THE PORK MARKET IN CHILE

July 2022

Chile: An overview

Chile is one of the most politically and economically stable countries in Latin America. With a strong democracy and respect for the law and institutions, doing business in Chile, despite its peculiarities and unique idiosyncrasy, should not be complex for UK exporters.

Chile is situated in South America, facing the Pacific Ocean (which in part explains its strong trade links with Asia) and bordering Argentina, Bolivia and Peru. If stretched across Europe, Chile would cover an area from the North of Sweden to the South of Portugal, which indicates the unique length of the South American nation.

Santiago de Chile is the country's capital, where nearly 7.5 million out of 19 million Chileans live. Chile is divided into 16 regions. Its main cities outside Santiago are Valparaíso and Concepción. Chile's population is highly urban, with 88.4% of Chileans living in cities.

Chile's GDP is USD nearly 253 billion (World Bank, 2020) (compared to 2,764 billion for the UK). Chile has the second highest GDP per capita in South America (USD 13,232[1]). However, even if income per person is high when compared to the rest of the region, it must be remembered that it is still much lower than in developed countries such as the UK[2]. Income distribution is also highly polarised in Chile: "Chile remains the most unequal country in the largely developed Organisation for Economic Co-operation and Development (OECD), with an income gap 65% wider than the OECD average. Half of Chilean workers earn $550 a month or less, according to the National Statistics Institute. A 2018 government study showed that the income of the richest was 13.6 times greater than those of the poorest." (Reuters)

Chile's economy grew around 12% in 2021, as the pandemic wound down, with inflation reaching around 4.5%. According to analysts, economic growth is likely to return to a more realistic 3% by 2023.

Chile is highly reliant on copper exports and the economy is very susceptible to swings in copper prices. Chile is also a well-known exporter of fish and wine, for example, and has a strong tourism industry.

Capital: Santiago de Chile (7.5 million population)

Population: 19,828,563 (INE* forecast, June 2022)

Area: 756,102 sq km (29,193 sq miles)

Political structure: presidential republic

Administration: Chile is administratively divided into 16 regions, including the capital and seat of government Santiago.

GDP per capita 2020: 13,232 (current USD) (World Bank)

Literacy rate: 96.40% (World Bank, 2017)

(*) INE = Instituto Nacional de Estadísticas (National Statistical Institute)

(1) World Bank, 2020

(2) GDP per capita for the UK in 2020 was USD 41,125 (World Bank)

Since its return to democracy in 1990, Chile has been a stable country politically, and both right- and left-wing governments have pursued business-friendly policies and have opened Chile to the world. The country now has over 30 free trade agreements, covering over 70 markets, which makes it a very competitive and price-sensitive market, but also a country with plenty of international trade experience.

In October 2019, social riots across Chile interrupted its highly coveted stability. The riots faded following the declaration of a state of emergency on 25th March 2020, as a result of the Covid-19 pandemic, but the unrest led to constitutional reform. In December 2021, Chileans elected a left-wing president, Gabriel Boric, beating a right-wing candidate, which shows the level of political polarisation in the country. It is still unclear how business-friendly this new government will be, but analysts expect higher taxes on profits, wealth and capital, for example.

Markets plummeted after the election result was announced. But the new cabinet, confirmed in January 2022, has a fairly centric stance and has brought some relief to investors and the business community signalling a more pragmatic approach to reforms, which are now expected to be more gradual than the heated campaign suggested.

Chile had a hard time coping with the Covid-19 pandemic and registered 39,000 deaths until early 2022. March to June 2021 were the most difficult months. Chileans were subjected to a series of strict lockdowns in 2020 and 2021. However, Chile also exhibits one of the highest vaccination rates in the world.

The UK and Chile have signed an association agreement, which is effective as of January 2022. More information on origin and tariffs can be found **online**.

