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Chile

Dairy and Products Annual

Whole and Non Fat Dry Milk Report

Approved By:
Rachel Bickford, Agricultural Attaché

Prepared By:
Luis Hennicke, Agricultural Specialist

Report Highlights:
Chile's dairy production is expected to increase again this year, as weather has been favorable for grass production which is the primary feed input for milk production.

Executive Summary:

Chile's milk production is expected to increase again in 2013 (Jan-Dec). As a result of good weather conditions, which is an important factor for pasture production, Chile's basic feed input, favored feed and milk production. The industry is projecting another expansion, the outlook for the next year's milk production is to increase further as large producers are increasing operation and most farmers continue improvements in technology and animal genetics.

Commodities:

Dairy, Milk, Fluid

Production:

Chile's total milk output increased 1.2 percent from 2.62 billion in 2011 to 2.65 billion liters in 2012. The increase in production although at a slower rate than during the previous year, due to weather conditions during last spring (Sept-Dec 2012), when a deficit of precipitation together with higher than normal temperatures delayed the growth of pastures in the major milk production areas, reducing milk output slightly. Over 80 percent of the milk production herd is fed in grazing fields, supplemental feed is used mainly by large producers and during the winter months.

Better weather conditions during the spring 2013 will expand total milk production another 3.8 percent for CY 2013 to an estimated 2.72 billion liters, when compared to the previous year.

TABLE - Dairy Production

	Total Rec'd by Industry	Fluid Milk	Dry Milk	Butter	Cheese	Farmers Cheese	Yogurt (Million Liters)	Conden. Milk
Year	--Million Liters--		--------------------------Thousand Kilograms--------------					
1980	592	127	32,566	4,016	13,902	3,868	15,054	7,835
1990	890	138	45,126	6,448	24,513	5,422	0,939	8,325
1995	1,358	225	61,418	6,651	40,816	5,873	67,663	8,674
1997	1,497	271	65,726	9,582	43,712	7,106	79,423	10,219
1998	1,530	269	70,877	11,159	46,528	7,631	82,243	13,244
1999	1,470	279	60,597	11,007	44,777	7,034	100,203	15,742
2000	1,447	275	59,669	9,855	44,718	7,167	106,624	24,400
2001	1,637	291	71,464	11,836	50,417	7,150	95,249	25,418
2002	1,605	296	67,710	11,551	53,075	7,480	127,057	24,190
2003	1,563	293	61,867	10,849	53,037	7,555	139,344	30,558
2004	1,676	289	63,633	13,084	58,849	8,296	159,828	38,698
2005	1,723	298	62,792	14,655	67,176	10,507	189,436	39,645
2006	1,818	319	69,491	17,157	62,072	9,088	157,980	43,426
2007	1,871	330	74,204	18,229	61,745	8,579	162,505	45,287
2008	1,972	323	102,955	16,765	57,369	7,960	178,215	41,501
2009	1,773	341	73,431	17,102	56,526	8,139	191,933	33,255
2010	1,896	367	82,321	21,086	64,558	8,349	198,825	36,829
2011	2,104	369	92,812	21,041	80,620	9,135	222,063	34,579
2012	2,119	389	93,197	22,205	82,307	9,049	229,996	39,828
2012*	1,129	225	44,487	12,899	45,394	5,317	133,796	23,920

2013**	1,146	233	48,179	12,643	45,725	5,270	132,940	18,091
Note: Year 2012* January through July								
Year 2013** January through July								
Source: Ministry of Agriculture								

Chile currently has an estimated 16,000 dairy farmers with approximately 460,000 cows in production, of which 80 percent are considered small producers and the whole dairy industry employs directly and indirectly an estimated 35,000 persons.

Trade:

Historically, Latin American countries have been the main destination for Chile's dairy exports, led by Mexico with a 25 percent in 2012. Prior to 2012 Colombia was the second most important export market, but in 2013 the Emirates imported over $15 million. Close to 50 percent of these exports consist of whole dry and condensed milk.

