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Chilean Beef and Poultry production and trade update

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Livestock and Products

Poultry and Products

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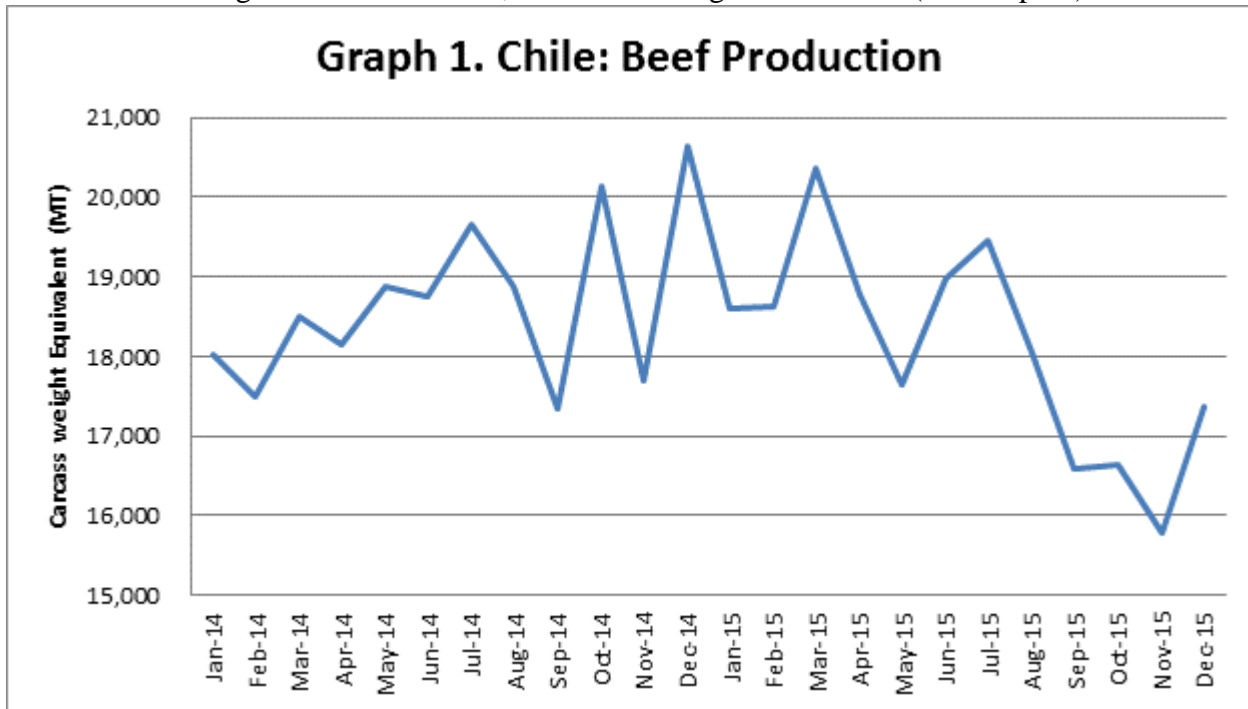
Report Highlights:

Chilean exports of beef and beef products increased 106% in volume on CY2015 due to a favorable exchange rate, improvements in its traceability program that facilitated access to the U.S, Canada and Central America, and the opening of the Chinese market for Chilean beef on mid-2015. In CY2015, Chilean beef production fell 3.2% compared to CY2014, while imports increased 2% in volume, with Paraguay as the main beef supplier for Chile. In CY2015 Broiler production increased 5.6% over 2014, while imports increased by 22% and exports by 14% in volume.

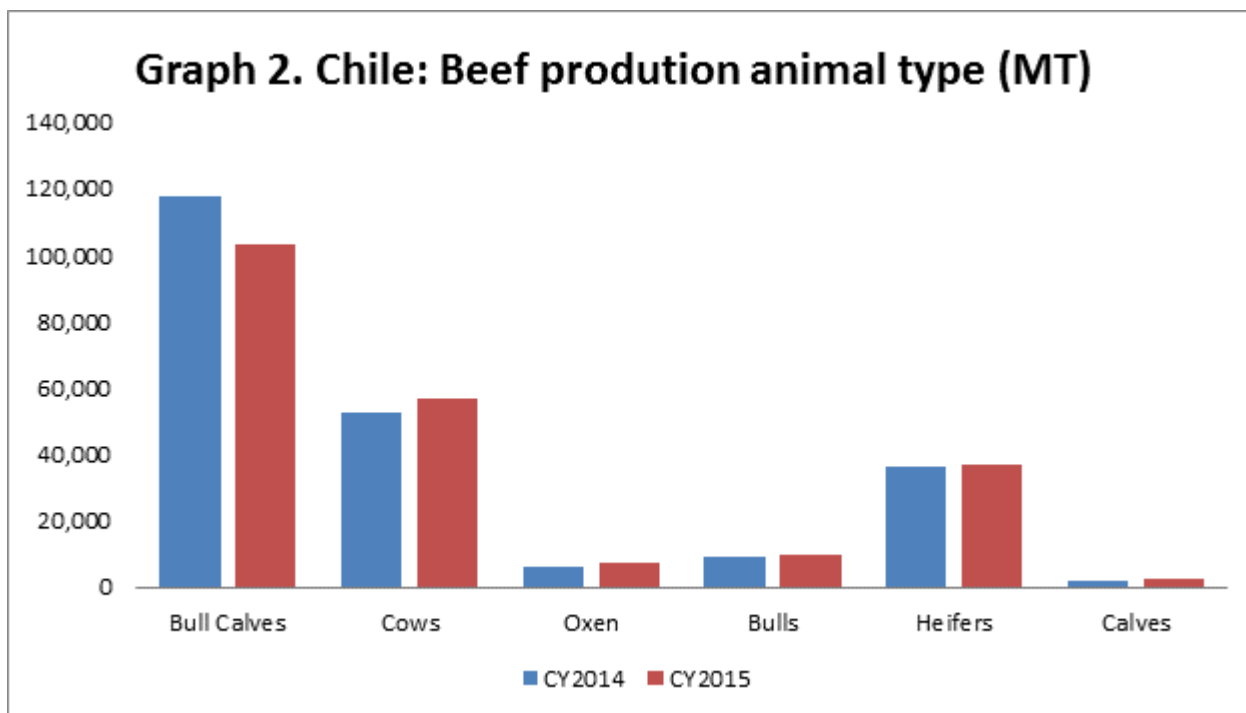
Beef Production:

Chile's domestic beef production in CY2015 totaled 216,860 MT carcass weight equivalent (CWE), a 3.2% reduction over CY2014.

The production decline occurred between September-November and was due to a decline in availability of bull calves for slaughter. In addition, the bull calves decline was a result of the intense drought in the 10th region of Chile during this period, as well as the beginning of 2015 (Graph 1). [Side comment: Because of this drought, dairy production was also affected and milk prices have been low for dairy producers, which resulted in an increase on cow slaughter.] Beef production by type of animal calf indicates that slaughter fell in CY2015, while cow slaughter increased (see Graph 2).



Source: Based on INE (Chilean National Statistics Institute), 2016.



Source: Based on INE (Chilean National Statistics Institute), 2016.

Beef Trade:

Chile's beef imports come mainly from Mercosur countries (Argentina, Brazil, Paraguay and Uruguay). In CY2015 beef exports prices from Mercosur countries were 8% lower than 2014, Paraguay had the lowest price from these countries and the highest reduction in price (11%). This price reduction has to do mainly with lower prices paid by Russia (major beef destination from Mercosur), Chile and Brazil.

Paraguay was the main supplier of beef, but had an outbreak of "food and mouth disease" on "2011" which lowered its participation on Chilean Market; Paraguay has been recovering since then and has regained its position as the main beef supplier for Chile. Brazilian beef exports to Chile have been favored by a high depreciation of their currency (Reais). In January 2016, Chilean total imports of beef were 11.5% higher over January 2015, which breakdowns to 32.2 % increase from Paraguay, 4.7% increase from Brazil and a 5.1% increase from Argentina (based on ODEPA 2016 statistics).

In CY2016 Paraguay is expected to continue gaining market share in the short term, because they have the lowest prices in the market. However, Argentina is expected to increase beef exports to Chile and will gradually regain market share since all of exports tariffs were eliminated by new elected president Mauricio Macri.

In CY2014 Chilean exports of beef and beef products totaled 5,555 MT CWE and surged to 11,451 MT CWE on CY2015 which is a 106% increase in volume (see Table 1).

Three main factors caused the increase Chilean exports during CY2015: first, a favorable exchange rate (the Chilean peso depreciated in relation to U.S. dollar which favors exports); second, the traceability program was updated which facilitated access of Chilean beef/beef products to the U.S, Canada and

Central America; and the third is that the Chinese market was opened for Chilean beef in mid-2015. Chilean exporters expect to continue to maintain exports in 2016 considering that these conditions are expected to stay similar throughout the year.

TABLE 1. Chile Beef and products Trade Data by country

Chile: Beef Imports by country of destination				Chile: Beef Imports by country of destination			
Country of Origin	Value 2014 (US\$)	Value 2015 (US\$)	Variation 2014/2015	Country of Origin	Volume 2014 (MT)	Volume 2015 (MT)	Variation 2014/2015
Paraguay	262,637,727	325,948,169	24%	Paraguay	64,791	90,727	40%
Brazil	296,898,564	263,288,424	-11%	Brazil	73,256	72,996	0%
Argentina	174,622,134	117,562,402	-33%	Argentina	42,584	30,233	-29%
United States	63,643,560	50,042,103	-21%	United States	12,989	9,423	-27%
Uruguay	34,805,813	33,626,492	-3%	Uruguay	8,834	8,408	-5%
Canada	54,198	1,425,046	2529%	Canada	38	185	389%
Others	20,221,004	916,833	-95%	Others	4,556	181	-96%
Total	852,883,000	792,809,469	-7%	Total	207,047	212,153	2%

Chile: Beef Exports by country of destination							
Country of Destination	Value 2014 (US\$)	Value 2015 (US\$)	Variation 2014/2015	Country of Destination	Volume 2014 (MT)	Volume 2015 (MT)	Variation 2014/2015
Colombia	7,335,183	8,044,964	10%	Colombia	1,911	2,079	9%
Costa Rica	541,145	5,677,685	949%	Cuba	888	2,008	126%
Canada	208,850	5,288,086	2432%	Canada	62	1,621	2532%
Cuba	1,804,408	4,253,910	136%	Costa Rica	197	1,523	672%
United States	1,000,164	3,424,721	242%	Korea South	703	981	40%
Germany	3,760,415	3,353,519	-11%	China	-	854	
Korea South	1,899,959	2,634,556	39%	Others	1,795	2,384	33%
Total	14,025	31,052	121%	Total	5,555	11,451	106%

Source: Based on ODEPA, Chilean Chamber Of Commerce and Customs Service

Note: Data includes HS codes 0201; 0202; 021020; 160250 and converted to Carcass Weight Equivalent.

Table 2. Chile: Meat, Beef and Veal Production Supply and Demand.

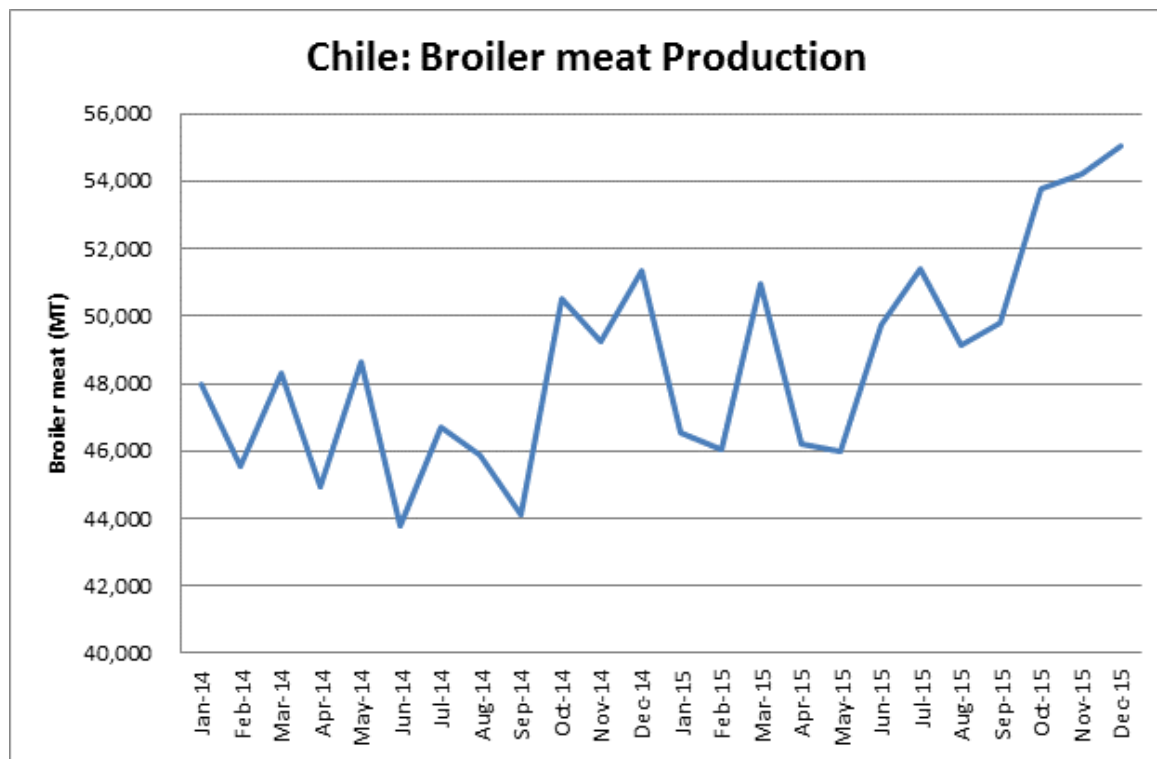
Meat, Beef and Veal Market Begin Year	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Chile						
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	224	224	228	217	232	224
Total Imports	241	207	200	212	230	215
Total Supply	465	431	428	429	462	439
Total Exports	6	6	10	11	12	12
Human Dom. Consumption	459	425	418	418	450	427
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	459	425	418	418	450	427
Ending Stocks	0	0	0	0	0	0
Total Distribution	465	431	428	429	462	439

