

LIVESTOCK SECTOR IN URUGUAY



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Uruguay XXI
INVESTMENT, EXPORT AND COUNTRY
BRAND PROMOTION AGENCY

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WHY INVEST IN URUGUAY?

LIVESTOCK PRODUCTS

RELIABLE COUNTRY

#1 DEMOCRACY
EIU 2021

#1 RULE OF LAW
World justice Project
2021

#1 ESG PERFORMANCE
JP Morgan, April 2022

- » With a long track record of political, democratic, and social stability, Uruguay is a country that combines a stable and reliable business environment in Latin America.
- » Uruguay's outstanding performance in environmental, social and governance (ESG) factors places it among the most reliable and highest-ranked emerging economies in the ESG-adjusted EMBI country risk index.
- » Companies located in Uruguay have access to the most demanding markets, due to the long exporting history, reliability, and compliance with the highest international standards the country is committed to promote.

MARKET ACCESS

- » Uruguay is the number 1 business hub in Latin America. As part of Mercosur and because it has an FTA with Mexico, it has preferential access to a market of 550 million people in the region.
- » The good reputation enjoyed by Uruguayan products keeps the doors open to the **most demanding markets in the world**, such as Europe and the United States.
- » The country offers first-class logistics infrastructure, state-of-the-art telecommunications technology and the best energy supply in Latin America based on renewable sources.

**#1 BUSINESS HUB
IN LATIN
AMERICA**

PRODUCTION SPECIALIZATION

**100%
TRACEABILITY OF
CATTLE**

» Uruguay has a large surface area suitable for meat production with a **high level of productivity**. The country currently produces food for 30 million people and has the potential to produce for 50 million.

**#7 WORLD
EXPORTER OF
BEEF (FROZEN)
2021**

» Uruguay combines technology and nature in the production of safe food. The availability of natural resources and production factors gives Uruguay comparative advantages in the production of food products.

**#6 WORLD
EXPORTER OF
SOYBEANS
2021**

» Uruguay is a world leader in the development of advanced **traceability and georeferencing systems**, thus ensuring the origin and safety of food products from the start of the production cycle until they reach the consumer's table.

1. EXECUTIVE SUMMARY

The agricultural sector accounts for 6% to 7% of GDP in Uruguay (2015-2019). When including the associated sub-sectors and industries, it is referred to as the agro-industrial sector and its share ranges from 14% to 16% of GDP (2015-2019). Agro-industry, in addition to its direct participation, has positive effects on other sectors, with backward linkages (due to greater demand for transportation services, storage, input production, telecommunications, etc.) and forward linkages (much of the domestic agro-industrial production serves as an input for other industries).

In 2021, approximately 106,000 people worked in livestock activities and related industries. Of this total, 70% were in primary activity, while the remaining 30% were employed by industry.

The livestock sector kept leading as Uruguay's main export sector, generating revenues of USD 3,614 million in 2021—an all-time record for the sector—with a 60% growth in the year-on-year comparison.

Among livestock sector exports, meat products totaled USD 3,047 million in 2021, corresponding to 717,000 tons, a year-on-year increase of 34% in volume.

Uruguayan exports of livestock products in 2021 went to almost 100 destinations, with a strong share of countries in Asia and the Middle East (63%), Europe (18%) and North America (11%).

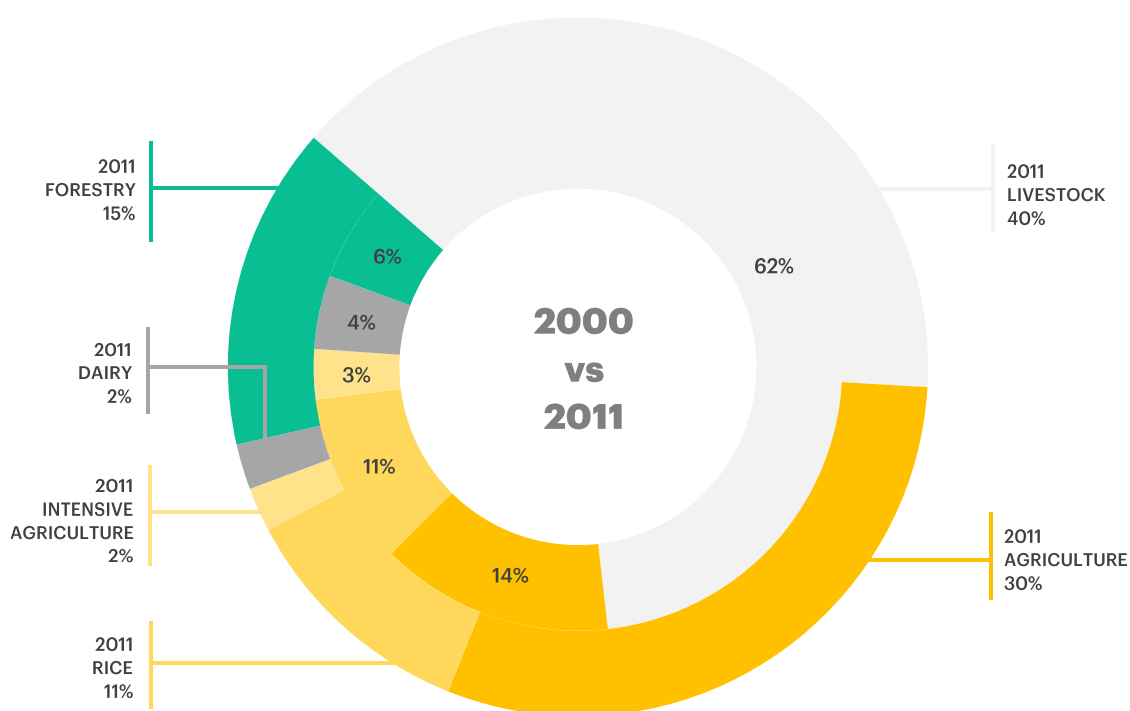
China was the main export destination for Uruguayan cattle products. In 2021, it concentrated 60% of the sector's external sales, totaling USD 2,162 million of livestock products, practically doubling the amount exported in 2020 (41% higher than in 2019).

2. LIVESTOCK SECTOR

Uruguay has 16.4 million hectares for agricultural and livestock use, representing more than 90% of the country's land area. The country's natural resources and production factors give it comparative advantages in food production, positioning it as a global supplier of food and agricultural products.

The last census conducted in 2011 showed the transformation of the agricultural sector in terms of production in Uruguay, with a significant change in the relative use of land among the main production activities. Land used for agriculture increased from 14% of cultivated land in 2000 to 30% in 2011¹, while livestock land went from 62% to 40% in the same period. The reduction in land use by livestock farming did not mean lower production but implied a more intensive use of the land. A new General Agricultural Census² is planned for the last quarter of 2022, which will update the information on land use in Uruguay.

CHART N° 1: SHARE OF AGRICULTURAL ACTIVITIES IN CULTIVATED AREA



Source: Prepared by Uruguay XXI based on the Agricultural Statistical Yearbook 2021 of the Directorate of Agricultural Statistics (DIEA) of the Ministry of Livestock, Agriculture and Fisheries (MGAP).

¹ Directorate of Agricultural Statistics (DIEA) Yearbook 2021 ([link](#))

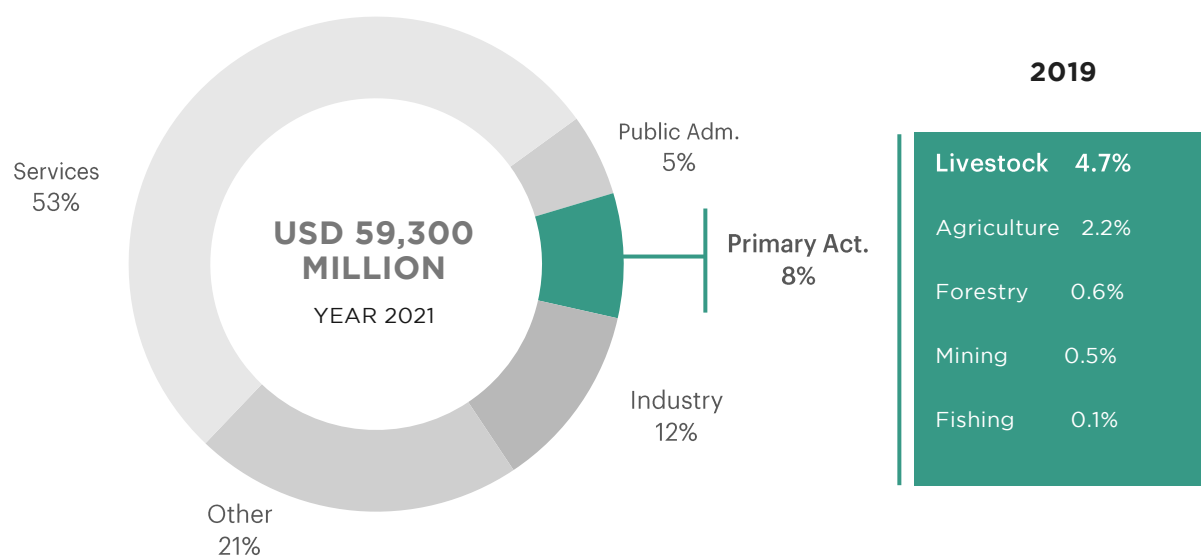
² Agricultural Census 2022 ([link](#))

2.1.SHARE OF THE LIVESTOCK SECTOR IN GDP

Livestock activity is part of the agricultural sector, which in Uruguay accounts for 6% to 7% of GDP (2015-2019). When including the associated sub-sectors and industries, it is referred to as the agro-industrial sector and its share ranges from 14% to 16% of GDP (2015-2019). In addition to its direct impact on the economy, agro-industry has spillover effects on other sectors, with backward linkages (due to greater demand for transportation services, storage, input production, telecommunications, etc.) and forward linkages (much of the domestic agro-industrial production serves as an input for other industries).

The official statistics prepared by the Central Bank of Uruguay (BCU) are in the process of being adapted to new international standards. In the last two years, Uruguay's National Accounts did not present data disaggregated by activity, which makes it difficult to analyze the main items making up the agricultural sector. The following chart combines aggregate GDP data for 2021, and a disaggregation at the sub-sector level from the shares of these activities in 2019³.

CHART N° 2: PRIMARY SECTOR GDP AND MAIN ACTIVITIES



Source: Prepared by UXXI with BCU data.

³ Last record with disaggregation by activity in National Accounts.

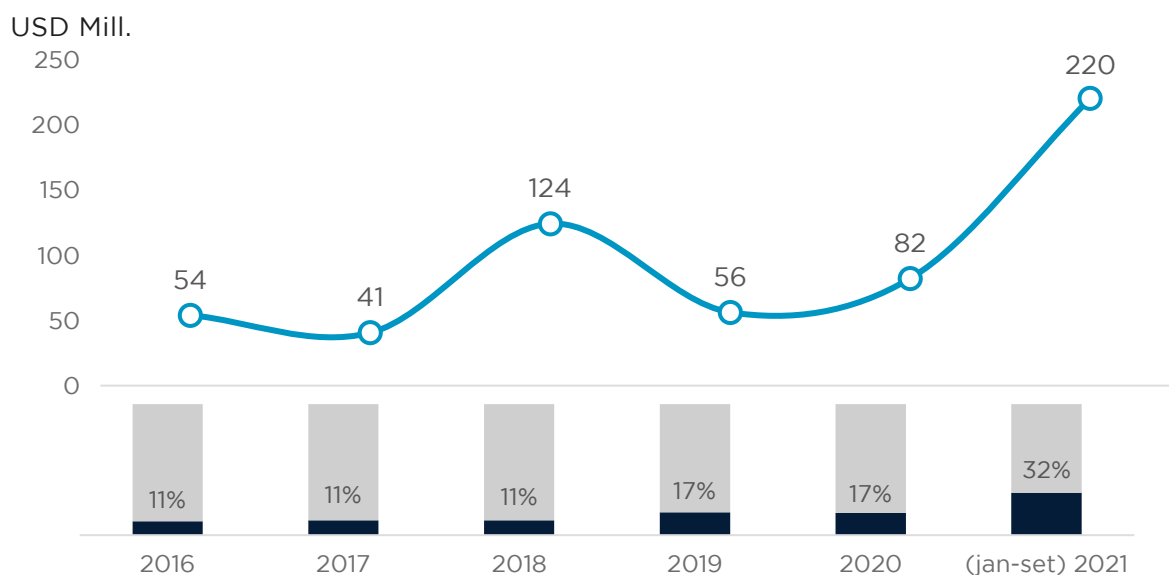
In 2021, Uruguay's GDP was USD 59,300 million, of which 8% accounted for primary activities including: livestock, agriculture, forestry, mining, and fishing. Livestock was the main activity, accounting for 4.7% of GDP.

As mentioned above, in addition to the direct contribution to GDP, these activities have a decisive role in industry; in particular, livestock activity is closely linked to the meat processing industry, meat food and leather production.

2.2. INVESTMENT IN THE LIVESTOCK SECTOR

In October 2020, a new regulation of the Investment Law (No. 16,906) came into force, with a positive impact on the number of projects and amounts invested. In particular, agribusiness-related projects entered into the Commission on the Application of the Investment Law (COMAP) increased from an average of 60 between 2015-2019 to over 500 in 2021. The new regulations boosted projects associated with the sector, which in 2020 accounted for 17% of the total, while between January-September 2021 they reached 32%, showing the highest year-on-year variation (213%) at sector level⁴.

CHART N° 3: INVESTMENT IN THE AGRICULTURAL SECTOR
 MILLION DOLLARS AND PERCENTAGE SHARE IN TOTAL PROJECTS



Source: Prepared by UXXI based on the OPYPA Yearbook 2021, with data from the Private Sector Support Unit (UNASEP).

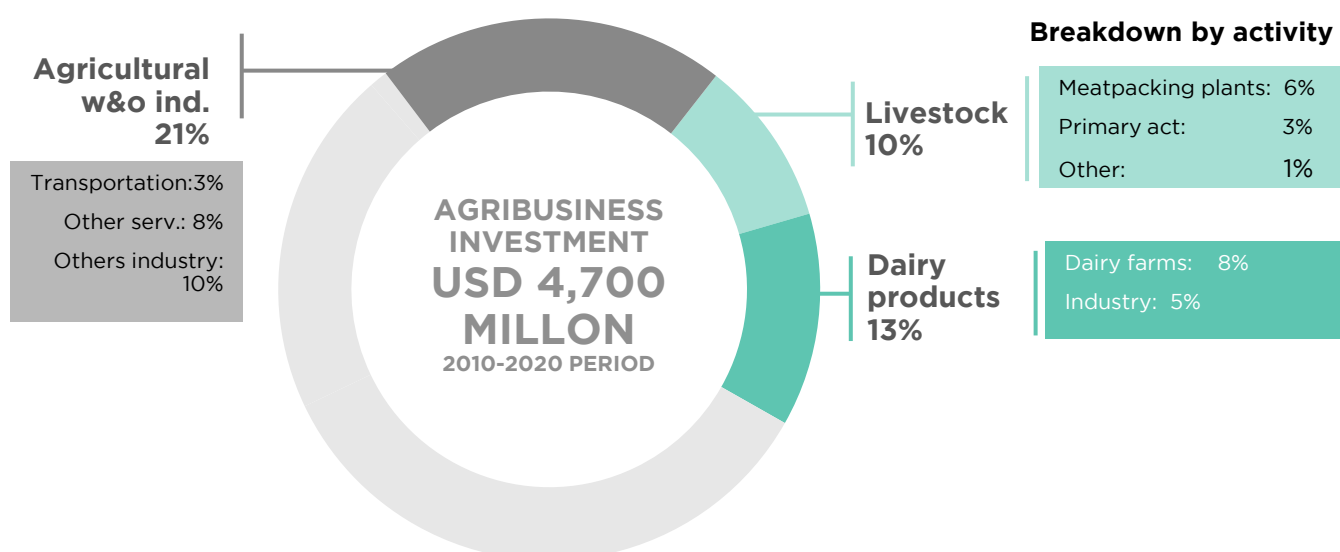
⁴ Agricultural Planning and Policy Office (OPYPA) Yearbook 2021 ([link](#)).

Between 2010 and 2020, the agricultural sector accumulated USD 4,700 million in investments; 23% of this total came from the livestock sector, of which 13% were investments in dairy farms and the dairy industry, 9% from meat production, and the remaining 1% from leather and wool production.

In the meat industry, animal breeding and backgrounding activities made investments of USD 147 million, which accounted for 34% of the sector's total investment during the 2010-2020 period. The meat processing industry invested USD 270 million, and pork companies invested USD 19 million. Dairy production saw higher investment in primary activities: USD 365 million in dairy farms compared to USD 236 million in industrial dairy plants. All of the above totaled some USD 600 million in investment between 2010-2020.

CHART N° 5: INVESTMENT IN THE LIVESTOCK AND DAIRY SECTOR 2010-2020

MILLIONS OF DOLLARS AND % SHARE IN TOTAL PROJECTS



Source: Prepared by UXXI based on the OPYPA Yearbook 2021, with data from UNASEP.

