Chile: Plastics Industry

Plastics Resins and Equipment

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Summary

The U.S. has a strong presence in the Chilean market of resins and has become the third largest supplier with a 16% market share. However, as a plastics processing equipment supplier, the Unites States remains relatively low at 9%. During 2005, the Chilean market of resins grew by 7%. Industry experts indicate that in 2006, the local market will exceed $1.1 billion in plastic products (largely supported by resins imported from South Korea, Brazil, Argentina and the United States) and is expected to grown annually at a minimum average of 8% for the next 5 years. The current market structure is 65% exports and 35% domestic consumption.

Market Demand

Ten years ago the Chilean plastics industry was aimed exclusively at internal consumption, thus satisfying all domestic needs. However, currently the core business of this industry is on exports. As a result, the expected growth for the exporting industry for the years to come will be in the range of 10% while the domestic market will expand at a meager rate of 3%. The latter heavily influenced by the massive imports coming from China.

Chile produces 40% of LDPE and 65% of PP resins utilized locally. Two plants, one for polypropylene (Petroquim) and one for polyethylene (Dow Chemical generate Chile's plastic resins production. All other resins are imported.

Local demand for equipment is satisfied by imports. Only small pieces and few parts are made locally. The current 8% annual projected grow for 2006 will be supported largely by the increase in capital goods imports, which regularly are state-of-the-art equipment aimed at making the local market more competitive and enabling it to offer more and better products for export.

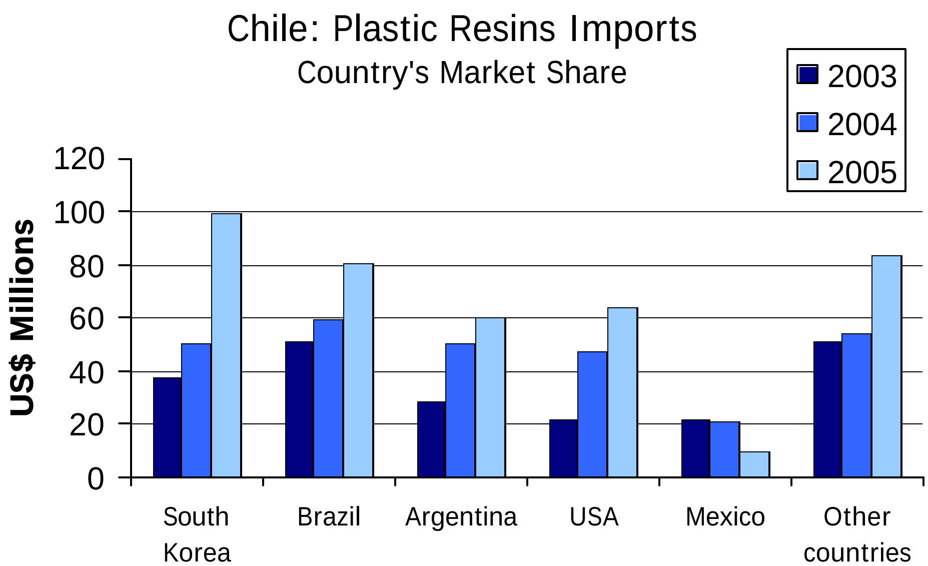
Historically, plastics equipment imports came from Europe. Germany and Italy together share over 40% of imports. Although plastics processing equipment imports almost doubled in 2005, the U.S. market share fell from 19% in 2003 to 9% in 2005. U.S. exports to Chile have remained constant at around US$ 4.5 millions per year. These U.S. exports have not followed the same path as other industries. As a result of the standing Free Trade Agreement between the U.S. and Chile, those exports to Chile have almost doubled since this agreement came into effect in January 2004. In 2005, in spite of the disadvantage of facing a high exchange rate with the Euro, imports from Germany and Italy allowed to have a significant increase in their market share, growing from 39% in 2004 to 55% in 2005. Thus confirming that US companies have not taken advantage of a cheaper dollar.

Chile: Plastics Resins Imports
(Million US Dollars)

	2003	2004	2005	2006 (*)
South Korea	38.0	50.6	99.4	45.0
Brazil	51.4	59.8	80.8	26.3
Argentina	28.5	50.1	60.0	24.8
USA	21.7	47.4	64.1	14.5
Mexico	21.8	21.1	9.8	4.3
Other countries	51.5	54.3	83.7	28.3
Total Imports	**212.8**	**283.8**	**397.7**	**143.3**

Source: Chilean Customs Data
(*)Import data from January through April 2006

Official statistics of plastic resins imports for the years 2003 to 2006, based on Harmonized Codes 3901, 3902, 3903, 3904, 3905, 3906, 3907, 3908, 3909, 3910, 3911, 3912, 3913, 3920, and 3921, show the expansion experienced by the plastics industry in Chile.



