Required Report: Required - Public Distribution **Date:** April 18, 2024

Report Number: UY2024-0001

Report Name: Oilseeds and Products Annual

Country: Uruguay

Post: Buenos Aires

Report Category: Oilseeds and Products

Prepared By: Chase McGrath

Approved By: Chase Mcgrath

Report Highlights:

Post forecasts Uruguay's marketing year (MY) 2024/25 soybean up to 3.4 million metric tons (MMT) on increased soy acreage planting, driven by increased acreage in second or late crop soy due to producers fears of another dry year of La Niña weather pattern and potential disease threat to corn, preferring soy over corn. Production in MY2023/24 is also forecast up from previous estimates to 3.2 MMT on increased yields due to favorable rains both early and late in the season despite weeks of hot and dry weather from mid-January to February. Similarly, Post forecasts exports up in MY2024/25 to 3.15 MMT and 2.95 MMT in MY 2023/24 as production rebounds from a year of historic drought.

SOYBEANS

Production

Marketing Year 2024/2025

Post forecasts Uruguayan soy acreage and production to increase in MY2024/25 up to 1.35 million hectares (HA), a ten percent increase from the previous year with expectations of increased soy planted in late or second soy at the expense of corn. However, yields are expected slightly lower in MY2024/25 than in MY2023/24 due to a La Niña weather pattern resulting in total production of 3.4 MMT, an increase of 200,000 tons from the previous year.

Soy planting is expected to increase in the coming year as the threat of another dry La Niña year approaches and producers fear the full impact of the chicharrita (corn stunt) in corn both in the current and next year. Although it's too soon see the full impact the chicharrita and has not yet had a significant impact in Uruguay, producers are carefully observing how quickly the impact spread and decreased yield potentials in neighboring Argentina. As the chicharrita does not affect soy may producers will be more inclined to plant soy to protect themselves from risk. The general sense among producers is fear for the MY2024/25 crop year. Fear looms over a dry La Niña year with the recent memory of the disastrous drought year last year. In times of uncertainty farmers prefer to fall back on the known and comfortable which in Uruguay is soy. It is widely considered the easiest crop with the least intervention, needed, cheaper seed than corn, and a market that always will buy, it is considered the safe bet for producers.

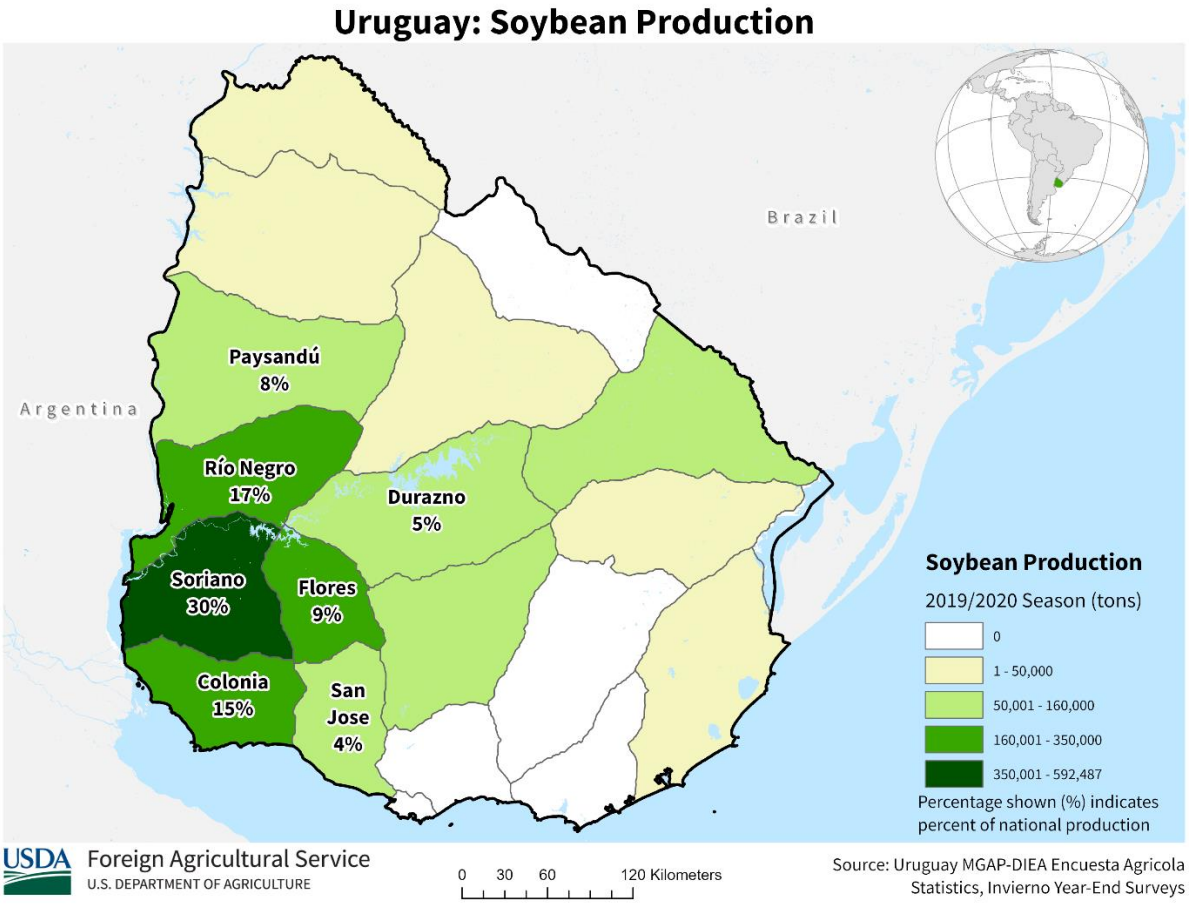
Soybeans remain Uruguay's dominant summer crop with soy planting expanded significantly in MY 2022/2023 but production was hampered by the terrible drought. Area is estimated to have increased only slightly in MY2023/24 but with substantially higher production of 3.2 MMT. Acreage in MY2024/25 is expected to grow even higher to its highest level in nearly ten years.