It is worth noting that 21% of the amounts invested in the agricultural sector cannot be directly allocated to any activity. These are investments made by cargo transportation companies

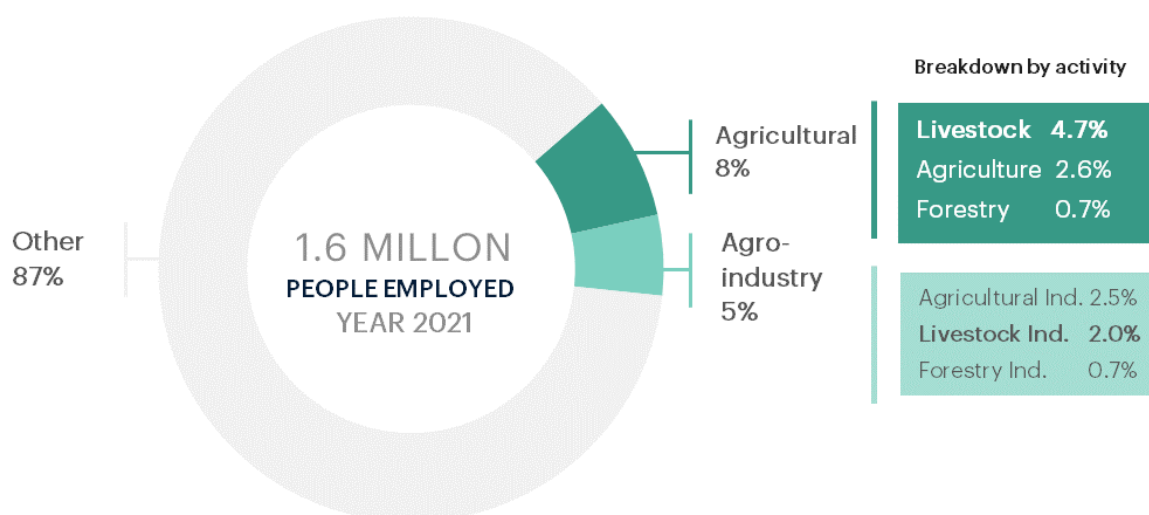
(3%), or other related services (8%), which are partly associated with the livestock activity, so that the sector's actual investment was even higher.

2.3. EMPLOYMENT IN THE LIVESTOCK SECTOR

The labor market employed 1.61 million people in 2021, recovering 48,600 positions in the year-on-year comparison. The latest data published by the National Institute of Statistics (INE)⁵ as of September 2022 indicate that the employment rate stood at 56.8%, remaining stable compared to the last six months and at a level similar to pre-pandemic levels, but registering some 21,000 people less compared to the employment peak of December 2021. Meanwhile, some 149,000 people are unemployed, which accounts for 8.3% of the economically active population.

In 2021, 210,000 people were employed in the agribusiness sector, of which about 127,000 were in the agricultural sector, representing 8% of the country's employed population, while 83,000 worked in related industries, i.e., 5% of the total. The agro-industrial sector as a whole recovered 11,000 jobs in the last year.

CHART N° 6: PEOPLE EMPLOYED IN AGRO-INDUSTRIAL ACTIVITIES



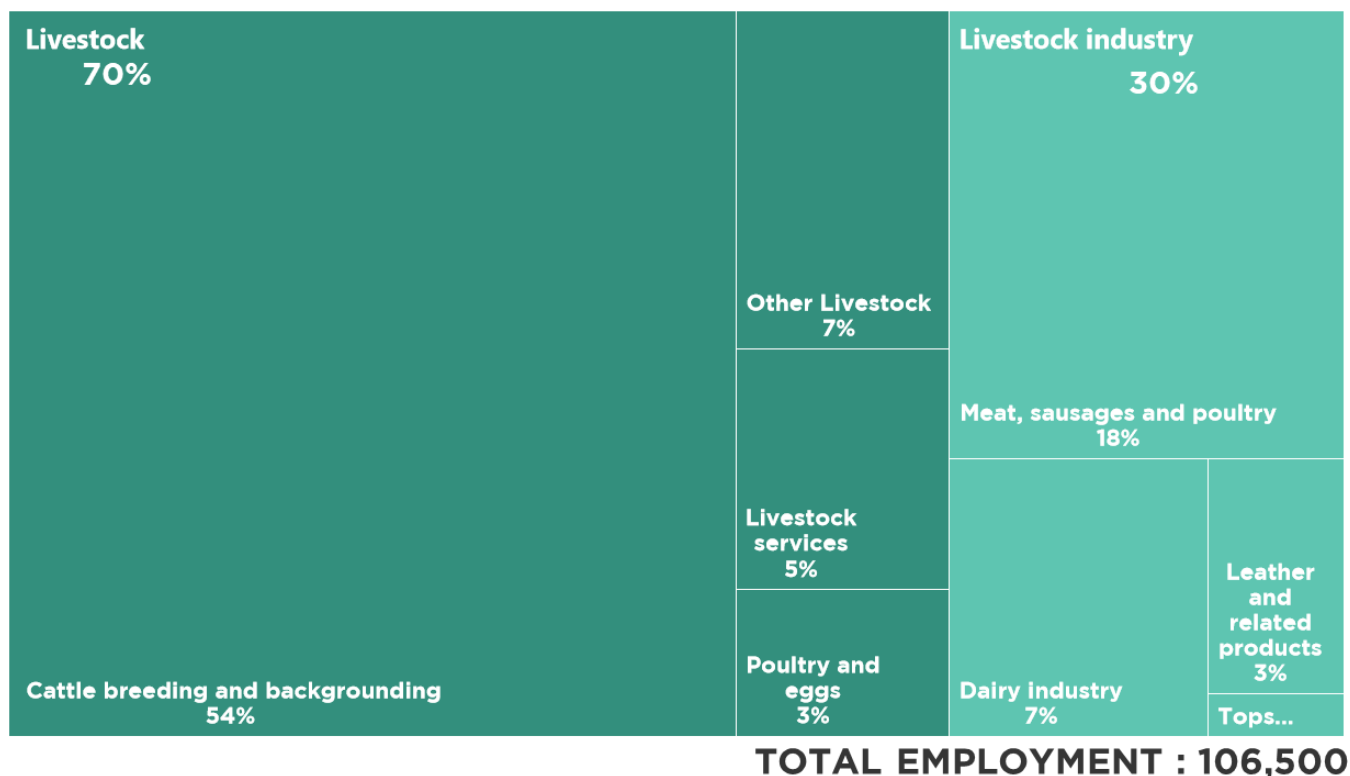
Source: Prepared by Uruguay XXI based on information from the Continuous Household Survey (ECH) 2021.

In 2021, 106,000 people worked in livestock activities and related industries. Seventy percent (70%) were employed in primary activities, while the remaining 30% were employed by

⁵ [National Institute of Statistics](#)

industry. Total employment in the sector grew 5% compared to 2020, although at different paces.

CHART N° 7: EMPLOYMENT IN THE LIVESTOCK SECTOR 2021



Source: Prepared by Uruguay XXI with data from ECH 2021.

Breeding and backgrounding activities showed a slight growth of 2% in 2021, without recovering pre-pandemic employment levels. Meanwhile, industrial activity recorded a 12% expansion in employment in 2021, which is mainly explained by the recovery of the meat processing industry and the growth in tannery activity. The dairy industry had no major changes in employment levels in 2021.

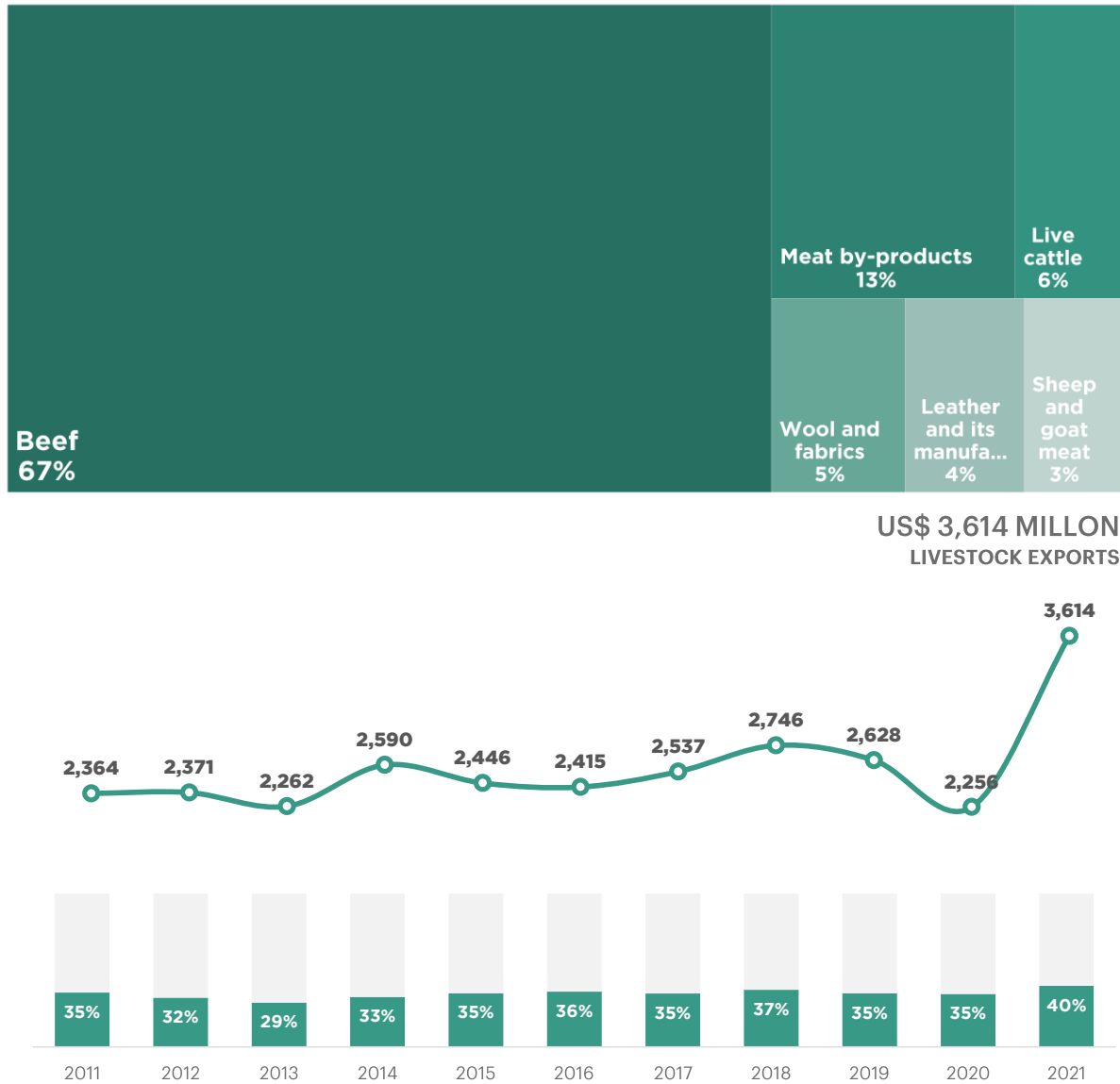
2.4. LIVESTOCK EXPORTS

In 2021, the livestock sector kept leading as Uruguay's main export sector, generating revenues of USD 3,614 million. This implied an all-time record for the sector, with a positive 60% year-on-year variation.

Meat exports accounted for 84% of the sector's foreign sales, some USD 3,047 million, corresponding to a total of 717,000 tons, an increase of 36% in terms of physical volume. Beef

rose 36%, sheep and horse meat increased 48%, while meat by-products grew 38% during the year.

CHART N° 8: URUGUAYAN LIVESTOCK EXPORTS

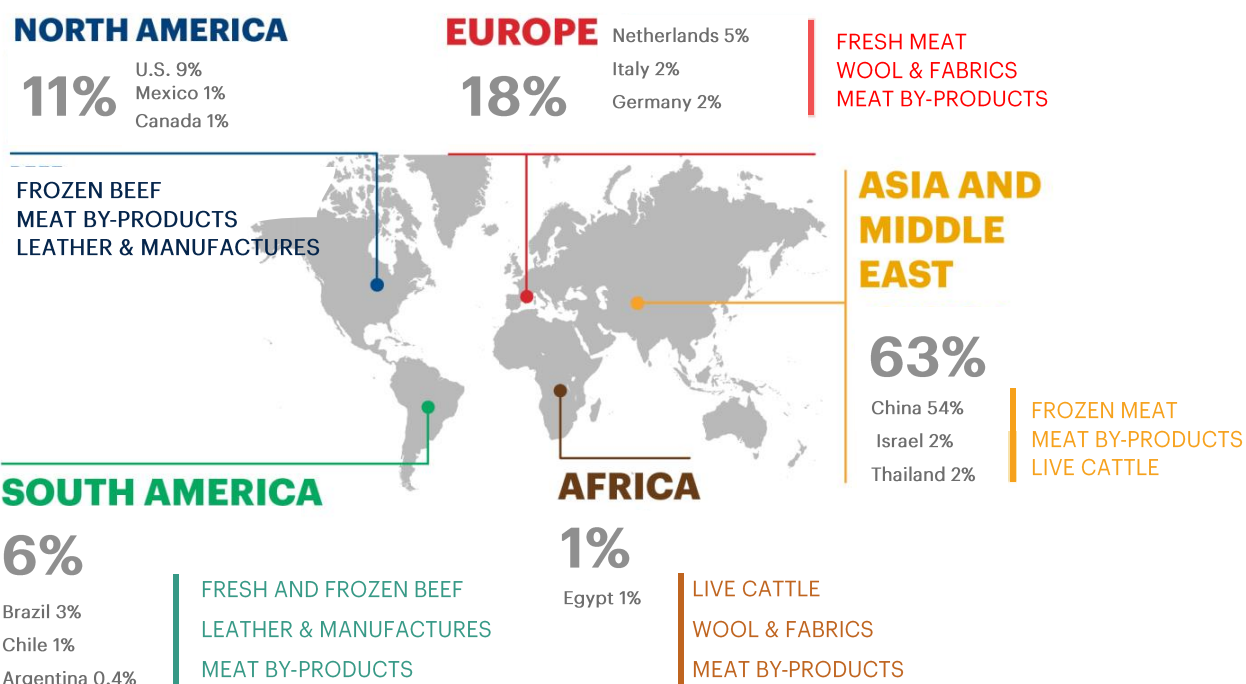


Source: Uruguay XXI based on data from the National Customs Authority, Nueva Palmira, and Montes del Plata.

Beef, meat by-products and live cattle had the most positive impact. Ninety-four percent (94%) of the sector’s exports were industrially processed products: beef (67%), meat by-products (13%), wool (5%) and leather (4%), among others, while live cattle accounted for the remaining 6%.

Uruguayan exports of livestock products in 2021 went to almost 100 destinations, with a strong share of Asia and the Middle East (63%), followed by Europe (18%) and North America (11%).

CHART N° 9: LIVESTOCK SECTOR EXPORTS - MAIN PRODUCTS AND DESTINATIONS



Source: Uruguay XXI based on data from the National Customs Authority, Nueva Palmira, and Montes del Plata.

China, main export destination for Uruguayan livestock, concentrated 60% of the sector's external sales in 2021, totaling USD 2,162 million of livestock products, practically doubling the amount exported in 2020 (41% higher than in 2019). Frozen beef, meat by-products and live cattle were the main livestock products exported to the Asian giant.

The **European Union** was the second largest export destination. The European bloc purchased USD 640 million, an increase of 29% compared to 2020 (11% compared to 2019). Beef—mainly chilled—, wool and meat by-products were the most relevant products sold to the bloc.

The **United States** was the third largest export destination in 2021, with a 9% share. Shipments totaled USD 327 million, remaining practically unchanged in the year-on-year comparison. Beef (75%)—mainly frozen—and meat by-products (21%) were the main goods exported to the United States.

Brazil was the fourth largest export destination for livestock products. Sales to the northern country amounted to USD 122 million, a 68% year-on-year increase (18% compared to 2019).

