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Report Highlights:

Argentine imports of consumer-oriented food and beverages in 2020 are projected to remain at 2019 levels, thanks to continuing economic uncertainty, weak consumer spending, and the expectation of high inflation. However, opportunities for products such as food ingredients, pork products, and specialty food and beverage products oriented at high-income consumers continue to be in demand.

Executive Summary

Argentine imports of consumer-oriented food and beverages in 2020 are projected to remain at 2019 levels, due to continuing economic uncertainty, weak consumer spending, and the expectation of high inflation. However, there continues to be opportunity for products that are not produced in sufficient quantity locally, such as food ingredients, pork products, and craft or specialty products oriented at high-income consumers.

Imports of Consumer-Oriented Products

Argentina's F&B industry is very large and well developed. In addition to domestic Argentine manufacturers, many multinational companies operate locally, to meet the demand of the Argentine market. Post anticipates that the F&B import market will continue to be strong in products which Argentina does not produce or where its supply is limited, and in gourmet products targeted primarily to the higher income segment.

The best prospects for imported F&B products are well known brands (confectionery products, sauces, snacks, almonds, beer, etc), food ingredients (for functional foods, for the beverage industry, etc) and commodity type products which are not produced domestically. Argentina's development of new products for the domestic and export markets provides good opportunities for imports of new food ingredients.

Food Processing Industry

The F&B industry is one of the main activities contributing to the Argentine economy. While many much of the agricultural sector is oriented toward export markets, F&B production is primarily focused on the domestic market. Many large local F&B companies were purchased by foreign multinationals or financial funds. This, plus the fact that there have been mergers and acquisitions internationally, resulted in strong local concentration.

Food Retail Industry

About 75 percent of all imported F&B products are sold through hypermarkets and supermarkets. Several international retail companies operate in Argentina (Carrefour, Wal-Mart, Cencosud-Jumbo). During the past few years, large retail chains expanded to the interior of the country after the City of Buenos Aires and its suburbs became saturated. Investment in new supermarket openings is taking place in larger cities in the interior of Argentina. Currently, there are very good opportunities for some U.S. consumer-ready food products due to their high quality and image.

Quick Facts CY 2019

Imports of Consumer-Oriented Products
3,400 US million

List of Top 10 Growth Products in Host Country

1) canned preserves	2) pork products
3) sweetbreads	4) food additives/flavors
5) sweeteners	6) spices
7) candy	8) alcoholic beverages
9) nuts	10) baby food

Food Industry by Channels (U.S. billion) 20XX

Food Exports	39.5
Food Imports	3.5

Top 10 Host Country Retailers
Coto
Cencosud - Jumbo
Dia
Carrefour
La Anonima
Diarco
Vital
Walmart
Cooperativa Obrera
Toledo

GDP/Population
Population *(millions)*: 45.3
GDP *(billions USD)*: 470
GDP per capita *(USD)*: 20.567

Sources: National Statistics Center
FAS Buenos Aires analysis

ADVANTAGES	CHALLENGES
Argentine consumers think of U.S. products as high quality and reliable.	Despite the fact that there no legal restrictions for imports, it is necessary to undertake commercial ef to develop the food and beverage import need.
Many Argentines have traveled and studied in the U.S. and know American culture and products	According to the World Bank, Argentina has one the world's most protecti economies in the world.
Imported food from the U.S. and the E.U. is mostly considered gourmet.	Mercosur preferential tar encourage inter-regional trade.
U.S. F&B products are known for their quality, variety and value.	There is a large domestic supply of many F&B products.
Significant investment by large retail chains focused on new store openings, especially in the interior of the country, allows expanded market coverage throughout the country.	Local importers perceive lack of flexibility and response from most U.S. exporters in supplying documentation.
There are good cold chain facilities in Argentina.	Initial purchases by impo are usually small.
Local retailers have gained exposure to U.S. exporters and consolidators through FAS activities.	

SECTION I.

Argentina Overview

Argentina is the second largest country by land area, and third largest country by population in South America. It is a presidential republic with the third highest GDP per capita in South America. The capital, Buenos Aires, and its surrounding suburbs, accounts for nearly one- third of the country's population. Argentines speak Spanish, which is referred to as *Castellano,* but have the highest average level of English comprehension in South America according to Education First.

