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Report Name: Oilseeds and Products Annual

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Report Highlights:

For marketing year (MY) 2022/23 Post projects continued expansion of soybean planted acreage to 1.225 million hectares (HA) and production of 2.8 million metric tons (MMT). Growth in area has been slower than anticipated due to strong competition by cattle and dairy producers for marginal land and less foreign investment than in the 2008-2014 expansionary period. MY 2021/22 yields are exceeding expectations due to well-timed rains, in contrast to the dry conditions that have plagued Uruguay's neighbors. Post estimates MY 2021/22 production at 2.95 MMT, 930,000 MT above the USDA official estimate, based on both higher estimated planted area and yields. Rapeseed has rapidly emerged as a key winter oilseed in recent years with MY 2022/23 planted acreage projected at 205,000 HA and production of 316,000 MT.

Overview

Uruguayan farmers are experiencing better than expected growing conditions, especially relative to farmers in neighboring southern Brazil, Paraguay, and Argentina. Above average yields are anticipated for both first and second crop soybeans in 2021/2022. These high yields across an expanded growing area combined with high global commodity prices should result in excellent economic returns for the Uruguayan agricultural sector and a boost to the Uruguayan economy as a whole. Planted acreage did not expand as much as projected last year, due to several factors discussed later in the report. These factors, along with concerns about fertilizer availability and other rising input costs are expected to continue to constrain area expansion in 2022/2023 despite near record high prices.



Figure 1:

Source: USDA FAS PSD, *FAS Buenos Aires Estimate

Due to topography and soil type, much of Uruguay's arable land is better suited to beef and dairy cattle production rather than crop cultivation. Uruguayan grain and oilseed production (with the exception of rice) is centered in the western third of the country. While this dedicated cropland region has been constantly cultivated with strong competition for acres between commodities over the last 10 years, during the last five years, lower crop prices have led farmers to put more land back into pasture. Current higher prices will lead to an increase in land under cultivation and production, but with an overall decrease in yield and more annual variability thanks to the lower quality of land coming into production. The most dramatic change to Uruguayan cropping practices in recent years has been the rapid adoption of rapeseed as a competitor to wheat and barley in the winter crop rotation. Private sector contacts estimate that rapeseed could eventually account for one third of winter crop planted acreage.

Production

2022/2023

Post projects planted acreage at 1,225,000 hectares (HA) an increase of 100,000 HA or 8.9% over revised estimates of 2021/2022 planted acres on higher international prices for soybeans. With a return to trend for yield, total production is projected at 2.8 million metric tons (MMT) a decrease of 150,000 MT, or 5% from 2021/2022. At least 50,000 of the new hectares will be double-crop soybeans on land newly planted to wheat, barley, and rapeseed. Even higher prices are unlikely to bring more hectares into production immediately because producers have learned which areas can be profitably farmed during the last period of high prices. During that period some areas which were speculatively planted were later found to be unproductive. Higher prices for beef and dairy products will allow livestock producers to compete for marginal acres. Post anticipates an intensification of crop cultivation in western Uruguay and some expansion in the central and northeastern parts of the country.

Additionally, rental terms have strengthened in favor of landlords relative to the major expansion a decade ago. During that time, landlords accustomed to renting land for grazing sometimes underpriced land for soybean production. At that time, larger operations seeking to farm at scale on rented land were able to secure more land than could be done as easily now. Additionally, despite some high profile moves by wealthy Argentines immigrating to Uruguay following changes in governments in in both countries in 2019-20, there has not been a widespread movement of Argentine farmers or capital to Uruguay as was seen during the last boom. On the other hand, investments made in infrastructure, storage, and machinery during the last cycle will help facilitate land conversion.

Securing sufficient fertilizer supplies due to disruptions caused by the conflict in Ukraine will complicate upcoming crop planning. Uruguay is dependent on imported fertilizer and stocks in the country are currently low. Nitrogen and phosphorus fertilizer are currently available at high prices, but potassium is not available at all in some locations. Due to good crop rotational practices and soil types that differ from neighboring Brazil, Uruguay does not require as much potassium. Nitrogen fertilizer can be imported from neighboring Argentina. Farmers are expected to plant winter crops regardless of fertilizer availability with the hope of applying more fertilizer as it become available prior to the summer crop season. Herbicide resistant weeds continue to challenge Uruguayan producers, with the most common resistant species being fleabane, amaranth, and rye grass. Crop rotation is a key strategy for controlling weeds and especially on producer owned land, and a desire to avoid breaking crop rotations helps to limit sudden changes in planted acreage. Further, Uruguayan regulations require that farmers submit soil conservations plans that prevent drastic or destructive land use changes on parcels larger than 50 HA.



