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Post: Santiago

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Report Highlights:

In marketing year (MY) 2023, milk price is experiencing an increasing trend due to the low milk supply and high demand for dairy. In Chile, most processing plants produce fluid milk and cheese, very few produce yoghurt, whey, condensed milk, or other value-added dairy products. Only seven processing plants produce milk powder. In MY 2024, Post projects that whole milk powder production will increase by 3.5 percent and reach 59,000 metric tons (MT). Whole milk powder exports will total 9,000 MT and imports will reach 4,000 MT to fulfill domestic demand. In MY 2024, Post projects skim milk powder production at 18,000 MT, a 5.9 percent increase over MY 2023. Post estimates Chilean imports and exports of skim milk powder to remain flat at 5,000 MT and 2,000 MT, respectively. Chile is considering adoption of EU-style geographic indications, which will impact U.S. competitiveness in and access to the Chilean market.

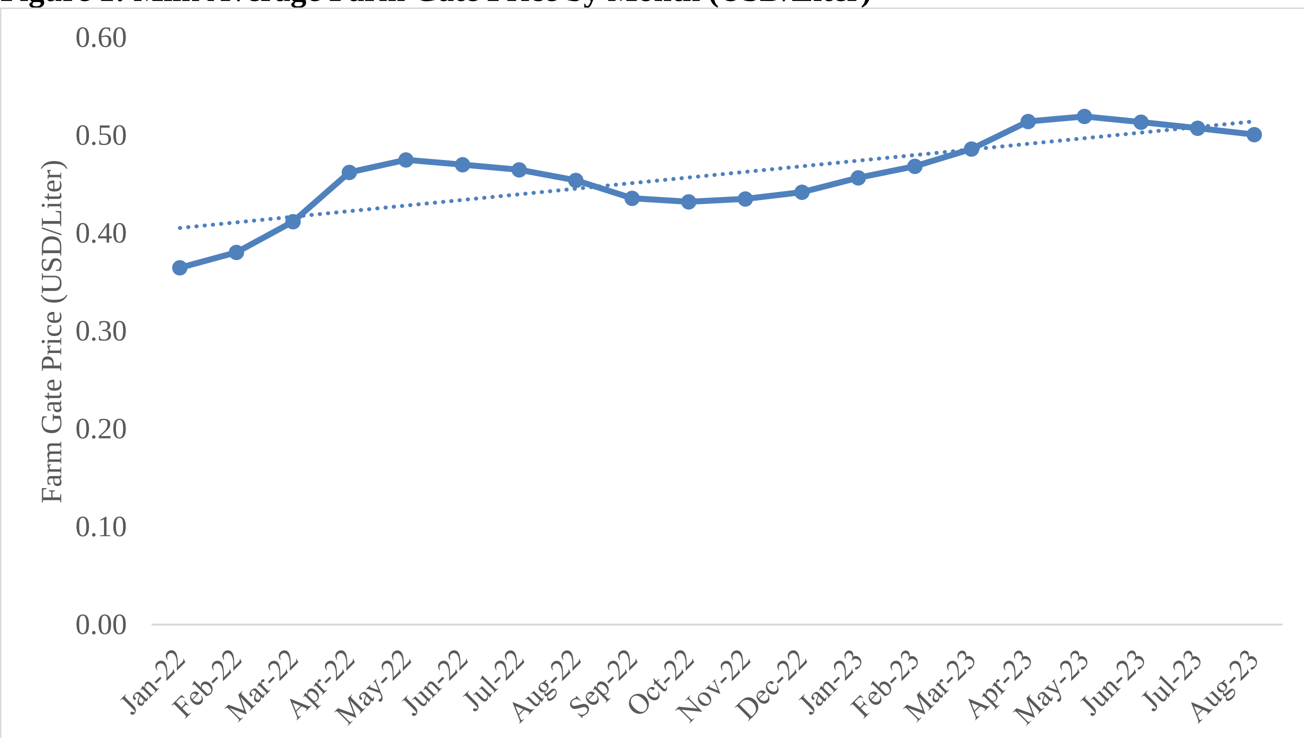
Production:

Dairy production in Chile is primarily located in the southern part of the country. According to data from the Chilean Ministry of Agriculture, there are over 2,400 milk producers in Chile, and 136 dairy processing plants. Over 65 percent of dairy production is concentrated in three large companies that are specialized in the production of fresh milk, cheese, and other value-added dairy products.

For over a decade, drought has limited pasture production, and thus, milk production. In MY 2022, Chilean milk production reached 2,218 million liters, a 2.2 percent decrease from MY 2021. Due to the low milk supply and the high demand for dairy, milk price increased. From January 2022 to August 2023, average farm gate price trended upward (Figure 1).

Farm gate milk prices normally fluctuate throughout the year, decreasing in the spring months (September – December) when milk supply is higher. Recently, milk prices have increased overall due to high demand for dairy and increasing competition between dairy processing companies which try to attract milk producers with a higher price. Dairy farmers also face increasing input costs which puts upward pressure on milk prices over the long term.

Figure 1: Milk Average Farm Gate Price by Month (USD/Liter)



