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# Chile

Offering a Vibrant Selection of Ingredients



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# Looking for a reliable food supplier?

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food industry.



## Focusing On The Agricultural Life

For this Chile supplement, I had the opportunity to personally travel to Chile and interview some of the members of the Chilean Food Industry Association (Chilealimentos). I got to see the country and its magnificent scenery while en route to the interviews, eat the absolutely delicious meat and seafood the country is famous for, and most importantly, I had a firsthand experience of what the agriculture scene is like as most of the offices were indeed located in the countryside itself, where the companies' facilities were.

Being a city girl, I have almost no recollection of seeing so much country for such an extended period of time. In fact, that seven days I spent there was like a very welcome break for me from my busy work life here in Singapore.

Going to South America in the first place is quite a privileged opportunity for many of us living in Asia and Southeast Asia, and of course the sheer distance, journey duration and jet lag can put anybody off. But the country was just so unexpectedly serene and tranquil, so different from the city lives that we're used to.

Chile is a country known for its exports, such as meat, seafood, fruit and vegetables. It is a pity that I visited the country at the end of winter, but I had the chance to see the vast agricultural lands of berries and other fruit, and some were beginning to bud with the first flowers of spring. I can only imagine how lovely (and extremely busy) it would be during harvest, with all the deliciously fresh and pesticide-free food in abundance. Chile, after all, is a country with natural barriers like the mountains and the ocean surrounding it, so farmers do not need to use much pesticide in the growing of their crops.

The Chile trip was really an eye-opening one for me. I really respect the people working on the farms and fields, and definitely wish to go back to explore more of the country should I ever be presented with another opportunity.

*Cheong*

**Michelle Cheong**



### Chile 2016 Special Supplement

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## BAYAS DEL SUR

### 10 Focusing On Health And The Young

With increasing education and urbanisation, more today are focused on healthier foods and lifestyles, but there is also a growing imbalance in the number of people in the fields as the young take off to the cities where work is more 'prosperous'. Miguel A. Montes, general manager, Bayas del Sur, discusses more on the issue.

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Grapes are a lucrative crop, not only for the wine industry that they are best known for, but also for their juice, colours, and flavours that can be used by the food industry. Héctor Muñoz Martínez, commercial director & products development, Jugos Chile, shares more about this and how to work with the Asian market.



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Expanding a business can be a daunting task, but with a fully traceable supply chain and a unique product, opportunities are abundant especially in Asia, informs Cristian Alemparte, export manager, Agrozzi.

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Asian markets are opening up to Chilean products, but in countries where such foods are not well known, these approaches should be cultured slowly, and timing is everything. Alejandro Rodríguez, export manager, Alimentos y Frutos, shares more.

# CHILE: WORLD POWER IN FOOD EXPORTS

WITH FOODS PRODUCED IN A WONDERFUL MEDITERRANEAN CLIMATE, CHILEAN PRODUCTS SATISFY THE MOST DEMANDING CUSTOMERS FROM ALL OVER THE WORLD.

**THE** Chilean industry is well equipped to offer products that meet the demand for healthy, safe and enjoyable foods. Since Chile is one of the few countries in the world with a Mediterranean climate, the country's conditions enable it to offer foods of the highest quality. This fact has allowed Chile to top these countries in terms of food export growth figures. In fact, in the last 10 years, national food exports increased 67 percent from US\$9.2 billion in 2006 to US\$15.4 billion in 2015.

Chile is one of the leading world exporters of fresh fruit, seafood, wine and processed fruit and vegetables, among other foods. A key difference between Chile and other countries is that the country is absolutely focused on exports—and this is a national priority. After copper exports, the food sector is the country's second-largest earner.

Chileans pursue and implement the development of food production with the same single-mindedness and attention to detail as the Germans with manufacturing cars or the Swiss with watch designing.

Based in South America with a North-South position, the country holds multiple comparative advantages over neighbouring countries for agriculture. Its Mediterranean weather and geographical isolation, for example, enable it to grow an extended variety of crops with almost negligible need for pesticides. The Atacama Desert to the north, the South Pole to the south, the Andes Mountains to the east and the Pacific Ocean to the west all act as natural barriers against pests. Also, the country has established free trade agreements with 65 countries around the world, from Asia and Australia through to America and Europe (80 percent of world GDP).

Based on statistics compiled by the Central Bank of Chile, the main export food markets for the country are North America, Asia and Europe. Of particular note is that the exports to Asia (excluding Middle East) increased 76 percent in 2006-2015 to reach US\$4 billion.

The increase in production of fruits and vegetables in their different formats (canned, dried, dehydrated, frozen, juices and pulp) is one of the main reasons that explain the growth of Chilean exporters in the last few decades.

Today, more than 1,000 products of the Chilean processed fruit and vegetable category fulfil the needs of millions of consumers in more than 120 countries in five continents. Their wide acceptance in those markets has favoured a percentage of 8.5 annual sales increase in the period of 2006-2015, to reach US\$2 billion.

In view of this reality, it is not strange that (according data of ITC for 2015) Chile ranks:

- First in the world as an exporter of dehydrated apples, prunes and peach puree.
- Second for frozen blueberries, frozen berries and frozen fruits.
- Third for raisins, walnuts, frozen raspberries.
- Fifth for apple juice, grape juice, canned peach, infused dried cranberries.

Today, Chilean processed fruit and vegetables exports to Asia (excluding Middle East) are valued at US\$161 million. The main markets are Japan, Korea and China, and the main products include juices and frozen fruits.

In order to guarantee high quality standards in the final products, the Chilean industry has introduced state-of-the-art technology as well as quality and safety assurance systems to improve the production processes as a whole. 





# SUPPORTING CHILEAN COMPANIES THE PRO WAY

**ROBERT PAIVA**, DIRECTOR OF PROCHILE, GIVES AN INTRODUCTION ABOUT PROCHILE AND DISCUSSES THE POSITIVE PROSPECTS OF WORKING WITH CHILEAN PRODUCERS FOR ASIA.

**PROCHILE** was founded in 1974 because there was a need to open Chile up to foreign markets and generate greater economic development for the country. Its main responsibility as an institution of the Ministry of Foreign Affairs is to promote the export of Chilean goods and services, and contribute towards publicising foreign investment and tourism development.

The institution provides the country with the knowledge and information it needs to facilitate and assist exporting companies and those with the potential to export in their internationalisation process. It seeks to increase productive development and joint working between companies, involving the public and private sectors in the growth and development of the country.

We have a network of 15 offices in Chile, one in each region of the country. We also have an external network of more than 50 trade offices strategically located in the world's most important markets.

## AN OPEN ECONOMY WITH VALUED EXPORTS

Chile is well aware of the role of international trade and has signed 26 Free Trade Agreements (FTAs) with 64 markets, including the European Union, China, the United States, South Korea, Japan, Canada, Mexico and Mercosur. The country has become the natural point of entry between Latin America and the rest of the world.

The FTAs and other trade agreements signed by the country give it privileged access to a market that represents 64.1 percent of the world's population and 86.3 percent of global GDP.

