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Chile

Retail Foods

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Report Highlights:

Chile's level of economic growth and openness to the world has created a dynamic retail industry. Retailers are eager to introduce new products to meet the growing consumer demands of middle to upper income consumers in particular. Supermarkets and hypermarkets have the largest market share for Chile's food sales, accounting for 48.2% of total sales in 2014. Mid-sized supermarkets almost doubled their market share from 5.6% in 2006 to 12.1% in 2014.

The top suppliers of consumer oriented products or high value food and beverage products (HVFBP) to Chile are Brazil, the United States, Argentina and Paraguay. The United States is the second largest

exporter of HVFBP to Chile holding a 16.4% market share and exports have been growing at an annual rate of 20.4% over the last six years. The top ten U.S. HVFBP exported to Chile in 2016 were: dairy products, prepared foods, beer, beef, poultry, pork, condiments and sauces, almonds, processed vegetables and pet foods.

FAS Santiago projects that the best prospects for U.S. HVFBP to Chile are: beef (meat), dairy products, poultry, pork (chilled/fresh), pork as ingredient, food ingredients, frozen meals, beer/craft beer and spirits, snack foods, cereals, fruits juices (orange, grapefruit, grape), pet foods and natural/organic foods.

Post:

Santiago

Executive Summary:

Chile's level of economic growth and openness to the world has created a dynamic retail industry. Retailers are eager to introduce new products to meet the growing consumer demands of middle to upper income consumers in particular. Supermarkets and hypermarkets have the largest market share for Chile's food sales, accounting for 48.2% of total sales in 2014. Mid-sized supermarkets almost doubled their market share from 5.6% in 2006 to 12.1% in 2014.

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SECTION I. MARKET SUMMARY

1. CHILEAN ECONOMY

Chile is held as a successful country in Latin America, ranking 42nd in the Human Development Index (UNDP, 2015) and with a GDP per capita of USD\$23,507 in 2015 (IMF). Chile's poverty level in 2005 was 13.7% of the population and decreased significantly to just 7.8% today. As a result, Chile currently has the second lowest poverty in Latin America and the Caribbean region. Inequality remains one of the main social problems but has also shown a reduction, as the GINI index declined from 0.552 in 2003 to 0.509 in 2013 (United Nations Data).

Chile has 26 free trade agreements (FTA). The U.S.-Chile FTA came into force in 2004, and as of January 2015 all trade tariffs were eliminated between the United States and Chile. In 2015, total U.S exports to Chile reached \$10.9 billion dollars, while Chilean exports to the U.S. totaled \$8.5 billion (National Customs Service Data).

Chile's economy grew rapidly over the past 16 years, boasting a 5% average growth rate from 2000-2010. During this rapid growth period, consumer purchasing patterns were sparked, as incomes rose and consumers began to demand higher products. U.S. exports of HVFBP soared from \$37,700 in 2000 to nearly \$500 million in 2016. After 2010 to today, Chile's growth began to slow to just under 2% (World Bank Data). The slowdown is due to low copper prices and a decrease in private investment. However, the economic slowdown has favored sales in wet markets for the middle to lower income consumers.

Unemployment is at its highest in four years, averaging 6.9% between April-June 2016. Private consumption increased 1.7% during the same period. Inflation increased faster than salaries in 2016, which resulted in a decrease in consumer purchasing power.

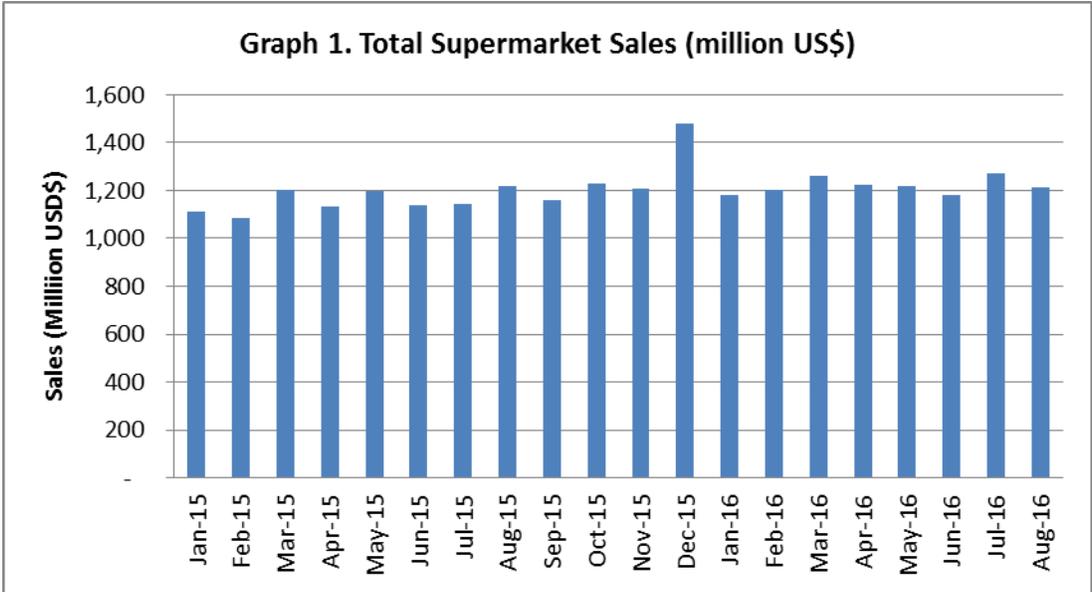
In summary, today's scenario and near future represents a country going through a short-term slowdown period in which the consumption pattern will adjust to deal with current conditions, but is expected to keep advancing in the same manner and direction as it has been doing so far. This means that retailers will continue to introduce new products to meet consumer preferences and to attract middle to upper income customers in large supermarkets and hypermarkets especially, while discounts store, mom-and-pop shop, and wet markets compete by offering lower prices and convenient locations.

