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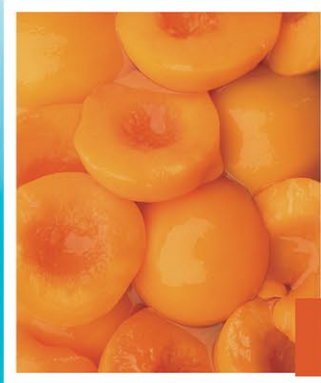


***New Investment
by Chile***

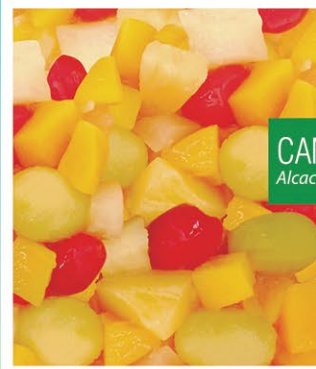


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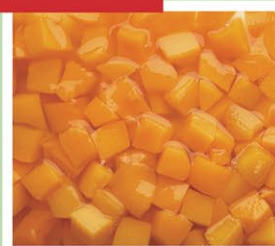
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Red hot Chile

BY NEIL MURRAY

They are a bit worried in Chile. Worried about the country's slowing growth rate, after a boom of nearly two decades, and worried for the future of the economy. But this is almost all due to domestic politics, and the fundamental strength of the country's agro-industrial powerhouse remains.

True, to the still stuttering economies of Europe, a growth rate of around 3% seems like Nirvana, but as one Chilean said to *FOODNEWS*: "Remember, you are developed economies. We are still developing, and catching up, and to us, this is poor."

Chile's biggest export is still copper (it remains the world's largest producer), and the global copper price has been steadily falling for some time, due chiefly to a slowdown in Chinese manufacturing. It is now at its lowest point in about four years. There is little that Chile can do about this. The value of the Chilean peso is closely linked to the copper price, as happens with other economies that are largely dependent on a single product (think cocoa in Ivory Coast, or oil in Saudi Arabia).

The fall in the copper price has led to reduced production and a recent reduction in profits by the Antofagasta mining giant, and the long-running boom in investment in the industry has ended. A retail boom fuelled by easy access to credit has slowed down. The rate of growth in retail sales has accordingly slowed, though (as with so many other figures), by European and US standards the growth rate is still excellent at 5.2%. Mining companies from Anglo American Plc to Teck Resources Ltd have postponed USD43 billion of projects in Chile as they weigh rising costs and declining copper prices, according to the National Mining Society, an industry lobby group. There has been a decline in imports of capital goods (especially mining machinery), another indicator of a slowdown.

A fall in the copper price means a decline in the value of the peso, and this has happened: basically, good news for exporters, but of course



it means the price of imported items, especially energy, rises. At the time of *FOODNEWS*' visit to Chile this year, there were some 550 pesos to the US dollar, and we were told that it was expected to be USD1.00=CLP590 by the end of the year. In fact, it has already hit that level, and now 600 pesos to the dollar does not seem unrealistic.

It might also mean a slight decline in national average earnings, which are calculated in US dollars. Chile's per capita income was just over USD20,000 annually before the fall of the peso, so a fall might be expected, but could equally be cancelled out by rising incomes. We will have to wait for the data. As it stands, Chile's population size of around 18 million means it will never be able to match the GDP of (for example) Brazil, but it still enjoys the highest per capita earnings

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Talk to the Pro



ROBERTO PAIVA

ProChile is the government-sponsored promotions agency for Chile. Within its remit falls promotion for all of the country's activities, including tourism and food. With the new government elected last year, Roberto Paiva is its new director, interviewed here by FOODNEWS editor Neil Murray.

FOODNEWS: *Is the Food from Chile campaign still successful? Have there been any changes to it?*

Paiva: It's been very good and has developed very well. It has a direct relationship with the consumer and the consumer has accepted the campaign well. We want to keep it going to promote food.

FOODNEWS: *What trade associations in the food and beverage sector does ProChile work with, besides Chilealimentos?*

Paiva: For ProChile, it is fundamental to work with associations. Chilealimentos is a natural association or partner for processed foods. We work with all associations and this government wants to work more

with associations. We used to spend too much time working with companies – we prefer to work with associations.

FOODNEWS: *Last year, ProChile said that Chile wants to become a top 10 player in the food and beverage sector by 2020. What progress is being made here?*

Paiva: We are currently in 17th place! The food industry still has the top 10 goal. We are working very closely with the Agriculture Ministry, to keep improving the ranking. We need to work on productivity and innovation to reach international markets.

FOODNEWS: *What support is being given to key new industries such as olive oil?*

Paiva: It is a priority target like

other sectors. Olive oil is a very new industry for us, so we are working with them, and working in international markets with different countries, showing our industry and quality. We have the Chile olive oil sector brand: we are not working for one brand but for the whole industry. In September, there is the Flavour of Chile event in Shanghai. There is also a very important contest, called Sol de Oro, for olive oil in Italy, and there will be one in Chile for southern hemisphere oils.

FOODNEWS: *China is your biggest trade partner – what does ProChile have to do that is “different” in China?*

Paiva: In 1990 Chile exported zero to China. Nothing! Now 25% of all Chilean exports (including copper) go to China. It is our third-largest destination for exports after the US and the EU. The best thing is that Chile arrived in China first: the first free trade agreement that China signed with the Americas was with Chile. We now have four trade commissioners in China. We know the principal distribution channels in China. We have to keep working in China and in a few weeks, the Agriculture Ministry will be there to keep working with companies there.

FOODNEWS: *How closely does ProChile work with the tourist sector, when it comes to promoting Chilean food and drink?*

Paiva: Exporters' associations will combine wines with education and tourism – we are starting this programme next year. Many students come to Chile and in Valparaiso, Bío-Bío and the Magellans – they are petitioning us because the students are coming and they want tourism too. If you come to Chile, you come to Chile, you

don't pass through Chile to another country. That is why we try to promote tourism with wines and students.

FOODNEWS: What initiatives has ProChile done with social media (Facebook, LinkedIn, Twitter, blogs, etc) and how successful have they been?

Paiva: We need to do more on social media but we have to have more things to say. ProChile is 40 years old this year and we are going to start a radio show. We want to talk about exporters' experiences with ProChile over the last four decades.

FOODNEWS: What new trade shows will ProChile be attending in 2015?

Paiva: We were at APAS in Brazil this year in May, and will be there next year. We will also be at ExpoCruz in Bolivia.

FOODNEWS: What new offices will ProChile be opening in 2015? I remember that Morocco

was planned.

Paiva: In 2015, we will open offices in South Africa and in Casablanca, in Morocco, with Pacific Alliance. In Mexico, we are working on the structure of the office, and in October/November will choose our person there. Africa is virgin territory. A lot of markets are showing two-digit growth.

FOODNEWS: Are there plans to extend the Flavours of Chile campaign, or replace it with something else?

Paiva: Yes, it is still going. It will be held in September in Shanghai and in Mexico and Brazil in November.

FOODNEWS: What is the most effective means of associating the name 'Chile' with 'quality'?

Paiva: It's a good question but I don't know if I have a good answer! We do a lot of campaigns to promote the quality of Chile and one is that we are a



phytosanitary island. Our weather produces a high quality product. We think that if consumers know our products, they will understand and recognise them for their quality. For example, our olive oil has been tasted by experts and has won a lot of medals because it is very good quality. We have

been in international markets for a long time and to stay in international markets we must have good quality products. We work with the Agriculture Ministry to promote quality and improve quality. Certificates and seals are a very good way to show that.

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Liquid assets



CARLOS CORREA

BY NEIL MURRAY

Doctor Johnson, who compiled the first English Dictionary, is supposed to have described oats as “a grain, which in England is generally given to horses, but in Scotland supports the people”. Kale, a type of cabbage, could be similarly described, substituting cattle for horses.

But kale juice concentrate is a rising star for Invertec, one of Chile’s largest fruit juice processors.

