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Chile

Grain and Feed Annual

2019

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Report Highlights:

Post estimates Chilean wheat production in MY2018/19 to reach 1.51 MMT (million metric tons) considering a three percent increase in harvested area due to producers' expectations of high prices. Domestic consumption will increase by one percent following population growth, and imports will decrease by three percent and total 1.35 MMT.

Post estimates Chilean corn production to decrease by 5.4 percent and reach 1.05 MMT in MY2018/19 while imports will increase by 7.9 percent and reach 2.05 MMT in order to maintain supply of animal feed for poultry and pork production.

Commodities:
Wheat

Production:

Wheat production in Chile ranges from the *O'Higgins* region to *Los Lagos* region. The size of wheat farms vary from region to region. In the central regions of *O'Higgins* and *Maule*, wheat producers are small (in average planted area) compared to the ones in the southern regions.

Land in O'Higgins and Maule regions is also used for fruit and wine production, which requires long-term investment, but has a higher return rate compared to annual crops. In the southern regions of *Biobío, Araucania,* and *Los Lagos*, agricultural production consists mainly of grain (annual) crops, livestock, and forestry production, thus wheat producers have larger farms. There is no official number of the current number of wheat producers in Chile. All official wheat production estimates are based on the Agricultural Census of 2007. The next agricultural census will take place in 2019-2020. This will allow update of official wheat production estimates.

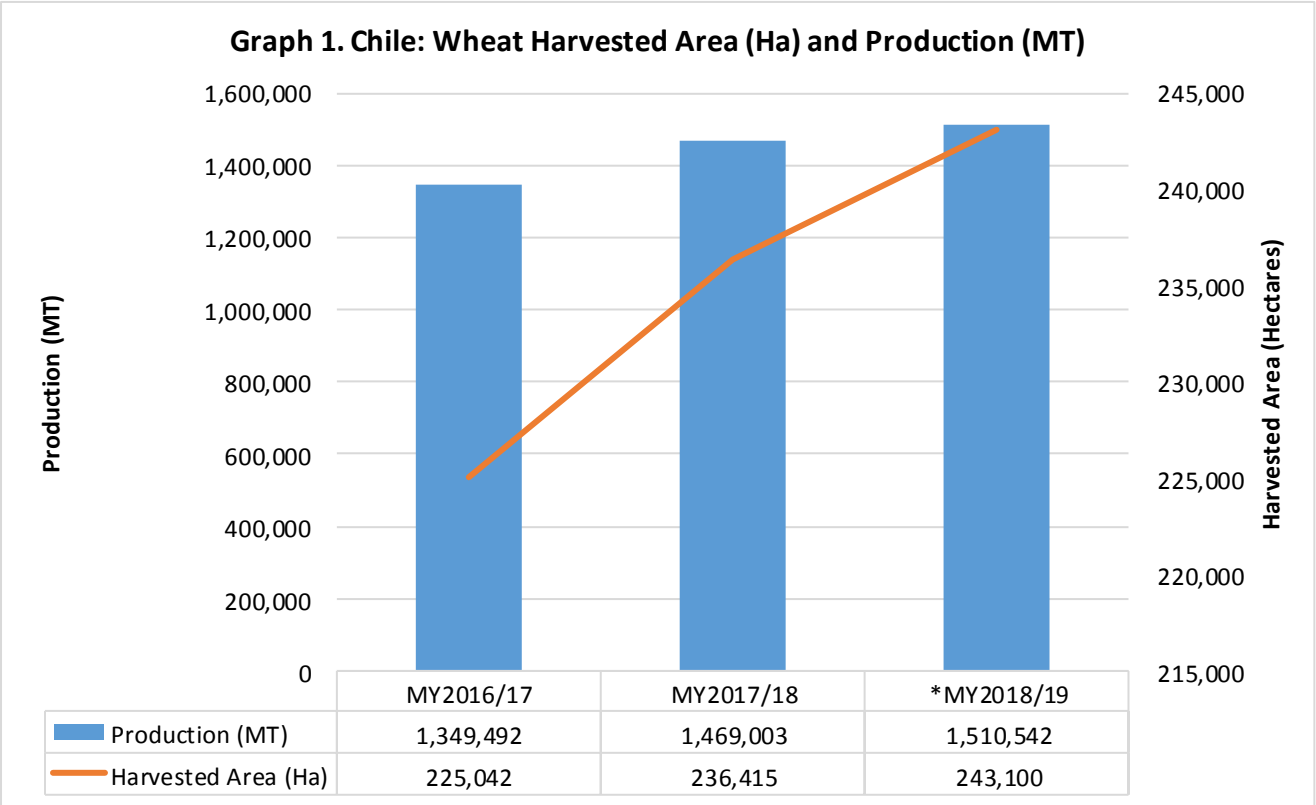
In MY2017/18, wheat production totaled 1.47 MMT, which represents an 8.8 percent increase over MY2016/17 (see Graph 1). This large increase in production was due to an increase in wheat planted area, which totaled 236,415 hectares (ha) and from producers' expectations of higher prices for their crop.

Post estimates wheat production in MY2018/19 to reach 1.51 MMT considering harvested area of 243,100 ha and an average yield of 6.2 MT per ha. There has been no major damage to wheat crops due to unusual weather events or pests, thus Post estimates planted area to be the same as harvested area.

For MY2019/20, Post projects wheat production will increase by 2.6 percent totaling 1.55 MMT due to producers' expectations of higher prices and an increase in the use of plastic bags for storage.

Policy:

The Chilean Minister of Agriculture presides over the Chilean Wheat Commission, formed by public and private actors from the sector, including producers, mills, and other wheat-related institutions. The Chilean Wheat Commission gathers to discuss regulations and areas of collaboration. The Chilean government has a free trade policy and does not buy any wheat, unless it is to correct market failures or price distortions. The private company Cotrisa (Comercializadora de Trigo S.A.) monitors prices and imports costs of wheat. If the price paid to a Chilean producer is lower than the one paid for imported wheat, Cotrisa will buy up to 30 MT of wheat from small producers under its wheat-purchasing program.



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

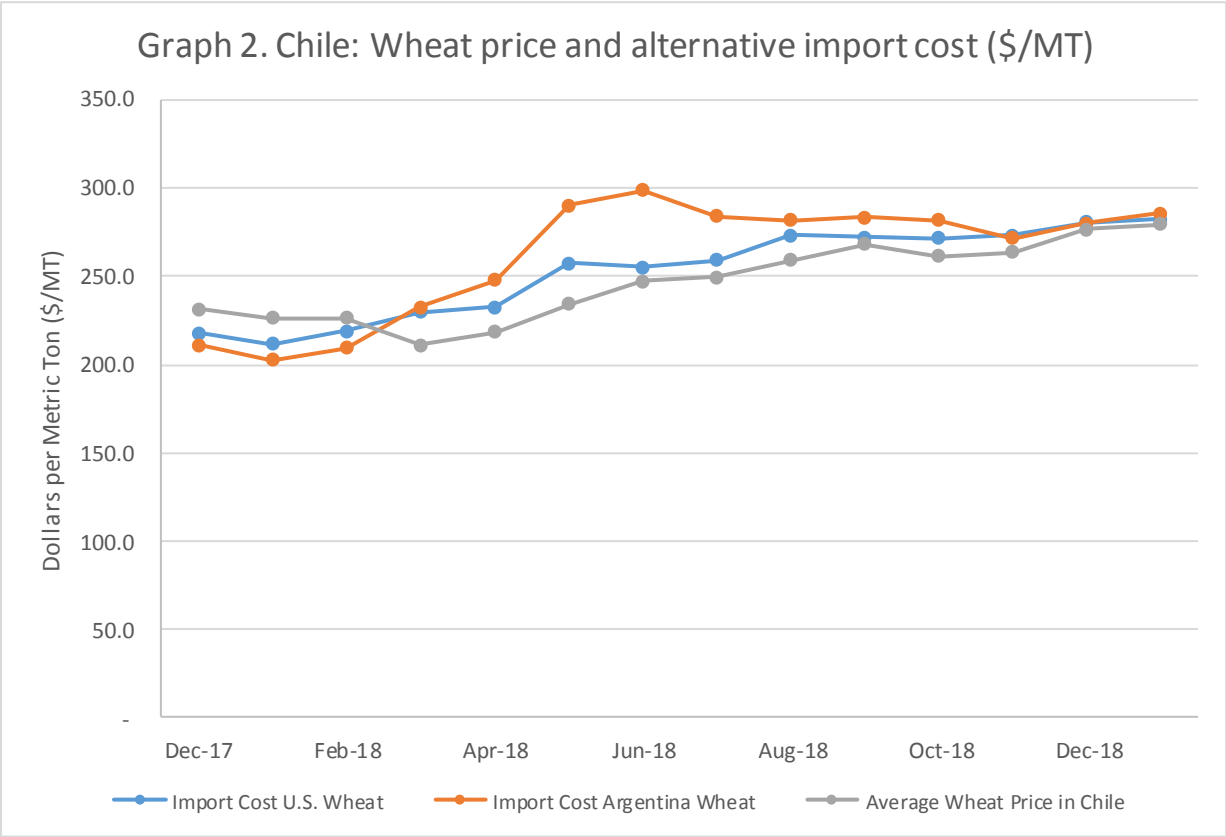
Prices:

Chile has historically imported wheat from the United States, Canada, and Argentina in order to fulfill its domestic consumption. International wheat prices influence the domestic wheat price in Chile.

In order to ensure market transparency, the Ministry of Agriculture and Cotrisa publish a weekly wheat import cost indicator that shows how much it would cost to import wheat from major supplier countries (the United States, Argentina, and Canada) to Santiago, Chile. This indicator uses a formula that includes operational costs to import wheat such as price, transport costs, insurance, and credit.

In MY2017/18, average wheat prices increased in Chile (see graph 2). The wheat import cost indicator for the United States and Argentina remained higher than the Chilean price throughout MY2017/18, but converged to Chilean prices in the beginning of MY2018/19 (December 2018). The reason for the price increase from April to September 2018 were port operators' strikes in the port of Valparaiso, which increased importing costs.

For more detail in Chilean wheat price data see Cotrisa's website.



Source: based in ODEPA, 2019

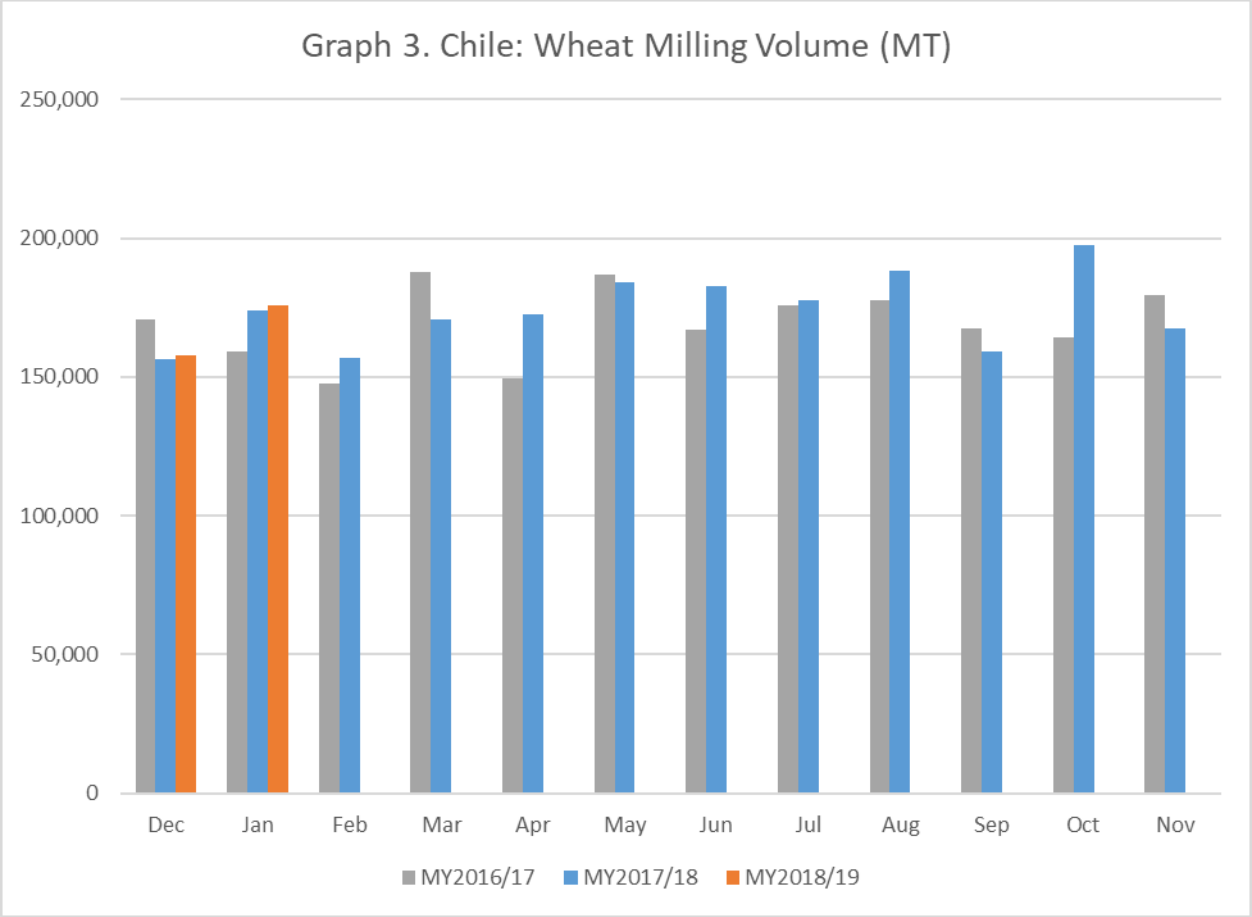
Consumption:

Wheat consumption in Chile is higher that domestic production, thus Chile is a net importer of wheat. Consumption of wheat increases at an average of one percent annual growth rate, which is similar to the population growth rate in Chile. Per capita consumption of wheat has not increased, but Chile has the second largest level of annual bread consumption in the world, after Germany reaching 96 kilogram (kg) per capita (96 kg = 212 pounds).

Post estimates that Food, Seed and Industrial (FSI) use of wheat is 87 percent of the total consumption of wheat in Chile. Ninety-six percent of all wheat available is used to make bread flour and only four percent (durum wheat) is used to make pasta. There are a total of 76 mills in Chile that process wheat. According to data from Cotrisa, nine Chilean companies own 48 mills throughout the country and only six owners concentrate 50 percent of the wheat purchasing power in Chile. Additionally, 44 out of the 76 wheat mills do not have the capacity to import wheat due to lack of infrastructure, logistics, or financial capacity. The majority of wheat mills are located in the central regions of Chile (around Santiago) while wheat production takes place in the southern regions of Araucanía and Biobío, so wheat producers have to add transportation costs to their operations.

Wheat milling reached 2.1 (MMT) in MY2017/18, a 2.7 percent increase over MY2016/17. In MY2018/19 (data until January 2019), wheat milling increased by 0.9 percent over MY2017/18. Wheat milling remains steady around 175,000 MT per month throughout the year (see graph 3).

Feed represents the remaining 13 percent of wheat consumption, mainly destined for the salmon farming industry (in the southern part of the country). Chile is the second largest producer of salmon in the world after Norway. Feed and residual consumption, including feed for the pork, poultry, and salmon industries will reach 350,000 MT in MY2018/19 and increase four percent annually along with the salmon production.



Source: National Statistics Institute (INE)

Trade:

Chile's wheat import volume decreased by 11.6 percent in MY2017/18 over MY2016/17 reaching 1.58 MMT (see table 1). Argentina was the top supplier of wheat followed by Canada and the United States.

Wheat imports from Argentina decreased by 35.1 percent in MY2017/18 over MY2016/17. Exports from the United States decreased by 9.3 percent while exports from Canada increased by 63.1 percent.

Post expects wheat imports to decrease by three percent and total 1.35 MMT in MY2018/19 following an increase in domestic production. In MY2019/20, imports will remain steady and reach 1.35 MMT since production will increase to 1.55 MMT (see table 2).

Table 1. Chile: Wheat Import Volume (MT) by Country of Origin

Chile Import Statistics						
Commodity: wheat grain equivalent*						
MY: December - November						
Partner Country	Quantity (MT)			Value ($)		
	MY2016/17	MY2017/18	Variation (%)	MY2016/17	MY2017/18	Variation (%)
World	1,578,819	1,395,350	-11.6%	337,743,905	324,707,015	-3.9%
Argentina	920,661	597,171	-35.1%	169,609,429	137,246,379	-19.1%
Canada	277,607	452,661	63.1%	58,920,174	92,878,736	57.6%
United States	328,978	298,281	-9.3%	80,513,896	65,832,081	-18.2%
Peru	31,318	27,614	-11.8%	15,805,683	14,237,804	-9.9%
Uruguay	276	379	37.1%	279,907	327,203	16.9%
Others	19,980	19,244	-3.7%	12,614,816	14,184,812	12.4%

Source: Based in Global Trade Atlas - Servicio Nacional de Aduana
**For details of conversion factors see appendix*

Table 2. Production, Supply and Demand Data Statistics

Wheat	2017/2018		2018/2019		2019/2020	
Market Begin Year	Dec 2017		Dec 2018		Dec 2019	
Chile	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	236	236	243	243	0	249
Beginning Stocks	621	621	762	710	0	760
Production	1466	1469	1482	1510	0	1550
MY Imports	1450	1395	1400	1350	0	1345
TY Imports	1479	1479	1400	1400	0	1390
TY Imp. from U.S.	318	318	0	0	0	0
Total Supply	3537	3485	3644	3570	0	3655
MY Exports	15	15	10	10	0	10
TY Exports	13	13	10	10	0	0
Feed and Residual	335	335	350	350	0	363
FSI Consumption	2425	2425	2475	2450	0	2475
Total Consumption	2760	2760	2825	2800	0	2838
Ending Stocks	762	710	809	760	0	807
Total Distribution	3537	3485	3644	3570	0	3655
Yield	6.2119	6.2246	6.0988	6.214	0	6.2249
(1000 HA) ,(1000 MT) ,(MT/HA)						

Source: based on ODEPA, INE, and Servicio Nacional de Aduana-Chile Customs.
Note: import values in wheat grain equivalent

Commodities:
Corn

Production:

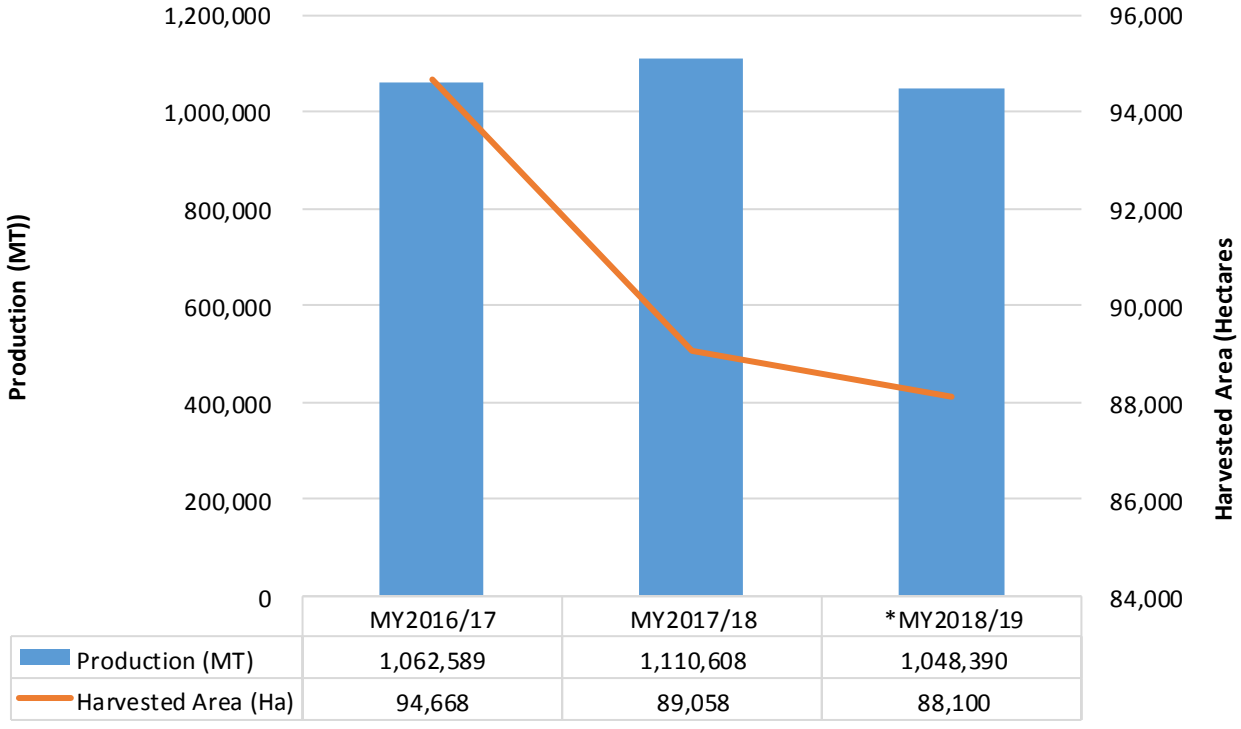
According to data from Chile's National Statistics Institute (INE), corn planted area decreased from 94,668 ha in MY2016/17 to 89,058 ha in MY2017/18 (March 2017 through February 2018). However, corn production increased from 1.06 MMT to 1.11 MMT in the same period, because of an 11 percent increase in average corn yields, which reached 12.5 MT per hectare in MY2017/18.

According to Post sources, the corn market in Chile is very competitive and producers that keep making profits or covering operating costs are the ones that have economies of scale, technology, and knowledge of the production and commercialization process.

Ninety-one percent of the total corn planted area in Chile is destined for human and animal consumption and nine percent is destined for seed production.

According to corn producers, corn yields decreased 5 percent in MY2018/19 due to a very hot summer and a decrease in availability of water for irrigation. Post estimates corn production to decrease by 5.4 percent and total 1.05 MMT in MY2018/19 considering an average yield of 11.9 MT per ha (see graph 4).

Graph 4. Chile: Corn Harvested Area (Ha) and Production (MT)



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

Policy:

As in the case of the Chilean Wheat Commission, the Ministry of Agriculture leads the Chilean Corn Commission, which gathers government institutions, corn producers, and related actors. The commission's objective is to provide information for decision-making and to ensure transparency in the corn market.

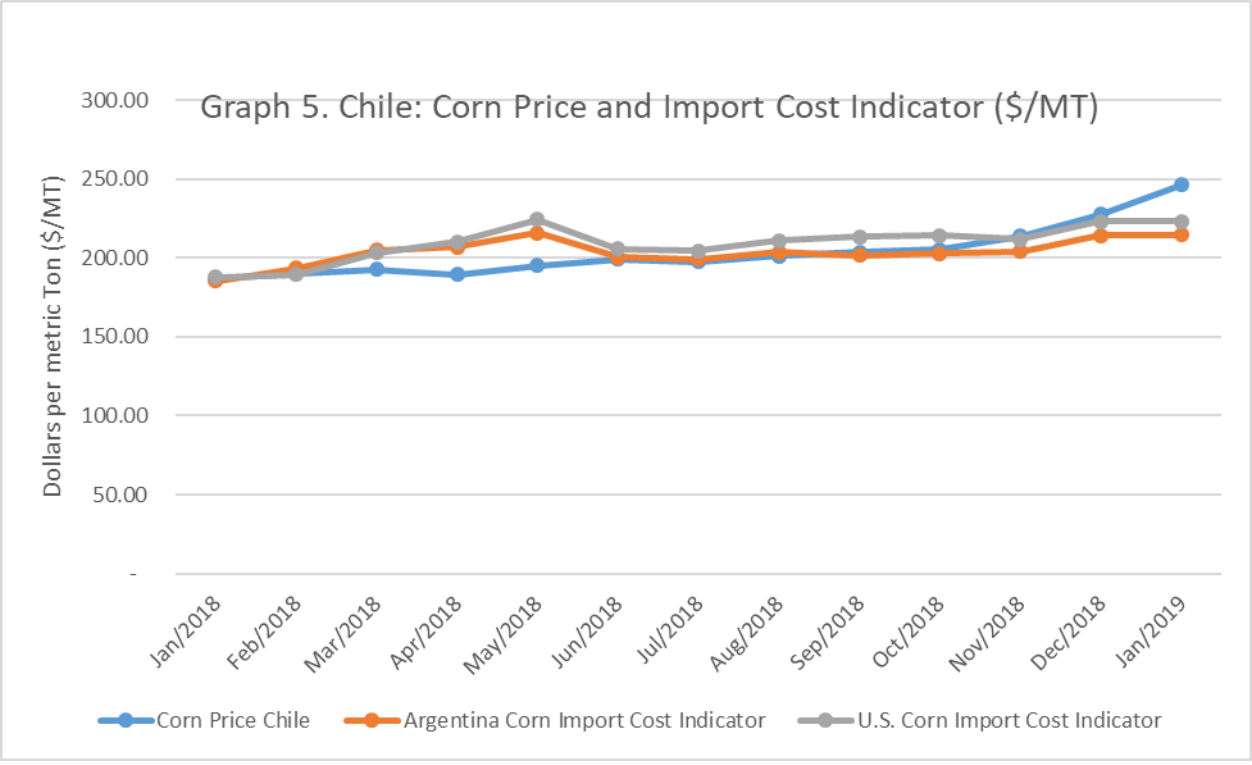
In February 2019, Chilean government through the agency *Agroseguros* launched a price insurance program in the *O'Higgins* region that covers corn price fluctuations. *Agroseguros* offers small farmers a subsidized insurance fee that will help them ensure a minimum price for their corn crop.

Prices:

Graph 5 shows average corn price in Chile and the import cost indicator for corn from Argentina and the United States at current prices. The domestic price of corn is lower than the corn import indicator during the months around Chile's harvest season, from March to May, when corn supply increases.

Corn prices increased by 32 percent from January 2018 ($187/MT) to January 2019 ($246/MT). The corn import indicator increased by 19 percent from the United States and by 16 percent from Argentina. However, prices will decrease in March – April when the Chilean harvest takes place.

Chilean corn producers claim that prices are not high enough to cover production costs, thus planted area has decreased in the past two marketing years.



Source: Based in ODEPA, 2019

**Exchange rate: 1 dollar = 670 Chilean pesos*

Consumption:

Post estimates that 90 percent of the corn consumption in Chile corresponds to the animal feed sector for the production of poultry (broiler chicken and turkey), pork, and salmon. The remainder 10 percent corresponds to food and seed production. Chile does not produce enough corn to supply feed to the Chilean poultry and pork production industries, so feed processing companies import corn and other feed inputs to satisfy the domestic demand.

In calendar year 2018 (CY2018), broiler meat production reached 669,014 MT and increased by 5.8 percent over CY2017 while pork production reached 534,024 MT and increased by 7.6 percent over CY2017. This production increase is pushed by an increase in international demand for these products, especially from the United States and China. Post expects production of broiler chicken and pork to keep growing in CY2019 since international demand for pork and chicken meat keeps increasing.

Following the increase in poultry and pork production. Post estimates a 3.8 percent increase in feed and residual consumption for MY2018/19, reaching 2,750 MT. FSI consumption will remain flat at 350 MT.

Trade:

In MY2017/18 corn imports increased by 20 percent over MY2016/17 totaling 1.83 MMT (data available from March 2018 to January 2019).

Chilean companies import corn to supply feed for the pork and poultry industries. Other products that companies import for feed are corn gluten meal, wheat, soybeans, and soybean meal. Chile gets its bulk corn supplies mainly from Argentina and Paraguay, but the United States is the main supplier for corn gluten meal.

Argentina was the main supplier of corn in MY2017/18 with 92 percent market share (see table 3). Chile's corn imports from Argentina increased by 23 percent in MY2017/18 over MY2016/17. Imports from the United States decreased by 27 percent during the same period because Argentine corn was the cheapest in the market.

Post estimates a 7.9 percent increase in corn imports for MY2018/19 totaling 2.05 MMT (see table 4).

Table 3. Chile: Corn Import Volume by Country (Marketing year)

Chile Import Statistics Commodity: 1005, Corn (Maize)						
Quantity						
Partner Country	Marketing Year (March – Feb)			Marketing year (data available until January)		
	MY2014/15	MY2015/16	MY2016/17	MY2016/17	MY2017/18	%Change
	Mar 2015- Feb	Mar 2016 -	Mar 2017 – Feb	Mar 2017-Jan	Mar 2018- Jan	

	2016	Feb 2017	2018	2018	2019	
World	1,317,655	1,492,391	1,644,643	1,528,242	1,833,380	19.97
Argentina	243,949	428,205	1,476,552	1,370,825	1,687,066	23.07
Paraguay	1,028,736	41,009	130,915	120,250	114,814	-4.52
United States	37,451	1,022,073	35,221	35,221	25,727	-26.95
Uruguay	-	143	285	285	4,707	1551.46
Peru	142	52	79	71	415	486.02
France	161	235	194	194	153	-21.27
Brazil	786	313	1,039	1,039	150	-85.56
Colombia	60	4	71	71	142	99.98
Germany	54	42	73	73	80	9.29
Others	6,316	315	214	213	126	-40.85
Chile	73	63	46	46	65	40.34

Source: Global Trade Atlas -Servicio Nacional de Aduana

Table 4. Production, Supply and Demand Data Statistics

Corn	2017/2018		2018/2019		2019/2020	
Market Begin Year	Mar 2018		Mar 2019		Mar 2020	
Chile	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	89	89	88	88	0	85
Beginning Stocks	189	189	194	194	0	192
Production	1110	1110	1023	1048	0	1060
MY Imports	1850	1900	2200	2050	0	2050
TY Imports	1893	1893	2200	2150	0	2100
TY Imp. from U.S.	16	16	0	0	0	0
Total Supply	3149	3199	3417	3292	0	3302
MY Exports	30	30	25	25	0	30
TY Exports	27	27	25	25	0	0
Feed and Residual	2600	2650	2900	2750	0	2758
FSI Consumption	325	325	325	325	0	325
Total Consumption	2925	2975	3225	3075	0	3083
Ending Stocks	194	194	167	192	0	189
Total Distribution	3149	3199	3417	3292	0	3302
Yield	12.4719	12.4719	11.625	11.9091	0	12.4706
(1000 HA) ,(1000 MT) ,(MT/HA)						

Source: Based on INE, Servicio Nacional de Aduana-Chile Customs and ODEPA

Appendix

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 reporting instructions