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Chile

Tree Nuts Annual

Almonds and Walnuts Annual Report

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Report Highlights:
Almond and walnut production and exports are expected to increase this year mainly due to favorable weather conditions and new planted areas coming into production.

Executive Summary:
Chile's walnut and almond production and exports for MY2012/13 are expected to increase over the previous year as planted area keeps expanding and new orchards are coming into production. For the outer years, output should continue to expand as a result of improved technologies, replacement of uprooted orchards with improved varieties and a significant increase in planted area to tree nuts.

Commodities:
Walnuts, Inshell Basis

Production:
Walnut production has been expanding over the last few years as a result of a significant expansion in replacing old, low production orchards that are fill with trees cultivated from seeds, with new crafted varieties. Additionally, an increasing number of producers have adopted improved technologies like modern pruning techniques and drip irrigation. An increasing 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, we can expect that walnut output will continue to increase with little ups and downs due to an expansion of the new planted area which is coming into production. Although it is too early for a good walnut output prediction, for 2012/13 the industry expects total production to be at the level of 46,000 metric tons, a 14 percent expansion. Weather during last winter has been favorable for a good production but many producing areas could be affected by drought. During this winter rain and snow fall has been below normal and in some areas producers report very dry conditions already and not much rain can be expected during the coming spring. These factors could have a negative effect on the coming walnut harvest.

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 few years. Total planted area has doubled during the last 5 years, reaching a total of almost 30,000 hectares. The two main factors for the significant increase in planted area during the last 3 to 5 years has been a continuous deterioration in the profitability of alternative fruit crops and the relatively good prices and economic returns 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 finish 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. The average orchard size is 10 to 15 hectares-- 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 become popular in recent years. Industry sources report that there is still an estimated 30 percent of the total planted area that originated from seeds, but this is 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.

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:
Walnut exports reached another record volume in 2011/2012, an increase of over 35 percent in volume and a 45 percent in value when compared to the previous year for in-shell walnuts. The most important market is Turkey, followed by the UA Emirates, Italy and Brazil. For shelled walnuts exports expanded 6 percent in volume and 19.5 percent in value. The most important destinations are Brazil, Germany, Italy, Spain and Switzerland. The EU countries lead by Italy, Spain, Turkey and Germany 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 shelled walnuts are being imported by the local confectionary industry.

Stocks:
There is no trade or official statistics available on Chile's average stocks. However, exporters normally try not to 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 enjoy a zero duty.

Production, Supply and Demand Data Statistics:

Walnuts, Inshell Basis Chile	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Mar 2011		Market Year Begin: Mar 2012		Market Year Begin: Mar 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	25,000	0	28,000		29,000
Area Harvested	0	18,750	0	21,000		22,300
Bearing Trees	0	3,450	0	3,864		4,103
Non-Bearing Trees	0	1,150	0	1,288		1,233
Total Trees	0	4,600	0	5,152		5,336
Beginning Stocks	2,100	2,100	500	1,060		920
Production	40,000	38,500	46,000	40,500		46,000
Imports	150	77	100	360		200
Total Supply	42,250	40,677	46,600	41,920		47,120
Exports	38,100	35,617	42,000	37,000		42,000
Domestic Consumption	3,650	4,000	3,900	4,000		4,200
Ending Stocks	500	1,060	700	920		920
Total Distribution	42,250	40,677	46,600	41,920		47,120
HA, 1000 TREES, MT						

Export Trade Matrix					
Country	Chile				
Commodity	Walnuts, In shell Basis				
Exports for:	2010		**2011**		
Time Period	Jan-Dec	Units:	M.T.		
Units:	**Volume**	**Value**		**Volume**	**Value**
U.S.	95	280	U.S.	24	77
Others			**Others**		
Turkey	7,370	33,751	Turkey	10,029	43,157
Brazil	7,190	37,466	Brazil	6,512	36,024
Italy	3,843	19,801	Italy	3,831	21,280
Germany	2,525	15,212	UA Emirates	3,225	16,724
Spain	1,491	8,697	Germany	3,091	20,000
Netherlands	1,061	6,081	Spain	1,819	10,589
Portugal	1,025	6,329	Switzerland	991	6,843
Switzerland	895	5,902	Russia	947	6,544
Argentina	783	3,764	Netherlands	870	5,485
UA Emirates	523	3,084	Portugal	846	5,238
Total for Others	26,704			32,161	
Others not Listed	2,792			3,432	
Grand Total	**29,591**	**159,701**		**35,617**	**200,728**

Commodities:

Almonds, Shelled Basis

Production:
Unfavorable weather during the winter of CY 2011 did not affect total output of almonds as previously predicted and almond production expanded in 2011/2012. The industry expects almond production in 2012/2013 to expand again as weather during last winter has been favorable for a good production. Since some planted areas could be affected by a drought, post is considering only a moderate expansion in our PS&D. For the outer years total almond production is expected to expand further as producers continue to plant new tress, but at a smaller rate than other Tree Nuts.

Crop Area
While almond trees are planted from Region IV (Ovalle) down to Region VIII (Chillan), over 80 percent of 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 are in Region IV (Ovalle) area, as was indicated by industry officials. 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.

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.

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	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Dec 2010		Market Year Begin: Dec 2011		Market Year Begin: Dec 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	8,900	0	9,200		9,600
Area Harvested	0	6,590	0	6,624		7,000
Bearing Trees	0	2,344	0	2,356		2,490
Non-Bearing Trees	0	729	0	821		825
Total Trees	0	3,073	0	3,177		3,315
Beginning Stocks	800	800	600	273		773
Production	6,000	9,000	6,000	10,000		11,000
Imports	3,100	2,305	3,500	2,500		2,500
Total Supply	9,900	12,105	10,100	12,773		14,273
Exports	6,300	9,132	6,000	9,200		10,700
Domestic Consumption	3,000	2,700	3,500	2,800		2,900
Ending Stocks	600	273	600	773		673
Total Distribution	9,900	12,105	10,100	12,773		14,273
HA, 1000 TREES, MT						

Export Trade Matrix					
Country	Chile				
Commodity	Almonds, Shelled Basis				
Exports for:	2011		**2012**		
Time Period	Jan-Dec	Units:	M.T.		
Units:	**Volume**	**Value**		**Volume**	**Value**
U.S.	26	162	U.S.	59	356
Others			**Others**		
Brazil	1,970	11,536	Brazil	965	5,740
Argentina	1,882	10,233	Argentina	523	3,072
Mexico	1,416	8,175	Mexico	340	1,979
Venezuela	1,339	11,764	Colombia	290	1,719
Colombia	637	3,734	Italy	276	1,712
UA Emirates	374	2,103	Venezuela	272	1,945
Spain	321	1,568	UA Emirates	190	1,079
Ecuador	223	1,473	Spain	149	703
Italy	165	1,020	Ecuador	141	895
Germany	148	850	Peru	82	519
Total for Others	8,475			3,228	
Others not Listed	631			492	
Grand Total	**9,132**	**56,406**		**3,779**	**22,703**
Note: 2012 data is from January through July only.					