Table 1. Chile: Selected macroeconomic indicators

	GDP Growth rate	Unemployment rate	Private consumption growth	Inflation rate	Salaries growth rate	Imports growth rate	Exports growth rate
2013	5%	5.9%	9.0%	3.0%	5.0%	5.0%	-3.0%
2016	1.6%	6.9%	1.7%	4.0%	1.2%	-7.0%	-17.0%
Source	Banco Central	Banco Central	Banco Central	INE	INE	Banco Central	Banco Central

2. THE FOOD RETAIL MARKET

The Chilean market for retail food is composed of a mix of large supermarkets, mid-sized grocery stores, convenience stores, gas station markets and an array of smaller independent neighborhoods “mom-and-pop” shops. To give the reader a sense of the size of the retail food market, the sub-sectors composed of supermarket, grocery stores, convenience stores and gas-marts had sales of \$14.3 billion in 2015 and \$9.8 billion from January to August 2016. This number includes other items sold in larger supermarkets and hypermarkets such as clothing and kitchen appliances. When looking only at food products, sales were around \$9.5 billion USD in 2015.



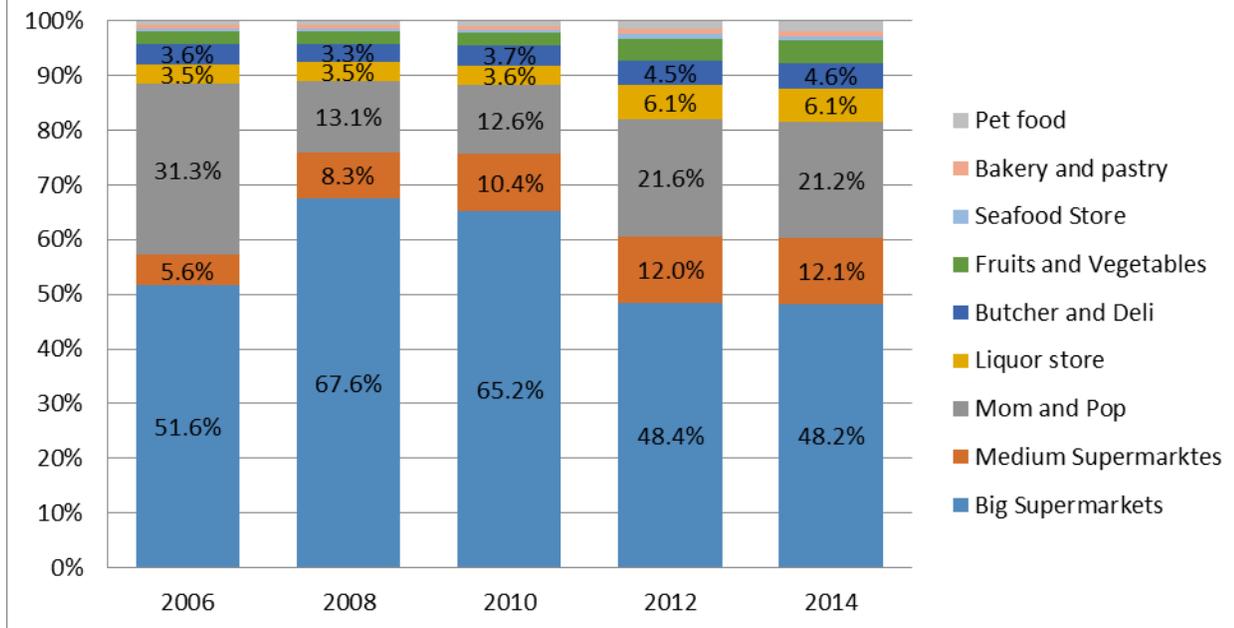
Source: Based in Instituto Nacional de Estadísticas (INE), 2016.
 Note: Exchange rate 1 USD = 670 CPL

Market share by type of store

Where the customers are spending their money to buy food has been changing over the years. In 2006, supermarkets¹ accounted for 62.4% of all food sold to consumers. By 2014, this number declined to 48.2%, due to diversification of the places where people buy their food products (see graph 2). Nevertheless, supermarkets still have the largest market share. Mom and Pop stores also have gained market share up to 21.2% of total sales in 2014. Mid-sized supermarkets have almost doubled their market share going from 5.6% in 2006 up to 12.1% in 2014. Specialty stores like butchers, fruit, and vegetable stores have a lower market share compared to the supermarkets, although they all have increased their market share since 2005.

¹ Supermarkets in this report are stores that have average annual of US\$ 1.6 million. Mid-size supermarkets have average annual sales of US\$ 135,000.

Graph 2: Market share by type of store



Source: Based in Servicio de Impuestos Internos (SII), 2016.

Supermarket Chains:

There are eight major supermarket chains operating in Chile with varying presence in different cities and targeting different customer profiles. Although they all compete among each other, they follow different strategies based on locations and depth and scope of the product mix.

- Unimarc, a medium-sized grocery store, has the largest number of stores across the country operating in 294 locations.
- Wal-Mart operates two brands: LIDER/LIDER EXPRESS and EKONO. LIDER, with 82 locations, represents the very large hypermarkets and supermarkets, while EKONO, with 127 locations, may be on a category of its own as a small discount grocery store.
- CENCOSUD also operates two distinct lines of supermarkets. SANTA ISABEL, a medium to large grocery store with 128 locations and JUMBO, the flagship hypermarket with 50 stores nationwide.
- Falabella, another large retailer, also operates a supermarket chain, TOTTUS, with 58 locations.
- MONSERRAT and ERBI are the last two important chains with 34 and 33 locations each.

