

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Date: 3/28/2013

GAIN Report Number: CI1305

Chile

Grain and Feed Annual

Corn and Wheat Annual

Approved By:

Rachel Bickford, Agricultural Attaché

Prepared By:

Luis Hennicke, Agricultural Specialist

Report Highlights:

A slightly larger volume of wheat production is expected, with no major change in imports. Corn imports are not expected to change significantly as production will increase due a larger planted area, during the present marketing year.

Executive Summary:

A slightly larger and fair quality harvest is expected for wheat. The industry also expects similar amounts than last year imports. For corn, as a result of a larger planted area, output is expected to be larger than the previous year and imports should be slightly smaller depending on the prices of alternative feeds for the hog and chicken industry.

Commodities:

Wheat

Production:

Chile's most important politically annual crop is wheat. There are an estimated 46,000 producers, of which an 87 percent plants less than 50 hectares and produces 22 percent of the total output of wheat, just over 40,000 are small farmers which are the so-called subsistence group with little or no alternative crops (production). A little over 550 farmers produce 50 percent of the wheat in Chile and around 5,000 are considered the medium size producers.

One of the most important factors determining the area of wheat to be planted each year is the economic results of the previous year followed by climatic conditions. Having this in mind the planted area in MY2012/13 increased when compared to the previous year due to favorable weather during the planting season for winter and spring wheat together with higher prices paid for the domestic harvest and a significant increase in import prices. For MY2013/14 a similar than this season planted area is expected due to an increase in world production which is expected to lower wheat prices as much as 13 percent when compared to last season as was indicated by an industry source.

Consumption:

Total human consumption of wheat has been rather stagnant and in line with population increase during the last few years. According to the local bakery association, Chileans consume an average of close to 80 kilos of bread per capita per year, making them the second largest consumers of bread in Latin-America after Mexico. Approximately 25,000 persons are employed in the industry. Domestic feed consumption of wheat has reportedly been expanding the last few years. A fast growing salmon and trout feed industry has become an alternative outlet for some wheat producers' production who have no storage capacity and have to sell their wheat right after harvest.

The milling industry is Chile's main wheat destination. An estimated 85 percent of total wheat supply (domestic production plus imports) is milled for flour. An estimated 80 percent of wheat flour is sold directly and produced by 71 milling facilities nationwide. Industry sources indicate that the wheat produced in Chile is in general of a lower quality than that required by the bread and pasta industry. It is mainly low in protein and the quality varies significantly.

Trade:

The revised and final import figures for MY2011/12 resulted larger as planted area and production fell significantly when compared to our previous estimates. For MY2012/13 the imports figure is expected to be similar than the previous year as planting and expected final production figures will stay more or less unchanged when compared to the previous year.

Domestic import decisions are normally driven by price followed by quality, but sometimes price and/or quality take a back seat when a shipload needs to be filled. Under these conditions a higher price may be paid and/or a lower quality accepted for the remaining portion of the shipment. Consequently, although you would expect importers to get wheat from a U.S. supplier when a higher quality product is sought, the supplier in a third country, even with a lower quality product might get the sale. During 2011 wheat imported from the United States increased again when compared to the previous year. This was mainly due to a fall in production in Argentina, which reduced their availability of wheat for exports.

Price Band

Wheat and wheat flour imports are subject to surcharges or discounts outlined in the present price band system. The present values for the floor and ceiling prices are USD\$116 f.o.b. and USD\$136 f.o.b. respectively. These prices will remain fixed until Dec 15, 2013. The floor price is being adjusted downward by 2% a year until 2014, when the price band should disappear as it was agreed to in the FTA agreement with the United States. The reference price is a fixed amount in US dollar per ton and it is published six times a year. The reference price is based on an average of the daily price for the 30 days preceding the date of publication. For the first semester the relevant market is FOB at Argentinean port and for the second semester it is soft red winter wheat #2, FOB Gulf of Mexico. The reference price is determined based on the date of entry of the goods. For wheat flour imports, an additional 56% is applied to the values set under the wheat price band.

