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Report Highlights:

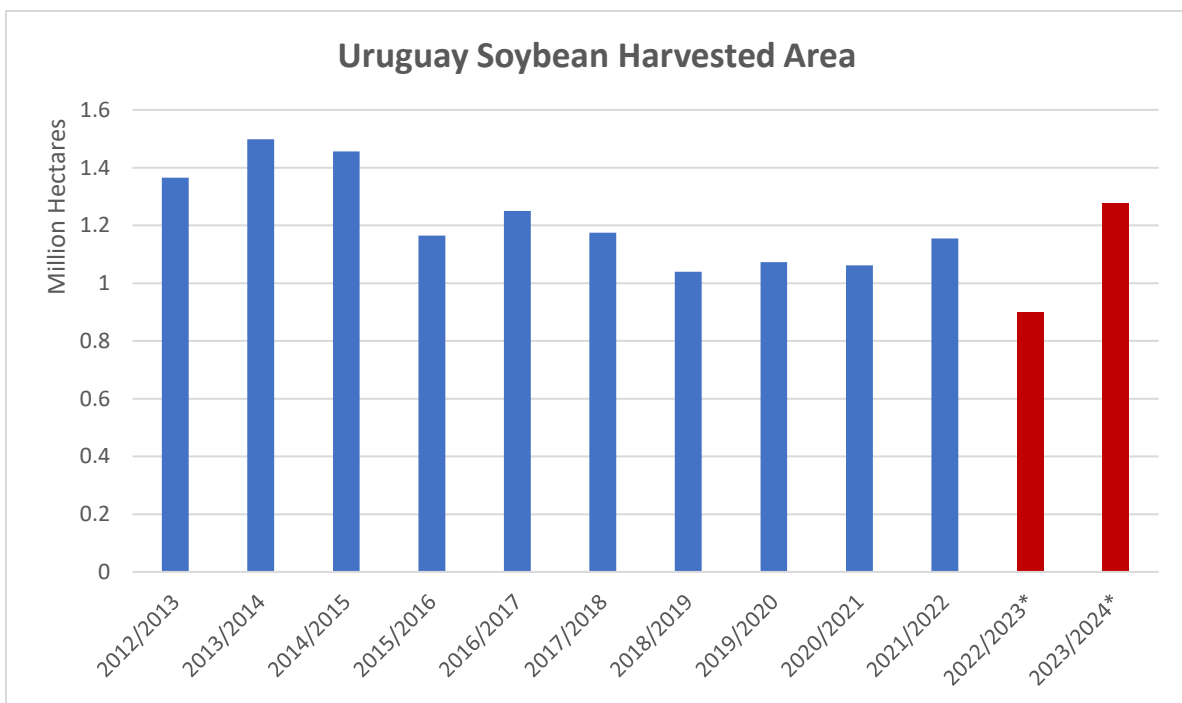
Post estimates marketing year (MY) 2022/2024 soybean production at 875,000 metric tons (MT), the lowest level in sixteen years due to a historic drought affecting Uruguay and neighboring Argentina. As a result, Post reduces MY 2022/23 exports to 850,000 MT. Post estimates that farmers may abandon up to a quarter of their planted area due to drought. In contrast, Post projects a robust recovery for 2023/2024 to 2.9 million MT on an increased planted area of 1.275 million hectares and assuming a return to normal weather patterns and trend yields. Post projects 2023/2024 exports at 2.6 million MT.

Overview

Uruguayan farmers are experiencing very challenging growing conditions. Far below average yields are anticipated for both first and second crop soybeans in Marketing Year (MY) 2022/2023. These low yields and reduction in harvested area (due to abandonment) means that many producers will struggle to recover their costs, especially on rented land. Lower production will reduce Uruguay's exports to 850,000 metric tons (MT), the lowest level in 16 years.

Planted acreage expanded as expected in MY 2022/23 and Post projects a slight increase in planted area in MY 2023/2024. Soybeans are the dominant summer crop in Uruguay, but strong demand for corn from the livestock sector will lead to increased corn planting at the expense of soybeans. Expansion in soybean planted area is likely to come from farmers with mixed crop and livestock operations converting a higher than normal portion of the pastures to agriculture. A projected return to more normal climatic conditions and trend yield leads Post to project MY 2023/2024 Uruguayan soybean production at 2.9 million metric tons (MMT) result in 2.6 MMT of exports.

