

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

Date: 3/17/2011

GAIN Report Number: CI1009

Chile

Post: Santiago

Chilean Agricultural Exports Affected by Japanese Earthquake

Report Categories:

Agricultural Situation

Approved By:

Rachel Bickford, Agricultural Attaché

Prepared By:

Luis Hennicke, Agricultural Specialist

Report Highlights:

The falling US dollar and the current crisis in Japan, one of Chile's main agricultural export markets, as a result of last week's earthquake and tsunami, have a negative effect on Chilean exports.

General Information:

The president of the National Agricultural Society of Chile (like the U.S. Farm Bureau) explained that one important issue in the increase in unemployment in the agricultural export sector is the constant fall of the dollar value against the Chilean peso coupled with other issues that have decreased profitability in the agriculture sector. Many crops in the export sector are no longer profitable or have greatly reduced in profitability, which prevents the agriculture sector from hiring more workers. There has been an increase in the labor force during the last harvesting season but it is still much lower than in previous years. The lower value of the dollar coincides with decreased export opportunities to Japan. Japan is Chile's second largest export market for Agriculture, Fish and Forestry products, after the United States. In 2010 exports to Japan totaled 1.6 billion U.S. dollars which is 14 percent of total Ag. Fish and Forestry exports. This compares with 2.9 billion dollars exported to the U.S. during the same year.

Japan is also Chile's largest commercial partner in the pork industry. Nippon imports 44 percent of Chile's pork exports (148 million US dollars of a total of 338 million dollars). Given the current crisis in Japan, that percentage will most likely fall, forcing the Chilean market to adjust prices. The president of the pork producers association stated that the coming weeks we will see a decrease in pork consumption across the country which will lead to a contraction in domestic prices. As a result producers/exporters in Chile will have to readjust their production for other markets. Post notes that several Chilean pork export companies have reportedly contacted their Asian distributors without receiving instructions to restrict pork shipments to Japan.

Industry contacts have indicated that some producers are considering redirecting their product to other Asian countries such as Korea and to the newly opened markets, China and India. The Ministry of Agriculture recently reported that pork exports to China and India will begin in the next few months. Opening the market with these two countries, markets with over 2.4 billion people, has become an important and timely event to offset the expected fall of exports to the Japanese market.

Other producers are considering switching from exports to domestic sales, which could have a downward on the pork economy, leading to an oversupply of pork and lower prices. This already occurred once in 2008 when companies had to boost domestic sales after Japan banned Chilean pork imports following the discovery of dioxins in pork meat.