



Forestry Industry

Chile's planted forest area, primarily located along the coast in the southern regions X and XI, represents about 2.7% of Chile's total land area, growing from just 300,000 hectares in 1970 to over 2.07 million hectares by 2006. Radiata Pine and Eucalyptus comprise the vast majority of this area, totaling 1.5 million and 380,000 hectares, respectively. Forest plantation privatization in the 1970s led to rapid growth in forestland area and, consequently, increased exportation; the forestry industry grew to comprise 13% of the country's total exports in 2005, making it one of the largest export sectors for Chile. In fact, Chile has South America's most export-oriented forestry industry. Due to popular and increasing demands for Chile's forestry products, the government is currently focusing on increasing the already vast acreage of Chile's Pine and Eucalyptus plantations as well as opening new industrial plants, with the goal to double exports in the next decade.

Industry Highlights

- The forestry industry commanded 3.1% or US\$ 4 billion of Chile's GDP in 2004
- 70% of Chile's forestry production is shipped out of the country, exports rising from merely US\$850 million in 1990 to a record US\$3.9 billion in 2006
- An estimated US\$2.5 billion will be invested in the forestry sector between 2006 and 2010
- The Chilean forestry industry commands over US\$24 billion in total assets
- Pulp represents over 40% of forest products exported, measuring about 2.9 million tons per year

Chile's prime environmental conditions as well as its constant investment in biotechnology and genetics gives it an important advantage in the global forestry market; Chilean Pines and Eucalyptus on average grow faster than its foreign counterparts. For example, the Radiata Pine takes 20-22 years to reach full growth while European conifers take an average of 60 years. Within the forestry sector, the largest contributor to total production is pulp, at about 2.9 million tons cultivated per year. Following are wood-based panels (1.4 million cubic meters/year) and lumber (7 million cubic meters/year).

Important developments in the forestry industry have led to an increasingly attractive market. In 2005, the Nueva Aldea Sawmill opened, quickly becoming one of the world's ten largest producers of sawn timber, which is one of the most promising sub sectors in forestry today. Moreover, the company is the largest producer in the world of wood moldings. Another Chilean company, Arauco, is one of the largest forestry companies in Latin America in terms of surface area and plantation yield, covering 1.41 million hectares not only in Chile, but also in Brazil, Argentina and Uruguay.

Due to constant updates in technology, increasing production capacity and new investments, wooden panels were the fastest growing exports in the forestry industry between 1996 and 2006, with an average growth rate of 23.5% over those years. Other promising sub sectors for future investment include wood chips, veneers, sawn wood and wood boards. The forestry industry is a large attractor of foreign investment, receiving US\$17.3 million of FDI in 2006. Moreover, investment is expected to grow; entities such as the Chilean Development Agency, CORFO, provide incentives continue to make the forestry industry attractive to Chilean and foreign investors alike.