**Required Report:** Required - Public Distribution **Date:** July 05, 2022

**Report Number:** CI2022-0013

# **Report Name:** Retail Foods

**Country:** Chile

**Post:** Santiago

**Report Category:** Retail Foods

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**Report Highlights:**

In 2021, Chile maintained its position as the top market for U.S. consumer-oriented products in South America, followed by Colombia and Peru. The United States held 14 percent of Chilean market share of consumer-oriented products, shipping $886.4 million. Retail food sales reached $25.6 billion in 2021, a 7.6 percent increase over 2020. Supermarket food sales totaled $14.4 billion and represented 56.3 percent of total retail food sales in 2021. In 2021, with fewer COVID-19 restrictions and a successful vaccination campaign, GDP grew by 11.8 percent, pushing consumer spending. For 2022, the Chilean Central Bank projects a 1.5 percent GDP growth and retail food sales are projected to increase by 2.3 percent per year.

## Executive Summary

Chile is a South American country that borders the South Pacific Ocean, Argentina, Bolivia, and Peru. Chile is divided into 16 administrative regions and the *Metropolitana* region, where Santiago is located, is the most densely populated one with 8.3 million of the 19.8 million people.

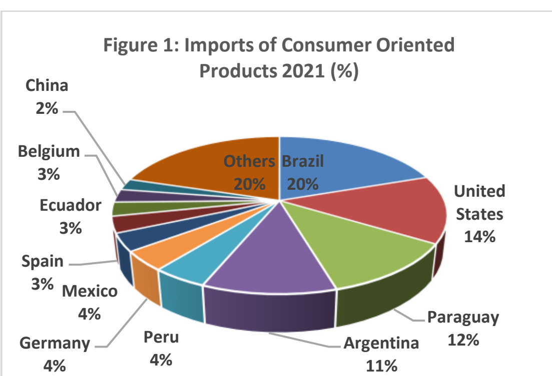
In 2021, after a successful COVID-19 vaccination program and relaxation of associated pandemic restrictions, the Chilean economy bounced back. Chile's Gross Domestic Product (GDP) in current prices totaled $301 billion, a 11.8 percent increase over 2020. For 2022, the Chilean Central Bank estimates a slow-down in the economy and projects a 1.5 percent GDP growth. GDP per capita reached $25,110 PPP in 2020 (World Bank), giving Chile the highest per capita GDP in Latin America.

In 2021, the agriculture and related sector represented 24.4 percent of total Chilean exports ($21.9 billion), 9.0 percent of total GDP ($24.2 billion), and employed around 10 percent of Chile's labor force.

U.S. agricultural exports to Chile totaled $1.3 billion in 2021, a 29.5 percent increase over 2020. Chile is the second-largest market in South America for U.S. agricultural products, after Colombia.

## Imports of Consumer-Oriented Products

Chile the largest market in South America for U.S. consumer-oriented agricultural products with $886 million worth of export sales in 2021.




*Source: Trade Data Monitor, LLC.*

## Food Processing Industry

Food and beverage processing represents 13.5 percent of Chile's exports, at $12.8 billion in 2021. The food processing industry is the second largest economic export sector after mining. According to the Chilean Export Promotion Agency (*ProChile*), the food processing sector employs over 368,316 workers.

## Food Retail Industry

7.6 percent increase over 2020. Supermarket food sales totaled $14.4 billion and represented 56.3 percent of total retail food sales in 2021.

***Quick Facts CY 2021***

**Imports of Consumer-Oriented Products** *(US $6.05 billion)*

**List of Top 10 Growth Products in Host Country**

1) Beef, and products
2) Beer
3) Dairy products
4) Pork, and products
5) Condiments and sauces
6) Distilled spirits
7) Dog and cat food
8) Confectionary
9) Wheat
10) Feeds & fodders

**Food Industry by Channels (U.S. billion) 2021**

| | |
|---|---|
| Retail Food Sales | $25.6 |
| Ag & Related Exports | $21.9 |
| Ag & Related Imports | $11.4 |
| Supermarket Food Sales | $14.4 |
| Retail (total retail sales) | $49.5 |
| Food Service | $3.9 |

**Top Retailers in Chile**

1. Walmart Chile (Líder, Express de Líder, Super Bodega, aCuenta and Central Mayorista)
2. Cencosud (Jumbo and Santa Isabel)
3. SMU (Unimarc, Mayorista 10, Alvi, OK Market,and Telemercado)
4. Falabella (Tottus)

**GDP/Population**

Population *(millions)*: 19.8
GDP *(billions USD)*: $301
GDP per capita *(USD PPP)*: $25,110

**Sources: Trade Data Monitor / Chilean Central Bank / INE / Euromonitor**

## Strengths/Weaknesses/Opportunities/Challenges

| ***Strengths*** | **Weaknesses** |
|---|---|
| *Chile has the highest income per capita in Latin America.* | *Relatively small population compared to neighboring countries.* |
| ***Opportunities*** | **Threats** |
| *The U.S.-Chile Free Trade Agreement resulted in zero percent duties for all U.S. agricultural products as of January 1, 2015.* | *Economic and political uncertainty due to a new government, and a new constitution.* |

## SECTION I. MARKET SUMMARY

Chile was one of Latin America's fastest-growing economies in the last decade enabling the country to have a modern and dynamic retail food industry. The Chilean retail sector consists of a mix of large supermarkets, mid-sized grocery stores, convenience stores, and thousands of smaller independent mom-and-pop shops. Chile is becoming increasingly urbanized, and the population is concentrated not only in Santiago, but also in other major cities like Valparaiso or Concepcion. As a result, the retail food industry increased the number of convenience stores, mom-and-pop shops, and smaller supermarkets.

Recent developments in Chilean consumer trends:

- In 2021, retail sales totaled $49.5 billion, an 11.5 percent growth over 2020. Out of total retail sales, 84.4 percent are in-store sales, and the remaining 15.6 are non-store sales (e-commerce, direct sales, mail orders, and vending).

- In 2020, the COVID-19 pandemic and intermittent quarantines increased online shopping, especially for groceries and consumer foodservice. However, the economy declined, and GDP decreased by 5.8 percent from 2019. In 2021, with fewer COVID-19 restrictions and a successful vaccination campaign, GDP grew by 11.8 percent.

- In 2021, consumers had higher available income than in 2020. Government provided income support for workers and vulnerable families pushing consumption and retail growth in 2021.

- For 2022, the Chilean Central Bank projects a 1.5 percent GDP growth. Economic and political uncertainty increased significantly due to both internal and external factors, such as the election of a new president, an ongoing process of writing a new constitution, and the increase of international commodity prices. As a result, Post expects consumer spending to be more moderate in 2021.

- Important factors for Chilean consumers' purchasing decisions are store location, price, and promotional activities. Chilean consumers are well-informed, they compare prices, look for promotions and variety before making a purchase.

- A determining aspect that is driving consumers' behavior is innovation and adoption of new technologies. Chile has widespread internet access and vast access to technology, pushing Chilean consumers to online shopping.

- The family size has gradually decreased in Chilean cities. Large families are less frequent, and single-person households are more common. These trends are shaping the way Chileans buy groceries and demand food services. Smaller households with less storage space promote frequent purchases from grocery stores located near their homes or jobs.

Recent developments in the Chilean retail sector:

- Retail food sales totaled $25.6 billion in 2021, a 7.6 percent increase over 2020. Supermarket food sales totaled $14.4 billion and represented 56.3 percent of total grocery retailer sales in 2021. In 2021-2026, retail food sales are projected to increase by 2.3 percent per year (Euromonitor).

- Due to the COVID-19 pandemic, many producers and wholesalers developed e-commerce and online platforms to reach consumers directly. E-commerce retailing grew by 18.6 percent in 2021 over 2020 and it is projected to grow by 8.4 percent annually from 2021 to 2026.

- Supermarket chains adopted new practices because of the COVID-19 pandemic. Stores have increased storage capacity, modified shifts, and expanded e-commerce.

**Table 1. Chile: Advantages and Challenges**

| **Advantages** | **Challenges** |
|---|---|
| Clear rules and transparent regulations offered by the government allow fair competition. | There are strict regulations for fresh products to avoid the spread of diseases that may affect local agricultural production. |
| Food retailers are eager to introduce new products to meet the growing consumer demand of the middle to upper income consumers. | Chile is a competitive market, which has 31 free trade agreements that cover 65 markets including the European Union (EU), China, Central America, and South American countries. |
| The U.S.-Chile Free Trade Agreement resulted in zero percent duties for all U.S. agricultural products as of January 1, 2015. | Economic and political uncertainty increased because of a new government, the writing of a new constitution and inflation. |
| Chile’s largest retailers have operations in other countries making it a gateway to other markets. | Strong competition from other suppliers such as Brazil, Argentina, and Paraguay. |
| U.S. brands are regarded as high quality. Many U.S. brands are well-known and present in the market. | Adopting new technologies such as web-based grocery sales. |
| Equal playing field for imported and local products. | Chilean consumers are price sensitive. |

## SECTION II. ROAD MAP FOR MARKET ENTRY

### Entry Strategy

The Foreign Agricultural Service (FAS) in Santiago advises U.S. exporters to check that their products meet the most up to date Chilean regulations to ensure a straightforward entry strategy into the Chilean market. FAS Santiago maintains listings of potential importers and develops sector-specific information to help introduce U.S. agricultural products in Chile.

