Sectorial report

AGRIBUSINESS

October 2020

Uruguay XXI
INVESTMENT, EXPORT AND COUNTRY BRAND PROMOTION AGENCY

Content

Why invest in Agribusiness in Uruguay?

- Uruguay has a consolidated democratic system, through which the three main parties in government have alternated, maintaining a commitment to respect the business climate and clear ground rules. In addition, today it is one of the most equitable countries with the highest per capita income in Latin America and the Caribbean.
- In 2019 the economy grew 0.2%, consolidating more than 17 years of sustained growth, the longest period of expansion in history. Although it has shown moderate growth, Uruguay has shown resilience to the region's instability. Macroeconomic soundness, prudent policies, export diversification, reduced banking sector vulnerabilities, and ample reserves allowed it to preserve stability in a more turbulent global and regional environment.
- Investment Promotion and Protection Law No. 16,906 establishes that foreign investment receives the same treatment as national investment; there are no restrictions on the repatriation of capital, nor on the transfer of profits, dividends and interest.
- Uruguay is among the world's leading economies for investment, according to the ESG index that takes into account the quality of governance, social and environmental factors. In turn, these factors are weighted in the EMBI country risk indicator, resulting in Uruguay being the most reliable of all the emerging economies in the world to invest.
- There is total freedom for the purchase and sale of foreign currency. No prior authorization is required for the entry or exit of foreign currency, nor are there any restrictions on the entry or exit of capital, profit transfers, dividends, interest, etc.
- There are no limitations or restrictions on exports of agro-industrial goods in the country. In 2019 the agro-industrial sector had a share of 82% of total goods exported by Uruguay.
- Uruguay has 16.4 million hectares suitable for agricultural use, which represents more than 90% of the country's land area. In addition, the land has increased in value substantially, quadrupling in the last 15 years.
- Uruguay has great potential to increase the production of agro-industrial goods. With a population of 3.5 million, it produces food for 28 million people[1]. Global demand for agricultural goods will remain strong in the coming decades, supported primarily by increased consumption of protein, fats and sugars in developing countries[2].
- Uruguay is part of the main food exporting region in the world (together with Argentina, Brazil and Paraguay)[3].
- Our country has comparative advantages in food production at the international level. The country has a recognized international prestige in the production process and the quality of several agricultural products, based on a safe production and under strict sanitary controls.

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[1] Source: MGAP – 2017 - Uruguay Agrointeligente – Los desafíos para un desarrollo sostenible.
[2] Source: FAO – 2015-16 – "The State of Agricultural Commodity Markets".
[3] See: GPS – 2013 – "Seguridad Alimentaria Global y Recursos Naturales Agrícolas".

- In particular, cattle have a traceability system that allows to know all the information of the product from the animal's birth until it reaches the final consumer. The traceability or geo-referencing system is also applied in other sectors such as poultry, honey, citrus or vineyards [4].

- Uruguay maintains a strict policy of sustainable agricultural development that includes plans for the responsible use and management of soils and plans for sustainable milk production, among others.

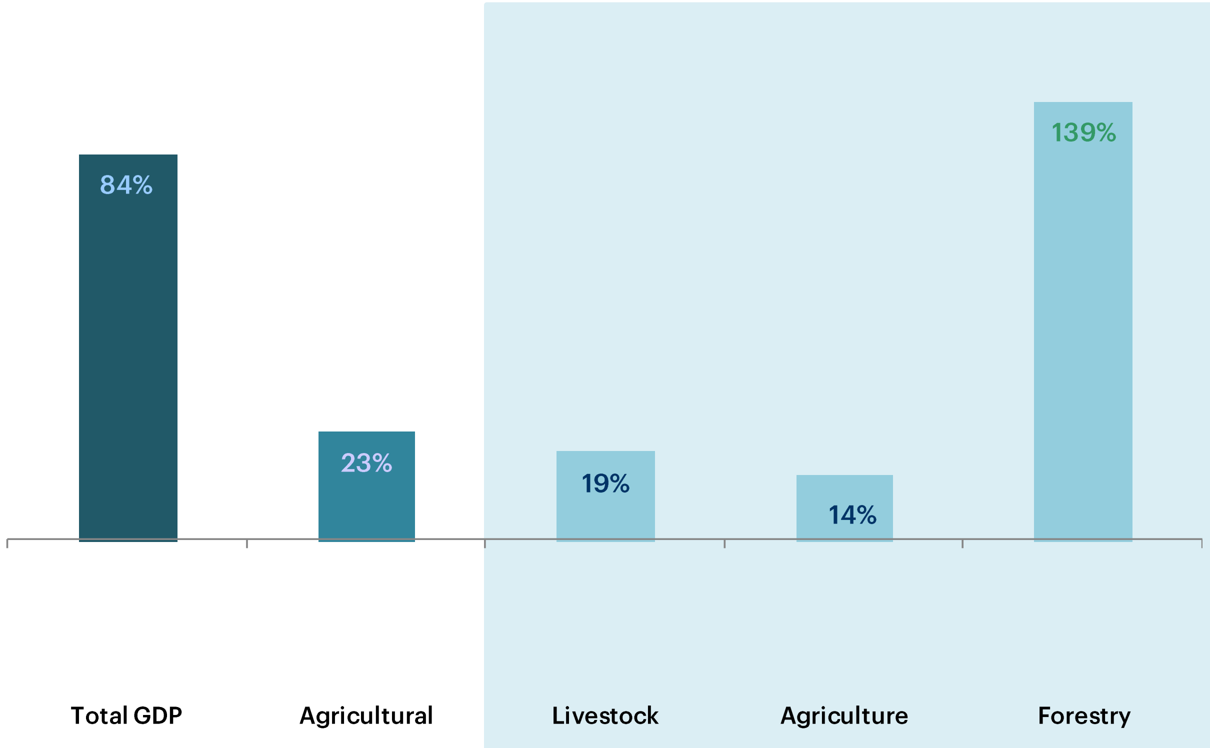
[4] Source: MGAP

Economic importance of the Agribusiness Sector in Uruguay

GDP share

Uruguay has had a process of uninterrupted growth, with a 70% increase in per capita income (measured in current dollars), between 2009 and 2019[5]. Uruguay's GDP has maintained a growing trend since 2003, showing a notably higher dynamism than in previous decades[6].

Graph N°1: Real accumulated GDP growth | 2003-2019

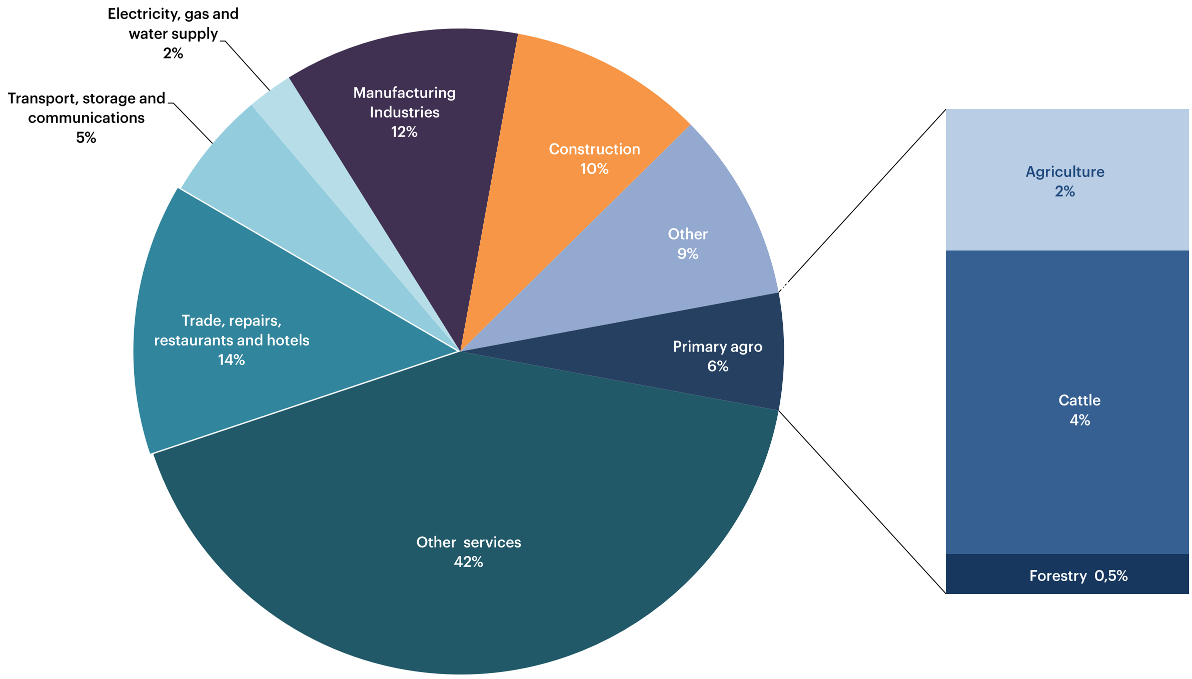


Source: Uruguay XXI based on BCU.

The agricultural sector and agro-industrial chains have a key participation in the economy, so they were an important boost to the above-mentioned dynamism. The agro-industrial sector accounted for 11% of Uruguay's GDP in 2019. This share was divided in similar parts between the primary sector (agriculture, livestock and forestry) and agro-related industries, with 6% and 5% respectively[7]. In addition, other sectors such as "Transportation, Storage and Communications" are also strongly associated with the development of the national agricultural and agro-industrial sector.

[5] Source: Uruguay XXI based on BCU.
[6] Source: Uruguay XXI based on BCU and ECLAC. The average annual growth of the economy was 1.1% in the 80s and 3.3% in the 90s.
[7] Among the industries associated with agriculture were: "Food, beverage and tobacco production" (total GDP was considered without subtracting beverage and tobacco production because it was not distinguished in the BCU). The GDP of "Manufacture of paper and paper and cardboard products" was also not considered for the same reason. Source: Uruguay XXI based on BCU.

Graph N°2: Uruguay's GDP by sector of activity (Share % 2019)

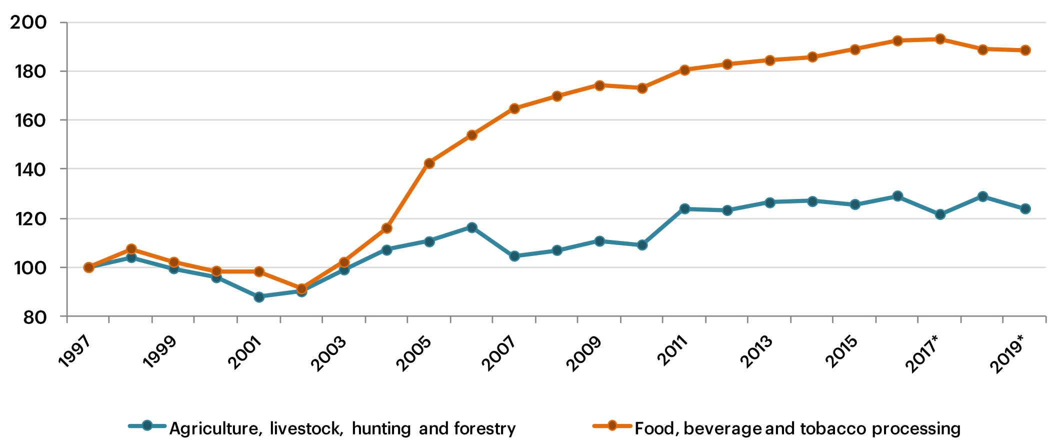


Source: Uruguay XXI based on BCU.

According to Red Mercosur-FAO estimates, at the beginning of this decade the agricultural sector had the greatest dissemination effects on the economy as a whole compared to other productive activities. The multiplier effects of agricultural activity on production and employment were above the average for all branches of activity[8].

As can be seen in Graph 3, the agro-industrial sector underwent a major expansion in the last decade. In particular, the GDP of "Agriculture, Livestock, Hunting and Forestry" grew an average of 2% per year between 2002 and 2019. Within the agricultural sector, **the dynamism of the agricultural sector** led by the cultivation of soybean stands out.

Graph N°3: GDP of Uruguayan agro-industrial sector (Base 100 = 1997)



Note (*): Preliminary data
Source: Uruguay XXI based on BCU.

[8] Source: DECON – 2009 – "¿Cuál es la importancia real del sector agropecuario sobre la economía uruguaya?" CEPAL – 2014 – "Cambios en la dinámica agropecuaria y agroindustrial del Uruguay y las políticas públicas"

The year 2019 was marked at the global level by the uncertainty generated by the trade conflict between the United States and China, which modified the dynamics of international trade and had an impact on the international prices of agricultural products, an important sector in the trade between the two countries. This was compounded by the general economic slowdown in Uruguay's main partners[9].

According to FAO data, the international price of meat had an upward trend in 2019, with growth in all types of meat. African swine flu also affected the availability of this meat in China, which boosted consumption of beef and poultry in that market. In contrast, dairy and cereal products showed downward trends. In the case of soybean -one of the most important products in China's and the United States' trade- the price fell due to trade tensions and lower demand due to swine flu[10]. The average prices of dairy products, especially whole milk powder -the main product of the sector in Uruguay- showed a slight increase in 2019 compared to the previous year, according to data from Global Diary Trade.

In Uruguay, agriculture had better weather conditions than the past harvest, with rains that especially favored summer crops, setting productivity records for corn and a historical record for soybeans. On the other hand, both rice and milk production had retractions in production. Food processing industries such as refrigeration and beverages had a higher production volume in the year-on-year comparison[11].

[9] Source: Own elaboration based on OPYPA - MGAP - Yearbook 2019
[10] Ibidem
[11] Ibidem

Foreign investment

The increase in the international price of commodities in the last decade, the adequate business climate and Uruguay's notorious comparative advantage in the production of land-use intensive goods, impacted the entry of Foreign Direct Investment (FDI) into the country's agricultural and agro-industrial sector.

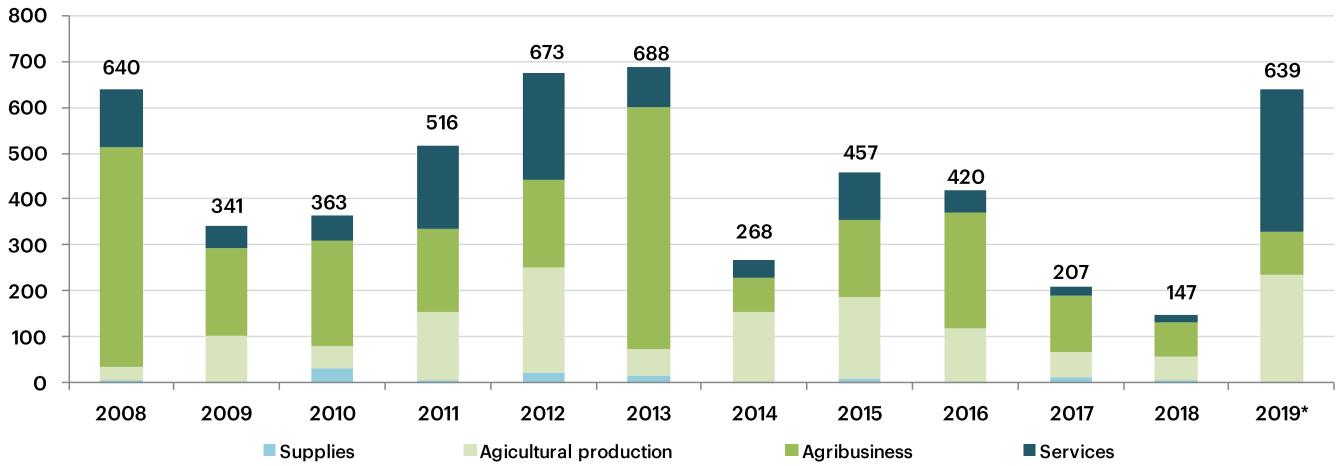
The agricultural sector was the one that received the greatest investment, especially for the incorporation of technology in grain production. In this sense, Argentine companies had a decisive influence. Some of the biggest grain trading companies in the world are also installed in the country (ADM, Bunge, Cargill and Louis Dreyfus, COFCO, among others).

2.2.1 Approved projects by COMAP

The institution in charge of receiving applications to enter the investment promotion regime is the Private Sector Support Unit (UnASeP), which, with all the information required by the Commission for the Application of the Investment Law (COMAP), will determine which Ministry and agency will be responsible for its evaluation, depending on the nature of the project and the activity to which it corresponds[12].

In the **Agribusiness** sector, the total value of investment promoted in the last decade was around USD 4,721 million. The participation of agribusinesses in investments occupied approximately 30% of the total investments promoted by COMAP in the last three years.

Graph N°4: Investment promoted by COMAP - Agribusiness (USD Mil.)



Note (*): January - September period.
Source: 2019 Yearbook - OPYPA based on UNASEP data.

[12] COMAP

2.2.2 Sectorial indicators used for the agricultural sector[13]

When submitting a project in order to obtain tax benefits under Law 16,906, companies must select a set of indicators under which the project can be evaluated. Among the possible indicators are those that are general for all projects and others that are specific to each sector. In particular, for projects in the agricultural sector, evaluated by the Ministry of Livestock, Agriculture and Fisheries (MGAP), the sector indicators to be considered are:

- Investments in climate change adaptation[14].
- Training of rural workers[15].
- Product and process differentiation[16].

Of these three indicators, "investment in climate change adaptation" is usually the most used by approved projects in Agribusiness. Another widely used indicator, although not sector-specific, is **"Increase in indirect exports".**

1.2.3 Some foreign investment in the sector[17]

Cargill

The business activities of the North American Cargill corporation include buying, selling, processing and distributing grain and other agricultural commodities, growing and selling livestock feed, and selling ingredients for the pharmaceutical industry. It is present in 70 countries around the world.

Archer Daniels Midland (ADM)

It is a U.S. corporation dedicated to food processing and commodity trading that operates more than 270 plants worldwide and in 2019 had net sales of USD65 billion. It has been present in Uruguay since 2008 and is dedicated to the wholesale trade of grains, seeds and oil fruits.

Marfrig

It is one of the largest food companies in Brazil. With 27 operating units, it has the capacity to process 21,500 head of cattle per day and 2 million sheep per year. Its products reach 3 million consumers in approximately 100 countries every day through more than 30 thousand customers, including restaurants and supermarkets. Marfrig's operation in Uruguay is the largest beef

[13] Source: CPA Ferrere and Unasep.
[14] It is one of the most used by companies. It includes investments that aim to adjust the productive systems according to climate stimuli, seeking to reduce the impact of climate variability and change on economic activity.
[15] This indicator seeks to measure the participation of employees in certain training and technical development programs, such as those provided by INEFOP or CETP.
[16] For the measurement of this indicator, official certifications or international recognition are considered, referring to attributes of the product or the productive process, such as the cases of sustainable forest production or organic meat.
[17] It should be noted that both the forestry companies and the productive structure of the sector are analyzed in greater detail in the Forestry Sector Report by Uruguay XXI.

processing operation in the country. In 2015 Marfrig Uruguay started exporting to the US with the "Grass-Fed Beef" seal and became the first company approved by the USDA certification in Uruguay.

Minerva

The meat processing plant Minerva is the second largest exporter of meat and the largest exporter of live cattle in Brazil. The company has plants in Brazil, Paraguay, Uruguay, Argentina, Chile and Colombia, from where it exports to 100 countries. In 2011, Minerva purchased the Pul meat processing plant for USD 65 million, and in 2014 it also acquired the Carrasco meat processing plant, while in 2017 it acquired the Canelones meat processing plant.

Lactalis

In 2015, the French group Lactalis bought the two Indulacsa milk plants that previously belonged to the Mexican group La Esmeralda. The company has 200 industrial plants worldwide. Since 2017 it has owned 89.6% of Parmalat, the leading Italian dairy company with a worldwide presence.

Louis Dreyfus Company

The company opened its first office in Uruguay in 2002 and began its activities in the country's agro-industrial sector. It works with 4 platforms: Cereals, Oilseeds, Seeds, Fertilizers and Inputs. The company is present worldwide, producing and transporting 81 million tons of commodities. In Uruguay it employs around 120 people [18].

