



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 11/28/2007

GAIN Report Number: CI7031

Chile

Avocado

Annual

2007

Approved by:

Joseph Lopez, Agricultural Attaché
Office of Agricultural Affairs

Prepared by:

Luis Henniscke, Agricultural Specialist

Report Highlights:

Output and exports of avocados are expected to fall this coming year, as a result of a vast area being affected by heavy frost during last winter.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Santiago [C1]
[C1]

Table of Contents

Executive Summary 3

Production 3

Planted Area 3

Consumption 4

 Table – Chile: Avocado Planted Area, Production and Exports.....4

Trade 4

Policy..... 5

Market Development 5

PSD Table 6

Export Trade Matrix..... 7

Executive Summary

Although, Chilean avocado production will continue to increase in the coming years, as there are still a large number of orchards entering their most productive stage, next years output is forecasted to fall as heavy frosts during last winter affected larger areas of production. Total area planted to avocados has increased significantly during the last few years, but industry sources indicated that the rate of increase in planted area is expected to level off. Excellent gains made in export markets in the past were the main reason for the significant increase in dedicated land use to avocados. But as prices are falling together with an expected increase in competition from Mexico in key export markets like the US, a slowdown in the planting expansion will occur.

Production

For MY2006 (Jan-Dec 2007) a larger than both, last year and previously estimated avocado production is expected as a large number of newly planted orchards come into production. As a result of last winter's heavy and unexpected frosts which affected extensive plantings mainly in the northern part of Region V (Petorca and Aconcagua Valley) a significant fall in production is expected in MY2007 (Jan-Dec 2008). The heavy frost will, reportedly affect the production of the coming year and could also have a negative effect on the following year production as trees were also damaged in some orchards. Avocado production is sensitive to climactic conditions, particularly to low temperatures during flowering and temperature changes. Weather largely accounted for production variations in the past.

Most Chilean avocados are produced in arid regions with little rain, except during the winter months, consequently most orchards are frequently free of pests and spraying is not necessary. Production area has expanded during the last few years. Increases in planted land have been almost exclusively devoted to the Hass variety, which represents over 75 percent of total production.

Planted Area

High prices and excellent economic returns obtained during the last 5 to 8 years were responsible for the huge expansions in planted area. Although, as prices of avocados fell during the last few years, industry sources indicated that the total area planted to avocados would not keep expanding as in the past. Additionally, they also stressed that the strong demand observed in the past in Chile's most important market, the United States, was expected to fall significantly once Mexican avocados gain access to all 50 States. Mexican avocados enter the US duty free. But, as shown in our PS&D table, total planted area to avocados is significantly larger than previously estimated by the industry, as a result of preliminary figures obtained from the last agricultural census.

A little over 98 percent of all Chilean commercial avocado trees are planted in the central area of the country - from Region IV through Region VI. The largest expansion in planting during the last few years has been in Region V, followed by the Metropolitan Region and Region IV. Although almost all of the expansion has been dedicated to the Hass variety, there are over 20 other varieties planted.

Consumption

Despite the recent increases in consumption, per capita domestic use is still considered to be fairly low for a producing country. To increase domestic consumption, the Chilean avocado producers association has a domestic promotional campaign that focuses on a nutrition and health message. The promotional campaign which will go from October 2007 through January 2008 will have a significant budget reduction as a result of the heavy frost which will reduce output significantly, from an estimated US\$ 800, 000 last year to only US\$200,000. It consists of ads on the street, newspapers, magazines, radio and TV campaign and in-store promotion in 40 supermarkets.

Consumption figures in our PS&D table have been adjusted upwards as a result of a domestic market study done by the Chilean Avocado Producers Association.

