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Chile

Dairy and Products Annual

The U.S. Continues to be the Top Supplier of Dairy Products to Chile

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Report Highlights:
The U.S. increased its dairy exports to Chile by 28% in value and 31% in volume in Jan -Aug 2017 over the same period in 2016. Top dairy exports to Chile are cheese and non-fat dry milk. Chilean imports of non-fat dry milk from the world have increased by 20% in MY2017 over MY2016 (Jan-Aug) reaching 9,972 MT. The U.S. continues to be the main supplier of non-fat dry milk.

Production General:

The dairy sector in Chile has 4,570 farms, 1.3 million hectares (ha) and produces 2.3 billion liters of milk a year using 436,000 dairy cows. The dairy sector employs 60,000 people directly and 100,000 people indirectly.

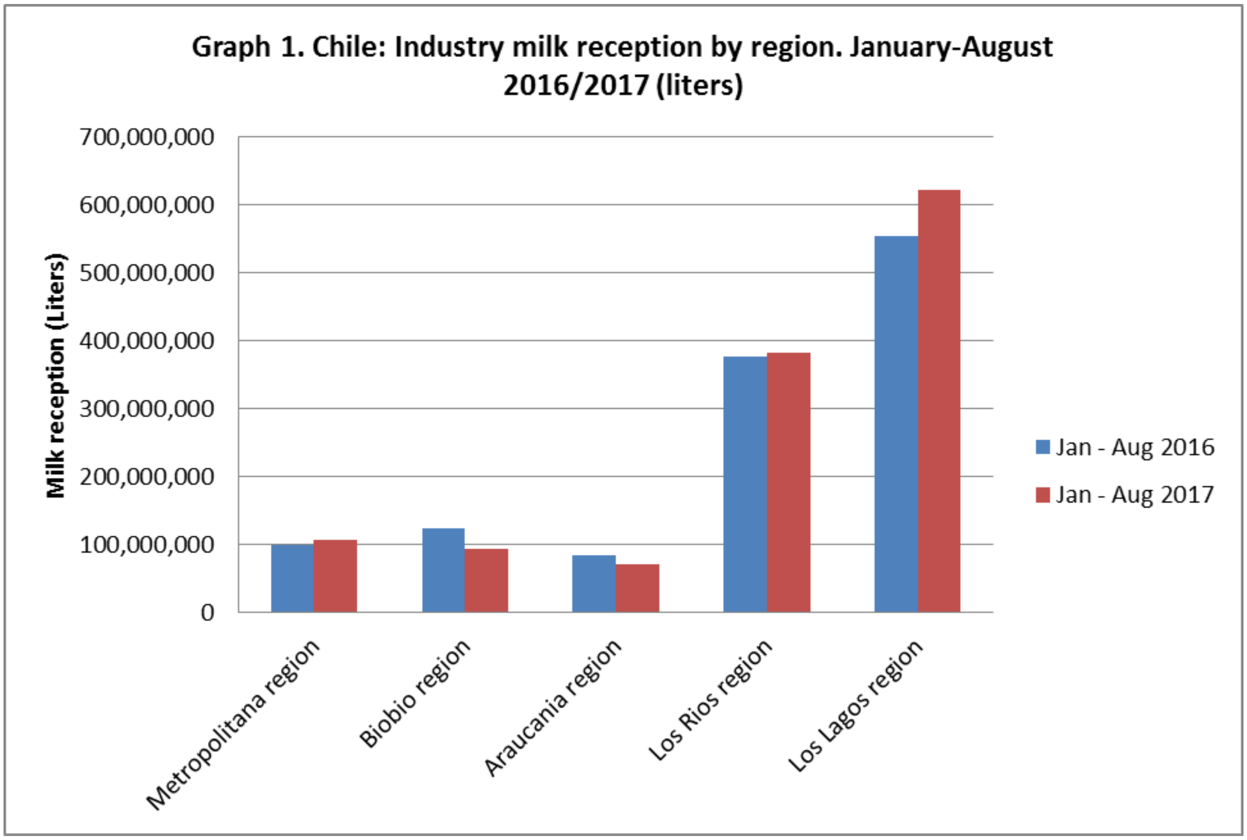
14 companies process 80% of the milk in the country while the rest is produced by a group of smaller companies. Chile's dairy production is concentrated in the southern regions of Los Lagos and Los Rios, where most dairy farms are located. However, processing facilities are located also in the Metropolitana, Biobio and Araucania regions (see graph 1).