“The US and the EU are both interested in kale,” Carlos Correa of Invertec told *FOODNEWS*. “The vegans are into it and now it’s a winter crop for us. We are getting more enquiries from the US, as part of the superfoods market. Small smoothie bars in the US use it. We make 30 brix concentrate – single strength is 5 brix – and we are now working on purée and powder. Moving back into

“Chile’s fruit juice industry was fortunate this year. Prices for AJC and other juices were relatively buoyant, and Chile was able to sell its production profitably, before prices started to slide.”

the mainstream, Chile’s fruit juice industry was fortunate this year. Prices for AJC and other juices were relatively buoyant, and Chile was able to sell its production profitably, before prices started to slide.

“Despite the bad news, the over-production in China, and the shrinking of 100% fruit juice markets, in Chile, the timing this year was good for AJC,” admits Correa. “The internal supply has been good – very stable – the freeze reduced the amount of fruit: everything, stone fruit, kiwi, but not apples. It did affect size of fruit, but that meant there was more for processing.”

Karl Huber of Patagoniafresh concurs. “This year saw a normal harvest, but there was a big fruit size problem in fresh markets, so more went for processing. I don’t know what will happen next year, but the raw material supply should be less than this year, definitely.

“This year should see at least 20% more AJC production. Chile made 55,000 tonnes last year. This year it will be about 75,000 tonnes. That is a record production: exceptional, because 500,000 tonnes of apples went for processing. This year, the yield should be nearer six tonnes of apples per tonne of AJC because the brix was good.”

So Patagoniafresh managed to sell out before the price crashed as well. “Next year, there will be less fruit,” concurs Huber. “The AJC price will depend on the European situation, it’s clear. We are all looking at Europe.”

Invertec did a lot of investment last year, and increased its production capacity for grape juice. “What happens to prices depends on Spain,” said Huber. And it also depends on demand from South Korea, Mexico and the US. There will be a tough fight

between Chilean processors.

“The main issues with grape is the big crop in the northern hemisphere. There is a huge fight here between processors, and a big drop in consumption. Single varietal volumes are very small, so for us it’s less efficient.”

Patagoniafresh’s plant is certified to ISO50001 – the certification regarding energy management systems. “Our main energy consumption is steam, generated from oil,” confirms Huber. “We rely on oil, and we are doing some studies into changing our fuel. Gas? There are no pipelines, so it has to be trucked and our needs are seasonal, so expensive. We are looking at biogas, but we need to change the boilers for this.”

Grape expectations

Bruno Pedro, commercial director of Mostos del Pacifico, knows all about competition in the grape juice industry, because that is the company’s speciality. He echoes Patagoniafresh’s concerns about low global prices and big crops in the northern hemisphere, the record yields in Spain and expectations there this year of another large crop. He also knows about red fruits, because Mostos has some intentions in that direction.

“The blenders’ shift from grape to apple juice is almost all done,” he told *FOODNEWS*. “The US has already switched. Others are following. South Africa is the most flexible of all.”

The US, specifically California, is a major competitor to Chile. Although it naturally produces low and standard colour juices, Mostos specialises in high colour and varietals – varietals are important in Canada for the massive home-made wine kit industry there.

A lot of Chilean grape juice concentrate is destined for remanufacture into wine. Asia is a major destination. Japan, Thailand and Indonesia all buy concentrate

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for vinification. Korea also uses red grape juice for colouring and as a sweetener. Interestingly, Angola, in Africa, is another major buyer of juice for vinification.

Reading the runes, Mostos (based in the heart of Chile's wine-making region south of Santiago), diversified into bulk wines in 2012 and now produces more than seven million litres annually. However, the company is diversifying further next year, into red fruits and superfruits (of which Chile grows a great many).

"We want to focus on berries for a number of reasons, quite in line with the niche philosophy of our company," Pedro told *FOODNEWS*. "We want to focus on high value niche products and berries are in line with that strategy. Superfruits and all that 'movement' are a reality and a growing market. We are already in the business of colour and polyphenols etc, so this is a natural move for us. We are specialists in the treatment of colour. We have the know-how for colour conservation and extraction. Our industrial process is also fit for that sort of process. We intend to start in 2015."

Mostos will play the spot market for raw material supplies. The chief target markets are Europe and the US "but we are open to every market", stresses Pedro. "Our goal is to take advantage of the machinery we have and the spare capacity. And, importantly, the harvest dates do not collide."

Fresh and processed

San Clemente is also involved in grape juice, but the company's major business is in the fresh market, which obviously has advantages when it comes to sourcing raw material for processing. In fact, the company is starting a fresh grape venture in Peru, with plantings on new land just coming into production now. The fresh side of business is presently worth USD89 million and expected to grow to USD100 mln in the next two years.

Peru has a very diverse climate, and land and labour are also cheap. It also gives good yields and, in fresh grapes at least, there is a window of opportunity during

INTERVIEW: Miguel A. Montes



FOODNEWS: *Is Bayas del Sur changing the balance of its processing? For example: less raspberry, more blueberry? Or more red berries, less maqui? Or more purée and less concentrate?*

Montes: We are maximising all products' production and sales. We are expanding the number of countries and customers we supply around the world. There is increasing demand for all our family products: berries and superfruits. Why? Because scientists are discovering active ingredients in these fruits that are good for human health every day: antioxidants, vitamin C, vitamin E, etc.

FOODNEWS: *What investments have been made, now that the global recession seems to be over? New plant? Packaging?*

Montes: Freeze-dry equipment, spray-dry equipment, and co-packing factories. We are also investing in new experienced engineers.

FOODNEWS: *Where can more value be added? Premium products like baby food? Special blends?*

Montes: We have created a division to cover national sales and we have actually several formulations made for retailers: berry blends and liquors like Champagne with berry flavours.

FOODNEWS: *Where are the good new markets? I am guessing South Korea and maybe Japan and China.*

Montes: The Asian area (South Korea, Japan) is the one that promises more expansion for our products. They like products with added value. The low apple, white grape and pear juice prices are good for us, because they reduce final costs in formulations.

FOODNEWS: *What products does Bayas del Sur not make now that you would like to see the company processing?*

Montes: I would like to develop more plantations in south Chile for blackcurrant, aronia, elderberry, and black raspberry.

FOODNEWS: *On the same theme, is it necessary to*

find more technically skilled people these days, with the increased use of automation?

Montes: Automation is always important to cut costs, but not all fruits can be harvested with machines.

FOODNEWS: *Raw material: what is Bayas del Sur doing to guarantee its raw material supply?*

Montes: We are working with a team of three People and fruit brokers all over the country. We are covering about 2,000 kilometres from north to south and from the sea to the mountains for conventional and wild fruits.

FOODNEWS: *Next year will be a difficult one in some markets, like AJC (cheap European product). How will Bayas del Sur react?*

Montes: Thank God we are out of the apple juice business. We only do trading or we process some wild German apple varieties in the south. They are organic.

FOODNEWS: *Are fruit/vegetable concentrates and purées becoming more important? In which markets? Can this be developed?*

Montes: We are not doing vegetable juice now, but I have that area in mind for future projects.

FOODNEWS: *How is the maqui market doing?*

Montes: We started with this projects before others. We are the pioneers. Certified organic maqui berry products are in demand by more customers around the world, as juice concentrate, purée, freeze-dry powder and spray-dry powder.

FOODNEWS: *'Health and wellness' is becoming an important sector at retail level. How is this being reflected in product sales and new product development?*

Montes: People want to live better. People and countries are increasing their incomes, then have access to better products. The world's population is still growing at 3% per year. People can access more information via the Internet. There are more TV programmes where doctors or scientists show the health benefits of different products. Fast food chains are changing their offering with more vegetables, fruits, natural juices, etc.

which it is not easy to find table grapes, and prices are advantageous. About 40% of its raw material comes from its own land and 60% from independent farmers, and these are farmers who have had a long association with the company.

Sales on San Clemente's processed side amount to some USD20-25 mln. San Clemente co-packs for private label, and has recently introduced fruit and vegetable purées as conventional products and baby food in doypacks. Given the very high standards required for baby foods, the company reckons it can compete effectively on international markets and intends to start exporting to the US. It presently also exports to Colombia, Brazil, Peru and Costa Rica.

"We are trying to get more added value from ingredients,"

FOODNEWS was told by commercial director, Marcos Echenique. Its ambient purée products, packed aseptically, can keep for a year in ambient conditions and are obviously cheaper to transport and store. Single-serve and single-strength packs of 100-120g size dominate and 80% of sales are baby foods. "They are looking very promising: very much in line with consumers' searches for convenient, easy to use and healthy products." There is also, apparently, double-digit growth in doypack products in the US.

