



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 5/25/2004

GAIN Report Number: CI4013

Chile

Food Processing Ingredients Sector

Food Processing Sector

2004

Approved by:

Christine M. Sloop, Agricultural Attaché
U.S.Embassy Santiago

Report Highlights: Chile's Food Processing Sector offers opportunities for U.S. ingredients exports.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Santiago [C1]
[C1]

Table of Contents

Section I. Market Summary	3
Country Overview	3
Size of Chilean Food Processing Industry	3
Macro-Economic Factors and Key Demand Drivers in Food Processing Sector	6
Advantages and Challenges facing U.S. Food Ingredient in Chile	6
Section II. Road Map for Market Entry	7
A. Entry Strategy.....	7
B. Market Structure.....	9
C. Company Profiles	11
D. Sector Trends.....	20
Section III. Competition	21
Section IV. Best Product Prospects	23
Section V. Post Contact and Further Information	26

Section I. Market Summary

Country Overview

Chile, with a population of 15.5 million, is a very centralized country with an estimated 5.2 million living in and around the greater Santiago area. The capital city of Santiago hosts the seat of government, most of the industrial activity, and business activities in general. A GDP of nearly \$70 billion and a per-capita GDP of nearly \$5,000 (depending on exchange rate), had been growing dramatically since the 1980's until it suffered the effects of the various economic crises (Asian, Brazil, etc.) in 1998. After a 1.1- percent drop in GDP in 1999, it has resumed growing at between 2 and 3 percent and its GDP is expected to expand 3.5 percent in 2004. Santiago, the capital city, is home to some 40 percent of the population and concentrates the great majority of the HRI sector companies that would purchase imported food products.

Most Chilean homes spent on average around \$100 per month on food and personal and home care products in 2003. Santiago homes spent between \$150 and \$200 on these items. Consumer spending on personal products was made up as follows: Food – 62%, personal care – 16%, home care – 11%, paper products – 7%, and pet foods – 3%. Supermarkets are the leading retail channel for food products.

Economic growth will be boosted by the new free trade agreements signed with the European Union, which came into effect on February 1, 2003, and the one signed with the United States on June 6, 2003 and which went into effect on January 1, 2004. The U.S.-Chile Free Trade Agreement reduces the previous 6% across-the-board tariff to 0% for 87% of non-agricultural products immediately, and for three quarters of agricultural products within 4 years, the rest over 12 years. U.S. and Chile Tariff Schedules for all Harmonized Tariff System customs codes can be found at www.ustr.gov/new/fta/Chile/text/, "Section 3. National Treatment and Market Access for Goods".

Although food product imports are only 8% of total Chilean imports, they have grown 85% over the past five years, whereas exports have grown 23%. The main Chilean processed food industries are those related to dairy products, processed or canned seafood, cookies, candy, chocolates, canned peaches, jams and tomato sauces.

Size of Chilean Food Processing Industry

- The processed (packaged) food sector's annual growth rate is expected to be about 4% during 2003 and 2004, rising to 5-6% until 2007 as the export-driven economy settles into solid growth again. Certain sector will see stronger growth as more people join the work force and eat out-of-home, as domestic help salaries rise and their availability drops. Especially promising products are convenience and fast foods, out-of-home foods (snacks, etc., which are surprisingly consumed more by lower-income households and young consumers than others), and health and light foods. Strong annual growth can be expected for snack bars (30%), ready meals (10%), noodles (6%, though now stagnant), and frozen foods (5%).
- The number of Chilean food processing companies continues to shrink through mergers and acquisitions. The last such operation in 2003 was the buy-out of the Lucchetti pasta company (valued at \$100 million and with 37% share of pasta market) by the large Corpora Tres Montes food-processing corporation.
- There are a few very large companies and a large number of small ones, with the mid-sized range relatively non-represented.
- The size of Chile's food processing industry is tracked by the official Annual National Industrial Survey, which polls companies with 10 or more employees. It included 1,252

food and beverage production companies in 2001, the last available survey results, down from 1,590 in 1997. In 2001, 1,158 of the 1,252 companies were in the food sector and 94 in the beverage business, and less than one-third (398 establishments) had 50 or more employees.

Size and Sales of Chilean Food and Beverage Manufacturing Industry, 1997 vs. 2001

Food and Beverage Sales: millions of US Dollars

Includes companies with more than 10 employees each only

Chile Economic Indicators		1997	2001	2001 / 1997		
Chile's GDP, US\$ Billion		82.8	68.3	-17.5%		
Chile's GDP, real growth		6.6%	3.1%	10%		
Exchange Rate, average, Ch\$/US\$		419.31	634.94	51.4%		
ISIC code, rev. 3	Manufacturing Sector Description	No. of Estab. 1997	No. of Estab. 2001	Sales, US\$ mill.	Sales, US\$ mill.	Sales, pct change
15	Food and Beverage Production	1,590	1,252	13,169	10,396	-21%
1511	Production, processing and preserving of meat and meat products	104	86	1,642	1,170	-29%
1512	Processing and preserving of fish and fish products	189	152	2,223	1,759	-21%
1513	Processing and preserving of fruit and vegetables	99	74	1,008	691	-32%
1514	Manufacture of vegetable and animal oils and fats	10	11	458	299	-35%
1520	Manufacture of dairy products	61	55	1,359	1,134	-17%
1531	Manufacture of grain mill products	91	77	703	496	-29%
1532	Manufacture of starches and starch products	1		0	-	-100%
1533	Manufacture of prepared animal feeds	33	23	886	896	1%
1541	Manufacture of bakery products	822	605	807	607	-25%
1542	Manufacture of sugar	6	5	386	309	-20%
1543	Manufacture of cocoa, chocolate and sugar confectionery	24	27	314	357	14%
1544	Manufacture of macaroni, noodles, couscous and similar farinaceous products	7	8	229	138	-40%
1549	Manufacture of other food products n.e.c.	53	35	757	481	-36%
1551	Distilling, rectifying and blending of spirits: ethyl alcohol production from fermented mat.	12	10	233	149	-36%
1552	Manufacture of wines	49	48	741	611	-18%
1553	Manufacture of malt liquors and malt	9	3	276	221	-20%
1554	Manufacture of soft drinks production of mineral waters	20	33	1,146	1,077	-6%

Source: ENIA (Encuesta Nacional Industrial Anual – Annual National Industrial Survey) carried out by INE (Instituto Nacional de Estadísticas, National Statistics Institute), 2001 is latest available data.

NOTE: Sales declines in 2001 are a result of the conversion to US Dollars at a higher exchange rate and are not real declines in local currency.

- The best estimate of food ingredient imports in Dollar value is that provided by the annual industrial survey and included in the table below. Sales dropped from \$13.2 billion

to \$10.4 billion from 1997 to 2001, and total inputs constitute about half of the decline. Imported inputs, which are assumed to continue being a bit less than 10 percent of total inputs, are estimated to have dropped to \$485 million in 2001 as a result of a higher exchange rate.

- The key imported ingredients are shown in Sector 3 table "Key Food Ingredients with Potential for US Producers, Principal Competing Countries". Those 26 items total \$323.5 million for the year 2002, accounting for about two-thirds of declared imported inputs by the local processing industry which sounds reasonable.

Food and Beverage Manufacturing Sector Inputs, 1997 vs. 2001 (U.S. Million Dollars)

(Includes only companies with more than 10 employees each).

