

RECENT TRENDS IN THE ARGENTINE

BEEF CATTLE SITUATION

by

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With the fall of wool prices in New Zealand, and subsequent devaluation of the New Zealand dollar, the level of beef prices to farmers has improved considerably relative to wool and sheep meat prices. If the New Zealand farmer produces greater quantities of beef in the future, will he be able to sell it on world markets? At present, quotas on imports into the United States are full, and alternative markets are being explored. Our main competitors in England and Europe are Australia and the Argentine. Can these countries supply the import needs of Europe or is there a place for New Zealand? This paper examines the future export supply position for the Argentine. It is concluded that great increases in beef supplies from this quarter cannot be expected in the next few years, although in the long run a restoration of internal stability in the Argentine could make a large difference to the world beef trading situation.

This report brings up to date Agricultural Economics Research Unit Publication No. 28 "A Review of the Argentine Beef Cattle Situation" (1966). The same material is presented in table form and comments made on prospects for the near future. The material is mainly gathered from secondary sources and some caution is necessary in its interpretation. This is indicated where necessary.

In Publication No. 28, beef breeding trends in the Argentine, slaughtering levels, consumption levels, and resulting export levels for beef were examined for the post-war period up to the end of 1965. After examining the material available it was postulated that there was a definite beef cycle in the Argentine with marked increases of slaughtering when drought conditions were bad, followed by recovery periods when the national herd built up and slaughterings were at much reduced levels. Exports tended to follow the level of slaughtering, but were possibly more liable to fluctuation as the Argentine people insisted on a high and continuing level of beef consumption throughout the phases of the beef cycle. In 1964 and 1965, the Government had sought to maintain exports, among other things, by the imposition of two "beefless days" per week. These measures were quite successful in this objective. The report concluded with a fairly optimistic forecast of increased beef supplies on world markets of up to 40 per cent from the Argentine in the period from 1966 to 1969. The present report now brings this forecast up to date and examines future trends in Argentine beef supplies in the light of present knowledge.

The National Herd

Recent estimates of cattle stocks for the Argentine are shown in Table I. It is not entirely clear how the Secretariat of Agriculture arrived at its earlier estimates (graphed on p.5 of Publication No.28), but the Review of the River Plate (Dec.30 1967) notes that estimates obtained by the Secretariat from 1960 onwards failed to satisfy its own

technical advisers and the 1964 estimates were never published at all.

TABLE I

Recent Estimates of Cattle Stocks - Argentine

<u>Year</u>	<u>Month</u>	<u>Cattle Stock</u>	<u>Source</u>
1956	June	46.940 m.	Secretariat of Agr. Est.
1960	June	43.508	National Census
1961	June	43.164	Secretariat of Agr. Est.
1962	June	43.224	" " " "
1963	June	41.227	" " " "
1965	Sept.	51.413	Registration of Producers for Sample
1967	March	54.869	Secretariat Sample Survey
1967	June	51.227	" " "
1967	Aug.	48.801	Servicio de Luchas Sanitarias (SELSA)

Source: Review of River Plate, Dec. 30, 1967, March 22 1968.

In 1965, a full registration of all cattle owners was undertaken, with considerable follow-up of evaders and doubtful cases, so that the 1965 total could be considered a considerably better estimate than that obtained in the National Census in 1960. In 1967 a sample survey, based on the registration enumeration, was initiated, to be collected quarterly. By this means, the June 1967 figure is the first reliable estimate of cattle stocks at mid winter. The number of cattle vaccinated by SELSA is still somewhat less than the sample estimate, but is for the month of August, and may reflect a further decline in the national herd before calving begins.

There is thus some reasonable certitude that the national herd has been building up since the heavy slaughterings of the drought period in 1962 and 1963. The Secretariat states the new procedure resulted in a 10 per cent increase in numbers over previous estimates. Thus deducting 10 per cent from 51.2 million for June 1967 gives about 47 million which is at least equal to the estimate of stock in the previous peak year of 1956 (Review of River Plate Mar. 22 1968).

TABLE II

Recent Trends in Cattle Slaughter - Argentine
(thousands)

<u>Year</u>	<u>Reported</u> <u>Marketings</u> (1)	<u>Purchases</u> <u>by Firms</u> (2)	<u>Other</u> <u>Slaughter</u> (3)	<u>Total</u> (4)
1963	4464.7	1526.8	7210	13200
1964	2814.6	1120.6	5560	9500
1965	3198.1	815.9	5190	9200
1966	4154.8	776.2	6370	11300
1967	4264.5	868.2	7370	12500

Sources: (1) (2) Commonwealth Secretariat, Intelligence Bulletin and Meat & Dairy Produce Bulletin,

(3) by difference,

(4) First National Bank of Boston, The Situation in Argentina, Supplement for January 1968.

Numbers Slaughtered

Data for various details of cattle slaughtering in the Argentine for the last five years are shown in Table II. The record slaughterings of 1963 have not been repeated in this period and the estimated proportion of the total herd being slaughtered (or exported live) has varied from 20 to 24 per cent - a reasonable proportion according to the Review of the River Plate.

The big Liniers market at Buenos Aires continues to dominate the selling of live cattle in the Argentine and reported marketings through it fluctuated from 29 per cent to 36 per cent of total slaughter (including live exports). Direct buying by the refrigerating companies declined from 11.5 per cent to 6.9 per cent in line with the general trend away from exports to internal consumption. The proportion of sales through other terminal markets and local slaughter houses rose from 54 per cent to 59 per cent of the total. Clearly, this portion of the estimate of total disposals is the most subject to error, which is unfortunate since the dynamic part of the demand for meat in the Argentine lies in local consumption. Apparently, an extra million head, or a 15 per cent increase, were consumed locally in 1967 compared with 1966. Reported marketings through the Liniers market and the refrigerating companies increased by 200,000 in 1967.

TABLE III

Recent Trends in Production and Consumption
of Beef in the Argentine
(Thousand tons)

<u>Year</u>	<u>Production</u>	<u>Consumption</u>	<u>Consumption/Production</u>
1962	2341 (a)	1805 (b)	77.0 per cent
1963	2564 (a)	1658 (b)	64.5
1964	1987 (a)	1400 (a)	70.4
1965	2055 (a)	1500 (a)	72.8
1966	2611 (a)	2000 (a)	76.5

Sources: (a) Bureau of Agricultural Economics, Canberra, The Beef Situation, March 1968.

