

**Required Report:** Required - Public Distribution

**Date:** January 23, 2024

**Report Number:** AR2023-0013

## **Report Name:** Poultry and Products Annual

**Country:** Argentina

**Post:** Buenos Aires

**Report Category:** Poultry and Products

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### **Report Highlights:**

Post projects Calendar Year (CY) 2024 Argentine chicken meat production at 2.4 million metric tons (MT), up slightly from CY2023 levels. CY2024 exports are projected at 140,000 MT as Argentina recovers from its first Highly Pathogenic Avian Influenza (HPAI) outbreak. In August 2023, The World Organization for Animal Health validated a report written by the Argentine National Food Safety and Quality Service (SENASA), which self-declared Argentina to be free of HPAI. Argentina has been working to regain market access across the world following a six-month self-suspension of poultry exports. Post's production and export estimates are based on demand from markets which have officially reopened, including Uruguay, Singapore, and the European Union.

## **Executive Summary**

Poultry production is expected to increase in CY2024 despite complex domestic economic and political conditions. Producers base production decisions on the dynamics of the domestic market. Predicted trends for poultry meat production for CY2024 show promising dynamics, with an estimated increase of three percent. The affordability of poultry compared to other meat means strong domestic consumption as consumers look to make the most of their food budget in an over 100 percent inflation environment. Additionally, the sector is optimistic in its ability to reopen and recapture market share in many international markets. These include Saudi Arabia, China, and South Africa, among others, that were lost due to the February 2023 influenza outbreak. As of August 2023, the European Union, Uruguay, and Singapore markets have officially reopened.

Argentina, and its poultry industry faced many challenges in CY2023. These include sluggish growth, high inflation, complex international trade challenges, stringent currency controls, and a three-year drought which has reduced agricultural production and made poultry feed more expensive. Also, the end of the *Soy-Dollar* and *Agro-Dollar* programs (which set preferential exchange rates for proceeds from certain agricultural exports) coupled with the *PAIS tax* on inputs are expected to increase the cost of poultry production in Argentina. The end of the *Soy-Dollar* and *Agro-Dollar* programs has made it more expensive for poultry producers to import feed ingredients. The *PAIS tax* on inputs increases the cost of imported feed ingredients.

In August 2023, the World Organization for Animal Health (WOAH), confirmed through the publication on its official website, the report submitted by the National Service of Agri-Food Health and Quality (SENASA), in which Argentina declared itself free of Highly Pathogenic Avian Influenza (HPAI). Argentina stopped exporting poultry when the outbreak started in February 2023. With the seal of approval from the WHO Argentina will be able to export poultry once again. SENASA will continue epidemiological surveillance and prevention measures throughout the country.

## **Production**

Post estimates a modest increase of 3 percent in poultry meat production, rising from 2.33 million metric tons (MT) in CY2023 to 2.4 million MT in CY2024. The growth of the poultry sector is in-line with the expectations of producers, both in terms of domestic and export demand. However, it is important to note that the potential for significant expansion is limited by the current challenging economic conditions, and no major investments in production capacity.

The primary driver behind the projected rise in poultry production for CY2024 is the increasing domestic demand and exporters anticipating reopening of export markets. This demand is being driven by several factors, such as the rising price of beef and the ongoing economic recession. As a result, consumers are shifting to poultry as a more affordable and accessible protein source.

Post estimates no change in Argentine poultry production for CY2023 compared to USDA forecast of 2.33 million MT. Projections for CY2023 indicate that approximately 755 million birds will be slaughtered in Argentina, both at national and local facilities. Almost 90 percent of poultry production is concentrated in the provinces of Buenos Aires and Entre Ríos.

