

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:

2016 Argentine broiler production is expected to reach a record 2.1 million metric tons (MMT) on modest growth in the export sector. Domestic consumption is estimated to be stagnant at 1.85 MMT as consumption of other animal proteins remains strong. Argentina is looking to open new markets that would replace the loss of Venezuela as the largest market for Argentine poultry shipments. The sanitary conditions of the country as well as its production capacity continue to be excellent, which make Argentina a key player to meet growing global demand.

Executive Summary:

2016 Argentine broiler production is projected to reach a new record high of 2.1 MMT. This estimate is sustained by lower production costs vis-à-vis low feed prices and modest export growth supported by excellent sanitary conditions and greater demand from South Africa, the Middle East and other markets. Post forecasts 2016 Argentine broiler exports at 250,000 metric tons (MT), an increase of 19 percent from the revised 2015 figure.

The outlook for the Argentine poultry industry remains challenging. While the industry still benefits from the low feed prices, the world market offers modest relief to the Argentine poultry sector. Venezuela, historically Argentina's largest market (over 40 percent of total exports over the years), dramatically lowered its purchases in 2014. Other petroleum producing countries decreased their purchases as a consequence of low global prices for petroleum. On the other hand, by mid-2014 the Argentine poultry industry was very optimistic and tried to capitalize on the opportunity to supply the Russian market after the country's announcement of the ban on food imports from several countries including the United States, Canada and the European Union. However, higher Argentine shipments to Russia only lasted a few months and ended with the devaluation of the ruble by the end of 2014. Chile, traditionally one of the best markets for Argentina is now taking advantage of well-priced leg quarters offered by the United States, cutting into Argentina's market share. Argentina is seeking the opportunity to open new markets (or increase volumes to existing markets) such as Mexico, Canada or South Korea.

High inflation combined with a strong exchange rate has put the sector in a competitive disadvantage, negatively impacting producer's margins. The upcoming presidential elections contribute to an uncertain economic environment as well. In December 2015, a new administration will take office, and much of industry expects monetary adjustments to be made.

Argentine imports are negligible, mainly powder meal. Due to the strong import restriction system imposed by the government of Argentina, Post forecasts 2016 imports at 1,200 MT, the same volume estimated for 2015. Post forecasts 2016 domestic broiler consumption to remain stagnant at 1.85 MMT, about 43 kg per capita.

Commodities:

Poultry, Meat, Broiler

Production:

Post forecasts 2016 broiler production to reach a record 2.1 MMT, driven by low feed prices and stronger exports to South Africa and the Middle East. Post's 2015 production estimate is revised down to 2.06 MMT, lower than USDA's forecast of 2.1 MMT. Production costs, especially energy and labor have dramatically increased due to inflation, having a direct impact on producer margins. The stronger exchange rate is also responsible for weaker industry performance. Despite lower feed costs, the financial situation of the industry for the first four or five months of the year has been very difficult due

to low domestic prices and high production costs for other expenses. As a result of these circumstances, three big poultry producers are currently facing bankruptcy procedures.

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 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.

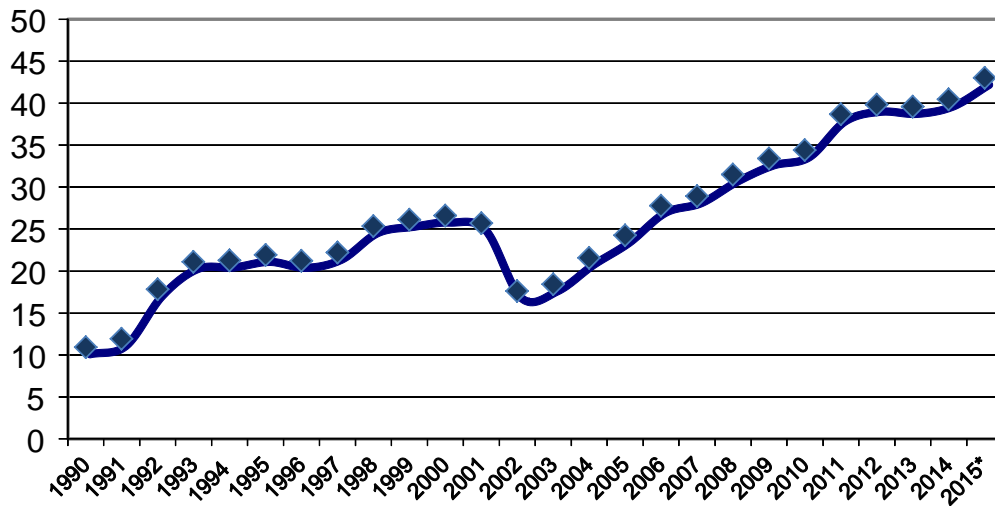
Consumption:

Post forecasts 2016 domestic broiler consumption to remain stagnant at 1.85 MMT, about 43 kg per capita. Although Argentines have always consumed large volumes of beef (almost on a daily basis), the deteriorated purchasing power of the consumers and competitive retail prices of poultry are resulting in an upward trend in the consumption of poultry which continues to be the least expensive animal protein.

2015 broiler meat consumption is revised higher to 1.85 million as the domestic market was flushed with greater supplies due to the decline in exports to Venezuela. Per capita consumption went from 40 kg in 2014 to 43 kg in 2015. 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.

Of the estimated 117 kg per capita consumption of animal protein, 59kg is beef, 43 kg chicken and 15 kg is pork (this includes fresh and processed).

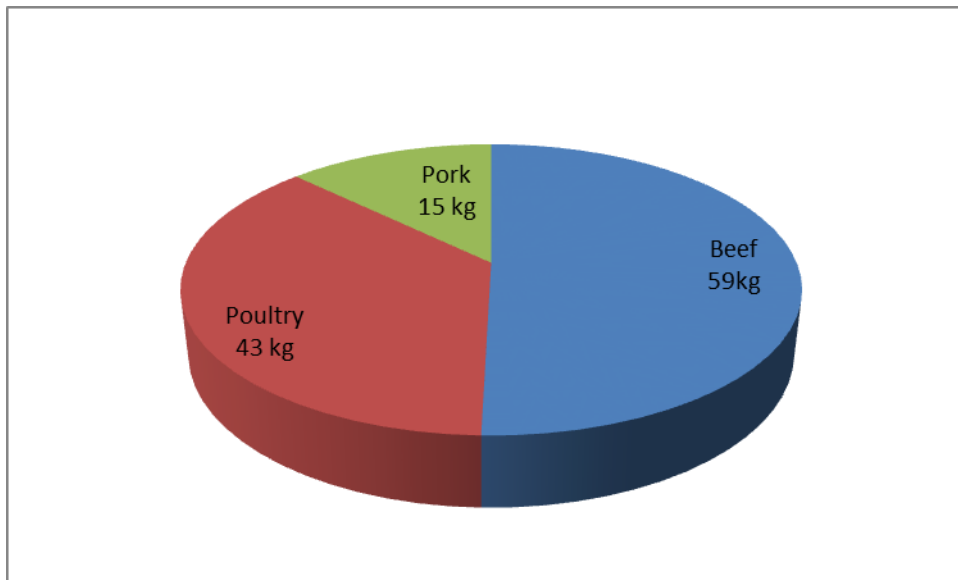
Per capita Argentine poultry consumption (in kilos/year)



*2015 estimated

Source: Ministry of Agriculture, Poultry Division

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. 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 imports very small quantities of poultry and poultry products. The strong import restriction system imposed by the government of Argentina continues to be in place. Post forecasts 2016 at 1,200 MT, the same level estimated for 2015.

Exports

Argentine broiler meat exports for 2016 are forecast at 250,000 MT, nineteen percent higher than USDA's revised 2015 estimate (this volume does not include chicken paws exports to China and Hong Kong). Although exports to Venezuela have declined dramatically, Argentina has offset the loss with higher shipments to other markets in the Middle East – United Arab Emirates and Saudi Arabia – along with South Africa. Shipments to Middle East are composed practically all by frozen whole birds. Shipments to South Africa demonstrate Argentina's improved processing capacity and shift towards parts and processed products as they are composed of frozen parts.

