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Chile

Dairy and Products Annual

2018

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Report Highlights:

Chile’s fluid milk production has been stagnant in the last five years reaching nearly 2.1 billion liters in marketing year (MY) 2017. The market for dairy products continues to grow as consumers become more sophisticated and demand high quality dairy products. Chile’s dairy processing industry uses domestic fluid milk to make value-added products such as fluid and dry milk, cheese, yoghurts, butter, and whey.

Chile is also an importer of dairy products, which allows dairy processors to cover the domestic demand. The main suppliers of dairy products are the United States, New Zealand, and Argentina. From January to July 2018, U.S. dairy exports reached $44.3 million and 22 percent market share.

Commodities:
Dairy, Milk, Fluid

Production:

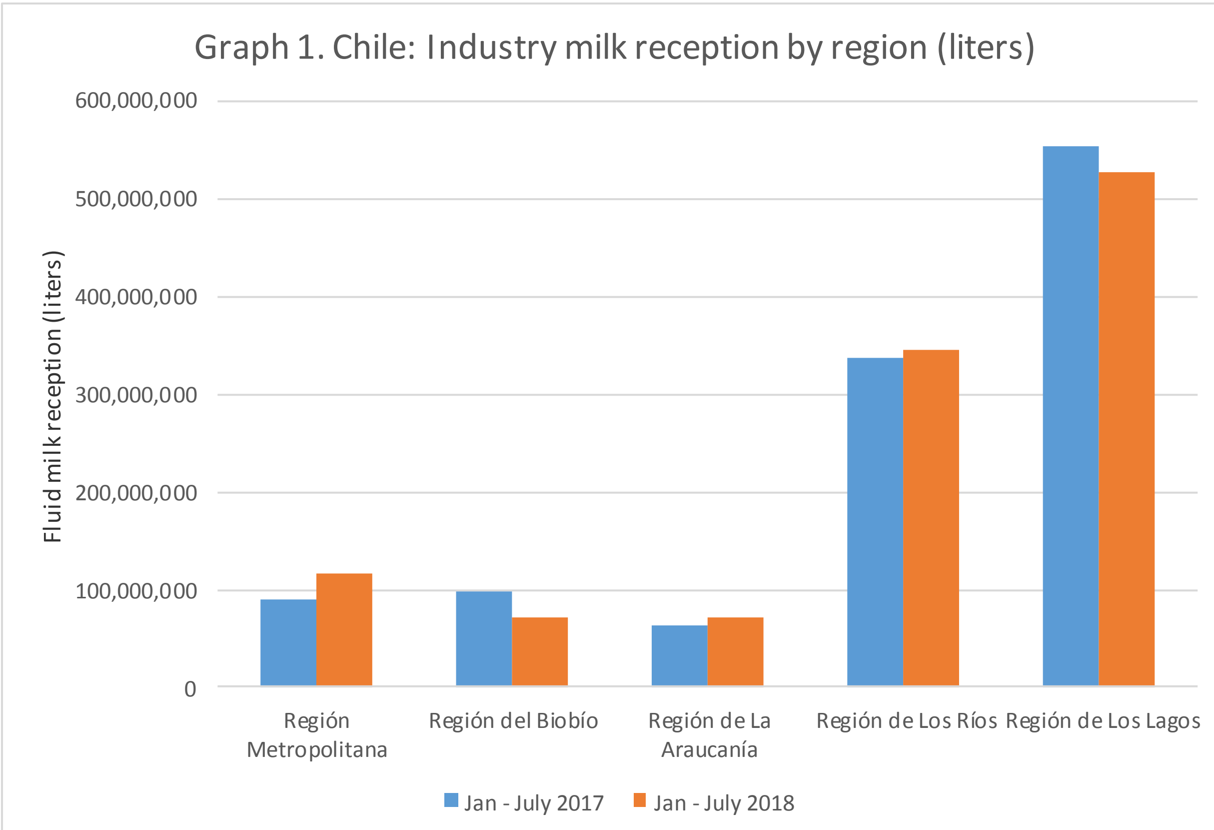
Chile's fluid milk production in Chile is concentrated on the southern regions of Los Lagos and Los Rios, where most dairy farms are located. However, dairy processing facilities, which produce a variety of dairy products, such as cheese (mainly *Gouda and Mantecoso)*, yoghurt, and butter, are located in the central part of the country in the Metropolitana, Biobio, and Araucania regions, following the main consumption points of the country (see graph 1).

