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Chile

Grain and Feed

Annual

2003

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Report Highlights:
A larger wheat harvest due to higher prices will result in a fall in imports for MY2002. Corn imports are also expected to fall slightly as a result of a larger planted area and production.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Santiago [CI1], CI

Executive Summary

Good weather and high wheat prices resulted in an increased planted area and production in MY2002. As a result, lower wheat imports are expected, both relative to our forecast and compared to last year's imports. Another expansion in planted area and production is expected in MY2003, with another fall of imports.

Chile's corn production for MY 2002 will expand as planted area and yields have increased, and the 2003 forecast is also positive. As a result imports requirements for MY 2002 and 2003 are expected to fall slightly as expansion of consumption is expected to increase at a smaller rate.

Wheat

Production

Higher than normal precipitation during last spring in most wheat production regions did not affect production as initially expected for MY2002. A significant increase in international and domestic wheat prices due to a fall in stocks, resulted in an increased planted area and yields mainly in Region IX, where most of Chile's wheat is produced.

For MY 2003, the initial planting intentions survey indicates an increase in the planted area, when compared to the previous year. The increase in planting is attributed to higher price of wheat. A fall in sugar beet planting due to the delay of the Chilean Congress to pass the changes to the price band system, mainly for sugar, is also expected to increase wheat planted area.

Consumption

Although our PS&D table shows a slight increase in total consumption of wheat, consumption for human use during the last few years has been rather stagnant, albeit at a high level vis a vis the rest of the world. According to the local bakery association, Chileans consume an average of 95 kilos of bread per capita per year, making them the largest consumers of bread in the Western hemisphere. Approximately 25,000 persons are employed in the industry.

Trade

For MY2001 imports resulted lower than originally expected due to increased availability of domestic wheat. On a calendar year basis, the U.S. gained a substantial market share to Canada and Argentina largely as a result of higher prices of wheat in both markets. A fall in Canadian wheat production resulted in a significant increase in their prices which did not allow them to undercut U.S. price quotations like in the past. As a result of sever economic problems in Argentina, most producers retained their wheat and sells it as cash is needed to hedge against devaluation, which drove Argentinian wheat prices above the U.S. market prices.

For MY2002 and MY2003, a further reduction of imports is forecasted, due to larger harvests and stagnant consumption.

Price Band

The new values for the floor and ceiling prices will begin in November 2003 and will remain fixed until 2007. The floor will be USD$128 f.o.b. and the ceiling will be USD$148 f.o.b. Starting in 2008, the floor will be adjusted downward by 2% a year, until 2014, when the President will evaluate whether to continue with the priceband system or eliminate it. The reference price will be a fixed amount in USD per ton and it will be published six times a year. The reference price will be based on an average of the daily price for the 30 days preceding the date of publication. For the first semester the relevant market will be FOB an Argentinian port and for the second semester it will be soft red winter wheat #2, FOB gulf of Mexico. It will be applied on the date of entry of the goods. For wheat flour, they plan to use the wheat tables, but increase the amounts by 56%.

PS&D Table

PSD Table						
Country	Chile					
Commodity	Wheat				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		12/2001		12/2002		12/2003
Area Harvested	426	426	417	416	425	425
Beginning Stocks	250	250	282	372	209	369
Production	1819	1819	1687	1797	1650	1780
TOTAL Mkt. Yr. Imports	396	303	450	225	450	160
Jul-Jun Imports	433	238	450	369	450	250
Jul-Jun Import U.S.	94	33	0	151	0	50
TOTAL SUPPLY	2465	2372	2419	2394	2309	2309
TOTAL Mkt. Yr. Exports	13	0	10	0	10	0
Jul-Jun Exports	13	0	10	0	10	0
Feed Dom. Consumption	0	150	0	150	0	150
TOTAL Dom. Consumption	2170	2000	2200	2025	2050	2035
Ending Stocks	282	372	209	369	249	274
TOTAL DISTRIBUTION	2465	2372	2419	2394	2309	2309

Import Trade Matrix

(Year 2003 figures are from January through June only)

Import Trade Matrix			
Country	Chile		
Commodity	Wheat		
Time period	Jan-Dec	Units:	M.T.
Imports for:	2002		2003
U.S.	130868	U.S.	28494
Others		Others	
Canada	115201	Argentina	88387
Argentina	64954	Canada	52574
Germany	11		
France	1		
Total for Others	180167		140961
Others not Listed			
Grand Total	311035		169455

Corn

Production

Improved marketing conditions, together with favorable weather and higher prices, had a positive effect on Chile's final total area planted to corn in MY2002. Another expansion is expected in MY2003 as sugar beet planting are likely to fall due to the late approval of the new price band for sugar. Additionally some alternative crops returns have deteriorated in relation to corn. Prices for corn are expected to stay high.

Consumption and Trade

As domestic corn production is expected to increase due to an expansion of the planted area together with an increase in yields, imports are projected to remain stable or fall slightly as the feed use in the hog and poultry industries continue to expand will expand but at a slightly smaller rate. For MY2002 imports are expected to be slightly smaller, but consumption is expected to keep increasing slightly again. For MY2003 as production is expected to expand more than consumption, based on recently published increased planting intentions, imports most probably will be smaller than the previous year.

Currently, Argentina is the largest supplier of bulk corn to Chile. Argentina's advantage reflects lower costs and quality preferences. Argentine corn is also subject to a lower import duty than U.S. corn, as a result of the Mercosur (60 percent preferential tariff difference). Currently, Argentina pays a duty of 2.4 percent, while U.S. corn is subject to a 6 percent duty, consistent with Chile's uniform applied rate. Although the U.S. - Chile Free Trade Agreement will remove this difference, it will not happen until two years after the agreement is enacted. As a result imports are expected to come from Argentina and other Mercosur members for the next few years.

PS&D Table

PSD Table						
Country	Chile					

Commodity	Corn				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		03/2002		03/2003		03/2004
Area Harvested	87	87	110	110	100	113
Beginning Stocks	274	274	297	205	285	295
Production	924	924	1038	1190	950	1220
TOTAL Mkt. Yr. Imports	1200	1106	1200	1050	1400	1000
Oct-Sep Imports	1278	1000	1200	950	1400	1000
Oct-Sep Import U.S.	34	500	0	0	0	0
TOTAL SUPPLY	2398	2304	2535	2445	2635	2515
TOTAL Mkt. Yr. Exports	51	49	50	50	50	50
Oct-Sep Exports	51	0	50	0	50	0
Feed Dom. Consumption	1900	1910	2000	2000	2100	2050
TOTAL Dom. Consumption	2050	2050	2200	2100	2300	2190
Ending Stocks	297	205	285	295	285	275
TOTAL DISTRIBUTION	2398	2304	2535	2445	2635	2515

Import Trade Matrix

(Year 2003 figures are from January through June only)

Import Trade Matrix			
Country	Chile		

Commodity	Corn		
Time period	Jan-Dec	Units:	M.T.
Imports for:	2002		2003
U.S.	25549	U.S.	0
Others		Others	
Argentina	989396	Argentina	412609
Brazil	153741	Brazil	2894
Peru	2		
Total for Others	1143139		415503
Others not Listed			
Grand Total	1168688		415503