

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Uruguay

### Livestock and Products Annual

**2013**

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**Report Highlights:**

Uruguayan beef exports for 2014 are forecast up at 400,000 tons, carcass weight equivalent. A projected higher slaughter and beef output is expected to make exports and domestic consumption continue to recover after the drought during 2008 and 2009. China has become Uruguay's number one destination, replacing the Russian Federation. This is expected to continue throughout 2014.

**Commodities:**

Animal Numbers, Cattle

Meat, Beef and Veal

**Production:**

Uruguayan beef production is forecast to continue its recovery after two years of severe drought during 2008 and 2009 which affected temporarily the country's cattle production ability. In addition, large exports of cattle during 2008 through 2011 further diminished the herd. With an average growth of four to five percent annually since, beef production for 2014 is projected at 580,000 tons carcass weight equivalent (cwe). This is the highest since 2009 but still lower than the record output of 2006 at 640,000 tons cwe. Calf prices in the past several years have been strong, encouraging breeders to produce more feeder cattle which result in higher cattle slaughter year after year. The total slaughter for 2014 is forecast up at 2.38 million head, the highest in the past 8 years.

The calf crop in 2014 is expected at 3 million calves, the highest ever. An expected higher-than-normal weaning ratio is a result of very good weather in 2013 and 2014 and to good returns which encouraged cattlemen to continue to improve herd management. The ending stock for 2014 is projected to increase to 11.8 million head, similar to 2009 but still below the record of 12.6 million head of 2003.

Uruguay continues to enjoy a very good sanitary status, being recognized by the World Organization for Animal Health (OIE) as free of Foot and Mouth Disease (FMD) with vaccination and having a negligible risk of bovine spongiform encephalopathy (BSE). The country exports boneless fresh beef to more than 100 countries, with the exception of Japan. The performance of beef exports is key for the local livestock sector as exports represent roughly 70 percent of the total production.

The country has a temperate climate which is very suitable for cattle production. However, the sector is very dependent on weather, which has been very good in most part in the past couple of years. Most of the breeding is done on natural grasslands, while the finishing is made primarily on pastures. The most progressive producers also use a combination of winter pastures, humid grain sorghum silage and hay during winter. Cattle finished on feedlots account for between 5-15 percent of the total slaughter, depending mostly on feed and feeder cattle prices. Cattle finishing has faced strong competition from the expansion of the crop area in the past several years as the best pastureland has been converted into crops (primarily soybeans). However, recent policy on land use, fully implemented in 2013, is expected to limit this expansion. Farmers now have to present to the government a crop plan for the next several years, defining soil use and conservation. Depending on the soil aptitude, farmers need to rotate with pastures or corn and sorghum. This scheme is expected to supply a larger feed base for cattle finishing either through artificial pastures or feed grain production.

The feedlot business is projected to recover somewhat in 2014 as producers expect grain feed prices to drop. A large calf crop is also expected to put some downward pressure on feeder cattle prices, unless Uruguay increases significantly its cattle exports. Most of the larger feedlots are owned by big cattle operations or meat packers which use them as a reserve for periods when there are cattle supply shortages. The country's capacity to finish cattle on feedlots is approximately 500,000 head per year, but only some 100,000 head are expected to be finished in 2013. This small volume reflects the

difficulties of this sector due to high feeder cattle prices, lower fed cattle prices, and high grain prices. Most cattle finished in feedlots are steers.

Uruguay has a traceability system for its cattle herd and beef during the industrial stage. It closely follows the movement of animals, the change of ownership and provides sanitary information. Roughly 85 percent of the herd is of British breeds (Hereford and Angus). The balance are crosses with Brahman, normally located in the northern part of the country. Steers are typically slaughtered at 480 kilos and cows at 440 kilos. As of late August 2013, 200 kilo male calves were selling at US\$480, and bred cows at US\$650. Fed steer prices are roughly at US\$2 per live kilo, the highest in the region.

A projected record calf crop in 2014 is expected to make cattle exports rebound to 120,000 head. Uruguayan cattlemen support these exports as it is an additional market where they can sell their calves and not depend exclusively on local buyers. Uruguayan cattle exports peaked during 2008 through 2011, with average shipments of 200,000 head. The main market was Turkey, followed by other Middle Eastern countries. Contacts indicate that a combination of a weaker demand and to the fact that the local government started to delay export permits made shipments drop in 2012 to 78,000 head and to roughly 50,000 head in 2013.

The country's slaughter capacity is over 3 million head, distributed among 40 plants. The financial situation of the industry is good. However, contacts indicate that in the past several months a short cattle supply, a strong local currency, and high cattle prices have increased production costs, hurting the business of most meat packers. Apart from the slaughter in officially inspected plants, Uruguay has 15-20 small abattoirs in the interior of the country which slaughter some 20-40,000 head a year. There are also some 50,000 head slaughtered on-farm for own consumption.

### **Consumption:**

Uruguayan beef consumption for 2014 is forecast at 180,000 tons (cwe), a recovery to volumes similar to a few years ago, as a result of an expected larger beef output. Uruguayans consume roughly 30 percent of the country's total beef output.

Uruguayans are used to consuming beef coming primarily from pastures, as feedlot production in the country is still quite limited. Contacts indicate that the domestic market is typically supplied with 25 percent of half carcasses, 30-40 percent with short ribs and skirt steak, and 20 percent with vacuum-packed cuts (primarily point of rump). The local demand buys primarily steers and heifers, somewhat lighter than for the export market. Butcheries sell roughly 70-80 percent of the beef marketed domestically, while supermarkets sell the balance.

The strong competition of cheaper poultry continues and, based on consumption levels in neighboring countries; it still has significant room to grow. The current per capita consumption of poultry is at 22 kilos, pork 14 kilos and growing and lamb 4 kilos (mainly consumed on-farm).

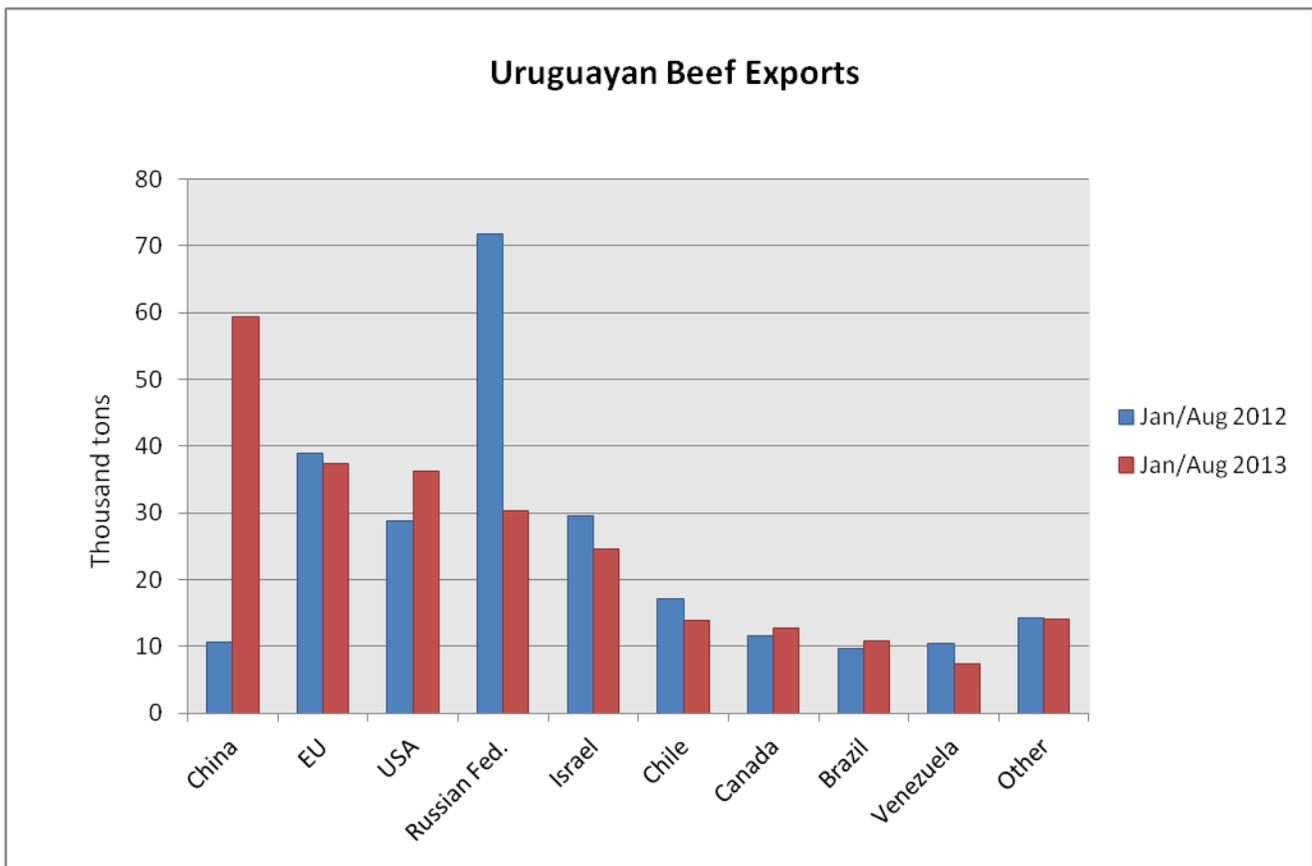
### **Trade:**

Uruguayan beef exports for 2014 are projected at 400,000 tons (cwe), the third highest volume in history (the record was in 2006 with 460,000 tons). Expected larger beef production would be directed mostly to exports.

The main export markets (in volume) for 2014 are expected to be China, the USA/Canada, the EU, the Russian Federation, Israel, and Brazil/Chile. China has become Uruguay's top export beef market (accounting for 22 percent of total beef exports in product weight during the first 4 months of 2013).

This is making Uruguayan beef exports change somewhat. While frozen, boneless beef exports are by far the country's largest exports, during the first months of 2013 their market share dropped. On the contrary, frozen bone-in exports increased significantly as result of China's large purchases. Boneless chilled beef cuts are also increasing, with Chile and the EU as leading markets. The local beef industry tries to export each cut to the market which pays the highest price for it.

The following chart shows the volume of Uruguayan beef exports for the period January/August 2012 and 2013 (in thousand tons, cwe – source Instituto Nacional de Carnes) by major destination:



China in November 2012 became for the first time the top market for Uruguayan beef, displacing the Russian Federation. China historically imported from Uruguay offals and small volumes of inexpensive boneless beef cuts. However, contacts indicate that China increased direct imports, with Uruguay ranking second to Australia as their top suppliers. China is expected to buy frozen boneless beef and bone-in cuts (including whole carcasses) from steers, cows, and cattle from feedlots. Current imports include trimmings, skirt steaks, chuck and blade and silversides. Current prices to this market are higher than what local exporters can sell to Russian importers.

Exports to the US and Canada in 2014 are expected to remain high. Traders indicate that the US beef quota of 20,000 tons most likely will be fulfilled, as well as exports to Canada through its quota

(Uruguay classifies under the “others” quota of 11809 tons). In both cases most beef is 90 percent chemical lean for industrial use.

Exports to the EU are forecast to continue to be high as it is an important market for high-priced chilled premium cuts. The 6,300 ton Hilton Quota is expected to be fulfilled as well as a similar level of exports under the 481 Quota (feedlot, hormone free beef). In fact, during the 2012/13 period under the new quota Uruguay exported just a little over the volume of its Hilton Quota. However, traders are a little skeptical of what can happen with shipments during 2013/14 as it seems it has not been as profitable as expected on either end. Uruguay exports under the 481 Quota 18 cuts, boneless and chilled. Uruguay is also expected to export similar cuts as those exported under the Hilton Quota (primarily Rump and Loin), but outside the quota.