From January to July 2018, milk reception decreased by 4.3 percent over the same period in 2017 in Los Lagos region, the main production region. During the same period, the total Chilean milk reception by the processing industry decreased by 0.75 percent (see table 1). According to post sources, milk producers faced low prices in MY2017 and some milk producers went out of business. However, in MY2018, the monthly average milk producer price has increased over the same period in 2017 (see graph 2).

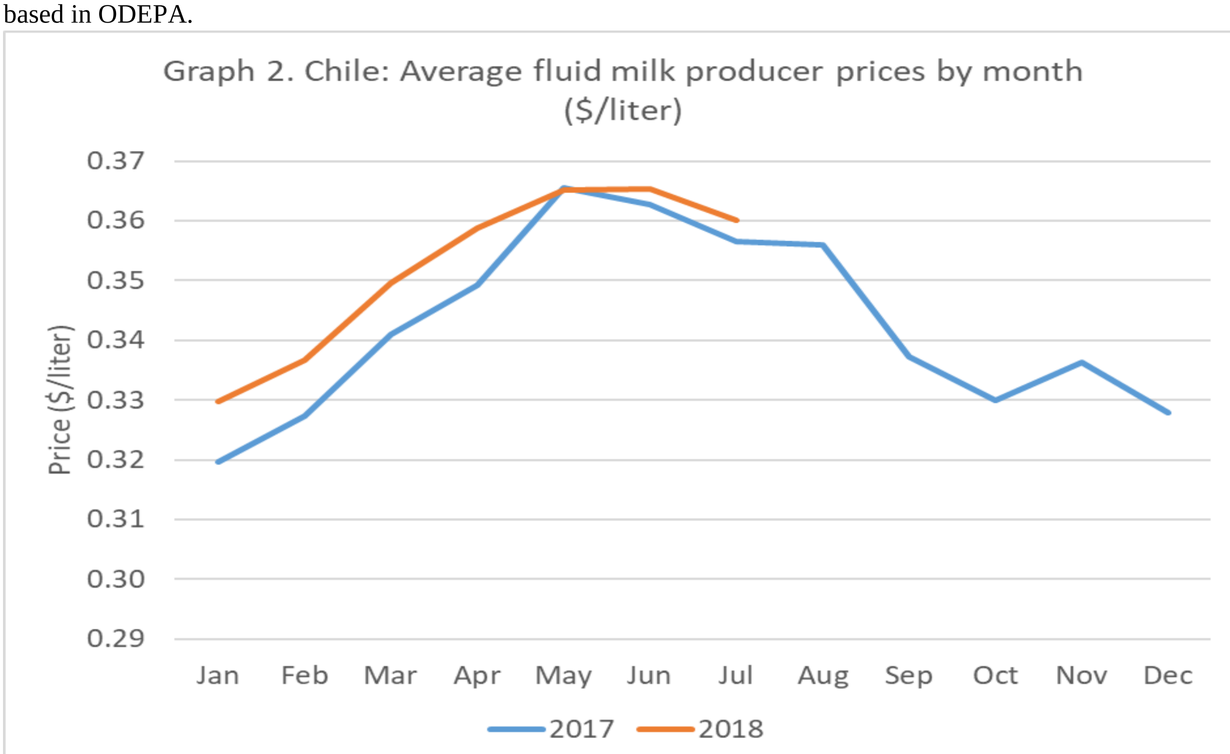
Since fluid milk supply is limited, dairy processing companies have focused on producing high value-added products. From January to July 2018, production of high value-added dairy products (cheese, cottage cheese, butter, whole dry milk, yoghurt, and whey) increased while production of fluid milk and non-fat dry milk decreased over the same period in 2017 (see table 1).

