

This heterogeneity has influenced the degree of protection that each sector faces. Traditional crops are basically import substitutes. They are subject to a price-smoothing device (price bands) that establishes a variable import tariff so that the domestic price of wheat, sugar, and oilseeds falls within the limits of the band. In principle, price bands are not designed to be a protection scheme, but in practice they have operated as such. All other sectors of the economy (excluding automobiles) are subject to the flat 11% import tariff, with no additional protection.⁸

Traditional crops

This sector has traditionally been of great importance, due to its wide geographical coverage, the employment it generates, and the number and relatively small size of its producers. It represents about one third of agricultural GDP.

Wheat is the main traditional crop, with 400,000 to 600,000 hectares under cultivation each year. Its share in the total value of the agricultural production is around 19%. Due to the fall in production during the 1982-1983 crisis, a system of price bands was introduced. The maximum and minimum prices of the band are set annual on the basis of the evolution of FOB prices during the last 60 months.

As a result of this new price scheme, domestic production recovered; imports fell and became nil in 1989. The fall in world prices in recent years has depressed production somewhat, and has induced increasing imports. Wheat production is concentrated mainly in small producers in the central-south part of the country. Canada is today, the principal source of wheat imports (Durum variety) to Chile.

In contrast to wheat, **corn** production is highly technified.

⁸ Countervailing duties are available to offset export subsidies granted by other countries. Imported milk, for example, is subject to such duty, as a response to widespread subsidization of this product in Europe and the United States.