Milk Product Export by Country of Destination January - July			
Countries	Value (Thousand US$ FOB)		Participation
	2012	2013	%
México	35,148	36,087	24.5
UA Emirates	33	15,204	10.3
Brazil	20,441	11,873	8.0
Peru	7,306	11,242	7.6
Nicaragua	0	9,191	6.2
Honduras	0	7,252	4.9
Costa Rica	4,234	6,731	4.6
U.S.	7,548	6,684	4.5
China	3,500	5,953	4.0
Venezuela	19,752	5,375	3.6
Other	37,994	31,943	21.8
Total	135,956	147,535	100.0

Source: Ministry of Agriculture

Argentina was again the main supplier of dairy products during 2012. The US was Chile's third supplier of dairy products after New Zealand. Imports of dairy products increased significantly during 2012 as a result of a fall in the exchange rate together with lower international prices of dairy products. These prices started to climb again during the first 6 months of 2013.

Milk Product Imports by Country of Origin January - July			
Countries	Value (Thousand US$ CIF)		Part.
	2012	2013	%
Argentina	37,139	41,981	32.4
New Zealand	13,646	36,111	27.8
U.S.	30,568	26,737	20.6
Mexico	7,268	7,091	5.5
Uruguay	2,113	4,426	3.4
Brazil	3,583	3,619	2.8
Peru	1,378	2,288	1.8
Ireland	2,539	1,788	1.4
France	1,125	1,628	1.3

Netherlands	973	1,137	0.9
Others	2,067	2,911	2.1
Total	102,399	129,717	100.0

Source: Ministry of Agriculture

The dairy industry's exports exceed imports in both volume and value. In CY2012 the trade balance expressed in fluid milk equivalent fell when compared to the previous year.

Trade balance, January - July 2011								
	Volume (M.T. Thous.Ltrs)				Expressed in fluid milk equivalent (Thous. Liters)			
Item	2010	2011	2012	2013	2010	2011	2012	2013
IMPORTS								
UHT Products	0	103	1.191	342	0	103	1,191	342
NFDM	818	4,643	5,452	4,635	9,399	53,348	62,643	53,256
Whole dry milk	125	2,618	3,533	6,845	1,050	21,991	29,677	57,498
Cream	1	0	1	1	1	0	1	1
Evaporated milk	811	636	797	1,853	1,865	1,463	1,833	4,262
Condensed milk	273	95	48	106	737	257	130	286
Yogurt	1,280	1,672	112	97	1,280	1,672	112	97
Butter	982	722	548	2,053	982	722	548	2,053
Cheese	3,894	5,996	9,461	12,278	38,940	59,960	94,610	122,780
Caramel milk & others	1,840	1,417	1,123	1,353	4,048	3,117	2,471	2,977
Dairy drinks	13	17	1	35	13	17	1	35
Total					**60,505**	**144,367**	**193,217**	**251,167**
EXPORTS								
UHT Products	269	573	1,212	706	269	573	1,212	706
NFDM	1,521	1,616	4,020	119	17,476	18,568	46,190	1,367
Whole dry milk	6,712	11,287	10,239	8,609	56,381	94,811	86,190	72,316
Cream	146	117	276	170	146	117	276	170
Evaporated milk	13	2	1	85	30	5	2	196
Condensed milk	15,958	16,057	18,537	17606	43,087	43,354	50,050	47,536
Yogurt	24	25	30	109	24	25	30	109
Butter	1,303	1,703	1,761	2,557	1,303	1,703	1,761	2,557
Cheese	6,454	6,470	5,398	4,684	64,540	64,700	53,980	46,840
Caramel milk & others	2,079	1,914	2,289	2,869	4,574	4,211	5,036	6,312
Dairy drinks	35	21	2,338	46	35	21	2,338	46
Total					**187,899**	**228,092**	**246,882**	**211,309**
Balance Jan- July					**129,546**	**85,437**	**53,665**	**-39,858**
Source: ODEPA.								

Policy:

Although Chile bound its dairy product import duties (HS 04.02, 04.05, 04.06) at 31.5 percent in the Uruguay Round, a flat import tariff of 6 percent is applied on nearly all imported dairy products. Additionally, a value-added tax of 19 percent is charged at the consumer level on all goods, domestic or imported. Chile has reduced import duties only for Colombia and the United States for whole and non-fat dry milk as a result of the Free Trade Agreements with these countries. Non-fat dry milk has entered duty free since 2007 and whole dry milk since 2011. Colombia has had duty free access for both, whole and non-fat dry milk since 2012. For all other countries that have signed agreements with Chile, dairy products are excluded from the tariff reduction schedule.

