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## Chile

### Food Processing Ingredients

#### Chile's Food Processing Sector

**Post:**

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**Report Highlights:**

Consumer spending on food and beverages has risen significantly over the past few years and reached US\$ 27.4 billion in 2010. This growth has been mainly propelled by higher living standards, falling unemployment and increased purchasing power.

Health and wellness concerns are a growing trend for the consumer, as well as easy-to-prepare foods and snack foods. The organic food market, while still small, has also been steadily growing over the past several years. The market continues to consolidate through mergers, leaving a wide gap in size and capacity between the leading food processors and the smaller ones.

## **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 capital city of Santiago. In 2010, Chile's GDP (purchasing power parity) reached US\$257.9 billion, with a per-capita GDP of US\$15,400. Over the past 15 years annual growth has averaged 5.4%, while per capita income has more than doubled. Despite the economic slowdown in 2009, GDP growth in 2010 was 5.3% and is expected to reach 5.9% in 2011.

Chile has a longstanding commitment to trade liberalization and has signed international trade agreements with 85% of the world's GDP and 80% of the world's population. To name a few, they have trade agreements with the U.S., Mexico, Canada, the European Union, South Korea, Central America, Mercosur, Japan, China, India and Turkey. The U.S.-Chile Free Trade Agreement took effect in 2004. Once signed, nearly 95% of Chilean Products and 90% of U.S. products were immediately tariff free. The remainder has tariff reductions in stages until 2016, when all products will be tariff free. Tariff Schedules can be found at [www.ustr.gov/new/fta/Chile/text/](http://www.ustr.gov/new/fta/Chile/text/), "Section 3. National Treatment and Market Access for Goods."

Consumer spending on food and beverages continues to rise significantly. This growth is mainly propelled by improved living standards as a result of falling unemployment and increased purchasing power. This makes the purchase of processed food products an option for more individuals, and offers food and drink manufacturers opportunities to launch new, value-added products. With higher personal incomes, people are shifting from locally produced staples to more expensive branded products, and are integrating processed packaged foods to their diets.

### **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. The agricultural industry is one of the staples of the Chilean economy, generating around US\$4 billion in exports annually. It represents around 25% of the country's GDP and is the second most important exporting sector after copper.

The Chilean food system employs 1.2 million people, representing almost 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.

Chile has excellent natural conditions to continue developing its agro-industrial and food industries. 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. In addition, its elongated north-south orientation means that harvests can be staggered throughout the growing season. Furthermore, the country's relative geographical isolation (desert in the north, the Andes mountain range to the east, the Pacific Ocean to the west and south), which together with a strict government policy, maintains Chile as a country free from most pests and diseases.

According to the Food and Agriculture Organization of the United Nations, Chile's food exports have grown at an average annual rate of 10% over the past decade. This ranks Chile as the fastest growing food exporting country, supplying more than 150 countries around the globe with fresh and processed foods and beverages.

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. These sectors also 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, most food and drink firms investing in Chile focus 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.

### **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. The processed food sector is one of the main growth generators in Chilean exports, mainly due to the production increase of fruits and vegetables in their different formats (canned, dehydrated, frozen and juices). Other major exports are chocolates, cookies, candies and refreshments. Each one of these products has its origin in more than 200 industrial plants throughout the country.
- About 10-15% of products sold in supermarkets today are imported. This segment has grown by 85% over the last five years.
- The number of Chilean food processing companies has shrunk through mergers and acquisitions during the last couple of years. At this time fifty three companies dominate the market.
- As food processors seek to rationalize their costs, the trend is towards direct purchases and away from middlemen. As the big processors continue to grow, they reach economies of scale by negotiating directly with the supplier, even on a global scale. 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 in their market.
- The following foreign food imports are in the highest demand: snack foods, healthy snacks, energy products, specialty drinks, cookies, tuna, "light" 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 market continues to consolidate through mergers, leaving a wide gap in size and capacity between the leading food producers and the small ones.
- Convenience is the main trend in packaged food. Consumption trends influencing the type and quality of inputs being used include:
  - Easy-to-prepare food as more people, including women, join the workforce and spend less time at home
  - Out-of-home meals become more frequent as young people continue adopting new fast foods and snack foods as part of their diet

- Light foods and beverages continue capturing market share
- 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 recognition).
- 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 primarily an export driven activity.

