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Report Highlights:

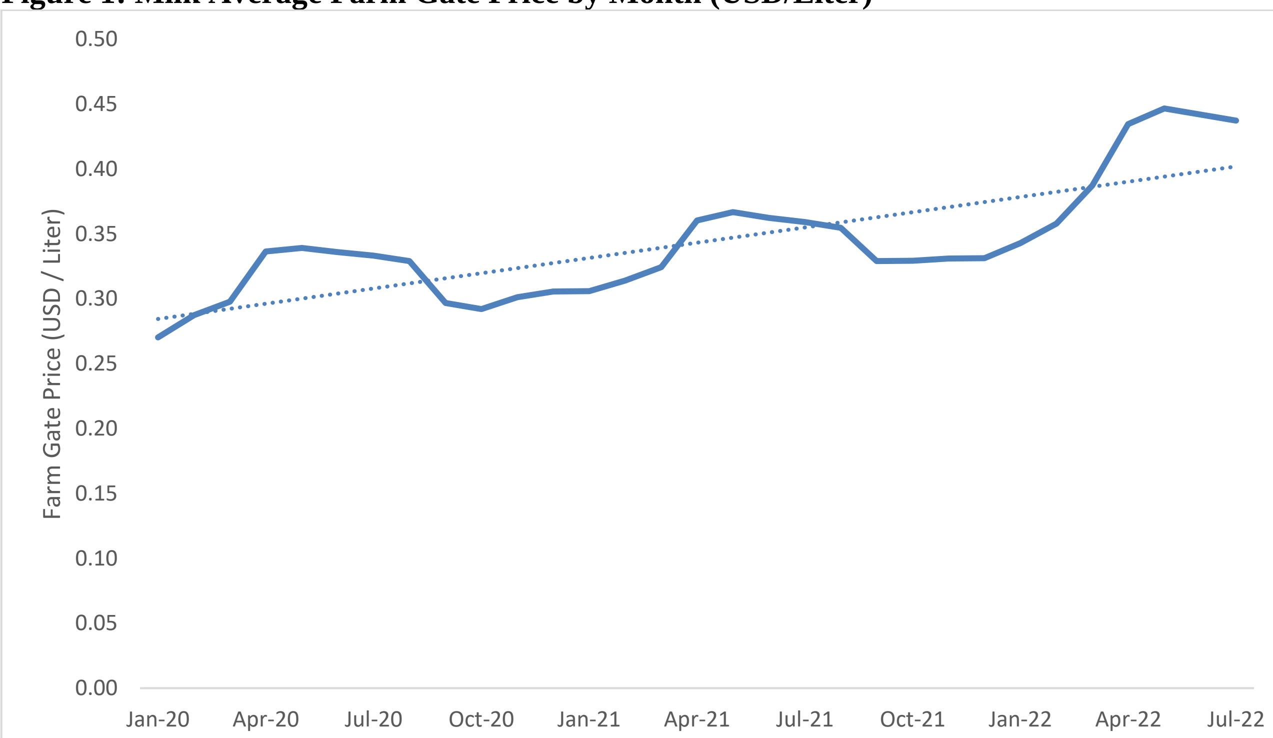
In marketing year (MY) 2022, rainfall during the winter was abundant favoring pasture production in the southern regions of Los Lagos and Los Rios. As a result, Chilean production of milk powders increased significantly in recent months, and are expected to remain high during the remainder of the marketing year. Domestic demand for dairy products remains strong and, despite high prices, demand for milk powders is expected to remain flat in MY 2022 and MY 2023. In MY 2022, Post estimates that whole milk powder production will increase by 2.8 percent, reaching 73,000 metric tons (MT). Imports are expected to decrease to 4,000 MT to cover consumption. Post projects MY 2023 skim milk powder production to increase by 5.8 percent to 18,000 MT and imports to decrease by 10 percent to 9,000 MT.

Production:

Chile has around 6,000 dairy producers and 500,000 dairy cows. Milk production reached 2.65 billion liters in 2021 (approximately 60,208,000 cwt). For the past 13 years, drought limited pasture production pushing down milk production. However, in the winter of MY 2022, rainfall was abundant, favoring pasture, and increased milk production.

From January 2020 to July 2022, average farm gate price trended upwards (Figure 1). Farm gate price shows yearly fluctuations, decreasing in the spring months (September – December), when milk supply is higher. Farm gate prices in general have increased since 2020 due to increasing competition between dairy processing companies which try to attract milk producers with the highest price. High input costs, drought, and the high feed price are also constraining production, putting upward pressure on prices.

Figure 1: Milk Average Farm Gate Price by Month (USD/Liter)

