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Report Name: Oilseeds and Products Annual

Country: Uruguay

Post: Buenos Aires

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Report Highlights:

Post projects 2020/2021 Uruguayan soybean planted acres at 920,000 hectares, a decrease of 80,000 HA or 8% from 2019/2020 with total production of 2.35 million tons. 2019/2020 total production is reduced to 2.3 million tons on dry conditions in late February and early March. Exports for 2020/2021 are projected at 2.21 million tons, up slightly from projected 2.13 million tons in 2019/2020.

Overview:

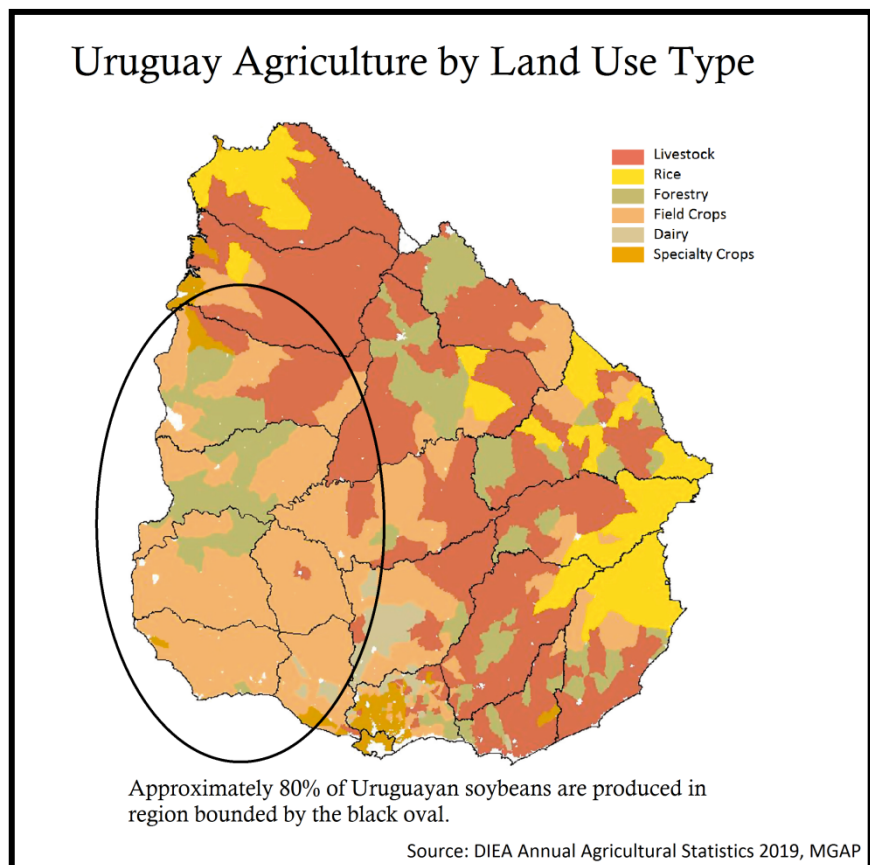
In 2019 Uruguay was the world's 7th largest producer of soybeans despite a continued reduction in planted acreage since 2014. Because of its relatively high cost of production compared to neighboring Argentina, Paraguay, and Brazil, Uruguayan producers have been more sensitive to reductions in global soy prices over the last five years. More than 90% of soy produced in the country is exported as whole beans, primarily from the Ports of Nueva Palmyra and Montevideo.

In November 2019, Luis Alberto Lacalle Pou won the presidency of the country at the head of a center-right coalition, ending 15 years of left-wing rule in Paraguay. He is the son of former President Luis Alberto Lacalle. After taking power March 1, 2020 he appointed Carlos Maria Uriarte Minister of Livestock, Agriculture and Fisheries. Uriarte is a rancher and was serving as vice president of the Rural Federation before assuming his new role as Minister.

Landowners and commercial agricultural producers largely supported the new administration during elections and are looking to the new government to improve the international competitiveness of Uruguayan agriculture. One signal that the government would take agro-exporters interests into account was the devaluation of the Uruguayan peso that occurred shortly after Lacalle Pou took office. Prior to March 1, the Uruguayan peso had hovered close to \$38 pesos per \$1USD, after the new President took power, the peso fell to the range of \$46 pesos per \$1USD a devaluation of more than 20%. Uruguayan farm leaders have argued that an overly strong peso advantaged consumption of imports by urban residents over exports of Uruguay's agricultural products.