Pig meat in chile: supply

According to Chile's ODEPA (Oficina de Estudios y Políticas Agrarias – Agricultural Policy and Studies Office), Chile represents only 1% of global pig meat production but it's the world's 5th largest pig meat exporter (if the EU is taken as one exporter). As the data presented below shows, production is high and growing, and so are exports, but with local consumption also growing, there is still room for imports, which at the moment arrive mainly from the US and Brazil, increasing year-on-year.

Market size

Market size is calculated as production plus imports minus exports. Therefore, based on official statistics, the market size for pig meat in Chile is estimated at 480,000 metric tons in 2021. The size of the pig meat market in Chile appears to be increasing year-on-year (except for 2020, possibly as a result of the pandemic), with imports increasing every year since 2015.

However, as will be discussed below, the market size for premium pig meat is likely to be a small fraction of the whole pig meat market, given the relatively low per capita income and consumer expenditure (when compared to developed economies), and the very high income inequality in Chile. It is difficult to estimate the exact size, but given income/expenditure statistics, import/production data (premium cuts) and store checks, it would appear that the premium pig meat market could represent 5–10% of the total market. It must be remembered that, from a customer perspective, premium pig meat is more likely to compete with premium beef than with cheap pig meat. Therefore, the size of the market could increase if premium pig meat could also win over beef consumers (this substitution effect is considered less likely for other meats like poultry or fish).

Dividing total domestic consumption by population gives an approximate per capita annual consumption of 25kg for 2021.

Production analysis: national competitors

According to ODEPA, pig meat production in Chile is strong and concentrated between the regions of Valparaíso and Los Lagos, with 63% of pig farms situated in the Metropolitan Region and the O'Higgins region. ODEPA estimates that pig farms went from 74 in 2015 to 41 in 2020. This increasing concentration facilitates economies of scale and investment in technology, with the consequent increase in productivity. In the last 10 years, 5.3 million pigs were slaughtered on average per year, representing 530,857 tons of pig meat. Production has increased more than slaughter, signalling an increased investment in genetics and process improvement.

Table A[5]. Chile: pig meat production, imports and exports 2015–2022 (forecast), 1000 MT CWE[6], based on USDA data

	2015	2016	2017	2018	2019	2020	2021	2022 (est.)
Production	524	508	489	534	530	574	585	590
Imports	45	72	93	96	134	135	175	180
Exports	168	163	162	190	223	295	280	270
Market size (domestic consumption)[7]	401	417	420	440	441	414	480	500

[7] Dividing total domestic consumption by population gives an approximate per capita annual consumption of 25kg for 2021

Table B. Chile: pig meat production by year (in kilos, CWE), based on ODEPA/INE data

2015	2016	2017	2018	2019	2020	2021
524,172,543	507,749,471	489,045,609	533,824,167	529,957,270	574,369,140	538,801,993

[5] For production, import and exports to be comparable, we present statistics for "pig meat" in general.
We delve into more detail for the commodity codes you are most interested in later when discussing import prices.

[6] MT = metric tons (= 1,000 kg), CWE = carcase-weight equivalent

[7] Domestic consumption = (production + imports) - exports

Import analysis: international competitors

According to official stats, in 2021 pig meat imports reached 142K metric tons, around 38% higher than in 2020 and 56% higher than in 2017. In terms of the value of imports, in 2021 Chile imported nearly USD 392 million of pig meat, 46% higher than in 2020 and more than double what was imported in 2017. This shows, firstly, that the market is growing for imported products, and secondly, that growth is higher when measured in value than when measured in volume. Conclusions based on this observation should be reached with caution, but this could be a signal that either prices have gone up considerably and still imports have increased nonetheless, showing some elasticity, and/or a signal that Chilean consumers could be shifting towards more expensive cuts.

Frozen meat represents the vast majority of imports; there is very little importation of chilled pig meat into Chile.

