

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Argentina

### Livestock and Products Semi-annual

**2017**

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**Report Highlights:**

Argentine beef production for 2017 is projected at 2.76 million metric tons (carcass weight equivalent - cwe), a moderate increase from last year. Beef exports are forecast at 270,000 tons (cwe), an increase of 53,000 tons from last year, but still very far from what Argentina used to export one or two decades ago. Beef exporters indicate that there continues to be a significant shortage of heavy steers and that the current exchange rate makes it very difficult to compete with the values paid in the domestic market and with other beef suppliers in the region. The cattle ending inventories for 2017 are projected at 54.7 million head, the highest in the past decade.

**Commodities:**

Animal Numbers, Cattle

Meat, Beef and Veal

**Author Defined:**

**Policy:** On December 30, 2016, the Government passed Decree 1341/2016 reestablishing export rebates on a long list of agricultural products which included several meats. These rebates were eliminated by the previous administration in 2005. In the case of beef, boneless chilled, the rebate is 3.5 percent, boneless frozen receives 4.0 percent and thermoprocessed beef receives between 5.0-7.5 percent depending on the size of the packaging. Poultry and dairy products were also included. On January 23, 2017 the government went one step further and established an additional export rebate of 1.8 percent for beef and 1 percent for poultry for the next 12 months. The goal behind these rebates is to try to make the local export industry somewhat more competitive, when many players claim that the current exchange rate makes it difficult for them to export.

The government has lately implemented several measures in order to eliminate tax evasion in the domestic beef market chain, a problem which has been difficult to control in the past.

**Production:** The calf crop for 2017 is estimated at 14.1 million head, 200,000 calves higher than the previous year. This is a result of an expected higher number of cows in breeding, as many producers continue to expand their investment in the cattle business, especially with the change of policies implemented a year ago. However, the rebuilding phase is expected to slow down somewhat as returns are tighter, with growing production costs and somewhat weaker calf prices. The number of calves born in 2016 is now estimated at 13.9 million head, 400,000 higher than earlier expected. The heavy rains and floods that occurred in autumn 2016 ended up not having as negative an impact as previously projected. Cattlemen reacted rapidly and efficiently to overcome the difficult situation and safeguard their cattle. The higher calf crop also resulted in a higher ending stock in 2016, estimated at 53.8 million head. Although difficult to quantify, we expect the dairy herd to drop by 50,000 cows in 2017 as heavy rains and floods in late December and early January 2017 affected an extensive region in the central part of the country which happens to be the country's most important dairy region. Many cattlemen are now backgrounding their calves primarily on pastures or in feedlots with rations with a high content of fiber to gain weight inexpensively. This is very important as the animal at the time of slaughter will be around 100 kilos (live weight) heavier than what the market has been demanding in the past several years. Although this is a growing trend, meat packers indicate that they still do not notice a significant change in volume at their plants.

**Slaughter and Beef Production:** The cattle slaughter for 2017 is projected at 12.4 million head, 600,000 head more than in 2016, and 400,000 head higher than previously forecast. This is as a result of a larger cattle supply after a rebuilding phase initiated in 2012-13, soon after the cattle stock bottomed out to 48 million head in 2011. A larger herd is expected to supply a higher number of cattle for slaughter in the next several years.

Beef production for 2017 is forecast at 2.76 million metric tons (carcass weight equivalent - cwe), 110,000 tons higher than in 2016. Usually when the slaughter increases, the average carcass weight drops. However, this is expected to be offset by a growing trend in backgrounding calves which is expected to produce heavier cattle.

**Exports:** Argentine beef exports for 2017 are forecast at 270,000 tons (cwe), 53,000 tons higher than in 2016 which totaled 217,000 tons (local analysts using domestic conversion rates estimate total exports at 237,000 tons – cwe). The main factors which support such increase are: 1) a somewhat weak domestic demand, with inflation still high and weaker purchasing power; 2) increasing domestic supplies of less expensive alternative or complementary meats such as poultry and pork; 3) growing cattle and beef supplies; and 4) new export rebates on beef which improve exporters’ returns by 5.3-5.8 percent depending on the product. However, there are many who think beef exports could be even larger, but there are limiting factors which play against additional shipments: scarce availability of heavy steers for export, an exchange rate which makes it hard to be competitive in the region (Argentina has the most expensive cattle in dollar terms), growing production costs with high inflation, and low price of by products such as offals and hides.

The main markets for Argentine beef in 2017 are expected to continue to be the ones which were most active in 2016: China, the EU, Chile, Israel and Brazil. However, based on the data of the past few months, China will dominate most of the growth. The main beef products purchased in Argentina are frozen shin shank, boneless forequarters, boneless manufacturing beef and trimmings.

Argentine beef exports in 2016 totaled 154,590 tons product weight. Exports of frozen, boneless cuts totaled 91,275 tons, with an average price of \$4,680 per ton, very similar to 2015. China was the top market by far, with 55,000 tons, and second was Israel with 19,100 tons. Other destinations were Morocco, Brazil and the Russian Federation, the number one market back in 2014, with 3-4,000 tons each. Exports of chilled boneless beef totaled 63,000 tons product weight, with an average price of \$9524 per ton, 3.4 percent higher than in 2015. Chile was the leading destination with 25,700 tons, followed by Germany with 20,200 tons (being the leader in value, with an average price of \$13,170 per ton, made primarily of Hilton Quota premium cuts). The Netherlands were third with 8,100 tons, followed by Italy, Brazil and Israel. Exports of thermoprocessed beef were insignificant, with only 281 tons, of canned beef, IQF cooked beef and burgers.

**Domestic Consumption:** Beef consumption in 2017 is projected at 2.49 million tons (cwe), quite similar to the previous year and to USDA’s official number. About half of the additional beef produced in 2017 will go to export. Argentina’s economy is going through adjustments, trying to lower inflation, attract investment and begin a path of growth. However, in the meantime, the purchasing power of consumers is somewhat weak. Despite this situation, it is still more profitable for local meat packers to sell beef in the local market than export it.

**Ending Inventories:** Post projects the cattle herd at 54.7 million head by the end of 2017. This is the highest since 2007. As reported earlier, the cattle stock has been rebuilding strongly since 2011, but investment is slowing down as returns are tighter.

### Statistical Tables

Animal Numbers, Cattle Market Begin Year Argentina	2015		2016		2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	51545	51545	52565	52565	53515	53815
Dairy Cows Beg. Stocks	2000	2000	1900	1900	1900	1850
Beef Cows Beg. Stocks	21300	21300	21600	21600	21800	21800
Production (Calf Crop)	14200	14200	13500	13900	14100	14100
Total Imports	0	0	0	0	0	0
Total Supply	65745	65745	66065	66465	67615	67915
Total Exports	0	0	0	0	0	0

<b>Cow Slaughter</b>	3170	3170	3000	3100	3400	3500
<b>Calf Slaughter</b>	3900	3900	3600	3300	3400	3400
<b>Other Slaughter</b>	5360	5360	5200	5400	5200	5500
<b>Total Slaughter</b>	12430	12430	11800	11800	12000	12400
<b>Loss</b>	750	750	750	850	700	800
<b>Ending Inventories</b>	52565	52565	53515	53815	54915	54715
<b>Total Distribution</b>	65745	65745	66065	66465	67615	67915
(1000 HEAD)						

<b>Meat, Beef and Veal</b>	<b>2015</b>		<b>2016</b>		<b>2017</b>	
	<b>Jan 2015</b>		<b>Jan 2016</b>		<b>Jan 2017</b>	
	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Market Begin Year</b>						
<b>Argentina</b>						
<b>Slaughter (Reference)</b>	12430	12430	11800	11800	12000	12400
<b>Beginning Stocks</b>	0	0	0	0	0	0
<b>Production</b>	2720	2720	2600	2650	2700	2760
<b>Total Imports</b>	0	0	0	0	0	0
<b>Total Supply</b>	2720	2720	2600	2650	2700	2760
<b>Total Exports</b>	186	186	210	217	235	270
<b>Human Dom. Consumption</b>	2534	2534	2390	2433	2465	2490
<b>Other Use, Losses</b>	0	0	0	0	0	0
<b>Total Dom. Consumption</b>	2534	2534	2390	2433	2465	2490
<b>Ending Stocks</b>	0	0	0	0	0	0
<b>Total Distribution</b>	2720	2720	2600	2650	2700	2760
(1000 HEAD) ,(1000 MT CWE)						