



Agri-Food Past, Present & Future Report

Chile

June 2005



The Government of Canada has prepared this report based on primary and secondary sources of information. Readers should take note that the Government of Canada does not guarantee the accuracy of any of the information contained in this report, nor does it necessarily endorse the organizations listed herein. Readers should independently verify the accuracy and reliability of the information. This report is intended as a concise overview of the market for those interested in its potential and is not intended to provide in-depth analysis which may be required by the individual exporter.

Chile

Past Present & Future Report June 2005

Overview

Chile represents one of Latin America's most attractive markets. Although it is smaller than its neighbors Argentina and Brazil, this country and the 15.5 million residents it contains is appealing due to increased transparency in its regulatory systems, reliability in its decision-makers and stability in its economy.

Chile holds one of South America's strongest economies built upon substantial foreign investment and a significant export sector. Chile is a mining country rich in resources such as copper and diverse in economic activity spanning the areas of forestry, fishing, aquaculture, beef, dairy and sheep farming. In addition, Chile boasts the highest foreign business presence in the entire Latin American region.

Canada - Chile Relations

Relations between Canada and Chile are excellent, and have been expanding since the signing and implementation of the Canada and Chile Free Trade Agreement (CCFTA) in 1997. This bilateral agreement is comprehensive and covers trade in goods and services as well as investment and dispute settlement components.

The CCFTA accompanied by Canada's reputation as a supplier of high quality goods only augments the potential to grow this export market. The agreement features duty-free access for a wide range of Canadian goods, with tariff phase outs for other products. For a more detailed and comprehensive overview of Canadian - Chile relations and trade arrangements please visit: <http://www.dfait-maeci.gc.ca/tna-nac/bilateral-en.asp>.

Canada-Chile Bilateral Trade (2004)	
Chile Total Trade	US\$55 billion
Exports	US\$32 billion
Imports	US\$23 billion
Trade balance	US\$9 billion
Canada- Chile Trade	\$1.66 billion
Exports	\$358.9 million
Imports	\$1.3 billion
Trade balance	(\$941 million)
Canada- Chile Ag Trade	\$400.7 million
Exports	\$57.57 million
Imports	\$343.15 million
Trade balance	(\$285.58) million

- Since the establishment of the CCFTA, Canada has consistently ranked as one of Chile's top 3 investors.
- Canada/Chile trade totaled \$1.66 billion in 2004. This value has been steadily increasing from \$953 million in 2002 and \$1.2 billion in 2003.
- Top Canadian exports to Chile are wheat and coal.
- Top imports from Chile are unrefined and refined copper, grapes and

grape wines.

Agricultural Trade

The CCFTA assisted the agri-food sector through the establishment of duty-free access for durum wheat, barley, lentils, canary seed, seed potatoes, malt, beer, raspberries, maple syrup, mustard products, fish and fish products, mineral waters and fruit juices.

The agreement also allowed for duty-free access for quota measures of pork, canola oil and beef. Over-quota tariff restrictions on pork and canola will be phased out and lifted by January 1st, 2007; beef will receive this status by January 1st, 2012.

The agri-food sector has been identified as one of the most promising sectors for Canadian exporters. Besides mere product exchange, the exporting of expertise and knowledge in the agri-food sector is also considered an area of opportunity as Chile upgrades their domestic processes, plants, machinery and delivery of value added products.

Canada's Top 5 Agricultural Exports to Chile (2004)	
Durum wheat	\$21.8 million
Non-durum wheat	\$15.5 million
Lentils, dried, shelled	\$5 million
Barley	\$3.8 million
Peas, dried, shelled	\$1.3 million

Complete statistical summary available: http://www.ats.agr.gc.ca/stats/chile_e.pdf

