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Report Name: Grain and Feed Annual

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Post: Santiago

Report Category: Grain and Feed

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Report Highlights:

In marketing year (MY) 2023/24, Post forecasts wheat area harvested will reach 215,000 hectares (ha) and production will total 1.32 million metric tons (MMT), unchanged from MY 2022/23 as production was limited by the high costs of inputs. Post estimates wheat imports to increase by 4.0 percent to cover consumption needs. In MY 2023/24, Post forecasts 632,000 MT of corn production, a 6.2 percent increase from MY 2022/23 due to high corn price pushing up area planted. Corn consumption will reach 2.92 MMT, a 1.7 percent increase over MY 2022/23 on higher demand for corn from the Chilean pork and poultry industries.

Commodities: Wheat

Table 1: Production, Supply and Demand Data Statistics

Wheat	2021/2022		2022/2023		2023/2024	
Market Year Begins	Dec 2021		Dec 2022		Dec 2023	
Chile	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	188	188	205	215	0	215
Beginning Stocks (1000 MT)	300	300	152	103	0	53
Production (1000 MT)	1107	1107	1250	1320	0	1320
MY Imports (1000 MT)	1350	1301	1500	1250	0	1300
TY Imports (1000 MT)	1350	1350	1500	1300	0	1500
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	300
Total Supply (1000 MT)	2757	2708	2902	2673	0	2673
MY Exports (1000 MT)	5	5	10	10	0	10
TY Exports (1000 MT)	5	5	10	10	0	10
Feed and Residual (1000 MT)	250	250	250	250	0	250
FSI Consumption (1000 MT)	2350	2350	2450	2360	0	2365
Total Consumption (1000 MT)	2600	2600	2700	2610	0	2615
Ending Stocks (1000 MT)	152	103	192	53	0	48
Total Distribution (1000 MT)	2757	2708	2902	2673	0	2673
Yield (MT/HA)	5.8883	5.8883	6.0976	6.1395	0	6.1395

(1000 HA) ,(1000 MT) ,(MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Wheat begins in July for all countries. TY 2023/2024 = July 2023 - June 2024

Source: Post estimates

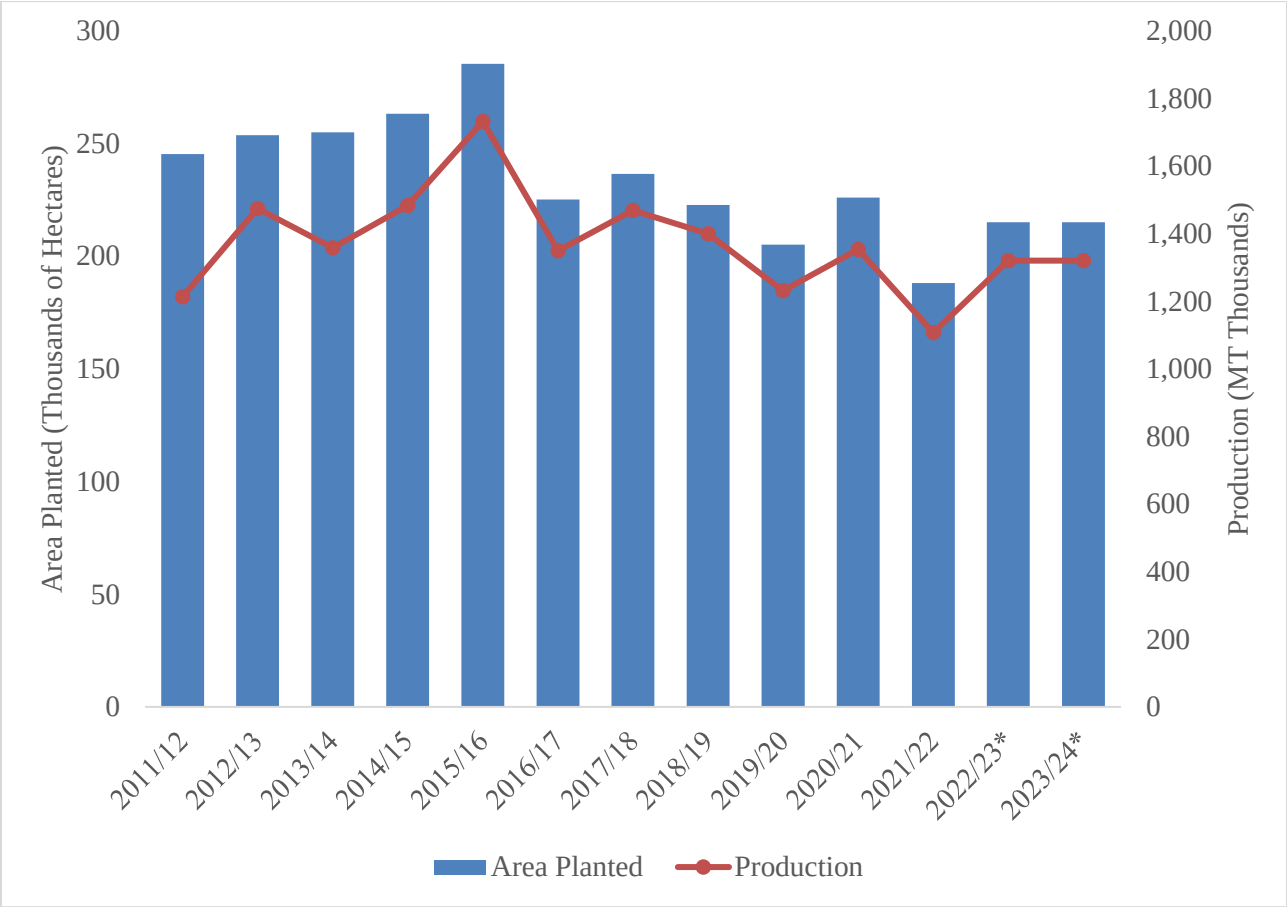
Note: Import volumes in wheat grain equivalent