San Clemente is still expanding its juice concentrates business. Its new facility in Maule is now fully operational, and this year secured organic certification. Also this year, the company installed a new line for aseptic products, so now can offer aseptic, frozen, and conventional. The organic business, mainly baby food, is also being developed further.

Further capital expenditure involves improving some production processes and yields, all as part of a continuous improvement process.

However, the biggest initiative involves Europe, where San Clemente is setting up a base. "We have customers trying to work with us in the long term and we are

INTERVIEW: Cristián Alemparte

FOODNEWS: Is Carozzi changing the balance of its processing? For example: less AJC, more tomato? Or more peach, less AJC? Or more purée and less concentrate?

Alemparte: In 2014, the result of climate change and climate problems was that we produced less stone fruit, which meant using our production capacity to produce tomato paste. In other purées, we were within our historical volumes of the last three years.

In AJC, a higher rate of rejection of the fresh fruit quality (smaller spots) produced more juice than initially expected.

FOODNEWS: What investments have been made, now that the global recession seems to be over? New plant? Packaging?

Alemparte: We are setting up a new plant for tomato products, both retail and foodservice. We are also entering the children's pouched fruit pulps business for the domestic market and will soon begin exporting.

FOODNEWS: How is the company improving efficiency? Better use of energy? New energy sources? Are there any plans, for example, to use solar energy?

Alemparte: In terms of energy (diesel and electric), we continue to work on improving efficiency in both energies. By 2016 we plan to change from heavy diesel fuel by gas.

FOODNEWS: Where more value can be added to products? Premium products like baby food? Single varietal apple juice?

Alemparte: Today we are Number One in the national market for tomato sauces and tomato products. We also have over 80% market share of the fruit pouch sector. We are producing more products tailored to customers.

FOODNEWS: Where are the good new markets? I am guessing Japan, South Korea and China.

Alemparte: The US market is one of the fastest growing markets for Carozzi. We also still have a very strong position in Russia. We are working to grow in South-east Asia.

FOODNEWS: What products does Carozzi not make now that you would like to see the company processing?

Alemparte: Carozzi is in four main business lines: fruit pulps, tomato paste, vegetable purée, and tomato products for foodservice and retail. We are continuing to grow in these four sectors.

FOODNEWS: I know there is a labour problem in Chile. What is Carozzi doing to find, and keep, technically qualified staff?

Alemparte: Our agricultural strategic plan is based on agricultural mechanisation in both tomatoes and fruits.

FOODNEWS: On the same theme, is it necessary to find more technically skilled people these days, with the increased use of automation?

Alemparte: Sure, more mechanisation means more skilled labour.

FOODNEWS: Raw materials: what is Carozzi doing to guarantee its raw materials supply?

Alemparte: Carozzi has a staff of agricultural technicians who provide technical assistance to all farmers with whom we work.

Carozzi hires and works with 2,200 farmers who receive technical assistance, chemicals and fertilisers, and Carozzi is constantly improving traceability to all orchards and field in which we work. Carozzi also has exclusive contracts with orchards to produce products with low levels of pesticide residues for the baby food market.

FOODNEWS: Next year will be a difficult one in some markets, like AJC (cheap European product!). How will Carozzi react?

Alemparte: The cost structure of Carozzi, a product of high technology and facilities, plus low administration costs makes us very competitive in all markets.

FOODNEWS: Are vegetable concentrates and purées becoming more important? In which markets? Can this be developed further?

Alemparte: Vegetable pulps are growing but are still a niche product. We are evaluating new applications where you can use vegetable pulps.

FOODNEWS: 'Health and wellness' is becoming an important industry at retail level. How is this being reflected in product sales and new product development?

Alemparte: Wellness is a factor that moves markets internally. Carozzi has for some years been promoting this line of business due to its high growth potential.

FOODNEWS: Would you like to add your personal vision for Carozzi as a company, and Chile as an agro-industrial power, for the next three years?

Alemparte: The challenge for the next three years is to increase Carozzi's sales to USD1.7 billion per year. This implies a growth in sales of USD500 million at the end of the next three years. As for Chile as an agribusiness power: if the current exchange rate is maintained there is no doubt that the agribusiness industry will grow in Chile.

INTERVIEW: Fernando Casari

Cran Chile Ingredients was formed in 2013 to continue Cran Chile's reputation for being the leading exporter of high value berry juice concentrates from South America. Cran Chile Ingredients processes its fruit at the industry leading Lanco plant owned and operated by Ocean Spray, subject to a long term exclusive toll processing agreement.

FOODNEWS: *What investments have been made, now that the global recession seems to be over? New plant? Packaging?*

Casari: We exclusively toll process our berry juice concentrates at the Ocean Spray facility in Lanco. As part of the plant expansion, there is a new evaporator in place that will increase their capacity to toll process for us.

FOODNEWS: *How is the company improving efficiency? Better use of energy? New energy sources? Are there any plans, for example, to use solar energy?*

Casari: It is a must in our cranberry farms to improve the use of energy. This is one of the variables where Chile as a country is not competitive with other countries in the world. We have started trials of solar panels for energy supply in soil humidity monitoring stations. This is just the beginning, but we need to start.

FOODNEWS: *Where can more value be added to products? Premium products like baby food?*

Casari: Berry juice concentrates in general are the most high value fruit juice concentrates. Cran Chile's goal is to supply a reliable ingredient for the global industry. We receive raw material for the most highly reputed freezers in Chile. Every year, we work with some of them to get batches of baby food grade fruit.

FOODNEWS: *Where are the good new markets? I am guessing South Korea and maybe Japan and China.*

Casari: We continue exporting big quantities to the traditional markets to our traditional countries. New markets are growing. Korea is the one buying interesting quantities of blueberry concentrate. In the case of China, it is still incipient.

FOODNEWS: *What products does Cran Chile not make now that you would like to see the company processing?*

Casari: Our focus has been to process the highest quality berry juice concentrates. The facility is designed to preserve the quality of these kinds of juices. In the near future, there are

no plans to change this focus.

FOODNEWS: *I know there is a labour problem in Chile. What is Cran Chile doing to find, and keep, technically qualified staff?*

Casari: Cran Chile has a highly qualified technical staff in Chile, specialised in growing cranberries for about 20 years. We take good care of our team and the staff turnover in the higher levels of our organisation is really low.

FOODNEWS: *On the same theme, is it necessary to find more technically skilled people these days, with the increased use of automation?*

Casari: Automation in every stage of our process has increased to levels that we could not imagine some years ago. A good combination of training for the existing team and the incorporation of new workers well skilled in these matters is the good balance to deal with the technology evolution.

FOODNEWS: *Next year will be a difficult one in some markets, like AJC (cheap European product). Cranberry juice is still very cheap. How will Cran Chile react?*

Casari: The existing inventory of cranberry concentrate is going to push prices down for some years. This is the new fact in this business. The production of sweetened dried cranberries has turned cranberry juice concentrate into a by-product of this process and the price is going to remain low. Even when the taste of cranberry is not widely accepted, this price level will encourage the development of beverages based on this flavour.

Cran Chile's primary focus now is in the promotion of blueberry juice concentrate, raspberry juice concentrate, strawberry juice concentrate and blackberry juice concentrate.

FOODNEWS: *'Health and wellness' is becoming an important sector at retail level. How is this being reflected in product sales and new product development?*

Casari: Berry juice concentrates in general are related to health and wellness. A good level of antioxidants, relative low sugar levels and specific components that are related to specific disease cures are part of the scope of these juices.

In particular, Chilean fruit is higher in the level of polyphenols because of the beneficial weather and soil conditions. Cran Chile juices are recognised globally for these characteristics and we use this claim as a slogan for our sales.

trying to get closer to our European customers, and to get in touch with end users of our ingredients in Europe, to be able to give more flexibility to purchasers,"

Echenique revealed. "Now we are starting operations in Europe, to hold inventory in Europe, to allow us to react to orders faster." San Clemente will also offer blending operations in Europe. "In the end, our approach is to work closer, react quickly and be more flexible. But our commercial side has to be in line with that."

