



MARKET SUPPLIER SNAPSHOT | BEEF

Argentina and Uruguay

Argentina and Uruguay are major beef producers and exporters with a traditional and strong farming history. The Argentinean beef industry has started to resurge in the past few years, while Uruguay has improved its reputation as a high quality beef producer.

Argentina

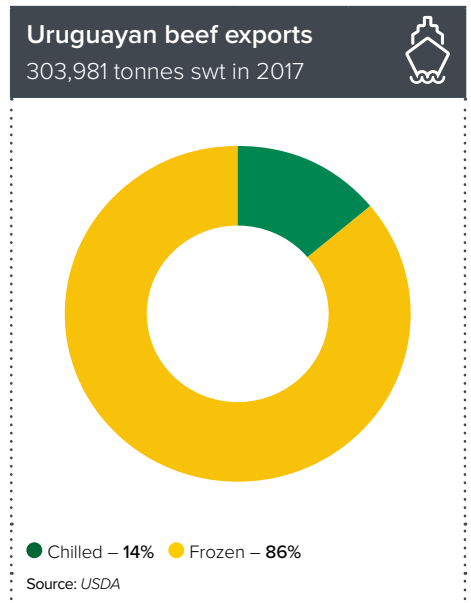
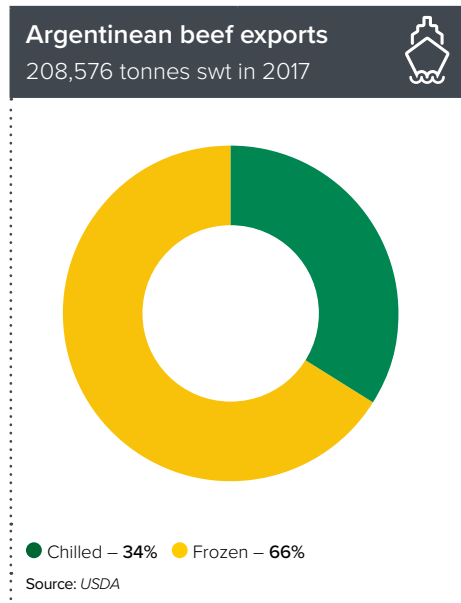
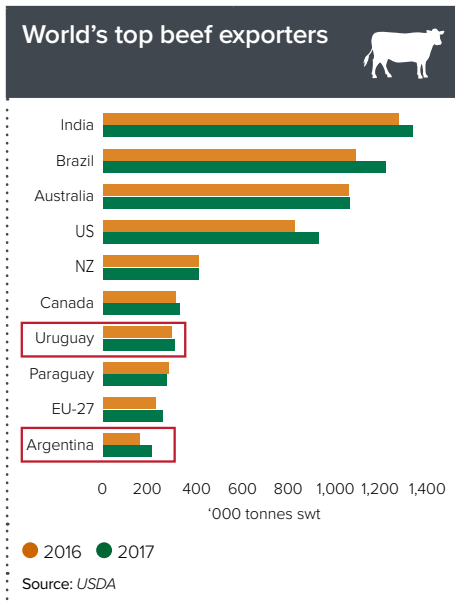


- A steady herd-rebuilding phase in Argentina is beginning to result in more cattle for slaughter. Additional beef production – estimated at 2.9 million tonnes for 2018 – is forecast to result in greater exports and local consumption.
- Despite the removal of restrictions, as well as taxes on meat exports and the recently reinstated exports rebates on beef, the relatively strong Argentinean peso continues to put pressure on exporters.
- Market access remains a challenge for Argentina, with no access to some of Australia’s key exports destination like Japan, Korea, the US and Indonesia.

Uruguay



- After one of their highest years of beef production, Uruguay will see a decline this year (down 3%) with exports to follow. Despite the drop in volumes, production will still experience one of the strongest years on record.
- China will remain the key destination for Uruguayan beef and will represent a large proportion of total shipments.
- The Uruguayan government and livestock industry are keen to maintain the country’s reputation as a high quality producer. Strict sanitary standards, as well as extensive transparency along the supply chain is a key reason for Uruguay being the only South American country with access to many of Australia’s key markets, with the exception of Japan and Indonesia.



Key implications for Australia



- Due to Argentinean and Uruguayan beef exports shifting significantly from Russia to China over recent years, Australia is facing stronger competition in Asia (particularly in China). This isn’t forecast to change, with China likely to continue to be the main destination for both Argentinean and Uruguayan beef in the coming years.
- Argentina’s competitiveness with Australia will continue to be limited by its market access restrictions, particularly in Japan, Korea and the US. This along with the relatively strong Argentinean peso is limiting their ability to compete in many markets.
- Uruguay will continue to be a strategic competitor for Australia, remaining a high-quality beef exporter, focused on high value markets. Uruguay will maintain large exportable surpluses of beef over the coming years but will be limited by supply (volume) capacity when compared to other key exporters.
- Argentina and Uruguay are expected to improve market access in 2018 and over the coming years, representing (to some extent) a greater risk to Australia in some markets. Both countries have the capacity to provide higher quality beef and have improved market sanitary status when compared to Brazil and India.

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	Argentina	Uruguay	Australia
Cattle herd (head)	53.5 million	12 million	27.2 million
Cattle slaughter (head)	12.3 million	2.28 million	7.6 million
Average carcass weight (per head)	243/kg	258/kg	298/kg
Beef production (tonnes cwt)	2.76 million	590,000	2.13 million
Domestic per capita consumption	56.6 kg/year	56.1 kg/year	26.4 kg/year
Live animal exports (head)	300	270,000	885,000
Beef exports (tonnes swt)	208,576	303,981	1.01 million
Chilled	34%	14%	26%
Frozen	66%	86%	74%
Top five export markets	China, EU, Chile, Israel, Brazil	China, EU, US, Israel, Brazil	Japan, Korea, US, China, Indonesia
Average export price	US\$6.21/kg	US\$4.93/kg	US\$5.45/kg

Source: USDA, GTA, MLA, DA

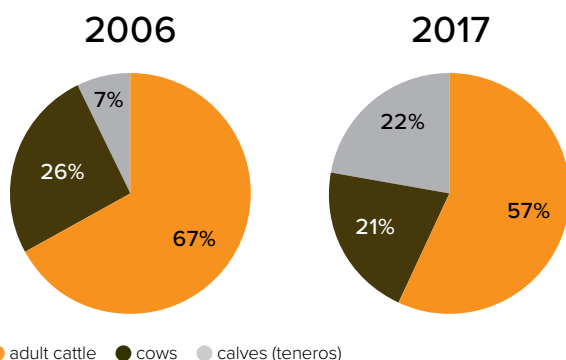
Argentina

Herd, slaughter and prices



- The Argentinean cattle herd has been slowly recovering since 2011 (when cattle numbers bottomed at 48.1 million head, the lowest since 1964) and has since registered a consistent yearly increase. The cattle herd is forecast to reach 54.2 million head in 2018.
- Argentinean cattle slaughter totalled 12.3 million head in 2017 (up 4% year-on-year), driven by the strong retentions in previous years. However, the local cattle industry continues to slaughter young, light steers and heifers (320–350kg live weight), producing lower volumes of beef per head.

Argentinean slaughter composition has changed – slaughtering younger, light steers and heifer



Source: GTA

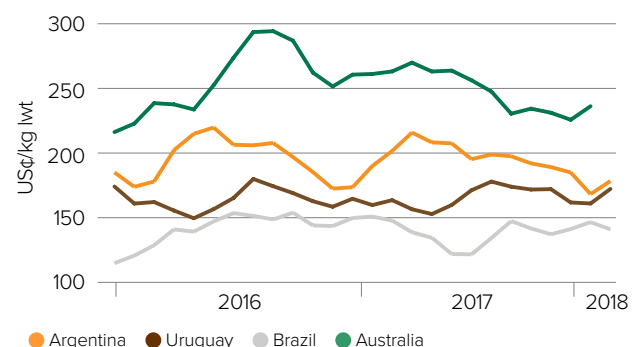
- The slaughter composition in Argentina changed dramatically during the Kirchner government's administration, shifting from production of mature, heavy animals to less steers and more terneros (one-year-old cattle). The removal of export restrictions in 2015 allowed the share of terneros to decline, although it still remains at much higher levels than in the late 2000s (hence the lighter average carcass weight).

