SANTA FE GLOBAL

INVEST IN SANTA FE

BOVINE DAIRY

SANTA FE

INTRODUCTION

In the agricultural sector of Santa Fe, agricultural, dairy and meat production have a strong and leading role. Of the 13,300,000 hectares that make up the territory, 26% are of net capacity for agricultural use, 32.4% have livestock-agricultural aptitude, 31.5% are exclusively for livestock and 10% can be considered as an under-used area from the agricultural-livestock vision. (INTA, 2011).
It is possible to differentiate three physiographic regions in the province: The **southern region** is basically agricultural because it has a favorable climate and very good soil for crops. The **northern region** has breeding livestock as a basic activity in natural field areas following the rearing and wintering activities. Agriculture in this region is secondary, such as the cultivation of cotton and sunflower. The **central region** is mixed as dairy and wintering cattle coexist with agriculture.

Historically, the dairy chain allocated less than 10% of its production to the foreign market. Since the introduction -during the nineties- of multinational companies that lead the global dairy production, this ratio increased to approximately 20%. The incorporation of new high-technology plants with quality certifications allowed for the shaping of the Argentine dairy chain as a competitive sector in the global market, achieving an important exporting insertion, especially in the powdered milk market, the main product for export in the global dairy market.
Milk production, industrial transformation and distribution form one of the most dynamic agri-food complexes in the province. It has strategic importance and is responsible for the economic and social development of numerous zonal and regional economies, being of significant relevance at both the primary and industrial levels. The dairy industry represents approximately 9% of all sales in the food industry, and 3% of the manufacturing industry in general. As regards added value, it is 2.5% of the manufacturing industry, and 0.4% of the total value added of the economy.
The domestic market remains the most important destination of milk produced in Argentina. In the last decade, average domestic consumption represented slightly over three quarters of the annual production.
Argentine consumption of dairy products is fundamentally based on by-products. About 76% of the total milk production is allocated to the manufacturing of products.
Despite the domestic sector still being the main destination for milk, in recent years there has been an increase of the Argentine insertion into foreign markets as regards dairy products.
On average, taking into account both favorable and unfavorable scenarios, for the dairy sector, approximately 4,500 new jobs could be created from now until 2020, a 12-15% increase from the current level.

THE POTENTIAL OF THE SANTA FE PROVINCE

Strategic territorial and productivity characteristics

Santa Fe offers a wide range of environmental, economic and social conditions which enable the development of various production systems.
There are optimal conditions for the agricultural and livestock sectors throughout the whole territory of Santa Fe.
In the province, the dairy chain is composed almost entirely of raw milk. The highly perishable nature of the raw material and some of the manufactured products, the distances between production and consumption centers, the increasing incorporation of transportation and logistics infrastructure, the productive processes differentiated according to the line of products, and the heterogeneous nature of its primary, industrial and commercial economic structures, all constitute particular characteristics that condition the dynamics of the sector and the articulation between the agents participating at these various stages.

The dairy chain is broadly divided into primary production at dairy farms, the industrial stage, and finally distribution and commercialization.

It is worth mentioning that the aspects of transportation and logistics gain particular relevance, both in the final distribution and the intermediate distribution (from the dairy farm to the industry) because of the perishable nature of the products, their role in the consumption basket within the domestic market and the distances traveled.

PRIMARY PRODUCTION

Production

Milk production, industrial transformation and distribution form one of the most dynamic agri-food complexes in the province. It has strategic importance and is responsible for the economic and social development of numerous zonal and regional economies, being of significant relevance at both the primary and industrial levels.
In the province, there has been a quick recovery of the womb stock (cows) after the fall registered in 2008/09. During that period, 600,000 cows were lost, of which 380,000 have been recovered since 2011.

DISTRIBUTION OF BOVINE STOCK IN DAIRY FARMING ESTABLISHMENTS BY CATEGORY MARCH 2017

Categories	Argentina	Santa Fe	Santa Fe participation in Argentina (%)
Establishments	9,955	3,403	34.2%
Productive Units	11,326	3,972	35.1%
Total Cattle	3,364,725	1,044,847	31.1%

Source: SENASA.

SANTA FE: 24.5% OF THE NATIONAL MILK PRODUCTION.

MILK PRODUCTION (IN MILLIONS LITERS) YEAR 2016

Argentina	Santa Fe
9,895	2,424

Source: Ministry of Agro-industry.

SANTA FE: PROVINCE WITH LARGEST NUMBER OF ESTABLISHMENTS AND PRODUCTIVE UNITS.

With the competition for soil and the technological advancements, the predominating systems have been shifting. Productive and reproductive improvements brought about a 33% increase in the daily production of milk and an improvement in the content of butterfat (from 3.5% to 3.6%) and raw protein (from 3.2% to 3.3%). In recent years, dairy has undergone a change in the use of production factors, such as the surface area allocated to the activity, animal density, and increased use of concentrated food and silo usage, all of which allowed for an increase in average productivity.

The dairy chain presents an important productive, technological and market diversity in all of its links.

