ASOCIACIÓN DE EXPORTADORES DE FRUTAS DE CHILE A.G.

"Juntos, nuestra fruta vale más"

What's the Opportunity in Russia and Eastern Europe for Chile ?

25th October 2011

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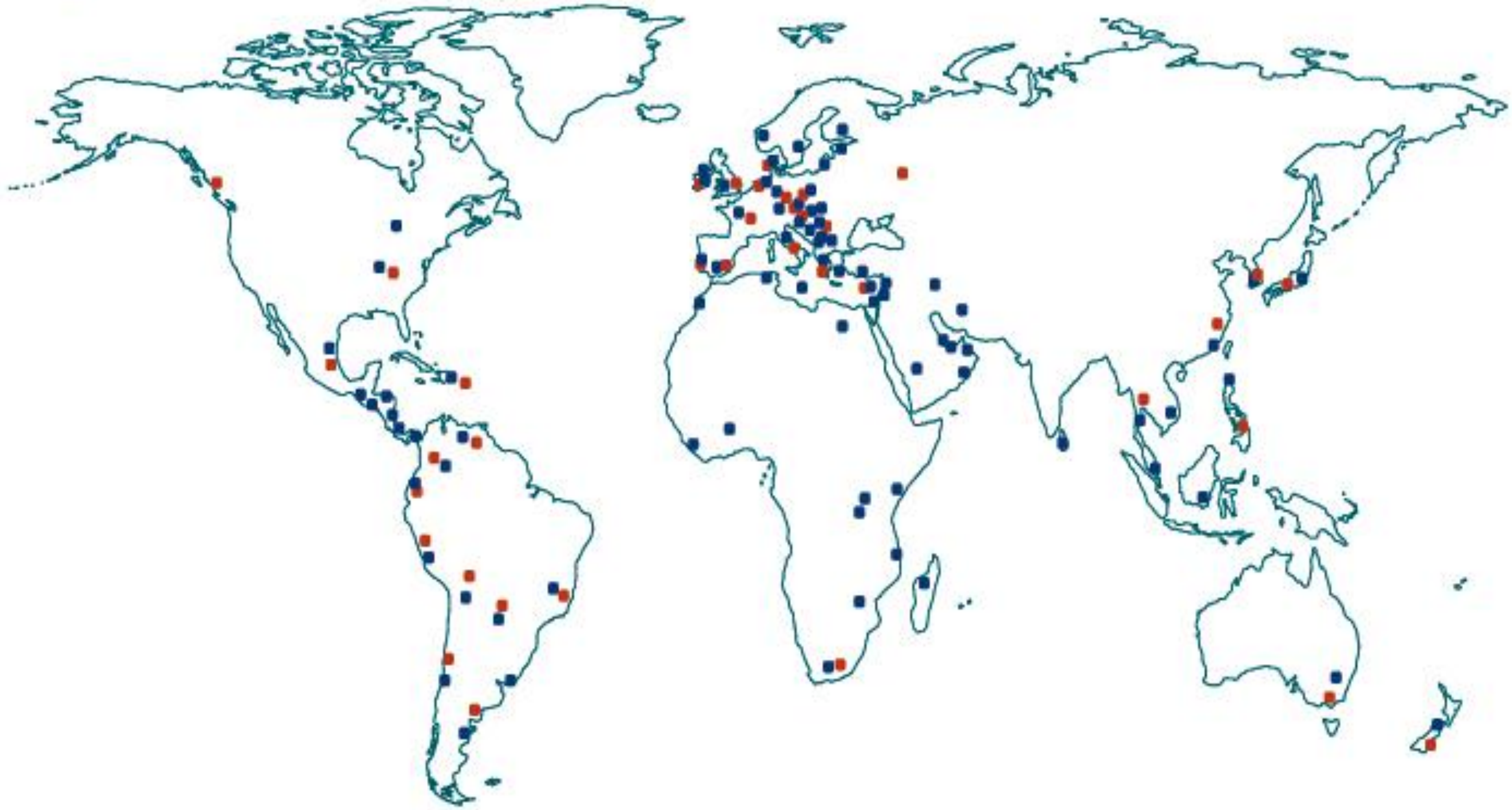
Contents

Who is talking to you?

- Market research
- Consulting
- Agriculture, food and drink
- Full value chain
- Track record in fresh and processed foods
- Work in the grape sector
- A number of projects for Chilean exporters

Where we operate

Global Operations



Our study for ASOEX

- A strategic basis for ASOEX market development programmes in Eastern Europe and the FSU
- An analysis of the markets and opportunities
- A logical prioritisation of markets for ASOEX development over the next 3 – 5 years

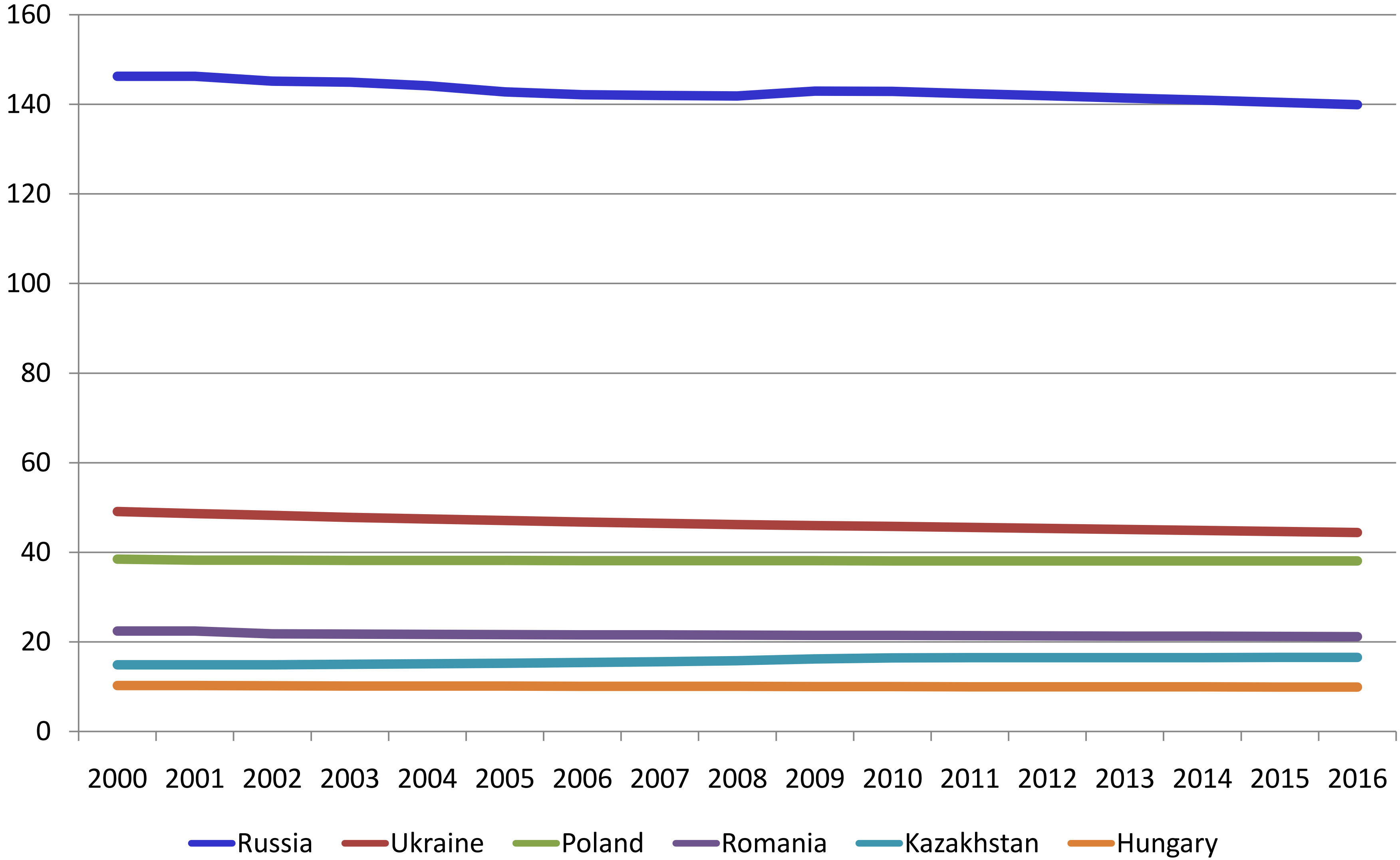
Initial focus

Albania Armenia Azerbaijan Belarus Bosnia-Herzegovina Bulgaria Croatia Czech Republic Estonia Georgia Hungary Kazakhstan Kyrgyzstan Latvia Lithuania Macedonia Moldova Poland Romania Russia Serbia Slovakia Slovenia Tajikistan Turkmenistan Ukraine Uzbekistan

Initial scope of study covered 27 Eastern Europe and Former Soviet Union (FSU) markets – stretching from the Baltic to the Black Sea

