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Prepared By: Kenneth Joseph

Approved By: Benjamin Boroughs

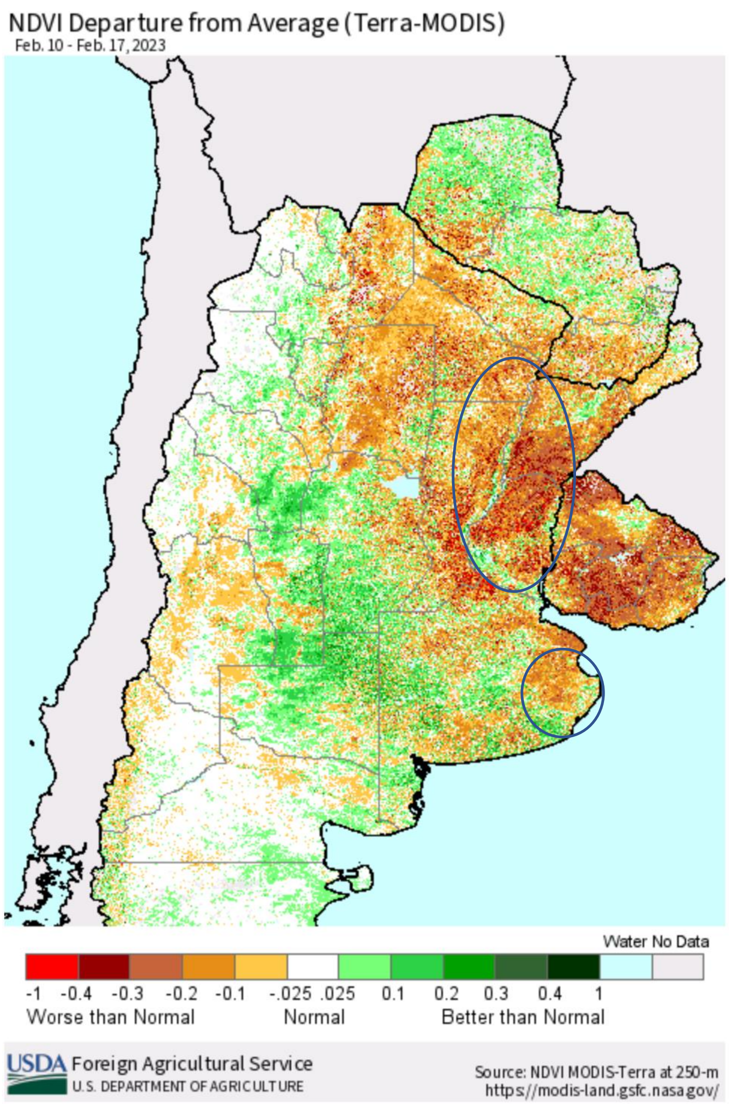
Report Highlights:

After three years of dry weather conditions which have challenged the Argentine beef cattle industry, Post estimates that Argentine cattle slaughter and beef production will both drop in 2023, in line with official USDA estimates. If weather conditions begin to normalize in March and April with the end of the La Nina climate pattern, improvements in pasture conditions could permit producers to retain more cattle, potentially leading to higher prices. A reduction in beef output will be reduce both domestic consumption and exports relative to 2022. Post raises its 2023 export estimate to 780,000 tons carcass weight equivalent (CWE), marginally higher than the official USDA number, but 45,000 tons CWE lower than in 2022. China is expected to continue to be the main destination of Argentine beef, accounting for approximately 75 percent of the total.

Production

Post estimates that cattle slaughter and beef production for marketing year (MY) 2023 will remain practically the same as the official USDA numbers, at 13 million head and 3 million tons carcass weight equivalent (CWE) respectively. The slaughter in the first few weeks of 2023 was high, driven by producer selling due to the poor condition of pastures and high costs due to dry conditions in most of Argentina’s cattle production areas. This continues a trend over the last two years, where dry weather has led to forage shortages and higher feed costs. As a result, producers have been forced to sell a larger proportion of their herd and sell animals at a younger age than they would have chosen if there were more plentiful supplies of feed and forage. A normalization of rainfall patterns in March and April 2023 (as forecast by many local analysts) could help producers retain more of their cattle and could lead to higher cattle prices.

