Required Report: Required - Public Distribution **Date:** April 11, 2022

Report Number: UY2022-0003

Report Name: Grain and Feed Annual

Country: Uruguay

Post: Buenos Aires

Report Category: Grain and Feed

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Report Highlights:

In marketing year (MY) 2022/2023 Post forecasts Uruguay to increase its wheat area somewhat, but production and exports would be marginally lower than in the past two marketing years due lower expected yield. Corn area and production in MY 2022/2023 are forecast to reach record highs, but Uruguay would still need to import significant volumes of corn, mainly broken corn from Argentina. Sorghum area, production and domestic consumption in MY 2022/2023 are expected to continue at very low levels and with minimum changes. Uruguayan sorghum is expected to be soon declared eligible into the Chinese market, but brokers do not expect this to significantly affect trade in the short term. Rice area and production in MY 2022/2023 are forecast to remain practically unchanged from MY 2021/2022. Rice exports are projected up at 900,000 tons, milled basis.

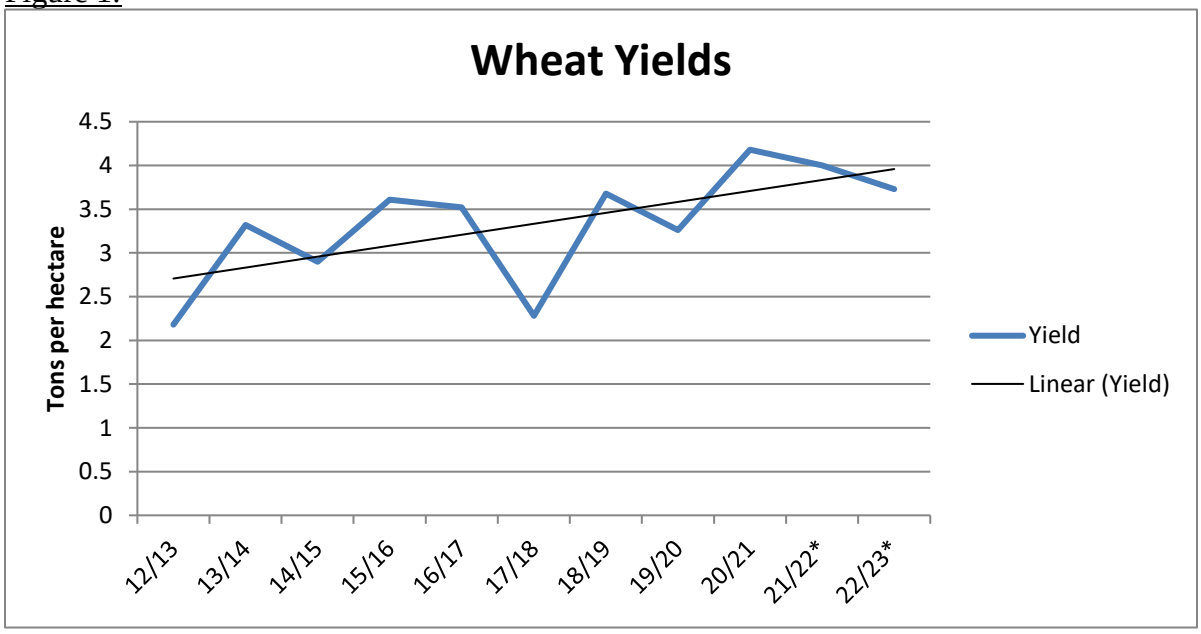
Wheat

Production

Uruguayan wheat production in marketing year 2022/2023 is forecast slightly lower at 950,000 metric tons. Despite a projected increase in area of 4.5 percent, production is forecast to be similar to the past two crop seasons as Post takes the average yield of the past four years, which includes the past two which were record highs. Post projects yields for the MY 2022/2023 at 3.72 tons per hectare, 7-9 percent lower than the yields of the previous two crop seasons. Weather is forecast to normalize after two La Nina seasons, which in this region tends to be drier than normal. However, farmers in MY 2022/2023 are expected to proceed in a somewhat defensive manner due to high input prices, especially fertilizers. At current prices, progressive farmers indicate that their breakeven yield is approximately 3.5 tons per hectare on owned land and roughly 4.0 tons on rented land, which is in alignment with the country's projected average yield.

While farmers want to take advantage of current high world prices, especially coming from two good crop seasons, the high cost and reduced availability of fertilizers and some crop protection products could negatively affect yield in the coming year. Uruguay imports all of its fertilizers and contacts indicate that it could be short of phosphorus and potassium for the winter crop season. During recent crop travel, FAS interviewed several producers who indicated that though they will be planting with high costs in May/June, they do not know what the price of wheat will be at harvest time in November and do not have a good mechanism for hedging. Prices often mirror those of Argentina, the largest producer and exporter in the region. However these prices are distorted due to policies which limit exports.

Figure 1:



Source: USDA PSD and FAS Buenos Aires
** Post estimate/projection*

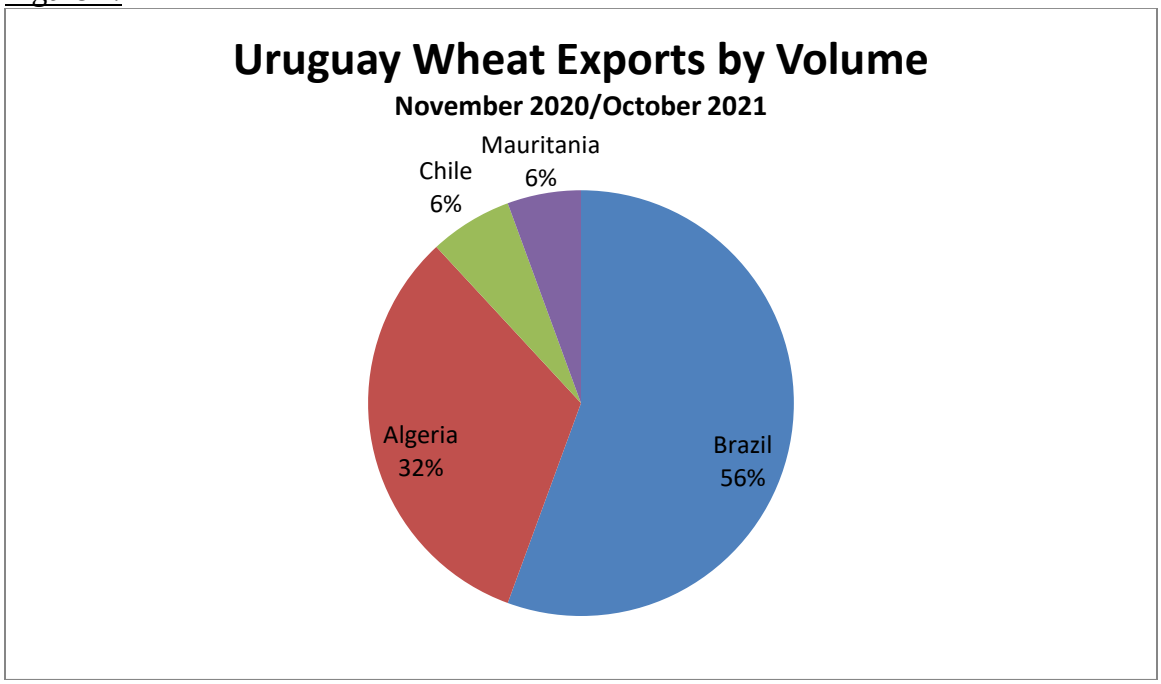
The wheat area in MY 2022/2023 would be the highest of the past 6 years at 255,000 hectares, but less than half of the record high of 590,000 hectares in MY 2011/2012. The growth of canola area, due to its good returns and convenient crop rotation, and barley has taken a lot of area from wheat. Farmers' first choice of winter crops this year is canola, followed by barley which has projected good prices and demand for malt as well as feed barley. The total barley area in MY 2021/2022 was 224,000 hectares with a production of 920,000 tons. Malting barley accounted for 165,000 hectares while the balance was planted for feed for exports and domestic consumption. Early projections indicate that the barley area could remain unchanged or grow marginally in MY 2022/2023.

Exports

Wheat exports in MY 2022/2023 are forecast at 520,000 tons, somewhat lower than in the previous two crop seasons as a result of a projected smaller output and reduced stocks. In the past few crop seasons exports have accounted for roughly 55-60 percent of total Uruguayan wheat output.

Algeria and Brazil are expected to continue to be the main destinations for Uruguayan wheat in MY 2022/2023. The official data does not show clearly the final destination for all wheat exports. Based on data provided by Agrosud, a local grain trader, Uruguay exported 572,000 tons of wheat in the period November 2020/October 2021. Practically 80 percent was exported by five large international grain exporters, mainly on vessels loaded in the Nueva Palmira port complex.

