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Chile 2012

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The whole is greater than the sum of its parts

WHAT a year it has been for Chile. Exports of processed foodstuffs to countries such as the UK, Belgium, Denmark and Poland have all boomed despite the economic crisis in Europe, while the food industry is leading the way in environmental responsibility. But that is not to say it has been an easy 12 months.

Processors were left somewhat surprised earlier this year following the EU decision to impose new duties for fruit purées, leaving the industry in a quandary as to what to do next, as exports to neighbouring Argentina shrunk due to import restrictions. And although processed food exports to some European nations have grown significantly, the value of Chilean exports to the EU fell by around 7% overall in the first semester of 2012.

Chile is not one to get disheartened, however, and continues to invest a great deal in its product offering, presenting a wide range of value-added, high quality foods. Vilkun, a new Chilealimentos member, is an excellent example with its fruit juice infused berries, some of which are extremely difficult to source from other destinations. Time has been taken to find the perfect technology to deal with delicate raspberries for example and, as such, the product commands a premium price in global markets.

But, rather importantly, the country still concerns itself with the much wider issue of what may happen in the future. Fully aware of the projected growth in demand for foods in the coming decades, as the global population reaches an estimated nine billion by 2050, Chilean processors have increased production capacity significantly. So much so in fact, that the president of Chilealimentos, Alberto Montanari, believes Chile will have no difficulty in dealing with the increased global demand in years to come.

Volumes are not enough, however; food must also be safe and Chile is aware of this. It would not be an exaggeration to say that Chile is known world-wide for its high quality, safe products and the industry continues to make investments in this area. Every company *FOODNEWS* spoke to stressed the importance of a good food safety record, and explained the different ways companies have gone about it. As Pablo Herrera from Comfruit commented, money has been poured into the business every year to add safer technology, including more sensitive lasers, new fruit washing and drying systems, and new IQF tunnels which are easy to clean. All these innovations have helped the company secure the safety of its products, while reducing human handling.

Keeping up with new technology is not easy though, it takes a lot of hard work. Chilealimentos has ensured its members are abreast with the latest developments throughout the year with specialist seminars showcasing modern technology, while attending global conferences related to the products it represents. But the country's excellence in food production would be impossible to sustain if individual companies did not take it upon themselves to keep up-to-date with technological advances around the world.

That's exactly what makes Chile so special. Every company works hard to ensure it is performing at the highest level it can, while working as a whole with other processors to maintain and boost the country's image as a supplier of high quality, safe processed food products. It really is a masterclass on how to work together to achieve great things. ■



FOODNEWS is published by **Informa Agra**, IBI, Guardian House, 119 Farringdon Road, London EC1R 3DA, UK.

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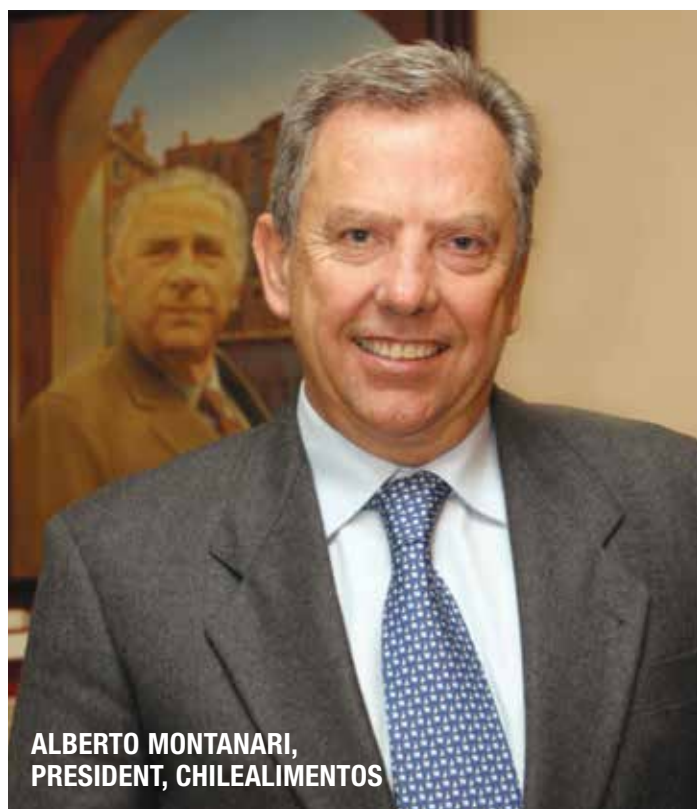
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ISSN 0951-130X. Registered Trade Mark: **FOODNEWS®**. Informa Plc.

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Looking to the future



ALBERTO MONTANARI,
PRESIDENT, CHILEALIMENTOS

BY JENNIFER WILLIS-JONES

Last year you spoke of a greater emphasis on added value products. Have you seen more growth in this sector?

Exports of added value foods are a permanent task for Chilean companies, especially in the last few years. The market is continuously advancing to ensure that this type of trend keeps appearing with greater emphasis. Some years ago retail firms in other countries (basically supermarkets) did not buy food directly from producers in other countries in general. They used packers, wholesalers and importers from their own countries to supply them. Now, conversely, thanks to the spread of quality monitoring systems, they buy directly from countries such as Chile which has led to an increase in the amount of added value products that we produce and export, since we deliver ready-to-eat foods as well as own brand and private label products.

FOODNEWS spoke with Alberto Montanari, president of Chilealimentos, about Chile's growth in emerging markets, the country's strength throughout the economic crisis and climate change.

The aforementioned trend will continue developing and growing into the future, so the opportunities for adding value in what we produce and sell will keep growing.

Chile is a top ten producer and exporter of many of the foods that we sell. Buyers in other countries are gradually valuing this fact and see Chile as a provider of excellence, aside from having an interesting supply in volume, its industry is in the position of generating finished products with the specifications and quality regulations that each client desires.

In the last five years, the average value of processed foods has risen from USD1 381 per tonne to USD2 048/tonne. This growth, of almost 50% in unit value, is in line with the added value products that we are shipping.

How is Chilealimentos financing this type of growth?

What sustains growth in the production and sales of foods with added value are our own member companies at Chilealimentos. Our association does not carry out marketing campaigns. We only dedicate ourselves to supporting companies with their needs in developing activities which are linked to the association, such as participating in international fairs, international promotion along with the activities that develop from that, strengthening human capital in companies and developing sustainability projects for companies. We have the support of ProChile in the work we do in international fairs.

Due to the growth and expansion plans for food exports in the next few years, companies in the last few years have intensified their investments to increase production capacity. Because of this, we believe that Chile will not have difficulties in dealing with the growth in demand for foods that is expected in the immediate future.

Have your members had problems when exporting to Europe due to the economic crisis?

In accordance with figures from the first semester of 2012, the value of exports has fallen by around 7%, if you consider the 10 main countries that we supply in the EU. However, you need to consider that in the last five years the growth in food exports to Europe was 71%.

During 2012 not all countries showed a fall in purchases of food from Chile. The UK saw an increase of 12%. Sales to Belgium have also grown 70%, to Denmark 35%, and to Poland 31%.

Falls have been concentrated in Greece (-65%), the Netherlands (-36%), Germany (-27%), and Italy (-11%).

Have you seen increased membership from providers of raw material for the food industry in the past 12 months?

Exports of foods made by Chilealimentos members are based fundamentally on fruits, species that have very large production cycles, so that in 12 months it is not possible to see very obvious changes.

If we take a longer term view, we can appreciate the big leap that fruit production in Chile has made. In the last decade planted area with fruit has grown by around 30%. Since new orchards are always more productive when they reach maturity, the increase in supply has been way above the pace of plantations.

For varieties for processing, in Chile we have planted a lot of walnuts, European plums, and cherry trees where we are doubling the planted area in a short time. With olives, the planted area has been tripled. We have also increased production of berries, especially blueberries and peaches for canning. In this last variety the increase in planted

area has been 49% in 10 years.

With apples and table grapes the planted area, even though it has remained relatively stable, has seen changes in varieties and more modern growing methods, which has led to increased supply to satisfy the growth in demand for these types of fruits.

Is Chilealimentos looking to improve production processes through new technology?

Permanently. Every year we carry out seminars with the latest technology for the industry. We participate in world conferences with distinct products relevant to us such as the production and sales of juice, canned foods, tomato derivatives, raisin production, and berry production. We regularly attend the main food and technology fairs in the world.

The grade of excellence in food production that Chile has reached would not be possible to sustain if the companies did not keep themselves permanently up to date with the technological advances produced around the world.

Does climate change worry your members?

It is a constant preoccupation since at the moment it is affecting the supply areas of industry, due to the scarcity of water that it brings.

Fortunately Chile has favourable geographic characteristics to be located longitudinally on the axis of the earth, with a productive territory of more than 1 600 kilometres in length. This means the country has all types of climate from desert in the north, to polar conditions in the southern zone. As a result, if there is a lack of water in the northern zone, production can be moved towards the south where there are productive areas with similar land to that which is already used by the industry.

Where are the emerging markets for Chilealimentos products?

When looking at the medium term, in the last five years we have seen an interesting growth

in exports to Asia, Latin America, North America and Oceania mainly. This is the backdrop to a phase of strong expansion in exports to all destinations of 89%.

In Asia, there is without doubt an important increase in shipments to countries such as China and Korea, added to the shipments that for years we have sent to Japan which has been our most traditional buyer in this area of the world. In five years the value of exports to China have grown 109% and to South Korea 139%. This expansion has been maintained in 2012, since the growth in the first quarter was 54% in each of those countries. With both nations, Chile has signed commercial agreements which have facilitated the exchange of products. Furthermore, both countries are without a doubt those with the largest growth in demand for food, so we predict that we will continue to have an ever growing presence in those markets.

