

INTERNATIONAL SPECIAL EDITION



Walnuts from Chile



STATISTICS: Industry growth stats

SECTOR BRAND: “Walnuts from Chile”: Vying to have the best walnut in the world

RESEARCH: Asia holds the greatest potential for Chilean walnuts



Due to the excellent characteristics of Chilean walnuts from natural conditions through to processing, the product is known internationally for its outstanding flavor, clear color and prolonged freshness, adding to the high quality standards demanded from the strictest markets.

www.walnutsfromchile.com

A joint effort between exporters, growers (Chilean Walnut Commission and ChileNut) and Chilean state investment promotion agency ProChile, "Walnuts from Chile" is a sector brand that promotes Chile's walnut industry around the world.

The brand spotlights the Chilean walnut as the world's best thanks to its color, taste, freshness and appearance. This quality of excellence is due to the unique natural conditions in Chile for walnut production.

The Mediterranean climate, the country's superb terroir and the natural barriers protect from the introduction of external disease and pests, converting Chile into a phytosanitary island

- To the north, the Atacama, the world's driest desert
- To the south, Antarctica
- To the west, the Pacific Ocean
- To the east, the mighty Andes mountains, the longest and tallest mountain range in the Americas.

All these natural conditions,

bolstered from the work ethic of Chilean workers and the highest quality standards throughout the productive process, allow us to have the best product.

For years Chile has been building an industry with stable volumes and high quality, which has today positioned Chile as the number 1 exporter in the Southern Hemisphere and the second globally.

We invite you to experience the Chilean Walnut!

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“WALNUTS FROM CHILE”: TRYING TO HAVE THE BEST WALNUT IN THE WORLD

Chile has a reputable image in terms of product quality, with attributes that are brought to mind through a sector brand that forms part of the project “Fruits from Chile.”

Chile is currently the second largest walnut exporter in the world, achieving a high degree of differentiation in terms of quality compared to its main competitors.

The recently launched sector brand “Walnuts from Chile,” is a potent communications tool whose objective is to empha-

size the attributes of the Chilean walnut abroad, as well as promoting the opening of new markets.

The development of “Walnuts from Chile” is part of the public-private venture that the walnut industry (Chilean Walnut Commission and Chilenut) is developing alongside Chile’s state investment promotion agency, ProChile.

Andrés Rodríguez, representative of “Walnuts from Chile”, stresses that “today more than ever we need to get out into the world,” and present those product attributes that differentiate the Chilean walnut.

What are these attributes? Excellent taste, color, freshness and appearance, says the executive. This adds to the climate and geography that al-

lows Chile to have privileged conditions for walnut growing, being bordered by natural barriers that convert it into a true “phytosanitary island.”

GLOBAL PRESENCE

The brand “Walnuts from Chile” forms part of the image that is shown to the world in different activities in which the walnut industry participates. “We use it each time we attend a trade show, congress or other activity. It is the image with which we present ourselves to the world,” Rodríguez added.

The industry has started using the brand already in international trade shows in Europe, Asia and the Middle East.

In the first stage the branding targeted Europe - Spain and Germany - for its implementation. Rodríguez defines both markets as “strong for the Chilean walnut” and “demanding of high quality.”

In a second stage, and when the global industry is familiarized with the sector brand, it will be incorporated into export packaging. The Chilean industry will implement quality standard, which are being designed in conjunction with the Fruit Growing Development Foundation (FDF). It is an effort that not only will serve as a trust guarantee for importers but also as an element to differentiate and promote the product in the global markets. 🍷

“FRUITS FROM CHILE”: A PUBLIC-PRIVATE VENTURE

In January 2012 industry and government officials marked the official launch of the brand “Fruits from Chile”, with the objective of promoting Chilean fruit in international markets.



The brand was built on three fundamental pillars: quality (innocuous food products), origin (climate and geography), and worker attitude (dedication, resilience and passion for their role).

“The brand sectors of ProChile support the sectors in the design of their brand and in the construction and implementation of an action plan in destination markets...strengthening their presence and emphasizing the individual properties of each industry conserving the country seal as a visible support mechanism,” explained Mildred Hernández, of ProChile’s sector brand sub department.

The diffusion of the brand is backed through the co-financing of long term communications strategies and high impact marketing campaigns. The executive explained that “we want to infuse in the customers’ minds the differentiating attributes that we offer as a country so that the industry can identify with Chile as a supplier of a diverse and quality exportable offer.”