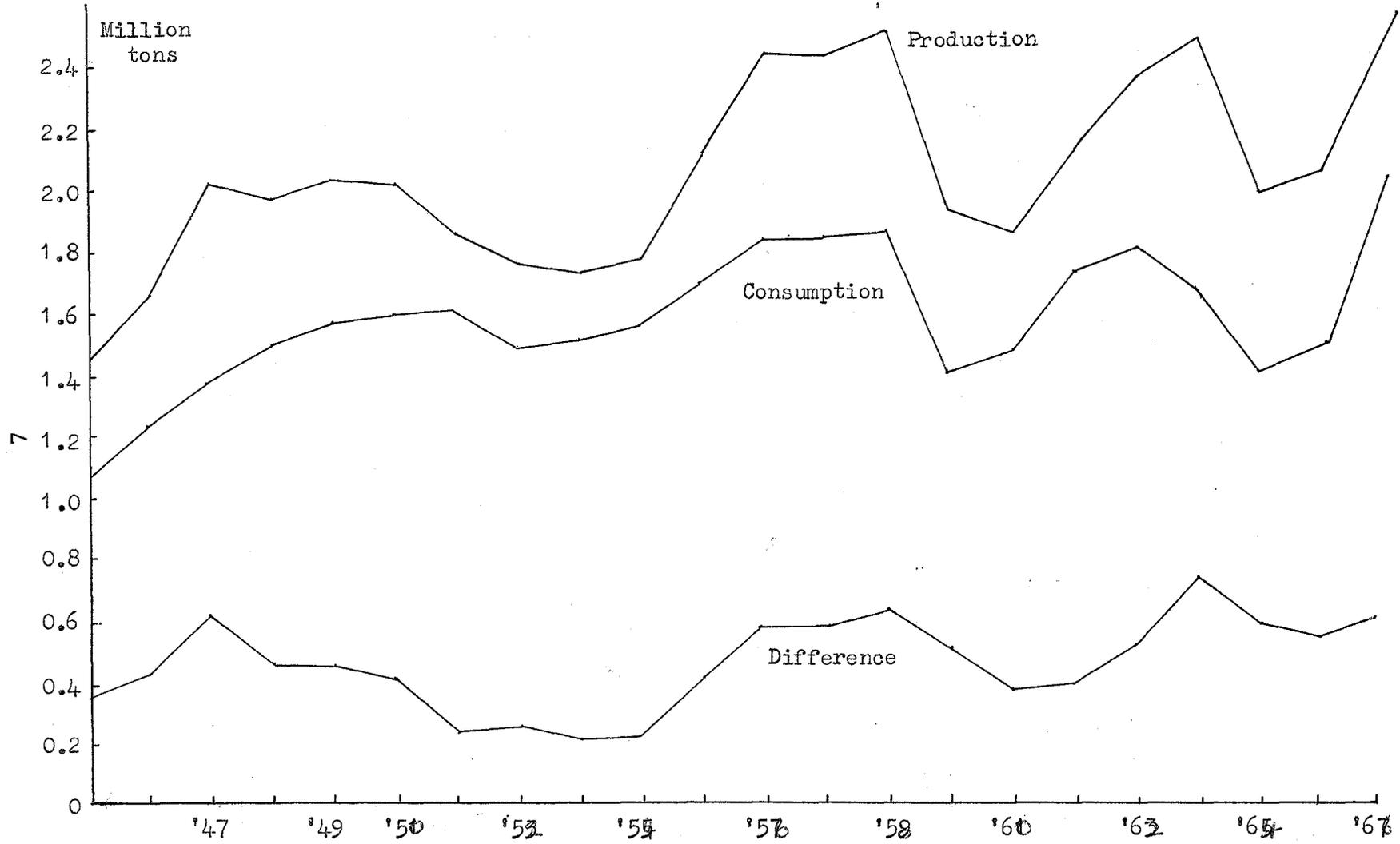
(b) Commonwealth Secretariat, Meat Review, 1964.

Production and Consumption

Trends in production and consumption of beef are shown in Table III. This data is from Commonwealth Secretariat calculations and differs slightly from the National Meat Board data always printed in the Review of the River Plate. Broad trends are the same, however. Consumption has continued to fluctuate as a proportion of total production from 64 per cent to 77 per cent.

The pattern of production is shown in Figure 1 and has followed quite closely the cycle shown so clearly in Figure 4 of Publication No. 28. The sharp decline in 1964 followed a similar one in 1959 and the recovery through 1965 and 1966 follows that of 1960 and 1961. Furthermore, consumption has closely followed the production pattern as in previous years.

Figure 1. Production, Consumption and Exports, 1945-1966



and the balance remaining for export has continued to stay remarkably constant.

Preliminary data for 1967 and early 1968 show a further increase in production and a decline in exports, so that 1968 is very likely to find a record proportion of production passing into local consumption. Details of decrees on "beefless days" and other measures to encourage exports are discussed below.

Classes of Stock Slaughtered

The classes of stock sold through Liniers and slaughtered from direct purchases by the refrigerating companies are shown in Table IV for the period 1962-1967.

TABLE IV

Reported Slaughtering of Classes of Stock
(Liniers & direct purchases)

(Thousands of head)

<u>Year</u>	<u>Steers</u>	<u>Bullocks</u>	<u>Cows</u>	<u>Heifers</u>	<u>Calves</u>	<u>Other</u>	<u>Total</u>
1962	2094	909	987	872	567	169	5597
1963	2737	663	1008	924	477	174	5983
1964	2418	367	484	362	158	141	3933
1965	2426	526	465	340	147	118	4025
1966	2347	718	807	637	280	144	4934
1967	2281	744	899	665	372	172	5133

Source: Commonwealth Secretariat, Intelligence Bulletins and Meat & Dairy Produce Bulletins.

As already noted, reported slaughter figures were only up 200,000 in 1967, as compared with an increase of one million estimated other slaughterings. In Publication No.28, the class breakdown of total slaughter was given in Figure 5b;

the continuation of these series could not be located for this revision. With the high proportion of stock consumed locally, trends shown in reported stock sales and slaughter are getting less and less useful. In the years shown in Table IV, no marked trend in the disposal of female stock is evident, but this may be very little guide to the sex composition of total national slaughterings and disposals. It is thus more difficult to be able to predict future changes in the national herd from the data available.