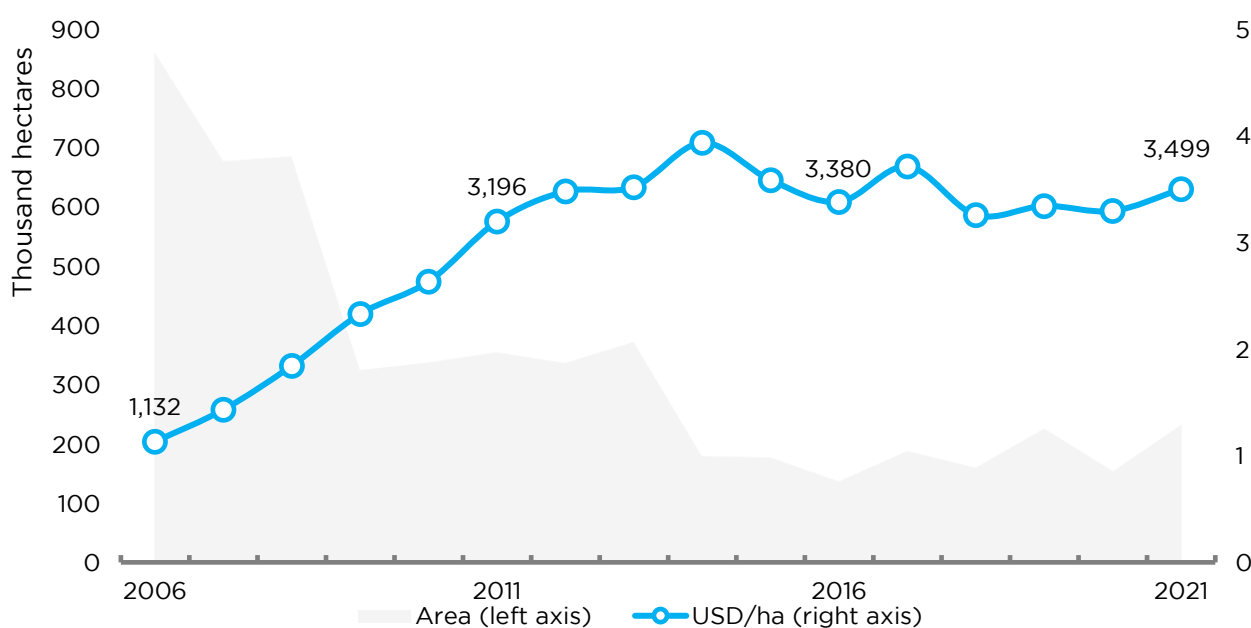
Beef was the main exported product, accounting for half of the sector's sales, followed by hides and meat by-products.

2.5. PRODUCTIVE LAND MARKET

2.5.1. LAND PURCHASE AND SALE

The development of the agricultural sector in Uruguay is reflected in the increasing price of land. Data on sales and purchases for agricultural use published by DIEA⁶ indicate that the average price per hectare increased from USD 448 in 2000 to USD 3,500 in 2021. Thus, in the last two decades the value of land has increased eightfold.

CHART N° 10: AVERAGE PRICE OF HECTARE FOR AGRICULTURAL USE (USD/HA)



Source: Uruguay XXI based on DIEA – MGAP.

Between 2000 and 2021, 41,000 land purchase and sale transactions involving 8.9 million hectares and some USD 15,400 million were carried out. The total amount traded in 2021 exceeded USD 810 million, for an area of 231,000 hectares under 1,240 sale and purchase contracts. In general, the highest prices are located in the southwest, a traditionally agricultural and agricultural/dairy area. The highest prices tend to coincide with the most productive areas of the land.

⁶ Directorate of Agricultural Statistics (DIEA) of the Ministry of Livestock, Agriculture and Fisheries.

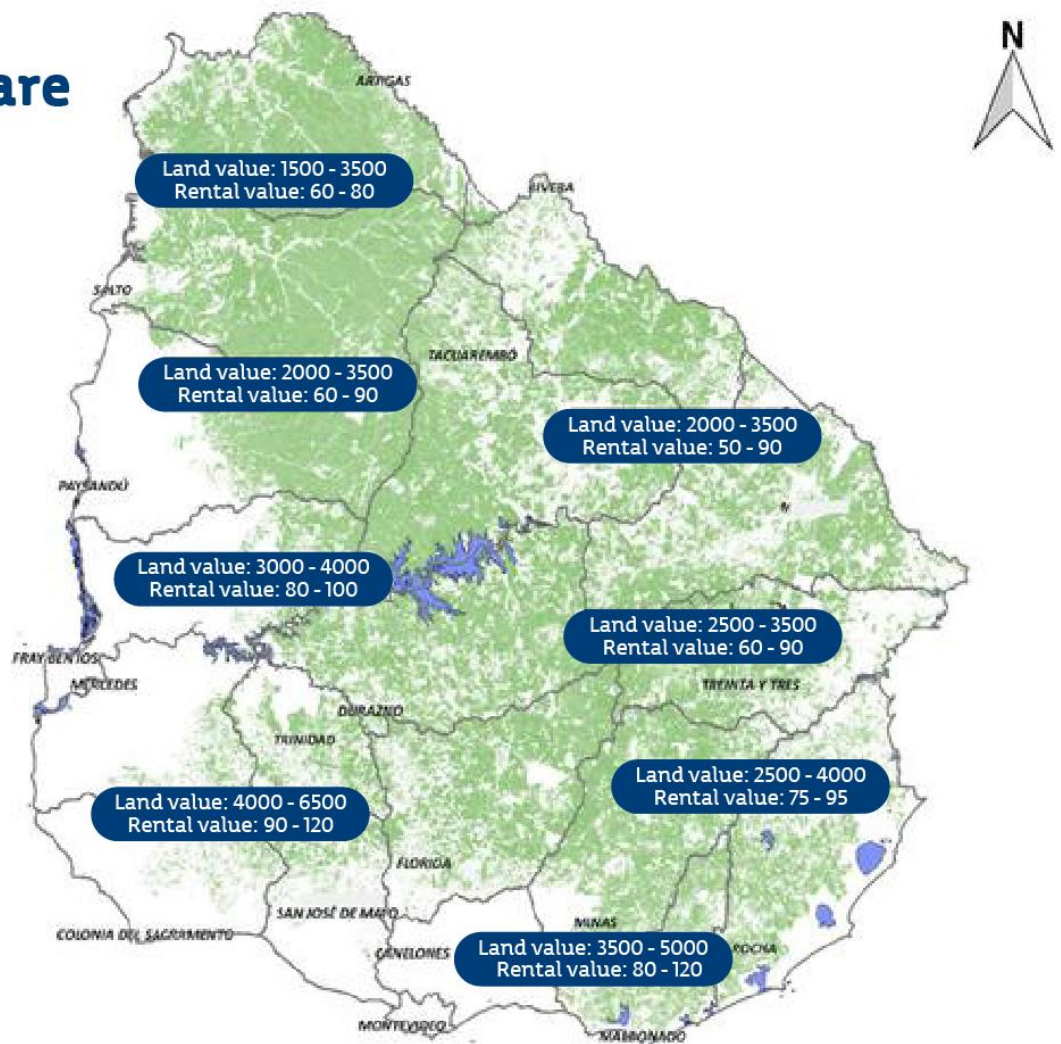
PRICE OF AGRICULTURAL FIELDS AND LEASES⁷

Given the country's social, political, and economic conditions, there is a diversity of actors investing in land, including investment funds, institutions, and domestic and foreign investors.

A relevant technical aspect is that, since the 1960s, Uruguay has had a soil classification system, known as CONEAT, which provides information on the productivity of each rural area. The average value for Uruguay is 100, with minimum values of 0 and maximum values of 263. This tool can be accessed freely and allows for the characterization and evaluation of fields in different areas of the country.

FIGURE N° 1: LAND VALUE AND RENTAL PRICES FOR LIVESTOCK FIELDS

USD/ hectare
Year 2022



Source: Agroclaro, based on sales and purchases 2022, Agency for e-Government and Information and Knowledge Society (AGESIC). Prices in USD/ha. Leases 1st semester 2021, DIEA / MGAP and Agroclaro. Prices in USD/ha/year.

⁷ Source: <http://www.agroclaro.com.uy/>

Livestock farming is the activity that covers the largest area and is mainly carried out on natural fields that are complemented with artificial pastures. The price of this type of fields is between USD 1,500 and 6,500/ha, depending on the area. The map previous shows reference land and lease prices for the different areas of the country.

In 2021, some 2,543 lease contracts were entered into, representing a 9% year-on-year increase in leased area, exceeding 909,000 hectares. The total amount of transactions exceeded USD 122 million, with an average price of USD 134 per hectare, an increase of 25% with respect to the average price of 2020 contracts⁸. Sixty-five percent (65%) of the leases were for three-year terms or less. Also noteworthy was the increase in the area leased under medium-term contracts (between four and five years), which rose from 19% in 2019 to 26% in 2021.

The increase in rental prices was noted for all agricultural sectors with the exception of forestry. The average rental prices for livestock and crop-livestock fields were USD 71 and USD 153 hectares per year, respectively.

3. BEEF

Cattle raising is one of the most important activities in Uruguay. Its production system, based on animals that live outdoors and feed on natural pastures, makes Uruguayan beef highly nutritious, extra-lean and with a distinctive flavor. This gives Uruguay great international prestige, and despite its small size, it is the world's sixth largest exporter of frozen beef and the seventeenth largest exporter of chilled beef⁹.

The sector has a production traceability system that allows knowing the product information, from the animal's birth until it reaches the final consumer. This system has been mandatorily applied to all cattle herds for 16 years under national Law¹⁰ and is controlled by the Ministry of Livestock, Agriculture and Fisheries.

Food quality and safety can thus be certified, which has been widely accepted in the most demanding international markets, positioning Uruguay as a world reference in the meat

⁸ Land Lease Price Report - DIEA - MGAP ([link](#)).

⁹ Source: Uruguay XXI based on Trade Map - 2022.

¹⁰ [Law No. 17,997](#)

product traceability process¹¹. By the end of 2018, access to the Japanese market was achieved, consolidating Uruguay as a supplier to the most demanding markets¹².

Uruguay has committed to achieving the goal of zero net greenhouse gas emissions by 2050. In this context, the livestock sector is currently developing a national strategy for the development of climate-smart livestock. This strategy aims to significantly reduce the sector's greenhouse gas balance.

Uruguay has pioneered carbon-neutral meat certification worldwide and there are currently five companies that carry the Carbon Neutral label on their products, an environmental footprint statement that has been verified under LSQA's strict international standards.

3.1.CATTLE STOCK AND SLAUGHTER

Despite increasing competition for land use, cattle production has maintained its importance in the economy. The number of cattle has remained stable in recent years, with a long-term upward trend.

After a 700,000 head drop in cattle stock between 2017 and 2018, due to a very high extraction rate, between 2019 and 2020 the cattle stock recovered by 550,000 head, totaling 11.83 million animals in 2021, a figure similar to the previous year.

The structure of cattle stock has been stable in recent years, with a high proportion of breeding cows (36%), followed by calves (24%) and heifers (15%), which consists of 11% of 1 to 2-year-old cows and 4% of maiden heifers over 2 years old¹³. Steers totaled 2.21 million head, showing an important change in terms of age structure in recent years, with an increase in the stock of younger animals, as well as a reduction in the number of adults.

In 2021, cattle slaughter was 2.64 million, showing a high dynamism, with a 31% increase compared to 2020 (18% compared to 2019), which set an all-time record¹⁴. Exports increased their importance as the main destination for beef, rising from 70% in 2019 to 82% of production in 2020-2021¹⁵.

¹¹ Source: Uruguay XXI based on National Meat Institute (INAC).

¹² According to MGAP, Japan authorized 16 meat processing plants to import beef from Uruguay. The first shipment of beef departed in February 2019.

¹³ Source: INAC 2022

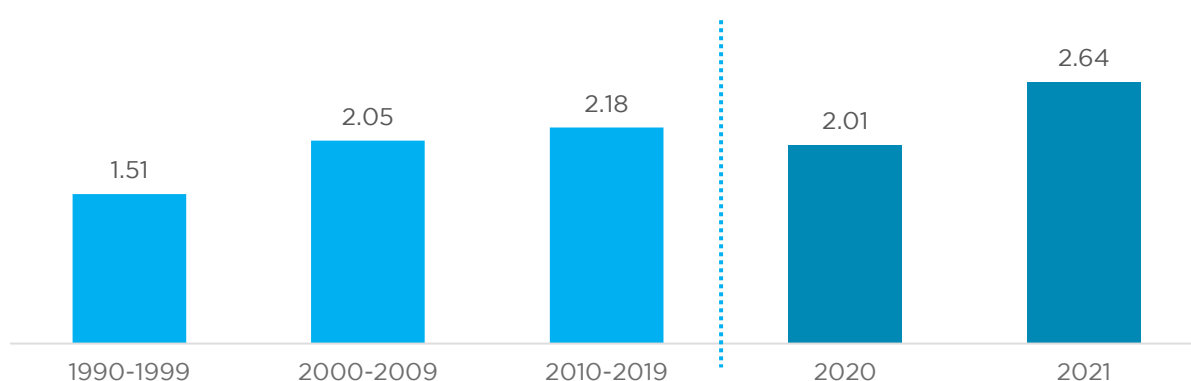
¹⁴ Source: INAC 2022

¹⁵ Source: INAC 2022

According to their share by category in 2021, 48% of the animals slaughtered were steers, followed by 37% cows and 13% heifers; to a lesser extent, there were calves and bulls. Positive variations were found in all categories and sub-categories, with very similar evolution between steers and cows, and similar increases between both categories. The variation in steers stands out, with a 34% year-on-year increase, 83% of which were young steers. In particular, milk tooth and 2-4 teeth steers, went from representing 44% in 2018 to 65% in 2021 in the total, confirming a decrease in the age at slaughter in recent years, due to an increased presence of intensive fattening systems in Uruguay.

CHART N° 11: CATTLE SLAUGHTERING

MILLION HEAD OF CATTLE



Source: Uruguay XXI based on DIEA and INAC.

Another factor affecting the stock is live exports. In the 2020/21 fiscal year, they increased due to higher purchases of dairy females by China¹⁶. Live cattle shipments abroad stood at 191,000 head in the cumulative 2021, an increase of 64% compared to 2020 (88% compared to 2019).

However, the high level of slaughter activity was not matched by the level of production per animal, with a decrease in the average weights of all categories. This dampened growth in beef production, which in the year ended June 2021 was 1,221 thousand tons live cattle, 8% higher than production in the previous year.

In 2021, cattle slaughtering was carried out in 35 authorized facilities nationwide, with different participation and specialization. The 10 largest plants accounted for two thirds of the total slaughter, while some 15 plants slaughtered less than 20,000 cattle in 2021¹⁷.

¹⁶ Source: OPYPA – Yearbook 2019.

¹⁷ Source: INAC 2022

TABLE N° 1 - BEEF PRODUCTION

THOUSAND TONS OF LIVE CATTLE - AGRICULTURAL YEAR

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Slaughter	972	1,035	950	1,019	1,034	1,171	1,124	1,144	974	1,118
Live cattle exports	20	19	26	42	69	74	127	78	39	52
Stock variation	73	14	96	40	83	-109	-152	-144	121	52
Production	1,065	1,068	1,072	1,101	1,186	1,136	1,099	1,108	1,133	1,221

Source: Uruguay XXI based on DIEA.

3.2. BEEF EXPORTS

Beef has traditionally been Uruguay's main export product. In 2021, it ranked first, with a 21% share, totaling exports of USD 2,433 million, 55% higher than in 2020.

TABLE N° 2: URUGUAY'S BEEF EXPORTS

Year	Mill USD	Thousand tons (carcass weight)	Average price USD/ton
2012	1,391	379	3,670
2013	1,291	355	3,635
2014	1,459	365	4,002
2015	1,418	387	3,664
2016	1,430	434	3,296
2017	1,505	447	3,368
2018	1,618	474	3,413
2019	1,776	470	3,779
2020	1,570	424	3,702
2021	2,433	572	4,253
Jan - Sep 2021	1,686	395	4,269
Jan - Sep 2022	2,024	400	5,060

Note: Includes items under codes 0201 - Fresh or chilled beef and 0202 - Frozen beef.

Source: Uruguay XXI based on National Customs Authority (DNA; amounts) and INAC (volume).

The importance of beef within external sales of goods and the strong year-on-year increase placed it as the product with the highest positive impact on exports of goods in 2021. This was explained by both the improvement in international prices and the higher volumes sold.

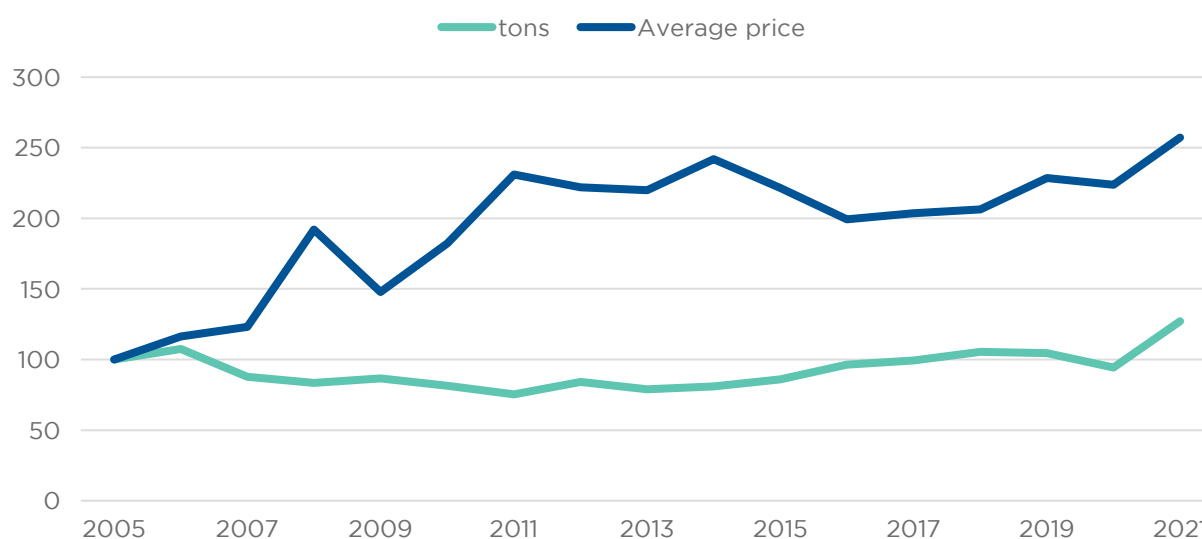
In 2021, meat exports not only recovered pre-COVID-19 levels but far exceeded them, reaching a 35% increase in volume and 15% in price relative to 2020 (22% and 13%, respectively, compared to 2019).

