Is It A Good Time To Be A Chilean Blueberry Grower and Exporter?

Santiago

24th May 2012

promar International

The Agenda

- How Has Chile Done
- The Big Picture
- Which Markets To Consider
- Challenges
- What Needs To Happen

promar International

What every blueberry farmer in the world believes....

- We are the best
- The competition is subsidised and/or disorganised
- We do not get paid enough for our product
- ***"Its not our fault"*** – processors, exporters, importers, retailers and consumers (and even governments) do not understand
- We have a unique micro climate
- Last year was a difficult year
- The answer is to produce more
- People will always want our products

- ***Sometimes these statements are true and sometimes, actually <u>often</u> they are not***

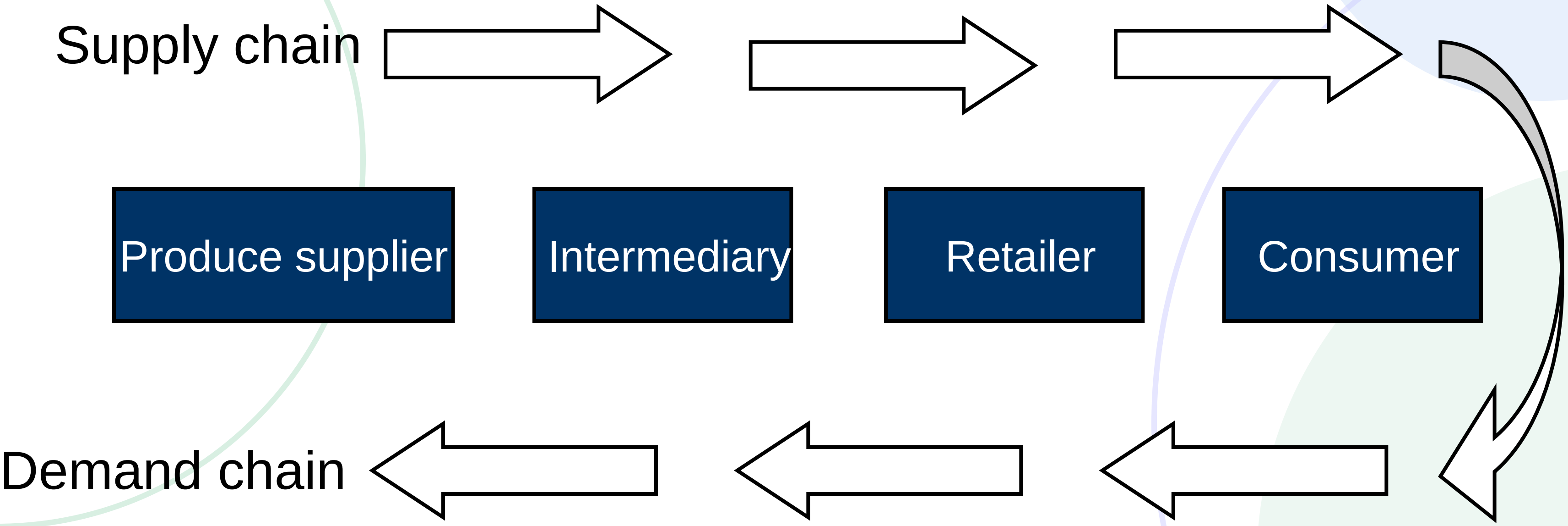
promar International

Has it been a good time, so far ?

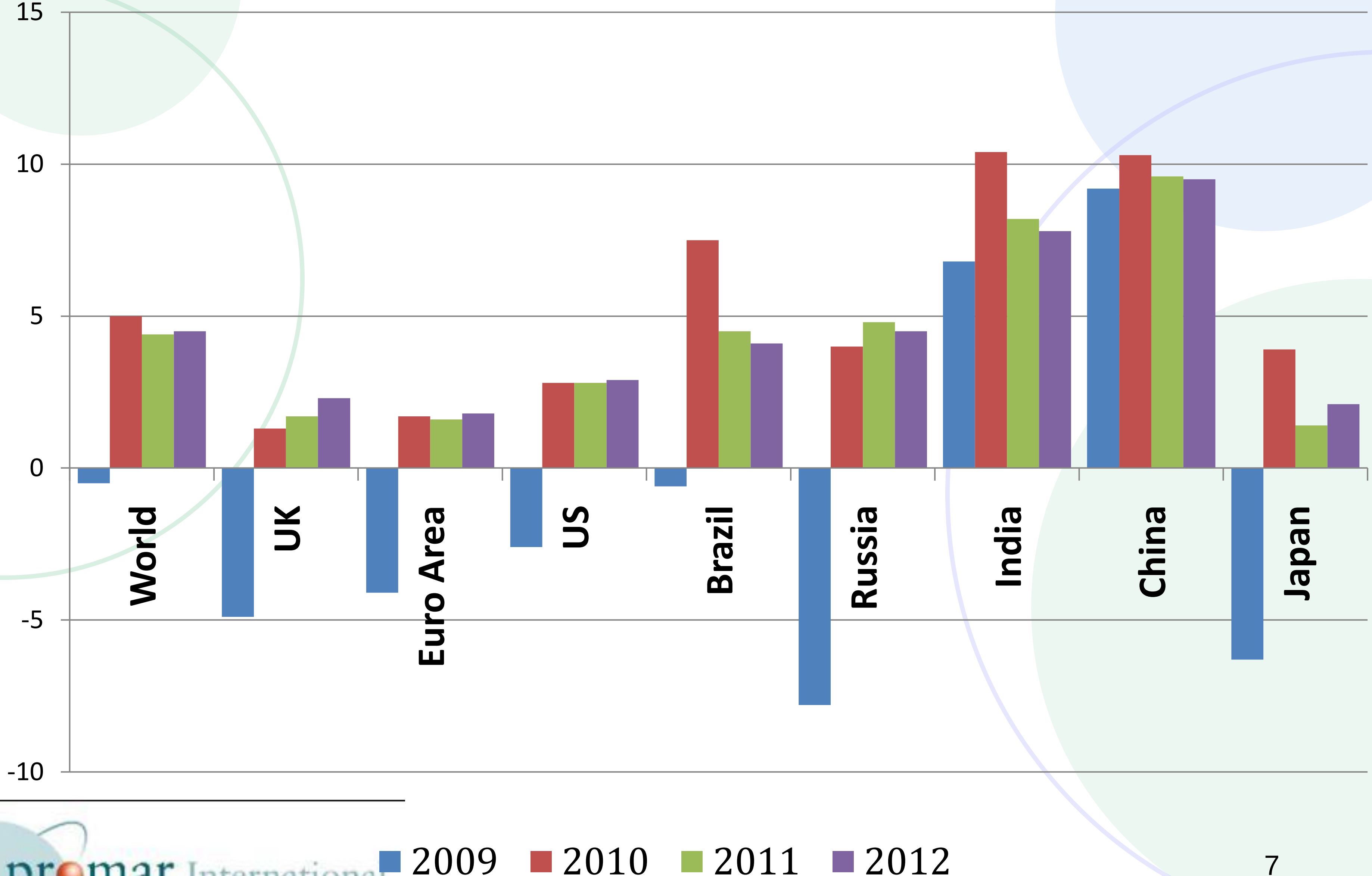
- Exports are up significantly
- You are planting more – normally a good sign
- US & EU are dominant markets to date
- You have more fruit to sell - and so need more markets
- Growing fruit is easy
    - ➢ building markets takes time & is inherently difficult