With regard to its food industry, Chile has great natural and human potential and is a land of surprising geographical and climatic contrasts, which gives it unrivalled conditions for producing food whose quality and attributes are appreciated around the world.

Food and drink are among the most representative of Chile's export industries, accounting for 23 percent of total exports and 45 percent of non-copper exports. They are

also among the most dynamic industries as, in the space of just a decade, food shipments increased from US\$7.5 billion in 2005 to US\$14.5 billion in 2015 (+92 percent), almost doubling their value.

## POSITIVE EXPECTATIONS WITH ASIA

In 2015, Asia was the main destination for Chilean food exports, accounting for 27 percent of that sector's shipments. It was also the region with the greatest growth for Chilean wine imports. Over the last 12 years, shipments to this area have increased tenfold from US\$58 million in 2003 to US\$548 million in 2015.

Chile is the best-evaluated emerging economy in Latin America and one of the most recognised around the world. Characteristics such as stability, transparency, competitiveness and business projections transform the country into a good destination for foreign investments. In 2015, UNCTAD's World Investment Report ranked Chile as the 11th biggest recipient of foreign direct investment in the world. That same year, US\$20.5 billion in foreign direct investment entered the country.

According to the risk classification agencies, which have raised and maintained the country's high ratings, Chile is a safe place to do business, as it has low levels of public debt, its financial system is healthy and it also has sound institutions.

We see excellent prospects for growth in exports from Chile to Asia in the coming years. The economies of Asia continue to grow, as do their populations and Chile's food suppliers are preparing to meet the growing demand that will come from that part of the world.

We are succeeding in opening up markets for our products and we are entering them with great strength. For example, our avocados, blueberries, meat, and other products are now able to enter China, and South Korea has been opened up for cherries. Similarly, the recently signed FTA with Thailand has made Chilean exports to this market grow in a very short time.

All of these demonstrate good prospects for Chile, for our producers and for our relationship with the Asia Pacific region. 

# ASIA, THE LUCRATIVE MARKET

CHILEALIMENTOS' PRESIDENT, **ALBERTO MONTANARI**, GIVES HIS PERSONAL OPINION ON HOW THE ASSOCIATION SUPPORTS ITS MEMBERS AND THE POTENTIAL OF DOING BUSINESS WITH ASIA.



## HOW DOES CHILEALIMENTOS HELP ITS MEMBERS?

Chilealimentos executes all the necessary actions to achieve the main goals set by its members' associates in all areas of their work. This work is executed directly by our professional team, concurring with the expertise of our associated companies, who form working committees or hire the work force of third persons that help us find the solutions we need. We also have permanent work with organisations of the public sector.

## IT SEEMS MANY CHILEAN COMPANIES ARE COMMERCIALY TRADING WITH COMPANIES FROM ASIA. TO YOUR KNOWLEDGE, IS DOING BUSINESS WITH ASIA AN EASY TASK?

The development of the food exportations of our associates for the global markets has been a concern for us since day one. The first commercial trades were with Latin American countries. Later, the markets of United States and Canada opened their gates to us and following that, our next steps were the European Union and Japan.

Working with Asian countries (with the exception of Japan) is only a recent development. Our associates have only just begun to take advantage of the lower tariff barriers with Korea and China first, and are in the midst of integrating themselves to the culture of the Asian nations.

We have to say that the geographical distance, language and the cultural barriers have been some major obstacles to overcome, but with every passing day, these are less significant. In this perspective, we hope that, like with other countries, Chile can eventually become fully integrated into the business environment in the countries of that region of the world.

Chile has sold food to 190 countries in the last 10 years. That is proof that the country and its industry are completely capable to become an important part of the world's countries and markets—a situation that will keep growing in the following years.

## WHY ASIA IN THE FIRST PLACE?

The main reason we can give about working with our partner companies in those businesses is the conviction they have developed an activity of mutual benefit for buyers and sellers. In processed foods, Chile exported US\$50 million at the beginning of the 1980. In 2015, this value reached US\$3.52 billion.

If this figure is expressed at Level 0 CIF, then even more so, at the level of products ready for consumption in the destination countries, we must multiply this several times to reflect the sales of those businesses. Of that total, most of the gain is for the people we sell our products to. In this sense, working with Chilean businesses is very lucrative for importers, who are supported by the quality of what we offer to the world.

## WHAT IS YOUR OPINION OF THE POTENTIAL OF FUTURE BUSINESSES WITH THE ASIAN COUNTRIES?

There is no doubt that the potential of the Asian markets is huge and often superior to anything we have developed so far. The Asian region comprises the largest consumer population in the world, with a high propensity to consume increasingly sophisticated and high quality food.

Asia has been the one who has sustained increased pressure on global demand for food in recent decades and will continue to do so in the future. 

**AGROZZI**, the Carozzi Companies' agribusiness division, was founded in 1990 and is dedicated to the production of tomato products like paste and juice concentrates, and fruit and vegetable pulps for the foreign markets and food industry. The company also possesses a full-service production line, from farm to shelf, which enables them to control all the variables of the production process for quality management.

The company's products are shipped to more than 50 countries throughout the Americas, Europe, Oceania, Africa and Asia. Its plant, located in Teno 170 km south of Santiago and an agricultural area known for growing fruit and vegetables, processes some 11,000 tons of raw materials a day.

The plant utilises Zenith cold extraction process technology manufactured by Catelli Food that enables it to process fruit and vegetable pulps with a premium quality. Advantages of this process include: improvements to colour, flavour and consistency of the pulps; production of non-concentrated pulps for baby food; and the removal of apple and pear skins prior to the heating process so as to obtain clean and clear pulp.

It also allows any traces of fungicide and pesticide to be removed from the skin, thereby preventing them from remaining dissolved in the pulp that could pose health threats later on. The reduced exposure to higher temperatures also enables the production of a pulp with superior organoleptic qualities, enhancing the sensory experience for consumers.

### QUALITY MATERIAL SOURCING AND PROCESSING

The company maintains long-term contracts with over 1,900 tomato, fruit and vegetable farmers, and locks in enough supply of raw materials and ensures its produce is in excellent shape.

Chile may not be one of the major producers of tomatoes in the world, but being located in the southern hemisphere, the counter-seasonality of the crop enables it to be well-desired by other countries who wish to get fresh produce when production in the northern hemisphere is low.

For its tomatoes, farmers are contracted to plant over 4,000 hectares. Once harvested, the tomatoes are processed within the day so as to maintain the quality of the material. The 2015 season produced 55,000 tonnes of tomato paste, of which majority were exported.

