EMBASSY OF INDIA
SANTIAGO

CHILE

TEA MARKET SURVEY

APRIL 2017

Commissioned from Ms. Carmen Fuentealba

on behalf of the

सत्यमेव जयते

Economic Diplomacy Division

Ministry of External Affairs

I N D E X

This market survey aims to provide relevant information on the tea market in Chile so that Indian exporters may get a deep understanding of it and may also develop and execute a successful market entry into Chile.

The survey includes quantitative information such as market size, import and export statistics, sales by distribution channel and type of product, among other data. It also contains qualitative information about companies, products, consumer profile, entry requirements, etc.

1. Market Overview

1.1 Market Size

Tea market in Chile has been expanding rapidly during the last few years, in line with the strong hot drink global demand. Tea retail sales have a current value of US$ 195 million, representing an 8% growth year on year (as compared to 2015) and a 29% growth in the last 5 years.

Chile Tea retail sales: volume and value[1]

	2012	2013	2014	2015	2016
Volume (tonnes)	12,979.6	13,305.1	13,752.2	14,312.6	14,876.9
Value (million US$)	151.8	159.1	169.1	181.0	195.2

Source: Euromonitor

In terms of volume, tea imports currently reach almost 15,000 tonnes. Volume growth (+4% as compared to 2015 and +15% in the last 5 years) has been significant, but more moderate than value growth, mainly due to an increase in the sale of premium teas.

[1] Conversion rate CHP670/US$

Black tea is by far the most consumed in Chile. Black tea imports total 13.490 tonnes (accounting for 91% of the total volume) and they are worth US$ 144 million (accounting for 74% of total amount) in 2016. Within this category, tea bags are the favourite presentation format among Chilean consumers, accounting for 86% of retail volume sales in black standard tea and 67% in black speciality tea. Besides, specialty teas[2] currently account for nearly 79% of total black tea sales, while the remaining 21% corresponds to standard tea.

Tea Retail Sales, Category-wise: Volume

Tonnes	2012	2013	2014	2015	2016
Black Tea	11,862.0	12,115.5	12,504.9	12,995.8	13,489.6
- Black Standard Tea	3,406.7	3,390.5	3,376.3	3,368.1	3,356.3
-- Loose Black Standard Tea	472.7	468.5	464.7	461.9	459.0
-- Tea Bags Black Standard	2,934.0	2,922.0	2,911.6	2,906.1	2,897.3
- Black Speciality Tea	8,455.3	8,725.0	9,128.7	9,627.7	10,133.2
-- Loose Black Speciality Tea	2,776.1	2,889.8	3,000.8	3,148.1	3,301.9
-- Tea Bags Black Speciality	5,679.1	5,835.2	6,127.9	6,479.6	6,831.3
Fruit/Herbal Tea	366.4	369.0	361.5	362.5	363.2
Green Tea	438.7	460.8	481.9	506.4	531.4
Instant Tea	18.8	19.1	19.3	19.7	20.2
Other Tea	293.8	340.7	384.5	428.3	472.6
Total	12,979.6	13,305.1	13,752.2	14,312.6	14,876.9

Source: Euromonitor

It is worth mentioning that in terms of volume, most of the tea categories have grown during the last 5 years, with the exception of fruit/herbal tea and black standard tea, which have remained flat over this period.

1.2 Consumers and trends

[2] It is worth differentiating among specialty and premium teas. For the purpose of these statistics, premium teas are included into specialty tea category, but the latter also includes low-priced tea, such as the "Ceylon tea". Ceylon tea is a denomination commonly given in Chile to several products coming from Sri Lanka, independently of its quality.

Global statistics show that each Chilean consumer drinks more than one tea cup per day, which places Chile as the main tea consumer in Latin America and among the top 20 consumers in the world. According to Kantar World Pannel 2010, tea has a product insertion of 99.4%, that is to say, it is present in almost all Chilean households.

Moreover, Chile and Bolivia are the only countries of the region showing preference for tea over coffee. In 2016 tea accounted in Chile for 39% of total hot drinks volume sales, whereas coffee accounted for 19%.

According to Euromonitor, in 2016, Chileans consumed 86 litres of tea, equivalent to 428 cups per person, far away from the global average of 230 cups per capita. In Latin America, Chile´s tea consumption is followed by far by Argentina and Uruguay, with 95 and 80 cups per person, respectively. It is expected that in 2021, the Chilean tea consumption will increase to 487 cups per capita.

Chile has a long tea drinking culture, coming from the influence of British immigrants arrived by the mid-nineteenth century. The mid-afternoon tea break (locally called “la once”) – a tradition widely adopted by Chilean households until today - has contributed strongly to position tea as the dominant hot drink in Chile. “La once” typically consists of tea with bread, accompanied by cheeses, sausages, butter and marmalades. Especially among mid and low-income families, it often replaces dinner, when taken in the evening.

During the last decade and in line with the increase of the disposable income per capita, Chilean consumer has become more willing to buy premium products and, therefore, pay more for them. According to a recent research[3], 89% of Chilean consumers are willing to pay more for high quality products and 88% for products containing natural or organic ingredients. Moreover, Chilean consumers are valuing experiences, instead of mere products and services. In this context, tea has evolved from a generic drink to an affordable luxury product, as well as a way consumers can pamper themselves and the persons they care.

In addition, Chilean consumers are more conscious about wellness and healthcare. Statistics[4] show that Chile has the highest overweigh and obesity rate in Latin America (63%) and this percentage continues to grow. Nevertheless, there is, in parallel, a fast-growing market for healthy food and sport related products and services. Healthy food represents almost 19% of total processed food retail sales and grows at a rate twice above[5]. Tea multiple

[3] Source: Nielsen Global Research - 2016
[4] Source: “Latin America: Food Security and Nutrition Overview 2016”, Food and Agriculture Organization of the United Nations (FAO) and Pan-American Health Organization (OPS).
[5] Source: “Health and Wellness Survey - 2016”, GKF Adimark.

benefits (antioxidant, fat burning, heart protection, etc.) have been key factors to make tea even more popular among wellness conscious consumers and to increase the demand for new varieties, such as green tea, rooibos, white tea, etc. These benefits have also contributed to rejuvenate tea image, traditionally seen as a hot drink for older people.

Even if tea continues to be a beverage mostly taken at home, there is an increase in the number of tea houses, where consumers can buy tea but also take a cup in place (such as La Teteria and Tea Connection). In 2016, foodservice volume sales grew around 2%, totalizing 652 tonnes. Even though, almost all coffee specialist stores – which number has increased 85% in ten years, leaded by international chains (such as Starbucks, Dunkin Donuts and Juan Valdés) – also include tea in their product offer, to satisfy consumer growing demand.

