

The Cattle Business in Argentina. The Domestic Market and the UK Market from 1935 to 1958 and beyond

El negocio de la hacienda en la Argentina. El mercado doméstico y el mercado británico desde 1935 a 1958 y después

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Abstract: This article analyses trends in the markets for Argentina's cattle and beef during the period in which its dominant position in the world beef market gradually declined. It looks at conflicting pressures from domestic and export markets for beef, the dilemmas of producers, the need for price guarantees and subsidies, and related political conflicts after the war, making observations about the resilience of cattle production in Argentina.

Key Words: Cattle, Beef; Producers.

Resumen: Este artículo analiza tendencias en los mercados de la hacienda y la carne de Argentina durante el período en el cual su posición dominante en el mercado mundial fue descendiendo. Evalúa las presiones opuestas del mercado de carne doméstico y el de exportación, los dilemas de los productores, la necesidad de garantías de precio y de subsidios, y los conflictos políticos relacionados durante la posguerra, haciendo observaciones sobre la resiliencia de la producción de hacienda en Argentina.

Palabras clave: Ganado; Carne, Productores.

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Introduction

This article analyses developments in Argentina's cattle and meat market primarily from the point of view of the country's numerous *ganaderos*, who to this day number well in excess of 100,000 (in 2018 there were 130,929 *explotaciones bovinas* and 99,322 commercial cattle enterprises, with an average of 388 cattle per enterprise, according to Argentina's Censo Agropecuario, 2018, p. 625). Beef in this period was often the dominant factor in the farm export sector and also a very significant factor in the fast growth of the domestic consumer market. This article assesses the political strengths and weakness of this industry, charting its steady decline in its role in Argentina's economy over the forty years after 1935. The business of meat production and distribution is notoriously lacking in transparency, but both the price of the key ingredient, steers (and other cattle), and the price of meat, quite frequently became critical political factors. The frequent use of consumer subsidies made sure that interests of producers of cattle were not generally misaligned with those of consumers of meat, particularly after 1943. Over the following three decades, the attractiveness of the domestic market for cattle producers steadily increased, and Argentina's beef exports declined significantly in their share of both the international and the domestic market, with the large UK market proving more and more difficult for export-orientated producers and *frigoríficos*.

Subsidies were always crucial: price guarantees and floors were sometimes available to producers (being funded in part from taxes on cattle sales), and subsidies were paid often, though usually much more reluctantly, to *frigoríficos*. On the other hand, whenever steer prices were controlled, black markets tended anyway to make consumers' beef prices rise. Throughout the period, cattle markets were the subject of many government policy experiments, often reflecting the close relationship between cattle producers and governments (in Argentina, as also in the UK). The government interventions and controls were haphazard and generally of short-lived effects, which tended to strengthen the close links between cattle values and inflation and inexorably led to sustained inflationary expectations.

The producers

Argentina's beef cattle producers themselves are an elusive breed; it is very hard to pin down the average *ganadero*, or what the typical (or optimal) scale of operation for a cattle producer should be.¹ Although the development or accumulation of cattle pasture was, from 1880 onwards, closely linked to the appreciation of land values, particularly in areas where cattle pasture could be turned into cultivated lands or converted back from cultivation to pasture, it would be wrong to see cattle producers only as latifundistas and land speculators, whether in the main pampa region or elsewhere. Jorge Sábato (1988) explained clearly how pampa producers were particularly well placed to optimise the use of land for cattle production using the *rastrojo* (i.e. gleanings, aftermath and stubble) of both winter and summer crops (particularly maize) as part of the process of fattening cattle.

¹ Note that this lack of precision occurs partly because it is never easy to detect the extent to which cattle production is or is not integrated with other forms of farming, i.e. production of grains as fodder, and also dairy farming (which has its own fodder requirements).

But Argentina's numerous cattle producers were never only from the 'dominant class'. In the 1940s Taylor, in a somewhat homespun comparison between Argentina and the US, noticed that cattle production in Argentina was distinctive as it was often carried out by tenant farmers, who were quite often of recent Spanish origin. In two *partidos* in the breeding belt in south-central Buenos Aires province and in two other *partidos* in the fattening belt (western Buenos Aires province), Taylor found that about 70% of cattle owners were tenants of their land, with cattle owned by both types of producer averaging 700 per owner (Taylor, 1948, pp. 215-21). Subsequent historians have consistently found small producers owning 100-500 cattle, sometimes less, often on mixed farms (Palacio, 2004; Balsa, 2001; Blanco, 2007, pp. 18-20).² As Giberti's (1981, p. 233) analysis showed, in the pre-war period cattle-breeders tended to own smaller herds than producers in zones where fattening predominated, but post-war the distinctions reduced and breeders' herd sizes tended to increase). After 1940 tenant farmers turned towards livestock, with much less cropping and more mixed farms, and they rented their land for longer periods. This was encouraged by successive laws and decrees with rent controls from 1932 through until 1958 and rents were also controlled. For successful tenant farmers, this process eventually resulted in ownership of the land. Imaz gave a first-hand account of a small town in Córdoba province in 1962 with five larger *estancieros* and a group of over 300 tenants and ex-tenants producing mainly cattle, mainly of Italian origin, who 'converted themselves en masse into cattle producers', being both breeders and fatteners; they owned/rented 170-1,000 hectares each and were obsessed with the number and quality of their cattle as the key feature of their increasing wealth (Imaz, 1962: pp. 48-56). Sáenz Quesada (2010, pp. 423-427, 432) found another particularly successful Italian family, the Romagnolis, not very far away in Monte Buey.

Sábato showed that pampa cattle fattening required the optimisation of rotation of crops and forage including alfalfa. Logistical precision was required, rather than technical innovation, because there was only a forty-day window permitted for chilled beef product between farm and fork. Nonetheless keeping cattle could itself be a way both to accumulate wealth quite fast through reproduction and also to store wealth with a value keeping pace, as we shall see, with inflation. Cattle breeding also took many forms, sometimes combined with fattening, but often not. Some breeding was carried out in a rudimentary way on marginal natural pastures, but, in sharp contrast to that, pedigree cattle breeding could be either a form of conspicuous consumption or a technically sophisticated way of improving the potential of the breeders' herds, or both. Pedigree cattle breeding could be either a form of conspicuous consumption or a technically sophisticated way of improving the value of herds, with thousands of British pedigree bulls were imported at prices which, from 1919 onwards, often exceeded £1,000 per animal. Argentinians were usually the UK's leading pedigree bull buyers –an indication of the profitability of top Argentinian breeders' businesses as well as their commitment to improving the quality of their product.³ To an ever-increasing extent after 1920, breeders turned to the specialist breeds Aberdeen Angus and Hereford, leaving aside the dual-purpose Shorthorn breed, which would remain highly popular for dairy cattle until the 1960s.

² In 2018 the average number of commercialisable cattle per *explotación* was down to 471 for the pampa (and 326 in the four main non-pampa cattle-raising provinces).

³ The peak year for exporting Hereford bulls to Argentina was 1927, with over 1,000 bulls exported, worth nearly £1m; there was another, much lower, peak in 1937.

The processing/distributing chain

The next part of the supply chain, the eight large, centralised *frigoríficos* around Buenos Aires and neighbouring La Plata (capital of Buenos Aires province), is well-documented. After World War I, fresh investment continued from three of the Big Four cartelised companies in the US, by one major UK group (Vesteys), and two smaller groups, one UK company (Smithfield and Argentine) and one well-established Argentinian company (Sansinena). The UK was the only substantial importer of refrigerated meat; it was chilled beef that came to dominate the trade during the 1920s, as the US and UK *frigoríficos* consolidated operations and equipped their large new plants with improved machinery with new ‘assembly-line’-style processes.

Vesteys had started their international business only in the 1890s, but it had grown exponentially since then. In particular they had profited from their privileged position as a supplier of Argentinian meat to the UK in the World War I and afterwards, and expanded their meat-packing business and market share. In the 1920s Vesteys constructed the massive new Anglo *frigorífico* at Dock Sud, the prime location in Avellaneda right opposite the Federal Capital’s southern port entrance. Lord Vestey told a 1925 Royal Commission that they owned 450,000 cattle in Australia, Colombia, Paraguay, Venezuela, Brazil and Southern Africa and controlled the Blue Star Line of refrigerated meat ships, for which nine new vessels were about to be built. They also then owned nine cold storage installations covering all of England and Scotland, plus the largest wholesale distributor of frozen meat and 2,500 butcher’s shops.

Both then and since then, Vesteys have never owned any land or cattle in Argentina, seemingly taking the view that land values were too high in Argentina. Elsewhere they always had enormous cattle (and sheep) operations with small regional *frigoríficos*, for example even at that stage in both Brazil and Venezuela.⁴ Even so, Vesteys regarded Argentina as the key to their meat production business, claiming that the cost of slaughtering cattle and preparing quarters for shipment in Argentina was then less than one-fifth of the equivalent cost in northern Australia, due much more to labour costs than to transport costs (Imported Meat Prices, 1925).

Retailing Argentinian meat in the UK was relatively straightforward. Argentinian hinds of beef were usually sold for less than prime English sides of beef (which in turn cost always less than Scottish sides), but Argentinian hinds were actually the dominant force in the wholesale market, and quality was never an issue (and Argentina’s domestic market had at this time an entirely compatible taste for the animals’ forequarters). The UK’s Food Council discovered in 1926 that the wholesale and retail margins on Argentinian beef at the main London market at Smithfield were always significantly higher than on English or Scottish beef (or lamb or mutton) and were usually over 50% of cost, sometimes over 60% of cost (37% of turnover), and that Argentinian beef was 75% of beef traded and 66% of all meat traded there (Profits on Meat, 1926). Thus, Argentinian cattle fatteners were highly competitive internationally and were able to make sustained profits of over 10% per annum (p.a.) on finished cattle. Argentina’s dominant role in the UK beef import market was accompanied

⁴ Vesteys still today own land and cattle in Brazil, where they first invested during World War I, but not in Venezuela, where their landholding was expropriated in the early 2000s.

by its dominant role in UK feedstuffs imports and its substantial role in the UK wheat market, but the latter two positions were very soon to change.

The 1930s crisis

Argentinian *frigoríficos*' chilled beef chain was a mature, well-developed system when the Great Depression hit the world economy in 1930. The result of the collision of these two things was a perfect storm for cattle producers –a combination of over-production, a collapse in market and price, and the determination and market power of the *frigoríficos* inside and outside the main cartel to maintain or increase their margins (Board of Trade, 1938, pp. 60, 70-71). The cattle cycle meant that the dip was both progressive and prolonged, with producers liquidating herds which they could not afford to keep feeding. The crisis persisted longer than before and the effects of the crisis were felt much less by the producers of higher-quality chilled beef than by producers of frozen beef and volumes and prices were both lower throughout the 1930s than in the previous decade.

First, the *frigoríficos*' purchases of steers also declined steadily (after a peak in 1927); prices fell from 1930 onwards and for a short time purchases almost dried up in 1932 as prices of food products kept falling worldwide and the UK beef market seem to be about to close completely for imports. Cattle exporters' peso earnings were hit by a revaluation of the peso when sterling went off the gold standard, and the peso briefly remained tied to gold. In these peak years of the world depression, world economic conferences came and went. The UK introduced protection for the first time and organised the Ottawa Conference of July-August 1932, where the UK agreed preference from then on to meat suppliers in Australia and New Zealand. Already in 1932, as UK demand fell, the UK agreed its first informal beef quotas, with Argentina as the main importer. The UK next introduced subsidies for its own cattle producers in 1934. Compared with peak years' volumes in 1924-26, Argentinian frozen beef exports fell by 88% before 1933 (and only another 2% after 1933), volumes for Argentina's chilled product fell by only 10% at the most.

In early 1933 Julio Roca (hijo), the Argentinian vice-president, negotiated an agreement with the UK to normalise Argentina's trade and payments –tied to some sterling capital market funding for the Argentinian government– the Roca Runciman Treaty. Roca has been much criticised for claiming, at the time he signed it, to have achieved a kind of 'colonial status' from the UK government. In fact, this treaty actually guaranteed and underpinned – with a guaranteed level of shipments– the UK market for Argentina. Because of the Ottawa agreements UK gave some preference to Australian (and some New Zealand) beef, but at the same time it excluded from its markets beef supplies from both Canada and Ireland (exports of live animals and, in Canada's case, also frozen beef, were common).⁵ In practice UK cattle production barely increased, even after cattle producer subsidies were introduced for the first time in 1934. The UK 's 1930s trade negotiations favoured its investors' interests over its agricultural producers and its half-hearted new 'Ottawa' protective tariff system neither

⁵ Canadian beef would seldom feature again in the UK, but Canada developed a good trade in frozen bacon. Irish beef became of little significance in the UK until 1952, because of political conflict, though there was always some smuggling from Ireland into Northern Ireland.

helped UK cattle (or overall farm) production to grow at all nor gave Commonwealth producers any effective protection against Argentinian chilled beef (Rooth 1993).⁶

The recovery, and market institutionalisation

Argentina's meat business in fact staged a sustained recovery after 1933. Steer prices, after falling 30% in 1930-33, rose 27% from 1933-36. From 1936 on the UK set up new beef import quota arrangements which in the following years stabilised chilled beef shipments from Argentina. With the shift from frozen beef to chilled beef more marked than before, volumes of chilled shipped rose to a 1934 peak of 80% of Argentina's total beef exports and then stabilised at around the 1933 level of 360,000 tonnes p.a. and remained at that level until 1940, though prices were a little lower than before 1932 (Gebhardt, 2000, pp. 370-371). This recovery of the market for Argentinian beef was easily strong enough to survive continuing pressure not only from Commonwealth meat producers, who had not achieved the increased market they had expected from the Ottawa agreements, but also from British cattle producers, who continually complained about the cheap landed cost of top-quality Argentinian chilled beef. These complaints led in December 1936 to a second, slightly more restrictive, trade agreement being signed by Argentina's ambassador to the UK, Manuel Malbrán, and UK foreign secretary Anthony Eden. This agreement was focussed directly on chilled beef and provided a guaranteed volume of 336,000 tonnes p.a. exports of Argentinian chilled beef to the UK. It also provided for a brand-new tariff on this beef of 15-20% *ad valorem*, one-third of which was paid for by the cattle producers. This tariff provided some funding for the UK's new domestic cattle producer subsidies and also was the justification for a new domestic subsidy for Argentinian producers. This agreement did not, in practice, reduce Argentinian exports to the UK. In 1937-39 the UK Board of Trade also put in place an International Beef Conference, which successfully planned and stabilised imports into the UK, keeping UK retail prices on a slowly increasing trend while preventing excessive margins.