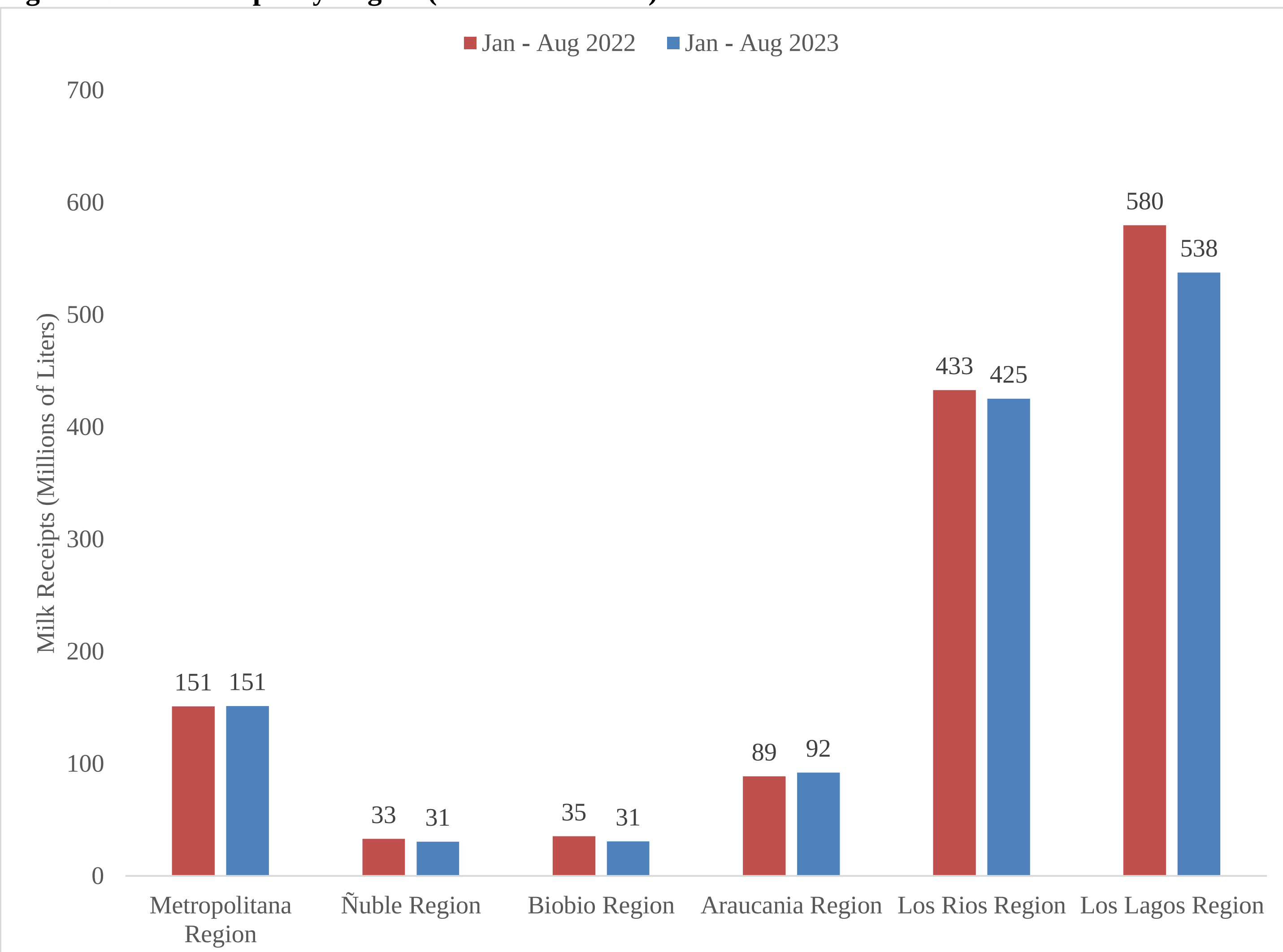
Note: Exchange Rate: 1 USD = 884 Chilean Pesos

Source: Based on ODEPA, 2023

In MY 2023 (January to July data), total milk receipts decreased by 4.0 percent totaling 1,268 million liters. In the *Los Lagos* and *Los Rios* regions, which are the top milk producing regions in Chile (Figure 2), receipts are similarly down. Milk production in these regions decreased, due to increasing input costs. For the past two marketing years, feed prices and production costs increased, pushing down production. Post estimates that in the remainder of MY 2023, abundant rainfall during the winter will increase pasture production, boosting milk production volume and pushing up milk deliveries.

The *Los Lagos* and *Los Rios* regions hold most of the processing facilities and dairy farms in Chile. These regions are in the southern part of the country, which historically has been the main milk production area due to abundant rainfall and natural pasture making it ideal for cattle. The *Los Lagos* region processed 538 million liters of milk from January to August 2023, which represents 42.4 percent of Chile's total milk processing volume (See Figure 2). Likewise, from January to August 2023, the *Los Rios* region processed 425 million liters, which represents 33.5 percent of all milk receipts in Chile.

Figure 2: Milk Receipts by Region (Millions of Liters)