The Big Picture

Market evolution

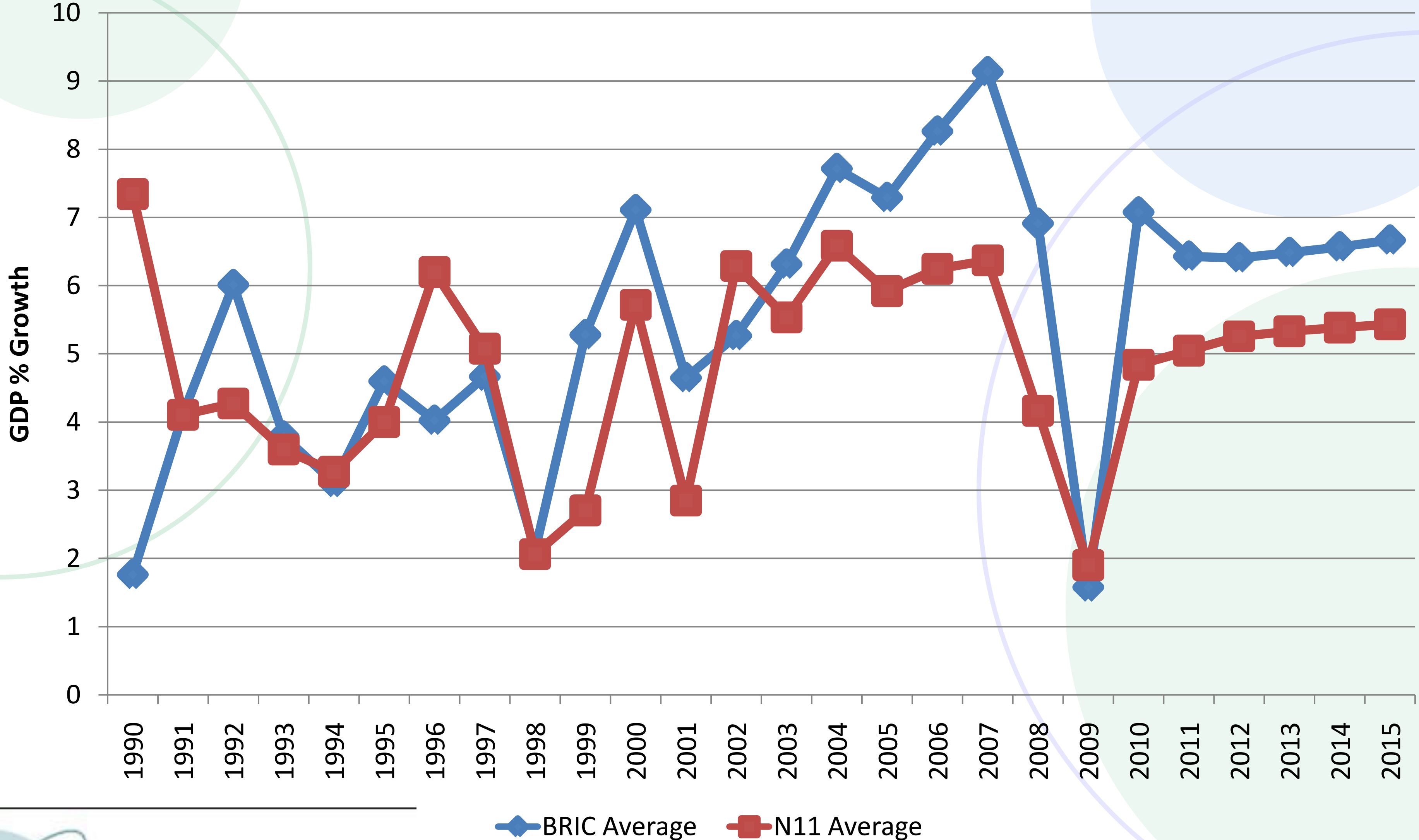


Latest IMF macro forecasts – GDP growth



promar International

Average GDP growth rates, 1990 - 2015



promar International

Who are the N – 11?

- Bangladesh
- Pakistan
- Iran
- Vietnam
- South Korea
- Philippines
- Indonesia
- Mexico
- Nigeria
- Egypt
- Turkey

promar International

Global market development cycle

Traditional

- Many small inefficient producers
- Variable product quality
- Limited distribution infrastructure
- Few modern retailers
- Informal foodservice sector
- Relatively poor consumers

Post Modern

- Producers professional large and boutique
- Very high product quality
- Excellent infrastructure
- Modern retailers dominate
- Foodservice large & consolidating
- Rich & 'concerned' consumers

Developing

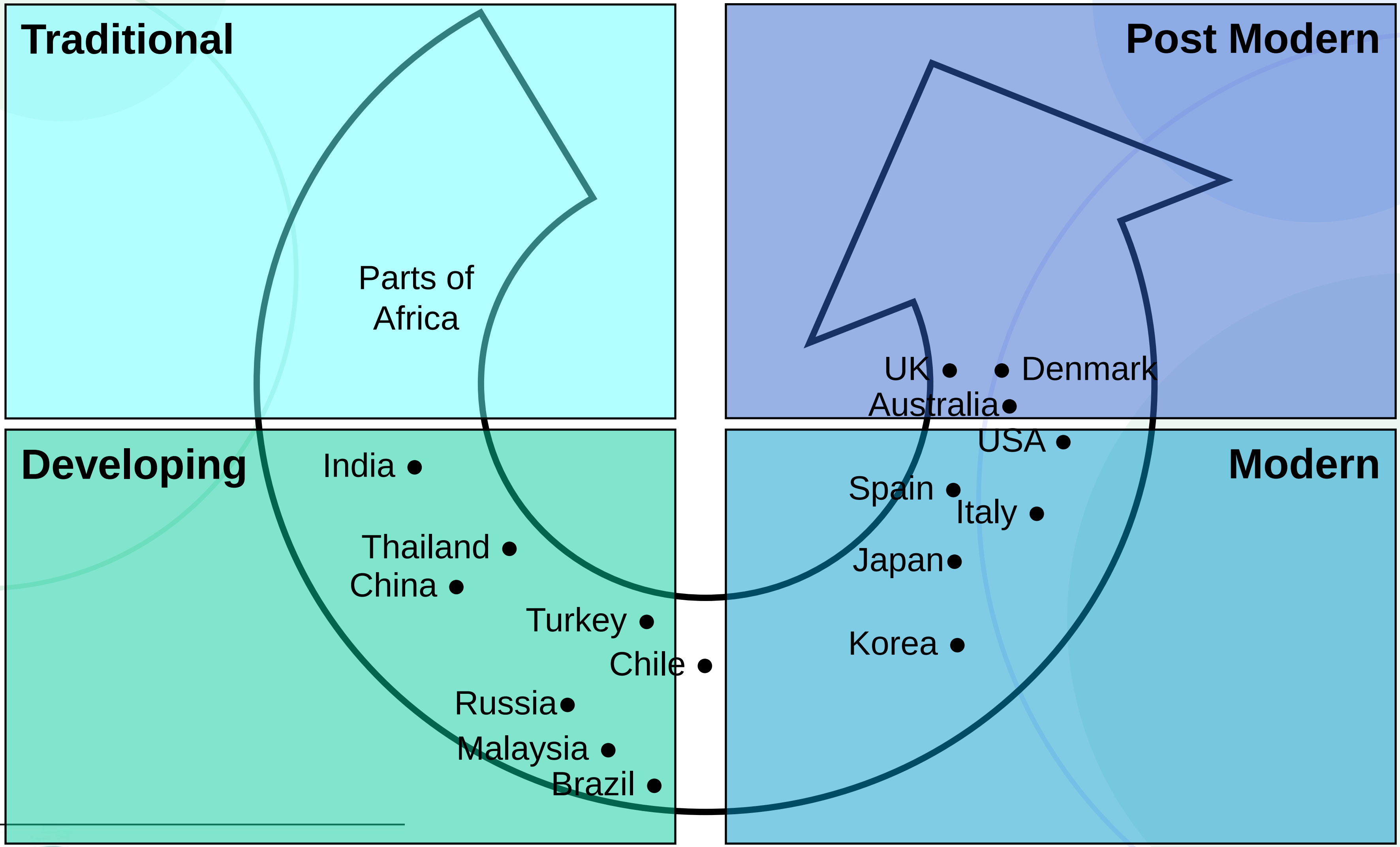
- Often variable product quality
- Mixed distribution infrastructure
- Modern retailers establishing
- Some professional foodservice
- Increased consumer wealth
- Few large professional producers

