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Report Highlights:
Uruguay's beef exports for 2011 are estimated to increase to 400,000 MT due to stronger demand from export markets. Cattle stocks are forecast to increase as pregnancy rates and calf production are expected to improve and cattle exports are projected to decrease. Beef production is estimated to remain stable at 600,000 MY as slaughter is expected to remain unchanged from CY 2010, and domestic beef consumption is projected to decrease as a result of higher prices and reduced beef exports.

Executive Summary:

Uruguay's beef exports for 2011 are estimated to increase to 400,000 MT due to stronger demand from export markets. Cattle stocks are forecast to increase slightly as pregnancy rates and calf production are expected to improve and cattle exports are projected to decrease. Beef production is estimated to remain stable at 600,000 MT as slaughter is expected to remain unchanged from Calendar Year (CY) 2010, and domestic beef consumption is projected to decrease slightly due to higher prices and the increase in beef exports.

Commodities:

Meat, Beef and Veal
Animal Numbers, Cattle

Production:

For CY 2011, Uruguayan beef production is estimated to remain stable as slaughter is expected to remain unchanged. Beef production in CY 2010 is expected to increase to 600,000 MT, up 10,000 MT from the previous year, as a result of increased slaughter. According to private sources, a drop in production is expected in CY 2012 because of the severe drought that affected the country in 2008-2009.

Slaughter in CY 2011 is estimated to remain stable, as a result of the reduced stock in CY 2010, which is recovering gradually following the drought. Both producers and industry are expected to be very cautious regarding decisions which would cause stock liquidation (i.e. increasing slaughter does not seem to be a sustainable measure for the livestock sector in Uruguay). Producers are expected to retain their cattle unless there is a severe drought or a serious financial situation which would force them to sell their animals.

Slaughter in CY 2010 is expected to increase slightly compared to the previous year. This increase is due to the recuperation of export markets following the global economic crisis. Also contributing to the increase is the higher efficiency that has resulted through Uruguay's gradual expansion towards a more intensive livestock production system. In CY 2009, the severe drought resulted in the loss of an estimated 400,000 hectares of pasture, out of a total of 1.3 million hectares planted to pastures. Despite the lack of pasture land available, producers have taken advantage of the availability of reasonably priced grain which has resulted from the expansion of agricultural production in the country.

Despite the economic and financial crisis affecting most countries in the world, Uruguayan cattle producers have been in strong competitive position due to the BSE-free status (minimal risk) of the country and strong controls on foot-and-mouth disease. Reduced cattle supplies in other beef producing countries have also created opportunities for Uruguayan livestock producers, who have been investing strongly in pasture improvement, and improved herd management techniques (e.g. the decrease of slaughter age of cattle). During the past few years, the area dedicated to livestock production has been rapidly falling as more land is used for field crops (mainly soybeans) and forestry, forcing livestock production to become more intensive.

Significant investments have been made by the industry to expand deboning and cold storage facilities in meat packing plants. Total slaughter capacity is estimated between 3.2-3.3 million head on an annual basis. During the past few years, the local industry has invested in feedlot production to assure supplies of fed cattle for slaughter. The favorable conditions for livestock production in Uruguay have also attracted foreign investors, mainly from Brazil, who have purchased several meat packing plants. Private sources estimate that about 45 percent of Uruguayan meat plants are owned by Brazilian investors and 10-15 percent by Argentine investors. A new British owned meat packing plant has recently begun to operate, but there are currently no U.S. owned meat packing plants in Uruguay

Cattle prices in U.S. dollar terms are currently very high. Thus, fed cattle for slaughter are competing with live cattle for the export market. Beef production in Uruguay has been traditionally aimed at supplying export markets, which account for about 70 percent of total production. Feedlot production accounts for around 8-10 percent of total slaughter. This is expected to increase as larger meat packing plants are incorporating feedlots into their operations, and a larger grain supply is expected due to the expansion of crop production in the country. A major constraint on further expansion in feedlot production is the ongoing ban on the use of antibiotics and hormones to promote growth. In addition, government policies have been aimed at intensifying grass-fed cattle production. High-value beef cuts produced in feedlot operations are mainly exported since the domestic market cannot afford them.

Consumption:

Domestic beef consumption for CY 2011 is projected to decrease slightly, compared to the previous year, to 200,000 MT. This change is due to an increase in beef exports, while for CY 2010 the forecast remains stable.. Due to recovering purchasing power, Uruguayans are expected to continue eating large volumes of beef. Post has increased the amount of domestic consumption from previous estimates for both 2009 and 2010 due to this reason. All beef cuts are consumed in Uruguay, although the rib plate is the most popular cut. There is also a strong demand for cheaper forequarter cuts.