- Total Canada/Chile agricultural trade was valued at over \$400 million in 2004. Agricultural trade represents approximately one quarter of all trade between the two countries.
- Top Canadian exports to Chile in 2004 were durum wheat valued at nearly \$22 million and accounting for nearly 40% of agri-food exports, and non-durum wheat at over \$15 million or 27% of total exports.
- Top Canadian imports from Chile in 2004 were fresh grapes valued at nearly \$132 million and representing nearly 40% of all agri-food imports, and grape wines valued at \$54 million and representing 16% of all agri-food imports.
- 2004 Bulk exports to Chile totaled \$42.7 million, in the same year intermediate exports totaled \$8.3 million and consumer oriented exports totaled \$6.5 million.
- Agri-food products with value added components present great exporting possibilities; such components include time saving pre-prepared/consumer-ready/frozen meals, or meals featuring healthy benefits including low fat and low cholesterol features.
- Opportunities within the market exist in the following high growth areas: baking mixes, processed potatoes, breakfast cereals, turkey meat, pet food, frozen fish/seafood, dressings, sauces, pasta, specialty dairy items and fruits and vegetables during Chile's off season. The market for packaged foods is expected to continue with marginal growth, increasing by a total of 2.2% between 2002 and 2007.
- Other high growth areas to consider are the snack bar market which was valued at \$4.1 million in 2002, and is anticipated to jump 155% by 2007 to reach an estimated \$10.6 million; as well as, the processed food sector including meal replacement drinks, forecast to grow 56% by 2007 over 2002 levels, followed by baby food (49%), noodles (33%), sauces, dressings and condiments (10%), oils and fats (8%) and confectionery (8%).
- There is a great opportunity for Canadian meat exporters, as it is estimated Chile imports nearly 30% of their total meat requirements.

Economy

Chile's overall economic growth and performance is highly dependent on exporting. As a result, free trade and globalization are two concepts of great importance to this country. In 2004, Chile's economy expanded by its fastest pace in approximately 7 years. This expansion is in large part due to increased efforts to improve the country's terms of trade as well as finding means to supply and satisfy the demands of their neighbors Argentina and Brazil.

Gross Domestic Product (2004)	
GDP	US\$91 billion
GDP growth	5.9% (2004) 4.9% (2005)
GDP per head (\$ at PPP)	US\$10,700

Current

- Following an impressive 2004, overall economic growth is slowing slightly in 2005 as global demand for some of Chile's key exports lessens.
- GDP reached a value of US\$91 billion in 2004 and is forecasted to reach over \$100 billion in 2005.

Forecast

- GDP growth reached a high of close to 6% in 2004; this growth was linked primarily to improvements in international trade relationships. Chile is poised to experience slowed but consistent GDP growth at a level of 4.9% into 2006.
- Despite predictions that monetary policies will tense up as external environmental factors become adverse, the peso is expected to remain relatively stable as export earnings grow in certain industries outweighing slowed growth in others, and direct foreign investment steadily flows into the country.
- Government focus on productivity-enhancing reforms will heighten in years to come as the output gap narrows.

Consumer Market

As Chile experiences ongoing economic growth, the demand among Chilean consumers for convenience foods is simultaneously increasing. Convenience or ready-to-eat foods are in demand at the greatest levels in the metropolitan region of Santiago.

Staples such as fresh fruit, vegetables, cereals and meat are still considered key elements in a Chilean diet, but there are a number of contributing factors that have led to an increase in demand and consumption of ready-to-eat foods. As is the case in many countries, traditional eating habits are modified as cultural and social changes surface.

- Nearly 30% of household expenditure is allocated to the purchase of food and beverages.
- 48% of the population is under the age of 25; increasing numbers of young individuals are working away from the home and traveling internationally, thus spurring consumer experimentation and exposure to new products.
- Higher disposable incomes in Chile have led to an increased desire for quality foods as well as a trend towards healthier eating patterns.
- Modernized food distribution channels are enabling the distribution and exposure of ready-to-eat and internationally inspired food items.
- The growing middle class cannot support domestic help that would assist in food shopping and meal preparation as in past generations; therefore convenient alternatives are more frequently sought after.

- A long term aging trend has ensued as healthcare improves and average incomes rise. Longer life expectancies have led to adults developing concern for healthy eating.
- Chilean consumers are price sensitive; however, they are willing to compromise when added value and convenience is built into a food item.
- Despite low interest in organic products, Chilean consumers are building interest in natural and high quality products, more specifically, products that offer characteristics such as "low in fat or cholesterol".
- Chilean consumers prefer to buy fresh foods over processed and packaged; with changing lifestyles this trend has lessened but it still prevalent.
- Chain hypermarkets and supermarkets are gaining in popularity as time saving shopping methods compliment busier lifestyles. The top four Chilean hypermarket/supermarket chains are D&S, Lider, Jumbo and Unimark with stores generally centered in the Santiago area.

Competitors

Chile is an associate member in the MERCOSUR agreement along with the countries of Argentina, Brazil, Paraguay and Uruguay. This initiative entitles member countries to lower import duties on most food products. At the same time, similar agreements with Mexico and Canada mean these countries are also able to compete within the market due to comparable trade advantages.

In January 2004 the US signed on to a trade agreement with Chile making them an even stronger competitive force within the market, Canadian companies will now have to compete at a higher level within the market, as their competitive advantages established through trade agreements are being matched by other countries signing on to similar accords.

- Chile's principal import sources, and thusly Canada's top competition in the Chilean export market are Argentina (19%), United States (13%), Brazil (10%), China (6.6%) and Germany (4%).
- The Chilean market is characteristically competitive, Canadian companies are encouraged to establish a physical presence or linkage to a reputable local partner. This type of connection will facilitate business and address the challenges that competing exporters bring.

Access Issues

In an effort to ease the challenges of country specific access issues and challenges, Canadian exporters are encouraged to establish a physical presence in Chile, or make efforts to find a reputable local partner. Likewise, Canadian exporters should be advised of the support offered by the Canadian Embassy in Chile. The embassy works closely with the Chilean government and the Canada-Chiles Chamber of Commerce to facilitate trade transactions between countries <http://www.dfait-maeci.gc.ca/chile/>.

- Chile's most important non-tariff barrier is the requirement of all imported livestock products to originate from facilities previously inspected by the Chilean Ministry of Agriculture.
- Processed food imports gain entry on a case-by-case basis; importers must gain Health Service Officer permission at the point of entry after product testing has occurred.
- Despite some of these trade barriers, the CCFTA includes provisions to hasten customs clearance of Canadian goods entering Chile and ensure preferential

treatment is applied to qualified goods. To obtain this classification the exporter must prepare a certificate of origin available at <http://www.cbsa-asfc.gc.ca>.

- For more detailed information on customs procedures, barriers and labeling requirements consult International Trade Canada – Trade Commissioner Service www.infoexport.gc.ca.

Agriculture Sector & Policies

With a climate, landscape and soil conditions conducive to agricultural production, Chile is home to an active and dynamic agricultural sector. This sector accounts for approximately 6.5% of GDP and 13.6% of the Chilean labor force. The agricultural sector has always been one of importance to Chile's overall economic success.

- Agricultural exports are diversifying and expanding as agro-industrial companies are developing technologies to advance all stages of production within the industry.
- Chile is the largest fresh fruit exporter located within the southern hemisphere, main exports in this category are grapes, apples and nectarines.
- Government policies are continuously seeking to diversify outputs within the sector as well as implement promotional activities and campaigns in Chile's main export markets.
- Due to success within the wine sector, there is a push to add value in the development of other sub-sectors such as frozen foods and dried fruits and vegetables. Investment within the agriculture sector is increasing as the introduction of new product lines demands complimentary technology, equipment and facilities.

Contact Information:

The Canadian Embassy in Chile

Street Address:

Nueva Tajamar 481, 12th Floor, Torre Norte, Las Condes
Santiago, Chile

Mailing Address:

Cassilla 139, Correo 10
Santiago, Chile

Tel: (011-56-2) 362-9660

Fax: (011-56-2) 362-9664

E-Mail: santiago.commerce@international.gc.ca

URL: <http://www.infoexport.gc.ca/cl>

Hours: Mon-Thurs: 8:30-17:30; Fri 8:30-13:00

Time Difference: E.S.T.: +2

Ms. Renee Plouffe

Trade Commissioner

Agriculture Technology and Equipment, Agriculture, Food and Beverages, Bio-Industries, Fish and Seafood Products

Email: santiago.commerce@international.gc.ca