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World beef report

Information and analysis of Livestock markets

- **Issue: 817**

- **Date:** Wednesday, September 23th , 2009

- **Editor:** Eduardo Blasina

- **Argentine beef exports remained at high levels in August**

- **New criteria for Hilton quota distribution questioned in Argentina**

- **Uruguay expects 2009 slaughter to near past year**

- **Marfrig-Uruguay issues notes and purchases 51% of tannery Zenda**

- **Supply fall turn prices for finished cattle up in Brazil and Uruguay**

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- **Report of US cattle-on-feed pushes futures prices down**

FOB Mercosur

Little enthusiasm in the Moscow Food Fair

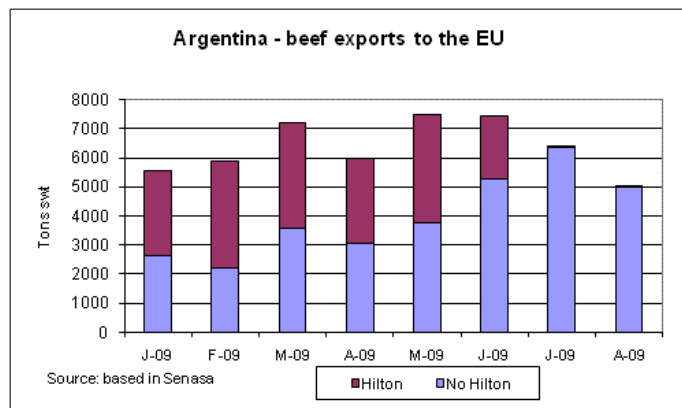
➤ Market operators who attended the Moscow Food Fair returned with little enthusiasm. "The Fair has not met expectations", a Brazilian exporter told WBR, and added that prices remain stable, though it's difficult to negotiate big volumes. Importers have enough beef and don't need to advance purchases before the winter, when harbours freeze. "They have enough to cover until early December", he said.

Forequarter cuts situate on CIF values between US\$/t 3,150 and 3,200, though some big volume operations are agreed at lower prices. Round cuts may get US\$/t 3,800, while trimmings are sold at US\$/t 2,150, all CIF prices.

Uruguay and Argentina had no variations on sales to Russia. "It's more difficult to negotiate round cuts at US\$/t 3,400 FOB, an Argentine operator commented, with trimmings oscillating around US\$/t 1,930. "Compensated cow is demanded but cow prices are above possibilities", he said. Manufacture cow is the category that improved most in Argentina during the past few weeks.

Stable values in Europe

➤ Demand from the European Union is still moderate but some business is done. Argentina sells off-quota rump & loin at US\$/t 9,000, a level where operations "are agreed fluently", an operator said. This demonstrates that as soon as Hilton shares are liberated, prices for shipments to Germany will be back to US\$/t 12,000.



➤ From Brazil, the mood is more cautious. Chilled prices "cooled a little", they commented. From selling quota rump & loin at US\$/t 11,000, we now sell at a reference of US\$/t 10,700. Side cuts may achieve US\$/t 7,300 with "difficulties" to negotiate big volumes.

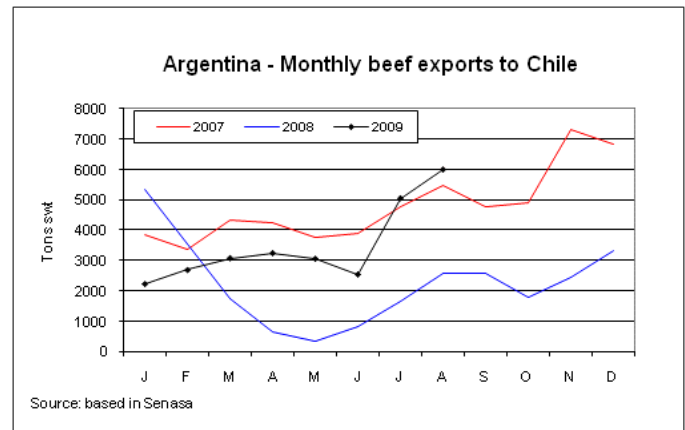
Argentina

Beef exports remain "very high" in August

➤ According to data provided by Senasa, Argentina exported 34,923 tons of refrigerated beef in August valued in US\$ 131.2 million. The volume, though lower than the high peak of July, is still quite high. "If we extrapolate last quarter average (63,000 monthly tons carcass equivalent), it gives an annual total of 750,000 tons, in the highest levels of Argentine beef