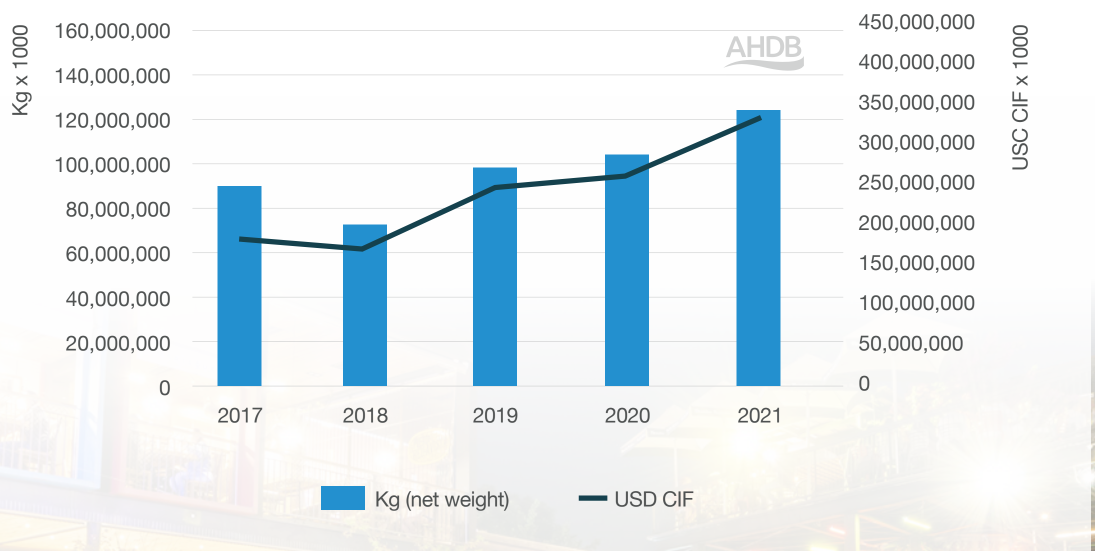
Table C. Chile: total pig meat imports by year, by weight and value, own extrapolation based on Aduanas de Chile (Chilean Customs Office) data

Year	Kg (net weight)	USD CIF
2017	90,974,367	182,723,580
2018	73,919,062	176,888,563
2019	99,229,577	248,202,769
2020	103,013,080	269,183,787
2021	142,260,253	391,720,003

A detailed analysis of tariff codes most relevant to AHDB is presented below. A full list of commodity codes used in Chile is available to download **here**.

0203.2100	Pig meat: frozen carcases and half carcases
0203.2220	Pig meat: frozen shoulder ("paleta")
0203.2210	Pig meat: frozen legs ("piernas")
0203.2230	Pig meat: frozen leg and shoulder pieces ("trozos de piernas y paletas")
0206.4100	Frozen pork liver ("hígado")
0203.2990	Other frozen pig meat
0203.2939	Other frozen boneless pig meat
0203.1900	Other fresh or chilled pig meat
0203.2932	Frozen pork tenderloin ("filete")
0203.2931	Frozen pork loin ("lomo")
0203.2933	Frozen boneless pig meat ("pulpa")
0206.4910	Frozen edible pork feet and tails ("manos y patas")
0203.2910	Frozen bacon with ham ("tocino con capa de carne adherida")
0203.2920	Frozen bacon/belly ("tocino entreverado de panza – panceta")

Figure 2. Chile: total pig meat imports by year, by weight and value, based on Aduanas de Chile (Chilean Customs Office) data



"Other frozen pig meat", "other frozen boneless pig meat" and "frozen boneless pig meat ("pulpa") represent 83 % of total imports by tariff code in 2021 by volume, and they represent also the three top tariff codes by value.

