Required Report - public distribution

Date: 4/25/2018
GAIN Report Number:

Uruguay

Grain and Feed Annual

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Report Highlights:
Uruguayan wheat harvested area remains unchanged in marketing year (MY) 2018/19 with production forecast at 600,000 tons on average yields with exports of 100,000 tons rebounding to normal levels after weather-related impacts in MY 17/18. Corn area for MY 2018/19 is projected at 70,000 hectares with a production of 420,000 tons, more than double the volume of drought-impacted MY 2017/18 crop. Growing demand for corn raises MY 2017/18 and MY 2018/19 imports to record highs. Sorghum production for MY 2018/19 is forecast higher at 210,000 tons on favorable weather and marginally higher harvested area. Rice production for MY 2018/19 is projected at 1.22 million tons (rough basis) a marginal drop from the previous year on smaller harvested area with consequent drop in rice export expectations to 800,000 tons (milled basis).

Wheat

Production: Uruguay wheat production for marketing year (MY) 2018/19 is forecast to rebound to 600,000 tons over last year's lower level. Forecast stable harvested area of 200,000 hectares remains significantly lower than the historical area average. Despite strong future prices ($190-$200 per ton for good quality wheat, December 2018) returns are tight given average yields. Analysts estimate that wheat production costs in MY 2018/19, close to $600 per hectare , will require roughly 3.5 tons per hectare to break even.

Due to increasingly serious soil quality problems, progressive farmers will plant winter wheat as a soybean rotation option for weed suppression and erosion control and as a cash crop for financing summer planting.

Some local analyst predict that after a poor wheat crop in 2017 and a drought-affected corn and soybean season in 2018, some small, inefficient input suppliers and wheat producers will suffer financial difficulties and go out of business. Input suppliers indicate that financing for the next crop will continue with somewhat stricter conditions.

Production in MY 2017/18 is estimated at 440,000 tons, on 197,000 hectares harvested. Average yields and quality were poor as the winter conditions were too warm and spring too wet and cloudy. This resulted in fields with a low number of heads, few kernels and light in weight. Farmers used good technology, but many were not able to cover production costs.

Aggressive farmer recruitment by malting companies in the form of grower contracts is spurring interest in barley in MY2018/19. In total, these companies are expecting to contract 160,000 hectares. Contacts believe that another 10,000 non-contracted hectares could be sown for feed purposes. Stronger prices, higher yields and an earlier harvest (around two weeks), as compared to wheat, attract farmers in the southwestern core area due to significant advantages when double cropping with soybeans. Additional cost incentives include the close proximity of malting plants to the production area that lower transportation costs and the provision of most inputs (seeds, fertilizers…) by the malting companies.

Wheat consumption in MY 2018/19 is forecast unchanged at 500,000 tons. Wheat flour consumption remains quite stable year after year. The use of wheat in animal feed is on the rise as lower prices increase its consideration as an alternative feed ingredient. In MY 2016/17, local industry indicated that feedlots consumed some 30,000 tons of wheat but that in MY 2017/18, if prices rise, its use could drop to 10,000 tons.

Post projects Uruguayan wheat exports for MY 2018/19 of 100,000 tons, slightly higher than the previous year, due to an expected larger supply, destined primarily for Brazil.

Contacts indicate that ending stocks in MY 2018/19 and 2017/18 are expected to be low due to smaller production, domestic consumption and surplus exports to Brazil.

Corn

Post forecasts Uruguayan corn production for MY 2018/19 at 420,000 tons, almost double the production of MY 2017/18 that suffered heavy losses due to drought. Analysts believe that improved corn prices in the MY 2017/18 crop will continue into the following crop year, encouraging farmers to expand planted area. Therefore, Post forecasts 70,000 hectares of harvested area in 2018/19 up 15,000 hectares over the previous year.

Corn production for MY 2017/18 is estimated at 200,000 tons, the lowest in 15 years, on estimated planted area between 65-70,000 hectares. However, due to the severe drought from December 2017 to March 2018, estimates of harvested area are revised down to 55,000 hectares for commercial corn with an expected yield of 3.6 tons per hectare, the lowest since MY 2010/11. Within the total corn area, roughly 50 percent was sown early, 25 percent was late corn and 25 percent was second crop after wheat or barley.

Corn production in Uruguay is low with average yields estimated at 5.5-6.5 tons per hectare and high production costs (approximately $800 per hectare). Contacts indicate that Uruguay has about 40,000 hectares of cropland under irrigation, of which 10,000 hectares are estimated as planted to corn every year. Corn is planted heavily in the best soils in the southwest of the country and in many cases, farmers use it for cattle feed. Although farmers are aware of the benefits and need for crop rotation, approximately 1.2-1.3 million hectares are planted with soybeans in Uruguay, a ratio of 17 hectares of soybeans for every hectare of corn.

Corn use for MY 2018/19 is projected at 860,000 tons, a slight increase from the previous two seasons. The trend of the past few years shows a small, but constant increase in corn demand. The dairy sector is the leading consumer of corn in Uruguay, followed by the poultry industry and feedlots. Corn is also in demand by local balanced feed manufacturers, grain ethanol plants and operations that export live cattle to Turkey and Middle East.

Uruguay does not normally export corn. Imports for MY 2018/19 are forecast at 440,000 tons; lower than the record of the previous year as production is expected to rebound but still the second highest in history as local production cannot meet domestic demand. The major source of imports is Paraguayan corn shipped in containers by truck. Corn imports in 2017/18 are estimated at 600,000 tons due to the negatively-affected production due to severe drought.

Local brokers indicate that ending stocks for both MY 2017/18 and 2018/19 should be tight. Most livestock businesses do not operate with large stocks due to its high cost.

Sorghum

Uruguayan production in MY 2018/19 is forecast at 210,000 tons, higher than MY 2017/18 and similar to two years ago. Harvested area is projected at 50,000 hectares in line with the country's average planted area. Sorghum in Uruguay is often planted in poorer soils using low technology. Alur, a national oil company (with a biofuels division) has historically been a principal buyer for use in their plant in Paysandú to produce ethanol under the local mandate. Recent company leadership changes make it difficult to estimate the company's future and sorghum demand.

Production in MY 2017/18 is estimated at 120,000 tons, the lowest in 12 years. Between 70,000-80,000 hectares were sown, with half into silage or stored as humid grain for cattle feed (primarily dairies). Despite drought resistant characteristics, average yields are expected to be as low as 3.4 tons per hectare following the drought during the summer of 2017/18. Roughly 90 percent of the sorghum is high tannin because it is more resistant to bird attacks and 10 percent is low tannin sorghum.

Sorghum consumption in MY 2018/19 is projected at 210,000 tons a quantity similar to expected production. Alur is normally the largest user followed by the dairy sector and feedlot operations.

Contacts believe Alur will demand a minimum of 50,000 tons of the total in MY 2017/18 (it had originally announced the potential purchase of 80,000 tons for MY 2017/18) due to a shortage of alternative crops. Under the biofuels mandate, feedstock must be local production.

Uruguay has practically no exports nor imports of sorghum.

Sorghum ending stocks are generally very low as supplies are limited and Uruguay is a net importer of feed grains (primarily corn).

Rice

Uruguayan rice production for MY 2018/19 is forecast down at 1.22 million tons (rough basis) on a projected area reduction of about 6 percent. Contacts indicate that in the past three years, rice prices dropped about 25 percent in dollar terms while production costs only 12 percent. Returns are very tight (in the best of the cases) and farmers continue to accumulate debt. Under this environment, most contacts speculate that the area will drop somewhat as less-efficient producers exit the sector. Rice producers do not expect the situation to change in MY 2018/19, when inflation is expected to exceed the devaluation of the local currency. High rice inventory in the region, especially Brazil, keeps downward pressure on rice prices in the southern corn producing countries that squeezes producer returns. Planting normally begins in late September and ends around November 20.

Production in MY 2017/18 is expected to reach 1.28 million tons (rough basis), a drop from the previous year, with approximately 2,000 hectares lost to the drought. Rice fields planted late were affected by unusual frosts February 9-12. By late March, roughly 15 percent was harvested. The quality of the rice for this season is expected to be average. Contacts indicate that total production costs (including land rentals – 70 percent of the total rice is produced on leased land) are nearly $1700 per hectare. The average producer will have a gross income of $1600 per hectare (a yield of 8.3 tons/hectare at $190 per ton), with negative profitability.

Consumption of rice in Uruguay for MY 2018/19 is forecast at 60,000 tons, similar to previous years. Per capita consumption is estimated at 12-13 kilos of white rice, low compared to other countries in Central/South America. The quality of Uruguayan rice is considered to be one of the world's best with a very uniform grain. Uruguay consumes roughly 40,000 tons of white rice for human consumption and 20,000 tons of rice (milled basis) for seed.
Uruguayan rice exports in MY 2018/19 are forecast at 800,000 tons, the lowest since MY 2014/15, due to projected smaller production and beginning stocks. While local brokers do not foresee major changes in export destinations, Mexico and Cuba are two markets that have been growing lately. The Uruguayan Government has recently presented a request to its Mexican counterpart for market access for paddy rice. The Cuban government purchased the first shipment of Uruguayan rice in 2016 and 2 boatloads in 2017.

In CY 2017, Uruguay exported 1.014 million tons of rice to more than 50 markets. The average price was $454 per ton, 3 percent higher than the previous year, but almost 20 percent lower than in 2013 and 2014. Of the total, 81 percent was white rice (including broken). Exports of brown rice grew to 14 percent. Brazil was the number one market for Uruguayan rice, followed by Peru, Mexico and Iraq.
Statistical Tables

Wheat	2016/2017		2017/2018		2018/2019	
Market Begin Year	Dec 2016		Dec 2017		Dec 2018	
Uruguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	215	215	185	197	0	200
Beginning Stocks	227	227	218	188	0	68

Production	757	757	600	440	0	600
MY Imports	10	10	10	10	0	10
TY Imports	12	12	10	10	0	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	994	994	828	638	0	678
MY Exports	246	246	150	80	0	100
TY Exports	550	550	300	160	0	100
Feed and Residual	80	80	25	60	0	70
FSI Consumption	450	480	450	430	0	430
Total Consumption	530	560	475	490	0	500
Ending Stocks	218	188	203	68	0	78
Total Distribution	994	994	828	638	0	678
Yield	3.5209	3.5209	3.2432	2.2335	0	3
(1000 HA) ,(1000 MT) ,(MT/HA)						

Corn	2016/2017		2017/2018		2018/2019	
Market Begin Year	Apr 2017		Apr 2018		Apr 2018	
Uruguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	57	57	64	55	0	70
Beginning Stocks	154	154	165	129	0	79
Production	471	471	372	200	0	420
MY Imports	220	304	200	600	0	440
TY Imports	184	290	220	600	0	440
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	845	929	737	929	0	939
MY Exports	0	0	10	0	0	0
TY Exports	0	0	10	0	0	0
Feed and Residual	550	650	450	700	0	710
FSI Consumption	130	150	130	150	0	150
Total Consumption	680	800	580	850	0	860
Ending Stocks	165	129	147	79	0	79
Total Distribution	845	929	737	929	0	939
Yield	8.2632	8.2632	5.8125	3.6364	0	6
(1000 HA) ,(1000 MT) ,(MT/HA)						

Sorghum	2016/2017		2017/2018		2018/2019	
Market Begin Year	Apr 2017		Apr 2018		Apr 2018	
Uruguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	47	47	40	35	0	50
Beginning Stocks	30	30	19	27	0	12
Production	214	214	190	120	0	210
MY Imports	10	0	10	20	0	10

TY Imports	2	0	10	20	0	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	254	244	219	167	0	232
MY Exports	5	2	10	0	0	2
TY Exports	15	12	10	0	0	2
Feed and Residual	130	115	100	65	0	120
FSI Consumption	100	100	100	90	0	90
Total Consumption	230	215	200	155	0	210
Ending Stocks	19	27	9	12	0	20
Total Distribution	254	244	219	167	0	232
Yield	4.5532	4.5532	4.75	3.4286	0	4.2
(1000 HA) ,(1000 MT) ,(MT/HA)						

Rice, Milled	2016/2017		2017/2018		2018/2019	
Market Begin Year	Apr 2017		Apr 2018		Apr 2018	
Uruguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	164	164	150	154	0	145
Beginning Stocks	62	62	19	51	0	27
Milled Production	987	987	872	896	0	854
Rough Production	1410	1410	1246	1280	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	1049	1049	891	947	0	881
MY Exports	975	940	810	860	0	800
TY Exports	1000	1000	810	860	0	800
Consumption and Residual	55	58	55	60	0	60
Ending Stocks	19	51	26	27	0	21
Total Distribution	1049	1049	891	947	0	881
Yield (Rough)	8.5976	8.5976	8.3067	8.3117	0	8.4138
(1000 HA) ,(1000 MT) ,(MT/HA)						

Commodities:
Corn
Barley
Wheat
Sorghum
Rice, Milled