

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Chile**

### **Grain and Feed Annual**

### **Wheat and Corn Annual Report**

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**Report Highlights:**

Higher quantity and quality wheat and corn production is expected this year. Imports are also expected to increase as the industry intends to restore stocks.

## **Executive Summary:**

A slightly larger and good quality harvest is expected for wheat and corn, the industry expects an increase in imports when compared to the previous year in order to restore stock levels. For the coming 2012 marketing year, the total planted area and production can be expected to increase as prices of both commodities are rising.

## **Commodities:**

Wheat

### **Production:**

Wheat is politically Chile's most important annual crop. There are an estimated 46,000 producers, of which a little over 550 farmers produce 50 percent of the wheat in Chile. Just over 40,000 are small farmers and are in the so-called subsistence group with little or no alternative crops (production) and 5,000 are medium size producers.

One of the most important factors determining the area of wheat to be planted each year is the economic results of the previous years. Having this in mind together with the difficulties observed in the marketing process during the previous year planted area in 2009 fell when compared to the previous year. But planted area and production increased again slightly in 2010 as perspective of higher prices and a lack of alternative crops made large producers increase their plantings. Lower fertilizer prices also encouraged farmers to use adequate amounts together with good weather conditions in most production areas during the planting season had a positive effect on yields and total output. For 2011, plantings are expected to expand slightly again as prices paid to producers for domestic wheat increased during the present season and economic returns for alternative crops deteriorated. Prices paid increased 13 percent during the last 12 months.

A larger harvest will be obtained in 2010 together with a higher quality production. Enough humidity in most production areas during the planting season and a dryer weather during the harvesting period had a positive effect on quality of the wheat in the main harvesting areas in the Araucania (Temuco), Los Rios (Valdivia) and Los Lagos (Osorno) Regions.

### **Consumption:**

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

The milling industry is Chile's main wheat destination. An estimated 85 percent of 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. Industry sources indicate that the wheat produced in Chile is in general of a lower quality than that required by the bread and pasta industry. It is mainly low in protein with varied quality.

### **Trade:**

The revised import figures for MY2009 resulted lower than previously estimated due to a fall in demand of wheat and wheat products. For MY2010 the imports figure is expected to be slightly larger than the previous year as the industry will restore stock levels, as was indicated by an industry source.

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. During 2010 wheat imported from the United States increased significantly when compared to the previous year.

This was mainly due to an important fall in production in Argentina, which significantly reduced their availability of wheat for exports.

Argentinean wheat flour imports are presently subject to a provisional antidumping surcharge of 17 percent since July 8, 2010. This surcharge has been in effect since Jan 20, 2007 with a 33.1 percent, renewed in May 28, 2007 with 31.1 percent. In Jul 7, 2008, in Jan 7, 2009 it was renewed again with 30.3 percent and in February 24, 2010 with 22.2 percent.

### Production, Supply and Demand Data Statistics:

Wheat Chile	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Dec 2009		Market Year Begin: Dec 2010		Market Year Begin: Dec 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	264	264	240	271		285
Beginning Stocks	240	240	246	203		323
Production	1,524	1,524	1,060	1,570		1,596
MY Imports	741	639	1,100	750		650
TY Imports	765	690	900	720		700
TY Imp. from U.S.	513	219	0	200		250
Total Supply	2,505	2,403	2,406	2,523		2,569
MY Exports	9	0	15	0		0
TY Exports	10	0	15	0		0
Feed and Residual	150	200	150	150		150
FSI Consumption	2,100	2,000	2,100	2,050		2,100
Total Consumption	2,250	2,200	2,250	2,200		2,250
Ending Stocks	246	203	141	323		319
Total Distribution	2,505	2,403	2,406	2,523		2,569

1000 HA, 1000 MT, MT/HA

### Import Trade Matrix

Country	Chile			
Commodity	Wheat			
Time Period	Jan-Dec	Units:	M.T.	
Imports for:	2009		2010	
U.S.	219026	U.S.	471961	
Others		Others		
Canada	324334	Canada	142298	
Argentina	133085	Argentina	18897	
Netherlands	1202	Netherlands	879	
Italy	46	Italy	53	
Total for Others	458667		162127	
Others not Listed	2482		1360	
Grand Total	680175		635448	

### Price Band

Wheat and wheat flour imports are subject to surcharges or discounts outlined in the present price band system. The present values for the floor and ceiling prices are USD\$120 f.o.b. and USD\$140 f.o.b. respectively. These prices will remain fixed until Dec 15, 2011. The floor price is being adjusted downward by 2% a year until 2014, when the price band should disappear as it was agreed to in the FTA agreement with the United States. The reference price is a fixed amount in US dollar per ton and it is published six times a year. The reference price is based on an average of the daily price for the 30 days preceding the date of publication. For the first semester the relevant market is FOB at Argentinean port and for the second semester it is soft red winter wheat #2, FOB Gulf of Mexico. The reference price is determined based on the date of entry of the goods. For wheat flour imports, an additional 56% is applied to the values set under the wheat price band.

### Commodities:

Corn

### Production:

The planting decision of a crop is directly related to the expected return and this in turn depends on several factors, some of which the farmer cannot influence. The most important element is the economic result obtained during the last growing season. Other factors are the costs of production, yields and the expected prices of the product, weather and alternative crops are also important for a large number of producers. For MY2011, in spite of the good economic results obtained the previous marketing year a slightly smaller planted area and production resulted, mainly due to other factors like increases in the cost of inputs and the access to financing by most producers as a result tighter credits availability in the local banking system.

The February 27, 2010 earthquake had no effect on the 2011 corn planting and production. Damage to the irrigation infrastructure that could have affected corn plantings, were repaired on time and total final plantings fell only slightly.

Total planted area and production for MY2012 is expected to increase again as international prices of corn are on the rise again. As a reference, corn prices in Argentina have increased from US\$175 per MT FOB in July 2010 to US\$286 per MT FOB in March of 2011, a 63 percent increase. Argentina has been the largest supplier of corn for the last 5 years.

### Production, Supply and Demand Data Statistics:

Corn Chile	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Mar 2010		Market Year Begin: Mar 2011		Market Year Begin: Mar 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	110	123	115	120		130
Beginning Stocks	183	183	208	155		191
Production	1,350	1,358	1,325	1,356		1,456
MY Imports	650	566	750	750		650
TY Imports	663	596	750	750		650
TY Imp. from U.S.	28	26	0	82		72
Total Supply	2,183	2,107	2,283	2,261		2,297
MY Exports	75	52	75	70		70
TY Exports	54	52	75	70		70
Feed and Residual	1,600	1,600	1,700	1,700		1,700
FSI Consumption	300	300	300	300		300
Total Consumption	1,900	1,900	2,000	2,000		2,000
Ending Stocks	208	155	208	191		227
Total Distribution	2,183	2,107	2,283	2,261		2,297

1000 HA, 1000 MT, MT/HA

### Import Trade Matrix

Country Chile

Commodity	Corn		
	Time Period	Jan-Dec	Units: M.T.
Imports for:	2009		<b>2010</b>
U.S.	77,944	U.S.	26,167
Others		Others	
Argentina	401,393	Argentina	362,217
Paraguay	151,935	Paraguay	207,893
Brazil	108,385	Peru	168
Bolivia	178		
Peru	117		
Total for Others	662,008		570,279
Others not Listed	17		33
Grand Total	739,969		596,478

### Consumption and Trade

Corn consumption, which until 2007 grew at the same rate as the increase in production of poultry and pigs, started to fall from 2008 on, mainly due to an increase in availability of alternative feeds. This decline in apparent consumption of corn has no effect on domestic production. However, its effect was felt in corn imports. As production of poultry and pigs, which are the main consumers of corn in Chile, has kept growing, apparently consumption of corn by these industries is being replaced by alternative feed mainly due to the high corn prices in the domestic market. As a result imports and consumption of sorghum explains part of the substitution. These increased from 127 thousand MT in 2007 to 622 thousand MT in 2010. Sorghum is imported mainly from Argentina. Balanced feed and broken corn imports have followed a similar pattern in the same period of time.

Within the international suppliers of corn in 2010 Argentina contributes with 54% of imports as it continues to have cost/quality advantages. A large percentage comes in trucks that are loaded directly at farms and driven across the border to the Chilean buyer's storage facilities, thus avoiding the unloading and loading of ships at the port and reducing total transportation costs. Paraguay and Brazil have also become important suppliers of corn in Chile. The US holds 11 percent of total markets share for corn imports.