Beef producers in Argentina tend to favour short production cycles for three main reasons:

- high inflation and interest rates
- the domestic market preference for light and young animals
- processors/exporters not able to offer premiums for heavier animals (due to the strong Argentinean peso and high production costs).

- Argentinean cattle prices are the highest within South America major beef producers, with steer prices averaging US196¢/kg live weight in 2017.

Argentinean steer prices remain the highest within major South America beef producers



Source: MLA, IPCVA, Esalq, INAC

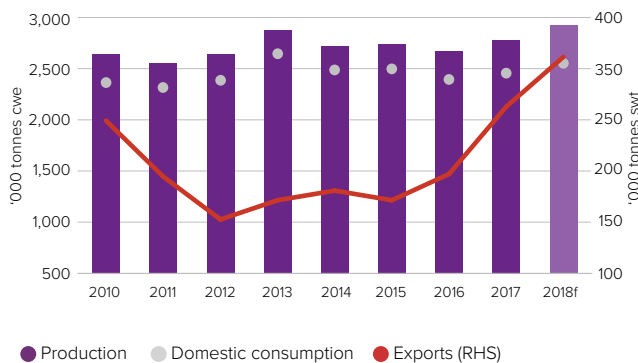


Beef production and consumption



- Argentinean beef production increased by 4% in 2017 to 2.76 million tonnes carcass weight. This was driven by the slaughter increase, which partially offset the lower average carcass weight. Average carcass weights were down 0.3% to 243kg/head, reflecting high rainfall throughout the year that contributed to lower performance in feedlots and a larger proportion of cows slaughtered.
- Cattle finished on grass accounts for the majority of beef production in Argentina, although it is becoming more common for animals to receive some complementary feed (grain or silage) in the finishing process. Feedlot systems were initially supported by governmental subsidies. In 2016, cattle finished in feedlots accounted for 28% of total slaughter.
- The efficiency of Argentinean beef production has stagnated over the last decade, with weaning ratios, extraction rates and average carcass weights showing no improvements in the past 10–15 years. As a result, the Argentinean government recently launched a policy support program targeted at commercial breeders with a view to increase weaning ratios through the dissemination of technology and know-how in the areas of sanitation, genetics and nutrition. This program will also help small and medium cattle breeders to become more efficient and allow the country to produce a larger number of calves.

Argentina is set to achieve this year its highest production since 2008/2009



Source: USDA

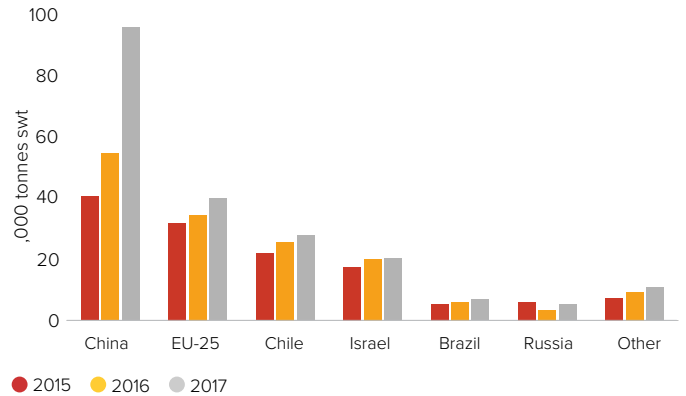
- Per capita beef consumption in Argentina is still one of the highest in the world, averaging 56.6kg in 2017, up 1.6% year-on-year. The strong Argentinean peso has slowed exports, with many processors preferring to sell most cuts in the domestic market as it delivers the same or even higher profit than shipping overseas.
- Overall, animal protein consumption in Argentina exceeds 120kg/year/person, one of the world's highest. Poultry and pork are almost entirely locally-produced, and likewise in Uruguay, pork consumption continues to increase while poultry consumption remains steady.
- The growing consumption of alternative meats at lower prices takes pressure off domestic beef prices. If beef exports were to increase significantly putting pressure on retail prices, local consumers could easily shift to inexpensive meat choices.
- Argentinean beef production is forecast to increase by 5% in 2018 to 2.9 million tonnes carcass weight (the highest production since 2008–09) as a result of higher slaughter and a marginal increase in the average carcass weight.

