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Chile

Dairy and Products Annual

Whole and Non Fat Dry Milk Annual

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Report Highlights:
Chile's dairy production is expected to increase again this year as weather has been favorable for grass production which is the basic feed input for milk production.

Executive Summary:
Chile's milk production is expected to increase again in 2011 (Jan-Dec). As a result of good weather conditions, an important factor for pasture production, Chile's basic feed input, favored feed and milk production. The industry is projecting continued expansion for next years' milk production as large producers are increasing operation and most farmers continue improvements in technology and animal genetics.

Commodities:
Dairy, Milk, Fluid
Select

Production:
Chile's total milk output increased 7.7 percent from 2.35 billion in 2009 to 2.53 billion liters in 2010. The increase in production is mainly due to the excellent weather conditions during last spring (Sept-Dec 2010) and summer with enough rain and sun which favored the production of grass. Abundant grass also allowed farmers to conserve enough and of a good quality hay and silage which favored milk production during this past winter months (Jun – Sep 2011). Over 80 percent of the milk production herd is fed in grazing fields, supplemental feed is used mainly by large producers and during the winter months.

Excellent meteorological conditions during the spring 2011 and summer of 2011 (January through March) mentioned earlier, also allowed the industry to increase total milk reception by 5.7 percent during the first 8 months of 2011, when compared to the same period of last year.

TABLE - Dairy Production								
	Total Rec'd by Industry	Fluid Milk	Dry Milk	Butter	Cheese	Farmers Cheese	Yogurt	Conden. Milk
Year	--Million Liters--		--------------------------Thousand Kilograms--------------					
1980	592	127	32,566	4,016	13,902	3,868	15,054	7,835
1990	890	138	45,126	6,448	24,513	5,422	0,939	8,325
1995	1,358	225	61,418	6,651	40,816	5,873	67,663	8,674
1997	1,497	271	65,726	9,582	43,712	7,106	79,423	10,219
1998	1,530	269	70,877	11,159	46,528	7,631	82,243	13,244
1999	1,470	279	60,597	11,007	44,777	7,034	100,203	15,742
2000	1,447	275	59,669	9,855	44,718	7,167	106,624	24,400
2001	1,637	291	71,464	11,836	50,417	7,150	95,249	25,418
2002	1,605	296	67,710	11,551	53,075	7,480	127,057	24,190
2003	1,563	293	61,867	10,849	53,037	7,555	139,344	30,558
2004	1,676	289	63,633	13,084	58,849	8,296	159,828	38,698
2005	1,723	298	62,792	14,655	67,176	10,507	189,436	39,645
2006	1,818	319	69,491	17,157	62,072	9,088	157,980	43,426
2007	1,871	330	74,204	18,229	61,745	8,579	162,505	45,287
2008	1,972	323	102,955	16,765	57,369	7,960	178,215	41,501
2009	1,773	341	73,431	17,102	56,526	8,139	191,933	33,255
2010	1,896	367	82,321	21,086	64,558	8,349	198,825	36,829
2010*	1,139	244	46,272	13,283	39,914	5,307	129,205	22,308
2011**	1,203	246	51,555	13,023	43,779	6,045	144,657	20,295
Note: Year 2010* January through July								
Year 2011** January through July								
Source: Ministry of Agriculture								

Chile currently has an estimated 16,000 dairy farmers with approximately 650,000 cows in production, of which 80 percent are considered small producers and the whole dairy industry employs directly and indirectly an estimated 35,000 persons.

Trade:

Other Latin American countries are the main destination for Chile's dairy exports, headed by Mexico with 23 percent and Venezuela with a 16 percent of total Chilean dairy exports. Close to 40 percents of these are whole and non-fat dry milk.

Milk Product Export by Country of Destination January - July			
Countries	Value (Thousand US$ FOB)		Participation
	2010	2011	%
México	32,645	29,445	23.2
Venezuela	14,277	20,645	16.2
Brazil	8,415	14,046	11.1
U.S.	8,460	10,447	8.2
Peru	7,273	8,973	7.1
China	3,265	7,583	6.0
So. Korea	1,208	5,580	4.4
Colombia	493	5,486	4.3
Costa Rica	4,642	4,919	3.9
Algeria	1,090	3,985	3.1
Others	10,152	15,984	12.6
Total	91,920	127,093	100.0

Source: Ministry of Agriculture

Argentina was again the main supplier of dairy products during 2009. The US is Chile's second supplier of dairy products.

