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Report Highlights:

Chile has consolidated its reputation as one of the main players in the global food industry. Chilean food processing sector represents 25 percent of the country´s economy with annual sales of $34 billion. The food processing sector is working on a series of projects focused on sustainability, the development of functional ingredients and specialized natural additives, food packaging, and technological development for agriculture. The Chilean food sector is the second most important sector in the country after mining. Twenty-three percent of Chilean exports correspond to food production, and 31 percent of the companies in Chile belong to the food sector, generating 23 percent of the country's jobs. Currently, Chile exports 75 percent of its food as fresh and semi-processed food products, and the remainder 25 percent as processed food products. In addition, Chile enjoys a robust commercial network thanks to its 29 trade agreements with 65 countries.

MARKET FACT SHEET: CHILE

Executive Summary

Chile is a South American country that borders the South Pacific Ocean, Argentina, Bolivia, and Peru. Chile is divided into 16 regions, of which Santiago, the capital of Chile, is the most densely populated with 7.5 million out of the 18.8 million citizens, and where most food consumption occurs. In 2019, the GDP reached $282 billion and grew only 1.1 percent due to social unrest which led to a series of protests that resulted in a 4.1 percent decrease in GDP in the last quarter of 2019. GDP per capita in current prices reached $14,797 in 2019 (based in Chilean Central Bank data). On April 13, the Chilean Central Bank estimated a 2.2 percent decrease in GDP for 2020 and a 8.2 decrease in investment, as a consequence of COVID-19. Total consumption is projected to have a real growth of 1.1 percent in 2020.

U.S. exports of agricultural & related products reached $1.1 billion in 2019, which represents a 13 percent increase over the same period in 2018.

Source: Trade Data Monitor

Imports of Consumer-Oriented Agricultural Products

In 2019, Chile imported $3.7 billion worth of consumer-oriented agricultural products from the world and $755.5 million from the United States, a 18.5 percent increase over 2018, and the highest level of exports recorded so far. The top U.S. agricultural exports to Chile are beer, poultry, pork, dairy products, beef, condiments and sauces, and nuts.

Food Retail Industry

Chile has been one of Latin America's fastest-growing economies in the last decade enabling the country to have a modern and dynamic food retail industry. Chile's food retail sales reached $15.7 billion in 2019. The Chilean retail sector is composed of a mix of large supermarkets, mid-sized grocery stores, convenience stores, gas station markets, and thousands of smaller independent neighborhood mom-and-pop shops. On-line food sales show some dynamic, but it is still a niche market. The main food and beverage distribution channels are supermarkets with a market share of about 62 percent.

Quick Facts

Imports of Consumer-Oriented Products 2019: $755 million

Top 10 Food Processing Companies in Chile:

1. *Agrosuper S.A.*
2. *Agrícola Ariztía*
3. *Cial Alimentos S.A.*
4. *Colún Ltda.*
5. *CCU S.A.*
6. *Embotelladora Andina S.A.*
7. *Empresas Carozzi S.A.*
8. *Nestlé Chile S.A.*
9. *Soprole S.A.*
10. *Viña Concha y Toro S.A.*

Food and Beverage Trends in Chile for 2020:
Healthy foods (natural derived, with few preservers and additives); healthy snacks; healthy beverages (natural ingredients, functional drinks); ready-to-eat foods; frozen meals; sweeteners; natural additives, natural preservatives, thickeners and ingredients for food intolerance products (like lactose and gluten-free products).

GDP/Population 2019
Population: 18.8 million
GDP: $282 billion
GDP Per Capita: $14,797

Sources: Global Agricultural Trade System (GATS), Euromonitor, and trade interviews

Strengths/Weaknesses/Opportunities/Threats:

Strengths	Weaknesses
Chile has one of the highest credit ratings in Latin America, with a high per capita income.	Domestic market is limited: Chile's population is 18.8 million in 2019.
Opportunities	**Threats**
Chilean food processing companies recognized U.S. food ingredients as high quality and consistent products	Due to its open market, Chileans are price sensitive, especially during economic slowdowns.