During the last two years, dairy production has been conditioned by severe droughts, which reduced the amount of pasture production that ultimately reduced the overall feed availability. Furthermore, post sources indicate that domestic milk producer prices were low in MY2015 (January – December) and MY2016 and did not cover production costs in many cases.

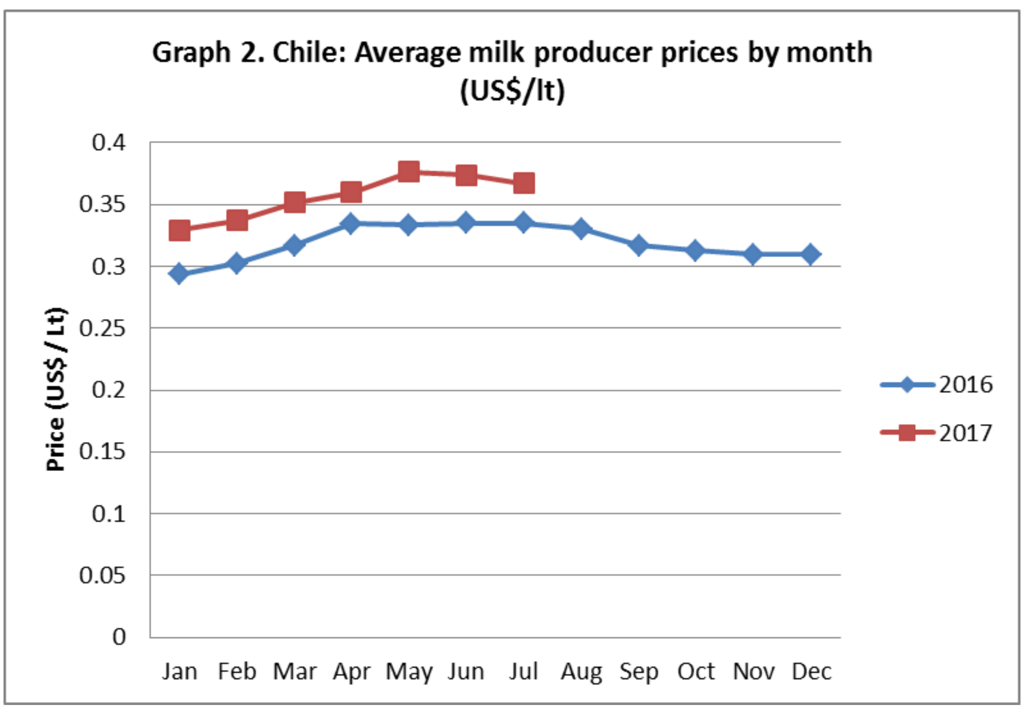
These two factors forced the less efficient producers to sell dairy cows and dairy farms. Post understands that more efficient companies have bought pasture land from some of these producers in order to achieve economies of scale in milk production. The drought conditions prompted the use new technologies such as pasture irrigation in the southern regions of Los Lagos and Los Rios, which has not been used historically in dairy production, to secure pasture production and feed.

Post sources note that that New Zealand companies are making investments in Chile by buying dairy farms and increasing production while dairy cows genetics is coming mainly from the European Union and New Zealand given their similarities in dairy production feeding systems which are based in prairies instead of feedlots.

In MY2017 weather conditions have improved in relation to the last two marketing years and water availability has not been a problem so far, therefore, feed availability is secured and there is enough of it in storage. Average milk production prices have increased over MY2017 (See Graph 2). Because of the improvement in these two factors, and milk reception in Jan–Jul 2017 has increased by 3.7% over the same period in 2016 reaching 1.1 billion liters (see table 1).



Source: ODEPA 2017.



