SEASON FORECASTS 2012/2013

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A SNAPSHOT OF CHILE’S TABLE GRAPE INDUSTRY

Rising production costs, variety innovation and renewal, labor, and training make the list of recurring topics arising in conversations with leading representatives from the table grape industry.

Chile tightly holds the top spot as the world’s largest exporter of fresh grapes, one of its main export fruits, along with apples.

Between 2000 and 2010 the planted surface area of table grapes grew 17%, according to the country’s Office of Agricultural Studies and Policy (Odepa). Production grew 25% in the same period while the export volume rose 31%, shooting from 596,000 metric tons (MT) in 2000 to 781,000 in 2010. In terms of value, this represents a jump from US$662 million to US$1.3 billion, according to Odepa.

VARIETY RENEWAL

“Although the results have improved year-by-year, production costs are consistently rising. This is combined with the price of the dollar (which has fallen), making the situation very difficult,” says Guillermo Irarrázaval, president of Fruta-mérica. He emphasizes that it’s important to increase the profitability and competitiveness of the industry through worker training and by incorporating new technology.

María Cecilia Peppi, an academic with the Ag-Sciences
Department of the Universidad de Chile, says that “as a producer and exporter of table grapes it is of essence to stay updated in terms of handling techniques, how to add value and variety development. Today there is an ample offer of technology available to optimize handling, in particular for irrigation and phytosanitary management, technologies that must be practically incorporated.”

The academic points out the importance of “incentivizing the training of the labor force, in a way that (growers) can effectively incorporate more sophisticated handling that allows for more efficient production from both an environmental and economic standpoint.”

Industry representatives also agree on the need to renovate the variety portfolio in the country.

The president of Frutamérica says the future of grapes is closely tied to varieties with high yields, low labor requirements and large sizes. “This is already a reality in the United States where over 20% of the production corresponds to these variety sorts. To draw a picture, the times today are similar to those when the industry switched from seeded varieties (Emperor, Almeria, Ribier) to seedless ones (Thompson, Flame).

However the costs surrounding new varieties create a significant barrier since growers would need to finance the licenses and commercial rights to grow new grape types. In Irrarazaval’s opinion, only a small group of growers will be able to access these new varieties. This reality could marginalize small and medium sized grape producers, affecting the fruit’s role in regional economies.

Therefore, he says that policies must be created that find a way for “Chile to strongly back the incorporation of new varieties for all of the country’s growers.”

Isaac Bon, partner and former general manager of Compañía Frutera del Norte, says “it’s necessary to move forward and find new varieties that adapt to our conditions. It’s important that we go through a variety renewal process: including productive fruit of large size and with a better post-harvest lifecycle.”

In his opinion, another one of the looming challenges facing the industry is reducing dehydration produced during transit times to receiving markets: “We can have excellent quality, we can have good size, a good bunch, but after 40 days of travel there is dehydration. Therefore the challenge is to arrive with better fruit.”

Bon also says today there are companies that have fruit processing centers with the latest technology and all the modernization required for a country that is, for the most part, an exporter and faces long travel times. “In 40 days we’re in Asia. There are companies that are working to have a quality department and advisors for post-harvest handling.”

He also says it is important to generate more field research, and also create a set of norms the grower must adhere to.

“What we are lacking is a Grape Committee,” says Bon, “there are people in the Atacama Region that have gotten organized and have done well, but this must be applied to other growing regions.” The task is essential to define where the industry is going, share experiences and agree to variety changes, he adds.

OTHER SOURCES ON THE WORLD MARKET

“Peru, South Africa and Brazil are countries where the table grape industry is growing and developing,” says Juan Colombo, commercial manager of exporter Subsole.

Colombo says this “generates a flow of production,” for which it’s vital to understand which source is growing the fastest, in what week and the effects this will have on global availability and prices.

He explains for example that the growing presence of late Californian grapes added to the supply from Peru, South Africa and Chile “there are going to be more grapes between weeks 45 and 52”, points out the executive who
For Ignacio Donoso, commercial manager at Verfrut, Peru is a growing country that can be seen as a complement to Chilean exports. He believes in the short term "many Chilean companies are going to install themselves in Peru," and that the industry could see mergers between companies from both countries.

He adds that Peru and Chile complementing their table grape shipments helps create a supply program that will allow them to dominate supply in the Northern Hemisphere. It is an opportunity that must be taken advantage of, says the executive. The situation offers the industry a better opportunity to negotiate with receivers and supermarket chains, he adds.

RONALD BOWN, ASOEX PRESIDENT: "THE LARGEST CHALLENGE IS TO OPTIMIZE PROCESSES IN ORDER TO IMPROVE PRODUCTIVITY"

How would you evaluate the current situation facing the Chilean grape industry?

"The industry is developing a variety conversion and renewal of vines with plants over root stocks in some of the successful varieties. The objective is to increase the productivity of plantations, in order to mitigate the consequences of increased production costs, especially labor and the variation of the currency exchange rate. According to a study into the profitability in the sub-sector of table grapes conducted last year by iQonsulting, nearly 60% of the table grape vineyards are producing losses for their owners."

At the global level the industry is demanding new varieties. What are some of the challenges and opportunities for Chile in this context?

"Asoex, together with the Pontificia Universidad Católica and 24 associated companies, formed a Genetic Improvement Program in Table Grapes and other species as a technology consortium five years ago. To date, it already has advanced selections and by the year 2020/21 we expect to have four new varieties in the market that will be of high quality, very productive, and with less need for labor and a long post-harvest lifecycle."

What are the main challenges facing the Chilean industry?

"The largest challenge is to optimize processes in order to improve productivity, as the dollar’s exchange rate together with increasing operational costs are elements that will be permanent, at least for the next five years."

What sort of opportunities does the Chilean industry have to grasp?

"Chile’s opportunity is to widen the number of markets that we reach today, especially those in Asia. To achieve this Asoex, together with the authorities, has taken on the hard task of continuing to open markets for a number of our products, some of which are being produced and exported for only a few years, such as: blueberries, cherries, clementines and pomegranates."

As the United States is the main receiving market for Chilean grapes, what are the challenges and opportunities in this particular market?

"The challenges for table grapes, which represent almost 50% of fresh fruit exports to the United States, are mainly those related to increasing the demand in the U.S., which is done through taking appropriate action in the area of supplying restaurants and educational institutions, as well as incorporating grapes among those products considered superfoods."
The most frequent quality problem in table grapes for export is the risk associated with grey mould caused by the fungus *botrytis cinerea*. Through integral management in the field, the use of Sulfur Dioxide (SO2) and the utilization of individual SO2 pads inside each box the problem can be greatly reduced. However, the only effective method to control the development of *botrytis cinerea* in grapes once they have been packed is through the SO2 pad. In order to make a right selection of this product it is necessary to consider the following parameters: grape variety, fruit quantity per box, type of packaging, materials and finally the destination market (transit time). Many times people decide on an unnecessary amount of SO2, aiming to achieve additional protection thus risking an excessive SO2 release at an unforeseen time, which can lead to a bleaching damage.

Since 1986, Quimetal has developed a wide range of SO2 pads marketed in Chile and abroad under the proprietary brand FRESCA Preserva Uvas, delivering to each one of their clients technical support to guide them towards the best solution in order to arrive at destination in the best possible conditions. Through the SO2 pads manufacturing process, Quimetal uses the highest and most demanding standards in terms of raw materials and processes, yielding a high quality product.

To achieve an efficient control of *botrytis cinerea* an initial gasification is recommended with a maximum accumulated concentration of SO2 ranging between 80-100 ppm, in the first hours after packaging and prior to pre-cooling.

One of the most noteworthy differentiating features of the FRESCA Preserva Uvas SO2 pads is that it has an impregnated fast release layer, which yields the following benefits: efficient gas distribution inside the box and due to the impregnation the salt is evenly distributed across the entire surface of the pad - this does not happen in pads that use salt pouches for their fast release action - translating into a more steady emission and as a result, reducing the risk of bleaching. An additional benefit is an effective sanitation outcome inside the box, due to the immediate gas release once the fruit is packed.

Since the Asian market is becoming more important for Chilean exports and the fact that shipping lines have had to adjust their routes and services affecting the transit times and vessels frequency, therefore the election of SO2 pads for these far-off destinations has become even more critical for delivering produce in optimal condition.

FRESCA Preserva Uvas “long life” SO2 pads are specially designed for fruit shipments with long transit times or extensive storage periods.

Quimetal is constantly working to offer the best alternatives to their clients.

For more information please contact: comercial@quimetal.cl
INIAGRAPE-ONE: THE NEW VARIETY “MADE IN CHILE”

The mid-season harvesting grape has a dark black-blue color, firm skin, a mild crunch and a good post-harvest lifecycle. Chile’s breeding efforts have a clear mission to meet macro challenges facing the grape industry: progressively reduce the dependence on foreign technologies, increase the options available for local growers and develop varieties according to the needs of the local industry.

These sorts of issues were paramount to launching the Iniagrape-one variety in April this year. This grape is harvested mid-season, has a dark black-blue color, firm skin, a mild crunch and a good post-harvest life. Chile’s Institute of Agricultural Research (INIA) and the Biofrutals Technology Consortium developed the variety. The grape’s harvest occurs from Jan. 15 in the northern area of Vicuña to Feb. 15 in the Aconcagua valley, in Chile’s central region.

Carolina Uquillas, a researcher with the Department of Table Grape Breeding, INIA La Plata, says that the Iniagrape-one “comes to fill a space where there was a shortage of supply of black varieties. Our potential commercial partners have shown very favorable opinions on this new variety and expect that it can cover important market niches between the varieties of black table grapes, with great export potential for markets in Asia, Europe and the United States.”

While in 2006 INIA released three new varieties of grapes (Illusión, Isela and Alba Rosa), the difference is that Iniagrape-one is the first variety developed under the system of participative improvement. This system considers the opinions not only of the researchers but also those of growers and exporters - in other words, the productive sector.
The effort looks to “contribute products to the market that make the national industry competitive and in this regard we compete with variety suppliers from all over the world. It must be as attractive to the industry as a variety from the United States or Europe.”

**THE STORY BEHIND THE INIAGEPONE**

The Biofrutals Technology Consortium came to life in 2006, formed with public and private capital and born under the wing of the Bicentenial Program of Science and Technology. Its core objective is to develop new fruit varieties.

**Rodrigo Cruzat,** general manager of the consortium, explains that in 2004 and 2005, “the Chilean government proposed the formation of a biotechnology consortium to the industry as a way to connect the industry needs with research, in order to align them to resolve problems that emerge.”

Therefore the entity blends public entities and private companies. The latter offer market knowledge, large scale production and experience in commercializing products.

In regards to the work that has been developed by the entity, Cruzat says “the most important factor is that the national fruit growing industry maintains its leadership and that it is profitable for those that are in the business.”

The executive highlights that “it’s important the industry is constantly tapping into new varieties that meet the tastes of the markets and that adapt to Chile’s growing characteristics.” He adds that “at no time do we expect that the country will opt for its own varieties to the detriment of what it can obtain abroad.”

**IN THE PIPELINE**

“We have at least two selections that could convert themselves into new varieties in the near future,” says Carolina Uquillas. The first is a sultana type grape: white, seedless but more productive and with bunches that require less hand labor.

The second type is a grape similar to the Red Globe but with a lighter coloring, crunchier and with a less stringent flavor.

Uquillas says that both varieties have been evaluated starting five and three years back, respectively: “From there cross breeding is performed: the time that it can take before a selection can become a new variety can take at least 14 years.”

**Data Sheet**

A tapered bunch, medium density with an average weight of 690 grams. Has a good reaction to applications of gibberellic acid for elongation, thinning and growth.

The fruit can attain Brix degrees of 19 and 21, with acidity of 0.9-1%.

The berry is a black-blue color with 100% coverage and does not need regulator applications. It has an ellipsoid shape with narrow width. The caliber is 10-22 mm with an average fruit weigh of 8 grams.

Vineyard density falls between 1,111-1,666 plants per hectare with 35-40 bunches per plant. Its theoretical exportable yield per hectare is more than 3,200 cartons of 8.2 kg boxes.

Harvest occurs between Jan. 15 in Vicuña - in Chile’s northern IV Region - and Feb. 15 in the Aconcagua Valley, in the central zone.
years. Therefore the breeding effort is a long term project.”

Do you believe Chile can become a supplier of new genetic varieties?

“Yes. In fact we have received foreign requests to access Inia grape one. Having proprietary varieties will result in a positive impact for our country as it will reduce technological dependence, and because it will allow it to enter markets with new products that in this case, doesn’t just deal with the fruit itself, but rather the exportation of genetic material and the know-how that must accompany the introduction of a new variety in any part of the world. Finally it allows for the billing of royalties for the intellectual property, which generates income for the country and the associated institutions,” the researcher concludes.

Eight years ago, Alfredo Chimenti attended to the harvest of Red Globe, when among the 200,000 bunches he found one that grabbed his attention on vine number 46 of the third row. It was a bunch with a uniform pink color. In the following season the plant again grew a bud that rendered another pink bunch, thus creating the mother vine. The next year he continued growing this odd colored grape, obtaining pink, uniform bunches.

Years later he signed off on the start of a genetic identification process, together with Foundation for Agricultural Research (FIA) and the Universidad Católica de Chile. At the end of last year they announced that it is a variety with its own genetic identity, clearly different from the Red Globe.

With a pink color outside, the fruit’s pulp is absolutely white. Its seeds are smaller and aren’t astringent.

Compared to the Red Globe, it has a smoother skin and offers, on average, a Brix grade 3 or 4 more, going to harvest when it reaches between 18 to 20 degrees Brix.

It’s a variety that starts gaining Brix grade in its ripening and then color. Exports point to China as its main receiving market.

Pink Globe: A Natural Genetic Mutation

The work of fate or 53 years of work in fruit growing. On the land of the Chimenti family in the area of Talagante (in Chile’s Metropolitan Region) a natural genetic mutation laid the groundwork for a new variety of Chilean table grape: Pink Globe.

Eight years ago, Alfredo Chimenti attended to the harvest of Red Globe, when among the 200,000 bunches he found one that grabbed his attention on vine number 46 of the third row. It was a bunch with a uniform pink color. In the following season the plant again grew a bud that rendered another pink bunch, thus creating the mother vine. The next year he continued growing this odd colored grape, obtaining pink, uniform bunches.

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“IT’S IMPORTANT THE INDUSTRY IS CONSTANTLY TAPPING INTO NEW VARIETIES THAT MEET THE TASTES OF THE MARKETS AND THAT ADAPT TO CHILE’S GROWING CHARACTERISTICS.”
During transport, grapes are highly susceptible to decay, particularly grey mold (Botrytis cinerea). To control the rate of decay while grapes are in storage, it is a common commercial practice to fumigate the berries with high levels of SO2 and to store them with SO2 pads or liners for long-distance transport.

Results have shown that ozone can effectively control Botrytis on table grapes in storage, acting as a complimentary treatment to SO2 in instances where the SO2 pads or liners may expire during long storage periods. This becomes particularly important as ocean transits become longer and overseas markets more competitive and demanding higher quality arrivals. Similar studies have also proven that ozone can replace SO2 as an effective storage treatment, so shippers are implementing ozone in transit to mitigate color bleaching due to SO2 exposure, as well as a means to reduce chemical residue driven by regulatory and consumer purchasing trends.

THE VALUE OF PURFRESH

Purfresh delivers efficacy where traditional atmosphere management systems and antimicrobials fall short by actively monitoring and managing the environment inside the reefer container throughout the voyage. Offering the unparalleled combination of ethylene reduction with 100% residue-free decay mitigation and enhanced food safety, Purfresh is an ideal solution for shipping decay-prone or ethylene-sensitive produce. With Purfresh, the value adds up quickly:

- Prolonging shelf life increases value for the consignee as well as the retailer.
- Minimizing waste increases returns and reduces claims processing costs.
- Maintaining freshness over longer distances enables the use of ocean transport to reach and develop new markets.

HOW DOES IT WORK?

Scientifically engineered, the system enhances the atmosphere inside the container with an active form of oxygen—commonly referred to as ozone—to control molds, yeasts, and bacteria in the air and on surfaces, as well as to consume ethylene. Certified for use with organic produce and approved by the USDA and the FDA, ozone acts as a powerful, residue-free disinfectant that immediately reverts back to oxygen, leaving the product’s taste, texture, and smell characteristics in their natural state.

CARGO MONITORING

Real-time monitoring provides the ability to minimize cargo damage by taking corrective action while the reefer is at sea or in port. Throughout the trip, satellite and/or GSM signals are sent from the Purfresh panel to Purfresh’s 24/7 data center. When unexpected conditions occur, users automatically receive an alert sent to their computer or smart phone. Real-time monitoring reduces damage and loss by allowing Purfresh to resolve damaging conditions such as incorrect vent settings, unplanned power-off events and/or incorrect temperature settings to prevent cargo integrity from being compromised.

Deliver higher quality grapes to market on your ocean shipments. Ask for purfresh

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Exports for the 2012/13 season are expected to rise 4% year-over-year.

During the 2011/12 fruit season Chile exported around 813,000 metric tons (MT) of table grapes, a 4% drop compared to the previous season. The volume drop stemmed from climatic conditions affecting the Copiapó growing region in Chile’s north, hit first with a frost and then a rare snow storm in July 2011. These weather events tanked the exportable volume of early varieties. High temperatures affecting the northern and central-southern region of Chile also factored in, causing early ripening of the berries and a size trending towards smaller fruit, and thus a lower exportable volume.

For the 2012/13 season estimates place the export volume around 846,000MT, a 4% increase compared to the previous season, according to a report from the fruit market research firm iQonsulting. The estimation is based on information gathered up to Sep. 1. According to the report “while a drop in production in Regions IV and V is expected due to the scarcity of water, other regions should recover from the dip in volumes caused by high temperatures in the 2011/12 season.”

RECEIVING MARKETS

North America held its position as top receiving market for...
Chilean grapes in the 2011/12 season, consuming a 47% share of Chile’s exported table grapes. Europe follows, with a 23% share.

“During the last four seasons these two markets have shown a drop of 19% and 13%, respectively, in terms of the absorbed volume and the most probable is that they will continue losing market share,” says the iQonsulting report. This is mostly due to Chile’s search for new markets, thus decentralizing table grape shipments.
An example is the Far East, the third most important receiving market. This region accounted for a 20% share of Chile’s grape shipments in the 2011/12 season. From the 2008/09 season to date, shipments to the region have grown 62%, making it the market with the most growth.

“This is due to the increase in Asian demand for imported fruit, a consequence of the economic wellbeing of countries such as China and South Korea, among others. The grape variety in high demand in this market is the Red Globe, and explains the growth of its shipments during the last two seasons.”

Shipments to Latin American countries grew 36% in the same period and the Middle East continues receiving low volumes, although since the 2008/09 season its share of exports has grown by 55%.

For the 2012/13 season the U.S. market shows larger stocks during the arrival window for Peruvian and Chilean from Copiapó grapes. Californian fruit will dominate the market during this period, principally the Crimson Seedless.

“The 2011/12 season already saw this phenomenon, due to a change in production, shifting towards sales in the latest period of the harvest, thus provoking an extension of the season. This is reinforced by the industry promotions to increase consumption of local fruit and we expect this season it will only increase. Therefore it is very important that the Chilean grower and exporter strategy centers on delivering quality fruit in terms of berries and bunch formation, to compete with freshness against other offers,” points out Isabel Quiroz, executive director of iQonsulting.
Syngenta delivers integrated solutions that offer full control for the management and resistance prevention of botrytis in table grapes, according to the different growing realities.

In Chile the growing region of table grapes extends from the northern Region III south to Region VI and each one has its own climate characteristics and particularities when it comes to disease and pest control. The largest grower’s difficulties are related to resolve infections such botrytis (grey mold) and powdery mildew. To combat them, Syngenta offers a wide array of solutions.

Raúl Osorio, program leader of agroAMIGO Fruits and Vines, says that for growers in Chile’s north, the main peril to control is powdery mildew and sour rot. However in central Chile, Regions V, VI and the Metropolitan Region, the fight is to control botrytis, due to a greater presence of inoculates, precipitations and relative humidity.

In addition to climate, the disease is influenced according to the grape variety and the culture management of the crop, or in other words, bunch handling, canopy management, fertilization and irrigation. To generate a proper phytosanitary program and to obtain better condition of the fruit, all of these factors must be considered.

In order to control botrytis effectively, Syngenta has developed a handling system to determine the optimal method to perform each phytosanitary application. The company has well defined and standardized parameters, precise in their ability to determine the condition and needs of each application.

The application of chemical products to control the disease reflects the pheno- logical state of the crop. According to Raúl Osorio, the crop is most exposed during the crop’s blossom phase, as the botrytis shows the greatest amount of spores during this phase. The entire blossom process from the beginning of blossom through the full blossom and even discharge of flower leftovers, can last between 20 to 30 days depending on the location, temperature and grapes’ variety. Therefore there are at least two main opportunities to control the disease: pre-blossom and full blossom.

For pre-blossom, there are different usage alternatives to control both botrytis as well as powdery mildew. For these purposes, Syngenta has AMISTAR® TOP, a mix containing both azoxystrobin and difenoconazole. “Both molecules efficiently control powdery mildew, combing an important effect for botrytis control,” Osorio says.

The executive says that for full blossom there is a mix that includes products to control botrytis in all stages of its development. To achieve this, Syngenta has SWITCH® available for growers. This product contains two active ingredients: fludioxonil for an
effective spore control, and cyprodinil, for when the growing phase has already started. “This is a product that mixes two active ingredients in its composition, which complement each other technically in the control of botrytis, for proper handling to prevent resistance development,” says the agroAMIGO Fruits & Vines program leader.

In addition, Osorio says that the application upon bunch closure is crucial for an efficient control of botrytis both in pre and postharvest periods. This is due to the flower leftovers that may remain inside the bunch after closure. These leftovers contain botrytis inoculum, which can remain in a latent state until it shows initial signs of the disease. Applying the product upon the bunch closure is important in order to protect the internal structure of the bunch where the floral residue is trapped and hidden from future applications, and could express the disease during shipping or upon arrival to the destination market.

An appropriate alternative for this application could be the usage of SWITCH®, since the fludioxonil will control present spores and cyprodinil will control disease elements in the growing phase, working thus as a dual function. Another important point is the broad spectrum of fungus control of Switch, since postharvest decay in table grapes is composed not only by botrytis inoculum either cladosporium, aspergillus, among others.

Another important set of factors to consider are the techniques used in applying fungicides. Syngenta has the agroAMIGO service in all regions of the country: “Each advisor is highly qualified in all areas of phytosanitary handling of fruit cultivars, optimizing energetic resources through the different services that Syngenta has developed such a result of the many years giving support to the farmers in the field.”

With this tool we are making the fruit growing business in our country even more profitable,” says the representative.

Syngenta’s service centers on a complete crop strategy: “In the case of table grapes botrytis control is focused on a strategy using effective control tools for each of the crop’s development stages. In addition we provide technical consultations for the grower in terms of the optimal method that the products should be used and applied to the crop. Our main concern is not only if the grower is going to use the product or not, but rather get to know the grower and properly advise which Syngenta product should be used,” highlights Raúl Osorio.

Osorio goes on to say: “This season, our proposal is to continue the development of our integrated control strategy of botrytis in table grapes, hand in hand with the growers, who benefit directly from a successful control. To do this, we will continue to offer growers our experience, knowledge and handling technology on the ground through our team of agroAMIGO representatives.”

Raul Osorio, program leader of agroAMIGO Fruits and Vines.
able grape exports to the Far East have experienced sustained growth over the last five years. The overall stats have doubled in this period, reaching 20 million cartons last season. The lion's share of this increase has gone primarily to China.

“With the growth that we have seen we feel the obligation to back our clients with a specific solution for this market, where the requirements are much different from what is manufactured currently for general table grape exports,” says Fernando Llach Reinoso, head of development of Envases Impresos.

Exports heading towards the Far East are exposed to a range of complications, such as the long transit time, which requires resistance standards that offer exporters a guarantee that the product will look good and protect the content upon arrival. In addition the package must effectively communicate the offer to clients.

To develop tailor made solutions, Envases Impresos’ development leader says that “we went to visit the main Chilean fruit importers and applied their concerns to then develop specific packaging solutions.”

He says that among the most relevant aspects for packaging en route to the Far East is the resistance, good design and an attention grabbing color combination, factors that the company has incorporated in its designs and placed in the market.

“We are performing tests with different exporters to find an optimal solution and we don’t look just at the product and its raw materials, but we have also made investments and incorporated rated new technologies which allow us to supply innovative products at a reasonable cost,” highlights Fernando Llach.
Dubbed by many as the “silent revolution,” it’s a strategy that brings together growers with supermarket chains in destination markets, generating benefits and challenges for both.

**DIRECT BUYING: A RISING TREND**

Direct buying is a trend gaining steam with retailers in North America and beyond, leading to changes and opportunities for Chilean growers.

Some call it the “silent revolution” that is disrupting the traditional commercial model, bringing together supermarket chains with growers/exporters.

“Fort the direct purchase to make any sense there has to be volume so that you can see the real difference. And one of the fruits with which it’s easiest to get volume is grapes,” says Claudio Canziani, general manager of Safoods.

He adds that “we are receiving more and more information on companies that want to start importing directly”. The executive
says this is due to the benefits these companies have identified with this business model.

For Rodrigo Manasevich, general manager of Utilitas, it’s a commercial option that simplifies the business of the grower/exporter: “It helps to resolve the placement problems that large volumes face since the retail sector buys more than the majority of receivers. Eliminating intermediaries means the profit margin is divided among fewer hands. More availability of price information serves as a base for analyzing the commercial strategy and export.”

**BENEFITS, OPPORTUNITIES AND CHALLENGES**

“The grower gets to sell at a better price and has a better cash flow. They also receive what’s been discussed because generally negotiations use fixed prices, instead of what the traditional model offers where the fruit is sold on consignment,” Canziani points out.

Luis Felipe Varela, managing director of Global Pacific Chile, echoes Canziani’s view, saying that one of the rewards from the grower’s standpoint is that “you bill the supermarket directly.”

His opinion is shared by Manasevich, who says “direct fruit purchasing resolve the uncertainty experienced by growers who use traditional export systems to know inclusive sales prices before harvesting the fruit.

He adds that “another advantage is the lowered grower risk since part of this is passed to the buyer, who takes a price position before the trade has started.”

**¿What are the benefits for retail?** Fresher products, lower costs and better control over future fruit sales, according to Manasevich and Varela.

“Retail assures a volume of fruit, can plan its promotions and can create a premium since this sort of business tends to buy at a lower price than the real value due to the buyer’s risk exposure. This business is useful for large volume growers since it resolves the market placement problem and is a plus for growers who have little experience exporting,” highlights Manasevich.

Canziani and Varela agree that while direct buying is a growing trend, it is not free of challenges.

“The supermarkets don’t have the platform that importers hold to segment fruit according to quality. They simply approve or reject. Once a shipment is received they open the box and stock it in a sales point. They don’t have the structure to inspect the fruit and don’t have the capacity to sell through a channel that isn’t their direct client. Therefore they aren’t prepared to receive fruit that isn’t of the desired quality,” says the general manager of Safoods.

This reality shows the need and importance of having an office in the country of origin. This allows buyers to purchase directly, choosing the right quality distribution and avoiding problems. Hence the challenge for growers and exporters, who as a result must assume a greater responsibility for the fruit quality that is to be shipped abroad.

For the general manager of Utilitas, the main challenge ‘is the definition of the ‘correct price’ since it’s difficult to predict how the market will behave. Another test is keeping in line with agreed prices in case of a market moving event. If it (the price) rises or falls, many times the parties will ask for an adjustment or price ‘support’, which changes the business conditions. The good arrival of the fruit is also
key) since if there is a condition problem the buyer won’t pay the agreed price. The retailer step down from its dominant position in the negotiation and treats the grower as a counterpart, understanding that they are the owners of the fruit. In other words, they treat the grower much like a client.

In his view, the managing director of Global Pacific Chile says “the supermarkets are preparing in destination markets with the tools to receive the fruit.”

He adds retail has to specialize with people who know the varieties and recognize the supply of each country, since each nation has different logistics and timing in terms of the market windows.

He insists there is no room for lower quality fruit: “the message for the growers is that they have to adjust to the specifications of the supermarket chains,” and not the other way around, where supermarkets have to accept what growers send.

Do you believe that Chilean growers are prepared? Varela says that “yes, there are growers well prepared to face this demand.”

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Representatives of the U.S. industry discuss the challenges and opportunities for Chile and Peru.

The situation for grapes is constantly evolving and always changing from season to season. In general terms, things do look very exciting for the industry as a whole. With the availability from all the producing countries (California, Mexico, Chile, Brasil and Peru), along with the advancement in technology and new varietal developments, we see great things for future growth for good fresh grapes”, says Craig Uchizono, Southern Hemisphere vice president at Giumarra.

For John Pandol, special projects director at Pandol Brothers, reaching the market as quickly as possible with fresh fruit is key: “I’m convinced grape freshness in a high driver in demand”.

This factor becomes particularly relevant when you keep in mind that U.S. grape consumption has remained stable over the last 20 years. Pandol also adds that “grapes used to represent 8% of produce sales, say 10 years ago. Today, grapes are less than 6%”.

He says that at the moment supermarkets and other channels are increasingly requiring specialized packaging.

CHILE AND PERU

In terms of South America, the North American market has received its table grapes from Chile, Brazil and Peru. In the opinion of Bill Poulos, grape import program director at The Oppenheimer Group, sourcing from these countries has “an interesting dynamic, with high quality, great tasting fruit, coming from all of these sources”.

¿What are the main challenges for Peru and Chile? In the case of Chile, Bill Poulos highlights the rising costs of production, water shortages, labor scarcity, and unfavorable U.S. and European currency exchange rates.

In terms of Peru, he indicates its main challenge is that the supply is made up mainly with Red Globes: “A variety that accounts for only about 5% of consumption in the U.S. While
more popular seedless grape varieties are being planted there, it will take some time for an optimal crop mix to be achieved.

John Pandol discusses transport costs in both countries: “As transportation costs increase, Chile and Peru become less competitive”. In terms of market demand, he says “the biggest consumer trend threat is the rediscovery of seasonality, and a tendency of substitution for non-fresh produce alternatives in the off season”. He says consumers will opt for fresh grapes of good and fresh quality, but for example will go to frozen blueberries if grapes don’t meet expectations.

He emphasizes that “as long as we deliver fresh looking and tasting grapes, Chile and Peru can compete against mandarins and blueberries”.

¿What are your recommendations for the industry? “Beware of the new varieties. Consumers buy green and red seedless grapes and a few other grapes. Unless the variety has really good characteristics it’s just another grape. First, look at the economic arrangement before you begin the technical evaluation”. 

IMPORTER CHALLENGES

“We are all trying to take costs out of the system, and intuitively direct buying should achieve that. However, we have seen it tried with mixed success over the last few years”, assures Bill Poulos, grape import director at The Oppenheimer Group.