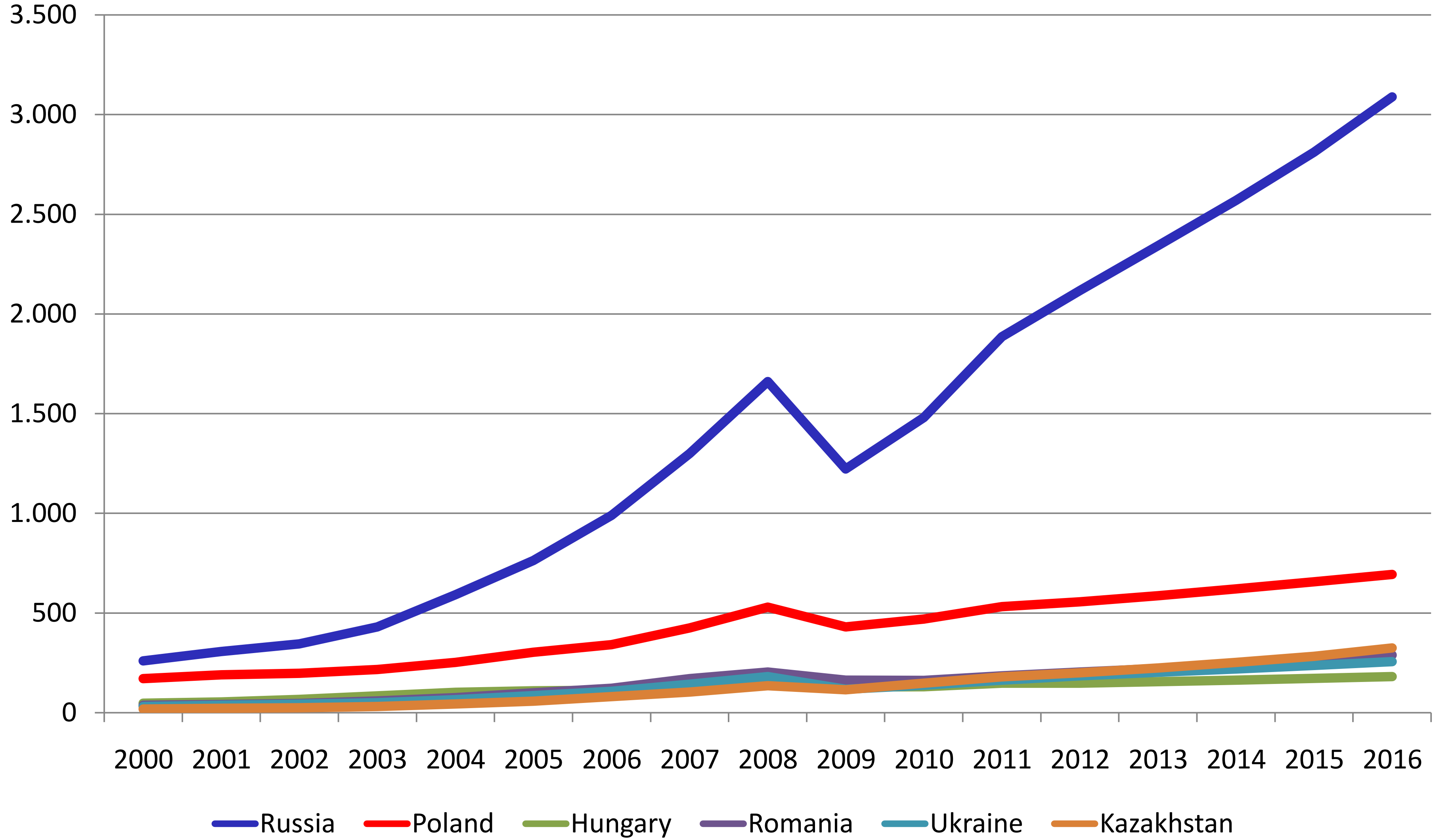
The aim was to use 'filters' to rapidly focus in on a smaller number of high potential markets

East European population (millions)



Source: IMF

East European GDP (US$ billion)



Source: IMF

First Filter

Identified countries with:

- Low income
- Low GDP growth
- Low temperate fruit imports
- Low major retailer interest

- Armenia ✗
- Georgia ✗
- Kyrgyzstan ✗
- Moldova ✗
- Tajikistan ✗
- Turkmenistan ✗
- Uzbekistan ✗
- FYR Macedonia ✗

Second Filter

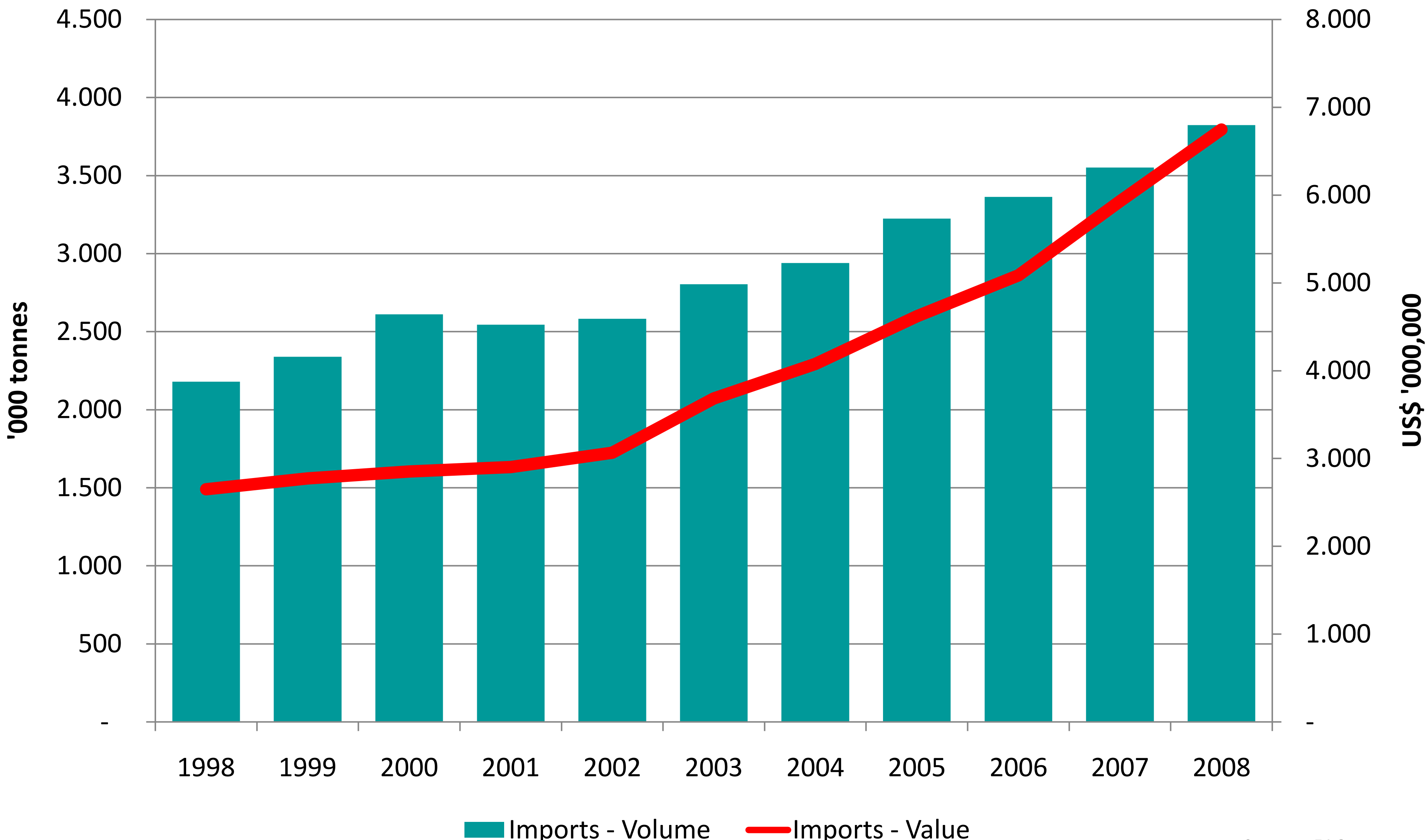
Prioritised countries with strong:

- Retail markets
  - *Major retailer presence*
  - *Modern format sales*
  - *Modern format growth*
- Temperate fruit imports
  - *Import volume*
  - *Import growth rates*
- Country macro data
  - *GDP / person*
  - *Population size*

- Croatia ✗
- Estonia ✗
- Belarus ✗
- Latvia ✗
- Bosnia ✗
- Bulgaria ✗
- Azerbaijan ✗
- Albania ✗

