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Chile

FOOD PROCESSING SECTOR

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Report Highlights:
Consumer spending on food and beverages has risen significantly to reach US$ 24.3 billion in 2008. This growth has mainly been propelled by improving living standards as a result of falling unemployment and increased purchasing power. Chile's natural geographical advantages, a solid economic foundation, a relatively high technology-based industry, and a sound environment are the main factors behind the development and growth of Chilean agriculture and the food industry.

The slowdown in the global economy has however quickly filtered through to Chile. Although Chile has used booming copper exports to build up substantial cash reserves and is therefore better shielded from the global economic downturn than some other countries in Latin America, the slowing rate of Chile's economic growth has had a significant effect on consumer spending.

Consumption trends influencing the type and quality of inputs being used include easy-to-prepare food, new fast foods and snack foods, diet and light foods, which continue capturing market share. The organic food market, while still small, has also been steadily growing over the past eight years.

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.

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Section I. Market Summary.

A. Country Overview.

Chile, with a population of 17 million, is a very centralized country with an estimated 10 million living in and around the greater Santiago Metropolitan Region. The capital city of Santiago hosts most of the industrial activity and business activities in general. In 2008, Chile's GDP (purchasing power parity) reached US$ 169.5 billion and per-capita GDP of US$ 10,000. Over the past 15 years, annual growth has averaged 5.5%, while per capita income has more than doubled. GDP growth reached approximately 4% in 2008 despite the economic slowdown, while in 2009 the economy is expected to grow only 2.5%. Santiago, the capital city, is home to some 60% of the population and the great majority of the HRI sector companies that would purchase imported food products.

Chileans spend on average around 20% of their household income on food, drinks and tobacco. In per capita terms, Chile is the second biggest consumer of bread in the world (96 kilos per year) after Germany, the 4th consumer of tea (700 grs), and an important consumer of pastas, rice, seafood, carbonated beverages and beer. Supermarkets are the leading retail channel for food products.

Chile has a longstanding commitment to trade liberalization and has signed free trade agreements with the European Union, Mexico, Canada, South Korea, EFTA, Central America, Mercosur, Singapore, Japan, China, India, New Zealand, Colombia, Venezuela, Ecuador, Bolivia, Peru, the U.S., and is negotiating agreements with Malaysia and Thailand. The U.S.-Chile Free Trade Agreement took effect in 2004. This FTA 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 four 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".

Trade is the engine of Chilean growth. According to the Global Competitiveness Report published by the World Economic Forum, Chile is ranked as the most competitive nation in Latin America in terms of growth prospects, and is also placed ahead in the rankings of 15 of the 27 countries in the European Union.

Consumer spending on food and beverages has risen significantly since 2003 to reach US$ 24.3 billion in 2008. This growth in consumer spending has mainly been propelled by improving living standards as a result of falling unemployment and increased purchasing power. This makes the purchase of processed food products an option for a growing proportion of the population, and offers food and drink manufacturers opportunities to launch new, innovative value-added products.

With personal income being higher than the regional standards, the consumption patterns in Chile have undergone tremendous transformations over the past decade. For instance, people are shifting from locally produced staples to more expensive branded products, and are integrating processed packaged foods in their diet chart.

Despite solid growth in consumer spending on food and beverages over the last few years, the rate of growth has recently declined due to the impact of the global economic downturn. However, the long-term prospects are bright as consumer spending will increase with stabilization in the country's economy.

B. Overview of Food Sector

The Chilean food industry is primarily based on the country's agricultural resources and remains, to a significant degree, dependent on agro-based exports. Indeed, the agricultural industry is one of the staples of the Chilean economy, generating around US$ 4 billion in exports annually. It represents around 24% of the country's GDP and is the second most important exporting sector.

The Chilean food system as such employs more than one million people, representing around 20% of the country's economically active population. It is expected that, by the year 2030, the GDP generated by the food sector will account for more than 35% of Chile's GDP and one out of three workers will have jobs within this industry.

The fruit, wine, poultry, pork, beef and fish-farming industries each offer tremendous export potential as a result of global trade liberalization, particularly between Chile and Asia. Furthermore, these sectors benefit from the government's efforts to diversify its export sector away from copper to high value-added agricultural exports – most notably salmon and wine.

Multinational food manufacturers have a long history of investing in Chile and firms such as Nestlé and PepsiCo have manufacturing plants in the country. Although domestic consumption of processed food is rising steadily, thanks to the country's strong economic growth, most food and drink firms investing in Chile also have one eye on how they can utilize the country's extensive natural resources and network of trade agreements to boost their sales in markets outside of Chile. The country has many advantages that encourage multinational firms to build production facilities in Chile. The country's southern hemisphere location means that it produces crops during the opposite seasons to the world's major consumer markets in the northern hemisphere, while its elongated shape and north-south orientation also mean that harvests can be staggered throughout the growing season. In addition, the country's relative geographical isolation – thanks to the Andes in the east, the Atacama Desert in the North, and Pacific to the West allows the country's food production areas to be free from most pests and diseases that plague other food producing countries.

These natural advantages are supplemented by the country's political and economic stability and its liberal trade agreements with many of the major consumer markets.

Chile is known today as the largest exporter of fresh fruit of the Southern Hemisphere. Chilean agriculture covers a wide range of activities such as the cultivation of annual crops, cattle ranching, dairy farming, vegetable production and organic farming.

Chile has a flourishing and competitive food industry that processes and exports food products and beverages as diverse as canned, dehydrated and frozen fruits and vegetables, wine, fruit juices, fruit pulps, olive oil, pork, lamb, poultry, beef, as well as a variety of dairy products. All of these products reach the most demanding markets globally.

A solid economic foundation, a reasonably high technology-based industry, and a sound environment, play a fundamental role in the development and growth of Chilean agriculture and the food industry.

According to the Food and Agriculture Organization of the United Nations (FAO), Chile's food exports have grown at an average annual rate of approximately 10% over the past 10 years. This ranks Chile as the fastest growing food exporting country. Today, Chile ranks amongst the world's leading food exporting countries, supplying more than 150 countries around the globe with fresh and processed foods, and beverages (1^{st} world exporter of grapes, plums, dehydrated apples, 2^{nd} world exporter of salmon, kiwis, 4^{th} world exporter of wine, 1^{st} Southern Hemisphere exporter of peaches, apples, pears, blueberries, tomato paste, raisins, nuts and almonds).

The main Chilean processed food industries are those related to fresh fruits, dairy products, salmon, processed or canned seafood, meats, wine, crackers/cookies, candy, chocolates, canned peaches, jams, tomato sauces, pasta and juices.

C. Size of the Chilean Food Processing Industry

- The processed (packaged) food sector's annual growth is represented by the sector's exports, which grew from US$ 717 million in 2004 to more than US$ 1.5 billion in 2008. According to Chilealimentos (www.chilealimentos.com), the main association of food companies in Chile, the processed food sector is one of the main reasons that explains the growth in Chilean exports in the last decades, mainly due to the production increase of fruits and vegetables in their different formats (canned, dehydrated, frozen and juices), apart from the increase in exports of chocolates, cookies, candies, refreshments and other products of the kind. Each one of these products has its origin in more than 200 industrial plants distributed along the country.

- Certain sub sectors continue to see strong 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.

- About 10-15 per cent of products sold in supermarkets are imported, but this segment has grown by 85 per cent over the last five years.

- The US-Chile FTA signed in 2004 prompted new interest in U.S. products and opened new opportunities for previously prohibited products, such as red meat, certain fresh fruits, and dairy products.

- The number of Chilean food processing companies has shrunk through mergers and acquisitions during the last couple of years. Currently, 53 companies dominate the market.

- 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 continue to grow, 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.

- Manufacturers in mature sectors such as pasta, oils and fats, have launched value-added products in order to develop high value niches of market.

- The "gourmet food" sector includes spices and sauces; cheese and dairy products; red meat, poultry and seafood products; prepared foods and soups; pastas, grains and legumes; bakery; crackers and snacks; desserts, confectionery and drinks. The sub sectors with the largest market share are spices, tea, cheese, coffee and snacks. Leading hypermarkets chains compete for the best international gourmet section at the stores, with dedicated sections at the shelf and activities (PR and marketing included) destined to attract high-end niches of consumers to their stores.

- According to specialists from Cencosud (www.cencosud.cl), owner of the second and third largest supermarket chains, Jumbo and Santa Isabel, the following foreign food imports are in the highest demand: snack foods, healthy snacks, energy products, specialty drinks, cookies, tuna, dietetic snacks and candies, baked goods and mixes, sweets, gums and chocolates.