Production, Supply and Demand Data Statistics:

Wheat Chile	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Dec 2011		Market Year Begin: Dec 2012		Market Year Begin: Dec 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	245	245	250	249		250
Beginning Stocks	367	367	329	270		300
Production	1,213	1,213	1,400	1,270		1,300
MY Imports	1,057	990	900	1,060		1,000
TY Imports	1,012	1,407	1,000	1,200		950
TY Imp. from U.S.	353	373	0	400		500
Total Supply	2,637	2,570	2,629	2,600		2,600
MY Exports	8	0	10	0		0
TY Exports	8	0	10	0		0
Feed and Residual	150	150	150	150		150
FSI Consumption	2,150	2,150	2,150	2,150		2,150
Total Consumption	2,300	2,300	2,300	2,300		2,300
Ending Stocks	329	270	319	300		300
Total Distribution	2,637	2,570	2,629	2,600		2,600
1000 HA, 1000 MT, MT/HA						

Import Trade Matrix

Country	Chile		Commodity	Wheat	
Time Period	Jan-Dec	Units:	M.T.		
Imports for:	2011		2012		
U.S.	416539	U.S.	235113		
Others		Others			
Canada	163792	Argentina	776318		
Argentina	75193	Canada	160012		
Italy	95	Peru	26191		
		Uruguay	22983		
		Italy	1666		
		Paraguay	1388		
Total for Others	239080		988558		
Others not Listed	158		3649		
Grand Total	655777		1227320		

Commodities:

Corn

Production:

Corn is the second most important annual crop after wheat in Chile. It is planted from Rancagua (Region V) to Los Angeles (Region VIII), most producers are small scale producers and only 10 percent of them plant areas over 30 hectares every year. A large number of the producers plant year after year the same lot and obtain very high yields; some producers report up to 16 tons per hectare. Chile's average yield for corn production exceeds 11 tons per hectare which is considered one of the highest in the world for a country's annual average yield. Most corn is planted in irrigated land.

The planting decision of a crop is directly related to the expected return and this in turn depends on several factors, some of which the farmer can not influence. The most important element is the economic result obtained during the last growing season. Other factors are costs of production, yields and the expected prices of the product, weather and alternative crops are also important for a large number of producers. For MY2013, as a result of the good corn prices and good economic results obtained during the previous marketing year a larger planted area resulted and a bumper crop is expected.

Total planted area and production for MY2014 is expected to stay at similar level than this year. Producers are facing again an unfair competition with low priced imports of broken grain corn from Argentina. The GOC imposed a provisional safeguard with a surtax of 10.8 percent to all broken grain corn coming from Argentina, which expired last September. Producers requested again a new safeguard with a surtax of 25.7 percent to all corn imports from Argentina last February and the National Farmers Bureau requested antidumping measures to imports of broken grain corn and chicken coming from Argentina as well. Farmers and their Association are expecting a decision on their request not later than the first days of next April. Additionally imports of substitutes for corn like sorghum and balanced animal feed used in the chicken and pork industry have also an important role in supply and demand of corn in Chile. Argentina has been the largest supplier of corn for the last 5 years.

Consumption:

Consumption and Trade

The consumption of corn, which until 2007 grew at the same rate as the increase in production of poultry and pigs, started to fall from 2008 on, mainly due to an increase in the use of alternative feed. This decline in apparent consumption of corn has no effect on domestic production. However, its effect is large on imports of corn which has fallen from 1.7 to .8 million Tons, over 50 percent decline. As production of poultry and pigs, which are the main consumers of corn in Chile, has kept growing, consumption of corn by these industries is being replaced by alternative feed mainly due to the high corn prices in the domestic market. Imports and consumption of sorghum explains part of the substitution. Sorghum is also imported mainly from Argentina. Balanced feed and broken corn imports have followed a similar pattern.

Within the international suppliers of corn in 2012 Argentina contributes with 52 percent of imports as it continues to have cost/quality advantages. A large percentage comes in trucks that are loaded directly at farms and driven across the border to the consumer's (in Chile) storage facilities, thus avoiding the unloading and loading of ships at the port and reducing total transportation costs. Paraguay has become the other supplier of corn in Chile. During CY2012 only a very small amount came from the United States.

Production, Supply and Demand Data Statistics:

Corn Chile	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Mar 2012		Market Year Begin: Mar 2013		Market Year Begin: Mar 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	139	139	152	151		150
Beginning Stocks	223	223	186	186		298
Production	1,493	1,493	1,750	1,592		1,590
MY Imports	750	818	550	900		750
TY Imports	906	967	550	850		750
TY Imp. from U.S.	2	0	0	0		0
Total Supply	2,466	2,534	2,486	2,678		2,638

MY Exports	80	51	75	80		70
TY Exports	82	81	75	78		70
Feed and Residual	1,900	2,000	1,900	2,000		2,000
FSI Consumption	300	297	300	300		300
Total Consumption	2,200	2,297	2,200	2,300		2,300
Ending Stocks	186	186	211	298		268
Total Distribution	2,466	2,534	2,486	2,678		2,638
1000 HA, 1000 MT, MT/HA						

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Commodity Wheat

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