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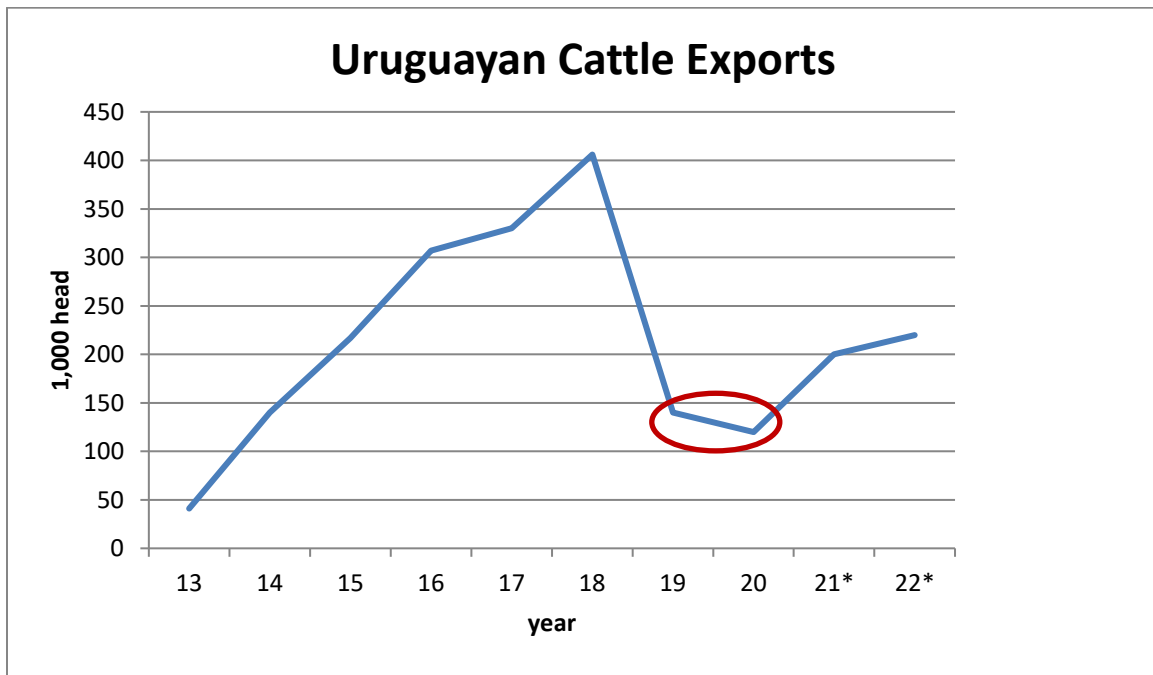
Approved By: Rachel Bickford

Report Highlights:

Post forecasts record Uruguayan beef exports at 490,000 tons carcass weight equivalent as a result of abundant beef supplies, strong foreign demand, and export limitations in several important competitors. Beef domestic consumption for 2022 is forecast at 160,000 tons, a recovery from 2021 as the country begins to return to normal as a majority of the population has been fully vaccinated against COVID-19 and are returning to restaurants. In the coming months, Uruguay is expected to loosen border restrictions to boost tourism, one of the country's economic pillars.

Production

Beef production for 2022 is projected at 615,000 tons carcass weight equivalent (cwe), the second highest volume on record. Cattle slaughter is forecast at 2.4 million head, the highest volume in the last 16 years as a result of plentiful calf crops in recent years, producers' investment in improving genetics and feeding, but most importantly, lower exports of feeder cattle in 2019 and 2020 which is now showing up in the current and future slaughter. The average carcass weight is forecast to increase to 256 kilograms (KG), a little more than 1 percent higher than the 2021 average, as fewer females are expected to be slaughtered and cattlemen choose to fatten their cattle more given the very good prices and returns.