At the primary stage different productive models coexist at the various dairy areas, which leads to heterogeneous primary cost compositions and diverse articulation mechanisms with the industry. Dairy farming is an activity that requires long investment periods, has high exit costs, low flexibility, and it operates as a continuous production process where food, the main cost, is directly related, along with genetics, with productive results.

The produced volume and the price received for the milk varies among the different producer tiers. Besides, as milk is a perishable product, the range of possibilities for sales is restricted by time and distance. Even though there have been larger investments in cooling equipment at dairy farming establishments, the majority of producers do not have cooling and storage capabilities to keep their production for more than a day.
As regards industries, especially those oriented to the production of fresh products (fluid milk and other manufactured products), as well as powdered milk plants, they tend to scale up their production to reduce costs. This implies that companies need to have a steady and reliable source of fresh milk that guarantees their daily supply. To achieve this, some companies have cooling plants distributed over their area of influence. They may have their own refrigerator trucks or they may outsource transportation, establishing a daily route for the collection of milk where distance plays a key role in the farm/industry relationship.

INDUSTRIAL PRODUCTION

As regards the industrial stage, there is a variety of companies ranging from the largest ones that own several industrial plants to the smallest ones that combine farming and industry. In this sense, the daily milk reception capability is used to stratify the various types of dairy company.
In general, the dairy sector is subdivided in terms of the competing companies. Large, multinational and national companies oriented to exporting coexist, which offer a wide range of products, with medium-sized national companies oriented to the regional market, which offer a limited range of products, and small companies with low technological complexity and a more craft-oriented operation.

COMPANIES OPERATING IN SANTA FE CHARACTERIZED ACCORDING TO THEIR PRODUCTS

Segment	Characteristics
Cheese	Presence of various types of company, from the largest multinational and national ones, oriented to the foreign market, to medium-sized ones and micro-companies, many of them presenting low technological complexity and craft production. This segment allows for the convergence of the widest variety of companies.
Powdered milk	Large-scale competitors oriented to the foreign market.
Fluid milks	Two main companies in the sector oriented to the domestic market.
Fresh products	Significant growth of the range of products in recent years, search for differentiation and orientation to the domestic market. Main role of the largest companies in the sector.

Although, in general, it can be said that dairy industries are adopters of technology, the largest companies in the sector seem to follow more dynamic and independent technological patterns than smaller companies. Medium and large-sized companies have been carrying out a gradual reorganization of processes and incorporation of technology. There have been great advancements in the automatization of productive plants. Electronic equipment has been incorporated, and control processes have become computerized along with quality monitoring.

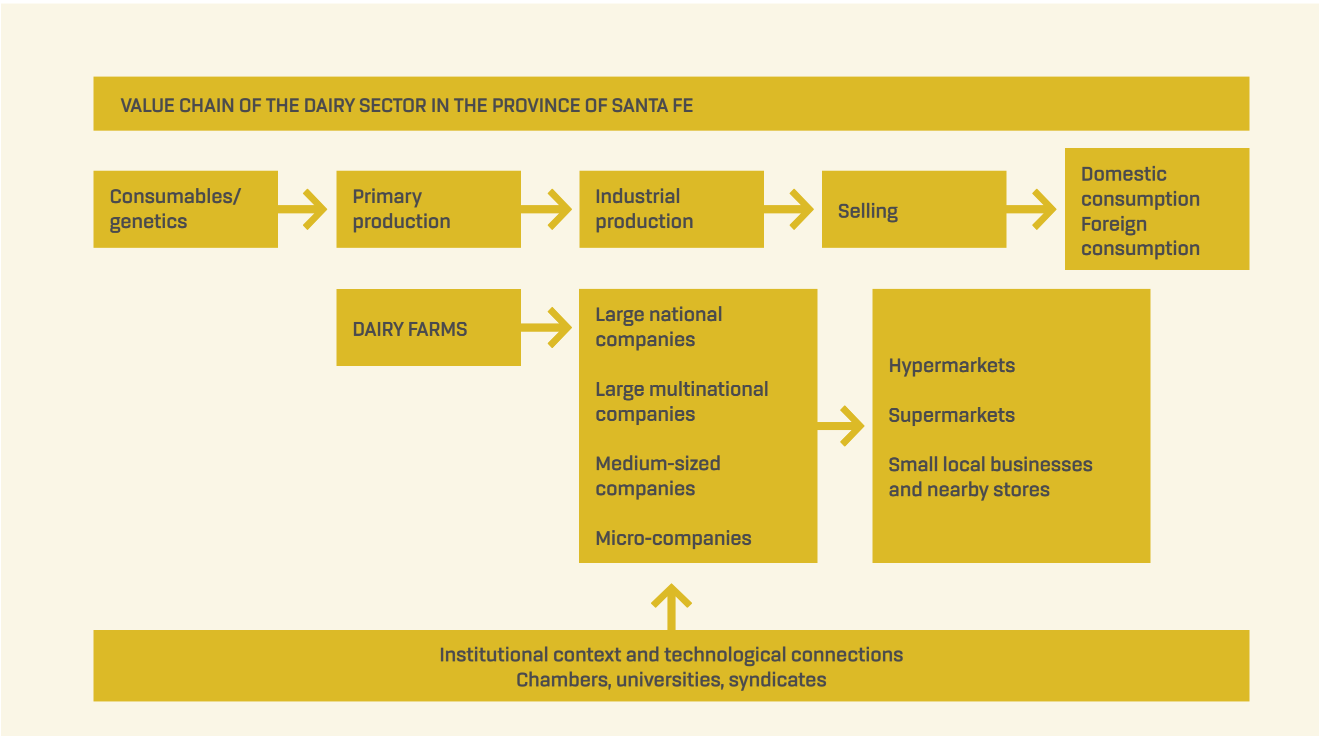
At the same time, an important range of product innovation has been generated, which has made the technologies used more complex; this implies processes that require greater care and better treatment of the raw material. As a result, equipment has been incorporated which allows to better identify milk quality.