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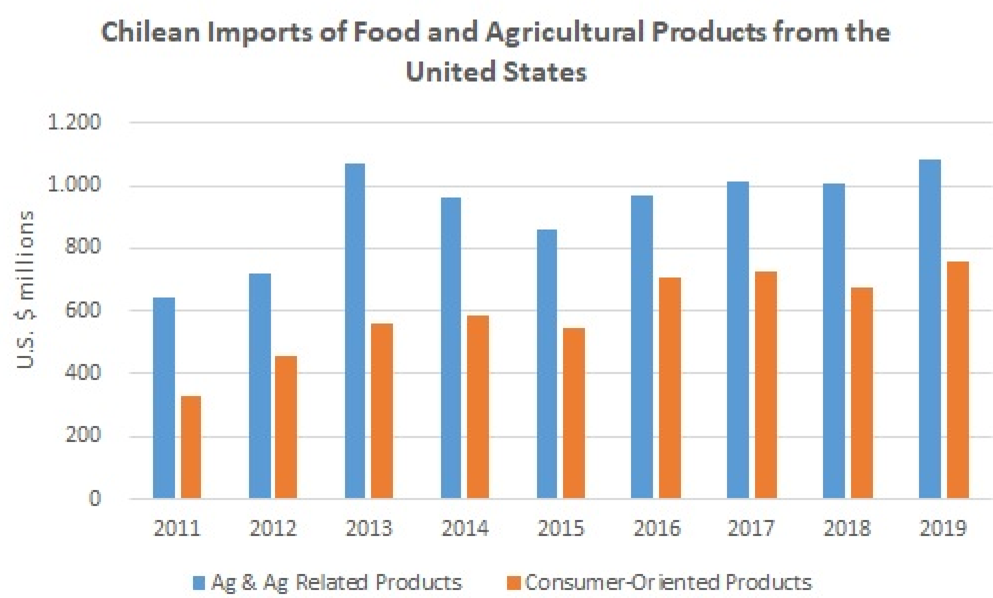
SECTION I. MARKET SUMMARY

Chile has a modern and developed food processing industry that represents 25 percent of Chile´s economy, and is forecast to grow to more than 35 percent by 2030. The food processing industry represents 18 percent of the national GDP. Chile is among the top fifteen agricultural exporters in the world, and its main agricultural exports are wine, blueberries, cherries, grapes, prunes, dehydrated apples, salmon and mussels.

Healthy foods, gourmet foods, prepared foods and ready-to-eat meals show huge potential for growth in the Chilean market. Food processing companies are constantly looking for innovative ingredients for production of healthier foods especially those for consumers with food intolerances such as lactose and gluten-free products. Chilean consumers have an increasing concern for health related issues while the food processing industry continues to adapt to the nutritional labeling law, higher labor costs, and sophisticated consumers, all of which present challenges, but also opportunities for U.S. high value-added products and ingredients such as natural additives, preservatives, thickeners and sweeteners. Chile is also a mature market for the production and marketing of food and functional ingredients, which generated sales of $62 billion in 2019.

In 2019, Chile imported $755.5 million of U.S. consumer-oriented products, which represents 70 percent of the total of $1.1 billion U.S. agricultural & agricultural related products imports.



Source: Trade Data Monitor and GATS

Advantages	Challenges
The U.S. is a strong trading partner for Chile: The U.S.-Chile Free Trade Agreement (FTA) facilitates commerce.	Chile has 29 FTAs with 65 countries, and importers do not depend on products from a specific region. Instead, imports that offer the best price and quality worldwide are the

	most attractive.
The United States is known as a supplier of high quality and consistent food products.	Chilean consumers are used to competitive prices due to the openness of the economy. Moreover, economic slowdown has increased consumers' price-sensitivity.
Demand for healthier ingredients has increased due to food processors that are seeking solutions to produce healthier foods, which do not exceed the nutritional limits set by the 2016 nutritional labeling law.	The establishment of personal relationships is often not a priority for U.S. companies. Chileans value face-to-face meetings and strong personal relationships.
U.S. products and ingredients are known to be innovative and follow new trends.	Most U.S. companies prefer to use "traders" and are not used to export directly to Chilean clients.
Distributors are the main channel for imports to enter the Chilean market. Only the largest players are able to build up the infrastructure and invest in facilities to be able to import directly while small food processors still depend on distributors.	Healthy foods are often considered "premium" or "gourmet" foods, thus Chilean consumers are likely to pay higher prices, however, this is still a niche market.
Consumers' demand for premium processed foods and beverages that provide convenience and healthy benefits continue to increase.	Importers are conservative and start with smaller orders. Exclusive contracts are part of the deal for most of Chilean companies.
	The United States largely competes with Mercosur countries and Europe in the food processing ingredients sector.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. ENTRY STRATEGY

The United States Department of Agriculture, Foreign Agricultural Service (FAS) in Santiago, Chile, advises U.S. exporters to check that their products meet the most up to date Chilean regulations to ensure a straightforward entry strategy into this market. FAS Santiago maintains listings of potential importers and develops sector-specific information to help you introduce your product in Chile. State Regional Trade Groups (SRTGs) and Trade Associations are in constant contact with FAS Santiago staff and are valuable partners when approaching the market. SRTG are non-profit trade development organizations that help U.S. food producers and processors to enter overseas markets. They are funded by USDA/FAS and the private industry. They carry out promotional activities to increase exports of U.S. high-value food and agricultural products.

