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Chile

Grain and Feed

Annual

2005

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Report Highlights:

A smaller wheat harvest due to adverse weather will result in a slight expansion in imports for MY2004. Corn imports are forecast to expand significantly as planted area and production are expected to fall and domestic demand will stay strong.

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

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Executive Summary

As a result of adverse weather conditions in most growing areas wheat output fell slightly in MY2004 when compared to the previous year. Consequently, wheat imports are expected to expand slightly. In MY2005, as a result of a significant fall in wheat prices, initial planting surveys show a dramatic fall in planting intentions and production. Therefore imports are forecast to expand considerable.

Although Chile's corn production for MY 2004 is expected to expand, as planted area has increased, imports will remain similar to last year as domestic demand also is growing. However for MY2005, a significant fall in planted area and production is forecast as prices have fallen dramatically. As a result, import requirements for MY 2005 are expected to jump considerably, as consumption is expected to increase due to growth in the poultry and hog industries.

WHEAT

Production

Although total wheat planted did not change in MY2004, when compared to the previous marketing year, total production fell due to adverse weather conditions in most growing areas during last spring (Sept-Nov). Lower than normal temperatures and excessive rain in late spring and early summer affected average yields in most production regions. However the adverse weather conditions did not affect the quality of the production.

For MY 2005, the initial planting survey forecasts a significant fall in the total planted area, when compared to the previous year. This fall is attributed mainly to a reported 30 percent fall in domestic wheat prices for this season's crop. Additionally, expectations of better prices for alternative crops like oats, barley and rapeseed are expected to contribute to the fall in total planted area and production for the coming marketing year.

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. According to the local bakery association, Chileans consume an average of close to 100 kilos of bread per capita per year, making them the second largest consumers of bread in the Western hemisphere after Germany. 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. As prices offered by millers fell significantly this year an increasing number of producers looked for alternatives and sold their production for cash to the feed industry.

Prices

Wheat prices paid to farmers by the milling industry have reportedly fallen 25 to 30 percent compared to last year. A significant revaluation of the local currency against the dollar, together with low prices for Argentinean wheat flour and increased imports of flour are the main factors cited by the milling industry for the domestic decline in wheat price. Wheat flour imports increased over 350 percent in 2004, climbing from 1,260 MT in 2003 to 5,760

MT in 2004. As a result, wheat flour millers and wheat producers requested and obtained a safeguard of 17% on flour imports from Argentina. This safeguard will be in effect during CY2005. Wheat producers supported this request in the hope that they would receive better prices for this year's production (MY2004). However this did not occur, and so planted area is expected to fall significant next year can be expected (MY2005).

Trade

The new import figures are expected to be smaller than previously estimated for MY2004 but larger than last year. For MY2005, a significant expansion in imports is forecasted, as planted area and production will fall significantly as a result of this year's low prices paid to producers and their subsequent shift in plantings to alternative crops.

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.

Wheat exports shown in the PS&D table correspond to wheat product exports, mostly uncooked pasta, which is converted to grain equivalent. Chiles largest markets for these products are countries like Peru and Venezuela. The US is also an important export market for these products.

Price Band

In November 2003, the Chilean Government set floor and ceiling prices for wheat. The values for the floor and ceiling prices are USD$128 f.o.b. and USD$148 f.o.b. respectively. These prices will remain fixed until 2007. Starting 2008, the floor will be adjusted downward by 2% a year until 2014, when the President will evaluate whether to continue with the price band 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 Argentinean 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 imports, the values of the wheat price band increased by 56 percent are applied.

PSD Table							
Country	Chile						
Commodity	Wheat				(1000 HA)(1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		12/2003		12/2004		12/2005	MM/YYYY
Area Harvested	420	420	424	420	0	360	(1000 HA)
Beginning Stocks	441	471	449	411	434	311	(1000 MT)
Production	1922	1922	1900	1860	0	1584	(1000 MT)
TOTAL Mkt. Yr. Imports	301	239	300	270	0	635	(1000 MT)
Jul-Jun Imports	442	430	300	235	0	450	(1000 MT)
Jul-Jun Import U.S.	253	263	0	0	0	0	(1000 MT)
TOTAL SUPPLY	2664	2632	2649	2541	434	2530	(1000 MT)
TOTAL Mkt. Yr. Exports	15	21	15	20	0	20	(1000 MT)
Jul-Jun Exports	19	0	15	0	0	0	(1000 MT)
Feed Dom. Consumption	150	150	150	190	0	200	(1000 MT)
TOTAL Dom. Consumption	2200	2200	2200	2210	0	2210	(1000 MT)
Ending Stocks	449	411	434	311	0	300	(1000 MT)
TOTAL DISTRIBUTION	2664	2632	2649	2541	0	2530	(1000 MT)