Functional soft drinks

Jugos Chile is the juice concentrate division of Lourdes, itself part of Empresas Empresas Yarur S.A. Lourdes was founded by local producers in 1989 to sell bulk wines, and diversified into grape juice concentrate in 1992, as a way of using the surplus fruit. In 2000, Empresas Yarur S.A. bought Lourdes, then producing white, red, and varietal wines, and red juice concentrate. In 2007, USD2.0 million was invested in new technology and equipment for bulk wines and juice concentrate, and it is now the country's second-largest producer of bulk wine.

Jugos Chile itself was launched as a separate and freshly-equipped entity in 2011 and has now expanded its portfolio into white concentrate, varietals, and single strength grape juice (mainly red, and mainly used for 100% natural drinking grape juice).

"After 2011, we had two policies," commercial director Hector Muñoz told *FOODNEWS*. "One for the food industry and one for the wine industry, for fermenting. Our vision in the future is to have a balance between both. The wine market is limited, globally, so we decided to enter the food industry. It required a lot of investment because standards are so high.

"We introduced a number of different products like white grape juice concentrate. That is not such a big thing for Chile – we are more slanted towards red. Italy is big in red concentrate and Spain in white."

This year, Jugos Chile will produce around 7,000 tonnes of concentrate: 25% white and 75% red, packed in drums, tote bins and flexitanks.

“For us it is very important to develop new products like varietals, because we blend grapes for different uses,” says Muñoz. “For example, Korea is different from Japan and Japan is different from Thailand, whether it’s for making wine or juice.” In Korea, for example, red concentrate is used for making vinegar beverages. Elsewhere, the company has noticed an increase in specific soft drinks made from juice, and is now working with soft drinks manufacturers to develop a new functional product.

“Japan is the main market for us, and they mainly consume generic reds for making wines. But nowadays they have developed a new product for the Japanese market using Chilean wine.”

Chile uses Tintorera grapes of high colour (more than 4000 points) and the taste and aroma are



CRANCHILE FACTORY

very different from Concord grapes. “Chile is in a very good position in the future because we have that type of fruit,” adds Muñoz. “we don’t have carry-over. We hope to sell our total [production] volume this year. We plan to increase production next year. Last year, we bought a new plate evaporator, a new crossflow filter, and increased our storage

capacity. We can see many options in different markets and next year we are aiming for 8,000-9,000 tonnes: it depends on the market.”

All the juice companies who spoke to *FOODNEWS* mentioned the issue of labour, especially at harvest time. Peruvian labour is being used, but national laws restrict the number of foreign

labourers that can be used per shift, so at least one processor is using foreign staff, not in the fields, but on the processing line where it is easier to allocate the quota. As for field work, it can be a matter of checks and balances. For example, this year there was a shortage of stone fruit, but that released more people to pick apples.



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The new frontier for Chilean food exports

Trade agreements have paved the way for Chilean food and drink exports to reach their target markets, as the country is seeking to establish new ones with other strategic destinations. In conversation with FOODNEWS during the Sabores de Chile event in Madrid, director of ProChile, Roberto Paiva, assesses the state of infrastructure in the country to support the industry, evaluates Chilean food export trends and tells where investments are needed to maintain the country's momentum.



with EFTA, which comprises Switzerland, Liechtenstein, Norway and Iceland. The results have been several: the most noticeable are exports of wines, fresh fruits and dried fruits. The agricultural offer to the European market is substantial.

FOODNEWS: Are there any plans to establish trade agreements with other destinations?

Paiva: We are already working to establish a deal with Indonesia. Indonesia is a formidable market, thousands of islands, and a well-integrated and modern market. We hope to follow with Russia. We have a business mission scheduled at the end of June, and on that occasion we aim to open the discussions to reach a commercial agreement with Russia.

Forty per cent of everything that is produced by Chile, of Chile's GDP – not just food and drink – is sold to external markets. But what Chile imports is less than 0.5% of global trade. So, trade agreements are fundamental for Chile because the foreign sector weighs heavily on the national economy, but we don't weigh on the global trading platform. Our only strategy is trade agreements.

FOODNEWS: How did the depreciation of the Chilean peso vs the US dollar affect exports earlier this year?

Paiva: We have to point out that the exchange rate in Chile

BY DAVIDE GHILOTTI

FOODNEWS: How relevant are Free Trade Agreements (FTAs) for Chile's food and drink export strategy?

Roberto Paiva: FTAs are fundamental; they are the cornerstone. This is because they have not only opened up new markets by lowering tariffs to zero, but have also forced us to modernise the state. There are second and third generation agreements, comprising not just goods but investments, the provision of services, technical

and phyto-sanitary norms. And they forced all sectors of Chile's agricultural production to follow the standards of the global markets, to certify products that are produced for the global market.

FOODNEWS: Chile already has an FTA with the EU. What products have benefited most from it?

Paiva: We have an agreement with the 28 countries of the EU, but we also have an agreement



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fluctuates a lot. The peso has been depreciating and appreciating time and again in history, but the main point is not that. It is the fluctuation [rather than the appreciation/depreciation itself], and business decisions need an exchange rate that can oscillate within a more stretched range.

What is happening at the moment is benefiting our exporters, as they are gaining

price competitiveness. This competitiveness is offsetting various years when the Chilean currency had been very strong, when the sector lost a lot of its competitiveness.

FOODNEWS: One of the reasons for the depreciation of the peso was related to China's lower demand for Chilean copper. Analysts believe that the peso would continue to

depreciate in the coming months. How do you see this?

Paiva: We are certainly not complaining about having such a trade partner as China. In 1990, Chile's exports to China were zero. Today, China accounts for 25% of exports. Nonetheless, copper is still a determining factor. It affects the exchange rate because it touches directly on input and output of dollars. But the exchange rate is also affected

by input and output of capital, and Chile receives a lot of foreign investment. In 2012, Brazil received USD65 billion in foreign investments, and Chile received half of that; about USD30 bln. This also distorts the exchange rate.

FOODNEWS: Are you concerned that the lower bank interest rates in Chile will affect foreign investments into the country?

Paiva: What normally happens in regards to foreign investment at the falling of interest rates is that short-term financial investments drop. That is the so-called *capital golondrina* [hot money], which is closely related to interest rates. Investment in production, business investment is less related to the interest rate and more related to the size of the market, and the opportunities that may be available on the market.

FOODNEWS: Do you think the weakening of the Chilean peso versus other currencies may attract people seeking to set up businesses in Chile?

Paiva: Yes, one of the roles of ProChile is to support companies to produce for the Chilean market and export, and also to bridge foreign investment. Chile is a relatively small market, and we are looking for foreign investments to cooperate with the challenges of economic



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development. One of these is energy: we have a bottleneck in energy development and we are currently trying to attract new investors in Chile's energy sector. Chile's export offer needs more energy.

FOODNEWS: *Are you concerned about energy-related issues for the processing industry?*

Paiva: If we don't put in place adequate investment, there will be issues on the long term. That's why the government is working on this, as the energy situation is vital to maintain the export offer we have.

FOODNEWS: *How did the strike affect exports via Valparaiso earlier this year? Has an agreement been reached with workers to prevent further protests, and how has the situation been addressed?*

Paiva: [Strikes of this kind] generate two types of losses: the loss of cargoes, which is mainly



fresh fruit and can be estimated in several million dollars, and also the loss of contractual reputation of the country as a supplier.

Together with the government, we are in conversation with social

partners to tackle problems before strikes take place, affecting the rest of the economy. Workers have their rights, but every time this happens it affects other workers, other sectors of the

economy. So we have opened a social discussion to prevent those scenarios from happening. We had 20 years under the previous government and never had a strike, so we hope we can do this well.



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MOSTOS DEL PACIFICO JUICE STORAGE TANKS


FOODNEWS: *Can the Valparaiso port cope with a potential increase in exports and trade traffic? Are existing facilities sufficient?*

Paiva: Effectively, we have a need in the medium term – which is not as urgent as the subject of energy – to improve port investment. We have to improve port capacity in particular in the southern regions, in the central areas until Concepción, Valdivia. In Valdivia, for instance, we have Corral which is a deep water and promising harbour but lacks ways of access. If Corral were developed, regions IX and X, which have high export potential but haven't been able to live up to it, would be better positioned on the global market.