Table D. Chile: pig meat imports by tariff code, by value and weight, 2021, based on Aduanas de Chile (Chilean Customs Office) data

Tariff code	USD CIF	Kg (net weight)	USD/Kg
02032990	189,275,279	64,658,186	2.9
02032939	76,283,195	28,743,270	2.7
02032933	67,292,640	24,596,774	2.7
02032931	22,067,084	7,584,532	2.9
02032220	13,108,167	5,331,923	2.5
02032920	8,800,550	2,802,048	3.1
02032230	3,375,763	2,485,667	1.4
02032210	4,157,670	2,249,956	1.8
02031900	2,602,080	946,331	2.7
02064910	959,233	838,923	1.1
02032100	857,123	335,636	2.6
02032932	891,995	297,494	3.0
02032910	370,095	156,109	2.4
02064100	45,799	50,232	0.9

Pig meat imports by country and by tariff code for 2021 reveal that Brazil was particularly strong that year in shoulder ("paleta"), Germany in bacon ("tocino entreverado de panza – panceta"), Canada in legs, and Spain in "pulpa" (boneless pig meat) exports to Chile.

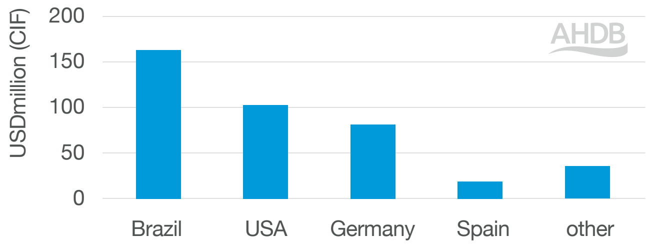


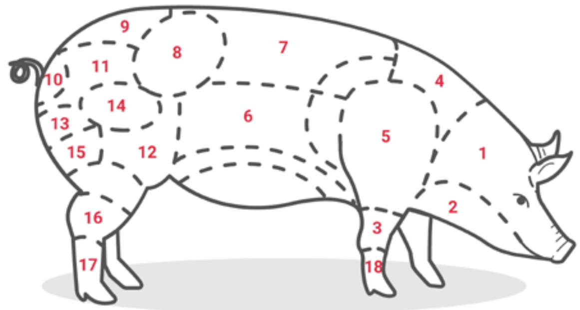
Table E. Chile: pig meat imports by tariff code, by net weight (in kilos) and country of origin, own elaboration based on Aduanas de Chile (Chilean Customs Office) data

	Germany	Brazil	Canada	Spain	USA
02031900		896,223			50,108
02032100					335,636
02032210	157,815	186,014	1,147,730	143,176	189,443
02032220	98,553	4,106,483	26,301	121,949	860,239
02032230	1,995,335	291,631	47,957		15,921
02032910	95,604			47,286	1,089
02032920	2,307,892		24,404	170,330	2,001
02032931	819,512	2,320,747	71,961	14,305	4,271,142
02032932		272,859			19,831
02032933	2,093,580	10,365,349	239,327	3,858,138	4,478,035
02032939	10,809,433	9,842,089	637,359	1,082,034	3,465,159
02032990	12,132,016	30,407,372	2,019,712	322,416	17,160,922
02064100	26,200				24,032
02064910	270,880	268,797	48,490	50,280	
02064990	767,504				

Pig meat in Chile: demand-side

Pig meat is gaining ground in Chile as an interesting alternative to beef and other meats. The Chilean consumer is now more used to buying pork and is learning about its health benefits as well as getting more acquainted with cooking pork at home. Some of the main challenges remain addressing the perception that pork is unhealthy (high in fat). Except for some specific exceptions, like American pork ribs, Chilean consumers are not used to premium/expensive pork, which remains a challenge for British exporters, but also an interesting opportunity. Chilean consumers are used to premium/expensive Spanish pork, which they value very much, but is mainly processed/cured. Sustainability is not yet an established concern for Chilean consumers when it comes to decision-making, though it is gaining importance, particularly among younger consumers. The issue of antibiotics and hormones does not appear in product claims.

