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Voluntary Public

Date: 3/14/2018

GAIN Report Number: CI1811

Chile

Post: Santiago

Safeguard Investigation on Imports of Powder Milk and Gouda Cheese

Report Categories:

SP2 - Prevent or Resolve Barriers to Trade that Hinder
U.S. Food and Agricultural Exports
Trade Policy Monitoring

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Report Highlights:

On Thursday, March 8, 2018, Chile's Commission on Markets Distortion (CNDP) published its decision to initiate a safeguard investigation on imports of powdered milk and Gouda cheese that will determine if the increase of dairy imports, specifically whole dry milk, non-fat dry milk, and Gouda cheese, represents a threat to Chile's domestic dairy sector. While the investigation does not target the United States, if safeguards are imposed on non-fat dry milk, the U.S. will be impacted the most, as it holds 76 percent of market share and reached \$25.6 million in exports in 2017.

General Information:

On Thursday, March 8, 2018, Chile's Commission on Markets Distortion (CNDP) published its decision to initiate a safeguard investigation on imports of powdered milk and Gouda cheese that will determine if the increase of dairy imports, specifically whole dry milk, non-fat dry milk, and Gouda cheese, represents a threat to Chile's domestic dairy sector. Furthermore, Post understands that the investigation will determine the length and percentage of the safeguards that will be imposed. While the investigation does not target the United States, if safeguards are imposed on non-fat dry milk, the U.S. will be impacted the most, as it holds 76 percent of market share and reached \$25.6 million in exports in 2017.

Chile's timeframe for safeguard investigations indicates that CNDP has 30 days from the beginning of the investigation published in the Official Gazette, March 8, 2018, to recommend provisional measures to the President of Chile and 90 days to set permanent measures or end of the investigation. CNDP includes the National Economic Prosecutor who is the lead; two representatives of the Central Bank of Chile; a representative of the Minister of Finance; a representative of the Ministry of Agriculture; a representative of the Minister of Economy, Development and Tourism; The National Director of Customs; And a representative of the Ministry of Foreign Affairs.

According to Chilean press reports, on November 9, 2017, Chilean Dairy Farmers Federation (Fedeleche) requested that provisional and permanent safeguards of at least 30 percent for whole dry milk and non-fat dry milk, and 27 percent for Gouda cheese be imposed on dairy imports. Post understands that Fedeleche's petition to request safeguards against imports of dairy products is based on a significant increase in imports of whole dry milk, non-fat dry milk and Gouda cheese. Fedeleche indicated that Chilean imports of whole dry milk increased by 55.8 percent between September 2016 and August 2017, non-fat dry milk, increased by 14.4 percent between July 2016 and June 2017. Fedeleche also claims that the increase of non-fat dry milk peaked in the last three years. In the case of Gouda cheese, Fedeleche noted that there is a "dramatic increase in imports, reaching a 122.9 percent increase in 2017 compared to the previous year."

The Agreement of Safeguards on the [WTO under GATT \(Article XIX\)](#) and Chapter Eight, Trade Remedies, Section A – Safeguards of the [U.S. and Chile FTA](#), Chile is mandated to notify all the involved parties of the beginning of a CNDP investigation. Parties will also be notified of the public hearings where they can make discharges, if the investigation leads to determine that the safeguard is a necessary measure. This measure can only be applied for a period of two years after the publication of the measure in the National Gazette (Diario Oficial) and can be extended only after a new period of consultations and hearings. More information about the CNDP procedures can be found at www.cndp.cl, under "Marco Legal and Decreto Hacienda N°1314".

The United States Continues to Be the Main Supplier of Dairy Products to Chile

According to Chile's Customs data, U.S. dairy exports to Chile reached \$76.3 million in 2017 which is a 31.6 percent increase over 2016. While Post understands that Fedeleche's request for safeguards against imports of the three specific dairy products does not single out the United States, it is the main supplier of dairy products to Chile with 22 percent market share, followed by New Zealand, and Argentina with 21 percent and 14 percent respectively in 2017, but not necessarily the main supplier of all the products mentioned in Fedeleche's request.

U.S. Exports of Non-Fat Dry Milk to Chile May Be at Greater Risk

As reported by Chile's Customs data, the United States remained the largest exporter of non-fat dry milk to Chile in 2017, with a 76 percent market share and \$25.5 million worth of exports, followed by Canada with 10 percent market share and \$3.4 million, and Denmark with 3 percent market share and \$1.0 million.

New Zealand is the top supplier of whole dry milk, reaching \$18million in exports to Chile in 2017, followed by Argentina with \$13 million, and Uruguay with \$2.8 million.

