

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Argentina

Post: Buenos Aires

Poultry and Products Update

Report Categories:

Poultry and Products

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Report Highlights:

2016 production is revised up by 105,000 tons to 2.2 million tons on higher domestic demand and minor export growth. 2015 production is revised up 20,000 tons to 2.08 million due to greater demand near the second half of the year – the result of an ongoing shift towards more inexpensive animal protein sources as beef prices continue to rise. 2016 exports are revised up by 5,000 tons to 230,000 tons fueled by growth in major markets – Middle East and East Asia - and new growth in smaller markets, such as Cuba.

Production

2016

2016 production is revised up by 105,000 tons to 2.2 million tons compared to USDA's official estimate on higher domestic demand and minor export growth. While costs are expected to increase, broiler production will be more profitable as lower beef demand (estimated at 4 kg less per capita) will encourage consumers to seek more broiler meat to maintain a stable level of animal protein consumption.

Production costs are rising 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 is expected to increase feed costs – about 30 percent of overall costs – as more grain and oilseed supplies flow towards the export sector. However, producers were fully prepared for these policy changes under the new Macri administration and prepared themselves accordingly. As such, these elevated costs are expected to have a minimal effect on production.

Although Cresta Roja – formally the second largest producer which produced a third of the country's meat output – has been out of the market since late December, its new owners are working hard to re-launch operations by March. At present, the company is planning to import fertilized eggs and day-old chicks in order to rebuild flocks and accelerate production. While production at Cresta Roja is expected to lag as it reestablishes operations, other producers will increase production enough to offset that loss and suffice increases in domestic demand.

2015

2015 production is revised up 20,000 tons to 2.08 million tons compared to USDA's official estimate based on industry sources and greater demand near the second half of the year. This demand was driven by an escalation in beef prices that is encouraging consumption of less expensive animal protein alternatives.

In December 2015, Cresta Roja declared bankruptcy after accumulating massive debts, in part due to unpaid sales to Venezuela. Prior to 2011, Cresta Roja received government support that subsidized retail poultry prices below their costs. Along with that support, exporters also received subsidies for each shipment to Venezuela. The rapid deterioration of the Venezuelan market along with inflationary pressures exacerbated the company's financial burdens, culminating in the closing of their plant in late December. Due to protests of former employees, the government soon intervened and oversaw a transfer of ownership. The company is now operated by Ovoprot International and is expected to reopen its March 2016. Because this occurred late in 2015, this development had no negative affect on 2015 production.

Consumption

2016 consumption is revised by 100,000 tons compared to USDA's official estimate to 1.98 million tons due to greater demand for cost-effective animal protein sources. This represents an increase of 2.2 kg per capita over 2015.

2015 consumption is revised up by 32,000 tons to 1.89 million tons based on higher domestic supplies and ongoing shift towards greater poultry consumption as beef prices continue to rise.

Trade

2016

2016 exports are revised up by 5,000 tons to 230,000 tons fueled by growth in major markets – Middle East and East Asia and new growth in smaller markets, such as Cuba. Industry is expecting a growth in exports of 25 percent as it diversifies its export markets after the loss of Venezuela. The export sector along with the government has begun an aggressive campaign to open markets throughout globe, especially in Southeast Asia, the Middle East, and Sub-Saharan Africa. Much of the sector's performance will be affected by competition from Brazil. In 2015, Brazil was able to offer much lower prices as a result of the devaluation of the Real - this diminished Argentine market share in markets where both countries competed. Argentina may be able to recover as Brazil is facing an increase in production costs and a slight normalization of prices is expected to occur. 2016's exports will be supported by shipments to China, the Middle East and a variety of smaller markets, including Cuba. 2016 imports are left unchanged at 1,000 tons.

2015

2015 exports are revised down to 188,000 tons based on updated export data. Exporters experienced a significant decline in exports to Venezuela (at its height Argentina shipped 169,000 tons) due to the current economic situation. Meanwhile, shipments to Chile, Russia and markets in Sub-Saharan Africa market have suffered as a result of greater competition from suppliers such as Brazil and the United States.

2015 imports are left unchanged at 1,000 tons.

PSD Table

Poultry, Meat, Broiler Market Begin Year Argentina	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
	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	0	2060	2080	2100	2205
Total Imports	1	0	1	1	1	1
Total Supply	2051	0	2061	2081	2101	2206
Total Exports	278	0	200	188	225	230
Human Consumption	1773	0	1861	1893	1876	1976
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1773	0	1861	1893	1876	1976
Total Use	2051	0	2061	2081	2101	2206
Ending Stocks	0	0	0	0	0	0
Total Distribution	2051	0	2061	2081	2101	2206
(MIL HEAD) ,(1000 MT)						