Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

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Market Brief - Sector

Argentina : Argentina's Food Processing Sector

Buenos Aires [AR1], AR

Section I. Market Summary

The food processing industry in Argentina is dynamic and growing, with new capital investments being made and growth expected. Some highlights of the industry are given below:

- There are approximately 21,500 food processors in Argentina, and their total output value is estimated at $26 billion.
- Of that total value, the oilseed processing industry accounts for 29%, followed by beverages with 21%, dairy with 10% and meat with 7%.
- The local food industry is expected to grow at a rate slightly above that of the general economy due to large capital investments and a growing focus on exports. In the next five years, the average annual industry growth rate is projected at 3-6%.
- The total value of raw materials utilized by the local food and beverage industry is estimated at $8.5 billion.
- The food ingredient market is estimated at $100 million, of which imported products account for about 15%. Flavorings total $55 million, while additives and preservatives make up the balance.
- The food ingredient market grew 28% in the period 1992-98. Although sales in 1999 dropped on account of the economic recession, a rebound is expected in 2000 and to continue onwards, as a reflection of a growing food and beverage industry.

Key Market Drivers in the Food Processing Sector

- Strong investments (new processing facilities or acquisitions) are being made in the sector, especially by large international food and beverage companies.
- Increased investment in equipment, technology and new product lines.
- Strong export-oriented focus.
- Low profits in most of the industry.
- Better production technology, access to distribution channels, brand positioning (and private label production), and automated physical distribution will be key factors in the near future.
- Growing production of more sophisticated food products (frozen, ready-to-eat) to meet strong demand.
- Tighter food safety regulations. Adoption of ISO and Hazard Analysis and Critical Control Point (HACCP) practices and new nutrition standards by the industry.
- Increases in certification and standardization of products.
- Expansion of organic production.

ADVANTAGES	CHALLENGES
Arrival of US and other foreign players to the food processing sector will favor the use of US ingredients	Argentina is a large agricultural producer and exporter. There is a good local supply of most food ingredients and inputs for the industry
Growing exports of food products forces the use of higher standards and inputs	Large international (mostly European) food ingredient companies have local subsidiaries or representatives
Reputation of US products as being of high quality	Preferential tariff treatment within Mercosur favors Brazilian companies
Growing popularity of fast food favors the sourcing of ingredients from the US	Registration of some food ingredients is troublesome, while a few are banned
Local food industry very well developed	Price-driven market

Section II. Road Map For Market Entry

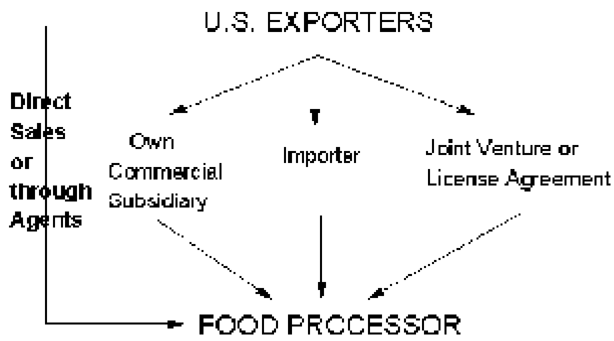
A. Entry Strategy

There are several options for new-to-market exporters who would like to enter the Argentine food ingredient market:

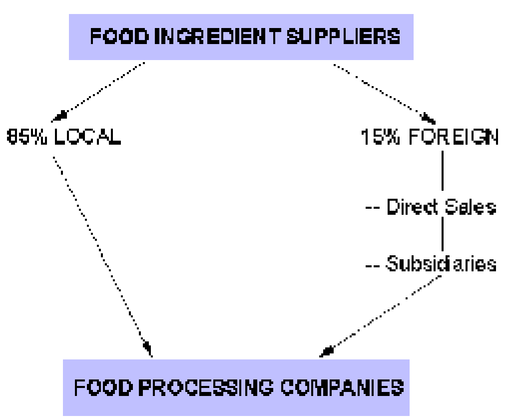
- The best method is to identify and contact the main food processors in each subsector. Usually certain ingredients, such as additives, are specifically aimed to one particular food sector. In such cases, and especially when the targeted sector shows high concentration of competitors (4 or 5 companies with more than 75 percent of the market share) -- it is recommended that the exporter contact directly the company's purchasing manager. In general, foreign companies hire a local agent or representative who -- through the collection of a fee or commission -- facilitates negotiations with customers.
- Another method is to establish a local or regional subsidiary (for Mercosur markets) with commercial and distribution responsibilities.
- The third option is to sell directly to an importer, who should be very knowledgeable about the food ingredient sector.
- In the case of low-value or unprocessed inputs, the joint venture with an Argentine partner is another option. This can be implemented through a license agreement on technology transfer.