Modern

- Professional producers dominate
- Good product quality
- Mainly developed infrastructure
- Modern retailers expanding
- Foodservice rapid growth
- Relatively wealthy consumers

promar International

Global fresh food market development cycle



promar International

Which Markets To Consider

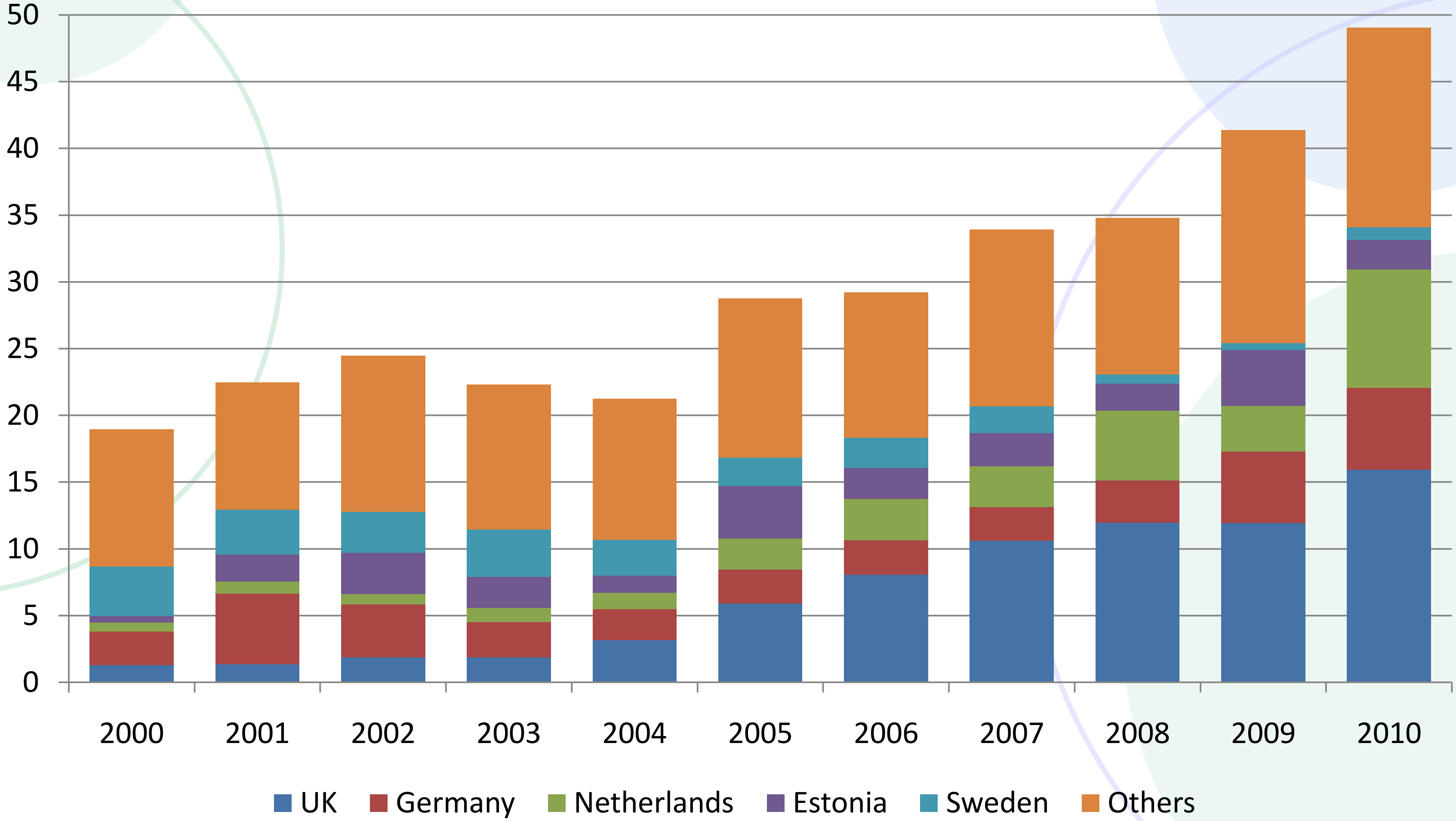
promar International

Europe

Europe

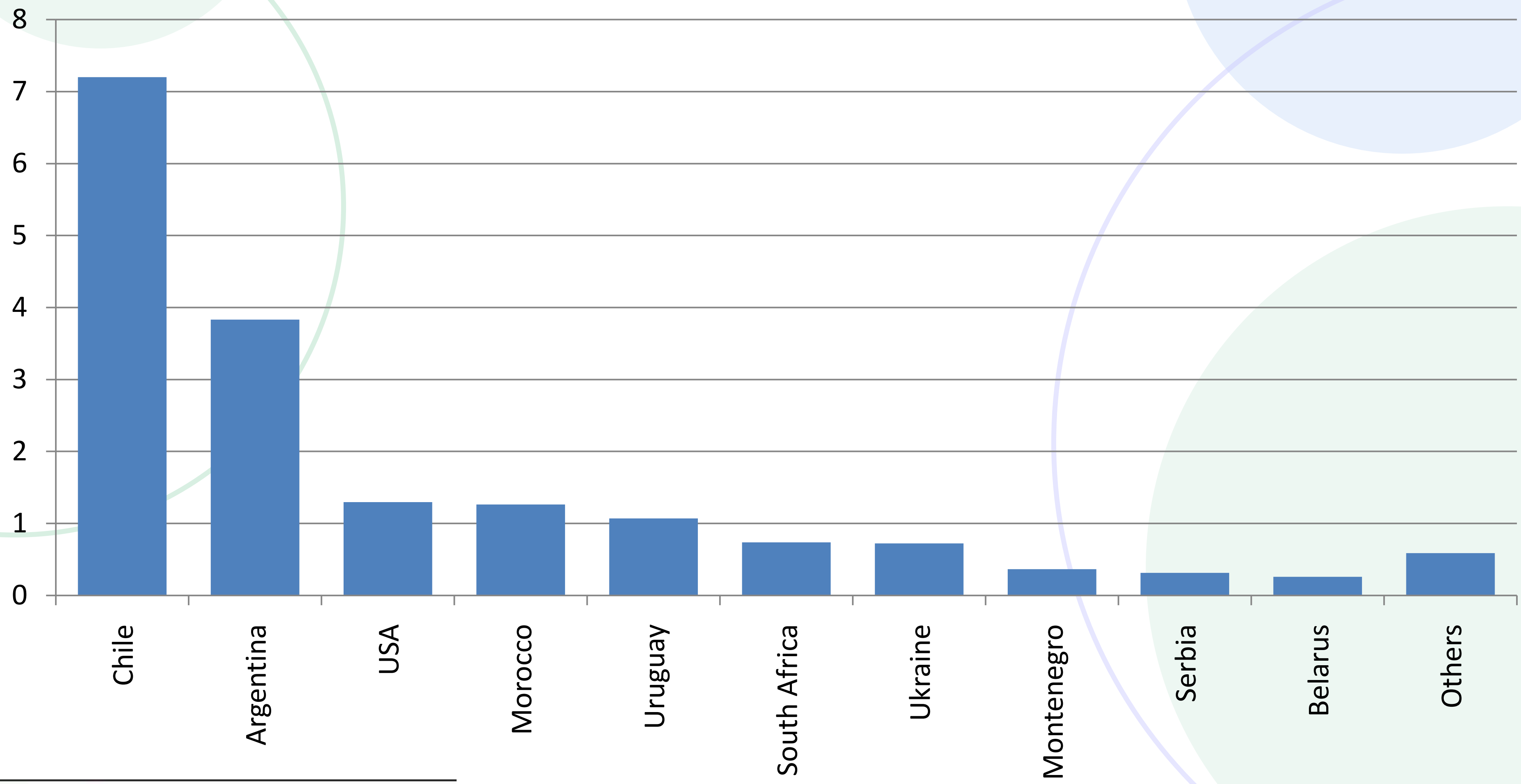
- 502 million consumers
- Impact of economic crisis – severe pain
- The EU retail sector is still highly influential