		1997	1997	1997	2001
ISIC code, r. 3	Manufacturing Sector Description	Total Inputs, US\$ mil.	Local Inputs, US\$ mil.	Imported Inputs, US\$ mil.	Estimated Imported Inputs*, US\$ mil.
15	Food and Beverage Production	6,960	6,344	616	485
1511	Production, processing and preserving of meat and meat products	968	908	60	43
1512	Processing and preserving of fish and fish products	1,119	1,101	19	15
1513	Processing and preserving of fruit and vegetables	454	422	33	22
1514	Manufacture of vegetable and animal oils and fats	226	115	111	73
1520	Manufacture of dairy products	770	734	36	30
1531	Manufacture of grain mill products	445	373	73	51
1532	Manufacture of starches and starch products	0	0	-	-
1533	Manufacture of prepared animal feeds	768	686	82	83
1541	Manufacture of bakery products	311	307	4	3
1542	Manufacture of sugar	237	199	38	31
1543	Manufacture of cocoa, chocolate and sugar confectionery	182	133	49	56
1544	Manufacture of macaroni, noodles, couscous and similar farinaceous products	97	90	7	4
1549	Manufacture of other food products n.e.c.	372	304	67	43
1551	Distilling, rectifying and blending of spirits: ethyl alcohol production from fermented materials	62	60	2	1
1552	Manufacture of wines	424	417	7	5
1553	Manufacture of malt liquors and malt	117	102	15	12
1554	Manufacture of soft drinks production of mineral waters	407	393	13	13

Source: ENIA (Encuesta Nacional Industrial Anual – Annual National Industrial Survey) carried out by INE (Instituto Nacional de Estadísticas, National Statistics Institute), 2001 is latest available data.
 *NOTE: Imported inputs for 2001 were estimated by assuming same percentage component of total sales as in 1997.

Macro-Economic Factors and Key Demand Drivers in Food Processing Sector

- Artesian production of kitchen staples such as bakery products still dominates Chile's packaged food market. One third of total packaged value of sales in 2001 were of this type, of which about 80% were bakery products.
- The market continues to consolidate through mergers, leaving a wide gap in size and capacity between the leading food producers and the universe of small ones.
- Consumers and the small producers have little power and influence over prices.
- Key market drivers for food processing are the economic situation in Chile, which finally showed strong signs of growth at the end of 2003, after three years of touch-and-go's or false takeoffs and six months of no growth in food sales. Supermarket sales grew a real 9.2% during the first ten months of 2003, and October's growth figure was 10.5% according to AC Nielsen. Total supermarket sales are expected to grow 8% in real terms in 2004.
- Consumption trends influencing the type and quality of inputs being used are a trend towards easy-to-prepare food as more people join the workforce and spend less time at home, as out-of-home meals become more frequent, as young people continue adopting new fast foods and snack foods and as diet and light foods and beverages continue capturing market share as demand increases and as a result of marketing campaigns. Organic foods are being adopted at a much slower rate but this is becoming a trend. The recent slow economic period drove price sensitivity to an all-time high among food processors.

Advantages and Challenges facing U.S. Food Ingredient in Chile

Advantages	Challenges
U.S. food inputs are known for their quality. They meet respected FDA & USDA standards. Health concerns are low.	Quality of food ingredients is said to have become very similar from the U.S., Europe, Asia, etc., and many European inputs meet U.S., European and Japanese standards.
The U.S. is a strong, traditional trading partner and its products are welcome.	U.S. food input producers sometimes are not as aggressive in following up sales leads as European or other suppliers.
The U.S.-Chile Free Trade Agreement, which went into force on January 1, 2004, will make U.S. products more competitive.	Prices for U.S. products may still be higher than local products or imports from nearby countries. FOB prices for U.S. inputs, even before adding freight, insurance and duties, are normally 10-14% higher than local prices for equivalent quality.
The rapidly dropping U.S. Dollar exchange rate, -15% from Jan to Dec 2003, will make U.S. inputs more competitive.	The Argentine and Brazilian recessions and currency devaluations preceded the U.S.'s, so that their products displaced U.S. raw materials, and U.S. products will have a hard time recovering their market position.
Certain companies have corporate requirements to purchase U.S. inputs, for example Nestlé for products re-exported to the U.S.	Purchase decisions are often global and are influenced by headquarters, not just local management.

Shipping from the U.S. is cheaper and quicker than from Europe.	U.S. ingredients are often too expensive, even the FOB cost (before freight, insurance and duties) is usually more than 10% higher than local equivalents.
Rising consumer spending and adoption of foreign food types favor new types of inputs.	Price sensitivity became stronger than ever during the economic slump since 1999.

Section II. Road Map for Market Entry

A. Entry Strategy

- U.S. food ingredient producers who want to enter the Chilean market can deal with local food processors directly or with representatives/agents/distributors depending on the product and on the application and type of end users. Large corporations are increasingly preferring to import directly from the foreign suppliers. But smaller processors are often not able to purchase whole containers or prefer that a distributor manage logistics and their inventory. Eventually, large sales volumes would justify establishing a local subsidiary to guarantee customer service and quality levels.
- Sales in Chile are made based on a relationship of personal trust, and personally visiting the country and demonstrating products to potential distributors and end-users is fundamental for generating solid, durable business relationships.
- Market access is open to all products from all countries. Except for products covered by a Free Trade Agreement, all products pay a standard, across the board 6% tariff. All edible products must be approved by the Chilean health authorities and received a registration number and open sales permit before being put on the market.
- U.S. food products are sought after and respected for their dependably high quality levels, but prices are generally uncompetitive. To compete in Chile, U.S. producers need to focus on profit margins, which are very often significantly lower in Chile than in other countries which are not as open to the world as Chile is. Specialty products and chemicals have a better chance of success than more basic inputs, which are preferably sourced locally.
- Distribution trade is very receptive to U.S. products as they are a guarantee of quality and good packaging and therefore low losses. As soon as possible, buyers will try to buy direct, without a local middleman, because they cannot pass those margins on to the product price and remain competitive.
- U.S. exporters are considered to be less flexible or agile than others in their ability and willingness to meet market requirements. Prices are key in this aspect as is a more active marketing style than American producers are used to at home, and minimum order quantities are often too high for this market, especially during the initial stages of market penetration. Local distributors also expect the manufacturer to share in marketing and promotion efforts and expenses.

What You Must Do to Successfully Enter and Develop the Chilean Market

The key market success drivers are a strong proactive attitude, long-term commitment to the market, conscientious follow-through of exporting effort; marketing and promotion; adapting to competitive local price points and margins; customer service and terms of payment. The Chilean market for ingredients imported from the U.S. is small compared to sales in the U.S., even at a State level. High U.S. market shares are linked mainly to a product's uniqueness (e.g. peanut butter, baked beans, etc.) or special characteristics (above-average quality or quality consistency especially with respect to human health, service, international corporate headquarters requirements, quick response and delivery

capabilities, etc. Low U.S. market share is generally due to the high impact of freight costs on commodity products, the acceptably high quality of products offered at much more attractive prices by other competitors, many in the region (Brazil, Argentina, etc), or the inability to adapt product and packaging to local standards.

Export Success is a Result of a Proactive Attitude and Long Term Commitment: U.S. suppliers are all-too-often less aggressive and persistent than European or Asian ones, or even Latin American competitors. The Chilean market is not large but it is sophisticated, innovative and competitive, and already being supplied by many world-class local and international suppliers and competitors of yours. It should not be considered as a spot market but must be systematically developed with strong marketing and promotion campaigns in order to conquer and enduring market share.

Stress Marketing and Customer Service: Building strong personal relationship based on personal trust is very important in Chile and in other Latin American countries towards establishing a strong, profitable long-term business relationship with a potential distributor or client. Personally visiting with potential or appointed distributors and with large clients is the best way to build up sales. Also, following up, providing good support and consistently responding to technical inquiries will keep other competitors at bay with a client or distributor. For example, when a potential Chilean client contacts a U.S. supplier and requests a quote, the supplier should not ignore the opportunity and should respond so as to be taken into consideration, regardless of the value of the order. If not, he will probably not be contacted again and will not be considered as a possible regular supplier. Reliable delivery schedules are also a plus. Shipping from the U.S. is faster than from Europe or Asia, and effective freight forwarders or brokers can make a difference in earning a better reputation than other global competitors.

Try to Match Local Quality, Prices and Margins: Chile is a very price-conscious and competitive market as a result of being open to imports from all nations and products with flat-across-the-board tariffs since the mid-1970's (currently 6%, except for countries with tariff agreements and free trade agreements with Chile, such as the U.S. starting Jan. 1, 2004). U.S. products are well known and respected for their reliable quality control and high food ingredient standards, especially regarding human health aspects. However, quality standards of suppliers around the world have been increasing and reaching comparable levels due in part to automation and modern technology, and it is now possible to find quality products in most parts of the world. U.S. producers must either offer top quality products at a competitive price or compensate with better service, support, warranties, etc. Contacts regularly emphasize that the quality difference between U.S. food ingredients and their international competition is seldom large enough to justify the significantly higher prices charged by U.S. suppliers. Except for a few very quality-conscious end users such as Nestlé, which observes very high quality guidelines enforced by the corporate headquarters especially for product lines such as infant foods and baby formulas, non-U.S. food ingredient suppliers out-compete U.S. suppliers on price in Chile. If U.S. suppliers want to compete successfully in Chile, they must be willing to lower their U.S.-based profitability expectations and work with the lower pricing and profit margins common in the Chilean market.

