

Required Report: Required - Public Distribution

Date: September 02, 2022

Report Number: AR2022-0014

Report Name: Poultry and Products Annual

Country: Argentina

Post: Buenos Aires

Report Category: Poultry and Products

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Report Highlights:

Post projects 2023 Argentine chicken meat production at 2.38 million metric tons, up very slightly from 2022 levels, while 2023 exports are projected at 190,000 tons, up 4 percent from 2022. Argentine exporters have gained new export opportunities as a result of trade disruptions stemming from the conflict in Ukraine, and these gains are expected to be maintained in the short term. As economic difficulties have affected Argentine consumers, the lower relative price of chicken to beef means that per capita consumption of chicken is approaching parity with beef, the traditional protein preferred by Argentines. While total consumption is continued to rise in line with population growth, per capita consumption is expected to plateau.

Executive Summary

Argentina's economy continues to be hindered by slow growth, very high inflation, trade restrictions, and currency controls. These issues have contributed to decreased purchasing power for large segments of the Argentine population in recent years. Politically, this has led to increasing pressure on the ruling coalition which has sought to increase social spending while decreasing its fiscal deficit. In recent weeks a number of ministers, including the Minister of Agriculture, Livestock, and Fisheries resigned. Several existing ministries were reduced to secretariats and were subsumed by a new "super-ministry" of Economy led by Sergio Massa.

In part due to these economic difficulties, the poultry sector will maintain its output in 2023, with the domestic market continuing to be the driver of production decisions. Poultry meat production and consumption could show good dynamics in 2022, and exports are projected to increase 4 per cent. Domestic consumption is supported by a favorable price relationship with other meats as consumers seek to economize on food purchases.

Many contacts from the industry 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. Of current markets, China remains the top target for Argentine chicken meat exporters. In addition, industry sources report interest by many processors in developing value-added operations, such as halal, for middle eastern markets.

Production

Post forecasts 2023 chicken meat production up 2% at 2.38 million metric tons (MMT). Poultry producers anticipate only slightly higher domestic and export demand. Difficult macroeconomic conditions in Argentina further restrict expected productivity growth. No major investments in increased capacity are planned as industry and government contacts report that the industry could produce up to 10 percent more chicken meat on the current production base if needed.

2022 production forecast is revised upward to 2.33 MMT, up only very slightly from revised 2021 figures. In the first eight months of 2022, poultry meat production grew by about 2 percent versus 2021.

Production has risen to meet domestic demand. As beef prices rise amid the economic recession, consumers turn to poultry for protein. The broiler sector is dominated by 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 for the domestic market are slaughtered at 49-52 days at a carcass weight between 6 – 6.5 pounds while those for the export markets are slaughtered at 28 -32 days at a carcass weight between 2 – 2.5 pounds. Post estimates that approximately 800 million birds will be slaughtered in calendar year (CY) 2022, between nationally and locally inspected plants, and more than 80 percent of the industry is in the Provinces of Buenos Aires and Entre Rios.

The bulk of Argentine broilers are produced by large vertically integrated companies which manage all different stages of poultry meat production, from the raising of broiler breeders to the commercialization of the meat, processed products and by-products of the industry. This control over the supply chain provides these companies with traceability throughout the entire chicken production. The leading companies are primarily focused on four areas for their continuous improvement and research plans: genetics, feeding, handling, and health. As market conditions permit, these companies are also investing in new technology and equipment, though import restrictions can sometimes make planning for facilities upgrades difficult.

No new major investments in processing capacity have been announced since the creation of a government loan program announced in July 2021. While poultry processors were optimistic about the impact that the loan program announced in July 2021 could have on productivity, some producer groups have argued that independent poultry producers face such difficult economic conditions, that uptake of 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 positioned to take out even the highly subsidized loans offered by the government. Difficult macroeconomic conditions in Argentina coupled with tight financing conditions for facility renovation and improvement, further restrict expected productivity growth. Despite these challenges, existing slaughter capacity should allow for increased production up to 2.45 MMT even without additional investment in processing facilities.

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 33 percent as well. 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 can 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 nine percent.

Consumption

Post forecasts 2023 domestic consumption of chicken up slightly by 1.7 percent to 2.19 MMT, increasing per capita consumption to 103 pounds as consumption continues to rise slightly faster than population growth due to chicken's economic competitiveness.

2022 poultry meat consumption forecast is revised up from 2021 to 2.165 MT, leading to a per capita consumption of 102 kilograms per inhabitant.

As per capita poultry consumption growth has slowed, growth in consumption is being driven by population growth. In the last three years, chicken prices have risen more slowly than beef, encouraging a switch from beef to chick in price sensitive markets. At this time per capita chicken consumption is approaching parity with beef, a situation that would have been impossible to predict in beef-loving Argentina as recently as 10 years ago. Poultry meat consumption has eroded beef's dominance in the last decade (42.5% in 2021 vs. 34.8% in 2011). In addition to economic reasons, chicken has a public perception, especially among younger people and women, as being healthier than beef. Argentina's Ministry of Agriculture, Livestock and Fisheries estimates that the annual per capita protein intake in Argentina in 2022 will be 106 pounds of beef, 103 pounds of poultry, and 34 pounds 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

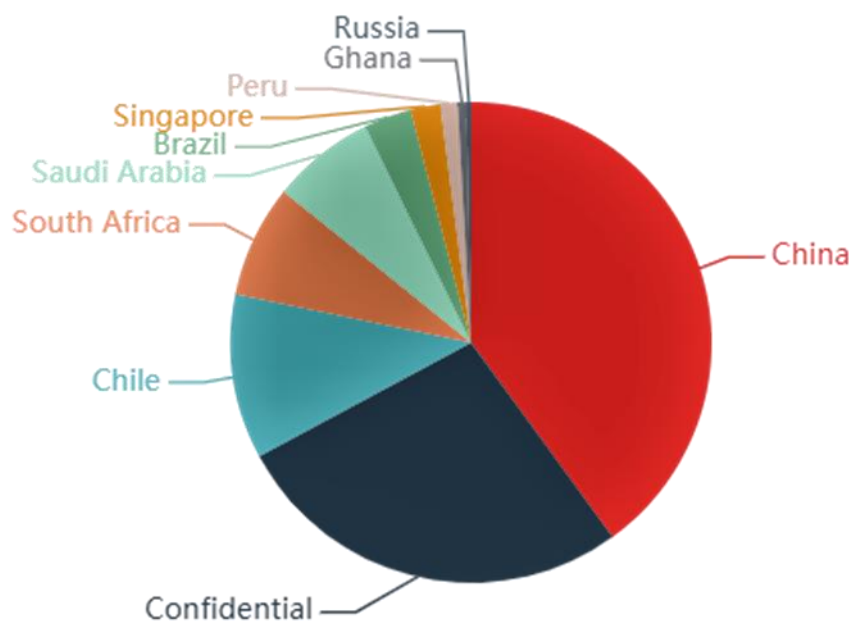
Exports

2023 Argentine chicken meat exports are projected to increase 4 percent to 198,000 MT. Poultry producers anticipate an opportunity to export a higher percentage of production due to improved international prices and the opportunities due to the Ukraine – Russia war. The depreciation of the Argentine Peso 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. Because of these economic distortions, a significant gap (~100 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 before the end of 2022, which could improve export prospects once again. To that end industry contacts believe that the government's debt negotiations could lead to a reduction in the gap between the exchange rate of the official dollar and the various informal ones, helping the sector to improve its competitiveness.

2022 chicken meat exports are projected up four percent in comparison to revised 2021 figures, increasing to 190,000 tons. The outlook is still uncertain, given the crisis between Russia and Ukraine. The conflict has led to high volatility in the grain market, which has a significant impact on planning for the poultry sector since feed is the most important production cost. Ukraine's exit from the poultry market and the increase in international prices, allowed Argentina to export to some new markets, notably Saudi Arabia.

Per the graph below, Argentina’s top markets for the first half of 2022 were China 28 % (30,343 MT), Chile 17% (18,668 MT), South Africa 21 % (12,801 MT) and Saudi Arabia 4% (4,700 MT). Due to changes in Argentine export statistical practices, an increasing percentage of Argentine chicken meat exports have had their export destination classified as “confidential”.