COVID-19

Uruguay declared its first case of COVID-19 on March 13, 2020. Though the government has taken steps to cancel large gatherings and encourage self-quarantine, it has not ordered a general lockdown like neighboring Argentina. The soybean harvest and farming operations have been largely unaffected so far. Uruguayan soybeans can be easily trucked from farm to port for export and there are no reports of restrictions on



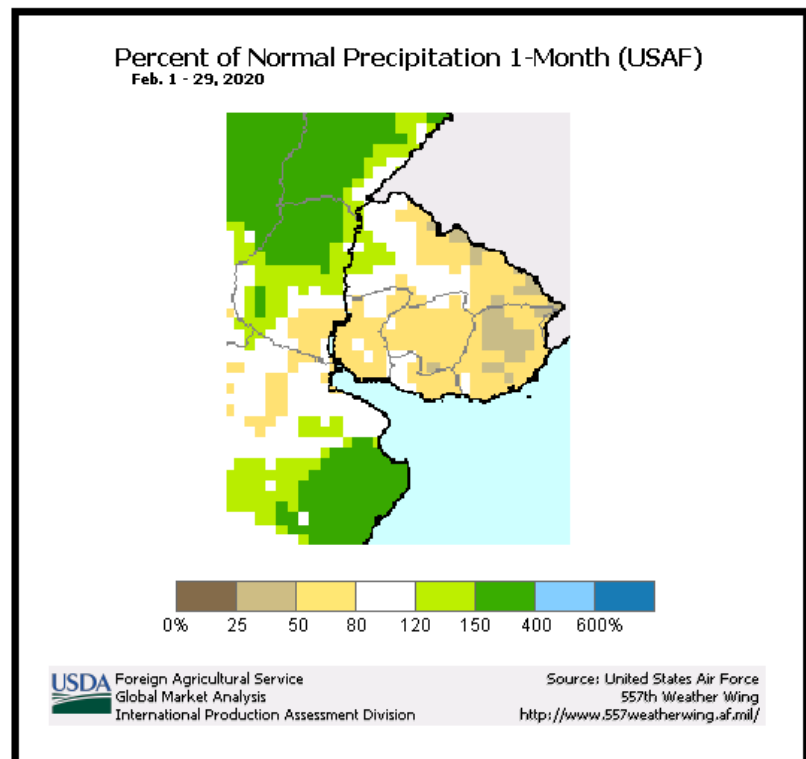
movement. The Ministry of Livestock, Agriculture, and Fisheries, in conjunction with private farm groups, have released guidance to farmers and truckers encouraging social distancing, e-commerce, hand washing, and to avoid sharing communal cups and sharing cabs in trucks or combines.

There are anecdotal reports that some farmers are purchasing inputs, such as fertilizer and seed, for planting winter crops at a faster pace than past years, in an effort to be prepared for planting in case tighter restrictions on movement are eventually put in place.

Production:

2020/2021

Post projects planted acreage at 920,000 hectares (HA) a decrease of 80,000 HA or 8% from 2019/2020 on low international prices for soybeans. With a return to trend for yield, total production is projected at 2.35 million metric tons (MMT) an increase of 50,000 MT, or 2%. Land leaving soy production is likely to be owned rather than rented land and would primarily be used for livestock grazing rather than being cultivated with another summer crop. Margins for soy production on owned rather than rented land are still positive considering current prices, but some producers believe that some more marginal land currently under cultivation could serve more



profitably as pasture. Soy continues to be a more profitable summer crop than corn. The devaluation of the Uruguayan peso will have a mixed effect on operating costs for Uruguayan producers. Some costs like rent and many inputs like imported chemicals and fertilizers are effectively dollarized, however labor and fuel costs are likely to be effectively reduced since wages are paid in pesos and the Uruguayan state oil monopoly ANCAP controls the price of diesel in the country.

2019/2020

Planted area projection is maintained at 1 million HA a decrease of 40,000 HA or 3.8% from 2018/2019. Early season rains provided good soil moisture for crop development, however the absence of significant precipitation in late February and early March during critical grain filling periods significantly reduced yields in first crop soybeans. Early yield reports indicate lower than anticipated test weights considering the positive visual condition of the crop. Recent rains have helped maintain yields in second

crop soybeans. Generally a higher degree of yield variability is being observed so far this year based on local conditions and soil types. Though western Uruguay, where the majority of soy is produced, generally received sufficient precipitation to produce close to average yields the rest of Uruguay has experienced hydraulic deficits since January. Total production is estimated at 2.3 MMT a fall of 850,000 MT, or 27% from 2018/2019 when near record yields boosted production. At current prices and average rents, margins for soy production at 2.3 MMT on rented land will be negative to breakeven. The share of production on rented land has fallen over the last 10 years, from a high of ~80% rented to 20% owned to close to 50% rented and 50% owned this year.

2018/2019

Production is raised to 3.15 MMT on latest available data. High yields allowed many producers to recover financially from the drought of 2017/2018.