In Latin America, Colombia, Brazil and Peru are buyers that have shown important growth. Five years combined sales in these countries have grown 94%. Also with all of these nations we have free trade agreements that have represented an important growth in the country's foreign trade. The economic growth that these nations have shown has also resulted in bigger purchases of foods from Chile. In 2012, sales to Brazil have grown significantly, up 28%.

North America has been the main market for sales for Chilealimentos members, fundamentally for shipments to the US. However, Mexico and Canada have expanded significantly by 153% and 77% in five years respectively, so they can also be seen as emerging markets.

In Oceania, Australia has been the standout market for sales of products from our members. In five years, the growth in exports has been 127% and in the current year 19%.

Does Chile face any serious competition from other Latin American nations in terms of its food exports?

We do not have a doubt that the competitiveness of Chile makes it a standout exporter of foods. As a result, in the main food categories that we produce we are among the top ten in global exports. It is the case for fruit, vegetables, seafood and fish, wines and recently meat. In fruits and vegetables we are the primary exporters of dehydrated apple, peach pulp, second globally in exports of canned peaches, prunes, walnuts, frozen fruits and berries. We are the third largest exporters of processing cherries and raisins, and fourth largest exporters of almonds, frozen raspberries and grape juice concentrate. Chile is the sixth largest exporter of fruit pulp, seventh largest exporter of canned cherries for retail, eighth largest exporter of apple juice concentrate, ninth largest exporter of grape juice and frozen strawberry and the tenth largest shipper of dehydrated pepper.

What about Chile's domestic food industry? Do you believe it will ever rival the export market in value?

In terms of value the Chilean foods market is valued at approximately USD34 billion, which is divided in USD19 billion in internal sales and USD15 billion in exports. Domestic sales are measured at a consumer level and exports in fob.

According to these figures it seems that the internal market is more important, however it is not since fob sales are multiplied various times when they are measured against what is paid by consumers in the destination countries.

Chile is a country with a very small population, with close to 17 million people. Its food industry was created to supply internal markets, so the importance of the internal market will never be as relevant in terms of projections for productive activity and the development of the country.

The aim for Chile is to double

"We do not have a doubt that the competitiveness of Chile makes it a standout exporter of foods. As a result, in the main food categories that we produce we are among the top ten in global exports"

Alberto Montanari,
president, Chilealimentos

sales in the next decade, given the growth in income that we are seeing in Latin American countries and Asia. It is difficult to see how domestic sales could double in the same period.

Are you experiencing difficulties with Argentina following recent import restrictions?

Unfortunately yes. Now this is not only a problem with Chile, but also with many countries across the world. Our hope is that Argentina manages to overcome a currency problem in the short term, since we have always seen a great opportunity in this country for Chilean exports.

Can Chile do anything to combat the effects of the new duties for fruit purées imposed by the EU?

Chilean and European authorities have been working together on a solution, since both understand that the change in criteria imposed by the EU for import of fruit pulp complies with promises that they have with the World Customs Organisation. However, they also understand that a free trade agreement exists that is being affected by this change in criteria, which should lead to the generation of a solution to comply exactly to all promises, both the EU's with the World Customs Organisation, as well as the EU's with Chile. ■

Antioxidant research opens doors



DR HERNÁN SPEISKY,
INSTITUTE OF NUTRITION AND TECHNOLOGY OF FOODS

BY JENNIFER WILLIS-JONES

ANTIOXIDANTS are big business. As we strive to eat healthier and look younger, we look for shortcuts – food products that make the job a lot easier. Up until a few years ago, the world had heard little of antioxidants and although many of us are now familiar with the term, there are still those who are unsure as to what the precise benefits actually are.

Chile, a country that is blessed with a vast range of fruits and vegetables, has a better claim than most of producing high quality products packed with antioxidants, and is keen to capitalise on such benefits. This is perhaps why it has invested so much into the research of antioxidant content and is a world leader in investigation in this area.

Doctor Hernán Speisky, a food professor and head of the Laboratory of Antioxidants at the Institute of Nutrition and Technology of Foods (INTA) at the University of Chile, told *FOODNEWS* that considerable work has gone into antioxidant investigation.

“Basic research into antioxidants provided in nature by fruits and vegetables has been carried out to begin with. In some cases we make mixtures or extracts, using whole fruits or skin or peel to look at antioxidant potential and to describe some biological actions coming from what the fruit contains.

“We are really interested in the healthy chemistry of foods. We look at many phytochemicals in plants that are capable of modulating biological processes in a way that lowers the risk of developing chronic diseases, including cardiovascular, different forms of cancer and degenerative diseases such as Parkinson’s. In the latter, we are particularly interested in those fruits where Chile may have some advantages. We publish the data that comes from our

research to show we are a valid player and are published in high impact journals,” he told *FOODNEWS*.

Some six or seven years ago, Speisky in conjunction with the FIA conducted a study into the antioxidant quality of berries produced in Chile, which has directly impacted trade – the vast majority of worldwide consumers are now aware that berries are high in antioxidants and berry sales from Chile, a massive producer, are growing fast.

“We addressed the point of how good our fruit is in terms of antioxidant richness, limited to the four main berries (blueberry, raspberry, strawberry and blackberry). We looked at different varieties of these species and different regions. We used the methodology allowed and we came to numbers which told us that the levels were very similar to those reported in the literature of berries cultivated in the northern hemisphere, and for some varieties we found higher levels, sometimes up 30-35% in antioxidant quality. In order to sustain this view we would need to keep measuring throughout

APPE POWDER



various seasons and there are limited research funds available to do that, but it does give us a good overview on the antioxidant richness of berries exported from Chile,” Speisky said.

Research has not stopped there, however. Chile is keen to discover and capitalise on the benefits all its fruits have to offer, so work has begun on establishing the first database on the antioxidant richness of all fruits consumed and exported by Chile, and in some cases fruits that are imported and consumed in Chile from neighbouring countries. The database, located on a website devoted to antioxidants in foods and health, can be easily accessed through <http://portalantioxidantes.com/>

Antioxidant richness across a wide variety of fruits has been measured through the total amount of polyphenols and antioxidant ORAC activities, that is to say the action of free radicals on biological systems.

“In 2007, the USDA came up with a database on total polyphenols and ORAC values of nearly 270 different foods eaten by Americans. They wanted to know how many antioxidants they eat. In Chile, we said if the US cares about the antioxidants it eats, then we should consider what we export to them so we started our research with the support of Corfo-Chile.

“The majority of polyphenols come from berries and apples, but we also export antioxidant-rich cherries, plums, walnuts and red wines. Are we as a country only producers and exporters of fruits or can we go beyond that? Chile wanted to become a force

in food. Such a claim should involve not only exporting more but being capable of contributing through knowledge of what we export. We want to tell the world about the healthy chemistry of the food we are putting out. So we have measured antioxidants in all fruits produced in Chile,” Speisky said. The paper on antioxidants in Chilean fruit has been recently published in the *Journal of Agriculture and Food Chemistry* (access through <http://www.ncbi.nlm.nih.gov/pubmed/22512599>).

Chile has, as a result, become the first country in the southern hemisphere to generate a free, public database with the richness of its fruits. Speisky adds: “In line with the practical uses that this database is bringing to the food industry, we have just received the approval from Corfo-Chile to expand our research to characterise the ORAC and polyphenol richness of a large variety of fresh and processed vegetables.” This initiative is seen as a great step forward in Chile’s reputation as a source of groundbreaking research, but should also help both producers and exporters to find new markets for their produce.

Chile has not rested on its laurels though. Researchers are now looking at the antioxidant richness of some fruit peels and how it can be harnessed to use in alternative products. One such example is apple peel, and Speisky has also been working with dried fruit firm Surfrut to realise the potential of apple peel, which so far has been used primarily for compost.

“We have been working with

Surfrut in particular and we realised that when they peel and dehydrate the apple, most of the peel goes for compost. We started to look at peel for antioxidant richness, and for some varieties, up to 40% can be found in the peel. We took the peel in this project and after showing it was a good source of polyphenols, we developed APPE (Apple Peel Polyphenol Extract), a powder that has 100x higher ORAC levels. So far, various scientific publications support the potential of APPE to be used in gastric ulcers caused by either the mucosa-infecting bacteria, *helicobacter pylori*, or by the non-steroidal anti-inflammatory agents (e.g., aspirin, ibuprofen). We are now looking at how the ready food industry can incorporate such a product to add into food matrixes,” *FOODNEWS* was told.

“We have a responsibility to promote good food habits when people are young, there is so much healthy chemistry in food we can take advantage of. We in Chile do not export food, we are exporting health in the form of berries, cherries and other polyphenol-rich fruits but people do not realise this. We are giving them the chemistry that will favour their chances to remain healthy. We can differentiate our products, branding them by polyphenols, and developing value added products. Scientists must pay more attention to healthy chemistry which we are exporting. I believe we are taking baby steps towards that goal,” Speisky said. ■

“The majority of polyphenols come from apples, but we also export berries and red wine. Are we as a country only producers and exporters of fruits or can we go beyond that? We want to tell the world about the healthy chemistry of the food we are putting out. So we measured antioxidants in all fruits produced in Chile”

Dr Hernán Speisky,
Institute of Nutrition and
Technology of Foods

THE FOUR FRUITS TESTED



Blueberries are the future



PABLO HERRERA,
COMMERCIAL MANAGER, COMFRUT



ALEJANDRO RODRÍGUEZ,
EXPORT MANAGER, ALIFRUT

BY JENNIFER WILLIS-JONES

FROZEN blueberries are fast becoming the stars of the Chilean frozen fruit business. The quality of products has increased considerably opening up new opportunities, while rising awareness of antioxidant content and a growth in healthy eating has fuelled sales in non-traditional markets.

Chile's frozen fruit industry is constantly evolving and adapting to new challenges, preferring to expand in Asia rather than complain about stagnant sales in a depressed European market.

"What I have seen in the past is that there has been an increase in blueberries, it is booming right now," Alejandro Rodríguez, export manager of frozen fruit and vegetable producer Alifrut, explained to *FOODNEWS*. "I think it is because of the quality of the products, antioxidant content and new markets such as Australia and South Korea opening up due to the trend in healthy eating. Demand in the US and Asia is always increasing.

"What we have been doing in the last few years is shipping berries as they are in bags, now we are also shipping mixed berries,

three or four different berries in a bag, and we also do retail packs of berries."

In order to deal with increased demand for such products, Alifrut has invested in new lines, Sortex sorters and tunnels. Demand from supermarkets in the US and Asia has even meant that contracts are secured with Alifrut for the entire year, which makes investment in new technology that can speed up the sorting process while guaranteeing quality, essential.

It is not the only firm which has made changes, as Pablo Herrera, commercial manager of Chilean frozen fruit and vegetable firm Comfrut, explained.

"Every year we are adding new technologies, adding laser technology and equipment. We have a new washing system, new drying system, new IQF tunnels

which are easy to clean. This is all moving us in the right direction to help us with the safety of our product, reducing the number of people we use during the process. New equipment allows us to have more uniform product, with less handling."

Innovation

Chile is also keen to innovate. As part of the search for better raw material, both in terms of quality and quantity, Chile has begun specialised breeding programmes which are just starting, if you pardon the pun, to bear fruit.

Comfrut is now developing new fruit varieties with the help of different nurseries around the world, mainly in Europe. The company then tests the rootstock to see whether it can adapt to Chile's climate. It is "a long road", according to Herrera.

Felipe Rodríguez, commercial manager at fresh and frozen fruit producer Vitalberry, would definitely agree that such initiatives are a long-term commitment: "Breeding programmes mean you have to work over a long period of time, spending a lot of money with the hope of finding something interesting for the market. We have some partnerships with companies in the UK but we are still investigating. We think we are close to finding something, while we are looking at fruits suitable for frozen and for fresh.

"Consumers demand good flavour varieties that are crisp and last longer in stores, but we are also looking to help growers to reduce costs and production per hectare. Now if you are not producing 10 tonnes per ha it is quite hard to break even."

Vitalberry has plans to diversify its product range.

"What I have seen in the past is that there has been an increase in blueberries, it is booming right now"

Alejandro Rodríguez,
export manager, Alifrut

Rodríguez told *FOODNEWS* the company was looking at developing new products such as tropical mixes, but it would also concentrate on further diversifying its existing products.

"Five years ago 10% of the Chilean processing was frozen produce, now it is nearer 25-30% and we are projecting that percentage will increase further. In the future we can see some growing areas just focused on frozen, and we have not had that until now as we had been focusing on fresh produce. Now we have to take another look at the varieties we use and consider mechanical harvesting," he said.

Economic crisis

Aside from all the positive news, one has to mention the economic crisis throughout Europe. It has of course hit sales, but all three firms that *FOODNEWS* spoke to agreed that diversification of markets is key. Asia has grown as a significant importer of Chilean processed foodstuffs over recent years and this has shown no signs of slowing.

Comfrut's Herrera explained: "For us, luckily less than 5% of our sales are concentrated in Europe, which means we were protected from the crisis. In the long run we want to be in Europe and we are working on this, but we understand we need to have

more attractive flavours for European consumers. As long as the crisis is just in Europe, Comfrut will be fine. It will be three-five years until we are in Europe, since now we wish to grow in the US and Asia as they have the most potential. Economically they are able to spend more and they know little about fruit and we are offering them what they like."

Rodríguez from Alifrut has also been looking to Asia to increase sales. "We have been suffering in the economic crisis and sales did drop there and I think it will continue for the coming season. This is why we have been working on new markets in Asia, and South Korea has performed very well for us this year. It is partly due to efforts made with marketing and trade agreements. The market now knows the Chilean market and sees that product quality is very good and we have a range of products to offer them."

The challenge is to produce these good quality products in decent volumes at affordable prices. For those in Chile, training and educating growers is key, saving time and money further down the food chain.

As Herrera confirmed, this is a big challenge for the future but one he thinks they can manage: "The challenge for us is how to plan the future with our growers.




FELIPE RODRÍGUEZ,
COMMERCIAL MANAGER, VITALBERRY

We know we will need to grow 10% in fruit and we will need to work closely with growers to ensure grower practices, techniques and fair prices. How do we get good quality, safe fruit and fair prices that allow us to compete with other producers? This is the real challenge.


"For the growers it is not easy to grow more as the labour is not there, the exchange rate is low, and costs in farming are going up; farming is not as profitable as it used to be to allow us to grow and


grow. We need to make farming more profitable so new techniques and varieties are essential.

"We want to produce good quality, safe products at a good price and develop long term relationships with everyone. We are a big industry and want to be here in the years to come. We started from nothing and now we sell more than USD85 million worth of products due to hard work with customers and growers; we understand what customers want in the future." ■




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Environmentally responsible



CARLOS DESCOURVIÈRES GÓMEZ, DEVELOPMENT MANAGER, CHILEALIMENTOS

BY JENNIFER WILLIS-JONES

ENVIRONMENTAL responsibility now means a lot more than it did a few years ago, and food companies must prove they are looking after their environment to satisfy national governments, campaigners and consumers.

Chile is, of course, no different. It would be true to say that the country was at the forefront of environmental responsibility a decade ago, investigating ways in which Chile as a food power could produce various high-quality products in a responsible manner.

Chilealimentos kick-started projects looking into HACCP, water management, waste management and energy efficiency, along with a scheme to train personnel in all these areas.

Carlos Descourvières Gómez, development manager at Chilealimentos, told *FOODNEWS* on a visit to the

association headquarters that the project was a sizeable one.

"We started a project with more than 20 facilities and public organisations to work on these topics. After three years we had very good figures, such as a reduction in water consumption that was unbelievable: 70%. We also brought about a reduction of almost 10% in energy consumption, and more than 20% in thermal consumption. We have all these facilities with new plants to treat the waste water here in Chile, with one of the most rigid regulations in the world. Our facilities are doing very well with these regulations.

"We also trained personnel in different facilities and then worked more on energy efficiency because we saw that there were more gaps to close. In the last two years we have been working on this and have reached very good figures in that. Now we have started to work on our carbon footprint," he added, "we have already finished a pilot project in three facilities that produce canned peaches."

There are also plans to better use bio-solids produced in the waste water treatment plants. Material that would have previously been taken to landfill is now being used as fertiliser, and there are plans to produce bio-gas.

Chilealimentos members have been working with the association on these projects for some time, but new laws brought in by the government have encouraged members to work alongside farmers to use these bio-solids as fertilisers.

"They have to train them, it is a production chain," Descourvières Gómez explained. "After the first project they realised that by working together they can establish good results and, by the time of the second project, 25 facilities signed up to work with this project. It is not an obligation, this is voluntary.

"It shows that Chile is different and wants to be the best in what it does; the most responsible. We are the best team in the world for food production. It has not all been easy, we had to talk with all the members and show them what they had been doing and at first they had to believe us, and now they know they can do better and better."

There is certainly evidence

of the aforementioned changes when visiting some of Chilealimentos' members' processing plants. Perhaps most impressive was Aconcagua Foods' water treatment facility, which is said to be the biggest around.

Such investments are often considered a necessity, not only because it is environmentally responsible but also because energy costs are rising in Chile. As Roberto Murphy, general manager at Aconcagua Foods explained, the Chilean government needs to change its energy matrix.

"We need more hydroelectric power, we have to do it. There is actually very little we can do about it, it is not our own business, and it is more of a political thing than something we can do. What we have done last year and this year, is change every motor to adjust to the

capacity needed and introduce new efficient motors.

"I should add though that if this year continues to be this rainy, I would not worry too much about energy costs for the coming season," he added.

Prune processor Prunesco is taking things one step further; using fruit waste to produce electricity.

"We have projects," said Gaspar Espejo, operations manager at the prune firm. "We are changing one of our heat boilers to function on burning our own pits. At the first stage we start by burning wood pellets, and then our own pits, then we will start up a waste water treatment plant to produce bio-gas. This will lead to a project to burn the gas we produce here to produce electricity, fuelling our boilers and reducing our carbon footprint.

"The technology is in place, but the problem we are now encountering is how to move pits to the boilers. We are hoping to start producing electricity in the next six months, but issues have meant we need to look at European countries for their technologies. It will probably be anything from six months to two years," Espejo said.

