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Report Name: Food Processing Ingredients

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Report Highlights:

Chile has consolidated its reputation as one of the main players in the global food industry. According to Chilealimentos A.G. (Chile's Food Processors Association) food sales in Chile reached \$44.4 billion in 2020, which represents a 7.8 percent decrease of sales compared to 2019, and Chilean domestic food sales reached \$27 billion in 2020. Chile is among the top fifteen agricultural exporters in the world, and its main agricultural exports are wine, blueberries, cherries, grapes, prunes, dehydrated apples, salmon and mussels. In 2020, food exports decreased 3.4 percent over 2019, mainly due to lower volumes of salmon, trout and fresh fruits export shipments. Currently, Chile exports 77 percent of its food as fresh and semi-processed food products, and the remainder 23 percent as processed food products. In addition, Chile enjoys a robust commercial network thanks to its 30 trade agreements with 65 countries.

Market Fact Sheet: Chile

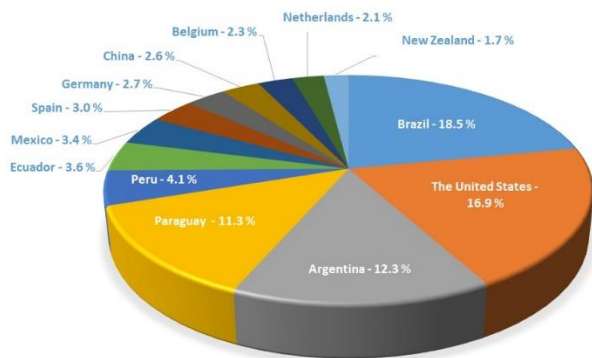
Executive Summary

Chile is a South American country that borders the South Pacific Ocean, Argentina, Bolivia, and Peru. Chile is divided into 16 regions. The capital, Santiago, is located in the most densely populated region with 7.5 million. According to Chile's Central Bank, Chile's GDP contracted 5.8 percent due to social unrest in late 2019 and the global COVID-19 pandemic in 2020. Per capita GDP in current prices reached \$13,000, the second-highest per capita GDP in the Latin American region after Brazil, and the main driver for consumer spending. Chile's Central Bank estimated a 5.5 percent increase in GDP for 2021 due to the successful national COVID-19 vaccination campaign, and real growth of six percent for total consumption in 2021.

Imports of Consumer-Oriented Products

Chile is a major producer of food and agricultural products and a leading player in the global marketplace. However, Chile also imports sizable volumes of grain feeds and consumer-oriented products. In 2020, Chile imported \$3.9 billion worth of consumer-oriented agricultural products from the world and \$712 million from the United States. The United States remained Chile's second main supplier of consumer-oriented products after Brazil, and followed by other competitors. The top U.S. exports of consumer-oriented products to Chile are beer, pork, dairy products, poultry, beef, condiments and sauces, and nuts.

IMPORTS OF CONSUMER-ORIENTED PRODUCTS IN 2020 BY MARKET SHARE



Source: Trade Data Monitor (TDM)

Food Retail Industry

Chile has a modern and dynamic food retail industry thanks in large part to its economic stability and institutions. The Chilean retail sector is composed of a mix of large supermarkets, mid-sized grocery stores, convenience stores, gas station markets, and thousands of small independent neighborhood mom-and-pop shops. In 2020, despite the COVID-19 pandemic, the Chilean supermarket sales increased from \$14.3 billion to \$17 billion (15.8 percent) over 2019, mainly due to the increased use of e-commerce platforms. Chile's largest supermarkets Walmart, *Cencosud*, *Tottus* and *Unimarc*, represent 62 percent of retail revenues.