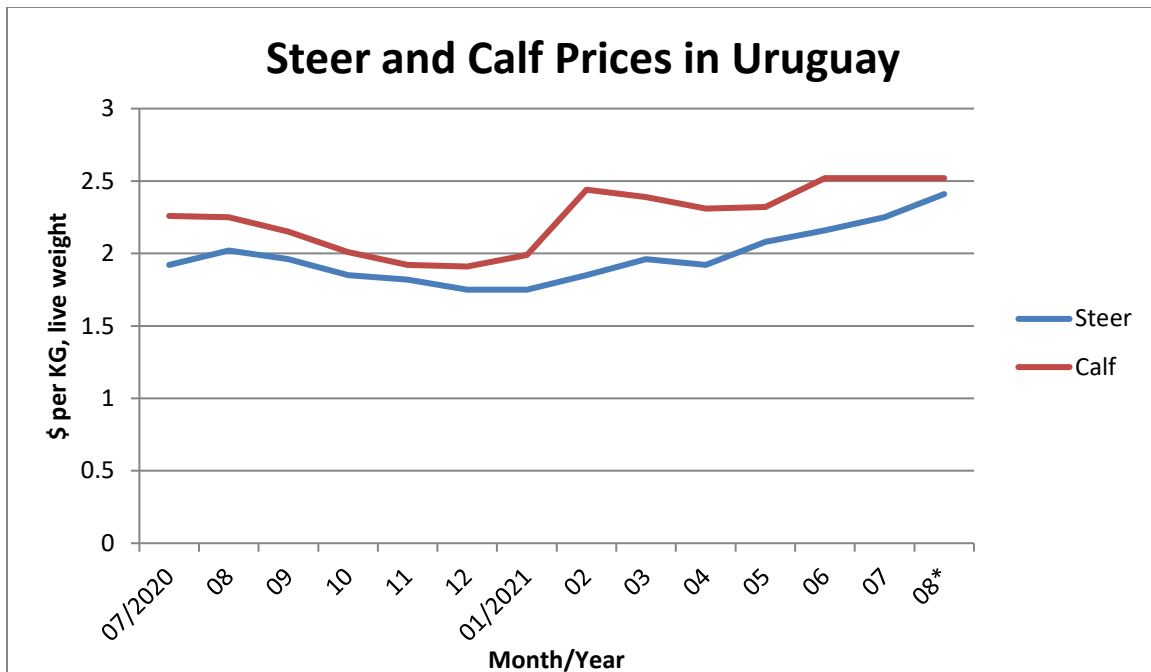


Source: Post with FAS data

* Post projection

Market conditions are currently very positive for the Uruguayan cattle/beef sector, with strong foreign demand, high FOB prices, good cattle supplies and good returns throughout almost the entire value chain. Most market participants interviewed for this report were optimistic that these good conditions will carry forward into 2022. Cattle breeders are enjoying good returns as calf prices are strong, selling roughly at \$2.50 per KG. Cull cow prices are also good primarily due to the high Chinese demand for beef. Producers who fatten cattle on pastures are likewise enjoying good returns as fed cattle prices are also high. Feedlot operations are also profitable as most of the cattle on feed were purchased at below the current price.

The following table shows prices of fed steers and male calves weighing between 140-180 KGs in the past 12 months. Since April, prices rose faster for fed steers due to the strong export demand for beef, especially from May onwards when Argentina began to limit its beef exports, and fewer cattle were slaughtered in Brazil.



Source: Post with data from Pantalla Uruguay

* Estimated

The feedlot business continues to grow in Uruguay, though few feedlots purchase from independent cow/calf operations. There are 150 operations registered in Uruguay, of which, most finish their own cattle. About 40-50 percent of Uruguay's feedlot output is further integrated, with the cattle being owned by a few export-oriented meat packers. Of the total cattle finished in confinement, roughly 80 percent are steers, with a live weight of ~500 KG, and the rest are heavy heifers weighing ~480 KG. Cattle from feedlots are normally finished heavier than those fed on pastures and receive a price premium as foreign buyers prefer larger cuts. Based on private sources, roughly 450-500,000 head will be finished in feedlots in 2021, approximately 100-150,000 head more than in 2020. This volume would account for approximately 20 percent of the country's slaughter. The main reasons for such a large increase include Argentina's export limitations which has provided a good opportunity for additional exports to the EU under the high-quality beef quota (known in South America as the 481 Quota), lower exports from Australia, and the expansion and opening of new markets for Uruguayan grain-fed beef in China and Japan.

