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A great place to do business

BY NEIL MURRAY

Chile is a powerhouse. As far as *FOODNEWS*' coverage goes, there is no country in the world that produces and exports so many different products.

Brazil is a global supplier of orange juice. California is a global supplier of almonds and raisins. China, Poland and others do apple juice. A number of countries do frozen fruits and vegetables. The same can be said for canned fruits. Berry juices and purées are the preserve of a fairly select band of suppliers. Cranberries? The US. Grape juice? Spain, Italy, Argentina and the US. California, France and Argentina are known for dried plums. Apricot and peach purées come from China, Greece, South Africa and Argentina.

Chile does them all, and more besides. And a key difference between Chile and so many other origins is that the country is absolutely focused, to an almost fanatical extent, on exports. With a population of some 17 million, its domestic market is insignificant. Chileans pursue and implement the development of agro-industrial commodities with the same single-mindedness and attention to detail as, for example, the Germans do cars or the Japanese do electronic goods.

The agro-industrial and food & beverage sectors are the country's second-largest earner. Copper is still the country's biggest export, and demand for the metal is still amazingly strong: it has contributed greatly to the strengthening of the Chilean peso in the last decade. And Chile produces about one-third of the world's copper.

However, bulk commodities come and go, and short of digging more copper out of the ground, there is not much that can be done to develop the industry further (and the potential of carbon microfilament wires ought to be sending ripples

through the industry). The same is not true of food and drink.

While a lot of the developed world struggles to emerge from recession, Chile's economy enjoyed an average growth rate of 5.5% for the 25 years from 1985: the highest rate in Latin America. In terms of personal income, the country has the highest per capita earnings in Latin America, at around USD16,000 annually. In 2010, Chile became the first South American member of the OECD. And, which is absolutely key to the country's success, there has been the emergence of a large affluent middle class.

This is a country in which to do business. It has favourable tax regimes, free trade agreements with countries that account for 80% of the world's GDP, and two dozen bilateral agreements in place to avoid double taxation. On a continent that has, in the past, suffered from a reputation for political instability and corruption, Chile has secure, transparent laws, an efficient judiciary, and is ranked 21st out of 178 countries worldwide in the Perceived Corruption Index (it occupies the top slot in Latin America).

It is a country which also has a national environmental awareness that other nations would do well to copy. To an extent, this derives from Chile's famous insulation from pests and diseases found elsewhere: protected by the Atacama desert in the north, the snow and glaciers of Patagonia in the south, the Pacific ocean in the west, and the Andes mountains to the east, Chile places a high priority on environmental safety, which has filtered down into its own excellent food safety regimes. With few natural energy resources, Chile has developed electricity generation from hydro-electric plants, and is doing pioneering work in the areas of drip irrigation, recycling, and use of waste materials to generate more energy.

And the wine is pretty good, as well.



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According to plan


ALBERTO MONTANARI

Chilealimentos' success and growth are not just down to luck. This utterly professional organisation has managed to stimulate the country's processed food industry, successfully penetrate export markets, and work with government to produce results that benefit both its members and the country as a whole. This is all due to careful planning.

Alberto Montanari has been president of Chilealimentos for some years. FOODNEWS has interviewed him on a number of occasions, and this year looked back at some previous interviews to see how plans made some years ago have come to fruition. The results are encouraging.

NM: Are you happy with the way the industry has performed in the last year?

AM: Without a doubt. In 2012, we reached a new milestone in food exports with sales of USD14.9 billion. Bear in mind

that 10 years ago, Chile exported less than half that value. In addition, in the first half of 2013, we are seeing exports grow by about 9%. If this trend continues throughout the year, they will exceed USD16.0 bln this year.

This confirms the importance of this industry to the economy of Chile, because copper exports fell 4% last year and the forestry sector decreased 8%. So, in 2013 the food industry has come to be the engine for our country's export development.

NM: In what areas would you like to see an improvement?

AM: We look forward to the recovery of the international economy, as this will mean that the Chilean food industry can continue to show its full potential. That led to exports growing at 10.5% annually between 2000 and 2011, and from USD4.9 bln to USD14.7 bln in that period.

NM: How are the various projects with government progressing?

AM: Pretty well. Chilealimentos promoted and highlighted the importance for Chile of the creation of the Ministry of Agriculture and Food, an initiative which is now about to be sent to Parliament as a new draft law by the current government.

We also asked that efforts be made to increase the international positioning of the food industry in Chile. This came to pass with the realisation of projects such as: the campaign 'Foods From Chile, Source of Life', which has run in the US, the promotional 'Flavours of Chile' tours, every year covering strategic markets for the development of the country's food exports, Chile's presence in major food fairs around the world, and the direct promotion through projects that develop various sectors of the food industry and are supported by the Export Promotion Fund. An example of this is the production, for more than 10 years, of the Chile Supplement by Chilealimentos and FOODNEWS.

Another initiative producing promising results, is the creation of the Chilean Agency for Food Safety, ACHIPIA, which coordinates safety policies that directly relate to the Ministry of Agriculture and Ministry of Health.

It has been possible to create a body to coordinate policies and safety criteria, which is always

more difficult to achieve when separate government agencies try to handle these disciplines.

NM: What new industries/companies are joining Chilealimentos and why?

AM: Chilealimentos has an open door policy to all food companies who identify with its principles and are reflected in promoting proper integration of partners in global markets, and facilitate positioning of Chile Food Power, competitiveness and accountability leading at the national and international community. Currently, we have about 80 member companies of the various links in the chain of processed foods, but our projects go further and involve other 160 companies.

NM: Chilealimentos always has a strong presence at Anuga and SIAL. What other trade shows are considered important?

AM: Anuga and SIAL are the most important events for the global food industry and thus we make every effort to achieve the best presentation.

At this year's Anuga, Chile will have a presence of 660 sq.m. in the Fine Food Hall. And for the first time, we have a national presence in the Drinks Hall, which will undoubtedly benefit our companies.

Besides Anuga and SIAL, our partners are constantly involved in other events in different parts of the world, according to the

strategies of each company. The favourite fairs are in the US, Brazil, and the Arab and Asian countries. In all these places, the number of Chilean participants is smaller than at SIAL and Anuga, as they are more specialised fairs, either because the target market is more limited or because they attract fewer buyers.

NM: What are the main environmental issues at the moment, and what is Chilealimentos doing here? In the past, you have said that Chilealimentos is implementing a carbon policy. How is this progressing?

AM: Our industry is a world-class player and as such we are working with a long-term vision to be leaders in international [environmental] responsibility.

At present, we are conducting a related project to raise sustainability indicators (environmental, social and economic) that will be categorised according to Global Reporting Initiative (GRI).

To reduce energy consumption, we are promoting the implementation of a management system based on the highest international standards, such as ISO 50001.

As for proper management of water resources, we are selecting items from the Water Stewardship to develop a local guide as a basis for action by the industry.

Regarding organic solid waste and biosolids from treatment

plants, we are working on recovery from industrial liquid waste for use as, for example, soil improver, energy generator, or other alternatives.

Carbon dioxide emissions are a matter of great concern, and reducing greenhouse gases is achieved through the measuring corporate carbon footprints. The ultimate goal is to reach a policy to address climate change.

NM: I understand labour is a problem. Immigrant labourers now have concessions to come into the country. Has Chilealimentos been active in helping reduce the shortage of labour?

AM: Chilealimentos has been steadily working on training and skills development, as a way to continually improve the efficiency of people who work in the industry and thus alleviate the sector's labour shortage. In five years, this work has seen Chilealimentos train 15,000 workers and certify the job skills of 3,500 employees.

NM: How is Chilealimentos working to ensure sufficient skilled labour for the future, at the higher level? I am thinking of colleges, universities, etc.

AM: The food industry is very complex. It is more difficult to manufacture food than cars. Hence, skilled labour is in constant demand for the industry.

This year, we formed a working group with the Ministry

“Chile has been successful in developing its food industry. The numbers prove it. We have a great opportunity to at least double our sales in the next decade. However, this success will not be achieved by doing exactly what we have done in the past. We should be able to generate innovations of all kinds, in production and design as well as management and logistics. In short, adding value to what we produce.”




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of Education to develop, to our requirements, the curricula of those technical schools related to our industry. We also participate in selecting the equipment for these schools.

Last year, we were allocated USD25 million for this purpose and this year it will be USD15 mln.

At a higher level, we participate in the selection of applicants for overseas technical scholarships.

NM: The government used to have a training programme for agro-industry. Is this still functioning?

AM: The sector has continued to promote this area. Specifically, we continually develop occupational skills profiles. Their contents are validated by a tripartite committee, comprising the same workers, along with representatives from industry and government.

Complementary to this work, we are working on the contents of the courses that relevant agencies can provide to strengthen defined job skills profiles.

In the longer term, and much more ambitious, we are participating in a project that is part of an agreement signed between the governments of Chile and New Zealand, and that is related to the constitution of the Skill Council and its application in the sector. The aim of this work is to have a

better trained workforce to meet the needs of industry.

NM: What are the main concerns, for you, personally?

AM: There are always different concerns! But, if I had to prioritise, I put it in the medium and long term. Problems are transient, resolving themselves relatively quickly.

Chile has been successful in developing its food industry. The numbers prove it. We have a great opportunity to at least double our sales in the next decade. However, this success will not be achieved by doing exactly what we have done in the past. We should be able to generate innovations of all kinds, in production and design as well as management and logistics. In short, adding value to what we produce.

Today in Chile, there are food exporters that have covered all these factors, but they are rare. There is a large proportion of companies that still do not, oddly, considering the specific size of their business. So to cover an increasing proportion of the final value of the products they sell will require major changes. In Chilealimentos, we coordinate the combined work to help ensure that the Chilean food industry develops incorporating added value. We integrate both public and private work in that direction.

NM: And what recent achievements are you,

personally, proud of?

AM: Personally it has been very rewarding to drive Chilealimentos' work of making Chile a Food Power. Ten years ago, this slogan was not understood, not even by Chileans. Today, everyone in Chile is fully aware that the food industry is one of the forces that has helped develop the country and place it among the world's leading exporters.

In Chilealimentos's processed food industry group, we have more than 20 food categories in which we are world top 10 exporters. This makes me really happy. Many entrepreneurs and companies have achieved a position in the forefront of world sales. Canned, frozen and dehydrated products and fruit juices are sectors that count Chile among the world leaders. Promoting this makes me very proud.

Personally, I have a dehydrated apple plant and Chile is the global exports Number One in this category. Achieving that milestone is very rewarding, because we can project ourselves into the future from a position of excellence.

NM: How are Chilealimentos members moving towards adding more value? Obviously, with a relatively small population, this has to be focused on export products, correct?

AM: Thanks to our technology and quality assurance systems, Chilean companies are able to produce prepared foods in partnership with leading retail companies abroad. Chile makes ready-to-eat foods of all kinds, which are sold in many countries we serve. Along with this, some companies are making advances in logistics, so their deliveries are 'just in time' for international markets.

While it is true that investments in processing plants in Chile have been made with the intention to supply international markets, because our population is small, there are major companies that supply the

“Thanks to our technology and quality assurance systems, Chilean companies are able to produce prepared foods in partnership with leading retail companies abroad. Chile makes ready-to-eat foods of all kinds, which are sold in many countries we serve. Along with this, some companies are making advances in logistics, so their deliveries are ‘just in time’ for international markets.”

domestic market and from there leapfrog to overseas markets.

As in most countries, the domestic market is a barometer. Now that we are developing new designs and innovations, the domestic market helps us a lot to broaden our experience of new products.

The major fast food chains are present in Chile, there is a very strongly-growing supermarkets segment, and most of the world's major food companies are present. Together, these food businesses are 'partners', which is very important in achieving and driving new product development. So, we are continually producing more and focusing on customers more accurately, in both domestic and overseas markets.



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Promoting a country


CARLOS HONORATO
BY NEIL MURRAY

What are the first things people think of when someone mentions Chile? That is ProChile's job.

Carlos Honorato is director of ProChile. ProChile administers the Food From Chile campaign, now two years old and bolstered by a new and highly effective website. ProChile itself is the government-funded body that does an excellent job of promoting the country's exports (everything from copper mining to tourism) and the country itself. ProChile has offices all over the globe. In this interview,

and with a presidential election looming in Chile, he outlines the organisation's plans to *FOODNEWS'* editor.

NM: The new website (<http://foodsfromchile.org>) is impressive (seriously!) In our office, we have all bookmarked it. What has been the feedback from people besides FOODNEWS?

CH: Thank you! Yes, the reception has been good. I would

say that since the campaign was launched, we have had 500 of our top target audience asking for our newsletter and 50,000 visitors to the website. It is a simple website, but with all the information you need.

NM: Have any sectors particularly benefited from the coverage on the new website?

CH: Chile wants to become a global top 10 player in the food and beverage sector by 2020. Because of our climates and the diversity of our geography, we have a wide range of sectors: seafood, salmon, dried fruit – that has become a big one in the last couple of years – fresh fruit, apples, grape, citrus – we are very big in that, and then there's the frozen sector, berries, especially raspberries.

Olive oil has a good association: it is really getting there to show the quality of the extra virgin olive oil. Avocado oil – that is a new product, but still really small. Like olive oil was 10 years ago.

There are some sectors that will lead – salmon, fresh fruit, frozen raspberries, prunes and walnuts. In prunes, Chile will probably become the number one worldwide producer and exporter. Walnut is growing a lot – today we are in the top three players in the world because of the quality, colour and the size. We are even selling them to Turkey and they are world players in walnuts.

Wine has moved up in quality. This is a strategy of the wine industry. The wine industry started developing in the good quality value segment, but today the Chilean wine association has a strategy by 2020 to become number one in price segments of the 'new world' wine industries. And we're getting there. Every year, we are going up in terms of quality, premium wines and price. At the recent London Wine Fair trade show, the only country from

the New World that was still there was Chile.

