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Report Highlights:

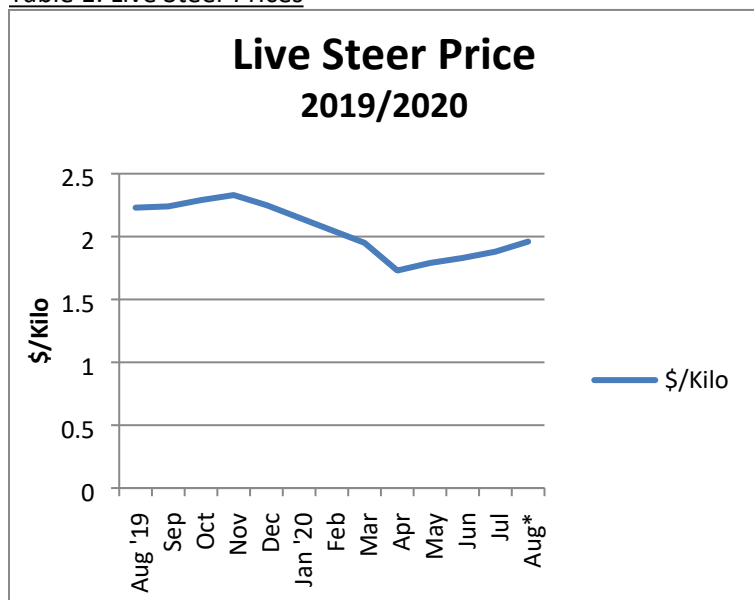
2021 beef production is forecast up at 555,000 carcass weight equivalent, on larger fed cattle inventory. 2021 cattle stock is forecast up at 12.2 million head, the largest since 2005, following several seasons of large calf crops and low cattle exports. Beef exports in 2021 are forecast up 9 percent to 435,000 tons, carcass weight equivalent, with China remaining the primary destination.

Production

Uruguayan beef production for 2021 is forecast up at 555,000 tons carcass weight equivalent (cwe) . This is based on projected stronger FOB prices in Uruguay's major export markets post COVID-19 and improved local cattle prices and higher fed cattle inventory. The average carcass weight in 2021 is expected to be slightly lighter than in 2020, a pattern that generally occurs when cattle slaughter increases.

In 2020, beef exports are expected to comprise roughly 78 percent of production as FOB prices in export markets in 2021 improve. In the past several months, local fed cattle prices have begun to reflect improved demand as reflected in Table 1 for live steers. In November/December 2019, downward pressure on imported beef prices in China was aggravated by weaker COVID-related demand in other export markets which saw the price slide continue into April 2020. As of May 2020, however, prices began to rebound in response to foreign demand.

Table 1: Live Steer Prices

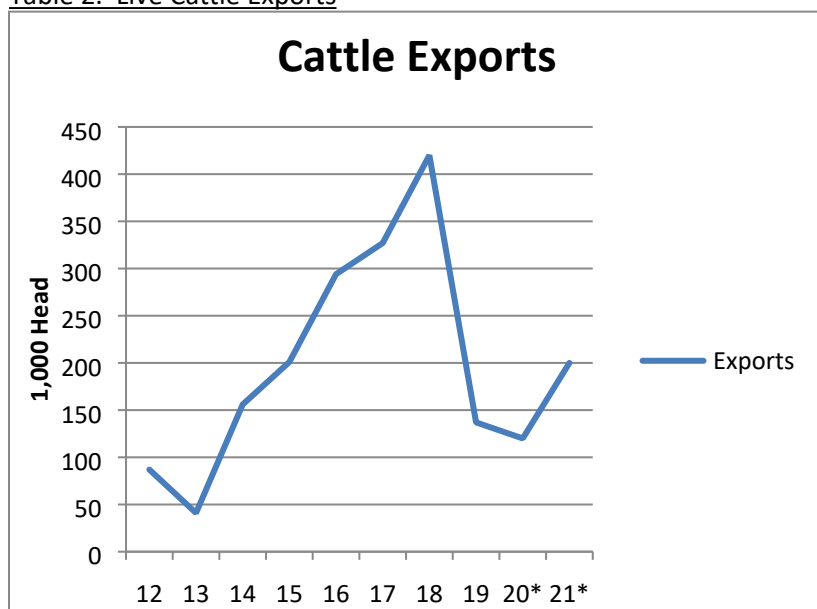


Source: FAS

* Through first week

As reflected in Table 2, live cattle exports in 2019 totaled 137,000 head, down significantly from the 2015-2018 average of 310,000 head per year and live cattle exports in 2020 and 2021 are forecast to remain below average due to uncompetitive prices.