Annual per capita beef consumption is estimated at approximately 60 kg. Beef is primarily consumed in urban areas, while lamb is preferred in rural areas. During the past few years, annual per capita chicken consumption has increased from 10 to 18 kg, as it is cheaper than beef. However, domestic prices for chicken have been gradually increasing. Annual per capita lamb consumption is 6-7 kg., pork consumption is negligible, and fish is too expensive to compete with beef. Estimated comparative prices are as follows: tenderloin, $18/kg; rump skirt, $8/kg; and chicken, $2.50/kg. More affluent consumers purchase beef cuts at the supermarket (40-45 percent market share), while consumers with a lower purchasing power buy their beef at the butcher shop (55-60 percent market share). Butcher shops tend to remain in the suburbs of Montevideo and the interior of the country. In urban areas, where more women are entering the workforce, the preference has developed to purchase all food products, including beef, at the supermarket, as it is a more efficient use of time.

Trade:

Uruguay's beef exports for 2011 are estimated to increase to 400,000 MT, up slightly compared to 2010. This increase is due to stronger demand from export markets, which have been gradually recovering after the global economic crisis. Beef exports for 2010 are expected to increase to 390,000 MT, compared to the previous year. This is a result of larger slaughter and larger international demand.

Uruguay has benefited greatly from having access to more markets than its neighboring competitors, Brazil and Argentina, whose beef is still prohibited access into the U.S. due to Foot-and-Mouth Disease (FMD) restrictions. In addition, the Government of Argentina (GOA) continues its policy of beef export restrictions to maintain lower domestic beef prices. All of these factors created unprecedented opportunities for Uruguayan beef exports. In 2009, these exports were higher in volume than the previous year, totaling 380,000 MT – CWE, however, lower in value, reaching $970 million. The average price per MT was $2,486 in 2009, compared to $3,249 in 2008. During the period of January to mid-August 2010, the average price per MT was $2,881.

Following the FMD crisis in April 2001, most export markets have reopened for Uruguay's fresh boneless beef, beginning with the European Union (EU) and Israel in November 2001, followed by Canada in January 2003, and the U.S. in May 2003. After four years of active negotiations between Uruguayan and Mexican authorities, the Mexican market reopened in August 2006. In January 2007, the market was closed again due to a labeling problem, however, it was reopened in May 2007. The Asian high-value beef markets, including Japan and Korea, remain closed. Uruguayan animal health authorities are still negotiating access to the Korean beef market. Japan is not expected to resume imports from Uruguay while the country continues vaccinating against FMD. Uruguay will not stop vaccinating until the region is free of FMD. To date, over 100 markets are open to Uruguay's beef products.

From January to July 2010, Russia became the primary destination by volume for Uruguayan beef with a market share of 32 percent, and the EU became the primary destination by value, accounting for 30 percent of the total market. The U.S., which had been the number one market for Uruguayan fresh boneless beef since the market reopened in 2003 (reaching a high of 47 percent in CY 2007), dropped to 8 percent of the market in CY 2010. This resulted from the reorientation of exports to Russia, due to their willingness to pay higher prices than the U.S.

The main beef cuts exported to the U.S. in 2009 were frozen fore and hindquarters, and trimmings.

In 2009, Uruguay filled the 20,000 MT beef tariff-rate quota (TRQ) for the U.S., which requires payment of a low in-quota duty. Imports in excess of the 20,000 MT TRQ, however, are subject to a 26.4-percent duty. As in past years, Uruguay has completely filled its 6,300 MT share of the Hilton beef quota for export to the EU. In addition, Uruguay has submitted to the EU a proposed certification protocol to export under the20,000 MT quota for high-quality hormone free beef that the EU opened up for third-country suppliers under the agreement between the U.S. and EU in the beef hormone dispute.

Uruguay's primary beef export destinations are listed below:
(MT-CWE)

Country	2009	Mkt share %
Russia	98,410	26.7
United States	34,954	9.3
United Kingdom	28,017	7.3
China/Hong Kong	23,891	6.5
Israel	17,565	4.8
Netherlands	14,743	4
Brazil	14,203	3.8
Canada	13,506	3.7
Venezuela	13,069	3.5
Italy	11,903	3.2
Spain	10,044	2.7
Chile	9,988	2.6
Germany	8,213	2.2
Algeria	8,081	2.2
Canary Islands	7,338	2

Source: FAS Buenos Aires based on statistical data from the Global Trade Atlas

Cattle exports for CY 2011 are forecast to decrease compared to CY 2010, as they will compete with local industry's need for fed cattle for slaughter to meet the international demand for beef. Cattle exports for CY 2010 are estimated to increase slightly as a result of competitive domestic cattle prices.

In CY 2009, the major export markets for live cattle, mainly for slaughter, were Syria (35 percent market share), Egypt, Lebanon, and Brazil. During the first quarter of 2010, Lebanon became the first largest market for Uruguayan live cattle, importing 190,000 head for a total value of $14 million.

Uruguay is a traditional beef exporting country, thus, beef imports will remain negligible. In CY 2009, Uruguay imported very small volumes of beef, primarily from Brazil, as a result of high domestic beef prices.

Uruguay continues to ban the import of U.S. beef and beef products due to BSE-related restrictions. Local importers are particularly interested in gaining access to sweetbreads from the U.S.

Cattle Prices

Cattle prices dropped significantly in CY 2009, compared to the average record level of $2.01/kg reached for live steers in August 2008. This increase was due to the recovery of most export markets, the international demand which has been recuperating following the global economic crisis and reduced cattle supplies and exports in other countries. Cattle prices recovered in CY 2010 due to reduced cattle supply, and are expected to remain relatively high.

Stocks:

Cattle stocks in CY 2011 are forecast to increase slightly as pregnancy rates and calf production are expected to improve. Moreover, cattle exports are estimated to decrease as they will compete with the beef industry, which will need fed cattle for slaughter to supply the demand from export markets.

Cattle stocks in CY 2010 are expected to decrease due to reduced calf production as a result of the severe drought of CY 2008-2009, which negatively affected pregnancy rates. Cattle stocks will also be impacted by the high demand from export markets, both for beef and live cattle.

Policy:

The Government of Uruguay (GOU) has made great efforts to achieve the total eradication of FMD, whose last outbreak was detected in August 2001. Vaccination for all cattle will continue in 2010, and will not stop until there is a guarantee that the disease is under control throughout the region. A Permanent Veterinary Committee, composed of members from the Veterinary Services of the Governments of Argentina, Brazil, Bolivia, Chile, Paraguay, and Uruguay, was created in 2003 as a tool to anticipate and overcome difficulties resulting from FMD outbreaks . Member countries meet on a regular basis to discuss regional sanitary issues.

In order to meet increased demands for traceability in the main beef export markets, in September 2006, the GOU mandated a cattle identification program. The purpose of this program is to facilitate traceability using electronic devices financed by the GOU. It is mandatory that all cattle be identified by 2011.

In March 2009, through Law No. 18,471, the GOU created the Honorary National Commission of Animal Welfare, whose main goal is to ensure that the standards of care, protection and respect towards animals are met. In 2010, under that framework, the Uruguayan National Meat Institute (INAC) designed an animal welfare certification program focused on bovines. In addition, INAC has implemented a monitoring system, called “Black Boxes”. This system consists of the installation of electronic equipment in all slaughter plants, and is aimed at facilitating traceability, providing information on yield to the producer, preventing tax evasion, and fostering rapid access to information on the livestock sector. At this time, virtually all slaughter is being monitored through the “Black Boxes” system.

In July 2010, a new regulation was implemented by the Ministry of Livestock, Agriculture, and Fisheries of Uruguay (MGAP), which will regulate feedlot operations in the country. These standards refer to feedlot facilities, residue control and handling, and animal health and feed programs. The regulation also includes a traceability system for cattle bred under this system. One of the goals of MGAP is to encourage feedlot producers to comply with the new regulations as soon as possible. This is in order to comply with the proposed EU certification protocol for Uruguay to export under the additional 20,000 MT quota of high-quality hormone free beef (not treated with hormones).

Uruguay’s export rebate of taxes for all beef cuts is 2.5 percent. As a Mercosur member, Uruguay applies the Common External Mercosur Tariff, which ranges between 3 and 23 percent. In general terms, intra-Mercosur trade pays a zero tariff.

As of August 1, 2006, the GOU implemented a reduction of domestic taxes affecting beef. This included the value-added tax, which was reduced from 14 to 10 percent, and the elimination of the social security financing tax (COFIS), which was 3 percent.

INAC has played a key role in developing projects to differentiate Uruguayan beef in international markets. Among the primary marketing initiatives carried out on an annual basis is the organization of promotional activities and trade missions to China, Korea, Europe, the Unites States, Mexico, and the United Arab Emirates, among others, and participation in major food shows. During the past few years, the main focus has been on the Chinese market.

In 2004, INAC’s Certified Natural Meat Program was included in the “Approved USDA Process Verified Programs,” published on the USDA website. INAC has also implemented Certified Hereford and Angus Meat programs, has developed protocols for organic beef production and marketing, and has implemented GLOBALGAP (EUREPGAP) standards for Certified Natural Beef.