Estancias del Lago

The project, which is linked to the Bulgheroni family, who already has several investments in Argentina and Uruguay, was based on the construction of a mega diary farm in the department of Durazno, which is the one with the largest installed capacity in the country. The project occupies an area of 37,000 hectares, where the different processes are integrated, including agriculture, intensive livestock and a modern industrial plant. At full capacity there will be 13,000 cows in production, of which 450,000 liters of milk will be obtained per day. Likewise, the industrial plant will produce 20,000 tons of powdered milk per year[19].

Camil Alimentos S.A. – SAMAN

Saman is the main rice company in Uruguay. It manages 50% of the country's rice production and is the main export company in the sector in Latin America. In 2007 the company was acquired by the Brazilian company Camil Alimentos [20].

[18] Source: LDC

[19] Source: estanciasdellago.com/en

[20] Source: www.saman.com.uy

Breeders & Packers Uruguay S.A.

State-of-the-art plant, built in the center of the country (Durazno). It has the most modern and safe technology applied to meat processing. The investment was made by English capitals, and acquired in 2017 by the Japanese group NH Foods.

Maltería Oriental SA

Maltería Oriental S.A. is a company with 85 years of experience in the production and marketing of malt and malting barley. Its industrial plant is located 12 km north of the port of Montevideo and an average distance of 200 km from its barley crops. It works with a consolidated network of distributors and producers, which allows it to cover its annual malting barley requirements. It also has its own varietal development program. The malt produced is destined to prestigious breweries in Brazil, Venezuela, Chile and Paraguay. Its main shareholder is South America Properties LLP, which is part of Grupo Petrópolis, an important Brazilian brewery group.

Garmet S.A.

It is part of the Argentinean investment group Perez Companc that is dedicated to the commercialization of fertilizers, seeds, and agrochemicals. The firm is one of the main grain exporters in the country.

Nirea (Frigorífico San Jacinto S.A.):

This is a company dedicated to the production and export of beef, which has been operating in the country since 1962. It currently belongs to the Argentinean group Perez Companc. In Uruguay, the company is one of the main exporters of beef and producer of premium lambs[21].

AB InBev (Malteria Uruguay S.A)

The Belgian-Brazilian company is the world's largest brewer, with a global market share of nearly 25%. It produces brands such as: Budweiser, Stella Artois, Beck's, Staropramen, Leffe, Hoegaarden, Skol, Brahma, Quilmes, Labatt's Blue, Michelob, Harbin, Sedrin, Cass, Klinskoye, Sibirskaya Corona, Gilde, Chernigivske and Jupiler. In October 2001, it bought the Patricia brewery, which marked the beginning of the group's operations in Uruguay[22].

ADP (Agronegocios del Plata S.A)

It is a company dedicated to livestock and grain production, marketing of seeds, inputs and the provision of specialized services for the agricultural sector, including technical advice. Currently the company is one of the largest producers of grains in Uruguay.

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[21] Source: www.nirea.com.uy/en/

[22] Source: www.abinbev.com

Ecolat

The Peruvian group Gloria reopened, in February of this year, the dairy company Ecolat, located in the city of Nueva Helvecia, Colonia. The return of the firm to the activity in a first stage will be partial, and the objective will be to process around 50 thousand liters of milk daily. The multinational will resume its production by making cheese in a first stage [23]. This implies the recovery of 30 jobs at first, although the staff employed is projected to continue growing. In June of this year they already completed the first shipment of cheese to Peru.

Camposol[24]

The Peruvian company Camposol was founded in 1997, in the region of La Libertad. The company started with the production of asparagus for the European market. In 2007, it became part of the D&C group, from which it diversified its product portfolio, its production locations and its facilities, allowing it to increase its presence in the international market. Currently, it focuses on the production of blueberries, avocado, grapes, mangos and tangerines. In 2018 it acquired about 1,000 hectares of mandarin plantations in Salto, this purchase meant that the company's mandarin production area increased fivefold. It also increases the commercial export windows. The harvest in Peru goes from June to August, while in Uruguay it goes from May to November. The participation of this company in mandarin exports in 2019 was 5%, but in the first semester of 2020 that participation was 30%.

PPG Wrightson Seeds

PGG Wrightson Seeds is a company of New Zealand origin with over 160 years of history. The focus of its research and technology is on forage. Since 1999 it has been present in Uruguay and has more than 300 employees distributed in the region, and more than 37,000 hectares of its own seed production, three seed processing plants, and a state-of-the-art Technology Center. This company was the largest exporter in the segment and its exports were mainly to the region, and to a lesser extent to North America and Europe.

AAK

Among the companies that produce ingredients in the country, the Swedish-Danish AAK stands out. The company is the world's largest manufacturer of vegetable oils and fats, raw material for the elaboration of chocolates, candies, dairy products, and bakery products, among others. The company has more than 20 facilities around the world, and sells in more than 100 markets. It has been installed in Uruguay since 2007 and in 2019 exported some USD 82 million, mainly to the Brazilian market.

[23] Source: El Observador – "Grupo Gloria confirmó reapertura de Ecolat para junio"

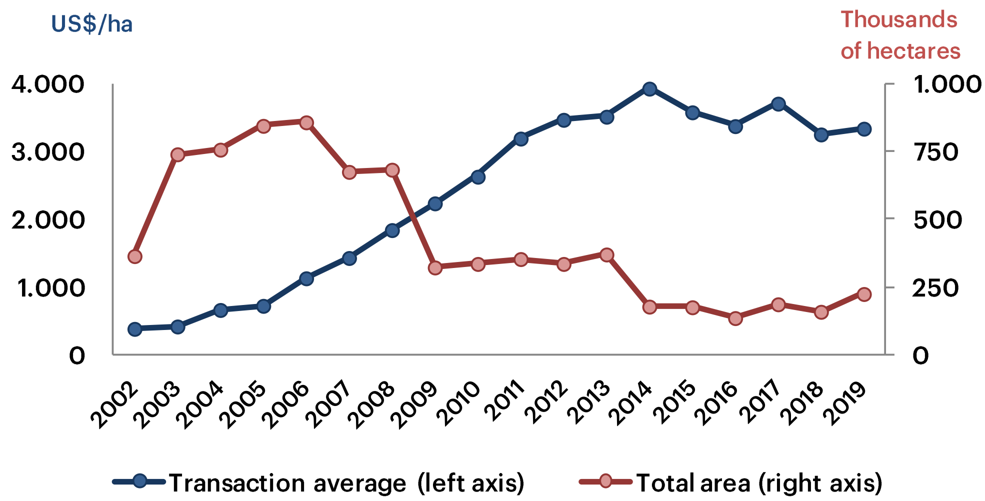
[24] Source: Camposol; El Comercio - "Camposol: ¿Por qué mandarina en Uruguay?"

Land valuation

1.3.1 Sales and purchases

The development of the agricultural sector in Uruguay is clearly reflected in the evolution of land prices. Based on data from the Directorate of Agricultural Statistics (DIEA-MGAP) on the purchase and sale of land for agricultural use, the average price of transactions in 2002 was USD385/ha, while in 2019 it was USD3,342/ha. Thus, **in 15 years the price of land quadrupled**. Additionally, considering that Uruguay has 16.42 million hectares of agricultural land, the estimated total value of land in Uruguay went from USD 6,322 million in 2002 to USD 54,876 million in 2019.

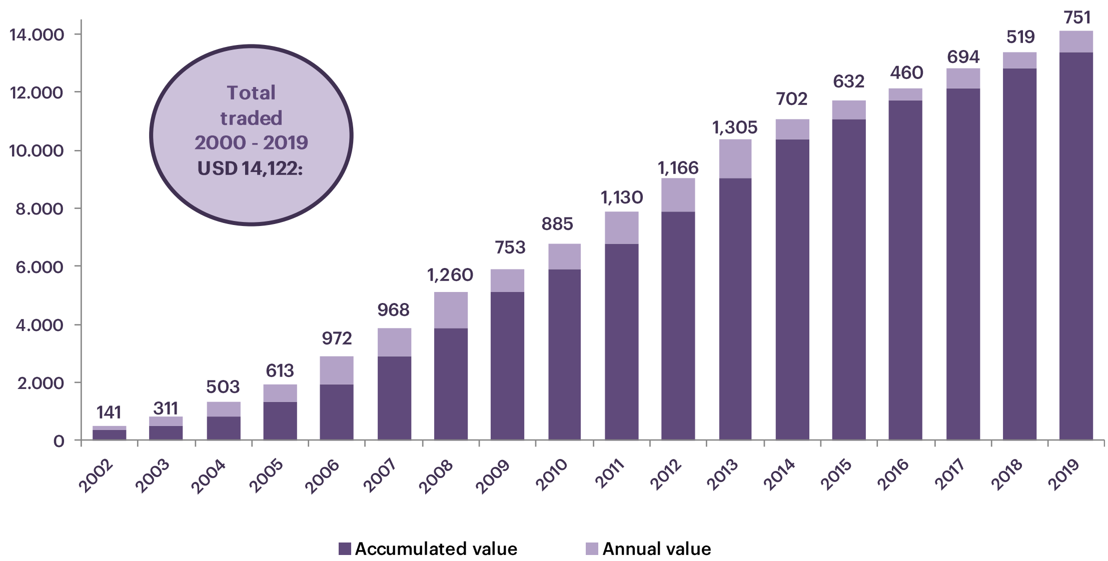
Graph N°5: Average price per hectare of agricultural use (USD/ha)



Source: Uruguay XXI based on DIEA – MGAP.

Between 2000 and 2019, 38,939 land purchase and sale operations were carried out, involving 8.5 million hectares. The total accumulated transaction was USD 14,122 million and in particular, in 2019 it amounted to USD 751 thousand.

Graph N°6: Total traded per year in land sales (USD millions)



Souce: Uruguay XXI based on DIEA – MGAP.

In general, the highest values are located in the southwest zone, a traditionally agricultural and agricultural/milk area. The higher price coincides with the areas of higher land productivity in these activities.

1.3.2 Purchase price per activity[25]

Given the country's political and economic qualities, there is a diversity of actors that invest in land including investment funds, institutions, and national and foreign investors. One important technical aspect is that since the 1960s Uruguay has had a soil classification system, known as CONEAT, which makes it possible to determine the productivity of each rural census. The average value in Uruguay is 100 with minimum values of 0 and maximum values of 263. This tool is freely accessible and allows for the characterization and evaluation of fields in different areas of the country.

Livestock is the activity that covers the largest area and is characterized by being developed mainly on natural fields that are complemented by artificial pastures. The price of this type of fields is between 1,500 and 4,000 USD/ha, depending on the area.

The natural conditions allow an annual sequence that includes a winter crop (wheat, barley or rape) and a summer crop (soybean, sorghum or corn). Agriculture is mainly developed in dry land, although in the last years the area irrigated by means of pivot irrigation system has increased. The value of this type of establishment varies between 5,000 and 7,000 USD/ha.

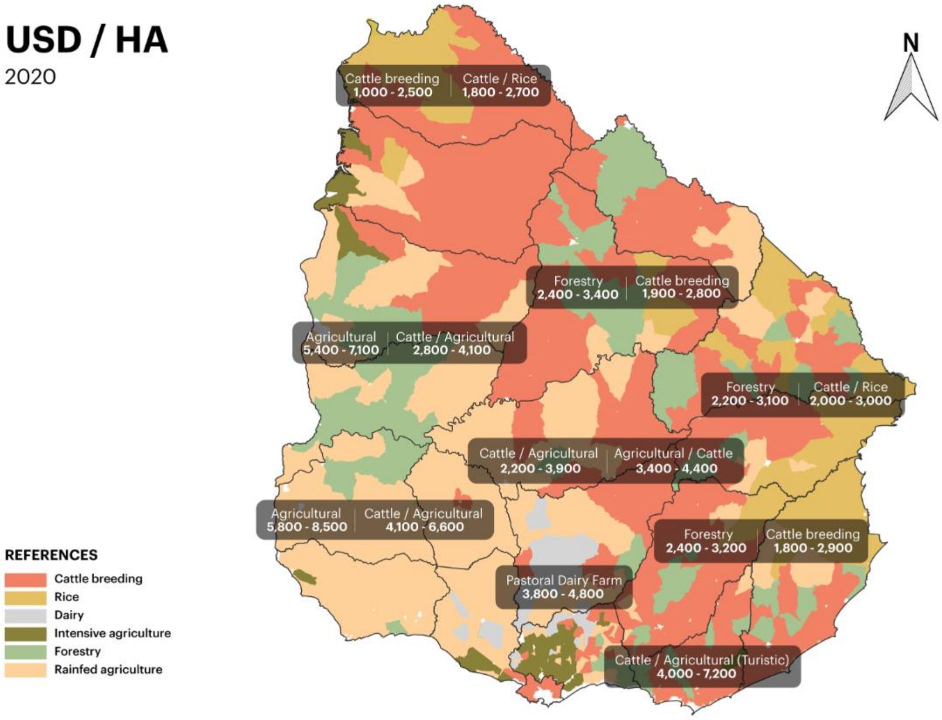
Rice in the country is located in three main regions; east, northeast and north. It is a crop that is developed in conjunction with livestock and requires a significant amount of water from ponds, rivers or dams. The prices are variable considering if they have their own water and the percentage of rice over the total area.

The **forestation** is mainly located in areas where the soils were declared a forestry priority; on the coast, northeast and in the eastern mountains mainly. The species planted are Eucalyptus and Pines for pulp, columns or sawn wood. The price of these fields varies depending on the distance to the port or industry, the type of soil and the forest exploitation.

The land value presents important variations within the country, mainly explained by the location and its productive potential. Figure 1 presents the agricultural regions and reference prices for different types of fields and areas based on the purchases and sales registered in the last year.

[25] Source: Agroclaro - http://www.agroclaro.com.uy/en/

Figure N°1: Reference values - Purchase and sale by agricultural areas - 2020
Price range (USD/ha) according to production orientation, based on recent sales



Source: Map: Agricultural Census Areas 2011.
Prices: Agroclaro based on DIEA/MGAP.

1.3.3 Leases

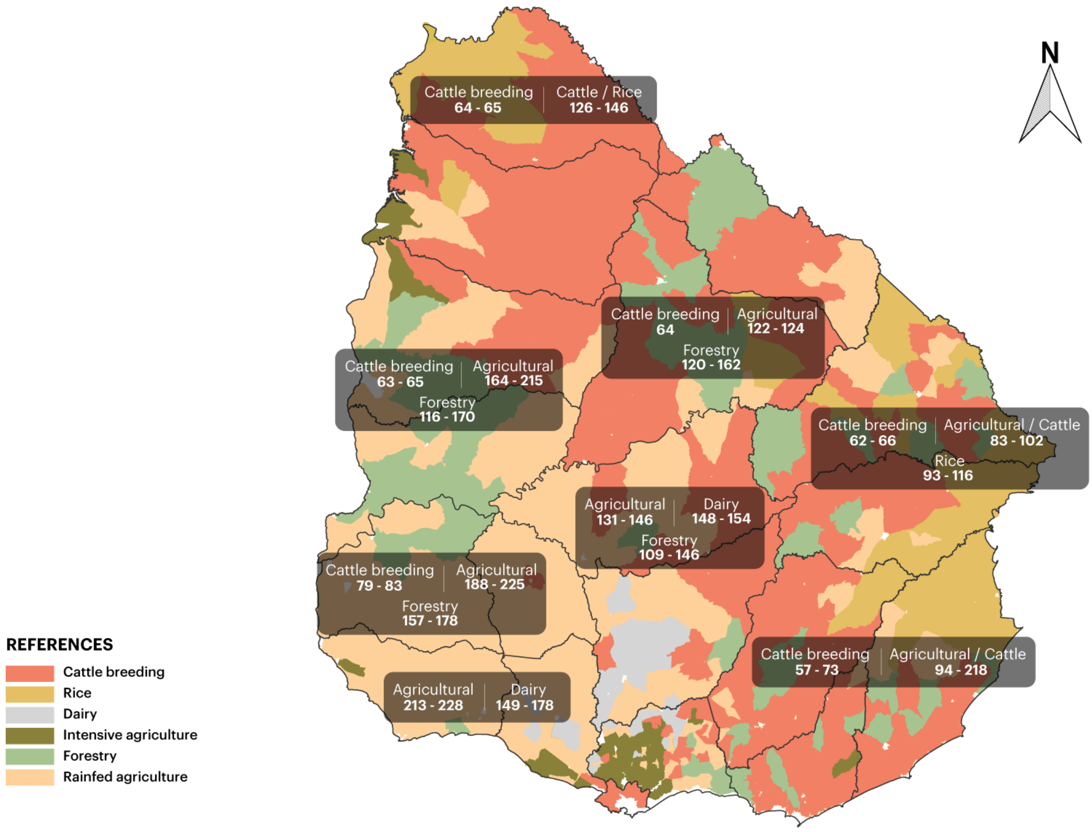
Analogous to sales, the average price of land leases showed a remarkable dynamism since the beginning of the last decade. From a low of USD 24/ha per year in 2002, the cost of leasing increased by 4.5 times, reaching USD 107/ha in 2019.

The Directorate of Agricultural Statistics (DIEA) of the Ministry of Livestock, Agriculture and Fisheries of Uruguay publishes the analysis of the purchase, sale and leasing of fields at the country level every six months. The information referred to the rents is presented by department and by item, which allows to know the values and the evolution of the same ones in the different scenarios.

The study presented by DIEA indicates that in 2019, 70% of the leases were for terms equal to or less than 3 years. On the other hand, the rent may be established as an amount of money or in quantity of product, in which case it is necessary to adjust the price of the product during the year.

For example, it is common to find contracts for agricultural areas where the farm owner receives a certain amount of kilograms of soybeans per hectare per year; in that case the price of the soybeans will be determined throughout the year. Something similar occurs in cattle breeding with kilograms of beef or veal and in rice with the price of the bags of that grain.

Figure N°2: Reference values - Leases by agricultural zones - 2020
Price range (USD/ha) according to production orientation, based on recent leases

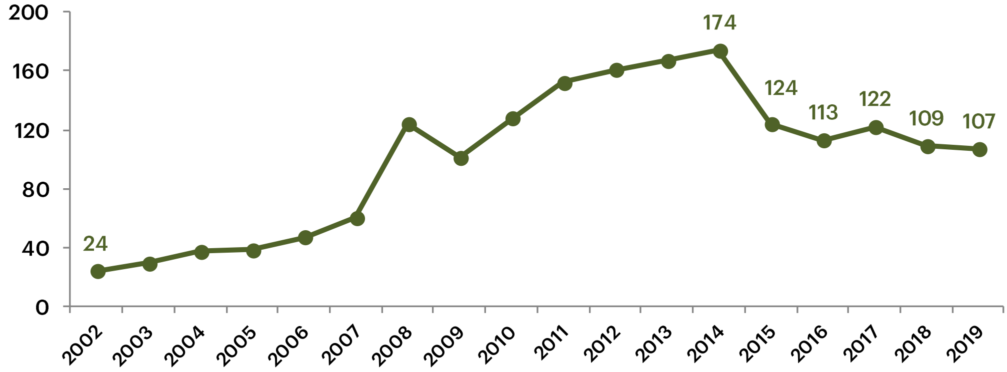


Source: Map: Agricultural Census Areas 2011.
Prices: Agroclaro based on DIEA/MGAP.

Last year the livestock industry registered high prices, so the leases agreed in kg of meat converted to dollars were higher than in previous periods.

According to DIEA, during 2019, 2,402 leases were made covering 814 thousand hectares of land with an average price of USD 107 per hectare per year.

Graph N°7: Average land lease price (USD/ha per year)



Source: Uruguay XXI base on DIEA – MGAP.

2.4 Employment

The number of people employed in the agro-industrial sector was around 206,000 in April 2020, which represents 14% of the total number of people employed in the whole country. Within the sector, "agricultural production" stands out, employing 71% of the workers. Within this sub-sector, the largest number of people employed is in "Cattle raising", with more than 59 thousand people. It is followed by "Mixed farming" and "Cultivation of cereals (except rice), legumes and oil seeds" (23 thousand and 21 thousand respectively).