- Huge pressure on the supply chain & suppliers
- Imports of blueberries are booming - in contrast to nearly all other fruit
- Exports tend to be concentrated into the UK & NL markets, but:
    - there are 25 others to consider & plenty of room for future growth in the major markets
- Routes to market are well established – supermarkets dominate – France is typical

EU imports are booming (000 tonnes)



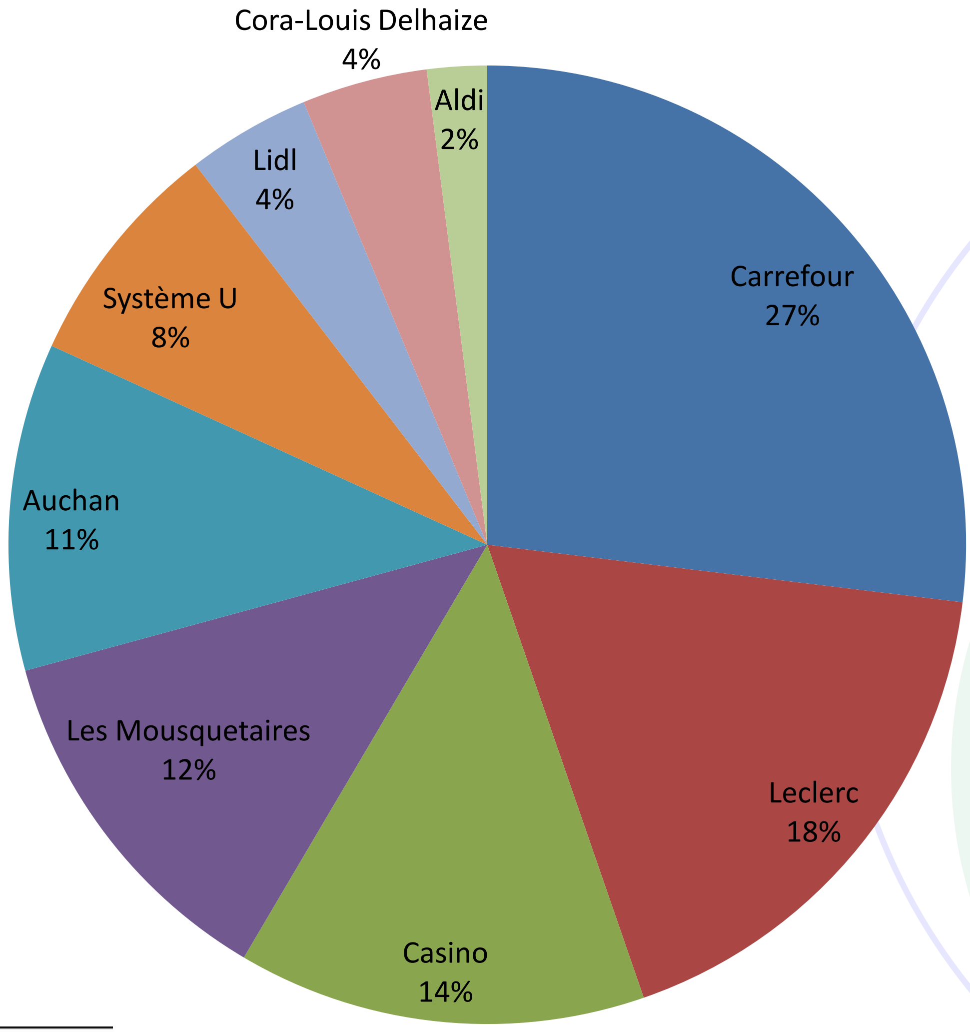
promar International

Chile is in a good position to date........... (000 tonnes)