Post forecasts increased second soy planting in MY2024/25 with more wheat planted over winter resulting in additional acreage available to planted with soy after the wheat harvest. Early soy is more established with relatively flat growth, but is expected to increase slightly at the expense of corn next year. Average or slightly below yields are anticipated next year at 2.4-2.6 tons per HA in early soy and yields of 2.0-2.2 in late soy, which generally are considered good yields for late soy.

Much of Uruguay's arable land is more conducive to beef and dairy cattle production than crop cultivation. The vast majority of Uruguay's grain and oilseed production is concentrated in the western corridor of the country roughly parallel with the Uruguay river. Not only do these regions have the most fertile soils but are also near the country's most developed export infrastructure for agricultural commodities. Production is centered in the Departments of Soriano, Rio Negro, and Colonia. Beginning in the early 2000s there was a significant increase in crop cultivation across Uruguay, spurred by high commodity prices, the adoption of glyphosate-resistant soybeans, and an influx of foreign capital and agricultural expertise, mainly from Argentina. The decline in commodity prices in the mid-2010s prompted many producers to convert cultivated land back to pasture. Foreign-owned farming enterprises, primarily driven by Argentine investment and focusing largely on crop production, downscaled their operations, making more land available for local Uruguayan producers who generally

operate diversified operations with crops and livestock. This shift led to falling soybean acres for several years until MY2019/20 when a revival of crop prices, particularly soy, returned much of it back to cultivated land. While soy acreage has rebounded the last few years, it is likely reaching its upper limit as much of the suitable land has already been tapped. Marginal land that was planted in the past continues to face strong competition from the livestock sector and with continued low soy prices is unexpected to change. Any additional expansion of new cultivated acres will come in the traditional western and northern growing region or those that come out of previously planned rotation with pasture.

Figure 1. Uruguay Soybean Production Map by Department



Source: FAS International Production Assessment Division

Producers in Uruguay must plant rotations that achieve certain goals for soil health under Uruguayan law. Producers of plots larger than 50 HA must submit their crop rotation and planting plan to the government to prevent soil degradation and excessive planting of soy on soy, which was common in the past and lead to decreased soil nutrients and increased fertilizer use. The goal of the legislation is to protect the natural resources of the country and ensure long-term soil health.

Farmers finances continue to be very tight and are expected to continue unless there is a surge in global prices as production costs are expected to remain high into MY2024/25. Production costs in Uruguay are

generally higher than in neighboring countries. In addition, Uruguayan producers are particularly dependent on world prices as very little soy is consumed domestically, much more so than corn or wheat. Planting next year will ultimately be dictated by where prices land following this harvest and, in the months leading up to planting.