NM: How is the campaign being promulgated outside Chile?

What are ProChile offices doing worldwide?

CH: First of all, we defined the US as the first target market. We started by launching the campaign last year in five cities at the same time, all where Chile has a presence and the food and beverage health issues are well developed. So New York, Miami, Washington, Chicago and Los Angeles.

We were focusing on a target audience of bloggers, and we brought Chilean chefs, in order to work with local chefs. We have done some specific activities with health associations, and have been getting into the target media. We brought some of the bloggers from the campaign here in March to really experience Chile. They visited different factories, wineries, restaurants and other places around the country. In social media, we have been very successful with Twitter, Facebook and what the bloggers have said. We have many activities promoting food and beverage worldwide and in those activities that we think are very focused, we use the promotions and the logo.

There are different tools, one of which is called Flavours of Chile. This approach of showing what Chile can give to other countries is, I think, really, really interesting.

NM: What performance indicators have been put in place to evaluate the success of the campaign?

CH: So far we are measuring that in terms of how the website and the social network are doing, how many people are getting in contact with this content through bloggers, Twitter, Facebook and all that. That is the first step.

NM: Where does food and beverages rank in importance in ProChile's activities? Is it, for example, more important than other exports? Or tourism? How

has this changed over the years?

CH: When you take out the mining sector where we just do a couple of trade shows, the next big industry is food and beverages. In every one of our 54 offices, and the embassies we work with, food and beverages are important. The food industry is our second most important export sector. During 2012 the total food exports reached USD 13,716 million. Wine is a great thing that opens the doors. Fresh fruit is in every market, so we have a lot of activities there. We go to maybe 45 trade shows for exports and more than half of them are food and beverages. And we have specific tour – the Chilean wine tour involves 15 or 16 specific tours with the wines around the globe annually.

NM: Why was there a need to set up this new Ministry of Agriculture, Fisheries and Food?

CH: There was already a Ministry of Agriculture but we had the Ministry of Agriculture, and then the seafood industry was in the Ministry of Economy. That was a bit weird, so it made a lot of sense to put them together. There is now a law that is all related to this.

NM: Within the food and beverage industry, which sectors rank in importance and how? For example, is wine the most important, or fresh fruit?

CH: In terms of volume and dollars, it's fresh fruit, seafood and wine. It hasn't changed in order of importance for at least three or four years and all of these industries have their plans to 2020 that show this ranking will remain. Today, wine is worth USD1.6 billion in exports and the plan is to get to around USD3.0 billion by 2020.

NM: What new offices has ProChile opened in the last two years? What new ones are planned?

CH: We have been looking into the Asia-Pacific region. In the last couple of years, we have opened our fourth office in China. We have also opened one in Turkey:

we have a new Free Trade Agreement (FTA) with Turkey. We are always looking at different places – we have three offices in Germany and München (Munich) was the last one. Bayern (Bavaria) is a huge area in terms of attracting investors.

NM: Which countries are considered particularly important to ProChile's activities, and to Chile as a country? Is it China now? Japan?

CH: We are looking to diversify. When you look at Chile, which has 22 FTAs with 60 countries, we have a lot still to diversify. Many of our exports are not getting to places where we have huge opportunities. This year, we will sign five FTAs in South-East Asia. Russia has become a huge market. We have no FTA with Russia, but it is one of our top 10 markets.

NM: What new projects has ProChile got for the future? What is being planned?

CH: Many! To name the most important ones, we have this campaign together with sectorial brands and we have 17 sectorial brands: 17 sectors where we have been working with the private sector in order to create a brand that represents sectors and the product. Wines from Chile, Olive Oil from Chile, etc, and 12 of the 17 are food and beverage companies and they all go out together under umbrella of the country. In 2013, we are doing strategy planning for the next five years. In March 2014, there will be a new government. We don't know which one but we are still preparing a plan.

NM: Is there a move towards promoting more value-added food products from Chile? If so, which ones, and to which countries?

CH: A lot of companies are looking at 'cosmetofoods'. And single varietal grape juice is something that has been successful in the US, Europe and even in the Middle East. And concentrated powdered berries is another item.

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Free to trade


ÁLVARO JANA
BY NEIL MURRAY

Álvaro Jana is director-general of international economic relations (DIRECON) in Chile's ministry of economic relations.

NM: How many free trade agreements (FTAs) does Chile now have in force? What percentage of world trade does this represent? Or, if you prefer, how much bilateral trade, in US dollars?

AJ: As of June 2013, Chile had 22 FTAs with 60 countries, which allows privileged access to a market of 4.3 billion people, which constitutes over 60% of the global population and accounts for over 80% of world GDP. Currently, over 90% of Chile's global exports go to countries with which it has FTAs.

Trade liberalisation, driven by FTAs, has meant that exports have increased eightfold between 1990 and 2012. Last year, the export value was USD78.3 bln,

similar to that of Finland (USD73.1 bln in 2012).

NM: How long does it take, from start to finish, to negotiate an FTA?

AJ: The time for negotiation of an agreement depends on many factors: the size of the countries, the compatibility of trade policies, and the time needed to handle each economy, its laws, the experience of negotiating trade agreements, the number of countries involved, the time needed to settle incompatible rules and the depth of the agreement, among other variables. It is tougher to negotiate a more comprehensive one that includes disciplines such as services, investment, or political matters and co-operation, such as the Association Agreement between Chile and the EU.

In the case of negotiated agreements with like-minded or

similar countries, it takes, on average, three to five rounds. With other trading economies it usually takes a little longer.

For the aforementioned variables, it would not be possible to say how long it could take, as everything is relative.

NM: How important are FTAs as part of Chile's foreign policy?

AJ: The business strategy is key to the open foreign policy of Chile. Greater economic integration with third countries generates ties and common interests that strengthen the political relationship between them.

This policy of openness and trade agreements has played a key role that has, among other things, made possible the globalisation of companies. This has been fundamental to the development and economic growth of the country, and has resulted in a direct benefit to the export sector and has attracted investors to sectors that have become the main drivers of the Chilean economy.

One of the goals of the government, and therefore of DIRECON, is to generate new market opportunities for Chilean exports. The institution has understood this goal as the need to seek such opportunities not only in new markets, for example by negotiating FTAs with new countries, but also to deepen existing agreements, generating new opportunities for Chilean exports and attracting investment. Just to give a couple of examples, this year is expected to see the signing of the extension of the Partial Scope Agreement (PSA) between Chile and India (an agreement in force since 2007), and Congress is discussing the inclusion of a chapter covering financial services in the FTA with Canada.

New FTAs, as well as better use and capitalisation on those

Free trade agreements have played an important role in developing Chile's vibrant export-oriented economy. In this interview, a senior government official outlines how it is done, what Chile is looking for, and the goals it pursues.



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already signed, can enhance trade and investment flows, benefiting domestic producers, consumers and investors, in addition to strengthening Chile's relationship with third countries.

NM: In which markets, and in which countries, are they most effective?

AJ: Each trade agreement signed by Chile with another economy responds to a strategic decision, so specific targets or comparable markets are not applicable.

Notwithstanding the above, one could say that an agreement is most effective when it achieves the elimination of high tariff barriers, allowing better access to the Chilean export stream. Also, when generating new opportunities for exports and the agreement is not limited solely and exclusively to reducing existing trade tariffs.

NM: Which countries are the next 'targets'?

AJ: Under the current government, the work has focused on deepening existing agreements and strengthening the relationship with fast-growing regions, and with markets that demand what Chile produces, such as South-east Asia, the Middle East, the Arab countries, Russia and Central Asia.

In particular, recently, there has been the progress in the Pacific Alliance (comprising Chile, Peru, Mexico and Colombia), and the announcement of the start of negotiations between Chile and Indonesia (ASEAN's largest economy).

NM: Can you give examples of countries that compete with Chile that are at a disadvantage, because they do not have FTAs in place?

AJ: Countries have different trade policies. In a competitive world like today, not having FTAs involves competing at a disadvantage. They have understood when countries like Japan for example, take the decision to join the TPP.

For Chile, the aspiration is to achieve comprehensive

agreements with strong disciplines and dispute settlement mechanisms that are compatible with the World Trade Organisation. These agreements are essential to have equal or superior conditions to countries competing with Chile to consolidate access, and ensure that the rules of the game stay stable and clear. The experience of Chile shows a positive link between exports and economic growth through trade agreements and export dynamics.

Although there are economies that may have different marketing strategies and products that, perhaps, face greater difficulties in accessing some specific markets, each country is free to implement policies that best fit its reality.

NM: In what markets or sectors does Chile prefer to keep its own tariffs in place? What import restrictions still exist?

AJ: Chile opted for an open, competitive and free trade-oriented approach, subject to international standards and trade policy. The strategy behind the commercial policy of open regionalism has been to deepen the current level of openness through unilateral efforts, and negotiations in multilateral and bilateral agreements.

That means that today Chile applies a policy of low tariffs, with an effective tariff for imports of 1.01% (by 2012).

Chile does not exclude products from tariff lists, but offers longer-term relief in sensitive products such as price band products, namely, sugar, wheat and wheat flour. The definition of other sensitive products is closely linked to markets with which it has negotiated or is negotiating. Some examples of these sectors are textiles and apparel, and steel products.

NM: What countries have refused to have FTAs with Chile, and why?

AJ: Countries have different priorities when choosing their trade negotiating agendas. Some

prioritise based on geographic proximity or strategic policy or other commercial interests. However, these differences in prioritisation cannot be taken as a refusal to negotiate. In this context, no country has refused to negotiate with Chile and Chile has not refused to negotiate with any country that has requested it. Another issue is the prioritisation of such applications that conform to the trade negotiating agenda set by governments.

NM: Which Chilean industries benefit most from FTAs?

AJ: FTAs have been a valuable tool for strengthening the competitive advantages in Chilean manufacturing based on natural resources, particularly mining and agro-industry. Despite the continuing importance of copper in the export basket, by diversifying markets and economies of scale through access to the world's most dynamic economies, we have opened opportunities to add value to exports based on the abundance of natural resources that this country enjoys. Witness here the sharp and sustained increase in agricultural exports and timber products.

For the former, Chile is now known in world markets for its fresh fruit, as well as the size of its food exports basket, which includes pork, aquaculture (salmon) and processed fruit. As for the second, we must highlight how well our furniture and other manufactured wood products have been received.

NM: Which is the most valuable FTA, in terms of total trade?

AJ: The 22 trade agreements that Chile has in effect with 60 countries worldwide should be noted. This network of FTAs is to leverage the competitive advantages with partners who have very different production profiles. Thus, existing FTAs in Latin America and the Caribbean, for example, encourage exports of industrial products, while treaties with Asian countries favour the expansion of exports of agro and food.

“Chile opted for an open, competitive and free trade-oriented approach, subject to international standards and trade policy. The strategy behind the commercial policy of open regionalism has been to deepen the current level of openness through unilateral efforts, and negotiations in multilateral and bilateral agreements.”

NM: Does Chile have a positive balance of trade on all the countries with which it has FTAs? If now, which countries give Chile a negative balance?

AJ: The Chilean foreign trade policy aims to deepen the inclusion of Chile in the world, combining export development with the promotion and protection of investment, and improving competitiveness in a context of stable business rules and policies to strengthen their impact on social equity. Within this framework, all trade agreements signed by Chile are important and in this context, the balance is positive.

It may be that in certain specific markets Chilean export sectors have finally found a better opportunity than others, but overall all the agreements have meant an increase in the country's bilateral trade.

Bringing in the experts



HERNÁN CHEYRE

BY NEIL MURRAY

Corfo is Chile's economic development agency. Working with the Chilean Ministry of Economy, Corfo's programmes support and finance a wide variety of initiatives, with the goal of stimulating the Chilean economy and providing opportunities for Chile's entrepreneurs, innovators and key industries to help them compete on a global stage. It has four departments: Entrepreneurship, Innovation (InnovaChile), Investment & Finance, and Competitiveness.

Hernán Cheyre, executive director of Corfo, outlines the work being done in stimulating entrepreneurship and investment.

NM: Of the four departments which make up Corfo, which is the most important and why? Or are they all equally ranked?

HC: They are all equally ranked, because Corfo wants to promote entrepreneurship and innovation and for that purpose we have a department of innovation and also one financing small and medium-sized enterprises (SMEs) and the fourth one is competitiveness, which is basically related to the existing one of how to improve their competitiveness. Corfo was created in the last century with the goal of contributing to the industrial competitiveness of the country. So very large companies were built, like electricity and communications. Today, it is very different. Corfo is not building things for the state. It is contributing to third parties so they can build what they want.

NM: What is the role of Corfo in an economy based on free markets?

HC: There are cases where there are some market failures or bridges that must be built to provide communication. When we see that there is a need for a bridge to be built, we build that bridge. In the private sector, they should build their own companies themselves. In certain cases, like where banks do not want to finance because there is a very high risk, we can help.

NM: Has Corfo used any models from similar initiatives in other countries? If so, which and why?

HC: It's a purely Chilean invention but we're not inventing the wheel. The first idea was, to go back to the analogy of bridges, that Chile has a very good potential for invention. We think we have a number of natural advantages but we are lacking some entrepreneurship atmosphere. There are lots of people in Silicon Valley and elsewhere who do not have visas for Chile so we thought: 'Why not invite them?' They do not stay here. We give them a visa for one year and up to USD40,000 and a commitment to stay in the country for six months. The only thing we ask of them is to comply with some basic requirements in terms of meeting with local students, and local entrepreneurs, to transmit their knowledge and entrepreneurship: basically, to help us to put more entrepreneurship in the country. As another benefit, we have been receiving offers from venture capital companies from the US, saying 'why don't we go to Chile for a week to see what is happening over there?'

