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Global Agricultural Information Network

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## Chile

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### Lentil Production in Chile

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Product Brief

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**Report Highlights:**

**Chilean farmers harvest an average of 800 tons of lentils a year. With the use of new technology and improvements in cultivation efficiency a farmer can expect returns almost \$350 thousand per hectare of lentils, which make it an appealing crop option for rotation with wheat.**

**General Information:**

Chile is almost completely dependent on imports to satisfy domestic demand for lentils. For some years now the cultivation of this legume has come to a standstill at around a thousand hectares. Low production and high demand means that the bulk of the consumption is satisfied by imported lentils from Canada. According to a study carried out by ODEPA (Chilean Office of Agricultural Planning), conditions may be right to increase domestic production. Namely that low international availability may increase profits for local cultivation.

According to Agriculture and Agri Food Canada (AAFC)'s last report, the five lentil producing countries, Canada, India, Turkey, and Australia, would have to have had a 58% rise in production during the 2009-2010 season, a volume only 13% higher than the 2006-2007 crop and not nearly enough to compensate the strong drop in worldwide production and sowing between 2006 and 2008.

Because of that, ODEPA's estimate is that the small rise in production of the 2009-2010 periods shouldn't produce an important negative impact on market price.

For the 2010-2011 season, Canada, USA, and Australian predictions, collected by FAO, forecast that the production of the five world producers will rise by 9%, led by Canada with a bit more than 1,400 thousand tons. It is estimated that 70% of the world production of lentils is of the red variety, 25% of the green variety and 5% of the brown ones.

**Canada's Expansion.**

Even though this year's production in Canada could be slightly less than last season's, this country shows a significant rise in its crops during the last few years. Current productions are almost 2.5 times more than what they were in 2006-2007 and cover nearly the 80% of the quantity exported by the six most important trading companies of the world. Market stimuli are behind this expansion because cultivation started being used as an alternative to diversification and rotation in some areas of the country due to its contribution to the enrichment of the soil and the control of weeds.

Due to Canada's worldwide importance in this production, whatever happens to the cultivation there is key for future production projections and supply in the rest of the countries, Chile included.

According to the information of Statistics Canada and AAFC published by ODEPA, the average price for producers would have been around US\$788 per ton of big green lentils during 2009/2010; and this would drop to US\$672 during this season for the same type of lentil. For red lentils, the price for producers in the last harvest would have been near US\$693, and this would drop to an estimate of US\$577. These prices, according to ODEPA analysts, would still be above historical levels.

“All this indicates that world market perspectives will continue to keep the level of prices within

relatively high ranges, which will maintain reasonable profitability for lentils, a situation that should keep up for at least a couple of seasons,” the analyst states. Prices in Argentina and Australia follow a similar trajectory as those in Canada.

### What is happening in Chile?

In Chile, the national harvest does not exceed 800 tons per year due to a low yield per hectare; this means that nearly 80% of the national consumption has to be supplied with lentils that come mainly from Canada. This translates to imports of between 10 thousand and 20 thousand tons per year in the last ten years.

According to the import estimates of the different years and using an exchange rate similar to today's, this would mean, according to ODEPA's estimations, that import costs border on US\$0.92 per kilo. “This could be a referential base price for the price for producers that would do well in the country. Other costs would have to be added to that price, such as unloading and transporting to consuming centers and commercialization expenses, which would raise the referential price. The variations in price according to caliber have not been considered either,” he states. The same institution calculates that price that the producers would eventually receive – estimated according to sporadic offers in the national media – would be between CH\$550 – CH\$600 per kilo of 6 millimeter lentils.

If producers were to improve their efficiency and reached an average turnover of 12,000 per hectare, managing costs that should be between US\$538 and US\$753 per hectare, according to production conditions, it is estimated that cultivation could produce an average gross profit margin superior to US\$753 per hectare, which would serve as a stimulus for the increase of cultivation surface, specially as rotation crop for wheat.

“If we consider that imports are usually higher than 15 thousand tons, and taking into consideration a potential yield of 12,000 per hectare, at least 12 thousand hectares of lentils could be sown in the country to answer the needs of the national demand, which would render unexplainable the fact that the sowing of this cultivation is still stuck in a thousand hectares. An extra effort will probably be required from all the parts of the chain so that, having all the perspectives in mind, we can finally achieve a recovery of the sowing of this cultivation so as to cover an important part of the national consumption in requirements,” states the report.

Source: El Campo Magazine, El Mercurio Newspaper (04-25-11)