Years	Planted Area (Ha)	Production (MT)	Exports (MT)
1973	4,490	14,500	-
1980	6,180	25,000	12
1985	7,605	28,900	1,200
1990	8,315	38,800	11,557
1995	11,560	48,000	12,000
1999	19,800	80,550	34,788
2000	21,202	95,000	52,049
2001	21,800	98,000	52,492
2002	22,900	129,000	78,071
2003	23,300	148,000	97,646
2004	24,500	170,000	113,508
2005	24,900	177,000	136,412
2006	26,731	185,000	110,893
2007	35,350	215,000	142,000 1/
2008	39,300	190,000	128,000 2/
Note: 1/	Estimate		
2/	Forecasts		
Source: Ministry of Agriculture, Central Bank			

Trade

The US market received 64 percent of Chile's total avocado exports in 2006. However exports to the EU, mainly Spain, Netherlands and the United Kingdom increased significantly. Although export volumes to the EU countries combined did not exceeded 10 percent during the last few years, they increased over 78 percent in 2006 when compared to the previous year and are now over 21 percent of total exports. This is the result of a big industry effort made to diversify their markets. Additionally a strong Euro, contributed in increasing exports to the other destinations, in 2007.

As a result of the US-Chile FTA, Chile obtained a duty free quota of 49,000 M.T. beginning with CY2004. This quota increases 5 percent yearly over the next 12 years, after which avocados will enter the US duty free.

Chilean avocado exports are highly dependent on the U.S. market. The California Avocado Commission's promotional campaign will continue this year, which is financed through the Check Off program. The budgeted amount for 2006-07 was approximately 2.8 million dollars.

Policy

The Chilean Government has no subsidy or special tax incentives for avocado production or exports. Imports are charged a 6 percent uniform duty rate. There is a proposed law, called "Law for the Recovery and Promotion of the Native Forest", which has been sitting in Congress since 1992 that could affect future expansion of avocado plantings if approved. The proposed law also calls for preservation of the hillsides that will restrict replacements of native trees and bushes to fruit plantings. Most of the new plantings have been in hillsides, as these present an advantage over flatland in relation to frosts. The bill has gone through lengthy discussions and still has not been approved, mainly due to differing views among the various government agencies involved.

Market Development

Although avocados from California and Mexico can enter the Chilean market, this country's rather large, year-around avocado production and low domestic prices tend to discourage commercial imports for all but a few months during the marketing year.

PSD Table									
Country	Chile								
Commodity	Avocados, Fresh					(HECTARES)(1000 TREES)(MT)			
	2005	Revised		2006	Estimate		2007	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01-2006	01-2006		01-2007	01-2007		01-2008	01-2008
Area Planted	26731	26731	26731	27500	27500	35350	0	0	39300
Area Harvested	21050	21050	21050	22000	22000	29890	0	0	30900
Bearing Trees	6862	6862	6862	7172	7172	9744	0	0	10073
Non-Bearing Trees	1354	1354	1354	1548	1548	1121	0	0	2006
Total No. Of Trees	8216	8216	8216	8720	8720	10865	0	0	12079
Production	195000	195000	185000	205000	205000	215000	0	0	190000
Imports	741	741	741	500	500	500	0	0	500
Total Supply	195741	195741	185741	205500	205500	215500	0	0	190500
Exports, Fresh	136500	136500	110893	145000	145000	142000	0	0	128000
Fresh Dom. Consumption	59241	59241	72848	60500	60500	71300	0	0	60300
For Processing	0	0	2000	0	0	2200	0	0	2200
Total Distribution	195741	195741	185741	205500	205500	215500	0	0	190500

Export Trade Matrix			
Country	Chile		
Commodity	Avocados, Fresh		
Time Period	Jan-Dec	Units:	MT
Exports for:	2006		2007
U.S.	71950	U.S.	88799
Others		Others	
Spain	11630	Netherlands	8988
Netherlands	11480	Spain	6030
U.K.	6907	U.K.	4538
France	2683	Argentina	2436
Sweden	1857	France	1022
Argentina	1530	Sweden	702
Japan	1494	Japan	321
Denmark	640	Denmark	266
Canada	324	Canada	216
Belgium	166	Peru	211
Total for Others	38711		24730
Others not Listed	232		412
Grand Total	110893		113941
Note: CY2007 exports are for January through October only.			