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Report Highlights:

Argentine poultry meat exports in 2007 are forecast to reach a record 110,000 tons (not including exports of chicken paws). Most local traders are confident that the world market will continue to normalize after the Avian Influenza crisis, with increased volumes and prices. Local broiler production is also expected to be record at 1.34 million tons. This is as a result of higher exports and expected larger domestic consumption (reaching nearly 30 kilos per capita).

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Buenos Aires [AR1]
[AR]

SECTION I. SITUATION AND OUTLOOK

Trade: Argentine broiler meat exports for 2007 are projected at 110,000 tons, the highest ever (this volume does not include about 50,000 tons of chicken paws which are expected to be exported to China and Hong Kong). After the economic crisis and the strong devaluation of 2002, Argentina has been significantly expanding its exports as result of its competitiveness and good sanitary status (free of Newcastle with vaccination and free of Avian Influenza). Argentina has one of the lowest production costs in the world and can export from approximately 15 plants to more than 80 markets.

Although exports in 2006 will be lower than expected because of the Avian Influenza crisis, which affected countries that normally buy from Argentina, most local traders are confident that it will recuperate in 2007. In fact, prices and volumes are already showing signs of recovery.

Exports of whole broilers still account for more than half of total shipments. Whole broiler exports in 2007 are forecast at 60,000 tons, the highest ever. Chile is expected to be the largest market by far, as it has been in the past few years. Despite an overall drop in Argentine FOB prices in 2006 because of the world's Avian Influenza crisis, broiler FOB prices to Chile (US\$930 per ton average) increased almost 8 percent in the first 7 months of 2006. Chile is a good market for local exporters, since it demands products very similar to the ones produced for the local market, apart from logistical conveniences due to proximity. South Africa is also expected to continue to be one of the country's primary buyers of frozen small whole broilers as well as Saudi Arabia, which buys from a local company through an agreement with Tyson Foods. Although the Russian Federation purchased very small amounts of broilers from Argentina in 2006, most traders believe it will recover in 2007 depending on how that country will manage its import quotas. Argentina is eligible to export to over 25 markets in Africa (major markets are Congo, Angola, and Namibia). Most traders expect this market to also recover in 2007. Most products exported are small broilers and hens.

Exports of chicken cuts and parts (excluding paws) for 2007 are projected at 50,000 tons. South Africa is expected to remain as the main market (volume wise), demanding primarily leg quarters, and mechanically deboned meat (MDM). Chile is also a good market for parts, such as breasts and leg quarters. The European Union is the most important market (value wise) as it imports primarily high value products such as individually quick frozen (IQF) calibrated breasts. The Russian Federation is also a good market especially for MDM and wings.

Exports of processed poultry products are growing and are expected to continue to grow in the future. There are three plants that produce IQF cooked poultry meat and six plants which just cook or fry and export frozen. Most products are boneless and skinless cooked meat. IQF exports almost double those that are not IQF. The main markets for such products are Germany, the Netherlands, France, and the United Kingdom. Chile is expected to increase its imports of pre-fried products and hamburgers.

The following table shows Argentina's current import duties, export rebates and export taxes on poultry products:

	Import Duty	Export Rebate	Export Tax
Whole broiler, fresh/frozen	10.0%	3.4%	5.0%
Chicken cuts, fresh/frozen	10.0%	2.7-5.0%	5.0%
Chicken preparations	16.0%	5.0%	5.0%
Chicken preparations, IQF	16.0%	6.0%	5.0%

Production: Argentine broiler production for 2007 is expected to reach a new record at 1.29 million tons (production volumes in PSD tables exclude exports of chicken paws to China and Hong Kong). This is a consequence of good profitability in the sector (as long as the Avian Influenza situation remains under control), good export prospects due to the good sanitary situation and price competitiveness, and continued growth in the domestic market. Most local plants have been investing heavily in the past few years and have plans to continue to do so in the near future. To keep up with the expansion plan, companies are investing in grow out houses, grain storage capacity, cold chambers and freezing tunnels, cut up rooms, etc. As production grows, all the different areas need to be expanded since production capacity is almost full. Most plants are working two shifts. The two alternatives to grow are to buy unused plants or incorporate new lines to the existing ones. However, a group of local investors, most of them related to agricultural sector, will inaugurate in the first part of 2007 a completely new poultry company. It is vertically integrated, from breeding to the distribution in the local market and exports. They have indicated that they will slaughter 60,000 broilers per day and by 2010 they will double the production. Plans are to export 70 percent of the total output and market the balance locally.

There are about 46 plants with federal inspection, which account for approximately 80 percent of the country's total output. The balance is in the hands of smaller companies that only produce and sell close to their area of influence. Practically all companies are owned by Argentine capital. Only three companies own two plants each. Entre Rios province accounts for 47 percent of the country's production, followed by Buenos Aires province with 44 percent and Santa Fe province with 5 percent.

If world market conditions were to improve significantly and become more profitable than selling in the domestic market, there would be room to expand exports even more through higher output and the shifting of product from the local market (Argentines consume almost 90 percent of the total output). However, local processors know that additional shipments should not put too much pressure on retail prices as the Government of Argentina (GOA) is fighting inflation and has signed price agreements with many sectors, including poultry. In March 2005 the sector agreed that it would not sell over US\$0.87 per kilo at wholesale (roughly US\$1.30 per kilo at retail). This agreement will expire at the end of 2006, but most contacts estimate that it will be renewed with minor changes. Since it was implemented, there were very few months that reached the ceiling and during the first seven months of 2006 it was on average US\$0.10 below it. The main reasons for such low prices were the slow down of exports because of the Avian Influenza crisis, abundant supply, and the relatively inexpensive retail beef prices as result of the GOA's beef export ban, which made cattle and beef prices come down.

Currently, local poultry processors report wholesale prices at US\$0.83 per kilo. Prices in 2007 are expected to increase somewhat, specifically to reflect cost increases. Production costs for 2007 are forecast to go up. Labor, energy, feed, and transportation costs are expected to be somewhat higher. Production costs in 2006 are roughly at US\$770 per ton, higher than the previous year. Labor, corn, and soybeans account for about 65 percent of the total cost.

Consumption: Broiler domestic consumption for 2007 is forecast at a new record 1,184 million tons (equivalent to about 30 kilos per capita). Argentines continue to be the world's largest beef consumers, and the GOA, in order to keep prices under control, have limited beef exports. Therefore, Argentines can buy beef at very competitive prices. Despite this situation, local consumers have incorporated poultry meat into their diet, helped strongly by the price advantage versus beef. Several years ago, the price of a kilo of broiler was the same as a kilo of beef short ribs. Nowadays, broilers are selling for half the price. Pork is consumed in limited quantities and mostly in cold cuts. Fresh cuts are becoming a little more popular, but prices are similar to beef.

Practically 80 percent of the local output leaves the processing plants as chilled whole birds. However, contacts indicate that approximately 35 percent of broiler domestic consumption is parts. This trend is expected to continue to grow in the future.

During the Avian Influenza crisis in Europe and Asia in late last year and early 2006, poultry domestic consumption dropped significantly as a result of strong press coverage. Once the news faded away, consumption returned to almost normal. Local poultry companies, together with the government, worked in educating producers, veterinarians, processors, the press, and consumers about the disease. A lot of emphasis was put on prevention measures and some practice drills were done.

Policy: There is no official policy focused on the poultry sector. However, the GOA is maintaining a weak value of the peso to remain competitive and encourage exports. This has helped the local poultry sector to expand its shipments significantly in the past few years. The price agreement reached by the sector and the GOA has made retail broiler prices remain flat. The local sector and official entities work closely in programs related to sanitary security, market research, and briefings to producers on how to operate more efficiently.

SECTION II. STATISTICAL TABLES

PSD Table

Country Commodity	Argentina Poultry, Meat, Broiler								
	(1000 MT)			(MIL HEAD)			(PERCENT)		
Market Year Begin	2005 USDA Official Estimate	Revised Estimate	New Estimate	2006 USDA Official Estimate	Estimate Estimate	New Estimate	2007 USDA Official Estimate	Forecast Estimate	New Estimate
	01/2005	01/2005	01/2005	01/2006	01/2006	01/2006	01/2007	01/2007	01/2007
Inventory (Reference)	0	0	0	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	1080	1000	1030	1180	0	1210	0	0	1290
Whole, Imports	0	2	0	0	0	0	0	0	0
Parts, Imports	3	2	3	4	0	4	0	0	4
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0	0	0	0
Total Imports	3	4	3	4	0	4	0	0	4
Total Supply	1083	1004	1033	1184	0	1214	0	0	1294
Whole, Exports	45	60	48	65	0	50	0	0	60
Parts, Exports	65	50	37	85	0	40	0	0	50
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0	0	0	0
Total Exports	110	110	85	150	0	90	0	0	110
Human Consumption	973	894	948	1034	0	1124	0	0	1184
Other Use, Losses	0	0	0	0	0	0	0	0	0
Total Dom. Consumption	973	894	948	1034	0	1124	0	0	1184
Total Use	1083	1004	1033	1184	0	1214	0	0	1294
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	1083	1004	1033	1184	0	1214	0	0	1294