Table 2. Live Cattle Exports



* FAS Projection

Source: Ministry of Livestock and Agriculture

Uruguay has one of the most productive cow herds in the region, with pregnancy rates of 75 percent and weaning rates of 65 percent, thanks to the moderate climate and productive environment. In 2020, good weather facilitated Uruguay's record calf crop of 3.1 million head. In 2021, breeding cows and heifer inventory is forecast steady due to stable demand from China. An industry source estimated that a 75 percent pregnancy rate in 2020 would result in roughly 2.8-2.9 million weaned calves in 2021. Uruguay's crop area over the past six years has diminished significantly due to tight returns with most of that land converted into productive pastures. Based on official data, planted pasture area has grown 23 percent over the past decade.

Cattle fattening has improved in recent years in response, partially, to the European Union's (EU) 481 Quota (High Quality Beef Grain-Fed beef) requirements for which producers are incorporating grain and accelerating feed conversion to facilitate the marketing of younger cattle. In 2020, grain-fed cattle are projected to be 17-20 percent of total slaughter, despite low prices. Industry sources expect improved returns in 2021 due to lower prices for feeder cattle and somewhat stronger fed-cattle prices. The price of cattle in 2021 will depend primarily on the reaction of the foreign demand and FOB prices. Some contacts believe that a larger amount of cattle available for slaughter will put downward pressure on cattle prices, an aspect the slaughter sector would welcome to improve much needed profitability.

Despite the new government's focus on improving the competitiveness of Uruguay exports, the slaughter sector's economic stress since 2017 from high cattle and industrial costs, in dollar terms, is expected to continue. Although the sector was exempted from government COVID-19 restrictions, plants experienced higher costs due to additional sanitary measures, labor constraints and slower line speeds. In addition, Uruguay export prices compete at a disadvantage in key export markets to the currency-devaluated prices of Argentina and Brazil.

Uruguay has a slaughter capacity of about 3 million head. In the first 8 months of 2020, 32 meat packing plants were in operation, with one large processing plant closed. Two large Brazilian companies operated 7 plants and

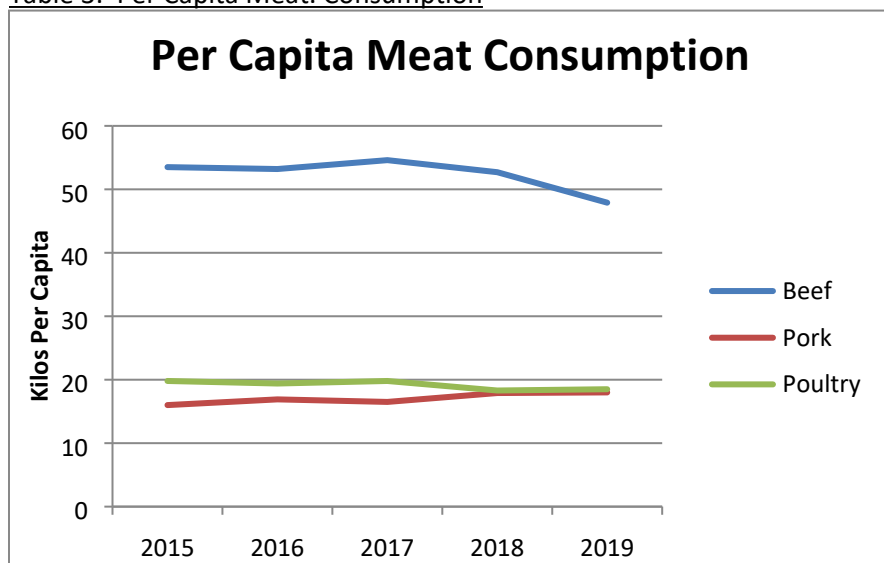
accounted for 43 percent of total slaughter. The top six companies accounted for 73 percent of slaughter and 92 percent of exports (measured in dollars).

