



US BLUEBERRY ORGANIC MARKET ANALYSIS

For the Agricultural Land Corporation



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Executive Summary

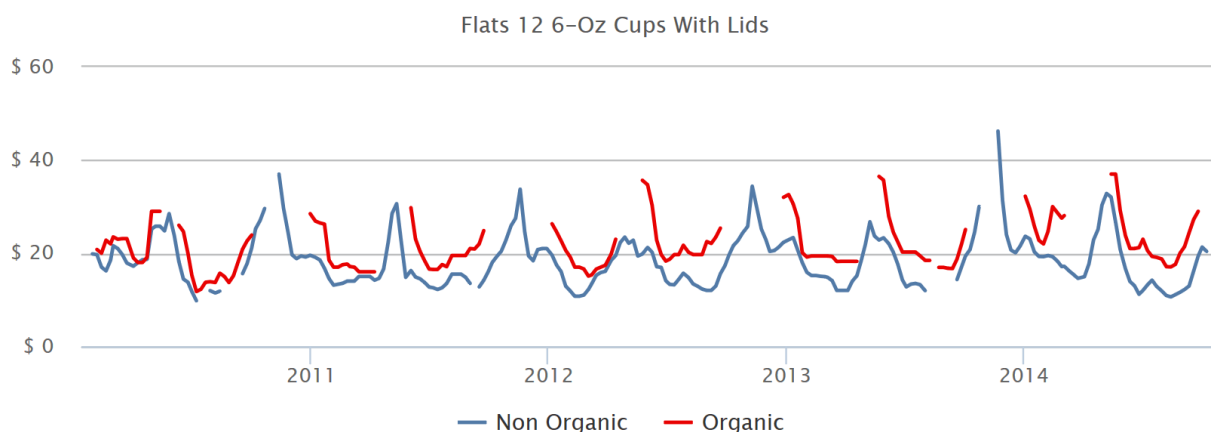
This report is based on all blueberry data made available from the USDA dating back from 2000 with a particular focus on the past five years. Contained within is a description of how the market for organic fruit is behaving and assesses some of the risks and benefits of commercializing Chilean blueberries in the US.

There appears to be a genuine opportunity to commercialize organic blueberries from Chile with an average premium of \$5.59 paid for organic fruit over Non Organic fruit. It is also encouraging that there is a noticeable growth in the premium being paid for organic blueberries, indicating that demand is increasingly outpacing supply.

The market for Chilean Blueberries in the US appears to be mature. During the US winter months Chile has been far and away the largest supplier of the blueberries to the US market with limited competition from other markets. Mexico, Peru and Argentina will be actors to watch.

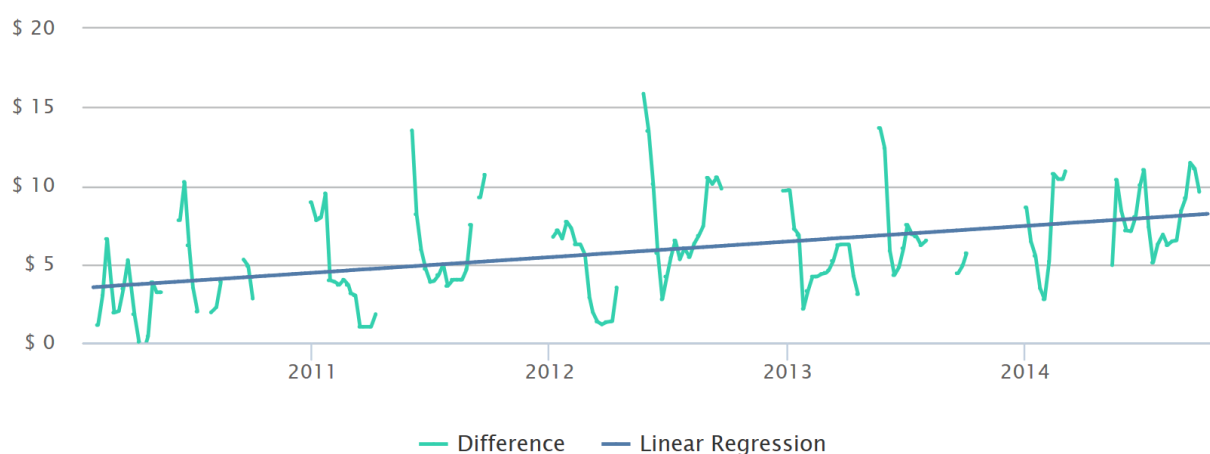
It is also notable to mention that the information available from the USDA on movements and prices gives us an incomplete picture of the market. There are factors such as the size, saturation levels and off season demand for organic blueberries that cannot be calculated from the data used for this report. These additional factors can be studied using private data sets and are essential for a clear understanding of the organics markets and making an educated long term risk assessment for growing organic blueberries with the intent of commercializing them in the US markets.