#### **E. Advantages and Challenges facing U.S. Food Ingredients in Chile**

<b>Advantages</b>	<b>Challenges</b>
The U.S. is a strong trading partner through the U.S. Chile FTA and its products are welcome.	Quality of food ingredients from around the world has become very similar, abiding by U.S. and European standards.
U.S. food inputs are known for their quality. They meet respected FDA & USDA standards. Health concerns are low.	Chile has FTAs with many countries, allowing them to be price conscious and highly competitive; therefore removing dependency from any particular region.
Certain companies, such as Nestlé, have corporate requirements to purchase U.S. inputs for products intended for export to the U.S.	Prices for U.S. products may still be higher than local products or imports from nearby countries, even after the FTA. FOB prices for U.S. inputs tend to be at least 10% higher than local prices for equivalent quality.
Rising disposable incomes have generated interest in foreign and higher quality foods.	Price sensitivity is strong due to high inflation 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. 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.
- 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.
- Distribution trade is very receptive to U.S. products as they are a guarantee of quality and good packaging. When possible, buyers try to avoid local middlemen and buy direct in order to keep profit margins and remain competitive.
- U.S. exporters are considered to be less flexible 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 domestically.

### **Keys for Market Entry**

The large U.S. market share in Chile's food processing industry is linked mainly to a product's uniqueness or special characteristics (i.e. above-average quality with respect to human health, service and delivery capabilities). Low U.S. market share is generally due to the high impact of freight costs on commodity products, the 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.

Export Success is a Result of a Proactive Attitude and Long Term Commitment: U.S. suppliers are often less aggressive and persistent than European or Asian counterparts. The Chilean market is not large but it is sophisticated, innovative and competitive. It should not be considered as a spot market; instead, it must be systematically developed with strong marketing and promotion campaigns in order to gain and maintain market share.

Establish Personal Relationships and Maintain Customer Service: Make an effort to develop strong relationships with distributors and clients so that the U.S. supplier becomes a trusted business partner. Personal visits and having trustful, open communication will help solidify and expand your business opportunities in Chile. In addition, follow-up, provide good support and respond to technical inquiries in order to keep the client satisfied.

Try to Match Local Quality, Prices and Margins: U.S. producers must either offer top quality products at a competitive price or compensate with special characteristics, better service, support, warranties, etc. For U.S. suppliers 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: 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 while the dollar is low. The average exchange rate in the past four years is US\$ 1 = 533 Chilean Pesos (CHP); in 2011 the U.S. Dollar averaged at 474 CHP.

Consider Terms of Payment: European suppliers very commonly grant open accounts and long terms of payment (up to 90 to 120 days). 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 change will lower costs. Taking advantage of U.S. Government-sponsored export financing or risk insurance programs will also strengthen the exporter's financial and competitive position.

Tap into Centralized Purchasing by International Corporations: When dealing with 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. Thus, potential business opportunities can be developed 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, a local distributor will be a crucial business partner. Chilean clients expect to deal with a local representative for placing orders, voicing complaints and obtaining technical support. The selection of a qualified distributor is important since the reputation of the U.S. supplier will rest on the ability of the distributor to provide reliable ordering, stocking and delivery services to clients. Also, only one distributor with a wide regional distribution network should be selected if possible in order to avoid price wars that minimize profit margins.

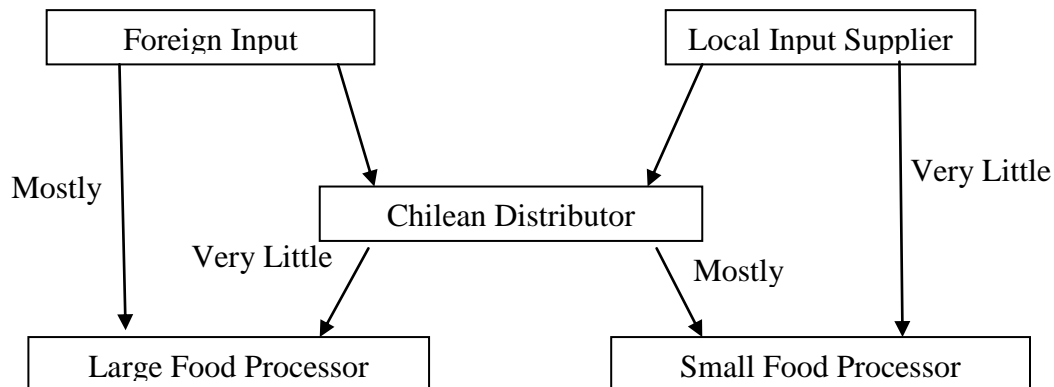
## B. Market Structure

Food ingredient distribution patterns are different for local and imported products, and are changing with time. Local inputs are purchased directly from the producer by all but the smallest food processors. Imported ingredients are more commonly handled by local distributors/representatives or wholly owned subsidiaries for the small processors. Large processors prefer to import their products directly to maximize savings and deal with the logistics themselves.

