



Moving with the times

Keen to build on its reputation as a reliable supplier to the world, the Chilean fresh fruit trade is shaping its business in order to keep up with new market realities

EXPORTS

%age variation

Table Grapes

07/08 820,895 tonnes
08/09 849,283 tonnes

3.5%

Apples

07/08 750,982 tonnes
08/09 690,870 tonnes

-8%

Kiwifruit

07/08 158,405 tonnes
08/09 179,467 tonnes

13.3%

Pears

07/08 126,848 tonnes
08/09 125,620 tonnes

-1%

Avocados

07/08 106,138 tonnes
08/09 115,235 tonnes

8.6%

Plums

07/08 88,709 tonnes
08/09 96,092 tonnes

8.3%

Nectarines

07/08 60,558 tonnes
08/09 57,762 tonnes

-4.6%

Peaches

07/08 47,357 tonnes
08/09 43,746 tonnes

-7.6%

Blueberries

07/08 30,315 tonnes
08/09 41,561 tonnes

37.1%

Oranges

07/08 27,072 tonnes
08/09 41,134 tonnes

51.9%

Others

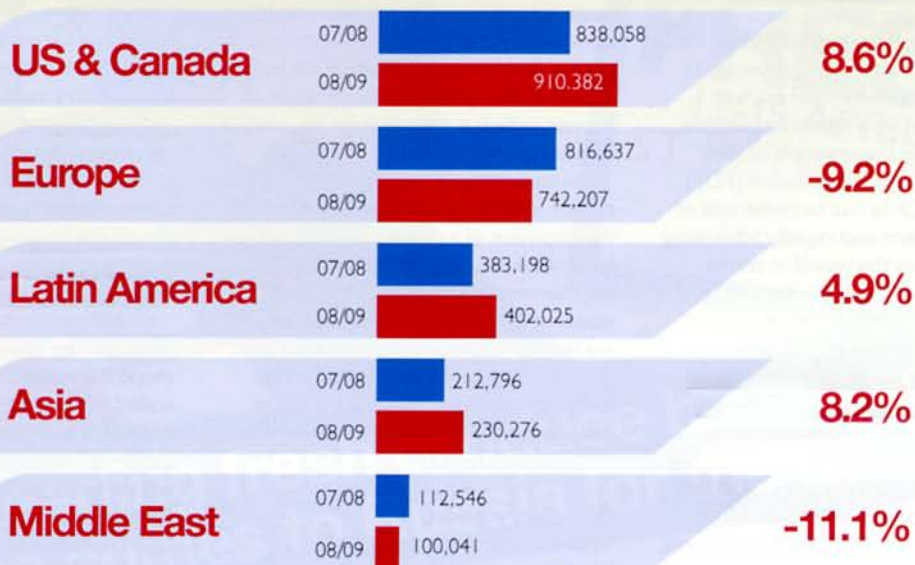
07/08 145,956 tonnes
08/09 143,984 tonnes

-1.4%

Source: Asoex



MAIN EXPORTS BY DESTINATION MARKET (TONNES)



Source: Asoex

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Chile may well be a small and still developing nation but it ranks as the eighth most attractive country with which to do business and the most competitive in Latin America. As a fresh fruit supplier, Chile enjoys a sound position on the global market but challenges remain. With a population of just 60m people, Chile is dependent on overseas consumption, meaning suppliers must continue to adapt to the very latest trends and demands.

"Chile is a strategic and reliable worldwide supplier," explains Ronald Bown, chairman of the Chilean Exporters Association (Asoex). "We are a phytosanitary island; enjoy one of the few Mediterranean climates in the world; have the growing conditions to produce 75 different fruit species; benefit from consistent quality and volume and closely follow market demands and buyer requirements. But even though Chile is so specialised in fruit production we still need to work hard to satisfy the changes in demands."

"Every year Chile becomes a more serious player within the international fruit trade," adds Rodrigo Echeverría, chairman of the Fruit Growers Federation (Fedefruta). "Our growers and exporters remain dedicated to maintaining their high standards and complying with the contractual obligations they have with their commercial partners overseas."