In MY2017, Chile's exports of whole dry milk reached various markets in Latin America for a total of 4,066 MT while total imports of non-fat dry milk reached 15,183 MT mainly from the United States.

Fourteen companies dominate Chile's dairy processing industry and process 80 percent of the milk produced in the country while a group of smaller companies process the remainder.



Source: based in ODEPA.



Note: Exchange rate: 1 USD = 660 Chilean pesos

Source: based in ODEPA.

TABLE 1 - Dairy Production										
	Total received by industry (Million liters)	Fluid milk (Million Liters)	Whole Dry milk (MT)	Non-Fat Dry Milk (MT)	Whey (MT)	Butter (MT)	Cheese (MT)	Cottage cheese (MT)	Yogurt (Million Liters)	Condensed milk (MT)
2014	2,149	423	75,419	28,091	21,480	21,874	81,574	9,133	227	36,751
2015	2,029	427	59,950	27,352	21,559	22,374	81,650	9,197	230	39,093
2016	1,991	429	50,386	26,514	24,716	22,591	81,234	9,856	244	40,604
2017	2,115	430	58,320	23,670	26,272	23,799	94,269	15,434	240	39,587
2017 (Jan-Jul)	1,130	246	26,838	14,055	13,960	13,652	50,952	9,093	137	23,756
2018 (Jan-Jul)	1,122	237	32,433	6,315	14,916	14,102	53,529	9,520	139	21,402
Variation (Jan-Jul)	-0.75%	-3.79%	20.85 %	-55.07 %	6.85 %	3.30 %	5.06%	4.70%	1.28%	-9.91%
Source: Based in ODEPA, 2018.										

Trade:

Chilean processing industry imports dairy products to cover domestic demand. The main suppliers of dairy products are the United States, New Zealand, and Argentina. Chile increased dairy imports by five percent in volume, but decreased by the same percentage import value from January to July 2018 over the same period in 2017 (see table 2).

From January to July 2018, U.S. dairy exports reached $44.3 million or 22 percent market share. The U.S. decreased its dairy exports to Chile by one percent in value and one percent in volume over the same period in 2017. U.S. top export dairy products to the Chilean market are cheeses (cream cheese and mozzarella), butter, and non-fat dry milk (see table 3). For more information on Chile's dairy market, please see Chile's GAIN Report New Consumer Trends Create Opportunities for U.S. Dairy Products.

Table 2. Chile Import Statistics Volume (MT)								
Commodity: Dairy Products								
Partner Country	Volume (MT)				Value (USD)			
	Jan - July 2017	Jan - July 2018	Variation (%)	Market Share (%)	Jan -July 2017	Jan -July 2018	Variation (%)	Market Share (%)
World	62,203	65,166	5%	100%	215,379,518	204,267,169	-5%	100%
New Zealand	13,620	16,357	20%	25%	56,937,933	52,781,849	-7%	26%
United States	17,252	17,033	-1%	26%	44,489,790	44,253,558	-1%	22%
Argentina	9,002	7,073	-21%	11%	26,914,143	31,525,863	17%	15%
Germany	8,405	6,819	-19%	10%	21,755,983	26,367,554	21%	13%
Netherlands	3271	5,788	77%	9%	21,376,525	11,364,641	-47%	6%
Mexico	1905	1,691	-11%	3%	9163793	8,146,992	-11%	4%
France	916	974	6%	1%	5,347,167	6,473,565	21%	3%
Uruguay	1138	1,499	32%	2%	5442891	4,013,252	-26%	2%
Ireland	369	556	51%	1%	4358869	3351842	-23%	2%
Peru	2461	2020	-18%	3%	2,594,782	3,231,680	25%	2%
Brazil	714	1293	81%	2%	4986352	2851228	-43%	1%
Spain	781	758	-3%	1%	3,480,865	2,131,802	-39%	1%
Others	2,369	3,305	40%	5%	8,530,425	7,773,343	-9%	4%

Source: Chile Customs - Servicio Nacional de Aduana (Global Trade Atlas), 2018.