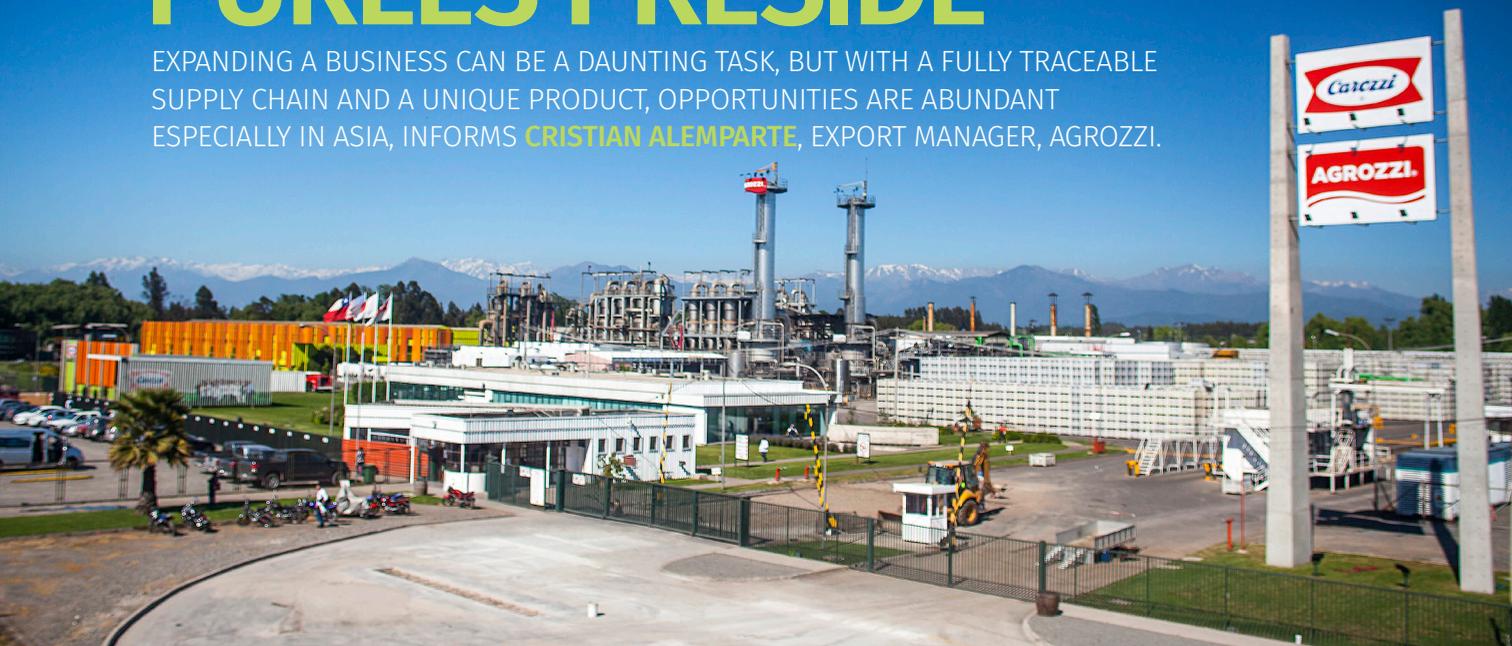
The company has increased its harvest of fresh tomatoes to some 402,000 tonnes this year so as to achieve its plans to increase tomato paste output by 10,000 tonnes to 66,000 tonnes.

For its vegetables, Agrozzi obtains its raw materials directly from the farmers, who are advised to deliver high-quality vegetables and meet specific standards. Even so, all incoming goods need to pass through an inspection stage for acceptance or rejection. In addition, samples are also taken from each farmer's produce to check for the presence of pesticides.

This process is similarly applied in the company's procurement of fruit. Agrozzi has exclusive fruit orchards, and 100 percent of the fruit is used for pulp production.

# PULPS AND PUREES PRESIDE

EXPANDING A BUSINESS CAN BE A DAUNTING TASK, BUT WITH A FULLY TRACEABLE SUPPLY CHAIN AND A UNIQUE PRODUCT, OPPORTUNITIES ARE ABUNDANT ESPECIALLY IN ASIA, INFORMS **CRISTIAN ALEMPARTE**, EXPORT MANAGER, AGROZZI.





Agrozzi produces many kinds of puree made from tomatoes, apples, peaches, pumpkins, cherries, and more.

Comprehensive control over the application of pesticides and fertilisers is exercised by the company, in order to strictly monitor pesticide residues in raw materials and finished products.

At all stages of production from planting to harvest, there is permanent control by the Agrozzi team, who will guarantee that all raw materials entering the process meets the quality requirements of the company's customers.

Mr Alemparte commented: "We provide all our farmers with the plants, varieties, seeds, pesticides and technical assistance. This way, we are able to control quality, production timing, and the type of product being planted."

### SCORING WITH TOMATOES

Agrozzi is one of the largest producers and exporters of tomato paste in Chile. They also make pizza sauce, ketchup, and triturated tomato. These are sold under owned brands and private labels for retail as tomato or pizza sauces. Depending on their clients, their products can feature a variety of styles of presentation and format for the retail area.

The company has invested quite a fair bit, US\$7-8 million, in boosting its foodservice and retail sauces operation. On top of tomato, ketchup and pizza sauces, they have also begun to manufacture mustard, mayonnaise, BBQ sauce, salad dressings, soups, fruit purees, topping sauces, and related products. "We expect a good result. We are strong in food service," Mr Alemparte said.

The foodservice line develops products for restaurant chains or institutional clients, serving notable clients such as McDonald's, Domino's Pizza, Burger King, Pizza Hut, KFC, among others, for over 15 years.

### STEPPING FORWARD WITH PUREE

Agrozzi is also known for being one of the largest Mediterranean fruit pulp producers, with sales soaring over US\$237 million. These include fruit like blueberries, cherries, plums, apricot, peach, raspberries, strawberries, kiwi, apple, and pear.

The company also began producing vegetable pulp in 2006 to fill the then niche market. Vegetables they process include beetroot, spinach, red bell pepper, carrot, butternut

squash and zucchini. These pulp, or puree, are supplied to many international companies, largely involved in the production of baby food.

From almost five years ago, the company developed a new product using the puree, named the pouch, which is filled with fruit pulp and juice concentrate. The pouch format is a complete production chain product, from start to finish. Agrozzi now accounts for 80 percent of the Chilean retail market with this pouch product.

Last year, Agrozzi built a new facility specialised in fruit pouches. Today, this facility is the largest spouted pouch facility in Latin America, and Agrozzi is leading the fruit pouch co-manufacturer business and exporting worldwide.

Being vertically integrated, the company produces most of the ingredients used in the final pouch, controlling the whole process "from the fields to the final pouch".

Focused on the highest quality and the most efficient processes, they fulfil requirements of clients and markets in the world, offering organic, baby food and/or conventional pouches.

### CONQUERING NEW MARKETS

Traditionally, Agrozzi has been in the markets of Latin America and Japan, but some countries throughout the region, such as Venezuela, Argentina and Ecuador, have met with difficult times economically, and in addition have had tricky political scenarios involving import barriers and a lack of liquidity, said Mr Alemparte. As such, the company has set their sights on new opportunities elsewhere in recent years, he explained.

For example, it jumped at the opportunities abounding in the Korean market in 2014, and has expanded its tomato paste and fruit pulp sales in the country. Korea, like Japan and a number of other countries around the world, have a free trade agreement with Chile, which gives the South American nation numerous advantages over others in terms of export, such as the absence of taxes. This therefore encourages Chilean companies and those overseas to export and import more from one another.

In 2014 alone, the company exported 500 tons of fruit pulp to Korea, up 30 percent from the previous year, and increased tomato paste shipments by over 50 percent as well. Still, Agrozzi plans to continue expanding their presence in Korea. In fact, it has begun selling its 100 percent natural apple juice concentrate in the market, and aims to increase shipments to Korea by 50 percent in 2016.

Expanding into new markets, investing in new technology and developing new products are the company's main drivers. "We are also interested in expanding into Southeast Asia, India, China and northern Africa. These markets have huge potential and, historically, our presence there has been relatively sparse," Mr Alemparte concluded. 

# PATIENCE AND TIMING IS EVERYTHING

ASIAN MARKETS ARE OPENING UP TO CHILEAN PRODUCTS, BUT IN COUNTRIES WHERE SUCH FOODS ARE NOT WELL KNOWN, THESE APPROACHES SHOULD BE CULTURED SLOWLY, AND TIMING IS EVERYTHING.

**ALEJANDRO RODRIGUEZ**, EXPORT MANAGER, ALIMENTOS Y FRUTOS, SHARES MORE.



**ALIFRUT** is a frozen fruit and vegetable exporter company that currently has six factories in Chile and is headquartered in Santiago, Chile. Founded 29 years ago, it processes about 100,000 tonnes of products per year, including strawberries, blackberries, raspberries, blueberries, asparagus, peas, corn, green beans, mixed vegetables, fava beans, and other fruits like kiwis and grapes. Over 70 percent of the company's exports are berries that are in forms of individually quick frozen (IQF) or crumbles.

## EXPANDING INTO ASIA

The company's main export markets at the moment are the US and Asia—namely Japan and Korea, says Mr Rodriguez. While the US is important to the company, the Asian market is even more so.

The company has been in the Japanese market for the last 27 years, growing with their customers, and providing frozen green asparagus, and then raspberries, strawberries, blueberries, kiwi, and recently mixed berries and grapes. "It's slowly but surely growing, and the market will likely expand in the next few years," he said.

The Japanese market was a strategic move for the company, Mr Rodriguez informed. With that relationship established early on, it opened up more opportunities with other markets in Asia such as Korea, which has become one of their main markets in the last three or four years.

"The government has done a lot of publicity campaigns and the exporters have been actively going to trade fairs

around the world, so more people know Chile as one of the largest fruit exporters of fresh and frozen," he said.

Also, the free trade agreements are playing a significant role in this increase of Chilean exports to Asia. Korea for example, is not required to pay any tax for Chilean imports, while imports from the US are taxed at 8.5 percent.

The good agricultural practices also increase the country's credibility as a fruit producer, as does the natural climate of the country, which enables the growth of the four essential berries—strawberries, blueberries, blackberries and raspberries—which puts it above other South American countries.

Chile produces products that are almost unpolluted, thanks to the Andes mountains to the East and the Pacific Ocean to the West that act as barriers for any pests and insects; that is why the company uses less pesticides in the growing of their products. This enables the company to comply with pesticide regulations that their clients demand for, whereas this might be a little hard for US exporters.

## WORKING ACROSS CULTURE

Asian countries are no doubt very different from Western countries, and even between Asia, languages, working culture or the way of business is different. In fact, the culture between America, Europe and Asia is 100 percent different, Mr Rodriguez says.

"But it's a learning curve. It's something we've been learning to do in our business with the Asian market. It's

not been easy, but in our case with the Japanese market, we think that we can manage that fairly well, because of all these years we've been working with them. They come here to Chile, they stay during the season with us for quality check procedures, and our people in the factories know now how to work with them. We have to be patient—very patient—with the Japanese as we do business with them, and that is similar with the Koreans.”

Koreans are totally different from the Japanese. They are generally very strict with quality and regulations for products, but the company has been growing with them in recent years, increasing the amount of shipment with each year. They also make efforts to see their customers in Asia, in countries like Japan, Korea, and other parts of Asia.

#### MOVING FORWARD

The company is currently exploring other markets to work with, such as Singapore, Thailand, Hong Kong and China. But this will take time, Mr Rodriguez said.

“For example China, everybody wants to go into the China market and thinks it is easy to penetrate it. In reality,

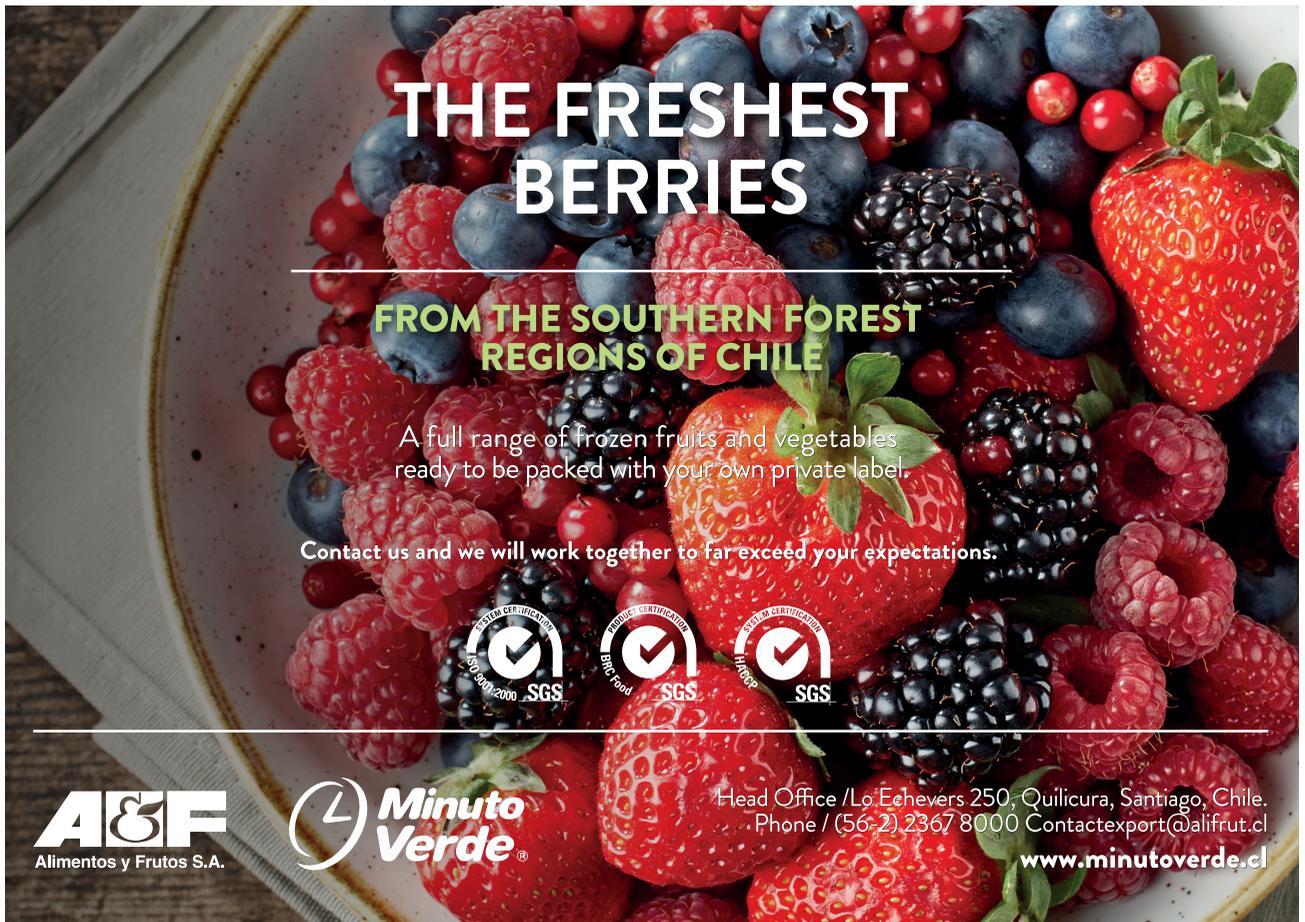
it is not. The Chinese are not used to eating products and fruits like these (berries and puree), so they need to be taught and this will take time.”

That said, China is the company's next step. “We think that China will open the other doors to the other markets, but timing is very important.” Currently, they have already begun efforts to expand into China.

“We have been shipping containers as a trial to see how they react. We have to be patient to see if this is going to be the time to go into the market. Timing is everything.”

This is also how they have expanded into other smaller markets. Starting small, even with just half a container, will help in the long-term, suggests Mr Rodriguez. Eventually, customers will buy at a certain point because they will have more knowledge of this product.

Most of the Asian countries are all very well developed, he said, which will further encourage their buying of fruits such as berries, he said. “That is what we're working towards, slowly, and in the near future we hope and expect to open the Asian market in general.”



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# FOCUSING ON HEALTH AND THE YOUNG

WITH INCREASING EDUCATION AND URBANISATION, MORE TODAY ARE FOCUSED ON HEALTHIER FOODS AND LIFESTYLES, BUT THERE IS ALSO A GROWING IMBALANCE IN THE NUMBER OF PEOPLE IN THE FIELDS AS THE YOUNG TAKE OFF TO THE CITIES WHERE WORK IS MORE 'PROSPEROUS'.

**MIGUEL A. MONTES**, GENERAL MANAGER, BAYAS DEL SUR, DISCUSSES MORE ON THE ISSUE.

**BAYAS** del Sur produces juices and powders mainly from berries, but also from other fruit. The plant, located in Southern Chile, supplies its products to the food and beverage industry throughout the world.

In recent years, with the global health and wellness trend driving the search for healthier ingredients and products, berries have come to play a leading role. According to the company, berries are a category of fruit which present very special nutritional properties and advantages over other fruits, such as a high concentration of antioxidants, polyphenols, ellagic and quinic acids.

Beginning with raspberry juice when the company was founded in 1990, the company has since expanded its range to include juice from other fruits such as strawberries, blackberries, boysen berries, blueberries, cherries, cranberries, kiwi, prune, rose hips, and maqui berry, a native berry to Chile. The company works with companies from approximately 30 countries in the world, providing juice concentrates, fruit powders, natural essences and fruit purees.

## CATERING TO HEALTH

The global health and wellness trend has led consumers to look for healthier products, and one of this is juice. "Juice is growing against sodas, like coca-cola and pepsi. They are

becoming more popular because they are more natural, and have active ingredients which are good for health. That is what consumers want—products with added value and that are natural," said Mr Montes.

The company sells their juice concentrates to companies in the retail business offering different types of juices. As Chile does not produce tropical fruit, the company also does not offer citrus fruits for juice. "We export mainly berry and apple juice, and we supply these to bottlers of juices around the world."

Fruit powders are also another offering of theirs. These can be used for supplements, and consumed with yoghurt, juice or milk. Of their fruit powders, Mr Montes spoke highly of their maqui berry powder. Maqui berries, native only to Chile, are known as a super food because of the amount of antioxidants it contains—more than any other fruit in the market, as measured by the unit oxygen radical antioxidant capacity, or ORAC.

"What scientists are saying is that all of us need a supplement of antioxidants to fight, retain or prevent against free radicals. Free radicals run in our blood and destroy cells at a faster rate, and antioxidants help to slow this down or even prevent it. So antioxidants are recommended as supplements to act as a sort of anti-ageing," informed Mr Montes.

## NEEDING TO CAPTURE THE HEART OF THE YOUNG

Chile is an exporting country, relying on agriculture produce as one of its core exports.

Mr Montes commented: "Chile is too small a country, so we need to export. We supply countries in Asia with a lot of fresh fruit, juice concentrates, frozen fruit, fruit purees, fruit powders, wine, meat, milk and even live animals. In turn we import from them anything that we need, such as cars. You can find any brand of cars here, and they are cheap because we don't have to pay taxes on these imports due to the free trade agreements."



Chile however, like many agricultural countries of the world, is facing a growing problem. The big cities worldwide, like Shanghai, Beijing or Santiago, are growing 10-20 percent in population every year, because people are abandoning agricultural areas for the cities, he said.

The younger generation has negative perceptions of people working in farms or orchards, something that was probably reinforced by their parents who wished for their children to grow up to find stable jobs in the cities, or by Western influence where city jobs are seen as more reputable and brings in more money.

“We are seeing around the whole world that cities are continuing to grow but the countryside maintains a shortage of workers. The younger generation prefer the cities, despite that living in the cities is very much more expensive as other expenses like transportation come into play,” he explained.

With the growing disinterest of the younger generation for agriculture, this is also impacting current farmers’ livelihoods.

“The main cities are growing in buildings and expanding many areas, taking up agricultural land in the process. Land becomes more expensive, and agriculture has to resort to going further from the cities, higher up into the rural mountainous areas, and this is increasing transportation and freight costs of agricultural produce.”

Further, it is an increasing concern that not all farmers are being justly paid for their produce.

“Prices for food can be low because people in the cities are not willing to pay higher prices for them. But this can cause people to lose their livelihood producing food or fruit. This is something that has to be changed. There needs to be fair trade for food,” he emphasised.

More needs to be done to attract the youth across the world to go into agriculture, but first the negative perception of farmers needs to be shattered.

“Only then can the agricultural area grow, and we have enough food to support our growing global population, which has been forecast to reach 9.7 billion by 2050, according to the United Nations,” Mr Montes concluded. 

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# GROWING GRAPES FOR ASIA

GRAPES ARE A LUCRATIVE CROP, NOT ONLY FOR THE WINE INDUSTRY THAT THEY ARE BEST KNOWN FOR, BUT ALSO FOR THEIR JUICE, COLOURS, AND FLAVOURS THAT CAN BE USED BY THE FOOD INDUSTRY.

**HÉCTOR MUÑOZ MARTÍNEZ**, COMMERCIAL DIRECTOR & PRODUCTS DEVELOPMENT, JUGOS CHILE, SHARES MORE ABOUT THIS AND HOW TO WORK WITH THE ASIAN MARKET.



**CHILE** is the number one exporter of table grapes in the world, with annual exports of 800,000 tons valued at US\$1.3 billion, according to a study done by CropLife Foundation in 2013. Approximately 75 percent of the country's grape production is meant for export markets.

As would be expected, there are quite a number of grape producing companies in Chile, and one of these is Empress Lourdes, which comprises three units: bulk wines, bottled wine, and juice concentrates. Jugos Chile is the juice concentrate division that was created in 1992, due to the surplus of grapes the company had that year.

To date, the juice concentrate export industry is one of the big pillars that the company has in their model business—which is their selling of juice concentrates for fermentation in destination countries and the food industry. With the grapes, a variety of juice concentrates can be created such as chardonnay, merlot, or simply different varieties with different profiles for final fermentation so as to make wines.

Due to the need to pay high taxes on alcohol if they were to import wines straight from Chile, other countries therefore opt to import these juice concentrates instead so they can ferment it in their own countries in order to produce the wine they want.

With the grapes, Jugos Chile also produces red and white grape juice concentrates for different purposes—these differ in intensity and hues which can be used in various applications such as increasing the colour or sugar content in wines or juices. These can range from 50 points to 4,000 points of colour.

## GRAPES FOR THE FOOD INDUSTRY

From about three years ago, we have developed more products for the food industry, said Mr Muñoz. For example, the company has white grape juice that is in baby food, which is supplied to Central and North America. The quality required for the baby food industry is very strict in terms of their regulations on pesticides, traceability and more; the company therefore has various systems in place to ensure they meet all these requirements.

“The food industry is very important for us because the market is very huge, compared with the wine industry for fermenting. So we have developed the production process for deionised white grape juice concentrate, also known as rectified juice,” he informed.

Rectified juice, he explained, is sugar from grapes. By taking white grape juice and passing it through columns to remove the smell, flavour and acidity of the juice, the



sugar can be obtained. This sugar is then concentrated and sold for other industries, such as for jam, cocktails of fruits, increasing sugar in sparkling products, etc.

From two years ago, the company has also started the business of single strength grape juice. This means that the grapes are “just crushed”, and upon undergoing minimal steps of clarification, the juice obtained is exported immediately at that stage, not concentrated further.

### JUGOS AND ASIA

“From about 18 years ago, our main market has been Japan. We export about 4,000 metric tons a year to the country, and since it has been our main market, four years ago we decided to expand the business into that region—Asia Pacific,” said Mr Muñoz.

A large bulk of our export to that market is the juice concentrates for fermenting. “There are countries in Asia that need to pay taxes for importing alcohol, so they would prefer to import the juice concentrates from us and do the fermenting themselves.”

Business with Asian countries is also more stable, meaning they are not just spot markets on short-term or one-off agreements. With some countries in Europe, they are producers of grapes themselves such as Spain or Italy,

so any business Jugos does with them would be more towards a spot market.

With Asia however, the business with these countries is stable, and that is what the company is looking for. For that reason, the focus of the company is to grow big in the Asian market and get new customers, expanding the business with long-term relationships.

The size of the Asian market is also bigger, he said. “If we take China, Korea, Thailand, and maybe Japan as well, it is a big, potential market for us for food products. For juice and other products, they would need to use the kind of ingredients we provide (colours, flavours, juice concentrates),” he informed.

The Chilean trade agreements with these Asian countries also comes in handy here. Importing products from Chile does not require the importing countries to pay any taxes.

Of course, each market being different, the company also caters different products to each of them. “In Indonesia, we sell juice for fermenting; in Korea we cater to their food industry; in China we sell both. It depends on the requirements of the industry we’re exporting to,” he explained.

“We only export grapes and grape products at this point in time because we have more knowledge in terms of the



Jugos Chile ensures their products meet with the different regulations of each country.

raw materials. We're a big company related to wines and grape juice, and we have a good network for getting the raw material—the grapes—in the purple and white varieties," he said.

The quality of Chilean fruits is general well known. Chilean fruit have competitive cost-to-price at the moment, compared with other countries, but an additional advantage for the country's fruit is the little need and use for pesticides. Chile has natural barriers to pests with the dry desert in the North, the South Pole in the South, mountains to the East and the Pacific Ocean to the West, informed Mr Muñoz.

"Chile is a very good country for natural products in the world. In my opinion, Chile can be an important producer of colours and juice—such as grape—in the future, because we can produce ingredients, colourants, pigments, anthocyanins, etc. These will be the products of the future because the world is currently looking for increasingly natural solutions," he concluded.

#### WORKING WITH THE ASIAN MARKET

It can be quite different to do business with Asian countries as compared to those in Europe or the US. Mr Muñoz gives a few general tips on how to work with them:

**Know the focus before you export:** which industries will likely be more receptive to your products, and how can you cater for these?

**Raw material procurement:** the procurement of raw material is very important, especially on quality and sustainability. Export business is usually in huge volumes, not small ones, so it is important to have transparency.

**Think long-term:** Asian companies typically look for long-term relationships, not spot, so that should be something the company works toward as well.



**Information from the government:** It is important to ask the government for information on trade agreements that can be leveraged on, or if there are any taxes that will need to be paid by either party. These are very important to know in the preparation for promoting products overseas.

**Understand importing countries:** Asian countries are more strict than others to work with. For example in Japan, the country has very strict food audits, and importing companies typically require one to start with a very low export volume for the first year, which they will then increase in the following years if products are up to standard.

With Korea, the market for exporters is very competitive; Korean companies are constantly on the lookout for new suppliers, so if one does not get their confidence, they will look out for another supplier who can meet their demands from the following year.

"If you can give them a good price and quality, they will work long with you," Mr Muñoz said. 



# SHINING ON APPLES

AN APPLE A DAY KEEPS THE DOCTOR AWAY, THEY SAY. **BORIS TERAN**, COMMERCIAL MANAGER, RETAIL DIVISION; AND **JOYCE ABRAHAMS**, COMMERCIAL MANAGER, INGREDIENTS DIVISION, SURFRUT, REVEAL HOW THEIR APPLE PRODUCTS CAN BE USED AS A MORE CONVENIENT WAY TO CONSUME THE FRUIT.

**APPLES** have been grown for thousands of years across the world, in Asia, Europe and the Americas. Chile, the largest exporter of fruits and fruit products in the Southern hemisphere, is also one of the main producers of apples worldwide, coming in 5th after larger countries such as China, the European Union, US, and Russia. The country is also one of the largest exporters of dehydrated apples.

The apple industry is a lucrative market, and for Surfrut, apples are a core part of their business. The company caters to two different market channels—the ingredients business and the retail business—with their dehydrated apples, apple colours and flavours, puree, and other apple products.

## ALL NATURAL, PREMIUM APPLE PRODUCTS

The ingredients business comprises of all apple products that are used in the food industry as an ingredient. For example, one of the company's main products are dried apples, and these are used by cereal companies, bakeries, cereal bar companies, pet food companies, and more, informed Ms Abrahams.

For the dried apples, they can come in a variety of shapes, sizes and specifications such as dices and flakes, with or without skin, or with more moisture or less, as required by their clients' needs.

The dried apples can also be used for the snacks industry, and these can be presented in chips, wedges, slices, clusters, or other different shapes. Apple clusters in particular are a unique product of theirs, and these are made by agglomerating dehydrated apples with apple juice concentrate in the form of a ball.

With this unique shape, or with the possibility of being shaped like existing potato chips, these forms of dried apples can be eaten as snacks for young adults and children in a natural and healthy way. Surfrut already supplies apple clusters to a US brand with coverage in every Starbucks nationwide and famous French snacks brand.

Dried apples in chips or cluster forms make healthy and tasty snacks, whether they are for adults or children.



The company also produces purees, mostly from apples, but they also do make puree from other fruits such as pears and berries in their factory located in Curico, Chile. These purees are sold as ingredients as well, for NFC (not from concentrate) juices, smoothies and baby food.

The purees they produce are single strength, not concentrates, which means that their purees are processed only once, retaining the original fresh flavour and texture of the fruit, such as apple, berries or cherry.

"It's a less processed product—more natural. We only screen out the seed and the peel, and it is a fast process to keep the flavour," Ms Abrahams said.

### **STRONG IN ORGANIC WITH FULL TRACEABILITY FROM SOURCE TO SHELF**

The company controls the whole supply chain from farm to fork, as they have their own orchards and factories. The factory is based in the middle of the apple crop areas, and the company works very closely with the growers and have established a long-term relationship with them.

"The base of most fruit juices is typically apple puree, which on top of that manufacturers then add any other puree they want. Raw material procurement is therefore essential," informed Ms Abrahams.

The team of agronomists and researchers ensure the good quality of the fruits and the raw material which the company uses, and the trained staff in the factories assure quality products are produced.

The full traceability the company offers from source to shelf is therefore very important, especially in the world that we live in today where safety and quality take pride in a customer's priorities.

The control over the orchards has also allowed the company to work on their organic line. "We have organic apples and berries for the purees so they are certified organic, and we can offer these to customers who require organic purees for their products," she said. "More than 15 percent of our production is organic, and we also have a Baby Food grade in the puree line," she continued, adding that these are required by their customers in the US.

### **LEADERS IN POUCHED PUREES: ONE PRODUCT FOR ALL**

Besides the dried apples that can be consumed as snacks for children and adults alike, another core product of the company are the retail purees that they sell in pouches under their own brand 'fruity GO', as well as under private labels with a few clients across different markets.



These purees cater to three types of consumers: babies, children and adults. From six months onwards, babies can consume purees. Generally, purees for baby food are typically packaged in jars, especially in Europe and US. However, today retortable packaging is becoming more popular, due to the convenience it brings for consumers.

This would be an appreciated aspect especially for mothers, claimed Mr Teran. First is the advantage of not needing to prepare the puree for her baby on her own, and instead can buy it easily from the supermarket. Secondly, having the puree in neat little packs enables her to carry around just the necessary amount she needs, and with great convenience.

Most children today have unhealthy snacking habits, what with the hundreds of types of chocolate, biscuits, and sweets that they are easily available to them. Purees in pouches would therefore provide a much healthier snack for them than eating chocolate or fried chips, Mr Teran explained. These purees can also be used by schools to give to children for their recess, or by health organisations who distribute healthy snacks; the company is already working with a few who are involved in these.

Finally, the third group of consumers are the adults. Following the trend for more health and wellness products, an increasing number of adults today are becoming more health-conscious and making efforts to balance their diets with more vegetables and fruit, often the neglected essential previously. "Purees provide a good way to eat fruit because it is fundamentally mashed fruit," he informed.

The puree is already present in some Asian markets such as China and Korea, especially in the latter where it is a success. "We're also looking to be in other markets like Malaysia, Singapore, Hong Kong and Thailand, and why not Indonesia, because we're halal," Mr Teran commented.

That said, the concept of this product is still new in Asia, but the main advantage for consumers is the convenience, he reiterated. This is as consumers can have a fresh fruit with a best before date of 18 months, and which on top of that, does not require refrigeration. In his words, it tastes good when it's cold, but also when it is at room temperature.

The puree comes in a wide variety of flavours, including both fruit and vegetables. There are some flavours that also have a mix of oats, quinoa, and chia seeds for that extra health benefit. Further, with a 100 g pack size, the product is perfect for snacking yet contains less than 100 calories.

### **AN OPEN DOOR FOR EXPORTS**

Surfruit's export countries for dehydrated apples are mainly North America, US and European countries. They currently export smaller volumes

to Latin America and Australasia—namely Australia, New Zealand and Japan—but are looking to expand further into Asia, especially the matured markets.

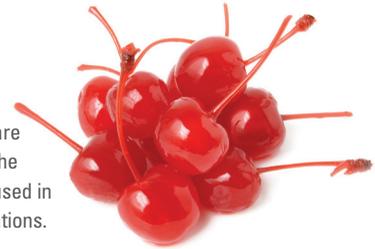
“The type of industries that use our apples and apple products—such as for apple pies, breads, muesli, or cereals with dried fruit—are popular already in Europe and North America. But I think this is a market that is still slowly growing in Asian countries, and we are looking forward to expanding it,” commented Ms Abrahams.

Another product the company is looking forward to push for growth in Asia is Maraschino cherries. These are packaged in cans and jars of different sizes, and are used in bakery applications such as decoration in cakes, ice creams, or in the alcohol industry to accompany cocktails.

On their progress for expansion into Asia, Ms Abrahams said that they are still looking at some information about potential companies that they could work with, but nothing else has been planned yet.

A notable characteristic of the company is that they are an open door company and are welcome to suggestions from customers. “The philosophy of the company is to work

Maraschino cherries are a growing product of the company and can be used in various bakery applications.



together with the customers, and flexibly. If there are any situations where they need to discuss matters with us, we are open to do it and respond to them,” she said.

“The idea here is to work with the customer and cooperate with them. If they want anything special, like with packaging or product type, we can work and develop it together if it is something that is workable,” she elaborated.

With majority of their customers also, they have built stable and long-term relationships with them. And similarly, that is what they are looking to build with any new Asian customers as well. “From my experience, I think I can say that the culture of doing business here matches quite well with business people from Asia. I think people make a difference as well, because they can influence the commercial relationship and this position of working together.”

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# A BERRY GOOD CHOICE

CHILE IS KNOWN TO BE A BERRY PRODUCING COUNTRY, BUT VILKUN HAS GONE ONE STEP UP TO ENHANCE ITS BERRY PRODUCTS, CREATING INFUSED BERRIES. **SANDRA BOCK**, COMMERCIAL DIRECTOR, AND **CRISTÓBAL VÁSQUEZ**, EXPORT MANAGER, VILKUN, SHARE MORE.



**VILKUN** is a company founded in 2010, and is dedicated to the production of infused dried, frozen and freeze dried fruits. The bulk of their offering is infused berries and cherries, which it first began producing in 2004, in an attempt to develop something new. Back then, it was on a very small scale, just in the kitchen of the house. The company's founders thought berries to be the trendy fruit at that moment, and began trials for infused berries. Beginning first with blueberries, the infused method was then applied to cherries, raspberries and strawberries, all at the kitchen scale in the initial stage.

## WHAT EXACTLY DOES 'INFUSED' MEAN?

**Ms Bock:** To infuse simply means to add any component to give special properties to the fruit. Fruits are submerged into a high concentration syrup, typically sugar syrup, apple juice concentrate or other fruit concentrates.

