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Chile

Food Service - Hotel Restaurant Institutional

Excellent Export Opportunities for U.S. Processed Foods and Gourmet Products

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Report Highlights:

Chile offers excellent opportunities for U.S. food exports. Chile's economy is ranked as a high-income economy by the World Bank and is considered South America's most stable and prosperous nation in Latin America and the Caribbean, and Lonely Planet Travel Guide selected Chile as the top world destination you should visit in 2018. Hotels are expected to continue to thrive and this will provide export opportunities for U.S. producers. Hotels, restaurants and institutions seek to reduce operational costs by buying processed foods and ready-made meals which minimize labor costs.

Post:

Santiago

Executive Summary:

- Chile is the top market for “consumer oriented products” in South America. This category of products represented 67% of all U.S. agricultural and related exports to Chile in January – October 2017 reaching a value of \$600 million and a 40.6% increase over 2016, the highest level of exports recorded so far.
- Economically, Chile is the top performing country in the region of Latin America and the Caribbean
- Chile is expected to return to a 3% growth in 2018. Consumer spending is projected to have a real growth of 3.6% following 2018.
- Chile was selected the top world destination to travel in 2018 according to [Lonely Planet Travel Guide](#).
- Hotels, currently the biggest investment sector of the HRI market, are expected to continue to thrive and this will provide export opportunities for U.S. producers.
- Hotels, restaurants and institutions seek to reduce operational costs by buying processed foods and ready-made meals which minimize labor costs.
- Consumers’ healthy lifestyle trends have changed not only restaurant and hotel operators, but also the institutional food services.
- A [nutritional labeling law](#) for food products was implemented in June 27, 2016. Many companies have responded to this law by modifying the recipes and ingredients of current products, and by innovating and investing in new “healthy” products which do not require labels.
- Best prospects for sales in Chile that growth potential for U.S. agriculture and related products are processed foods, ready-made meals, healthy and gourmet foods and beverages while U.S. pork, poultry and beef exports continue to grow and still have good sales potential.

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Section I: Market Summary

A. Country Overview

Chile, with a population of 17.6 million in 2017, is a centralized country both economically and demographically. It is estimated that in and around the country's capital, Santiago de Chile in the metropolitan region 46.5% of the GDP is produced and more than half of the population live. Population growth is slowing down (1.1% growth in 2016) and the population is aging.

Economically, Chile is still the top performing country in the region of Latin America and the Caribbean, experiencing a slowdown in economic activity but with a recovery projected in 2018 and 2019 thanks to improving private-sector prospects, rising copper prices and increasing consumer confidence.

Despite a slowdown in economic growth between 2011 and 2016 (from an annual real GDP growth of 5.8% in 2011 to 1.6% in 2016), Chile is expected to return to a 3% growth in 2018. While this economic slowdown is particularly tied to the extractive sector, Chileans benefit from higher paying jobs in other industries, such that consumer spending remained steady in 2016 (2.4% real growth in spending according to IMF). Consumer spending is projected to have a real growth of 3.6% following 2018.

Chile has an abundance of natural resources, and although it is working towards the diversification of its economy, it still depends heavily on copper exports. Because of declining international copper prices, combined with an economic slowdown of Chile's main export partner, China, Chile experienced an economic downfall in both 2014 and 2015. Moreover, government reforms, such as the tax reform passed in 2014, lowered both investor and consumer confidence. Economic growth began to recover in 2016 with the Central Bank of Chile recording a 1.6% increase in economic activity and a GDP of \$225.0 billion. Furthermore, forecasts predict economic growth of 3% for 2018 and 3.4% up to 2021.

Chileans elected Sebastian Piñera in December 2017 as their new president and his election is expected to have a positive impact on the Chilean economic environment over the next four years. Piñera will take office on March 11, 2018.

Chile has an open economy and is very committed to trade liberalization. Currently, Chile has 26 trade agreements with 66 economies - notably the U.S.-Chile Free Trade Agreement (FTA), which entered into force in 2004. As of 2015 all trade tariffs were successfully eliminated and 100% of all U.S. exports enter Chile duty-free. Chilean exports reach markets that represent 86.3% of the global GDP with privileged tariff conditions.

The Chilean Central Bank reported a net trade balance of \$5.3 billion in 2016, a 51.7% increase over 2015 (and a 101.5% increase over 2012). Exports fell 17% in 2015 and 3% in 2016, which can be attributed to a decrease of mining exports (by 19% in 2015 and 7% in 2016) and considering that copper accounts for more than 90% of all Chilean mining exports. This drop is a result of a decline in demand from China, which led to a drop in copper prices (\$3.74 /pound in January 2013 to \$2/pound in January 2016). Imports decreased by 6% in 2016, reaching \$58.8 billion CIF) and have decreased by 0.5% from January- October 2017 over the same period in 2016. Exports increased by 13% in Jan- Oct 2017 over 2016 which can be attributed to the manufacture and mining sectors. Inflation has not affected Chile, and while it was 3.8% in 2016, it is expected to fall to 2.8% in 2017, and to stabilize around the target of 3% by 2021.

The general long-term consumer trends in Chile continue to prevail: between 2010 and 2016, GDP per capita in current prices grew by 7.2% and reached \$13,793 in 2016 (World Bank). This is the highest level of income in the Latin American region and is one of the main drivers for consumer spending. Consumption is seen as a “reward”, demonstrated through increasing numbers of people spending their free time in shopping malls. Moreover, due to the openness of the economy, foreign products are available at competitive prices. However, as a result of the economic slowdown, Chilean consumers are increasingly price sensitive. As such, Chileans are seeking discounted prices, purchasing less often or switching to low priced products. Consumer spending per capita fell from \$9,798 in 2013 to \$8,470 in 2015, but increased to \$8,600 in 2016, and it is expected to rise to \$9,712 up to 2021.

According to Euromonitor, per capita consumer expenditure on food and beverages was \$1,572 in 2011, decreasing to \$1,531 in 2016 is predicted to rise to \$1,668 by 2021. Since food and drink are essential, spending in this category is relatively constant and does not fluctuate as much as for non-essential products.

Table 1: Chile rankings by different sources

Ranking by	Rating
S&P 2017	A+ (stable)
Fitch 2016	A+ (outlook negative)
Moody’s 2017	Aa3 (Stable)
Global Competitiveness Index 2016-2017	4.64 Score (Rank 33 out of 138)
Doing Business Rank 2017	57 out of 190

B. Market Overview: Hotel Restaurant Institutional

Market Overview

The HRI food service sector shows good potential for sales. The size of the middle class in Chile continues to expand along with average income. New lifestyle trends, such as more women in the workplace and healthier lifestyles are leading to rapid growth in consumer food service, a trend which is expected to continue over the next few years. Hotels, currently the biggest investment sector of the HRI market, are expected to continue to thrive and this will provide export opportunities for U.S. producers. New chains and international restaurants open each year. Subcontracted food service operators in the institutional sector are constantly growing, with providers developing products to suit each sub-sector.

As Chilean consumers look for more varieties, they will turn towards foreign brands. U.S. products are regarded for their high quality, reliability, and innovation.

Foodservice is expected to grow through the increase of travel, tourism and retail outlets/channels. The growth of the foodservice sector was 3.6% in 2016 (value in constant prices). In 2017, a growth of 4.6% is expected, and in the period from 2016 to 2022, an increase of 25.3% is forecasted.

In 2016, the growth of food outlets was 3%, increasing from 14,893 outlets in 2015 to 15,335 units in 2016. A growth rate of 3% is also expected for 2017.

Within the food service, independent outlets were the best performers in 2016 with a growth of 4%, whereas chain food service outlets decreased by 2%. Foodservice outlet growth is expected to grow by 4% in 2017. Coffee houses (cafés) grew by 5.4% from 2011-2016 (constant 2016 prices) and fast food foodservice by 2.6% in the same period. In 2016 to 2021 projected growth rates are 5.6% for coffee houses and 6.6% for fast food foodservice.

The Chilean HRI sector is described below:

Hotels

The overall hotel sector grew by 16% in 2015. While hotels still represent the greatest proportion of total value of sales (72%) in the accommodation sector, short-term rentals are growing rapidly. In 2015, short-term rentals doubled in the number of outlets present, increasing by 123.8% compared to the previous year. Hotel sales are expected to grow by 16% in sales from 2015 to 2020. As more and more people book accommodations online, not only will direct hotel sales increase but also those of intermediaries. These include websites that offer price comparisons or the “best deals”, this group experienced strong growth of 15% in 2016.

Aside from the rise of web-based platforms such as Airbnb, which offer short-term rentals, eco- friendly hotels and boutique hotels are also having a larger presence within the industry.

Restaurants

In 2016, there were 15,335 food service outlets in Chile, which represents a 6.7% increase over 2015. Independent restaurants do not only hold more outlets than chain restaurants but also grew faster in terms of new openings per year. Moreover, tourism is a strong contributor to growth of consumer foodservices. Despite a general slowdown in economic activity, food service growth is strong and consumers have not changed the frequency in which they eat out, however they are spending less amount of money on each occasion and opting for cheaper options.

Food delivery services increased in importance, not only in the fast food sector, but for healthier options. Delivery services provide a solution to the increasingly busy lifestyles that Chileans are leading as well as to the lack of motivation and knowledge required to prepare healthy meals. Furthermore, coffee shops show strong growth as well as juice and smoothie bars.

Institutions

The two largest sectors for the institutional food service industry are the mining and education sectors. In 2014, the number of educational institutions of all levels reached a total of 16,372 establishments

(Ministry of Education).

The three main institutional service companies are Sodexo Chile, S.A., Central de Restaurantes Aramark, and Compass Catering, S.A., led by Aramark. Aside from the large players, many smaller national companies serve the market. The smaller companies will often supply a few schools or companies and guarantee a direct and personal contact to their clients as well as flexibility, client-tailored and individual solutions.

[Canal Horeca](#) magazine reports that the main players in the sector are incorporating the health trend into their offerings by offering healthy menus, transparent nutritional information and adapting to changing demands. The smaller companies also adapt their menus both by shifting towards higher quality ingredients as well as by offering healthier menu options.

C. Key demand drivers

The following drivers and trends have been identified as boosting demand within the HRI sector:

Low-Cost Restaurants

Economic slowdown led consumers to seek for lower cost restaurants, which resulted in an increase in the fast food sector. Fast food restaurants are constantly innovating and developing their offerings to further attract consumers such as offering higher quality prepared food.

Unemployment rate of 6.6% in 2016 has not modified the frequency in which Chileans eat out, but rather the amount of money spent per meal, which has increased demand for low-cost restaurants.

Health Trend

Healthy consumption trends continue to grow, as stated by the Chilean food journal [Canal Horeca](#). It has changed not only restaurant and hotel operators, but also the institutional food service, where companies aim to deliver healthy foodservice. Low-cost restaurants also started to include healthier options in their menus as a premium, more expensive option. New companies are trying to satisfy a demand for healthy, but fast food service, i.e. catering office workers located in business areas.

Furthermore, the health trend is driving demand for homemade and local food.

Nutritional Labeling Law

A [nutritional labeling law](#) for food products was implemented in June 27, 2016. According to [America Retail](#), 36.5% of Chileans have adapted their selection and purchase of food as a direct result of the regulation. Many companies have responded to the nutritional labeling law by modifying the recipes and ingredients of current products, and by innovating and investing in new “healthy” products which do not require labels.

Local Foodservice

Independent outlets still dominated the market in 2016, having increased by 4% to reach 12,961 venues, whereas chain restaurants decreased by 2.3%, totaling 2,374.

Tourism

Food services in the hotel and restaurant sector have benefitted from the steady increase of tourism. In 2016, the number of tourist arrivals staying in accommodation establishments increased by 3.1%.

Moreover, shopping centers frequently visited by tourists, especially Argentinians, positively impact sales in food courts in Chile.

E-Commerce:

E-commerce in Chile is expected to grow 14% annually through to 2020 (BMI). The number of smartphone users in Chile is very high, and smartphone coverage level in Chile has reached 70% of the population. By 2020, it is expected to reach 78%. These coverage levels of smartphones and internet access are amongst the highest in Latin America and provide a strong potential for e-commerce. The entry of DHL e-Commerce in 2017 exceeded expectations as consumers turned to online shopping. This trend is also apparent in the food industry. In 2016, 0.6% of total sales in the foodservice sector were ordered online. Despite accounting for a small proportion of overall sales, intermediaries that offer online delivery services for various types of cuisines and restaurants are growing.

U.S.-Chile Trade Relations:

According to the U.S. Census Bureau U.S. exports of goods to Chile were \$12.9 billion in 2016, and imports of Chilean products and services reached \$8.8 billion in the same period, creating a U.S trade surplus of \$4.1 billion.

Since the implementation of the U.S. - Chile free trade agreement, in 2004, the value of U.S. exports soared increasing seven fold, and the U.S. market share more than doubled from 7% in 2004 to 17% in 2017.

U.S. exports of agricultural & related products reached \$840.5 million from January through October 2017, which represents a 16% increase over the same period in 2016. Consumer oriented products have grown by 40.6% in the same period reaching \$600 million. The top U.S. agricultural export products are beer, poultry, feed (corn gluten meal), pork and dairy (cream cheese and skim dry milk). In 2016, U.S. exports of agricultural and related products reached a total of \$881.6 million.

Reputation of U.S. products in Chile:

The worldwide [Made-In-Country](#) Index 2017 shows that 83% of respondents from Chile perceived products made in the U.S. as “slightly positive” or “very positive”. The survey indicates that U.S. products have the strongest reputation in Chile, followed by German products. According to Chilean

importers U.S. food products are known to be more expensive and of higher quality than other equivalent products from other sources.

D. Sales and Growth Rates

Private consumption (in real terms) rose by 2.6% in 2016 and 3.6% in 2017 and the positive trend is expected to continue. Moreover, consumer confidence is increasing after a record low in August of 2016 and is predicted to remain at around 40 points, whilst the unemployment rate remains steady at 6.8%. These developments are positive for the food service industry, such that the outlook for the Chilean hotel, restaurant, and institutional food service sector is encouraging.

Consumer expenditure per capita totaled \$8,600 in 2016. This figure is expected to increase by 1.5% in real terms in 2017. Annual spending on food reached \$1,147 per capita in 2015, marking an increase of 14.2% in real terms from 2010 to 2015. Growth can be attributed to rising incomes and changes in eating habits towards increased consumption of dairy products, processed foods and a tendency to eat out more frequently.

According to data from the World Bank on 2016 household final consumption expenditure per capita (constant 2010 US\$), Chileans spent a higher amount compared to their neighboring countries (Chile: \$9,156, Argentina: \$6,946, Peru: \$3,881, Bolivia: \$1,503), but less than a third than households from the U.S. (\$35,526).

In 2016, gross national income (GNI) per capita stood at \$23,270 (purchasing power parity at current international prices) and between 2010 and 2015 disposable income in Chile grew by 25.3%, reaching \$8,964 in 2015. This increase in income levels has influenced consumer choices and lifestyles.

E. Advantages and Challenges to Entering the HRI Foodservice Market

Advantages	Challenges
One of the highest credit ratings in Latin	Domestic market is limited: Chile’s population is 18.4

America, with a high per capita income. Consumption (especially on non-necessities) increases.	million in 2017. Due to its open market, Chileans are price sensitive, especially during economic slowdowns.
Strong demand for processed and ready-made food in the hotel sector.	Due to Chile's geography long distances have to be covered for distribution.
Areas beyond the country's capital, Santiago, are becoming more popular, and scope for expansion in these regions and cities remains strong.	Many hotels purchase individually and do not combine to increase purchasing volume such that it is not attractive for U.S. companies to export directly. However, some hotels report to combine their purchasing efforts in order to be able to import directly and to avoid commissions to intermediaries.
The fast growing tourism industry offers new clients and opportunities for foodservice.	U.S. products and brands face strong competition from Europe. Certain European nations are renowned for their gourmet or high-quality products such as French cheese, Spanish meats and Italian pastas, etc.
Possibility to export directly to restaurants and hotels which require high volumes of products.	Domestic competition is rising in consumer oriented product categories, as Chilean companies increasingly aim to produce value-added products.
New Food Labeling Law: Many companies have adapted their recipes in order to avoid the labels and others are working on innovations and new products to meet the demand for healthier foods.	New Labeling Law: Imposes barriers to importation due to required extra packaging and labeling.
Snacks and confectionary that do not carry warning labels as well as value-added products across categories are growth categories for exporters to Chile.	U.S. exporters seeking to access the Chilean HRI market should identify an importer that specializes in distributing to this sector and be prepared to offer small quantities of products or mixed containers.
U.S. suppliers and products are able to meet the growing demand for gourmet and premium products, healthier products, and convenient food.	
Demand for premium coffee varieties increases and U.S. style coffee shops are increasingly prevalent in Chile.	

F. Five Years Import Overview

Chile's food industry is based on its plentiful agricultural resources such that Chilean imports of food (consisting of meat, food, and drinks valued at \$2.2 billion in 2016, CIF) were largely surpassed by the volume of Chilean food exports (consisting of agriculture, forestry, fishery and other food valued at \$14 billion, FOB). The Chilean Central Bank records that the agricultural sector, which includes forest and fishery products, contributes 3.5% to Chile's overall GDP (compared to mining, which accounts for 10.3% of overall GDP) in 2016. However, this relatively small figure only considers primary agricultural products. Considering the processing industries related to agriculture leads to an 11%

contribution to GDP. Although overall imports from the U.S. fell by 12.4% in 2016, 18% of Chile's imports still come from the U.S., which makes the U.S. Chile's second biggest import origin, after China. Since 2011 food imports to Chile have increased by 15.1%, from \$1.9 billion to \$2.2 billion in 2016.

Table 2: Chile food and beverage imports

Year	Food and Beverage Imports CIF (billion dollars)	% of overall imports	Variation % (year over year)
2016	2.202	3.74	1.92
2015	2.161	3.46	-5.39
2014	2.284	3.14	1.68
2013	2.246	2.83	9.32
2012	2.055	2.51	7.40
2011	1.913	2.56	-

Source: Chilean Central Bank

Data from the Chilean Central Bank shows that exports of agricultural products and food have increased by 12.22 % since 2011, from \$12.5 billion in 2011 to \$14.1 billion in 2016.

Table 3: Chile Agricultural, forestry and fishery exports

Year	Agricultural, Forestry and Fishery Exports FOB (billion dollars)	% of overall exports	% change (year by year)
2016	14.061	23.20	6.21
2015	13.239	21.29	-11.33
2014	14.930	19.87	7.49
2013	13.889	18.09	10.83
2012	12.532	16.05	0.02
2011	12.530	15.39	-

Source: Chilean Central Bank

G. Edible Fishery Products

As the second largest producer of salmon in the world after Norway, Chile has a strong aquaculture industry. Therefore, Chile only imports only small volumes of fishery products. In 2016, fish and related exports reached \$3.9 billion of which 31% were exported to the United States, making the U.S. the main export destination for Chilean fishery products, which mostly consist of Atlantic salmon.

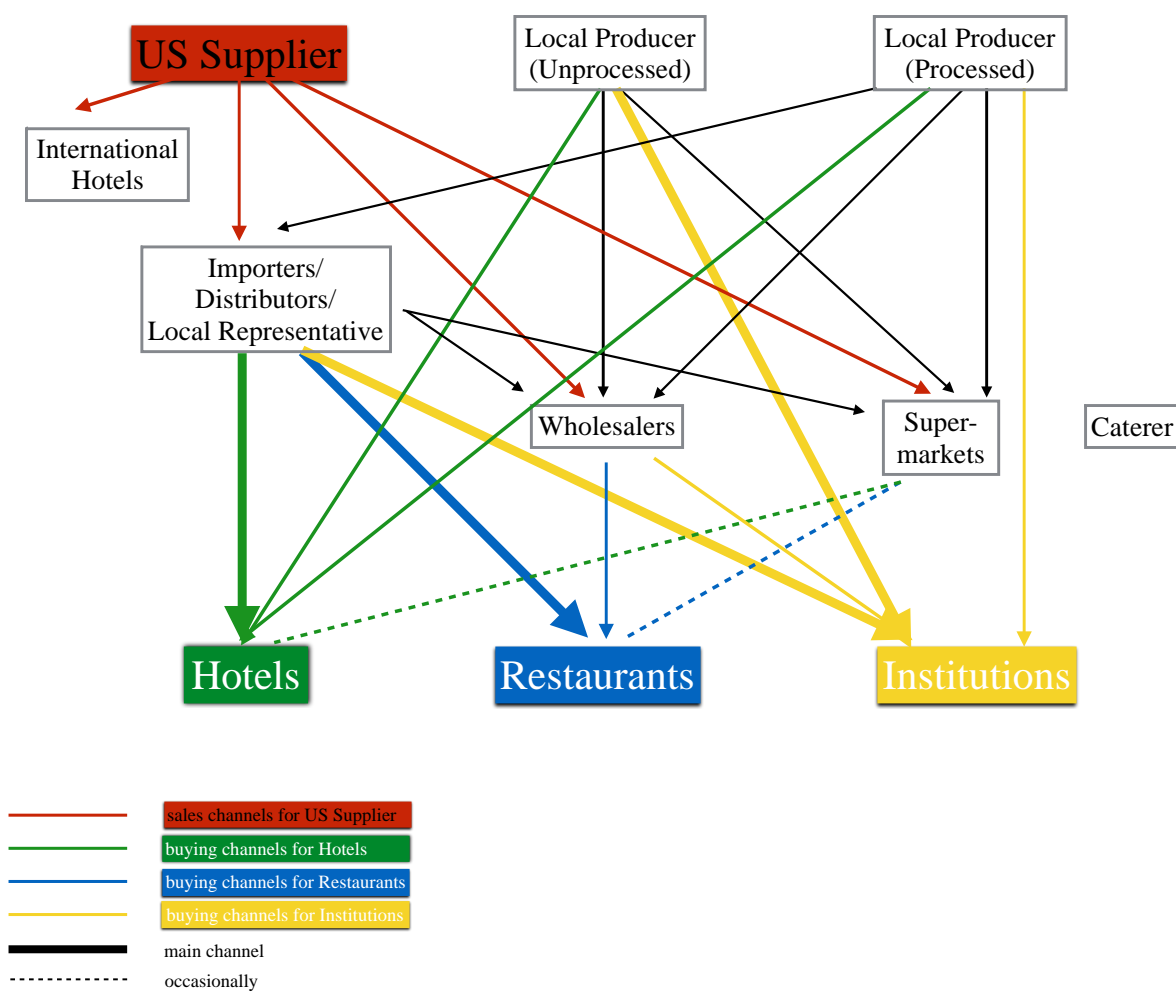
In the HRI sector, the best prospects for edible fishery products are for gourmet products and for those not available in the domestic market, such as shrimps. 47% of imports are (Ecuadorian) shrimps,

followed by pangasius fillet with 8.9%, and tuna with for 3.3% of imports. 41% of all imported fishery products come from China, 31% from Ecuador, and 14% from Vietnam. Asian fish products are often considerably cheaper than from other markets. Proportionally, premium products dominate fishery imports but due to their pricing, demand and import volumes are low. Almost all fish products are frozen in order to guarantee quality and safety. Frozen fish benefits from longer shelf lives and tend to come in convenient, pre-cut portions.

Section II: Market Entry

A. Market Structure

The following diagram portrays how food products are supplied by the U.S. exporter to the various food service sub-sectors (based on information from interviews):



The HRI sector typically does not import products directly. Instead, they purchase the products from local distributors or from wholesalers. Therefore, the best entry method for U.S. companies is to supply directly to local distributors, agents or wholesalers who will then distribute among the HRI industry.

International hotels may have their own distribution network arranged by the company headquarters. According to post sources, hotel in Chile brands do not have a centralized supply chain as each hotel has an independent purchasing department.

B. Entry Strategy

The Office of Agricultural Affairs in Santiago, Chile advises U.S. producers to check that their products meet the most up to date Chilean regulations to ensure a straightforward entry strategy into this market. U.S. suppliers will have to consider their market entry strategy. FAS Santiago maintains listings of potential importers and develops sector-specific information to help you introduce your product in Chile.

Overall, exporters tend to enter the market either through wholesales, via a distributor, or directly to the buyer (see graph above).

Market access for imported products: Intermediaries

The most common way for hotels, restaurants and institutions to purchase products is usually through intermediaries such as distributors, importers, or local representatives including caterers or wholesalers. According to interviews, most hotels and restaurants use domestic distributors. Most of these firms are based in the capital, Santiago. Supermarkets and restaurants which purchase big volumes of food products are seeking to import directly. The trend towards direct imports is driven by the search for lower prices (avoiding intermediary costs) while also maintaining high and constant quality. Distributor commissions range between 5% and 10% depending on the product.

U.S. exporters seeking to access the Chilean HRI market should identify an importer that specializes in distributing to this sector and be prepared to offer small quantities of products or mixed containers. Chilean importers typically import mixed containers and offer a range of products. HRI companies often deal with multiple importers in order to get the desired range of imported foods.

Hotels

Hotels prefer to purchase their products from distributors, mainly because they offer a vast array of products and import costs and procedures are avoided (i.e. obtaining license to import liquor). Although hotels may prefer to import some products directly in some cases to avoid intermediary costs or obtain specific products, many barriers arise such as: the risk that the products may not arrive on time or at all, the need for insurance, a lack of storage capacity to be able to import large quantities, and the need to hire additional personnel to manage and guarantee the quality of the products. According to post sources, overall, the lower prices achieved via direct importation do not make up for the additional costs and time.

Some products unavailable through distributors, which are mostly luxury products, are imported directly. For example, luxury hotels import certain types of liquor directly as they are not found elsewhere in the domestic market.

Raw materials and basic ingredients are purchased from local producers either directly, in order to reduce commission costs, or via a distributor. For finished or processed products, hotels prefer to purchase from the official distributor or representative of that producer in order to have consistency of supply and quality.

Supermarkets are not typically part of the supply chain, however, when an ingredient is urgently missing in small quantities both hotels and restaurants would purchase from supermarkets as a last resort.

Distributors offer a variety of high quality products reducing management efforts to the HRI industry. Depending on their clients, hotels may prefer to have as few distributors as possible to further reduce complexity, especially when not catering for high-end clients.

Distributors mostly deliver directly to the central kitchen facilities, where the products and foods are prepared and delivered to the hotels. For products where quality varies, hotels use tenders to compare products based on their price and quality to achieve the best value for money.

Restaurants

Restaurants generally purchase from distributors however an important distinction can be made between independent restaurants and chain restaurants. The latter deals with higher volumes that increase its purchasing and negotiation power with distributors and also allow them to demand specific products. In contrast, independent restaurants rely on the supply, as well as range and quality of products, from distributors. Chain restaurants may import directly for two reasons: either because they are part of a global chain that has a centralized worldwide distribution system, or because they have the volume and management capacities to do so.

According to a luxurious steakhouse in Santiago, products that are not offered by distributors, such as fresh and high quality meats from the United States have to be substituted by local ingredients. Restaurants perceive U.S. products as “high quality and consistent.”

Independent restaurants work with specialized importers and make smaller purchases at a greater frequency. Due to its target group of high-income customers, the primary selection criterion is quality.

Institutions

The institutional sector buys most products from local distributors. Companies purchasing large quantities may also import directly when price, quality or other selection criteria are more favorable than domestic suppliers. Apart from entering the market via a distributor, a company can set up a local subsidiary or enter via a franchising model.

Local Subsidiary

Opening a local subsidiary is a good option for foreign suppliers who plan to create a strong presence in the Chilean market. Registering a new business in Chile takes around three weeks. Costs for trade registry are estimated at \$1,800. Detailed information can be found at [Chilean Chamber of Commerce](#).

Franchising

Additionally, franchising chain outlets is a common model in Chile. In 2016, outlets of chain

restaurants accounted for 16% of all consumer food outlets. Recently, smaller and new brands are also using the franchising business model, such as Cofi (cafeteria chain), Finitezza Bar (pizza restaurants) or OH!Salad (healthy restaurant chain). Overall, franchising is mostly used by large companies such as Gastronomía & Negocios (they own the brands Doggis, Juan Maestro, Bob's and Mamut) and is most commonly used in fast food chains.

Business Culture and Customs

The business culture and customs in Chile are conservative and characterized by the importance of personal contact and face-to-face interaction. Therefore, contact initiated via e-mail may often not be effective. Business meetings and practices in general are similar to United States.

For any foreign supplier it is very important to have a direct local contact in order to understand the domestic market, have access to a network of contacts and provide support with the language and culture of the Chilean market. Therefore, it is recommended to use intermediaries on site.

Competition and Comparative Analysis

U.S. products compete with local and imported products. The top exporters to Chile are China, followed by the U.S., Brazil and Argentina. Most distributors offer a wide range of international and national products.

Compared to national products, foreign products are perceived as higher quality owing to their more advanced production technologies. U.S. products are usually known and valued for their consistent quality. According to Post sources meat from the U.S. is particularly regarded as being of higher quality than meat imported from other countries and local production.

According to post contacts brands and products from the United States are generally better known and approachable to Chileans than brands from other origins. They are known to be for mass consumption, whereas products from Europe tend to seem elitist. U.S. products have an excellent reputation and many - U.S. brands are present in the Chilean market. Moreover, the U.S. has a greater variety of ready-to-use products that increase efficiency in the kitchen, such as ready-to-use bacon slices.

C. Regulations and Requirements

The ability of U.S. exporters to meet Chilean market requirements has two main dimensions: One is the legal and regulatory requirements and the other is customer expectations.

A certificate from Ministry of Health authorities (SEREMI de Salud) is required to be able to import, and packaging and label requirements have to be fulfilled. Those products that do not comply with the standards have to be re-labeled and re-packaged in Chile before they can be sold. For more information, please see [FAIRS GAIN report](#).

From June 2016 onwards, the nutritional labeling law ([Reglamento sanitario de los alimentos](#)) defines the limits of nutrients that require a special label for national as well as imported foods. The limits on food content specified by the law are the following:

Table 4: Nutritional labeling law limits

	Energy kcal/100 g	Sodium mg/100 g	Total Sugar g/100 g	Saturated Fats g/100 g
Limit in solid food. Values above:	275	400	10	4
	Energy Kcal/100 ml	Sodium Mg/100 ml	Total Sugar g/100 ml	Saturated Fats g/100 ml
Limit in liquid food. Values above:	70	100	5	3

Products that exceed these limits and are therefore considered as containing “excessive” amounts have to be labeled with the following information. Imported products which do not have the labels need to be re-packaged in Chile with the labels.



(High in sugar; High in Saturated Fats; High in Sodium; High in Calories)

Two additional regulations were added under the publicity chapter of the labeling law and will take effect during 2017: The first clarifies that any product containing a warning label may not be advertised on TV from 6 am to 10 pm. The second measure regulates breast-milk substitutes so that products for children under 12 months are available by medical prescription only, that all marketing and promotion activities of these products are prohibited, and that packages must not show any cartoons or pictures that may influence consumer choices. For more information on the nutritional labeling law see [GAIN report](#).

D. Intermediaries

Distributors/Importers/Representatives

Distributors are the main channel for international producers of food products. Distributors often choose to offer a wide variety of products in order to satisfy most needs of their customers.

The choice of products of Chilean importer and distributors depends on price, quality, demand from clients, and the relationship with the producers as well as payment conditions.

According to importers, the country of origin of products is important for the following three reasons: quality, variety and the demand from their clients. U.S. brands are often well known, especially due to marketing campaigns in Chile.

Wholesalers

Wholesalers consist of mainly of large supermarkets, where products can be purchased in bulk. Independent (and smaller) restaurants and hotels are especially suited to use this option to acquire their supplies. According to America Retail, wholesalers earn approximately \$1,000 million yearly and this sector is growing at a 5% rate.

The Chilean wholesale industry has undergone profound changes in recent years, such as the bankruptcy of Rabié and Bigger and the entry of Wal-Mart with their brand Central Mayorista to the sector. Other brands have shifted from the wholesale sector to providing for end-customers. Former wholesaler brands such as Mayorista 10, ALVI and Superbodega Acuenta nowadays target end-customers such as large families and those customers looking for a good deal. [1]

In May 2016, the chain Bigger declared bankruptcy, which further reduced the number of players in the wholesale sector. Guía Horeca provides a [list](#) of all distributors and wholesalers of groceries in Chile.

The following selection is an overview of some of the main wholesalers and the brand owners.

Table 5: Wholesalers in Chile

Brand	Global Brand Owner
Mayorista 10	SMU S.A.
Alvi	SMU S.A.
Central Mayorista	Wal-Mart Stores Inc
La Caserita	La Caserita Ltda.
Dimak (sur de Chile)	Dimak Ltda.
Distribuidora Mayorista La Oferta	Distribuidora Mayorista La Oferta
Adelco	Abastecedora del Comercio Ltda.

Supermarkets

Supermarkets are not the main distributors for restaurants and hotels (or for companies that supply institutions). However, interviews with actors from the HRI sector reveal that they present an option to find essential foods “in emergency situations.” This is more frequent for smaller establishments that may not plan far in advance.

In general, although there are various supermarket brands in Chile, four companies hold the main share of the supermarkets: Wal-Mart Stores Inc, Cencosud S.A., SMU S.A. and Falabella SACI. The biggest group in grocery retailing (including wholesalers and grocery retailing) is Wal-Mart Stores Inc, with 21.7% market share value in 2016. Its wholesale brand Central Mayorista held 0.2% of the grocery

retail market share in 2016, which is a 0.1% increase over 2015.

Wal-Mart

Wal-Mart is owned by Wal-Mart Stores Inc. Although its core business is retailing through hypermarkets, supermarkets and discounters, it entered the wholesale sector with Central Mayorista. In 2016 they announced an investment of approximately \$300 million in expansion plans, of which \$180 million will be allocated to the construction of a distribution center. Wal-Mart can be found all over Chile with its different brands. Interviews revealed that hotels purchase small-portioned toiletries from Walmart, since these cannot be imported and are only found at Wal-Mart Stores.

SMU S.A.

SMU was created in 2007 and its major shareholders are CorpGroup (79%) and Southern Cross (12%). Since then it has acquired 54 retail chains and brands and operates via various channels. Its discounters Mayorista 10 and ALVI combined represented 3.2% of the grocery retail market in 2016. These brands started out as wholesalers, but target consumers directly and focus on middle and low-income consumers. SMU operates across Chile.

Grocery Retailers reached \$26.8 billion in sales in 2016, with 1% growth estimated for 2017.

Supermarkets and hypermarkets combined hold 51% of the value sales in the grocery retail market.

Regarding growth perspectives of both hypermarkets and supermarkets: in 2016 sales of hypermarkets reached \$6.5 billion and are expected to grow 2% in 2017. Up to 2021 an increase by 15% is projected (2.9% annual growth rate between 2016 and 2021).

Supermarket sales were slightly higher than hypermarket sales with \$7.2 billion in 2016 and an estimated growth of 2% for 2017. Forecasts are of a 16% growth up to 2021 (3% annual growth rate between 2016 and 2021).

E. Sub-Sector Profiles

Hotels

The hotel sector in Chile consists of traditional hotels, as well as short-term rentals, and other types of accommodation such as hostels or Airbnb.

Sales for the hotel sector are expected to grow by 16% from 2015 to 2020, and for short-term rentals a growth of 61.7% is forecasted over the same period. Online bookings are of increasing importance and are predicted to grow by 79.2% in the same period, accompanied by a decrease in offline sales by 20%.

This development reflects consumers' desire and demand for quick information and the possibility to compare prices.

Web platforms that enable online booking are expected to grow in value by 15.5% in 2017, and by 50% between 2016 and 2020. Direct hotel booking is expected to keep up with intermediaries, with a growth of 53.4% in the same period. Professionals in the industry recognize the need to address e-tourism and are aware of the importance of online reputation. (Canal Horeca)

Brands of the former Starwood Hotels & Resorts Worldwide Inc (acquired by Marriott International in 2015), such as Sheraton or W Hotel, holds the highest share of sales value in Chile with 9.3% in 2015 - followed closely by the InterContinental Hotel Group Plc.

Overall, the economic slowdown has not hampered the growth of the hotel sector, and in 2015 international hotel chains opened a number of new outlets: NH Hotel Group SA opened 3 new hotels, Marriott International Inc. opened 1, Hilton Worldwide opened 1 and Chilean hotel chain Diego de Almagro opened 2 new hotels.

Given that consumers are looking to save money and as owners see the opportunity to make money, dynamic and strong growth is forecasted for online platform. Hotels are increasingly witnessing competition from informal providers of accommodation and, as such, are responding to these challenges with new technology and an online presence (Canal Horeca).

Eco hotels and boutique hotels are increasing their presence in the market. Moreover, the hotel industry identifies that enotourism is a growing niche, which offers activities surrounding the wine industry in Chile.

Table 6. Hotel company profiles

Company Name	Sales US\$ million Year [1]	Food Outlet Name, Type	Location, # Establishments Chile	Purchasing Agent
Novotel (Part of the brand portfolio of AccorHotels)	Accor group: 4,831	Restaurant 365, International type of food	Chile (8 + 1 opening in July 2017), worldwide	Distributors, Supermarkets
Atton Hotels, Inc (Chilean)	/	Bravo Restaurant & Bar (Las Condes) Citadino Restaurant & Bar (Vitacura)	Chile (4), Peru (1), US (1), Colombia (2)	Distributors

		Mediterranea Restaurant & Bar (El Bosque) Hemisferio Restaurant & Bar (Concepción)		
Enjoy Santiago (Enjoy S.A.) (Chilean)	419.8	La Barquera (Italian Grill), Santerra (Buffet, International), Bars	Chile (8)	Distributors
DoubleTree by Hilton	Hilton group: 11,272	Bar 2727 (drinks), Between Café (sandwiches) Quotidien Bistro (Bistró/Mediterranean cuisine)	Chile (3) Garden Inn (2), Doubletree, worldwide	Distributors
Grand Hyatt Santiago, since July 31, 2017 Mandarin Oriental Santiago	Hyatt group: 4,429	Restaurants: Mediterranean Senso, Thai Anakena, Japanese Matsuri, Lobby Lounge, Bar	Chile (2), worldwide	Distributors
InterContinental Santiago (InterContinental Hotels Group)	InterConti group: 1,715 in the Americas: 993 Inter Continental brand: 4,600	La Terraza (Chilean cuisine, traditional and local food), Bar Benatino (drinks), Lobby Café, Terrané (international, gourmet cuisine), Pasta e Basta (Italian Cuisine), Temple (Japanese fusion cuisine)	Chile (1), worldwide	Distributors
NH Ciudad de Santiago (NH Hoteles S.A.)	NH Hoteles S.A.: 1,265	Restaurant (International, Latin American cuisine), Lobby Bar	Chile (4), worldwide	Distributors
Sheraton Santiago Hotel & Convention Center (Marriott International Inc, Former Starwood Hotels & Resorts)	Marriott Int.: 17,072	Restaurants: El Cid (International, gourmet), El Bohio (Barbecue), Burger Shack, Lobby Bar	Chile (11), worldwide	Distributors

Source: based in company data and interviews

Restaurants

In 2016 there were a total of 15,335 food service outlets in Chile, an increase of 6.7% from 2014.

Consumer food service outlets are expected grow annually by 2.2% between 2016 and 2021. In 2016, the highest value sales are reached through standalone (72.0% and 10,555 outlets), followed by foodservices through retail outlets (17.0% and 3,487 outlets).

Foodservices related to travelling are expected to increase annually by 11.1% between 2016 and 2021, which reflects the growth of the tourism industry in Chile, followed by foodservice through retail with 7.2% CAGR.

Independent Restaurants versus Chain Restaurants

Independent restaurants still dominate the foodservice sector in 2016 and account for 84.5% of the number of outlets and 70.2% of the value of the sector. The number of independent foodservice outlets has increased by 33.6% and its value by 21.6% in 2016 over 2012. Chain restaurants number of outlets increased by 6.46% and by 11.2% in value in 2016 over 2012. Canal Horeca reports that this development is driven by a trend towards local and regional foodservices, which is reflected in the expected strong growth that is forecast for independent Latin American restaurants (2.8% CAGR 2016-2021 by value and 4% CAGR by outlets). The growth of chain restaurants is attributable to the increased accessibility of outlets in prominent locations and strong brand awareness as a result of marketing campaigns.

Table 7. Chain and independent restaurants in 2016 by number of outlets and sales value

	Chain	Independent	Total
Number of outlets 2016	2,374 (23.74%)	12,961 (84.52%)	15,335
Sales value [2] in US\$ million 2016	\$1,223 (29.78%)	\$2,884 (70.22%)	\$4,107

Full-Service Restaurants

The retail sale price value of full-service restaurants in 2016 was \$1.3 billion and accounted for 3,635 outlets. Between 2012 and 2016 the value of full service restaurants grew at a 4.7% annual rate, and is expected grow at 3% annual rate until 2021 both in value and number of outlets.

In 2016, 71.3% of the overall market for full-service chain restaurants was held by 10 top brands (see table 8).

Table 8: Full-service chain restaurants by market share

Brand	Global Brand Owner	Market share (%value) 2013	Market share (%value) 2016	% Change (pp)
Mamut	Gastronomia y Negocios SA	12.7	14.5	1.8
Niu Sushi	Dit y Comercializadorea de Alimentos Oji Ltda	11.2	11.3	0.1
Gatsby	Areas SA (GRUPO)	7.8	7.8	0
Emporio la Rosa	Emporio la Rosa SA	4.7	6.2	1.5
Sushi House	Soc Comercial Zen Ltda	5.3	5.9	0.6

PF Chang's China Bistro	PF Chang's China Bistro Inc	3.7	5.8	2.1
Tip & Tap	Tip & Tap	6.2	5.6	-0.6
Le Fournil	Bredenmaster Chile SA	4.3	5.4	1.1
Johnny Rockets	Johnny Rockets Group Inc.	3.1	5.1	2
Pizza Hut	Yum! Brands Inc	5.4	3.7	-1.7

Source: Euromonitor

Fast Food

In 2016, there were a total of 7,087 fast food restaurants in Chile, which accounted for a retail sales price value of \$1.5 billion. Since 2012 the number of outlets has grown by 7% annually and value has increased by 4% annually (constant 2016 prices and fixed 2016 exchange rate). The growth in number of outlets can be attributed to changes in consumption habits due to busier lifestyles, the increase in shopping centers with food courts, and the increased demand for fast food services.

The largest 17 brands accounted for 78.1% of overall market in 2013 and for 84.7% in 2016.

Table 9: Fast food restaurant chains in Chile

Brand	Global Brand Owner	% value 2013	% value 2016
McDonald's	McDonald's Corp	12.6	13.8
Doggis	Gastronomia y Negocios SA	11.2	12.0
KFC	Yum! Brands Inc	7.9	7.9
Domino Fuente de Soda	Domino Fuente de Soda	8.8	7.8
Juan Maestro	Gastronomia y Negocios SA	4.4	7.3
Savory Stop	Unifood SA	4.8	4.7
Pollos Tarragona	Distribuidora Montserrat SA	5.3	4.6
Burger King	Restaurant Brands International Inc	-	4.1
Bravissimo	Alimentos Mediterraneo Ltda	9.2	4.0
Subway	Doctor's Associates Inc	2.3	3.4
Pedro, Juan & Diego	Unifood SA	2.2	3.4
Buffet Express	Soc Administradora Plaza Central SA	1.6	2.4
Yogen Früz	Yogen Früz Canada Inc	1.5	2.2
Dunkin' Donuts	Dunkin' Brands Group Inc	2.2	2.0
TelePizza	Telepizza SAU	1.4	1.9
Bufalo Beef	Restaurant Bufalo Beef Ltda	1.3	1.6
Castaño	Elaboradora de Alimentos Frutale Ltda	1.4	1.6

Source: Euromonitor

Coffee Shops (Cafés) and Bars

In 2016, there were 2,680 cafés and bars operating in Chile. This segment grew by 5.3% in number of outlets in 2016 and by 10.6% in value. Gourmet coffee shops grew the most in number of outlets in

2016, with an expansion of 15.6%. This reflects a positive trend for gourmet coffee, as a result of the ‘coffee culture’ concept that is widespread in the U.S. and Europe.

The highest growth in terms of sales (foodservice current value growth) was achieved by Juice and Smoothie Outlets, with a 28.4% increase in 2016. This sector is still underdeveloped and has strong potential due to the overarching health trend. Growth is attributed to the expansion the Australian Franchise Boost Juice Bars from Atsa Inversiones S.A., which accounts for 71% of total sales value of juice and smoothie bars.

Juice imports increased from \$29 million in 2010 to \$54 million in 2016. This represents an 86% increase over a six-year period. Aloe Vera drinks and flavoured aloe vera drinks imports have increased the most going from \$4,300 in 2010 to \$49,600 in 2016 (1,058% increase).

Coconut drinks increased from \$43,500 in 2010 to \$263,170 in 2016 (504% increase). Maqui, or Chilean wineberry, juice imports were \$18,178 in 2016, which is a newly introduced product.

The café and bar sector is expected to grow 5.6% annually in value and 2.6% in number of shops between 2016 and 2021. Chain Cafés brands and bars are expected to record higher growth than its independent counterparts.

Table 10: Coffee shops and bar company profiles

Brand	Global Brand Owner	Market share % value 2013	Market share % value 2016	% Variation
Starbucks	Starbucks Corp	32.4	39.6	7.2
Juan Valdez	Federación Nacional de Cafeteros de Colombia	10.6	12.4	1.8
Tavelli	Tavelli SA	9.0	8.4	-0.6
Café Jumbo	Cencosud SA	8.7	6.8	-1.9
McCafé	McDonald's Corp	5.3	6.5	1.2
Bonafide	Empresas Carozzi SA	4.7	5.3	0.6
Café Mokka	Comercial Café Mokka Ltda	5.6	5.1	-0.5
Coppelia	Coppelia SA	3.9	4.6	0.7
Cory	Pastelería Austriaca Cory Ltda	6.1	4.2	-1.9
Havanna Café	Havanna SA	6.7	2.5	-4.2
Boost Juice	Retail Zoo Pty Ltd	1.8	2.3	0.5
Coffee Factory	Coffee Factory SA	1.2	1.4	0.2
Cafeteria Bavaria	Cecinas Bavaria Ltda	0.9	0.8	-0.1
Starlight Coffee	Comercial Starlight Coffee Ltda	3.0	-	-
Total	Total	100.0	100.0	-

Source: Euromonitor

Delivery and Takeaway

In 2016, delivery and takeaway outlets numbered 1,415, reaching a retail sales price value of \$519.4

million. The main driver for this category is convenience, as it offers an alternative to the time and motivation required to cook at home.

Independent companies dominate the segment (67% of current foodservice value sales in 2016). Half of the delivery chain companies are pizza deliveries. In 2016, Papa John's International Inc. held the highest market share of the pizza brands, followed by Telepizza Chile S.A., and Pizza Pizza Ltd.

Web-based platforms offer delivery for independent restaurants, which can thereby outsource this service to compete with restaurant chains. According to [Zomato](#), a restaurant search and discovery service, in Santiago, the largest delivery is sushi restaurants is offered (679 outlets), followed by Japanese kitchen (574), and Pizza outlets (311).

New forms of food delivery arise as companies aim to meet demands for convenience and for healthy meals. Companies aim to offer a solution to the lack of time, creativity and knowledge for healthy eating by offering daily delivery of meals according to health plans and by fulfilling dietary demands such as vegetarian, athletic or weight loss. _

Institutional

The sector for institutional food service in Chile caters health institutes (hospitals, retirement homes and nurseries), the educational sector (schools, universities), companies, military institutions, airlines and events. The two major types of institutions for food services are education and mining companies.

Education

The educational sector is bound to regulations and has to offer healthy options. In 2014 the number of educational institutions of all levels was a total of 16,372 establishments.

Mining

The decrease in copper prices in between 2014 and 2017 did not only affect the mining companies but also influenced related industries such as airlines, who faced a drop in the demand for flights to mining destinations and companies offering food services in mines, who had a decrease in the demand of food services to the sector.

Companies and Industry

Food services for companies have experienced growth in recent years, driven by firms seeking easier and cheaper options for food services so that they can focus on their core business, as well as increased awareness that the supply of these food services for employees increases productivity. Since 2012 efforts have been undertaken to increase the number of cafeterias at workplaces and companies are demonstrating greater concern to provide food services to their employees.

