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Chile

Food Processing Ingredients

New Opportunities for U.S. High Value Added Products and Ingredients

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Report Highlights:

Chilean food industry is the main productive activity in the country, with annual sales of \$34 billion. Healthy foods, gourmet products, prepared foods and ready-made meals are products that show huge potential for growth in the Chilean market. New ingredients are being used in the production of healthier products especially those adapted to consumers with food intolerances, such as lactose and gluten free products. Consumers have an increasing concern for health issues while the food processing industry is trying to adapt to the [nutritional labeling law](#), higher labor costs, and sophisticated customers, all of which present challenges, but also opportunities for U.S. high value added foods and ingredients such as natural additives, preservatives, thickeners and sweeteners.

Post:
Santiago

Executive Summary:

- Chile, with a population of 17.6 million in 2017 is still the top performing country in the region of Latin America and the Caribbean.
- Despite a slowdown in economic growth between 2011 and 2016 (from an annual real GDP growth of 5.8% in 2011 to 1.6% in 2016), Chile is expected to return to a 3% growth in 2018.
- Between 2010 and 2016, GDP per capita in current prices grew by 7.2% and reached \$13,793 in 2016 (World Bank). This is the highest level in the Latin American region and is one of the main drivers for consumer spending.
- Consumer spending per capita increased to \$8,600 in 2016, and it is expected to rise to \$9,712 up to 2021. Per capita consumer expenditure on food and beverages was \$1,531 in 2016 and is predicted to rise to \$1,668 by 2021(Euromonitor).
- Chilean food industry is the main productive activity in the country, with annual sales of \$34 billion. Furthermore, 54% of total food production is destined to the domestic market and 46% is exported to more than 190 countries worldwide.
- There are three main reasons for Chilean companies to import food ingredients: (1) If the products are not available domestically through local production (2) if it is cheaper to import rather than buy domestically; or (3) if imported products offer a higher quality than those available in the domestic market.
- Total sales, based on retail value of the food processing industry at constant 2016 prices reached \$14.7 billion in 2016, growing 3.8% over 2015. Furthermore, between 2016 and 2021, the industry is expected to grow by a compound annual growth rate (CAGR) of 3.2%.
- Demand for healthier products is growing with particular regard to value-added products. Increased awareness of the health aspects of food has made consumers more selective about their food choices.
- New ingredients are being used in the production of healthier products especially those adapted to consumers with food intolerances, such as lactose and gluten free products. Alongside there is a rising demand for organic foods.
- Chilean companies seek to reformulate and develop new products that do not need to carry a warning label from the nutritional labeling law. Therefore, new ingredients are needed, which can be perceived as healthier substitutes (for example sweeteners instead of sugar) or new innovations on how to produce tasteful products within the same price range, but with healthier ingredients.

- Healthy foods are a category of products that show huge potential for growth in the Chilean market, there is increasing concern for health issues among consumers and food processing companies that are trying to adapt to health regulations and consumers' demand. Another category of products with high growth potential is gourmet food and beverages.

Best product prospects are:

- Healthy foods: Superfoods, functional foods, sweeteners and natural alternatives, spreads, free-from products and private label products.
- Snacks: Dried fruit & fruit snacks, rice snacks, vegetable and bread snacks and other natural foods & snacks.
- Meat Products: Pork
- Dairy Products : Low-Fat powder milk & other milk types and premium cheese
- Ready-made meals: fresh and healthy ingredients, premium ready-made meals and shelf stable ready-made meals
- Breakfast Cereal: Muesli and granola
- Coconut Products
- Creative Condiments
- Alternative Grains
- Value Added Baked Goods: Packaged flat bread and pita, wholegrain bread and bread with natural ingredients, gluten free bread and "light" varieties of bread.
- Non-Alcoholic Drinks: Tea products, juices ("rich in", coconut water, maqui, aloe vera) and sports and energy drinks.
- Alcoholic Drinks: Pre-mixed and convenient drinks, cider and sparkling wine, beer and lighter alcoholic drinks (sparkling wine or lager beer) and craft beer.
- Pet Food

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Section I: Market Summary

A. Country Overview

Chile, with a population of 17.6 million in 2017, is a centralized country both economically and demographically. It is estimated that in and around the country's capital, Santiago de Chile in the metropolitan region, 46.5% of the GDP is produced and more than half of the population live. Population growth is slowing down (1.1% growth in 2016) and the population is aging.

Economically, Chile is still the top performing country in the region of Latin America and the Caribbean (The Global Competitiveness Report 2016-2017), experiencing a slowdown in economic activity but with a recovery projected in 2018 and 2019 thanks to improving private-sector prospects, rising copper prices and increasing consumer confidence.

Despite a slowdown in economic growth between 2011 and 2016 (from an annual real GDP growth of 5.8% in 2011 to 1.6% in 2016), Chile is expected to return to a 3% growth in 2018. While this economic slowdown is particularly tied to the extractive sector, Chileans benefit from higher paying jobs in other industries, such that consumer spending remained steady in 2016 (2.4% real growth in spending according to IMF). Consumer spending is projected to have a real growth of 3.6% following 2018.

Chile has an abundance of natural resources, and although it is working towards the diversification of its economy, it still depends heavily on copper exports. Because of declining international copper prices, combined with an economic slowdown of Chile's main export partner, China, Chile experienced an economic downfall in both 2014 and 2015. Moreover, government reforms, such as the tax reform passed in 2014, lowered both investor and consumer confidence. Economic growth began to recover in 2016 with the Central Bank of Chile recording a 1.6% increase in economic activity and a GDP of \$225 billion. Furthermore, forecasts predict economic growth of 3% for 2018 and 3.4% up to 2021. On December 17, Chileans elected Sebastian Piñera as their new president and is expected to have a positive impact on the Chilean economic environment over the next four years.

Chile has an open economy and is very committed to trade liberalization. Chile has 26 trade agreements with 66 economies - notably the U.S.-Chile Free Trade Agreement (FTA), which entered into force in 2004. As of 2015 all trade tariffs were successfully eliminated and 100% of all U.S. exports enter Chile duty-free. Chilean exports reach markets that represent 86.3% of the global GDP with privileged tariff conditions.

The Chilean Central Bank reported a net trade balance of \$5.3 billion in 2016, a 51.7% increase over 2015 (and a 101.5% increase over 2012). Exports fell 17% in 2015 and 3% in 2016, which can be attributed to a decrease of mining exports (by 19% in 2015 and 7% in 2016) and considering that copper accounts for more than 90% of all Chilean mining exports. This drop is a result of a decline in demand from China, which led to a drop in copper prices (\$3.74 /pound in January 2013 to \$2/pound in January 2016). Imports decreased by 6% in 2016, reaching \$58.8 billion CIF) and have decreased by 0.5% from January- October 2017 over the same period in 2016. Exports increased by 13% in January - October 2017 over 2016 which can be attributed to the manufacture and mining sectors. Inflation has not

affected Chile, and while it was 3.8% in 2016, it is expected to fall to 2.8% in 2017, and to stabilize around the target of 3% by 2021.

The general long-term consumer trends in Chile continue to prevail: between 2010 and 2016, GDP per capita in current prices grew by 7.2% and reached \$13,793 in 2016 (World Bank). This is the highest in the Latin American region and is one of the main drivers for consumer spending. Consumption is seen as a “reward”, demonstrated through increasing numbers of people spending their free time in shopping malls. Moreover, due to the openness of the economy, foreign products are available at competitive prices.

However, as a result of the economic slowdown, Chilean consumers are increasingly price sensitive. As such, Chileans are seeking discounted prices, purchasing less often or switching to low priced products.

Consumer spending per capita fell from \$9,798 in 2013 to \$8,470 in 2015, but increased to \$8,600 in 2016, and it is expected to rise to \$9,712 up to 2021 (Euromonitor).

Per capita consumer expenditure on food and beverages was \$1,572 in 2011, decreasing to \$1,531 in 2016 and, according to Euromonitor, is predicted to rise to \$1,668 by 2021. Since food and drink are essential products, spending in this category is relatively constant and does not fluctuate as much as for non-essential products.

B. Overview of the Food Sector

According to the Chilean Central Bank, the food manufacturing industry (food, drinks, and tobacco) represented 5% of overall GDP in 2016, with industry value rising by 3.9% over 2015. [Chilealimentos](#), the Chilean association of food processing companies, reports that the Chilean food industry is the main productive activity in the country, with annual sales of \$34 billion. Furthermore, 54% of total food production is destined to the domestic market and 46% is exported to more than 190 countries worldwide. According to [InvestChile](#), the Chilean government’s agency for promoting direct foreign investment, food exports in 2016 amount to \$15.6 billion.

In 2016 food manufacturing earnings increased by 4.6% over 2015, and drinks and tobacco earnings grew by 2.5% during the same period.

Regarding the consumption of food products, the Chilean Ministry of Health published an extensive study about the eating habits of the population in 2014. The study revealed that Chileans have up to seven meals a day, in addition to breakfast, lunch and dinner. These include snacks between meals called “*colaciones*” and possibly “*la once*”, a small, light meal before dinner. The most popular foods are bread, meat, vegetables, and fruits. Overall, eating habits are moving towards poultry and pork consumption instead of beef, with increased consumption of dairy products and olive oil. For the wealthier population, vegetable protein is often substituted with meat protein, leading to an overall decrease in the consumption of vegetable protein.

Agricultural exports constitute a significant portion of the overall food industry value. In 2016, the agricultural sector in Chile (including forestry) increased by 2.9%, with fruit exports as the main driving

factor.

[InvestChile](#) reports that 76% of the food industry consists of fresh production (agriculture) and 23% is made up of processed foods (food processors). Supporting the food processing industry in Chile is a strategic objective of InvestChile. Their objective is diversifying the economy and move beyond exports of primary agricultural products to more complex, value-added products.

There are three main reasons for Chilean companies to import food ingredients: (1) If the products are not available domestically through local production such as cereals, cocoa and sugar; (2) if it is cheaper to import rather than buy domestically; or (3) if imported products offer a higher quality than those available in the domestic market.

The conditions in Chile favor the food processing industry due to three main reasons: (1) the natural conditions, such as various climatic zones from the desert to the Antarctic, allow a vast array of products to be produced; (2) its location in the southern hemisphere offers counter-seasonal production for Europe and the United States, which is very attractive for international food processing countries that depend on the all-year supply of agricultural products; (3) Chile's is geographically isolated, owing to its location between the Andes Mountains in the east and the Pacific Ocean in the west, and enforces strict regulation on food imports further protecting the local production from foreign most diseases and pests.

An example of Chile's favorable conditions was showcased in 2015 when global prices for hazelnuts increased by 90% due to harvest losses in Turkey – the largest producer of hazelnuts. The global shortage of good quality hazelnuts led multinational companies invest in the Chilean market in order to guarantee the supply and quality of hazelnuts, hazelnut planted area is currently growing at a 10% annual rate.

The presence of skilled professionals in the agricultural sector combined with national efforts to advance technology makes Chile an attractive location for the food industry. Furthermore, the Chilean government actively supports production of high-value agricultural exports.

Thanks to Chile's reputable and stable investment environment, multinational food manufacturers have invested in Chile for years. Nestlé, for example, opened its manufacturing plant in Chile in 1936 and has become an important employer and economic actor in the region. PepsiCo built its first plant in Chile in 1982 and has since opened 25 distribution centers, employing more than 2,000 people.

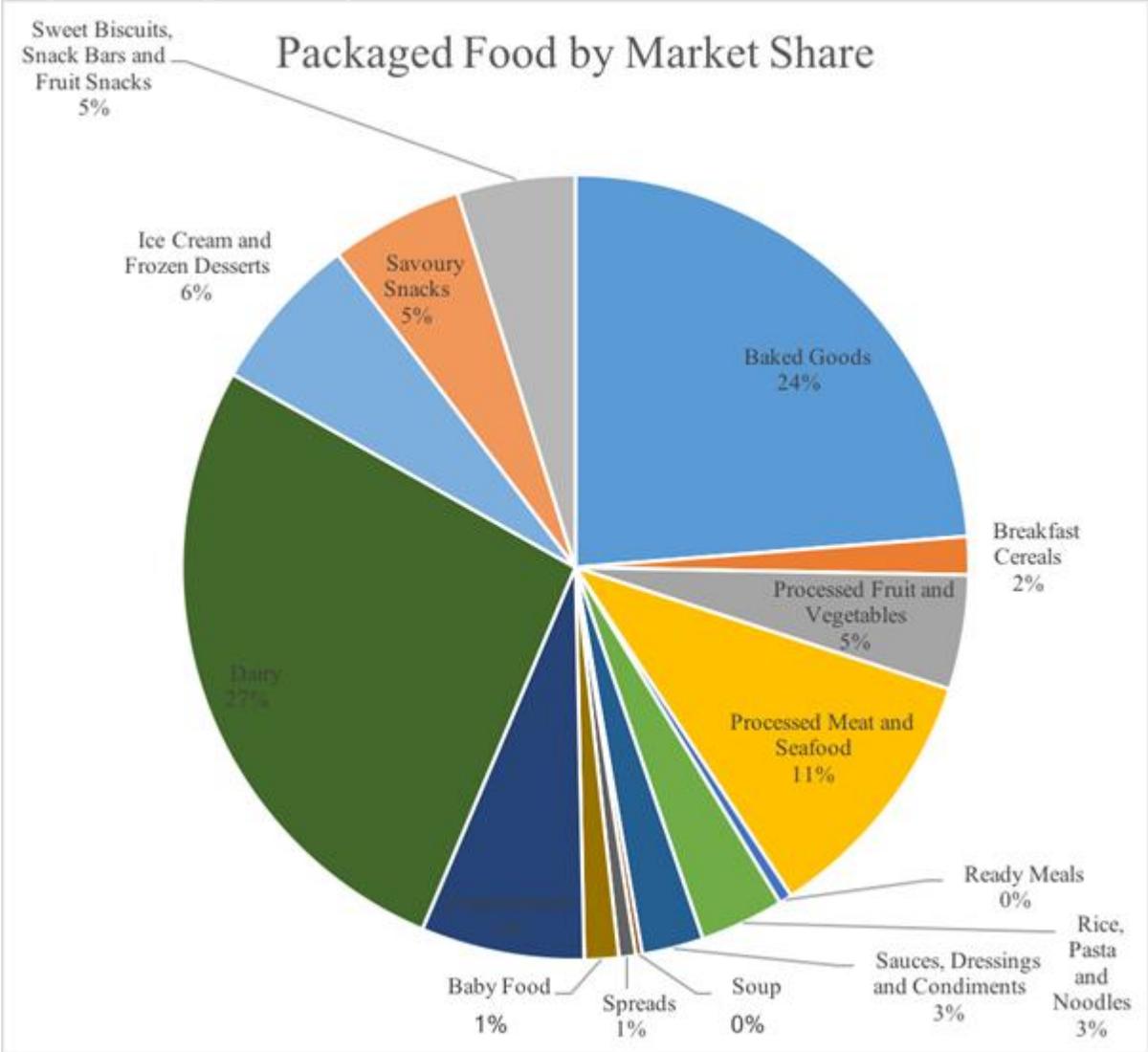
However, while domestic consumption of prepared meals is constantly rising, the Chilean market is relatively small, therefore, aside to supplying the domestic market, many foreign companies that invest in the Chilean food industry use Chile's resources and agricultural opportunities to export to other markets, by building manufacturing plants.

C. Size of the Chilean Food Processing Industry

Total sales, based on retail value (RSP: Retail Selling Price) of the food processing industry at constant 2016 prices reached \$14.7 billion in 2016, growing 3.8% over 2015. Furthermore, between 2016 and 2021, the industry is expected to grow by a compound annual growth rate (CAGR) of 3.2%.

The value of the food processing industry in 2016 was composed of the following main categories:

Graph 1: Packaged Food by Market Share



Source: Euromonitor International

In terms of value sales, dairy is the largest category reaching \$3.6 billion in 2016. The sector is further expected to rise to \$4.2 billion by 2021, representing a 3% CAGR. The second largest category is baked goods, with a 2016 value of \$3.2 billion, and an anticipated CAGR of 2.6% up to 2021. Sales of processed meat and seafood reached \$1.4 billion, and are predicted to show strong CAGR of 3.8% between 2016 and 2021.

D. Macro-Economic Factors & Key Demand Drivers

Various macro-economic factors drive demand for processed foods, including a larger working population, higher disposable incomes, an increased number of families in which both parents work. Key demand sectors are ready-made foods as well as healthy foods which are products that contain natural ingredients, low cholesterol foods, fat free foods and low salt/sodium and low/no sugar products.

The growing working population in Chile, which has now expanded to include more women, affects the food sector in a number of ways. Today, often both parents in a family are working leading to rising disposable incomes and increased time constraints to buy and prepare meals. In the same way, working urban singles have little time and motivation to prepare home cooked meals. Correspondingly, demand for convenience foods which require less preparation time is increasing. This trend is noticeable both for consumers as well as for businesses in food service. In the HRI sector, processed foods are increasingly popular as they reduce preparation time, guarantee quality and reduce labor. Furthermore, while ready-made food generally remains a smaller category for consumers, it is expected to grow 9% in 2017.

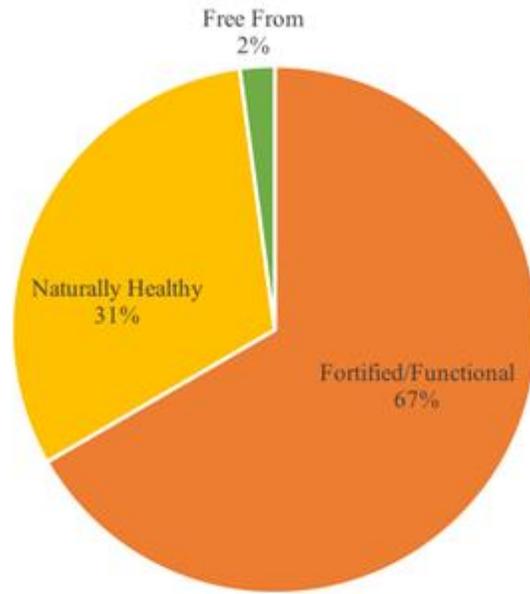
Despite the slowdown of the Chilean economy, demand for healthier products is growing with particular regard to value-added products. Increased awareness of the health aspects of food has made consumers more selective about their food choices. Millennials are a key part of this driver as they have a stronger awareness of health issues and are more likely to act upon this in their food choices, especially as they start to enter the labor market.

A rising awareness of health issues can be attributed to various factors, including: government initiatives, such as the 2016 nutritional labeling laws for food products; educational campaigns regarding food; as well as global nutritional trends such as super-foods. Certain Government campaigns, such as “[Elige Vivir Sano](#)” (Choose to Live Healthy) and “[El Plato de tu Vida](#)” (The Plate of your Life), aim to reduce obesity and heart disease in the Chilean population.

According to post contacts, a healthy eating trend is noticeable through rising demand for products with added health benefits. This is also evident in the use of new ingredients in the production of healthier products, and products especially those adapted to consumers with food intolerances, such as lactose and gluten free products. Alongside this health trend there is a rising demand for organic foods.

Sales in the health and wellness food, which is composed of natural health products, free- from and fortified/functional foods, reached \$1.3 billion in 2016. Across all three segments, these products are usually positioned as premium and more expensive when compared to those products that do not advertise their health attributes.

Graph 2: Chile’s Health and Wellness Market



Source: Euromonitor International

Fortified and Functional Foods

Fortified and functional food remains the largest category in natural and wellness foods in 2016. This sector includes products that provide health benefits through added nutritional value (Extra-Calcium or Omega-3), which are not usually contained in foods. This category benefits from increasing health awareness and rising disposable income, increasing the consumer’s willingness and ability to purchase these products. Moreover, the availability of products has increased, and in the bakery sector, for example, industry reports show that this rising availability of products has led directly to increased consumption.

In 2016, value sales of fortified and functional foods amounted to \$852.5 million, an increase of 8.9% over 2015. In 2017, \$901 million in sales are expected, in sync with the general economic growth trends.

Fortified milk displayed the strongest growth in this category at 13% in 2016, with dairy products accounting for over half of the category (53% of overall value sales). Within the same category, fortified baby food is expected to show strong growth, driven by women with higher disposable income seeking good quality baby foods, such as fortified foods. Overall fortified food is expected to grow at 5% annual growth rate between 2016 and 2021. Nestlé Chile SA holds 37% of the value share of fortified and functional foods, and is the biggest player in the category.

Naturally Healthy Food

This category includes all food products that naturally contain healthy ingredients. In 2016, overall retail value sales reached \$399.1 million, a 5.1% over 2015. In 2017, a higher growth of 6.8% is expected. Furthermore, this category of products has a high potential of growth since it remains underdeveloped and awareness for naturally healthy alternatives is rising.

This category is dominated by high fiber foods, which constituted 56% of overall sales in 2016. [RedBakery](#), a Chilean bakery industry platform, reports that as consumers are increasingly interested in products containing fiber, companies aim to offer more variety and tastes in this sector. However, the benefits of naturally healthy products are not yet fully understood by Chileans, who often prefer to buy products which explicitly state the health benefits (free-from, or fortified).

In 2016, baby food and ready-made food both experienced growth of 9% and breakfast cereals grew by 7%. Additional products with strong growth are carbohydrates and processed fruit and vegetables, with growth of 6%.

Free-from Food

Free-from Food (i.e. free from gluten, lactose or meat) had a retail value of \$27.3 million in 2016 (13.9% increase over 2015). Given the fact that the category is still underdeveloped, its past and predicted growth are the strongest (2011-2016, growth of 15.6% annual growth rate; 2016-2021 growth of 13.1% CAGR predicted).

In 2017, sales are expected to reach \$31.3 million, signifying a 14.8% growth rate over 2016. This strong growth is attributed to an increased awareness for food intolerances, as well as the fact that free-from products do not only appeal to those consumers with food allergies, but are generally perceived as being healthier.

Although meat substitutes are experiencing strong growth it continues to be a niche category and Chile's meat consumption remains higher than the OECD average.

The niche of gluten-free products is expected to develop and increase over the next years.

Overall, international players dominate the free-from segment, Nestlé Chile SA is the largest market player, holding 22% of overall value share in 2016.

E. Advantages and Challenges Facing U.S. Food Ingredients in Chile

Advantages	Challenges
The U.S. is a strong trading partner for Chile: The U.S.-Chile free trade agreement facilitates commerce.	Chile has FTAs with 66 countries worldwide, and they do not depend on imports from a specific region. Instead, imports that offer the best price and quality worldwide are the most attractive.
Products from the U.S. are perceived as being of high quality, especially meat (revealed in interviews).	Chilean customers are accustomed to competitive prices due to the openness of the economy. Moreover, economic slowdown has increased their price-sensitivity.
Demand for healthier ingredients has increased due to food processors that are seeking solutions to produce foods which do not exceed the nutritional limits set by the 2016 nutritional labeling laws.	The nutritional labeling laws could increase costs of packaging products.
U.S. products and ingredients are known to be innovative and to follow new trends.	The establishment of personal relationships is often not a priority for U.S. companies. Chileans value face-to-face meetings and strong personal relationships.
Distributors are still the main channel for imports to enter Chile. Only the largest players are able to build up the infrastructure and invest in facilities to be able to import directly and small food processors still relay mainly on distributors to import products.	Most U.S. companies prefer to use “Traders” and are not used to and seldom willing to export directly.
Demand for premium processed foods and beverages that provide convenience and health benefits continue to increase.	Healthy foods are often considered premium or gourmet foods.

F. International Food processors

According to InvestChile the sector is dispersed: a few large food processors exist alongside many small processors. Some of the large and international food processors with several production plants in Chile are:

Table 2: Food Processors in Chile

Company	Number of Manufacturing Plants in Chile
Nestlé Chile S.A.	8

Empresas Carozzi	7
Tresmontes Luccetti	9
Watt's S.A.	6
Arcor Dos en Uno	4
Marine Harvest	4
Soprole S.A. + Prolesur S.A.	3
Multiexport Food	2

Source: based company annual reports and interviews.

Nestlé Chile S.A has eight manufacturing plants in Chile and belongs to Nestlé S.A., a global company based in Switzerland. Nestlé Chile produces both for the domestic market (85% of overall production) and serves as a regional export base to other markets (15% of overall production). While its core business is processed food, the company is also active in coffee and pet food. Nestlé Chile holds an 11% market share in the processed food market, which made it the leading manufacturer for processed food in 2016.

The company targets consumers in the mid-to-high-incomes range. Regarding Nestlé's positioning in various sectors: Nestlé is the leading player in the chocolate confectionery sector, and controls 10-15% of the dairy market making it the third strongest player. The market of processed foods, as well as Nestlé's distribution is relatively mature, and revenue increases are mostly achieved by product innovation in growing market areas such as health or wellness.

Soprole S.A. & Prolesur S.A. is a stock corporation founded in 1949. In 2016, it was ranked second in health and wellness packaged food, after Nestlé Chile S.A., with a 9% market share. Soprole focuses on dairy products where it holds a 25% share of the market. Together with Prolesur S.A., Soprole S.A. is controlled by New Zealand's Fonterra Co-operative Group Ltd. which together runs three production plants in Chile (Santiago, Los Lagos and Osorno).

Cooperativa Agrícola y Lechera la Unión Ltda. (Colun) is an agricultural-dairy cooperative founded in 1949 with 759 dairy producers as members and one of the most important dairy companies in Chile. In packaged food, the company participates in dairy, spreads, oils and fats. Outside of packaged food, it is active in non-alcoholic drinks with a line of juices. The company held a 7% share of retail value sales in packaged food in 2016, to rank third in Chile.

Watt's S.A.: Watts and its subsidiaries Loncoleche and Alimenticios Felco belong to Inversiones La Estrella S.A. (who holds 50.2% of Watt's shares). Next to its core business of packaged food, it also sells alcoholic drinks, with a special focus on wine.

Watt's is trying to position itself as a main actor in the food sector, constantly increasing its share in the market. In 2016, Watt's improved its position through the acquisition of Danone Chile S.A. (15 year leasing contract), becoming the fourth largest player in packaged food, holding a 7% share of retail value sales in 2016. Watt's expansion and diversification strategy is mainly implemented through acquiring new brands, thereby widening its product range.

Empresas Carozzi is a Chilean company founded in 1898 that produces and markets confectionary and food products. It is a publicly held company, controlled by the Bofill family and employs 10,047 employees. It has production facilities in Chile, Argentina and Peru, and exports to 35 countries worldwide. It is one of the largest food conglomerates in Latin America, with a product range that includes more than 2,000 products, and reported sales of \$1.12 billion in 2016, an 8.7% increase over 2015.

In November 2016, Carozzi's subsidiary for agribusiness, Agrozzi, opened two new plants in Chile which produce foodservice products and fruit and vegetable products. In 2016, sales were \$1.12 billion which is an 8.7% increase over 2015.

The company was ranked fifth in packaged food in 2016, with a retail value share of 5%.

Tresmontes Luchetti is a Chilean firm and one of the largest packaged food and beverage manufacturers in Chile. In 2013, Grupo Nutresa S.A., a Colombian food manufacturing holding, acquired the formerly Corpora Tresmontes S.A.

Aside from the local Chilean market, the company is one of the top five food exporters in the country, exporting to more than 40 countries worldwide. The products are supplied through extensive distribution network, mainly using hypermarkets and supermarkets.

Arcor Group is an Argentinean food group and one of the leaders in confectionary in Latin America. In 1989, it opened its first production plant in Chile. Eight years later, it acquired Chile's "Dos en Uno S.A." and since then has continuously expanded its activity in Chile. Furthermore, in 2016, Arcor held 85% of the Chilean chewing gum market by value.

Marine Harvest is the second biggest producer of salmon in Chile after Salmenes Multiexport S.A. In 2014, the construction of a new processing plant was regarded as a signal that the industry had recovered from the infectious salmon anemia (ISA) crisis. The crisis forced Marine Harvest to close three of their processing plants in Chile and one smoked plant. Their strategy is to increasingly develop value-added concepts and new products.

Section II. Road Map for Market Entry

A. Market Entry

The Office of Agricultural Affairs in Santiago, Chile advises U.S. producers to check that their products meet the most up to date Chilean regulations to ensure a straightforward entry strategy into this market. U.S. suppliers will have to consider their market entry strategy. FAS Santiago maintains listings of potential importers and develops sector-specific information to help you introduce your product in Chile.

Producers of food ingredients have two main ways of entering the Chilean market: by selling to distributors or exporting directly to Chilean companies.

The use of distributors, agents or representatives depends on the type of product and on the size of the food processing company. Smaller food processors will often not present the volume and expertise to import directly, whereas larger food processors might prefer to buy directly in order to benefit from more competitive prices, and to further avoid paying commissions to intermediaries. Larger food processors reported to be generally willing and open to import in the case that the products are competitive in price and quality.

Smaller processors are most likely to make use of a distributor. Distributors offer a variety of services like packaging, quality control and food safety inspection.

Alternatively, U.S. food ingredients producers that plan to sell large volumes of their products can establish a local subsidiary or set up a local office. Once successfully established, these producers may decide to expand operations and use Chile as an exporting platform for the Latin American region. Establishing a local production guarantees customer service, product quality and helps to establish a strong local presence.

The main entry for imports to Chile is via seaports, the most important ones being San Antonio and Valparaiso. Once goods have entered Chile, they are transported via highways.

In terms of regulations, producers seeking to export to Chile need to take into account that to enter Chile, all edible products must be approved by the Chilean health authorities and receive a registration number, as well as sales permit before entering the market. The regulations prohibit adulterated foods as well as those labeled incorrectly. Since 2016, the [nutritional labeling law](#) defines limits of sugar, saturated fats, calories and sodium ingredients which have to be indicated clearly on packaging. Imported products either have to carry the label or to be repackaged in Chile. All labels must be in Spanish.

B. Keys for Market Entry

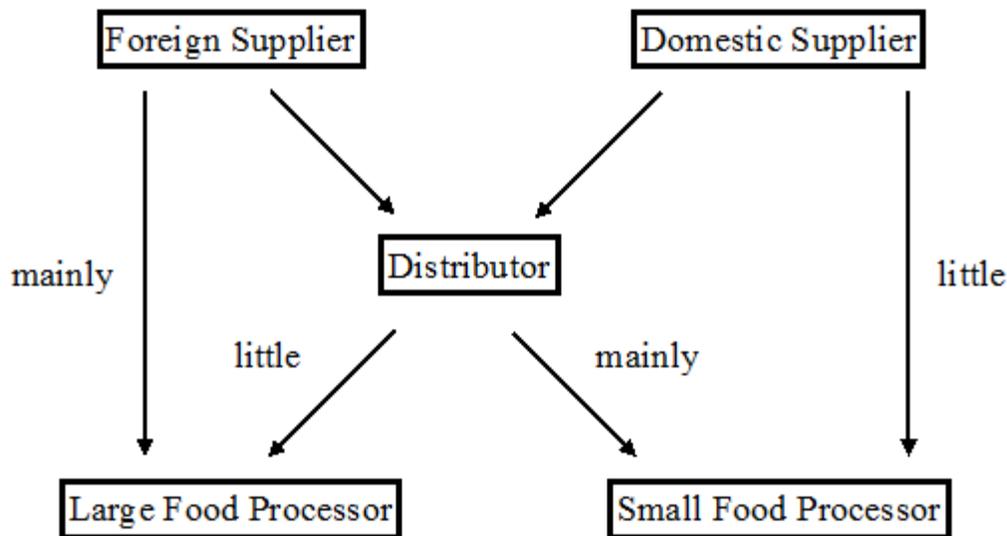
Personal relationships are extremely important in Chile and, as such, it is recommended to build connections in order to become a trusted business partner. This may rely on good customer services, such as personal visits and extensive follow-up. This can be achieved either directly or by hiring a local representative. It is worth noting that the reputation of a foreign supplier is strongly affected by the quality of its representative. Additionally, foreign suppliers that want to enter the Chilean market should seek to make use of already existing relationships they might have with international food processing companies. Having a contact often makes market entry easier.

Foreign suppliers should offer a strong value-added proposition to Chilean counterparts that showing that they are competitive in quality, prices and payment conditions. Chile is an open economy and the food industry is very competitive.

To be an attractive alternative to domestic producers, quality must be high. Higher prices must be balanced by other characteristics such as better service or quality. Moreover, companies that import ingredients from the U.S. report that good payment conditions are relevant selection criteria of business partners. These conditions have to be competitive with European suppliers who often allow longer terms of payment (between 90 to 120 days).

C. Market Structure

Distribution Channel



The distribution flow varies depending on the origin of ingredients, as well as on the size of the food processors. Local inputs are mostly sourced directly from the producer, whereas foreign products are more commonly purchased from distributors.

Large food processors are able to import directly due to volume and expertise. Small companies that produce processed foods, however, will often depend on an intermediary such as a distributor to receive the necessary foreign ingredients. Larger companies either buy directly from producers or from distributors and pay strong attention to the quality of the products.

Table 3: Grocery Retailers in Chile Company Profiles

Company	Brand	Value Market Share 2016 (%)
Wal-Mart Stores Inc	Lider	13.5
SMU S.A.	Unimarc	8.2
Cencosud S.A.	Jumbo	7
Cencosud S.A.	Santa Isabel	6.9
Wal-Mart Stores Inc	Lider Express	4.1
Falabella SACI	TottU.S.	3.5

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, and other trade sources.

D. Downstream Sales

Food processors sell their products nationally or internationally. Some big international companies use their production plants in Chile to serve other markets in Latin America. National food production companies mainly sell to grocery retailers such as supermarkets and hypermarkets (60% of all processed food). A smaller share of packaged food is sold through traditional grocery retailers such as independent small grocers or food/drink specialists (38.4%). In 2016, less than 1% of processed food was sold through internet retailing.

E. Market Trends

- Ready to drink and ready to eat

Demand for ready to eat and drink products increases as consumers seek convenient, healthy and tasteful food and drinks. According to post sources the next years will bring developments in the area of ready to eat and drink products.

- Reformulated products

Chilean companies seek to reformulate and develop new products that do not require labeling by the nutritional labeling law. For this reason, companies are actively working to reformulate and adapt its products to reduce stop sign warning labeling.

- Value-added products

The Chilean Government through [InvestChile](#), aims to shift the food industry from the production of

raw ingredients and fresh products to more elaborated, processed and value-added products.

- New ingredients and more natural forms of food preparation

The nutritional labeling law offers companies the opportunity to enter the market with new, healthier products. Therefore, new ingredients are needed, which can be perceived as healthier substitutes (for example sweeteners instead of sugar) or new innovations on how to produce tasteful products within the same price range, but with healthier ingredients. Processed products are expected to become natural and healthier within the coming years, driven by awareness of healthy diets.

- Natural and organic food

Natural and organic food consumption is on the rise in Chile. Although still a niche, the market segment holds strong potential since it is still underdeveloped and immature. So far limiting factors are income restrictions and lack of knowledge on nutrition, however awareness steadily increases. Furthermore, the market for natural and organic foods is benefiting from nutritional regulations and organic labeling. For more information on organic labeling in Chile see [SAG website](#).

F. Company Profiles: Top Food Companies in Chile

Table 4. Top Food Companies in Chile

Company	Product Type	Value Sales 2016 (\$)	End use Channels	Production Location	Procurement Channels (Direct, Importers, Distributors)
AGROSUPER S.A.	Chicken, pork, turkey, salmon and processed foods (Brands: Super Pollo, Super Cerdo, Super Salmon, La Crianza, Sopraval)	\$2.318 billion	Retail	Chile	Own Production, importers of animal feed, corn
EMPRESAS CAROZZI S.A.	Pasta, confectionary, sauces, tomato paste, dessert, fruit pulp, flour, beverages, animal feed	\$1.1 billion	Retail & HRI	Chile (7), Peru (4)	Own Production + Suppliers (national and international) of Ingredients
SOPROLE INVERSIONES S.A.	Dairy products	\$640.1 million	Retail & HRI	Chile (3)	National dairy farmers and suppliers of raw materials (national and international)
WATT'S S.A.	Fruit (including juices, nectar, jam); dairy products (creams, cheeses, yoghurts, ...); Oilseed products (Oil, margarines); frozen fruit and vegetables; fresh pasta; wine	\$589 million	Retail & HRI + Export (>30 countries)	• Chile (8) y Peru (3)	National and international suppliers
EMPRESAS IANSA S.A.	Sugar, pet food, feed and fodder, fruit concentrate, tomato paste	\$537.6 million	Retail & HRI	Chile (10), Peru (1)	National and international suppliers

DUNCAN FOX S.A.: Alimentos y Frutos S.A. + Sociedad Pesquera Colosa S.A. (65.4% of Duncan Fox's overall assets)	In the food manufacturing: fruit and vegetable both fresh and frozen; fishery and production of fish products As well as real estate development, hotel operations	\$250.0 million	Retail & HRI + Export	Chile (5 processing and freezing plants, 2 Distribution Centers)	National and international suppliers (national approx. 4x larger than foreign suppliers)
COAGRA S.A.	Grain, especially corn, wheat and oat. As well as supplies and services for agriculture	\$226.4 million		Chile (6 plants)	National suppliers, own production
IPAL S.A.: Hundaya S.A.C., Agrícola Algorta, Innovalim, Industrias Productos Alimenticios Proalsa S.A.	Agriculture and Food processing Additionally: tourism and real estate sector	\$103.8 million in food products	Retail & HRI	Chile	National suppliers of ingredients; own production
SOCIEDAD AGRICOLA LA ROSA SOFRUCO S.A.: Sofrucu Alimentos Ltda., Viña la Rosa S.A.	Fresh fruit, juices, dried plums and honey, nuts and seeds, wine	\$56.9 million	Retail & HRI	Chile (2.053 hectares, food processing plants)	Own production
AGRICOLA ARIZTIA LIMITADA	Meat products (chicken, turkey, sausages, pork and beef), vegetables, eggs, cheese and butter,	Value estimated: \$160 million 2011 (BMI)	Retail & HRI	Chile	Own production, importers of animal feed, corn
COLUN (Cooperativa Agrícola y Lechera de La Unión Limitada)	Dairy products	Value estimated: \$150 million	Retail & HRI	Chile	Own production

Source: Based in company annual reports

Table 5. Top Beverage Manufacturers

Rank	Company	Activity	Sales \$ 2016	Marketing Channels	Production Location	Procurement Channels (Direct, Importers, Distributors)
1	EMBOTELLADORA ANDINA S.A.	Production and distribution of bottled fruit drinks, mineral water and carbonated beverages, including Coca-Cola products. The company also manufactures processed fruit and plastic bottles.	\$2.750 billion	Retail & HRI	Argentina, Brazil, Chile	National suppliers
2	COMPANIA CERVECERIAS UNIDAS S.A. (CCU) (Inversiones y Rentas S.A.)	Production and distribution of beer, soft drinks (including fruit nectars) and mineral water in Chile.	\$2.420 billion	Retail & HRI	Chile, Argentina	National and international suppliers
3	VINA CONCHA Y TORO S.A.	Production, distribution and exportation of Chilean wines	\$1.022 billion	Retail & HRI	Chile	Own production and direct purchase from producers
4	COCA-COLA EMBONOR S.A.	Production and distribution of beverages under license from the Coca-Cola company	\$843 million		Chile, Bolivia	National suppliers
5	VINA SAN PEDRO TARAPACA S.A (Inversiones y Rentas S.A.)	Production and distribution of wine	\$313 million	Retail & HRI	Chile	Own production
6	SOCIEDAD ANONIMA VINA SANTA RITA (Cristaleras de Chile S.A.)	Production and distribution of wine	\$258 million	Retail & HRI	Chile	Own production

Source: Company Annual Reports

Section III. Competition

Table 6 presents the top food and beverage products categories, value of imports, growth trends and competition in the domestic market and from other countries.

Table 6: Top Categories of Products Imported and Competition from other Countries

Product Category and HS codes	Imports 2016 (\$)	5-Year Composed annual growth rate 2012-2016 \$ CIF	Top Countries of Origin 2016	Country of Origin Key Strengths	Advantages and Disadvantages of Local Suppliers
Meat and Edible Meat Offal (HS 201-210)	\$1.2 billion	3.51%	<ol style="list-style-type: none"> 1. Brazil – 37% 2. Paraguay –30% 3. Argentina –14% 4. U.S. – 13% 	<p>Meat imports are mostly bovine meat (73.2% of overall meat imports)</p> <p>Exports from Brazil are increasing rapidly.</p> <p>High demand for U.S. meat products.</p> <p>The U.S. is the second largest supplier of pork meat to Chile.</p>	Chile exports pork meat and poultry.
Fish and Crustaceans, Mollusks and Other Aquatic Invertebrates (HS 302-307)	\$61.1 million	6.36%	<ol style="list-style-type: none"> 1. China – 41% 2. Ecuador – 31% 3. Vietnam – 14% <p>U.S. is an insignificant supplier (2%)</p>	<p>Premium seafood products (shrimps and products not found in Chile) are imported.</p> <p>Imports from Asia are usually cheaper than locally produced products.</p>	One of Chile’s main export products is fish and local production has high quality such that value of imports is 64 times smaller than the value of exports.
Dairy Produce, Bird’s Eggs, Natural Honey, Edible Products of Animal Origin NESOI (HS 401-410)	\$196.9 million	3.49%	<ol style="list-style-type: none"> 1. U.S.A – 27% 2. Argentina – 23% 3. New Zealand – 21% 	<p>The U.S. is Chile’s main provider of dairy products.</p> <p>Processed milk products are typically imported to Chile.</p> <p>The most commonly imported products are Gouda (23.1% of overall value imports),</p>	Local production is increasing, becoming more competitive and moving towards processed products.

					fresh/white cheese (12.9%) and low-fat (12.8%) and high-fat (8.8%) powder milk.
Edible Vegetables and Certain Roots and Tubers (HS 701-714) kg gross: 130,290,466.08	\$87.2 million	1.59%	1. Canada – 21% 2. Peru – 17.4% 3. U.S. – 17.3%	Counter seasonal production drives demand for fruit and vegetable imports in Chilean winter.	Chile is one of the world's main producers of vegetables and fruit. Crops are high quality and counter seasonal, offering additional advantages. Exports are double the value of imports.
Edible Fruit (Fresh, Dried, Frozen), Nuts, Peel of Citrus. Fruit or Melons (HS 801-814)	\$192.8 million	7.83%	1. Ecuador - 42% 2. Peru – 19% 3. U.S. – 17%		
Coffee, Tea, Mate and Spices (HS 901-910)	\$121.8 million	2.64%	1. Brazil – 24% 2. Sri Lanka – 23% 3. Argentina – 16% U.S.A is an insignificant supplier (4%)	Chilean coffee culture and consumption is developing, and consumers are demanding more varieties and more premium coffee products leading to value rather than volume growth. Instant coffee/Nescafé is the most frequently consumed coffee in Chile (51% Retail Value in 2015).	Chile does not have a domestic coffee beans production. Nestlé Chile SA dominates the market with 63% of value sales.
Cereals, flours (incl. cereal and vegetable), wheat gluten (HS 1001-1109)	\$659.3 million	-7.37%	1. U.S. – 39% 2. Argentina – 33% 3. Canada – 10%	Favorable natural conditions for cereal production in the U.S.A and Argentina.	Domestic cereal production in Chile is not sufficient for the domestic market and imports are important.
Preparations of Meat, Fish or Crustaceans, Mollusks or Other Aquatic Invertebrates (HS 1601-1605)	\$171.5 million	-0.31%	1. China – 28% 2. Thailand – 18% 3. Ecuador –	Demand for pre-prepared, convenient products is rising driven by changes in consumer lifestyles. Imports are cheaper from Asia, therefore holding higher market	Domestic preparations of meat and fish are readily available in Chile

			18%	shares.	
			U.S. is an insignificant supplier (5%)		
Sugars and Sugar Confectionery without cocoa (HS 1701-1704)	\$328.5 million	-4.71%	1. Argentina – 29% 2. Brazil – 27% 3. Guatemala – 21%	Chileans sugar consumption might be affected by the new labeling law, as companies seek alternatives to sugary products. However, snack consumption in Chile is generally high.	Chile has no domestic production of cane sugar, meaning most sugar is imported. Regarding products and brands, Chilean brands are very popular and Chileans are brand loyal.
			U.S. is an insignificant supplier (4%)		
Cocoa and Cocoa Preparations (HS 1801-1806)	\$129.1 million	2.36%	1. Brazil – 27% 2. U.S. – 10% 3. Spain – 8%	More premium chocolates are demanded, driving value growth, thereby increasing export possibilities to Chile. Chileans are the biggest consumers of chocolates per capita (1.9 kg annually)	Chile has no domestic cocoa production and depends on imports.
Baking products (HS 1901-05)	\$182 million	3.11%	1. Argentina – 23% 2. Peru – 14% 3. U.S. – 9%	Chile is one of the largest bread consumers in the world, and as the category reaches maturity packaged bread and value-added products increase.	Local production of baked goods is strong and imports are generally low.
Preparations or conserves of Vegetables, Fruit, or Other Parts of Plants (HS 2001-2009)	\$237.2 million	7.02%	1. Belgium – 16% 2. Argentina – 15% 3. Holland – 10% 5. U.S. – 8%	Like other prepared foods, imports are high and have good potential, especially regarding value-added products and convenience products.	Local producers seek to shift towards more elaborated and value added products to increase their sales.
Preparations for sauces/prepared sauces and preparations for soups and broths	\$52.1 million	2.9%	1. U.S. – 70% 2. China – 6%	Sales of prepared foods are rising driven by ongoing changes in consumer lifestyles. This includes less time	Chilean brands provide packaged food but are often not as innovative as foreign producers

(HS 2103-2104)			3. Peru – 6%	and motivation to prepare food, more single households, etc. such that demand for good quality prepared foods is constantly rising.	given that most food trends such as healthy foods are adapted from other countries.
Beverages and Spirits (HS 2201-2208)	\$370.9 million	5.0%	1. U.S. – 23%	Beers, spirits and soft drinks are often imported and imports will increase as consumers demand more variety and tastes.	Chile focuses on wine production and imports mostly beer and spirit in the category of alcoholic beverages.
			2. Mexico – 19%		
			3. Austria – 14%		

Source: Based on Chilean customs data, company public information and interviews.

Section IV. Best Product Prospects

The demand for U.S. “consumer oriented” agricultural products in Chile has increased together with income. This category represented 67% of all U.S. agricultural and related exports to Chile from January through October 2017 reaching a value of \$600 million and an increase by 40.6% over 2016. As a result, Chile is the top market for consumer oriented products in South America. Top products exported to Chile are beer, poultry, pork, beef, dairy products, condiments and sauces.

Healthy foods are a category of products that show huge potential for growth in the Chilean market, there is increasing concern for health issues among consumers and food processing companies that are trying to adapt to health regulations and consumers’ demand. Another category of products with high growth potential is gourmet food and beverages, including premium brands, exclusive products, and

high value added processed foods.

A. Products Present in the Chilean Market that Have Good Sales Potential

Healthy foods

- **Superfoods**

Superfoods such as quinoa, chia and flaxseed have good sales potential in Chile. The trend is spread through social media and originates from more developed markets such as the United States and Europe.

- **Functional Foods**

Functional foods that support specific health issues are expected to perform well over the next years. Specifically, as digestive health becomes more important due to increasingly hectic lifestyles and unhealthy eating habits, functional food products that tackle digestive problems are likely to perform well.

Furthermore, because of the aging Chilean population, products addressing cardiovascular, bone and overall health are also expected to have sales potential. Functional snacks such as energy bars (with extra protein) are increasingly popular among Chilean consumers.

- **Sweeteners and Natural Alternatives**

Sweeteners are used instead of sugar to avoid the warning labels on products, and thus the consumption of sweeteners has increased strongly. According to a study of the University of Chile, sweeteners are used especially in beverages and processed food.

There is special interest and sales potential for natural sweeteners such as Stevia or other natural sugar substitutes.

- **Spreads**

Although the spreads category is a relatively mature “niche” category in Chile, growth opportunities exist for products that manage to position themselves in the area of health and wellness foods.

- **Free From Products**

This category has witnessed strong growth rates within recent years, growing by 20% in 2016 and expected to increase at a further CAGR of 13% over the five-year period leading to 2021. While the products in this category with the most significant sales are currently orientated towards lactose-free dairy products, and increase consumer awareness of the importance of a healthy diet regarding red meat and sausage consumption has opened significant market opportunity for free from meat products, with some consumers shifting to becoming vegetarians or even vegans. In fact, within the overall free-from

category, frozen meat substitutes have the highest current value growth at 41%.

- **Private Label Products**

Products in the health and wellness categories are often more expensive than alternatives due to their higher production costs and their positioning in more premium segments of the market. The higher prices can present a constraint, due to this, private label products are likely to gain greater market share thanks to the appeal of their lower prices.

Snacks

- **Dried Fruit & Fruit Snacks**

Dried fruits are expected to have 13% CAGR at constant 2016 prices in 2016- 2021.

Fruit snacks are the best performers in the sweet snacks category. In 2016, fruit snacks were valued in \$2.5 million. In 2016 – 2021 fruits snacks value is expected to increase by 12.6% annually.

- **Rice Snacks**

In 2016, Rice snacks grew 40% at constant 2016 prices and reached a value of \$5 million. Demand for rice snacks remains high and sales are projected to increase by 16% annually until 2021.

- **Vegetable and Bread Snacks**

Vegetable and bread snacks are forecasted to be the second fastest growing product category with a growth of 8.5% annually in 2016-2021).

- **Other Natural Foods & Snacks**

Naturally healthy foods without artificial ingredients, such as cereal or protein bars are expected to have good sales potential. According to post sources, products that are 100% natural perform well and can be sold not only in supermarkets but in outlets such as pharmacies in the health aisles.

Meat Products

- **Pork**

Pork imports reached \$134.8 million in 2016, of which most imported products were frozen swine meat (46.4%) and other non-specified frozen swine products without the bone, including those processed (34.5%). 2016 imports had a 64.1% increase over 2015, and grew 18.7% average over the past five years. From January through October 2017, U.S. pork exports to Chile have reached \$72.2 million which is the highest value ever.

Dairy Products

- **Low-Fat Powder Milk & Other Milk Types**

The United States is Chile's main supplier of skim dry milk powder. Chilean distributors have begun to increasingly widen the variety of milk products they offer. Some recently introduced products are soy milk, almond milk and rice milk.

- **Premium Cheese**

High quality cheese is becoming increasingly popular and widespread in Chile, which is reflected in developments of imports over the past years. Cheese imports from Argentina and New Zealand have dropped whereas imports from European countries have increased. Cheeses from European countries (France, Germany, and Netherlands) are known to be of higher quality, and are perceived as gourmet.

Value of cheese sales grew by 6% in 2016 and the overall category is expected to reach 2% CAGR by 2021. U.S. cheese exports are still growing and have good potential, especially for high quality cheeses at competitive prices.

Made Meals

- **Fresh and healthy ingredients**

Great market potential is seen for products that incorporate fresh and healthy ingredients while keeping ingredients perceived as unhealthy low in quantity.

- **Premium ready-made meals**

Moreover, the development of new premium quality products is expected to have potential by targeting high income consumers.

- **Shelf stable ready-made meals**

Shelf stable ready-made meals are expected to grow by 18% in value in 2016-2021. Furthermore, the market for these products is not mature and has potential for further development. Innovation regarding convenient consumption can also be expected, facilitated by packaging and portioned formats.

Breakfast Cereal

- **Muesli and Granola**

In the category of breakfast cereals, muesli and granola have the highest potential for growth (projected CAGR of 14% in 2016- 2021). Products with dried fruits and oats are perceived as healthier.

Coconut Products

Coconut products are increasingly popular. This led companies to offer products beyond those already present in the market, such as coconut oil and water. New products introduced are coconut chips. In this category, potential is seen for new brands entering the market to increase availability of the products. Newer products containing coconut such as coconut flour, coconut sugar, can be used as an alternative to refined sweeteners, and other coconut-based products such as ice creams, butters and more.

Creative Condiments

The global trend of new ingredients and condiments is expected to grow in Chile. Products such sauces and dips are increasingly appearing on menus and in stores (i.e. tahini, ghee, date syrup, plum jam with chia seeds, beet salsa).

Alternative Grains

Alternatives to grains such as quinoa, lentils, and chickpeas are increasingly popular as costumers seek substitutes to traditional carbohydrates. Pasta made from alternative grains is expected to have good potential in the Chilean health and wellness market. Vegetable noodles are popular and are expected to increase in consumption.

Value Added Baked Goods

- **Packaged Flat Bread and Pita**

Packaged flat bread is expected to have the strongest growth potential. Consistent with the health trend, packaged bread became more popular during 2016 and experienced a 15% increase in current value growth. It is perceived as healthier and offers portion control and convenience.

- **Wholegrain Bread and Bread with Natural Ingredients**

Bread made of wholegrain flour and varieties of bread that contain seeds and other natural ingredients are increasingly popular.

- **Gluten Free Bread**

Gluten free bread is expected to grow due to the fact that more people are becoming aware of gluten intolerance, resulting in an expanding customer base.

- **“Light” Varieties of Bread**

Light products appeal especially to those customers who seek functional foods.

Non-Alcoholic Drinks

- **Tea Products**

Products based on brewed tea or tea extract are expected to have great potential, especially products that are based on natural ingredients, as well as products with novel flavors. Ready to drink coffee & ready to drink tea are also products with good sales potential.

- **Juices (“Rich in”, Coconut Water, Maqui, Aloe Vera)**

Premium and health-oriented juices are expected to grow over the next years, as this sector is still underdeveloped and has strong potential due to the overarching health trend. Furthermore, given the 1,058% increase since 2010 in aloe vera drinks, as well as a 504% increase in coconut drink, there is undoubtedly a strong trend for new, exciting and exotic ingredients in innovative juices, with an increased demand evident Chile. These include juices with natural ingredients and value-added products with health claims (i.e. rich in antioxidants), which are available to the mass market and fulfill the growing demand for natural, but tasteful beverages.

- **Sports and Energy Drinks**

In the soft drink category sports and energy drinks are expected to experience the strongest growth (10.5% CAGR) by 2021.

Alcoholic Drinks

- **Pre-mixed and Convenient Drinks**

Pre-mixes are prepared drinks such as pre-mixed cocktails. They are often spirit based, ready to drink and have alcohol content between 5% and 10%. Such ready to drink alcoholic mixes are increasingly popular. Manufacturers have increased the variety of products they offer in the category of pre-mixed drinks such that in 2016, these products registered fast volume growth.

- **Cider and Sparkling Wine**

Value growth for cider is expected to be 12.2% annually between 2016 and 2021. Together with sparkling wine these categories are expected to expand and to increase their customer base, especially targeting women.

- **Beer**

Beer is the best performing category of alcoholic drinks regarding import volume and value. In 2016, it reached a value of \$2.8 billion, which is expected to rise continuously to \$4.8 billion by 2021, representing a value CAGR of 3.9%.

In 2016, 77.5% of all U.S. imports of alcoholic beverages were beer products (\$57.7 million) and U.S. brands such as Becker, Miller, and Coors are well-known to Chilean consumers. U.S. Beer exports grew by 150% in value Jan - Oct 2017 over 2016 reaching \$110.7 million. Additionally, in 2017 the U.S. became the main supplier of beer to Chile holding a 46% market share and surpassing Mexico, the historically top supplier and which currently has a 30% market share. 97% of the beer is exported

through California, San Francisco, Los Angeles and San Diego.

- **Light Alcoholic Drinks: Sparkling Wine or Lager Brands**

Female consumers especially seek lighter drinks in terms of both alcohol content and calories. Moreover, flavored and tasteful alcoholic trends have good potential. Products in this category include sparkling wine and lager beers.

Pet Food

Retail Value (constant 2017 prices) of pet food has increased by 60.3% over the last 5 years, reaching \$771.7 million in 2017, with positive growth forecasted for the future. This is due to an ongoing change in the perception of animals in Chile. Consumers increasingly see animals as family members and as such are caring better for their animals. These changes are apparent in public places, where restaurants and parks are becoming increasingly open to customers bringing their dogs.

Overall, the number of pet owners increased in the country thus widening the customer group. 94.8% of cat food and 92.4% of dog food is still purchased in stores, whereas internet retailing is still a niche. However, this niche has increased slightly over the past years and has a positive outlook as it offers consumers more variety, premium foods, and ease of delivery.

B. Products Not Present in the Chilean Market in Significant Quantities but That Have Good Sales Potential

In Chile, naturally healthy products are strongly promoted, further emphasizing this trend. Product variety in this niche is expected to increase as naturally healthy products continue to enter the Chilean mass market over the coming years.

Moreover, ready meals are still only a niche regarding value and volume, but lifestyle trends as well as economic forecasts show great potential for these products. In particular, healthy prepared foods with few preservatives, additives and other specialized food ingredients have good sales potential. The target customer for these products is often young people with a work schedule and little time. Moreover, these products are attractive to people living on their own or with little cooking experience.

- **Craft Beer**

Craft beer in Chile accounted for only 1% of the overall segment of beer in 2015, but its popularity is increasing. Starting off amongst beer enthusiasts, the trend is spreading to the middle- and upper-income households in Chile, as well as food service establishments in affluent parts of cities. The leading Chilean craft beer brand is Kross, however, imported beers are very popular in Chile.

Most Chilean craft beer is produced from small independent beer manufacturers, and in 2015 the total number of breweries, including artisanal producers with limited local distribution, was estimated at 240. Local beer festivals and more beer varieties offered in the food service sector reflect that this niche segment is rapidly growing and diversifying. Additionally, flavored beer is expected to have good sales

potential driven by female consumers. Microbreweries offering high-quality products could be acquired by larger players that aim to diversify their product offerings with these brands.

C. Products Not Present in the Chilean Market Because They Face Significant Barriers

Products do not face significant trade barriers to enter the Chilean market. On the contrary, the high number of Free Trade Agreements (26) make it one of the most open economies in which products from all over everywhere in the world are offered. Import tariffs are not considered an import barrier. For specific information on import procedures and requirements please refer to Chile’s [FAIRS GAIN report](#).

Table 7: Best Product Prospects

Product Category	2015 \$ million (constant 2016 prices)	2016 \$ million (constant 2016 prices)	Compound annual growth rate 2012-16	Compound annual growth rate 2016-21
Free-from	23.6	27.3	11.70%	13.10%
Naturally Healthy Packaged Food	374.6	399.1	1.10%	6.00%
Fortified/Functional Packaged Food	811	852.5	6.20%	5.10%
Ready Meals	65.2	70.7	14.30%	8.40%
Breakfast Cereal	197.9	210.8	6%	5.90%

Baked Goods	3,118.30	3,179.90	2.10%	2.60%
Pet Food	650.6	722.8	10.70%	7.40%
Juice	445	503	6.10%	8.20%
RTD Coffee	0.5	0.6	143.90%	10.10%
RTD Tea	20.9	23.3	10.70%	8.60%
Sports & Energy Drinks	348.6	400.8	26.50%	10.50%
Baby Food	229.8	248	8.50%	9.40%

Source: Based on Chilean customs data.

Section V. Post Contact and Further Information

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Washington D.C. 20521/3460

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Office of Agricultural Affairs

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Santiago, Chile

Tel.: (56 2) 2330-3704

Fax.: (56 2) 2330-3203

E-Mail: agsantiago@fas.U.S.da.gov

Websites:

U.S. Department of Agriculture in Santiago Chile: www.U.S.dachile.cl

Foreign Agricultural Service homepage: www.fas.U.S.da.gov

Appendix 1: Tradeshow

Name: Salon Gourmet

Content: The exposition Salon Gourmet Concepcion brings together Chilean producers across product lines.

Date: August, 2018 (annual)

Place: Concepcion, Chile

www.salongourmet.cl

Name: Espacio Food & Service

Content: The most important food industry event in Chile
Date: September, 25-27, 2018 (annual)
Place: Espacio Riesco, Santiago de Chile
www.espaciofoodservice.cl

Name: Feria SURMET
Content: Food Tradeshow in the South of Chile
Date: October 18-20, 2018 (annual)
Place, Concepcion, Chile
www.feriasurmet.cl

Name: Expo Agro Azapa
Content: Agriculture Exposition for the Region Arica and Parinacota
Date: annual
Place: Arica, Chile
www.expoagroazapa.cl

Name: Aquasur
Content: International Trade Show of Aquaculture
Date: October 2018 (biennial)
Place: Puerto Montt, Chile
<http://www.aqua-sur.cl/>

Name: Echinuco
Content: Chilean Cuisine Trade Show
Date: TBC (annual)
Place: Santiago, Chile
www.echinuco.cl

Name: PMA Fresh Connections
Content: Fresh Produce Industry Trade Show
Date: TBC (annual)
Place: Santiago, Chile
www.pma.com/events/fresh-connections-chile

Name: Fipach
Content: International Bakery Industry Tradeshow
Date: TBC (annual)
Place: Centro de Eventos, Estacion Mapocho, Santiago de Chile
<http://fipach.cl/index.html>

Name: IFT-AGRO
Content: Chile's National Farm Technology Show
Date: 9 -11 May 2018
Place: Talca, Chile

www.ift-agro.cl

Name: Expocorma

Content: International Trade Fair for Forestry, Pulp and Paper

Date: biennial

Place: Concepción, Chile

www.expocorma.cl

Name: Vinos y Valles

Content: Trade Show for National Wine Production

Date: TBC (annually)

Place: Chicureo, Chile

www.vinosyvalles.cl