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GAIN Report

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Chile

Grain and Feed Annual

Wheat and Corn Annual Report

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Report Highlights:

A slightly smaller wheat harvest is expected this year which will lead to an increase in imports. Corn imports are also expected to increase as production will fall due a smaller planted area during the present marketing year.

Executive Summary:

A slightly smaller, but of good quality, harvest is expected for Chilean wheat. As a result the industry expects greater imports than last year.

For corn, we can expect a smaller production as planted area fell due to lower prices paid last season. As a result imports should also be up, but these will also depend on prices of alternative feeds for the hog and chicken industry.

Commodities:

Wheat

Production:

Wheat is Chile's most politically important crop. There are an estimated 46,000 producers, of which a 87 percent plants less than 50 hectares and produce 22 percent of the total output of wheat; just over 40,000 are small farmers which are the so-called subsistence group with little or no alternative crops (production). A little over 550 farmers produce 50 percent of the wheat in Chile and around 5,000 are considered the medium size producers.

One of the most important factors determining the area of wheat to be planted each year are the previous year's prices, followed by weather conditions. Bearing this in mind the planted area in MY2013/14 increased when compared to the previous year due to favorable weather during the planting season for winter and spring wheat together with higher prices paid for the domestic harvest. As of now, predictions show that for MY2014/15 a similar or slightly smaller planted area is expected due to lower wheat prices paid during this season, as was indicated by an industry source.

Consumption:

Total human consumption of wheat has been rather stagnant and in line with population growth 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 second largest consumers of bread in Latin-America after Mexico. Approximately 25,000 persons are employed in the industry. Domestic feed consumption of wheat has reportedly been expanding the last few years. A fast growing salmon and trout feed industry has become an alternative outlet for some wheat producers' production who have no storage capacity and have to sell their wheat right after harvest.

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 low in protein and of variable quality.

Trade:

The revised and final import figures for MY2012/13 resulted slightly smaller as planted area and production increased when compared to our previous estimates. For MY2013/14 the imports figure is expected to be larger than the previous year as a smaller final production figures is expected due to the drought that affected some production areas like the Araucania Region (Temuco). Further south, rain just before and during harvest also had a downward effect on yields. Nevertheless, an industry source indicated that plantings that were affected by dryer than normal conditions (water scarcity) will have a positive effect on quality as the level of gluten and protein is going to be up.

As it was not possible to import wheat from Argentina during CY2013, imports came mainly from the United States, followed by Canada. This was mainly due to a fall in production in Argentina, which reduced their availability of wheat for exports.

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.

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\$114 f.o.b. and USD\$134 f.o.b. respectively. These prices will remain fixed until Dec 15, 2014. The price band system will only be in effect until the end of CY2014, 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 percent tariff is applied to the values set under the wheat price band.

Production, Supply and Demand Data Statistics:

Wheat Chile	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Dec 2012		Market Year Begin: Dec 2013		Market Year Begin: Dec 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	238	254	250	255		250
Beginning Stocks	191	191	246	194		196
Production	1,365	1,475	1,300	1,402		1,400
MY Imports	1,000	928	1,000	1,100		1,100
TY Imports	944	918	1,000	950		960
TY Imp. from U.S.	496	433	0	450		500
Total Supply	2,556	2,594	2,546	2,696		2,696
MY Exports	10	0	10	0		0
TY Exports	15	0	10	0		0
Feed and Residual	150	150	150	150		150

FSI Consumption	2,150	2,250	2,200	2,350		2,350
Total Consumption	2,300	2,400	2,350	2,500		2,500
Ending Stocks	246	194	186	196		196
Total Distribution	2,556	2,594	2,546	2,696		2,696
1000 HA, 1000 MT, MT/HA						

Import Trade Matrix

Country	Chile		
Commodity	Wheat		
Time Period	Jan-Dec	Units:	M.T.
Imports for:	2012		2013
U.S.	235,113	U.S.	703,450
Others		Others	
Argentina	776,318	Canada	191,171
Canada	160,012	Argentina	40,582
Peru	26,191	Uruguay	4,199
Uruguay	22,983	Peru	6
Italy	1,666		0
Paraguay	1,388		0
Total for Others	988,558		235,958
Others not Listed	3,649		0
Grand Total	1,227,320		939,408

Commodities:

Corn

Production:

Corn is the second most important annual crop, after wheat, in Chile. It is planted from Rancagua (Region V) to Los Angeles (Region VIII), most producers are considered small scale and only 10 percent of them plant areas over 30 hectares every year. A large number of the producers plant the same field year after year obtain very high yields; some producers report up to 16 tons per hectare. Chile's average yield for corn production exceeds 13 tons per hectare which is considered one of the highest in the world for a country's annual average yield. Most corn is planted under irrigation.

Farmers base crop decisions on the expected return and this depends on several factors, some of which the farmer cannot influence. The most important element is the profit gained (or loss) during the last growing season. Other factors are costs of production, yields and the expected prices of the product, weather and alternative crops are also important for a large number of producers. Additionally imports of substitutes for corn like sorghum and balanced animal feed used in the chicken and pork industry have also an important role in supply and demand of corn in Chile.

Beginning CY2013, the Ministry of Agriculture collects and publishes data on planted area and production of corn for consumption and for seed production separately, as a result these changes are reflected in the new figures in our PS&D tables for MY2013. The smaller figure for harvested area and production for 2012/2013 does not include area planted and production of corn for seeds.

Total planted area and production for MY2014 fell slightly as a result of a fall of prices and import costs of corn, sorghum, broken grain corn and balanced feed during 2013. For the coming years total planted area and production is expected to stay more or less unchanged, only small variations are expected as an estimated 15 percent of total planted area depends on prices of corn or prices of alternative crops, as was indicated by an industry contact. Normally 85 percent of the planted area is fixed, that means that that area is planted no matter what the prices is or expected for corn or alternative crops.

Consumption:

Consumption and Trade

The consumption of corn has grown at the same rate as the increase in production of poultry and pigs, but started to fall some years ago, mainly due to an increase in the use of alternative feeds. This decline in apparent consumption of corn has no effect on domestic production. We see its effect on corn imports which have fallen from a high of 1.7 to 1.1 million tons, over 50 percent decline. As production of poultry and pigs, which are the main consumers of corn in Chile, has kept growing, consumption of corn by these industries is being replaced by alternative feed mainly due to the high corn prices in the domestic market. Imports and consumption of sorghum explains part of the substitution. Sorghum is imported mainly from Argentina. Balanced feed and broken corn imports have followed a similar pattern.

Within the international suppliers of corn in 2013 Paraguay contributed with 69 percent of imports, replacing Argentina as the main supplier for a long time. During CY2013, again only a small amount came from the United States.

Production, Supply and Demand Data Statistics:

Corn Chile	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2013		Market Year Begin: Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	143	106	140	97		100
Beginning Stocks	226	226	195	333		280
Production	1,519	1,411	1,600	1,261		1,327
MY Imports	950	1,196	950	1,186		1,153
TY Imports	844	909	950	920		940
TY Imp. from U.S.	1	0	0	0		0
Total Supply	2,695	2,833	2,745	2,780		2,760
MY Exports	100	0	75	0		0
TY Exports	101	0	75	0		0
Feed and Residual	2,100	2,200	2,200	2,200		2,200
FSI Consumption	300	300	300	300		300
Total Consumption	2,400	2,500	2,500	2,500		2,500
Ending Stocks	195	333	170	280		260

Total Distribution	2,695	2,833	2,745	2,780		2,760
1000 HA, 1000 MT, MT/HA						

Import Trade Matrix

Country	Chile			
Commodity	Corn			
Time Period	Jan-Dec	Units:	M.T.	
Imports for:	2012		2013	
U.S.	172	U.S.	141	
Others	Others			
Argentina	453,941	Paraguay	751,973	
Paraguay	372,870	Argentina	257,093	
Uruguay	29,989	Brazil	74,958	
Bolivia	16,177	Bolivia	8,548	
Peru	141	Peru	158	
Total of Others	873,118		1,092,730	
Others not Listed	14		31	
Grand Total	873,304		1,092,902	