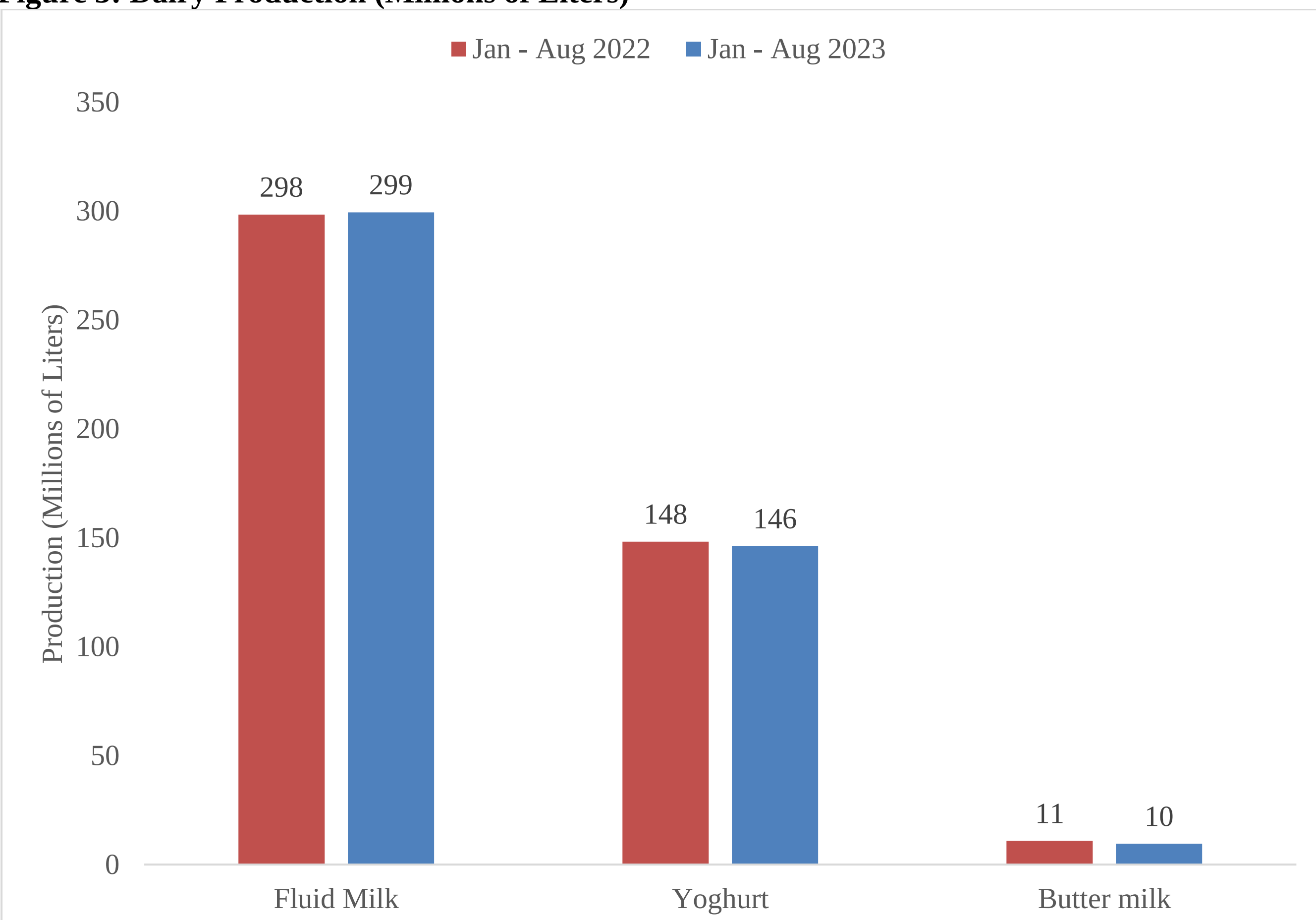


Source: Based on ODEPA, 2023

In Chile, there are 31 large dairy processing plants, seven of which produce milk powder. Most processing plants produce fluid milk and cheese, very few produce yoghurt, whey, condensed milk, or other value-added dairy products. Milk receipts and processing is concentrated in few processing plants; the four largest dairy plants process over 63 percent of the Chilean milk production (MY 2023 data). Additionally, there more than 100 small dairy processing plants that process around 200 million liters of milk per year. The smaller plants mainly produce fluid milk and cheese.

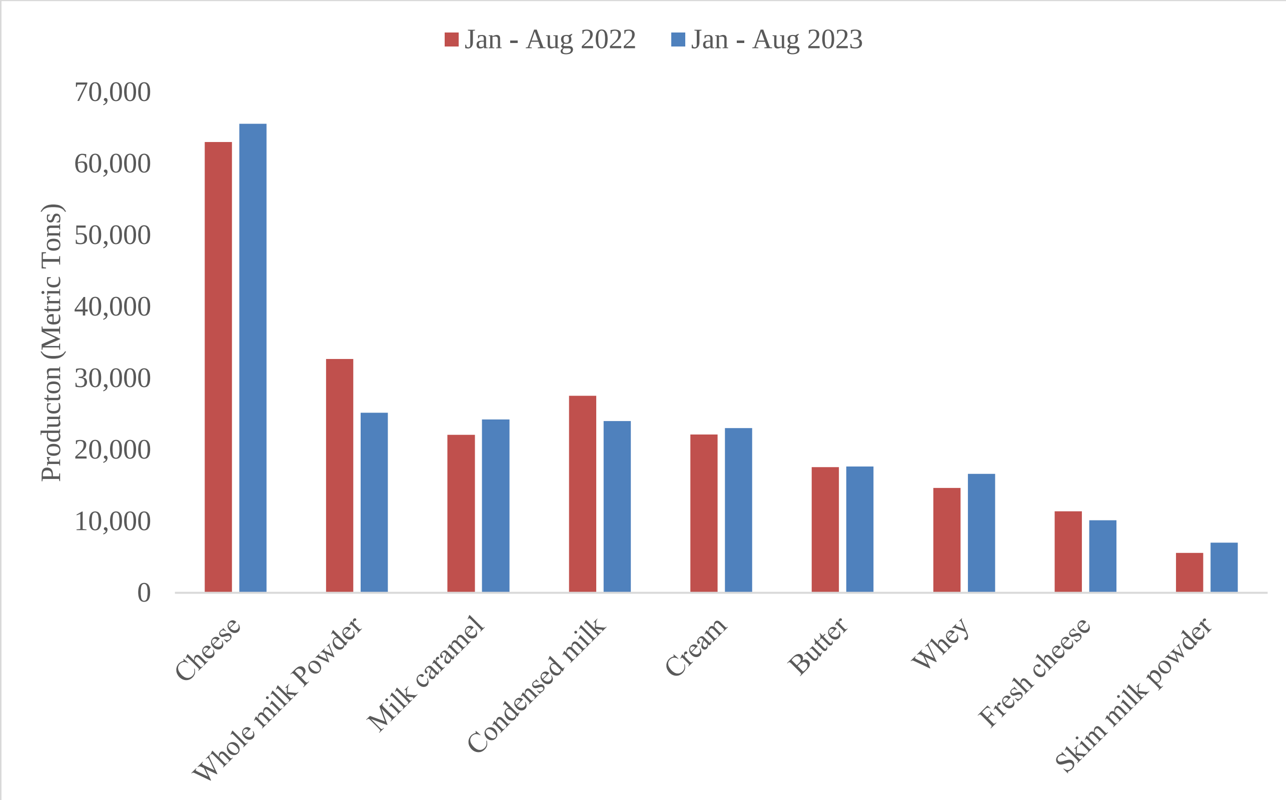
In MY 2023 (January to August data), fluid milk production increased by 0.4 percent over MY 2022, totaling 299 million liters (Figure 3). In the same period, production of value-added products such as cheese, caramel, cream, butter, whey, and skim milk powder increased over MY 2022 (Figure 4).

