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Report Highlights:

For marketing year (MY) 2020/21, Post projects 205,000 hectares (ha) of wheat planted area and 1.288 million metric tons (MMT) of wheat production which represents a 2.4 percent decrease over MY2019/20. Wheat consumption is projected to reach 2.835 MMT and stocks are revised to decrease to 249,000 metric tons (MT) in order to cover domestic consumption needs. Wheat imports will decrease by 3.5 percent and total 1.35 MMT following the depreciation of Chilean peso. Post forecasts 837,000 MT of corn production, a three percent decrease over MY2019/20 based in reduction of planted area. Chile is going through a period of droughts, mainly in the central regions of O´Higgins and Maule, which together hold 70 percent of the Chilean corn planted area. Total consumption will reach 3.535 MMT and imports are projected to reach 2.7 MMT, pushed by the poultry and pork production industry.

Commodities:

Wheat

Table 1. Production, Supply and Demand Data Statistics

Wheat	2018/2019		2019/2020		2020/2021	
Market Begin Year	Dec 2018		Dec 2019		Dec 2020	
Chile	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	223	223	230	210	0	205
Beginning Stocks	715	715	565	565	0	461
Production	1,400	1,400	1,450	1,320	0	1,288
MY Imports	1,250	1,250	1,300	1,400	0	1,350
TY Imports	1,240	1,240	1,300	1,350	0	1,400
TY Imp. from U.S.	319	319	0	450	0	500
Total Supply	3,365	3,365	3,315	3,285	0	3,099
MY Exports	15	15	10	15	0	15
TY Exports	13	13	10	10	0	15
Feed and Residual	335	335	335	335	0	335
FSI Consumption	2,450	2,450	2,450	2,474	0	2,500
Total Consumption	2,785	2,785	2,785	2,809	0	2,835
Ending Stocks	565	565	520	461	0	249
Total Distribution	3,365	3,365	3,315	3,285	0	3,099
Yield	6.10	6.28	6.30	6.29	0.00	6.28
(1000 HA) ,(1000 MT) ,(MT/HA)						

Source: Post Estimates based on data from ODEPA, INE, and Servicio Nacional de Aduana-Chile Customs
Note: import values in wheat grain equivalent

Production:

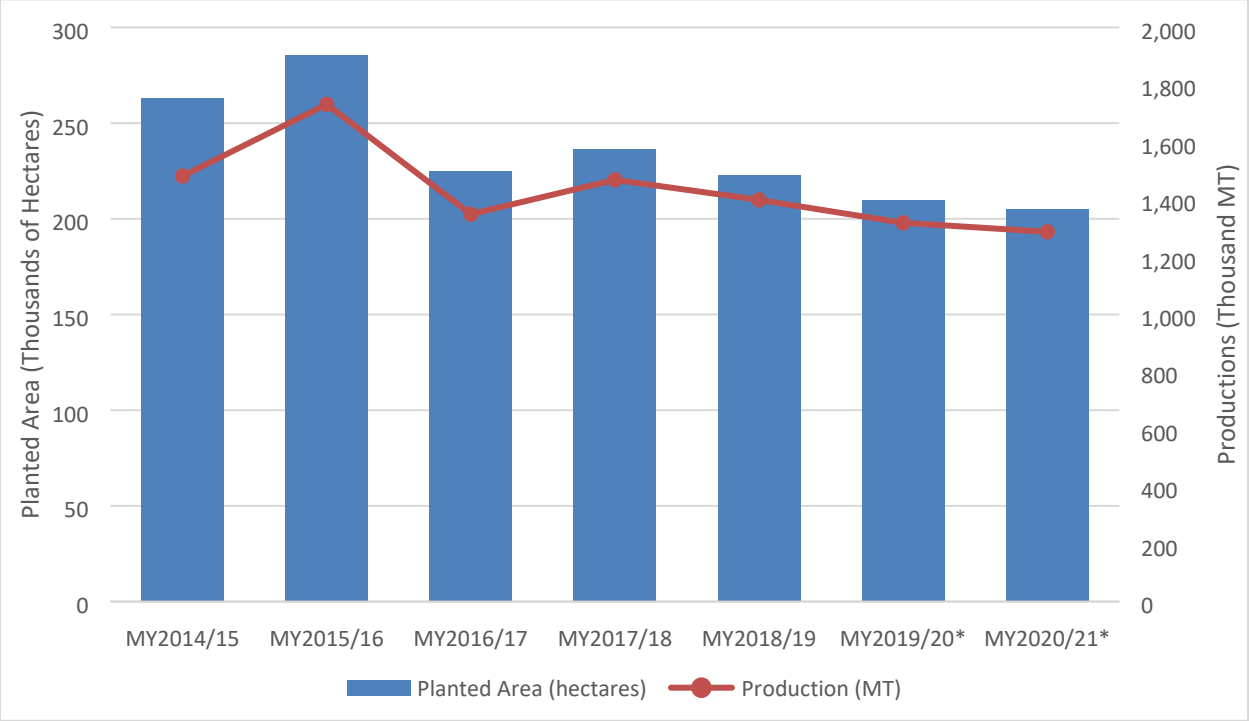
For MY2020/21, Post projects 205,000 ha of wheat planted area and 1.288 MMT of wheat production, which represents a decrease by 2.4 percent following the planted area and production decrease trends from MY2019/20 (See Table 1). This lower growth rate in production also considers limitations imposed by droughts especially *in O'Higgins and Maul*e regions, and an increased competition between small farmers and large farmers who have economies of scale.

