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Report Highlights:

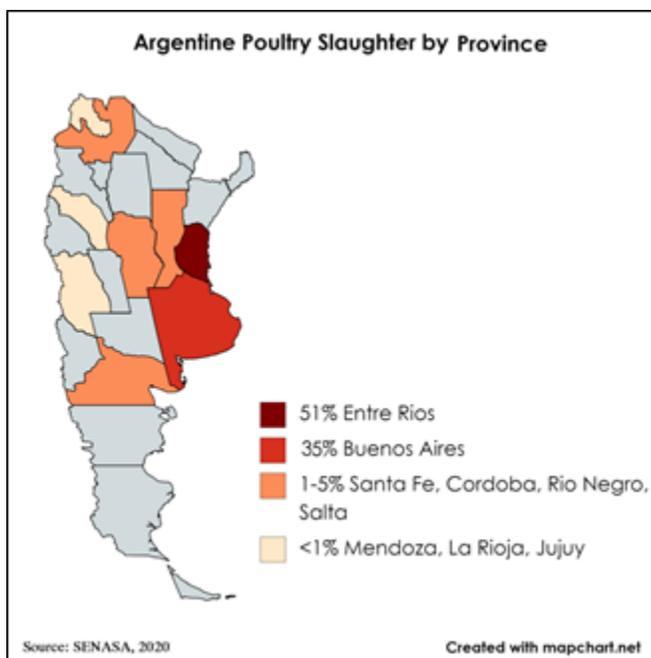
Post projects 2020 Argentine chicken meat production at 2.3 million metric tons, up very slightly from 2021 levels. Exports are projected at 180,000 tons, up 20 percent from 2021 as logistical bottlenecks that limited exports in 2021 are expected to be resolved. In July 2021, the government of Argentina announced \$20 million in worth of new lines of credit for chicken producers, that processors believe could be used to substantially improve productivity.

Production:

Post forecasts 2022 chicken meat production at 2.3 million metric tons (MMT), up only very slightly from revised 2021 estimates. Production has risen to meet domestic demand which has continued to grow during the recession years of 2018-2020 in response to rising beef prices. Broilers are produced by a sector dominated by domestic, privately-held enterprises. More than 80 percent of the country's chicken meat production is processed in 54 federally-inspected plants. The remaining volume is produced at 40 additional plants that are monitored and restricted by provincial authorities for domestic sale only, with a small amount of on-farm and backyard production. Commercial broilers are slaughtered at 49-51 days at a carcass weight between 2.2 – 2.4 kilograms (kg). Approximately 950 million birds are now slaughtered annually between nationally and locally inspected plants, and more than 80 percent of the industry is located in the Provinces of Buenos Aires and Entre Rios.

A new government loan program (see Policy) was announced in July 2021 that has the potential to improve the productivity of the sector. Producers who take advantage of the program will be able to begin replacing aging barns using subsidized loans, and the impact of the program could begin to be felt in mid-2022 and early 2023. While no new major investments in processing capacity have been announced, existing slaughter capacity should allow for increased production up to 2.45 MMT even without additional investment in processing facilities. Outside of the new government loan program, difficult macroeconomic conditions in Argentina coupled with tight financing conditions for facility renovation and improvement, further restrict expected productivity growth. While poultry processors are optimistic about the impact that the loan program could have on productivity, some producer groups have argued that independent poultry producers face such difficult economic conditions, that uptake of the new loans will be far below what is hoped by the government and processing sector. These producers argue that high labor and fuel costs, currency fluctuations, the lack of a national poultry integration law to clarify the relationship between processors and producers, means that most poultry farmers are not in a position to take out even the highly subsidized loans offered by the government.

While the Argentine poultry industry has higher costs than some of its competitors, export taxes on feed ingredients provide an advantage to the industry. Exports of soybeans are taxed at 33 percent and soybean meal at 31 percent. Corn, wheat, and barley currently face export taxes of 12 percent, with the potential to rise to 15 percent. Although the export price for Argentine grains and soybeans are aligned with global market prices, the domestic prices for these feed ingredients are lower (in accordance with their respective export tax rates). Poultry



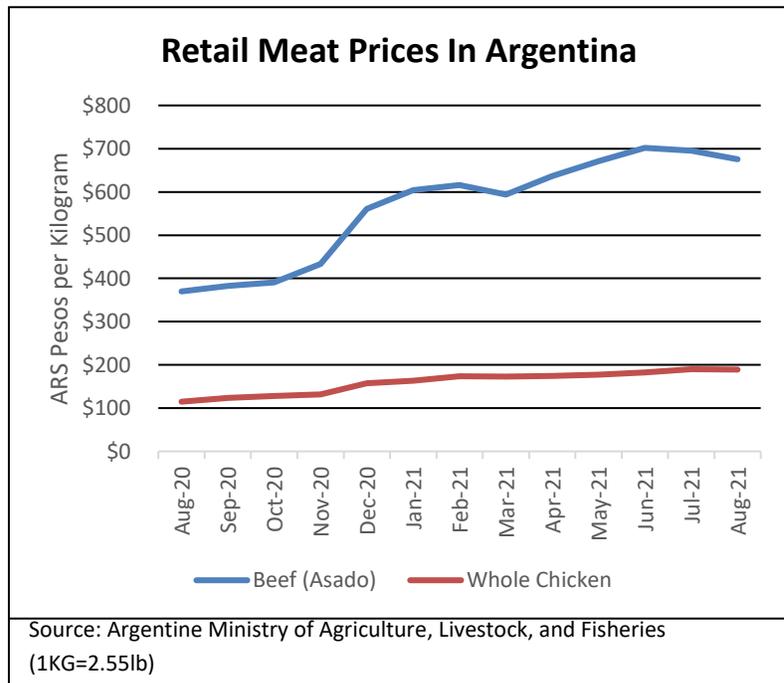
producers therefore are able to purchase compound feed at lower prices than their competitors in other markets. Part of this advantage is eliminated immediately though since chicken meat faces its own export tax of 9 percent.

2021

2021 production forecast is revised upward to 2.290 MMT, representing a 3.3 percent increase from 2020. Companies continue to operate with COVID-19 protocols in place and some plants have experienced significant labor shortfalls at times as outbreaks have affected communities where plants are located. However agricultural workers have remained exempt from many of the restrictions that have limited circulation during the year.

Consumption:

Post forecasts 2022 domestic consumption of chicken down 1 percent to 2.13 MMT as flat growth in production combined with simpler shipping logistics will enable exporters to ship more chicken meat overseas and an improving economy will allow Argentines to consume more of their traditionally preferred protein, beef, at the expense of chicken. The OECD predicts that Argentina will emerge from three years of recession in 2021 with a 6.1 percent growth in GDP and 1.8 percent growth in 2022, though this will still result in a GDP below pre pandemic levels.



2021 poultry meat consumption estimate is revised up to 2.15 MMT, up 4 percent from 2020. As the Argentine economy has begun to recover from a decline of nearly 10 percent in 2020, chicken prices have risen more slowly than beef. Higher production and lower exports have helped keep chicken prices low, encouraging consumption growth. In addition to economic reasons, chicken has continued to benefit from a public perception, especially among younger people and women, that it is easier to incorporate into a healthy diet. Argentina's Ministry of Agriculture, Livestock and Fisheries estimates that the annual per capita protein intake in Argentina in 2020 was 50.2 kg of beef, 45.9 kg of poultry, and 15.6 kg of pork.

Whole broilers represent 70 percent of domestic chicken meat consumption. Industry contacts report that further processed value-added products, such as pre-cooked meals, frozen chicken meals, chicken nuggets and chicken burgers, represent market sector growth opportunities and

are actively seeking to incorporate fast growing products from other markets, like the United States, into their product lines to stimulate more growth.