The industry faces higher operating costs than some of its competitors in other countries, due to high labor and transportation costs. However, it benefits from export tax advantages on feed ingredients. For example, soybeans, soybean meal, corn, wheat, and barley are subject to export taxes. These export taxes lower the domestic prices of feed ingredients, giving poultry producers in Argentina a strategic advantage in terms of their cost of production. This advantage is partially offset by the nine percent export tax on chicken meat, which reduces the profitability of exports. The overall impact of the export tax advantages and disadvantages on the Argentine poultry industry is complex and depends on a variety of factors, such as the global market prices for poultry products, the real exchange rate, and the cost of labor and transportation in Argentina. In addition to these factors, the availability of land and water for poultry production, the quality of the feed ingredients available, the level of technology adoption by poultry farmers, the sanitary conditions of poultry farms, and the demand for poultry products in Argentina and the global market could all affect the industry.

The poultry sector in Argentina is dominated by privately-owned businesses. The majority of chicken meat production (over 80 percent) comes from 54 federally inspected plants. These plants are subject to strict regulations and standards to ensure the safety and quality of the products. In addition to these federally inspected plants, there are also 40 provincially inspected plants that are subject to less stringent regulations. These plants are primarily used for domestic distribution. A small amount of chicken meat is also produced on small farms and by backyard birds.

The Argentine poultry sector has different processing paradigms for the domestic and export markets. Chickens destined for domestic consumption are processed over a period of 49-52 days, resulting in a carcass weight of 6-6.5 pounds. In contrast, chickens destined for export are processed over a shorter period of 28-32 days, resulting in a carcass weight of 2-2.5 pounds.

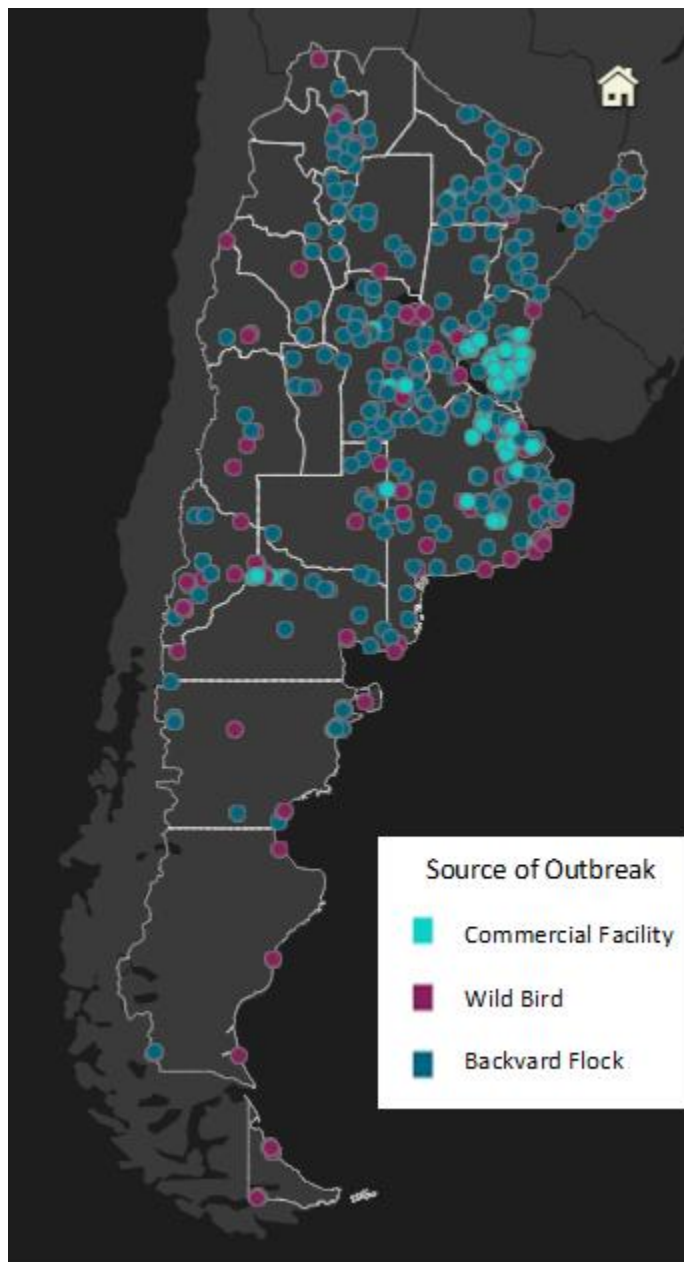
### *Avian Influenza outbreaks and control*

In late February 2023 Argentina confirmed the first positive case of HPAI in the province of Rio Negro, which meant that the country temporarily lost its disease-free status and self-suspended poultry products exports in compliance with international standards.