Quarterly Slaughterings

Quarterly changes in stock entering the reported markets are shown in Figure 2. This is a continuation of Figure 6, p.17, in Publication No.28. The data is obtained from the monthly returns of marketed livestock in The Meat & Dairy Produce Bulletin. The qualifications expressed above with regard to the large proportion of slaughtered stock that is unrecorded also apply here.

The marked seasonal pattern of marketing of cows and heifers has continued in recent years. There was a slight rise above average disposal of cows in the second quarter of 1967 which caused some alarm in beef circles in the Argentine (Review of River Plate, Aug 31 1967) but probably reflects increased disposals from a period of herd build-up. It is hard to explain seasonal variations in the marketing of steers from this distance - the second quarter was the peak period throughout the fifties but since 1962 new influences seem to be at work which could be related to export demand.

Figure 2. Quarterly Slaughtering 1960-68

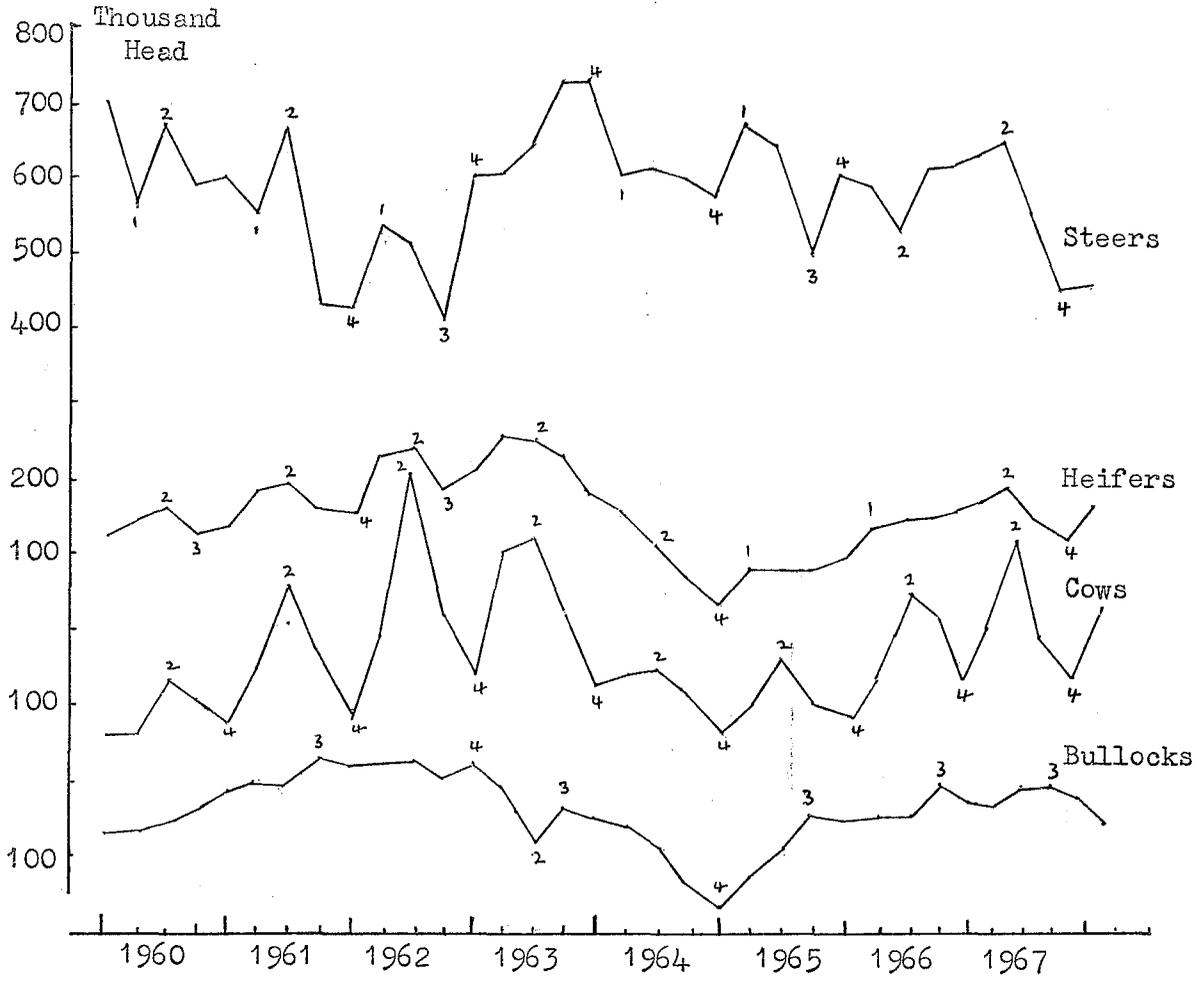


TABLE VTrends in Beef Exports - Argentine

	<u>Frozen (tons)</u>	<u>Chilled</u>
1962	191414	197678
1963	264342	262421
1964	228275	162695
1965	173837	133451
1966	236794	138408
1967	232471	113503
1966 Jan-June	111354	67248
1967 Jan-June	150934	72411
1968 Jan-June	90106	12118

Source: Review of River Plate Jan 31 1968, Aug 12 1968.

TABLE VIDestination of Beef Exports - Argentine
(thousand tons)

<u>Country</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
United Kingdom	139.9	107.1	119.3	95.9
EEC				
Italy	103.8	61.0	56.0	68.6
France	17.5	10.6	9.1	13.5
W. Germany	48.2	38.5	24.7	14.3
Netherlands	20.5	19.0	31.5	51.3
Belgium	15.4	8.0	9.8	7.3
Total	<u>205.4</u>	<u>137.1</u>	<u>131.1</u>	<u>155.0</u>
Greece	5.0	3.5	8.0	NA
Spain	1.4	46.6	52.6	48.9
Switzerland	12.5	4.2	5.1	3.5
Czechoslovakia	-	-	-	NA
Chile	8.5	10.6	14.4	NA
Others	44.8	40.9	64.3	37.2
Grand Total	<u>417.5</u>	<u>350.0</u>	<u>394.8</u>	<u>340.5</u>

Source: Commonwealth Secretariat, Meat & Dairy Produce Bulletin, March 1968.

Exports