Production:

In MY 2023/24, Post forecasts that wheat area harvested will total 215,000 hectares (ha), unchanged from MY 2022/23. In MY 2022/23, area harvested increased by 14.4 percent due to high wheat prices (Figure 1). There is no indication of wheat prices decreasing in the short term. However, the expectation of high wheat prices in MY 2023/24 is offset by the high cost of inputs, such as fertilizers, which will limit the potential increase of area harvested. Additionally, internal conflict in the *Araucanía* region, the top wheat producing region in Chile, constrains the potential increase in area harvested.

In MY 2023/24, Post assumes climatic conditions will remain unchanged from MY 2022/23; drought will still be a structural problem in most productive regions in Chile. As a result, Post estimates average wheat yields at 6.14 MT per hectare and production at 1.32 million metric tons (MMT), unchanged from MY 2022/23 (Figure 1).

Figure 1: Wheat Area Harvested (Thousands of Hectares) and Production (MT Thousands)



Source: Based on Instituto Nacional de Estadísticas (INE) and ODEPA

*: Post estimates

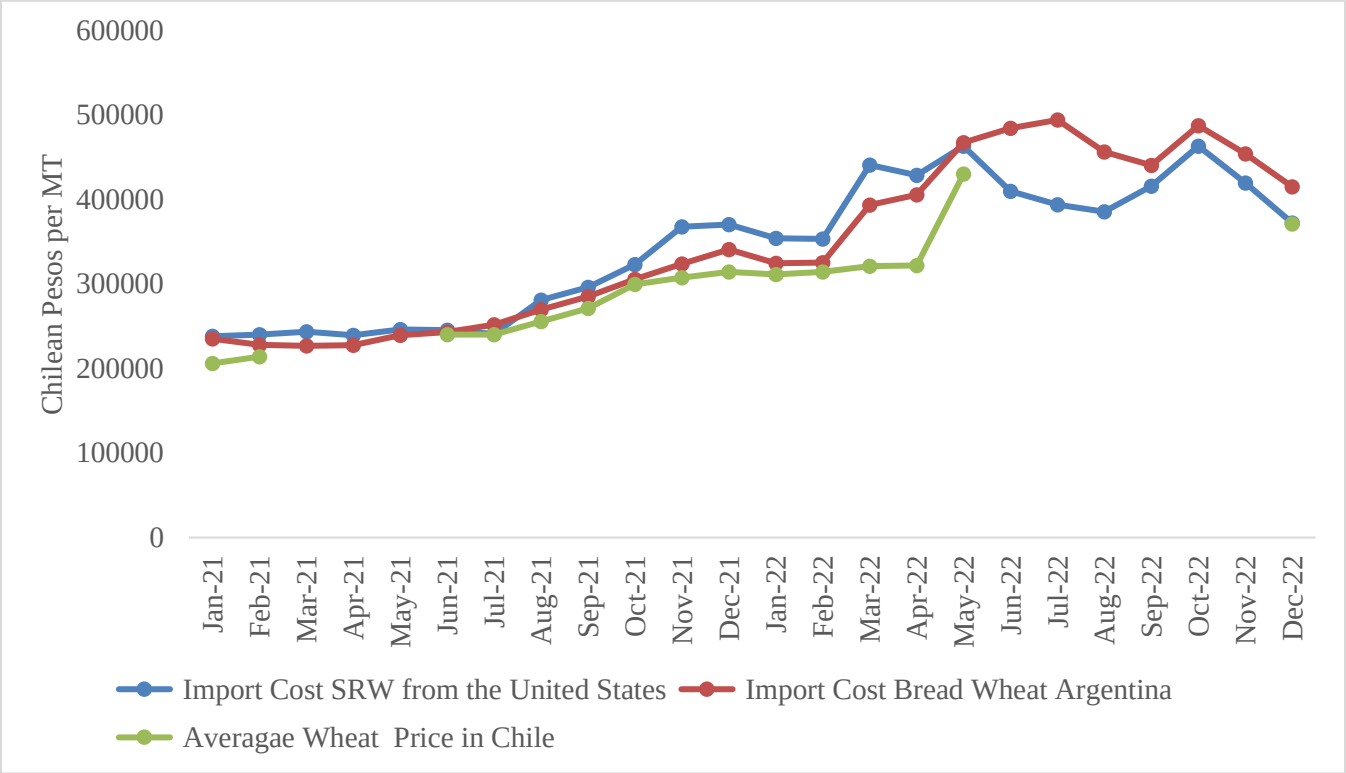
Prices:

Domestic prices are governed by the cost of importing wheat from the United States, Argentina, and Canada, which are the top three suppliers of wheat to Chile. Figure 2 shows the average wheat price in Chile and the cost of importing wheat from the United States and Argentina. The average wheat price in Chile increased from $257 per MT in January 2021 to $538 per MT in May 2022, as global prices increased. In December 2022 wheat price in Chile averaged $464 per MT.

International wheat price initially increased as a response to the lower supply form Ukraine; however, lower global supplies continue to keep international wheat prices high despite the re-opening of the Ukrainian market. In MY 2023/24, as a response to high international prices, Post expects Chilean average wheat price to remain relatively high.

Additionally, the depreciation of the Chilean peso against the U.S. dollar pushed Chilean wheat prices up in nominal terms. There was a rapid depreciation between April 2021 and October 2022, moving the Chilean peso from CLP$ 708 per U.S. dollar to CLP$ 956 per U.S. dollar (Figure 3). The effect of the currency fluctuation in this period can be observed in an increase of average wheat prices between April 2021 and May 2022 (Figure 2). In the longer term, the exchange rate slid from CLP$ 606 per U.S. dollar in January 2018 to CLP$ 798 per U.S. dollar in February 2023. The Chilean peso is expected remain stable in MY 2023/24.

Figure 2: Wheat Average Price in Chile by Month and Alternative Import Cost (CLP/MT)

