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Report Name: Grain and Feed Annual

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Report Highlights:

Uruguayan wheat farmers in 2020-2021 are projected to keep planted acreage unchanged, with a similar output at 780,000 tons. Wheat exports are projected to increase at 300,000 tons. Corn production is forecast to increase at 840,000 tons, a record high. Still, imports of 150,000 tons will be needed. Despite a 3 percent area increase, rice production and exports are forecast to remain unchanged.

Wheat: Uruguayan wheat production for 2020/2021 (December 2020/November 2021) is forecast at 780,000 tons, unchanged from the previous season. Despite expected tight returns, farmers are projected to maintain acreage similar to last year. Its use in crop rotation, as a winter cover crop to control glyphosate-resistant weeds and as a cash flow source at the end of the year influence farmers to continue planting wheat. In addition, a reduction in barley planted area announced by a malting company recently as beer consumption falls under quarantine conditions, may be to the benefit of larger wheat planted area. Ag input suppliers report that farmers have inputs on hand to plant at least half of the projected wheat area. The planting season normally begins in mid-May.

Wet conditions at the end of the growing cycle reduced yields and quality resulting in lower than expected returns. The Government's recent devaluation, though, is expected to help farmers reduce production costs in items which are not dollarized, such as labor, taxes, fuel, and overhead and some agricultural inputs, such as fertilizers, are also priced lower than last year. On average, wheat requires \$330 for inputs and \$180 for services (such as planting, spraying, harvest) per hectare. Including freight and commercialization costs, producers will need to produce close to 3.5 tons per hectare to cover total costs. Country average yields are normally somewhat lower.

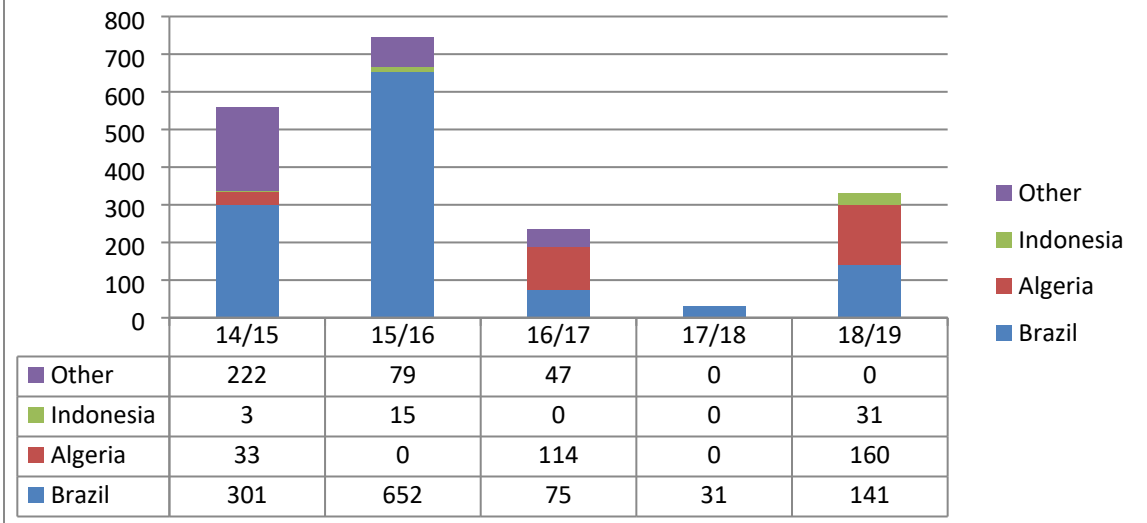
Summer crop harvest is underway and progressing normally, despite Covid-19 concerns throughout the supply chain. The government has worked with the private sector to develop protocols to reduce sanitary risks to workers in an effort to keep agribusinesses in operation.

Exports

Wheat exports in 2020/2021 are forecast at 300,000 tons, in line with the volume of the previous two seasons. Although Brazil is Uruguay's natural market, it only exports to Brazil when quality meets the mills' requirements. Argentine and Paraguayan wheats are very competitive in Brazil. Algerian and Indonesian markets have also been export destinations in the past decade.

Local trade data shows monthly exports, but significant volumes are recorded as exports to Uruguay because trucks enter into the free zone areas prior to loading. The following chart is based on information provided by Agrosud, a local grain broker, which identifies each shipment by destination once the vessels leave the ports.

Uruguayan Wheat Exports in 1,000 MTons

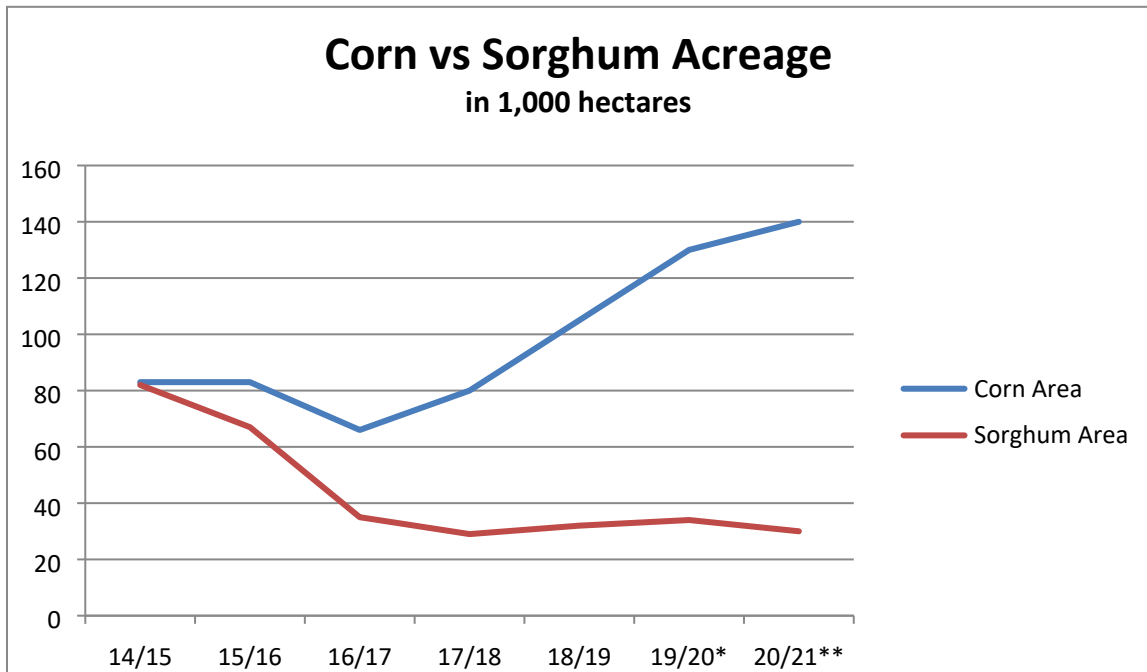


Source: FAS/BA based on Agrosud data. Marketing Year November/October

Domestic wheat consumption for 2020/2021 is projected at 470,000 tons, a return to normal levels assuming Covid-19 conditions have eased. In 2019/2020, as a result of coronavirus, wheat flour demand for home consumption has risen due to quarantine restrictions. In the past 3-4 years, Alur, the national alcohol company has consumed different grains to produce bioethanol needed to meet local fuel mix mandates. Although it is difficult to know the consumption per grain, contacts indicate that the company normally processes some 20-30,000 tons of wheat per year. Gasoline sales in 2020/2021 are expected to return to normal levels following a Covid-19 induced drop in fuel consumption in 2019/2020.

Ending stocks for 2020/2021 are projected at 76,000 tons, the rough equivalent volume of two month's use.

Corn: Production in 2020/2021 (marketing year April 2021-March 2022), is forecast at 840,000 tons based on an 8 percent increase in acreage and expected yields higher than the 2019/2020 crop which was negatively affected by dry conditions in February. Corn acreage has been expanding in the past few years due to positive returns, higher yields and steady domestic demand. Corn has been taking acreage from sorghum, a crop which is in decline. Seed technology available in corn has improved noticeably compared to that of sorghum. Roughly 70 percent of the corn crop is planted early with the combination of barley followed by a second corn crop resulting in high returns in the past couple of seasons.