Exports



- Argentina is placed within the top 10 beef exporters worldwide, with shipments representing on average only 10% of its total beef production. The primary export markets for Argentinean beef are China, the EU, Chile, Israel and Brazil.

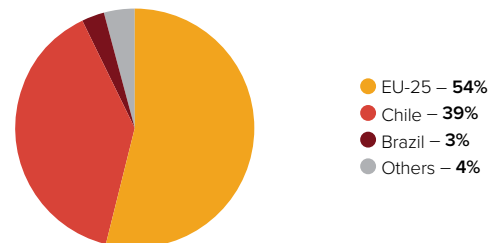
China represented 46% of all Argentinean beef exports in 2017



Source: GTA

- Chilled beef shipments represent more than a third of total exports, with EU-25 being the main destination (54%), followed by Chile and Brazil. Argentina benefits from good access conditions to the EU market with the Hilton quota's largest allocation (30,000 tonnes shipping weight) and access to the EU grainfed beef quota.
- In 2014–15, Argentinean beef exports shifted significantly from Russia to China (both countries demand similar cuts – shin shank, forequarters and round) and has since become the main destination for Argentina. Shipments are 100% comprised of frozen, boneless beef from manufacturing cows. The weak Russian economy and the high Argentinean beef prices were the catalyst for the shift in exports.
- Argentinean beef exports are forecast to increase by 25% this year and are expected to register the highest yearly volume since 2009, while the domestic market is expected to remain relatively stable. However, beef exporters continue to experience difficult times as cattle and processing costs in dollar terms are very high, which is affecting competitiveness worldwide.

Chilled beef exports represent more than a third of total shipments



Source: GTA

Under former president Cristina Kirchner's administration, beef producers faced three key exports impediments: export restrictions, a 15% export tariff and the overvalued Argentinean peso. After taking office in late 2015, President Mauricio Macri eliminated the export tax and restrictions as well as devalued the peso. Moreover, the government recently re-established the exports rebate for several agricultural products, including meat. This will continue to support the growth in beef exports expected for the coming years.



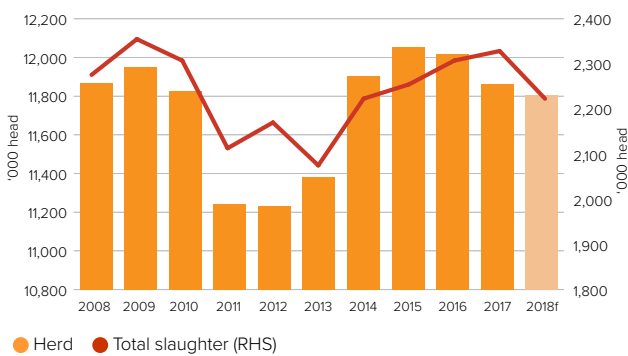
Uruguay

Herd, slaughter prices



- The Uruguayan livestock sector is traditionally the core of the countries agribusiness sector, and similar to Argentina, has a strong history of ranching and beef production.
- The Uruguayan cattle herd is expected to reach almost 12 million head in 2018. Cow-calf operations are expected to continue with positive returns as feeder cattle prices remain strong, and are forecast to remain so throughout 2018.
- Uruguayan cattle slaughter totalled 2.3 million head in 2017, with record steer carcass weights at 280kg/head. Slaughter numbers are expected to decrease by 4% in 2018, reflecting tight availabilities of adult cattle and a reduced dairy cow cull.

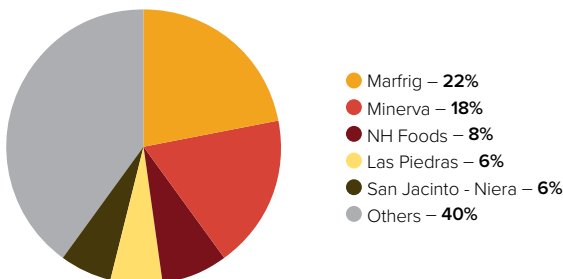
Uruguayan cattle herd to reach 12 million head this year



Source: USDA

- Uruguayan beef plants are largely in Brazilian hands, with companies like Marfrig and Minerva dominating the processing sector.
- In 2017, NH (a Japanese food company) purchased one of the country's largest and more modern plants – accounting for 9% of the country's total slaughter (see distribution on chart below).
- Uruguay's cattle prices are more expensive than its neighbours, Brazil and Paraguay due to higher production costs. The Uruguayan steer price (>380kg) averaged US169¢/kg live weight in 2017 (up 1% year-on-year).

NH purchased one of Uruguay's largest beef plants in 2017



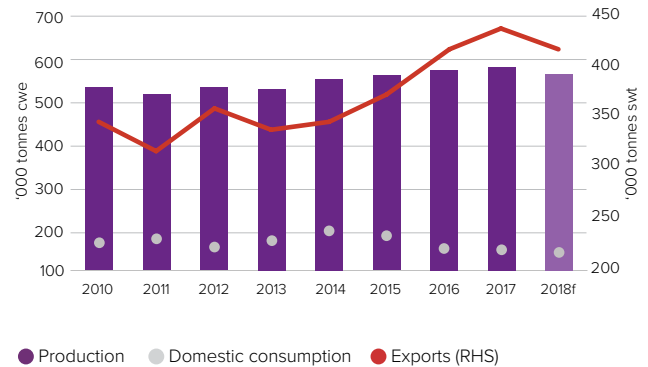
Source: GIRA

Beef production and consumption



- In 2017, Uruguayan beef registered one of the highest yearly production volumes in history, at 590,000 tonnes carcass weight. The rise in production was driven by favourable climate conditions (good rainfall and mild winters) and improved pasture conditions, which resulted in excellent cow conditions and consequently high calving rates.
- The vast majority of Uruguayan cattle are grassfed, with only around 2% of the total herd coming out of feedlots every year. Around 70% of total production from feedlots is destined to supply Europe under the grainfed quota.
- Uruguayan beef consumption remains among the world's largest (56.1kg/person/year) despite the subdued growth in the past decades. Since 2013, meat packers and distributors have been importing beef from Paraguay and Brazil, aiming to offset somewhat larger exports, to keep pressure off rising retail prices and maintain a well-supplied local market.

Uruguayan beef production reached a peak in 2017



Source: USDA

- Interestingly, pork consumption continues to expand significantly in Uruguay, with per capita consumption averaging 18kg/year, while poultry consumption is estimated at 20kg/year and sheepmeat at 4kg/year.
- Following a sharp rise in 2017, Uruguayan beef production in 2018 is forecast to decline to 570,000 tonnes carcass weight, which is driven by lower cattle availability for slaughter. Beef shipments are expected to drop by almost 3% to 420,000 tonnes carcass weight – despite the drop, this volume will still be one of the highest on record.

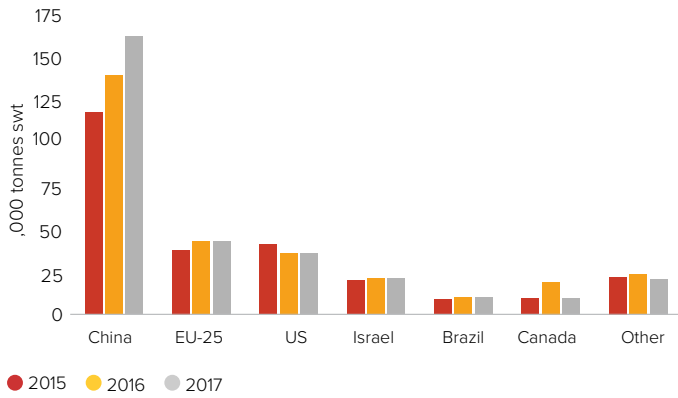




Exports

- Uruguay is the seventh largest beef exporter worldwide, with shipments accounting for 65% of total beef production. Uruguay has a lower market diversification when compared to major beef exporters, such as Brazil, Australia and the US, despite the good market access conditions.