WWW.WALNUTSFROMCHILE.COM



Andrés Rodríguez, “Walnuts from Chile” representative.

“DISCOVER THE EXPERIENCE OF CHILEAN WALNUTS”

Two of the main focal points for the implementation of the sector brand “Walnuts from Chile” are Spain and Germany, where the industry recently performed a promotional workshop for the foodservice segment called “Discover the experience of walnuts from Chile.”

Andrés Rodríguez, “Walnuts from Chile” representative, explains that the objective of the event was to inform the market on the properties and use of the Chilean walnut, taking note of its diverse attributes, which serve as an important element for the European gastronomy.

During the event different culinary demonstrations were performed by a Chilean chef, who highlighted the advantages of the Chilean walnut and its versatility for use in a variety of kitchen recipes. On the other hand, Rodríguez detailed the technical and commercial characteristics of this Chilean dried fruit in the event.

INDUSTRY GROWTH STATS

The 2008/09 season saw exports of more than 20,000 metric tons (MT) of in-shell walnuts, a number than in 2011/12 grew to 34,700MT, marking a new record for international shipments.



Chile is currently one of the world's top dried fruit and nut exporters, and is the largest producer and exporter in the Southern Hemisphere. The country trades 95% of its production abroad.

Looking forward the industry will continue to experience sustained growth, with 2015 sales estimated at a total of US\$1 billion FOB, considering the entire dried fruit and nut industry (walnuts, prunes, almonds, hazelnut and raisins), according to numbers from the Chilean Walnut Commission (ChWC).

In the case of walnuts, the Latin American country occupies the second spot in the global export ranking. With the increase in production that the industry has experienced in the last few years, exports rose from 20,000 MT (in-shell basis) in 2007 to 37,000 MT in 2011. For 2012 projections put exports at 40,000 and in 2014 that number should rise to 60,000 MT.

With an estimated total of 25,000 hectares of planted walnut orchards, Chile's production is concentrated in the central regions from the IV Region north of the capital to the VIII Region some 700KM to the south. This spread of land accounts for 87% of national production.

Due to this growth, which comes hand in hand with the opening of new markets and an active marketing strategy, the industry has opted for greater mechanization. From the harvest through to processing plants, the percentage of the industry using machinery has increased to complement manual labor.

Nicolás Valdés, general manager of Valvalle, said that one of the most important challenges is increasing the processing capacity at each level: "It will make us more efficient, maintain quality and most importantly, take our walnuts to new markets to achieve a good and responsible positioning."

SHIPMENTS ABROAD

Turkey, Italy and Brazil are the principal markets for the Chilean walnut, whose participation has been increasing year after year.

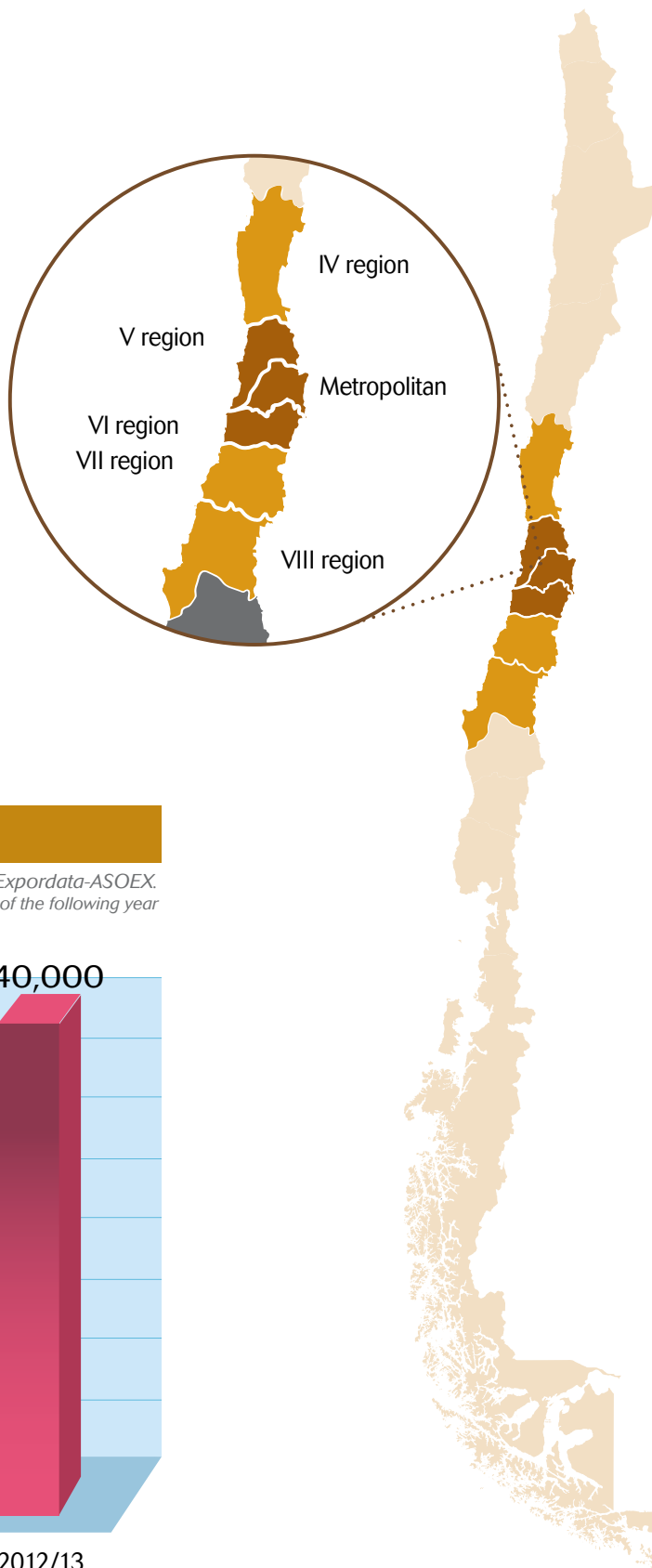
In regional terms, Europe (including Turkey) concentrates the highest quantity of imports, which up to week 35 of season 2012/13 (April-March) were 14,434 MT (in-shell basis) of a total of 23,218 MT. Following is Latin America with 4,004 MT (in-shell basis) and the Middle East with 3,868 MT (in-shell basis).

During the 2011/12 season Europe accounted for a to-

tal of 22,797 MT, followed by Latin America (8,544 MT) and the Middle East (3,269 MT). During the last four seasons these three markets have experienced continual growth, while North America has remained an insignificant market for Chile's walnut exports.

This year the difference has been marketed by a presence in the Far East, whose shipments have grown from 25 MT in 2011/12 to 3,868 MT in the 2012/13 season so far. This is explained mainly by the opening of the South Korean market for shelled walnuts, which was confirmed in the beginning of the year. 🌰

PRODUCTION REGIONS

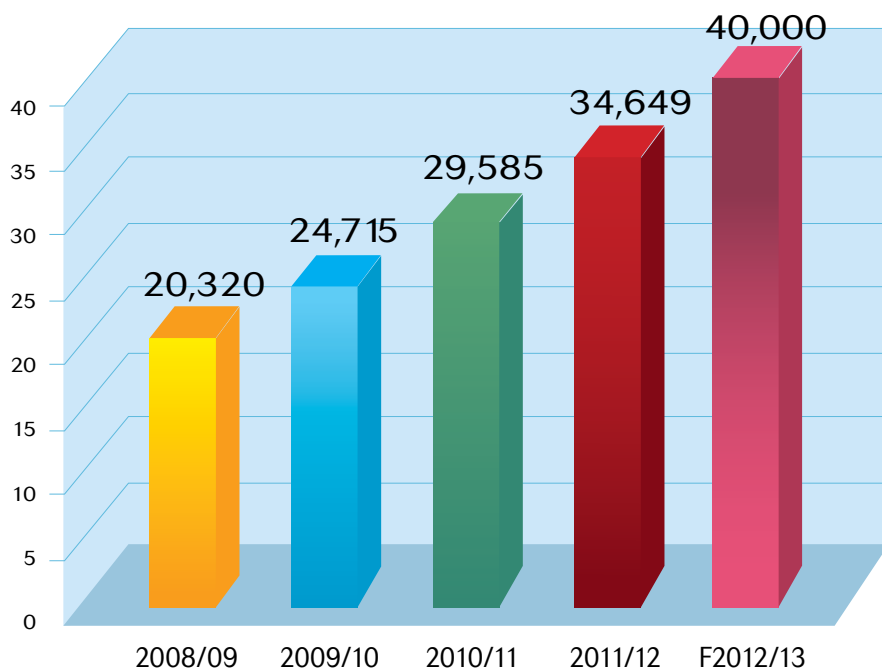


SEASON EXPORT VOLUMES

(figures in metric tons for in-shell walnuts)

Expordata-ASOEX.

Considering a season from week 14 until week 13 of the following year





CHILE: A SERIOUS, TRUSTWORTHY AND PREMIUM SUPPLIER

Chile's walnut industry is facing a range of stark challenges and glowing opportunities which will grow and harvest the industry's future success.

Over the last five years Chile's walnut industry has consistently increased its production volume, scoring around a 15% annual growth on average. This increased volume has been linked nicely with strong international demand for the product, which has consumed the new stocks and larger crop of walnuts generated yearly.

Growers and exporters alike agree that Chile has left its

days as a counter season alternative behind. Today it is positioned as a serious year round supplier capable of supplying markets with a year's stock that also meet the highest quality standards.

With this backdrop the vital success factor lies in promotion strategies abroad and the detail orientated work in the orchard in order to maintain international positioning and, above all, the trust earned abroad.

"The trust we have received

from our clients must be maintained, especially now that the volumes will grow significantly," says Juan Andrés Lira, commercial manager of Anakena.

For Benjamín Herreros, commercial manager of Pacific Nut, it's also important to "expand our relationship both with growers as well as clients, since we will be confronting an era of greater competition in times to come. Competition won't just be for the product (via quality) but also through all of the services related to

it, therefore in order to compete well it will be necessary for the whole supply chain to focus towards the same objective.”

“We must hold our results up to the same spotlight and recognition that has distinguished it around the world,” comments Javier Plaza, general manager of Frutexsa. He goes on to say “Today we are pushed to an even more competitive world that is constantly opening new doors of opportunities, without forgetting to keep an eye on excellence in our services and of course, in our products.”

CHALLENGES, OPPORTUNITIES AND CHANGES

“The focus on markets, the development of processed products, industrialization and process mechanization have allowed Chile’s industry to compete on a global level,” says Karl Samsing, president of Valbifrut.

For the executive, the sector’s industrialization is one of the fundamental changes that have been experienced, while for Huertos del Valle general manager Julio Martínez, it marks a “before and after” point.

Martínez explains that due to the growing production volumes, a hefty investment in specialized machinery is needed to pair with today’s manual labor, in order to guide growth into the future.

And what are these opportunities? “The crowning opportunities are always orientated towards opening new markets, especially those with high consumption and that also offer tariff benefits compared to our competitors,” stresses Juan Andrés Lira.

From this perspective, Karl Samsing says that “the development of a quality standard under the Chilean Walnut Commission will assure that the standard we possessed today will be kept into the future”.

“The prevailing opportunities for the Chilean walnut abroad are due to the characteristics of our product that we have been working to establish in different markets,” says Benjamín Herreros.

He adds that global trends toward living a healthy lifestyle, playing sports and eating well, helps and increases the consumption of this product as well as the entire dried fruit family. 🥜



CHILEAN WALNUTS ARE KNOWN WORLDWIDE FOR THEIR FLAVOR, CLEAR COLOR, PROLONGED FRESHNESS, AND THEIR COMPLIANCE WITH THE HIGHEST QUALITY STANDARDS.

THE PRODUCT IS AVAILABLE IN DIFFERENT FORMS, SUCH AS IN-SHELL AND SHELLS, HALVES, QUARTERS AND PIECES. IT’S ALSO OFFERED IN DIFFERENT COLORS FROM “EXTRA LIGHT” TO “AMBER” AND PACKAGING FORMATS TO SUIT MOST CUSTOMER NEEDS.

AVAILABILITY

WALNUT	January	February	March	April	May	June	July	August	September	October	November	December
HARVEST			🥜	🥜								
PROCESSING				🥜	🥜	🥜	🥜	🥜	🥜	🥜	🥜	
AVAILABILITY	🥜	🥜	🥜	🥜	🥜	🥜	🥜	🥜	🥜	🥜	🥜	🥜

ASIA HOLDS THE GREATEST POTENTIAL FOR CHILEAN WALNUTS

A study has identified nine countries that show the best opportunities for Chilean walnuts, and understanding their consumers' habits is key.

With Chile set to raise walnut production in the coming years

it will need to find new market outlets. U.K.-based Promar International was commissioned by the Chilean walnut industry to identify nine key potential markets, which were China, India, Israel, Japan, Singapore, South Korea, Taiwan, Turkey and the U.A.E.

The research measured walnut market attractiveness by taking into account the size of imports, consumption per capita and the overall 'walnut status';

Turkey led this metric by a long shot.

India was the odd one out in the group as it did not rate highly on either of the rankings, but was included because of its sheer size as a market to "monitor".

"Long term, we believe that China, Japan and other Pacific Rim markets offer the best opportunities for Chilean exporters to compliment traditional business in the EU and to other mature markets," says Promar International divisional director John Giles.

"Building export markets takes

time and can only be achieved by taking a long term view of the opportunity and then sticking to an agreed, but still flexible plan".

"Chilean exporters need to be promoting the fact that they can offer a combination of high quality, professional and well organized growers and exporters, consistent supply with competitive prices and that they have a long term plan for the markets in question".

ENTRY AGREEMENTS

Chile has market access with inspection for five of these countries –Japan, South Korea,



Taiwan, Turkey and the U.A.E.—which means there is still a lot of work to do in negotiating entry for countries with strategic potential.

Both China and Singapore hold free trade agreements with Chile but the South American country still cannot ship its walnuts to these economies. The report said if China's access issues could be resolved, Chile would have the competitive benefit of low tariff rates, similar to the situation it has with Japan.

In China, Chile would likely have a tariff rate of 10% for walnuts in shells and 8% for the shelled product, compared to much higher rates for U.S. shippers at 25% and 20% respectively. The report also noted the Chilean tariff in China should be reduced to zero by 2015.

The tariff of 10% applied to U.S. walnuts in Japan is more than triple the rate given to their Chilean competitors, who are expected to have the rate reduced to zero in the coming years.

South Korean access was only made official in January this year so it will need to be seen how that market develops, however Chile has an advantage there too with zero tariffs compared to the U.S. burden of 45% for in shell and 30% shelled.

Chile still has to pay a 43.2% tariff when shipping its walnuts to Turkey, despite the countries' FTA, but it does get a 50% tariff discount for 1,400 metric tons (MT) a year.

While including them on the list, the study was fairly dismissive of the immediate prospects in Singapore and Israel.

"Unless there are compelling reasons known to the Chilean industry, we believe the markets of Singapore and Israel could be dropped to a lower priority level or treated as opportunistic markets — dealing with commercial trade if and when opportunities arise," the report said.

MARKET DYNAMICS

Based on the results, the report highlighted South Korea, China, Turkey and Japan as the key destinations for investment, while encouraging the industry to take an 'opportunistic' approach to Taiwan and the UAE.

The report took note that India, China and Turkey are complex walnut producers, importers and exporters, with high walnut demand potential as their increasingly wealthy consumers look to purchase more healthy products.

"Gaining more knowledge of consumers in these markets and their usage/attitudes to walnuts would be a strategic resource for the Chilean industry that would allow them to tailor their product offering to specific consumers' needs, occasions, etc.

"However, all three countries have the potential to become major walnut producers/exporters in their own right. Monitoring the supply and demand balance in all three countries is critical to minimize the impact



John Giles, representante de Promar.

"BUILDING EXPORTS MARKETS TAKES TIME AND CAN ONLY BE ACHIEVED BY TAKING A LONG TERM VIEW OF THE OPPORTUNITY AND THEN STICKING TO AGREED, BUT STILL FLEXIBLE PLAN".

on the Chilean industry from any adverse developments in these markets."

OPPORTUNITY IN DUBAI

In terms of the U.A.E, ProChile Dubai commercial director Carlos Salas points out that "the opportunities for walnuts are wide as it is a product that is consumed a lot because it is part of the diet of Arabic people, and also because it has a

consumption peak during the month of Ramadan".

"It is the point of entry to the Middle East, sticking out with a great advantage as the main distribution center for the Gulf area due to its infrastructure, allowing for access to a market of 1.5 billion consumers," explains Salas. He emphasizes Dubai is the third-largest port in the world for re-exportation. 🍷



Walnuts from Chile



Best Color, Best Flavor, Best shelflife

Best Walnuts worldwide!

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