Chileans drink more tea during winter. Even though, the seasonality is not prominent. A representative from Cambiaso estimates that sales increase by 11% between June and November, compared to the rest of the year.[6]

1.3 Prospects

Although it is a mature category, tea sales are expected to continue growing within the next few years, mainly boosted by premium tea demand. Total market is expected to grow around +20% in volume and +17% in value within the next 5 years, rising US$ 229 million of total retail and foodservice sales 2021.

Forecast Retail Sales of Tea by Category: Volume 2016-2021

Tonnes	2016	2017	2018	2019	2020	2021
Black Tea	13,489.6	13,977.8	14,477.5	14,980.1	15,488.9	16,003.1
- Black Standard Tea	3,356.3	3,350.0	3,350.6	3,363.7	3,383.6	3,407.1
-- Loose Black Standard Tea	459.0	456.9	455.4	454.6	454.2	453.8
-- Tea Bags Black Standard	2,897.3	2,893.1	2,895.2	2,909.1	2,929.4	2,953.3
- Black Specialty Tea	10,133.2	10,627.8	11,126.8	11,616.5	12,105.3	12,596.0
-- Loose Black Specialty Tea	3,301.9	3,446.9	3,584.3	3,715.5	3,844.1	3,969.0
-- Tea Bags Black Specialty	6,831.3	7,180.9	7,542.5	7,900.9	8,261.2	8,626.9
Fruit/Herbal Tea	363.2	361.3	357.7	355.7	354.7	354.6
Green Tea	531.4	556.9	583.1	610.1	637.6	664.7

[6] Source: Newspaper article. Estrategia, March 24, 2014.

Tonnes	2016	2017	2018	2019	2020	2021
Instant Tea	20.2	20.5	20.9	21.3	21.7	22.1
Other Tea	472.6	520.5	573.5	627.1	681.9	738.4
Total	14,876.9	15,437.0	16,012.7	16,594.4	17,184.8	17,782.9

Source: Euromonitor

As consumers will keep looking for better quality tea products and sophisticated flavours, manufacturers will do efforts to meet demand by developing premium tea offers and launching new tastes. This demand-driven factor will encourage massive packers (such as Cambiaso and Unilever) to launch new premium lines with new flavours, varieties and presentations, but at more affordable prices, in order to attract low and mid-priced tea buyers. Consequently, black specialty tea retail sales will increase + 24% in volume and +15% in value within the next 5 years

Moreover, in the context of the health and wellness trend in Chile, players are likely to widen their focus on teas holding healthy benefits, such as green, white and red tea, rooibos, oolong, etc. Green tea retail sales will grow +25% in volume and +28% in value within the next five years, while other teas will grow +56% in volume and +65% in value.

2. Imports and exports

2.1 Imports

Most of the tea consumed in Chile is imported. There is only one Chilean company (called Salus Flora) that has a small plantation in the south of Chile and produces a non-significant quantity of organic green tea.

During the last 5 years, tea imports have remained relatively flat in terms of volume. However, in terms of CIF value, tea imports increased during 2014 and 2015. It is worth mentioning that this increase is mainly due to a specific situation of one of the main Chilean importers (Cambiaso) that, according to Euromonitor, represents around 45.4% of market share.[7]

[7] In June 2014, Cambiaso plant was totally destroyed by fire. In order to avoid affecting the product supply, the company imported from Sri Lanka already packed product and, in the short term, via air freight, increasing the CIF value of its imports. This situation continued until the reconstruction of the plant in 2015.

Total Tea Imports

	2012	2013	2014	2015	2016
Volume (in Ton.)	21.059	20.391	21.155	21.324	20.862
CIF Value (in M US$)	42.183	46.255	56.716	52.581	46.456

Source: Chilean Customs Statistics

2.1.1 Imports by type of tea

Almost 91% of the imported tea is black. From it, the big majority is imported in bulk and packed in Chile in different formats for its sale to final consumers.

Total Imports by type of tea (in M US$)

Type of tea	2012	2013	2014	2015	2016
Black tea	39.840	43.515	53.187	48.489	41.746
Green tea	2.075	2.446	3.085	3.459	3.761
Organic tea	268	294	444	432	949
Total	**42.183**	**46.255**	**56.716**	**52.581**	**46.456**

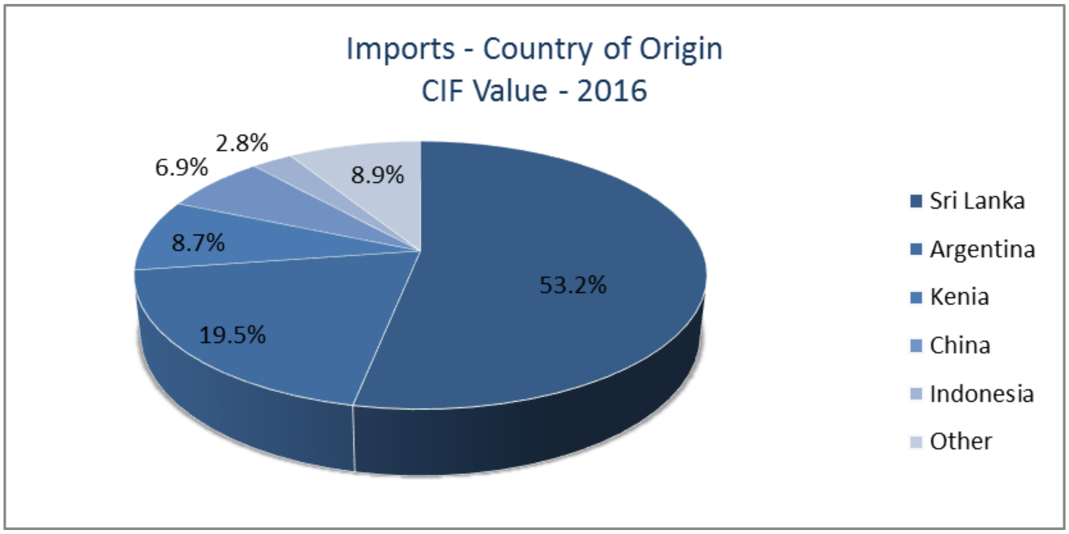
Source: Chilean Customs Statistics

Imports of green tea have still little relevance in the total (9%), but have been consistently growing during the last 5 years. Organic tea imports face a similar situation. Even if they represent around 2% of total, organic tea imports have grown more than 3 times in the last 5 years. These figures are consistent with the growing Chilean consumer trend toward a healthy lifestyle.