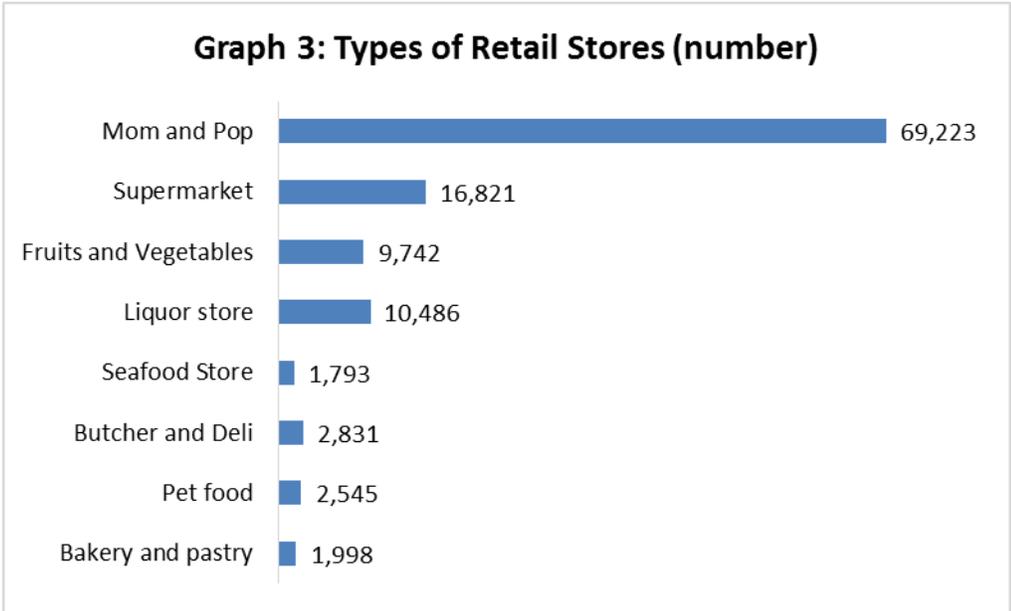
Gas Marts or “mini-markets” are operated by three fuel companies:

- PETROBRAS, from Brazil, operates 89 marts called ESPACIO1.
- COPEC, from Chile, operates 79 PRONTO locations.
- SHELL, Anglo-Dutch, operates two lines of stores: SELECT, with 46 locations and UPA!, with 49 locations.

Wholesale markets have been on the rise totaling 146 locations:

- MAYORISTA 10 operates in eight regions with 64 locations.
- ALVI operates in nine regions with 29 locations.
- LA OFERTA has 12 locations, and Wal-Mart operates two different store brands.
- CENTRAL MAYORISTA has 4 locations.
- ACUENTA has 37 locations.

Mom and Pop stores, supermarkets, fruit and vegetables shops, and liquors stores are the most abundant types of retail stores in Chile (graph 3). The most frequently found type of retail store is the independent small neighborhood store with a total of 69,223 locations.



Source: Servicio de Impuestos Internos (SII), 2016.

Table 2 shows the advantages and challenges facing U.S. producers who would like to export to Chile. The table below shows the most important factors identified through this report based in the opinions of industry experts.

Table 2: Advantages and Challenges for U.S. Exporters to Chile

Advantages	Challenges
Clear rules and transparent regulations offered by the government allow for fair competition.	There are stricter regulations surrounding fresh products to avoid the spread of diseases that may affect local production.
The purchasing power of Chile's middle class continues to rise.	Chile is a competitive market; which has free trade agreements that cover 65 countries including the European Union, China, Central America and South American countries.
The U.S.-Chile free trade agreement resulted in 0% duties for all U.S. agricultural products as of January 1, 2015.	There has been an increase in the market share of Chilean brands at the expense of global brands.
Chile's largest retailers have operations in other Latin American countries making it a gateway to other Latin American markets.	Chile's new nutritional labeling law requires possible stickering/labeling if thresholds of sodium, saturated fat, sugar and calories exceed certain levels set by the Ministry of Health.
American brands are well-regarded as high quality with many well-known brands already present in the market.	There is a lack of awareness about the all the different types and qualities of some U.S. products by Chilean consumers and importers; i.e. premium quality beef cuts that do not exist in Chile. Thus more marketing and knowledge is required.
Equal playing field for imported and local products.	Strong competition from other producing countries.
	Facing new technologies like web based grocery sales.

SECTION II. ROAD MAP FOR MARKET ENTRY

1. ENTRY STRATEGY

The following steps highlight the main points that need to be taken into consideration when attempting an entry into the Chilean retail food market.

Market analysis:

- There is a wide variety of food products in Chile's retail sector, due to the market openness. Thus, the U.S. exporter must be clear as to what role the product will have in the market and how will it be positioned in relation to other competitors.
- Supermarkets have limited shelf space and usually different brands are available.
- Supermarkets will assess if their new product margin is attractive in comparison to other brands, which is mainly a cost-benefit decision.

Market Access:

- Enter through the big supermarket chains or find a partner/distributor
- Supermarkets chains will allow for a new product to have a countrywide presence, and these chains carry a more diverse variety of products.
- Trying to enter the Chilean retail market through smaller stores can be a bit more challenging, as it is more limited in the variety of products it holds for its customers. In addition, this sector is

more focused on price than variety.

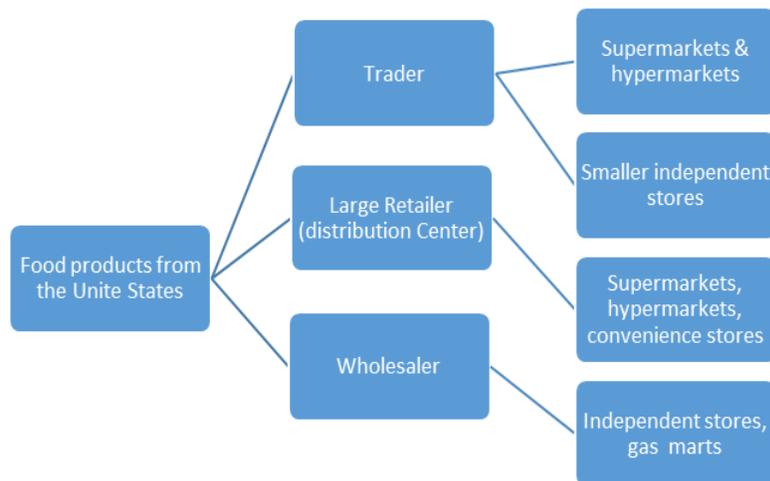
- Another possibility is to enter through a partner or distributor that will sell the product in different types of stores. The advantage is that the distributor has a variety of clients and could sell a bigger volume of the product.