Most of these projects are undoubtedly long-term commitments, but Chilean companies are only too keen to become more environmentally responsible. With such investments and forward thinking now, Chilean food companies should be in very good stead for the future. ■

"Chile is different and wants to be the best in what it does; the most responsible. We are the best team in the world for food production... we had to talk with all the members and show them what they had been doing and at first they had to believe us, and now they know they can do better and better"

Carlos Descourvières Gómez,
 development manager,
 Chilealimentos



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Exciting opportunities



KARL HUBER, GENERAL MANAGER, PATAGONIAFRESH

BY JENNIFER WILLIS-JONES

JUICE and fruit purée production is big business in Chile, no doubt about it. The country is one of the largest producers of AJC in the southern hemisphere, and supplies a huge quantity of purée to the baby food market.

Chile benefits from sizeable raw material volumes and its transport costs are competitive. However, as energy costs rise and competition from rival countries increases, it is vital that the industry does not take its eye off the ball.

Chilean companies remain vigilant. Many firms have taken it upon themselves to increase product offer, while others feel the secret to their success is to be flexible to customers' particular needs. The key is to stand out from the crowd.

"We differentiate ourselves by concentrating on our core business of juice concentrates and try to improve the quality and transportation of our products," explained Karl Huber, general manager of Patagoniafresh. "We only produce fruit juices, apple (70%), red grape (20%) and pear, stone fruit and berries (10%). Importantly, our plants are located

in production areas, so our relationship with growers is good and we make savings in terms of logistics.

"We are already doing everything we can in juices, and we have new product ideas but these are still in the pipeline. We are constantly working to become more efficient while increasing production and we do have more ideas in the future."

Part of being more efficient is using raw material wisely. Companies such as Chilean giant Agrozzi, already a producer of tomato paste and fruit purées, have recently made the decision to diversify into juice concentrates. Agrozzi's first juice plant started producing AJC in February this year, and there is potential to produce an even wider range of products such as peach, kiwi, plum, grape juice, maybe even vegetable juice.

"Our target is to produce kiwi and plum concentrate by 2013," Cristian Alemparte, commercial manager from the firm, told *FOODNEWS*.

"In this market Chile has a lot of advantages, such as good weather conditions and a secure supply of raw material. At Agrozzi, a lot of our supply

comes from long-term agreements with farmers and this has been working very well for us. For a lot of middle-sized farmers used to supplying fresh companies, they have found moving to processing a good option since they have a secure buyer who buys at a fixed price," he said.

The majority of the firm's fruit purées, meanwhile, go to the baby food market which has boomed in recent years. Agrozzi believes the secret to success in this area is to develop special products, creating a long-term business model.

"Baby food companies across the world are supplied by us," Alemparte explained. "We have developed an extremely strong relationship with them and can guarantee that the product is suitable. We give them the solution they need. As long as the global population increases the baby food business will grow. China and Mexico show great potential as their lifestyles become busier and families have less time to prepare food for babies. We can supply these markets."

It appears to be a general consensus that there are considerable opportunities in the Chilean fruit purée sector. But vegetable purées are also coming up fast. *FOODNEWS* spoke with several companies who might expand further in this area.

One such firm is Tresmontes Luchetti Agroindustrial (TMLA), probably better known for its processed tomato production. Two years ago the company started processing carrot and butternut squash and is now trialling spinach and other vegetable purées.

"Our second business is fruit purée but we have total production of 32 000-35 000 tonnes. Our main products are peach, pear and apple but we are growing in other blends," said Juan Manuel Mira, general



CRISTIAN ALEMPARTE, COMMERCIAL MANAGER, AGROZZI

manager of TMLA.

"We have a good country portfolio in terms of the fruit purée market and our goal is to grow our market share in the European community."

But there is an issue. New duties recently introduced by the EU for fruit purée imports are causing problems for Chilean exporters. The market has become suddenly very different.

The Chileans claim they understand the need for Europeans to protect their own industry in an economic crisis, but it has come as something of a surprise.

The industry has now asked for government support to sort something out. In the meantime, Chilean exporters are looking to new markets to take their product such as Japan, South Korea and China.

"We have a very clear and transparent business here. We are hoping to change the duties situation and we are asking for government support to get a positive outcome. We are growing in the Middle East and Asia. Traditionally the Asian market used to buy mainly single strength or frozen concentrate, but every year we are taking steps forward and they are increasing their volumes." Juan Manuel Mira said. ■

"We are constantly working to become more efficient while increasing production and we do have more ideas in the future"

Karl Huber,
 general manager,
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A brand new initiative



MARIAN GELUK,
EXECUTIVE DIRECTOR,
CENTRE OF EXCELLENCE
FOR FOOD RESEARCH

BY JENNIFER WILLIS-JONES

CHILE is constantly looking for new ways to improve its product offering and has invested a considerable amount in related projects in recent years. The country has now set up a Centre of Excellence for Food Research in Chile led by the University of Wageningen, in the Netherlands, with the aim of researching and developing new added value products that can be exported all over the world. *FOODNEWS* spoke with **Marian Geluk**, executive director of the initiative, about investment, innovation and training.

Is the ICE food initiative a new idea?

It is an initiative started under the previous government here in Chile; they decided to invest Chilean money from mining into innovation in selected areas for Chile. Mining is the main sector for the country, followed by food, which is also an important sector, biotechnology and information technology.

The University of Wageningen (WUR) has projects all over the world. Our main aim is to increase the rate of innovation to boost exports. It is not necessarily our aim to export more, but more value added products to compete on the world market than there are currently. There are lots of things to do to help us achieve that.

What is the timeframe for such an initiative?

We are a centre that will be there for at least 10 years. The insulation stage has been set for the first three years. We will have projects that fall under four research lines: (1) looking at new products and new processes to make new products creating new benefits; (2) looking at consumer and health issues, taking one consumer benefit and ensuring that; (3) studying food quality and safety, since it is very easy to lose confidence and you have to invest a lot to keep a good reputation; (4) working with sustainable food lines as Chile is far away from many of its markets. Doing this efficiently and knowing the quality of products when they arrive at their destination needs to be worked on, ensuring products survive transportation. Sustainability is on everyone's agenda and needs to be on everyone's mind. We will begin to deliver on this, but this is just the beginning.

It seems like a very big project. Who will you work with?

We have important selection criteria to connect science and industry. We can see which industries are committed to

investing and take the results from their projects and put them into action to bring about change. We will have a combination of experienced people from WUR, as well as people from local knowledge institutes and companies. Our selection criteria are very important as it could have a real impact on the market, with big opportunities in the transportation of grapes for example. If we have results there, there will be huge economic gain.

Chile produces a wide range of food products. Where will you begin?

Processed food: working with avocado and shellfish and processing them. We are using non-thermal technologies, since heat is very important to industry but with heat you can lose texture, colour and nutrients, so we are working with new technologies. For Chile it is a perfect time to invest in upgrading technology, so we are working with high pressure pasteurisation for avocado, which will impact on guacamole and other products. We are now working with Chilean companies to look into this with other products. High pressure pasteurisation is out there, but it is a good place to start and then we will move into other technologies. It is a springboard where we get to know companies, the investment climate and then we find investors and can go into newer things.

There is lots of low hanging fruit there. Mussels for example are very cheap here, but we have to treat them to see them sold in the Spanish market. If Chile could produce a fresh 'processed' product, adding value for shellfish, it could open up new markets. It is convenient for consumers and also ensures certain shelf life.

How much has been invested in the project?

The total amount is USD39 million from four parties: the Chilean government, WUR, the

knowledge institutes and the Chilean food industry. People are investing in kind and fresh money.

What other kinds of innovation are you looking into?

One of the things is identification of processes, seeing whether we are able to use less water and fewer energy costs. An example is quinoa grain. One of the major issues is that it still a niche product, the supply chain not assured and it also contains a substance which leads to extensive washing. But it has a very interesting amino acids profile, it is a plant derived protein. We are looking all along the chain at ingredient production, dry fractionation techniques and developing new products together with our client Nestlé Chile to replace current quinoa and develop new varieties.

Our research line is looking at reducing avoidable waste and coming up with interesting and functional ingredients. Production of avocado oil is still small in Chile, but there is the potential to reduce waste and produce new products. There is lots of value in what is currently considered waste. Chain optimisation is key – what can we make into juice, ingredients, and also animal feed and energy.

What about personnel training?

We are also looking at building capacity through training people. We offer Chilean professionals training within these scientific centres, working with entrepreneurs in science to bring about innovations. We need to have people who flourish in this in order to connect with future consumers. There is also the generation who stay at the knowledge institutes, applying their knowledge and leading to something in the marketplace. There is quite a gap in Chile between science and industry, and good examples of where the gap has been closed, but it could be a lot better. A lot of the processed industry is still very industrial. ■



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Market diversification is key

BY JENNIFER WILLIS-JONES

PROCHILE, responsible for implementing and enhancing Chile's trade policy, provides support to small and medium-sized enterprises, helping to encourage and diversify exports of Chilean products and services. *FOODNEWS* spoke with **Félix de Vincente**, director of ProChile.

Where will Chile's next free trade agreements (FTAs) be negotiated? Are there opportunities in Thailand?

We are in the final stages of negotiating an FTA with Thailand, a market of 65 million inhabitants, with highly complementary products in relation to Chile and especially attractive to food exporters from Chile.

Regarding Hong Kong, we are still in negotiations. This work is realised by DIRECON (General Directorate of International Economic Affairs). It is also an important market because it is an economy with a high standard of life. According to the International Monetary Fund (IMF) in 2011, the GDP per capita in Hong Kong reached USD34 393. This creates a scenario of opportunities for exports of Chilean products with higher added value, especially in the agricultural sector.

On the other hand, the TPP is under negotiation, which brings together New Zealand, Singapore, Brunei, Chile, Australia, Peru, the US, Vietnam, Malaysia, Canada and Mexico, eleven countries which represent a market of over 650 million consumers. For Chile, as a small economy open to the world, both are of great interest to be part of by creating a free trade area which will integrate the economies of the Pacific, a region that today is the engine of the global economy.

Can you list the latest FTAs and the effects of these agreements?

It is noteworthy that this year, after three years of negotiations, we have concluded negotiations for an FTA with Vietnam, which is in the administrative process for entry into force. This is a

market of 88 million people and, under this agreement, 73% of Chilean exports will enter the south-east Asian country without paying duty, as 9 000 products were included in the negotiations.

Also, we finished the chapter on investment negotiations within the framework of the FTA with China, in which we completed the third and final part of the agreement, addressing in the first instance trade in goods, trade in services thereafter and now investments. China is the main destination for Chilean investments in Asia, accounting for 68% of Chile's total investments in that continent. The purpose of this investment agreement, which replaces the Protection and Promotion of Investment (APPI) – in effect since 1995, is to improve the standards of protection and promotion of mutual investments.

Moreover, in April this year Chile's FTA with Malaysia came into effect, which means that currently 98.6% of Chilean products can enter the market free of duty, such as beef, fish, fresh fruit, powdered milk, yogurt, cheeses and farmer's cheese, while products from Malaysia may enter Chile with zero tariffs for 95% of its total exports to our country, including tropical fruits. Malaysia is an economy of similar size to Chile, with a per capita income of about USD14 700 and a population of 28 million. Furthermore, it is complementary to the Chilean economy, which imports raw materials and food, mainly. In turn, Malaysia is a major producer of natural gas, oil and light industry, which is a big draw for the Chilean economy.

Regarding Turkey, the FTA has already served effectively for one year, from March last year. Today 98% of trade between both countries is free of tariffs, and other products included in the tariff reduction schedule will be released over a period of six years. In addition, the FTA is a gateway for Chile to a geographical and cultural market of 300 million consumers.

Are there plans to open more ProChile offices abroad? What are the benefits of this kind of presence?

Today we have a network of 55 Trade Commissions and Trade Offices in major markets worldwide. In the past two years, in addition to the traditional task of promoting exports of goods and services, we incorporated tourism promotion and investment attraction in a coordinated effort with other related government institutions, thus strengthening Chile's potential, making more effective relationships and contacts in the countries where we operate.

In a dynamic world where opportunities are moving fast, where new economies emerge and where there are further negotiations of FTAs, it is necessary to be attentive and take advantage of these instances for our country, and that responds to opening or closing of offices worldwide.

Along the same lines we have established a management and continuous improvement model capable of responding to the needs of Chilean companies with job functions and specific responsibilities for our Trade Commissioners. For example, we have established regional Trade Commission offices that

coordinate the work of all offices in the same geographic area: New York, Shanghai, Paris and Santiago (for South America). We also opened Trade Offices in Istanbul (Turkey) and Munich (Germany) and we plan to open an office in Morocco, from where we will explore the potential of trade with countries in North Africa.

The advantage of our network of offices is that it encourages the possibility of expanding trade ties, providing expert advice to foreign buyers and businesses looking to establish operations in Chile. We offer a range of services that help guide business decisions of companies. For example, services for meeting new trading partners, coordination of meeting agendas in Chile, participation in trade fairs, missions and events in various markets, provide updates on the Chilean export supply, support organisation of seminars, market intelligence and information on tourism.

Will Chile's government increase ProChile's budget this year?

In 2012 the government budget for export promotion activities had an increase of around 13.6%.

Approximately 50% of this was aimed at promoting actions related to food, either by encouraging the participation of our companies in international fairs, supporting tours for new markets with events like 'Flavors of Chile', or to promote exportable supply of wines, among many other international activities. This budget is complemented by the private sector's contribution for implementing the activities.

In relation to the 2013 budget, in mid-December this year the law that covers the entire national budget for the next period will be known, once it is duly approved by Congress.

What are the most important sectors for ProChile? Which position does the food industry have?

Looking ahead to 2014 we have

raised three strategic focuses for the management of ProChile, which are: internationalising Chilean entrepreneurship and innovation, supporting the diversification of markets, and generating greater coverage with domestic exporters. These areas allow us to effectively target the management in the institution and all its sectors; however there is significant emphasis in the field of export of services and food.

In this sense, food exports from Chile in 2011 accounted for 16% of total shipments from the country with a growth rate of 16.2% last year. Notwithstanding the size of the national economy and in a universe of more than 200 countries, Chile is ranked 16th among exporting food and beverage countries.

It is also one of the few countries in the world in which the food industry represents more than 10% of the GDP, after New Zealand and Belgium, due to policies encouraging the development of the sector, as well as in comparative advantages mainly associated with the particular agro-climatic conditions and natural isolation, which is an important phytosanitary barrier.

How does ProChile assess its results?

Each strategic focus mentioned in the previous answer is associated with a goal which is continuously assessed through key performance indicators. As an example, the goal of coverage for 2014 is associated with 60% of domestic exporters knowing and working with ProChile. In 2011, we reached 42%. We also conducted evaluations on customer satisfaction with programmes and services that we carry out, as well as the usefulness of these services for our exporters when closing deals.

During 2011, 167 non-exporting firms that relied on the services and tools from ProChile during the previous period (2010) managed to export. Some 86 companies exporting to a single target market that worked with ProChile in 2010, managed to export to two or three new

markets. In addition, exporting firms that worked with ProChile in 2010 had a more diversified pattern in target markets than total domestic exporters: 7.2 destination markets on average versus 3.8 in the previous period. The same applies in terms of number of products: 8.9 versus 5.6 in the previous period.

The US is the leading destination for Chilean exports. Is ProChile trying to expand this market or is it already at full capacity?

Indeed, the US represents one of the top destinations for our food exports. A strategy developed by ProChile aims to reduce risk by diversifying export markets. For example, in large markets like the US or China, there is still room for growth in some states or provinces less addressed. In the case of the US, with Trade Commissions and Trade offices in Miami, Washington, New York, Los Angeles and Chicago, ProChile is expanding its work to other areas of the market.

In addition to this, we think it is crucial to diversify products; therefore we want to support food and beverage exports to the US with further development or a degree of differentiation as one of the ways to strengthen our market presence.

Is it true that Chile is now producing more fruit in Mexico to sell onto the US? Why is it necessary to do this?

According to information we have, Chile is not producing fruit in Mexico. Chile has the technology and logistics allowing our produce to reach the US market in perfect conditions. Chile has an area of over 310 000 hectares for fruit production. Of the total production, 65% is exported to more than 100 markets worldwide. Thanks to its geographical position, climate and phytosanitary standards, among others, Chile is the leading exporter of fresh fruit in the southern hemisphere and the US is its main destination market. *cont. over >*

"We are in the final stages of negotiating an FTA with Thailand, a market of 65 million inhabitants, with highly complementary products in relation to Chile and especially attractive to food exporters from Chile"

Félix de Vincente,
 director, ProChile

Market diversification is key (cont.)

FOODNEWS knows that Chile is trying to export more salmon to Brazil. Why is that?

Brazil is a very important trade partner for Chile and one of our goals is to increase food exports to this market. In this framework, with a group of 26 companies, we are developing a campaign to position the brand 'Salmón de Chile' in Brazil and encourage the consumption of this product in Brazilian households.

This is a public-private campaign present in the distribution and sale chain in Brazil. As of June 2012, the campaign will go on for 18 months in two of its major cities, São Paulo and Rio de Janeiro. The objective of this campaign is to position the brand 'Salmón de Chile' for the Brazilian consumer, focusing at first on women who make the purchasing decisions and control consumption of food for their family.

What we want to convey with the campaign is the versatility of salmon and how easy it is to prepare and consume, the different presentation formats and also that it is a product for every occasion and for the whole family. It is noteworthy that this is a healthy and nutritious product (one of the largest sources of Omega 3) and that it comes from Chile, a country with exceptional conditions for aquaculture and high-standard production processes.

In 2011 Chilean salmon exports reached USD2.917 billion, with mainly fresh products. Today, Brazil is a big market for Chilean salmon projections and currently the third most important market, after Japan and the US.

According to ProChile, what are the reasons that Chilean products are more attractive than those from other countries?

Chile has comparative and competitive advantages that allow it to produce food whose quality stands out from its competitors. Among the comparative advantages we

may include the following: geographic isolation of the country (desert in the north, the Pacific Ocean, the Andes and the Patagonian ice), making it an island from a phytosanitary point of view, decreasing the incidence of pests and diseases, the Mediterranean climate which is beneficial for obtaining optimal raw material, calendarised production and counter season availability.

In terms of competitive advantages they include: Political and economic stability of the country that encourages entrepreneurship, modern infrastructure and export logistics, the use of cutting-edge technology in production and processing of different products and the fulfilment of high standards and certifications. All these factors make Chile a safe and reliable supplier of quality and healthy food.

Chile is currently developing new products with higher added value aimed at niche markets, which include products such as gourmet olive oil, seafood delicacies and flavoured mineral waters, jams, wine jellies, dehydrated berries and native potatoes, some types of honey, premium wines, pisco and microbrews. It should also be noted that the most traditional Chilean companies are innovating to add value to their exports, as is the case of the salmon industry, pork, poultry, bovine and lamb producing companies. We are also committed to addressing markets such as those requiring Halal and Kosher certifications.

Chile has developed major promotional activities with several of our industries such as wine, seafood, fresh and dried fruits, livestock, dairy and others, according to the trade liberalisation that has taken place in Chile. In this context, we are known worldwide as food suppliers, developing important partnerships between our importers and distributors, as well as important logistics relationships according to the distances that our products

must cover before reaching their destination.

