

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Argentina**

### **Poultry and Products Annual**

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**Report Highlights:**

Post forecasts 2017 broiler meat production to reach 2.17 million metric tons based on stronger exports as domestic consumption is close to its ceiling. 2017 exports are forecast to increase by 16 percent to 220,000 tons based on greater demand from China and non-traditional markets. In 2016, Argentina experienced a small spike in imports supplied by Brazil, estimated at 10,000 tons for the year.

**Commodities:**

Poultry, Meat, Broiler

**Production:**

Post forecasts 2017 broiler production to reach 2.17 MMT, a 3 percent increase from Post's revised estimate for 2016. This modest increase is driven by stronger exports as a result of the strong work Argentina is doing in order to open new markets. The domestic market has practically reached its ceiling and there is little room for further expansion in domestic consumption. Moreover, cattle herd expansion is expected to lead to a recovery in per capita consumption of beef around 53.5 kg. While broiler meat consumption has risen tremendously over the past decade because of its price competitiveness, beef is Argentines' preferred meat choice.

Costs are expected to moderate as economic forecasts point to lower inflation for 2017. More importantly, feed costs are expected to decline as Argentine corn production is forecast to increase by 30 percent for the 2016/2017 season. This development along higher corn production in other key producing countries is expected to put downward pressure on corn prices – the main component of feed rations for the Argentine poultry sector.

*2016*

2016 production is revised down to 2.1 million tons compared to USDA's official estimate based on lower production during the first half of the year. The temporary exit of Cresta Roja (the second largest producer for Argentina, which declared bankruptcy in December 2015) from December 2015 until March 2016 made a dent in total broiler meat production for Argentina. However, production is expected to accelerate as Cresta Roja's reinsertion in the market will increase the country's production levels during the second half of the year. In addition, minor export growth is also a cause of the production revision as exports to various primary markets have fallen, as demonstrated by year-to-date (January-July) shipments down nearly 20 percent compared to the same period last year (see "Trade" section)

Production costs were higher in 2016 as result of fiscal adjustments, inflationary pressures and significant policy shifts towards the grain and oilseeds sectors. In December 2015, the new Argentine government reduced the export tax on soybeans and its byproducts by 5 percentage points and eliminating export taxes on all other agricultural commodities (see [New Government Lifts Currency Controls and Cuts Export Taxes](#)). Soon after that, the new administration eliminated export permits (ROEs) for grains and oilseeds (see [New Government Eliminates Export Permits for Grains and Oilseeds](#)). This increased feed costs – about 30 percent of overall costs – as more grain and oilseed supplies flowed towards the export sector. However, producers expected this and were fully prepared for these policy changes. As such, these elevated costs had a minimal effect on production, but did diminish producer margins.

*2015*

2015 production is revised down to 1.99 million tons based on updated government and industry estimates. Sources suggest this dip in production is largely due to drop in exports, diminishing the need for greater production.

### *Industry Structure*

The sanitary conditions of Argentina's production system as well as its production capacity continue to be excellent, making Argentina a well-regarded and reliable supplier in the world market especially after the latest outbreaks of Avian Influenza throughout the globe. Industry contacts have stated that Argentina, along with other South American countries are developing different contingency plans and increasing controls in order to avoid potential outbreaks and contamination.

The local industry is vertically integrated to a significant degree which allows for production efficiency, excellent product quality, product standardization and tight traceability. The Argentine poultry industry has made large improvements in expanding plants and purchasing equipment in the last few years. This modernization is directly reflected in increased efficiency and a boost in production. Argentina is a relatively new presence in the world poultry market and now ranks eighth in production after the United States, China, Brazil, EU, India, Mexico and Russia. Its natural advantages as a producer of corn and soybeans and excellent sanitary conditions make it a key player to meet growing global demand.

Approximately 80 percent of the country's total production is processed in 58 federally inspected plants across the country. The rest is produced by smaller companies approved and controlled by provincial authorities that only sell in the areas where they are located, and are not approved to export. Most companies are domestically owned and receive no foreign investment.

Argentine broilers for the export market are generally slaughtered at 37-40 days, while broilers for the domestic market are slaughtered at 49-51 days and are usually large (carcass weight 2.2 – 2.4kg) to meet the consumer demand for both whole birds and cuts.

### **Consumption:**

Post forecasts 2017 domestic broiler consumption to remain stagnant at 1.9 MMT, about 44 kg per capita. Although Argentines have always consumed large volumes of beef (almost on a daily basis), the deteriorated purchasing power of the consumers, the rise in beef prices, and competitive retail prices of poultry resulted in an upward trend in the consumption of poultry which continues to be the least expensive animal protein.

