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Argentina

Poultry and Products

Poultry Annual Report

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Report Highlights:

Argentine poultry exports for 2005 are projected at a record 110,000 metric tons as a result of good returns, the opening of new markets, good sanitary conditions, and stronger demand from existing markets. Chile and Venezuela are markets which are forecast to grow in 2005. Broiler production is also expected to reach a record high of 1 million metric tons because of the strong export demand, and a recovery of the domestic consumption.

Includes PSD Changes: Yes
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Annual Report
Buenos Aires [AR1]
[AR]

SECTION I. SITUATION AND OUTLOOK

Argentine poultry exports for 2005 are projected at 110,000 metric tons, the highest ever. Good profitability, new market opportunities, excellent sanitary conditions, and investments in plant and equipment are the main reasons for a strong continued growth.

While the average FOB price in Argentina for frozen whole broilers was US\$880 per ton in the first semester of 2004, 27 percent higher than in 2003, exporters expect prices to continue increasing in 2005 as world demand recovers after the Asian Flu crisis. Argentina, which is free of Avian Influenza and Newcastle Disease, has opened many markets in search of new suppliers. By mid-2004 there were roughly 34 countries, in the five continents, open to Argentine product. Buyers will use Argentina as a complementary or alternative supplier to the world large exporters. The quality of its poultry products is very good as result of its natural resources, excellent feed availability and modern processing plants. Moreover, local exporters have the ability to produce almost any product is demanded (e.g. manually de-boned meat for Japan). Therefore, Argentine exports are focusing on the commodity type products, but are also looking to fill niche markets for value-added products.

Of Argentina's total poultry meat exports in 2003, whole broilers accounted for 36 percent, chicken paws 30 percent, processed meat from layers 5 percent, and other products (wings, nuggets, burgers, offal, breasts, etc.) 29 percent. Exports of whole broilers are expected to increase in share in 2004 and 2005 as the markets with greater growth potential take primarily whole birds.

Chile is forecast to become the number one market for Argentine poultry exports in 2005. This market began strongly in 2003 as Chile started exporting at high prices through trade agreements to the European Union (EU), South Korea, Mexico and Japan and needed to import to supply its domestic market. Sources expect a total of 20,000 tons, primarily frozen whole birds, will be shipped in 2005. Venezuela is also forecast to become a very strong market as result of recent trade agreements. It will import for the first time 5,000 tons of large frozen broilers in the second semester of 2004. For 2005, exporters are projecting monthly shipments of about 2,000 tons. China, today's largest market in volume but not in value, is expected to grow in 2005. However, the main products exported are chicken paws, and wings. Saudi Arabia is also expected to continue as one of the main markets. It takes smaller frozen broilers, averaging about a kilo per bird. When Brazil installed a distribution center in that country, prices fell significantly. However, traders believe this will be a growing market in 2005. Europe, a good market for processed poultry meat, but primarily for individually quick frozen (IQF) boneless breasts, is expected to recover in 2005. Exports in 2004 to this market, primarily Germany and the United Kingdom, will be more modest, with FOB prices for breasts at \$1,600 per ton, well below the historic average of \$2,200 per ton. However, exporters report that prices have began to recover. South Africa, a market which began modestly in 1999, is also expected to increase its purchases of Argentine poultry. Exports in 2004 are projected at roughly 8,000 tons, the highest ever. The main products shipped to this market are leg quarters, mechanically de-boned meat for further processing, and whole broilers. Japan, which began importing in late 2003, is expected to continue its growth through 2005, totaling about 3,000 tons. This market demands special high value products such as manually de-boned leg quarters and meat in cubes. As customers and suppliers become familiar with this business, volumes are expected to grow in this highly demanding market. Finally, Russia so far is a market which Argentina supplies when it has surplus of leg quarters. The fact that Russia has set import quotas and has put Brazil and

Argentina in the same category of "other suppliers", limits Argentina's possibilities. The two countries are negotiating the possibility of Argentina receiving an individual quota.

Argentine processors would like to see the Canadian and the U.S. market open. The sanitary services in both countries are going through the risk assessment.

Argentine poultry imports for 2005 are projected at 4,000 tons. Imports dropped significantly in 2002, as the local devaluation made production costs in Argentina become very similar to those in Brazil. Until then, the overvalued local currency encouraged inexpensive imports from the neighboring country, as prices were very low. Average imports during 1998-2001 were 45,000 tons. Imported products were marketed especially in the interior of the country and for use in restaurants and institutional. Poultry imports from the U.S. are currently prohibited due to the past outbreak of Newcastle Disease in California. USDA and Argentine officials continue working together to lift the ban. However, if the market were open, the weak peso would limit imports of poultry meat due to its higher price. Some local importers are waiting for the market to open to import poultry cartilage for medicinal use.

The following table shows Argentina's current import duties, export rebates, and export taxes for poultry products (in percentages):

Product	Import Duty	Export Rebate	Export Tax
Broilers	11.50	3.40	5.0
Cuts & offals	11.50	2.70	5.0
Processed products	17.50	5.0	5.0

Total broiler production for 2005 is forecast at a record 1 million tons. This is a result of good profitability in the sector, and excellent prospects in both the local and external markets. The local poultry sector increased almost two and a half times in the 1990s. However, the economic crisis of 2002 had a highly negative impact, forcing a reduction in production, especially in the first half of 2002. Output began to recover in 2003 and in 2004 it will be practically at the same level as 2001, prior to the crisis.

Poultry meat exports in 2005 are expected to account for about 10 percent of the total output, the highest ever. Processors believe there is still room for growth in the domestic market. Per capita consumption in 2005 is expected to increase to 24 kilos, while in 2001 it reached the record of 26 kilos. The competitive price of broilers vis-à-vis beef is expected to strengthen in the future as beef prices are forecast to increase due to larger exports that could drive domestic beef prices significantly higher than those currently paid. Also, expected higher salaries in 2005 should expand consumption somewhat.

The local chamber of poultry processors announced last year its goal for 2010: production of 1.35 million tons and exports of 320,000 tons. Based on projections for 2005, so far they are achieving their goal. However, in order to sustain this growth, there are several factors that must be taken into account: continued improvement in efficiency, investments to expand capacity, and maintenance of an exchange rate which keeps local production competitive in the world market. The key factor in the short term is the availability of credit to expand capacity. Processors are almost all vertically integrated, need money to permit independent growers to expand significantly their number of grow out units, which today represent the main bottleneck. Some official and private banks have shown interest in this sector and some credit lines could be announced soon.

Local processors are in a healthy economic situation as the profitability of the past two years has allowed them to pay most of their debts, and to continue with strong investment programs. In 2003, 44 officially inspected and certified plants were in operation, and 10 plants had official approval to export to the EU. Most of them either have or are in the process of finishing the construction of freezing tunnels, and many are expanding greatly their cold storage capacity. A few have also invested in modernizing the cutup sector and incorporating more automatic processes.

Several companies have also expanded their grain storage capacity, especially in the province of Entre Rios, which sometimes needed to import feed from other provinces. Most grain and oilseeds are purchased from producers around the area where the companies operate. A few years ago there were a few processors which began producing part of their feed needs, but nowadays this practice has almost disappeared. Argentina has recently approved the use of roundup-ready corn. Processors support it as they hope the volume of corn will grow in the near future. Some processors are also making arrangements with producers to supply them with an oil-enriched corn which is slowly coming to the market. Producers receive a bonus for this type of corn.

Entre Rios province accounts for 52 percent of the total broiler slaughter, followed by the province of Buenos Aires with 40 percent. The balance is distributed in several other provinces. Most exporting companies are installed in Entre Rios therefore; stronger growth is expected in this province in the future. Based on the slaughter of 2003, the largest three companies accounted for 40 percent of the total output. The first ten processors represented 70 percent of the total.

Production costs in 2005 are expected to increase due to higher salaries and higher costs for utilities and services. Production costs in 2004 are estimated to average US\$670 per ton, quite similar to the previous year. Wholesale price for 2005 is projected to remain similar to that of 2004, at roughly US\$710 per ton. The retail price for broilers in mid-August was US\$1.10 per kilo (includes 21 percent VAT).

The quality of the local products is very good. The genetics used are of well-known international companies, the feed is abundantly produced near the production areas, and veterinary products and feed additives are all available domestically or imported. The processing is done in plants with modern technology and a good cold chain distribution.

Argentine production efficiency continues to improve. Because the dry, hot weather in 2003, the mortality rate increased slightly at 6.6 percent. The average live weight at slaughter was 2.7 kilos, at 51 days. The conversion rate was 2 kilos of feed for every 1 kilo of broiler produced. A typical feed ration in Argentina is made of 60 percent corn, 20 percent soybeans, 6 percent meat meal and the balance byproducts and additives. The average weight at retail is about 2.2 kilos. Typically broilers are distributed chilled in 20-kilo boxes. Wholesalers and distributors account for 50-65 percent of the total domestic demand, hyper and supermarkets take 25-30 percent and traditional grocery stores make for the balance. Most products leave the plants as chilled whole broilers, but with a larger export business, we will start seeing more cuts going into the domestic market. Argentines prefer leg quarters. However, large retailers in Argentina carry a variety of products including whole broilers, cutups, boneless products, breaded breasts, nuggets, etc.

After the steep devaluation of 2002, the two governments which have been in power indicated that they would maintain an exchange rate which would favor the competitiveness of local products. Therefore, although there is a controlled annual inflation of 7-12 percent, economists expect the exchange rate to follow the inflation rate and stay in line with the value of the real, the Brazilian currency.

The Argentine Government (GOA) does not have a specific policy for the poultry sector, nor the agricultural sector in general. Moreover, in 2002 the government reinstated export taxes, by which all exports, especially agricultural products, pay between 5 and 23.5 percent. Although it is not a sector specific policy, maintaining a competitive exchange rate, controlling the sanitary situation, and working hard in opening new markets have benefited the local poultry sector greatly. Moreover, an official provincial bank is expected to provide some credit lines for the construction of new grow-out units.

There is no specific program to promote poultry. However, through the local chamber of poultry processors and with the support of ExportAR, a promotional tool of the GOA, exporters participate in different food shows and trade missions around the world. The most recent activities were in China, Hong Kong, Japan, Malaysia, Cuba and Venezuela. Processors are analyzing the possibility of launching a campaign in the domestic market to communicate the benefits of white meat.

SECTION II. STATISTICAL TABLES

PSD Table

Country Commodity	Argentina Poultry, Meat, Broiler					
	2003		2004	Estimate	2005	Forecast
Market Year Begin	USDA Official [Estimate]A	Official [Estimate]A	Official [Estimate]A
	01/2003		01/2004		01/2005	
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	670	750	780	900	0	1000
Whole, Imports	6	6	6	1	0	2
Parts, Imports	4	2	4	1	0	2
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	10	8	10	2	0	4
TOTAL SUPPLY	680	758	790	902	0	1004
Whole, Exports	3	15	10	30	0	60
Parts, Exports	27	29	35	45	0	50
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	30	44	45	75	0	110
Human Consumption	650	714	745	827	0	894
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	650	714	745	827	0	894
TOTAL Use	680	758	790	902	0	1004
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	680	758	790	902	0	1004
Calendar Yr. Imp. from U.	0	0	0	0	0	0

Export Trade Matrix

Country Argentina

Commodity Poultry, Meat, Broiler

Time Period	Annual	Units:	MT
Exports for:	2002		2003
U.S.	0	U.S.	0
Others		Others	
China	8278		8611
Germany	3293		5422
Hong Kong	3270		5755
Saudi Arabia	453		4121
South Africa	5350		3980
Netherlands	2075		3563
Chile	99		3182
United Kingd.	840		1994
Congo	1756		1551
French Ocean.	262		1493
Total for Others	25676		39672
Others not Listed	3855		4029
Grand Total	29531		43701