Argentina - Beef and by-product exports						
	Aug-09		Jan-Aug 09		Dif % 09/08	
	Tons	US\$/t	Tons	US\$/t	Tons	US\$/t
Fresh	34,923	3,757	237,835	3,992	66%	-32%
Hilton	10	11,300	19,138	9,586	60%	-35%
Germany	10	11,300	9,254	9,870	54%	-34%
Netherlands	0	x	4,329	9,621	57%	-33%
Italy	0	x	3,254	10,383	69%	-34%
G. Britain	0	x	1,472	5,954	132%	-54%
Spain	0	x	600	8,878	70%	-42%
Denmark	0	x	59	11,085	-48%	-14%
Belgium	0	x	55	12,018	189%	-6%
Sweden	0	x	43	9,930	-27%	-26%
Luxembourg	0	x	29	12,207	-12%	-15%
France	0	x	23	12,043	667%	-18%
Portugal	0	x	18	10,889	-5%	-26%
Other fresh	34,913	3,754	218,697	3,503	67%	-30%
Russia	13,484	2,450	80,980	2,219	72%	-24%
Chile	5,996	3,643	27,839	3,343	69%	-21%
Israel	4,027	3,631	20,434	3,503	75%	2%
Venezuela	1,643	3,475	16,890	3,562	196%	16%
Germany	2,668	8,516	11,616	8,420	5%	-37%
Italy	1,163	6,960	8,255	6,569	106%	-39%
Netherlands	826	7,556	7,449	7,181	14%	-36%
Hong Kong	704	2,604	5,733	2,539	89%	-8%
Brazil	739	6,691	4,848	6,776	33%	-25%
Morocco	600	2,425	4,572	2,488	93%	12%
Egypt	438	2,406	4,200	2,482	x	x
Algeria	315	2,629	3,953	2,453	273%	-24%
Spain	237	5,810	2,206	4,563	42%	-37%
South Africa	174	1,833	2,014	1,949	173%	x
Angola	84	2,262	1,949	2,915	43%	-15%
Kazakhstan	197	1,863	1,747	1,856	-50%	-30%
Bosnia and Herzegov	109	1,716	1,497	2,218	17%	-11%
G. Britain	59	6,305	1,311	4,608	-20%	-29%
France	63	3,730	798	5,004	s/d	s/d
Processed	3,600	3,524	24,354	3,615	41%	0%
G. Britain	1,279	2,380	7,072	2,433	100%	-9%
USA	1,230	4,711	6,387	4,720	-2%	25%
Italy	225	4,933	2,346	5,073	60%	-5%
Netherlands	331	3,396	2,213	3,392	143%	-12%
Morocco	49	2,653	528	2,981	182%	19%
Germany	13	3,231	520	4,035	-34%	-5%
Togo	16	2,438	499	2,194	13%	-13%
Puerto Rico	54	3,407	434	4,039	s/d	s/d
Colombia	45	3,000	420	3,338	236%	17%
Ghana	0	x	413	2,149	187%	4%
Offal	13,063	1,314	101,358	1,359	44%	-9%
Hong Kong	2,939	2,158	29,381	1,962	71%	0%
Russia	2,324	1,181	23,057	1,152	83%	-19%
Congo, ex Zaire	3,508	948	10,431	904	26%	-6%
Angola	828	856	6,690	862	16%	-19%
Ghana	402	843	6,610	763	4%	-31%
Brazil	1,189	1,017	5,678	820	319%	-26%
Peru	478	960	3,805	951	-2%	-10%
Vietnam	29	2,621	2,078	1,536	755%	3%
Republic of Congo	270	907	1,882	867	-26%	-29%
Italy	100	2,760	1,594	2,548	2%	-3%
TOTAL	103,174	3,122	728,750	3,229	21%	-31%

Source: based in Senasa



exports, similar to 2005 and 1979", an industrialist commented to WBR.

➤ The main destination for fresh meat is still Russia, followed in this opportunity by Chile, who always has a peak of demand previous to their national holidays in September. In third place comes the EU. The six main bloc countries totalled 5,016 non-Hilton tons, a still high volume though below the 6,335 tons of July. "Argentina is shipping relatively high volumes to Europe", an exporter commented. The fact that the Hilton quota shares start to be distributed in Argentina won't suppose a downward pressure over prices, he said.

➤ Exports of processed beef and offal were also relatively high, in the first case keeping Great Britain and the US as exclusive buyers and the second with Congo, Hong Kong and Russia.

➤ During the first eight months of the year, Argentina exported 237,835 tons of beef at an average FOB price of US\$/t 3,992, 66% above and 32% below the same period 2008. Processed beef exports accumulated 24,354 tons (+41%) at the same value of the past year (US\$/t 3,615), while offal and tripe totalled 101,358 tons (+44%) at an average price of US\$/t 1,359 (-9%).

Government regulates new Hilton quota distribution

➤ With domestic sales and workforce weighing importantly, the Official Bulletin included Friday a new regulation for the distribution of the 28,000-ton 2009/10 Hilton quota, which is the main business of Argentina's export meat packing industry.

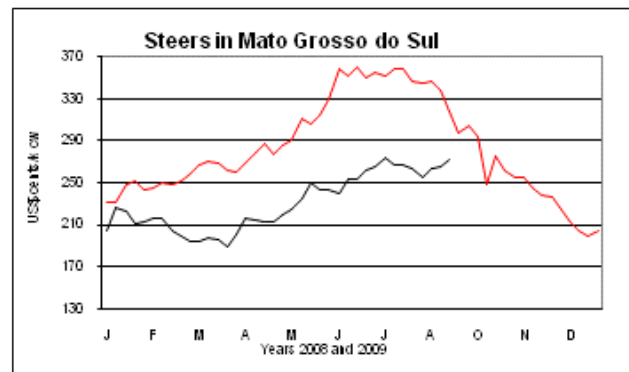
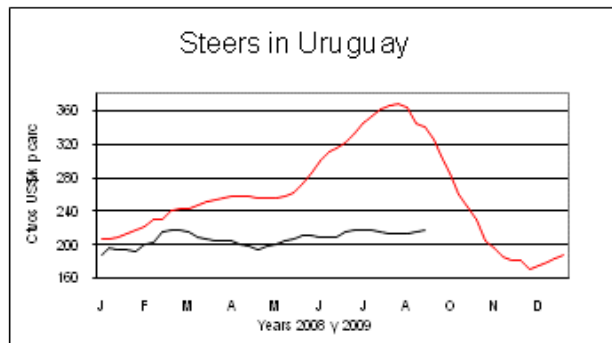
Just as expected, the distribution will be made through a Public Contest, for which interested firms should submit "a minimal export plan with a description of the necessary infrastructure and logistics to efficiently comply with the assigned share in a constant provision, which may assure regularity and continuous execution of the granted licence throughout the trade period", says Resolution 7530/2009 of the National Office for Agrarian Trade Control (Oncca), which is now the agency in charge of the distribution.