If sales volumes are not high, direct imports will generally not be of interest to Chilean buyers because 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 handle the import process, health approval, marketing, promotion, selling and stocking.

The food processors mainly sell to supermarkets, followed by traditional retailers, and then to institutions (HRI food services). Institutional sales are often handled as a separate business by the processors. Small neighborhood grocery stores have been 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

### Top 15 Food Industry Companies in Chile

Rank	Company	Product Type	2010 Sales in US\$ Million	Growth % of Sales from 2009-2010	End Use Channels	Production Location
1	EMBOTELLADORA ANDINA	Non-alcoholic beverages	1,898	29.3	Retail & HRI	Chile, Argentina, Brazil
2	AGROSUPER	Meats & fish, prepared meals	1,800	5.9	Retail & HRI	Chile
3	CÍA. CERVECERIAS UNIDAS (CCU)	Alcoholic & non-alcoholic beverages, confectionary products	1,790	16.7	Retail & HRI	Chile, Argentina
4	EMPRESAS CAROZZI	Pasta, confectionary products, chocolates, flour, salsas, tomato paste, desserts, fruit pulp	1,030	15.1	Retail & HRI	Chile, Peru, Argentina
5	NESTLÉ CHILE	Confectionary products, dairy products, baked goods, beverages, prepared meals	856	7	Retail & HRI	Chile
6	VIÑA CONCHA Y TORO	Wine	799	14.4	Retail & HRI	Chile
7	COCA-COLA EMBONOR	Coca-Cola products	629	17.5	Retail & HRI	Chile, Bolivia
8	WATT'S	Dairy products, fruit concentrates, juices & nectars, jams, oil, condements, pastas, hams & sausages, wines	624	23.7	Retail & HRI	Chile
9	SOPROLE	Dairy products	579	7.7	Retail & HRI	Chile
10	EMPRESAS IANSA	Sugar, pet food, feed & fodder	501	29.9	Retail & HRI	Chile, Peru
11	EMBOTELLADORA COCA-COLA POLAR (KOPOLAR)	Coca-Cola products	486	13.7	Retail & HRI	Chile, Argentina, Paraguay
12	AGRÍCOLA ARIZTÍA	Chicken, cold meat, turkey, cheese, seafood	409	4.5	Retail & HRI	Chile

13	COLÚN	Dairy products	362	11	Retail & HRI	Chile
14	VIÑA SAN PEDRO TARAPACÁ	Wine	283	14.7	Retail & HRI	Chile
15	CORPESCA	Fishmeal, fishoil, frozen fish	277	13.8	Retail & HRI	Chile

Source: America Economia

### **Descriptions of Chilean Processed Food Sectors and of Key Food Processing Companies by Specialization**

#### **1. Red Meat and Poultry**

The poultry industry is the largest meat producer in Chile, producing 43% of total meat production in 2010. Pork accounted for 40% and beef 16%.

In 2008 pork overtook beef to become the country's second preferred meat after chicken. Pork is the fastest 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.

Chile imports most of its beef from Paraguay, but because of the discovery of Foot and Mouth Disease identified in late 2011, shipments have been halted and other suppliers are being sought. This is a great opportunity for U.S. suppliers to gain market share in the Chilean market.

Product	Bovine	Pork	Poultry
<b>Local Production</b> (2010)	210,700 tons	498,000 tons	536,000 tons
<b>Imported</b> (2010)	135,000 tons	12,708 tons	64,320 tons
<b>Exported</b> (2010)	6,968 tons	99,925 tons	89,069 tons

Source: ODEPA/Index Mundi

#### **Producers**

The market in Chile is very concentrated with five companies producing 75% of meat in the country. The AASA Group is the leader in the beef sector.

Agrosuper through its various brands is the dominant producer in the market. Agrosuper's "Super Pollo" poultry brand has 53% market share. Agrosuper also leads the pork market through "Supercerdo" with 65% market share. Agrosuper's Sopralav is the market leader in turkeys with 64% market share.

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](http://www.mercantil.com/rc/port_select_companies.asp?acti_code=412&code2=&countrysearch=1&lang=eng)

For a list of suppliers of food ingredients and machinery see:

<http://www.mercantil.com/SE/makequeryactivities.asp?keywords=meat&Countrychk=1>



Main Importers/Suppliers:

**Beef**

<b>Rank</b>	<b>Company</b>	<b>US\$ FOB</b>	<b>Volume (Kg)</b>
1	PARIS S.A.	\$150,696,192	29,361,194
2	COMERCIAL D&S S.A.	\$114,129,292	22,440,161
3	RENDIC HNOS. S.A.	\$ 84,095,298	15,729,178
4	MARFRIG CHILE S.A.	\$ 44,621,820	9,214,982
5	COMERCIAL CERRILLOS S.A.	\$ 32,225,366	7,186,263
6	SOC.COMERCIALIZAD.DEL SUR LTDA	\$ 31,742,058	6,313,606
7	GLOBAL PRODUCTS S.A.	\$ 20,441,928	4,461,685
8	DISTRIBUIDORA KARMA LTD	\$ 19,508,952	3,864,020
9	COMERCIALIZADORA INTERANDINA S	\$ 18,908,180	3,949,172
10	SUPERMERCADO SAN FRANCISCO S.A	\$ 17,217,522	3,503,721

Source: Chilean Customs

**Pork**

<b>Rank</b>	<b>Company</b>	<b>US\$ FOB</b>	<b>Volume (Kg)</b>
1	COMERCIAL CERRILLOS S.A.	\$11,341,035	4,395,455
2	CIAL ALIMENTOS S.A.	\$ 9,652,224	3,777,734
3	MARFRIG CHILE S.A.	\$ 6,531,696	2,335,405
4	CECINAS WINTER S.A.	\$ 1,238,386	439,253
5	GLOBAL PRODUCTS S.A.	\$ 765,587	269,509
6	TAK S.A.	\$ 557,856	265,424
7	COEXCA S.A.	\$ 444,144	192,698
8	GLOBAL TRADE COMPANY S.A.	\$ 370,011	165,659
9	FRIOS A	\$ 311,188	120,281
10	SOC.COMERCIALIZAD.DEL SUR LTDA	\$ 135,211	46,723

Source: Chilean Customs

**Poultry**

<b>Rank</b>	<b>Company</b>	<b>US\$ FOB</b>	<b>Volume (Kg)</b>
1	COMERCIAL D&S S.A.	\$11,631,360	6,328,340
2	GLOBAL PRODUCTS S.A.	\$11,256,968	9,113,695
3	AGROSUPER COM D.ALIM LTDA	\$ 9,976,525	9,338,856
4	MARFRIG CHILE S.A.	\$ 6,750,016	3,640,904
5	COMERCIAL CERRILLOS S.A.	\$ 6,548,966	4,841,214
6	CIAL ALIMENTOS S.A.	\$ 5,594,200	3,523,890
7	PARIS S.A.	\$ 5,152,045	3,088,179
8	DISTRIBUIDORA KARMA LTD	\$ 2,989,191	1,870,183
9	DISTRIBUIDORA ORIENTE LTD	\$ 2,346,147	984,840
10	SOC.COMERCIALIZAD.DEL SUR LTDA	\$ 2,316,405	1,697,840

Source: Chilean Customs

2. Edible Fish and Seafood Products

Chile has a highly competitive seafood industry with salmon ranking as the country's second most important export after copper. With 2,600 miles of coastline and 18,600 miles of canals, archipelagos and fjords, Chile has 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.

Chilean seafood is sold as fresh, chilled, frozen, canned, dried, salted and smoked. In comparison to meat consumption, domestic demand for fish is relatively low.

In many sectors of the economy Chile is trying to increase the value added of its 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.

### **Main Seafood Producers**

<b>Rank</b>	<b>Company</b>	<b>Exports US\$ FOB</b>	<b>Volume (Kg)</b>
1	CIA.PESQUERA CAMANCHACA S.A.	178,768,171	79,001,582
2	SALMONES MULTIEXPORT S.A	161,674,379	20,512,815
3	CORPESCA S.A.	140,685,036	87,826,296
4	MAINSTREAM CHILE S.A	136,795,633	23,607,436
5	AGUAS CLARAS S.A	124,114,553	18,395,909
6	PESQUERA LOS FIORDOS LTDA	106,336,025	16,420,728
7	TRUSAL S.A.	103,529,833	13,465,195
8	SALMONES ANTARTICA S.A.	102,868,230	13,847,883
9	MARINE HARVEST CHILE S.A.	97,263,127	11,300,117
10	PROD.DEL MAR VENTISQUEROS S.A	90,768,385	12,550,068

Source: Chilean Customs

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

- Manufacturers:

[http://www.mercantil.com/rc/port\\_select\\_activities.asp?area\\_code=1165&lang=eng&onlyweb](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](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](http://www.mercantil.com/rc/port_select_activities.asp?area_code=1177&lang=eng&onlyweb)

### **3. Dairy Products**

The Chilean dairy food processing sector is very concentrated. The market has been estimated at approximately US\$ 1.5 billion in 2010.