The OIE recognizes Uruguay as free of Foot and Mouth Disease (FMD) with vaccination and a negligible BSE risk. There is concern about Brazil's program of stopping FMD vaccination in shared border areas. Most contacts believe Uruguay should not stop vaccinating in the short term.

Domestic Consumption

Beef consumption in 2021 is projected at 165,000 tons cwe, a 3 percent increase from last year. Local sources forecast a 4 percent rebound in the economy in 2021, after an expected drop of 4-6 percent in GDP in 2020 because of the effects of the COVID-19 pandemic. Beef consumption in 2020 is expected to hit a record low not seen since the 1960's. (See Table 3). The consumption of other proteins, such as pork and poultry, are expected to remain flat or increase marginally. Consumption of sheep meat has been dropping in recent years, with a per capita consumption close to 2.5 kilos.

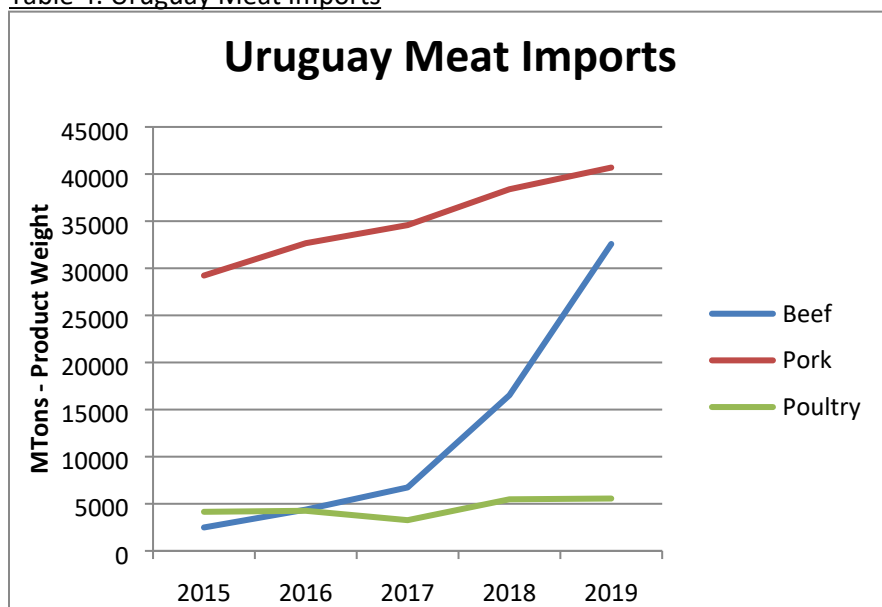
Table 3: Per Capita Meat Consumption



Source: INAC

The Uruguayan meat sector has realized the benefits of exporting local beef at high prices while importing less expensive beef from neighboring countries to satisfy domestic demand. Brokers indicate that Uruguay can export a given cut at \$1,000-1,500 more than import costs. Beef imports through June 2020 totaled 16,300 tons product weight, almost 50 percent higher than the same period last year. Poultry imports were up slightly with pork imports down. (See Table 4). Almost 90 percent of imports are chilled with the balance frozen. Brazil historically accounts for over 80 percent of imports, followed by Paraguay and Argentina. In early August, and for the first time, Uruguay imported high quality beef bone-in short ribs from Argentina and bone-in pork from the U.S. The dynamics between consumption and imports of the three meats will depend generally on economic recovery in global markets. If prices recover in response to higher foreign beef demand, more protein imports will be needed to offset greater exports.

Table 4: Uruguay Meat Imports



Source: FAS with TDM

Meat distributors indicate that during the pandemic, the consumption of ground beef increased significantly as people stayed at home more and could cook different dishes with it. Round cuts to prepare breaded veal/beef are also very popular, followed by chuck and short ribs, which not long ago was the most popular cut. The export of bone-in beef and the closing of restaurants have made its demand decline. Supermarkets account for approximately 35 percent of beef sales in Uruguay, while the balance is sold through butcheries.

The following table shows retail meat prices in late August 2020 in a large supermarket chain in Montevideo:

Product	\$/Kilo	Product	\$/Kilo
Beef point of rump	9.30	Pork point of rump	6.40
Beef short ribs	7.00	Pork short ribs	7.56
Beef loin	14.00	Poultry whole fresh	3.40

Trade

In 2021, beef exports are forecast at 435,000 tons cwe, higher than in 2020 but similar to 2019. Analysts expect that increased beef production will source exports as the local market is expected to experience a moderate post COVID-19 recovery. Nevertheless, 2021 exports will continue to suffer a price disadvantage relative to other regional suppliers due to Uruguay's high production costs and its competitor's devalued currencies. Local fed steer prices are currently 25 percent higher than in Argentina and Brazil, and almost 50 percent higher than that of Paraguay. As a result, experts recommend Uruguay focus on seeking additional markets to expand export potential.