The new regulation will be valid until 30 June 2012 and, therefore, includes three annual periods.

"A big field to discrimination"

World cattle prices					
Estimated carcass price (US\$/k)		Last	Week	Month	Diff % month
Steers					
Uruguay	Best, + 460 k	2.17	2.15	2.13	1.9%
Argentina	Export + 480 k	1.70	1.67	1.65	2.8%
Argentina	Domestic 420-440 k	1.46	1.48	1.47	-1.3%
Brazil	Sao Paulo	2.86	2.81	2.82	1.2%
Brazil	RS - Porto Alegre	2.78	2.80	2.82	-1.5%
Brazil	MS - Campo Grande	2.72	2.66	2.64	2.9%
USA	Steers	2.86	2.88	2.87	-0.5%
Australia	Trade steer (170-230 k)	2.84	2.80	2.71	4.8%
Australia	Japan Ox (300-400 k)	2.58	2.53	2.47	4.5%
N. Zealand	Bull (270-295 cwt)	2.34	2.26	2.30	1.7%
E. Union	Steers	4.38	4.36	4.25	3.0%
Japan	Wagyu A5 (Tokyo)	24.18	23.72	22.95	5.4%
Cows					
Uruguay	Best, + 440 k	1.94	1.93	1.93	0.5%
Uruguay	Manufacturing	1.43	1.41	1.42	0.7%
Argentina	Special to good	1.33	1.28	1.21	10.1%
Argentina	Manufacturing	1.02	1.08	0.86	18.2%
Brazil	Sao Paulo	2.67	2.62	2.68	-0.3%
Brazil	RS - Porto Alegre	2.64	2.63	2.69	-1.9%
Brazil	MS - Campo Grande	2.56	2.51	2.46	4.0%
USA	Heifers	2.88	2.89	2.87	0.2%
Australia	US Cow	2.16	2.12	2.07	4.2%
N. Zealand	Cow (195-220 k cwt)	1.70	1.66	1.71	-0.6%
E. Union	Cow	3.24	3.26	3.24	0.0%

Sources: Uruguayan operators, Mercado de Liniers SA, Oncca, FNP Consultoria, USDA, MLA, EC



Each industry will have a top of 10% of the quota. Shares to be distributed to industries will be awarded as follows: 30% to distribute among all meeting basic requisites; additionally, 25% will be distributed among the 20 best qualified, 20% among the best 15, 10% among the best 10, another 10% among the best five and 5% among the best two.

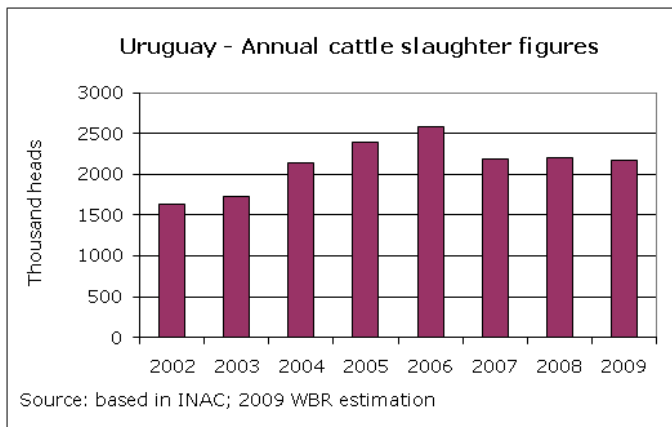
Qualification parameters include first the domestic market supply. According to the regulation, "domestic supply will weigh 30%", which is calculated as "the difference in tons cwe obtained by deducing exports' background from slaughter's background of each petitioner. Payments and contributions to social security also weigh 30%. Another 28% will be based on the export price indicator applied to slaughters. The export price indicator is the ratio between the petitioner's export average price and the general export average price, while slaughter is the proportion of animals slaughtered by the petitioner (in plants certified by the EU) upon the overall cattle slaughtered in all certified units.

The remaining two factors (which weigh less) are 10% for exports' antecedents and 2% for the grade of accomplishment.

The regulation establishes that Oncca will require from the Secretary of Inner Trade (headed by controversial Guillermo Moreno) a report about the observance of agreed local prices and the real domestic supply of each petitioner. If the report is negative, "it will turn the proposal inadmissible".

10% of Hilton quota anticipated

➤ In the same bulletin a 10% advance of the 2009/10 Hilton quota is announced. The decision takes into account "the time that the implementation of the Public Contest will take", so that "it is indispensable to



market will have a bigger supply", he warned.

Markets

➤ Prices for finished cattle are firm in Argentina. Oncca reports an average export steer price of A\$ 3.66/kg live weight, the highest since mid April. Cow prices are very firm as the offer contracted markedly during the past weeks. Good cows as well as manufacture animals get prices 10% higher than a month ago.

Prices for animals destined to the local market, meanwhile, remain mostly stable. In Liniers, different steer categories had no major variants during the past week. Average Liniers price was yesterday 12.8% below the price of the average export steer.

Uruguay

Annual slaughter with little changes

➤ Annual cattle slaughter will remain almost unchanged or with just a slight fall this year in comparison with the past, estimated the National Meat Institute (INAC) and members of the beef industry.

➤ "In the next few weeks slaughter will surely drop, but it will make a strong comeback in the last two months of the year", Martín Secco, headperson of Marfrig-Tacuarembó, commented to WBR. Expectations of the Group are for slaughter to situate slightly below last year (2.21 million). Mid-year perspectives indicated a much more significant drop.