Critical considerations of market entry include the following:

- U.S. exporters of food ingredients have two main ways of entering the Chilean market: by selling to distributors or exporting directly to Chilean companies.
- The use of distributors, agents or representatives depends on the type of product and on the size of the food processing company. Smaller food processors will often not present the volume and expertise to import directly whereas larger food processors might prefer to buy directly in order to benefit from more competitive prices, and to further avoid paying commissions to intermediaries. Larger food processors reported to be generally willing and open to import in the case that the products are competitive in price and quality.
- Smaller processors are most likely to make use of a distributor. Distributors offer a variety of services like packaging, quality control, and food safety inspection.
- Alternatively, U.S. food ingredients exporters that plan to sell large volumes of their products can establish a local subsidiary or set up a local office. Once successfully established, these producers may decide to expand operations and use Chile as an exporting platform for the Latin American region. Establishing a location production guarantees customer service, product quality, and helps to establish a strong local presence.
- The main entry for imports to Chile is via seaports, the most important ones being San Antonio and Valparaiso. Once goods have entered Chile, they are transported via highways.
- Personal relationships are extremely important in Chile, as such, it is recommended to build connections in order to become a trusted business partner. This may rely on good customer services, such as personal visits and extensive follow-up. This can be achieved either directly or by hiring a local representative. It is worth noting that the reputation of a U.S. supplier is strongly affected by the quality of its representative. Additionally, U.S. exporters that want to enter the Chilean market should seek to make use of already existing relationships they might have with international food processing companies. Having a contact often makes market entry easier.
- U.S. suppliers should offer a strong value-added proposition to Chilean counterparts that showing that they are competitive in quality, prices, and payment conditions. Chile is an open economy and the food industry is very competitive.
- To be an attractive alternative to domestic producers, quality must be high. Moreover, companies that import ingredients from the U.S. report that good payment conditions are relevant selection criteria of business partners. These conditions have to be competitive with European suppliers who often allow longer terms of payment (between 90 to 120 days).
- In terms of regulations, producers seeking to export to Chile need to take into account that to enter Chile, the Chilean health authorities must approve all edible products and receive a registration number, as well as sales permit before entering the market. The regulations prohibit adulterated foods as well as those labeled incorrectly. The last implementation phase of the 2016 nutritional labeling law, which defines limits of sugar, saturated fats, calories, and sodium ingredients, took effect in June 2019. Imported products either have to carry the label or repackaged in Chile. All labels must be in Spanish. For more information, see: Chile: FAIRS Country Report.
- Chile is highly competitive and a price sensitive market for food products. Prospective U.S. exporters should look at Chile as a long-term market and be persistent. U.S. exporters should be sensitive in brand positioning and be prepared for conducting promotion activities including advertising in traditional media channels and social media. Chile is Latin America most connected country despite its geographical location. Surprisingly, 14.1 million out of the 18.8 million total Chilean population are internet users. Furthermore, Chile is one of the few

countries where 99 percent of the population are active social media users, and nearly 93 percent of them access social media through smartphones and mobile internet.

B. IMPORT PROCEDURE

FAS Santiago recommends that U.S. exporters verify relevant import requirements with their Chilean clients, who normally have the most updated information on local import requirements, prior to export. Final import approval of any product is subject to the importing country's rules and regulations as interpreted by border officials at the time of product entry.

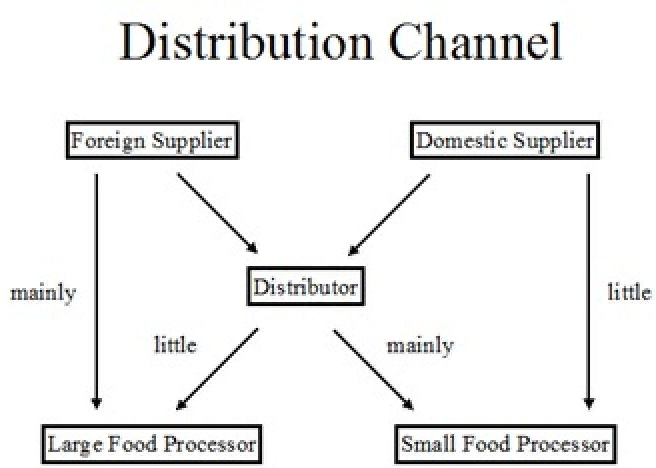
For details on how to export to Chile, please refer to Chile's Global Agricultural Information Network (GAIN) reports: Chile: Exporter Guide, Chile: FAIRS Export Certificate Report and Chile: FAIRS Country Report.