2016 consumption is revised down to 1.92 million tons due to lower production. Nonetheless, per capita consumption increased by over 2 kg. to an estimated 43.8 kg. for 2016 as beef prices accelerated and macroeconomic adjustments encouraged consumers to seek more inexpensive sources of protein. Per capita consumption for 2015 is estimated at 41.5 kg.

There are no official statistics that differentiate broiler consumption between whole birds and parts. Argentine consumers still have a preference for large whole broilers. According to industry contacts, domestic broiler consumption of parts (versus the whole bird) remains stable at 35

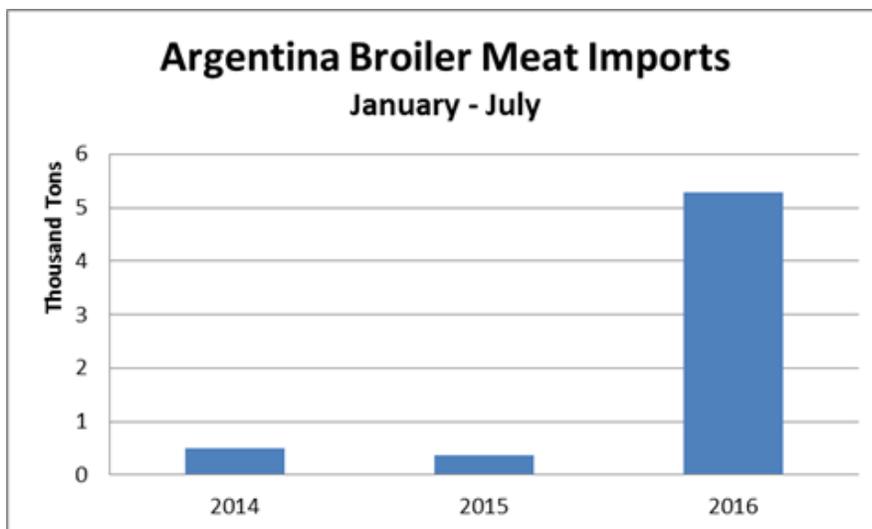
percent. Nevertheless, it is reported that the A-B1 areas of the country (with the highest purchasing power) consume almost 80 percent of parts versus the whole bird. In response, Argentine poultry processors are shifting their sales strategies toward broiler parts (mostly leg quarters and breast meat) and further processed value added products such as pre-cooked meals, frozen chicken meals, chicken nuggets and chicken burgers.

## Trade:

### *Imports:*

Argentina traditionally imports very small volumes of poultry and poultry products. However, in 2016, Argentina experienced a small spike in imports from Brazil. These imports are composed of cuts (breasts) and processed chicken (nuggets). During the first seven months of 2016, Argentina imported a total of 5,294 tons; this represents a significant increase as imports for the entire year of 2015 totaled 784 tons. Reports indicate that the local sector is not particularly concerned over the volumes of these imports, but the trend they may establish. Brazilian exports are increasingly more competitive in world markets, especially after the devaluation of the Real last year. Moreover, one industry source claimed that Brazil's poultry prices are up to 40 percent lower than Argentine ones. Local industry worries that Brazil may accelerate their exports to Argentina, which they feel will hurt their sector.<sup>1</sup> Based on these developments, 2016 imports are revised up to 10,000 tons.

2017 imports are forecast down to 4,000 tons as a rise in production and moderation of local industry costs is expected to lower import demand.



Sources: Global Trade Atlas

### *Exports:*

2017 exports are forecast to increase by 16 percent to 220,000 tons based on greater demand from China and non-traditional markets. Over the past few years, the local poultry sector has engaged in an

<sup>1</sup> <http://www.cronista.com/negocios/Preocupa-a-industriales-locales-la-importacion-de-pollo-de-Brasil-20160818-0032.html>

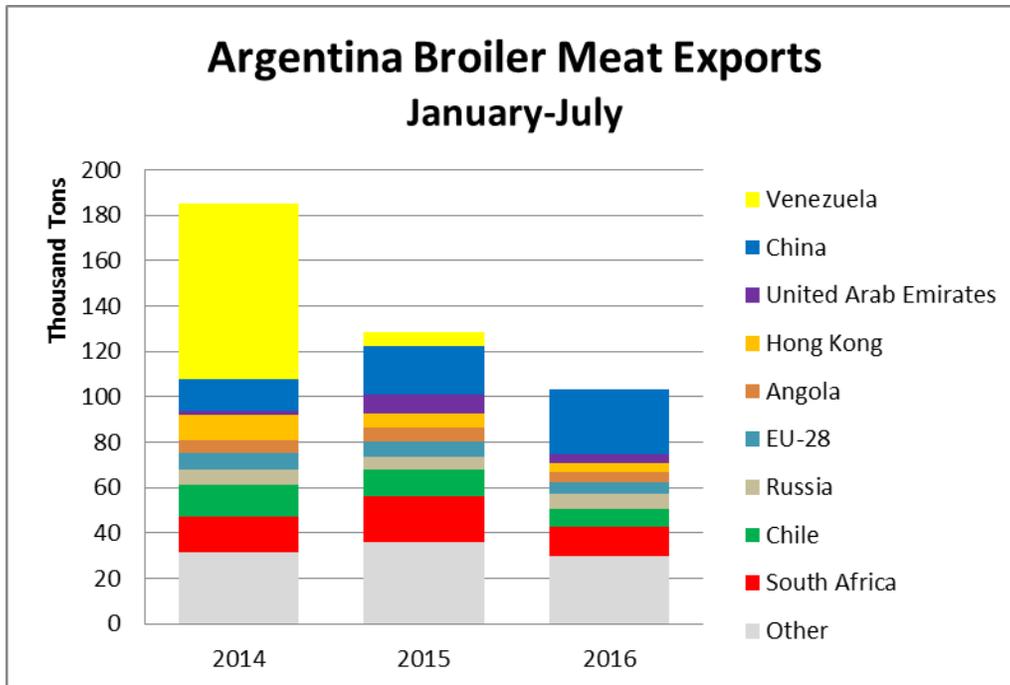
aggressive campaign to open new markets with the help of the government. As such, the sector is comfortable that recent openings and ongoing efforts will secure greater shipments. This campaign is a key part of the industry's growth strategy as it acknowledges that Argentine consumption of broiler meat will plateau around 45-46 kilograms per capita. As such, the sector's future growth will depend primarily on the success of its export sector.

The European Union and Mercosur (a regional trading block that includes Argentina, Brazil, Paraguay, Uruguay, and Venezuela) initiated free trade negotiations back in 2004. After years of delays, the Argentine government appears to be more optimistic over the possibility of solidifying an agreement within next few years. In January 2016, Argentina's Minister of Agro-Industry, Ricardo Buryaile, visited Europe to meet with officials and reinforce the government's interest in expanding the EU market for Argentine agricultural exports. However, media sources report that EU producers are concerned about the opening of their market for certain agricultural products, including poultry.<sup>2</sup> Recent media reports indicate negotiations are moving forward.

2016 exports are revised down to 190,000 tons due to lower exportable supplies and greater competition from major exporters, particularly Brazil. The sharp decline in exports to Venezuela – once Argentina's main market - led to significant readjustments for the sector. Today, the sector is focused on maintaining shipments to major markets in Asia, the Middle East and southern Africa, while exploring non-traditional markets such as the European Union. However, year-to-date data reveals that while exports may be growing to Argentina's largest market, China, shipments to most primary markets are falling. As mentioned before, the sector is increasingly worried of Brazil's competitiveness in world markets, facilitated by devaluation and significantly low prices. This partially explains Argentina's year-to-date decline in exports of 20 percent compared to the same period last year. Exports for the first seven months totaled nearly 103,490 tons, the sector expects that exports will recover and exceed that volume during the second half of year. In the case of Chile, competition from U.S. exports has diminished exports to the market.

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<sup>2</sup> <https://www.euractiv.com/section/agriculture-food/news/mercosur-deal-will-tremendously-hit-eu-agricultural-exports-farmers-warn/>



Sources: Global Trade Atlas

Argentina's main markets for the first half of 2016 are composed of China (28 percent) South Africa (13 percent), Chile (8 percent), Russia (6 percent), the European Union (5 percent), Angola (4 percent) and Hong Kong (4 percent), and United Arab Emirates (4 percent). Over 62 percent of shipments are composed of parts, 36 percent of whole chicken, and almost 2 percent of prepared products. Industry sources report significant interest by many processors to develop more value-added operations, particularly Halal. They suggest that after exports begin to recover, industry will look into developing production lines to specifically service the preferences of consumers in Middle-East markets.

#### Policy:

The government continues to work very hard in controlling diseases and thus maintaining the country's excellent sanitary conditions. Despite the devaluation, the country's currency still makes broiler exports comparatively more expensive relative to other suppliers. Both the government and the industry are working very hard in order to open new markets.

#### Statistical Table:

Poultry, Meat, Broiler Market Begin Year	2015		2016		2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	2080	1990	2200	2100	0	2165
Total Imports	1	1	1	10	0	4
Total Supply	2081	1991	2201	2110	0	2169
Total Exports	187	187	225	190	0	220
Human Consumption	1894	1804	1976	1920	0	1949
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1894	1804	1976	1920	0	1949
Total Use	2081	1991	2201	2110	0	2169
Ending Stocks	0	0	0	0	0	0
Total Distribution	2081	1991	2201	2110	0	2169
(MIL HEAD) ,(1000 MT)						