Six months after the first outbreak, and more than 28 days after the completion of depopulation tasks - including the final disposal, cleaning and disinfection of the affected farms - the last of the 18 outbreaks of HPAI in commercial establishments registered in the national territory was closed. No new HPAI outbreaks have been detected in poultry since June 2023, according to the epidemiological surveillance. With the culmination of the sanitary actions, the National Service of Agrifood Health and Quality (SENASA) submitted an HPAI free self-declaration to the WOAAH.

On August 8, 2023, The WOAAH validated the document and Argentina regained HPAI-free sanitary status. The Secretariat of Agriculture, Livestock and Fisheries, SENASA has held sanitary negotiations with more than 30 export destinations through exchanges of information and bilateral meetings, including a visit to the sanitary authorities of China. As of August 2023, the European Union, Uruguay, and Singapore markets have officially reopened.

**Map 1: HPAI Notifications by Type of Infected Flock or Facility**



Source: SENASA

## **Consumption**

Post estimates that poultry consumption will register a 3 percent rise in CY2024 compared to CY2023 Post's estimate of 2.206 million MT. This growth could represent stable or slightly improving consumer preferences for poultry meat, which are already at a historically high level.

The deceleration in the growth of per capita poultry consumption has prompted an increased reliance on population growth to bolster consumption figures. In the past three years the increase in chicken prices has been slower compared to soaring beef prices. This divergence has triggered a consumer shift from beef to chicken. A particularly remarkable development is the convergence of per capita chicken consumption with that of beef. Such a transformation would have been scarcely predictable a mere decade ago, given Argentina's enduring affinity for beef. Today poultry meat consumption has substantially undermined beef's historical dominance, with the proportion of poultry in the overall meat consumption basket surging from 34.8 percent in 2011 to 42.5 percent in 2021. Beyond economic rationale, the health-conscious perception of chicken, especially among younger consumers and women, has played a pivotal role in this evolution. The Ministry of Agriculture, Livestock and Fisheries of Argentina predicts that the annual per capita protein intake for 2023 consists of 106 pounds of beef, 103 pounds of poultry, and 34 pounds of pork.

Within domestic chicken meat consumption, whole broilers command a substantial 70 percent. Insight from industry insiders underscores an auspicious avenue for expansion through the diversification into further processed value-added products. This category encompasses a range of items including pre-cooked meals, frozen chicken dishes, chicken nuggets, and chicken burgers. Capitalizing on market sector growth opportunities, savvy chicken processors are copying emerging products from external markets, such as the United States, into their existing product lines. This strategic initiative aims to infuse an added area for growth within the sector.

## **Trade**

### *Exports*

Post estimates Argentina's CY2024 poultry exports will reach 140,000 MT, up 8 percent from new post exports forecast for CY2023. The estimate for CY2024 is grounded on the assumption that certain markets currently closed due to avian influenza will remain inaccessible for Argentine poultry exports in 2024. As of August 2023, the European Union, Uruguay, and Singapore markets have officially reopened for business. Nevertheless, the Argentine poultry industry is optimistic about its ability to quickly regain access to global markets and has more optimistic export projections. As markets reopen, Post's export forecast can be expected to improve.

The CY2023 poultry exports will be 130,000 MT due to the official reopening of markets such as the European Union, Uruguay, and Singapore, as well as the inclusion of non-traditional markets like Hong Kong, Mozambique, and Gabon as new exports destinations.

