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# Argentina

# Dairy and Products

# Annual

# 2000

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**Report Highlights:**
**Argentine milk output for 2001 is projected to continue its drop falling to 9.5 million metric tons. Low farmgate prices and weather problems in 2000 have negatively affected the production capacity at the farm level, which will translate into a smaller output next year. With a stable domestic consumption, despite the strong economic recession, and lower production, export surpluses will fall in 2000 and 2001. Although very small, dairy imports for 2001 are expected to grow, primarily cheese. The outlook for the next five years is for Argentine production growing at 11.5 million metric tons, with fewer but larger producers and processors. Domestic consumption is projected to grow slowly as well as exports, primarily to South American countries.**

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Includes PSD changes: Yes
Includes Trade Matrix: Yes
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## Production

Argentine milk production for 2001 is projected at 9.5 million metric tons (MMT). This will be the second year in a row to show a drop, after a continuous growth from 1992 to 1999. Due to feed restrictions on account of the unfavorable weather and somewhat lower quality feed, it will take some time to recover normal yields. Moreover, many dairy operations are in a tight financial situation and the least efficient will probably quit in the near future. Production is being concentrated in larger dairies (the total is estimated at 17,500).

Production in 2000 is estimated to fall 500,000 tons to 9.8 MMT as a result of weather problems and depressed farmgate milk prices in the last part of 1999 and, although somewhat recovered, in 2000. The first part of this year was very dry, followed by an unusually rainy winter with severe frosts. Feed and forage reserves, which were lower than usual, were consumed rapidly.

With lower farmgate prices and returns, most dairymen have reduced the use of supplemental feed. The change has not had a large impact on production, except for the few top producers with large use of mixed rations. Most of Argentina's milk production is still based on pastures. With current low corn prices, the use of corn silage is expected to continue high.

In August, farmgate prices reached the highest level of the year, ranging between $0.15 and $0.17 per liter. For the rest of the year, which coincides with spring, and thus the highest producing season, prices are expected to fall 5-10 percent, but they will still be substantially higher than spring 1999. Farmgate prices for 2001 are forecast to rebound somewhat as result of lower output, a mild local economic recovery and already improved world dairy prices. Farm returns in most cases are negative, with an estimated total production cost for efficient producers at $0.17 per liter of milk. Profitability in 2000 was higher than in 1999 as direct costs were practically the same, but sales of culled cattle brought more money and replacement heifers were cheaper.

Local dairy processors continue to face financial difficulties. Most of the larger processors have lost suppliers to smaller plants, primarily cheese manufacturers, which offer producers better prices and purchase conditions. Big plants continue to face strong competition from the smaller ones, which have smaller operations and in many cases evade taxes and controls which the big ones can not. The failure of large supermarkets to pass on to consumers the lower wholesale prices has also discouraged larger consumption.

The local cheese industry uses about 45 percent of the country's total milk output. Most of its production is consumed domestically. With lower milk output forecast for 2000 and 2001, cheese production is expected to drop, but moderately. Dry whole milk powder production will suffer most, as it is Argentina's number one dairy export commodity. Production of non-fat dry milk powder is also forecast to fall as a result of projected lower exports in 2001.

There is no specific government support program for the dairy industry. However, as result of the large drop in farmgate prices, farm lobby groups and some Congressmen are working on a dairy law which would include a private institute for dairy policy, a mechanism to create a reference price and a compensatory fund and dairy promotion. There have been several different proposals and sources believe that it will take time before any law is approved.

## Consumption

Despite a strong economic recession, most sources believe that consumption in 2001 and 2000 will be quite similar, or marginally lower than in 1999. Although prices of leading brands have increased in the past year, large processors are marketing more and more less expensive second and third brands, which have grown significantly in volume.

The following table shows current retail prices (includes 21 percent VAT) for several dairy products and the change from a year ago:

| **Product** | **Retail Price Sep. 2000** | **09-00/09-99 %** |
|---|---|---|
| Fluid Milk (lt) | $0.79 | 1.3 |
| Non fat dry (500 grams) | $2.84 | 2.1 |
| Soft cheese (kg) | $4.78 | 5.5 |
| Spreadable cheese (230 grms) | $1.92 | 3.2 |
| Hard cheese (kg) | $10.88 | 0.5 |
| Butter (200 grms) | $1.39 | -1.4 |

Source: Indec (National Institute of Statistics and Census)

## Trade

Argentine dairy exports for 2001 are projected to fall again as result of an expected reduced milk supply and to the fact that large local dairy processors are not enthusiastic about shipping abroad at lower prices than the domestic market.

Exports of Ultra High Temperature (UHT) milk, primarily to Brazil, are expected to drop in both 2000 and 2001 as that market is expected to continue somewhat sluggish. Cheese exports in 2000 are estimated to increase at 24,000 MT, mainly as a result of reducing large stocks accumulated in late 1999. Shipments in 2001 are projected to drop at 18,000 MT, because of a lower local supply. Exports of non fat dry milk, but primarily whole dry milk, are also forecast to fall in 2000 and 2001. Smaller milk output in 2000 and 2001 will result in a reduction of milk surplus which will affect directly production of dry milk and thus exports. Whole dry milk is Argentina’s main dairy export product.

The following table shows Argentine exports by dairy product during the period January/August 2000, in MT:

| Product | 1999 | 2000 | Dif 00/99 % | Share of Exports % |
|---|---|---|---|---|
| WDM | 85,402 | 70,819 | -17.1 | 49.3 |
| UHT milk | 22,200 | 20,773 | -6.4 | 14.5 |
| NFD | 15,826 | 15,030 | -5.0 | 10.4 |
| Cheese | 12,383 | 14,842 | 19.9 | 10.3 |
| Other | 17,764 | 22,178 | 24.8 | 15.4 |
| Total | 153,575 | 143,642 | -6.5 | 100 |

Source: Centro de Industria Lechera

The value of exports in this same period totaled $218 million, 8.3 percent lower than the same period last year.

The following table shows dairy exports by country, during the period January/August 2000, in MT:

| Country | MT |
|---|---|
| USA | 3,440 |
| Brazil | 111,099 |
| Chile | 6,652 |
| Mexico | 6,063 |
| Paraguay | 5,517 |
| Peru | 1,581 |
| Uruguay | 1,301 |
| Colombia | 1,236 |
| Bolivia | 1,069 |
| Japan | 880 |
| Egypt | 668 |
| Other | 4,126 |
| Total | 143,632 |

Source: Centro de Industria Lechera

Brazil continues to be the largest market for Argentine dairy exports, accounting for 77.3 percent of the total volume and 72.6 percent of the value. Following in importance are NAFTA members and other South

American countries.

Brazil may take antidumping measures against Argentine dairy imports as local producers have filed a case charging that its neighbor, as well as other countries including the EU, Australia, New Zealand and Uruguay, has been exporting at dumping prices. If adopted, Argentine exports would be subject to countervailing duties.

Imports of dairy products are forecast to increase in 2001. Volumes are quite small compared to total sales, but some foreign cheeses continue to have good market potential. Dairy imports through August 2000 totaled $11.1 million. The following table shows imports by dairy product during the period January/August 2000, in MT:

| **Product** | **1999** | **2000** | **Dif 00/99 %** | **Share of Imports %** |
|---|---|---|---|---|
| Cheese | 1,073 | 1,290 | 20.2 | 34.7 |
| Casein | 581 | 909 | 56.4 | 24.5 |
| Dry Milk | 0 | 684 | | 18.4 |
| Whey | 439 | 450 | 2.5 | 12.1 |
| Other | 353 | 381 | 7.9 | 10.2 |
| Total | 2,446 | 3,714 | 51.8 | 100 |

Source: Centro de Industria Lechera

The following table shows dairy imports by country, during the period January/August 2000, in MT:

| Country | MT |
|---|---|
| USA | 281 |
| Uruguay | 1,350 |
| Netherlands | 902 |
| France | 336 |
| N.Zealand | 314 |
| Belgium | 144 |
| Denmark | 121 |
| Italy | 62 |
| Austria | 44 |
| Canada | 25 |
| Poland | 10 |
| Other | 124 |
| Total | 3,713 |

Source: Centro de Industria Lechera

Based on information obtained from the customs database, the value of Argentine dairy imports through August 2000 totaled $16.3 million. The main products imported and their origins were as follows:

| Product | Value<br>$ million | Origin<br>$ million |
|---|---|---|
| Cheese | 12.9 | 6.0 Uruguay<br>2.2 Brazil<br>1.2 Denmark<br>1.1 USA<br>0.7 France |
| Whey | 2.0 | 1.2 USA<br>0.3 Denmark |
| Dry Milk | 0.5 | 0.3 Uruguay<br>0.1 Italy |
| Yogurt/Buttermilk | 0.5 | 0.5 Brazil |

Eleven major dairy processors accounted for 62 percent of total imports of dairy products during January/August

2000; followed by a few trading companies which made 30 percent of the imports.

Cheese is by far the largest product imported. We expect to see a growing trend as dairy companies in the Mercosur region increase the movement of product among the different countries. Imports of specialty cheeses, coming mainly from the U.S., France and Denmark are expected to remain quite stable, with increases during economic growth. Cheese imports by type during the first eight months of 2000 were as follows:

| **HTS Code** | **Description** | **Value $** |
|---|---|---|
| 040610 | Fresh cheese | 961,083 |
| 040620 | Grated or Powdered cheese | 264,920 |
| 040630 | Processed cheese | 2,860,949 |
| 040640 | Blue-veined cheese | 727,926 |
| 040690 | Other cheese (primarily semi-soft) | 8,074,335 |
| Total | | 12,889,213 |

Import duties for most dairy products are currently 27 percent, and are scheduled to drop to 16 percent on January 1, 2001, which is the agreed duty for the Mercosur region. However, there are rumors that Brazil will propose extending the higher duty. Tax rebates for exports range between 6.8 and 12.0 percent. High value products, which are ready for direct consumption are subject to higher.

| PSD Table | | | | | | |
|---|---|---|---|---|---|---|
| Country | Argentina | | | | | |

| Commodity | Dairy, Milk, Fluid | | | | (1000 HEAD)(1000 MT) | |
|---|---|---|---|---|---|---|
| | Revised | 1999 | Preliminary | 2000 | Forecast | 2001 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 01/1999 | | 01/2000 | | 01/2001 |
| Cows In Milk | 2500 | 2500 | 2470 | 2450 | 0 | 2450 |
| Cows Milk Production | 10200 | 10300 | 10200 | 9800 | 0 | 9500 |
| Other Milk Production | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Production | 10200 | 10300 | 10200 | 9800 | 0 | 9500 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 1 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 1 | 0 | 0 | 0 | 0 | 0 |
| TOTAL SUPPLY | 10201 | 10300 | 10200 | 9800 | 0 | 9500 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 26 | 38 | 28 | 36 | 0 | 34 |
| TOTAL Exports | 26 | 38 | 28 | 36 | 0 | 34 |
| Fluid Use Dom. Consum. | 2200 | 2300 | 2240 | 2250 | 0 | 2250 |
| Factory Use Consum. | 7975 | 7962 | 7932 | 7514 | 0 | 7216 |
| Feed Use Dom. Consum. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Dom. Consumption | 10175 | 10262 | 10172 | 9764 | 0 | 9466 |
| TOTAL DISTRIBUTION | 10201 | 10300 | 10200 | 9800 | 0 | 9500 |
| Calendar Yr. Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |
| Calendar Yr. Exp. to U.S. | 0 | 0 | 0 | 0 | 0 | 0 |

| Export Trade Matrix | | | |
|---|---|---|---|
| Country | Argentina | | |

| Commodity | Dairy, Milk, Fluid | | |
|---|---|---|---|
| Time period | 1999 | Units: | Metric Tons |
| Exports for: | | | 1 |
| U.S. | 0 | U.S. | |
| Others | | Others | |
| Brazil | 37084 | | |
| Paraguay | 454 | | |
| Peru | 403 | | |
| Uruguay | 240 | | |
| Bolivia | 183 | | |
| Chile | 29 | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 38393 | | 0 |
| Others not Listed | | | |
| Grand Total | 38393 | | 0 |

| PSD Table | | | | | | |
|---|---|---|---|---|---|---|
| Country | Argentina | | | | | |
| Commodity | Dairy, Cheese | | | | (1000 MT) | |
| | Revised | 1999 | Preliminary | 2000 | Forecast | 2001 |
| | Old | New | Old | New | Old | New |

| Market Year Begin | | 01/1999 | | 01/2000 | | 01/2001 |
|---|---|---|---|---|---|---|
| Beginning Stocks | 39 | 39 | 60 | 31 | 51 | 25 |
| Production | 425 | 446 | 425 | 432 | 0 | 420 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 6 | 2 | 6 | 2 | 0 | 4 |
| TOTAL Imports | 6 | 2 | 6 | 2 | 0 | 4 |
| TOTAL SUPPLY | 470 | 487 | 491 | 465 | 51 | 449 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 20 | 20 | 30 | 24 | 0 | 18 |
| TOTAL Exports | 20 | 20 | 30 | 24 | 0 | 18 |
| Human Dom. Consumption | 390 | 436 | 410 | 416 | 0 | 410 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 390 | 436 | 410 | 416 | 0 | 410 |
| TOTAL Use | 410 | 456 | 440 | 440 | 0 | 428 |
| Ending Stocks | 60 | 31 | 51 | 25 | 0 | 21 |
| TOTAL DISTRIBUTION | 470 | 487 | 491 | 465 | 0 | 449 |
| Calendar Yr. Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |
| Calendar Yr. Exp. to U.S. | 0 | 0 | 0 | 0 | 0 | 0 |

| Export Trade Matrix | | | |
|---|---|---|---|
| Country | Argentina | | |
| Commodity | Dairy, Cheese | | |
| Time period | 1999 | Units: | Metric Tons |
| Exports for: | | | 1 |

| | | | |
|---|---|---|---|
| U.S. | 2883 | U.S. | |
| Others | | Others | |
| Brazil | 9689 | | |
| Mexico | 3803 | | |
| Paraguay | 1644 | | |
| Russia | 339 | | |
| Bolivia | 308 | | |
| Peru | 225 | | |
| Chile | 172 | | |
| Canada | 124 | | |
| Venezuela | 87 | | |
| Uruguay | 77 | | |
| Total for Others | 16468 | | 0 |
| Others not Listed | 121 | | |
| Grand Total | 19472 | | 0 |

| PSD Table | | | | | | |
|---|---|---|---|---|---|---|
| Country | Argentina | | | | | |
| Commodity | Dairy, Milk, Nonfat Dry | | | | (1000 MT) | |
| | Revised | 1999 | Preliminary | 2000 | Forecast | 2001 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 01/1999 | | 01/2000 | | 01/2001 |
| Beginning Stocks | 18 | 18 | 20 | 8 | 16 | 6 |
| Production | 40 | 46 | 40 | 47 | 0 | 38 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Other Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL SUPPLY | 58 | 64 | 60 | 55 | 16 | 44 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 22 | 29 | 26 | 27 | 0 | 18 |
| TOTAL Exports | 22 | 29 | 26 | 27 | 0 | 18 |
| Human Dom. Consumption | 16 | 27 | 18 | 22 | 0 | 20 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 16 | 27 | 18 | 22 | 0 | 20 |
| TOTAL Use | 38 | 56 | 44 | 49 | 0 | 38 |
| Ending Stocks | 20 | 8 | 16 | 6 | 0 | 6 |
| TOTAL DISTRIBUTION | 58 | 64 | 60 | 55 | 0 | 44 |
| Calendar Yr. Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |
| Calendar Yr. Exp. to U.S. | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | |
|---|---|---|---|
| Export Trade Matrix | | | |
| Country | Argentina | | |
| Commodity | Dairy, Milk, Nonfat Dry | | |
| Time period | 1999 | Units: | Metric Tons |
| Exports for: | | | 1 |
| U.S. | | U.S. | |
| Others | | Others | |
| Brazil | 23638 | | |
| Mexico | 974 | | |

| | | | |
|---|---|---|---|
| Chile | 936 | | |
| Japan | 875 | | |
| Belgium | 551 | | |
| Paraguay | 507 | | |
| India | 500 | | |
| Thailand | 400 | | |
| Indonesia | 375 | | |
| South Africa | 100 | | |
| Total for Others | 28856 | | 0 |
| Others not Listed | 302 | | |
| Grand Total | 29158 | | 0 |

| | | | | | | |
|---|---|---|---|---|---|---|
| PSD Table | | | | | | |
| Country | Argentina | | | | | |
| Commodity | Dairy, Dry Whole Milk Powder | | | | (1000 MT) | |
| | Revised | 1999 | Preliminary | 2000 | Forecast | 2001 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 01/1999 | | 01/2000 | | 01/2001 |
| Beginning Stocks | 19 | 19 | 25 | 20 | 25 | 15 |
| Production | 246 | 244 | 250 | 204 | 0 | 197 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 0 | 0 | 0 | 1 | 0 | 0 |
| TOTAL Imports | 0 | 0 | 0 | 1 | 0 | 0 |
| TOTAL SUPPLY | 265 | 263 | 275 | 225 | 25 | 212 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Other Exports | 125 | 149 | 130 | 118 | 0 | 106 |
| TOTAL Exports | 125 | 149 | 130 | 118 | 0 | 106 |
| Human Dom. Consumption | 115 | 94 | 120 | 92 | 0 | 94 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 115 | 94 | 120 | 92 | 0 | 94 |
| TOTAL Use | 240 | 243 | 250 | 210 | 0 | 200 |
| Ending Stocks | 25 | 20 | 25 | 15 | 0 | 12 |
| TOTAL DISTRIBUTION | 265 | 263 | 275 | 225 | 0 | 212 |
| Calendar Yr. Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |
| Calendar Yr. Exp. to U.S. | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | |
|---|---|---|---|
| Export Trade Matrix | | | |
| Country | Argentina | | |
| Commodity | Dairy, Dry Whole Milk Powder | | |
| Time period | 1999 | Units: | Metric Tons |
| Exports for: | | | 1 |
| U.S. | | U.S. | |
| Others | | Others | |
| Brazil | 124653 | | |
| Algeria | 3000 | | |
| Paraguay | 2536 | | |
| Chile | 2228 | | |
| Mexico | 2200 | | |

| | | | |
|---|---|---|---|
| Colombia | 1693 | | |
| Cuba | 1017 | | |
| Egypt | 728 | | |
| Bolivia | 719 | | |
| Venezuela | 632 | | |
| Total for Others | 139406 | | 0 |
| Others not Listed | 1941 | | |
| Grand Total | 141347 | | 0 |