Take Advantage of the Window of Opportunity due to Low Dollar Exchange Rate: On the other hand, the significant drop of the U.S. Dollar against other currencies during 2003-2004 has made U.S. products more competitive. A strong effort to take market share away from competitors in the Chilean market will be more productive during 2004 than when the U.S. Dollar strengthens again, so we encourage U.S. food ingredient suppliers to explore the Chilean market now.

Consider Terms of Payment: European suppliers very commonly grant open accounts and long terms of payment (up to 90 to 120 days). They also enjoy strong support from governmental export promotion financing. U.S. suppliers should try to move away from letters of credit towards open accounts as soon as the client's credit worthiness and payment performance are established. This will lower costs. Taking advantage of U.S. Government-sponsored export financing or risk insurance programs will also strengthen the food ingredient exporter's financial and competitive position.

Tap into Centralized Purchasing by International Corporations: When dealing with global or international food processing companies in Chile, any existing relationship with other international divisions or with headquarters of that company should be fully exploited to gain an edge with the Chilean subsidiary. Even without previous business relationship, approaching headquarters or subsidiaries in the U.S. is a good way to explore the company's product and technical requirements and thus potential business opportunities within that corporation and with its Chilean subsidiary.

Find a Good Distributor: Unless a sales program in Chile can be sustained by direct sales to a few large clients (and many processed food sectors are dominated by a very few such companies), a local distributor will be a crucial business partner. Chilean clients expect to be able to deal directly with a local representative for placing order, voicing complaints and obtaining technical and pre- and post-sales support. Correct selection of a qualified distributor is of the highest importance, since the reputation of the U.S. supplier will rest on the ability of the distributor to provide prompt and reliable ordering, stocking and delivery services to clients. The distributor's quality and performance standards should match those of the U.S. supplier's as closely as possible, and this is often not easy to find in Chile. Also, when possible, only one distributor with a wide regional distribution network that covers as many market sectors and regions as possible should be selected. Appointing more than one distributor can often result in price wars that minimize profit margins and therefore marketing or promotional efforts. The availability of qualified distributors is not large, so a good initial choice is fundamental and should be a very well thought-out consideration.

In Twenty Words or Less, the strongest recommendation to U.S. food ingredient suppliers wanting to enter the Chilean market is to be as aggressive or committed as European competitors in their marketing, to make an effort to develop and nurture strong relationships with good distributors and clients so that the U.S. supplier becomes a trusted business partner, and then to be willing to compete by limiting profit margins to the degree necessary and possible while maintaining quality and service in order to compete, at least in the initial stages of market penetration. The relationships of trust and open communication with potential distributors and especially with clients will be the key to being given the chance to learn about what products are required and which ones present the best market potential opportunities for that particular supplier's ingredients.

B. Market Structure

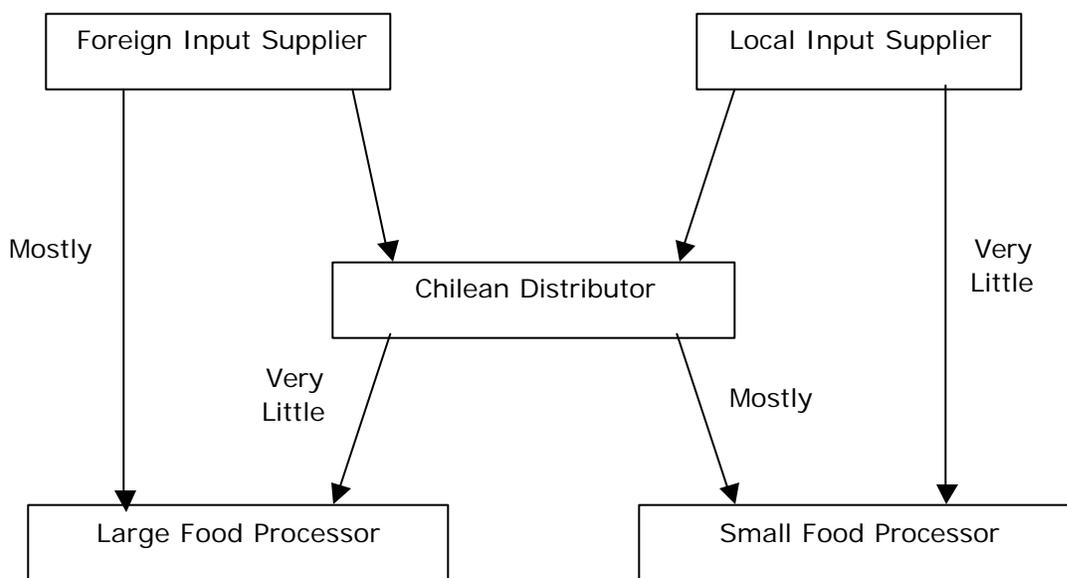
- Food ingredient distribution patterns are different for local and for imported products, and are changing with time. Local inputs are purchased direct from the producer by all but the smallest food processors. Imported ingredients are more commonly handled by local distributor/representatives or wholly owned subsidiaries for the smaller users. Large processors like to import their products directly to maximize savings, and deal with the logistics themselves.
- Generally, if sales volumes are not too high, direct imports will not be of interest to Chilean buyers as the costs and effort required to get an edible product approved are disproportionately high. In this case, it is more reasonable to have a local

representative/distributor to handle the import process, health approval and open marketing permitting, marketing and promotion, selling and stocking.

- As food processors seek to rationalize their costs, they are leaning more towards direct purchases and away from middlemen with time. As the big processors get bigger, they reach economies of scale by negotiating direct with the supplier, even on a global scale. Logistics companies have become a strong market player in the past five years, but they work with finished products and are not involved in raw materials. Thus, unlike bigger processors, smaller buyers still depend on distributors to manage their stock.
- The food processors sales generally go mostly to supermarkets, followed by traditional retailers and to a small extent to institutions (HRI food services). Institutional sales are often handled as a separate business by the processors. Smaller neighborhood stores have been continuously decreasing in number as they cannot match the efficiencies and location advantages of market-leading hypermarkets. The supermarket sector is dominated by a few chains (see table below). The leading D & S chain agreed to buy Carrefour's seven Chilean locations (still included in the table to show market shares) and Jumbo acquired the Las Brisas chain in December 2003.

Supermarket Chain	% Market Share (Sep 2003)
D&S	30.25
Cencosud (Jumbo)	19.40
Unimarc	3.58
San Francisco	3.22
Montserrat	3.05
Montecarlo	2.68
Carrefour	2.67
Others	35.15

Distribution Channel Diagram



C. Company Profiles

There are 2,045 corporations in Chile that are registered with the Chilean Stock Exchange Commission, of which only 474 are open corporations traded over the counter, and unlike most other countries only these are required by law to publish financial statements in Chile.