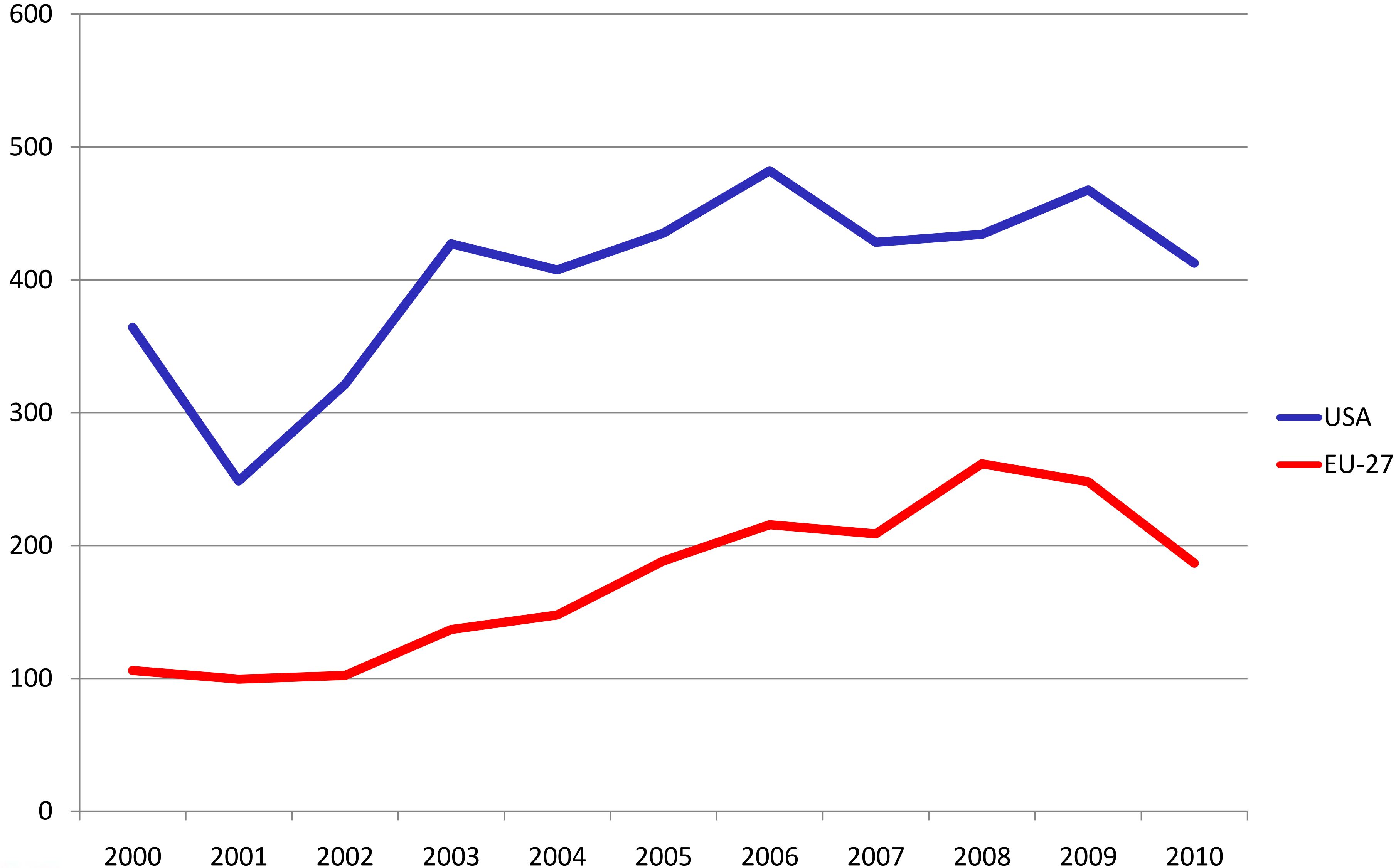
Global Grape Imports

Global grape imports



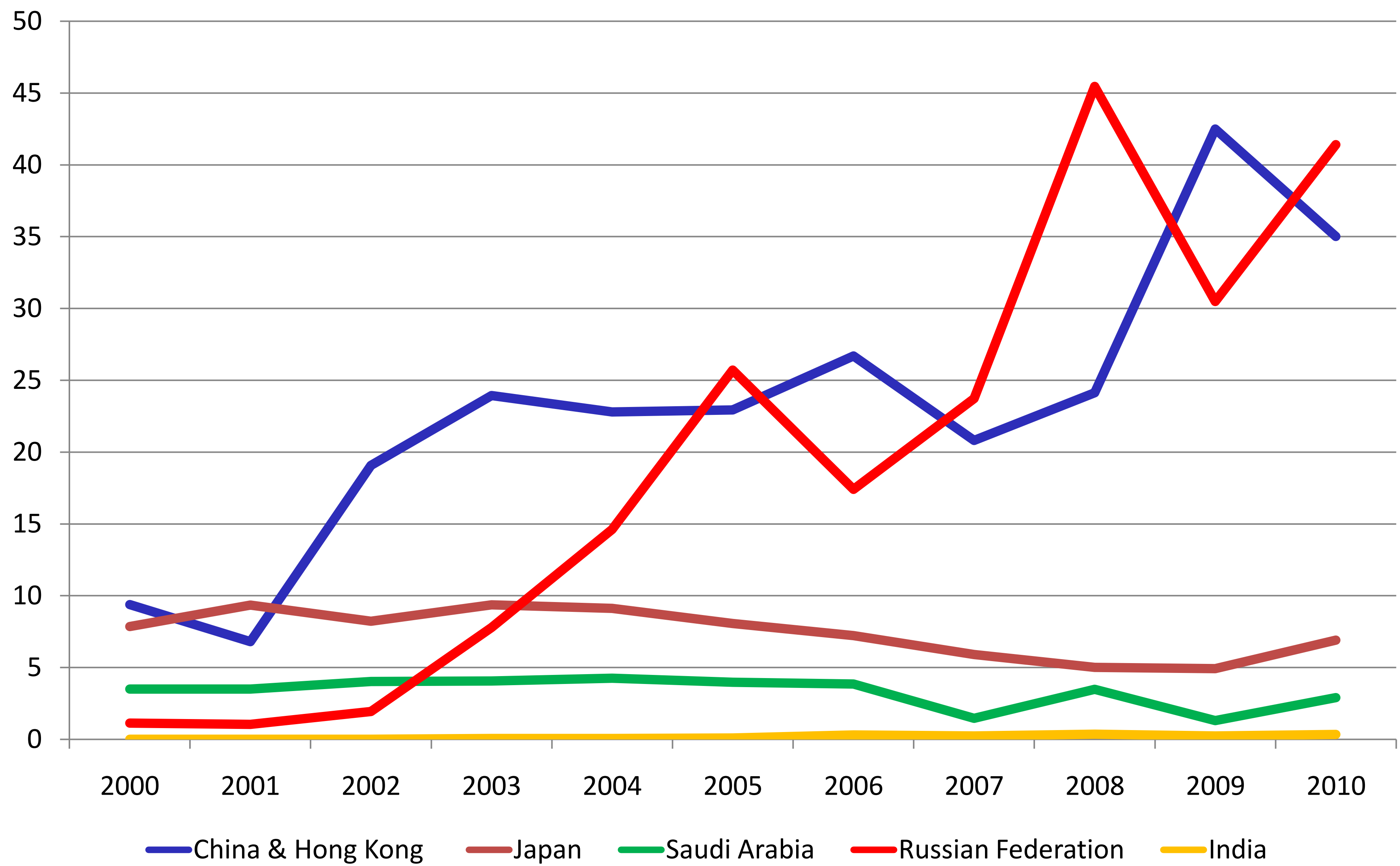
Source: FAO

Chilean exports - US & EU (000 tonnes)



Source: UNComtrade

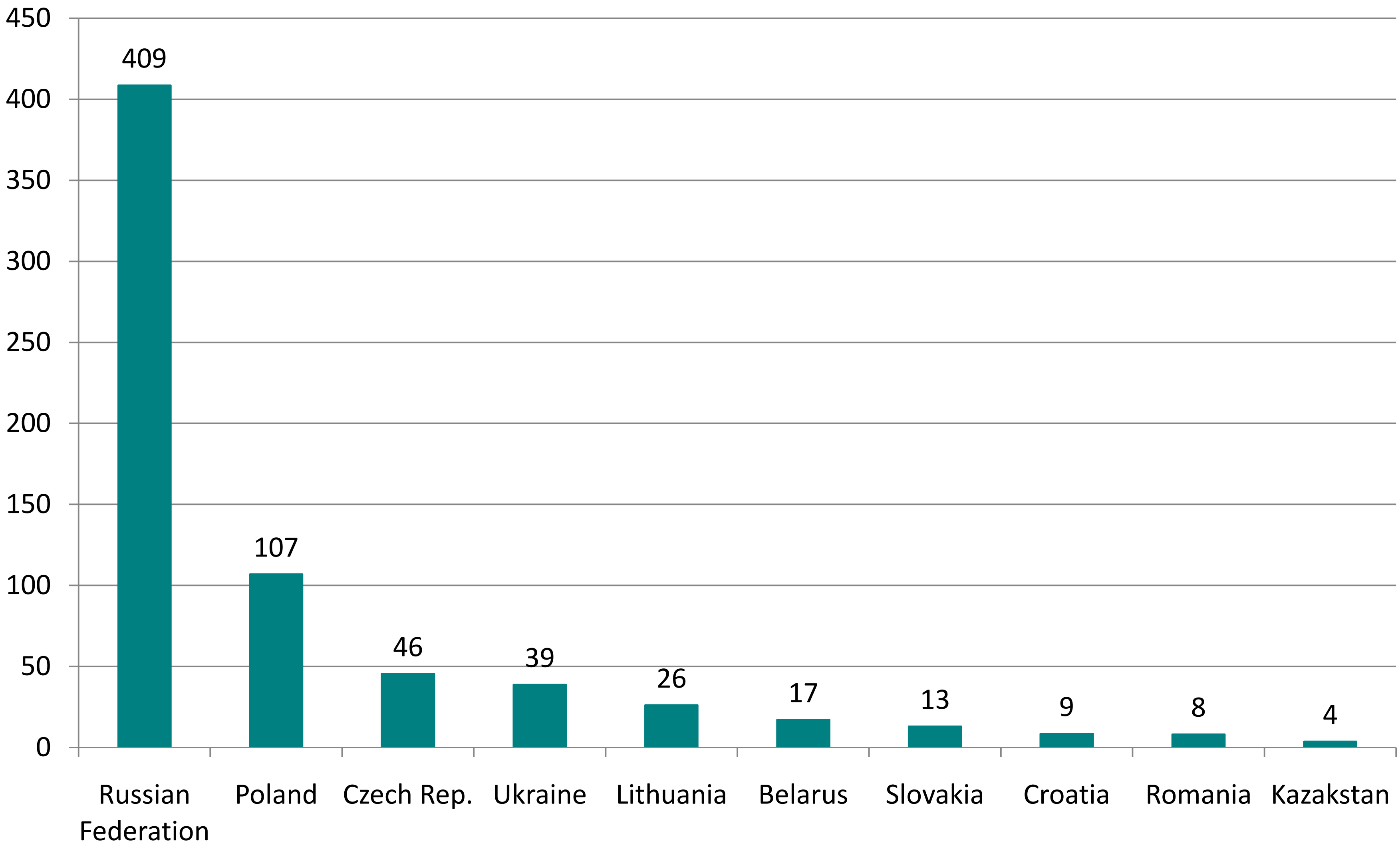
Chile to other key markets ('000 tonnes)