Table 3.Chile: Top dairy imports from the United States							
Commodity: Dairy Products							
Year To Date: January - July							
Commodity	Description	Value (USD)			Volume (MT)		
		Jan - July 2017	Jan - July 2018	Variation (%)	Jan - July 2017	Jan - July 2018	Variation (%)
Dairy Products		44,489,790	44,253,558	-1%	17,033	17,252	1%
040610	Cheese (Unrpnd/Uncurd) Frsh Incl Whey Cheese Curd	17,533,553	20,925,167	19%	4,324	5,082	18%
040210	Mlk & Crm,Cntd,Swt,Powdr,Gran/Solids,Nov 1.5% Fat	15,466,491	12,958,456	-16%	6,972	7,015	1%
040620	Cheese Of All Kinds, Grated Or Powdered	1,748,726	2,728,416	56%	397	634	60%
210500	Ice Cream And Other Edible Ice, With Cocoa Or Not	2,710,311	2,454,573	-9%	777	743	-4%
040410	Whey & Modfd Whey Whet/Nt Cncntrtd Cntg Add Sweetn	1,391,284	1,822,082	31%	1,255	2,533	102%
040690	Cheese, Nesoi, Including Cheddar And Colby	1,098,045	1,245,800	13%	199	211	6%
040221	Mlk/Cream Cnctrd Nt Swtn Pwd/Oth Solids Ov 1.5% Fa	205,031	1,067,711	421%	69	353	412%
170211	Lactose & Lactose Syrup Cont 99% More Lactse By Wt	2,312,239	650,009	-72%	2,106	596	-72%
190110	Food Preparations For Infants, Retail Sale Nesoi	171,104	105,777	-38%	27	5	-81%
350220	Milk Albumin,Inc Concen Of 2 Or More Whey Proteins	38,877	86,138	122%	5	16	220%
040150	Milk & Cream Fat Cont Gt 10%, Not Concent Or Sweet	0	58,799		-	20	

Source: Chile Customs - Servicio Nacional de Aduana (Global Trade Atlas), 2018.

Policy:

The United States and Chile have a free trade agreement, and zero import duties for U.S. dairy products. MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay) also have zero import duties. In addition, New Zealand has zero percent import duties for powdered milk products since January 2017.

Two policy issues emerged in 2018 that may threaten exports of certain U.S. dairy products to Chile.

1. C**hile initiated a Safeguards Investigation on imported powder milk and Gouda cheese**: On March 8, 2018, Chile's Commission on Markets Distortion (CNDP) initiated a safeguards (SG) investigation on imports of powdered milk and Gouda cheese. While the investigation does not target the United States, if Chile imposes SG measures on non-fat powdered milk, the U.S. will be impacted the most, as it holds 76 percent of market share and reached $25.6 million in exports in 2017. CNDP scheduled a public hearing for stakeholders and exporting countries on October 16, 2018. CNDP will make the recommendations to President Sebastián Piñera on the imposition or not of the safeguards sometime after the public hearing.

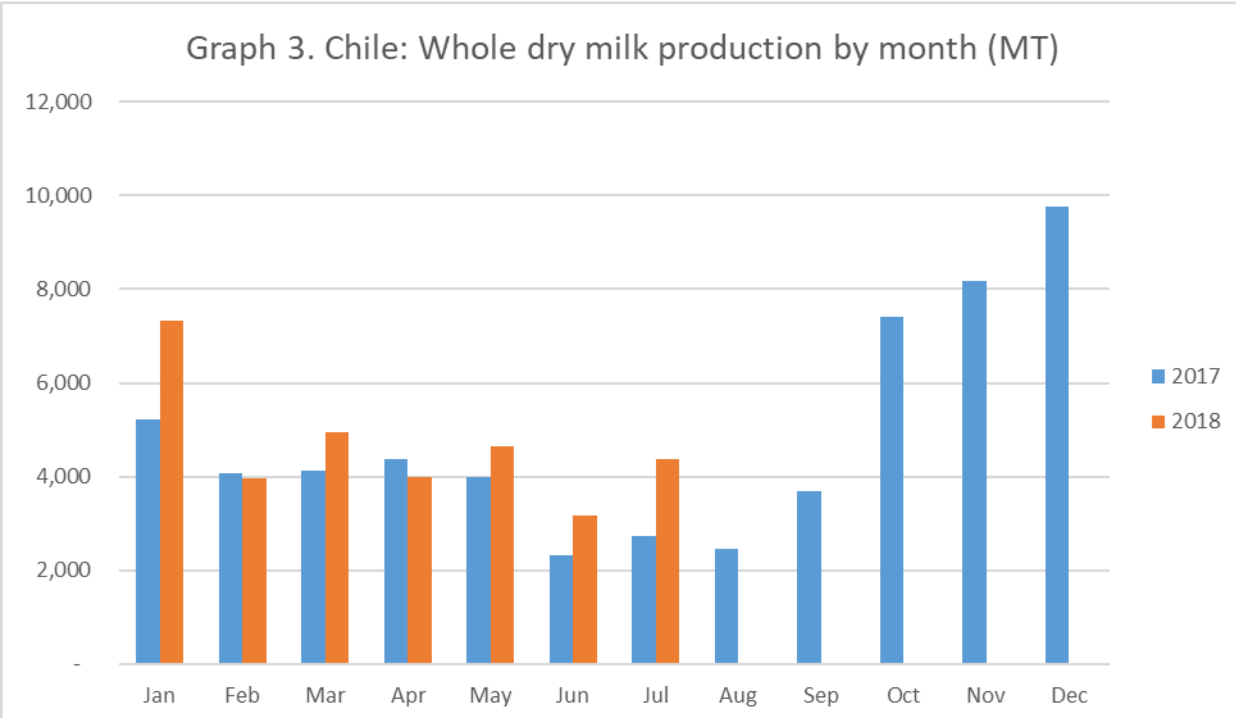
2. **Dairy Labeling Proposals Discussed in Congress:** In May 2018, Chile submitted a draft regulation to the WTO/TBT Committee notifying trade partners that Chile could establish standards for the manufacturing, naming, and labeling of milk products or products derived from milk. The draft regulation developed by a group of Deputies has passed to further discussion in the Chilean Senate. The draft measure is inconsistent with the Codex Standard for the Use of Dairy Terms because it does not allow for the use of reconstituted dairy products in "cheese" products, which would require separate labeling for like products solely made with fluid milk. Furthermore, on September 3, 2018, a group of Senators developed another draft regulation that intends to make the similar modification proposed by the House of Deputies (Lower House). Chile notified both proposals to the WTO/TBT Committee in May and September respectively. Both proposals would likely be merged and debated in the Chile's Senate over the next couple of months or years.

Commodities:
Dairy, Dry Whole Milk Powder

Production:

Chilean dry milk production is located in the southern part of the country, specifically in Los Lagos region, which has the appropriate climate, land, and infrastructure. Only five companies in Chile produce whole dry milk and production is destined mainly for domestic consumption, but some of it is exported to other countries in Latin America.

Whole dry milk production is seasonal and peaks from October through January (see graph 3). Whole dry milk production reached 58,320 MT in MY2017. From January to July 2018, production reached 32,433 MT, which represents a 21% increase over the same period in MY2017.



Source: Based on ODEPA, 2018.