The three main institutional food service companies are Sodexo Chile, S.A., Central de Restaurantes Aramark, and Compass Catering S.A. Aramark is the largest player, and according to Canal Horeca it serves 60% of all companies that contract foodservices in the domestic market. In the mining sector,

Aramark holds 50% of all contracts for food services, with the other 50% being divided between Sodexo and Compass. Smaller food service companies will often supply a few schools or companies and guarantee a direct and personal contact to their clients as well as flexibility and tailored solutions. Canal Horeca reports that the main players in the sector aim to satisfy the health trend by offering healthy menus, transparent nutritional information, and by adapting to changing demands.

Table 11. Institutional food service company profiles

Company Name	Sales (US\$ /year)	Location	Sectors they provide
Aliservice	N/A	Chile	Companies and Industries, Education, Health, Cafeterias, Catering and Events, Mining sites
Apunto (ISS)	ISS in Chile: > \$120 million / year	Worldwide	Companies, Schools, Cafeterias, Events
Aramark, Central de Restaurantes Aramark	\$14.4 billion /year	Worldwide	Mining Sites, Health, Education, Companies and Industries
Casino Express	N/A	Chile	Companies, Industries, Education
Compass Catering S.A.	Worldwide \$25.6 billion / year	Worldwide	Health, Education, Industry and Companies, Mining
Sodexo	Worldwide: \$17,370 billion / year	Worldwide (presence in 80 countries)	Health, Education, Industry and Companies, Mining

Source: based in post sources.

Section III: Competition

Table 12: Imported product categories and competition

Product Category	Imports 2016 (US\$ million)	5-Year CAGR 2012-16 US\$ CIF	Top Countries of Origin 2016	Country of Origin Key Strengths	Advantages and Disadvantages of Local Suppliers
Meat and Edible Meat Offal (HS 201-210)	\$1,186.3	3.51%	1. Brazil – 37%	Meat imports are mostly bovine meat (73.2% of overall meat imports)	Chile's beef production does not cover consumption needs.
Volume:			2. Paraguay –30%	Exports from Brazil are	

395,059 MT				<p>increasing rapidly.</p> <p>Interviews reveal that demand for U.S. meat products is high.</p> <p>The USA is the second largest supplier of swine meat to Chile.</p>	
Fish and Crustaceans, Molluscs and Other Aquatic Invertebrates (not alive) (HS 302-307)	\$61.1	6.36%	<p>3. Argentina –14%</p> <p>4. USA – 13%</p>	<p>1. China – 41%</p> <p>2. Ecuador – 31%</p> <p>3. Vietnam – 14%</p> <p>USA is an insignificant supplier (2%)</p>	<p>Many premium seafood products (shrimps and products not found in Chile) are imported. Imports from Asia are usually cheaper than locally produced goods.</p> <p>One of Chile’s exports is salmon.</p>
Volume: 17,835 MT					
Dairy Produce, Bird’s Eggs, Natural Honey, Edible Products of Animal Origin NESOI (HS 401-410)	\$196.9	3.49%	<p>1. USA – 27%</p> <p>2. Argentina – 23%</p> <p>3. New Zealand – 21%</p>	<p>The U.S. is Chile’s main supplier of dairy products. Processed milk products are typically imported by Chile. The most commonly imported products are Gouda (23.1% of overall value imports), fresh/white cheese (12.9%) and skim (12.8%) and full-fat (8.8%) powder milk.</p>	<p>Local production is increasing, becoming more competitive and moving towards high value added products.</p>
Volume: 69,851 MT					
Edible Vegetables and Certain Roots and Tubers (HS 701-714)	\$87.2	1.59%	<p>1. Canada – 21%</p> <p>2. Peru – 17.4%</p> <p>3. USA – 17.3%</p>	<p>Counter seasonal production drives demand for fruit and vegetable products.</p>	<p>Chile is one of the world’s main producers an exporter of vegetables and fruit. Crops are high quality and counter seasonal to the northern hemisphere, offering additional advantages.</p>
Volume: 130,290 MT					
Edible Fruit (Fresh, Dried, Frozen), Nuts, Peel of Citrus Fruit or Melons (HS 801-814)	\$192.8	7.83%	<p>1. Ecuador - 42%</p> <p>2. Peru – 19%</p> <p>3. USA – 17%</p>		
Volume: 329,510 MT					

Coffee, Tea, Maté and Spices (HS 901-910)	\$121.8	2.64%	<p>1. Brazil – 24%</p> <p>2. Sri Lanka – 23%</p> <p>3. Argentina – 16%</p> <p>USA is an insignificant supplier (4%)</p>	<p>Chilean coffee culture and consumption are developing, and consumers are demanding premium and gourmet coffee products leading to value rather than volume growth. Instant coffee/Nescafé is the most frequently consumed coffee in Chile (51% Retail Value in 2015).</p>	<p>Chile does produce coffee beans. Nestlé Chile S.A. dominates the market with 63% of value sales.</p>
Volume: 49,140 MT					
Cereals, flours (incl. cereal and vegetable), wheat gluten (HS 1001-1109)	\$659.3	-7.37%	<p>1. USA – 39%</p> <p>2. Argentina – 33%</p> <p>3. Canada – 10%</p>	<p>Favorable natural conditions for cereal production in the USA and Argentina.</p>	<p>Domestic cereal production in Chile is not sufficient for the domestic market and imports are important.</p>
Volume: 2,725,860 MT					
Preparations of Meat, Fish or Crustaceans, Mollusks or Other Aquatic Invertebrates (HS 1601-1605)	\$171.5	-0.31%	<p>1. China – 28%</p> <p>2. Thailand – 18%</p> <p>3. Ecuador – 18%</p> <p>USA is an insignificant supplier (5%)</p>	<p>Demand for pre-prepared, convenient products is rising driven by changes in consumer lifestyles. Imports are cheaper from Asia, therefore holding higher market shares.</p>	<p>Domestic preparations of meat and fish are available in Chile.</p>
Sugars and Sugar Confectionery without cocoa (HS 1701-1704)	\$328.5	-4.71%	<p>1. Argentina – 29%</p> <p>2. Brazil – 27%</p> <p>3. Guatemala – 21%</p> <p>USA is an insignificant supplier (4%)</p>	<p>Chileans sugar consumption might be affected by the new labeling law, as companies seek alternatives to sugary products. However, snack consumption in Chile is increasing.</p>	<p>Chile has no domestic production of cane sugar, meaning most sugar is imported. Regarding products and brands, Chilean brands are very popular and Chileans are brand loyal.</p>
Volume: 630,997 MT					
Cocoa and Cocoa Preparations (HS 1801-1806)	\$129.1	2.36%	<p>1. Brazil – 27%</p> <p>2. USA –</p>	<p>Demand for premium chocolates is increasing, driving value growth. Chileans are the biggest</p>	<p>Chile has no domestic cocoa production and depends on imports.</p>

Volume: 32,291 MT			10%	consumers of chocolate per capita (1.9 kg annually)	
			3. Spain – 8%		
Baking products [1] (HS 1901-05)	\$182	3.11%	1. Argentina – 23%	Chile is one of the largest bread consumers in the world (per capita), and as the category reaches maturity packaged bread and value-added products increase.	Local production of baked goods is strong and imports are generally low.
Volume: 95,805 MT			2. Peru – 14%		
			3. USA – 9%		
Preparations or conserves of Vegetables, Fruit, or Other Parts of Plants (HS 2001-2009)	\$237.2	7.02%	1. Belgium – 16%	Like other prepared foods, imports are high and have good potential, especially regarding value-added products.	Local producers seek to shift towards value added products to increase their sales.
Volume: 204,986 MT			2. Argentina – 15%		
			3. Holland – 10%		
			5. USA – 8%		
Preparations for sauces/prepared sauces and preparations for soups and broths (HS 2103-2104)	\$52.1	2.9%	1. USA – 70%	Sales of prepared foods are rising driven by ongoing changes in consumer lifestyles. This includes less time to prepare food, increase in single households, etc. such that demand for good quality prepared foods is constantly rising.	Chilean brands provide packaged food but are often not as innovative as foreign producers given that most food trends such as healthy foods are adapted from other countries.
Volume: 25,617 MT			2. China – 6%		
			3. Peru – 6%		
Beverages and Spirits (HS 2201-2208)	\$370.9	5.0%	1. USA – 23%	Beers, spirits and soft drinks are often imported and imports will increase as consumers demand more variety and tastes.	Chilean wine is one of the country's strongest export products, offering great quality and price.
Volume: 384,432 MY			2. Mexico – 19%		
			3. Austria – 14%		

Section VI: Best Product Prospects

Pot sees two main categories that have the best potential for sales in Chile: processed foods and gourmet products.