Marketing campaign:

- It is important to differentiate your product against other like products.
- U.S. produced products have a very positive image and are viewed as high-quality and safe.
- The appropriate marketing campaign would inform the consumer the origin of the brand. i.e. American meat cuts are a good example of this strategy as they have an American flag on the packaging that differentiates them from other available meats. Slogans and marketing materials should be understood in Spanish. Be mindful of using slang. The word American coupled with a flag can be favorably used in this market.

2. MARKET STRUCTURE

The following diagram illustrates how products are imported and distributed in Chile:



There are three main players in the importation side:

- Wholesalers and producers import large quantities to distribute to smaller independent stores. i.e. Dairy product manufacturers import dry milk to package and distribute.
- Large supermarket chains import directly from foreign producers and also own most of the wholesale supermarkets which then redistribute to smaller stores as well. They operate large distribution centers that supply the entire country.
- Distributors that supply gas stations for their countrywide operations on the gas marts.

Most of the independent stores get their products at a discount price from wholesalers. They act as an intermediary, as the smaller stores are not able to import entire containers or do not have the logistic capacity to do so.

The distribution flowchart is very simple, and there are no regulations limiting the number of actors who

can import. The import process is as cost-effective as possible, using economies of scale whenever possible.

All major retailers have distribution centers where they group imports and local production to be distributed to their retail outlets.

3. COMPANY PROFILES AND SUBSECTOR PROFILES

i. Super stores, supermarkets, hyper markets or super centers, club and warehouse outlets

This section will compare the different types of large retail stores. We can categorize the large food retail stores in three distinct types: Supermarkets-hypermarkets, mid-sized stores and wholesale discount stores. Table 3 shows the main participants in each sub-category.

Table 3: Supermarkets, Mid-sized stores and Wholesale discount stores

Type of store	Parent company (if any)	Ownership by country	Name of store	Number of stores	Presence
Supermarkets and Hypermarkets	WALMART	USA	LIDER	82	All mayor cities
	CENCOSUD	Chile	JUMBO	50	All mayor cities
	FALABELLA	Chile	TOTTUS	58	All mayor cities
	CENCOSUD	Chile	SANTA ISABEL	128	All mayor cities
Mid-Sized Stores	SMU	Chile	UNIMARC	294	All mayor cities
	WALMART	USA	EKONO	127	Región Metropolitana, Valparaíso, Rancagua
		Chile	MONTSERRAT	34	Santiago, Viña del Mar
	SCPD S.A.	Chile	ERBI	33	Santiago, Valparaíso
		Chile	CUGAT	9	XI región, Temuco, Osorno, Puerto Montt, San Fernando, Linares
		Chile	UNICO	5	Bio-Bio
		Chile	ROMANINI	4	Melipilla
Wholesale discount stores	SMU	Chile	MAYORISTA 10	64	From Santiago to Puerto Montt, main cities
	SMU	Chile	ALVI	29	From Coquimbo to Puerto Montt, main cities
	WALMART	USA	ACUENTA	37	From la Calera to Puerto Montt, main cities.
	WALMART	USA	CENTRAL MAYORISTA	4	Santiago, Talca
	DISTRIBUIDORA LA OFERTA	Chile	LA OFERTA	12	Region Metropolitana

Source: Agronometrics with data from Supermarket and Grocery web sites

Supermarkets- Hypermarkets:

This type of store is characterized by the offering a wide variety of products and brands. Most of the imported niche products such as specialty cheese and ethnic foods are found in this type of store. Also, this is where consumers spend most of their food budget.

They are also characterized by being commonly surrounded by a large number of service industries which include laundry stores, banks, pharmacies, beauty salons, hair salons, car wash (in the parking lot) and smaller specialty stores.

In the Supermarkets - Hypermarkets the following sections are present:

- Fresh fruits and vegetables
- Deli: where some, but not all, cheese and deli products are sold. (Others are located in specialty displays.)
- Frozen Products: frozen vegetables, ice creams, prepared foods, etc.
- Bakery, daily-made bread along with bagged bread.
- Butcher/Meat Shops: May not be present as a shop in all supermarkets, but all sell meat products
- Non-perishable goods
- Perishable dairy products
- Beverages: Alcoholic and non-alcoholic drinks
- Fresh Fish Products: not present as a shop in all stores, and others may have some specialty displays
- Pet food

In addition to edible products these large stores offer a combination of the following products:

- Cleaning supplies
- Automotive
- Gardening
- Hardware
- Clothing
- Sports apparel
- Toys
- Electronics
- Kitchenware
- Bathing products

Supermarkets and hypermarkets seek to increase demand for their products and customer loyalty using different type of promotions for this purpose. The Chilean consumer seeks sophistication and relates this to his/her social and economic status. Due to this fact, the product mix of the supermarket chain will change in different locations to adjust to the predominant economic level of the neighborhood which is serving.

The current trend is that supermarkets are getting smaller as large plots of lands are difficult to find and are often expensive. Some industry experts expect a larger number of smaller supermarkets which are closer to the consumer, competing with wet markets and independent stores.

Mid-sized Stores

Mid-sized stores or smaller supermarkets are present in almost all Chilean cities. They offer a reduced variety of products but still maintaining the basics. The offer usually contains the following items:

- Fresh fruits and vegetables
- Deli products located in specialty displays
- Frozen Products: Frozen vegetables, ice creams, prepared foods, etc.

- Bakery: daily made bread along with bagged bread.
- Meat products on display and some in butcher shop format.
- Non-perishable goods
- Perishable dairy products
- Beverages: Alcoholic and non-alcoholic drinks
- Frozen fish products
- Cleaning supplies

Mid-sized stores aim to serve the daily needs of shoppers. The consumer who buys in mid-sized stores usually lacks the capacity to store large amount of groceries at home and needs to do frequent purchases. There are about 500 mid-sized store chains, plus some regional brands.

Club and Warehouse Outlets

Club and warehouse outlets are fewer in number compared to the other types of stores, and serve a specific customer composed mainly of independent stores. There are around 82 outlets owned mainly by the big retailer chains like Walmart and SMU.

Table 4 shows the larger store formats and their business models.

