



**Gíra**

Consultancy & Research  
Prospective et Stratégie

*¿CUÁLES SON LAS PERSPECTIVAS DE  
CRECIMIENTO DEL SECTOR CÁRNICO MUNDIAL?*

*¿CUÁL DEBERÍA SER LA ESTRATEGIA DE URUGUAY?*

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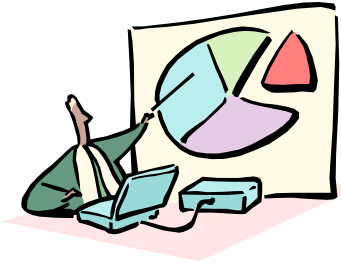
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I'm really sorry but the  
rest of the presentation is  
in ENGLISH!

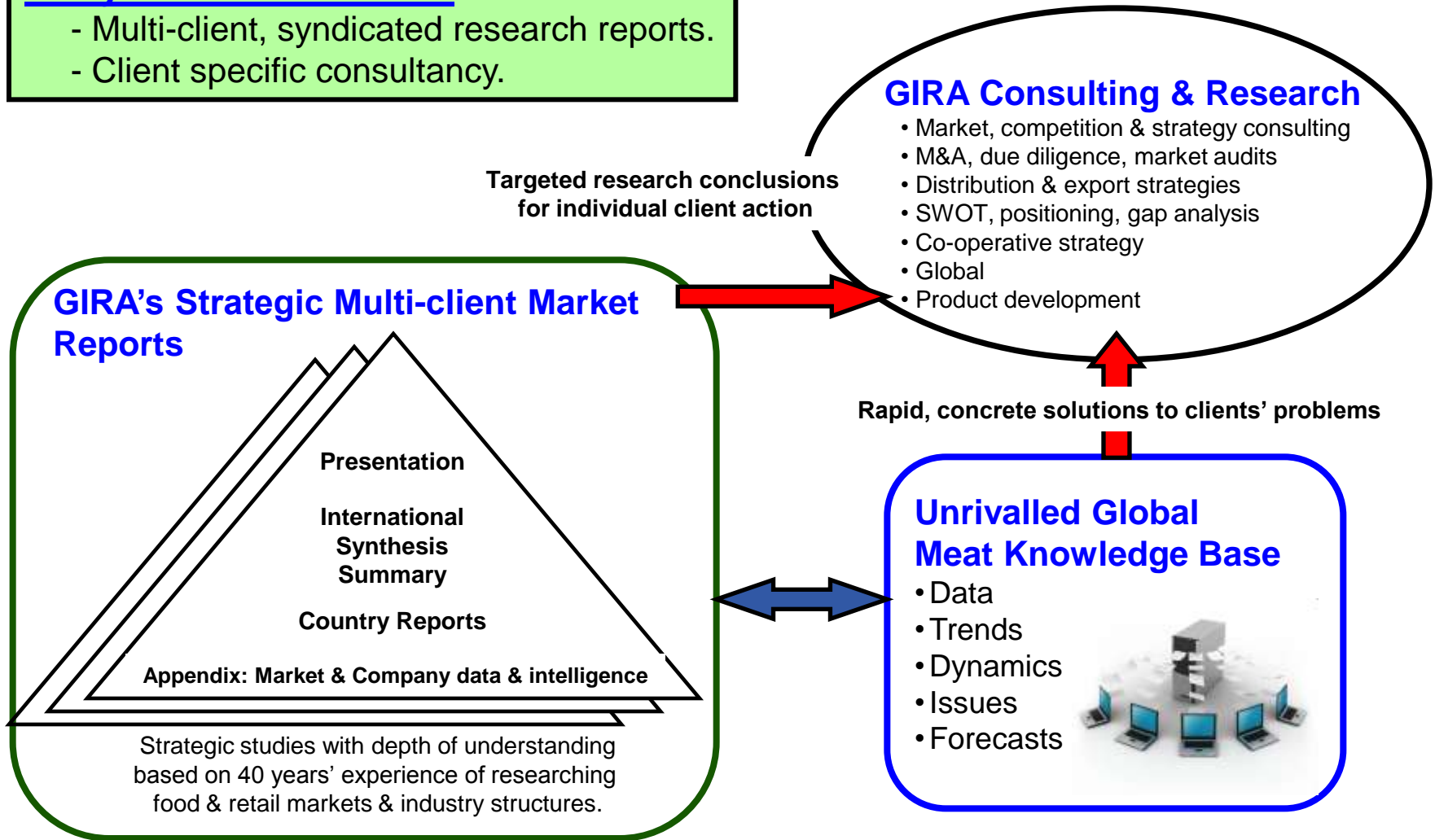
- Consulting
- Individual market research
- Strategic multiclient research
- Market due diligence



all along the food & drink and distribution chain  
- throughout the world

## 2 key Product streams:

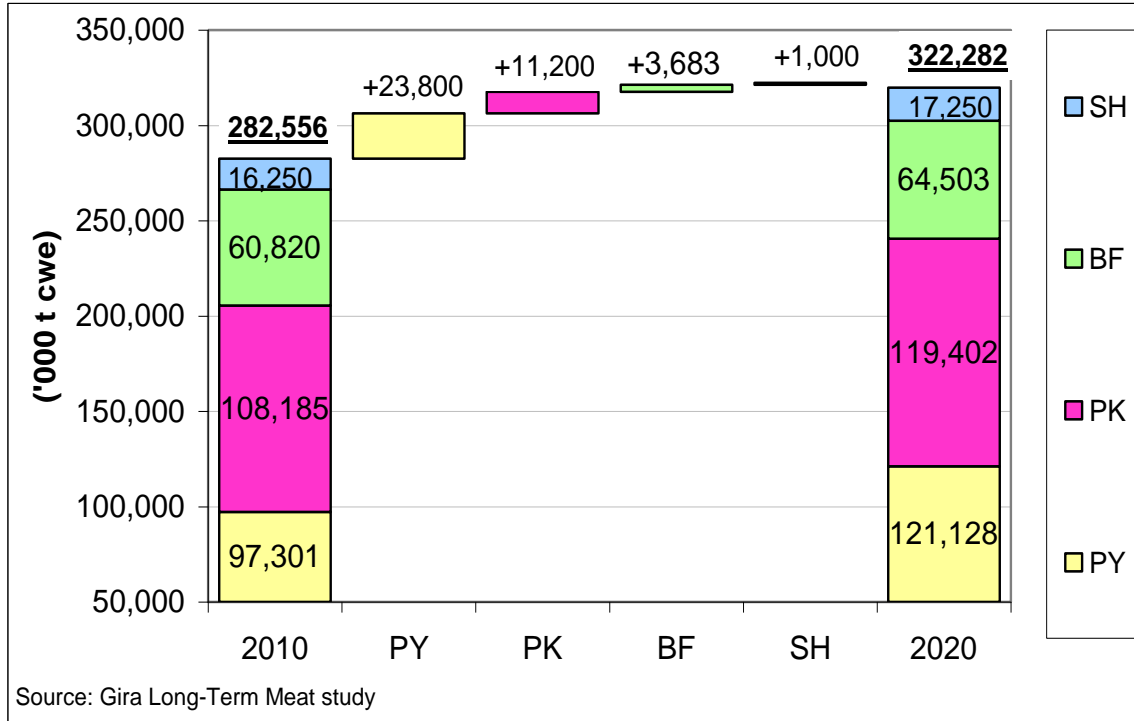
- Multi-client, syndicated research reports.
- Client specific consultancy.