Figure 1: Uruguay Soybean Harvested Area



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 with the highest rated soils. This region, centered in the Departments of Soriano, Rio Negro, and Colonia consistently has a higher proportion of land under crop cultivation than other parts of the country. From the early 2000s to MY 2014/15 there was rapid rise in the area under crop cultivation throughout Uruguay. This

trend was driven by high commodity prices, the introduction of glyphosate-resistant soybeans, and inflow of foreign capital and farming know-how, primarily from Argentina.

Commodity price declines in the mid-2010s led many producers to return cultivated farmland to pasture. Foreign-financed farming companies focused primarily on farming (largely of Argentine origin) reduced the scale and intensity of their operations, leaving more land available for Uruguayan producers who were more likely to be mixed farming and ranching operations. These changes resulted in a steady decline in soybean planted area from MY 2015/2016. This five-year trend reversed in MY 2019/2020 as rising commodity prices brought more land back into crop production.

Current high 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. In MY 2022/2023 rapeseed became largest winter wheat crop in Uruguay by planted area. Though rapeseed planted area for MY 2023/2024 is projected to decline relative to the record expansion of the prior year, private sector contacts believe that rapeseed will continue to account for around one third of winter crop planted acreage going forward.

Production

2023/2024

Post projects planted acreage at 1,275,000 hectares (HA) an increase of 50,000 HA or 4% over revised estimates for 2022/2023 planted area on high international prices for soybeans and falling prices for inputs. With a return to trend for yield, total production is projected at 2.9 million metric tons (MMT) an increase of 2 MMT, or 231% from the disastrous MY 2022/2023 drought. 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. Continued strong 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.

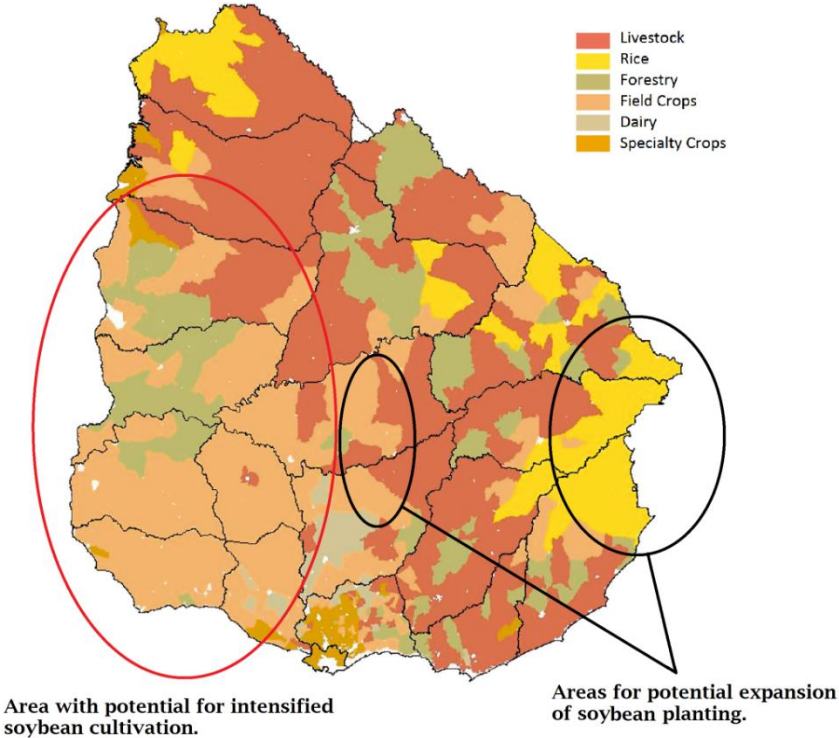
Additionally, rental terms have strengthened in favor of landlords relative to the major expansion a decade ago. During that time, landlords accustomed to renting land for grazing sometimes underpriced land for soybean production. At that time, larger operations seeking to farm at scale on rented land 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.

Falling input prices should help improve the profitability of Uruguayan agricultural production in MY 2023/2024. Fertilizer prices have fallen substantially since the MY 2022/2023 season and prices for various agri-chemicals, including glyphosate have also declined. Uruguay is an importer of agricultural machinery and industry contacts report that equipment inventories have declined as farmers upgraded machinery following excellent harvests in MY 2021/2022 and as Brazilian producers have come south in search of used equipment of Brazilian origin.