ProChile has stated in its strategic guidelines that it will incorporate differentiators in national exports to address the challenges of sustainable exports. What they are doing to achieve this?

Chile is committed to Sustainable Development (SD), defined as sustained growth, environmentally sustainable, socially inclusive and people-centred.

In this context, ProChile has developed a Sustainability Program, which aims to induce firms to take sustainable export patterns as a way to compete and differentiate products and services. To do this, ProChile has conducted several studies, including a diagnosis of sustainability as an attribute of brands, based on responsible business practices for the wine sector, mussel and engineering services, whose results are given in the field of governance and environment.

Also, ProChile carried out a study called 'Carbon footprint, a tool for improving the climate competitiveness of Chilean exports', which showed that because 90% of our exports are by sea, whose efficiency is 3.2 times the land transport used in Europe and the US, the carbon footprint of Chilean exports is lower than that of similar products which are manufactured and distributed in Europe or the US. Furthermore, in the last two years, ProChile neutralised 3 800 tonnes of CO₂ at 22 international exhibitions, thus helping to mitigate the impact of these activities. ■

"ProChile has developed a Sustainability Program, which aims to induce firms to take sustainable export patterns as a way to compete and differentiate products and services"

Félix de Vicente,
director, ProChile



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Leading the way in dried apple



CARLOS CORREA, GENERAL MANAGER, INVERTEC

BY JENNIFER WILLIS-JONES

THE rise in popularity of low-fat, low-sugar cereals and healthier bakery items has had a knock-on effect on the dehydrated fruit industry. Producers of items such as freeze dried apple have seen sales rocket, and are now producing added value products of their own.

Chile, as a large producer of apples, quickly got in on the act and is now one of the industry leaders in dried apple products. Indeed, it produces anything from dried apple slices to fruit crisps.

"In dehydrated apples we are one of the three main producers and exporters in Chile and across the world," Joyce Abrahams, commercial manager of Surfrut, told *FOODNEWS*. "We probably ship around 270 000-300 000 tonnes a year. Chile has really been gaining in importance in this sector.

"We work within our company

and with our customers to develop new products or variations within the apple range. Trying to add more value to our apples is important and where we really have started to see a niche is in healthy snacks that are attractive to young people, kids and adults."

One such example is the company's Popples products. The healthy, crunchy clusters of dried apples have proved very popular with both younger and older generations looking for guilt-free snacking. Surfrut currently produces Popples with either a caramel or cinnamon flavour, but research is continuing into new varieties.

"More fruits may be added to these clusters in the near future. We started selling more last year and we are growing steadily. Retail and snacks are a new business line for us since our main business is still ingredients, but these snacks are the future," Abrahams said.

Surfrut still has a large presence in the fruit ingredients sector, supplying specially made products for the cereal and bakery industries. In the face of increased competition in this area, significant investments have recently been made in new technology. Surfrut has also decided to make the most of its raw material apples through a joint venture with a French company producing aseptic single strength purée. Up until now, bulk purée product has been shipped as far as the US, Europe, Asia and South America.

It is not unusual to find companies in Chile that produce both fruit concentrates or purées and dehydrated fruit products. As competition for raw material increases, it makes perfect sense to make the most of what is processed and increase product offer.

Chilean company Invertec is one such example. Juice concentrates is a big part of its business, with dehydrated and frozen products making up the remainder. In order to improve its offer of dehydrated fruit products, the company has invested in more optical selection machines to look out for colour defects in its products, phasing out human inspection which can be expensive.

"We are always looking at how to add value to the different fruits we are processing," said Carlos Correa, general manager of Invertec. "Two years ago we started looking at the retail market, since before we only shipped dried apples in bulk, and now we have invested in vertical packing machines. As a result, we are now producing our apple chips for private label. The idea is to add different kinds of fruits to this range, but we are just at the beginning. We want to be a player in healthy snacks."



INVERTEC APPLE CRISPS



**SAN CLEMENTE TEAM:
FRANCISCO LATHROP AND MARCOS ECHENIQUE**

Marcos Echenique, sales director at San Clemente. "Final consumers are more health conscious and so there is more consumer awareness of healthy snack products. We are all looking for healthier, more natural ingredients."

"Chile has a good advantage in terms of dried apple production, with lower costs and duty agreements. We see important demand from bakeries, cereals and snacks manufacturers to use dried apples as ingredients. Each customer has specific requests in terms of bakery and cereals, specific cuts and varieties, and each customer is unique and we try to be able to fulfil those requirements."

It is clear that the Chilean dried apple industry is going from strength to strength. To maintain its dominance in the sector, however, the industry must keep improving its production processes and work on innovation to ensure that it remains competitive. Value added products will continue to grow in importance.

"Chile has to take advantage of its clean, highly safe products," Abrahams of Surfrut added. "Our country produces dehydrated fruit products with very low pesticide amounts and as an industry we should better communicate this to buyers and markets." ■

"Chile has a good advantage in terms of dried apple production, with lower costs and duty agreements. We see important demand from bakeries, cereals and snacks manufacturers to use dried apples as ingredients"

Marcos Echenique,
sales director, San Clemente

It has not been all plain sailing, however. Sales of its dehydrated apples have fallen by around 10-12% in volume due to the financial crisis, although Correa did not appear to be worried.

"Sales should remain stable as I think people will continue having cereals, muesli, and apple pies. The issue is that the importers see and control their inventories closely, so I think the contraction we have seen is partly because of them, with more spot orders than one year contracts."

"The good news for Chilean dried apples is that the USA's production was not enough to fill internal demand, so Chile will ship more product than usual to the US, which will help to

compensate for the reduction in the European market," he explained.

The US remains a big market for Chilean dehydrated apple products, although Asia presents excellent, previously untapped opportunities. Chile also benefits from preferential trade agreements with South Korea, while demand from China has increased rapidly.

Dehydrated fruit and fruit concentrate producer, San Clemente, explained that Russia is currently a very exciting market for its fruit products. There are also chances to expand in Brazil.

"We expect the dehydrated fruit sector to still grow," said



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Raisin expectations



JUAN EDUARDO LASO,
PRESIDENT OF THE RAISIN COMMITTEE OF
CHILEALIMENTOS AND HEAD OF GVF ALIMENTOS

BY JENNIFER WILLIS-JONES

CHILE is a well known producer of high quality raisins, although production has been limited in recent years due to weather conditions and a greater emphasis on fresh grape production. *FOODNEWS* spoke with **Juan Eduardo Laso**, president of the Raisin Committee of Chilealimentos and head of GVF Alimentos, about how the industry is changing.

How many raisins does Chile now produce?

In the last few years, Chile has decreased its production mainly for climatic reasons. Last year production fell to 65 000 tonnes and this year we are wary that it will not be even that much. This year we are nearer 50 000 tonnes, normally we should be around 80 000 tonnes. Some people say it is due to lack of water, others a cold spring. The fact is that the fruit is not there.

Is it becoming a more important industry for the country?

Chile's raisin industry is quite unique. Turkey, the US and Australia started with raisins then moved to table grapes, in Chile it was the other way round. I think we made a mistake not realising how big the raisin industry is, we just saw it as an alternative to leftover table grapes.

I think the mentality of raisins as a sub-industry is changing. One reason is that unfortunately many fresh fruit companies have gone out of business. Second, because the fresh fruit business

is much tighter, in some places it is not profitable to produce table grapes. So people are now willing to produce grapes for raisins, but it still is a challenge. This is the third year in a row that Chilealimentos will be bringing experts in, but there is still a reluctance to adapt to new methods, more grapes per vine and irrigation, with folk tales about the industry.

On the horizon are vineyards just for raisins, we are not competitors to fresh fruit, but a natural alliance. If we are smart enough we can maximise production for all farmers, no need to choose just one industry. It all depends on variety, quality, and water availability. There are lots of opportunities to combine efforts and make the business more profitable for the farmer, the raisin industry and the fresh industry.

Has Chile invested in irrigation in vineyards?

Chile needs to invest more in irrigation. The current government is taking serious steps to improve the situation. Until now we have been blessed with water and we waste a lot of it, the majority of our water irrigation is from earth rivers where almost 70% of that water is lost to the earth. Mining is now a huge business and we cannot compete for resources, and we are losing water where they are buying farms just for the water rights, there is not enough water. The government realises this is a problem and that they need to do something about it. Chilealimentos and Fedefruta are taking this very seriously and working with the government to improve the use of the water.

Food safety is an increasing concern for all of us. How does Chile ensure the safety of its raisins?

GVF just invested money in the

latest processing technology from Europe. The equipment should be installed a month from now. The Europeans have done a great job with this technology. Europe is always on the move and looking to improve, they never stick with how things are being done, and we admire that and by being the first firm to bring a European line to Chile, we will really improve our process.

The upside of our dominance in the fresh fruit industry is that we were very wary of chemical residues, and we started to be very careful a long time ago. In Chile, the dried fruit business was ahead in food safety technology, but behind in both chemical residues and mechanisation. The Chilean raisin industry has taken both sides of this.

Does speculation play a big part as regards raisin prices?

Chilean raisin prices are extremely high, but exporters cannot do anything. In Chile we are ruled by the market, with no government subsidies to affect the business. Supply and demand dictates how much buyers are willing to pay and what farmers want to sell. Unfortunately, in the last few years speculators have had a picnic because the business is undersupplied, no one knew we were going to have such small production this year. The shortage led to speculators making a fortune. Will this happen again? I don't think so; we need to come together with farmers, exporters and customers abroad to make business worthwhile for everybody.