Table 4: Supermarket business model

Supermarkets	Business model
Lider	Focused on middle income customers, offers low price products.
Lider Express	Focused on middle income customers, located near neighborhoods and urban areas. Provides most common household products.
Ekono	Focused on lower income customers, near neighborhoods and urban areas. Provides most common household products.
SuperbodegaaCuenta	Wholesaler focused on mom-and-pop businesses near neighborhoods and urban areas. Provides most common store products with wholesale prices.
Central Mayorista	Wholesaler focused on mom-and-pop businesses near neighborhoods and urban areas. Provides most common store products with wholesale prices.
Unimarc	Focused on middle income customers with many stores geographically spread.
Mayorista 10	Wholesaler focused on mom-and-pop businesses near neighborhoods and urban areas. Provides most common store products with wholesale prices.
Alvi	Wholesaler focused on mom-and-pop businesses near neighborhoods and urban areas. Provides most common store products with wholesale prices.
Jumbo	Focused on high income customer, gives higher regard to customer service and offers a wide variety of products, including imported products.
Santa Isabel	Focused on middle income customers with many stores geographically spread.
TOTTUS	Focused on middle income customer offers a wide variety of products, including imported products.
MONTSEERRAT	Focused on middle income customers, offers low price products.
ERBI	Wholesaler focused on mom-and-pop businesses near neighborhoods and urban areas. Provides most common store products with wholesale prices.
LA OFERTA	Wholesaler focused on mom-and-pop businesses near neighborhoods and urban areas. Provides most common store products with wholesale prices.
CUGAT	Focused on middle income customers offering a wide variety of products.

UNICO	Focused on middle income customers offering a wide variety of products.
ROMANINI	Focused on lower income customers, near neighborhoods and urban areas. Provides most common household products.

ii. Convenience stores, gas marts

Table 5: Gas Marts and Convenience Stores

Type of store	Parent company (if any)	Ownership	Name of store	Number of stores	Locations
Gas Marts	Petrobras	Brazil	Espacio 1	117	All mayor cities and freeways
	COPEC	Chile	PRONTO	79	All mayor cities and freeways
	SHELL	Anglo-Dutch	Select	46	All mayor cities and freeways
	SHELL	Anglo-Dutch	UPA!	49	All mayor cities and freeways
Convenience Store	SMU (Unimarc)	Chile	OK MARKET	133	Valparaíso, Región Metropolitana, Biobío y Los Ríos
	FEMSA	Mexico	BIG JOHN	49	Region Metropolitana
Bakery		Chile	CASTAÑO	75	Region Metropolitana

Source: Composed by Agronometrics with data from Supermarket and Grocery web sites

Gas Marts

The top gas marts operating in Chile include: “ESPACIO1”, operated by Petrobras (Brazil); “PRONTO” and “PUNTO” operated by Copec (Chile); “UPA!” and “SELECT” operated by Shell. Gas marts total 291 outlets throughout the entire country. They are located within cities, along freeways and in city exits.

Gas stations specialize in having beverages (juice and sodas), snacks (sweet and salty), ready-made sandwiches, energy drinks, crackers, ice-cream cookies and the type. In many of the larger marts, they offer coffee and restaurant service. The restaurants are usually the fast food type. Some may incorporate a drugstore (of another brand).

Gas marts are very popular for travelers moving through the countryside and during the holiday season. In the city, they serve as a quick stop for a beverage or snack.

Convenience Stores

There are three big convenience store chains: OK MARKET (Chile), BIG JOHN (Mexico), CASTAÑO (Chile). These types of convenience stores are driven by location. They cater to the upper-middle class by offering good service, convenient locations and a variety of foods and snacks.

There are 257 convenience stores but only OK MARKET operates outside Santiago in some selected cities, (see table 5). In other Chilean cities, independent stores service the markets.

BIG JOHN was acquired by the Mexican company FEMSA in June 2016. Industry experts believe that FEMSA will enter the Chilean market with OXXO the giant convenience store chain with more than

14.000 outlets in Latin America.

Table 6 shows the key business model for each of the convenience store and gas marts.

Table 6. Convenience store business model

Convenience stores	Business model
OK Market	Target customers are office workers. Location, product assortment and promotions are focused on getting worker's attention by providing a food court. Breakfast and lunch are the specialty: ready meals, sandwiches, pizza, salads and drinks.
CASTAÑO	Target customers are office workers. Location, product assortment and promotions are focused on getting workers attention by providing a food court. Shops' key products are pastries and bakery products. Also, Breakfast and lunch: ready meals, sandwiches, pizza, salads and beverages.
Big John	Targets customers are office workers. Location, product assortment and promotions are focused on getting workers attention by providing a food court. Candy, sodas, newspapers and magazines are key products.
Gas Mart	Business Model
Espacio1	Target customers are snack buyers, workers and families whose homes are near the service station.
PRONTO	Target customers are snack buyers, workers and families on road trips. Key factor is location, has a national coverage and is located in the main highways. Offers breakfast, lunch and snacks.
UPA!	Target consumers are snack buyers, workers and families on road trips. Key factor is location, supplying national coverage on main highways. Offers breakfast, lunch and snacks.

iii. Mom and pop stores and specialized stores

Mom and Pop stores and specialized stores² are the most common store format in Chile totaling 98,618 stores, US\$5.6 billion in sales in 2014, and employing 44,934 workers. Besides Mom and Pop stores, there are specialized food stores that offer vegetables, fruits, seafood, meats, liquor, bakery and pastry (see table 7).

Table 7: Mom and Pop and specialized stores.

Store Type	Number of companies	Sales in 2014 (Million Chilean pesos)	Sales in 2014 (Million US\$)	Number of workers
Mom and Pop store	69,223	1,716,684	3,010	19,412
Vegetables and Fruits	9,742	331,423	581	3,791
Liquor stores	10,486	496,313	870	9,000
Seafood	1,793	62,231	109	1,300
Meat shops	2,831	376,045	659	5,101
Pet food	2,545	149,301	262	2,612

² Stores with annual sales of less than 30 million CPL (US\$ 45,800).

Bakery and pastry	1,998	81,452	143	3,718
TOTAL	98,618	3,213,449	5,634	44,934

Source: Servicio de Impuestos Internos (SII)

Note: 2014 average exchange rate CLP 570.37 = 1 USD.

Mom And Pop store – “ALMACEN”

Mom and Pop stores carry a reduced variety of perishables and non-perishables, drinks, fruits and vegetables, canned goods and some snacks. They cater to the neighborhoods where the larger supermarkets are not present. Their customers are unable to make large purchases at hypermarkets even though the prices are higher than those of the supermarkets. They are also frequented by spot buyers who need specific items or are unable to store large quantities at home.

Liquor stores – “BOTILLERIA”

These are liquor stores offering a variety of alcoholic drinks. They also offer snacks and ice. Liquor stores offer lower-priced liquor, imported and domestic and they are open late hours.

Vegetables and fruits - “VERDULERIAS”

This type of neighborhood store specializes in fruits and vegetables; the target market is the nearby shopper who purchases the fruits and vegetables for the day.

Meat shops – “CARNICERIA”

This type of store specializes in selling beef, pork, and poultry. They differentiate themselves from stores which offer packaged meat by offering butchery services. The shopper can buy special meat cuts and a specific quantity.

Pet Food – “TIENDA DE MASCOTAS”

This is a growing type of store which specializes in pet foods for dogs, cat, fish and birds.

Bakery and Pastry – “PANADERIA y PASTELERIA”

Bakeries specialize in bread and deli products. Bread is considered one of the cornerstones in the Chilean diet and per capita consumption is one of the highest in the world. A Chilean “once”, which is a small evening meal, consists of tea or coffee along with bread and anything that goes in bread: eggs, ham, cheese, butter, marmalade or avocados. This store is visited daily by shoppers looking for fresh bread.

Seafood - “PESCADERIA”

Seafood stores are small and only found in larger wet markets where there are several of them together operated by their owners, as well as in coastal cities in shop groupings called “CALETAS”. These types of stores are targeted towards local consumption of shoppers who seek for large quantities and low prices.

SECTION III. COMPETITION

There are four countries that are dominant suppliers of consumer oriented agricultural products for

Chile's retail industry—Brazil, the United States, Argentina and Paraguay. They are all located in the Americas and each of these countries operates under the same conditions, as they all enjoy trade agreements with Chile. Aside from differences in distances from Chile, their strengths and weaknesses rest on their own competitive advantages in the manufacturing and production of food and beverage products.

Brazil is the top supplier of HVFBP with a market share of 17.3%. Beef and poultry are their main products exported to Chile. Beef and poultry exports have grown 20.1% and 20.3% per year, respectively, over the period of 2010 to 2015. In the meantime pork exports have grown 23% making it the fourth largest export to Chile. Brazil also exports non-perishable items, such as chocolates, pastas, coffee and canned goods. Brazilian coffee exports have not grown over the 2010-2015 period.

The U.S. is the second largest exporter of HVFBP to Chile with a market share of 16.4% market share. It has been growing at a 20.4% annual rate over the period from 2010 to 2015. The top ten U.S. HVFBP exported to Chile in 2016 were: dairy products, prepared foods, beer, beef, poultry, pork, condiments and sauces, almonds, processed vegetables and pet foods.

Argentina is the third largest exporter of HVFBP to Chile with a 15.7% market share in 2015 valued at almost US\$ 451 million. Argentina's main exports to Chile are beef, dog & cat food and dairy products.

Paraguay is the fourth largest HVFBP exporter to Chile, enjoying a 12.0% market share. Exports consist almost entirely of beef products. Paraguay's strength is its production of commodities such as beef, rice and wheat, which have very competitive prices in relation to other suppliers.

Table 9. Chile: Consumer Oriented Agricultural Imports by Country of Origin

Country	Value 2010 (thousand US\$)	Value 2011 (thousand US\$)	Value 2012 (thousand US\$)	Value 2013 (thousand US\$)	Value 2014 (thousand US\$)	Value 2015(thousand US\$)	Average Growth Rate (from 2010-2015)	Market Share 2015 (%)
Brazil	248,156	383,637	555,235	598,526	520,303	496,720	14.9%	17.3%
United States	186,261	274,182	384,258	482,304	512,942	471,615	20.4%	16.4%
Argentina	423,002	517,332	564,864	597,152	529,157	451,131	1.3%	15.7%
Paraguay	443,854	286,625	687	116,896	276,110	346,606	-4.8%	12.0%
Ecuador	89,227	107,982	116,938	121,795	120,690	118,225	5.8%	4.1%
Mexico	49,066	63,959	85,205	101,376	127,069	117,305	19.0%	4.1%
Peru	51,321	66,548	60,928	81,444	90,198	113,505	17.2%	3.9%
Uruguay	77,683	85,009	124,879	91,250	67,568	68,027	-2.6%	2.4%
Spain	26,788	39,344	36,011	49,683	68,955	64,395	19.2%	2.2%
Netherlands	25,724	29,366	33,375	39,384	48,497	60,479	18.6%	2.1%
Others	284,959	425,066	517,106	585,004	640,222	570,686	14.9%	19.8%
World Total	1,906,041	2,279,050	2,479,486	2,864,814	3,001,711	2,878,694	8.6%	100.0%

SECTION IV, BEST PRODUCT PROSPECTS

In addition to the opportunities found in the most-commonly imported food products, the best product prospects for U.S. producers are a mix of categories which fulfill the needs of Chilean consumers for healthier products and high value added specialized products.

The fastest growing segment is products targeted at consumers that seek healthier eating habits. This trend is also reinforced by Chile's recent Nutritional Labeling Law, which makes it mandatory to put special labels on products that exceed levels set by the Ministry of Health for sodium, saturated fats, sugars or calories (see [Report](#)).

More and more Chilean consumers are concerned about their health and wellbeing. According to a 2016 survey by Kantar, a consultancy agency who monitors household consumption, 54% of consumers stated that they are concerned with their health and physical wellness, which is higher than the 40% average for Latin America. Also, according to Kantar, the wellness product mix has grown 6.8% compared to a 1.6% growth of all other products between June 2015 and June 2016. The biggest increases in this food and beverage sector (from June 2014 to June 2016) are for products low in sodium (38%), diet juices (33%), bottled water (22%) and lactose-free milk and yogurt products (57%).

