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Report Highlights:

Post forecasts Argentine 2022 beef exports at 630,000 tons carcass weight equivalent (cwe), the lowest volume since 2019. Cattle slaughter and beef production are projected to drop marginally. High international prices have meant that despite government export restrictions and domestic price controls the beef and cattle sector (with the exception of feedlots) has maintained its profitability. However, if these market interventions continue as anticipated, the sector expects disinvestment and reduced herd size in the coming years.

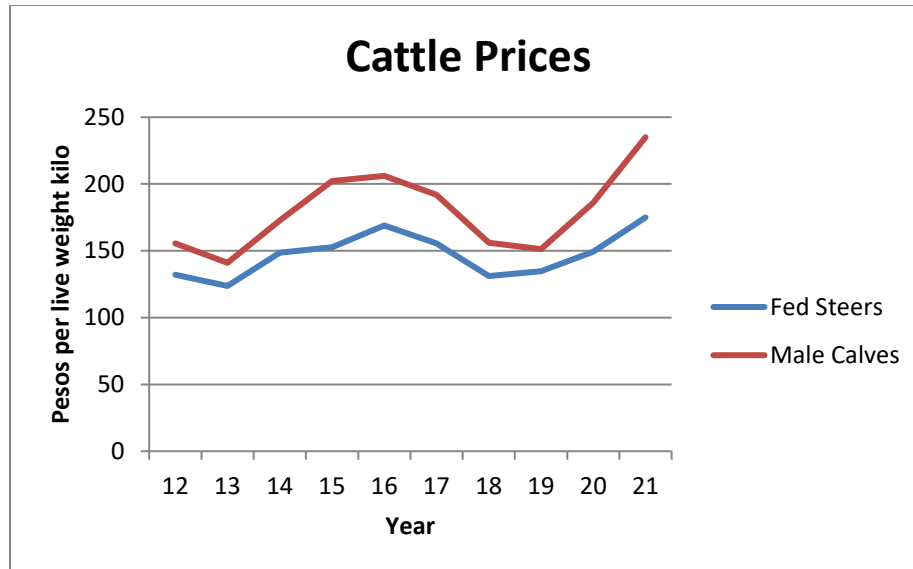
Production

Argentine beef production for 2022 is forecast at 3.02 million tons carcass weight equivalent (cwe), practically unchanged from 2021 as cattle slaughter number and the average carcass weight are expected to be similar. The cattle herd is also projected to remain at the same size at 53.6 million head. This level is 1.4 million head lower than the ending inventory of 2018 as a result of larger slaughter numbers in 2019 and 2020 and smaller calf crops in 2020 and 2021.

In May 2021, the government limited beef exports with the goal of reducing retail beef prices whose rise they blamed on a strong foreign demand and large export volumes. Since then, the local cattle/beef sector has remained in a “wait and see” mode, looking for signals from the government to return to normal business operations. Since the ban was imposed, cattle prices in nominal terms remained almost unchanged, but with a significant loss in real terms due to high inflation. Some industry contacts believe that export limitations will continue through at least the mid-term election of November 14, 2021 and perhaps last longer. 15 years ago, the government implemented similar “temporary” export restrictions which lasted about 10 years which resulted of a severe drop in cattle inventories and beef production. The current ban has only been in place a few months, if the ban is lifted in the next few months, investment and production will likely resume rapidly. Producers are in the precarious position of needing to make important operating decisions without a clear idea about the future direction of government policy.

