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Report Name: Grain and Feed Annual

Country: Chile

Post: Santiago

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Report Highlights:

For marketing year (MY) 2022/23, Post forecasts wheat area harvested will increase by 5.3 percent and production will total 1.44 million metric tons (MMT) as a response to high wheat prices. Post estimates MY2022/23 wheat imports to decrease to 1.45 MMT due to higher domestic production, higher wheat price, and a strong U.S. dollar. For MY2022/23, Post forecasts 830,000 metric tons (MT) of corn production, a 2.5 percent increase over MY2021/22. Corn area harvested will total 74,000 hectares (ha) and yields will decrease slightly due to persistent droughts. Total consumption will reach 3.17 MMT and imports are projected to remain flat at 2.350 MMT to cover for poultry and pork feed consumption.

Commodities: Wheat

Table 1: Production, Supply and Distribution

Wheat Market Year Begins Chile	2020/2021		2021/2022		2022/2023	
	Dec 2020		Dec 2021		Dec 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	226	226	230	228	0	240
Beginning Stocks (1000 MT)	276	276	297	297	0	260
Production (1000 MT)	1354	1354	1450	1368	0	1440
MY Imports (1000 MT)	1474	1474	1600	1500	0	1450
TY Imports (1000 MT)	1560	1560	1600	1550	0	1400
TY Imp. from U.S. (1000 MT)	315	315	0	300	0	280
Total Supply (1000 MT)	3104	3104	3347	3165	0	3150
MY Exports (1000 MT)	7	7	15	15	0	0
TY Exports (1000 MT)	8	8	15	15	0	0
Feed and Residual (1000 MT)	300	300	350	290	0	280
FSI Consumption (1000 MT)	2500	2500	2600	2600	0	2640
Total Consumption (1000 MT)	2800	2800	2950	2890	0	2920
Ending Stocks (1000 MT)	297	297	382	260	0	230
Total Distribution (1000 MT)	3104	3104	3347	3165	0	3150
Yield (MT/HA)	5.9912	5.9912	6.3043	6	0	6

(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 2022/2023 = July 2022 - June 2023

Source: Post estimates

Note: Import values in wheat grain equivalent

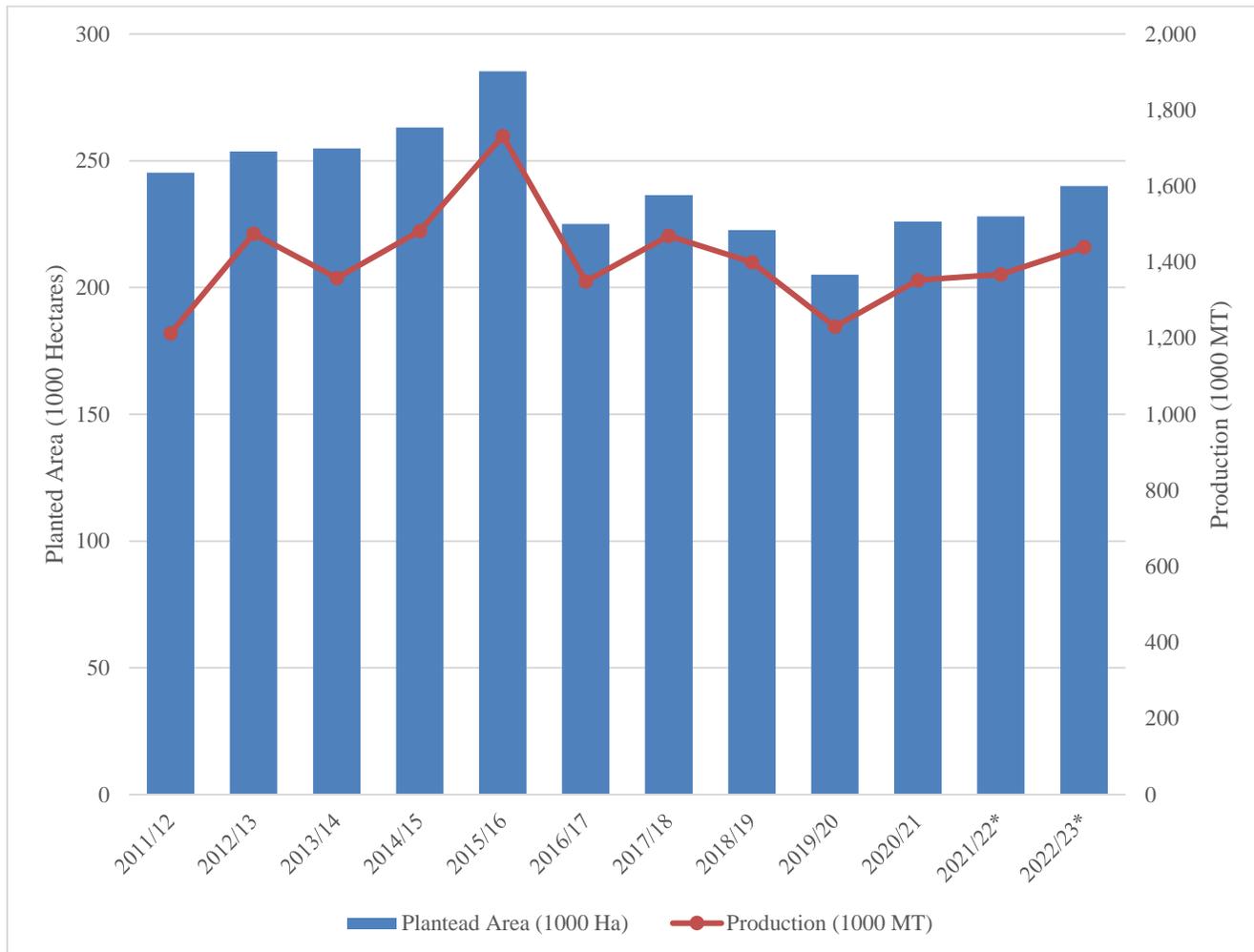
Production:

For MY2022/23, due to high wheat prices, Post estimates that wheat area harvested will total 240,000 hectares, which represents a 5.3 percent increase over MY2021/22. Wheat producers will make their planting decisions in the upcoming months and, according to Post sources, given the current global supply and demand situation, high wheat prices are unlikely to change in the short term. Post estimates area harvested at 240,000 hectares (See Table 1).

Wheat yields depend on the region harvested. Wheat yields in the *Metropolitana* region in the central part of the country are around 5.0 MT per hectare. In *Los Lagos* region, in the southern part of the country, yields can reach 8.0 MT per hectare. A major difference between these regions is that in *Los Lagos* region there is a higher abundance of water due to higher precipitation during the winter, while the *Metropolitana* region relies heavily on irrigation for agricultural production. However, Chile has been going through a period of droughts for the past 10 years, which has reduced water availability for agricultural production throughout the country. This situation is likely to continue in MY2022/23, keeping general water availability levels unchanged in the main production area around *Araucanía* region. As a result, average yields are estimated to remain flat at 6.0 MT per hectare, similar to MY2021/22 levels.

As a result of the increase in production and steady yield, for MY2022/23, Post estimates production at 1,440 MMT, which represents a 5.3 percent increase over MY2021/22 (See Figure 1).

Figure 1: Wheat Planted Area and Production (Ha and MT in 1000s)



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

Prices:

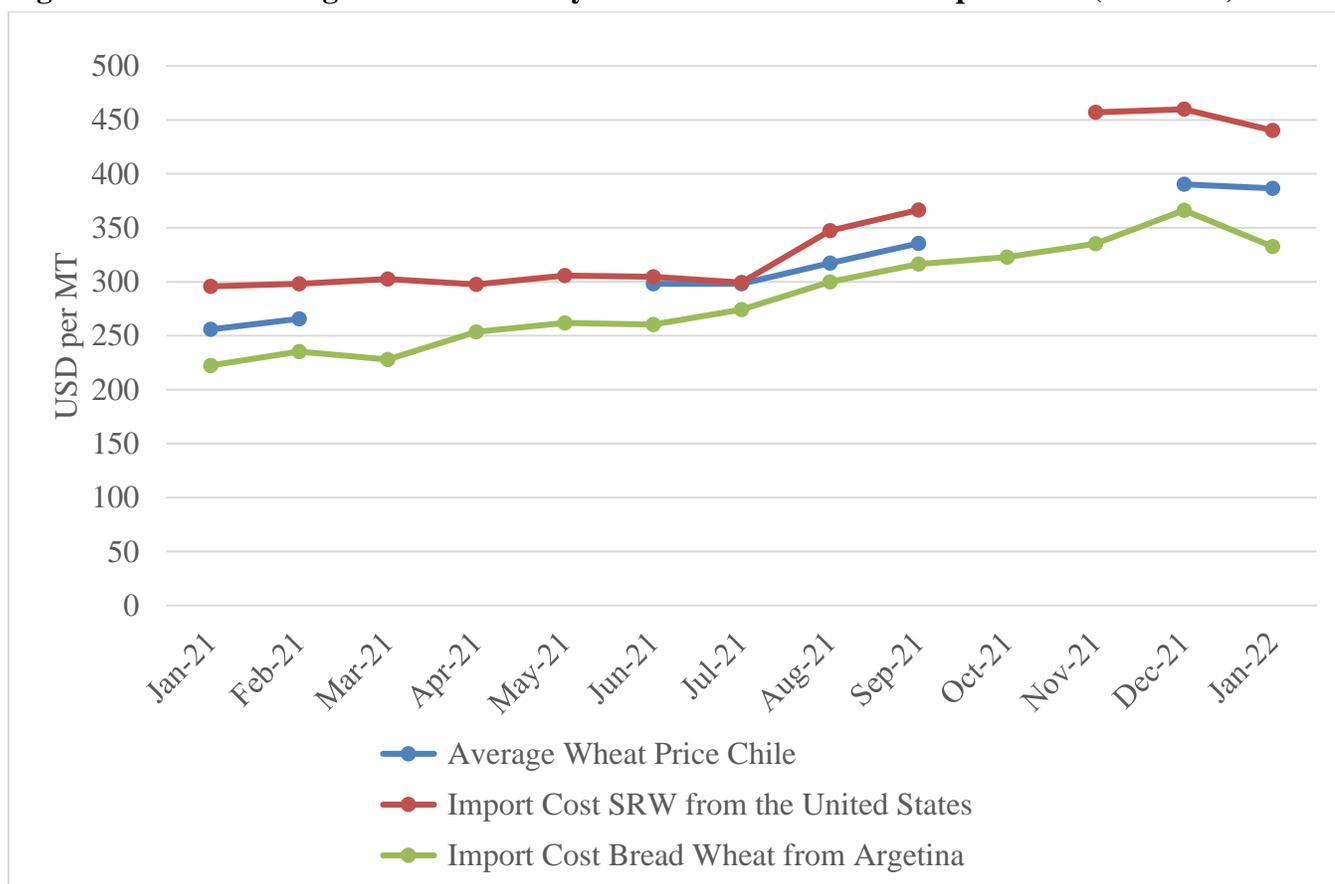
The average wheat price in Chile increased from \$256 per metric ton in January 2021 to \$387 per ton in May 2021 (See Figure 2). Throughout MY2021/22, the cost of importing wheat from Argentina remained competitive against the cost of importing U.S. wheat and the price of domestic wheat. More recently, international price increased as a response to the forecast of lower supplies from Ukraine. According to Post sources, this will continue in MY2022/23, pushing the domestic wheat price up.

Additionally, the strengthening of the U.S. dollar also pushed prices up in the Chilean market. The U.S. dollar value increased from CLP \$730 per dollar in January 2021 to CLP\$ 805 per dollar in January 2022.

An increase in the price of bread is the immediate response to high wheat prices. However, because bread is considered a staple of first necessity, the demand for bread does not decrease directly with higher bread prices. High purchasing power will allow many Chilean consumers to absorb higher prices without changing consumption patterns.

The private company Cotrisa (*Comercializadora de Trigo S.A.*) monitors prices and imports costs of wheat. Cotrisa has a purchasing program for small wheat producers. Moreover, Cotrisa seeks to support small producers by increasing transparency in price information and by certifying the quality of their products. For further details in Chilean wheat price data see [Cotrisa’s website](#).

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



Source: based in data from ODEPA, 2022
 *Exchange rate: 1 dollar = 805 Chilean pesos

Trade:

For MY2022/23, Post estimates wheat imports to decrease to 1.45 MMT as a response to the higher domestic production, higher international price, and a strong U.S. dollar. This represents a 3.3 percent decrease over the 1.5 MMT wheat imports estimated for MY2021/22.