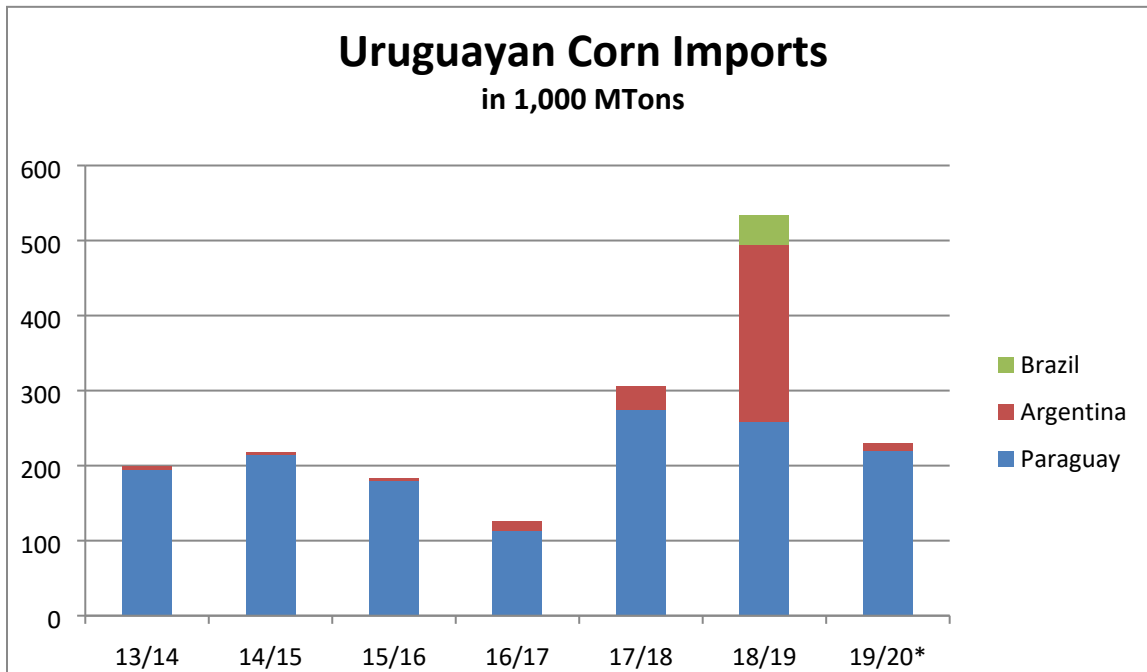
Source: FAS

* Post Estimation; ** Post Projection

Despite its investment costs, leading producers, who plant on their own farms, report that corn has produced the best profit margins amongst alternative crops over the last few seasons. Local corn prices are generally higher than those in the region because its price is basically the import parity due to annual imports of 200-400,000 tons from regional neighbors. Most farmers have improved crop management and incorporated technology to increase their returns. Producers who lease land typically prefer to plant soybeans which require a lower investment. The recent devaluation has improved farmer's production costs, except agricultural inputs which are dollarized, as costs denominated in pesos have dropped in dollar terms. This is the case for machinery services, freights, overhead costs and fuel.

2019/2020 corn production is currently being harvested. Yields are lower than earlier expected as a dry February is expected to have negatively affected early corn during grain fill.

Based on trade data produced by Agrosud, a local grain broker, Uruguay last exported corn in 2018/2019 when a total of 53,000 tons were exported to Chile (33,290 tons), Senegal (19,644 tons) and Libya (140 tons). Before that, Uruguay exported 36,000 tons to Jordan in April 2014. On the contrary, Uruguay imports corn for its livestock sectors to fill domestic supply gaps, primarily trucked in from Paraguay. Uruguay imports corn every month, but the largest volumes generally take place from July-October.



