

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Chile**

### **Grain and Feed Annual**

### **Corn and Wheat Annual Report**

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**Report Highlights:**

A lower quality and smaller volume of wheat production is expected, which in turn means increased imports. But corn imports are expected to fall as production will increase more than previously estimated during the present marketing year.

**Executive Summary:**

A smaller and lower quality harvest is expected for wheat. As a result the industry expects an increase in imports when compared to the previous year. For corn, a larger than forecasted planted area, means output will exceed our previous estimates and imports are expected to fall accordingly.

**Commodities:**

Wheat

**Production:**

Wheat is politically Chile's most important annual crop. There are an estimated 46,000 producers, of which a little over 550 farmers produce 50 percent of the wheat in Chile. Just over 40,000 are small farmers and are in the so-called subsistence group with little or no alternative crops (production) and 5,000 are medium size producers.

One of the most important factors determining the area of wheat to be planted each year is the previous year's profit. Baring this factor in mind together with the difficulties from last year's marketing year, planted area in MY2011 fell when compared to the previous year. A perspective of higher prices for alternative crops like corn made large producers reduce their plantings significantly. For MY2012, plantings are expected to expand slightly again as prices paid to producers for domestic wheat increased during the present season and economic returns for alternative crops fell.

A smaller than both, last year and our previous estimates, harvest will be obtained in MY2011/2012. The quality of the production was also affected by higher than normal temperatures in most production areas during the growing season and excess rain during the harvesting period had a negative effect on the quality in the main harvesting areas in the Los Rios (Valdivia) and Los Lagos (Osorno) Regions.

**Consumption:**

Total human consumption of wheat has been rather stagnant and in line with population increase during the last few years. The local baker's association reports that Chileans consume an average of close to 80 kilos of bread per capita per year, making them the second largest consumers of bread in Latin America after Mexico. Approximately 25,000 persons are employed in the industry. Domestic feed consumption of wheat has reportedly been expanding the last few years. A fast growing salmon and trout feed industry has become an alternative outlet for some wheat producers' production who have no storage capacity and have to sell their wheat right after harvest.

The milling industry is Chile's main wheat destination. An estimated 85 percent of total wheat supply (domestic production plus imports) is milled for flour. An estimated 80 percent of wheat flour is sold directly and processed by 71 milling facilities nationwide. Industry sources indicate that the Chilean wheat produced is of a lower quality than that required by the bread and pasta industry. It is mainly low in protein and the quality varies a lot.

**Trade:**

The revised import figures for MY2010 is lower than our estimate due to a larger wheat harvest. For MY2011 the imports figure is expected to be larger than the previous year as planting and expected final production figures will be much smaller than previously estimated.

Domestic import decisions are normally driven by price followed by quality, but sometimes price and/or quality take a back seat when a shipload needs to be filled. Under these conditions a higher price may be paid and/or a lower quality accepted for the remaining portion of the shipment. Consequently, although you would expect importers to get wheat from a U.S. supplier when a higher quality product is sought, the supplier in a third country, even with a lower quality product, might get the sale. During 2011 wheat imported from the United States increased again when compared to the previous year. This was mainly due to a fall in production in Argentina, which reduced their availability of wheat for exports.

### Price Band

Wheat and wheat flour imports are subject to surcharges or discounts outlined in the present price band system. The present values for the floor and ceiling prices are USD\$118 f.o.b. and USD\$138 f.o.b. respectively. These prices will remain fixed until Dec 15, 2012. The floor price is being adjusted downward by 2% a year until 2014, when the price band should disappear as it was agreed to in the FTA agreement with the United States. The reference price is a fixed amount in US dollar per ton and it is published six times a year. The reference price is based on an average of the daily price for the 30 days preceding the date of publication. For the first semester the relevant market is FOB at Argentinean port and for the second semester it is soft red winter wheat #2, FOB Gulf of Mexico. The reference price is determined based on the date of entry of the goods. For wheat flour imports, an additional 56% is applied to the values set under the wheat price band.

### Production, Supply and Demand Data Statistics:

Wheat Chile	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Dec 2010		Market Year Begin: Dec 2011		Market Year Begin: Dec 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	272	271	280	245		250
Beginning Stocks	209	209	357	268		307
Production	1,576	1,576	1,620	1,349		1,400
MY Imports	837	633	1,000	840		740
TY Imports	703	656	1,000	980		800
TY Imp. from U.S.	365	417	0	500		500
Total Supply	2,622	2,418	2,977	2,457		2,447
MY Exports	15	0	15	0		0
TY Exports	7	0	15	0		0
Feed and Residual	150	150	250	150		150
FSI Consumption	2,100	2,000	2,250	2,000		2,000
Total Consumption	2,250	2,150	2,500	2,150		2,150
Ending Stocks	357	268	462	307		297
Total Distribution	2,622	2,418	2,977	2,457		2,447

1000 HA, 1000 MT, MT/HA

### Import Trade Matrix

<b>Country</b>	Chile		
<b>Commodity</b>	Wheat		
Time Period	Jan-Dec	Units:	M.T.
Imports for:	2010		2011
U.S.	471961	U.S.	416539
Others	Others		
Canada	142298	Canada	163792
Argentina	18897	Argentina	75193
Netherlands	879	Italy	95
Italy	53		0
Total for Others	162127		239080
Others not Listed	1360		158
Grand Total	635448		655777

### Commodities:

Corn

### Production:

The decision on whether or not to plant a crop is based on the expected return and this in turn depends on several factors, some of which the farmer cannot influence. The most important element is last growing season's profit. Other factors are the costs of production, yields and the expected prices of the product, weather and alternative crops possibilities are also important considerations for a large number of producers. For MY2012, as a result of the rising corn prices and good economic results obtained during the previous marketing year a larger planted area resulted and a bumper crop is expected.

Total planted area and production for MY2013 is expected to fall as producers are facing an unfair competition with low priced imports of broken grain corn from Argentina. During CY2011 imports of broken grain corn increased 62 percent when compared with the previous year and increased 200 percent during the first two months of 2012 when compared with imports during the same period of 2011. Additionally, imports of corn substitutes, like sorghum and balanced animal feed used in the chicken and pork industry have also increased significantly during CY2011. Argentina has been the largest supplier of corn for the last 5 years.

The significant increase in imports of broken grain corn from Argentina is the result of a recently implemented policy by the Argentinean Government that has artificially lowered the price of corn, which is 41 percent lower than the international reference value, see Voluntary Report CI1213 submitted. Chile's Farm Bureau is requesting the GOC to impose a surtax for corn and chicken imports from Argentina to avoid an estimated loss of over US\$100 million for corn producers.

### Consumption:

Consumption and Trade

Corn consumption, which until 2007 grew at the same rate as the increase in production of poultry and pigs, started to fall from 2008 on, mainly due to an increase in alternative feed. This decline in apparent consumption of corn has no effect on domestic production. However, its effect is significant on corn imports which have fallen from 1.7 to .7 million tons, a decline of over 50 percent. As production of poultry and pigs, which are the main consumers of corn in Chile, has kept growing, consumption of corn by these industries is being replaced by alternative feed mainly due to the high corn prices in the domestic market. Imports and consumption of sorghum explains part of the substitution. These increased from 131 thousand MT in 2007 to 636 thousand MT in 2011. Sorghum is imported also mainly from Argentina. Balanced feed and broken corn imports have followed a similar pattern in the same period of time.

Within the international suppliers of corn in 2011 Argentina contributes 52 percent of imports as it continues to have cost/quality advantages. A large percentage comes in trucks that are loaded directly at farms and driven across the border to the consumer's (in Chile) storage facilities, thus avoiding the unloading and loading of ships at the port and reducing total transportation costs. Paraguay has become the other major supplier of corn to Chile. During CY2011 there were no imports from the United States. A similar situation is expected for CY2012.

**Production, Supply and Demand Data Statistics:**

Corn Chile	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Mar 2011		Market Year Begin: Mar 2012		Market Year Begin: Mar 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	120	120	136	140		130
Beginning Stocks	151	151	264	257		275
Production	1,438	1,440	1,562	1,568		1,495
MY Imports	650	666	650	550		550
TY Imports	526	666	800	550		550
TY Imp. from U.S.	1	0	0	0		0
Total Supply	2,239	2,257	2,476	2,375		2,320
MY Exports	75	0	75	0		0
TY Exports	49	0	75	0		0
Feed and Residual	1,600	1,700	1,900	1,800		1,800
FSI Consumption	300	300	300	300		300
Total Consumption	1,900	2,000	2,200	2,100		2,100
Ending Stocks	264	257	201	275		220
Total Distribution	2,239	2,257	2,476	2,375		2,320

1000 HA, 1000 MT, MT/HA

**Import Trade Matrix**

Country Chile  
 Commodity Corn

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Time Period	Jan-Dec	Units:	M.T.
Imports for:	2010		<b>2011</b>
U.S.	26,167	U.S.	-
Others		Others	
Argentina	362,217	Argentina	348,204
Paraguay	207,893	Paraguay	317,662
Peru	168	Peru	145
Total for Others	570,278		666,011
Others not Listed	33		5
Grand Total	596,478		666,016