**Table 1: Argentina Poultry Exports to Key Destinations during January- June 2023 in Volume.**

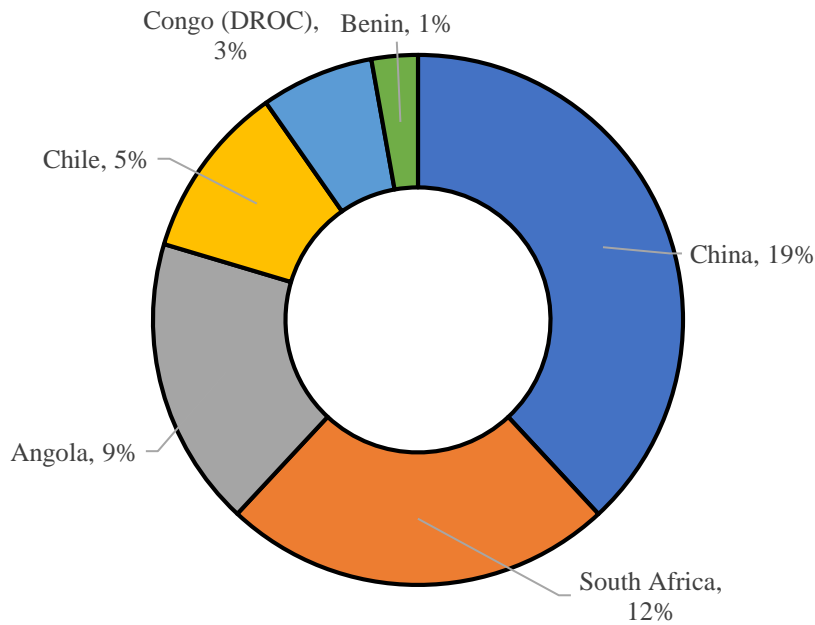
Partner	Units	January- June 2022	January- June 2023	Year over year
World	MT	108,271	76,063	-30%
China	MT	30,395	14,558	-52%
South Africa	MT	18,695	9,122	-51%
Chile	MT	12,801	4,077	-68%
Saudi Arabia	MT	4,726	-	-100%
Singapore	MT	2,381	481	-80%
Brazil	MT	2,115	709	-66%
Peru	MT	1,996	744	-63%
Others	MT	35,162	46,372	32%

*Source:* Trade Data Monitor, LLC. The Harmonized System (HS) codes included are 0207.11, 0207.12, 0207.13, 0207.14, and 1602.3.

The destinations for Argentina's poultry exports reveal a landscape that has been notably influenced by HPAI during January-June of 2023. The data in by Table 1 sheds light on the impact of this disease on the export patterns of poultry products from Argentina to various countries.

One of the most important impacts of HPAI was on China, a key trading partner for Argentina's poultry products. China's imports of poultry products from Argentina decreased by 52 percent from January-June 2022 to the same period during 2023. This decline, from 30,395 MT to 14,558 MT, underscores the impact of the disease on trade dynamics between the two nations. Post expects that exports to China and other key markets could be restored quickly, as bilateral negotiations have already begun.

**Figure 1: Argentina Poultry Exports to Key Destinations during January- June 2023 in volume**



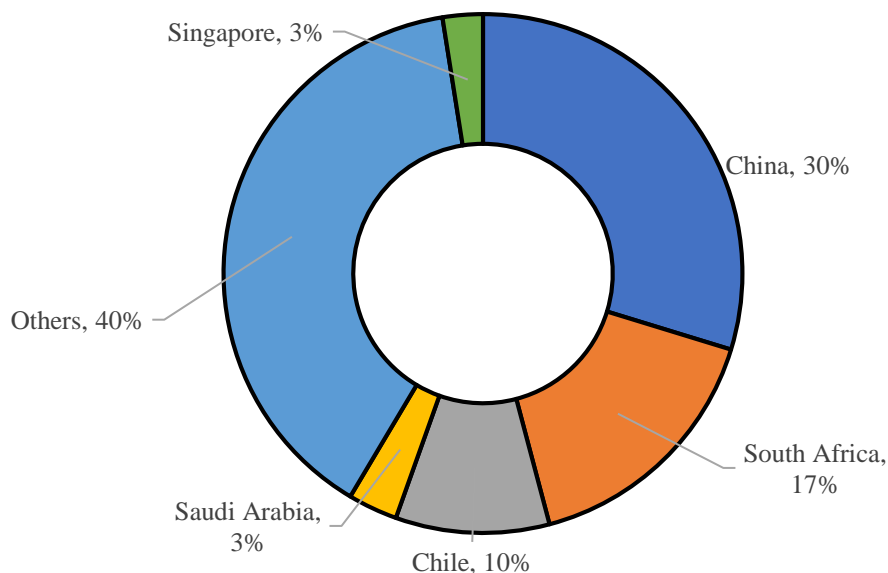
*Source:* Trade Data Monitor, LLC. The Harmonized System (HS) codes included are 0207.11, 0207.12, 0207.13, 0207.14, and 1602.3.