FOODNEWS: *How do you assess Chilean food and drink exports in 2013?*

Paiva: This is a particular question, as it includes wine. Wine is doing well, it has an extraordinary harvest. We are strongly-positioned in the Asian markets. We are in Europe, but Europe is more of an elite market, of gourmet products.

FOODNEWS: *Europe also has a strong internal production.*

Paiva: Yes, but what we say to our trade partners in Europe is that we have other flavours, [our

wines] have a different body, a different depth. A large amount of [Chilean] wine is sold in Asia and the US, and to European countries that do not produce it. There are also other beverages coming to the fore, such as beer. In Madrid there was a Chilean company that sells Chilean beer under the Guzmán brand, which is exporting to 10 global destinations and is now aiming to reach Europe. That's relevant as Chile is not a producer of beer as such; we are adding new products.

FOODNEWS: *What are Chile's most profitable markets for food and drink exports, in terms of margins?*

Paiva: Markets are different. The European market, in particular the Spanish, Italian, French and Belgian markets are places where we certify our exporters. That means, if you reach those markets you can get to any market.

Products with the highest margins are sold in Asia, where there is no local production equivalent to what you have in France, Spain or Italy. And to the US as well, which is a market that still has a strong potential for growth. We have a diversified geographical imprint of our exports.

FOODNEWS: *Which*

destinations have lowered demand for Chilean products?

Paiva: [A region] that reduced demand was Europe, where we exported less.

The economic situation in Spain and other parts of Europe was one of the reasons. I believe that 2012 was the first year when Chilean exports to Spain decreased.

[This affected] fresh fruits, mussels, hake, all products. Figures tell us that from now on exports to Spain and to the rest of Europe will rise [again]. Europe is relatively in better shape. Spain and Greece have positive GDP growth, and this all points towards higher consumption.

FOODNEWS: *What countries in Latin America do you consider as your main competitors, and for what products?*

Paiva: We believe that the development of Latin America as a whole is substantial. Peru has increased its export offering significantly, with many products that are different from, or complementary to, Chilean products. Peruvian avocado has performed well externally, but global consumption of avocado per capita is very low, so it's not a competing origin. Argentine wine [is another example]: Argentina's wine

production is higher than Chile's, and they make great wines. But the wine market still has to develop further, and we don't see this as competition but rather as a supplement of our own offer.

The real competition, if you look at the global map, is the temperate climate areas. There are not many on the planet: you have Chile, a bit of Argentina and that's it for Latin America. There are France, Italy, New Zealand, a slice of Australia and California. That is the real competition. The rest of Latin America produces other things because they don't fall within the temperate climate areas.

FOODNEWS: *What sectors of the Chilean food and drink industry has attracted more foreign investment in recent years, and why?*

Paiva: The dairy sector and the fruit juice sector attract a lot of foreign investment, as does the processing food industry mainly. That's because, although Chile is doing well, it is also learning, so there are Spanish, Italian, French entrepreneurs setting themselves up in Chile and establishing joint ventures with local companies.

FOODNEWS: *What is the state of existing infrastructure in the country to assist the food industry?*

Paiva: There is not much left to do. I believe the institutional and infrastructural framework is first class, but we have to cross the [internal] borders. There are areas in Chile that are still behind in terms of development, areas that are detached from the centralism of Santiago. Take Araucanía, a region that is rich in production but still accounts for less than 3% of Chilean exports.

The region of Valdivia is another one: we are there, but we need a higher institutional and infrastructural presence. We have to take what Chile already has and take it to the outer regions, as in some cases we are in debt with a number of areas of the country.

Improving your quality of life with great processed fruits

Agrofoods Central Valley Chile, a leading agri-industrial manufacturing company in Chile and one of the largest exporters of processed fruits in Latin America, is making a difference by providing innovative and valuable fruit products to diverse companies in the world.

Its manufacturing plant located in the central valley of Chile, an area known for its fine Mediterranean weather and high quality fruits, counts with a successful trajectory of more than 40 years in the industry.

Having solid company values together with fair and ethical working practices, has allowed Agrofoods to grow progressively through the years with employees who are committed towards excellence in their everyday work, while keeping a steadfast compromise in its social responsibility programs.

These important attributes along with a long-term vision of the business, has propelled a program of continuous improvements and investments which has allowed the company to achieve important milestones such as counting with an A-Grade BRC certification or the highest grade in this important global food standard.

In addition, following its commitment towards a cleaner environment, Agrofoods is the first fruit processing plant in the world to install a state of the art bio-filter water treatment technology which due to its innovative nature, the plant's effluents are filtered by bacteria generated from earth worms. Thus, this new type of water filtering system does not utilize chemicals as in conventional processes while at the same time consuming significant lower energy levels.

In terms of its products, the company processes and exports various types of products such as canned fruits, a range of fruits products in plastic cups, aseptic fruit pouches for food service, and various industrial products to diverse customers in multiple markets in the world. Agrofoods was the first company in Latin

America to manufacture and export fruit cups or diced fruit in plastic cups more than 12 years ago which since then, it has enabled the company to grow and develop a diverse portfolio of products in plastic cups which range from diced fruits in light syrup or juice, to jellies, to more innovative new products such as shown in the image portraying an Apple Fruit Snack. These new products are "a healthy and truly delicious fruit snack products to be eaten during any part of your day" says Matias Serani, Commercial Manager.

Following its long-term vision, "the company has made significant investments in recent new technologies and capacities which will support its growth for the upcoming years while at the same time maintaining close partnerships with fruit growers and suppliers to reduced costs and improve quality standards. We manage a delicate balance of operations which grants our company to be present in the supply chain from the farms all the way to our customers in order to generate greater value to our customers" indicates Javier Ramirez, General Manager.

Due to these new technologies, the company has launched new and interesting new products such as fruit dices in aseptic bags of 5 Kg for the food service markets, thus offering a new and an more convenient way than supplying these products than those packaged in canned or even in frozen formats. Agrofoods' processed products "provide an excellent means of supplying high quality fruits at affordable costs to our customers", says Matias Serani, Commercial Manager.

Agrofoods is enthusiastically committed to its customers throughout the world by adding value to their businesses with a dedicated service, a competitive and innovating line of products which allows its processed fruit products to be consumed by millions of

consumers throughout the world.

A dynamic company with a strong commitment to its core businesses coupled with a spirit of innovation in the industry can be noted about Agrofoods.

Agrofoods, one of the Chilean canning giants, is continuing its assault on the snack food market. "The industry is moving to snack products for consuming on the go," says director Ivan Irrazaval. "For schools, there is a huge campaign for healthy products. This has increased a lot of sales of cups, pulps, etc. Del Monte's Fruit Burst is doing very well (Agrofoods co-packs these products for Del Monte).

Normally, apple is not a great fruit to use in cup products: the texture and taste suffers, but Agrofoods has a new process which improves both.

"With economic growth worldwide, we assume that the business is going to grow. Next year, we will have zero duty in the US. There are a lot of opportunities."

Today around 30% of Agrofoods' raw material comes from its own orchards, and the company wants to increase that to 50%, to keep up with its increased processing capacity. "We need to decide where the yields are best – it is relatively easy to increase yields by 10%," points out Irrazaval.

Nationwide, Chile can produce around five million cases of canned peaches annually.

Nor would this expansion need to be financed by borrowing – Agrofoods has the money. And even if it were necessary, it would

not be a problem. Banks are quite happy to support agro-industry, with interests currently around 7% for borrowings in pesos and 3% for those in US dollars.

Agrofoods' investment includes a new picking machine (which, interestingly, is attracting experienced labourers who are perhaps too old and/or no longer strong enough to cope with prolonged hand labour in the fields: another benefit of mechanisation). The company has also built a new warehouse, bought a new pitter (it used to rent them), and acquired new boilers for the factory.

New products include apple, peach, pear purées and new jelly products (launched two months ago). Latin America, especially Brazil, is seen as a good market for cup products. "We are exporting some volumes to Peru, and we see opportunities in Colombia and Ecuador," adds Matias Serani, Agrofoods' commercial manager. Venezuela has unfortunately closed as a market, for political reasons – it used to be a strong buyer of Chilean canned products.

Like other sectors of Chilean agro-industry, Agrofoods is looking at Asian markets. "This is the second year that we have been exporting canned peaches to Korea," says Serani. "We believe that there is potential but you have to have a very high quality. Absolutely. Japan is difficult because it is a demanding market. I believe we have an opportunity in China, not for standard quality, but for premium. We are not currently exporting any significant quantities, but they are asking for them."



