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Chile

Tree Nuts

Annual

2005

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Report Highlights:
Walnut and almond production and exports are expected to increase again this year, as the weather in most growing areas has been good and additional planted areas are starting to produce.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Santiago [CI1]
[CI]

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Executive Summary

Chile’s walnut production and exports in MY2004/05 (Jan-Dec, 2005) are expected to be larger than the previous year as weather in most areas last spring (Sep-Nov 2004) was favorable. Walnut production will continue to expand in the coming years as a result of improved technologies, replacement of uprooted orchards with improved varieties and overall increases in planted area. For almonds an expansion also is expected as the weather has been favorable and newly planted areas are coming into production.

Walnuts

Production

For MY2005/06, industry sources indicated that production is expected to expand, as the weather has been more favorable then last year. The quality of production is expected to be good this year. Additionally, as many producers have been adopting improved technologies like pruning and drip irrigation, total production is expected to expand further in the coming years as yield increase. Producers also are expected to continue to replace aging orchards with improved varieties, increase grafting of their lowest-yielding trees, and expand planted areas. Thus, the long-term forecast is that production will continue to expand. This forecast assumes normal weather conditions throughout the season.

Crop Area

Although walnuts are planted from the Third Region (Copiapo) down to the Ninth Region (Temuco), over 90 percent of this crop is planted in the central areas, specifically Region Five (San Felipe-Los Andes), the Metropolitan Region (Santiago) and Region Six (Rancagua).
The two main factors for the overall increase in planted area are a continuous deterioration in the profitability of alternative fruit crops and the relatively good prices obtained by walnut producers.

Table: CHILE – Walnut Planted Area and Production			
Years	Planted Area (Ha)	Production (MT)	Exports (MT)
1995	6,980	9,800	8,665
1996	7,000	8,800	8,277
1997	7,480	10,950	8,880
1998	7,250	9,955	8,114
1999	7,015	12,000	8,503
2000	7,165	10,000	6,582
2001	7,200	11,800	9,551
2002	7,250	12,400	8,890
2003	7,808	13,800	12,187
2004	7,856	12,500	11,110
2005 1/	8,255	14,500	12,600
2006 2/	8,500	15,500	13,900
2008 3/	9,000	16,800	14,700
1/ Estimated			
2/ Forecasted			
3/ Projected			

Inputs

All commercial walnut orchards are planted on irrigated land. However, only an estimated 60 percent of the planted area has modern irrigation systems. As a result, when there is not enough water supplied from wells, rivers and streams flowing from the Andes Mountains, water availability becomes an important factor limiting production, mainly in Regions V and VI, where output can be affected significantly. The average orchard size is 10 to 15 hectares, which is double the size of orchards in France and half the size of orchards in the US.

Although a large percentage of walnut trees in production in Chile originate from seeds, budding and grafting of new and improved varieties like Serr and Chandler has increased in recent years.

Increasing labor costs are an important factor affecting walnut production and processing. Chile has a competitive quality advantage in shelled walnuts, since almost all shelled walnuts are hand-cracked. Although the premium Chile obtains from this quality advantage has thus far continued to encourage hand-shelling; increased labor costs may mean that Chile could lose this advantage in coming years.

Consumption

As with most other Chilean fruits, domestic walnut consumption is a residual of the export market. If international prices are low, exports fall off and domestic consumption increases as the larger supply drives domestic prices down. However, domestic demand does not drive consumption or determine market prices.
Enter consumption text here

Trade

As a result of a deterioration of Chile's main Latin American markets for walnuts, export companies have increased their marketing efforts in the European Union. As a result, the EU accounts for more than 65% of total exports, up from 33% in 2000. Export to the EU are expected to keep expanding as a result of the Chile-EU Free Trade Agreement, which lowered tariffs on Chilean in shell and shelled walnuts to zero in 2003.

As production continues to expand due to an increase in planted area, and improvements in orchards begin to bear fruit, total exports are expected to expand further in the coming years. The industry estimates another increase in exports in CY2005 due to a larger projected output.

Stocks

There are no trade or official statistics available on Chile's average stocks. However, exporters reportedly do not normally carry over stocks.

Policy

There are no specific Government policies regulating or benefiting tree nut production in Chile. The general import duty on walnuts was permanently lowered to 6 percent in January 2003. The US-Chile Free Trade Agreement lowered duties on US in-shell and shelled walnut to zero as of January 2004. Whereas Chilean exports to the US face a zero duty for in-shell walnuts and pay 13.2 cents per Kg duty for shelled walnuts. This rate will be reduced to zero by 2007.

Marketing

An increasing number of walnut producers are joining ChileNut a recently formed producers association that was created to improve quality and standardize production. Export promotion, mainly in developed countries, is another of Chile Nuts objectives. Members of the association contribute one cent per kilo of walnuts produced for training and marketing activities.

As indicated, ChileNut's first objective is to standardize and improve the quality of Chilean walnut production, with the goal of creating a quality category called "Chilean Nut". "Chilean Nut" is expected to embody a high international quality standard. Another objective of this organization is to train associated producers in "good agricultural practices", as most of Chile's export markets request high standards of quality. Finally, ChileNut expects to become an important service organization for walnut producers, generating needed market, price and agricultural practices information that will be available through their web page. With this they hope to improve Chile's marketing position.

Another important activity of this organization is export promotion. For this, a project was presented to ProChile and approved, to co-finance a market study in Europe (Spain, France, Italy and Germany) and Japan during CY2005. This market study project, of which ProChile will provide 50 percent, will cost US$620,000. It has three stages; development of promotion materials, an access study mission and export training workshops.

PSD Table							
Country	Chile						
Commodity	Walnuts, Inshell Basis				(HA)(1000 TREES)(MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Area Planted	7856	7856	8255	8255	0	8500	(HA)
Area Harvested	5680	5680	5870	5870	0	5950	(HA)
Bearing Trees	636	636	669	669	0	678	(1000 TREES)
Non-Bearing Trees	261	261	286	286	0	305	(1000 TREES)
Total Trees	897	897	955	955	0	983	(1000 TREES)
Beginning Stocks	494	494	444	412	494	412	(MT)
Production	14000	12500	14500	14200	0	15500	(MT)
Imports	150	518	150	400	0	400	(MT)
TOTAL SUPPLY	14644	13512	15094	15012	494	16312	(MT)
Exports	12300	11100	12600	12600	0	13900	(MT)
Domestic Consumption	1900	2000	2000	2000	0	2000	(MT)
Ending Stocks	444	412	494	412	0	412	(MT)
TOTAL DISTRIBUTION	14644	13512	15094	15012	0	16312	(MT)

Export Trade Matrix			
Country	Chile		
Commodity	Walnuts, In-shell Basis		
Time Period	Jan-Dec	Units:	M.T.
Exports for:	2003		2004
U.S.	0	U.S.	0
Others		Others	
Brazil	2668	Brazil	2360
Italy	2662	Italy	2348
Spain	1473	Spain	1885
Germany	1453	Germany	1263
Portugal	1146	Portugal	998
Argentina	1060	Netherlands	558
Switzerland	666	Switzerland	343
Netherlands	310	Vietnam	160
Ecuador	196	Ecuador	122
Uruguay	111	Belgium	112
Total for Others	11745		10149
Others not Listed	442		426
Grand Total	12187		10575
Note: Data for 2004 are for January through November only.			

Import Trade Matrix			
Country	Chile		
Commodity	Walnuts, In-shell Basis		
Time Period	Jan-Dec	Units:	M.T.
Imports for:	2003		2004
U.S.	282	U.S.	494
Others		Others	
		Argentina	22
Total for Others	0		22
Others not Listed			
Grand Total	282		516
Note: Data for 2004 are for January through November only.			