The positive outlook for Argentina's chicken meat exports is supported by the sentiment of poultry producers that the current market conditions are favorable for increasing exports. This sentiment is based on the combination of higher international prices, the favorable circumstances arising from the Ukraine-Russia conflict, and a devaluation of the Argentine peso of approximately 20 percent in August 2023, which has made it more profitable to export.

The recent depreciation of the Argentine peso has made Argentine exports cheaper in real terms and more competitive in the international market. However, some new government's currency controls and central bank interventions have limited the benefits of this. These interventions have created a two-tier exchange rate system, with a significant disparity between the official exchange rate and the informal exchange rates. This discrepancy is a sign of larger economic distortions present in Argentina.



**Figure 2: Argentina Poultry Exports to Key Destinations in 2022 in volume**



Source: Trade Data Monitor, LLC. The Harmonized System (HS) codes included are 0207.11, 0207.12, 0207.13, 0207.14, and 1602.3.

### *Imports*

Post forecasts CY2024 Argentina's chicken meat imports will reach 12,000 MT, reaching nearly same level of CY2022.

Post also forecasts 6,000 MT for CY2023 imports. These chicken meat imports from Brazil and Uruguay cover a wide range of products, including fresh, chilled, or frozen whole birds and cuts, offal, and prepared poultry products such as preserved, seasoned, and pre-cooked offerings. As members of MERCOSUR, chicken meat products are not subject to import tariffs among members in the Argentinean market. Within the small Argentine import market Brazil is the dominant player. However, it is worth noting that Uruguay also contributes modest volumes to this landscape.

### **Policy**

The two main inputs for poultry production are corn and soybeans, which are essential feed for the growth and development of chickens. The drought in Argentina has made it more difficult to produce these crops. The third installment of the *Soy-Dollar* and *Agro-Dollar* programs, officially known as the Export Growth Program, was the most important policy for soybean and corn producers. The program was established by Decree 194/2023 and was designed to incentivize the export sales. Soybeans and soybean products were listed in Annex 1 of the decree and benefited from a special exchange rate of 300 pesos per dollar from April 10 through May 31, 2023. This special exchange rate, also known as the *Soy-Dollar*, was intended to make it more profitable for exporters to sell their products overseas. However, when the *Soy-Dollar* was announced in April 2023, the official exchange rate was 210 pesos

per dollar, while the unofficial rates were around 400 pesos per dollar. The fixed exchange rate of 300 pesos per dollar for agricultural products was therefore halfway between the official and unofficial rates. However, the official value of the peso has steadily depreciated over the past three months, eroding the benefits of the *Agro-Dollar*, which was set at 340 Argentine pesos per US dollar from July 24, 2023, to August 31, 2023 by Decree 378/2023.

Also, Decree No. 377/2023 established that all imported goods will be subject to a 7.5 percent tax called the *PAIS tax* (For an Inclusive and Solidary Argentina) with a few exceptions. Medicines and firefighting materials are exempt from the tax, as fuels, lubricants, and goods related to energy generation. Additionally, intermediate goods and inputs for the basic food basket are exempt. The tax will not be charged if importers use their own dollars for the operations, and it will not be applied to inputs and intermediate goods directly linked to basic food products. However, the *PAIS tax* could increase the cost of importing inputs for poultry producers such as amino acids, vitamins, and minerals. These inputs are not specifically mentioned as being exempt from the tax, so it could increase their production costs, which could lead to higher prices for consumers in the domestic market.