➤ During the Expo-Prado Livestock Fair, INAC's director of Information and Economic Analysis, Pablo Caputi, estimated that "a reasonable and even conservative scenario includes an industrial cattle slaughter of some 2.2 million head or, maybe, some more", with not many changes over the past year. Caputi estimated a 5% increase on domestic consumption and a modest 2% drop on exported volume to some 360,000 tons cwe, at an average FOB price of US\$/t 2,500.

➤ Supply evolution in these past 2-3 weeks could be indicating that the floor on cattle slaughter may be reached in October, with a firm market, but the offer should grow afterwards as animals reach their slaughter weights. It is probable for slaughter to near 2.2 million head, pretty near the totals of the past two years.

Uruguayans will consume 86 kg of meat in 2009

➤ According to the National Meat Institute (INAC), per capita beef consumption will reach 58 kg in 2009 while overall meat consumed by Uruguayans will climb to 86 kg in the year.

INAC's Domestic Market Controller, Gabriel Costas, said during the recent Expo-Prado Livestock Fair that beef consumption continued to grow during the first half of 2009 and is expected to reach 58 kg per person in the year, between 5% and 7% above 2008. Other type of meats as well increased, which will bring overall annual meat consumption up 11%.

Important bone-in ovine meat sales to Russia

➤ While Mexico is still to authorize ovine meat imports from Uruguay and the US has not yet published the regulation that will clear product

adopt complementary rules tending to guarantee regularity and continuity in an essential activity for the beef sector". A maximum of 150 tons will be distributed to each petitioner, who should submit a request for that purpose and also have met local supply requirements and maintain employment level.

➤ An exporter said that expectations for this 10% to be available next week are currently handled.

Domestic consumption depends on feedlot subsidy

➤ "Feedlots are here to stay; while ten years ago they represented 5% of the offer, the proportion is now above 50% of the beef supplied to the domestic market", said market analyst Víctor Tonelli in a speech during the NOA Regional Cattle Conference. As compensation, "between 2007 and 2008 investments on pastures fell 50% and the same happened between 2008 and 2007. An additional 40% drop is expected for this year", the consultant remarked.

He also said that the current subsidy system to feedlots is the most harmful of the decisions taken by the government. "Funds are limited to animal categories destined to slaughter for the domestic market and concentrates some 500 operators".

"Half of each calf replaced on feedlots is subsidized by the government. Today, local consumption depends on feedlot subsidies", he affirmed. "Nowadays more than 50% of calves (male or female) and adult and young steers being slaughtered for the local market have subsidies, he observed.

Opposing parliament member fears intentional F&MD outbreak

➤ Opposing representative from the Buenos Aires province, Felipe Solá, told producers in Santa Fe about his fears that the government may generate conditions for F&MD to reappear as a solution to beef shortage.

Solá says he has the "suspicion" that Senasa, following orders from the government, plans to take away the monopoly of F&MD vaccinations from Local Executive Units (UEs), and related this with forecasts that anticipate an offer fall by the year's end. "Beef will be scarce and more expensive, and people like Moreno and Kirchner will become nervous", he said, and added: "the truth is that a F&MD outbreak won't be bad for them at these times; producers will be again blamed, exports could be totally halted and the local

Uruguay - Slaughter and Exports

Total Slaughter from				13/09 - 19/09				Heads per category				
Slaughterhouse	Year to date	% Total	Last week		29-Aug	5-Sep	12-Sep	19-Sep				
Las Piedras	125,469	7.6%	2,883	Total	39,418	44,177	45,722	44,116				
Marfrig - Tacuarembó	122,355	7.4%	3,737	Steers	20,016	23,033	24,182	22,244				
Marfrig - Colonia	118,664	7.2%	3,520	Cows	18,662	20,478	20,790	21,187				
Frig. PULSA	109,559	6.7%	2,949	Distribution of slaughter (percentage)								
San Jacinto-Nirea	109,416	6.7%	2,932		29-ago	05-sep	12-sep	19-sep				
Carrasco	109,135	6.6%	2,992	Cows	47.3%	46.4%	45.5%	48.0%				
Bertin - Canelones	103,265	6.3%	3,145	Steers	50.8%	52.1%	52.9%	50.4%				
Marfrig - Cledinor	99,897	6.1%	1,995	Other	1.9%	1.5%	1.6%	1.6%				
Ontilcor SA - Pando	89,739	5.5%	2,586	Weekly beef exports by destination (ton c.w)								
Las Moras - Chiadel	65,744	4.0%	1,827		22-ago	29-ago	05-sep	12-sep				
Solis-Ersinal	61,911	3.8%	1,862	Total	4693	5335	5601	4271				
Lorsinal	61,828	3.8%	1,785	E.U.	925	1,337	773	997				
Schneck	61,690	3.8%	1,569	UK	104	491	335	331				
Bilacor - Frigoyi	58,236	3.5%	1,620	NAFTA	488	457	1,033	486				
Marfrig - Inaler	51,304	3.1%	2,577	USA *	447	457	927	451				
Sarubbi-Sirsil	46,529	2.8%	283	Mexico	41	0	0	0				
Copayan	40,059	2.4%	956	Canada	0	0	107	36				
Casa Blanca	39,859	2.4%	1,495	Israel	98	69	79	151				
Clademar (Frig Florida)	27,085	1.6%	531	Mercosur **	580	466	559	380				
Rosario-Rondatel	27,080	1.6%	0	Brazil	169	241	232	242				
Oferan SA - La Trinidad	19,607	1.2%	454	Chile	403	317	317	135				
Ardistar-Cattivelli	15,655	1.0%	590	South Africa	36	36	37	0				
Total	1,643,240		44,116	Russia	1,739	1,626	1,727	1,131				

Yellow numbers are WBR estimations

* includes Puerto Rico; ** includes Chile

Ovines: slaughter, prices and exports in Uruguay

Slaughter	29-Aug	5-Sep	12-Sep	19-Sep
Sheep	8,291	8,327	5,019	6,240
Mutton	5,939	5,097	3,111	7,819
Yearlings	3,666	1,831	3,454	2,858
Lambs	15,025	11,740	20,094	21,496
Total	32,993	27,068	32,111	38,649
Slaughterhouse	Week from 13/09 - 19/09		Year to date	
	Total	Lambs	Total	Lambs
Frigocerro	7,303	2,314	291,552	107,436
San Jacinto-Nirea	7,496	5,783	209,986	137,479
Carrasco	3,915	2,870	193,811	120,240
Las Piedras	9,373	7,605	136,589	66,314
Marfrig - Cledinor	2,167	654	83,790	33,902
Prices	Last	Week	Month	% Diff month
Export lamb	210	235	195	6.8%
Mutton	160	205	147	20.6%
Sheep	138	195	115	18.2%
Exports	22-Aug	29-Aug	5-Sep	12-Sep
Total	274	312	457	50
EU	83	73	109	22
Brazil	71	39	138	3

In US\$ cents/k lw; export lamb dw

Exps. in tons cw. Sources: own, INAC, MGAP & ACG

imports, the government outstands bone-in ovine meat sales to Russia. Three officials consulted by WBR remarked the importance of having access to this market, one of the few – jointly with Brazil – that allows bone-in imports. Ministry of Agriculture sources said they still wait for their Mexican peers to determine the plants that will accede to their country with ovine meat. Meanwhile, the US regulation for this same purpose has not been published, something that the US government compromised to do before the end of September.

Marfrig acquires a major part of tannery Zenda

➤ The same day that it issued the first series of protected notes, Marfrig announced the acquisition of 51% of Zenda, the biggest tannery in Uruguay. In a report submitted to the Sao Paulo Stock Exchange, Marfrig informed that buying price totalled US\$ 49.5

million. This price could be finally adjusted by an audit. The group indicated that Zenda “expects the transference of remaining shares in accordance with the business operational development”.

➤ The Zenda group has a daily operational capacity of 7,000 finished and tailored hides. Besides Uruguay, the company has units in Argentina, Mexico, the US, Germany, South Africa, Chile and China. Revenue in 2008 totalled US\$ 177 million. The Marfrig group remarked that the transaction will reinforce its hide operations in Argentina and Uruguay.

Martín Secco commented to WBR about their “satisfaction” for the acquisition of a “world’s leading” tannery and said it is a way to assure added value in an important product up to the final client. He remarked the importance for Marfrig’s “hide process to be done in Uruguay”, despite the strength of the tanning sector in Brazil.

➤ The move may bring important adjustments in the local market. Beef industry operators said that a big part of Zendas purchases was done in Marfrig-Colonia and most of Marfrig’s hide production was bought by other tanneries. Operators said that the hide market is stable with prices oscillating between US\$ 0.45 and 0.50/kg, with demand buying the entire offer.

Marfrig presented yesterday first series of notes

➤ The Marfrig Group presented yesterday in the Montevideo Stock Exchange its program to issue up to US\$ 60 million of protected notes. The first US\$ 20 million series will be issued next Tuesday. Interest will be fixed at 6.5%. Group managers in Uruguay indicated that a good part of the money will be destined to activities linked with the primary sector and to realign financial debts of units in Uruguay. In a first instance the group announced that part of the

money would be destined to the construction of a 20,000-head feedlot. The CEO of Marfrig-Tacuarembó, Martín Secco, said that most of the financing for the feedlot project – for which a premise in Rio Negro has been recently bought – comes from the Banco República.

➤ Financing operators and AFAP CEOs told WBR that despite a fall on group's margins last year and early on this one, numbers in the second quarter improved. Some operators were interested in the group's debt level in Brazil and rates paid in that country. This besides the fact that the offered notes are protected only for operations in Uruguay.

Noblemark may resume corned beef production in November

➤ Noblemark unit may resume production of corned beef from early November when it will start to be supplied with cans produced in Brazil. The unit ceased operations after the only can provider in Uruguay stopped can type production.

In a statement to Radio Sarandí, Martín Secco said that the decision to resume corned beef production (it was the only plant in Uruguay with that activity) is not depending on a governmental decision to return tax reimbursements taken away some time ago.

Markets

➤ Drops in offer consolidated, which carried to a quick shortening of plant bookings and to a slight upward trend on prices for finished cattle.

There's a big range on bookings; some are short, no more than 3-4 days, others handle freights for 7-8 days and some are still bought for a couple of weeks. Most usual terms round a week.

Special or heavy steer prices oscillate between US\$ 2.15 and 2.18/kg cw, while cows get around US\$ 1.98/kg and heifers US\$ 2.02/kg.

Cold weather is back since yesterday evening and some rains are forecasted, but springtime is installed and pastures grow accordingly, which determined a consistent fall offer that turned the market more bullish.

➤ It seems probable that this week will show signs of drops in the industrial activity. Demand will surely temper price increases by means of a drop on slaughter's rhythms.

➤ The market of ovine meat remains very firm, with quotations surpassing US\$ 2.30/kg cw for heavy lambs, between US\$ 1.90 and 2.00/kg for sheep and US\$ 2.10/kg for muttons.