In the first nine months of 2022, beef exports expanded 20%, reaching all-time high levels. It is worth noting that the increase in exports is all the more remarkable insofar as 2022 compares to 2021, when foreign trade had already recovered.

In the long term, we find that price—in current terms—showed greater dynamism than volume (between 2005-2020). While the volume index remained virtually unchanged, the price index grew rapidly until 2011, remained at high levels until 2014, then declined slightly until 2018, and has grown again since then to 157% above 2005 levels in 2021.

CHART N° 12: BEEF EXPORT INDEX¹⁸

BASE 2005=100



Source: Uruguay XXI based on National Customs Authority and INAC.

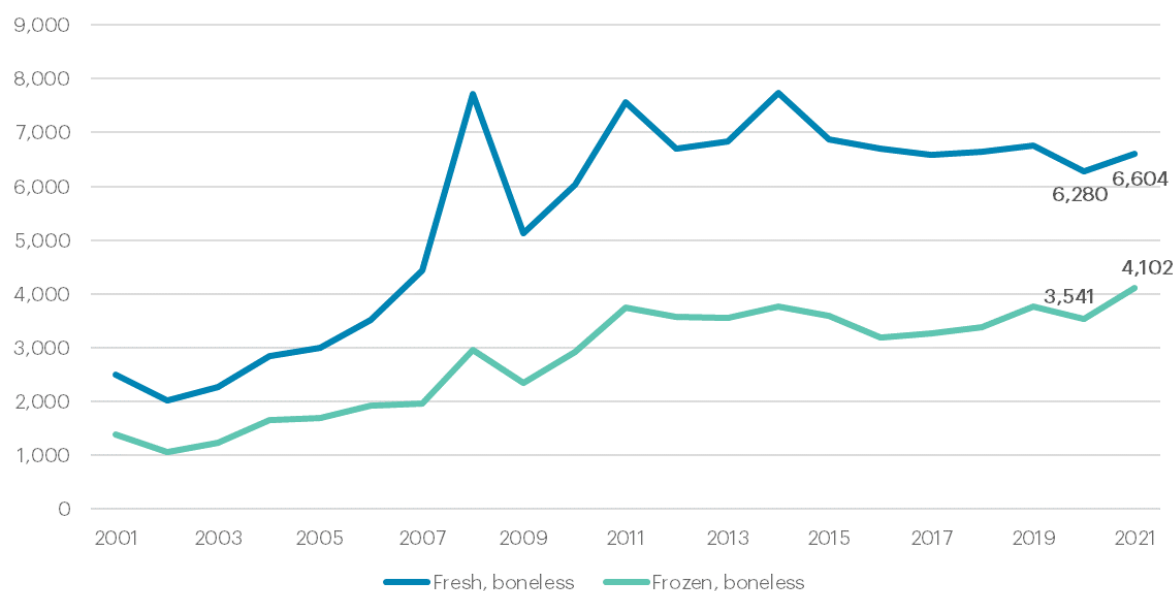
3.2.1. EXPORT PRICES

Average export prices show a significant gap in favor of chilled beef. This difference is not only explained by the method of preservation, but also reflects a more complex segmentation that includes, among other variables: access quotas to different markets, types of cuts and purchasing power.

¹⁸ Includes codes 0201 and 0202.

CHART N° 13: AVERAGE BEEF EXPORT PRICES

DOLLARS PER TON IN CARCASS WEIGHT



Source: Uruguay XXI based on DNA.

Chilled beef focuses on premium cuts that are mainly destined for high purchasing power markets, primarily the European Union, Chile, the United States and Japan. Meanwhile, frozen beef is mainly destined for China. Both segments experienced a price increase in 2021. Chilled beef had a 5% increase (2% below 2019 values) and frozen beef a 16% (9% increase compared to 2019). In the first half of 2022, the export price was much more dynamic for both segments with a 30% year-on-year increase.

TABLE N° 3: EXPORT PRICES BY CUT (2021)

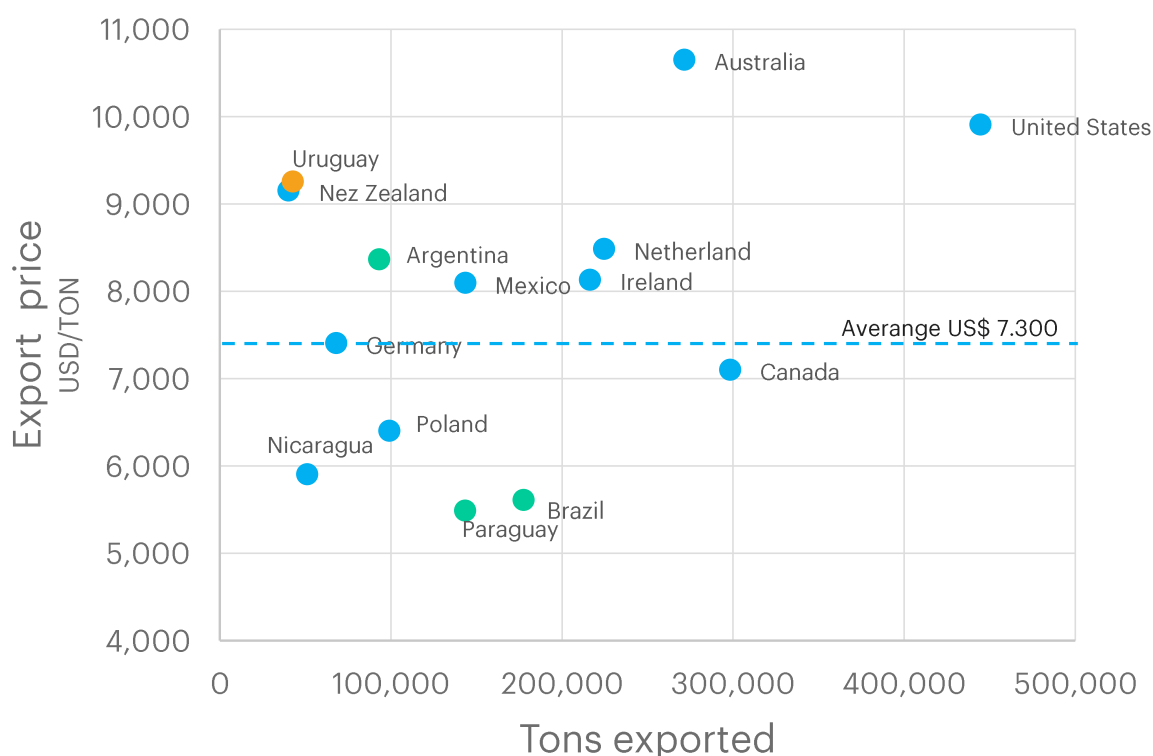
Type of preservation	Product description	Market	USD/ton carcass
CHILLED	QUARTER OR BONELESS HINDQUARTER CUT	EUROPEAN UNION	7,821
CHILLED	QUARTER OR BONELESS FOREQUARTER CUT	EUROPEAN UNION	7,754
CHILLED	CARCASS, HALF CARCASS, COMPENSATED QUARTER, BONELESS COMBINATION QUARTER	EUROPEAN UNION	6,870
CHILLED	OTHER BONELESS MEATS	REST OF THE AMERICAS	6,429
FROZEN	GENERIC	ASIA	4,583
FROZEN	CARCASS, HALF CARCASS, COMPENSATED QUARTER, BONELESS COMBINATION QUARTER	ASIA	4,421
FROZEN	QUARTER OR BONELESS HINDQUARTER CUT	ASIA	4,360
FROZEN	OTHER BONELESS MEATS	ASIA	4,060
FROZEN	QUARTER OR BONELESS FOREQUARTER CUT	ASIA	4,033
FROZEN	SMALL MEATS	ASIA	2,563

Source: Uruguay XXI based on DNA.

Uruguay ranks third among countries with the highest chilled meat export prices in the world, only behind Australia and the United States, and above the main producers in the region, Brazil and Paraguay. As for chilled meat, Uruguayan and Argentine exports supply similar markets (EU, United States), while those of Paraguay are mainly destined to Brazil, and those of the northern country, to Chile and Uruguay.

CHART N° 14: AVERAGE PRICE AND TONS EXPORTED 2021

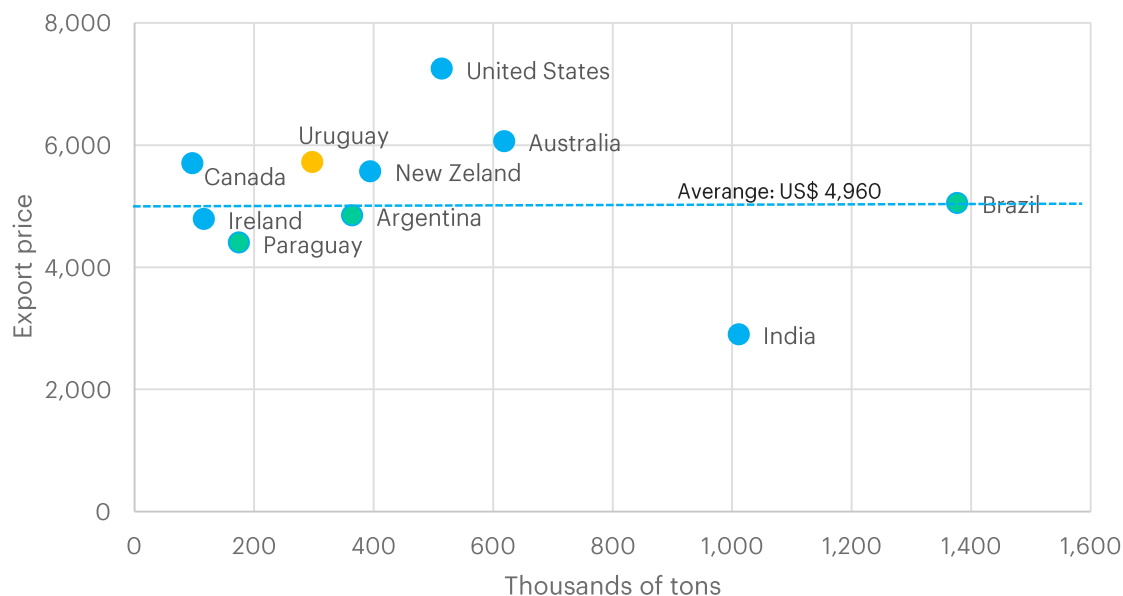
CHILLED MEAT, BONELESS - (CODE 0201.30)



Source: Uruguay XXI based on Trade Map.

With respect to frozen meat, the price difference margin between different global suppliers is lower, which may be partly due to having less product and destination differentiation: China is the main destination for exports from Argentina, Brazil, and Uruguay, while Paraguayan exports are focused on the Russian and Israeli markets. It should be noted that Paraguay has diplomatic relations with Taiwan, which impacts its trade relations with China.

CHART N° 15: AVERAGE PRICE AND TONS EXPORTED 2021
 FROZEN MEAT, BONELESS - (CODE 0202.30)



Source: Uruguay XXI based on Trade Map.

According to MGAP data¹⁹, in 2022 Uruguay is authorized to export meat products to 104 countries, accounting for slightly more than 80% of the world's population. In addition to meat, these products include edible offal, canned meat, meat extract, fat, casings, and meat meal, among others.

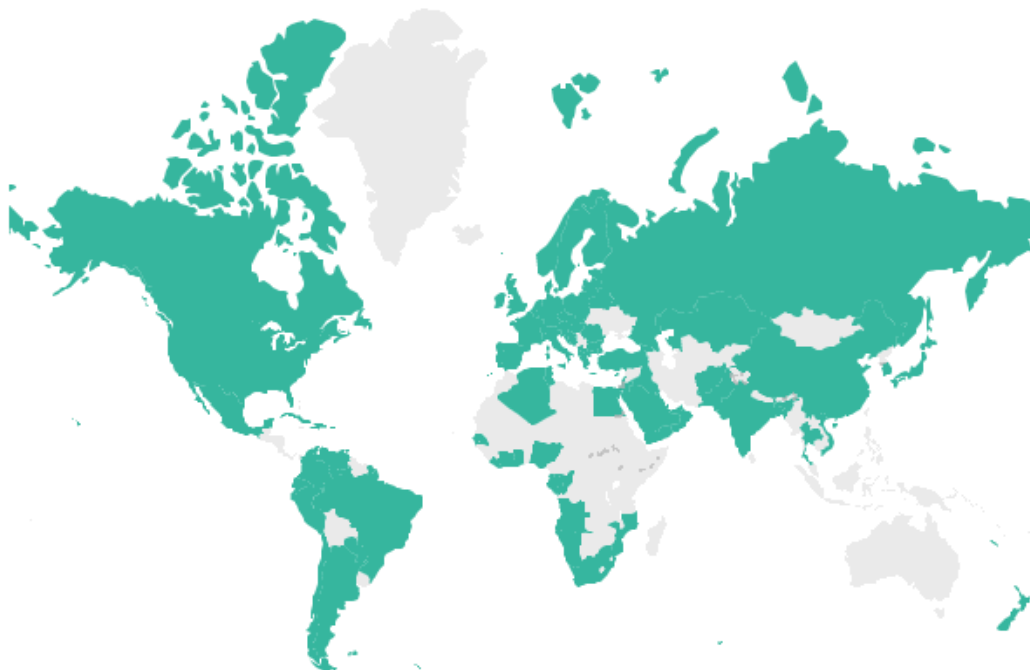
3.2.2. EXPORT DESTINATIONS

In 2021, Uruguayan beef exports went to 49 destinations. Chilled beef (16% of the total amount of beef exports) mostly consists of higher value cuts, targeting more demanding markets, such as the European Union (Netherlands²⁰, Germany, Italy), Chile, Japan, Switzerland, the United Kingdom, and the United States. Brazil is another relevant market in this segment, although with lower value cuts, but with a significant volume. Frozen beef exports (the remaining 84%) were led by China, followed by the United States, Israel, and Brazil.

¹⁹ See: [MGAP - Meat Markets](#)

²⁰ Exports to the Netherlands may be overvalued as that country serves as an intermediate destination for many goods that are subsequently distributed throughout the rest of Europe. This is commonly referred to as "the Rotterdam effect".

FIGURE Nº 2: AUTHORIZED MARKETS WITH A HISTORY OF BEEF AND BEEF BY-PRODUCT EXPORTS



Source: Uruguay XXI based on Ministry of Livestock, Agriculture and Fisheries.

China is the main destination for Uruguayan meat. Its share, measured in terms of exported values, rose from 2% to 61% in ten years, even though average export prices in this market are lower than average. In terms of volume, this share was 69% in 2021. This increase in demand is based on a structural change in Chinese society, with growing urbanization and, consequently, a shift towards a higher protein diet. A market study conducted by the international consulting firm Agribusiness, states that by 2027 Chinese beef consumption will double to reach 8 kilos per capita per year. Being a market of more than 1.3 billion people, this means that there will be a steady increase in demand for beef in the coming years²¹.