<u>Figure 1: Vegetative Health Compared to Average</u>



Source: FAS IPAD Crop Explorer: NDVI MODIS Terra at 250-m, circles indicating severely affected pasture area added by FAS Buenos Aires

Argentina is in the third consecutive year of a La Niña weather pattern, which normally leads to dry conditions in most of the country. Roughly half of Argentina's pasture area is under poor conditions due to drought. In the map shown in Figure 1, circled are major cow-calf productions areas which are suffering severe degradation in pasture conditions and production challenges.

The calf crop (calves born during June-October 2023) is projected to be significantly lower than the previous years because of poor pasture conditions. Although it is too early to estimate, most analysts predict that pregnancy rates will be lower, despite having a "younger" herd of cows. In the past few years, cattlemen have sent to market a large number of cull-cows taking advantage of high prices paid by beef exporters serving the Chinese market.

Calves which will be weaned in autumn 2023 will be large in number but most likely lighter than normal. Many cow-calf operations used early-weaning, where cows are taken out their calves much earlier than normal in order to have them recover their body condition for the next service season. Good returns in the past several years in cow-calf operations have made producers invest and incorporate more technology and better management practices which most likely will show results in years to come, as long as weather conditions normalize.

Despite the severe drought, there are no significant cattle losses reported so far. However, losses will definitively be somewhat larger than normal, estimated at 1.25 million head in 2023.

Based on preliminary information provided by contacts, the official number of calves born in 2022 will be close to 14.4 million head, 500,000 head more than earlier projected. The main reason behind this number is the more efficient production and a more productive herd. A higher calf crop results in a larger total herd, estimated at 53.1 million head by December 2022.

Crops have also suffered significant cuts in production because of the three-year-long drought. Wheat and barley output in MY 2022-2023 dropped by 30 to 40 percent, while summer crops, mainly corn and soybeans which will be harvested in March-July 2023, are also expected to suffer significant losses. An unusual early frost in mid-February has magnified the damages in several production areas. Despite reduced production, there should be enough corn available to meet the demand of the local livestock sector. Feedlots in general have a high occupancy due to the poor conditions of pastures which forces many producers to send their cattle to feed yards. However, despite these large volumes the feedlot business per se continues to have slim or negative returns, primarily due to high prices of feeder cattle and corn. Fed cattle prices increased significantly in the first few weeks of 2023, but are still 25 percent behind the inflation of the past 12 months which was close to 100 percent.