Consumption:

The manufacturing food industry in Chile uses whole dry milk to produce desserts, ice cream and yoghurt. High value-added dairy products such as cheese are produced using fluid milk. Consumption of whole dry milk is expected reach 66,000 MT in MY2019, since demand for dairy products continues to be strong.

Trade:

Imports of whole dry milk decreased by 17 percent from January to July 2018 over 2017 reaching 6,031 MT. The main supplier of whole dry milk is Argentina, which exported 3,341 MT from January to July 2018, a 109 percent increase in exports over 2017 and totaling a value of 10.7 million USD (see table 4). Imports from New Zealand, which was the main supplier in MY2017, have decreased down to 2,180 MT, a 54 percent decline in volume from January to July 2018 over 2017.

Conversely, exports of whole dry milk have increased by 20 percent from January to July 2018 over 2017 reaching 3,022 MT (see table 5). Venezuela was the top export destination for Chilean whole dry milk in MY2014. In MY2016 and part of MY2017, Chile did not export to that market, but exports are recovering and Chile exported 839 MT to Venezuela between January and July 2018.

In MY2019, Post expects imports to decrease to 10,000 MT because of increased domestic production to 63,000 MT and an unfavorable exchange rate (strengthening trend of dollar) while exports should reach 7,000 MT following the increase in production and exports to Venezuela.

Table 4. Chile Import Statistics						
Commodity: Dairy whole dry milk, milk powder more than 1.5% fat						
Volume (MT)						
Partner Country	Calendar Year			Year to date		
	2016	2017	Variation (%)	Jan - July 2017	Jan - July 2018	Variation (%)
World	6,520	11,861	82%	7,223	6,031	-17%
Argentina	3,662	3,795	4%	1,600	3,341	109%
New Zealand	2,143	6,498	203%	4,787	2,180	-54%
United States	65	598	820%	69	353	412%
Uruguay	572	800	40%	700	125	-82%
France	64	127	98%	39	26	-33%
Netherlands	8	25	213%	25	2	-92%
Spain	2	1	-50%	1	2	100%
Switzerland	0	14		0	1	
Others	4	3	-25%	2	1	-50%
Value (USD)						
Partner Country	Calendar Year			Year to date		
	2016	2017	Variation (%)	Jan - July 2017	Jan - July 2018	Variation (%)
World	16,839,610	35,506,158	111%	21,196,106	18,693,293	-12%
Argentina	9,808,337	13,280,820	35%	5,742,369	10,676,459	86%
New Zealand	5,086,459	17,972,617	253%	12,430,341	6,399,475	-49%
United States	129,286	729,563	464%	207,481	1,067,711	415%
Uruguay	1,548,391	2,885,097	86%	2,563,090	404,724	-84%
France	214,962	504,636	135%	147,544	117,748	-20%
Spain	6,322	11,609	84%	5,645	8,789	56%
Netherlands	24,853	78,990	218%	78,990	8,454	-89%
China	-	-		-	7,213	
Others	21,000	42,826	104%	20,646	2,720	-87%

Source: Chile Customs - Servicio Nacional de Aduana (Global Trade Atlas)