The rest of the Uruguayan beef industry typically finishes cattle on grass in pastures and use little supplemental feed (though some receive some additional grain). These animals are typically slaughtered at a lower weight than feedlot cattle. Current high grain world prices are projected to encourage farmers to expand the area devoted to crops in marketing year 2021-2022, at the expense of pasture area. However, very high cattle prices, including cattle for breeding, are encouraging cattlemen to invest in new pastures and better genetics, as well as equipment and infrastructure for grain feeding. Many producers are also incorporating low-cost management practice improvements to become more efficient. The outcome of all this movement is already starting to result in the slaughter of younger cattle and of better quality and a slow, but steady increase in the number of weaned calves.

The local meat packing industry, which had very tight returns during 2018-2020, began to recover at the end of last year/beginning this year when cattle prices dropped primarily due to dry weather. Most of

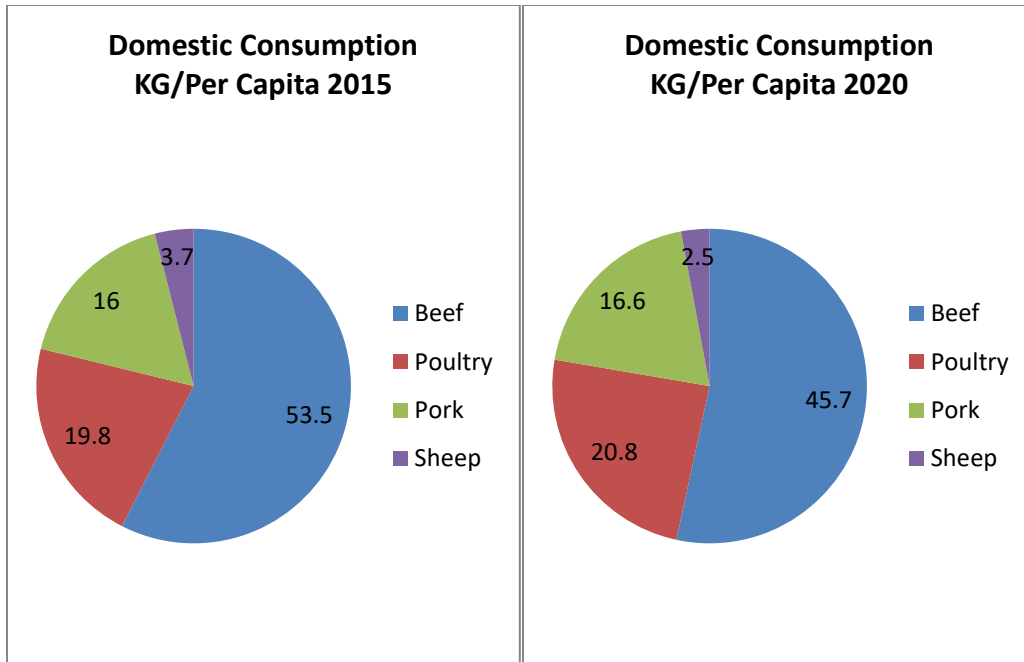
2020 was difficult primarily due to the COVID-19 pandemic which affected some processing plants (two had to close in December and 6 had temporary closures in January 2021). Currently, despite better FOB prices, the continuous increase in cattle prices is starting to erode the companies' profitability. The domestic processing industry is in general very cautious, investing only in essential things, such as cold storage capacity and packing. However, a Brazilian owned meat company announced early in the year a significant investment plan to expand capacity and improve efficiency in their main plant. To date there are no new processing plants projected to be built.

During January-August 2021 there were 33 slaughter plants operating in Uruguay. The largest plant accounted for 8.3 percent of the total slaughter, while the three largest accounted for 24 percent and the first ten almost 70 percent. There are two large Brazilian-owned meat companies which operate 7 slaughter plants that together account for 48 percent of the total slaughter.

Consumption

Beef consumption in 2022 is forecast at 160,000 tons cwe, higher than in 2021, and driven primarily by the sale of beef for the hotel, retail and institutional sector. Uruguay has made great advances in minimizing the impact of COVID-19, as approximately 70 percent of its population has been fully vaccinated and the current death toll is low relative to the region. Tight border restrictions are in place, but Uruguay announced that as of September 2021, foreigners who own property in the country and are fully vaccinated will be permitted to enter. The next step would be to allow tourists to enter for the summer vacation season, which is important because tourism is one of Uruguay's main economic pillars. Other measures which the government is taking are to relax restrictions for celebrations, sporting events, and indoor dining. The return to a more normal life will likely drive growth in demand and greater beef consumption.

High retail prices and reduced purchasing power of many consumers is perceived to be contributing to lower domestic beef consumption in 2021. High domestic prices are in part driven by strong export demand and resulting high FOB prices. Due to its relatively liberal trade policies, Uruguayans have begun consuming more imported beef. Thus, the domestic industry has tried to balance the profitable export business while still remaining competitive at home. While the increase in beef imports began in 2013, it has accelerated since 2018. The local beef industry has been exporting higher-priced cuts and importing less expensive cuts from countries within the region. Higher beef prices and changing preferences have led to an erosion in beef consumption with poultry, and to a lesser extent pork, accounting for larger percentages of overall meat consumption. The following chart shows per capita consumption of animal protein in 2015, which totaled 93 KG and in 2020 fell to 86 KG. In the case of beef, per capita consumption dropped 15 percent in five years.



Source: Post with INAC data

Retail beef prices are currently expensive, especially relative to alternatives. Distributors indicate that there are currently large stocks of imported pork which have pushed down retail prices, while local poultry prices are also very competitive due to large supplies. The following table shows current retail prices of different meat cuts in a large supermarket in Montevideo city:

Product	\$/KG
Ground beef	6.95
Beef tri-tip	8.60
Beef short ribs	7.70
Whole fresh broiler	3.70
Pork loin	5.80
Pork ribs	7.20

Domestically, half of the beef sales take place in supermarkets (of which 70 percent are large cities) and the other half in butcher shops spread around the country. However, a vast proportion of sales at supermarkets are conducted through an in-store butcher shop and just 15-20 percent of the beef is sold in branded pre-packaged trays and/or vacuum packed. Butcher shops normally receive half carcasses which are then deboned in each store. The most popular cuts are ground beef, round cuts for breaded veal, and short ribs for weekend barbecues.

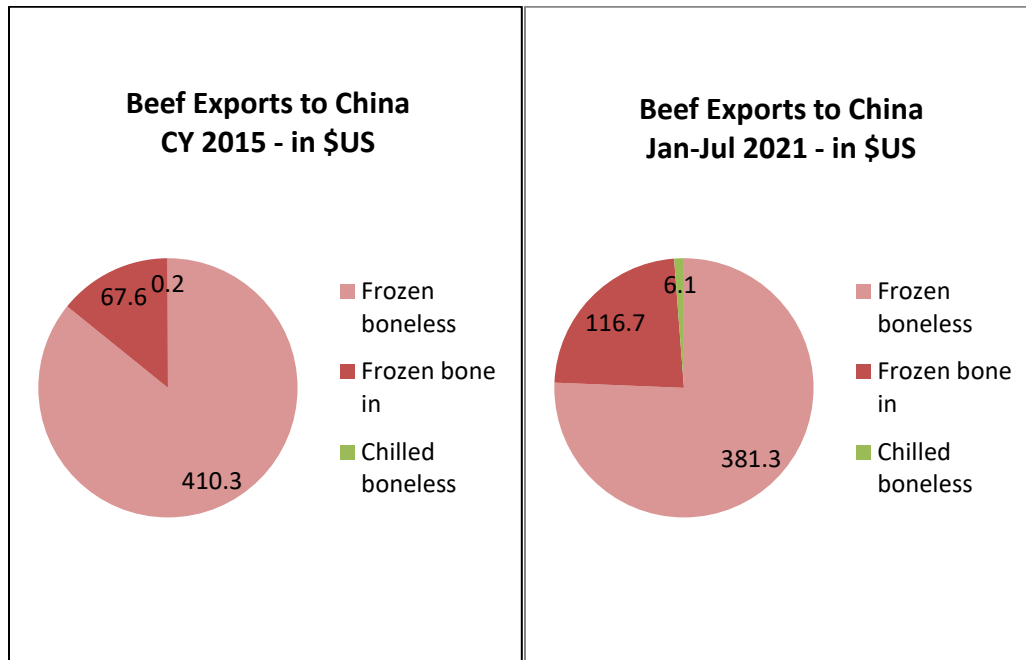
In early 2021, the government issued three implementing regulations of the Law of Commercial Transparency and Food Safety, which grants the National Institute of Meats (INAC) the authority to regulate butcher shops with the dual objective of assuring access to meat and meat byproducts of acceptable quantity and quality. Before, regulation was conducted at a Departamento (state) level. Meat distributors are working to expanding points of sales in places such as small markets and gas stations.