D. Macro-Economic Factors and Key Demand Drivers in the Food Processing Industry.

- The slowdown in the global economy has quickly filtered through to export-dependent Chile as production contracted by 4.6% in the 1st semester of 2009 compared to the 1st semester of 2008. Nevertheless the Chilean government has used booming copper exports to build up substantial cash reserves and is therefore better shielded from the global economic downturn than some other countries in Latin America. Also, the country's economy has been slowly recuperating with estimates of a 2.5% GDP growth in 2009 according to OECD, and a 3 to 5% growth in 2010. However, the slowing rate of Chile's economic growth has had a significant impact on consumer spending.

- 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.

- Consumption trends influencing the type and quality of inputs being used include 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. Chilean consumers have increasingly felt pressed for time to cook. Convenience is the main trend in packaged food. More women are working, so they have less time to spend on meal preparation, and schools are extending the school day.

- Consumers declare that the most valued benefit from specific items is health, quality, convenience and security. Functional foods are part of the usual shopping list of Chileans; especially among women and the medium and upper classes. Chileans give important credit to brands (in 80% of the cases, it determines the purchase selection due to its quality warranty) and also choose supermarkets because they offer more items that are practical, have larger formats and offer healthier products. Traditional name brands have an advantage; hence they have extended their product line to this group. In the last four years, in dairy products, there have been 15 new functional products or with added value.

- The small organic food market has been steadily growing over the past eight years. The market, which was worth only US$ 200,000 in 2003, today represents US$ 7.4 million in sales and is expected to grow to US$ 53 million by 2013. The high price of organic goods is the main obstacle preventing some from consuming these alternative food products. Organic production in Chile is so far an export driven activity including fruits, vegetables and wines for most part.

E. Advantages and Challenges facing U.S. Food Ingredients 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, is making U.S. products more competitive, or at least places them on an even playing field.	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, often are 10-14% higher, or more, than local prices for equivalent quality. This remains true even after the import tariffs for U.S. products have been reduced or eliminated.
The rapidly dropping U.S. Dollar exchange rate (against the Chilean Peso), 13% in nine months in 2009, will make U.S. inputs more competitive.	The Argentine and Brazilian economic downturns and currency devaluations preceded the U.S. dollar’s depreciation, so that their products displaced U.S. ingredients, and U.S. products will have a hard time recovering their market position.
Certain companies have corporate requirements to purchase U.S.	Purchase decisions are often global and are influenced by headquarters, not just local management.

inputs, for example Nestlé for products re-exported to the U.S.	
Shipping from the U.S. is cheaper and quicker than from Europe.	U.S. ingredients are often more expensive than local equivalents. The FOB cost can be at least 10% higher, and sometimes unrealistically high minimum order quantities from U.S. suppliers outweigh the competitive advantage of faster and cheaper shipping.
Rising consumer spending and adoption of foreign food types favor new types of inputs.	Price sensitivity became stronger than ever due to high inflation in 2008 and the economic downturn.

Section II. Road Map for Market Entry.

A. Entry Strategy.

- U.S. food ingredient producers that 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 increasingly prefer to import directly from foreign suppliers, while 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 one of the many Free Trade Agreements with Chile, all products pay a standard, across the board 6% tariff. All edible products must be approved by the Chilean health authorities and receive 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 global trade. Specialty products and chemicals have a better chance of success than more basic inputs, which are often 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 U.S. 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.

Keys for Market Entry.

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 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 regional competitors, or the inability to adapt product and packaging to local standards.

<u>Export Success is a Result of a Proactive Attitude and Long Term Commitment</u>: U.S. suppliers are all-too-often less aggressive and persistent than European or Asian counterparts, 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. 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 maintain market share.

<u>Focus on Marketing and Customer Service</u>: 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, follow 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 as soon as possible, 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 global trade and a low universal tariff rate (currently 6%), which is significantly reduced because of numerous FTAs with countries in North and South America, the European Union, and many Asian countries. The U.S. has a free trade agreement with Chile, so tariffs are ever lower for U.S. products. 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 special characteristics, 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 trend in the weak U.S. dollar 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 2009 than when the U.S. dollar strengthens again, so now is a good time to explore the Chilean market.

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 a 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 small number of these 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 orders, 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 inhibit marketing or promotional efforts. The availability of qualified distributors is not large, so a good initial choice is fundamental.

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.

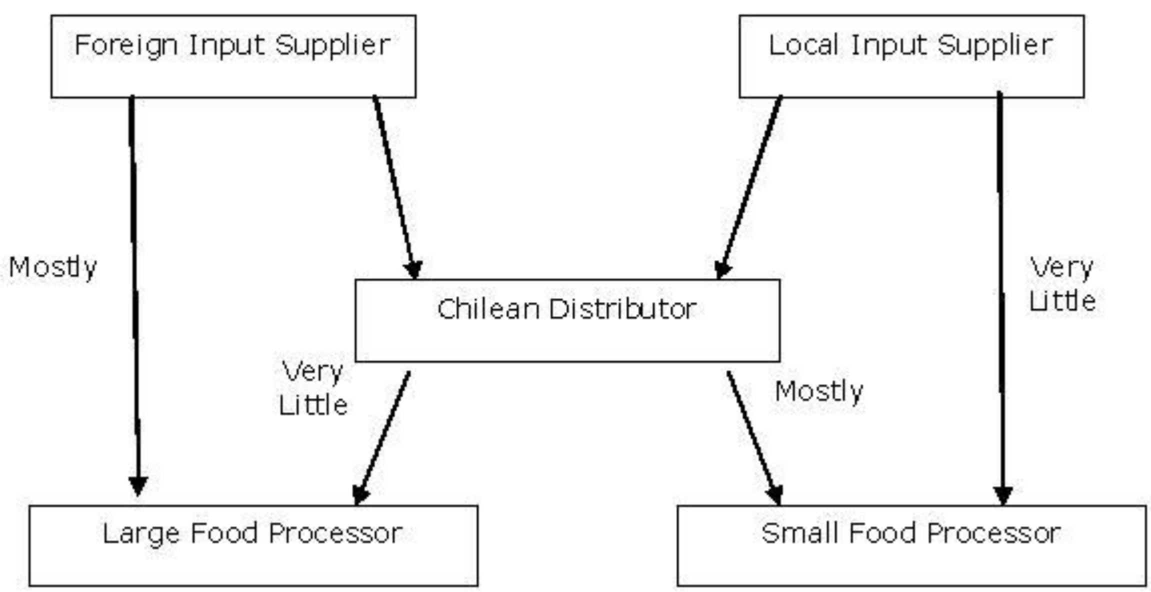
Food ingredient distribution patterns are different for local and for imported products, and are changing with time. Local inputs are purchased direct from the producer by all but the smallest food processors. Imported ingredients are more commonly handled by local distributor/representatives or wholly 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, 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 (on a smaller scale) to a small extent to institutions (HRI food services). Institutional sales are often handled as a separate business by the processors. Smaller neighborhood (grocery) stores have been continuously decreasing in importance as they cannot match the efficiencies and location advantages of market-leading hypermarkets. The supermarket sector is dominated by a few chains.

Distribution Channel Diagram



C. Company Profiles.

Only the open corporations that are traded in the Chilean Stock Market are required by law to publish financial statements in Chile.

Financial Statements for Years 2007 and 2008 (Millions of US$) of some food sector corporations listed in the Stock Market:

	Sales 2007	Sales 2008	Profit 2007	Profit 2008
Exchange rate	497.7	641.7	497.7	641.7

C.C.U. (beer, wine, non-alc. beverages, confectionery products)	1262	1220	159	129
Andina (non-alc. beverages)	1393	1320	179	148
Empresas Carozzi (pastas, Costa and Ambrosoli confectionery brands, sauces, dairy)	915	863	42	37
Soprole (milk, dairy products)	547	481	24	15
Polar (Coca-Cola)	325	384	57	67
Watt's (jams, sauces, soups, etc.)	434	382	122	97
Copefrut (fruit and juices)	139	132	6	3
Sofruco (fruit)	39	33	-4	2
Coca-Cola Embonor (1 of 3 Coke bottlers)	457	407	61	56

Note that the decrease in sales figures in US$ observed for most companies does not reflect the market correctly, and is mainly due to U.S. dollar / Chilean peso exchange rate fluctuations. Indeed, most of the companies saw their revenues increase in 2008 in Chilean peso terms.

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 Meat and Poultry

Chile has a strong reputation in the meat industry due to the relative absence of animal diseases such as foot and mouth disease and its high rating for sanitary conditions. Nevertheless, in 2008 the discovery of unacceptable levels of dioxins in pork shipments led to the closure of the Japanese and South Korean markets for the Chilean pork industry.

Since the signing of the US-Chile free trade agreement in 2004, trade between the countries in the food sector has increased significantly with a gradual elimination of tariffs opening up the market for producers in both countries. U.S. pork had free access to the Chilean market in 2004 and beef producers obtained this right in 2007.

Meat consumption is one of the fastest growing areas in the Chilean retail food market, with per capita meat consumption having increased by 26% in the last ten years. On average Chileans consumed 81.3 kg of meat in 2008, which is in line with other developing nations.

For the first time, in 2008 pork overtook beef to become the country's second preferred meat after chicken. Chicken represented over 25 kg of consumption, pork 20 kg, and beef 19.9 kg. Pork is the fast growing sector with consumption having increased by 58.87% during the last 10 years, compared to a 33.92% increase in poultry and a 2.95% decrease in beef consumption over the same period.

The figures show that pork production grew by 114% over the ten-year period. In 2008, 522,423 tons of pork was produced in Chile, 64.4% destined for national markets. Poultry production also rose significantly, with 503,906 tons of chicken and 101,909 of duck produced in 2008 - 83% consumed in Chile.

Product	Bovine	Pork	Poultry
Local Production	240,257 tons	522,423 tons	605,815 tons
Imported	93,532 tons	6,272 tons	48,811 tons
Exported	8,222 tons	228,215 tons	163,114 tons
Source: ODEPA/Poultry Producers' Association			

The increase in meat consumption can largely be attributed to an increase in Chilean purchasing power coupled with government nutritional initiatives.

The meat production industry in Chile is vertically integrated and dominated by a few companies. Processing plants with a direct link to cattle farmers are displacing stockyards in the beef distribution chain.

Despite the overall performance of the industry in recent years the sector has not remained immune to the problems brought by the global economic crisis. The meat producers only predict a slight recovery in 2010 with prices remaining low and due to the proliferation of free-trade agreements that Chile has signed in recent years certain commentators are beginning to question whether the Chilean meat production industry can remain profitable in view of the increasing competition from foreign producers which supply meat at prices with which the Chilean companies cannot compete.

Due to the crisis, some projects have been put on hold until the economic climate improves. For example, in the Atacama region (Freirina) in the north of Chile, the construction of a pork production plant belonging to Agrosuper has been suspended. The project was going to open in 2009 in order to produce 300,000 tons of pork in 2010.

Another project in the southern Aysen region has also been suspended. The Argentine group Perez Companc was going to build a US$ 17 million meat processing plant in the region for the Friosa Company. The delay may cause problems for producers who have increased their stock.

However, companies are still investigating opportunities, for example recently a study was carried out to test the viability of a meat processing plant in La Serena, where there are plans to build a US$ 1.2 million plant in Punitaqui.

The government also aims to stimulate an increase in cattle production by introducing a plan for the whole country, as well as a program to support smaller producers. Chile is also set to develop further its genetic research particularly in the fields of genetic improvement and artificial insemination.

The concept of “animal well being” is gaining popularity in Chile and this is causing the industry to look at its production methods. Facilities for the storage and breeding of animals are likely to face more stringent standards in the future as international bodies such as the EU raise the regulatory standards. This will require different technology and staff training which may create opportunities for U.S. companies.

Another very important issue is “traceability” and Chile is keen to improve in this sector and certainly U.S. companies which work in agricultural technology and communications may find opportunities in Chile.

Finally, there may be opportunities for US companies in the collection and treatment of waste produced by the sector.

Main Importers/Suppliers

Apart from the major supermarket chains [D y S (www.dys.cl), Tottus (www.tottus.cl), Jumbo (www.jumbo.cl), Unimarc (www.unimarc.cl), Santa Isabel (www.santaisabel.cl)] which dominate the retail food market, the following companies are the main importers of meat products (according to Chilean custom’s statistics).

Beef

Rank	Company	Volume (Kg)	Cif US$
1	QUINTO CUARTO S,A,	1,341,402	5,891,655
2	COM,CERRILLOS S,A,	615,753	2,213,266
3	CENTRAL DE ABASTECIMIENTO LTDA	179,518	964,410
4	AGRICOLA IND,LO VALLEDOR AASA	136,998	698,998
5	SOC,COMERCIALIZADORA DEL SUR S	157,701	577,769
6	IMP,EXP,COM,SUSARON LTDA,	134,137	507,385
7	DISTRIBUIDORA KARMAC LTDA	91,181	470,527
8	BORISLAV LJUBETIC ERCIG	69,858	263,025
9	ALIFOOD COMERCIALIZADORA DE AL	43,625	238,422
10	GLOBAL PRODUCTS S,A,	44,166	236,743
11	ESPINOZA NAVARRO Y CIA, LTDA,	44,213	225,396
12	GANADERA ABAROA S,A,	44,814	202,335
13	LATIN MEAT S,A,	45,225	183,593
14	FRIGORIFICO TEMUCO S,A,	22,982	132,867
15	COMERCIALIZADORA EL MIRADOR SA	21,997	116,770
16	ANNA SCHOMBERGER BINNETH	13,734	96,775
17	DINACAR LTDA,	45,145	91,087
18	COMERCIAL DISER S,A,	44,000	88,139
19	GLOBAL TRADE COMPANY S,A,	22,000	55,083
20	AGROSUPER COM, DE ALIMENTOS LT	17	111
Source: Chilean Custom’s Statistics			

Pork

Rank	Company	Volume (kg)	Cif US$
1	CIAL ALIMENTOS S,A,	1,171,596	3,190,530
2	COM,CERRILLOS S,A,	1,099,964	2,639,708
3	CECINAS WINTER S,A,	435,977	1,189,546
4	NIPPON MEAT PACKERS INC,(CHILE	110,114	543,260
5	SOC,DE RESTAURANTES TUESDAY LT	12,971	101,215
6	GUZMAN Y RUIZ LTDA.	23,479	63,473
Source: Chilean Custom's Statistics			

Poultry

Rank	Company	Volume (Kg)	Cif US$
1	COMERCIAL D&S S,A,	4,788,831	9,360,051
2	CENCOSUD SUPERMERCADOS S,A	4,437,469	7,397,064
3	COM,CERRILLOS S,A,	2,961,720	4,354,742
4	QUINTO CUARTO S,A,	2,503,246	4,043,629
5	GANADERA SANTA SARA S,A,	961,703	1,609,479
6	SOC,COMERCIALIZADORA DEL SUR S	866,105	1,420,702
7	IMP,EXP,COM,SUSARON LTDA,	543,119	1,347,791
8	ASES, E INVERSIONES T Y T LTDA	809,782	1,339,776
9	AGRICOLA IND,LO VALLEDOR AASA	738,297	1,178,777
10	GANADERA ABAROA S,A,	579,132	1,073,345
11	UNITED MARKETING AND SALES CHI	572,706	929,228
12	LATIN MEAT S,A,	451,450	695,664
13	CIAL ALIMENTOS S,A,	696,037	684,011
14	CENTRAL DE ABASTECIMIENTO LTDA	247,066	610,233
15	COMERCIALIZADORA EL MIRADOR SA	358,290	598,263
16	FRIGORIFICO TEMUCO S,A,	343,886	543,034
17	ESPINOZA NAVARRO Y CIA, LTDA,	255,915	372,939
18	PRODEA S,A,	140,500	351,649
19	CODIPRA S,A,	209,432	331,271
20	CECINAS WINTER S,A,	391,810	318,979
Source: Chilean Custom's Statistics			

Producers

The market in Chile is very concentrated with five companies producing 75% of meat in the country.

Agrosuper through its various brands is the dominant producer in the market. Agrosuper's "Super Pollo" brand has 53% market share with sales of 273,000 tons. Agrosuper also leads the pork market (through "Supercerdo") with 65% market share. Sopraval (an Agrosuper company) is the market leader in turkeys with 64% market share.

The AASA Group is the leader in the beef sector.

Company (Product Types)	Production Volume	End-Use Channels	Production Location(s)	Procurement Channels
Agricola Ariztia www.ariztia.cl (chickens and turkey)	35,000 tons exports	Retail, HRI, Exports	Chile (1)	N/A
Cial Alimentos	N/A	Retail	Chile (1)	Direct (Local),

www.cialalimentos.cl (Cecinas la Preferida and Cecinas San Jorge- sausage and cold cuts)				Importers
Agrosuper www.agrosuper.cl	See above	Retail, HRI	Chile (4)	Own production
AASA Group www.aasa.cl (Friosa, Matadero Lo Valledor companies), Bovine and Pork	N/A	Retail, HRI	Chile (19 plants for different stages of the production process)	Own production and Direct (local)
Productos Fernandez www.pf.cl , sausage and cold cuts	40,000 tons	Retail, HRI	Chile (2)	Own production, Imports
Source: Corporate publications				

For a full list of Chilean producers see: http://www.mercantil.com/rc/port_select_companies.asp?acti_code=412&code2=&countrysearch=1&lang=eng

Processed food machinery

For a list of suppliers of food ingredients and machinery see the following business directory: http://www.mercantil.com/SE/makequeryactivities.asp?keywords=meat&Countrychk=1

2. Edible Fish and Seafood Products

Chile has a successful seafood industry with salmon ranking as the country's second most important export after copper. The geography of the country, with 4,200 km (2,600 miles) of coastline and 30,000 km of canals, archipelagos and fjords places Chile in one of the five richest marine areas in the world. In the salmon industry alone there are 1,200 companies offering goods and services, employing 53,000 people.

However, increasingly the industry (especially the farmed salmon sector) has challenges to face. The greatest disturbance in the market has been the presence of the ISA virus which has severely affected the farmed salmon industry. In general, critics point to the mismanagement of the salmon industry and the need for tighter regulations to make the industry more sustainable. The sanitary needs to clean up the industry could be an area where U.S. companies can participate. Also, other factors such as a weak dollar, high fuel prices, and foreign fishing fleets entering Chilean waters has caused problems (especially with mackerel where exports fell by 32% in 2008).

Despite these challenges, the industry has still posted impressive results. In 2008 total seafood exports reached US$ 1.7 billion, with an increase in exports of 8.7% compared to 2007. However, the effect of the ISA virus on the salmon industry cannot be ignored. In 2009 production is expected to drop by 40-50%, with exports expected to fall by 30-50%. In fact, up to the second quarter of 2009, the fishing industry had registered a 32% fall in production largely due to the problems in the salmon industry. However, the reduced production will be offset by an increase of up to 14% in the price of salmon. Also, the prospects of a stronger dollar and lower fuel prices has improved the outlook for the industry.

Trout and salmon production has increased significantly over the years due to due to strong international demand. However, Chile produces a wide range of seafood produce. There are approximately 70 companies working in Chilean waters fishing in around 240 coastal concessions. Chilean produce is sold as fresh, chilled, frozen, canned, dried, salted and smoked. In comparison to meat consumption, domestic demand for fish is relatively low. Chile is also the world's second largest producer of fishmeal.

In many sectors of the economy Chile is trying to increase the added value of it products and this is also the case in the seafood industry. Technology and packaging to prolong the preservation of products in the industry are in demand, possibly creating opportunities for U.S. companies.

Traceability standards imposed by international bodies are forever becoming more stringent, and Chilean producers are preparing themselves to meet new electronic traceability requirements originating from the EU.

Chilean companies in the sector are fully aware of the needs to remain up to date with technology. Advanced technology such as automated systems, quality control, and environmental equipment could provide opportunities for U.S. companies. There has been a rapid investment in research and development in the industry with an increase of spending of 75% in this field over the last 10 years (61% of research and development is carried out by the private sector). The largest investment has taken place in fish health, the environment, and productivity with genetic research and animal nutrition also being important.

Despite the global crisis investment projects are still going ahead. For instance, Acuinova Chile plans a US$ 3 million expansion of its plant in the Aysen region in the south of Chile which will allow it to double its production of filets and update its technology.

Main Seafood Producers

Company	Exports US $ FOB	Main Produce
Pesquera Camanchaca www.camanchaca.cl	364,448,744	Salmon, Red Abalone, Scallops, Mackerel, Fishmeal
Aquachile www.aquachile.cl	227,782,600	Salmon, Trout, Tilapia
Corpesca www.corpesca.cl	147,623,230	Fishmeal, Fish Oil
Pesquera El Golfo www.elgolfo.cl	126,718,751	Salmon, Mussels, Hake
Pesquera Los Fiordos	122,189,491	N/A

Pesquera San Jose www.sanjose.cl	84,016,294	Various canned and frozen products including squid, mackerel, mussels, scallops
Acuinova Chile (n/a)	66,677,295	Salmon, Trout
Pesquera pacific Star www.pacificstar.cl	57,916,681	Salmon, Deli Products
Pesca Chile S.A www.pescachile.cl	47,340,528	Hake, Salmon, Trout
Pesquera Bio Bio www.pesbio.cl	45,049,625	Kake, Jack Mackerel, Cardinal Perch
Southpacific Korp www.spk.cl	38,745,288	Various canned and frozen food including mackerel and tuna
Foodcorp Chile S.A www.foodcorp.cl	32,434,662	Mackerel, various canned seafood including sardines, clams, mussels etc.
Pesquera landes www.landes.cl	31,556,700	Various smoked, marinated and frozen fish including mackerel, trout, salmon etc.
Pesquera Itata www.itata.cl	28,709,891	N/A
Pacific Gold S.A www.pacificgold.cl	7,433,135	Mussels
Sudmaris www.sudmaris.com	6,398,839	Mussels
Pesquera Deep Sea Food www.nissui.co.jp	3,583,869	N/A
Shellfish S.A	2,463,342	N/A
Source: Chilean Custom's Statistics		

A comprehensive list of companies working in the seafood industry as producers or suppliers of equipment can be found in the following business directory:

Manufacturers:
http://www.mercantil.com/rc/port_select_activities.asp?area_code=1165&lang=eng&onlyweb=

Exporters:http://www.mercantil.com/rc/port_select_activities.asp?area_code=1168&lang=eng&onlyweb=

Commercial
Fishing:http://www.mercantil.com/rc/port_select_activities.asp?area_code=1177&lang=eng&onlyweb=

3. Dairy Products

The dairy food processing sector, the nucleus of the dairy industry production chain, is a very concentrated sector in Chile. The market has been estimated at approximately US$ 2 billion in 2008. Chile represents only 0.3% of the global dairy market of US$ 570 billion.

The top six companies receive 90 % of the milk to process it. These six companies are Nestlé (Swiss) and Soprole (New Zealand Dairy Board Fonterra) of foreign capital, plus the local Colun

(Cooperativa Agrícola y Lechera de La Unión Limitada), Watt's-Loncoleche, Surlat and Mulpulmo operations. The milk producers are the main suppliers, and supermarkets are the main retailers. Chile's processed dairy product market is strongly influenced by European technology, investors and product types.

Milk purchases by firm (US$)			
Firms	**2008**	**Jan-July 2009**	**Growth 09/08**
Soprole	495,758,848	239,727,274	-12.6%
Colun	408,731,821	190,511,465	-14.1%
Nestlé	364,974,924	181,255,297	-5.6%
Watt's-Loncoleche	208,791,941	110,765,294	-1.0%
Surlat	167,562,296	84,528,541	0.4%
Mulpulmo	129,312,188	57,613,443	-13.8%
Danone (1)	38,555,547	24,615,114	14.9%
Quillayes	36,894,967	19,110,299	-12.3%
Lácteos Frutillar (2)	37,269,385	9,526,564	-54.8%
Alim. Pto. Varas	33,548,530	5,892,207	-69.7%
Vialat-Parmalat (3)	17,690,231	-	-
Cuinco	24,382,012	12,238,799	-3.4%
Chilolac	8,153,849	3,642,783	-18.2%
TOTAL	**1,963,472,690**	**939,427,080**	**-12.1%**

Source: Fedeleche
1.- Danone Chile has only started importing dairy products in July 2007
2.- Lácteos Frutillar has stopped importing products in Chile in June 2009
3.- Vialat-Parmalat has stopped importing products in Chile in April 2008

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

This subsector is the main reason that explains the Chilean exporters growth in the last decades, mainly due to the production increase of fruits and vegetables in their different formats (canned, dehydrated, frozen and juices), in addition to an increase in exports of chocolates, cookies, candies, refreshments and other similar products.

Today, more than 1,000 products compose the Chilean processed food category fulfilling the needs of millions of consumers in more than 120 countries.

Their wide acceptance in those markets has favored a 14% annual sales increase in the period 1981 - 2008, achieving a higher annual growth in more recent years with an 18% annual expansion between 2002 and 2008. Projections are very optimistic since this industry is expected to export over US$ 2 billion in 2009.

Some noticeable facts associated with this growth are, for example, the tomato paste offer that increased almost six times in just a few years; something similar to what happened with dehydrated peppers that increased four times and raisins almost six times. In addition, the production of frozen raspberries, asparagus, sweet corn and kiwis is becoming increasingly important.

Chile is the:

- First southern hemisphere exporter of tomato paste.
- First world exporter and second world producer of dehydrated apples.
- First southern hemisphere exporter of raisins, prunes, nuts and almonds.
- First southern hemisphere exporter of frozen raspberries and strawberries.
- First southern hemisphere exporter of apple juice.
- Second southern hemisphere exporter of grape juice.
- First southern hemisphere exporter of canned peaches. Each one of these products has its origin in more than 200 industrial plants distributed along the country.

This market is dominated by the following exporters:

Frozen Food (US$ FOB)

Exporters	2007	2008	Jan - Jul 2009
Comercial Fruticola S.A.	44,729,691	59,108,693	44,203,866
Fruticola Olmue S.A.	20,657,497	32,442,147	26,700,767
Exportadora Frucol Ltda.	15,009,883	16,014,175	5,723,825
Soc. Agroindustrial Valle Frio Ltda.	8,910,500	13,082,431	9,145,635
Alimentos Naturales Vitafoods	28,203,304	11,580,230	4,482,256
Source: Custom's office statistics			

Canned Food (US$ FOB)

Exporters	2007	2008	Jan - Jul 2009
Del Monte Fresh Produce (Chile)	92,679,590	87,019,012	65,498,755
Prunesco S.A.	35,499,164	38,662,419	17,229,225
Invertec Foods S.A.	23,751,752	28,071,552	14,102,605
Productos Silvestres Ltda.	16,521,986	12,571,616	2,753,787
Hojas Export Limitada	11,142,311	11,847,295	4,811,445
Source: Custom's office statistics			

5. Confectionery Products

The confectionery market in Chile is estimated at US$ 657 million, which represents 5.2 kilos consumed per capita every year. The main brands are Arcor Dos en Uno, Costa (Carozzi) and Ambrosoli (Carozzi). The prices are among the lowest in Latin America because it is a very competitive market. Consumers are also becoming more nutrition-conscious, stimulating continuous changes in products.

The biggest challenge for these brands is to compete with the private label supermarket brands which are imitating their packages and products at a lower price, and the imported products which force them to improve their quality standards.

Between 2001 and 2007, confectionery value sales in Chile increased by 44.5%. In 2008, an estimated 66.3% of the overall market was accounted for by chocolate confectionery, followed by sugar confectionery and gum, with market shares of 26.1% and 7.7%, respectively. Value sales are forecast to increase by a further 46.4% by 2013, according to Business Monitor International.

Consumption per capita of chocolate is quite low (2.6 kilos consumed per capita) compared to other developed countries, although it is the highest in Latin America. Thin chocolate is preferred but bitter chocolate's market share is growing much faster. The chocolate market is in its development phase and is still immature. The category is expected to continue growing thanks to innovative products with a higher added value. The chocolate market is dominated by three companies: Arcor Dos en Uno, Carozzi and Nestlé. The high-end chocolate market is dominated by Bozzo, Varsovienne, Damien Mercier, Félix Brunatto, and Dos Castillos.

The market is very dynamic and strong growth is forecasted for chocolate confectionery and chewing gum, although the sugar confectionery subsector is m ore mature with a stable consumption in terms of volume (2.2 kilos per capita). An increase can however be observed in terms of value. This is mainly due to the emergence of products with a higher added value in a market marked by innovation and change, to satisfy a more informed and demanding consumer in terms of taste, quality and innovation. Nonetheless, some traditional classic brands are still doing very well, thanks to well established top-of-mind positions. The most popular products are elastic candies (29.7 %) and mints (28.6 %).

In the case of chewing gum, consumers are becoming increasingly aware of gum's dental health properties. On average, Chilean consumers consume 0.4 kilos of gum per capita. They usually favor brands that have a high level of recognition and are perceived to be of high quality, even though the number of varieties and tastes available is increasing and so are the products' added value.

Meanwhile, increasing consumer interest in nutritious snacking alternatives has resulted in Swiss confectionery firm Nestlé launching new Nesquik bars with added calcium in Chile.

The main channels of distribution are the traditional small grocery stores (56.7%) – stores established primarily for the retailing of food, beverages and groceries (candies, ice creams, soft drinks) as well as newspapers and lottery tickets – and the much more diversified supermarkets (42%). Chocolates are also mainly sold in grocery stores (51.5%) and supermarkets (48%).

One of the leading manufacturers in the confectionery sector is the Argentinean Arcor group, which operates across confectionery subsectors. Arcor accounts for around 85% of the chewing gum market by value. In the chocolate confectionery sector, Arcor accounts for almost one-third of the market, having acquired Dos en Uno in 1998. However, the leading player is Nestlé Chile, which owns the Sahne Nuss brand.

Empresas Carozzi also controls a large slice of the chocolate confectionery sector with its Costa brand being particularly popular.

In the sugar confectionery sector, the leading player is Empresas Carozzi, which controls around half of the market. The firm's most popular sugar confectionery brand is Ambrosoli, which it acquired in 2000. Arcor controls around a third of the sugar confectionery market.

Confectionery Products (US$ FOB)			
Exporters	**2007**	**2008**	**Jan - July 2009**
Ind. De Alimentos Dos en Uno Ltda.	5,716,359	5,848,034	2,773,539
Empresas Carozzi S.A.	3,265,003	4,670,104	2,041,525
Nestle Chile S.A	10,784	34,470	83,420
Soc. Importadora y Exportadora Halcon	87,075	51,493	22,600
Source: Custom's Office Statistics.			

Company (Product Types)	Sales (US$) 2008	End-Use Channels	Production Location(s)	Procurement Channels
Arcor-Dos en Uno (confectionery)	US$181 million	Retail	Peru (1) Mexico (1) Brazil (5) Argentina (30) Chile (4)	Direct (Local and Foreign); Importers
Carozzi (pastas, Costa and Ambrosoli confectionery brands, sauces, dairy)	US$863 million	Retail, HRI and Exports	Chile (10) Peru (4) Argentina (2)	Direct (Local and Foreign) Distributors (Local and Foreign)
Nestlé (dairy, confectionery, cereals, dehyd. soups)	US$895 million	Retail	Chile (7)	Direct (Local and Foreign), Distributors (Local and Foreign)
Source: Corporate publications.				

6. Baked Goods

In per capita terms Chile is the top bread consuming country in the Americas with 96 kilos consumed per capita annually, followed by Mexico (60 kilos) and second globally only to Germany with 106 kilos.

The market has experienced some problems lately with the emergence of big supermarket chains in the field. They have arrived with better technology and the capacity to buy big quantities (enabling them to negotiate prices and obtain discounts). They also generally use gas ovens, which are cheaper to use than the petroleum ovens used by bakers.

In Santiago, more than 60 bakeries closed in 2008 due to the fierce competition from supermarkets, an increase in raw materials' prices (flour) and wages in the sector. The margins made in the sector have been declining since 2004 where they used to be about 16% of sales. Today, margins are around 8 to 10% of sales prices. Nevertheless, sales have increased by 8% in the first semester of 2009, compared to 2008. The bakery market is estimated at US$ 2 billion. Bakeries are now diversifying their offer to survive this competition. They sell prepared food, snacks and drinks.

3% of household income is spent on bread, compared to 1% in developed nations. Currently, the bakery market is comprised of supermarkets, representing 21% market share, and bakeries, of which 98% are small or medium size. Of the 4,500 bakeries in the country, the main ones are Ideal, controlled by the Mexican group Bimbo, followed by Castaño, and San Camilo. 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 directly from manufacturers.

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 30% (Carozzi), as well as imported brands. But the Chilean cookie market is small compared to bread.

Company (Product Types)	**Sales (US$) 2008**	**End-Use Channels**	**Production Location(s)**	**Procurement Channels**
Ideal - Bimbo Chile	7.5 million	Retail	Chile (1)	Direct (Local and Foreign)
Panaderías Castaño (bakery chain)	3.2 million	Retail and HRI	Chile (7)	Direct (Local and Foreign); Distributors (Local); Importers
San Camilo (bakery chain)	2 million	Retail and HRI	Chile (5)	Direct (Local); Distributors (Local)
Source: Corporate publications.				

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

The snacks market in Chile is estimated at around US$ 800 million including cakes, nuts, crackers, savory and sweet snacks. Savory snacks represent a US$ 170 million market.

The three main players in the industry are Evercrisp (Lay's, Doritos, Cheetos) with a 70% market share, Marco Polo (15%) and Kryzpo (8%).

With a double-digit annual growth since 2003, Chile is one of the biggest snack consumers of the region in the region (1.4 kilos per capita), but is still far from countries like Mexico, the U.S. or Great Britain.

It is typically a challenge to introduce new tastes and new products in the Chilean market, which is relatively conservative, though in recent years new products with more exotic tastes have been introduced in the market and have succeeded, mainly targeting the younger generation.

Snack bars saw the most benefit from the increased trend towards snacking. Increased availability of snack bars in outlets like convenience stores and kiosks, consumers' healthy perception of the product and increased snacking between meals are all factors in the strong growth.

Potato chips are the most lucrative product category. Savory snacks, snack nuts and popcorn follow.

46% of sales are made through supermarkets, whereas 53% of sales are made through traditional groceries and convenience stores.

Company (Product Types)	**Sales (US$) 2008**	**End-Use Channels**	**Production Location(s)**	**Procurement Channels**
Evercrisp (snack foods)	US$560 million	Retail and HRI	Chile (1)	Direct (Local and Foreign)
ICB Marcopolo (Café do Brasil - snacks, nuts)	US$120 million	Retail and HRI	Chile (3)	Direct (Local and Foreign)

Source: Corporate publications

8. Non-Alcoholic Beverages

During 2008 the sector sold US$ 1.24 billion, amounting to 2.15 billion liters of which 82% were carbonated beverages, 10% mineral water and 8% juices and nectars. The consumption growth for the sector in 2008 was 5.1%, which is slightly inferior to the one recorded in 2007 (5.7%)

Non-alcoholic beverages are the third most consumed food and beverage category by Chileans, after bread and meat. They are distributed through traditional channels (57%), supermarkets (30%) and consumption in food establishments (13%).

Private and local products that became popular during the 1998-1999 economic downturn are increasingly being replaced by more expensive and international branded products. Coca-Cola (including Embonor and Polar) has a 62% soft drink market share, recording a 6% annual growth in 2007 and 2008 and a 2% growth in the first semester of 2009 (although they are hoping to increase it to 3.5% by the end of the year). Coca-Cola is also investing a lot in the very promising water market, which is expected to double its per capita consumption by 2015.

In juices and desserts, Carozzi is the most important player with 60% of the market.

There is room for new products, especially under the health and sport concept, such as mineral waters or light/diet beverages which are growing over 10% per year. The energy drinks subcategory is the one with the highest growth rate in 2008 with a 22% growth, and is expected to do well in the future.

In addition, volume sales are increasing thanks to rising on-trade sales and more consumers buying in bulk at the country's hypermarkets and supermarkets.

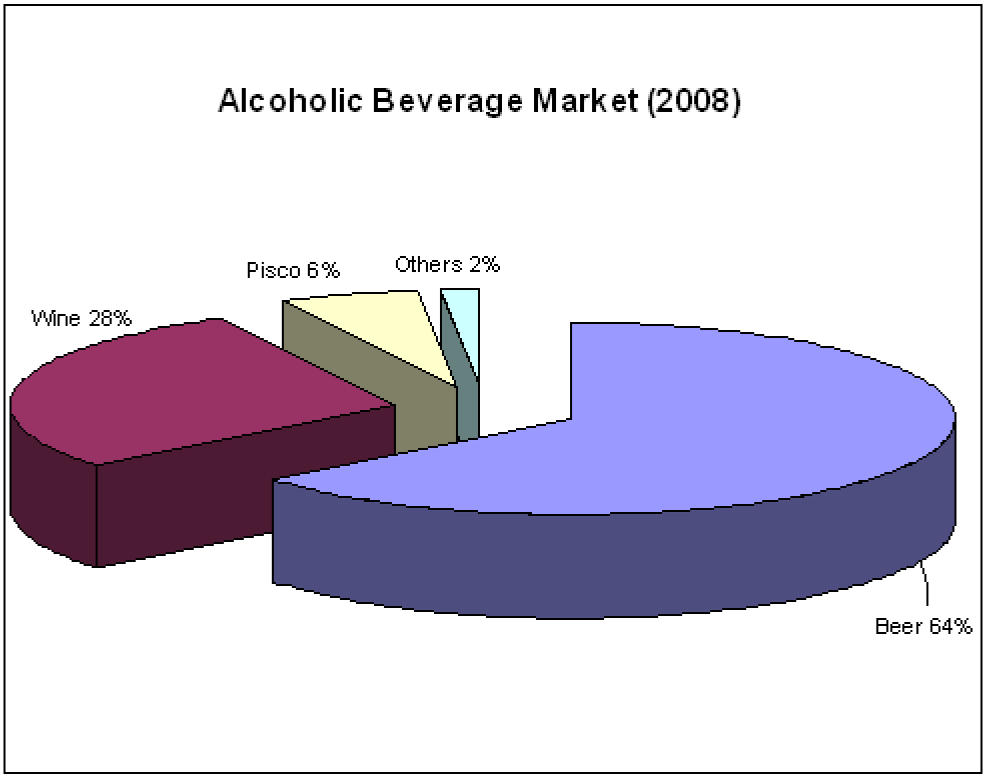
Soft drinks sales over the next four to five years are expected to be driven by product innovations, such as the recent launch of Coke Zero, Coca-Cola's new low-sugar product, and an increasing market share of higher-priced natural fruit juices, mineral waters and flavored waters over cheaper carbonates.

The growing middle class should help to drive the trend towards healthy products. Soft drinks sales are expected to reach US$ 1.6 billion in 2013, while volume sales will increase at a slower rate to reach 2.75 billion liters, according to estimates by Business Monitor International.

Company (Product Types)	**Sales (US$) 2008**	**End-Use Channels**	**Production Location(s)**	**Procurement Channels**
Coca-Cola Embonor (non alc. beverages)	US$196 million	Retail and HRI	Chile (7) Bolivia (6)	Direct (Local and Foreign)
Embot. Andina (Coca-Cola, non alc. beverages)	US$1.32 billion	Retail	Chile (4) Brazil (4) Argentina (3)	Direct (Local and Foreign)
Embotelladora Coca-Cola Polar (non alc. beverages)	US$384 million	Retail	Chile (3) Argentina (4)	Direct (Local); Distristributors (Local); Importers
Source: Corporate publications.				

9. Alcoholic Beverages

The Chilean population drinks more than 8.5 hectoliters of alcoholic beverages every year, which represents a per capita consumption of more than 46 liters. The beer subcategory has lately increased its share, to the contrary of wine and pisco. The trend has been to drink lighter alcoholic beverages. This tendency is observed also with the emergence of pre-mixed alcoholic beverages (with fruit juices).



The Chilean beer market is estimated at US$ 950 million and the annual consumption per capita is about 33 liters, representing a total annual consumption of more than 5.5 hectoliters in the country. Only 10% of this market is Premium.

Compañía de Cervecerías Unidas (CCU) owned by the Luksic group, is the market leader with brands like Cristal, Escudo, Kunstmann, Morenita and Royal and the licenses for Heineken, Budweiser, Paulaner, Austral and Guinness. CCU has an 86% share of the market. It is followed by Cervecerías Chile, controlled by Inbev, that represent 12% of the market.

Just over a third of beer sales are registered during the summer season, especially from December to February. Only five of the 44 types of beer that can be found in Chile are produced in the country.

Wine production and exports have been growing at a much faster rate than its consumption in the country. Chile is the smallest per-capita consumer of wine of all wine producing countries and records a very slow growth rate in consumption since 2002. Consumption of wine in Chile is a very low 19 liters per capita (compared to England 22 liters or Argentina 40 liters), so wineries are trying to increase this consumption and to specifically incentivize the consumption of premium wines.

Main Wine Exporters	

2008 (FOB prices)	
Company	**Million US$**
Viña Concha y Toro S.A.	250
Viña Cono Sur Ltda.	85.4
Viña San Pedro S.A.	64.4
Viña Santa Rita S.A.	58
Viña Santa Carolina S.A.	36.4
Viña Tarapacá Ex Zavala S.A.	25.7
Viña Undurraga S.A.	24.5
Viñedos Emiliana S.A	22
Viña Carmen S.A.	19.5
Viña Los Vascos S.A.	16.6
Viña Valdivieso S.A.	14.2
Viña La Rosa S.A.	12
Source: Chilean Customs	

In the pisco market, CCU has more than 50% of the market share with brands like Ruta Capel, Pisco Mistral, Tres Erres, Campanario, Ruta Norte, Control y La Serena. Consumption of pisco amounted to three liters per capita in 2008.

Licores Mitjans and Fehrenberg are the leading liqueur manufacturers competing with abundant imports.

Company (Product Types)	Sales (US$) 2008	End-Use Channels	Production Location(s)	Procurement Channels
Viña Concha y Toro	$503 million	Retail, HRI and Exports	Chile (13)	Distributors (Local); Importers
CCU	$1220 million (Including wine – Viña San Pedro and 3 more – beer (69% of total sales), non alcoholic beverages and confectionery products	Retail and HRI	Chile (22)	Distributors (Local); Importers
Source: Corporate publications				

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

The size of the condiment market is estimated at US$ 25 million. The boom of ethnic food consumption in Chile has helped this market rise intensely over the last few years. Asian food – especially Japanese and Thai – has known a big success in Chile, especially with younger generations. ICB is the market leader with its brands Don Juan and Marco Polo, followed by Gourmet. Other brands include Sabu, McCormick, Frutisa, Carmencita, the Italian Drogheria & Alimentari and the supermarket brands. Almost all of the seasonings are imported from different countries worldwide.

Chile is the third largest country in per capita pasta consumption with 9 kg per person per year. Production of pasta in Chile reaches 140,000 tons, exporting only 20,000. Carozzi is the most important company in the pasta sector, with more than 60% of market share and close to 100% of penetration in Chilean homes. Lucchetti (owned by Córpora Tres Montes) is the second company with 32% of the pasta market. Close to 75% of the pasta is sold through supermarkets, the rest through traditional retailers.

Company (Product Types)	**Sales (US$) 2008**	**End-Use Channels**	**Production Location(s)**	**Procurement Channels**
Carozzi (pastas, Costa and Ambrosoli confectionery brands, sauces, dairy)	US$863 million	Retail, HRI and Exports	Chile (10) Peru (4) Argentina (2)	Direct (Local and Foreign) Distributors (Local and Foreign)
Tresmontes Lucchetti (pasta, beverages, oil, desserts, sauces, snacks, soups)	N/A	Retail, HRI and Exports	Chile (8)	Direct (Local and Foreign)
ICB (Marco Polo, Don Juan)	US$154 million	Retail and HRI	Chile (4)	Direct (Local)
Source: Corporate publications				

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

The pet food market has also been constantly growing in the last few years. It is a very competitive market. Moreover, there is very little consumer loyalty. In Chile there are approximately 155,000 tons of pet food consumed annually amounting to US$ 137 million.

Pet food can be found in numerous points of sale: supermarkets, home centers, markets, stores, pet shops and veterinary clinics.

The main pet food importers that distribute to supermarkets and retail stores are Effem (Whiskas), Nestlé (Friskies, Purina Dog Chow, Alpo) and Pet Market (Bil Jac, Precept, ANF, Star Pro, Pet Time, Must, and Windy Hill). Major international brands such as Pedigree, Friskies, Whiskas Eukanuba and Champion are all present in the Chilean market.

Quality	**Brand**
Premium	Alpo, Pedigree, Purina Dog Chow
Mid-range	Champion, Master Dog
Low-end	Cachupin, Rocky
Source: Club de Mascotas Bayer Healthcare	

A preference for foreign products can be observed. With the FTA, U.S. pet foods gained preferential access as tariffs fell to zero. This put U.S. products on a more competitive footing with Argentina, the largest supplier to Chile.

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

This sector is increasingly controlled by Chinese products. Large companies such as Carozzi import most of their ingredients from China because it is cheaper even than buying locally. Cape Food is one of the important Chinese distributors of sweeteners in Chile, in additives Granotec is the leader and Hochschild distributes imported preservatives. U.S. products are not very popular because of their high cost.

Other important companies are: Duas Rodas of Brazil (coloring agents), Inducorn (Corn Products Chile), Lefersa, (Chilean yeast company), Puratos Chile (bakery, pastry and confectionery industry supplier) Iansa (sugar) and Cramer.

Company (Product Types)	**Sales (US$) 2008**	**End-Use Channels**	**Production Location(s)**	**Procurement Channels**
Cramer (colors, flavorings, thick, etc.)	N/A	Food Processor Companies, Beverages, pharmaceutical laboratories, cosmetics, detergent producers and Households	Chile (2) USA (1) and 11 other countries	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)	N/A	Retail and HRI	Chile (6) 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 (62) Chile (3)	From Head Office in Belgium; Direct (Local); Distributors (Foreign)
Source: Corporate publications				

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

Sociodemographic changes involving an increase in the number of working women and new active lifestyles among younger professional urban sectors have produced an increasing trend towards consumption of ready-made or prepared foods. This, together with general economic growth means opportunity for U.S. exporters who already sell US$58 million in this subsector a year to Chile’s 17 million consumers.

Local food manufacturers, quick to respond to the new demand, prepare convenience foods such as prepared pizzas, Italian pasta dishes, Chilean-style frozen casseroles and sandwiches.

Higher income families consume more prepared meals because of price.

D. Sector Trends.

In 2008, materialized foreign investment in Chile tripled compared to 2007 for a total of nearly US$ 10 billion. In the first semester of 2009, growth continued with US$ 2.7 billion (76.6% growth compared to the 1st semester of 2008). This adds up to the total of US$ 65 billion already recorded between 1974 and 2007 (more than 95% since 1990). Although mining takes the lion's share of this, the food and beverage industry is the third sector foreign investors have targeted.

As the market and the economy develop and mature, foreign direct investment is shifting from start-up 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 and others currently as key players. But the bulk of the industry is controlled by large Chilean 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 countries like China have stimulated production and incentivized companies to develop new and better products for export.

Chilean processed food quality standards are in most cases world-class and require top quality ingredients, although price continues 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 yet, are on the rise.

Easily prepared foods and snacks are growing rapidly in popularity 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.

III. Competition.

The leading local products are produce, poultry and pork, a good variety of seafood (including salmon), fruits and wine. Imported products are mainly beef from Argentina, Brazil and Uruguay, and 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.

Comparative Chilean Food and Agricultural Product Imports, 2008 vs. 2007, Total Imports vs. US Imports, by Harmonized Tariff System chapters

Chapter	**Description (from HSC)**	2007 Total, US$ CIF x 1000	2008 Total, US$ CIF x 1000	2007 U.S. US$ CIF x 1000	2008 U.S. US$ CIF x 1000	2007 US %	2008 US %
1	Live Animals	5,999	5,685	3,581	3,041	59.7%	53.5%
2	Meat and edible meta offal	399,908	487,274	17,996	38,495	4.5%	7.9%
3	Fish, crustaceans & aquatic invertebrates	22,331	31,803	1,139	2,163	5.1%	6.8%
4	Dairy prods; birds eggs; honey; ed. Animal pr. Nesoi	58,505	84,885	9,010	19,948	15.4%	23.5%
5	Products of animal origin, nesoi	53,656	56,787	6,009	6,247	11.2%	11.0%
6	Live trees, plants, bulbs etc.: cut flowers, etc.	12,881	14,243	305	342	2.4%	2.4%
7	Edible vegetables & certain rotos & tubers	31,968	63,034	3,277	7,879	10.3%	12.5%
8	Edible fruits & nuts; citrus fruti and melon peel	69,283	83,371	12,748	14,090	18.4%	16.9%
9	Coffee, tea, mate & spices	70,369	87,926	1,900	1,495	2.7%	1.7%
10	Cereals	740,022	938,054	262,708	287,983	35.5%	30.7%
11	Milling products; malt; starch; inulin; wheat gluten	40,022	67,954	760	3,534	1.9%	5.2%
12	Oliz sedes, etc.; misc. Grains, sedes, fruit, plant, etc.	105,922	121,393	11,334	12,503	10.7%	10.3%
13	Lac; gums, resins & other vegetable sap & extract	16,677	21,753	2,602	6,504	15.6%	29.9%
14	Vegetables planting materials & products nesoi	188	173	23	1	12.4%	0.6%
15	Animal or vegetable fats, Oliz etc. & waxes	390,987	600,834	21,504	47,466	5.5%	7.9%
16	Edible preparations of	49,516	57,213	495	1,230	1.0%	2.2%

	meta, fish, crustaceans, etc.						
17	Sugars and sugar confectionary	196,043	277,606	25,682	56,354	13.1%	20.3%
18	Cocoa and cocoa preparations	64,858	78,975	2,075	6,081	3.2%	7.7%
19	Prep. Cereals, flour, starch or milk; bakers wares	71,573	94,694	2,934	4,829	4.1%	5.1%
20	Prep. Vegetables, fruit and nuts or other plant parts	83,897	107,733	8,683	9,157	10.4%	8.5%
21	Miscellaneous edible preparations	132,268	151,908	24,007	34,179	18.2%	22.5%
Total:		2,616,873	3,433,298	418,773	563,521	16.0%	16.4%
22	Beverages, spirits and vinegars	105,295	129,847	8,539	11,050	8.1%	8.5%

Source: Chilean Customs

Principal Competing Countries of Origin for Selected Chapters, 2008

Chapter	Main Competitors - Percent of Total Imports
2	Paraguay – 44.2%, Argentina – 27.9%, Australia – 9.1%, USA – 7.9%
4	Argentina – 40.6%, USA – 23.5%, New Zealand – 10%, Brazil – 6.6%
7	Canada – 48.3%, China – 14.5%, USA – 12.5%, Argentina – 9.9%,
8	Ecuador – 61.1%, USA – 16.9%, Argentina – 5.2%, Brazil – 2.8%
9	Sri Lanka – 26%, Brazil – 16.9%, Argentina – 14.4%, Netherlands – 8.2%
10	USA – 30.7%, Uruguay – 17.2%, Argentina – 14.3%
11	Argentina – 60.8%, Germany – 9.7%, Belgium – 7.2%
12	Argentina – 40%, Uruguay 11.6%, USA – 10.3%
15	Argentina – 65.5%, USA – 7.9%, Ecuador – 4%, Peru 3.9%
16	Ecuador – 28.9%, Brazil – 15.9%, Thailand – 15.1%, Colombia – 12.1%
17	Uruguay – 29.3%, USA – 20.3%, Colombia – 12.3%, Argentina – 11.9%
18	Brazil – 18.1%, Argentina – 18.1%, Ecuador – 12%, USA – 7.7%
19	Argentina – 49%, Mexico – 11.1%, Brazil – 8%, Peru – 7.8%, Mexico – 7.8%
20	Argentina – 24.6%, China 10.9%, USA – 8.5%, Thailand – 8.2%
21	USA – 22.5%, Brazil – 18.3%, Argentina – 17.5%
22	Argentina – 19.7%, Netherlands – 13%, USA – 8.5%
Source: Chilean Customs	

IV. Best Product Prospects.

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 focus more energy on marketing 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.

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 (whey, 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.

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.

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 poultry because the Agricultural and Livestock Service has a non-specific Salmonella count that makes it difficult to import. Fresh meats in general are much more difficult to import than frozen or packaged processed meats for health regulation reasons. The U.S. and Chile are engaged in technical discussions and access for these products should open in the near future.

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, 2008

HS Code	**Product**	**Total US$ CIF x1000**	**US US$ CIF x1000**	**US Mkt. Share**	**Main Competing Countries**
04021000	Powdered milk with 1.5% or less fat	24,888	13,191	53.0%	New Zealand 30.7%, Argentina 10.8%
04022118	Powdered milk with 26% or more fat	1,944	0	0.0%	Uruguay 55.4%, Switzerland 20.2%
04041000	Whey	9,112	3,150	34.6%	USA 34.5%, Argentina 34%, Canada 14.4%
04061030	Mozzarella cheese	9,275	611	6.6%	Argentina 91.2%, USA 6.6%, Uruguay 2.2%
04069010	Gouda cheese	11,173	0	0.0%	Argentina 78%, Uruguay 16%

04069090	Cheese, other	3,150	16	0.5%	Argentina 39.7%, Uruguay 14.9%, Netherlands 14.9%, France 12.4%
10011000	Durum wheat	8,040	6,512	81.0%	USA 81%, Argentina 19%
10019000	Wheat other than Durum	301,489	105,823	35.1%	USA 35.1%, Canada 18.3%, Argentina 8%
11081200	Corn starch	7,051	9	0.1%	Argentina 89.4%, Brazil 8.3%
11090000	Wheat gluten	5,624	0	0.0%	Australia 36.3%, Germany 24.3%, Netherlands 20.5%
15020010	Animal fat, rendered	5,978	0	0.0%	Argentina 62.3%, Uruguay 37.7%
15042010	Fish-liver oils, not refined	109,455	43,454	39.7%	USA 39.7%, Peru 20.1%, Netherlands 18%
15099000	Olive oils, not virgin	976	0	0.0%	Argentina 57.7%, Spain 28.6%, Italy 13.6%
15179010	Vegetable oil mixtures, not refined	183,339	0	0.0%	Argentina 99%
15179020	Vegetable oil mixtures, refined	182,018	1,165	0.6%	Argentina 97.1%, Ecuador 1.6%
15179090	Mixes of animal with or without vegetable oils and fats	16,753	1,307	7.8%	Argentina 37.4%, Uruguay 16.3%, Panama 8.3%, Peru 8.3%
17019910	Refined cane sugar	222,150	53,316	24.0%	Uruguay 35.2% USA 24%, Colombia 11.8%
17023000	Glucose and glucose syrup, without fructose	6,449	331	5.1%	Argentina 73.4%, China 13.8%, USA 5.1%
17029090	Other sugars	3,911	31	0.8%	Argentina 38.8%, Belgium 16.6%, Japan 16.5%, France 13.6%
18050000	Cocoa powder, not containing sugar or sweeteners	13,485	175	1.3%	Spain 18.9%, China 16.6%, Netherlands 11.8%
19059090	Bakery or pastry products nesoi	9,847	739	7.5%	Argentina 57.8%, Brazil 12.6%, Germany 8.9%
21061010	Protein concentrates, not textured	16,951	12,900	76.1%	USA 76.1%, China 11.6%, Brazil 6.5%
21069090	Edible preparations nesoi	62,318	12,588	20.2%	USA 20.2%, Argentina 20.1%, Netherlands 11.5%
Source: Chilean Customs					

<u>Comparative Table, Key Food Ingredients with Potential for U.S. Producers (2007 – 2008)</u>

HS Code	2007 Total US$CIF x1000	2008 Total US$ CIF x1000	2007 US US$ CIF x1000	2008 US US$ CIF x1000	2007 US Market Share	2008 US Market Share
04021000	8,202	24,888	1,201	13,191	14.6%	53.0%
04022118	1,538	1,944	0	0	0.0%	0.0%
04041000	12,050	9,112	4,862	3,150	40.4%	34.6%
04061030	7,491	9,275	716	611	9.6%	6.6%
04069010	5,162	11,173	0	0	0.0%	0.0%

04069090	2,501	3,150	62	16	2.5%	0.5%
10011000	26,540	8,040	13,594	6,512	51.2%	81.0%
10019000	259,995	301,489	142,477	105,823	54.8%	35.1%
11081200	5,203	7,051	1	9	0.0%	0.1%
11090000	8,984	5,624	36	0	0.4%	0.0%
15020010	5,053	5,978	0	0	0.0%	0.0%
15042010	70,781	109,455	16,987	43,454	24.0%	39.7%
15099000	824	976	0	0	0.0%	0.0%
15179010	104,967	183,339	0	0	0.0%	0.0%
15179020	139,919	182,018	336	1,165	0.2%	0.6%
15179090	9,282	16,753	1,086	1,307	11.7%	7.8%
17019910	150,467	222,150	22,269	53,316	14.8%	24.0%
17023000	5,680	6,449	375	331	6.6%	5.1%
17029090	3,687	3,911	55	31	1.5%	0.8%
18050000	12,133	13,485	133	175	1.1%	1.3%
19059090	6,737	9,847	586	739	8.7%	7.5%
21061010	13,310	16,951	6,296	12,900	47.3%	76.1%
21069090	53,214	62,318	15,964	12,588	30.0%	20.2%
	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 - Chileans are the second largest consumers per capita of bread in the world. 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 phased out as mandated by the WTO.

Pulse and Specialty Crops - During the past decade. Chile's production of pulse and specialty crops have decreased significantly and imports have 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 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.

V. Post Contact and Further Information.

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