Source: Trade Data Monitor, Marketing Year April/March

* Post Estimate

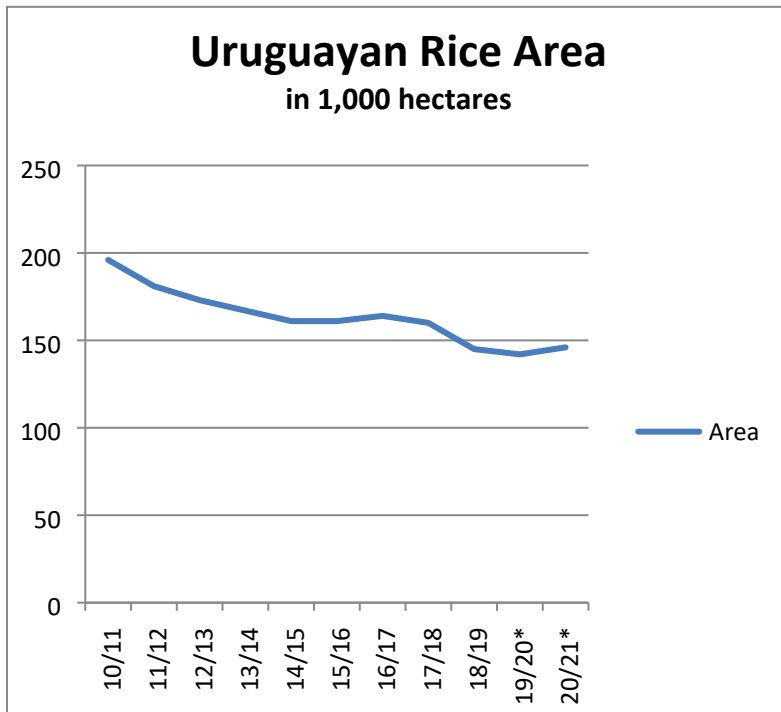
Corn domestic consumption for 2020/2021 is forecast at 960,000 tons, a rebound from the previous year and a return to normal demand assuming Coronavirus crisis conditions have eased, primarily in response to demand from livestock, dairy and poultry sectors. Alur, the national alcohol company, uses corn, but as its plant is multi-grain, its consumption level depends on market conditions.

Ending stocks generally are in the range of 100-150,000 tons, a volume equivalent to the use of 1-2 months.

Sorghum: Production for 2020/2021 is projected to drop to 120,000 tons, the second lowest in a decade as planted area dwindles to 30,000 hectares, one-third of the area planted 9 years ago. As shown in the graph above in the corn section “Corn vs Sorghum Acreage”, sorghum production has been lagging for several years, propped up primarily by grower contracts with Alur. For example, Alur offered \$160 per ton to growers to secure 10,000 hectares of low tanning sorghum for the 2019/2020 crop. The alcohol plant in Paysandu produces sorghum DDGS in demand by the local livestock sector.

Uruguay has practically no imports or exports of sorghum.

Rice: Production in 2020/2021 (marketing year April 2021-March 2022) is forecast unchanged at 1.22 million tons, rough base, and 854,000 tons, milled base. Although rice planted area has been on a downward trend over the past decade, the area, at 146,000 hectares, could increase 3 percent if the exchange rate devaluation of early 2020 continues, the price of Uruguayan rice does not fall below current values, which increased 12-15 percent in the past few months, and if stressed water reservoirs are replenished for the next season.



Source: USDA

* Post Estimate

In the past 3 seasons, farmers needed a yield of 8.8-9.0 tons per hectare, rough base, to break even. However, after the Peso devaluation of about 14-15 percent in 2020 and the higher rice prices recently, farmers will only need yields of 7.5 tons per hectare to cover production costs. As yields average between 8.2-8.6 tons per hectare, farmers may maximize these positive conditions in 2020/2021 to expand planted area.

For the 2019/2020 crop, 60 percent of the crop has been harvested with high average yields. Farmer returns will be tight under the high input costs of 2019 but they will be able to capture better prices in 2020 which will help service ongoing debts of many rice growers.

Fifteen percent of rice is marketed independently by growers with the rest closely linked to the rice mills through grower contracts. Growers receive agricultural inputs and compensation during the growing season. After delivering their rice to the mill, they receive payment at an estimated price, but once the marketing year is over, they receive a final settlement depending on prices received by the mills. The largest 4-5 mills account for 75 percent of total production.

Rice exports in 2020/2021 are forecast at 790,000 tons, milled base, the same as in 2019/2020. The top markets are expected to be Peru, Mexico and Brazil or Iraq, depending on the tenders and how competitive Uruguayan rice is at the time. Peru usually buys high quality milled rice while Brazil typically imports brown rice and paddy rice. Late last year Mexico banned Uruguayan rice imports after finding khapra beetles in some containers. Uruguay claimed cross contamination as this beetle is not found in Uruguay or the region. The two governments agreed on a surveillance program that placed 200 traps in Uruguayan rice mills. After 4 months, no beetles were found and Mexico proposed a new

protocol to disinfect containers in the future. Local exporters are confident they will be shipping milled and some paddy rice to Mexico as of May.