List of Food Sector Corporations listed in the Stock Market (therefore, the only ones that are obliged to publish financial statements or any financial results):

Financial Statements for Years 2001, 2002 and period January – June 2003

Millions of US Dollars

	Profits, 2001 Jan-Dec	Profits, 2002 Jan-Dec	Profits, 2003 Jan- June	Sales, 2001 Jan-Dec	Sales, 2002 Jan-Dec	Sales, 2003 Jan-June
Exchange rate	718.6 1	718.61	699.1 2	718.61	718.61	699.12
C.C.U. (beer, non-alc. beverages)	55.0	30.7	45.6	564.4	470.1	254.4
Andina (non-alc. beverages)	47.4	46.0	10.7	756.5	559.0	276.6
Empresas Carozzi (pasta, chocolate, cookies, candies)	20.2	21.1	8.7	369.7	365.7	192.4
Iansa (sugar)	5.5	17.3	n/a	60.1	223.9	n/a
Soprole (milk, dairy products)	1.4	6.0	4.5	234.0	219.4	113.1
Polar (Coca-Cola)	9.1	7.6	2.3	n/a	n/a	52.2
Watt´s (jams, sauces, soups, etc.)	5.7	0.3	1.5	221.4	205.1	111.5
Emp. Sta Carolina (*)	7.9	2.0	1.3	280.3	235.6	125.4
Sopraval (turkey growers)	- 0.1	- 5.2	0.2	50.6	50.3	25.2
Lucchetti (pasta)	- 9.2	- 51.8	- 1.2	135.4	117.6	43.3
Procesadora de Leche del Sur	0.2	3.8	1.5	69.5	57.0	32.2
Copefruit (fruit and juices)	2.0	2.2	3.3	60.1	63.6	40.5
Sofruco (fruit)	2.0	1.8	1.0	24.4	24.2	12.3
Jucosa (fruit juices)	- 1.0	0.4	0.5	20.7	16.5	9.5
Coca-Cola Embonor (1 of 3 Coke bottlers)	- 12.1	- 22.9	n/a	362.9	335.1	n/a
TOTAL	142.9	74.0	73.6	2,672.3	2,446.8	1,194.0

*Empresas Santa Carolina own Santa Carolina winery, Watt's (juices, jams), Loncoleche and Calo (dairy products), Superior (margarine and edible oils), Il Gastronomico (pastas), Cecinas Felco (sausage) and Fehrenberg (liqueurs). Sales are 41% dairy prod., 39% oil products, 17% fruit prod., 2% subsid., 1% prepared foods and sausage.

Descriptions of Chilean Processed Food Sectors and of Key Food Processing Companies

The companies profiled in each section are representative of that sector, and their sizes or sales, end-use channels, production plants and procurement channels illustrate the Chilean market and procurement trends.

1) Red Meats and Poultry Meat

Chile is a net exporter of white meats (pork, poultry and turkey products) and importer of red meats. Special meats such as pork jowls and chicken thighs are in part imported.

Processing plants, with direct links to cattle farmers, are displacing stockyards in the beef distribution chain. The beef processing industry is a tight sector, where 50% of the market is controlled by no more than ten companies with high levels of vertical integration (including Lo Valledor, Friosa, Carnes D'Arc which recently declared bankruptcy, Matadero de Temuco and Carnes Ñuble). The poultry sector is also dominated by two companies, Super Pollo and Ariztia, which are also vertically integrated, from producing the feed to distributing to the retailers. Cold cuts are a large market, totaling 246,600 tons in 2002 (178,000 tons just in wieners and sausages). Cecinas San Jorge, PF, Super, Winter, La Preferida and Llanquihue are the leaders among some 40 sausage and cold cut makers.

Red Meat Market in Chile, metric tons, 2003

Product	Bovines	Pork	Others	Total Red Meats
Processed	191.784	365.343	19.935	577.062
Exported, tons	8.733	77.475	5.106	91.314
Exported, US\$ FOB thous.	16.406	158.514	16.369	191.290
Imported, tons	176.159	315	0	176.474
Imported, US\$ CIF thous.	208.043	1.327	0	209.370
Consumed, tons	359.210	288.183	14.829	662.222

White Meat Market in Chile, metric tons, 2003

Product	Chickens	Turkey	Other fowl	Total White Meats
Processed	388.736	69.783	5.885	464.404
Exported, tons	21.848	15.218	0	37.066
Exported, US\$ FOB thous.	35.371	31.111	90	66.482
Imported, tons	1.827	5	41	1.873
Imported, US\$ CIF thous.	1.734	14	85	1.833
Consumed, tons	368.715	54.569	5.927	429.211
Source: APA, Chilean Poultry Producers' Association				

The trend in meat production and consumption has changed dramatically in recent years:

Meats processed, metric tons:

Meat type	1990	1995	2000	2003
Bovines	242,452	257,792	226,364	191,784
Pork	123,171	172,410	261,477	365,343
Poultry	n/a	320,919	438,165	464,405
Others	25,914	21,134	20,659	19,927
Source: ODEPA – Office of Agricultural Studies and Policies, Ministry of Agriculture				

The total 2002 lunchmeat production was 246,605 tons, including sausages (36.0%), bologna (17.5%), hams (13.5%), spicy sausages (10.0%), hamburgers (8.0%), pate (5.0%), salami (2.0%) and others (8.0%).

Company (Product Types)	Sales (US\$)	End-Use Channels	Production Location(s)	Procurement Channels
Agrícola Ariztía (chickens and turkey)	\$170 million sales, \$26 mill. exported, 125,000 tons chicken (30% of market), 25,000 tons turkey (40% of market)	Retail, HRI and Exports	Chile (6)	N/A
Cecinas La Preferida (sausage and cold cuts)	N/A	Retail	Chile (1)	Pork: Direct (Local); Bovine: Importers
Cecinas San Jorge (sausage and cold cuts)	N/A	Retail	Chile (1)	Direct (Local)
Cecinas Super (belongs to Agrosuper - sausage and cold cuts)	\$39 million, 3 million tons, 16% mkt. share	Retail and HRI	Chile (1)	Own Production
Friosa (bovine slaughterhouse)	N/A	Retail, HRI and Exports	Chile (1)	Pork: Own Production; bovine: Own Production and Direct (Local); Grains: Importers
Matadero Lo Valledor (bovine slaughterhouse, largest in Chile)	\$140 million	Retail and HRI	Chile (6)	Bovine: Direct (Local); Pork: Own Production and Importers
Productos Fernández (Cecinas PF - sausage and cold cuts)	N/A	Retail and HRI	Chile (2)	Pork: Own Production, Bovine: Importers
Sopraval (turkeys - part of Agrosuper)	\$60 million, 1,200 tons	Retail and HRI	Chile (3)	Direct (Local and Foreign), Distributors (Local and Foreign)
Super Cerdo (pork - part of Agrosuper)	\$151 million, 110,000 tons, 50% mkt. share	Retail and HRI	Chile (1)	Own Production
Super Pollo (chickens - part of Agrosuper)	\$220 million, 223,000 tons	Retail and HRI	Chile (2)	Own Production

2) Edible Fish and Seafood Products

Chile has the fifth largest fishing industry and frozen and prepared (canned or fresh) seafood are traditional local consumption and export products. The Robinson Crusoe brand pioneered the frozen fish sector 40 years ago, and now competes with Geomar, Pacífico del Norte, Pesquera San José (which has a 55% market share) and others. Salmon and trout farming is a relatively recent Chilean industry, which started exporting in 1981 and has now boosted

Chile to the No. 2 position as salmon producer after Norway. Whereas traditional fish preparation requires little in the way of ingredients, salmon farming generates strong potential for fish food producers and takes up most of the fishmeal produced by offshore fisheries.

Company (Product Types)	Sales (US\$)	End-Use Channels	Production Location(s)	Procurement Channels
Geomar (fish products)	N/A	Exclusive distributor in New York for gourmet stores	Chile (1)	Direct (Local)
Pesquera San José (fish products)	55% market share	Retail and Exports	Chile (3)	Own Extraction
Robinson Crusoe (fish products)	N/A	Retail	Chile (2)	Own Extraction

3) Dairy Products

The dairy food processing sector, the nucleus of the dairy industry production chain, is made up of around 15 companies that run 28 plants which process 75% of the local milk production and where the leading five companies buy 90% of the milk (year 2000). These five companies are Nestlé, Soprole (New Zealand Dairy Board) and Parmalat, of foreign capital, plus the local Loncoleche and Colun operations. The other companies are mid-sized or small and most of them produce cheese. The milk producers are the main suppliers, and supermarkets are the main retailers. Dairy products, at 7.5%, are the second largest supermarket perishable sales group after meats.

The ice cream market is over \$100 million and is dominated by Savory (Nestlé) and Bresler (Unilever).