- The world situation for meat and beef
- How Uruguay could benefit more from the current situation

# The Context & the Problem

## World Meat Consumption Growth by Species, 2010-20f



**CAGR = +1.3% in total**

- Poultry: +2.2% pa
- Pork: +1%
- **Beef: +0.6%**

**The world can't produce enough beef - at prices consumers can afford...**

### URUGUAY

- **Cattle herd down** (by a total of -4% in 2007-2011)
- **Beef production stagnant**
- **Beef exports slightly down**

**But Export prices**

**UP by 85%!**

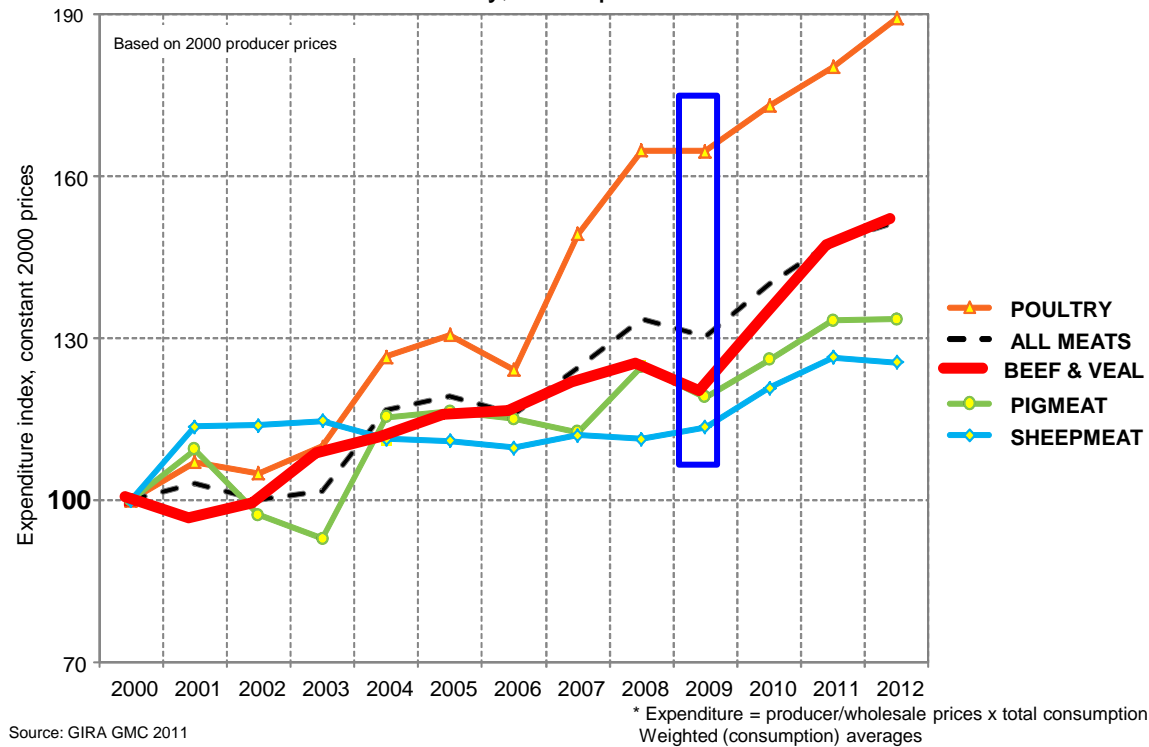


What's happening in World Beef markets?

# The economic crisis hit meat sales worldwide in 2009

*But the global growth trend resumed immediately after*

**All meat expenditure\* index, without China, 2000-12f,**  
in local currency, 2000 price = 100



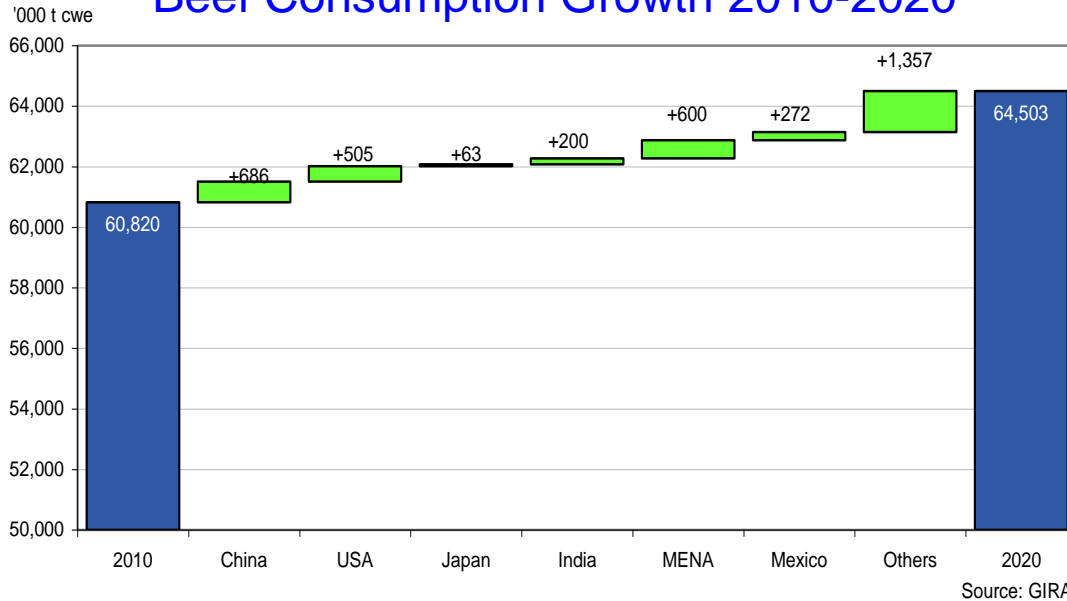
**The crisis affected how much people were willing to spend on beef, but it didn't really affect the amount of beef that was produced.**

- After the high prices of 2008, **all meat prices and expenditure declined** considerably in 2009
- **In beef production terms, however, very little changed** – a minor fall in US and EU volumes was compensated for by growth in Brazilian and Argentine production.



# Broadly spread, long-term beef consumption growth in the US, MENA & Asia ... but not the EU

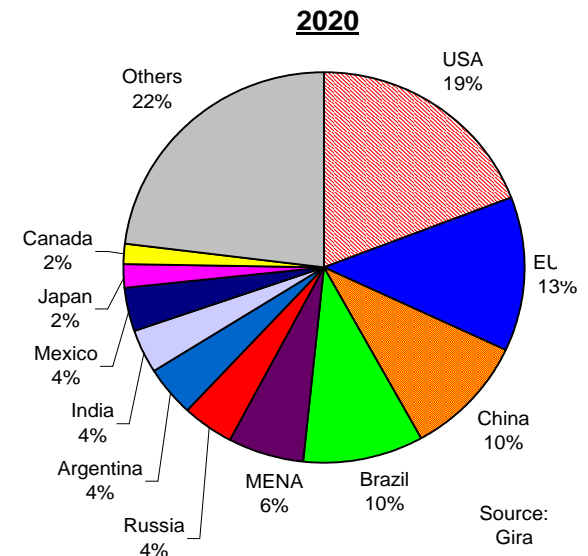
## Beef Consumption Growth 2010-2020



China, Middle East / North Africa, and USA growth ... with import opportunities

“Others” reflects broad gains in the developing world

## Beef Consumption 2020

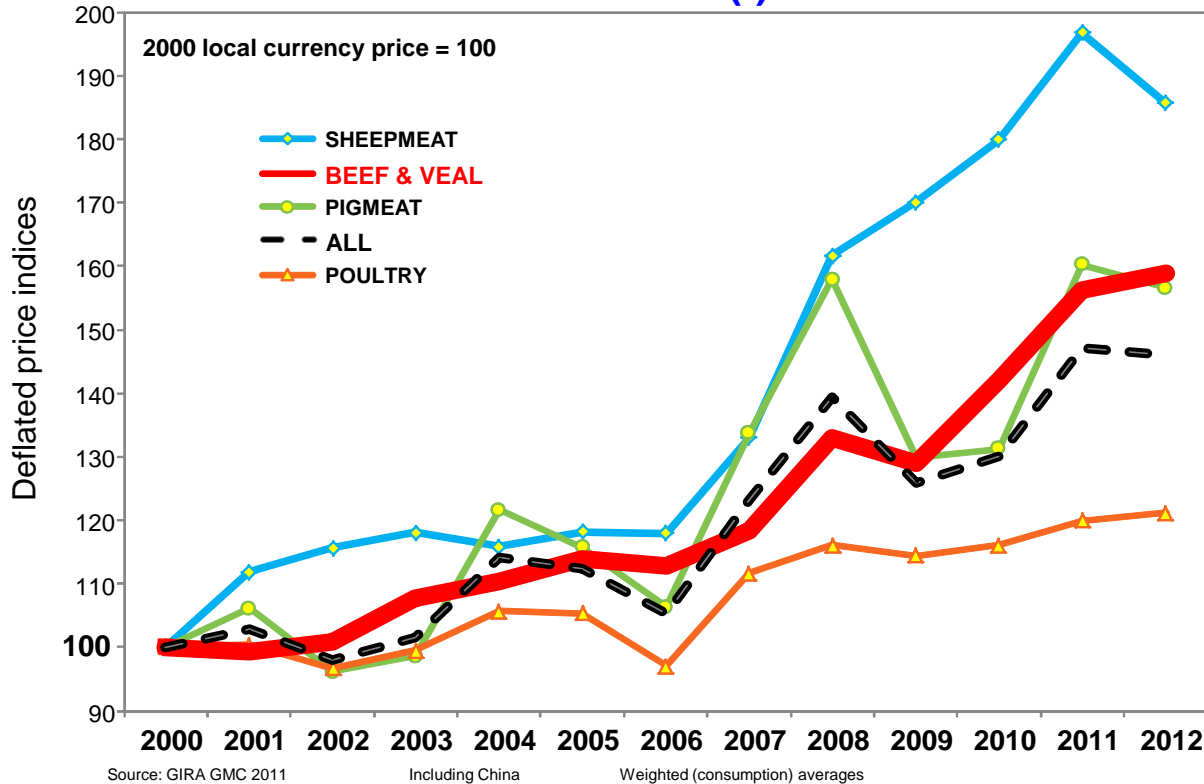


- Almost a quarter of all beef will be consumed by developing, “other” countries
  - A growing opportunity to optimise the client base and spread risk
- China and Brazil together will represent 20% of world beef consumption.

It is not surprising that long term beef consumption growth is modest

*Because it is the most expensive, and becoming more so*

**World meat producer/wholesaler deflated price indices, 2000-2012(f)**

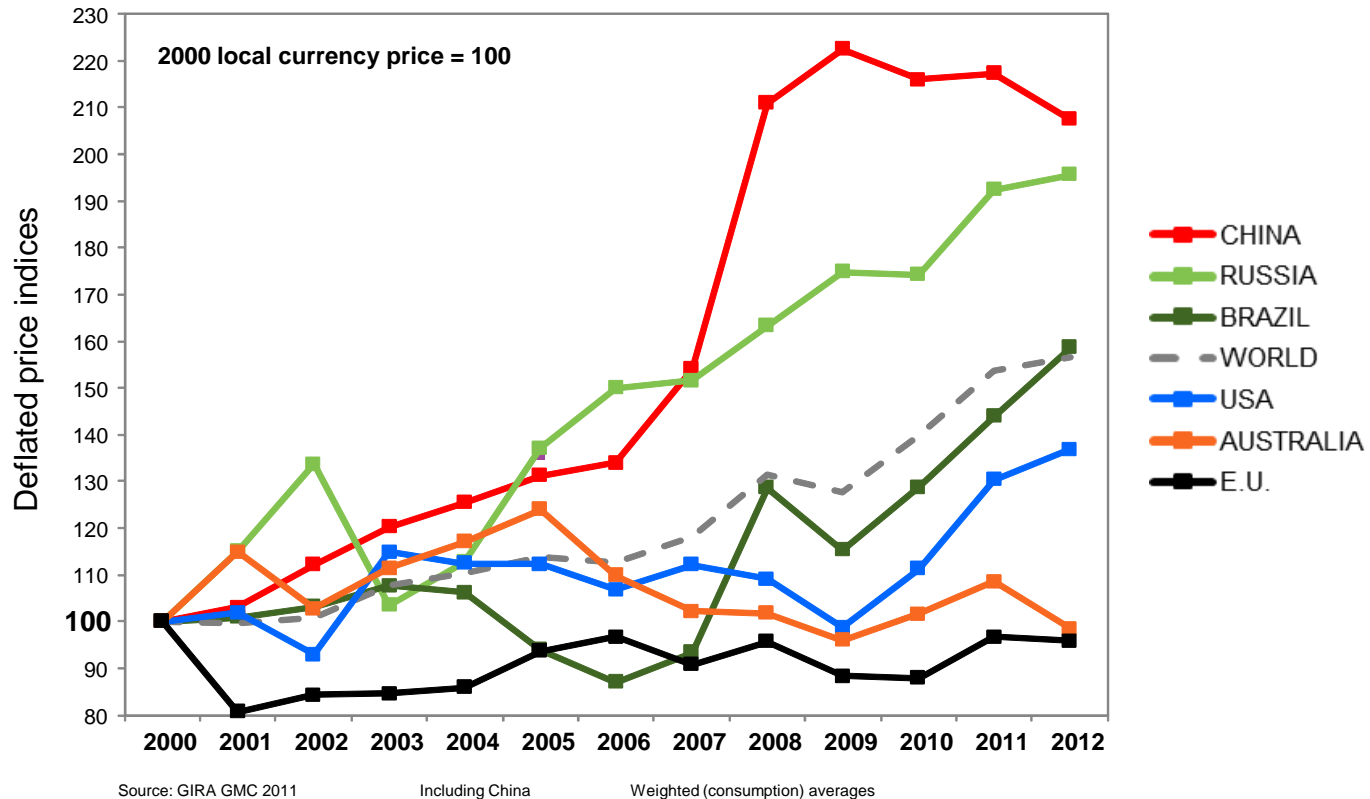


**X 3 in 10 years**



# Tight supply forcing strong 2011 price increases ... mostly continuing into 2012

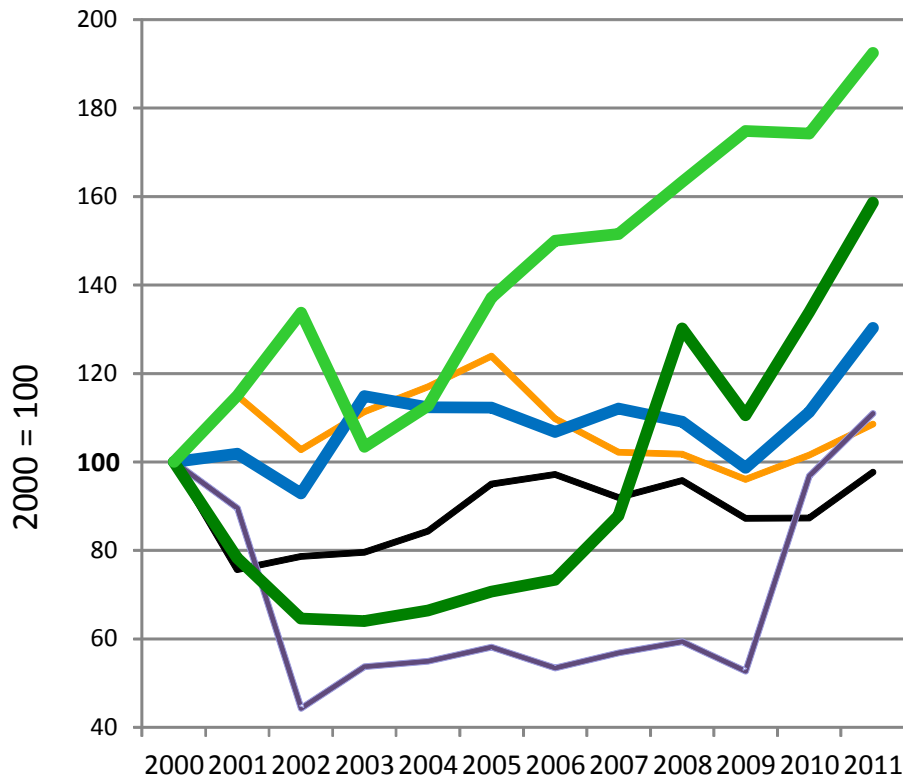
**Beef & veal deflated producer price index, 2000-2012f**



- The “take-off” in domestic cattle prices in the main developing, importer countries (Russia & China, but from a low base) has paved the way for the increase in prices paid for imported beef.
- The “traditional”, EU and Australian producers have seen no real increase (after inflation) in the prices they get.

But real price growth has not driven beef volumes!  
*There are other criteria more important than price that stop beef production growing as it "should"*

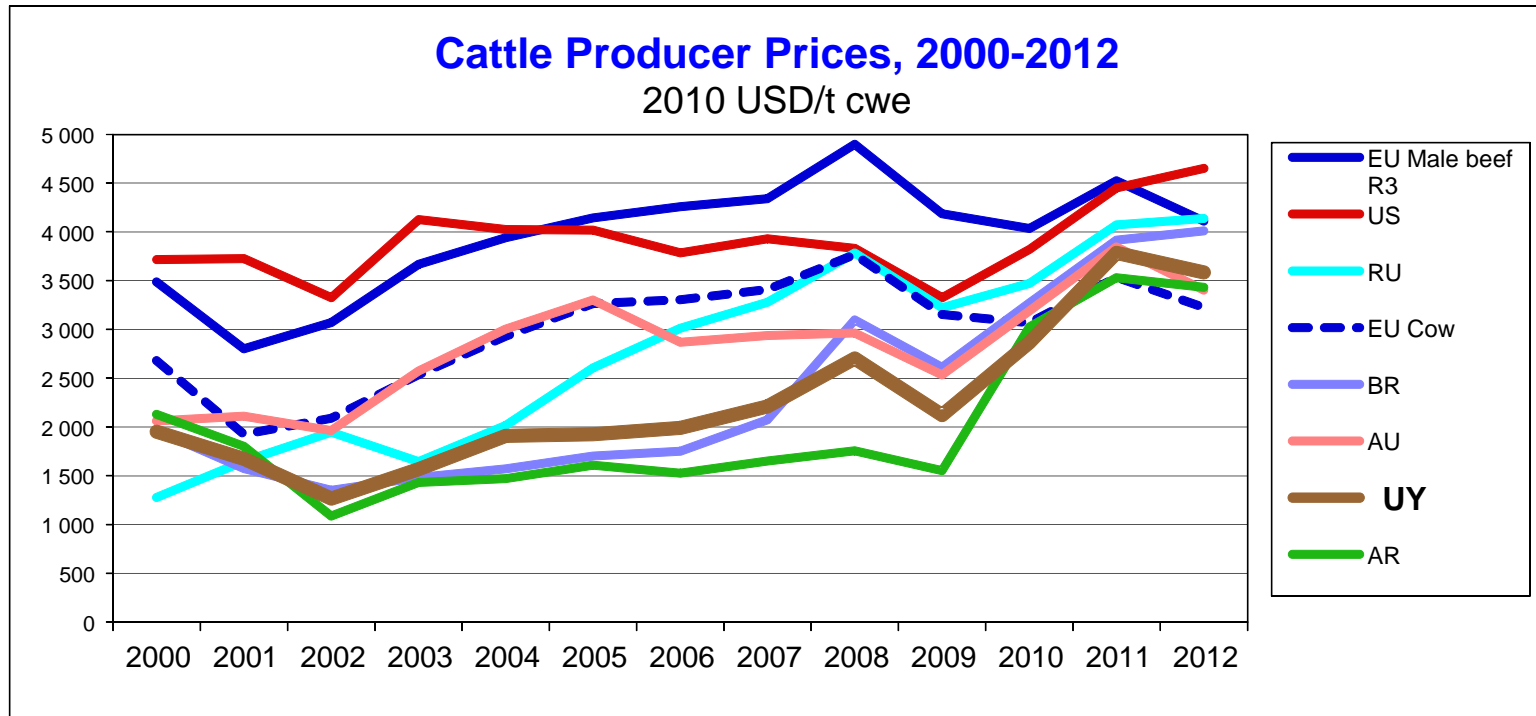
Deflated LC cattle prices, 2000-11  
 Index: 2000 = 100



**Beef Production: CAGR 2007-11**

<span style="color: green;">—</span> Russia	-1.4%
<span style="color: green;">—</span> Brazil	-0.8%
<span style="color: blue;">—</span> USA	-0.1%
<span style="color: purple;">—</span> Argentina	-6.8%
<span style="color: orange;">—</span> Australia	-0.4%
<span style="color: black;">—</span> EU (males)	-0.3%

# World cattle producer prices are coming together as “low cost” countries’ prices also rise

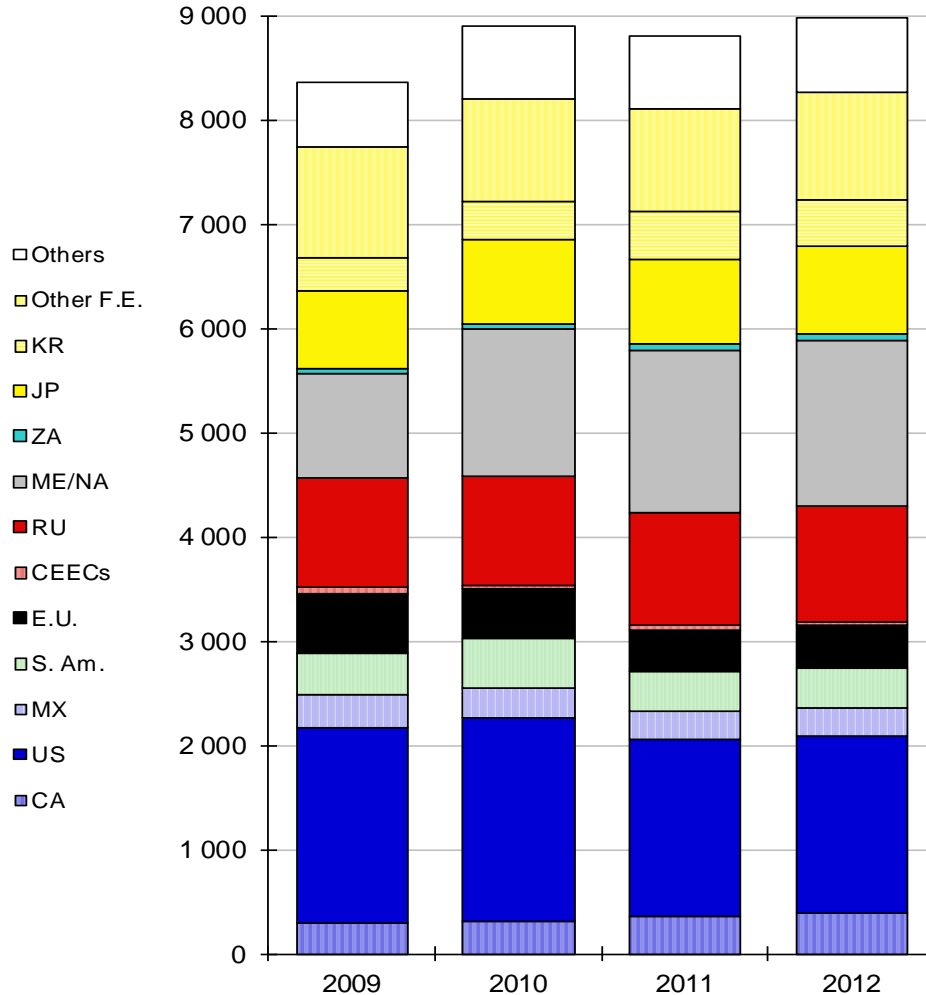


- Uruguay beef – (still?) too competitively priced
- Russia from the lowest to almost the highest producer prices in 10 years.

# Beef Importers

*Flat recently, but stronger Asian, MENA & RU volume 'pull' than from the traditional US & EU markets*

**Beef IMPORTERS 2009-2012(e) (incl. live), '000 tons cwe**

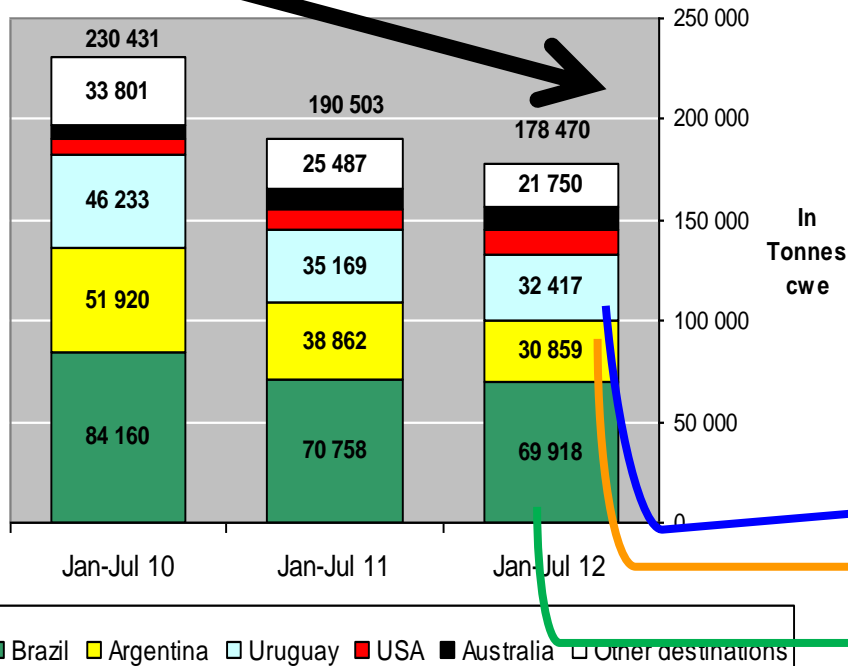


# EU import demand continues to be weak

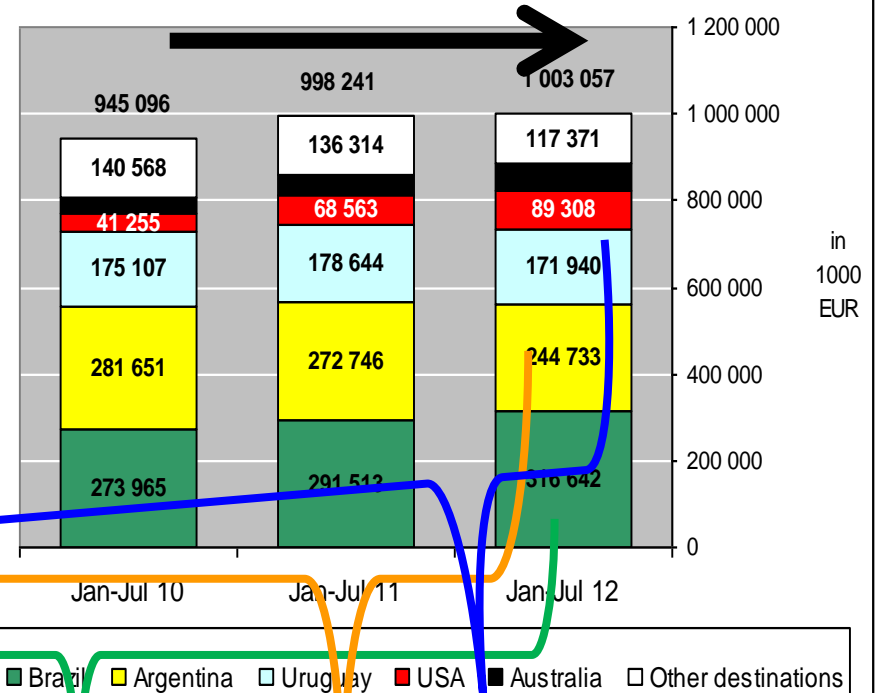
*Due to the Eurozone crisis*



**IMPORTS of Beef & Veal into EU (Tonnes cwe)**



**IMPORTS of Beef & Veal into EU (1000 EUR)**



Source: EC (Comext)

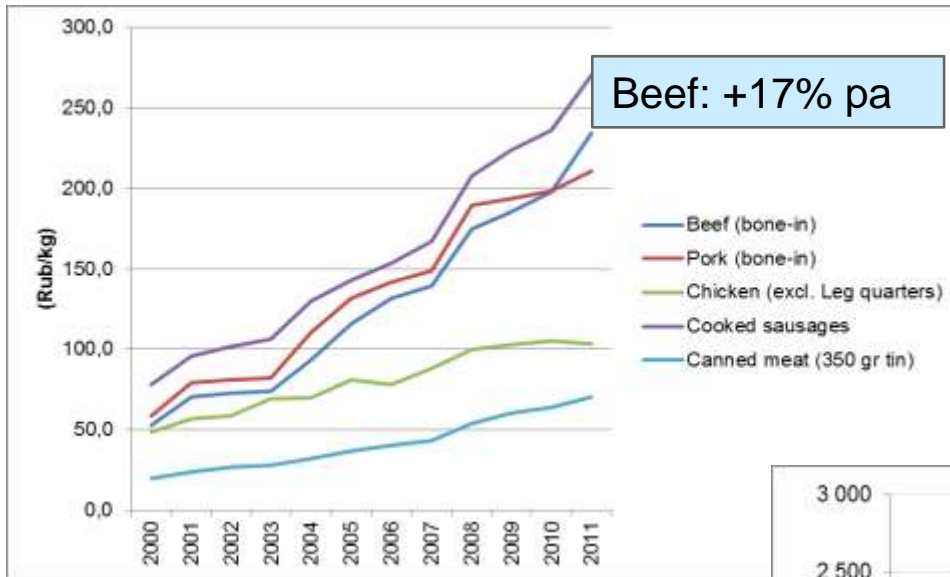
€uros 4'529/ton

€uros 7'930/ton

€uros 5'304/ton

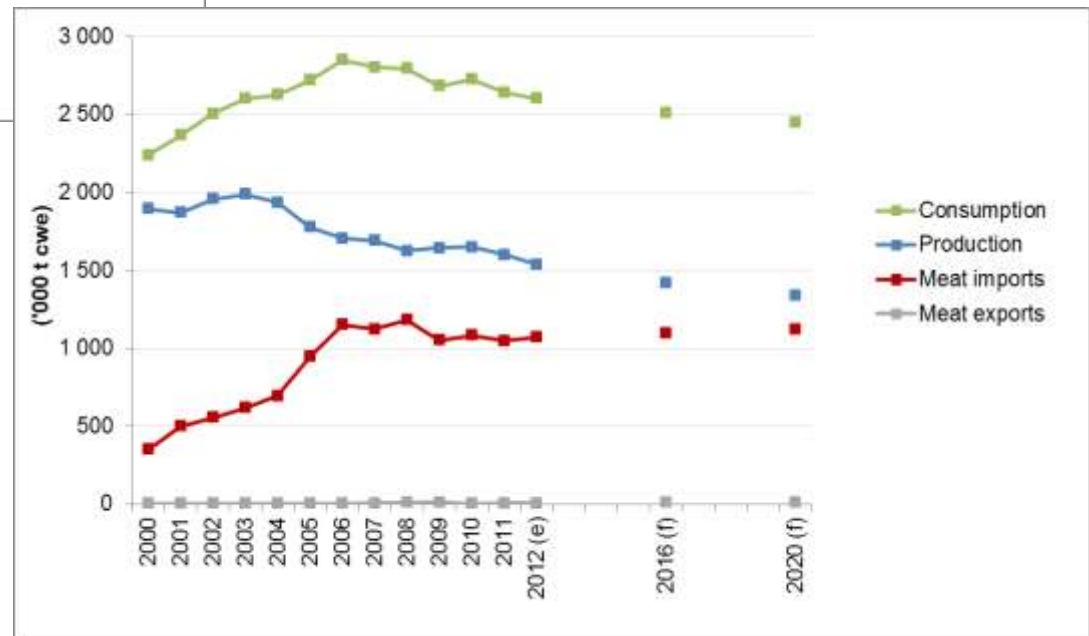
# Russia: can't get enough beef, and willing to pay for it

## Annual Consumer Prices – 2000-2011



- Beef and pork sell for the same (high) price
- So do sausages – which use a lot of beef.

## Russian Beef Balance, 2000-2020



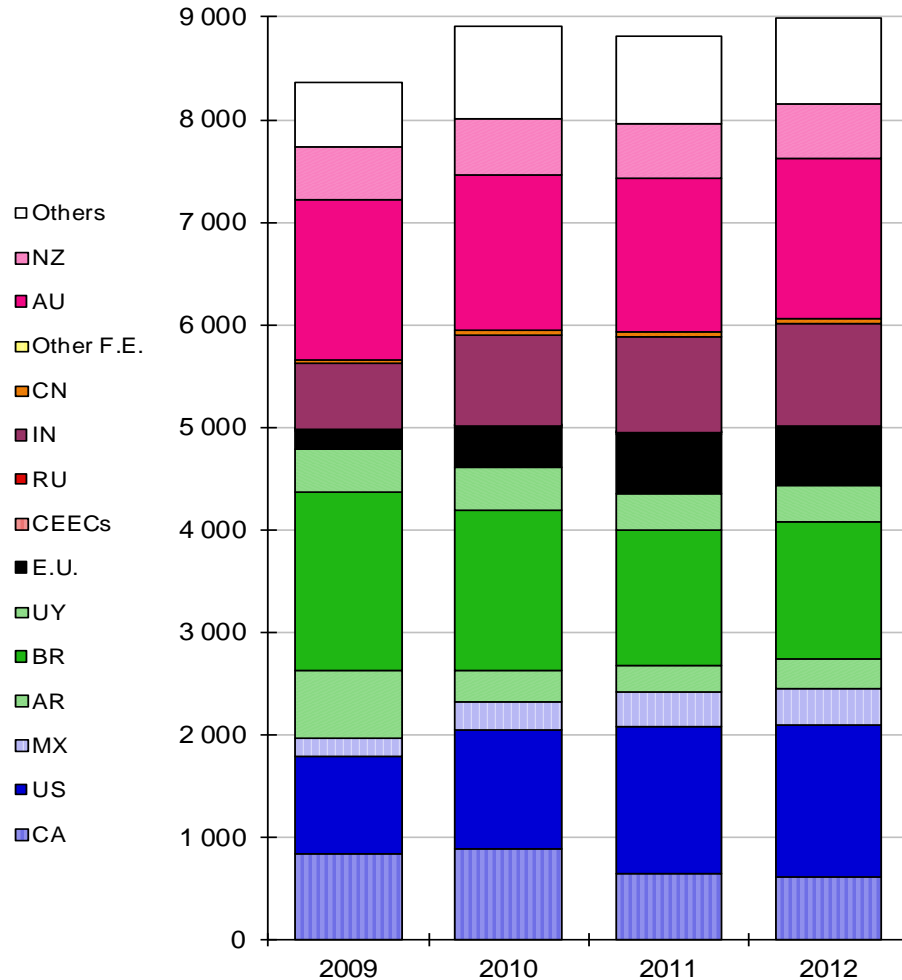
**Beef is a sub-product of dairy – which is only growing very slowly**

- High prices are hitting beef consumption – but production is also down
- ... so imports to continue at over 1 million tons!



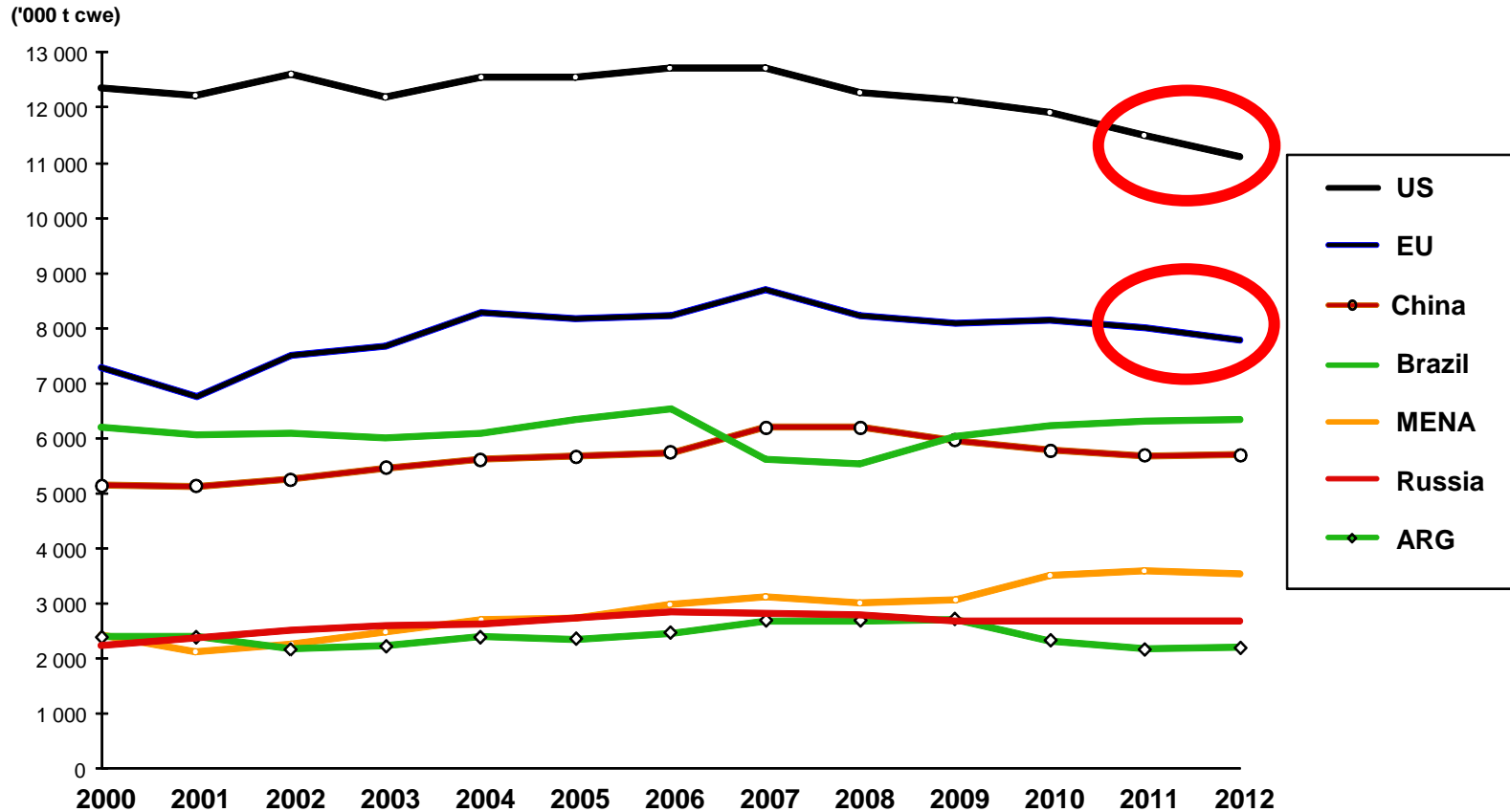
*Growing US, Indian and EU supplies from domestic 'surplus' production*

## Beef EXPORTERS 2009-2012(e) (incl. live), '000 tons cwe



Beef consumption has declined recently  
 in the key US and EU markets  
*Price and availability strangle growth*

**Beef & Veal Consumption, 2000-2012**



# Positive beef demand fundamentals and higher producer confidence

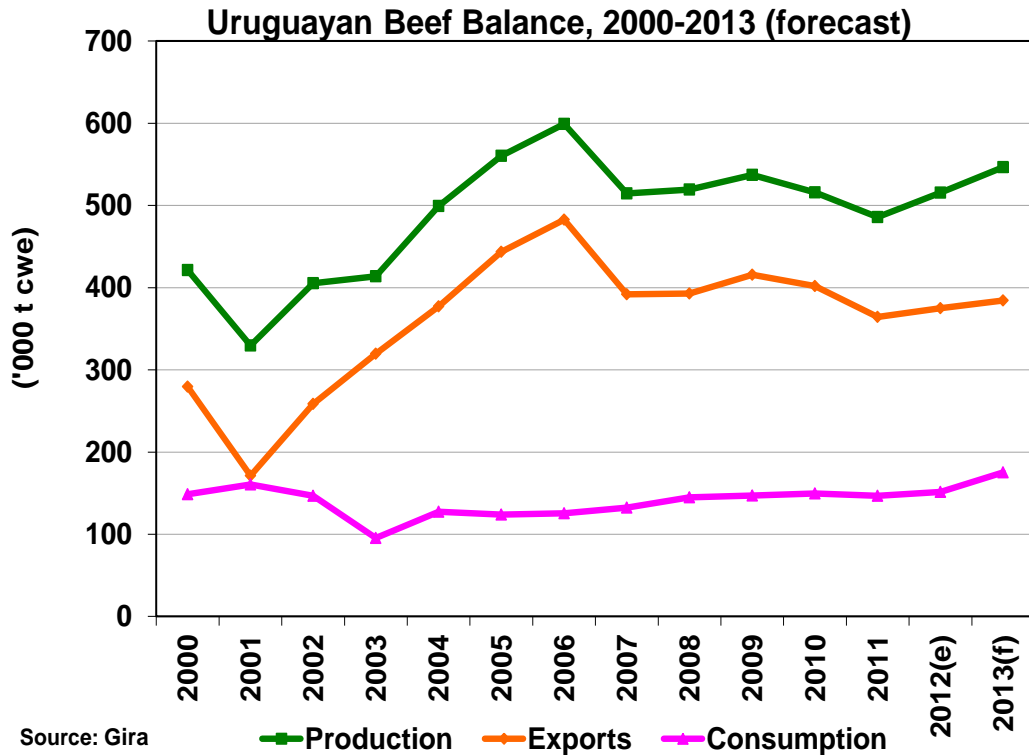
*But feed and other cost rises dampen herd growth*

