

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Argentina**

### **Poultry and Products Annual**

#### **Argentina Poultry & Products Annual**

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**Report Highlights:**

Argentine 2015 broiler production is expected to reach a new record high of 2.15 million metric tons (MMT), in response to increasing Russian demand. Domestic consumption is estimated to level out its upward trend over the previous years. The sanitary conditions of the country as well as the plant's producing capacity continue to be excellent, which make Argentina a key player to meet growing global demand.

**Commodities:**

Poultry, Meat, Broiler

**Executive Summary**

2015 Argentine broiler production is projected to increase by 3.4 percent, reaching a new record high of 2.15 million metric tons (MMT). This increase continues to be driven by new export opportunities and excellent sanitary conditions.

Post forecasts 2015 domestic broiler consumption at the same levels estimated for 2014, at 41 kg per capita. This is a slowdown from the previous upward trend in consumption since the domestic market seems to be close to reach its supposed saturation point, but also because during 2014 the recession in the economy, as well as high inflation impacted consumers' purchasing power.

Argentina is seeking to capitalize on the opportunity to supply the Russian market after the country's announcement that is banning food imports from the United States, the European Union, Australia and Canada as part of the diplomatic dispute over Ukraine. The Argentine poultry industry has estimated that would be able to ship 150,000 MT in 2015 to supply the Russian market.

Argentine imports are negligible, mainly products for the pharmaceutical industry. Due to the strong import restriction system imposed by the government of Argentina, Post forecasts 2015 imports at 1.2 MT, even lower than the 2 MT estimated for 2014.

## Commodities:

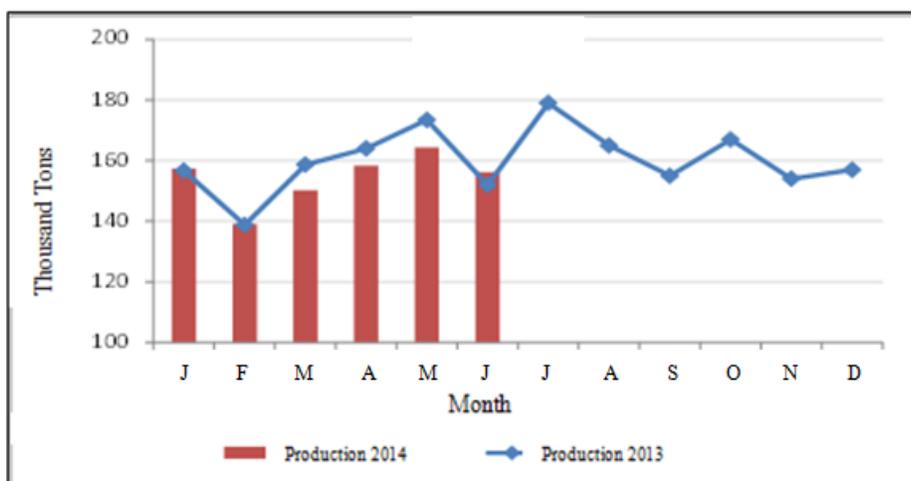
Poultry, Meat, Broiler

## Production:

Post forecasts 2015 broiler production to grow by 3.4 percent as compared to 2014 USDA's estimates and it is projected to reach a new record high of 2.15 million metric tons (MMT). This increase will mainly be driven by potential increased exports to Russia. Argentina is seeking to capitalize on the opportunity to supply the Russian market after the country's announcement that is banning food imports from the United States, the European Union, Australia and Canada as part of the diplomatic dispute over Ukraine. Contacts within the poultry industry stated they would be able to increase production and coordinate all necessary actions to meet Russia's requests. In the meantime, domestic demand will experience a slowdown from the growth rates observed in previous years. The domestic market is close to reaching its saturation point with consumers eating 41 kilos per year, a high volume considering that Argentines are among the largest beef consumers in the world, and that poultry per capita consumption 10 years ago was 22 kg per capita.

Post's 2014 estimated production is maintained at the forecast level of 2,100 MMT. Production costs, especially feed, energy and labor have dramatically increased due to inflation, having a direct impact on producer margins. The financial status of the industry the first four or five months of the year has been very difficult due to low domestic prices and high production costs. During the period of March through May 2014, production slightly slowed down compared to the same period in 2013, but it is expected to recover in the last quarter of the year.

## Argentina's comparative monthly production



Source: Ministry of Agriculture, Poultry Division

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 number eight 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.

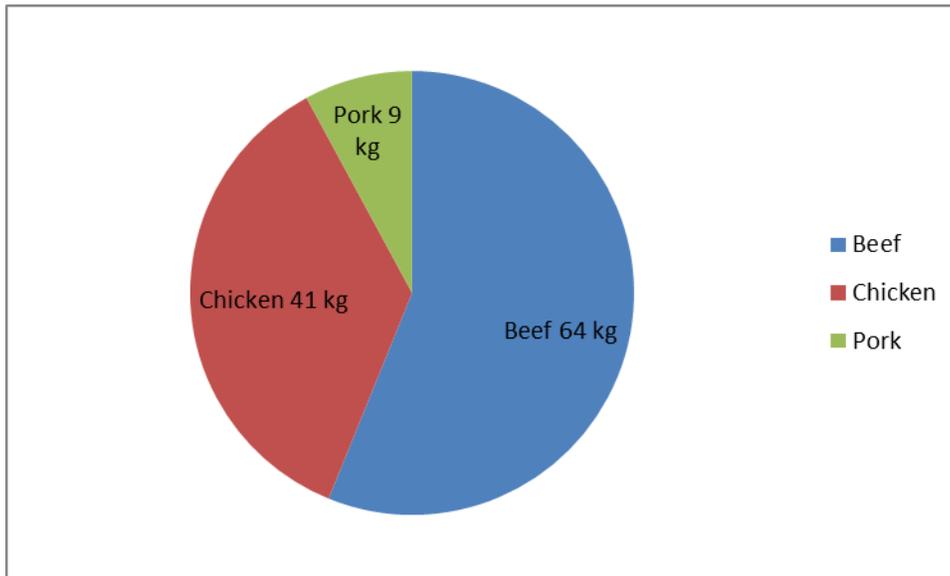
Approximately 80 percent of the country's total production is processed in 58 federally inspected plants across the country. The rest is produced by smaller companies approved and controlled by provincial authorities that only sell in the areas where they are located, and are not approved to export.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

Argentine broilers for the export market are generally slaughtered at 38-40 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 2015 domestic broiler consumption at the same levels estimated for 2014, at 41 kg per capita. This is a slowdown from the previous upward trend in consumption since the domestic market seems to be close to reach its supposed saturation point, but also because during 2014 the recession in the economy, as well as high inflation impacted consumers' purchasing power. Argentine consumers continue to be among the largest beef consumers in the world, and in order to keep prices under control, the government has limited beef exports. Therefore Argentines can buy beef at very competitive prices. Also, Argentine consumers have reached a ceiling in animal protein consumption. Of the estimated 114 kg per capita consumption of animal protein, 64 kg is beef, 41 kg chicken and 9 kg is pork.

## Per capita Argentine protein consumption



Source: FAS Buenos Aires

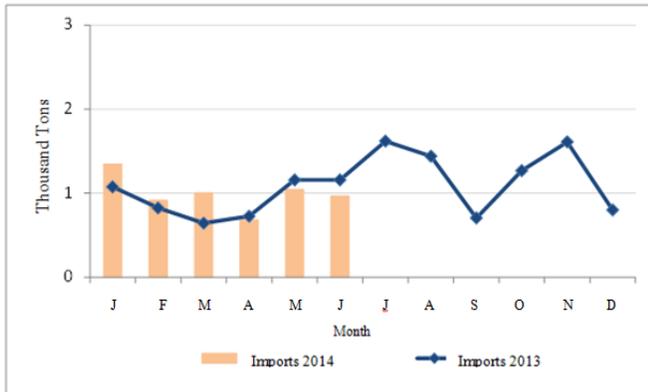
There are no official statistics that differentiate broiler consumption between whole birds and parts. Argentine consumers still have a preference for large whole broilers. According to industry contacts, domestic broiler consumption of parts (versus the whole bird) remains stable at 35 percent. In response, 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 imports very small quantities of poultry and poultry products. Due to the strong import restriction system imposed by the government of Argentina, Post forecasts 2015 at 1.2 MT, even lower than the 2 MT estimated for 2014. In 2014 correspond 91 percent of imports are cartilage and some chicken breasts imported from Brazil, and 9 percent are powder meal and bone meal from the United States. For further information on Argentine import restrictions please see GAIN report “Argentina – Food Exporters Guide” at [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide\\_Buenos%20Aires\\_Argentina\\_1-15-2013.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide_Buenos%20Aires_Argentina_1-15-2013.pdf)

