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GAIN Report

Global Agricultural Information Network

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Chile

Dairy and Products Annual

Whole and Non Fat Dry Milk Annual

Approved By:

Rachel Bickford, Agricultural Attache

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 for dairy cattle in Chile.

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 workers.

Trade:

Other Latin American countries are the main destinations for Chile’s dairy exports, led by Mexico at 26 percent and Colombia with a 17 percent of total Chilean dairy exports. Close to 40 percents of these exports are made up of whole and non fat dry milk powder.

Milk Product Export by Country of Destination			
January - July			
Countries	Value (Thousand US\$ FOB)		Participation
	2011	2012	%
México	29,384	35,148	25.9
Colombia	5,486	23,408	17.2
Brazil	14,046	20,441	15.0
Venezuela	20,647	19,752	14.5
U.S.	10,447	7,548	5.6
Peru	8,998	6,585	4.8
Costa Rica	4,919	4,234	3.1
So. Korea	5,580	3,791	2.8
China	7,583	3,500	2.6
Cuba	3,035	1,907	1.4
Other	16,934	9,369	7.1
Total	127,059	135,956	100.0

Source: Ministry of Agriculture

Once again, Argentina was the main supplier of dairy products to Chile during 2012. The US is Chile’s second most important supplier of dairy products.

Milk Product Imports by Country of Origin			
January - July			
Countries	Value (Thousand US\$ CIF)		Part. %
	2011	2012	
Argentina	35,227	37,139	41.0
USA	19,443	30,378	33.6
New Zealand	5,903	13,646	15.1
Brazil	2,307	2,224	2.5
Uruguay	2,522	2,113	2.3
Peru	1,068	1,378	1.5
France	813	1,125	1.2
Italy	281	478	0.5
Denmark	307	436	0.5
Canada	1,446	305	0.3
Others	1,756	1,312	1.5
Total	71,073	90,534	100.0

Source: Ministry of Agriculture

The dairy industry's export exceeds imports in volume and value. In CY2011 the trade balance expressed in fluid milk equivalent fell when compared to the previous year.

Trade balance, January - July 2011								
Item	Volume (M.T. Thous.Ltrs)				Expressed in fluid milk equivalent (Thous. Liters)			
	2009	2010	2011	2012	2009	2010	2011	2011
IMPORTS								
UHT								
Products	0	0	103	1,191	0	0	103	1,191
NFDM	3,147	818	4,643	5,452	36,159	9,399	53,348	62,643
Whole dry milk	1,111	125	2,618	3,533	9,332	1,050	21,991	29,677
Cream	1	1	0	1	1	1	0	1
Evaporate d milk	869	811	636	797	1,999	1,865	1,463	1,833
Condensed milk	303	273	95	48	818	737	257	130
Yogurt	1,920	1,280	1,672	112	1,920	1,280	1,672	112
Butter	558	982	722	548	558	982	722	548
Cheese	5,305	3,894	5,996	9,461	53,050	38,940	59,960	94,610
Caramel milk & others	1,772	1,840	1,417	1,123	3,898	4,048	3,117	2,471
Dairy drinks	1	13	17	1	1	13	17	1
Total					110,083	60,505	144,367	193,217
EXPORTS								
UHT								
Products	1,411	269	573	1,212	1,411	269	573	1,212
NFDM	53	1,521	1,616	4,020	609	17,476	18,568	46,190
Whole dry milk	9,918	6,712	11,287	10,239	83,311	56,381	94,811	86,190
Cream	152	146	117	276	152	146	117	276
Evaporate d milk	17	13	2	1	39	30	5	2
Condensed milk	13,52	15,95						
	1	8	16,057	18,537	36,507	43,087	43,354	50,050
Yogurt	24	24	25	30	24	24	25	30
Butter	519	1,303	1,703	1,761	519	1,303	1,703	1,761
Cheese	5,451	6,454	6,470	5,398	54,510	64,540	64,700	53,980
Caramel milk & others	2,156	2,079	1,914	2,289	4,743	4,574	4,211	5,036
Dairy drinks	35	35	21	2,338	35	35	21	2,338
Total					181,906	187,899	228,092	246,882

Balance				
Jan- July	74,124	129,546	85,437	53,665
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 will have duty free access for both whole and non-fat dry milk by the end of 2012. Dairy products are excluded from the tariff reduction schedule for all other countries that have signed agreements with Chile.

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 mt 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: <http://www.yotomoyocomo.cl/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 which will reach 145 liters in CY2012.

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.									

Description and Coding System, 8-digit level. This code can be different in each country.

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/k g	\$0,0/k g	\$0,0/k g	\$0,0/k g	\$0,0/k g
	1,243 ton \$1.092/kg	1.330 ton \$0.873/kg	1.423 ton \$0,655/kg	1.522 ton \$0.436/kg	1.629 ton \$0,218/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/k g	\$0,0/k g	\$0,0/k g	\$0,0/k g	\$0,0/k g
	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.
(³) 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 fall in CY2012 when compared to the previous year. For 2013 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 increases in its export markets in the coming years as the domestic industry becomes 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.

Dairy, Dry Whole Milk Powder Chile	2011			2012			2013		
	Market Year Begin: Jan 2011			Market Year Begin: Jan 2012			Market Year Begin: Jan 2013		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Beginning Stocks	14	14	14	10	10	18			18
Production	65	65	73	68	68	69			69
Other Imports	3	3	3	1	1	5			4
Total Imports	3	3	3	1	1	5			4
Total Supply	82	82	90	79	79	92			91
Other Exports	18	18	14	15	15	14			14
Total Exports	18	18	14	15	15	14			14
Human Dom. Consumption	54	54	58	55	55	60			60
Other Use, Losses	0	0	0	0	0	0			0
Total Dom. Consumption	54	54	58	55	55	60			60
Total Use	72	72	72	70	70	74			74
Ending Stocks	10	10	18	9	9	18			17
Total Distribution	82	82	90	79	79	92			91
CY Imp. from U.S.	0	0	0	0	0	0			0
CY. Exp. to U.S.	0	0	0	0	0	0			0

Export Trade Matrix

Country	Chile						
Commodity	Dairy, Dry Whole Milk Powder						
Time Period	Jan-Dec	Units:	M.T.				
Imports for:	2010		2011	2011 (Jan-Aug)	2012 (Jan-Aug)		
U.S.	582	U.S.	428	U.S.	428	U.S.	0
Others		Others		Others		Others	
Brazil	2675	Brazil	2800	Brazil	2800	Colombia	3863
China	1350	Venezuela	2577	Venezuela	2577	Brazil	2250
Venezuela	1023	Colombia	2475	China	2000	Venezuela	1920
Cuba	825	China	2200	Algeria	1125	China	1000
Algeria	750	Algeria	1125	Colombia	1075	Japan	200
Dominican Rep	500	Cuba	700	Cuba	700	Peru	61
Peru	326	Peru	577	Peru	527	Algeria	21
Russia	225	Syria	175	Syria	175	U A Emirates	18
Colombia	150	Guatemala	157	U A Emirates	150	South Korea	4
Turkey	100	U A Emirates	150	Guatemala	144		
Total for Others	7924		12936		11273		9337
Others not Listed	276		604		464		1594
Grand Total	8782		13968		12165		10931

Beginning Stocks	1	1	1	1	1	3			4
Production	17	17	19	17	17	20			20
Other Imports	5	5	5	5	5	6			5
Total Imports	5	5	7	5	5	6			5
Total Supply	23	23	27	23	23	29			29
Other Exports	2	2	2	2	2	2			2
Total Exports	2	2	2	2	2	2			2
Human Dom. Consumption	20	20	22	20	20	23			24
Other Use, Losses	0	0	0	0	0	0			0
Total Dom. Consumption	20	20	22	20	20	23			24
Total Use	22	22	24	22	22	25			26
Ending Stocks	1	1	3	1	1	4			3
Total Distribution	23	23	27	23	23	29			29
CY Imp. from U.S.	0	3	3	0	3	3			3
CY. Exp. to U.S.	0	3	0	0	3	0			0

Export Trade Matrix

Country	Chile						
Commodity	Dairy, Milk, Nonfat Dry						
Time Period	Jan-Dec	Units:	M.T.				
Imports for:	2010		2011	2011 (Jan-Aug)	2012 (Jan-Aug)		
U.S.	0	U.S.	123	U.S.	123	U.S.	0
Others		Others		Others		Others	
Mexico	1000	Brazil	1408	Brazil	1408	Brazil	3658
Brazil	931	Colombia	150	Venezuela	100	Colombia	475
Peru	460	Venezuela	100	Peru	11	Venezuela	200
Venezuela	275	Peru	11	Aruba	2		
Trinidad & Tobago	54	Aruba	3				
Japan	18						
Haiti	1						
Total for Others	2739		1672		1521		4333
Others not Listed	2		0		0		0
Grand Total	2741		1795		1644		4333

Import Trade Matrix

Country Chile

Commodity

Dairy, Milk, Nonfat Dry

Time Period	Jan-Dec	Units:	M.T.				
Imports for:	2010		2011	2011 (Jan-Aug)	2012 (Jan-Aug)		
U.S.	2724	U.S.	4361	U.S.	3470	U.S.	5581
Others	Others		Others		Others		
Argentina	395	Argentina	1159	Argentina	1159	Argentina	107
Uruguay	200	Canada	300	Canada	300	Uruguay	112
France	68	Germany	213	Germany	0	Brazil	25
		Uruguay	100	Uruguay	50	Italia	9
		Netherlands	51	Netherlands	51	Netherlands	1
		Brazil	25	Brazil	25		
Total for Others	663		1848		1585		254
Others not Listed	76		575		2		558
Grand Total	3463		6784		5057		6393