Quick Facts CY 2020

Imports of Consumer-Oriented Products: \$712 million

List of Top 10 Growth Products in Chile:

- | | |
|---------------------|-----------------------------|
| 1) Seafood products | 2) Fresh fruits |
| 3) Wood & wood pulp | 4) Processed fruits |
| 5) Wines | 6) Poultry products |
| 7) Planting seeds | 8) Fruit & vegetable juices |
| 9) Nuts | 10) Dairy products |

Top Food Processing Companies in Chile:

- | | |
|---------------------------------|-------------------------------------|
| 1) <i>Agrosuper S.A.</i> | 2) <i>Agrícola Ariztía</i> |
| 3) <i>Cial Alimentos S.A.</i> | 4) <i>Colún Ltda.</i> |
| 5) <i>CCU S.A.</i> | 6) <i>Embotelladora Andina S.A.</i> |
| 7) <i>Empresas Carozzi S.A.</i> | 8) <i>Evercrip S.A.</i> |
| 9) <i>Nestlé Chile S.A.</i> | 10) <i>Soprole S.A.</i> |
| 11) <i>Tresmontes Lucchetti</i> | 12) <i>Viña Concha y Toro S.A.</i> |

Top Food Retailers (by Marketplace in 2020)

1. Walmart (*Lider, Express de Lider, Super Bodega, a Cuenta and Central Mayorista*)
2. *Cencosud (Jumbo and Santa Isabel)*
3. *SMU (Unimarc, Mayorista 10, Alvi, OK Market and Telemercado)*
4. *Falabella (Tottus)*

GDP/Population

Population: 19.1 million
 GDP: \$254 billion
 GDP Per Capita: \$13,000 (Chile's Central Bank)

Sources: Trade Data Monitor (TDM) and trade interviews

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
Chile has one of the highest credit ratings in Latin America, with a high per capita income.	Domestic market is limited: Chile's population is 19.1 million in 2020.
Opportunities	Challenges
Chile food processing companies recognized U.S. food ingredients as high quality and consistent products.	Due to its open market, Chilean consumers are price sensitive, especially during economic slowdowns.

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Data and Information Sources:

Trade Data Monitor (TDM)
 Chilean National Institute of Statistics (INE)
 Central Bank of Chile

SECTION I. MARKET SUMMARY

Chile has a modern and developed food processing industry that represents 31 percent of Chile's economy, and is forecast to grow to more than 35 percent by 2030. According to Chile's Central Bank, the Chilean food processing industry represents 25 percent of the national GDP.

The Chilean food processing industry is constantly innovating their products in order to satisfy consumers' demands for ready-to eat meals, functional foods that boost the immune system, and all types of plant-based food and beverages. In addition, food-processing companies are always looking for innovative ingredients, such as natural additives, preservatives, thickeners, and sweeteners, to make healthier food products especially for consumers with food intolerances such as lactose and gluten-free products.

According to Chile's Central Bank data, food exports totaled \$16.3 billion in 2020, 3.4 percent less than in 2019. *InvestChile* (Foreign Investment Agency of Chile) reports that 77 percent of the food industry consists of fresh products and the remainder 23 percent consists of processed foods. Furthermore, 54 percent of Chile's total food production is destined to the domestic market and 46 percent is exported to more than 190 countries worldwide.

The main challenges for the food processing industry is to satisfy consumers' demand for healthier and natural products for a population with multiple lifestyles. Processed food products have strong and well-positioned brands (*Carozzi, Watt's, Tresmontes Lucchetti*, etc.) with a high level of loyalty. Chilean consumers have increasing concerns about health related issues while the food processing industry continues to adapt to the nutritional labeling law, higher labor costs, etc.

According to [*Chilealimentos A.G.*](#), the food industry has maintained its rate of growth despite the difficult and complex year to meet the demand of national and international markets. Processed packaged food sales reached \$13.2 billion in 2020, slightly below the \$13.5 billion recorded in 2019 due mainly to the strength of the U.S. dollar against the Chilean peso.

In 2020, Chile imported \$712 million of U.S. consumer-oriented products from the United States, which represents 64 percent of the total of \$1.1 billion U.S. agricultural & agricultural related products imports. U.S. agricultural and related exports to Chile remained virtually unchanged from last year. In 2020, the U.S. top agricultural exports to Chile were beer, pork & pork products, wheat, feed & fodders, dairy products, condiments & sauces, poultry & poultry products, and beef & beef products.