Chart N°1: Employed Personnel -Agribusiness Sector - 2020[26]

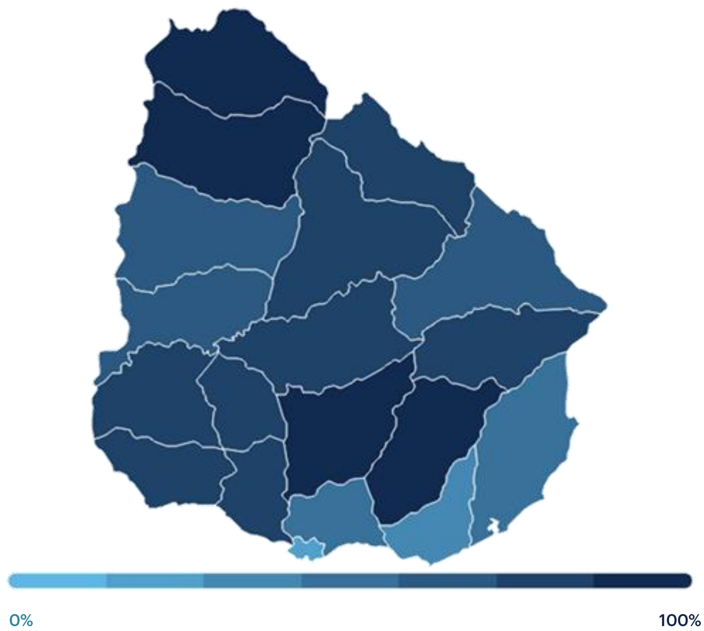
	Number of people
Agricultural production	145,502
Food processing	45,434
Forestry sector	15,239
Total	206,175

Source: Uruguay XXI based on BPS data April 2020.

It should be noted that these figures refer only to direct employment. In this sense, the agro-industrial sector has also had a great impact on the generation of indirect jobs and on the development of local economies. Likewise, there are nearly 49,400 companies in the sector, 88% of which are agricultural production companies. In terms of size, 98% of the companies in the agro-industrial sector are MSMEs.

According to data from the Continuous Household Survey, 86% of people employed in the agro-industrial sector are in the interior of the country. In the following image it can be see what percentage of the department's population is employed by this sector in relative values.

Figure N°3: Percentage of population employed in agribusiness - By department



Source: INE – ECH 2019 and 2011 Census

[26] Source: Uruguay XXI based on BPS data as of April 2020 The following ISIC divisions were included in the agro-industrial sector Rev. 4: 01, 02, 10, 11, 12, 16 and 17.

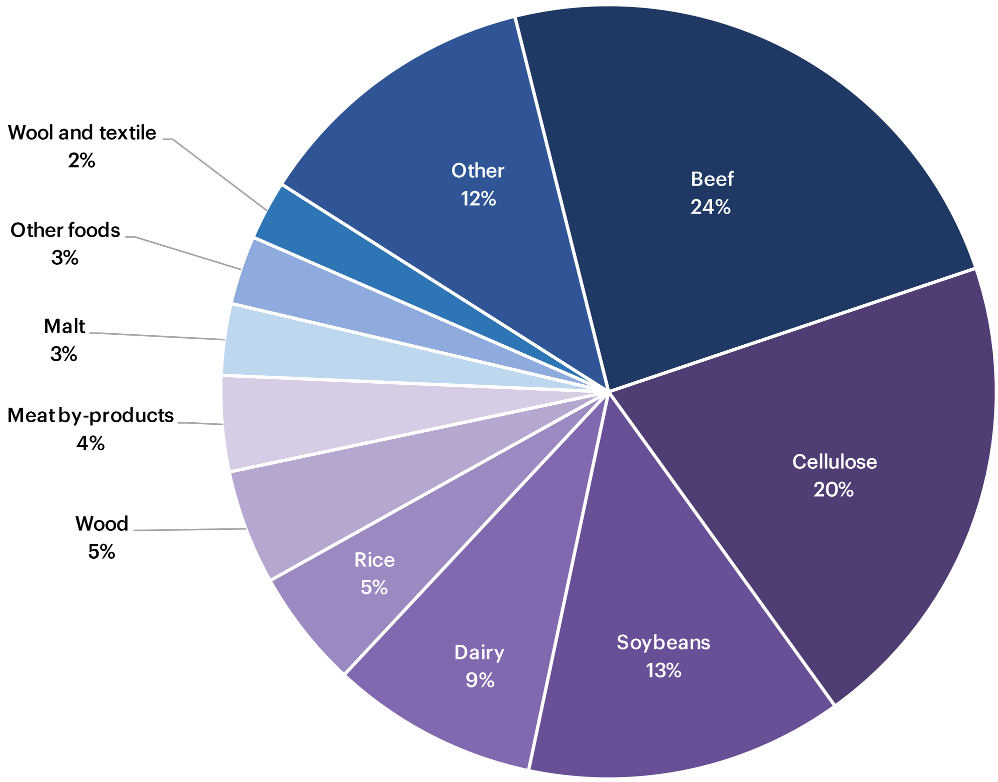
2.5 Exports

With a small domestic market of only 3.5 million people, the growing production of the country's agro-industrial sector is destined for export. In this sense, our country's total food exports cover the food needs of 28 million people in the rest of the world [27].

The agro-industrial sector plays a key role in the country's external insertion, which is reflected in the 82% share of the total value of goods exported by Uruguay in 2019. In that year, agro-industrial sales were around USD 7,506 million. The main export product within the agro-industry was beef, followed by cellulose and soybeans [28].

Furthermore, if food exports are specifically analyzed, they reached USD 5,132 million in 2019, equivalent to 68% of total exports. Beef, dairy products, soybeans and rice were the main foods exported by Uruguay in 2019.

Graph N°8: Agro-industrial Exports - Main Products 2019



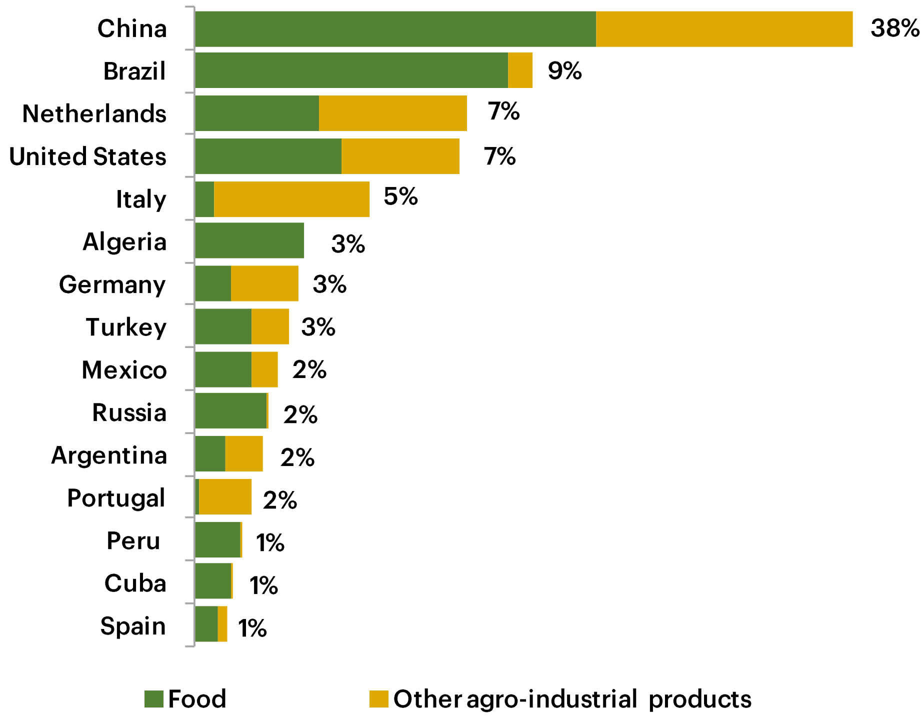
Source: Uruguay XXI based on data from the National Customs Directorate, Nueva Palmira and Montes del Plata

In terms of destinations, 38% of agro-industrial sales were directed to China, the main destination for beef, soya, cellulose, meat by-products, wood, and wool. Brazil is the second most popular export destination, with malt, dairy products, margarine, beef and rice.

[27] Source: MGAP – 2017 - Uruguay Agrointeligente – Los desafíos para un desarrollo sostenible.

[28] Source: Uruguay XXI based on data from the National Customs Directorate, Nueva Palmira and Montes del Plata.

Graph N°9: Agro-industrial exports
Main destinations - 2019



Note: China's data are out of scale

Source: Uruguay XXI based on data from the National Customs Directorate, Nueva Palmira, Montes del Plata and Penta Transaction

The amounts exported to the European Union were recorded for each destination country, but if added together, they constitute the second largest destination for agro-industrial products, with an amount close to USD 1,460 million (19% of total agro-industrial exports). The main agro-industrial products imported from Uruguay are cellulose, beef, wood, soya, wool and textiles, rice and citrus fruits.

Figure N°4: Uruguay as a global supplier - 2019

Source: Uruguay XXI based on Trade Map data

Uruguay has managed to position itself as a reference in the international market for certain products. Figure 4 shows how our country is located in the ranking of exporting countries for certain products, taking into account the tons exported.

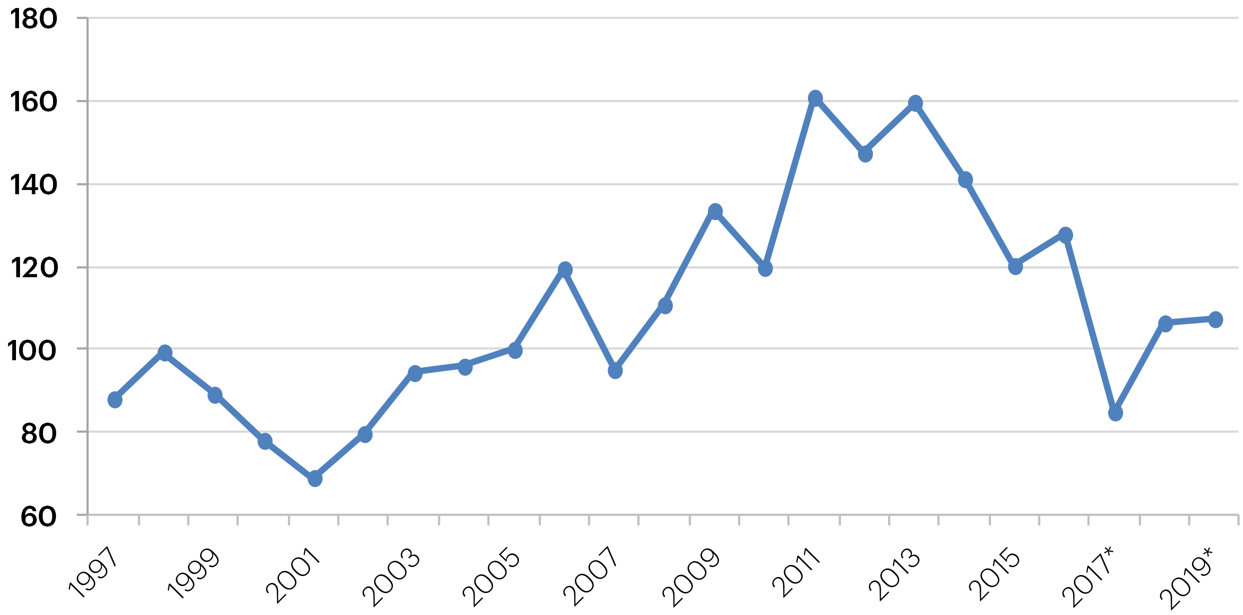
The product in which Uruguay stands out the most is short fiber cellulose, ranking third only behind Brazil and Indonesia.

Additionally, taking into consideration that bovine meat was the most exported product by our country in 2019, as it can be seen, we are the seventh country that sells more frozen bovine meat to the world, with about 300 thousand tons, measured in shipment weight.

Agricultural sector

Since the beginning of the century, Uruguay has witnessed great changes in the agricultural sector. This transformation was led in particular by the agricultural sector which registered a strong expansion of production as a consequence of an increase in demand and international prices. The latter, coupled with temporary market problems in recent years, explain the retraction of the sector's GDP. Graph 10 presents the evolution of agricultural GDP and shows the notable growth it has had since 2002, including the peaks between 2011 and 2013.

Graph N°10: Uruguay's agricultural GDP (Base 100 = 2005)

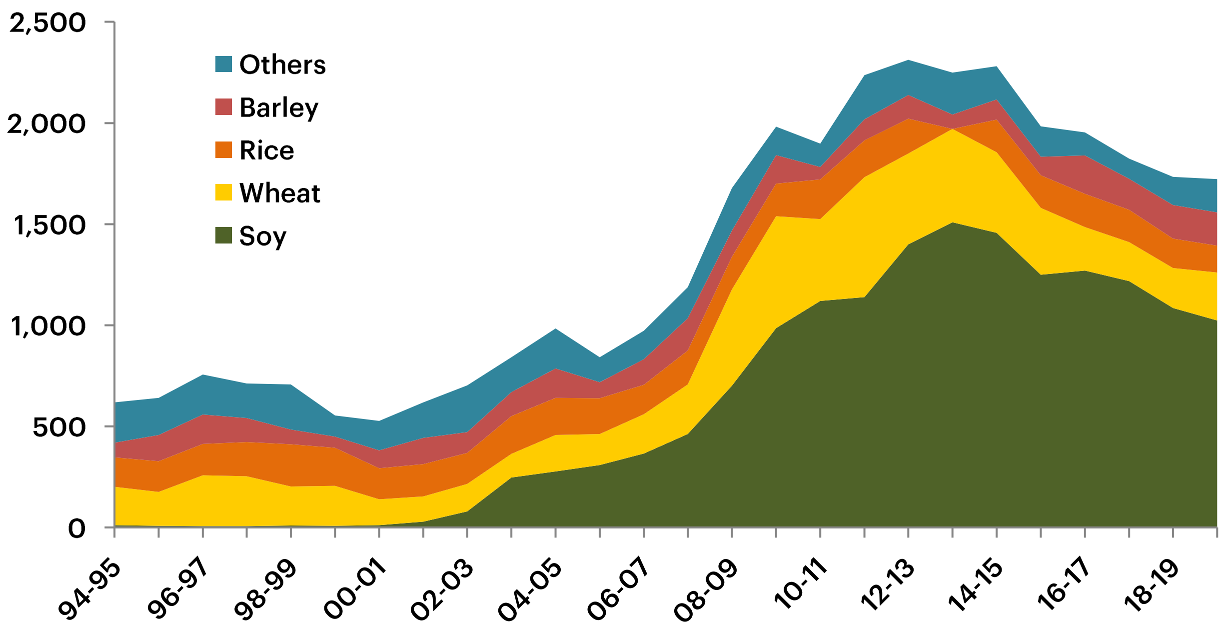


Note (*): Preliminary data.
Source: Uruguay XXI based on BCU.

Uruguay has historically been a livestock country; however, between 2000 and 2011 there was a 138% increase in land for agricultural use[29]. According to DIEA data, agriculture occupies 10% of total agricultural land[30]. This expansion was led by the notable increase in the area planted with soybeans, which in turn influenced the growth of the area planted with wheat. The arrival of foreign investment (mainly from Argentina) encouraged and accelerated the modernization of the agricultural sector.

[29] Source: Agricultural Census of DIEA - MGAP.
[30] Source: DIEA – MGAP – 2015 - "Regiones agropecuarias del Uruguay".

Graph N°11: Main crops of Uruguay - Planted area (Thousand hectares)



Source: Uruguay XXI based on DIEA and Exante.

Soy[31]

The cultivation of soybeans began to gain increasing relevance in Uruguay from the growth of world demand led by China. The rise in international prices from the first decade of this century, together with new planting and seed technologies, and foreign investment in the sector, generated significant increases in the area planted and in crop yields. As a consequence, in recent years soybean has been one of the country's main export products.

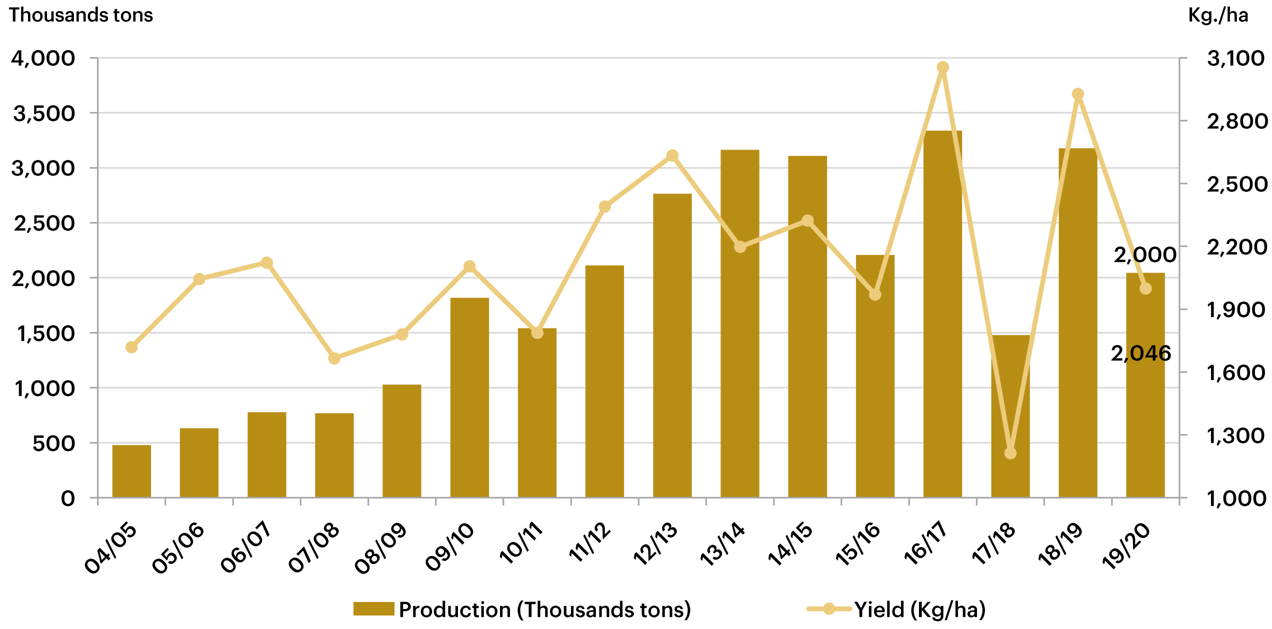
Since the 2003-2004 harvest, oilseed is the crop with the largest area planted in the country[32], currently occupying more than 60% of the total agricultural land. The last three harvests have been quite disparate in terms of production and yield, falling sharply in 2017-2018 (especially the yield) and recovering greatly in the next harvest. The 2019-2020 harvest is a midpoint between the two that preceded it, having a production of 2,046 tons and 2,000 kg per hectare of yield.

According to data from DIEA, the area cultivated in the last harvest was reduced by 6% with respect to the previous campaign, totaling just over one million hectares. In addition to the area, there was a lower yield - close to 30%- with respect to the good previous campaign, explained fundamentally by the scarcity of rain.

[31] Uruguay XXI based on Exante, OPYPA and World Bank.

[32] It is expected that in the coming years the planted area will not grow too much, due to the implementation of responsible land use plans. This is related to the objective of sustainable production and defense of the country's natural resources. See "Soil and Water Regulation" in Annex.

Graph N°12: Soy - Production and average yield



Source: Uruguay XXI based on DIEA

In line with the general rise in the price of commodities on international markets, the average price of soybeans exported by Uruguay grew 65% between 2003 and 2019 (Graph No. 12). Notwithstanding the above, since the end of 2012 there have been significant drops in the international prices of oilseeds, as a result of the increase in supply at the international level. In this sense, according to monthly data from the World Bank, the international price of soybeans in 2019 experienced a 6% drop in the year-on-year comparison [33].

The confrontation between China and the United States increased demand from Southern Cone producers (Brazil, Argentina and Uruguay), with prices higher than those in the United States. The talks in search of an agreement between both countries continued to influence the international price. Soy is a key product in the trade between these countries, and the conflict affects purchases and tariffs in China for U.S. soybeans, and this in turn affects international prices.

As for exports, the last decade showed uneven behavior per year, but registered a progressive growth in export volumes, with a peak of 3.5 million tons exported in 2013. Since 2009 soybean is one of the three main export products of the country, and Uruguay has positioned itself as the sixth largest exporter of soybean in the world [34].