Chile is now on the radar of entrepreneurship. So something is going on. The net balance is positive for us.

The commitment during the four years of Piñera (*the*

President who has to step down at the imminent election, as Chile's constitution does not allow a President to serve two consecutive terms – NM) was to attract 1,000 people and we are now close to 700. The idea is now to reach the figure of 1,000 by March 2014 (*when the new President takes office – NM*).

NM: FOODNEWS has heard that one problem stifling entrepreneurship is that it is quite a complicated process to start a company in Chile. Is this true, and if so, what is Corfo doing about it?

HC: That was true. On average, three years ago, if you wanted to start a new company, it took 27 days. Now you can do it in one day, instantly, through the website of the Ministry of Economy and you can register it there. You do not have to go to a public notary to sign the papers. You automatically receive a tax code from the IRS and you can start business on the same day. It is quite easy and costs nothing – the same kind of arrangement that has been put in place in Australia and New Zealand. What is not easy, yet, is how to close down a company if you fail. Our bankruptcy law is old-fashioned. It can take, on average, four and a half years between when you fail and when you finally close the book. In that period, the banks don't want to do business with you, and so on. In Congress, there is a new bill to change the nature of the process of closing a company – it is much closer to the Chapter 11 system in the US.

NM: Is it true that there is a tax on company capital in Chile? If so, is this likely to change?

HC: No.

NM: How does Corfo decide what projects to support?

HC: According to the needs of entrepreneurs. We listen to them.

We are very close to the ground, trying to see what is going on. Basically, according to what they require. It might sound obvious. SMEs need access to financing as they do all over the world, and if they may not receive good treatment in terms of interest rates and conditions. We are working with guarantees. We guarantee a proportion of the loan that is lent to these companies. In Chile, there are very good international rankings – the number of papers produced by researchers in universities is reasonable, but if you look at the number of patents that come out of those papers, it is tiny, so we need to do something about that. So we have, for example, these programmes of centres of excellence that help to articulate something that provides this connection.

Another very important change introduced last year was the new tax credit law to help more research and development. That is very important. It allows companies to use as a tax credit 35% of the amount spent on

R&D and the remaining 65% can be counted as an expense. All the R&D that is made inside a company can also get this benefit. In the past, you got the benefit if you did something with a university, for instance, so that the contract was subject to the tax credit. If you look at all the figures on the growth of Chile in new companies, we rank very well. In sovereign ratings, that is the credit risk, we rank highly. But if we look at investment in R&D as a percentage of GDP we are at the bottom. It is just 0.4% and it's 2.3% for the developed countries.

NM: What are the particularly successful projects that Corfo has supported recently?

HC: One is StartUpChile. Another is the Centres of Excellence. It creates local knowledge and more patents in the country. We have the basic knowledge but we do not know how to transform that into new products and patents. So we invite very well known centres around the world, which do

research in different areas, to come to Chile to work with local universities and companies in different areas and produce these improvements.

One is Fraunhofer in Germany. Then there is CSIRO from Australia, for mining, INRA from France for IT and Wageningen in the Netherlands for healthy foods. They are all bringing in researchers. This is the first time they have set foot in Latin America.

NM: What support does Corfo and the projects receive from the private sector?

HC: Corfo does not provide 100% of the finance for initiatives. On average, it is about 50%.

NM: What, according to the entrepreneurs chosen, particularly attracts them to Chile. What is there they find in Chile that they cannot find anywhere else?

HC: They are attracted by their USD40,000, of course! And they see there is a special atmosphere

that has been created and that is as important as the network they create themselves. They feel as if they were in the US. The networking is very important to them and they feel it is a good country to live in.

NM: What percentage of start-ups are in the food and beverage sector?

HC: Very few.

NM: What other infrastructure is important to these initiatives? I am thinking particularly of IT, transport and banking. What help do the banks provide?

HC: Everything is covered by the grant.

NM: Applicants come from all over the world. Which country provides the most?

HC: The US. Now many Chileans are applying, and others from Europe in general.

NM: Has the financial benefit to Chile been calculated or estimated? It must be large.

HC: It's too early to tell.

CHILEALIMENTOS MEMBERSHIP

Aconcagua Foods
 AgraCom International
 Andes Quality
 Ditzler Chile
 Frutos del Maipo
 Aginova
 Productos Silvestres
 Sunsweet Chile
 Agriquem América
 Agrofoods Central Valley Chile
 San Clemente Foods
 Framberry
 Agroindustrial Montero
 Frucol
 Surfrut
 AgroCepia
 Alfa Chilena
 Alimentos y Frutos
 Almeval
 Altamira Chile
 Andes Control
 Bayas del Sur

Bureau Veritas Chile
 Cambiaso Hnos.
 Comfrut
 Conservas Los Ángeles
 Pentzke
 Copefrut
 DAFF Desarrollos
 Alimenticios
 David Del Curto
 Diana Naturals Chile
 Dried Fruit Valley
 DSM Nutritional
 Products Chile
 Elaboradora de
 Alimentos Frutale
 (Castaño)
 Empacadora de Pasas
 de Exportación
 Frutexsa
 Empresas Carozzi
 Empresas Lourdes
 FMC Corporation Chile
 Frigorífico Andino - Icestar

Friofort
 Frutícola AgriChile
 GCL Capacita
 Givaudan Chile
 Gori Chile
 Granotec Chile
 GS1 Chile
 GVF Alimentos
 Ideal
 Ingredion Chile
 Innvita
 Invertec Foods
 Invertec Natural Juice
 JBT FoodTech
 Kellogg Chile
 Labser
 LSG Sky Chefs Chile
 Macrocap Latino
 América
 Mathiesen
 Mayr-Melnhof Packaging
 Marinetti
 Mostos del Pacífico

Nestlé Chile
 Nevada Export
 Omni Nuts and Fruits
 Opposite Season
 Parmex
 Patagoniafresh
 Precisa Frozen Storage
 & Services
 Vilkun
 Puelche
 Quimatic
 Robert Bosch
 SGS Chile
 Sociedad Agrícola H.C.
 Southfruit
 Sugal Chile
 Team Foods Chile
 Tradecos Chile
 TresMontes
 TÜV Rheinland Chile
 Unilever Chile Foods
 Viña Francisco de
 Aguirre

Something new



FERNANDO BAS

BY NEIL MURRAY

Innovation is key to Chile's agro-industrial growth and success. The government recognises this.

Fernando Bas is executive director of FIA (Fundación para la Innovación Agraria), which oversees, promotes and encourages innovation in Chilean agro-industry.

NM: What sectors of Chilean agri-industry are perceived as of

greatest importance as far as innovation is concerned?

FB: No sectors have priority over others. What needs attention are sectors that have a lot of competitive advantages. Those are sectors that have success in exporting – so fruit, vegetables and processed foods.

We have to have an open mind of the needs and requirements of the world. These sectors require innovation otherwise they would be dead.

Innovation projects that we fund tend to concentrate on those areas. We get a lot of other good projects that we also fund, but in terms of frequency of projects that we receive, these tend to be the majority.

NM: Does the assistance extend to added value products? If so, which ones?

FB: Unless we add value to our products, we will not be very competitive in the near future. We have three elements that are against us, which are the cost of energy, the cost of labour and the exchange rate. That's why innovation is so important. What we are promoting is the use of more technology in production processes at the farm level,

especially when you see that some products are very labour-intensive. That's why we are promoting new projects in that area and also in the production area. We need to find more environmentally friendly controls of pests and diseases and a way to fertilise products with fertilisers that are more natural.

For value added food, our main concern is how to preserve the characteristics of the product, and keep it as good as new. We need to look at post-harvest processes: what we should do so product remains fresh, looks fresh and maintains all of its organoleptic characteristics.

NM: What development projects are planned?

FB: We don't prioritise in any lines of innovation. We are open to demand. We just wait for the demand and what we have seen is we have three main areas. One is environmentally friendly processes and products: that is very popular and that is an area in which we have invested a lot of money. The second area is technology, and this is mainly bringing new technology from abroad instead of thinking we have to develop brand new technology. We are looking at new developments abroad and which of



Fresh | Frozen | Dry

Quality is our commitment



them are useful and can be utilised quickly in our products.

We don't think we have the answer – we are a funding agency and we do what the industry tells us.

One thing where the ministry is concerned is renewable energies – we are very concerned about the cost of energy and that is why we are putting aside some money and getting more money from the Ministry of Energy to develop and adopt processes like solar energy and biogas. The only way to have our farmers and producers is to have pilots and models.

NM: What is the Fundacion's position on GM crops?

FB: In that area, I think it's the position of being an institution that is promoting innovation. Therefore, genetically modified crops are part of innovation and so we are willing to fund projects in that area, keeping in mind we do not fund the scaling up of those projects, just the pilot projects. We believe that it's part of our job to fund projects in that area, at the research level.

NM: How does the Fundacion handle the transition from 'good innovative idea!' to 'commercial success'?

FB: In our projects, we require that at the end of project the new product or process ends up in the market. It could be a pilot or could be a prototype. Therefore the innovation or the process helps reduce costs and increase productivity. Therefore, at least at the end of the project, there is a pilot or a prototype.

NM: Is the organic sector being supported?

FB: The organic sector is treated just like any other and I would say that in the last four or five years we have had 5% of our projects in that area. It is always considered, and if the project is a good one, it's always funded.

NM: What percentage of supported projects are successes? Are the figures what you want?

FB: If the objectives are reached and the results they wanted are reached, we consider that a success independent of what happens later in terms of impact. Measuring impact is much more difficult. If it is a real innovation project don't expect more than 20% success – that's the average of studies we have been reading. Our success rate is 48%. We realise that in our sector types of projects are low in innovation themselves but they serve well as good models for other people to copy.

NM: What training is necessary to support innovation?

FB: We have a team of about 20 professionals who have been working here for over 10 years and they have gone through a lot of formal training and informal training in innovation, but they are not innovators themselves.

NM: Is the Fundacion looking for innovative products, machinery, means of saving money, means of conserving water, greater efficiency, or all of these?

FB: All of these, in processes, in products, in business models, and also in ways of management. Also in IT.

NM: Is the Innovation programme integrated with other government initiatives? For

example, with finance of the entrepreneurship programme?

FB: We would like to think it used to stand on its own, but today we have a very close relationship with the innovation system in Chile. There are several agencies that finance innovation. Our niche is agriculture and forestry, but we are always conversing very much with Innovation Chile which also funds projects in the same area as we do. But we think what we do better is that we have a very close follow-up of projects. We are very much integrated in terms of avoiding duplication. We have been working a lot with OECD definitions of innovation and technology transfer.

NM: Why was this started in the first place? Was there a lack of innovation before?

FB: The Fundacion has been going for 17 years. It started in a very peculiar way in the 1960s. There was always a problem in the Ministry of Agriculture when a new disease or emergency arrived, and how to handle it. We would have to bring in experts from abroad, so government money was not available right away. This institution started as a fund for agricultural research and was a fund used to cover those emergencies when you needed money very quickly to solve a problem. It evolved from quick money for emergencies to what we are today, which is still competitive money but we are looking for good innovation and we promote new ideas that will impact on productivity and results in the agri-foods sector.

NM: What ideas from other countries are considered

“We don't prioritise in any lines of innovation. We are open to demand. We just wait for the demand and what we have seen is we have three main areas. One is environmentally friendly processes and products: that is very popular and that is an area in which we have invested a lot of money. The second area is technology.”

worth copying?

FB: All of them. Anything that is worth copying and is useful for our productivity and improving what we do. It may be intellectual property – there's nothing free. In anything you bring from abroad, there's a royalty or patent involved.

CHILEAN EXPORTS (USD '000)

YEAR	FRUITS & VEGETABLES					OTHERS						TOTAL GENERAL	
	Canned	Dehydrated	Frozen	Juices	TOTAL	Biscuits Confect	Canned fish & shellfish	Milling Grains Cereals	Sweeteners coffee, tea, spices	Oils fats others	Prepared products beverages soft drinks		TOTAL
2007	334,930	403,469	215,767	154,766	1,108,932	63,595	337,670	163,839	21,075	155,346	251,912	993,437	2,102,369
2008	439,778	564,075	378,976	230,904	1,613,733	65,617	366,654	249,490	17,447	274,427	328,519	1,302,154	2,915,887
2009	333,195	452,488	274,483	181,945	1,242,111	54,727	304,717	165,070	20,493	161,332	339,283	1,045,622	2,287,733
2010	352,859	580,888	273,773	157,892	1,365,412	60,204	272,860	195,366	25,147	180,589	372,070	1,106,236	2,471,648
2011	442,997	666,373	372,640	229,689	1,711,699	67,556	371,593	278,003	26,608	245,470	438,890	1,428,120	3,139,819
2012	482,241	712,637	345,506	250,408	1,790,792	65,542	327,244	274,890	31,951	288,882	422,844	1,411,353	3,202,145

A matter of taste

BY NEIL MURRAY

Chile's frozen foods industry is utterly dependent on the export market for its survival.

All Chilean food processing companies are focused on export, but the domestic frozen foods market is so small, and so relatively unsophisticated, that the industry really needs the requirements of demanding countries outside Chile's borders.

Berries have become a big earner for the country, initially as a fresh product and now as a frozen. Thanks to a strong planting programme, Chile is now a major producer of blueberries.

"Chile is growing in berry exports, mainly in blueberries" says Gonzalo Bachelet, general manager of Alifrut. "Due to this increase in the blueberry demand,

we made an agreement with Vitalberry to lease the factory they have in Linares running for us as a co-packer."

This season, Alifrut has doubled its IQF blueberry exports to 8,000 tonnes, destined for both industrial and retail use. The company sells to the EU, the US and Asia. "New markets are being opened in Japan, China and Australia.

Chile used to export 95% of its blueberries as fresh but now 25% goes to industry, and of this, perhaps 4,000 tonnes go for juice. Last season's prices were 88% of the previous year's but the volume is more or less the same. Chile increased its raw material volumes by 13% in the January-April period of this year.

In Chile, around 15,000 hectares of blueberries are already planted. As for raspberries, the government is taking steps to improve their quality, after it was discovered that farmers were growing their own rootstock from existing plants, and gradually reducing their yields. There are many small raspberry farmers in the country, growing fruit on very small plots of land: in fact, it is estimated that the number of farmers is greater than the number of growing hectares.

While growing in blueberries and stable in raspberries, Chile is down in strawberries. Perhaps sadly for those who remember the old days, wild blackberry volumes are decreasing as well. Traditionally, these have always

Chile is working to improve the quality of its frozen berries and the variety of its finished products.



Fruit Cups



Canned Fruits



Industrial Products



CERTIFICATIONS

- Global Standard for Food Safety BRC
- Kosher
- CPC, Clean Production Certified in Chile



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been picked by families, almost as a pastime, and the collections taken to the processing plants, but every year, the collections are smaller. On the plus side, cultivated blackberry volumes are stable, says Alifrut.

Pablo Herrera of Comfrut says his company is “trying to develop new solutions for consumers”. The first, already on the market, are new mixes that include tropical fruits, such as mango, melon, pineapple and papaya. These have been well received by clients.

Another is the production of smaller and more convenient frozen fruit packages. Developed originally for sale in the US and Canada, where they have proven successful, these are now being aimed at new markets, especially Australia and Asia, which are markets with great potential.

Herrera says that Comfrut has noted that consumers are demanding frozen fruits with more flavour. Over the years, fruits have been losing flavour and smell, so one of the company’s divisions started to study fruit genetics to produce new varieties with new attractive sensory characteristics. The goal is to improve these attributes,

starting with strawberries, raspberries, and others.

Comfrut is focused only in the export market and does not produce for the domestic market, because, even though it is growing, it is very small. Comfrut produces in a week what the Chilean market consumes in a year, points out Herrera. Not only that, but some convenience store chains, like Big John, do not even sell frozen foods at all.

Well established in the US (a lot of Chilean frozen fruit sold to the US ends up in smoothies) and Canada, the company is now targeting Asia. Japan, for example, mostly likes blueberries but isn’t keen on other fruits. Many Japanese customers don’t like fruit with seeds. But every year they are taking more.

And Europe? Price still rules there, apparently. Comfrut makes some direct sales to supermarkets, and Herrera says the UK market is more attractive than Continental. “But prices are too low in Europe,” he adds. “The customers say that they care about the source of the product, they say that they care about the quality of the product, and they say they care about the

safety of the product but what *counts* is the *price* of the product. And Comfrut is a premium product.”

European processors want to repack in Europe, but that keeps Chilean products at a commoditised level, and the country would rather pack at home. “Our model is to pack here,” says Herrera. “We add the value here. We can produce cartons, bags, everything our customers need *here*. And it takes only 20-35 days to ship to Europe.”

Innovation is fundamental in the frozen food industry, for it is always investing in new technology that allows it to have better food security and higher productivity. Recently, it invested in automated systems, such as a new packaging line, a new sorting line and other top quality equipment. Other factors that influenced its process automation include the lack of labour, due to the low unemployment rates in Chile. The company works intensely throughout the year and requires a high number of people, which are not currently available.

Ten years ago, the frozen fruit category in Chile’s domestic market comprised just three or four products. Now there are at least a dozen different SKUs. There are half a dozen different frozen fruit blends, some combining berries with fruit, to give consumers totally new products.

An interesting step is the development of new fruit varieties that offer different sensory appeals for customers. “Like new strawberry and raspberry varieties,” says Herrera. “With new varieties you will have more flavour and more aroma. We are focused on improving what we are doing right now. My focus when sourcing is a fruit specialist and the best flavour. Over the years, fruit has been losing its flavour and we need to work to get that back. Flavour is a key part of our product. We need to attract customers to buy our products for the flavour.”

“Comfrut has noted that consumers are demanding frozen fruits with more flavour. Over the years, fruits have been losing flavour and smell, so one of the company’s divisions started to study fruit genetics to produce new varieties with new attractive sensory characteristics.”

From cans to cups



BY NEIL MURRAY

A prime example of how Chilean fruit processors are adding value and moving into new markets has come from Agrofoods, one of the country's leading canneries.

Aimed at the children's market, and called a compote (compota) it is more of a jelly type of product, made thicker so that it's spoonable – Chileans prefer a pudding sort of texture. It comes in pear, apple and peach flavours (fruit content 85%), in four-packs. A version with added oatmeal is a very recent range extension. It has an unrefrigerated shelf life of 15-18 months.

Oatmeal in Chile (as in the US) is perceived as a healthy ingredient, and Chileans like it, but apparently they don't like to have it too visible in a product (FOODNEWS' *Scots-ancestry editor thinks otherwise...*) so Agrofoods is contemplating adding fruit chunks to the product, and pricing it identically to the regular product.

The regular compote was launched in Chile last November, and is expected to be presented to

export customers elsewhere.

"Some purée is bought in, and some made on the same line as produces our plastic tub compotes," says Agrofoods' Javier Ramirez. "We have plenty of tubs capacity. We used to be a pure canning company but now we are switching to value added products. Twelve years ago we started making plastic cups and then we launched our own brand in Chile. Now we have an important market share in Chile and we have developed this market.

"Other brands have come in but we have a high percentage of the market. We still export a lot but we are dedicated to the local market. Last year, we invested in R&D and started to launch new products, fruit with oats, and more new products next year. The idea is to produce different types of products all year round; to be able to produce fruit through the year.

"We used to be a seasonal producer. We used only to produce in three months, when fruit was available. Now we hold the product in big packs and re-pack when necessary. It's an aseptic system and needs no refrigeration."

Exports

Vergel is Agrofoods' local brand: the company mainly produces for private label, which accounts for 80% of sales. Agrofoods exports throughout Latin America, sells its plastic tub products in the US, has sold to the UK, co-packed for SPC Ardmona for a while, and also sells to Korea and China.

Even though Agrofoods has "huge capacity" in plastic tub manufacture and right now is increasing the capacity, due to demand for new lines.

"We are focusing on fruit products – trying to combine different types of fruit, different flavours, different fruit shapes," says Ramirez.

The company also makes a microwaveable tomato sauce for spaghetti, and semi-liquid products

like sauces and jams. Since the company started in 2000, it has invested more than USD20 million in new production lines and technical improvements.

Iván Irrarázaval, executive director of Agrofoods, puts Chile's total canned peach production this season at about 5.0 million cases, of which 1.0-1.2 mln cases are consumed domestically. Purée volume is about 50,000 tonnes, or very similar to last year. The area planted to peach is stable at some 9,500 hectares, which provide about 300,000 tonnes of fruit. Trees are regularly being pulled and replaced with new plantings to maintain the fruit volumes.

Roberto Murphy of Aconcagua Foods says: "The new plantings won't extend the processing season but will make better use of what we have. All peaches harvested before mid-January have a yield of 35-40 tonnes per hectare, and later in the season this rises to 45-55 tonnes/ha. This means we don't have to buy so many peaches at peak season (or to increase the plant capacity), which tend to flood the plant."

Aconcagua will plant an extra 1,000ha of peaches at a rate of 250ha per year, to guarantee its raw material supply. "We are looking mainly for canning grade fruit, because pulp quality fruit is easy to get. This will give us another 40,000 tonnes of raw material. Yields will start with 10 tonnes/ha, and then 20 tonnes/ha: it takes six to seven years to reach maximum production.

"The older trees will be replaced. This is still a long term project, but we think that Chile is going to be in this business for a long time."

Aconcagua also intends to increase its purée volumes. "We want to increase our volumes by 10,000 tonnes next year to 30,000 tonnes," says Murphy. I'm not only talking about peaches, because there is not enough raw material, but we can do more pears and apples."

Chilean canneries are moving into new snack products and intend to increase their purée output

The new ministry


ALVARO CRUZAT
BY NEIL MURRAY

FOODNEWS discusses the new safety policy, and how it impacts the new Ministry, with Alvaro Cruzat, the country's Under-Secretary of Agriculture.

NM: How does the government administer and separate the Fishing, Food and Agriculture sectors? Who is responsible for these?

AC: Today we have three different ministers, all with authority. The agricultural minister is responsible for supervising and controlling all food, from farms to exports.

Then national fisheries are under the control of the Ministry of the Economy, which controls and supervises all sea and farmed fish products for export, and thirdly we have a Minister of Health who has a regional decentralised system with a Seremi (Secretario Regional Ministerial) responsible for all imports and also domestic food

In May, Chile's government announced that it was combining the functions of several different ministries into its new Ministry of Agriculture, Fisheries and Food. At the same time, the country has a new Food Safety Policy, relating both to industry standards and consumer protection, and this is the responsibility of the new Ministry.

consumption.

So we have three different authorities, some overlap and some gaps that we have to fix in terms of organising our public sectors in a better way. The intention of the reform is to make a complete change. We want to track from the farm and the sea to the plate, to see what the responsibilities of the private sector and also the public sector are, when it comes to preventing possible incidents. We are also looking at each part of the chain to determining the correct checkpoints at all points during processing and transport.

We have the production and processing sector, which is why the fisheries sector is integrated into agriculture ministry. And the health ministry is responsible for the domestic food market.

NM: What sectors of Chilean agro-industry are perceived as of greatest importance?

AC: In terms of exports we earn some USD14.5 billion annually, and the main sectors are the processed food sector (which is growing very quickly) and also the fresh fruit sector. The salmon sector is very important and there also some emerging sectors like olive oil or dried fruit. Our trade is very diversified, with important growth in Asia: we are opening new markets very fast in Asia, especially China, Korea and the ASEAN nations, and we also have important presences in the US, Canada, the EU, and Latin America.

NM: What are the core strategies for the new Chilean Safety Policy? How do these integrate with similar policies elsewhere in the world?

AC: We have learned a lot from our different Free Trade Agreements. Because of this, we have to fulfil all the requirements of importing countries. We have to deal with many countries with

different policies so we are very flexible and can adapt our policies to meet the demands of different countries

But we have also to change some specific things. We manage the food safety chain internally by introducing new rules for risk assessment, HACCP, and we are already building the *Agencia Chilena para la Calidad e Inocuidad Alimentaria* (Chilean Food Safety Agency) and there we have a department where we discuss the different agencies that are involved in food safety problems. We are building specific rules to build the laws and standards. Also, next month we are launching a rapid alerts system and we are building a public and private network of laboratories to put on the web all the analysis capabilities that we offer.

And we have national integrated programmes for pesticides, microbiological, porcine disease, 'red tide' and HACCP. We are working on this right now: we are not just waiting for the legislation to be drawn up.

NM: Does the Ministry answer primarily to the industry or to the consumer? In other words, is the Safety Policy primarily export-oriented or angled towards domestic food safety?

AC: It's very important for us to give the country a food safety system but to do all this we have to have the industry chain.

NM: Why was there a need to set up this new ministry?

AC: We are anticipating events. We know what can happen when we see other countries reacting to other problems. We are very integrated in terms of trade. We are introducing into our own country the same philosophies or systems as others, because we have to give the same guarantees and confidence to our customers that we give to all the world. We

are constructing a development strategy in the food safety sector. It is very important for us to build on this and also to adapt to new legislation that is changing the game, like, for example, in the US and Spain. We have also very useful exchanges of knowledge – and some information exchange problems. We are discussing how to cope with food safety problems and risk assessment problems and things like common pesticide residue levels.

NM: Is there a timetable for development of the Food Safety Policy? Is it something that will be regularly reviewed?

AC: We already have the first edition of our Food Safety Policy and we are also going to publish a review in the second half of this year. We are going to make some modifications due to the changed view of the safety chain. We are also putting more responsibility on the producers. Basic risk analysis and risk assessment and

protection of the consumer in terms of information and quality assurance: these are the key elements of this review.

NM: Fishing: will the new Ministry seek to increase Chile's fishing industry to compete with, for example, Peru?

AC: We are already changing our domestic fishing legislation. We have to work as a country to introduce changes in how we can build a sustainable fishing sector. We think we have high potential but our focus now is to introduce a new system of sustainability and scientific information to fix the quotas.

NM: Is there any unified plan for agro-industry?

AC: We are working to add value to some products and promoting more links with innovation. We are also trying to attract universities and institutions to build bridges between them and industry.

NM: Infrastructure: has the government a policy for ensuring adequate water and energy supplies for agro-industry?

AC: We believe that we have to build a better infrastructure for the collection of water – like dams and reservoirs. The strategy is to build more reservoirs and also a system to promote migration from the normal irrigation system to more efficient drip irrigation. We are also working on public/private partnerships in water.

NM: Are any measures being taken in the Food Safety Policy to further improve the phytosanitary security of Chile?

AC: We have a very important agency with a lot of prestige. We have the normal problems of frontier control. We have natural barriers but also human barriers. I think this is very important for us. It is one of our assets as a country.

We are going to include, in

this new ministry, all the processed sector. SAG – the *Servicio Agrícola y Ganadero* – is the agency in charge of control at the frontiers, and will also be in charge of supervising all the quality assessments inside the food processing plants.

NM: Will communication between government and industry improve as a result of this change?

AC: Yes. It is a big challenge to change a law in Chile and when you want to rebuild the public sector you have to start a discussion and invite all people to voice their opinions. It is very important for us to have the opinion of the private sector. There are already committees for the forestry sector and others. This topic will probably be number one for discussion and will be very important and necessary for Congress. For us the important thing is to start the discussion.

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Liquid assets



ULTRA-MODERN KIT IN A CHILEAN JUICE PLANT

BY NEIL MURRAY

Chile's biggest juices are apple and grape. In both cases, the juice manufacturers rely on fruit left over from the fresh (and in the case of grape, also the wine and the pisco) industries. There is little contracted growing for juice, but this is starting.

This season's apple crop was down, and fresh exports were up, reducing the quantity of raw material for juice and cutting juice exports (and virtually all production is exported). At the same time, China reduced the price of its AJC, meaning that Chile had to do the same in order to compete in Europe, which had only recently replaced the US as the country's largest market. So while Chile managed to sell all its AJC, the season was not as profitable as the previous one.

Still, Chile has managed to penetrate the EU market and looks like being firmly entrenched there. "Chile is in the European market to stay? Yes I'm sure that's clear," says Karl Huber, general manager of Patagoniafresh.

"Europe was a good market – more stable, especially for cider," confirms Carlos Correa of major producer Invertec. "The rest of Europe, like Germany, took smaller quantities from Chile."

Asia is becoming a more and more important market, it appears, and recently there has been renewed interest from the US. "US companies have been asking for Chilean AJC and offering USD1,600 per tonne," reports Cristian Alemparte of Carozzi. "That is about USD8.15 per gallon. I don't know why there has been this sudden increase."

However, Chile also offers an extraordinary variety of other juices, concentrates and purées, including vegetable products and blends. In many cases, these are less 'commoditised' than apple and grape, and the country can tailor-make products to customers' exact specifications. This naturally earns more money. And the national portfolio is increased every year.

"We are developing new juice varieties – kiwi, plum, peach,

apricot, prune, and some vegetables like carrots and red bell peppers," agrees Alemparte. "We are also trying to develop new purées such as sweet potato."

"For us, apple is a very important item but it represents only 45% of our sales," says Marcos Echenique of San Clemente. "For stone fruit, we are the largest firm in Chile and the largest in berries (if you take out cranberry). But these are niche products with small volumes. We are saying to our customers: 'Tell us what you need and we will make it for you.' So we are making tailor-made products most of the time. We are producers of ingredients in this division. We are a business-to-business model. Our aim is to be a reliable partner and source of ingredients in this part of the world."

Likewise, Carozzi is taking juice and purée and re-processing it as an ingredient for other products. It finds its way into snacks like candy bars, fruit jellies, and as a base for other products. Organic concentrate is found in confectionery and fruit snacks: Welch's fruit snacks, for example.

"This is a fast-growing market," says Alemparte. "Some companies take fruit pieces made from purée. It is used in chocolates and cookies. There is great potential. The confectionery industries are big consumers of purée and also concentrate. People are looking for something healthy. Even if it has a high sugar content, it is still fruit-based."

"We have two areas where we are launching new items," adds Correa. "One is aseptic and pasteurised purées. We are doing berries and kiwi purée. When we put in the filling lines we expected we would sell more kiwi concentrate, but people are looking for purée: it is a premium product, with a better flavour. Kiwi is used mostly for

There are few countries in the world that produce as many different kinds of fruit juice as Chile. About the only juices that the country does not make are citrus and tropical.

smoothies. We also doing single strength aseptic or pasteurised blackberry, packed in plastic pails, drums, and 15kg bag-in-box.

“We did some organic purées last year: blueberry and raspberry. A lot of baby food manufacturers are switching to organic. Some brands, like Heinz or Campbell’s, have already switched to organics. We are targeting those companies to supply single strength purées. There is a better margin on these products and the market is more stable.

“This market is not so commoditised: with raspberry purée, for example, there are many qualities: seedless, with seed, pasteurised....”

Meanwhile, Sugal, whose core business is tomato products but which also makes fruit purées such as kiwi, is producing an apple/kiwi blend for one local client (“Well, it is a global brand but a local client,” explains Sugal’s Juan Manuel Mira.) “We are blending in our factory. It is the same process line and we add three bins of apple purée to one bin of kiwi to make a 30/32 brix purée.

“Our focus is to become a single strategic partner for our clients, with operations in both hemispheres. As a group, we have three factories in the northern hemisphere: two in Portugal and one in Spain. And now we have two factories in Chile.”

San Clemente is also moving closer to partnerships with its customers, aware of how such alliances are mutually beneficial. “We are working to get our ingredients into finer products – higher margins and an extra step in integration of supply chain so we are making an alliance with a European company for some purée retail products – you know



CARLOS CORREA

those fruit pouches? We have all the ingredients here in Chile, except for bananas.”

Product development is not simply about the products themselves. New packaging opens up new markets. “We are looking to add value to the existing fruits that Chile grows – to add value, pack in smaller packs for retail,” says Correa. “At the moment our strategy is to pack for someone else – the consumer is not aware of Invertec as a brand. The private label market is not very strong but it is growing. Lider (Walmart) and Jumbo do private label. It is a worldwide trend.”

The industry, like all agro-industries in Chile, is constantly investing in new plants and equipment. San Clemente, for example, has recently built a new factory. “We moved new equipment into the juice facility last year, so this is the first season running the new plant,” says Echenique.

“We can build and add new lines to both plants. We have Bucher Unipektin presses, some Belmer presses, and Bucher ultrafiltration. Our business model is to differentiate ourselves from other processors. You have big processors but they produce only one or two products. They are very efficient in producing those one or two products but they don’t have the flexibility to work with multiple products. Our factory has been built to work with multiple processes and multiple products.”

Patagoniafresh has also invested, says Huber. “Last year we increased our capacity and energy efficiency. A new evaporator decreased our steam needs and halved the energy we need to evaporate one tonne of juice. Secondly, we have invested in waste water treatment – increased its capacity and made it more efficient.”

And all juice companies are looking to expand their product ranges. Ordinary grape juice may be a commodity, but single varieties and quality red juices are specialist items, and are costlier with better margins. “We are evaluating grape juice, both red and white,” admits Alemparte. “It’s a big item and we believe it has good potential.”

“However, Chile also offers an extraordinary variety of other juices, concentrates and purées, including vegetable products and blends. In many cases, these are less ‘commoditised’ than apple and grape, and the country can tailor-make products to customers’ exact specifications. This naturally earns more money. And the national portfolio is increased every year.”

Two Horses sold in four-packs

The Two Horses brand has launched Fruit One, 100% natural fruit purée, positioned as a healthy fruit snack. It contains no sugar, preservatives nor colourings, and a low level of calories per serving. An innovative feature is its airtight screw cap, which simplifies use and improves hygiene. It comes in three delicious flavours: apple, apple/pear and peach, packed in four 100g pouches, or in a container of 10 units.



Walnuts and almonds

The two arms of Chile's nut industry



BY NEIL MURRAY

This year has been very tough for the Chilean almond industry, because while the market was very good with high prices, there has been the same problem of availability of raw material for the processors.

“Last year, in March, April and May we had about 20% less than the 2011 crop,” says Cristian Manterola of Parmex, Chile’s leading almond processor. “This season we expected to have at least 10% more, based on 2011, but we had about the same volume. We couldn’t cover our current customer needs and that’s a pity as we left a lot of dollars on the table because we didn’t have the volumes to cover the products.”

Parmex produced around 2,600 tonnes of shelled almonds last year. This year will be around 2,400-2,500 tonnes, because of the raw material constraints. There is still a reticence to plant new almond trees, but word about the demand for the nut is obviously spreading, because some walnut processors (and walnuts are definitely big

business in Chile) are getting into almonds. About 70% of new cereal bar products include almonds and 50-60% of new chocolate and ice cream products include them.

“In the Rancagua region, it is not so easy to grow almonds, so we are moving the plantations to the north, but we are having a lot of problems with water,” explains Manterola. “Like California, it is not easy to find and it is expensive. So a lack of water is putting a brake on new plantations. If we have a good winter with rain and snow, maybe the growers will decide to plant more.

Parmex is investigating doing small packs for home delivery – not a big business, but something new in Chile. In Europe, there are companies that deliver large dried and fruit snack packs, generally to offices, on a daily basis. Meanwhile, 99% of the company’s business is destined for industrial use.

Javier Plaza of Frutexsa echoes the importance of walnuts for Chile: the company is building a new plant in Buin. This will only do mechanical cracking: only a small percentage of

“We bought some farms last year, already planted to walnuts. A lot more farmers are moving to walnuts now. In five years, Chile expects to produce 80,000-90,000 tonnes, on a shelled basis.”

production, mostly for European markets, is hand cracked these days. Frutexsa turns out 2,000 tonnes of shelled nuts annually, and is aiming for 5,000 tonnes in the next five years.

“We bought some farms last year, already planted to walnuts,” says Plaza. “A lot more farmers are moving to walnuts now. In five years, Chile expects to produce 80,000-90,000 tonnes, on a shelled basis.”

This is a long-term commitment. New trees take five or six years to grow and last for 30 years.



Chile is increasing its walnut output, but almond production is lagging.

Drop zone



BY NEIL MURRAY

Chilean tomato paste is a mainstay product for many of the Latin American countries. The Domestic market is stable and strong, but it is only 20% approx. of Chilean production; 80% is exported in quantity to Brazil, Argentina, Venezuela and Mexico. Significant non-Latin buyers are Asia and Middle East.

Globally, Chile claims the world's highest tomato yield for its fields, using traditional irrigation. Now, the country is moving to more efficient and less wasteful drip irrigation, and yields are likely to increase further.

"Our traditional and natural markets for tomato paste are all the Latam countries," confirms Juan Manual Mira, CEO of Sugal-Chile. "In these countries, our clients are mainly ketchup or tomato sauce producers. A few are doing tomato juice. Tomato juice is not

very common in Latin America, in general, but there are some volumes in Mexico and now in Brazil.

"Our clients in Asia are mainly for juices: Japan, Korea, Malaysia and Taiwan. We also supply tomato concentrate to Russia."

Chilean paste is similar in flavour to European – it is more sweet than Chinese and that is why companies like Sugal reckon there is room for Chile to penetrate markets where Chinese paste is already present.

Chilean tomato processors have access to around 700,000 tonnes of raw material annually, according to Iván Irrarrázaval, Chilealimentos Director. This produces close to 115,000 tonnes of final product, of which some 95,000 to 100,000 tonnes are exported. This is a tiny level of production compared with the giants of the US, China, Italy or even the minor European producers, but Chile trades on its reputation for quality and is also the main exporter in the south Hemisphere.

Last year, TresMontes Lucchetti Agroindustrial (TMLA), with tomato paste and fruit purées factories, became part of the Sugalidal Group, because it decided to sell the industrial tomato side of its business to focus on its retail side (which is mostly pasta and associated products).

The plan now is for Sugalidal to increase its volumes of tomato paste and also fruit purées. The intention is to be a single strategic partner with operations in both hemispheres – the company has two plants in Portugal and one in Spain, plus (now) two in Chile.

"We have a good agricultural yield," says Mira. "Globally, we have the best yield with traditional irrigation, but now we are working to introduce drip irrigation, and also our plan for the coming years is to have our own tomato crops. Last year, we started with some farms with drip irrigation. This

"Chilean tomato processors have access to around 700,000 tonnes of raw material annually. This produces close to 115,000 tonnes of final product, of which some 95,000-100,000 tonnes are exported. This is tiny production compared with the giants of the US, China, Italy or even the minor European makers, but Chile trades on its reputation for quality."

year, we hope to have at least 5% of our requirements, because we want to increase the yield. If we have a good yield with traditional irrigation, I think our goal is very, very optimistic in terms of tonnes per hectare. This is a collaboration with our HQ in Portugal. They started with drip irrigation more than 20 years ago and we are looking at how to make a good project out of this. Also we are working with our clients in on sustainability programmes.

"We have a pilot plan with some farmers and our idea is to join sustainability plans and drip irrigation with long-term plans for our clients," continues Mira. "Regarding our next season 2013/2014, we want to increase our tomato surface by more than 20%, reaching more than 5,000 ha."

Little water droplets are going to revolutionise Chilean tomato growing as the country moves towards drip irrigation.

Grape expectations



BY NEIL MURRAY

The raisin harvest in Chile has been smaller this season. December saw a very short crop in the north, and the price of table grapes has been very high. The rainfall pattern was mixed – only 1mm fell in the north in January, whereas the country’s Central zone received 20-25% more rain than normal.

However, the national harvest should be between 65,000-73,000 tonnes, according to processor Sunsweet, although Golden’s will be in relatively short supply. Frutexsa, another key Chilean processor, concurs, with an estimate of 70,000 tonnes. A lot of grapes were exported for fresh sale, so there was less fruit left for raisins, explains Javier Plaza of Frutexsa.

“In terms of production, raisins are similar to last year, but this year was different from other seasons,” says Luis Diaz, director of Chilealimentos’s Raisin Committee. “There was less Jumbo flame production in the north, and the size was medium and small. From the centre to the south, there were fresh fruit shortages.”

Diaz emphasises the way the market is changing. Grape producers in the south and central zones are now selling directly to exporters. Before, they were selling to brokers. Raisin processors like Frutexsa and Silvestre (Sunsweet) are buying directly. “This makes the market more flat; more organised. So next year the raw material supply will be better – like the models in the US and in Turkey. This is something fundamental. The idea is to organise the business in every aspect with complete transparency.

“These are the two points that are long-term changes. “We cannot change the weather and the price of oil but we can manage these things.

The Raisin Committee came into being four years ago and hosts an international seminar every year. So now, raisin processors are making long term contracts for raw material and working together with other brokers. Half their raw material is now grown under contract. “And this will expand,” says Diaz. “Now clients want to know where their raisins came from: they want

to know pesticide residues, traceability, and so on. “You can do this if the producer is in direct contact with the exporter: it improves traceability. Now it’s a condition of sale.”

In Latin American countries such as Peru, Colombia and Brazil, customers want the same quality and traceability requirements as their European counterparts.

As with so many other sectors of Chile’s agro-industry, the dried fruit players are opening up new export markets. “The Asian market is expanding, including China,” smiles Matias Campos of Sunsweet. We are getting good prices from Asia and Russia for Jumbos. We have been quite successful with Taiwan. Vietnam is now buying regular raisins: they use them for cooking rather than baking, and it is a brand new product for them. They want Jumbos.”

The Chinese market is about to be opened up. At present, there is no phytosanitary agreement between Chile and China for raisins, although dried plums were included last year. “We can’t

Chile’s dried vine fruit industry, like the grape juice industry, is dependent on what raw material remains from the fresh and wine grape markets.



“The minimum wage is USD400 a month, and during the season the growers are having to pay not less than USD700/month. In some areas in the north, like Copiapo, if we don’t pay USD1,000/month, the labourers don’t turn up.”

export to China even if we would like to,” says Campos. Nevertheless, one of Chile’s vital Free Trade Agreements is currently going through the Chinese system, and the OK is expected this year.

The **prune** crop is very short: at 50,000 tonnes, it is around 33% less from last year, and sizes are also smaller this year at around 50-60, whereas the usual size is 70-80. Prices have been high at between USD2.00-3.00 per box.

“We have no new markets this year because the processed crop has gone to our regular clients in Europe Russia and Latin America. Prices have gone up by 40-50%,” says Javier Plaza of Frutexsa.

“Customers were not very happy. The problem is they knew that there was less product in the market, and so they have had to pay the prices because the growers were losing money last year.”

Last year, the split between tunnel drying and sun drying was pretty much 50/50. Tunnel drying is more expensive, but this year the weather was very good, so the ratio was more like 30/70, and a bonus of the excellent weather was that the reject rate dropped sharply.

And yes, there has been investment. Lots of investment.

Frutexsa has a new Laserline laser sorter and has added a new pitting line to remove the pits. The company is now processing more fruit with the same staff.

“Our company has bought a new vibrating table – it was built in the US and is unique in Chile,” says Campos. “It is BRC certified. A new production line, all in stainless steel, has replaced the old one so that’s a big push for us and we expect to have an increase in processing speed.”

Problems remain. Water is an issue, especially in the north. Further south, the worry is

energy. “We have three problems in Chile: energy, energy and energy,” frowns Plaza. “And then labour. Labour is a big problem. The minimum wage is USD400 a month, and during the season the growers are having to pay not less than USD700/month. In some areas in the north, like Copiapo, if we don’t pay USD1,000/month, the labourers don’t turn up.”

However, Chilean laws are being relaxed to allow more labour from Peru and other countries. The growers and processors have to pay the

workers’ travel, wages and accommodation. The labour cost is a little less but with the extras, it apparently works out about the same. The key issue is that the foreign workers who sign up to the scheme have to work for the people who employ them: they cannot just down tools and move down the road to someone else who is paying more, which apparently used to be a frequent occurrence. Imported labour is limited to 15% of workforce. Skilled labour from schools and universities, though, is still easy to find.



Playing with chips



BY NEIL MURRAY

This sounds like a winning idea for a new product: chocolate-coated apple chips.

The chocolate apple chips were developed for a customer by Surfrut, the Chilean purée and dehydrated products specialist. Its ordinary apple chips have already won private label orders in the US and France, but the chocolate chip ones are for the US only – for the moment. Other flavors are being added to apple chips to make them more attractive. What's not to like?

Surfrut has already made a name for itself with its pouch-packed Fruty Go fruit purées. It is making the new apple chips itself,

Chile is adding chocolate and other flavours to dried apples, and is processing superfruits to meet the demands of discerning Asian markets

in its old plant in Romeral, where its Fruty Go products are made. There is no co-packing involved: all the drying, flavouring, coating, and packaging are done on site.

This is a superb example of how a basic product can lift itself out from the commodity trough by the simple addition of value. Another novelty from Surfrut is a puffed apple chips product. “We make them swell and pop at our plant,” explains Surfrut’s Joyce Abrahams.

The company’s Apple Popples, launched last year, have also won a private label listing in France. The Popples will also soon be found as a private label product in some UK supermarkets, and Surfrut has added a cinnamon flavoured version. Again, this product is an example of how export-focused Chile is with its added-value lines, these days. Apple Popples are not sold anywhere in their native land (at the moment).

And there is another new fruit-based product being launched, but *FOODNEWS* is not allowed to mention that yet.

“We are taking the company out of the commodity business. Well, this is the idea,” says Abrahams. “Our main business line is traditional apple as an

ingredient. It constitutes the largest volume and revenue for the company, yes, but we have been working for the last three years or so [on the new lines], and they are moving, but it takes a lot of energy and a lot of effort.”

At present, the snacks business (not the purées) accounts for about 12% of turnover. Surfrut is betting on its pouch products winning more customers: “We plan for decent exports this year.”

The company’s intention is to be able to launch other dried fruits. “We are investigating new technology to be able to launch a new variety of dried fruits, maybe in a year, or a couple of years now. Not only apples with different natural flavours, but different fruits as well.” With this in mind, and to cope with present growth, Surfrut has invested in a new dryer.

The main competition for dried apples is from South American suppliers, mainly Chilean. But Poland is emerging as a major competitor. “And the Chinese are still there and some importers and companies that like to buy from China,” adds Abrahams.

A relatively new player on the Chilean dried products stage is Vilkun, which presently specialises in infused berries and

cherries. The company has now in its second year of business, and is making 400-500 tonnes of finished product.

Vilkun works with frozen fruits in order to provide the raw material for the finished dried fruits. There is no shortage of raw material, due to the recent intensive Chilean blueberry planting programme. “We can source all the blueberries we need for the moment,” says commercial director Philipp Smol.

Again, export markets are the main target. “Our end users vary from country to country and from partner to partner,” says Smol. “In Germany, we are in the snacks business: trail mixes. In other countries, we are working with companies in the foodservice sector for bakery products and similar.

Blueberry prices are presently down to around USD1.10 per pound, because there is a large over-supply, partly due to the aforementioned intensive planting programme. “Everyone is talking about what the price will be in the US, and the US is the driver of the world market,” points out Smol.

The pricing uncertainty has its effect on business. “Buyers are

always looking for opportunities, and if the market is heading up they look for long-term contracts but if market is as it is now, they go for the spot market,” he adds.

Vilkun is presently working on sugar-infused as well as apple juice-infused berries and doing some trials with other fruits. Right now, according to Smol, sugar-infused fruits are “an issue” “in many markets, especially in the UK, it’s important to show the customer that the product is not sugar-added”. On the other hand, a recent report has shown that infused fruits are more healthy than nectars.

Vilkun says the world is divided into two big markets: the US and Europe, plus some Asian countries. “In the US, they are looking for dried fruit and dried berries and they don’t care about hfcs, flavour agents, anything. On the other hand, we have the more developed markets in Europe, Japan and Korea, which are looking for more healthy products

and they are looking for products as natural as possible. They are more conscious of what they are buying and are eating, and from my point of view that’s always been a more visible trend.

And even within Europe, different preferences emerge. Austria, Germany, and part of Switzerland (not even the entire country!) are fond of all berries. But in the UK, blueberries outsell other berries by a factor of 10 to one.

An interesting facet of blueberry processing is that there is no byproduct like there is with cranberries (juice). Cranberries are split during processing, but blueberries remain whole. To find suppliers of whole cranberries is quite difficult, claims Smol.

Like Surfruit and other processors, Vilkun is looking for sophisticated manufacture. “Our strategy is to focus on high value added products and we try to avoid commodities. We don’t have the size to compete in the

apple business: it’s a commodity and its value-driven. Our idea is to find a niche product and promote it. We have to give customers a reason to move from a US product to a Chilean product, without the price difference. Our aim is to have a wide portfolio to offer different products to our customers, which is why we are focusing on products like maqui and murta.

Maqui is the latest superfruit, and it only really grows in Patagonia, and even then it is a wild fruit, collected by the local Mapuche population. Bayas del Sur has been active in the market for the last few years, but processes it into juice. Vilkun is helping efforts to cultivate the fruit, in order to have a reliable raw material supply. “We have been very surprised by its reception,” says Smol. “The Japanese are very discriminating – they know the health benefits of every ingredient, and the Koreans are the same.”

“Our idea is to find a niche product and promote it. We have to give customers a reason to move from a US product to a Chilean product, without the price difference. Our aim is to have a wide portfolio to offer different products to our customers, which is why we are focusing on products like maqui and murta.”



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Freezing good

BY DAVIDE GHILOTTI

Exports of frozen fruit and vegetables have become a primary driving force for Chile's export industry, as recent data shows that the frozen segment now accounts for over one third of all exports of processed fruit and vegetables.

The overall value of Chilean processed fruit and vegetable exports increased by 6.8% between January-July 2013 reaching USD912 million (calculated on a fob basis), according to a recent report released by Chile's ministry of agriculture's main body, Odepa.

In volume terms, there was no substantial change compared with the same period last year, with a total of 431,000 tonnes of products exported. There has been, at the same time, a significant evolution in the internal composition of the trade, within the sub-segments taken into consideration (which are frozen fruits and vegetables, canned and dehydrated products, and oils).

While exported volumes of oils, canned and dehydrated foods have all fallen in the first seven months of 2013, the only two segments that experienced a degree of growth are frozen fruit/vegetables and juices, data from Odepa shows. "Frozen fruit and vegetables generated the highest sales value [in the processed export industry] reaching USD287 mln, followed by canned products (USD262 mln) and dehydrates (USD206 mln)," wrote Odepa.

"The frozen segment also recorded the strongest increase in value, for sales this year exceeded those from last year's first semester by USD33 mln."

As a matter of fact, frozen exports experienced a growth of 2.9% in volumes and 13.2% in value. As of July, the frozen segment accounts for 31% of overall processed fruit and vegetable exports (see chart).

The growth generated in H1 by frozen sales can partly be explained by "higher export prices for both

raspberries and blackberries", as explained by Odepa.

Raspberries remain the largest frozen commodity that Chile exports. Raspberry shipments topped USD90 mln in July this year – a staggering increase of 46.6% on the same period last year. Volumes reached almost 28,000 tonnes. The average raspberry export price was USD3.2 per kilo, an increase of 42.6%.

In this sense, it can be seen how this commodity alone accounted for much of the value growth registered by the whole frozen segment.

Blackberry exports, although affected by a 6.4% decrease in demand, also increased their sales value by 3.4% totalling almost USD38 mln.

Blueberries are Chile's second-largest frozen product traded on the international market, with over 24,000 tonnes sold. While there was a significant increase in traded volumes (+16.2%), the value of the category shrank slightly.

This was mainly due to falling prices. According to Odepa, the average rate for Chilean blueberries in H1 was USD2.9/kg, against USD3.5/kg last year. The fact that inventories in the US and Europe have been high for the first few months of this year, together with ample product availability due to bumper crops in Canada and other regions, may have contributed to the price downtrend.

International demand for Chilean frozen strawberries has been sluggish, with -8.8% in volumes and -6.9% in value.

On the frozen vegetable side, it is worth noticing how demand for Chilean frozen asparagus increased 8.6% to almost 3,421 tonnes. Sales of the product amounted to almost USD18 mln (+22.4%) – a very encouraging result that was boosted by a 12.7% increase in average prices, which went from USD4.6/kg to USD5.2/kg. It appears asparagus will be one to watch in the coming years.

"The highest increase in export value for the seven-month period has been recorded in Belgium and the Netherlands, US and South Korea. The main commodities exported to these countries include frozen blueberries and raspberries, apple juice, tomato paste and raisins."

The largest destination for Chilean processed fruit and vegetables remains the US which, as of July, holds a 21% share of Chilean exports. Sales to the US generated a turnover of USD195 mln. Mexico is the second most important customer, with 8% share and imports worth USD74 mln. Canada follows in third position with 5% share and sales worth USD49 mln. "The highest increase in export value for the seven-month period has been recorded in Belgium and the Netherlands, US and South Korea. The main commodities exported to these countries include frozen blueberries and raspberries, apple juice, tomato paste and raisins," wrote Odepa.

Chilean imports of processed fruit and vegetables also increased in the January-July period of this year, both in volume and in value terms. As regards volumes, imports rose 19.9% to 113,000 tonnes; in value terms, they recorded a 22.1% increase, reaching USD169 mln.

Chile's frozen industry is in constant expansion, and has achieved a position of prominence for the country's food exports.

Plum job

BY JENNIFER WILLIS-JONES

CHILE's prune sector has experienced rapid growth over recent years, with a rash of new plantings in 2005-2008 and an increasingly structured industry. This year, however, saw production volumes reduced dramatically after years of plentiful supply.

The prune harvest in Santiago's southern region was severely affected. This was primarily because of the nature of alternate bearing years, given that 2012 saw an exceptional number of small sized prunes. This year as a result there were far fewer buds on the trees than normal,

and adverse weather conditions during flowering hindered output further. Some industry observers even claimed the slightly warmer winter weather made the situation worse, which was rather quickly denied by many producers who argued that orchards under the same climate conditions saw good production. There were even orchards located in slightly warmer areas that saw far higher volumes than those thought to have enjoyed the ideal chilling hours.

This shortage had a dramatic effect on prices. Last year saw the season begin with stocks of more than 18,000 tonnes, and exporters, believing this trend would continue, put in place many contracts for this year which they rapidly realised they could not fill due to the drop in production. This prompted very high prices paid to producers for the first time in many years.

Of course this was welcomed by many farmers who felt they had perhaps been paid less than they should have been over recent years for what is a good quality dried fruit product. Indeed, the last few years, particularly 2010 and 2011, have been dogged by tales of over-production in the global prune industry which has kept prices stagnant at low levels. The last couple of years may have seen poorer harvests depending on the producer country, but it also has a lot to do with a conscious effort to bring the world's prune industry into balance and Chile has had a big part to play.

Almost no new prune orchards have been planted over the last couple of years, or at least few since the considerable plantings of 2005-08. These young orchards are of course now in their ascendance and will lift the country's overall prune output slightly, but this should level out soon at 100,000 tonnes. Some orchards, mainly older less

productive ones, have been pulled out.

Juan Pablo Mujica, agricultural consultant in Chile, claims: "Producers clearly see that the market has a limit in terms of prune consumption, and for that reason I do not believe that they will plant many more hectares, despite the improvement in prices.

"I believe Chile will continue making strides forward in producing prunes of better quality and in smaller lots so they can reach the consumer in a more direct fashion, side stepping the costs of middlemen.

"Sun-drying the fruit may well also become an advantage, since it is more organic, given that fossil fuels are not used in the production process, and it is not contributing to global warming across the planet. More work is needed though regarding sun-drying in order to obtain an even better product which is less at risk from the elements."

As is often the case, not all prune production in Chile is of the same quality, but producers try their utmost to produce prunes in the best way they know how, primarily because packers pay different prices to each producer depending on the quality of their fruit. Many producers select their prunes carefully before sending them for processing. Plums or prunes which do not meet the required quality standards are regarded as surplus and are used for making juice or pulps.

By way of explanation of the industry, many packers and exporters work with prunes in separate lots, that is to say they prepare, export, and then pay the producer for his or her product. This more often than not means that producers get the best possible price for their product. Price levels, incidentally, are normally fixed by the prune producer association in the

country. Based on this price, other companies usually pay a similar amount to ensure a constant stream of product and loyal producers.

New technology

Fairer prices have naturally led to increased wealth in the industry, which has in turn led to technological improvements. Machinery used to harvest and process prunes is improving year on year and this is especially important given that manual labour is becoming increasingly hard to find and more expensive. It is now common to find machinery that shakes trees to remove the prunes, those that mechanically pit prunes, and those that automatically size the fruit. Unsurprisingly, much of the technology has been imported from California, and also France. However, as Mujica has often noticed, "the real technological improvements only seem to happen when sales become difficult; it is a way of differentiating the product and increasing sales".

In the same vein, years of lower pricing and difficult sales have served to show packers that they have to be stricter with producers and stress the need to produce a better and healthier prune, to satisfy the most demanding markets. Indeed, Chile is now seeking excellence as regards its prune production, considering it a vital way to set itself apart from its many competitors.

"Chile is already the largest exporter of prunes in the world (domestic consumption is very small)," Mujica explained. "I believe that Chile is now aware of the effort it needs to make as regards exports of prunes. Chile is looking for new markets to sell into as well as supplying its traditional markets the best way it knows how."

Chile's dried plum production is expected to level off soon, now that the re-planting of previous years is essentially completed.

Strong demand

BY JULIAN GALE

Chile has maintained decent volumes of exports of its key dried fruits over the first six months of this year, these being dried plums, raisins and dried apples.

However, in each of these categories there was a decline in overall shipments between January and June 2013 from the levels recorded in the same period of last year.

In dried plums Chile's exports slid by 9.43% to 24,743 tonnes.

Russia remained the leading destination for Chilean dried plums over the 2013 period, although its off-take was down by around 22% to 4,856 tonnes. Elsewhere in eastern Europe, Poland is another keen buyer, acquiring 2,116 tonnes over the first six months of this year, a year-on-year gain of 18%

Meanwhile, second top market Mexico raised its purchases over the first half of 2013 by 26% to 2,868 tonnes.

Germany and the UK were the fourth and fifth biggest destinations respectively, Germany boosting its acquisitions by 22.2% to 2,084 tonnes and the UK by 8.7% to 1,342 tonnes.

The volumes shipped to Italy declined by 15.4% over the 2013 period to 1,241 tonnes and those to Spain showed a steeper fall of 27% to 1,078 tonnes.

In an August 27 report

CHILE RAISIN EXPORTS (JANUARY-JUNE, TONNES)

	2011	2012	2013
080620			
UK	1607	2817	3092
Mexico	2283	2617	2751
US	2666	5151	2682
Russia	1371	2056	2387
Netherlands	1453	1296	1886
Colombia	2215	2120	1723
Peru	1203	925	965
Spain	695	689	926
Denmark	631	1010	883
Taiwan	738	464	800
Germany	1199	1215	648
France	715	528	591
Others	5540	7478	5734
Total	22316	28366	25068

SOURCE: GTIS/Chile Customs - Servicio Nacional de Aduana

Netherlands-based QFN Trading & Agency commented that limited volumes of Chilean prunes were being offered and prices were firming up further. The company envisaged another 10% increase.

On raisins, Chile's first half 2013 shipments eased by 11.6% to 25,068 tonnes. Sales to leading market the UK gained by 9.75% to 3,092 tonnes while those to second top buyer Mexico rose by 5% to 2,751 tonnes. Third largest destination, the US, reduced its off-take by 47.9% to 2,682 tonnes.

One Chilean exporter remarked that the rise in sales to the UK was mainly in Flame Jumbo raisins of

which Chile was the sole producer. Moreover, this variety and size had become one of the favourites among British consumers. He added: "Shipments to the US are down mainly because of a reduced production of Thompson select and due to the fact that prices are higher than expected. Also, prices for Latin America have been very good."

As with other dried fruit categories and origins, Russia features strongly as a buyer, being the fourth largest market for Chilean raisins and raising its volumes by 16% over the 2013 period to 2,387 tonnes.

Chile's first half of the year has been mostly successful in terms of dried fruit exports.

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Colombia and Peru were among other prominent markets for Chilean raisins, although in the case of Colombia the volumes dipped by 18.7% to 1,723 tonnes.

The Chilean exporter said: "I think we are going to be quite short (on exports) this year. The drop is going to be more noticeable in the second half of the year and I think it is going to be close to 20% down from last year's exports."

The exporter also noted that even though prices had been quite high on Chile raisins the export companies had been obligated to pay extremely high prices for the raw material, "so the ones that have taken this increase have been the farmers".

QFN Trading said sellers in Chile were focusing on selling their last inventories for September/October, and possibly November, shipments. "Then they are empty and have their back orders in the books," it added. "They can then easily produce

their last containers towards their southern hemisphere summer time as from December and get ready for the new crop a few months later. Right now those who have a position in origin are eager enough to book some business and secure their sales in a non demanding market."

On dried apple, Chile's exports were down 5.8% over the first half of this year to 2,245 tonnes. Shipments to leading market the US were up 3.35% at 930 tonnes, but those to second top destination the UK slid 29% to 203 tonnes. Third largest buyer Germany raised its volumes by 27.5% to 175 tonnes.

A second Chilean exporter observed that the main decreases in Chile's dried apple exports had been to some European countries – in the list of leading 12 markets, as well as the lower sales to the UK there was a fall of 43.6% in volumes shipped to Belgium at 65 tonnes. He suggested that this

CHILE DRIED PLUM EXPORTS (JANUARY-JUNE, TONNES)

081320	2011	2012	2013
Russia	3150	6225	4856
Mexico	2398	2273	2868
Poland	910	1793	2116
Germany	2266	1705	2084
United Kingdom	1008	1234	1342
Italy	2000	1467	1241
Spain	710	1478	1078
Egypt	602	1023	863
Brazil	1206	1809	718
Netherlands	375	581	580
Peru	393	461	529
Denmark	272	354	443
Others	5583	6915	6025
Total	20873	27318	24743

SOURCE: GTIS/Chile Customs - Servicio Nacional de Aduana

could be related to the more difficult economic situation in some countries, meaning that the demand from some industries could have slowed down a bit. "There could also be some relation with the largest crop in

Poland, making them a bit more competitive in some markets," the exporter added.

The exporter noted that another market with a significant decrease was Mexico (-48.8% to 113 tonnes).

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Quality start



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Perhaps unusually for a Chilean agro-industrial product, export sales are not the main objective. About half of Chile's production is consumed domestically. Interestingly, Chileans were not previously consumers of olive oil, but they have developed a taste for the domestic product, hence the strong domestic market.

“Our olive oil is expensive: double the price of other vegetable oils,” admits Pamela Gonzalez, project co-ordinator for ChileOliva, the industry's association. “But we are used to eating other vegetable oils. Now consumers are interested in healthy foods and more people know olive oil and are willing to try it in their cooking, and this has increased over the years.”

A 250ml bottle of Chilean oil presently retails for between USD5.00-7.00. Per capita consumption is estimated at about 500g annually, and this should nearly double to 900g within a few years.

The success of the domestic product is shown in Chile's imports of olive oil, which dropped steadily between 2005-11, and only picked up a little in 2012, probably because the population now has a taste for the product, and is willing

BY NEIL MURRAY

A big problem for Chile is that olive oil is one of the products for which a special provision is made in the Free Trade Agreement (FTA) negotiated with the EU: it is still subject to duty in the EU, because of the massive importance of olive cultivation in the giant producers such as Greece, Spain and Italy.

The olive growing area in Chile begins in the Third Region in the north, and runs down to the Eighth Region in the south. The country now has 25,000 hectares under olive cultivation, up from fewer than 5,000ha in 2005, and this area is predicted to increase to 32,000ha by 2020. Production has increased to 21,600 tonnes from a mere 1,800 tonnes in the same period, and by 2020 is predicted to be 47,600 tonnes. There are now some 50 producers in the country. Chile accounts for just 0.6% of the 2012 global olive oil production of 3.4 million tonnes: the EU accounts for 71%.

Right from the start, Chile has concentrated on producing top quality oil, rather than enter the bulk market, which is very commoditised and price-dependent. At present, some 90% of its

production comprises extra virgin olive oil. One way of highlighting the quality of the product is to ensure that it is packed in glass



Chile's fledgling olive industry is growing fast. The industry made the wise decision to start with top quality products right from its inception.

to experiment with imported oils (or possibly because demand is now starting to outstrip supply).

Of the rest, the main market is the US for bottled product. Some bulk olive oil is exported to Italy and Spain and blended there with domestic production. Chile hopes that the recent decrease in Spanish production will open more doors to Chilean products – the common language may help here.

The business has attracted experts and entrepreneurs. Cultivars have been imported from Spain, Italy and Greece. Now cultivars are being developed in Chile but the country does not do any genetic research – the industry is really too small and too new for that. “We only study the products,” says Gonzalez.

Having started with the Arbequina variety of olive, Chile is now introducing other varieties such as Arbosana, and from Italy,

Frantoio, Picual and Koroneiki. Chile uses high density plantings and the trees work very well with high-tech extraction techniques. In Chile, the olives are ripened and processed within 24 hours of picking, and the oil mills are usually sited in the same farms that grow the olives. Chile does not use co-operatives to process the oil (like France, for example), but tends more to the Italian style of processing.

Chilean olive producers also reckon that they use more technology in extraction than their European counterparts, and this related to the fact that many producers have prior experience in the wine industry and so are used to employing the latest technology.

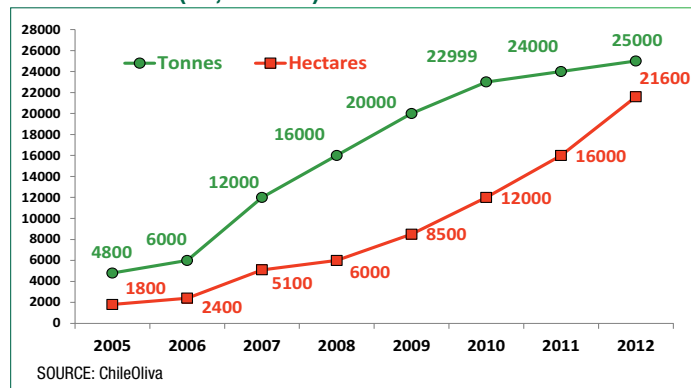
Chile’s reputation for reliability has spread to its olive oil. The European industry is (unfortunately) riddled with fraud, and buyers of Chilean product know that what they are buying is

exactly as described. New requirements have been introduced for the chemical and organoleptic qualities. And Chile has a national laboratory recognised by the Ministry of Agriculture, Livestock and Supply (MAPA) of Brazil to analyse samples for export to Brazil. This laboratory incorporates a tasting panel that has already been recognised by the

International Olive Council.

The domestic industry will continue its work to raise awareness in its core product in countries like the US and Brazil, and intends to strengthen its skills in olive oil production and extraction, incorporating concepts and sustainable production practices and efficient use of the available resources.

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Rapid expansion

BY JULIAN GALE

A well-placed industry expert told *FOODNEWS*: “The whole nut and dried fruit industry is growing very fast. We are forecasting USD1 billion worth of exports for the full year 2015, comprising prunes, walnuts, hazelnuts, almonds and raisins.

“We have become a very important player in the international markets and we are working as an industry in order to position our products worldwide.”

Prunes

The prune industry in Chile today has more than 14,000 hectares planted, mainly in the country’s central area.

Chile is currently the largest

exporter of prunes in the world, with shipments to more than 70 countries in the five continents.

In the 2012/13 season, Chilean prune exports reached record levels of 76,744 tonnes. The current season (2013/14) has been challenging because the crop was very low at 50,000 tonnes, mainly due to climate issues, especially fewer chilling hours and high temperatures during the blooming period.

The current season to July has seen exports increase to Mexico, Germany and the UK. That was mainly given to advance purchases, made in anticipation of reduced supply.

Last year Prochile and the industry launched the sector brand ‘Prunes from Chile’, which today has been positioned

in several markets, such as the Middle East, China and Mexico.

Walnuts

Currently, Chile is the leading exporter of walnuts in the southern hemisphere and the third supplier worldwide. The country has the highest international standards for harvesting and processing of walnuts, which enables the export of its products to several different international markets in the five continents.