As a result of Chile's trade agreements, the dairy industry expects to keep increasing its export market share. The US – Chile FTA provides for a 3,500 metric ton duty free quota for Chilean dairy products. This volume increases 10 percent each year until Chile gains duty free access in 2016. The agreement with the EU offers a duty free quota of 1,500 Tons, with a yearly increment of 5 percent. The agreement reached with South Korea gives only a 1,000 Metric Ton duty free quota for whey powder, but there is an agreed upon reduction in the high duties for dairy products like yogurt and cheese in 10 years. Duties applied to these products are 40 and 38 percent respectively. No preferences were agreed for dairy products in the Chile-Japan trade agreement.

In an effort to increase domestic consumption of milk and milk products, the industry and producers continues with a promotional campaign. They have agreed to form and finance an association (Promolac) that manages the contributed funds in promotional campaigns, mainly through TV and printed media. Industry sources have indicated that promotion has been an important factor in total domestic dairy product per capita consumption reached 150 liters in CY2012.

U.S. import quotas Tariff-free dairy products (metric tons)

Year	Milk powder	Condensed milk	Butter	Cheese
2004	828	489	300	1,432
2005	866	523	321	1,532
2006	948	560	343	1,639
2007	1,014	599	368	1,754
2008	1,085	641	393	1,877
2009	1,161	686	421	2,008
2010	1,243	734	450	2,149
2011	1,330	785	482	2,229
2012	1,423	840	515	2,460
2013	1,522	899	552	2,633
2014	1,629	962	590	2,817
2015	Unlimited			
Quotas allocated in order of arrival.				

Dairy: Chile's tariff reduction schedule in trade agreements [(1)]

Country of origin	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Whole milk powder 0402.2118										
Australia	4,284%	3,426%	2,568%	1,710%	0,852%	0%	0%	0%	0%	0%
Bolivia	Goods released from duties									
Canada	Current general tariff of 6%. Goods excluded from relief									
China	Free									
Colombia	2,04%	1,02%	0%							
Korea	Free									
Costa Rica	Current general tariff of 6%. Goods excluded from relief.									
Cuba	Current general tariff of 6%. Goods excluded from relief.									
Ecuador	Current general tariff of 6%. Goods excluded from relief.									
El Salvador	Current general tariff of 6%. Goods excluded from relief.									
US	0,75%	0,00%								
Guatemala	Current general tariff of 6%. Goods excluded from relief.									
Honduras	Free									
India	Current general tariff of 6%. Goods excluded from relief.									
Japan	Current general tariff of 6%. Goods excluded from relief.									
México	Current general tariff of 6%. Goods excluded from relief.									
Panamá	Free									

Peru	3,00%	1,98%	1,02%	0,00%						
Venezuela	Current general tariff of 6%. Goods excluded from relief.									
EFTA										
Island	Current general tariff of 6%. Goods excluded from relief.									
Norway										
Switzerland										
Mercosur	Free									
P4	6%	6%	5%	4%	3%	2%	1%	0%		
European Union	Current general tariff of 6%. Goods excluded from relief.									
NFDM 0402.1000										
Australia	4,284%	3,426%	2,568%	1,710%	0,852%	0%	0%	0%	0%	0%
Bolivia	Free									
Canada	Current general tariff of 6%. Goods excluded from relief.									
China	Free									
Colombia	2,04%	1,02%	0%							
So. Korea	Free									
Costa Rica	Current general tariff of 6%. Goods excluded from relief.									
Cuba	Current general tariff of 6%. Goods excluded from relief.									
Ecuador	Current general tariff of 6%. Goods excluded from relief.									
El Salvador	Current general tariff of 6%. Goods excluded from relief.									
US	Free									
Guatemala	Current general tariff of 6%. Goods excluded from relief.									
Honduras	Free									
India	Current general tariff of 6%. Goods excluded from relief.									
Japan	Current general tariff of 6%. Goods excluded from relief.									
México	Current general tariff of 6%. Goods excluded from relief.									
Panamá	Free									
Peru	3,00%	1,98%	1,02%	0,00%						
Venezuela	Current general tariff of 6%. Goods excluded from relief.									
EFTA										
Island	Current general tariff of 6%. Goods excluded from relief.									
Norway										
Switzerland										
Mercosur	Free									
P4	6%	6%	5%	4%	3%	2%	1%	0%		
European Union	Current general tariff of 6%. Goods excluded from relief.									

Dairy: tariff reduction schedule of the partner countries in trade agreements (1)										
Country of origin	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Whole milk powder 0402.2118										
Australia	Free									
Bolivia	Free									
Canada	Current general tariff of 264.9%. Goods excluded from relief									
China	5%	4%	3%	2%	1%	0%				
Colombia	13,20 %	6,80%	0%							
So. Korea	Current general tariff of 180,4%. Tariff reduction will be negotiated after Doha.									
Costa Rica	Current general tariff of 65%. Goods excluded from relief.									
Cuba	Free									
Ecuador	Current general tariff of 25%. Goods excluded from relief.									
El Salvador	Current general tariff of 15% y 20% depending on container. Goods excluded from relief.									
US	$0,0/ kg over	$0,0/kg over	$0,0/kg over	$0,0/kg over	$0,0/kg over	$0,0/ kg	$0,0/ kg	$0,0/ kg	$0,0/ kg	$0,0/ kg
	1,243 ton $1.09	1.330 ton $0.873/kg	1.423 ton $0,655/kg	1.522 ton $0.436/kg	1.629 ton $0,218/	-	-	-	-	-

	2/k				kg					
Guatemala	Current general tariff of 15%. Goods excluded from relief.									
Honduras	Current general tariff of 15% y 20% depending on container. Goods excluded from relief.									
India	Current general tariff of 60%. Goods excluded from relief.									
Japan	Current general tariff of 35%. Goods excluded from relief.									
México	Current general tariff of 63%. Tariff preference of 30% import permit con with preferential treatment otherwise a tariff is applied.									
Panamá	Current general tariff of 62%. Goods excluded from relief.									
Peru	Pay of additional variable levies to the advalorem tariff. In July of 2013 will enter free of duty.									
Venezuela	Current general tariff of 20%. Goods excluded from relief.									
EFTA										
Island	Current general tariff of 30%. Goods excluded from relief.									
Norway	Current general tariff of 23,99 Nok/kg. Goods excluded from relief.									
Switzerland	Current general tariff of 1340 Fr/100kg. Goods excluded from relief.									
Mercosur	Free									
P4	Free									
European Union	Current general tariff of 130,4 euro/100kg - 135,7 euro/100kg. Goods excluded from relief.									
NFDM 0402.1000										
Australia	Free									
Bolivia	Current general tariff of 10%. Product without preference.									
Canada	Current general tariff of 201% but not less than $2,82/kg. Goods excluded from relief.									
China	5%	4%	3%	2%	1%	0%				
Colombia	13,20%	6,80%	0%							
So. Korea	Current general tariff of 180,4%. Tariff reduction will be negotiated after Doha.									
Costa Rica	Current general tariff of 65%. Goods excluded from relief.									
Cuba	Free									
Ecuador	Current general tariff of 25%. Goods excluded from relief.									
El Salvador	Current general tariff of 20%. Goods excluded from relief.									
US	$0,0/kg over	$0,0/kg over	$0,0/kg over	$0,0/kg over	$0,0/kg over	$0,0/kg	$0,0/kg	$0,0/kg	$0,0/kg	$0,0/kg
	734 ton 49,6cent/kg	785 ton 39,68cent/kg	840 ton 29,76cent/kg	899 ton 19,84cent/kg	962 ton 9,82cent/kg					
Guatemala	Current general tariff of 15%. Goods excluded from relief.									
Honduras	Current general tariff of 15%. Goods excluded from relief.									
India	Current general tariff of 60%. Goods excluded from relief.									
Japan	Current general tariff of 35%. Goods excluded from relief.									
México	Current general tariff of 63%. Tariff preference of 30% import permit with preferential treatment otherwise a tariff will be applied.									
Panamá	Current general tariff of 62%. Goods excluded from relief.									
Peru	Pay of additional variable levies to the advalorem tariff. In July of 2013 will enter free of duty.									
Venezuela	Current general tariff of 20%. Goods excluded from relief.									
EFTA										
Island	Current general tariff of 30%. Goods excluded from relief.									
Norway	Current general tariff of 22,87 Nok/kg. Goods excluded from relief.									
Switzerland	Current general tariff of 323 Fr/100kg. Goods excluded from relief.									

Mercosur	Free
P4	Free
European Union	Current general tariff of 118,8 euro/100kg - 125,4 euro/100kg. Goods excluded from relief.

Notes:
[1] Based on the Harmonized Commodity Description and Coding System, 8-digit level. This code can be different in each country.
[2] Whole powdered milk with fat content below 35%. For products with more than 35% fat is applied tariff of U.S. $ 1,556 per kilo.
[C] It applies duty-free quota to 11 year life of the agreement. For amounts exceeding the duty-free quota entitlements would be maintained over years 1 to 7 and will remove tariffs from year 8 in five equal steps and made those goods duty free to count from January 1, 2012

Commodities:

Dairy, Dry Whole Milk Powder

Production: Close to 75 percent of Chile's production of dry milk is whole milk powder. Production of whole dry milk is expected to increase slightly in CY2013 when compared to the previous year. For 2014, production of whole dry milk is expected to stay at similar level in spite of a predicted increase of milk output. Total milk production will expand as weather has been more favorable for grass production which is the basic food in most milk production regions.

Consumption:

Dry milk is available for sale in all Chilean supermarkets and smaller grocery stores. Families that do not consume large quantities of milk or lack refrigerators to keep UHT fresh after opening prefer dry rather than fluid milk. Ultra high heat treated milk (UHT milk) is very common in Chile because you can store the containers for long time without refrigeration, but once opened the containers have to be kept in refrigerators. Government food programs also account for a significant proportion of dry milk consumption. Government tenders for dry milk may be filled by either domestic or imported product. During the winter months, the industry reconstitutes fluid milk from dry milk produced during the summer, in order to produce dairy products that have a constant demand throughout the year.

Trade:

Chile's imports of whole dry milk depend on domestic production and on the exchange rate.

Although, Chile's milk processing industry projects to increase its export markets in the coming years as they become more competitive and the price incentive increases, industry sources indicated that this will depend on the exchange rate with the US dollar. Chile's main export markets are in Latin America, particularly Venezuela, Peru, Colombia and Mexico.

Production, Supply and Demand Data Statistics:

Dairy, Dry Whole Milk Powder Chile	2012		2013		2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	18	18	18	22		24
Production	69	74	69	75		75
Other Imports	7	6	7	8		7
Total Imports	7	6	7	8		7
Total Supply	94	98	94	105		106
Other Exports	14	14	14	15		15
Total Exports	14	14	14	15		15
Human Dom. Consumption	62	62	63	66		68
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	62	62	63	66		68

Total Use	76	76	77	81		83
Ending Stocks	18	22	17	24		23
Total Distribution	94	98	94	105		106
1000 MT						

Export Trade Matrix

Country Chile

Commodity Dairy, Dry Whole Milk Powder

Time Period	Jan-Dec	Units:	M.T.				
Imports for:	2011		**2012**	**2012 (Jan-Aug)**		**2013 (Jan-Aug)**	
U.S.	428	U.S.	0	U.S.	0	U.S.	0
Others		Others		Others		Others	
Brazil	2800	Colombia	6701	Colombia	4463	UA Emirates	4051
Venezuela	2577	Venezuela	2460	Venezuela	2460	Brazil	3504
Colombia	2475	Brazil	2450	Brazil	2250	China	1575
China	2200	China	1100	China	1000	Saudi Arabia	360
Algeria	1125	UA Emirates	1098	Japan	200	Peru	240
Cuba	700	Bolivia	291	Bolivia	178	Bolivia	167
Peru	577	Japan	200	Peru	70	Colombia	100
Syria	175	Peru	76	Algeria	22	Guatemala	48
Guatemala	157	Algeria	46	UA Emirates	18	Switzerland	3
U A Emirates	150	Philippines	16				
Total for Others	12936		14438		10661		10048
Others not Listed	604		4		20		1
Grand Total	13968		14442		10681		10049

Import Trade Matrix

Country Chile

Commodity Dairy, Dry Whole Milk Powder

Time Period	Jan-Dec	Units:	M.T.				
Imports for:	2011		**2012**	**2012 (Jan-Aug)**		**2013 (Jan-Aug)**	
U.S.	0	U.S.	19	U.S.	0	U.S.	38
Others		Others		Others		Others	
Argentina	2580	Argentina	4757	Argentina	3380	New Zealand	3917
Uruguay	200	Colombia	816	Colombia	816	Argentina	2476
New Zealand	54	Uruguay	250	Uruguay	200	Uruguay	527
France	26	New Zealand	168	New Zealand	151	France	13
		Netherlands	1	Netherlands	1	Netherlands	4
Total for Others	2860		5992		4548		6937
Others not Listed	246		0		0		0
Grand Total	3106		6011		4548		6975

Commodities:

Dairy, Milk, Nonfat Dry

Production:

Chile's NFDM production stayed at similar level in 2012 when compared to the previous year in spite of an increase in milk production. Production in 2014 is expected to stay at similar level than the previous years in spite of a total milk production increase as was indicated by the industry.

Consumption:

Chile's food industry determines to a great degree the consumption level of NFDM in Chile. Leading products made from NFDM are chocolate, ice cream and yogurt. The consumption rate of these products is in line with Chile's economic growth. In the outer years, utilization is expected to continue to increase, but at a slower rate.

Trade:

The US has become again an important supplier of NFDM (non fat dry milk) for Chile. Competitive US prices for NFDM is the main reason for US milk imports, according to industry sources.

Production, Supply and Demand Data Statistics:

Dairy, Milk, Nonfat Dry Chile	2012		2013		2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	3	3	4	5		7
Production	20	19	20	19		19
Other Imports	6	10	5	7		5
Total Imports	6	10	5	7		5
Total Supply	29	32	29	31		31
Other Exports	2	4	2	1		2
Total Exports	2	4	2	1		2
Human Dom. Consumption	23	23	24	23		23
Other Use, Losses	0		0			0
Total Dom. Consumption	23	23	24	23		23
Total Use	25	27	26	24		25
Ending Stocks	4	5	3	7		6
Total Distribution	29	32	29	31		31
1000 MT						

Export Trade Matrix

Country Chile

Commodity Dairy, Milk, Nonfat Dry

Time Period	Jan-Dec	Units:	M.T.				
Imports for:	2011		**2012**	**2012 (Jan-Aug)**		**2013 (Jan-Aug)**	
U.S.	123	U.S.	0	U.S.	0	U.S.	0
Others		Others		Others		Others	
Brazil	1408	Brazil	3658	Brazil	3658	Venezuela	100
Colombia	150	Colombia	475	Colombia	475	Cuba	6
Venezuela	100	Venezuela	250	Venezuela	200		

Peru	11						
Aruba	3						
Total for Others	1672		4383		4333		106
Others not Listed	0		0		0		0
Grand Total	1795		4383		4333		106

Import Trade Matrix
Country Chile
Commodity Dairy, Milk, Nonfat Dry

Time Period	Jan-Dec	Units:	M.T.				
Imports for:	2011		**2012**	**2012 (Jan-Aug)**		**2013 (Jan-Aug)**	
U.S.	4361	U.S.	8028	U.S.	6090	U.S.	3380
Others		Others		Others		Others	
Argentina	1159	Argentina	1353	Uruguay	137	Argentina	1321
Canada	300	Uruguay	562	Argentina	108	Uruguay	375
Germany	213	Germany	148	Germany	48	Canada	15
Uruguay	100	Italia	9	Italia	9	Italia	13
Netherlands	51	Netherlands	2	Netherlands	1	France	6
Brazil	25					Netherlands	5
Total for Others	1848		2074		303		1735
Others not Listed	575		1		0		1
Grand Total	6784		10103		6393		5116