In MY2019/20, wheat production totaled 1.32 MMT, which represents a 5.7 percent decrease over MY2018/19 (See Graph 1). The large decrease in production is a result of a decline in wheat planted area, which totaled 210,000 ha.

Wheat production in Chile ranges from *O'Higgins* region, in the central part of the country, which has

been highly impacted by droughts, to *Los Lagos* region, in the southern part of the country. However, *Araucania* region in the southern part of Chile, holds half of total wheat planted area, making it the top wheat producing region in Chile.

Graph 1. Chile: Wheat Planted Area (thousands of hectares) and Production (thousands of MT)



Source: Based on Instituto Nacional de Estadísticas (INE) and ODEPA

**: Post projections*

Policy:

Post reports no major policy changes since last year's report. Chile's Minister of Agriculture presides the Chilean Wheat Commission, formed by public and private actors from the sector, including producers, millers, and other wheat related institutions. The Chilean Wheat Commission gathers regularly to discuss regulations and areas of collaboration. The Chilean government has a free trade policy and does not buy any wheat, unless it is to correct market failures or price distortion. The private company *Cotrisa* (*Comercializadora de Trigo S.A.*) monitors prices and imports costs of wheat. If the price paid to a Chilean producer is lower than the one paid for imported wheat, *Cotrisa* will buy up to 30 MT of wheat from small producers under its wheat-purchasing program.

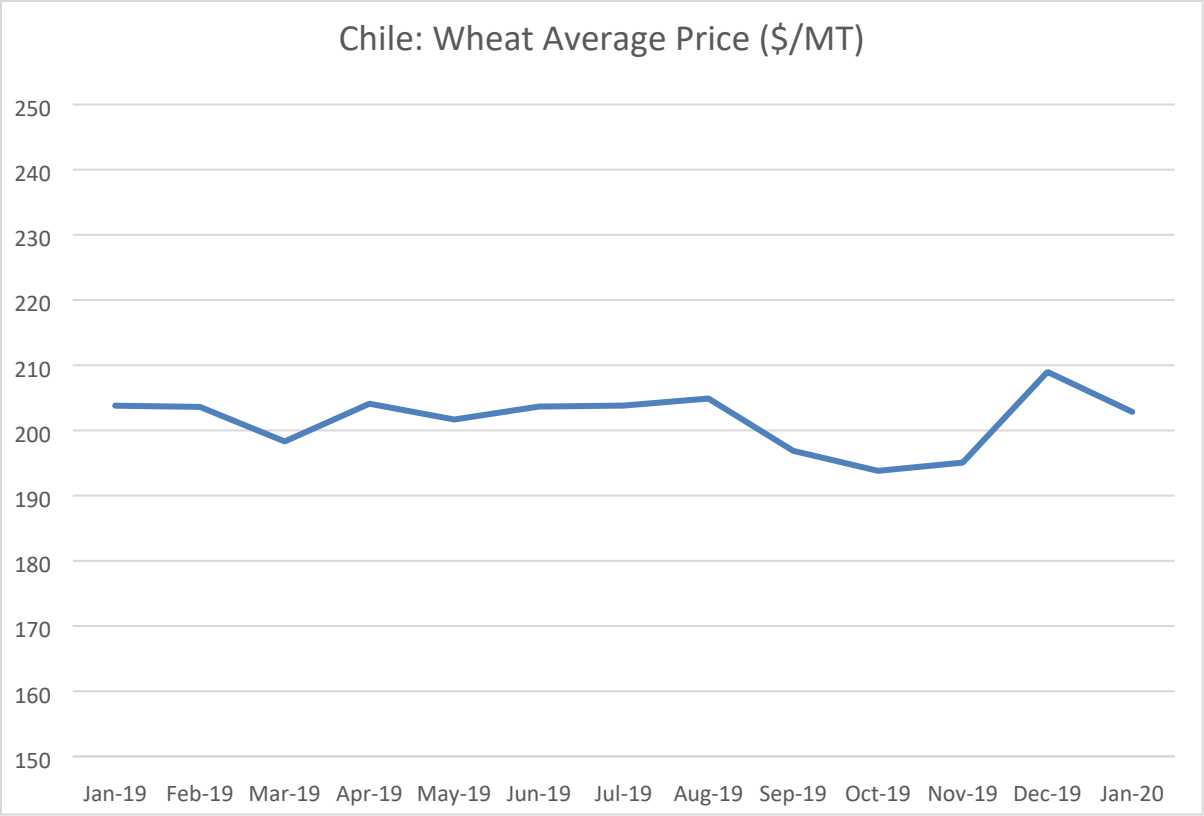
Prices:

Chile imports wheat from the United States, Canada, and Argentina in order to fulfill its domestic consumption needs. International wheat prices influence the domestic wheat price in Chile.

According to Post sources, the depreciation of the Chilean peso will play a major role in prices in MY2021. The dollar value has increased from $721 Chilean pesos per dollar in October 2019 to $860 Chilean pesos per dollar in March 2020, which is the highest value ever recorded. Wheat price in Chile has remained relatively steady and around $200 per metric ton (See Graph 2). Post observed a slight decrease in January 2020, in line with increased wheat supplies, due to the harvest season which peaks around that time. Post expects wheat prices to increase in the upcoming months of MY2020 following the fluctuating and increasing exchange rate.

For further details in Chilean wheat price data see *Cotrisa's* website.

Graph 2. Wheat Average Price in Chile by Month (US$ per Metric Ton)



Source: based in ODEPA, 2020

**Exchange rate: 1 dollar = 850 Chilean pesos*

Consumption:

For MY 2020/21 consumption is projected to reach 2.835 MMT considering an average of one percent annual growth rate, following population growth rate in Chile.

Post estimates that Chile's Food, Seed and Industrial (FSI) use of wheat makes up 87 percent of total wheat consumption. Chile is a net importer of wheat since domestic production does not cover the

consumption needs. Feed represents the remaining 13 percent of the wheat consumption, mainly destined for the salmon farming industry (in the southern part of the country). Post estimates a steady feed annual consumption of 350,000 MT.

Trade:

For MY2020/21, Post expects wheat imports to decrease by 3.5 percent and total 1.35 MMT following an increase in the dollar value. In MY2019/20, imports will reach 1.4 MMT to cover for the decrease in local wheat production (See Table 2).

According to post sources, Chilean wheat importers base their buying decisions in various factors including price, quality, varieties, consistency, logistics, transport costs, economic juncture, among others. Argentine wheat is cheaper to import, but U.S. wheat offers a wider variety, grades and types of wheats which mills can use in their mixes for further processing. Chile is one of the few countries that imports soft white wheat from the United States as mill operators use it to elaborate customized bread mixes for their clients, which contain between 20-30 percent of soft white wheat. For more detail on bread production in Chile see consumption section in last year's report.

Chile has been facing an on-going civil unrest situation that erupted in October 2019, which has influenced the Chilean peso depreciation.

According to latest data available from Trade Data Monitor (See Table 2), wheat import volumes increased by 1 percent in MY2019/20 (December to January data only) with 37,512 MT of it coming from the United States.

Table 2. Chile: Wheat Import Volume (MT) by Country of Origin

Partner	Marketing Year (December – November)			Year to Date		
	MY2017/18 (MT)	MY2018/19 (MT)	Variation (%)	12/18-1/19 (MT)	12/19-1/20 (MT)	Variation (%)
World	1,404,430	1,129,604	-20	235,240	238,510	1
Argentina	597,171	381,598	-36	181,041	187,663	4
United States	298,281	374,459	26	52	37,512	72,061
Canada	452,653	304,915	-33	42,990	0	-100
Peru	29,589	29,889	1	5,709	5,073	-11
Others	26,736	38,743	45	5,447	8,263	52

Source: Trade Data Monitor, LLC

**For details of conversion factors see appendix*

Stocks:

Stocks are revised down to 249,000 MT in MY2020/21 in order to cover consumption needs, following the contraction in production, and price increase due to the depreciation of Chilean peso.

Commodities:

Corn

Table 3. Production, Supply and Demand Data Statistics

Corn	2018/2019		2019/2020		2020/2021	
Market Begin Year	mar-19		mar-20		mar-21	
Chile	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	80	74	70	67	0	65
Beginning Stocks	279	279	202	180	0	138
Production	973	951	875	863	0	837
MY Imports	2,300	2,300	2,600	2,600	0	2,700
TY Imports	2,292	2,292	2,600	2,400	0	2,500
TY Imp. from U.S.	16	30		20	0	25
Total Supply	3,552	3,530	3,677	3,643	0	3,675
MY Exports	25	25	25	25	0	25
TY Exports	22	22	25	25	0	25
Feed and Residual	3,000	3,000	3,200	3,150	0	3,200
FSI Consumption	325	325	330	330	0	335
Total Consumption	3,325	3,325	3,530	3,480	0	3,535
Ending Stocks	202	180	122	138	0	115
Total Distribution	3,552	3,530	3,677	3,643	0	3,675
Yield	11.625	12.85	0	12.88	0	12.88
(1000 HA) ,(1000 MT) ,(MT/HA)						

Source: Based on INE, Servicio Nacional de Aduana-Chile Customs and ODEPA

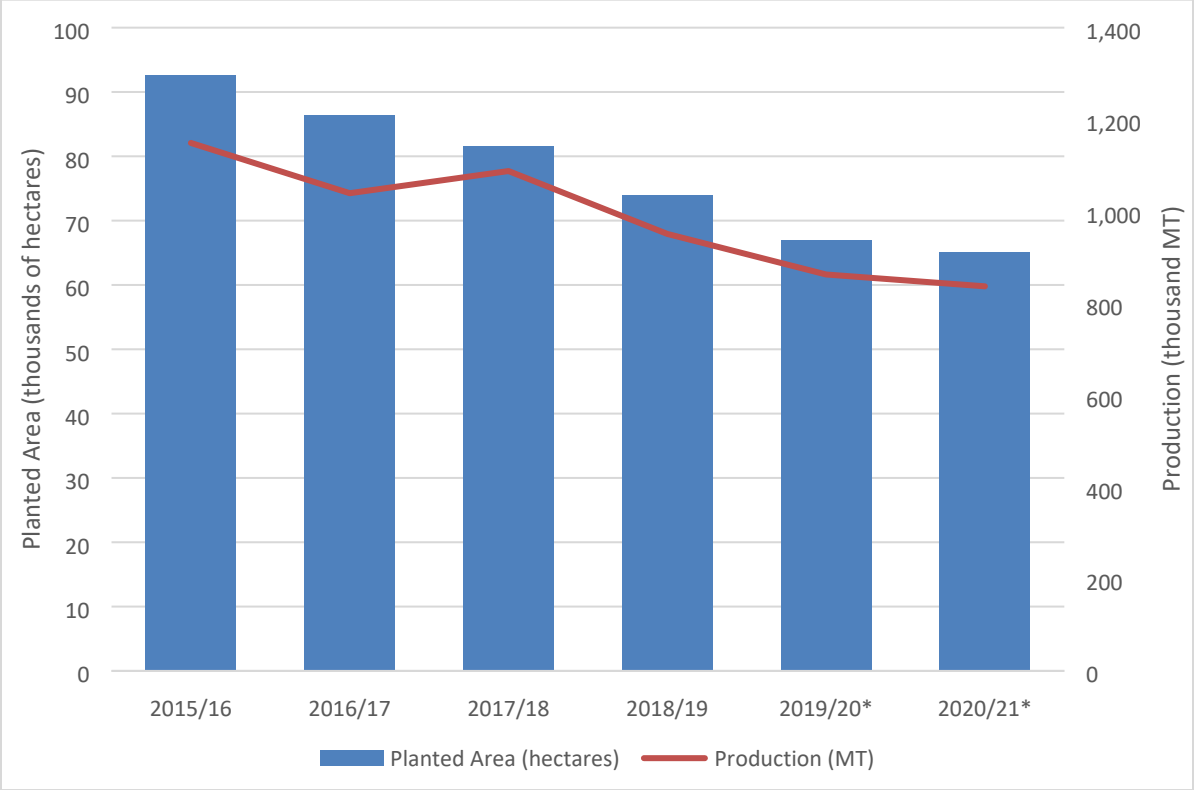
Production:

For MY 2020/21, Post projects 837,000 MT of corn production, a three percent decrease over MY2019/20, considering planted area will decrease down to 65,000 ha following the decrease trend in the past five marketing years (See Graph 3).

Furthermore, planted area is expected to keep its decrease trend due to increased local competition within Chilean corn production and due to competition from corn imports from Argentina, Paraguay, and the United States.

Additionally, Chile is going through a period of droughts, mainly in the central regions of *O´Higgins* and *Maule*, which together hold 70 percent of the Chilean corn planted area, and which will present limitations for corn production.

Graph 3: Chile. Corn Planted Area (thousands of hectares) and Production (thousands of MT)



Source: Based on Instituto Nacional de Estadísticas (INE) and ODEPA

**: Estimations*

Consumption:

Post estimates that 90 percent of the Chilean corn consumption in Chile corresponds to the animal feed sector to produce poultry (chicken meat and turkey), pork, and salmon. The remainder 10 percent corresponds to food and seed production.

Post expects production pork production to grow by two percent in Calendar Year (CY) 2020 and reach 540,000 MT, since international demand for pork continues to increase. Chicken meat production will increase by one percent in CY2020 and reach 690,000 MT, due to increased demand from China.

Following the increase in poultry and pork production, Post estimates feed and residual consumption for MY2020/21 will increase by 1.6 percent and reach 3.2 MMT. FSI consumption will reach 335,000 MT, thus total consumption will reach 3.535 MMT.

Policy:

Post reports no major policy changes since last year's report. As in the case of the Chilean Wheat Commission, the Ministry of Agriculture chairs the Chilean Corn Commission, which gathers

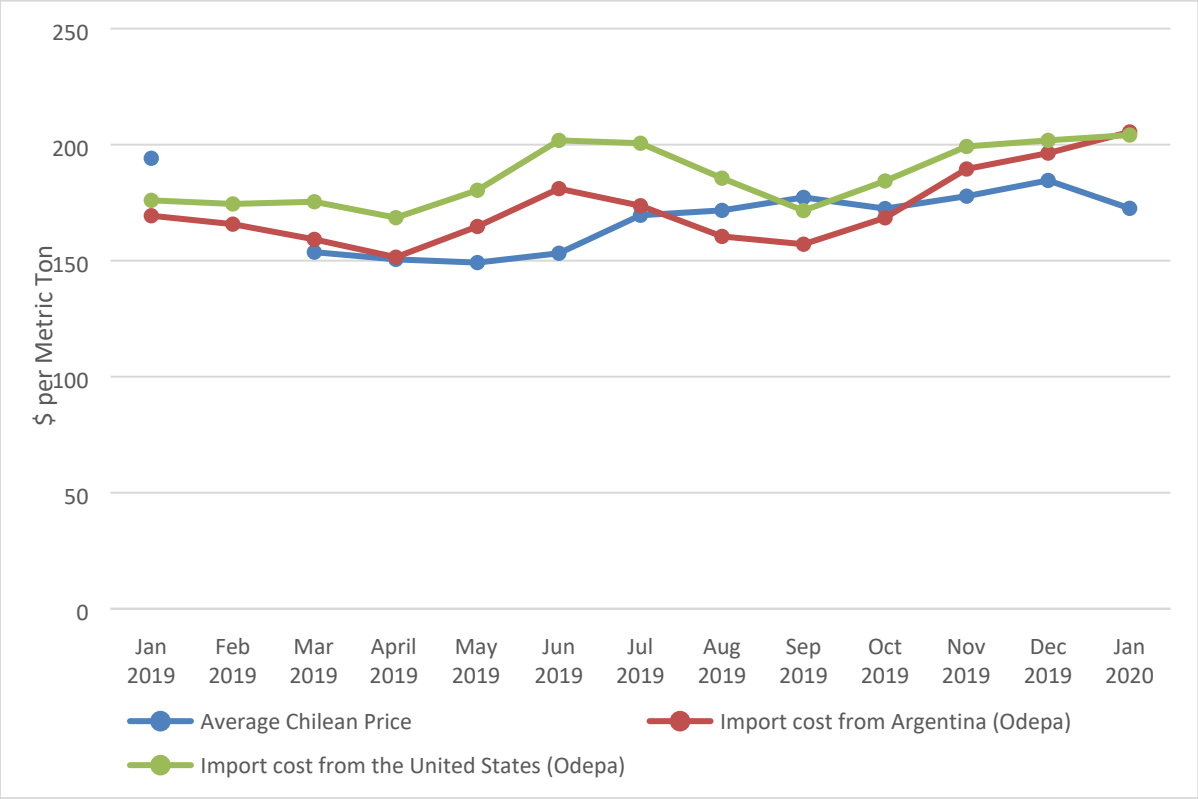
government institutions, corn producers, and related actors. The commission's objective is to provide information for decision making and to ensure transparency in the corn market.

