

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Argentina

Post: Buenos Aires

Steak Cheaper than Salad in Argentina

Report Categories:

Agricultural Situation

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Report Highlights:

Bad weather hikes tomato prices. This follows hikes in bread and other wheat products.

General Information:

Given recent increases in retail prices, it is now cheaper to eat a steak than a salad in Argentina. The main culprit in the spike of salad fixings is the price of tomatoes, which increased 70 percent over the past three months to 50 pesos (8 dollars) a kilo. Price of peppers and other vegetables has also increased. Poor weather conditions, including a two year drought and recent low temperatures in the Northern producing areas are the main reason for the increase. Argentina normally plants 25,000 hectares of tomatoes, with an average production of 900,000 tons.

Producing provinces are Jujuy, Salta, Mendoza, Río Negro. Typically the shortfall would be made up by imports of tomatoes, usually from Brazil. However, the Argentine authorities have not permitted imports as it follows a policy of import substitution. The federal government has urged consumers to avoid consuming tomatoes or find a less expensive alternative such as lettuce, carrots or potatoes.

Something similar happened last month with squash prices. Due to really low temperatures, its price was increased by 170 percent. Beans and eggplants followed the same path; consumers were forced to find other alternatives for these vegetables.

A decrease in prices is expected once harvest at central producing areas, concentrated in Buenos Aires Province, begins at the end of October. This should produce an increase of tomato production and consequently a decrease in prices at supermarkets.

Tomatoes and other vegetables are not the only products to suffer shortages this year. Argentina has also suffered a wheat shortage since June. Bad weather combined with government policies that restrict both exports and domestic prices has led to the shortage. The November harvest in the northern part of Argentina is expected to be late this year, adding further pressure on supply. Bread prices reached a high of 20-22 Argentine pesos (around 4 USD) per kilo, while at the beginning of the year it was 10 (1.75 USD) pesos per kilo. Local bakeries are paying 300-350 pesos (60 USD) a 50-kilo bag of wheat flour, while a few weeks ago they paid 250 pesos (43 USD); in January of this year they paid 140 (24 USD) pesos per bag.

The wheat shortage is a direct consequence of the official policy in place in the past six years, restricting wheat exports with the main goal of supplying food to the domestic market at low prices. This policy has discouraged farmers to plant wheat as controls in the market made prices and profitability drop significantly. Farmers reduced wheat production to the lowest levels in the past century and shifted to other alternative crops such as barley and rapeseed. Due to a low planted area and weather problems, wheat supplies in 2013 are very tight; exports were diminished to the least possible. Current stocks of good quality wheat are extremely tight and mills are currently paying more than double the world price of wheat to purchase whatever they are able to source.