The objective of this is to dehydrate the fruit a little—this relies on the process of osmosis. When subjected to a high concentrate medium, the fruit will lose some water and in turn gain sugar instead. This gives it a special texture and a good sugar-acid balance to the fruit.

Fruit such as berries are low in sugar content initially. If they are dried directly, the fruit becomes very dry and hard. However, if you add sugar, upon drying, the texture will become nice and the flavour balance is maintained.

With the global health and wellness trend today, consumers are becoming more conscious of their sugar intake. For these consumers, there is also the option of

replacing this sugar by infusing the fruit with concentrated juice from other fruits instead. The results in terms of texture and taste would more or less be the same.

## WHAT PRODUCTS DO YOU HAVE, AND WHAT INDUSTRIES DO THESE CATER TO?

**Mr Vásquez:** We do mainly berries, such as blueberries, raspberries, strawberries, blackberries and cherries, and a bit of oranges.

The company also works with some of the wild native berries from Chile, such as the maqui berry. We infuse the dry format, the whole format, and we also have freeze dried maqui berry powder. Another native berry that we work with is the murta berry, and these two native berries from Chile possess a very high antioxidant content.

Berries are our first line, and we offer them for both conventional and organic purposes. We also do frozen fruits, and under this line we have berries, wild berries as well as frozen mandarins.

With our products, we cater mostly to the snack industry, but also the bakery and chocolate industries, as well as for cereal bars. Our new product, the maqui berry powder, can be consumed with cereal, milk or yoghurt.

The maqui berry powder is produced using a technique created by us. It is a kind of freeze dried technology, which we call quick freeze dried (QFD), and it enables us to freeze dry the berries in a shorter amount of time yet retain a higher level of antioxidants.

We have a research and development department, and the one or two products that we launch every year depend on our customer requirements and what we see in the external markets. For example, because of a Japanese customer's requirements, we have developed a new product: orange peel. This can be used in chocolates for example—as it goes well with dark chocolate—as well as for snacking.

**WHAT IS MAQUI BERRY AND WHAT ARE THE BENEFITS OF ITS POWDER?**

**Mr Vásquez:** Maqui berry is a berry native only to Chile, so the quantity that companies can offer is very limited. Production at the moment is limited also because it is wild. I think there are some studies now to develop new cultivation methods to improve yields for the berry, but at the moment it is just wild.

This means that you can have different yields from the trees every year. For example, one year you might get one kilogram of fruit; the next year you might get 100 kg; the following year none. We have a professional colleague who is working with just maqui berries, and she is trying to develop a new variety at the moment. We currently have our first hectare of maqui berry, and this year will be the first production year, so we're looking forward to our first yield.

**Ms Bock:** Maqui berry powder can be sold directly in small quantities to be added to dairy products, chocolate or juices, or they can also be used for the cosmetics industry. Some people also use it as a medicine.

Maqui berry powder has a strong purple colour that makes it perfect for water and cocktails. It can also be added to milk, yoghurt or juices for breakfast, and will allow you to achieve a perfect purple at the end.

At the moment, it is the most powerful fruit in terms of antioxidant content, even stronger than acai or gorgi berry, which have been touted as 'super' fruits in recent years. Maqui berries possess about five times the power of blueberries in terms of antioxidants, so right now it's the "king" of the antioxidant berries.

**Mr Vásquez:** In addition, the flavour of the powder is very plain, so manufacturers need not worry about undesirable aftertastes. We have some customers that are using it for the yoghurt industry, and we also have others in Japan who have told us that they want to introduce it to some beer companies to make a healthy beer.

The powder definitely has a lot of potential, and we have increased our sales from last year to this year with very good results. We are currently developing a new brand to launch the powder under the retail market. A unique thing to note about this powder is that only four or five companies in Chile are offering it at the moment; and out of those, we are the only ones offering it in the infused dried whole format.

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### WHICH ARE YOUR EXPORT MARKETS AND HOW DO THE PRODUCTS YOU OFFER DIFFER?

**Ms Bock:** We export mainly to Asia, followed by Europe. In Asia, we are exporting to China, Korea and Japan. In Europe, we export to all of the countries on the northern side such as the Scandinavian countries, as well as to UK, Germany, Italy, France, and Holland. We also export to Brazil, the US, Australia and Malaysia, but these we do in very small quantities.

In China, we deal mainly with the packaging companies—those that cater to the snacking industries.

In Korea, I think we supply all the infused berries, frozen, and also maqui berry powder. We have distributors for many industries, such as for food ingredients, internet sales and TV shopping. These distributors pack our products under their own brand and packaging, and some offer mixed nuts, raisins and berries.

In Japan, we have introduced the powder and blueberries. For which products we offer which countries, it really depends on the country, industry and applications that require our products.

### IS IT DIFFICULT TO WORK WITH ASIAN COMPANIES?

**Ms Bock:** Each company is very different, but they're also very professional, so it is not difficult to work with them. Some of them have more requirements based on quality of products, but they're all pretty much the same; there's a common standard. Because we have a BRC certification and we also offer organic lines, it is not difficult for us to meet their stricter standards.

I think the main issue is knowing your customers' faces personally. We travel a lot to Asia to meet our customers and potential ones, even though it is really far. But I believe that is the key for a business relationship. Knowing their faces and having direct contact with them will enable both parties to develop the business confidently while thinking of the long-term. I think most of the countries in Asia are the same.

### WHAT CAN YOU SAY ABOUT CHILE AND THE FUTURE OF YOUR BUSINESS?

**Ms Bock:** I think Chile is very well-known to Asian countries. In general, I think our country has done good work. The quality of our products are good and the assurance levels of our sellers are high, making us a reliable source of fruit. Our company also has a lot of different products to offer, from dried fruits to nuts and frozen fruits. We have a good name because of the country, so it is not difficult for export business.

**Mr Vásquez:** The country also has natural barriers such as the Andes mountains, the desert in the North, the Pacific Ocean, and we're also at the end of America; we are very



## INFUSING BERRIES ENABLE FOR A NICE TEXTURE, AND MAKE THEM A HEALTHY YET FLAVOURFUL SNACK.

well protected from plagues such as insects that might be in other South American countries.

The authorities have also done good work in developing relationships with several countries in Asia such as Japan, Korea and China. We have many free trade agreements, and this is a great tool to work with, especially with countries.

**Ms Bock:** Vilkun is making efforts to go into Indonesia and Taiwan in the near future. We have already done some efforts in Taiwan, Hong Kong, Singapore and Thailand. I think these countries are the next markets we want to focus on and develop.

Next year, we plan to go to Southeast Asian fairs to promote our products. The Southeast Asian market is a new and big market for us, so we want to develop new opportunities and markets there.

Vilkun as a company only started five years ago, and I think now we have consolidated our sales in the big countries—that was our goal up until this year. Now we are at the top of our production and ready to increase our sales, so we want to develop business in the emerging countries such as Malaysia, Indonesia, Thailand or even India. Our goal for next year therefore is to develop these new markets. 🇨🇱



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