Figure 2:



Source: FAS Buenos Aires and Agrosud SA

Uruguay normally exports 10-15,000 tons of wheat flour annually, almost all to Brazil.

Domestic Consumption

Wheat domestic demand in MY 2022/2023 is projected at 440,000 tons, in line with the previous two years. Despite increases in the domestic price of flour, reflecting higher world wheat prices due to the war in Ukraine, flour consumption is quite inelastic. As in the past, the government and the private sector (millers and bakeries) could eventually reach some sort of temporary agreement to cap the price of flour in order to keep the cost and price of retail products at reasonable levels.

The local bakery industry is also concerned about Argentina's policies in subsidizing the price of flour through a trust financed by soybean meal and oil exports to try to contain retail prices of bread and bakery products. There is already a significant price gap between prices of goods in both sides of the border, encouraging Uruguayans to buy in Argentina.

The quality of the wheat in MY 2021/2022 was good as a result of favorable weather. Therefore, Post believes that the use of wheat for feed or ethanol will be quite limited, especially at current high wheat prices. The consumption of wheat for other purposes rather than flour is always tied to its quality and it is used for animal feed and/or ethanol.

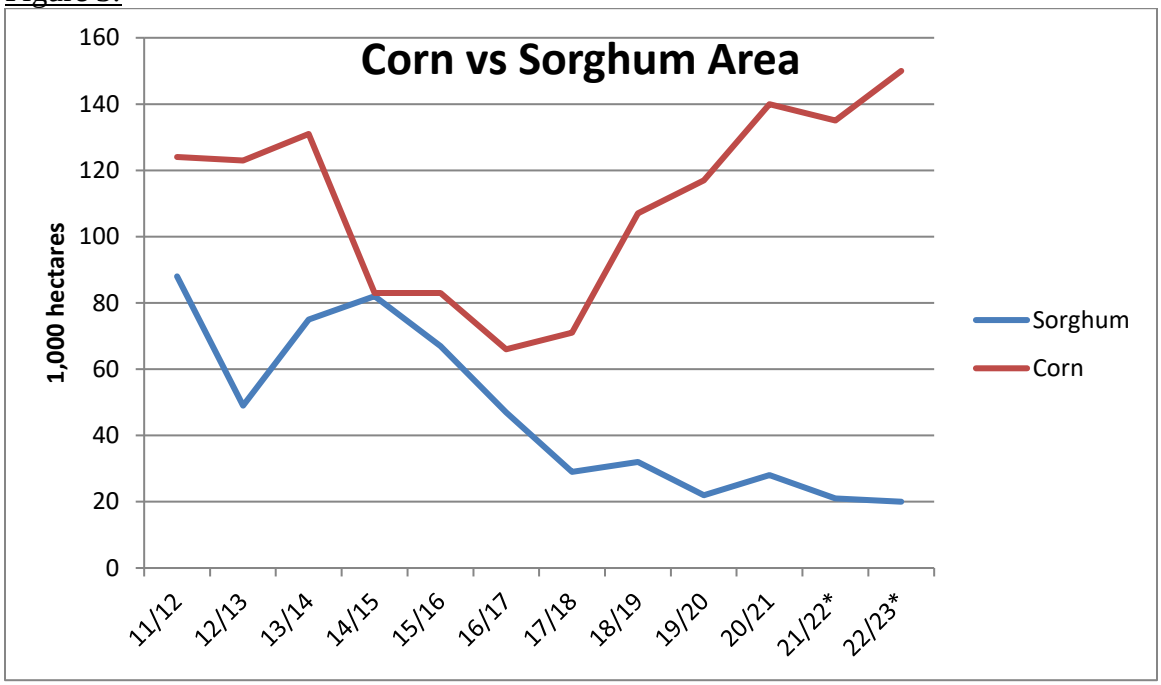
Corn

Uruguayan corn production in MY 2022/2023 is forecast at 950,000 tons on 150,000 hectares, both the highest on record. The animal feed sector is buying up all the corn as beef exports are booming and milk production is expected to continue to grow. Seed technology has improved significantly in the past years, providing greater yield stability. Also, more and more farmers understand the importance of incorporating corn in their soil rotation to maintain or improve productivity. Corn area has expanded in the past years at the expense of sorghum area, as it has higher economic returns and greater demand. FAS/Buenos Aires contacts report that the volume of fertilizer in the country does not meet the needs for all the winter crops planted, which occurs several months earlier than corn planting. Many cargoes of fertilizers have been purchased but there are strong concerns about the logistics and what can happen if the war in Ukraine continues.