Official statistics of plastics equipment imports for the years 2003 to 2006, based on Harmonized Codes 84772, 84773, 84774, 84775, 84778 and 84807, show the growth experienced by the plastics industry in Chile.

Chile: Plastics Processing Equipment Imports
(Million US Dollars)

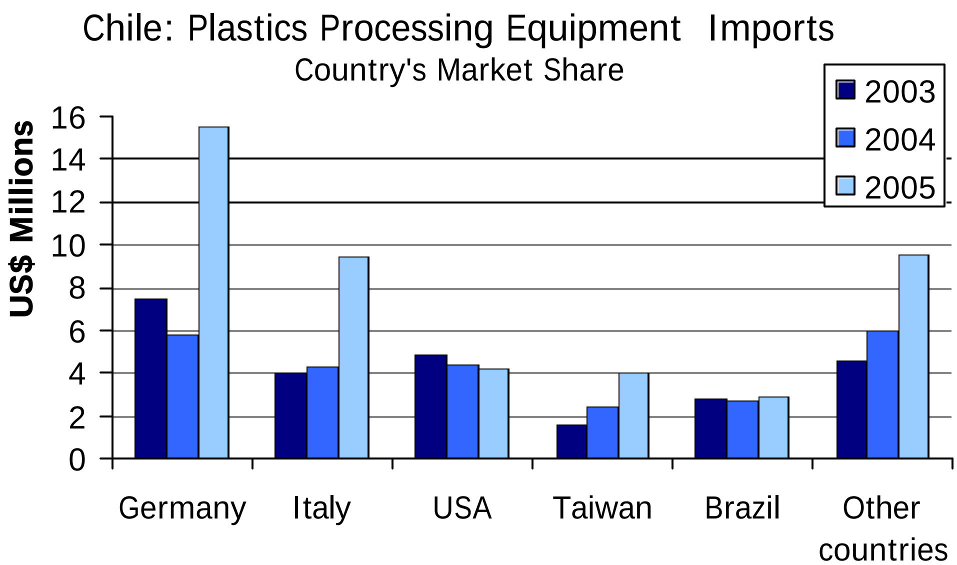
	2003	**2004**	**2005**	**2006 (*)**
Germany	7.5	5.8	15.5	4.8
USA	**4.9**	**4.4**	**4.2**	**1.8**
Italy	4.1	4.3	9.5	1.6
Brazil	2.8	2.7	2.9	1.4
Taiwan	1.6	2.4	4.0	0.4
Other countries	4.6	6.0	9.6	3.1
Total Imports	**25.5**	**25.7**	**45.7**	**13.1**

Source: Chilean Customs Data
(*)Import data from January through April 2006

Market demand for plastic processing equipment in Chile is mostly project-driven and highly influenced by the international price of resins. As one of the most open markets in the world and in the region, Chile attracts suppliers from all over the world that sell prime quality products that compete openly not only on price, but mostly on value added-services for their clients and end-users.

New plastic projects would call for investments exceeding US$ 50 million. These include those currently under study and those scheduled to start development and construction within the next couple of years. The pulling force for this new investment comes from the Chilean food processing and packaging industries, which are having important developments in product production of packaging films, coextruded products, laminated products and pouches.

In early 2006, the Chilean plastics processor SigdoPack started the construction of the first plant in the region to produce bi-oriented nylon films for flexible packaging. This US$40 million facility that will come on stream during 2007, comes as an addition to the existing bi-oriented polypropylene film production lines that had position this Chilean firm as a leader in the region. This position is being secured through the acquisition of new assets in the region. Along with the construction of this new plant, SigdoPack sealed a strategic alliance with Honeywell, the U.S. leader in the bi-oriented nylon industry.



Market Data

Recent market data released by the Chilean Plastics Industrial Association (ASIPLA) indicate that its 2006 sales would reach US$ 1.1 billion. This figure describes the market of finished plastics products. Import statistics for plastics resins and equipment are provided in the following table.

Plastics Resins Market
(Million U.S. Dollars)

	2003	2004	2005	2006 (e)
Total Market Size	550	590	640	690
Total Local Production	420	450	416	450
Total Exports	84	144	176	190
Total Imports	213	284	398	430
Imports from the U.S.	22	47	64	70

Source: Chilean Customs Statistics and industry experts' estimates.
(e) Industry projection based on actual data from January through April 2006.

Chilean plastics processing industry exports reached US$ 263.5 million in 2005. The largest market for Chile's exports is Latin America, while the NAFTA group constitutes the second largest export destination in value. The U.S. received 8% of Chile's plastic products exports.

Plastics Processing Equipment Market
(Million U.S. Dollars)

	2003	2004	2005	2006 (e)
Total Market Size	27.3	27.2	47.8	48.1
Total Local Production	2.0	2.2	2.4	2.5
Total Exports	0.2	0.7	0.3	0.4
Total Imports	25.5	25.7	45.7	46.0
Imports from the U.S.	4.9	4.4	4.2	5.5

Source: Chilean Customs Statistics and industry experts' estimates.
(e) Industry projection based on actual data from January through April 2006.

Chile's Plastics Products Exports
2005

	US$ millions	% Market share
Latin America	**203.8**	**77**
Peru	57.8	22
NAFTA	**39.5**	**15**
U.S.A.	20.3	8
Europe	**7.5**	**3**
Germany	1.7	1
Asia	**5.6**	**2**
Japan	2.6	1
Other Markets	**7.1**	**3**
Total Exports	**263.5**	

Source: Figures are based on Chilean Customs Statistics.

Best Prospects

- Extruders
- Injection molding
- Replacement pieces and parts for equipment
- Slightly used small and medium processing plants

Key Suppliers

During 2005, manufacturers of plastics resins from South Korea, Brazil, Argentina, Germany and Mexico were the most aggressive competitors for U.S. suppliers in the Chilean market (Source: Chilean Customs Office).

During 2005, manufacturers of plastic equipment from Germany, Italy, Taiwan and Brazil were the most aggressive competitors for U.S. suppliers in the Chilean market (Source: Chilean Customs Office).

The U.S. market share of Chilean imports of plastic resins increased from 10% in 2003 (US$ 21.7 million) to 17% in 2005 (US$ 64.2 million). In absolute terms. U.S. exports almost tripled the value of resins sent to Chile. This growth was mostly a direct result of the U.S.-Chile Free Trade Agreement that came in to effect on January 1, 2004.

Over the years, the U.S. and four other traditional suppliers, provided 80% of Chile's imports. The mix of plastic processing equipment suppliers has changed by the increased participation of Germany and Italy, but also by the entry of smaller suppliers from the rest of the world, particularly from Asia. These changes depend on the type of projects under development.

Prospective Buyers/End Users

- There exists around 500 private companies (end-users) of which 85% are small and medium firms and less than 20% of them have more than 300 employees.
- There are some 100 supplying companies, most of which represent U.S. as well as other brands of imported products.
- Processing companies as well as importers and local reps of foreign brands are members of the Chilean Plastics Industry Association.

Market Entry

Customarily, a U.S. exporter distributes its products through a local representative (for very large capital goods) or through a distributor or dealer (for items than can be kept in inventory.) It is important to try to export with some sort of financing attached to the sale since this combination will match financial conditions offered by other foreign suppliers, particularly Europeans. Chilean importers have access to EXIM Bank trade financing through local offices of U.S Commercial banks.

Market Issues & Obstacles

The Chilean market is quite open, particularly for those countries with which Chile has trade agreements, like the U.S. In general terms, there are no barriers to entry since most of the standards used in Chilean plastic processors are similar if not identical to those in the U.S.

Trade Events

In Chile there is one plastics trade show that takes place every other year, CHILEPLAST.

CHILEPLAST: This is the only trade show exclusively devoted to plastics in Chile. This show takes place on odd years in Santiago. CHILEPLAST 2007 is scheduled for May 30, 2007 through June 1, 2007: www.chileplast.cl

Resources & Key Contacts

Chilean Industrial Plastics Association: www.asipla.cl

For More Information

The U.S. Commercial Service in Santiago, Chile can be contacted via e-mail at: carlos.capurro@mail.doc.gov; Phone: (56-2) 330-3307; Fax: (56-2) 330-3172 or visit our website: www.buyusa.gov/chile/.

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