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Chile

Dairy and Products Annual

Whole and Non Fat Dry Milk Annual

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Report Highlights:

Chile's dairy production this year is expected to increase after a small decrease last year, as weather has been favorable for grass, the basic feed input for milk production.

Executive Summary:

Chile's milk production is expected to increase in 2010 (Jan-Dec) after a small decrease in 2009. Good weather conditions led to optimal pasture production for grass, Chile's basic dairy feed. Although the industry is projecting additional expansion, the outlook for the next years' milk production will depend on international dairy prices, government policies, and continued improvements in technology and animal genetics.

Commodities:

Dairy, Milk, Fluid

Production:

Chile's total milk output fell 7.8 percent from 2.55 billion in 2008 to 2.35 billion liters in 2009. Although production had been expanding for the last 5 years, in 2009 output fell approximately 7.8 percent, mainly due to adverse climatic condition in the primary dairy producing regions of the country, negatively affecting total production. A severe drought in the main milk production areas reduced feed availability and contributed to the fall in output. Another factor that affected total output was significant fall of international milk prices which reduced domestic milk earnings. Over 80 percent of the milk production herd is fed in grazing fields, supplemental feed is used only by large producers and during the winter months.

International prices of milk, cheese and powdered milk imports increased significantly while domestic milk prices paid to producers fell over 25 percent in real terms from August 2008 to the same month in 2009. As a result a significant number of producers decided to either reduce or close their milking operations. Industry sources report that the number of milking cows sent to the slaughter houses has increased 50 percent during the first 8 months of 2009.

Despite this contraction in the national dairy herd, the industry reports an increase of 7.2 percent in total milk received the first eight months of 2010, when compared to the same period of last year. Exceptional meteorological conditions during the summer of 2010 (January through March) with enough rain and sun during spring and summer favored grass production for direct grazing and feed conservation (mainly silage) for the winter months explain this increase.

Countries	Value (Thousand US\$ FOB)		Participation
	2009	2010	%
México	25,825	37,216	36.3
Venezuela	43,584	16,705	16.3
EE.UU.	3,546	9,065	8.8
Peru	6,619	8,439	8.2
Brazil	0	8,415	8.2
Costa Rica	3,822	5,100	5.0
China	0	3,265	3.2
Cuba	932	2,088	2.0
Dominican Rep.	149	1,782	1.7
Turkey	0	1,694	1.7
Others	2,018	6,720	6.6
Total	88,504	102,501	100.0

Source: Ministry of Agriculture

Once again Argentina was the main supplier of dairy products for 2009. The U.S. has become Chile's second most important dairy products supplier.

Milk Product Imports by Country of Origin			
January - August			
Countries	Value (Thousand US\$ FOB)		Part.
	2009	2010	%
Argentina	26,193	23,161	9.3
USA	3,553	9,844	4.0
Uruguay	7,654	2,433	1.0
Brazil	2,739	2,390	1.0
New Zealand	464	2,121	0.9
Peru	1,153	1,228	0.5
France	422	716	0.3
Denmark	166	347	0.1
Australia	306	267	0.1
Netherlands	200	264	0.1
Others	132,148	160,221	64.7
Total	174,999	202,992	81.9

Source: Ministry of Agriculture

Chile dairy exports exceed imports in both volume and value. In CY2009 the trade balance in fluid milk equivalent fell when compared to the previous year, mainly as a result of the fall of international dairy prices, which reduced domestic production and availability, increasing imports of dairy products.

