Pacific Food System Outlook

CHILE

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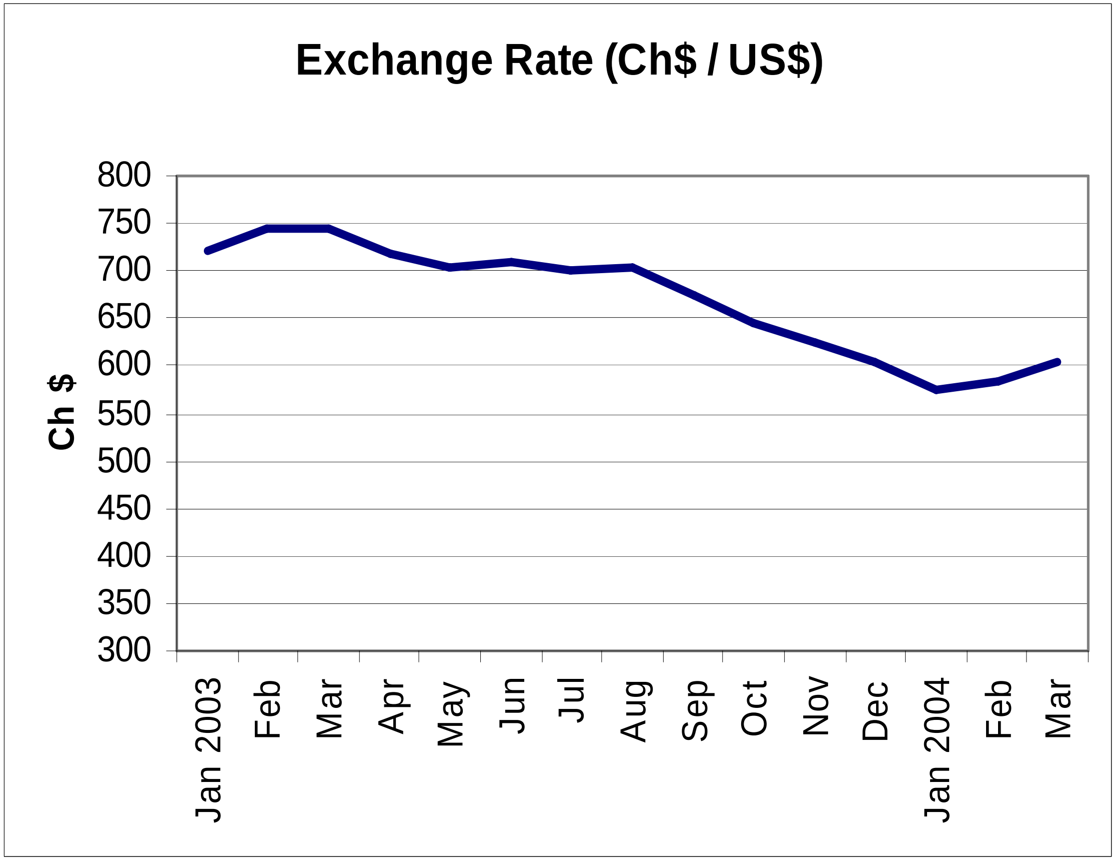
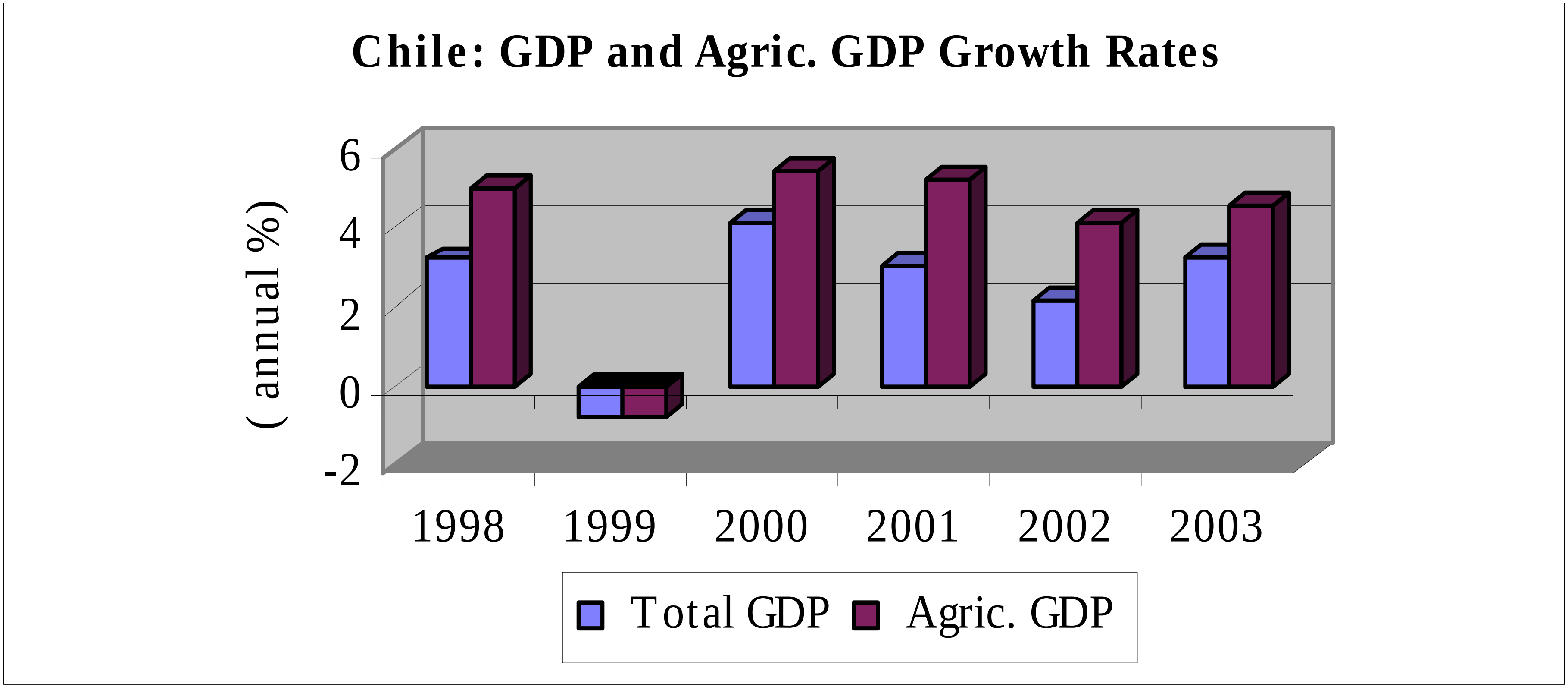
Hanoi, Vietnam; May 17-19, 2004

