

14. AGRICULTURE AND AGROINDUSTRY

14.1. Overview of the agricultural and agroindustrial sector

Background

The Chilean agricultural sector represents around 8% of total Gross Domestic Product (GDP), and has experienced uneven growth over the last decade. During the 1982-1983 economic crisis, agricultural GDP fell (although considerably less than total GDP), then grew substantially between 1984 and 1989, as part of an overall export boom. (Table I in the Statistical Appendix shows the evolution of sectoral GDP and exports.) As a result of this, the Chilean agricultural trade balance evolved from a deficit in the early 1980s of almost US\$400 million to a surplus of around US\$1 billion a decade later (See Table II in the Statistical Appendix).

In recent years, growth has stagnated because of falling external prices, a significant appreciation of the real exchange rate (almost 10% per year in 1991 and 1992) and rising export restrictions in foreign markets, especially in Europe. Nonetheless, external prices will recover with the end of the international recession, and the real exchange rate will stabilize or appreciate smoothly.⁷ Chile's long-term economic strategy will continue to be based in world markets, and it is expected that the agricultural sector will remain one of the most dynamic and innovative, especially in the non-traditional sub-sectors such as fruitgrowing and agro-industry.

The Chilean agricultural sector is widely heterogeneous. It includes traditional and low-profitability crops such as wheat, corn and sugarbeets, and more modern and competitive sub-sectors like fruitgrowing and agroindustry.

⁷ In 1993, Chile's real exchange rate will recover slightly, which is not surprising given the adverse terms of trade shock. Beyond 1993, an appreciation cannot be ruled out as a long term trend, but at a much smoother pace than in 1991-92.