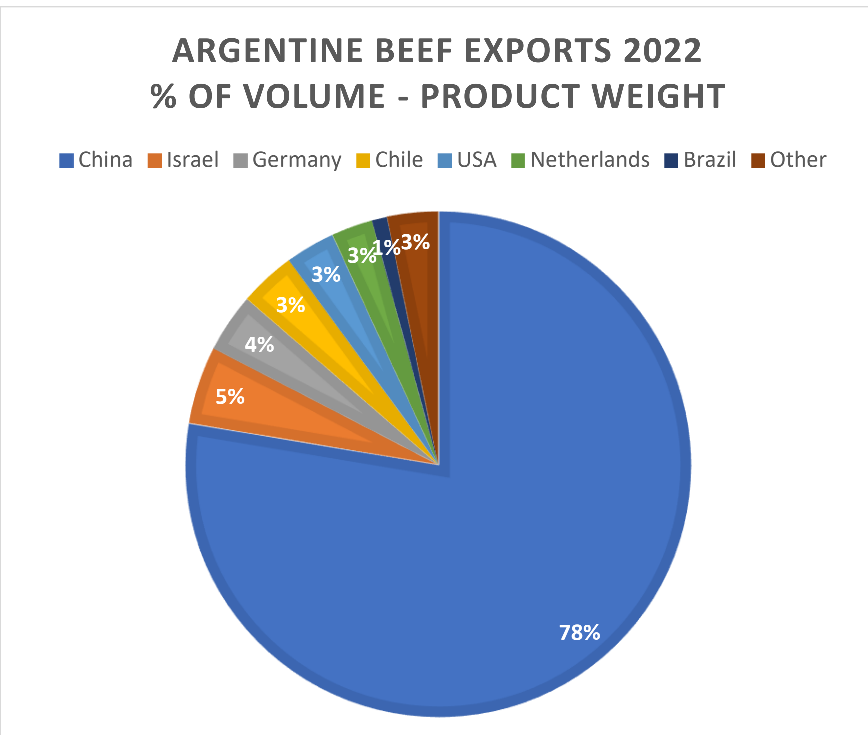
Trade

Argentine beef exports for 2023 are now projected at 780,000 tons CWE, marginally higher than the official USDA number and Post's previous estimate, but still 45,000 tons CWE lower than total exports in 2022. Beef traders report that FOB prices to China and the EU have lately increased, which could allow some additional shipments. However, growth will be limited by the same export restrictions which Argentina had in place in 2022.

Industry contacts doubt that Argentina will be able to capitalize to any great degree on any commercial opportunities provided by the recent detection of BSE in Brazil. If Brazilian exports to China and other markets are closed for several weeks, this would lead Argentina to ship some additional tonnage, but not significant volumes. 2023 is a presidential election year, and the price of beef is politically sensitive in Argentina. Because Argentine beef production is estimated to be flat in the coming year, any increase in exports would directly compete with domestic consumption, which could lead to higher domestic prices. The industry believes that the Argentine government will continue closely monitoring prices and would likely intervene in the export market to slow the outflow of Argentine beef.

As in the past few years, China is expected to account for approximately 75 percent of total exports, measured in volume, while the remainder will be shipped to the EU, Israel, and the United States. While the average FOB (free on board) price to China in 2022 was 16.5 percent higher than in 2021, this figure masks a significant decline in prices (39 percent) that occurred in the second half of 2022 and continues into the present time.

Figure 2: Argentine Beef Exports by Destination for 2022



Source: INDEC: Argentina National Institute for Statistics and the Census

Domestic Consumption

Beef consumption in 2023 is forecast at 2.22 million tons, CWE, the same as the official USDA number. A lower beef output is expected to negatively affect export volumes and domestic consumption in similar proportions. Per capita beef consumption is estimated at 48 kilograms

(KG), 2 KG lower than in 2022. High inflation in the Argentine economy (approaching 100 percent annually) has challenged household budgets. To economize, Argentine consumers have been purchasing smaller quantities of beef and are generally shifting to less expensive foods of all kinds. Butchers and meat packers indicate that demand is weak.

Table 1: Production, Supply, and Distribution for Cattle

Animal Numbers, Cattle	2021		2022		2023	
Market Year Begins	Jan 2021		Jan 2022		Jan 2023	
Argentina	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks (1000 HEAD)	53540	53540	53400	53400	52770	53120
Dairy Cows Beg. Stocks (1000 HEAD)	1560	1560	1540	1640	1540	1640
Beef Cows Beg. Stocks (1000 HEAD)	21340	21340	21050	21050	20950	20950
Production (Calf Crop) (1000 HEAD)	14460	14460	13900	14400	13700	13700
Total Imports (1000 HEAD)	0	0	0	0	0	0
Total Supply (1000 HEAD)	68000	68000	67300	67800	66470	66820
Total Exports (1000 HEAD)	0	0	0	0	0	0
Cow Slaughter (1000 HEAD)	5800	5800	6000	6100	5800	5900
Calf Slaughter (1000 HEAD)	0	0	0	0	0	0
Other Slaughter (1000 HEAD)	7200	7200	7350	7400	7150	7100
Total Slaughter (1000 HEAD)	13000	13000	13350	13500	12950	13000
Loss and Residual (1000 HEAD)	1600	1600	1180	1180	1100	1250
Ending Inventories (1000 HEAD)	53400	53400	52770	53120	52420	52570
Total Distribution (1000 HEAD)	68000	68000	67300	67800	66470	66820
(1000 HEAD)						