Trends in frozen and chilled beef exports are shown in Table V and the destinations of carcass exports are shown in Table VI. The data are from different sources and do not exactly agree. After a record export year in 1963, exports declined through 1964 and 1965, recovered a bit in 1966 and fell back again in 1967. As already pointed out production was high in 1963 and again in 1966, but most of the increase was absorbed by local consumption.

The level of trade in frozen meat has remained fairly steady over the last six years, at 200-260 thousand tons but chilled beef exports have been steadily declining in the same period. Latest figures to hand show that by May 31st 1968 frozen exports are lagging behind 1966 levels while chilled exports have tapered off almost completely. The general decline has been caused by the outbreak of foot and mouth disease in the U.K., and since the ban on U.K. imports was lifted on April 15, by Argentine's unwillingness to consign meat to Smithfield without reserve.

The import of mainly chilled beef into the U.K. has remained fairly steady, although 1967 dropped back a little. Exports to the U.K. for 1968, when available, will undoubtedly be very low indeed. The Common Market is taking a steady proportion of the remainder of exports, although not quantities approaching 1963-64 levels. As mentioned below, Spain has been an important customer in recent years, but difficulties over reciprocal trade have set in even here in the first half of 1968.

Policy

Publication No. 28 pp.21-26, discusses policy measures in the period 1963-65, and leaves off where the Government had imposed "beefless days" on Fridays and Saturdays, decreed that certain weights of steers should be reserved for export only, and that tax concessions could be claimed by growers on exportable steers. The Peso had been devalued on April 19, 1965, from 151 pesos to the U.S. dollar to 172 pesos. On November 1st 1965, the stipulation on certain weights of steers being for export only was lifted. With devaluation, an export retention tax of 9.5 per cent had been placed on meat exports.