Beef shipments in 2017 registered the highest volume since 2006

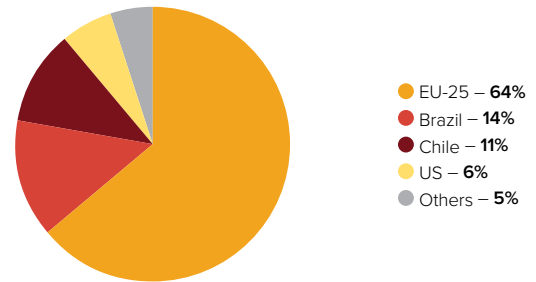


Source: GTA

- Uruguayan beef exports increased 4% in 2017 to 303,981 tonnes shipped weight – and registered the highest volume since 2006. Beef shipments were highly concentrated in China (accounting for more than 50% of total exports), the EU, the US and Israel.

- Chilled beef shipments represent only 14% of total Uruguayan exports, with EU-27 being the main destination (64%), followed by Brazil, Chile and the US.
- Uruguay will maintain large exportable surpluses of beef over the coming years and the country's reputation for quality will place in direct competition with established exporters such as Australia. However, Uruguay will retain a marginal presence compared with Australia on the export market due to production capacity.

Only 14% of total beef shipped by Uruguay is chilled



Source: GTA

Argentina and Uruguay's sanitary status and market access



- The World Organization for Animal Health recognises Argentina and Uruguay as free of foot-and-mouth disease with vaccination and with negligible risk to BSE (bovine spongiform encephalopathy).
- Uruguay has a strong compulsory traceability system (cattle, as well as each beef cut, are identified and traced) which has become a key asset in export markets.
- Japan and Indonesia are still the major importing countries closed to Uruguayan beef. However, the sanitary services of Uruguay and Japan are working close to allow trade, which could potentially occur in 2018. If trade is approved, trimmings and meat for further processing are likely to be the main products that Uruguay will supply to Japan.
- Argentina doesn't have access to Australia's key high value markets such as Japan, Korea, the US, and Indonesia.
- In early 2018, Argentina and China signed an agreement permitting the supply of chilled bone-in beef and lamb, making Argentina the only South-American country allowed to supply chilled products into China.
- The Argentinean beef industry expects that the US market will re-open this year. Beef shipments will most likely be comprised of frozen beef trimmings (90CL). Exports of premium chilled cuts for high-end supermarkets and restaurants will start slow and will eventually develop into a niche market.
- The EU-Mercosur* Free Trade Agreement is currently being negotiated, however market access for agricultural products and food safety concerns still remain outstanding issues. In March, Mercosur declined the latest EU offer with negotiations still ongoing.



Argentina, Uruguay and Australia's main common destinations, 2017



	Argentina				Uruguay				Australia			
	Volume (tonnes swt)	Annual growth	Unit price (US\$/kg)	Product breakdown	Volume (tonnes swt)	Annual growth	Unit price (US\$/kg)	Product breakdown	Volume (tonnes swt)	Annual growth	Unit price (US\$/kg)	Product breakdown
China	96,633	76%	5.48	100% frozen	160,156	17%	4.9	100% frozen	110,059	17%	5.47	95% frozen 5% chilled
US	-	-	-	-	35,334	1%	7.0	93% frozen 7% chilled	234,112	-3%	5.57	73% frozen 27% chilled
EU-25	40,109	16%	11.56	96% chilled 4% frozen	42,709	2%	8.61	63% chilled 37% frozen	17,873	-14%	10.94	99% chilled 1% frozen
Germany	22,169	6%	15.71	98% chilled 2% frozen	7,345	-9%	9.8	73% chilled 27% frozen	356	-1%	17.66	100% chilled
Netherlands	10,338	22%	15.28	97% chilled 3% frozen	19,428	7%	8.8	79% chilled 21% frozen	8,079	22%	10.88	94% chilled 6% frozen
Italy	4,896	30%	13.36	98% chilled 2% frozen	5,658	3	6.6	67% frozen 33% chilled	2,381	-48%	11.7	99% chilled 1% frozen
UK	517	61%	13.15	100% chilled	2,230	-25%	8.4	61% frozen 39% chilled	6,041	-22%	9.98	100% chilled

Source: DAWR, GTA