



Foreign Agricultural Service

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Market Brief - Product

Chile : Breakfast Cereals

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Santiago [CI9020], Chile

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Highlights:

- * Breakfast cereals are among the fastest growing grocery products in Chile.
- * Promotional efforts, led by Kellogg, Quaker Oats, and Nestle, are transforming the market.
- * Retail sales are currently estimated at \$25 - \$30 million per year.
- * Imports should exceed \$5.5 million CIF in 1999.

Eating Habits

Chile has a population of 14.5 million of primarily European origin. Families do not have a tradition of consuming cereal and milk at breakfast time. Instead, most people eat a “continental breakfast” of tea, coffee and bread. Juice, cheese, and ham may be served as well.

To change these eating habits, the major cereal companies are using in-store sampling to introduce shoppers to the experience of eating cereal with milk. Many products are sugar coated or have chocolate and fruit flavors that appeal to children. However, granola and granola bars are being introduced as healthy and nutritious snack alternatives for adults. Chile’s highly developed dairy industry offers a wide variety of products, including fruit yogurts and cultured milk products. These products are sometimes tied to breakfast cereals in companion promotions.

Major Brands and Products on Sale

A survey of cereals conducted recently a hypermarket owned by one of Chile’s leading grocery chains (D&S), found the following brands and products on sale. One side of a 52 foot aisle was devoted completely to breakfast cereal. Cereal for infants was stocked elsewhere in the store.

Brand	Products on Sale			
1. Nestle	Corn Flakes	Milo	Zucosas	Gold
	Nestum (wheat, corn, rice)	Chocapic	Estrellitas	Trix
2. Kellogg	Corn Flakes	Chokos	Froot Loops	-
	Zucaritas (Sugar Frosted Flakes)	All-Bran	Choco-Krispis	-
3. Quaker	Oatmeal (Traditional & Instant)	Nutriflakes	100% Granola	Oh’s
	Quadritas (corn, oat)	Frut Avena	Apple Oh’s	-
4. Natur	Puffed wheat	Galactum	Trukis	Chips
	Puffed rice	“Barbie”	Doobys	-
5. Lider	Cereal with honey	Asukaradas	Chocolotada	-

Domestic Competition

In terms of market share, Nestle dominates with an estimated 50 % of sales, followed by Kellogg with 35 %, Quaker with 10 % and all others with about 5 %. Nestle has traditionally led the market, capitalizing on its strong food processing resource base in Chile. Before 1998, Nestle was not a significant importer. However, last year Nestle's imports tripled with over 50 % coming from the United States.

The "Natur" brand is the product of a Chilean food manufacturer, Industrias Productos Alimenticios S.A. (IPAL S.A.). Increasing sales of breakfast cereal have also prompted "Lider" to introduce recently its own private label brand, also made by IPAL.

Imports

Kellogg and Quaker Oats are the major importers, buying and distributing cereal through their Chilean affiliates. Wholesalers and supermarkets buy directly 15 % of imported cereals. In 1998, they imported about \$350,000 in U.S. product, or approximately 40 % of total their purchases. A contact list of these companies may be found at the end of this report.

Table 1: Imports of Breakfast Cereal by Major Importers
(Thousand dollars, CIF)

Importer	1996	1997	1998	Share 1998
Kellogg's	2,036	2,874	2,899	53.9%
Quaker	1,005	1,470	1,244	23.2%
Nestle	157	138	403	7.5%
Others: U.S. Product	320	312	348	6.5%
Others: Non-U.S. Product	100	46	480	8.9%
Total	3,618	4,848	5,374	100.0%
Source: Santiago Chamber of Commerce				

Imports of breakfast cereal enter Chile under two tariff classification categories, 1904.10.00: "products of cereal base, made by swelling or roasting," and 1904.90.00: "products of a cereal base, prepared or processed by other methods." About 90 % of imports fall under the first category.

Imports of cereal from the United States are subject to a 10 % import duty. Imports from Mexico, Canada, and Venezuela enter duty free because of Chile's free trade agreements with those countries. Imports from Mercosur countries Argentina and Brazil enter with a 7 % duty. In addition, Chile collects an 18 % value added tax on all retail sales.

Table 2: Imports of Breakfast Cereal by Country of Origin
(Thousand dollars)

Country	1996	1997	1998
Argentina	67	540	2,168
United States	1,474	1,871	1,704
Mexico	888	1,929	766
Venezuela	0	290	277
Brazil	1,156	143	191
Canada	8	56	99
Switzerland	0	0	77
Sub-Total	3,593	4,830	5,283
Others	25	18	91
Total	3,618	4,848	5,374
Source: Santiago Chamber of Commerce			

Chile's relationship with Mercosur and the lack of a free trade agreement with the United States is having an impact on the trade. For example, in 1998 Argentina became the leading supplier of breakfast cereal to Chile when Kellogg shifted purchases from Mexico to Argentina. [In 1997, Kellogg's shifted purchases to Mexico from Brazil.] In 1998 Kellogg imported two-thirds of its product from Argentina, 20 % from Mexico, 10 % from Venezuela, and 7 % from Brazil. Kellogg's imports from the United States are practically nil.

On the other hand, Quaker Oats is a consistent supplier of U.S. breakfast cereal to Chile, supplying large volumes every year. However, Quaker has been increasing its imports from Canada as well, from 1 % of its total imports in 1996 to 8 % in 1998.

Food Regulations

Chile's food regulations, including those pertaining to breakfast cereal, may be accessed in the original Spanish and in an unofficial English translation through the U.S. Embassy Santiago's web site. The address is www.usembassy.cl; then click on "Agricultural Affairs".

List of Independant Breakfast Cereal Importers

(by order of importance in 1998)

VELARDE HNOS.

General Manager: Gonzalo Velarde M.

San Martín # 50

Valparaíso

Tel.: (56 32) 25-6525

Fax: (56 32) 25-6057

Las Esteras Norte # 2460 - Quilicura

Santiago

Tel.: (56 2) 623-3323

Fax: (56 2) 623-0161

ELBELMAN CORP. S.A.

General Manager: Alejandro Elbelman K.

Martínez de Rosas # 3050

P.O.Box: 261 - Las Condes

Santiago

Tel.: (56 2) 681-2842

681-2866

Fax: (56 2) 681-1018

SOCIEDAD COMERCIAL ANSON Y CIA. LTDA.

General Manager: Nicolás Essus

Los Ceramistas # 8610 - Parque Industrial La Reina

Santiago

Tel.: (56 2) 273-8737

Tel./Fax: (56 2) 273-9967

MERCADO MAYORISTA P Y P LTDA. (HIPERMERCADO JUMBO)

General Manager: Stefan Krause

Import Manager: Uwe Perl

Av. Francisco Bilbao # 4144 - Las Condes

Santiago

Tel.: (56 2) 200-8200

Fax: (56 2) 208-3318

KOSHER DELI 100% S.A.

General Manager: Rafael Goldzweig

Av. Luis Thayer Ojeda # 95 Loc. 6 - Providencia

Santiago

Tel.: (56 2) 251-9608

233-2892

