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Chilean Sweets and Snacks Consumption versus the “Super Eight Project”

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Report Highlights:

The Chilean candy and snack industry has grown 153% in the last five years. Sweets and soft drinks are sold mostly in small shops or kiosks, while for the rest of the confectionary products, the main sales channel is the supermarket shelves.

The Chilean Government is trying to address a rise in obesity rates with a campaign called “Proyecto Super 8” (Super 8 project).

General Information:

On average, every Chilean drinks approximately 122 liters of soft drinks per year, eats almost 6 lbs. of chocolate and another 18.5 lbs. of cookies.

These are some of the results found in a study carried out by the English market consulting firm Euromonitor, for the Chilean El Mercurio Newspaper. The purpose of the study was to find out how many products such as sweets, candies or soft drinks Chileans buy and eat.

This study adds background data to the Pinera Administration's "Proyecto Super 8" (Super Eight Project), an initiative to educate Chileans about food composition and with publicity that seeks to regulate labeling and to establish advertising and marketing restrictions for products considered high in fat and sugar.

The objective of Proyecto Super 8 is to fight against obesity and its health consequences which lead to higher health costs for the State. National Health Trust – Fonasa (Fondo Nacional de Salud) spent US\$1.9 billion during 2009 in diagnosing and treating illnesses related to poor nutrition, such as diabetes, hypertension and strokes. This year, the public health system will spend more than US\$3 million in a program designed to change the life styles of people who suffer from (excessive) malnutrition and whose health is in danger.

Study Data:

The result of the analysis of the market consulting firm shows that these types of products have experienced price growth rates between 29% and 153% in the last five years in Chile when comparing the size of the business during this period (for 2010 the cookie industry was worth US\$670 million while the chocolate industry was worth US\$467 million.)

However, this expansion is different from the one shown by other products during the same period, such as yogurts or pastas which, between 2005 and 2010 grew in 81% and 40% respectively. Rice increased in 18% and fish and canned sea products in 26.6%.

The products that experienced a higher rise were snacks – which consist of products such as cereal bars – and this is related to the fact that this is an expanding category: its current value is only of US\$15.6 million and its intake per capita does not reach a kilo per year.

Soft drinks, on the other hand, have sales that add up to US\$2,122 million, even though they show a more moderate expansion rate of 31.4% in the same period, meaning that about the same number of people are drinking more soda.

Most of these products' main sales channels are supermarkets (hyper or supermarkets): 62% of cookies, 84% of snacks or 74% of flavored milks are sold there. The only exceptions to this rule are candies and soft drinks, which thrive in retail, which means, convenience stores, local shops or gas station shops.

The Industry's Opinion

Because of this, it is not strange that those involved in the food business foresee little to no effectiveness to the restriction of its intake in school kiosks.

“When I see inside numbers, schools and universities do not represent even half a point. Not even a point in my sales. It almost doesn't affect me. Business works very strongly during the school year and drops during the summer, but that sale is evident in the supermarket. That is, moms buy their sons' snacks in the supermarket and they take them to school,” says founder of Nutra Bien, Patricio Jaras, who started his business in 1988. Now the firm works with the Foods division of CCU (Compañía de Cervecerías Unidas).

Because of that, his forecast, far from predicting an impact on sales, points to an expansion, highlighting the company's focus on healthy products (such as those made of apples) and labeling that is easier to read.

“The industry is going to grow. For the products we sell – cookies, sponge cakes, chocolates – the industry amounts now to US\$1,200 million and we estimate that it will grow to US\$1,700 million in 2020. That is, with or without this law we figure it will grow more than 50%, and it will not stop growing because the law is changing. Too much of anything is dangerous in life,” states Jaras, who thinks that the big change should start by promoting sports.

His main worry is in the labeling: “I started small and I have walked in the shoes of small businesses. I would buy containers and they would last me a whole year. If they want to change them, the company that prints them will charge an average between US\$1,075 and US\$2,151, depending on the complexity of the product. And this is for every container. Imagine a PYME that has to change the containers for 10 products, that's US\$21,505! Maybe they don't have the means to do it!” says Jaras.

A legend of the business agrees with this diagnosis. Pelayo Monroy, creator of the traditional Pelayo candy, and who started his business in 1967, esteems that the higher costs are up to at least 3% of the sales as a consequence of the change of labeling.

But he is resigned to it. “It is part of the job and there is no way out,” says Monroy who, with the sale of his products in wholesale stores (Alvi), kiosks and street vendors has the 2% of the whole sweets sale. “(With the change) they are going to buy in kiosks outside school. When I was a kid sweets were not sold inside the school and we had to buy them outside,” he says.

Source: El Mercurio Newspaper (04-24-11).

