

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Three supermarkets dominate 90 percent of food sales

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Report Highlights:

A new merger in Chile's supermarket industry may bring about one of the world's most concentrated supermarket sector, with three companies holding 90 percent of all food sales.

General Information:

Chile's supermarket industry is characterized by one of the highest rates of concentration in the region, which may increase even more if the proposed merger between the SMU corporation (Unimarc supermarkets) and Supermercados del Sur is approved.

Supermarket supplier association AGIP warns that the merger will make Chile's food sector one of the most concentrated in the world, considering the market power of the three principal chains.

The biggest holder within the supermarket industry in Chile is Wal-Mart, owner of Lider, Ekono and Bodega aCuenta. The second largest largest holder is retailer Cenosud, which owns Jumbo and Santa Isabel supermarkets.

Wal-Mart presently controls 34 percent of the market, Cenosud controls 30.5 percent. If the SMU-Supermercados del Sur merger takes place, SMU will control 24 percent. As a result, the three firms will have nearly 90 percent of all supermarket sales.

"This new market situation forces us to be sure to avoid any practice that could threaten free competition and affect the consumer," warned AGIP President Vasco Costa. Costa also expressed the importance of creating a self-regulating body in the sector "to watch over consumer rights, as well as the rights of providers and the industry as a whole."

On the other hand, SMU described the merger as "very good news" for consumers and their employees, saying the merger will stabilize prices. Lorenzo Constans, president of the Confederation of Production and Commerce, reiterated that the new merger will benefit the customers in terms of price reductions, and sees no problem with the proposed merger.

According to Ricardo Montoya, a researcher at the Retail Studies Center at the Universidad de Chile, the economy of scale touted by SMU and its competitors may not necessarily bring lower prices to consumers. Montoya explained the when these mergers occur, one must consider the incentive behind the mergers. "Historically, they do not generate lower prices for consumers; instead, economies of scale are achieved by offering disadvantageous conditions to suppliers."

In neighboring Argentina, supermarket concentration of the top three firms is only 62 percent. The top three food retail firms in the U.S. hold 32.1 percent, and in the U.K. 42.3 percent.