Over the past decade, Uruguay's beef exports have shown an upward trend in bone-in products. Through June 2020, bone-in exports (in product weight) accounted for 14.5 percent of Uruguay's total beef exports, compared to 3.4 percent a decade ago. China is almost the exclusive market for bone-in beef, paying higher prices almost

every year. The table below compares average FOB prices for major beef cuts in January-June 2020 vis-à-vis 2015 (in \$/metric ton):

Beef Cut	AVG \$ 2015	AVG \$ 2020*	Difference %
Frozen bone-less	5035	5169	2.7
Chilled bone-less	9625	9162	-4.8
Frozen bone-in	2975	3264	9.7

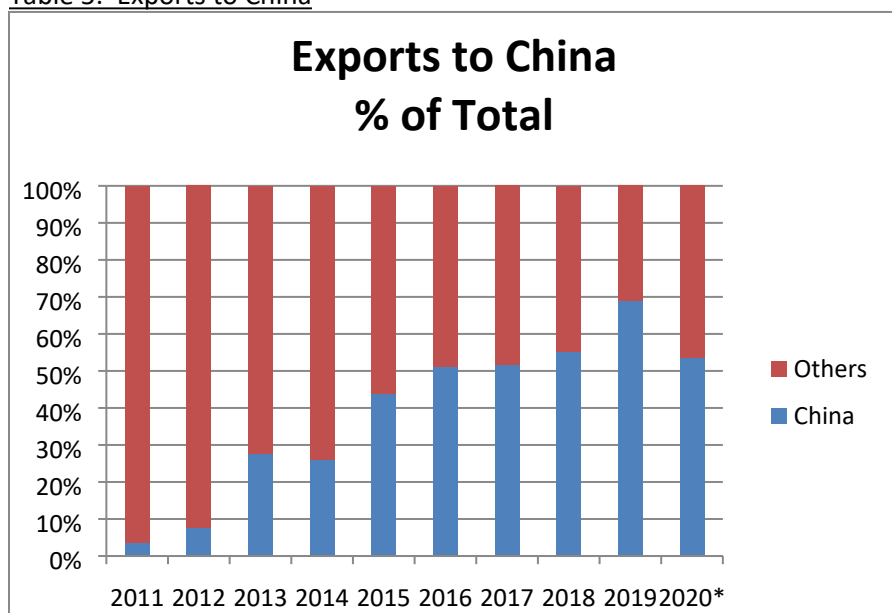
* Through June

Source: FAS with TDM

Through June 2020, almost 90 percent of Uruguayan beef exports went to key markets of China, the United States, the European Union and Canada with smaller volumes to Israel, Brazil and Chile. China is forecast to remain the export market, however, due to strong regional competition and COVID-19-free certification requirements, local exporters believe that shipments to China in 2021 could decrease. For example, several Brazilian and regional plants have been suspended or self-suspended from export to China with a Uruguayan plant having several containers detained at discharge.

The following table 5 shows the percentage of Uruguayan beef exported (in product weight) to China since 2011:

Table 5: Exports to China



* Through June 2020

Source: FAS with TDM

In 2021, the United States is expected to remain the second most important export destination due to its regulatory predictability and higher prices compared to China. In addition to its 20,000 metric ton tariff rate quota, Uruguay exports roughly double that volume at 26.4 percent over quota duty. Uruguay exports primarily frozen beef trimmings, to the US, 90 chemical lean (CL) but also targets niche exports such as organic, grass-fed and kosher. Exports through June 2020 were 27,000 tons product weight, 19 percent higher than the same period in 2019. In August, 2020, USDA's Food Safety and Inspection Service notified Uruguay of the delistment of one plant for positive detection of *E. coli* in boneless manufacturing trimmings.