2.1.2 Imports by country

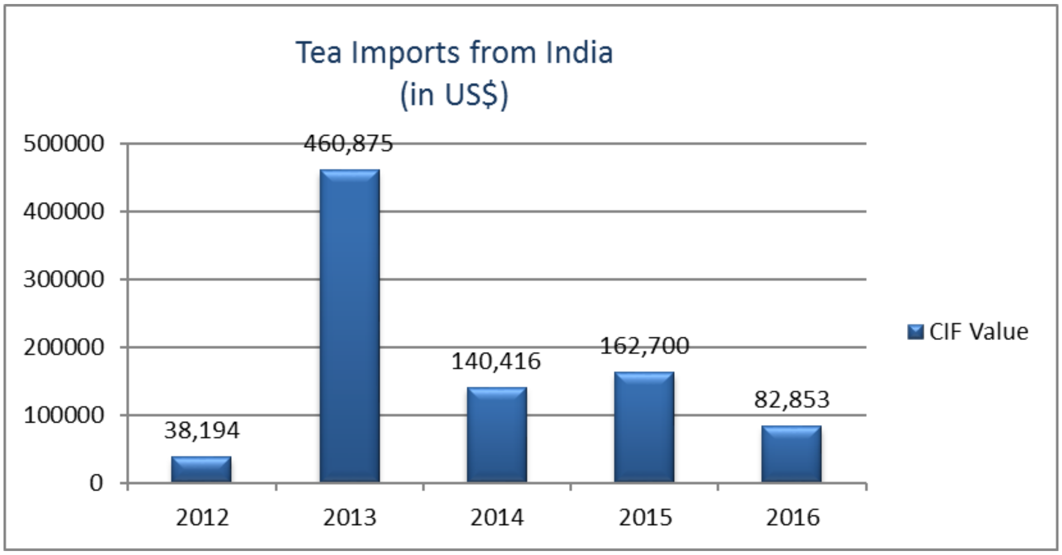
Tea imports come from 29 different countries. However, in terms of value (CIF), 53.2% is imported from Sri Lanka, followed by Argentina (19.5%) and Kenia (8.7%). See graphic below.

In terms of volume (in kilograms), 48.8% of the total is imported from Argentina and 33.9% from Sri Lanka. This is because the tea imported from Argentina has generally a lower price per kilogram compared to Asian teas, added to the fact that freight costs are substantially lower. As a reference, the price of the Argentinian tea imported to Chile is about a third of the one coming from Sri Lanka and around 30% lower compared to the tea imported from China.



Source: Chilean Customs Statistics

Tea imports from India (the second largest producer and the fourth exporter of tea in the world) are not very significant. They represent 1.8% of total Chilean tea imports in 2016 and rank at the 15th position among the 29 countries of origin. During the last 5 years, imports have also shown relevant fluctuations from year to year, with an important increase in 2013. See chart below.



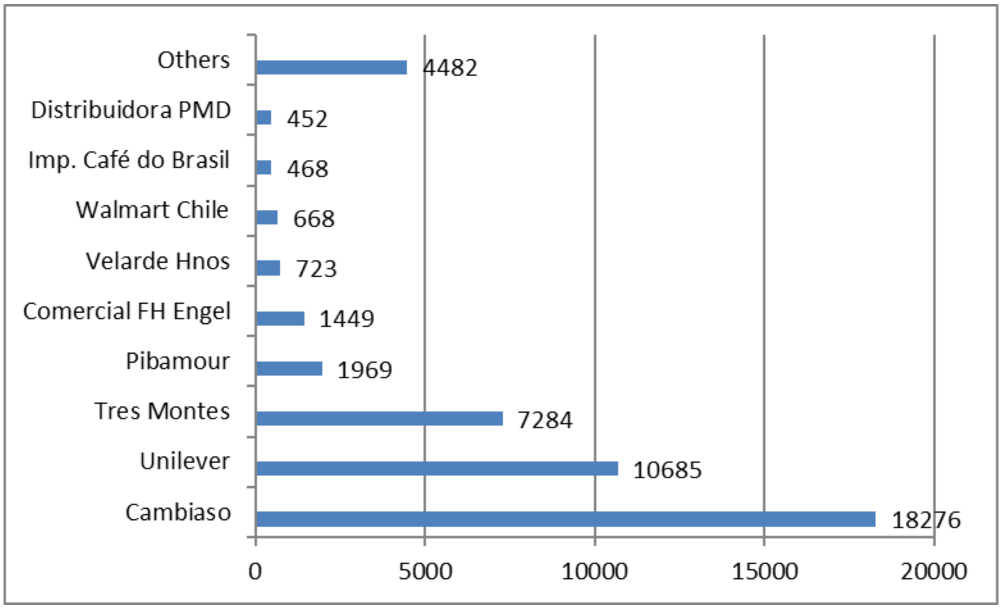
Source: Chilean Customs Statistics

2.1.3 Imports by company

In 2016, almost 150 Chilean companies imported tea. However, 9 of them gathered around 90% of total imports, showing the high level of concentration of this market. These 9 companies correspond to the major competitors in the Chilean tea market.

It is worth mentioning that the three major importers (Cambiaso, Unilever Chile and Tres Montes) buy most of the tea in bulk and pack it locally under their own brands. These companies have their own processing plants and even export finished products to other countries of the region. The other 6 companies shown in the above chart import already packed tea products under foreign brands.

Tea Imports by Company – 2016 (CIF Value)



Source: Chilean Customs Statistics

2.2 Exports

During the last 5 years, Chilean exports of tea have not been relevant, rising in average US$ 3.5 million per year.

Total Tea Exports

	2012	2013	2014	2015	2016
Volume (in Ton.)	364	276	330	248	315
FOB Value (in M US$)	3.561	3.070	3.707	3.007	3.835

Source: Chilean Customs Statistics

Exports correspond mainly to products packed locally and produced from tea imported in bulk (loose leaf tea).

During 2016, 91.5% of the exports corresponded to Unilever and Cambiaso Hnos, while main destination countries were Guatemala and Argentina. In the case of Unilever, its local processing plant supplies with finished products (under Lipton brand) to some of its subsidiaries in Latin America.

3. Competition Analysis

In this section, we will analyse what the main companies that compete in the Chilean tea market are, their brands and prices.

3.1 Brands

In Chile, there are at least 25 tea brands (local and foreign) that are commercialized through main distribution channels (supermarkets, wholesalers, etc.). There are also other small local companies that blend, pack and distribute their products through their own (or third party) gourmet and specialty stores and internet.

Despite these several brands, Chilean tea market is highly concentrated in a few companies. According to Euromonitor statistics, it is estimated that the main 2 companies (Cambiaso and Unilever Chile) represent almost 79% of the total market.

Cambiaso Hermanos (www.cambiaso.cl) is a family owned company created in 1875 and located in Valparaiso. Among the main products it commercializes are tea, cereals, cleaning products and packing material. In the tea category, the company has a well-established product portfolio oriented to different market segments.

On the other hand, Unilever Chile (www.unilever.cl) is a large and well-known multinational company. The company commercializes in Chile several brands (international and local) belonging to food and beverages, personal care and home care categories.

The following chart shows main competitors and the brands they sell:

Main companies and brands

Company	Brands
Cambiaso www.cambiaso.cl www.supremo.cl	Supremo, Superior, Mildred. Teekanne, Aroma and Samba.
Unilever www.unilever.cl www.teclub.cl www.lipton.cl	Club, Lipton and Emblem
Tres Montes www.tmluc.cl	Orjas (soluble tea) 
Pibamour www.pibamour.cl www.dilmah.cl	Dilmah
Comercial F.H. Engel	Twinings

www.fhengel.cl	
Velarde Hnos. www.velarde.cl	Life mate, Butterfly brand
Walmart Chile www.walmartchile.cl www.lider.cl	Selección (private label), Lider
Imp. Café do Brasil www.icb.cl	Excelsior, Lavazza (Horeca)
Distribuidora PMD www.pmdsa.cl	Akbar

According to Euromonitor, Supremo (Cambiaso) is clearly the market leader, with a 32.1% market share, followed by Club and Lipton (both from Unilever Chile) with 16.1% and 11.2% market share, respectively. These three brands are packed locally from imported loose leaf tea.

Supremo is a well-positioned brand with a long-standing tradition among Chilean customers. The brand offers different product lines, covering a wide range of price segments, ranging from mass-market to premium but affordable segments: traditional, premium, scented, green tea, herbal teas and pyramids, in 15, 20 and 100 tea bag packages and in loose leaf plastic bags. Supremo commercializes most of its teas in bags, in line with Chilean consumer preferences

Club is also a very traditional brand, but with a more limited range of products. The brand currently offers 4 lines, ranging from traditional to premium, packed in 20 and 100 tea bag packages and loose leaf plastic bags.

Lipton (Unilever) has a large variety of product lines: traditional black (yellow label), scented, green tea, fruit/herbal and specialties, packed in traditional tea bags, pyramids and loose leaf plastic bags.

Orjas brand is also a long-standing Chilean brand commercialized only under soluble powder form (instant tea). It is almost the only product in this category in Chile. Orjas brand is produced locally from tea imported exclusively from Argentina and packed in 30 grams cans.

The low-price tea category is composed by several brands, such as Superior, Mildred, Aroma and Samba (Cambiaso), Emblem (Unilever Chile) and Excelsior (Importadora Café do Brasil). Even if their market share is almost negligible, these products are very important for their mother companies, as they allow them to have presence in traditional grocery stores and supermarkets located in low-income sectors.

Dilmah and Twinings, with 4.7% and 1.4% market share respectively, are well-known international premium brands, represented and distributed by local companies. Products are imported already finished (almost all in tea bags). It is worth mentioning that, in most cases, local companies represent foreign brands under an exclusivity agreement, that is, they are unable to represent other brands belonging to the same category (tea, in this case).

By the other hand, Cambiaso imports Teekanne (another well-known international brand). The company imports finished products, but also produce locally some of its lines, under a licence agreement.

Some supermarket chains import tea directly, under their own private label and/or foreign brands. Walmart Chile has developed its own private label products (Selección and Lider brands), importing them already packed from Sri Lanka. In the case of Tottus and Unimarc chains, they import packed tea, labelled under Tesco and Waitrose brands (both U.K. supermarket chains).

It is important to mention that there are other minor importers of premium teas oriented to the fast-growing gourmet segment. These products are distributed mainly through specialty stores and supermarkets located in high–income sectors. Their prices are considerably higher than the massive brands ones. This is the case of Treguar (Basilur brand), Comercial Santa Victoria (Ahmad brand) and Segafredo (Brodies brand). In addition, other premium brands sell their products through their own stores, such as Wittard and Adagio (franchises of their U.K. and USA homonymous, respectively), La Tetería and Tea Connection (subsidiary of an Argentinian company). These stores use to complement their tea offer with implements for tea preparation, such as kettles, infusers, cups, etc.

3.2 Products

Until a decade ago, most Chileans used to drink low quality tea. Massive brands were mainly produced from inferior quality black tea (coming from long leaves and sticks, instead of sprouts and baby leaves). Even though, some of them contained colorants in order to give a strongest colour to the drink. Most teas were packed in basic bags closed with a staple and in cardboard boxes printed with simple graphics.

In recent years - even if economic brands continue to have a relevant presence in the market - manufacturers and importers have introduced different tea options to give more choices to consumers. Tea started to experience a premiumisation trend towards more gourmet products with added-value options which drove value growth. They have introduced new products in terms of higher quality, varieties of tea, packaging and flavours. New products have allowed tea to evolve from an inexpensive commodity into a value-added good.

Main producers (Cambiaso and Unilever) have introduced new specialty tea lines and improved packaging, with more colourful boxes and new presentation formats (i.e. individually sealed tea bags and pyramids), in line with foreign premium tea brands but at still affordable prices.

Tea bags are the favourite format among Chilean consumers, accounting for 86% of retail volume sales in black standard tea and 67% in black speciality tea. Even though, unpacked tea is increasingly available at specialty stores for customers who appreciate quality and prefer the "old fashioned" way to prepare a cup of tea.

3.3 Prices

Prices to final consumers depend on several factors, such as quality, variety of tea, presentation, etc.

According to Euromonitor statistics, the average retail price of tea has increased 12% within the last 5 years, in line with the premiunisation of the tea market. Consequently, average retail price of specialty black tea has increased in 7%, green tea in 18% and other teas in 21% within the last 5 years.

For reference purposes, the following table shows a comparison of black tea products[8] (in bags and loose leaf) sold in supermarkets, separated by categories.

[8] These price ranges have been obtained from a survey to supermarkets, convenience stores and specialty stores. Prices include 19% VAT. Conversion rate: CHP 670/ US$.