Note: Exchange rate: 1 USD = 640 Chilean pesos
Source: based in ODEPA

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)**
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
2016 (Jan-Jul)	1,090	253	25,432	12,678	11,938	12,511	47,515	9,629	141	23,919
2017 (Jan-Jul)	1,130	246	26,838	14,055	13,960	13,652	50,952	9,093	137	23,756
Variation (Jan-Jul)	3.7%	-2.9%	5.5%	10.9%	16.9%	9.1%	7.2%	-5.6%	-2.4%	-0.7%
Source: Based in Odepa, 2017.										

Trade General:

The current dairy trade balance for Chile is negative as imports are greater than exports. Chile increased dairy imports by 47% in volume and 70% in value in Jan-Aug 2017 over the same period in 2016 (see table 2). The main supplier of dairy imports is the United States with a 27% market share, reaching 18,726 MT and $ 48.9 million in Jan - Aug 2017. New Zealand is the second top exporter of dairy products to Chile with a 27% market share, reaching 17,164 MT and $ 60.4 million in Jan - Aug 2017. Argentina is the third top exporter with a 24% market share and exporting 8,287 MT and $ 30.9 million in Jan - Aug 2017.

From Jan-August, 2017, U.S. dairy exports grew 28% in value and 31% in volume over the same period in 2016. The top products exported to Chile are cheese (cream cheese and mozzarella) and non-fat dry milk, which have grown by 9% and 44% in Jan-Aug 2017 over 2016, respectively (see table 3).

Table 2. Chile Import Statistics Volume (MT)								
Commodity: Dairy Products, Ex 04, 21, 17, 35								
Partner Country	Volume (MT)				Value (USD)			
	Jan -Aug 2016	Jan - Aug 2017	Variation (%)	Market Share (%)	Jan -Aug 2016	Jan - Aug 2017	Variation (%)	Market Share (%)
World	47,835	70,218	47%	100%	132,486,441	224,645,866	70%	100%
United States	14,290	18,726	31%	27%	38,233,774	48,904,654	28%	22%
New Zealand	9,883	17,164	74%	24%	26,621,964	60,402,629	127%	27%
Argentina	9,698	8,287	-15%	12%	28,250,151	30,934,304	10%	14%
Germany	4,161	7,644	84%	11%	10,250,461	24,627,493	140%	11%
Netherlands	1211	7,048	482%	10%	3,808,268	25,339,596	565%	11%
Peru	1861	2,339	26%	3%	2428122	3,090,505	27%	1%
Uruguay	1,591	1,554	-2%	2%	4,656,970	5,741,871	23%	3%
France	2402	1,102	-54%	2%	8014671	6,113,147	-24%	3%
Canada	0	1,095	-	2%	12643	2163831	17015%	1%
Brazil	666	981	47%	1%	2,383,140	3,520,423	48%	2%
Spain	549	798	45%	1%	2233134	3669866	64%	2%
Mexico	41	757	1746%	1%	139,797	2,047,005	1364%	1%
Others	1,482	2,723	84%	4%	5,453,346	8,090,542	48%	4%

Source: Chile Customs - Servicio Nacional de Aduana (Global Trade Atlas), 2017.

Table 3.Chile: Top dairy imports from United States							
Commodity: Dairy Products, Ex 04, 21, 17, 35							
Year To Date: January - August							
Commodity	Description	Value (USD)			Volume (MT)		
		Jan - Aug 2016	Jan - Aug 2017	Variation (%)	Jan - Aug 2016	Jan - Aug 2017	Variation (%)
Dairy Products	Ex 04, 21, 17, 35	38,233,774	48,904,654	28%	14,290	18,726	31%
040610	Cheese (Unrpnd/Uncurd) Frsh Incl Whey Cheese Curd	17,863,804	19,916,451	11%	4,483	4,894	9%
040210	Mlk & Crm,Cntd,Swt,Powdr,Gran/Solids,Nov 1.5% Fat	10,615,096	16,532,232	56%	5,155	7,437	44%
210500	Ice Cream And Other Edible Ice, With Cocoa Or Not	1,912,799	2,880,363	51%	591	827	40%
170211	Lactose & Lactose Syrup Cont 99% More Lactse By Wt	1,754,164	2,390,328	36%	1,909	2,176	14%
040620	Cheese Of All Kinds, Grated Or Powdered	1,058,766	1,949,393	84%	229	424	85%
040410	Whey & Modfd Whey Whet/Nt Cncntrtd Cntg Add Sweetn	739,696	1,413,284	91%	755	1,275	69%
040690	Cheese, Nesoi, Including Cheddar And Colby	1,823,169	1,305,030	-28%	378	227	-40%
040630	Cheese, Processed, Not Grated Or Powdered	1,894,800	706,732	-63%	555	184	-67%
170219	Lactose In Solid Form And Lactose Syrup, Nesoi	324,850	672,720	107%	123	552	349%
040221	Mlk/Cream Cnctrd Nt Swtn Pwd/Oth Solids Ov 1.5% Fa	89,688	583,767	551%	46	540	1074%
040110	Milk And Cream, Nt Concntrd, Nt Sweetd, Nov 1% Fat	3,000	268,961	8865%	1	128	12700%