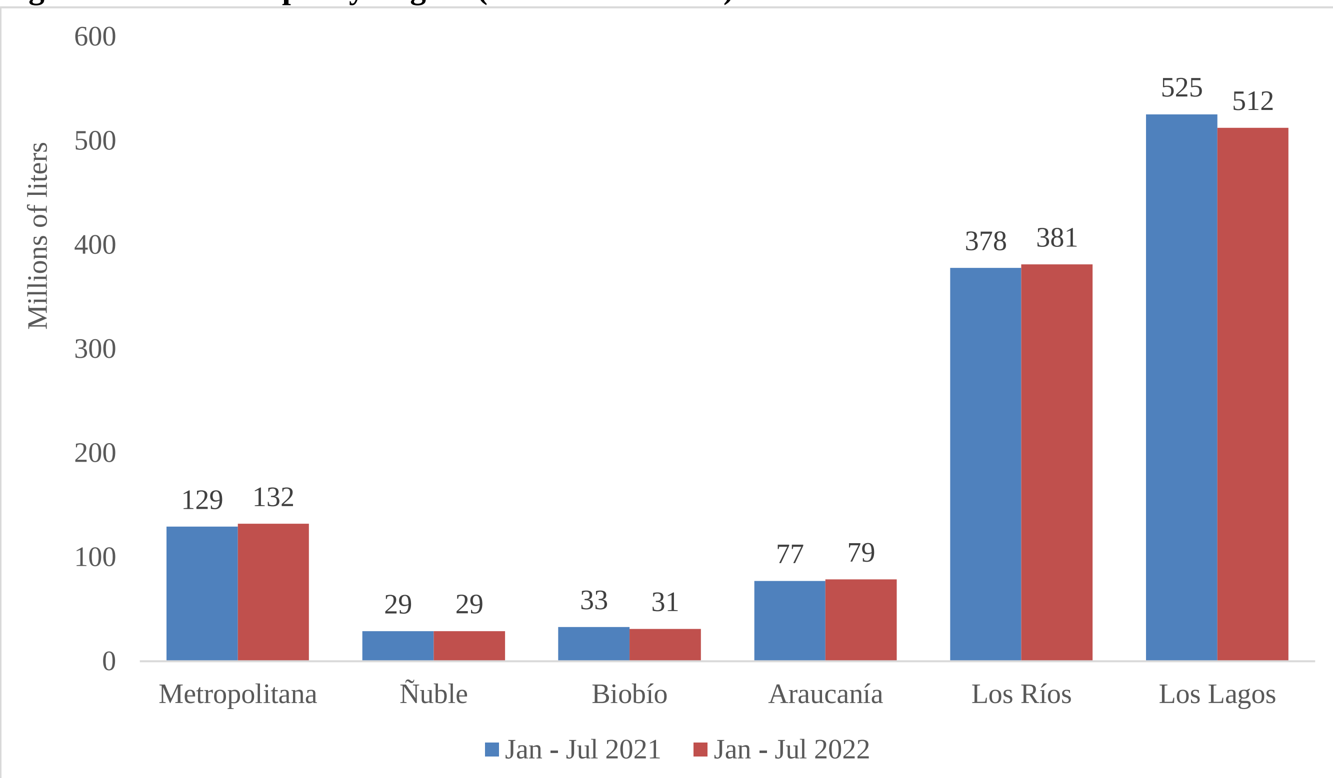


Note: Exchange rate: 1 USD = 940 Chilean Pesos
Source: Based on data from ODEPA, 2022

In MY 2022 (January to July data), milk receipts decreased by 0.6 percent, totaling 1,165 million liters. Milk receipts decreased in *Los Lagos* Region, which is the largest milk producing region in Chile (Figure 2), on lower input supplies. When pasture availability is low, producers complement it with feed, but currently there is a generalized increase in feed prices and production costs, disincentivizing feed use and pushing production down. In the second half of 2022, Post expects production to recover, since there was abundant rainfall during the winter and pasture production will boost milk production volume.

Los Lagos and *Los Rios* regions hold most of the processing facilities and dairy farms in Chile. These regions are in the southern part of the country, which historically has been the main milk production area due to abundant rainfall and natural pasture. *Los Lagos* region processed 512 million liters of milk from January to July 2022, which represents 44 percent of Chile's total milk receipts (Figure 2). Likewise, from January to July 2022, *Los Rios* processed 381 million liters which represents 33 percent of total receipts in Chile.

Figure 2: Milk Receipts by Region (Millions of Liters)



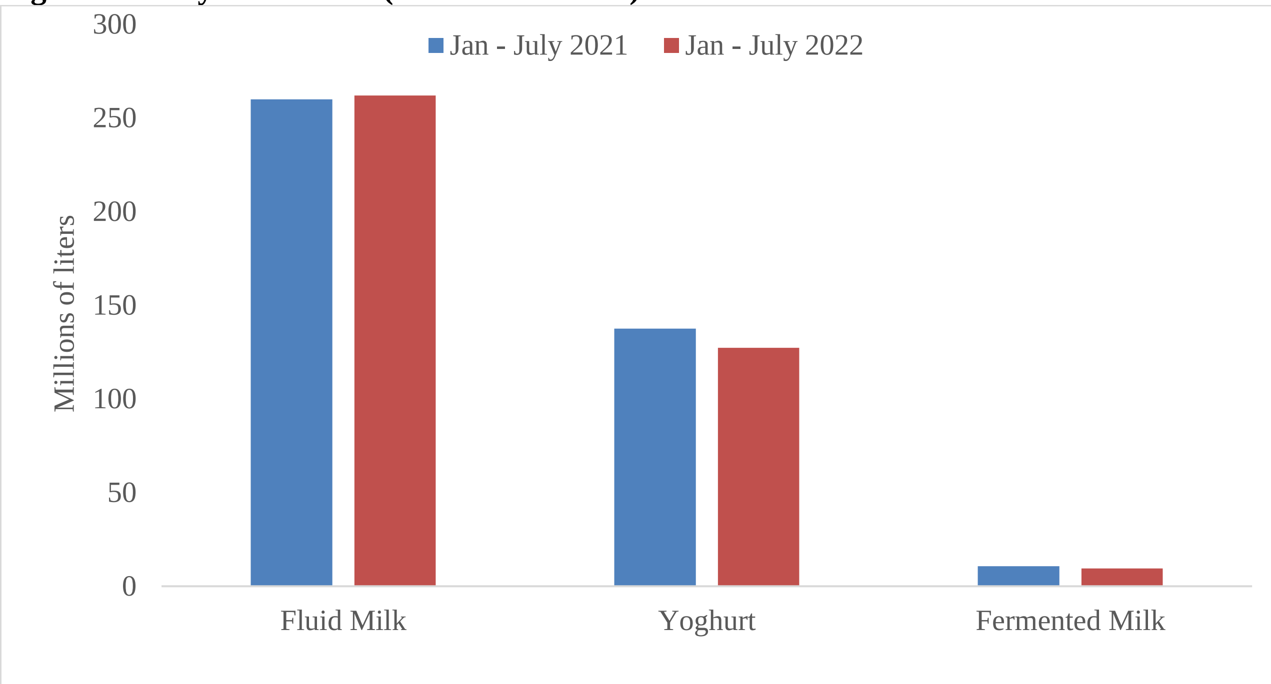
Source: Based on data from ODEPA, 2022

In Chile, there are 31 major dairy processing plants, and seven of them produce milk powder. Most processing plants produce fluid milk and cheese, very few produce yoghurt, whey, condensed milk and other processed dairy products. Milk receipts and processing is concentrated in few processing plants, the four largest processing plants process 60 percent of Chilean milk production (MY 2022 data). Additionally, there more than 100 small dairy processing plants that process around 200 million liters of milk per year, mainly producing fluid milk and cheese.