Table 5. Chile Export Statistics						
Commodity: Dairy whole dry milk, milk powder more than 1.5% fat						
Volume (MT)						
Partner Country	Calendar Year			Year to date		
	2016	2017	Variation (%)	Jan - July 2017	Jan - July 2018	Variation (%)
World	6,757	4,066	-40%	2,509	3,022	20%
Brazil	4,400	2,290	-48%	2,015	1,650	-18%
Venezuela	-	377		-	839	
Bolivia	587	632	8%	367	215	-41%
Peru	215	191	-11%	52	173	233%
Cuba	1,269	500	-61%	-	125	
Panama	32	32	0%	32	16	-50%
Argentina	2	4	100%	3	2	-33%
Ecuador	4	2	-50%	1	1	0%
Others	248	38	-85%	39	1	-97%
Value (USD)						
Partner Country	Calendar Year			Year to date		
	2016	2017	Variation (%)	Jan - July 2017	Jan - July 2018	Variation (%)
World	15,897,547	12,983,515	-18%	7,153,449	11,471,527	60%
Brazil	10,774,179	7,281,382	-32%	6,437,602	5,068,708	-21%
Venezuela	-	2,753,431		-	5,140,636	
Peru	660,525	701,129	6%	190,070	530,107	179%
Cuba	3,327,904	1,545,064	-54%	64	483,010	754603%
Bolivia	353,127	400,225	13%	227,593	164,398	-28%
Panama	153,252	158,616	4%	158,616	76,670	-52%
Argentina	3,396	8,061	137%	5,510	5,770	5%
Ecuador	6,932	3,115	-55%	1,736	1,737	0%
Others	618,232	132,492	-79%	132,258	491	-100%

Source: Chile Customs - Servicio Nacional de Aduana (Global Trade Atlas)

Table 6. Production, Supply and Demand Data Statistics:

Dairy, Dry Whole Milk Powder	2017		2018		2019	
Market Begin Year	Jan 2017		Jan 2018		Jan 2019	
Chile	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	3	3	3	4	0	4
Production	56	58	60	62	0	63
Other Imports	12	12	10	10	0	10
Total Imports	12	12	10	10	0	10
Total Supply	71	73	73	76	0	77
Other Exports	4	4	4	6	0	7
Total Exports	4	4	4	6	0	7
Human Dom. Consumption	64	65	66	66	0	66
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	64	65	66	66	0	66
Total Use	68	69	70	72	0	73
Ending Stocks	3	4	3	4	0	4
Total Distribution	71	73	73	76	0	77
(1000 MT)						

Source: post estimates.

Commodities:

Dairy, Milk, Nonfat Dry

Production:

Non-fat dry milk production reached 23,670 MT in MY2017. In MY2018 (Jan-July) production decreased by 55 percent down to 6,315 MT. Production is seasonal and follows the supply of fluid milk, peaking in spring and summer months in Chile (from October until March).

Post projects MY2018 production to decrease to 20,000 MT and MY2019 production to bounce back and reach 25,000 MT to cover consumption needs.

Consumption:

Various food-manufacturing companies in the dairy industry import non-fat dry milk to use it as an input to produce dairy foods and beverages such as yoghurts, desserts, ice cream, chocolates, and formula for infant children and adults. One of the main qualities of dry milk is that is shelf life is longer than fluid milk, which allows having a longer period of storage time, which is useful to cover industrial processes that require the input to produce dairy products throughout the year.

Post estimates that demand for non-fat dry milk demand from Chilean manufacturing companies in MY2019 will remain constant at 40,000 MT given the increased consumer demand for value-added dairy products.

Trade:

Chile's imports of non-fat dry milk have decreased by 15 percent from January to July 2018 over the same period in 2017 reaching 7,613 MT. Since MY2010, the United States has been the main supplier of non-fat dry milk to Chile. In MY2017, the United States exports of non-fat dry milk reached 7,015 MT, and $13.0 million (see table 7). Import decisions are mainly price-driven and in the last six months the U.S. dollar has strengthened, which has not favored imports.

On the contrary, Chilean exports of non-fat dry milk have increased 135 percent from January to July 2018 over the same period in 2017 reaching 1,200 MT. Brazil is the main market for Chile's non-fat dry milk.

In MY2019, Post expects imports to remain flat at 15,000 MT and exports to bounce down to 1,000 MT in order to cover the constant demand for non-fat dry milk.