Figure 3: Dairy Production (Millions of Liters)



Source: Based on ODEPA, 2023

Figure 4: Dairy Production (Metric Tons)



Source: Based on ODEPA, 2023

Trade:

In MY 2023 (January to August data), Chile's dairy imports increased by 4.5 percent in value (Table 1). The top dairy suppliers are Argentina (26.6 percent market share), the United States (21.1 percent market share), and New Zealand (9.7 percent market share).

In MY 2023, dairy imports from Argentina decreased by 24 percent and dairy imports from the United States decreased by 11.7 percent from the previous year. Germany and the Netherlands increased their supply of cheese, taking market share from the three top suppliers. Top Chilean dairy imports from the world are cheese, fresh cheese and curd, milk products with cocoa/malt, skim milk powder, and whey.

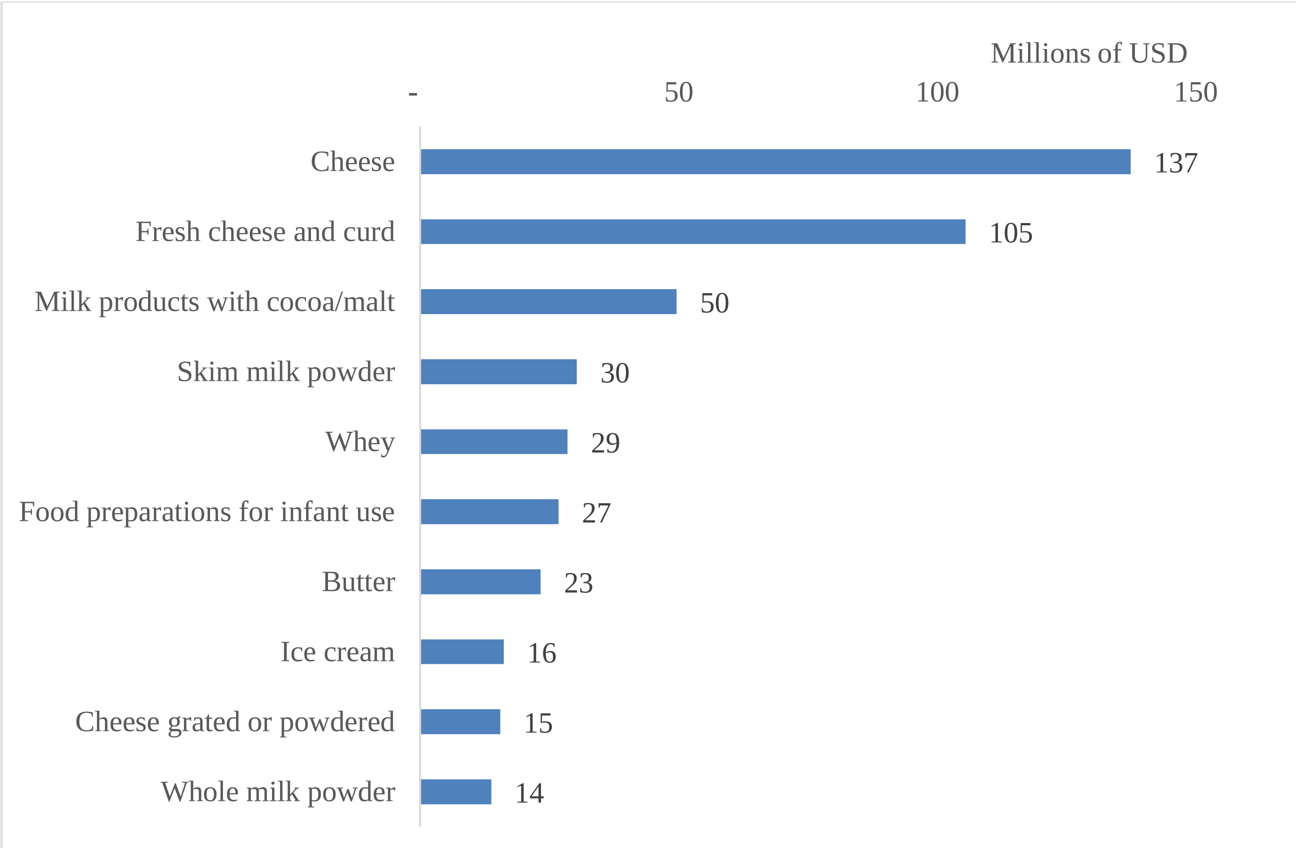
Chilean dairy imports from New Zealand are on a decreasing trend. In November 2022, the New Zealand company Fonterra announced the sale of all its assets in Chile to the Peruvian company Gloria Foods. The transaction was completed in March 2023. Fonterra seeks to focus on extracting more value from New Zealand milk in the long term. Fonterra owned 99.89 percent of the shares of *Soprole* and *Prolesur* brands, and were the second largest dairy producer in Chile, processing more than 22 percent of the milk production in Chile.