During the early part of 1966, supplies were thought to be adequate, and on August 24th, the two "beefless days" were abolished - the marked rise in consumption in 1967 can be seen in Table III. The Illia government was replaced in June by a new Party headed by Lt. General Ongania and some relaxation of earlier controls and restrictions was expected (Review of River Plate, June 30 1966, p.486).

Inflation was a continuing problem throughout 1966 and most of 1967 and continual adjustments in exchange rates were required. From July 1965 to December 1965 the official buying rate rose from 175 pesos to the U.S. dollar to 188 pesos. On 30th May 1966 the Banco Central established buying and selling rates of 202 and 205 pesos respectively, and then on 9th August announced further devaluation of the Peso to 215 and 218 pesos to the U.S. dollar. The exchange market was closed on November 4th, and re-opened on November 9th with a policy of fluctuating exchange rates between 245 and 255 pesos to the U.S. dollar.

Apparently these small adjustments did not bring stability and a massive devaluation of 40 per cent was announced on 13th March 1967. The rate was set at 350 pesos to the U.S. dollar. It was officially announced that the new rate had been fixed at a level that would eliminate speculation on the possibility of further devaluation and allow the replacement of an unrealistic exchange system by one that will permit the free legal movement of funds and so stimulate foreign investment.¹ No further adjustments have in fact taken place.

Corresponding to exchange rate adjustments the Government continued to manipulate the export retention tax. In December 1965, the tax on beef exports was reduced from 9.5 per cent to 6 per cent. This was lowered to 3 per cent in April 1966. After the exchange adjustment of November 8 1966, all retentions on the exchange proceeds of meat exports were abolished. With the massive devaluation of March 1967, large tax retentions were re-imposed on exports in the form of export duties as follows:

Carcass Meat & Pedigree animals	25 per cent
Frozen beef in special cust	20 " "
By-products	16 " "
Cattle on hoof	10 " "

¹ Bank of London and South America Review, April 1967.

These were reduced to 18, 12, 8, 0 per cent respectively on 23rd October of the same year to improve the competitive position of these products on world markets.

In general, inflation and consequent wage awards seem to be the main reasons why internal demand for beef in the Argentine is so buoyant. The removal of meatless days was presumably a political gesture, even though re-imposition was considered in October 1967 when spring slaughter levels were extremely low. The refrigerating companies should of course benefit by devaluation, but the growing costs of their main raw material was continually being increased by wage increases etc., and the major benefit of the 1967 devaluation was withheld from them by export duties. In September 1967, export beef was sold at a theoretical exchange rate of 350 pesos, when internal payments to growers had to be reckoned at 262 pesos to the dollar. The export duties were slightly modified soon after this.

In April 1968 the industry representatives stated "Conditions in the year under review have been such that suppliers to the internal market have experienced no difficulty in passing on both the higher prices of livestock and their own higher costs of processing. This however was out of the question for the export trade on account of price fluctuations, exchange rulings and the incidence of the export tax" (Review of River Plate, April 22nd 1968).

Other difficulties in the period under review relate to the continuing difficulty of increasing the Argentine share of the meat market in the European Common Market, especially with the high import tax barrier that has to be

overcome. This is given as the principal reason why exports to EEC have not increased in recent years. Spain negotiated some large contracts in 1966 and 1967 but apparently found difficulty in renewing the contracts in early 1968. Finally, of course, the complete ban on shipments of Argentine meat into the U.K. from early December 1967 until April 15 1968 has completely altered the whole pattern of the export trade. It is not clear at the time of writing whether significant shipments to the U.K. have even yet been resumed.