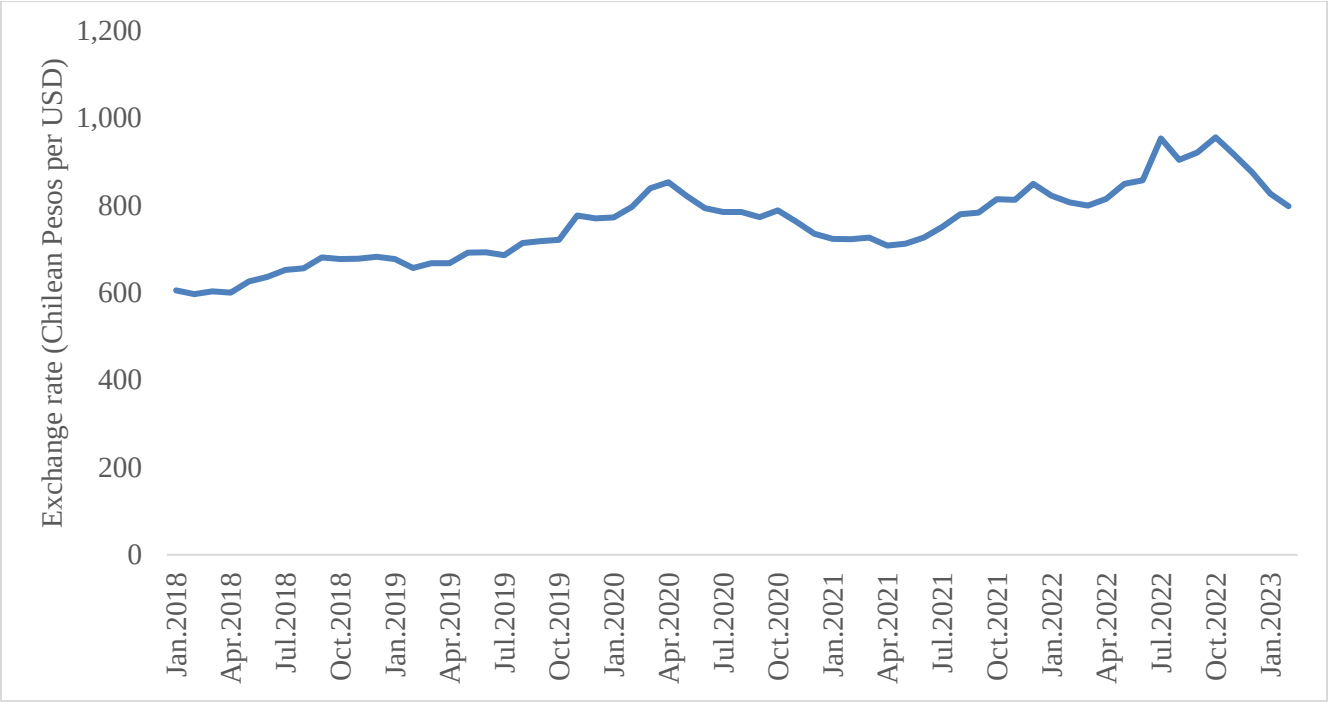


Source: Based on data from ODEPA, 2023

One of the immediate effects of the increase in wheat price was the increase in the bread price. However, bread demand is inelastic, and demand did not respond to the price increases in any meaningful way.

The private company Cotrisa (*Comercializadora de Trigo S.A.*) monitors prices and import costs of wheat. For further details on Chilean wheat price data see Cotrisa's website.

Figure 3: Exchange Rate by Month (Chilean Pesos per USD)



Source: Chilean Central Bank, 2023

Trade:

Chile is a net importer of wheat since domestic production does not cover the consumption needs. For MY 2023/24, due to lower initial stocks, Post estimates wheat imports to increase by 4.0 percent over MY 2022/23 to cover consumption needs. MY 2023/24 imports will total 1.30 million metric tons.

In the first two months of MY 2022/23, imports decreased by 11.1 percent totaling 196,446 metric tons (Table 2). The main source for Chilean wheat imports is Argentina, followed by Canada and the United States. Argentina positioned itself as the main supplier of wheat to Chile, due to its competitive price and proximity. The import cost from Argentina remained competitive against U.S. wheat from January 2021 until June 2022, when average U.S. wheat import cost decreased below the import cost from Argentina (Figure 2). As a result, imports of U.S. wheat increased by 43.1 percent in MY 2021/22 and more than 800 percent in MY 2022/23 (Table 2).