Source: Chile Customs - Servicio Nacional de Aduana (Global Trade Atlas), 2017.

Policy:

Chile has zero import duties for the United States. Argentina and the Mercosur countries also have zero import duties. As of 2017, New Zealand has a zero percent tariff for powder milk products.

In September 2017, Chile adhered to the Dairy Declaration of Rotterdam which is an initiative from the Food and Agriculture Organization of the United Nations (FAO) and the International Dairy Federation (IDF). With the signing of the declaration, the Chilean dairy sector committed to a sustainable development in the economic, social and environmental dimensions in order to achieve the Sustainable Development Goals of the United Nations 2030 Agenda.

The association that groups the Chilean Dairy sector "Consorcio Lechero" has submitted Chile as a host country for the World Dairy Summit in 2021 which is the top annual meeting for the global dairy industry.

For more background on policy see Dairy annual 2016 report.

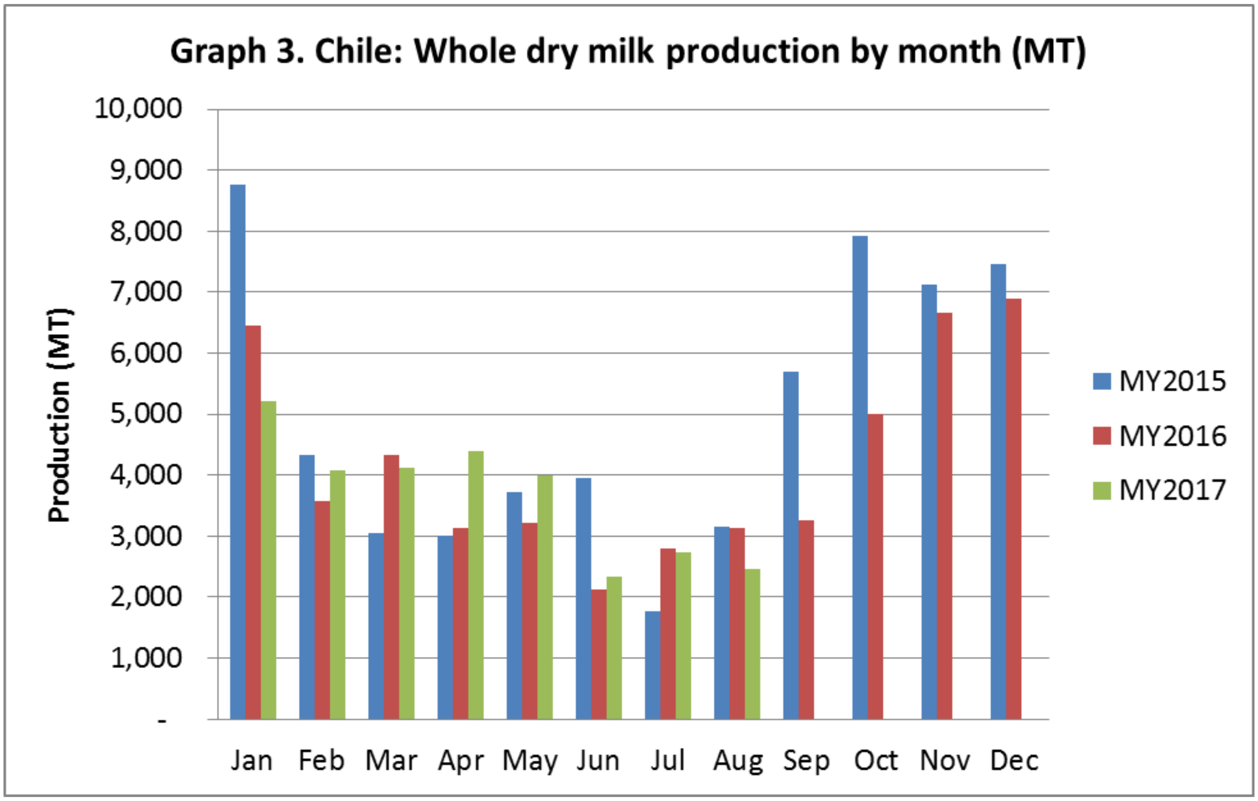
For information in dairy production, trade and consumer trends in Chile see Voluntary GAIN report.

Commodities:
Dairy, Dry Whole Milk Powder

Production:
Whole dry milk production reached 50,386 MT in MY2016. In MY2017 (Jan- Aug) production reached 29,289 MT which represents a 1.8% increase over MY 2016.

Whole dry milk production is seasonal and peaks in September through January. Production in MY2016 was low compared to MY2015, because of reduced feed availability caused by droughts that year. Whole dry milk production in MY2017 has recovered along with increased feed availability.

Only five companies in Chile produce whole dry milk and production is destined mainly for domestic consumption.



Source: Based on ODEPA, 2017.

Consumption:

Chile's dairy consumption is concentrated in the main cities: Santiago, Valparaiso and Concepcion. Protein that comes from dairy has a high biological value, but is not well known by the consumer.

The food processing industry uses whole dry milk in desserts, ice cream, cheese, and yogurt. Consumption of whole dry milk is expected remain unchanged at 64,000 MT in MY2018.

Trade:

Imports of whole dry milk increased by 67% in MY2017 over MY2016 (Jan-Aug) reaching 8,380 MT. New Zealand is the main supplier with 4,991 MT and $13.1 million (see table 4).

On the contrary, exports of whole dry milk have decreased by 45% in MY2017 over MY2016 (Jan-Aug) reaching 2,872 MT. The main reason for this decline in exports has to do with an unfavorable exchange rate in Jan- Aug 2017 (see table 5).

In MY2018 imports are expected to decrease because of increased domestic production while exports should bounce back along with a favorable exchange rate for exports (strengthening trend of the Chilean peso).

Table 4. Chile Import Statistics						
Commodity: Dairy whole dry milk, milk powder more than 1.5% fat						
Year To Date: January - August						
Partner Country	Volume (MT)			Value (USD)		
	Jan - Aug 2016	Jan - Aug 2017	Variation (%)	Jan - Aug 2016	Jan - Aug 2017	Variation (%)
World	5,017	8,380	67%	12,681,762	23,919,665	89%
New Zealand	1,645	4,991	203%	3,801,171	13,084,605	244%
Argentina	3,034	2,030	-33%	8,049,715	7,269,852	-10%
Uruguay	255	700	175%	611718	2,563,090	319%
United States	46	540	1074%	89,688	586,217	554%
France	26	77	196%	87,572	295,069	237%
Netherlands	8	25	213%	24,334	78,990	225%
Germany	1	2	100%	3,076	17,779	478%
Switzerland	0	14	-	0	15,551	-
Others	2	1	-	14,488	8,512	-41%
Calendar Year: 2016 - 2017						
Partner Country	Volume (MT)			Value (USD)		
	2016	2017	Variation (%)	2016	2017	Variation (%)
World	6,930	6,520	-6%	20,991,550	16,839,610	-20%
Argentina	885	3,662	314%	2,477,377	9,808,337	296%
New Zealand	3,182	2,143	-33%	8,770,546	5,086,459	-42%
Uruguay	2,164	572	-74%	7,831,896	1,548,391	-80%
France	89	64	-28%	320,894	214,962	-33%
United States	469	65	-86%	1,206,362	129,286	-89%
Netherlands	12	8	-33%	38646	24,853	-36%
Italy	-	3	-	1,288	13,499	948%
Germany	3	1	-67%	24,412	7,003	-71%
Others	126	2	-98%	320,129	6,820	-98%