Average consumer prices – in US$

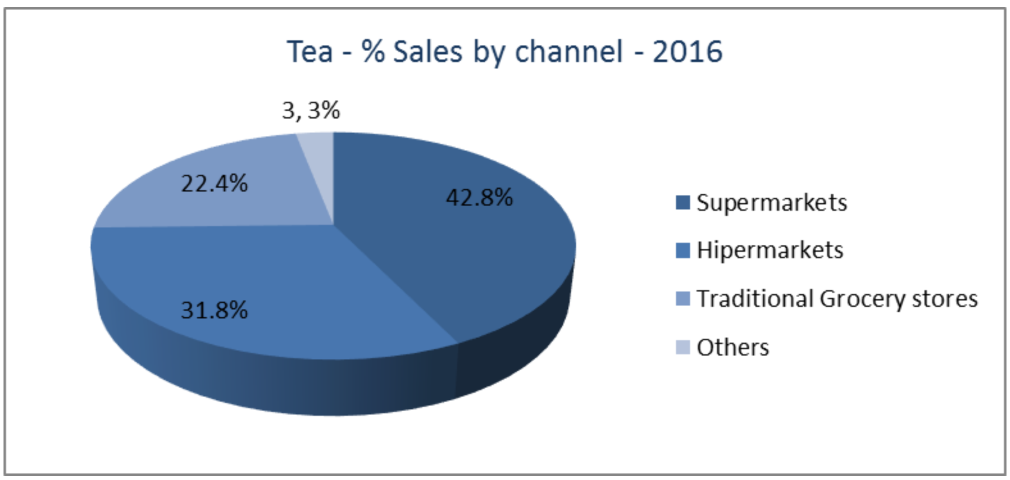
Category	Brand	Unit price	Price per Kg.
Economic brands	**Loose leaf tea**		
	Excelsior Ceylon Tea, 250 gr.	1,89	7,58
	Superior Pure Ceylon Tea, 250 gr	2,95	11,81
	Mildred Ceylon tea, 250 gr	2,30	9,19
	Emblem premium, 225 gr.	2,61	10,44
	Tea in bags		
	Midred Ceylon tea, 20 bags	0,89	22,35
	Superior Ceylon Tea, 20 bags	1,07	26,83
	Emblem Ceylon, 20 bags	0,97	24,22
Mid-priced teas	**Loose leaf tea**		
	Supremo Ceylon, 250 gr.	3,28	13,13
	Lipton Yellow Label, 225 gr.	4,33	19,23
	Tea in bags		
	Supremo Ceylon, 20 bags	1,34	33,58
	Lipton Yellow Label, 20 bags	1,52	38,02
	Club Premium Ceylon, 20 bags	1,19	29,85
Foreign premium brands	**Tea in bags**		
	Twinings English Breakfast, 10 bags	3,13	156,64
	Dilmah English Breakfast, 10 bags	2,52	126,04
	Ahmad Earl Grey, 50 bags	5,37	53,73
	Akbar, English breakfast, 20 bags	2,69	67,16

Source: Supermarket price suvey

4. Distribution channels

Main distribution channels for tea to final consumers are supermarkets (43%), followed by hypermarkets (32%). Given the relevance of the category and its product insertion rate in Chilean households, tea has a significant presence in shelves. Supermarkets and hypermarkets usually show a wide range of teas of different brands, formats, varieties and prices.

By the other hand, main tea companies use to invest in trade promotion activities (such as special exhibitions, price promotions, POP material, etc.) in order to maintain brand visibility at points of sale.

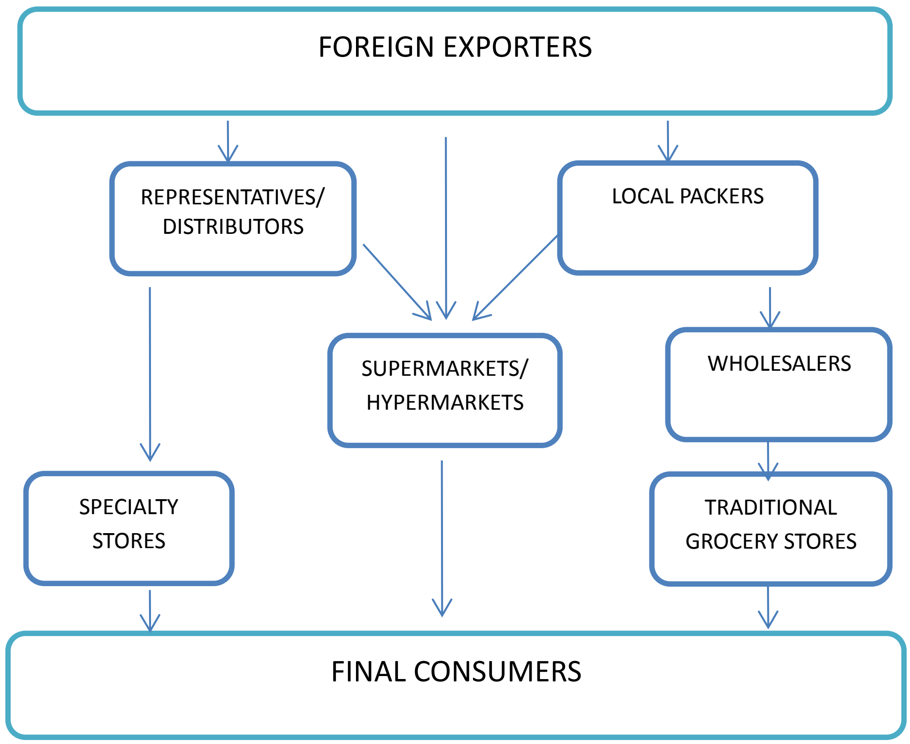


Source: Euromonitor

Even if - at national level - traditional grocery stores represent less than 10% of total Chilean retail sales with a downward tendency, in the case of tea continue to be a relevant distribution channel (22.4%), especially for low-priced tea brands. Most traditional grocery stores are located in popular sectors and represent almost 14% of total low-income family expenses. Tea plays an important role in dietary habits of low-income households, inasmuch as coffee, its natural substitute, is usually much more expensive.

The following chart shows the flow of tea distribution in Chile and its main players, from producers to final buyers.

Tea Distribution Flow



ANNEX 1 shows the contact data of all the companies mentioned below in this chapter.

4.1 Representatives and distributors

This group is composed by local companies importing and distributing food and beverage products, conducting the whole product supply process. Representatives/distributors buy the products to the foreign manufacturers they represent and are responsible of importing them and conducting custom clearance formalities. They are also in charge of the storage, internal transportation, sales and promotion and customer service. Accordingly, they assume almost all the risk of product operation in Chile.

In some cases, some activities (such as storage or distribution) are not directly conducted by THEM, but subcontracted to third parties.

Chilean food and beverage representatives and distributors are quite concentrated and USUALLY manage a wide range of products. This segment has important entry barriers, inasmuch as the strict sanitary and health requirements food products must comply WITH and the existence of big importers which dominate the market.

In general terms, food and beverage importers prefer to represent well-known foreign brands (i.e. are already present in several countries), inasmuch as it makes much easier and faster to introduce them into the local market and to create awareness among consumers.

Main Chilean food and beverage representatives are:

F.H.Engel (www.fhengel.cl): Belonging to a family company holding, the company represents and distribute several food and beverage foreign brands, importer and distributor of food and beverage foreign brands of liquors, canned food, ready-to-eat food, spices and sauces, fast drinks, teas and cleaning products. In the tea category, the company represents Twinings.