TABLE- Trade Balance, January - August 2010								
Item	Volume (M.T. Thous, or Ltrs)				Expressed in fluid milk equiv. (Thous.Ltrs)			
	2007	2008	2009	2010	2007	2008	2009	2010
IMPORTS								
UHT Products	1,345	205	0	26	1,345	205	0	26
NFDM	2,298	5,739	3,749	1,678	26,404	65,941	43,076	19,280
Whole Dry Milk	299	311	1,382	356	2,512	2,612	11,609	2,990
Cream	24	0	1	1	24	0	1	1
Evaporated milk	1,319	700	945	986	6,595	3,500	4,725	4,930
Condensed milk	192	465	327	274	518	1,256	883	740
Yogurt	1,035	4,522	2,077	1,540	1,035	4,522	2,077	1,540
Butter	440	165	696	1,064	440	165	696	1,064
Cheese	4,840	5,129	6,441	4,778	48,400	51,290	64,410	47,780
Caramel milk & others	2,367	2,215	2,018	2,158	5,207	4,873	4,440	4,748
Dairy drinks	0	3	1	13	0	3	1	13
Total					92,480	134,367	131,917	83,112
EXPORTS								
UHT Products	772	366	1,434	766	772	366	1,434	766
NFDM	334	1,507	62	1,812	3,838	17,315	712	20,820
Whole Dry Milk	7,754	9,690	10,216	6,808	65,134	81,396	85,814	57,187
Cream	138	143	193	169	138	143	193	169
Evaporated milk	1	2	17	13	5	10	85	65
Condensed milk	24,938	24,361	15,601	17,673	67,333	65,775	42,123	47,717
Yogurt	20	21	25	26	20	21	25	26
Butter	1,235	1,035	559	1,670	1,235	1,035	559	1,670
Cheese	11,308	8,924	5,904	7,203	113,080	89,240	59,040	72,030
Caramel milk & others	1,881	2,491	2,549	2,373	4,138	5,480	5,608	5,221
Dairy drinks	61	60	97	41	61	60	97	41
Total					255,753	260,841	195,690	205,712
Balance					163,273	126,474	63,773	122,600

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 entered duty free in 2007 and whole dry milk will be tariff free in 2011. Colombia will have duty free access for both whole and non-fat dry milk by 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 U.S. – 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 GOC, industry and producers continue with a promotional campaign, which is evenly financed by all. These three players have agreed to form and finance an association (Promolac) that manages the contributed funds in milk consumption promotional campaigns, mainly through TV and printed media.

U.S. import quotas Tariff-free dairy products (metric tons)				
Year	Milk powder	Condensed milk	Butter	Cheese
1	828	489	300	1,432
2	866	523	321	1,532
3	948	560	343	1,639
4	1,014	599	368	1,754
5	1,085	641	393	1,877
6	1,161	686	421	2,008
7	1,243	734	450	2,149
8	1,330	785	482	2,229
9	1,423	840	515	2,460
10	1,522	899	552	2,633
11	1,629	962	590	2,817
12	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.									
U.S.	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										
Norway	Current general tariff of 6%. Goods excluded from relief.									
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 \$1.092/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 eur/100kg - 135,7 eur/100kg. Goods excluded from relief.									
NFDM 0402.1000										
Austra	Free									

lia										
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 39,6cent/kg	840 ton 29,7cent/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.									
Merco sur	Free									
P4	Free									
European Union	Current general tariff of 118,8 eur/100kg - 125,4 eur/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 dry milk production is whole milk powder. Production of whole dry milk fell in CY2009 compared to the previous year, in-line with a smaller total milk production. For 2010 production of whole dry milk is expected to increase as a result of a predicted increase of milk output. Total milk production will expand as weather has been more favorable for grass production, the basic fodder in most milk production regions. For 2011, the industry predicts another slight increase in production.

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:

Due to a smaller domestic production of dry milk, imports of whole dry milk increased again in 2009 compared to the previous year.

Although Chile's milk processing industry aims 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 not happen if the exchange rate with the U.S. dollar keeps deteriorating. The exchange rate has fallen from CH\$547 per dollar to CH\$494 per dollar from August 2009 to August 2010. 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	2009			2010			2011		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Beginning Stocks	17	17	17	11	11	10			9
Production	58	58	55	62	62	63			68
Other Imports	1	1	2	1	1	1			1
Total Imports	1	1	2	1	1	1			1
Total Supply	76	76	74	74	74	74			78
Other Exports	15	15	14	15	15	14			14
Total Exports	15	15	14	15	15	14			14
Human Dom. Consumption	50	50	50	51	51	51			52
Other Use, Losses	0	0	0	0	0	0			0
Total Dom. Consumption	50	50	50	51	51	51			52
Total Use	65	65	64	66	66	65			66
Ending Stocks	11	11	10	8	8	9			12
Total Distribution	76	76	74	74	74	74			78

Export Trade Matrix							
Country	Chile						
Commodity	Dairy, Dry Whole Milk Powder						
Time Period	Jan-Dec	Units:	M.T.				
Imports for:	2008		2009	2009 (Jan-Aug)		2010 (Jan-Aug)	
U.S.	563	U.S.	582	U.S.	500	U.S.	209
Others		Others		Others		Others	
Venezuela	9975	Venezuela	8791	Venezuela	8768	Brazil	2675
Pakistan	1600	Algeria	2150	Peru	465	China	950
Cuba	1350	Peru	972	Colombia	251	Venezuela	800
Peru	715	China	400	Mexico	150	Cuba	525
Bolivia	96	Colombia	251	Senegal	25	Dominican Rep.	500
Singapore	75	Mexico	175	Guatemala	22	Algeria	450
Guatemala	50	Guatemala	113	Bolivia	21	Peru	326
El Salvador	40	Dominican Rep	50	Aruba	3	Turkey	100
Mongolia	32	Senegal	50			Guatemala	79
China	25	So. Africa	50			Senegal	50
Total for Others	13958		13002		9705		6455
Others not Listed	4		284		0		139
Grand Total	14525		13868		10205		6803

Import Trade Matrix							
Country	Chile						
Commodity	Dairy, Dry Whole Milk Powder						
Time Period	Jan-Dec	Units:	M.T.				
Imports for:	2008		2009	2009 (Jan-Aug)		2010 (Jan-Aug)	
U.S.	0	U.S.	0	U.S.	0	U.S.	0
Others		Others		Others		Others	
Argentina	219	Uruguay	1400	Uruguay	1200	Argentina	304
Brazil	100	Argentina	232	Argentina	166	France	50
New Zealand	49	France	25	France	13	Germany	1
Uruguay	25			New Zealand	3		
France	23						
Total for Others	416		1657		1382		355
Others not Listed	0		5		0		1
Grand Total	416		1662		1382		356

Commodities:

Dairy, Milk, Nonfat Dry (NFDM)

Production:

Chile's NFDM production fell slightly in 2009, as total milk production fell. Production in 2010 is expected to increase again as total output, including NFDM will increase.

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. For 2010 and beyond, utilization is expected to continue to increase, but at a slower rate.

Trade: The U.S. has become an important supplier of NFDM for Chile. Competitive U.S. prices for NFDM are the main reasons for increased U.S. milk imports, according to industry sources.

Production, Supply and Demand Data Statistics:

Dairy, Milk, Nonfat Dry Chile	2009			2010			2011		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Beginning Stocks	3	3	3	3	3	2			1
Production	14	14	15	16	16	16			17
Other Imports	7	7	5	7	7	5			5
Total Imports	7	7	5	7	7	5			5
Total Supply	24	24	23	26	26	23			23
Other Exports	0	0	0	2	2	2			0
Total Exports	0	0	0	2	2	2			0
Human Dom. Consumption	21	21	21	21	21	20			21
Other Use, Losses	0	0	0	0	0	0			0
Total Dom. Consumption	21	21	21	21	21	20			21
Total Use	21	21	21	23	23	22			21
Ending Stocks	3	3	2	3	3	1			2
Total Distribution	24	24	23	26	26	23			23

Export Trade Matrix							
Country	Chile						
Commodity	Dairy, Milk, Nonfat Dry						
Time Period	Jan-Dec	Units:	M.T.				
Imports for:	2008		2009	2009 (Jan-Aug)		2010 (Jan-Aug)	
U.S.	0	U.S.	0	U.S.	0	U.S.	0
Others		Others		Others		Others	
Cuba	2900	Peru	100	Venezuela	25	Mexico	875
Singapore	765	Venezuela	75	Aruba	4	Peru	439
Mexico	340	Aruba	8			Brazil	250
Brazil	200					Venezuela	200
Venezuela	200					Japan	18
Peru	175					Haiti	1
Guatemala	48						
Taiwan	41						
Aruba	7						
Total for Others	4676		183		29		1783
Others not Listed	0		0		0		0
Grand Total	4676		183		29		1783

Import Trade Matrix							
Country	Chile						
Commodity	Dairy, Milk, Nonfat Dry						
Time Period	Jan-Dec	Units:	M.T.				
Imports for:	2008		2009	2009 (Jan-Aug)		2010 (Jan-Aug)	
U.S.	3903	U.S.	674	U.S.	374	U.S.	1109
Others		Others		Others		Others	
New Zealand	2193	Argentina	2464	Argentina	2411	Argentina	345
Argentina	822	Uruguay	1366	Uruguay	866	Uruguay	125
Canada	75					France	23
Brazil	63						
Total for Others	3153		3830		3277		493
Others not Listed	0		24		0		76
Grand Total	7056		4528		3651		1678