Source: Chile Customs - Servicio Nacional de Aduana (Global Trade Atlas)

Table 5. Commodity: Dairy whole dry milk, milk powder more than 1.5% fat						
Year To Date: January - August						
Partner Country	**Volume (MT)**			**Value (USD)**		
	Jan - Aug 2016	**Jan - Aug 2017**	**Variation (%)**	**Jan - Aug 2016**	**Jan - Aug 2017**	**Variation (%)**
World	5,228	2,872	-45%	11,722,842	8,226,502	-30%
Brazil	3,200	2,290	-28%	7,050,000	7,281,382	3%
Peru	154	99	-36%	450,547	402,868	-11%
Bolivia	358	409	14%	217907	243,920	12%
Panama	32	32	0%	153,252	158,616	4%
Mexico	0	25		0	86,600	
Singapore	0	13		0	45,250	
Argentina	1	3	200%	2,218	5,510	148%
Ecuador	3	1	-67%	5699	1,736	-70%
Others	1,480	0	-100%	3,843,219	620	-100%
Calendar Year: 2016 -2017						
Partner Country	**Volume (MT)**			**Value (USD)**		
	2016	**2017**	**Variation (%)**	**2016**	**2017**	**Variation (%)**
World	6,332	6,757	7%	20,406,780	15,897,547	-22%
Brazil	550	4,400	700%	1,277,500	10,774,179	743%
Cuba	1,608	1,269	-21%	4,285,160	3,327,904	-22%
Peru	352	215	-39%	1,305,729	660,525	-49%
China	600	200	-67%	1,497,058	503,329	-66%
Bolivia	670	587	-12%	920,541	353,127	-62%
Panama	22	32	45%	133852	153,252	14%
Guatemala	48	25	-48%	147,156	61,261	-58%
Colombia	1,151	14	-99%	3,977,030	43,013	-99%
Others	1,331	15	-99%	6,862,754	20,957	-100%

Source: Chile Customs - Servicio Nacional de Aduana (Global Trade Atlas)

Production, Supply and Demand Data Statistics:

Dairy, Dry Whole Milk Powder	2016		2017		2018	
Market Begin Year	Jan 2016		Jan 2017		Jan 2018	
Chile	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	16	16	7	3	0	1
Production	54	50	60	56	0	60
Other Imports	7	7	10	10	0	10
Total Imports	7	7	10	10	0	10
Total Supply	77	73	77	69	0	71
Other Exports	7	7	4	4	0	6
Total Exports	7	7	4	4	0	6
Human Dom. Consumption	63	63	66	64	0	64
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	63	63	66	64	0	64
Total Use	70	70	70	68	0	70
Ending Stocks	7	3	7	1	0	1
Total Distribution	77	73	77	69	0	71
(1000 MT)						

Source: post estimates.

