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Uruguay

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Approved By:
David Mergen

Prepared By:
Maria Balbi

Report Highlights:
For 2010, Uruguay's beef exports are estimated to increase slightly to 350,000 tons. Cattle stocks are forecast to decrease due to reduced calf production following the drought in 2008/2009 and due to high demand for slaughter to supply export markets.

Executive Summary:
Uruguay’s beef exports for 2010 are estimated to increase slightly to 350,000 MT, compared to an estimated 340,000 tons the previous year, due to larger slaughter to supply strong demand from

export markets. Cattle stocks are forecast to decrease due to smaller calf production as a consequence of a severe drought which negatively affected pregnancy rates, and a relatively high demand from beef export markets. Beef production in 2010 is estimated to increase to 530,000 MT, and beef domestic consumption is projected to remain stable after increasing in 2009 due to stronger purchasing power.

Commodities:
Animal Numbers, Cattle
Meat, Beef and Veal

Production:
For 2010, Uruguayan beef production is estimated to increase to 530,000 MT due to larger slaughter to supply strong demand from export markets. Beef production in 2009 will decrease to 520,000 MT, down 15,000 MT from the previous year, as a result of reduced slaughter. Although cattle prices decreased, compared to 2008, they still remain relatively high in U.S. dollar terms. However, some producers prefer to rent the land to foreign investors, who pay high prices per hectare to plant soybeans, instead of continuing to invest in the livestock sector which is making livestock production increasingly intensive.

Beef production in Uruguay has been traditionally aimed at supplying export markets, which account for about 70 percent of total production. Feedlot production represents around 8-10 percent of total slaughter, and it is expected to increase as larger meat packing plants are incorporating feedlots to their operations. Traditional feedlot production is not expected to expand significantly in Uruguay as use of anabolics and hormones is forbidden throughout the country and, so far, government policies have been aimed at intensifying grass-fed cattle production. Uruguay is gradually becoming a grain producer, thus, domestic grain prices will decrease fostering grain supplementation of cattle, which several sources believe is the key to the expansion of the livestock sector in Uruguay. High-value beef cuts produced in feedlot operations are mainly exported since the domestic market cannot afford them.

Trade:
Uruguay's beef exports for 2010 are estimated to increase to 350,000 MT, up slightly compared to 2009, due to larger slaughter to supply strong demand from export markets, which have been gradually recovering after the recent global economic crisis.   Beef exports for 2009 are expected to decrease to 340,000 MT, compared to 360,000 MT in 2008, as a result of reduced slaughter due to the drought which affected the weight of slaughter cattle. Beef production is forecast to increase to 530,000 MT in 2010, up 10,000 MT compared to the previous year.

Uruguay has benefited greatly from its sanitary status compared to its neighboring competitors, Brazil and Argentina, whose beef is still prohibited entry into the U.S. due to Foot and Mouth Disease (FMD). The European Union also prohibited beef imports from Brazil in 2008. In addition, the Government of Argentina (GOA) continues its policy of beef export restrictions with the intent of lowering beef domestic prices. All of these factors created unprecedented opportunities to Uruguayan beef exports which, in 2008, were lower in volume than the previous year, totaling 360,000 MT, but higher in value as the average price per MT was $3,298 in 2008, compared to $2,138 in 2007. During the period January-July 2009, the average price per MT was $2,474.

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 active negotiations during four years between sanitary authorities of Uruguay and Mexico, the Mexican market reopened in August 2006. In January 2007, it was closed again due to a labeling problem, and reopened in May 2007. The Asian high-value beef markets, Japan and Korea, remain closed. Uruguayan animal health authorities are still negotiating the opening of the Korean beef market. Japan is not expected to resume imports from Uruguay while the country continues vaccinating against FMD. Uruguay will not drop vaccination until the region is free of FMD. To date, 105 export markets are open to Uruguay's beef products.

During January-July 2009, the EU became the primary destination for Uruguayan beef with a market share of 29 percent, due mainly to the decrease of imports from Russia, which was seriously affected by the global economic and financial crisis. The U.S., which had been the number one market for Uruguayan fresh boneless beef since the reopening of the U.S. beef market in 2003, dropped in market share to 7 percent in Jan-July 2008 -- after reaching 56 percent during the same period of 2007 -- and rebound to 11 percent in 2009. This initially resulted from the reorientation of beef exports to Russia, which became the major beef export market for Uruguay with a 40 percent market share in January-July 2008, as it paid higher prices than the U.S. As a result of the global crisis, Russia's share fell to 22.5 percent during the same period of 2009. In that period, both Mercosur and Israel had a market share of 5 percent, and Venezuela, 4 percent, compared to 0.5 percent during January-July 2008. Venezuela is not expected to become a major export market for Uruguayan beef. The opening of the Mexican market in the second half of 2006 did not lead to a significant increase of shipments to that market, as expected, due to strong competition from other export markets paying relatively higher prices for Uruguayan beef. The main beef cuts exported to the U.S. in 2008 were frozen boneless fore and hindquarters, and trimmings.

In 2008, Uruguay did not fill 1,300 MT of its 20,000 MT U.S. beef tariff-rate quota, which pays a low in-quota duty. Imports in excess of 20,000 tons pay a 26.4-percent duty. This was primarily due to higher prices paid by other export markets, such as Russia. As in past years, Uruguay has filled completely its 6,300 MT share of the Hilton beef quota for export to the EU. In addition, Uruguay has recently submitted to the EU the certification protocol for the country to apply to export under the additional 20,000 MT quota of high-quality free-of-hormone beef that the EU opened up for third country suppliers under the beef hormone dispute agreement between the U.S. and EU . Both government and private sources see this quota as a great opportunity for Uruguayan beef.

Uruguay's primary beef export destinations are illustrated below:

Country	2008	Mkt share %
Russia	120,496	33
United States	35,854	10
United Kingdom	27,381	7.5
Israel	18,514	5
Spain	17,373	4.5
Chile	16,200	4
Netherlands	14,301	3.9
Brazil	14,246	3.9
Italy	11,097	3
Canada	10,493	2.9
Malaysia	7,223	2
Hong Kong	6,964	1.9
Venezuela	6,892	1.9
Algeria	6,352	1.8
Germany	6,213	1.7

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

Cattle exports for 2010 are forecast to decrease, compared to 2009 when they increased significantly as a result of competitive domestic cattle prices. The major export market for live cattle, mainly for slaughter, is Brazil as a result of the high value of the real. On some specific occasions, a relatively high number of calves are exported to Arab countries but this does not happen every year or on a regular basis. Primary cattle destinations in 2008 were: Brazil, Jordan, Syria, Egypt, and Lebanon.

Uruguay is a traditional beef exporting country. Thus, beef imports will remain negligible. In 2008, Uruguay imported beef primarily from Brazil, as a result of high domestic beef prices. Total beef imports were as follows:

- fresh boneless beef ($5.2 million)
- frozen boneless beef ($0.22 million)
- thermoprocessed beef ($0.3 million)

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

Stocks:

Cattle stocks in 2010 are forecast to decrease due to reduced calf production as a consequence of a severe drought which negatively affected pregnancy rates, and a relatively high demand from beef export markets.

Slaughter in 2010 is estimated to increase, compared to the previous year, due to the recuperation of exports markets from the global crisis and higher efficiency through the gradual expansion of feedlot production. This will likely continue to grow if pregnancy rates and calf production improve, and if slaughter age of cattle is decreased. Slaughter in 2009 is expected to decrease slightly due to the drought which affected the condition of cattle, causing weight loss in animals. The impact of the drought in 2009 was not as serious as initially expected. Despite the lack of pasture, producers took advantage of grain availability at reasonable prices (sorghum production in 2009 was larger than expected). Investments in pastures and herd management techniques are expected to continue.

Despite the economic and financial crisis affecting most countries in the world, the relatively strong sanitary condition of Uruguay´s cattle, and reduced cattle supply in other beef producing countries, have created opportunities for Uruguayan livestock producers, who have been investing strongly in pastures, and improved herd management techniques. During the past couple of years, livestock production has been rapidly losing area to field crops (mainly soybean crops) 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. The favorable conditions for livestock production in Uruguay have also attracted foreign investors, mainly from Brazil, who purchased several meat plants. Private sources estimate that about 45 percent of Uruguayan meat plants are owned by Brazilian capital and 10-15 percent by Argentine capital. Currently, there are no meat packing plants in

Uruguay owned by U.S. investors. One modern meat plant has been recently built with British investment.

Policy:

The Government of Uruguay (GOU) has made great efforts to eradicate FMD, whose last outbreak was detected in August 2001. Vaccination for all cattle will continue in 2009, and will not stop until the region is free of the disease. 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 occurrences. Member countries meet on a regular basis to discuss regional sanitary issues.

In order to meet new requirements being implemented by the primary world beef export markets, the GOU put in force in September 2006 a mandatory cattle identification program using electronic devices financed by the GOU, with the purpose of facilitating traceability. All cattle are planned to be identified by 2012. In addition, all parties in the beef market, the GOU, the beef industry, and livestock producers, are aware of the need to implement new measures related to animal welfare and they are working on the subject. Experts from foreign countries, such as the U.S. and Argentina, have been invited to give presentations on this issue. In addition, the Uruguayan National Meat Institute (INAC) has implemented a monitoring system, called “Black Boxes”, which consists of the installation of electronic equipment in all slaughter plants, aimed at facilitating traceability, providing information on yields to the producer, preventing tax evasion, and fostering rapid access to information on the livestock sector. So far, over 95 percent of slaughter is being monitored through the “Black Boxes” system.