BSE: Uruguay is classified by the World Animal Health Organization (OIE) as a country with negligible risk for Bovine Spongiform Encephalopathy (BSE). The Uruguay Ministry of Agriculture is currently conducting a risk assessment to decide whether to allow imports of beef from the U.S. Uruguay allows imports of dairy products as well as bovine semen and embryos from the U.S., but does not allow imports of live animals, bovine meat and offals.

Production, Supply and Demand Data Statistics: 1,000 head of cattle and 1,000 tons

Animal Numbers, Cattle Uruguay	2009			2010			2011		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official	Old Post	New Post	USDA Official		New Post	USDA Official	Old Post	New Post
Total Cattle Beg. Stks	11,950	11,949	11,950	11,840	11,839	11,828			11,053
Dairy Cows Beg. Stocks	350	350	350	350	350	350			350
Beef Cows Beg. Stocks	4,200	4,200	3,900	4,150	4,150	4,000			4,000
Production (Calf Crop)	2,800	2,800	2,750	2,600	2,400	2,100			2,870
Intra-EU Imports	0	0	0	0	0	0			0
Other Imports	0	0	0	0	0	0			0
Total Imports	0	0	0	0	0	0			0
Total Supply	14,750	14,749	14,700	14,440	14,239	13,928			13,923
Intra EU Exports	0	0	0	0	0	0			0
Other Exports	235	310	207	250	250	215			120
Total Exports	235	310	207	250	250	215			120
Cow Slaughter	1,100	1,130	1,223	1,110	1,025	1,080			1,080
Calf Slaughter	20	20	18	20	20	20			20
Other Slaughter	1,205	1,050	1,084	1,395	1,235	1,230			1,230
Total Slaughter	2,325	2,200	2,325	2,525	2,280	2,330			2,330
Loss	350	400	340	290	290	330			320
Ending Inventories	11,840	11,839	11,828	11,375	11,419	11,053			11,153
Total Distribution	14,750	14,749	14,700	14,440	14,239	13,928			13,923
CY Imp. from U.S.	0	0		0	0				
CY. Exp. to U.S.	0	0		0	0				
Balance	0	0	0	0	0	0			0
Inventory Balance	-110	-110	-122	-465	-420	-775			100
Inventory Change	1	1	1	-1	-1	-1			-7
Cow Change	0	0	0	-1	0	0			0
Production Change	0	0	0	-7	-14	-24			37
Production to Cows	62	62	65	58	53	48			66
Trade	235	310	207	250	250	215			120

Balance									
Slaughter to Inventory	19	18	19	21	19	20			21
TS=TD			0			0			0
Comments									
AGR Number									

Meat, Beef and Veal Uruguay	2009			2010			2011		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Slaughter (Reference)	2,325	2,200	2,325	2,525	2,280	2,330			2,330
Beginning Stocks	0	0	0	0	0	0			0
Production	544	520	590	590	530	600			600
Intra-EU Imports	0	0	0	0	0	0			0
Other Imports	0	1	0	0	1	0			0
Total Imports	0	1	0	0	1	0			0
Total Supply	544	521	590	590	531	600			600
Intra EU Exports	0	0		0	0	0			0
Other Exports	370	340	380	410	350	390			400
Total Exports	370	340	380	410	350	390			400
Human Dom. Consumption	174	181	210	180	181	210			200

Other Use, Losses	0	0	0	0	0	0			0
Total Dom. Consumption	174	181	210	180	181	210			200
Ending Stocks	0	0	0	0	0	0			0
Total Distribution	544	521	590	590	531	600			600
CY Imp. from U.S.	0	0	0	0	0	0			0
CY. Exp. to U.S.	0	0	0	0	0	0			0
Balance	0	0	0	0	0	0			0
Inventory Balance	0	0	0	0	0	0			0
Weights	234	236	254	234	232	258			258
Production Change	2	-3	2	8	2	2			0
Import Change	-100	-50	-100	0	0	0			0
Export Change	2	-6	2	11	3	3			3
Trade Balance	370	339	380	410	349	390			400
Consumption Change	-1	2	-1	3	0	0			-5
Population	3,494,382	0	3,494,382	3,510,386	0	3,494,382			3,494,382
Per Capita Consumption	50	0	60	51	0	60			57
TS=TD			0			0			0
Comments									
AGR Number									

Comments To Post

Author Defined:
Sources of Information

http://www.inac.gub.uy (National Meat Institute)
http://www.mgap.gub.uy (Ministry of Livestock, Agriculture, and Fisheries)
http://www.ine.gub.uy (National Statistics Institute)
http://www.aduanas.gub.uy (Customs)
http://www.aupcin.com (Uruguayan Association of Intensive Natural Beef Producers)

Newspapers containing agricultural supplements:

http://www.elpais.com.uy (El Pais)
http://www.observa.com.uy (El Observador)

Commodities: