

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Possible import tariff surcharge for corn and chicken imports from Argentina

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Agricultural Situation

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Report Highlights:

SNA, Chile's farm bureau, is asking for surtax for corn and chicken imports from Argentina to avoid an estimated loss of over US\$100 million for corn producers.

General Information:

During the next week, the National Farm Bureau (SNA) will request to the National Commission of Distortion to apply an additional duty on corn and chicken from Argentina. Specifically, 25 percent additional duty for imports of corn with high percentage of cracked kernels and 30% for feed mixtures with a significant content of cracked corn and also 15% surcharge duty for imports of chicken from Argentina.

The National Commission of Distortion is a technical body, composed of representatives of the public economic sector, whose role is to advise the President on matters which are related to the imports of goods, with distorted prices, which cause or threaten serious injury to the domestic production.

The Commission is composed of the following members:

- National Economic Prosecutor, who presides;
- Two representatives of the Central Bank of Chile, appointed by the Board of the Central Bank;
- A representative of the Minister of Finance;
- A representative of the Ministry of Agriculture;
- A representative of the Minister of Economy;
- The Director General of Customs, and
- A representative of the Ministry of Foreign Affairs.

Argentina has recently implemented policies that have artificially lowered the price of its corn and today it is 41% lower than the international reference value. As it was emphasized by SNA's president Patricio Crespo; this is an unfair competition for Chilean farmers, if no actions are taken. Chilean corn growers could lose as much as US\$108 million, he predicts.

Hence, the organization (SNA) requested immediate action because the grain harvest will start later this month and be completed by early May. Currently, imports from Argentina have virtually zero tariffs. According to the Santiago Chamber of Commerce, the effective tax paid for imports from Argentina is 0.2 percent on all imports.

Corn is the second most important crop of the country; it is planted from Rancagua through to Los Angeles, it represents 20percent of total annual plantings. Most producers are small farmers. Only one out of ten framers plants areas larger than 30 hectares. As it is stressed by Ema Budinich research manager of SNA, Chilean farmers are the most efficient corn producers in the world. Last 2010/2011 production season average yields reached a record figure of 11.2 metric tons per hectare.

Corn is the basis for the Chilean poultry industry: 70percent of total cost are linked to corn. As a result we therefore are asking the Government of Chile to take measures to eliminate distortions in the production chain, from the cracked corn, mixtures containing this corn and chicken production, as was stated by Patricio Crespo.

Back In 2007, the Poultry Producers Association (APA) requested to the National Commission of Distortion to raise import duties for grain from Argentina, with no success.

According to Global Trade Alert, Argentina is the country with more restrictions on international trade in the world; it has 112 measures implemented that discriminate against foreign commercial interests.

In a way to make the domestic market more attractive to Argentinean food producers and produce cheap food for the Argentineans, the government of Nestor Kirchner and Cristina Fernandez implemented various and different policies. Back in 2002, they set an export tax and in 2008, implemented a tax system to encourage the export of industrial products. As a result, whole corn is taxed higher when exported than cracked corn. This causes price of Argentine corn to be lower than the international average price. Argentinean corn price is US\$ 157 a metric ton and the world price for corn is US\$ 267 per metric tons that is, is 41percent lower.

Imports of cracked corn from Argentina has grown 639% from 2008 to 2011, while feed mixtures with cracked corn has risen 41percent and chicken imports 29 percent during the same period, as was highlighted by Patricio Crespo.