Blueberries/Landed US Spot Markets



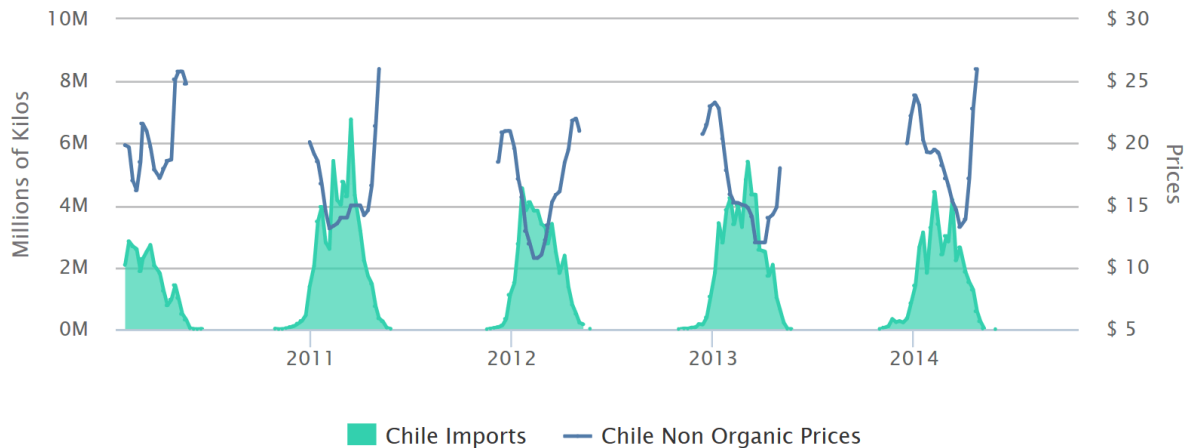
Premium for Organic Blueberries: Looking at the graph above we can see that there is a clear premium that is being offered for organic blueberries in the US markets, which over the last five years has averaged **\$5.59**.

Organic Vs Non Organic Blueberries



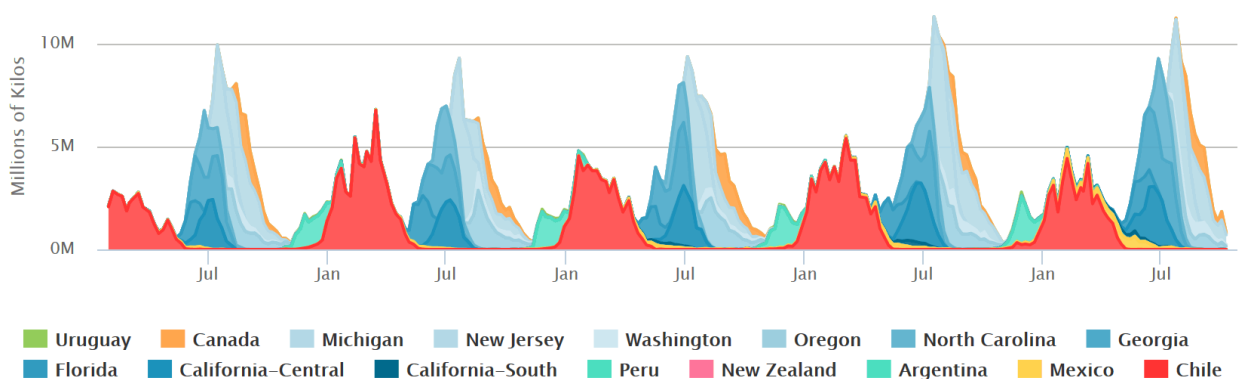
Increasing Premium Over Time: The other element that is evident from the data available is the increase in the premium paid for organic blueberries over time which averages out to be 17% a year over the last 5 years. This trend is indicative of demand for organic blueberries that is increasingly outpacing the available supply.