- **Good long term demand fundamentals**
  - Especially, but not only, in developing markets
    - Increasing trade volumes to some new & potentially interesting markets e.g. Turkey
  - **But** short term EU and US consumption difficulties
- **Rising producer prices**
  - **But** also higher costs, especially feed ... and associated ethical & sustainability costs
- **Intensification of production**
  - From a diverse starting point
  - **Upset** by recent low finishing margins
- **Selective, modest long term increase in breeding herd**
  - Expected, but not yet seen, in South America
  - **Frequently thwarted** by pastoral conditions e.g. SW US drought in 2011
- **Some, slow improvement in vertical communication and cooperation** along the beef chain

¿CUÁL DEBERÍA SER LA ESTRATEGIA  
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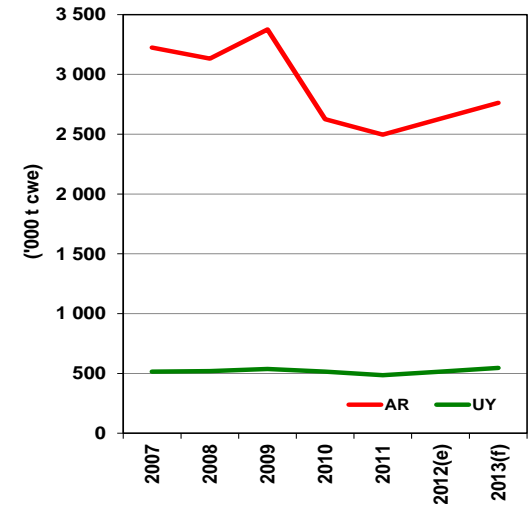
# Uruguay - a stable, serious producer and exporter

*With currently little to fear from its southern neighbor*

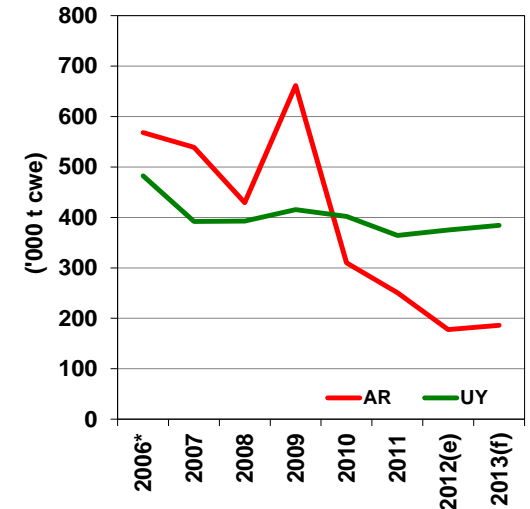


- Internal problems mean that **Argentinian production and exports are highly volatile & unreliable**
- In the last 5 years, **Uruguay has shown itself to be a model of reliability and “seriousness”**
  - Thus opening access to “serious” markets for its beef.

**Beef Production in AR & UY**



**Beef Exports in AR & UY**



# The Problem for Uruguay

**Beef production stagnant**, while the rest of the world is growing

**Exports flat**, while world demand is dynamic

**Export prices dramatically up** – but there are cheaper meat alternatives around...

Meaning a potentially enormous **Opportunity Cost** for Uruguayan farmers & processors

## **TWO possibilities for the future:**

1. You accept that beef production and exports will continue at their current levels, *OR*
2. You want to increase production for export.

## **Which means you must:**

- **Differentiate your product** – add perceived value – mainly target the richest customers
- **Be *the* lowest cost producer** – exploiting natural advantages to the maximum.

# Not one, but a series of strategic solutions

**... In fact, Uruguay must do both of these!**

**This will involve building on its strengths – among others:**

- **A relatively low cost producer** of cattle, with a long pastoral tradition.
  - Continue improving pastures (with new grass species, and spending more money on them),  
- made possible by the higher cattle price
- **A good image** of natural, green production
- **Good, local grain availability** provides low cost grain for some feedlotting and supplementary feeding of cattle.
  - Scope to improve carcass weights which are rather low.
  - Some grain feeding would also speed up the finishing period, thereby increasing productivity, and also adding to eating quality
- **A long term export culture**: Uruguay listens and reacts to customer demand
- **Well organised**, with Government support (much more than just financial) for developing exports
  - Political support for gaining and retaining market access
- **Good sanitary status.**

... overcoming disadvantages while  
striving to realise full potential

## **DOWNSIDE:**

- Uruguay is still a “small” player, with limited, stagnant volumes for export
- A strong currency – while inflation continues to be quite high
- & not helped by depressed US and EU economies.

## **OPPORTUNITIES for:**

- Continuing export opportunities in Russia, MENA, China, other Asia, EU ... and maybe Japan, US and Canada for marketing a variety of cuts and qualities adapted to market
- Improving carcass weights
- More, vertical communication back to farmers:
  - Build better relations between farmers and processors
  - To improve productivity, breeding, shorten finishing period, increase carcass weights
- Some grain feeding – to speed up the finishing period, thereby increasing productivity, and also improving eating quality
- Adding value in Uruguay wherever possible.



# And finally, where could Uruguay look for models of export development?

## **New Zealand – in dairy and sheepmeat**

- Building win-win links with producers and marketers in other countries
- In order to gain advantages of scale and marketing above and beyond what its own domestic production allows

## **DENMARK – in pigs**

- Denmark doesn't sell pigs – it sells a catalogue of pieces adapted to the needs of processors in the countries it targets

## **CHILE – in pigs**

- Building a network of lasting contacts to affluent buyer countries
- Using bilateral Foreign Trade Agreements (FTA) wherever advantageous (Korea, EU)
- Guaranteeing top quality, traceability and service to clients

## **IRELAND – in beef and dairy**

- Exploiting its extensive pastureland cost and consumer “image” advantages
- Increasingly adopting a “scientific” approach to pastureland use optimisation
- Supplementing pasture with feed when it is economically advantageous to do so.

Thank you for your attention