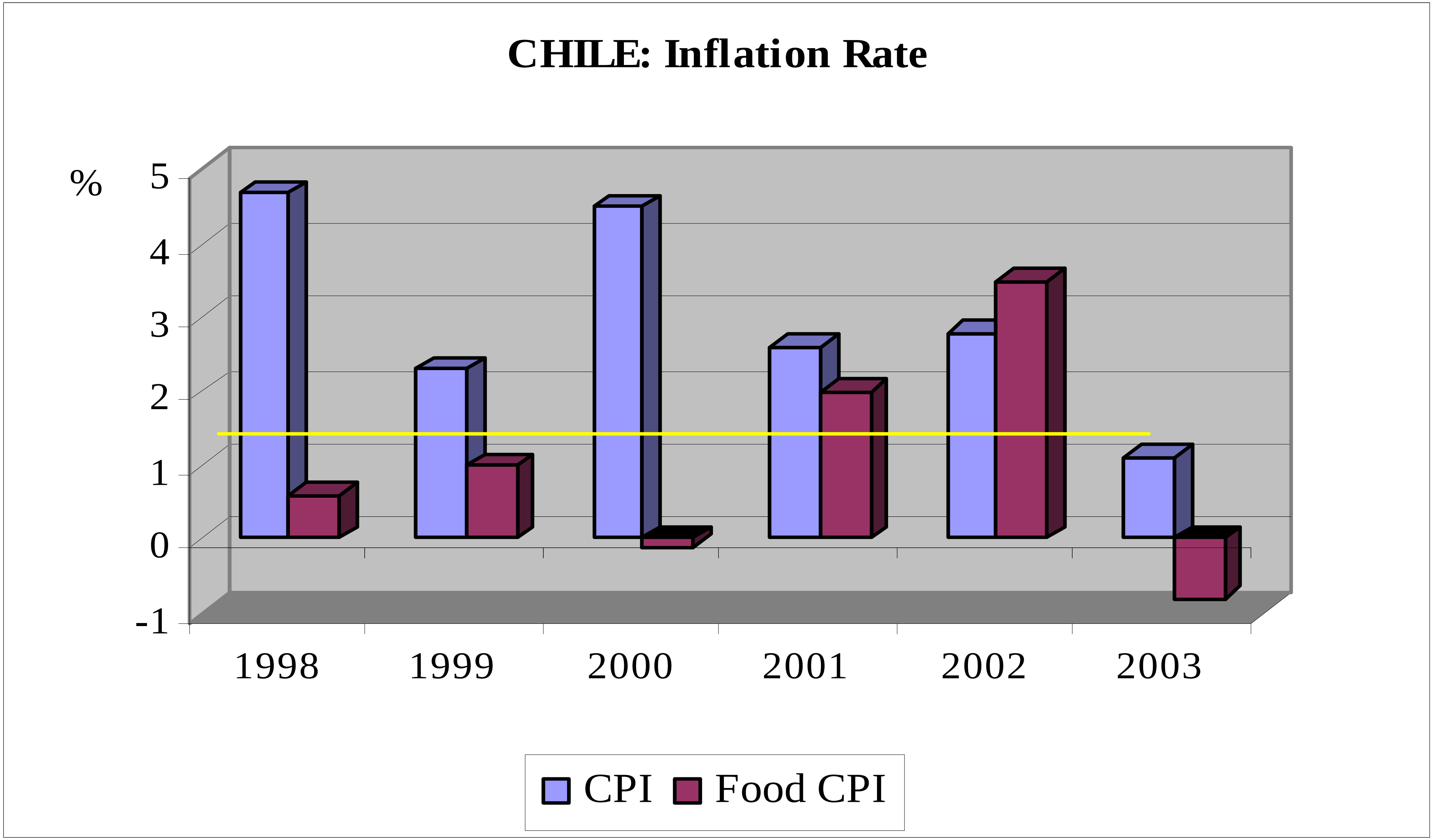
CHILE: PECC 2004

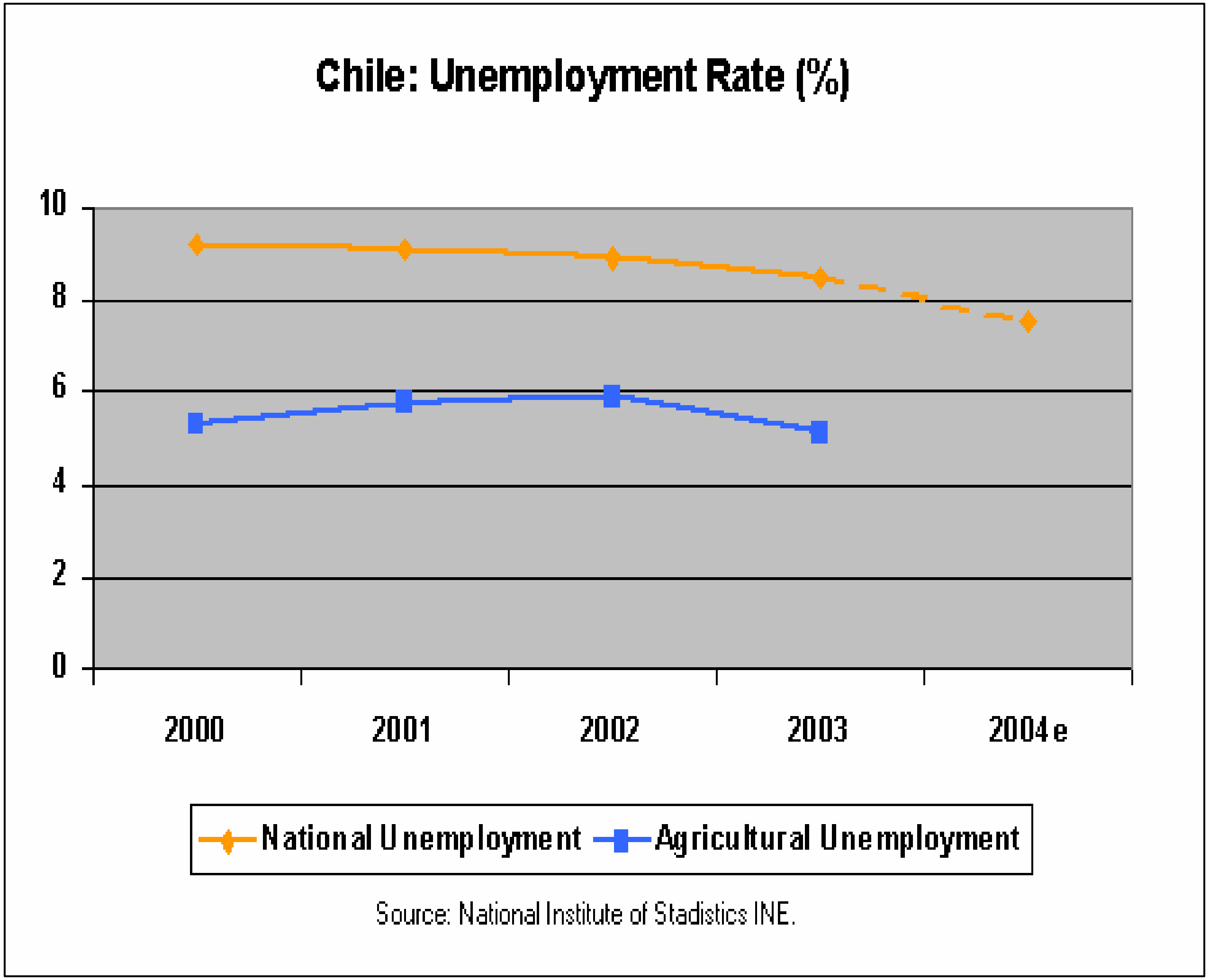
I. Macroeconomics:

- Improvement in 2003 and even better prospects for 2004
- Trade agreements signed finally with USA and South Korea
- Uncertainty from appreciation of the Chilean peso during 2003, which may continue in 2004
- Vulnerability to high energy prices, natural gas shortages, and higher shipping costs


Exchange Rate (Ch$ / US$)
Ch $
800
750
700
650
600
550
500
450
400
350
300
Jan 2003
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan 2004
Feb
Mar


Chile: GDP and Agric. GDP Growth Rates
(annual %)
6
4
2
0
-2
1998
1999
2000
2001
2002
2003
Total GDP
Agric. GDP

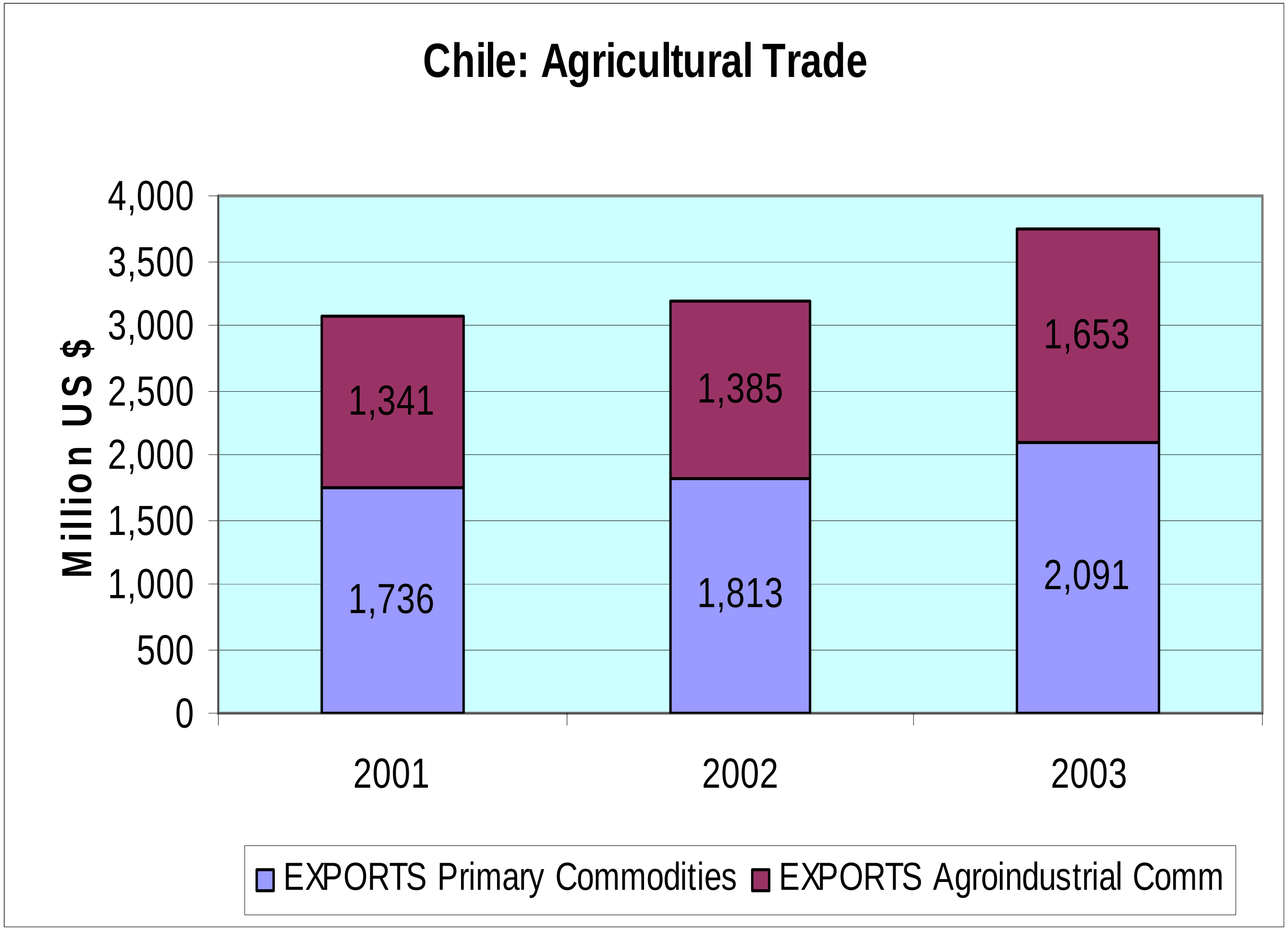

CHILE: Inflation Rate
%
5
4
3
2
1
0
-1
1998
1999
2000
2001
2002
2003
CPI
Food CPI


Chile: Unemployment Rate (%)
10
8
6
4
2
0
2000
2001
2002
2003
2004 e
National Unemployment
Agricultural Unemployment
Source: National Institute of Stadistics INE.

CHILE: PECC 2003

IV. Outlook for Agricultural Production and Trade:

- Agricultural GDP growth in 2003: 4.3%, above the average growth of the country for 4th consecutive year
- Agricultural exports increased by 15.5% during 2003, and agricultural imports by 12.2%, with a positive trade balance of US $ 2,205 million dollars
- Very good performance of fresh fruits and processed products
- Positive results from first year FTA with EU, signed a FTA with USA and Korea after years of negotiations
- Favorable prospects for meat exports due to good sanitary conditions and quotas with the FTAs



Chile: Agricultural Trade
Million US $
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
1,341
1,736
1,385
1,813
1,653
2,091
2001
2002
2003
EXPORTS Primary Commodities
EXPORTS Agroindustrial Comm

CHILE: PECC 2004

V. Outlook for Agricultural Policy

- Price band system modified in accordance to WTO rules
- Continued with a National Plan to facilitate beef and dairy produce exports
- Continued to work toward helping the start-up of a commodity exchange of agricultural, forestry, and fish products
- Strengthened promotion of "quality" assurance programs and traceability in several food chains
- Designed instruments to incorporate SME into the export business

Infrastructure in Chile and the Food Market

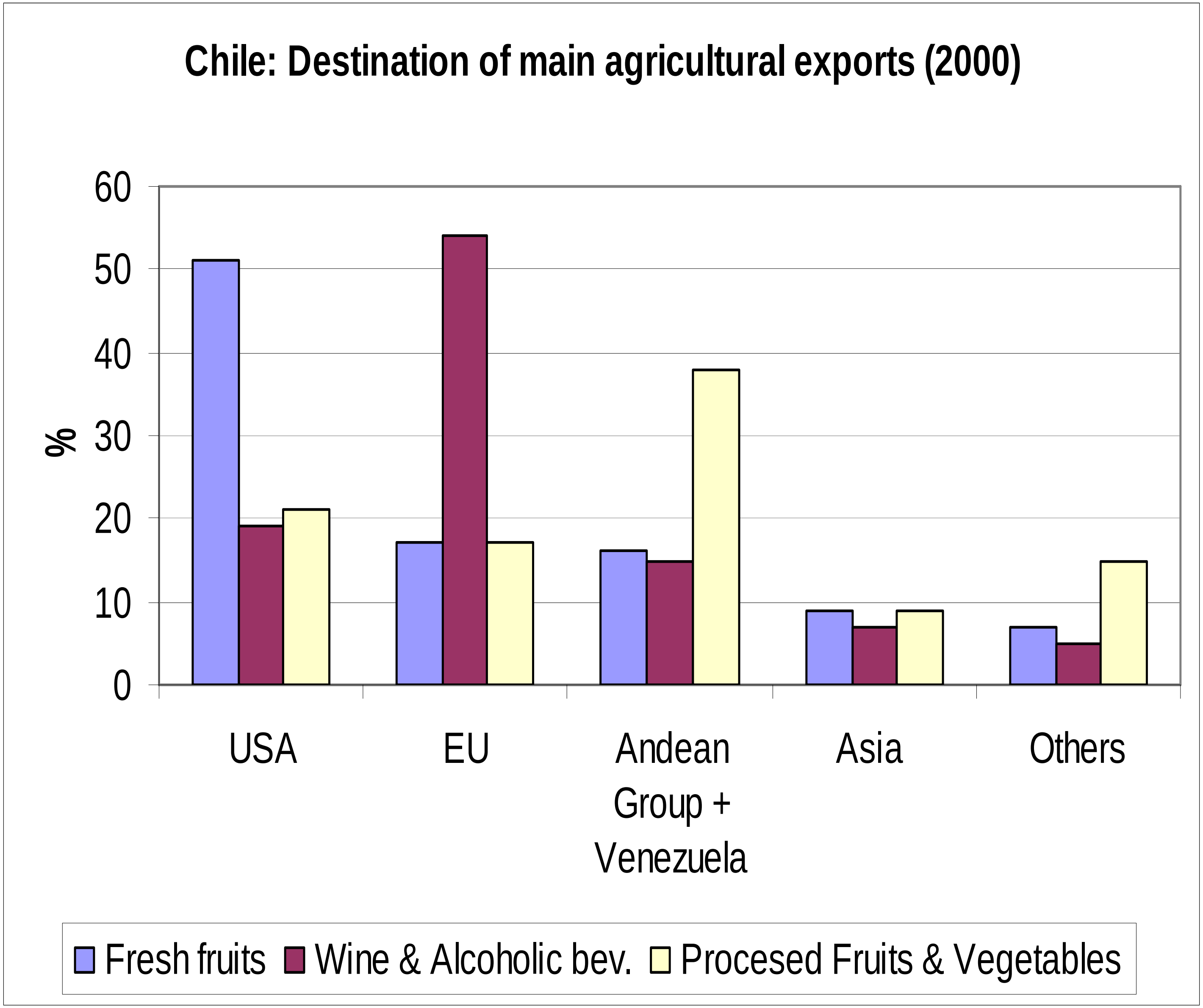
A. Chile is a **net food exporter (exports/Ag. GDP=33%).** Important foreign markets are **USA, Asia, EU, and Latin America. Main exports are fruits, vegtables, wines, and salmon.**