B. Market Structure

Using the information above, a distribution channel flow diagram describing the Argentine food ingredient market and food processing sector can be developed:



As shown in the graphic below, approximately 85 percent of the larger food processors in Argentina buy food ingredients locally through distributors, and the remaining 15 percent, through agents or representatives:



The types of sector and outlets which typically handle the product after it leaves the processor are described in the table below:

SALES OF PROCESSED FOODS AND BEVERAGES BY SECTOR, in percent

SUBSECTOR	SELF-SERVICE (supermarkets & superstores)	HOTEL, RESTAURANTS & INSTITUTIONAL	TRADITIONAL STORES	OTHER & INDUSTRY
DAIRY	50	25	20	5
RED MEATS	34	7	59	--
BAKERY PRODUCTS	18	51	31	--
CANNED VEGETABLES	50	40	10	–
DRY VEGETABLES	--	--	5	95
FROZEN VEGETABLES	5	70	20	5
SPARKLING WINE	40	30	30	--
CIDER	35	55	10	--
WINE	25	40	35	--
BEER	385	30	315	--
CARBONATED DRINKS	71	--	29	--
SPIRITS & LIQUOR	20	75	--	5
SNACKS	75	47	355	10
CANDIES	29	1	70	--
CRACKERS	52	33	15	--
FISH	15	35	35	15

Source: CLAVES Información Competitiva

C. Company Profiles

FOOD PROCESSING SECTOR COMPANY PROFILES (CY 1998)

COMPANY & PRODUCT TYPE	OWNERSHIP	SALES ($ million)	END-USE SECTOR	LOCATION & NO. OF OUTLETS	PURCHASING AGENT TYPE
ARCOR (candies, chocolates, flavors)	LOCAL	124	RETAIL–HRI	ARGENTINA (37) BRAZIL (3) CHILE (1) PERU (1) URUGUAY (1) PARAGUAY (1)	IMPORTER, DIRECT
MOLINOS RIO DE LA PLATA (flour, meat, fish, poultry, sausages, frozen foods, oilseed pcts., bakery pcts., fruit juices)	LOCAL	1.107	RETAIL–HRI	ARGENTINA (14)	IMPORTER, DIRECT
DANONE (dairy pcts., confectionery, bakery pcts.)	FRENCH	533	RETAIL–HRI	ARGENTINA (3) ARGENTINA (1)	IMPORTER, DIRECT, DISTRIBUTOR
NESTLE ARGENTINA (frozen foods, prepared vegetables, dairy pcts., snacks, bakery pcts., prepared meals)	SWISS	435	RETAIL–HRI	ARGENTINA (4)	IMPORTER, DIRECT
REFINERIAS DE MAIZ (oils, sauces, cake mixes)	U.S.	321	RETAIL-HRI	ARGENTIA (3)	IMPORTER, DIRECT
TERRABUSI (NABISCO) (snacks, bakery pcts., confectionery)	U.S.	278	RETAIL–HRI	ARGENTINA (3)	IMPORTER, DIRECT
LEDESMA (sugar)	LOCAL	261	RETAIL–HRI	ARGENTINA (3)	IMPORTER, DIRECT
CANALE (bakery pcts., dairy pcts.)	LOCAL	231	RETAIL–HRI	ARGENTINA (2) BRAZIL (4)	IMPORTER, DIRECT
KRAFT SUCHARD ARGENTINA (juices, chocolates, confectionery)	U.S.	198	RETAIL–HRI	ARGENTINA (2)	IMPORTER, DIRECT
QUIMICA ESTRELLA (dry foods, beverages)	CHILEAN	167	RETAIL–HRI	ARGENTINA (4)	IMPORTER, DIRECT
SAN SEBASTIAN (poultry)	LOCAL	156	RETAIL–HRI	ARGENTINA (3) URUGUAY (1)	IMPORTER, DIRECT

Source:CLAVES Información Competitiva

COMPANY PROFILES BY PRODUCT

CONFECTIONERY

COMPANY	PRODUCTION (metric tons)	LOCATION	END-USE SECTOR	PURCHASING AGENT TYPE
ARCOR	85,703	BUENOS AIRES CORDOBA	RETAIL–HRI	IMPORTER, DIRECT
CADBURY-STANI	20.6	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT,
KRAFT SUCHARD	12.82	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT,
ADAMS	8.26	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT
TERRABUSI (NABISCO)	6,025	BUENOS AIRES SAN LUIS	RETAIL–HRI	IMPORTER, DIRECT