Six companies receive 90% of the milk to process it. These six companies are Nestlé (Swiss) and Soprole (New Zealand) of foreign capital, plus the local Colun, Watt's, Surlat and Mulpulmo operations. The milk producers

are the main suppliers, and supermarkets are the main retailers.

#### **Quantity of Milk Purchased for Processing (2010)**

<b>Rank</b>	<b>Company</b>	<b>Liters</b>
1	SOPROLE	462,734,397
2	COLUN	424,337,413
3	NESTLE	385,545,447
4	WATT'S S.A.	231,266,760
5	LACTEOS Mulpulmo	130,967,265
6	SURLAT	111,630,573
7	QUILLAYES	67,192,973
8	DANONE CHILE S.A.	53,698,709
9	ALIMENTOS PTO. VARAS	19,100,709
10	CHILOLAC	9,155,079
11	A. CUINCO	105,843

Source: Odepa

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

This subsector has played a large role in the growth of Chile's exports in the last decade, primarily due to the production increase of fruits and vegetables in their different formats (canned, dehydrated, frozen and juices).

This market is dominated by the following exporters:

##### **Frozen Fruit Exporters (2010)**

<b>Rank</b>	<b>Company</b>	<b>US\$ FOB</b>	<b>Quantity (Kg)</b>
1	COMERCIAL FRUTICOLA S.A.	\$35,231,273	13,518,181
2	FRUTICOLA OLMUE S.A.	\$30,559,200	13,022,439
3	ALIMENTOS Y FRUTOS S.A.	\$23,442,204	9,703,459
4	SOC. AGROINDUSTRIAL VALLE FRIO	\$11,781,319	5,919,387
5	SOC.AGRIC.Y FRUTICOLA LEON LTD	\$11,097,840	5,727,547

Source: Chilean Customs

##### **Canned Fruit Exporters (2010)**

<b>Rank</b>	<b>Company</b>	<b>US\$ FOB</b>	<b>Quantity (Kg)</b>
1	AGROFOODS CENT.VALLEY CHILE S.	\$10,626,097	5,500,606
2	ACONCAGUA FOODS S.A.	\$ 7,088,083	5,693,861
3	FRUTAS DE CURICO LIMITADA	\$ 6,577,654	2,205,681
4	CONSERVERA PENTZKE S.A.	\$ 5,439,516	4,296,423
5	PARMEX S.A.	\$ 4,590,973	708,975

Source: Chilean Customs

### Dried Fruit Exporters (2010)

Rank	Company	US\$ FOB	Quantity (Kg)
1	PRUNESCO S.A.	\$34,529,692	17,094,931
2	FRUTAS DE EXPORTACION S.A.	\$19,185,339	9,977,972
3	AGROINDUSTRIAL SURFRUT LTDA.	\$14,413,735	2,876,226
4	INVERTEC FOODS S.A.	\$11,235,066	2,340,298
5	AGR.Y COM.SUPERFRUIT LTDA. (E)	\$10,644,248	5,125,985

Source: Chilean Customs

A comprehensive list of companies working in the prepared fruit and vegetable industry can be found in the following business directory:

- <http://www.chilealimentos.com/link.cgi/ProductosEmpresas/empresas/>

### 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.

Between 2001 and 2007, confectionery value sales in Chile increased by 44.5%. Value sales are forecast to further increase by 46.4% by 2013, according to Business Monitor International.

Consumption per capita of chocolate is 2.6 kg, one of the highest in Latin America. The chocolate market is dominated by three companies: Arcor Dos en Uno, Carozzi and Nestlé. The high-end chocolate market is dominated by Bozzo, Varsoviene, Damien Mercier, Félix Brunatto, and Dos Castillos.

The main channels of distribution for confectionery products and chocolates are the traditional grocery stores (54.1%) and supermarkets (45%).

### Exporters of Confectionery Products (2010):

Rank	Company	US\$ FOB	Quantity (Kg)
1	IND.ALIMENTOS DOS EN UNO S.A.	\$ 4,112,213	1,508,201.00
2	EMPRESAS CAROZZI S.A.	\$ 3,376,139	1,197,327.00
3	TRANSP.Y EXPORT. OSTALMAR S.A	\$ 1,034,458	244,446.00
4	ALIMENTOS Y PROD.CONFITRES LTD	\$ 144,705	68,363.00
5	DISTR.COM.IMP. EXP.BENI LTDA	\$ 103,817	124,927.00
6	SOC.COMERCIAL FLORES Y VIVAR L	\$ 85,841	141,108.00
7	PURATOS DE CHILE S.A.	\$ 56,102	17,754.00
8	NOVAFOODS S.A.	\$ 51,821	13,166.00
9	SOC. IMP. Y EXP. HALCON LTDA.	\$ 24,322	58,523.00

10	BIGNO AYALA	\$ 22,797	9,113.00
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Source: Chilean Customs

## 6. Baked Goods

Chile is the top bread consuming country in the Americas with 98 kg consumed per capita annually, followed by Argentina (82.5 kg). Globally, it is second only to Germany with 106 kg per capita.

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.

Cookies and other baked goods are made by a few large companies, especially McKay (Nestlé) with 40% market share and Costa (Carozzi) with 30%. The Chilean cookie market is small compared to bread.

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

The snacks market in Chile is estimated at around US\$800 million including cakes, nuts, crackers, and savory and sweet snacks. 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 in the region (1.4 kilos per capita), but is still far behind countries like Mexico, the U.S. or Great Britain.

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

## 8. Non-Alcoholic Beverages

The Chilean soft drinks market generated total revenues of \$1.9 billion in 2010, representing a compound annual growth rate (CAGR) of 5% for the period spanning 2006-2010. Carbonates sales proved the most lucrative for the Chilean soft drinks market in 2010, generating total revenues of \$1.6 billion, equivalent to 81% of the market's overall value. Following carbonates was mineral water with 10.5% of the market's value, and then juices and nectars with 8.4%. The performance of the market is forecast to decelerate, with an anticipated CAGR of 4.8% for the five-year period 2010-2015. At this rate, the value of the market will be valued at \$2.4 billion by the end of 2015.

Consumption of carbonated drinks in Chile is among the highest in Latin America. Coca-Cola (U.S.) is the leading soft drink brand with 52% market share, but growing price consciousness has led to an increasing market share of private label brand products. In 2009, supermarket brands accounted for nearly 25% of the total market share. Rising health consciousness has helped athletic drinks to become the fastest-growing sub-sector in recent years, more than tripling their sales volumes, from 3.2 million liters in 2006 to 11 million in 2010.

Non-alcoholic beverages are the third most consumed food and beverage category by Chileans, after bread and

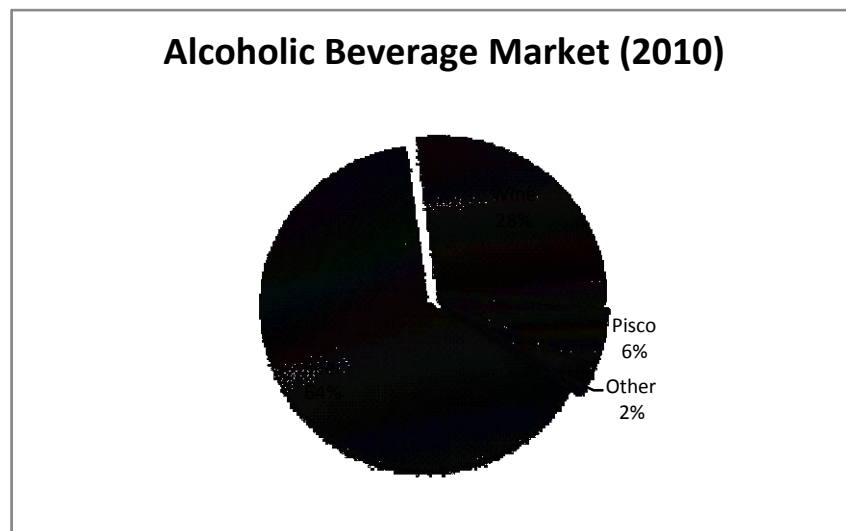
meat. They are distributed through traditional channels (57%), supermarkets (30%) and consumption in food establishments (13%).

Company (Non Alc. Beverages)	Sales (US\$) 2010	End-Use Channels	Production Location(s)	Procurement Channels
Embotelladora Andina	\$1,898 million	Retail	Chile (4) Argentina (3) Brazil (4)	Direct (Local and Foreign)
Coca-Cola Embonor	US\$629 million	Retail and HRI	Chile (7) Bolivia (6)	Direct (Local and Foreign)
Embotelladora Coca-Cola Polar	US\$486 million	Retail	Chile (3) Argentina (4)	Direct (Local); Distributors (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 56.3 liters. The market generates US\$ 1.7 billion annually, and represents 25% of total drink consumption. 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\$1 billion and the annual consumption per capita is about 35.8 liters, representing a total annual consumption of more than 609.4 million liters. Only 10% of this market is Premium.

The beer market is dominated by Compañía Cervecerías Unidas (CCU), which is majority owned by the Luksic Group. CCU claims 85.8% market share through brands like Cristal, Escudo, Kunstmann, Morenita and Royal, and the licenses for Heineken, Budweiser, Corona and Guinness. It is followed by Cervecerías Chile, controlled by Inbev, which represent 12% of the market.

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. Revenue from wine exports hit a record high in 2010 selling US\$ 1.5 billion – more than double its level in 2000. This put Chile as the fifth largest wine-exporter behind France, Italy, Spain and Australia. Viña Concha y Toro is Chile's largest wine producer and exporter, followed by Viña San Pedro.

Top Wine Exporters (2010):

Rank	Company	US\$ FOB	Quantity (Kg)
1	VINA CONCHA Y TORO S.A	\$280,154,438	106,616,810
2	VINA SAN PEDRO TARAPACA S.A.	\$ 94,196,785	36,765,211
3	VINA CONO SUR S.A	\$ 93,917,366	44,889,280
4	SOC.ANONIMA VINA SANTA RITA	\$ 55,859,984	13,348,668
5	RR WINE LTDA.	\$ 44,725,651	56,485,520
6	SOC.EXP. COM. VINA MAIPO LTDA	\$ 41,549,605	20,042,018
7	VINA SANTA CAROLINA S.A.	\$ 41,037,128	16,392,316
8	VINA ERRAZURIZ S.A.	\$ 37,245,256	8,728,662
9	MONTES SA.	\$ 36,517,138	5,881,450
10	VINA LUIS FELIPE EDWARDS LTDA.	\$ 35,825,540	14,546,263

Source: Chilean Customs

10. Dry Goods & 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. 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% penetration in Chilean homes. Lucchetti (owned by Corporacion Tresmontes) is the second largest company with 32% of the pasta market. Close to 75% of pasta is sold through supermarkets, the rest through traditional retailers.

Company (Product Types)	Sales (US\$) 2010	End-Use Channels	Production Location(s)	Procurement Channels
Carozzi (pasta, confectionery brands, sauces, dairy)	\$1,030 million	Retail, HRI and Exports	Chile (10) Peru (4) Argentina (2)	Direct (Local and Foreign) Distributors (Local and Foreign)
ICB (pasta, condiments & sauces, coffee & tea, dried meat, chocolates, chips)	US\$154 million	Retail and HRI	Chile (4)	Direct (Local)
Tresmontes (pasta, beverages, oil, desserts, sauces, snacks, soups)	\$110 million	Retail, HRI and Exports	Chile (8)	Direct (Local and Foreign)

Source: Corporate publications

Canned soup is not popular in Chile, but powdered and dehydrated soups in envelopes are. Maggi (Nestle) is the traditional leader, but others like Naturezza and Knorr have gained market share through heavy advertising.

The pet food market has also been growing. It is a competitive market with little consumer loyalty. In Chile, there are approximately 155,000 tons of pet food consumed annually amounting to US\$137 million.

The main pet food importers that distribute to supermarkets and retail stores are Effem (Whiskas), Nestlé (Friskies, Purina Dog Chow and Alpo) and Pet Market (Bil Jac, Precept, ANF, Star Pro, Pet Time, Must and Windy Hill).

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

Large companies such as Carozzi import most of their ingredients from China because it is cheaper even than buying locally. U.S. products are not very popular because of their high cost.

Some important companies in this sector include: 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.

### **D. Sector Trends**

- Chile received US\$ 15.1 billion in foreign direct investment (FDI) in 2010, a 17 percent increase from 2009
- The food and beverage industry is the third highest sector targeted by FDI
- Major international investors present in the food processing industry include Nestlé, Coca-Cola, PepsiCo and the New Zealand Dairy Board
- Most of the industry is controlled by large Chilean companies that are growing even larger through mergers and growth into neighboring countries
- Local companies produce for exports in addition to their local sales
- 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 mostly world-class and require top quality ingredients
- The light/diet and healthy food trends are gaining momentum as health and wellness concerns grow in Chile
- Easily prepared foods and snacks are growing rapidly in popularity as more people eat out-of-home and on the run

### **III. Competition**

Competition from Mercosur suppliers remains fierce for meat, grains, soybean products and pet food, while



domestic and European imports present the greatest challenge for U.S. processed foods.