Milk Product Imports by Country of Origin January - July			
Countries	Value (Thousand US$ FOB)		Part.
	2010	2011	%
Argentina	17,444	34,996	49.5
EE.UU.	6,853	19,364	27.4
New Zealand	2,121	5,903	8.3
Uruguay	2,215	2,480	3.5
Brazil	2,068	2,307	3.3
Canada	76	1,446	2.0
Peru	1,008	1,068	1.5
France	618	813	1.1
Netherlands	155	654	0.9
Denmark	291	307	0.4
Others	990	1,383	64.7
Total	33,839	70,721	100.0

Source: Ministry of Agriculture

The dairy industry's export exceeds imports in volume and value. In CY2010 the trade balance expressed in fluid milk equivalent increased when compared to the previous year.

Trade balance, January - July 2011								
	Volume (M.T. Thous.Ltrs)				Expressed in fluid milk equivalent (Thous. Liters)			
Item	2008	2009	2010	2011	2008	2009	2010	2011
IMPORTS								
UHT Products	205	0	0	103	205	0	0	103
NFDM	4,960	3,147	818	4,643	56,990	36,159	9,399	53,348
Whole dry milk	311	1,111	125	2,618	2,612	9,332	1,050	21,991
Cream	0	1	1	0	0	1	1	0
Evaporated milk	621	869	811	636	3,105	4,345	4,055	3,180
Condensed milk	349	303	273	95	942	818	737	257
Yogurt	3,911	1,920	1,280	1,672	3,911	1,920	1,280	1,672
Butter	163	558	982	722	163	558	982	722
Cheese	4,507	5,305	3,894	5,996	45,070	53,050	38,940	59,960
Caramel milk & others	1,935	1,772	1,840	1,417	4,257	3,898	4,048	3,117
Dairy drinks	3	1	13	17	3	1	13	17
Total					**117,259**	**110,083**	**60,505**	**144,367**
EXPORTS								
UHT Products	333	1,411	269	573	333	1,411	269	573
NFDM	1,454	53	1,521	1,616	16,706	609	17,476	18,568
Whole dry milk	8,107	9,918	6,712	11,287	68,099	83,311	56,381	94,811
Cream	131	152	146	117	131	152	146	117
Evaporated milk	2	17	13	2	10	85	65	10
Condensed milk	22,010	13,521	15,958	16,057	59,427	36,507	43,087	43,354
Yogurt	21	24	24	25	21	24	24	25
Butter	835	519	1,303	1,703	835	519	1,303	1,703
Cheese	7,965	5,451	6,454	6,470	79,650	54,510	64,540	64,700
Caramel milk & others	2,210	2,156	2,079	1,914	4,862	4,743	4,574	4,211
Dairy drinks	45	35	35	21	45	35	35	21
Total					**230,119**	**181,906**	**187,899**	**228,092**
Balance Jan- July					**112,860**	**71,823**	**127,395**	**83,725**
Source: ODEPA.								

Stocks:

Policy:

Although Chile bound its dairy product import duties (HS 04.02, 04.05, 04.06) at 31.5 percent in the Uruguay Round, a flat import tariff of 6 percent is applied on nearly all imported dairy products. Additionally, a value-added tax of 19 percent is charged at the consumer level on all goods, domestic or imported. Chile has reduced import duties only for Colombia and the United States for whole and non-fat dry milk as a result of the Free Trade Agreements with these countries. U.S. non-fat dry milk has entered duty free since 2007 and whole dry milk since 2011. Colombia will have duty free access for both, whole and non-fat dry milk by 2012. For all other countries that have signed agreements with Chile, dairy products are excluded from the tariff reduction schedule.