The cattle producers' position vis-à-vis the *frigoríficos* was now strengthened by the findings of the 1938 Report of the Joint Committee of Enquiry into the Anglo Argentine Meat Trade, a commission set up jointly by the UK and Argentinian governments of Neville Chamberlain and Justo and headed by the trade expert, Sir George Schuster. This Report was produced jointly by the Governments of the UK and Argentina, and it was designed to illustrate and resolve some of the issues faced by cattle producers in Argentina, particularly regarding the risks of over-production and as regards their sales to frigoríficos. Despite lack of cooperation from frigoríficos, the Report reached some firm and stark conclusions about the *frigorífico* business. The Committee's authoritative, very detailed calculations suggested, for 1934, a very high net profit margin, jointly for the *frigoríficos*, for chilled beef alone, of 16.84% (Board of Trade, 1938, p. 56).⁷ The Committee in conclusion placed the *frigoríficos* on notice that regulation of their local profits would happen; it pointed out that this would be difficult to achieve, but would be helped by stabilisation and regulation of local production

⁶ Giberti described this system as involving 'Argentina's natural monopoly over chilled beef' (Giberti, 1981, p. 258).

⁷ The Committee estimated £2.35m net profits on chilled beef and £0.66m on frozen meat. But note that these figures do not take account of the profitable trade in canned beef and are low for the profit for cattle by-products.

(Board of Trade, 1938, p. 71).⁸ The Committee also attributed considerable weight to the new regulations for Argentina's cattle industry which had gradually been put in place since 1933. These regulations were mainly implemented by the Junta Nacional de Carnes (JNC): the supervision and statistical control of the key cattle markets, regulations for the pricing basis for cattle sales to allow more flexibility for producers, transparency of the market prices at the central Liniers market and, in 1941, the introduction of standardised grading of types of cattle. Not all of these measures, however, would actually take full effect⁹; their most visible achievement was the capitalisation of a cattle-purchasing (and eventually meat-producing) organisation, the CAP –or *Corporación Argentina de Productores*–.

The CAP was set up in 1934 funded by a levy from cattle production and had a completely *sui generis* capital and shareholder voting structure which treated the cattle producers as shareholders, but with a controversial distribution of voting rights, intended to reflect the trading of cattle during the cattle finishing process. Under its dynamic first director, Horacio Pereda, the CAP became active very quickly in the cattle market in early 1935 (Saccomanno, 2014). It focussed mainly on purchasing cattle at Liniers so as to provide transparency and counteract the frigoríficos' propensity for buying cattle routinely en bloc at the estancia from their large semi-captive fattened cattle producers. The CAP established Liniers as the place where prices were signalled for the whole market for frozen and chilled quality animals and drove prices upwards, from a low point of Argentinean pesos (A\$) 0.20 per deadweight kilo in 1934, by 25% to A\$0.25 by 1936 and A\$0.26 at the start of World War II (Saccomanno, 2014, p. 160-161). It was hardly surprising that the agitated comments of cattle producers in public and to the press about their own financial issues and the depredations of the *frigoríficos* declined sharply after 1935-36. Exporters had a stable market and also benefited from a major (30%) devaluation of the peso in 1938, although the government did deduct from their earnings a substantial portion of the proceeds of the devaluation, the first 'loss' or 'tax' of a kind that they would continue to suffer from in the event of future devaluations.

The CAP's market interventions now provided stable and consistent prices for different types of cattle which from now enabled both export and domestic markets to be supplied in a much more stable manner. By 1939 Argentina had developed a well-regulated cattle and beef production industry, with a less concentrated meat processing side than before, and thus it could sustain its privileged market position in the UK, the world's major food importer.

The wartime production system

Many things changed for the meat business almost as soon as war broke out in Europe in September 1939. Soon the UK was now effectively the only buyer that could even produce ships to take any of Argentina's farm products to market. The disappearance of most of Argentina's normal export markets meant that the *frigoríficos* became merely agents of the actual buyer, the UK government, just as in World War I; but now the *frigoríficos*' margins were much more tightly controlled. Despite a crisis in 1940 caused by the near insolvency of the

⁸ The Report uses the phrase 'an equitable charge' for meat processing which frigoríficos should strictly limit themselves to, i.e. a transparent, capped profit.

⁹ Particularly infructuous were the provisions for cattle producers, rather than cattle buyers, to be able to opt for one of four different bases for pricing of cattle.

UK when it was under immediate threat of invasion, wartime supply issues were resolved. There were difficulties with both grain crops and shipping for grain, but the UK government was very clear on the importance of shipping frozen meat from Argentina, and it was ready to prioritise ships carrying Argentinian beef on various occasions (Hammond, 1962, pp. 527-528). The UK moved quickly to organise itself as a buyer of meat and grains, with payment in the form of gold-linked deposits held for Argentina's Banco Central in the UK and payable by the UK (earning interest, though frozen). But there was another major change for Argentina's meat producers: war caused the disappearance of regular shipping schedules required for chilled beef. The main product that Argentina shipped now became at once, in late 1939, frozen beef, not chilled beef - and the producers of quality chilled beef would have to wait until 1954 before shipments of chilled began again. The significant second wartime beef product was canned beef, for which the market now very significantly expanded. There had previously been a market in the US; now the US government very quickly became a large buyer in addition to the UK government. Both these countries fed their armies and navies to a considerable extent on canned corned beef, with the UK theoretically guaranteeing its servicemen a ration of 12 ounces of meat (of all kinds) per day. UK non-military demand for meat, on the other hand, was rationed for almost all the whole war to the equivalent of just 400 grams per week. Despite this, the tonnages of beef shipped from Argentina remained at pre-war levels from 1939 to 1942 (with a slight dislocation only in 1940) and prices rose significantly as the UK signed a succession of five further beef contracts with Argentina in 1940-42.

The Junta Nacional de Carnes in 1941 very quickly established a pricing and purchasing regime which enabled all producers benefited from these prices, and the CAP's price per kilo for steers at the Liniers market rose from A\$0.25 per kilo in 1938 by over 40% to A\$0.357 per kilo in 1942 (after a spike at A\$0.39/kg in some markets in 1941), when inflation indices rose by less than 15% in the same period. There were thus strong incentives in place for the production of high cattle volumes and the UK and Argentina quickly introduced new products (boned beef and new types of canned beef), while great efforts were continually made to ensure that shipping was diverted to the River Plate.

When the Ramírez military government took over in 1943, it soon took charge of both the Junta and the CAP and changed their priorities, with the emphasis being on keeping subsidised retail beef price increases under strict control. From 1943 until the end of the war, exports to the UK were lower, although the Argentinian and UK governments also failed to reach agreement on upwards export price adjustments, which meant that prices were adjusted months or years after sales took place. This problem began seriously to affect the working capital cycle of the *frigoríficos* and also the cattle producers themselves, which suited both governments, as they were fully aligned in wanting to avoid any suggestion of high profits (i.e. profiteering) from wartime prices. The wartime dynamics of the *frigorífico* industry were also affected by cost increases, particularly for imported coal and also labour costs, which increased significantly from 1943 onwards. After two years of high profits early in the war, the smaller UK meat companies (Smithfield and Argentine, Liebig's and Bovril) began to lose money in Argentina.

Between 1941 and 1946, the national price index rose by over 50%, as did CAP's Liniers steer prices, though the latter's increases decreased after the sharp rises in 1941-42 mentioned above. As the war ended cattle producers were well placed to capitalise on very

strong domestic market demand. As Giberti showed, the conflicts between breeders and fatteners caused by the high margins on pre-war chilled beef (and therefore by the power of the *frigoríficos* in that market) quite rapidly disappeared in wartime when a highly-standardised frozen product replaced chilled). Contemporary observers also thought they saw the beginnings of an alliance between cattle producers and beef consumers –the theory being that the producers would support governments that encouraged growing domestic markets for beef by increasing the purchasing power of Argentina’s new, beef-hungry industrial working class.

