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Report Highlights:

Argentine beef exports in 2021 are forecast at 760,000 tons carcass weight equivalent (cwe), marginally lower than in 2020. Production is forecast slightly lower on reduced slaughter volume and longer finishing times to add carcass weight in response to changing local and export demands. China is expected to remain the main market with exports to the US continuing an upward trend in response to positive price signals and developing commercial relationships.

Production

Slaughter

Beef production in 2021 is forecast slightly down to 3.1 million tons, carcass weight equivalent (cwe), on reduced slaughter of 13.65 million head as high calf prices are expected to incentivize the retention of inventory for breeding and fattening. In 2021, the average carcass weight is expected to rise to 227 kilos cwe as cows (normally lighter) slaughter falls and producers move toward finishing costly feeder cattle to heavier sizes suitable for both domestic and export customers.

In 2019, strong beef demand from China influenced high levels of cow slaughter. In early 2020, however, Free On Board (FOB) prices to China dropped dramatically after traders reduced import prices in response to Government policies to control inflation which subsequently contributed to a down chain drop in local cattle prices. Meat packers report that current prices for cow meat exports to China are close to breakeven and below that for higher-priced cattle.

Argentina had almost 400 slaughter plants in 2019. Over the past several years, industry investments have grown to increase slaughter capacity, deboning facilities and cold storage volumes. The largest slaughter plant accounted for only 3.8 percent of total slaughter. The top 10 plants accounted for 23 percent, the top 45 plants accounted for 61 percent and the top 100 plants processed almost 90 percent of the country's slaughter. Traditionally, the sector was segmented between large companies focused on exports and small to medium plants focused on the local market, however, rising export demand, especially from China, has seen many of the medium-scale plants entering the export market as well.

To date, the government has deemed the local cattle/beef supply chain an essential economic sector and largely exempted it from COVID-19 related restrictions on operations and movement. The supply chain, including feedlots, meat packers, and transporters implemented protocols to address worker safety. Nevertheless, several plants recently suspended or self-suspended exports to China following new COVID-19 sanitary requirements. Argentina instituted a national lockdown in mid-March and, while many provinces were released from restrictions shortly thereafter, the greater Buenos Aires area, which includes more than one third of the population, remains in strict quarantine, with the rate of cases rising again in the interior provinces.

Finishing

Financial pressure will continue to plague cattle fattening and feedlot operations due to high input costs for feed and feeder cattle, whose price rose 40 percent from March-August, 2020. Fed cattle prices, on the other hand, only grew by 12 percent during the same time period.

Cattle backgrounding is rising in response to demand by packers and retailers for larger and heavier cattle to service sales in both export and local markets. Historically, slaughtering light steers and heifers, between 250-350 kilos live weight, had been the norm but growing demand from the export market, expensive feeder prices and lower costs of backgrounding (currently one of the most profitable business in the cattle production chain) is encouraging cow-calf operations and feedlots to increase inventory. Private analysts estimate that roughly 20-25 percent of the weaned calves are currently being backgrounded.

While many ranchers grain finish their cattle on farm, there are also many professional custom feedlots.

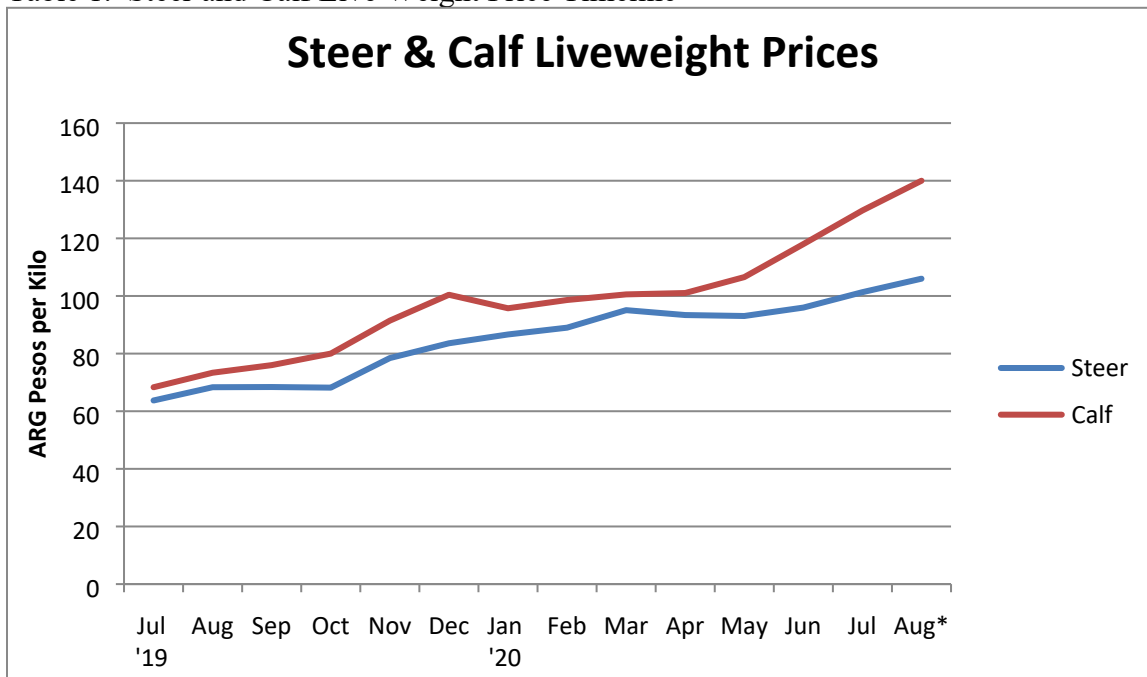
Currently, grain feeding is unprofitable due to high prices of feed and feeder cattle. Although these variables can change rapidly, most contacts expect them to remain relevant in 2021.

