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Chile

Livestock and Products

Pork Annual

2007

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Report Highlights:

As a result of a strong export demand the largest Chilean pork producers are expanding production by increasing the number of sows. Production is expected to expand an estimated 26 percent in 2007, but only 7 percent in 2008, as a result of a slowdown in expansion. Imports also are expected to grow, as exports of pork are likely to outgrow production expansions.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Santiago [C1]
[C1]

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Executive Summary

Chile's pork industry has based its development on the geographic isolation that has been fundamental to keep an animal disease free environment. Economic stability, along with an open market strategy, has encouraged investments that have had a positive effect on the quantity and quality of production. There is a strong focus on controlling the production process to meet buyer specifications. Pork production has grown extraordinarily during the last decade. This production expansion is mainly due to increases in efficiency.

Production General

Chile's economic stability and expansion has spurred a continuous increase in meat consumption over the last decade. An average annual GDP growth rate of over 6 percent during the last 18 years and per capita income that has increased three times has positioned Chile as one of the fastest growing economies in the western hemisphere. As a result meat consumption and production has expanded significantly.

The most impressive growth has occurred in poultry. Beef consumption also has increased but production has not kept pace with rising utilization. Consequently, Chile has become a significant beef importer. The MERCOSUR member countries currently are the main suppliers of beef in Chile. But as a result of successfully finalizing negotiations with the Chilean Health Authorities we expect beef imports from the United States in the coming years.

Pork production and consumption also has been increasing steadily for the last decade. Per capita consumption has increased from 12 Kg in 1995 to 20.9 Kg in 2006. Exports also have grown since 1995. The latest statistics show that Chile possesses a total population of 2.3 million pigs up from 1.5 million in 1995.

Pork

Production

Chile's pork production has expanded tremendously during the last two decades, from 66 thousand metric tons in 1985 to 467 thousand metric tons in 2006. Its production expansion and efficiency is a result of a privileged sanitary environment with favorable climatic conditions.

TABLE - Pork Meat Production and Trade (Metric Tons)

	Production (CWE)	Exports (PWE)	Imports (PWE)	Per Capita Consumption (Kg/ person)
1990	123,170	1,646	0	
1995	172,410	2,755	979	12.1
2000	261,477	12,994	1,854	16.5
2001	303,006	24,391	296	18.1
2002	350,721	45,291	584	19.6
2003	365,343	61,473	187	19.3
2004	372,845	78,794	751	18.5
2005	410,664	97,749	880	19.3
2006	467,300	99,670	1,369	20.9
Source: Central Bank, Ministry of Agriculture (ODEPA)				

In Chile, the pork industry is very efficient, highly concentrated and vertically integrated. The Pork Producers Association only has 40 members out of 140 producers, but these members produce 92% of the total domestic production. Almost 75 percent of Chile's pork production is concentrated among 5 large pork packers, of which Agrosuper accounts for 65 percent of total production, followed by Friosa at 15 percent and Valledor accounting for 8 percent. The largest five producers, members of the Association, are vertically integrated. Vertical integration has enabled producers to maintain a strict level of product traceability throughout the process and ensuring product safety, quality and reliability from the production site to the final consumer. Large investments to incorporate state-of-the-art technology that strengthen sanitary and production efficiency levels, as well as an aggressive campaign to expand export markets through the implementation of free trade agreements, are the main factors that explain the Chilean pork industry's success. Only an estimated 3 percent of total pork production comes from the so-called non-industrial operations.

Close to 97 percent of the pork producers are located in two Regions, Region VI (Rancagua) with almost 68 percent of total production and the Metropolitan Region (Santiago) where 29 percent is produced. Agrosuper's main operation is concentrated in Region VI with 75% of the total number of pigs.

Industry expects pork production to increase as export demand will continue to grow. Increases in production in Chile will be due to an increase in the number of sows maintained by the largest operations. As a result of increased economies of scale, production costs are expected to continue to fall, which will allow these producers to export part of this production expansion. Additionally, since they are integrated vertically, these companies can transfer their cost efficiencies into the price of the final product, thus stimulating consumption of certain cuts by offering especially competitive prices.

A significant increase in the number of sows is expected in the next 5 years as the main producers are going through a significant increase in their operations. From the present 235 thousand sows, an industry official has indicated that they expect to have an estimated 491,000 sows in production by the year 2010. As a result pork meat production is expected to increase over 100 percent by the year 2010. An estimated 858 thousand metric tons of pork meat production is expected in 2010.

Consumption

Domestic pork consumption has expanded significantly in the last 20 years, from 6.1 Kg per capita consumption in 1986 to 20.9 Kg in 2006. Leaner pork meat, an extensive and aggressive generic marketing campaign, lower prices and increased disposable income are many of the reasons for the significant increase in domestic consumption during the last 20 years.

Trade

Exports

Chilean pork exports have grown significantly during the last decade, from 2,755 MT in 1995 to over 129,000 MT in 2006. The main destinations for Chilean pork are Japan and South Korea.

Industry officials indicate that trade agreements and the higher sanitary conditions for the pork production are Chile's main comparative advantage in gaining market access. Chile is free of the main diseases that affect pig production and the strict regulatory controls and sanitary restrictions carried out by the Agricultural and Livestock Service (SAG) throughout the production chain, provide a national sanitary framework that prevents the introduction of diseases, which has allowed Chile to access many different markets.

Until recently the Pork Industry's main objective was to satisfy domestic demand. Realizing the good quality of their product and supported by Chile's open market and export promotion policies, the industry has turned its attention to the export markets.

Imports

Industry sources reported that pork imports would increase in the coming years, as domestic and export demand outstrips production. The opening of the US market for Chilean pork is expected to contribute to increase Chilean exports. This is expected to create a deficit for the Chilean sausage industry, which is not vertically integrated, i.e. most of them does not produce swine and/or own a slaughterhouse. The sausage industry needs a constant supply of pork imports. As a result of increased c prices during the last 4 years for domestic input, the processing industry is increasingly turning towards imports to assure a constant supply. Currently, only certain cuts are imported (boneless and bellies), as these products are destined for the processing industry (sausage). Canada has been the main supplier of pork for the sausage industry. But new market access for US pork products is expected to replace some Canadian imports. Like Canadian product, US product can now enter duty free.

TABLE – Domestic Pork and Product Prices			
	Producer Price for live Animals (US\$/ Kg)	Pork meat in carcasses (US\$/Kg)	Pork Chop at consumer level (US\$/Kg)
1999	0.80	1.39	2.91
2000	0.76	1.30	3.01
2001	0.68	1.10	2.65
2002	0.68	1.07	2.49
2003	0.77	1.25	2.54
2004	0.92	1.58	3.18
2005	0.90	1.80	3.80
2006	0.96	1.64	3.67
Source: National Institute of Statistics, ODEPA			

An industry source indicated that imports would be much larger if price were the only factor to consider in an import transaction. However since the export market is so important, imported ingredients must comply with highest sanitary conditions. Pork product imports can only come from countries that have similar or better sanitary conditions than Chile.

Imports from MERCOSUR (Brazil and others), the EU, Canada and United States do not pay duty as a result of the existing trade agreements. Imports from all other origins pay a 6 percent duty.

PSD Table										
Country	Chile									
Commodity	Animal Numbers, Swine						(1000 HEAD)(PERCENT)			
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01-2006	01-2006		01-2007	01-2007		01-2008	01-2008	MM/YYYY
Total Beginning Stocks	2365	3391	3391	2368	3397	3988	2398	3398	4598	(1000 HEAD)
Sow Beginning Stocks	320	275	267	332	332	281	0	0	301	(1000 HEAD)
Production (Pig Crop)	4520	6325	5340	4730	7636	5620	0	0	6020	(1000 HEAD)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Imports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Total Imports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Total Supply	6885	9716	8731	7098	11033	9608	2398	3398	10618	(1000 HEAD)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Total Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Sow Slaughter	1	1	1	1	1	1	0	0	1	(1000 HEAD)
Other Slaughter	4516	6318	4742	4699	7634	5009	0	0	5366	(1000 HEAD)
Total Slaughter	4517	6319	4743	4700	7635	5010	0	0	5367	(1000 HEAD)
Loss	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Ending Inventories	2368	3397	3988	2398	3398	4598	0	0	5251	(1000 HEAD)
Total Distribution	6885	9716	8731	7098	11033	9608	0	0	10618	(1000 HEAD)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 HEAD)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Balance	0	0	0	0	0	0	-2398	-3398	0	(1000 HEAD)
Inventory Balance	3	6	597	30	1	610	-2398	-3398	653	(1000 HEAD)
Inventory Change	2	0	2	0	0	18	1	0	15	(PERCENT)
Sow Change	3	0	3	4	21	5	-100	-100	7	(PERCENT)
Production Change	3	0	3	5	21	5	-100	-100	7	(PERCENT)
Production to Sows	14,1	23	20	14,2	23	20	0	0	20	(PERCENT)
Trade Balance	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Slaughter to Inventory	191	186	140	198	225	126	0	0	117	(PERCENT)

PSD Table										
Country	Chile									
Commodity	Meat, Swine						(1000 HEAD)(1000 MT CWE)(PERCENT)			
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01-2006	01-2006		01-2007	01-2007		01-2008	01-2008	MM/YYYY
Slaughter (Reference)	4517	6319	4517	4700	7635	4700	0	0	5367	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Production	430	481	467	450	580	491	0	0	526	(1000 MT CWE)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Imports	1	1	2	1	1	2	0	0	2	(1000 MT CWE)
Total Imports	1	1	2	1	1	2	0	0	2	(1000 MT CWE)
Total Supply	431	482	469	451	581	493	0	0	528	(1000 MT CWE)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Exports	124	195	130	135	284	150	0	0	177	(1000 MT CWE)
Total Exports	124	195	130	135	284	150	0	0	177	(1000 MT CWE)
Human Dom. Consumption	307	287	339	316	297	343	0	0	351	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	307	287	339	316	297	343	0	0	351	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Distribution	431	482	469	451	581	493	0	0	528	(1000 MT CWE)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Balance	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Inventory Balance	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Weights	95	76	103	96	76	104	0	0	98	(1000 MT CWE)
Production Change	5	0	5	5	21	5	-100	-100	7	(PERCENT)
Import Change	0	0	0	0	0	0	-100	-100	0	(PERCENT)
Export Change	-3	0	-3	9	46	15	-100	-100	18	(PERCENT)
Trade Balance	123	194	128	134	283	148	0	0	175	(1000 MT CWE)
Consumption Change	8	0	8	3	3	1	-100	-100	2	(PERCENT)

Export Trade Matrix

Country	Chile			
Commodity	Meat, Swine			
Time Period	Jan-Dec	Units:	M.T.	
Exports for:	2006		2007	
U.S.	527	U.S.	451	
Others		Others		
Japan	64226	Japan	36959	
South Korea	31433	South Korea	24078	
Germany	3336	Italy	3265	
Mexico	5406	Germany	2086	
Canada	2214	Cuba	1766	
Cuba	4376	Mexico	1588	
Italy	2958	Ireland	1067	
Rumania	3422	Canada	1054	
Argentina	2644	Croatia	905	
U.K.	1677	Argentina	764	
Total for Others	121692		73532	
Others not Listed	7352		3434	
Grand Total	129571		77417	

Note: Trade data for CY2007 covers the months of January through June only.