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# THE MARKET FOR CHIA

Market Brief #09

## INTRODUCTION

Native to Mexico and Guatemala, chia (*Salvia hispanica*) has its roots in ancient Mesoamerica where it was named after the Mayan word for “strength.” Chia comes in two main types, white chia and black chia; with the latter being the more commonly produced variety. Chia seeds are renowned for both their nutritional and hydrophilic properties (i.e. dissolved by or attracted to water) and are increasingly popular with consumers seeking out “super foods” (i.e., nutrient-rich foods considered to be especially beneficial for health and well-being). The seeds are an excellent source of protein, fiber and omega-3 fatty acids and increasingly used in baked goods, cereals, animal feed and alone as a nutritional supplement. Small quantities of chia are used for processing into seed oil, which is sold via small niche retailers. Unfortunately, chia does not have specific Harmonized System (HS) code, meaning customs trade data is not available for this product.



## PRODUCTION

Approximately 24,000 metric tons (MTs) of chia was produced in 2011, with roughly 80 percent originating in South America. Within South America, **Bolivia**, **Argentina**, and **Ecuador** are major producers, while **Guatemala**, **Nicaragua**, **Mexico** are also significant producers. Chia seeds are naturally covered in tiny fibers that transform into a gel once in contact with water. Therefore any rain prior to its harvest will ruin the crop. According to a US importer, Bolivia lost 50 percent of its 2012 crop due to excess rainfall. Conversely, in 2012, Argentina suffered from losses due to drought. The importer also noted his company sourced non-organic chia from Bolivia and Ecuador, and USDA organic certified chia from Mexico; however, both organic and non-organic are produced in all three countries.

Outside South America and Latin America, **Australia** is a producer of significance. The Chia Company (TCC) is Australia’s largest producer by volume (approximately 3,000 MTs per year). On average, 95 percent of Australia’s production is exported to the US, Canada, Europe, and other markets. The **US** produces a small amount of chia in the Midwestern and Eastern parts of the country. Production in these areas is limited by relatively short dry seasons and frosts that destroy seeds before reaching maturity.

## MARKETS

In 2012, the global chia market amounted to only US\$70 million per year, but the market is expected to grow in the coming years due to increased consumer interest in healthier food alternatives. Nielsen, a market research firm, estimated that from August 31, 2011 to September 1, 2012, the chia market grew by 239 percent and will reach US\$1.1 billion by 2020. A major European buyer noted chia imports during the first half of 2013 were ten times larger than all of the 2012’s shipments combined. Within Europe, the Netherlands, Germany, the United Kingdom, and Scandinavia are the largest buyers and consumers of chia, with the UK leading the way in new product launches. The US market is estimated by industry stakeholders to be around 7,000 MTs per year, with a large share of this sold in pure seed form. Within the US, a variety of products such as cereals, baked goods, and beverages include chia as an ingredient. While a relatively niche market until recently, large players such as Kellogg are now introducing the seeds into their products, recently introducing a cereal bar containing chia in an attempt to connect with the growing health-conscious consumer in the US market.

## SEASONALITY

Chia production tends to thrive in areas where the dry season is long i.e. lasting at least three months. Owing to its hydrophilic properties, chia must be grown during the dry season to mitigate the risk of crop losses and ensure that seeds are harvested at their peak maturity. According to a US importer, South American and Australian chia becomes available in August and September. Depending on the harvest, the US is able to meet its demand by purchasing from Argentina, Bolivia, and Ecuador. However, during poor production seasons (i.e. crop losses from heavy rainfall or drought), a US importer will purchase from Mexico, whose late harvest season occurs in November and December.

## PRICES

According to an Australian chia company, in early 2012 bulk chia prices spiked from US\$4.00 per kg to US\$9.50 per kg due to poor harvests (e.g. heavy rainfall in Bolivia, drought in Argentina) in South America. A US importer confirmed this price spike and advised that, in general, suppliers should not offer more than US\$5,000 per MT (e.g. US\$5.00 per kg) (CIF<sup>1</sup>) if they hope to be competitive.

## STANDARDS, LAWS AND REGULATIONS

In general, US importers were split in terms of purchasing organic versus non-organic chia. One US buyer noted that USDA organic certified was a “big consideration” while other buyers stated that they would be open to purchase non-organic chia. At a minimum, chia shipments should at least have a 99.5 percent purity level (i.e. free of stems and foreign matter), but ideally this percentage should be at 99.7 percent. Additionally, chia seeds should be free from aflatoxins and mold. Additional product specifications are described in the accompanying “Chia Brand Product” document. US importers interviewed for this brief noted that that product quality must be verified by a reputable third-party organization and cannot be carried out at origin. One such organization, Switzerland’s SGS<sup>2</sup>, was recommended by the importer. Chia seeds are typically packaged in 25 kg or 50 kg polypropylene bags, with 20 or 40 bags shipped on a single pallet (1 MT per pallet).

## OUTLOOK

With consistent double digit growth in demand, buyers suggest that there is room in the market for additional producers to come online in the years ahead. Chia seed producers are taking advantage of the fact that chia is not expected to replace any existing food product, meaning the entire sector is a true growth market. Recent plantings in non-traditional producer countries (e.g., Paraguay) should ease the tight supplies, but are not expected to significantly affect the market until growers acquire the knowledge and skills to achieve price and quality targets demanded by the market. In the meantime, major producers such as Bolivia, Ecuador, and Australia will continue to be the top suppliers, although crop losses are not uncommon and would naturally allow secondary suppliers to fill any production shortfalls. For instance, in 2012, Bolivia lost half its chia crop due to excessive rainfall, causing a spike in global prices and leading US importers to source from other countries such as Mexico. Multiple buyers interviewed for this report expressed interest in procuring chia from Honduras but noted that quality and price benchmarks are firm. If Honduras can supply quality chia at competitive rates prices (<US\$5 per kg, CIF), the country should be able to gain access to the US market.

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<sup>1</sup> CIF: “Cost, Insurance and Freight” means that the seller delivers when the goods pass the ship's rail in the port of shipment. IFB Group [http://www.ifbgroup.net/inco/term\\_CIF.htm](http://www.ifbgroup.net/inco/term_CIF.htm)

<sup>2</sup> SGS, an inspection, verification, testing and certification company: <http://www.sgs.com/>

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