In MY 2022 (January to July data), fluid milk production increased by 0.7 percent over MY 2021, totaling 262 million liters (Figure 3). In the same period, production of processed dairy products such as cheese, whole milk powder, cream, and condensed milk increased over MY 2021 (Figure 4). Other processed dairy products, such as yoghurt, caramel (*manjar*), butter, whey, fresh cheese, and skim milk powder decreased in production volume.

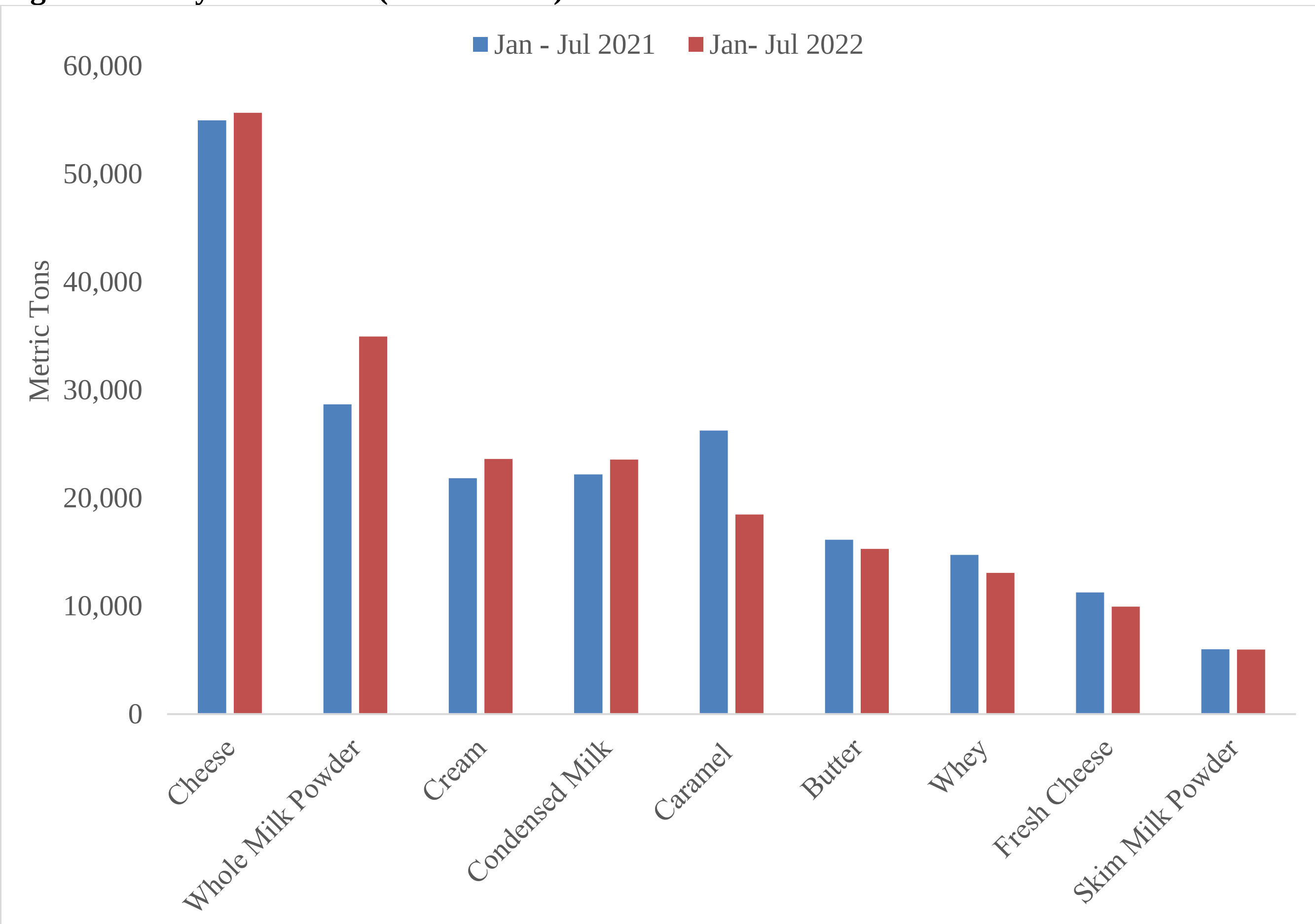
In September 2021, New Zealand-based Fonterra announced its plans to sell all assents in Chile and focus on extracting more value from New Zealand milk. Fonterra currently owns 99.89 percent of the shares of Soprole and Prolesur, and is the second largest dairy producer in Chile, processing more than 20 percent of the country's milk production. Industry contacts report that the sale process continues to move forward and a memorandum that was shared with a list of potential buyers describes the company and purchasing process.