Contradictory post-war pressures

In 1945, as pressure for the supply of more cattle to the booming market began to increase, the Argentinian government decided to intervene to try to incentivise production for the domestic market, which required smaller, less fat animals with a production cycle often as much as two years shorter than for the fatter animals raised for export. This intervention does not seem to have worked to increase production; instead, there were meat shortages for the export market and new price rises in all meat markets in 1945-46. Increases in producers’ prices for their cattle selling through CAP had been held at below inflation since 1943, so until 1947 there was no real incentive for producers to bring forward their animals for slaughter. This was to accentuate the eventual upward pressure on the price for both meat and cattle.

There was also very high pent-up demand for export meat in European markets, not just the UK, but exports were still dominated by the UK government, which until the end of 1946 (and indirectly beyond that, for a time) exercised effective control over all of Western Europe’s meat purchases. In 1945 the UK managed to negotiate a small rise over the 1943-44 meat price –barely 10%– but with it came a dramatically increased volume targets, up from around 400,000 tonnes p.a. in wartime to 850,000 tonnes (Hammond, 1962, p. 275). But, after Perón’s election victory in April 1946, the UK had to contend instead with a much more demanding government in Argentina, which in 1946 also set up a new export trading organisation, the Instituto Argentino de Promoción del Intercambio (IAPI), which quickly developed its own agenda in relation to the meat business and exerted much more direct government control over the whole business than previously.

In 1945 and 1946 *frigorífico* workers’ pressure for better conditions and better pay across the board increased and strikes ensued. The work-force had grown significantly during wartime, particularly in the canning departments of the frigoríficos, which were much more labour-intensive, with much higher proportions of unskilled workers and female workers. But the end of the war would see the larger *frigoríficos* laying off considerable numbers of extra workers recently recruited on a short-term basis. After the end of the adjustment process in 1946, there were 60,000-70,000 unionised workers in the meat industry, concentrated in Avellaneda and Berisso, with a smaller concentration around Zárate. Working conditions in the frigorífico plants were such that grassroots strikes were the rule rather than the exception; plant unions and inter-union disputes were also commonplace. Communists, led by José Peter, had been the first to organise the frigorífico workers during wartime, but Peter was jailed by the military government and the union-organising momentum passed to syndicalists led by Cipriano Reyes.

12,000 workers had been sacked in 1945, but only half of them had got their jobs back when, in March 1946, Reyes led a new strike, partly to try to help cement the power of the syndicalist union federation, the Federación Obrera Industrial de la Carne (FOIC). Failing to get concessions then, the FOIC struck again six months later for better pay and conditions just as the first post-war beef export contract with the UK was being concluded. The union first extracted a government promise to introduce an Estatuto de la Carne guaranteeing a series of worker's rights (including some forms of equality for female workers), but then continued its strike for six weeks, holding out (against public threats from Perón) for a pay increase and improved conditions, until Perón gave in and imposed the workers' full terms on the reluctant *frigoríficos* by decree (Contreras, 2013).¹⁰

At same time as Perón was manoeuvring with the unions, he was also negotiating in public with the cattle producers –making promises in relation to the price to be paid by the UK for the first post-war meat contract, which was finally agreed in October 1946. Soon after he came to power in June 1946, Perón had promised cattle producers that they would get a three-fold increase in the price for their steers of at least A\$600 per steer. To do this meant Argentina had to break the existing contract with the UK (using the expiry of Roca Runciman as well as the leverage of the railway and sterling balance negotiations, which the UK was keen to conclude) and negotiating a new contract period and amount and a new 'post-war' price. The negotiations lasted about two months with the UK refusing to raise the price above £50-52 per tonne, 7.5% above the price they had agreed in 1945, which was represented to the public as 45% above the pre-war price. The agreed volume was up to 100% of Argentina's available exports, and for two years, renewable for a further two. The whole export beef production cycle would now come under immense pressure.

During the course of these negotiations Perón and his economic supremo, Miguel Miranda, decided that they had to involve the cattle producers directly in the negotiations. The UK tried to conduct negotiations on the basis of expert opinions from external auditors about changes in production costs. The UK's livestock expert Henry Turner met a chosen group of producer representatives, on one occasion with neither Miranda nor Perón present. Turner was confronted with some exaggerated calculations by Nemesio de Olariaga, the leader of Confederación de Asociaciones Rurales de Buenos Aires y La Pampa (CARBAP), the smaller-scale cattle producers' organisation, to prove that producers were working at a loss, a claim which Turner was able to refute by producing audited evidence that they were making 5-6% returns (Turner Report, 1946). Turner also deflected the negotiations away from the cattle price and towards the government's taxes of producers. He pointed out that the producers were earning much less than their counterparts in Australia and New Zealand, because they did not get as good a share of the exchange benefits accruing to the government from their exports and also did not get any benefit at all from the hides and non-meat by-products that the government would be able to sell on their behalf. Turner reported the conclusion of the meeting as follows: 'At the end of the meeting Olariaga came in and said that he was happy with the agreement and, as he is Peronista, I expect that this will satisfy the producers and may lead to increased production' (Turner Report, 1946).

¹⁰ It is unclear whether the Estatuto itself, which was approved by the Cámara de Diputados but not the Senate, was backed by Perón, and it never became law.

These two meetings between the British and the producers were actually used by Miranda to create time and space for him to have separate discussions with Turner in which they agreed on a supplementary payment to the government of £5m, disguised as exchange rate compensation. Miranda then also allocated about half of that to producers in the form of a more favourable peso-sterling exchange rate for their meat. In the end the disclosed price increase that the UK wanted –limited to 7.5% in sterling terms– was maintained, but there was also a disclosed surcharge of £2m (i.e. approximately 3%), which helped the government pass on a price increase of effectively 50% to producers.¹¹ Perón also told Turner that he would make the producers spend most of their increase in price on wages and housing for farm labourers, referring presumably to the Estatuto del Peón,¹² which the government now attempted to use more consistently to raise labourers' wages and improve conditions.

Perón's policies to cattle producers were ambiguous. Smaller producers were encouraged to switch from crops to cattle production by adjustments to the law on tenancies freezing rents and making leases longer and much more flexible. Larger producers were hit by higher wage costs, frozen rental incomes and high input costs, all adding cost to the fattening process. Many producers continued investing to improve cattle quality as well, with an ever stronger emphasis on Angus and Hereford (Winsberg, 1970), leading to another boom in imports of these bulls in 1946-47, when the UK pedigree bull export trade resumed.¹³ Foreign ownership of land and cattle was not a direct issue, but high rates of tax were introduced on absentee foreign landowners, plus tax penalties against remitting dividends ("Liebig's Extract of Meat", 1947).¹⁴

When the 1946 UK beef contract price was eventually passed on to cattle producers as a 22-36% price rise in mid-1947, cattle supplies rose fast, but the unfavourable exchange rate and the unprofitable prices paid by IAPI to exporting *frigoríficos* now began to disrupt the whole supply chain. Unlike in the 1930s, the UK price was no longer the real benchmark for cattle producers, as Perón's focus was on subsidising the explosive growth of Argentina's domestic urban meat markets. The supply chain was not primarily focussed on exports but on the subsidised Buenos Aires market, often through smaller unregistered purchases by smaller processors. In addition to continuing with the market exporting cattle on the hoof to neighbouring countries, producers accelerated the supply of cows and heifers to a much greater extent than steers, thus slowing the recovery of cattle numbers in the next cattle cycle. In the meantime, the meat business was now booming. Cattle numbers were growing faster than at any other time after 1910. Supplies to the domestic market increased very rapidly by

¹¹ The New Zealand government, like Argentina's, consistently concealed the price of its meat exports from its livestock producers, and also kept back from the producers a portion of the price, claiming that was to avoid domestic inflation and/or to provide future livestock subsidies in time of need (Hammond, 1962, pp. 277-278). The UK also wanted to avoid disclosing the prices it paid as between the different producer countries, as well as to their consumers. But the UK Minister of Food, John Strachey later, in May 1949, admitted in Parliament that the real beef price increase that the UK had agreed to in 1946 had been 16%, not 7.5%.