C. MARKET STRUCTURE

Large food processors are able to import directly due to volume and expertise. Small companies that produce processed foods, however, will often depend on an intermediary such as a distributor to receive the necessary foreign ingredients. Larger companies buy directly from producers or distributors.

Food processors sell their products nationally or internationally. Some big international companies use their production plants in Chile to serve other markets in Latin America. Chilean food processing companies mainly sell retailers such as supermarkets and hypermarkets (60 percent of all processed food). A smaller share of 38 percent of packaged food is sold through traditional grocery retailers such as independent small grocers or food/drink specialists. In 2019, less than five percent of processed food was sold through internet retailing. For more details on Chile's retail sector, please see Chile: Retail Foods Report.

Food Processing Ingredients Distribution Channel:



The distribution flow varies depending on the origin of ingredients, as well as on the size of the food processor. While local inputs are mostly sourced directly from the producer, foreign products are more commonly purchased from distributors.

D. MAIN COMPANY PROFILES & COMPANY PRODUCTS

Top Eleven Food & Beverage Companies in Chile

Company	Key Products	Websites
Agrosuper S.A.	Chicken, pork, turkey, salmon and processed foods (Brands: Super Pollo, Super Cerdo, Super Salmon, La Crianza, Sopraval)	www.agrosuper.cl
Agrícola Ariztía S.A.	Chicken, turkey, sausages, processed beef, eggs, cheese and butter	www.ariztia.com
Cial Alimentos S.A.	Hams, sausages, processed meat and frozen meals	www.cialalimentos.cl
Colun Ltda.	Dairy products	www.colun.cl
Compañía Cervecerías Unidas S.A. (CCU)	Production and distribution of beer, soft drinks (including fruit nectars) and mineral water in Chile.	www.ccu.cl
Embotelladora Andina S.A.	Production and distribution of bottled fruit drinks, mineral water and carbonated beverages, including Coca-Cola beverages. The company also manufactures processed fruit and plastic bottles.	www.koandina.com
Empresas Carozzi S.A.	Pasta, rice, noodles, confectionary,	www.carozzicorp.com

	sauces, tomato paste, desserts, fruit pulp, flour, beverages, olive oil, animal feed	
Nestlé Chile S.A.	Coffee, breakfast cereals, chocolates, cookies, dairy products, pet food, ice cream, infant formula, etc.	www.nestle.cl
Soprole S.A.	Dairy products	www.soprole.cl
Viña Concha y Toro S.A.	Production, distribution and exportation of Chilean wines	www.conchaytoro.com
Watt's Alimentos S.A.	Fruit (including juices, nectar, jam); dairy products (creams, cheeses, yoghurts, …); Oilseed products (Oil, margarines); frozen fruit and vegetables; fresh pasta; wine	www.watts.cl
Source: Based in companies interviews		

Leading players in the retail channel such as *Nestlé*, *Watt's*, *Empresas Carozzi*, *Soprole* and *Agrosuper* also have foodservice/professional divisions, and are well placed to cater the demand for convenient and healthy packaged foods, with many of their brands already familiar to consumer foodservice customers.

E. SECTOR TRENDS

1. Healthy food products are a category of products that show potential for growth in the Chilean market. There is an increasing concern for health issues among consumers, and local food processing companies are adapting their formulas to comply with the nutritional labeling regulation and consumers' demand for healthier products. The third and last stage of the labeling law came into force in the middle of 2019, implementing limits that are even stricter than the previous stages.

Chilean consumers in general are looking for a highly nutritious diet to support an increasing high-paced society and to benefit their health, throughout natural and functional foods. Over the next few years, we will increasingly come across foods that must be available anytime and anywhere, that are practical to eat on the go, and that guarantees the satisfaction of the basic needs of a healthy life, without losing their quality and nutritional properties. It is possible to find examples of this trend in the strong sales growth of organic products in prepared baby food, 100 percent juice and fresh coffee.

Moreover, there is also growth in fortified products. For example, many dairy brands have launched products with a high protein content in recent years, including milk, flavored milk and yoghurt. Some Chilean food processors have also introduced cereal bars and breakfast cereals with a high protein content. The other factor that contributes to the growth of alternative products with a high protein content is that these products provide rapid satiety, making it easier to lose weight. Moreover, those who practice sports find them attractive as a source of energy. Chilean consumers are seeking not only personal physical care, but also a personalized diet from healthy products that allows them to avoid the risk of diseases associated with poor nutrition, such as obesity, hypertension, heart disease, and cancer.

2. Increased awareness of the nutritional aspects of food has made consumers more selective about their food choices, selecting less processed products, and prioritizing more ingredients that are natural or perceived as such. This opens a great potential for natural ingredients, including natural food colorants and flavorings that offer better taste to the palate, without losing its healthy condition.

Millennials and centennials are driving this trend as they have awareness of health-related issues and are more likely to act upon this in their food choices, especially as they start to enter the labor market. Both groups are likely to demand more and more products with sustainable attributes, which do not endanger the environment, or involve social or animal abuse. Millennials and centennials also have preferences for "premium" products (from bread to beverages) or higher quality products.

Chile Food Ingredients Imports from the World Calendar Year: 2018 - 2019		
Partner	Value in Thousands of U.S. Dollars	
	2018	2019
World	$6.554.211.414	$6.530.605.291
Argentina	$1.541.918.550	$1.545.529.615
Brazil	$973.172.695	$953.098.056
United States	$824.184.720	$903.494.109
Paraguay	$612.518.491	$677.578.528
Canada	$267.309.964	$218.736.319
China	$209.963.292	$200.182.757
Ecuador	$193.725.145	$184.360.790
Peru	$177.657.012	$180.957.860
Mexico	$130.877.079	$179.417.009
Spain	$133.896.342	$139.334.858
Colombia	$131.897.900	$140.945.985
Germany	$144.243.050	$112.252.513
Belgium	$97.780.560	$104.972.928
Netherlands	$119.651.677	$94.384.399
Guatemala	$102.532.756	$76.974.249
Source: Trade Data Monitor (TDM)		

3. Various factors drive demand for convenient and ready-to-eat meals, including a larger working population, higher disposable incomes, an increased number of families in which both parents work, and rising number of single households.

According to FAS Santiago's contacts, a healthy eating trend is noticeable through rising demand for products with perceived health benefits. This is also evident in the use of innovative ingredients in the production of healthier products, especially those adapted to consumers with food intolerances, such as lactose and gluten-free products. For more information, please see GAIN report: Chilean Demand of Healthy Food Products Continues to Grow.

SECTION III. COMPETITION

There are significant opportunities for imported, value-added food products and food ingredients in Chile due to shifting consumer preferences. In 2019, the United States was Chile's third main supplier of food ingredients after Argentina and Brazil, and followed by other competitors like Paraguay, Canada, China and Ecuador. U.S. suppliers have good reputation in the Chilean market for quality and stable supplies.

Chile´s top U.S. food ingredients imports were: pork, dairy products, wheat, poultry, beef, sauces and condiments and tree nuts.

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

This section identifies the best product prospects for the food ingredients market.

Products present in the market which have good sales potential	Products not present in significant quantities, but which have good sales potential	Product not present because they face significant barriers
• Baked Goods • Bakery Agents • Beans and legumes • Beef & beef products • Breakfast Cereals • Cereals and flours • Chocolate and cocoa • Dietary Fibers • Edible Oils • Ice Cream and frozen desserts • Nuts and nuts paste • Pork Meat • Rice and pasta • Sauces, dressings and condiments • Savory Snacks • Snacks Bars and fruit snacks • Soups • Sweet Spreads • Sweeteners and natural alternatives	• Baby Food • Craft Beer • Dry and Liquid Eggs • Natural Health Products (without artificial ingredients) • Plant Extracts • Premium Cheeses • Processed Fruit and Vegetables • Ready-To-Eat-Meals (healthy prepared foods with few preservatives, additives, and other specialized food ingredients) • Sweet Biscuits	Imported food products do not face significant trade barriers to enter the Chilean market. On the contrary, the high number of Free Trade Agreements (29) make it one of the most open economies in the world. Import tariffs are not considered an import barrier. For specific information on import procedures and requirements please refer to GAIN report: Chile: Exporter Guide.
Products listed above are in alphabetically order		

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

If you have questions or comments regarding this report, or need assistance exporting to Chile, please contact the Foreign Agricultural Service (FAS) in Santiago, Chile. U.S. companies seeking to export food products to Chile are advised to do thorough research for a good understanding of the market. FAS GAIN reports are a good source of country specific information: http://gain.fas.usda.gov

FAS Santiago recommends exhibiting at the USDA-endorsed show Espacio Food & Service 2020 the most important food industry event in Chile. This show serves as a gateway into the Chilean market, helping U.S. exporters to promote their products, to get in contact with potential business partners, buyers, and to run product introductions. For more information, please contact: https://www.kallman.com/shows/espacio-food-service-2020

Attachments: No Attachments