Figure 3: Dairy Production (Millions of Liters)



Source: Based on data from ODEPA, 2022

Figure 4: Dairy Production (Metric Tons)



Source: Based on data from ODEPA, 2022

Trade:

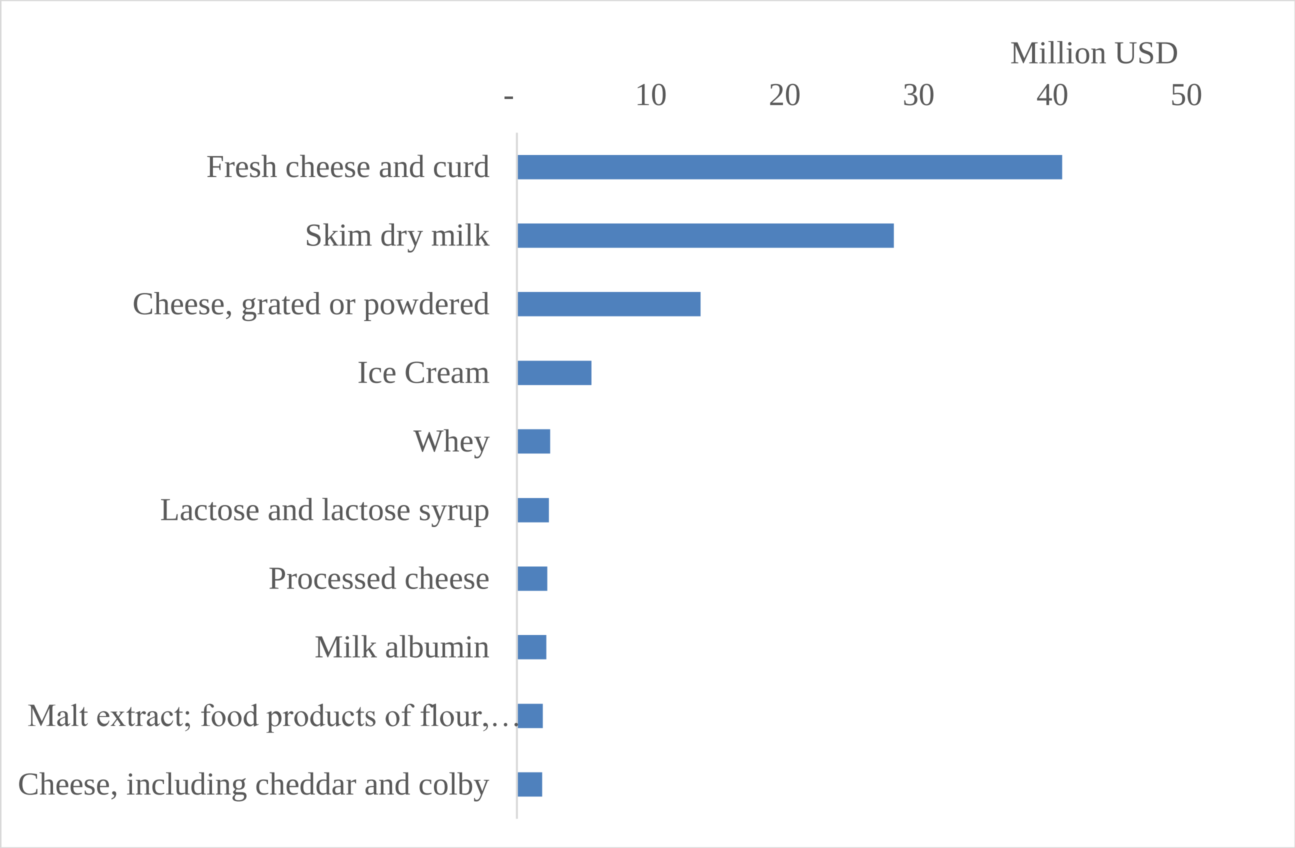
In MY 2022 (January to July data), Chile's dairy imports decreased by 1.3 percent in value (Table 1). The top dairy suppliers are the United States (20.5%), Argentina (19.4%), and New Zealand (14.8%). In MY 2022 dairy shipments from the United States decreased by 16 percent from MY 2021. Chilean imports of dairy products from the United States decreased because of the high value of the U.S. dollar and because Argentina increased its competitiveness in 2022, taking market share from the other top suppliers. Top Chilean dairy imports from the United States are fresh cheese and curd, skim dry milk, cheese, ice cream and whey (Figure 5).

Table 1: Chile Dairy Imports from the World
Commodity: BICO-Dairy Products, Dairy Products

Partner Country	Calendar Year				January-June		
	2020	2021	Market share (%)	Variation (%)	2021	2022	Variation (%)
The World	411,332,173	536,764,254	100.0%	30.5%	271,262,320	267,636,918	-1.3%
United States	88,731,767	109,783,115	20.5%	23.7%	50,327,485	42,297,906	-16.0%
Argentina	81,430,461	104,131,550	19.4%	27.9%	45,875,026	75,488,669	64.6%
New Zealand	62,385,110	79,169,268	14.7%	26.9%	47,976,042	33,106,541	-31.0%
Germany	32,504,897	47,993,740	8.9%	47.7%	27,309,602	17,563,344	-35.7%
Netherlands	27,980,321	39,246,260	7.3%	40.3%	20,822,786	14,194,473	-31.8%
Mexico	24,335,410	38,399,424	7.2%	57.8%	18,786,299	26,094,430	38.9%
Poland	11,780,931	20,698,881	3.9%	75.7%	11,707,983	7,223,778	-38.3%
Uruguay	13,327,810	18,815,179	3.5%	41.2%	9,537,867	9,721,754	1.9%
France	8,635,466	9,333,627	1.7%	8.1%	4,472,693	4,824,889	7.9%
Lithuania	5,599,002	8,724,802	1.6%	55.8%	5,079,907	4,241,438	-16.5%
Peru	7,060,960	8,680,283	1.6%	22.9%	5,164,802	2,322,240	-55.0%
Brazil	11,229,760	8,598,361	1.6%	-23.4%	3,520,765	8,289,303	135.4%
Ireland	8,184,274	8,202,048	1.5%	0.2%	3,605,356	4,647,118	28.9%
Canada	7,848,185	6,953,016	1.3%	-11.4%	3,095,781	3,111,051	0.5%
Spain	3,617,329	5,265,826	1.0%	45.6%	2,279,734	3,133,589	37.5%
Italy	3,162,404	4,998,015	0.9%	58.0%	2,466,263	3,408,349	38.2%
Singapore	3,452,928	4,084,495	0.8%	18.3%	1,807,026	1,314,109	-27.3%
Denmark	3,347,931	3,640,935	0.7%	8.8%	1,903,322	2,203,882	15.8%
Austria	855,485	1,757,388	0.3%	105.4%	1,488,288	92,839	-93.8%
Australia	792,434	1,394,800	0.3%	76.0%	778,312	261,859	-66.4%
Others	5,069,308	6,893,241	1.3%	36.0%	3,256,981	4,095,357	25.7%

