

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Report Highlights:

Argentine cattle and beef production is expected to continue its slow recovery in 2012 after the sharp herd reduction in 2008-09. Good returns due to higher cattle prices are expected to continue to encourage producers to invest in their operations and retain more female cattle for breeding. Beef exports are projected to rebound somewhat at 300,000 tons, as a result of an increase in production and expected strong demand. Domestic consumption is forecast to increase marginally, but still low compared to a few years ago.

Executive Summary:

- Due to improved returns, cattle retention, and good weather, the calf crops of 2011 and 2012 are projected to increase, allowing the cattle herd to begin to recover
- Heavier carcass weights will partially compensate low cattle slaughter, with beef production returning to 2.6 million tons in 2012, carcass weight equivalent
- Domestic beef consumption is projected to recover somewhat because of recovering production, but per capita consumption will continue to be low compared to the past five years.
- Higher beef prices and limited supply will continue to provide growth opportunities for other meats and foods
- Beef exports are projected at 300,000 tons, an increase from 270,000 tons in 2011, but still low compared to historic volumes
- The main markets for Argentine beef are expected to be the EU, the Russian Federation, Israel, Chile and the U.S.

Commodities:

Animal Numbers, Cattle

Meat, Beef and Veal

Production:

Beef production in 2012 is forecast to rebound slightly to 2.6 million tons, carcass weight equivalent (cwe). This recovery is a result of an expected larger slaughter as the herd began to recover during 2010 after a strong reduction of the cattle stock due to the combination of the severe drought and low returns in 2008-09.

High feeder cattle prices, a diminished herd, small calf crops, and government restrictions to slaughter cattle lighter than 300 kilos live weight are causing producers to market their cattle at a heavier weight. Until 2010, the country's average carcass weight was approximately 220 kilos; an increase of 12-14 kilos per carcass is expected in 2011 and 2012. Slaughter weights are projected to continue to increase in the future.

A cattle retention phase began in mid 2010 and continued during 2011, with a significant reduction of slaughter of cows and heifers. The retention is expected to continue over the next couple of years because of limited stocks and expected good returns in the cow-calf business. Contacts point out that despite improved profitability and a horizon of probable good future prices, the herd will recover at a slower pace than originally expected. The number of cows in service in 2010 and 2011 will be small, producing a relatively low number of calves.

One of the key factors to increase beef production in the country is to recover from the current low stocks, but more importantly it is to improve significantly the efficiency at the cow-calf level resulting in larger calf crops. Current high prices and good returns should encourage most cattlemen to achieve this goal.

Feeder cattle prices began to increase in late 2009 and continued to do so until now, but lately are slowing down. In August 2011, the price of male calves was US\$2.92 per live kilo, almost 2.5 times more than the average price of 2003/09 (measured in constant pesos). Profitability in the cow-calf business improved

significantly when feeder prices began to recover. As an example, a medium-size ranch in the province of Buenos Aires is expected to have a return of US\$140 per hectare this year, while in 2009 it was only US\$7 per hectare, following a severe drought which reduced the number of calves weaned and made the slaughter of cows increase significantly.

In 2010 there were 244,000 cattle operations in the country, of which 70 percent had less than 100 head, and only 7 percent had more than 500 head. The most important cow-calf regions are the center-east part of Buenos Aires province, where the largest numbers of cows are located and where better management is used. The northeastern region is also a large producer of calves. The northwestern part of the country is developing new areas for cattle using subtropical pastures and improved cattle genetics. However, due to the harsher environment, production has yet to be adjusted in order to obtain higher reproductive efficiency. Also, there are a good number of cattlemen throughout the country who still employ little technology and poor management.