Slaughters

➤ Last week's cattle slaughter contracted slightly. INAC reported that 44,116 cattle head were processed, 3.5% below the previous but 26% above the same week 2008. The drop was mainly given in steers, 8% below, while cows rose 1.9%. It comprised 22,244 steers (50.4%), 21,187 cows (48%), 367 bulls and 318 calves.

Week's leading units were Marfrig-Tacuarembó with 3,737 head, Marfrig-Colonia with 3,520 and Bertin-Canelones with 3,145.

Mercosur Cattle View (US\$ cents/kg)			
URUGUAY			
	<i>Last</i>	<i>Week</i>	<i>Month</i>
Steers			
Best steers (OTH)	217	215	213
Good steers (OTH)	212	210	210
Prime (LW)	116	116	116
Nat grass +480k (LW)	109	109	108
Holstein (OTH)	206	204	203
Cows			
Prime (OTH)	198	193	193
Prime (LW)	97	95	95
Fat (LW)	91	89	90
Heifers +310 (OTH)	202	200	200
Heifers +310 (LW)	103	102	102
ARGENTINA (live weight)			
Export steers (ONCCA)	95	94	92
Steers - Avg Liniers	83	84	81
Yearlings 390-430 k	87	86	85
Steers 431-460 k	84	86	85
Steers 461-490 k	84	85	82
Steers 491-520 k	87	85	83
Steers more than 520 k	79	84	74
Cows			
Prime	65	66	60
BRAZIL (live weight)			
	<i>Last</i>	<i>Week</i>	<i>Month</i>
Steer Sao Paulo	148	146	147
Steer RG do Sul	145	145	147
Steer Mato Gr. Do Sul	141	138	137
Steer Minas Gerais	137	133	132
Cow Sao Paulo	129	127	130
Cow RG do Sul	128	128	130
Cow Mato Gr. Do Sul	124	122	119
Cow Minas Gerais	121	119	117
Future steer prices			
ago-09			146
oct-09	157	152	153
dic-09	160	155	155
Restocker quotes			
Steer Sao Paulo (360 k)	154	154	155
Steer RG do Sul (360k)	131	131	125
Calves RG do Sul (180k)	154	154	141
Wholesaler			
Hind qtr Sao Paulo (cents/k)	339	332	309
Fore qtr Sao Paulo (cents/k)	228	221	211
PARAGUAY (live weight)			
Steers	125	119	131
Cows	115	113	124

➤ On the other hand, ovine slaughter grows as the shearing season progresses, despite interruptions in the past week due to heavy rains. Slaughters totalled 38,649 head, 20% above the previous and the highest level since early May, 19 weeks ago.

In this case the leaders were Las Piedras with 9,373 head, San Jacinto with 7,496 and Frigocerro with 7,303.

Brazil

JBS-Friboi and Bertin announce merger

➤ JBS-Friboi announced past Wednesday that Bertin's accountants completed the merge process between

Nafta markets										
USA					Canada					
Cattle (US\$/k)	Last	Week	Month	Var month %	Cattle (US\$/k)	Last	Week	Month	Var month %	
Steer Choice	1.84	1.85	1.81	1.8%	Steers, Sel 1-2	1.66	1.68	s/d	-	
Heifer Choice	1.85	1.86	1.81	2.4%	Heifer Sel 1-2	1.64	1.67	s/d	-	
Carcass 181 kg Boning	1.63	1.63	1.63	0.0%	Cow, cut & ut 1-3	0.93	0.85	s/d	-	
Carcass 159 cutter	1.63	1.63	1.63	0.0%	Import price US\$/ton, frozen, boneless)					
Steer choice carc.	2.86	2.88	2.87	-0.5%	Forequarter	3019	2917	2859	5.6%	
Heifer Choice Carc.	2.88	2.89	2.87	0.2%	Hindquarter	Nom	Nom	Nom	-	
Processing beef	90	2.82	2.84	2.86	-1.6%	Clods	Nom	Nom	Nom	-
	85	2.58	2.62	2.65	-2%	Eye Round	Nom	Nom	Nom	-
	75	2.82	2.84	2.86	-1.6%	Knuckle	Nom	Nom	3699	-
USA: Selected primal cuts US\$ / Ton					Top Sirloin Butts	Nom	Nom	Nom	-	
Ribeye(over 14 lb.)	10720	11079	11315	-5.3%	Striploins	Nom	Nom	Nom	-	
Shoulder Clod	2945	3086	3107	-5.2%	Montreal Wholesale Prices (US\$/k)					
Knuckle	3988	3973	3891	2.5%	<i>Steers & Heifers</i>	22-sep	15-sep	25-ago		
Inside Round	3982	3934	3584	11.1%	Sides	5.13	5.13	5.00	2.4%	
Outside Round	3794	3688	3359	13.0%	Fore Quarter	4.72	4.68	4.57	3.5%	
Eye of round	4765	4656	4001	19.1%	Hind Quarter	5.77	5.81	5.69	1.4%	
Strip Loin	11213	9912	9965	12.5%	Shank	3.65	3.66	3.64	0.4%	
Top Butt	4739	4732	4963	-4.5%	Cow					
Tender Loin	14776	14515	15640	-5.5%	Inside round	4.52	4.53	4.50	0.4%	
CME futures - Live Cattle (US\$/k)					Outside round	4.31	4.32	4.30	0.4%	
	Last	Week	Month	Var month %	Sirloin tip - Knuckle	4.24	4.25	4.22	0.4%	
feb-09	1.88	1.92	1.96	-4.0%	Sirloin K Butt	4.11	4.12	4.09	0.4%	
abr-09	1.86	1.91	1.95	-4.4%	Rib eye roll	5.03	5.04	5.01	0.4%	
jun-09	1.88	1.94	1.95	-3.3%	Strip loin	s/d	4.63	4.60	-	
ago-09	1.87	1.90	1.91	-2.4%	Boneless box beef 85%	3.65	3.66	3.64	0.4%	
oct-09	1.96	1.97	2.00	-2.2%	Trimnings fresh 60-65%	2.59	2.59	2.43	6.5%	

Sources: USA: USDA and CME. Canada: Cattle: USDA; Import prices: Department of Foreign Affairs and International Trade
Wholesale Prices: Agriculture and Agri Food Canada

both companies. Bertin shareholders agreed to transfer 73.1% of their shares to the new holding.