As a result of the drought, the end of the *Soy-Dollar* and *Agro-Dollar* programs, and the *PAIS tax* for inputs, the cost of poultry production in Argentina is expected to increase. The combined impact of these factors is likely to lead to higher prices for poultry products for consumers.

## **Sustainability Study Summary**

In the year 2022, the collaborative efforts of the Argentine National Institute of Industrial Technology (INTI) and the Center of Poultry Processing Companies (CEPA) yielded a comprehensive water and carbon footprint analysis of 12 industrial plants, collectively accounting for 46 percent of the total national poultry slaughter. The geographic scope of the study included the provinces of Entre Ríos, Córdoba, Buenos Aires, and Río Negro. The study's outcomes illuminated a significant finding: the actual carbon footprint of Argentina's poultry industry is notably lower than the figures documented in international studies.

The primary objective of this study was to delve into the environmental footprint linked to the production of one kilogram of intensively cultivated chicken meat designated for the domestic market. The study identified pivotal junctures, termed "hotspots," within each stage of production. The intent was to engender improvements geared toward enhanced sustainability, with a focus on domains such as energy consumption and transportation efficiency. Among the critical junctures discerned, a prominent hotspot materialized in the process of cultivating grains designated for poultry feed. Simultaneously, the transportation of materials to the feed production facilities emerged as another hotspot. However, the latter aspect holds the potential for reduction through the implementation of incentives to encourage sourcing from producers close to the plants.

### *Carbon footprint performance*

The findings gleaned from the analysis reveal that the carbon footprint amounted to 1.5 kilograms of CO<sub>2</sub> equivalent per kilogram of chicken meat. The distribution of this footprint across the 12 case

studies was as follows: 25 percent attributed to the meat packing plant stage, 29 percent to broiler farms, 42 percent to feed/feed plants, 1 percent to layer farms, 0.5 percent to poultry farms , and 2 percent to hatcheries.

*Water footprint performance*

In terms of the water footprint, the study found 0.54 cubic meters of water used per kilogram of chicken meat. This distribution was allocated across various stages as follows: 38 percent attributed to the cooling stages, 10 percent to broiler farms, 47 percent to feed/feed plants, 0.6 percent to raising farms, 1.3 percent to laying farms, and 2.3 percent to hatcheries.

The Argentine poultry sector perceives this study as a pivotal contribution to measuring its environmental impact. Moreover, it has equipped the sector with actionable insights for refining its processes. This initiative is anticipated to form the cornerstone for establishing the first comprehensive environmental inventory of the poultry sector in Argentina, fostering continued progress towards heightened sustainability.

**Table 2: Chicken Meat Production, Supply, and Distribution Table**

Meat, Chicken Market Year Begins  Argentina	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Beginning Stocks</b> (1000 MT)	-	-	-	-	-	-
<b>Production</b> (1000 MT)	2,319	2,319	2,330	2,330	2,400	2,400
<b>Total Imports</b> (1000 MT)	13	13	6	6	12	12
<b>Total Supply</b> (1000 MT)	2,332	2,332	2,336	2,336	2,412	2,412
<b>Total Exports</b> (1000 MT)	194	194	130	130	140	140
<b>Human Consumption</b> (1000 MT)	2,138	2,138	2,206	2,206	2,272	2,272
<b>Other Use, Losses</b> (1000 MT)	-	-	-	-	-	-
<b>Total Dom. Consumption</b> (1000 MT)	2,138	2,138	2,206	2,206	2,272	2,272
<b>Ending Stocks</b> (1000 MT)	-	-	-	-	-	-
<b>Total Distribution</b> (1000 MT)	2,332	2,332	2,336	2,336	2,412	2,412

*Source: USDA FAS Buenos Aires. Not Official USDA Data*

**Attachments:**

No Attachments