Trade:

Imports

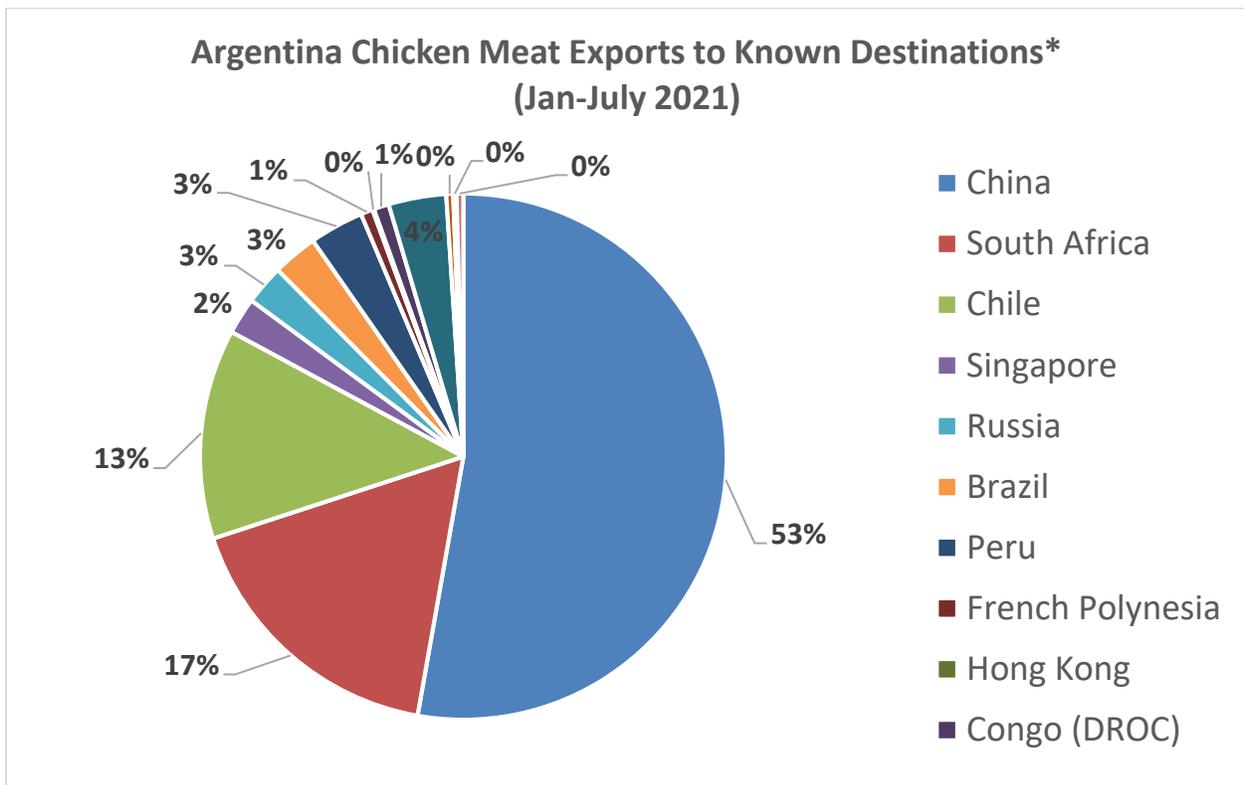
2022 Argentine chicken meat imports are forecast at 10,000 tons, matching revised 2021 levels. Since 2001, imports have represented less than 1 percent of the total supply of Argentine poultry meat. Compared to the pandemic year of 2020, slightly improving economic conditions in 2021 have allowed more poultry to be imported. While the Argentinean peso continues to depreciate, strict currency controls imposed by the government have slowed the rate of devaluation to the point that after factoring in high domestic inflation, imported products (from within Mercosur) are beginning to become more competitive again. Brazilian, Uruguayan, and Paraguayan chicken meat (fresh, chilled, or frozen whole birds, cuts, and offals) and prepared poultry products (preserved, seasoned, and pre-cooked products) enter Argentina tariff-free as a Mercosur pact member while other exporters face external Mercosur tariffs of 10 percent and 16 percent, respectively. Brazil continues to dominate the small Argentine import market with Uruguay also sending small volumes.