Hotels and restaurants demand processed food in order to reduce operational costs. Specifically, their objective is to decrease labor and reduce costs. Most importantly, companies aim to guarantee the standards and high quality of their food. In hotels, high quality “ready-to-serve” food is in high demand, so that a chef only needs to give few touches and focus on presentation.

Post sees potential in four specific areas:

- Meat: pre-portioned fillets
- Prepared vegetables
- Pastries, desserts, baked goods, ideally ready-made.
- Other prepared food products: i.e. ready to serve pasta

Apart from processed foods, any machine or equipment that reduces labor is of interest to most restaurants, hotels and catering services. Small innovations can result in great improvements, such as an oil filter that allows the oil to be changed less frequently. Technology that can process food is not currently produced in Chile and most of it is imported.

Gourmet Food and Beverages

Gourmet products are constantly being included in menus and offerings in the food service sector as consumer preferences become globalized and sophisticated. Hotels and restaurants will actively request their distributors to supply these products.

In the following section, FAS Santiago presents the products with the best potential in the Chilean market:

A. Products Present in the Market Which Have Good Sales Potential

Product Category	Market Size US\$ million [2]	Imports US\$ million (2016)	Import Growth CAGR (2012-16)	Tariff Rate without FTA*	Key Constraints	Attractiveness for U.S. suppliers
Drinks:		Ready to drink coffee (HS 2101) \$30.5	Sports & Energy Drinks 26.5%		Volume of carbonates, which is the largest category in soft drinks, is experiencing negative growth rates (-0.1% CAGR 2016-2021)	Due to the nutritional labeling law increased demand for healthy but tasteful drinks. Tasty drinks are still very popular in Chile and convenient drinks have good sales potential.
Diet & light soft drinks	Beverages: \$815	Sweetened waters and carbonated soft drinks (HS 2202.10) \$669.5	Ready to Drink Tea 10.7%	6%		
teas, ready to drink coffee	Ready to Drink Coffee \$37.0		Ready to Drink Coffee 143.9%			
Juices		Tea (HS 0902) \$46.5	Juice 6.1%			
		Fruit juices (HS 2009) \$54.2				
Healthier snacks		Dried fruits (HS 0813) 3.7	Dried Fruits -2.5%		The nutritional labeling law decreased demand for snacks perceived as unhealthy. Healthier snacks are still a small market that doesn't have the sales base	People seek tasteful snacks that can be combined with increasing health awareness. Increased demand for snacks that promote health and wellness etc.
Seeds (Chia, ...) and nuts	-	Seeds and non-toasted peanuts (HS 1202; 1204; 1206; 1207) \$29.4	Seeds and Non-Toasted Peanuts -3.26%	6%		

					to drive total growth in this sector. Moreover, national production is available in these sectors.	attractive since the Chilean industry and market in this category is not as advanced as foreign products.
Convenient Food such as pre-prepared, pre-portioned, value-added products	\$65.2	-	Ready-Made Meals 14.3%	-	Increased health awareness can lead to customers moving away from traditional fast food options such as burgers and pizza, which account for the main share of the market.	To meet market demand influenced by more hectic lifestyles and higher disposable income. Healthier Fast Food options are increasing and meet high demand. Moreover, "home-cooked" meals, salads and soups perform well especially in the highly populated working districts of Santiago.
Healthier and more premium fast food						
Elaborated and pre-processed baked goods		Baked goods (HS 1905) \$79.9				
		Sugar Confectionary \$190.3	Baked Goods 4.8%		Chilean production of baked goods is strong such that demand of elaborated frozen backed goods is still small in volume.	Especially in the HRI sector these labor intensive products save money and time and are demanded with good quality and in numerous varieties.
confectionary		Chocolate Confectionary \$585.0	Confectionary 2.01%	6%	Chile's nutritional labeling law affects consumers purchasing preferences.	Chileans are high consumers of confectionary and our interviews revealed that the effect of the food labeling law is expected to subside.
Sprits and Malt beer	\$260	Malt beer (HS 2203) \$169.0	Malt beer 12.19%		Consumption of rum is steadily decreasing, and economic deceleration affects the	Fashionable products such as Aperol are especially important in the more premium HRI sector.
		Spirits less than 80% (HS 2208) \$88.6	Spirits less than 80% (gin, rum, whiskey, vodka and the like) -4.36%	6%		

					amount of spending on luxury and higher priced alcoholic beverages.
Healthier products (Free From, Naturally Healthy, Fortified/Functional)	\$200	Nutritious preparations including fruit of vegetable juices fortified with vitamins or minerals, preparations referred to as food supplements, sugar-free chewing gum, sugar-free sweets and similar (HS 2106.90) \$134.5	Free From 11.7% Naturally Healthy 1.1% Fortified/Functional 6.2% Health Products (under HS 2106.90) 4.86%	6%	Due to the nutritional labeling law, U.S. importers are advanced in this field and can take advantage of the underdeveloped Chilean market in this segment.

**The FTA between Chile and the U.S. from 2004 was phased out within 12 years such that today, products imported from the U.S. are not subject to import tariffs.*

B. Products Not Present in Significant Quantities but Which Have Good Sales Potential

The HRI foodservice sector is consistently shifting towards prepared foods. This is visible across all food categories, from meat and vegetables to baked goods. Any product that offers high quality while reducing the labor intensity involved in preparation is welcome in the sector, such as pre-peeled and cut potatoes, high-quality, ready-to-serve pastries, or pre-portioned hamburgers.

Moreover, local cuisine and ingredients, and naturally healthy products are expected to perform well in the HRI foodservice sector. As new outlets for healthy foods appear, such as juice bars or independent restaurants, the trend is ever increasing.

Furthermore, given the 1,058% increase since 2010 in aloe vera drinks, as well as a 504% increase in coconut drink, there is undoubtedly a strong trend for new ingredients. These drinks are available to the mass market and fulfill the growing market for natural but tasteful beverages.

The customer base is continuously expanding as health awareness is growing amongst the Chilean population driven by foreign trends, by companies seeking new markets, and by governmental campaigns that encourage healthy eating.

Fast food is also expected to experience growth in the areas of healthy and premium fast food outlets. This niche market is driven by consumers lacking time and motivation to cook or health-conscious millennials entering the labor market and has resulted in an increase of fast casual restaurants offering healthier premium foods.

C. Products Not Present Because They Face Significant Barriers

Import tariffs in Chile do not represent a barrier to entry. Usually, products do not face significant barriers when entering the Chilean market. Barriers may be cultural, but are seldom economic.

Section VI: Contact and Further Information (Tradeshows)

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Websites:

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Foreign Agricultural Service homepage: www.fas.usda.gov

Appendix 1: Tradeshows

Food and Beverage

Name: Salon Gourmet

Content: The exposition Salon Gourmet Concepcion brings together Chilean producers across product lines.

Date: August, 2018 (annual)

Place: Concepcion, Chile

www.salongourmet.cl

Name: Espacio Food & Service

Content: The most important food industry event in Chile

Date: September, 25-27, 2018 (annual)

Place: Espacio Riesco, Santiago de Chile

www.espaciofoodservice.cl

Name: Feria SURMET
Content: Food Tradeshow in the South of Chile
Date: October 18-20, 2018 (annual)
Place, Concepcion, Chile
www.feriasurmet.cl

Name: Echinuco
Content: Chilean Cuisine Trade Show
Date: TBC (annual)
Place: Santiago, Chile
www.echinuco.cl

Name: Feria la Repostera
Content: Confectionery and Baking Fair
Date: twice a year
Place: Santiago, Chile
<http://ferialarepostera.cl/#blog>

Name: Feria Chile a la Carta
Content: Gastronomy Trade Show
Date: (annual)
Place: Santiago, Chile
www.feriachilealacarta.cl

Name: Fipach
Content: International Bakery Industry Tradeshow
Date: TBC (annual)
Place: Centro de Eventos, Estacion Mapocho, Santiago de Chile
<http://fipach.cl/index.html>

Hospitality

Name: VYVA
Content: Tourism trade Show
Date: September, 2018 (annual)
Place: Santiago, Chile
www.expovyva.cl