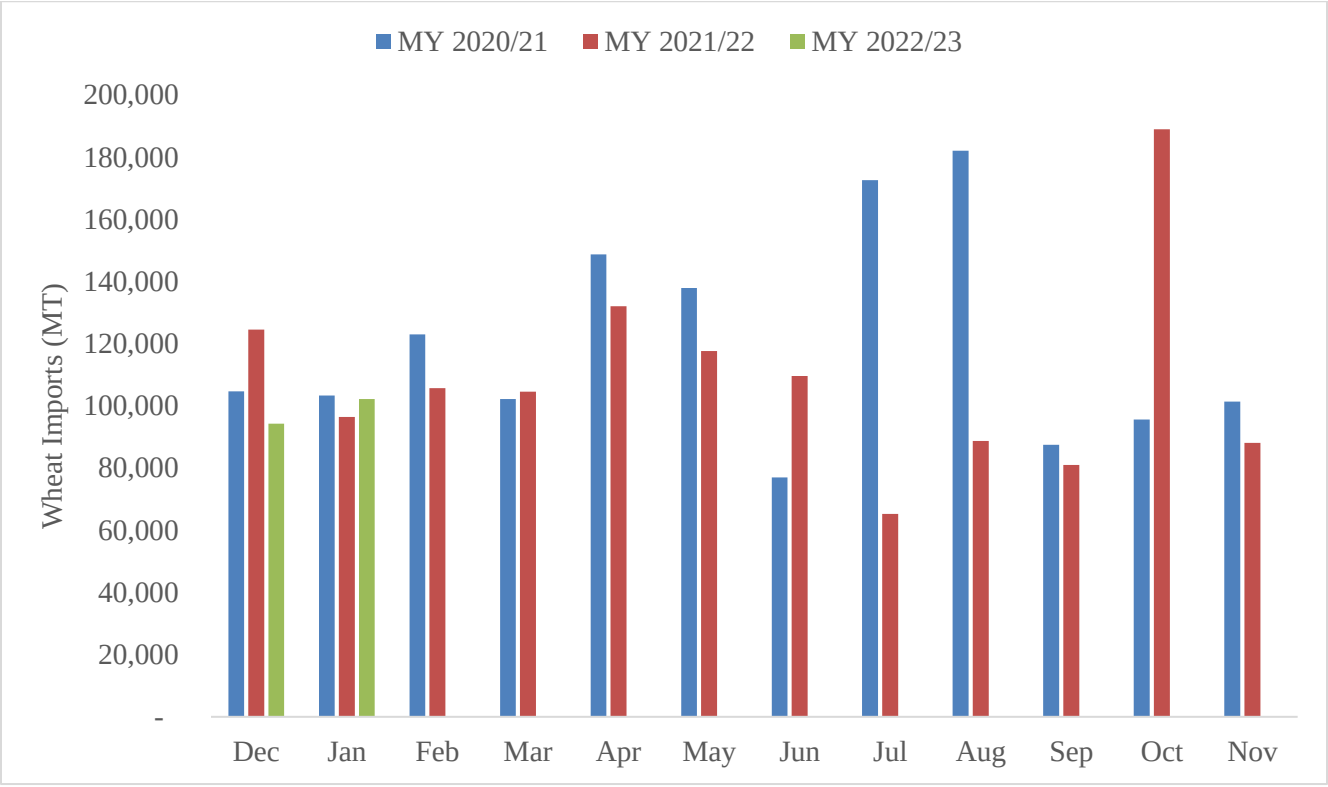
Table 2: Wheat Import Volume (MT) by Country of Origin

Partner Country	Marketing Year			Year to Date		
	2020/21 (MT)	2021/22 (MT)	Variation (%)	Dec 21 - Jan 22 (MT)	Dec 22 - Jan 23 (MT)	Variation (%)
The World	1,436,021	1,302,672	-9.29%	220,941	196,446	-11.09%
Argentina	858,433	617,985	-28.01%	109,142	103,371	-5.29%
Canada	320,821	323,588	0.86%	97,418	62,306	-36.04%
United States	161,583	231,219	43.10%	2,653	24,273	814.93%
Uruguay	36,306	43,606	20.11%	3	1	-66.67%
Others	58,878	86,274	46.53%	11,725	6,495	-44.61%

Source: Trade Data Monitor, LLC

*For details of conversion factors see Appendix I

Figure 4: Wheat Import Volume (MT) by Month



Source: Trade Data Monitor, LLC

*For details of conversion factors see Appendix I

Consumption:

In MY 2023/24, consumption is projected to reach 2.615 MMT, almost unchanged from the 2.610 MMT of consumption in MY 2022/23. Post does not foresee an increase in consumption due to high levels of inflation, which reached 12 percent in calendar year 2022 putting downward pressure on consumption growth. However, bread is considered a staple food, thus Post does not expect large reductions in consumption.

In MY 2023/24 Post estimates that Chile's Food, Seed, and Industrial (FSI) will reach 2.365 MMT, almost unchanged from MY 2022/23 when it reached 2.360 million metric tons. This use of wheat makes up 90.4 percent of total wheat consumption. In MY 2023/24, Post forecasts a steady feed consumption of 250,000 MT which represents the remaining 10.6 percent of the wheat consumption, and its mainly destined for the salmon farming industry.

Stocks:

In MY 2023/24, Post forecasts stocks to decrease by 9.4 percent to 48,000 metric tons. Post estimates assume that high wheat prices will drive producers to pull from stocks to cover for consumption.

Policy:

Post reports no policy changes since last year's report.

