

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 4/17/2017

GAIN Report Number:

Uruguay

Grain and Feed Annual

2017

Approved By:

David Mergen

Prepared By:

Ken Joseph

Report Highlights:

Uruguayan wheat production for 2017/18 is forecast to drop significantly to 660,000 tons due to expected tight returns. As a result, exports will drop considerably to only 200,000 tons. Barley area and production is also expected to drop. Corn area for 2017/18 is expected to remain unchanged, but more normal yields than in 2016/17 would result in a drop in production to 440,000 tons. Therefore, corn imports are expected to rebound to 150,000 tons. No significant changes are projected for sorghum, which is not traded in significant quantities. Rice production for 2017/18 is forecast at 925,000 tons (milled basis), a slight drop from the previous year. Exports are expected to reflect the drop, with a total volume of 850,000 tons (milled basis).

Commodities:

Select

Author Defined:

Production

Wheat: Uruguay wheat production for crop 2017/18 is forecast down significantly at 660,000 tons, the lowest in a decade. This is a result of a drop in harvested area and normal yields (the past two seasons yields were higher than normal primarily due to good weather). Most producers are very discouraged with wheat as returns are very tight (or negative in many cases), due to low farm prices. Local producers indicate that at current production costs and prices, farmers producing on their own land need a yield close to the country's average to be breakeven, while farmers renting land need to produce over 4.5 tons per hectare to make money. Wheat production is expected to be concentrated almost exclusively in its best production area in the southwestern area of the country in a radius within 200 kilometers from the Nueva Palmira port. Contacts' range of projected area varies between 150-220,000 hectares. Such a low wheat area, plus an expected drop in barley area will hurt the country's agricultural sector as the economy will move slower, with smaller sales of agricultural inputs, fewer trucking freight, less soil rotation, etc.

Wheat in Uruguay is planted in May-June and it is harvested between mid-November and December in a short period of time. Some producers are planting cover crops during winter to maintain soils free of weeds and add crop rotation to keep soil quality. Oats is the most commonly used but some 10,000 hectares are planted with wheat. Normally the cover crop is burnt with chemicals prior to planting soybeans in October-November, but some farmers can decide to harvest the wheat depending on economics and the condition of the crop at that time.

As a result of a cool/cold spring in 2016, and to the use of good technology which included higher fertilization than normal, the 2016/17 wheat crop was good, with high yields and better quality than the year before which had a low protein content.

Barley area is also expected to drop from 190,000 hectares in 2016/17 to 150,000 hectares in 2017/18. The local malting companies have announced that they will reduce the planted area as the crop last year was very good and there is a significant volume of barley left over. In early 2016/17, most contacts estimated an area of 140-150,000 hectares, but at the last moment another company came in and added more demand equivalent to approximately 40,000 hectares more. Yields were very good, at 3.6 tons per hectare, with a total record production of 680,000 tons. The quality is good, although a little low in protein. Production for 2017/18 is forecast at 520,000 tons. Barley production last year was significantly more profitable than wheat.

Corn: Production for crop 2017/18 is projected at 440,000 tons, lower than the previous year. Despite a practically unchanged planted area, we are not forecasting as good a yield as estimated for the 2016/17 crop which had very good rainfall.

Corn is primarily produced by farmers on their own land. Most of the small irrigated area is devoted to corn production. Roughly 70 percent of the corn is planted early (with yields of 7-8 tons per hectare) and 30 percent is planted late (with yield of 5 tons per hectare). Corn is profitable, but demands the largest investment of all crops. Contacts indicate that efficient farmers have a cost of production of about \$750 per hectare and an income of \$900 per hectare. Most corn is planted to rotate crops and preserve soil quality. Some producers also use the corn for their own animal feed consumption or sell it to close-by neighbors. The harvest of corn with high moisture is quite popular among dairies and feed lots; while corn silage use is low (sorghum silage is more popular). Due to Uruguay's production landscape and culture, many farmers have their own small feedlots which they use to add value to their corn and sorghum.

Sorghum: Production and area for 2017/18 are forecast to remain practically unchanged. This crop is very dependent on the volume the local national oil company decides to purchase through contracts to use in its bioethanol plant in the west of the country for the official ethanol mandate program. Contacts indicate that purchases could reach as high as 120,000 tons, but that in 2016/17 the company will only purchase between 50-70,000 tons of sorghum and some wheat and corn. Although difficult to project, most contacts expect no change in 2017/18. Official estimates indicate that there are approximately 100,000 hectares planted with sorghum which is harvested as humid grain (with 28-30 percent humidity). Sorghum production is primarily localized in the area close to Paysandu city, where the ethanol plant operates.

Rice: Area and production for crop 2017/18 are forecast to drop marginally to 162,000 hectares and 1.32 million tons (rough production) respectively. Returns are expected to continue to be quite tight. However, a good level of water reservoirs is projected to encourage producers to maintain the area relatively stable. Planting will begin in September 2017, with expected production costs quite similar to the previous season.

Consumption

Wheat: Domestic consumption for crop 2017/18 is forecast at 500,000 tons, slightly lower than the previous season. Wheat consumption for food is quite inelastic, with yearly milling of about 400,000 tons. Current lower corn prices in the region will probably make wheat consumption drop somewhat as demand of wheat for ethanol and feedlots is expected to drop.

Uruguay has roughly 15 flour mills of which 3 account for more than 70 percent of the market. One of the largest mills closed at the beginning of 2017, but press reports indicate it is in the process of reopening. There is a significant unused capacity in the sector.

Corn: Local consumption for crop 2017/18 is projected at 625,000 tons, practically unchanged from the previous two years. The poultry and egg industry together consume approximately 200-250,000 tons, while cattle use (dairy and feedlots) totals approximately 350,000 tons. It is unknown if the national oil company will use some corn to produce ethanol as it did in 2016. The dairy sector is going through difficulties due to low international

milk prices. A key demand for corn is the cattle produced to export beef to the EU under the 481 Quota of high quality grain fed beef which the EU granted as compensation to the US as a result of the dispute on hormones on beef. Contacts in Uruguay note concerns that that this quota could be eliminated by the EU over the next few months. If that is so, this could have a negative impact on the consumption of corn in Uruguay.

Sorghum: Domestic consumption in 2017/18 is forecast to remain unchanged at 260,000 tons. Grain ethanol and the dairy and beef sectors are the major users of sorghum. Uruguay also consumes significant volumes of humid grain sorghum for dairy and beef production.

Rice: Total domestic rice consumption is forecast to remain flat at 60,000 tons (milled basis). The private industry estimates a per capita consumption of 12-13 kilos while the official number is higher. Seed use is estimated at 24,000 tons (rough basis), with approximately 150 kilos of seed per hectare.

Trade

Wheat: Exports for crop 2017/18 are forecast at 200,000 tons, significantly lower than the previous past two crops, and the lowest of the past 12 years. The main reasons for such a drop are the low beginning stocks and a projected smaller wheat production. Practically of this small volume is expected to be shipped to neighboring Brazil, the natural market for Uruguayan wheat. Exports in 2016/17 are estimated at 400,000 tons, with Brazil the main destination, followed by Algeria which is expected to purchase about 150,000 tons. This year's wheat quality is good, far better than the previous' crop season. Traders indicate they are shipping wheat with protein ranging between 11.5-12.0 per cent.

Due to the large barley production in crop 2016/17, local traders estimate that 60-90,000 tons will be exported.

Corn: Uruguay usually imports 150-200,000 tons of corn for animal feed as its domestic production is not able to meet the total demand. Imports for crop season 2017/18 are forecast at 150,000 tons, higher than last year due to smaller beginning stocks and expected smaller corn production. Imports come primarily from Paraguay by barge and from neighboring Argentina.

Sorghum: There is practically no trade related to this commodity.

Rice: Exports for 2017/18 are forecast at 850,000 tons (milled basis), somewhat lower than the previous season as a result of a projected smaller crop. The main destinations are expected to be Brazil, Middle East countries (primarily Iran and Iraq), Peru, Mexico and Venezuela.

Of Uruguay's rice exports in CY2016, almost 70 percent was milled, 14 percent was brown rice, 8 percent broken rice and 8 percent paddy rice. The average export price for Uruguay in CY2016 was \$440 per ton, the lowest since 2007. Local traders indicate that current prices range between \$460-500 per ton.

More than 80 percent of Uruguay's rice exports in 2016 were made by 6 companies (with the top exporter accounting for roughly 40 percent).

Statistical Tables

Wheat Market Begin Year Uruguay	2015/2016		2016/2017		2017/2018	
	Dec 2015		Dec 2016		Dec 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	330	330	222	220	0	190
Beginning Stocks	192	192	188	204	0	79
Production	1191	1200	821	780	0	660
MY Imports	20	20	25	25	0	25
TY Imports	23	23	25	25	0	25
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1403	1412	1034	1009	0	764
MY Exports	725	725	500	400	0	200
TY Exports	596	596	650	500	0	200
Feed and Residual	150	60	75	80	0	50
FSI Consumption	340	420	345	450	0	450
Total Consumption	490	480	420	530	0	500
Ending Stocks	188	204	114	79	0	64
Total Distribution	1403	1409	1034	1009	0	764

(1000 HA) ,(1000 MT)

Corn Market Begin Year Uruguay	2015/2016		2016/2017		2017/2018	
	Apr 2016		Apr 2017		Apr 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	83	83	88	79	0	80
Beginning Stocks	191	191	188	153	0	108
Production	487	487	460	500	0	440
MY Imports	140	130	200	80	0	150
TY Imports	111	111	170	60	0	150
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	818	808	848	733	0	698
MY Exports	5	5	35	0	0	0
TY Exports	0	0	35	0	0	0
Feed and Residual	500	500	520	500	0	500
FSI Consumption	125	150	130	125	0	125
Total Consumption	625	650	650	625	0	625
Ending Stocks	188	153	163	108	0	73
Total Distribution	818	808	848	733	0	698

(1000 HA) ,(1000 MT)

Sorghum Market Begin Year Uruguay	2015/2016		2016/2017		2017/2018	
	Apr 2016		Apr 2017		Apr 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	67	67	91	52	0	52
Beginning Stocks	54	54	30	30	0	50
Production	238	238	390	280	0	260
MY Imports	10	10	10	0	0	0

TY Imports	9	9	10	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	302	302	430	310	0	310
MY Exports	12	12	15	0	0	0
TY Exports	8	8	15	0	0	0
Feed and Residual	160	160	275	160	0	160
FSI Consumption	100	100	100	100	0	100
Total Consumption	260	260	375	260	0	260
Ending Stocks	30	30	40	50	0	50
Total Distribution	302	302	430	310	0	310
(1000 HA) ,(1000 MT)						

Rice, Milled Market Begin Year Uruguay	2015/2016		2016/2017		2017/2018	
	Apr 2016		Apr 2017		Apr 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	161	161	160	166	0	162
Beginning Stocks	166	166	18	18	0	24
Milled Production	913	913	910	966	0	925
Rough Production	1304	1304	1300	1380	0	1321
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	1079	1079	928	984	0	949
MY Exports	1001	1001	855	900	0	850
TY Exports	996	996	850	900	0	850
Consumption and Residual	60	60	60	60	0	60
Ending Stocks	18	18	13	24	0	39
Total Distribution	1079	1079	928	984	0	949
(1000 HA) ,(1000 MT)						