Landlords continue to have the upper hand in land-rental agreements and continue to charge high rent even in the face of falling crop prices. In the past, landlords that were accustomed to renting land for grazing sometimes underpricing land for soy production. Larger producers seeking to scale up on rented land were able to secure more land at low prices. This is no longer possible as the demand for rented land has increased and landlords have continued to raise rents. Additionally, despite some wealthy Argentines immigrating to Uruguay following changes in governments 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. Rented land accounts for 70 percent of soy production in Uruguay with the remainder grown on owner farmed land. This is expected to remain the case into the foreseeable future as there is little new cultivated land for sale as landlords continue to enjoy favorable and rising rent prices.

Prevalence of herbicide resistant weeds have risen in the past several years and continue to challenge farmers contributing even more to already rising production costs. Amaranth is the most widespread and challenging problem. While crop rotations are a central tactic to combat these weeds and have been implemented, their growth has continued.

First soy planting area is generally inelastic which accounts for 60 to 65 percent of the total soy crop as as its seen as a sure thing by farmers. First soy acreage is down in the current year and an increase in second soy. But planting of both first and second soy are expected to increase in MY2024/25. Although second soy planting will increase, its yields are lower which will limit the overall increase in soy production over the previous year.

If global prices fall farther and maintain that level, some producers also may elect to revert their fields to pasture as many producers are well diversified.

Winters in Uruguay typically bring good cool weather with abundant sun, which are ideal for winter crops. Uruguayan producers usually plant at least some acres of all the top crops and grow a diverse mix each year. Canola is planted in May and harvested at the end of October into November with its area as a portion of winter crops is expected to grow in MY2024/25 with the Ministry of Agriculture forecasts canola area to increase by as much as 10 percent in MY2024/25, gaining 50,000 HA. This is driven by canola's relatively good margins compared to other winter crops, second only to barley. Under the rotation law farmers, who do not plant a winter crop must plant a cover crop. Sources estimate canola will account for one third of total winter crop planted area in the coming years.

While there are a few acres of sunflower planted each year it has largely disappeared and is still a minor crop Uruguay. Just three to four years ago there was no sunflower planted in Uruguay, it has gained some area but is not expected to increase in the future as it competes with canola for growing area and its popularity has increased.

Marketing Year 2023/2024

Post revises Uruguay's MY2023/24 soybean area down to 1.25 million HA based on MGAP and industry contacts estimates in Post conversations with producers. This represents a decreased planted area from both Post's last update as well as USDA official estimates. However, post revises production up, estimated at 3.2 MMT, 300,000 tons more than both Post's last update and USDA official estimates on expected better yields due to a robust and healthy crop.

The impact of the hot and dry weeks in January to February were less pronounced to the Uruguayan soy crop than in Argentina due to Uruguay receiving more moisture prior to the drought and later normal planting. While early soy yields are reported down from average, the late planting limited the damage and late soy was spared as the crop was less further along in development. Post estimates an overall nationwide yield of 2.6 MMT per HA. Many in the industry even feel average yields could be as high as 2.7 to 2.8 MMT per HA, above average, with yields as high as 3 tons or even more in some areas. This is attributed to the strong rains brought by the El Niño weather pattern this year in November to December and again in early March to April. Producers in areas of Rio Negro Department report receiving 90 cm of rain in one day on January 16, but then not a drop until late February then receiving rains like that have not seen in five years throughout March and into April 2024.

Figures 2 and 3. *Second Soy Near Young, Río Negro Department of State Uruguay with Estimated Yields of 2.7-2.8 Tons Per HA*

Source: FAS Buenos Aires

Early or first soy is traditionally planted in early November but was planted as late as early December as there was too much moisture to get into fields to plant. Second or late crop soy planting was also delayed one month later than normal after the winter crop harvest was delayed by continued rainfall thereby delaying second crop soy on those fields. In the end this benefited the crop as it was not as far along in development as in normal years and spared some of the damage from the weeks of drought. In a normal year later planting would result in lower yields but this year is expected to buck the trend as the later planting avoided greater drought impact. Yields in first and second soy are expected to be relatively similar with the same with decreased yield in first soy, due to the dry spell but second soy weathering it with average yields.

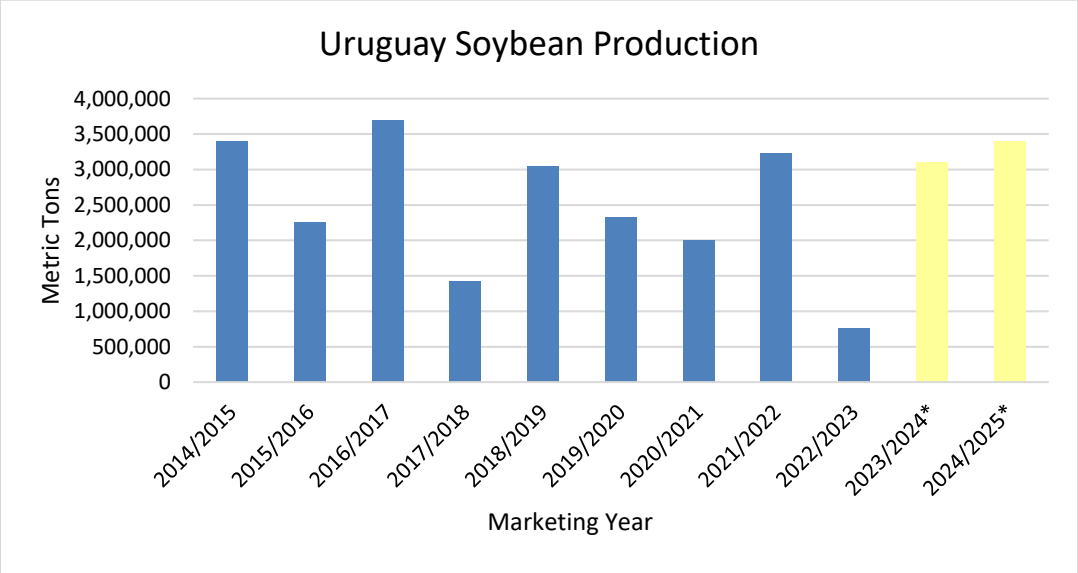
Soybean rust can be an issue in Uruguay but is manageable and not expected to decrease production. Several large producers report around 10 percent of their crop at risk to rust which could decrease their production int the end, but they are not overly worried.

While increased soy acreage in the eastern part of the country had been forecast this year, the weather limited any actual growth. In those areas producers chose to produce rice rather than soy after increased rains before planting coupled with low soy prices but high returns expected for rice.
Production costs are reported up this year high making for slim margins this year with current prices. Some producers are beginning to use drones for spraying in place of traditional sprayers or by plane and report satisfaction with the effectiveness and overall costs.

If rains continue throughout April at the current pace, it could present a challenge for a delayed harvest or decreased yield potential. There is consensus it will not be a grave issue but rain is forecast to continue in force through the remaining weeks of April.

Post revises MY2022/23 production estimate down from Post's previous update to 760,000 tons due to the disastrous drought, still slightly above USDA official estimates due to industry reports and higher exports indicating less crops lost than initially estimated.

Figure 4.



**FAS Buenos Aires Forecast* *Source: USDA PSD and FAS Buenos Aires*

Crush and Consumption

Post forecasts Uruguayan crush at 120,000 tons in MY2024/25, the same level as in MY2023/24 with no additional crush capacity expected in the near future. This will result in soymeal production of 93,000 and soy oil production of 22,000 tons in both marketing years.

Like the nation itself, Uruguay's crush industry is small and primarily grows soybeans to export whole. This is partially due to the soy industry only developing in Uruguay in the last 20 years and its proximity to the well-developed crush industries of neighboring, Argentina and Brazil. The only major crusher is an operation owed by COUSA near Montevideo. Construction of the facility was driven by Uruguay's 2007 biofuel law which mandated 5 percent of all diesel in Uruguay be comprised of biodiesel produced with Uruguayan feedstock. The plant had a contract with ALUR, the state-owned biofuel company to produce oil for biodiesel production. But since the biofuel law and blending mandate were abandoned, the plant's crush has been significantly below its 250,000 ton capacity. The plant also crushes sunflower and canola and has grown the portion of its crush of these commodities with fewer soybeans crushed. There are some other smaller scale soy crush plants in Uruguay that primarily produce soy meal and soy oil for domestic consumption through pressure sieves rather than solvent extraction. There are no prospects or rumors of growth in processing or crush in Uruguay. This in part due to the elimination of the biodiesel blending mandate in 2021 which was scrapped to decrease diesel prices and government spending. However, the state-owned biofuel producer is permitted to blend up to 2.5 percent of biodiesel if it is unable to export its biodiesel. Prior to 2021 Uruguay consumed approximately 50,000 liters of domestically produced biodiesel.