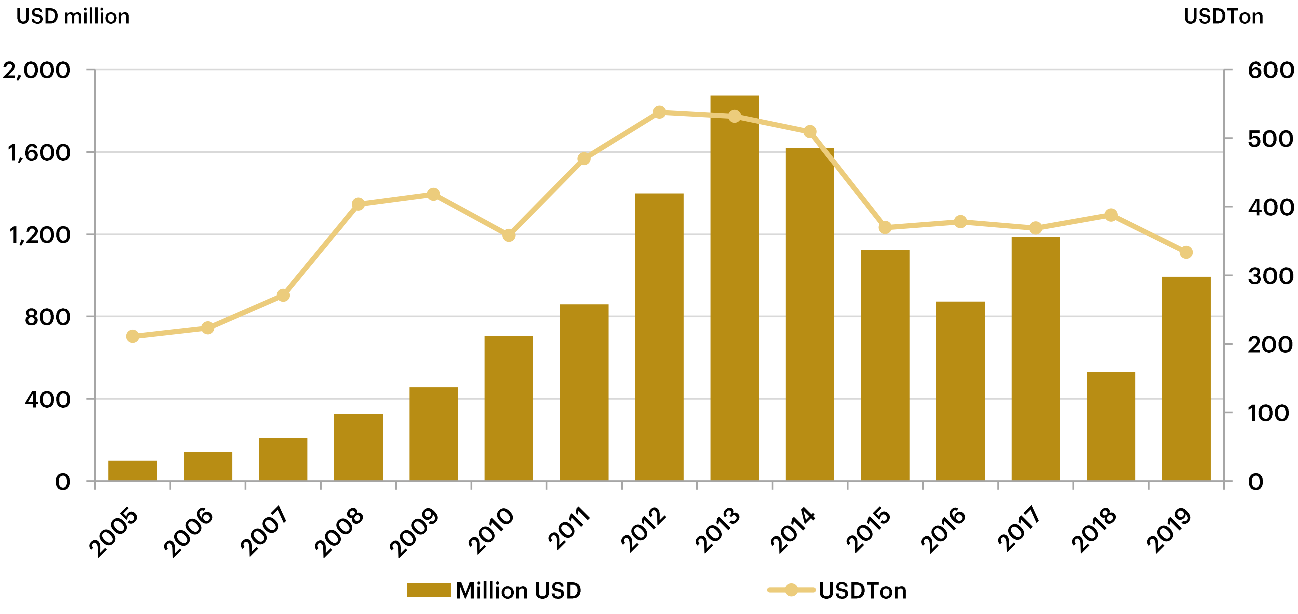
In 2019, total soybean exports reached 3 million tons (slightly less than the total production), and the amounts were around USD 1 billion. Uruguayan soybean reached 15 markets in 2019 [35] and it was the country's third largest export product.

[33] Source: World Bank – Commodities prices – Monthly prices

[34] Source: Trade Map - 2019 - Ranking: Brazil, United States, Argentina, Paraguay, Canada and Uruguay.

[35] It is possible that exports to the Netherlands are overvalued as that country functions as an intermediate destination for many goods that are then distributed throughout the rest of Europe. This phenomenon is commonly known as the Rotterdam effect.

Graph N°13: Soybean exports and average export price (USD million and USD/Ton)



Source: Uruguay XXI based on DNA.

As for the destinations of Uruguayan soybean exports, China has remained in first place. In particular, in 2019 the Asian country received 78% of total soybean exports, with a total of 777 million dollars. The Netherlands was the second export destination, with 8% of the total, and some destinations such as Egypt, Tunisia and Bangladesh had marginal shares.

In 2017 the protocol of phytosanitary requirements for soybean exported from Uruguay to China began to be in force. The document formally established certain sanitary requirements, and also determined the procedures to be followed in the event of any phytosanitary event.

In addition, since the official visit to China in 2016, an agreement has been in place between China and our country - through INIA and the Chinese Agricultural Academy - for the joint production of non-GM soy for human consumption [36]. China has many varieties of the oilseed, which would allow Uruguay to access varieties that generate higher yields depending on their adaptability to the soil [37]. Currently, the soybean exported by Uruguay is used in the Asian country as an animal ration, so this advance could open new consumption niches in the world's largest demand for the oilseed.

What is more, Uruguay exports soybean seeds for planting to the United States, which exceeded 4.5 thousand tons in 2019. The production supplies this market in particular, since the production process and the commercialization of the same ones take place in counter-season [38]. The production and subsequent export of seeds is a higher value-added alternative in the agricultural sector.

It is expected that next season there will be slight changes in the planted area, which will remain around one million hectares. Expecting "normal" weather conditions, the yield would improve and would be around 2,400 kg/ha. Furthermore, the international context and a good sowing in the United States mark a relative

[36] Most of the Chinese demand for soybeans is used for animal feed. The one destined to human consumption has a non-transgenic origin.

[37] Source: El Observador: “Uruguay y China producirán soja no transgénica para alimento humano”.

[38] Source: Opypa Yearbook, 2017, p.183.

stability in the prices, which would remain below USD 320 per ton. Thus, soybean would remain as the main crop in the country.

At the tariff level, Table No. 2 shows the access tariffs in the main destination markets for Uruguayan soybeans, compared to those faced by the main competitors. In general, soybeans face zero tariffs in the markets to which Uruguay exports. However, the only exception is precisely in the destination market of 78% of national exports. Thus, USD 23 million were paid for the entry of soybean into the Chinese market in 2019, being the third product in tariffs paid in that year.

Chart N°2: Tariffs for Uruguay and competitors in the main destination markets - 2019[39]

Tariffs					
		Main destinations to which Uruguay exports			
		China	EU	Egypt	Tunisia
Main competitors	Brazil	3%	0%	0%	0%
	United States (*)	25%	0%	0%	0%
	Argentina	3%	0%	0%	0%
	Canada	3%	0%	0%	0%
	Ukraine	3%	0%	0%	0%
Uruguay		**3%**	**0%**	**0%**	**0%**

Tax return
0%

Note (*): Maximum tariff rate, linked to trade dispute

Rice[40]

Rice cultivation began to gain importance in the country in the 1970s. Also, from the 80s, exports linked to the successive trade agreements with Brazil began to increase. For years it was the main agricultural export product of the country, a position it lost in the last decade with soybean exports.

The use of state-of-the-art technology throughout the value chain is a feature of the sector that has given Uruguay an excellent reputation internationally as a rice producing and exporting country. Care for the environment and the sustainability of rice systems have been a priority for this sector, which can now be seen in the studies and indicators that confirm its low environmental footprint and product safety.

The area planted with rice was 140,000 hectares in the 2019-2020 harvest, which meant a decrease of 3.4% with respect to the previous harvest. At the same time, the technological improvements implemented in the last decade allowed the harvest yield to be one of the highest worldwide (8,620 kg/ha), slightly higher than the previous harvest[41].

Thus, the accumulated production of rice in Uruguay is almost 15 million tons in the last decade. The historical maximum occurred in the 2010-2011 harvest that coincided with the largest planted area of the period. However, the highest yield occurred in the 2014-2015 harvest. In the last harvest (2019-2020) the production totaled 1.2 million tons, 1% less than the previous one[42].

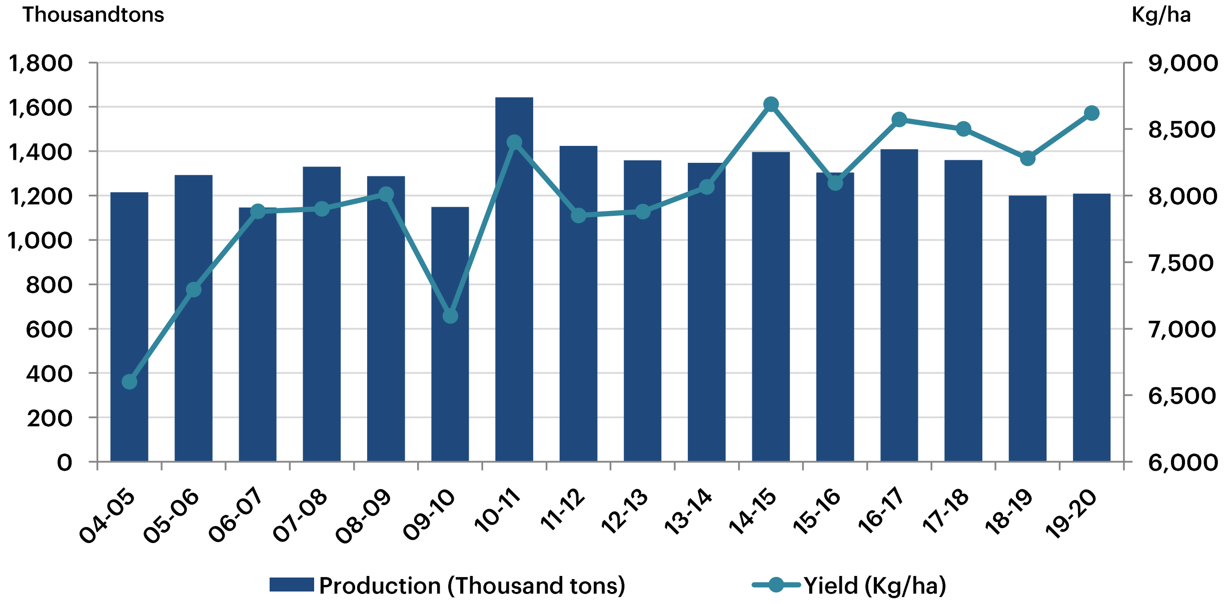
[39]Source: Uruguay XXI based on MacMap

[40] Source: Uruguay XXI based on Exante, OPYPA and DIEA

[41] Source: MGAP – "Resultados de la Encuesta de Arroz 2020" – June 1st, 2020

[42] Source: Uruguay XXI based on DIEA.

Graph N°14: Rice- Average production and yield



Source: Uruguay XXI based on DIEA.

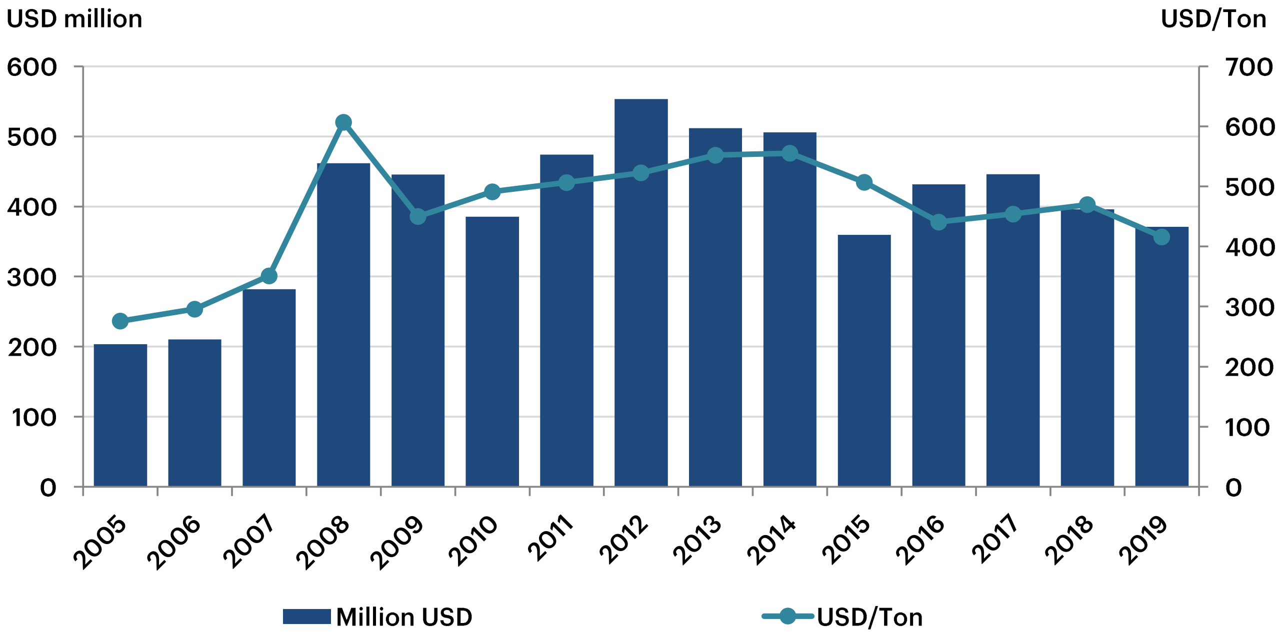
As of 2007 the amounts of rice exports began to be greater, already in the following year a 64% increase was registered. The amount exported then remained the same or experienced slight increases or decreases over the years. In 2019 exports decreased 6%, compared to 2018.

The high technology applied in all the agro-industrial chain and the effective integration between all its components have allowed Uruguayan rice to be positioned as a "Premium" product in international markets, currently obtaining prices per ton, similar to those of the benchmark markets in terms of rice quality.

In 2019 this crop was the country's second largest agricultural export product with a value of USD 371 million. Uruguay is positioned as one of the world's leading exporters: in 2019 it ranked ninth in the world - measured by volume - and together with Brazil it is also the leading exporter in Latin America [43].

[43] Source: TradeMap. - Latest data available for international comparison.

Graph N°15: Rice exports and average export price (Million USD and USD/Ton)



Source: Uruguay XXI based on DNA.

As for the main destination markets, in 2019 sales were directed to Peru (22%), Brazil (12%), Mexico (12%) and Cuba (10%).

At the level of market access, Uruguayan rice enters its main markets without a noticeable disadvantage with respect to its competitors. In the case of the Peruvian market -the grain's main destination-, access is provided through the price band system, which implies that if the reference price (calculated as of this year based on the value of Uruguayan rice) is below a floor price -which is calculated every six months through a methodology established by decree-, imports of that product are charged an additional duty. In 2019, the payment for the entry of rice into Peru was USD 5 million.

Mexico, Brazil and Cuba are other relevant markets for Uruguayan rice. With all of them, Uruguay has trade agreements that allow a zero tariff entry for the cereal. In Mexico and Brazil, other relevant suppliers have the same advantages, while in the Cuban market there is a marked advantage in terms of tariff access with respect to the rest of the suppliers.

Chart N°3: Tariffs for Uruguay and competitors in the main destination markets - 2019[44]

<table>
<tr><th colspan="6">Semi-milled or milled rice (1006.30)</th></tr>
<tr><th colspan="6">Tariffs</th></tr>
<tr><th colspan="6">Main destination markets</th></tr>
<tr><th colspan="3">Peru</th><th colspan="3">Mexico</th></tr>
<tr><td rowspan="4">Main competitors</td><td>Brazil</td><td rowspan="5">Price range regime</td><td rowspan="4">Main competitors</td><td>United States</td><td>0% || TA</td></tr>
<tr><td>Thailand</td><td>Argentina</td><td>0% || TA</td></tr>
<tr><td>Argentina</td><td>India</td><td>20%</td></tr>
<tr><td>Paraguay</td><td>Thailand</td><td>20%</td></tr>
<tr><td colspan="2">Uruguay</td><td colspan="2">Uruguay</td><td>0% || TA</td></tr>
<tr><th colspan="3">Cuba</th><th colspan="3">Brazil</th></tr>
<tr><td rowspan="4">Main competitors</td><td>Guyana</td><td>15%</td><td rowspan="4">Main competitors</td><td>Paraguay</td><td>0% || TA</td></tr>
<tr><td>China</td><td>15%</td><td>Argentina</td><td>0% || TA</td></tr>
<tr><td>Spain</td><td>15%</td><td>Italy</td><td>12%</td></tr>
<tr><td>United States</td><td>15%</td><td>Suriname</td><td>0% || TA</td></tr>
<tr><td colspan="2">Uruguay</td><td>0% || TA</td><td colspan="2">Uruguay</td><td>0% || TA</td></tr>
</table>

Tax return (*)
3%

Note (*): Applies to all tariff lines of heading 1006, except those of subheading 1006.10
TA= Trade under Trade Agreement

It should be noted that rice exports have a tax refund of 3% on the export customs value.

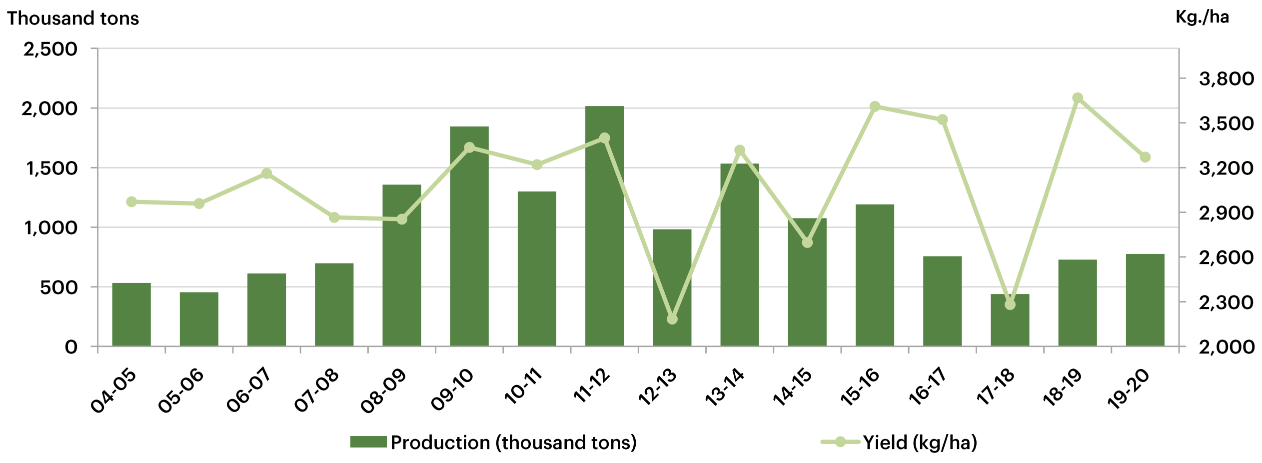
[44] Source: Uruguay XXI based on MacMap

Wheat[45]

Wheat has traditionally been the main winter crop in Uruguay. It was generally associated with satisfying the domestic market, exporting the surpluses if any. Since the agricultural upturn of the last decade in the country, wheat has grown remarkably.

This cereal's production saw an expansion of supply between 2019 and 2020 due to an increase in the area sown of around 50,000 hectares, in response to the positive margins of the past harvest and the rotation needs [46].

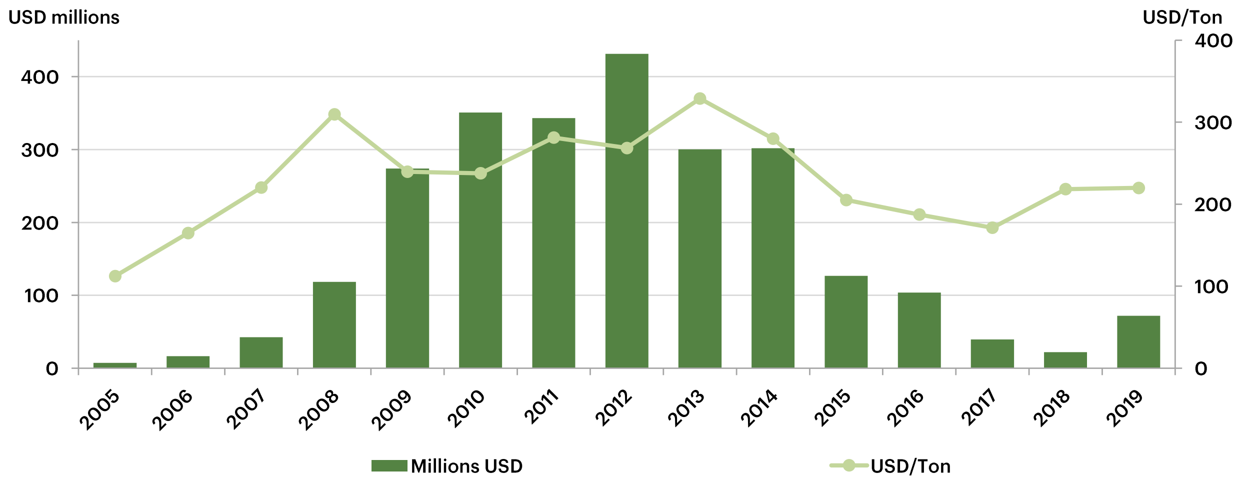
Graph N°16: Wheat - Average production and yield



Source: Uruguay XXI based on DIEA

When considering external sales, wheat is the third most important crop in terms of export value in recent years. Although until 2012 exports of this product increased significantly, as of 2015 wheat exports began a notable process of decline. In 2019, cereal exports did not continue the negative trend, but showed an improvement in both value and volume. The total was around USD 72 million and 327 thousand tons (227% and 225% higher than the previous year, respectively).