Exports

2022 Argentine exports of chicken meat are projected to increase 20 percent to 180,000 MT. Poultry producers anticipate an opportunity to export a higher percentage of production due to improved international shipping logistics, particularly increased availability of refrigerated shipping containers. The depreciation of the Argentine Peso since August 2019 which improved the competitiveness of the export sector in global markets, has slowed due to government currency controls and central bank operations intended to maintain the value of the peso. However a significant gap (~75 percent) has appeared between the official exchange rate and various informal exchange rates. Many exporters believe that Argentina is likely to experience a significant devaluation in late 2021 or 2022, which could improve export prospects once again.

Many industry contacts report frustration with the slow pace of Free Trade Agreement negotiations. They feel the lack of agreements has prevented Argentina from taking advantage of certain market opportunities in recent years. At the same time, the Argentine poultry industry is primarily focused on the domestic market and much less dependent on exports than many other agricultural sectors in the country. A relatively small number of companies export and even many large scale companies view exports opportunistically, rather than a key part of their long-term business strategy. Though as recently as 2017 Argentina reported exports to more than 59 countries, a trend toward more direct exporting by processors rather than exporting through brokers has narrowed the range of exporting destinations, as firms have sought more profitable, larger contracts. Of current markets, China remains the top target for Argentine chicken meat exporters despite declining exports so far in 2021. In addition, industry sources report interest by many processors in developing value-added operations, such as halal, for middle-eastern markets. Over the last three years, exports have averaged 65 percent chicken cuts, 35 percent whole bird, and <1 percent prepared products.

2021 chicken meat exports are projected to drop 5 percent in comparison to 2020, falling to 150,000 tons. Per the graph below, Argentina’s top markets for the first half of 2021 were China, South Africa, Chile, and Russia. The importance of Russia has been declining in recent years and the importance of Chile increasing. Exports to Peru are rebounding after two years of lower than average exports. Due to changes in Argentine export statistical practices, an increasing percentage of Argentine chicken meat exports have had their export destination classified as “confidential”.



**37 percent of Chicken Meat exports (33,000 tons) are to undisclosed destinations
Source: TDM*

Policy:

Ongoing economic volatility and currency control policies are affecting the capacity of the poultry sector to import capital goods and other inputs. As discussed in production, export taxes on grains and oilseeds help to lower feed input costs for poultry producers.

In July 2021, the Argentine government announced ARS\$2 billion (US \$20 million) in subsidized loans for the Argentine poultry sector. The funds can be accessed through different mechanism depending upon the nature of the business requesting the funds. Argentina has a state-run fund where very small business can request access to credit, small businesses can apply for loans through a range of public and private banks, and medium to large scale companies can apply for loans through Banco de la Nación Argentina. Interest rates for these loans run at 22-24

percent, far below the annual rate of inflation which the central bank of Argentina officially estimates at 51.8 percent. Industry contacts believe that the most popular use for these loans will be the financing of new, modernized poultry barns. They estimate that approximately 10 percent of Argentine chickens are currently produced in barns that utilize a full complement of modern chicken rearing technology. If these loans are properly administered, renewed, and made available as intended, that percentage could rise to as high as 50 percent by the end of 2024.

Statistical Table:

Meat, Chicken Market Year Begins Argentina	2020		2021		2022	
	Jan 2020		Jan 2021		Jan 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	2190	2215	2195	2290	0	2300
Total Imports (1000 MT)	5	6	4	10	0	10
Total Supply (1000 MT)	2195	2221	2199	2294	0	2305
Total Exports (1000 MT)	165	158	160	150	0	180
Human Consumption (1000 MT)	2030	2063	2039	2150	0	2130
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	2030	2063	2039	2144	0	2125
Total Use (1000 MT)	2195	2221	2199	2294	0	2305
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	2195	2221	2199	2294	0	2305
(1000 MT)						

Attachments:

No Attachments