

Russia: Difficult end of the campaign for Chilean grapes

The end of the latest Chilean grape campaign has been one of the most difficult in recent memory. Many excellent exporters lost between 30 and 40% of the product's FOB value from the shipments to Russia as a result of quality issues with the fruit and a hazardous market situation, causing great economic losses and weakening trade relationships.

According to Álvaro Irarrázaval, of VIASA Food, who is very familiar with the Russian market, having exported more than 700,000 boxes from various South American countries to this market for more than seven years, this situation resulted from problems such as an excessive relative humidity, rainfall during the flowering and harvest periods, fewer qualified labourers, irrigation issues, etc, affecting not only the exports to the Russian market, but also to other traditional destinations. As well as this, the sector is well aware that the reputation of Chilean grapes is at stake.

Furthermore, it is worth noting that, in Russia's case, there was a particular situation of oversupply of Chilean grapes at times when volumes are usually smaller (Thompson, Red Globe and Crimson) and from other countries that do not normally compete as much with Chile, like South Africa, Argentina, India or Egypt.

"Given the weakness of Chilean grapes, we had to compete with fruit that was a lot cheaper and in better condition, which drove prices down," affirms Álvaro. "But I dare say that many Russian importers also profited from the situation by claiming quality problems across the board. Prices after the Peruvian Red Globe never picked up again, and so it remained for all varieties during the entire South American season, causing prices to fall even more and damaging everyone's interests."

This year, as many already know, the big news has been the severe frosts that have affected South America, causing extensive damage to the industry. In any case, Álvaro Irarrázaval is optimistic and expects the loss in export volumes not to be greater than 10-15%, as while the Flame, Superior and Thompson varieties suffered great losses, only the latter raise concern because of their high demand in Russia. The Red Globe and Crimson were not as affected, and although volumes will be smaller, we should see better quality fruit than last season, depending on how favourable the weather is.

According to Álvaro, it is essential to bear in mind that the "burnt fruit (when the fruit from the primary buds is damaged) will no longer grow and that Chileans will take a lot more care in the shipments of the fruit in good condition and/or of the one from the secondary buds, which is always of inferior quality, exporting it to destinations nearer to them. Additionally, some export markets, like Russia, have already announced at the latest World Food Moscow fair that more exhaustive inspections will be carried out next year at destination, and thus the quality and condition of the fruit will have to be satisfactory."

Given the situation, and although it is still too soon for accurate estimations to be made, prices are sure to reach higher levels in the varieties most affected by the

damages, as the percentage of fruit in good condition will be smaller. In any case, Álvaro assures that these will not surpass certain boundaries, as, for example, the Russian market never pays more than 22-23 dollars FOB for the Chilean Thompson.

Meanwhile, the volume losses for plums and kiwis have been estimated at 65% and 80% respectively. This will have an enormous impact on the Russian market, which is a great client for Chilean kiwis. As for apples, it will be necessary to wait until January to know accurately what the extent of the damage will be, although it is currently estimated at around 10 to 15%.

Finally, Álvaro states that, despite the circumstances, VIASA Food is currently holding a stronger position than ever in Russia; a market supplied by the company all year round and where it is currently shipping Ecuadorian and Costa Rican bananas, Costa Rican pineapples and the first Peruvian Thompson and Red Globe, as well as making preparations to export the best Chilean fruit.

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