Source: Trade Data Monitor, LLC

Figure 5: Top Ten U.S. Dairy Exports to Chile (USD)



Source: Trade Data Monitor, LLC

Policy:

On September 2022, a delegation from the United States' National Milk Producers Federation (NMPF) and the U.S. Dairy Export Council (USDEC) travelled to Chile to sign a cooperation agreement with the Chilean Federation of Milk Producers (FEDELECHE). The three institutions signed the agreement to collaborate on key issues that affect the dairy industry in their respective countries. The agreement includes sustainability, food systems and global trade. This collaboration will focus on organizing joint events, seminars, and conferences. One of the main goals of the Chilean dairy industry is to promote trade and to establish fair rules that counter protectionism.

Commodities:

Dairy, Dry Whole Milk Powder

Table 2: Production, Supply and Distribution Statistics

Dairy, Dry Whole Milk Powder	2021		2022		2023	
Market Year Begins	Jan 2021		Jan 2022		Jan 2023	
Chile	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	7	7	1	1	0	1
Production (1000 MT)	65	58	72	71	0	73
Other Imports (1000 MT)	6	6	5	5	0	4
Total Imports (1000 MT)	6	6	5	5	0	4
Total Supply (1000 MT)	78	71	78	77	0	78
Other Exports (1000 MT)	2	2	10	8	0	9
Total Exports (1000 MT)	2	2	10	8	0	9
Human Dom. Consumption (1000 MT)	75	68	67	68	0	68
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	75	68	67	68	0	68
Total Use (1000 MT)	77	70	77	76	0	77
Ending Stocks (1000 MT)	1	1	1	1	0	1
Total Distribution (1000 MT)	78	71	78	77	0	78
(1000 MT)						

Source: Post estimates

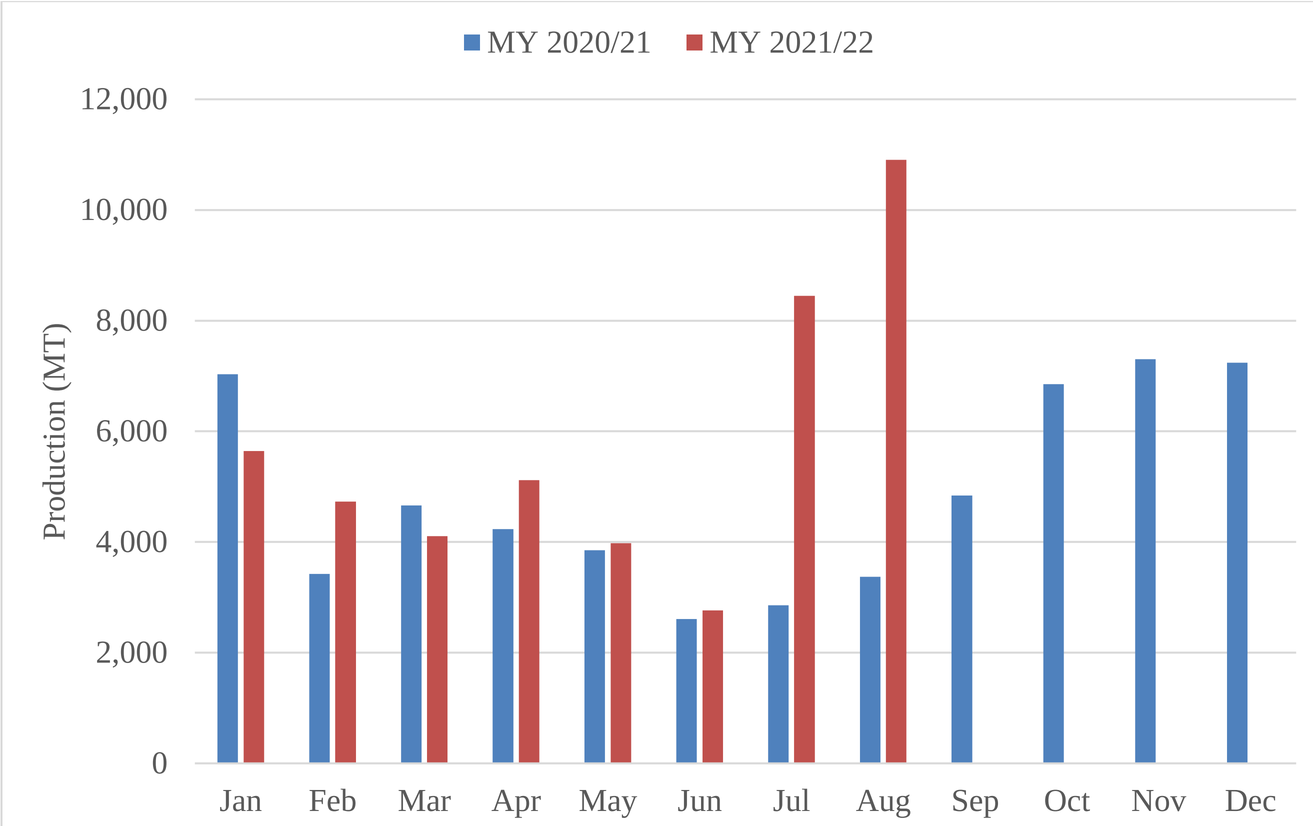
Production:

In MY 2023, Post estimates that whole milk powder production will increase by 2.8 percent and reach 73,000 metric tons. This assumes higher fluid milk production and a continued strong U.S. dollar, which keeps prices for dairy products high and facilitates exports.

From January to August 2022, whole milk powder production totaled 45,857 MT, a 43 percent increase over the same period in 2021. Whole milk powder production reached 58,274 MT in MY 2021. For MY 2022, Post estimates whole milk powder production will reach 71,000 MT, a 21.8 percent increase over MY 2021, due to growth in fluid milk production.

Whole milk powder production peaks from October through January (Figure 6). Seven dairy processing plants in Chile produce whole milk powder and production is sold mainly in the domestic market.

Figure 6: Whole Milk Powder Production by Month (MT)



Source: Based on ODEPA, 2021

Consumption:

For MY 2022, Post estimates Chile's consumption of whole milk powder to remain flat at 68,000 metric tons. Demand for dairy products is inelastic and remained strong during the COVID-19 pandemic. Post assumes that domestic consumption will pull from the higher production volumes. For MY 2023 post projects domestic consumption flat at 68,000 MT since dairy price remains high and the Chilean economy is expected to remain unchanged or grow very moderately, below one percent.

Domestic consumption consists of powdered milk, sold mainly in retail, but also in food service. Additionally, dairy companies produce a variety of products using milk powder such as cheese, yoghurt, and desserts.

Trade:

Post estimates Chilean whole milk powder imports to decrease by 30 percent down to 8,000 MT in MY 2022 and bounce back to 9,000 MT in MY 2023 to fulfill domestic demand for dairy. In MY 2022 (data from January to August), Chilean imports of whole milk powder reached 2,968 MT, a 36.1 percent decrease over MY 2021, due to the strong dollar. Imports from all countries, except Uruguay, decreased in this period.

In MY 2021, Chile's main supplier of whole milk powder was Uruguay, followed by New Zealand and Argentina (Table 3). In MY 2022, Argentina took market share from Uruguay and New Zealand, becoming the top supplier of whole milk powder.

Table 3: Chile Import Volume (MT) from the World, Whole Milk Powder

Chile Imports from the World						
Commodity: 040221,040229, Whole Dry Milk Powder						
Partner Country	**Marketing Year**			**January-August**		
	2020 (MT)	**2021 (MT)**	**Variation (%)**	**2021 (MT)**	**2022 (MT)**	**Variation (%)**
The World	9,440	6,201	-34.3%	4,642	2,968	-36.1%
Uruguay	2,216	3,071	38.6%	2,349	570	-75.7%
New Zealand	3,640	2,144	-41.1%	1,838	0	-100.0%
Argentina	2,998	620	-79.3%	375	1,950	420.0%
United States	215	275	27.9%	41	136	231.7%
France	99	63	-36.4%	38	63	65.8%
Others	272	28	-89.7%	1	249	24800.0%

Source: Trade Data Monitor, LLC

Table 4: Chile Import Value (USD) from the World, Whole Milk Powder

Chile Imports from the World						
Commodity: 040221,040229, Whole Dry Milk Powder						
Partner Country	**Marketing Year**			**January-August**		
	2020 (USD)	**2021 (USD)**	**Variation (%)**	**2021 (USD)**	**2022 (USD)**	**Variation (%)**
The World	30,821,300	22,071,045	-28.4%	15,777,974	12,091,571	-23.4%
Uruguay	7,212,115	11,209,436	55.4%	8,350,177	2,378,251	-71.5%
New Zealand	11,796,579	7,053,474	-40.2%	5,745,068	0	-100.0%
Argentina	9,766,176	2,296,285	-76.5%	1,378,966	7,745,890	461.7%
United States	679,993	1,235,359	81.7%	148,569	522,800	251.9%
France	367,779	259,652	-29.4%	149,448	297,330	99.0%
Others	998,658	16,839	-98.3%	5,746	1,147,300	19866.9%

Source: Trade Data Monitor, LLC

In MY 2022 Post expects Chilean whole milk powder exports to increase to 8,000 MT due to the increase in production and high demand by the Colombian market. In MY 2023, Post projects exports to increase to 9,000 MT as production grows and conditions for exports and demand from Latin American countries continue to improve.

From January to August 2022, Chilean exports of whole milk powder increased by 1,586.8 percent over the same period in 2021 totaling 7,776 MT (Table 5). Colombia, China and Cuba are the top markets for Chilean whole milk powder.

Table 5: Chile Export Volume (MT) to the World, Whole Milk Powder

Chile Exports to the World						
Commodity: 040221,040229, Whole Dry Milk						
Partner Country	Calendar Year			January-August		
	2020 (MT)	2021 (MT)	Variation (%)	2021 (MT)	2022 (MT)	Variation (%)
The World	1,685	1,697	0.7%	461	7,776	1586.8%
Colombia	50	696	1292.0%	48	5,837	12060.4%
Cuba	86	450	423.3%	273	576	111.0%
Bolivia	461	245	-46.9%	135	114	-15.6%
China	700	200	-71.4%	0	875	
Peru	157	100	-36.3%	0	10	
Others	231	6	-97.4%	5	364	7180.0%