Table 7. Chile Import Statistics						
Commodity: 040210, Milk And Cream, Concentrated, Whether Or Not Sweetened, In Powder, Granules Or Other Solid Forms, Of A Fat Content, By Weight, Not Exceeding 1.5%						
Volume (MT)						
Partner Country	Calendar Year			Year to date		
	2016	2017	Variation (%)	Jan - July 2017	Jan - July 2018	Variation (%)
World	11,647	15,183	30%	8,910	7,613	-15%
United States	7,398	11,727	59%	6,972	7,015	1%
Uruguay	668	261	-61%	141	370	162%
Canada	-	1,774		600	100	-83%
France	1,912	298	-84%	246	87	-65%
Italy	19	28	47%	18	20	11%
Netherlands	26	31	19%	13	18	38%
Spain	2	18	800%	12	3	-75%
Others	1,622	1,046	-36%	908	0	-100%
Value (USD)						
Partner Country	Calendar Year			Year to date		
	2016	2017	Variation (%)	Jan - July 2017	Jan - July 2018	Variation (%)
World	25,252,950	33,483,949	33%	19,965,438	14,602,733	-27%
United States	15,395,612	25,550,890	66%	15,466,491	12,958,456	-16%
Uruguay	1,655,989	749,341	-55%	415,424	915,528	120%
France	4,219,882	839,003	-80%	612,063	380,835	-38%
Netherlands	218,972	261,600	19%	102,686	160,741	57%
Italy	82,030	118,185	44%	76,581	92,841	21%
Canada	105	3,461,384		1,140,809	77,922	-93%
Spain	9,936	72,263	627%	40,548	12,903	-68%
New Zealand	473,775	87,129	-82%	87,129	1,448	-98%
Others	3,196,649	2,344,154	-27%	2,023,707	2,059	-100%

Source: Chile Customs - Servicio Nacional de Aduana (Global Trade Atlas)

Table 8. Chile Export Statistics						
Commodity: 040210, Milk And Cream, Concentrated, Whether Or Not Sweetened, In Powder, Granules Or Other Solid Forms, Of A Fat Content, By Weight, Not Exceeding 1.5%						
Volume (MT)						
Partner Country	Calendar Year			Year to date		
	2016	2017	Variation (%)	Jan - July 2017	Jan - July 2018	Variation (%)
World	1,679	963	-43%	511	1,200	135%
Brazil	1,640	950	-42%	500	1,200	140%
Panama	12	7	-42%	7	-	-100%
Bolivia	20	4	-80%	4	-	-100%
Others	7	2	-71%	0	0	!
Value (USD)						
Partner Country	Calendar Year			Year to date		
	2016	2017	Variation (%)	Jan - July 2017	Jan - July 2018	Variation (%)
World	3,554,601	2,837,565	-20%	1,413,325	3,189,504	126%
Brazil	3,415,552	2,790,650	-18%	1,375,650	3,189,504	132%
Panama	56,904	33,565	-41%	33,565	-	-100%
Peru	20,400	9,240	-55%	-	-	
Bolivia	61,600	4,110	-93%	4,110	-	-100%
Others	145	0	-100%	0	0	

Source: Chile Customs - Servicio Nacional de Aduana (Global Trade Atlas)

Stocks:

Post estimates stocks to decrease down to 1,000 MT in MY2018 because of the decrease in production and imports and assuming a constant consumption for dairy production.

Table 9. Production, Supply and Demand Data Statistics:

Dairy, Milk, Nonfat Dry	2017		2018		2019	
Market Begin Year	Jan 2017		Jan 2018		Jan 2019	
Chile	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	10	10	10	8	0	1
Production	27	24	29	20	0	25
Other Imports	15	15	14	15	0	15
Total Imports	15	15	14	15	0	15
Total Supply	52	49	53	43	0	41
Other Exports	0	1	0	2	0	1
Total Exports	0	1	0	2	0	1
Human Dom. Consumption	42	40	43	40	0	40
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	42	40	43	40	0	40
Total Use	42	41	43	42	0	41
Ending Stocks	10	8	10	1	0	0
Total Distribution	52	49	53	43	0	41
(1000 MT)						

Source: post estimates.