Uruguay's dairy, poultry, and swine industries are the main consumers of soymeal, but all three industries are stable with no additional growth projected in the coming marketing year. Post forecasts Uruguay's domestic soybean consumption at 125,000 in MY2024/25 and in MY2023/24, most of which for seed.

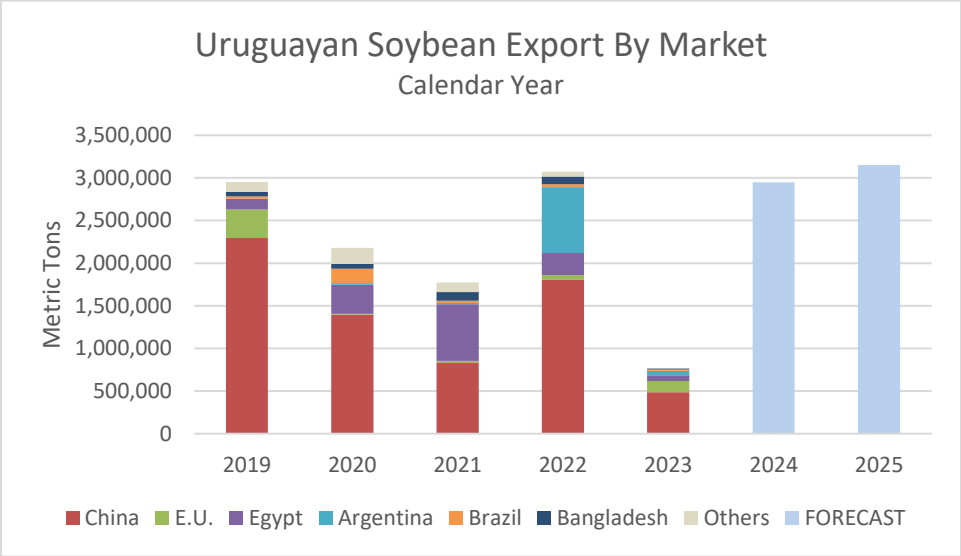
Uruguay does not generally hold high carryover stocks as most soybeans are exported rather than held on farm. Large exporters generally account for any stocks held.

Post revises MY2022/23 crush estimate down from Post's previous update to 100,000 tons but still 50,000 tons higher than USDA official estimates due to exports of soymeal and oil and industry crush estimates.

Trade

Post forecasts exports up in MY2024/25 to 3.15 MMT on increased production. Post also estimates exports up in MY2023/24 2.95 MMT, up from both Post's last update and USDA official on increased production and continued strong interest in Uruguayan soybeans in several top markets. This would represent an increase of 280 percent from the 776 MMT expected in MY2022/23, the lowest exports in 15 years after production was hit by extreme drought.

Figure 5.



Source: FAS Buenos Aires Using Trade Data Monitor LLC and Private Industry Sources

China continued to be the top destination for Uruguayan soybeans in 2023 with nearly 65 percent of Uruguay's market share and is expected to be the top market in both 2024 and 2025. Despite phytosanitary issues in the past and weed seed in shipments to China, both governments continue to renew their agreement and Uruguayan exporters have become more skilled in separating soybeans for exports to China and meeting Chinese requirements to decrease rejection rate. In 2021 Uruguay's Ministry of Livestock, Agriculture, and Fisheries published a best practices guide to assist farmers to avoid seeds from nine banned weeds from entering the supply chain.

While China remains the dominant buyer, other markets have gained ground in recent years, notably the EU and Egypt. The EU rose to Uruguay's second largest buyer last year doubling its imports to 132,000 tons, despite Uruguay's dramatically decreased exports. Traders report they expect Egypt to grow as a future top market and become more active. Egypt was active in the past but then dropped in some years buying more Brazilian soybeans at cheaper prices. However, traders expected Egypt to return to buying more Uruguayan soybeans instead due to moisture problems in Brazilian soybeans and have already expressed interest in purchasing more Uruguayan soybeans instead in the future.

While the market standard for Uruguayan soybeans is still 14 percent moisture, higher than most other producers, the Association of Grain Merchants (ACG) is pushing to reduce the moisture content standard to 13.5 percent or lower as most buyers prefer moisture content lower than 14 percent including China's main buyers. If moisture standards could be decreased, this could create an opportunity for increased sales to China and open other major markets as well.

Seventy percent of Uruguay's exports are shipped out of the ports in Nueva Palmira on the Uruguay river. The remaining 30 percent are loaded out of the port of Montevideo which could increase its share or exports if investments are made in port logistics. Montevideo primarily serves as a point to add soybeans to ships loaded up the Upriver Parana system which has shallower drafts.

Due to limited crush capacity or domestic market, Uruguay exports most of its soybeans whole and must import soymeal and soy oil to meet its domestic demand. Nearly 60 percent of Uruguay's soymeal consumption is expected to be supplied by imports which Uruguay primarily sources from Argentina and Paraguay. Uruguay imports soymeal for feed for the dairy, poultry, and swine industries. Post forecasts soymeal imports of 140,000 tons in MY2024/25 as domestic crush recovers to normal levels with increased soybean production. But import levels of both soymeal and soy oil have declined since the one large domestic crusher opened in 2014.

Soy oil exports surged in MY2022/23 to 7,000 tons despite primarily to Chile and Central America for food use, despite the decreased crush.

Annex I. Soybean, Soymeal, and Soy Oil Production, Supply, and Demand Statistical Tables

Oilseed, Soybean	2022/2023		2023/2024		2024/2025	
Market Year Begins	Apr 2023		Apr 2023		Apr 2024	
Uruguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	1200	1200	1280	1225	0	1350
Area Harvested (1000 HA)	930	825	1275	1220	0	1345
Beginning Stocks (1000 MT)	248	224	48	49	0	57
Production (1000 MT)	700	760	2900	3200	0	3400
MY Imports (1000 MT)	40	26	10	3	0	0
Total Supply (1000 MT)	988	1034	2958	3252	0	3457
MY Exports (1000 MT)	800	776	2400	2950	0	3150
Crush (1000 MT)	50	100	95	120	0	120
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	90	85	140	125	0	125
Total Dom. Cons. (1000 MT)	140	185	235	245	0	245
Ending Stocks (1000 MT)	48	49	323	57	0	62
Total Distribution (1000 MT)	988	1010	2958	3252	0	3457
Yield (MT/HA)	0.7527	0.9212	2.2745	2.623	0	2.5279
(1000 HA) ,(1000 MT) ,(MT/HA)						

Meal, Soybean	2022/2023		2023/2024		2024/2025	
Market Year Begins	Apr 2023		Apr 2023		Apr 2024	
Uruguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	50	100	95	120	0	120
Extr. Rate, 999.9999 (PERCENT)	0.8	0.73	0.8	0.775	0	0.775
Beginning Stocks (1000 MT)	61	51	66	77	0	55
Production (1000 MT)	40	73	76	93	0	93
MY Imports (1000 MT)	200	210	220	140	0	140
Total Supply (1000 MT)	301	344	362	310	0	288
MY Exports (1000 MT)	0	7	0	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)	235	250	300	250	0	255
Total Dom. Cons. (1000 MT)	235	250	300	250	0	255
Ending Stocks (1000 MT)	66	77	62	55	0	28
Total Distribution (1000 MT)	301	334	362	310	0	288

Oil, Soybean	2022/2023	2023/2024	2024/2025

Market Year Begins	Apr 2023		Apr 2023		Apr 2024	
Uruguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	50	100	95	120	0	120
Extr. Rate, 999.9999 (PERCENT)	0.2	0.18	0.1895	0.1833	0	0.1833
Beginning Stocks (1000 MT)	10	10	3	3	0	3
Production (1000 MT)	10	18	18	22	0	22
MY Imports (1000 MT)	5	4	5	5	0	4
Total Supply (1000 MT)	25	32	26	30	0	29
MY Exports (1000 MT)	1	7	2	3	0	3
Industrial Dom. Cons. (1000 MT)	1	1	1	1	0	1
Food Use Dom. Cons. (1000 MT)	20	21	20	23	0	23
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	21	22	21	24	0	24
Ending Stocks (1000 MT)	3	3	3	3	0	2
Total Distribution (1000 MT)	25	32	26	30	0	29
(1000 MT) ,(PERCENT)						

Attachments:

No Attachments