CRACKERS/COOKIES

COMPANY	PRODUCTION (metric tons)	LOCATION	END-USE SECTOR	PURCHASING AGENT TYPE
BAGLEY	88,41	BUENOS AIRES SAN	RETAIL–HRI	IMPORTER, DIRECT
TERRABUSI (NABISCO)	82,516	BUENOS AIRES, SAN	RETAIL–HRI	IMPORTER, DIRECT
ARCOR	35,364	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT
LIA	23,576	CORDOBA	RETAIL–HRI	IMPORTER, DIRECT
CANALE	14,735	BUENOS AIRES SAN	RETAIL–HRI	IMPORTER, DIRECT

SNACK FOODS

COMPANY	PRODUCTION (metric tons)	LOCATION	END-USE SECTOR	PURCHASING AGENT TYPE
ARCOR	6,108	BUENOS AIRES CORDOBA	RETAIL–HRI	IMPORTER, DIRECT
TERRABUSI (NABISCO)	5,162	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT
BAGLEY	4,814	BUENOS AIRES SAN LUIS	RETAIL–HRI	IMPORTER, DIRECT
SUCHARD	2,92	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT

SPIRITS & LIQUOR

COMPANY	PRODUCTION (liters)	LOCATION	END-USE SECTOR	PURCHASING AGENT TYPE
SAVA	30,001,300	BUENOS AIRES SAN	RETAIL–HRI	IMPORTER, DIRECT,
CINBA	11,143,340	SAN JUAN	RETAIL–HRI	IMPORTER, DIRECT,
ALLIED DOMECQ	9,428,980	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT
CUSENIER	8,571,800	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT,

BEER

COMPANY	SALE$	LOCATION	END-USE SECTOR	PURCHASING AGENT TYPE
CERVECERIA Y MALTERIA	413,628,757	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT,
CERVECERIA SANTA FE	62,400,000	BUENOS AIRES SANTA	RETAIL–HRI	IMPORTER, DIRECT,
CCBA (BRAHMA)	54,297,129	BUENOS AIRES LA	RETAIL–HRI	IMPORTER, DIRECT,
ISENBECK	39,000,000	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT

WINE

COMPANY	SALES (liters)	LOCATION	END-USE SECTOR	PURCHASING AGENT TYPE
BODEGAS LOPEZ	16,000,000	MENDOZA	RETAIL–HRI	IMPORTER, DIRECT
CHANDON	9,900,000	MENDOZA	RETAIL–HRI	IMPORTER, DIRECT
ESMERALDA	9,000,000	MENDOZA	RETAIL–HRI	IMPORTER, DIRECT,
LA RURAL	9,000,000	MENDOZA	RETAIL–HRI	IMPORTER, DIRECT

NON-ALCOHOLIC BEVERAGES

COMPANY	PRODUCT	PRODUCTION (liters)	LOCATION	END-USE SECTOR	PURCHASING AGENT TYPE
VILLAVICENCIO	Mineral water	160.500.000	SAN JUAN	RETAIL HRI	IMPORTER, DIRECT
VILLA DEL SUR	Mineral water	155.150.000	BUENOS AIRES	RETAIL HRI	IMPORTER, DIRECT
COCA COLA	Carbonated & colas	1.408.350.000	BUENOS AIRES	RETAIL HRI	IMPORTER, DIRECT
PEPSI COLA	Carbonated & colas	698.450.000	BUENOS AIRES	RETAIL HRI	IMPORTER, DIRECT
RPB	Juices	362.610.000	ENTRE RIOS, SAN LUIS	RETAIL HRI	IMPORTER, DIRECT
SUIN		295.460.000		RETAIL HRI	IMPORTER, DIRECT
CEPITA/ CIPOLLETI	Juices	44.800.000	MENDOZA	RETAIL HRI	IMPORTER, DIRECT
KASFRUIT	Juices	25.760.000	BUENOS AIRES	RETAIL HRI	IMPORTER, DIRECT
TANG/CLIGHT	Juices	588.000.000	BUENOS AIRES	RETAIL HRI	IMPORTER, DIRECT
RPB		54.880.000	ENTRE RIOS, SAN LUIS	RETAIL HRI	IMPORTER, DIRECT
ADES	New-age beverages	36.400.000	TUCUMAN	RETAIL HRI	IMPORTER, DIRECT
GATORADE	Isotonic	27.300.000	BUENOS AIRES	RETAIL HRI	IMPORTER, DIRECT
TERMA	Aperitives	95.700.000	SAN JUAN	RETAIL HRI	IMPORTER, DIRECT
HERBA		26.400.000	MENDOZA, BUENOS	RETAIL HRI	IMPORTER, DIRECT

