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Chile

Grain and Feed

Annual

2007

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Report Highlights:
An increase in wheat planting intentions calls for a larger output in the forecast year, which should result in smaller imports when compared to the previous year. Corn production and imports is also forecast to increase as planted area will expand and domestic demand keeps expanding as a result of the continuously growing chicken and pork industry.

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

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Executive Summary

As a result of a significant fall in wheat prices and adverse weather conditions, planted area and output fell slightly in MY2006 when compared to the previous year. Consequently, wheat imports are expected to expand. For MY2007, initial planting surveys show an increase in planting intentions and production. Therefore imports are forecast to be slightly less than in MY2006.

Chile's corn production for MY 2006 is expected to increase as high prices encouraged plantings. Forecasts for MY2007 show another increase in production and import as requirements are expected to jump considerably, as consumption is expected to increase due to growth in the poultry and hog industries.

Wheat

Production

Wheat is politically Chile's most important annual crop. There are an estimated 89,000 producers, of which a little over 10,000 producers are in the so-called subsistence group with little or no alternative crops (production). Just over 70,000 are small farmers, 5,000 are medium size producers and less than 3,000 are large producers.

Total wheat planted area fell again in MY2006, when compared to the previous marketing year. Adverse weather conditions during planting time and harvest, together with low prices obtained by producers for the previous year harvest are the main reasons for the important fall in planted area and production. A significant fall in prices paid to producers during CY2005 is one of the main reasons for the 10 percent fall in the total planted area. Additionally, excess rain and bad weather during the fall and winter delayed planting in the main wheat producing areas which also affected yields and quality of the production. For MY2007, the initial planting survey forecasts an important increase in the total planted area, when compared to MY2006. This increase is being attributed mainly to higher domestic wheat prices for CY2006. Domestic prices have been climbing as a result of increasing international prices. International prices have been increasing in a response to a fall of world stocks of wheat.

Consumption

Total human consumption of wheat has been rather stagnant and in line with population increase during the last few years. 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.

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 85 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 mainly low in protein and the quality varies a lot.

Prices

After a significant fall of wheat prices paid to farmers by the milling industry in CY2004, which affected planted area in MY2005, these increased again in 2006. An expected fall in total worldwide production increased wheat prices again in Chile's domestic wheat market. As a result of significant wheat imports from Argentina during the last few years, wheat flour millers and wheat producers requested and obtained a safeguard of 17% on flour imports from Argentina. This safeguard was in effect during CY2005 and renewed again until December of 2006, but the rate was lowered form 17 to 14 percent. Argentina unofficially subsidizes its milling industry by providing a differentiated export tax. The tax is much higher on wheat than on wheat flour. This subsidy has made the Argentinean wheat flour industry extremely competitive and prompted both the Chilean growers and millers to seek the safeguard measures. Finally in April 2007, the Chilean Government imposed a 31.1 percent duty on wheat flour imports from Argentina. This safeguard measure will be in effect until April of 2008.

Trade

New MY2006 import figures are forecasted to be larger than previously estimated and then in MY2005 due to a smaller harvest. For MY2007, a slightly smaller amount of imports is forecasted, as production will expand again in response to better prices paid during this season.

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

To settle a dispute presented by Argentina in the WTO about price bands in November 2003, the Chilean Government modified its system and published new 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 the end of 2007. Starting 2008, the floor will be adjusted downward by 2% a year until 2014, when the price band should disappear as it was agreed in the FTA agreement with the United States. A Chilean government source indicated that after 2012 price bands probably would be dismantled if other countries eliminate export subsidies, as recommended in the 2006 Doha preparatory meetings. 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% is applied to the values set under the wheat price band. Presently, due to high international wheat prices, above the ceiling of the price band, imports enter duty free.

PSD Table									
Country	Chile								
Commodity	Wheat						(1000 HA)(1000 MT)(MT/HA)		
	2005	Revised		2006	Estimate		2007	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		12/2005	12/2005		12/2006	12/2006		12/2007	12/2007
Area Harvested	315	315	315	350	284	284	0	0	320
Beginning Stocks	370	370	370	621	539	430	556	561	408
Production	1492	1404	1404	1500	1267	1259	0	0	1435
MY Imports	1124	1000	1007	800	1050	1100	0	0	1010
TY Imports	896	984	1039	800	800	800	0	0	990
TY Imp. from U.S.	244	280	296	0	250	300	0	0	320
Total Supply	2986	2774	2781	2921	2856	2789	556	561	2853
MY Exports	15	15	1	15	15	1	0	0	1
TY Exports	13	13	1	15	15	1	0	0	1
Feed Consumption	200	170	200	200	180	200	0	0	200
FSI Consumption	2150	2050	2150	2150	2100	2180	0	0	2200
Total Consumption	2350	2220	2350	2350	2280	2380	0	0	2400
Ending Stocks	621	539	430	556	561	408	0	0	452
Total Distribution	2986	2774	2781	2921	2856	2789	0	0	2853
Yield	4.736508	4.457143	4.457143	4.285714	4.461268	4.433099	0	0	4.484375

Import Trade Matrix			
Country	Chile		
Commodity	Wheat		
Time Period	Jan-Dec	Units:	M.T.
Exports for:	2005		2006
U.S.	29598	U.S.	296487
Others		Others	
Canada	106101	Argentina	564717
Argentina	65057	Canada	171681
Spain	313	Uruguay	28
France	19	Other	6438
Other	4344		
Total for Others	175834		742864
Others not Listed	0		0
Grand Total	205432		1039351

