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Report Name: Livestock and Products Semi-annual

Country: Argentina

Post: Buenos Aires

Report Category: Livestock and Products

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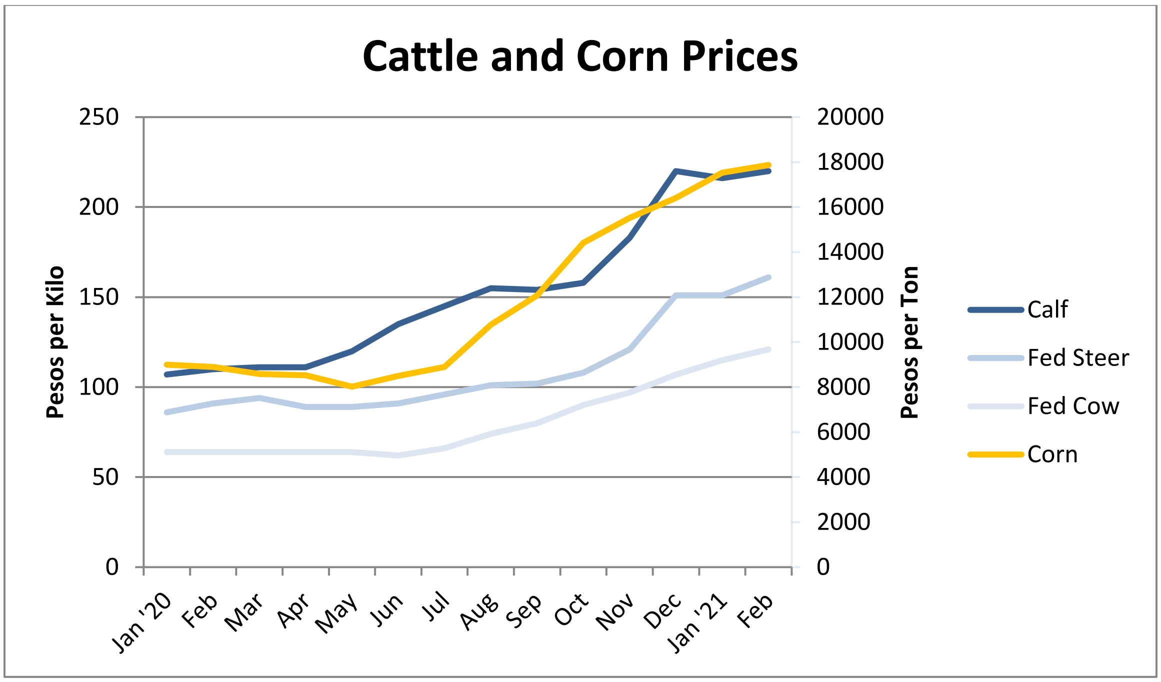
Report Highlights:

Argentine beef exports in 2021 are forecast at 770,000 tons carcass weight equivalent, 50,000 tons lower than in 2020 on lower slaughter inventory due to negative margins, with overall exports heavily dependent on China's demand and market recovery from covid impacts. Cow-calf operators are benefitting from high calf prices. Domestic beef consumption is at a record low to the benefit poultry and pork products.

Production

Beef production for 2021 is forecast at 3.1 million tons, in line with USDA official, but 4 percent below the 2020 level. Beef producers are enduring rising production costs, including high corn prices which, together with lower FOB prices, hurts margins and contributes to a slow but steady fall in cattle inventory for slaughter which is expected to drop to 13.54 million head in 2021. In addition to higher feed costs, high calf prices and low fed cattle prices are impacting cattle production. Table 1 shows the price variation of key parameters in the local cattle/beef sector.

Table 1.



Source: FAS Post

Overall feedlot margins remained disappointing in 2020. The Argentine Chamber of Feedlots reported recently that gross margins were positive in the first quarter of 2020 but since the Covid-19 trade impacts in the second quarter, producers continue to experience negative returns, currently losing between $30-80 per head. Since August 2020, feedlot inventory remains below normal levels. In January 2021 commercial feedlots showed an occupancy level of 51 percent, 7 percent below year on year. Some ranchers are managing costs by expanding backgrounding and finishing at heavier weights, thus leading to overall lower slaughter cattle projections. As a result, beef production in 2021 is forecast down to 3.1 million tons, 130,000 tons carcass weight equivalent (cwe) lower than a year ago.

Alternatively, cow-calf operations continue to produce positive margins. The calf crop for 2021 is projected at 14.55 million head, in line with USDA, but 250,000 head lower than a year ago as cow sales spiked over the past several years in response to favorable prices. Furthermore, dry pasture conditions in 2020 have improved due to rains in January and February which will improve calf production conditions with investment in herd genetics also ongoing to improve production efficiency and beef quality.

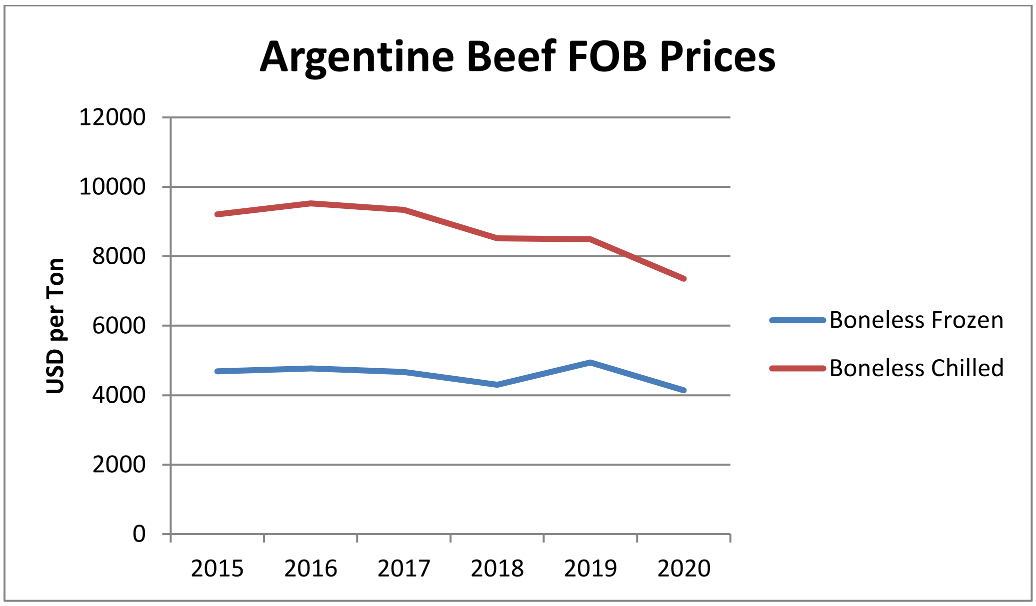
Post has updated its 2021 dairy cow inventory estimate down from 1.85 to 1.615 million based on new information.

Exports

Beef exports in 2021 are forecast at 770,000 tons cwe, in line with USDA, and 6 percent lower than 2020. [Note: last year USDA modified beef conversion rates to 1.36 for boneless beef, 1.0 for bone in beef, and 1.79 for thermoprocessed beef].

Generally, Argentina has seen its price competitiveness fall compared to export prices from Uruguay and Paraguay. Argentine FOB prices saw a significant dip in 2020, especially for exports to China and the EU. (See Table 2). Exporters expect weaker exports in the first half of the year but hope a covid recovery by the second half of the year in global markets will strengthen sales. China demand will continue to influence export volume as the destination of more than 70 percent of Argentine beef products.

Table 2.



Source: FAS with Trade Monitor

Consumption

Domestic consumption for 2021 is forecast at 2.34 million tons cwe, similar to USDA's projection, and 81,000 tons cwe lower than in 2020, the lowest volume since 2011. Despite lower exports, reduced beef output is expected to negatively affect consumption as well. Although the economy is projected to rebound somewhat in 2021 after dropping 10 percent in 2020, high inflation levels continue to undercut consumer's purchasing power. The government recently coordinated with retailers to sell 6,000 tons per month of 8 popular beef cuts at a significant discount to offset inflationary impacts on prices.

Current per capita beef consumption of around 50 kilos is a record low. Consumers are consuming lower-priced protein options such as poultry at 46 kilos and pork at 16 kilos, respectively.

Statistical Tables

Animal Numbers, Cattle	2019		2020		2021	
Market Year Begins	Jan 2019		Jan 2020		Jan 2021	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks (1000 HEAD)	55008	55008	54461	54461	54000	53831
Dairy Cows Beg. Stocks (1000 HEAD)	1850	1598	1850	1610	1850	1615
Beef Cows Beg. Stocks (1000 HEAD)	21780	21950	21500	21370	21150	21200
Production (Calf Crop) (1000 HEAD)	14965	14965	14800	14800	14550	14550
Total Imports (1000 HEAD)	0	0	0	0	0	0
Total Supply (1000 HEAD)	69973	69973	69261	69261	68550	68381
Total Exports (1000 HEAD)	0	0	0	0	0	0
Cow Slaughter (1000 HEAD)	6785	6785	6687	6580	6200	6150
Calf Slaughter (1000 HEAD)	0	0	0	0	0	0
Other Slaughter (1000 HEAD)	7170	7170	7463	7670	7550	7500
Total Slaughter (1000 HEAD)	13955	13955	14150	14250	13750	13650
Loss and Residual (1000 HEAD)	1557	1557	1111	1180	1300	1100
Ending Inventories (1000 HEAD)	54461	54461	54000	53831	53500	53631
Total Distribution (1000 HEAD)	69973	69973	69261	69261	68550	68381
(1000 HEAD)						

Meat, Beef and Veal	2019		2020		2021	
Market Year Begins	Jan 2019		Jan 2020		Jan 2021	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference) (1000 HEAD)	13955	13955	14150	14250	13750	13650
Beginning Stocks (1000 MT CWE)	0	0	0	0	0	0
Production (1000 MT CWE)	3125	3125	3210	3230	3135	3100
Total Imports (1000 MT CWE)	17	17	13	14	14	14
Total Supply (1000 MT CWE)	3142	3142	3223	3244	3149	3114
Total Exports (1000 MT CWE)	763	763	830	819	770	770
Human Dom. Consumption (1000 MT CWE)	2379	2379	2393	2425	2379	2344
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	2379	2379	2393	2425	2379	2344
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	3142	3142	3223	3244	3149	3114
(1000 HEAD) ,(1000 MT CWE)						

Attachments:

No Attachments