Argentina declared its independence from Spain in 1816 and throughout the 19th century acquired and settled territory approximately one- third the size of the continental United States. In the late 19th Century, a wave of European immigration, primarily from Italy and Spain, and investment from the United Kingdom began to transform the country, leading to increasing urbanization and industrialization. The application of modern agricultural techniques to Argentina's *Pampas* (plains) and new shipping techniques allowed Argentina to begin exporting agricultural commodities to Europe. A series of commodity booms enriched Argentina and made it one of the top ten per-capita GDP countries in the world at the beginning of the 20th century. Since then, Argentina's economy has experienced cycles of boom and bust, with Argentine governments of different ideologies struggling to contain inflation and maintain a stable currency exchange.

Since the late 1940's Argentina's dominant political ideology has been Peronism, named after its founder and former president, Juan Domingo Peron (1895-1974). Many years after Peron's death, Peronism is perhaps best described as a movement or coalition than a distinct political theory, but Peronists often emphasize national sovereignty, societal equality, and state involvement in the economy.

On December 10, 2019 Alberto Fernandez, the leader of a Peronist coalition, was inaugurated to a four-year term as President of Argentina. His running mate, and now Vice-President, Cristina Fernandez de Kirchner was president from 2007 to 2015. Alberto Fernandez defeated Mauricio Macri a center-right politician who was president from 2015 to 2019. Macri had implemented a series of reforms intended to reduce the fiscal deficit and spur economic growth, including reducing the size of the state, eliminating many economic controls, floating the currency, and eliminating subsidies on utilities. However, in 2017 the value of the Argentine peso fell suddenly against the US Dollar as US interest rates rose. In an effort to maintain the value of the peso and also to combat rising inflation, Argentina raised interest rates, leading to a recession, which persisted through 2019. The currency depreciation made Argentina's dollar-denominated debts more expensive for the government, prompting Macri to turn to the International Monetary Fund (IMF) for a $50 billion loan in 2018. In 2019 inflation rate was estimated at almost 52 percent and since 2017 the peso has devalued by 73%. In an effort to kick-start the economy, the new Fernandez Administration has announced a series of government interventions intended to boost consumer spending, maintain employment levels, stimulate exports, and reduce imports and the accompanying outflow of foreign currency reserves.

SECTION II.

Business Climate

Argentine imports of consumer-oriented food and beverages (F&B) in 2020 are projected to remain at 2019 levels, as a result of continuing economic uncertainty, weak consumer spending, and the expectation of high inflation.

Argentina's F&B industry is very large and well developed. In addition to domestic Argentine manufacturers, many multinational companies also maintain establishments to meet the demand of the Argentine market. Post anticipates that the F&B import market will continue to be strong in products which Argentina does not produce or has limited supplies and in gourmet products targeted primarily to the higher income consumers.

The best prospects for imported F&B products are for:

- ⇒ well-known brands (confectionery products, sauces, snacks, almonds, beer, etc.)
- ⇒ food ingredients (for functional foods, for the beverage industry, etc.) and
- ⇒ commodity-type products which are not produced domestically (e.g. palm hearts, tuna fish, bananas, coffee, cocoa, etc.)
- ⇒ Argentina's development of new products for the domestic and export markets provides good opportunities for imports of new food ingredients. I
- ⇒ In addition, products with high potential are those that add health benefits and provide convenience, such as snack bars, meal replacement foods, soups, baby food, spreads, dried processed foods, frozen products, ready meals, meal solutions, sauces and snacks, etc. Healthy and natural products are also very popular, and this segment continues to grow as Argentines adopt trends from European and North American markets.

Most imported F&B products are sold in large supermarkets and, to some extent, in upscale specialty stores. Retailers source their products from a few local importers/agents and, in many cases, through direct imports.

The Argentine F&B market

Demographics and Population Distribution

- Argentina's population has been growing slowly with a population of approximately 45 million in 2018, of which less than 10 percent live in rural areas.

- The median age is rising, as it went from 27.3 years in 1980 to 34.4 in 2017.

- The number of single households is on the rise while the average family size is on the decrease.

- One third of the country's total population lives in Buenos Aires city and suburbs, which accounts for approximately 48 percent of the country's total consumption.

- Other large cities with more than 1 million people are Cordoba, Rosario and Mendoza. These three cities together account for approximately 20 percent of total F&B sales.

- According to income patterns, the upper economic segment accounts for 10 percent of the total population in the country; the middle economic segment, 50 percent; and the lower economic segment, 40 percent.

- Total F&B retail sales are estimated at US$50 billion in 2019.