B. Imports of cereals, beef, and oilseeds represent an important share of domestic consumption. Important supplier is **MERCOSUR**

C. Domestic market mainly **urban** (85 %) and highly **concentrated in 2 cities** in the **Central Region** and a third one in the **Central-South Region**

D. Production of **exportables concentrated in Central** Chile and **import-competing agriculture in the South**

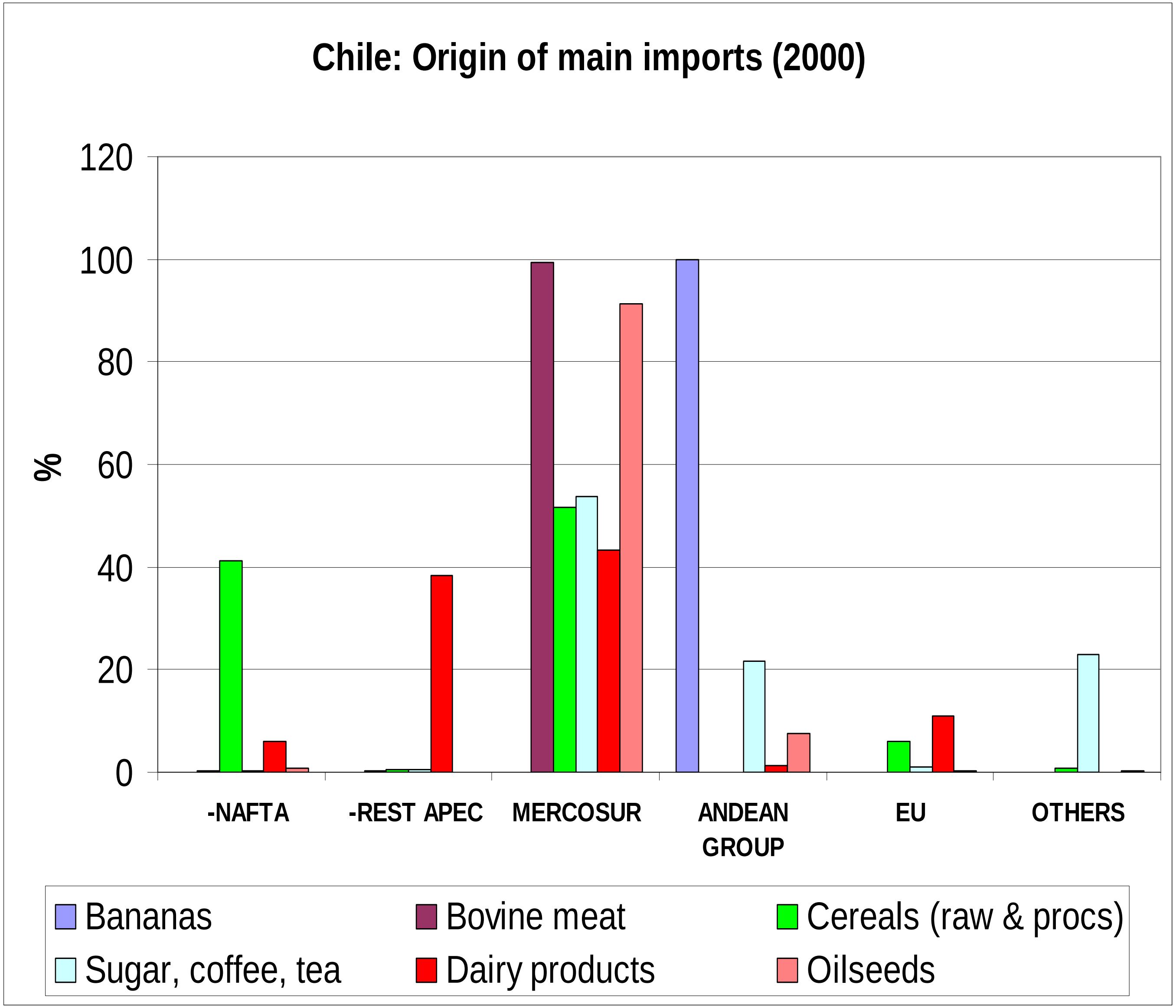
Chile: Composition of agricultural exports		
%		2003
46		Fresh fruits
19		Wine & alcohols
10		Processed fruits
6		Meats
3		Vegetables and roots
15		Others
100		Total

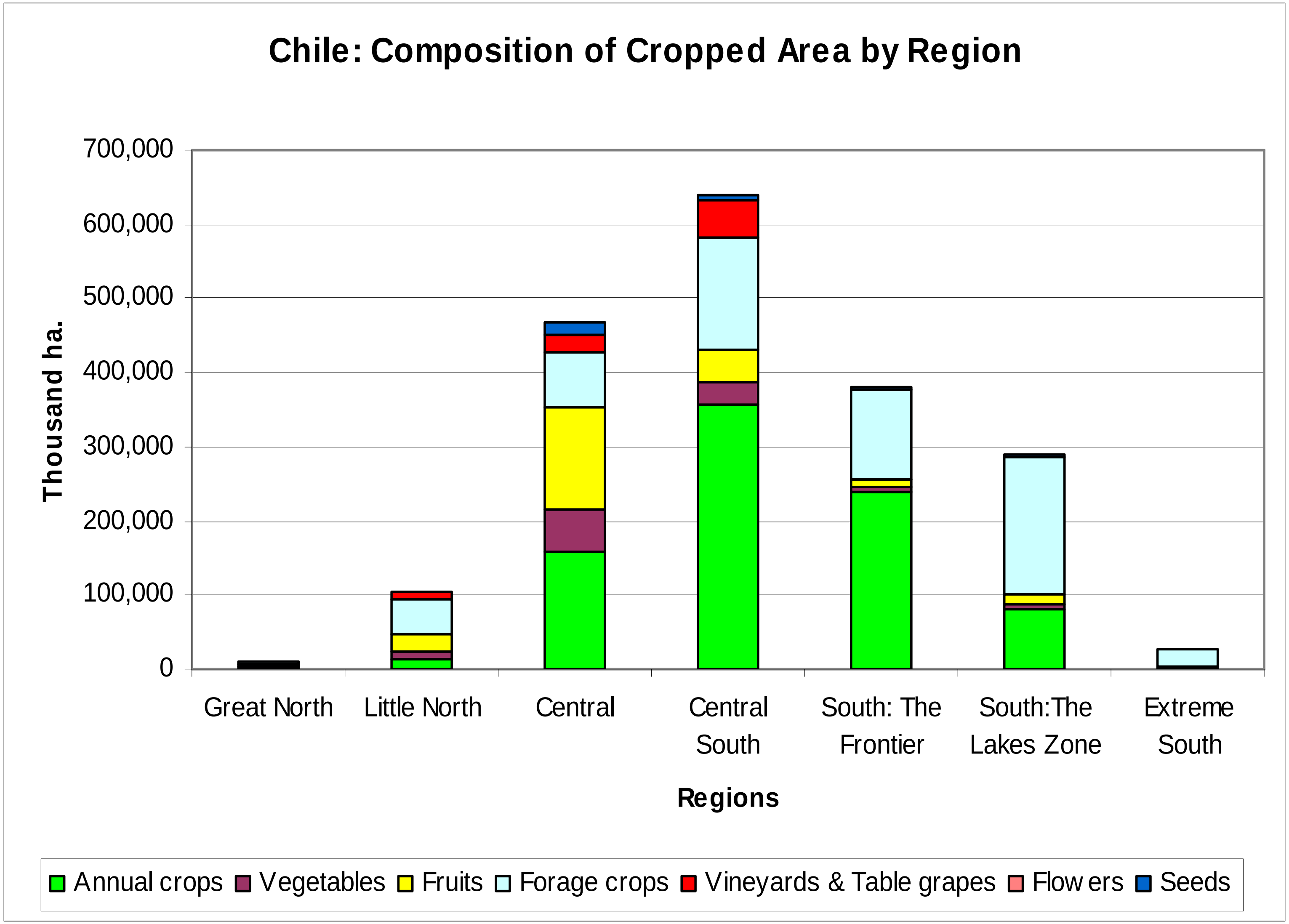


Chile: Destination of main agricultural exports (2000)
%
60
50
40
30
20
10
0
USA
EU
Andean Group + Venezuela
Asia
Others
Fresh fruits
Wine & Alcoholic bev.
Procesed Fruits & Vegetables

Table 4 Chile: Main Agricultural Imports		
Value (Thousand US$)		
	2001	%
Cereal	248.095	24
Oilseeds	142.352	14
Fruits	62.447	6
Wine & Alcohols	39.863	4
Dairy products	35.264	3
Others	236.649	22
Meat	166.969	16
Total	1.052.359	100