Comparative Chilean Food and Agricultural Product Imports

<b>Product</b>	<b>Total Imports 2010 (US\$)</b>	<b>U.S. Imports 2010 (US\$)</b>	<b>U.S. Imports % Change '10/'09</b>	<b>U.S. % Market Share</b>	<b>Main Competitors (% of market share)</b>
Beef	\$707,802,655	\$5,573,821	361.97%	0.79%	Paraguay (61%), Brazil (15%), Argentina (13%)
Coarse Grains	\$261,488,786	\$8,479,729	-44.17%	3.24%	Argentina (71%), Paraguay (21%), U.S. (3%)
Dairy Products	\$43,497,682	\$17,044,768	177.39%	39.19%	U.S. (39%), Argentina (36%), New Zealand (5%)
Essential Oils	\$42,013,641	\$7,896,320	18.96%	18.79%	Argentina (35%), U.S.(19%),U.K.(12%)
Fish & Seafood	\$107,648,196	\$664,884	-10.47%	0.62%	Ecuador (36%), Thailand (16%), Colombia (15%)
Fresh Fruit	\$64,271,018	\$6,826,168	273.72%	10.62%	Ecuador (89%), U.S. (3%), Peru (3%)
Fresh Vegetables	\$7,921,179	\$201,342	-9.04%	2.54%	China (63%), Peru (25%), Argentina (9%)
Fruit & Vegetable Juices	\$29,174,868	\$1,284,167	23.53%	4.40%	Argentina (38%), Brazil (36%), South Africa (8%)
Live Animals	\$7,309,650	\$1,911,803	-46.55%	26.15%	Brazil (37%), U.S. (26%), Canada (16%)
Pet Food	\$67,749,514	\$5,039,850	2.05%	7.44%	Argentina (87%), U.S. (7%), Brazil (3%)
Pork	\$37,925,090	\$10,022,477	272.3%	26.43%	Canada (46%), U.S. (26%), Brazil (21%)
Poultry	\$105,825,639	\$19,410,261	1700.4%	18.34%	Argentina (60%), Brazil (21%), U.S. (18%)
Processed Fruits & Vegetables	\$130,373,663	\$14,727,675	47.73%	11.30%	Argentina (19%), Belgium (12%), U.S. (11%)
Rice	\$63,993,287	\$810,636	181.24%	1.27%	Argentina (66%), Vietnam (14%), Uruguay (7%)
Snack Foods	\$96,445,795	\$8,447,767	29.20%	8.76%	Argentina (31%), Colombia (12%), U.S. (9%)
Sugar/	\$292,004,040	\$2,362,163	23.55%	0.81%	Colombia (39%),

Sweetener/ Beverage Bases					Argentina (28%), Guatemala (26%)
Tea	\$48,728,206	\$384,150	94.32%	0.79%	Sri Lanka (42%), Argentina (32%), Brazil (8%)
Wheat	\$157,110,050	\$116,893,353	120.53%	74.40%	U.S. (74%), Canada (22%), Argentina (3%)
Wine & Beer	\$58,710,666	\$11,619,076	209.94%	19.79%	Argentina (31%), Mexico (31%), U.S. (20%)

Source: Chilean Customs

#### IV. Best Product Prospects

Products present in the market which have good sales potential- 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.

- Coloring agents, flavorings and aromas
- Stabilizers and chemicals
- Dairy derivatives (i.e. whey, powdered milk, specialty cheese)
- Durum wheat, wheat gluten, corn starch
- Animal fat, fish and olive oils, vegetable fats and oils
- Gluten, glucose and other sugars
- Spices
- Pet Food
- Pork, Turkey and Chicken

Products not present in significant quantities which have good sales potential- Products in this category are newly developed and recently introduced products with health certificates being finalized. Also, there are products, like beef, that are being sought because of recent situations from other supplying countries.

- Beef
- Ready-to eat meals/prepared plates
- Processed meat products
- Cocoa powder
- Protein concentrates and emulsifier agents
- Food processing machinery and equipment (i.e. freezing & refrigeration equipment, skinning machines, meat and bone separators, dehydrating equipment, waste recycling systems, vacuum packaging machinery, etc.)

Products not present because they face significant barriers- There are very few products in this category. The U.S. and Chile are engaged in technical discussions regarding several of the products below.

- Salmonid eggs (new site inspection requirements by Chilean government)

- Honey and honey derived products (American Broth Disease)
- Fresh pork (self-imposed barrier)
- Genetically modified (GMO) products without registered events in Chile
- All poultry except chicken and turkey (i.e. duck)

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