

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Uruguay

## Livestock and Products Annual

**2012**

**Approved By:**

Melinda Sallyards

**Prepared By:**

Ken Joseph

**Report Highlights:**

Uruguayan beef exports for 2013 are projected up at 375,000 tons, carcass weight equivalent, and the highest level since 2009. This is a result of an expected slightly higher slaughter, larger beef output and fewer cattle exports in 2012 and 2013. Beef consumption is expected to be lower in 2012 and 2013, with a growing participation of poultry and pork.

**Commodities:**

Animal Numbers, Cattle

Meat, Beef and Veal

**Production:**

Uruguayan beef production in 2013 is forecast up at 540,000 tons carcass weight equivalent (cwe). This is a result of a projected larger slaughter and somewhat heavier average carcass weights. The herd and productivity continue to recover from the 2008-09 severe drought, which reduced the herd during 2009-2011 by approximately 700,000 head (greater losses and lower calf crops). The cattle slaughter is projected at 2.23 million head, higher than the previous two years, but still marginally lower than the several past years as the herd has yet not fully recovered. Also another reasons for an expected larger slaughter is the significant drop in cattle exports from 2010-2011, increasing the supply for domestic slaughter.

The impact of high world grain prices will force producers to be more efficient as more pasture land is turned into crop production and feed costs continue to increase. On the one hand, the least productive cow-calf operations will need to adopt improved management tools (e.g. better feeding, adjusted health programs, etc.) to increase their calf crops. On the other, cattle finishers are expected to increase the efficiency in the use of pastures in combination with the use of strategic supplementation whenever returns permit. Uruguay has 17 million hectares of which roughly 14 million hectares are utilized for cattle production. High oilseed prices continue to take away the best pasture land and the heavy investment in forestry/wood pulp industry continues to expand over land from the cow-calf sector. In the past ten years Uruguay passed from planting 500,000 hectares of summer crops to over 1.2 million hectares (primarily soybeans). During the same period, forest land increased 1 million hectares (although much of this area is used in combination with cow-calf production). At the same time, a significant drop of 5 million head in the sheep flock helped to partially offset the loss of production capacity. In the future, we foresee agricultural operations working integrated and diversified among the different activities (crops, forest and cattle), making the most efficient use of the land and other resources.

Due to current high commodity prices, the use of grains to feed cattle are in debate, as in many cases returns are negative. However, in the long run, the use of sorghum, which is very popular, is expected to increase further in the next few years. It is an excellent crop which is well adapted to Uruguay's agricultural environment, and combines well in rotation with soybeans. Sorghum is typically produced on-farm and used as cattle feed in the form of humid grain silage and at a lesser extent as silage made of the entire plant.

Smaller calf crops due to the strong drought of 2008-09, large exports of live cattle, and the significant increase in Uruguay's FOB average price have made feeder cattle prices go up substantially. The price of male calves is about US\$2.50 per live kilo, while fed steers sell at US\$1.90 per live kilo. Current good returns are expected to encourage cow calf operations to become more efficient and try to expand production somewhat. Uruguayan ranchers have historically given a lot of importance to fatten the cull cows as the differential price of fed cows and fed steers is quite small because cows have a strong demand in the domestic market. Therefore, many feed resources were directed to finishing cows rather than focusing on the production of calves. The average weaning ratio continues to remain at about 64 percent. While top producers reach 80 and higher ratios, many

other, in general smaller producers obtain poorer weaning ratios. Early weaning is gaining in popularity as it increases significantly the pregnancy rates of the following season.

Regarding the finishing of cattle, there are three distinct manners. One that has been in place for several years is done on natural pastures and raise 4-5 year old fed steers; another is based on cattle fed on implanted or improved pastures, and in many cases with the support of humid grain sorghum during some key periods, including during the first winter and during the last few months before going to the market. Nowadays these producers have good returns as low cost grass is the base of their feed. Another alternative to finish cattle is on feedlots, which due to current high commodity prices and expensive feeder cattle, returns in most cases are negative. There are just a couple of hotel-type operations with capacity ranging from 4-10,000 head. All the rest are either owned by producers or meat packing companies. There are 6-7 meat packers which own theirs and generally use them as a buffer for when there are some cattle supply shortages. The country's total instant capacity is estimated roughly at 200,000 head, which can be used 2.5 times a year, giving a potential capacity of 500,000 head per year. At current slaughter volumes this would represent roughly 50 percent of the total fed steers.

Despite current tight or negative returns, the fact that Uruguay was recently authorized to participate as a supplier of EU's 620 Quota (formerly 481 Quota) which is exclusively for high-quality beef from steers or heifers which are less than 30 months of age, are hormone free, and have been fed high energy feed for a minimum of 100 days. At current prices and costs, contacts indicate that returns are very tight, but if prices and costs adjust there is great potential to boost this type of production as the current quota volume is 45,000 tons and Uruguayans are quite confident that they will be able to make use of a good portion of it. Currently there are some 50 registered feedlots to operate under this new quota. Some of the main limitations are the price of feed and profitability, and the short time frame to raise and finish the cattle in Uruguay.

Hereford has been the predominant breed in the history of Uruguayan cattle. However, in the past few years, Angus is gaining share. Braford and Brangus are much smaller breeds but in the northern areas they are becoming more popular. Fed steers are typically marketed between 490-510 live kilos, while fed cows generally weigh 420-450 live kilos.

There are almost 40 slaughter plants in Uruguay with a total capacity of 3 million head. The top 10 plants account for approximately 65 percent of the total registered slaughter. There are eight plants in hands of foreign capital, primarily Brazilian. Of the country's total slaughter, the vast majority is done in officially inspected plants, which have government control boxes. About 50,000 head a year are consumed on farm and roughly 30-50,000 head are slaughtered in very small abattoirs in the interior of the country which only have local inspection. In general, the meat packing industry is in good economic condition and has been investing heavily in the past few years in increasing processing and cold capacity.

The government has a few programs under the Programa Ganadero to support small cattle producers to improve production efficiency and their income. In general, the government's policy for the sector is to maintain stable policies, promote investment, provide transparent information and to continue to have a very strict sanitary system to allow the opening of new markets.

### **Consumption:**

Domestic beef consumption for 2013 is projected at 165,000 tons, slightly higher than the previous year as a result of an increase in production. Most analysts believe that consumption has reached a ceiling and that there is a stronger competition from alternative meats, especially poultry. Uruguayans enjoy eating beef, especially

short ribs which is very popular in barbecues. In general, cuts which have limited export markets or prices are consumed domestically.

Poultry consumption is forecast to continue to expand at a 5-10 percent increase as prices are less expensive than beef. Per capita consumption for 2013 is forecast at about 22 kilos. Pork consumption is also expected to expand, but at a faster rate. Per capita consumption for 2013 will increase to about 12 kilos. Pork prices are very competitive and consumers are eating more fresh pork. Lamb is consumed on-farm and in smaller towns in the interior.

### **Trade:**

Uruguayan beef exports for 2013 are projected up at 375,000 tons cwe, the highest since 2009. This is a response to an expected larger beef output, to the opening of new markets, the consolidation of new quotas and to attractive world beef prices. Uruguay exports normally range between 60-70 percent of its total beef production.

Uruguay has approximately 120 markets open, of which it supplies to roughly 100. The country is free of foot and mouth disease with vaccination and presents a negligible risk for BSE. Uruguay's sanitary status is well recognized as well as its traceability program and its "natural" production system. Exporters take advantage of the best prices paid by each market for each product. The main markets for 2013 are expected to be:

The Russian Federation, which normally buys frozen boneless beef, with the majority being non premium cuts for industry use, such as trimmings and fore quarter cuts. Some cuts for the retail market could be exported.

Most likely Uruguay will fulfill EU's 6,300 ton Hilton Quota for chilled boneless premium cuts. Rump and loin for Germany is currently priced at US\$14,000 per ton. The country exports also cuts outside the quota which are priced lower. There is a lot of expectation about the 620 Quota (former 481) which the EU has open in 2009 for imports of hormone-free beef from young animals which were fed at least 100 days with high energy rations. The quota for 2012-13 is 45,000 tons and only the USA, Canada, Australia, New Zealand, and Uruguay have access to it. The first shipment under the quota was done in February 2012 and it included almost all cuts, chilled and boneless. Local exporters are confident Uruguay could export ten percent of the total quota in 2013. During 2012 exports under this quota will range between 1,000-1,500 tons.

Israel normally takes frozen, Kosher boneless fore quarter cuts. It has lately been growing as result of Argentina's drop in exports.

The US market grants Uruguay every year a 20,000 ton quota which in 2013 is expected to be filled, the same as in 2012. Practically all exports are frozen lean trimmings. No premium cuts are exported. Traders believe that some product which currently is exported to the Russian Federation could be redirected to the US.

Canada is also a market which Uruguay ships to under an 11,000 ton quota for other countries. Products are very similar to what is exported to the US.

Chile is an important market for boneless chilled beef. Almost all cuts, except rump and loin, are exported. However, this market has been dominated by Paraguay which is currently excluded due to two outbreaks of foot and mouth disease in 2011 and 2012. Most traders expect Paraguay to be eligible to export in 2013, making shipments from Uruguay drop.

Animal Numbers, Cattle Uruguay	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	11,337	11,241	11,412	11,232		11,302
Dairy Cows Beg. Stocks	350	350	350	360		370
Beef Cows Beg. Stocks	3,950	3,950	4,000	4,100		4,100
Production (Calf Crop)	2,600	2,600	2,600	2,600		2,700
Total Imports	0	0	0	0		0
Total Supply	13,937	13,841	14,012	13,832		14,002
Total Exports	175	213	225	100		60
Cow Slaughter	1,025	1,000	1,020	1,050		1,050
Calf Slaughter	15	13	15	12		13
Other Slaughter	1,010	1,083	1,065	1,068		1,167
Total Slaughter	2,050	2,096	2,100	2,130		2,230
Loss	300	300	260	300		300
Ending Inventories	11,412	11,232	11,427	11,302		11,412
Total Distribution	13,937	13,841	14,012	13,832		14,002
1000 HEAD. PERCENT						

Meat, Beef and Veal Uruguay	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	2,050	2,096	2,100	2,130		2,230
Beginning Stocks	0	0	0	0		0
Production	520	510	530	520		540
Total Imports	0	0	0	0		0
Total Supply	520	510	530	520		540
Total Exports	305	320	315	365		375
Human Dom. Consumption	215	190	215	155		165
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	215	190	215	155		165
Ending Stocks	0	0	0	0		0
Total Distribution	520	510	530	520		540

1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG