

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 6/22/2017

GAIN Report Number: CI1710

Chile

Post: Santiago

New Consumer Trends Create Opportunities for U.S. Dairy Products

Report Categories:

Dairy and Products

Approved By:

Lazaro Sandoval, Agricultural Attaché

Prepared By:

Sergio Gonzalez, Agricultural Specialist

Report Highlights:

Chile's main supplier of dairy products is the United States, providing 25 percent of its supplies. The United States has more than quadrupled cheese exports (in value) to Chile from 2010 to 2016 in a wide variety of cheeses, including mozzarella, cheddar, and cream cheese. The Chilean dairy market continues to grow and evolve, providing new opportunities and niches for U.S. dairy products.

Executive Summary:

The Chilean market for retail food is comprised of large supermarkets, mid-sized grocery stores, convenience stores, gas station markets, and an array of smaller independent neighborhood (“mom-and-pop”) shops. Most of the food in Chile is purchased in supermarkets (47 percent market share) while smaller independent stores hold a 20 percent market share.

The United States is Chile’s main provider of dairy products and holds a 25 percent market share. Argentina is the second largest supplier followed by New Zealand with market share at 22 and 19 percent, respectively. The main dairy product the United States exports to Chile is cheese, specifically cream cheese and mozzarella cheese. After cheese, non-fat dry milk (skim milk) is the second-most exported product to Chile from the United States.

The United States increased exports to Chile by almost 30 percent annually in 2010-2016 in a wide variety of cheeses, including mozzarella, cheddar, and cream cheese. Industry experts recommend that U.S. exporters focus on supplying cheeses in high volumes and low prices to compete against gouda and “mantecoso” categories. To export gourmet cheese, U.S. exporters will need an aggressive marketing campaign to compete with European cheeses that dominate this category.

The Chilean dairy market represents a great opportunity for U.S. exporters seeking to open new markets. The market is continuing to grow and evolve adding opportunities and niches for producers of cheese and milk drinks. The country offers an open economy with clear rules and free trade. U.S. exporters also have the potential to achieve growth in the category of sliced cheese.

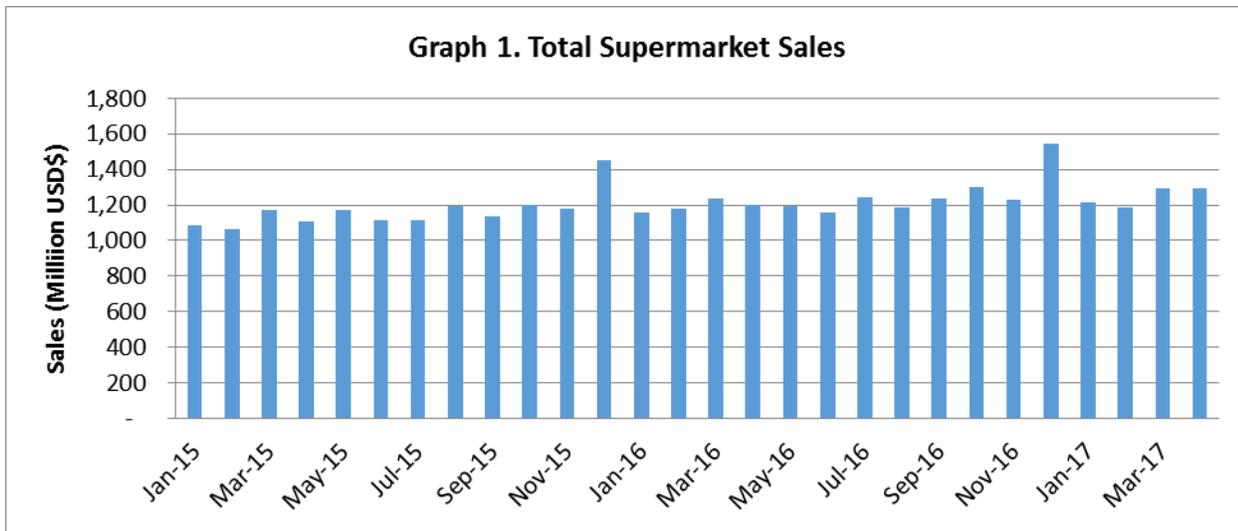
Best product prospects are (in particular order):

- Vitamin-rich powdered milk for children
- Supplement-rich (calcium, vitamins, and cholesterol-lowering ingredients) powdered milk for adults
- Gouda cheese in sliced format
- Cream cheese
- Cheddar cheese in sliced format.
- Mozzarella cheese in sliced format.
- Blue cheese
- Reggiano
- Parmigiano
- Provolone
- Other gourmet cheeses

1. FOOD RETAIL MARKET

a. Overview

The Chilean market for retail food is composed of large supermarkets, mid-sized grocery stores, convenience stores, gas station markets, and an array of smaller independent neighborhood (“mom-and-pop”) shops. To get a sense of the size of the retail food market, the sub-sectors composed of supermarket, grocery stores, convenience stores and gas-marts reported sales of US\$14.0 billion and US\$14.8 billion in 2015 and 2016, respectively. These figures include other items sold in larger supermarkets and hypermarkets such as clothing and kitchen appliances. Excluding those products, sales of food products were US\$9.5 billion in 2015.



Source: Based on information from the Instituto Nacional de Estadísticas (INE), 2017.

