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Report Name: Poultry and Products Annual

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Report Highlights:

2020 chicken meat production will rise slightly to 2.2 million metric tons with exports of 158,000 metric tons, up 2 percent to key markets of China, Chile and Russia.

Production:

Meat production
Post forecasts 2020 chicken meat production stable at 2.22 million metric tons (MMT) produced by a sector dominated by domestic, family-owned enterprises. More than 80 percent of the country's chicken meat production is processed in 58 federally-inspected plants. The remaining production is monitored and restricted by provincial authorities for domestic sale only.

Feed supply costs, which represent 40 percent of production costs, have eased somewhat in 2019 following a return to normal production levels for commodities such as corn and soybeans after the 2017/18 drought. Nevertheless, other input and services costs are on the rise in response to domestic economic instability. Industry sources report that rising utilities (principally electricity) and labor, as well as value-added taxes, continue to constrain profitability. Tight financing conditions for facility renovation and improvement further restrict productivity growth. These factors have undercut Argentine producer's competitiveness relative to regional competitors and moderated export growth despite currency movements that should have bolstered external market sales.

2019
2019 production is revised slightly down to 2.171 million tons from 2.180 million tons, representing a 4.8 percent increase from 2018.

2018
2018 production is revised down to 2.068 million tons based on updated government and industry estimates.

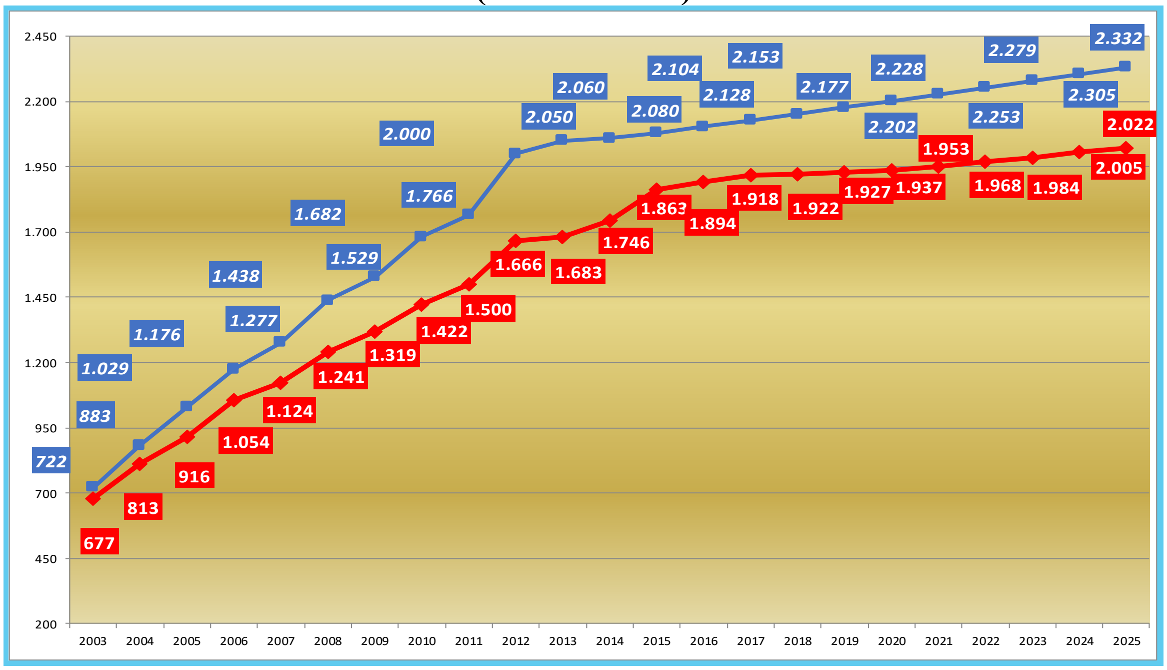
Consumption:

Post forecasts 2020 domestic consumption of chicken meat up by 2 percent to 2.066 MMT, increasing per capita consumption to 45.5 kilograms (kg).

2019 poultry meat consumption is forecast up by 1.4 percent from 1.995 MMT in 2018 to 2.025 MMT, resulting in per capita consumption of 44.9 kg.

Domestic demand has historically consumed approximately 90 percent of chicken meat production, thus domestic conditions influence production and purchasing decisions. Current high inflation rates and stagnant real wages are expected to temper the modest consumption growth in chicken meat seen since 2012 due to weakening of consumer purchasing power.

Graph 1. Industry Projection of Argentine Chicken Meat Production and Domestic Consumption 2003 -2025
(in million tons)



Note: Red data series represents consumption and blue data series represents production.
Source: *Centro de Empresas Procesadoras Avícolas* (CEPA)

Post's annual estimated per capita protein intake in Argentina currently is 52.7 kg of beef**,** 44.9 kg of poultry, 15.7 kg of pork, 7 kg of aquatic products and 1.5 kg of lamb. Notwithstanding the Argentine consumer's devotion to beef despite higher prices, alternative proteins, such as chicken, pork and seafood, have been growing as culinary choices. One source estimated that per capita consumption of pork could grow by 1 kg annually over the next five years. From 2002-2012 growth in chicken meat consumption averaged 11% per annum but for the past 5 years pork consumption has grown by an average of 10 percent per annum and 57 percent in total at the expense of poultry.

Whole broilers represent 70 percent of domestic chicken meat consumption. The broilers are slaughtered at 49-51 days at a carcass weight between 2.2 – 2.4kg. 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.

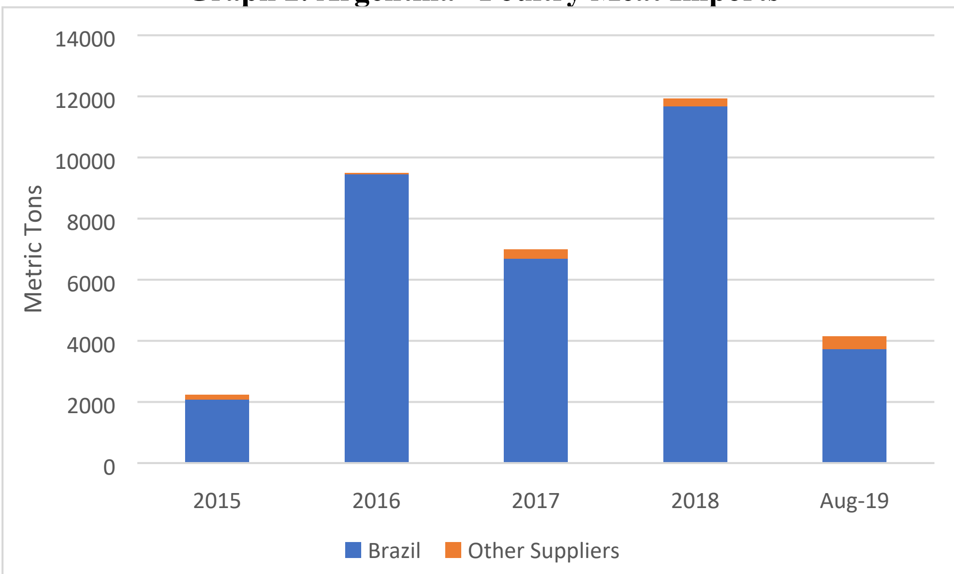
Trade:

Imports
2020 Argentine poultry meat imports are forecast at 9,000 tons. Since 2001, imports have represented less than 1% of the total supply of Argentine poultry meat. The top three imported products were frozen chicken cuts, prepared chicken products, and prepared turkey products. From 2002 to 2018, Brazil captured an average of 94% of total poultry meat imports with 6,000 tons per year. Brazilian, Uruguayan, and Paraguayan chicken meat (fresh, chilled, or frozen whole birds, cuts, and offals) 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% and 16%, respectively.

2019 imports are expected to fall to 9,000 tons as currency movements raise the price of imports, especially reducing demand for prepared meat products. (See Graph 3) This drop represents a 25% decrease from 11,925 tons in 2018, the highest volume of poultry meat imports since 2011. Since January 2018, the Brazilian real has appreciated against the Argentine peso, going from 1 BRL≈5.5 $ARS to 1 BRL≈13.5 $ARS in September 2019.

Graph 2. Argentina –Poultry Meat Imports



Exports

2020 Argentine exports of chicken meat are projected to increase by 1.9 percent to 158,000 MT. The depreciation of the local currency since May 2018 has improved the competitiveness of the export sector in global markets. However, Brazil continues to undercut Argentina's prices in export markets.

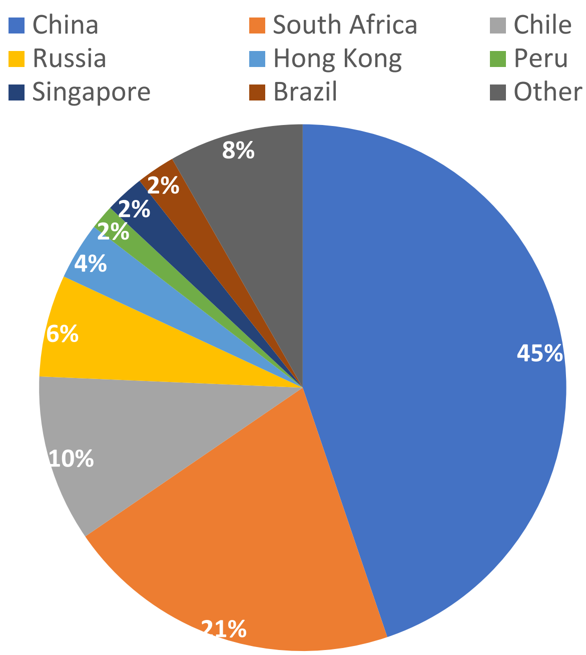
In addition to concentrated export sales to the Chinese market, Argentina looks to move more product in the western hemisphere pursuant to new market access to Mexico and Canada and growing demand in Chile. In addition, industry sources report interest by many processors in developing value-added operations, such as halal, for middle-eastern markets. Alternatively, industry sources fear a loss of economic access to their second largest market should South Africa raise poultry import tariffs as requested by its domestic industry. Over the last three years, exports have averaged 68% chicken cuts, 31% whole bird, and 1% prepared products.

2019 exports are expected to hold steady at 155,000 tons. Per Graph 4, Argentina's main markets for the first half of 2019 were China (45 percent) South Africa (21 percent), Chile (10 percent), Russia (6 percent), and Hong Kong (4 percent).

Policy:

Ongoing economic volatility and recent currency control policies are affecting the capacity of the poultry sector to import capital goods and other inputs. An upcoming Presidential election in late fall may result in policy changes that will further impact the poultry sector profitability and competitiveness.

Graph 3. Argentina Chicken Meat Export Destinations (Jan-July 2019)



Statistical Table:

Meat, Chicken	2018		2019		2020	
Market Begin Year	Jan 2018		Jan 2019		Jan 2020	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	2068	2068	2171	2171	2215	2215
Total Imports	11	11	9	9	9	9
Total Supply	2079	2079	2180	2180	2224	2224
Total Exports	124	124	155	155	158	158
Human Consumption	1955	1955	2025	2025	2066	2066
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1955	1955	2025	2025	2066	2066
Total Use	2079	2079	2180	2180	2224	2224
Ending Stocks	0	0	0	0	0	0
Total Distribution	2079	2079	2180	2180	2224	2224
(1000 MT)				Note: Not Official USDA Data		

Attachments:

No Attachments