Source: UNComtrade

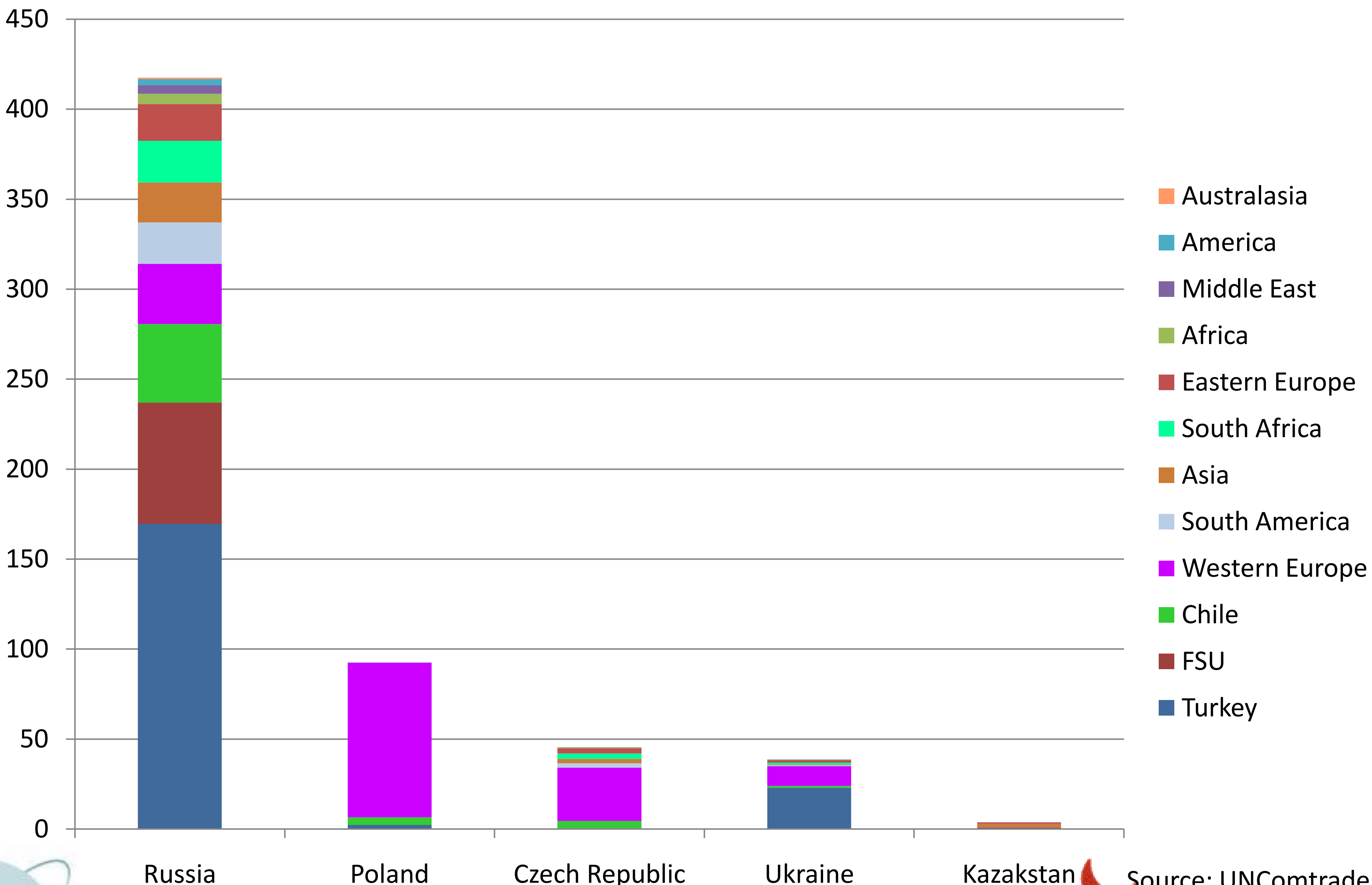
Russia & Eastern European Grape Imports

Eastern European imports, 2010 ('000 tonnes)



Source: UNComtrade

Key suppliers ('000 tonnes), 2010

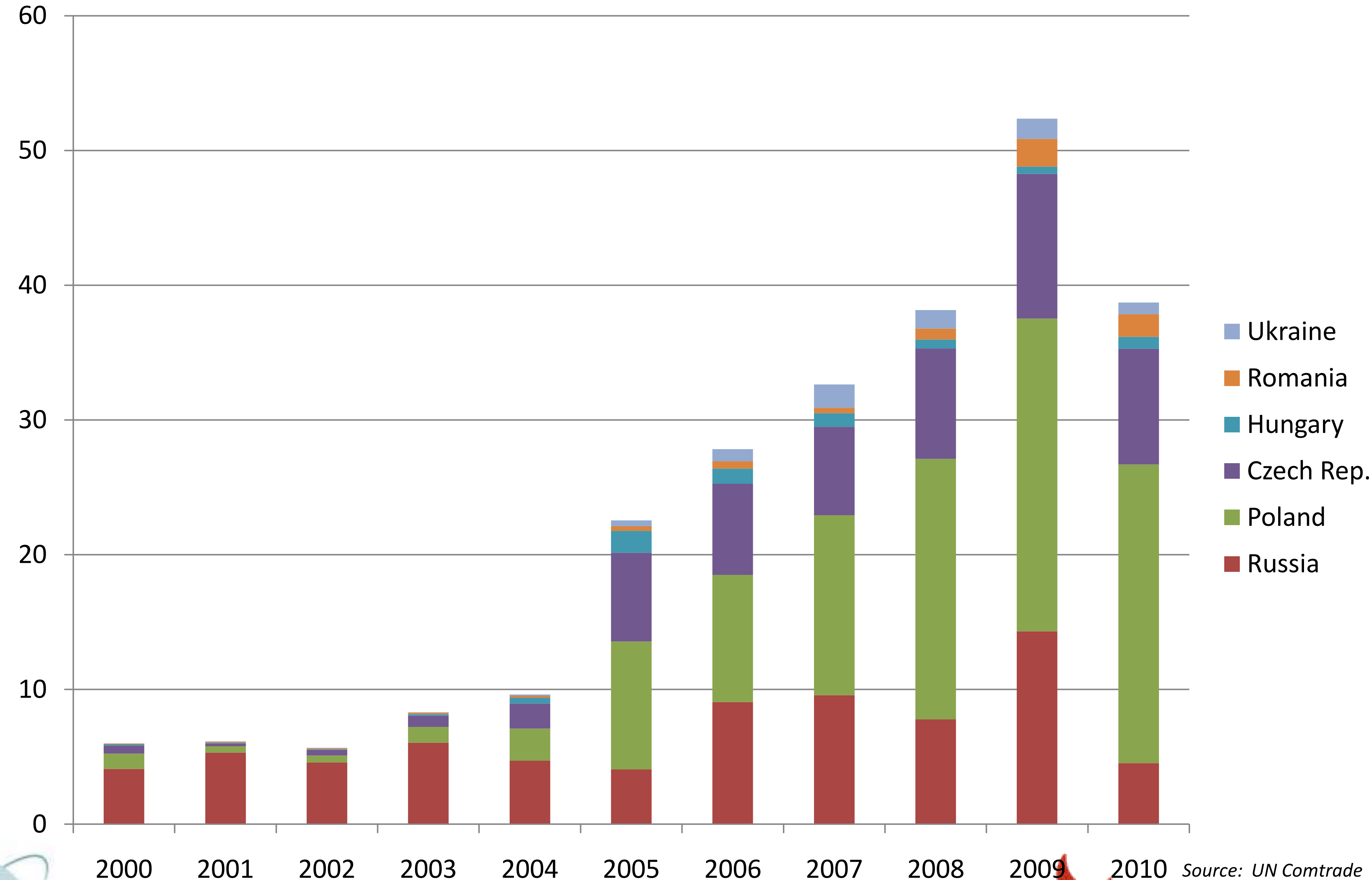


Source: UNComtrade

The role of the NL

- A traditional feature of EU exports over many years
- Re exports to the Russian and FSU markets are a logical extension of this role
- NL often provides reduced risk but still access to these markets
- But there is less control of where fruit goes (and to who) for Chile
- They are there for a reason
- For serious exporters to the Russian and FSU markets - this relationship needs to be worked out
- Ideally direct trade in the future, but the role of the NL is well established and this is easier said than done

NL exports - Eastern Europe ('000 tonnes)