Chile Imports vs Prices



Tendencies for Chilean Blueberries: Chile experienced incredible growth from 2000, when the USDA's blueberry records began, to the 2010/2011 season with an average growth of 23% year on year. Chile's largest export season was 2010/2011 sending 61,000 (Metric Tons) MT, which may have saturated the market fetching a weighted average price of \$15.14. Since then the markets look to have stabilized, Last season Chile exported 45,300 MT receiving a weighted average price of \$18.34.

Blueberry Movements in the US Market by Origin



General Trends and Competition to Chilean Production: In the last ten years the Blueberry markets have tripled from 68,000 Metric Tons (MT) to 199,000 MT, Chile represents about 28% of the market and is clearly the dominant player during the US winter.

The highest prices observed are consistently around the October time frame between the end of the US/Canadian season and the beginning of the Argentina/Chile season as it appears that no supplier has figured out how to serve the market during that time period.

Until recently Chile's only competition had been Argentina at the beginning of the season and Florida at the end of the season. In 2007 Mexico made an entrance into the market and has been growing at an average rate of 148% per year since. Mexico's production overlaps with the second half of Chile's season, filling a strategic gap between Chile's and Florida's harvest, taking advantage of higher prices often observed due to a lack of supply around March and April.

Peru is not a notable competitor yet. Last season they only sent 600 MT, which is 1.3% of Chile's volume and of questionable quality, on average Peruvian fruit received a 23% discount compared to the market average. It is, however, worthwhile to mention that their shipments lined up almost exactly with the Chilean season and as their volumes begin to grow they could have an effect over the returns Chilean producers can expect. At the same time, if Peruvian producers under serve the market for organics, their volumes may not affect the prices in the category.

Next Steps

The information so far presented gives a brief overview of organic and non organic blueberries in the US Markets, naming several factors that could affect Chilean production. Unfortunately the Customs and Border Patrol data used by the USDA is based on harmonized shipping codes which do not discriminate whether volumes are organic or not. That being the case, we are not able to analyze the market size, saturation or off season demand for organics.

Studying the size of the organics market and how fluctuations in volume affect price can help determine the commercial viability of a large scale commercial organic blueberry operation. Market saturation is of particular interest given that should sufficient organic fruit get to market the price could be discounted to the same price or below the price of non organic fruit. This study would offer an idea of how much volume the market can absorb on a weekly basis and the prices that could be expected given variances in supply, which would be helpful in planning the commercialization window that should be targeted.

The data necessary to make these studies is retail data collected from supermarkets across the US containing weekly price and volume information for organic, non organic, frozen and non frozen blueberries. These are private datasets made available from several suppliers such as IRi and Nielsen. The data necessary to do these studies could be considered of considerable cost. For our part we won't charge any additional fees for sourcing the data and are happy to work with data made available to us as long as it fits the description of what is needed.

The time to prepare the report could vary depending on the complexity of the dataset and the complexity of the movements within the markets, but we expect the study to take between 80 and 100 man hours which we would charge at a rate of \$100/Hr.



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Disclaimer

Agronometrics.com has taken great care to draft a study that is independent and accurate, however it does not take responsibility for decisions made based on the information provided. It is recommended that readers make their own evaluation and draw conclusions as may pertain to their specific business needs.

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