A cup of gold



Chile's canned peach industry appears to have recovered nicely from the debacle caused by the big frost of 2013.

BY NEIL MURRAY

According to Roberto Murphy of Aconcagua, while the fall in value of the peso was welcome news for importers, “the real truth is that volume-wise, we received around 44% less fruit than we normally process in last season (Jan-April).”

However, this coming season so far, has shown enough chilling

hours, but a slightly less rainfall. “We expect that we are going to have a very good season, and will recover normal volumes to be more competitive in price to compete with the traditional low price-low quality countries!” Chile is predominant in the large A10 size can, and is a first choice supplier these days.

And the raw material costs for next season? Last season produced good results on Aconcagua’s own

farms because of the prices demanded for fruit. From CLP180 per kilo (equivalent to USD350 per tonne at an average exchange rate then of 515 pesos to the US dollar), the price went up to CLP230/kg and then peaked at CLP300/kg. The average for the season was CLP280/kg. *FOODNEWS* reckons it might drop to CLP150/kg this year.

“The Greeks have lowered their prices, so we have to be very realistic,” says Murphy. “This year, we have to keep our markets alive and therefore we have to be competitive with the Greek products at the same level of quality of course.”

With this in mind, Aconcagua Foods has been very careful in controlling its production costs so we process a 20% own produced peaches. Also it has introduced more efficient labelling systems and made huge investments in logistics. “Inventory after last season had a high cost, and we did our best to keep our customers

supplied during time when there was a big shortage of peaches worldwide,” continues Murphy. “We were very loyal to our usual customers. Some markets were spot, but we favoured our traditional customer and they were very loyal to us as well.”

“Next year we are going to keep our customer base. Sales are going to grow of course, but not more than 2-3% more than last year. The only market that may grow a little bit would be the US, which is opening to us, especially in A10s. That is the only one where you may see an increase in volumes.”

“We made investments for US market three years ago with new lines for slices and dices – the Americans buy more slices and dices in A10. They are going to have a shortfall. I think the US is going to defend its retail markets more than foodservice, so I think the opportunity may be in foodservice – slices, dices and mixes.”

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Chilly business



BY NEIL MURRAY

There is one frozen product that Chile does not make at all. One major product, sold all over the world, and for which the raw material grows in the country, but which no processor in the country makes.

It's frozen potato products: fries, hash browns and the like. Everything is imported. Every. Last. Fry. It is one sector which imports dominate, because the American and European processors have such colossal economies of scale that Chile cannot compete on its own home turf. That's slightly odd.

However, for virtually everything else, the picture is rosy. Chile's domestic market is small – a problem that affects all forms of food processing – and its tastes are relatively old-fashioned, so the country's frozen processors are naturally

turned towards export markets.

Comfrut, for example, is present in the US and Canada, Australia, New Zealand and Asia, and its product sales (70% of which are for retail) are growing by 20% annually, in pack sizes between 200g and 2.5kg.

“Two years ago, we decided to expand our sales [area] because we were very exposed to the US,” chief executive Rodrigo Villa told *FOODNEWS*. The company has new packaging for the Korean market, under the My Harvest name. Comfrut is also supplying China now.

“The client asked for our own brand, so we developed a brand for China. It is not our strategy because we like to do private label, but the client asked for it. We are just starting, and I think in the first year we will do 300 tonnes. Last year we sent just three containers.

Comfrut has changed from being a supplier that provided purely Chilean products to a company that is now sourcing globally. Frozen mangoes come from Peru and Mexico and papayas and melon balls are also imported, for mixes. Strawberries also come from Mexico and blueberries from the US.

“We are forming partnerships with companies that have same safety and quality programmes, to increase our supply. For us, safety is the most important thing,” added Villa.

“We have tried to get out of bulk and into retail, and we are now working to launch pulp and juice in retail. Pulp also





has traceability. We know the growers.” Raspberry, strawberry, blueberry and blackberry pulps are being offered, and the company is experimenting with some blends.

Comfrut Generic is a new initiative to source fruit varieties that freeze particularly well, or which are preferred by certain markets. When freezing fruit you have to consider the specifications, whether you want more mature fruit, and the percentage of broken fruit on the line, so you might have four or five different varieties of raspberries. And then you find that the UK (for example) prefers different types of raspberries to the US or Australia (as indeed it does).

A lot has been invested in plant, with laser sorting, and now the company has four lines with continuous tunnel and two static tunnels. All the packaging is automatic, and Comfrut is experimenting with X-rays for final packaging.

A new product under consideration is mixed cut fruit, in tubs, frozen, for kids’ markets. The idea is that you take it to school in morning, and by break time it’s defrosted and ready to eat. A US company is already making something similar. Comfrut’s offering has two or four 85g cups per outer sleeve. What is interesting about

this line is the cutting – by cutting the fruit, you start mixing the flavours.

Frule has been in the hands of the same family for three generations, having originally started out as a fresh fruit supplier. It still packs fresh fruit. This company, unsurprisingly, grows all its own fruit, with the exception of raspberries, of which it grows only 10% of its needs (but is expanding its planted area), and even has its own trucking company.

Juan Pablo Leon Moreno, the company’s export manager, revealed how the company has managed to penetrate different export markets. The company has targeted industrial and foodservice users – only 20% of its products are aimed at the retail sector. So frozen cherries are packed in pails for Agrana’s new fruit preparation plant in the US, which in turn supplies the exploding Greek yogurt market there. Diced frozen kiwi also finds its way into yogurts. Boysenberries (the company is one of the country’s largest processor of these fruits) are bought by Smucker’s in the US. The company insists on using its own drums, so it ships empty drums to Chile, where they are filled and despatched back to the US.

Smucker’s apparently also has its own special export forms: the firm’s attention to

detail is probably one reason why it has been so successful.

Frule is another company that has found there is business to be won in China and other parts of Asia. This was a steep learning curve, and part of this was the discovery that the Chinese do not really like frozen blackberries, and prefer their products to be packed in board rather than (for example)

polybags or doypacks. On the other hand, Korea turned out to be very fond of frozen blueberries, which are now a big export item.

Still in frozen fruit, for next season APFruit is adding a third freezing tunnel with an IQF capacity of 200 kilos per hour. Also new is a coldstore with a capacity of 1,500 tonnes of raw material, plus a new fire circuit.

FROZEN FORAYS

Agrocepia, best known for its dehydrated apple products, has gone into IQF fruits, after an unsuccessful foray into dehydrated vegetables (China proved too hard a nut to crack here).

“Canada and the US are very aggressive competitors,” explained Felipe Rius. “We couldn’t make blueberries compete, so we decided to invest in IQF machinery and started producing IQF apple and frozen blueberries and cherries. Blackberries, kiwi fruit and raspberries may follow: their potential is still being evaluated.

IQF apple customers tend to be in the dairy industry. Baby food is a possibility for the future, but a lot depends on the spec. There must be no detectable pesticide residues.

This diversification represents an investment of a million dollars just in the processing equipment, not counting the coldstore, packing machinery, and then refrigerated vehicles also needed.

“There is some synergy between the businesses because fruit is the same and distribution is the same, and we sell through the same distribution channel,” continues Rius. “The most difficult thing now is the distribution channel. It is advantageous if you are already established.

“So this is the new big thing – Agrocepia is now offering IQF and dehydrated. We need to change the perception of people as Agrocepia as a producer.”

Core business



BY NEIL MURRAY

But a US pet food maker approached Invertec, and the products are now on the market. If you ever wondered why the French word for 'dog kennel' is 'niche', this could be the answer.

Elsewhere, and as with other premium products, the baby food sector is proving interesting, especially for organic apple chips. The organic market seems to be driving growth in the whole apple chip sector, according to Carlos Correa (qv) of Invertec, because organic dried apple snacks are gaining traction in the US.

"We are looking to switch our old orchards to organic," Correa told *FOODNEWS*. "It is not very profitable, but you can switch them to organic and have your own raw material available. You get into a niche market that is more loyal, and it moves you out of commodity product."

Surfrut, which is in the same business, also confirms that there is interest in organic products, which presently account for about 10% of its production. Prices for organic raw material are rising, because the growing area under organic is relatively stable while demand is rising. "It looks like farmers are reluctant to grow organic apples,"

said Joyce Abrahams, Surfrut's commercial manager. "Maybe it will happen – it would be good for the industry."

