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Report Highlights:

As result of the new "FMD-free without vaccination" sanitary status granted by the OIE in May 2000, Argentine beef exports are expected to continue the slow, but constant, upward trend initiated in 1999. Exports to recently opened fresh beef markets like Canada and the United States are showing a very good response.

There are great expectations on how the Japanese, Korean and Mexican markets will develop once they are open. Most traders agree it will be a slow process, but good opportunities will arise as trade begins. Beef imports are forecast to remain negligible. However, imports of U.S. sweetbreads are expected to double in 2000. Argentine beef production is expected to continue improving in efficiency as a result of better nutritional and breeding management. This will result in a larger number of weaned calves and heavier average slaughter weights. Although 85 percent of beef output is consumed domestically, the larger beef production will increase the amount available for export.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SECTION I. SITUATION AND OUTLOOK

Trade

Argentine beef exports for 2001 are projected at 420,000 MT, continuing a slowly escalating trend since 1999. This is a result of expected higher world beef prices, lower local cattle prices and the possibility of entering new markets due to the new foot and mouth disease free (without vaccination) status declared by the International Epizootic Organization in May 2000. The U.S., however, is required by law to recognize FMD-free status bilaterally, and to conduct its own risk assessment.

Argentina's major market has historically been the EU, mainly with high quality cuts. However, the BSE crisis in Europe, helped by a weak currency, made prices fall dramatically, affecting exports. The second most important market has been the US, supplied with thermoprocessed beef. This market has also been declining in the past years. The improved sanitary status could not have been better timed. Local exporters had a strong need to explore new markets which could improve the relatively depressed average export price. Argentina is now exporting larger volumes of fresh (chilled and frozen) beef to markets like the US and Canada and has high expectations of exporting soon to Mexico, Korea and Japan. Although these markets are expected to be open by next year and volumes will not be significant at the beginning, it is a dream come true for exporters, with a lot of potential in the medium term. Most sources believe that exports to these markets will, initially, be of variety meats, trimmings and some cuts which have little value in the local market, but carry high prices in these countries. Central American countries, including Cuba, are also expected to open in the near future. These countries represent a good market for high quality cuts due to its large tourist industry.

Beef exports for 2000 are forecast at 380,000 MT. They could have been higher if it was not that local cattle prices increased 20 percent in the first semester, turning the export business unprofitable. Projected lower cattle prices in the last part of 2000 and most of 2001, will allow exporters to improve their economic equation. Exports in the first five months of 2000 increased 10 percent in volume but fell 2 percent in value due to the drop of approximately 12 percent in FOB values for both fresh and thermoprocessed beef. In exports of fresh beef (+16%), Canada with 15,684 MT, an increase of 1,227 percent, was the major market, followed by Chile, Germany and the United States, all three with a lower performance than the same period last year. Markets which increased were Israel, Taiwan, Puerto Rico, Philippines and Switzerland. Thermoprocessed beef exports in the same period (Jan-May 2000) fell 6 percent. All three major markets, the United States, UK and the Netherlands dropped. Germany and Chile imported larger volumes.

Since mid-1997, Argentina can export fresh beef to the United States under a 20,000 MT Tariff Rate Quota (TRQ) paying duties which range between 4.4 cents per kilo and 10 percent. Last year was the first year that the quota was filled and the same is expected in 2000. In the first five months of 2000 Argentina has shipped 11,000 MT of fresh beef, of which 7,000 MT under the quota and the balance out of it, paying import duties of 26.5 percent. Quota holders (most likely the large export packing plants) reserve the quota for the higher quality cuts, while exporting cheaper products out of the quota. While the Government of Argentina has asked to have the quota increased or be allowed to make use of unused quota of other countries like Australia or New Zealand, increasing total quotas requires an act of Congress, and using another country's quota requires the permission of that country.

Other markets of importance for Argentina will continue to be Germany, the country which utilizes over 80 percent of Argentina's 28,000 MT Hilton Quota, Chile, which is expected to recover from the economic recession and low cattle prices, Israel, and to a smaller extent Brazil, which the effect of the strong devaluation is phasing out as its economy also recovers.

A key advantage Argentina will have is that meat packers are very flexible and rapidly adapt to the needs and demand of the different markets. Meat packers are trying to sell each different product to the market which pays best for that given product, to make a more efficient use of the whole animal. There is and there will continue to be a strong debate on whether Argentina will produce grain-fed beef for the export market or not. If economics permit and the market is there, there is no doubt that grain fed beef will be produced for export.

Brazil, mainly after its large devaluation in early 1999, has become a fierce competitor of Argentine beef, especially in thermoprocessed products. Moreover, with larger areas in Brazil being declared foot and mouth disease free (with vaccination), Argentina will also start finding competition in fresh beef products.

The GOA does not subsidize beef production nor exports. Exports only benefit from tax rebates which are as follows:

Product	Percent
Bone-in beef	2.7
Boneless beef	5.4
In packages less than 5 kg	10.0
Processed beef in packages less than 5 kg	12.0
Cooked frozen IQF	12.0

The creation of the Beef Promotion Board continues to be just a project. However, with the new government, we expect it to happen in the near future. The objective of the board is basically to promote consumption of Argentine beef in foreign markets as well as in the domestic one. The main problems which still persist are the formation of the board (what entities are represented) and the funding (the original project set a contribution of \$1.0 per slaughtered head, paid 70 percent by producers and the balance by meat packers). The GOA has named several Argentine sports stars "Agricultural Ambassadors" to promote food and beverages in the world.

Argentine beef imports for 2001 are projected at 6,000 MT, mostly fresh bone-in beef from Uruguay. The

United States continues to export large quantities of sweetbreads into Argentina, competing very well with the local product in both quality and price. Imports of sweetbreads from the US in 1999 totaled almost \$2 million and could double in 2000.

SECTION II. STATISTICAL TABLES

PSD Table						
Country	Argentina					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Total Cattle Beg. Stks	49437	49437	49432	49832	0	50052
Dairy Cows Beg. Stocks	2500	2500	2470	2470	0	2450
Beef Cows Beg. Stocks	17800	18200	17800	18300	0	18500
Production (Calf Crop)	14300	14500	14300	14600	0	14800
Intra EC Imports	0	0	0	0	0	0
Other Imports	35	33	40	50	0	45
TOTAL Imports	35	33	40	50	0	45
TOTAL SUPPLY	63772	63970	63772	64482	0	64897
Intra EC Exports	0	0	0	0	0	0
Other Exports	40	38	60	30	0	40
TOTAL Exports	40	38	60	30	0	40
Cow Slaughter	3950	3700	4050	4000	0	4000
Calf Slaughter	1500	1500	1500	1500	0	1500
Other Slaughter	7550	7800	7550	7800	0	8000
Total Slaughter	13000	13000	13100	13300	0	13500
Loss	1300	1100	1200	1100	0	1000
Ending Inventories	49432	49832	49412	50052	0	50357
TOTAL DISTRIBUTION	63772	63970	63772	64482	0	64897
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Argentina					

Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Slaughter (Reference)	13000	13000	13100	13300	0	13500
Beginning Stocks	27	27	24	27	0	25
Production	2900	2840	2800	2940	0	2970
Intra EC Imports	0	0	0	0	0	0
Other Imports	12	6	12	8	0	6
TOTAL Imports	12	6	12	8	0	6
TOTAL SUPPLY	2939	2873	2836	2975	0	3001
Intra EC Exports	0	0	0	0	0	0
Other Exports	335	346	375	380	0	420
TOTAL Exports	335	346	375	380	0	420
Human Dom. Consumption	2580	2500	2435	2570	0	2560
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	2580	2500	2435	2570	0	2560
Ending Stocks	24	27	26	25	0	21
TOTAL DISTRIBUTION	2939	2873	2836	2975	0	3001
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				
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Country	Argentina		Units:	head
Commodity	Animal Numbers, Cattle		Partial Begin	
			Partial End	
Exports for:	1999	2000	2000	2001
	Full	Full	Partial	Partial
U.S.				
Others				
Bolivia	35259			
Paraguay	1989			
Brazil	410			
Chile	156			
Total for Others	37814	0	0	0
Others not Listed				
Grand Total	37814	0	0	0

Export Trade Matrix				
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Country	Argentina		Units:	Metric Tons
Commodity	Meat, Beef and Veal		Partial Begin	
			Partial End	
Exports for:	1999	2000	2000	2001
	Full	Full	Partial	Partial
U.S.	77200			
Others				
Chile	57793			
Germany	50235			
Canada	24057			
UK	22498			
Netherlands	19891			
Israel	17339			
Italy	11115			
Brazil	10280			
Puerto Rico	5250			
France	4968			
Total for Others	223426	0	0	0
Others not Listed	31661			
Grand Total	332287	0	0	0

Prices Table			
Country	Argentina		

Commodity	Animal Numbers, Cattle		
Prices in	Pesos	per uom	Live Kilo *
Year	1999	2000	% Change
Jan	0.82	0.8	-2.44%
Feb	0.83	0.85	2.41%
Mar	0.85	0.9	5.88%
Apr	0.88	0.91	3.41%
May	0.86	0.92	6.98%
Jun	0.84	0.94	11.90%
Jul	0.84		-100.00%
Aug	0.81		-100.00%
Sep	0.81		-100.00%
Oct	0.79		-100.00%
Nov	0.77		-100.00%
Dec	0.78		-100.00%
Exchange Rate	1=1	Local currency/US \$	

Prices Table			
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Country	Argentina		
Commodity	Meat, Beef and Veal		
Prices in	Pesos *	per uom	Kilo
Year	1999	2000	% Change
Jan	4.7	4.17	-11.28%
Feb	4.63	4.16	-10.15%
Mar	4.59	4.2	-8.50%
Apr	4.51	4.22	-6.43%
May	4.46	4.24	-4.93%
Jun	4.42		-100.00%
Jul	4.39		-100.00%
Aug	4.35		-100.00%
Sep	4.29		-100.00%
Oct	4.27		-100.00%
Nov	4.23		-100.00%
Dec	4.19		-100.00%
Exchange Rate	1=1	Local currency/US \$	

SECTION III. SUPPLY AND DEMAND

Production

Argentine cattle producers are divided between finishers and breeders. Fatteners or "invernadores" adopted modern management and technological tools, which resulted in efficient production rates. The latest adoption which has become very popular is the supplementation with corn or sorghum silage, with excellent results. On the other hand, most commercial breeders or "criadores" have been much slower in adopting improved tools, primarily due to the low profitability in the last decade. However, in the past couple of years this has been changing and results are now showing as weaning rates are improving every year. This is key for Argentina's export capacity as beef production could increase without the need of expanding the currently low cattle stock. A larger calf crop and heavier average slaughter weights are expected to provide more exportable beef surpluses. The more affluent consumers demand typically light young cattle, but with better nutrition management (pasture-based and feedlot) heavier animals are providing excellent quality beef.

The local beef processing sector continues to be in a difficult financial situation. The largest are normally the exporters which depend strongly on world beef prices. Last year most of them were reported to have come out

level, but in the first semester of 2000, with the increase of 20 percent in cattle prices, most of them are back in the red. However, local cattle prices for the rest of 2000 and 2001 are projected to drop as result of a larger supply and weaker demand from exporters.

The weather was a key fact in rising cattle prices over the past year. From September 1999 to February 2000 some provinces like Entre Rios, Corrientes and Santa Fe suffered one of the worst droughts of the last century. Other provinces had excellent weather offsetting lower pregnancy rates in provinces with drought. However, from March onwards, a rainy period began, negatively affecting weight gains.

The use of hormones is not banned, but producers who market cattle for export to the EU have to fill in a declaration stating that they did not use them on those cattle.

Vertical integration is practically non-existent in the local beef sector. However, agreements between packers and ranchers, and even supermarkets, are becoming more popular. Examples of these are a few programs for export to European retailers, the Angus Certified beef which is marketed domestically and in foreign markets, Hereford Certified beef marketed in a large local supermarket, etc. This trend is expected to continue to grow as the demand for good quality and safe products increases. The use of better genetics is expected to increase as the demand for quality cattle is already paying a differential price.

Argentine beef is primarily produced on alfalfa pastures. Most finishers supplement their cattle the last three months prior to slaughter to give them a good "finish". Approximately 10 percent of the total slaughter is supplied from feedlots, but represents only about 6 percent of total beef output because the main category are very light heifers and steers. It appears that demand for this type of product has reached a ceiling, probably due to the economic recession and to the fact that it is primarily directed to consumers with high purchasing power. Retail beef prices of feedlot heifers can be 30-50 percent higher than beef from grass-fed steers. Last year the two largest feedlots in the country opened in San Luis province, one owned by Italian capitals and the other a joint venture between a local farm company and a US feedlot. Both are expected to finish cattle at heavier weights than most local feedlots. Feedlots last year lost money and under the current situation, the best alternatives are light steers which result in a profit of approximately \$40 per head.

Ranchers had a good year in 1999/2000 as a result of high cattle prices. However, most of them are dragging debts which does not allow them to grow and invest as they would like to.

The government gives little support to the farm sector. The last measure passed had the goal of reducing by two points the interest rate for debts and for credits to retain female cattle. With average credit rates of 12-18 percent, the sector doubts this will have a significant impact.

Consumption

Domestic consumption for 2001 is forecast at 2.56 million MT, similar to the previous two years. Even though Argentina is immersed in a two-year long recession, beef demand is incredibly strong. Cattle prices increased 20 percent on the first semester, and only began to increase at the retail level in June-July. While most sales of food products fell in volume and value, beef sales have reacted the opposite way.

Argentines, at 70 kilos per capita, are the world's largest beef consumers. In 2000, approximately 87 percent of

the country's total beef output will be consumed domestically, while the balance will be exported.

More than half of the beef sold in the country is through small butcheries, while only 33 percent is sold in large retailers. This market share has stabilized somewhat. Although prices are not cheaper, most supermarkets are trying to improve the quality of their beef as they consider this to be a key factor for their overall business.

Most beef marketed domestically is in half carcasses or quarters which are then deboned and cut in each butchery and supermarket. There is practically no aging at all because of limited refrigerating space and financial capacity. Branded vacuumed-packed cuts are slowly increasing their market share, but still remain at an insignificant volume. It is a much more expensive product, consumers are not accustomed to the different color and they are not aware of the benefits of beef aging as most housewives will choose the most recently produced cut. Most supermarkets buy some vacuumed-packed cuts as "complements" to meet a strong demand especially for week ends. These cuts are opened and placed on shelves as regular meat.

Broiler consumption, after growing constantly in the past decade, seems to have reached a ceiling at approximately 25 kilos per capita. Pork demand continues stable, with less than 1 kilo of fresh pork consumed per capita. Lamb consumption continues to decrease with the strong reduction of the local flock.

Stocks

After five consecutive years of herd liquidation, a mild recovery began in 1998 and it is expected to continue timidly throughout 2001. Good returns, high cattle prices and good export potential, as result of the FMD free status, encourage ranchers to produce more and better.