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GAIN Report

Global Agricultural Information Network

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Date: 11/29/2011

GAIN Report Number: CI1046

Chile

Avocado Annual

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Report Highlights:

Both production and exports of avocados are expected to fall this harvest season, due to adverse weather conditions combined with the alternate bearing effect and a severe drought which is affecting the main production area.

Executive Summary:

Chilean avocado production is expected to fall again during the present 2011/12 production season compared to last season. Adverse weather conditions, alternate bearing effect in some production areas and a severe drought affecting a large part of the production region are responsible for the significant fall in production and exports for this season. For the 2012/13 season a significant number of orchards are entering their productive stage or are at their incremental stage of production, so the output is forecasted to increase again, despite a fall in total planted area.

Commodities:

Avocados, Fresh

Production:

Production in 2010/2011 fell again when compared to the 2009/2010 season because cold and freezing weather together with alternate bearing (fruit stress) affected total production. Exports and domestic consumption fell accordingly. For the present 2011/12 season production is expected to fall further as a result of a severe drought which is affecting the Aconcagua Region particularly the Cabildo valley. Many producers have lost their orchards completely, industry sources indicated that over 2,000 Ha are being affected. The industry in Chile follows the production season that goes from July to June.

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 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 CY2010).

Planted Area:

Avocado plantings had been expanding at a slower rate during the last few years when compared to the past, as prices have leveled off and returns have fallen due to a continuous revaluation of the peso against the dollar. Increasing costs expenditures which are in pesos and sales are in dollars, have reduced margins considerably.

Additionally, over the last two years, the total planted area has fallen as much as 2,000 Ha and will probably fall another few hectares during the coming year, as an extensive area in the Aconcagua Region is being affected by the worst drought ever in a productive valley in Chile. The Industry sources added that together with the uprooting of old non productive orchards and the orchards affected by the drought, total planted area could probably be reduced another 1,000 Ha, totaling as much as 3,000 hectares in total.

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. Almost all the planting expansion has been of the Hass variety in the last decade, there are over 20 other varieties planted in Chile. Out of the total planted area in Chile around 30,000 has are planted to the Hass avocado variety which represents almost 100 percent of total exports.

Consumption:

In Chile during the last few years domestic avocado consumption is becoming an interesting alternative for producers mainly due to increasing production costs and the continuous devaluation of the dollar against the Chilean peso which reduces economic returns to producers. Domestic prices obtained by producers often are similar or higher than prices obtained for exports. As a result a large number of producers are favoring the less risky domestic market.

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	196,000	107,922
2011	39,300	183,000	110,000 1/
2012	37,650	200,000	120,000 2/
Note: 1/	Estimate		
2/	Forecasts		

Source: Ministry of Agriculture, Central Bank

Trade:

The largest export market for Chilean avocados is still the United States, followed by the European Community. The US market received 60 percent of Chile's total avocado exports in 2010, down from over 70 percent the previous years. Exports to the EU have increased during the last few years as a result of a concentrated industry effort to diversify their export markets.

As a result of the US-Chile FTA, Chile has a duty free quota, which started with 49,000 M.T. 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 budget of US\$4.0 million. 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\$600 thousand.

Policy:

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

Marketing:

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 are some imports, which come mainly from Peru and Argentina. Almost 2,000 MT were imported in CY2011.

Production, Supply and Demand Data Statistics:

Export Trade Matrix					
Country	Chile				
Commodity	Avocados, Fresh				
Exports for:	2009		2010		
Time Period	Jan-Dec	Units:	M.T.		
Units:	Volume	Value	Volume	Value	Value
U.S.	116,997	160,336	U.S.	65,024	103,234
Others			Others		
Netherlands	19,729	30,474	Netherlands	19,311	33,626
Spain	9,893	14,778	Argentina	8,425	10,294
U.K.	7,023	9,239	U.K.	5,251	9,285
France	5,050	7,641	Spain	4,611	8,346
Argentina	3,329	3,340	France	2,824	4,487
Sweden	1,724	2,416	Sweden	1,137	1,877
Japan	1,664	2,361	Japan	365	682
Switzerland	190	404	Hong-Kong	301	570
Denmark	151	214	Belgium	195	357
Hong-Kong	82	119	Switzerland	188	396
Total for Others	48,835			42,608	
Others not Listed	353			291	
Grand Total	166,184	231,843		107,922	173,604
Time Period	Jan-Oct				
Exports for:	2010		2011		
U.S.	45,793	49,212	U.S.	55,292	92,983
Others			Others		
Netherlands	11,779	15,949	Netherlands	8,757	14,136
Argentina	6,757	7,818	Argentina	3,549	6,315
Spain	3,899	5,766	U.K.	2,609	5,264
U.K.	3,814	6,115	Spain	1,949	3,287
France	2,001	2,911	Japan	642	1,117
Sweden	713	1,067	France	519	991
Japan	302	495	Belgium	229	456
Hong-Kong	182	350	Hong-Kong	179	388
Belgium	108	156	Sweden	102	204
Switzerland	105	135	Uruguay	93	220
Total for Others	29,660			18,628	
Others not Listed	187			70	
Grand Total	75,640	90,167		73,989	125,476
Note: Volume in M.T. and Value in Thous.US\$ F.O.B.					