Source: Trade Data Monitor, LLC

Table 6: Chile Export Value (USD) to the World, Whole Milk Powder

Commodity: 040221,040229, Whole Dry Milk						
Partner Country	Marketing Year			January-August		
	2020 (USD)	2021 (USD)	Variation (%)	2021 (USD)	2022 (USD)	Variation (%)
The World	4,031,631	5,316,730	31.9%	1,168,599	32,143,069	2650.6%
Colombia	169,400	2,535,097	1396.5%	161,423	24,884,241	15315.5%
Cuba	249,945	1,550,095	520.2%	943,334	2,508,945	166.0%
China	2,245,543	744,075	-66.9%	-	3,388,549	
Peru	407,640	371,690	-8.8%	-	14,170	
Bolivia	178,395	91,918	-48.5%	51,126	43,829	-14.3%
Venezuela	720	23,355	3143.8%	12,215	8,315	-31.9%
Panama	149,988	500	-99.7%	500	67,500	13400.0%
Others	630,000	-	-100.0%	1	1,227,520	122751900.0%

Source: Trade Data Monitor, LLC

Stocks:

In MY 2020 and the beginning of MY 2021, whole milk powder stocks in general increased due to logistical delays driven by the COVID-19 pandemic. For MY 2022 and MY 2023, Post estimates whole milk powder stocks to remain steady around 1,000 MT assuming fewer logistical problems.

Commodities:

Dairy, Milk, Nonfat Dry

Table 7: Production, Supply and Distribution Data Statistics

Dairy, Milk, Nonfat Dry	2021		2022		2023	
Market Year Begins	Jan 2021		Jan 2022		Jan 2023	
Chile	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	3	3	2	1	0	1
Production (1000 MT)	16	14	17	17	0	18
Other Imports (1000 MT)	11	11	9	10	0	9
Total Imports (1000 MT)	11	11	9	10	0	9
Total Supply (1000 MT)	30	28	28	28	0	28
Other Exports (1000 MT)	1	1	1	1	0	1
Total Exports (1000 MT)	1	1	1	1	0	1
Human Dom. Consumption (1000 MT)	27	26	26	26	0	26
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	27	26	26	26	0	26
Total Use (1000 MT)	28	27	27	27	0	27
Ending Stocks (1000 MT)	2	1	1	1	0	1
Total Distribution (1000 MT)	30	28	28	28	0	28
(1000 MT)						

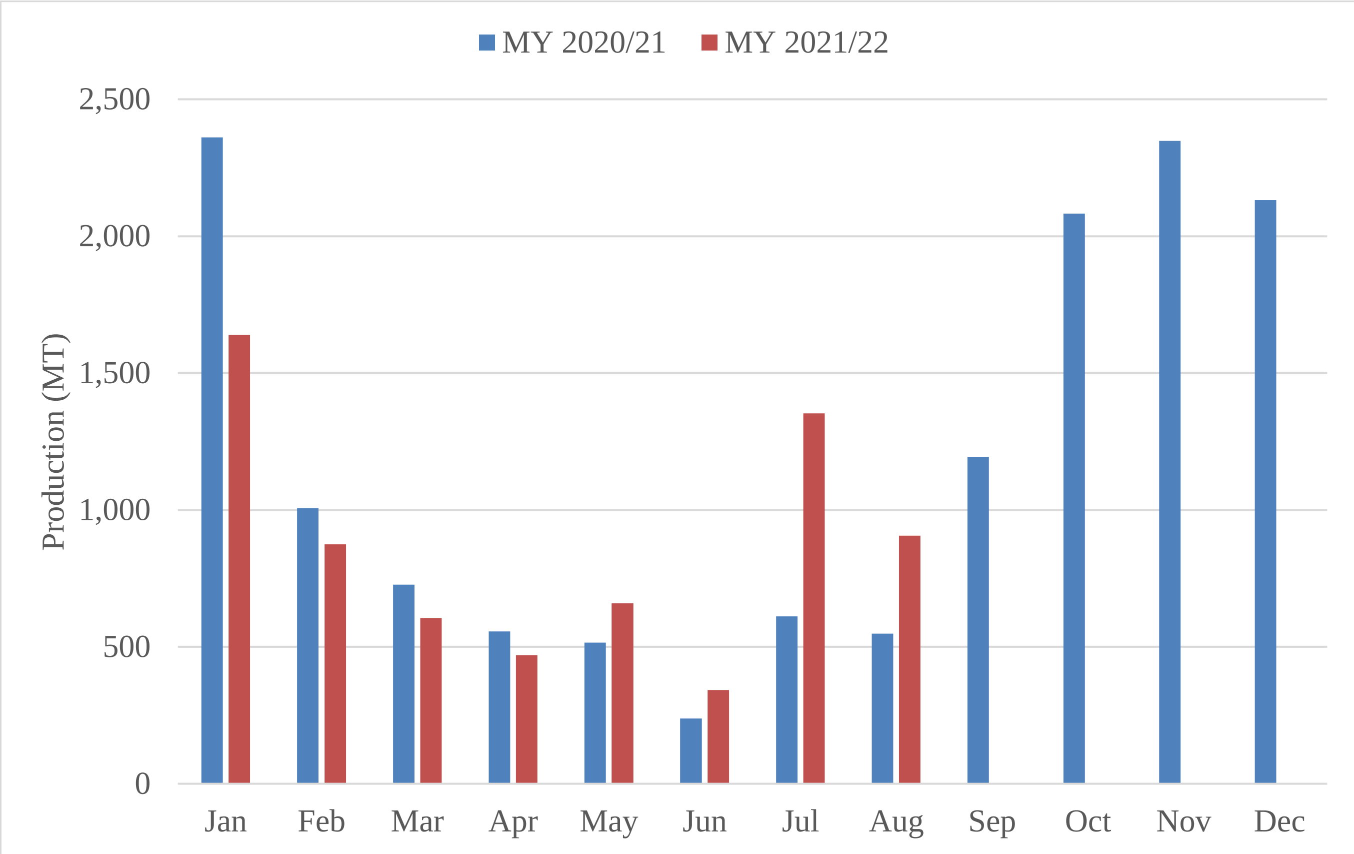
Source: Post estimates

Production:

In MY 2021, Chile's skim milk powder production increased by 1.3 percent over MY 2020 and totaled 14,318 metric tons. From January to August 2022, skim milk powder production increased to 6,870 MT which represents a 4.7 percent increase over the same period in 2021. Post estimates MY 2022 skim milk powder production to increase by 21.4 percent to 17,000 MT following the increased production trend. Post projects MY 2023 production to increase further to 18,000 MT to cover domestic consumption.