Source: UN Comtrade

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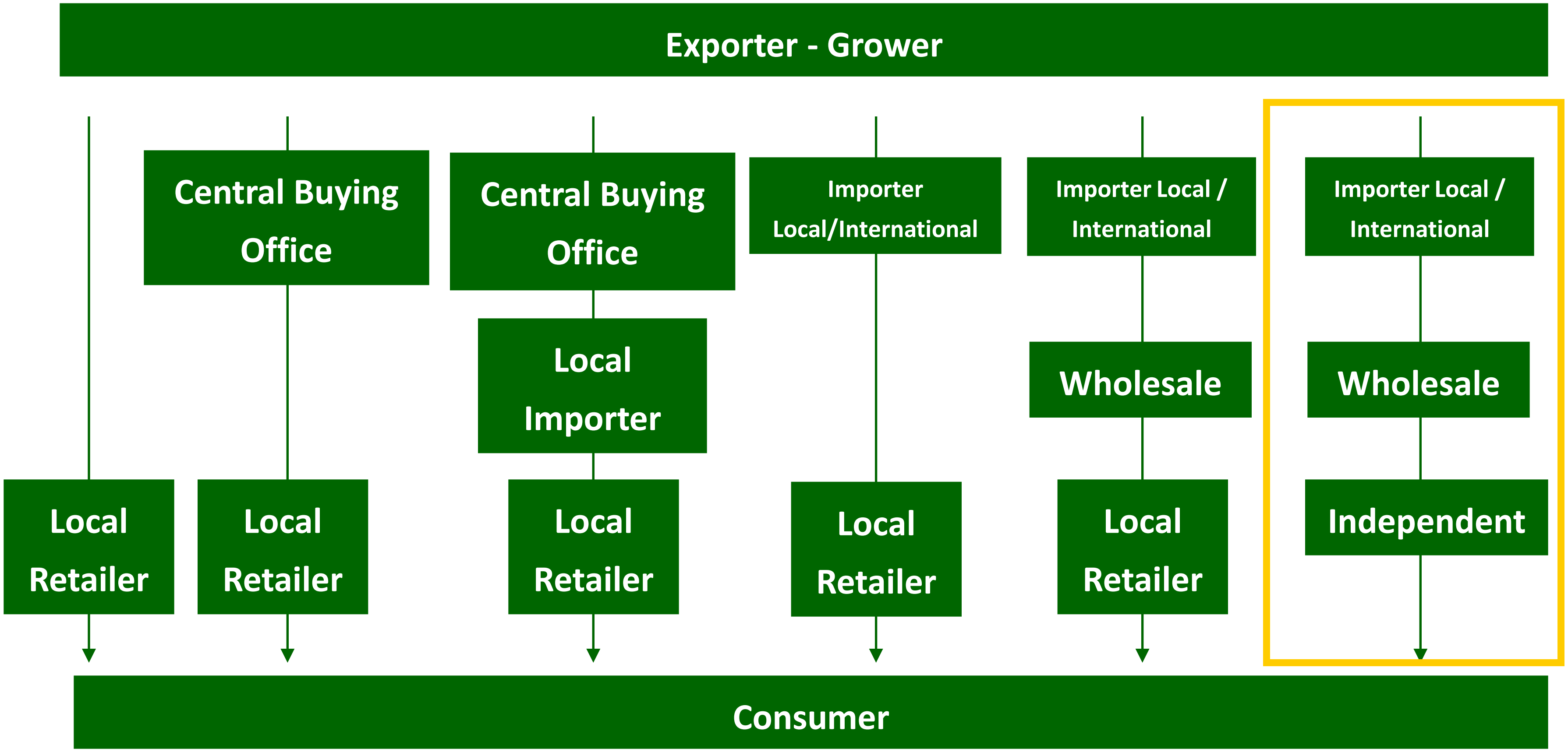
Trade structure in Russia and Eastern Europe

- A wide range of suppliers and buyers
- The import sector has consolidated already
- As infrastructure improves direct sourcing becomes more possible
- Prices can be volatile and are always competitive
- Numerous systems of trade from FOB, CIF, consignment and advance payment
- Category Management as known in the West is poorly developed
- A range of routes to market exists – no one set way of doing this

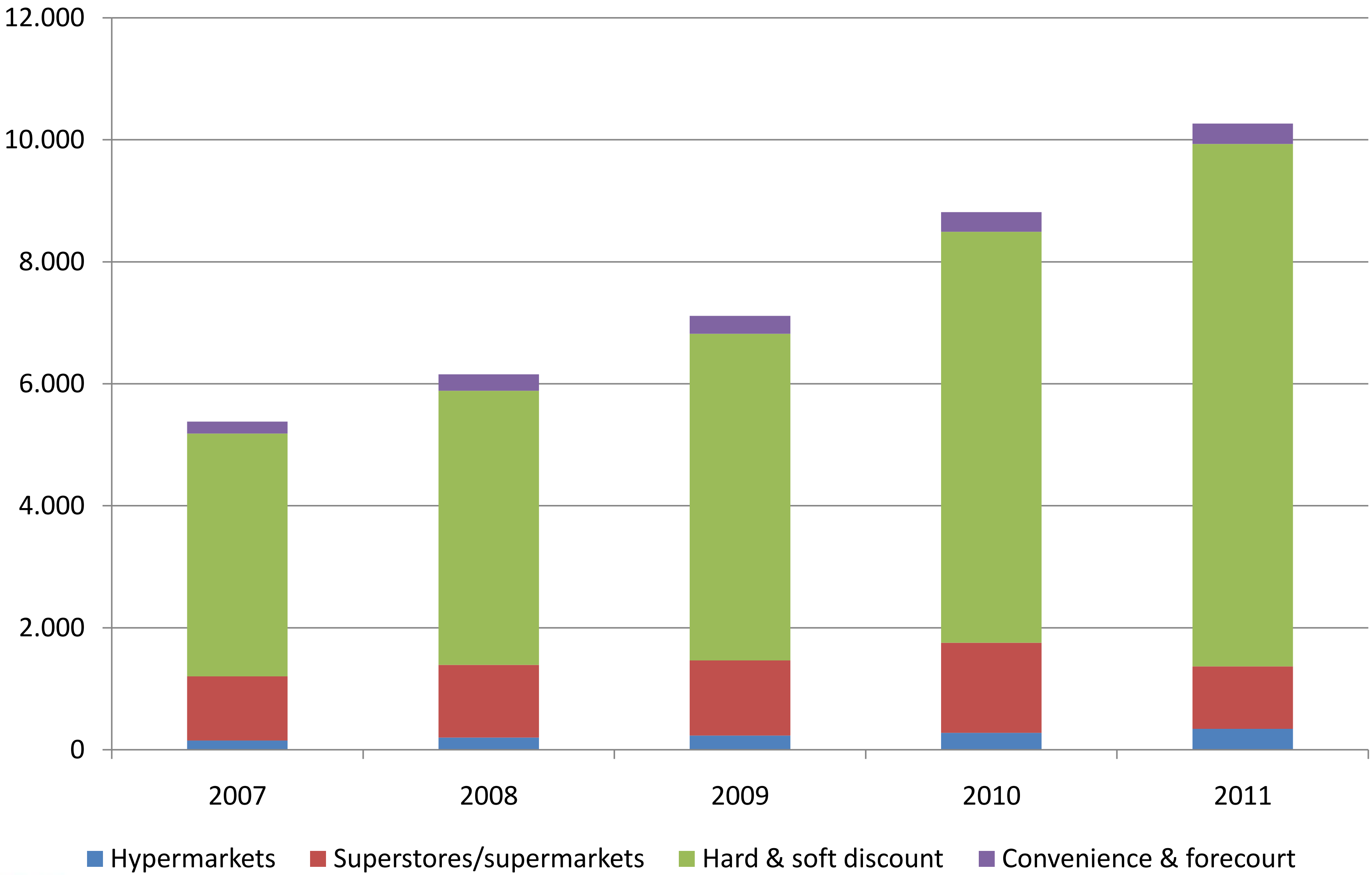
Distribution of fresh fruit in Eastern Europe



Fuente: Promar - ASOEX (2011)