Domestic consumption in 2020/2021 is forecast at 72,000 tons, milled base, somewhat lower than the previous year in which demand is expected to be higher than normal because of the Coronavirus. With the social isolation, families tend to buy and consume more staple foods like rice. Local rice mills are currently pressed under very strong demand.

Ending inventory for 2020/2021 is projected to be low to sustain technical volumes for processing. Contacts indicate that rice is not stored for carry over when the world demand is high.

Statistical Tables

Wheat Market Begin Year Uruguay	2018/2019		2019/2020		2020/2021	
	Dec 2018		Dec 2019		Dec 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	198	200	230	235	0	236
Beginning Stocks	103	103	53	36	0	61
Production	728	740	760	780	0	780
MY Imports	7	7	10	5	0	5
TY Imports	8	8	10	7	0	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	838	850	823	821	0	846
MY Exports	325	354	300	270	0	300
TY Exports	295	295	300	270	0	300
Feed and Residual	30	30	30	30	0	30
FSI Consumption	430	430	440	460	0	440
Total Consumption	460	460	470	490	0	470
Ending Stocks	53	36	53	61	0	76
Total Distribution	838	850	823	821	0	846
Yield	3.6768	3.7	3.3043	3.3191	0	3.3051
(1000 HA) ,(1000 MT) ,(MT/HA)						

Sorghum	2018/2019		2019/2020		2020/2021	
	Apr 2019		Apr 2020		Apr 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Begin Year						
Uruguay						
Area Harvested	32	32	27	34	0	30
Beginning Stocks	0	0	16	14	0	6
Production	146	146	100	130	0	120
MY Imports	10	8	10	0	0	0
TY Imports	4	4	10	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	156	154	126	144	0	126
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	100	100	70	98	0	86
FSI Consumption	40	40	40	40	0	38
Total Consumption	140	140	110	138	0	124
Ending Stocks	16	14	16	6	0	2
Total Distribution	156	154	126	144	0	126
Yield	4.5625	4.5625	3.7037	3.8235	0	4
(1000 HA) ,(1000 MT) ,(MT/HA)						

Corn	2018/2019		2019/2020		2020/2021	
	Apr 2019		Apr 2020		Apr 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Begin Year						
Uruguay						
Area Harvested	107	105	80	130	0	140
Beginning Stocks	102	102	194	114	0	94
Production	815	815	576	700	0	840
MY Imports	230	230	300	200	0	150

TY Imports	279	279	300	200	0	150
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1147	1147	1070	1014	0	1084
MY Exports	53	53	0	0	0	0
TY Exports	53	53	0	0	0	0
Feed and Residual	750	790	780	750	0	780
FSI Consumption	150	190	150	170	0	180
Total Consumption	900	980	930	920	0	960
Ending Stocks	194	114	140	94	0	124
Total Distribution	1147	1147	1070	1014	0	1084
Yield	7.6168	7.7619	7.2	5.3846	0	6
(1000 HA) ,(1000 MT) ,(MT/HA)						

Rice, Milled	2018/2019		2019/2020		2020/2021	
	Apr 2019		Apr 2020		Apr 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Uruguay						
Area Harvested	145	145	145	142	0	146
Beginning Stocks	170	170	132	52	0	27
Milled Production	832	832	840	840	0	854
Rough Production	1189	1189	1200	1200	0	1220
Milling Rate (.9999)	7000	7000	7000	7000	0	7000
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1002	1002	972	892	0	881
MY Exports	800	880	775	790	0	790
TY Exports	816	816	800	790	0	790
Consumption and Residual	70	70	75	75	0	72

Ending Stocks	132	52	122	27	0	19
Total Distribution	1002	1002	972	892	0	881
Yield (Rough)	8.2	8.2	8.2759	8.4507	0	8.3562
(1000 HA) ,(1000 MT) ,(MT/HA)						

Attachments:

No Attachments