

Required Report: Required - Public Distribution

Date: June 16, 2022

Report Number: AR2022-0010

Report Name: Dairy and Products Semi-annual

Country: Argentina

Post: Buenos Aires

Report Category: Dairy and Products

Prepared By: Andrea Yankelevich

Approved By: Rachel Bickford

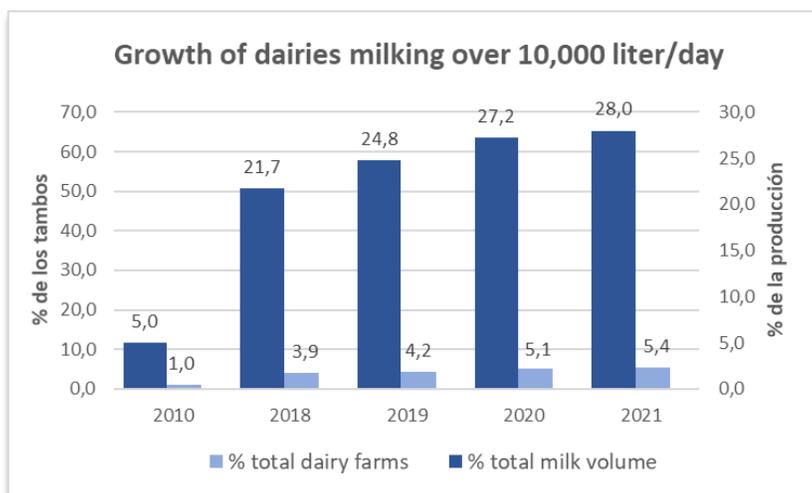
Report Highlights:

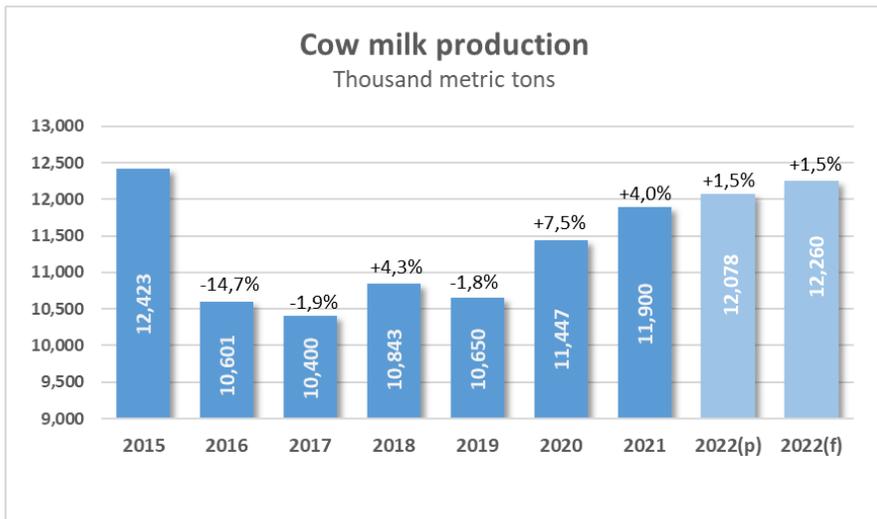
The prevailing extraordinary factors make it difficult to estimate exports for the rest of the year and the coming year. Other factors have been added to the recurrent volatility of the international dairy market. On the one hand, China needs milk, but has introduced confinement measures in its two largest cities, Beijing and Shanghai, the engines that drive much of the nation's economy, in an intransigent attempt to end the outbreaks of covid-19. On the other hand, the economic restrictions imposed on Russia complicate imports, since Russia is the second largest importer of dairy products in the world. The issue of containers is still in force, affecting mainly Europe (where the price of powdered milk had grown the most). In addition to all the impact of this on the increase of cereals, this added cost to primary milk production worldwide.

The prevailing extraordinary factors make it difficult to estimate exports for the rest of the year and the coming year. Other factors have been added to the recurrent volatility of the international dairy market. On the one hand, China needs milk, but has introduced confinement measures in its two largest cities, Beijing and Shanghai, the engines that drive much of the nation's economy, in an intransigent attempt to end the outbreaks of covid-19. On the other hand, the economic restrictions imposed on Russia complicate imports, since Russia is the second largest importer of dairy products in the world. The issue of containers is still in force, affecting mainly Europe (where the price of powdered milk had grown the most). In addition to all the impact of this on the increase of cereals, this added cost to primary milk production worldwide.

