

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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GAIN Report Number:

Argentina

Livestock and Products Semi-annual

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Report Highlights:

Argentina's herd size, slaughter and stock numbers remain unchanged from 2018. Argentine beef exports for 2019 are forecast to rise by 15 percent to a ten-year high of 585,000 tons carcass weight equivalent. China accounts for more than half of total exports with exports to the US of premium chilled and grass-fed beef cuts, although minimal under newly gained market access, could reach 10,000-15,000 tons in 2019.

Cattle:

Argentina's cattle herd size is expected to continue unchanged from 2018 at 53.8 million head. As cow-calf and feedlot operations show little growth, stocks remain stable. 1.1 million head of cattle are expected to be lost in 2019, 100,000 head lower than in 2018 due to excellent weather and pasture conditions. This reduction in the loss rate indicates a return to normal conditions as excessive flooding and drought conditions during the past three years increased cattle losses in different parts of the country.

The number of breeding female cattle in 2019 is estimated at 23.6 million head. This value is slightly lower than in 2018 when cow slaughter spiked in response to higher prices from China. In addition, feedlots continue to struggle with rising feed costs and falling calf prices, and with the addition of weather problems in some areas, calf production in 2019 is expected to fall by 300,000 head.

Cattle slaughter for 2019 is expected to reach 13.3 million head, marginally lower than the previous year. Calf slaughter, due to excellent pasture conditions, may be impacted if animals are kept on grass longer which may delay their marketing as fed cattle. Argentine beef production for 2019 is expected to be 3.0 million tons, stable from 2018, however, production could rise marginally if the average carcass weight rises on an increase in backgrounded cattle.

Beef:

Exports: Total beef exports for 2019 are forecast at 585,000 tons carcass weight equivalent (cwe), 77,000 tons more than last year and double the volume of 2017. Due to significant peso devaluations in 2018, the competitive position of Argentine beef prices improved in global markets. From August 2018-January 2019, 65 percent of beef exports were shipped to China and Hong Kong, 10 percent to the Russian Federation, 10 percent to the European Union and 5 percent to Chile. Exports to other markets include Israel, Brazil, Peru and the United States.

Exports to the Russian Federation surged to 42,000 tons (product weight) from 5,200 tons last year due to restrictions Russia placed on Brazilian beef imports. However, these restrictions were lifted in late 2018 and, as such, Argentine beef exports will face stronger competition from Brazil. Current trade data indicates that Brazilian exports to Russia have yet to return to previous levels, maintaining an outlet for Argentine shipments.

Price: The downward price trend for Argentine beef exports is linked to demand for lower quality frozen cuts in the key China and Russian markets. China is expected to continue importing primarily frozen cow meat with an average price in January 2019 of \$4,060 per ton.

Exports to the European Union consist of higher quality cuts under the Hilton Quota (29,500 tons) and the 481 High Quality Beef Quota. In 2018/19 Argentina is expected to fill the Hilton Quota with average prices at roughly \$12,000 per ton. Argentina is expected to fill about 6,000-6,500 tons of the 481 quota in marketing year 2018/19 with prices in the range of \$9,000 per ton and consisting of 16 different cuts. Export prices to Chile, which consist of higher-quality beef, averaged \$5,364 per ton in 2018.

Exports to the United States totaled 500 kilos of chilled premium beef cuts in 2018 pursuant to a reopening of the market after a 17-year closure. The reinstatement included a 20,000-ton fresh beef quota (product weight) with an import duty of \$44 per ton administered by the Ministry of Production. Over-quota exports are subject to a 26.4 percent duty. Currently, ten processing plants are approved to export domestic beef to the US.

At present, the sector is focused on exporting greater volumes to markets demanding meat for industrial use, primarily China that accounts for over 50 percent of Argentine exports. In recent history, adverse conditions/policies and the lack of a robust grading system lowered investment and provided little incentive for

the export of higher-quality cuts. To stay profitable, the sector focused on moving as much volume as possible, leading to the export of lower priced beef products. While opportunities for premium cuts are currently limited, local analysts estimate that as the cattle herd and beef supplies began to recover to historical average levels, the sector will begin to focus on shipping higher quality cuts to markets in the United States, Japan, and EU, thanks to greater exportable supplies. Efforts to improve carcass weights using superior cattle genetics and the introduction of a new grading system¹ signal the industry's intention to achieve its long-term objective of becoming a global supplier of premium cuts to higher value markets.

To date, beef exports to the US remain minimal and consist primarily of chilled premium and grass-fed beef cuts for high-end users. Industry sources estimate that 10,000-15,000 tons of beef could be exported to the US in 2019, including kosher production.

Consumption of domestic Argentine beef in 2019 is expected to drop to 2.415 million tons (cwe) as supplies tighten due to marginal production and rising exports. The current economic slowdown drags on consumer spending power which will continue to influence demand for beef during most of 2019.

In November 2018, Argentina provided market access to U.S. beef and beef products. Local contacts indicate that Argentina could become a noteworthy market for U.S. sweetbreads, among other cuts.

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	53715	53715	54215	53815
Dairy Cows Beg. Stocks	1850	1850	1850	1850	1850	1850
Beef Cows Beg. Stocks	21800	21800	22000	22000	21800	21800
Production (Calf Crop)	14200	14200	14700	14700	14300	14400
Total Imports	0	0	0	0	0	0
Total Supply	67715	67715	68415	68415	68515	68215
Total Exports	0	0	0	0	0	0
Cow Slaughter	3440	3440	4000	4150	3900	4300
Calf Slaughter	3440	3440	3360	3200	3500	3000
Other Slaughter	5720	5720	5640	6050	5800	6000
Total Slaughter	12600	12600	13000	13400	13200	13300
Loss	1400	1400	1200	1200	1100	1100
Ending Inventories	53715	53715	54215	53815	54215	53815
Total Distribution	67715	67715	68415	68415	68515	68215
(1000 HEAD)						

¹ <https://www.argentina.gob.ar/noticias/nuevos-sistemas-de-clasificacion-para-faena-y-de-tipificacion-bovina>

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)	12600	12600	13000	13400	13200	13300
Beginning Stocks	0	0	0	0	0	0
Production	2840	2840	2950	3050	3000	3000
Total Imports	0	0	0	0	0	0
Total Supply	2840	2840	2950	3050	3000	3000
Total Exports	293	293	500	508	575	585
Human Dom. Consumption	2547	2547	2450	2542	2425	2415
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	2547	2547	2450	2542	2425	2415
Ending Stocks	0	0	0	0	0	0
Total Distribution	2840	2840	2950	3050	3000	3000

(1000 HEAD) ,(1000 MT CWE)