Uruguay Agriculture by Land Use Type

Source: Base map from DIEA 2021 Annual Ag Statistics, circled areas FAS Buenos Aires

Uruguay has an opportunity to improve productivity through increasing the amount of land under irrigation. While Uruguay receives plenty of annual rainfall for rainfed cropping systems, it often experiences prolonged dry periods. During recent crop travel in Uruguay, FAS spoke with a number of farmers who hope to take advantage of tax incentives to construct small reservoirs and install center-pivot irrigation systems. According to private sector estimates, there are approximately 300,000 HA in Uruguay that would be well suited to center-pivot irrigation systems and currently there is less than 30,000 HA of installed capacity. While installation costs are substantial, up to US \$3,500 per hectare, strong profits in 2021/2022 could spur more investment in such systems.

2021/2022

Post estimates planted acreage at 1,125,000 HA, or 125,000 HA over USDA official. This represents an increase of 65,000 HA over revised 2020/2021 estimates and this increase is about evenly divided between land that was converted into winter crops in May/June 2021 and was

then planted to second crop soybeans, and land that was converted from pasture to first crop soybeans in November/December 2021. Post contacts indicate that smaller scale producers and producers farming on rented land have been undercounted in recent official surveys, leading to a systemic bias to the downside in estimates planted acreage. Due to high prevailing prices and excellent growing conditions, Post does not anticipate significant abandonment of planted acreage.

With the second year of La Nina conditions, producers in Uruguay were very concerned about drought. This led them to plant as late as possible, with many waiting until December to plant even first crop soybeans. Their objective was for their soybeans to cross through the worst weeks of drought while in a vegetative growth stage. This calculated risk paid off as rains returned to Uruguay in mid-January, setting the crop up for above average yields. In addition to late planting, Uruguayan farmers have steadily shifted to longer maturity varieties. With Group 6 soybeans now making up a majority of soybeans sown in Uruguay. Group 6.5 and 7 soybeans make up another 30 percent. These longer maturing varieties gave earlier planted soybeans more time to traverse the drought before entering into more critical reproductive and grain-filling growth stages. Major rain events in January and February provided plenty of moisture and allowed rapid growth and development. Uruguay's relatively thin soils and rolling landscape prevented flooding or standing water from damaging crops during these heavy rains. No major pest or fungal problems have been reported, however the incidence of resistant weeds is striking. While management practices vary significantly by farm, heavy growths of amaranth are more visually apparent than during previous FAS crop travel to Uruguay.

Figure 3:



Source: USDA FAS IPAD Crop Explore – CHIRPS/UCSB

As discussed further in the Rapeseed section, growth of this product is helping to boost yields of second crop soybeans in Uruguay, where soybean following rapeseed is reportedly allowing second crop soybeans to yield almost as much first crop soybeans. At present in Uruguay, roughly 50 percent of soybeans are first crop and 50 percent second crop. Post estimates that first crop soybeans will yield on average 2.92 tons per hectare and second crop soybeans will yield 2.32 tons per hectare resulting in an average yield of 2.62 tons for a total production of 2.95 MMT, which is 930,000 tons more the Official USDA estimate, and more than a million tons higher than the revised Post Estimate for 2020/2021.

Figure 4:



Second crop soybeans over wheat stubble in good condition, Colonia Department *Source: FAS Buenos Aires, March 9, 2022*

Consumption

The soybean crushing industry is limited in Uruguay because the country developed as a major soybean producer later than its larger neighbors, Argentina and Brazil. By far the largest soybean crushing facility is owned by COUSA and is located near Montevideo. The plant was built partially in response to Uruguay's 2007 biofuels law which dictated that 5% of all diesel fuel in Uruguay be biodiesel derived from Uruguayan grown feedstock. The company had a contract

with ALUR, the state-owned bio-based fuel and chemical company, to provide oil for the production of biodiesel. The facility has an annual crush capacity of 250,000 tons, but the facility also processes sunflower and rapeseed. In recent years, it has proactively sought to source these commodities and their crush volumes relative to soybeans have grown in recent years. There are a number of small-scale soy crushing facilities around the country that produce meal and oil for local consumption. Soybean meal is consumed by the local dairy, poultry, and pork industries. No major expansion is planned in the coming year in these sectors. Soybean oil is used in cooking and for biodiesel production.

Despite the government's commitment to meeting its Paris Accord greenhouse gas reduction commitments, it eliminated its 5% biodiesel mandate in 2021 in an effort to reduce diesel prices and government spending. However the state-owned biofuel producer ALUR is permitted to mix at up to rate of 2.5% if it cannot find foreign markets for its biodiesel. Prior to the change, Uruguay was consuming roughly 50,000 liters of domestically produced biodiesel.

Ending stocks are extremely limited in Uruguay and are held primarily by exporters and some larger farmers with on farm storage.

Trade

For MY 2022/2023, Post projects Uruguayan soybean exports at 2.6 MMT, down 8% over revised 2021/2022 projected exports. The decrease is due to a lower expected production as returns to trend. MY 2021/22 exports are revised upward to 2.83 MMT, which is 875,000 higher than the official USDA number due to higher than expected production.

The vast majority of Uruguayan soybeans are exported as whole beans. The principal market for these beans has been and continues to be China. However, shifts in global trade patterns since 2018 have led to increasing diversification. Uruguayan industry sources report that Uruguayan soybeans face tighter phytosanitary restrictions in shipments to China than many of their competitors. A longstanding phytosanitary agreement that has been repeatedly renewed by both countries requires Uruguayan exporters to prevent certain weed seeds from being found in shipments or risk rejection of the cargoes. In February 2021, the Ministry of Livestock, Agriculture, and Fisheries <u>published a short best practices</u> guide to help farmers avoid allowing seeds from 9 banned weeds from entering into commerce. However, due to the full implementation of this agreement, Uruguayan exporters have begun to segment stored soybeans into lots that can meet Chinese requirements and those that cannot. While China is still the preferred export destination, unless the weed seed requirements are relaxed, Uruguay is likely to continue send a larger than normal proportion of its production to alternative markets that will accept shipments which include these seeds.

The export terminals in Nueva Palmira are the chief loading point for Uruguayan soybeans, though improvements in port logistics may increase Montevideo's share of loadings somewhat in

the coming years. At present, Montevideo is chiefly used to top off cargos loading in the Parana River systems which has lower drafts than Montevideo.

Domestic production of meal and oil are insufficient to meet demand and Uruguay imports soybean meal primarily from Argentina and Paraguay and oil from Brazil. Both meal and oil imports have declined since the COUSA crushing facility opened in 2014.



Figure 5:

Source: FAS Buenos Aires (TDM & Industry Sources

Production Supply and Distribution Table:

Oilseed, Soybean	2020/2021		202	/2022	2022/2023	
Market Year Begins	Apr 2020		Apr	2021	Apr 2022	
Uruguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	920	1070	1000	1125	0	1225
Area Harvested (1000 HA)	908	1030	975	1125	0	1225
Beginning Stocks (1000 MT)	12	12	12	40	0	25
Production (1000 MT)	1707	1930	2020	2950	0	2800
MY Imports (1000 MT)	8	68	8	40	0	10
Total Supply (1000 MT)	1727	2010	2040	3030	0	2835
MY Exports (1000 MT)	1635	1795	1950	2825	0	2600
Crush (1000 MT)	75	120	75	120	0	120
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	5	55	5	60	0	60
Total Dom. Cons. (1000 MT)	80	175	80	180	0	180
Ending Stocks (1000 MT)	12	40	10	25	0	55
Total Distribution (1000 MT)	1727	2010	2040	3030	0	2835
Yield (MT/HA)	1.88	1.8738	2.0718	2.6222	0	2.2857
(1000 HA) ,(1000 MT) ,(MT/HA)						

Oil, Soybean	2020/2021		2021	/2022	2022/2023	
Market Year Begins	Apr 2020		Apr	2021	Apr 2022	
Uruguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	75	120	75	120	0	120
Extr. Rate, 999.9999 (PERCENT)	0.1867	0.1833	0.1867	0.1833	0	0.1833
Beginning Stocks (1000 MT)	0	0	0	1	0	0
Production (1000 MT)	14	22	14	22	0	22
MY Imports (1000 MT)	6	10	6	6	0	6
Total Supply (1000 MT)	20	32	20	29	0	28
MY Exports (1000 MT)	0	1	0	1	0	1
Industrial Dom. Cons. (1000 MT)	1	4	1	2	0	1
Food Use Dom. Cons. (1000 MT)	19	26	19	26	0	26
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	20	30	20	28	0	27
Ending Stocks (1000 MT)	0	1	0	0	0	0
Total Distribution (1000 MT)	20	32	20	29	0	28
(1000 MT) ,(PERCENT)						