SPARKLING WINE

COMPANY	DOMESTIC SALES (liters)	LOCATION	END-USE SECTOR	PURCHASING AGENT TYPE
CHANDON	8.500.000	MENDOZA	RETAIL-HRI	IMPORTER, DIRECT
TOSO	5.500.000	MENDOZA	RETAIL-HRI	IMPORTER, DIRECT
MARTELEN	1.000.000	MENDOZA	RETAIL-HRI	IMPORTER, DIRECT
SEAGRAMS	800	MENDOZA	RETAIL-HRI	IMPORTER, DIRECT

CANNED VEGETABLES

COMPANY	DOMESTIC SALES (metric tons)	LOCATION	END-USE SECTOR	PURCHASING AGENT TYPE
ARCOR	5,308	MENDOZA SAN LUIS	RETAIL-HRI	IMPORTER, DIRECT
VERSALLES	3,814	SANTA FE	RETAIL-HRI	IMPORTER, DIRECT
BENVENUTO	2,436	MENDOZA RIO NEGRO	RETAIL-HRI	IMPORTER, DIRECT,
CARTELLONE	1,204	MENDOZA	RETAIL-HRI	IMPORTER, DIRECT

DRY VEGETABLES

COMPANY	DOMESTIC SALES (metric tons)	LOCATION	END-USE SECTOR	PURCHASING AGENT TYPE
JACQUES MATAS	1.05	MENDOZA	RETAIL–HRI	IMPORTER, DIRECT
REFINERIAS DE MAIZ	1	MENDOZA	RETAIL–HRI	IMPORTER, DIRECT
CARTELLONE	560	MENDOZA	RETAIL–HRI	IMPORTER, DIRECT,

FROZEN VEGETABLES

COMPANY	DOMESTIC SALES (metric tons)	LOCATION	END-USE SECTOR	PURCHASING AGENT TYPE
MOLINOS RIO DE LA	1,326	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT
UNILEVER	427	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT
NORTE	388	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT
MC CAIN	330	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT

BAKERY PRODUCTS

COMPANY	DOMESTIC SALES (metric tons)	LOCATION	END-USE SECTOR	PURCHASING AGENT TYPE
FARGO	64.6	BUENOS AIRES CORDOBA	RETAIL–HRI	IMPORTER, DIRECT
BIMBO	18.4	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT
ALIJOR	11.7	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT
LA PERLA	9.5	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT

BEEF

COMPANY	DOMESTIC SALES (metric tons)	LOCATION	END-USE SECTOR	PURCHASING AGENT TYPE
FRIGORIFICO RIOPLATENSE	352	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT
SWIFT-ARMOUR	295.500	SANTA FE	RETAIL – HRI	IMPORTER, DIRECT
GRAL. LAS HERAS	273	BUENOS AIRES	RETAIL – HRI	IMPORTER, DIRECT
QUICKFOOD	239,000	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT

PORK MEAT

COMPANY	DOMESTIC SALES	LOCATION	END-USE SECTOR	PURCHASING AGENT TYPE
PALADINI	45.9	SANTA FE	RETAIL–HRI	IMPORTER, DIRECT
TRES CRUCES	29	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT
QUICKFOOD	25	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT
RAFAELA	20.4	SANTA FE	RETAIL–HRI	IMPORTER, DIRECT

POULTRY

COMPANY	DOMESTIC SALES (thousand units)	LOCATION	END-USE SECTOR	PURCHASING GENT TYPE
STOMI GROUP/SAN	60,58	BUENOS AIRES ENTRE RIOS	RETAIL–HRI	IMPORTER, DIRECT
RASIC	45,34	BUENOS AIRES ENTRE RIOS	RETAIL–HRI	IMPORTER, DIRECT
TRES ARROYOS	39,92	BUENOS AIRES ENTRE RIOS	RETAIL–HRI	IMPORTER, DIRECT

COMPANY	DOMESTIC SALES (thousand units)	LOCATION	END-USE SECTOR	PURCHASING GENT TYPE
SOYCHU	17,625	ENTRE RIOS	RETAIL–HRI	IMPORTER, DIRECT

CANNED FISH

COMPANY	DOMESTIC SALES (can units)	LOCATION	END-USE SECTOR	PURCHASING AGENT TYPE
BENVENUTO	35,65	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT
LAS BREYAS	16,7		RETAIL–HRI	IMPORTER, DIRECT

DRY PASTA

COMPANY	DOMESTIC SALES (metric tons)	LOCATION	END-USE SECTOR	PURCHASING AGENT TYPE
MOLINOS RIO DE LA	46.1	BUENOS AIRES SANTA FE	RETAIL–HRI	IMPORTER, DIRECT
NABISCO	37.3	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT
LUCCHETTI	21.32	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT
MANERA	19.95	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT

MAYONAISSE - SAUCES

COMPANY	DOMESTIC SALES (metric tons)	LOCATION	END-USE SECTOR	PURCHASING AGENT TYPE
REFINERIAS DE MAIZ	31	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT
MOLINOS RIO DE LA	19.66	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT
DANICA	7.1	BUENOS AIRES	RETAIL–HRI	IMPORTER, DIRECT

DAIRY PRODUCTS

COMPANY	DOMESTIC SALES (metric tons)	LOCATION	END-USE SECTOR	PURCHASING AGENT TYPE
MASTELLONE	835,616	BUENOS AIRES CORDOBA	RETAIL–HRI	IMPORTER, DIRECT
SANCOR	521,321	BUENOS AIRES SANTA FE	RETAIL–HRI	IMPORTER, DIRECT
MILKAUT	119,236	SANTA FE, CHACO	RETAIL–HRI	IMPORTER, DIRECT, DISTRIBUTOR
NESTLE	85,521	BUENOS AIRES ENTRE RIOS	RETAIL–HRI	IMPORTER, DIRECT

Source: CLAVES Información Competitiva

D. Sector Trends

Argentina is a large food producer and its food processing industry is expected to continue growing more quickly than other industrial sectors due to factors mentioned below:

- Argentine food exports are expected to increase at a steady pace.
- Foreign sales increase will broaden demand for food ingredients.
- The creation of the Mercosur Common Market redefined supplying systems and production facilities, and caused strong competition between Argentina and Brazil.
- New mergings with foreign players and acquisitions are expected to take place.
- Some local groups (i.e. Arcor, Canale, Fargo, Molinos) are growing and plan to expand in regional markets, mostly with industrial facilities.
- An increasing number of joint ventures related to various processing food categories are expected to happen.
- Large U.S. companies are already operating in some sectors via local subsidiaries, joint ventures and licensing agreements.
- New ingredients connected with higher quality foods are being demanded.
- Higher demand of additives, preservatives and flavorings which comply with food safety standards is also expected.
- Large and medium-sized firms are very familiar with HACCP practices.
- New nutrition trends favor healthy foods (i.e. sugar-free products, low-fat and low-calorie).
- Use of wheat, oat and barley as thickeners is decreasing.
- The Mercosur Common Market is issuing regulations on the ingredient and additive subsectors.

Section III. Competition

- The Argentine food ingredients industry does not show strong competition among its players.
- Some firms produce locally additives, preservatives and/or flavorings. Importers bring from foreign countries products that are not manufactured locally or supplementry ingredients. In some cases, low-cost or bulk ingredients are imported when the domestic supply is insufficient or the local price is too high. Most imports are carried out by the producer, but there are also some direct importers in the market.
- U.S. ingredients have a good reputation in the Argentine food processing industry, but they have to face direct and strong competition from Italian, French, British and German companies. Some Brazilian firms (both their local plants and foreign subsidiaries) also supply the local food processing industry.
- Medium-sized and large companies are seriously involved with improving quality standards (certification and standardization processes). Thus, they do not use low-cost ingredients, especially in the case of additives, whose primary objective is to enhance the product's attributes, such as color, taste, appearance, etc. to differentiate from the competitor's product.

Section IV. Best Product Prospects

The best product prospects for U.S. food ingredients are as follows:

SUBSECTORS	INDUSTRIES PRESENT IN THE MARKET WHICH HAVE GOOD SALES POTENTIAL FOR INGREDIENTS
RED MEAT	T
PORK MEAT	T
POULTRY MEAT	T
FISH	T
SEAFOOD	T
DAIRY – CHEESE	T
PREPARED FRUITS	T
PREPARED VEGETABLES	T
CANNED PRODUCTS	T
DRIED PRODUCTS	T
BEVERAGES - CARBONATED DRINKS	T
CONFECTIONARY	T
BAKED PRODUCTS	T
SNACK FOODS	T
DRY PRODUCTS	T
CONDIMENTS	T
PREPARED MEALS	T

Source: CLAVES Información Competitiva

Section V. Post Contact And Further Information

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