

## Country Profile: Chile

### Market Overview

Euromonitor reports that Chile's economy is facing declining industrial activity, limited private spending, a global energy crisis and economic uncertainty. The country's outlook for 2023 ended in recession, with sluggish business confidence, prevalent elevated inflation and global economic headwinds. Tight labor markets are expected to persist, but a deteriorating economic outlook is set to worsen unemployment. Inflationary pressure is projected to contract in the medium term.

- Following real gross domestic product (GDP) growth of 2.4% in 2022, Chile's economy receded to a -0.3% in 2023 and is expected to recover slightly to 1.7% in 2024.
- Inflation in Chile is forecast to slow down to 7.4% in 2023 from 11.6% in 2022.
- While Chile's merchandise exports increased by 3.1% and imports rose by 13.4% during 2022, the country became a net importer of goods.
- Gross fixed capital formation (GFCF) continued to increase over 2022, accounting for 25.8% of GDP.
- The public debt-to-GDP ratio in Chile remained unchanged at 36.3% in 2022, standing below the regional average of 67.3%

Focus Economics reports that the GDP growth is forecast to roughly track the regional average in the coming years, with Chile's time as Latin America's posterchild seemingly well in the past. While strong demand for the country's mineral exports and investment in the renewable energy and green hydrogen sectors will provide support, political gridlock will continue to hold back progress. In addition to political fragmentation and uncertainty over the constitution, Chile suffers from high economic inequality, an overreliance on the mining sector, high crime rates, and conflict with the indigenous Mapuche community in the south of the country.

Chile has dozens of free trade agreements (FTAs) with countries such as China, Canada, Mexico, South Korea, Australia, the U.S., and the European Union (EU). Chile is a member of the 11-member Comprehensive and Progressive agreement for Trans-Pacific Partnership (CPTPP), which was formally created in March 2018. The new CPTPP excludes the U.S. In 2011, Chile, Colombia and Peru merged their three security exchanges into one. Known as MILA for its Spanish acronym, the new exchange is the second largest bourse after Brazil's.

The rate of population growth in Chile is slowing. In 2023, the population reached 18.5 million (CIA World Factbook Est.), up from 15.3 million in 2000. Meanwhile, the population is ageing. The median age has risen to 36.6 years in 2023, 7.9 years more than the figure for 2000. Birth rates in Chile are lower than the regional average. In 2030, 16.5% of the population will be over 65 years, up from 11.4% in 2018. Such a demographic change could soon reduce the country's rate of potential growth.

USDA's Office of Agricultural Affairs (OAA) in Santiago, hereinafter referred to as FAS Post Santiago, reports that the U.S. and Chile are strategic partners whose agricultural relationship has been guided by collaboration and trade capacity building allowing Chile to become a regional leader with a competitive trade market. Because of the U.S.-Chile FTA, Chile dropped all tariffs on agricultural products to "zero" as of January 2015. The U.S. is the second-largest supplier of agricultural and related products to Chile, with a 15.4% market share. The first supplier is Argentina with a 24% market share.

Chile is also the largest market in South America for U.S. processed food product exports, totaling US\$591.4 million, a decrease of 2% from the prior year. In 2023 U.S. exports of processed food have dropped another 13% to US\$517 million, which equates to over US\$74.4 million, which goes toward the U.S. trade deficit in food and agricultural products.

Top processed food exports to Chile in 2023 included:

- Food Preparations & Ingredients – up 9%.
- Processed/Prepared Dairy Products – down 12%.
- Alcoholic Beverages – down 53%.
- Condiments, Sauces, Jams & Jellies – down 3%.
- Dog And Cat Food – down 19%.
- Chocolate & Confectionery – down 5%.
- Prepared/Preserved Meats – down 19%.

## **Market Opportunities and Key Issues for U.S. Processed Food Exporters in Chile**

### **Market Opportunities:**

- Clear rules and transparent regulations.
- The U.S.-Chile Free Trade Agreement resulted in 0% duties for all U.S. agricultural products as of January 1, 2015.
- Chile is a high-income country and could be a gateway to South American markets.
- U.S. brands are regarded as high quality; and many U.S. brands are well-known and present in the market.
- Equal playing field for imported and local products.

### **Key Issues:**

- There are strict regulations for fresh products to avoid the spread of diseases.
- Chile is a competitive market, which has 33 free trade agreements that cover 65 markets.
- Relatively small-size market compared to neighboring countries.
- Strong competition from other suppliers such as Brazil, Argentina, and Paraguay
- Chileans are price-sensitive, especially during economic slowdowns.

### **Retail Food Sector Highlights:**

According to Euromonitor, retail sales in the packaged food market in Chile had been estimated to reach US\$18.2 billion in 2023. That makes Chile the third largest packaged

food market in the region after Brazil and Argentina. That represents a growth rate of 44.7% or US\$5.6 billion since 2019. The forecast for growth in this market is also promising. By the year 2028, the retail sales in the packaged food market in Chile is expected to reach US\$23.5 billion, a growth rate of 22.1%, or nearly US\$4.2 billion from 2024. High growth products in the forecast include:

- Ready Meals
- Sweet Spreads
- Edible Oils
- Sauces, Dips & Condiments
- Savory Snacks
- Processed Fruit and Vegetables
- Baby food
- Cheese

FAS Post Santiago reports that in 2022, the Chilean retail food industry witnessed a robust recovery, with total sales reaching approximately US\$29.5 billion, a 20.9% over 2021. Supermarkets and grocery stores remained the primary retail channels for food products, accounting for around 55.5% of the market share. Chile has one of Latin America's highest incomes per capita, at US\$28,887 on purchasing power parity (PPP) basis, which is considerable spending power.

The popularity of private-label brands continued to rise in 2022. Retailers leveraged their brand reputation and supply chain capabilities to introduce high-quality, competitively priced private-label products. This strategy enabled them to enhance profitability, differentiate their offerings, and build customer loyalty. Private-label brands were particularly successful in the packaged and non-perishable food categories.

The main retail chain is Walmart Chile, operating around 480 stores under Lider, Express de Lider, and SuperBodega ACuenta brands. Walmart Chile is the largest supermarket chain in Chile in terms of revenue with a market share of approximately 20% of total retail value in 2022. Walmart Chile continues to dominate the market with its Lider brand. Chile is the only country in South America where Walmart has a presence, with one million square meters of salesrooms. Walmart also has the strongest private brands program in the market, with over 50% market share in food products.

Cencosud is the second largest player in Chile operating around 258 hypermarkets and supermarkets under Jumbo and Santa Isabel brands. Cencosud had 17.3% of total retail value in 2022. Cencosud is a Chilean multinational business that also operates in Brazil, Peru, Colombia, Argentina, and the U.S. In 2022 Cencosud acquired 67% of the U.S. supermarket chain The Fresh Market, which has 160 stores and 314,438 square meters of showrooms.

Jumbo stands out for having the largest variety of imported products in their supermarket chain. The development of private labels as well as imported brands gives Jumbo a great differentiation in the supermarket industry. SMU is the third largest supermarket chain operating 285 stores under Unimarc brand. SMU had a market share of 11.1% of the

retail value in 2022. It is also the only supermarket chain in Chile with operations in all sixteen country regions. SMU also operates in Peru.

In 2022, convenience stores in Chile experienced steady growth and played a vital role in meeting the needs of urban consumers. Convenience stores became popular among consumers due to their convenient locations, extended operating hours, and quick shopping experience. The assortment of products is approximately 1,100 SKUs on average, and includes a wide variety of snacks, beverages, basic groceries, personal care items, ready-to-eat meals, bakery products, and tobacco. In response to evolving consumer preferences, many convenience stores expanded their offerings to include healthier snack options, fresh produce, and grab-and-go meals.

The convenience store sector in Chile remained competitive, with major players like Oxxo, the leading player in 2022, OK Market, and Pronto expanding their networks and optimizing their store layouts to enhance the overall shopping experience. Spid from Cencosud is a new player, which opened nine stores in Santiago and has online sales in different cities of Chile.

#### **Best Product Prospects:**

FAS Post Santiago reports that U.S. consumer food products with good potential in the Chilean retail food market include beer/craft beer, vegetable oils, distilled spirits, dog and cat food, essential oils, food preparations, chocolate and cocoa products, dairy products, beef and beef products, tree nuts, condiments and sauces, bakery goods, cereals, and pasta.

#### **Foodservice Sector Highlights:**

FAS Post Santiago reports that in 2022, Chile's foodservice industry is significantly different from that of 2019. The pandemic prompted many changes, with the advancement of online ordering and home delivery. For restaurants, online ordering developed from being almost insignificant in 2019 to representing 23% of value in 2022. Successful restaurants now need to be able to develop an attractive online presence. Similarly, the hotel industry had to adjust to evolving customer demands, prioritize health and safety measures, and provide more flexibility in cancellation policies. Finally, institutional foodservice underwent major transformations, with greater emphasis placed on sustainability, food quality, and transparency in the supply chain.

In 2022, Chile was a leading player in Latin America's restaurant industry, boasting more than 15,500 restaurants, generating approximately US\$4 billion in sales according to restaurant consultants. While uncertainty was a significant factor in 2022, the sector found creative ways to meet the changing needs of consumers in a post-pandemic environment. One of the standout aspects in the Chilean landscape is the fact that the country boasts the best average sales per restaurant in the region, with approximately US\$270,000 per store per year. This figure reflects the strength and appeal of the Chilean market for entrepreneurs and companies in the gastronomic sector.

Furthermore, Chile sets itself apart from other Latin American countries in the sense that it is not an oversaturated market. While nations like Mexico and Peru have over 70 restaurants per 10,000 inhabitants, Chile has only eight per 10,000 inhabitants, indicating ample room for the growth and expansion of new restaurants. In 2022, Chile's travel and tourism sector contributed US\$28.4 billion to the GDP, representing 9.2% of the economy, a growth of 35.4% from the previous year and just 1.7% below 2019 figures.

