

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Chile**

### **Tree Nuts Annual**

#### **Almonds and Walnuts Annual Report**

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**Report Highlights:**

Almond production and exports are expected to fall significantly this year mainly due to unfavorable weather conditions. Meanwhile walnut production will increase in MY2009/2010 compared to the previous year due to a significant increase in planted area over the last few years.

**Executive Summary:**

Chile's walnut production and exports in MY2009/10 is expected to increase over the previous year as planted area has expanded significantly in the last few years and new orchards are coming into production. For the outer years, output will continue to expand as a result of improved technologies, replacement of uprooted orchards with improved varieties and a significant increase in planted area.

**Commodities:**

Walnuts, Inshell Basis

**Production:**

Walnut production has been expanding over 15 percent during the last 3 years as a result of a significant expansion in planted area with new crafted varieties together with the replacement of old, low production orchards with trees originated from seeds. Also, an increasing number of producers have adopted improved technologies like pruning and drip irrigation. Additionally, the use of a chemical called "retain" which prevents the blooms from aborting due to an excess of pollen, has eliminated the alternate bearing effect in walnut production. As a result, walnut output will increase with little ups and downs due to an expansion of the new planted area which is coming into production. In 2012 the industry expects output to be at the level of 40,000 metric tons and over 60,000 MT in 2015.

**Crop Area**

Walnuts are planted from the Third Region (Copiapo) down to the Ninth Region (Temuco), with over 90 percent of the crop planted in the central areas, specifically Region Five (San Felipe-Los Andes), the Metropolitan Region (Santiago) and Region Six (Rancagua). Region IV (Ovalle area) has seen the biggest expansions in area planted during the last 2 to 3 years. The significant increase in planted area shown in our PS&D table for 2009/2010 is the result of additional information obtained from the recently formed walnut producers association. The two main factors for an overall increase in planted area during the last 3 to 5 years are a continuous deterioration in the profitability of alternative fruit crops and the relatively good prices obtained by walnut producers. An industry source indicated that total planted area of walnuts will keep increasing in the coming years mainly due to the labor shortage which is affecting the whole fruit production sector in Chile, walnut production can be mechanized and a large number of producers are reportedly switching to walnuts after their table grape orchards are finishing their production cycle and need to be replanted.

## **Inputs**

All commercial walnut orchards are planted on irrigated land. However, until now 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 U.S.

Although a large percentage of Chilean walnut trees in production originate from seeds, budding and grafting of new and improved varieties like Serr and Chandler has increased in recent years. Industry sources report that there is still an estimated 30 percent of the total planted area that originated from seeds, but declining fast as producers have been replacing these orchards during the last few 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. In the case of walnut production, labor represents 70 % of total costs. As reported by some producers, production costs for walnuts are estimated to be between US\$2,300 and US\$2,500 per hectare, in Chile. **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.

### **Trade:**

The EU countries lead by Italy, Spain and Turkey are Chile's main export market for walnuts, they accounts for more than 60% of total exports. Post predicts that as production continues to expand in the coming years total exports will expand as well.

Varying amounts of mostly unshelled walnuts are being imported. Most of these imports are then sized and/or shelled and re-exported.

### **Stocks:**

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

### **Policy:**

There are no specific Government policies regulating or benefiting tree nut production in Chile. The general import duty on walnuts is 6 percent except for countries with which Chile has signed trade agreements. As a result of the US-Chile Free Trade Agreement trade of walnuts between both countries face a zero duty.

### Production, Supply and Demand Data Statistics:

Walnuts, In shell Basis Chile	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	14,575	14,575	14,575	0	14,980	23,000			25,000
Area Harvested	9,366	9,366	9,366	0	9,830	15,000			18,750
Bearing Trees	1,124	1,124	1,124	0	1,180	3,000			3,750
Non-Bearing Trees	626	626	626	0	618	1,600			1,250
Total Trees	1,750	1,750	1,750	0	1,798	4,600			5,000
Beginning Stocks	3,421	847	3,421	2,021	671	1,430			750
Production	30,000	22,300	25,300	32,000	22,500	32,500			36,750
Imports	0	24	248	0	40	200			200
Total Supply	33,421	23,171	28,969	34,021	23,211	34,130			37,700
Exports	29,400	20,000	25,039	30,000	20,000	30,380			33,200
Domestic Consumption	2,000	2,500	2,500	2,000	2,600	3,000			3,500
Ending Stocks	2,021	671	1,430	2,021	611	750			1,000
Total Distribution	33,421	23,171	28,969	34,021	23,211	34,130			37,700

Export Trade Matrix					
Country	Chile				
Commodity	Walnuts, In shell Basis				
Exports for:	2009		2010		
Time Period	Jan-Dec	Units:	M.T.		
Units:	Volume	Value		Volume	Value
U.S.	-	-	U.S.	55	213
<b>Others</b>			<b>Others</b>		
Turkey	6,310	17,992	Turkey	6,638	28,627
Brazil	4,844	17,731	Italy	2,347	11,801
Italy	4,211	13,452	Brazil	1,810	10,863
Germany	2,074	7,485	Germany	1,192	6,896
Spain	1,949	6,587	Spain	1,077	6,206
Portugal	937	3,151	Switzerland	582	3,799
Switzerland	884	3,547	Portugal	459	2,925
Netherlands	689	2,693	U. Arab E.	403	2,482
Austria	547	1,781	Russia	301	2,128
Argentina	455	1,432	Netherlands	280	1,901
Total for Others	22,900			15,089	
Others not Listed	2,139			1,096	
<b>Grand Total</b>	<b>25,039</b>	<b>84,473</b>		<b>16,240</b>	<b>83,465</b>

Note: 2010 data is from January through July only.