Import Trade Matrix			
Country	Chile		
Commodity	Wheat		
Time Period	Jan-Dec	Units:	M.T.
Imports for:	2003		2004
U.S.	252584	U.S.	39682
Others		Others	
Canada	139778	Canada	120170
Argentina	92308	Argentina	61867
France	8	Paraguay	5856
		France	3
		Mexico	2
Total for Others	232094		187898
Others not Listed	0		
Grand Total	484678		227580

Prices Table			
Country	Chile		
Commodity	Wheat		
Prices in	pesos	per uom	Kg
Year	2004	2005	% Change
Jan	121	95	-21%
Feb	113	94	-17%
Mar	113	94	-17%
Apr	113		-100%
May	114		-100%
Jun	117		-100%
Jul	117		-100%
Aug	118		-100%
Sep	108		-100%
Oct	109		-100%
Nov	99		-100%
Dec	93		-100%
Exchange Rate	586	Local Currency/US $	
Date of Quote	3/31/2005	MM/DD/YYYY	
Note: Constant March 2005 prices			

CORN

Production

Growing demand and good prices in MY 2004 had a positive effect on Chile's final total area planted for corn in MY 2005. The larger planted area together with a moderate rainfall in the spring with no frost resulted in a large and good quality crop with little or no moisture problems. Although demand will stay strong due to projected increases in poultry and hog production, the prices being paid to producers for this year's corn production have fallen dramatically as international prices for corn have dropped significantly. High prices stimulated world production of corn last year bringing stocks back to normal levels and contributing to the deterioration of world corn prices in 2004. As a result of the low global corn prices, corn plantings and production in MY 2006 are expected to fall significantly.

Consumption and Trade

Although total domestic corn production is expected to be larger in MY 2005 than the previous year, corn imports are expected to remain steady or expand slightly, due to expanded feed use in the hog and poultry industries. Since corn production is forecast to fall significantly in MY 2006 and demand will continue to expand, imports are expected to jump over 30 percent.

Argentina is the largest supplier of bulk corn to Chile. This situation is not expected to change, as Argentina continues to have cost/quality advantage. Argentine corn also is subject to a lower import duty rate than U.S. corn, as a result of the Mercosur Agreement (90 percent preferential tariff difference). Currently, Argentina pays a duty of 0.6 percent, while U.S. corn is still subject to a 6 percent duty. The U.S. - Chile Free Trade Agreement will remove this difference, but not until January 1, 2006. As a result, imports are expected to come from Argentina and other MERCOSUR members at least until the tariff elimination takes place (January 2006).

PSD Table							
Country	Chile						
Commodity	Corn				(1000 HA)(1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		03/2004		03/2005		03/2006	MM/YYYY
Area Harvested	119	119	128	128	0	100	(1000 HA)
Beginning Stocks	337	213	348	257	383	357	(1000 MT)
Production	1321	1321	1410	1410	0	1000	(1000 MT)
TOTAL Mkt. Yr. Imports	1000	986	1000	1000	0	1295	(1000 MT)
Oct-Sep Imports	1043	870	1000	950	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	2658	2520	2758	2667	383	2652	(1000 MT)
TOTAL Mkt. Yr. Exports	60	63	75	60	0	50	(1000 MT)
Oct-Sep Exports	62	0	75	0	0	0	(1000 MT)
Feed Dom. Consumption	2100	2050	2150	2100	0	2120	(1000 MT)
TOTAL Dom. Consumption	2250	2200	2300	2250	0	2260	(1000 MT)
Ending Stocks	348	257	383	357	0	342	(1000 MT)
TOTAL DISTRIBUTION	2658	2520	2758	2667	0	2652	(1000 MT)

Import Trade Matrix			
Country	Chile		
Commodity	Corn		
Time Period	Jan-Dec	Units:	M.T.
Imports for:	2003		2004
U.S.	1517	U.S.	0
Others		Others	
Argentina	968292	Argentina	953150
Brazil	30513	Brazil	25944
Paraguay	7987	Peru	16
Peru	8	Canada	3
Germany	1	Mexico	1
Total for Others	1006801		979114
Others not Listed	0		0
Grand Total	1008318		979114

Prices Table			
Country	Chile		
Commodity	Corn		
Prices in	pesos	per uom	Kg
Year	2004	2005	% Change
Jan	95	83	-13%
Feb	97	81	-16%
Mar	95	76	-20%
Apr	93		-100%
May	95		-100%
Jun	97		-100%
Jul	97		-100%
Aug	94		-100%
Sep	93		-100%
Oct	91		-100%
Nov	89		-100%
Dec	88		-100%
Exchange Rate	586	Local Currency/US $	
Date of Quote	3/31/2005	MM/DD/YYYY	
Note: In constant March 2005 prices.			