He adds that the traditional role of importers is evolving: “We serve as partners on both sides of the transaction, essentially connecting the grower and the customer through strategic planning, logistics and marketing strategies”.

From this perspective he specifies that importers offer growers the benefit of “taking the whole tree” compared with retailers who have a particular spec they need to meet: “Importers can play a key role in finding homes for all the fruit, meeting the objectives of retailers and growers alike”.

Craig Uchizono, Southern Hemisphere vice president at Giumarra, says the biggest challenge anybody faces is weather and how it will affect the crops: “Adverse weather conditions can cause disruption with the harvest, which in turn causes gaps in production”.

To this he adds that customer requests are also something that are constantly changing: “What worked for them yesterday, is different from today, and can change tomorrow. Importers and growers need to stay flexible in order to meet the challenges in the marketplace”.

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POSITIONING AND DIFFERENTIATING EARLY HARVEST CHILEAN GRAPES

Growers and exporters from Chile’s Atacama region joined forces to create the “FreshAtacama” seal with the aim of strengthening their presence in international markets and confronting growing demands.

In order to differentiate early season table grapes from Chile and demonstrate commitment to quality, growers from the Copiapó and Huasco valleys in Chile’s northern Atacama Region, launched the “FreshAtacama” seal of excellence last season. The seal guarantees a balanced level of quality in products shipped throughout the entire season.

It’s the first time a group of Chilean growers and exporters have united to create a quality seal. The seal bolsters their presence in international markets, where they must confront growing demands from consumers and greater competition from other supplying nations.

Atacama’s early shipments open the market for the Chilean season. The climate conditions in the region, the driest desert in the world, allow for a grape that ripens earlier and is healthier, since high temperatures protect the crops from the presence of mold and other diseases.

These climate conditions in the Atacama lend themselves towards optimal levels of sugar and flavor in grapes. The high temperature during the day and cold nights also result in a grape with a better balance of sweetness and tartness.

Growers and exporters took it upon themselves to create a set of conditions that must be
met in order to participate and use the “FreshAtacama” Seal. This requires seriousness in the operation and commitment to comply with high standards. It also includes the incorporation of efficient and safe productive processes, under strict norms in terms of food safety, and practices surrounding the environment, waste management and labor.

The “FreshAtacama” Seal highlights the following qualities:
• Consistency in fruit quality.
• Healthy fruit, well finished, turgid and consistent.
• Region of origin with unique characteristics.
• Socially and environmentally responsible production.

SUCCESS STORY:
THE STRATEGY BEHIND THE FRESHATACAMA SEAL

“FreshAtacama” stems from a regional program designed to back grape growers in the Atacama, which currently brings together 14 growers and their respective exporters.

The positioning of the seal includes an active marketing campaign, which had its initial launch in the United States in the annual Fresh Summit 2011, organized by the Produce Marketing Association (PMA).

The strategy continues into the 2012/13 season, centering the action plan again on the North American market, for which “FreshAtacama” was also present at Fresh Summit. For the 2013/14 season, growers expect to launch the seal in the Asian market.

From the start, the creation and execution of the Project has been managed by the International marketing firm Yentzen Consulting. Following the creation and design of the corporate image FreshAtacama, the strategy has contemplated a diverse set of actions, including a PR campaign and the distribution of press releases to specialized trade media in both the United States and the world. A direct marketing campaign has also been implemented, influencing the principal grape buyers in the North American market.

One of the high impact tools utilized has been an online ad campaign in fruit trade media. The banner campaign received more than 260,000 unique impressions (individual views).

The direct marketing campaign included mailing special “FreshAtacama” materials to the 80 top importers, supermarket buyers and decision makers in the North American market. The materials included a book with photos from the Atacama Region and a copy of the International Special Edition of “FreshAtacama,” which in its online version received 7,500 visits since its publication in October 2011.

As a result of these diverse actions, the website received enquiries and requests from importers and chain supermarkets from nearly 60 countries and more than 78 product requests.

Gustavo Yentzen, president of Yentzen Consulting says that in a second phase “The project contemplates the continued building of the “FreshAtacama” brand, strengthening its position both in United States and in Asia. It will also look for more active participation, focusing not only on technical and commercial matters, but also on responding to the opportunities generated by the campaign.”
A market image is worth a thousand words

Europe, UK, USA, Russia, Middle East, India, Hong Kong/China, Japan, Colombia, Brazil, Mexico

Blueberries, Table Grapes, Cherries, Stone Fruit, Pears, Kiwifruit, Apples, Citrus, Avocados, Pomegranate
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