The Top Three Markets
An Introduction

Russian store numbers



Source: IGD

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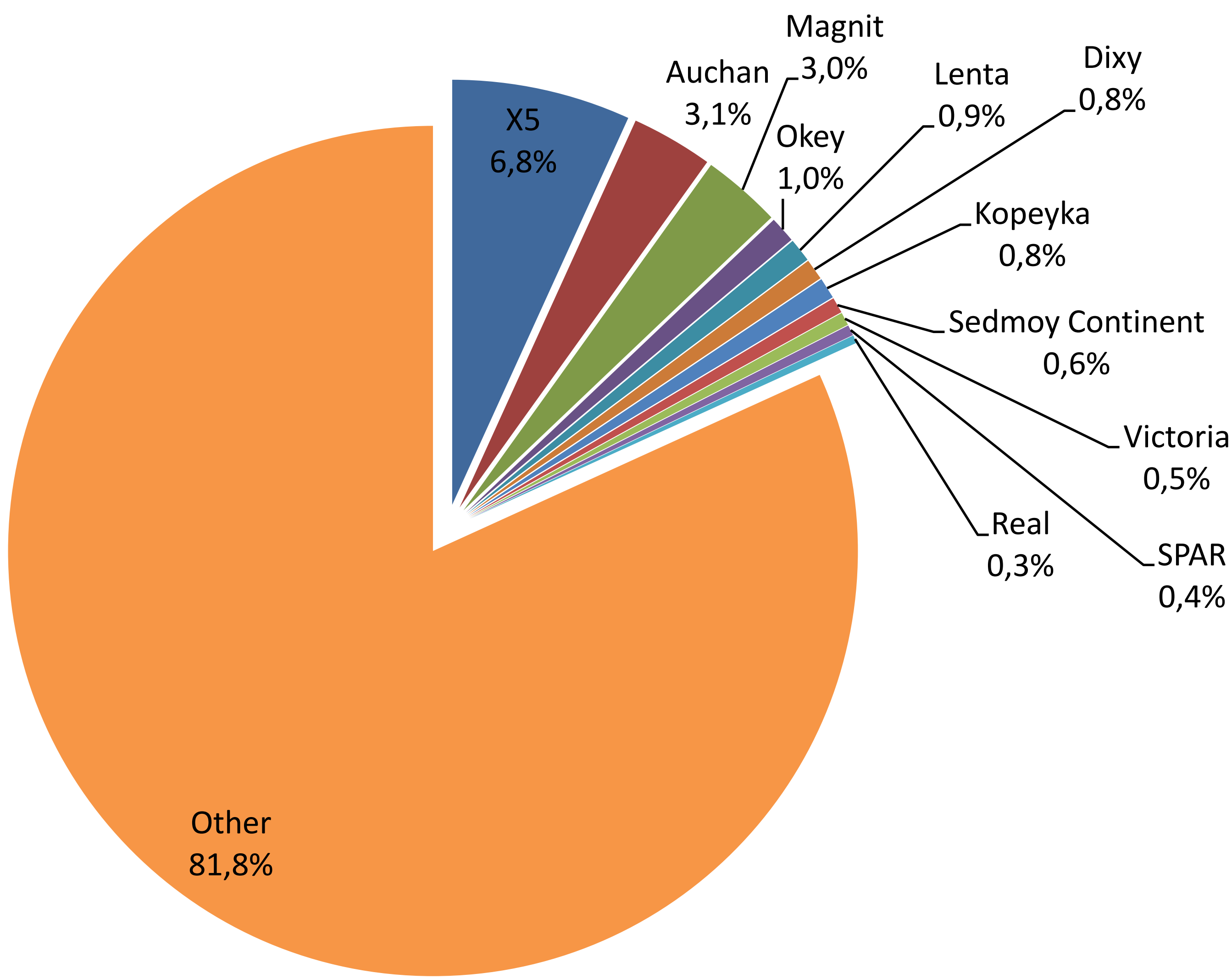
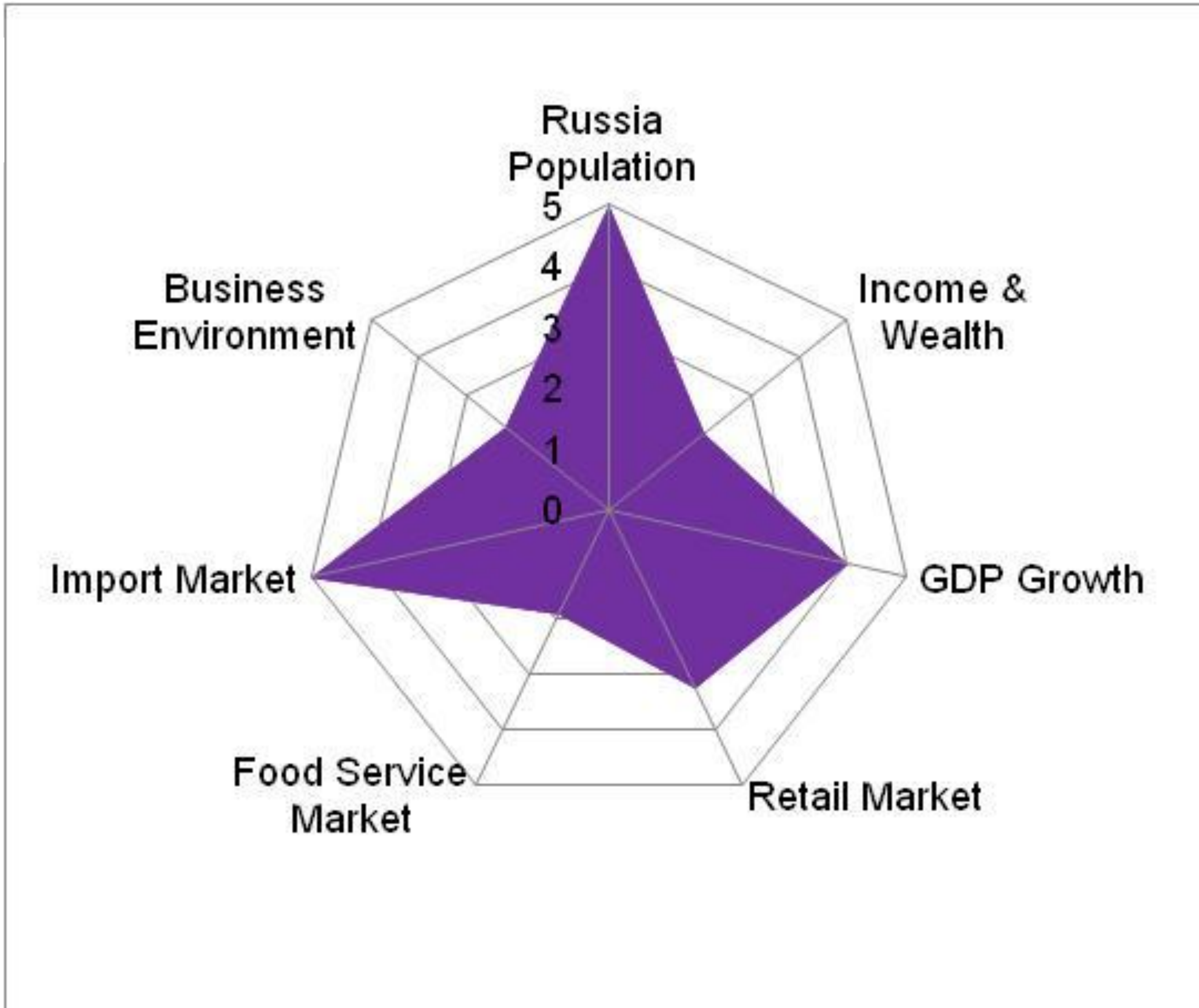
Russia retail share (%) 2010

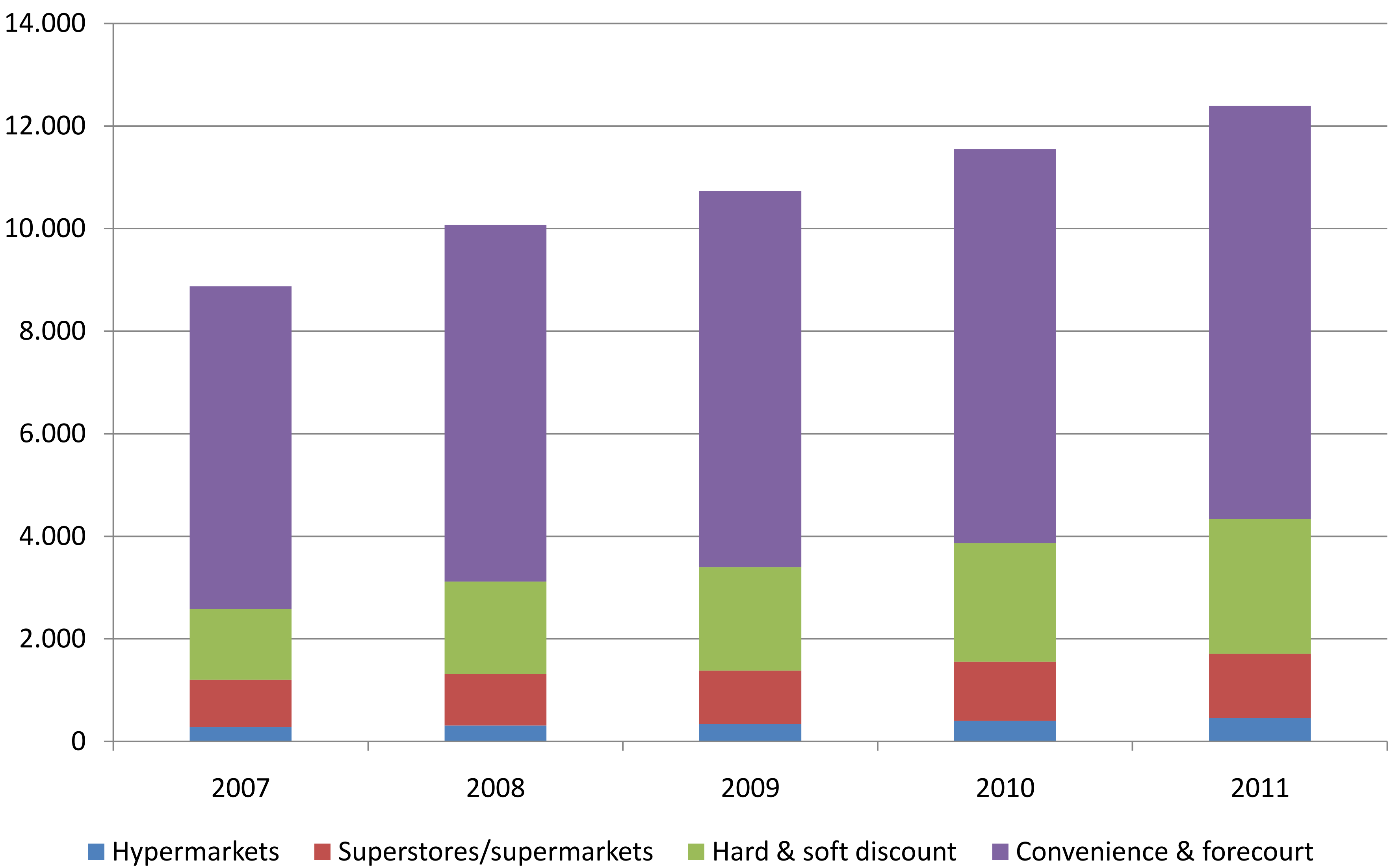


Source: IGD

Russia

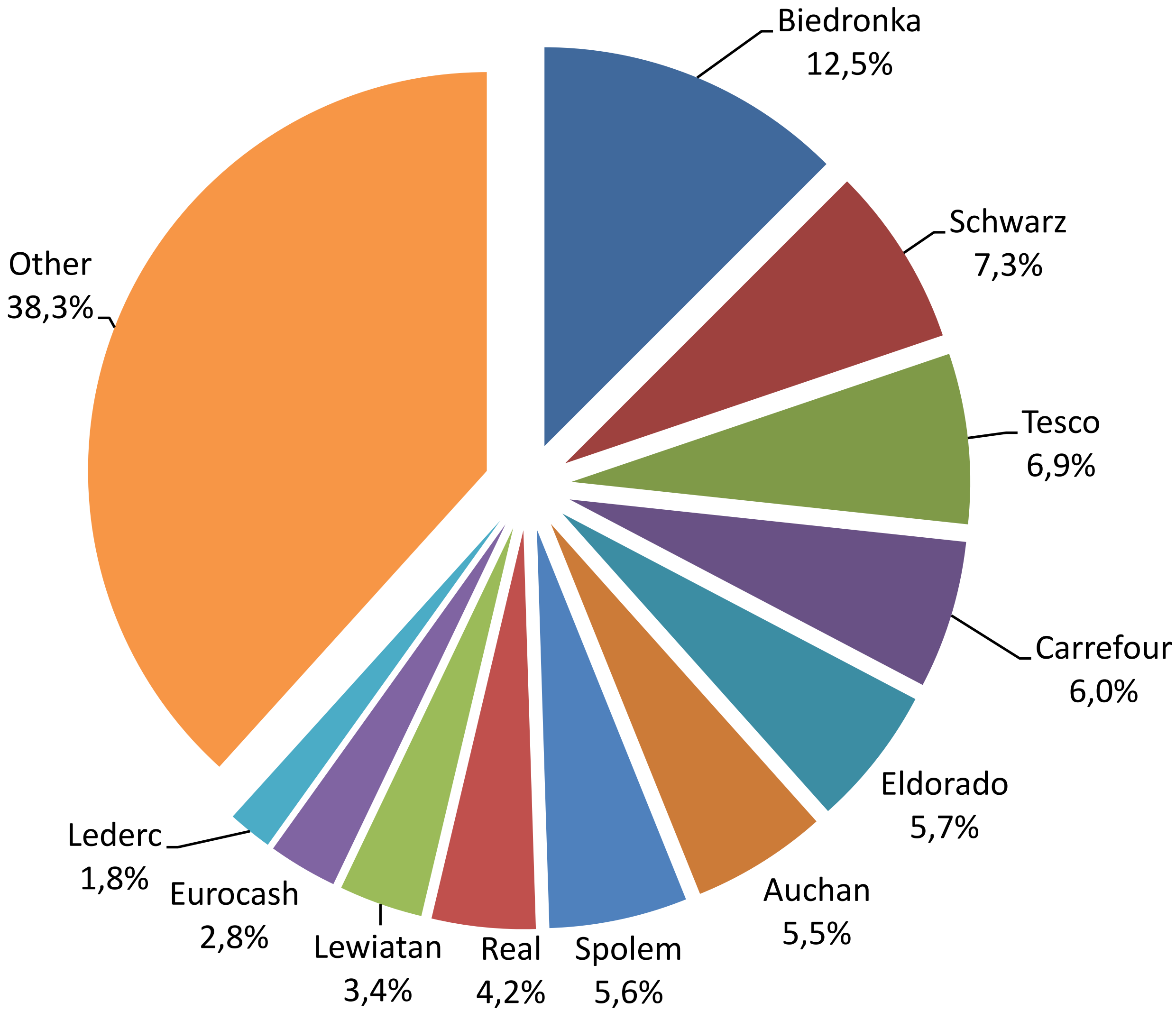

Russia
Population
5
4
3
2
1
0
Income &
Wealth
GDP Growth
Retail Market
Food Service
Market
Import Market
Business
Environment