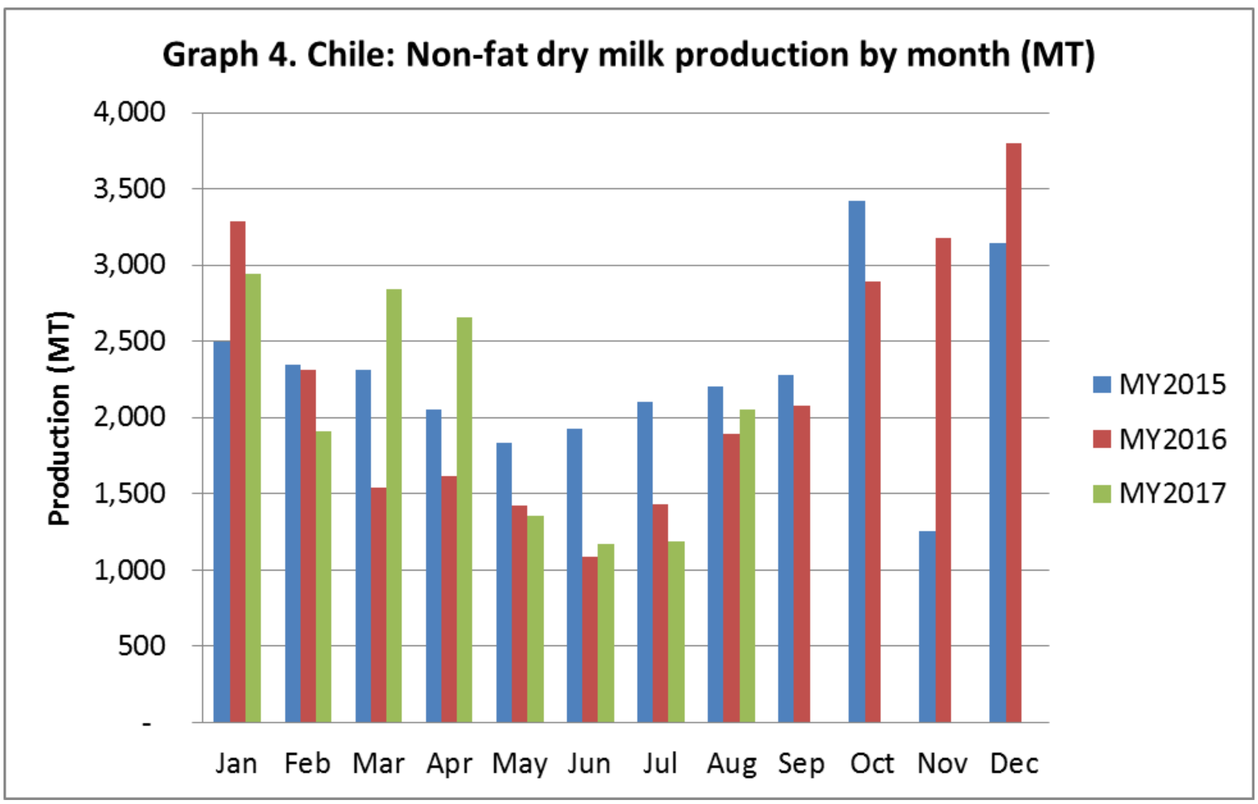
Commodities:
Dairy, Milk, Nonfat Dry

Production:

Non-fat dry milk production reached 24,716 MT in MY2016. In MY2017 (Jan- Aug) production reached 16,110 MT which represents a 10.85% increase over MY 2016.

Only three companies in Chile produce non-fat dry milk and production is destined mainly for domestic consumption.

Post expects that in MY2018 production will increase by 7% up to 29,000 MT since weather conditions have improved and producer prices have increased.



Source: Based on ODEPA, 2017.

Consumption:

In Chile non-fat milk consumption has been growing due to health reasons. Chile's consumers are informed and they tend to choose healthier options, although fat from milk is considered to be a good source of protein, is not well known as the other sources of protein such as meats or poultry. Consumption on non-fat dry milk is expected to increase along population annual growth rate which should remain at 0.97% between 2015 and 2020 (Source: INE).

Trade:

Imports of non-fat dry milk have increased by 20% in MY2017 over MY2016 (Jan-Aug) reaching 9,972 MT. Import decisions of non-fat dry milk are mainly price oriented. The U.S. has been the main supplier of non-fat dry milk to Chile since MY2010. In MY2017, the U.S. exported 7,437 MT and $16.5 million (see table 7).

On the contrary, exports of whole dry milk have decreased by 46% in MY2017 over MY2016 (Jan-Jul) reaching 911 MT.

In MY2018, Post expects imports to decrease 7% down to 13,000 MT because of the increase in domestic production while exports should bounce back to 2,000 MT in response to the strengthening trend of the Chilean peso due to increased economic growth projected in 2018.