Consumption:

Domestic consumption of soybeans in Uruguay is primarily limited to soybeans crushed for oil to be converted into biodiesel to comply with the national blending mandate (Ley N°18.195) and the resulting meal is utilized by local pork and poultry producers. Future growth in soy crushing is unlikely in the short to medium term as it would be difficult for Uruguay to construct crushing facilities of sufficient scale to compete with existing facilities in Argentina or Brazil. Further oil production for biodiesel blending will come from the production of winter canola, the acreage of which has grown to 80,000 HA in recent years. Farmers primarily grow the canola under contract, which essentially only covers the cost of production. Producers therefore see the value in canola as mainly a cover crop or a useful tool for crop rotation.

2020/2021

Crush is projected at 120,000 MT with oil production at 21,000 MT and meal production at 93,000.

2019/2020

Crush is projected at 100,000 MT with oil production at 19,000 and meal production at 77,000. A reduction in total diesel consumption, linked to COVID-19 will reduce the total amount of biodiesel needed for blending purpose.

2018/2019

Crush is revised upwards to 140,000 MT with oil production at 24,000 MT and meal production at 100,000 MT on latest available data.

Trade:

China is the primary purchaser of Uruguayan soybeans, Post estimates that 78% of Uruguayan whole bean exports over the period of 2015-2019 have been destined for China. The EU, Egypt, Tunisia, and Bangladesh have been important secondary markets. Thanks to recent currency devaluations in Brazil

and Argentina, Uruguay's recent devaluation is unlikely to give its exports an advantage in world markets, but should prevent it from being undercut. During CY's 2016-2018, Argentina imported an average of 103,000 MT of soybeans per year from Uruguay, but only imported 677 MT in CY 2019. Due to the limited capacity of the Uruguayan crushing sector, Uruguay imports soybean meal and oil to fill domestic demand for livestock feed and cooking oil. Paraguay is the primary source of soybean meal and Argentina is the primary supplier of soybean oil to Uruguay.

2020/2021

Exports are projected at 2.21 MM up slightly on increased production.

2019/2020

Exports are projected at 2.13 MMT on reduced production.

2018/2019

Exports are revised upwards 2.97 MMT on latest available data.

Oilseed, Soybean Market Begin Year Uruguay	2018/2019		2019/2020		2020/2021	
	Apr 2018		Apr 2019		Apr 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1000	1050	950	1000	0	920
Area Harvested	965	1040	950	970	0	920
Beginning Stocks	6	6	6	32	0	82
Production	2828	3150	2200	2300	0	2350
MY Imports	3	1	5	5	0	5
Total Supply	2837	3157	2211	2337	0	2437
MY Exports	2750	2970	2130	2130	0	2219
Crush	75	130	75	100	0	120
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	6	25	6	25	0	25
Total Dom. Cons.	81	155	81	125	0	145
Ending Stocks	6	32	0	82	0	73
Total Distribution	2837	3157	2211	2337	0	2437
Yield	2.9306	3.0288	2.3158	2.3711	0	2.5543
(1000 HA) ,(1000 MT) ,(MT/HA)						

Oil, Soybean Market Begin Year Uruguay	2018/2019		2019/2020		2020/2021	
	Apr 2018		Apr 2019		Apr 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	75	130	75	100	0	120
Extr. Rate, 999.9999	0.1867	0.1846	0.1867	0.19	0	0.175
Beginning Stocks	0	0	0	0	0	0
Production	14	24	14	19	0	21
MY Imports	11	5	11	6	0	7
Total Supply	25	29	25	25	0	28
MY Exports	0	3	0	2	0	1
Industrial Dom. Cons.	5	5	5	4	0	5
Food Use Dom. Cons.	20	21	20	19	0	22
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	25	26	25	23	0	27
Ending Stocks	0	0	0	0	0	0
Total Distribution	25	20	25	25	0	28
(1000 MT) ,(PERCENT)						

Meal, Soybean Market Begin Year Uruguay	2018/2019		2019/2020		2020/2021	
	Apr 2018		Apr 2019		Apr 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	75	130	75	100	0	120
Extr. Rate, 999.9999	0.8	0.7692	0.8	0.77	0	0.775
Beginning Stocks	28	28	17	12	0	10
Production	60	100	60	77	0	93
MY Imports	150	82	165	126	0	117
Total Supply	238	210	242	215	0	220
MY Exports	6	18	5	5	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	215	180	220	200	0	210
Total Dom. Cons.	215	180	220	200	0	210
Ending Stocks	17	12	17	10	0	10
Total Distribution	238	210	242	215	0	220
(1000 MT) ,(PERCENT)						

Attachments:

No Attachments