

## Can Argentina become a beef exporting giant again?

Argentine agricultural reforms could help it regain some of its long-lost share in the global beef market, with increased investment in the sector and high availability of feed, Roberto Viton partner at agricultural advisory firm Valoral, told Agrimoney.

Valoral, which specialises in South American agribusiness investment, sees an upside for beef in the wake of Argentina's change in government.

But Mr Viton warned that the process was taking time, with farmers holding back to see how profit margins develop before expanding.

### **Change in regime**

The election of Argentina's new president Mauricio Macri at the end of last year ushered in a shake-up of the country's long moribund agriculture sector, with export taxes and quotas cut for a range of commodities, from corn, to beef, to soymeal.

In addition, the devaluation of the currency was supportive for exports, and farmer incomes.

Export taxes were retained, however, on soybeans.

### **From soy to corn**

This shift has prompted a small decrease in soybean sowings, and a big upgrade for corn (some 25%) this year.

"We see Argentina going to the international market with corn," said Mr Viton.

But exporters will have to contend with a glutted world market.

"The US has record corn production," Mr Viton said, while "China is starting to export corn".

"We are awash with corn," Mr Viton said.

"It's going to be interesting how Argentina is going to market this corn."

## **Higher feeding**

Instead, Mr Viton said that more grains might find their way to feed.

"An interesting development is that we would expect that in the country there would be more use of corn and soybean for animal feed," said Mr Viton.

Given the robust supplies of corn expected, and the continued heavy stocks of soybeans, Mr Viton said it "should be profitable to convert some of this product to beef and pork".

"There will be incremental surplus," he said, and "part of that surplus will be consumed locally".

As well as increasing corn and soybean feeding, Mr Viton also suggested that biodiesel and corn ethanol volumes could rise.

Argentina is a major net-importer of energy, and biofuels could help meet that balance, Mr Viton said.

## **Herd rebuilding... but little new investment**

"What we saw into the first half of this year was an increased retention of livestock by farmers, with the object of increasing the livestock herd over time," Mr Viton said.

Farmers were reacting to the removal of export taxes, quotas, and price controls from the domestic livestock market, as well as the weaker currency which supported exports.

But Mr Viton said although he had been expectations "a massive investment in livestock, a shift from crops to pasture," this was process was taking time.

"We are not seeing a sharp increase in investments in livestock," he said.

"From a profitability point of view, farmers continue to wait and see what is going to happen."

## **A story of patience**

Argentina has a long way to go if it is to recover lost markets from Brazil, Uruguay, and Paraguay, Mr Viton said. "Regaining those markets in terms of volumes, prices, quality, this will take time."

"It's amazing that Uruguay and Paraguay export more than Argentina," he noted.

But he said that as supplies rising, "it's very likely that supplies from Argentina will find a market".

"I would say the story of livestock is a story of patience," he said. "It's going in the right way."

### **Overseas investment**

And Mr Viton noted signs of investment from overseas.

"Middle East and Asian investors are moving to gain control the animal protein business [as the look for ways to] integrate the whole supply chain."

Mr Viton expected the trend of Asian investment to "continue in the next few years".

### **Winning back trust**

For overall agricultural sector prospects, Mr Viton said Argentina was convincing investors that the reforms were there for good.

"Much of the uncertainty has to do with the chance of government change... the chances that a new government will remove these policies," he said.

"We will need a good amount of time to convince the world that Argentina has changed for good."

*Roberto Valoral will be speaking at the [Agri Risk Forum](#), on November 29 and 30.*

\*\*\*\*\*