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**It is not an easy time for the Argentine meat industry. Foot and mouth disease kept it out of the export market for most of 2001, and financial turmoil has hit the sector hard. But the country's processors are fighting back, using trade as a weapon.**

By Cedric Porter

# Fighting back

**T**homas Zymnis is president of Finexcor, Argentina's largest beef exporter. Like every processor in the country, life in 2001 and early 2002 was tough. In February 2001 exports of beef had to be suspended after the discovery of FMD. A programme of vaccination for the country's 52 million cattle was undertaken.

The disease came at a time when the country's economic crisis was worsening. The decade long policy of pegging the Argentine Peso to the US dollar had made many industries uncompetitive and caused high unemployment and recession.

## Plant closures

Zymnis estimates that the twin problems of FMD and recession has meant that two thirds of the country's processors have had to close or are under severe financial pressure. His company has lost 15% of its staff and had to turn to the domestic market to make up for lost export sales. In January 2002 the link between the peso and dollar was broken and an official rate of 1.4 peso to the dollar

was set. However, internal trading has resulted in a rate of around two peso to the dollar. This has caused the value of people's savings to plummet, but it does mean that Argentinian goods are more competitive outside the country.

"From an export point of view the devaluation is a good thing, but it has to be remembered that most companies still have debts in US dollars and paying off those debts is very expensive," says Zymnis, who is looking to exports as a way out for many processors.

## Export potential

Before FMD Europe was the top destination in terms of dollars for Argentinian beef. The country had built up a reputation for top quality grass-fed product that was in demand. Restaurants specialising in the beef had sprung up in countries such as Germany and the Netherlands. "The customers there are more than willing to go back using Argentine beef."

The ban meant that customers had to firstly use stocks of fresh product, then turn to frozen, then to Uruguayan product and finally



*Despite economic crisis and FMD, Thomas Zymnis believes the Argentine meat industry has a strong future.*

to Brazilian when Uruguay was hit by its own FMD outbreak.

Although Europe is a vital market and customers are willing to start importing again, Zymnis says that Argentina is prevented from making the most of the market by protection measures imposed by the European Union. Currently just 28,000 tonnes a year of Argentine beef can be imported into the EU, although the EU has agreed to up the total by 10,000 tonnes in the year from June 2002.

"28,000 tonnes has no effect on the EU market, which produces 7.5 million tonnes of its own beef. Even if the quota was increased to



Grass-fed cattle mean that the risk of diseases such as BSE is very low.

European consumers were on quality beef from Argentina.

The industry is also confident that the US and Canada will start importing beef again. Before 2001 the region had become the second most important market outside the European Union. Zymnis says sanitary teams from the two countries have visited Argentina and he is confident that exports will resume in the near future.

### Consolidation

But to survive and thrive, the industry at home faces some tough challenges. Zymnis believes that a fundamental shift in the way business is done is taking place.

"Consolidation will have to take place. There will be fewer but bigger companies. We have to think in world terms and that is costly. Only larger firms can afford the necessary marketing and development budgets." Currently the market is dominated by smaller players. The average plant will slaughter just 600 to 800 cattle a month. In time Zymnis predicts that the average plant will process 1000 to 1400 animals a day. Finexcor is already at this level of production.

The company began life in 1965. Like most processors in Argentina it is a family owned business. It has built up a reputation as an exporter of quality grass-fed beef, so the FMD outbreak in 2001 was a particularly hard blow.

If the disease outbreak has taught Zymnis one thing, that is the importance of having a range of products and not just to rely on one. Development of processed ready meals for the domestic and foreign market had taken place before 2001, but he now sees that process speeding up. The current product range includes frozen cuts such as rounds, rump and loins, forequarter beef cuts, offals and manufacturing beef.

In addition vacuum packed retail packs are available, along with beef patties and frozen cooked beef.

The company's slaughtering and processing plant is on the outskirts of the Argentine capital Buenos Aires. It has a slaughter capacity of 33,000 cattle a month and a processing capacity of 6000 tonnes a month. The plant also has a frozen storage capacity of 3500 tonnes and a chilled store capacity of 1500 tonnes.

Before FMD, Finexcor had customers in 100 countries and a network of domestic suppliers. Zymnis says that the strong selling point of his and other Argentine products is quality. Finexcor only uses grass-fed steers for slaughter. This, Zymnis says, means that when it comes to diseases such as BSE, Argentina is at very low risk.

### Low BSE risk

He adds that the country banned the import of UK meat and bone meal at the same time as it was banned in the UK - 1994 - and that before then none of the product was used anyway.

"There is no reason for us to use meat and bonemeal here. We are the second largest corn exporter in the world."

100,000 tonnes the European market it could still sustain it." Zymnis believes that an opening up of trade would help Argentina out of its economic problems.

### Trade not aid

"We are not asking for aid from Europe, just for access to the market. The export of agricultural goods is going to be vital if the country is to recover."

There was good news in February 2002 when Argentina was allowed to start exporting beef again to the European Union. The trade got off to a quick start with nearly 1300 tonnes being shipped within the first month and another 2000 tonnes of orders. Industry sources in Argentina said that this level of demand demonstrated how keen

## Supplying Argentina and the world

It is not just Argentine meat processors who are looking to exports as a way of raising foreign revenue. Argentina has its own equipment manufacturing industry that has grown alongside the meat industry. Recently 19 equipment and service providers got together to form AdePIA - Association of Food Industry Suppliers. One such supplier is Galaxie. It specialises in atomisation dryers in particular for the drying of slaughterhouse by-products. This allows the drying of such products as blood, plasma, haemoglobin, gelatine and meat extract in a current of hot air



very quickly.

The association also represents a number of packaging, freezing, in-plant equipment and softwares providers.

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In common with other Argentinian processors, Zymnis believes that there should be a level playing field when it comes to export bans due to animal diseases. While he accepts that

countries will want to protect themselves from such problems as FMD. He says rules must be in proportion to the risk of the disease and not imposed with political motives.

Despite the problems the Argentinian industry has faced recently, Zymnis is confident that it has a major role to play on the world stage. He believes that there is a demand for products and moves towards freer trade should help. He also predicts that beef may not be the only Argentine meat product on the table. Neighbouring Brazil has increased its poultry exports significantly in the last five years and Argentina with the same abundance of feed could do the same. In 2000 the country produced around a million tonnes of poultry, 28,000 tonnes were exported. **MI**