Graph N° 17: Wheat exports and average export price (Million USD and USD/Ton)



Source: Uruguay XXI based on National Directorate of Customs.

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[45] Source: Uruguay XXI based on Exante and OPYPA

[46] Source: Blasina y Asociados "USDA: área de trigo en Uruguay crecerá 50.000 hectáreas en 2019, caerá la de maíz y arroz".

Wheat sales were concentrated in Algeria, Brazil and Indonesia, which in 2019 accounted for 48%, 44% and 8% of total exports, respectively.

Tariff access to these markets has no advantages, but neither does it present any disadvantages with the main competitors. Algeria was the only market where tariffs were paid for the entry of Uruguayan wheat, totaling USD1.7 million. Meanwhile, Brazil and Indonesia had zero tariffs for Uruguay, in the first case because it traded within the framework of Mercosur -on an equal footing with Argentina and Paraguay-, and in the second case because the tariff applied at the general level was zero.

Chart N°4: Tariffs for Uruguay and competitors in the main destination markets - 2019[47]

Wheat (1001)								
Tariffs								
Main destination markets								
Algeria			Brazil			Indonesia*		
Main competitors	France	Q	Main competitors	Argentina	0% || TA	Main competitors	Canada	0%
	Canada	5%		United States	10%		Ukraine	0%
	Argentina	5%		Paraguay	0% || TA		Argentina	0%
	United States	5%					United States	0%
Uruguay		**5%**	**Uruguay**		**0% || TA**	**Uruguay**		**0%**

Note (Q): under tariff quota

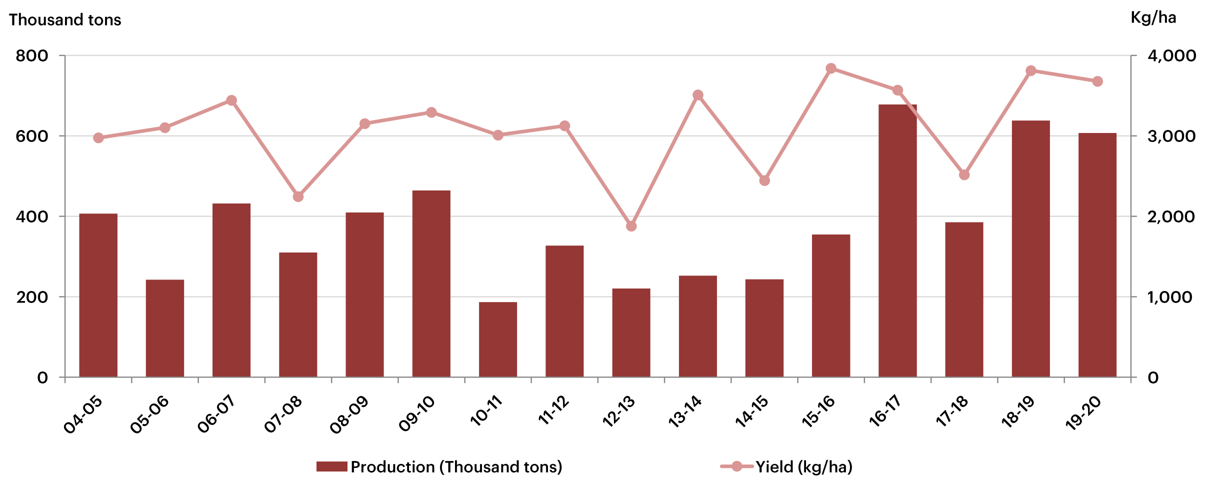
TA: Trade under trade agreement

Note (*): Imports under code 1001.99.12.00

Barley and malt[48]

Historically, the production of barley for beer in Uruguay has been almost entirely for export and later for malt production by the Brazilian industry. Currently, the national industrial capacity for malting is more than 530 thousand tons per year, so the sector's exports are focused on malt, and are complemented by barley. For exports of this crop, phytosanitary agreements have recently been signed to enter different markets, including China.

Graph N°18: Barley – Average production and yield



Source: Uruguay XXI based on DIEA and OPYPA

[47] Source: Uruguay XXI based on MacMap

[48] Source: Uruguay XXI en base a Exante

In the last harvest (2019-2020), the planted area was 165 thousand hectares, 1% less than the last harvest. Despite positive climatic conditions, the crop's yields dropped by 4% with respect to the very good 2018-2019 harvest, reaching 3,680 kg/ha. The total production was reduced by 5% in the year-on-year comparison and stood at 607,000 tons. This volume leaves a wide margin for exports, as it exceeds local malting capacity.

In the last decade, malt exports averaged 300 thousand tons, but in the last closed year, they reached 429 thousand tons which implied an exported amount of USD 224 million. Average export prices in 2019 managed to be maintained despite the downward trend since 2011 with USD 522 per ton. Since it is an intra-company trade with Brazilian breweries, 80% of the value of Uruguayan malt exports was concentrated in the northern country.

Tariff access for Uruguayan barley in its main market -Brazil- is free of tariffs for exports within the framework of Mercosur[49]. En el siguiente mercado de destino, Túnez, Uruguay enfrenta un arancel alto pero no representa una desventaja frente a otros proveedores.

As far as malt is concerned, the three main export destinations are contemplated within Mercosur, either because they are part of the block or because they have trade agreements with it. Thus, Uruguayan malt enters Brazil, Paraguay and Bolivia with a zero tariff. Meanwhile, the base tariff in the Dominican Republic is 0, so it enters under the same conditions as other suppliers.

Chart N°5: Tariffs for Uruguay and competitors in the main destination markets - 2019[50]

<table>
<tr><th colspan="6">Barley (1003.90)</th></tr>
<tr><th colspan="6">Main destination markets</th></tr>
<tr><th colspan="3">Brazil</th><th colspan="3">Tunisia</th></tr>
<tr><td rowspan="4">Main competitors</td><td>Argentina</td><td>0% || TA</td><td rowspan="4">Main competitors</td><td>France</td><td>36%</td></tr>
<tr><td>France</td><td>10%</td><td>Ukraine</td><td>36%</td></tr>
<tr><td>United States</td><td>10%</td><td>United Kingdom</td><td>36%</td></tr>
<tr><td></td><td></td><td>Russia</td><td>36%</td></tr>
<tr><td colspan="2">**Uruguay**</td><td>**0% || TA**</td><td colspan="2">**Uruguay**</td><td>**36%**</td></tr>
</table>

<table>
<tr><th colspan="6">Malt (1107.10)</th></tr>
<tr><th colspan="6">Main destination markets</th></tr>
<tr><th colspan="3">Brazil</th><th colspan="3">Paraguay</th></tr>
<tr><td rowspan="3">Main competitors</td><td>Argentina</td><td>0% || TA</td><td rowspan="3">Main competitors</td><td>Argentina</td><td>0% || TA</td></tr>
<tr><td>Belgium</td><td>14%</td><td>Chile</td><td>0% || TA</td></tr>
<tr><td>France</td><td>14%</td><td>Brazil</td><td>0% || TA</td></tr>
<tr><td colspan="2">**Uruguay**</td><td>**0% || TA**</td><td colspan="2">**Uruguay**</td><td>**0% || TA**</td></tr>
<tr><th colspan="3">Bolivia</th><th colspan="3">Dominican Republic</th></tr>
<tr><td rowspan="2">Main competitors</td><td>Argentina</td><td>0% || TA</td><td rowspan="2">Main competitors</td><td>Colombia</td><td>0%</td></tr>
<tr><td>Chile</td><td>0% || TA</td><td>Netherlands</td><td>0%</td></tr>
<tr><td colspan="2">**Uruguay**</td><td>**0% || TA**</td><td colspan="2">**Uruguay**</td><td>**0%**</td></tr>
</table>

Tax return
3%

TA: Trade under trade agreement

[49] It should be noted that part of the exports are through the Free Zone Nueva Palmira. Exports from this area are covered by the 64th Additional Protocol of Mercosur, and therefore are exempt from the ACS or national import tariffs. See more information at this link.

[50] Source: Uruguay XXI based on MacMap

Livestock production

Cattle breeding

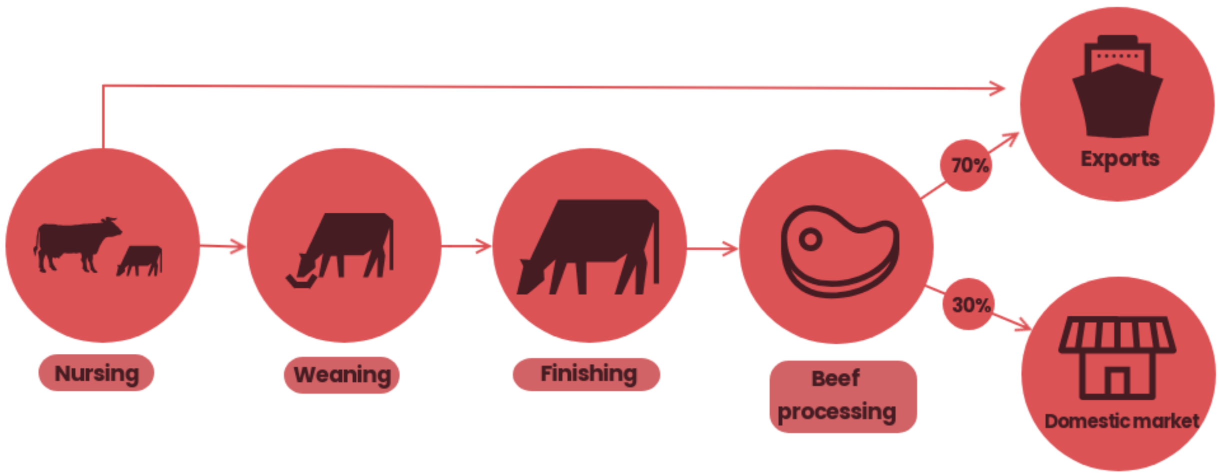
Cattle breeding is one of the most important activities in Uruguay. Its sustainable production system, based on animals that live outdoors all year round and are fed on natural pastures, makes Uruguayan meat natural, safe, highly nutritious, extra lean and with a distinctive flavor[51]. It also has great international prestige, exporting to more than 45 countries, which positions Uruguay as the **seventh largest exporter of frozen beef and the eighteenth largest exporter of chilled beef**[52].

The sector has a production traceability system that allows us to know all the information about the product, from the birth of the animal until it reaches the final consumer. This system has been protected under a national law[53] for 14 years, and it has been mandatory for the entire cattle herd and controlled by the Ministry of Livestock, Agriculture and Fisheries.

This allows to certify the quality and innocuousness of the food, which has had a great acceptance in the most demanding international markets and has positioned Uruguay as a world reference in the process of traceability of meat products[54]. By the end of 2018, access to the Japanese market was announced, which consolidated Uruguay as a supplier in markets that demand higher levels of quality[55].

Despite increasing competition from agriculture for land use, bovine farming has not lost its importance in recent years. While several production units have been converted to agricultural plantations, the number of cattle has remained relatively stable over the past few years, albeit with a slight downward trend. Livestock activity occupies some 14 million hectares, 80% of the country's surface area, and Uruguay is the country with the most cattle per inhabitant (3.5 heads/inhabitant) in the world.

Figure N° 5: Beef logistics chain

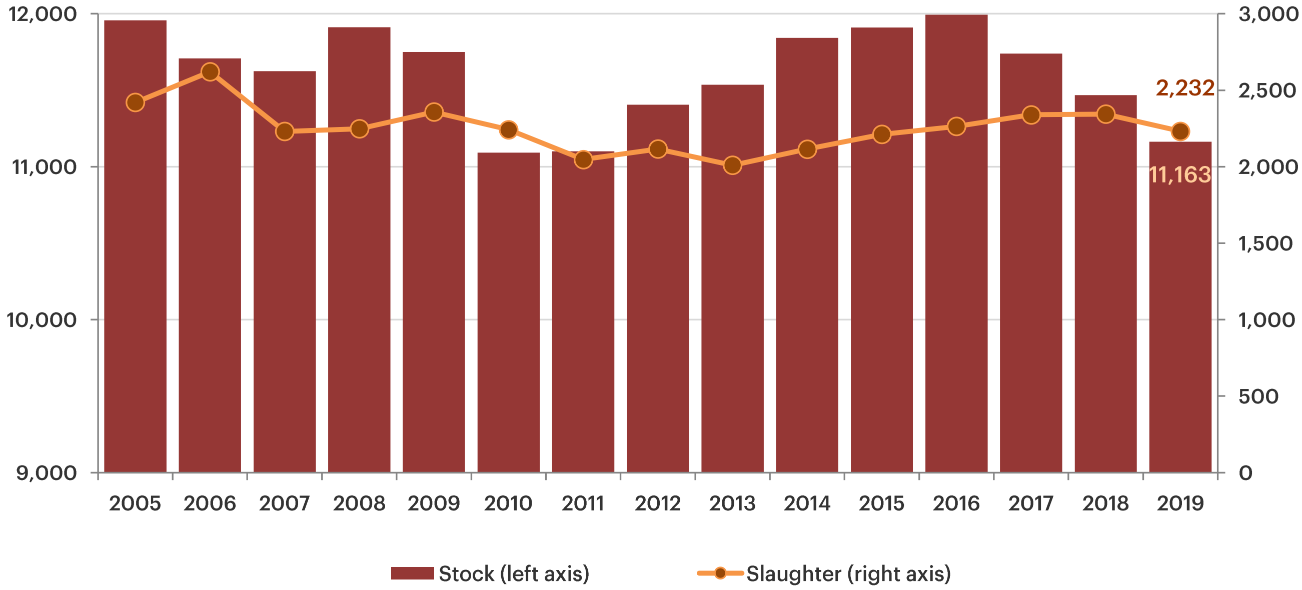


Source: Uruguay XXI based on IDB - "Uruguay's agro-industrial logistics - The beef chain"

51 Source: Uruguay XXI based on INAC.
52 Source: Uruguay XXI based on Trade Map - 2019.
53 [Law no. 17.997]
54 Source: Uruguay XXI based on INAC.
55 According to the MGAP, Japan authorized 16 refrigeration plants to import beef from Uruguay. The first shipment of meat departed in February 2019.

Uruguay exports nearly 70% of its meat production, and animal slaughter has been on the rise since 2013. The stock of cattle was reduced by 3% in 2019 from 11.5 to 11.2 million heads. Meanwhile, slaughter continued to grow, reaching 2.2 million heads[56].

Graph N° 19: Cattle stock and slaughter (Thousand heads)



Source: Uruguay XXI based on DIEA and INAC

In 2019 there was a drop of about 264,000 heads in the cattle stock. This is explained, as in recent years, by a very high extraction rate in historical terms. At the same time, the rate of replacements had a lower rate, while the rate of procreation[57] has been stable for 5 years. Another factor that affects the stock is the standing exports. In fiscal year 2018/19 the main buyer -Turkey- temporarily suspended import permits, so standing purchases were lower than in previous years[58].

Beef production for the year ended June 2019 was 1,077 thousand tons standing, 2% less than the previous year's production.

Chart N°6: Beef production (Thousands of tons standing - agricultural year)

	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19*
Slaughter	939	972	1.035	950	1.019	1.034	1.171	1.124	995
Exports live cattle	90	20	19	26	42	69	74	127	68
Stock variation	-22	73	14	96	40	83	-109	-152	14
Production	**1.007**	**1.065**	**1.068**	**1.072**	**1.101**	**1.186**	**1.136**	**1.099**	**1.077**

Note (*): Projected
Source: Uruguay XXI based on OPYPA.

Beef has traditionally been Uruguay's main export product. In 2019 it ranked first in exports, with a 20% share, totaling USD 1,784 million, 10% more than in 2018.

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[56] Source: INAC 2019.
[57] Calves in stock per 100 cows slaughtered in the previous year
[58] Source: OPYPA Yearbook 2019

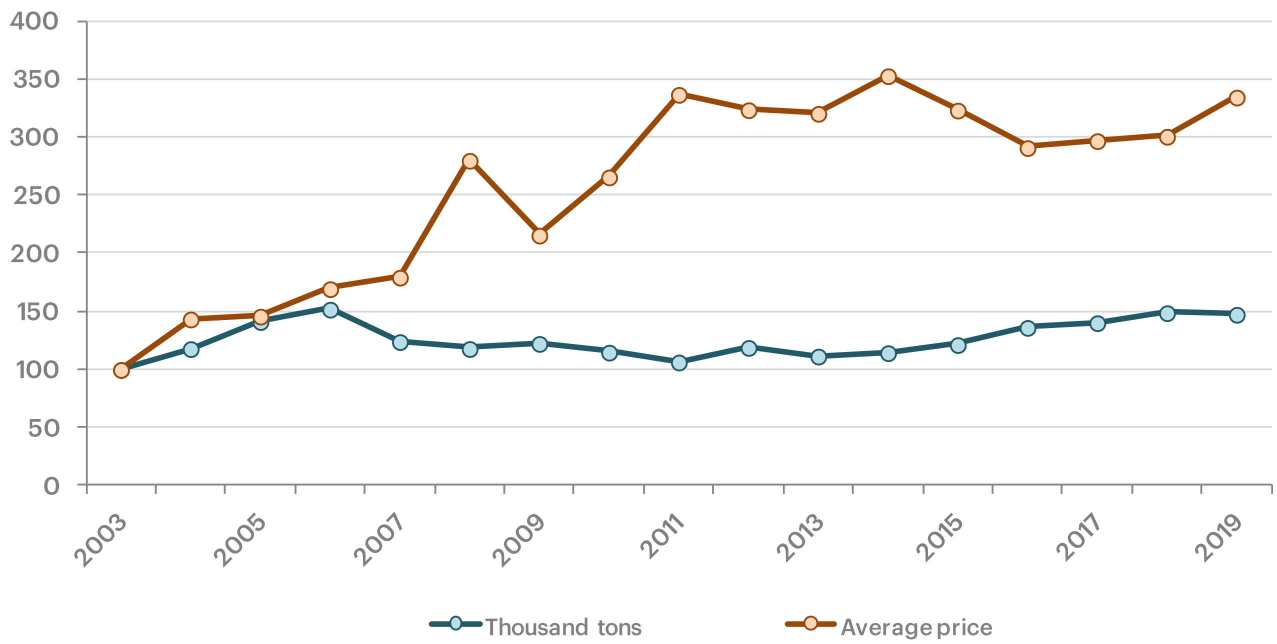
Chart N°7: Beef exports by Uruguay

Year	USD mill.	Thousand tons (carcass weight)	Average price USD/ton
2009	954	390	2,446
2010	1,103	366	3,014
2011	1,295	339	3,820
2012	1,391	379	3,670
2013	1,291	355	3,635
2014	1,459	365	4,002
2015	1,418	387	3,666
2016	1,432	434	3,300
2017	1,505	447	3,368
2018	1,618	474	3,411
2019	1,783	470	3,794

Note: Includes headings 0201 - Fresh or chilled beef and 0202 - Frozen beef.
Source: Uruguay XXI based on DNA (amounts) e INAC (size).

The following graph shows that the evolution of the price index was more dynamic than the volume index over the period. While the volume index retracted 1% in the year-on-year comparison in 2019, the price index grew at a rate of 11% over 2018.

Graph N°20: Index of Beef Exports [59] (Basis 2003=100)

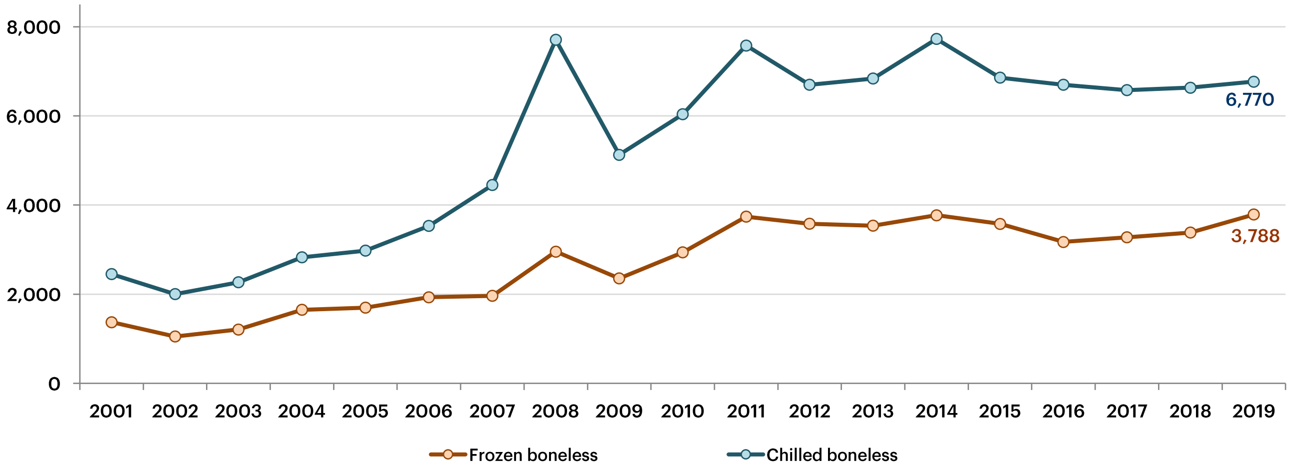


Source: Uruguay XXI based on National Customs Directorate and INAC.