Velarde (www.velarde.cl): The company imports and distributes several food and beverage foreign brands of canned fish and sea food, spices and sauces, noodles, snacks, confectionary products, canned soups, mineral water and juices and tea. In this last category, Velarde represents two Chinese tea brands (Butterfly Fujian and Lifetime).

Pibamour (www.pibamour.cl): The company is specialized in importing gourmet and premium products of well-known international brands, such as confectionary products, cookies and cakes, beer, oil and vinegar, tea and coffee. Pibamour represents Dilmah tea brand.

Elbelman (www.elbelman.cl) : The company imports and distributes foreign food brands of sauces and spices, Mexican specialties, confectionary products, cookies, canned food and noodles.

Importadora Café do Brasil ICB (www.icb.cl): Originally, the company started importing coffee but later expanded to other products, such as spices, canned food, cereals, confectionary products, tea and coffee. The company also acts as subcontractor for the distribution of local manufacturers. Currently, the company imports Lavazza tea, along with packing and commercializing its own low-price tea brand (Excelsior)

Arenillas (www.arenillas.cl): represents and distributes several foreign food brands of rice and legumes, snacks, spices and sauces, noodles, dehydrated vegetables, cheeses and hams, etc.

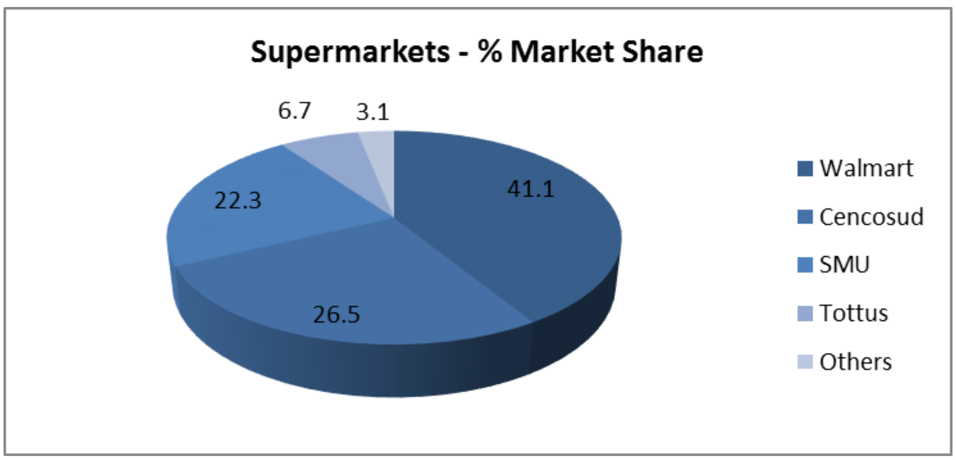
Globe Italia (www.globeitalia.cl) Represents and distributes gourmet and premium food products, such as canned seafood, cheeses, hams, paté de foie, sauces, cereals, etc.

It is worth mentioning that some of these companies already represent a foreign tea brand. In most cases, representation contracts demand exclusivity, that is to say, local companies cannot represent other competitive brands of the same category.

4.2 Supermarkets and hypermarkets

In 2016, supermarkets and hypermarkets grocery value sales reached US$ 13.8 billion, representing almost 51% of total. This proportion is expected to grow even further in the next years.[9]

One of the main characteristics of this channel is its high concentration. Four main chains gather almost 97% of the supermarket and hypermarket segment and totalize almost 1.200 outlets all over the country.



Source: Chilean Supermarket Association (ASACH)

The four major supermarkets and hypermarkets are the following:

Walmart Chile (www.walmartchile.cl) The Company currently operates under various formats and brands, including: the Express de Lider supermarkets chain; the Hiper de Lider hypermarkets chain; and the discounters Ekono, Bodega ACuenta and Central Mayorista.

[9] Source: "Retailers in Chile-2016". Euromonitor

Cencosud (www.cencosud.cl): This local holding operates two formats: Jumbo hypermarket chain and Santa Isabel supermarket chain. The group also operates department and hardware stores and is present in other Latin American countries.

SMU: the group operates Unimarc supermarket chain, Telemercados online supermarket, the discounters Mayorista 10, Dipac and Alvi and Ok Market convenience store.

Tottus (www.tottus.cl): This chain belongs to Falabella holding, which also operates a department and hardware stores and have presence in other Latin American countries.

The enquired supermarkets said that the tea category is quite saturated and there are already several brands on their shelves. Nevertheless, they are still available to evaluate new options for their own private label brands (massive tea product) and premium teas. Related to these latest, products should be innovative and different from the already existing ones and, preferably, from well-known international brands. It is worth mentioning that supermarket and hypermarket chains request exclusivity to foreign brands they import directly, that is to say, the foreign company cannot sell this brand to any other company in Chile.

4.3 Wholesalers

This segment is formed by companies that conduct the sale and logistics processes associated to food distribution. Most of them are not limited to food but also distribute products from other categories, such as personal care, home care, kitchenware, etc. Some of them have developed their own private label brands, especially for groceries and cleaning products.

As well as in the case of supermarkets, this segment is concentrated in a few companies. Main ones are Adelco (www.adelco.cl), Promerco (www.promerco.cl) and Central Mayorista (www.centralmayorista).

Wholesalers 'main customers are traditional grocery stores Most of the products they distribute are from local producers. In a few cases – such as private label brands or big volume products – they import directly.

4.4 Specialty stores

In recent years, the number of stores dedicated to commercialize gourmet and premium products has increased significantly, in line with consumer trend toward premium products, as well as toward healthy and organic food.

In this segment, there are some stores dedicated exclusively to tea, such as La Tetería (www.lateteria.cl), the Argentinian chain Tea Connection (www.teaconnection.cl), Milagritos (www.milagritos.cl), La Casa del Té (www.lacasadelte.cl) and Adagio Tea, the USA franchise chain (www.adagio.cl). Other small companies, such as Tesspression (www.tesspression.cl), Quetequieres (www.quetequieres.cl) and Teatulia (www.teatulia.cl) commercialize their products via internet or through other gourmet stores. Some of them are direct importers, while others buy to other importers and representatives.

4.5 Traditional Grocery Stores

Traditional grocery store channel represents almost 9.4% of total retail sales but has the highest frequency of purchase. Even if its share is low, they are important points of sale for low-income consumers, which expend about 14% of their disposable income in this type of outlets.[10] There are around 100.000[11] all over the country.

Traditional grocery stores do not import directly, but buy mainly to wholesalers. Most of the products they commercialize are locally produced and/or imported by main multinational food companies (i.e. Nestlé, Unilever, Kraft, etc.).