Are there plans for more added value products using raisins? Product mixes?

Added value products are the future. I have been talking about this for a long time, and at GVF

it is our goal to add value to the business. Now we sell added value products to Nestlé and PepsiCo, such as raisins macerated in rum. So we ourselves are adding value, with mixed fruits or fruits for cereals, and there are very good opportunities there. We also see other dried products such as berries with a very big potential.

What are the major challenges facing the sector?

We have some important challenges in the near future. First, to sell to markets other than Europe and the Americas. There are good opportunities in selling to the Middle East and Asia as we are counter season producers. We must continue to produce excellent products, with quality certifications and the correct production procedures. We must also produce more raisin type grapes, especially more jumbos. We used to

produce more, now we are 50-50 with mediums. Jumbos are popular for snacking, so I think we can grow jumbo sizes and discover opportunities to sell medium sizes to many buyers around the world. The worldwide raisin business is in a good position, there is no oversupply and we can all benefit. Now, more than ever, if we all come together we can all benefit and help each other in the years to come.

How important are organisations such as Chilealimentos and ProChile to the raisin industry?

They are extremely important. Every year the importance of both organisations is becoming clearer. Of course there are things to be done but the benefit of having a voice in government and foreign governments is essential. This government is determined to help exporters.

Chilealimentos have done a good job of promoting the association, making raisins a powerful food industry.

Have Chile's raisin exports suffered of late due to the economic crisis in Europe? How has Chile helped to overcome this?

The good side of having small production is that we have had so few raisins that we did not need to sell to Europe urgently. Now we are selling for very high prices, but some of us have gone to other markets to diversify. You cannot depend on one market; we need to be in different markets. For the first time developing countries are opening up, so the fruit you produce has a value there. Chile is known for its good quality fruit and is able to supply premium fruit, and our clients are willing to pay the difference. ■

“Unfortunately, in the last few years speculators have had a picnic because the business is undersupplied. Will this happen again? I don't think so; we need to come together with farmers, exporters and customers abroad to make business worthwhile for everybody”

Juan Eduardo Laso,
 president of the Raisin
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Berry power



FERNANDO MARTINO, MARKETING MANAGER, VILKUN

BY JENNIFER WILLIS-JONES

You are a new member of Chilealimentos. Why did you decide to join?

We had postponed joining Chilealimentos until now as we were concentrating on this new venture and introducing ourselves to the market. Now we have decided it is the right time to join as it helps us with diversifying markets and contributing to the Chilean food export expansion path. We are also thinking of expanding into Asia and so need to speed up some phytosanitary protocols by joining forces with other companies that are doing the same.

Why is your business unique?

This venture was an important investment from San José Farms, the biggest grower of fresh blueberries in Chile. Our products are something new for the Chilean food export market; for infused berries and cherries the only suppliers up until now were big suppliers in the US and Canada. Now there are two companies – Cranchile and Vilkun – in Chile and this is very attractive to Europe, with an

important tariff advantage. There are also some tariff advantages in Asia. Buyers of sugar and fruit juice infused berries now have a new source of ingredients, which makes the industry more competitive. Besides, Chile has a good country image as a supplier of fruit products. We are exporting to several countries in Europe and Asia and even the US. We can offer full traceability which some US companies cannot do. Innovation is also a strategic pillar for the long-term sustainability of the company.

Where do you get your ideas for new products?

We have invested a lot in the innovation part of the company and we are very flexible with requests. Our main ideas come from our customers, but also from inside the company. We have produced fruit juice infused blueberries for Europe, replacing sugar with natural fructose.

The company is relatively new; how have you managed to grow in such a difficult economic climate?

It has not been easy to grow, being a new company competing head on with already established American companies. Fortunately, customers have rapidly realised that we are price competitive (Chile is the second largest grower of cultivated blueberries after the US) and reliable in terms of quality, volumes and traceability. The fact is that within the first year of operation we were already exporting to 11 quality demanding countries.

Regarding our sustainability policy, Vilkun and San José Farms together are a source of income for thousands of fruit-pickers and dozens of growers. We have a big responsibility. What we have tried to be is socially responsible. We have a small Fairtrade project in co-operation with small raspberry growers from indigenous origins

VILKUN, a producer and processor of infused berries, cherries and speciality fruits, is the product of a joint venture between the pioneer of fruit infusion in Chile and San José Farms. *FOODNEWS* spoke to **Fernando Martino**, marketing manager at the firm, about joining Chilealimentos and thinking outside the box.




VILKUN HEADQUARTERS

(Mapuche Indians) living in the area. The project is partly funded by the government, giving them Fairtrade certification and allowing them to make an extra margin. We would like to expand this project in the future.

Who eats your berries?

The main market for infused berries is the healthy snacking segment, and the products have a good shelf life of 12-18 months. Our products can also be mixed with other fruits and nuts, and we have seen growth in this category in the US, Germany, the UK, Scandinavia and Asia Pacific. Dried berries are also important as bakery items. They are used in muffins, cakes and buns, but also in industrial bakery products and in the chocolate industry. The

breakfast cereal market (flakes, granola, muesli) is also a very interesting segment.

Any plans to increase your product range?

Our first year was about establishing ourselves. As newcomers we needed to fulfil our customers' expectations and fine tune the facility. After that, we started to offer new products such as sweet cherries, strawberries and raspberries. We are also promoting native berries from Chile that have shown to have very interesting health properties. We are focusing more on listening to customers on what they need, asking what problems they have and travelling more to Europe, Asia and the US to monitor food trends.

It is important to remark that Chile has a new export category in infused berries and cherries, with a reliable and very competitive new supplier who is keen to innovate. We can produce different products, producing infused fruit with a long shelf life, using solutions to provide lower calories and a low glycaemic index. Innovation and competitiveness are our priorities.

Will you produce an organic line?

San José Farms is already certified as a grower of organic berries, not cherries, so our facility will get organic certification around March 2013. Then we will have a full organic line. ■

“Chile has a new category, with a reliable new supplier who is keen to innovate. We can produce different products, producing infused fruit with a long shelf life, using solutions to provide lower calories and a low glycaemic index. Innovation and competitiveness are our priorities”

Fernando Martino,
marketing manager, Vilkun

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Nuts about nuts



CRISTIÁN MANTEROLA, COMMERCIAL MANAGER, PARMEX

BY JENNIFER WILLIS-JONES

IT IS a very exciting time to be involved in the Chilean nut industry. Almond production is still small but growing at a rapid rate, while Chilean walnuts are a real success story. Hazelnuts are also now coming up on the horizon.

Chilean almonds have a real production advantage compared with other origins, and have already carved out a satisfactorily large market in Europe.

"We are still small in almond volumes because we have restricted planting area due to competition with other crops," said Cristián Manterola, commercial manager of Chilean firm Parmex. "But we do have competitive advantages against the US and Spain though, since Chile and Australia are the only southern hemisphere producers. They are focused on the Far East, whereas we sell to Argentina, Brazil, Venezuela and Mexico so they are not competing with us. We have a nice market in Europe too for high quality product."

Chile still benefits from cheaper labour and so can afford

to finish almonds by hand, producing a supreme quality product. As a result, Parmex has secured some high profile deals and currently exports to supermarket chains in Austria and Norway.

In the last 6-7 years Parmex has been increasing its almond processing rates by 15-20% each year, pushed by rising demand. The company estimates production at 2 500 tonnes for 2012, while providing a decent profit for growers. By 2013/14, Parmex expects to produce some 3 000 tonnes.

"There are some new orchards planted five years ago which will come into production in the next few years so we will get new product from there," Manterola explained. "We need to show our growers good profits and results from Parmex so then they will decide to provide us with their almonds, and we work hard at that. Then the next step is the grower coming to us. We are moving in a big company market, and you need to provide these companies with the products they need to satisfy all their contracts

or they will go elsewhere."

Parmex produces blanched almonds in natural and roast formats, but also slices, dices, slivers and a product called almond crunch which can be added to ice creams, yogurts and cereals. Processing added value products is extremely important to the firm, especially for the chocolate industry.

The Chilean nut industry is keen to improve its processing technology in its modern facilities, and often looks to Spain for the latest developments.

"We are acquiring new technologies every year," Manterola added. "Labour is getting more expensive, making the finished product more expensive, so we are replacing some labour with technology, such as sorting equipment. We adapt to requests too; if a multinational requests new products for new launches, we have to change."

Interestingly, Parmex is not just export orientated. The domestic market is very important and now represents a 45% share of the company's sales. In fact, it is the processing industry which is fuelling demand within Chile, with its specially made products used in added value items which are then exported.

The firm will stick with just almonds for the time being, however. Parmex did consider walnuts a decade ago but decided against it since it could not guarantee the product had not been mixed with almonds at some point during the production process.

"No one knows the future. If we need to process another nut we will construct another plant in another part of Chile. We do need to decide in the near future, but from our side we are concentrating on almonds right now," Manterola said.

He believes the future for



**PARMEX -
ALMOND PROCESSING FACILITY**



**PARMEX -
ALMOND SELECTION**

“Walnut prices are now crazy, but the best thing about our product is the quality”

**Francisco Rivera,
general manager,
Dried Fruit Valley SpA**

almonds is extremely bright. The US has planted a great deal but the market is absorbing the large volumes. Prices for natural almonds are at a very good level, with final consumers, exporters and growers all content.