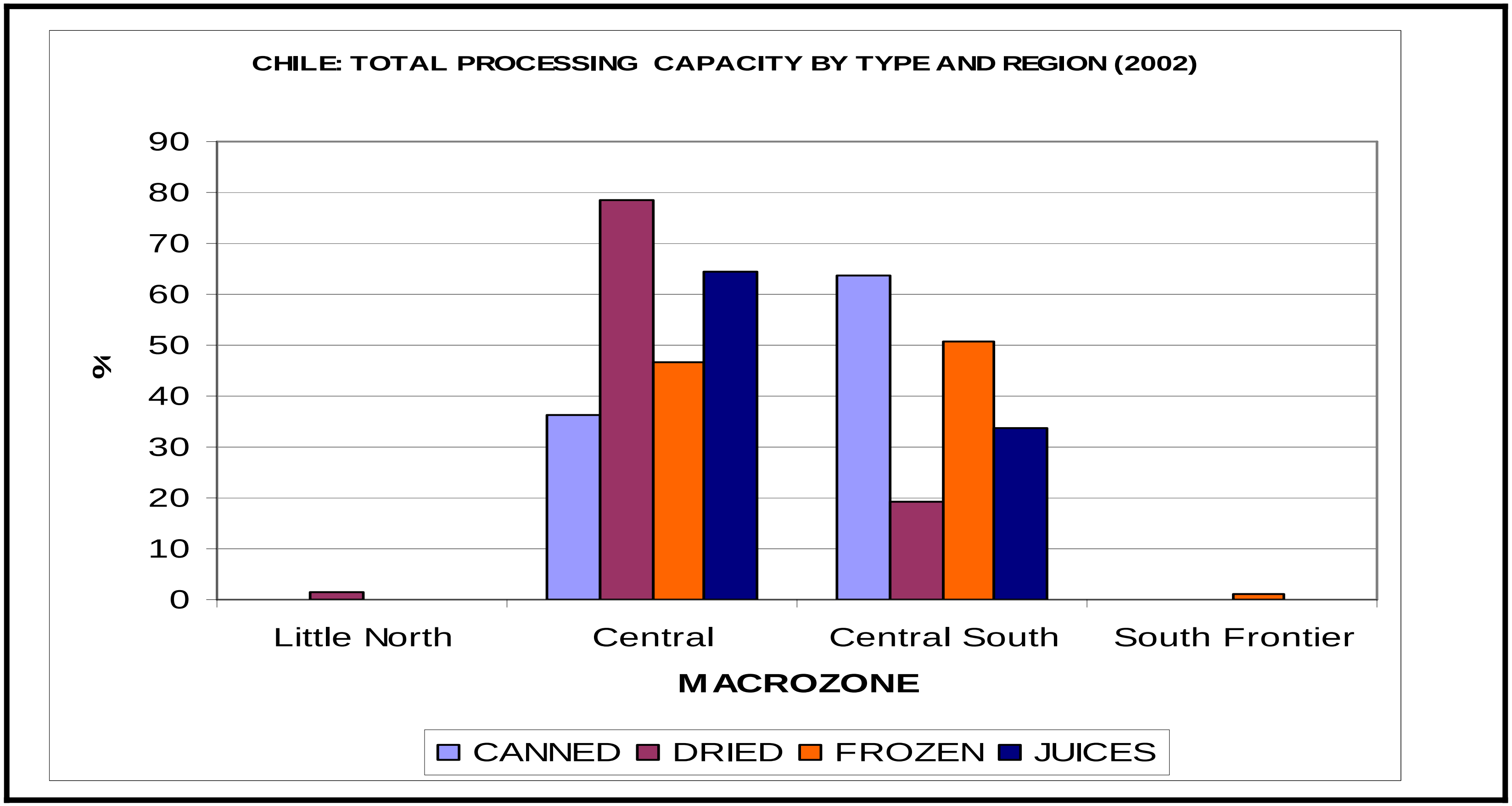
Source: ODEPA. Minagri.(Agrotrade.xls)

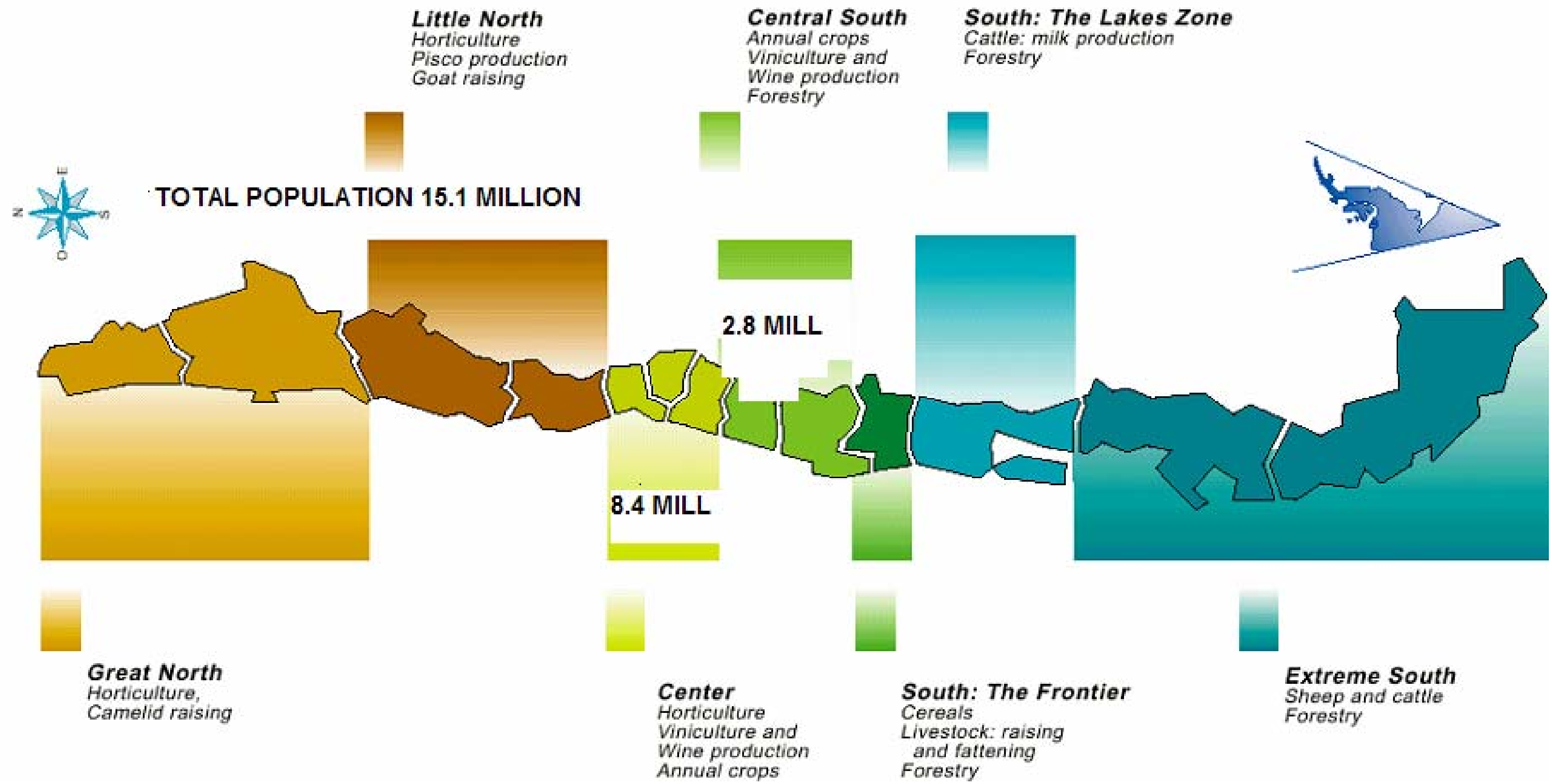

Chile: Origin of main imports (2000)
%
120
100
80
60
40
20
0
-NAFTA
-REST APEC
MERCOSUR
ANDEAN GROUP
EU
OTHERS
Bananas
Bovine meat
Cereals (raw & procs)
Sugar, coffee, tea
Dairy products
Oilseeds



Chile: Composition of Cropped Area by Region
Thousand ha.
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
Great North
Little North
Central
Central South
South: The Frontier
South:The Lakes Zone
Extreme South
Regions
Annual crops
Vegetables
Fruits
Forage crops
Vineyards & Table grapes
Flowers
Seeds

Chile: Number of processing plants for fruits and vegetables by region

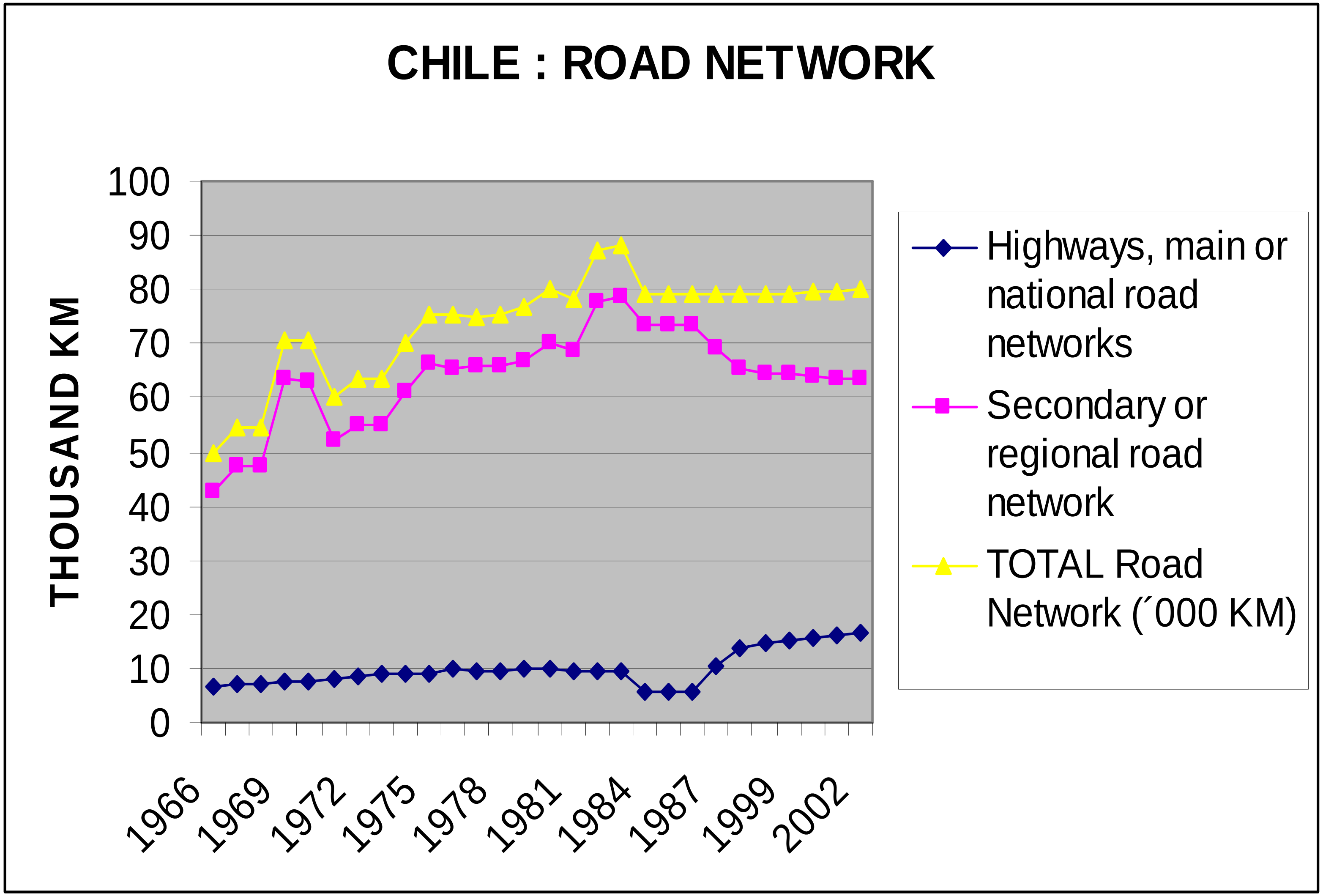



Little North
Horticulture
Pisco production
Goat raising
Central South
Annual crops
Viniculture and
Wine production
Forestry
South: The Lakes Zone
Cattle: milk production
Forestry
TOTAL POPULATION 15.1 MILLION
2.8 MILL
8.4 MILL
Great North
Horticulture,
Camelid raising
Center
Horticulture
Viniculture and
Wine production
Annual crops
South: The Frontier
Cereals
Livestock: raising
and fattening
Forestry
Extreme South
Sheep and cattle
Forestry

Transportation

Mobilization of the private sector
Public sector regulation to ensure competitive pricing
Large distances internally and especially to foreign markets

1. Domestic, basically by truck to processing plants and consumer centers in the Central Region; good development of cold chain infrastrcture and management including retail sales
2. Internationally, first by trucks to ports; and then by marine transportation to NAFTA, EU and Asia, and by road to the closer regional markets such as Mercosur, Peru and Bolivia (bi-oceanic roads)
3. Air transportation for just a few products such as cherries, berries, and cut flowers besides salmon
4. Little use of railways domestically and internationally for food