Table 1. Chile Dairy Imports from the World

Product Group: BICO-Dairy Products;							
	Marketing Year				January-August		
Partner Country	2021	2022	Market Share (%)	Variation (%)	2022	2023	Variation (%)
The World	536,764,254	509,261,590	100.0%	-5.1%	356,982,058	373,026,862	4.5%
Argentina	104,131,550	135,500,978	26.6%	30.1%	93,685,047	71,182,704	-24.0%
United States	109,783,115	107,684,654	21.1%	-1.9%	70,304,433	62,111,586	-11.7%
New Zealand	79,169,268	49,430,910	9.7%	-37.6%	41,205,619	40,166,870	-2.5%
Mexico	38,399,424	47,759,293	9.4%	24.4%	34,392,261	36,935,004	7.4%
Germany	47,993,740	28,145,862	5.5%	-41.4%	21,524,169	41,820,990	94.3%
Netherlands	39,246,260	27,734,865	5.4%	-29.3%	18,309,722	37,767,380	106.3%
Uruguay	18,815,179	19,910,183	3.9%	5.8%	13,757,783	11,049,336	-19.7%
Poland	20,698,881	15,243,151	3.0%	-26.4%	10,145,697	11,432,347	12.7%
Brazil	8,598,361	14,611,649	2.9%	69.9%	10,374,388	9,165,982	-11.6%
France	9,333,627	8,809,686	1.7%	-5.6%	6,614,063	5,795,921	-12.4%
Ireland	8,202,048	7,811,413	1.5%	-4.8%	5,598,883	6,897,306	23.2%
Lithuania	8,724,802	7,192,928	1.4%	-17.6%	5,375,794	5,501,374	2.3%
Italy	4,998,015	6,057,519	1.2%	21.2%	4,051,291	4,314,520	6.5%
Spain	5,265,826	5,603,877	1.1%	6.4%	4,020,422	2,887,613	-28.2%
Canada	6,953,016	5,131,967	1.0%	-26.2%	3,176,717	6,778,401	113.4%
Others	26,451,142	22,632,655	4.4%	-14.4%	14,445,769	19,219,528	33.0%

Source: Trade Data Monitor, LLC

Figure 5: Chilean Dairy Imports from the World (USD)



Source: Trade Data Monitor, LLC

Policy:

Chile and the European Union (EU) are finalizing an advanced framework agreement (AFA) that includes recognition of EU geographical indications (GIs). This agreement provides protections for meat and cheese names commonly used by producers and exporters in the United States. If ratified and signed as written, U.S. exporters will no longer be able to ship product using their common names, which will negatively impact U.S. access to, and competitiveness in, the Chilean market. The impact will be most acute for non-European exporters of *feta*, *gruyere*, and *parmesan* cheeses, from all suppliers.

The AFA includes a *grandfathering* option to protect trade for exporters that have historically sold cheese in Chile using these common names in Chile; however, it will not provide protection for new exporters interested in selling cheese using common names. The U.S. and Chilean governments are in discussions on measures to protect the trade interests of both countries. The Chilean government has stated that they intend to finalize the AFA before the end of 2023.

New U.S. firms interested in exporting these products to Chile, or existing firms interested in *grandfathering*, are strongly encouraged to contact FAS Santiago for additional information.

Commodities:

Dairy, Dry Whole Milk Powder

Table 2. Production, Supply and Distribution Statistics

Dairy, Dry Whole Milk Powder	2022		2023		2024	
Market Year Begins	Jan 2022		Jan 2023		Jan 2024	
Chile	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	1	1	1	1	0	1
Production (1000 MT)	71	59	73	57	0	59
Other Imports (1000 MT)	3	4	1	3	0	4
Total Imports (1000 MT)	3	4	1	3	0	4
Total Supply (1000 MT)	75	64	75	61	0	64
Other Exports (1000 MT)	11	10	6	6	0	9
Total Exports (1000 MT)	11	10	6	6	0	9
Human Dom. Consumption (1000 MT)	63	53	68	54	0	54
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	63	53	68	54	0	54
Total Use (1000 MT)	74	63	74	60	0	63
Ending Stocks (1000 MT)	1	1	1	1	0	1
Total Distribution (1000 MT)	75	64	75	61	0	64
(1000 MT)						

Source: Post Estimates

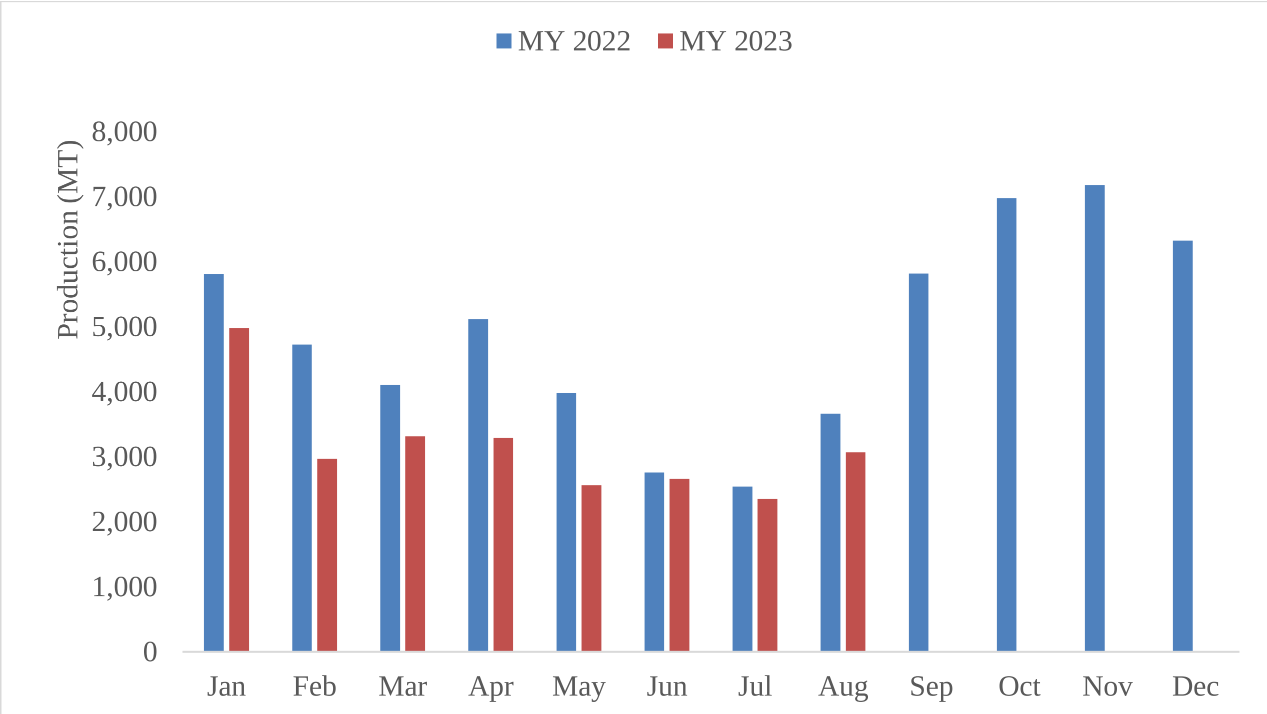
Production:

In MY 2024, Post estimates that production of whole milk powder will increase by 3.5 percent and reach 59,000 metric tons. This assumes higher milk production and a strong U.S. dollar, which will keep prices high for dairy products and facilitate exports. Milk production is raised on abundant rainfall and pasture.