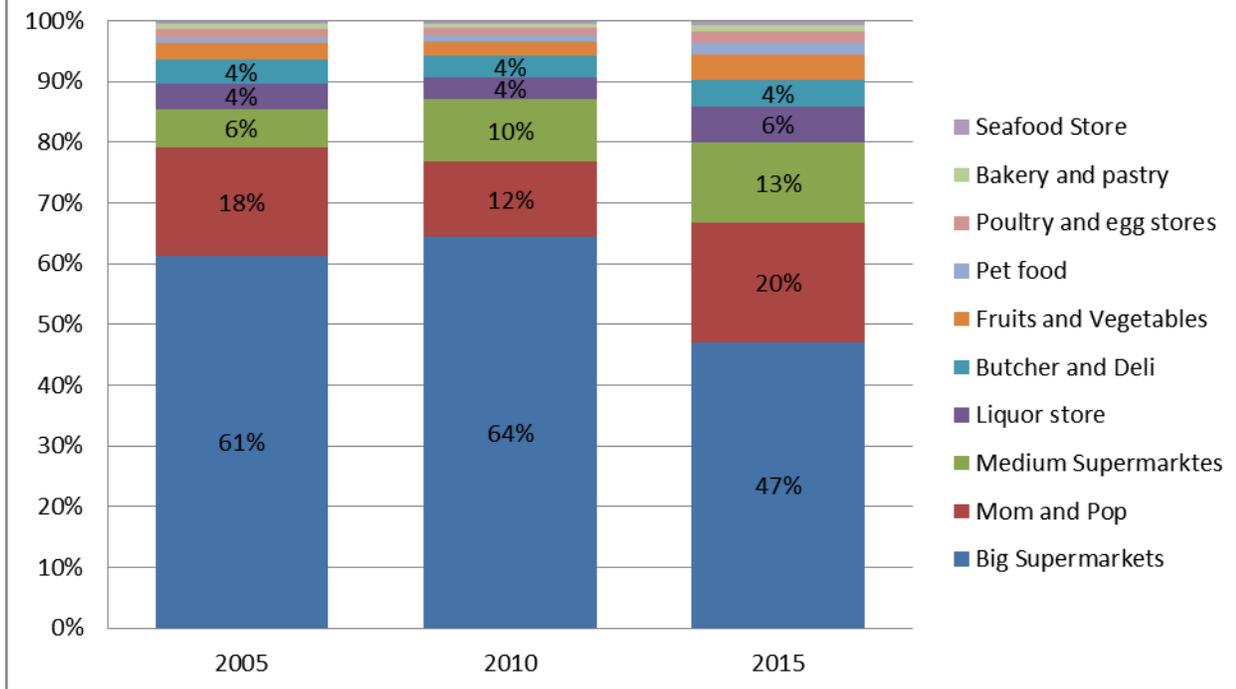
Note: Exchange rate 1 USD = 670 CPL

b. Market share by type of store

Over the years, consumer preferences for where they purchase their food have been evolving. In 2005, supermarkets¹ accounted for 61 percent of all food sold to consumers. By 2015, this number declined to 47 percent, due to diversification of the places where people purchased their food products (see graph 2). Nevertheless, supermarkets still have the largest market share. Mom and Pop stores also gained market share during this time with their share increasing to 20 percent in 2015. Mid-sized supermarkets more than doubled their market share from 6 percent in 2005 to 13 percent in 2015. Specialty stores like butcher shops, fruit, and vegetable stores have a lower market share compared to the supermarkets, but have also increased their market share since 2005.

¹ Supermarkets in this report are stores that have average annual of US\$ 1.6 million. Mid-size supermarkets have average annual sales of US\$ 135,000.

Graph 2: Market share by type of store



Source: Based on information from the Servicio de Impuestos Internos (SII), 2017.

Supermarket Chains:

There are eight major supermarket chains operating in Chile with varying presence in different cities and different customer profiles. Although they all compete among each other, they follow different strategies based on locations, depth, and scope of the product mix.

- Unimarc, a medium-sized grocery store, has the largest number of stores across the country operating in 294 locations.
- Wal-Mart operates two brands: LIDER/LIDER EXPRESS and EKONO. LIDER, with 82 locations, represents the large hypermarkets and supermarkets, while EKONO, with 127 locations, is considered a small discount grocery store.
- CENCOSUD also operates two distinct lines of supermarkets. SANTA ISABEL, a medium to large grocery store with 128 locations, and JUMBO, the flagship hypermarket with 50 stores nationwide.
- Falabella, another large retailer, also operates a supermarket chain, TOTTUS, with 58 locations.
- MONSERRAT and ERBI are two important chains with 34 and 33 locations, respectively.

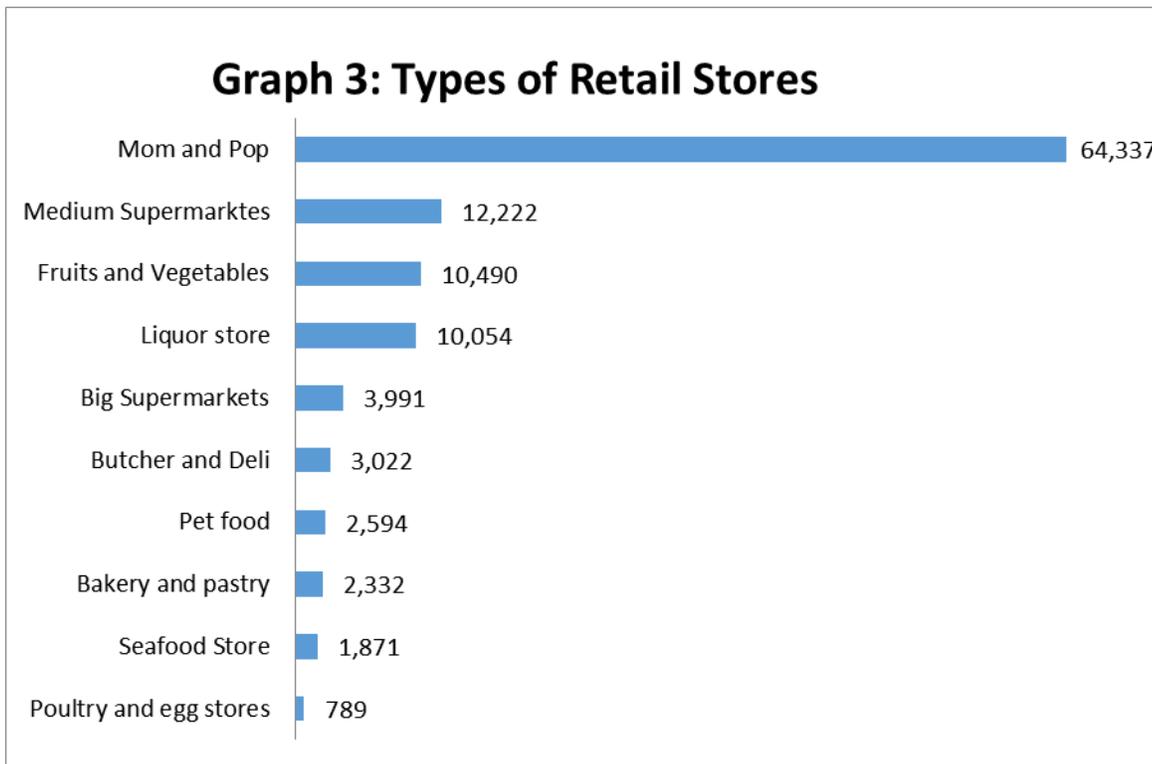
Gas Marts or “mini-markets” are operated by three fuel companies:

- PETROBRAS, from Brazil, operates 89 marts called ESPACIO1.
- COPEC, from Chile, operates 79 PRONTO locations.
- SHELL, Anglo-Dutch, operates two lines of stores: SELECT, with 46 locations and UPA!, with 49 locations.

Wholesale markets have been on the rise totaling 146 locations:

- MAYORISTA 10 operates in eight regions with 64 locations.
- ALVI operates in nine regions with 29 locations.
- LA OFERTA has 12 locations, and Wal-Mart operates two different store brands.
- CENTRAL MAYORISTA has 4 locations.
- ACUENTA has 37 locations.

Mom and Pop stores, supermarkets, fruit and vegetables shops, and liquors stores are the most abundant types of retail stores in Chile (graph 3). The most frequently found type of retail store is the independent small neighborhood store with a total of 64,337 locations.