Analysis of average export prices shows a higher level of chilled meat over frozen meat. This difference is explained by the markets and the cuts that supply the different types of refrigeration.

[59] It includes 0201 and 0202 codes.

Graph N°21: Average price of beef exports
(USD/ ton carcass weight)



Source: Uruguay XXI based on DNA.

Chilled meat is focused on premium cuts that are destined for the European Union, while frozen meat is mainly directed to China, a destination with relatively low import prices. Within the performance of each niche, both prices experienced an increase in relation to 2018, chilled meat 4% and frozen meat 12%.

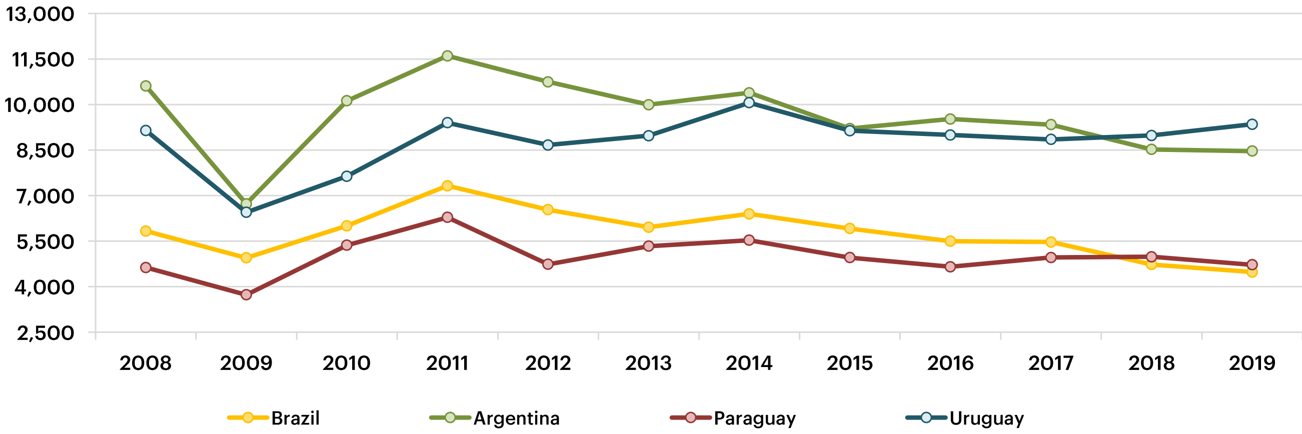
Chart N°8: Export prices per cut (2019)

NCM10	Description	USD/Ton carcass	Main destination
0201300041	Fresh/ Chilled – Loins - Hindquarter pieces	11,297	EU
0202300061	Frozen – Loins – Hindquarter pieces	7,445	EU
0201300030	Fresh/ Chilled - Forequarter pieces	6,832	EU
0201300049	Fresh/ Chilled – The others – Hindquarter pieces	6,636	EU
0202300030	Frozen – Boneless – Hindquarters	4,193	China
0202300069	Frozen – The others – Hindquarter pieces	4,185	China
0202300050	Frozen - Forequarter pieces	4,016	China
0202300099	Frozen - Other	3,718	China
0202300020	Forzen - Forequarters	3,483	China
0202300040	Frozen – Compensated quarters	3,426	NAFTA
0201300020	Fresh/ Chilled - Boneless - Hindquarter	3,340	NAFTA
0201300010	Fresh/ Chilled - Boneless - Forequarter	3,292	NAFTA
0201209020	Fresh/ Chilled - Forequarter pieces	2,896	Brazil
0202300092	Frozen – Minced meat	2,855	French Polynesia
0202300094	Frozen – Trimmings	2,673	China
0202209030	Frozen – Hindquarters pieces	2,664	China
0202209020	Frozen – Forequarters pieces	2,659	China
0202209010	Frozen – Compensated quarters	2,499	China
0201300099	Fresh/ Chilled – The other boneless cuts	2,399	Brazil
0202202000	Frozen – Hindquarter	2,275	China
0202201000	Frozen meat in pieces with bone – Hindquarter pieces	2,160	China
0202100000	Frozen meat in carcasses or half carcasses	1,960	China

Source: Uruguay XXI based on DNA

Likewise, the following graphs show the evolution of the price per product (cooled/chilled), in comparison to the countries of the region. In both cases, Uruguay is positioned as the supplier with the highest price within the region. For chilled meat, Uruguayan and Argentinean exports serve similar markets (EU, United States), while those of Paraguay are mainly directed to Brazil, and those of the northern country, to Chile and Uruguay.

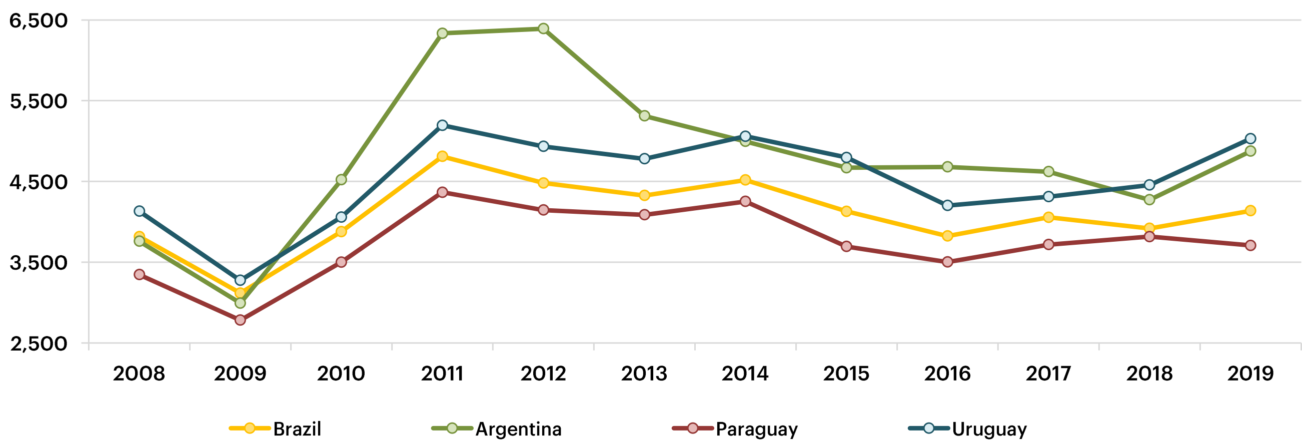
Graph N°22: Average export price – Frozen or chilled beef - (Code 0201)



Source: Uruguay XXI based on TradeMap

With respect to frozen meat, the margin of price difference between the various regional suppliers is smaller, which may be due in part to concentration by destination: China is the main destination for exports from Argentina, Brazil and Uruguay, while Paraguayan exports are focused on the Russian and Israeli markets. It should be remembered that Paraguay has diplomatic relations with Taiwan, which affects that country's trade relations with China.

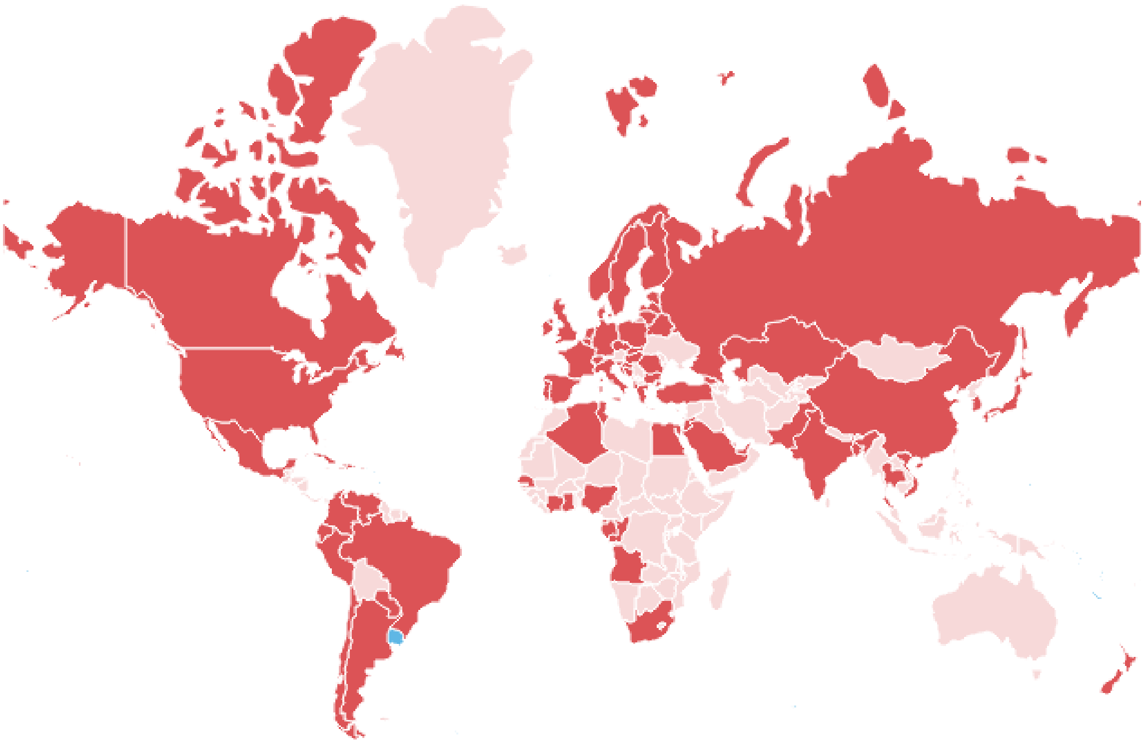
Graph N°23: Average export price – Frozen beef - (Code 0202)



Source: Uruguay XXI based on TradeMap

According to MGAP data[60], Uruguay is authorized to export various meat products to 65 markets. In addition to meat, these products include edible offal, canned meat, meat extract, fat, casings and meat flour, among others.

Figure N°6: Authorized markets with a history of exporting beef and beef by-products



Source: Uruguay XXI based on Ministry of Livestock, Agriculture and Fisheries.

In 2019, beef placements were directed to 49 destinations in total. Chilled meat (19% of the total amount of beef exports) generally corresponds to higher value cuts, which are focused on more demanding markets, such as the European Union (Netherlands[61], Germany), United Kingdom, United States, Switzerland and Japan. Brazil is another relevant market in this segment, although with lower value cuts but a significant volume. Exports of frozen beef (the remaining 81%) were led by China, followed by the United States, Brazil and Israel.

Analyzing the marking of meat in general, China is the main individual destination of Uruguayan meat. Its participation, measured in terms of exported values, went from 2% to 61% in ten years, even though the average export prices in this market are lower than the total average. In terms of volume, that participation was 70% in 2019. This increase in demand is based on a structural change in Chinese society, with increasing urbanization and consequently, a shift towards a diet with higher protein content. A market study carried out by the international consulting firm Agribusiness, states that by 2027 the consumption of beef by the Chinese will double to 8 kilos. This is no small feat, given that this is a market of more than 1.3 billion people that is not self-sufficient[62].

[60] See: MGAP – Mercados cárnicos

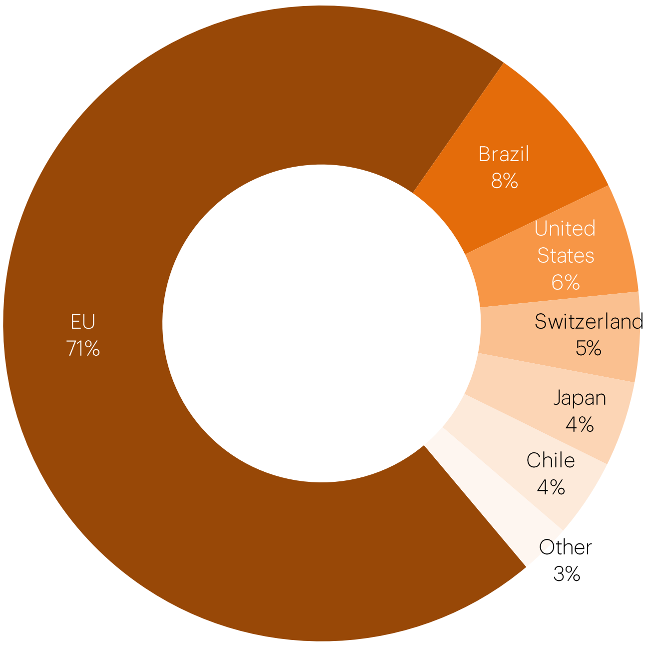
[61] It is possible that exports to the Netherlands are overvalued as that country functions as an intermediate destination for many goods that are then distributed throughout the rest of Europe. This phenomenon is commonly known as the Rotterdam effect.

[62] Source: El País, May 2018 – "China duplicará el consume de carne".

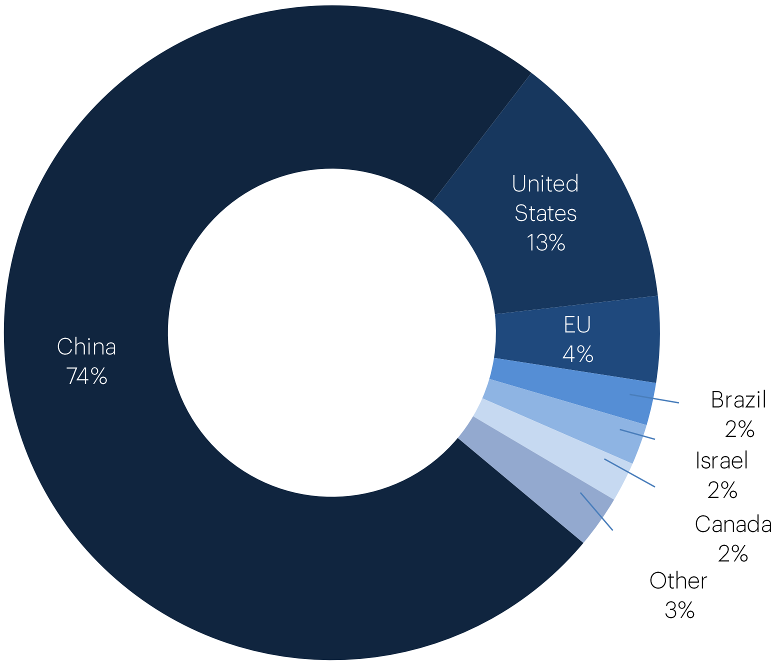
It should be noted that in 2018 Uruguay signed a memorandum of understanding with China that speeds up the commercial exchange of meat between both countries and establishes advisory, consultation and information actions on food safety[63].

In addition, in December 2017, the commercial traceability agreement was signed between the National Meat Institute (INAC) and the China Certification & Inspection Group (CCIC). The agreement aims to put the consumer in China in touch with the characteristics of the production processes in Uruguay through the reading of a QR code on the products. The aim is to generate greater added value and a bond of consumer loyalty. CCIC is an independent organization dedicated to providing inspection, verification, certification and testing services and is accredited by the Chinese institution that controls the quality of products (AQSIQ)[64].

Graph N° 24: Chilled beef exports per destination (Part. % 2019)



Graph N° 25: Frozen beef exports per destination (Part. % 2019)



Source: Uruguay XXI based on National Customs Directorate

At the same time, from 2010 and due to the start of purchases from Turkey, exports of live cattle were strongly boosted. Between 2014 and 2018, the ratio of exports of live cattle to slaughter was particularly high, with rates above 10%. However, in 2019 this rate stood at 7%, the product of lower purchases from Turkey (the main demand). Total exports were USD 100 million, making it the 13th largest export product of the country. According to MGAP data, in 2019 a total of 137,092 head of cattle were exported[65].

Turkey maintains its position as the main destination of the cattle in foot with a participation of 95%, at the moment, with exports of calves and steers for rearing, that are finished in destiny.

Market access for meat products is determined globally on two levels. On the one hand, the sanitary qualifications and on the other, the tariff conditions faced by the exports of each country. In the case of Uruguay, beef is traditionally the main export product, and it is also the product with the highest tariff

[63] Source: El País – "INAC firma convenio con China para facilitar procesos"
[64] Source: El País -"INAC firmó un acuerdo histórico con certificadora de China para reposicionar de manera diferencial las carnes"
[65] MGAP - Exportaciones de animales en pie - año 2019

payments for entry into third countries. In 2019 it represented more than 60% of the total, with more than USD 200 million.

Although there are various quotas under which Uruguayan exports enter with tariff benefits, national meat exports paid an average tariff of 12% in 2019. This is equivalent to USD 0.6 for each kilo exported. Although Uruguay's productive capacity has historically made the country one of the world's leading beef exporters, market access is still seen as a major obstacle for the sector.

The beef market is characterized by its clear segmentation in terms of both origin and quality. In this sense, Uruguay is well positioned in terms of sanitary levels, breeds and the form of production used (grazing, feedlot). These conditions allow it to access the most demanding markets in terms of safety and quality.

Chart 9 shows the conditions of access for beef to important destinations for Uruguay, and the comparison with its main competitors.

Chart N°9 – Uruguay and competitors tariffs per destination market - 2019[66]

Frozen beef – boneless (0202.30) — Tariffs — Main destination markets

China		
Main competitors	Australia	4,8% || TA
	New Zealand	0% || TA
	United States	12%
	Argentina	12%
Uruguay		**12%**

United States		
Main competitors	Australia	0% || TA
	New Zealand	Q1 - 4,4 cent/kg || 26,4%
	Nicaragua	0% || TA
	Mexico	0% || TA
Uruguay		**Q1 - 4,4 cent/kg || 26,4%**

European Union		
Main competitors	Brazil	Q2 || Q3 || 12,8% + 303,4 EUR/100 kg
	New Zealand	Q2 || Q3 || 12,8% + 303,4 EUR/100 kg
	United States	Q2 || Q3 || 12,8% + 303,4 EUR/100 kg
	Paraguay	Q2 || Q3 || 12,8% + 303,4 EUR/100 kg
Uruguay		**Q2 || Q3 || 12,8% + 303,4 EUR/100 kg**

Israel		
Main competitors	Paraguay	0%
	Argentina	0%
	Brazil	0%
	United States	0%
Uruguay		**0%**

Canada		
Main competitors	Australia	Q4 - 0% || 13% TA
	Nueva Zelanda	Q4 - 0% || 13% TA
	United States	0% || TA
	European Union	0% || TA
Uruguay		**Q6 || 26,5%**

South Korea		
Main competitors	Australia	26,6% || TA
	United States	21,3% || TA
	New Zealand	29,3% || TA
	Mexico	40%
Uruguay		**40%**

Chilled beef – boneless (0201.30) — Tariffs — Main destination markets

European Union		
Main competitors	Argentina	Q5 || Q6 || 12,8% + 303,4 EUR/100 kg
	Brazil	Q5 || 12,8% + 303,4 EUR/100 kg
	United States	Q5 || Q6 || 12,8% + 303,4 EUR/100 kg
	Australia	Q5 || Q6 || 12,8% + 303,4 EUR/100 kg
Uruguay		**Q5 || Q6 || 12,8% + 303,4 EUR/100 kg**

United States		
Main competitors	Canada	0% || TA
	Mexico	0% || TA
	Australia	0% || TA
	Nicaragua	0% || TA
Uruguay		**Q7 - US$ 44 / Ton|| 26,4%**

Switzerland		
Main competitors	European Union	Q8 - US$ 1.195/Ton
	Australia	Q8 - US$ 1.195/Ton
	Paraguay	Q8 - US$ 1.095/Ton
	United States	Q8 - US$ 1.195/Ton
Uruguay		**Q8 - US$ 1.095/Ton**

Japan		
Main competitors	United States	38,5%
	Australia	26,6% || TA
	Canada	26,6% || TA
	New Zealand	26,6% || TA
Uruguay		**38,5%**

South Korea		
Main competitors	United States	21,3% || TA
	Australia	26,6% || TA
	Canada	29,3% || TA
	New Zealand	29,3% || TA
Uruguay		**40%**

Russia		
Main competitors	Belarus	0% || TA
	Argentina	11,25% || GSP
	Colombia	11,25% || GSP
	Kazakhstan	0% || TA
Uruguay		**11,25% || GSP**

TA: Trade under trade agreement || GSP = Generalised System of Preferences|| Q = Tariff quota || C1= WTO quota – HQB || Q2= Bilan || Q3= GATT|| Q4= WTO quota || Q5= Hilton quota || Q6= 481 quota|| Q7= WTO quota || Q8= WTO quota

Tax return	3%

66 Source: Uruguay XXI based on MacMap

In general, the entry of Uruguayan meat in 2019 took place under unfavorable conditions compared to its competitors. Perhaps the clearest example of this reality is in the case of the United States. According to information from INAC, despite having quotas for entering that market, Uruguay is the only country that pays the general tariff in that market, while the rest of its suppliers enter without paying any tariffs or within quotas that report zero tariffs[67].

China was the market where the highest tariffs were paid, with 63% of the total. Uruguay faces an MFN tariff of 12%, similar to that of the United States and Argentina, while the main suppliers -Australia and New Zealand, faced tariffs of 4.8% and 0%, respectively, in 2019.

The Japanese market is one of the most demanding in terms of quality, and pays a high price for meat products in return. Uruguay was qualified to sell to this market in 2018, and enters with an MFN tariff of 38.5%. Although the rest of the suppliers are also subject to tariffs, these are around 26% -most of them under the TPP-. Japan is the main meat export market of the United States, with whom it signed an agreement at the end of last year, which equalizes tariffs with those of the rest of the main suppliers and foresees a gradual decrease in them[68].

Some of the destinations of Uruguayan beef combine high tariffs with subsidies for local production[69], conditions that make it very difficult for meat to enter from third countries. However, some of them have entrance fees (Hilton, 481)[70], which, on condition that various requirements are met, provide a tariff benefit for a given quota.

The agreements negotiated within the framework of Mercosur provide significant benefits for the entry of Uruguayan meat, especially in the European market, through the European Union or EFTA. In particular, the agreement with the European Union foresees a quota of 99,000 tons for Mercosur with an intra-quota tariff of 7.5%. Likewise, the intra-quota tariff will be eliminated for Uruguay's Hilton quota volume (6,376 tons). Although the intra-Mercosur distribution of the quota has yet to be defined, the MEF's primary calculations estimate that the benefits would be between USD 40 and USD 70 million per year, while the elimination of the tariff for the Hilton quota represents an annual saving of almost USD 15 million.

As for the negotiations with EFTA, Switzerland granted MERCOSUR a tariff-free quota of 3,000 tons; additional to the WTO consolidated quota of 22,000 tons [71]. According to MEF's calculations, this would represent a saving of close to USD 3 million per year for Uruguay. On the other hand, Norway presents a tariff-free quota of 665 tons, and will eliminate the intra-quota tariff for its WTO quota of 1,084 tons. Finally, in the case of Iceland, that country will grant concessions on beef for the first time in a trade negotiation, through a 50% preference over the intra-quota tariff in the WTO.

The strategies for the improvement and deepening of access to markets and the meat industry are coordinated from PROCARNES, in an inter-institutional framework that, based on analysis, economically dimensions the potential management and provides lines of action in which the expected return is more attractive.

[67] See: INAC: "Estimación de la carga arancelaria pagada por carne y menudencias bovinas de Uruguay"
[68] See USDA – "FACT SHEET on Provisions of the U.S.-Japan Trade Agreement Beef and Beef Products"
[69] An example of this is the European Union, through the Common Agricultural Policy (CAP).
[70] The first one demands high quality cuts, with requirements of age, weight, teeth and feeding of the animal. The placement of the products in the European market under this standard enjoy the benefit of a reduced tariff of 20%. The second one is a quota for high quality meats opening a quota of 48,200 tons that is determined by order of arrival and not under the licensing regime.
[71] The tariff within that quota is 1,090 CHF/ton (USD 1,100) -for frozen beef- and 1590 CHF/ton (USD 1,605) -for fresh beef-.

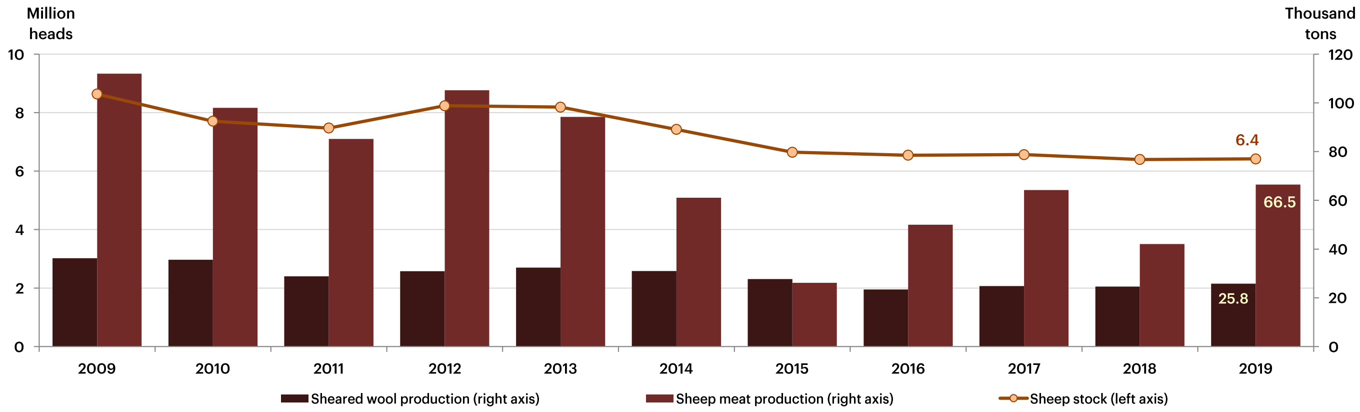
Sheep production

Sheep production has a long tradition and prestige in Uruguay. The quality of the product places Uruguay as one of the top 10 sheep meat exporters in the world and the first in the region[72].

It is also the fourth largest exporter of wool tops[73]. Uruguay is one of the four industrial exporting poles that managed to survive in the hairdressing industry at a global level, together with Argentina, the Czech Republic and China. In the last 20 years, the demand for this product has dropped worldwide and this has caused the stock of sheep to fall in all the main producing countries, including Uruguay.

Sheep meat exports have experienced increases in the last three years. In 2019, export volumes grew 2% and totaled USD 69 million. The Chinese market displaced Brazil as the main destination. It concentrated 50% of Uruguayan exports of this product in the year, while Brazil had a 36% share. Sales were complemented by placements in Canada (4%) and the United States (2%).

Graph N°26: Evolution of sheep stock and production of shorn wool and sheep meat



Source: Uruguay XXI based on DIEA and INAC.

After 17 years of negotiation between the United States and Uruguay, in November 2017 the opening of this market for Uruguayan sheep meat with bone was consolidated, which represents not only a great opportunity for sheep meat in our country, but also an opportunity for other possible future markets[74].

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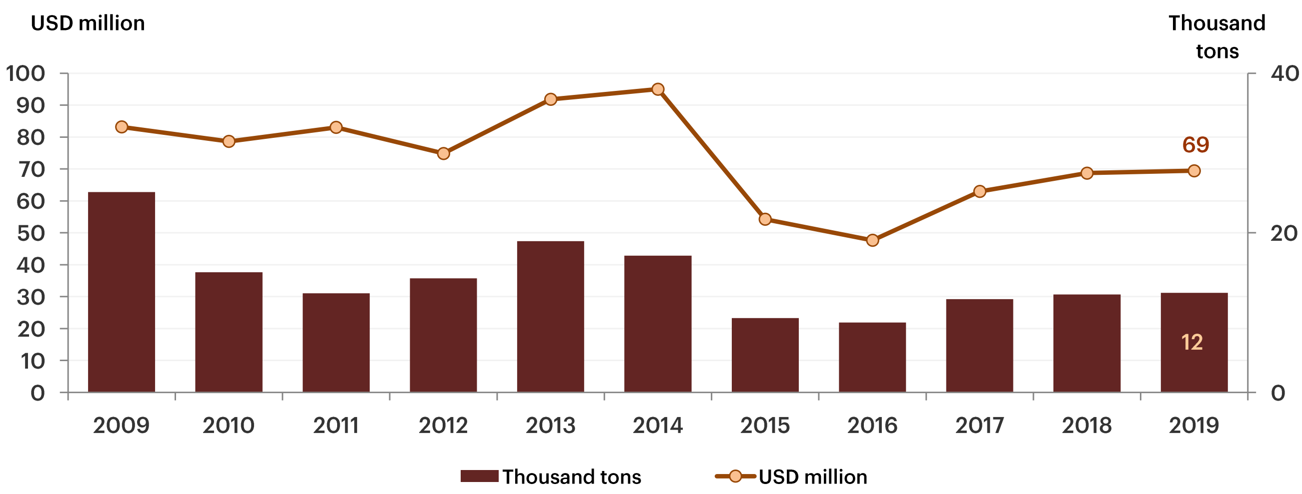
[72] Source: TradeMap

[73] Source: TradeMap - Measured in volume

[74] For more information, see: https://www.presidencia.gub.uy/comunicacion/comunicacionnoticias/uruguay-habilitado-vender-carne-ovina-hueso-estados-unidos

Graph N° 27: Sheep meat exports



Source: Uruguay XXI based on the National Customs Directorate.

As with exports, the payment of tariffs in 2019 was centered on the Chinese market, where the rate of entry is between 12 and 15%, depending on the tariff line. In this market, the entry of Uruguayan meat is at a clear disadvantage compared to other suppliers, especially New Zealand, Australia and Chile; all of them have trade agreements with China. In the European Union, Uruguay has a quota of 5,800 tons for item 0204.43, with an intra-quota tariff of 0%.

Chart N° 10: Tariffs for Uruguay and competitors in the main destination markets - 2019[75]

Frozen bone-in sheep meat (NCM 0204.42) — Tariffs — Main destination markets

Brazil			China		
Main competitors	Chile	0% || TA	Main competitors	New Zealand	0% || TA
	Argentina	0% || TA		Australia	4% || TA
	New Zealand	10%		Chile	0% || TA
Uruguay		**0% || TA**	**Uruguay**		**12%**

Frozen sheep meat carcasses or half carcasses with bone (NCM 0204.30) — Tariffs — Main destination markets

China		
Main competitors	New Zealand	0% || TA
	Australia	5% || TA
	Chile	0% || TA
Uruguay		**15%**

Frozen boneless sheep meat (NCM 0204.43) — Tariffs — Main destination markets

Brazil			European Union		
Main competitors	Chile	0% || TA	Main competitors	New Zealand	Q1
	Argentina	0% || TA		United Kingdom	0% || TA
	Australia	10%		Australia	Q2
Uruguay		**0% || TA**	**Uruguay**		**Q3**

Canada			China		
Main competitors	Australia	0%	Main competitors	Australia	5% || TA
	New Zealand	0%		New Zealand	0% || TA
	Ireland	0%		Chile	0% || TA
Uruguay		**0%**	**Uruguay**		**15%**

Tax return	
020442	3%
020443	3%
020430	3%

54 Tons
9.186 Tons
5.800 Tons

[75] Source: Uruguay XXI based on MacMap

The Uruguayan wool chain is composed of three phases: Production, Industrialization (washing and combing) and commercialization.

At the primary level, a guide of good practices is applied, tending to improve the quality of the wools: Guide of Animal Welfare of the Ovine Sector [76]. At the same time, there are national standards for the conditioning of the wool, which allow to guarantee an adequate shearing and presentation. This also makes it possible to separate and identify the different types of wool produced by the sheep and to correctly detail the different packages obtained.

These lots are identified by means of taps of different colors: the green one has the support of the Uruguayan Wool Secretariat, and the yellow one corresponds to machines in the process of accreditation. This conditioning system is a reference for other countries in the region.

Some of the factors that make Uruguay a world reference in the sector are:

- **Know how – expertise in blending[77] -** The local industry developed skills to produce different types of wool qualities and products.
- **Permanent investment in technology, genetics and process improvement**
- **Certifications and environment -** Incorporation of ecological and environmental certifications, responsibility in water collection and its subsequent treatment; experience in animal traceability.
- **Conditioning and improvement in the quality of the wool -** Adaptation in volume and quality of the requirements of high level markets.
- **Compartment/contractor system** applied to shearing and cleaning - besides being a differential for the industry, it was a pioneer project in the development of micro-entrepreneurs in agricultural services.

Regarding exports, it can be seen that despite the fact that the volume exported showed an average retraction of 5% in the last decade, the average price of the same had an upward trend (6% annual average in the same period) that allowed to compensate in part for this fall. This trend is the same in tops (the main product of the sector), as in dirty wool and other by-products. In 2019, more than 26,000 tons of wool were placed abroad, which meant a foreign exchange income of USD 186 million.

[76] See the following link.

[77] Combination of different wool finenesses.

Chart N° 11: Wool exports by Uruguay

Year	USD million	Thousand tons	Average price USD/ton
2006	207	53	3,901
2007	232	53	4,408
2008	206	41	4,992
2009	175	44	3,960
2010	232	47	4,971
2011	281	38	7,422
2012	242	34	7,166
2013	263	41	6,347
2014	254	40	6,325
2015	248	37	6,638
2016	205	29	7,015
2017	211	31	6,744
2018	246	32	7,614
2019	186	26	7,238

Source: Uruguay XXI based on the National Customs Directorate

Looking at the destination markets for Uruguayan wool, China and the European Union were the main destinations in 2019. In wool tops, China had a 40% share in the export value, and the European Union had a 31% share. As for dirty wool, the participation was 69% and 16%, respectively.

Within the Uruguayan market, some specific fineness or qualities are complemented by wool imports in temporary admission, which in turn complements the production of the tops industry. This type of imports totaled USD 61 million in 2019, an amount 6% lower than the previous year, almost exclusively corresponding to dirty wool.

As for tariffs, the main market for Uruguayan exports - China - has quotas for wool. These quotas reach 287,000 tons for dirty and washed wool, and 80,000 tons for tops, with an intra-quota tariff of 1% and 3% respectively. They present a significant reduction, since the out-of-quota tariff is 38%. It should be clarified that this quota is not exclusive to Uruguay, but works with the "first come, first serve" distribution system, so there is no prior award. In 2019, income through these quotas meant an approximate saving of some USD 19 million.

In this product, Uruguay also does not have advantageous tariff access with respect to other suppliers in any of the destination markets.

Both wool tops and washed wool exports are subject to export tax refunds, at a rate of 6% as of 2020[78].

[78] Source: El País – "Subió a 6% devolución de impuestos a industria textil" // See Decree no. 239/020

With a joint effort between Uruguay XXI and the National Strategic Plan for the Sheep Industry (PENRO), the Uruguay Wools brand was created under the claim pure natural mystic with the following attributes: innovative, *Glocal* (Global + Local), design quality, natural and clarity. The sectorial brand seeks to showcase the national experience and knowledge in terms of wool and design, and with this promote the country as an attractive destination for investors and enhance the export capacity of Uruguayan companies[79].

Chart N°12: Tariffs for Uruguay and competitors in the main destination markets - 2019[80]

Wool tops (NCM 5105.29)					
Tariffs					
Main destination markets					
China			European Union		
Main competitors	Argentina	Q1 || 3%	Main competitors	China	2%
Main competitors	India	Q1 || 3%	Main competitors	Argentina	2%
Main competitors	Bolivia	Q1 || 3%	Main competitors	Egypt	0% || TA
Main competitors	Egypt	Q1 || 3%	Main competitors	Chile	0% || TA
Uruguay		**Q1 || 3%**	**Uruguay**		**2%**
Turkey			Peru		
Main competitors	China	2%	Main competitors	Argentina	0% || TA
Main competitors	European Union	0% || TA	Main competitors	European Union	0% || TA
Main competitors	Argentina	2%	Main competitors	China	0% || TA
Main competitors	India	2%	Main competitors	Chile	0% || TA
Uruguay		**2%**	**Uruguay**		**0% / 6%**

Tax return	
5101.11	0%
5101.21	3%
5105.29	6%

Dirty wool/ washed (NCM 5101.11/21)					
Tariffs					
Main destination markets					
China			European Union		
Main competitors	Australia	Q2 - 1% || Q3 - 0%	Main competitors	Australia	0%
Main competitors	New Zealand	Q2 - 1% || Q4 - 0%	Main competitors	New Zealand	0%
Main competitors	South Africa	Q2 - 1%	Main competitors	South Africa	0%
Main competitors	Argentina	Q2 - 1%	Main competitors	Argentina	0%
Uruguay		**Q2 - 1%**	**Uruguay**		**0%**
India			Egypt		
Main competitors	European Union	3%	Main competitors	Australia	0%
Main competitors	Australia	3%	Main competitors	Argentina	0%
Main competitors	New Zealand	3%	Main competitors	United States	0%
Main competitors	Malaysia	0% || TA	Main competitors	South Africa	0%
Uruguay		**3%**	**Uruguay**		**0%**

TA = Trade under trade agreement
Q1 = WTO quota– 80.000 ton for all origins
Q2 = WTO quota - 287.000 ton for all origins
Q3 = Australia quota - 33.075 ton
Q4 = New Zealand quota – 36.936 ton

[79] See more in: https://uruguaywools.com.uy/
[80] Source: Uruguay XXI based on MacMap

Pig production

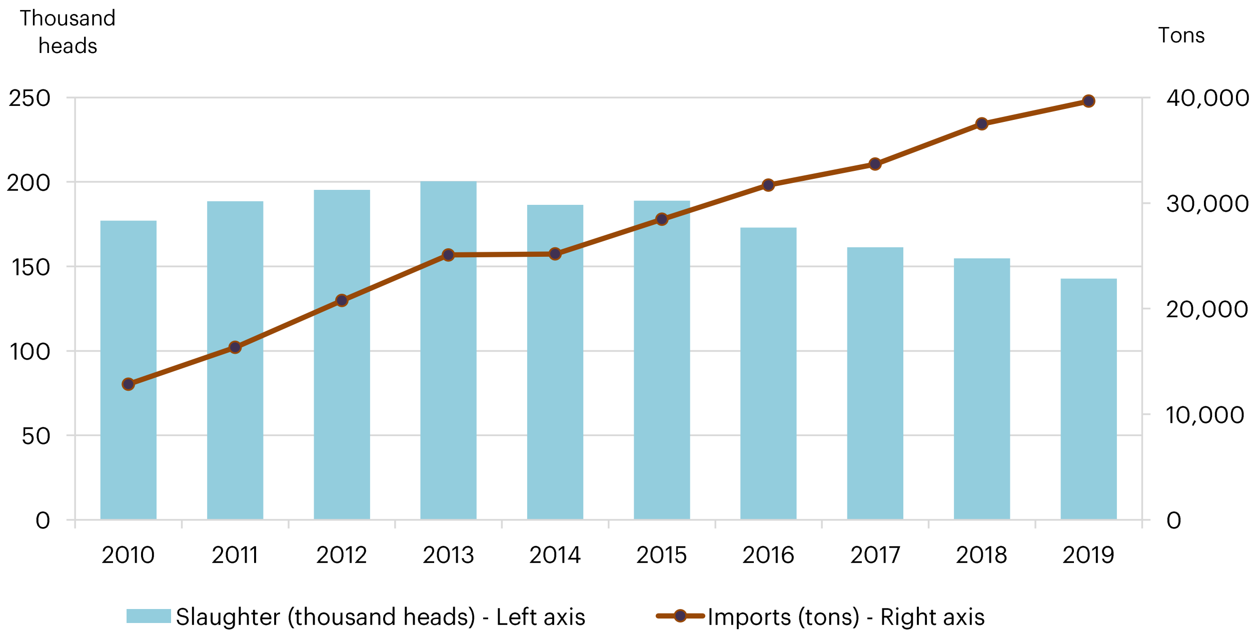
The pork market in Uruguay has had as its main driving force the increase in the consumption of fresh meat, a trend that has been maintained for years and has allowed the country to reach an estimated per capita consumption level of 18 kg this year. Currently, a large part of the demand for this meat is satisfied through imports, mainly from Brazil.

