Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 9/30/2003

GAIN Report #CI3022

Chile

Fishery Products

Annual

2003

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Report Highlights:
As a result of a decline in Chile's salmon and trout production, exports of whole eviscerated salmon failed to expand after many years of constant growth. In the coming years the industry will continue to expand, but at a slower rate.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Santiago [CI1], CI

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Executive Summary

Salmon and trout (Salmonid) production are the main components of Chile's edible fisheries sector. Exports were valued at $973 million in calendar year 2002, representing 5.8 percent of Chile's total export revenues for both Agricultural and Non-Agricultural products. A further expansion is expected in 2003, prices of exported salmon products have recuperated significantly during the first semester. Total Chilean aquacultural output will continue to grow based on development and growth of salmon, trout and new species like turbot. Total exports in 2003 is expected to reach US$1.2 billion according to recent projections published by the Salmon Producers Association. Exports of value- added salmon and trout products are expected to expand at a faster rate than whole eviscerated salmon. The export share of these processed products has increased from 5 percent in 1990 to 64 percent of the total export value in 2002.

Note: A Fisheries Products Strategic Indicators Table will not be provided as Chile does not import salmon products and is only a marginal importer of total edible fish products.

Production

Although total trout and salmon export volumes grew in MY2002, this expansion was significantly smaller than the previous years. Returns only expanded 1 percent for salmon and trout, to a total of US$973 million. For MY2003, production and export volumes are forecasted to grow only moderately. Salmon producers in an effort to reverse the significant decline in export prices observed during last year have agreed to reduce output. Economic returns should increase as prices recover in the main export markets. Total export of salmon and trout are expected to increase by 23 percent in MY2003, with total revenues of US$1.2 billion. The long term export forecast for whole eviscerated salmon is much more moderate than in the past, as demand is expected to shift to value-added salmon products. Industry contacts have indicated that better results could be expected in coming years as demand in Japan and the United States continues to grow and prices are recovering.

Atlantic and Silver (Coho) salmon are the main species produced in Chile, with marginal numbers of King and Cherry salmons. In MY2002, over 67 percent of total salmon production was of the Atlantic species, with Coho salmon representing the remaining 32 percent of total production. Atlantic salmon have an average harvesting weight of 4 - 5 kg, while Silver (Coho) Salmon average 3 - 4 kg, and King and Cherry Salmon average 3 - 5 kg. Atlantic Salmon reach this weight in 10 - 24 months in the ocean, while Silver Salmon spend an average of 8 months in fresh water followed, by 10 - 12 months in the ocean.

Chile's excellent natural conditions promote efficient, low-cost salmon production year around. Ideal water temperatures, which fluctuate from 7 to 16 degrees Celsius in the southern fresh water lakes of Region Ten, and in the ocean south of Puerto Montt, have contributed to the industry's success. Since the lakes and fjords in these regions do not freeze during the winter months, the salmon grow faster and reach commercial sizes 6 - 12 months earlier than in Norway, the world's leading producer. This provides a significant economic advantage over competitors. Additionally, the cost of land, facilities and labor are low in these regions. Ample supplies of relatively inexpensive, high quality fish meal and fish oil (the principal feed inputs) further support the profitability of the sector in that feed comprises 60 percent of the total cost of production. Most of the feed used by Chilean salmon producers is manufactured domestically, using the most advanced production and processing technology available.

Based on these natural comparative advantages, Chile's salmon and trout production and exports will expand further in the coming years depending upon market conditions. Chile produces and exports a variety of salmon products, including fresh/chilled, frozen, canned, dried and salted, smoked and dehydrated salmon. Although the most important component of the sector is fresh/chilled and frozen whole/eviscerated salmon, exports of value-added salmon products are increasing at a fast rate.

The Chilean salmon and trout industry is composed of more than 70 companies, most of which are located in Regions Ten, Eleven and Twelve employing directly and indirectly over 45,000 workers of which 60 percent are women,. Aquaculture is conducted in 234 coastal concessions for which the companies pay user fees to the government. An estimated 2 billion dollars have been invested in the industry in the major regions of production. In year 2010, yearly exports are expected to reach a level of 2,250 million dollars. Another 1,460 million dollars are expected to be invested in the next seven years.

Consumption

As Chile has no official statistics for fresh/chilled domestic consumption, figures given in the PS&D are estimated. Although domestic consumption of both farmed and "wild" salmon has been increasing during the last few years, it is still not a significant portion of total demand. This is due primarily to the fact that in Chile fish in general is less popular than red meat and poultry. However, evidence of the gaining popularity of salmon is the increase in the number of restaurants and fish markets that offer the product. Domestic consumption of smoked salmon also appears to be on the rise based on the selection offered in the major supermarket chains.

Supermarket chains buy directly from the producers or, in some cases, internally source the product from their own salmon farms. Up to now there has not been comprehensive promotional campaigns to increase domestic consumption, because Chile's salmon producers have been focused mainly on the export market. However, recently, salmon producers association began a domestic promotional campaign in the production regions. This promotional campaign is designed to both increase domestic consumption and promote good public relations for the salmon industry in the area.

Prices

The average export price for whole eviscerated fresh/chilled and frozen salmon fell again in 2002, from $2.48/Kg. in 2001 and $2.25/Kg. in 2002. As a result, the total export value of exports of whole eviscerated fresh and frozen salmon fell from $284 million in 2001 to $256 million in 2002.

Trade

Based on a smaller expansion in salmon output and a significant expansion in exports of value added products, exports of eviscerated salmon fell slightly in MY2002, when compared to the previous year. In the coming years, the expansion of whole eviscerated salmon exports is expected to grow at a slower rate than in the past, as exports of value-added salmon and trout products expand as producers seek higher profits. Exports of value-added salmon and trout products increased another 8 percent in MY2002.

Close to 90 percent of Chile's whole eviscerated salmon production is exported to Japan, Brazil and the United

States. The U.S. took just over 43 percent of total salmon exports valued at US$414 million, followed by Japan, with 41 percent of total exports valued at US$403 million. Almost all Pacific salmon (Coho) and trout are frozen and exported to Japan, mostly via ocean freight. Atlantic salmon is normally marketed fresh/chilled and transported via air freight to markets in the United States, and in smaller amounts to Europe and Latin America. Chile is presently the main salmon supplier in the U.S. with slightly over 48 percent of total imports, of farmed and ranched salmon, followed by Canada with a 41 percent share.

In recent years the salmon industry has invested heavily to increase the value of its products by constructing processing plants to produce more value-added products, like smoked salmon. Exports of these products represented just 5 percent of total exports in 1990. Currently they represent 64 percent of total exports.

The FTA recently signed with the U.S. will not have a major effect on exports for the salmon producers, as most imports of salmon products are already enter duty free. Only smoked salmon has a 5 percent duty, which will drop to zero once the Free Trade Agreement takes effect.

Table 1: Chile - Exports of Value-Added Salmon

Table 1: CHILE - Exports of Value-Added Salmon and Trout Products					
(US$ Thousand)					
Product	1998	1999	2000	2001	2002
Fresh Filet	197,922	203,774	278,470	280,119	300,336
Frozen Filet	108,031	119,063	170,826	201,443	197,407
Smoked	8,858	12,995	19,399	20,149	28,925
Dried & Salted	17,979	17,516	18,665	14,876	15,185
Canned	7,315	7,798	8,441	7,240	7,057
Other	30,250	29,070	49,881	52,875	72,017
Total	**370,355**	**390,216**	**545,682**	**576,702**	**620,927**
% of Total Salmon Exports	51.9	47.7	56.1	59.8	63.9

Source: Salmon Producers Association.

Other Uses

Other Use/Loss figures in the PS&D table correspond to the estimated salmon production which goes to other value-added production like "fillet and meat". This figure is the residual of total salmon production (which includes "whole eviscerated") and the export figure, plus an estimate for domestic consumption.

Stocks

No stocks of fresh chilled and frozen salmon are kept by producers and/or exporters.

Policy

The Chilean government plays no role in salmon and trout production and exports.

Antidumping measures taken by the U.S. back in 1997 against Chilean producers for unfair competition was suspended by a petition to the ITC by the producers from the State of Maine.

The Chilean salmon industry has recently faced two health related problems in the Netherlands and Japan, because of the alleged presence of a prohibited substance in the salmon shipments. Authorities in the Netherlands seized a shipment of frozen salmon in early June, where authorities found unsafe quantities of malaquite green. A chemical that has been banned from Chile's salmon farming industry, supposedly since 1995. In August, authorities in Japan suspended imports of an undetermined amount of Chilean salmon, claiming they contained greater amounts of antibiotics than authorized by Japan's health code.

In an effort to prevent new health related incidents, the Government is devoting more resources to Sernapesca (National Fishery Service) to strengthen the Residue Control Program. Additionally, Sernapesca intends to visit an estimated 85 percent of the production sites by the end of this year to control the usage of prohibited substances. They intend to check mainly fresh water production sites, where reportedly, more fungicides are normally used than in ocean sites.

Marketing

Chilean, U.S. and Canadian salmon producers recently formed a multilateral association called Salmon of the Americas (SOTA), based in Miami, with the main objective of promoting agreements among the main actors in the industry and to increase per capita consumption in the U.S. market. Canadian and Chilean producers supply 90 percent of the consumption in the United States.

PS&D Table

PSD Table						
Country	Chile					
Commodity	Salmon, Whole/Eviscerated				(MT)	

	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Beginning Stocks	0	0	0	0	0	0
Total Production	280000	353286	0	354000	0	370000
Intra-EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	280000	353286	0	354000	0	370000
Intra-EC Exports	0	0	0	0	0	0
Other Exports	100000	114133	0	115500	0	121000
TOTAL Exports	100000	114133	0	115500	0	121000
Domestic Consumption	730	1800	0	1800	0	1800
Other Use/Loss	179270	237353	0	236700	0	247200
TOTAL Utilization	180000	239153	0	238500	0	249000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	280000	353286	0	354000	0	370000

Export Trade Matrix

Export Trade Matrix			
Country	Chile		

Commodity	Salmon, Whole/Eviscerated		
Time period	Jan-Dec	Units:	M.T.
Exports for:	2001		2002
U.S.	6790	U.S.	6215
Others		Others	
Japan	88062	Japan	85389
Brazil	7649	Brazil	9307
Taiwan	2052	Taiwan	3087
Argentina	1941	China	2342
Thailand	1476	Thailand	1039
Spain	1244	Venezuela	907
China	1002	Argentina	694
Venezuela	889	Spain	621
France	458	Estonia	516
So. Korea	427	Russia	425
Total for Others	105200		104327
Others not Listed	2714		3591
Grand Total	114704		114133