Uruguay’s export rebate 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, as follows: the value-added tax was reduced from 14 to 10 percent, and the social security financing tax (COFIS), which was 3 percent, was eliminated.

During the past few years, INAC has played a key role in developing various projects which help 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.

In 2004, INAC’s Certified Natural Meat Program was included in the “Approved USDA Process Verified Programs,” published in 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 as a minimal risk country in the OIE. Uruguay is currently conducting a risk assessment to decide whether to allow imports of beef from the United States. Uruguay allows imports of dairy products as well as bovine semen and embryos from the United States, but does not allow imports of bovine meat and offals.

Marketing:
Cattle prices

Cattle prices reached an average record level of $2.01/kg for live steer in August 2008, significantly exceeding the values prior to the FMD crisis, which ranged from $0.80-$0.90/kg. This has been due to the recovery of most export markets, the strong pressure of international demand which has been recuperating from the crisis, the sanitary condition of the country, beef export restrictions from Argentina, and a reduced cattle supply in other countries. Cattle prices have dropped significantly in 2009, but are expected to remain relatively high.

Production, Supply and Demand Data Statistics:

Meat, Beef and Veal Uruguay	2008			2009			2010		
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010		
	USDA Official Old Post		New Post	USDA Official Old Post		New Post	USDA Official Old Post		New Post
	Data	Data	Data	Data	Data	Data	Data	Data	Data
Slaughter (Reference)	2.375	2.400	2.250	2.400	2.450	2.200			2.280
Beginning Stocks	0	0	0	0	0	0			0
Production	568	588	535	575	600	520			530
Intra-EU Imports	0	0	0	0	0	0			0
Other Imports	2	2	2	3	4	1			1
Total Imports	2	2	2	3	4	1			1
Total Supply	570	590	537	578	604	521			531
Intra EU Exports	0	0	0	0	0	0			0
Other Exports	361	420	360	350	450	340			350
Total Exports	361	420	360	350	450	340			350
Human Dom. Consumption	209	170	177	228	154	181			181
Other Use, Losses	0	0		0	0	0			0
Total Dom. Consumption	209	170	177	228	154	181			181
Ending Stocks	0	0		0	0	0			0
Total Distribution	570	590	537	578	604	521			531
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	0	0	0	0	0	0			0
Weights	239	245	238	240	245	236			232
Production Change	1	0	1	1	0	-3			2
Import Change	-50	0	-50	50	0	-50			0
Export Change	-6	0	-6	-3	0	-6			3
Trade Balance	359	418	358	347	446	339			349
Consumption Change	17	0	17	9	0	2			0
Population	0	0		0	0				
Per Capita Consumption	0	0	0	0	0	0			0

TS=TD			0			0			0
Comments: Units in 1000 tons; slaughter in million head;									

Animal Numbers, Cattle Uruguay	2008			2009			2010		
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
	Data	Data	Data	Data	Data	Data	Data	Data	Data
Total Cattle Beg. Stks (million hd)	11.869	11.865	11.869	11.685	11.780	11.949			11.839
Dairy Cows Beg. Stocks (thousand hd)	350	350	350	350	350	350			350
Beef Cows Beg. Stocks (million hd)	4.200	4.200	4.200	4.220	4.220	4.200			4.150
Production (Calf Crop) (million hd)	2.650	2.650	2.790	2.900	2.780	2.800			2.400
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 (million hd)	14.519	14.515	14.659	14.585	14.560	14.749			14.239
Intra EU Exports	0	0	0	0	0	0			0
Other Exports (thousand hd)	169	45	170	60	30	310			250
Total Exports (thousand hd)	169	45	170	60	30	310			250
Cow Slaughter (million hd)	1.080	1.080	990	1.103	1.103	1.130			1.025
Calf Slaughter (thousand hd)	32	32	20	35	35	20			20
Other Slaughter (million hd)	1.263	1.288	1.240	1.262	1.312	1.050			1.235
Total Slaughter (million hd)	2.375	2.400	2.250	2.400	2.450	2.200			2.280
Loss (thousand hd)	290	290	290	290	290	400			290
Ending Inventories (million hd)	11.685	11.780	11.949	11.835	11.790	11.839			11.419
Total Distribution (million hd)	14.519	14.515	14.659	14.585	14.560	14.749			14.239
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	-184	-85	80	150	10	-110			-420
Inventory Change	0	0	0	-2	0	1			-1
Cow Change	2	0	2	0	0	0			0
Production Change	0	0	0	9	0	0			-14
Production to Cows	58	58	61	63	61	62			53
Trade Balance	169	45	170	60	30	310			250
Slaughter to Inventory	20	20	19	21	21	18			19
TS=TD			0			0			0

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)