Chilean Imports of Food and Agricultural Products from the United States (2015-2020)



Source: U.S. Census Bureau Trade Data

Advantages	Challenges
The United States is a strong trading partner for Chile: The U.S.-Chile Free Trade Agreement (FTA) facilitates commerce.	Chile has 30 FTAs with 65 countries, and importers do not depend on products from a specific region.
The United States is recognized as a reliable supplier of high quality and consistent food products.	Chilean consumers are used to competitive prices due to the openness of the economy. Moreover, economic slowdown has increased consumers' price-sensitivity.
Demand for healthier ingredients has increased as food processors seek for alternatives to produce healthier foods, which in turn will not exceed the nutritional thresholds set by the 2016 Nutritional Labeling and Advertising Law.	Most U.S. companies prefer to use "traders" and are not used to export directly to Chilean clients.
U.S. products and ingredients are perceived as innovative and trendy, and Chilean consumers are likely to pay higher prices.	U.S. food products are often considered "premium" or "gourmet."
Distributors are the main channel for imports to enter the Chilean market. Only the largest players are able to build up the infrastructure and invest in facilities to import directly while small food processors still depend on	Chilean importers are conservative and start with small orders. Exclusive contracts are part of the deal for most Chilean companies.

distributors.	
Consumers' demand for premium processed foods and beverages that provide convenience and healthy benefits continue to increase year after year.	The United States competes with MERCOSUR and European countries in the food processing ingredients sector.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. ENTRY STRATEGY

The United States Department of Agriculture, Foreign Agricultural Service (FAS) in Santiago, Chile, advises U.S. exporters to check that their products meet the most up to date Chilean regulations to ensure a straightforward entry strategy into this market. FAS Santiago maintains listings of potential importers and develops sector-specific information to help you introduce your product in Chile. [State Regional Trade Groups \(SRTGs\)](#) and [Trade Associations](#) are in constant contact with FAS Santiago staff and are valuable partners when approaching the market. SRTGs are non-profit trade development organizations that help U.S. food producers and processors to enter overseas markets. They carry out promotional activities to increase exports of U.S. high-value food and agricultural products.

Critical considerations of market entry include the following:

- Chile is highly competitive and a price sensitive market for food products. Prospective U.S. exporters should look at Chile as a long-term market and be persistent. U.S. exporters should be sensitive in brand positioning and be prepared for conducting promotion activities including advertising in traditional media channels and social media. Chile is Latin America's most connected country despite its geographical location. Surprisingly, 14.1 million out of the 19.1 million total Chilean population are internet users. Furthermore, Chile is one of the few countries where 99 percent of the population are active social media users, and nearly 93 percent of them access social media through smartphones and mobile internet.
- U.S. exporters of food ingredients have two main ways of entering the Chilean market: by selling to distributors or exporting directly to Chilean companies.
- The use of distributors, agents or representatives depends on the type of product and on the size of the food processing company. Smaller food processors will often not present the volume and expertise to import directly whereas larger food processors might prefer to buy directly in order to benefit from competitive prices and avoid paying commissions to intermediaries.
- Smaller processors are most likely to make use of a distributor. Distributors offer a variety of services like packaging, quality control, and food safety inspection.
- Alternatively, U.S. food ingredients exporters that plan to sell large volumes of their products can establish a local subsidiary or set up a local office. Once successfully established, these producers may decide to expand operations and use Chile as an exporting platform for the Latin American region. Establishing a local production guarantees customer service, product quality, and helps to establish a strong local presence.
- The main entry for imports to Chile is via seaports. The most important ones are San Antonio and Valparaiso. Once the goods have entered Chile, they are transported via highways.
- Personal relationships are extremely important in Chile, as such, it is recommended to build connections in order to become a trusted business partner. This may rely on good customer services, such as personal visits and extensive follow-up. This can be achieved either directly or

by hiring a local representative. It is worth noting that the reputation of a U.S. supplier is strongly affected by the quality of its representative. Additionally, U.S. exporters that want to enter the Chilean market should seek to make use of already existing relationships they might have with international food processing companies. Having a contact often makes market entry easier.

- U.S. suppliers should offer a strong value-added proposition that shows that they are competitive in quality, prices, and payment conditions. Chile is an open economy and the food industry is very competitive.
- To be an attractive alternative to domestic producers, quality must be high. Moreover, companies that import ingredients from the U.S. report that good payment conditions are relevant selection criteria of business partners. These conditions have to be competitive with European suppliers who often allow longer terms of payment (between 90 to 120 days).
- In terms of regulations, producers seeking to export to Chile need to take into account that to enter Chile, the Chilean health authorities must approve all edible products and receive a registration number, as well as sales permit before entering the market. The regulations prohibit adulterated foods as well as those labeled incorrectly. The last implementation phase of the [2016 Nutritional Labeling and Advertising Law](#), which defines limits of sugar, saturated fats, calories, and sodium ingredients, took effect in June 2019. For more information, see: [Chile: FAIRS Country Report](#).

B. IMPORT PROCEDURE

FAS Santiago recommends that U.S. exporters verify relevant import requirements with their Chilean clients, who normally have the most updated information on local import requirements, prior to export. Final import approval of any product is subject to the importing country's rules and regulations as interpreted by border officials at the time of product entry.

For details on how to export to Chile, please refer to Chile's Global Agricultural Information Network (GAIN) reports: [Chile: Exporter Guide](#), [Chile: FAIRS Export Certificate Report](#) and [Chile: FAIRS Country Report](#).

C. MARKET STRUCTURE

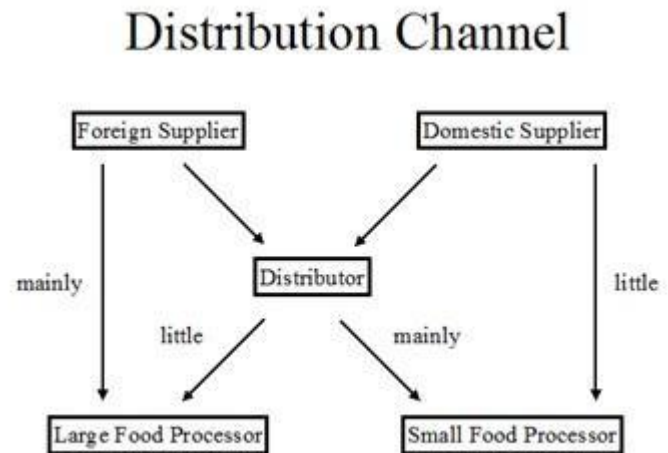
Large food processors are able to import directly due to volume and expertise. Small companies that produce processed foods, however, will often depend on an intermediary such as a distributor to receive the necessary foreign ingredients. Larger companies buy directly from producers or distributors.

Food processors sell their products nationally or internationally. Some big international companies use their production plants in Chile to serve other markets in Latin America. Chilean food processing companies mainly sell to retailers such as supermarkets and hypermarkets (60 percent of all processed food). A smaller share of 38 percent of packaged food is sold through traditional grocery retailers such as independent small grocers or food/drink specialists.

For more details on Chile's retail sector, please see [Chile: Retail Foods Report](#).

Food Processing Ingredients Distribution Channel:

The distribution flow varies depending on the origin of ingredients, as well as on the size of the food processor. While local inputs are mostly sourced directly from the producer, foreign products are commonly purchased from distributors and food ingredients importers.



D. MAIN COMPANY PROFILES & COMPANY PRODUCTS

Top Food & Beverage Companies in Chile

Company	Key Products	Websites
<i>Agrosuper S.A.</i>	Chicken, pork, turkey, salmon and processed foods (Brands: Super Pollo, Super Cerdo, Super Salmon, La Crianza, Sopraval)	www.agrosuper.cl
<i>Agrícola Ariztía S.A.</i>	Chicken, turkey, sausages, processed beef, eggs, cheese, butter	www.ariztia.com
<i>Cial Alimentos S.A.</i>	Hams, sausages, processed meat and frozen meals	www.cialalimentos.cl
<i>Colun Ltda.</i>	Dairy products	www.colun.cl
<i>Compañía Cervecerías Unidas S.A. (CCU)</i>	Production and distribution of beer, soft drinks (including fruit nectars) and mineral waters in Chile.	www.ccu.cl
<i>Embotelladora Andina S.A.</i>	Production and distribution of bottled fruit drinks, mineral water and carbonated beverages, including Coca-Cola beverages. The company also manufactures processed fruit and plastic bottles.	www.koandina.com
<i>Empresas Carozzi S.A.</i>	Pasta, rice, noodles, confectionary, sauces, tomato paste, desserts, fruit pulp, flour, beverages, olive oil, animal feed	www.carozzicorp.com

<i>Evercrisp Snack Productos de Chile S.A. (PepsiCo, Inc.)</i>	Snacks, breakfast cereals, oat products, soft drinks, energy drinks.	www.pepsico.cl/
<i>Nestlé Chile S.A.</i>	Coffee, breakfast cereals, chocolates, cookies, dairy products, pet food, ice cream, infant formula, etc.	www.nestle.cl
<i>Soprole S.A.</i>	Dairy products	www.soprole.cl
<i>Tresmontes Lucchetti S.A.</i>	Pasta, snacks, canned tuna, juices, instant coffee, tomato sauces, soups, cooking oil.	www.tmluc.cl
<i>Viña Concha y Toro S.A.</i>	Production, distribution and exportation of Chilean wines	www.vinaconchaytoro.cl
<i>Watt's Alimentos S.A.</i>	Fruit (including juices, nectar, jam); dairy products (creams, cheeses, yoghurts); oilseed products (oil, margarines); frozen fruit and vegetables; fresh pasta; wine	www.watts.cl
Source: Based in companies' interviews. Alphabetically sorted.		

E. SECTOR TRENDS

The COVID-19 pandemic was undoubtedly the biggest influence on retail current value sales of packaged food in Chile during 2020. Lockdown and sanitary measures resulted in new home cooking trends. Chilean consumers are cooking more and eating meals at home while there has been a significant shift in volume sales from the foodservice channel to the retail channel.

The COVID-19 pandemic has not only changed how consumers shop for food products, but it also changed how they are consuming food. In 2020, more consumers sought natural and healthy food and beverages.

FAS Santiago could highlight the following trends:

1. Chilean consumers are seeking convenience and personalized experiences. When COVID-19 hit Chile, consumers became more conscious about good nutrition and started to explore their culinary skills. This caused home cooking to increase and, in turn, demanded more sophisticated food supplies and ingredients to accompany this experience. According to Chilean food industry players, Chilean food consumers intend to keep cooking at home after the pandemic, a practice rediscovered during quarantine.
2. Chilean consumers are looking for healthier alternatives. There is an increasing demand for functional foods (snacks bars, breakfast cereals, etc.), and foods that boost their immune system (lactic fermenting beverages, yogurts with protein, etc.). Therefore, consumers expect food-processing companies to understand their routine and design products that adapt to each person. Consumers are

more selective about their food choices, selecting less processed products, and prioritizing more ingredients that are natural or perceived as such. This opens a great potential for natural ingredients, including natural food colorants and flavorings that offer better taste to the palate, without losing its healthy condition.

3. The Chilean food industry’s top priority is to continue operations and strengthen the importance of the value chain in the midst of the contingency derived from the COVID-19 pandemic. Chile’s food processing companies have invested in new plant-based food products for a growing niche of consumers. Food processors foresee that plant-based food products will coexist with animal proteins, and will be an alternative for Chilean consumers. For example, *NotCo* (a Chilean food tech company that developed an artificial intelligence algorithm to replicate food products using plant-based ingredients) received a million-dollar investment from Amazon founder and CEO to expand its range of products and markets, as well as for research. *NotCo* has products such as *NotMayo*, *NotMilk*, *NotBurger*, and *NotIceCream*.

4. E-commerce revolutionized the way of buying and delivery Apps are reshaping the industry. Consumers are not only looking for a great product, but also the most convenient and appealing way to get it, and delivery Apps give consumers a single-click solution. Chilean distribution chains are joining forces with strong delivery Apps to meet significant increased online demand. [*Rappi*](#), [*PedidosYa*](#), [*Cornershop*](#), are widely used Apps. In addition, manufacturers, distributors, and importers are using their own delivery services to cater existing and new customers.

5. Food safety and quality is also essential for the Chilean food industry as Chilean consumers demand traceability across the food supply chains.

6. Finally, Chilean consumers are paying more attention to foods that have an impact on their health and environment, and they are analyzing who is behind the product they consume.

SECTION III. COMPETITION

There are significant opportunities for imported consumer-oriented food products, intermediate agricultural products, and food ingredients in Chile due to shifting consumer preferences.

In 2020, the United States remained Chile’s third main supplier of food ingredients after Argentina and Brazil, and followed by other competitors like Paraguay, Canada, Peru and China. U.S. suppliers have a good reputation in the Chilean market for quality and stable supplies. Chile’s top U.S. food ingredients imports were: pork, dairy products, wheat, poultry, beef, sauces and condiments, and tree nuts. U.S. ingredients mainly compete with food ingredients from MERCOSUR and other neighboring countries.

SECTION IV. BEST PRODUCT

Chile Food Ingredients Imports from the World		
Calendar Year: 2019 - 2020		
Partner	Value in Thousands of U.S. Dollars	
	2019	2020
World	\$5,907,293,958	\$6,301,086,867
Argentina	\$1,467,566,871	\$1,628,562,039
Brazil	\$920,664,799	\$892,158,809
United States	\$869,958,168	\$828,923,281
Paraguay	\$461,368,156	\$526,327,050
Canada	\$220,447,813	\$337,550,736
Peru	\$188,659,251	\$203,952,611
China	\$125,732,576	\$158,968,067
Mexico	\$179,429,348	\$152,686,991
Spain	\$135,909,942	\$139,671,230
Ecuador	\$133,364,854	\$138,977,176
Colombia	\$115,868,414	\$128,230,161
Germany	\$108,766,221	\$124,881,560
Belgium	\$110,593,605	\$105,325,689
Netherlands	\$93,958,524	\$99,648,055
Guatemala	\$76,921,554	\$78,639,169

Source: Trade Data Monitor (TDM)

PROSPECTS CATEGORIES

This section identifies the best product prospects for the food ingredients market.

Products present in the market which have good sales potential	Products not present in significant quantities, but which have good sales potential	Product not present because they face significant barriers
<ul style="list-style-type: none"> ● Baked Goods ● Bakery Agents ● Beans and legumes ● Beef & beef products ● Breakfast Cereals ● Cereals and flours ● Chocolate and cocoa ● Dietary Fibers ● Edible Oils ● Ice Cream and frozen desserts ● Nuts and nuts paste ● Pork Meat ● Rice and pasta ● Sauces, dressings and condiments ● Savory Snacks ● Snacks Bars and fruit snacks ● Soups ● Sweet Spreads ● Sweeteners and natural alternatives 	<ul style="list-style-type: none"> ● Baby Food ● Craft Beer ● Dry and Liquid Eggs ● Flours and Starches ● Natural Health Products (without artificial ingredients) ● Plant Extracts ● Premium Cheeses ● Processed Fruit and Vegetables ● Ready-To-Eat-Meals (healthy prepared foods with few preservatives, additives, and other specialized food ingredients) ● Sweet Biscuits 	<p>Imported food products do not face significant trade barriers to enter the Chilean market. On the contrary, the high number of Free Trade Agreements (30) make it one of the most open economies in the world. Import tariffs are not considered an import barrier. For specific information on import, procedures, and requirements please refer to GAIN report: Chile: Exporter Guide.</p>
<p>Products listed above are in alphabetical order</p>		

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

If you have questions or comments regarding this report, or need assistance exporting to Chile, please contact the Foreign Agricultural Service (FAS) in Santiago, Chile. U.S. companies seeking to export food products to Chile are advised to do thorough research for a good understanding of the market. FAS GAIN reports are a good source of country specific information: <http://gain.fas.usda.gov>

FAS Santiago recommends exhibiting at the USDA-endorsed show [Espacio Food & Service 2021](#), the most important food industry event in Chile. This show serves as a gateway into the Chilean market, helping U.S. exporters to promote their products, to get in contact with potential business partners, buyers, and to run product introductions. For more information, please contact:

<https://www.kallman.com/shows/espacio-food-service-2021>

Attachments:

No Attachments