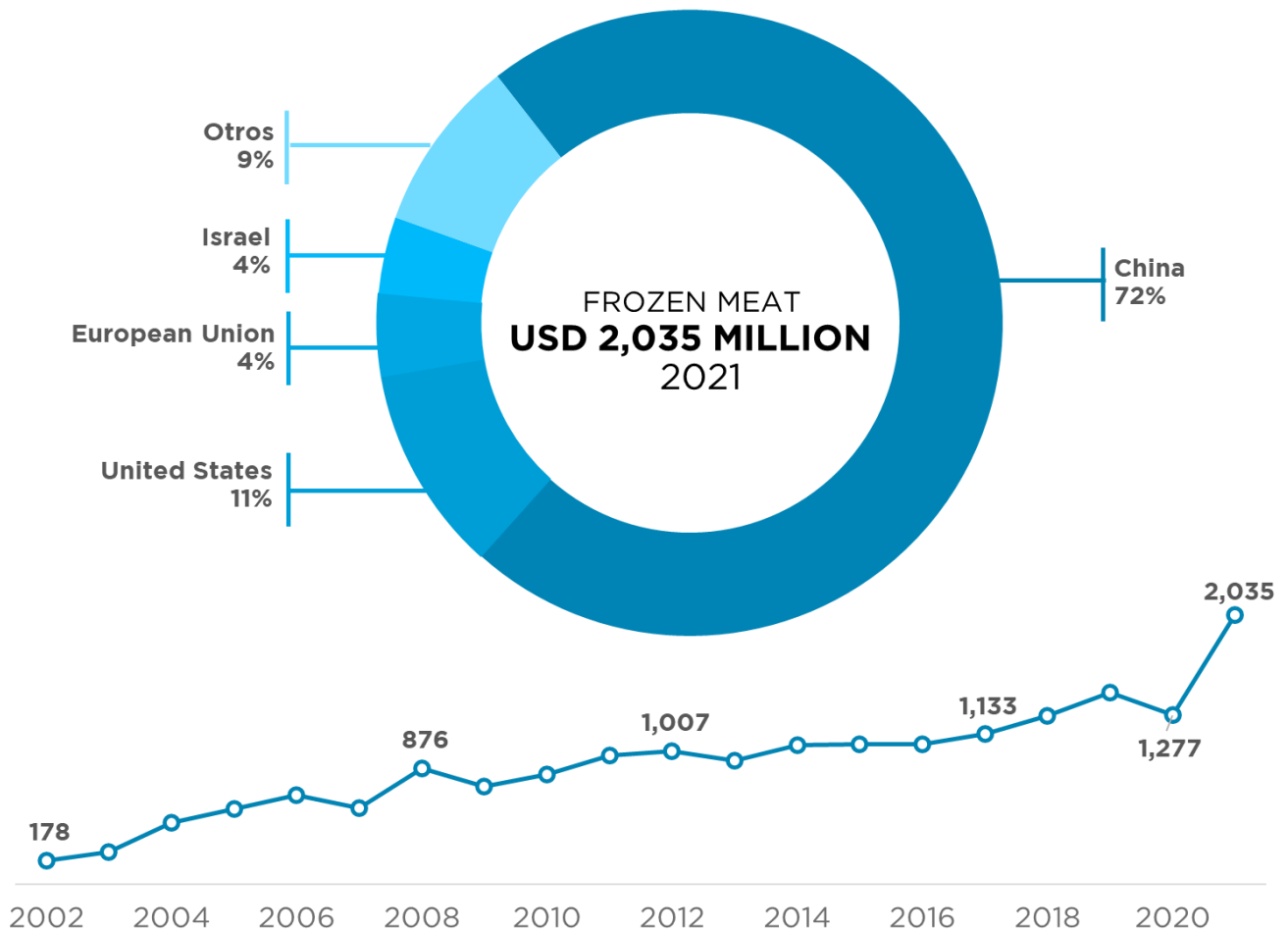
In 2018, Uruguay signed a memorandum of understanding with China that streamlines meat trade between the two countries and establishes actions for advice, consultation, and information on food safety²².

²¹ Source: El País, May 2018 - "China duplicará consumo cárnico".

²² Source: El País - ["INAC firma convenio con China para facilitar procesos"](#).

CHART N° 16: FROZEN BEEF EXPORTS BY DESTINATION

PERCENTAGE SHARE IN TOTAL EXPORTS



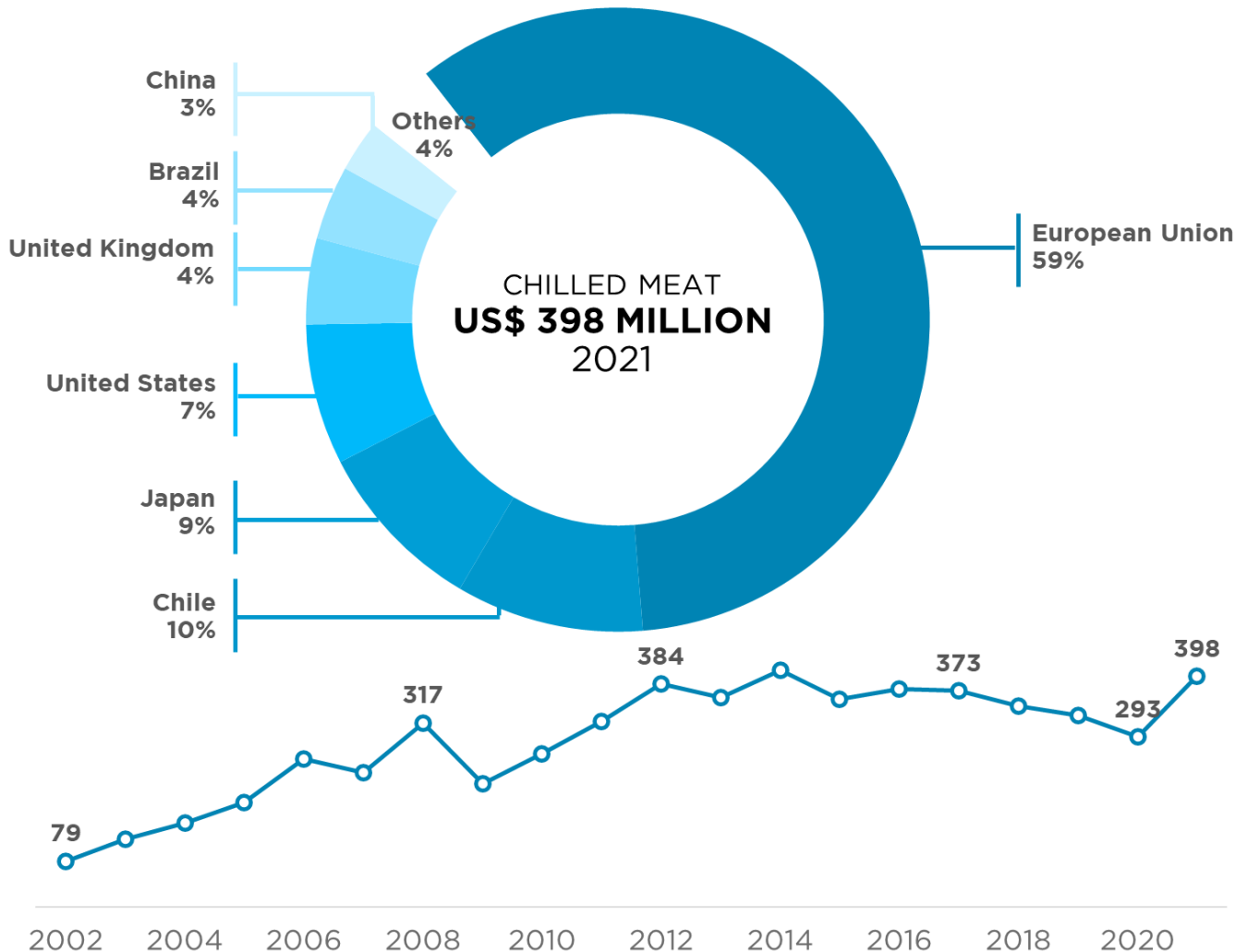
Source: Prepared by Uruguay XXI with Customs Authority data.

In addition, in December 2017, a commercial traceability agreement was signed between the National Meat Institute (INAC) and China Certification & Inspection Group (CCIC). The agreement aims to put consumers in China in contact with the characteristics of Uruguayan production processes by reading a QR code on the products. This is intended to create greater added value and build consumer loyalty. CCIC is an independent organization that provides inspection, verification, certification, and testing services, with accreditation from the Chinese product quality control institution (AQSIQ)²³.

²³ Source: El País - ["INAC firmó un acuerdo histórico con certificadora de China para reposicionar de manera diferencial las carnes"](#).

CHART N° 17: CHILLED BEEF EXPORTS BY DESTINATION

PERCENTAGE SHARE IN TOTAL EXPORTS



Source: Prepared by Uruguay XXI with Customs Authority data.

3.2.3. TARIFFS PAID FOR BEEF

Market access for meat products is determined globally at two levels. On the one hand, health authorizations and, on the other, the tariff conditions faced by each country's exports. In the case of Uruguay, beef is traditionally the main export product, and is also the product that pays the most tariffs for entry into third countries. In 2021, it accounted for 58% of total tariffs paid, some USD 294 million²⁴.

²⁴ Tariff Report - Uruguay XXI, 2021.

**TABLE N° 3: URUGUAY AND COMPETITORS TARIFF RATES BY DESTINATION
MARKET - 2021²⁵**

Chilled meat - boneless (0201.30)				Frozen meat - boneless (0202.30)				
Tariffs				Tariffs				
Main destination markets				Main destination markets				
EU		Japan		China				
competitors	Argentina	Q5 Q6 12.8% + 303.4 EUR/100 kg	competitors	United States	25.8%	competitors	Brazil	12% MFN
	EU	0% TA		Australia	25.8% TA		Argentina	12% MFN
	United States	Q2 Q3 12.8% + 303.4 EUR/100 kg		Canada	25.8% TA		Australia	2.4% TA
	Brazil	Q2 Q3 12.8% + 303.4 EUR/100 kg		New Zealand	25.8% TA		New Zealand	0% TA
	Australia	Q2 Q3 12.8% + 303.4 EUR/100 kg		Mexico	25.8%		Uruguay	12% MFN
Uruguay	Q5 Q6 12.8% + 303.4 EUR/100 kg	Uruguay	38.5% MFN	EU				
Switzerland		China						
competitors	Ireland (EU)	Q8 - USD 2,212/ton	competitors	Australia	2.4% TA	competitors	Argentina	Q2 Q3 12.8% + 221.1 EUR/100 kg
	Australia	Q8 - USD 2,212/ton		New Zealand	0% TA		Brazil	Q2 Q3 12.8% + 221.1 EUR/100 kg
	United States	Q8 - USD 2,212/ton		United States	12% MFN		EU	0% TA
	Paraguay	Q8 - USD 2,212/ton		Argentina	12% MFN		New Zealand	Q2 Q3 12.8% + 221.1 EUR/100 kg
	Uruguay	Q8 - USD 2,212/ton		Uruguay	12% MFN		Uruguay	Q2 Q3 12.8% + 221.1 EUR/100 kg
United States		Canada						
competitors	Canada	0% TA	competitors	United States	0% TA	competitors	Australia	0% 20.6% TA
	Mexico	0% TA		Mexico	0% TA		New Zealand	Q1 - 4.4 cents/kg 26.4% MFN
	Australia	0% TA		Australia	4% TA		Nicaragua	0% TA
	Nicaragua	0% TA		New Zealand	4% TA		Mexico	0% TA
	Uruguay	Q1 - 4.4 cents/kg 26.4% MFN		Uruguay	Q1 - 4.4 cents/kg 26.4% MFN			

TA = Trade under Trade Agreement || GSP = Generalized System of Preferences || Q = Quota || Q1 = WTO - HQB Quota || Q2 = Bilan || Q3 = GATT || Q4 = WTO Quota || Q5= Hilton Quota || Q6= 481 Quota || Q7= WTO Quota || Q8 =WTO Quota

Although there are various quotas with tariff benefits for Uruguayan meat, the country's meat exports entered with an average 12% tariff in 2021. For importers at destination, this represents an extra cost of USD 0.7 per kilo of Uruguayan meat. Although Uruguay's production capacity has historically made it one of the world's leading beef exporters, market access is still seen as a major obstacle for the sector.

The beef market is characterized by a clear segmentation in terms of both origin and quality. In this sense, Uruguay is well positioned in terms of health, breeds and production methods used (grazing, feedlot). These conditions allow access to the most demanding markets as regards safety and quality.

Table N° 3 shows beef access conditions to relevant destinations for Uruguay, and the comparison with its main competitors.

²⁵ Source: Uruguay XXI based on MacMap.

In general, the entry of Uruguayan beef in 2021 took place under unfavorable conditions compared to its competitors. The most clear example of this situation is probably the case of the United States. According to INAC information, despite having quotas to enter this market, Uruguay is the only country that pays the general tariff, while the rest of suppliers enter without paying tariffs or under quotas that report zero tariffs²⁶.

China was the market where the highest tariffs were paid, with 60% of total meat in 2021. Uruguay pays an MFN tariff of 12%, similar to that of the United States and Argentina, while the main suppliers, Australia and New Zealand, face tariffs of 2.4% and 0%, respectively.

The Japanese market is one of the most demanding in terms of quality and pays a high price for meat products in return. Uruguay was granted authorization to sell to this market in 2018 and enters with an MFN tariff of 38.5%. Although all other suppliers are also subject to tariffs, these are around 26%—most of them under the TPP. Japan is the main meat export market of the United States, with which it signed an agreement at the end of last year, aligning tariffs with those of the other main suppliers and providing for their gradual reduction²⁷.

Some of the destinations of Uruguayan meat combine high tariffs with subsidies for domestic production²⁸, conditions that make the entry of meat from third countries very difficult. However, some of them have entry quotas (Hilton, 481)²⁹, which—provided that various requirements are met—provide a tariff benefit for a given quota.

The agreements negotiated within the framework of Mercosur provide significant benefits for the entry of Uruguayan meat, especially in the European market, through the European Union or EFTA. In particular, the agreement with the European Union provides for a quota of 99,000 tons for Mercosur with an in-quota tariff of 7.5%. Likewise, the in-quota tariff will be eliminated for Uruguay's Hilton quota volume (6,376 tons). Although the intra-Mercosur distribution of the quota has yet to be defined, the Ministry of Economy and Finance (MEF) estimates that the benefits would range between USD 40 and USD 70 million per year, while the tariff elimination for the Hilton quota represents an annual savings of almost USD 15 million.

As regards negotiations with the EFTA, Switzerland granted MERCOSUR a quota of 3,000 tons tariff-free, in addition to the WTO bound quota of 22,000 tons³⁰. According to MEF calculations, this would mean annual savings of close to USD 3 million for Uruguay. Norway,

²⁶ See also: INAC: [“Estimación de la carga arancelaria pagada por carne y menudencias bovinas de Uruguay”](#).

²⁷ See: USDA - [“FACT SHEET on Provisions of the U.S.-Japan Trade Agreement Beef and Beef Products”](#).

²⁸ An example of this is the European Union, through the Common Agricultural Policy (CAP).

²⁹ The first one demands high quality cuts, with animal age, weight, teeth, and feed requirements. The placement of products in the European market under this standard enjoys the benefit of a reduced tariff of 20%. The second is a quota for high-quality meats, opening a quota of 48,200 tons that is determined on a “first come, first served” basis and not under the licensing regime.

³⁰ The in-quota tariff is CHF 1,090/ton (USD 1,100) for frozen meat and CHF 1,590/ton (USD 1,605) for fresh meat.

for its part, has a quota of 665 tons tariff-free, and will eliminate the in-quota tariff for its WTO quota of 1,084 tons. Finally, in the case of Iceland, that country will grant concessions on beef for the first time in a trade negotiation, through a 50% preference on the in-quota tariff under the WTO.

In July 2022, Uruguay and China announced that a feasibility study for a possible free trade agreement was agreed upon. The Uruguayan Foreign Ministry announced that negotiations on the possible future agreement could begin soon. Due to the importance of beef in the bilateral trade between Uruguay and China, this product will surely be included in the future negotiations with the Asian country.

Strategies for the improvement and further development of market access for the meat industry are coordinated by PROCARNES, within an inter-institutional framework that, based on analysis, economically assesses potential efforts and provides lines of action for those that are most attractive in terms of expected return.

4. SHEEP MEAT

The sheep sector has a long tradition and reputation in the country. Uruguay is currently the eighth largest sheep meat exporter in the world and the first in the region³¹.

4.1. SHEEP STOCK AND SLAUGHTER

In 2021, the sheep stock stood at 6.2 million animals, down 1.3% year-on-year. Breeding ewes accounted for 54% of the stock, followed by lambs with 27%, after a 5.8% increase in 2021. Meanwhile, there was an 18% reduction in adults (wethers and cull ewes), which meant about 126,000 fewer animals compared to 2020.

³¹ Source: Trade Map.

TABLE N° 6: SHEEP STOCK AND PRODUCTION

MILLION HEAD OF LIVESTOCK

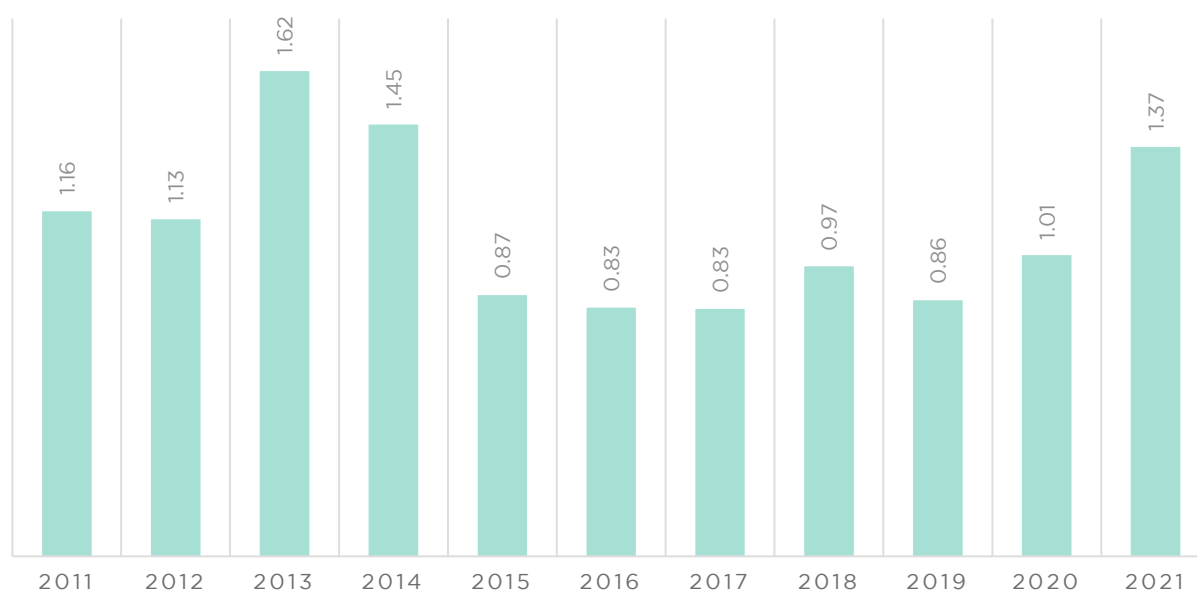
Year	Sheep stock (Millions of animals)	Sheep meat prod. (Thousand tons live)	Sheared wool prod. (Thousand tons)
2012	8.2	105.2	30.9
2013	8.2	94.3	32.4
2014	7.4	61.1	31.0
2015	6.6	26.2	27.7
2016	6.5	50.0	23.4
2017	6.6	64.3	24.8
2018	6.4	42.1	24.6
2019	6.4	66.5	25.8
2020	6.3	47.9	25.7
2021	6.2	60.2	23.7

Source: Prepared by Uruguay XXI with INAC data.