Source: Based on information from the Servicio de Impuestos Internos (SII), 2017.

Table 1 shows the advantages and challenges facing U.S. suppliers interested in exporting to Chile. The table below shows the most important factors identified through this report based on the opinions of industry experts.

Table 1: Advantages and Challenges for U.S. Exporters to Chile

Advantages	Challenges
Clear rules and transparent regulations offered by the government allow for fair competition.	Prices for U.S. products may still be higher than local products or imports from nearby countries, even with the free trade agreement (FTA). FOB prices for U.S. inputs tend to be at least 10% higher than local prices for equivalent quality.
The purchasing power of Chile's middle and upper-middle income consumers continues to rise.	Chile is a competitive market, which has free trade agreements that cover 65 countries including the European Union, China, Central America, and South American countries.
The U.S.-Chile Free Trade Agreement resulted in 0% duties for all U.S. agricultural products as of January 1, 2015.	There has been an increase in the market share of Chilean brands at the expense of international ones.
Chile's largest retailers have operations in other Latin American countries making it a gateway to other regional markets.	Chile's recent nutritional labeling law requires the labeling of products if thresholds of sodium, saturated fat, sugar and calories exceed certain levels set by the Ministry of Health.
American brands are well-regarded as high quality with many well-known brands already present in the market.	There is a lack of awareness about the different types and qualities of U.S. products by Chilean consumers and importers e.g. premium quality beef cuts, high quality cheeses and dairy products, health food products. etc. that are not common. Thus, more marketing of these products and their attributes will be necessary.
Equal playing field for imported and local products.	
Chile has one of the highest percentages of non-traditional store sales in Latin America, which allows suppliers to target large retail chains for larger volume sales.	
U.S. food inputs are known for their high quality and standards.	

2. ENTRY STRATEGY INTO THE CHILEAN MARKET

The following steps highlight the main considerations that need to be taken when attempting to enter into the Chilean retail food market.

Marketing Strategy

- It is important to differentiate your product against other comparable products.
- U.S. produced products have a very positive image and are viewed as high-quality and safe, but U.S. dairy products are not as well-known as many of the European and local brands. An aggressive and thoughtful marketing campaign will be necessary to exhibit the higher quality and unique nature of U.S. products.
- The appropriate marketing campaign would inform the consumer the origin of the brand. i.e. American meat cuts are a good example of this strategy as they have an American flag on the packaging that differentiates them from other available meats. Slogans and marketing materials should be understood in Spanish. Be mindful of using slang. The word American coupled with a flag can be favorably used in this market.
- It is important that the product is well-displayed in supermarkets shelves with a strong restocking partner, as not to lose space to other brands. To accomplish this requires a strong distribution partner.
- Other forms of product promotion proven useful in the Chilean market are consumer tastings, promotional spokespersons, magazine ads, article placement, and ads in the supermarket's own product magazine.

Distribution Channels

- Choose a distribution partner who has the coverage you are aiming for in Chile.
- Dairy products are purchased using a combination of distribution channels. Smaller supermarket chains and independent supermarkets can buy from a TRADER or IMPORTER or in some cases directly from the SUPPLIER. Larger chains will still buy from a TRADER or IMPORTER, but most will buy directly from the SUPPLIER. Finally, the smaller mom-and popshops will only buy from a WHOLESALER.
- Depending on the type of product being exported, suppliers should choose the distribution channel that best fits their needs. It is recommended that the suppliers would be best helped if they find a distribution partner with wide coverage and that specializes in their product.

Customer Preferences

- Producers and exporters are encouraged to review customer preferences and consumption pattern trends to see if the best product is being offered. As reviewed in this report, there are specific tastes and preferences regarding dairy products that may differ from the U.S. consumer.
- An example of this is the consumption of liquid milk. While U.S. consumers prefer fresh milk which has a short shelf life; Chilean consumers buy milk in tetra packs that last for months if unopened.
- There is a wide variety of food products in Chile's retail sector, due to the market openness. Thus, the U.S. exporter must be clear as to what role their particular product will have in the market and how will it be positioned in relation to other competitors.

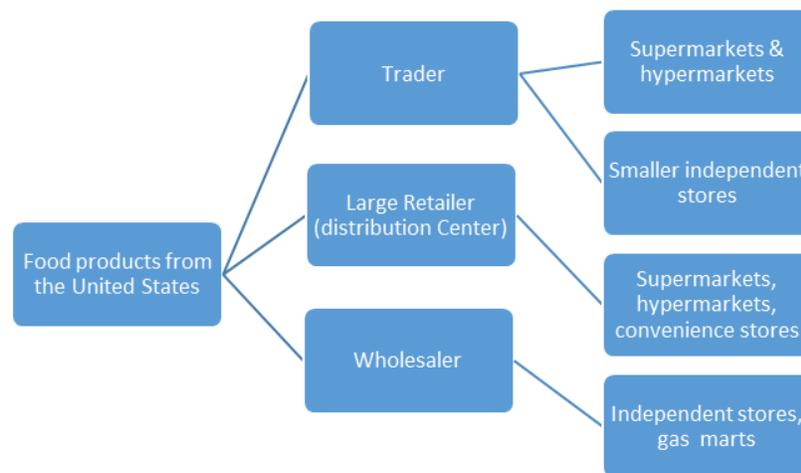
3. MARKET STRUCTURE, SIZE AND TRENDS

a. Distribution Channel Flow from Producer to Final Consumer

The diagram below shows the different ways in which dairy products from the United States reach the Chilean consumer. The most important flow is from the producer to the importer/distributor and onto supermarkets chains. From supermarkets, the products reach the consumer directly, and via wholesalers, they arrive to independent stores and into the hands of the final consumer.

There are several combinations of flow depending on the products, quantities and type of retailer. Gas marts and convenience stores buy their products mainly from local distributors who may also buy from a trader.

The producers are encouraged to define the markets they want to reach and find the proper pathway.



The main competitive threat for imported American dairy products is the availability of local production as well as production from neighboring countries such as Argentina.

b. Dairy Market Size

Because obesity has become a significant concern in Chile, the Chilean government and NGOs have been promoting healthier products for local customers. Dairy consumption in Chile was 146 liters per capita in 2013. Per capita milk consumption has shown a yearly 1.6 percent increase from 2001. Cheese consumption has grown 5.5 percent to 9.1 kg/per capita. Dairy consumption has been increasing steadily as Chile's per capita income increases. Population is expected to grow at a 0.97 percent per year in 2015-2020, reaching a total of 18,896,684 citizens in 2020 (INE, 2016).

c. Local Production

Milk production in Chile is concentrated in the southern regions of Los Lagos and Los Rios, which account for 76 percent of total domestic milk production. Milk production also takes place in the regions of Bio Bio, Araucaria, and Metropolitana.