By far, the main exporter of Gouda cheese to Chile is the Netherlands, which exports increased by 900 percent in 2017 over the previous year, reaching \$31.6 million while the United States did not export significant quantities of this product to Chile.

For more info on the Chilean dairy market, please see [GAIN report](#)

DIARIO OFICIAL

DE LA REPUBLICA DE CHILE
Ministerio del Interior y Seguridad Pública

I
SECCIÓN

LEYES, REGLAMENTOS, DECRETOS Y RESOLUCIONES DE ORDEN GENERAL

Núm. 42.002

Jueves 8 de Marzo de 2018

Página 1 de 1

Normas Generales

CVE 1362646

COMISIÓN DE DISTORSIONES

COMISIÓN NACIONAL ENCARGADA DE INVESTIGAR LA EXISTENCIA DE DISTORSIONES EN EL PRECIO DE LAS MERCADERÍAS IMPORTADAS

La Comisión, en Sesión N°405, celebrada el 23 de febrero de 2018, de acuerdo a lo previsto en el artículo 7 de la ley N°18.525 y el artículo 3.1 del Acuerdo sobre Salvaguardias (decreto N°16/95 del Ministerio de Relaciones Exteriores, publicado en el Diario Oficial del 17.05.95), resolvió iniciar una investigación de salvaguardia respecto de las importaciones de leche en polvo y queso gouda.

Extracto de los Antecedentes

- a) Fecha de inicio de la investigación: 8 de marzo de 2018.
- b) Solicitantes: Federación Gremial Nacional de Productores de Leche (Fedeleche F.G.).
- c) Producto objeto de la solicitud: leche en polvo, clasificada en los códigos arancelarios: 0402.1000, 0402.2111, 0402.2112, 0402.2113, 0402.2114, 0402.2115, 0402.2116, 0402.2117, 0402.2118, 0402.2911, 0402.2912, 0402.2913, 0402.2914, 0402.2915, 0402.2916, 0402.2917 y 0402.2918, y queso gouda, clasificado en el código arancelario 0406.9010.
- d) Naturaleza de la investigación: Salvaguardia.

Los antecedentes que las partes interesadas quisieran presentar por escrito, las solicitudes y, en general, cualquier información acerca de la marcha de la investigación, serán recibidas en la Secretaría Técnica, Morandé 115, 1° piso, Banco Central de Chile, Teléfono 22670 2564, correo electrónico sectec@bcentral.cl.

Si dentro de la información proporcionada existen antecedentes de carácter confidencial, deberán darse las razones que justifiquen la reserva de los mismos y, además, suministrarse simultáneamente un resumen público de ellos, que deberá ser lo más detallado posible. El fundamento de este requerimiento es garantizar la transparencia y el debido acceso de todas las partes a la información relativa a esta investigación. Si los resúmenes no son entregados oportunamente y no existe una causa justificada, la Comisión podrá prescindir de la información calificada como confidencial.- La Comisión.

CVE 1362646

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General Standards
DISTORTION COMMISSION
NATIONAL COMMISSION IN CHARGE OF INVESTIGATING THE EXISTENCE OF DISTORTIONS IN THE
PRICE OF IMPORTED GOODS

The Commission, in Session No. 405, held on February 23, 2018, in accordance with the provisions of Article 7 of Law No. 18,525 and Article 3.1 of the Agreement on Safeguards (Decree No. 16/95 of the Ministry of External Relations, published in the Official Gazette of 05.17.95), decided to initiate a safeguard investigation regarding imports of powdered milk and gouda cheese

Background

- a) Date of initiation of the investigation: March 8, 2018.
- b) Applicants: National Federation of Milk Producers (Fedeleche F.G.).
- c) Product subject of the application: milk powder, classified in the tariff codes: 0402.1000, 0402.2111, 0402.2112, 0402.2113, 0402.2114, 0402.2115, 0402.2116, 0402.2117, 0402.2118, 0402.2911, 0402.2912, 0402.2913, 0402.2914, 0402.2915, 0402.2916, 0402.2917 and 0402.2918, and gouda cheese, classified in tariff code 0406.9010.
- d) Nature of the investigation: Safeguard.

All background information that the interested parties would like to submit in writing, the applications and, in general, any information about the progress of the investigation, will be received at the Technical Secretariat, Morandé 115, 1st floor, Central Bank of Chile, Telephone 22670 2564 , email sectec@bcentral.cl.

If the information provided contains any confidential antecedents, the person who submits the information, must provide the reason that justifies its confidentiality, in addition, they must provide a public summary, which should be as detailed as possible. The basis of this requirement is to guarantee the transparency and due access of all the parties to the information related to this investigation. If the summaries are not delivered in a timely manner and there is no justification, the Commission may dispense of the information classified as confidential.- The Commission.