Cattle grass-feeding operations were the most affected with the boom in cropping of the last decade as several million hectares of good, productive pastures were converted into crop land. This situation provided a good opportunity for the expansion of the feedlot business. The great majority of light steers, steers and heifers which are fed for slaughter come from commercial or on-farm feedlots. Also very popular among cattlemen is to feed cattle on pastures and finish cattle with grain, corn or sorghum silage supplements during the last 100-150 kilos. Although the local feedlot sector is currently operating at reduced levels in comparison with the past 2-3 years, the combination of limited availability of high productive pastures, high land prices, and an abundant supply of grains and forages are expected to reinforce the development of the feedlot business as a means of finishing a larger number of cattle in the future.

Another key factor which will help Argentina recover beef production is the increase in average carcass weights. The higher price of feeder cattle versus fed cattle (currently 25-30 percent higher) and a shortage of calves encourage producers to grow out their cattle and feedlots to take in heavier cattle and gain more weight.

The local slaughter industry is going through difficulties as exports continue to be limited by the government policy of restricting exports in an attempt to contain domestic prices. Also, the number of cattle available for slaughter is far below the industry's capacity, and rising production costs. There are approximately 650 slaughter plants in Argentina, mostly located in the province of Buenos Aires, Cordoba, Santa Fe and Entre Rios. Almost 100 are certified for export, with over 80 eligible for export to the EU. In 2010, the largest local slaughter company accounted for 5 percent of the country's total, while the top five companies accounted for only 20 percent of the total slaughter. Several plants have shifted their focus from exports to production for the domestic market, while a few plants closed. There are several slaughter plants for sale, and a US company has recently sold its two plants it had purchased back in 2004 and 2005.

Argentina has well-developed beef, poultry, pork, and dairy industries and has the capacity and abundant resources to produce all of them. The country is one of the world's largest exporters of soybeans, wheat, and corn; therefore, it has plenty of capacity to expand its livestock sector in the future.

Consumption:

Domestic beef consumption in 2012 is projected at 2.3 million tons (cwe), a marginal increase from 2011 as a result of expected larger beef production which will more than offset larger exports. Per capita consumption is

projected at 56 kilos, similar to the previous two years, but still low compared to 65-70 kilos of the period 2006-09.

The most popular beef cuts are round cuts, which are usually prepared in breaded veal or beef, and ground beef. For weekend barbecues, short ribs and flank steak are always on the grill. Higher income consumers will also enjoy loin, tail of rump and sirloin steak.

Most beef consumed in Argentina comes from cattle in which the last 100-150 kilos were produced primarily with grains. This is very different to 10 or 15 years back in which nearly all cattle were raised and fed almost exclusively on very productive pastures. The beef tastes differently but the local consumer has basically not noticed the change which occurred slowly throughout the years.

Beef in Argentina is primarily purchased in nearby butcher shops, followed by supermarkets. Local butcher shops have a more personalized service and usually have more competitive prices. The average household purchases beef 8 times a month.

The overall trend of a shrinking beef supply and rising prices, is making room for consumption of other meats to grow. In August 2011, the retail price of short ribs was 30 pesos per kilo, loin 48 pesos per kilo, broiler 10 pesos per kilo, and pork 30 pesos per kilo. Prices compared to those of January 2009, increased 141 percent, 105 percent, 59 percent and 74 percent respectively. Poultry consumption continues to increase steadily, estimated at over 35 kilos per capita. Pork consumption is estimated at 8 kilos per capita, and mostly is in the form of cold cuts and sausages, not fresh. The consumption of vegetables has also grown.

Trade:

Beef exports in 2012 are forecast up at 300,000 tons, cwe, reflecting a marginal increase in production. However, most players expect shipments to continue to be administered by the government, with the goal of maintaining domestic beef prices at reasonable levels.

The local beef export sector continues to get smaller, as shipments diminished significantly in the past few years. The companies had to adapt to shifting their business from exporting to increasing their sale in the local market. Contacts indicate that nowadays there are only about ten companies actively exporting.