As a result of Chile's trade agreements, the dairy industry expects to keep increasing its export market share. The US – Chile FTA provides for a 3,500 metric ton duty free quota for Chilean dairy products. This volume increases 10 percent each year until Chile gains duty free access in 2016. The agreement with the EU offers a duty free quota of 1,500 Tons, with a yearly increment of 5 percent. The agreement reached with South Korea gives only a 1,000 Metric Ton duty free quota for whey powder, but there is an agreed upon reduction in the high duties for dairy products like yogurt and cheese in 10 years. Duties applied to these products are 40 and 38 percent respectively. No preferences were agreed for dairy products in the Chile-Japan trade agreement.

In order to increase domestic consumption of milk and milk products the GOC, processers and producers continue with a promotional campaign, which is evenly financed by the three parties. These three players have formed and finance an association (Promolac) that manages the contributed funds in promotional campaigns, mainly through TV and printed media.

U.S. import quotas Tariff-free dairy products (metric tons)

Year	Milk powder	Condensed milk	Butter	Cheese
1	828	489	300	1,432
2	866	523	321	1,532
3	948	560	343	1,639
4	1,014	599	368	1,754
5	1,085	641	393	1,877
6	1,161	686	421	2,008
7	1,243	734	450	2,149
8	1,330	785	482	2,229
9	1,423	840	515	2,460
10	1,522	899	552	2,633
11	1,629	962	590	2,817
12	Unlimited			
Quotas allocated in order of arrival.				

Dairy: Chile's tariff reduction schedule in trade agreements (1)

Country of origin	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Whole milk powder 0402.2118										
Australia	4,284%	3,426%	2,568%	1,710%	0,852%	0%	0%	0%	0%	0%
Bolivia	Goods released from duties									
Canada	Current general tariff of 6%. Goods excluded from relief									
China	Free									
Colombia	2,04%	1,02%	0%							
Korea	Free									
Costa Rica	Current general tariff of 6%. Goods excluded from relief.									
Cuba	Current general tariff of 6%. Goods excluded from relief.									
Ecuador	Current general tariff of 6%. Goods excluded from relief.									
El Salvador	Current general tariff of 6%. Goods excluded from relief.									
US	0,75%	0,00%								
Guatemala	Current general tariff of 6%. Goods excluded from relief.									
Honduras	Free									
India	Current general tariff of 6%. Goods excluded from relief.									
Japan	Current general tariff of 6%. Goods excluded from relief.									
México	Current general tariff of 6%. Goods excluded from relief.									
Panamá	Free									
Peru	3,00%	1,98%	1,02%	0,00%						
Venezuela	Current general tariff of 6%. Goods excluded from relief.									
EFTA										
Island	Current general tariff of 6%. Goods excluded from relief.									
Norway										
Switzerland										
Mercosur	Free									
P4	6%	6%	5%	4%	3%	2%	1%	0%		
European Union	Current general tariff of 6%. Goods excluded from relief.									
NFDM 0402.1000										
Australia	4,284%	3,426%	2,568%	1,710%	0,852%	0%	0%	0%	0%	0%
Bolivia	Free									
Canada	Current general tariff of 6%. Goods excluded from relief.									
China	Free									
Colombia	2,04%	1,02%	0%							
So. Korea	Free									
Costa Rica	Current general tariff of 6%. Goods excluded from relief.									
Cuba	Current general tariff of 6%. Goods excluded from relief.									
Ecuador	Current general tariff of 6%. Goods excluded from relief.									
El Salvador	Current general tariff of 6%. Goods excluded from relief.									
US	Free									
Guatemala	Current general tariff of 6%. Goods excluded from relief.									
Honduras	Free									
India	Current general tariff of 6%. Goods excluded from relief.									
Japan	Current general tariff of 6%. Goods excluded from relief.									
México	Current general tariff of 6%. Goods excluded from relief.									
Panamá	Free									
Peru	3,00%	1,98%	1,02%	0,00%						
Venezuela	Current general tariff of 6%. Goods excluded from relief.									
EFTA										
Island	Current general tariff of 6%. Goods excluded from relief.									
Norway										
Switzerland										
Mercosur	Free									
P4	6%	6%	5%	4%	3%	2%	1%	0%		
European Union	Current general tariff of 6%. Goods excluded from relief.									