Prices Table						
Country	Chile					
Commodity	Wheat					
Prices in	Constant pesos		per uom	Kg		
Year	2005	2006	**% Change**	2006	2007	**% Change**
Jan	101	109	**8%**	109	125	**15%**
Feb	101	112	**11%**	112	124	**11%**
Mar	100	113	**13%**	113	122	**8%**
Apr	104	112	**8%**	112		**-100%**
May	108	111	**3%**	111		**-100%**
Jun	113	111	**-2%**	111		**-100%**
Jul	112	112	**0%**	112		**-100%**
Aug	111	114	**3%**	114		**-100%**
Sep	106	115	**8%**	115		**-100%**
Oct	104	126	**21%**	126		**-100%**
Nov	104	131	**26%**	131		**-100%**
Dec	106	126	**19%**	126		**-100%**
Exchange Rate	539	Local Currency/US $				
Date of Quote	3/31/2007	MM/DD/YYYY				

Corn

Production

Economic returns for the previous year and futures expected prices are important but not the only factors for farmers when they decide to plant corn for the next year. During 2006, strong and rising international prices for corn as a result of falling stocks also increased domestic prices in Chile. As a result total planted area increased again in MY2007. The larger planted area together with excellent weather conditions in most corn growing areas will result in a larger than previously estimated total production. In spite of a larger output, imports are estimated to grow to a record level of 1.8 million MT as demand from the growing pork and chicken industries is stronger than ever.

As economic returns are expected to be favorable for corn producers during the present marketing year and the conditions of a world shortage of corn will prevail during next year we can expect even higher international corn prices. As a result, forecast shows another expansion to 150,000 hectares of corn to be planted in MY2008. Imports are forecast to stay at similar levels than the previous year as domestic demand for corn is expected to keep growing and as a larger area of marginal land goes into corn production it is expected that average yields will fall and production will not grow at the same rate as planted area in MY2008.

Consumption and Trade

Corn imports are expected to expand, due to expanded feed use in the hog and poultry industries. Argentina is the largest supplier of bulk corn to Chile mainly because it continues to have cost/quality advantages as the trucks are loaded directly on the farms and driven across the border to the consumer's (in Chile) storage facilities, thus avoiding the unloading and loading of ships at the port and reducing total transportation costs. But, since the import duty for Argentinean and US corn became the same (zero %) in January 2006, Chilean importers have started buying increasing amounts of US corn because of quality and reliability of supplies, as it was stated by industry sources.

PSD Table									
Country	Chile								
Commodity	Corn						(1000 HA)(1000 MT)(MT/HA)		
	2005	Revised		2006	Estimate		2007	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		03/2006	03/2006		03/2007	03/2007		03/2008	03/2008
Area Harvested	124	124	124	111	111	134	0	0	150
Beginning Stocks	646	450	646	481	445	535	266	450	520
Production	1410	1410	1382	1260	1258	1510	0	0	1680
MY Imports	1300	1295	1678	1500	1557	1800	0	0	1750
TY Imports	1587	1150	1742	1600	1280	1850	0	0	1400
TY Imp. from U.S.	381	0	422	0	0	650	0	0	450
Total Supply	3356	3155	3706	3241	3260	3845	266	450	3950
MY Exports	75	60	71	75	60	75	0	0	75
TY Exports	72	0	71	75	0	75	0	0	75
Feed Consumption	2500	2350	2750	2600	2450	2900	0	0	3000
FSI Consumption	300	300	350	300	300	350	0	0	350
Total Consumption	2800	2650	3100	2900	2750	3250	0	0	3350
Ending Stocks	481	445	535	266	450	520	0	0	525
Total Distribution	3356	3155	3706	3241	3260	3845	0	0	3950
Yield	11.37	11.37	11.15	11.35	11.33	11.27	0	0	11.20

Import Trade Matrix			
Country	Chile		
Commodity	Corn		
Time Period	Jan-Dec	Units:	M.T.
Imports for:	2005		2006
U.S.	1	U.S.	421100
Others		Others	
Argentina	1119070	Argentina	1144213
Peru	8	Paraguay	166928
Germany	2	Brazil	9946
Italy	1	Peru	14
Canada	1	Germany	2
Total for Others	1119082		1321103
Others not Listed	0		
Grand Total	1119083		1742203

Prices Table						
Country	Chile					
Commodity	Corn					
Prices in	Constant pesos	Per uom	Kg			
Year	2005	2006	**% Change**	2006	2007	**% Change**
Jan	88	73	**-17%**	73	118	**62%**
Feb	86	75	**-13%**	75	115	**53%**
Mar	81	76	**-6%**	76	114	**50%**
Apr	79	73	**-8%**	73		**-100%**
May	79	75	**-5%**	75		**-100%**
Jun	78	77	**-1%**	77		**-100%**
Jul	80	78	**-3%**	78		**-100%**
Aug	81	81	**0%**	81		**-100%**
Sep	78	83	**6%**	83		**-100%**
Oct	77	94	**22%**	94		**-100%**
Nov	77	113	**47%**	113		**-100%**
Dec	74	114	**54%**	114		**-100%**
Exchange Rate	539	Local Currency/US $				
Date of Quote	3/31/2007	MM/DD/YYYY				