There are market opportunities in the energy drinks category where the U.S. exports to Chile grew at a 43% annual rate in value during the period 2010 to 2015. Red Bull, Monster, and like products represent 71% of energy drinks), the U.S. may take advantage of high-quality brand perception that the Chilean consumer has of U.S. products to increase market share in this category.

Specialty ice cream is also a fast-growing category of products that are well received by the Chilean consumer. From 2010 to 2015 exports of ice cream to Chile have increased at a 65% rate per year, reaching almost US\$ 4.4 million in 2015.

Product Category	Major Supply Sources	Market share	Value 2015(thousand US\$)	Average growth Rate 2010-2015	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Dairy Products	World Total	100.0%	201,236	20%	The U.S. was the major supplier of dairy products 2015 exporting almost 30% of all dairy imports valued at US\$ 60.4 million. Dairy from the U.S. has grown at a 19% annual rate over the period from 2010 to 2015. U.S. dairy products exports are attractive due to their quality, competitiveness and low prices in relation to other suppliers. The U.S. biggest competitor is New Zealand, which has a 21.2% market share and Argentina	Four dairy companies process more than 80% of the milk produced in Chile. Colún is the biggest processing company totaling 538 million liters in 2015. Soprole, the second biggest company, totaled 495 million liters. Nestle processed 371 million liters in 2015 and Watt's S.A. processed 250 million liters.
	United States	30.0%	60,408	19%		
	New Zealand	21.2%	42,574	67%		
	Argentina	19.8%	39,849	2%		
	Uruguay	9.1%	18,228	33%		
	Germany	3.5%	7,142	76%		
	France	3.0%	6,057	25%		
	Others	13.4%	26,978	19%		

					which has 19.8% market share. Argentina's main dairy exports to Chile are cheese (cheddar) and whole dry milk. New Zealand's main dairy exports to Chile are butter and cheese (cheddar). The main product where Argentina and New Zealand compete is cheese.	
Prepared Foods	World Total	100.0%	294,959	8%	The United States is the major supplier of prepared foods and holds 20.1% market share, followed by Argentina with 11.7% market share. Prepared foods consist of cereals, formulas, creams, salsas, pastes, infusions and a wide variety of food ingredients and supplements used in the food industry. Argentina has a location advantage, being very close to Chile reduces transportation costs and the shipping times are lower which allows exporting perishable products.	
	United States	20.1%	59,258	11%		
	Argentina	11.7%	34,576	-10%		
	Netherlands	8.9%	26,284	25%		
	Peru	8.5%	25,148	3%		
	Mexico	7.8%	23,138	10%		
	Brazil	5.8%	17,178	-1%		
	Others	37.1%	109,377	18%		
Wine & Beer	World Total	100.0%	184,608	25%	Wine and Beer imports increased 25% annually in value between 2010 and 2015. Wine & beer imports are 93% beer and 5% sparkling wine. Chile is a major producer and exporter of wine, so wine imports are not significant. The major suppliers of beer are Mexico and United States. Argentina supplies beer but also sparkling wine which is offered at a competitive price.	Chile has more than 150 companies that produce craft beer. Chile is a producer and exporter of wine. Alcohol consumption has increased 2.1% in 2015 over 2014. Beer consumption was 43.7 liters per capita in 2015 (Source: Euromonitor).
	Mexico	39.8%	73,393	31%		
	United States	28.4%	52,492	35%		
	Argentina	12.0%	22,203	4%		
	Peru	4.0%	7,409	36%		
	Germany	2.9%	5,291	30%		
	Spain	2.6%	4,745	41%		
	Others	10.3%	19,075	21%		
Beef & Beef Products	World Total	100.0%	831,134	2%	Traditional suppliers have been Paraguay, Brazil and Argentina. Paraguay is the major supplier but has been losing market share in the last 5 years to Brazil and the U.S. Argentina is the second largest supplier and maintains a steady growth in the Chilean market. Paraguay's strength is the production at very competitive prices in relation to other suppliers. Brazil beef exports to Chile have been favored by a high depreciation of their currency (Reais). Argentina is expected to increase beef exports to Chile and to gradually regain market share since all of exports tariffs were eliminated by new elected president Mauricio Macri.	Domestic production is not enough to cover consumption demand in Chile. Chilean production expected for 2017 is around 200 MT and beef consumption remains steady so it is likely that imports will increase in 2017.
	Paraguay	41.6%	345,350	-5%		
	Brazil	32.9%	273,805	20%		
	Argentina	14.2%	118,427	5%		
	United States	6.1%	50,460	55%		
	Uruguay	4.3%	36,011	-12%		
	Australia	0.4%	3,373	-32%		
	Others	0.4%	3,708	-5%		
Poultry Meat & Prods. (ex. eggs)	World Total	100.0%	165,129	6%	Chilean consumers have increased demand for broiler meat mainly because the consumer price is much lower than beef and pork meat. Imports both from United States and Brazil have increased January-June 2016 over 2015 as domestic consumption remains high. The main product that comes from	Production on CY 2015 was 599 MT, which was a 5.6% increase over 2014. Production has been growing constantly because of low broiler prices compared to beef and the lower prices of grains and feed products used in the industry. Demand of poultry products has been consistently growing.
	Brazil	53.1%	87,698	20%		
	United States	26.2%	43,225	17%		
	Argentina	19.2%	31,644	-14%		
	Areas, not elsewhere	0.7%	1,136	-20%		