Although with smaller shipments, the Russian Federation is expected to continue to remain as one of the main markets. It normally imports a wide variety of frozen, boneless cuts. Paraguay is an important competitor in this market. The Russian Federation has recently allowed Uruguay to extend the shelf life of chilled beef exports from 15 days to 90-120 days. This is a significant change as it allows exports to be shipped by boat.

Israel is forecast to import 10-15,000 tons of beef from Uruguay in 2014. Most exports are frozen forequarter cuts. This is a very stable market.

Exports to Brazil will continue to be primarily chilled top sirloin cap and point of rump, two very popular cuts. Chile is an important market, but with the recent reopening of Paraguay, once the number one supplier there, exports could drop somewhat. Chile imports 13-14 cuts, practically the whole carcass with the exception of the rump and loin (which is exported to the EU).

After several years of negotiations, in late 2012 Korea opened its market to Uruguayan beef. So far there are only a few plants eligible to export and shipments are small (128 tons through April 2013). Most of the product shipped so far was frozen, boneless, forequarter cuts. Uruguayan traders indicate that they face strong competition from Australia.

Uruguay could import some Brazilian beef in 2013 to fill in a temporary cattle shortage. The devaluation of the Real is making its beef very price competitive. Imports will be for domestic consumption.

Cattle exports in 2014 are forecast to increase more than 100 percent to 120,000 head, the highest of the past two years. This is expected as a result of a larger local calf crop which could encourage the government to allow higher exports. The primary market has so far been Turkey purchasing feeder cattle weighing 160-250 kilos each. Other markets which have shown interest are Tunisia, Jordan, Lebanon, Egypt, and the Russian Federation. The final number of exports will depend on cattle prices on each side and the government export/import authorizations.

### **Stocks:**

Ending stocks for 2014 are projected to continue to recover at 11.8 million head. This is almost the same level prior to the drought in 2008 and 2009, but still below the record of 12.6 million head in 2003.

**Policy:**

In most part, the cattle/beef sector operates in a free environment. The most important and recent regulation is the Plan of Soil Use and Management, by which farmers have to declare what they will plant in their fields using a scheme which prioritizes soil conservation.

**Production, Supply and Demand Data Statistics:**

Animal Numbers, Cattle Uruguay	2012		2013		2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Total Cattle Beg. Stks</b>	11,232	11,232	11,327	11,384		11,604
<b>Dairy Cows Beg. Stocks</b>	360	360	370	370		380
<b>Beef Cows Beg. Stocks</b>	4,100	4,100	4,100	4,100		4,070
<b>Production (Calf Crop)</b>	2,600	2,680	2,700	2,800		3,000
<b>Total Imports</b>	0	0	0	0		0
<b>Total Supply</b>	13,832	13,912	14,027	14,184		14,604
<b>Total Exports</b>	75	78	60	50		120
<b>Cow Slaughter</b>	1,050	1,020	1,050	1,010		1,080
<b>Calf Slaughter</b>	12	11	13	11		15
<b>Other Slaughter</b>	1,068	1,119	1,167	1,209		1,285
<b>Total Slaughter</b>	2,130	2,150	2,230	2,230		2,380
<b>Loss</b>	300	300	300	300		300

<b>Ending Inventories</b>	11,327	11,384	11,437	11,604		11,804
<b>Total Distribution</b>	13,832	13,912	14,027	14,184		14,604
1000 HEAD, PERCENT						

Meat, Beef and Veal Uruguay	2012		2013		2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Slaughter (Reference)</b>	2,130	2,150	2,230	2,230		2,380
<b>Beginning Stocks</b>	0	0	0	0		0
<b>Production</b>	520	530	545	550		580
<b>Total Imports</b>	0	0	0	0		0
<b>Total Supply</b>	520	530	545	550		580
<b>Total Exports</b>	355	359	370	380		400
<b>Human Dom. Consumption</b>	165	171	175	170		180
<b>Other Use, Losses</b>	0	0	0	0		0
<b>Total Dom. Consumption</b>	165	171	175	170		180
<b>Ending Stocks</b>	0	0	0	0		0
<b>Total Distribution</b>	520	530	545	550		580
1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG						