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Chile

Avocado Annual

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Report Highlights:
Production and exports of avocados are expected to fall this season, especially when compared to last season's bumper crop. The decline is due to adverse weather conditions last winter and the alternate bearing effect.

Executive Summary

Chilean avocado production is expected to decline by almost 50 percent during the 2010/11 production season compared to the previous season when Chile had a bumper crop and reached a record level of exports. Adverse weather conditions and alternate bearing effect in most production areas are responsible for the significant fall in production and exports for this season. Output is forecasted to increase for the coming 2011/12 season since there are still a large number of orchards entering their productive stage or at their incremental stage of production.

Commodities

Avocados

Production

After a significant fall in production in 2008/2009 season when extremely cold and freezing weather affected total avocado output, in 2009/2010 season a bumper crop resulted with a production expansion of over 60 percent. Exports and domestic consumption also rose to record levels. For the 2010/11 season production is expected to fall close to 50 percent again as a result of adverse weather conditions and the alternate bearing effect observed normally in avocado production after a bumper crop. Industry sources informed that a large number of orchards will be affected by alternate bearing (fruit stress) during this season. The industry in Chile follows the production season that goes from July to June.

Most Chilean avocados are grown in arid regions with little rain, except during the winter months, consequently most orchards are frequently free of pests and spraying is minimal or 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 80 percent of total production and almost 100 percent of total exports (99.8% in CY2009).

Planted Area

As a result of good prices and excellent economic returns obtained in the past, planted area continues to expand, but at a slower rate as prices have leveled off and returns have fallen due to a continuous revaluation of the peso against the dollar. Increasing costs expenditures are in pesos and sales are in dollars and as a result margins are shrinking.

Slightly 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. Out of the total planted area in Chile around 33,000 has are planted to the Hass avocado variety which represents almost 100 percent of total exports.

Consumption

Despite the recent increases in domestic consumption the per capita domestic use is still low for a producing country. However, domestic avocado consumption is becoming an interesting alternative for producers due to increasing production costs and the continuous devaluation of the dollar against the Chilean peso which is reducing economic returns to producers. Domestic prices obtained by producers often are similar or higher than prices obtained for exports, which was the case during the 2009/10 production season. As a result a large number of producers favored the domestic market. Close to 70,000 MT were destined for the less risky domestic market.

To increase domestic consumption, the Chilean avocado producers association had a domestic promotional campaign that focuses on a nutrition and health message. For this season as a result of the significant fall in production the Chilean Avocado Committee will not have a domestic promotional campaign.

Table – Chile: Avocado Planted Area, Production and Exports

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	146,397
2008	40,098	147,100	84,998
2009	40,598	261,600	166,184
2010	40,650	198,000	116,000 1/
2011	40,890	280,000	170,000 2/
Note: 1/	Estimate		
2/	Forecasts		
Source: Ministry of Agriculture, Central Bank			

Trade:

The largest export market for Chilean avocados is the United States and the European Community. The US market received 70 percent of Chile’s total avocado exports in 2009. Exports to the EU have increased during the last few years as a result of a big industry effort made to diversify their markets. Additionally a stronger Euro, contributes in increasing exports to the other destinations.

As a result of the US-Chile FTA, Chile obtained a duty free quota of 49,000 M.T. beginning in CY2004. This quota increases 5 percent yearly over the next 12 years, after which avocados will enter the US duty free (CY2016). Chilean avocado exports are highly dependent on the U.S. market. The California Avocado Commission’s promotional campaign which will continue this year is financed through the Check Off program. The Chilean Avocado Importers Association (CAIA) is in charge of the market promotion in the US with a much smaller budget of only US$2.5 million for this year as total exports to the US will fall significantly. The promotional campaign includes radio and television programs and ads on buses. Soccer in the US has reportedly become the best promotional scenario for CAIA's activities reaching an estimated 8.7 million consumers. Additionally, the promotional campaign in Europe covers Spain, Denmark Sweden, Germany and the U.K with a budget of about US$660 thousand. The Chilean Avocado Committee has also an ongoing campaign in Argentina, where they expect to spend US$135 thousand during this campaign.

Policy

The Chilean Government has no subsidy or special tax incentives for avocado production or exports.

Market Development

Although avocados from California and Mexico can enter the Chilean market, this country's rather large, year around avocado production tend to discourage commercial imports for all but a few months during the marketing year. Every year there is some imports, which come mainly from Peru and are imported for the next to the border areas in the north of Chile.

Production, Supply and Demand Data Statistics:

Export Trade Matrix					
Country	Chile				
Commodity	Avocados, Fresh				
Exports for:	2008			**2009**	
Time Period	Jan-Dec	Units:	M.T.		
Units:	**Volume**	**Value**		**Volume**	**Value**
U.S.	64,725	151,963	U.S.	116,997	160,336
Others			**Others**		
Netherlands	7,194	12,294	Netherlands	19,729	30,474
U.K.	4,463	6,415	Spain	9,893	14,778
Spain	3,158	5,736	U.K.	7,023	9,239
Argentina	2,711	3,677	France	5,050	7,641
Sweden	1,112	1,962	Argentina	3,329	3,340
France	896	1,224	Sweden	1,724	2,416
Japan	203	352	Japan	1,664	2,361
Belgium	190	484	Switzerland	190	404
Germany	169	143	Denmark	151	214
Denmark	84	47	Hong-Kong	82	119
Total for Others	20,180			48,835	
Others not Listed	93			353	
	84,998	**145,413**		**166,184**	**231,843**
Time Period	Jan-Oct				
Exports for:	2009			**2010**	
U.S.	86,890	85,306	U.S.	45,793	49,212
Others			**Others**		
Netherlands	10,747	13,364	Netherlands	11,779	15,949
Spain	6,423	7,966	Argentina	6,757	7,818
U.K.	4,394	4,959	Spain	3,899	5,766
France	3,311	4,744	U.K.	3,814	6,115
Argentina	1,937	2,313	France	2,001	2,911
Sweden	1,081	1,275	Sweden	713	1,067
Japan	1,079	1,423	Japan	302	495
Switzerland	85	91	Hong-Kong	182	350
Guatemala	75	123	Belgium	108	156
Hong-Kong	61	89	Switzerland	105	135
Total for Others	29,193			29,660	
Others not Listed	210			187	
	116,293	**141,819**		**75,640**	**90,167**
Note: Volume in M.T. and Value in Thous.US$ F.O.B.					