Almonds

Production

Excellent weather during last spring (Sep-Nov, 2004) together coupled with a larger harvest area (the result of a moderate expansion in the almond planted area during the last few years) are the main reasons for the expected production expansion in the coming year (CY2005). Total almond production is expected to exceed 7,000 metric tons (shelled basis) in a few years as producers expand their planted area in response to the good economic returns they obtained during the last few years. This forecast assumes normal weather conditions throughout the season. Industry sources indicate that presently close to 80 percent of Chile's planted area is in production.

Crop Area

Although almond trees are planted from Region IV (La Serena) down to Region VIII (Chillan), over 80 percent of the total planted area is in the central regions, specifically Region VI (Rancagua) and the Metropolitan Region (Santiago). Almonds are planted in irrigated land and average yields are estimated to be slightly over one metric ton per hectare. Industry sources report that although many producers are increasing their plantings, total planted area in Chile is not expected to exceed 10,000 hectares, as almonds compete with avocados for the best production areas. Both crops have the same constraints: soil and weather (rainfall and frost). New avocado planting have exploded during the last few years as a result of excellent economic returns.

Inputs

Nonpareil is the main variety planted, accounting for 48 percent of the total planted area. Other important planted varieties are: Carmel, Solano and Price. All commercial almond orchards are planted on irrigated land. However, only an estimated 40 percent of the planted area has modern irrigation systems (drip irrigation).

Trade

Most almonds exported are shelled and sent to markets where Chile has tariff preferences like Argentina, Brazil, Colombia, Venezuela and the European Union (Spain, Italy and the Netherlands). India is also an important market for in-shell almonds. Industry contacts are very optimistic about the benefit of a Chile-India free trade agreement for their sector. They expect duties to be significantly reduced from the present US$0.80 per Kg for in-shell almonds and US$2.30 per Kg for shelled almonds. Small amounts of almonds are imported. The main supplier is the United States. Industry sources report that imports are mainly used by the confectionery industry and thus tend to be smaller sized.

Policy

There are no specific Government policies regulating or benefiting almond production in Chile. The general import duty on almonds is 6 percent. However, the US-Chile Free Trade Agreement lowered duties on all US almonds to zero as of January 2004. Chilean almond exports to the US face a tariff of 12 cents per Kg for shelled almonds and 3.8 cents per Kg for in-shell almonds. However they will be duty free by 2007.

PSD Table							
Country	Chile						
Commodity	Almonds, Shelled Basis				(HA)(1000 TREES)(MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Area Planted	0	6586	0	6886	0	7150	(HA)
Area Harvested	0	5280	0	5460	0	5860	(HA)
Bearing Trees	0	1690	0	1747	0	1875	(1000 TREES)
Non-Bearing Trees	0	418	0	456	0	412	(1000 TREES)
Total Trees	0	2108	0	2203	0	2287	(1000 TREES)
Beginning Stocks	0	400	0	288	0	228	(MT)
Production	0	4500	0	6000	0	6200	(MT)
Imports	0	1088	0	1100	0	1150	(MT)
TOTAL SUPPLY	0	5988	0	7388	0	7578	(MT)
Exports	0	3300	0	4710	0	4900	(MT)
Domestic Consumption	0	2400	0	2450	0	2470	(MT)
Ending Stocks	0	288	0	228	0	208	(MT)
TOTAL DISTRIBUTION	0	5988	0	7388	0	7578	(MT)

Export Trade Matrix			
Country	Chile		
Commodity	Almonds, Shelled Basis		
Time Period	Jan-Dec	Units:	M.T.
Exports for:	2003		2004
U.S.	0	U.S.	0
Others		Others	
Argentina	712	Argentina	782
Brazil	655	Spain	600
Italy	408	Brazil	516
Spain	304	Italia	416
Colombia	179	India	222
Mexico	165	Colombia	202
Netherlands	108	Venezuela	98
France	92	Netherlands	91
India	54	Mexico	81
Peru	41	Ecuador	54
Total for Others	2718		3062
Others not Listed	224		198
Grand Total	2942		3260
Note: Data for 2004 are for January through November only.			