The production increase in the second part of the decade, with an annual growth of 15% as an average. Chile has more than 30,000 hectares planted, and is now close to 40,000 tonnes of output.

Chile has the great advantage of having natural conditions to

grow walnuts and high quality standards. In addition, Chilean walnuts have a great flavour by virtue of the fact that they are not bitter, a lighter colour and long shelf life. These are unique attributes that made the Chilean walnut so well positioned worldwide.

A new quality standard, drawn up with the aid of ProChile, allows the positioning Chile as a premium walnut supplier.

The top three markets in the 2012/13 season were Brazil at 8,087 tonnes, Turkey at 5,796 and Italy at 3,990 tonnes.

Production in 2013/14 was forecast to reach 41,000 tonnes. The main sales increase seen so far is the Middle East with its main distribution hubs. Until July, the country had achieved nearly a

CONTINUED ON PAGE 38



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The UK is the toughest

BY NEIL MURRAY



It is surprisingly easy to forget that Chile's wine industry is young – at least as far as world markets are concerned. Wine has been made in the country for some centuries, but it was almost all consumed domestically. It is only relatively recently that Chile, export-minded as always, has offered its products to the world.

European vines were brought to Chile by the conquistadors and missionaries in the 16th century, but during the Spanish rule, wine production was hampered by a ruling that Chile should buy most of its wines from Spain. Combined with a 17th century ban on imports of Chilean wine into Spain, the nascent wine industry was severely damaged.

Chileans mostly ignored the production restrictions, preferring their own wines to oxidised wines that had suffered from the long journey from Spain. Peru suffered similar impositions, and turned to making pisco instead, with the result that the Peruvian wine industry literally withered on the vine, and is only now beginning afresh.

Despite its close ties to Spain, Chile borrowed from France for much of its wine expertise. French wine grape varieties were imported and planted. Those who think that Chile's signing of free trade agreements is a recent

phenomenon ought to consider that the country nearly signed one with Argentina before the First World War, to export its wines there, but the plan failed at the last minute.

In the late 19th century, Chile exported wine to Europe, and it was well received. Some premium wines won international awards. But after the Second World War, interest in Chilean wine slumped, both at home and abroad, and the low price of grapes meant that up to half the country's vineyards were uprooted.

The wine remained mostly low quality stuff until the 1980s. Then, relaxation of bureaucracy, relief from high taxes, and the interest of the government in promoting this industry meant that Chile took advantage of the latest technical developments in wine making, and quality improved. Exports to the US started. The wine was still mostly sold on price, but it was good enough (and well-priced) to attract custom. When Chile returned to democratic government in 1990, this renaissance gathered speed.

Wines of Chile is the organisation that promotes the quality and image of Chilean wine throughout the world. It has offices in Santiago, London, and New York, as well as

representatives in Canada, Brazil, Europe, and Asia. Wines of Chile also works closely with ProChile to develop and offer promotional and educational programmes in Asia, Latin America and Europe. Wines of Chile's 93 member wineries belong to Vinos de Chile and represent 90% of Chile's bottled wine exports.

Wines of Chile has divided the world into various geographical areas and adopts slightly different strategies in different markets, to cope with regional market differences. Alvaro Arrigada is the European area manager for Wines of Chile. In Europe, he says, his brief is to promote bottled wine in Europe and take care of the trade fairs.

"Our goal is to promote premium bottled wine, because we want to get up there with the image of that product," he told *FOODNEWS*. "We have several activities. We choose some markets and in that market we choose some activities and with that, we have some help from Chile. The vineyards involved also participate."

Wines of Chile has long participated in the London Wine Fair, but this year, to its surprise, found itself the only New World wine exhibitor there. "The UK has been a very tough market," admits Arrigada. "The average price is lower than rest of Europe, at around USD22-25 fob for a case of 12. The average price in the rest of Europe is USD29-30/case. We have found that the UK is very good on the 'first' price of bottled wine, which competes with bulk wine, and that is why in UK it is difficult."

In short, Chile entered the UK market (and, to be fair, other markets) with low-priced bulk wines, and moved swiftly onto low-priced bottled product. The downside of this is that first impressions die hard, and Chile has long been associated with cheap – but highly palatable

The toughest market, that is. Tougher even than quality-conscious Japan. Chile is adopting different strategies for its different wine markets around the globe.

– products. Now the country is producing some sensational premium wines, from names like Lapostolle, Las Niñas, Montes Alpha and Encierra, but it is not an easy task to persuade consumers, in a highly price-sensitive market, to trade up. For premium wines, consumers feel safer with products from France and, to a lesser extent, Italy.

“Arriagada acknowledges this. ‘If you say: ‘my wine is of high quality and we want it to be treated as a premium wine’, consumers immediately say: ‘above that price I would choose wine from another country’.”

“I have been in the wine business for about 20 years and the problem of the wine business is that we have different segments and they need to be settled very carefully. If you have one segment, and you want to sell in another segment, you can get into big trouble. Sometimes what happens, especially now that we are in a very big crisis, is that you have medium-sized wineries and you have local products, but they are not large enough nor strong enough in one particular product, so they find that clients squeeze them very hard.”

This sounds like an accurate description of the UK supermarkets.

“You have the bulk wines, and you have the first price wines, and the UK is so concentrated in the hands of the supermarkets that consumers take this as ‘the price’. They are not going to buy something expensive, so you have to have good quality and very low costs. So you need to be a large company and have huge volumes.

“Sometimes you have to look at your cashflow, rather than your business, and then you are not in a good position. The strong peso affects bulk wine and first price sectors. For these sectors, in the long term, it is not a good idea to say ‘yes’, but you may be obliged to.”

Exchange rates are an issue for the wine industry, as they are for practically every Chilean exporter. A decade ago, the pound sterling was worth about 1,000

Chilean pesos. Now GBP1.00=CLP760.

Other markets

Chile tackled the rest of Europe in a slightly different manner. Rather than go in at a very low price, and endeavour to build on that, in Continental Europe, Chile entered markets at a medium price. With hindsight, this has proved to be a sensible strategy.

“What I’ve seen is that the UK has very good communication between buyers, so is quite strong in that, but it’s different when you go to sell to other countries. In South Korea, for example, the average selling price is double that of the UK. “Obviously it’s not the same product but it means Korea has accepted those products, but when you try and obtain this higher price in the UK, they say no.”

On the other hand, Chile has been quite successful in building a ‘Chilean brand’ with its wine, and Arriagada acknowledges that, observing that while the country has been making wine for four centuries, almost all wines were commodities, and the bottling industry has only really expanded in the last two or three decades and it is very recently that the ‘Chile, the brand’ has been recognised.

“The image of Chile has been done with the product itself. We don’t have an issue of people saying: ‘I will buy Chilean because it has good clothes, music or sportsmen. We have created an image with the wine.’ Interestingly, other sectors of the country’s food and beverage industry acknowledge this phenomenon: one thing that seems to have stuck firmly in the heads of consumers (especially in the UK) is: “Chile – they make decent wine there.” More lately, earthquakes and trapped miners have also raised awareness of the country, but rather less profitably.

Chile doesn’t promote bulk wine in the Chinese market, but when there is an opportunity for bulk wine the growers and traders do it anyway. In China, Wines of Chile is trying to promote high price bottled wine. “There is a lot

of wine that has reached a good average price and the market has grown quite fast and everyone is putting their money there. The rest of Asian countries have completely different growth rates. Japan has started to grow a lot in recent years, especially in sparkling wine.”

Surely the Japanese market is incredibly quality conscious? “That’s what I thought at the beginning,” admits Arriagada. “But the toughest is still the UK. For the price they pay, they ask for very, very high quality. So the quality for the UK market is *very* high, and the rest of the world is easy.

“My concern when I make wine is that we are selling more than just alcohol. We sell stories. We are just safe guys in Chile. We are a little bit boring...” This self-deprecation appears very common in the country. Chileans look pleasantly surprised when you assure them that, really, their country is considered extremely important in a number of aspects and products.

Communication

Where the wine industry scores over most other sectors of the Chilean food and beverage industry is with its communication. By and large, it is well organised, professional, and communicates its message very effectively. Arriagada reckons that it is the only food and beverage industry that does this very well, because it is the only industry that is ‘branded’. He has a point.

Following the example of countries like the US and especially France, which has many, many decades of experience here, Chile is starting wine tourism. In the Colchagua Valley, and elsewhere, roadsigns have sprouted in the last few years, highlighting the ‘wine trails’. The boutique vineyards are appearing on tourist itineraries. This part of the business is very much in its infancy, but it can only grow.

Prochile is aware of wine tourism, but is not yet particularly active in it. That will probably

change. “We need to promote wines and we need to use this tool that is tourism,” affirms Arriagada. “But normally this tourism is done with other companies. We are trying to promote wine tourism because we think we can promote the wine industry and it is something we are developing. We want to promote wine tourism with food, but *gourmet* food.

“The salmon people promote salmon but it is still a commodity. Apart from Colchagua (the best developed wine industry area that we have) it is very difficult to find vineyards for tourism.”

Meanwhile, Chile’s wine industry continues to expand. The Leyda Valley wineries are now about a decade old and the quality is excellent: it has made incredible progress in such a short time. “We are learning how to grow much faster,” explains Arriagada. “Which kind of grape to grow in each valley, for example. In our first decade we were just wine producers but we planted everything. Now we are being more specialist and we have zones that are designated for certain wines.

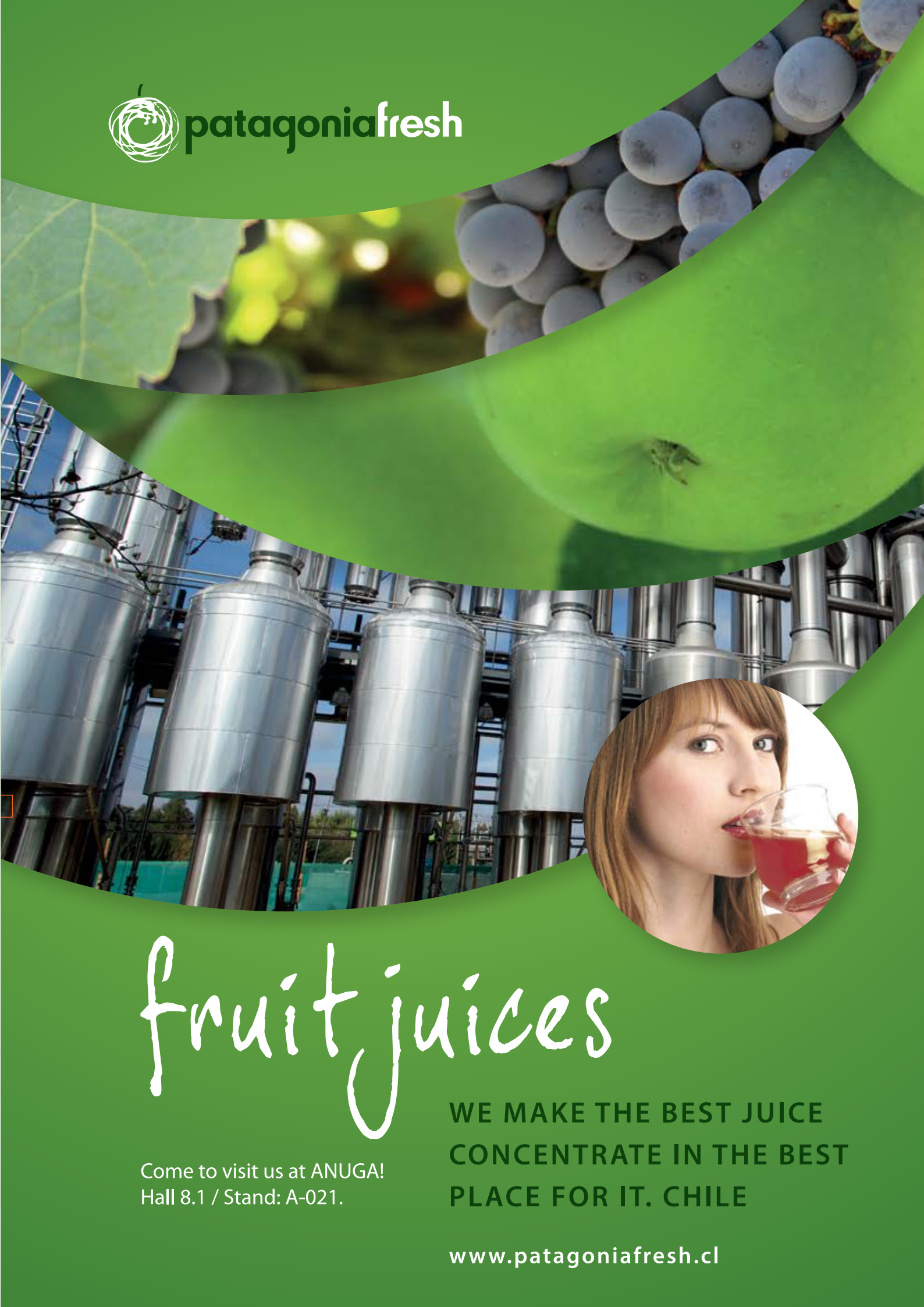
“We have wines from Atacama. We are learning what we need to plant in the Andes, between the two cordilleras, and what to plant on the coast. We are even planting vines in Puerto Montt (Riesling-type wines, apparently).

“It is still a trial, but we are discovering new places.”

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50% rise in shipments to Turkey and Dubai. In addition, sales have further recovered in Europe, particularly Germany and Italy.

This year, the efforts of the industry have been focused on the new walnut quality standard, developing new markets (last year Chile got approval from Korea and this year it is close to getting that of China) and the new sector brand ‘Walnuts from Chile’, with a presence mainly in Europe and Asia.



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