

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Argentina

Livestock and Products Annual

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Report Highlights:

For 2019, beef production is forecast to increase marginally to 3.0 million tons carcass weight equivalent. Beef exports are projected to reach a decade-high record of 575,000 tons carcass weight equivalent due to competitive pricing.

Production: Argentine beef production for 2019 is forecast at 3.0 million metric tons, carcass weight equivalent (cwe), the largest volume since 2009 when climatic and economic conditions culminated in high slaughter numbers. Grass-fed cattle operations are seeing positive returns and new export opportunities should continue to spur investment in herd expansion. Rising commodity input costs, however due to recent currency depreciation, are negatively impacting margins of feedlots operations

Stocks

For 2019, ending stocks for cattle are forecast unchanged at 54.2 million head. Although the industry has been rebuilding the herd from a low of 48 million head in 2011, the herd expansion rate has stalled due to the 2017/18 drought, a low-weaning calf ratio and high slaughter of cows for export. Despite some advances in cow-calf productivity, maternal nutrition and pro-active healthcare remain problematic to support herd growth.

Slaughter

Contacts indicate that Argentina has approximately 450 slaughter plants in operation with over 95 percent monitored by government authorities. Plans are underway to provide consistent sanitary standards at the national, provincial and county levels.

In 2019, Argentina is expected to slaughter 13.2 million head, the highest number in over a decade. Average carcass weight is projected to increase somewhat in response to export demand for heavier animals and a government policy change to restrict slaughter of lighter-weight cattle. From 2005-2015, governmental policies limited exports and fostered domestic consumption at low prices which resulted in producers finishing light-weight animals of around 300-380 kilos live weight. Heavier animals, preferred in export markets, had finite demand, cost more to produce and were unprofitable during that time.

These dynamics have changed considerably in the last two years under the Macri administration. New economic measures by the government reflects its intent to boost exports. A significant currency depreciation in 2018, though, has caused a loss of purchasing power by consumers and a growth in production costs for producers that could spur exports at the expense of the domestic market.

Domestic Consumption: For 2019, consumption of beef is projected stable from last year at 2.4 million tons. The domestic market is expected to consume 75-80 percent of the total beef production. Over the past two decades, dietary protein content has been shifting from almost exclusively beef to include more chicken and, more recently, pork and seafood in the composition. Per capita beef consumption in 2019 is forecast at 54 kilos. Short ribs, round cuts and some forequarter cuts are popular along with ground beef.

Trade: The World Organization for Animal Health (OIE) recognizes Argentina as Free of Foot and Mouth Disease (FMD) with vaccination and with negligible risk to BSE. This status allows local exporters to supply most markets in the world. Argentine beef exports for 2019 are forecast at 575,000 tons cwe, the highest volume since 2009.

Due to the combination of global and domestic financial turbulence, Argentina's peso has lost value against the dollar in the first 8 months of 2018 so that its cattle prices, in dollar terms, are discounted approximately 20-30 percent, bringing much needed global competitiveness. Argentine fed cattle prices, in dollar terms, are the lowest in the region, followed closely by Brazil and less so by Paraguay and Uruguay. Depending on the volatility of the currency exchange and price dynamics, exports could exceed Post's forecast. Argentine beef exporters are reporting profitable margins for the first time in ten years. According to industry sources, export-oriented plants that closed in the past decade to low volumes, may consider the viability of reopening in balancing positive export forecasts against substantial investments needed to return the plants to operational standards.

Exports

China is expected to remain the main export market in 2019, accounting for approximately 50 percent of shipments, primarily shin shank, cow meat for manufacturing and beef from bulls (?) but the currency depreciation is beginning to influence demand for higher-quality cuts. In early 2018, China granted market access to Argentina for bone-in and chilled beef but strict sanitary controls have impeded any exports through July, as reported by contacts.

The Russian Federation is expected to purchase roughly 10 percent of beef exports in 2019. Russia demands primarily low quality boneless frozen beef for manufacturing. Fob prices are generally 10 percent below the price paid by China.

The European Union imports 29,500 tons per year of Argentine high-value cuts under the Hilton quota, (and pays 20 percent import duty) and 45,000 tons under the High Quality Beef(HQB) (481) quota (supplied by 6 countries and pays no import duty) a year. The 2018/19 Hilton quota is expected to be filled primarily with chilled, boneless rump and loin, with exporters indicating sales at a low \$11,500 per ton, compared to historical prices. Exports under the HQB quota have been growing for several years as Argentina increases beef exports. Under this quota, Argentina ships 17 different cuts of grain-fed beef. Its current price is \$9,000 per ton. In the period 2017/18, Argentine beef accounted for 13.5 percent of the total HQB quota, almost double the volume of the previous marketing year. Traders indicate that managing exports under the quota is difficult as it has become too competitive.

Chile, which tends to import 20,000-28,000 tons of beef annually from Argentina, is also forecast to be a key market in 2019. Chile imports 19 chilled beef cuts, with a current average FOB price of \$4,950 per ton. Argentina has to compete in this market with Paraguay and Brazil. Exports projections for next year are for a modest increase.

Israel is a stable market for Argentine kosher, frozen, boneless forequarter beef cuts. Argentina is one of the top three beef suppliers to this market, together with Uruguay and Paraguay. As of June 2018, slaughter plants for export to Israel must utilize rotary knocking boxes to meet animal welfare requirements. Traders do not believe this will negatively affect the export volume to this market.

Argentina has shipped small volumes of bone-in beef to Hong Kong by air. Other small, niche markets include Thailand, Philippines, Singapore, Qatar, and UAE.

In May 2018, Japan and Argentina signed a bilateral sanitary protocol for mutual beef market access under which Argentina could export beef from the northern Patagonia region that is free of Foot and Mouth Disease without vaccination. Patagonia is a difficult environment for cattle production with few meatpacking plants eligible for beef export. However, new demand from Japan plus exports to the EU through the Hilton quota, is expected to stimulate regional production. The main export plant, located in Rio Negro province, has a 5000 head feedlot with regional production contracts to provide heavy steers for the export market.

In mid-2018, Argentina exported its first shipment of fresh beef (200 kilos) to Japan by air. Traders indicate that in the next few weeks Argentina will export via ocean freight 11 tons of 13 different vacuum-packed cuts.

Pending Market Access

Argentina continues to pursue access to key markets such as the US, Mexico and South Korea. In 1997, the United States granted Argentina a 20,000-ton quota for boneless, fresh beef which was suspended in 2001 due to an FMD outbreak. Negotiations are underway regarding the reinstatement of Argentina's access to the United States with exports outside the quota paying 26.4 percent duty. Exporters believe that its impact on Argentina's beef exports will be limited, as China buys similar cuts. Exporters believe that once the market is open, Argentina will mostly export frozen beef trimmings (90 CL – chemical lean) for industry use. Exports of premium chilled cuts for high-end supermarkets and restaurants will start slow.

Imports: Uruguay and Brazil are eligible to export beef to Argentina. Beef imports are negligible, totaling 343 tons in 2017.

Government Policy: On September 3, 2018, the Government announced the imposition of a \$4 Argentinian peso to \$1US for raw/primary product export tax and a \$3 Argentinian peso to \$US1 for value-added products. The Argentine government also recently reduced the original export tax rebates from 3.5 percent to 1.0 percent for chilled beef and from 4.0 percent to 1.25 percent for frozen beef.

Statistical Tables

Animal Numbers, Cattle Market Begin Year Argentina	2017		2018		2019	
	Jan 2017		Jan 2018		Jan 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	53515	53515	53765	53715	0	54215
Dairy Cows Beg. Stocks	1850	1850	1850	1850	0	1850
Beef Cows Beg. Stocks	21800	21800	22000	22000	0	21800
Production (Calf Crop)	14200	14200	14300	14700	0	14300
Total Imports	0	0	0	0	0	0
Total Supply	67715	67715	68065	68415	0	68515
Total Exports	0	0	0	0	0	0
Cow Slaughter	3460	3440	3700	4000	0	3900
Calf Slaughter	3430	3440	3550	3360	0	3500
Other Slaughter	5660	5720	5750	5640	0	5800
Total Slaughter	12550	12600	13000	13000	0	13200
Loss	1400	1400	1100	1200	0	1100
Ending Inventories	53765	53715	53965	54215	0	54215
Total Distribution	67715	67715	68065	68415	0	68515
(1000 HEAD)						

Meat, Beef and Veal Market Begin Year Argentina	2017		2018		2019	
	Jan 2017		Jan 2018		Jan 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	12550	12600	13000	13000	0	13200
Beginning Stocks	0	0	0	0	0	0
Production	2830	2840	2915	2950	0	3000
Total Imports	0	0	0	0	0	0
Total Supply	2830	2840	2915	2950	0	3000
Total Exports	293	293	350	500	0	575
Human Dom. Consumption	2537	2547	2565	2450	0	2425
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	2537	2547	2565	2450	0	2425
Ending Stocks	0	0	0	0	0	0
Total Distribution	2830	2840	2915	2950	0	3000
(1000 HEAD) ,(1000 MT CWE)						