5. Import and commercialization formalities

All food products imported and commercialized in Chile should meet some formalities. Some of them are the usual to any import, but there are some specific to food products, necessary to its entry and further commercialization. Although most of these formalities are

[10] Source: Kantar World Pannel 2014.
[11] Source: www.almacenchile.cl

conducted by the importer, it is advisable that the exporter be aware of the documentation and product requirements necessary to fulfil the Chilean regulation.

5.1 Product requirements

According to sanitary regulation (Decree Law 977/1996, articles 452 and 453)[12], tea must meet with the following requirements, to be authorized for sale in Chile:

a) Tea should contain a maximum of:

   20% of stems, petioles or stalks

   12% of humidity

   8% of total ashes and 1% of insoluble ashes in hydrochloric acid at 10%, both expressed on dry basis.

b) Tea should contain a minimum of (expressed on dry basis):

   1% of caffeine

   24% of aqueous extract (for black tea).

   28% of aqueous extract (for green tea).

Related to packaging, plastic packaging materials must not transfer more than 0.05 ppm of vinyl chloride or acrylonitrile or any other substance utilized in the manufacture of plastic elements that may be harmful to health.

5.2 Labelling requirements

Labelling provisions are the same for both, locally produced and imported products. Food products must be labelled with general and nutritional information, according to current regulation.

Labels must be in Spanish, but the information may be repeated in another language. Sticker labels of adequate size and location may be used, but must first be approved by Health authorities.

[12] Find the complete text (in Spanish) by clicking on: www.leychile.cl/Navegar?idNorma=71271

5.2.1 General information label

All food products must contain information about its content, producer, origin, expiration and instructions.

Labels must bear at least the following information:

1. Name of the food product.

2. Net content in metric units.

3. Name or company name and address of the manufacturer, packer, distributor, or importer, as appropriate.

4. Country of Origin. If the product is only repackaged in Chile, both this fact and the country of origin must be indicated

5. Number and date of resolution together with the name of the health agency responsible for authorizing the establishment processing or packing the item or authorizing import.

6. Date of manufacture or packing date.

7. Expiration date or shelf life (in terms of days, months or years).

8. List of all ingredients and additives in decreasing concentration, including quantity or percent.

9. Instructions for storage, including refrigeration, if special conditions are required for the product to satisfy its minimum duration period or last to its expiration date.

10. Instructions for use.

5.2.2 Nutrition label

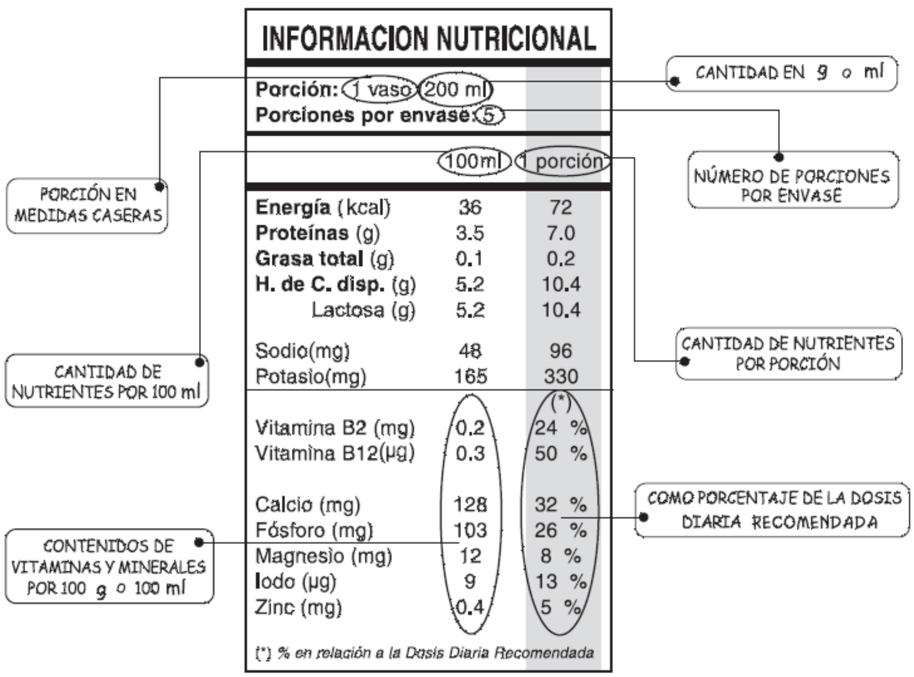
The nutritional label must contain the following information, expressed by each 100g. or 100 ml. and by individual portion.

1. Value of energy in calories.

2. Quantities of protein, available carbohydrates, and fats in grams (available carbohydrates being understood to mean total carbohydrates, excluding dietary fibre).

3. Quantity of any other nutrients, dietary fibre, and cholesterol, concerning which a representation of properties is made.

Following is an example of nutritional label:



Representation of nutritional properties, health-related properties and of nutrients, as well as any supplementary nutritional information shall adhere to the technical standards issued on the subject by the Ministry of Health

Organic, ecological and biological products have the same labelling requirements as any other normal product. Nevertheless, there is a mandatory certification requirement to market them as such (Law 20089/2006 of Agriculture Ministry)[13].

[13] Find eth complete text of by clicking on this link: www.leychile.cl/Navegar?idNorma=246460

If tea products contain allergens or are at risk of allergen contamination from the manufacturing process to its marketing, label should warn about it, indicating the allergen in question. This is valid for the presence of the allergens specified by Health authorities, that is: gluten, crustaceans and fishes, egg, peanuts, soy, nuts, milk and sulphites.

In 2016, Chilean food regulation requires all food and drink packaging- locally produced and imported - to carry a 'black octagonal stop-sign' warning label if the item is 'High In' calories or ingredients such as sugar, salt and saturated fat. Food and beverage products mandated to carry the black 'High In' warning label will be banned from promotion and sale at schools. Advertising on television, radio, in print publications and the Internet targeting this demographic will also be banned. Even if this provision is not applicable for most of teas, it could affect some tea products, such as sweetened and flavoured teas and instant teas containing sugar.

5.3 Import procedures

In the case of any import, Chilean Customs requires that each customs entry be supported by the following documents:

- Commercial Invoice
- Certificate of Origin
- International Transport Document (Bill of Lading or Air Way Bill)
- Packing List, when necessary
- Value declaration
- Other Documents (i.e. safety certificates)

All imports of a total value exceeding USD 1,000 (FOB) require the participation of a Customs Broker. Minor imports (less than USD 1,000 FOB) can be cleared directly by importers, following a simplified procedure.

Prior import licenses are not requested by authorities. This is valid for any type of goods.

5.4 Duty fees and taxes

The tax treatment applicable to imports into Chile includes the payment of customs duties, Value Added Tax (VAT) and other taxes (if applicable), all calculated on CIF value and determined under GATT valuation standards. Tea imports ate subject only to duty taxes and VAT:

The ad-valorem customs duty rate is 6%. However, goods originating in any of the countries or regions having signed a Commercial Agreement with Chile and evidencing such condition by means of a Certificate of Origin can be benefited with a reduction or exemption of import duties.

Chile has signed 25 Commercial Agreements with 66 countries, which have granted tariff preferences which each country applies to imports.[14]

India and Chile have signed a Partial Scope Trade Agreement (PSA) giving to tea (classified under the HS code 09.02.40.00) a tariff preference of 20%. This means that the duty fee to be paid for tea imports is 4.8%.

It is worth mentioning that, among the other main origin countries of Chilean tea imports, only China has a commercial agreement signed with Chile. In this case, the tariff preference is 100%, that is to say, tea products are not subject to duty fees.

On the other hand, the general VAT rate in Chile is 19%.

5.5 Import of Food products

The import procedure of any kind of food involves obtaining two documents required by the Health Authority:[15]

> 1) Certificate of Customs Destination (known as "Certificado de Destinación Aduanera") which authorizes the retrieval of the products from Customs and their transfer to bonded storage, where they must be stored intact until its inspection by health authorities,
>
> 2) Authorization of Use and Disposition of Imported foods (known as "Autorización de Uso y Disposición de Alimentos Importados"). This resolution allows the importer to use, sell, consume, transfer and dispose the imported products. Before the approval, the Health Authority will inspect and/or run lab tests on the products.

Both applications may be approved or denied, depending on whether the imported foods comply or not with the current health regulations.

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[14] Find the list of countries and the complete texts of Commercial Agreements signed by Chile, by clicking on this link: www.direcon.gob.cl/acuerdos-comerciales/

[15] Find a complete guide on import procedures for food products (in Spanish) by clicking on this link: http://web.minsal.cl/sites/default/files/files/Manual%20para%20la%20Importaci%C3%B3n%20de%20Alimentos%20destinados%20al%20consumo%20humano%20MINSAL%202015(1).pdf

Local companies that process, pack, store and distribute food products must get the previous approval of their premises (called "registro sanitario"), that should comply with the requirements of the sanitary regulation. It is advisable that Indian exporters check if their potential representatives/distributors comply with this requirement.

5.6 Trademark protection

Even if it is not mandatory, it is strongly recommended that foreign companies register their trademarks if they aim to use them in Chile. They will permit to uniquely identify a company and its products to its customers and to distinguish them from those of its competitors

It is also advisable that, before using a trademark or logo, companies should check if such signs are already registered in identical terms or in similar terms (from a visual or phonetic point of view).

Trademark protection lasts 10 years and its registration can be renewed indefinitely (for periods of 10 years at a time). According to Chilean law, trademarks cannot be revoked for non-use reasons. The owner of a trademark could authorize a third party to use it under a license contract.

The National Institute of Industrial Property INAPI (www.inapi.cl) is the Chilean agency for registering trademarks, copyrights and appellations of origin. The registration procedure can be done in person or via internet, for a fee. According to Chilean law, it is not necessary to hire a lawyer or trademark agent to file a trademark application. Nevertheless, it is highly recommended in the case of companies having foreign residence, which should appoint a local representative.

6. Market opportunities and conclusions

6.1 SWOT analysis

The following SWOT Analysis is intended to be a useful technique for understanding the Strengths and Weaknesses of India tea producers, and for identifying both the Opportunities open to them and the Threats they face in the Chilean market.

SWOT ANALYSIS

Strengths	Opportunities
• Good quality of Indian teas. • Wide variety of Indian tea products, especially of black tea (the favourite among Chilean consumers). • Existence of experienced Indian producers and exporters. • General good image of Indian products. • Duty tax preference (India-Chile Partial Scope Agreement).	• Fast grow of the premium tea segment. • Consumer trend toward healthy and natural food. • Fast grow of specialty stores and foodservice. • Space for new products (i.e. new presentations, instant flavoured tea, etc.). • Private labels.
Weaknesses	**Threats**
• Low experience of India tea exporters in the Chilean market. • Low/none production of other types of tea (i.e. green, white and red).	• Limited number of potential importers/distributors. • Strict sanitary and health requirements, according to Chilean regulation. • Very concentrated market, leaving limited space for new brands. • Main local producer´s long term relations with suppliers.

6.2 Main conclusions

Even if it is a mature category, tea market has been constantly growing during the last few years (+29% within the last 5 years) and is expected to continue increasing (+20% in the next 5 years), driven mainly by premium teas.

The existence of two packing companies (Cambiaso and Unilever) representing almost 79% of the market, could leave limited space for the introduction of new brands. Both companies are constantly introducing new products to the market – especially in the premium but affordable segment - in order to keep their dominant position. Indian exporters willing to sell to these companies should take in mind that price is one of the main decision factors. It is also important to consider that these companies use to establish long-term agreements with suppliers (producers of brokers), therefore it could be difficult to enter and start a business relation with them. In particular, in the case of Unilever (for its brand Lipton), all the tea the company buy should come from sustainable plantations, certified by Rainforest Alliance.

Supermarkets private labels are expected to continue growing. They currently represent almost 10% of total supermarket sales and cover a wide variety of categories. As same as for the main local packing companies, price is the key factor to compete. Low-priced black tea bags are the main product in this segment; nevertheless, it can be expected private labels expand to flavoured teas, in line with consumer preferences, but always staying in the low and medium price segment.

Changes in consumer's preferences toward gourmet food products open opportunities to new tea products, especially to high quality varieties and new sophisticated flavours. As seen before, consumers are more willing to pay more for superior products. According to market actors interviewed, products in the premium category must be innovative and ideally different from the already existing one. This also includes new presentations, such as premium tea bags, easy to attach tea bags and vacuum seal loose tea bags. It is worth stressing that Chilean high price tea is mainly sold in small specialty stores. To address this market, Indian exporters should be willing to sell in small quantities and ideally offer different types of tea products.

The fast-growing consumer trend toward a healthy and natural lifestyle also creates opportunities for tea varieties offering superior health benefits (antioxidant, fat burning, heart protection, etc.) or originated from organic farming. In this regard, it must be remembered that –according to Chilean regulation – such benefits can be communicated to consumers (i.e. in labelling or advertising) only if they can be proven by the mean of certification or laboratory/clinical researches.

Finally and according to some market specialists, instant tea is a low developed but very promising segment, in line with consumer's changing eating habits and lifestyle toward ready-made food & beverages. In Chile, there is only one product in this category (Orjas brand), oriented to low-income population segment. Premium instant teas with new flavours and innovative presentations (i.e. crystals, tablets, etc.) could have good success in the market.

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