¹² This Estatuto was an overarching piece of administrative law, first brought in by the military government in late 1944, but much resisted in its application. The *aguinaldo* (a thirteenth monthly salary) was introduced in *frigoríficos* in 1946 and for farm labourers in 1947.

¹³ Record prices were paid in these years for both Angus and Hereford bulls, with Argentina's Bernardo Duggan breaking the breed record for the latter breed by paying £2,625 for a bull from The Vern, near Hereford, already famed as the producer of very petite, but not lean bulls.

¹⁴ A number of the largest remaining UK land companies, after maintaining dividends until the 1940s –on the basis of profit levels that had progressively reduced since the 1920s– closed down and sold off, or began to sell off, their land between 1945 and 1950 (Rippy, 1977, pp. 163-167).

40% between 1945 and 1948, and steer prices once again closely matched inflation, with both increasing by 40% between 1945 and 1948.

Even though Miguel Miranda was pressing further export contracts onto a compliant UK government, the export steer supply chain was now in effect marginalised. Post-war meat exports peaked at over 350,000 t in 1947 and higher volumes were a major feature in the Argentina/ UK Andes Agreement, signed by Miranda in January 1948, and offering the UK increased volumes and percentage shares of Argentinian beef in return for UK exports. Though the UK agreed to pay about 25% higher prices, no new export steer prices were announced and the top-up payment agreed by the UK in this Agreement (as in its predecessor), including substantially increased meat volumes, was swallowed in part by IAPI and in part by the *frigoríficos*.

The Perón government now had the *frigorífico* industry exactly where it wanted: with the IAPI's strict control over export sales, the *frigoríficos* were left providing very little other than purchasing and butchering services. The *frigoríficos* were also forced to fund working capital to cattle producers. The government could delay subsidies and thus completely controlled the *frigoríficos'* own cashflow and their margins.¹⁵

The effects of government payment delays and working capital shortages immediately affected the two British *frigoríficos* for which there are published accounts, Smithfield & Argentine and Liebig's.¹⁶ Both companies were under severe working capital pressure, because they had to face steady increases in the prices at which they had to buy cattle. Using the pressure of these debts, the government gradually took control of Smithfield & Argentine and also, effectively, the Sansinena *frigorífico*, plus both these companies' export quotas, which then became very useful for CAP to export with.

Illiquidity and crisis in the meat business

During 1948-49 the problems building up in the export steer supply chain led to a deficit of around 100,000 tonnes on the minimum volume contracted for in the Andes Agreement. The financial pressures being exerted on the *frigoríficos* became still stronger. As Daniel Lema has recently shown, this was the period in which differential exchange rates took an even larger bite out of the margins of cattle producers and *frigoríficos* than at any other time before the 1970s (Lema, 2020, pp. 234-35, 242). The IAPI also now took over buying cattle by-products as well as cattle from the *frigoríficos*, which had earlier been able to generate liquidity from those products, thus removing another source of their profits. This difficult situation for producers from the fatteners' perspective in early 1949 was well evoked, by a Special Correspondent writing to The Times from his *estancia* in the pampa (*Argentine Meat*, 1949). The correspondent explained how the disappearance of chilled beef as a regular, coordinated product had been replaced by irregular payments dependent on government subsidies paid in arrears and often delayed, which meant there was very little incentive for *ganaderos* like him to bring forward their product to market.

However, because of Argentina's major balance of payments problem, the Perón government still needed to restart the UK beef export business: Argentina could not get US

¹⁵ Some of these subsidy claims and calculation, particularly the *frigoríficos'* profit, or tolling margin, were not to be resolved for more than a decade, until the Frondizi administration (Peffer, 1961, pp. 47).

¹⁶ See "Liebig's Extract of Meat", 1950.

dollars by exporting to the UK, but it still had no alternative large market for beef, and Spain and Italy were proving to be bad payers. Argentina instead could use its sterling to buy not only British coal and steel, but also sterling oil from Iran, the Middle East and the western hemisphere (Trinidad). The UK, on the other hand, still badly needed Argentinian meat imports to fill a temporary gap of 300-400,000 tonnes p.a. UK livestock production had still not recovered from the UK's wartime switch to home grain production. With animal feed grain rationed and the livestock cycle (other than for pigs) a slow one, it would take three more years for UK farmers to reconvert to pre-war livestock production levels. Meanwhile, UK consumers continued to suffer as the value of the meat ration was reduced from 1948 onwards, and the price of the meat available rose, reducing the weekly ration from around 400 grams per person in wartime down to a low of around 260 grams in mid-1949.

From early 1949 on, Perón's new economic team under Alfredo Gómez Morales brought in a series of new economic measures, including expenditure controls and eventually devaluation, as dollars were very short; meat exports were slightly less high on the agenda. On March 29th, before negotiations towards a new UK export contract started, Guy Ray, the US *chargé d'affaires*, told Foreign Minister J. A. Bramuglia, when stipulating a list of fourteen conditions for us aid in resolving the country's us dollar shortages: "Cattle raisers and meat packers uninterested [to] increase production. Prices too low and cattle sold at low weights causing big losses. Meat packers fear gradual expropriation constituting confiscation as effective as if performed in single operation" (Ray, 1949b).

Though earlier threats to nationalise the *frigoríficos* has been denied by Peron, in March 1949 the issue arose once more when a presumption in favour of the nationalising service industries was inserted in the new Constitution. Under pressure from the *frigoríficos*, the US Embassy belatedly got Perón to commit once more that he would avert the threat of expropriation. The government then decreed a further increase in *frigorífico* workers' salaries. But the *frigoríficos* responded with threats to stop production completely in April if the government did not pay them compensation for unpaid price losses stretching back to the end of 1946.¹⁷

During 1949-50, given Argentina's us dollar trade deficit and debts and the Perón government's search for us government support, the us *frigoríficos* would lose no opportunity to press their government to help them with their issues with local cashflow issues, and with remittances from Argentina. The us companies continued to operate at a loss; they would present accounts to the government's Junta Nacional de Carnes, which, under pre-war meat laws, was supposed to subsidise those losses. The Argentinian government would increasingly only fund these losses after disputes and delays, as there was never clarity over what the law meant when it said that *frigoríficos* could operate 'at a reasonable profit margin'.¹⁸

¹⁷ See Ray (1949a) "Representatives of Armour, Swift and Wilson [state]... meat packing industry here losing money at rate of about 15m pesos per month. Argentine Government has drafted decree authorizing payment 60m pesos described as a loan to the packers. Payment of 60m pesos was promised for purpose partially covering losses over period 27 months prior December described as loan to cover labor costs, and no mention has been made of provision to cover losses beginning January 1, 1949. Such conditions unacceptable. Packers fear that if they reduce [operations] as planned, government would immediately appoint *interventores* which would amount to first step to expropriation, or at least partial expropriation".