Argentina has a relatively low weaning ratio of 62-64 percent, but it is increasing slowly. The central-south region, with a more temperate environment, produces on average 20 percent more calves than the northern areas which have hotter and more variable climate and have less productive soils. Leading producers around the country achieve pregnancy rates of 70-90 percent and weaning ratios of 6-8 percentage points lower depending on the area. The main difference between leading and average producers is primarily management. However, cattle consultants indicate that more and more cattlemen are incorporating new knowledge and management tools to their operations. Further, generational turnover in family-run businesses gives younger producers (who may be more open to new management styles) an opportunity implement reforms. There is a clear movement to improve feed efficiency by producing higher volumes of forage and feeding it to cattle when its quality is the highest. Creep feeding, where weaning calves are provided supplemental feed, is gaining popularity among producers. The incorporation of improved genetics continues, with breeders looking to modern options, like virtual cattle auctions for breeding stock. Top cow calf operations rapidly incorporate digital tools and pay close attention to environmental, sustainability and soil conservation issues.

With the exception of feedlots/grain feeding, the cattle sector is enjoying good returns as prices of feeder and fed cattle are the highest of the past decade as a result of the combination of high world beef prices and strong demand for feeder cattle. Feeder cattle demand is driven in part farmers seeking stable assets in country where strict currency controls and high inflation limit the appeal of traditional bank accounts. Government rules prevent residents of Argentina from converting more than a small quantity of pesos to US dollars every month, and because of high price inflation in Argentine pesos, (estimated by the private sector at 48 percent in 2021 and projected at 42 percent in 2022), after selling their crops at harvest many farmers first buy inputs (like seeds, fertilizer, and chemicals) for the following crop season, and then purchase calves or breeding cattle to preserve the value of their money. Since 2019, feeder prices in real terms increased 55 percent, while steer prices only 30 percent. The following chart shows fed steers and male calf prices in pesos per kilo live weight adjusted to inflation adjusted pesos with a base of September 2021.



Source: FAS Buenos Aires with Margenes Agropecuarios data (September 1, 2021)

Cow-calf operations are expected to continue to enjoy good profitability as a result of high calf and cull cow prices. The latter have had a strong demand in the past couple of years as exporters buy them to supply the Chinese market which pays significantly higher prices than the domestic market in Argentina. In the past 12-14 months, gross margins increased in dollar terms more than 30 percent because of higher cattle prices and stable costs of production. In the case of cattle fattening on pastures and grain supplementation, gross margins are also good, with increased gains in the past year or so.

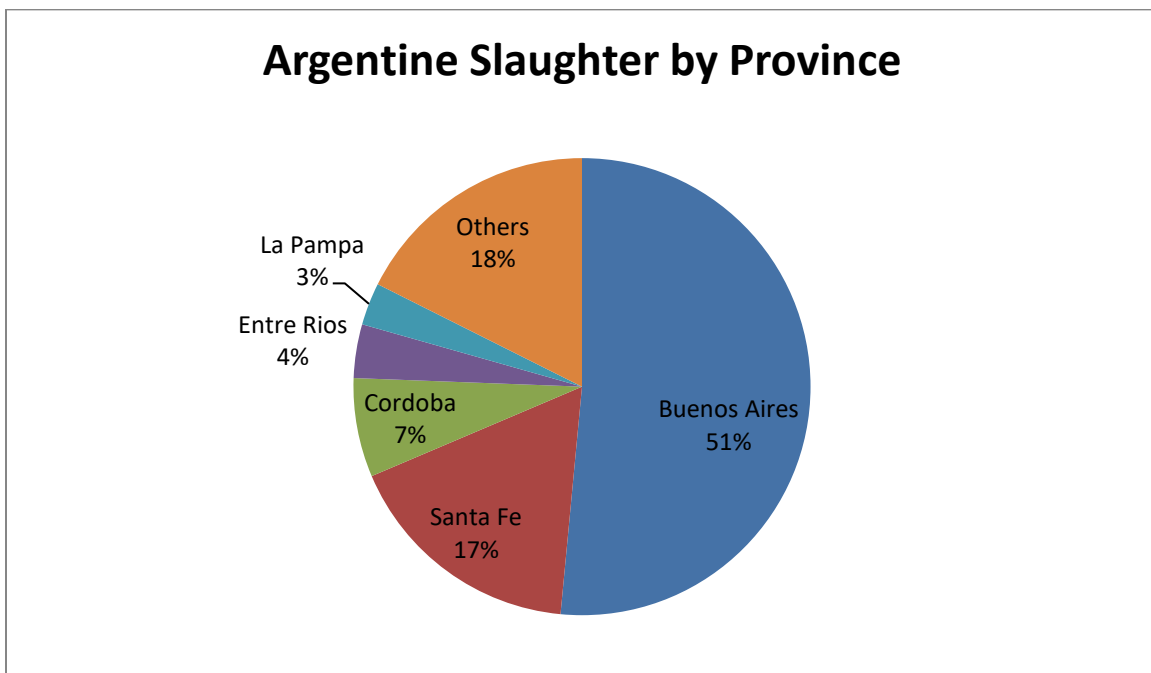
The main exception to good financial performance are feedlots, both contract and on-farm feeding, which have seen deepening losses since last year as feed costs, especially corn, increased over 50 percent due to higher global commodity prices. Lately more cattle are going to backgrounding instead of to feedlots directly. There are many feedlots, particularly in northern areas which operate in corn-producing areas which are far from ports so it is economically viable to add value through cattle and avoid large transportation costs. There are also some 20 meat packers which own or manage large number of cattle on feed. In this case, feedlots are used strategically to avoid possible market or climate disruptions.

Argentina is eligible to export annually 29,500 tons product weight of beef to the EU under the Hilton Quota. It is normally filled with high value chilled cuts, with Germany being the main destination. The quota specifies that the beef shipped under the quota must come from cattle raised and fattened on pastures. Since Argentina's cattle production changed radically in the past 20-25 years, going from pasture-based to grain-based feeding, the National Animal Health Service (SENASA) has begun to more aggressively verify the production methodology of ranches registered to export under the quota. In June 2020, SENASA made a drastic cut to the list of eligible ranches, reducing the number from 12,000 to 2,500. Since then, the number has risen to approximately 5,000. With this number of operations most contacts believe Argentina will be able to fulfill most of the 2021-2022 quota. Argentina filled 91 percent of the last quota which recently closed. The new Hilton quota reassigned 111 tons to the UK after its departure of the EU.

On June 22, 2021, through Decree 408, the government announced the implementation of a reduction of exports through a quota system, and at the same time the creation of a cattle plan to boost cattle and

beef production. The main objectives of the plan is to increase the production of beef by more than 50 percent, while increasing per capita consumption from the current 53 kilograms (KG) to 70 KG and exports to 2 million tons, twice the volume of last year. The main pillars of the plan are technical support, fiscal incentives and subsidized credit terms. With the objective to increase the production of beef rapidly as part of the program, the government announced in late July, that the Banco de la Nacion would make available total credit of \$100 million to local feedlots at an interest rate of 25 percent including a 5 percent subsidy deduction. Credits are available to 2,100 feedlot operations registered in a SENASA database, and can only be used for one productive cycle of 120 days. In general, the private sector is skeptical of this cattle plan, as many similar plans have presented in the past with little success. Several major cattlemen organizations were not invited to participate of the design of the plan and in generally the position of these groups, is that the sector would benefit more from a liberalization of trade and an elimination of price controls and reduction in taxes.

In 2021 Argentina has roughly 370 active slaughter plants inspected by SENASA, and official statistics indicate that 7.4 million head were slaughtered in first 7 months of 2021. The private sector estimates that the Argentina's annual slaughter capacity is approximately 16-18 million head. Market concentration by plant is low, with the largest plant accounting for 2.8 percent of the total; the largest five accounting for 11.2 percent, and the largest ten plants, 18 percent. About 60 plants are currently eligible for export. Industry contacts indicate that despite the limiting export quota, plants have continued to be fairly profitable as cattle prices are somewhat less expensive and FOB prices have risen in the recent months. The following graph shows the distribution of the country's slaughter per province.



Source: FAS Buenos Aires with data from the Argentine Ministry of Agriculture, Livestock, and Fisheries

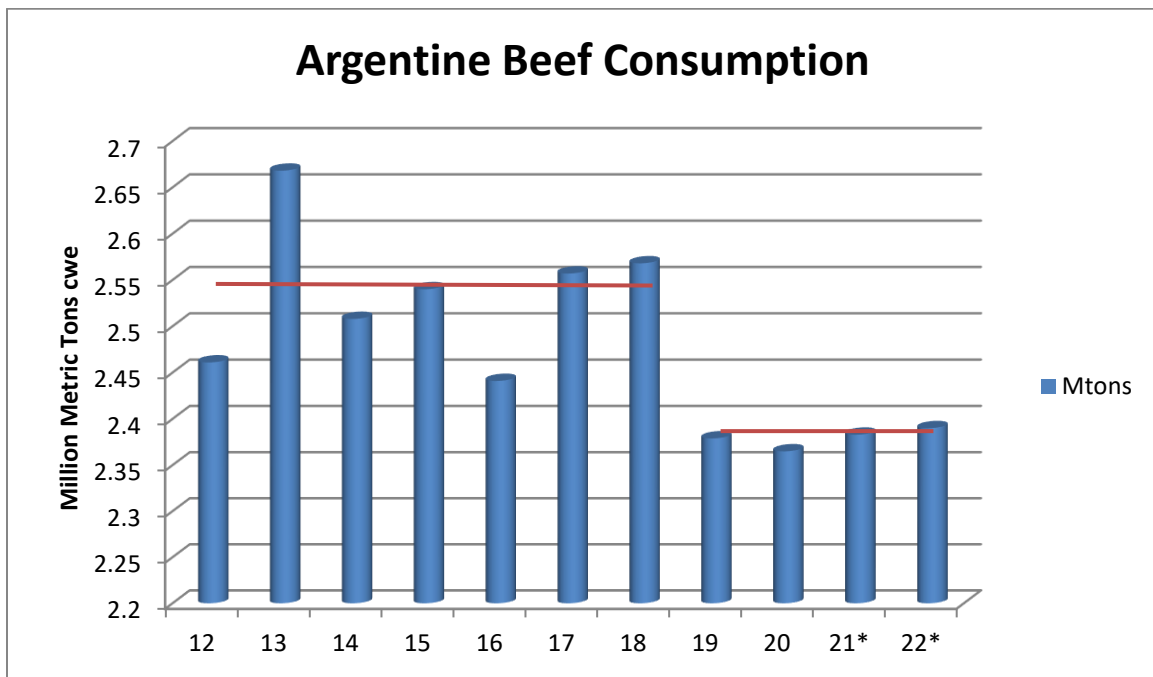
Consumption

Argentine beef consumption for 2022 is forecast at 2.398 million tons cwe, similar to the past two years. The private sector projects a GDP growth in 2022 at 2.4 percent, which would still represent a full recovery from the severe drop suffered in 2020 due to the pandemic. With these constant volumes and rising populations, per capita beef consumption continues to drop year after year, with a projection of 52 kilos in 2022. However, Argentina continues to be a world leader in the per capita consumption of beef, also one of the top countries in protein meat consumption, as other meats have filled the gap left by declining beef consumption. The following table shows the evolution of per capita consumption of the three most important meats in Argentina (in KG per capita) in the past two decades:

Year/Meat	Beef	Poultry	Pork	Total
2000	69	27	8	104
2010	59	35	8	102
2020	52	46	16	114
Dif 2020/2000 %	-25	+69	+100	+10

Source: FAS Buenos Aires

Since 2019, total domestic consumption of beef appears to have reached a new, lower equilibrium from what was seen during 2012-2018. This is primarily the result of larger beef exports, eroded purchasing power, high unemployment, and the substitution of beef for other less expensive meats. The change of eating habits, including rising levels of vegetarianism, veganism, and “flexitarianism” has also reduced beef consumption. The following chart shows domestic beef consumption over the past decade (in tons cwe).

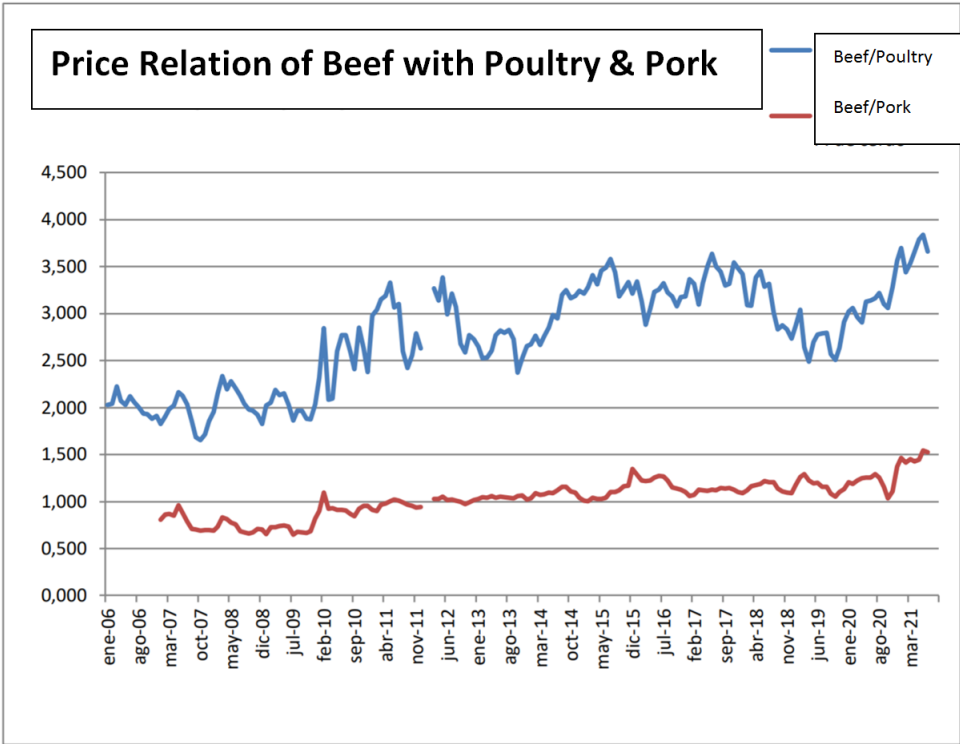


Source: FAS Buenos Aires and USDA Official data

* FAS Buenos Aires Projection

Beef exports during 2012-2018 averaged 244,000 tons cwe per year, while exports in the period 2019-2022 are projected to average 720,000 tons cwe per year, encouraged by strong demand and higher world beef prices. Despite greater beef production during the latter period, exports more than offset output, leaving smaller volumes available for domestic use. Two other factors which have lowered beef consumption is reduced purchasing power as salaries in Argentina have dropped, in inflation-adjusted pesos, 13.5 percent over the past 4 years and unemployment, which remains above 10 percent.

Domestic retail beef prices continue to rise vis-à-vis alternative meats. The following chart shows the price relation between beef/pork (in both cases rib cuts) and beef/poultry (whole broilers) since 2006-2007. The curve shows that back in 2007 the price of a kilo of beef was practically the same as that of pork and doubled the price of broilers. Average current retail prices per kilo are \$6.95 for beef short ribs, \$4.55 for pork ribs and \$1.90 for whole broilers. Currently the price of beef is 50 percent more expensive than pork and 250 percent more expensive than broiler meat. While problems in the beef sector have contributed to this divergence, advances in the other supply chains are also important. Poultry production has grown steadily over the past few decades through a combination of new investment and improved efficiency, resulting in larger volumes of chicken meat at lower prices. More recently, the pork sector, has also increased its local production by the introduction of more modern farms and has made strong efforts to promote its consumption by moving from traditional lunch meats and sausages to muscle cuts.



Source: IPCVA

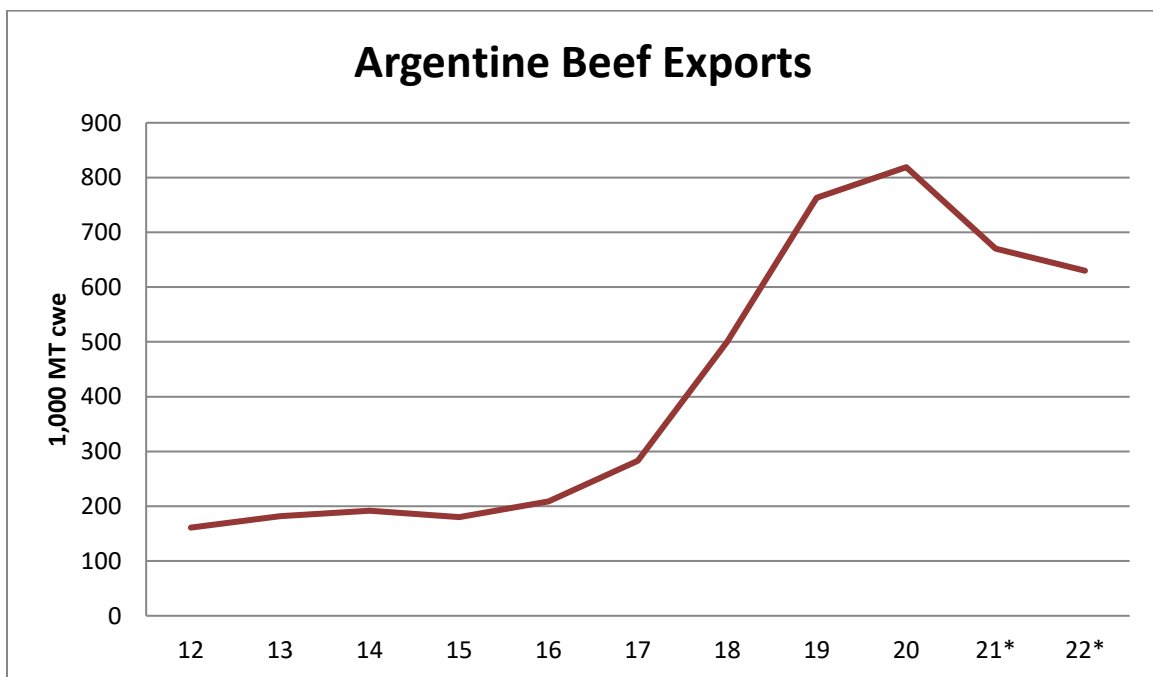
Regarding changes in consumer habits, recent surveys conducted by the IPCVA (the Beef Promotion Institute), indicate that Argentines are looking for more diversified, balanced, and healthy diets. 80 percent of Argentines believe beef is healthy, and roughly 60 percent of Argentines consider themselves as “beef eaters”, 5 percent vegan/vegetarian and 32 percent “flexible” consumers which can switch

easily between foods. Men and people over 50 years of age are more inclined to traditional diets, while women and young people (16-25 years old) are more inclined to incorporate new eating trends. Geography and social class also play a role, with wealthier consumers and residents of the City of Buenos Aires, being more prone to change or try new foods than the rest of the population.

Argentine consumers prefer beef derived from animals that were slaughtered at a lower weight than in the United States. Shoppers generally ask their butchers to provide meat from young, lightweight females or male calves. This cultural tendency is a holdover from a time when most cattle were grass-finished and product quality was highly variable. Consumers believed that buying meat from younger animals was necessary to ensure tenderness. However, despite the fact that most cattle are now grain-finished, and variability has been subsequently reduced, the practice continues. Pinkish flesh and white fat (rather than the more yellow fat from grass-finishing) are seen as desirable characteristics. Most meat purchases are made to cook at home, for the traditional weekend barbeque or the very popular milanesa (breaded veal). The most popular beef cuts are round cuts, short ribs and flank. Ground beef and beef burgers continue to gain popularity due to their culinary versatility and high value/per weight.

Trade

Argentine beef exports in 2022 are forecast at 630,000 tons cwe, the lowest since 2019. The projection assumes that the current policies limiting exports remain in place due to the ruling coalition's continued public position in favor of export restrictions, however the current regulation technically expires in December 2021. President Alberto Fernandez has publicly touted the government's policies saying that they have reduced beef prices for Argentine citizens. The regulation was issued by Decree, a power which would be unaffected by congressional elections in November 2021. However, if the policy becomes more flexible or it is eliminated, Post would anticipate somewhat higher shipments in 2022, resulting in total exports of 650-680,000 tons cwe. This volume would be similar to 2021, which is currently estimated to reach 670,000 tons cwe.



Source: FAS Buenos Aires with USDA data; *=Post's Projection

The following is a brief summary of the beef export policies put in place since May 2021:

- May 20, 2021, through Resolution 75/2021, the Argentine government suspended beef exports for 30 days with the objective of halting illegal or illicit shipments and halting beef retail price inflation, which it attributed to strong foreign demand and increased FOB prices. Exempted from the ban were shipments which had already been granted export certificates, and exports to be shipped under quotas which Argentina participates, such as the Hilton Quota and the High Quality Grain Beef Cuts to the EU, the 20,000 ton quota with the US, and a minor quota with Colombia.
- June 23, 2021, through Decree 408/2021, the government established that companies will be able to export beef up to 50 percent of their monthly average exports of the period July-December 2020. This quota system would be revisited on August 31, 2021 to measure its results. Until the end of the 2021, exports of bone in beef and seven other beef cuts popular in the domestic market were prohibited.
- August 13, 2021, through Decree 513/2021, the government authorized a monthly quota of 3,500 tons of boneless kosher beef to Israel. This quota would be revisited in August 31, 2021, and could be extended through the end of 2021. It was distributed among 15 slaughter plants and does not count against the 50 percent general quota.
- August 31, 2021, through Resolution 7/2021, the government extended the export quota system through October 2021.

If the current export policy continues without modifications into 2022, exports are forecast to be as follows:

Product	Product Weight (Tons)	Conversion Rate*	Carcass Weight Eq (Tons)
Boneless beef Gov. Quota	350,000	1.36	476,000
Bone in	34,600	1.0	34,600
Israel	35,000	1.36	47,600
Hilton Quota	29,000	1.36	39,400
USA Quota	20,000	1.36	27,000
High Quality Beef (481) Quota	4,000	1.36	5,400
Total			630,000

* USDA conversion rates, 1.0 for bone-in and 1.36 for boneless beef

Since July 2021, Argentine FOB prices have increased noticeably, primarily driven by a stronger foreign demand as Argentina's traditional customers have seen their economies recover from pandemic induced recession, and major beef exporters such as Argentina, Brazil, and Australia have had lower exportable supplies. The price of chilled boneless cuts increased over 30 percent in the EU and 15 percent in Chile, while the price of frozen beef cuts in China increased roughly 10 percent. FOB prices in the US and Israel remained practically unchanged.

China is expected to continue to be the main market in 2022 accounting for approximately 65-75 percent of total exports. In recent months, the Argentine government has put controls on companies which were exporting to this market and has restricted some information. There are currently more than 60 local plants eligible to export to China. Volumes are expected to drop somewhat, especially of very low-quality cuts as a result of Argentina's lower exports, fewer operators attending this market and the need to optimize the government quota. Exports of bones with small pieces of flesh are expected to be shipped at a rate of 3-5,000 tons a month. These do not use quota and the FOB price is higher than selling domestically to produce bone meal.

The EU, as usual, is forecast to be one of the main destinations, with the highest average unit prices as a result of the Hilton Quota and the High Value Grain Quota which are fulfilled primarily with high quality chilled cuts. The Hilton Quota of 29,500 tons is forecast to be filled or nearly filled.

Chile is also expected to continue to be an important market in 2022 although the volume could be lower than in the past few years because of the government's export quota limitation. Argentina faces strong competition from Paraguayan and Brazilian beef, currently the main suppliers.

Exports to Israel are forecast higher, especially if the individual monthly quota of 3,500 tons established by the Argentine government for this market continues. Exports are primarily frozen, kosher boneless forequarter cuts. Local slaughter plants integrate exports to Israel with rump and loin cuts exported to the EU under the Hilton Quota.

Exports to the United States are forecast close to 20,000 tons product weight, the volume of the low-tariff rate quota which the United States grants Argentina annually. Exports outside the quota pay 26.4 percent and most likely will be small as it is more convenient to export to China. Apart from exporting frozen trimmings, exporters will continue to explore and expand higher-priced niche markets such as kosher, Angus certified, and natural beef. Chilled cuts are becoming more important as well.

Brazil will continue to be an important market for some special cuts which are very popular such as the picanha, the rump cap. All beef is boneless and it is mostly shipped frozen. If Brazilian beef faces global export restrictions due to recent BSE detections, Argentina could lose market share in Brazil to domestic beef. Argentina would not be able to export additional beef to the world market due to the Government export cap.

Argentina in 2022 is forecast to import 8,000 tons cwe, unchanged from 2021. Imports are primarily beef trimmings used by a few plants producing hamburgers. Some imports are intercompany trade, as several Brazilian meat packing companies own plants in most countries throughout Mercosur. The main suppliers of imported beef in order of importance are Brazil, Uruguay, and Paraguay.

Statistical Tables

Animal Numbers, Cattle Market Year Begins	2020		2021		2022	
	Jan 2020		Jan 2021		Jan 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Total Cattle Beg. Stks (1000 HEAD)	54461	54461	53881	53540	0	53450
Dairy Cows Beg. Stocks (1000 HEAD)	1610	1610	1615	1615	0	1615
Beef Cows Beg. Stocks (1000 HEAD)	21370	21370	21200	21290	0	21380
Production (Calf Crop) (1000 HEAD)	14600	14300	14400	14400	0	14500
Total Imports (1000 HEAD)	0	0	0	0	0	0
Total Supply (1000 HEAD)	69061	68761	68281	67940	0	67950
Total Exports (1000 HEAD)	0	0	0	0	0	0
Cow Slaughter (1000 HEAD)	6450	6450	6050	5970	0	5850
Calf Slaughter (1000 HEAD)	0	0	0	0	0	0
Other Slaughter (1000 HEAD)	7550	7550	7300	7280	0	7250
Total Slaughter (1000 HEAD)	14000	14000	13350	13250	0	13100
Loss and Residual (1000 HEAD)	1180	1221	1200	1240	0	1260
Ending Inventories (1000 HEAD)	53881	53540	53731	53450	0	53590
Total Distribution (1000 HEAD)	69061	68761	68281	67940	0	67950
(1000 HEAD)						

Meat, Beef and Veal Market Year Begins	2020		2021		2022	
	Jan 2020		Jan 2021		Jan 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Argentina						
Slaughter (Reference) (1000 HEAD)	14000	14000	13350	13250	0	13100
Beginning Stocks (1000 MT CWE)	0	0	0	0	0	0
Production (1000 MT CWE)	3170	3170	3035	3045	0	3020
Total Imports (1000 MT CWE)	14	14	8	8	0	8
Total Supply (1000 MT CWE)	3184	3184	3043	3053	0	3028
Total Exports (1000 MT CWE)	819	819	680	670	0	630
Human Dom. Consumption (1000 MT CWE)	2365	2365	2363	2383	0	2398
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	2365	2365	2363	2383	0	2398
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	3184	3184	3043	3053	0	3028
(1000 HEAD) ,(1000 MT CWE)						

Attachments:

No Attachments