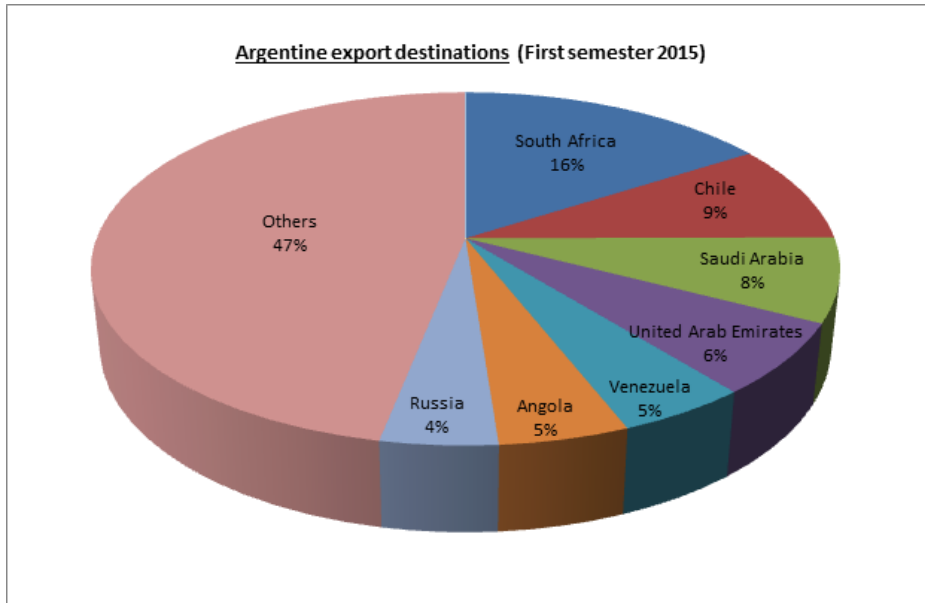
For 2015 total exports are revised down to 210,000 MT. This forecast is based on a less competitive exchange rate and lower demand in Venezuela, Russia and Chile. In Venezuela, Argentina's total exports to the market declined from 40 to 6 percent, with no expectation that demand will revert back to previous levels. It also appears that Venezuela may invest in more domestic production of broiler meat. In the case of Russia, the devaluation of the ruble led to Argentine shipments returning to historic levels - about 4 percent of total exports.

In Chile, competitive imports from the United States have led to a 10 percent decline in Argentine imports. The strong local currency the Argentine peso continues to run at a slower pace than inflation which makes Argentine exports less competitive, especially after Brazil recently devalued its currency and thus raised its competitiveness.

Argentina continues to expand its reach in international markets. The sector has invested in increased capacity and is ready to face the challenges of the demand of new markets, especially Asian markets. Contacts within the government have reported that there are several plants not yet approved to export that have initiated the approval process. Fifteen processing plants currently have export capacities, and ten more plants are able to export only paws and sub products. Contacts within the Chamber of Poultry Processors (CEPA) have indicated that they are intensively working with those ten plants in order to improve their export status by adding higher value products such as parts or whole birds.

Argentina's main markets are South Africa (17 percent), Chile (9 percent), Saudi Arabia (8 percent), the United Arab Emirates (6 percent), Venezuela (6 percent), Angola (5 percent) and Russia (4 percent). It is

estimated that of the total exported volume 66 percent will be whole chicken, 5 percent breasts, and 9 percent quarter legs. Other products make up the remaining export balance.



Source: FAS Buenos Aires based on World Trade Atlas

Note: this graphic excludes chicken paws exports

Exports of paws in 2016 are estimated to remain at approximately 31,000MT, at similar levels of 2015. Based on Argentine export trade data, Argentine exports of paws during the first semester of 2015 were 18,385 MT. The main markets for paws continue to be China and Hong Kong.

The PS&D table excludes chicken paws exports.

Policy:

The government continues to work very hard in controlling diseases and thus maintaining the country’s excellent sanitary conditions. The country’s strong currency is making broiler exports more expensive relative to other suppliers. In December 2015, a new administration will take office, and much of industry expects monetary adjustments to be made.

Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler	2014		2015		2016	
	Market Begin Year		Market Begin Year		Market Begin Year	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

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	2050	2050	2100	2060	0	2100
Total Imports	1	2	1	1	0	1
Total Supply	2051	2052	2101	2061	0	2101
Total Exports	278	312	275	210	0	250
Human Consumption	1773	1740	1826	1851	0	1851
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1773	1740	1826	1851	0	1851
Total Use	2051	2052	2101	2061	0	2101
Ending Stocks	0	0	0	0	0	0
Total Distribution	2051	2052	2101	2061	0	2101
(MIL HEAD) ,(1000 MT)						