Chile is a net importer of wheat since domestic production does not cover the consumption needs. In the first two months of MY2021/22, imports increased by 6.2 percent totaling 220,941 MT (See Table 2). The bulk of Chilean wheat imports happen between May and August when domestic supply is low. The main source for Chilean wheat imports in MY2020/21 was Argentina, followed by Canada and the United States. In MY2020/21, Argentina positioned itself as the main supplier of wheat to Chile, due to its competitive price and proximity. Wheat from the United States competes with Canadian wheat, due to its quality and types, which offers the possibility to produce different kinds of bread and other products such as pasta and cookies.

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

Partner Country	Marketing Year			Year to Date		
	2019/20 (MT)	2020/21 (MT)	Variation (%)	Dec 20 - Jan 21 (MT)	Dec 21 - Jan 22 (MT)	Variation (%)
The World	1,264,616	1,436,021	13.6%	207,999	220,941	6.2%
Argentina	382,694	858,433	124.3%	93,556	109,142	16.7%
Canada	417,687	320,821	-23.2%	63,102	97,418	54.4%
United States	349,841	161,583	-53.8%	39,259	2,653	-93.2%
Peru	28,963	15,370	-46.9%	2,355	2,238	-5.0%
Others	85,431	79,814	-6.6%	9,727	9,490	-2.4%

Source: Trade Data Monitor, LLC

*For details of conversion factors see appendix

Consumption:

For MY2022/23, consumption is projected to reach 2.920 MMT an average of one percent annual growth, following population growth rate in Chile. According to the Chilean National Statistics Institute (INE), 2022 population in Chile totals 19,826,535 and will grow at an average of 0.76 percent for the next five years.

Mills process wheat to produce bread, cookies, and pasta. Mills mix different types of wheat and from different sources (domestic and imported) to produce different products. Mills are always testing for different types of wheat and improving the mix to optimize their business process and the quality of

their products. Some pasta and cookie companies also import and process wheat themselves for production. In MY2022/23 Post estimates that Chile's food, seed and industrial (FSI) consumption will reach 2.64 MMT, a 1.5 percent increase over MY2021/22. This use of wheat makes up 90.4 percent of total Chilean wheat consumption.

For MY2022/23, Post forecasts a decrease in feed consumption to 280,000 MT due to higher wheat prices. Feed consumption of wheat is destined for the salmon farming industry and represents the remaining 10.6 percent of Chilean wheat consumption.

In December 2021, U.S. Wheat Associates [inaugurated an analytical wheat laboratory](#) serving customers in Chile (see Figure 3). The lab includes a test flour mill, wheat and flour analysis instruments, and bread ovens. The lab was built jointly with Universidad Mayor in Santiago and is used for research and educational purposes. The lab helps understand better ways to use U.S. wheat flours and to develop local expertise in bread making.

Stocks:

For MY2022/23, Post forecasts stocks to decrease to 230,000 MT assuming tight international markets, high prices, and no major changes in domestic storage capacity. Importers and traders already adapted their operations to manage the logistical difficulties that the COVID-19 pandemic created, such as delays, increased freight costs and increased shipping times. The international supply constraints scenario will present a new difficulty for wheat importers, thus pushing a decrease in stocks.

Policy:

Post reports no policy changes [since last year's report](#).

Figure 3: U.S. Wheat Laboratory Inauguration

	<p>Inauguration ceremony of the U.S. Wheat analytical laboratory Santiago, Chile. This lab is the results of a joint effort from USDA-FAS, U.S. Wheat Associates, and Universidad Mayor.</p>
	<p>Equipment used in the U.S. Wheat analytical laboratory in Universidad Mayor, Santiago, Chile.</p>
	<p>Examples of different bread types made in the analytical laboratory using different flour mixes from U.S. wheat.</p>

Source: FAS

Commodities:

Corn

Table 3: Production, Supply and Distribution

Corn Market Year Begins Chile	2020/2021		2021/2022		2022/2023	
	Mar 2021		Mar 2022		Mar 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	67	67	65	71	0	74
Beginning Stocks (1000 MT)	136	136	180	180	0	150
Production (1000 MT)	794	794	690	810	0	830
MY Imports (1000 MT)	2400	2400	2700	2350	0	2350
TY Imports (1000 MT)	2333	2333	2700	2400	0	2450
TY Imp. from U.S. (1000 MT)	228	228	0	200	0	190
Total Supply (1000 MT)	3330	3330	3570	3340	0	3330
MY Exports (1000 MT)	30	30	20	20	0	20
TY Exports (1000 MT)	29	29	20	20	0	20
Feed and Residual (1000 MT)	2800	2800	3100	2850	0	2850
FSI Consumption (1000 MT)	320	320	320	320	0	320
Total Consumption (1000 MT)	3120	3120	3420	3170	0	3170
Ending Stocks (1000 MT)	180	180	130	150	0	140
Total Distribution (1000 MT)	3330	3330	3570	3340	0	3330
Yield (MT/HA)	11.8507	11.8507	10.6154	11.4085	0	11.2162

(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 2022/2023 = October 2022 - September 2023

Source: Post estimates

Production:

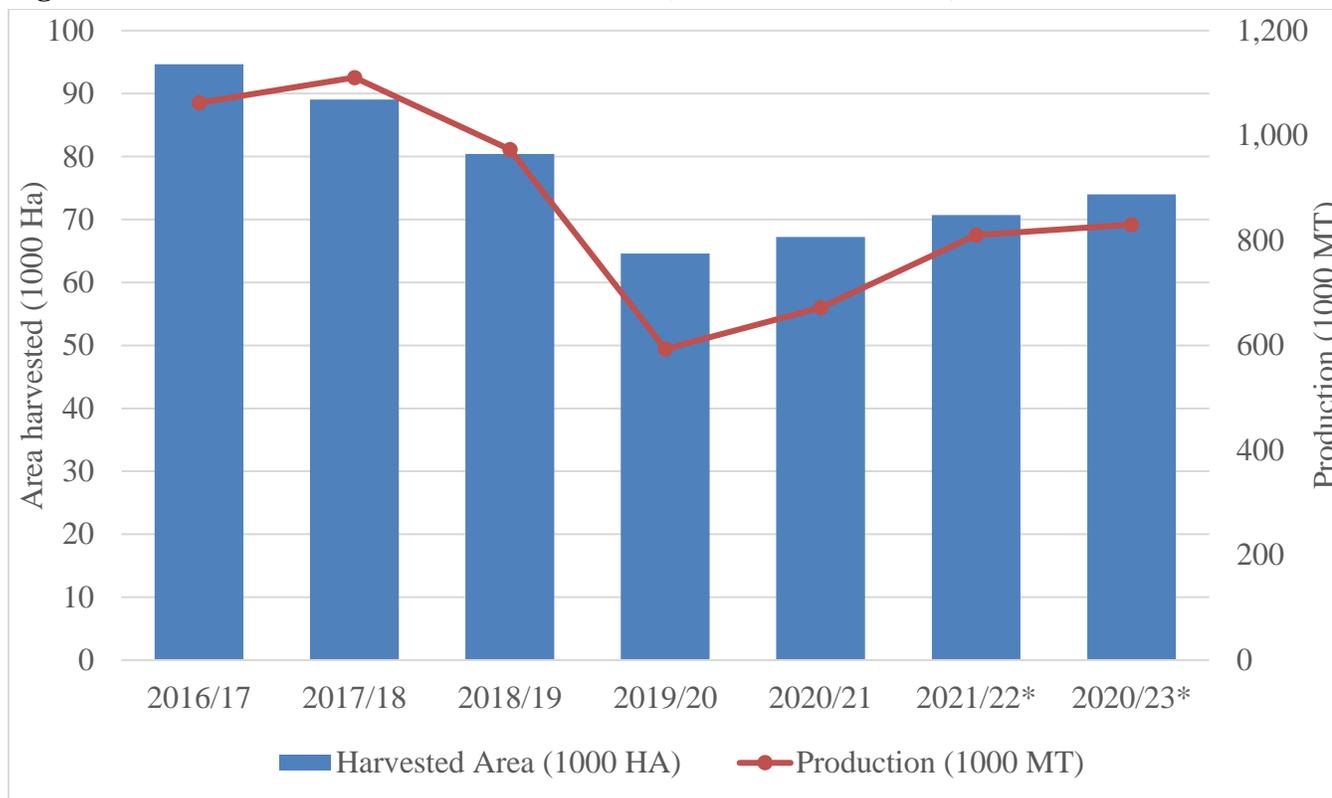
For MY2022/23, Post forecasts 830,000 MT of corn production, a 2.5 percent increase from MY2021/22. Area harvested will total 74,000 ha, but yields are expected to be slightly lower due to the persistent droughts that have impacted Chile for the past decade (See Table 3).

In MY2022/23, due to a rise in domestic corn price, area harvested is expected to increase by 4.2 percent totaling 74,000 hectares (See Figure 3). Area harvested is not expected to increase drastically because some of the area that was historically used for corn production has been replaced with fruit orchards.

Post projects MY2022/23 average corn yield at 11.2 MT per hectare, a 1.8 percent decrease over MY2021/22 due to the persistent drought that affects the corn production area which ranges from the *Metropolitana* to the *Biobío* region. Average corn yield in the *Metropolitana* region, in the central part of the country, is around 8.8 MT per hectare, while in the southern part yields can reach up to 13.0 MT per hectare due to higher water availability from precipitation. For the past two marketing years,

drought was particularly severe in the *O'Higgins* and *Maule* regions, which together hold 63 percent of the Chilean corn planted area.

Figure 4: Corn Area Harvested and Production (Ha and MT in 1000s)



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

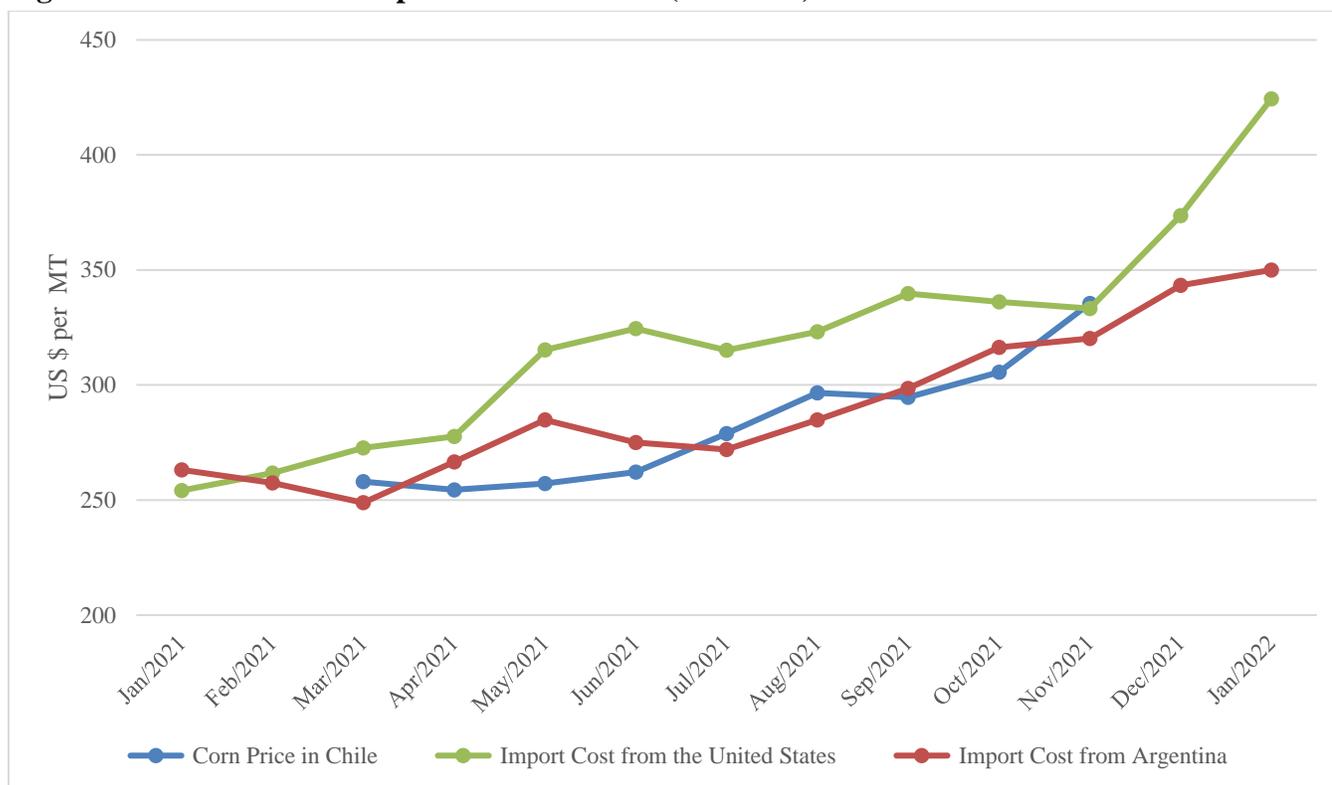
* Post estimates

Prices:

Figure 5 shows the average corn price in Chile and the corn import costs for Argentina and the United States. Domestic corn prices increased significantly between October and November 2021 following international corn prices and seasonality.