Trade

Uruguayan beef exports in 2022 are projected at a record 490,000 tons cwe. Large cattle and beef supplies, together with a strong foreign demand and some export limitations in key competitors are expected to continue to provide good opportunities for the Uruguayan beef sector. Despite strong recent performance, one concern is Uruguay's dependence on a single import market. For the past four years China has been the destination for 55-70 percent of Uruguay's beef exports. The remainder is normally shipped to the US, the EU and Israel. Local brokers expect no major changes in 2022.

Roughly 70 percent of Uruguay's exports are frozen boneless beef, but the sector continues to make a great effort in differentiating its beef to obtain the highest unit price possible. Exporters continue to focus in expanding niche markets such as natural, organic, grass-fed, Kosher and grain-fed beef.

China is expected to continue to be the leading destination in 2022, demanding a wide variety of cuts, from frozen bone-in beef to high value chilled cuts for retail. Frozen trimmings, shin shank, chuck and blade and round cuts are the most popular cuts exported. Shipments of frozen bone-in ribs are also growing quite noticeably, with FOB prices in many cases higher than those in the domestic market. The following chart shows the evolution of Uruguayan beef exports to China, comparing those in 2015 with shipments in the first half of 2021, measured in dollars. Apart from the significant increase in sales, the increase in exports of bone-in cuts and the small but growing trend of higher-priced chilled cuts are notable. Exporters are now supplying grain-fed beef to this market.



Source: TDM Trade Date Monitor

The United States most likely will be the second largest export market in 2022, making full use of the 20,000 ton quota at a low tariff rate. In the recent past, approximately 80 percent of exports were frozen cuts. The quota is normally filled with many different products, with approximately 30 percent being high-value chilled cuts. The importance of these products is slowly growing, with chilled cuts

increasing destined for specific markets such as organic, grass-fed, grain-fed, and kosher. At current prices, exports outside the quota, which must pay a 26.4 percent tariff, will be small as China is expected to pay better prices and its sanitary requirements are somewhat easier to comply with. Canada is also expected to be an important market in 2022, buying similar cuts to the US, but in smaller volumes.

The EU is projected to remain a very important market in 2022, although its importance has been declining in recent years. Most exports are chilled cuts which enter under two quotas, but frozen cuts are also exported despite paying high duties. Until December 2020, Uruguay was eligible to export 6,376 tons of high-quality beef cuts under the Hilton Quota, but with the United Kingdom leaving the European Union, the quota was altered in early 2021 to 5,606 tons for the EU and 770 tons for the UK. Uruguay normally fills its entire portion of the Hilton Quota but in 2019-2020 it only filled 71 percent. Its performance improved in 2020-2021. Uruguay also plays an important role in supplying a share of the duty-free High-Quality Grain-Fed Beef Quota (known in the region as the 481 Quota) of 45,000 tons. The largest portion of this quota is assigned to the US. In 2020-2021, the volume available for other suppliers (including Argentina, Australia, Canada, and New Zealand) was 24,250 tons, of which Uruguay fulfilled close to 50 percent. The quota eligible for other countries dropped in 2021 from 26,500 tons to 22,000 tons and will drop further in 2022 to 19,600 tons. The quota is available on a first-come, first-served basis.

Israel is also expected to continue to be an important market for Uruguayan beef, but not as important as it was back in 2012-2017 when it imported roughly 20,000 tons of beef per year. In the past few years, Paraguay, Argentina, and Brazil have increased somewhat their exports to this market while Uruguay focused its exports mostly to China and the US. Beef exports to Israel through mid-2021 were almost double of that of the same period a year ago which was affected by the COVID-19 pandemic. Israel is currently showing a renewed strong demand for beef which is reflected in larger purchases throughout the region.

Brazil continues to be an important market. Historically Uruguay exported beef cuts to the southern part of the country, but product is now moving up north to the States of San Pablo and Mina Gerais. Most exports are in the form of frozen boneless cuts, but high quality chilled rump cap and tri-tip cuts are growing in importance.

Beef imports for 2022 are forecast up at 35,000 tons cwe. Importers expect large exports in 2022 to reduce the domestic supply while a recovering domestic market is expected to increase local demand as restaurants, institutional and tourism return to normal operating conditions as the country emerges from the pandemic. Uruguayans take pride in their cattle-raising heritage and have historically preferred to consume domestically-produced beef. Imported beef, while not preferred is more accepted now, though typically it is sold anonymously in butcher shops rather than branded in supermarkets. Uruguay imports primarily less expensive beef from Brazil and Paraguay. The main cuts imported are vacuum-packed chuck and blade primarily for ground beef and stews, loin, sirloin, and prime ribs.

Statistical Tables

Animal Numbers, Cattle Market Year Begins Uruguay	2020		2021		2022	
	Jan 2020		Jan 2021		Jan 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks (1000 HEAD)	11436	11436	11946	11966	0	11956
Dairy Cows Beg. Stocks (1000 HEAD)	310	310	310	320	0	325
Beef Cows Beg. Stocks (1000 HEAD)	4200	4030	4200	4000	0	4000
Production (Calf Crop) (1000 HEAD)	2980	3020	2770	2840	0	2880
Total Imports (1000 HEAD)	0	0	0	0	0	0
Total Supply (1000 HEAD)	14416	14456	14716	14806	0	14836
Total Exports (1000 HEAD)	120	120	200	200	0	220
Cow Slaughter (1000 HEAD)	1030	1030	1100	1200	0	1180
Calf Slaughter (1000 HEAD)	10	10	12	12	0	12
Other Slaughter (1000 HEAD)	980	980	1088	1138	0	1208
Total Slaughter (1000 HEAD)	2020	2020	2200	2350	0	2400
Loss and Residual (1000 HEAD)	330	350	330	300	0	300
Ending Inventories (1000 HEAD)	11946	11966	11986	11956	0	11916
Total Distribution (1000 HEAD)	14416	14456	14716	14806	0	14836
(1000 HEAD)						

Meat, Beef and Veal Market Year Begins Uruguay	2020		2021		2022	
	Jan 2020		Jan 2021		Jan 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference) (1000 HEAD)	2020	2020	2200	2350	0	2400
Beginning Stocks (1000 MT CWE)	0	0	0	0	0	0
Production (1000 MT CWE)	520	520	560	595	0	615
Total Imports (1000 MT CWE)	49	49	40	32	0	35
Total Supply (1000 MT CWE)	569	569	600	627	0	650
Total Exports (1000 MT CWE)	412	412	435	480	0	490
Human Dom. Consumption (1000 MT CWE)	157	157	165	147	0	160
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	157	157	165	147	0	160
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	569	569	600	627	0	650
(1000 HEAD) ,(1000 MT CWE)						

Attachments:

No Attachments