The dehydrated apple market is pretty stable, reckons Abrahams. Total Chilean production is some 6,000 tonnes, which would equate to 10 times that tonnage of fresh fruit. North America is the largest market, and the company is working to develop Asia, Australia, Korea as well as

markets in Latin America. A new success is a Russian private label order for its Fruity Go dried apple cluster snack – with Russia now casting around for suppliers to fill its supermarket shelves with products to replace embargoed European items, this one might prove even more interesting than originally thought.

While Surfrut is experimenting with different flavours (like

Dried apples for dogs. No, that's not a joke. Invertec, a Chilean dehydrated fruit processor, has been investigating alternative markets for its products, but had never considered dried apple snacks for dogs – understandably.



PRUNE SHORTAGE

It has been a year of mixed fortunes for Chile's dried fruit and nut industries. Almonds were badly hit by the frosts of 2013, but while plums were damaged, it seems the rest of the world suffered more.

"Production of Turkish prunes is terrible," commented Francisco Rivera of Dried Fruit Valley Spa (DFV). "The US is terrible. France also doesn't have good production. Argentina lost almost everything. Prices increased 25% last year and Chile is the only country in the world that has some volume."

A harvest size of 75,000-80,000 tonnes was, projected but 65,000 tonnes looks more likely, reckons Rivera. "Chilean pricing is aggressive, yes, but until today, we could sell at those prices. Last week, we did business at these prices. Because there was no other opportunity to purchase." A normal US harvest for this year has slightly blunted prospects for the next six months.

The Middle East and Far East are where DFV is looking these

days. "Looking to Asia, I think we have a good opportunity to increase our participation in the market," commented Rivera, a trifle cautiously. "If we have problems in Europe, we shift to other countries. We are looking to increase our sales 20-25% in the next five years but no more than that."

Exports to Hong Kong are re-exported to Vietnam and others. Exports to Dubai go onward to Iraq, Iran and other countries. Exports to China (small volumes only to begin with) have started. "We are going to China with ProChile as part of the Flavours of Chile campaign. Last time we went with ProChile, we increased our customer base by 25%," smiles Rivera. "It is a very good tool for us".

Walnuts, though, are another story – China is the biggest producer of walnuts in the world. Chilean walnuts are very expensive, but in China there are a lot of people with the money, if the authorities in China can expand on a recent agreement reached. Under the



FRANCISCO RIVERA

terms of a new protocol, Chile is now allowed to export shelled walnuts to China. However, most of China's walnut imports are of in-shell walnuts. Hence, Chile is keen to create a protocol to also export in-shell walnuts to China.

Meanwhile, Chilean raisins remain blocked from China.

A huge grape/raisin harvest in the US has limited sales there. Turkey's prices are also low this

year. Still, DFV is hoping for more trades with Europe for the Christmas season.

DFV is planning to increase production of prunes with sister company Pontigo, and is also investing money with walnut growers. Why?

"Because it is a very good product," replies Rivera, slightly startled that anyone would ask. "Walnuts are good for health, oil etc, and so demand is strong. We think with prunes and walnuts we can make some investment.

"Blueberries, cranberries, all berries have good potential but it is not our business. Right now, we are focusing on prunes, raisins and walnuts. Walnuts have the biggest potential.

"There has been increased demand every year for last decade in dried fruit and nuts, despite political problems, and I don't think this will change in the future. Every year it's growing and growing. In the next 10 years we will have 100,000 tonnes of walnuts: now, it's around 50,000 tonnes."

strawberry) for its apple chips, the main emphasis is on new markets rather than new products. The company is also developing its purée products, emphasising (like other Chilean companies) its baby food grade. Next year will see single strength pear and berry purées in single strength (raspberries, strawberries, blueberries, cherries), and apple/berry blends. "Customised products – that's what the customers want."

Why not use concentrated purée? Because the desire was to produce and sell better flavour, and you get that with single strength. "The flavour and colour is better," says Abrahams, simply. And a premium product commands a premium price.

The purée plant is quite modern, so the mainly investing to improve its warehousing, and in

better and more modern sorting machines for its dried products. More automation is coming through, for the same reasons as everyone: hand labour is becoming scarcer and more expensive.

Agrocepia is also a specialist in dried apple. "Customised products – that's what the customers want," says Felipe Rius, general manager and son of founder Ignacio Rius. "But this is very difficult because you need flexible organisation."

The market is very small, globally, and stable as regards apple, and faces competition from other snack products such as chocolate, almonds, raisins and more.

"For the last three years, the market has been stable or decreasing," points out Rius.

Customers demand very specific products. China's

industry is more prominent in apple rings, while Agrocepia is more into slices and dices, and every year increases its portfolio of varieties, cuts and formats.

As with other suppliers, the company is looking for new markets: the big markets are satisfied. "We are looking for niche markets, which by our thinking are not big markets now but could be in the future," says Rius. "For example, Korea is very creative in applications. They use apple dices as cake decorations and also as sprinkles on ice cream. We would never have thought of that! And powder is being used as a sugar or fat replacer in some applications.

Agrocepia's big news is its diversification into frozen products: more details in our frozen pages (*see page 19*).

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CHILEAN ALMOND PRODUCTION

Chilean almond production was knocked down to a mere 7,000 tonnes of kernel by the September 2013 frost: bad news for Parmex, the biggest company in the business.

On the other hand, of course, prices for what remained have been very high....

"Since last October, the prices have gone up strongly," commented Cristian Manterola of Parmex. "I have never seen prices like those of the last six months. And we didn't have enough product. When you don't have product when the market is really nice with high prices, that is terrible!

"I took a bunch of growers last September to California, and they saw a huge crop there, and came back to Chile on September

10 and then a week later lost everything.

"Trees were leafless at the time so didn't suffer."

At the time of writing, this year, northern Chile is in the middle of the bloom and south of Santiago 20-30% of the trees are blooming. "It is looking very good," agrees Manterola.

"Everyone is expecting a good crop as the trees relaxed last year. The trees are well loaded with flowers. We are still on frost alert until September."

US domestic consumption, in terms of ice cream and chocolate, is growing the demand for almonds. China, India and the Middle East are all buying more almonds. Western Europe is stable, according to Manterola.

Of greater concern is the

'sugar backlash', and taxes on sugar-sweetened products. So far, this has mostly affected soft drinks, but Mexico recently introduced a levy on sugary products. "So the demand for almond slivers for ice cream is falling because people are buying fewer sweet products," points out Manterola.

"It will have an impact on the market, and we will see it in the coming years. The trend is there, and the ice cream and chocolate industry will be impacted by those taxes. This is something new."

Exports still dominate. The snack market is growing in Chile, but people are not looking for healthy products: they are looking for fries and similar. "In the US, I bought a lot of

cereal bars as samples, and you can find 10 or 15 brands, but not in Chile. We do not have organic or Fairtrade products either.

"Our projection is that until 2017-18, we will see an average price level like today. After that, nobody knows. But the market is absorbing all the extra production. Based on what I hear from different nurseries, growers are buying new plantings. So if we have 16,000 tonnes planted now, I think we will go to 20,000-22,000 tonnes in the near future.

"Walnuts? No, we will stay with almonds. We are an almond company. We assure our customers that our products are only almond products, so our products cannot be contaminated with allergens from other nuts."



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CONTINUED FROM PAGE 3

in Latin America.

Interest rates have also fallen. Bank rates of 6% and over attracted a lot of foreign money into the country, lifting the value of the peso. With current interest rates of around 3.5%, some of this money has been withdrawn in search of better deals, driving the peso further down. Inflation is higher than the government would like (it has recently raised its forecast for 2014 to 3.5% from its earlier estimate of 3.0%) and wage increases are currently running at around 6.0% annually, partly because of the shortage of manual labour, which many processors in this supplement have referred to.

Labour is a real issue. Chile now has, effectively, full employment. Unskilled manual labour, for harvesting, is in short supply. The construction boom after the country's 2010 earthquake sucked in most available free unskilled and semi-skilled labour, forcing agro-industry to step up its mechanisation and automation plans.

