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Prepared By: Kenneth Joseph

Approved By: Chase Mcgrath

Report Highlights:

Argentine beef exports in 2024 are projected up at 920,000 tons carcass weight equivalent, 20,000 tons higher than USDA official. This is a result of larger beef output than earlier projected as the cattle herd is revised upwards because the 2023 calving season produced better results than estimated earlier. Cattle slaughter in 2024 is forecast at 13.5 million head, 500,000 more than USDA official estimates. China is expected to remain the top destination for Argentina's beef exports in 2024 with over 70 percent of its exports destined there. Domestic consumption decreased 8 percent from 2023 as the economy continues to struggle with high inflation and eroded purchasing power of salaries.

Policy

On December 10, 2023, President Javier Milei was sworn in as the new President of Argentina. He is the leader of a new party that favors elimination of many of the controls and restrictions on the economy. However, he has limited support in Congress and is encountering political opposition to his proposals. Milei inherited an economy with many structural problems, such as extreme inflation, large external and internal debt, a growing deficit, and a contracting economy. Implementation of new policies is expected to be slower than desired by the new government.

During the first days of his administration, President Milei drastically devalued the currency at the official exchange rate which improved the exchange rate for exporters and made imports more expensive. The government sent a bill to congress which included changes affecting nearly every sector of the economy, but due to lack of support, the government recently withdrew it. The administration is expected to continue insisting on implementing structural changes in the local economy, but at this point it is doubtful how and if it will be able to implement them. The most important proposed policy in the bill for agriculture was the temporary increase on export taxes for most commodities. Export taxes on beef would potentially be increased from 9 to 15 percent, and grains from 12 to 15 percent. The eventual goal of the new government is to eliminate export taxes but considers them to be temporarily necessary in the meantime to raise revenue given the country’s current weak economic situation. Post will report as soon as new policies are announced and implemented.

In the case of beef, the new administration repealed Decree 911 of 2021 of the previous government which prohibited the exportation of seven popular beef cuts to take pressure off domestic retail beef prices. As of January 2024, local meat packers can freely export these cuts as well as bone-in beef and beef from lower-quality cows.

In general, most farm groups and beef export companies support the new measures the government is taking and the general viewpoint of greater economic freedom, especially to their sector. They believe the sector will become more predictable, and thus more competitive, attracting greater investment in the different links of the livestock/beef chain. Their next focus will be to work on becoming more efficient (at all levels) and adding value to the products sold both domestically and abroad.

Production

Argentine beef production in 2024 is forecast at 3.14 million tons carcass weight equivalent (cwe), 110,000 tons higher than USDA’s official estimate. A larger than previously estimated herd is expected to make available a greater number of cattle for slaughter, estimated at 13.5 million head, 500,000 head higher than USDA, but 1 million head lower than 2023. Average carcass weights are expected to recover after a large slaughter in 2023 pressed by a severe drought.

Although official data on the 2023 cattle herd (through December) is expected to be published in March, the number of calves (born during the year) is now estimated at 14.3 million, 600,000 head higher than earlier projected. These additional cattle would attenuate the drop of Argentina’s inventories in 2023, which early on was estimated by USDA at almost 2 million head. Most breeders and analysts are impressively surprised by calving ratio in a year that was very dry and had high temperatures. However, the negative impact was mitigated likely due to several factors. First,the Argentine cow herd in the past

5-10 years suffered a strong selection pressure as most cull cows were sent to market to take advantage of high prices paid to export their beef to China. Second, this combined with good returns, encouraged many breeders to improve herd genetics and incorporate better management to utilize artificial insemination, which has begun to show higher reproductive ratios. Finally, many breeders fed their cows in order to maintain decent production efficiency and not sell them into the market which was experiencing weak prices in the domestic market.

Beginning stock in 2024 is now estimated at 52.9 million head, 700,000 head higher than USDA, with a total of 22.5 million breeding (including dairy) cows, still somewhat lower than recent years, but higher than Post's previous projection. The breeding season has just ended and took place with better weather conditions than the previous. Rains continue to fall in most of the country, providing good pasture conditions which guarantee a recovered calving season as of June-July 2024. Post estimates a calf crop of 14.6 million in 2024, 900,000 head larger than USDA's official number. The ending stock in 2024 is forecast at 53.2 million head, 1.1 million larger than USDA official estimates.

Commercial breeders are expected to have a good year, with an abundant calving crop, and good prices for the sale of their weaned calves (as of March 2024) and cull cows. Better rains and pasture conditions plus expectations of a good business environment will encourage backgrounding cattle again. The profitability of the feedlot business will depend greatly on the relation between feeder and fed cattle prices but will have the advantage of abundant corn supplies at significantly lower prices than last year. The current corn crop (both planted early and late) will be harvested between March-July.

The average carcass weight in 2024 is forecast at 233 kilos, 2 percent higher than in 2023. This is mainly the result of improved weather and pastures which will allow backgrounding to finish steers heavier, a smaller slaughter which normally tends to increase the average weights, and higher beef exports which will encourage producers to add more weight to their cattle.

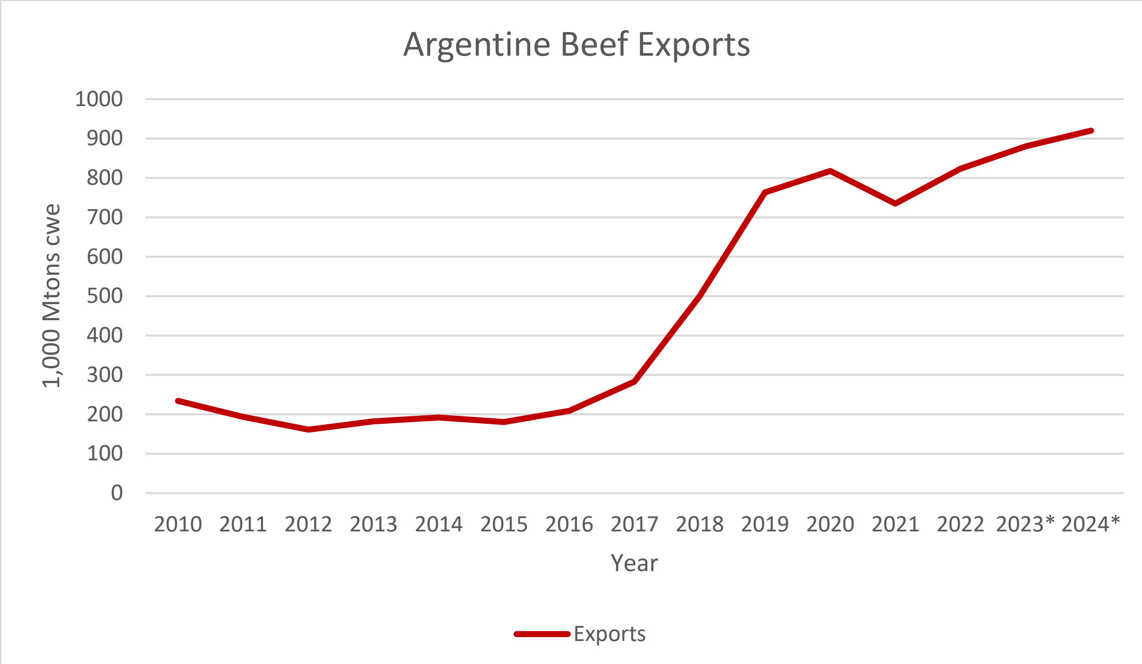
Trade

Beef exports in 2024 are projected at 920,000 tons cwe, 20,000 tons cwe higher than USDA's official volume (conversion factors from product weight to cwe are 1.36 for boneless beef and 1.0 for bone-in beef), the second consecutive record high. Exports are projected to be high due to plentiful beef supply availability, weak retail prices in the domestic market, and the lifting of export restrictions which were in place until the very end of 2023. The combination of these factors will encourage meat packers to export as much as possible. Although exporters indicate FOB prices for 2024 would remain quite unattractive if current high cattle prices in the local market persist.

The lifting of the export ban on seven popular cuts in December 2023 opens the potential to export 60-80,000 additional tons of beef, mostly chuck and top sides, two cuts well in demand in foreign markets. The other five cuts are highly demanded domestically, and meat packers receive good prices for them.

Chart 1 shows the trend of Argentine beef exports since 2010:

Chart 1.



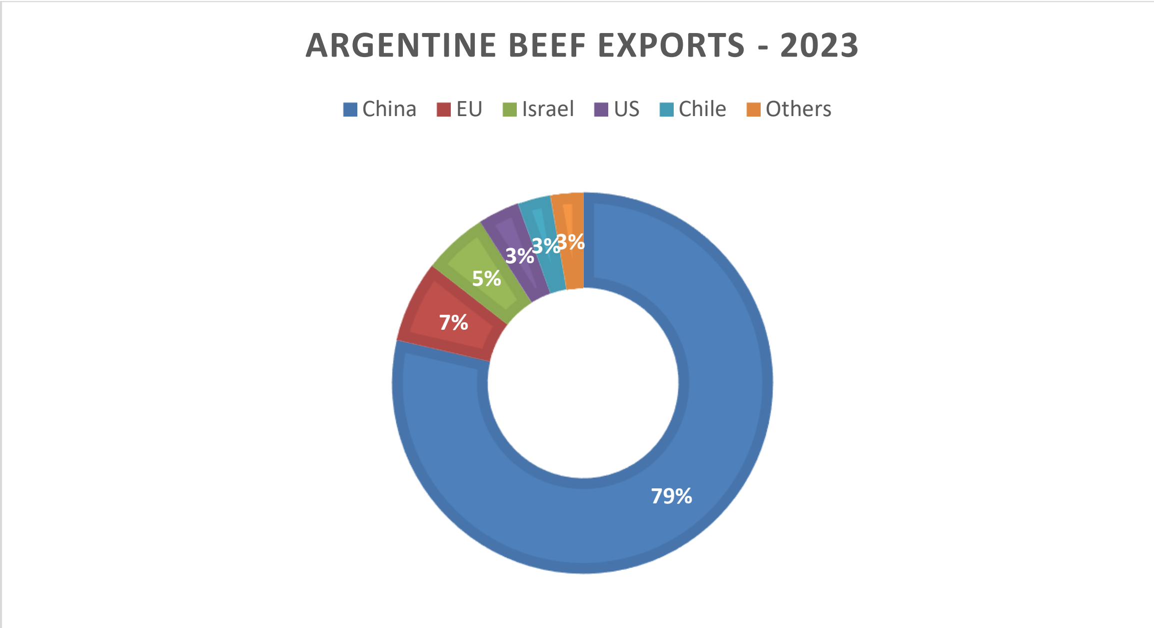
Source: FAS/USDA data
* Post's estimate and projection

Despite a significant drop in average export prices in 2023, shipments to China are expected to continue to account for more than 70 percent of total exports in 2024. Based on Trade Data Monitor (which sources from China Customs Statistics), total beef imports in 2023 were recorded at 2.78 million tons product weight (PW) with an average price of $5,195 per ton, 21 percent lower than 2022. Imports of Argentine beef, with a record 527,000 tons PW accounted for 19 percent of China's imports in 2023, with an average price of $4,127 per ton, 25 percent lower than in 2022. Local traders believe the Chinese market has become more mature. The Argentine industry is alert on the high dependence on the Chinese and aware of the need to seriously explore new markets and/or increase exports to already active markets.

Industry contacts indicate currently exports of chilled beef to the EU (primarily under the Hilton Quota) and of frozen Kosher beef to Israel are practically the only profitable. Exports to the United States are expected to remain at similar levels to 2023, filling the 20,000 ton TRQ and only exporting small volumes outside it as the outside TRQ import duty of 26.4 percent turns makes most exports unprofitable.

Chart 2 illustrates Argentina's beef exports by destination in 2023 (total of 683,000 tons PW, with offals excluded), in product weight:

Chart 2.



Source: Post with Trade Data Monitor

As indicated in the above policy section, the current export tax on beef is nine percent. The new government in need of revenue, proposed an increase to tax all agricultural exports at 15 percent, including beef. However, this change must be approved by congress and to date has been rejected. In the event taxes are increased at 15 percent, most traders believe total export volume will not vary significantly as the domestic market is expected to continues to be weak.

Domestic Consumption

Beef consumption in 2024 is forecast at 2.22 million tons, roughly an 8 percent drop from 2023. However, this volume is 90,000 tons higher than USDA' official projection, primarily supported by an expected larger 2024 beef output than previously projected. Very high inflation, with the new government focused on fighting against it, plus eroded salaries are already negatively affecting overall consumption, including beef. Consumers are shifting somewhat to buy poultry products, and to a lesser extent pork, as it is significantly less expensive. If the government is successful in reducing inflation by mid-year, stronger beef demand could be seen in the last half of the year.

Table 1 contains price data published by the Instituto de Promocion de Carne Vacuna (IPCVA) with prices in January 2024:

Table 1. Average Beef, Pork, and Poultry Prices and Increases

Meat	**AVG Price in Pesos**	**Monthly Increase**	**Annual Increase**
Beef	5,924	19%	377%
Pork	4,429	30%	346%
Poultry	1,835	27%	312%

Source: IPCVA

Table 2. shows retail meat prices in large cities in Buenos Aires city in January 2024:

Meat Cut	**Pesos per Kilo**	**Dollars* per Kilo**
Short Beef Ribs	5,864	4.97
Loin Beef	8,632	7.31
Ground Beef	4,712	3.99
Whole Broiler	1,835	1.55
Short Pork Ribs	4,429	3.75

* Mercado Electronico de Pagos (MEP) Rate, $1,180 pesos per dollar
Source: IPCVA

Statistical Tables

Animal Numbers, Cattle	2022		2023		2024	
Market Year Begins	Jan 2022		Jan 2023		Jan 2024	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks (1000 HEAD)	53400	53400	54100	54100	52200	52900
Dairy Cows Beg. Stocks (1000 HEAD)	1546	1546	1530	1530	1550	1500
Beef Cows Beg. Stocks (1000 HEAD)	21144	21144	21460	21460	20550	21000
Production (Calf Crop) (1000 HEAD)	15100	15100	13700	14300	13700	14600
Total Imports (1000 HEAD)	0	0	0	0	0	0
Total Supply (1000 HEAD)	68500	68500	67800	68400	65900	67500
Total Exports (1000 HEAD)	0	0	0	0	0	0
Cow Slaughter (1000 HEAD)	6100	6100	7100	7000	5700	6000
Calf Slaughter (1000 HEAD)	0	0	0	0	0	0
Other Slaughter (1000 HEAD)	7400	7400	7500	7500	7300	7500
Total Slaughter (1000 HEAD)	13500	13500	14600	14500	13000	13500
Loss and Residual (1000 HEAD)	900	900	1000	1000	800	800
Ending Inventories (1000 HEAD)	54100	54100	52200	52900	52100	53200
Total Distribution (1000 HEAD)	68500	68500	67800	68400	65900	67500
(1000 HEAD)						

Meat, Beef and Veal	2022		2023		2024	
Market Year Begins	Jan 2022		Jan 2023		Jan 2024	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference) (1000 HEAD)	13500	13500	14600	14500	13000	13500
Beginning Stocks (1000 MT CWE)	0	0	0	0	0	0
Production (1000 MT CWE)	3140	3140	3300	3300	3030	3140
Total Imports (1000 MT CWE)	7	7	3	3	3	2
Total Supply (1000 MT CWE)	3147	3147	3303	3303	3033	3142
Total Exports (1000 MT CWE)	823	823	875	880	900	920
Human Dom. Consumption (1000 MT CWE)	2324	2324	2428	2423	2133	2222
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	2324	2324	2428	2423	2133	2222
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	3147	3147	3303	3303	3033	3142
(1000 HEAD) ,(1000 MT CWE)						

Attachments:

No Attachments