The EU is the third largest market by volume, primarily high value-chilled cuts under the Hilton Quota (6,370 tons) and the High Quality (grain-fed) Beef Quota, known as 481 in Uruguay. Due to lower demand from the negative impact on the EU economy because of Covid-19 pandemic, Uruguay will not fulfill its Hilton Quota in 2019/20. Uruguay is studying the possibility of requesting the EU modify the Hilton quota requirement of “exclusively grass-fed beef” to “preferably grass-fed beef” to permit the export of some grain-fed beef under this quota. As of 2020, Europe’s grain-fed beef quota of 45,000 tons will decrease for suppliers other than the US whose share will escalate over the next few years to the detriment of countries, such as Uruguay. In June 2019, the EU and Mercosur signed a free trade agreement, in which Mercosur members will be able to export 99,000 tons cwe of beef to the EU at a 7.5 percent duty while the 20 percent duty on imports under the Hilton Quota will be eliminated. Timing on implementation for the trade agreement remains uncertain due to the ongoing ratification process.

Other export markets include Canada, Israel and Brazil. Uruguay generally exports 8-10,000 tons product weight annually to Canada but, from January-June 2020, shipments totaled 11,100 tons, almost 140 percent higher than the same period last year with an average FOB price of \$4582 per ton, 13 percent higher than a year ago. Most exports are frozen trimmings with the balance higher-value cuts. Exports to Israel are expected to continue a downward trend as Uruguayan beef faces fierce competition from regional South American competitors and Poland. Exports to Brazil, after its currency devaluation, tumbled by 50 percent in the first half of 2020 while Brazilian beef imports from Paraguay doubled.

Beef imports in 2021 are forecast at 45,000 tons, 10 percent lower than the record expected in 2020. The economic impact of the COVID-19 pandemic in 2020 is expected to continue into 2021, although with a somewhat lower intensity. Higher beef production is expected to increase marginally the availability of beef in the local market while imports of poultry are forecast to continue to grow. In the first quarter of 2020, Uruguay imported 16,300 tons of beef product weight, 82 percent from Brazil, 15 percent from Paraguay and the balance from Argentina. Large volumes of chuck and blade were imported as the lockdown stimulated retail demand for ground beef due to its versatility. Round cuts were also imported to prepare the very popular “milanesas”, similar to breaded veal. Imports are primarily managed by 4-5 local meat distributors and two large Brazilian meat packing groups operating in Uruguay.

Statistical Table

Animal Numbers, Cattle	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Year Begins						
Uruguay						
Total Cattle Beg. Stks (1000 HEAD)	11396	11396	11464	11477	0	12157
Dairy Cows Beg. Stocks (1000 HEAD)	310	310	305	310	0	310
Beef Cows Beg. Stocks (1000 HEAD)	3900	4030	3890	4200	0	4200
Production (Calf Crop) (1000 HEAD)	2700	2770	2810	3100	0	2800
Total Imports (1000 HEAD)	0	0	0	0	0	0
Total Supply (1000 HEAD)	14096	14166	14274	14577	0	14957
Total Exports (1000 HEAD)	150	137	180	120	0	200
Cow Slaughter (1000 HEAD)	1160	1160	1135	1020	0	1100
Calf Slaughter (1000 HEAD)	12	12	13	10	0	12
Other Slaughter (1000 HEAD)	1060	1060	1042	970	0	1088
Total Slaughter (1000 HEAD)	2232	2232	2190	2000	0	2200
Loss and Residual (1000 HEAD)	250	320	250	300	0	300
Ending Inventories (1000 HEAD)	11464	11477	11654	12157	0	12257
Total Distribution (1000 HEAD)	14096	14166	14274	14577	0	14957
(1000 HEAD)						

Meat, Beef and Veal	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Year Begins						
Uruguay						
Slaughter (Reference) (1000 HEAD)	2255	2232	2190	2000	0	2200
Beginning Stocks (1000 MT CWE)	0	0	0	0	0	0
Production (1000 MT CWE)	562	562	550	510	0	555
Total Imports (1000 MT CWE)	44	44	40	50	0	45
Total Supply (1000 MT CWE)	606	606	590	560	0	600
Total Exports (1000 MT CWE)	436	436	430	400	0	435
Human Dom. Consumption (1000 MT CWE)	170	170	160	160	0	165
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	170	170	160	160	0	165
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	606	606	590	560	0	600
(1000 HEAD) ,(1000 MT CWE)						

Attachments:

Attachments: No Attachments