



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - Public distribution

Date: 2/29/2008

GAIN Report Number: AR8008

Argentina

Livestock and Products

Semi Annual Report

2008

Approved by:

David Mergen
U.S. Embassy

Prepared by:

Ken Joseph

Report Highlights:

Argentine beef exports continue to be estimated at 535,000 tons for 2008. Local traders will focus more on doing business with the EU after Brazil's export problems. Beef output and domestic consumption are expected to be quite similar to the previous year.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Buenos Aires [AR1]
[AR]

SECTION I. SITUATION AND OUTLOOK

Projected Argentine beef exports for 2008 remain unchanged at 535,000 tons, a similar volume to last year. The Argentine government (GOA) continues to monitor and control beef exports closely. In order to keep domestic inflation under control, the GOA keeps a well-supplied domestic market by limiting exports whenever needed. Beef exports are also taxed 15 percent.

On the last day of 2007, the government, extended resolution 935/06 until the end of March 2008, by which beef exports cannot exceed half of the volume exported in 2005. Under this resolution, around 40,000 tons (carcass weight equivalent) per month are allowed to be shipped. The Hilton quota, of 29,000 tons, is excluded from the export quota.

Producers are retaining their cattle and sending fewer animals to the market because they want to increase their weight (the summer has been quite dry, but some recent showers have improved the condition of pastures). Producers also anticipate higher prices for cattle because the price of most consumer goods in Argentina are increasing and since Brazil is limited in its exports to the EU. The limited cattle supply has resulted in higher cattle and beef prices. The government has recently told slaughter plants that in March they will be allowed to export only 24,000 tons, reportedly 40 percent less than what had been agreed. The government regulates beef exports through the Registry of Export Operations (ROE), by which exporters need to apply for an export permit. If beef supply is short, the ROEs are delayed. Most local analysts project that cattle supply will be short until mid-year. In the second half of 2008 supply is expected to increase significantly, when most large feedlots begin to market their fed cattle. What is not exported in these coming months, most likely will be shipped during the last quarter, as long as the supply is sufficient and prices are reasonably even, so we do not expect this restriction to affect our estimate for total exports in 2008.

Export prices in Argentina jumped significantly after the announcement of the EU shutting down beef imports from Brazil. Hilton quota prices increased over \$3,000 per ton, reaching \$17-18,000 per ton, a record. With this in mind, traders foresee that larger volumes will be directed to the EU, where prices are very attractive. However, there are many local export plants which are not eligible to export to that market, and will continue to ship to other markets such as the Russian Federation, Chile, and Venezuela.

In February 2008, the governments of Argentina and Venezuela announced an agreement by which the countries will exchange food for energy. Among several food products, Argentina will export 1,000 tons of beef per month.

Local meat packers and analysts estimate that cattle slaughter will be somewhat lower than last year's record level. However, the average carcass weight is expected to bounce back to some extent primarily driven by the government's requirement to increase minimum live weight for slaughter. In order to produce more beef per animal, especially from feedlots, where light heifers and young steers account for the vast majority, a minimum live slaughter weight of 260 kilos was established by the government in 2005. It was then increased to 280 in 2006, but due to market conditions and short supplies, the GOA brought it down to 240 kilos in 2007. In April 2008, the minimum weight will be reset at 260 kilos and will be increased to 280 kilos by the end of the year. A shrinking area of pastures due to strong crop production, low profitability, government price restrictions, and limited exports are discouraging the finishing of heavier cattle. The government is also subsidizing feedlots to feed more cattle for local consumption, which tends to be marketed lighter than the average.

Feeder cattle prices are approximately US\$1 per live kilo for male calves. This price is unattractive as returns are very thin. With a significant reduction of pasture availability and therefore a decreased demand from traditional pasture-based feeders, feedlots will set the price for a large share of the calf crop based on their feeding costs.

Feedlot occupancy is currently at record highs (double the historic level for summer months), thanks to the subsidy provided by the government for beef production for the domestic market and widespread use of feedlots by beef export plants. One year ago, the GOA implemented a cross-subsidy scheme by which local users of feed (primarily corn and soybeans) would receive economic support funded by increased taxes on soybean exports. Producers of poultry, milk, pork, and feedlots receive this help. In the case of cattle, registered feedlots are receiving approximately US\$85 per head, in a 90-day cycle for cattle fed exclusively for the domestic market. Through February 2008, the government had spent approximately \$14 million supporting beef output. There are discussions to extend the feeding support program to cattle produced for the export market as well. Cattlemen, who feed high-energy rations to their cattle at the ranch, also want the government to include them under the support program.

With production and consumption levels for 2008 expected to be similar to 2007, export surpluses are expected to remain quite similar to 2007. Domestic beef consumption is likely to continue to be high in 2008, at about 66 kilos per capita. This is because beef prices are inexpensive relative to other food products, higher purchasing power and a well supplied market (due to limited exports).

Until two years ago, practically all slaughter plants were of local capital. Since then, foreign beef companies have purchased most of the best and biggest local slaughter plants. Brazilian companies have been very active, while U.S. companies, at a smaller extent, have also purchased plants. Some 20 plants are now in foreign hands, and more acquisitions are expected in the near future, but at a slower pace. The new owners are investing in expanding capacity and improving efficiency.

The GOA recently presented a bill to reorder the local beef processing and commercialization system. The different provinces will analyze the proposal in order to reach a federal agreement. The focus of the proposal will be on sanitary aspects of slaughter, elaboration and warehouses.

Apart from the subsidy for feedlots, the government also helped small and medium cow-calf operations who sold their weaning calves last year at very low prices because of market conditions. Some contacts indicate that this program will also be implemented in 2008. Most players agree that the best strategy to overcome a shortage situation is to encourage production. The government announced a cattle plan last year, but so far, its implementation is very slow and has had little impact.

After 25 years, Argentina has shipped pork to Georgia. Argentine pork production has a very good sanitary status. Argentina currently imports approximately 50 percent of its pork needs (primarily used in the cold cut industry). A local company, owned by foreign investors, has recently announced a US\$500 million investment in pork production. The 5-year investment includes the production of 50,000 sows, a slaughter and processing plant for export and a balanced feed plant.

SECTION II. STATISTICAL TABLES

PSD Table									
Country	Argentina								
Commodity	Meat, Beef and Veal						(1000 HEAD)(1000 MT CWE)(F		
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008
Slaughter (Reference)	13800	13800	13800	14600	14500	14800	14400	14300	14400
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	3100	3100	3100	3175	3150	3200	3125	3100	3170
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	5	6	5	5	5	4	5	5	5
Total Imports	5	6	5	5	5	4	5	5	5
Total Supply	3105	3106	3105	3180	3155	3204	3130	3105	3175
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	552	556	552	525	470	538	535	480	535
Total Exports	552	556	552	525	470	538	535	480	535
Human Dom. Consumption	2553	2550	2553	2655	2685	2666	2595	2625	2640
Other Use, Losses	0	0	0	0	0	0	0	0	0
Total Dom. Consumption	2553	2550	2553	2655	2685	2666	2595	2625	2640
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	3105	3106	3105	3180	3155	3204	3130	3105	3175

PSD Table									
Country	Argentina								
Commodity	Animal Numbers, Cattle						(1000 HEAD)(PERCENT)		
	2006	Revised	Post	2007	Estimate	Post	2008	Forecast	Post
	USDA	Post	Estimate	USDA	Post	Estimate	USDA	Post	Estimate
	Official	Estimate	New	Official	Estimate	New	Official	Estimate	New
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008
Total Cattle Beg. Stks	50166	50166	50166	51164	51164	51164	51261	51261	51062
Dairy Cows Beg. Stocks	2200	2200	2200	2200	2200	2200	2200	2200	2200
Beef Cows Beg. Stocks	21000	21000	21000	21000	21000	21000	20800	20800	20800
Production (Calf Crop)	15500	15500	15500	15400	15300	15400	15400	15300	15200
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0	0	0	0
Total Supply	65666	65666	65666	66564	66464	66564	66661	66561	66262
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	2	2	2	3	3	2	4	4	4
Total Exports	2	2	2	3	3	2	4	4	4
Cow Slaughter	4700	4700	4700	5000	4900	5100	5000	4900	5000
Calf Slaughter	1300	1300	1300	2400	2400	2700	2600	2600	2800
Other Slaughter	7800	7800	7800	7200	7200	7000	6800	6800	6600
Total Slaughter	13800	13800	13800	14600	14500	14800	14400	14300	14400
Loss	700	700	700	700	700	700	700	700	700
Ending Inventories	51164	51164	51164	51261	51261	51062	51557	51557	51158
Total Distribution	65666	65666	65666	66564	66464	66564	66661	66561	66262