Today, Chile produces 75 different fresh

fruits and vegetables across 261,000ha of planted area. With an industry orientated to the export market, Chile has become a major global player, supplying 70 per cent (or 2m-3m tonnes) of its annual crop to more than 100 countries worldwide. Currently, fresh fruit accounts for 26 per cent of Chile's agriculture exports and last year garnered some US\$12bn in sales.

Absorbing around 30-31 per cent of annual exports, Europe is Chile's second-largest market after the US (38 per cent), ahead of Latin America (17 per cent), Asia (10 per cent) and the Middle East (4 per cent). Within Europe, Germany ranks as the main market in terms of volume, followed by the UK, Russia (previously in 10th place) and Spain.

Untapped opportunities

Europe generally receives 800,000 tonnes of fruit from Chile each season. But despite this already mature position, analyst Decofrut suggests the region still holds tremendous potential for Chilean fruit.

"Apples, pears and kiwifruit have always been traditional best-sellers in Europe," says chairman Manuel José Alcaíno. "But in the last year there has been a significant growth in Chilean avocado purchases in the UK, France, Spain, southern Italy and Scandinavia, plus blueberries are also doing well."

The central and eastern areas of the European continent are also growing fast, according to Decofrut as well as further afield in countries such as Russia and

Turkey. "These regions as well as Asia will become very important in the years to come," points out Mr Alcaíno. "Asia (especially China and India) even has the potential to become the most important market for Chile in 20 years' time."

Recognising the opportunities to be tapped, the Chilean government is currently negotiating the establishment of a Free Trade Agreement with Turkey, which could take shape as early as this year. "Turkey is a big counter-seasonal importer and, at the moment, absorbs 9,000 tonnes of fruit from Chile a year," explains Christian Carvajal, marketing manager for Europe and Asia at the Chilean Fresh Fruit Association.

"The signing of the deal will halve the current tariff rates to export to Turkey which are set at about 50-60 per cent. We see big potential for kiwifruit in particular and Chile's cherry season complements Turkey's own crop very well."

Market-wise, Chile has done a "tremendous" job in opening up new business opportunities, according to Decofrut, becoming the largest fresh fruit exporter in the Southern Hemisphere in the process. But challenges remain.

"The strong value of the Chilean peso makes Chile less competitive than some of our rivals and the impact of the recession, plus the introduction of new regulations continue to present difficulties," states Mr Alcaíno. "As a result, exporters have united to face the challenges which, in the process, has allowed Chile to become

more open to new technology, packaging, varieties and above all fresh ideas."

Indeed, over the last couple of years the Chilean fresh fruit industry has made a number of structural improvements to keep up with these new market realities and retain a solid competitive edge. Following the creation of the Fruit Development Foundation (FDF) 15 years ago, Chile has become one of the most modern and rapidly advancing fruit suppliers in the world in terms of research and development and is becoming ever more active in the training of its workers.

"The industry has done a lot in terms of research into new varieties, climate change and post-harvest technology," says FDF's Jaime Lavados. "But still Chile only invests 0.5 per cent of its GDP into research, compared with Australia or New Zealand who dedicate 5-6 per cent, so we've a long way to go yet."

"Chile needs more good varieties (which have good consistency and can travel well) as well as greater export options and better marketing strategies," adds Mr Bown. "To tackle these challenges, we are seeing the creation of committees and more generic promotions on individual products like avocados and blueberries. The structure of the industry is evolving and these committees are proving to be good assets to the business because they are providing suppliers with the right information to help with sector planning."

Softer approach

Last summer, the Chilean Kiwifruit Committee was established to focus on improving fruit quality and consistency.

"In the past harvesting took place too early, meaning hard fruit ended up on the export market which affected the image of kiwifruit and Chile," explains committee chairman Ricardo González,

who also works at exporter Copefruit.

"After recognising the issue we have made big improvements to our maturity control over the last 12 months. We now control 85 per cent of kiwifruit harvesting by authorising growers exactly when to harvest, which is helping them to produce a better quality product."