An increasingly better-educated population is finding jobs in industries that scarcely existed a few years ago and, of course, the growing sophistication of Chilean agro-industry means that there is stronger demand for skilled technicians capable of mastering the machinery and computer systems that sustain it.

"Are technically skilled people easy to find?" echoed a processor, in answer to a *FOODNEWS* question. "No, they are very difficult, because there is a high staff turnover, it is difficult to keep them for a long time, and also difficult because our technology is very specific and it is very difficult to teach them because it is difficult to find a teacher.

"Maybe now, with the economy going down, it will be easier. Chilean unemployment is 6% – natural unemployment. This may be very good for the country but when you can't find enough people to fill the production line, it's difficult."

Another processor told *FOODNEWS*: "Mining took a lot of skilled people and raised overall salaries. We need educated graduate staff – from foremen upwards. We have updated our plants, and we need more skilled people to control them, so in some way we have more trained people and we are educating the other staff, and that is what we did during the seasons when we did not have too much production activity."

So despite all the automation that has been installed, there is still a need for labour in the fields and orchards, and for staff on the production and processing lines.

The government has made it easier to 'import' such labour from neighbouring countries, notably Peru, but it looks like

the shortage, and the higher wages that are being offered in order to secure the staff needed, will persist for some time yet.

That leaves domestic politics. Last November, Chile re-elected Michelle Bachelet as its socialist president. Her government promises massive spending on a new welfare state and a move away from the free market economy that has driven the country for the last 20 years. Universal free education, the demand of the demonstrating students last year, is a subject of hot dispute. Fears of increased government driven by higher corporate taxes are also denting confidence. Bachelet wants to raise corporation tax to 25% by 2017, from its present level of 20%.

Chile, nonetheless, is ranked as a high-income economy by the World Bank, and is considered one of South America's most stable and prosperous nations, leading Latin American nations in competitiveness, per capita income, globalisation, economic freedom, and low perception of corruption.

In May 2010, Chile joined the OECD, the first South American country to do so. The Global Competitiveness Report for 2009-10 ranked Chile as being the 30th most competitive country in the world and the first in Latin America, well above Brazil (56th), Mexico (60th) and Argentina (85th), though it has

since fallen out of the top 30.

The OECD reckons that economic growth will remain weak (by Chilean standards, remember) for most of this year, but will pick up in the autumn, and recover in 2015, due to renewed investment and increased exports, prompted by the lower value of the peso.

So it's looking well for Chile, despite everything, and the future is brighter than ever for its agro-industry. The programme, implemented by successive governments, of signing free trade agreements with countries all over the world, has been successful beyond measure. Chilean food exporters pursue new export markets with an almost frightening single-mindedness and efficiency, and there must be other Latin American countries who are watching this astonishing trading success and wondering, a trifle wistfully, whether they have now left it too late to follow Chile's example.

And yes, there are still obstacles ahead. Chile will have to compete with Europe in the US apple juice market next year. Natural disasters like frosts and drought have damaged some crops. Competition is coming from other countries, notably Peru. But these are problems that can be dealt with. After several decades of intensive activity in its agro-industry, Chile's exporters are now out to conquer the world.

Interview: Alberto Montanari



ALBERTO MONTANARI

BY NEIL MURRAY

FOODNEWS' editor talks to the President of Chilealimentos about current successes and future plans

NM: Where has the industry performed best in the last year? Which sectors have shown the most growth?

AM: Chilean exports during 2013 reached almost the same value in 2012: approximately USD78.5 billion. The shares of copper (13.5%) and food (10.5%) expanded, in line with the global trend for more and better food, befitting a healthy lifestyle, which are precisely the aims of Chilean producers.

NM: And which sectors are showing less growth and why?

AM: As mentioned above, the food sector showed a strong performance during 2013, proving to be one of the engines driving Chilean exports. The only category that declined was meat and meat preparations, with a 2%

drop in value. This was mainly due to a decrease in shipments of pork products, which had grown by 32% in 2012. So the basis of comparison of the performance of this sector in 2013 was abnormally high.

NM: Has anything changed regarding Chilealimentos' relations with the government since the election?

AM: The food sector remains a priority for the new government. Chile is a country of great natural resources and copper, exports of processed foods, seafood and forestry have a large and rapid growth that has allowed our economy to expand steadily.

The government has decided, as a strategic priority, to promote and develop sectors with high growth potential and comparative advantages such as mining and tourism, and of course food.

Thus it is adopting and enhancing the 'cluster policy' of the previous term of President Bachelet, which seeks to facilitate significant increases in competitiveness in those sectors with high growth potential, including food, and to invigorate regional economies through innovation.

NM: China is the new Big Global Market. How effectively are Chilealimentos members penetrating this new market? What products are most successful?

AM: Chile was the first country to sign an FTA with China, eight years ago. Since then (2004) Chilean food exports have grown from USD180 million to USD1.0 billion in 2013.

At that time China was a small destination for Chilean exports, accounting for 2.4% of food shipments in value. Today, China is

the third destination for our food, with 6.4% of the value of exports.

There is little doubt that China will be the main destination for Chilean food in less than a decade, following recent agreements signed between the two countries and aimed at the diversification of our exports.

Upon entry into force of the FTA, the export basket was composed of 120 items, but with a large concentration in seafood and its derivatives. Today, the diversity is much higher, with more than 180 products, especially fresh fruit, seafood and wines, among others.

During the second half of this year, the two countries signed several agreements of a commercial character, including the consolidation of the opening of the Chinese market to shelled nuts and avocados. This adds to the previous opening of Chinese doors to in-shell nuts, raisins and prunes.

NM: What is the latest news on the Chilealimentos carbon policy?

AM: For several years, we have been implementing the Chilealimentos Clean Production Agreement, which is a government policy for promoting progress in reducing emissions of gases, and liquid and solid waste. Today, we are running our Clean Production Agreement II, which we have called Chile Produce Clean. This agreement includes 52 specific actions to reduce environmental impacts in production. One of these actions is to measure the carbon footprint of companies, to reduce greenhouse gases. The companies already have computer software to perform this task so they can monitor progress over time.

The overall goal we have set is to reduce emissions of greenhouse gases by 5% within two years. This goal involves rationalising and making better use of energy, training of personnel working in plants, investments in new more efficient technologies, etc.

NM: What other environmental projects is Chilealimentos involved in? I note the waste water progress, and also (with pleasure) that companies are burning their waste to generate power. Is solar energy of interest?

AM: Under the same Clean Production Agreement which I mentioned earlier, we are raising sustainability indicators and the next step is to report them under the GRI methodology.

These indicators include energy, water, economic and social factors. Those associated with the environment, such as

energy and water, are mainly related to production.

As for energy, we are evaluating a project to generate energy from organic waste; specifically biogas to start with, and to eventually generate electricity.

NM: How do you think Chilealimentos is viewed by the world outside Chile? (My personal view is: with respect)

AM: We believe that the vision we have of our organisation outside Chile is directly related to what we convey daily with everyone with whom we interact. First, we are an association concerned with issues of real interest in the development of the food industry. We are defenders of free trade and the integration of businesses, no matter where on earth these are located.

We are defenders of the of the food industry, which has a high economic and social impact in all countries (everybody has to eat),

and generates daily solutions for the health problems of the population. Under this general framework of principles, we are also proponents of the idea of making Chile, a food power, a leader accountable to the national and international community. We integrate ourselves with all who share the ideals of progress and welfare in the world.

NM: What new projects do you have planned for 2015?

AM: For next year, we have increased efforts to deepen trade integration in different countries. Russia, China and Korea are priorities for us, showing the trend of demand for food in developing countries, and because the last two have FTAs that promote trade. With Russia, we have been working for several years to agree an FTA, which if carried out, would give further impetus to the strong growth that has been evident in our exports to

that country over the last 10 years.

We continue to participate actively in international forums for the processed food industry, such as conferences for producers of preserves, raisins, berries, tomato paste, etc. In all these events we will collaborate to expand these activities in the commercial and technological spheres. We will work very actively in the international promotion of raspberries, since we have established a promotional fund in the US specifically for this fruit promotion. We are also preparing to host the Chile World Congress of Tomato Processors in 2016.

Finally, we will continue working on the development of international seminars in Chile, which always have the novelty of bringing to our country prominent buyers in foreign markets, and technology developers elsewhere. Berries and nuts are our priority.





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