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Increasing Export Competitiveness: An Analysis on Expanding Uruguayan Beef Exports to the UK Market

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Abstract
The agri-food sector plays a very important role in the Uruguayan economy. Beef production and export has been one of Uruguay's main economic activities since the introduction of cattle into the second smallest country in South America. The most important destinations for Uruguayan beef exports are China, the European Union (EU) and the United States of America. The EU has been one of Uruguay's traditional markets exporting a constant quantity due to the tariffs quota agreed in the World Trade Organization (WTO). Brexit referendum has potentially opened new trade opportunities between the UK and Uruguay. Within this context, this paper aims to critically analyse Uruguay's beef sector competitive advantage to increase trade with the UK. This study uses an intensive research approach, by means of in-depth personal interviews of specific agents in the UK and Uruguay. The results of this study indicate that Uruguayan beef exporting firms lack a clearly defined strategy to take advantage of new market opportunities. Findings have revealed that government policies have not helped the beef sector to achieve a sustainable competitive position. Additionally, factor and demand conditions, as well as supporting industries have had a leadership role in the sector's competitiveness.
Keywords: Competitiveness, Beef, Uruguay, UK, Qualitative Research Approach

Introduction

Agriculture is one of the bases of Uruguay's economy. The country forms part of one of the few ecosystems of prairies and savannahs in the world: the pampa region. This region of approximately one million square kilometres is formed together by Argentina, Paraguay and Brazil. Its geographical position and the fact that Uruguay allocates 13 out of its 17 million hectares to livestock production, situates the country in a competitive position on the cattle production worldwide (DEFRA, 2016).

Livestock production has a long tradition in the history of the country. Beef production in Uruguay is one of the most important economic activities of the agricultural sector representing nearly 50% of its Gross Domestic Product (GDP) (DIEA, 2014). Interestingly, Uruguay has the largest per capita beef consumption in the world. In 2017, each inhabitant ate an average of 59.2 kilos of beef, barely a little more than in Argentina, where the average was 58 kilos per person (El Observador, 2018). This consumption represents roughly 30% of the total beef production, leaving the remaining 70% for international trade, which situates Uruguay as the eighth beef exporter in the word (OPYPA, 2016). Total exports in 2016 were more than 469.605 tons with a 50.000 tons increase in the last two years (INAC, 2019).

48,078 farmers own nearly 12 million cattle head with a medium size herd comprised of 250 animals per farm. Uruguay has access to all relevant beef markets (Blassina & Asociados, 2018). Animals slaughter per year rounds between 2.1 to 2.5 million where 50% are steers and the remaining 50% cows and heifers (INAC, 2019). Chilled beef shipments represent only 14% of total Uruguayan exports, with EU-27 being the main destination (64%) due to the Hilton and 481 quote followed by Brazil, Chile and the US (Meat & Livestock Australia, 2018). In addition, Uruguay exports live cattle (Meat & Livestock Australia, 2018).

Uruguay and the UK are two countries with strong trade links. In 1865, the Liebig's Extract of Meat Company Limited (LEMCO) was created - in London - to import meat extract from Uruguayan cattle and sheep. The extract was produced in a UK own processing plant in Fray Bentos, Uruguay. By 1874, Charles Crocker, an English cattleman, become the president of the company and LEMCO increased three times its production to half a million sterling and bought 50.000 hectares in Uruguayan territory (Lewowicz, 2016). The Brexit referendum has created opportunities for trading countries such as Uruguay, to increase its beef trade with the UK (Lawson, 2016).

Uruguay claims to have adopted a differentiation strategy highlighting the fact that animal diets are based on natural grass and emphasising animal welfare (Montossi & Cazzuli, 2016). It was believed that such strategy would help to penetrate the highly paying markets such as the US, EU and Japan.

The specific objectives of this study are as follows:

- To evaluate if Uruguayan beef has a competitive advantage to penetrate a challenging market mostly supplied by local, Scottish and Irish farmers.
- To situate the Uruguay beef brand as a luxury product and compete with the Argentinian beef brand.

The Beef Industry and Uruguay

At the end of 19th century, countries with favourable natural conditions for grassing and breeding cattle such as Argentina, Brazil, Australia, New Zeeland and Uruguay became targets for the developing of meat packinghouses, transforming these countries into the largest beef exporters in the world (de las Carreras, 1989).

Global livestock production has increased substantially since 1960's, with beef more than doubling its production to the date (Thornton, 2010). It reached 63 million tons in 2018 becoming the third source of animal protein after pork and poultry. The massive increase in beef production has been a result of the expansion of arable land and pastures since 1960´s. Crop areas were gained from natural forestry areas and created opportunities for mixed systems of cattle-crop production (Delgado, 2005).
China has become the largest beef importer in the world. Brazil is the main exporter to the Asian giant but not only has this country had a massive increase on the traded volume. Other countries such as Australia, Argentina and Uruguay have increased their exporting share to China in the last years (INAC, 2019).
The three main factors that have led to an increase in demand for beef are population growth, urbanization and increase in incomes (United Nations, 2006). However, consumers in developed countries are demanding quality and safety in the food products they select. This is a consequence of mistrust on food value chains due to some scandals, such as mad cow disease, the dioxin crisis in Belgium and outbreaks of foot-and-mouth disease in several countries (Gellynck & Verbeke, 2001). The environmental footprint of beef production is making some consumers to change their eating habits to a more sustainable diet (Garnett, 2014). Moreover, vegetarian marketing is influencing younger generations that are willing to change their traditional eating habits reducing beef consumption in their pairs (Walling, 2018). Environmental and animal welfare concerns are largely responsible for edging people to a vegetarian diet, in an aim of reducing their carbon footprint (Petter, 2018).
With the appearance of the feedlot, consumers started to taste more tender beef. Grain fed animals have a faster growing rate, more fat deposition, reaches slaughter weight earlier and have more tender meat due to a higher rotation of collagenous (Fluharty, 2016; Smith, 2016). However, it is considered that grass-fed beef is more nutritious because of its significantly better omega-6 to omega-3 fatty acid ratio (Cheung & McMahon, 2017). Animal welfare and food safety are additional benefits found in grass-fed animals compared to feedlot ones (DEFRA, 2016; Siegle, 2016).
The soybean boom of the 2002-2013 period created a new challenge for Uruguayan beef farmers, as they needed to increase production in less and lower quality land. The increase in machinery and services from agriculture had repercussion on the beef production sector, as more implanted pastures were used increasing the forage production for animals. Pastures are needed to rotate with crops for a sustainable agriculture, and that increased beef production not only in quantity but also in quality, as animals were slaughter earlier increasing tenderness in the cuts. With the soybean entry, beef farmers had to evolve and produce more to survive, otherwise higher rents paid for soybean production fields could let them out of business. These events improved the competitiveness of the abattoirs in the international trade ending up in opening the quota 481 agreement with the EU for a product finished in feedlots in the last 100 days.

Uruguay Beef Production and Competitiveness
Uruguay is a traditional beef producer, currently exporting about 5% of world's total volume of traded beef. Its beef cattle herd is composed of 12 million head, mostly of British breeds (Blasina & Asociados, 2016; INAC, 2019). Total beef production in the country averages 1 to 1.2 million tons of live weight since 2005 (INAC, 2019).
Beef production accounts for the majority of the country's surface occupying 13 of the 17 million hectares the country has. Approximately 90% of this area remains under natural

pastures as part of the pampa biome that stretches across Argentina, Paraguay, Brazil and Uruguay (Alianza del Pastizal, 2018). Each animal enjoys nearly 15.000 square meters, equivalent to two soccer fields. Uruguay finishes nearly 85-90% of the cattle under pastures diets leaving the remaining 10-15% for feedlot finishing, mainly focused on satisfying specific markets (Picasso, et al., 2014).

One of the biggest changes in livestock production was when in 1973, the Uruguayan government created the División de Contralor de Semovientes (DICOSE) with the objective of controlling livestock origin and movement (MGAP, 2018). With DICOSE, Uruguay became one of the first countries able to trace animals back to their origins; furthermore, the ministry of agriculture could guarantee that farmers and slaughter plants were complying with sanitary requirements (Fox, et al., 2005).

There are 39 licensed slaughter plants around the country, with an annual slaughter capacity of 3.5 million head of cattle. Foreign companies have played a central role in the last two decades, leading the process of expansion in the abattoir industry. Meat processing plants export under their own brands which are promoted in fairs such as SIAL in China and Paris, Foodex in Japan and Anuga in Germany (Peyrou, 2016; Bervejillo, 2015).

China has been in the last decade, the largest market for Uruguayan beef, representing 39% of beef exports. The EU represents 24% of Uruguayan beef exports and is estimated to remain on that levels. The other important market that Uruguay has developed is NAFTA with 17% of the total exports. Other markets with some smaller amounts traded are Israel 8%, MERCOSUR, 6% and other countries with the other 6% (INAC, 2017).

In the Tokyo GATT agreement, the Hilton Quota was created which requires high quality grass-fed beef presenting a slaughter live weight not exceeding 460 kilograms. This Quota allows 66.750 tons from Australia, New Zealand, Paraguay, Argentina, Brazil, Uruguay and US to enter the EU with 20% tariff rate on CIF price (Revell, 2017). Uruguay has 6.370 tons for this quota and it is fulfilled every year (El Observador, 2018). The other interesting quota for chilled beef is the 481 quota or HQB quota, which is given to an importer who then decides were to buy among authorized countries (Vazquez Platero, 2006). This quota consists of 48.200 tons tax-free in the modality of "first come-first served" allowing each exporter to trade as much possible until the quota is fulfilled. Countries allowed for this quota are Australia, New Zealand, USA, Canada, Argentina and Uruguay (Uruguay XXI, 2017).

UK Beef Market

UK is one of the biggest meat consumers in Europe (AHDB, 2019). With consumption in 1204.000 tonnes and exporting 147.000 tonnes there is gap to be fulfilled by imports, which last year reached 364.200 tonnes. Due to the different trading policies the UK has with the EU, historically, 90 to 95% of the imports were supplied by EU countries. For example, in 2017, EU countries provided 94% of UK beef imports with Ireland representing 70% of the fresh and frozen beef (AHDB, 2019).

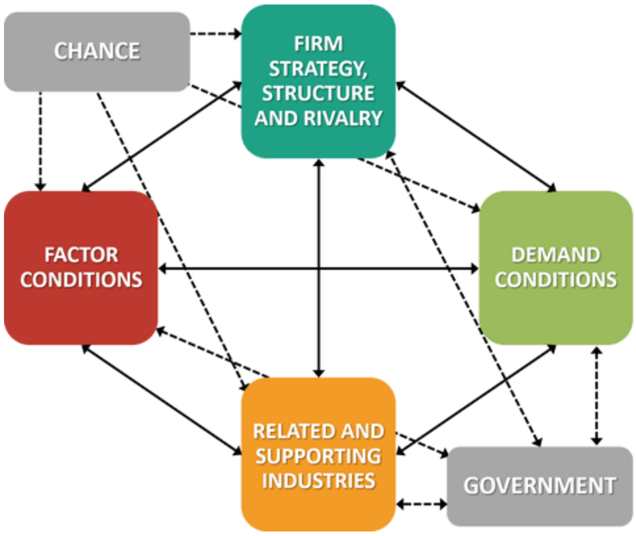
Uruguay has exported to the UK since the Tokyo agreement in 1979 (Revell, 2017). Consequence of the Brexit referendum announcement in 2016 the ratio GBP/USD decreased affecting mainly the non-EU imports (Trading Economics, 2018). Uruguay has had a constant trade with the UK but has decreased the exports significantly from 3.4 to 2.2 (000 tonnes) in the last year (Blasina & Asociados, 2016). Many times, Uruguayan beef is sold under Argentinian brands such as Prietos Grill a barbecue street enterprise under the statement: 'Prieto's Grill, Food with an Argentinian Soul'. This shows the power Argentinean beef brand has over others South American countries (Casa Argentina, 2020).

Competitiveness in International Trade

Through history, several authors explained competitiveness in international trade. Heckscher and Ohlin, developed their factor proportion theory of comparative advantage emphasizing that traded commodities are really bundles of factors (land, labour and capital) and was an alternative to the Ricardian model of 1817 (Leamer, 1995). The term comparative advantage refers to the ability of a party or individual to produce goods or services at a lower marginal and opportunity cost than another (Boundless Economics, 2018). In fact, contemporaneous economists consider this law of comparative advantage to be fundamental (Salvatore, 2004). However, this theory is criticized in pragmatic ground by other authors who state that terms of trade between primary producers and manufactured goods deteriorate over time (Riley, 2018). According to the comparative advantage principles, developing countries with a comparative advantage in agriculture must get deep in specialization of it and import high-technology widgets from developed countries with a comparative advantage in this area of technological development. According to Chang, this would lead to an unequal distribution of wealth, as developing countries would be left behind (Chang, 2002).

Michael Porter's theory approaches international competitiveness from a different angle and claims that national prosperity is created, not inherited. According to his theory, international competitiveness does not grow from countries' natural endowments, interest's rates, currency values or labour pool as classical economists suggest (Porter, 1990). This theory suggests that governments and businesses should aim to create high quality goods to sell at the highest possible price. He strengthens the idea that cheap labour could be found in any country while natural resources are not necessary for a good economy. "A nation's competitiveness depends on the capacity of its industry to innovate and upgrade" (Porter, 1990). Similar to Porter's theory, Hidalgo and Hausmann (2009) propose that competitive advantage at international level is based on the capabilities each country has.

Porter´s Diamond model was published in 1990 and it has become one of the most useful models to understand why a nation can become the home base for successful international competitors in a particular industry (Porter, 1990). The Diamond identifies four interrelated economic areas within a nation. These four determinants are factor conditions, demand conditions, support industries of the country, and competing firms within the country. These four main attributes are complemented with two additional external factors. These are governmental policy and the role of chance events.



Source: Adapted from Porter (1990)

Porter (1990) claims that the success or failure of a specific industry is a result of the interaction among all 'diamond' determinants and that each determinant can be influenced and influences the conditions of chance and government policy.

Factor Conditions
The factors most important to competitive advantage in industries in advanced economies are not inherited but are created within a nation. To understand the role of factors in competitive advantage it is necessary to distinguish between types of factors. The first demarcation is between advanced and basic factors. While advanced factors of productions are skilled labour, knowledge, capital and infrastructure, basic factors are unskilled labour and raw materials. Basic factors include natural resources, climate, location, unskilled and semiskilled labour, and debt capital. Basic factors remain very important for agriculturally based industries (Porter, 1990).

Demand Conditions
Domestic demand for a certain product is the second factor determining a nation's competitive advantage. Porter explains various ways in which domestic demand can help firms to become industry leaders. The more demanding home market customers are, the greater the pressure on companies to innovate and improve (Expert Program Management, 2018).

Related and Supporting Industries
According to Porter's theory (1990), the presence of international competitive suppliers creates advantages in the country's industries. These suppliers can offer expertise, service and cost-effective access to inputs that influence the success of a firm in international business.

Firm Strategy, Structure and Rivalry
The fourth determinant in which competitive advantage is sustained in a particular industry is the context in which firms are created, organized and managed along with the nature of domestic rivalry. Porter's (1990) work suggests that the way firms are organized and managed is influenced by the domestic environment and national policies. He believes that nations are likely to succeed in industries where management practices favoured by the national environment fit with the industries' sources of competitive advantage.

Government and Chance
Governmental policies influence all four of the determinants through regulatory methods. Government policies implemented without consideration could undermine national advantage. Chance refers to those events that firms cannot control but can influence competitive advantage. These are very important for the agriculture sector (Porter, 1990).
Because the scope of this investigation is to analyse the growth in export opportunities for Uruguayan beef in the UK, Porter's Diamond was chosen to assess the competitive advantage the country has over other beef suppliers in this market.

Methodology
An interpretivism, deductive research approach was deemed the most appropriate approach to address the objectives of this research. Within a deductive approach, this research opted

for an industry level case study to collect required qualitative primary data for analysing the competitiveness of the Uruguayan beef industry.

Semi-structured interviews were conducted with key players within the beef industry in the UK and Uruguay. A purposeful and convenience sampling method was deemed the most appropriate non-probability sampling method to address the objectives of this research. The criterion used for selecting interviewees was that they have been involved in the decision making process of strategic decisions or have an excellent understanding of the beef value chain in the UK and Uruguay. In depth personal interviews were conducted with: Uruguayan Minister of Agriculture and president of National Meat institute (INAC) 2005-2010; Commercial Manager for Nirea S.A, and member of FUCREA (Uruguayan Federation of CREA groups); Marketing Manager of INAC, and professor of ORT University; Agribusiness journalist and Director of Blasina & Asociados (the largest agribusiness consultancy firm in Uruguay); CEO Marfrig group; General Manager of Maximeat Ltda; Chairman of Aubrey Allen and sales manager on George Abraham of Smithfield Market.

The interview consisted of 20 questions. Respondents were informed that anonymity would be preserved and that the interview should last around one hour and a half. Prior to data collection, the questionnaire was pre-tested (using a pilot test) on four additional participants and some corrections were made regarding the use of language and the questioning style.

All interviews were conducted during 2019 and were recorded using Sonocent Audio Notetaker with transcripts produced from the recordings. Thematic analysis was used to analyse qualitative data.

Research Findings

The majority of respondents mentioned that Uruguay beef quality is recognized worldwide.

Uruguay is very well positioned at the market due to sanitary and phytosanitary regulations; we are in front of our neighbours –Brazil and Argentina - in this feature. (Respondent 3).

Although the majority of respondents agree that the image Europeans have on Uruguayan beef is of a high quality product, a division must be done between trade agents and consumers. Uruguay's image is high among wholesalers trading beef, but this image or knowledge is not translated to the retail and final consumer.

Consumers' knowledge of Uruguayan beef quality is minimal in most of the markets. I think there is a huge opportunity to position the meats of Uruguay and we are already working on this for China. However, at trade and sanitary level, we are very well positioned mainly because of the traceability. (Respondent 6).

I think that in Europe, many people know Uruguay for football and for meat, but I doubt very much that this is later transferred to a purchase decision. I think that Argentine meat still has a better marketing than ours. (Respondent 5)

I think Uruguayan beef is very well positioned in the UK. I think we do not sell more because we sell better elsewhere. We have always had a good image there. (Respondent 1).

When analysing the interviews in the UK, there are some concordances. Uruguay is seen as a trustable and easy to trade country, although consistency and packaging quality are questioned.

We found Uruguay a good country to trade, the quality of the product is good, although there is an important lack of marketing from the government to reach the final consumer. We cannot sell the beef to our clients with a premium price, as they are mainly interested in beef from Australia and Argentina. (Respondent 7).

The main problem Uruguayan beef has is the shelf life of the product. This is caused by the quality of the packaging, where the Australian one uses the soak pad, which helps to remain dry for a longer period, increasing the shelf life for more than 10 days. (Respondent 8).

Uruguay's Competitive and Comparative Advantages

Nearly all interviewees agreed that Uruguay expanses of good quality natural pastures allow beef producers to target those consumers looking for grass-fed traceable beef products.

*I think that the fact of being a grass-fed livestock gives Uruguay a competitive advantage. Mad cow has had a negative impact on Europe but particularly in the UK. It seems to me that positioning in a more grass-fed production than Argentina and showing that livestock is not carried out advancing over jungle areas like Brazil and Paraguay gives us a differential in the regio*n. (Respondent 2).

Respondent 4 argues that other countries of the region, promote their products in the same way Uruguay does. Labelling their products as open sky productions systems, grass-fed and hormones free such as Paraguay, Brazil and Argentina do but he mentions that Uruguay can offer a better product due to the breads used. Uruguay has 90% of the rodeo with British breads while Paraguay and Brazil relay on more zebu animals due to the higher temperatures, reducing beef quality.

I do not think we have too many comparative advantages, and adding to this, we have a size disadvantage with our direct competitors. Feedlot production standardizes animals, as they all have similar weights. It is easier for the industry to produce boxes and containers from similar animals from feedlots rather than selecting from pasture animals, where the variation is enormous. (Respondent 5).

One of the best beef I have had in my life came from a Hereford animal, pasture raised in Argentina. However, this country has changed their pastures for soybean production, and Uruguay remains as the only natural grassland reservoir in South America capable of producing high quality beef. (Respondent 8).

Analysing the competitive advantages, Uruguay's best weapon is the traceability of the products, which is appreciated by demanding markets. In addition, Uruguay has a large trustworthy reputation with its trading partners. As an example of this, when China opened beef imports in 2007, the first two countries to trade with the Asian giant were Uruguay and Australia. Moreover, Argentina and Brazil cannot export to the USA, one of the most demanding markets in sanitary aspects, while Uruguay is capable of doing it.

Europe Tariffs Trade and Evolution of the Market

Uruguay as part of Mercosur have three different tariffs trade quotas to enter beef to the EU. These quotas are the GATT quota, Hilton and 481.

Uruguay meets the entire Hilton quota, unlike Argentina, which is a very important factor when negotiating more volume. On the 481, Uruguay has had an excellent performance and I think it has changed the whole livestock production chain in the country. (Respondent 3).

Under these rules, it is difficult to increase the participation on the EU market, and consequently in the UK market.

There are EU-Mercosur negotiations to increase the Hilton quota that would generate a 20% increase of the quantity sold under this modality. If this quota is increased, we will grow. (Respondent 4).

There is uncertainty about how Brexit will affect the trade between Uruguay and the UK.

Ireland is the largest UK meat supplier with 60%. With a changing scenario, which is the most reasonable, a good window would be opened to Uruguay, since the relationship with the UK is better than with other competing countries such as Argentina and Brazil. With a reduction of tariffs, Uruguay would be more competitive in this market. (Respondent 8).

Businesses and Uruguay's strategy

Although Uruguay has a clear strategy of promoting grass-fed animals, no hormones, no antibiotics and open sky production, there is a lack of strategy when selecting the countries to negotiate and trade.

Uruguay must define a strategy. The beef industry should stop going after the demand as it has been doing so far; I believe that Uruguay must stop being a Chinese dependent and emphasize on markets that can afford good quality beef. (Respondent 3).

Uruguay must create a luxury product based on high marbled grass-fed animals to be sold in the most expensive restaurants in the UK, that will drag the total Uruguayan beef to a price increase, generating more revenue to the chain and going out from the commodity sector, where due to its size, it would not be competitive. (Respondent 8).

The findings revealed that Uruguay does not have a defined strategy and has always gone behind the increasing demand. There is not a defined strategy for the UK market, as the exports relay on the opened quotas. There is not a strategy to satisfy the highly educated consumer, concerned about traceability and origin. The beef is traded as a commodity, and the consumer never sees the packaging, losing the origin of the product. The only place where Uruguay seems to have a defined strategy is for China, aiming to reach the final consumer through e-commerce.

Uruguay Internal Aspects Contributing to Competitiveness

Uruguay has a large history in beef trading that started with family businesses transferring the knowhow from generation to generation, until the appearance of multinational enterprises, which now own #more than 60% of the country's abattoirs. Most of these enterprises kept the Uruguayan workers to take advantage of their knowledge.

I think Uruguay has well-prepared employees. Some of them emigrate to USA, Ireland or Australia and seem to have the skills to work in these markets. However, there is a lack of managers with the ability to negotiate internationally. (Respondent 4).

In my opinion we do not have the knowledge of certain aspects of the business, not even a strategy to work in importing countries, there is a lot to learn in this aspect, especially from countries like Australia in meat and Chile in fruit and pork. (Respondent 2).

Uruguay has people well prepared in the local market, and INAC develops courses for preparing people to work in the beef industry. However, there is a lack of education for the outside world, professionals prepared to increase the total revenue for the country and developing strategies to increase the position of Uruguayan beef in the most demanding markets. Findings also suggest that the lack of infrastructure prevents the sector to reach its full potential.

At the governmental level, there is non-investment in infrastructure contributing with the sector. The situation is different in the private sector where continuous investments in production technology are seen every year. (Respondent 5).

One of the main Uruguayan weaknesses is the cost of production. Other countries competing for the same markets have lower industry and farming costs, reaching the final market with lower prices and similar products.

Uruguay has a notorious problem of production costs, whether it is tax, production operating costs, diesel, labour or internal freight. At the abattoir level, we are more expensive than the Paraguayans are. (Respondent 5).

Contribution of Government Policies

According to this study, the work the government has done on sanitary aspects and the transparency of the value chain has helped the beef sector to open several markets. INAC's contribution to the sector unifying negotiations between government, industry and farmers is admirable in comparison with Uruguay's direct competitors.

Today we are putting together a program in INAC monitoring the industry to see what the companies' need to perform better, similar to how it is done with the MLA in Australia. (Respondent 3).

Although INAC's work is considered a success, the organism does not have any representative working on the different trade markets to support negotiations and has not conducted any research to understand consumers in these countries.

I think a debt we have with the government is the absence of agricultural aggregates in three markets: Europe, USA and Asia. This has been a point that we have always demanded from the government as a necessity not only for beef but also for other commodities. INAC had invested in some people, sending them temporarily to open a market or make an analysis, but never this person has the institutional weight as if it were part of Uruguayan diplomacy. The competing countries have a clear strategy in that respect. Australia and Brazil are very good examples of what the Uruguayan government should do. (Respondent 5).

Chance Events Influencing the Sector

The most remarked event that has affected the industry was the foot-and-mouth disease crisis in 2001. Other factors such as currency depreciation in some markets like Turkey could have an impact on the future, as the amount of livestock export is growing every year to this country. In addition, political policies of competitors can open opportunities to Uruguay in penetrating certain markets. Brexit negotiations might create a new window for Uruguayan beef, consequence of new market policies, but not due to the work or investment of the country in this market.

To Uruguay, what really helped was the foot-and-mouth disease crisis, if it had not happened, we would not have traceability, which made us differentiate from our neighbours. (Respondent 6).

Discussion

This study has revealed that the weather, pastures, breeds and soil fertility situate Uruguay in a selected group of countries capable of producing high-quality grass-fed beef. As suggested by Porter (1990), these basic factors, form the basis for creating competitive advantage within a commodity sector such as beef. Traceability is one of the biggest strengths for Uruguayan red meat.

The analysis of data suggests that it is very difficult to find managers with the skills needed for success in international business. This has proved to be a major weakness for the sector. The sector must improve its international marketing strategy. The industry should conduct a target market analysis in the UK and the EU and then develop a suitable strategy. Uruguay does not have a clear strategy and has gone behind the demand and the best payer through