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

FAS Santiago recommends U.S. exporters to exhibit or attend Chilean trade shows, particularly the U.S. Pavilion at the *Espacio Food & Service* show. The show is recognized as the most important annual gathering in the Chilean food industry and provides the opportunity to connect with over 28,000 Chilean and international buyers.

Critical considerations for market entry include the following:

- There is a wide variety of food products in Chile's retail sector due to the market openness. U.S. exporters must be clear as to what role the product will have in the market and how it can be positioned in relation to other products.
- Supermarkets have limited shelf space and usually different brands are available.
- Supermarkets will assess if their new product margin is attractive in comparison to other brands.
- The main entry for imports to Chile is via sea. The most important ports are the port of *San Antonio* and the port of *Valparaiso*. Once goods have entered Chile, they are generally transported via trucks/highways.
- Supermarkets chains will allow a new product to have a countrywide presence, and these chains carry a diverse variety of products.
- Trying to enter the Chilean retail market through smaller stores can be a bit more challenging, due to the limited variety of products that small stores can handle. This sector is more focused on price than variety.
- Another possibility is to enter through a business partner or distributor that would sell the product to different types of stores. The advantage is that the distributor has a variety of clients and could sell large volumes of the product.

## Market Structure

Chilean supermarket chains use two systems to supply products in their stores: distribution through suppliers, where suppliers deliver products directly to each store, and centralized distribution where suppliers deliver products to a distribution center that supplies each store afterwards.

Imported food and beverage products for the food retail sector may enter Chile through the following channels:

- Direct imports: large supermarket chains import directly from foreign producers/exporters and own most of the wholesale supermarkets, which then redistribute to smaller stores as well. They operate large distribution centers that supply the entire country.
- Indirect imports: distributors and wholesalers import products to distribute to retail stores.

Most of the independent stores get their products at discount price from wholesalers. They act as an intermediary as the smaller stores are not able to import entire containers or do not have the logistic capacity to do so.

**Supermarkets**
Chile's main supermarket groups are:

- *Walmart Chile* operating around 254 stores under *Hyper de Líder* and *Express de Líder* brands. *Walmart Chile* is the largest supermarket chain in Chile in terms of revenue with a market share of approximately 13.1 percent of total retail value in 2021. *Walmart Chile* continues to dominate the market with its hypermarket format *Hiper de Lider* brand.
- *Cencosud* is the second largest player in Chile operating around 249 hypermarkets and supermarkets under *Jumbo* and *Santa Isabel* brands. *Cencosud* had 12.8 percent of total retail value in 2021. *Cencosud* is a Chilean multinational business that also operates in Brazil, Peru, Colombia, and Argentina. *Jumbo* stands out for having the largest variety of imported products in their supermarket chain. The development of private labels as well as imported brands gives Jumbo a great differentiation in the supermarket industry.
- *SMU* is the third largest supermarket chain operating 379 stores under *Unimarc* brand. SMU had a market share of 5.7 percent of the retail value in 2021.
- *Tottus,* owned by *Falabella*, is the fourth largest supermarket chain, operating 70 hypermarkets and supermarkets. *Tottus* had 2.2 percent of the retail value in 2021.

**Wholesale Discount Stores and Warehouse Clubs**
These types of stores provide most common products at wholesale prices. The average number of different products per store is 4,700 to 5,300 units. There are around 249 wholesale discount stores owned mainly by the large retailer chains like *Walmart Chile* and *SMU*. Chilean wholesalers and warehouse clubs include:

- *Mayorista 10* and *Alvi* from *SMU*
- *SuperBodega aCuenta* and *Central Mayorista* from *Walmart Chile*
- Other wholesale stores are *Distribuidora Fruna* and *La Caserita*

**Convenience Stores**
Convenience stores are placed in convenient locations and offer a variety of foods and snacks. The assortment of products is approximately 1,100 SKUs on average, and includes a wide variety of prepared dishes, chocolates, beverages, bakery products and tobacco. There are two large convenience store chains in Chile:

- *OK Market* (Chile)
- *Oxxo* (Mexico), formerly Big John

There are around 1,375 convenience stores in Chile, a 33.8 percent increase over 2020. Most of them are located within gas stations throughout the country. They are very popular for travelers moving through the countryside and during the holiday season, as they serve as a quick stop for a beverage or snack. In 2021 these stores expanded their business in the city of Santiago outside the gas stations. The top convenience located in gas stations are:

- *Spacio 1,* operated by *Petrobras* (Brazil)
- *Pronto* and *Punto* operated by *Copec* (Chile)
- *Upa*! operated by *Shell*

**Online Grocery Sales and On-Demand Delivery Formats (Apps)**
The main apps that offer online grocery sales in Chile are:

- *Cornershop* offers on-demand grocery delivery service with personal shoppers. In July 2020, Uber Technologies, Inc. acquired *Cornershop*.
- *PedidosYa* from Uruguay offers restaurant delivery services and on-demand grocery shopping.
- *Rappi* from Colombia offers restaurant delivery and offers on-demand grocery delivery.
- *UberEats* from the United States focuses on restaurant deliveries.

Some Chilean supermarkets implemented their own online grocery delivery stores. *Walmart Chile* implemented *Lider.cl*, a pick-up and delivery service. *Jumbo* developed its own on-demand grocery delivery platform, *Spid-35* offering similar delivery services as *Cornershop*. *SMU* implemented *Unimarc.cl* and *Tottus* implemented *Fazil.cl*.

**Mom-and-Pop Shops**
Traditional grocery retailers are the most common store format in Chile totaling 220,151 stores. They cater to customers in neighborhoods where larger supermarkets are not present. These retailers do not normally carry imported packaged products. According to the *Asociación Chilena de Ferias Libres* (Chilean Association of Open Markets), these markets distribute 70 percent of the local production of fruits and vegetables in Chile.

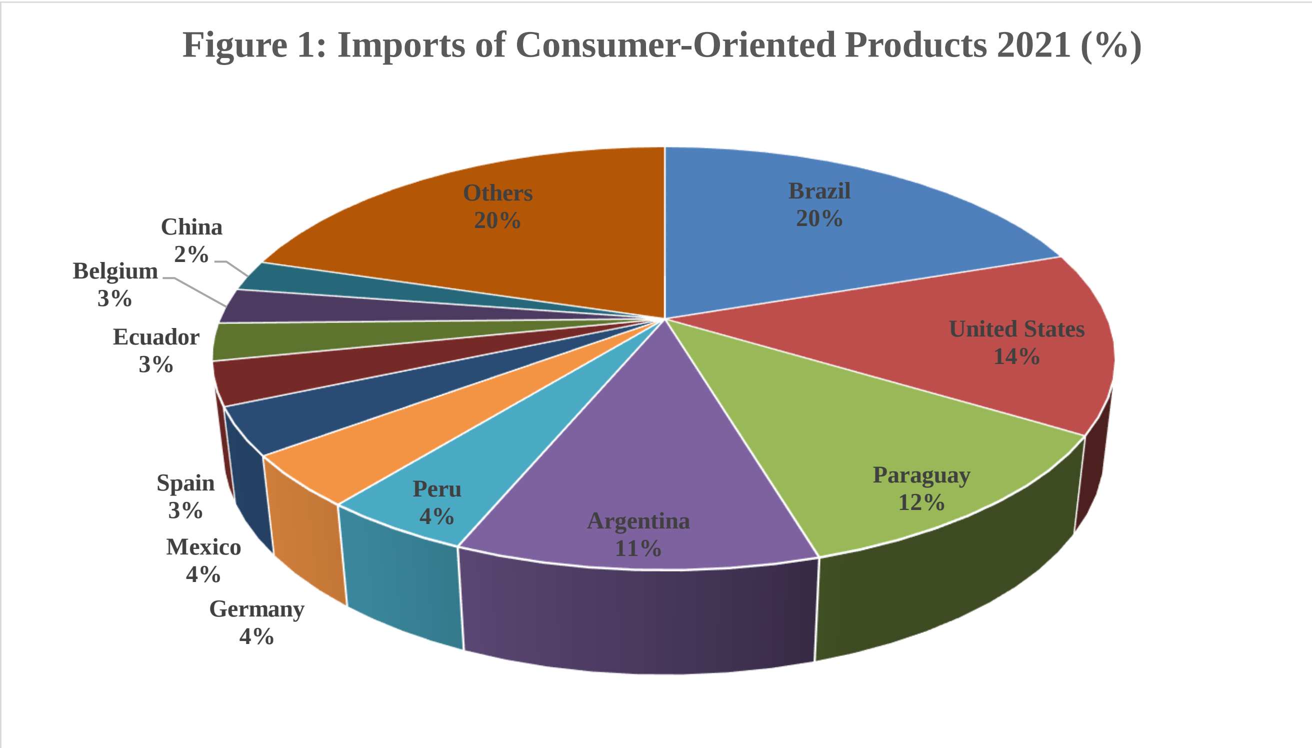
**Specialized Stores**
Specialized stores are small stores that sell specific products. These stores sell to niche groups who can afford products that are usually more expensive. The following are examples of specialized stores found in Chile:

- Liquor stores
- Vegetable and fruit stores
- Butcher shops
- Pet food stores
- Bakery and pastry shops
- Fish and seafood stores
- Healthy product stores

## SECTION III. COMPETITION

The United States and Chile are strategic partners whose agricultural relationship has been guided by collaboration and trade capacity building allowing Chile to become a regional leader with a competitive trade market. U.S. agricultural exports to Chile totaled $1.3 billion in 2021, which represent a 29.5 percent annual growth over 2020. The United States is the third largest supplier of agricultural and related products to Chile, after Argentina and Brazil, holding a 11 percent market share.

Chile is the second largest market in South America for U.S. agricultural and related products, after Colombia and the largest market for consumer-oriented agricultural products. Competition from Mercosur and Peruvian suppliers remains fierce for consumer-oriented products, grains, soybean products, and pet food. The Chilean food processing sector also competes with imported food products.




*Source: Trade Data Monitor, LLC.*

In 2021, the top suppliers of consumer-oriented agricultural products to Chile were Brazil, the United States, Paraguay, and Argentina (See Figure 1).

- Brazil was the top supplier of consumer-oriented products with a market share of 20 percent. Top Brazilian exports to Chile are beef, poultry, pork, chocolate (cocoa products), and pet food.

- The United States was the second largest supplier of consumer-oriented products to Chile with a market share of 14 percent after Brazil. The main U.S. exports are pork, dairy products, beef, beer, condiments and sauces, soup, poultry, and pet food.

- Paraguay is the third largest consumer-oriented products supplier to Chile, with 12 percent market share. Paraguay's main export to Chile is beef. Which is very price-competitive within Mercosur suppliers.

- Argentina was the fourth largest supplier of consumer-oriented products to Chile with a market share of 11 percent. Argentina's main exports to Chile include beef, dairy products, pasta, pet food, and poultry.

## SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

The best product prospects are divided into three categories listed below:

### 1. Products Present in the Market, Which Have Good Sales Potential

- Bakery goods, cereals, and pasta
- Pulses
- Beef and beef products
- Dairy products (premium cheeses and ice creams)
- Tree nuts
- Pork and pork products
- Sweeteners
- Poultry and poultry products

### 2. Products Not Present in Significant Quantities, But Which Have Good Sales Potential

(Products consumed in Chile in small quantities that have no or few U.S. suppliers)

- Craft beer
- Eggs and products
- Flours and starches
- Processed fruit and vegetables
- Chocolate and cocoa products
- Soup and other food preparations
- Sauces, dressings, and condiments
- Edible oils
- Snack foods
- Sauces, condiments, and seasonings

### 3. Products Not Present Because They Face Significant Barriers

Products do not face significant trade barriers to enter the Chilean market. On the contrary, the high number of free trade agreements covering 65 markets, make Chile one of the most open economies in the world where food products from all over the world are offered to consumers. Import tariffs are not considered an import barrier.

## SECTION V. KEY CONTACTS AND FURTHER INFORMATION

| | |
|---|---|
| **Chilean Supermarket Association (ASACH)**<br>Address: Av. Vitacura 2771, Las Condes, Santiago<br>Tel.: +56 22236 5150<br>Web Page: www.supermercadosdechile.cl/ | **SEREMI de Salud (Chile's Food Sanitation Regulations)**<br>Address: Pedro Miguel de Olivares 129, Santiago<br>Tel.: +56 22576 4989<br>Web Page: www.asrm.cl |
| **National Chamber of Commerce (CNC)**<br>Address: Merced 230, Santiago<br>Tel.: +56 22365 4000<br>Email: cnc@cnc.cl<br>Webpage: www.cnc.cl | **Instituto Nacional de Estadísticas – INE (National Institute of Statistics)**<br>Address: Av. Presidente Bulnes 418, Santiago<br>Tel.: +56 22892 4000<br>Email: ine@ine.cl<br>Webpage: www.ine.cl |

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**Attachments:**

No Attachments