➤ Besides, JBS US branch will acquire 64% of Pilgrims Pride's shares.

With these two operations, JBS turns into the third biggest non-financial Brazilian company with shares publicly quoting in the stock exchange. The result of this merge is a company with a net income of R\$ 51.6 billion, surpassed only by Petrobras with R\$ 215.1 billion and Vale do Rio Doce with R\$ 70.5 billion.

BNDES supportive of meatpacker's merge

➤ The National Bank for Economic and Social Development (BNDES), considered as "very positive" the merge between JBS and Bertin. Bank authorities assured in a press release that the association will result in "the biggest animal protein producer in the world, with great potential in the generation of synergies". BNDES participation in the resulting company will be 22.4% of the overall business.

Producers say "concentration is dangerous"

➤ The merge between JBS and Bertin "is a dangerous concentration" and "will severely affect producers" said Ricardo Merota, president of the National Feedloters' Association (Assocon). He added that the new enterprise will slaughter 19% of Brazil's cattle and a better solution could have been accorded. "To have a healthier competition in the sector, Bertin should have been acquired by some other group, even from abroad", he said during a producers' concentration in Goiania.

Marfrig to hire with buying options units of Margen and Mercosul

➤ Marfrig Alimentos SA announced it signed a protocol of intentions with meatpackers Margen SA and

Mercosul SA to hire 11 units located in the states of Goiás, Pará, Rondônia, Mato Grosso do Sul, Paraná and Rio Grande do Sul. Industry members told WBR that the agreement includes a buying option.

The operation increases Marfrig Goup's daily slaughter capacity in Brazil from current 22,350 to 30,150 head.

➤ In the case of Mercosul SA, the operation includes four units in Rio Grande do Sul (Bagé, Alegrete, Capão do Leão and Mato Leitão) and one in Pirenópolis (Goiás). But the company has another plant to be inaugurated in Tucuma (Pará), its biggest, with a slaughter capacity of 1,500 cattle head per day, that will also be included.

➤ Mercosul's president, Douglas de Oliveira, has warned newspaper Valor Econômico that the company was looking for new financial sources to consolidate in the sector. He recognized the moment as "decisive".

The Pará plant should be ready in 35/40 days. It required a R\$ 40 to R\$ 50 million investment.

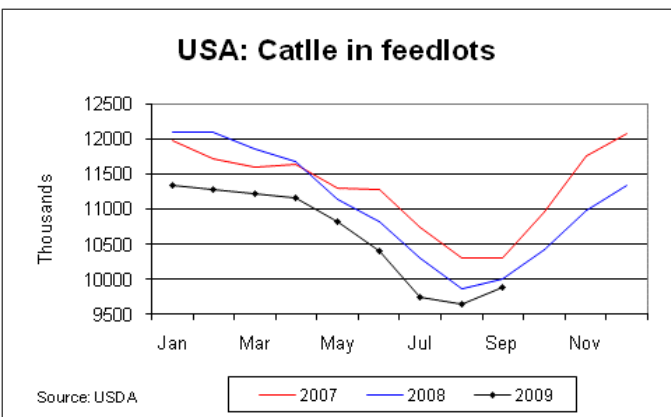
Markets

➤ The offer of finished cattle in several cattle markets is scarce and the market remains firm, with quotations upping slightly in various regions like Sao Paulo, Minas Gerais and Mato Grosso do Sul, among others. It's not the same with Rio Grande do Sul, where prices remained mostly stable during the week.

➤ At the same time, the Real is strongly valued against the US dollar, with a general trend of losses for the US currency, now quoting at year's lowest levels against a basket of main other currencies. The Real broke the R\$/US\$ 1.80 barrier, its highest quotation in the year.

Therefore, quotations in US\$ improve for better prices in Reales and also due to the exchange rate.

United States Cattle on Feed by September 1, 2009			
	% 09/08	2008	2009
On feed by August 1	98	9,869	9,637
Placed During August	102	2,061	2,110
Marketed during Augu	96	1,884	1,810
Other disappearance	112	49	55
On Feed by Septembe	99	9,997	9,882
Thousand heads			
Source: USDA			



➤ Qualifier agency Moody's gave the investment grade to Brazil, something that will certainly have a positive impact over the economy. The other two main qualifiers, Fitch and S&P have already granted the investment grade some time ago.

North America

US producers oppose Pilgrim's sale to JBS

➤ One US producers' association who recently achieved to halt Brazilian JBS expansion in the US, now threatens to impede JBS access to the US poultry business.

R-Calf USA – also opposed to live cattle imports from Canada – fears that the acquisition of Pilgrim's Pride will strengthen even more the positioning of the Brazilian group in negotiations with producers, allowing it to produce more poultry meat and jeopardizing the beef market.