Large Retailers are Key – Especially for Imports

- Large retailers are visited by almost 65% of shoppers. Their popularity is due in part because consumers can make one-stop purchases of diverse products, benefit from credit card installment plans, and take advantage of deep discounts during store sales.

- In recent years, investment in the retail food sector has been significant. Large supermarket chains are expected to open several new stores in the interior of the country in the coming years.

- Over 75 percent of imported gourmet products are sold through hyper and supermarkets.

- Most supermarkets carry imported F&B products to attract customers with high purchasing power. During former President Macri's term in office, the number of imported products increased compared to previous years, although high prices made those products affordable only for the upper-middle class. For example, an 8 oz can of tomato soup retailed at $3.50.

- Import duties of high-value foods are on average 20 percent.

- Sales in supermarkets vary enormously depending on the neighborhood. Premium brands continue to be strong in upscale areas, while sales of basic foods are larger in lower-income areas.

Emerging Trends

- Premium brands are selling very well.

- Private label products continue to expand slowly. Their market share ranges between 4-10 percent depending on the category.

- Due to inflationary trends affecting the entire Argentine economy, prices of locally manufactured F&B products have increased significantly in the past couple of years and are expected to continue to do so in 2020.

- The U.S. share of imported consumer-ready F&B during 2019 is expected to reach 9 percent.

EXPORTER BUSINESS TIPS

Local Business Customs: Keys to Success in Argentina

- Appoint a representative, agent, or importer who is very well versed and updated on current rules and regulations.

- Spanish language in printed materials is preferred, although most importers speak English.
- Display samples.

- Have a long-term outlook.

- Use a personalized approach.

- Contact top decision-makers.

- Provide consistent attention in service and delivery.

- Do not take “no” for an answer – engage in frequent visits and follow-ups.

- Get a contract in writing.

- Be flexible with volumes.

- Register your trademarks.
- Provide documentation needed for registration of new products.

The Consumer

Consumer Attitudes

A large proportion of modern Argentines are descended from, or identify with, the wave of European immigrants that arrived in the late 19th and early 20th century, principally from Italy and Spain, whose dietary influences are still impacting Argentine consumer food choices. The variety of processed food products in the market is more limited compared to other industrialized countries. Hot and/or spicy foods are not widely popular. Millennials are more open and oriented towards U.S. culture.

Consumer Shopping Habits

Eight out of ten consumer retail decision makers are women, and three quarters are made by people 36 years old or older. Over 80 percent of the middle and upper-class families have modern appliances with consumers seeking smaller, individualized packaging and convenience in food products.

Upper Income Consumers Drive Demand for Imported Products

Affluent customers make about 20 percent of the total population. They are health conscious and can afford to buy premium brands. Over the last few years, consumption of premium F&B reached over 10 percent of total F&B sales. These high and high-middle income consumers can afford to buy imported F&B and represent a market of approximately 10 million people. This segment accounts for more than 65 percent of the country's total income and almost 40 percent of F&B purchases, by value. Middle class consumers represent about 25 percent of the total population and buy well-known brands with a focus on value. Less affluent consumers represent about half of the population and seldom buy imported foods.

Foods marketed as healthy, natural, innovative, as well as functional foods, continue to increase in popularity. More broadly, there is a clear concern about health and good nutrition, especially among millennials, with a proliferation of specialty stores in wealthier neighborhoods. In addition, Argentina has a small, but growing market for organic food. This trend is most pronounced among high-income consumers.

Restaurant Trends

Dining out is a popular social event and it is common to celebrate events and hold business meetings at restaurants. Food delivery is a well-established platform, from fast casual options, such as pizza, empanadas (filled pies) and ice-cream, to sit-down restaurants, many of whom provide delivery service.

A new trend is gourmet restaurants in more modest price ranges for middle to upper-class customers, such as gourmet hamburgers with unique ingredients and imported condiments. While not a strong restaurant sector, ethnic establishments (Mexican, Thai, Peruvian, Japanese, Korean, Hungarian, Persian, Indian, Jewish, Russian, among others) can be found in Buenos Aires.

Beverage Trends

Carbonated beverages and powdered juices are very popular among children and adults. Demand for traditional diet sodas remains strong with flavored sodas and waters beginning to gain popularity at the expense of full-sugar beverages. Coffee, tea and "gaucho tea" (mate – the national drink of Argentina) are consumed daily. Local coffee shops abound in the city as well as coffee chains like Café Martinez, Coffee Store, Starbucks, etc.

Wine and beer are the most popular alcoholic beverages, although imported wine is less available than imported beer and spirits. Craft beer bars are popular among millennials, where the trend is to consume beer accompanied by a variety of snacks. Consumption of sparkling wine is on the rise as are distilled spirits such as bourbon, vodka and gin. Bitter liquors and liqueurs of Italian origin remain popular. Consumption of alcoholic beverages among young adults continues to expand.

Food Standards and Regulations

The Argentine Food Code (*Código Alimentario Argentino – CAA, in Spanish)* created by Law §18284, passed in 1969 and put into force by Decree §2126 in 1971, regulates locally-produced and imported food products. The CAA's main goal is to protect public health and the good faith in commercial transactions of food products within the National territory of Argentina.

The CAA incorporates standards agreed upon within the Southern Cone Common Market (Mercosur, in Spanish) framework, which in turn are influenced by standards from: 1) the European Union; 2) the Codex Alimentarius; and 3) the U.S. Food and Drug Administration (FDA). The CAA is permanently updated by joint resolutions from the Ministry of Health and the Ministry of Agriculture.

Argentina regulates F&B imports, as follows:

- **SENASA** *(National Service of Agricultural and Food Safety and Quality)*- handles fresh, chilled, thermo processed and frozen products and by-products of animal, plant and seafood origin as well as canned products over 60 percent animal origin, and food preparations over 80 percent animal origin.

- **INAL** (*National Food Institute*) - 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.

- **INV** (*National Wine Institute)* - controls wine products.

Each entity requires specific documentation to register imported products and the local importer/agent must complete the registration process. When the shipment arrives at Customs, products are inspected (for labels, shelf-life, temperature, etc.) to confirm that the information in their files matches the actual shipment. If everything is correct, the load is released.

A few U.S. F&B products are unable to access the Argentine market due to phytosanitary and sanitary restrictions, such as apples and pears, citrus fruit, and poultry and poultry products. Also, flour contained in food products must be enriched/fortified. For additional information on this section, please refer to our *Food and Agricultural Import Regulations and Standards report (FAIRS)* http://www.fas.usda.gov/ReadAttacheReports

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Retail Food Sector

75 percent of all imported F&B products are sold through hypermarkets and supermarkets. Several international retail companies operate in Argentina (Carrefour, Wal-Mart, Cencosud-Jumbo). Large retail chains are expanding into the interior of the country due to saturation in the larger urban areas.

Although large hypermarkets and supermarkets (including warehouse stores, which are owned by large retail chains) control 35 percent of the retail F&B market, smaller supermarkets and traditional stores have maintained a market share of approximately 50 percent due to: 1) low prices which approach promotional prices offered by larger supermarkets, 2) proximity to neighborhood consumers, and 3) smaller stores often provide credit for purchases.

Recent trends for the retail sector:

- Increase of investments in the retail food market, especially in smaller urban markets
- Growth in top-tier brands
- Expansion of domestically-produced specialty food products across Argentina
- Evolution of ethnic, kosher, organic, and functional foods in stores;
- Rise in percent of consumer income spent on non-basic foods

Internet Sales

According to the National Institute of Census and Statistics in 2018, internet access is available across 93 percent of Argentina. Generally large retail chains provide online platforms and phone sales service for home delivery. Although online sales of F&B have not been widely used due to the delay in having to schedule deliveries (instead of going to the store daily) and irregular stock availability, online grocery shopping is on the rise, especially with middle-income consumers.

Disco Virtual was the first on-line platform (Disco Supermarket owned by Jumbo-Cencosud) and the convenience and time saving gained consumer's attention. In 2018, Coto Digital (on-line service for Coto Supermarket) led internet food retailing, accounting for approximately 13 percent of total sales, with its wide product variety and low prices, compared to other supermarkets. Wal-Mart and Carrefour were the last of the major retailers to incorporate on-line sales.

HRI Sector

Tourism is a key sector in the Argentina economy in which the Government of Argentina has invested heavily in overseas promotions. Hotel chains, such as Best Western, Sofitel, Sheraton, Accor, Radisson, Four Seasons, Days Inn, NH, Holiday Inn and Howard Johnson, among others, have also invested several billion dollars in the Argentine hotel sector during the past decade but at a slower pace more recently both in Buenos Aires City and the interior of the country, especially Salta, Ushuaia, Bariloche, El Calafate, Mendoza, and Rosario.

Most top hotels demand premium F&B products to maintain the high-quality standard in food service demanded by affluent Argentinians and foreign tourists. When available through imports, they seek high-quality and specialty foods unavailable in the local market. HRI operators prefer fresh products to those precooked, preserved, frozen or canned.

Cruise lines are a relatively new activity in Argentina but are expected to continue to be an active source of tourism. During the cruise season of 2017-2018, approximately 473,256 tourists passed through Argentine ports.

Food Processing Sector

The F&B industry is a key sector of the Argentine agro-industrial economy. While much of the agricultural sector is oriented toward export markets, F&B production is focused on the domestic market.

Despite Argentina's strength as an exporter, imports of food ingredients play a major role in the processing sector. While local processors try to substitute foreign products with more inexpensive products manufactured locally or in other Mercosur countries, this is not often not feasible since many ingredients are only produced outside the region, thus demand for imported food ingredients is projected to grow. Currently, new products are being launched which strengthen the local F&B industry and demands more food ingredients, both locally manufactured and imported.

U.S. food ingredients among local producers, such as phytosterols, Omega 3-fatty acids, fibers, and antioxidant compounds, are popular for use in manufacturing high-value, tailor-made food products. Other U.S. food ingredients with significant potential in the Argentine food market include cocoa, pectins, protein concentrates and isolates, spices, food supplements, ginseng, tomato and tropical fruit concentrates, modified starches, thickeners, stabilizers, and sweeteners. U.S. pork and pork products, having gained market access in 2018, have strong demand potential as well due to the variety and package sizing of interest to importers for HRI clients.

Despite the strong reputation of U.S. food ingredients in Argentina, they still face considerable competition from European products from Italy, France, England, and Germany, from Mercosur countries of Brazil and Chile, and China.

Some of the main trends are as follows:

- Significant investments in technology updates;
- Full use of local production capacity, which requires additional investments to supply the growing food demand;
- "Health and Nutrition" considered a strong concept in the F&B business;
- Greater interaction between the local industry and universities, fostering innovations.

Market Entry

The best option for market entry depends on the product, the importer, and the end purchaser. The importer normally manages the Argentine import requirements.

Generally, F&B imports to Argentina may enter in the following ways:

Direct imports: Generally, import or purchasing managers of large retail companies identify products at international food shows or through buying missions, etc. and establish a direct contact with the foreign supplier to import the products directly. As initial purchases may be for a small volume, it is common to utilize a U.S. wholesaler/consolidator to ship the product from the U.S.

Local agents: Local agents work closely with large retail chains on a commission basis. They remain actively involved with the product to supervise marketing and brand development.

Local F&B importers: Independent businesses import products for sale to retail and/or HRI establishments. They also attend international food shows to source imported products.

Local corporate affiliates: Local subsidiaries of multinational companies such as Nestle, Kraft, Heinz, Mars, Danone, Unilever, etc., import and distribute products usually manufactured by their companies.

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

The best prospects are for high-value F&B, commodity-type products, and food ingredients are as follows:

I) Imported F&B considered "commodities"

- Canned preserves
- Pork products
- Sweetbreads
- Bananas
- Coffee
- Dried lentils

II) Food Ingredients

- Cocoa paste/butter/powder
- Natural colors, essences and fragrances
- Food additives
- Flavors
- Ingredients for the dairy industry
- Modified starches
- Raw nuts
- Health supplements
- Ingredients for functional foods
- Sweeteners
- Spices
- Ginseng
- Ingredients for beverage preparations
- Proteins
- Nutraceuticals
- Vitamins
- Soy proteins
- Nutritional ingredients
- Natural extracts
- fibers, fat substitutes
- Pectine

III) High-value food products

- Chewing gum
- Sauces
- Candy
- Energy drinks
- Alcoholic beverages (wine and spirits)
- Snacks
- Snack bars
- Soups
- Cookies
- Processed nuts
- Spreads
- Consumer ready meals
- Baby food

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Government Regulatory Agencies:

- **Servicio Nacional de Sanidad y Calidad Agroalimentaria (SENASA)**Tel: (54-11) 4121-5000 www.senasa.gov.ar
- **Instituto Nacional de Alimentos (INAL)**Tel: (54-11) 4342-5674; 4340-0800 www.anmat.gov.ar
- **Instituto Nacional de Vitivinicultura (INV)**Tel: (54-261) 521-6600 www.inv.gov.ar
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Attachments:

No Attachments