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Global Agricultural Information Network

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Uruguay

Grain and Feed Annual

Uruguay Grain and Feed Report

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Report Highlights:

Uruguayan wheat production in marketing year (MY) 2019/20 is forecast up at 825,000 tons. A very good wheat season in MY 2018/19 is expected to encourage a larger planted acreage. Exports are projected to remain unchanged at 320,000 tons. Very tight corn returns are projected to force planted area and production to drop. Larger corn imports, at 280,000 tons, will be needed to meet the domestic demand. Sorghum production and consumption in MY 2019/20 are forecast to remain stable. Rice production in MY 2019/20 is projected to drop at 813,000 tons (milled basis) because low profitability is forecast to push producers to plant a smaller acreage. Rice exports are forecast at 760,000 tons milled basis, the lowest in the past 10 years.

Commodities:

Wheat

Production:

Uruguayan wheat production for marketing year (MY) 2019/20 is forecast at 825,000 tons, a significant increase from last year and the highest since 2015/16. Positive returns in 2018/19 due to good quality, high yields, and strong prices is expected to stimulate larger planted area with Post forecasting 250,000 hectares in the coming season and other sources estimating between 220-300,000 hectares. Other factors supporting additional acreage include the current high soil moisture content, availability of quality seed, need for winter crop cover rotations and weed control. Wheat followed by double cropping with soybeans has been, in general, a positive economic decision in the past, delivering higher margins than alternative crops

Nevertheless, wheat farmers are sensitive to price signals so the recent drop in global wheat prices may deter some area expansion. Another factor influencing planting decisions is the El Nino weather pattern, which has brought more rain than usual recently and which could impact future planting which begins in May 2019.

For MY2018/19, the quality of the wheat was very good up to end of harvest which suffered from excessive rain. Most wheat farmers use good planting practices, including technology and adequate inputs. Production costs for wheat in MY 2018/19 were estimated at about \$550 per hectare netting returns of approximately \$90-110 per hectare. Production costs for MY 2019/20 are forecast to remain unchanged or increase marginally.

Consumption:

Domestic consumption of wheat is very stable. There are 3 large flour mills which account for approximately 90 percent of the market. The feedlot business is expected to be in good condition. Consumption for animal feed in MY 2019/20 is forecast at 30,000 tons, unchanged from the previous year. Unless wheat has a quality problem in MY 2019/20, abundant corn supplies in the region should discourage the use of wheat for animal feed. A large local company owns several feedlots located in the western part of the country and feed their cattle with wheat that they produce close to each cattle operation. In MY 2017/18, Uruguay produced poor quality wheat and a significant volume was consumed as animal feed.

Trade:

Uruguayan wheat exports in MY 2019/20 are forecast at 320,000 tons, the same volume as expected in MY 2018/19. Brokers indicate that 270,000 tons of wheat of the MY 2018/19 season were already committed for export and that an additional 30-50,000 tons could be shipped before May when the soybean harvest begins to fill the ports. After July, some smaller volumes could be trucked to Brazil. During December 2018-February 2019, Uruguay exported six boatloads of wheat. Most of it went to Algeria and Indonesia. Smaller volumes were exported to Brazil.

Stocks:

Ending stocks for MY 2019/20 are estimated at 68,000 tons, an increase from the previous marketing year because of larger expected production. Local flourmills usually keep one month of use as stock. The balance remains in the hands of farmers and seed companies.

Barley area for MY 2019/20 is projected to remain practically unchanged from last year, at roughly 167,000 hectares. However, production is expected to drop, as Post's preliminary forecast takes into account average trend yields. Productivity in MY 2018/19 was high, with an average yield of 3.8 tons per hectare, with peaks of over 5 tons per hectare. The two malting companies, which operate in the market, come out every year early in the season offering grower contracts to meet the volume they will need. In addition, there are some 4-6,000 hectares of barley planted for animal feed use. The malting companies rent a few country elevators in the production area to facilitate producers to deliver with small transportation costs. This represents a great advantage against wheat in certain areas that are far from mills or ports.

Commodities:

Corn

Production:

Uruguayan corn production for MY 2019/20 is projected at 560,000 tons, significantly lower than the previous year. The main reasons are a smaller planted area and an estimated lower yield, more in line with the trend of the last few years. Yields in MY 2018/19 are expected to be a record 7.6 tons per hectare as a result of the combination of very good weather and the use of high technology. The harvested area in MY 2019/20 is forecast at 90,000 hectares, 15,000 hectares lower than the previous marketing year. Despite the good results of the MY 2018/19 due to record yields, projected returns are very tight as domestic corn prices have dropped significantly from last year's highs.