¹⁸ The key terms were '*ganancia razonable*' and '*quebrantos*'; the former appeared in the 1949 Constitution's clause on expropriation of foreign-owned companies. The latter clearly implied losses requiring compensation.

When the UK sought and negotiated a one-year meat contract extension from June 1949, there turned out not to be any leverage for either US or UK *frigoríficos*, in spite of the Perón government's now straitened economic position. Argentina's negotiator, Roberto Ares, asked for a larger adjustment on historic meat prices than before and a substantial beef price increase in sterling terms plus a US dollar guarantee. The cost of the guarantee would eventually (nearly two years later) work out at £17m, double the guarantees paid by the UK for the 1946 meat agreement. Argentina agreed to ship reduced, but still significant volumes of beef, 300,000 tonnes in the first year, with once more the promise of increasing volumes afterwards. In return, the UK promised reasonably attractive exports from the UK to Argentina, and agreed a further beef price rise to £97.54, well over 30% above the 1948 contract price.

Cattle prices now rose substantially, pushing new volumes to the still-subsidised domestic market, but the meat business's supply chain problems continued to fester, particularly as regards both *frigoríficos* and their workers. Under the 1949 UK meat contract, cattle producers started shipping again at new prices in the second half of 1949, but their costs continued to rise. Returns on exports were also greatly reduced by the effect on producers of a highly unattractive exchange rate for meat exports, even after devaluations of both sterling and the peso against the US dollar in the third quarter. By this time, of course, domestic inflation had escaped the government's control; both demand for meat and its rising price were signalling the end of a very long rising cattle production cycle. Then, in the context of strong consumer demand and accelerating inflation, from late 1949 on domestic beef price subsidies were suspended.

During 1950 Argentina's domestic beef market continued to expand, with higher than ever slaughter, and cows and heifers outnumbering steers. Carlos Emery,¹⁹ the Agriculture Minister, managed to generate increased political support for meat producers, and in June 1950 the government's targets for cattle prices were raised, for the first time in excess of inflation and then for a time in step with inflation. This may well have been meant as a signal to the UK as negotiations for a new export beef price were due to start. In any event, irrespective of its overall policy of supporting import-substituting industries, the Perón government would now remain committed to supporting cattle producers.

In the UK, however, beef was not nearly in such short supply as before, the recovering UK livestock industry was no longer so short of feed. Argentina now had no grain or oilseed to bargain with as before, so the government was also now in a much more difficult negotiating position vis-a-vis the UK, which, after its 1949 sterling devaluation moved rapidly into a much stronger economic position worldwide. The UK now demanded a reduction in the sterling prices it paid for meat, citing lower costs of production in Argentina (although producers' actual costs were not reduced, because of the artificial exchange rate at which they in effect sold their products). Negotiations were broken off in July 1950 and there were no frozen beef shipments for over six months in 1950-51.

Escalating labour costs in the labour-intensive frigorífico industry were moderated to an extent, when the government now supported the Confederación General del Trabajo (CGT) in finally gaining effective control over the *frigorífico* workers' unions, after a major *frigorífico* strike in April-June 1950. The timing of this move suggests that it was agreed

¹⁹ Emery, minister of agriculture since 1947, was a dairy cattle breeder himself of Irish extraction.

between the government and the *frigoríficos*, as part of the negotiations over the timing and level of *frigorífico* subsidy payments. It also suited the *frigoríficos* that negotiations over the annual wage settlement were not completed until November 1950, by which time union problems in the industry had considerably diminished and export prices were much better.

The unions present in the *frigorífico* business remained as numerous as they had been in 1946, and as much plagued by internal disunity. Wages had been raised in March/April 1949 and were due to be raised again twelve months later, supposedly just before fixing a new UK meat price. Many outstanding labour issues which could have been dealt with in the Estatuto de la Carne were completely unresolved, so the next wage negotiations were very complex. However, at the same time new pro-CGT groupings were being encouraged by the government.²⁰ There followed a wildcat two-month strike, leading to the de-recognition of the industry's main union federation by the government for not following the government's directives to end the strike. This led to the federation's replacement by a new CGT-affiliated entity, the Junta Intersindical de Trabajadores de la Carne, which agreed a settlement for a 15% lower wage rise, with reduced disparities for women workers, and some improved pay for workers who were minors. Some, but by no means all, of the key Estatuto de la Carne issues were addressed after the strikers all returned to work (and most strikers got their jobs back) –for example those relating to relativities for the most skilled workers (Contreras, 2013).

Against this background, US *frigoríficos* once again requested fresh subsidies to compensate for higher labour costs and for the suspension of export shipments. But the *frigoríficos* were now actually making profits –in November 1950 they admitted as much, privately telling their embassy that they were profitable because they could cross-subsidise losses on domestic meat sales with the extra profits now available on exports, especially canned meat at high Korean War prices (Mallory, 1950).

So, while the UK trade was suspended other parts of the meat export business took a temporary upwards turn. Increased global inflation due to the Korean War meant that upwards pressure on prices continued. Despite the overall decline in export shipments, domestic market beef prices continued to rise in the now unsubsidised local market, and consumption also rose as slaughterings reached a new peak in 1950.

Market shortages and policy failures, 1951-54

The cattle production cycle now turned decisively downwards, in spite the various types of encouragement given by the Perón government for the production of export cattle; so cattle supplies remained very tight, even though prices rose. After a series of dry years starting in 1949, drought took a firm hold during 1951 and continued, and deteriorated in 1952, which made the cycle worse.

The government now began making subsidised credit available both to import substituting industries and also to some agricultural producers, but there is evidence that these policies, for example the interest rates applied to these credits, were applied inconsistently,

²⁰ Note that the company union in one of the two large Vestey *frigoríficos*, Ciabasa at Avellaneda, which was previously politically unaffiliated unlike all the US *frigorífico* unions, played a big role and its leader, Julio Presta, became the *interventor* in the Junta Intersindical de Trabajadores de la Carne which set up the new union framework that brought the *frigorífico* unions underneath the CGT for the first time.

without impartiality (Girbal Blacha, 2002). Producers began once again to invest in the highest quality British pedigree bulls at what were now even higher record prices. A renewed worldwide boom in the prices of UK pedigree bulls started in the early 1950s, with new record levels being reached in 1953-54, and Argentinian breeders again often among the main buyers. Carlos Hogan, the new Agriculture Minister (also of Irish extraction), had earlier, while attempting as ambassador to the UK to reopen the UK market for chilled beef, complained to the UK government about the unrewarded effort that Argentinian producers were putting in, in 'buying Scottish bulls for £7,000 and their progeny being slaughtered for canning' (Foreign Office, 1950).

The declining cattle cycle meant many fewer cattle available throughout 1951-52, and only slightly higher prices with meat shortages exacerbated. This situation was scarcely compatible with restoring or developing the beef export business, but the Perón government also remained anxious to reopen and expand the UK trade. So a new UK beef export contract was finally agreed in April 1951; promised in theory around £30m of UK exports totalling 200,000 tonnes, with another price increase to £126 per ton and another sweetener payment, just as in 1946 and 1948. In US dollar terms, the £126 price meant a reduction by comparison with the 1949 price (because of the 30% sterling devaluation of late 1949), but in sterling terms the price was still 29% over 1949. This result did not give great encouragement to Argentina's cattle exporters, as once again they did not receive from the IAPI anything like the full benefit of the devaluation of the peso against sterling, making them, in effect, still less export-competitive in terms of their increased, inflation-powered peso costs of production. Worse still, no sooner had the UK export contract been signed than Argentina banned beef exports from May to October 1951, and subsequently export volumes continued their substantial decline.