Markets

➤ USDA's monthly Cattle on Feed report, released Friday afternoon, shows continuing lower inventories of cattle in US feedlots and somewhat larger-than-expected August placements. US feedlots with capacities of 1,000 head or more held 9.882 million head of cattle on September 1, 1.2% lower than last year and 2.5% higher than the revised figure (9.637 million, adjusted downward slightly from 9.644 million) for August 1. The month-to-month increase was a bit larger than the normal seasonal pattern, according to the Daily Livestock Report.

➤ Feedlot animal data was slightly bearish for futures prices, as confinements have more cattle than expected. The net balance of the week was negative for fed cattle prices in the Chicago Mercantile Exchange.

USA - Import values							
		Uruguay			Australia & New Zealand		
		18-Sep	11-Sep	21-Aug	18-Sep	11-Sep	21-Aug
0-15 Days	CL	n	n	n	3,307	3,307	3,263
Bull meat	95%	n	n	n	3,252	3,285	n
Cow meat	95%	n	n	n	3,075	3,053	2,987
	90%	n	n	n	2,855	2,849	2,800
CFM Fores	85%	n	n	n	2,833	2,833	2,778
Trimblings	80%	n	n	n	2,629	2,612	2,568
	75%	n	n	n	n	n	2,469
16-45 dias							
Bull meat	95%	n	n	n	3,296	3,307	n
Cow meat	95%	n	n	n	3,252	3,285	n
	90%	n	n	n	3,064	3,053	2,987
CFM Fores	85%	n	n	n	2,855	2,872	2,800
Trimblings	85%	n	n	n	2,833	2,833	2,778
	80%	n	n	n	2,646	2,612	2,568
	75%	n	n	n	n	n	n

In US\$/ton; n=no quote; Source: based in USDA

On its side, quotations of live cattle had some drops in the week. The USDA average situates in US\$/cwt 83.50. Meatpackers keep slaughters from medium to low and offer during the last quarter of the year could be somewhat better, which could exercise a downward pressure over fed cattle prices, warns DLR.

➤ Cow slaughter is also falling, as the dairy herd retirement program is coming to an end. Anyway, 90 CL domestic production price tended down during the past week, pressed by a bigger local offer. The USDA says that many end users were purchasing more domestic product due to the availability and the difference in price.

Europe

Russia aims to reduce poultry, pork imports

➤ Russia expects to import no more than 10% of the poultry and pork it consumes within three to four years due to growing domestic production, according to a wire service report.

Broiler meat production in Russia has risen about 15% to 16% a year over the past five years, an executive for Russian meat producer Cherkizovo told Reuters. Pork production has also risen substantially.

Sergei Mikhailov, chief executive of Cherkizovo, said Russia could reach self-sufficiency in poultry meat and pork by 2011 and possibly become an exporter by 2012.

➤ Russia produced 64% of the poultry it consumed last year and bought a quarter of US poultry exports, according to the article.

Australia Beef Export Prices				
Prices to Japan (C.I.F)	Last	Week	Month	Mthly Var %
Chilled				
Grassfed fullsets	4,850	4,872	4,784	1.4%
Shortfed fullsets	5,930	5,842	5,732	3.5%
Frozen				
Chuck/blade	3,373	3,307	3,285	2.7%
Thick flank	3,902	3,748	3,858	1.1%
Fore/hind blended	2,844	2,866	2,866	-0.8%
Topside	4,079	3,968	3,966	2.8%
Silverside	3,527	3,483	3,505	0.6%
Brisket	3,417	3,263	3,395	0.6%
To US (C.I.F)				
Bull 95 CL	3,181	3,181	3,148	1.1%
Cow 90 CL	2,954	2,954	2,877	2.7%
Cow 85 CL	2,723	2,778	2,734	-0.4%
Shank 90 CL	2,833	2,921	2,833	0.0%
Trimblings 85 CL	2,723	2,767	2,723	0.0%
Trimblings 80 CL	2,502	2,524	2,458	1.8%
Trimblings 75 CL	2,381	2,348	2,282	4.3%
Chucks 85 CL	0	s/d	s/d	x
US\$/ ton CL Chemical Lean				

Oceania

Feedlots increased cattle purchases

➤ Feedlots continued to drive the young cattle market during early September, with considerably more cattle being purchased year-on-year, said Meat & Livestock Australia (MLA). Despite national young cattle numbers for the first half of September tightening 12% year-on-year, feeder buyers secured 34% of the national yearling cattle offered.

Feedlots captured 36% more yearling steers and 25% more heifers compared with the corresponding period last year.

➤ Despite the A\$ rising throughout the month and export demand remaining sluggish, the feedlot sector increased purchases. A major boost for the feedlot sector has been the cheap cost of grain in the market compared with last year.

New Zealand beef exports fall 26% in August

➤ New Zealand beef exports fell 26% in August in comparison with the past year totalling 16,470 tons. The drop is explained by a fall on exports to the US (-56% to 4,683 tons), Japan (-41% to 1,721 t) and Taiwan (-17% to 1,062 t).

➤ Beef production fell 13% in July to situate in 29,919 tons – with slaughter similarly falling, 12% – and producers entering in a recovery phase after a long drought period.

Exchange rates			
	22-Sep	15-Sep	23-Sep-08
Uruguayan peso	21.700	22.00	20.68
Argentine peso	3.85	3.85	3.12
Brazil Real	1.80	1.806	1.834
Guaraní, Paraguay	4861.2	4855.3	4007
Canadian dollar	1.0731	1.0716	1.0444
Euro	1.4791	1.4674	1.4579
Pound	1.6361	1.6500	1.8401
Rouble	30.581	30.756	25.154
Yen	91.187	91.073	106.461
Australian dollar	1.145	1.157	1.195

All currency/US\$, except euro and pound, US\$/curr.

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