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Chile

Grain and Feed Annual

Wheat and Corn Annual Report

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Report Highlights:
In MY 2014/15, a larger harvest area was realized for Chilean wheat over the previous marketing year (MY). In the outer year, MY 2015/16 the wheat plantings and production are expected to fall back to historical levels. As result, Chile's wheat industry expects slightly larger volumes of imports when compared to previous MY, in order to meet its domestic consumption needs.

Post estimates a larger production of corn, as a result of a larger planted area when compared to previous MY. As a result imports are expected to decline. For the outer year MY 2015/16 a fall in the planted area is expected as domestic prices have fallen and production costs have been increasing due to a devaluation of the peso.

Commodities:

Wheat

Production:

Wheat is Chile's most politically important crop. There are an estimated 46,000 producers of wheat in Chile, of which 87 percent plant less than 50 hectares of wheat and produce just 22 percent of the total output. It is estimated that over 40,000 of Chile's small farmers are at the subsistence level with little or no alternative crop production. While nearly 550 farmers produce 50 percent of Chile's overall wheat production and around 5,000 are considered the medium size producers.

One of the most important factors in determining the area of wheat to be planted each year is the previous year's market prices, followed by weather conditions and prices and demand for alternative crops like barley and oats.

Chile's total wheat planted area increased in MY 2014/15 when compared to the previous MY in spite of falling wheat prices, mainly because a large number of farmers who plant wheat also plant oats and barley. These producers had numerous problems with contracts for these grains planted (barley and oats) during the MY2013/14 production season, thus they decided to plant wheat. Additionally, winter and spring wheat also enjoyed favorable weather during the MY 2014/15 planting season. Our figure in the PS&D for the planted area in MY2014/15 is the official figure given by the Ministry of Agriculture, which is lower than the USDA official figure. In addition, the production estimates noted in the PS&D for MY2014/15 are also the Ministry of Agriculture's (MOA) figure, which post believes are sound estimates, as the MOA has already taken a preliminary survey of farmers production levels.

Based on post discussions with industry contacts, current predictions show that planted area for wheat in MY2015/16 is expected to be smaller than the previous year as producers have the alternative of other grains again, as they resolved with the industry the contracts signed every year. The industry promised to honor contracts for the alternative crops and domestic prices for those alternative crops are expected to be higher this year.

Consumption:

Total human consumption of wheat has been rather stagnant and in line with population growth during the last few years. According to the local bakery association, FECHIPAN, Chileans consume an average 80 kilos of bread per capita per year, making them the second largest consumers of bread in Latin-America next to Mexico. Approximately 25,000 persons are employed by the milling and bakery industry.

The milling industry is Chile's main wheat destination. An estimated 85 percent of Chile's total wheat supply (domestic production plus imports) is milled for flour. An estimated 80 percent of wheat flour is sold directly and produced by 71 milling facilities nationwide.

Trade:

Post revised the import figure for MY2013/14 down to 764 KMT, which is significantly lower than the previous MY when 928 KMT was reported. The 764 KMT figure is an actual final official import figure provided by the Ministry of Agriculture (MOA). For MY2014/15 imports are expected to be slightly larger than the previous MY in spite of a slightly larger expected output. Industry sources report that the nominal increases in imports are because the government and private sector would like to increase their stock levels slightly.

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.

Canadian exports of durum wheat positively competed with U.S. wheat in CY 2014, thus there were no U.S. wheat export to Chile during that period. At the same time, Argentine wheat exports to Chile dropped in 2014 due to an export ban imposed by its government.

Production, Supply and Demand Data Statistics:

Wheat	2013/2014		2014/2015		2015/2016	
Market Begin Year	Dec 2013		Dec 2014		Dec 2015	
Chile	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	255	255	270	263	0	255
Beginning Stocks	262	262	108	184	0	199
Production	1,360	1,358	1,620	1,430	0	1,360
MY Imports	770	764	900	800	0	850
TY Imports	841	750	900	750	0	800
TY Imp. from U.S.	536	519	0	500	0	500
Total Supply	2,392	2,384	2,628	2,414	0	2,409
MY Exports	9	0	10	0	0	0
TY Exports	12	0	10	0	0	0
Feed and Residual	125	100	150	100	0	100
FSI Consumption	2,150	2,100	2,175	2,115	0	2,125
Total Consumption	2,275	2,200	2,325	2,215	0	2,225
Ending Stocks	108	184	293	199	0	184
Total Distribution	2,392	2,384	2,628	2,414	0	2,409
1000 HA, 1000 MT, MT/HA						

Source: Ministry of Agriculture, National Institute of Statistics, Producers, Traders, Millers.

Import Trade Matrix

Country Chile

Commodity Wheat

Time Period	Jan-Dec	Units:	M.T.
Imports for:	2013		**2014**
U.S.	703,450	U.S.	316,630
Others		Others	
Canada	191,171	Canada	457,915
Argentina	40,582	Argentina	6,971
Uruguay	4,199	Paraguay	84
Peru	6	Mexico	23
	0	Peru	5
	0		0
Total for Others	235,958		464,998
Others not Listed	0		0
Grand Total	939,408		781,628

Source: Ministry of Agriculture

Commodities:

Corn

Production:

Corn is the second most important annual crop next to wheat in Chile. Chile's corn-belt extends from Rancagua (Region V) to Los Angeles (Region VIII). Most corn producers are considered small scale subsistence farms, as only 10 percent of them plant areas over 30 hectares (ha) of corn each year. Most of these "large producers'" plant the same fields year after year and obtain yields as high as 16 metric tons (MT) per ha. Chile's average yield for corn production tends to exceed 13 MT per hectare, which is considered one of the highest in the world for a country's annual average yield. Most corn is planted under flood irrigation.