Beef exports for 2011 are expected at 260,000 tons, slightly lower than previously projected. This is because government limitations and to the fact that beef prices (measured in both pesos and dollars) increased significantly in the local market, competing with export values.

With limited exports, meat packers try to focus in shipping higher value cuts and in markets which pay more. Exporters project that the main markets in 2012 will be the EU with fresh premium cuts under the Hilton Quota as well as outside of it, and the Russian Federation and Israel with frozen boneless forequarters. Chile, is expected to import 18 cuts of fresh beef (without the rump and loin), although the market is significantly smaller than a few years ago. Venezuela is projected to import similar cuts as Chile but of a lower quality and Brazil with top of rump, a very popular cut there. The U.S. will continue to import thermoprocessed beef but with smaller volumes than historic levels.

The World Organization of Animal Health (OIE) categorizes the country as being free of foot and mouth disease with vaccination. The southern area of Patagonia is free without vaccination, but few cattle are located in this area. Argentina is also categorized as having an "insignificant risk" (the lowest possible) of BSE.

Policy:

The government does not have in place a specific policy for the cattle sector. However, there are programs to support small cattlemen by providing limited sums of money to help them improve their infrastructure, pastures, animal health and reproductive efficiency. Sometimes support is used to help small producers compensate for low calf prices. Credits with subsidized rates are also available for small cattlemen and for those who suffered climatic problems. The government also implemented the restriction that requires cattle to be slaughtered at a weight above 300 kilos live weight and suspended compensations to the feedlot industry last year.

The government recently announced an ambitious Strategic Plan for the Argentine agricultural sector, which provides a number of policies which calls for dramatic increases in both production and exports by 2020, but is short on details on how to achieve these goals. The Ministry of Agriculture coordinated this work, which includes the input of both official and private sources. For cattle and beef, the plan calls for maintaining domestic consumption at current levels but increasing exports to 1.3 million tons, one million more than current shipments.

Production, Supply and Demand Data Statistics:

Animal Numbers, Cattle Argentina	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	49,057	49,057	48,456	48,156		48,856
Dairy Cows Beg. Stocks	2,100	2,100	2,100	2,100		2,100
Beef Cows Beg. Stocks	18,100	18,300	18,400	18,000		18,700
Production (Calf Crop)	11,800	11,600	13,000	12,000		13,000
Intra-EU Imports	0	0	0	0		0
Other Imports	0	0	0	0		0
Total Imports	0	0	0	0		0
Total Supply	60,857	60,657	61,456	60,156		61,856
Intra EU Exports	0	0	0	0		0
Other Exports	1	1	1	0		0
Total Exports	1	1	1	0		0
Cow Slaughter	3,250	3,400	3,000	2,200		2,400
Calf Slaughter	2,700	2,800	2,600	3,000		3,200
Other Slaughter	5,850	5,700	5,400	5,500		5,600
Total Slaughter	11,800	11,900	11,000	10,700		11,200
Loss	600	600	600	600		600
Ending Inventories	48,456	48,156	49,855	48,856		50,056
Total Distribution	60,857	60,657	61,456	60,156		61,856

Not Official USDA Data

Meat, Beef and Veal Argentina	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Slaughter (Reference)	11,800	11,800	11,000	10,700		11,200
Beginning Stocks	0	0	0	0		0
Production	2,600	2,600	2,500	2,500		2,600
Intra-EU Imports	0	0	0	0		0
Other Imports	3	3	3	2		2
Total Imports	3	3	3	2		2
Total Supply	2,603	2,603	2,503	2,502		2,602
Intra EU Exports	0	0	0	0		0
Other Exports	298	298	270	260		300
Total Exports	298	298	270	260		300
Human Dom. Consumption	2,305	2,305	2,233	2,242		2,302
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	2,305	2,305	2,233	2,242		2,302
Ending Stocks	0	0	0	0		0
Total Distribution	2,603	2,603	2,503	2,502		2,602

Not Official USDA Data