Prices:

Graph 4 shows average corn price in Chile and the import cost indicator for corn from Argentina and the United States in U.S. dollars per metric ton at current prices. The domestic price of corn is lower than the corn import indicator during the months around Chile's harvest season, from March to May, when corn supply increases.

In MY2019/20, import cost of Argentine corn has been lower than U.S. corn, which explains why Argentina is the main supplier of corn for Chile. However, with the depreciation of Chilean peso, corn import costs increased since September 2019 and are expected to maintain its increasing trend in MY2020/21.

Graph 4. Chile: Corn Price and Import Cost Indicator ($ dollars / MT)



Source: Based in ODEPA, 2020

**Exchange rate: 1 dollar = 850 Chilean pesos*

Trade:

For MY2020/21 corn imports are projected to reach 2.7 MMT in order to cover domestic consumption

and following the decrease in Chilean corn production.

Chilean companies import corn to supply feed to the pork and poultry industries. Other products that companies import for animal feed are corn gluten meal, wheat, soybeans, and soybean meal. Chile gets its bulk corn supplies mainly from Argentina and Paraguay, but the United States is the main supplier of corn gluten meal.

Argentina was the main supplier of corn in MY2018/19 with 87 percent market share (See Table 4). Chile's corn imports from Argentina increased by seven percent in MY2018/19 over MY2017/18 (data until January). On the other hand, imports from Paraguay increased by 98 percent and imports from the United States decreased by 95 percent during the same period based on increased price competition.

Table 4. Chile: Corn Import Volume by Country (Metric Tons)

Partner	Marketing Year (March – February)			Year to Date (MT)		
	MY2016/17	MY2017/18	Variation (%)	MY2017/18 (03/18-1/19)	MY2018/19 (03/19-1/20)	Variation (%)
World	1,688,537	2,000,372	18	1,841,583	2,186,530	14
Argentina	1,551,628	1,895,311	22	1,737,180	1,891,866	7
Paraguay	134,121	69,691	-48	69,691	231,250	98
United States	834	29,571	3446	28,941	2,575	-95
Uruguay	285	4,707	1552	4,707	33,346	608
Peru	79	433	448	415	458	10
France	194	153	-21	153	163	7
Colombia	71	152	114	142	169	19
Brazil	1,039	150	-86	150	25,317	16,778
Others	286	204	-29	204	1,386	579

Source: Trade Data Monitor, LLC

Stocks:

Post estimates Chilean corn stocks will decrease to 155,000 MT in MY2020/21 to cover consumption and following the decrease in domestic Chilean corn production.

Appendix

Table 5: Conversion factors to wheat grain equivalent

HS code	Description	Conversion factor to wheat grain equivalent
1001	Wheat And Meslin	1.000
190219	Pasta, Uncooked, Not Stuffed Etc., Nesoi	1.368
1101	Wheat Or Meslin Flour	1.368
190230	Pasta, Prepared Nesoi	1.368
190240	Couscous	1.368

Source: FAS reporting instructions

Attachments:

No Attachments