(1000 HEAD) ,(1000 MT CWE)

Source: Based on data by ODEPA, Chilean Chamber Of Commerce and Customs Service

Broiler Meat Production:

Chilean production of broiler meat in CY 2015 was 599,000 MT, which was a 5.6% increase over 2014. Broiler production October through December 2015 was at its highest level reaching near 54,000 MT monthly. Production has been growing constantly because of low broiler prices compared to beef and the lower prices of grains and feed products used in the industry. Demand of poultry products has been consistently growing.



Source: Based on INE (Chilean National Statistics Institute), 2016.

Broiler Meat Trade:

Depreciation of the Chilean Peso related to dollar was favorable for Chilean exports. In 2016 the US Dollar is expected to remain strong thus benefiting Chilean exports. Main destinations of Chilean exports were Mexico, United States and China. Chinese market is expected to keep demanding broiler meat from Chile, despite deceleration of their economy.

Broiler meat exports in CY2015 increased 22% in volume over 2014. The main destinations were China, Mexico and the United States. Chilean Exports to China increased 88% in value and 55% in volume. On 2016 exports to China should continue to increase. Exports to the U.S. had a big increase also, attributed mainly to market attractiveness by high exchange rate (US dollar related to Chilean peso). Exports to Mexico had a more moderate increase in 2015.

In contrast, Chile too imports broilers. The main exporters of broiler meat to Chile are the United States and Brazil. Export volumes from both countries increased in CY2015. Brazil is expected to remain the top supplier since Brazilian Real is depreciated and we should expect a similar increase in imports throughout 2016.

TABLE 3. Broiler Meat Trade Data by country

Chile: Broiler meat Imports by country of origin.

Country of origin	Value 2014 (US\$)	Value 2015 (US\$)	Variation 2014/2015	Country of origin	Volume 2014 (MT)	Volume 2015 (MT)	Variation 2014/2015
Brazil	62,027,004	67,258,571	8%	United States	38,219	52,202	37%
United States	49,139,124	43,339,264	-12%	Brazil	26,987	38,117	41%
Argentina	45,957,901	31,087,444	-32%	Argentina	21,494	15,334	-29%
Thailand	78,075	192,214	146%	Thailand	18	49	172%
Spain	9,084	110,818	1120%	Canada	-	47	
Uruguay	568,495	74,775	-87%	Uruguay	300	46	-85%
France	13,952	38,049	173%	Spain	1	26	2500%
Others	1,859	51,427	2666%	Others	2	4	100%
Total general	157,795,494	142,152,562	-10%	Total general	87,021	105,825	22%

Chile: Broiler meat exports by country of destination.

Country of destination	Value 2014 (US\$)	Value 2015 (US\$)	Variation 2014/2015	Country of destination	Volume 2014 (MT)	Volume 2015 (MT)	Variation 2014/2015
United States	40,211,070	57,173,742	42%	China	12,020	18,603	55%
Mexico	51,211,076	54,067,229	6%	Mexico	15,087	17,454	16%
China	24,822,066	46,768,800	88%	United States	12,536	16,188	29%
Puerto Rico (U.S.)	34,026,921	43,144,754	27%	Colombia	10,605	13,137	24%
Others	77,639,475	58,118,011	-25%	Others	36,694	33,605	-8%
Total general	227,910,608	259,272,536	14%	Total general	86,942	98,987	14%

Source: Based on ODEPA, Chilean Chamber Of Commerce and Customs Service

Table 4. Chile: Broiler Meat Production Supply and Demand.

Poultry, Meat, Broiler Market Begin Year	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Chile						
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	567	567	580	599	585	605
Total Imports	87	87	110	106	125	120
Total Supply	654	654	690	705	710	725
Total Exports	87	87	95	99	100	110
Human Consumption	567	567	595	606	610	615
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	567	567	595	606	610	615
Total Use	654	654	690	705	710	725
Ending Stocks	0	0	0	0	0	0
Total Distribution	654	654	690	705	710	725

(MIL HEAD) ,(1000 MT)

Source: Based on ODEPA, Chilean Chamber Of Commerce and Customs Service.