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. Furthermore, Uruguayan regulations require that farmers submit soil conservation plans that prevent drastic or destructive land use changes on parcels larger than 50 HA.

Figure 2: Uruguay Agriculture by Land Use Type

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 typically 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 the private sector contacts, there are approximately 300,000 HA in Uruguay that would be well suited to center-pivot irrigation. The United Irrigators of Uruguay indicate substantial growth and adoption, in MY 2022/23, with the area under irrigation growing from roughly 28,500 HA to 35,500 HA. Despite this growth of nearly 25 percent, this still means that only about 10 percent of the total area suitable for irrigation has been installed. While installation costs are substantial, up to US \$3,500 per hectare, memories of the disastrous drought of MY 2022/2023 could spur more investment in such systems.

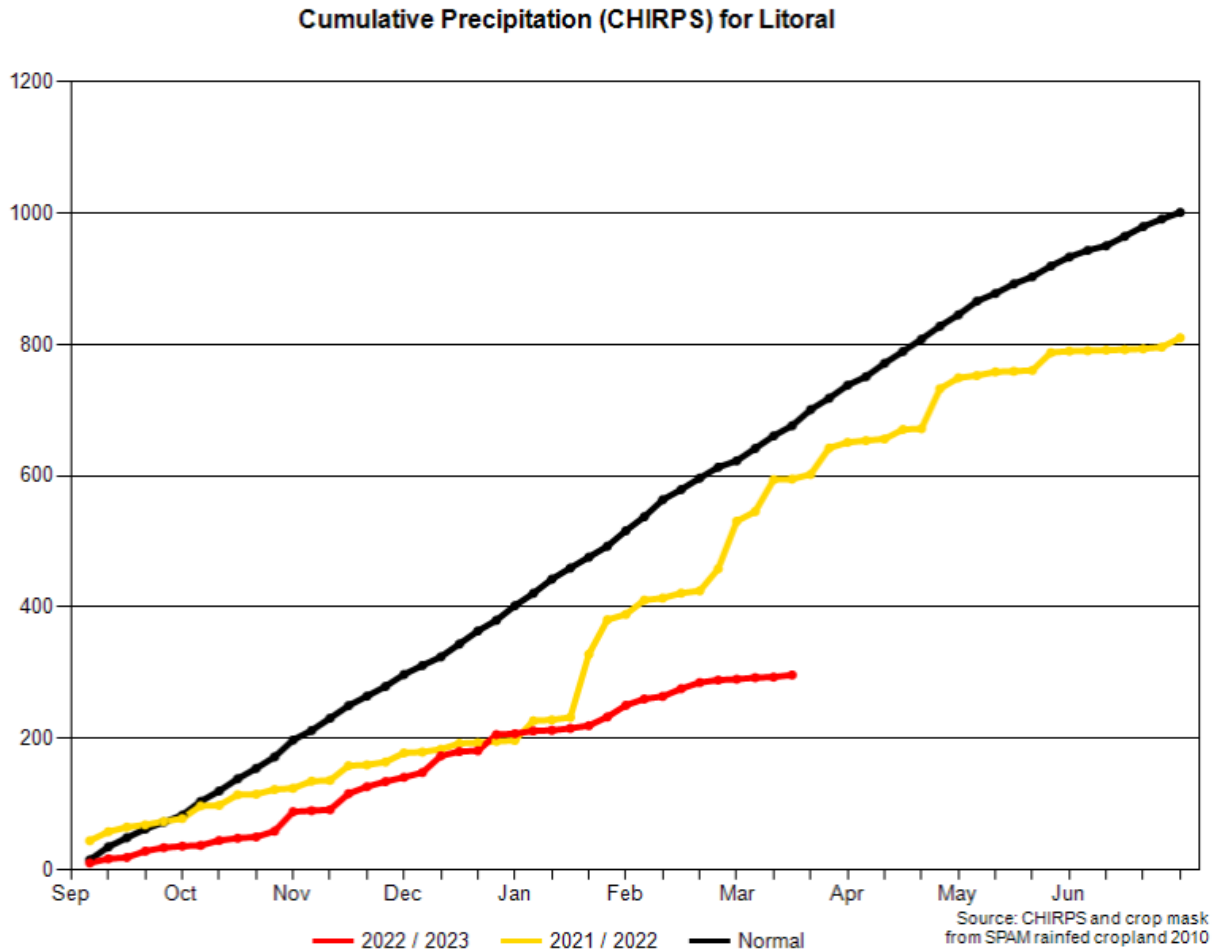
2022/2023

Post estimates planted acreage at 1,225,000 HA, slightly higher than the official USDA estimate. However Post estimates a significant reduction in harvested area at 900,000 HA, which is 250,000 HA or 22 percent below the official USDA estimate. This divergence is due to the intensity of the historic drought which has affected Uruguayan crop production in MY 2022/2023. Post estimates total MY 2022/2023 Uruguayan soybean production at 875,000 MT, the lowest since MY 2007/2008, a year when Uruguay only harvest 504,000 HA.

Despite a dry spring and early summer, Uruguayan producers were relatively optimistic about their prospects as late as mid-January 2023. MY 2022/2023 was the third straight year of the La Nina weather pattern and farmers had learned to make some adaptations in choosing varieties and planting dates in order for their soybeans to pass through the driest weather in vegetative, rather than reproductive stages. In addition to late planting, Uruguayan farmers have steadily shifted to longer maturity varieties. Group 6 soybeans now make 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. These strategies were validated in MY 2021/2022 when rains arrived in January and February, allowing farmers to harvest a bumper soybean crop.

Unfortunately for Uruguayan producers in MY 2022/2023, the rains never arrived as can be seen in Figure 3. By the beginning of March 2023, some producers were already writing off some fields as total losses. Crop insurance for yield loss is not widespread in Uruguay, but insurers have been active in assessing losses and issuing claims. The scale of losses and the limited dataset for insurers prior to this drought may lead to higher premiums in coming crop years. Some farmers are actively grazing their failed soybeans fields to cattle, as the devastating drought has damaged pastures and led to a shortage of forage in the country. Post estimates abandoned area at 325,000 HA or about 26 percent of total planted area.

Figure 3: Cumulative Precipitation for the Litoral Region (southwest Uruguay)



Source: USDA FAS IPAD Crop Explore – CHIRPS/UCSB

Crop damage due to drought is widespread, but particularly intense in the southwestern provinces of Colonia, San Jose, and Canelones. Localized weather patterns have helped improve conditions in small areas along the Uruguay River and north of the town of Young and into the provinces of Paysandu and Salto. However, these are only relatively better conditions, and these areas are still expected to yield below normal.

Dry conditions have limited pest, fungal, and weed problems. Spidermites have been a widespread problem, but controllable if caught early. The drought has reduced the visibility of herbicide resistant amaranth weeds, that were evident in 2021/2022.

Figure 4: Uruguayan Soybean Field Conditions



Left: Failing second crop soybeans planted over wheat stubble, Colonia Department

Right: Untreated amaranth weeds killed by drought and spider-mites.

Source: FAS Buenos Aires, February 28, 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 and small quantities of product for export. These facilities use pressure sieves and do not use solvent extraction.

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. In 2021, Uruguay 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.

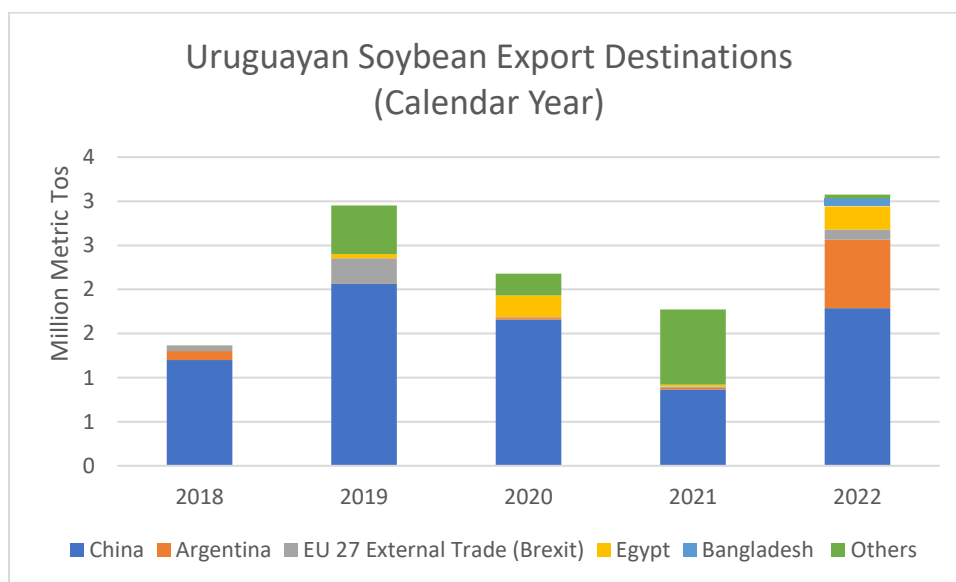
In February 2023, the Uruguayan Ministry of Livestock, Agriculture, and Fisheries announced the detection of Highly Pathogenic Avian Influenza (HPAI) in wild birds and in March a number of backyard poultry flocks were affected. While so far HPAI has not spread to large-scale poultry facilities, if this were to occur and widespread depopulations become necessary, it would significantly reduce the domestic demand for soybean meal.

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

Trade

For MY 2023/2024, Post projects Uruguayan soybean exports at 2.6 MMT, up more than 300 percent over MY 2022/2023 projected exports. The dramatic increase is due to a forecast increase in production as yields returns to trend following the drought of in MY 2022/23.

Figure 5: Uruguayan Soybean Exports by Destination



Source: FAS Buenos Aires (TDM & Industry Sources)

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 [published a short best practices](#) 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 Uruguayan Agricultural Ministry continues to seek to open new markets for its soybeans, including Bangladesh.

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.

Production Supply and Distribution Table 1: Soybeans

Oilseed, Soybean Market Year Begins	2021/2022		2022/2023		2023/2024	
	Apr 2022		Apr 2023		Apr 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Uruguay						
Area Planted (1000 HA)	1165	1165	1200	1225	0	1275
Area Harvested (1000 HA)	1155	1155	1150	900	0	1275
Beginning Stocks (1000 MT)	273	273	229	224	0	39
Production (1000 MT)	3233	3233	2100	875	0	2900
MY Imports (1000 MT)	8	7	8	10	0	10
Total Supply (1000 MT)	3514	3513	2337	1109	0	3049
MY Exports (1000 MT)	3060	3049	2000	850	0	2600
Crush (1000 MT)	90	140	90	120	0	150
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	135	100	135	100	0	100
Total Dom. Cons. (1000 MT)	225	240	225	220	0	250
Ending Stocks (1000 MT)	229	224	112	39	0	99
Total Distribution (1000 MT)	3514	3513	2337	1109	0	3049
Yield (MT/HA)	2.7991	2.7991	1.8261	0.9722	0	2.2745
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production Supply and Distribution Table 2: Soybean Oil

Oil, Soybean Market Year Begins Uruguay	2021/2022		2022/2023		2023/2024	
	Apr 2022		Apr 2023		Apr 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	90	140	90	120	0	150
Extr. Rate, 999.9999 (PERCENT)	0.1889	0.1857	0.1889	0.1833	0	0.1867
Beginning Stocks (1000 MT)	15	15	12	15	0	13
Production (1000 MT)	17	26	17	22	0	28
MY Imports (1000 MT)	5	6	7	6	0	4
Total Supply (1000 MT)	37	47	36	43	0	45
MY Exports (1000 MT)	3	5	1	2	0	4
Industrial Dom. Cons. (1000 MT)	1	1	1	1	0	1
Food Use Dom. Cons. (1000 MT)	21	26	21	27	0	27
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	22	27	22	28	0	28
Ending Stocks (1000 MT)	12	15	13	13	0	13
Total Distribution (1000 MT)	37	47	36	43	0	45
(1000 MT) ,(PERCENT)						

Production Supply and Distribution Table 3: Soybean Meal

Meal, Soybean Market Year Begins Uruguay	2021/2022		2022/2023		2023/2024	
	Apr 2022		Apr 2023		Apr 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	90	140	90	120	0	150
Extr. Rate, 999.9999 (PERCENT)	0.8	0.7714	0.8	0.775	0	0.7733
Beginning Stocks (1000 MT)	50	50	51	51	0	44
Production (1000 MT)	72	108	72	93	0	116
MY Imports (1000 MT)	140	147	145	155	0	140
Total Supply (1000 MT)	262	305	268	299	0	300
MY Exports (1000 MT)	6	4	5	5	0	5
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)	205	250	210	250	0	255
Total Dom. Cons. (1000 MT)	205	250	210	250	0	255
Ending Stocks (1000 MT)	51	51	53	44	0	40
Total Distribution (1000 MT)	262	305	268	299	0	300
(1000 MT) ,(PERCENT)						

Attachments:

No Attachments