Whole milk powder production reached 59,015 MT in MY 2022. From January to August 2023, production totaled 25,194 MT, a 15.9 percent increase over the same period in 2022. For MY 2023, Post estimates that production will recover in September with the beginning of spring and growth of pasture. Whole milk powder production will reach 57,000 MT, a 3.4 percent increase over MY 2021, due to the recovery in milk production starting September.

Whole milk powder production peaks from October through January (Figure 6). Seven dairy processing plants in Chile produce whole milk powder and production is sold mainly in the domestic market.

Figure 6: Whole Milk Powder Production by Month (MT)



Source: Based on ODEPA, 2023

Consumption:

For MY 2024, Post estimates Chile's consumption of whole milk powder to remain flat at 54,000 metric tons. Demand for dairy products is inelastic and remained strong over the past three marketing years, even as the economy slowed. Post assumes that domestic consumption of whole milk powder will remain steady even if milk price remains high and economic growth is slow. Additionally, the consumption of whole dairy products remains relatively stagnant compared to skim milk products, which are increasing in demand as consumer behavior moves towards the consumption of low-fat diets.

Domestic consumption consists of powdered milk, sold mainly in retail, but also in food service. Additionally, dairy companies produce a variety of dairy products using milk powder such as cheese, yoghurt, milk caramel, and desserts.

Trade:

In MY 2024, Post estimates Chilean whole milk powder imports to increase by 33.3 percent to 4,000 MT to fulfill domestic demand and sustain growth in export volumes. In MY 2023 (data from January to August), Chilean imports of whole milk powder reached 1,269 MT, a 57.2 percent decrease from MY 2022. Imports from all countries that supply whole milk powder, except Uruguay, decreased in this period.

In MY 2022, Chile's main supplier of whole milk powder was Argentina, followed by Uruguay and Brazil (see Table 3). In MY 2022, Argentina took market share from Uruguay and New Zealand, becoming the top supplier of whole milk powder. However, in MY 2023, Uruguay regained competitiveness and became the top supplier of whole milk powder to Chile.

Table 3. Chile Import Volume (MT) from the World

Commodity: 040221,040229, Whole Milk Powder						
Partner Country	**Marketing Year**			**January-August**		
	MY 2021 (MT)	**MY 2022 (MT)**	**Variation (%)**	**2022 (MT)**	**2023 (MT)**	**Variation (%)**
_World	6,201	3,395	-45.3%	2,968	1,269	-57.2%
Argentina	620	1,990	221.0%	1,950	176	-91.0%
Uruguay	3,071	917	-70.1%	570	802	40.7%
Brazil	0	248		248	0	-100.0%
United States	275	136	-50.5%	136	0	-100.0%
France	63	63	0.0%	63	25	-60.3%
Others	2,172	41	-98.1%	1	266	26500.0%

Source: Trade Data Monitor, LLC

Table 4. Chile Import Value (USD) from the World

Commodity: 040221,040229, Whole Milk Powder						
Partner Country	**Marketing Year**			**January-August**		
	MY 2021 (USD)	**MY 2022 (USD)**	**Variation (%)**	**2022 (USD)**	**2023 (USD)**	**Variation (%)**
_World	22,071,045	13,758,721	-37.7%	12,091,571	4,875,566	-59.7%
Argentina	2,296,285	7,914,736	244.7%	7,745,890	716,724	-90.7%
Uruguay	11,209,436	3,831,532	-65.8%	2,378,251	3,147,103	32.3%
Brazil	0	1,141,512		1,141,512	0	-100.0%
United States	1,235,359	522,800	-57.7%	522,800	39	-100.0%
France	259,652	297,330	14.5%	297,330	167,098	-43.8%
Others	7,070,313	50,811	-99.3%	5,788	844,602	14492.3%

Source: Trade Data Monitor, LLC

In MY 2024, Post expects Chilean whole milk powder exports to increase to 9,000 MT due to the increase in production and recovery in demand by the Colombian and the Chinese market. From January to August 2023 Chilean exports of whole milk powder decreased by 59 percent from the same period in 2022 totaling 3,184 MT (Table 5). In the remainder of MY 2023, Post expects exports to recover along production and total 6,000 metric tons.

Table 5. Chile Export Volume (MT) to the World

Commodity: 040221,040229, Whole Milk Powder						
Partner Country	**Marketing Year**			**January-August**		
	MY 2021 (MT)	**MY 2022 (MT)**	**Variation (%)**	**2022 (MT)**	**2023 (MT)**	**Variation (%)**
_World	1,697	10,509	519%	7,776	3,184	-59%
Colombia	696	8,132	1068%	5,837	1,948	-67%
China	200	875	338%	875	0	-100%
Cuba	450	752	67%	576	759	32%
Singapore	0	312		312	0	-100%
Bolivia	245	163	-33%	114	76	-33%
Mexico	0	100		0	0	
Peru	100	95	-5%	10	29	190%
Panama	0	50		50	0	-100%
Guatemala	0	23		0	0	
Venezuela	6	8	33%	2	11	450%
Others	-	-		-	361	