Farmers base their crop decisions on expected profits that depend on many factors that they cannot influence. Such factors include yields, domestic and international prices, weather and alternative crops, which are especially important for a large scale. Additionally prices and imports of substitutes for corn like sorghum and balanced animal feed used in the chicken and pork industry have also an important role in supply and demand of corn in Chile.

According to the last figures released by the Ministry of Agriculture (MOA) the total planted area and production estimates for MY2014/15 increased when compared to the previous year, because farmers who normally planted corn for seeds planted commercial corn as the demand for seeds fell drastically worldwide during CY 2014. In addition, seed suppliers report that high corn seed stocks in the United States have caused them to drastically reduce production and exports. Moreover, due to attractive prices paid for domestic corn in CY 2014 farmers increased the planted area for commercial corn, which offset the reduction in the planted area for corn seeds that year.

For the outer year, MY2015/16 plantings of commercial corn are expected to fall as prices paid for the present harvest have been lower than what was initially expected by producers. Corn farmers told FAS that the increasing costs of production due to a devaluation of the peso have increased their expenditures for energy, fertilizer and transportation. As a result, some farmers are looking at alternative crops like fresh fruits as a possibility for their future planting, to take advantage of higher profits paid for that product. However the transition costs associated with converting a traditional corn farm to an orchard is tremendous. Thus, the likelihood is uncertain, as it would take a financial investment, as well as time to convert and generate a product suitable for export.

Consumption:

Consumption and Trade

Corn is the most important ingredient for animal feed ingredients in Chile, which is used primarily for the poultry and pork industries. Significant volumes of yellow corn is imported for animal feed as farmers only produce an equivalent of less than 50 percent of total consumption every year. In the past, consumption of corn has grown more or less at the same rate as the increase in production of poultry and pork. But it started to fall some years ago, mainly due to an increase in the use of alternative feeds. Alternative feed is imported if there is a significant difference in import costs of products like sorghum, broken kernel corn and balanced feed as was indicated by industry sources. Sorghum is imported mainly from Argentina. At present the price of corn is competitive to sorghum and alternative feeds available, thus farmers are using corn for feed at this time.

Consumption of corn is expected to remain the same as the biggest consumer, the poultry and pork industries have no plans in the short term to increase production. Post met with the largest pork

and poultry producer in Chile who said that overall production level of the industry are near capacity and no new projects exist for expanding. As an example, in the case of pork production, the largest Chilean producer recently closed a production site, as they fell into unresolvable environmental problems. The closing of that operation cost them millions of dollars in losses during last year. Both, pork and poultry industry have been reluctant to expand and develop new projects as environmentalists are becoming more powerful and are opposing such expansions. In addition, the Chilean Government has strict guidelines to enforce and regulate the sizes of these and other similar industries.

Pork and poultry meat per capita consumption are already high in Chile. Over 37 kilo grams (kgs) of poultry and 27 kgs of pork are consumed per capita each year.

In MY2014/15, as a result of an expected increase in production due to anticipated increases in planted area, imports are expected to be smaller than the previous marketing year. For MY2015/16 as production is expected to be significantly smaller, larger imports are expected to maintain Chile's consumption needs, as no increases in demand, in the short term, are expected from the pork and poultry industries, who are the major consumers of corn in Chile.

Within the international suppliers of corn in CY2014, Paraguay was the leading supplier again with 63 percent of imports, replacing Argentina which was the main supplier for a long time.

Production, Supply and Demand Data Statistics:

Corn	2013/2014		2014/2015		2015/2016	
Market Begin Year	Mar 2013		Mar 2014		Mar 2015	
Chile	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	117	117	130	125	0	115
Beginning Stocks	320	320	306	379	0	336
Production	1,186	1,186	1,400	1,262	0	1,160
MY Imports	1,500	1,571	1,300	1,350	0	1,500
TY Imports	1,456	1,453	1,300	1,100	0	1,000
TY Imp. from U.S.	222	13	0	50	0	100
Total Supply	3,006	3,077	3,006	2,991	0	2,996
MY Exports	75	73	100	30	0	30
TY Exports	74	74	100	30	0	30
Feed and Residual	2,300	2,300	2,300	2,300	0	2,300
FSI Consumption	325	325	325	325	0	325
Total Consumption	2,625	2,625	2,625	2,625	0	2,625
Ending Stocks	306	379	281	336	0	341
Total Distribution	3,006	3,077	3,006	2,991	0	2,996
1000 HA, 1000 MT, MT/HA						

Source: Ministry of Agriculture, National Institute of Statistics, Farmer, Traders

Import Trade Matrix

Country	Chile		
Commodity	Corn		
Time Period	Jan-Dec	Units:	M.T.
Imports for:	2013		**2014**
U.S.	141	U.S.	13,015
Others		Others	
Paraguay	751,973	Paraguay	884,593
Argentina	257,093	Argentina	511,241
Brazil	74,958	Bolivia	1,354

Bolivia	8,548	Peru	109
Peru	158	Colombia	20
Total of Others	1,092,730		1,397,317
Others not Listed	31		-
Grand Total	1,092,902		1,410,332

Source: Ministry of Agriculture