decades, first USA, then Russia and now China. Moreover, the majority of consumers know very little about the quality of Uruguayan beef.
With the Chinese opening the market in 2013, Uruguay seems to be developing a strategy focusing in this market. However, there is a disconnection between INAC strategy trying to differentiate Uruguay as a high quality grass-fed beef producer and the market the country is aiming. Uruguay can only send frozen beef, which is seen as a lower quality product to chilled beef. This is due to transportation time, which is nearly 45 days, while Australia has only a 10 days trip, reaching the market with a chilled product. Adding to this, Chile has a 0% tariff to enter the Chinese market while Uruguay is paying nearly 12% creating an important disadvantage when competing with lower quality products. In a way, Uruguay is situated in the middle, not having an advantage in price or perceived quality.
The above suggest that the sector lacks a clear strategy. There are different approaches to how the country should develop the animal-feeding strategy. Uruguay's emblematic logo refers to the fantastic natural pastures and that animals are grass-fed in a sustainable environment, but the quota 481 specifies that animals should have 100 days on a feedlot, and this was mentioned as one of the events that helped exports. There is a contradiction here that must be addressed; Uruguay needs to decide whether to focus on grass-fed or feedlot.
Poor infrastructure, a strong labour union and cost of production were identified as factors that reduce the competitiveness of the sector. Domestic demand do not give the sector an idea of consumers' preferences in developed countries. The Uruguayan consumer is not a high-quality demander from the industry. Actually, most consumers are used to eat medium to low quality beef. As an example of this, in Uruguay there is no seek for marbling or processes like dry aging meat which are demanded in more sophisticated markets. Not only this, but the cuts that are sold on the local market correspond to lower quality cuts, mostly bone-in, while the rump and loin is saved for export markets. Other countries competing for the same markets have a strong domestic demand, such as Brazil and Argentina, situating Uruguay in a less competitive position according to Porter's model.
Porter claims that intense rivalry drives innovation and there is not much rivalry on the beef export sector. The demand for Uruguayan beef in the opened markets exceeds the supply, consequence of the great job INAC and the privates have done to position Uruguayan beef among importers.
There are two visions about the impact of the Uruguayan government on the beef sector. On the one hand, the government is seen as a partner whose fantastic work has opened important markets for beef exporters. On the other hand, the analysis of qualitative data suggests that government policies such as tax rates, exchange rates, the inefficient government bureaucracy and restrictive labour regulations had impacted negatively on the international competitiveness of Uruguayan beef. There is an opportunity for the government through INAC to increase the lobby in interesting markets, not only to improve the access conditions, but also to understand the market and improve negotiations.

Conclusions

Uruguay will be for many years a beef exporting country trying to explore and grow in the world beef trade. With an increasing world population, Uruguay has the challenge of increasing its production to supply this demand. To achieve this, Uruguay must intensify the livestock production without neglecting sustainability and the effect on climate change.
Consumers in the UK are concerned about animal welfare, health impact and environmental impact of the products they purchase, opened to change their protein source if their

traditional one does not reach their safety, ethics and quality standards. Therefore, Uruguayan exporters must address all these issues to satisfy customers' trends.

The analysis of the collected information using Porter's diamond model suggest that Uruguay is well positioned to create competitiveness in the international beef trade. The factor conditions, with a heavy weight of basic factors positions Uruguay on an elite group of countries capable of producing and exporting high quality grass-fed beef. Traceability is one of the stronger tools that differentiates Uruguay from other countries of the region competing for the same markets. Weaknesses have already been discussed and some of them such as domestic demand, lack of infrastructure and tax policies are unlikely to change due to the size of the country. Therefore, Uruguayan beef exporters should concentrate on the strengths.

There is a big opportunity for Uruguay to penetrate the UK market with a luxury product. However, a lot of work is needed around branding, marketing, a differentiation strategy and market research. Uruguay has the opportunity to position itself in the market as the best, healthier and safe grass-fed South American beef producer to satisfy the elite consumers of high quality imported beef. For this to happen, the whole industry must evolve to produce the best high-quality beef that the country could produce. This strategy would lead to increase competitiveness, as the whole industry must innovate to penetrate this market, from the farmer producing the beef, to the abattoir selecting the cuts, finishing with the marketing strategy with local partners. Uruguayan beef is cheaper than good local and other imported beef from Australia and Argentina. By creating this product, Uruguay could achieve more value for each cut and pass it through the whole chain.

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