Farmers who produce on their own land and have a solid financial situation plant most of the corn crop. Few farmers who lease land plant corn because of thin returns due to production costs 40 percent higher than soybeans and land rental costs.. Contacts indicate that in Uruguay there are approximately 40,000 hectares with irrigation (excluding rice). Of the total, roughly 40 percent is normally planted with corn, obtaining yields of approximately 10 tons per hectare. The country's average yield of corn planted without irrigation is about 5.0 tons. The total cost of production in MY 2019/20 is expected at \$900-1000 per hectare, practically unchanged from the previous year.

Post estimates corn harvested area in MY 2018/19 at 105,000 hectares, significantly higher than USDA's official number. This was primarily because farmers were anticipating high corn prices during the MY 2017/18, due to the drought that affected its normal availability. In addition, the late confirmation of an El Nino weather pattern, which in the region means more rain than normal, encouraged some farmers to plant more corn acreage. Finally, too much rain in December 2018-early January 2019, delayed the planting of the soybean second crop and in many cases forced farmers to shift and plant late corn instead. Corn is far more tolerant to cold weather than soybeans. More than 50 percent of the country's corn area is located in the southern Departments of Colonia and Soriano, the country's most productive area.

In MY 2019/20, Uruguay will have to import roughly 280,000 tons of corn to offset the production decline during previous year and meet higher domestic consumption. In MY 2018/19, producers are hoping that exporters finally confirm the shipment of two or three boatloads of corn prior to the entry of

the soybean harvest in April/May 2019 to take pressure off the market which could push domestic corn prices down. Production in 2018/19 is expected at a record high of 800,000 tons, the same volume of corn that is expected to be consumed domestically. Therefore, whatever corn is exported early in the season, most likely will have to be imported later in the year. As of February 2019, Uruguay is authorized to export corn and feed barley to China. Cargoes have to comply with a series of phytosanitary requirements. Traders do not expect significant trade, except to some niche markets in the future as exporters will be to take advantage of inexpensive transportation cost in containers.

Consumption:

Higher milk prices in 2019, and a strong cattle sector are expected to keep the demand for corn high in MY 2019/20. On the other hand, corn consumption in MY 2018/19 is forecast to be weaker due to the excellent condition of pastures as result of the rainy season.

Commodities:

Sorghum

Production:

Uruguayan sorghum production for MY 2019/20 is projected at 165,000 tons, slightly lower than the previous marketing year. This decline is due virtually unchanged planted area and projected average trend yields (lower than the very good yields expected in MY 2018/19). Most contacts project the area to range between 40-50,000 hectares, with a small increasing trend.

A significant portion of the planted area is defined every year by the program of grower contracts that the national oil and alcohol company (Alur) sets as a target for its ethanol program. In MY 2018/19, Alur launched a program to encourage the production of low tannin sorghum with an attractive price incentive and was able to close contracts for more than 10,000 hectares. These contracted volumes have dropped significantly over the past several years. Some 6 years back, the sorghum planted area for the entire country ranged between 70-90,000 hectares.

Sorghum is a crop which has many advantages. It is an excellent rotation crop as it improves soil quality and helps control weeds. Some producers use sorghum to comply with the soil management and use plan mandated by the government that requires crop rotation every year. Production costs are significantly lower than corn. Sorghum is mainly planted in the central-west part of the country, close to the ethanol plant, balanced feed plants and feedlots.

Besides Alur, there is a local feed company which buys sorghum from producers for its mill and for export. This company also contracts with a few growers for export. In MY 2018/19 this company signed a contract to export 7,000 tons of high tannin sorghum, with Taiwan as the main destination. Contacts indicate that exports could grow to 10,000 tons in MY 2019/20. Most sorghum produced in Uruguay is consumed by local feedlots in the form of humid and dry grain.

Commodities:

Rice, Milled

Production:

Production for MY 2019/20 is forecast at 1.16 million tons rough basis and 813,000 tons milled basis, a 6 percent drop from MY 2018/19. Post projects acreage to go down to 140,000 hectares because of very thin, or in some cases negative returns. This acreage is significantly lower than the average of the past decade that was 167,000 hectares. High production costs and relatively weak world rice prices have hurt the local rice sector in the past 4-5 years. This situation has resulted in the closure of several mills and a reduction in the number of producers. In addition, the recent expansion of rice production in Paraguay has created more competition in the region, especially in Brazil, which is a key player in the rice market in the southern cone countries. Brazil is a large exporter but at the same time, a large importer of rice produced in the region.

Local producers and rice mills indicate that their main problem are the high production costs in dollar terms. Growers' production costs (including irrigation and land rental costs) in MY 2018/19 were nearly \$1750 per hectare, while producers' gross income, taking the country's expected average yield, is expected at \$1650 per hectare. Meanwhile, Paraguayan rice producers have production costs closer to \$1300 per hectare. In fact, several Uruguayans have quit producing rice in their country and are now developing new rice areas in Paraguay. Most contacts in Uruguay expect production costs and rice prices to remain quite similar in MY 2019/20.

Rice production in MY 2018/19 is expected at 865,000 tons milled basis. This is somewhat lower than USDA's official number due to the loss of 2000 hectares early in the year because of heavy rains. January 2019 was colder and significantly cloudier than normal and is expected to negatively affect yields in the northern rice area.