Source: Trade Data Monitor, LLC

Table 6. Chile Export Value (USD) to the World

Commodity: 040221,040229, Whole Milk Powder						
Partner Country	**Marketing Year**			**January-August**		
	MY 2021 (USD)	**MY 2022 (USD)**	**Variation (%)**	**2022 (USD)**	**2023 (USD)**	**Variation (%)**
_World	5,316,730	42,857,835	706%	32,143,069	12,182,314	-62%
Colombia	2,535,097	33,988,755	1241%	24,884,241	7,222,011	-71%
China	744,075	3,388,549	355%	3,388,549	0	-100%
Cuba	1,550,095	3,304,275	113%	2,508,945	3,489,465	39%
Singapore	0	1,227,520		1,227,520	0	-100%
Mexico	0	372,000		0	0	
Peru	371,690	303,554	-18%	14,170	68,661	385%
Guatemala	0	88,160		0	0	
Panama	500	67,500	13400%	67,500	1,970	-97%
Bolivia	91,918	63,683	-31%	43,829	32,813	-25%
Venezuela	23,355	53,839	131%	8,315	92,195	1009%
Others	-	-		-	1,275,199	

Source: Trade Data Monitor, LLC

Stocks:

Chilean producers do not hold significant amounts of whole milk powder stocks from year to year. In MY 2024, Post estimates whole milk powder stocks to remain steady around 1,000 MT assuming no change in global logistics.

Commodities:
Dairy, Milk, Nonfat Dry

Table 7. Production, Supply and Distribution Data Statistics

Dairy, Milk, Nonfat Dry	2022		2023		2024	
Market Year Begins	Jan 2022		Jan 2023		Jan 2024	
Chile	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	1	1	1	1	0	1
Production (1000 MT)	17	15	18	17	0	18
Other Imports (1000 MT)	7	7	4	5	0	5
Total Imports (1000 MT)	7	7	4	5	0	5
Total Supply (1000 MT)	25	23	23	23	0	24
Other Exports (1000 MT)	3	3	2	2	0	2
Total Exports (1000 MT)	3	3	2	2	0	2
Human Dom. Consumption (1000 MT)	21	19	20	20	0	21
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	21	19	20	20	0	21
Total Use (1000 MT)	24	22	22	22	0	23
Ending Stocks (1000 MT)	1	1	1	1	0	1
Total Distribution (1000 MT)	25	23	23	23	0	24
(1000 MT)						

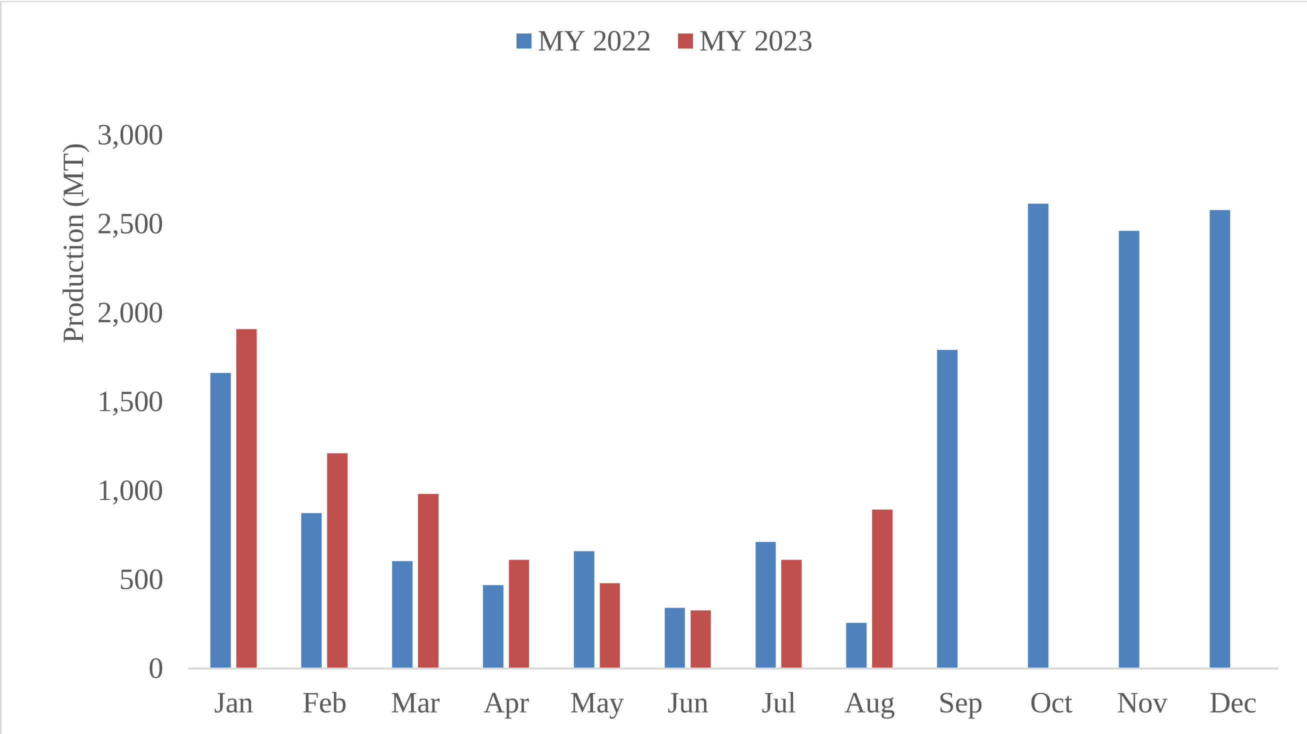
Source: Post Estimates

Production:

In MY 2023 (data until August), Chile's skim milk powder production increased by 25.9 percent over MY 2022 and totaled 7,027 MT, year-to-date. Post estimates total MY 2023 production to reach 17,000 metric tons. Post projects MY 2024 skim milk powder production to increase by 5.9 percent to 18,000 MT following the current upward production trend.

Skim milk powder production in Chile peaks from September to January following fluid milk production and pasture growth (Figure 7). In MY 2023, production increased in August and is expected to remain high in the remainder of MY 2023 due to high dairy prices and increased fluid milk production.

Figure 7: Skim Milk Powder Production by Month (MT)



Source: ODEPA, 2023

Consumption:

Post projects consumption will increase by 5.0 percent and total 21,000 MT given the increasing demand and the high prices of dairy products. Dairy processing companies use skim milk powder to produce a variety of products including yoghurt, desserts, ice cream, and chocolates. In MY 2023, Post estimates demand for skim milk powder from Chilean processing companies to reach 20,000 MT, a 5.3 percent increase over MY 2022.

Trade:

In MY 2024, Post estimates Chilean imports of skim milk powder to remain flat at 5,000 metric tons. In MY 2023 (data until August), due to higher domestic production and high value of the U.S. dollar against Chilean peso, imports decreased by 42 percent, reaching 3,422 metric tons (Table 8). The United States is the top supplier of skim milk powder with an 81 percent market share in Chile. However, imports from the United States decreased by 37.6 percent in January to August 2023 in line with overall decreases in imports.

Post projects exports to remain flat at 2,000 metric tons. Chilean exports of skim milk powder increased by 22 percent from January to August 2023 over the same period in 2022 totaling 1,771 metric tons. In MY 2023, Colombia remains the top market for Chilean skim milk powder, despite Chilean exports to that market decreasing by 29 percent (See Table 10). Skim milk powder exports to Brazil increased significantly and reached 756 MT, making it the second top market for Chilean skim milk powder exports.

Table 8. Chile Import Volume (MT) from the World

Commodity: 040210, Skim Dry Milk						
Partner Country	Marketing Year			January-August		
	MY 2021 (MT)	MY 2022 (MT)	Variation (%)	2022 (MT)	2023 (MT)	Variation (%)
_World	11,012	7,429	-32.5%	5,898	3,422	-42.0%
United States	9,955	5,588	-43.9%	4,442	2,771	-37.6%
Argentina	677	1,192	76.1%	949	50	-94.7%
France	196	298	52.0%	238	192	-19.3%
Uruguay	0	150		125	0	-100.0%
Spain	73	71	-2.7%	52	57	9.6%
Germany	32	58	81.3%	39	36	-7.7%
Italy	17	52	205.9%	38	41	7.9%
Netherlands	18	21	16.7%	15	11	-26.7%
Poland	43	0	-100.0%	0	0	
Others	1	(1)	-200.0%	-	264	

Source: Trade Data Monitor, LLC

Table 9. Chile Import Value (USD) from the World

Commodity: 040210, Skim Dry Milk						
Partner Country	Marketing Year			January-August		
	MY 2021 (USD)	MY 2022 (USD)	Variation (%)	2022 (USD)	2023 (USD)	Variation (%)
_World	31,859,486	30,334,427	-4.8%	23,669,094	12,449,708	-47.4%
United States	27,799,297	22,083,139	-20.6%	17,270,851	9,384,724	-45.7%
Argentina	2,182,703	4,647,130	112.9%	3,694,819	190,984	-94.8%
France	1,024,449	1,575,197	53.8%	1,246,858	1,228,427	-1.5%
Uruguay	0	632,378		526,945	73	-100.0%
Germany	182,967	454,140	148.2%	337,665	244,467	-27.6%
Spain	281,314	388,645	38.2%	276,414	327,848	18.6%
Italy	85,666	282,799	230.1%	185,806	255,845	37.7%
Netherlands	172,134	174,587	1.4%	129,582	95,325	-26.4%
Poland	129,162	96,257	-25.5%	0	0	
Others	1,794	155	-91.4%	154	722,015	468740.9%

Source: Trade Data Monitor, LLC

Table 10. Chile Export Volume (MT) to the World

Commodity: 040210, Skim Dry Milk						
Partner Country	**Marketing Year**			**January-August**		
	MY 2021 (MT)	**MY 2022 (MT)**	**Variation (%)**	**2022 (MT)**	**2023 (MT)**	**Variation (%)**
_World	963	2,652	175%	1,446	1,771	22%
Colombia	146	2,534	1636%	1,331	940	-29%
United States	5	82	1540%	82	18	-78%
Cuba	43	35	-19%	32	2	-94%
Ecuador	-	-		-	-	
Panama	14	-	-100%	-	-	
Paraguay	-	-		-	-	
Peru	-	-		-	3	
Argentina	-	-		-	-	
Aruba	-	-		-	1	
Brazil	755	-	-100%	-	756	
China	-	-		-	50	

Source: Trade Data Monitor, LLC

Table 11. Chile Export Value (USD) to the World

Commodity: 040210, Skim Dry Milk						
Partner Country	**Marketing Year**			**January-August**		
	MY 2021 (USD)	**MY 2022 (USD)**	**Variation (%)**	**2022 (USD)**	**2023 (USD)**	**Variation (%)**
_World	3,248,901	9,720,945	199.2%	5,236,908	5,794,132	10.6%
Colombia	424,912	9,225,995	2071.3%	4,758,869	3,126,323	-34.3%
United States	17,102	344,204	1912.7%	344,204	93,968	-72.7%
Cuba	164,806	147,695	-10.4%	130,783	11,315	-91.3%
Paraguay	-	2,279		2,279	-	-100.0%
Ecuador	-	773		773	-	-100.0%
Panama	63,842	-	-100.0%	-	-	
Argentina	-	-		-	-	
Aruba	-	-		-	915	
Brazil	2,578,240	-	-100.0%	-	2,415,400	
China	-	-		-	123,350	
Peru	-	-		-	22,861	

Source: Trade Data Monitor, LLC

Stocks:

Chile does not store high stocks of skim milk powder, from year to year. For MY 2023 and MY 2024, Post estimates skim milk powder stocks to remain flat at 1,000 assuming regular market conditions.

Attachments:

No Attachments