Company (Product Types)	Sales (US\$)	End-Use Channels	Production Location(s)	Procurement Channels
Nestle (dairy, confectionery, cereals, dehyd. soups)	261 tons in 2002, 13.3% overall packaged food market value share in 2001	Retail	Chile (8)	Direct (Local and Foreign), Distributors (Local and Foreign)
Parmalat (dairy products)	N/A	Retail and Exports	Chile (2)	Direct (Local and Foreign), Distributors (Local and Foreign), Importers
Proc. De Leche del Sur (Prolesur, in Soprole holding - dairy products)	N/A		Chile (3)	Direct (Local)
Soprole (milk, dairy products)	N/A	Retail	Chile (5)	N/A

4) Prepared Fruit, Prepared Vegetables, Oilseed Products (Sauces, Oils and Other Frozen, Canned and Dried Products

Eighty percent of the frozen foods market is composed of corn, peas, green beans and broad beans. The frozen food market is dominated by a few companies: Alifrut (represents McCain)- 18,000 tons, 34% market share; Frutos del Maipo-14,000 tons, 27%; Interagro-8,000 tons, 15%; Frisac-7,000 tons, 13%; Bonduelle-5,000 tons, 10%. Centauro Bozzolo and Dos Caballos Pentzke are also well known for canned fruit. Wasil makes canned vegetables and fruit, jams, sauces and seasonings, and Watt's is strong in jams. The sauce market is quite attractive. Mayonnaise, ketchup and mustard are sold at a rate of 27,000 tons or \$50 million per year. Unilever Bestfoods controls 65% of this market.

Company (Product Types)	Sales (US\$)	End-Use Channels	Production Location(s)	Procurement Channels
Alifrut (frozen veg., represents McCain)	18,000 tons, 34% fr. vg. mkt share	Retail	Chile (3)	N/A
Bonduelle (frozen veg. IANSA)	5,000 tons, 10% fr. vg. mkt share	90% of production is for exportation	Chile (4) Peru (1)	Direct (Local); Own Production
Centauro Bozzolo (canned fruit and vegetables, prepared food)	N/A	Retail	Chile (1)	Direct (Local and Foreign)
Copefruit (fruit, frozen fruit and juices)	N/A	Retail	Chile (4)	N/A
Frisac (frozen veg., fruits, berries, prepared foods)	7,000 tons, 13% fr. vg. mkt share	Retail, HRI and Exports	Chile (1) Argentina (1)	Direct (Local)
Frutos del Maipo (fruit, frozen blueberries, jams)	14,000 tons, 27% fr. vg. mkt share	Retail		Direct (Local)
Interagro (frozen veg.)	8,000 tons, 15% fr. vg. mkt share	Retail	N/A	N/A
Jucosa (fruit and juices)	Sales of 25 millions for 2001	Retail	Chile (1)	N/A
Sofruco (fruit and juices)	N/A	Retail and HRI	Chile (2)	Direct (Local)
Unilever Bestfoods (oilseed products, sauces)		Retail	Global Company with direct operations in 100 countries	Direct (Local); Distributors (Foreign); Importers
Wasil (sauces, seasonings)	N/A	Retail		
Watt's (jams, sauces, soups, etc.)	N/A	Retail and HRI	Chile (7)	Fruit concentrate from abroad and milk and derivatives local

5) Confectionery Products

The chocolate confectionery industry in Chile is fairly small, as in most South American countries, as a result of the warm climate and the preference for savory foods. Annual per capita consumption of chocolates is 5 Kg, vs. 10 Kg in Europe. The strong seasons for the 25,000 ton chocolate market are autumn and winter. The total chocolate market is \$ 80 million, the cookie market totals \$90 million, and the confectionery (candy) market trails with \$40 million.

Carozzi (42%) and Nestle (31%) lead the chocolate market, followed by Arcor (Dos en Uno) with 15%. Nestlé (40%), Carozzi (25%) and Arcor (16%) lead the cookie market. Calaf is strong in candy (8-10 % of market) after Ambrosoli (61%, belongs to Carozzi) and Arcor (27%).

Company (Product Types)	Sales (US\$)	End-Use Channels	Production Location(s)	Procurement Channels
Arcor-Dos en Uno (confectionery)	N/A	Retail	Peru (1) Brazil (2) Argentina (30) Chile (2)	Direct (Local and Foreign); Importers
Carozzi (pastas, Costa and Ambrosoli confectionery brands, sauces, dairy)	\$450 millions	Retail, HRI and Exports	Chile (6) Peru (3) Argentina (3)	Direct (Local and Foreign) Distributors (Local and Foreign)
Nestle (dairy, confectionery, cereals, dehyd. soups)	261 tons in 2002, 13.3% overall packaged food market value share in 2001	Retail	Chile (6)	Direct (Local and Foreign), Distributors (Local and Foreign)

6) Baked Goods

Chile is the top bread consuming country in the Americas at 220 lbs. per capita per year second globally only to Germany. Three percent of personal income is spent on bread, compared to one percent in developed nations. The Mexican firm Bimbo, which bought out Ideal and Fuchs companies, dominates the bakery market. Fuchs specializes in whole-grain and other such breads. Other large bakeries producing more traditional local breads and baked goods are represented by Panaderías Castaño, Lo Saldes, Pan Pierre (owned by Bredenmaster), and the bakeries in the hypermarkets and megamarkets owned by the leading supermarket chains. Supermarkets cover 30% of the bread market. These are followed by a large number of smaller neighborhood bakeries that do not have the purchasing power of the big ones and do not buy their ingredients direct. Cookies and other baked goods (Dunkin Donuts is present in Chile) are made by a few large companies, especially McKay (part of Nestlé, 40% market share and top of mind) and Costa (Carozzi), as well as imported. But the Chilean cookie market is small compared to bread: barely 5 lbs. per capita per year compared to over 20 lbs. in the U.S. and Europe.

Company (Product Types)	Sales (US\$)	End-Use Channels	Production Location(s)	Procurement Channels
Pan Pierre - Bredenmaster Chile (bakery chain)	N/A	Retail and HRI	Chile (1)	Direct (Local and Foreign)
Panaderías Castaño (bakery chain)	N/A	Retail and HRI	Chile (2)	Direct (Local and Foreign); Distributors (Local); Importers
Panaderías Lo Saldes (bakery chain)	N/A	Own Local Stores	Chile	Direct (Local); Distributors (Local)

7) Snack Foods (Savory and Sweet Snacks and Nuts)

The savory snacks market in Chile grew to around \$120 million in 2002 from sales of 24,000 tons. Frito-Lay controlled over three-quarters of the market in 2002. The next largest company in the market is Café do Brasil, with just over 5.4% of sales in 2002. Potato chips are the most lucrative product category (45% by volume, 49% by value). Souffle products (19%/19%), extruded snack ("ramitas", 14%/11%) and peanuts (12%/12%) are also important. Distribution is fairly evenly split among traditional (42%) and supermarket (58%) retail channels. Candies are dominated by Ambrosoli (Carozzi) and Dos en Uno (Arcor of Argentina).

Company (Product Types)	Sales (US\$)	End-Use Channels	Production Location(s)	Procurement Channels
Evercrisp (Frito-Lay - snack foods)	N/A			N/A
Gourmet (snack foods)	N/A			N/A
ICB Marcopolo (Café do Brasil - snacks, nuts)	N/A	Retail and HRI	Chile (3)	Direct (Local and Foreign)

8) Beverages, Non-Alcoholic

Chilean homes consumed on average 323 liters of beverage in 2002 (total of 1,141 million liters). The non-alcoholic beverages dominate the total beverage market, which is distributed through traditional channels (52%), supermarkets (41%) and consumption in food establishments (7%). Carbonated beverages make up 55% of the total, followed by beer (15%), powdered drinks (19%), fruit juices (6%) and mineral water (5%).

Coca-Cola has a 66% soft drink market share, followed by Ecusa (CCU-Pepsi) with 24%. Coca-Cola also covers 34.6% of the fruit juice market, closely following Watt's which has a 35.9% share. Soprole is new in the fruit juice market, with a 9.1% market share.