COMPANY CATEGORY	Technical-productive profile	Product lines
Micro and Small	Mono-product	Cheese
	Mono-product (Incipient Diversification)	Cheese, marginally Dulce de leche and fluid milks.
Micro and Small	Mono-product (Semi-Diversification)	Mostly Cheese and Dulce de leche, Cream, Butter, Fluid Milks, Powdered Whey.
	Mono-product (Specialized)	Cheese (Soft, Semi-hard and Hard).
		Powdered Milk and dehydrated products.
		Dulce de leche.
Large	Multifunction (Diversified)	Cheese, Butter, Cream, Dulce de leche, Powdered Milk, Fluid Milks, Yogurt, Dessert Puddings, Infant Formula, etc.
	Mono-product	Powdered Milk and Infant Formula.

Seeking a better balance between domestic and foreign markets, many companies have also advanced in the incorporation of milk drying and ultra-pasteurization processes. One technology that has become relevant in recent years is whey drying technology, which allows for the commercialization of a highly nutritional product which would otherwise be wasted. Regardless, the consensus is that there is still a long road ahead in the development of these technologies.

As regards logistics, it is necessary to highlight that, between the primary and the industrial stages, the collection and transportation service intervene, with the operating actors being transportation fleets and cooling plants. The transportation system uses tank trucks with built-in cooling equipment. The methods adopted vary with the area and the company; while some companies have their own fleets, others outsource the daily collection of milk from dairy farms.

As regards the final distribution, large companies (of national origin) are the ones with the widest geographical reach, establishing distribution points all over the national territory.



Historically, prices paid to the producer had been set according to the butterfat content, making a difference between base production (during winter months) and surplus production, through a system of bonuses that promoted modernization and differentiation in dairy farms.

From November 7th, 2016, the "Integrated Management System of Argentinian Dairy" (SIGLeA, by its initials in Spanish) begins to operate. This new system incorporates the functions of the current Payment System by quality with the aim to modernize the exchange of information between the actors of the dairy chain (Producers, Operators, and Laboratories) and public national and provincial organizations. Also, databases from AFIP , SENASA and the Ministry of Agro-Industry will be linked to unify registers according to the needs of the sector, with the aim to make operation dynamics more transparent and have information for the drafting of public policies.

-PROVINCE STRENGHTS

-It has agroecological conditions suitable for pastoral and non-pastoral production; good quality land for livestock activity.

-Significant production of fodder grains, agricultural production, corn, soybeans, sorghum which can be used for animal feeding and their transformation into beef. Wide possibilities to achieve an efficient interaction between agriculture and livestock.

It has a significant industrial sector with high technological and sanitary standards that allows to supply the main markets of the world.

-Political will and technical skills of support staff. Provincial authorities consider the livestock sector as a strategic one. Meanwhile, support institutions have a track record and trained technical personnel to support the sector.

-Strong and stable internal market, the domestic market maintains its levels of consumption per capita. This ensures a constant minimum demand for the sector.

The province presents challenges in the dairy sector. At the level of production, it carries out an expanding search for addition of value, which reflects the need to accelerate the local technological trajectory and consolidate product innovation along with automatization of processes.
As regards food and environmental safety, there is promotion of traceability requirements and a greater preparation to face the increasing requirements of the national and international consumer.

Provincial Government

Convinced of the virtues of the establishment of companies in the province, the provincial government performs a proactive management in investment promotion through a direct and fluid dialogue with the interested companies.
Investment is a key factor to sustain and consolidate sustainable development processes in the long term. In this sense, the dynamics of a territory find investment to be one of its most important cornerstones. For this reason, the Santa Fe Investment and Foreign Trade Agency -Santa Fe Global- has been created with the aim of contributing to the local and international positioning of the province through the promotion of internationalization, the attraction of local and foreign private investments, and the promotion of international cooperation for the economic-productive development and innovation. In order to support the realization of company businesses, Santa Fe Global carries out various encouraging actions by interacting directly with different agencies involved, being an active development promoter of economic activities.

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Agencia Santafesina de Inversiones y Comercio Internacional
Santa Fe Investment and Foreign Trade Agency

Provincia de Santa Fe

SANTA FE