**Commodities:**

Almonds, Shelled Basis

**Production:**

As a result of unfavorable weather conditions during the winter of CY2009 with lower temperatures than normal and rain during blossoming which prevented bees to work efficiently during pollination, production of almonds was severely affected in all production areas and as a result total output resulted much smaller than both, last year's output and our previous estimates. An expansion is expected for next year (2010/11), as again additional plantings are coming into production and weather has been favorable during pollination. Total almond production is expected to reach 10,000 metric tons (shelled basis) in 2010/11 production year. In the coming years as producers keep expanding their planted area in response to good economic returns when compared to other crops and assuming normal weather conditions throughout the season the industry expects output and exports to expand further. Industry sources indicate that currently a little over 70 percent of Chile's planted area is in production.

**Crop Area:**

Although almond trees are planted from Region IV (Ovalle) 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). The largest increases during recent years of new planted orchards have been in Region IV (Ovalle). Almonds are planted on irrigated land and average yields are estimated to be between 800 Kg to slightly over one metric ton per hectare. An estimated 60 percent of the production comes from medium size producers who have from 6 to 25 hectares planted with average production of 2 to 3 thousand Kilos per hectare, although there are also some with less than 1,000 Kg. per hectare. Industry sources report that although many producers are increasing their plantings, total planted area in Chile will most probably not exceed 15,000 hectares, as almonds compete with avocados and citrus for the best production areas. These crops have the same constraints: soil and weather (rainfall and frost). New avocado and citrus (mainly tangerines) plantings have exploded during the last few years as a result of excellent economic returns. Although Chile has no special advantages in almond production, industry sources indicate that in the next 5 to 7 years an estimated 500 hectares will be planted every year. Out of this total approximately 100 hectares will replace old aging orchards and 400 hectares will correspond to new-planted area.

**Inputs:**

Nonpareil is the main variety planted, accounting for 48 percent of the total planted area. Other varieties like Carmel, Merced, Solano and Price are used mainly for pollination. Industry sources have indicated that an increasing number of producers are planting new varieties developed from varieties coming from Spain like Madera and Allinone. 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 Mexico, Argentina, Brazil, Colombia, Venezuela and the European Union (Spain, Italy and the Netherlands). Chile also imports almonds, mainly from the United States. Industry sources indicated that imports are mainly used by the confectionery industry and are of a smaller size than the ones produced in Chile.

**Policy:**

There are no specific Government policies regulating or benefiting almond production in Chile. The general import duty on almonds is 6 percent. However, as a result of the US-Chile Free Trade Agreement, US almonds enter Chile duty free.

**Production, Supply and Demand Data Statistics:**

Almonds Shelled Basis Chile	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	8,100	8,000	8,000	0	8,100	8,400		0	8,900
Area Harvested	6,500	6,100	6,100	0	6,450	6,250		0	6,590
Bearing Trees	2,240	2,102	2,102	0	2,227	2,223		0	2,344
Non-Bearing Trees	555	660	660	0	568	677		0	729
Total Trees	2,795	2,762	2,762	0	2,795	2,900		0	3,073
Beginning Stocks	500	2,079	2,000	500	210	269		0	169
Production	9,500	8,000	8,000	10,000	9,600	6,500		0	10,000
Imports	1,500	1,595	1,556	1,500	1,500	1,600		0	1,600
Total Supply	11,500	11,674	11,556	12,000	11,310	8,369		0	11,769
Exports	6,700	7,864	8,187	6,000	7,500	5,200		0	8,569
Domestic Consumption	4,300	3,600	3,100	5,650	3,600	3,000		0	3,000
Ending Stocks	500	210	269	350	210	169		0	200
Total Distribution	11,500	11,674	11,556	12,000	11,310	8,369		0	11,769

Export Trade Matrix					
Country	Chile				
Commodity	Almonds, Shelled Basis				
Exports for:	2009		2010		
Time Period	Jan-Dec	Units: M.T. ; Thousand US dollars			
Units:	Volume	Value		Volume	Value
U.S.	25	132	U.S.	-	-
<b>Others</b>			<b>Others</b>		
Brazil	1,428	5,914	Mexico	958	6,045
Mexico	1,381	6,049	Brazil	800	4,849
Argentina	977	3,845	Argentina	492	2,851
Italy	950	4,360	Spain	399	1,873
Spain	642	2,445	Venezuela	254	1,654
Venezuela	540	3,715	Colombia	179	1,201
U.A. Emirates	357	1,453	Italy	113	729
Colombia	261	1,148	Netherlands	69	386
Turkey	243	1,024	Turkey	61	392
U.K.	174	757	Ecuador	60	411
<b>Total for Others</b>	6,953			3,385	
Others not Listed	1,209			308	

<b>Grand Total</b>	<b>8,187</b>	<b>36,425</b>		<b>3,693</b>	<b>22,247</b>

Note: 2010 data is from January through July only.