Chilean pork cuts are illustrated in the following diagram (**ChilePork**):



1. Cabeza
2. Papada
3. Pernil Mano
4. Chuleta Vetada
5. Pulpa Paleta
6. Costilla
7. Chuleta Centro
8. Filete
9. Cazuela
10. Cola
11. Asiento
12. Ganso
13. Posta Rosada
14. Pulpa Pierna
15. Posta Negra
16. Pernil Pierna
17. Pata
18. Mano

General consumption trends

As discussed earlier, Chile has a population of nearly 20 million, with a low and decreasing growth rate. Despite immigration, Chile's population is ageing and exhibiting patterns common to developed economies such as the growth of single-person and single-parent households, and the higher participation of women in the workforce. The middle class is growing in Chile, with a consequent higher demand for premium, gourmet, and niche products. This is made possible due to a refinement of local production and the country's openness, which makes a wide range of foreign produce readily available at sensible prices.

According to the World Bank, consumer expenditure per capita totalled USD 7,815 in 2020. Although this figure is higher than in neighbouring countries (Argentina USD 5,450, Peru USD 3,979 and Bolivia USD 2,172) it is considerably less than in the UK (USD 25,050). It is crucial to understand this when developing price strategies for Chile. Consumer expenditure per capita was higher in 2019 (USD 9,318) but was negatively affected by the Covid-19 pandemic.

However, the numbers above hide the huge income inequalities in Chile. According to INE, the average monthly income of a Chilean household was CHP (Chilean pesos) 1,135,938 pesos in 2020 (approx. £ 1050). 5.4% of households earn over CHP 3 million (approx. £2,780) and 0.6% earn over 7 million (approx. £6,480). This emphasises the need for focusing on the high-income segment and being realistic about market size.

The most affluent neighbourhoods in the metropolitan region (Región Metropolitana) are Providencia, Las Condes, La Reina, Ñuñoa, Vitacura and Lo Barnechea. As will be discussed later, it is important to understand consumers in these neighbourhoods and target them efficiently.

Consumer behaviour

All analysts researched agree that consumer behaviour in Chile is driven mainly by price. A recent study by Deloitte shows that 20% of household income is spent on red and white meat and that price is "important" or "very important" for 94% of Chileans when buying food. Other considerations that influence consumer behaviour are nutrition (obesity is a key concern in Chile), freshness, quality, and ease of cooking. Having the product stocked closed to home is a must for Chilean consumers, which again emphasises the importance of targeting supermarkets and stores in the wealthy neighbourhoods mentioned above. Social media platforms evidence all these trends, particularly the preference for cuts that are ready-to-cook, something discussed later under "Promotion". "Brand" is important to 57% of those with most purchasing power (ABC1) according to the Deloitte study.

Chileans tend to buy their meat products in supermarkets and hypermarkets, usually close to home. During the pandemic, consumer habits changed, but it's not clear yet if consumers will revert to previous patterns or whether some of the changes observed are here to stay. Those changes include a higher dependency on e-commerce, a higher sensitivity towards price, and an inclination to "shop around" rather than favour the closest supermarket.

With respect to the HO.RE.CA. (hotels, restaurants, catering) and institutional markets in Chile, including those supplying the mining industry for example, they are likely to be challenging for UK exporters due to price/volume considerations. It doesn't help that there are only very few "British" restaurants in Chile, and most of them only serve fish and chips. This is very different from the reality of US, Brazilian or Spanish exporters, which can target the restaurants that sell their national dishes. The expat community is also small, and unlikely to be an attractive target in terms of volume.

Price considerations

Chilean consumers, as discussed above, are highly sensitive to price and UK exporters will have to compete on price, particularly against other imported cuts in the same segment.

Chilean retailers and importers are tough and experienced negotiators when it comes to price. They will also negotiate other terms such as payment (usually 60-90 days terms) and retailers might push for exclusivity, too. Some of these retailers have operations across South America and could request some regional exclusivity.

Regarding recent price changes, ODEPA analysed prices for three different pig meat cuts, in the metropolitan region. The study concluded that in 2020 prices increased between 7.5% and 23.2% compared to 2019. Although supermarket prices are higher than local butchers, there was a reduction in the price differential, with butchers even becoming more expensive than supermarkets. This price increase is explained by fewer available imports yet dynamic exports, which made supply shrink.

Distribution

The evidence presented below shows that pig meat is purchased mainly by distributors, processors, and also, to some extent, by the main supermarkets directly.

Frozen pig meat (chilled pig meat imports are negligible as discussed previously) was mainly imported into Chile in 2019 (pre-pandemic year) by CIAL Alimentos SA (18%), Global Protein SA (15%), Comercial Cerrillos SA (14%), Agrosuper (8%) and Walmart (6%).

Some of the largest importers appear to be importing in order to both distribute to third parties (such as Global Protein, who import Smithfield from the US, for example), and to process and sell under their own brand (for example, CIAL). Comercial Cerrillos appears to sell B2B, non-branded, commodity-type products, mainly to industry, while Agrosuper (the company behind pig meat brand Super Cerdo, probably the best-known national brand) appears to import mainly to process.

Retail

Chilean retail is developed, rich and complex. British pig meat is very likely to be sold either by large supermarket chains or, less likely, by small specialist stores (via importers/distributors). Therefore, the supermarket scene is discussed below in detail.

The main supermarket groups in Chile are Walmart with 371 stores, Cencosud with 247 stores, SMU with 513 stores, and Falabella with 69 stores. The supermarkets most relevant to British pig meat are likely to be Líder (Walmart), Jumbo (Cencosud), Unimarc (SMU) and Tottus (Falabella).

According to a recent study by Deloitte, 85% of consumer have purchased at least one of their regular fresh produce shops at these supermarkets. 67% of consumers attribute that to product availability. 51% of consumers buy their red and white meat at large supermarket chains, 25% at other supermarket chains, and 19% at specialist stores. Importers listed above should be able to reach all these retailers.

Store checks, both online and physical stores in Santiago, conducted in January 2022 show.

- The dominance of national fresh pig meat
- That **super cerdo** (chile) is the market leader
- **Campo noble** also appears from time to time as a more premium chilean pig meat brand
- The presence of some imported frozen cuts, mainly from brazil and the us
- A mixture of branded and non-branded options for imported pig meat, labelling regulations are not always followed

Table K. Imports 2019: tariff code 0203.2 frozen pig meat, source: Penta Transaction

Importer	U$S CIF	% Incidence	Gross weight
CIAL ALIMENTOS S.A.	45,345,739	18.34	18,147,261
GLOBAL PROTEIN S.A.	37,289,623	15.08	16,503,317
COMERCIAL CERRILLOS S.A.	35,039,972	14.17	14,328,347
AGROSUPER COM. DE ALIMENTOS LT	19,167,441	7.75	8,000,156
WALMART CHILE SA	15,452,204	6.25	4,730,257
COMERCIAL DISER S.A.	9,997,185	4.04	4,243,762
COMERCIALIZADORA INTERANDINA S	7,737,978	3.13	3,162,975
SUSARON COMERCIAL LIMITADA	7,538,337	3.05	3,770,092
COMERC.DE ALIMENT. CISNES LTDA	4,202,266	1.70	1,794,368
FRIGORIFICO DE OSORNO S.A.	4,127,103	1.67	1,837,123
MARFRIG CHILE S.A.	4,116,253	1.66	1,847,070
CARNES NUBLE S.A.	2,696,554	1.09	1,026,469
CENCOSUD RETAIL S.A.	2,541,405	1.03	610,945
SADIA CHILE S.A.	2,323,574	0.94	1,076,073
JBS CHILE LIMITADA	2,228,485	0,90	905,771
FRIOFOOD SOCIEDAD ANONIMA	1,956,296	0,79	771,719
FRIGORIFICO TEMUCO S.A.	1,860,487	0,75	799,623
ARIZTIA COMERCIAL LIMITADA	1,607,446	0,65	690,654
ALIMENTOS DEL SUR SPA	1,455,087	0,59	709,788
COMERCIAL CYR LTDA.	1,161,310	0,47	529,175
GANADERA ABAROA S.A.	1,135,296	0,46	440,088
COMERCIALIZADORA EL MIRADOR SA	1,058,962	0,43	413,076
DISTRIBUIDORA KARMAC LTDA	906,191	0,37	373,115
CECINAS SAN PABLO LTDA	725,303	0,29	279,292
ALIMENTACIONES INTERNACIONALES	542,529	0,22	228,063
MODINGER HNOS. S.A.	440,024	0,18	148,023
ANDES MEAT S.A.	433,347	0,18	173,489
TELEPIZZA CHILE S.A.	307,750	0,12	60,510
FRIGORIFICO O'HIGGINS S.A.	280,794	0,11	157,127
IMP.Y ALIM. ICB FOOD SERVICE L	221,137	0,09	62,942
FRIGORIFICO KARMAC SPA	218,933	0,09	126,789
EXPORTADORA SEIRA LTDA.	216,747	0,09	101,602
AGRICOLA IND.LO VALLEDOR AASA	208,640	0,08	152,505
SOC.COMERCIALIZAD.DEL SUR LTDA	190,048	0,08	96,189
DISTRIBUIDORA IGUAZU S.A.	188,104	0,08	31,584
JULIO SILVA Y CIA. LTDA.	122,500	0,05	51,597
PRODEA S.A.	116,177	0,05	47,361
NIPPON MEAT PACKERS INC CHILE	113,760	0,05	50,469
SOC. COMERCIAL ARAUCO LTDA	110,989	0,04	47,689
CARNICERIA DONA CATA LTDA.	102,835	0,04	72,550
COMERCIAL ALCA LTDA.	78,969	0,03	14,065
DIST.Y MAY.CRISTIAN E.MORENO.C	56,443	0,02	24,620
ALIMENTOS VIDA ESTABLE S.A.	55,342	0,02	24,063
HIPERMERCADOS TOTTUS S.A	44,803	0,02	7,215

Useful information

Trade Shows

The only major relevant trade show in Chile is **Espacio Food Service** in Santiago, but only aimed at the horeca market.

Associations

ASPROCER

(Asociación Gremial de Productores de Cerdos de Chile)
www.asprocer.cl

Producers' association.

ChilePork

www.chilepork.com

Initiative from ASRPOCER and export promotion agency ProChile, mainly aimed at promoting Chilean pig meat exports.

Chile Carne

www.chilecarne.cl

Meat exporters association, focusing on pig and white meat exports.

Asociación de Supermercados de Chile

www.supermercadosdechile.cl

Supermarkets' association.

Organisations

Servicio Agrícola y Ganadero (SAG) – Agriculture and Livestock Service

www.sag.gob.cl

Aduanas de Chile – Customs Office

www.aduana.cl

(full list of commodity codes available to download here)

Secretarías Regionales Ministeriales de Salud (SEREMI)

Regional Ministerial Health Secretariats - part of the Ministry of Health

www.minsal.cl/secretarias-regionales-ministeriales-de-salud/

Instituto de Salud Pública (ISP)

National Public Health Institute

www.ispch.cl

Agencia Chilena para la Inocuidad y Calidad Alimentaria (ACHIPIA)

Chilean Food Quality and Safety Agency

www.achipia.gob.cl

Instituto National de Estadísticas (INE)

National Statistical Institute

www.ine.cl

Oficina de Estudios y Políticas Agrarias (ODEPA)

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