Commodities:

Corn

Table 3: Production, Supply and Demand Data Statistics

Corn	2021/2022		2022/2023		2023/2024	
Market Year Begins	Mar 2022		Mar 2023		Mar 2024	
Chile	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	55	55	60	51	0	55
Beginning Stocks (1000 MT)	143	143	161	124	0	128
Production (1000 MT)	608	608	660	595	0	632
MY Imports (1000 MT)	2400	2263	2200	2300	0	2250
TY Imports (1000 MT)	2497	2497	2200	2200	0	2300
TY Imp. from U.S. (1000 MT)	0	200	0	190	0	200
Total Supply (1000 MT)	3151	3014	3021	3019	0	3010
MY Exports (1000 MT)	20	20	21	21	0	20
TY Exports (1000 MT)	21	21	20	20	0	21
Feed and Residual (1000 MT)	2650	2550	2550	2550	0	2600
FSI Consumption (1000 MT)	320	320	320	320	0	320
Total Consumption (1000 MT)	2970	2870	2870	2870	0	2920
Ending Stocks (1000 MT)	161	124	130	128	0	70
Total Distribution (1000 MT)	3151	3014	3021	3019	0	3010
Yield (MT/HA)	11.0545	11.0545	11	11.6667	0	11.4909
(1000 HA) ,(1000 MT) ,(MT/HA) MY = Marketing Year, begins with the month listed at the top of each column TY = Trade Year, which for Corn begins in October for all countries. TY 2023/2024 = October 2023 - September 2024						

Source: Post estimates

Production:

In MY 2023/24, Post forecasts 632,000 MT of corn production, a 6.2 percent increase from MY 2022/23 due to higher harvested area (Table 3). Post estimates yields will decrease from 11.7 MT per ha to 11.5 MT per ha due to persistent drought.

In MY 2023/24, due to a high domestic corn price, area harvested is expected to increase by 7.8 percent totaling 55,000 hectares (Figure 5). However, the increase in area planted remains limited by the high cost of inputs, such as fertilizers, which are mostly imported. In MY 2022/23, high input costs were the main reason why area harvested decreased to 51,000 ha despite high domestic corn prices.

Figure 5: Corn Area Harvested (Thousands of Hectares) and Production (MT Thousands)

Source: Based on Instituto Nacional de Estadísticas (INE) and ODEPA

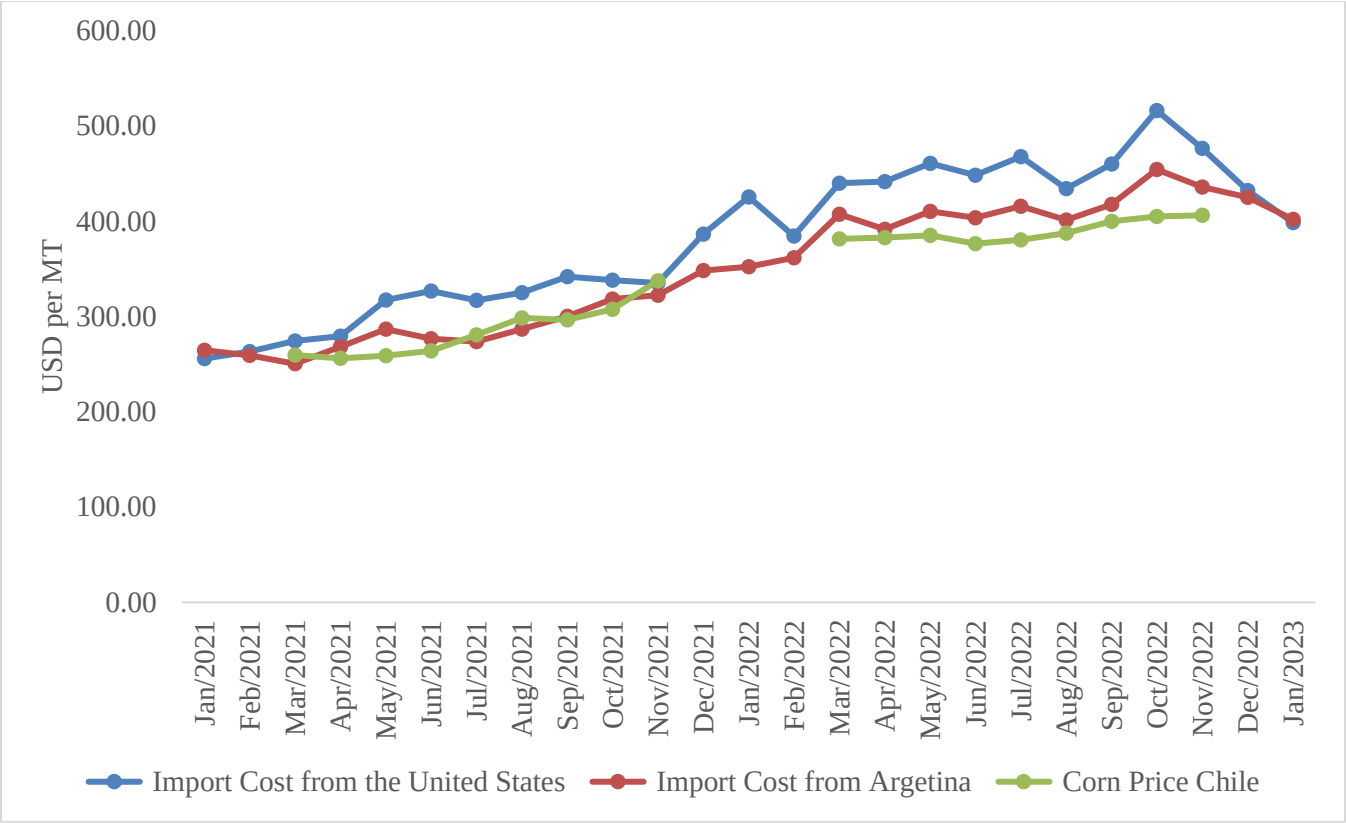
*: Post estimates

Prices:

Figure 6 shows the average corn price in Chile and the corn import cost indicator for Argentina and the United States. Domestic corn price, as well as import costs, increased consistently between January 2021 to October 2022. The increase in the cost of importing is attributed to the rise in international corn prices during that period and to an increase in freight costs. However, in the recent months the imported corn cost decreased in line with international prices and a decrease in freight costs.

The cost of importing corn from the United States increased from $387 per MT in December 2021 to a peak of $516 per MT in October 2022. It then decreased to $399 per MT in January 2023. Similarly, imported corn from Argentina went from a $348 per MT in December 2021 to $454 per MT in October 2022, then decreased to $402 per MT in January 2023.

Figure 6: Corn Price and Import Cost Indicator (USD per MT)



Source: Based on data from ODEPA, 2023

*Exchange rate: 1 dollar = 800 Chilean pesos

Trade:

In MY 2023/24, Post projects imports to decrease by 2.2 percent and total 2.25 MMT due to higher Chilean production. Chile imports corn from the United States, Argentina, Bolivia, and Paraguay to cover for consumption. Domestic consumption is mainly feed for the pork and poultry industries.

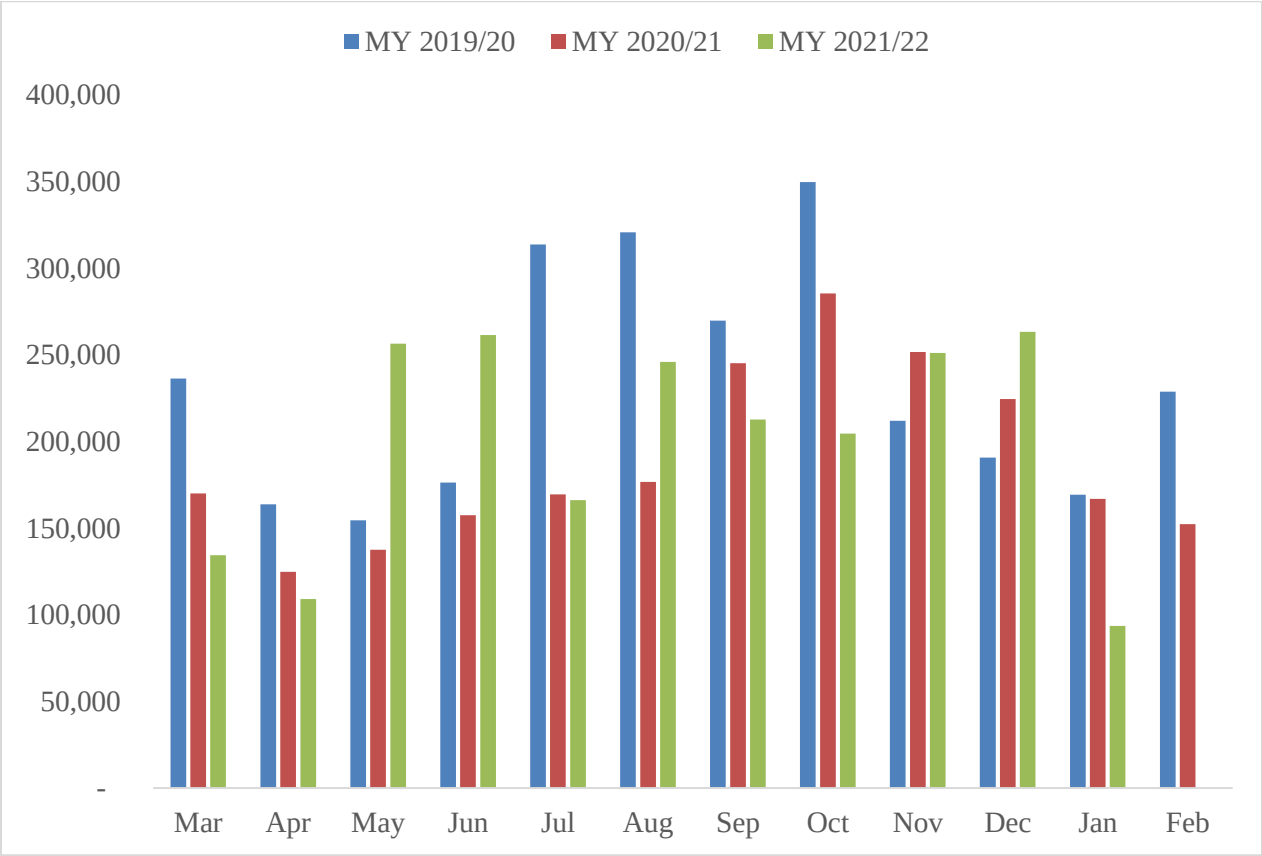
In MY 2021/22, Chilean imports of corn increased by 4.19 percent in from MY 2020/21 (data until January 2023). Argentina was the main supplier of corn in MY 2021/22 with 61.8 percent market share followed by Paraguay with a 37.4 percent market share (Table 4). Argentina remains very competitive in term of corn prices and has the proximity advantage over other competitors, which became a critical factor due to the increase in transport costs observed in MY 2021/22.

Table 4: Corn Import Volume by Country (Metric Tons)

Partner Country	Marketing year			Year to Date		
	Mar 2020 – Feb 2021	Mar 2021 – Feb 2022	Variation (%)	March 21 - Jan 22	March 22 - Jan 23	Variation (%)
The World	2,785,727	2,262,395	-18.79%	2,110,055	2,198,488	4.19%
Argentina	2,160,877	2,129,160	-1.47%	1,977,577	1,359,332	-31.26%
United States	274,090	106,551	-61.13%	106,489	864	-99.19%
Bolivia	24	17,459	72645.83 %	16,799	966	-94.25%
Paraguay	348,947	7,668	-97.80%	7,668	821,971	10619.50 %
Uruguay	156	0	-100.00%	0	14,451	-
Others	562	768	36.65%	733	611	-16.64%

Source: Trade Data Monitor, LLC

Figure 6: Corn Import Volume by Month (Metric Tons)



Source: Trade Data Monitor, LLC

Consumption:

In MY 2023/24, Post forecasts feed and residual consumption will increase by 2.0 percent over MY 2022/23 and total 2.6 MMT due to a higher demand for feed from the pork and poultry industries. Animal feed constitutes around 90 percent of the Chilean corn consumption in Chile. The remaining 10 percent corresponds to food and seed production.

In MY 2021/22, domestic demand for pork and poultry decreased due to lower disposable income, high inflation, and a slowdown in the Chilean economy. Post estimates demand for pork and poultry to recover by MY 2023/24, thus demanding more corn for feed. FSI consumption will remain flat at 320,000 metric tons. Total consumption will reach 2.92 MMT, a 1.7 percent increase over MY 2022/23.

Stocks:

In MY 2023/24, Post projects Chilean corn stocks will decrease by 54.7 percent to 70,000 metric tons. Higher consumption from the pork and poultry industry will pull from stocks as transport cost and international prices decrease, and thus there will be no need to hold stocks.

Policy:

Post reports no policy changes since last year's report.

Appendix I

Table 5: Conversion factors to wheat grain equivalent

HS code	Description	Conversion factor to wheat grain equivalent
1001	Wheat and Meslin	1.000
190219	Pasta, Uncooked, Not Stuffed Etc., Nesoi	1.368
1101	Wheat or Meslin Flour	1.368
190230	Pasta, Prepared Nesoi	1.368
190240	Couscous	1.368

Source: FAS

Attachments:

No Attachments