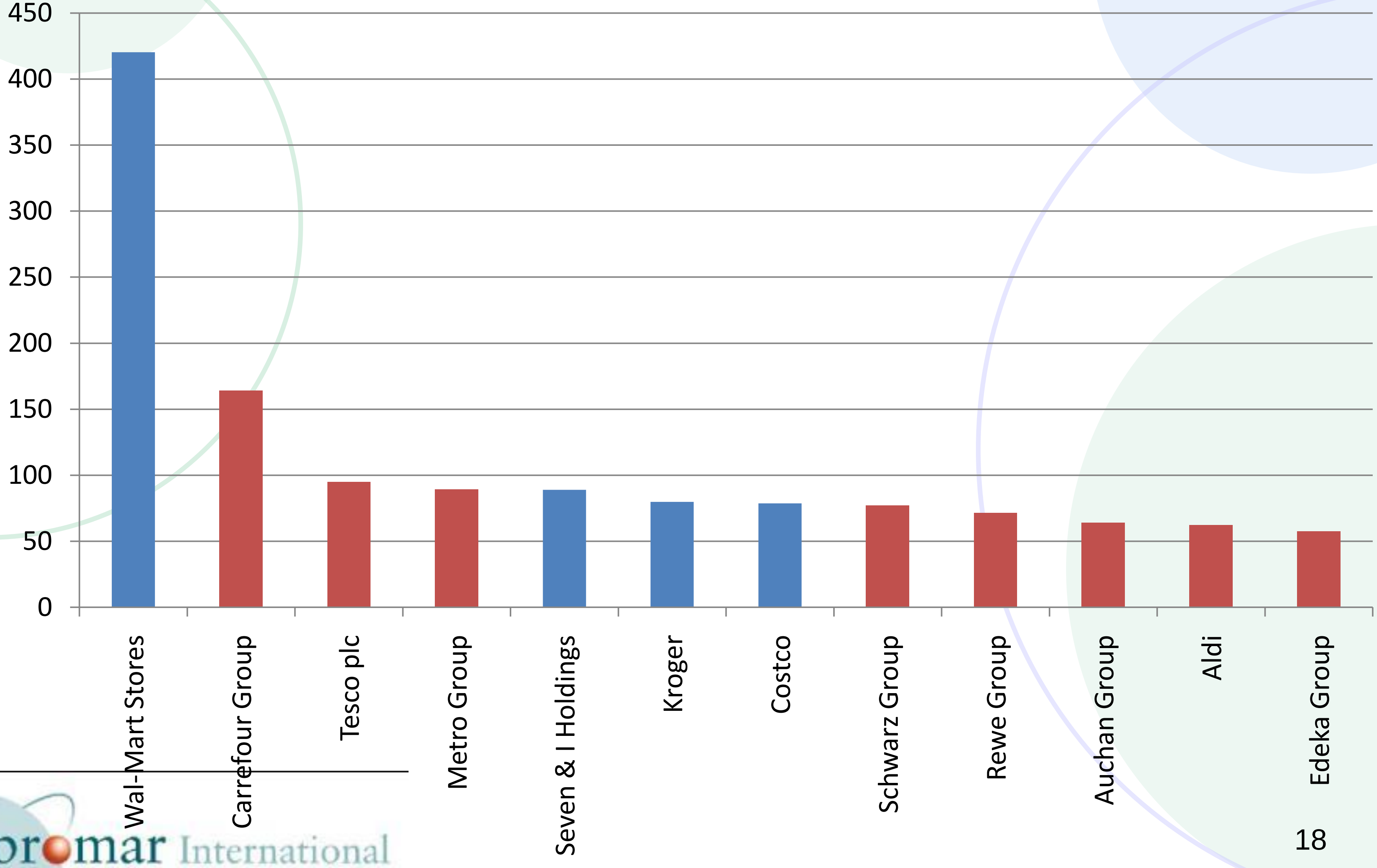
promar International

French retail structure – top 4 = 70%



promar International

8 out of 12 leading retailers (US$ billion)



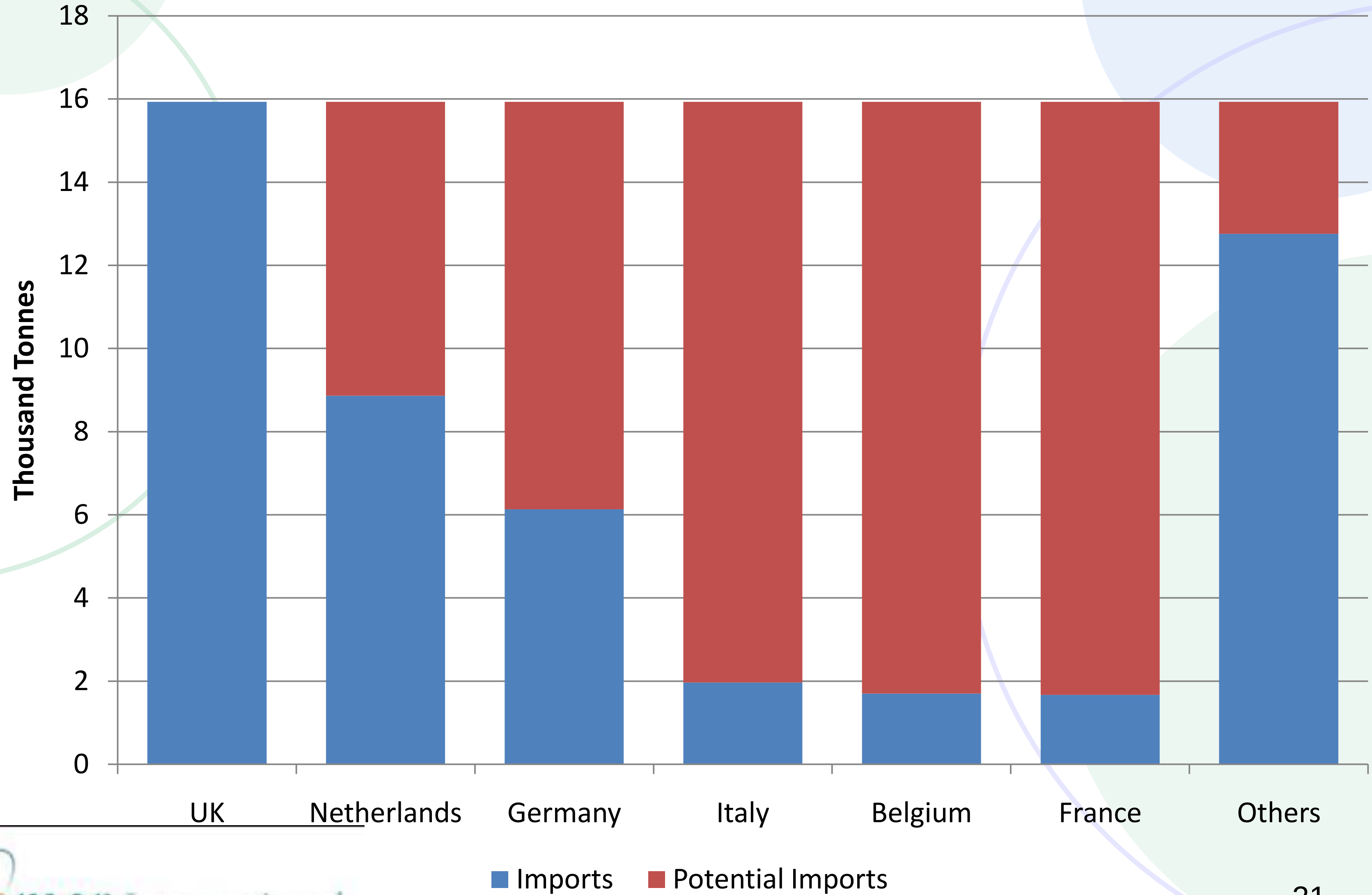
promar International

The driver behind EU demand

What can you expect in the EU

- Direct sourcing from retailers - threat and opportunity
- Focus on price
- Requirements for new varietal developments
- Opportunity to build demand in newer EU 27 markets
- Competition – other Latin American suppliers
- Concerns over the sustainability credentials of the Chilean supply chain – accreditation schemes etc

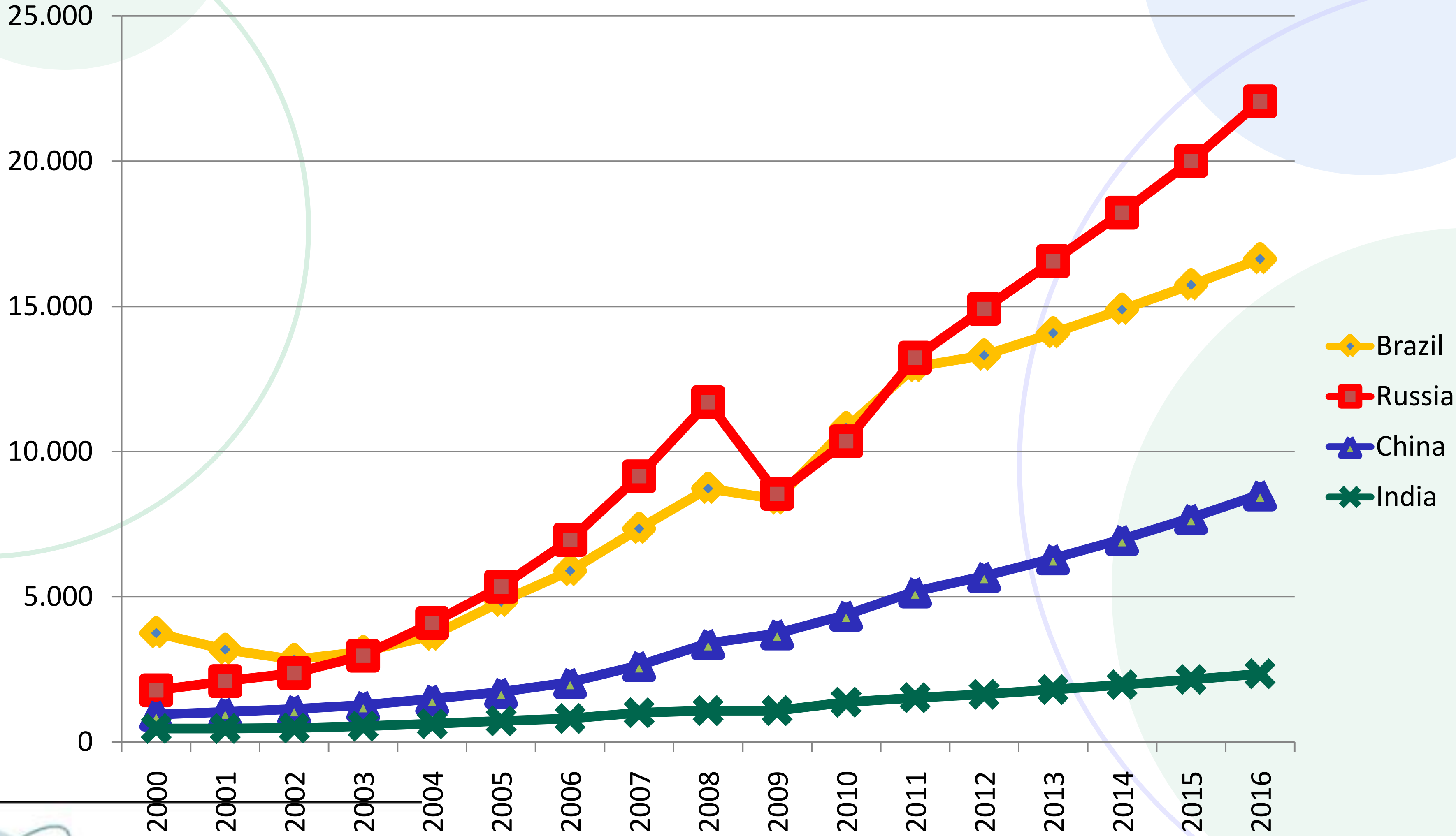
How much more could you sell ?



promar International

Emerging Markets

Emerging markets – but which one ?
GDP per capita (US$)



promar International

Russia

- 140 million & 13 cities > 1 million
- Moscow & St Petersburg are the normal priority markets
- Berries a traditional product
- Now a major temperate fruit importer
- Berries – imports are > 3,500 tonnes
- Chile is a well established supplier & some marketing presence
- Low tariff rate – 10%
- Numerous routes to market
- Fast growing retail sector
- Variable internal distribution infrastructure

China

- 1.3 billion consumers
- 120 cities > 1 million
- Rapidly urbanising population
- Rapid growth of the berry sector – 5,000 tonnes per annum
- Imports < 500 tonnes per annum
- Another 1,000 tonnes imported via HK
- Demand focused on larger cities of Eastern Seaboard
- Traditional markets still account for c. 65% of fresh fruit sales
- No single country has established a dominant market position – Chile, US, NZ, Argentina are all players

India

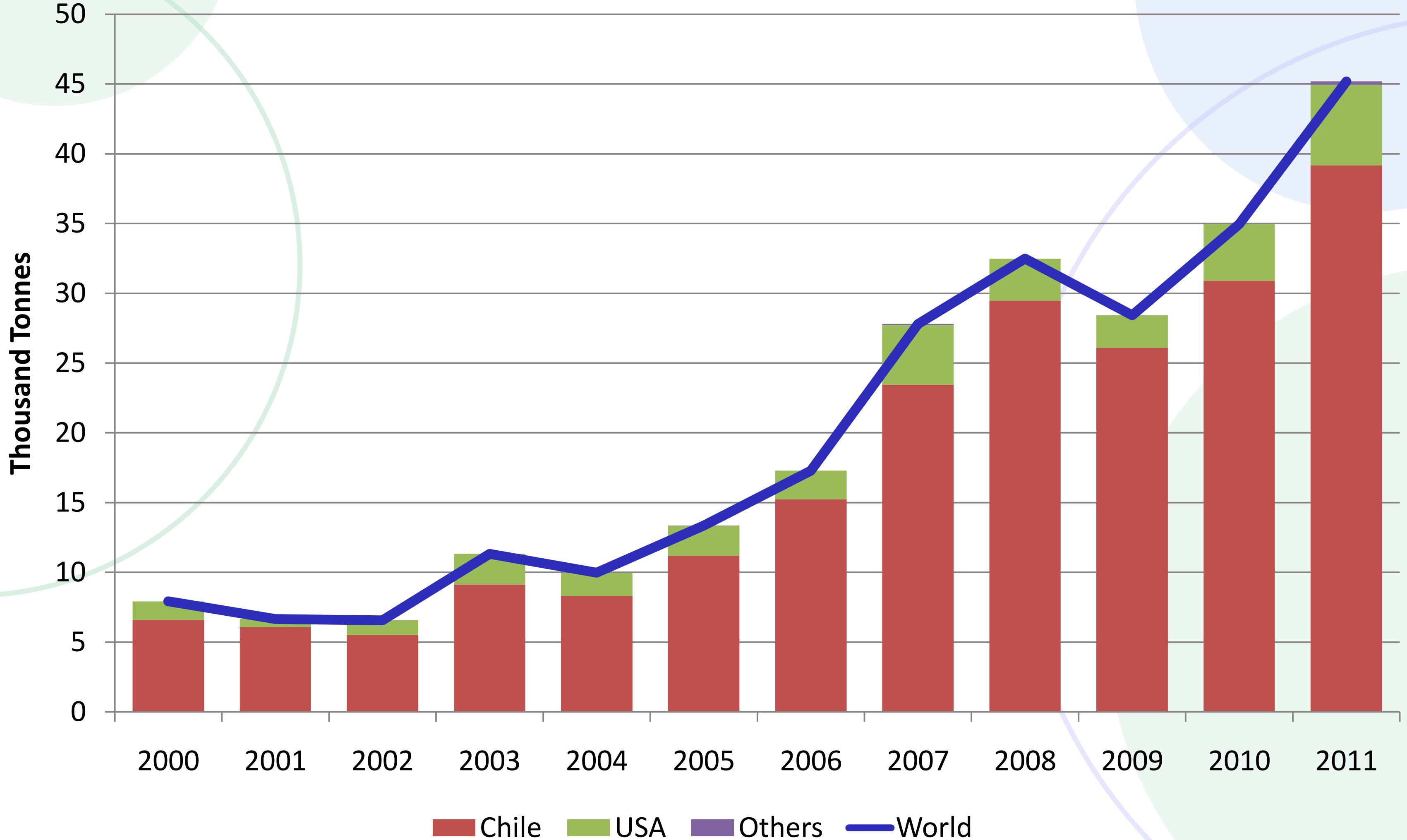
- 1 billion people
- Huge fruit producer per se
  - mango
  - banana & citrus
- An emerging berry producing sector:
  - 18,000 tonnes of soft fruit
  - 300 tonnes of blueberry
- Minimal berry imports
- No direct trade route ex Chile
- Only 4% of sales via modern retailers
- Slow development of the berry market
- Full protocols might be anywhere between 2 – 5 years away

