Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Scheduled Report - public distribution

Date: 11/24/1999

GAIN Report #AR9084

Argentina

Exporter Guide

1999

Prepared by:
Philip A. SHULL
U.S. Embassy
Drafted by:
Ken Joseph/Maria Julia Balbi

Report Highlights: In general, Argentina has an open trading system, with moderate tariffs and reasonable transparent labeling and sanitary requirements. Nearly all FDA-approved processed foods and beverages are importable. The United States has traditionally had 10 percent of the $1 billion Argentine import market for foods and beverages. U.S. market share is expected to grow considerably over the next few years.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Buenos Aires [AR1], AR

SECTION I. MARKET OVERVIEW

Business Climate

< In general, Argentina has an open trading system, with moderate tariffs and reasonable transparent labeling and sanitary requirements. Nearly all FDA-approved processed foods and beverages are importable.

< Over the last decade, Argentina has implemented deep and successful economic changes, including controlling inflation, and undertaking trade liberalization, privatization, and public administrative reform, which resulted on a boom in economic growth. Argentina has become one of the world's most promising emerging markets.

< Consumer prices have increased by less that 1 percent per year since 1996, and decreased over 1 percent in 1999.

< During the past three years, Argentina has experienced great investment growth. Many foreign companies show great interest in Argentina as a starting point to focus on the Mercosur region.

< Although overall import regulations and standards are relatively easy to comply with, the GOA occasionally imposes trade barriers. Argentina also applies unjustified phytosanitary import requirements to some U.S. agricultural products, such as fresh pork, Florida citrus, and some California stone fruit, though these are being addressed.

< Argentina's population in 2000 is estimated at 37.0 million of which only 10 percent lives in rural areas. One third of the country's total population lives in Buenos Aires city and suburbs, and accounts for approximately 50 percent of the country's total consumption. Argentines are sophisticated consumers of a wide range of food and beverage products.

< The Argentine peso has been tied to the U.S. dollar on a 1-to-1 basis since 1991 and is expected to remain so for the foreseeable future.

< Argentina has the highest per capita GDP in Latin America, projected at $8,000 for 1999.

< Relatively low import tariffs, an open economy and a strong peso have encouraged large imports, including foods and beverages (F&B). F&B imports (including seafood) in 1998 were slightly over $1 billion, 40 percent higher than in 1993.

< Although Argentina experienced an economic recession in 1999 due to economic crises in Asia and Russia, and the strong currency devaluation by its main trading partner, Brazil. The country is expected to recover in 2000 and continue to grow thereafter.

Retail Food Sales

< Total retail F&B sales in 1999 are forecast at $49 billion. 2.5 percent economic growth is projected for 2000, with total F&B sales expected to grow about the same.

< F&B imports are expected to experience healthy growth over the next decade.

< The share of consumer ready food products imported from the US averaged 10.5 percent in the past three years. U.S. F&B products are expected to gain a larger market share in the future due to 1) the growing demand for convenience foods, and 2) the increasing influence of U.S. culture.

Income Distribution

< Apart from Buenos Aires, other cities with more than 1 million people are Cordoba, Rosario and Mendoza. These three cities together account for approximately 15 percent of total F&B sales.

- The upper economic strata account for 11 percent of the country's total population, with an average yearly household income of over $100,000, and the middle strata account for 35 percent of the total with an average income of $20,000. The poorer segment represents slightly more than half of the population and has an average yearly income of about $10,000.
- The average Argentine family spends approximately 26 percent of its income on foods.
- The local retail sector is undergoing rapid transformation with large outlets starting to dominate the scene. Hypermarkets and superstores accounted in 1999 for approximately 50 percent of the country's total F&B sales and 80 percent of imported F&B.
- The other half is sold through small supermarkets (18 percent), traditional stores (18 percent), and the balance, through kiosks and convenience stores.
- Large retail chains, after practically saturating the Buenos Aires metropolitan area, are spreading out into the interior of the country, especially into provincial capital cities. This provides greater opportunities for imported F&B due to large retailers' efficient distribution systems.
- The middle and upper strata purchase primarily in modern superstores and hypermarkets mainly because of proximity, and low prices.
- Convenience foods are showing great acceptance as a result of more women working outside their homes, and a growing number of single-person homes (17 percent of the total projected in 2000).
- Frozen foods are expected to continue to grow at a 10 percent annual rate.
- Based on information provided by trade sources, about 40 percent of the middle and upper class families has microwave ovens and 70 percent, freezers.