CHILE : ROAD NETWORK
THOUSAND KM
100
90
80
70
60
50
40
30
20
10
0
1966
1969
1972
1975
1978
1981
1984
1987
1999
2002
Highways, main or national road networks
Secondary or regional road network
TOTAL Road Network (´000 KM)

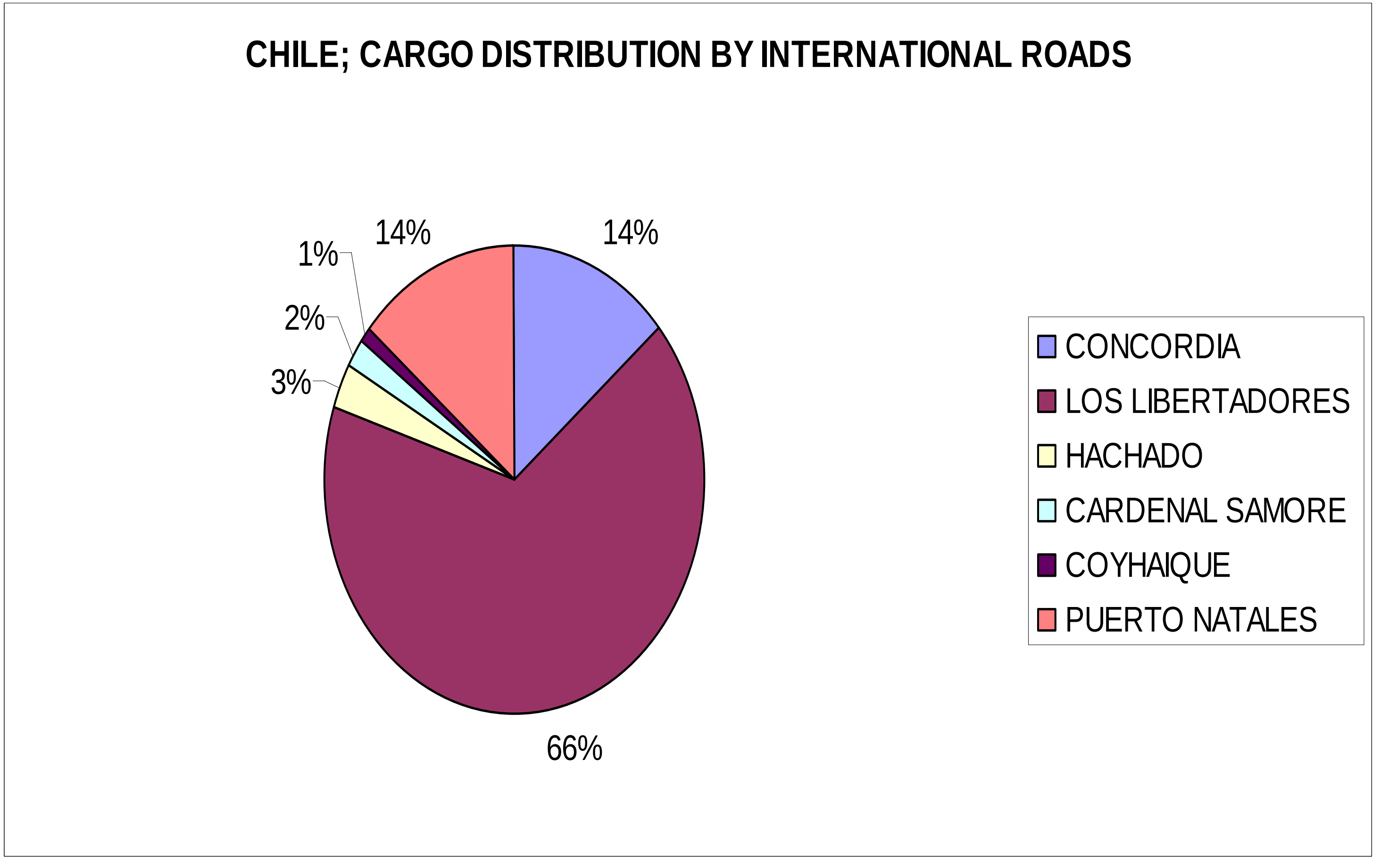
CHILE: STOCK OF VEHICLES FOR TRANSPORTATION BY YEAR AND REGION (2002)

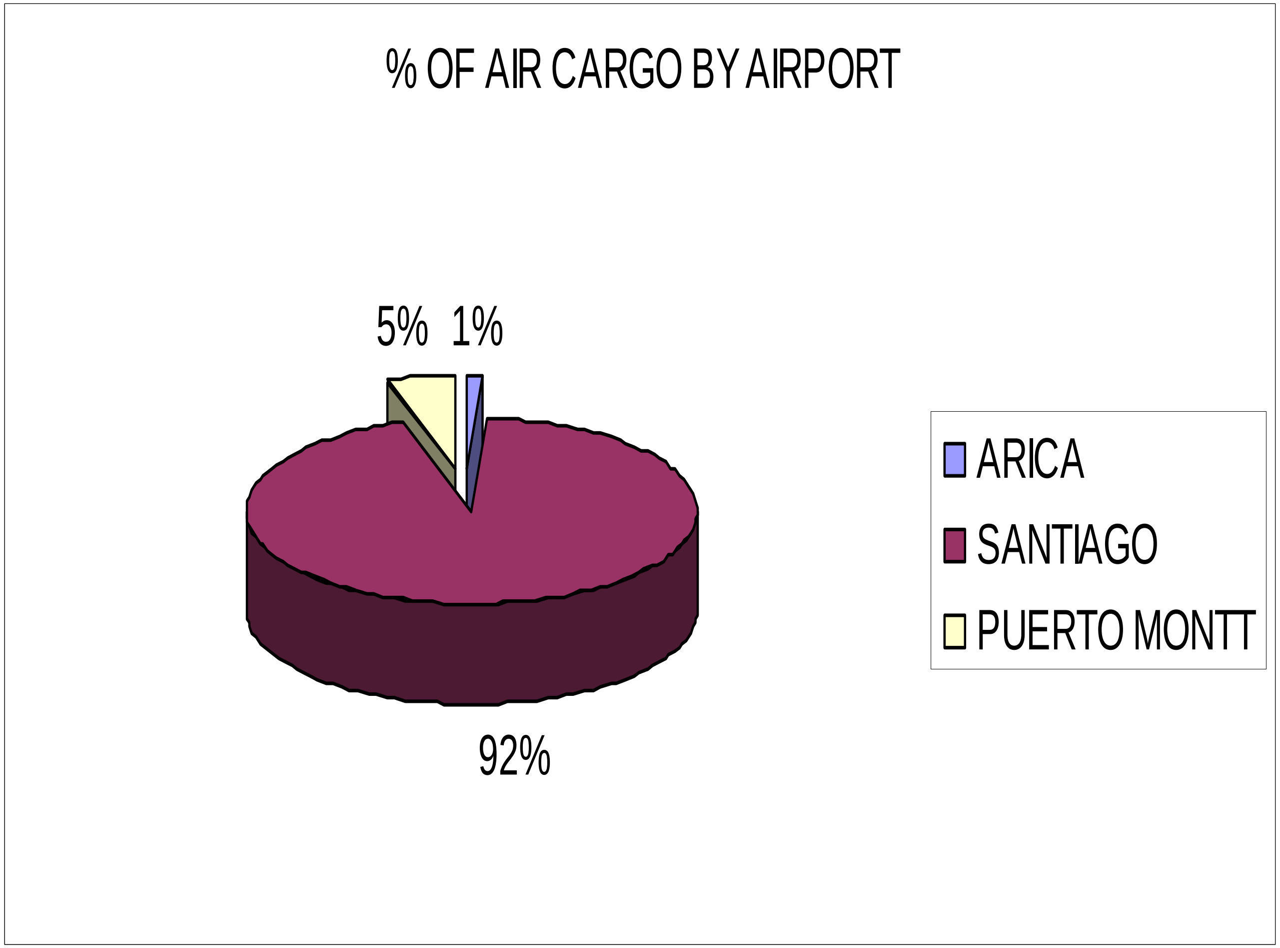
YEAR AND REGION	SIMPLE TRUCK	TRACTOR TRUCK	AGRICULTURE TRUCK	OTHERS WITH MOTOR 1/	Towing semi-Towing Trailer
1999	103.427	17.412	7.659	6.055	36.998
2000	98.428	17.153	7.102	7.275	35.374
2001	96.700	18.384	7.106	9.098	38.557
2002	99.662	19.152	6.932	9.494	39.418

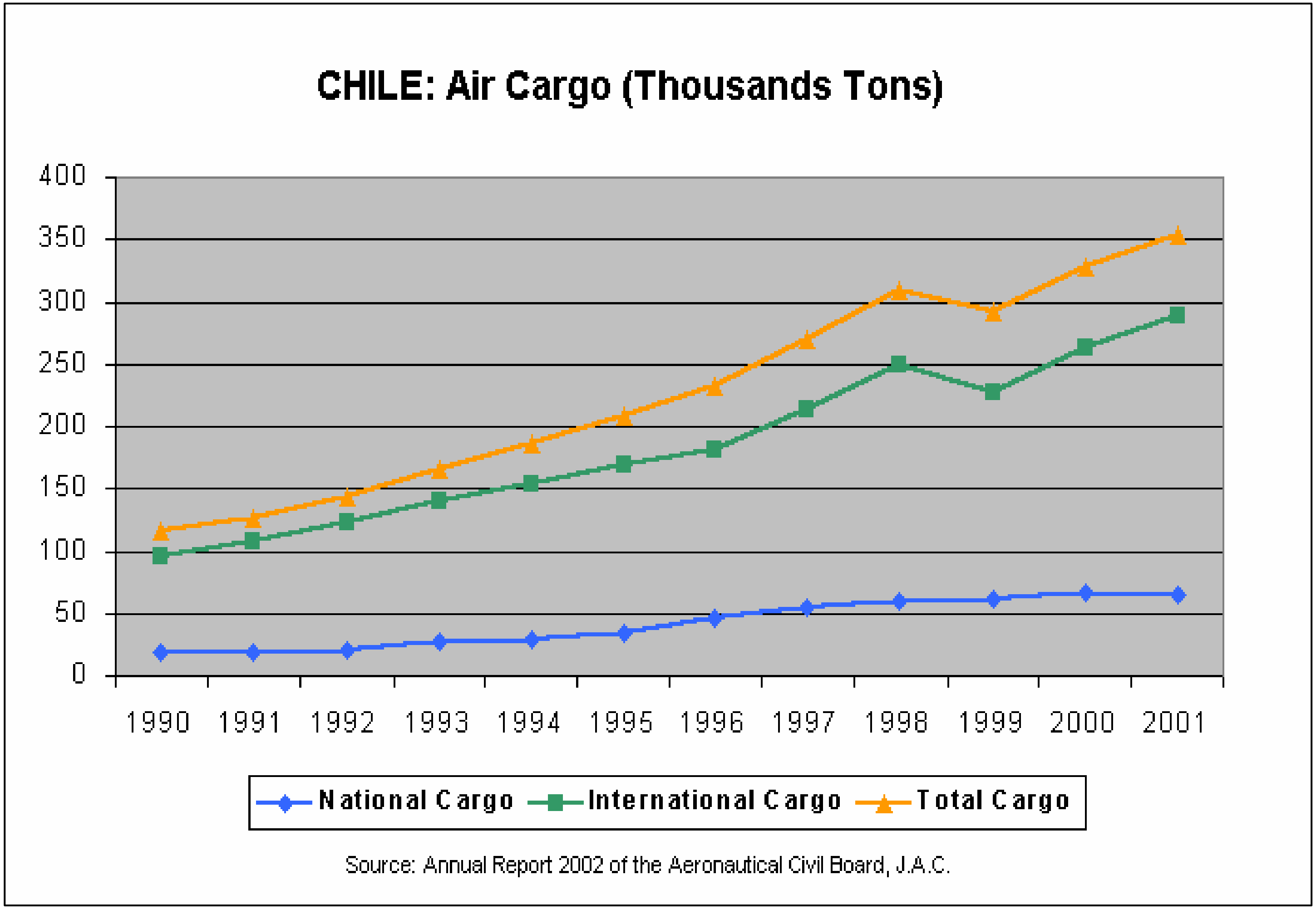
Table 10 Chile: Maritime Ports 2003 (% share by type of product)					
PORT	**REGION**	IMPORTS		EXPORTS	
		Cereals & oils	Fruits, vegetables & legumes	Fresh fruits & vegetables	Fish & seafood products
ARICA	NORTH	**3%**	**1%**	**1%**	
IQUIQUE	NORTH	**2%**	**2%**		
ANTOFAGASTA	NORTH	**1%**			
CALDERA	LITTLE NORTH			**3%**	
COQUIMBO	LITLE NORTH	**1%**		**9%**	
VENTANAS	CENTRAL	**14%**			
QUINTERO	CENTRAL	**3%**			
VALPARAISO	**CENTRAL**		**23%**	**63%**	**11%**
SAN ANTONIO	**CENTRAL**	**71%**	**73%**	**22%**	**28%**
LIRQUEN	CENTRAL SOUTH	**3%**			**24%**
SAN VICENTE	CENTRAL SOUTH				**18%**
TALCAHUANO	CENTRAL SOUTH				**8%**
CORONEL	CENTRAL SOUTH	**1%**			**5%**
PUNTA ARENAS	SOUTH				**3%**
TOTAL		100%	100%	100%	100%

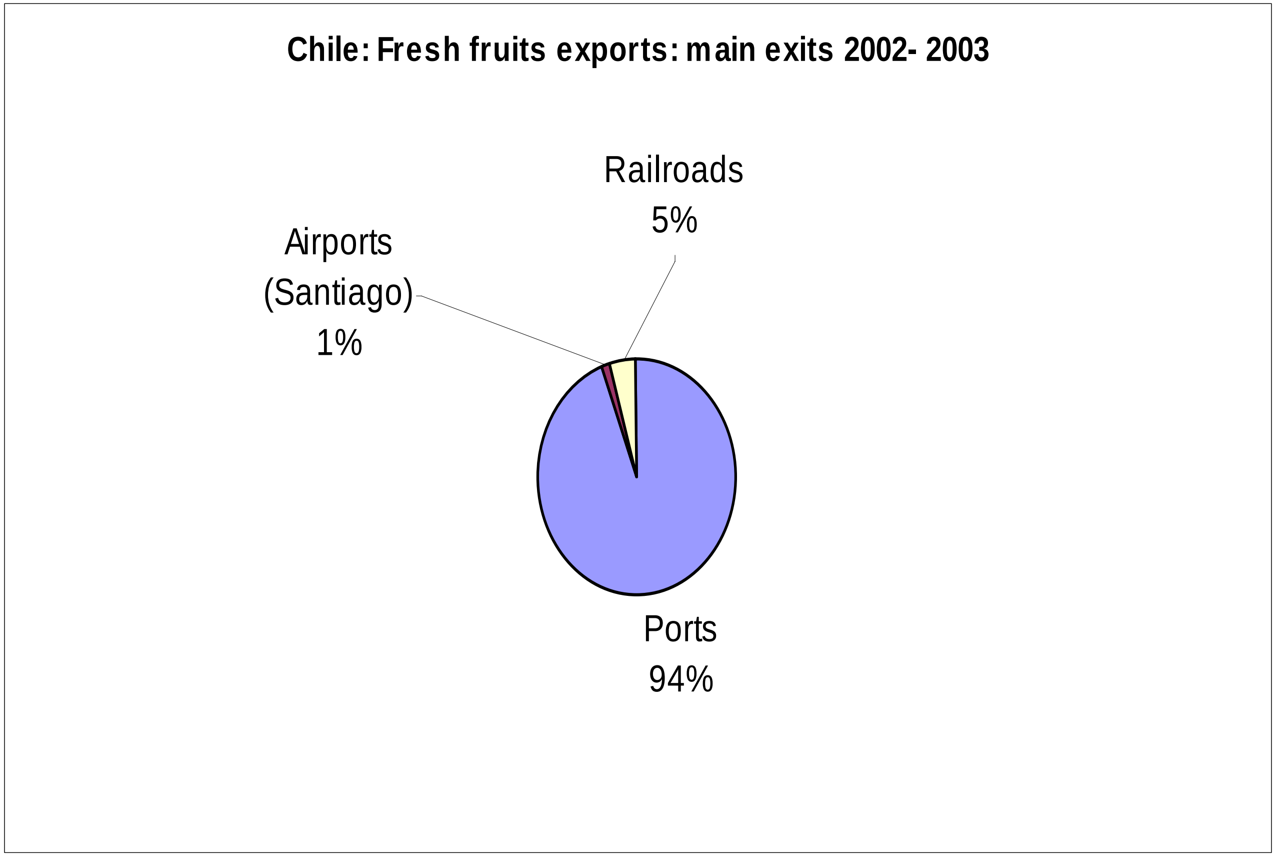
Ports and Docking

- Chile is a maritime nation, and marine transportation is the main means for Chilean exports.
- The ports of San Antonio and Valparaiso are in positions 3 and 4 in terms of transference of containers in Latin America (mobilized 9.3 and 4.7 million tons respectively in 2002).
- San Antonio is privately operated (a factor behind its very high productivity levels), and it has the most advanced technology on the Western Coast of S. America. It has separate terminals to handle transfer of int`l cargo, fractioned cargo, large bulk solids, liquids, with treatment of effluents, and a terminal for handling chemical products (sulfuric acid).


CHILE; CARGO DISTRIBUTION BY INTERNATIONAL ROADS
14%
14%
1%
2%
3%
66%
CONCORDIA
LOS LIBERTADORES
HACHADO
CARDENAL SAMORE
COYHAIQUE
PUERTO NATALES


% OF AIR CARGO BY AIRPORT
5%
1%
92%
ARICA
SANTIAGO
PUERTO MONTT


CHILE: Air Cargo (Thousands Tons)
400
350
300
250
200
150
100
50
0
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
National Cargo
International Cargo
Total Cargo
Source: Annual Report 2002 of the Aeronautical Civil Board, J.A.C.

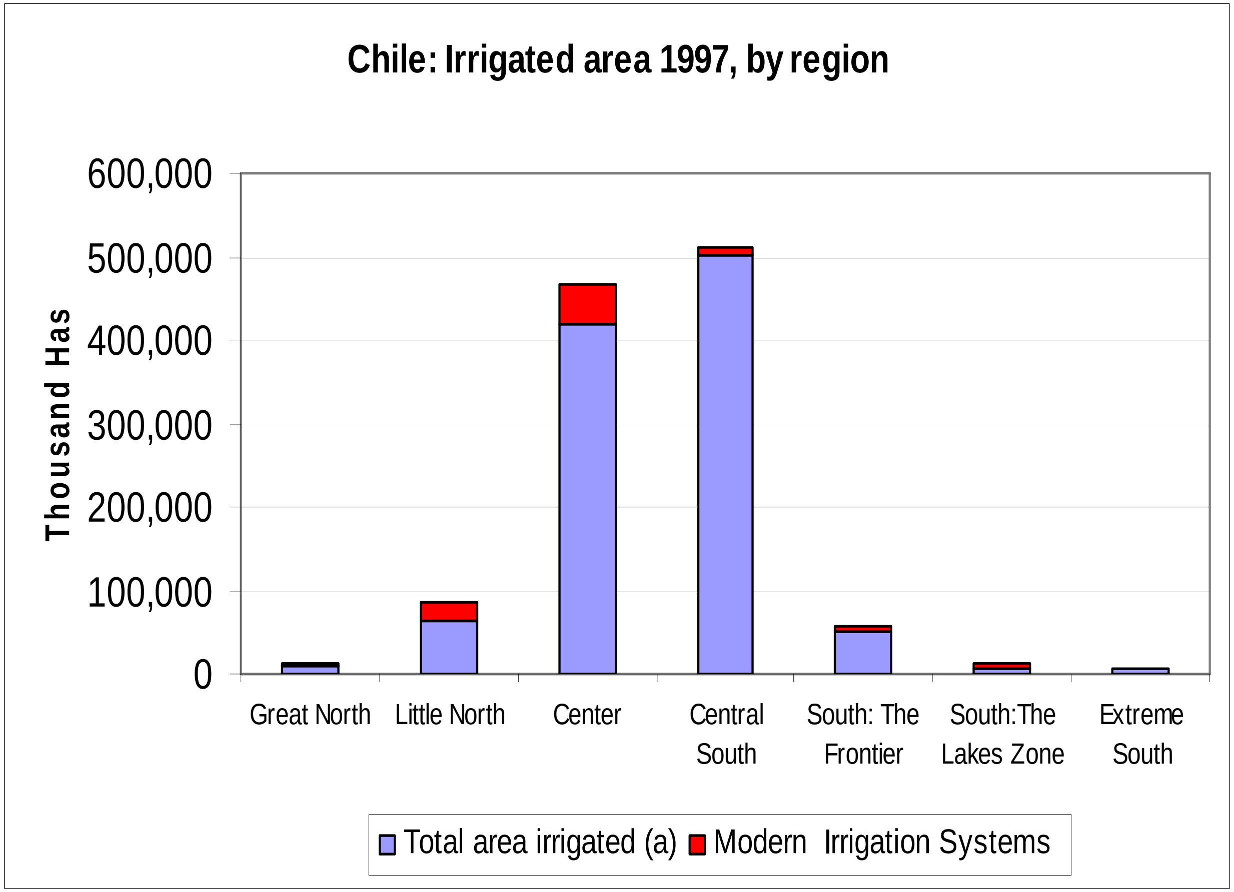


Chile: Fresh fruits exports: main exits 2002- 2003
Railroads
5%
Airports
(Santiago)
1%
Ports
94%

But the processing capacity for fruits and vegetables needs to be reallocated to remain competitive

- The new irrigation infrastructure requires processing facilities that are not there
- The new “products” require specialized crop production, not the same as for fresh produce
- Agriculural production need not, nor should it now be located as before close to consumption centers, where land and labor have become more expensive

- IT IS A CATCH-22 PROBLEM !!

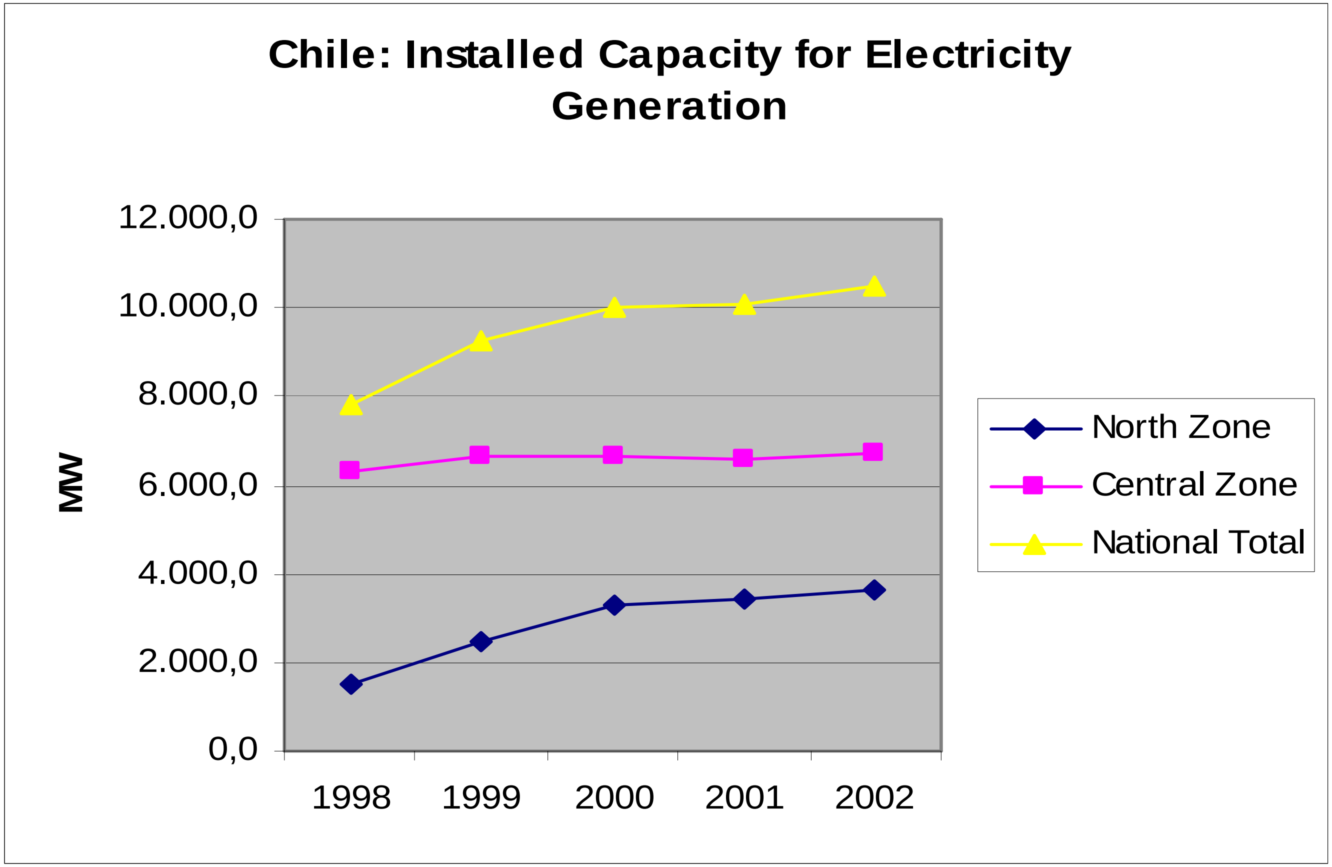

Chile: Irrigated area 1997, by region
Thousand Has
600,000
500,000
400,000
300,000
200,000
100,000
0
Great North
Little North
Center
Central South
South: The Frontier
South:The Lakes Zone
Extreme South
Total area irrigated (a)
Modern Irrigation Systems

SUMMARY on TRANSPORTATION

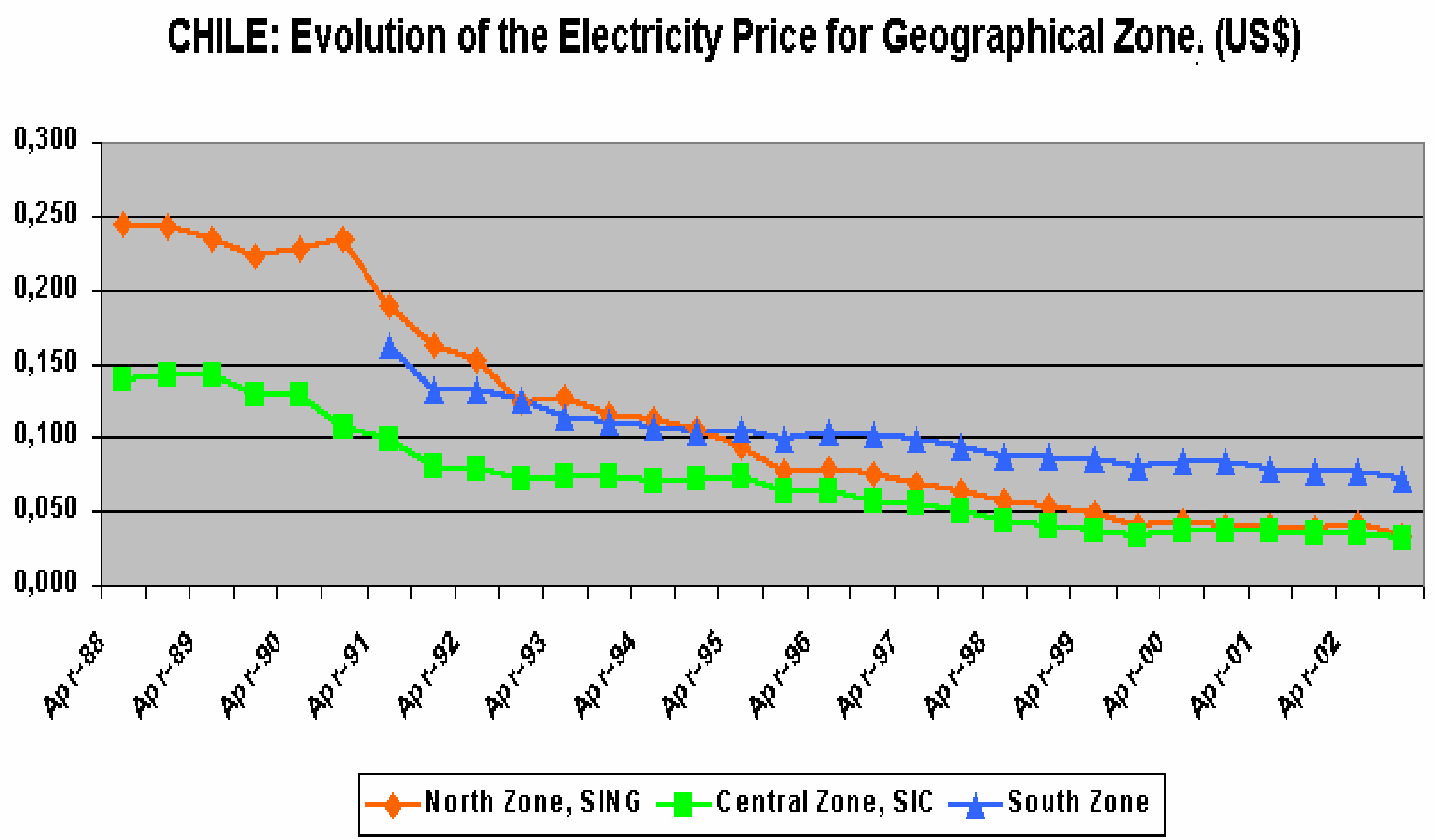
- There has been an important improvement in the main longitudinal highways and international bi-oceanic roads. Chile needs to expand investment in E-W roads for agricultural products, but these will not be attractive to private sector
- Still many older trucks in circulation, need for upgrade
- Some problems with places for cargo unloading from Mercosur (fruit fly entry)
- Limitations on international air cargo from regions (monopoly of Chilean airline)
- High dependence on shipping costs, which have recently doubled
- Biotechnology being applied to improve fruit quality at market destination (for example, wooliness, ripeness, color, etc. after many days of low-temperature transportation)
- Important progress in cold chain management and information systems

Electricity

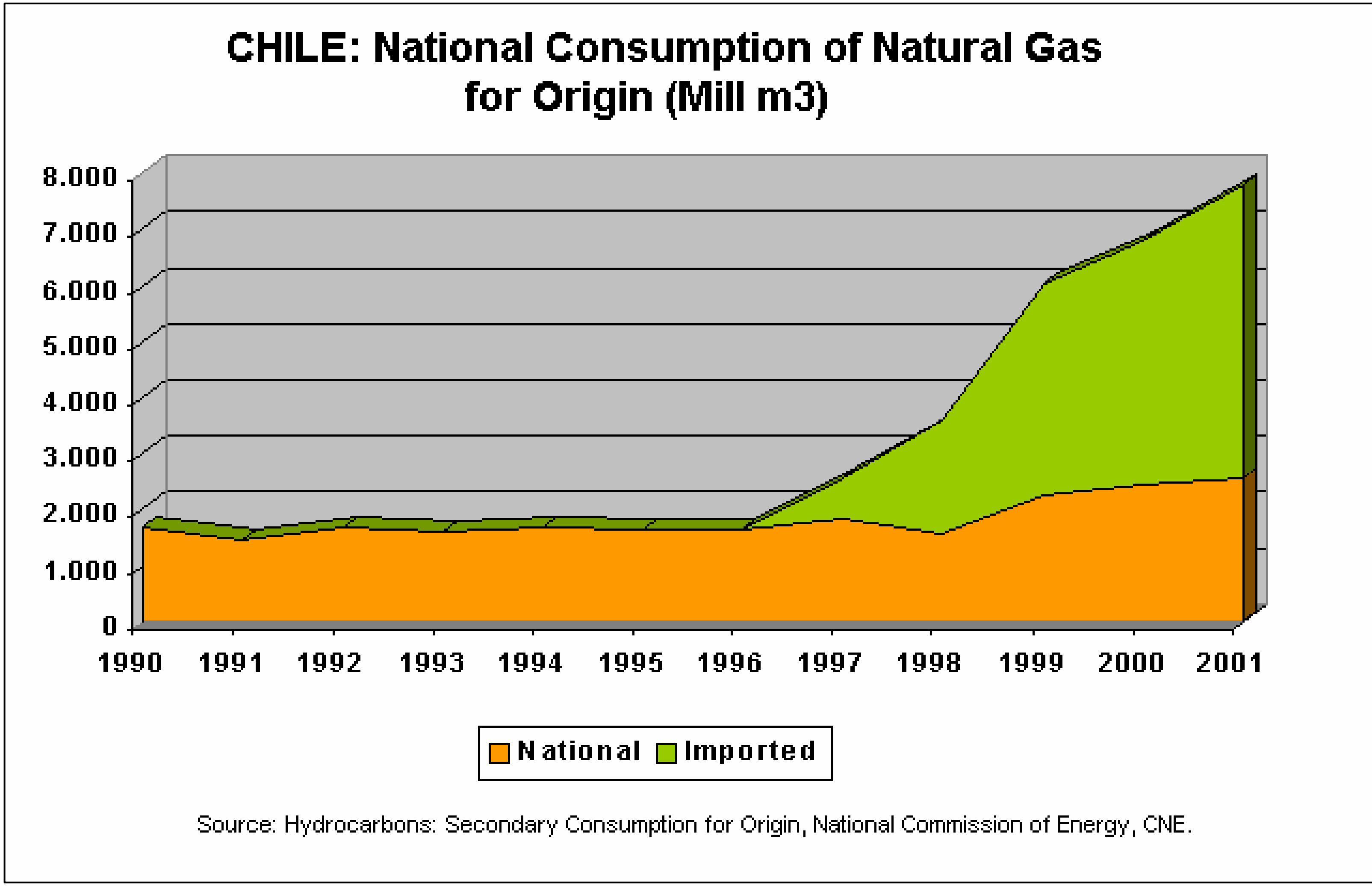
- Private sector in generation, transmission, and distribution (31 companies in general, 5 in transmission and 36 in distribution)
- Transmission lines in 2002 reached 16,635 km
- National consumption in 2002 reached about 42,633GWh
- 64% of gross power generation capacity is concentrated in the Central Region, but fastest growth in last years in North (mining)
- 61% is produced by thermoelectric plants and 39 % is produced by hydroelectric plants
- Declining prices, but higher in South (US$ 0.33 in North, $0.072 in South)

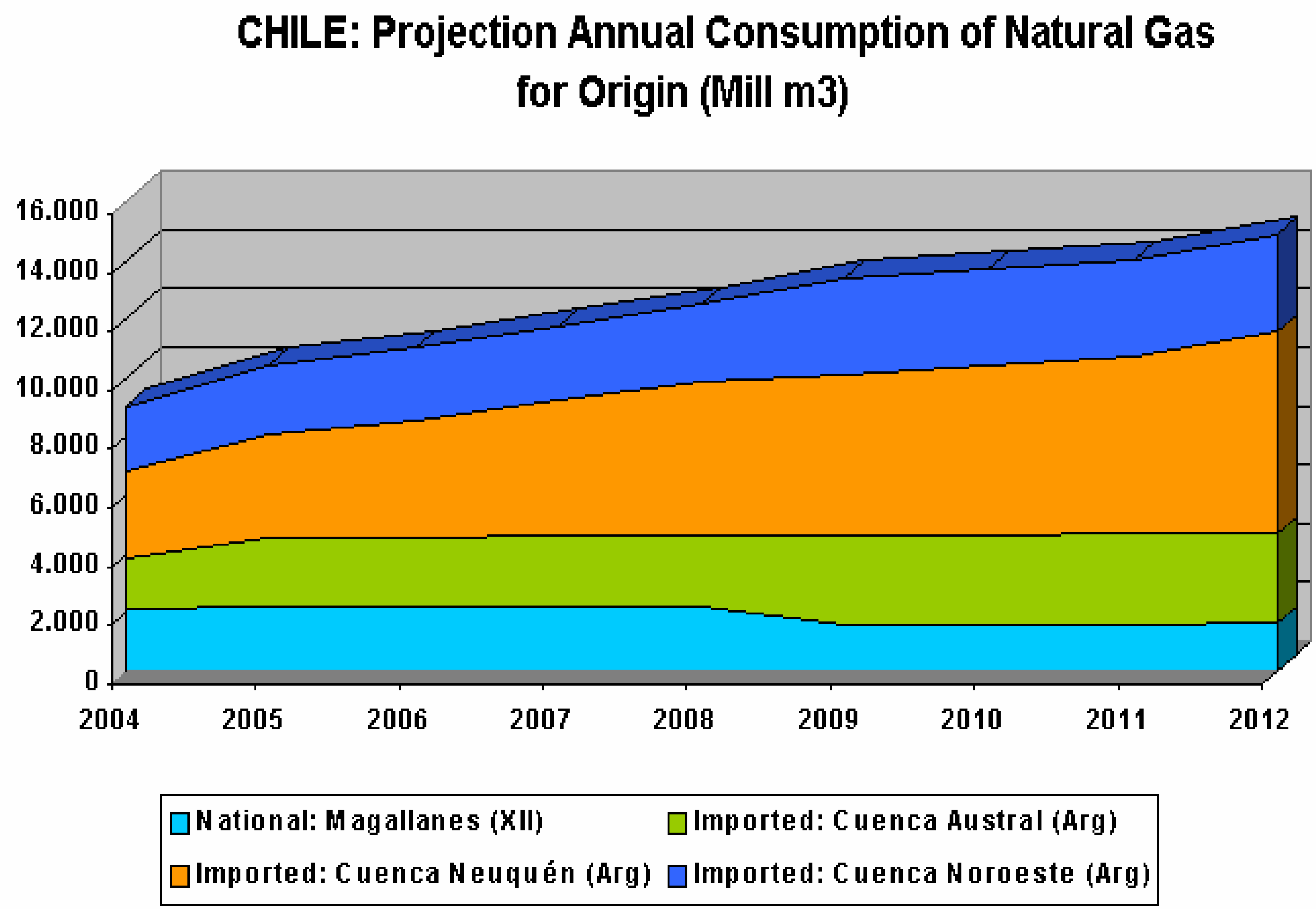


Chile: Installed Capacity for Electricity Generation
MW
12.000,0
10.000,0
8.000,0
6.000,0
4.000,0
2.000,0
0,0
1998
1999
2000
2001
2002
North Zone
Central Zone
National Total



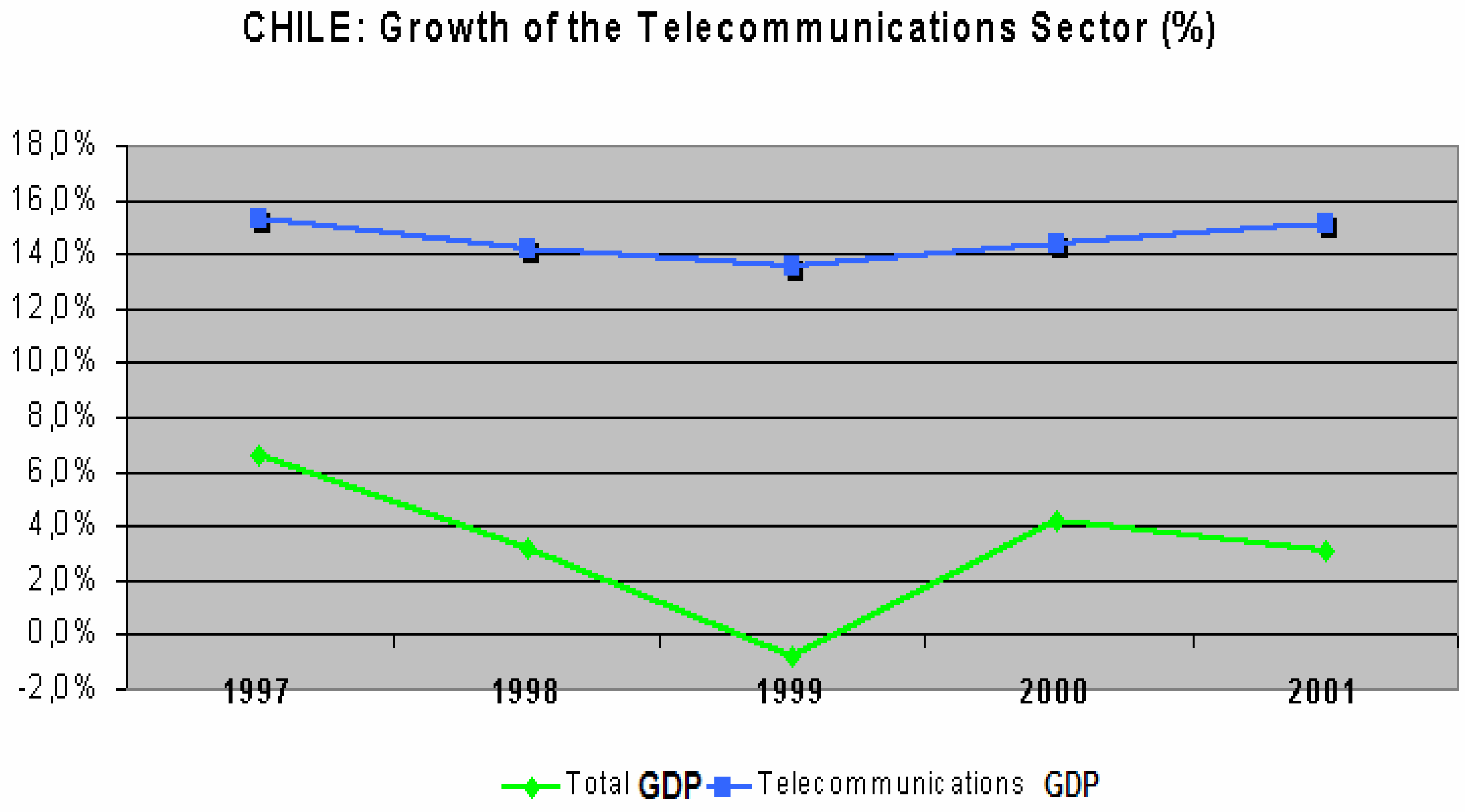
Source: Statistics of Electricity: Price of the Electricity for Electrical System. National Commission of Energy, CNE. Economic statistics: Quote of the observed Dollar. Central Bank of Chile.


CHILE: National Consumption of Natural Gas
for Origin (Mill m3)
8.000
7.000
6.000
5.000
4.000
3.000
2.000
1.000
0
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
National
Imported
Source: Hydrocarbons: Secondary Consumption for Origin, National Commission of Energy, CNE.



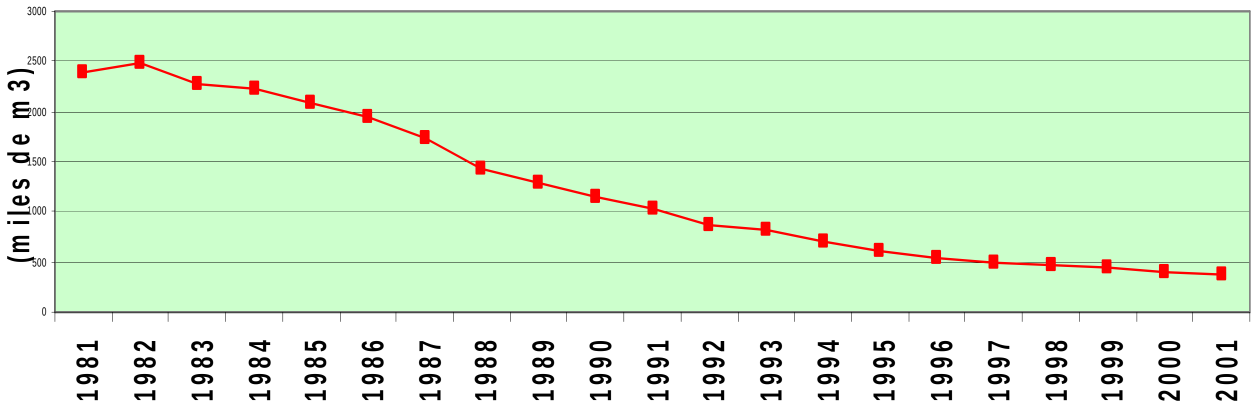
Source: Hydrocarbons: Projection of Consumption of Natural Gas, 2004-2012. National Commission of Energy, CNE.

Telecommunications



Source: Statistical Report 8. Statistics of the Sector of the Telecommunications in Chile: 2001 - March, 2003. September, 2003. Subsecretary of Telecommunications.

PRODUCCIÓN NACIONAL DE PETRÓLEO CRUDO DESDE 1981



Challenges and Opportunities in Infrastructure

- There is continued improvement in roads domestically and with neighbor countries but still low quality of roads into rural areas more distant from Pan American Highway
- Need to improve stock of trucks, and regulations between neighboring countries
- Problems with sources of natural gas, and acceleration of domestic projects for new hydroelectric power plants
- Need to increase air cargo internally and with international connections from outside Santiago
- Reallocation of food processing plants away from Central Region needed to remain competitive
- Use of railways (?)