In MY 2021/2022 farmers planted 145,000 hectares of corn for commercial grain production (15-25,000 hectares are normally planted for corn silage). Approximately 56 percent was early corn and the balance was second corn crop, which it is normally planted a couple of months later immediately after a winter crop is harvested. Because of a period of dry, hot weather in December 2021/mid-January 2022, the early corn, as in the whole region, was affected immensely. In fact, contacts suggest that 10-15,000 hectares were turned into silage due to its poor potential yield. Therefore, Post reduces the harvested area for MY 2021/2022 to 135,000 hectares, 10,000 hectares below the official USDA number. The average yield of the early corn is estimated at 4.1 tons per hectare. A different story is the second corn crop, mostly planted in mid-December/early January with the purpose of having plantations flower and fill in February and March when it normally rains more and temperatures are somewhat milder. To date, the second corn crop is in great condition as result of very good rainfall since mid-January, with an average yield expectation of 6.5 tons per hectare. Some plantations are expected to yield closer

to 8 tons per hectare. Post envisions that in the future, the area of second corn crop will grow in detriment of early corn which has lately proved that yields can be higher but with more risk.

Figure 3:

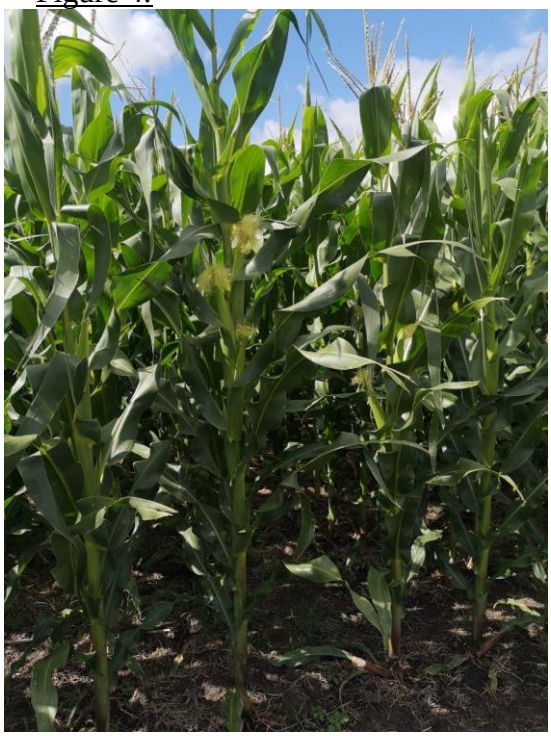


Source: USDA PSD and FAS Buenos Aires
** Post estimation/projection*

Uruguay it is not yet self-sufficient in corn and imports significant volumes from neighboring countries such as Argentina and Paraguay. Therefore, the import price parity sets a ceiling to the price of the corn produced locally. Argentina, an important corn exporting neighbor is able to reach Uruguay at attractive low prices. In the past couple of years, imports of corn into Uruguay shifted primarily from whole kernel corn to broken corn (not included in PSD table), which is imported at more competitive prices. For example, local feedlots in mid-March were able to purchase Argentine broken corn at US$270 per ton, while Uruguayan whole kernel corn sold for US$282. The price of corn has increased the least in the local market in the past months.

Based on official data, in MY 2020/2021, 60 percent of the total 32,500 hectares under irrigation in the entire country were planted with corn. The balance was planted with soybeans. Uruguay is expanding its irrigated area thanks to an official program by which producers can invest in irrigation systems (and other infrastructure items) and deduct a large portion from what they would have to pay of income tax. The past two crop seasons were very profitable for many farmers and with current world grain prices there is a strong demand for irrigation systems. Contacts indicate that several international capital funds are purchasing land and investing in center pivots.

Figure 4:

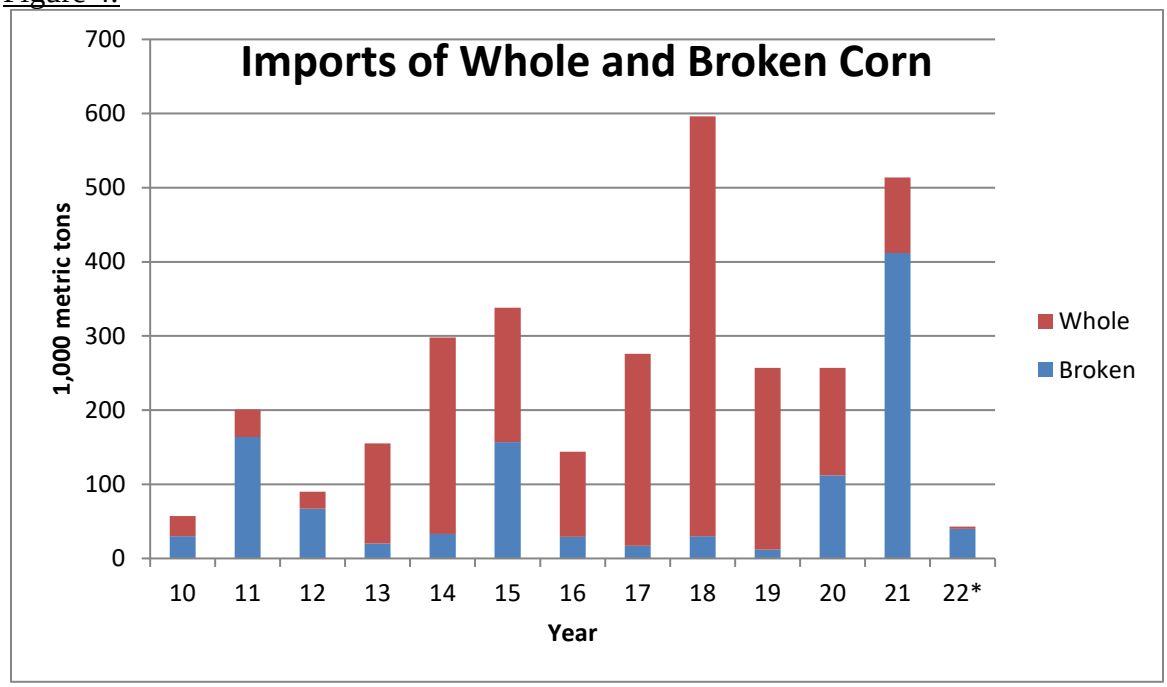


Second-crop corn in Colonia Department March 2022
Source: FAS Buenos Aires

Trade

FAS does not forecast any corn exports for MY 2022/2023. The last corn exported by Uruguay was in 2019 with 53,000 tons and the previous large shipments were back in 2013 with a total of 273,000 tons. Uruguay normally has to import corn to meet the domestic demand of its livestock sector. With a strong beef and dairy sectors corn consumption is growing. However this is not clearly shown in the Production, Supply and Demand (PSD) table because it only takes into account corn (HTS code 1005) and Uruguay is lately substituting imports of corn by imports of broken corn (HTS code 110423) which are not included in the PSD. This is primarily after the change of government in Argentina in late 2019 which increased export taxes on the main grains and oilseeds. Currently the export tax on whole corn is 12 percent and 4.5 percent for broken corn. Contacts indicate that the latter are imported at lower prices and have the benefit of being conditioned and ready to feed cattle. The following chart shows the evolution of Uruguayan corn imports (whole and broken):

Figure 4:



Source: FAS Buenos Aires using Trade Data Monitor
** Through January 2022*

Domestic Consumption

Corn domestic consumption in MY 2022/2023 is projected at almost 1 million tons. The Chinese appetite for beef and some problems in world suppliers have opened new opportunities to local beef exporters. High world prices have caused live cattle prices in Uruguay to be the highest ever, encouraging cattlemen and producers to invest heavily in their operations. The volume of cattle finished on grain last year increased approximately 20 percent and a similar level of growth is projected in 2022. Cattle finished on grain are the largest consumers of corn, followed by the dairy and poultry sectors.

Sorghum

Sorghum production in MY 2022/2023 is forecast to remain unchanged at 80,000 tons, similar to the previous year. Despite the possibility that Uruguay will be eligible to export sorghum to China soon, corn has been displacing it as farmers have significantly higher returns and it is easier to market. In the past years, sorghum seed technology has not improved in the same way as corn seed has, and thus the lack of interest of producers who now can plant early or late (mostly second crop) corn with much better results and lower risks than some years ago. Sorghum yields continue to range between 3.5-4.0 tons per hectare. Many dairies and some feedlots plant sorghum to harvest with high moisture and put it in silo bags for its conservation and future use.

Alur, owned by Ancap, the national oil company, normally has a small program to source low tannin grain sorghum close to its plant in Paysandú to produce bioethanol for the official

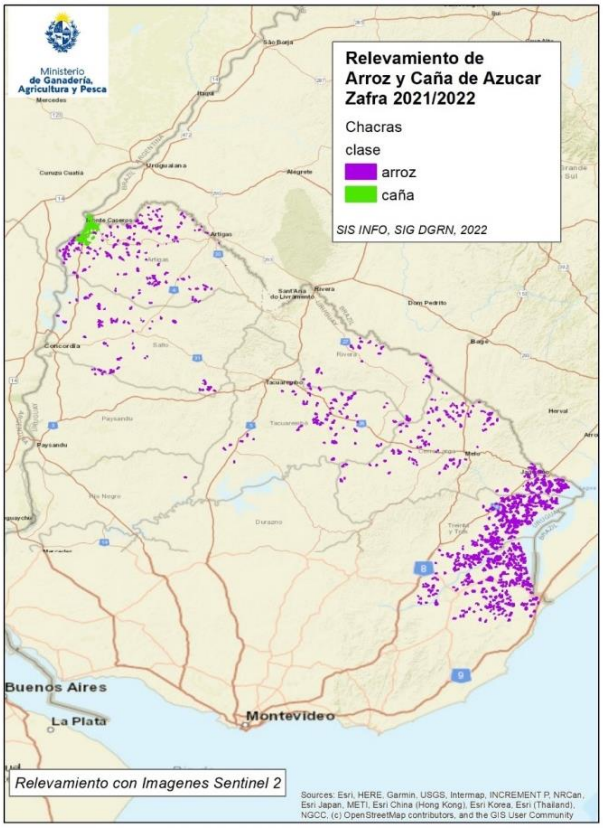
mandate. It usually sets a minimum price at harvest and pays 80 percent of the value of corn. This program is announced every new crop season but contacts report that it has been losing appeal in recent years. Alur sells distiller's dry grains soluble to the livestock sector.

Uruguay normally exports very small volumes of sorghum to Taiwan, ranging between 300-2,500 tons annually.

Rice

Uruguayan rice production for MY 2022/2023 is forecast at 990,000 tons milled equivalent basis, and 1.41 million tons rough, slightly lower than in MY 2021/2022. Despite repeating the acreage at 162,000 hectares, the average yield is forecast somewhat lower than in the past two years which were record high benefited by very good weather.

Figure 5:



Rice planted area 2021/22 in purple, sugar cane in green
Source: Uruguayan Ministry of Livestock, Agriculture, and Fishing

There are conflicting forces which could impact the acreage either way and at this point it is difficult to know which will prevail over the other. On one hand, some sources indicate that the area could expand 3-4 percent because water reservoirs are quite full thanks to plentiful rains in the past two months in Uruguay despite developing under a La Nina dry weather pattern. Rice prices in MY 2020/2021 were good and most contacts believe that the crop that is being harvested currently should also be profitable. On the other hand, ending stocks in MY 2021/2022 are projected to increase primarily because of logistical limitations. Freight costs continue to be

very high and in some cases it is difficult to contract space to export. Some important destinations such as Iraq could be out of the market for the region primarily due to expensive freight. Another factor which could limit planted acreage is the increase in production costs of more than 10 percent primarily because of extremely high fertilizer prices. Moreover, there are currently concerns about their availability of fertilizers to cover the entire crop needs.

Production in MY 2021/2022 is expected at 1.44 million tons, rough basis, 14 percent higher than USDA official volume. Harvested area is estimated at 162,000 hectares, in line with the area published by the government and the rice producer's association. Roughly 1,500 hectares were lost in the northwestern region due to very dry conditions last summer. Yields are expected to be high as conditions at planting were very good, practically all concentrated in October 2021 with very good plant emergence. By early April 2022 roughly 50 percent of the harvest will be completed. The quality of the rice is very good, with the exception of rice harvested early on in the northwestern region.

Rice domestic consumption in MY 2022/2023 is forecast at 60,000 tons, milled basis, marginally higher than in the previous year. Consumption of rice is quite inelastic. However, during the pandemic in MY 2020/2021, Uruguayans purchased more rice than normal. As life returns to normal, the domestic consumption is expected to continue to come down to its usual volume.

Exports of rice in MY 2022/2023 are forecast at 900,000 tons, the highest since MY 2017/2018 as result of an expected large output and stable domestic consumption. The local industry tries to maintain the lowest possible ending stocks from one season to the other. Exporters will face several challenges: 1) transport logistics, especially related to containers by which Uruguay exports significant volumes. There is a shortage of containers coming this way and their price has increased significantly. A container loads 24 metric tons and can reach many different destinations. Exports in bulk usually are at a minimum of 3-4,000 tons, narrowing the number of potential clients; and 2) strong concerns about the increase in freight costs due to the effects of the war in Ukraine.

Uruguay has a group of countries/destinations which are the core of its exports. These can vary somewhat from one year to another based on market conditions and freight logistics. Brazil, Mexico and the EU are expected to each buy approximately 15 percent of Uruguay's rice exports in MY 2021/2022 and MY 2022/2023, followed closely by Peru and Central American countries (primarily Costa Rica). Iraq can be a very important destination, but brokers are concerned that if current high freight costs persist it will keep them out of the market.

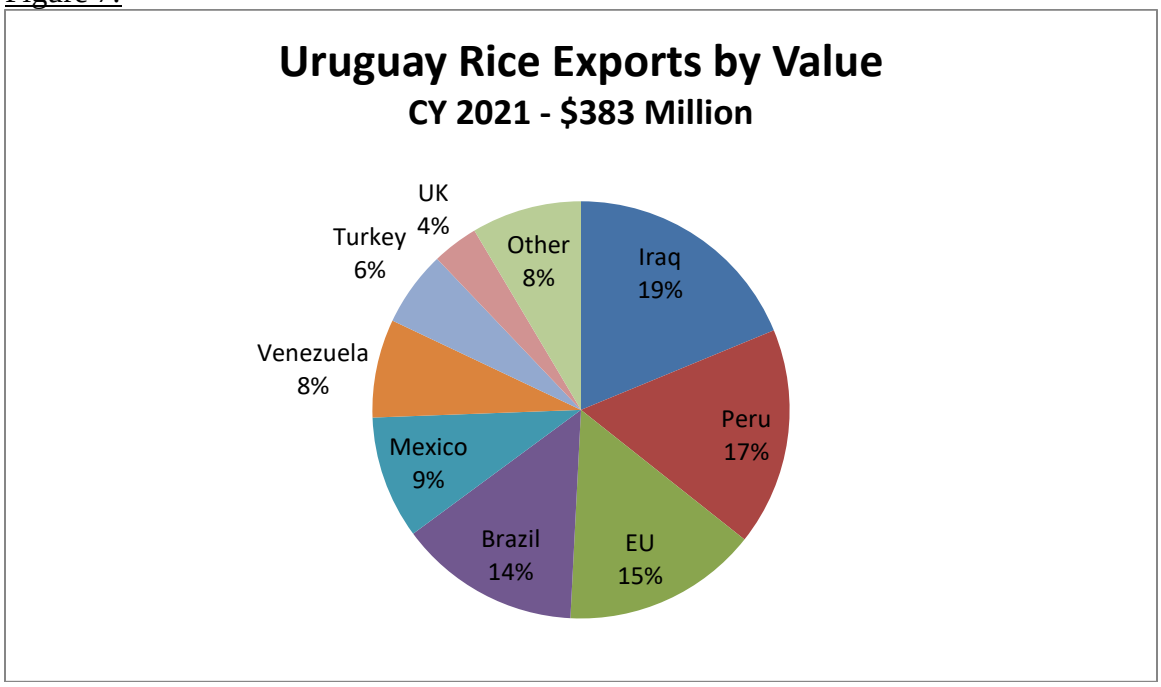
Figure 6: Uruguayan Average Exports by volume 2016-2021

Rice Category	AVG Volume	Main Destinations (in order of importance)
Milled	65%	Peru, Brazil, Iraq and Mexico
Brown	14%	EU, Brazil, UK
Paddy	11%	Venezuela, Mexico, Panama
Broken	10%	Sierra Leone, Senegal, EU

Source: Post with Trade Data Monitor

The below chart shows Uruguay's rice exports in percentage of value in calendar year 2021:

Figure 7:



Source: FAS Buenos Aires using Trade Data Monitor

Local and regional brokers forecast that Uruguay's ending stocks in MY 2021/2022 and MY 2022/2023 will increase to a level of roughly 250,000 tons each, one of the highest on record. Companies normally try to export as much volume as they can to keep the least rice possible, therefore, ending stocks could be smaller if rice mills decide to aggressively export additional volumes at the end of the marketing season, especially paddy rice.