The committee is also working on a new export strategy which may result in the development of a promotional campaign for Chilean kiwifruit in the future. "At the moment, we're conducting a big research project which will show where we have sales potential (such as in Spain, the Ukraine, Russia, and Turkey). The initiative will also highlight the areas in which we need to make improvements," Mr González reveals.

Blueberry boom

With some 85 per cent of Chile's blueberry crop destined for the US and production rising rapidly with every season, the Chilean Blueberry Committee was set up in April 2009 charged with improving competitiveness and developing new markets for the fruit.

"There are many new production areas being planted while additional existing sites continue to enter commercial bearing, so we expect production to grow by a further 30-40 per cent in the years ahead," notes Felipe Juillerat, committee president and commercial manager at VBM.

"In 2009/10 alone the crop will rise by 20-25 per cent to around 50,000-52,000 tonnes, down from the original forecast of 30 per cent due to frosts and low temperatures."

Europe presents a tremendous opportunity for Chilean blueberries, according to Andrés Armstrong, the committee's executive director. "The UK is leading the way but Germany and Italy are also interesting options for

winter consumption since they eat a lot of blueberries during the summer months."

In the future, Mr Juillerat claims the blueberry sector will focus on advancing fruit quality. "There is a new generation of blueberry varieties with better taste and shelf-life being planted, which we hope will encourage consumers to repeat purchase," he says. "The committee is also holding workshops across the country to discuss the best harvesting times, production techniques and cool-chain control."

Mr Armstrong, meanwhile, predicts greater integration will now start to shape the industry now the boom has ended when many Chileans entered the blueberry business. "We're going to see a shake-up," he explains. "Bigger companies will certainly get bigger; growers will also become exporters and exporters will take on distributing functions. Meanwhile, those smaller, less profitable outfits will continue to exit the industry."

Doubling up

The Chilean Cherry Committee was formed in 2009 to work on the industry's competitive edge and, ultimately, find homes for the forecast doubling in volume during the next five years.

"Chile is already the biggest supplier of cherries in the Southern Hemisphere and with the anticipated increase in production to 75,000 tonnes by 2015 we will enter the top 10 in the world," explains committee president Andrés Hederra.

"One of our biggest challenges is competing against other major suppliers, like China. But there is a lot of potential out there. Cherry consumption is well established right across Europe, plus Turkey, the Middle East, Argentina and Australia have their own production so there are opportunities to be tapped in those regions too."

Topsy-turvy outlook for new season

Following a difficult start to the 2009/10 season, when inclement weather conditions affected the production of many fruits, Chile is anticipating mixed fortunes for its new year crop.

"The weather hasn't been very good," Manuel José Alcaíno, chairman of Decofrut tells Eurofruit Magazine. "The main factor has been a lack of heat which has caused harvesting setbacks. As a result, production is delayed and the crop is smaller. On the other hand, rainfall levels have been quite good, although we have experienced some late showers associated with the El Niño phenomenon."

Table grapes and stonefruit have

mainly been affected. In the northern regions, Decofrut estimates that grape production is forecast to fall by 5m-6m cartons, while in the stonefruit category peaches and nectarines are down by 20-25 per cent; plums are 30 per cent lower and cherries are off by 20-25 per cent.

Conversely, Decofrut claims there has been some growth for blueberries and kiwifruit, mainly due to new plantations coming into production. "In blueberries, the crop is up by 20-25 per cent, while kiwifruit production will increase by 10-15 per cent against 2008/09," Mr Alcaíno points out. "The apple and pear crop also looks like it is going to be larger this season."

Market-wise, Decofrut suggests that the UK will probably be the most interesting export destination for Chile this season. "The UK has always been a very stable and relatively mature market but in the last year it has started to grow in terms of consumption despite the recession," explains Mr Alcaíno.

"The UK is willing to pay good prices but demand and restrictions are extremely high so only the best exporters can succeed. Overall, we're certainly not expecting very strong demand in Europe because of the lingering effects of the financial crisis. The strength of the euro will also have a significant impact on results."