Poland store numbers



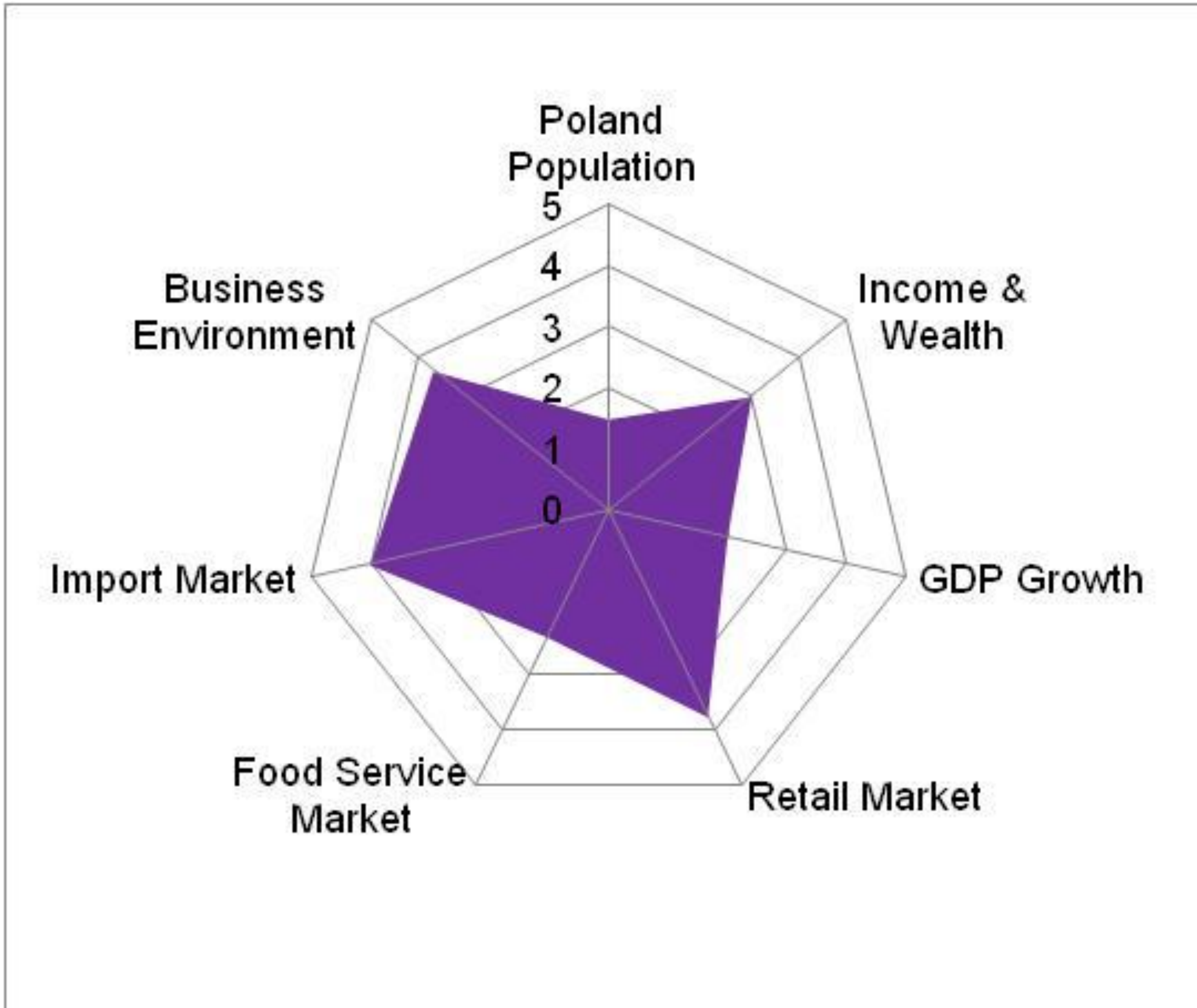
Source: IGD

Poland retail share (%) 2010

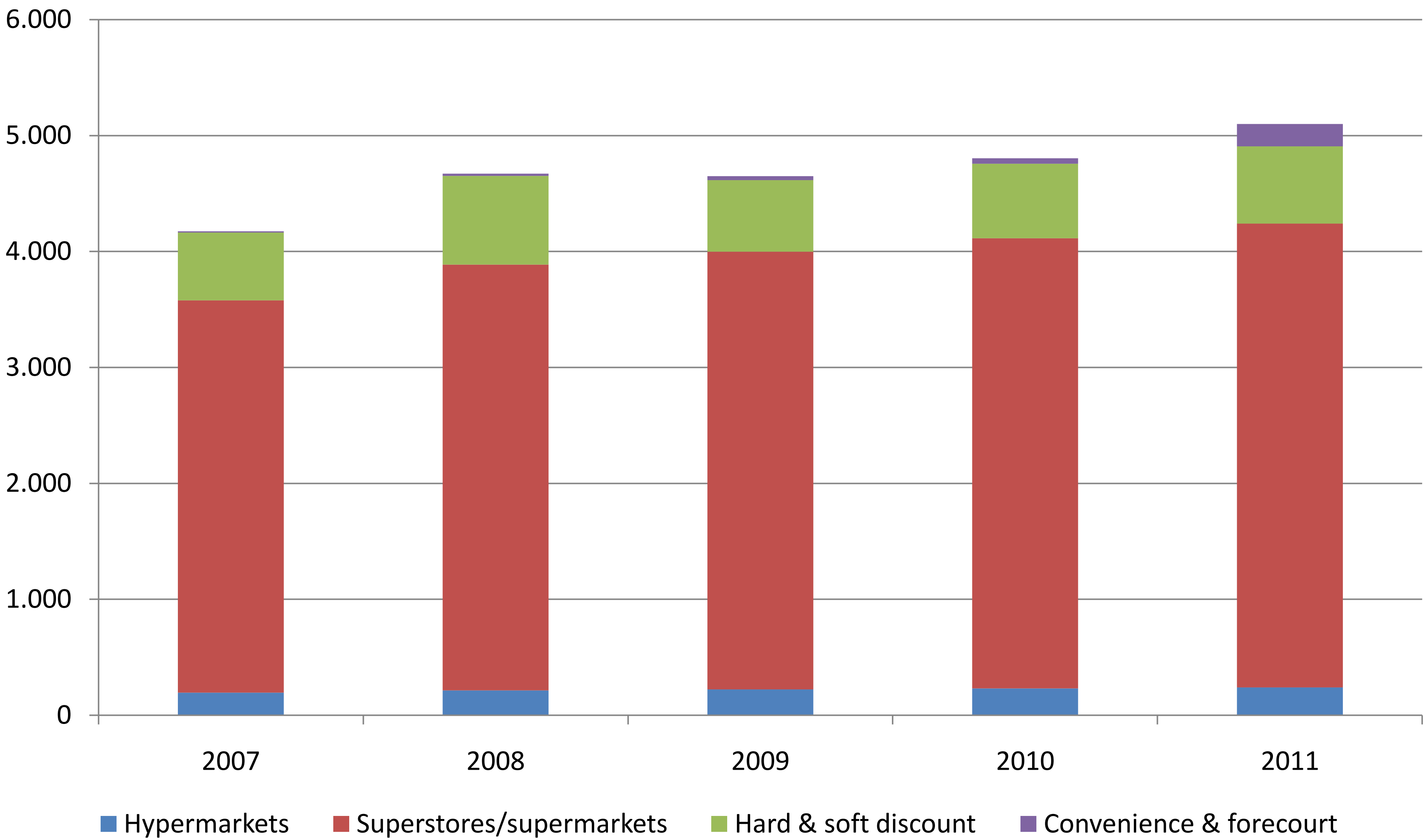


Source: IGD

Poland

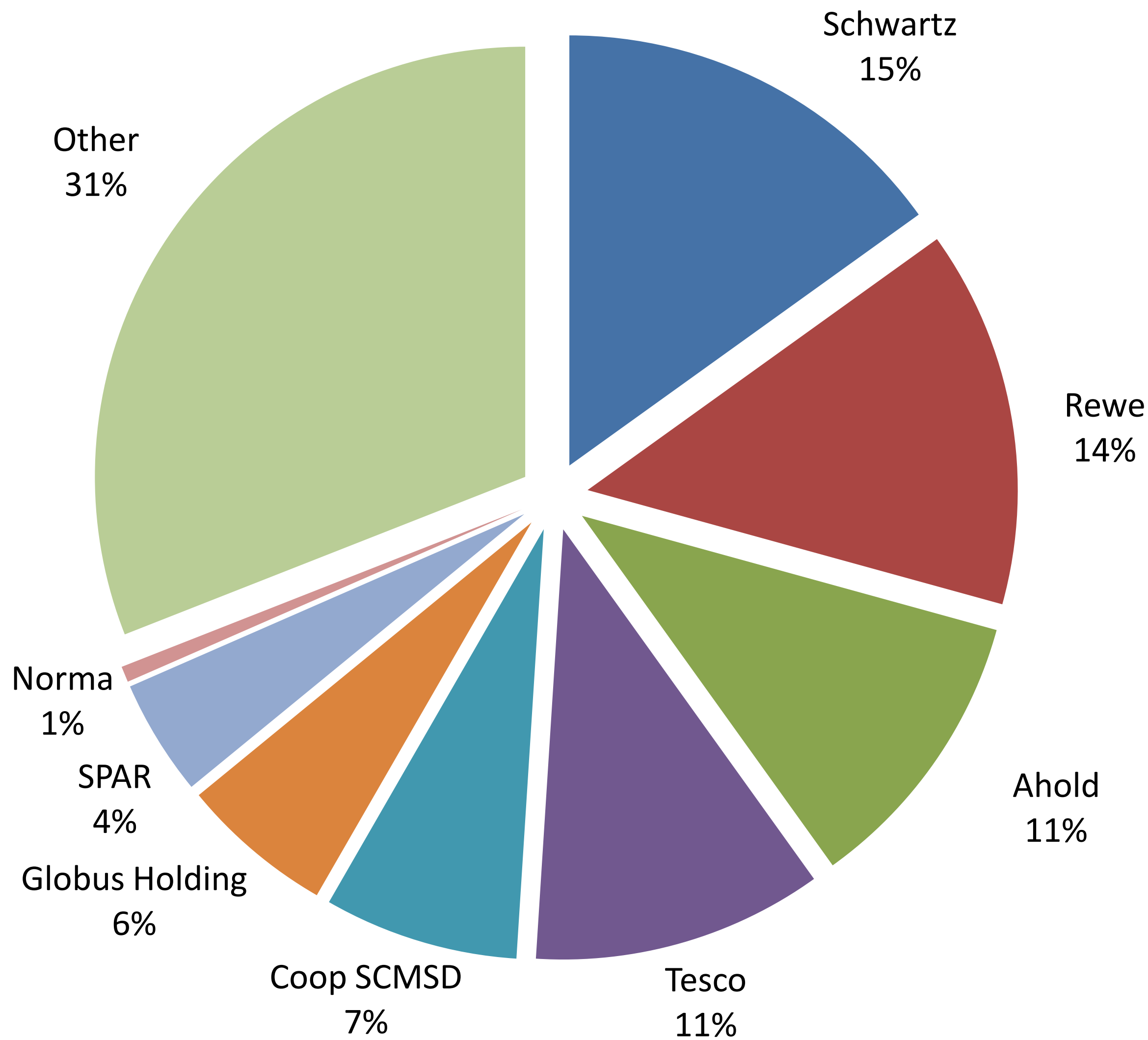

Poland Population
5
4
3
2
1
0
Income & Wealth
GDP Growth
Retail Market
Food Service Market
Import Market
Business Environment

Czech Republic store numbers



Source: IGD

Czech Republic retail share (%) 2010



Source: IGD

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Czech Republic

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Some Conclusions

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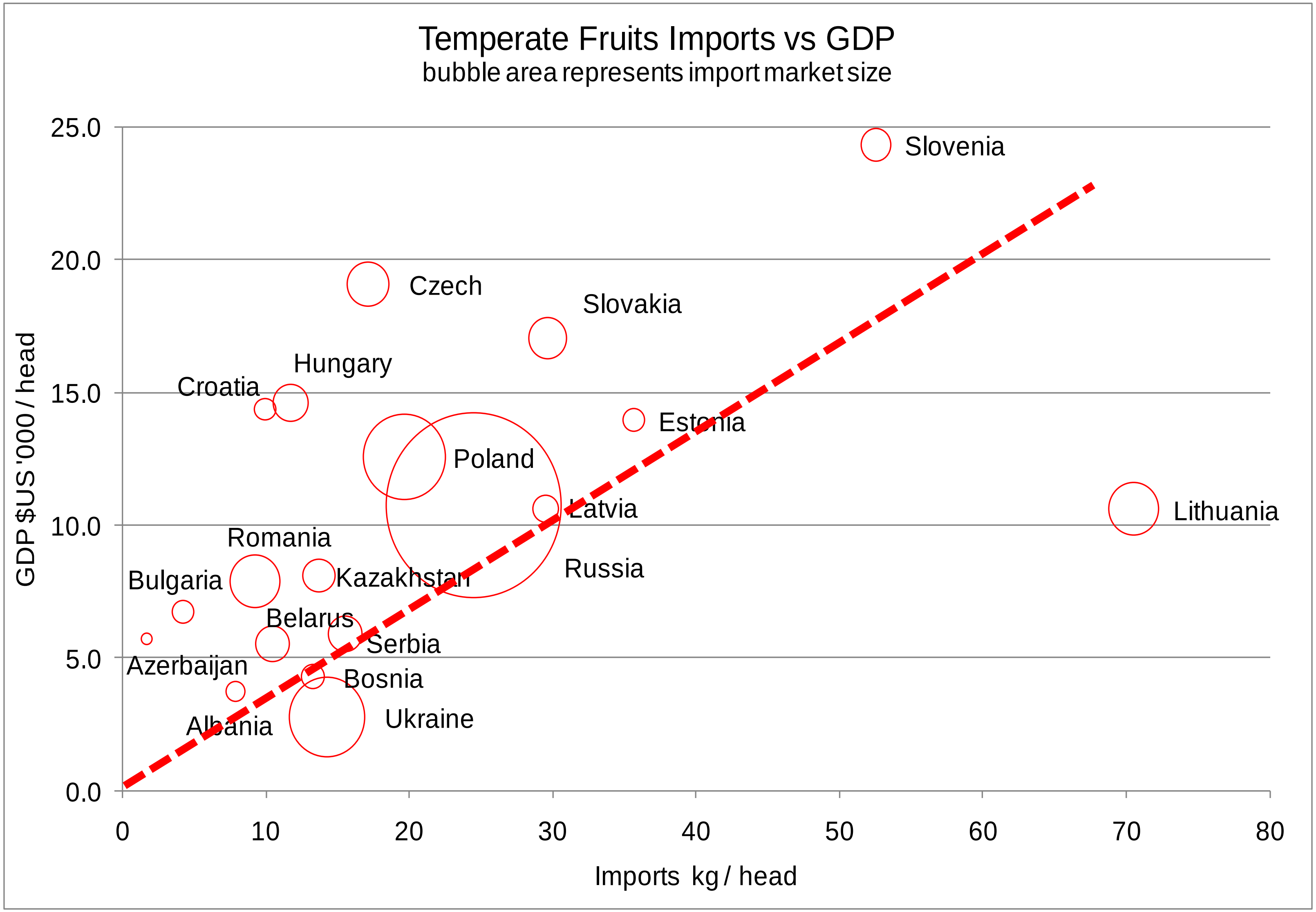
Summary

- **Russia - a “discount” market**
  - 80% of the market is “informal”
- **Poland – a “convenience” market**
  - 40% is informal
- **Czech Republic – a “superstore” market**
  - 30% is informal

GDP and fruit imports



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Chilean performance to date

- An initial market study in 2005
- Ongoing promotions in Russia since then
- Main activities:
  - POS, in store work etc
  - inward and outward buyer missions
  - trade fairs etc
- Exports to the Russian market have been encouraging
- Other markets still probably need more work


Чилийские киви
АПТЕКА
Chile


Вкус чилийских фруктов
Chile


Чилийский виноград


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+14°
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СЕДЬМОЙ КОНТИНЕНТ


Семинар:
Возможности и перспективы увеличения импорта свежих фруктов из Чили в условиях кризиса

Market development model

- Russia
- Poland
- Ukraine

Invest & develop

- Build relationships & reputation
- Secure position
- Grow with market

- Serbia
- Hungary
- Romania
- Czech Rep

Opportune

- Maintain relationships
- Respond to ‘crucial’ opportunities
- Monitor for changes

- Kazakhstan

Monitor

- Watch closely
- Review status in (max 3 years)

Overall

- Eastern Europe and the FSU is not a homogenous part of the world – do not treat it as such
- You can easily be distracted - 27 countries - focus is required
- Maybe no “perfect market” exists
- You need to be “an expert”
- Russia is the jewel in the crown
- It is not a market for the “faint hearted” or the short term player
- Only a dedicated effort will pay dividends to the Chilean export effort
- This work is the start, not the end