Skim milk powder production in Chile peaks from November to January following fluid milk production and pasture growth (Figure 7). In MY 2022, production increased in May and is expected to remain high for the remainder of MY 2022 due to high dairy prices, pressing up fluid milk production.

Figure 7: Skim Milk Powder Production by Month (MT)



Source: Based on ODEPA, 2021

Consumption:

Dairy processing companies use skim milk powder to produce a variety of products including yoghurt, desserts, ice cream, and chocolates. Demand for skim milk powder from Chilean processing companies in MY 2021 totaled 26,000 metric tons. In MY 2022, Post estimates consumption will remain flat at 26,000 MT given the steady demand for dairy and the high prices of dairy products. Post projects MY 2023 consumption to remain steady at 26,000 MT due to the slowing growth of the Chilean economy, which is expected to grow no more than one percent in 2023.

Trade:

In MY 2022, Post estimates Chilean imports of skim milk powder to decrease by 10 percent to 10,000 metric tons. For MY 2023, Post projects imports to decrease further, reaching 9,000 MT assuming domestic consumption will be met by increased production of skim milk powder.

Chile's imports of skim milk powder decreased by 19.3 percent from January to August 2022 over the same period in 2021 reaching 5,898 MT (Table 8). The United States is the top supplier of skim milk powder with a 75 percent market share in Chile. However, imports from the United States decreased by 29.4 percent from January to August 2021 over the same period in 2021. The change is due to increased domestic production and a stronger U.S. dollar.

In contrast, Chilean exports of skim milk powder increased by 88.3 percent from January to August 2022 as compared to the same period in 2021, totaling 1,446 metric tons. In MY 2022, Colombia became the top market for Chilean skim milk powder, after Chilean exports to that market increased by 1,258.2 percent (Table 10).

Table 8: Chile Import Volume (MT) from the World

Chile Imports from the World						
Commodity: 040210, Skim Dry Milk						
Partner Country	Marketing Year			January-August		
	2020 (MT)	2021 (MT)	Variation (%)	2021 (MT)	2022 (MT)	Variation (%)
The World	13,647	11,012	-19.3%	6,873	5,898	-14.2%
United States	11,639	9,955	-14.5%	6,294	4,442	-29.4%
Argentina	934	677	-27.5%	402	949	136.1%
France	106	196	84.9%	75	238	217.3%
Spain	21	73	247.6%	28	52	85.7%
Poland	0	43		21	0	-100.0%
Germany	18	32	77.8%	32	39	21.9%
Netherlands	16	18	12.5%	12	15	25.0%
Italy	9	17	88.9%	8	38	375.0%
Others	904	1	-99.9%	1	125	12400.0%

Source: Trade Data Monitor, LLC

Table 9: Chile Import Value (USD) from the World

Chile Imports from the World						
Commodity: 040210, Skim Dry Milk						
Partner Country	Marketing Year			January-August		
	2020	2021	Variation (%)	2021	2022	Variation (%)
The World	33,606,255	31,859,486	-5.2%	19,437,633	23,669,094	21.8%
United States	27,594,121	27,799,297	0.7%	17,254,920	17,270,851	0.1%
Argentina	2,646,139	2,182,703	-17.5%	1,294,323	3,694,819	185.5%
France	457,194	1,024,449	124.1%	361,720	1,246,858	244.7%
Spain	92,936	281,314	202.7%	126,187	276,414	119.1%
Germany	82,230	182,967	122.5%	182,923	337,665	84.6%
Netherlands	136,343	172,134	26.3%	116,319	129,582	11.4%
Poland	0	129,162		58,757	0	-100.0%
Italy	39,105	85,666	119.1%	40,712	185,806	356.4%
Others	2,558,187	1,794	-99.9%	1,772	527,099	29646.0%

Source: Trade Data Monitor, LLC

Table 10: Chile Export Volume (MT) to the World

Chile Exports to the World						
Commodity: 040210, Skim Dry Milk						
Partner Country	Marketing Year			January-August		
	2020 (MT)	2021 (MT)	Variation (%)	2021 (MT)	2022 (MT)	Variation (%)
The World	528	963	82.4%	768	1,446	88.3%
Brazil	500	755	51.0%	655	0	-100.0%
Colombia	0	146		98	1,331	1258.2%
Cuba	0	43		1	32	3100.0%
Panama	14	14	0.0%	14	0	-100.0%
United States	14	5	-64.3%	0	82	

Source: Trade Data Monitor, LLC

Table 11: Chile Export Value (USD) to the World

Chile Exports to the World						
Commodity: 040210, Skim Dry Milk						
Partner Country	Marketing Year			January-August		
	2020 (USD)	2021 (USD)	Variation (%)	2021 (USD)	2022 (USD)	Variation (%)
The World	1,696,168	3,248,901	91.5%	2,576,649	5,236,908	103.2%
Brazil	1,592,290	2,578,240	61.9%	2,231,240	0	-100.0%
Colombia	0	424,912		276,112	4,758,869	1623.5%
Cuba	0	164,806		5,455	130,783	2297.5%
Panama	59,989	63,842	6.4%	63,842	0	-100.0%
United States	43,890	17,102	-61.0%	0	344,204	

Source: Trade Data Monitor, LLC

Stocks:

Chile does not keep high stocks of skim milk powder. However, in MY 2020 and MY 2021 stocks in general increased due to logistical delays from the COVID-19 pandemic. For MY 2023 and MY 2022, Post estimates skim milk powder stocks will remain flat at 1,000 as most logistical delays are resolved.

Attachments:

No Attachments