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Argentina

Livestock and Products

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Report Highlights:
Argentine beef output in 2000 is projected at 2.8 million MT, slightly lower than in 1999 due to a small decline in expected slaughter weight. Exports are now estimated to rise to 400,000 MT, the highest in the past three years. Most processors foresee stronger international demand as well as improved world beef prices. Smaller supply and larger shipments will result in a drop in domestic consumption to 2.4 million MT. However, per capita consumption for 2000 is estimated at 66 kilos, the highest in the world. The expected declaration of Argentina as "foot and mouth disease free" should open up the large fresh beef markets of Japan, Korea and Mexico, as well as a live cattle export market to Chile.

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Executive Summary

Argentine beef production for 2000 is forecast at 2.8 million MT, somewhat lower than in 1999, but a little higher than our previous projection. A slightly larger slaughter, estimated at 13.1 million head, and a somewhat lighter average weight per animal is expected. In 1999 higher prices for feeder cattle than fed cattle and abundant pastures in most areas encouraged cattlemen to put significantly more weight on their cattle. Also a considerable advance in cattle nutrition and management (such as the use of corn silage, grain supplementation, intensive grazing, etc.), is resulting in shorter finishing periods and, in many cases, heavier cattle.

Cattle Situation and Outlook

During 1999 (December 1999/December 1998) prices for live fed steers dropped 14 percent and feeders 19 percent, while retail beef prices fell 12 percent. The main reasons for this drop were the strong economic recession, weak international beef prices and abundant cattle supplies. Prices for 2000 are expected to remain quite stable as the growth of the domestic economy is projected to be slow and beef production very much the same as 1999. However, better international scenery could put some pressure on domestic prices, but only modestly as more than 85 percent of the total beef supply is marketed domestically. Per capita beef consumption for 2000 is estimated to fall to 66 kilos, still the highest in the world.

Although there are no official accurate data on cattle stocks, most people estimate them between 48-50 million head. The herd in 2000 is expected to remain quite stable as the calf crop would be almost equivalent to the losses plus the slaughter.

Livestock and Products Trade

Cattle imports in 2000 are projected at 40,000 head, slightly higher than in the previous year. In the first ten months of 1999, Uruguay supplied over 24,000 head accounting for 90 percent of Argentina's total cattle imports. Uruguay exports both fed and feeder cattle, but a larger number of feeder cattle is expected to be exported to feed lots and when finished marketed in Argentina. Beef imports for 2000 are estimated to remain the same as in 1999. Once again, in the first ten months of 1999, Uruguay accounted for almost 90 percent of the country's beef imports. The balance was mainly from Paraguay and Brazil. Through the first ten months of 1999, imports of beef from the US totaled 40 MT of frozen beef. However, imports of sweetbreads come all from the US, with a total value of about $3 million a year. These sweetbreads are sold mainly in supermarkets and restaurants and are very popular because of their quality and competitive price.

Cattle exports for 2000 are projected to increase to 60,000 head. Historically, live exports were primarily feeder cattle for Bolivia. However, by mid-2000 Argentina is expected to be declared internationally as free of foot and mouth disease without vaccination (therefore, totally free). This should lead Chile to lift its ban on Argentine cattle imports. Although nobody knows exactly the amount and the preferred categories which will be demanded, we foresee a good and constant traffic of both fed and feeder cattle going to Chile.

Argentine beef exports for 2000 are now estimated at 400,000 MT, higher than previously projected. The main reasons behind this are the forecast of relatively stable domestic cattle prices and an improved world beef market. Demand from traditional markets is expected to increase as well as prices. Most people expect that by the end of 2000, Japan, Korea and Mexico (the last three major beef importers which do not allow yet Argentine fresh beef) should have lifted their prohibition to import fresh or frozen beef from Argentina. At the beginning, this will have more of a psychological impact than a real one as these markets represent good potential for Argentina, but will take time to develop a good marketing channel in each country. There is great debate on what local beef exporters should try to sell in these markets, especially in Japan (and to a lesser extent in Korea). There are many who say that Argentina should make an effort (money and time) to sell its natural grass-fed beef which it has traditionally produced and exported, taking advantage that both Japan and Korea import large amounts of grass-fed beef. Others think that Argentina will develop a niche industry to supply the Asian and North American markets with grain-fed beef. Time will tell, but it would not be surprising to see both types of products being exported.

What it is clear is that Argentina has a long way to go if it wants to expand its beef exports significantly. Following are some factors which will have to be adjusted in order to become a stronger player in world beef trade: 1) a very strong beef culture in most Argentines. Currently 85 percent of the local beef output is consumed domestically. Many young (and light) animals are slaughtered, especially those out of feed lots; 2) although management in both cow-calf and finishing ranches has improved in the past few years, herd productivity is still poor; 3) the genetic pool in the country is not quite prepared to supply large-frame cattle which most markets demand; 4) a reduced herd, which fell more than 5 million head in the past 5 years and is not yet recovering; 5) low (or no) profitability in the farm level; 6) a financially weak meat processing sector; 7) a strong local currency; and 8) the lack of a promotional board to help open new markets.

Beef exports in 1999 are now estimated at 335,000 MT, valued at approximately $630 million. The following table shows 1999 beef exports per product type:

Product	**Volume (MT)***	**Value (Million $)**
Quarters	24,387	36.5
Chilled Cuts	67,056	328.6
Frozen Cuts	55,384	129.1
Manufacturing	74	0.1
Cooked Frozen	19,425	71.3
Corned Beef	21,249	43.5
Specialities	2,329	4.9
Total (Preliminary)	189,904	614.0

* Product weight

Exports by major destination in the first ten months of 1999 (preliminary) were as follow:

Country	**Volume (MT)***	**Value (Million $)**
USA	62,381	83.0
Chile	46,313	59.4
Germany	41,295	172.0
UK	19,196	23.9
Netherlands	16,000	30.0
Canada	14,485	16.6
Israel	13,502	18.0
Italy	10,134	21.6
Brazil	8,200	18.0
Puerto Rico	4,571	5.4
Others	29,278	54.7
Total	265,355	502.6

* Product weight

Local beef exporters are exploring every business possible, especially niche markets, which though small, add up and help to make better use of the whole carcass. Examples of this are the first shipments of Argentine beef patties to the German market and exports of Argentine Certified Angus premium cuts to the US. Other exporters are expanding their shipments of natural or organic beef to the European market (especially Netherlands, Belgium, UK).

The 20,000 MT beef quota which the US assigned to Argentina was filled for the first time in 1999 (only one third was filled in the previous two years). The Argentine Government has repeatedly requested the US to increase its quota, which it considers to be very small, especially when compared to Australia's and New Zealand's quota which those countries have serious trouble fulfilling. However, there are no indications that the U.S. is considering any changes to its beef quota system. Exports of fresh and frozen beef to the US in the first ten months of 1999 were as follows:

Product	Volume (MT)*	Value (Million $)	$/MT
Quarters	9,190	14.7	1,603
Boneless Ch. Cuts	1,507	8.1	5,410
Boneless Fz. Cuts	9,031	18.1	2,002

Exports to Canada have increased significantly in 1999 and are expected to continue to grow in 2000 (total beef exports in CY1998 were 3,515 MT - product weight) . Some contacts state that part of this beef is processed and then re-exported by Canadian companies to the US.

The new administration is still studying the different agricultural sub-sectors and will soon announce some measures to help ease the bad situation in which almost the entire sector is in. Some of these could be the lowering of the high credit interest rates, increase of export rebates, postponement of auctioning farms (due to unpaid debts).

Export taxes on raw hides were supposed to end on December 1999, but the government has extended them for six months more to have time to analyze the situation. Therefore, export taxes on raw hides will continue at 5 percent until at least mid-2000.

Table 1. Cattle Supply and Demand

PSD Table						
Country	Argentina					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Total Cattle Beg. Stks	49238	49238	49437	49437	49342	49432
Dairy Cows Beg. Stocks	2500	2500	2500	2500	2500	2470
Beef Cows Beg. Stocks	17700	17700	17800	17800	17800	17800
Production (Calf Crop)	14200	14200	14300	14300	14300	14300
Intra EC Imports	0	0	0	0	0	0
Other Imports	105	105	25	35	20	40
TOTAL Imports	105	105	25	35	20	40
TOTAL SUPPLY	63543	63543	63762	63772	63662	63772
Intra EC Exports	0	0	0	0	0	0
Other Exports	6	6	20	40	50	60
TOTAL Exports	6	6	20	40	50	60
Cow Slaughter	3950	3950	4050	3950	4100	4050
Calf Slaughter	1350	1350	1400	1500	1400	1500
Other Slaughter	7000	7000	7650	7550	7500	7550
Total Slaughter	12300	12300	13100	13000	13000	13100
Loss	1800	1800	1300	1300	1200	1200
Ending Inventories	49437	49437	49342	49432	49412	49412
TOTAL DISTRIBUTION	63543	63543	63762	63772	63662	63772
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Table 2. Meat, Beef and Veal Supply and Demand

PSD Table						
Country	Argentina					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Slaughter (Reference)	12300	12300	13100	13000	13000	13100
Beginning Stocks	20	20	27	27	25	24
Production	2600	2600	2800	2900	2760	2800
Intra EC Imports	0	0	0	0	0	0
Other Imports	18	18	8	12	10	12
TOTAL Imports	18	18	8	12	10	12
TOTAL SUPPLY	2638	2638	2835	2939	2795	2836
Intra EC Exports	0	0	0	0	0	0
Other Exports	291	291	340	335	350	400
TOTAL Exports	291	291	340	335	350	400
Human Dom. Consumption	2320	2320	2470	2580	2425	2410
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	2320	2320	2470	2580	2425	2410
Ending Stocks	27	27	25	24	20	26
TOTAL DISTRIBUTION	2638	2638	2835	2939	2795	2836
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0