## Argentina's monthly imports



Source: Ministry of Agriculture, Poultry Division

## Exports

Argentine broiler meat exports for 2015 are forecast at 400,000 MT, the highest on record (this volume does not include chicken paws exports to China and Hong Kong). This forecast is based on the framework export agreement signed by the governments of Russia and Argentina during the visit of the trade delegation that visited Moscow in August 2014. Argentina is seeking to capitalize on the opportunity to supply the Russian market after the country's announcement that it is banning food imports from the United States, the European Union, Australia and Canada as part of the diplomatic dispute over Ukraine. A new delegation (that will include company representatives), will travel to Russia mid-September 2014 in order to sign industry agreements establishing long term contracts with Russian companies. The Argentine sector has invested in increased capacity and is ready to face the challenges of the demand of new markets, especially Asian markets. The Argentine poultry industry expects that would be able to ship 150,000 MT in 2015 to supply the Russian market. In order to speed up the process, the Russian government has announced that all the Argentine plants already approved to export to the European Union, are approved to export to Russia as well. No further approval is required. Contacts within the Argentine government have reported that there are several plants not yet approved to export that have initiated the approval process.

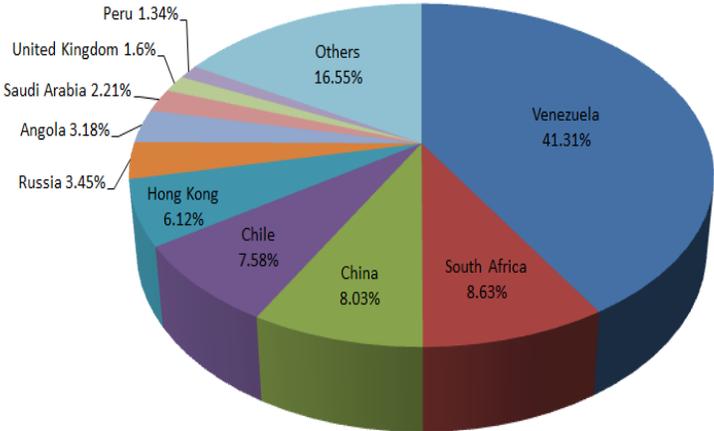
Argentina continues to expand its international markets, despite the devaluation of the Argentine peso that continues to run at a slower pace than inflation. This factor could make Argentine exports less competitive. Nevertheless, the sanitary conditions of the country as well the plant's producing capacity continue to be excellent.

In 2014 Venezuela continues to be Argentina's biggest export market, representing 41 percent of total exports. Argentine exporters harbor concern due to Venezuela's payment defaults but continue to sell significant volumes since Venezuelans have the same preference for broilers as Argentines do, which

makes production easier. With the increased exports to Russia, Argentine producers expect to be able to shift some of the volumes destined to Venezuela to the Russian market. Following in importance, other Argentine export markets are South Africa (8.6 percent) and China (8 percent). Exports to Russia represent 3.4 percent of total exports.

It is estimated that 2014 total exported volume will be 61 percent whole chicken, 2 percent breasts, and 2 percent quarter legs. Other products make up the remaining export balance.

**Argentine export destinations (first semester 2014)**



Source: FAS Buenos Aires based on World Trade Atlas

Exports of paws in 2014 are estimated to remain at approximately 29,000 MT, at similar levels of 2013. Based on Argentine export trade data, Argentine exports of paws during the first semester of 2014 were 17,300 MT. The main markets for paws are China and Hong Kong.

*The PS&D table excludes chicken paws exports.*

**Policy**

There is no specific government policy for the poultry sector. However, the government continues to work very hard in controlling diseases and thus maintaining the country’s excellent sanitary conditions.

Poultry, Meat, Broiler Argentina	2013		2014		2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Inventory (Reference)</b>	0	0	0	0		0
<b>Slaughter (Reference)</b>	0	0	0	0		0
<b>Beginning Stocks</b>	0	0	0	0		0
<b>Production</b>	2,060	0	2,080	2,100		2,150
<b>Total Imports</b>	2	0	2	2		1
<b>Total Supply</b>	2,062	0	2,082	2,102		2,151
<b>Total Exports</b>	324	0	345	365		400
<b>Human Consumption</b>	1,738	0	1,737	1,737		1,751
<b>Other Use, Losses</b>	0	0	0	0		0
<b>Total Dom. Consumption</b>	1,738	0	1,737	1,737		1,751
<b>Total Use</b>	2,062	0	2,082	2,102		2,151
<b>Ending Stocks</b>	0	0	0	0		0
<b>Total Distribution</b>	2,062	0	2,082	2,102		2,151

MIL HEAD, 1000 MT, PERCENT, PEOPLE, KG