Description and Coding System, 8-digit level. This code can be different in each country.

Dairy: tariff reduction schedule of the partner countries in trade agreements [1]										
Country of origin	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Whole milk powder 0402.2118										
Australia	Free									
Bolivia	Free									
Canada	Current general tariff of 264.9%. Goods excluded from relief									
China	5%	4%	3%	2%	1%	0%				
Colombia	13,20 %	6,80%	0%							
So. Korea	Current general tariff of 180,4%. Tariff reduction will be negotiated after Doha.									
Costa Rica	Current general tariff of 65%. Goods excluded from relief.									
Cuba	Free									
Ecuador	Current general tariff of 25%. Goods excluded from relief.									
El Salvador	Current general tariff of 15% y 20% depending on container. Goods excluded from relief.									
US	$0,0/kg over	$0,0/kg over	$0,0/kg over	$0,0/kg over	$0,0/kg over	$0,0/kg	$0,0/kg	$0,0/kg	$0,0/kg	$0,0/kg
	1,243 ton $1.092/kg	1.330 ton $0.873/kg	1.423 ton $0,655/kg	1.522 ton $0.436/kg	1.629 ton $0,218/kg	-	-	-	-	-
Guatemala	Current general tariff of 15%. Goods excluded from relief.									
Honduras	Current general tariff of 15% y 20% depending on container. Goods excluded from relief.									
India	Current general tariff of 60%. Goods excluded from relief.									
Japan	Current general tariff of 35%. Goods excluded from relief.									
México	Current general tariff of 63%. Tariff preference of 30% import permit con with preferential treatment otherwise a tariff is applied.									
Panamá	Current general tariff of 62%. Goods excluded from relief.									
Peru	Pay of additional variable levies to the advalorem tariff. In July of 2013 will enter free of duty.									
Venezuela	Current general tariff of 20%. Goods excluded from relief.									
EFTA										
Island	Current general tariff of 30%. Goods excluded from relief.									
Norway	Current general tariff of 23,99 Nok/kg. Goods excluded from relief.									
Switzerland	Current general tariff of 1340 Fr/100kg. Goods excluded from relief.									
Mercosur	Free									
P4	Free									
European Union	Current general tariff of 130,4 euro/100kg - 135,7 euro/100kg. Goods excluded from relief.									
NFDM 0402.1000										
Australia	Free									
Bolivia	Current general tariff of 10%. Product without preference.									
Canada	Current general tariff of 201% but not less than $2,82/kg. Goods excluded from relief.									
China	5%	4%	3%	2%	1%	0%				
Colombia	13,20%	6,80%	0%							
So. Korea	Current general tariff of 180,4%. Tariff reduction will be negotiated after Doha.									
Costa Rica	Current general tariff of 65%. Goods excluded from relief.									
Cuba	Free									
Ecuador	Current general tariff of 25%. Goods excluded from relief.									
El Salvador	Current general tariff of 20%. Goods excluded from relief.									
US	$0,0/kg	$0,0/kg	$0,0/kg	$0,0/kg	$0,0/kg	$0,0/	$0,0/	$0,0/	$0,0/	$0,0/

	over	over	over	over	over	kg	kg	kg	kg	kg
	734 ton 49,6cent/kg	785 ton 39,68cent/kg	840 ton 29,76cent/kg	899 ton 19,84cent/kg	962 ton 9,82cent/kg					
Guatemala	Current general tariff of 15%. Goods excluded from relief.									
Honduras	Current general tariff of 15%. Goods excluded from relief.									
India	Current general tariff of 60%. Goods excluded from relief.									
Japan	Current general tariff of 35%. Goods excluded from relief.									
México	Current general tariff of 63%. Tariff preference of 30% import permit with preferential treatment otherwise a tariff will be applied.									
Panamá	Current general tariff of 62%. Goods excluded from relief.									
Peru	Pay of additional variable levies to the advalorem tariff. In July of 2013 will enter free of duty.									
Venezuela	Current general tariff of 20%. Goods excluded from relief.									
EFTA										
Island	Current general tariff of 30%. Goods excluded from relief.									
Norway	Current general tariff of 22,87 Nok/kg. Goods excluded from relief.									
Switzerland	Current general tariff of 323 Fr/100kg. Goods excluded from relief.									
Mercosur	Free									
P4	Free									
European Union	Current general tariff of 118,8 eur/100kg - 125,4 eur/100kg. Goods excluded from relief.									

Notes:
(1) Based on the Harmonized Commodity Description and Coding System, 8-digit level. This code can be different in each country.
(2) Whole powdered milk with fat content below 35%. For products with more than 35% fat is applied tariff of U.S. $ 1,556 per kilo.
(C) It applies duty-free quota to 11 year life of the agreement. For amounts exceeding the duty-free quota entitlements would be maintained over years 1 to 7 and will remove tariffs from year 8 in five equal steps and made those goods duty free to count from January 1, 2012

Commodities:

Dairy, Dry Whole Milk Powder

Production: Close to 75 percent of Chile's production of dry milk is whole milk powder. Production of whole dry milk increased in CY2010 when compared to both the previous year in line with a larger total milk production. For 2011 production of whole dry milk is expected to increase slightly as a result of a predicted increase of milk output. Total milk production will expand as weather has been more favorable for grass production which is the basic food in most milk production regions. For 2012 the industry predicts another slight increase in production.

Consumption: Dry milk is available for sale in all Chilean supermarkets and smaller grocery stores. Families that do not consume large quantities of milk or lack refrigerators to keep UHT fresh after opening prefer dry rather than fluid milk. Ultra high heat treated milk (UHT milk) is very common in Chile because you can store the containers for long time without refrigeration, but once opened the containers have to be kept in refrigerators. Government food programs also account for a significant proportion of dry milk consumption. Government tenders for dry milk may be filled by either domestic or imported product. During the winter months the industry reconstitutes fluid milk from dry milk produced during the summer, in order to produce dairy products that have a constant demand throughout the year.

Trade: Chile’s whole dry milk imports depend on domestic production and the exchange rate.

Although, Chile's milk processing industry projects are to increase its export markets in the coming years as they become more competitive and the price incentive increases, industry sources indicated that this will not happen if the exchange rate with the US dollar keeps deteriorating. The exchange rate has fallen again from CH$494 per dollar to CH$467 per dollar from August 2010 to August 2011. Chile’s main export markets are in Latin America, particularly Venezuela, Peru, Colombia and Mexico.

Production, Supply and Demand Data Statistics:

Dairy, Dry Whole Milk Powder Chile	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	10	10	9	14		10
Production	63	63	68	65		68
Other Imports	1	1	1	3		1
Total Imports	1	1	1	3		1
Total Supply	74	74	78	82		79
Other Exports	14	9	14	18		15
Total Exports	14	9	14	18		15
Human Dom. Consumption	51	51	52	54		55
Other Use, Losses	0		0			
Total Dom. Consumption	51	51	52	54		55
Total Use	65	60	66	72		70
Ending Stocks	9	14	12	10		9
Total Distribution	74	74	78	82		79
1000 MT						

Export Trade Matrix

Country	Chile						
Commodity	Dairy, Dry Whole Milk Powder						
Time Period	Jan-Dec	Units:	M.T.				
Imports for:	2009		**2010**	**2010 (Jan-Aug)**		**2011 (Jan-Aug)**	
U.S.	582	U.S.	582	U.S.	209	U.S.	428
Others		Others		Others		Others	
Venezuela	8791	Brazil	2675	Brazil	2675	Brazil	2800
Algeria	2150	China	1350	China	950	China	2000
Peru	972	Venezuela	1023	Venezuela	800	Venezuela	2577
China	400	Cuba	825	Cuba	525	Algeria	1125
Colombia	251	Algeria	750	Dominican Rep.	500	Colombia	1075
Mexico	175	Dominican Rep	500	Algeria	450	Cuba	700
Guatemala	113	Peru	326	Peru	326	Peru	527
Dominican Rep	50	Russia	225	Turkey	100	Syria	175
Senegal	50	Colombia	150	Guatemala	79	UA Emirates	150
So. Africa	50	Turkey	100	Senegal	50	Guatemala	144
Total for Others	13002		7924		6455		11273

Others not Listed	284	276	139	364
Grand Total	13868	8782	6803	12065

Import Trade Matrix

Country	Chile						
Commodity	Dairy, Dry Whole Milk Powder						
Time Period	Jan-Dec	Units:	M.T.				
Imports for:	2009		**2010**	**2010 (Jan-Aug)**		**2011 (Jan-Aug)**	
U.S.	0	U.S.	0	U.S.	0	U.S.	0
Others		Others		Others		Others	
Uruguay	1400	Argentina	1073	Argentina	304	Argentina	2355
Argentina	232	Uruguay	102	France	50	Uruguay	150
France	25	France	63	Germany	1	N. Zealand	35
		N. Zealand	17			France	26
Total for Others	1657		1255		355		2566
Others not Listed	5		2		0		226
Grand Total	1662		1257		356		2792

Commodities:

Dairy, Milk, Nonfat Dry

Production: Chile's NFDM production rose in 2010, as milk output increased. Production in 2011 is expected to fall slightly in spite of an increase in total milk production as was indicated by the industry.

Consumption: Chile's food industry determines to a great degree the consumption level of NFDM in Chile. Leading products made from NFDM are chocolate, ice cream and yogurt. The consumption rate of these products is in line with Chile's economic growth. For 2005 and beyond, utilization is expected to continue to increase, but at a slower rate.

Trade: The US continues to be an important supplier of NFDM (non fat dry milk) for Chile. Competitive US prices for NFDM is the main reason for US milk imports, according to industry sources.

Production, Supply and Demand Data Statistics:

Dairy, Milk, Nonfat Dry Chile	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	2	2	1	1		1
Production	16	19	17	17		17
Other Imports	5	3	5	5		5
Total Imports	5	3	5	5		5
Total Supply	23	24	23	23		23
Other Exports	2	3	0	2		2
Total Exports	2	3	0	2		2
Human Dom. Consumption	20	20	21	20		20
Other Use, Losses	0		0			
Total Dom. Consumption	20	20	21	20		20
Total Use	22	23	21	22		22
Ending Stocks	1	1	2	1		1
Total Distribution	23	24	23	23		23
1000 MT						

Export Trade Matrix

Country Chile

Commodity Dairy, Milk, Nonfat Dry

Time Period	Jan-Dec	Units:	M.T.				
Imports for:	2009		**2010**	**2010 (Jan-Aug)**		**2011 (Jan-Aug)**	
U.S.	0	U.S.	0	U.S.	0	U.S.	100
Others		Others		Others		Others	
Peru	100	Mexico	1000	Mexico	875	Brazil	1408
Venezuela	75	Brazil	931	Peru	439	Venezuela	100
Aruba	8	Peru	460	Brazil	250	Peru	11
		Venezuela	275	Venezuela	200	Aruba	2
		Trinidad & Tobago	54	Japan	18		
		Japan	18	Haiti	1		
		Haiti	1				
Total for Others	183		2739		1783		1521
Others not Listed	0		2		0		23
Grand Total	183		2741		1783		1644

Import Trade Matrix
Country Chile
Commodity Dairy, Milk, Nonfat Dry

Time Period	Jan-Dec	Units:	M.T.				
Imports for:	2009		**2010**	**2010 (Jan-Aug)**		**2011 (Jan-Aug)**	
U.S.	674	U.S.	2724	U.S.	1109	U.S.	3470
Others		Others		Others		Others	
Argentina	2464	Argentina	395	Argentina	345	Argentina	1159
Uruguay	1366	Uruguay	200	Uruguay	125	Canada	300
		France	68	France	23	Netherlands	51
						Uruguay	50
						Brazil	25
Total for Others	3830		663		493		1585
Others not Listed	24		76		76		2
Grand Total	4528		3463		1678		5057