The cost of importing corn from the United States and Argentina also increased significantly in December 2021 and January 2022. The cost of importing corn from the United States increased from \$254 per metric ton in January 2021 to \$424 per ton in January 2022. Similarly, importing corn from Argentina went from a \$263 per MT in January 2021 to \$350 per MT in January 2022. The increase in the cost of importing is attributed to the rise in international prices of corn and to a rapid increase in freight costs. In this case, Argentina holds an advantage over U.S. corn due to its proximity to the Chilean market.

Figure 5: Corn Price and Import Cost Indicator (USD/MT)



Source: Based in data from ODEPA, 2022
Exchange rate: 1 USD = 805 Chilean pesos

Trade:

For MY2022/23 Post projects imports to remain flat at 2.35 MMT to cover domestic consumption, which is mainly for pork and poultry feed. Despite domestic corn production increasing by 2.5 percent, domestic production alone will not be enough to cover the demand from pork and poultry producers.

Chile imports corn from the United States, Argentina, Bolivia, and Paraguay. The Chilean pork, poultry and salmon industries also demand corn gluten meal which is sourced mainly from the United States.

Chilean imports of corn decreased by 17.5 percent in MY2021/22 over MY2020/21 (data until January). Argentina remains the main supplier of corn in MY2021/22 with 93.7 percent market share (See Table 4). Argentina remains very competitive in term of corn prices and has the proximity advantage, which became more critical due to the increase in transport costs observed in MY2021/22.

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

Partner Country	Marketing year			Year to Date		
	Mar 2019 – Feb 2020	Mar 2020 – Feb 2021	Variation (%)	March 20 - Jan 21	March 21 - Jan 22	Variation (%)
The World	2,302,727	2,786,622	21.0%	2,557,883	2,111,008	-17.5%
Argentina	2,012,771	2,160,938	7.4%	2,101,865	1,977,697	-5.9%
United States	1,334	274,303	20462.4%	154,176	106,752	-30.8%
Bolivia	1,035	24	-97.7%	24	16,799	69895.8%
Paraguay	227,726	348,947	53.2%	299,727	7,668	-97.4%
Brazil	25,317	969	-96.2%	761	533	-30.0%
Peru	480	591	23.1%	480	769	60.2%
France	163	205	25.8%	205	203	-1.0%
Others	33,901	645	-98.1%	645	587	-9.0%

Source: Trade Data Monitor, LLC

Consumption:

Due to limited pork and poultry production and high corn prices, Post forecasts feed and residual consumption for MY2022/23 will remain flat at 2.85 MMT. Food, seed, and industrial consumption will reach 320,000 MT, and total consumption will reach 3.17 MMT.

Pork and poultry production capacity has increased year to year due to efficiency in the use of feed and productivity improvements. There are no new facilities constructed or planned. Animal feed constitutes 90 percent of the Chilean corn consumption in Chile. The remaining 10 percent corresponds to food and seed production.

Stocks:

Post estimates Chilean corn stocks will decrease by 16.7 percent to 150,000 MT in MY2021/22 and by 6.7 percent in MY2022/23 totaling 140,000. The decrease in stocks is a response to the increase in corn price, the increase in cost of transport, and the steady demand for feed from the poultry and pork production sectors.

Policy:

Post reports no policy changes [since last year's report](#).

Appendix

Table 5: Conversion factors to wheat grain equivalent

HS code	Description	Conversion factor to wheat grain equivalent
1001	Wheat grain	1.000
1101	Wheat Flour	1.368
190219	Uncooked pasta	1.368
190230	Other pasta	1.368
190240	Couscous	1.368
190430	Bulgur	1.368

Source: FAS reporting instructions

Attachments:

No Attachments