

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Argentina

Dairy and Products Semi-annual

2019

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Report Highlights:

For calendar year 2019, Post revises Argentine milk production up slightly to 10.91 million metric tons with CY2019 stocks estimated to fall to 53 million metric tons from 82 million metric tons in CY 2018. Dairy exports for CY 2019 are estimated at 292 MMT, up almost 25 percent from USDA's estimates.

Production

Production challenges continue for a dairy sector facing long-standing issues with economic volatility and rising inflation rates that continue to reduce producer margins and consumer purchasing power, even for basic commodities such as dairy products.

2019

Calendar year (CY) 2019 milk production in Argentina is revised up marginally to 10.91 million metric tons (MMT) compared to CY 2018 figures. From January to March, 2019 weather factors, including high temperatures and high humidity during a key lactating period, stymied production gains and resulted in an eight percent production decline over the comparable period in 2018. Recent production figures also show the heat-related decline continued into April, compared to the same period last year. However, cooler weather in May and June is expected to facilitate production at more historic levels during the second quarter when approximately 60 percent of milk output is produced. As a result, Post estimates total output for CY 2019 as stable to slightly higher than 2018. Feed resources from pasture and silage production have exceeded historical averages this year and second crops are developing well. Normal soil moisture and temperature forecasts for feed production regions through July should keep this situation stable which will help farmers in managing feed costs.

Farm gate prices: Since late 2018, domestic milk prices paid to farmers have shown a rising trend providing some financial relief to the sector in dealing with high production costs. For example, recent figures show Argentine dairy producers received an average of approximately USD 0.28 /liter, an increase from USD 0.20/liter six months ago. Nevertheless, this figure is still below regional producers in Brazil (USD 0.37/liter), Chile (0.33/liter), or Uruguay (0.30/liter).

2018

CY 2018 total milk output reached 10.83 MMT, equivalent to 10,527 million liters, a 4.2% growth over CY 2017 figures. Dairy farmers faced highly variable weather conditions from December to March 2018 that diminished the forage quality, supply and reserves. After April, though, a return to normal weather conditions promoted pasture re-growth and improved production conditions. Nevertheless, high production costs, including rising inflation and utility rates, influenced negative margins for many producers. These cost burdens were especially challenging for small and less efficient producers who also generally absorb additional costs for land rent.

According to the Argentine Observatory of the Dairy Chain (OCLA), dairy farm closures in 2018/19 have fallen dramatically from those in 2016/17 when producers suffered severe financial repercussions due to high production costs and negative climatic impacts. Currently, those most vulnerable in the dairy sector are smaller scale farms (less than 2,000 liters per day) and aging farmers with no succession plans. Larger, more efficient dairy producers are diversifying their dairy operations into livestock and grain production to increase self-sufficiency and offset risk.

Stocks

Post estimates a sharp decrease in stocks for CY 2019 compared to CY 2018 figures, down from USDA's estimate of 82 MMT in CY 2018 to an estimated 53 MMT for CY 2019. Lower ending stocks in CY 2018, coupled with stagnant production and strong export opportunities in CY 2019 are expected to keep available supplies in demand and stocks, especially for whole milk powder, at historically low levels.

Policy

No substantive policy changes since the last report. The dairy sector continues to seek governmental assistance with the challenging financial situation and especially the need for access to operational credit.

Milk Future Market: On December 15, 2018, the Secretariat of Agro Industry, in collaboration with the integrated markets, MATBA and ROFEX and the National Commission of Values (CNV), implemented a dairy futures market in Argentina in an effort to provide a mechanism to better manage price volatility and improve price risk management for the dairy sector.

Exports

Post estimates dairy exports for CY 2019 at 292 MMT, with fluid milk, dry whole milk powder, dry nonfat powder, cheese and butter up almost 25 percent from USDA's estimate of 221 MMT. This sharp increase is based on a trend of higher international prices and an improved exchange rate making Argentine products more competitive globally. Expectations for lower production and lower stocks may reduce exportable supplies and limit Argentina's opportunity to maximize these positive circumstances.

Post estimates CY 2018 Argentine dairy exports at 241 MMT, a sharp increase from CY 2017 figures of 144 MMT. Argentina's primary export markets for dairy products in CY 2018 were Brazil (34 percent), Algeria (20 percent), Russia (9 percent), Chile (6 percent) and China (3 percent). Best export products, in dollar terms, were dry whole milk powder (51 percent) and cheeses (24 percent). In volume terms, dry whole milk represented 53 percent of exports and cheese 18 percent.

Imports

CY2018 dairy imports, reported at 18,289 tons, remain low and this trend is expected to continue for CY2019. The primary import origins are Uruguay (processed cheese) and the Netherlands (lactose).

Consumption

In CY 2018, as a result of high inflation and the loss of purchasing power of the Argentine consumer, domestic consumption fell 2 per cent, setting per capita consumption at 193 liters. Due to the economic recession, industry reported significant changes in the mix of products as sales of higher cost

brands fell more than 10 percent to the benefit of lower priced products and those on promotional offer.

Estimated per capita consumption for CY 2019 based on the first two-month of 2019, show a value below 190 liters. Projections for CY2019 indicate a contraction of 1.5% of essential dairy products.

Dairy, Butter 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
Beginning Stocks	3	3	3	2	3	4
Production	46	27	50	43	53	44
Other Imports	1	1	0	0	0	0
Total Imports	1	1	0	0	0	0
Total Supply	50	31	53	45	56	48
Other Exports	4	2	4	9	5	15
Total Exports	4	2	4	9	5	15
Domestic Consumption	43	27	46	32	48	31
Total Use	47	29	50	41	53	46
Ending Stocks	3	2	3	4	3	2
Total Distribution	50	31	53	45	56	48

(1000 MT)

Dairy, Milk, Fluid 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
Cows In Milk	1672	1672	1645	1640	1598	1598
Cows Milk Production	10090	10090	10837	10837	11380	10910
Other Milk Production	0	0	0	0	0	0
Total Production	10090	10090	10837	10837	11380	10910
Other Imports	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0
Total Supply	10090	10090	10837	10837	11380	10910
Other Exports	5	5	6	6	6	5
Total Exports	5	5	6	6	6	5
Fluid Use Dom. Consum.	1681	1681	1762	1762	1782	1784
Factory Use Consum.	8404	8404	9069	9069	9592	9121
Feed Use Dom. Consum.	0	0	0	0	0	0
Total Dom. Consumption	10085	10085	10831	10831	11374	10905
Total Distribution	10090	10090	10837	10837	11380	10910

(1000 HEAD),(1000 MT)

Dairy, Cheese 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
Beginning Stocks	34	34	23	33	29	29
Production	514	424	555	451	585	485
Other Imports	4	5	1	3	4	2
Total Imports	4	5	1	3	4	2
Total Supply	552	463	579	487	618	516

Other Exports	44	50	40	68	55	83
Total Exports	44	50	40	68	55	83
Human Dom. Consumption	485	380	510	390	522	404
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	485	380	510	390	522	404
Total Use	529	430	550	458	577	487
Ending Stocks	23	33	29	29	41	29
Total Distribution	552	463	579	487	618	516

(1000 MT)

Dairy, Dry Whole Milk Powder	2017		2018		2019	
	Jan 2017		Jan 2018		Jan 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Begin Year						
Argentina						
Beginning Stocks	13	13	45	25	50	16
Production	170	170	185	192	198	206
Other Imports	1	0	0	0	0	0
Total Imports	1	0	0	0	0	0
Total Supply	184	183	230	217	248	222
Other Exports	71	90	100	136	135	159
Total Exports	71	90	100	136	135	159
Human Dom. Consumption	68	68	80	65	85	55
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	68	68	80	65	85	55
Total Use	139	158	180	201	220	214
Ending Stocks	45	25	50	16	28	8
Total Distribution	184	183	230	217	248	222

(1000 MT)

Dairy, Milk, Nonfat Dry 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
Beginning Stocks	9	9	11	10	8	4
Production	42	42	34	32	40	38
Other Imports	0	0	0	2	0	1
Total Imports	0	0	0	2	0	1
Total Supply	51	51	45	44	48	43
Other Exports	20	21	15	22	20	30
Total Exports	20	21	15	22	20	30
Human Dom. Consumption	20	20	22	18	22	10
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	20	20	22	18	22	10
Total Use	40	41	37	40	42	40
Ending Stocks	11	10	8	4	6	3
Total Distribution	51	51	45	44	48	43
(1000 MT)						