As a result, in October 1951, the UK's Labour government, in the very last week of the election campaign which it lost after six years in power, which had been able to raise meat rations slowly since mid-1950, was suddenly forced to reduce them again. Just three months later, once Perón had himself been re-elected, the Argentinian government was also forced, in its case for the first time, to introduce restrictions on the consumption of meat in the domestic market –*la ración*– which became more drastic for the next two years, though evasion was commonplace.

Similar shortages continued to affect Argentina's meat business in 1952. Steer prices increased again, but producers could not supply, so export volumes fell. In the UK, the new Conservative government of Winston Churchill (1951-55) at once faced extreme beef shortages and the same supply planning problems as before; the beef ration was reduced to 240-260 grams per person per week in mid-1952, a little lower even than in 1949, the lowest under Labour. Argentinian beef supply shortfalls already meant that its beef was now considered unpopular as well as unreliable, and successive Conservative governments from 1951 on also remained committed, considerably more than its Labour predecessor, to more effective Commonwealth trade preference.²¹ Nevertheless, for both Argentinian and UK governments, the beef trade was also still essential. In December 1952, they signed another trade

²¹ In 1952 the UK began after a long gap to import some Ireland-killed beef (as opposed to steers for fattening) and there were even trials with Canadian beef. From time to time there was a barrage of propaganda from Conservative party politicians pressing for preferential ("Ottawa-style") treatment for Australia and New Zealand, and quota preference remained in place, but Argentinian chilled still always received easily the highest imported beef prices, whether for frozen beef or, after 1953, for chilled.

agreement, this time a less ambitious one in which beef was again the most important element; the terms were similar to those of the 1951 contract, with a significant sterling price increase per ton of frozen beef of 28% (equivalent to USD450 per tonne) and a similar Argentinian undertaking of 250,000 tonnes of exports.

A brief opportunity for beef exports, 1953-58

In its last three years in power, the Perón government, while attempting for a time to stifle domestic inflation, also tried hard to stimulate the export trade. Primacy was given once again to the export frigoríficos and subsidies promised (though then delayed), but attempts to set ceiling prices failed. Cattle prices were in fact now adjusted upwards several times, auction markets were given free rein, and the percentage of steers in the market began to increase for the first time since 1946. Unsurprisingly, however, the cattle production cycle failed to get restarted until price controls were finally reduced in 1953. A great opportunity was seen to restore the business in chilled beef, which had not been exported since 1939. The Conservative UK government now deregulated meat purchases completely. UK shipping lines re-equipped and rapidly reorganised themselves along the lines of the 1920s conference cartel, with new entrants also joining the market. The big central *frigoríficos*' new influence on the market was further enhanced by the abolition of the IAPI in 1954.

As far as cattle producers were concerned, their net negative protection was only (finally) reversed in 1954 (Lema, 2020, pp. 234-235). But now it was the frigoríficos who received the bulk of the government's support; in May 1955 the Perón government began to pay prompt subsidies more promptly and entered a formal agreement promising the *frigoríficos* a reasonable return with the promise of retrospective effect for some past years (Peffer, 1961, pp. 47-48; Basualdo, 2010, pp.156-157).²²

By the end of 1955 cattle stocks had recovered, and the cattle production cycle was accelerating, as producers had been able to regrow their cattle stock levels and were embarking on a restored export trade in chilled beef to the UK, and other markets (e.g. to Italy and Spain, both now able to afford to import). The world market for exported meat beyond the UK was growing substantially, starting now with Western Europe, later also in Japan and Eastern Europe. But in 1955, after a brief period of high prices, high volumes of Argentinian beef ran straight into collapsing UK prices. In addition to oversupply of imports, UK beef prices were kept down by deficiency payments, i.e. subsidies paid to their domestic producers. The years 1953-55 saw the all-time peak of UK beef consumption, but also a new peak for UK beef price subsidies, at over £60m per annum. The UK even subsidised Australian beef producers in these years, as part of Commonwealth preference measures, but repeatedly continued in 1955-56 to increase subsidies to UK cattle producers (as well as small amounts of subsidy to Australia), the opposite of what it did for lamb (Bowers, 1985, p.70). Against this background, in March 1955 Argentina and the UK signed their last meat agreement. The agreement was silent on beef prices, and was more focussed on an offer of credit to fund UK exports; beef volumes were reduced significantly to less than £20m p.a. of beef. This agreement helped trigger large new volumes of beef exports from Argentina, but now UK retail

²² As with earlier *frigorífico* subsidies, the permissible profit margin was unclear and disputes proliferated.

beef prices continued their fall through 1956-57 (by over one-third from the peak at the 1957 low point).

From 1956 on, there were also new tax incentives for Argentinian producers to invest in farm infrastructure, and new technology was available for cattle-breeding (Barsky and Gelman, 2003, p. 393-394).²³ However, when it came to buying pedigree bulls to improve product quality, breeders persisted in making the mistake of investing in ever smaller, stockier animals (later deprecatingly known as ‘belt-buckle bulls’, because the bulls were only around 90 centimetres high at the shoulder), which is what the top UK Angus and Hereford breeders were still producing; this they then continued to do right up until cattle stockiness finally peaked in the early 1960s. Only then did they slowly begin to adapt, by introducing bulls first from India and Africa for the Litoral herds, and later bulls from France (as producers did over the whole world), in order to meet the market’s preference for much leaner beef (Voth, 2016).²⁴ But the Argentinian market’s taste for young, unhung beef was not readily compatible with new European tastes in beef.

During 1955-58 Argentina’s domestic market for beef hit new highs (with the country’s highest ever per capita consumption)²⁵ before falling back sharply in 1959. Argentinian beef export volumes also grew back nearly to pre-war levels, averaging over 550,000 tn per annum (p.a.) from 1955 to 1958. In 1958 the foreign exchange rate regime was clarified and improved for meat exporters and their price realisations began to rise again, and the *frigoríficos* even began to receive payment of their subsidy arrears since 1946.

Domestic market instability and continuing export stagnation, 1958-1975, and conclusions

