

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Date: 3/8/2011

GAIN Report Number: CI1008

Chile

Post: Santiago

Agricultural Situation Voluntary Report

Report Categories:

Agricultural Situation

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Report Highlights:

The Chilean Government pays millions of dollars in export subsidies to the agriculture, fishery and forestry sector.

General Information:

The second round of applications for export subsidies of US\$1.2 million opened in early March, funded by the Agriculture Ministry and Pro Chile. The total amount of export subsidies for 2011 will total US\$7.3 million.

Chilean Agriculture, forestry and seafood exports totaled 12.4 billion in 2010, up from 11.3 billion in 2009 and were among Chile's leading exports last year, second only to copper. Chilean agriculture, forestry and seafood exports to the U.S. totaled 2.9 billion in 2010. Exporters and Government officials are worried about a decline in exports for 2011 due to a confluence of factors on both the production and demand sides, including the ongoing drought in northern Chile, high labor prices and the weak U.S. dollar/strong Chilean peso.

In the first round of the 2011 request for applications, the fishery and seafood sector received an unprecedented U.S.\$150,000 worth of government support and producers in the forestry and agriculture sector received U.S.\$6 million. The funds were awarded to 319 projects nationwide.

The Ministry of Agriculture plans to distribute U.S. \$1.1 million of funding in the second tranche of applications. At the same time ProChile plans to distribute US\$120,000 to fisheries and seafood sector from ProChile's Export Promotion Fund.

Pro Chile and its fund are long-time players in Chile's export oriented economy. Minister Jose Antonio Galilea said that "one of the central goals of the Agriculture Ministry is to convert Chile into an agricultural and forestry powerhouse and to this end; the promotion of exports facilitates access to markets that demand quality products and allows Chilean providers to satisfy that demand".

This initiative also looks to develop export companies' capacity to identify niche markets abroad, paving the way to export not just raw materials but also value added products.

The purpose of the Forestry and Agricultural Export Promotion Fund is to promote the development of innovative projects for Chilean exports. Since the fund started in 2006 ProChile reports that export companies have increased and the forestry and agriculture export basket has diversified, constituting a real contribution to growing Chilean food exports.

For more information please see the web pages of ProChile: www.prochile.cl and the Ministry of Agriculture: www.minagri.gob.cl