Post estimates Uruguayan rice production for MY 2017/18 at 1.28 million tons rough production and 896,000 tons milled basis. This is lower than USDA's official number. Uruguay has not yet published official data for that year, but the sector agrees that the harvested area was close to 160,000 hectares with an average yield of 8.0 tons. This was the lowest since MY 2012/13 due to a severe drought during most of the production cycle and excess rain during part of the harvest season.

Consumption:

Domestic rice consumption for MY 2019/20 is forecast at 65,000 tons, milled basis, remaining unchanged from the previous year. Ending stocks for the marketing year are projected at 63,000 tons, a slightly lower volume than in the past few years as the sector is in need of financing and prefers not to hold large volumes of rice in stock.

Trade:

Uruguay rice exports in MY 2019/20 are projected at 760,000 tons milled base, the lowest of the past 10 years. This is primarily because of the continued drop in production over the past few years. The main markets for Uruguayan rice are expected to continue to be Iraq and Peru buying primarily long, thin white rice. Some exports are forecast to go to other Latin American countries (including Brazil and Mexico). Exports of broken rice are expected to be shipped primarily to Africa, accounting for 10-12 percent of total exports. The EU typically purchases brown rice and it generally accounts for roughly 10 percent of Uruguay's rice exports. Uruguay's rice export price averaged \$475 per ton in 2018, almost 5 percent higher than the previous year, but 15 percent lower than 5 years ago.

Statistical Tables

Wheat	2017/2018		2018/2019		2019/2020	
Market Begin Year	Dec 2017		Dec 2018		Dec 2019	
Uruguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	193	197	200	200	0	250
Beginning Stocks	218	218	109	68	0	36

Production	440	440	700	740	0	825
MY Imports	5	8	10	8	0	7
TY Imports	6	6	10	8	0	7
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	663	666	819	816	0	868
MY Exports	44	48	200	320	0	320
TY Exports	45	45	200	320	0	320
Feed and Residual	60	100	70	30	0	30
FSI Consumption	450	450	450	430	0	450
Total Consumption	510	550	520	460	0	480
Ending Stocks	109	68	99	36	0	68
Total Distribution	663	666	819	816	0	868
Yield	2.2798	2.2335	3.5	3.7	0	3.3

(1000 HA), (1000 MT), (MT/HA)

Corn	2017/2018		2018/2019		2019/2020	
Market Begin Year	Apr 2018		Apr 2018		Apr 2019	
Uruguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	71	71	65	105	0	90
Beginning Stocks	109	109	98	103	0	103
Production	309	309	400	800	0	560
MY Imports	530	535	300	60	0	280
TY Imports	553	553	300	60	0	280
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	948	953	798	963	0	943
MY Exports	0	0	0	60	0	0
TY Exports	0	0	0	60	0	0
Feed and Residual	700	700	550	650	0	700
FSI Consumption	150	150	130	150	0	150
Total Consumption	850	850	680	800	0	850
Ending Stocks	98	103	118	103	0	93
Total Distribution	948	953	798	963	0	943
Yield	4.3521	4.3521	6.1538	7.619	0	6.2222

(1000 HA), (1000 MT), (MT/HA)						
Sorghum	2017/2018		2018/2019		2019/2020	
Market Begin Year	Apr 2018		Apr 2018		Apr 2019	
Uruguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	29	29	40	43	0	45
Beginning Stocks	15	15	2	2	0	30
Production	76	76	125	180	0	165
MY Imports	2	2	20	0	0	0
TY Imports	4	4	20	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	93	93	147	182	0	195
MY Exports	1	1	0	7	0	10
TY Exports	3	3	0	7	0	10
Feed and Residual	70	70	100	105	0	120
FSI Consumption	20	20	40	40	0	50
Total Consumption	90	90	140	145	0	170
Ending Stocks	2	2	7	30	0	15
Total Distribution	93	93	147	182	0	195
Yield	2.6207	2.6207	3.125	4.186	0	3.6667

(1000 HA), (1000 MT), (MT/HA)

Rice, Milled	2017/2018		2018/2019		2019/2020	
Market Begin Year	Apr 2018		Apr 2018		Apr 2019	
Uruguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	160	160	150	148	0	140
Beginning Stocks	44	44	81	80	0	75
Milled Production	952	896	887	865	0	813
Rough Production	1360	1280	1267	1236	0	1161
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	996	940	968	945	0	888
MY Exports	850	795	800	810	0	760
TY Exports	799	860	800	810	0	760
Consumption and	65	65	65	65	0	65

Residual						
Ending Stocks	81	80	103	75	0	63
Total Distribution	996	940	968	950	0	888
Yield (Rough)	8.5	8	8.4467	8.3514	0	8.2929
(1000 HA) ,(1000 MT) ,(MT/HA)						