Grass finishing, however, currently returns higher profits than feedlots as cattle gain weight at lower cost. Most of the production cycle is on grass with the final 100-120 days supplemented with corn or silage produced in the same operation. The sales of seeds and other inputs for pastures have been very strong in 2020.

Cow Calf

Cattle breeders have enjoyed positive returns recently due to high feeder cattle prices. In 2021, calf prices will continue elevated due to strong demand from ranchers and farmers investing in feeder cattle as a way to offset high inflationary prices and currency restrictions. Table 1 below shows the evolution of live steer and calf prices since mid-2019.

Table 1. Steer and Calf Live Weight Price Timeline



* Estimated

August 2020 prices: Steers USD\$3.12 per pound; Calves \$USD 4.12 per pound (at official exchange rate)

Conversion: 1 kilo = 2.2 pounds; \$USD 1 = 75 ARG Peso

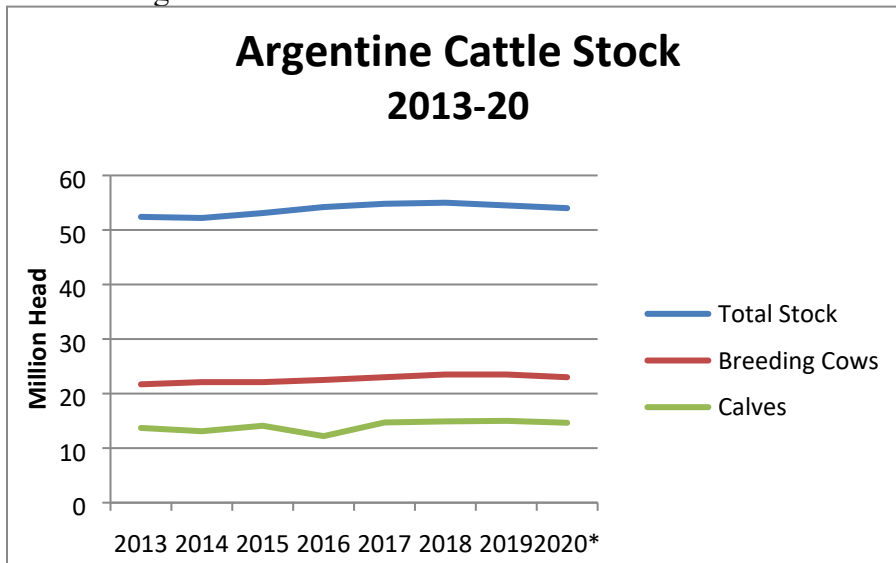
Source: FAS with Informe Ganadero

Production efficiency is slowly improving, as many producers incorporate technology and adjust animal health and nutrition management. In the past few years, weaning ratios in the harsh environment of northern Argentina have risen but those in the more temperate central region remain significantly higher. High-quality genetics use, both in British breeds as well as crosses with Brahman, continues in the central-northern regions to obtain the best relation between bone, muscle, and fat as well as genetics to secure higher feed conversion efficiency. Some producers are now practicing creep-feeding or using self-feeders to improve the condition of their calves at weaning.

Stocks

Cattle ending stocks in 2021 are forecast to remain unchanged at 54 million head. Recently, Argentina's Ministry of Agriculture revised its cattle stock series from a March to a December annual. Based on this data, Argentina's cattle herd has remained fairly stable since 2013 with breeding cow inventory fluctuating between 22.5-23.5 million head and calf crops between 14-15 million head. (See Table 2) The weaning ratio ranged from 62 to 65 percent. Currently, some severe weather conditions, including drought and frost across a vast extension of the central cattle and crop areas, could negatively impact the overall calf crop in 2021

Table 2. Argentine Cattle Stocks



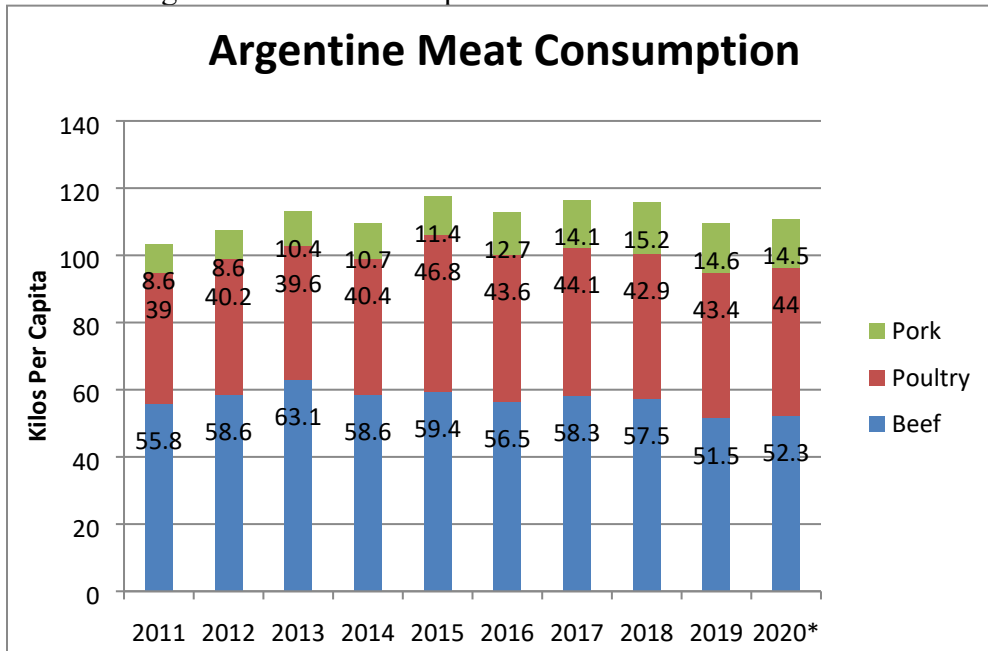
* Forecast

Source: FAS; Ministry of Agriculture and Livestock

Consumption

Argentine beef consumption in 2021 is projected at 2.35 million tons cwe, roughly 51 kilos (112 pounds) per capita, the smallest volume since 2011. In 2021, Argentina's GDP is forecast to recover 6 percent from the severe effects of the COVID-19 pandemic in 2020 but most analysts project a weak purchasing power nevertheless after three consecutive years of economic recession. As a result, consumers shift to less expensive foods and animal proteins, such as pork and poultry, is expected to continue. In 2017 and for the first time, Argentine beef consumption equaled that of pork and poultry combined, and beef consumption has continued to decline. Table 3 shows Argentina's per capita consumption of different meats over the past decade:

Table 3. Argentine Meat Consumption



Source: FAS

Conversion: 1 kilo = 2.2 pounds

Although beef consumption during the Coronavirus pandemic has been stable, demand for lower price cuts has risen. Sales of ground beef, stew beef and breaded veal increased for at-home preparation while popular cuts for barbecue and food service, such as short ribs, flank, rib eye or loin, decreased. Based on a survey by the Instituto de Promocion de Carne Vacuna (IPCVA) during the quarantine, almost two thirds of Argentines purchased beef primarily in butcheries and one third in large and medium supermarkets. On-line beef sales accounted for 2 percent.

Following are retail prices (at the official exchange rate in USD dollars) of different meat cuts in a large supermarket in the city of Buenos Aires (includes 21 percent Value Added Tax): whole fresh broiler \$1.53 per kilo; pork short ribs \$4.0 per kilo; beef short ribs \$3.60 per kilo and rib eye \$5.33 per kilo.

Trade

Beef exports in 2021 are projected stable at 760,000 tons cwe, accounting for 24.5 percent of total production. (Note: Post utilizes USDA's new conversion rates (from product weight to carcass weight equivalent for exports from Argentina and South American countries: boneless beef is 1.36 and bone-in 1.0. The Argentine government and industry use 1.5 for boneless and 1.05 for bone in beef.) Exports under HTS code 160250 (thermoprocessed beef) are not included as they are almost exclusively offal.

Beef exports in 2020 and 2021 will be influenced by three main factors: China's import demand, post COVID-19 local demand, and the evolution of Argentina's cattle/beef chain post pandemic. The Argentine government has responded to COVID-19 by imposing some of the region's strictest measures on business operations and personal movement to slow the spread of the disease. Despite already being in recession for 2 years, private economists are projecting a fall in GDP of 12.5% for Argentina in 2020. However, they anticipate a rebound in activity in 2021. If the purchasing power increases, a stronger

domestic demand could raise cattle prices and lower exports. On the contrary, weaker domestic demand would allow greater exports.

The evolution of the COVID-19 pandemic is of great concern in the industry for two reasons: one, the impact on export markets as to volumes and price fluctuations and two, worker absence and sanitary controls which could slow or stop production temporarily. So far, very few plants have been affected, but contacts expect the number of workers infected may rise as the virus advances in several provinces.

In the first 7 months of 2020, Argentina exported 327,000 tons of beef, 20 percent higher than in the same period in 2019. The average FOB price dropped 13 percent during the same time period. Roughly 80 percent of exports were frozen boneless beef, 85 percent of which was destined to China. Twelve percent of exports consisted of chilled boneless beef, primarily shipped to Chile and European Union markets. 8 percent of total exports consisted of bone-in beef that was shipped exclusively to China.

Exports of bone-in beef totaled 2,900 tons product weight in 2018, with a 7 fold spike in 2019 sales after Argentina gained bone-in market access to China. Bone-in beef exports are expected to hit volumes of more than 40,000 tons in 2020.

For the last 5 months of 2020, most contacts indicate that total beef exports will be smaller than in the same period last year due to a substantial drop in FOB prices paid by China which supported the export of meat from higher-priced cattle in addition to lower-value cuts from cows.

Export Markets

China accounted for more than 74 percent of Argentina's total beef exports from January-July 2020, similar to 2019. In 2021, China is expected to continue as the primary destination, despite local exporters' preference for more diverse markets, especially when China's new sanitary regulations can disrupt trade. In addition, the price volatility seen in the Chinese market continues to be a concern for exporters who have suffered from price variations over the past 12 months.

The European Union is expected to be the second most important destination for Argentine beef exports in 2021, with imports primarily under the Hilton Quota and the High-Quality Beef Quota (HQB) for grain-fed beef. In 2019/20 Argentina filled 94 percent of the 29,500 tons for chilled high-value cuts in the Hilton Quota. Despite high price volatility, most exporters believe the quota will be filled in 2020/21. Regarding the HQB (also called 481), in 2019/20 Argentina exported 8,550 tons, 24 percent of the quota available to other suppliers. Although the quota for "other" suppliers will diminish over the next few years, Argentina is expected to continue to be a significant player. This quota is supplied with a large number of chilled cuts and enters the European Union duty free.

Israel is forecast to remain an important and consistent market for Argentine exports, with annual volumes of 20-25,000 tons of kosher-certified frozen forequarter boneless cuts. Israel provides local meat exporters with another market for the steers they slaughter to fill the Hilton quota with rump and loins.

Chile is also a stable market for beef exports of 25-30,000 tons a year, primarily chilled cuts of young cattle with the average FOB price close to \$5,500-6,000 per ton.

Meat, Beef and Veal	2019			2020			2021			
Market Begin Year	Jan 2019			Jan 2020			Jan 2021			
Argentina	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	(Units)
Slaughter (Reference)	13900	0	13955	13695	0	14150	0	0	13650	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Production	3125	0	3125	3100	0	3180	0	0	3100	(1000 MT CWE)
Total Imports	17	0	17	15	0	15	0	0	14	(1000 MT CWE)
Total Supply	3142	0	3142	3115	0	3195	0	0	3114	(1000 MT CWE)
Total Exports	763	0	763	760	0	775	0	0	760	(1000 MT CWE)
Human Dom. Consumption	2379	0	2379	2355	0	2420	0	0	2354	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	2379	0	2379	2355	0	2420	0	0	2354	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Distribution	3142	0	3142	3115	0	3195	0	0	3114	(1000 MT CWE)

Attachments:

No Attachments