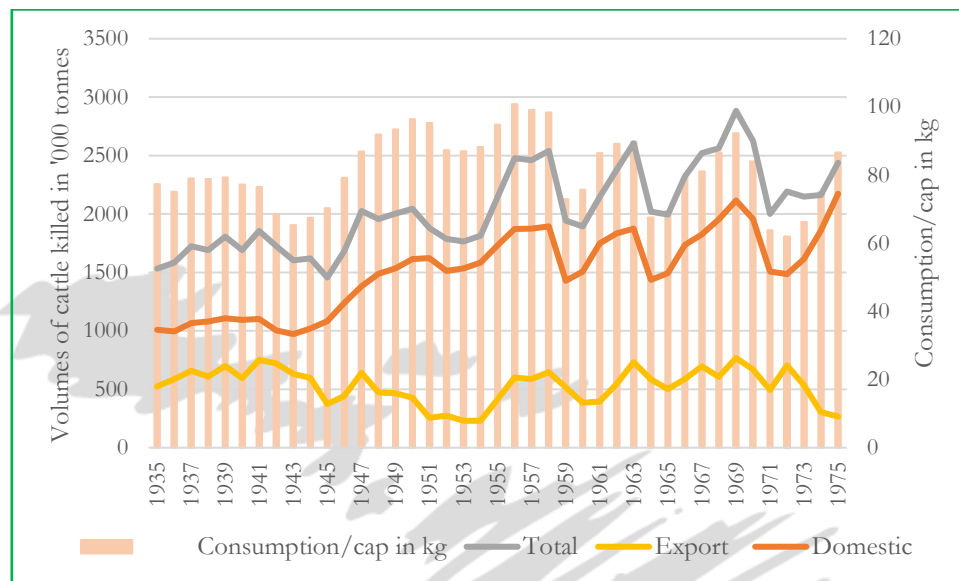
After 1958 Argentina’s meat export business again declined and the struggle to export to the subsidised UK market became tougher. Argentina’s domestic meat consumption levels also ceased to show sustained per capita increases, and then briefly fell back significantly in the early 1970s (Graphic 1). The business suffered slightly less intrusive market interventions than before, but there were now sharp swings in the levels of consumption, which quite closely reflected ups and downs in the country’s urban masses’ purchasing power. Argentinian inflation levels were a special problem, because, in spite of high short-to-medium correlation between inflation rates and Liniers steer price rises, inflation would usually penalise producers on the cost side (and if either steer or domestic meat prices ever got ahead of general inflation, political intervention would surely follow swiftly). Producers’ costs remained under permanent pressure because of the penal exchange rates that were usually applied to beef exports, which rendered Argentinian beef uncompetitive against other suppliers and often actively disincentivised export production.

²³ Note that artificial insemination, though widely known, was still practised very unevenly.

²⁴ Kathy Voth, based on research of Harlan Ritchie, shows how Angus and Hereford animals were moved back towards a much larger, leaner shape, starting (for Herefords) with Canadian and US blood; by the 1980s these breeds had come back into favour in Argentina, as elsewhere.

²⁵ Other than another briefer spike in the 1970s.

Graphic 1: Argentina, cattle killed, export and domestic, vs per capita consumption, 1935-1975



Source: Ferreres, 2010.

Argentina's export product was still attractive in the UK, and a recurrent feature of the Argentinian meat business after 1958 was the periodic sharp rises in meat exports to the UK. These were short-lived, as the UK government would soon threaten to bring in caps or quotas on Argentinian meat imports. The reason for this hostility to Argentinian beef was not merely Commonwealth preference and the public's (and politicians') attribution of earlier problems with the beef ration to Argentinian under-supply; there was also the perception that, as Argentinian prime beef product enjoyed preferential pricing as compared with all but the very most expensive cuts in the UK market, it continued to threaten directly the UK's own beef producers. UK producers were now subsidised so as to cover their costs, but the cost of subsidy after 1957 was in effect locked in by new farmer support legislation in 1957. In the following year the UK's ministry of agriculture, led by Joe Godber, a dynamic young junior minister,²⁶ carried out a lengthy study into whether it made sense to adopt a specific quota for Argentinian beef, but despite strong political pressures, the government eventually decided against it (Ministry of Food, 1958).²⁷

Sure enough in the 1960s, the UK government reduced the rising cost of these domestic subsidies by periodically applying carefully-managed import quotas. A simultaneous rise in the price and availability of Argentinian steers in 1962 led to a sustained rise in exports to the UK, culminating in the Minister of Agriculture announcing an annual beef quota limit of 203,500 tonnes p.a. for all beef exports to the UK. The distribution of this restricted quota caused consternation among the *frigoríficos* and even more so among the business's shipping

²⁶ Another farmer minister.

²⁷ There was still then almost no chilled beef imported into the UK other than from Argentina.

lines.²⁸ Steer prices and export prices began to fall once again and Argentinian producers' opportunity for capturing higher volumes at good prices was soon gone.

There were further brief periods of strong exports in the next three years, but a major blow to *ganaderos* came with the *aftosa* ban which the UK placed on Argentinian meat in 1967. The fact that the ban was rescinded so quickly and the UK market reopened shows the resilience of Argentina's meat businesses. Nonetheless, in 1969-70, there was a third period of limitation of Argentinian beef sales to the UK, after a spike in international demand for beef drove another sustained rise in steer prices and beef prices. In early 1970 the UK government asked their Argentinian counterparts to put in place a voluntary export limit of around 300,000 tonnes p.a. but Argentina refused cooperation; a quota was imposed, so prices rose, but exports to the UK fell.²⁹

However, by the 1970s radical changes in UK dietary habits took firm hold. These were trends which, as regards meat-eating, had started soon after UK rationing came to an end. UK meat consumption, after a brief post-rationing rise in 1955-57, began to fall in 1958 (with lamb falling faster than beef) and then continued to fall, by 2000 to less than half the war time level (and less than one third of the 1957 peak). Chicken began a spectacular rise which was much the highest contributor to the decline of the beef market for the next thirty years (Godley and Williams, 2009). Finally, the classic retail joints based on Argentinian chilled were gradually being superseded by other products, and by much leaner joints than Argentina's classic product, which were gradually being bred into cattle produced in Argentina.

Moreover, *frigoríficos* in Argentina were slow to adapt to new conditions and the role of the large *frigoríficos* in purchasing steers declined rapidly after 1956-57 and the trade in chilled quarters also declined. Swift maintained and grew the US market for canned beef and introduced new vacuum-sealed joints for the European market, and the industry responded well to new UK phytosanitary requirements in 1968. But, other than by Swift, no new production capacity and new technology was put in place by Argentina's major *frigoríficos*³⁰; adding both of these might have enabled them to find new markets to replace the UK and smaller European markets after the enlargement of the European Union to include the UK and Ireland in 1973.

The final blow to the historic meat business came with the ban on imports of fresh meat to Europe imposed by the European Union in 1973-74. All attempts to find substantial replacement markets for top-quality beef exports, proved elusive. Argentina's domestic market boomed until 1979, but then per capita consumption of beef in Argentina began its long-term decline. By then Argentina had already lost its world beef market dominance to other producers, in the first instance to Australia, which enjoyed advantages from its lack of *aftosa* and from its proximity to promising new markets in Japan and elsewhere in Asia.³¹

²⁸ Royal Mail Line, in particular, was the major freight and passenger carrier to the east coast of South America, and had, like Houlder Brothers and others, built several new ships equipped for the refrigerated meat trade. Royal Mail protested about the meat quota and with reason: it was the last straw for its whole business, and within two years it was taken over and its meat shipment business was closed ("Meat Shippers' Troubles", 1963; "Royal Mail Lines...", 1964; "Royal Mail Lines...", 1965).

²⁹ Argentina was also affected by a new UK ban in 1970 on all imports of 'bone-in carcass' beef, which brought to a final conclusion the market for the main chilled product.

³⁰ Swift was much more committed than Vestey. Vestey did not invest in new ships after 1948, or in any new production lines at Dock Sud, and walked away from its lease of the latter site in 1972.

³¹ It is worth noting that Australian producers and *frigoríficos* were already in the early 1960s developing new markets in the US and Japan (in preference to the UK).

In conclusion, in the thirty years after Argentinian cattle production had proved resilient but had not expanded much export markets had proved fickle and often illusory and the country's leading world market position had gone for ever.

Ganaderos nonetheless could count on growing demand from domestic consumers, who, for the moment were not losing their taste for beef. In the domestic market inflation and the need for beef volume/price controls and/or subsidies were factors which could interact negatively with the cattle cycle itself. The enduring attraction of owning cattle as a hedge against inflation also helps explain the resilience of a substantial and varied population of *ganaderos*.

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