Meal, Soybean	2020/2021		2021/2	2022	2022/2023	
Market Year Begins	Apr 2020		Apr 2	021	Apr 2022	
Uruguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	75	120	75	120	0	120
Extr. Rate, 999.9999 (PERCENT)	0.8	0.775	0.8	0.775	0	0.775
Beginning Stocks (1000 MT)	10	10	10	10	0	10
Production (1000 MT)	60	93	60	93	0	93
MY Imports (1000 MT)	135	170	135	150	0	163
Total Supply (1000 MT)	205	273	205	253	0	266
MY Exports (1000 MT)	5	6	6	3	0	6
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	190	257	190	240	0	250
Total Dom. Cons. (1000 MT)	190	257	190	240	0	250
Ending Stocks (1000 MT)	10	10	9	10	0	10
Total Distribution (1000 MT)	205	273	205	253	0	266
(1000 MT),(PERCENT)						

Rapeseed

In recent years, one of the most notable changes in Uruguayan cropping patterns has been the adoption of rapeseed. For many years rapeseed plantings were limited to land contacted by ALUR and there were few opportunities to export the crop. Most farmers and agronomists lacked familiarity with best management practices and rapeseed was considered a niche crop. However, in recent years, growing demand and knowledge diffusion have led to widespread adoption of rapeseed into crop rotations. From an agronomic perspective, rapeseed provides a yield boost to second crop soybeans compared to traditional winter cereals like wheat. It allows for the use of different herbicides than wheat or barley, leaves less residual material, and because it can be harvested earlier than wheat, it allows for earlier planting of second-crop soybeans. From a commercial perspective, rapeseed is attractive because farmers can effectively use the MATIF/Euronext futures to hedge their position. In barley, farmers can sign contracts with maltsters to establish price certainty, but in wheat there is no good mechanism for farmers do so. Export demand for rapeseed has also driven larger plantings, with the UK and France as key destinations. Uruguayan farmers who are accustomed to meeting quality standards that other origins may find onerous have found success producing rapeseed for European markets which don't permit the use of paraquat and several other commonly used agrichemicals. Additionally, to comply with the demands of these markets, rapeseed grown in Uruguay is not genetically

engineered. While rapeseed is expected to continue expanding in coming years, its total acreage is limited due to a need to wait two seasons between each planting cycle. Thus, the theoretical limit for annual rapeseed planted acreage is one third of total winter crop planted acreage. This total winter crop area has trended upward from a low of around 380,000 hectares in 2017/18 to more than 530,000 in 2020/21. As sunflower acreage has stagnated and declined in Uruguay, rapeseed oil has become increasingly important to the local crushing industry. While most of the resulting oil is consumed domestically, some oil has been exported to Brazil, China, and France. Official statistics combine rapeseed and carinata acreage because of their similarity. At present, only one company is contracting for carinata production and the quantity of acreage has declined in recent years. As familiarity with rapeseed cultivation has grown, some farmers have become less willing to grow carinata because it is more difficult to harvest and varieties available in the market are not as well adapted to local conditions as other crops.

Oilseed, Rapeseed	2018/19	2019/20	2020/21	2021/22	2022/23
Year Begins	Dec 18	Dec 19	Dec 20	Dec 21	Dec 22
	New	New	New	New	New
	Post	Post	Post	Post	Post
Area Planted (1000 HA)	45	63	104	155	205
Area Harvested (1000 HA)	45	63	104	155	205
Beginning Stocks (1000 MT)	0	0	0	0	0
Production (1000 MT)	74	98	167	281	316
MY Imports (1000 MT)	0	0	0	0	0
Total Supply (1000 MT)	74	98	167	281	316
MY Exports (1000 MT)	66	63	117	224	256
Crush (1000 MT)	6	33	47	52	55
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	2	2	3	5	5
Total Dom. Cons. (1000 MT)	8	35	50	57	60
Ending Stocks (1000 MT)	0	0	0	0	0
Total Distribution (1000 MT)	74	98	167	281	316
Yield (MT/HA)	1.65	1.55	1.61	1.81	1.54

Production Supply and Distribution Table:

Attachments:

No Attachments