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Interview with Chilealimentos president Alberto Montanari.
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CHILE 2015
SPECIAL SUPPLEMENT



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CHILE

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NEWS FROM THE END OF THE WORLD

It is once again that time of year when we are publishing our special supplement on Chile, the locomotive of the Latin American railway.



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If you are wondering why *FOODNEWS*, year after year, throws itself into the Herculean task of pulling together a comprehensive outlook of that narrow, long country that sits at the end of the world, we have more than one reason to give.

Chile has undergone what one of its governmental associations, ProChile, described to us as an “agro-industrial revolution”. This is no overstatement: the country’s food and drink industry has seen growth of such a scale that others can only dream of.

Chilean foreign trade took off, leading agri-food exports to become today the second-largest export industry in Chile after copper. Not bad for a country whose domestic market can count on a mere 17 million people nationwide (for comparison, Bangkok alone has 15 mln inhabitants).

While travelling from one corner of Chile to another earlier this year, *FOODNEWS* saw first-hand the technological development of local companies, the state-of-the-art facilities for processing, packing and storing goods. All this is expanding as we speak.

Infrastructure has been the backbone of this progress. With the country being ‘at the farthest edge of the world’, locked between the ocean on one side and the longest continental mountain range on the planet, the Andes, on the other, you may be forgiven

for thinking that logistics is not Chile’s forte.

And yet, the country built all it needed to support its exporting industry. Its road system allows swift delivery of goods to the country’s coasts, and efficient harbours and competitive freight do the rest.

At the same time, the limits of the existing infrastructures are starting to be seen. At this growth rate, in not too long there will be too much cargo around for roads and ports to handle.

Our sources are concerned about the need to increase port capacity, in particular, to avoid creating a bottleneck to the expanding trade.

Governmental action will be crucial, from now on, to draw an efficient plan to improve existing structures and built new ones nationwide. Central coordination is vital to the success of the project.

Another area where the Chilean government will have to step in with its full weight is climate change: unstable weather patterns, flash floods and drought have been affecting the country at an ever-growing pace. Authorities have to acknowledge this: climate issues are not going to go away. Agriculture is being affected, and the industry as a whole – as you will read throughout this supplement – is calling for action.

Then there are currencies, organics, market trends and opportunities, all in these pages. Enjoy our Chile Special Supplement 2015. ■

SELLING FOOD SAFETY



Vertically-integrated grower and frozen berry processor Frule is pushing on technological advances in automation, expansion of own farms and sourcing abroad to maximise its production edge.

“The main issues affecting Chilean frozen processors now are fruit supply, labour and energy”

BY DAVIDE GHILOTTI

“Today you sell food safety,” said export manager Juan Pablo León to *FOODNEWS* at Frule’s plant in Curicó when asked how his business has changed over the years. “Traceability has to be total.”

To achieve this kind of food safety profile, Frule has set up the business as a vertically-integrated operation. Currently, 350 hectares of farmland are owned by the company, planted with strawberries, blueberries, cherries, raspberries, apples and boysenberries. Plans are to increase that to “at least 500ha”.

Food safety is crucial when serving the retail sector, in

particular, where the company generates 30% of its revenues, with a further 50% of the business in foodservice, and 20% in industrial production.

Frule has the capacity to process 200 tonnes of fruit per day, or 20,000 tonnes per year. It also has storage capacity for 12,000 tonnes. “We have enough capacity to increase production,” said León.

Visualise the problem

The main issues affecting Chilean frozen processors now are fruit supply, labour and energy, according to León.

“In crop time, we kill each other,” he said. Due to the presence of over 100 processors active in the country, farmers

often tend to hold on to their produce before selling it, to maximise their sale. Competition is severe.

The raspberry crop in Chile is falling, hindered by low yields, cross-contamination and decreasing quality. According to León, “in raspberries, we have to change our mentality, because quality is not there”.

Availability is also dependent on the fresh market. Blueberries went mainly for fresh sale last year, due to their quality profile, making volumes for IQF low. Nevertheless, the perspectives for that market are good, as they are for Chilean strawberries due to lower production in the US following drought: “Blueberries will be good. Strawberries will be a big thing [this year].”

Labour is a growing concern for processors. Availability of workers in Chile is becoming scarce, and the cost is increasing. Workforce is increasingly sourced in countries such as Peru and Bolivia.

To bypass this, companies are investing in technology and automation: “We are buying sorting machines and harvesters from the US. We have to put technology to make up for the lack of hand labour.”

Energy is another pressing point. Electricity, in particular, is getting more expensive, which is affecting the costs of running factories.

Find solutions

Currently, Frule’s orchards cover 20% of its raspberry needs, while the remaining 80% is sourced from the market. The firm is expanding its farmland to avoid battling for raw material with fellow processors.

More acreage is being devoted



“You need to invest in this business. If you don’t invest, you are out”

to raspberries and strawberries mainly, but also blueberries and blackberries. A special focus will be organics: “Organic is the next step for us. We have organic farms but supermarkets press you to supply organic. You need to offer it to get the deal.”

The new raspberry orchards will be planted with a new variety of Heritage that offers better yields, up to 65% higher according to León.

Another answer to the raspberry issues comes from Mexico.

The firm sources large volumes of raspberries from the central American country, where it has a business alliance with fresh fruit packer Driscoll. The latter controls a large share of the US market for fresh raspberries and is a key ally for Frule, supplying all its fruit volumes that are not being sold as fresh as raw material for freezing.

On top of that, Mexico grows tropical fruit, mango and strawberries. Frule imports bulk frozen mango and tropical fruit as block frozen, and re-processes

it in its Curicó plant to do slices, chunks and other products for the final buyer.

To exploit the edge Mexico can offer, Frule has set up a processing plant there, which started operations this September. The site will mainly process mango and strawberries as IQF, dices and slices.

“You need to invest in this business. If you don’t invest, you are out.”

‘The future is bright’

León is confident about the state of the market at this point in time: “Demand is always there. I’m not afraid about the market. I’m afraid about internal issues in Chile. The future is bright because the market is big.”

Several of Frule’s export destinations are showing growth potential. In Asia and Oceania, South Korea, China, Japan and Australia are growing, while in the West the main opportunities are in Canada, the US (“it’s always growing”), Germany and Denmark.

It is a different story for India, Dubai/UAE and MENA. There, León said that the opportunities these places harbour are hindered by the lack of the necessary logistics: “There is no cold chain from port to supermarket. I’ve tried many times, but the logistical links you need to sell frozen berries there don’t exist.” ■



SHELLING OUT

With prunes, raisins, walnuts and almonds in its portfolio, Frutexsa is the leading DFN exporter in Chile. Walnuts are now the main commodity due for expansion, while the markets for prunes and raisins are expected to remain stable but profitable.

BY DAVIDE GHILOTTI

Despite starting off as a prune and raisins business, the growth of Frutexsa as of the latest years has largely been on its third main product: walnuts.

To accommodate expansion plans for the nut, the firm designed an investment plan that has been carried out for the last five years. This included planting new orchards and setting up a processing factory in Buin.

“With this [investment], we’ll increase our walnut production by 300%. Last year we operated the plant for the first time; this year we are working at 30-40% capacity and, by 2017, it will run at full capacity,” Frutexsa’s chief executive, Javier Plaza, told *FOODNEWS* at his office in Santiago.

The strategy to boost its nut output was drawn from the realisation that Frutexsa’s two core commodities, prunes and raisins, offer less room for manoeuvre given the state of the market in Chile and the output capacity of the country.

The firm started its business in prunes, on which it laid its foundations. With a yearly output of some 12,000-14,000 tonnes Frutexsa is, together with Prunesco, the largest prune exporter in Chile, as per customs data from the first half of 2015.

Its own plum orchards supply 20% of the volumes, with a further 60% sourced from associated growers. The remaining 20% is bought from independent farms.



Raisins is the next core commodity, with a processing capacity of 10,000-12,000 tonnes per year. With such an output, Frutexsa is the country’s leading raisin exporter: 95% of its production is sold abroad, with minor volumes distributed domestically through a controlled company.

For both commodities, the market does not allow further expansion for the time being, according to Plaza: “In prunes and raisins we already have a market share that would be tough to expand. Volumes of prunes have increased, and we’ll grow our output but not by much. And in raisins it is equally challenging. Chile does not have grape production specifically for raisins: these are made with volumes that are not suitable for table grapes.”

Almonds is the fourth product the company handles. It currently accounts for 8-10% of Chilean almond production, and has no plans to increase it.

The volume of the four commodities as a whole – processed at the firm’s two plants

in Buin and Calle Larga – makes Frutexsa the leading DFN exporter in Chile.

The firm sells to some 60 countries. Latin America and Europe take an equal share of exports, followed by Asia. The latter is growing, chiefly for walnuts. Destinations such as Japan, South Korea and Taiwan, among others, harbour attractive opportunities for the walnut trade, as well as the Middle East and North Africa for the whole DFN offer.

“There is strong scope for growth. There is demand for Chilean product, and in some of these [places] we are still entering the market. There is a lot of development to be done, particularly in Japan. Establishing a presence takes years.”

Healthy market

To take walnut processing to the next stage, the company is aware that it needs to develop mechanised processing.

Hand processing will continue to an extent, but it is expected to decrease in the coming years as labour becomes more expensive, and investments will be devoted to mechanisation. Chilean output will then be going head-to-head with Californian production, which is also mechanised.

Also due to technological efficiencies phased in, Plaza believes Chilean walnut production could grow significantly in the coming years, up to 80,000-90,000 tonnes.

Drivers of the expected increase are lucrative returns for growers and a strong global market, whose hunger for walnuts

is steadily rising: “I believe global production will increase because demand is increasing. We are going to plant a lot.”

Walnut farming remains a good option for Chilean farmers, according to the executive, due to remunerative export prices.

The market at the moment is characterised by strong demand across the board. Opportunities are there for grab, both domestically and abroad. Internally, Frutexsa is looking into developing new lines of breakfast cereals with DFN items as ingredients. The project is still at an early phase, but the prospects are positive.

All in all, the market is healthy, and prices have been moving from stable to high depending on the commodity.

Walnut prices have been “way better than what was expected when the trees were planted”. The market is thought to slow down somewhat as offers have been “too good” as of late.

Prune prices decreased somehow this year, but the business remains profitable, while raisins have been characterised by general stability.

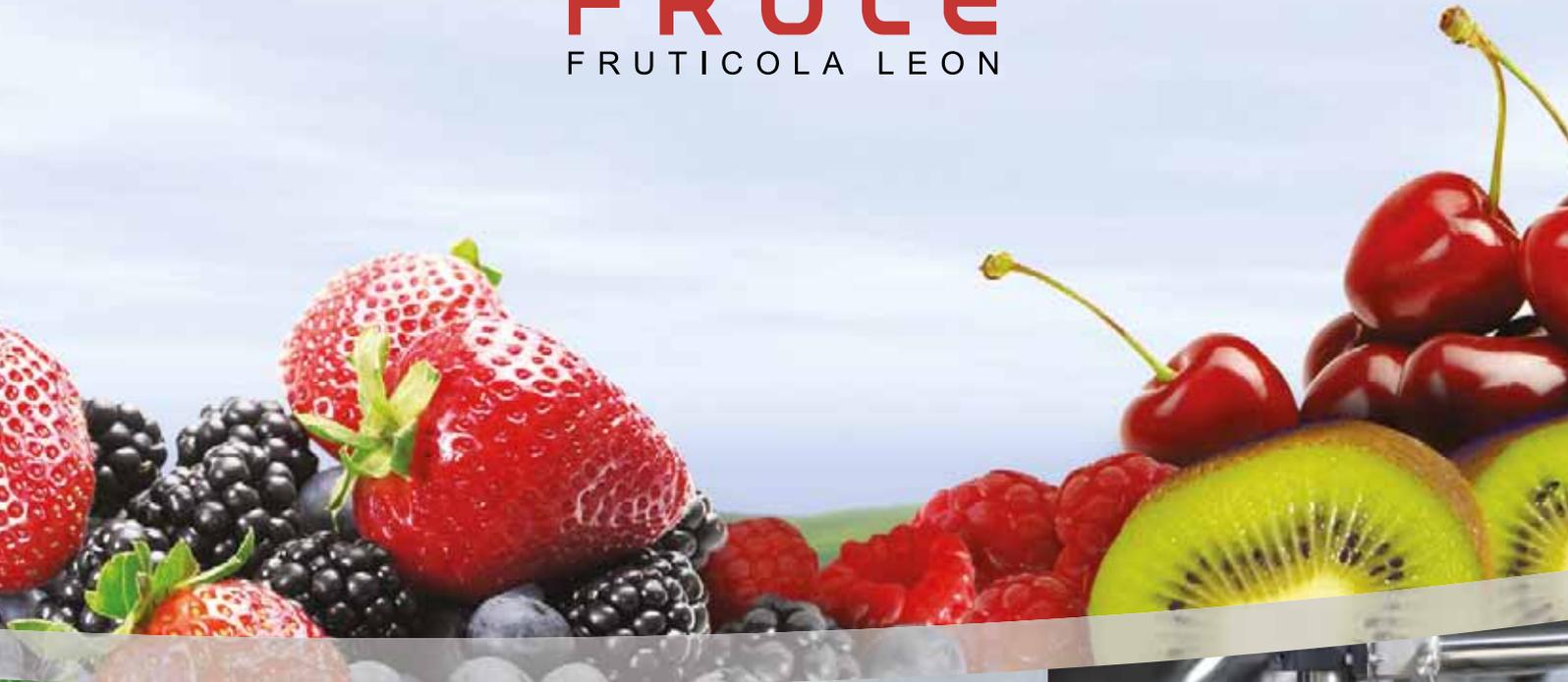
Plaza reckons that, even when all plantations being set up at the moment will reach full bearing, they will not create a glut in supply.