Outlook for U.S. Exports of Food & Beverage Products

ADVANTAGES	CHALLENGES
Argentine consumers think of US products as high quality and reliable	Higher distribution costs to reach interior of the country and smaller cities
A large number of Argentines travel and study in the U.S., and are exposed to American culture and products	Lack of brand awareness for many imported products by importers, retailers and consumers
Most imported food is specialty and/or novelty in large retail and convenience stores	Lack of importers' and retailers' knowledge about purchasing and merchandising U.S. products
Efficiency, value and variety of U.S. F&B products	Limited market awareness by U.S. exporters of opportunities in Argentina
Increasing demand for convenience foods (including frozen and microwaveable foods)	Relatively small initial purchases by importers, which discourage U.S. suppliers and increases unit costs
Hypermarket and superstore expansion in the interior of the country opens new opportunities to U.S. F&B products	High cost for launching new brands/products and high slotting fees, which exporters and importers must share
Large foreign retail chains have more opportunities to deal with foreign suppliers	Large local supply of many F&B products

Arrival of new competitors to the retail market creates new business opportunities	Large foreign investment in the food industry improves efficiency and quality of local products
A growing local F&B industry opens new opportunities to imported food ingredients	Mercosur preferential tariffs encourage inter-regional trade. Brazilian and Chilean competition is strong for some products
Strong local currency makes imported products more accessible to consumers	
Registration for F&B imports and import procedures are usually relatively simple	

SECTION II. EXPORTER BUSINESS TIPS

Local Business Customs: Keys to Success in Argentina

< Appoint a representative, agent or importer.

< Spanish language in printed materials, even though many businessmen speak English.

< Display samples.

< Long term outlook.

< Personalized approach.

< Contact top decision makers.

< Consistent attention in service and delivery.

< Do not take no for an answer - frequent visits and follow-ups.

< Get a contract in writing.

< Credit terms. From the time the importer places an order to an exporter, to the time it collects payment from retailers, a minimum of 4-5 months can go by.

< Flexibility in volumes.

< Protect and register your trademarks.

The Consumer

< Based on an article published by *Mercado*, Argentine consumers are rational, practical, refined and demanding. Therefore, they want things quicker, easier, healthier, and cheaper.

< Traditionally, Argentines have been very conservative and highly influenced by Europe.

< Younger generations (25/30 years old or less) are more open and oriented towards U.S. culture

< The fast food sector has grown rapidly in the past five years.

< There is a clear increasing concern about fats and cholesterol in the diet. As a result, diet, light, skimmed or fat-free food products continue to increase in popularity.

< The majority of Argentines still adhere to a diet dominated by beef, French fries, salad, and pasta. However, chicken, fish and fruits and vegetables are becoming more popular.

< Hot and/or spicy foods are not yet widely popular.

< Children play an important role in the family's food purchases.

< Dining out is mainly left for social events during weekends or for business purposes during weekdays.

< Delivery food is popular (most typically pizza and ice-cream, but also top restaurants provide delivery

service).
< After a long period of absence, ethnic restaurants are beginning to flourish in Buenos Aires city.
< In the past decade, as a result of economic stability and globalization, Argentines have modified their consumption behavior:

* greater valuation of time resulting in shopping integration to make the best use of time.
* different valuation of money, i.e. with stability, purchases are more rational.
* greater demand for services.
* greater family integration regarding shopping decisions.
* greater consumer acceptance towards change, where global communications (primarily TV), show cultural and consumption habits from other countries, but especially from the United States.

Food Standards and Regulations

< The Argentine Food Code (Codigo Alimentario Argentino - CAA) regulates local food production and marketing. However, the CAA resolutions are being gradually replaced by Mercosur standards, which are based on the norms of: 1) the European Union; 2) the Codex; and 3) the FDA.
< There are three official entities in Argentina which regulate food and beverage imports, as follows:

* *Servicio Nacional de Sanidad y Calidad Agroalimentaria - SENASA* - handles fresh, chilled or frozen products and by-products of animal, plant and seafood origin. It also handles canned products of over 60% animal origin and food preparations of over 80% animal origin.
* *Instituto Nacional de Alimentos - INAL* - regulates processed food products which are prepared for direct human consumption, health supplements, and both alcoholic and non-alcoholic beverages, with the exception of wine.
* *Instituto Nacional de Vitivinicultura - INV* - exerts control over wine products.

< Each entity requires specific documentation to register an imported product. An insignificant number of U.S. F&B products have not been able to access this market. However, there are a few products, such as fresh pork and some fruits, which still cannot be imported due to sanitary reasons.
< It is recommended that the local importer/agent goes through the registration process.

For additional information on this section, please refer to our Food and Agricultural Import Regulations and Standards report (FAIRS) (AGR# AR9076), which you can find in the agricultural country report section of the FAS Homepage: www@fas.usda.gov

General Import and Inspection Procedures

< Before the product is shipped, it must undergo a "pre-shipment inspection" in the country of origin, carried out by an international certification company approved by the Argentine government. The objectives of this measure are to detect under-invoicing, counter unfair competition and prevent tax evasion. This is valid for consumer goods above $800 in value.
< Products imported through SENASA - An approved local importer requests from SENASA an import permit, which will then be submitted to Customs to have the product released.
< Products imported through INAL - Once the importer has obtained the "register number of food product" (RNPA), and the shipment is in the port, the product needs to apply at INAL for a "Certificate of Free Circulation" which will be submitted at Customs to have the merchandise released.
< Products imported through INV - Once the product arrives at the local warehouse, the importer must

request an analysis and shipment control by the INV, which will then issue a "Certificate of Free Circulation". Then, the product is ready to be marketed.

< When the container arrives at Customs, the products are inspected (labels, shelf-life, temperature, etc.) to confirm that the information in their files matches with the actual shipment. If everything is correct, the load is released.

For additional information on this section, please refer to our Food and Agricultural Import Regulations and Standards report (FAIRS) (AGR# AR9076), which you can find in the agricultural country report section of the FAS Homepage: www@fas.usda.gov

III. MARKET SECTOR STRUCTURE AND TRENDS

< Good market opportunities for the three food market sectors in Argentina: retail, HRI (hotel, restaurant, and institutional), and food processing. However, the **retail food sector** shows the best prospects for the marketing of imported products.

< Roughly 66 percent of Argentina's total F&B sales, and 80 percent of all imported F&B are sold through hypermarkets, superstores, and supermarkets. Their share is expected to grow as a result of the rapid expansion of the sector.

< Many strong international retail companies operate in Argentina.

< Small supermarkets, traditional stores, and kiosks, keep losing market share in the hands of large and more efficient retail stores and convenience stores, which are becoming more sophisticated.

< Excellent opportunities for a wide range of U.S. consumer-ready food products due to their high quality, as long as they meet one or more of the following conditions: 1) they are premium items, 2) they are less expensive than domestically-produced products, 3) they are novelties, or 4) domestic production is smaller than local demand.

< By 2000, the retail sector is expected to undergo the following trends: fewer brands, more private labels, more products with good value which could negatively affect more expensive big name brands.

< The **HRI sector** is estimated to account for 15 percent of Argentina's total F&B sales, and comprised approximately 5 percent of the total imports of F&B in 1999.

< Of the HRI's total imports, U.S. F&B account for 10 percent.

< HRI operators usually prefer fresh products over those which are precooked, preserved, frozen or canned. However, they are gradually incorporating consumer-ready food products because of their high quality and easier preparation.

< One of the primary advantages of U.S. F&B for the HRI sector is their renowned high quality, which is preferred over price in the case of five-star hotels, fancy restaurants, and catering services for events.

< Most imported products for the HRI sector come from Europe due to tradition and the popularity of the Mediterranean cuisine.

< In the **food processing sector**, imports accounted for approximately 15 percent of the total sales of food ingredients in 1999.

< Between 1992 and 1998, this sector grew about 28 percent, reflecting strong foreign investment in the local food sector.

< The growing popularity of fast food favors imports of some U.S. food ingredients (such as sauces, specialty meats, frozen French fries), which are considered of high quality and safe.

< There will be a higher demand for additives, preservatives, and flavors, of higher quality.

< Despite the good reputation of U.S. food ingredients in Argentina, they face a strong competition with

European products, primarily from Italy, France, England, and Germany, and also from Brazil.

< Arrival of U.S. and foreign players to the Argentine food market resulting in industry concentration is expected to foster imports of food ingredients for new product lines.

Market Entry

< The best method to import a product will depend upon the product, the importer, and retailers. However, a common characteristic of virtually all successful trade depends upon the commitment of the exporter to devote the time and resources necessary for building a market for their product(s). In general, imported F&B come into Argentina through any of the following ways:

-- Local F&B importers, who import products and then market them in supermarkets and/or HRI establishments. There are a few of these who have been in the market for several years and have well-established brands. They mainly specialize in gourmet foods.

-- Local agents who work closely with large retail chains usually show twice a year new products to purchasing managers in supermarkets. Imports are done on behalf of supermarkets and they charge a commission, but they stay on top of the product to supervise its marketing and brand development.

-- Direct imports by supermarkets. Import or purchasing managers of the large retailers can identify good products in international food shows, buying missions, etc. They establish a direct contact with the foreign supplier and import the products directly.

-- Local processors (mainly subsidiaries of multinational companies) such as Nestle, Pillsbury, Parmalat, etc., who import and distribute products usually manufactured by their sister companies.

Trends in Promotional/Marketing Strategies and Tactics

Argentina's food distribution sector is modernizing rapidly, which facilitates the introduction of imported F&B both into the major cities and interior of the country.

-- Several European Union countries, such as Spain, France, Italy, and Germany, have market promotion programs organized by government or quasi-government organizations.

-- Promotion by Mercosur countries, primarily Brazil and Chile, tends to be carried out by the private sector.

Market promotion activities by foreign countries consist mainly of the following three types: a) trade missions, b) supermarket in-store promotions, c) buying missions, and d) trade shows.

-- While the influence of U.S. culture has fostered the introduction of a wide variety of U.S. products into Argentina, Europe still dominates imports from non-Mercosur countries. However, the younger generations are becoming more U.S.-oriented regarding their tastes and habits.

Trends in Tourism, Holiday, and Internet Sales

< The hotel subsector is expected to grow steadily as a reflection of the expansion of international

tourism, which is expected to continue to increase in the near future.

< In the past few years, there has been significant foreign investment aimed at hotels. Currently, there are over 15 five-star hotels in Argentina, and several under construction or planned. Also, there is a remarkable trend toward the construction and remodeling of four-star hotels.

< **Holiday Seasons** are becoming increasingly commercialized.

< Poultry companies are making great marketing efforts towards the positioning of turkey meat in the market for Christmas Holidays.

< Consumption of dried fruits and nuts increase significantly during Christmas time, and chocolate items, during Easter.

< The consumption of sparkling wine is expected to double for Year 2000's Eve celebrations.

< Increasing popularity among the more affluent consumers to purchase via **Internet** or by phone. Disco, the first retailer to incorporate this service, has approximately 10,000 clients with an average purchase almost 7 times higher that their overall average purchase.

For additional information on this section, please refer to our Retail Food Sector report (AGR# AR9083), which you can find in the agricultural country report section of the FAS Homepage: www@fas.usda.gov

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

This section is divided into three categories:

a) Products which already exist in the market and have good potential, and products which are just starting to be developed and also show good prospects:

* Frozen foods - this category has been growing at high rates in the past years. There is domestic and regional (especially Chilean) supply, especially of raw vegetables. Good trend in higher-value frozen products of good quality, such as TV dinners.

* Ethnic foods - globalization, tourism, and the rapid expansion of ethnic restaurants in Buenos Aires City are providing retailers an increased demand for these types of products. Thai, Hindu, Korean, Japanese, Chinese, Mexican, Kosher, etc. are a few examples of this trend. The United States has good potential for the supply of these products as the product and its packaging are "westernized".

* Ready-prepared dry foods - have good market potential, but the price and quality have to be good (e.g. dry pasta with sauces).

* Health foods - vitamins, dietary supplements, isotonic beverages, etc. are products with good potential.

* Organics - niche market but good potential as domestic organic products so far have poor value (expensive and in some cases doubtful quality).

* Seafood - niche market, but great interest in frozen (and some fresh) shrimps, salmon, clams, lobster

b) Imported F&B considered "commodities" (products whose domestic production is not sufficient to satisfy local demand. These basically compete based on price):

* Palm hearts

* Canned peaches and pineapple

* Canned vegetables

* Tuna

* Coffee

c) Imported "classic" products (F&B which are in the market and will continue to be). Growth will depend on the evolution of the country's economic situation, tastes, and population growth:

* Wines/Beer/Whisky

* Snack foods

* Cookies

* Breakfast cereals

* Confectionery

* Jams/Marmalades

* Fine soft specialty cheeses

* Ham/some cold cuts

* Sauces

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Office of Agricultural Affairs
U.S. Embassy, Buenos Aires
Avda. Colombia 4300
1425 Buenos Aires, Argentina

Phone: 54-11-4777-8054
Fax: 54-11-4777-3623
E-mail: agbuenosaires@fas.usda.gov
Homepage: http://www.fas.usda.gov

APPENDIX I. STATISTICS

A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports from All Countries ($Mil) / U.S. Market Share (%) 1998	$1,700 / 15%
Consumer Food Imports From All Countries ($Mil) / U.S. Market Share (%) 1998	$ 970 / 9%
Edible Fishery Imports From All Countries ($Mil) / U.S. Market Share (%) 1998	$ 86 / 0%
Total Population (Millions)/Annual Growth Rate (%) 2000	37.0 / 1.3
Urban Population (Millions)/Annual Growth Rate (%)	33.3 / NA
Number of Major Metropolitan Areas	4
Size of the Middle Class (Millions)/Growth Rate (%) (*)	12.6 / NA
Per Capita Gross Domestic Product (U.S. Dollars) 1999	$8,000
Unemployment Rate (%) 1999	14.5%
Per Capita Food Expenditures (U.S. Dollars) 1999	$1,400
Percent of Female Population Employed 1999	14.0%
Exchange Rate (US$1 = 1 Argentine Peso)	US$1 = 1 Arg. Peso

(*) Characteristics: Completed high school, administrative employees, average home income $20,000/year, half of them has car and credit card.

B. CONSUMER FOOD AND EDIBLE FISHERY PRODUCT IMPORTS

Argentina Imports	Imports from the World			Imports from the U.S.			U.S Market Share		
(In Millions of Dollars)	1996	1997	1998	1996	1997	1998	1996	1997	1998
CONSUMER-ORIENTED AGRICULTURAL TOTAL	807	899	970	92	99	91	11	11	9

Snack Foods (Excl. Nuts)	61	68	72	4	7	3	7	10	5
Breakfast Cereals & Pancake Mix	8	10	12	1	2	2	18	20	16
Red Meats, Fresh/Chilled/Frozen	81	105	145	3	4	7	4	4	5
Red Meats, Prepared/Preserved	45	50	54	1	2	1	2	3	2
Poultry Meat	43	58	71	1	1	1	0	0	0
Dairy Products (Excl. Cheese)	45	49	35	4	2	2	9	5	6
Cheese	21	19	21	4	3	5	17	18	22
Eggs & Products	5	9	12	1	1	1	7	4	4
Fresh Fruit	114	114	119	3	3	1	2	3	1
Fresh Vegetables	13	7	12	1	1	1	6	15	10
Processed Fruit & Vegetables	121	127	134	8	8	11	7	6	8
Fruit & Vegetable Juices	15	14	18	4	2	1	27	16	6
Tree Nuts	24	23	21	4	6	5	16	26	22
Wine & Beer	35	46	47	4	5	3	12	10	7
Nursery Products & Cut Flowers	13	18	19	1	1	1	7	7	3
Pet Foods (Dog & Cat Food)	19	27	19	14	18	14	75	67	71
Other Consumer-Oriented Products	146	156	159	36	34	33	25	22	21
FISH & SEAFOOD PRODUCTS	71	87	86	1	1	1	0	0	0
Salmon	4	5	6	1	1	1	0	0	0
Surimi	1	1	1	0	0	0	0	0	0
Crustaceans	8	11	12	1	1	1	0	0	1
Groundfish & Flatfish	2	2	3	0	1	0	0	1	0
Molluscs	7	9	7	1	1	1	1	1	0
Other Fishery Products	49	60	57	1	1	1	0	0	0
AGRICULTURAL PRODUCTS TOTAL	1,342	1,770	1,700	195	346	250	15	20	15
AGRICULTURAL, FISH & FORESTRY TOTAL	1,527	2,007	1,958	200	354	259	13	18	13
Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office									

C. TOP 15 SUPPLIERS OF CONSUMER FOODS AND EDIBLE FISHERY PRODUCTS

CONSUMER-ORIENTED AGRICULTURAL TOTAL - 400					FISH & SEAFOOD PRODUCTS - 700			
Argentina	Import	Import	Import		Argentina	Import	Import	Import
	1,996	1,997	1,998			1,996	1,997	1,998
	Value	Value	Value			Value	Value	Value
	1000$	1000$	1000$			1000$	1000$	1000$
Brazil	214,373	262,762	282,108		Chile	12,701	16,744	21,897
Chile	111,110	128,433	139,091		Thailand	12,881	21,381	20,296
Ecuador	75,606	80,070	80,645		Brazil	10,971	14,101	14,967
Uruguay	44,558	44,418	79,677		Ecuador	12,348	15,084	11,200
Spain	37,409	37,052	45,880		Spain	5,568	9,143	7,622
Italy	42,255	39,729	35,722		Norway	2,285	1,781	1,775
France	18,047	22,300	29,596		Uruguay	2,634	1,489	1,655
Denmark	15,052	16,415	17,351		Germany	1,126	1,197	1,198
Germany	13,895	15,981	15,989		Iceland	0	545	838
Mexico	15,563	15,060	15,902		Morocco	710	846	770
Netherlands	16,875	13,589	15,382		Netherlands	686	494	416
Belgium	6,792	6,593	12,311		Cuba	28	132	345
Paraguay	8,742	7,518	10,954		Areas NES	97	347	344
New Zealand	14,215	24,253	8,362		Denmark	402	425	313
Other	79,905	85,923	90,024		Other	8,336	3,541	2,081
United States	92,355	98,655	90,660		United States	187	238	310
World	806,779	898,800	969,687		World	70,960	87,484	86,039