promar International

There are other opportunities too

promar International

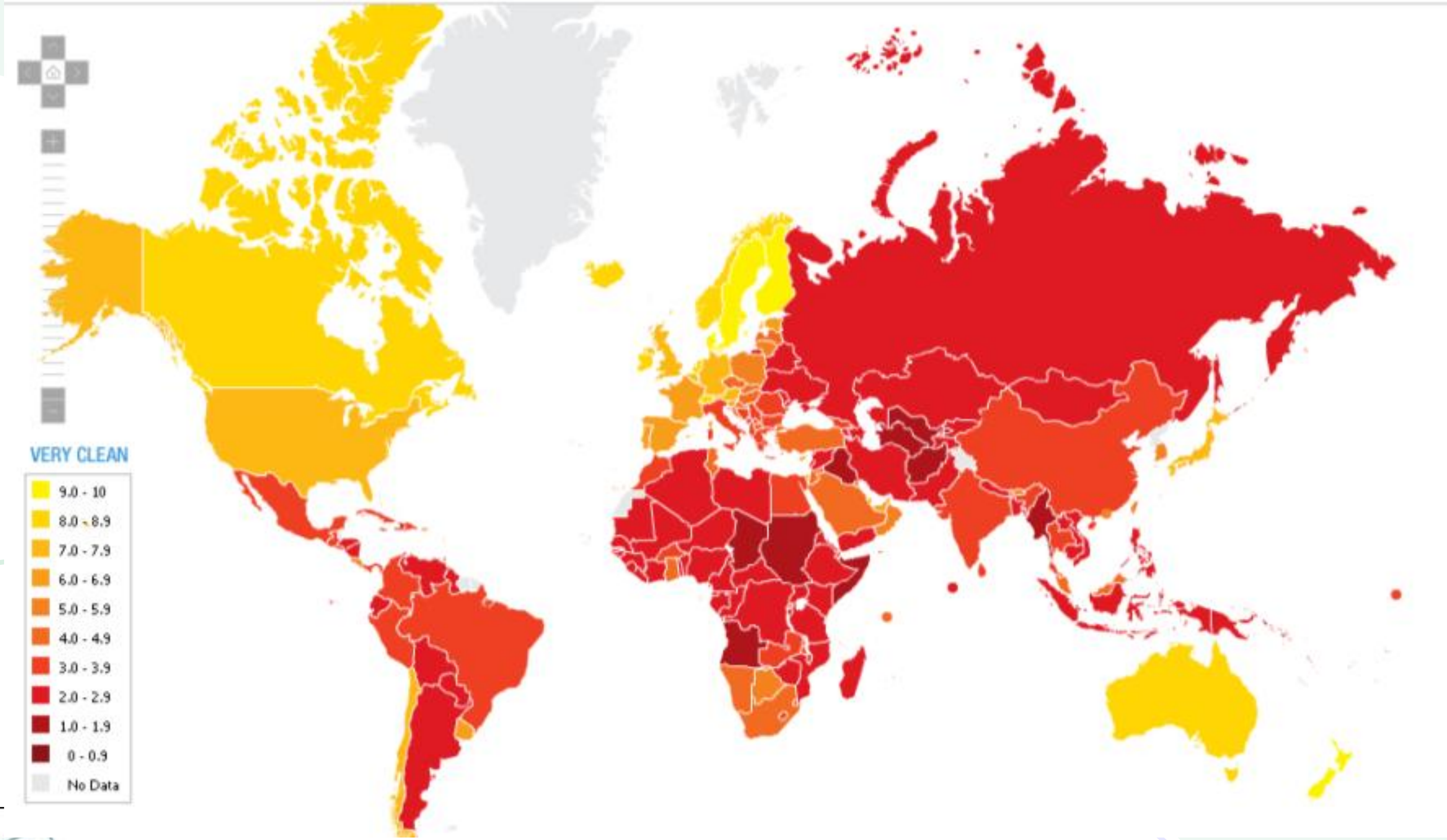
Korea – is now open – do what grapes have done & "own the market"



