ski season started very early and the aquifers are in better condition. “The highway between Santiago and Mendoza was closed for two weeks due to snow, adds Mira. There were 4,000 trucks waiting to get through! I think that, for this year, water availability will not be an issue.”

Sugal is moving deeper into organic products. It is easier in Chile and quicker in Chile to achieve organic accreditation than it is in some other countries, because there is plenty of virgin land that has never seen pesticides or fertilisers and which therefore takes less time to convert to organic farming.

The big tomato sauce and ketchup brands are keen to offer organic alternatives, so Sugal this year started producing organic tomato paste: mainly 30/32 brix (priced at around USD1,600 per tonne fob) and “a few loads” of triple concentrate 36/38 brix.

Customers include the big names: Heinz, Campbells and Nestlé. “This year was a pilot production, and we only did 200 tonnes of finished product,” says Mira. “This required 1,300 tonnes of raw material. The costs are higher and the yields are smaller, but it is very easy to sell. I would like to have the rest of the paste on this basis. The raw material cost is very high but the market is short and, according to my information, it’s because the supermarkets are launching their own private label organic ketchups.”

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Sugal already has experience making organic purées: the company is Chile’s second-largest purée maker, processing 100,000 tonnes of apples, peaches, plums and pears. The market is different to the juice market: end users tend to be baby food manufacturers, dairy companies, the bakery sector, and cereal bar makers – plus apple purée is increasingly being used as a natural sweetener. US baby food manufacturers are buying Sugal’s single and double strength organic apple purées.

CHILEAN TOMATO PASTE EXPORTS (JANUARY-JUNE, TONNES)			
	2014	2015	2016
Argentina	8468	7174	8186
Brazil	5330	4570	4700
Saudi Arabia	2497	6553	4532
Venezuela	5608	2837	4531
Russia	3470	3130	3510
Colombia	1405	2308	2194
Uruguay	2310	2164	1957
Japan	1937	1476	1892
Mexico	2491	909	1883
Netherlands	212	888	1668
Guatemala	666	1781	1590
Ecuador	1475	1728	1409
Paraguay	762	1038	1181
Peru	1038	673	982
Jamaica	521	519	617
Taiwan	301	94	583
Oman	0	0	508
Others	6903	15174	2813
Total	45394	53016	44736
Source: GTIS			



In the Bag

Surfrut is a leader in pouch-packed puree products for children and adults.

By Neil Murray

‘Added value products account for 15% of our sales now. We continue supplying a well known French snack Brand with dehydrates, and the US with purées.’

Chilean processors are moving fast towards added value products, in retail packaging, rather than rely on bulk commodities. However, some companies, like puree and dried fruit specialist Surfrut, have a head start. They have been in this sector for some time.

Surfrut has expanded its range of fruit and vegetable purée blends, which it supplies to private label customers. The range now comprises apple/sweet potato, green bean/pear and apple/mango/spinach, all in pouches.

“Demand is growing fast for all the pouch products,” confirms Jamie Crispi, chairman of Surfrut’s board. “If you can differentiate your products you’re in a better position.”

The company’s core business remains dehydrated apples as ingredients (dices, flakes, powders), and also snacks (chips & clusters); one of Chile’s core processed apple products. But simply commodity sales are not where the industry is going, be it Surfrut or its competitors. Chile, as a whole, is adding value here, too.

“Each year we are growing snacks in relation to the ingredients,” adds Crispi. “Added value products account for 15% of our sales now. We continue supplying a well known French snack Brand with dehydrates, and the US with purées.”

Surfrut is also successfully exporting fruit purées to China and Korea (dehydrates would be extraordinary, given that China is a giant supplier itself). “We think that this is a market that we are going to get into,” muses Crispi judiciously. “It is not just a desire.” Chinese consumers are worried about the quality and safety of their domestically produced child and infant foods: the melamine-in-infant-formula scandal is well remembered, and people naturally do not want to risk their children’s health, so imported products have boomed.

“We think that given how worried the people who have kids are – the people who have money – this market is going to grow if we are able to get in,” predicts Crispi. “One of these big companies that is selling over the net could be interesting.



Jamie Crispi (left) and Joyce Abrahams

Crispi has a Chinese friend who was asked what she wanted brought over on a recent visit to China, and she said baby milk. "I took that as a signal. If this product can get into the mainstream, it is going to be a huge market."

Surfrut has added no extra plant for its purées – the company is just utilising its existing factory facilities better. Berry purées are also rapidly complementing the established apple lines (blackberries, blueberries, raspberries, strawberries).

"We are growing very fast on the berries," nods Crispi.

The major new direction for the company is towards organics, which are a superb opportunity. "We are pushing for more raw material, which is the bottleneck of that sector. We are working with farmers to get more raw material. That is the way in which we are trying to solve that problem. At the very beginning, we were the only industry working on organic, but now there are many. We compete with Sugil for organic apples, but it is not just Sugil. Everybody is trying to get organic apples for dehydrated, for purée and for fresh.

"Demand is growing so fast too. I know the market in the US very well. It is clear from the demand what the ingredient industry is asking for.

"10% of production is organic and we are not growing because we cannot get more raw material but we will, we will. We have a target of 25% within four years, because we have been working on the fields. We could be there if we have the raw material.

With virgin land you can have organic vegetables within two years. Conversion to organic is three years, but planting new orchards can take four years.

The organic raw material apple Price in Chile this year was 400 USD per tonne

when conventional apples were USD 150 per tonne. Chilean price for raw material is more or less the same as American for conventional, but when you move to organic it's even higher there. The processing companies are not really able to move the final price to the consumer, so the margins are being squeezed, and the industry will not be able to keep increasing prices for the organic raw material.

Surfrut has added no extra plant for its purées – the company is just utilising its existing factory facilities better.

"The US is the main market – the best prices we get are in the US. "Europe is more complicated because some organic inputs that are allowed in the States but not for Europe and there is no unified certification. That's a mess because it makes things more difficult.

At the end that could be one of the barriers to grow this market, but we are working on it, and we are confident that our full traceability and controls in the fields, plus our excellent quality of the fresh, dehydrates and purees, will make things easier.





Adding value to the valuable

Frozen berries, dried berries, and berry juices: these are already high value products, commanding a higher price than mainstream fruits. So what should one do to them? Add more value, of course. Interview with Cristóbal Vásquez, Export Manager of Vilkun Company.

By Neil Murray

Neil Murray: Drying these fruits, like sweetened dried cranberries, usually results in the release of juice. Is this the case with strawberries and blueberries, and if so, will growth in this sector increase the supply of strawberry and blueberry juices? Or do you find a use for the juice yourself?

Cristóbal Vásquez: It's similar than cranberries but we do not extract the juice, we use the 100% of the berry. That way you preserve in a better way the organoleptic properties of the berries.

NM: What is the future potential of maqui? Are you collaborating in the work to turn this into a cultivated fruit?

CV: Yes, we have our own orchard where a professional agronomist works to develop the first cultivated maqui berry variety. We have to work to respond to the actual demand for maqui berry, so it's really important to have a stable supply of raw material with the desired characteristics.

NM: At present you only have one organic infused product. We think this is a sector that has huge growth potential – do you plan to introduce organic versions of other products?

CV: At the moment we are working with organic blueberries and maqui berries. It's possible to acquire new organic berries

'We have to work to respond to the actual demand for maqui berry, so it's really important to have a stable supply of raw material with the desired characteristics.'



but only if we get a demand for it. Nowadays, the organic products are getting popular but not everyone is willing to pay the extra cost compared to the conventional berries.

NM: Is there adequate raw material in Chile to cope with your production of dried infused cherries (sweet and tart)?

CV: Mainly with sweet cherries. We have good raw material, but its availability depends on the fresh export volumes and of course on the weather. Regarding tart cherries, Chile is not a big producer so there's no significant raw material available.

NM: What is the next potential infused dried fruit?

CV: At present, blueberries, maqui berries

and raspberries are the infused dried products that are most in demand. The trend is to look for superfoods or, in this case, 'superberries'.

NM: There has been a lot of talk of adverse weather impacting Chile's walnut crop this year and certain fruits. Has it adversely affected any of the fruits you use for drying? If so, which ones, and how have you dealt with this?

CV: We are not as affected as the walnut industry. The rain that affected the walnuts didn't affect the berries that are destined for industry (dried berries, concentrate, purées, etc.) but it affected the fresh market as it's a fragile fruit to export and work with.

NM: In which particular dried berries and cherries products are you seeing

strongest demand at the moment?

CV: At present, blueberries, maqui berries and raspberries are the most popular infused dried products.

NM: What would you say are the main trends in this market? Is consumer demand for dried berries and cherries increasing? If so, why do you think this is?

CV: Yes, it is increasing. The customers are more aware of the benefits and properties of the products that they buy. They are informed, so they know what to look for. Trends like organic, non-GMO, gluten-free, 100% natural, and others, are getting very popular in some markets and it's certain that this is a trend that will keep strengthening every year.

NM: What new products in this sector are you looking to introduce over the coming months?

CV: This year, we launch our IQF business line with blueberries, maqui berries and mandarins, and also our quick freeze-dried maqui berry powder. We hope to launch a new infused dried product in the next few months.

NM: Do you export the infused dried fruits? If so, to which countries?

What is the rough split between your domestic sales of these products and your exports?

CV: Our core business is to export infused dried fruits to the world. Our main markets are in Germany, UK, Italy, France, The Netherlands, China, Korea, Australia, among others. The domestic market is slowly growing, but for the moment there's a huge gap between international and domestic sales.

NM: What products are these fruits being used in? Cereal bars? Bakery? Breakfast cereals? Nutraceuticals?

CV: Snacks, bakery, cereals, cereal bars, muesli, salad toppings, etc.

NM: What do you see as the main challenges ahead in this sector?

CV: Mechanical harvesting; good quality raw material; superfoods; organics; development of new technologies and products; replacing sugar in products.



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