Total milk received in 2016 decreased by 1.9 percent compared to 2015. Production of dairy products increased in all categories in the same period, except for dry milk. Moreover, whole dry milk production decreased by 17.1 percent in 2016 compared to 2015. According to Post contacts, the main reason for the decrease in milk production, specifically dry milk, is due to low international prices of dry milk which lowers domestic prices and impacts local producers directly.

Table 2: Dairy Production

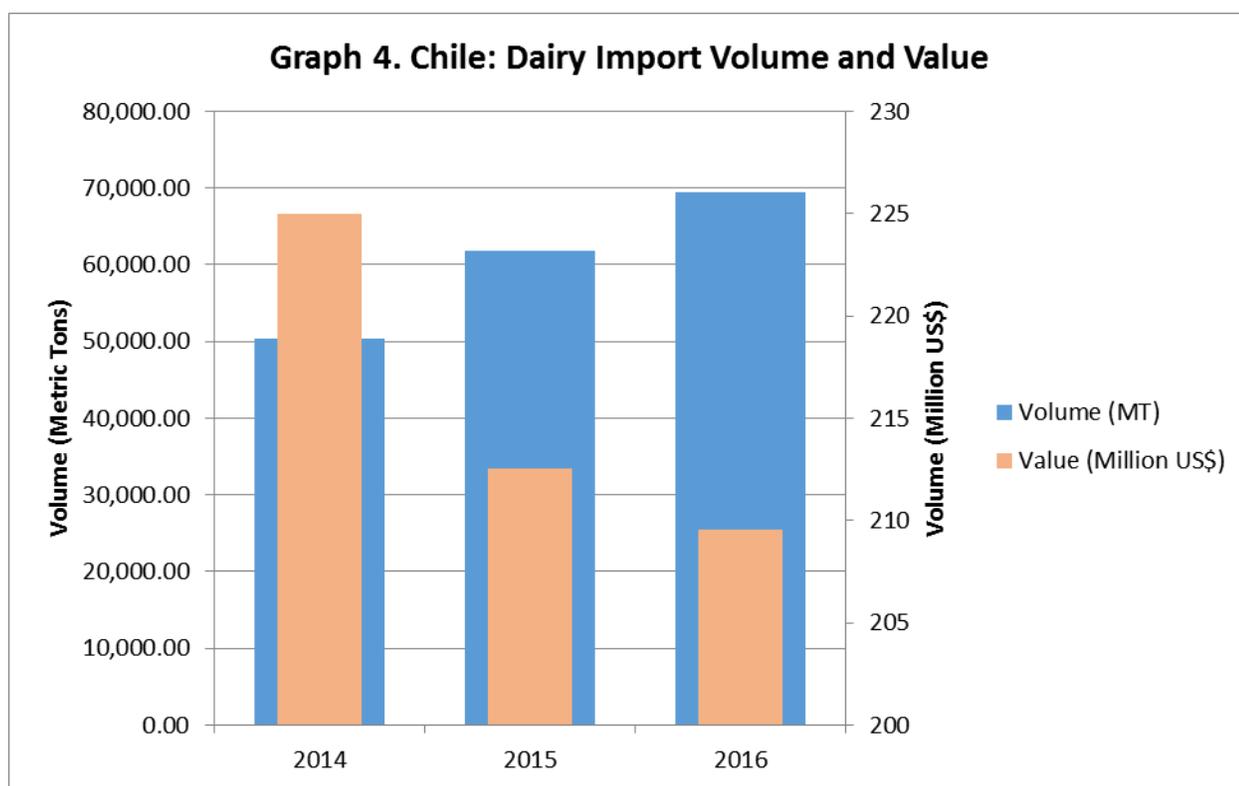
TABLE 1 - Dairy Production										
	Total Received by Industry (Million liters)	Fluid Milk (Million Liters)	Whole Dry Milk (MT)	Non-Fat Dry Milk (MT)	Whey (MT)	Butter (MT)	Cheese (MT)	Farmers Cheese (MT)	Yogurt (Million Liters)	Condensed Milk (MT)
2002	1,605	296	58,524	9,186	10,041	11,551	53,075	7,480	127	24,190
2003	1,563	293	52,929	8,938	15,240	10,849	53,037	7,555	139	30,558
2004	1,676	289	53,459	10,175	17,037	13,084	58,849	8,296	160	38,698
2005	1,723	298	50,887	11,906	23,850	14,655	67,176	10,507	189	39,645
2006	1,818	319	53,725	15,766	24,303	17,157	62,072	9,088	158	43,426
2007	1,871	330	57,448	16,756	27,791	18,229	61,745	8,579	163	45,287
2008	1,972	323	85,370	17,585	24,849	16,765	57,369	7,960	178	41,501
2009	1,773	341	58,410	15,021	23,973	17,102	56,526	8,139	192	33,255
2010	1,896	367	63,154	19,168	29,232	21,086	64,558	8,349	199	36,829
2011	2,104	369	73,980	18,833	26,790	21,041	80,620	9,135	222	34,579
2012	2,119	389	73,944	19,252	26,721	22,205	82,307	9,049	230	39,828
2013	2,149	398	82,059	13,934	23,365	21,566	89,046	9,104	229	36,302
2014	2,149	423	75,419	28,091	21,480	21,874	81,574	9,133	227	36,751
2015	2,029	427	59,950	27,352	21,559	22,374	81,650	9,197	230	39,093
2016	1,991	429	50,386	26,514	24,716	22,591	81,234	9,856	244	40,604

Variation (2016/2015)	-1.9%	0.6%	16.0%	-3.1%	14.6%	1.0%	-0.5%	7.2%	6.2%	3.9%
-----------------------	-------	------	-------	-------	-------	------	-------	------	------	------

Source: Odepa, 2017.

d. Dairy Product Imports

Dairy imports in 2016 totaled 69,533 metric tons (MT) valued at US\$ 210 million. The import volume has been steadily increasing between 2014 and 2016 but the value has decreased. Import value decreased 1.4 percent over 2015 but volume increased 12.5 percent (Graph 4).



Source: ODEPA, 2017

The United States is Chile's main provider of dairy products and holds a 25 percent market share. Argentina is the second largest supplier followed by New Zealand with market share at 22 and 19 percent, respectively. The main dairy product the United States exports to Chile is cheese, specifically cream cheese and mozzarella cheese. After cheese, non-fat dry milk (skim milk) is the second-most exported product to Chile from the United States.