“Even with the volumes that are being planted in walnuts, prunes or almonds, I believe this will remain an attractive sector. Dried fruit and nuts are going through a good phase,” he said.

“This is still a market that works, and it’s going to stay like that for years to come.” ■



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COMPETITION IS KEY TO IMPROVEMENT



The canned peach market may be in dire straits but Aconcagua Foods, with the largest peach canning plant in Chile and the sixth-largest in the world, is equipped and willing to hold its ground while it expands capacity and versatility.

BY DAVIDE GHILOTTI

Roberto Murphy, general manager at Aconcagua, is clear about the company's core task in the peach market: "We have to be competitive with the Greeks' low prices; with costs, quality and availability," he told *FOODNEWS* from his office in

Buin, south of Santiago.

The largest canned peach origin, all eyes have been looking closely at Greece for most of this year. The country is still not out of trouble, and the economic turmoil that took it to the edge of financial apocalypse gave a degree of uncertainty to all its competitors

as to what local companies would do.

The industry may be global, but it is against Greek processors that Chile must measure its potential.

"We are, to some extent, competitive. They were running low prices recently, with the situation they had. It's very hard to compete with them, but it must be done. We have to be competitive, no matter what," said Murphy.

It is easier said than done. In Europe, he admits, Chile has "no chance". Greece holds the majority of the market and, for reasons of costs and proximity, any other origin trying to get there will have a hard time to be competitive.

The aggressive strategy of Greek canners, however, is leading them to expand into Latin American destinations. This is an altogether different issue for local companies.

"They are now active in Latin America, in all of the nearby markets. They had a lower crop this season, and we'll see [how this will shape] their behaviour in Latin America with volumes and prices."

Besides that, the Latin American market has had difficulties of its own as of late due to internal issues of specific countries, mainly currency-related. This has made imports more expensive. According to the executive, the region may experience some shrinkage due to those issues and Greek competition, although Chile remains traditionally strong there.

"These markets won't increase unless they grow in GDP, which does not seem to happen at the moment."

Roberto's sights are also set on the other main competitor globally: China. There also, "we'll have to compete with the Chinese as much as we can".

Chile

Chile has had its share of trouble. In 2013 there was the frost, and the following year total output decreased by some 20%. Lower fruit available led to higher prices. This favoured competitors who were able to gain market share in some of the destinations where Chile is historically a primary supplier.

Murphy is positive that the situation will improve: “We have had a good relationship with our buyers, and we will get back there. We have to adjust to cost and prices.”

There are some bright sides too. For one, the booming fresh fruit market in Chile is giving no headaches to the processed industry. For canning, fruit cocktails and peaches

remain the largest by far.

And a number of markets are showing hopeful signs: demand in the US and China is increasing for some fruit varieties, and Chile grows some of the South African varieties too.

“In terms of volume, the US is to target,” Murphy made clear. To do so, the company is gearing up big time to step up its reach in that direction.

Investments

Parallel to regaining ground on the canned peach market, Aconcagua is strengthening key sides of its business in order to better supply main destinations such as North America.

The company is growing its

freezing capacity, and has made improvements in its peach processing lines to increase the capacity for peach slices. A new slicing line has also been added.

The company is expanding its freezing capacity three-fold, to meet growing demand from its customers: “We are increasing capacity, expanding productivity.”

All in all, it appears Aconcagua’s best form of defence is offence.

“Our company strategy is set on growth,” stated Murphy. “This is not a year when we are not growing. We will be trying to recover our market share in those markets where we have lost price competitiveness in the past years.” ■

“This is not a year when we are not growing. We will be trying to recover our market share in those markets where we have lost price competitiveness in the past years”



A WORLD IN POUCHES

Interview with Fruselva America's chief executive Javier Hernández Arce

What is Fruselva's core business?

"We are a co-manufacturing company that produce private label for companies that want to launch their products in pouch formats. We have a wide range of products, from fruit and vegetable mixes to dairy, cereals and other lines such snacks, desserts, puddings and jellies.

"We are focused to develop any products that you can find in any other formats and make that into pouches."



gives opportunities to the companies to easily reach this market.

"In stable markets, customers are looking for new products. This is one of the services we give to customers. We cooperate with the customer from the beginning to the final production."

Has the weak peso helped your business?

"We are focused on exports, and we can offer very competitive conditions to our customers, mainly for our conditions of one of the main players in pouch co-manufacturing."

Where is Fruselva investing at the moment?

"We are investing to increase our packaging capacity next year which will bring us to double our total capacity, and continue investing in R&D to develop new products for our customers. ■"



How is your company structured?

"We have one factory in Spain (Headquarters) and another in Chile. From Chile our main markets are North America and Latin America."

What are the main drivers of demand for pouch products?

"In developed markets it is convenient and trendy. It is an on-the-go product, and kids like it because they can eat it by



themselves. It is versatile, particularly for fruit purées and baby foods."

How are your markets developing?

"For pouches, the largest markets are the US and Europe,

"In stable markets, customers are looking for new products. This is one of the services we give to customers"

where it is more developed.

"Demand is growing now in Latin America. Chile is one of the countries with more pouch products on the market, and others countries in the region are following this trend. The growth of the category is slow, and working with a co-manufacturer as Fruselva



FROM FARM TO FREEZER

As the trading and commercial arm of frozen processor Valle Frío, JCP Foods has been spearheading the processor's growth of the business in its two years of activity so far, almost doubling its revenues in the process both in bulk and retail.



BY DAVIDE GHILOTTI

Since JCP's inception in 2013, Valle Frío's revenues increased from USD20 million to USD35 mln across all business lines. Before JCP came along, the firm handled mostly bulk production: now 70% is in retail and 30% in bulk.

"We grew 30% in volume and 75% in sales in two years," said Cristián Stewart, executive director at JCP.

Asked about why JCP targeted the retail sector, Pablo Herrera, commercial director, said: "You can have more stable business in retail, have a closer relationship with companies and better margins, but you need to do a lot of investment and thinking. You

need to have better controls; the thinking needs to change."

The retail business has proved successful for JCP/Valle Frío so far.

"The bulk of demand comes from supermarkets, and we expect even more growth there," he said.

Supermarkets, he added, are expanding the space allocated to frozen fruit. From what used to be 1% of the total frozen space allocation a decade ago, today almost 3% is for frozen fruit, and retailers want to push that further to 5-6% in the next few years.

Valle Frío has proved able to handle the evolution towards retail well, chiefly thanks to its vertically-integrated structure.

With 500 hectares of own farmland planted with berries, owner of Valle Frío Juan

Sebastian Moreno has 40% of its needs covered. Additionally, Valle Frío is expanding orchards in raspberries, blackberries, blueberries and strawberries. Total processing capacity stands at 10,000 tonnes per year.

The company is investing both in farming and processing. On the farm side, it is adding two harvesting machines for raspberries and blackberries, as well as equipment to help with the strawberry harvest, although this will remain hand-picked for now.

Challenges and opportunities

"Sourcing [raw material] is an issue: we all fight for the same volumes," confessed Stewart. "But if we can't get enough of the volumes we need from growers in Chile, we import from

abroad, process here and re-export. We import from South and North America."

Currently, 20% of total production is organic, although, as the executives put it, "growing organic in berries is tough". Demand is growing faster than supply, and raw material price is expensive. Margins are higher but the cost of the fruit at field stage is much higher than conventional.

Handling own orchards, they claim, is the most effective way to control fruit costs.

In Chile, strawberry production has remained flat while raspberry has fallen. The main growth is in blueberries and blackberries.

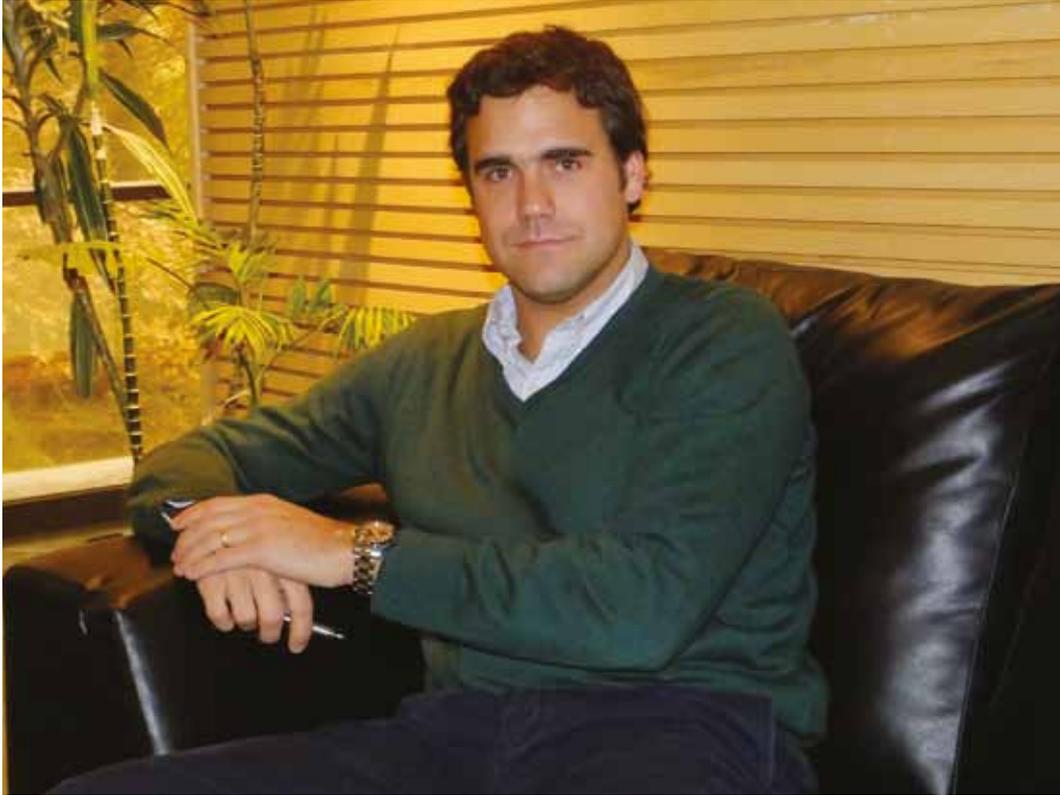
Raspberries are the main cause of concern at the moment, although the firm has a number of fruit programmes in operation to avoid being too reliant on one fruit. "We sell all different fruits. Thus, we have a higher degree of flexibility to switch from one product to another according to availability and prices, because we will be on the market anyway," said Herrera.

Both executives believe this is a good time to be dealing in frozen fruit.

The global frozen fruit market has been growing at rates of 10-15% per year, crucially due to increasing demand from health-conscious consumers. "Demand is growing more than the supply," they added.

North America – US and Canada – is JCP's core market. It has a presence in Europe but has not seen particular evolution there. Growth is expected in Korea, Japan and Australia. ■

PURSUING ADDED VALUE



Active in dehydrates, juices, purees and frozen fruit and vegetables, Invertec Foods has maintained a hold on its core lines while at the same time extending its grasps to the growing sectors of organic, snacks and frozen fruit. Its general manager, Carlos Correa, told *FOODNEWS* how this all came about.

“Healthy snacking is growing. There is a lot of attention for these products. We started packing apple chips for snacks four years ago, and we are now adding more flavours”

BY DAVIDE GHILOTTI

Added value is an unavoidable term to describe what Invertec does: “We look at niche markets. We have commodity products in our portfolio, but our strategy has always been to push the niche, not the big commodity things,” said Correa in the company’s main office in Santiago.

The firm has its origins rooted in bell pepper growing and processing, as well as dehydrated apples. The vertically-integrated structure of the two items has been the basis from which all other ventures have been pursued.

Today, the three main businesses are roughly split between three core markets: north America, Europe and Asia.

Frozen and other investments

About eight years ago, Invertec first branched out in the frozen business. This is the company’s youngest business unit, and was initially focused on bell peppers, which was part of the existing business. This was then followed by a line of tomatoes and fruits – blueberries and apples.

To process such diverse products, state-of-the-art equipment is a must. Invertec has machinery to air-dry the produce before freezing – a process called dehydrofrozen, or optimum

moisture production.

Through this process, the water is removed from the tomato while preserving consistency and flavour. This solution is particularly attractive to foodservice customers: “For things such as pizza toppings, when you defreeze the product you don’t have a lot of water. We are doing well in that particularly in foodservice, with 1kg bags.”

The company is also promoting ready-to-eat frozen vegetables in the US for industrial/foodservice use.

As part of its expansion strategy, Invertec has invested in a retail packaging line for conventional and organic blueberries, in frozen and dehydrated form, aimed at retailers.

New trends, new products

The company has been brewing several things at the same time, one of this being ingredients for snacks. Following the stellar growth of this sector across the board, Invertec has developed specific products to supply locally and abroad.

“Healthy snacking is growing. There is a lot of attention for these products. We started packing apple chips for snacks four years ago, and we are now adding more flavours: apple/cinnamon, apple and other fruit, blueberry, strawberry, to have [more options] on top of the main flavour,” Correa said.

The main market for this line is Chile, serving foodservice but also schools, canteens and retail. The firm is now starting to export the range to other markets in Latin America for private label, such as Mexico and Peru.

In the juice business, Invertec was among the first in developing vegetable juices: “This is a big thing. We were the first in Chile to

produce vegetable juices (bell pepper JC) for the Japanese market. We are now in the US market, and looking at Europe.”

Low calorie content and health aspects are the main drivers pushing vegetable juices, according to the executive: “We can [make these] with the existing line, doing less grape juice and more cucumber, courgette, lettuce for blending purposes,” he said. “We are active also in red fruit juices, with cherries and berries.”

The challenges

With such a portfolio of items, there are clear challenges the company is aware of.

For one, organic raw material is hard to secure. This is due to lower availability overall in Chile, as well as high competition. The firm gets around that through own production and stable contracts with farmers: “We are growing

organic bell peppers with own orchards and contracted farmers. In fruits, we contracted farms for organic blueberries and organic dehydrated apples.”

Organic juice purées is in a similar situation: “Availability of raw material is low, so we haven’t pushed it much so far.”

As regards blueberries, this year’s crop was “not so good” for frozen processors, according to Correa. Weather conditions were very favourable with no rain in the summer, and the fruit was “excellent for the fresh market”, with lower volumes sent for processing.

Some of the original products of Invertec’s portfolio are slowing down. It is the case of dehydrated vegetables: jalapeño, flakes, granules and powder, which are sold as ingredients. Production has moved to Mexico, for a simple reason. With the US being the

main buyer of these, Mexico can offer a logistical advantage.

On the juice side, demand for grape juice concentrate is decreasing: consumption has moved towards other juice types, and the awareness about sugar content has added further pressure. “Grape is sweeter than other fruits, so it’s more affected than other juices,” reflected Correa.

“Some products are declining, so we are replacing those with new ones, such as organic blueberries, optimum moisture bell peppers or tomatoes for foodservice, balancing out the categories.”

The company is also keeping an eye on Europe’s macroeconomic scenario. “The devaluation of the euro affects our business for dehydrated apples. For the rest of the products, we don’t see many problems for the development of the business.”

Growth: US and Europe

Asked about what products will grow further, Correa was clear: “The frozen business: IQF as a whole, berries and ready to eat vegetables. On the juice side, vegetable juice for sure and, for dehydrated, apple chips for snacks, which is a growing category. These will be our drivers for growth in the coming years”.

The distribution of these products on the market will be equally diversified. For frozen vegetables and berries, the US would be the main receptor. Blueberries are becoming interesting in Europe for retail and, for vegetable juices, it will be US and then Europe. Key markets in Latin America will be targeted for apple chips (Chile, Peru, Colombia, Mexico), while the company will look at opportunities in the US to enter its massive retail sector. ■

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A VINE ROMANCE

It has been a challenging season for apple and grape juice concentrate processors, with European competition biting, but Patagoniafresh believes things will turn around as destinations shift their demand patterns.

BY DAVIDE GHILOTTI

In conversation with *FOODNEWS* at the company's plant in San Fernando, general manager Karl Huber made clear that the current global scenario in the grape and apple juice market is nothing but challenging.

"The situation is not good," he admitted.

"[In apples,] we have suffered the presence of the Europeans in the US, taking one-third of the market. The AJC price was really low. We can sell everything we produce, but one thing is the volume and another is the margin."

The low price of fruit for AJC in Europe and the depreciation of the euro gave Chilean processors a tough time. Huber reckoned this situation would continue in the next season, depending on currency exchange rates and the price of fruit.

"Problems are going to continue in the future," he said, referring to low fruit prices and the aggressiveness of Europeans (Polish processors in particular) on the US market.

Chile had lower fresh apple availability this year, despite the record volumes achieved last year. What presents an issue at the moment is local farmers seeing low returns from apples due to global pricing levels falling. Huber believes that some growers may resort to uprooting trees: "The less productive growers should do that."

On the other hand, there are also farms investing in the crop: new orchards are being planted



with high-yielding varieties, high-density planting, using better technology.

"Uprooting of the orchards will potentially affect us in the middle term. Most of our fruit supply comes from less competitive growers. Their production is low and quality is lower than fresh. In four or five years of this, we could have some issues."

At the same time, Chile remains a competitive origin in AJC. The sugar content concerns have not affected the country's processors, and volumes are shifted steadily: "Everything we produce is sold. We don't have issues of unsold inventories. Clients like to buy from Chile: they are used to us, they trust us."

Grape juice

The company has faced challenges also on the grape juice front.

Increased competition from Spain was a main driver, with new plantations coming to full bearing and the country's recent

investments in vineyards. Spanish farms tend to have an edge in competitiveness due to technical advances, such as drip irrigation, bringing down production costs.

"There is a structural change in that sense, if the Spanish will be more competitive. What we can do there is adding colour – we have good colour due to the variety [we grow], but with white and pink grapes it is unclear what is going to happen."

Again, the weakening euro made competition with European origins harder.

"Grape juice prices have been really low because of high stocks in Europe and elsewhere. It seems that's going to stay that way."

Another factor affecting GJ prices is demand from consumers in developed markets switching from ordinary juices towards new ones, especially berries and tropical fruit, as well as NFC products. In Asian markets, demand for grape juice as a soft drink option has been decreasing.

Competition within Chile, coming not only from other grape juice makers but also from all the wineries doing bulk wine, adds to the present scenario.

Organic production has seen a surge in trading recently, also in these sectors. Patagoniafresh has done organic juices for several years, although now it sees higher competition in sourcing raw material. For this and for price reasons, the firm has not added organics to its production schedule this year.

Turning things around

Huber is nonetheless confident that growth will return to the

European markets, as soon as the cost of raw material increases or the euro strengthens. He maintained that processing costs in the two origins are similar, and trade conditions (FTA, low shipping costs) can boost Chilean firms into that market once again.

Another avenue is Asia. China is "slowly" opening up for red grape juice concentrate, for use in domestic wine-making. While demand for grape juice for drinks slowed down, it has increased significantly from Asian wineries in need of grape juice as ingredient, which is taking up part of the lethargic grape juice volumes.

"We've seen that red grape is growing. Chile is competitive in terms of colour, especially for wines, for the colour of our grapes. That's where we have an edge in supply. Berries and superfruit juices could have opportunities in Asia, although Chilean volumes are not so big. We can sell well in Japan, Korea, and expect stability there."

AJC is the company's main revenue stream, generated chiefly in North America. Patagoniafresh reckons this will remain so in the foreseeable future. The expansion of the cider-making industry in both the US and Europe can generate further scope for business, according to Huber.

"If there are opportunities, we are going to be there. In Europe, the AJC people are in that market because cider is growing. We had talks with some brokers in the US. Now demand is not so big, but could be an alternative for the future. The product is the same, but it's another industry," he said. ■

ALMONDS ARE FOREVER

FOODNEWS discussed the almond market with Parmex's Cristian Manterola Salas

BY DAVIDE GHILOTTI

How was Parmex's almond season this year so far?

This year we'll produce 2,500 tonnes in total of finished product [processed almonds]. We can sell two or three times this volume, more than 5,000 tonnes. The problem is raw material: [the business is] really competitive at grower level.

On the other hand, we are already working at 85-90% of our capacity in processed almonds. To do more volume, we need to make a new plant.

For natural almonds, instead, we can do 10 times that much.

How is Chile positioned on the global market?

Chilean production was good this year: we did 15-16,000 tonnes. For comparison, California did 853,000 tonnes last year. We are less than 2% of their production. The second-largest origin is Australia with 88,000 tonnes, then Spain with 55,000 tonnes.

What are your main markets?

Our natural market is Latin America. That's a very important market supplied with Chilean production. Chile is duty-free, while California has 10-18% duties.

In Europe we have to compete with US production, [and] we have a higher price. We are losing some market share in Europe, but it's not really important. Latin America is less sensitive to price difference, and is willing to pay extra.

Then we import almonds, [too,



but] those are only for the domestic market. We are not allowed to import almonds, repack and re-export them.

Do you think Latin America will grow further?

For sure. The economic conditions of a lot of people are improving. Companies are targeting these kind of customers, there is a big [pool] of people who can afford to pay for these products.

We have two different product lines. Our core business in terms of volume is industry, where 65% of deliveries go to [companies such as] Unilever and Nestlé, and 35% to wholesalers.

Are you targeting other regions?

In Latin America we have a huge market, and we are not able to supply our customers' needs. There is no reason to open new markets, because we don't have enough product.

Where are you investing?

Building a new plant is not a short-term target. We are

investing mainly in two product lines. We are doing a pilot plan for almond oil, for use in personal care/beauty products. We are seeing how the market responds to this: if the market is good, we'll develop a new line for that. The other one is almond milk, but here we have just started.

Can Chile increase its production?

With today's conditions, we won't grow more than 10% per year. In five years, we'll be at 22,000-25,000 tonnes. Almond is

competing with other crops: fresh cherries and walnuts.

How do you see the global almond market performing?

Last year, 5,500 new nut products were introduced on the market worldwide, according to ABC data. About 65% were made of almonds, mainly cereal bars and bakery. Almond is the hot topic.

The market is growing faster than supply, and this is going to stay like that for the foreseeable future. ■



PLUM JOB



BY DAVIDE GHILOTTI

Serving 120 customers across 52 countries, Prunesco is well-positioned to talk all things prune-related. Commercial manager Pedro Monti assessed the state of the global market and where Chile is positioned to exploit existing opportunities.

The prune market has been characterised by significant volatility in global availability and price levels, as well as stagnating consumption in some markets.

“The situation is healthier now,” Monti said, adding that there were a number of “complicated issues” on the table, especially at the end of last year. The uncertainty regarding Russia, then the weakening of the euro, took an immediate effect. In the closing months of 2014, Chile had the highest prune prices in its history.

This was coupled, in the last few months, with the lowest demand of the past 10 years.

The global situation put pressure on Chilean prices. France had a bad production, and Argentina produced below 15,000 tonnes – a “disaster”.

Customers’ buying patterns evolved in those months. Rather

than setting buying programmes with suppliers for 20-24 containers, to be delivered at a rate of a couple per months, importers turned to spot buying. This is a further reason that pushed market prices upwards.

Things seem to have settled a bit for now, and inquiries have increased. Prunesco shipped 2,200 tonnes of product in July, with 35 containers being shipped in a week – an all-time record.

Prices have stabilised to a degree at the moment, and demand is now picking up in the EU, the Americas and Asia. The price gap between Chile and Argentina – historically at 10% – was at 40% at the start of the season, but the range has narrowed as of late.

“There is a slight shortage now, and customers are more comfortable with the price.

Prices are more stable between

all the supplying countries.

Customers are asking for more, and are more willing to settle for programmes and long term [contracts],” said Monti.

Prunesco’s investments are now focused on two channels: retail and additive-free production.

The firm has acquired a new system to produce prunes without potassium sorbate at any moisture level; potassium sorbate is an inhibitor to the growth of mould widely used on prune production. This produces an item that is pathogen-free and can be packed in any format, with a longer shelf life of up to 24 months.

On another front, the company invested in a line to produce prune pulp, following the growing demand from makers of fruit bars, jams and other retail product lines.

Internally, the firm has set out to increase its sustainability profile,

installing a system that cleans and dries the prune pits, which are then sold to third parties or used in the plant as fuel. Through the initiative, Prunesco has now 30-40% of its total energy produced in-house via pits burning.

Foreign markets

As ever, opportunities lie eastward.

“China is one of the biggest windows we have,” said Monti. Other destinations in the regions that harbour opportunities are South Korea and Japan, with the latter described as a “sophisticated and challenging” market.

Dubai and the Middle East are mainly buyers of Chilean almonds and walnuts, whereas demand for prunes is low due to competition with dates and other factors. The Ramadan period is the main time window when demand for prunes is concentrated.

Another reason hindering expansion of Chile in the MENA region is competition from fellow origins France (the main supplier) and Argentina, which serve large markets such as Algeria and Egypt. When the two origins are running low, customers source from Chile, as is the case for Brazil.

If Europe is generally



strengthening on the demand side, Russia still presents doubts. Last year shipments fell to 20-30% of normal and the country went from being the biggest market (imports in 2012 were 36,000 tonnes) down to the fifth or sixth destination.

“It all depends on the Russian rouble and how stable it is, not how high or low it is.

If it moves a lot, it makes the market unreadable.”

The talks between the US and the EU on the TTIP trade agreement were a source of concerns for Chilean prune exporters. As things are now, California has a 9.6% tax to Europe, while Chile is duty-free. Were the trade deal to go through, this would drastically diminish

Chile’s advantage there.

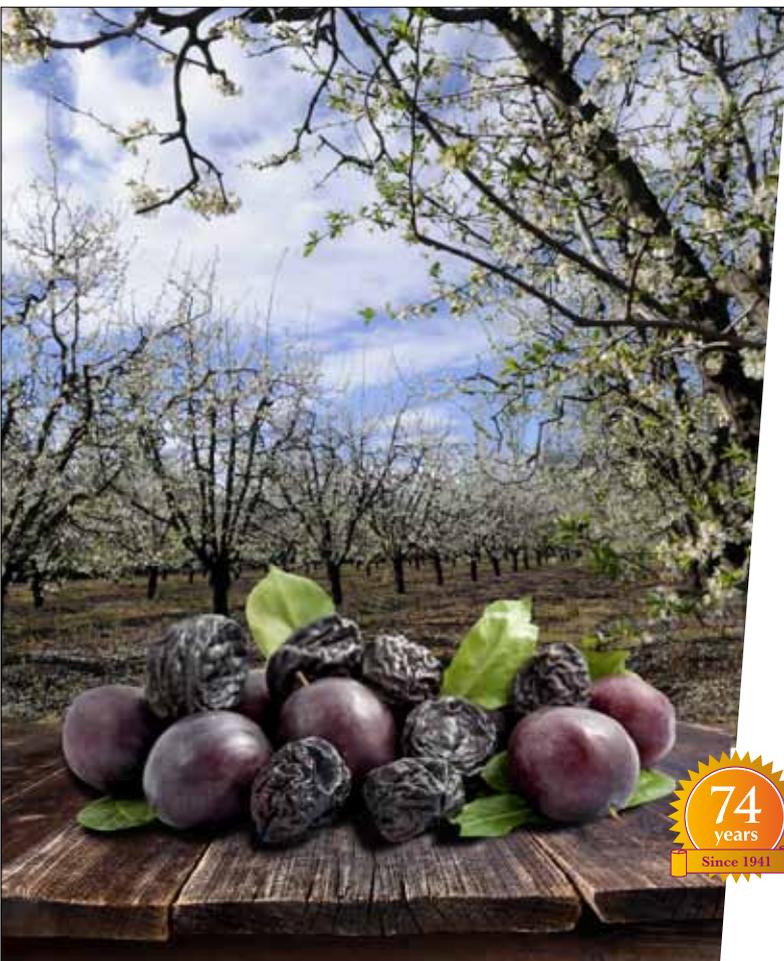
Despite those issues, Chile has the clear aim to further boost its prune production and reach out to the leading ranks of the global trade.

California serves the domestic market before exports, and Chile has expanded its output almost every year over the last decade.

“Outside of the US, there are

not as many prunes as are needed. This opens space for Chile,” he said.

This year the country is forecast to grow close to 80,000 tonnes. “Since consumption in Chile is very low more than 98% of the production is exported. This has made Chile the main prune exporter in the world over the last few years.” ■



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THE FEAST IS RED

Three years under the management of Sugal Group, Sugal Chile has become a crucial part of the company's strategy to provide a longer supply window to core customers. Chief executive **Juán Manuel Mira** told **FOODNEWS** what cards Chile can play in the global tomato market.

BY DAVIDE GHILOTTI

As leading tomato origin in the southern hemisphere, Chile can offer counter-seasonal supply to northern destination markets that, coupled with the many FTAs in place and competitive contractual conditions, makes the country a viable tomato provider.

Chile produced 855,000 tonnes of fresh tomatoes for processing in 2014/15 – 5% more than the previous year – with yields averaging 95 tonnes per ha. Sugal planted 5,600 hectares (+400ha on 2014) out of a total 9,000ha in Chile as a whole.

The output was processed into some 140,000 tonnes of tomato paste. Paste accounts for almost all processing: products such as pulp, passata and related are almost non-existent. What is available on the domestic market is mostly imported.

Seventy per cent of production was hot break paste, and 30% was cold break. Typically, the range produced in Chile is 30-32 brix in hot break, and 28-30 and 36-38 brix for cold break. "This year we may have done some more cold break [than usual], since Europe and China had colour issues in 2014," Mira told *FOODNEWS* in Santiago. "Our company is looking for new markets mainly in cold break paste. We have factories in both hemispheres (Portugal-Spain-Chile) and we are duty-free in the EU, US and main Asian countries."

Being duty-free is evidently a strong advantage for Chile when trading with Europe, together with competitive freight rates.



Between January 2014-January 2015, Chile exported 105,000 tonnes of paste. "If you add those 25,000-30,000 tonnes of internal consumption to the exports, you'll see that Chile doesn't have an issue of over-stocking."

Asked whether the country is a price-competitive origin for tomatoes, Mira said: "It is, and the fact that we sell to 35-40 countries is evidence of this. Where we are still not present is Africa, because it is a price-driven market and due to Chinese competition."

In terms of trade growth, Sugal is targeting two main regions: Europe and Asia. In Asia, target markets are Japan and South Korea. Chile already sells there but, in the case of South Korea where there is an FTA in place, Mira believes volumes should have been higher.

"That is where our main doubt lies: where can you grow more today? If you are already selling everything you produce to your existing markets, to increase that you'd need to expand capacity," he said.

That begs another questions, of whether Chile can in fact increase its tomato production.

The country has been affected

by drought for some years now, which reduced snow cover in the Andes and, consequently, water availability for agriculture. At the same time, Mira claimed that up to 80% of water that streams down from the Andes goes straight to the sea, due to lack of storing facilities and reservoirs in between.

"We have to improve water utilisation. Chile uses 15% of available water; the rest is lost in the sea."

Tomatoes remain nonetheless a competitive option for growers. The last season was also longer than usual: harvesting lasted until the end of April – 20-25 days more than in other seasons.

Sugal is currently investing at farm stage, with drip irrigation and other technical tools to improve yields and remain cost-effective at export.

Portugal and Chile

Three years have passed since the former Tresmontes-Lucchetti became part of Portugal-based Sugalidal to form Sugal Group. The Chilean partner has become crucial in the group's policy to source and supply in both hemispheres: "The role of Sugal Chile is complementary with

Sugal's businesses in Spain and Portugal. Buyers need to have someone with counter-seasonality, from whom to source if volumes are short in other places."

In these three years, the group has worked towards improving its industrial side, and to level out production processes in the field.

Mira believes the company has gained significant "dynamism" since the Sugalidal buyout. With Tremontes mainly focused on retail, the tomato business was almost a side operation. Sugalidal, on the other hand, had tomato products as its core operation, a focus that it brought onto the Chilean business, investing in production and processing.

Improvement has also come in the form of vertical integration, with the setting up of own farmland. Today, 6% of Sugal's raw material needs is covered with its farms; the rest is sourced from 250 independent growers that the company supports financially and technically.

WPTC Congress

Aside of the core company activity, Mira has been busy with Chilealimentos and the WPTC to organise the next World Processing Tomato Congress, which will be hosted in Santiago in March 2016.

Things are still in the making, but he did tell us that the event will be split into three main channels: economy, use of water and the human aspect. Delegates will be welcomed with a cocktail reception at the stunning Museo Chileno de Arte Precolombino and, after the main conference, the programme includes visits to tomato growing areas in the centre of the country. ■



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IT'S FROZEN TIME



BY DAVIDE GHILOTTI

With Chile's largest frozen fruit and vegetable brand Minuto Verde under its belt, Alifrut has a solid stronghold of the local market as it seeks to expand on exports such as berries to exploit rising demand for these products.

“We are now adding a blueberry freezing line because volumes are coming in and we want to be prepared to receive them. Capacity is going to increase significantly”

In conversation with *FOODNEWS* at Alifrut's trade office in Santiago, export manager Alejandro Rodriguez and export trade assistant Dominique Bordachar made clear the extent of the firm's presence in Chile.

The firm has the capacity to produce over 20,000 tonnes, 7,000 tonnes alone in IQF blueberries. Thus, exports are a necessary distribution channel.

Some vegetable volumes are shipped to Latin America (Paraguay, Costa Rica, Colombia, Peru, Brazil) for PL retail, industrial and branded. But the main export items are berries: blueberries, raspberries, blackberries and strawberries in this order. As a whole, 2014 exports reached 17,000 tonnes

and, in January-May 2015, Alifrut was the first frozen fruit and vegetable exporter with 11% of Chilean trade. It shipped 3,000 tonnes of vegetables alone.

In the berry trade, the main markets for blueberries and strawberries are Asia and the US; US, Japan and Europe for raspberries, blueberries and strawberries, and the US for blackberries. Korea and Australia have grown the most last year, chiefly driven by blueberries.

Australia has been expanding its blueberry industry big time, but that has so far not resulted in increased competition, said Bordachar: “It's mainly fresh, and it's not going to affect us. Volumes are not big. That's why they import from Chile and

North America. In Korea, they have been switching from the US to Chile: we have no duty, while the US has 10.8% import tax.”

Berries in Chile

Blueberry production has been the main crop showing tangible growth in Chile in recent years. This may reach its peak in the near future: fewer orchards are being planted, and young plants will reach full bearing soon.

Strawberries are stable, due to the fact that only a few areas of the country are suitable for farming and the market is difficult, according to Rodriguez: “To meet such expectations of demand, the firm is gearing up to boost its firing power. It is investing in additional cold storage capacity, and is adding retail bag machines and a new blueberry line.”

The main headache for Alifrut and its fellow frozen fruit processor is raspberries: “The crop is coming down in acreage and volume.”

Production has been stagnant and slowly declining, as well as quality of fruit. What fruit there is, is contested by as much as 100 companies: “My concern is that there are too many players, dealing from 100kg to 3,000 tonnes. That's one problem we have.”

To offset this, Alifrut is working with other companies and Chilealimentos to bring in new varieties and replace ageing orchards, to achieve better yields and quality.

“There is scope for improvement. The industry is worried, because raspberries are a key berry in the whole mix. You have to have raspberries in a berry mix. And for small growers it's



“The EU is depressed, so what we don’t sell there the US is taking”

noted that the US remains the main market: “The EU is depressed, so what we don’t sell there the US is taking.”

Berries in North America have expanded fast, particularly in retail channels, with all supermarkets now stocking frozen berry bags. The company is not worried of becoming over-reliant on the US: “It is a huge market: there are too many businesses there where we aren’t present yet. Even in blueberries, they are the main producer, however we export to them.”

Asked whether Chile is price-competitive to the US, he said: “Yes, because of the peso-dollar exchange rate we

have today. If we had the exchange rate of a year ago, that would be different.”

Whatever the state of the currencies, he noted; the situation for berry products in these markets will remain a steady and profitable one: “Berries will be in demand forever, conventional and organic. The market is going to stay there: the products are in the diet of Americans and Europeans.”

On top of that, Alifrut expects growth from Asia.

To meet such expectations of demand, the firm is gearing up to boost its firing power. It is investing in additional cold storage capacity, and is adding retail bag machines and a new blueberry line.

“We have one and are now adding a blueberry freezing line because volumes are coming in and we want to be prepared to receive them,” added Bordachar. “Capacity is going to increase significantly.” ■

important [economically], so both sides [are willing to improve],” Rodriguez said.

Alifrut has been active in organic berries for some 14 years now, serving mainly the US. The market has been “booming” over the last three years, leading to price increases the executive describes as “unbelievable”.

At the same time, high prices do not necessarily mean high profit margins. Competition for organic fruit makes raw material expensive and, at the end of the day, the final margin may be not so different from conventional berries.

“The grower price is so high that you have to sell at very high prices. Sometimes the market is not willing to buy at that level. This past season customers paid a lot, but I don’t think that is going to continue: it’s difficult.”

State of exports

Considering that a staggering 90% of Chile’s frozen berry trade is in exports, developing new destinations and increase penetration in existing markets is a must.

Europe presented a challenge this year due to the weak euro, making US dollar-priced Chilean production very expensive. At the moment, Bordachar does not see any particular change in this

pattern and confessed: “It will still be difficult to increase volumes to Europe.”

Something could be done. With the strong dollar, Chilean companies can save in internal costs which they pay in pesos. To an extent, this could make it possible to lower rates for Europe, “matching the prices Europeans are willing to pay”. Still, for raspberries, Rodriguez



MULTI-MILLION INVESTMENT



BY DAVIDE GHILOTTI

The largest juice processor in Chile and one of the largest two in tomato products, Agrozzi is keeping its fingers in more than one pie. At its offices in Nos, *FOODNEWS* heard of the company's current plans: increasing tomato paste output and trade to existing markets, adding new sauce lines and boosting the puree pouch business abroad.

“America, Europe, Russia. We plan to deliver to the same customers. If you can be competitive, there is no reason why you shouldn't be supplying”

Agrozzi's tomato performance during the latest season was in line with expectations, according to its product manager and head of international markets, Cristián Alemparte. The company manufactured 55,000 tonnes of tomato paste 30-32 brix, 10,000 tonnes of which were used internally for internal production, and the rest exported.

Fifty-five percent of last year's tomato paste volumes went to Latin American destinations

including Venezuela, Argentina, Colombia and Brazil. A further 30% was shipped to Europe (Italy, Germany, the Netherlands, UK and Poland), mainly cold break product.

Its duty-free status and the low cost of raw material make Chile a viable origin against competitors, according to the executive. “Chile has one of the most competitive raw material costs in the world after China, averaging USD70 per tonne delivered to factory,” Alemparte told *FOODNEWS*.

“The exchange rate is helping

and also our freight rate: we pay USD45 per tonne [on the] Valparaiso-Rotterdam route.”

Chilean production in tomatoes – around 810,000 tonnes – is way below that of fellow producers in Europe or US. Nevertheless, the counter-seasonality of the crop makes it “a very good option for Europeans”. The business strategy is to attract EU buyers to cover part of their needs from Chile, benefiting from the possibility to resort to southern hemisphere production at times when output in the northern hemisphere is low.

Russia is another important destination. Agrozzi saw a relevant increase in trade volumes there last year, particularly cold brake paste for the local juice industry. At the same time, the devaluation of the rouble and the economic issues of the country make the market unstable and hard to predict.

The scenario in Latin America is equally challenging. Demand from several countries used to be strong, and Chile had an undisputed leadership in supply. Economic problems in recent years hit local currencies and affected importers' ability to buy. This was the case for Argentina, Brazil, Venezuela: "Venezuela went from being the leading destination for Chile to not make it even in the top 10."

For the 2016 crop, Agrozzi plans to increase tomato paste output by 10,000 tonnes to 66,000 tonnes 30-32 brix. At field stage, that would mean an additional 402,000 tonnes of fresh tomatoes.

Alemparte said there are opportunities to increase volumes shipped to existing markets, rather than establishing new ones: "We have our space in Latin America, Europe, Russia. We plan to deliver with the same customers. If you can be competitive, there is no reason why you shouldn't be supplying."

The additional production would be sold to Europe and Russia, as well as South Korea. The firm plans to recover shares of the central American and Caribbean market, where California has lost competitiveness due to high production costs.

AJC

The strong apple harvests in Europe and relative low AJC prices prompted Chilean apple processors to devote more attention to their other main market, the US.



"Because of the embargo and EU production, we reduced strongly exports to Europe and sent more to the US. Probably 90% of Chilean AJC will go to the US."

Chilean exporters had to face European competition there, but Chilean product did find its way to customers. Agrozzi is almost sold out in AJC, and maintained its leading role as Chilean juice exporter to the US – a position it aims to keep.

"As long as Chile can compete with China, I believe US buyers prefer [to buy from us]. Chile has low and medium acidity product, the US needs that. We are not particularly afraid. We have gained a position also as Argentina slowed down: Chile has been taking that share of the market."

He reckoned that the scenario in Europe/Poland was unusual, and is not likely to re-occur on the same premises that added up this year, with high production, embargo and low prices.

The apple season in Chile was characterised by some weather issues, with production about 20% down. This followed a record

output of AJC last year, after a "long and exceptional" crop.

Agrozzi expects to reduce its output of AJC from 36,000 tonnes to about 27,000 tonnes in 2015. The original plan for the year was to produce 30-31,000 tonnes.

Despite Europe being a tough market at the moment, Alemparte believes Chilean processors will be able to re-establish the trade flow: "As long as the euro is weak, Europeans will be more competitive, but as long as the peso is weak, we gain competitiveness."

"Today the exchange rate is helping all exporting companies. We can reduce all the costs that we have in Chilean peso."

Innovations and investments

Agrozzi has invested USD7-8 million in boosting its foodservice and retail sauces operation. The firm was already producing tomato and pizza sauces for retailers, and has now installed a new line to manufacture mustard, mayonnaise and related products. The line is ready and will soon be operational. The output will be aimed at

foodservice customers first, and to retailers at a later stage.

"We expect a good result. We are strong in foodservice," said Alemparte.

In retail, the company has focused for three years now on fruit purees in pouch packaging – a segment where Agrozzi accounts for 80% of the Chilean retail market. The firm also developed a trial with McDonald's to produce fruit pouches for the Happy Meal range in Chile – a pilot that has worked "very well" and may be extended to neighbouring markets.

To capitalise on the presence domestically, the firm is looking at exporting puree pouches to serve retailers across the Americas: the plan is to secure contracts for manufacturing and co-packing for foreign customers.

Adding a line for pouches may be on the cards too, as Agrozzi keeps looking ahead to new opportunities: "We want to grow on vegetable purees, squash, carrots, zucchini, onions, sweet potato. We want to add new products here and seek for new markets for that. This trend will bring us forward." ■

THINK ORGANIC, THINK AMA

After one year of operation, AMA Time is ready to move to the next phase. Talking to *FOODNEWS* at its factory in Placilla, the company's general manager, Pablo Aravena, and commercial manager, Pedro Pablo Sepúlveda, shared with us some of the strategies, focuses and plans that will take the business forward.

BY DAVIDE GHILOTTI

Purées and juices started as the two core divisions of AMA, when it first opened in 2014, serving industrial customers with both commodities in bulk format. Additionally, the firm runs a purée line in pouches for private label.

"We are working on building a company that will be recognised as a main supplier of single-strength fruit and vegetable juice and purée, for both volume and quality. We aim to be a manufacturer that is recognised as organic and premium. When you think organic, you must think AMA," said Aravena.

Production started last year with 1,000 tonnes. By the end of this year, output will have increased to 7,000 tonnes, driven by growing sales to brands in the northern hemisphere. At the moment, organic apple purée accounts for most of the output, but new fruits such as kiwis, peaches and berries will be considered in the coming season, as well as a number of vegetables.

"Availability of organic raw material will always be an issue, but thanks to our partnership with Greenvic, we believe that we have an edge. As traceability is a fundamental element in this business, we put a strong focus on it, from the grower to the customer."

For its co-packing activity, AMA has developed seven recipes for its range of pouches, all of them aimed at private



label retailers.

The next stage of the firm's development will be to strengthen its market presence and solidifying its name among customers – as Aravena put it, "have a reputation, gain a position and a name for natural, organic and premium products".

And this is just the beginning, they assured: "We are developing innovations and new technologies for b2b clients demanding new products. We are doing R&D for vegetable juices and purées, organic and NFC."

At the heart of AMA's strategy is the realisation that consumers are increasingly tending towards healthy options, seeking new flavours and asking for higher versatility in the products they buy. This has driven the idea of portability (on-the-go consumption) to the fore with pouch packaging, which is expected to expand further in the immediate future.

Similarly, the healthy trend has shaped demand for organic bulk product.

"In bulk, we'll follow the

growth. Target markets include China, South Korea, Hong Kong and Japan.

"Demand in Asia is unbelievable. Customers are concerned about health and they consume a lot of snacks and on-the-go products. Pouches are definitely a good option," said Sepúlveda.

"The potential in Asia is big because of its high population and increasing GDP, but they are, however, one step behind Latin America regarding product offering. In Chile, for example, you can see eight or nine different players in pouches. If you go to a retail store in Asia, there is very little diversification, just a few simple products. There is little appetite to invest and expand the product offering."

For premium lines, Latin America is a different story. The company sees development there as slow, and forecasts that any increase in demand would be in conventional products. The high prices of organics may represent a hurdle to their penetration of LatAm compared with other regions.

On the bulk organic side, the company is focused on North America and Europe as it aims to consolidate and increase its relationships with key players.

Price levels of single-strength and organic are evidently higher than conventional concentrate. Aravena, however, sees it differently: "When you talk about price, we want to talk about partnership. Establishing long-term relationships is what we want to do." ■

"We are developing innovations and new technologies for b2b clients demanding new products. We are doing R&D for vegetable juices and purées, organic and NFC"

same trend as in pouches. We expect that this industry will split into two main channels: commodity (concentrate) and premium (NFC, organic). The commodity will stay stable, while premium will grow further as people continue trading up and preferring healthier products."

Asia and Latin America

The executives have seen firsthand the multiple opportunities that Asian markets have to offer, and are confident that the region will contribute to their business

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THE NUTCRACKER



A stronghold of the Ferrero Group in the southern hemisphere, AgriChile is taking to the next step as it expands production and supply of hazelnuts from Chile, with the country on its way to become the third largest origin of the nut in the world.

“We are already testing cracking, and we’ll export directly to Ferrero factories for the making of chocolate and other products”

BY DAVIDE GHILOTTI

AgriChile’s hazelnuts reach Ferrero’s plants worldwide for the making of its trademark products.

The project, which started back in 1996, has now reached a turning point as the company is developing further its processing capacity within Chile and, with it, its importance on the international stage.

“AgriChile realised that hazelnuts were going to give good results, so we started to sell plants to growers and make agreement with farms to buy their production,” Eugenio Ulrici, manager of AgriChile, told *FOODNEWS* at the company’s headquarters in Curicó.

With its own production and the volumes it buys from independent farms, AgriChile shipped hazelnuts to Italy and the US, bound for Ferrero’s factories. Up until last year, all production was shipped as in-shell, only to be shelled at delivery.

This is now changing for good as AgriChile is completing its own cracking facility in Chile.

“We are already testing cracking, and we’ll export directly to Ferrero factories for the making of chocolate and other products,” said Ulrici. “The interest of the Chilean project is better logistics because you don’t ship the shell, which account for 60% of the volumes.

“We will process here and sell to our companies all over the world.”

Previously, in-shell hazelnuts

were shipped to another facility (two of these in Italy) where they were shelled and processed, and then shipped again to, say, Brazil, for manufacturing, with an evident loss in efficiency.

Being able to crack and process locally will mean that AgriChile could then ship directly to the customers in Brazil, without going via Italy. Quality control would also improve, as it would be easier to monitor the shelled product bound for export.

The facility, outside Curicó, has now the capacity for 15,000 tonnes of hazelnuts per season (which lasts about five-six months). This amount will be available in 2016, but Ulrici made clear the site is “ready to double this capacity with new machinery”.

AgriChile invested EUR16

million (USD18 mln) to build the plant and for the necessary machinery and equipment.

The plant will be responsible for cracking and the selection process: size and shape of the hazelnuts and by-products. The product will then be shipped to Ferrero's plants in countries including Ecuador, Mexico, Canada and Australia, where the final products will be manufactured.

Increasing production

"There are agricultural and market reasons that allow us to say that hazelnuts in Chile are a success," Ulrici stated.

The figures support this statement. In 2000, about 3,000 hectares were planted with hazelnut orchards, all of this belonging to AgriChile. Now the country has 15,000ha planted: 3,000ha from the company, the rest from independent growers. In other words, acreage has grown 400% – a process that is not due to end in the near future.

AgriChile has already placed orders for plantlets for 2015 and 2016, with the aim to add a further 3,000ha over the next two years.

"When the 15,000ha we have

will be at full capacity, Chile will be the third largest origin in the world," he said. "Counter-seasonality is one of our main advantages."

With demand for its products and for hazelnuts on the rise, Ferrero saw it crucial (back in 1992) to explore opportunities to source in the southern hemisphere. All the main hazelnut origins – Italy, Turkey, Oregon – are in the northern hemisphere and produce roughly in the same time window.

Twenty years on, Chile's hazelnut industry is healthy and ever-growing.

Hazelnuts can be planted almost all over southern Chile, from Region VI down to Puerto Montt, at the edge of Patagonia.

Among the benefits of the crop is its resistance to weather elements, such as the frost in 2013, and the fact that this is an 'easier' crop, meaning it requires lower investments early on compared with other tree crops such as walnuts, kiwi or apples.

"Hazelnut is a real opportunity to move from traditional agriculture to have higher rentability with fruits," said Ulrici.

AgriChile sets contracts with farmers that can stretch up to 15



years, with clear conditions and transparent prices. This is one way the company tries to attract farmers to the crop, through long-term business relationships.

Another perk of Chile's expanding hazelnut industry is the opportunity to invest in quality. Where other countries do not have any land left to expand (Italy), or are not replacing orchards (US), Chile, whose industry is still an adolescent

compared to others, can focus on this aspect: "Quality crops can be obtained here," as Ulrici stated.

The future is looking bright, all things considered. Due to shortages and frosts last year, demand and prices went through the roof. The market is expanding, Ferrero's needs are increasing and demand for Nutella is ever-present.

AgriChile will be at the heart of all that. ■

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GOING THE BERRY WAY



BY DAVIDE GHILOTTI

However relevant apple juice may be, for San Clemente Foods it is in berry juices and single-strength purees where growth will come from. The firm is also seeking to expand its organic offer and step up penetration in Asian markets.

“We need the apple volume to run the plant efficiently, but that won’t give you the total volume. That will give you the basis to pay for your fixed costs, but other juices and purees can give better margins: berries, cherries, kiwi”

San Clemente Foods handles the juice and puree side of San Clemente Group, while a separate entity is in charge of the fresh fruit business.

The main company has 2,200 hectares of own farmland to fruit orchards, as well as five factories of fresh fruit packaging. For both businesses the main products are apples, sweet cherries, prunes, berries and kiwis, plus other fruit types.

Europe and the US account for 80% of total sales, with the remaining 20% evenly split between Asia and Latin America.

For its particular combination of being a grower and medium-sized processor, the company can have an edge in its versatility to meet customers’ needs, its executives told *FOODNEWS* at

San Clemente’s head office in Santiago.

“An advantage of our company is that we are a medium-sized company,” said Jose Ignacio Ezquerro, export manager at San Clemente Foods. “We can adjust our line to produce a load of one specific type of apple, for example 100% Pink Lady Apple Juice – this is something our customers know. We can make mixed containers. We have the versatility to respond quickly to the needs of clients.”

“Our lower volumes allow us to do this. Other companies may not be able to without producing bigger volumes.”

Apple and other juices

The juice market has given mixed results this year so far, with apple mostly stagnant and berry and

other juices doing better.

The year in AJC was “complicated” because of scarcity of raw material, after availability of fruit in Chile fell 25-30% with the 2013 frost. This directly affected cost of fresh apples and output for exports.

“An important percentage of our raw material comes from our farmers but the rest is from the market,” said Pablo Fehlandt, the firm’s managing director. “Competition is strong for volumes, and the price of raw material went up.”

The executives are well aware that the volume of apple juice the firm turns around needs to be maintained to cover fixed costs: “We need the apple volume to run the plant efficiently, but that won’t give you the total volume. That will give you the basis to pay for your fixed costs, but other juices and purees can give better margins: berries, cherries, kiwi,” explained sales director Rolando Bustamante.

The latter items are faring on a different scale. Thanks to growing demand and the counter-seasonality of Chilean crops, San Clemente’s offer is doing well in both emerging and developed destinations.

“We are trying to increase our market in Asia, especially with berries and, to some extent, with prunes. The idea is to push more ‘boutique products’,” Bustamante said. “We are strong in the UK, but in continental Europe we need to grow. These will be the main focus of development, without losing sight of north America and the UK for AJC, prunes and cherries.”

Asked about opportunities for apples in the expanding cider market, Fehlandt commented:

“Our main clients in the UK are cider makers, but in the US the biggest volumes are still in juice. We have started to do more business in that, but the problem with cider in the US is Chinese competition.”

To-do list

For this and the coming years, the company has drawn up a long to-do list to expand products, start new ones and strengthen its presence in some markets.

To pursue higher profitability and better margins, more focus will be put in fruit purees, both conventional and organic, which are used for smoothies, baby foods, jams, yogurt and dairy.

The investment at the moment is on two tracks: the expansion of the berry juice business, and single-strength purees.

“We will focus on berry juices

“We are trying to increase our market in Asia, especially with berries and, to some extent, with prunes. The idea is to push more ‘boutique products’”

and the puree line from 2016 on,” said Ezquerro. “We are doing this with single-strength puree in particular. The market is going in that direction.”

Those segments of the business will be the main drivers of revenues: “There will be growth in purees, and in the other fruits that are not apple:

kiwi, berries, cherries.

“We need to maintain the apple market, which is stable, but any growth will come from these products. We are also developing NFC (cherries and berries), so that will be part of it,” added Bustamante.

Organics will be an additional area of focus.

Fehlandt sees an issue in securing raw material for organic manufacturing in Chile: “Obtaining that volume in organic is the challenge, although we don’t need so much after all, compared with a juice concentrate production process. We will produce organic juice and purees from apples, pears and berries.”

In this sector, they maintained, programming will be crucial. Customers who buy spot usually ask for organic loads after the crop, when it is harder to secure

volumes. San Clemente will try to get customers on board early on to plan the season with growers.

Future projects

Vegetable juice is on top of the list of new lines to develop. The firm is not currently doing it, but is seriously considering starting from next year to serve Asia.

Executives are clear about the need to enhance presence in Asian countries, and vegetable-based products may be just the right battering ram.

A business trip is on the cards to Japan and Korea at the end of the year “to expand our presence on these markets”. And at that point, the topic of vegetable juices will certainly come up: “We know for sure that in these meetings people will ask us about vegetable [juice],” the executives said. ■

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FUNCTIONAL INNOVATION

With over three decades of experience, Surfrut knows the world of dehydrated apple well. At the company's headquarters in Santiago, *FOODNEWS* talked with its executives of new product development, opportunities and market movements.



BY DAVIDE GHILOTTI

Surfrut's main business is dehydrated apple, for which it is one of the main producers and exporters in Chile. The product goes for a wide range of applications as ingredient for bakery, cereals, dairy and so on.

On top of that, the firm has invested heavily in R&D to expand into added-value ingredients, niche product lines and tailor-made offering.

"Innovation is important for us," commercial manager Joyce Abrahams said. "We have developed new ranges and complementary products: these include snack lines for retail and private label, mainly for external customers. We do apple chips and apple clusters with natural flavours and colours. This complements the line of dried apple as ingredient."

The other new line, which the company has been running for the last four or five years, is single strength purées in aseptic drums and pouches. Besides apples, Surfrut's purées include pear, raspberry, blueberry, strawberry

blackberry and cherries among others. Today, the firm supplies companies in the US such as Nestlé-Gerber, Danone-Happy Family, Pepsico and Beech-Nut.

The company has also developed functional ingredient additions to the standard purées. These include chia and ancient grains, vegetables and functional fruit such as maqui berry and pomegranate. These are used to make blends in purées and for healthy snacks production for babies and adults.

"We are investing in products where we have a competitive advantage, where it makes sense, like maqui, local products. Many of these are niche, but we believe these can grow further," said Abrahams.

Head of snacks sales, Boris Teran, added: "Baby food industry and on-the-go snacks are two important lines, as well as functional foods."

Both executives stressed that any future focus will be on the firms core advantages in offering. In terms of packaging, as Teran

put it: "It is convenience – 18 months shelf life with no need of refrigeration".

Expanding farmland

As part of its growth strategy and to ensure better traceability and integration, Surfrut is investing to expand its own farmland.

"We have been changing our production, evolving it towards organic and investing in new organic plantations," said Abrahams. As of last year, 15% of total production was organic. "The tight availability of raw material made us increase the supply of organic production from our own farms."

Own orchards supply Surfrut's maraschino cherries business, which are packed in cans and jars for foodservice, cocktails and desserts for the Latin American market.

The rest of the fruit is sourced from external growers across Chile, mainly

on long-term contracts.

"We produce 3,000 tonnes of dried apple products per year. If you multiply that by 12 to get the fresh apple figure, you get an idea of the supply we need," said Abrahams.

Exports and targets

Main markets the company is serving are the US, Canada and Europe, while Latin America and Asia are showing interesting growth.

"We see opportunities in Asia. At this stage we are developing the business strategy. We are still not very clear about the Middle East," said Teran.

For this year, the company aims to growth by 6%, a target driven by purées and retail products. At the same time, Abrahams noted, "we'll keep the innovation side ticking, adding something new every year, something that customers are looking for". ■



SHORTENING THE FROZEN SUPPLY CHAIN



BY DAVIDE GHILOTTI

After two decades in frozen fruit processing and exporting, Ekofrut has established Pravia, a new entity with the aim of offering a full logistical service between the farm and the external final buyer. *FOODNEWS* spoke with founder Carlos Lazcano Valdés about the ambitious project and its targets.

“To keep harvesting and producing you have to sell what you have at the price determined by the market [at that moment]”

Ekofrut has 110 hectares of own orchards planted with berries and cherries. This farmland supplies about 50% of its production, with the rest sourced from local farmers: “We have the whole supply chain in one hand,” said Lazcano.

With the financial support of the partner American agricultural bank Laad, Ekofrut established Pravia, a newly-formed frozen processing company set up in

Romerol, the area where the orchards are located.

The plant started this year and operated at 80% of its capacity. It is now planning next year’s production schedule.

Among the reasons that led to the founding of Pravia was, as Lazcano described it, a “deficit in frozen processing capacity” during specific phases of the berry harvests in the country.

Despite the existence of some 100 players in the Chilean frozen

industry, the crop patterns create a processing and storing bottleneck, in his view.

Lazcano believes that there is not enough capacity to process produce at peak harvesting time: “In December there is the first flowering of raspberries and the peak in blueberries. There is no capacity to freeze-process all that, and some of the production goes to juice making.

“Equally, there is a deficit in storage capacity in Chile. From February 15 until April, there is nowhere to store product. To keep harvesting and producing you have to sell what you have at the price determined by the market [at that moment].”



Cutting out middlemen

The idea at the heart of Pravia’s business is to offer a service that covers every step of the supply chain from the sourcing of produce from Chilean farmers to the delivery of the frozen product to the final buyer.

“We can provide buying, processing, packaging, storing and exporting services as well as representation here in Chile. In this way, we shorten the supply chain, leaving out middlemen. Our final goal is to offer the full logistical [operation], from producer to customer.”

The firm sources fresh raw material from its own farms, processes it and exports it to the buyer. It also offers warehousing services to other processors.

Ekofrut and Pravia have been working on innovating their product offering, with developments mainly in niche

categories of fruit and vegetables.

These include salicornia, known in Chile as esparrago de mar, which is used for salads and in fish dishes in Europe and Russia. This line has been three years in the making, and is so far doing well.

A range of frozen coile – a kind of small banana with seeds – has been developed, as well as maqui berry.

Market opportunities

The berry market has performed clearly well recently, despite issues with raspberries. Nevertheless, Lazcano believes that “total berry output will increase further”.

On the other hand, there are products that are expected to stay flat. These include asparagus, whose production should stay stable, chiefly due to high Peruvian production that does not justify investments in the crop in Chile.

Pravia exports 80% of its production, with north America as a main market and, to a lesser extent, Europe.

Lazcano maintains that demand for frozen cherries will increase in the coming months, following forecasts of a low crop in the US.

The company has already received inquiries for sweet frozen pitted cherries for shipment between January-July.

Customers are looking to cover their needs during their winter months until the new crops start in the northern hemisphere.

Asia represents one of the main new targets for progress. Chilean frozen fruit sales rose from USD20 million to USD100 mln in a matter of five years, and Lazcano is aware of that: “We believe that a good part of the future will be going that way.”

The firm is still assessing opportunities in Asian markets for its frozen offer, but the potential is clear: 70% of its total fresh cherry exports go to Asia, specifically China, Taiwan and Singapore.

Additionally, the company is looking at what may be done in Dubai and the Emirates.

“The main products driving exports will be berries – raspberries, blackberries and blueberries – and cherries,” Lazcano added. ■

“We can provide buying, processing, packaging, storing and exporting services as well as representation here in Chile. In this way, we shorten the supply chain, leaving out middlemen. Our final goal is to offer the full logistical [operation], from producer to customer.”



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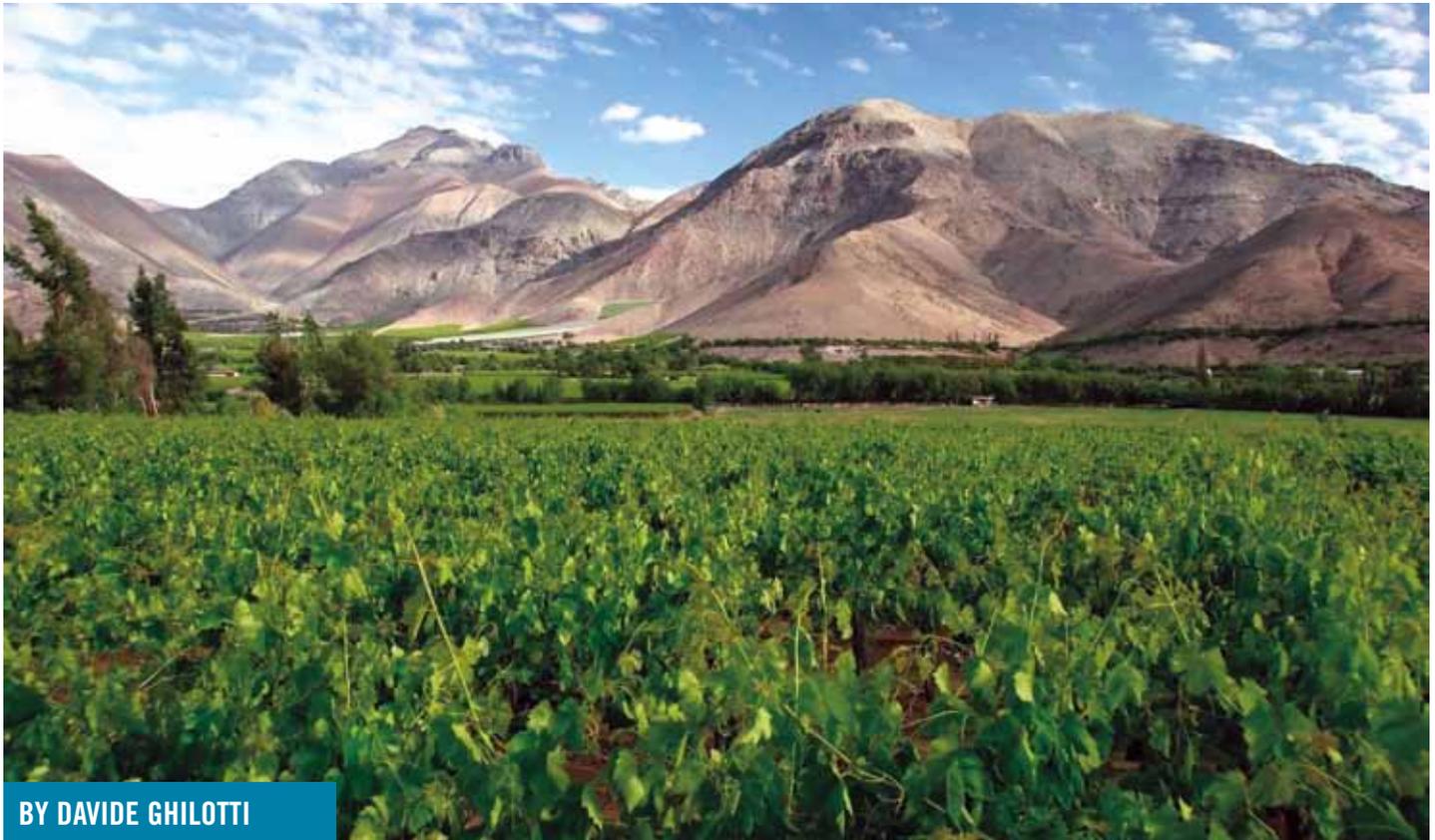
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TRADE BOOST



BY DAVIDE GHILOTTI

FOODNEWS interviews the director of ProChile, Roberto Paiva, on the country's latest performance in the food trade, new opportunities in Africa and other markets and Latin American competition.

“If we keep growing and exporting we are going to be left without ports. Chile had an economic surge thanks to infrastructure – road logistics, harbours and energy – and today I believe we are getting close to reach a bottleneck in port capacity”

DG: How did Chilean food and drink exports perform in 2014?

RP: “The agro-industrial sector in Chile is today the second-largest export in the country after copper. It generated over USD16.22 billion in 2014. In 2013, it was USD15 billion: we grew by USD1 billion in one year. Chilean agri-businesses keep being a strong driver of Chilean exports. The country went through an agricultural revolution in exports, but in industrial production as well because these are not basic products, but processed foods. Chile maintains that dynamism. The Russian crisis helped us a little: in 2014, the Russian market grew substantially.”

How has trade progressed this year to date, and what do you expect for the rest of 2015?

“This year so far has been sweet and sour. We have an exchange rate in Chile that is better, but the currency of other countries have also been devaluating. We lost competitiveness on the European market. Nevertheless, companies are keeping their trading efforts, and we should close the year with a positive figure. There are markets that are becoming more difficult, destinations whose currency is falling. Take the Brazilian currency, which has dropped more than the Chilean. Products

in some places are also decreasing in price, which means that we may close 2015 exporting a bit more, but at a lower price.”

Any sectors registering particularly good performances?

“Fresh fruit, almonds, honey, bulk wine, walnuts and bottled wine, among others.”

The strike actions at ports again disrupted trade, despite the government's pledge to mediate. How do you assess that situation?

“This government has a close relationship with the labour

authorities. We try to prevent conflicts but these cannot always be avoided. I think we managed to handle the port situation in a reasonable way. Actually, the main issue for Chilean exports in 2015 was the strike that took place in the US ports of the west coast, [affecting arrivals of cargoes]. The main issue I see in Chile is that it needs to invest in port capacity.

“Chile needs to improve is in the management of its social conflicts (a constant learning process) but if we keep growing and exporting we are going to be left without ports. Chile had an economic surge thanks to infrastructure – road logistics, harbours and energy – and today I believe we are getting close to reach a bottleneck in port capacity.”

How are agricultural productions in Chile being affected by climate change?

“Changes in climate affect crops substantially, particularly in the area north of Santiago where farmers had to leave part of their land fallow. In the Andes, there are areas where it rains rather than snowing: the rain then comes down to the valleys and destroys fields. There are also some benefits: the grape-farming frontier in Chile has been moving southward. Today, wines are produced [as far south as] Puerto Montt. [There is the drought factor, too]. In the long-run, the water issue could get worse.”

In our previous interview last year in Madrid, you said ProChile was looking at opportunities to expand its activity in Africa. How is that coming along?

“We are working on that. We opened an office in Casablanca, Morocco, with the Pacific Alliance. Ideally from there we



can reach to the whole of Maghreb. We are also opening an office in Pretoria, South Africa. We went for the first time to a trade show there with a delegation of exporters, who then toured Angola and Guinea. We believe that Africa is a continent that is full of opportunities. Many countries grow at rates of 9-10% each year.”

What is the state of foreign capital being invested in Chile?

“A good part of foreign investments [into the country] are aimed at the mining sector, which is the main collector of this kind of investment. But we had investments in road infrastructure and in [state] concessions coming from France and Spain. We are going to modernise the airport in Santiago, and the contract was won by a French-Italian consortium. Foreign investments and modernisation have been very important for Chile.”

Are you concerned about fast-growing Latin American countries as agro-industrial exporters competing with Chile in international trade?

“We believe that the more the [economy] improves for more people, the better. That is because there are Chilean capitals invested in Peru, in Colombia. [Our wineries] have vineyards in [Argentina].

“But of course [new origins expanding] are a challenge for Chile. We have to collate more sectors. An example is services that have grown in Chile around the food industry. This must be taken abroad. We have a solid supply of seed companies, working to establish seeds here, and produce new genetic varieties. There are companies in southern Chile providing satellite imagery for agri-businesses. All of this is services. Chile has to make an effort to identify those businesses in new and original sectors.

“[As soon as our neighbouring

countries achieve more stability], this would allow us to sell more but also to invest more over there. We have a specific department dedicated to Chilean investments abroad: now there are USD100 bln in Chilean capital invested in the rest of the world. This is not a loss: we are proud of our companies [working] abroad.”

To do all of this, Chile needs research and development. What is the state of R&D in the country?

“There should be much more of that. The country is down in R&D, we still have to do a lot there. This is a belief of everyone involved.”

Do you think Chile's processed food and drink trade can grow further?

“Without a doubt. There are markets such as Brazil, which is an infinite market, where consumption of wine is low. Chile is opening that market and trying to capture a share of it. The country has a very low per capita consumption: it is a California for our wine industry. There are other such markets: China and India still have not fully discovered wine. What needs to be done is building up that market and, at the same time, trying to retain it.

“The wine market as a whole still has a lot of potential to develop further. We saw this in Russia: years ago there was practically no wine. Now there is, and Chile accounts for over 50% of the Russian wine market. Only the Ukraine crisis and the currency crisis slowed down [that trend]. This is happening more slowly in Brazil, but it is happening nonetheless. The market is growing and the Chilean share of the market is growing, too. Another sector [with potential] is fruit juices: Chile is a large producer of raw materials.” ■

NEW REPORT

FOODNEWS NUTS REPORT 2014

Production, Processing, Consumption,
Trade - Key Trends and Developments

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This comprehensive report is your one stop shop for all you need to know about the global nuts sector, covering consumption, production and global trade for almonds; brazil nuts; cashews; coconut; hazelnuts; macadamias; peanuts; pecans; pine nuts; pistachios; and walnuts.

Each nut is presented as a separate chapter, covering the nut in question, its history, and growing conditions; as well as applications for use and processing, such as marzipan and peanut butter.

The main growing countries are also covered for each nut - their history, production, acreage and export figures, illustrated with copious charts and graphs.

New trends and market entrants are also examined in depth – as well as the various challenges facing the nuts industry, such as diseases and trade disputes.

The report concludes with a detailed contacts directory of associations and companies involved in the nuts business, including growers, processors, exporters and other, related sectors.

This report from Foodnews will explore:

- Key trade statistics for the global nuts sector, split out by nut variety
- End to end examination of each nut from growing to processing
- Main growing countries for each nut variety
- Emerging trends and market entrants
- Challenges facing the nuts industry



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1. What are the current trade statistics for each nut variety
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RASPBERRY COMEBACK



BY DAVIDE GHILOTTI

Chilean raspberry production peaked at almost 60,000 tonnes years ago, but that target today is nothing but an illusion. In conversation with *FOODNEWS* in Santiago, Nevada Chile president Antonio Dominguez, who is also chairman of the International Raspberry Organization (IRO) and board member of Chilealimentos, talked about what can be done to turn the raspberry industry around.

Today, 99% of the raspberry crop in Chile is sent for industry use, with an insignificant 1% going for fresh sale. Of all industrial production, 80-85% is frozen and the rest goes for juices and purees. Two-thirds of the crop is Heritage varieties, and 25% is Meeker.

The country's output got close to 60,000 tonnes some years ago, but today that is but a dream. Current production ranges, according to estimates, between 36,000-40,000 tonnes: 37,000 tonnes in 2014, as per IRO data.

Agricultural practices and other factors have been detrimental to the crop, and led to

free-falling volumes.

The distribution of raspberry acreage contributed, to an extent, to the current situation. The majority of orchards are operated by small family farms: 70-80% of acreage is in fields under 1 hectare.

Such distribution makes it difficult to estimate harvests accurately and to monitor farmers' agricultural practices. Moreover, farms are too small to mechanise the harvesting, which remains dependent on hand labour that is becoming scarce and expensive.

This led to a law, passed in 2002, to try to amalgamate this scattered industry. At the time, there were 15,000 raspberry farms in Chile. Now there are 8,000.

"We needed to know how many farmers there are, what varieties they grow, how much they produce, what products they use on the crop, how much water. That was the idea [behind] the law," said Dominguez.

The health of the crop has worsened, too.

Rather than buying new plantlets from nurseries to expand orchards or replace old plants, farmers have been producing plants themselves from the existing bushes. This practice is widespread but can have side-effects: after a few of such operations, the plants get weaker. If the original bush harboured a disease, this is carried onto the

new plants. With time, orchards degenerate, affecting volumes and quality. The result has been evident: farm yields have slumped some 40%, and quality with them.

What with the falling production, the loss in quality, rising prices at farm and export, Chilean processors are losing competitiveness against other origins, Dominguez confessed: "The price of raw material is high, and Chile is not competitive in raspberries: we are expensive."

Due to the strong US dollar and a weak euro, Chile's ability to serve European customers has been slashed. Its production is simply too costly for many EU buyers, and exporters rely increasingly on US distribution. This trend may exacerbate further, Dominguez believes, with more volumes going to the US while Europe takes less and less.

Turning the industry around

Domestically, volumes have dropped for years now, and something needs to be done.

"There are 90 coldstores buying raspberries for freezing. We need more [volumes] so that they can all work. Today we have an installed capacity that is higher than the raw material available. There is a shortage of fruit. Chile needs to increase volumes of fruit for freezing."

Processors have teamed up with the Chilean government to draw up a plan to instil new life in the sector. A project has been designed to gradually increase raspberry acreage, setting up new orchards in suitable farmland and ensuring that high-yielding bushes are employed.

"We want growers to use plantlets from nurseries when they

Continued on page 39

ASSOCIATION RULES

Interview with Chilealimentos' president Alberto Montanari



BY DAVIDE GHILOTTI

“The main objective is achieving the expansion of our members’ operations”

What is the current membership of Chilealimentos and how has it grown over the last year(s)?

Chilealimentos brings together a cluster of processed foods companies. As such its members are manufacturers of, mainly, canned and preserved foods, dehydrates, juices and frozen products. [It equally includes] exporters of all types of foods, distributors for the internal

market, suppliers of services such as lab testing, certification and storage, and machinery and equipment manufacturers.

What is the core purpose of Chilealimentos’ activities and initiatives?

The main objective is achieving the expansion of our members’ operations. As such, our initiatives are varied and bring us to interact closely with authorities from Chile and abroad, as well as the private sector and its institutions in the countries where we are active.

In the food industry, Chile has earned the appreciation of the international community. Strengthen this is one of our main activities, which adds to the development technology, innovation, sustainability, human resources, food policies and many other topics that are key to food production.

What kind of benefits do Chilealimentos members enjoy?

Our members can enjoy several benefits including: promotion of their operation and safeguarding the interests of the industry in Chile and abroad; defence of those markets where Chilean products are traded and approaches to increase our members’ market share; planning of projects to achieve specific targets, as well as initiatives of related interest such as sustainability and human resources; vigilance and development of food policies in cooperation with Chilean and foreign authorities; market intelligence, providing members with information on market dynamics; gathering relevant information, provided to our

members through three weekly reports and newsletters; personalised support on foreign trade, sustainability, food policy, attendance to trade shows and project development.

How do you rate the work done by the association in recent years?

I believe our work has been full of achievements. On the environmental side, the Clean Production Agreement APL allowed us to carry out savings in water and energy consumption. Over the last five years, we estimated a saving of about 70% of water used in processing, and a 30% drop in energy use.

In trade, companies achieved substantial sales increases. In the last decade, exports of processed foods have doubled. The promotion of our exports has contributed to this.

The presence at international trade shows such as Anuga or SIAL has been another important tool. Year after year, the number of exhibiting companies has increased.

Why are new members approaching Chilealimentos? What do they seek?

Apart from the bundle of services that we provide, new companies seek to be part of a trade environment with a selected number of leading companies in the food trade. Our network gives them access to activities that benefit directly their businesses.

What are the main challenges the processed fruit and vegetable industry is currently facing, in your opinion?

In the short term, these will be the economic instabilities on the

international stage, which affected trade growth in most economic activities this year. In the long term, however, we see a food market characterised by strong growth for Chilean exports products. This presents the challenge as how best to exploit the opportunities we have. There is a growing interaction between Chilean producers and international retailers. We will work as an association to make the most of these opportunities.

Another challenge is spread the word on the extent of Chile's food industry. Our country is in the top 10 for over 50 product categories and, still, most international buyers are not aware of it, despite our exports reach 190 countries worldwide.

In dehydrates, where Chile is the leading exporter in dehydrated apple and prune, the second-largest in walnuts and hazelnuts, the third-largest in raisins and the 10th in almonds, a

main concern is how to create products with higher added-value, starting from the abundance of raw material that we have, given the global demand towards these products as part of healthy eating.

How have you seen the industry changing during your time at Chilealimentos?

In the last 10 years, I have seen a quantitative and qualitative evolution. We used to export foods to the US for a total of USD8.2 billion 10 years ago, and in 2014 we achieved USD17.3 bln. Doubling our export value has not been easy, but we've done it, thanks to the competitive edge that Chile has in food production.

In terms of quality, I see companies that are much more integrated in foreign retail than before. The rapid spread of quality control systems, both from foreign buyers and from our companies, has facilitated strongly our supply, by

eliminating middlemen. This led to a decrease in costs and an increase in efficiency.

On the other hand, with a network of 24 trade agreements with 63 countries and 63% of the world population, Chile has gained an input in exports that was never seen before. This led to a radical change in the number of countries and companies dealing with Chilean firms on a daily basis. Decades ago, we used to trade only with Latin America and parts of Europe.

Is the association planning any new initiatives?

The industry always offers various topics to exploit with new initiatives. At the moment, we are looking at the possibility to build a network of technology operators, to facilitate companies' pilot projects. The initiative is supported by CORFO, from the Ministry of Economy, which identified the food industry as

strategic for the country's economic growth.

We have a varied pool of fruit and vegetables to generate new products to offer to the market. Nevertheless, to achieve this kind of evolution in our offer, there has to be the capability to test products in pilot programmes that we are trying to coordinate and expand in the country.

We are also working to develop an extension centre for the food industry, so that innovation and staff training can be achieved in a coordinated fashion between all the operators active in Chile.

In the frozen sector, we are working to increase the supply and competitiveness of the berry sector, where Chile is the second-largest exporter globally. In canned, which is an important segment in Chile with production of tomato paste, we are working to host the World Processing Tomato Congress in Santiago in March 2016. ■

RASPBERRY COMEBACK ... CONTINUED FROM PAGE 37

replace old bushes, so as to have better yields," said Dominguez. "This private-public initiative is aimed at regaining the volumes that we lost and improve fruit quality, which also fell. In two-three years from now, we should see a difference."

The first objective is to plant 1,000 more raspberry hectares next year, which would mean some 10,000 tonnes of additional fruit.

"In the short term, Chile will grow a bit in orchards with mechanised harvesting, which today basically doesn't exist, and in small farms. In three years, we may reach 50,000 tonnes."

Asked whether it may be necessary to trial varieties other than Heritage that offer better yields or higher returns, Dominguez said: "Chile is known



for its Heritage raspberries. The variety is resistant, has several applications and we will continue with it."

A benefit of the Heritage is that it flowers twice per year, in

November-December with a first crop and between February-April with a second crop. This creates a longer season overall for Chile, thus reducing the risk of adverse weather affecting the harvest.

Still, the long season, coupled with the myriad of small farms selling their produce, makes prices of raw material extremely volatile.

As a way to counteract this, and to integrate production with processing, coldstores are considering setting up their own orchards, to avoid relying solely on small farms.

With their financial capability, companies can establish bigger orchards with mechanised harvesting, which in turn would bring about additional volumes to Chilean output as a whole, and ensure better traceability.

"Chile has the capability to grow. If we start with new orchards and machine-harvesting, we can grow all you want," Dominguez added. ■

FROM PATAGONIA WITH LOVE



BY DAVIDE GHILOTTI

Bayas del Sur has made berry juice and purées its flagship product offering, and aims to keep strengthening the portfolio with the addition of niche berries and superfruits, both conventional and organic.

Located some 80km north of Puerto Montt, at the northern edge of Patagonia, Bayas del Sur sources raw material from an area covering 1,500km, from Chile’s Metropolitan Region to the south.

“We decided to establish the plant here in Patagonia to be close to the wild berry growing areas,” general manager, Miguel Montes, told *FOODNEWS* during a visit to the factory in Purranque.

The site has a capacity to process 10,000-12,000 tonnes of fruit per year, conventional and organic. The output is distributed across a wide portfolio, ranging from juice concentrate and frozen single-strength purées to freeze-dried and spray-dried powder, all as conventional or organic. Fruits

handled include berries, kiwi, peaches, apricots, cherries, plum and prunes and others.

“We are specialised in customised products. We are focused on that rather than in the big commodities thing,” said Montes.

The evolution of the market and the patterns of demand in buying countries have been at the heart of this strategy.

For a few years now, the market has been showing a clear trend characterised by sluggishness in conventional juice concentrates, and by steep growth of anything NFC, single-strength, organic and value-added.

AJC and OJC “are still selling”, said Montes, but “at low prices”: “The trend is changing [towards] NFC, calcium-added,

“We are pushing the berry juices now and red fruits – we are finding markets everywhere, this is our main business strategy. Demand comes for all kinds of items: powder, dried, frozen and juice. And all customers ask for certifications. Without this we cannot sell.”

The firm has received, as other operators in the food industry, a surge in demand for organic products from north America, Europe and parts of Asia. The extent of demand has been such that the existing output is way below the request of the market: “I have unsatisfied demand for organic fruit in general. I am short of fruit. I have the capacity to buy more, but there is not enough around.”

Berries and superfruits

One thing is clear, according to Montes: “Chile cannot depend on a few main berries.”

He believes the country needs to expand its berry production not only by increasing the output of the main crops (raspberries, blueberries, blackberries and strawberries) but, in particular, develop additional berries that are still niche or wild.

Bayas del Sur has a specific focus in this aspect.

The location of the plant is favourable due to the large presence of berry orchards in the area, including elderberry, rose hip, murta, blackberry, calafate, maqui, wild strawberries.

The firm is looking to develop plantations in southern Chile for aronia (chuckberry), blackcurrant, black raspberries, redcurrant, boysenberries and concord grapes. Montes believes there is a solid market opportunity for these items. They



vitamin-added. You need to do added value: people want better and healthier products.

“We’ve seen this all over the place. Pharmacies in Santiago are selling cranberry extract, omega 3 oil pills. They have now dedicated shelves for this stuff.

are niche and require dedicated effort, but can perform well.

Investments

The company is focusing its current investment in renovating and expanding the factory, and mechanising production at field stage.

“Agriculture needs more mechanisation: harvesters and packing machinery,” said Montes.

Increasing mechanisation in harvesting is crucial to face the shortage of labour that is affecting Chile’s rural areas. This serves a dual purpose of containing costs for growers and processors, but also to establish a level of efficiency to make future expansions in acreage and production viable.

In the factory, Bayas is

installing equipment to crush and process frozen fruit blocks, which will increase frozen capacity, as well as a decanter and a new boiler.

“We are expanding capacity to process new products, improve productivity and reduce costs by being more efficient.”

The current investment will be decisive to allow the company to achieve its targets. Growth expectations are pinned at a yearly rate of 10-15% in gross sales.

Exports

Bayas del Sur serves 150-200 customers across 30 countries.

The company opted for a horizontal distribution rather than depending on a few large customers. Its offering follows a similar philosophy: maximising the range of products to avoid

relying on a few.

As of this year, the leading destination will be the US, followed by Asia (Japan, South Korea, Taiwan, New Zealand) and Brazil. The firm does significant business with Europe, but this is “a special year” due to the eurozone’s economic problems and currency weakness.

Despite the proximity, the presence on the Latin American market is limited. This is due to the region’s reliance on standard commodities such as AJC, PJC, GJ, whereas demand for higher-value products remains slow to develop.

Nevertheless, demand in the US and Asia is growing. China is opening up and starting to look at Chile, and berry demand seems to be evergreen. ■



“Chile cannot depend on a few main berries”

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ALL IN A CAN

The largest canned fruit and vegetable packer in Chile, Conservera Pentzke is seeking to expand own farmland to improve supply of raw material to its three factories, which churn out 2 million cases of processed fruit per year. On top of that, it is boosting its ready-to-drink purée output and aiming for better sales in the category.



BY DAVIDE GHILOTTI

Delivering to some 20 countries, Pentzke secures 30-35% of raw material for its core canned peach lines from own orchards in San Felipe, north of Santiago. The remaining volumes are sourced from contracted and independent farmers.

To improve vertical integration and achieve better planning, Pentzke wants to expand own acreage.

“We are increasing our own [fresh] supply. It’s part of the strategy but the growth is slow. The tree takes more than five years before the first crop. You need to have the conditions; it’s not just a piece of land. If you take the wrong decision in terms of location, after five years your yield is not what you expect,” said Felipe Foppiano, export director, from the company’s offices in Santiago.

Besides the core business of canned peaches and fruit cocktails, the firm is active in packing fruit purées, with apple, peaches and pear, and accounts for almost all production (95%) of canned and jarred artichokes in Chile, for retail (jars) and foodservice (cans).

Pentzke runs preserved ranges

of cherries, grapes, blueberries and strawberries specifically for the domestic market: “Chile has a long history in canned fruit [consumption], there is demand for these especially in winter. The international market likes these products, but it is high-end, so no one wants to move high volumes.”

Latin America is the main area of export followed by Asia, the US and Russia. Europe is not yet very developed, but Foppiano pointed out: “We are transforming our offer, entering new markets: we are focused on Asia, EU countries and north America, particularly the US.”

Old and new

While the needs of canned fruit customers have remained broadly stable over the years, Pentzke has stepped into new packaging options – pouches – in the wake of rising demand for fruit purées.

It invested in a plant for the production and pouch packaging of ready-to-drink purées, selling first in Chile and now to three other countries in Latin America (Peru, Ecuador, Colombia) and the Caribbean.

“The focus is high-end retail at the moment, but we are working to be more competitive and

penetrate the middle income category. We want to make this affordable for more people. The volume is there [to do so].”

Pentzke’s canned fruit business has been steadily growing, particularly in its key brand Dos Caballos, which owns a 50% share of the Chilean market (*Nielsen data on value share for peach halves*). Foppiano maintained that the growth trend as a whole is clear: Chilean exports increased over 300% in the last decade. The situation has now stabilised and should remain so in the coming years. The goal for Pentzke is to continue strengthening the Dos Caballos franchise globally.

Currencies and competition

If on the one hand, the weakening of the Chilean peso against the dollar has benefited local exporters, it is not all good news in that sense: “You need to consider that some of our importing markets have a similar devaluation, which makes the product more expensive for them,” he warned.

This is particularly true in those Latin American countries that depend on mineral commodities, whose poor performance has affected local currencies, as it has in Chile, following lower copper exports.

This leads to more uncertainty for customers as regards when and how much to buy. With an unstable currency, buyers tend to wait for the most favourable exchange rate before placing an order.

In some cases, this has resulted in a more spot-oriented market.

Buyers do not settle for spread contracts, but buy hand to mouth when they can.

Nevertheless, the canned industry as a whole remains in good shape in Latin America. Consumers favour sweet flavours, so many are not yet turning away from conventional products towards reduced sugar.

Both the fresh and frozen industries have expanded big time, but Foppiano is not particularly concerned: “Those are other categories. We are talking about a product that has a shelf life of four years, that you can transport anywhere. It’s heavy but simpler to handle. In 70% of the world that is not developed, this is a good solution to preserve the product.”

A degree of competition may be simmering from neighbouring Peru, where efficient canned-making productions have developed, thanks to low cost of labour and foreign investments. Still, their product portfolio is more versed in vegetables than fruit.

“With Pentzke, [Peru] is a competitor in artichokes, not in fruit, but we are more focused in a special variety that is different from the Peruvian. Ours is a big artichoke that we use in quarters, they have a variety that is processed more as hearts.”

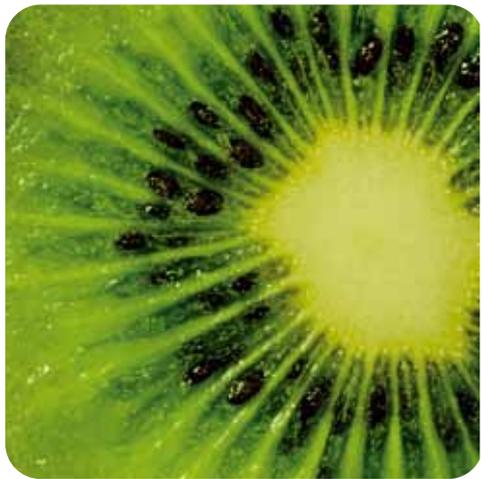
Due to differences in weather patterns, the other Latin American origins do not represent a threat at the moment, he said.

“This is a seasonal industry: in two months you pack everything. You need to be fast and you need to be efficient.” ■



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