Production Supply and Distribution Tables:

Wheat	**2020/2021**		**2021/2022**		**2022/2023**	
Market Year Begins	**Dec 2020**		**Dec 2021**		**Dec 2022**	
Uruguay	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested (1000 HA)	224	224	244	244	0	255
Beginning Stocks (1000 MT)	80	80	32	47	0	43
Production (1000 MT)	936	936	974	974	0	950
MY Imports (1000 MT)	10	12	10	12	0	12
TY Imports (1000 MT)	8	8	10	12	0	12
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	1026	1028	1016	1033	0	1005
MY Exports (1000 MT)	534	551	450	550	0	520
TY Exports (1000 MT)	534	551	450	550	0	520
Feed and Residual (1000 MT)	30	10	30	10	0	5
FSI Consumption (1000 MT)	430	420	430	430	0	440
Total Consumption (1000 MT)	460	430	460	440	0	445
Ending Stocks (1000 MT)	32	47	106	43	0	40
Total Distribution (1000 MT)	1026	1028	1016	1033	0	1005
Yield (MT/HA)	4.1786	4.1786	3.9918	3.9918	0	3.7255

(1000 HA) ,(1000 MT) ,(MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Wheat begins in July for all countries. TY 2022/2023 = July 2022 - June 2023

Corn	2020/2021		2021/2022		2022/2023	
Market Year Begins	Apr 2021		Apr 2022		Apr 2023	
Uruguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	143	140	145	135	0	150
Beginning Stocks (1000 MT)	109	109	79	79	0	69
Production (1000 MT)	770	770	850	740	0	950
MY Imports (1000 MT)	100	70	200	50	0	50
TY Imports (1000 MT)	126	126	200	50	0	50
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	979	949	1129	869	0	1069
MY Exports (1000 MT)	0	0	0	0	0	0
TY Exports (1000 MT)	0	0	0	0	0	0
Feed and Residual (1000 MT)	750	720	875	650	0	835
FSI Consumption (1000 MT)	150	150	150	150	0	155
Total Consumption (1000 MT)	900	870	1025	800	0	990
Ending Stocks (1000 MT)	79	79	104	69	0	79
Total Distribution (1000 MT)	979	949	1129	869	0	1069
Yield (MT/HA)	5.3846	5.5	5.8621	5.4815	0	6.3333

(1000 HA) ,(1000 MT) ,(MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Corn begins in October for all countries. TY 2022/2023 = October 2022 - September 2023

Sorghum	2020/2021		2021/2022		2022/2023	
Market Year Begins	**Apr 2021**		**Apr 2022**		**Apr 2023**	
Uruguay	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested (1000 HA)	28	28	21	21	0	20
Beginning Stocks (1000 MT)	9	9	6	6	0	5
Production (1000 MT)	110	110	84	80	0	80
MY Imports (1000 MT)	5	3	5	3	0	3
TY Imports (1000 MT)	3	3	5	3	0	3
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	124	122	95	89	0	88
MY Exports (1000 MT)	3	1	5	1	0	1
TY Exports (1000 MT)	3	1	5	1	0	1
Feed and Residual (1000 MT)	75	75	65	63	0	62
FSI Consumption (1000 MT)	40	40	20	20	0	20
Total Consumption (1000 MT)	115	115	85	83	0	82
Ending Stocks (1000 MT)	6	6	5	5	0	5
Total Distribution (1000 MT)	124	122	95	89	0	88
Yield (MT/HA)	3.9286	3.9286	4	3.8095	0	4

(1000 HA) ,(1000 MT) ,(MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Sorghum begins in October for all countries. TY 2022/2023 = October 2022 - September 2023

Rice, Milled	2020/2021		2021/2022		2022/2023	
Market Year Begins	Apr 2021		Apr 2022		Apr 2023	
Uruguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	139	143	140	162	0	162
Beginning Stocks (1000 MT)	12	12	93	80	0	232
Milled Production (1000 MT)	916	931	882	1008	0	990
Rough Production (1000 MT)	1309	1330	1260	1440	0	1414
Milling Rate (.9999) (1000 MT)	7000	7000	7000	7000	0	7000
MY Imports (1000 MT)	0	1	0	1	0	1
TY Imports (1000 MT)	0	0	0	1	0	1
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	928	944	975	1089	0	1223
MY Exports (1000 MT)	780	800	820	800	0	900
TY Exports (1000 MT)	705	755	820	800	0	900
Consumption and Residual (1000 MT)	55	64	60	57	0	60
Ending Stocks (1000 MT)	93	80	95	232	0	263
Total Distribution (1000 MT)	928	944	975	1089	0	1223
Yield (Rough) (MT/HA)	9.4173	9.3007	9	8.8889	0	8.7284

(1000 HA) ,(1000 MT) ,(MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2022/2023 = January 2023 - December 2023

Attachments:

No Attachments