Francisco Rivera, general

manager of Dried Fruit Valley SpA, told *FOODNEWS* he agreed that the future was bright for almonds although the firm's trade in the nut was still small. DFV does, however, represent a sizeable amount of walnut growers.

Walnuts are in fact a huge success story for Chile since the country decided to differentiate its production from other origins. Hand-broken premium products from Chile are now more expensive than US walnuts and are accepted in demanding countries across the world.

“Sales are more than production,” Rivera said. “These sales increase every year. The Chinese are the biggest consumers of walnuts and now there is an even bigger sector who can afford to buy them.

Walnut prices are now crazy, but the best thing about our product is the quality. Chilealimentos has worked hard on commercials, visits, and seminars so people can know all about the quality of our walnuts.

“Brazil is also a very big market for Chilean shelled walnuts. This year we also have important meetings as our company looks to diversify in Asia.”

Hazelnuts are another interesting possibility for the future. Production is currently very small but should grow in the coming years. Investments from foreign countries in planted areas are considered extremely important and are providing a real boost to the Chilean nut industry. ■



**FRANCISCO RIVERA,
GENERAL MANAGER,
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Looking East

BY JENNIFER WILLIS-JONES

GLOBAL prune production has peaked. The US and Chile are now the largest producers of the dried fruit and both are looking to boost consumption around the world, especially in Asia and North Africa.

According to Prunesco, which currently provides one-third of Chile's prune export volumes, innovation in the sector has fuelled sales and led to a rising number of retail contracts being made in Europe.

"We have increased production," the general manager of Prunesco, Héctor Claro, explained to *FOODNEWS*. "We recently introduced a new

production line. This year is very big for us, demand is coming on very strong and we have now increased capacity by 20%. The good thing is it is completely separated from our other line, giving us the freedom to produce new, state of the art products."

The company is hoping to produce new added value products. A prune dicer is currently being employed, but there is also research into new retail formats. Prunesco now produces organic and potassium sorbate-free prunes, essential to satisfy demanding clients in Germany, the UK and Scandinavian countries.

These countries have, however, been hit by the financial crisis, making it essential for

Chilean exporters to find new markets interested in their products. China and North Africa have become new key areas for Prunesco, while boosting prune consumption in South America.

"We are actively looking at other destinations," Prunesco's sales manager, Pedro Monti, said. "But really what we want to do now is perfect our offer for our 120 or so export consumers."

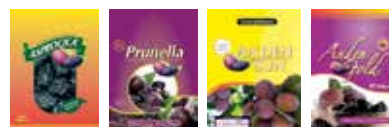
"It is a real challenge to sell the increased prune volumes Chile has at the moment, though. This year has been easier for us since Argentina had a bad year, but we need to put our name out there as a safe and secure supplier. We also need to improve revenue for our growers; it is currently a very tight financial

"I think what differentiates us today is our quality"

Héctor Claro,
general manager, Prunesco

situation. Prices are not moving due to an oversupply, so we need to make the plant more profitable, more efficient and that's the only way we can add revenue for our growers," Claro added.

"I think what differentiates us today is our quality. We are very active on quality issues which involves our sales team and production team, testing lines once a week. The main difference after quality is our customer service: we have strong support in labs and a good quality team. We can say that we are well known for our customer response." ■



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“What we really want to do is focus on what we do well and concentrate on the same markets we are doing business with. We produce very high quality products”

**Roberto Murphy,
general manager,
Aconcagua Foods**

BY JENNIFER WILLIS-JONES

CANNED fruit producer Pentzke's export manager, Alan Wilson, explained that the Chilean industry has learnt a lot from how other countries market their product: “Consumption of canned fruit in Chile is stable and there will be no further growth unless we all work together, which is not an easy task.

“Other countries have done a good job of educating consumers that canning is a good way of keeping fruit. In the US there was also a campaign showing that canned fruit is as good as fresh with the same nutrients. The world industry has brought out new products, such as fruit cups and fruit in plastic jars to attract new people to the market, but it is important to transmit the message that cans are still a very good and stable way to transport products,” he said.

The fruit cups and plastic jars have proved rather successful, particularly in countries with a high per capita income, and the industry is keeping an eye on developments. While Chile produces a great deal, it will not necessarily win in the volumes stakes so processors are now focused on transmitting the idea of a high quality product instead. Over recent years Chile has

worked extremely hard on improving its food safety procedures, and processors are constantly carrying out audits in order to keep plant certifications at the highest possible level.

“We want to pass the message onto our consumers that the industry has never had any major quality issues and has good traceability. But it is difficult to get that message through to customers as many just care about the price. Our task is to continue passing the food safety message on. “We are also working with our growers to improve the quality of the raw material, but with a growing purée market it is difficult to get the message through to our growers. We are very insistent on this, as the price of canned fruit may increase but it must go hand in hand with an improvement in quality,” Wilson commented.

The competition for raw material between canned and purée processors is of real concern to those in the Chilean canned fruit industry, with the quality of fruit used for canning larger in size to that used for purée. Roberto Murphy, general manager of canned fruits firm Aconcagua Foods, explained that his firm was tackling this by planting adequate

varieties and giving support to their growers.

“In future we foresee producing better fruit and now we are promoting it more. This year is the first year and we bought 150ha of planted peaches and bought 124ha to plant, and in the next three years we will plant 250ha each year with loyal growers.”

Aconcagua Foods is also investing in improving the ability of its processing plant to be more “flexible” in different formats. One of its important projects from the previous year was the construction of a state of the art automatic warehouse which has now been completed.

FOODNEWS was taken on a tour of this huge facility, which has been designed to reduce costs and expenses in order to maintain the company's cost advantages over competitors.

“What we really want to do is focus on what we do well and concentrate on the same markets we are doing business with. We produce very high quality products and we need to get the best fruit available. We have also improved the skills and technical knowledge of people working for us, so we will have better and fewer people by the end,” he added. ■

THE CANNED fruit business is not an easy one but as *FOODNEWS* has discovered, there are always ways to make it work. Chilean processors say educating consumers in the nutritional benefits of canned product is key, while keeping an eye on new trends.

Small but mighty



JUAN MANUEL MIRA, GENERAL MANAGER, TMLA

BY JENNIFER WILLIS-JONES

CHILE's tomato sector has seen some consolidation over recent years, but is still going very strong. The country has a good reputation and longstanding commercial agreements with other Latin American countries, producing tailor made products at a competitive price.

The country also benefits from its proximity to the sea and boasts excellent freight rates, with the nation now looking to start shipping increased processed tomato volumes to Europe.

"The Chilean tomato industry has seen consolidation from six companies six years ago to only two at present," explained Cristian Alemparte, commercial manager of Agrozzi. "We have also seen the recent sale of Tresmonte Luchetti Agroindustrial's (TMLA) tomato processing business to Sugalidal. But I would say the future is quite attractive since we are very strong in Latin America as a competitive cost producer, with preferential free trade agreements benefitting sales of our tomato products in

Latin America.

"With good freight rates there are also big opportunities to ship to the EU Community. They have just seen an end to their subsidies and are now high cost producers. We are counter season producers and can produce to demand. We are already selling some volumes to Europe and in the future we will increase our volumes to the UK, Germany and the Netherlands. The mere fact that Portuguese firm Sugalidal has bought a Chilean tomato processing business shows that that they see a future in the Chilean tomato industry."

At one point Agrozzi had been in the frame to buy TMLA's tomato processing wing, but it was not to be. Alemparte explained to *FOODNEWS* that although the decision was made to go with the Portuguese business, Agrozzi will continue to look for new opportunities within the tomato processing industry.

"Agrozzi is the most stable company in terms of ownership and administration and has been in the market for a long time performing well with support from the Carozzi board. It has given the agro industrial division significant opportunities. We have very strong market recognition all over the world and plan to keep consolidating our position in Chilean agro industry while growing our business."

Indeed, the company not only produces industrial tomato quantities, it has also diversified into retail products. Prepared sauces are now being sold in Chile, while Agrozzi also produces ketchup and pizza sauce for McDonald's and Pizza Hut as part of its food service line.

"This is a fast growing business for us as major food chains grow across Latin America. We are supplying healthy products for the fast food market."

One can definitely see that Chile's tomato paste business is a

strong one. Tomatoes are grown over different parts of the country to guarantee supply. Despite investing in costly new modern facilities, the origin still remains competitive on price and presents a real challenge to European producers. Perhaps this is why Portugal is so keen to own a piece of the Chilean tomato industry.

As the details of the sale of TMLA's processing business to Sugalidal were being finalised, its general manager, Juan Manuel Mira, explained exactly why Chile's tomato processing business is so desirable.

"Our main business is in tomato paste. We have been in business for 25 years and own two facilities, one in Tilco, 130km from Santiago, and the other in Talco, 230km from Santiago. We are logistically well located to cover surface areas, to contract farmers and receive raw material from different harvest seasons. We produce around 70 000-75 000 tonnes of concentrate a year of 30/32 and cold break 28/30.

"Today, we are one of two big processing tomato companies in Chile. Our competitor is producing a 38% market share, and we are 62%. In the near future we are definitely looking at investments in technology, and we are looking to increase yield," he said.

The company also plans to work with farmers over a longer period with longer contracts, increasing drip irrigation in fields to producing a better, more efficient tomato crop.

It is clear that, despite consolidation in the industry, the Chilean tomato processing sector still represents great opportunities for those both inside and outside the country. European tomato paste may well become more expensive in the near future, and Chile is only too happy to step in to fill the supply gap. ■

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