Company (Product Types)	Sales (US\$)	End-Use Channels	Production Location(s)	Procurement Channels
Coca-Cola Embonor (non alc. beverages)	\$335 million	Retail and HRI	Chile (8) Bolivia (6)	Direct (Local and Foreign)
Embot. Andina (Coca-Cola, non alc. beverages)	\$559 million	Retail	Chile (1)	Direct (Local and Foreign)
Embotelladora Coca- Cola Polar (non alc. beverages)	N/A	Retail	Chile (3) Argentina (4)	Direct (Local); Dististributors (Local); Importers

9) Beverages, Alcoholic

The Chilean beer and FABs market continues to show positive performance, despite the economic difficulties that have been felt across the region in recent times, and is currently at just over 26 liters per head. Compañía de Cervecerías Unidas (CCU) has an 86% share of the market, followed by Cervecerías Chile with 12%.

The Chilean wine market totalled \$ 300 million (285 million liters) vs. the \$523 million (230 million liters) exported in 1999. Both markets, supplied by nearly 400 vintners, continue growing. The leading vineyards in the local market are Concha & Toro (Guilisasti family), Santa Rita (Ricardo Claro), San Pedro (Luksic group), and Santa Carolina (Larrain family). The same companies mentioned above are the main exporters along with Viña Tarapaca ex Zavala, Viña Undurraga, Viña Santa Emiliana,, Viña Santa Helena, Viña Errazuriz, and Viña Montes.

The Pisco producing companies are, Capel, Control and Ruta Norte (recent CCU startup) which is challenging the leadership of Capel (62% market share) and Control's (36%) sector leadership. Licores Mitjans and Fehrenberg (Empresas Santa Carolina) are the leading liqueur manufacturers competing with abundant imports.

Company (Product Types)	Sales (US\$)	End-Use Channels	Production Location(s)	Procurement Channels
Viña Concha y Toro	\$130 million	Retail, HRI and Exports	Chile (7)	Distributors (Local); Importers
Viña Santa Carolina Emp. Sta. Carolina (wine, also own Loncoleche, Watt's, Superior margarines & oils, Fehrenberg licqueurs and Felco cold cuts)	\$236 million	Retail and HRI	Chile (3)	Distributors (Local); Importers

10) Dry Goods and Condiments (Canned Soup, Dry Mixes, Pasta, Pet Food, Seasonings)

Chilean homes spend three dollars per month on pasta. Per capita consumption is 8.3 Kg per year. The Pasta market in Chile totals 120,000 tons or \$110 million. Carozzi and Lucchetti (the latter recently sold to Corpora Tres Montes of Chilean capital) dominate the market with 41.0% and 37.6% market shares each, trailed by Parma with 8.2%. Seventy percent of the pasta is sold through supermarkets, the rest through traditional retailers.

Canned soup is not as popular in Chile as it is in the US, but powdered or dehydrated soup in envelopes is very popular. Maggi (Nestle) is the traditional leader, but others like Naturezza have gained market through heavy advertising.

The pet food market is developing very strongly at a rate of at least 10-15% over the past 8 to 10 years. It is claimed to be a 120,000 ton-per-year market, which would make it equivalent to the pasta market, and 86% of pet food is sold through supermarkets. More than 40% of Santiago households bought dog or cat food during 2002. The market is dominated by foreign brands, though 60% of pet food is made locally. Nestlé sells its Purina product imported from Argentina and its locally made Doko brand, Eukanuba and M&M Mars import from Argentina, and Nutripro (Champion brand) and Indarroz (Masterdog brand) are made locally.

Seasonings are mostly imported, and McCormick is one of the well-known brands. Room is left for other brands, especially ones that meet quality standards and compete well on price.

Company (Product Types)	Sales (US\$)	End-Use Channels	Production Location(s)	Procurement Channels
Carozzi (pastas, confectionery, sauces, dairy)	\$450 million	Retail, HRI and Exports	Chile (6) Peru (3) Argentina (3)	Direct (Local and Foreign) Distributors (Local and Foreign)
Ipal (dehydrated soup, dehyd. mashed potatoes)	N/A	Retail, HRI and Exports	Chile (1)	Distributors (Foreign); Direct (Local)
Lucchetti (pasta)	N/A	Retail, HRI and Exports	Chile (3)	Direct (Local and Foreign)
TKF Alimentos (dehydrated, powdered foods for retail and institutions)	N/A	HRI	Chile (1)	Direct (Local)

11) Specialized Food Ingredients (Additives, Preservatives, Thickeners, Sweeteners)

This sector is increasingly controlled by a few companies that have been acquired by foreign interests. Duas Rodas of Brazil is strong in coloring agents, etc., as is Inducorn (Corn Products Chile) in thickeners and other corn products. Lefersa, Chile's main yeast company, was split among the Swiss Bakels group (pastry ingredients) and the Dutch DSM group (bakery ingredients). The latter competes with Puratos Chile, another large bakery, pastry and confectionery industry supplier.

Company (Product Types)	Sales (US\$)	End-Use Channels	Production Location(s)	Procurement Channels
Biocolor Chile (colors)	N/A	Food Processor Companies	Chile (1)	Direct (Local and Foreign) Distributors (Local and Foreign)
Cramer (colors, flavorings, thick., etc.)	N/A	Food Processor Companies, Beverages, pharmaceutical laboratories, cosmetics, detergent producers and Households	Chile (2) USA (1)	Direct (Local and Foreign); Distributors (Local and Foreign); Importers
Duas Rodas Chile (food additives)	N/A	Directly to food manufacturer	Brazil (2) Chile (1) Argentina (1)	Direct (Local and Foreign)
Iansa (sugar)	\$224 million	Retail and HRI	Chile (12) Perú (1) Brasil (1)	Tomatoes and Fruit: Direct (Local); Own Production; Sugar: Importers, Direct (Local)
Puratos de Chile S.A. (bread and pasta industry ingredients)	N/A	Bakery, supermarkets, breadmaking plants	Around the world (60) Chile (2)	From Head Office in Belgium; Direct (Local); Distributors (Foreign)

12) Prepared Meals (Mixed Ingredient "Ready-to-Eat" or "Ready-to-Heat" Retail and Food Service Meals and Entrees)

This product type is still not really accepted by the Chilean consumer as a complete meal, although institutional food services do prepare them for their market. People would rather go out to eat than heat up a TV dinner. Consumption is increasing for ready-to-cook foods such as frozen and canned vegetables, french fries, canned or frozen prepared foods such as beans and bacon, etc., but it will take time for the local idiosyncrasy to accept TV-dinner style prepared meals for the retail channels.

D. Sector Trends

- Between 1974 and 2002, materialized foreign investment totaled US\$ 58.2 billion. Of this amount, almost 90% has entered the country since 1990. Although mining is takes the lion's share of this, general industry (including food processing) are a significant part.
- Between 1990 and 1996, the number of food, beverage and tobacco companies in Chile that have FDA grew from 41 (2.7% of sector total) to 74 (4.5% of sector total), more in number than any other manufacturing sector and only surpassed in sector percentage by chemical and rubber products and by the metalworking sector.

- As the market and the economy develop and mature, foreign direct investment is shifting from starting up new operations to purchasing existing ones.
- Foreign direct investment has long been present in the Chilean food processing industry, with the likes of Nestlé, Coca-Cola, Pepsico, the N.Z. Dairy Board, Parmalat and others currently as key players. But the bulk of the industry is controlled by large Chilean capital companies that are still growing larger through mergers and growth into neighboring countries (Brazil, Argentina, Peru, etc.).
- Some local companies are already producing for exports in addition to their local sales. New free trade agreements with the European Union and the U.S. will require production to expand and to develop new and better products to export into those markets in addition to other traditional export markets.
- Chilean processed food quality standards are in most cases world-class and require top quality ingredients, and price will continue to be the deciding factor at time of purchase. customer service and fast delivery are also important factors as processors increasingly deal directly with local and foreign suppliers.
- The light, or diet, and healthy food trends are gaining momentum as obesity is recognized as a widespread and hard-to-control problem at all age levels.
- Organic foods, though not very much in demand here yet, are on the rise
- Easily prepared foods and snacks are growing rapidly as more people eat out-of-home and on the run, and less time is available for lengthy food preparation at home by a shrinking availability of domestic maids.

Section III. Competition

The leading local products are produce, poultry and pork, a good variety of seafood (including salmon), fruits and wine. Imported food accounts for about 10 percent of the local market. Imported products are mainly beef from Argentina, Brazil and Uruguay, legumes and cereals such as corn and wheat from Argentina and Canada. Chileans still value freshness as much as possible but do consume large amounts of frozen food, mostly local, for storage convenience and year-round availability.

Chilean Food and Agricultural Product Imports, Jan-Dec 2003, Total Imports vs. US Imports, by Harmonized Tariff System chapters

Chapter	Description (from Harmonized System Codes 1997)	Total, \$CIF x 1000	US, \$CIF x 1000	US, %
	Foods:			
1	Live animals	3,654	1,583	43.3%
2	Meat and edible meat offal	220,716	135	0.1%
3	Fish, crustaceans & aquatic invertebrates	7,239	220	3.0%
4	Dairy prods; birds eggs; honey; ed. animal pr nesoi	68,788	2,215	3.2%
5	Products of animal origin, nesoi	16,620	1,071	6.4%
6	Live trees, plants, bulbs etc.; Cut flowers etc.	4,666	318	6.8%
7	Edible vegetables & certain roots & tubers	18,592	1,929	10.4%
8	Edible fruit & nuts; citrus fruit or melon peel	37,667	3,794	10.1%
9	Coffee, tea, mate & spices	37,094	428	1.2%
10	Cereals	265,646	45,201	17.0%
11	Milling products; malt; starch; inulin; wheat gluten	19,534	508	2.6%
12	Oil seeds etc.; Misc grain, seed, fruit, plant etc	60,935	4,325	7.1%
13	Lac; gums, resins & other vegetable sap & extract	9,262	3,270	35.3%
14	Vegetable plaiting materials & products nesoi	184	1	0.5%

15	Animal or vegetable fats, oils etc. & waxes	204,349	10,698	5.2%
16	Edible preparations of meat, fish, crustaceans etc	22,295	215	1.0%
17	Sugars and sugar confectionery	80,205	1,039	1.3%
18	Cocoa and cocoa preparations	50,061	812	1.6%
19	Prep cereal, flour, starch or milk; bakers wares	34,412	2,789	8.1%
20	Prep vegetables, fruit, nuts or other plant parts	34,542	827	2.4%
21	Miscellaneous edible preparations	53,928	11,294	20.9%
	Total Foods	1,250,389	92,672	6.5%
	Beverages:			
22	Beverages, spirits and vinegar	44,429	2,276	5.1%

Comparative Chilean Food and Agricultural Product Imports, 2003 vs. 2002, Total Imports vs. US Imports, by Harmonized Tariff System chapters

Chapter	2002 Total, \$CIF x 1000	2003 Total, \$CIF x 1000	2002 US, \$CIF x 1000	2003 US, \$CIF x 1000	2002 US, %	2003 US, %
Foods:						
1	3,402	3,654	1,330	1,583	39.1%	43.3%
2	177,038	220,716	180	135	0.1%	0.1%
3	6,355	7,239	87	220	1.4%	3.0%
4	23,870	68,788	1,744	2,215	7.3%	3.2%
5	13,127	16,620	1,236	1,071	9.4%	6.4%
6	4,018	4,666	77	318	1.9%	6.8%
7	16,648	18,592	2,100	1,929	12.6%	10.4%
8	38,735	37,667	2,011	3,794	5.2%	10.1%
9	37,334	37,094	150	428	0.4%	1.2%
10	222,145	265,646	29,469	45,201	13.3%	17.0%
11	15,812	19,534	575	508	3.6%	2.6%
12	50,121	60,935	3,533	4,325	7.0%	7.1%
13	8,170	9,262	2,906	3,270	35.6%	35.3%
14	185	184	26	1	14.1%	0.5%
15	158,418	204,349	4,134	10,698	2.6%	5.2%
16	21,202	22,295	611	215	2.9%	1.0%
17	88,090	80,205	1,555	1,039	1.8%	1.3%
18	47,450	50,061	1,535	812	3.2%	1.6%
19	30,295	34,412	2,857	2,789	9.4%	8.1%
20	32,755	34,542	2,058	827	6.3%	2.4%
21	58,931	53,928	11,902	11,294	20.2%	20.9%
Total:	1,050,699	1,250,389	68,746	92,672	6.5%	6.5%
Bev.:						
22	39,811	44,429	3,176	2,276	8.0%	5.1%

Principal Competing Countries of Origin for Selected Chapters, Jan-Dec 2003

Chapter	Main Competitors - Percent of Total Imports
2	Brazil – 74.7%, Argentina – 15.2%, Uruguay – 9.3%, Spain – 0.4%
4	Argentina – 41.7%, Uruguay – 23.5%, Canada – 6.3%, Ireland – 3.8%
7	Canada – 53.4%, China – 11.1%, Argentina – 11.0%, USA – 10.4%, Peru – 3.5%
8	Ecuador – 75.0%, USA – 10.1%, Argentina – 6.2%, Brazil – 1.3%

9	Brazil – 31.6%, Argentina – 20.9%, Sri Lanka – 20.5%, Ecuador – 4.3%
10	Argentina – 51.0%, USA – 17.4%, Canada – 11.2%, Thailand – 9.4%
11	Argentina – 29.7%, Germany – 16.6%, Uruguay – 16.4%, Holland – 10.9%
12	Argentina – 53.0%, Paraguay – 15.5%, USA – 7.1%, New Zealand – 2.5%
15	Argentina – 64.2%, Peru – 18.1%, USA – 5.2%, Brazil – 2.5%
16	Ecuador – 64.6%, Thailand – 16.3%, Brazil – 3.9%, Uruguay – 3.5%
17	Argentina – 48.0%, Colombia – 23.0%, Brazil – 13.3%, Guatemala – 8.1%
18	Brazil – 30.2%, Argentina – 28.9%, Ecuador – 15.0%, Holland – 2.8%
19	Argentina – 37.6%, Mexico – 11.9%, Peru – 11.5%, Brazil – 9.8%
20	Argentina – 42.1%, Thailand – 12.3%, Brazil – 10.8%; Ecuador – 6.2%
21	USA – 20.9%, Brazil – 19.5%, Colombia – 13.9%, Argentina – 11.8%
22	UK – 33.2%, Argentina – 21.4%, Ireland – 6.2%, Venezuela – 6.1%

Section IV. Best Product Prospects

We feel that it is crucial to stress that, especially in the case of U.S. suppliers, how to sell effectively in Chile is at least as important as determining which ingredients have market potential. Sources mentioned that U.S. producers of food ingredients (as is also true for other product categories) often have small market shares because their European, Asian and other competitors are better marketers and develop and follow more refined and persistent sales strategies. U.S. food ingredient suppliers should research the market, communicate directly and actively with large clients, follow through on quote requests and fix long-term sales strategies on local prices and profit margins (among other factors) which are usually lower than those in the U.S.

- A. Products Present in the Market Which Have Good Sales Potential - The U.S. food ingredients that have good market potential can be observed in the table below. In general, the food ingredients with the strongest market potential for U.S. producers are those that require fairly advanced processing technology and high quality standards. These products include coloring agents, flavorings, aromas, stabilizers and chemicals, certain dairy derivatives (weigh, etc.), spices and others. Less sophisticated products like dairy products are normally more competitive from nearby sources (e.g. Argentina, Brazil), but the U.S. has a strong chance with new-to-market products.
- B. Products Not Present in Significant Quantities Which Have Good Sales Potential - U.S. products that are still fairly unknown in the market but are being introduced by food chains such as T.G.I. Friday's or Tony Roma's, such as specialty cheeses and other ingredients, including sauces, have a good potential as the market continues becoming more global.
- C. Products Not Present Because They Face Significant Barriers - There are very few products not present in the market because of significant barriers. The main one is chicken because the Agricultural and Livestock Service has a non-specific Salmonella count that makes it difficult to import poultry. Fresh meats in general are much more difficult to import than frozen or packaged processed meats for health regulation reasons. Three other products – sugar and sugar solutions, wheat and wheat flower, and oilseeds and their derivatives – have a protective tariff treatment to protect Chilean producers against subsidized imports. This will end soon in compliance with WTO requirements.

The table below includes best prospects where U.S. producers are already in the market, and others where they should be able to compete if a stronger marketing effort is made.

Key Food Ingredients with Potential for US Producers, Principal Competing Countries, Jan-Dec 2003

HS Code	Product	Total, US\$ CIF x1000	US, US\$ CIF x1000	US, Mkt. Share	Main Competing Countries
0402.1000	Powdered milk with 1.5% or less fat	15,000	0.0	0.0%	Uruguay-43%, Argentina 28%, Canada 19%, Germany 3%
0402.2118	Powdered milk with 26% or more fat	28,284	0.0	0.0%	Argentina-59%, Uruguay 22%, Ireland 8%, New Zealand 12%
0404.1000	Whey	3,933	706.3	18.0%	Argentina 31%, France 23%, USA 18 %, New Zealand 12%
0406.1030	Mozzarella cheese	1,727	0.0	1.4%	Argentina-58%, Brazil 34%, Uruguay 8%, Australia 0%
0406.9010	Gouda cheese	3,958	0.4	0.0%	Argentina-84%, Germany 11%, New Zealand 9%, Uruguay 1%
0406.9090	Cheese, other	940	61.8	6.6%	France-18%, Holland-15%, Argentina-14%, Germany-14%
1001.1000	Durum wheat	17,856	0.0	0.0%	Canada-99.9%, Argentina 0.1%
1001.9000	Wheat other than Durum	63,588	38,853.3	61.1%	USA-61%, Argentina-24%, Canada-15%,
1108.1200	Corn starch	1,801	201.7	11.2%	Argentina-86%, USA-11%, Brazil-1%, France-1%
1109.0000	Wheat gluten	6,253	0.0	0.0%	Germany-49%, Holland-26%, France-15%, Argentina 6%
1502.0010	Animal fat, rendered	3,003	488.9	16.3%	Uruguay-70%, USA-16%, Argentina-14%
1504.2010	Fish-liver oils, not refined	46,268	9,405.1	20.3%	Peru-80%, USA-20%
1509.9000	Olive oils, not virgin	1,193	0.0	0.0%	Spain-61%, Argentina-38%, Siria-0.6%, Italy 0.6%
1516.2010	Vegetable fats and their fractions	2,681	0.7	0.3%	Holland-38%, Ecuador-25%, Denmark-13%, Colombia-7%
1516.2020	Vegetable shortening	5,463	93.7	1.7%	Sweden-18%, Denmark-16%, Colombia-16%, Singapore-14%
1517.9010	Vegetable oil mixtures, not refined	40,818	15.4	0.0%	Argentina-98%, Uruguay-2%, USA 0.0%
1517.9020	Vegetable oil mixtures, refined	59,304	9.2	0.0%	Argentina-100%, France-0.0%, Brazil-0.0%, USA-0.0%
1517.9090	Mixes of animal with or without vegetable oils and fats	4,034	150.2	3.7%	Argentina-80%, Brazil-4%, USA-4%, Spain-4%
1701.9910	Refined cane sugar	46,540	0.1	0.0%	Argentina-37%, Colombia-30%, Brazil-18%, Guatemala-14%
1702.3000	Glucose and glucose syrup, without fructose	1,960	116.8	6.0%	Argentina-66%, France-18%, USA-6%, Italy-3%
1702.9090	Other sugars	1,844	21.9	1.2%	Argentina-35%, Belgium-33%, Brazil-24%, China-3%
1805.0000	Cocoa powder, not containing sugar or sweeteners	12,534	12.2	0.1%	Ecuador-40%, Brazil-18%, Holland-9%, China-7%
1806.1010	Cocoa powder with	2,421	7.2	0.3%	Brazil-83%, Colombia-17%, USA-

	sugar or sweeteners over 90% by weight				0.3%, Argentina-0.2%
1905.9090	Bakery or pastry products nesoi	2,198	382.2	17.4	Argentina-42%, USA-17%, Canada-11%, Brazil-8%
2106.1010	Protein concentrates, not textured	4,923	3,720.6	75.6	USA-76%, Brazil-16%, New Zealand-6%, Finland-1%
2106.9090	Edible preparations nesoi	26,735	4,792.5	17.9	Brazil-26%, USA-18%, Colombia-14%, Argentina-8%

Comparative Table, Key Food Ingredients with Potential for US Producers, 2003 vs. 2002

HS Code	2002 Total US\$CIF x1000	2003 Total US\$ CIF x1000	2002 US US\$ CIF x1000	2003 US US\$ CIF x1000	2002 US Market Share	2003 US Market Share
0402.1000	7,807	15,000	0.0	0.0	0.0%	0.0%
0402.2118	3,093	28,284	0.0	0.0	0.0%	0.0%
0404.1000	1,704	3,933	385.5	706.3	22.6%	18.0%
0406.1030	1,118	1,727	16.2	0.0	1.4%	1.4%
0406.9010	2,755	3,958	35.7	0.4	1.3%	0.0%
0406.9090	1,323	940	576.1	61.8	43.5%	6.6%
1001.1000	19,429	17,856	199.1	0.0	1.0%	0.0%
1001.9000	30,221	63,588	18,175.4	38,853.3	60.1%	61.1%
1108.1200	2,122	1,801	356.6	201.7	16.8%	11.2%
1109.0000	4,687	6,253	0.0	0.0	0.0%	0.0%
1502.0010	3,307	3,003	238.3	488.9	7.2%	16.3%
1504.2010	15,709	46,268	2,905.6	9,405.1	18.5%	20.3%
1509.9000	901	1,193	0.7	0.0	0.1%	0.0%
1516.2010	5,881	2,681	0.0	0.7	0.0%	0.3%
1516.2020	4,682	5,463	134.2	93.7	2.9%	1.7%
1517.9010	85,103	40,818	0.0	15.4	0.0%	0.0%
1517.9020	28,644	59,304	16.5	9.2	0.1%	0.0%
1517.9090	2,088	4,034	0.0	150.2	0.0%	3.7%
1701.9910	49,734	46,540	125.2	0.1	0.3%	0.0%
1702.3000	2,014	1,960	55.3	116.8	2.7%	6.0%
1702.9090	1,284	1,844	14.2	21.9	1.1%	1.2%
1805.0000	11,630	12,534	133.8	12.2	1.2%	0.1%
1806.1010	3,270	2,421	12.9	7.2	0.4%	0.3%
1905.9090	1,828	2,198	295.1	382.2	16.1%	17.4%
2106.1010	5,886	4,923	4,122.3	3,720.6	70.0%	75.6%
2106.9090	27,237	26,735	4,841.8	4,792.5	17.8%	17.9%

NOTE: The Customs Data presented in the tables above can be obtained for any product, importer or recent time period through the U.S. Commercial Service Santiago post by contacting the Santiago Foreign Agricultural Service office.

Wheat - Per capita wheat consumption is 140 kilograms per year. Chileans are largest consumers of bread in the Western Hemisphere. Although wheat production in Chile increased significantly over the past decade, due to a combination of increased seeded area and improved yields, imports from the U.S. could grow as the tariffs for U.S. wheat drop and the protective tariffs against wheat flour are dephased as mandated by the WTO.

Pulse and Special Crops - During the past decade, Chile's production of pulse and special crops decreased significantly and imports increased. Dry peas and lentils, for example, were previously grown domestically in fairly large quantities but are now mostly imported. Though a large portion of pulse or dried legumes has been coming from Canada, the new U.S.-Chile FTA is expected to make U.S. suppliers more competitive in the Chilean market.

Dairy products and ingredients (such as whey as mentioned above) from the U.S. have good potential, as do confectionery and baking ingredients. High-quality glazes were one such product.

Section V. Post Contact and Further Information

Mailing Address:

Office of Agricultural Affairs
U.S. Embassy Santiago
Unit 4118
APO AA 34033-4118

Street Address:

Office of Agricultural Affairs
Embajada de los EE.UU.
Andres Bello 2800
Las Condes
Santiago, Chile

Phone: 56-2-330-3704

Fax: 56-2-330-3203

Email: agsantiago@usda.gov

Web Sites:

<http://www.usembassy.cl>: U.S. Embassy Santiago homepage. First click on "English Version" at top right and look under "Food & Agriculture", then click on "Documents" or "Attache Reports" for research reports, and other pages for trade leads, contacts in Chile and more.

<http://www.fas.usda.gov>: Foreign Agricultural Service homepage.