Table 7. Chile Import Statistics						
Commodity: 040210, Milk And Cream, Concentrated, Whether Or Not Sweetened, In Powder, Granules Or Other Solid Forms, Of A Fat Content, By Weight, Not Exceeding 1.5%						
Year To Date: January - August						
Partner Country	Volume (MT)			Value (USD)		
	Jan - Aug 2016	Jan - Aug 2017	Variation (%)	Jan - Aug 2016	Jan - Aug 2017	Variation (%)
World	8,339	9,972	20%	17,843,957	22,383,523	25%
United States	5,155	7,437	44%	10,615,096	16,532,232	56%
Canada	0	1,050		105	2,019,855	
Denmark	210	441	110%	445782	1,021,170	129%
Argentina	344	405	18%	791,935	971,883	23%
France	1771	263	-85%	3,833,316	688,884	-82%
Uruguay	590	141	-76%	1,446,898	415,424	-71%
Germany	0	150		219	298,810	136343%
Netherlands	20	24	20%	171739	201,439	17%
Others	249	61	-76%	538,867	233,826	-57%
Calendar Year: 2016 -2017						
Partner Country	Volume (MT)			Value (USD)		
	2016	2017	Variation (%)	2016	2017	Variation (%)
World	9,649	11,647	21%	24,942,494	25,252,950	1%
United States	5,670	7,398	30%	13,533,820	15,395,612	14%
France	149	1,912	1183%	554,619	4,219,882	661%
Argentina	76	1,128	1384%	228,237	2,666,203	1068%
Uruguay	1,336	668	-50%	4,471,306	1,655,989	-63%
New Zealand	99	243	145%	198,153	473,775	139%
Denmark	844	210	-75%	1955470	445,782	-77%
Netherlands	68	26	-	287,923	218,972	-24%
Italy	22	19	-14%	92,571	82,030	-11%
Others	1,385	43	-97%	3,620,395	94,705	-97%

Source: Chile Customs - Servicio Nacional de Aduana (Global Trade Atlas)

Table 8. Chile Export Statistics						
Commodity: 040210, Milk And Cream, Concentrated, Whether Or Not Sweetened, In Powder, Granules Or Other Solid Forms, Of A Fat Content, By Weight, Not Exceeding 1.5%						
Year To Date: January - July						
Partner Country	Volume (MT)			Value (USD)		
	Jan - Aug 2016	Jan - Aug 2017	Variation (%)	Jan - Aug 2016	Jan - Aug 2017	Variation (%)
World	1,679	911	-46%	3,554,601	2,653,325	-25%
Brazil	1,640	900	-45%	3,415,552	2,615,650	-23%
Panama	12	7	-	56,904	33,565	-
Bolivia	20	4	-80%	61600	4,110	-93%
Peru	7	0	-100%	20,400	0	-100%
British Terr. in Central Amer.	0	0	-	146	0	-100%
Others	0	0	-	-1	0	-
Calendar Year: 2016 - 2017						
Partner Country	Volume (MT)			Value (USD)		
	2016	2017	Variation (%)	2016	2017	Variation (%)
World	597	1,679	181%	2,196,672	3,554,601	62%
Brazil	-	1,640	-	0	3,415,552	-
Bolivia	50	20	-60%	128,490	61,600	-52%
Panama	3	12	300%	15,382	56,904	270%
Peru	-	7	-	0	20,400	-
British Terr. in Central Amer.	-	-	-	0	146	-
Colombia	544	-	-100%	2,052,800	0	-100%
Others	0	0	-	0	-	-

Source: Chile Customs - Servicio Nacional de Aduana (Global Trade Atlas)

Production, Supply and Demand Data Statistics:

Dairy, Milk, Nonfat Dry	2016		2017		2018	
Market Begin Year	Jan 2016		Jan 2017		Jan 2018	
Chile	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	14	14	12	10	0	10
Production	23	25	25	27	0	29
Other Imports	14	12	15	14	0	13
Total Imports	14	12	15	14	0	13
Total Supply	51	51	52	51	0	52
Other Exports	2	2	2	1	0	2
Total Exports	2	2	2	1	0	2
Human Dom. Consumption	37	39	40	40	0	41
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	37	39	40	40	0	41
Total Use	39	41	42	41	0	43
Ending Stocks	12	10	10	10	0	9
Total Distribution	51	51	52	51	0	52
(1000 MT)						

Source: post estimates.