Figure 1: Argentina Meat Exports to Key Destinations (Jan-July 2022)



Source: Trade Data Monitor, LLC.
 29 % (31,500 tons) of Chicken Meat exports are to undisclosed destinations

Over the last three years, exports have averaged 65 percent chicken cuts, 35 percent whole bird, and less than 1 percent prepared products.

Imports

2022 Argentine chicken meat imports are forecast at 20,000 tons, over a 100 percent increase compared to revised 2021 levels. While the Argentine 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) became more competitive again. Brazilian and Uruguayan, chicken meat (fresh, chilled, or frozen whole birds, cuts, and offal) 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 though Uruguay also sends small volumes.

Policy

Ongoing economic volatility and currency control policies affect the capacity of the poultry sector to import capital goods and other inputs. Importers must seek approval both to import these items and also to receive foreign currency to complete transactions. Industry contacts report variability in the government's willingness to grant such permission. While the industry has joined other agricultural organizations in requesting the passage of a new comprehensive law to support more production and exports, governmental decrees from the executive branch continue to have the largest impact on public policy. Following poor economic performance over the last several months, a new "super" Economic Ministry was created with authority over various previously independent economic ministries, including the former Ministry of Agriculture, Livestock, and Fisheries. The new Ministry has a mandate to reduce the fiscal deficit and increase exports and the poultry sector is awaiting the new measures, which may result in policy changes that will further impact profitability and competitiveness.

Sustainability Study Summary

In 2022 the Argentine National Institute of Industrial Technology, (INTI), in conjunction with the Center of Poultry Processing Companies (CEPA) conducted a water and carbon footprint analysis of 12 industrial plants (representing 46 percent of total national poultry slaughter) in the provinces of Entre Ríos, Córdoba, Buenos Aires and Río Negro. The report concluded that the true carbon footprint of Argentina's poultry industry is significantly lower than the values reported in international studies.

The study examined the environmental footprint of a kilogram of intensively produced chicken meat for the domestic market and sought to identify critical points (or hotspots) of each production stage, to generate improvements aimed at greater sustainability, for example, in energy consumption and transportation. One of the main critical points lies in the production of grains for poultry feed. Meanwhile, transportation to the feed plant also represents a hotspot, but this can be reduced if incentives are given to purchase from producers located near the plants.

Carbon footprint performance

The results indicate that the carbon footprint was 1.50 kg CO₂ eq/kg of chicken meat (functional unit chosen) for the weighted average of the 12 case studies, distributed in the stages of the meat packing plant (25%), broiler farms (29%), feed/feed plants (42%), layer farms (1%), raising farms (0.5%) and hatcheries (2%).

Water footprint performance

Regarding the water footprint by scarcity, the result was 0.54 m³eq/kg of chicken meat, distributed in the cooling stages (38%), broiler farms (10%), feed/feed plants (47%), raising farms (0.6%), laying farms (1.3%) and hatcheries (2.3%).

The Argentine poultry sector believes that the study has helped clarify its environmental impact and given it tools to make improvements in processes and will serve as a starting point for the creation of the first comprehensive environmental inventory of the poultry sector in Argentina.

Table 1
Chicken Meat Production, Supply, and Distribution Table

Meat, Chicken Market Year Begins Argentina	2021		2022		2023	
	Jan 2021		Jan 2022		Jan 2023	
	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)	2290	0	2320	2335	0	2380
Total Imports (1000 MT)	10	0	10	20	0	10
Total Supply (1000 MT)	2300	0	2330	2355	0	2390
Total Exports (1000 MT)	183	0	185	190	0	198
Human Consumption (1000 MT)	2117	0	2145	2165	0	2192
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	2117	0	2145	2165	0	2192
Total Use (1000 MT)	2300	0	2330	2355	0	2390
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	2300	0	2330	2355	0	2390
(1000 MT)						

Source: USDA FAS Buenos Aires. Not Official USDA Data

Attachments:

No Attachments