Fluid Milk : the most important thing is the number of cows . The last data SENASA had published was for March 2020 (which corresponds to spring 2019 vaccination). Applying the trend of 2019 over 2018 to estimate stocks for 2020 gave a little over 1,600,000 cows, and I used that estimate, but now SENASA published new data for December 2021 with a correction (I understand that they have cleaned some heads that were not dairy cows, as it is usual that in small farms that have mainly dairy activity, but there are also breeding cows, everything was left as dairy cows) and the number is still lower, which is what I wrote as NEW POST data for 2021. This does not affect production as it is not a real drop in cows but a purging of the cow stocking database. For 2022 and 2023 I estimate a growth of +1.5% per year with increasing influence of large dairy farms (+10,000 lt/day). The crisis unleashed in mid-2015 generated a strong depression in milk production in Argentina by generating a strong discard of cows in the dairy farms (the least productive, with reproductive problems, etc.) and a reduction in feeding levels, due to cost adjustments, which affected individual production.

Currently there has been a strong recovery in production per cow, but the lack of cows is felt, which means that even with good production after 6 years from the peak of 2015, production has not recovered to that level and it will take another 3 or 4 years to reach 2015. The increase of large dairy farms and technical improvements is the engine of current and expected production for 2023.





Source: Ing. Snyder

Dry Whole Milk Powder: In the first two months of the year there was less processing of whole milk powder (2) but we understand this is due to higher stocks, as shown in the following table where the sum of processed + stocks gives 84,898 tons versus 81,224 tons (3) in the first two months of 2021, stocks that decrease with the higher exports in March (8):

Dry whole Milk Powder	Jan-Feb 2021	Jan - Feb 2022
1. Initial Stocks (Feb)	20.329	26.642
2. Processing (Jan+Feb)	38.597	29.101
3. Stocks + Processing	58.926	55.743
4. Exports	28.386	29.325
5.Domestic Sales (Jan+ Feb)	9.401	7.269
6. End Stocks	21.139	19.149
7. Export March 2022	10.752	14.752
8. End Stock March	10.387	4.397

Dry whole Milk Powder: Processing is growing even with slightly higher stocks and lower exports. Perhaps this is due to one of the many factors at play (the war, the shutdown of China due to the outbreak of COVID and or the lack of the containers).

Non Fat Dry Milk Powder			
	Jan-Feb 2021	Jan - Feb 2022	
1. Initial Stocks (Feb)	5.692	6.362	
2. Processing (Jan+Feb)	7.550	8.405	11%
3. Stocks + Processing	13.242	14.767	
4. Exports	5.505	4.046	- 26%
5.Domestic Sales (Jan+ Feb)	2.621	3.203	22%
6. End Stocks	5.116	7.518	
7. Export March 2022	2.156	1.725	-20%
8. End Stock March	2.960	5.793	96%

Dairy, Cheese: In cheese production, it includes +20% of cheese produced by SMEs (small and medium companies) that are not included in the official Ministry of Agriculture’s registry. In 2022, between the war (Russia 2nd world importer) and the Chinese lockdown (China 1st world importer), the market was reduced. Hopefully by 2023 it will be normalized. Half of the Argentine milk goes to cheese and half of it is SME cheese, which are currently with good sales and low stocks.

Cheese			
	Jan-Feb 2021	Jan - Feb 2022	
1. Initial Stocks (Feb)	45.719	49.103	7%
2. Processing (Jan+Feb)	70.459	64.307	-9%
3. Stocks + Processing	116.178	113.410	-2%
4. Exports	25.576	23.069	- 10%
5.Domestic Sales (Jan+ Feb)	56.696	55.285	-2%
6. End Stocks	33.906	35.056	
7. Export March 2022	10.630	6.601	-38%
8. End Stock March	23.275	28.455	22%

Dairy, Milk, Nonfat Dry Market Begin Year	2022				2023			
	Argentina	New Post	Jan 2022		Jan 2023			
			USDA Official	Old Post	New Post	USDA Official	Old Post	
								(Units)
Total Imports	0	0	0	0	0	0	0	(1000 MT)
Total Supply	64	71	68	69	0	0	79	(1000 MT)
Other Exports	26	30	30	22	0	0	24	(1000 MT)
Total Exports	26	30	30	22	0	0	24	(1000 MT)
Human Dom. Consumpt	29	28	23	29	0	0	30	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumptio	29	28	23	29	0	0	30	(1000 MT)
Total Use	55	58	53	51	0	0	54	(1000 MT)
Ending Stocks	9	13	15	18	0	0	25	(1000 MT)
Total Distribution	64	71	68	69	0	0	79	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	0	(1000 MT)
CY. Exp. to U.S.	0	0	0	0	0	0	0	(1000 MT)
TS=TD	0	0	0	0	0	0	0	
Post Notes								

Attachments:

No Attachments