The most common distribution channels for the HRI sector are local importers and distributors. These distributors may also distribute products to supermarkets, wholesalers, and institutional foodservice companies. In general, hotel operators and restaurants do not import directly, though there are a few exceptions. Hotels usually purchase from distributors to gain access to a larger variety of products without managing complex import procedures. Hotel operators may also prefer as few distributors as possible to reduce complexity.

Chain restaurants deal with higher volumes, which increases their purchasing and negotiation power with distributors. In contrast, independent restaurants are more dependent on the range and quality of products already managed by distributors. Both rely on food products from local wholesalers and imported products from importers/distributors.

#### **Best Product Prospects:**

FAS Post Santiago reports that Chile offers excellent opportunities for U.S. food exports in the HRI sector. The best prospects for U.S. food products reside in supplying high-end hotels and restaurants (casual dining and family-style restaurants) along with coffee shops and fast-food restaurant chains.

Preferred products include diet and light soft drinks, ready to drink tea, ready to drink coffee and fruit juices; craft beer and distilled spirits; beef – portion-controlled cuts, poultry and poultry products and pork (chilled/fresh); dairy products; sauces, mixed condiments, and seasonings, especially those in retail big format; healthier snacks (with dried fruits and seeds like chia and others); convenient food such as pre-prepared, pre-portioned, value-added products (healthier and more premium than fast food); elaborated and pre-processed baked goods and confectionary.

#### **Food Processing Sector Highlights:**

FAS Post Santiago reports that Chile is an open economy with a developed and competitive food industry. The food processing industry is the second most important export sector after mining. The food and beverage processing industry represents 15.2% of Chile's exports, at US\$15 billion in 2022. The sector contributed 3.9% to national GDP in 2022 and employs over two million workers. Chile is known for exporting a wide variety of products including salmon, fresh fruit, wine, and forestry products. In 2022, Chile exported 27.3% of its agricultural and related products to the United States, totaling US\$7.4 billion, and making it the top export market for this category of products. While Chile is an agricultural producer and exporter of many high-value agricultural products

and grains, there are certain products where the domestic supply is not enough to cover domestic consumption needs, such as wheat, corn, pulses, beef, and dairy.

Chile exports 92% of the food it produces to markets with trade agreements such as China, the United States, European Union, Japan, and the Southern Common Market (MERCOSUR) countries. Chilean food processors sell their products nationally or internationally. The Foreign Investment Agency of Chile (InvestChile) reports that 54% of Chile's total food production is destined for the domestic market, and 46% is exported to more than 180 countries worldwide. Chilean food processing companies report rising production and marketing costs for food products. As of the second half of 2022, Chilean exporters note a 1.6% slowdown in sales.

The Chilean food and beverage processing industry consist of more than 98,890 food processing companies. Some large international companies use their production plants in Chile to serve other markets in Latin America. Chilean food processing companies sell 60% of all processed food products to supermarkets and hypermarkets. A smaller share, 38%, of packaged food is sold through traditional grocery retailers such as independent small grocers or food/drink specialists. Agrosuper, Nestlé, Carozzi, and Coca-Cola are among the one hundred largest food and beverage processing companies in Chile, according to AmericaEconomía ranking.

According to Chilean Food Processing Companies Association (Chilealimentos A.G.), the Chilean food industry mainly produces processed fruit and vegetables; chocolates and confectionary products; wine, beer, and drinks; beef, pork, and poultry products; potato chips and similar snacks; dairy products; frozen meals; pasta and noodles; oils; sugar and sweeteners; pet food; breakfast cereals; and seafood.

Chilean processed foods have solid and well-positioned brands (Carozzi, Watt's, Tresmontes Lucchetti, etc.) with a high level of consumer loyalty. Chilean consumers have increasing concerns about health-related issues, opening the market to products and ingredients marketed as healthy. In addition to healthy products, many Chilean consumers can afford to buy high-end U.S. products like beef, pork, dairy products, and distilled spirits. There is intense competition among food importers seeking to maintain or expand their market share. U.S. food ingredients exporters need to consider the longer freight time and higher transport costs to Chile than regional competitors. Nearby competitors like Argentina, Brazil, and Peru operate with relatively low shipping costs.

There are significant opportunities for imported food ingredients in Chile, as the food processing industry imports half all ingredients. The United States is the second largest supplier of ingredients to Chile. Argentina is the top supplier, sending mostly vegetable oils, wheat, and dairy products. From the United States, Chile imports a wide variety of ingredients including wheat, dairy, food preparations, condiments and sauces, almonds, and bakery ingredients. Canada supplies wheat, vegetable oils, and food preparations to Chile. Brazil supplies mostly dextrin, peptones, sugar, sweeteners, and cocoa products. Colombia supplies sugars, sweeteners, and coffee.

**Best Product Prospects:**

FAS Post Santiago reports that the best prospects for U.S. exporters in the Chilean food processing sector include wheat, bakery ingredients, essential oils (beverage industry), vegetable oils, condiments, and sauces, (mayonnaise, ketchup, barbecue sauce, and salad dressing). Products not present in significant quantities, but which have good sales potential include Flours and starches, Plant extracts, Animal and vegetable fats or oils, Corn and Whey, Peptones and other protein derivatives.