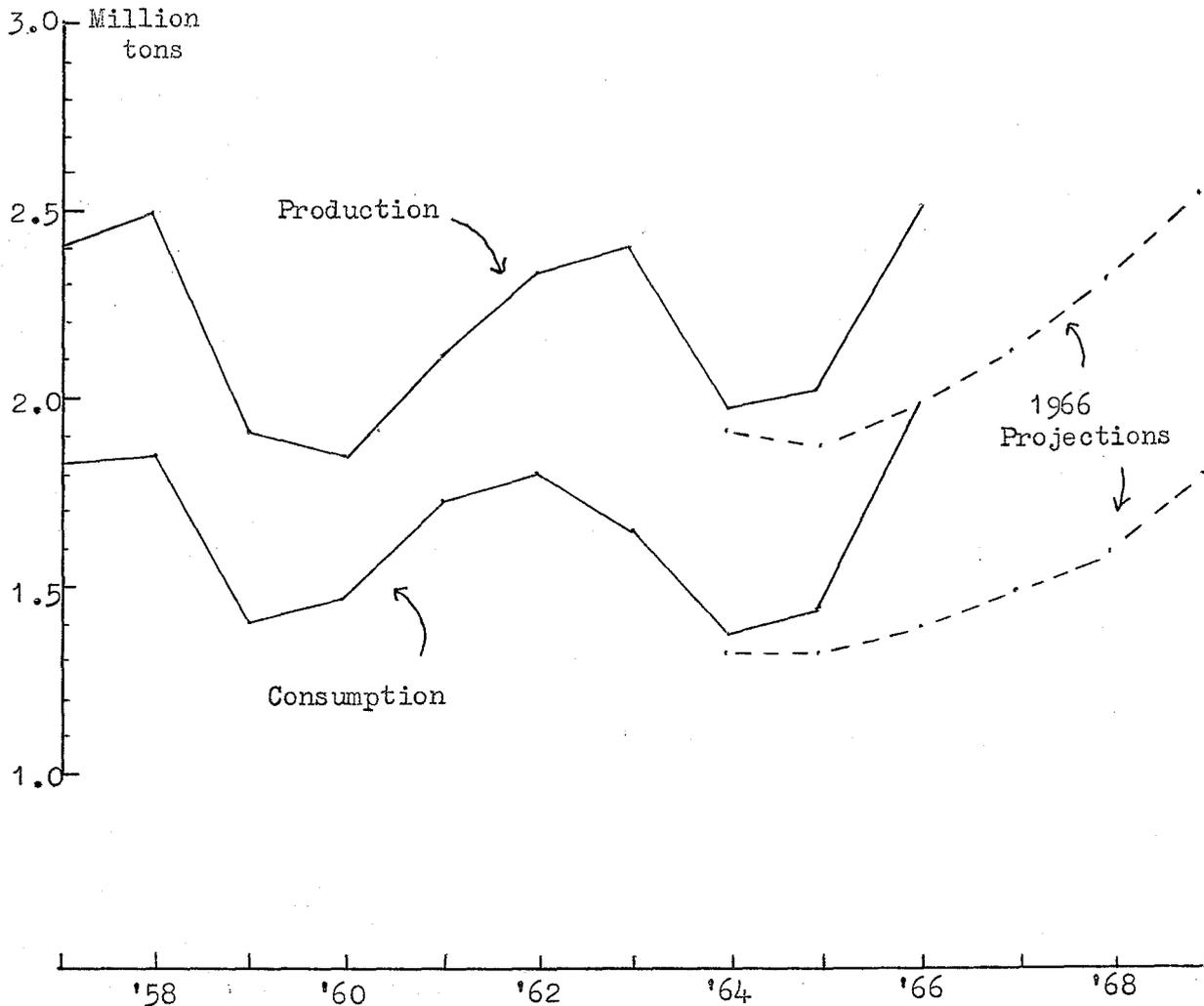
The Future

In Publication No. 28 we speculated that the Argentine national herd would increase through 1966 to 1969 and that exportable surpluses would increase by forty per cent over the same period. The basis of these predictions are shown in Figure 3. In fact production has increased even faster than the level predicted previously but the constraints on consumption have not continued as it was assumed they would. Therefore exports were no higher in 1967 than in 1965 and under the particular circumstances prevailing the prospects for 1968 are for decidedly less exports than in 1967.

The prospect for large exportable surpluses in the next five years depends very largely on the internal measures taken to restrain consumption of beef and encourage substitutes. A correspondent of the Economist reported most favourably on the increases producers could make in an article earlier this year;¹ if the potential is there, then political and

¹ The Economist, May 11th 1968, pp.67-70.

Figure 3. Projected Production and Consumption 1965-1969
as at March 1966.



Note: 1964 estimates were revised in 1967

economic conditions in the country must obviously be conducive to expansion before it will take place. But, at this distance, it seems that significant changes in the economic and social structure in the next few years are most unlikely.