	specified					
	Spain	0.5%	865			
	France	0.1%	224	5%		
	Others	0.2%	337	21%	the U.S. is frozen leg quarters and the main product from Brazil is frozen chicken breasts.	
Pork & Pork Products	World Total	100.0%	101,396	21%		
	United States	27.3%	39,166	30%	United States is the main supplier of pork, offering low prices and a high quality product. Brazilian pork has had a big drop in unit value, which explains the largest part of why it had a big increase in exports to Chile (213.7% increase in volume in Jan-June 2016 over 2015). Also, Brazilian Real is highly depreciated against Chilean peso which favors Chilean imports from that country. According to post contacts there is less quality in the Brazilian pork products in relation to other suppliers such as the U.S.	Pork production totaled 523,831.5 MT in CY2015. In 2016 Pork production has been stable and should total 520,000MT.
	Canada	23.4%	26,600	8%		
	Brazil	18.1%	22,635	23%		
	Spain	16.0%	10,360	41%		
	Poland	2.6%	1,673			
	Italy	2.4%	609	8%		
	Others	10.2%	353	32%		
Processed Vegetables	World Total	100.0%	135,565	13%		
	Belgium	13.6%	34,955	18%	Belgium is the main supplier of processed vegetables which are frozen French fries. The U.S. supplies dried vegetables, frozen sweet corn and French fries. Argentina exports French fries and prepared olives.	Although Chile is a producer of various vegetables, the majority is sold fresh and the food processing industry is focused in processed fruits and not so much in vegetables. Main processed vegetables are frozen asparagus and frozen corn.
	United States	13.2%	18,674	28%		
	Argentina	8.2%	15,964	1%		
	Netherlands	7.3%	14,988	13%		
	Peru	5.7%	13,657	15%		
	China	4.5%	12,423	3%		
	Others	47.5%	24,904	16%		
Fruit & Vegetable Juices	World Total	100.0%	41,621	7%		
	Brazil	47.4%	15,469	8%	Brazil has 47.4% market share in this segment exporting orange juice. South Africa has 11.2% market share and its exports are almost entirely of Pineapple juice. The U.S. exports a variety of juices to Chile: Orange, cranberry, apple, grapefruit and citrus juice, amongst others. The imports of juice from the U.S. have grown 37% per year in value between 2010 and 2015.	Chile is a producer and exporter of grapes, apples and oranges. Chile does not produce pineapples. Fruits that do not comply with the quality measurements to be exported are destined to the juice industry or to other processing industry (raisins, dried fruits).
	South Africa	11.2%	6,751	25%		
	United States	8.2%	6,293	37%		
	Argentina	5.6%	5,819	-13%		
	Mexico	4.7%	1,537	58%		
	Thailand	4.5%	1,146	9%		
	Others	18.4%	4,606	7%		
Chocolate & Cocoa Products	World Total	100.0%	137,055	7%		
	Brazil	25.4%	38,495	7%	Brazil is the main supplier of chocolate and cocoa products holding 25.4% market share. Imports from Brazil are mainly chocolate bars and products. Some of the chocolates imported from Brazil are re-exports that come originally from the U.S. Argentina exports a wide variety of chocolate products to Chile, like filled chocolate sweets (alfajor and bonbon), egg shaped chocolates and other chocolate based candies.	Consumption of chocolate in Chile is 2.5KG per capita a year, one of the highest in Latin America but with room for growth. Consumption of premium chocolates has increased. Chocolate production is destined to massive consumption sold in retail stores and craft chocolate sold in specialized stores. There are 3 main companies that produce chocolate in Chile: Carozzi (Chilean company), Nestle (Swiss company) and Dos en Uno (Owned by Arcor from Argentina).
	United States	14.8%	14,228	19%		
	Argentina	13.3%	13,368	3%		
	Ecuador	9.8%	10,062	-9%		
	Spain	6.8%	9,297	2%		
	Germany	6.2%	8,584	16%		
	Others	23.7%	43,021	12%		

Source: United Nations Commodity Trade Statistics, United Nations Statistics Division

Best products prospects summary

The best product prospects can be divided into 3 categories listed below:

Category A: Products Present in the Market That Have Good Sales Potential

1. Beef: Tip beef cut, Back ribs, short ribs beef cut, Outside Round / Top Round / Top of Bottom Round beef cut: Retail stores offer a variety of cuts suitable for the BBQ/grill or 'asado', which is a tradition amongst Chilean consumers. These cuts are characterized for having a high-fat content, which gives the beef a better flavor. According to industry experts, these cuts can be packaged at a low cost for U.S. producers, but are sold at a premium price in Chile given their U.S. origin.
2. Dairy: The United States is the main supplier of dairy to Chile, with a market share of 30% of all dairy imported. The main dairy product the U.S. exports to Chile is cheese; which is estimated to reach \$30 million in 2016 and is mostly made up of cream cheese and mozzarella cheese. Non-fat dry milk (NFD) followed by cheddar cheese and ice cream make up the remainder of the dairy products imported from the United States. According to post sources, U.S. dairy products exports are attractive due to their quality, competitiveness and low prices in relation to other suppliers. Prepared foods exported to Chile are mainly cereals, pasta and infant foods.
3. Fruits juices: there is increasing opportunity for all natural, no-sugar added orange, grapefruit, grape juices in particular. The imports of juice from the U.S. have grown 37% per year in value between 2010 and 2015.
4. Poultry: Chile is the largest market for U.S. poultry in South America.
5. Pork (chilled/fresh): The United States is the main supplier of pork in Chile, offering low prices and a high quality product.
6. Pork as ingredient is primarily used in Chile's sausage and hotdog industry.
7. Food ingredients
8. Frozen meals
9. Beer/craft beer and spirits: Chile is the largest consumer of alcohol per capita in Latin America, reaching 61.3 liters per capita a year. Alcoholic beverages consumption grew 2.1% in 2015, with beer recording the highest per capita consumption levels reaching 43.7 liters per capita.
10. Snack foods
11. Cereals
12. Pet foods
13. Natural/organic foods: there is a growing niche for this product segment.

Category B: Other Products Not Present in Significant Quantities/ Domestic Demand Exists but Few Suppliers.

Products consumed in Chile in small quantities that have none or few U.S. suppliers include: skirt steak/outside skirt beef cut, flank steak beef cut, subcutaneous muscle (Malaya) pork and beef cut., beef neck, frozen high quality hamburgers, specialty desserts, energy drinks, premium ice-cream, value-added supplement milk, cheddar cheese in sliced format, mozzarella cheese in sliced format, blue cheese, parmigiano and provolone cheeses.

Category C: U.S. products not present in the market because they face significant barriers.

There are no significant barriers to enter the market in Chile.

SECTION V. CONTACTS

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Foreign Agricultural Service

Web Page <http://www.fas.usda.gov>

SEREMI de Salud (Chile’s Food Sanitation Regulations)

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