promar International

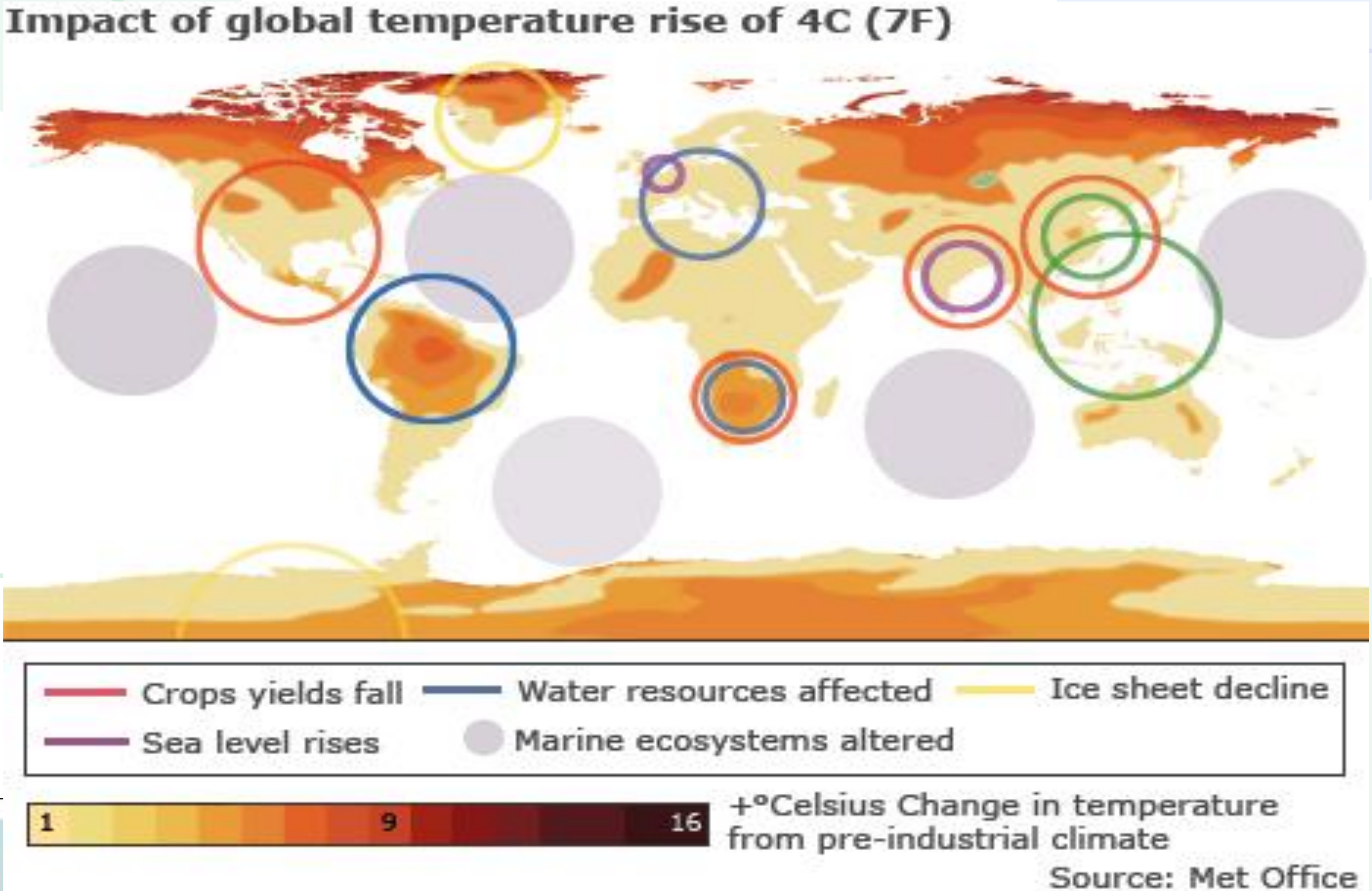
Challenges

Ease of doing business (source: Transparency International)

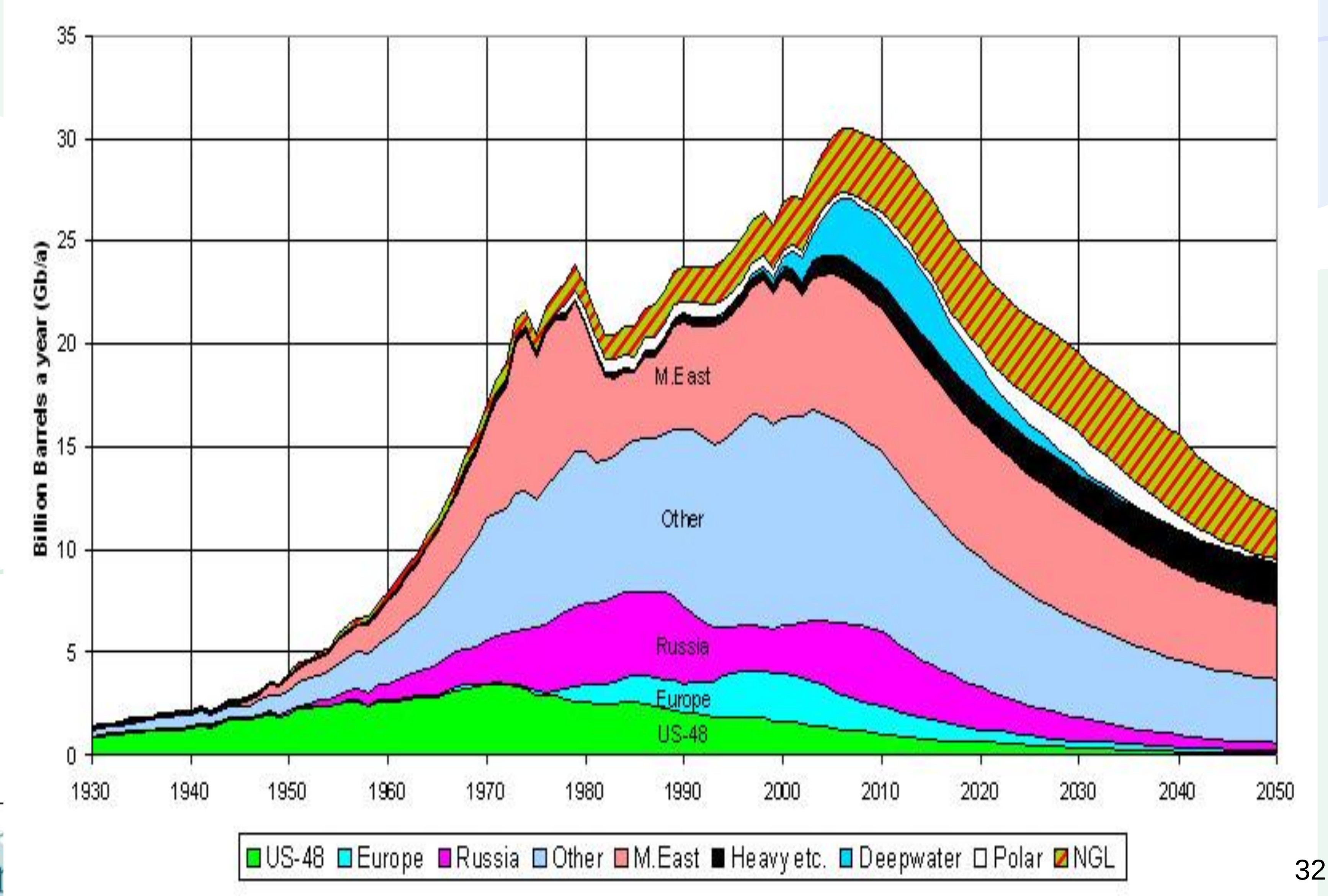


promar International

Global climate change



Global oil production - at its peak



Source: Uppsala Hydrocarbon Depletion Study Group, as updated by Colin J. Campbell 15 May 2004

Pressure from NGOs

GREENPEACE

Oxfam

WWF

Friends of the Earth

What Needs To Happen

promar International

Good news: we do not need to be.....

promar International

What are the (simple) answers

- Consolidate – or be consolidated
- Ongoing full value chain analysis – seed to shelf
- Remove and reduce waste
- Use every bit of technology available
- Reduce costs and boost yields
- Benchmark and research markets and customers
- Innovate - products, services and business systems
- Be the leader on consumer and category knowledge
- Still better supply chain co operation
- Promotion
- Do not compromise on quality and freshness
- Invest in R & D and knowledge transfer

You can **grow the fruit** in Chile – but where will you **sell it**

- A need to consolidate & grow existing markets
    - EU and US will be challenging - but where you sell to now
- Explore new markets - but keep in perspective short term
- Prioritise future export efforts and resources
- Achieve a sensible balance and expand supply period
- Understand customers and supply chain partners
- Invest in marketing – you have committed to the supply already

A good time, **or not**, to be a Chilean blueberry grower?

- Track record of success
- Increased production
- Demand on the increase
- Well organised support organisations
- Core markets: US and EU
  - still room for growth
- Emerging markets: BRICs
- New market opportunities: some of the N -11

- **Short answer: YES – but you need to be as good at marketing as you at growing**

More information

Please contact

John Giles
Divisional Director
Promar International

John.giles@genusplc.com

+44 7768 553298

Skype: j.giles.promar

promar International