Sheep slaughter in 2021 totaled 1.4 million animals, an increase of 36% over 2020 (and 60% over 2019), reaching the highest record since 2014.

CHART N° 18: SHEEP SLAUGHTER

MILLION HEAD OF LIVESTOCK



Source: Prepared by Uruguay XXI with INAC data.

The evolution of sheep hanging weight remained at similar values to those of 2021. For the lamb category, the average weight was 16.5 kg per animal, just below 2020 (16.7 kg), while the average weight of ewes on the scale was 19.6 kg³².

In terms of categories, lambs—which account for 56% of sheep slaughtered—increased their share by 26% year-on-year; ewes—with a weight of 28% in the total slaughtered—grew by 84%; and rams showed an 83% year-on-year variation.

Sheep slaughtering in 2021 was carried out in 17 authorized facilities nationwide. Eighty percent (80%) of the animals were slaughtered in the five main meatpacking plants. Recently, the sector has developed innovative tools promoted by the Uruguayan Wool Secretariat (SUL) that seek to improve the quality and consistency of information on shearing, the surveillance system, and alerts in cases of cattle rustling or attacks by predators and dogs, providing the producer with two powerful tools for herd management³³.

4.2. SHEEP EXPORTS

Sheep exports totaled USD 304 million in 2021, an increase of 70% year-on-year (and 17% compared to 2019). Within these, wool and wool products had a 60% share of the total, while the remaining 40% corresponded to sheep meat exports, which totaled sales of USD 125 million, 66% higher than 2020 values.

4.2.1. WOOL AND WOOL PRODUCT EXPORTS

Uruguay is ranked fourth among wool top exporters worldwide³⁴ and is one of the few **industrial exporting hubs** that managed to survive in the global combing industry together with Argentina, the Czech Republic and China. In the last 20 years, world demand for this product has declined, which has led to a lower reproduction of sheep stock among the main producer countries.

³² Source: INAC and DIEA.

³³ Source: OPYPA 2021.

³⁴ Source: Trade Map - Measured in volume.

TABLE N° 4: WOOL AND WOOL PRODUCT EXPORTS

Wool Exports			Greasy Wool		Wool Tops	
Year	FOB USD Mill.	Tons	Tons	USD/ton	Tons	USD/ton
2012	258	35,715	13,465	5,675	17,514	8,591
2013	276	42,863	20,667	5,187	18,458	7,790
2014	264	41,859	20,088	5,288	17,559	7,728
2015	256	38,715	18,382	5,578	16,993	7,840
2016	212	30,413	13,615	6,046	13,704	8,159
2017	219	32,805	15,253	5,737	14,146	8,008
2018	251	33,509	15,842	6,597	13,636	9,479
2019	190	26,716	12,066	6,113	12,597	8,410
2020	104	16,099	7,277	5,643	6,599	8,052
2021	180	26,362	12,774	5,830	11,229	7,981

Source: Prepared by Uruguay XXI with Customs Authority data.

Uruguayan wool exports showed a 24% drop in volume when compared to the 2010-2019 period versus the immediate previous decade. At the same time, prices increased significantly in the same period, which compensated for the drop in volume, and allowed a 25% growth in the amount exported. This trend of falling volumes and rising export prices is the same for tops (the sector's main product) and other by-products, while for greasy wool there was an increase in both prices and volume.

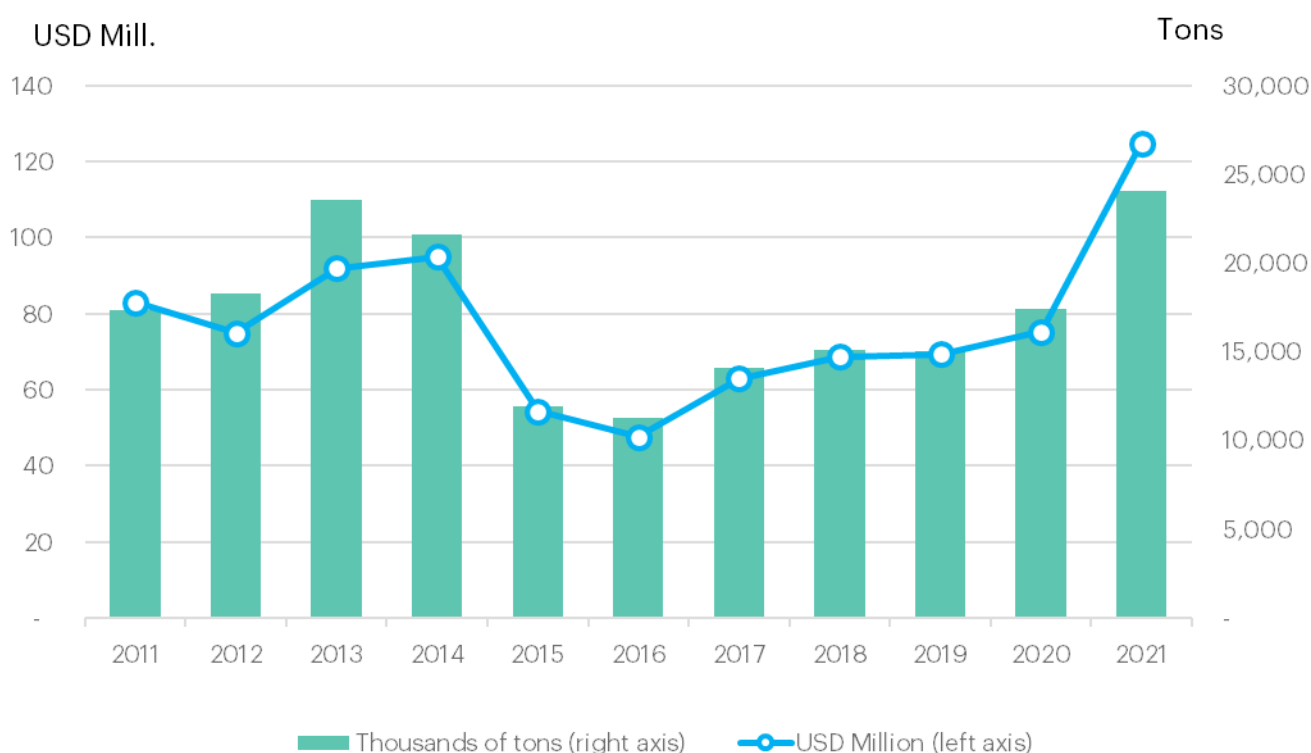
In 2021, Uruguay exported 24,800 tons of wool and wool products, 72% more than in 2020 (3% lower than in 2019), totaling revenues of USD 169 million, up 73% year-on-year, which represents a significant recovery, although still 8% below pre-pandemic levels.

When looking at the destination markets for Uruguayan wool, the European Union (44%) and China (26%) were the main destinations in 2021. Sales of wool tops had the European Union as the main market, with a 61% share of the exported value, followed by Mexico (6%) and China (5%). As for greasy wool, China was the leading destination with a 53% share, followed by the European Union with 25% and Egypt with 11%.

4.2.2. SHEEP MEAT EXPORTS

Sheep meat has enjoyed five uninterrupted years of growth in exports, both in terms of values and tons. In 2021, the highest figures in a decade were reached, with exports amounting to 24,074 carcass weight tons, 38% higher than the previous year, involving sales of USD 125 million. Sheep meat exports accounted for 4% of the meat sector's total income in that year.

CHART N° 19: SHEEP MEAT EXPORTS



Source: Uruguay XXI based on National Customs Authority and INAC.

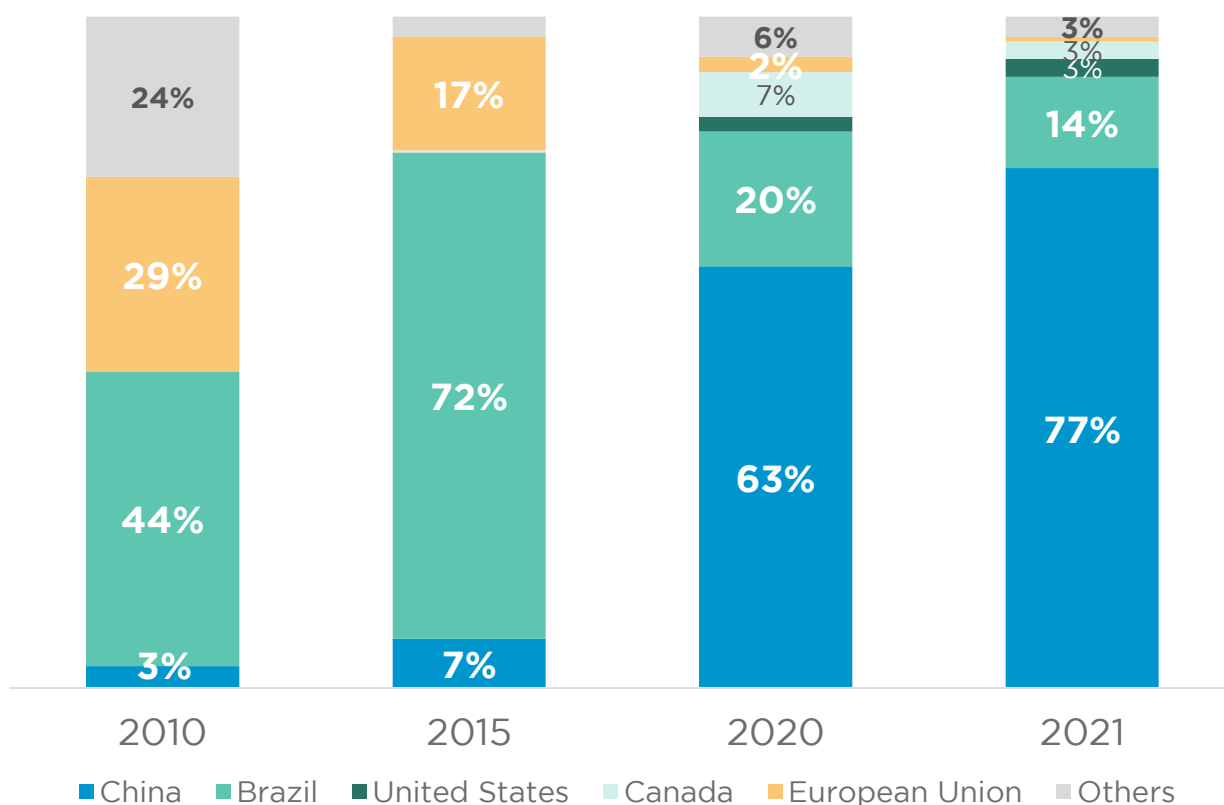
Sustained imports from China and supply problems in Oceania kept sheep meat prices on the rise. In 2021, the average price of Uruguayan sheep meat was USD 5,160 per carcass weight ton, 19% higher than in 2020 (11% higher than in 2019)—the highest annual average value since data has been available.

In terms of destinations, China has evolved notably over the last ten years, rising from 3% of sales in 2010 to 77% in 2021. In contrast, Brazil and the European Union had a decreasing evolution in their share of sheep meat exports. In terms of volume, China reached 19,176 carcass weight tons, accounting for 80% of total exports in 2021, with a year-on-year variation of 74.2%. Brazil ranked second with 2,500 tons carcass weight. The United States and Canada ranked third, two destinations that until 2020 had seen greater activity in exports, as a result

of the authorization of bone-in meat to the United States. These markets, however, showed a drop in exports by 2021.

CHART N° 20: SHEEP MEAT EXPORT DESTINATIONS

PERCENTAGE SHARE IN EXPORTED VALUES



Source: Uruguay XXI based on National Customs Authority.

4.2.3. TARIFFS PAID ON SHEEP EXPORTS

Sheep Meat

Tariffs paid in 2021 were focused on the Chinese market, where the entry rate is between 12% and 15%, depending on the tariff line. In this particular market, Uruguayan meat enters at a disadvantage compared to other suppliers, especially New Zealand, Australia and Chile, countries that have trade agreements with China. In the European Union, Uruguay has a quota of 5,800 tons for code 0204.43, with an in-quota tariff of 0%.

TABLE N° 5: URUGUAY AND COMPETITORS TARIFF RATES IN THE MAIN DESTINATION MARKETS - 2021³⁵

Frozen bone-in sheep meat (NCM 0204.42)						
Tariffs						
Main destination markets						
Competitors	Brazil			Competitors	China	
	Chile	0% TA			N. Zealand	0% TA
	Argentina	0% TA			Australia	1.3% TA
	N. Zealand	0.1			Chile	0% TA
Uruguay			Uruguay			
0% TA			12%			

Frozen bone-in sheep meat, carcasses or half carcasses (NCM 0204.30)		
Tariffs		
Main destination markets		
competitors	China	
	New Zealand	0% TA
	Australia	1.7% TA
	Chile	0% TA
Uruguay		15%

Frozen boneless sheep meat (NCM 0204.43)						
Tariffs						
Main destination markets						
competitors	Brazil			competitors	EU	
	Chile	0% TA			New Zealand	Q1
	Argentina	0% TA			United Kingdom	0% TA
	Australia	10%			Australia	Q2
Uruguay			Uruguay			
0% TA			Q3			
competitors	Canada			competitors	China	
	Australia	0%			Australia	5% TA
	New Zealand	0%			New Zealand	0% TA
	Ireland	0%			Chile	0% TA
Uruguay			Uruguay			
0%			15%			

Tax refund	
020442	3%
020443	3%
020430	3%

TA = Trade Agreement

Q1 = NZ Quota - 228,254 tons

Q2 = Australia Quota - 19,186 tons

Q3 = Uruguay Quota - 5,800 tons

Wool and Wool Products

In 2021, Uruguay paid close to USD 5 million in tariffs associated with wool exports. The reason for this is that Uruguayan wool enters the different export markets under most favored nation (MFN) status, which is generally different from 0%³⁶.

China, the main wool market for Uruguay, has quotas for wool. These quotas reach 287,000 tons for greasy and scoured wool, and 80,000 tons for tops, with an in-quota tariff of 1% and 3%, respectively. These quotas show a significant reduction, since the out-of-quota tariff is

³⁵ Source: Uruguay XXI based on MacMap.

³⁶ To see the world tariffs for Uruguay, please refer to the web tool of the Competitive Intelligence Department: [Tariff System](#).

38%. It should be noted that this quota is not exclusive to Uruguay, but operates under the “first come, first served” distribution system, so there is no prior allocation.

For this product, Uruguay also has no advantageous tariff access with respect to other suppliers in any of the destination markets.

Both wool tops and scoured wool exports are subject to export duty drawback, a rate of 6% as of 2020³⁷.

TABLE N° 6: MAIN DESTINATION MARKET TARIFFS

Destination	Greasy Wool (5101.1)	Scoured Wool (5101.2)	Wool Tops (5105.29)
China ⁽¹⁾	1% in-quota // 38% MFN	1% in-quota // 38% MFN	3% in-quota // 38% MFN
EU	0%	0%	2%
India	2%	2%	5%
United Arab Emirates	5%	5%	5%
Turkey	0%	0%	2%

Source: Prepared by Uruguay XXI based on MacMap.

Notes: (1) China applies a quota of 287,000 tons to greasy and scoured wool and a quota of 80,000 tons to wool tops. The tariff rate applied to exports outside this quota is 38% in both cases.

Among the destinations where Uruguay pays more tariffs are India, China, the United States, the United Arab Emirates and European Union countries. Greasy wool has the lowest tariff, followed by scoured wool. Wool tops face the highest tariffs and the main markets in which Uruguay paid the highest tariffs were the European Union, China, and Turkey.

³⁷ Source: El País - [“Subió a 6% devolución de impuestos a industria textil”](#) // See Decree No. 239/020.

TABLE N° 7: URUGUAY AND COMPETITORS TARIFF RATES IN THE MAIN DESTINATION MARKETS - 2021³⁸

Wool Tops (NCM 5105.29)					
Tariffs					
Main destination markets					
China			EU		
competitors	Argentina	Q1 3%	competitors	China	2%
	India	Q1 3%		Argentina	2%
	Bolivia	Q1 3%		Egypt	0% TA
	Egypt	Q1 3%		Chile	0% TA
Uruguay		Q1 3%	Uruguay		2%
Turkey					
Turkey			Peru		
competitors	China	2%	competitors	Argentina	0% TA
	EU	0% TA		EU	0% TA
	Argentina	2%		China	0% TA
	India	2%		Chile	0% TA
Uruguay		2%	Uruguay		0% / 6%
Greasy / Scoured Wool (NCM 5101.11/21)					
Tariffs					
Main destination markets					
China			EU		
competitors	Australia	Q2 - 1% Q3 - 0%	competitors	Australia	0%
	New Zealand	Q2 - 1% Q4 - 0%		New Zealand	0%
	South Africa	Q2 - 1%		South Africa	0%
	Argentina	Q2 - 1%		Argentina	0%
Uruguay		Q2 - 1%	Uruguay		0%
India					
India			Egypt		
competitors	EU	2.5%	competitors	Australia	0%
	Australia	2.5%		Argentina	0%
	New Zealand	2.5%		United States	0%
	Malaysia	0% TA		South Africa	0%
Uruguay		3%	Uruguay		0%

³⁸ Source: Uruguay XXI based on MacMap.

5. PORK MEAT

Brazil is one of the world's main pork producers and exporters. The northern country has a significant development in terms of health, animal nutrition, genetics, and management, which allows for competitive production³⁹.

The main boost to the international pork market comes from increased consumption in China. Imports from the Asian country grew strongly between 2019 and the first half of 2021 due to the lack of supply caused by the outbreak of African swine fever. However, since the second half of 2021, the increase in China's animal stock and meat production point to a 20% reduction in imports by 2022. In the first half of 2022, pig production in China grew by 8.4%⁴⁰. The Chinese government's Five-Year Plan (2021-2025) projects to stabilize pork production capacity at around 55 million tons, which is about 14 million tons more than the total produced in 2020.

The European Union, Brazil and the United States are the countries that have increased their exports the most in recent years. In addition, as a result of this decline in production and the increase in international demand, they have been able to sell at a better price.

5.1. STOCK AND SLAUGHTER

The Uruguayan pork chain is oriented to the domestic market and has a great heterogeneity of actors and business models. One segment of the domestic pork chain has managed to achieve farm productivity levels similar to those of Brazil—the world's leading exporter—but large investments are required to take advantage of the growth opportunity offered by the international market. Another segment of producers, with less relative development and subject to coordination problems, faces the challenge of growing competition with imported meat⁴¹.

In Uruguay, there are approximately 3,700 pig farms with a stock of 125,000 animals by 2021. Most of them are small and medium-sized producers, who trade with industries without having

³⁹ Source: OPYPA.

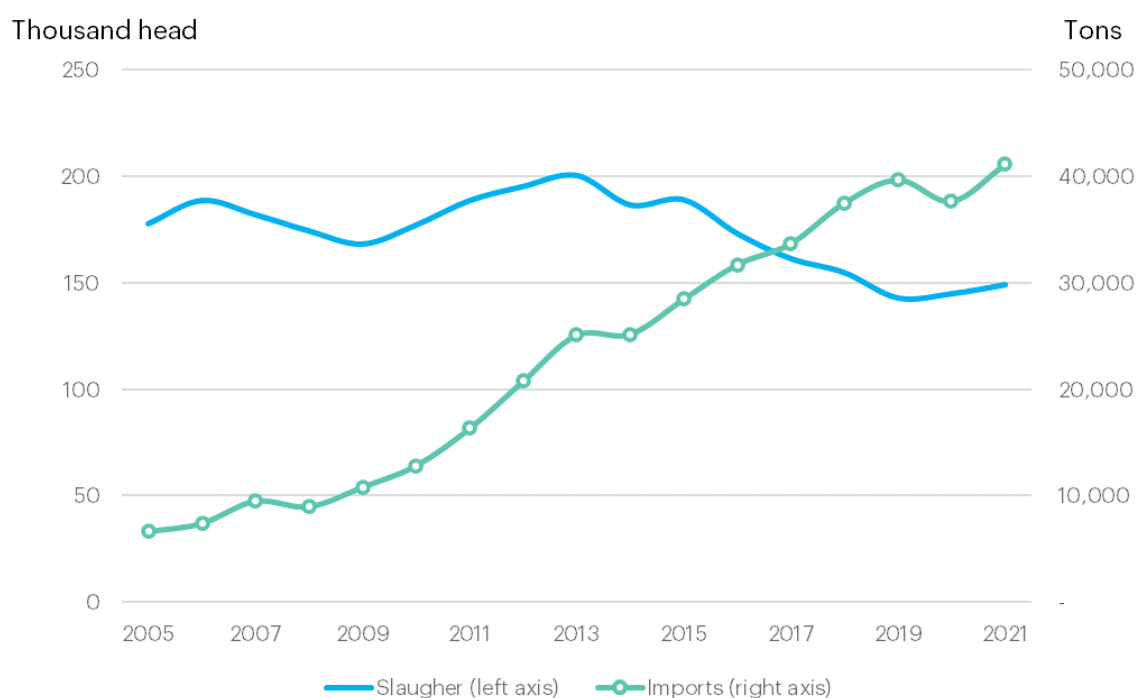
⁴⁰ National Bureau of Statistics - China. <http://www.stats.gov.cn>

⁴¹ Source: OPYPA 2020.

their own farms. There are also vertically integrated industries with both farms and slaughter plants⁴².

In 2021, 149,000 animals were slaughtered, 3% more than the previous year. Pigs accounted for 64% of the annual slaughter, followed by piglets (20%) and suckling pigs (14%). The main variation was in the piglet and suckling pig categories, accounting for a 15% and 14% increase, respectively.

CHART N° 21: URUGUAYAN PORK SLAUGHTER AND IMPORTS



Source: Prepared by Uruguay XXI based on INAC and DNA data.

Slaughtering is concentrated in a few companies. The country's main pork slaughterhouse accounted for 62% of slaughtering, and the second for 25%.

5.2. DOMESTIC MARKET

The main driver of the pork market in Uruguay has been the increase in fresh meat consumption, a trend that has been maintained for years and which has allowed reaching an estimated per capita consumption level of 19.3 kg in 2021, accounting for 21% of total meat consumption that year.

⁴² Source: OPYPA.

The domestic market in 2021 consisted of 22% of domestic pork, while the remaining 78% was imported, almost exclusively from Brazil (97%). The increase in domestic consumption appears as an opportunity for the growth of the domestic swine industry, supported by the possibility of genetic improvement in medium and large farms, and as in other products, production without growth promoters.

6. POULTRY MEAT⁴³

Poultry meat is the animal protein with the highest per capita consumption in the world and the most traded by volume. In 2021, poultry meat production reached 99 million tons, accounting for 37% of global meat production. The poultry meat market is more concentrated in supply than in demand. The four largest exporters supplied 75% of the world market in value terms in 2021: Brazil, the United States, the European Union, and Thailand.

The high demand for poultry meat worldwide is explained, in part, by its lower relative price compared to other animal proteins. In 2021, global imports fell 2%. China reduced its purchases by 12% this year, as did the United Kingdom, the European Union and Saudi Arabia. Global demand is expected to increase as economies recover from the impacts caused by the COVID-19 pandemic. According to the USDA, by 2022, imports would grow 3% led by increased demand from major importers.

6.1. STOCK AND SLAUGHTER

Poultry meat production in Uruguay mainly serves the domestic market, with a stock of 32.5 million poultry birds and an annual per capita consumption of 24 kg, with exports at low levels, averaging 1,600 tons in the last three years.

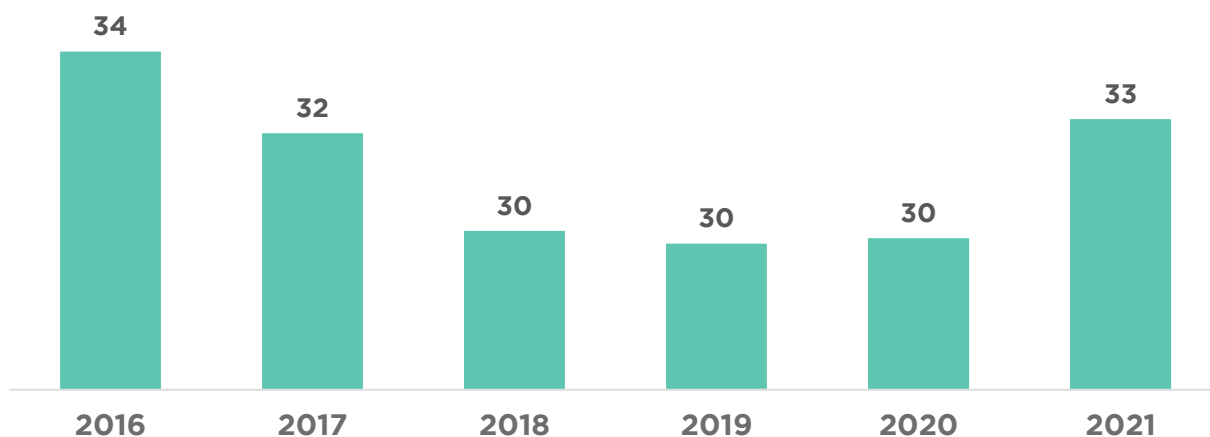
In 2021, slaughtering measured in animals increased 10%, totaling some 33.5 million head slaughtered, the highest record since 2016. In 2022, this trend is expected to continue, albeit at a slower pace, projecting some 34 million head slaughtered. The first three meat processing

⁴³ Source: Uruguay XXI based on OPYPA, INAC and National Customs Authority.

plants account for almost 80% of the total number of poultry slaughtered during 2021 in Uruguay.

CHART N° 22: POULTRY SLAUGHTER IN URUGUAY

MILLION HEAD



Source: Prepared by Uruguay XXI based on INAC data.

Poultry meat exports totaled almost USD 1 million in 2021, down 35% from the previous year. It is important to highlight that since 2017 the only company that is exporting the above-mentioned products is Granja Tres Arroyos.

7. DAIRY PRODUCTS

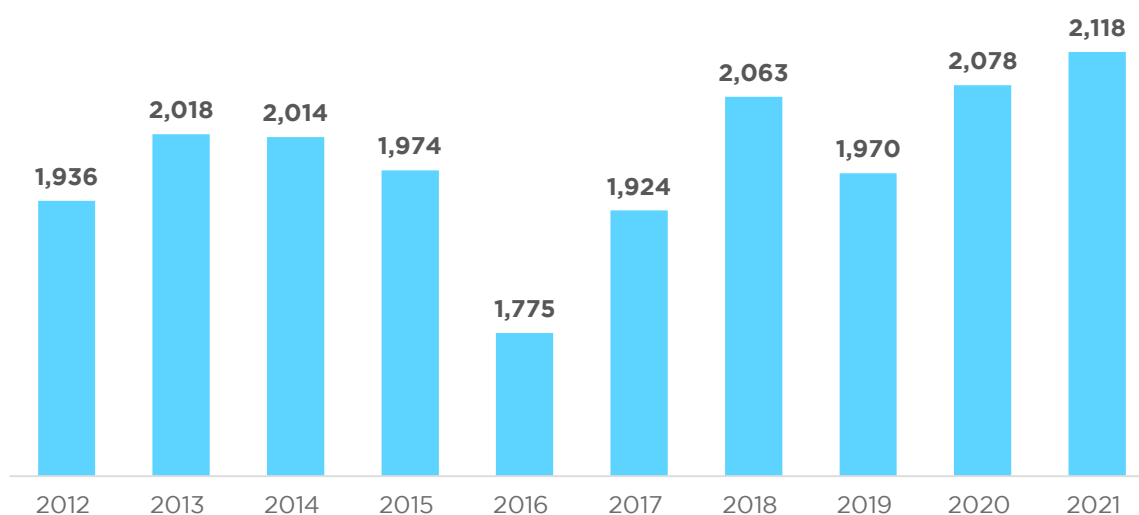
The dairy sector plays an important role in Uruguay's economic structure, being one of the sectors that generates the greatest added value. Given its geographical location, the country has excellent natural conditions in terms of soil and climate, making it suitable for milk production and giving it comparative advantages. In particular, Uruguay stands out for its capacity to obtain quality milk at a low production cost from pasture-based and open-air systems.

7.1.PRODUCTION

Milk production in the country grew steadily between 1975 and 2013. After some years with a downward trend due to falling international prices, problems in the main export markets and adverse weather events, milk production reached a record in 2021, with 2,114 million liters, exceeding the 2020 volume by 1.9%.

CHART N° 23: MILK DELIVERY TO PLANTS

MILLION LITERS



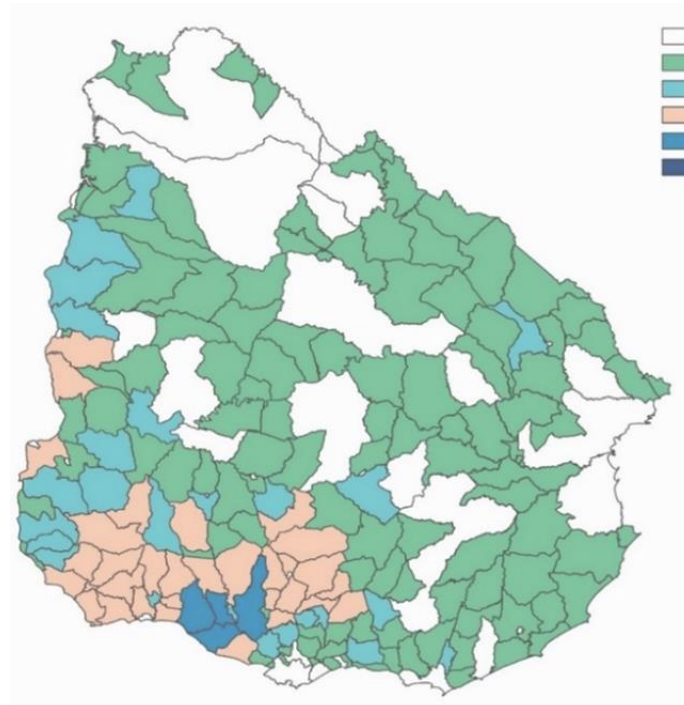
Source: Uruguay XXI based on National Milk Institute (INALE).

The great dynamism shown by the sector took place in a context of strong productivity growth. The primary sector has continuously incorporated technical advances, both in pastures, livestock supplementation, as well as in machinery and equipment, health and genetic improvement of the herd. The activity extends nationwide, although the production core is located in the southwest of the country, and along the coast of the Uruguay River, as can be seen in Figure N° 7.

The industrial sector, made up of transnational and national companies—and led by a national cooperative company—has continuously expanded its installed capacity, working together with the primary sector. This has allowed these companies to take all the milk produced, diversify their production in the domestic market and export various products.

FIGURE N° 3: PRODUCERS WITH COMMERCIAL DAIRIES BY POLICE SECTION

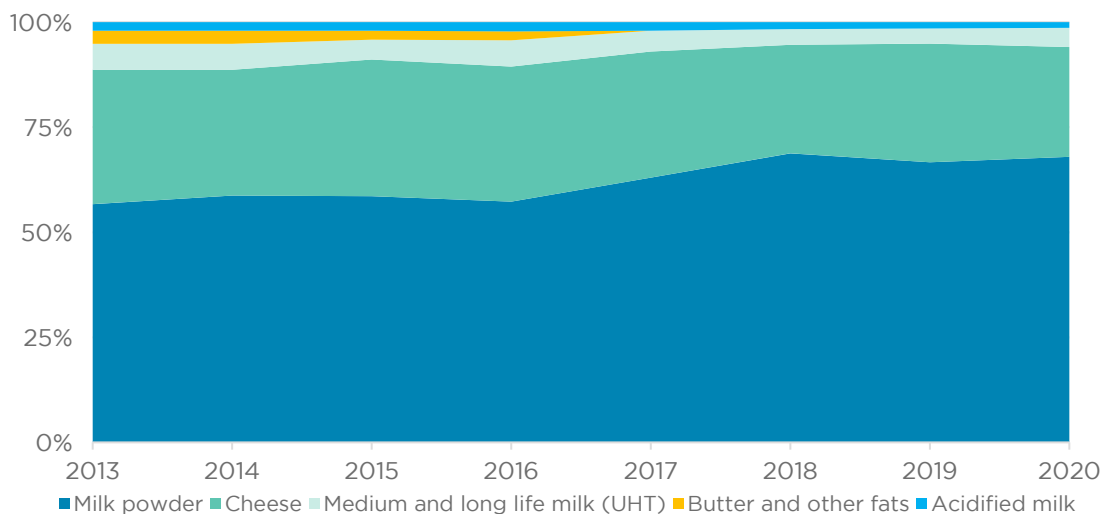
(Agricultural Year 2019-2020)



Source: Yearbook 2021 - DIEA - MGAP.

Having a domestic market with one of the highest consumption levels in Latin America (230 liters per capita per year), any increase in production is destined for export, which currently accounts for 70% of the volume produced annually.

