

**Required Report:** Required - Public Distribution

**Date:** September 08, 2023

**Report Number:** AR2023-0012

**Report Name:** Livestock and Products Annual

**Country:** Argentina

**Post:** Buenos Aires

**Report Category:** Livestock and Products

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**Report Highlights:**

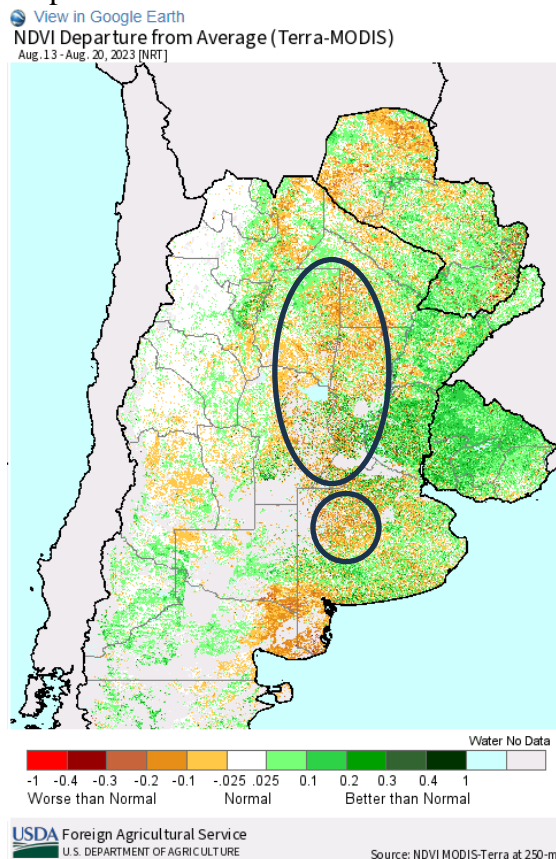
Beef production in 2024 is projected at 3.12 million tons carcass weight equivalent (CWE), down marginally from 2023, a year with high slaughter levels because of a severe drought. The combination of improved weather conditions over the next few months and the change of government in December 2023 creates a lot of questions about the future of the sector. The recovery of pastures should encourage producers to retain cattle as they normalize production. Of the three leading presidential candidates, two have expressed the need of significant economic changes, lowering state deficit, opening the economy and promoting exports. Shipments in 2024 are forecast at 900,000 tons CWE, the highest volume in the past 60 years. China is projected to continue being the main destination, accounting for about 70 percent of the total volume, despite low prices. Higher prices and demand from U.S. importers are helping local exporters to find an alternative destination to China.

## Production

Argentine beef production for 2024 is forecast at 3.12 million tons carcass weight equivalent (CWE), down 3 percent from the previous year. Total slaughter is projected to drop six percent from very high 2023 levels. After several years of drought, most forecasts show improved moisture over the next few months which would encourage producers to retain cattle. In addition, political watchers predict a change of government in December 2023 who will make policies that are more friendly to the livestock sector. These combined factors point to heavier carcass weights which will partially offset a smaller slaughter.

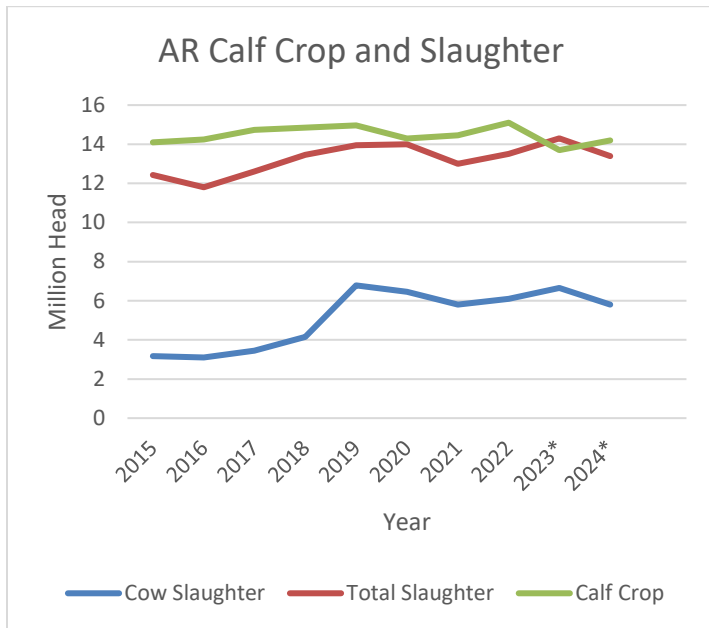
After three consecutive years of a La Nina weather pattern and the worst drought in 70 years, most weather forecasts predict an El Nino spring. Pastures across the country were lost and most cattlemen marketed cattle earlier and lighter than planned. Although winters are normally dry, the current one has been wetter and milder than normal. However, there are still important cattle areas (circled in the below map) which continue to be very dry. Good rainfall is forecast for late 2023 and early 2024 which would be beneficial for pasture recovery and development. This would allow cattlemen to reorganize their operations and get back to normal production. The below map shows the vegetation index for central and northern Argentina, where there are two different realities, one in the central area with continued dry conditions, while the eastern region fares better than normal.