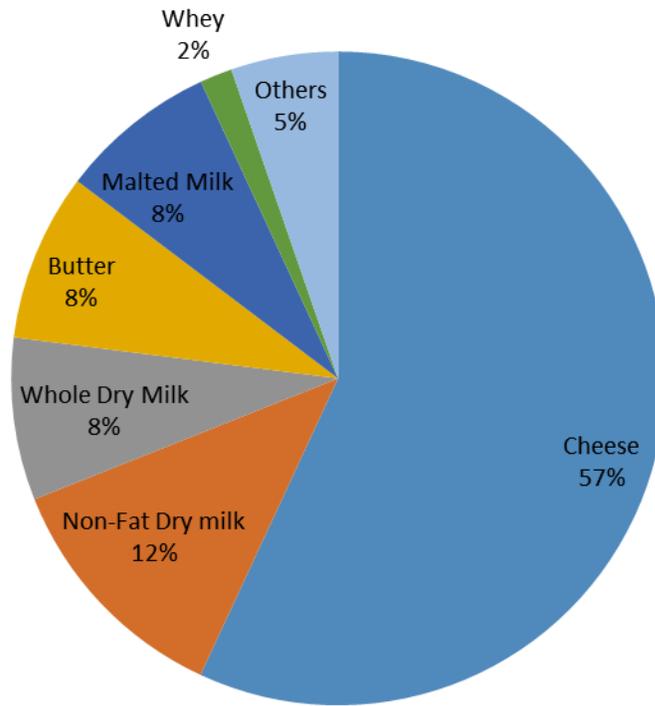
Table 3. Chile: Dairy Import Value by Country of Origin

Country of Origin	Value 2015 (million US\$)	Value 2016 (million US\$)	Variation (%)	Market Share (%)
United States	53	52	-1%	25%
Argentina	41	46	11%	22%
New Zealand	40	41	1%	19%
Germany	6	14	139%	7%
France	5	11	105%	5%
Mexico	14	8	-45%	4%
Uruguay	18	7	-59%	4%
Netherlands	5	6	20%	3%
Brazil	6	6	-2%	3%
Ireland	6	5	-27%	2%
Others	17	14	-20%	7%
Total	213	210	-1%	100%

Source: ODEPA, 2017.

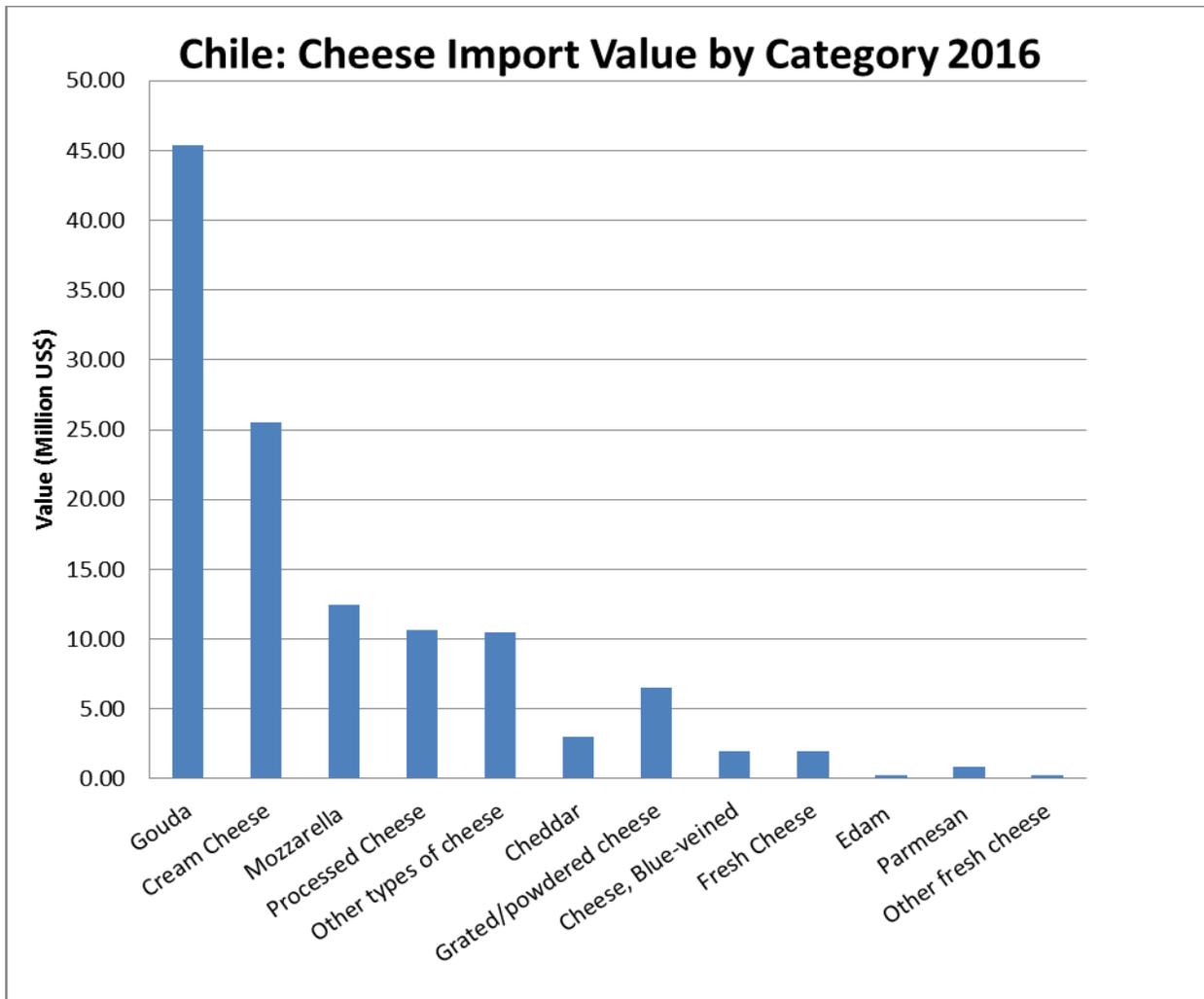
The two main products imported by Chile are dry milk and cheese. These products accounted for 77 percent of all dairy imports in 2016. Cheese accounted for 57 percent of imports followed by dry milk (all types) at 20 percent, malted milk (8 percent) and butter (8 percent). Yogurt, considered a “non-tradable” product, accounts for less than 1 percent of imports. Yogurt imports from Argentina ended in 2012 and Peru is now the main supplier of the product. There are new types of long-life yogurt being imported from Spain, but not in a significant quantity. Dry milk is predominantly imported from three countries: United States, Argentina, and New Zealand.

Chile: Dairy Import Market Share by Product (Value)



Source: ODEPA, 2017

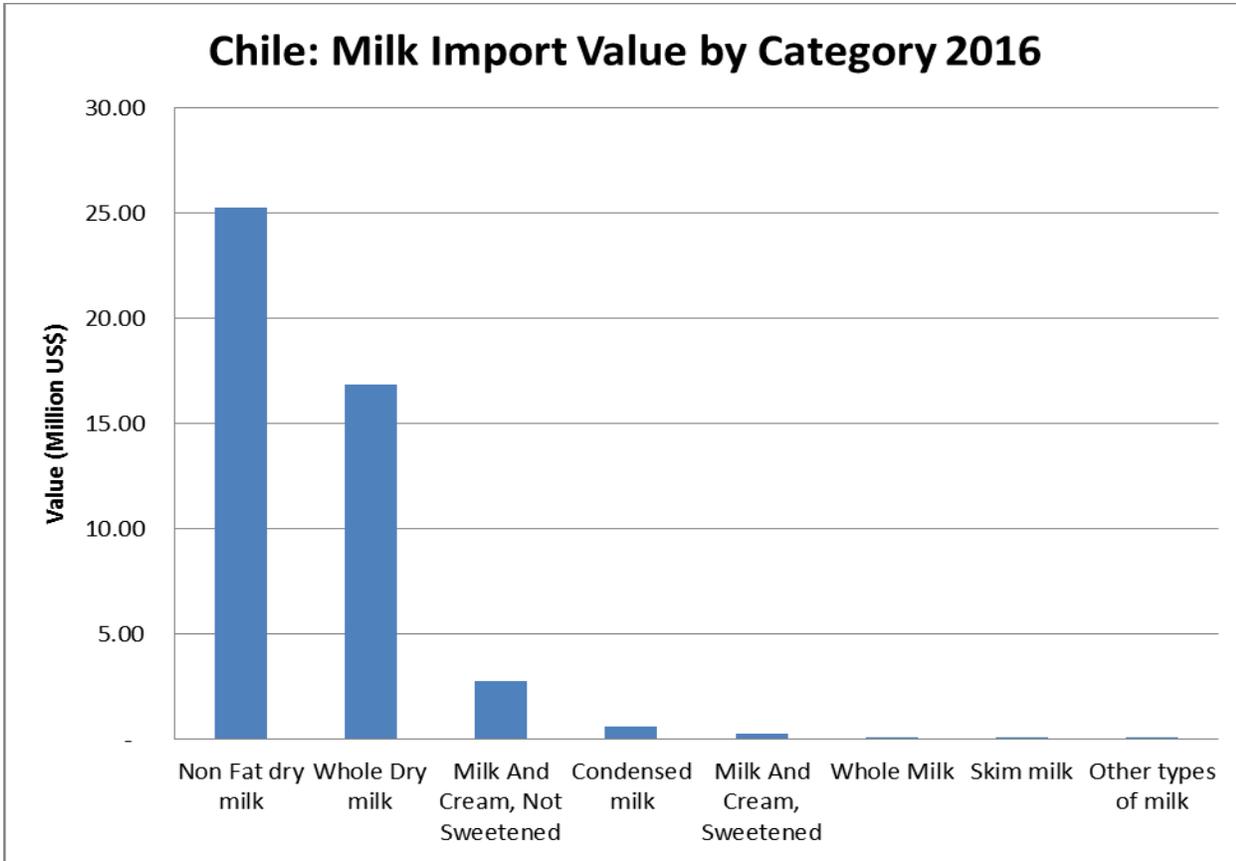
Cheese is the imported dairy product category, representing 57 percent of dairy imports with 26 percent annual growth rate. The top imported cheeses over the 2010-2015 period are gouda, cream cheese, mozzarella, and cheddar. Industry sources believe that cheddar cheese has the most potential for import growth from the United States.



Source: ODEPA, 2017

Dry milk imports make up 91 percent of total milk imports. US\$ 25.3 million of non-fat dry milk and US\$ 16.8 million of whole dry milk were imported in 2016. In 2016, non-fat dry milk import value increased by 1.2 percent while whole dry milk imports decreased by 19.8 percent.

It must be noted that unlike cheese the market for milk is much more complicated and dynamic. There is a complex web of imports and exports fueled by price differences around the world. Local producers can import powdered milk and rehydrate it for sell as liquid milk, if the product is cheaper abroad. Chile is a net exporter of whole dried milk and an importer of skim dried milk. This is because international prices for whole dry milk are higher than domestic prices. In addition, Chile exports whole dried milk to Venezuela, Cuba, Colombia and China.



Source: ODEPA, 2017

4. KEY SECTOR TRENDS

Per capita milk liter-equivalent grew 11 percent in a five-year period from 2008 to 2013 (Odepa, 2014). Industry analysts' project 10 percent growth in the next five years and are expected to continue at this rate over the next decade. This growth rate is the result of higher income that has transformed consumption patterns resulting varying tastes and preferences for food products including dairy products. This change in consumption patterns over the past decade are reflected in the ongoing evolution of consumers and the sophistication of their tastes and preferences. This is resulting in greater demand for products with higher standards in quality and variety. Consumers' desire for better flavors and healthier foods are also part of these changes. As middle-class purchasing power and income grows, so does the taste for imported specialty cheese, value-added milk drinks, and yogurts. This section will review some of the important trends being experienced in the milk and cheese categories.

a. Milk:

- Milk consumption has been steady. Powdered milk consumption has shifted more towards children. Around 78 percent of powdered milk sold is targeted to minors under 7 years old. Consumption of supplement-rich milk for seniors is expected to increase as that segment of the population grows.
- Consumption of “milk-like products” such as soy milk, almond milk, and coconut milk are on the rise. They are sold as in the same product of other traditional dairy products.
- Another trend observed at supermarkets is the reversal to more natural products. Today, virtually all milk is pasteurized and sold in Tetra pack, but sources say this trend may shift towards fresh milk consumption in the future. Nonetheless, Chileans are traditionally used to shelf-stable tetra pack milk that has a much longer shelf life compared to fresh milk.
- Supermarkets, like Jumbo and Tottus, are beginning to sell fresh milk from Fundo Boyen, a producer from the region of Chillan. This milk only lasts a few days compared to the months that Tetra pack milk lasts, but is expected to have a better taste.
- Value-added milk is also trending. This product incorporates vitamins, calcium and cholesterol lowering ingredients. Reduced fat and skim milk are also increasing their market share, reaching 60 percent of all milk sales.
- Butter has increased its share of consumption at the expense of margarine. Supermarkets are also looking for value-added yogurt to introduce onto their shelves.

The dairy consumer is looking for products that are rich in taste, with low-caloric content. In this segment, the new nutritional labeling law should be considered, since it requires labeling products that have high contents of sugars, sodium, calories, or saturated fats (see [Report](#)) Many suppliers have altered their product content to limit the number of labels shown on the product label. One of the reasons for this is that if a product has the stop-sign label, the product cannot be targeted to children with child-friendly images.

b. Cheese:

Gouda and “Mantecoso” in sliced form are by far the highest selling cheeses in the country. They are also one of the less expensive types of cheese available in the market and are very mild in flavor compared to imported cheeses. Overall cheese imports have increase rapidly over the last seven years. The top imported cheese is Gouda whose imports have grown 54 percent in volume and 47.5 percent in value during this period.

Although Gouda and “Montecoso” cheeses are still prominent in the market, there is growing consumption of gourmet cheeses, such as, blue cheese, brie, camembert, which are mostly imported from France at this time. Industry experts expect that consumption of these cheeses will keep growing as tastes continue to evolve. The table below shows the growth rate over the period from 2010 to 2015 and the share of imports of some important cheese types.

Table 4. Chile: Cheese Imports by Type

Products	Volume (MT)		Average Growth Rate	Value (Million US\$)		Average Growth Rate
	2010	2016	%	2010	2016	%
Gouda	1,514.80	16,551.10	49.0%	6.11	45.38	39.7%
Cream Cheese	1,463.50	6,468.10	28.1%	5.41	25.48	29.5%
Mozzarella	1,840.20	3,229.40	9.8%	7.81	12.42	8.0%
Processed Cheese, Not Grated Or Powdered Fromages	575.50	2,505.00	27.8%	2.48	10.65	27.5%
Other Types of Cheese	1,492.70	1,995.80	5.0%	7.68	10.50	5.3%
Cheddar	207.30	853.70	26.6%	0.94	3.02	21.6%
Grated/Powdered Cheese	179.20	1,358.90	40.2%	1.34	6.55	30.3%
Cheese, Blue-Veined	140.60	264.10	11.1%	1.06	1.94	10.5%
Fresh Cheese	155.40	596.70	25.1%	0.75	1.97	17.3%
Edam	54.30	37.70	-5.9%	0.28	0.27	-1.1%
Parmesan	106.40	138.70	4.5%	0.49	0.88	10.3%
Other Fresh Cheese	14.70	42.20	19.2%	0.13	0.22	9.0%
Total	7,744.50	34,041.40	28.0%	34.49	119.27	23.0%

Source; ODEPA, 2017

The United States has increased exports to Chile by almost 30 percent annually in 2010-2016 in a wide variety of cheeses, which include mozzarella, cheddar, and cream cheese. Industry experts recommend that U.S. producers export cheeses in high volumes at lower prices to compete in the Gouda and “Mantecoso” categories. If they are to export gourmet cheeses, they will need an aggressive marketing campaign as European cheese dominates that category.

Table 5: Opportunities and Challenges for U.S. Cheese Products.

Store type	Opportunity	Challenge
Hypermarkets/Supermarkets	Specialty cheese	Attractive price. There is a need for more variety in gourmet cheese but prices must be competitive.
Smaller grocery store	Self-service. Small format	Product sells well in small format/packaging. Daily and massive consumption.
Wholesaler	Large bags (5 kilos) and sliced	Price discount system. Must be willing to sell in large volumes.
Independent mom-and-pop	Large bags from wholesaler	New cheeses with a low price. These stores aspire to have some variety other than Gouda and Mantecoso such as cheddar and mozzarella.
Gas mart	Self-service. Packaging	Very small format. Limited variety of dairy products.

5. MAIN PRODUCING COMPANIES

Dairy production in Chile is dominated by four large producers followed by a number of smaller ones. Production records show about 16 total producers with some of the smaller ones exiting the market. The four major producers account for more than 86 percent of the production, leaving fewer than 11 percent to the next four producers and a remaining 2 percent for all other smaller producers. Colun, Soprole, Watt’s, and Nestle Chile dominate the market, with very visible product preference in all supermarkets. Colún and Soprole use their name as brands while Watt’s uses “Calo” and “Lonco Leche” as their main brands. Nestle’s main milk brand is the ubiquitous “Leche Nido”. Of the four largest producers, only Nestle has shown a decrease in production with a reduction of slightly over 3 percent per year over the period of 2010-2015. Colun and Watt’s both enjoyed over 6 percent of annual growth during the same period with Soprole growing only 2 percent per year. In contrast, mid-sized producers - Surlat, Valle Verde, Quillayes, and Lacteos del Sur - have a combined growth rate of 2.6 percent over the period.

In contrast, smaller producers have been shrinking production and disappearing all together. The combined production of this group has fallen by 80 percent since 2010 to just over 5,000 MT in 2015. This is the result of the economies of scale that larger producers have taken advantage of and competition from imports. Price negotiations with larger supermarket have also contributed to this decline.

Table 6: Producer Profile

Producer Name	Ownership	Business Model	Brands
COLUN (Cooperativa Agrícola y Lechera de la Unión Limitada)	Chile	All dairy family products. Strategy: Offers a wide variety of products and distribution network.	Colún, Rio Bueno, Fundo Los Alerces, Vilib
Soprole (Sociedad de Productores de Leche)	New Zealand Dairy Board	All dairy family products. Strategy: Healthy and high quality products.	Soprole, Dos Álamos, Quilque, Next
Watts S.A.	Chile	All dairy family products. Strategy: Distribution, high quality product.	Regimel, Calo, Las Parcelas de Valdivia, Lonco Leche
NESTLE Chile	Switzerland	All dairy family products. Strategy: improve life quality by providing specific products for each family member.	Nestle, Savory, Nido, Chamito, Chandelle, Chiquitín.
SURLAT S.A.	Chile / Spain	All dairy family products. Strategy: In addition to high quality traditional products. Surlat offers a lactose-free line of products and probiotic products.	Surlat

6. IMPORT/EXPORT COSTS

The cost of exporting to Chile and the complementary costs of importing from the U.S. will vary greatly depending on different factors. Below there is a review to be used as a general guide and to give an idea

of the import export process and associated costs. The producer should consult with a shipping agent for more detailed information regarding their merchandise.

a. Factors Affecting Import Costs

The following are factors affecting import costs:

- Value of products
- Port of exit
- Port of entry
- Type of freight (frozen, cold, room temperature)
- Importers' agreements with ships or air cargo carriers
- Quantity shipped

All associated costs are added to and reflected in the final product for sale to the public.

- The U.S.-Chile free trade agreement (FTA) allows duty free access to U.S. products as of January 1, 2015. Products need to meet the relevant rules of origin to be eligible. All shipments must be accompanied by a certificate of origin.
- Importers can use three incoterms. FOB, CIF and Ex-works depending on the negotiations with each supplier.
- The import tariff for dairy products, as for all products coming from the U.S. to Chile is 0%
- The governmental agency overseeing the import of dairy products is the Agricultural and Livestock Service of the Ministry of Agriculture (SAG) <http://www.sag.cl>

Note:

FOB: Free on board. The producer pays freight and insurance up to exit port.

CIF: Cost, insurance and freight. The producer pays for associated cost up to the port of entry.

Ex-works: The importer covers the costs from the point of production.

b. Taxes

All dairy products imported to Chile, from any origin, are subject to pay taxes upon arrival to the port of entry. Taxes must be payed at the customs office of the port of entry, the tax will be calculated according to the CIF value of the shipment.

There are two taxes to be paid at customs, the first one is the value Added Tax (VAT) that corresponds to the 19% of the CIF value and the second is the import tariff which is zero for products coming from the United States.

Example:

For a CIF value of \$ 1,000

Import tariff (0%) = 0

VAT (19%) (over the CIF plus the import tariff) ($\$1,000 + 0$) = 190

Total tax = 1,190.

7. MARKET ACCESS

All dairy products from the United States are eligible to be exported to Chile; they just need to comply with existing regulations. The plant from which the product is derived from needs to be included in the

FDA list of plants, additional guidance on FDA requirements can be found at the following [link](#).

a. Certifications

There are two Chilean Ministries that will review dairy product imports, and both require a specific certification for the product. The Ministry of Agriculture through its Servicio Agrícola y Ganadero (SAG) needs to make sure that the product is safe in order to achieve certification. The sanitary certification can be requested at the Agricultural and Marketing Service of the U.S. Department of Agriculture (AMS/USDA) online at the following [link](#). In addition, the Ministry of Health through its Regional Office (SEREMI de Salud) will verify the safety of the product for human consumption and will require a certificate of Free Sale that can be obtain at the state offices of the Department of Commerce or Department of Agriculture of each state.

b. Importation Process

The importation process consists of the steps needed to be taken in order to get the final import approval and be able to sell the product to the final consumer.

- First, obtain the clearance from customs and pay the tax.
- Second, obtain clearance from SAG.
 - SAG will clear the documentation and verify that all requirements of certification are in order.

SAG will perform a physical review of the shipment and will match the information on the documents and the one provided on the label of the cartons. If everything is in order, SAG will issue a Certificate of Customs Destination (Certificado de Destinación Aduanera, CDA); this document authorizes the movement of the goods from the customs office to a warehouse where it will remain until the Use and Disposal certificate is issued. The document must contain the address of the warehouse, the transport route, and conditions of the products. The deadline for approval is 12 hours.

Other information requested in this certificate is:

- Information on the importer
 - Information on the customs office
 - Information on the warehouse destination
 - Information on the Transport Company and the route it will take.
- Third, obtain clearance from SEREMI de Salud
 - SEREMI de Salud will review the documents, specifically the Certificate of Free Sale and might take samples for laboratory testing. If everything is in order, they will issue a Certificate of Use and Disposal, this document is the authorization given by the Ministry of Health that permits to sale the product to the public.
 - Samples of the Spanish label must be submitted and approved by the Ministry of Health in advance and must be placed in the product before putting it for public display.

c. Labeling

The labeling of the products must contain the following information before it reaches the final consumer.

- Production date and shelf-life expiration dates
- Ingredients
- Additives with code and original name (SAG and RSA regulations)
- Storage and temperature
- Technical data sheet to support information on the label
- Must be in Spanish
- Must include the Chilean-regulated “STOP” labels if applicable.
- Must contain information with a reference to 100 grams and per portion.
- Must contain the different types of fats present in the product.

The New STOP Labels – Nutritional Labeling Regulation

The new labeling law in Chile is designed to give the consumer a warning against high quantities of sugars, calories, saturated fats, and sodium. It also imposes some restrictions on marketing to minors. The MINSAL (Health Ministry) has established as threshold of product attributes that determine if a label is required.

The restrictions imposed by the new labeling law for products containing one or more of these warning signs are:

- Prohibits direct marketing to children under 14 years of age
- Prohibits the sale of these products in schools
- The warning must be in the front of the package



8. CONCLUSION

The Chilean dairy market represents an opportunity for U.S. producers seeking to open new markets. The Chilean dairy market is continuing to grow and evolve adding opportunities and niches for suppliers of cheese and milk drinks. The country offers an open economy with clear rules and free trade. In addition to this, there are no prohibitive laws or taxes affecting dairy products. A clearer opportunity is reserved for cheese suppliers capable of competing in the largest segment of consumption, sliced

cheese. Below are the best product prospects found for U.S. dairy and cheese products.

Best Product Prospects:

Best product prospects for the U.S. dairy producers are summarized below. Products have been divided in three different categories:

Category A: Products Present in the Market That Have Good Sales Potential

As mentioned, most of the milk sold is targeted to children, and to some extent, the elderly consumer. The main barrier for milk is that it is sold like a commodity, which means that the purchase decision is price driven and it is a product that presents few differences between competitors. Producers who can successfully compete with local suppliers of sliced cheese also have great potential.

- Vitamin-rich powdered milk for Children
- Supplement-rich (calcium, vitamins, cholesterol-lowering ingredients) powdered milk for adults
- Gouda cheese in sliced format
- Cream cheese

Category B: Products not Present in Significant Volumes. Domestic Demand Exists but Few Suppliers

The main barrier for U.S. producers is the high price for cheddar and low awareness for mozzarella cheese.

- Cheddar cheese in sliced form is currently priced too high.
- Mozzarella cheese in sliced form is not well-known by the Chilean consumer and could be an opportunity for U.S. exporters.

Category C: U.S. Products not Present in the Market Because They Face Significant Barriers.

The main barrier faced by these U.S. producers is European competition and low brand awareness of U.S. gourmet cheese products such as:

- Blue cheese
- Reggiano
- Parmigiano
- Provolone
- Other gourmet cheeses

9. KEY CONTACTS AND FURTHER INFORMATION

Company - Institution Name	Address	Phone	Website
ODEPA	Teatinos 40, Piso 8, Santiago de Chile	(56 2 2397 3000)	www.odepa.gob.cl
WALMART CHILE (Lider, Ekono, Acuenta, Central mayorista)	Av. Presidente Eduardo Frei Montalva 8301, Quilicura, Santiago, Chile	(562 22005000)	www.walmartchile.cl

CENCOSUD (Jumbo, Santa Isabel)	Kennedy 9001 Las Condes, Santiago, Chile.	(600 400 6000)	www.jumbo.cl
TOTTUS	Nataniel Cox 620 Santiago. Chile	(600 390 8900)	www.tottus.cl
SMU (Unimarc, Alvi, Mayorista 10, OK Market, Telemercados.cl)	Cerro El Plomo 5680 piso 11, Las Condes, Santiago de Chile.	(562 2 818 8000)	www.smu.cl
PETROBRAS (Spacio 1)	Avda. Cerro Colorado 5240, Torre 1, piso 12. Las Condes, Santiago, Chile	(562 23283776)	www.petrobras.com
SHELL (UPA!, Select)	Avenida Del Cóndor Sur 5250 Ciudad Empresarial, Huechuraba, Santiago, Chile	(562 2444 4000)	www.shell.com
COPEC (Pronto)	Agustinas 1382, Santiago, Chile	(600 200 02 02)	ww2.copec.cl
CASTAÑO	Avenida Providencia 2548, Santiago, Región Metropolitana, Chile	(562 24998830)	www.castano.cl
BIG JOHN		(562 2335 5582)	www.femsa.com