CHART N° 24: SHARE IN TOTAL INDUSTRIALIZED BY PRODUCT (%)

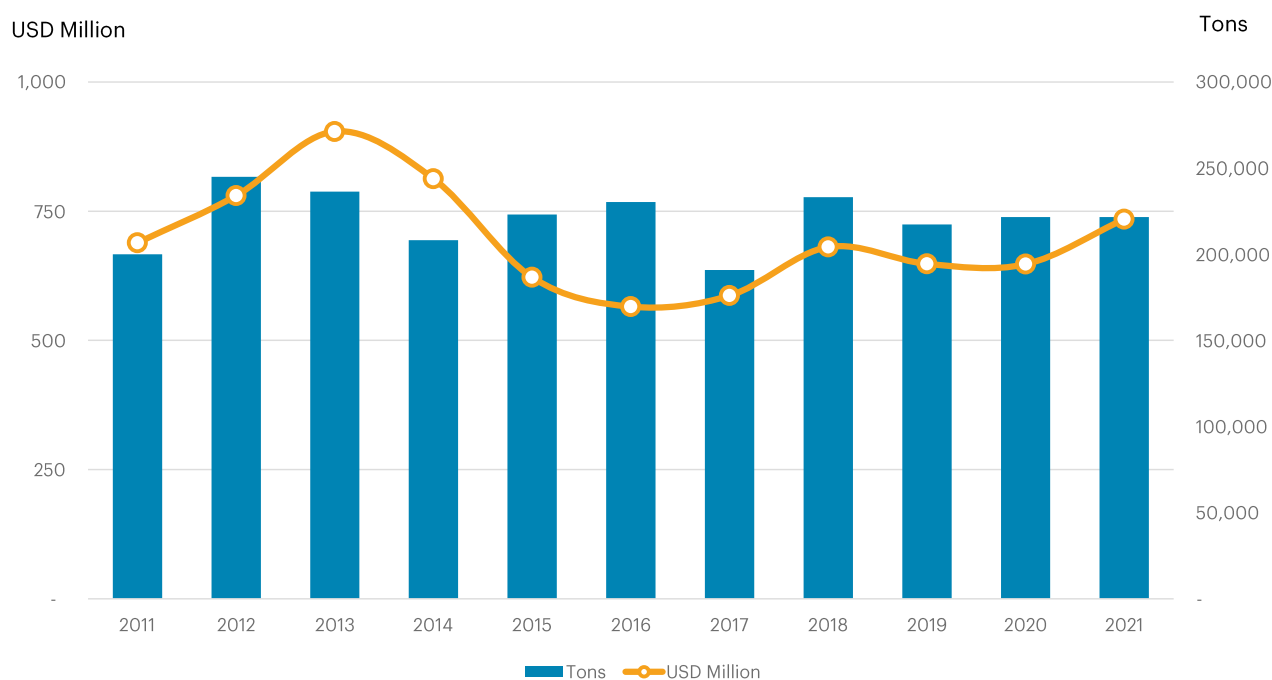


Source: Yearbook 2021 - DIEA - MGAP.

7.2. EXPORTS

Dairy product exports grew by 13% in value in 2021, totaling USD 734 million. The increase is entirely explained by the price factor, with export volumes remaining at 222 thousand tons, very similar to 2020.

CHART N° 25: DAIRY SECTOR EXPORTS

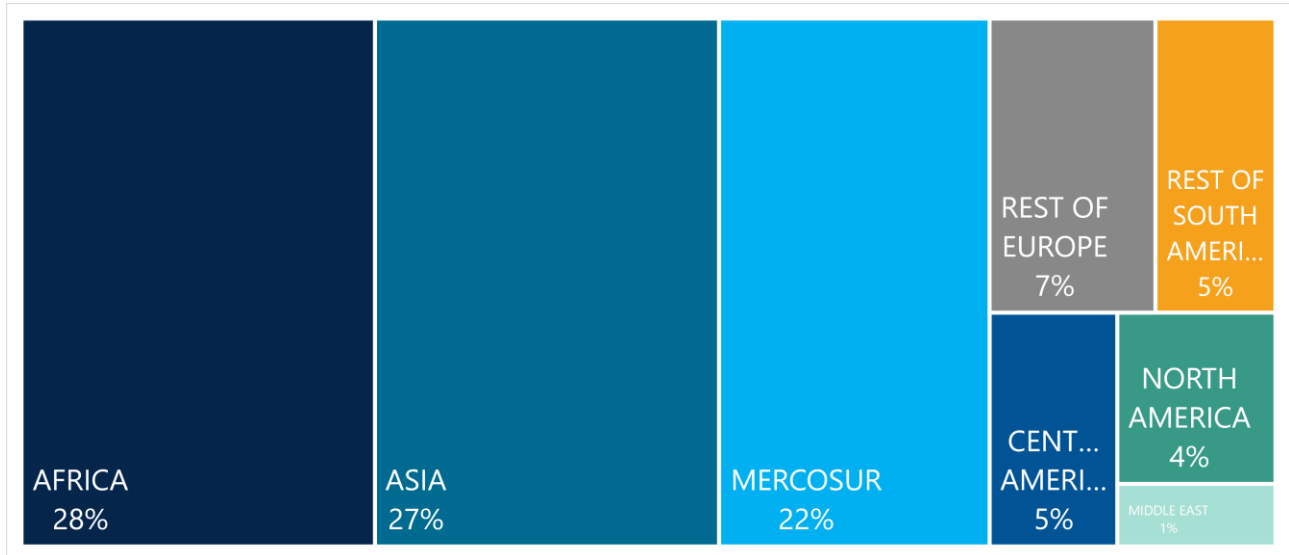


Source: Uruguay XXI based on DNA.

For several years, dairy exports were concentrated in the region. Venezuela was a relevant market throughout the last decade. However, its political and commercial instability had an impact on dairy export dynamics. In this context, the presence of Algeria as a destination for the sector's exports in that period was important, becoming the main destination since 2018. In 2021, USD 180 million were exported to this market, followed by the Chinese market with USD 166 million and the Brazilian market with USD 145 million. These three destinations concentrate two thirds of the volumes sold by the Uruguayan dairy industry. China had a significant positive impact during the year, with a growth in purchases that practically tripled exports from the previous year.

CHART N° 26: DAIRY PRODUCT EXPORTS BY BLOC

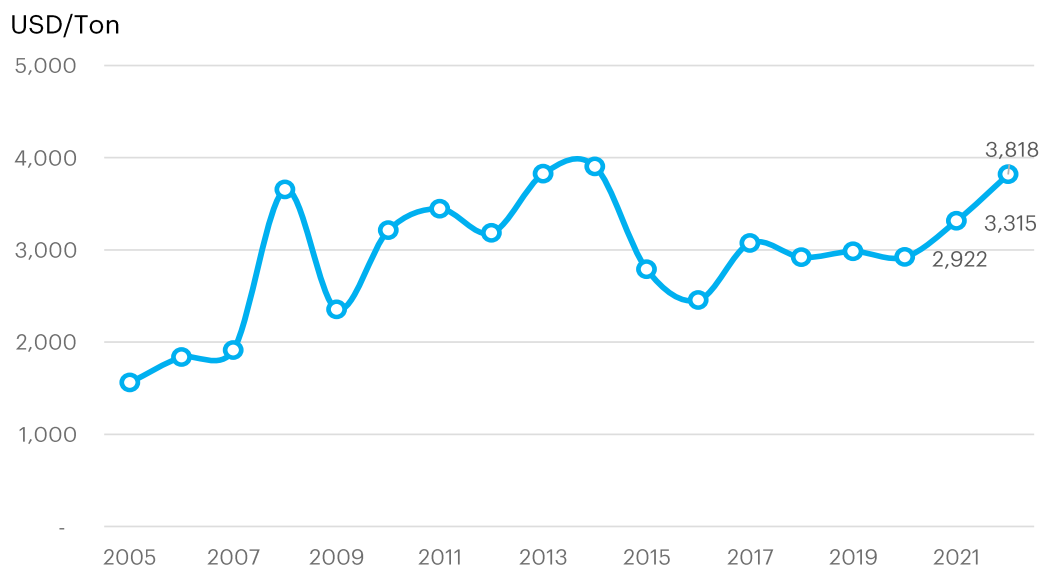
PERCENTAGE SHARE IN THE TOTAL 2021



Source: Uruguay XXI based on DNA.

Despite the fact that each product has a particular evolution, the average price of Uruguayan dairy exports had a strong increase between 2021 and 2022, accumulating by mid-2022 a growth of 30% compared to 2019 average values. The strong rise in prices is explained by the reactivation of global demand, mainly from China.

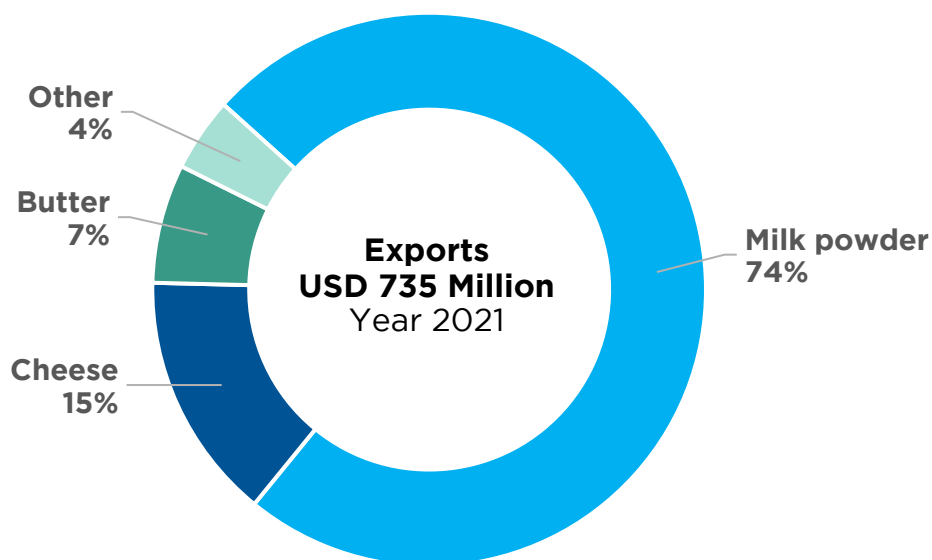
CHART N° 27: AVERAGE EXPORT PRICE OF DAIRY PRODUCTS



Source: Uruguay XXI based on DNA.

In the last year, some products had a positive price evolution, including the main dairy product exported, i.e., whole milk powder. However, exports measured in volume retracted, resulting in a negative variation in total exports. In the case of cheese, the sector's second export product, both the average export price and total volume declined.

CHART N° 28: DAIRY EXPORTS BY PRODUCT



Source: Uruguay XXI based on DNA.

An analysis of dairy exports by product shows that whole milk powder (WMP) maintained its traditional leadership in terms of product ranking, despite a 6% drop in the amounts exported. It is followed by cheese sales, mainly to the Mexican and Brazilian markets, and butter, concentrated in the Russian market.

7.3. TARIFFS PAID IN THE DAIRY SECTOR

Tariffs paid on exports from the Uruguayan dairy sector amounted to around USD 38 million in 2021, distributed mainly in milk powder, butter, and cheese. The sector accounted for 6% of Uruguayan exports in 2021. The dairy sector is one of the most sensitive at the international level, and is therefore protected through various tools, such as quotas or health requirements, among other measures.

Dairy exports to China grew significantly in 2021, almost tripling the 2020 values. As a result of this sharp increase, the Asian country became the second largest export destination for

dairy products (with a 23% share) and the main market for the collection of tariffs on these products. Ninety-five percent (95%) of placements in this destination are for milk powder, which enters with a 10% tariff, i.e., the general tariff.

**TABLE N° 8: URUGUAY AND COMPETITORS TARIFF RATES BY DESTINATION
MARKET - 2021⁴⁴**

Whole milk powder (NCM 0402.21)							
Tariffs							
Main destination markets							
competitors	Algeria			competitors	Brazil		
	N. Zealand	5%			Argentina	0% TA	
	Netherlands	5%			Paraguay	0% TA	
	Argentina	5%			United States	28%	
	France	5%			Chile	0% TA	
Uruguay			5%				
competitors	China			competitors	Cuba		
	N. Zealand	0% TA			N. Zealand	5%	
	Australia	3.3% TA			Mexico	0% TA	
	Spain	10%			Netherlands	5%	
	Netherlands	10%			Argentina	0% TA	
Uruguay			10%				
Other cheese (NCM 0406.90)							
Tariffs							
Main destination markets							
competitors	Mexico			competitors	Russia		
	United States	0% TA			Belarus	0% TA	
	N. Zealand	Q1 TA			Argentina	11.25% GSP	
	Chile	0% TA			Switzerland	14%	
	Italy	20%			Chile	11.25% GSP	
Uruguay			0% TA				
competitors	Brazil			competitors	United States		
	Argentina	0% TA			EU	Q2	
	Netherlands	16%/28%			Switzerland	Q3	
	France	16%/28%			Norway	Q4	
	Italy	16%/28%			Canada	Q5	
Uruguay			0%				
			Uruguay				
			Q6				

In 2021, Algeria was the main export destination for dairy products (24%) and the second largest market in terms of tariff payments in the sector. Total dairy exports to that market reached USD 180 million, almost all of which were milk powder. This product is subject to a 5% tariff. Algeria currently grants general preferences under three agreements: European Union, Arab Free Trade Area, African Union, Arab Maghreb Union and GSTP, including quotas

⁴⁴ Source: Uruguay XXI based on MacMap.

only in the first two cases. Therefore, the entry of Uruguayan products is through the general tariff and without particular benefits.

Dairy products enter the Russian market within the framework of the GSP, under which Russia grants a 25% benefit over the normal tariff to developing countries. In addition, Russia maintains the blockade applied to imports of certain products of European, U.S. and Australian origin (including dairy products), which affects some of the world's main suppliers and represents an opportunity for Uruguay. As for competitors, Belarus—the main dairy supplier—enters free of tariffs, while New Zealand—another relevant competitor, especially in butter and milk powder—has similar entry conditions to those of Uruguay.

The agreement signed with the European Union also covers the dairy sector. Under this agreement, MERCOSUR and the EU reciprocally grant each other access quotas for milk powder (10,000 tons) with in-quota tariffs that will be gradually reduced to 0% over 10 years. For infant formulas, a quota of 5,000 tons was set with the same conditions for the in-quota tariff. As for cheese, the quota is 30,000 tons, except that mozzarella was excluded from the cheese that the EU may export to MERCOSUR. Currently, there are practically no exports of Uruguayan dairy products to the European market, so these quotas represent an opportunity for the sale of these products.

The dairy sector has tax refunds for various tariff lines, with a 3% rate for the sector.

8. ANNEXES

8.1. REGULATORY FRAMEWORK

To see the Annex with information on the sector's regulatory framework in Uruguay, click on the following link: [Regulatory Framework](#)

8.2. INSTITUTIONAL FRAMEWORK (RELEVANT ACTORS)

To see the Annex with information on the sector's institutional framework in Uruguay, click on the following link: [Institutional Framework](#)

9. URUGUAY IN BRIEF 2022

MAIN ECONOMIC INDICATORS

Indicators	2017	2018	2019	2020	2021*	2022*
GDP (Annual % Variation)	1.6%	0.5%	0.4%	-6.1%	4.4%	3.8%
GDP (USD Millions)	64,223	64,431	61,176	53,507	59,432	66,942
Population (Million people)	3.49	3.51	3.52	3.53	3.54	3.55
GDP per Capita (USD)	18,385	18,377	17,387	15,154	16,774	18,831
Unemployment Rate - Annual Average (% EAP)	7.9%	8.3%	8.9%	10.4%	9.4%	7.6%
Exchange Rate (Pesos per USD, Annual Average)	28.7	30.8	35.3	42.1	43.5	43.2
Exchange Rate (Annual Average Variation)	-4.8%	7.3%	14.7%	19.2%	3.4%	-0.6%
Consumer Prices (Annual Cumulative % Var.)	6.6%	8.0%	8.8%	9.4%	8.0%	7.9%
Exports of Goods and Services (USD Millions)**	16,845	17,099	17,084	13,596	18,872	20,476
Imports of Goods and Services (USD Millions)**	13,350	13,830	13,328	11,213	15,062	17,633
Trade Surplus / Deficit (USD Millions)	3,495	3,269	3,756	2,383	3,810	2,843
Trade Surplus / Deficit (% of GDP)	5.4%	5.1%	6.1%	4.5%	6.4%	4.2%
Overall Fiscal Balance (% of GDP)	-3.2%	-3.9%	-4.4%	-5.8%	-4.1%	-
Gross Capital Formation (% of GDP)	15.8%	15.0%	14.6%	17.4%	18.4%	-
Gross Public Sector Debt (% of GDP)	60.5%	59.6%	60.8%	74.6%	71.3%	-
Foreign Direct Investment (USD Millions)****	-590	198	1,931	635	1,646	-
Foreign Direct Investment (% of GDP)	-0.9%	0.3%	3.2%	1.2%	2.8%	-

* Data projected in red.

Sources: Data on GDP, foreign trade, foreign direct investment (FDI), exchange rate, international reserves, and external debt are from BCU; population growth, literacy, unemployment, and inflation rates are taken from the National Institute of Statistics. Estimated data for 2021 based on BCU economic and inflation expectations surveys and Ex ante projections. Fiscal balance data are from the Ministry of Economy and Finance; since 2018, figures are adjusted for the effect of Law No. 19,590 (known as “Cincuentones Law”).



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