### Map #1



Despite a complicated current situation for the local cattle sector, the slaughter in 2024 is forecast to fall more in line with the average of 2018-2022. Large calf crops (born before December 31 each year) in 2021-2022 and a lower one in 2023 are projected to support a slaughter of about 13.4 million head, 900,000 head lower than in 2023. The current slaughter is estimated to be the highest since 2009, another year of severe drought. The chart below shows the annual cow and total slaughter, and the calf crops for 2015-2022 and the projection for 2023 and 2024.

Chart #1



Source: Post with FAS data

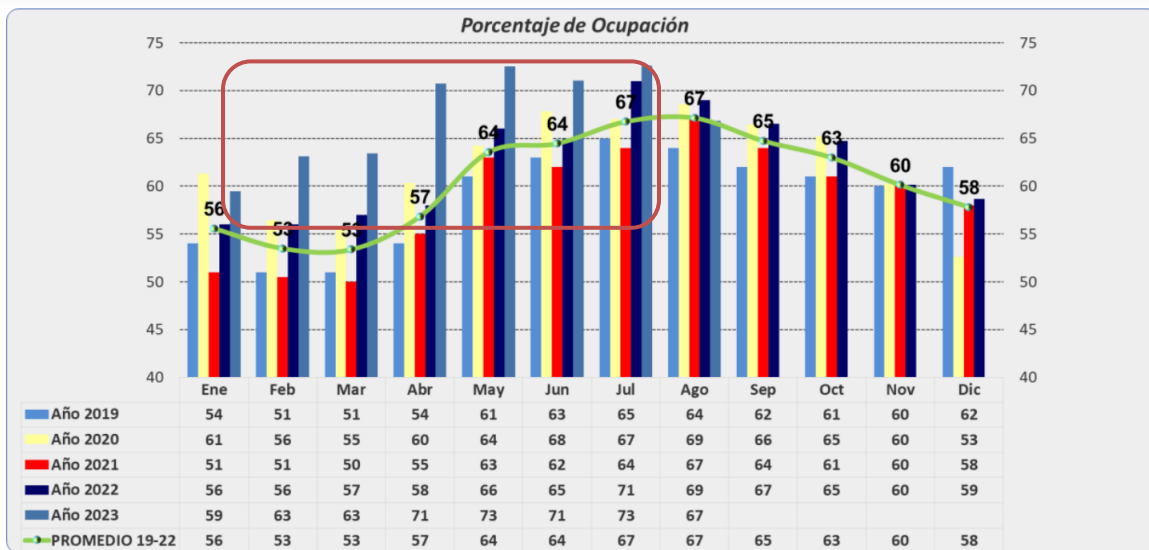
\* Post's Projection

The past 12 months have been very stressful for the local cattle/beef sector because of the drought, the poor performance of the domestic economy and weak beef export prices. Cow-calf operations suffered the lack of sufficient feed, which coupled with high temperatures last summer, negatively affected pregnancy rates by at least 6-8 percentage points and will result in a smaller calf crop of 13.7 million head (calving season goes from July-October 2023). Dry conditions also forced numerous cattlemen to send a large number of open cows and light-weaned calves to market early in the first semester. At the same time, beef export prices to China dropped approximately 30 percent, while local consumers suffered a strong erosion of their purchasing power due to high inflation, which is running well over 100 percent annually. The combination of all these factors depressed calf and fed cattle prices until July. In the past month, cattle prices have hiked significantly due to expectations of good weather in spring and economic policy changes in the near future.

Dry conditions also negatively affected the cattle backgrounding because of lower production and, in many cases, the loss pastures. In normal years, calves are weaned at 180-200 kilos live weight, then background up to 330-340 kilos, in time to enter a feedlot to be finished in about 100 days at 450 kilos. Rains forecast in the next spring and summer will start rebuilding the cattle finishing cycle, including backgrounding, but it will only be at full capacity next weaning season February-April 2024.

Argentina has a very well-developed feedlot sector which is expected to continue strong in 2024, but at a slower pace than in 2023 as normal weather would allow cattlemen to keep animals on pastures and lessen the dependence on grains. The chart below published by the local Camber of Feedlots shows the monthly occupancy rate since 2019 to date with the green line representing the average of 2019-2022 and the blue bars showing 2023. The occupancy rates in the first 7 months of 2023 were very high (circled in orange) because of the drought.

Chart #2



Source: Camara Argentina de Feedlot

The Argentine Chamber of Feedlots represents about 100 of the largest feedlots with custom feeding services. There are many smaller feedlots not represented under the chamber and many cattlemen and farmers who finish cattle on grains on their own operations.

The local meat packing industry is facing significant uncertainties going into 2024 and players do not see clearly how they will develop. There is a lot of uncertainty regarding the unknown government that will assume office on December 10. Two of the three leading candidates have stated that they will make significant changes to the economy, with the focus of lowering the state deficit, opening the economy, and promoting exports. To date, most of these promises have been sweeping announcements. Increased exports, improved exchange rate and reduced export controls could put upward pressure on domestic cattle and beef prices, especially with less cattle available. On the international side, there is much uncertainty regarding how the Chinese market will react next year, having a very strong influence on local beef exports and the industry as a whole. Traders indicate that Chinese importers report that beef stocks are still high, there are financial limitations for imports, there is growing unemployment and the economy continues to be slow. FOB prices to China in the first seven months of 2023 are 34 percent lower than the same period in 2022.

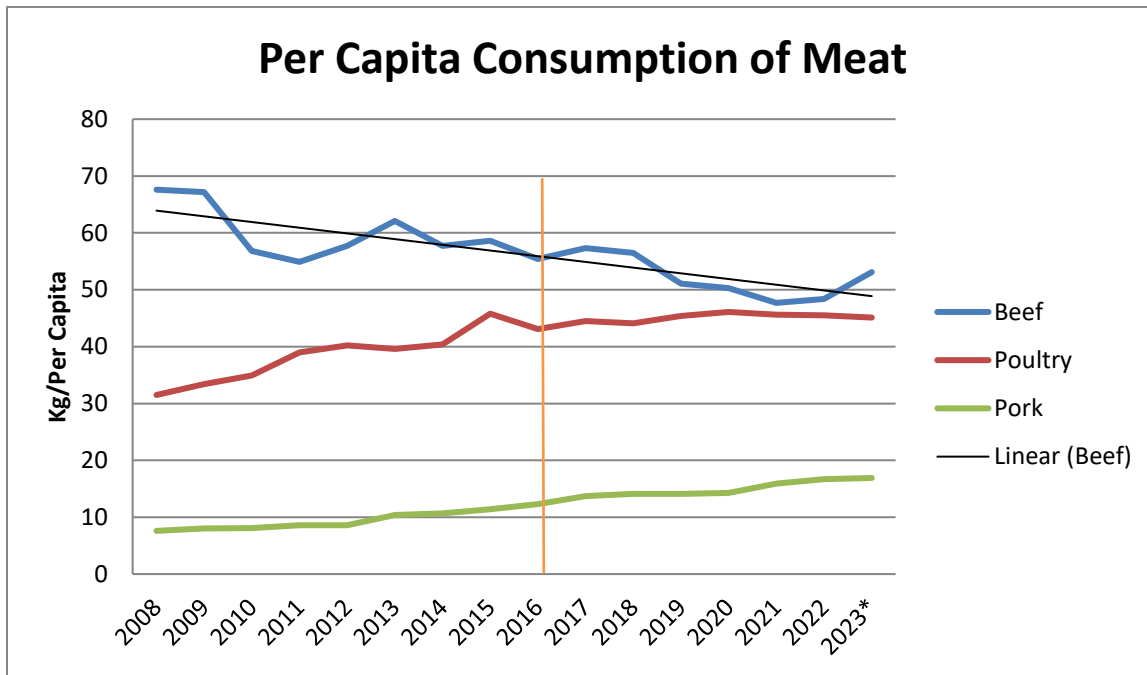
### Domestic Consumption

Consumption in 2024 is forecast at 2.224 million tons CWE, the smallest volume since 1996 and the lowest consumption per capita of the past 60 years. This is a result of projected lower beef production

and better export conditions which could make domestic retail prices increase and make consumers choose less expensive alternatives like chicken. Per capita beef consumption continues to slowly drop as consumers increase poultry and pork consumption. 2023 consumption is expected to increase because of a large cattle slaughter which could not be offset by exports and puts a downward pressure on beef prices. Beef prices vis-a-vis other food products were very competitive in the first seven months of the year.

The chart below shows the per capita consumption of the different meats (not including mutton or lamb with only 2 kilos/per capita/per year) from 2008-2023. It clearly shows the decline in beef consumption, while poultry and pork continue to grow. Historically, beef was king, but from 2016 onwards the combination of pork and poultry together surpassed the volume of beef consumption. Argentina continues to be one of the world's leading consumers of meat, with a total ranging between 105-115 kilos per capita annually.

Chart #3



Source: Post based on Bolsa de Comercio de Rosario data

\* Projection

## Trade

Beef exports in 2024 are forecast at 900,000 tons CWE, the highest since 1960. Local exporters are confident that the new administration, which will take office in December 2023, will encourage exports. Exporters also hope to see an end to some trade distorting policies such as: 1) dual exchange rates that dictate how an exporter can bring export revenue (in dollars) into Argentina; 2) nine percent beef export tax; 3) prohibition to export seven popular beef cuts which must be sold in the domestic market to keep local prices low; and 4) export quotas per companies and the need of export declaration certificates administered by the government.

Lower beef supplies and better conditions for exporters are expected to put pressure on domestic prices and demand, freeing up larger volumes for export. However, exporters are concerned about the dynamics of local cattle and FOB prices that are currently unprofitable for most of the industry after the thirty percent increase in the price of fed steers in the past few weeks.

In 2024, China is projected to continue to be the number one market, as it has been since 2015, accounting for roughly 70 percent of total exports (measured in volume). However, exporters continue to be very concerned about the economic developments there as current FOB prices are very low year on year. Contacts mention a current slow economy, a low value of the Yuan, large beef stocks and low Brazilian prices. China imports a large assortment of frozen boneless beef and bone in cuts from Argentina.

The EU is also expected to continue to be an important market, although it is suffering a reduction in volume of its High Quality Beef quota from origins other than the U.S. The 29,500 tons Hilton quota which the EU grants Argentina will likely be filled. Practically the entire quota is filled with boneless, chilled rump and loin, currently priced at \$15,000 per ton.

The U.S. market has recently attracted stronger export interest as its demand and prices have increased, making the U.S. a good alternative to a weaker-priced Chinese market. The U.S. grants Argentina a tariff rate quota (TRQ) of 20,000 tons, product weight, with imports paying \$4 cents per kilo. Product outside the quota pays 26.4 percent. Exporters believe that if conditions remain stable, the TRQ will be filled in 2023 and in 2024 and some shipments could be made outside the quota. Argentina is mainly shipping frozen, beef blocks of trimmings and forequarters, 70-90 chemical lean (CL). It also exports chilled or frozen vacuum-packed hindquarter cuts, such as knuckles, silverside, iron round and topsides. Shipments of frozen and/or chilled kosher cuts are also growing.

Exports to Israel, a traditional market for Argentina, are expected to recover somewhat. Shipments are typically frozen, boneless forequarter kosher cuts, but recently, shipments include frozen and chilled hindquarter cuts and rump and loin. Exporters indicate that shipments are shifting from frozen to chilled product as exporters can now set a longer shelf life.

Chile is also expected to be an important market in 2024, with a slight increase. However, Brazilian beef is growing in presence in this market as the low prices in China makes them seek out other markets. Argentina usually exports chilled beef from young heifers, normally the whole carcass deboned in 19 cuts to Chile.

Brazil is expected to continue to be a significant market for certain premium popular cuts such as cap of rump, tail of rump, strip loins, cube roll and rib eye. Shipments are vacuum packed, chilled and/or frozen.

Imports of beef are normally very small quantities by large local meat packers which produce and sell burgers. Depending on the time of the year and price convenience, they import less expensive frozen trimmings, typically from Brazil, and export their own beef at higher prices.

## Statistical Tables

| Animal Numbers, Cattle<br>Market Year Begins<br>Argentina | 2022          |          | 2023          |          | 2024          |          |
|---|---------------|----------|---------------|----------|---------------|----------|
|   | Jan 2022      |          | Jan 2023      |          | Jan 2024      |          |
|   | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Total Cattle Beg. Stks (1000 HEAD)                        | 53400         | 53400    | 54100         | 54100    | 0             | 52500    |
| Dairy Cows Beg. Stocks (1000 HEAD)                        | 1640          | 1546     | 1640          | 1530     | 0             | 1550     |
| Beef Cows Beg. Stocks (1000 HEAD)                         | 21050         | 21144    | 21350         | 21460    | 0             | 20550    |
| Production (Calf Crop) (1000 HEAD)                        | 15000         | 15100    | 13700         | 13700    | 0             | 14200    |
| Total Imports (1000 HEAD)                                 | 0             | 0        | 0             | 0        | 0             | 0        |
| Total Supply (1000 HEAD)                                  | 68400         | 68500    | 67800         | 67800    | 0             | 66700    |
| Total Exports (1000 HEAD)                                 | 0             | 0        | 0             | 0        | 0             | 0        |
| Cow Slaughter (1000 HEAD)                                 | 6100          | 6100     | 6250          | 6650     | 0             | 5800     |
| Calf Slaughter (1000 HEAD)                                | 0             | 0        | 0             | 0        | 0             | 0        |
| Other Slaughter (1000 HEAD)                               | 7400          | 7400     | 7550          | 7650     | 0             | 7600     |
| Total Slaughter (1000 HEAD)                               | 13500         | 13500    | 13800         | 14300    | 0             | 13400    |
| Loss and Residual (1000 HEAD)                             | 800           | 900      | 1300          | 1000     | 0             | 800      |
| Ending Inventories (1000 HEAD)                            | 54100         | 54100    | 52700         | 52500    | 0             | 52500    |
| Total Distribution (1000 HEAD)                            | 68400         | 68500    | 67800         | 67800    | 0             | 66700    |
|   |               |          |               |          |               |          |
| (1000 HEAD)   |               |          |               |          |               |          |

| Meat, Beef and Veal<br>Market Year Begins<br>Argentina | 2022          |          | 2023          |          | 2024          |          |
|--|---------------|----------|---------------|----------|---------------|----------|
|  | Jan 2022      |          | Jan 2023      |          | Jan 2024      |          |
|  | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Slaughter (Reference) (1000 HEAD)                      | 13500         | 13500    | 13800         | 14300    | 0             | 13400    |
| Beginning Stocks (1000 MT CWE)                         | 0             | 0        | 0             | 0        | 0             | 0        |
| Production (1000 MT CWE)                               | 3140          | 3140     | 3170          | 3220     | 0             | 3120     |
| Total Imports (1000 MT CWE)                            | 7             | 7        | 5             | 5        | 0             | 4        |
| Total Supply (1000 MT CWE)                             | 3147          | 3147     | 3175          | 3225     | 0             | 3124     |
| Total Exports (1000 MT CWE)                            | 823           | 823      | 820           | 840      | 0             | 900      |
| Human Dom. Consumption (1000 MT CWE)                   | 2324          | 2324     | 2355          | 2385     | 0             | 2224     |
| Other Use, Losses (1000 MT CWE)                        | 0             | 0        | 0             | 0        | 0             | 0        |
| Total Dom. Consumption (1000 MT CWE)                   | 2324          | 2324     | 2355          | 2385     | 0             | 2224     |
| Ending Stocks (1000 MT CWE)                            | 0             | 0        | 0             | 0        | 0             | 0        |
| Total Distribution (1000 MT CWE)                       | 3147          | 3147     | 3175          | 3225     | 0             | 3124     |
|  |               |          |               |          |               |          |
| (1000 HEAD) ,(1000 MT CWE)                             |               |          |               |          |               |          |

**Attachments:**

No Attachments