The developments in that country position it among the main producers and exporters in the world. It presents a significant development in relation to health, animal nutrition, genetics and management, which allowed a structural competitive development of prominence. Brazilian production is centered in the southern states (Santa Catalina, Paraná and Rio Grande do Sul)[81].

The main drive in the international pork market is consumption in China. The year 2019 was marked by the impacts of the African Swine Fever outbreak in Asia, impacting current production especially in China and Vietnam. In this sense, the information of the General Administration of Customs of that country reflected that during the first half of 2020, the imports of pig meat registered more than 2 million tons, which represented an increase of 140% on the first semester of 2019.

Mainly the European Union, Brazil and the United States have been those who have increased their exports, in addition, as a result of this reduction in production and increased international demand, have been able to sell at a better price.

Graph N°28: Uruguayan pork slaughter and imports



Source: prepared by Uruguay XXI based on data from INAC y DNA

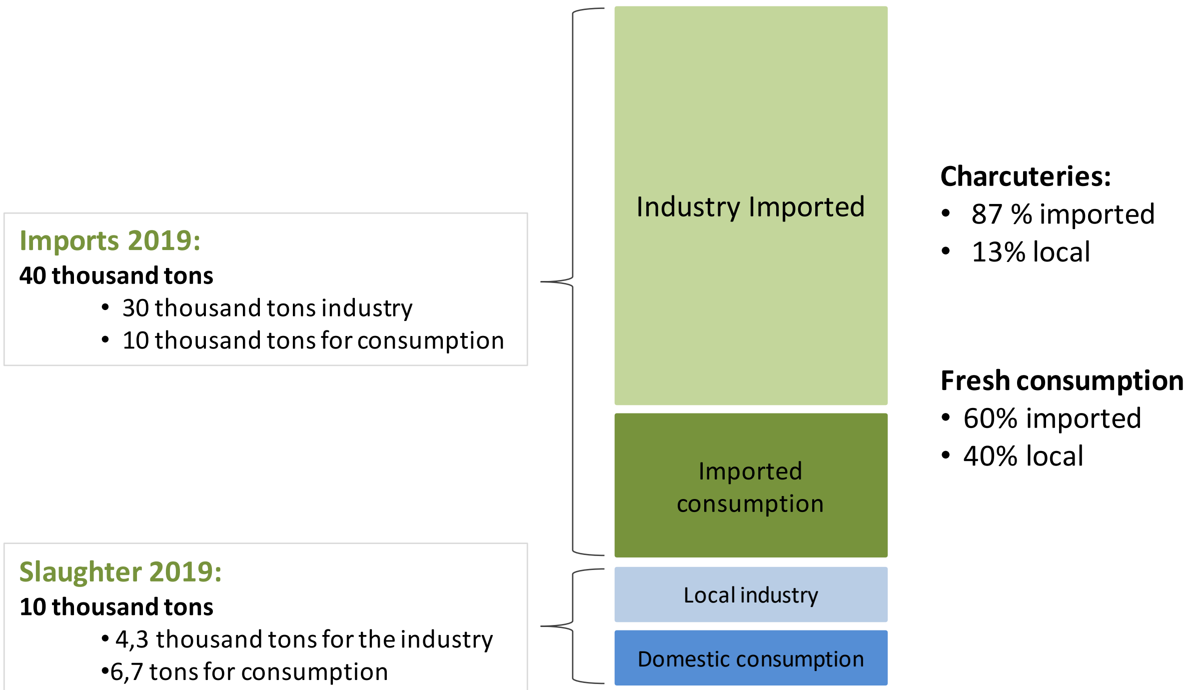
In Uruguay, there are 3,793 establishments with pigs, totaling 129 thousand heads. The vast majority of these are small and medium sized producers who trade with industries that do not have their own farms. There are also vertically integrated industries that have both farms and slaughter plants [82].

[81] Source: OPYPA

[82] Source: OPYPA

The work is concentrated in a few companies. The total number of slaughtered fish in 2019 was around 10 thousand tons. The main pig slaughterhouse in the country concentrated 62% of the slaughter and the second one 22%. The domestic market in 2019 was composed of 21% of national pork, while the remaining 79% was imported, almost exclusively from Brazil. The increase in domestic consumption appears as an opportunity for the growth of the national swine industry, supported by the possibility of genetic improvement in medium and large farms, and as in other products, production without growth promoters.

Figure N°7: Structure of slaughter and marketing of pork meat in Uruguay



Source: OPYPA

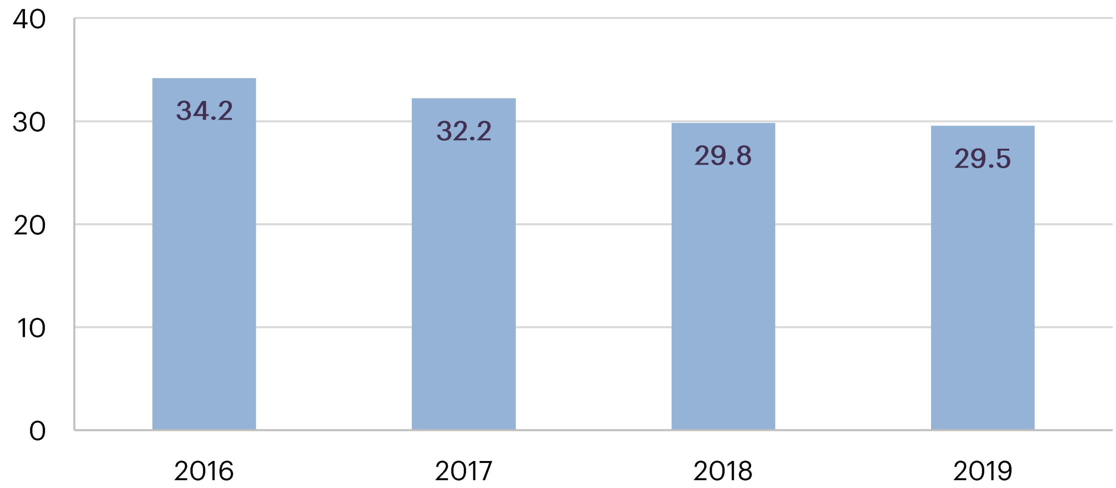
Poultry meat[83]

The production of poultry meat in the world grew in 2019 and seems to maintain this trend during this year, explained mainly by the quantities slaughtered in China as well as the increase of its imports. This is mainly due to the outbreaks of African swine fever in Asia that reduce pork supplies, thus prompting a change in the diet of people in some eastern countries. At the same time, international prices for poultry meat showed upward trends in response to increased demand.

At the local level, production mainly serves own consumption, with exports at low levels, averaging 3,000 tons in recent years. Avian meat consumption is around 70 thousand tons, that is, an annual consumption of 21 kg per inhabitant. In 2019, the slaughter measured in heads decreased slightly, although prices had an upward trend, mainly in the second half of the year.

Based on data from the first half of 2020, this trend is expected to continue, with a projected 29 million heads slaughtered. In addition, it should be noted that the first three meat processing plants (Tres Arroyos Farm, Frontini Poultry Farm and Tileo) account for almost 80% of the total number of poultry slaughtered in Uruguay in 2019.

Graph N°29: Poultry slaughter in Uruguay (millions of heads



Source: Prepared by Uruguay XXI in basis on data from INAC

Exports of poultry meat totaled almost USD 3 million in 2019, marking a significant drop from the previous year. It is important to highlight that since 2017 the only company exporting the above mentioned products is Tres Arroyos Farm.

The sector's public-private work focuses on improving the chain's competitiveness, concentrating on health and safety aspects. Improvements at the farm and slaughterhouse level will allow for an increase in qualifications that will result in access to new markets that will enable the sector to continue growing.

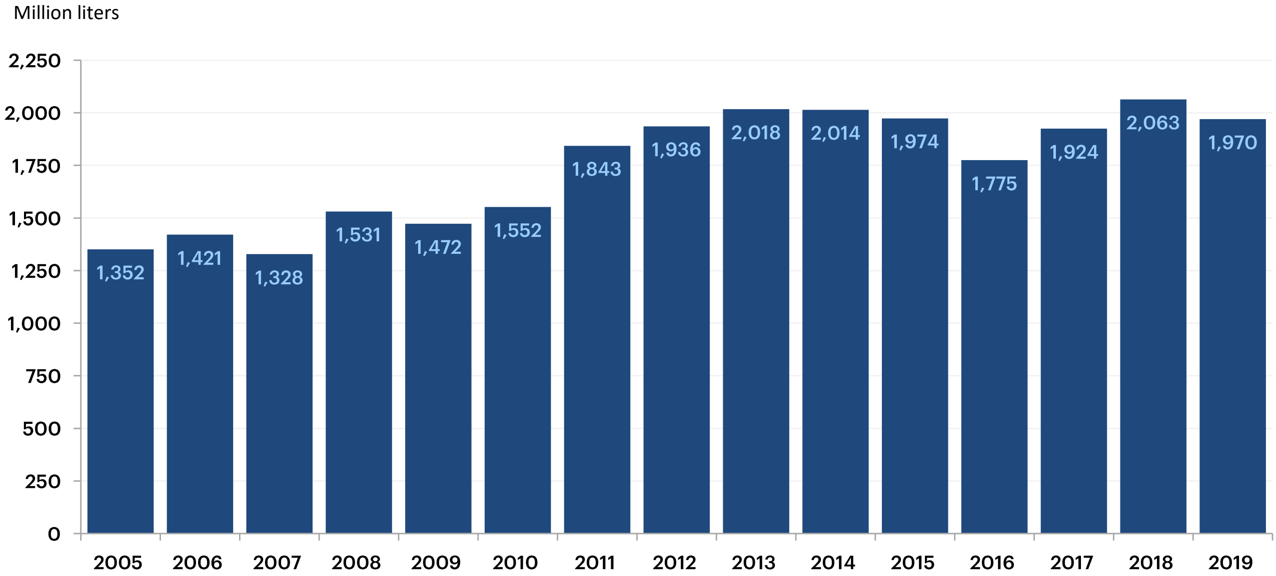
[83] Source: Uruguay XXI based on OPYPA, INAC and the National Customs Directorate

Dairy sector

The dairy sector plays an important role in the economic structure of Uruguay, being one of the areas that generates the highest added value. Given its geographical location, the country has excellent natural soil and climate conditions that make it suitable for milk production and give it comparative advantages. In particular, it stands out for its capacity to obtain quality milk at a low production cost from pastoral and open-air based systems.

Milk production in the country grew uninterruptedly between 1975 and 2013. After a few years with a downward trend due to retraction in international prices, problems in the main export markets and adverse weather phenomena, milk production reached a new record in 2018, with 2,063 million liters. In the last year, the total was 1,970 million liters, a volume higher than the average of the last decade.

Graph N°30: Milk Referral to Plants (Millions liters)

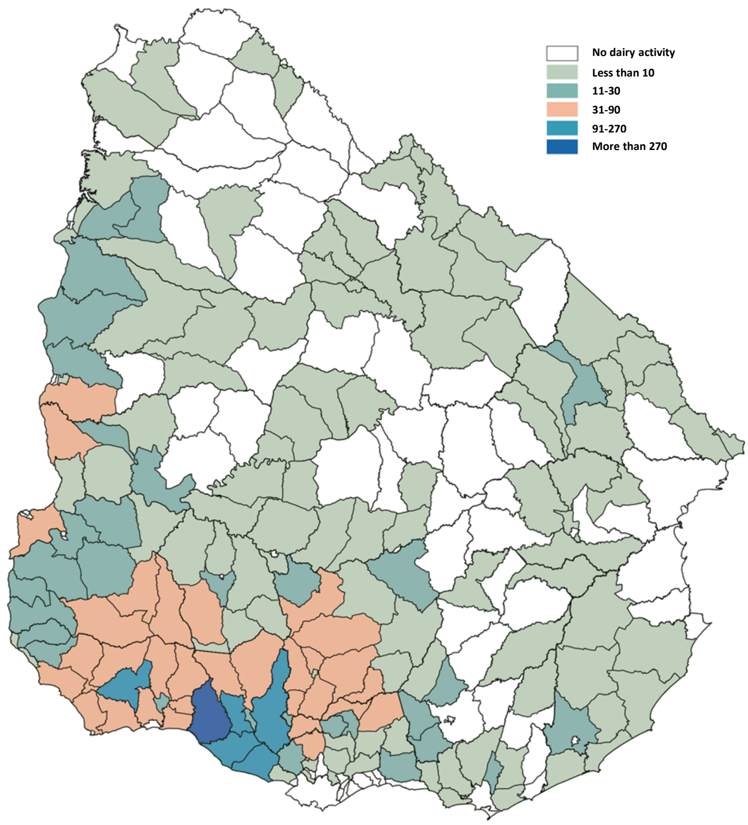


Source: Uruguay XXI by INALE.

The great dynamism shown by the sector occurred in a context of strong productivity growth. The primary sector has continuously incorporated technical advances, both in pastures, cattle supplementation, as well as in machinery and equipment, health and genetic improvement of the rodeo. The activity extends nationwide, although the productive nucleus is in the southwest of the country, and along the coast of the Uruguay River, as can be seen in figure no. 8.

The industrial sector, composed of transnational and national companies -and led by a national cooperative company- has continuously expanded its installed capacity, working together with the primary sector. This has allowed these companies to capture all the milk produced, diversify their production in the domestic market and export various products.

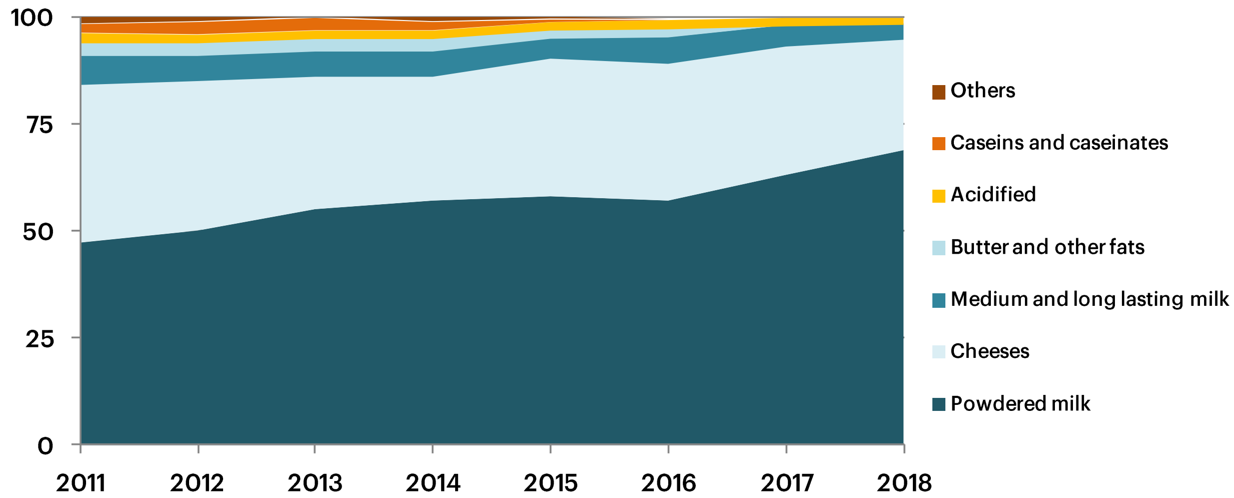
Figure N°8: Producers with commercial dairy by police section. Agricultural year 2017-2018



Source: 2019 Yearbook - DIEA - MGAP

With a domestic market with one of the highest consumption in Latin America (230 liters per capita per year [84]), any increase in production is destined for export, which currently represents 70% of the volume produced annually [85].

Graph N°31: Participation in the total industrialized by product (%)



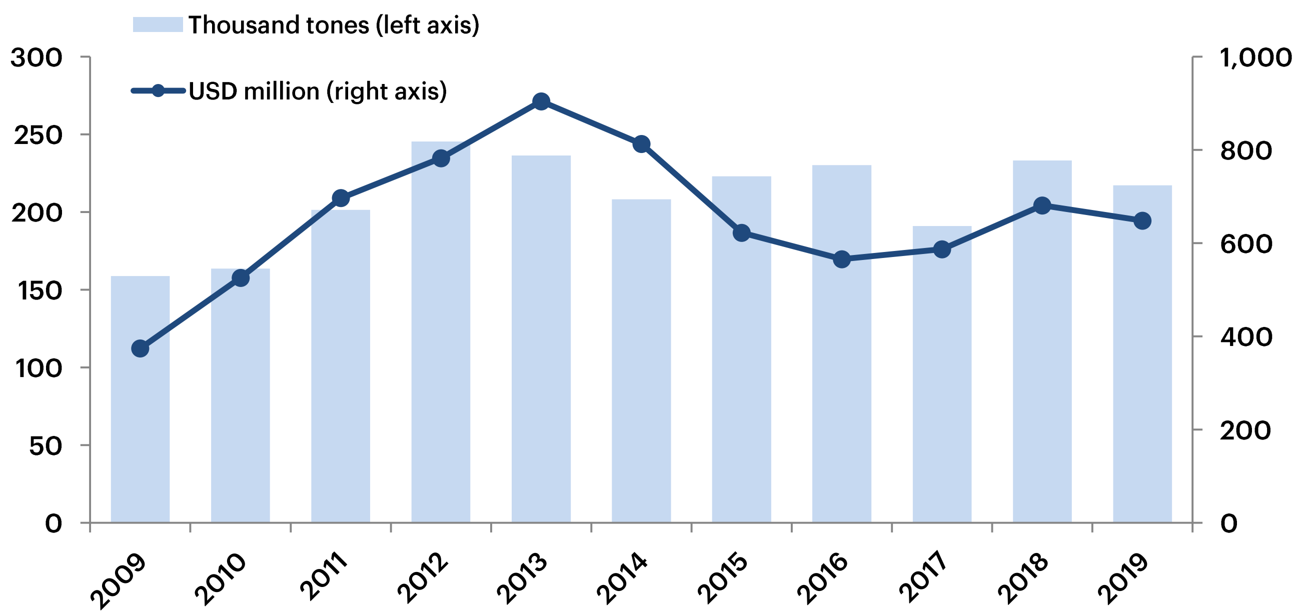
Source: 2019 Yearbook - DIEA - MGAP

[84] Source: INALE estimation based on DIEA and IDF

[85] Source: INALE.

In the last decade, exports grew in value by an average of 6% per year and by 2019 they amounted to USD 648 million, 5% less than the previous year. This decrease is explained by the volume factor (-7%), which could not be counteracted by a 2% increase in the average export price.

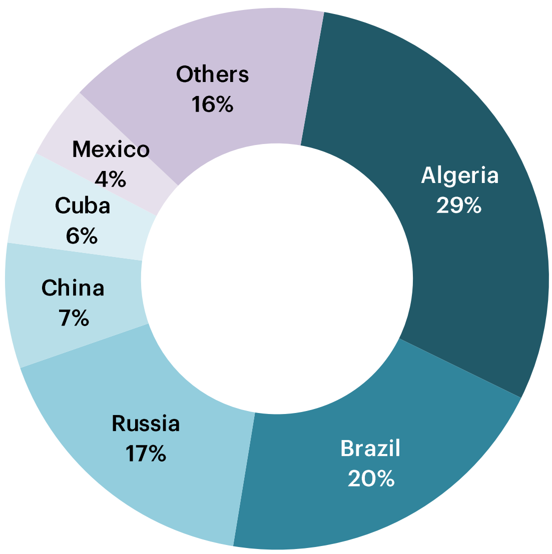
Graph N°32: Dairy sector exports



Source: Uruguay XXI based on DNA.

For several years, dairy exports were concentrated in the region. Brazil and Venezuela were two relevant markets throughout the decade. However, their political and commercial instability had an impact on the dynamics of dairy exports. In this context, the presence of Algeria was important as a destination for the sector's exports in this period, becoming the main destination since 2018. In 2019, USD 191 million were exported to this market. In addition, the Russian and Chinese markets had a positive impact on dairy exports, due to increased sales of butter and milk powder, respectively.

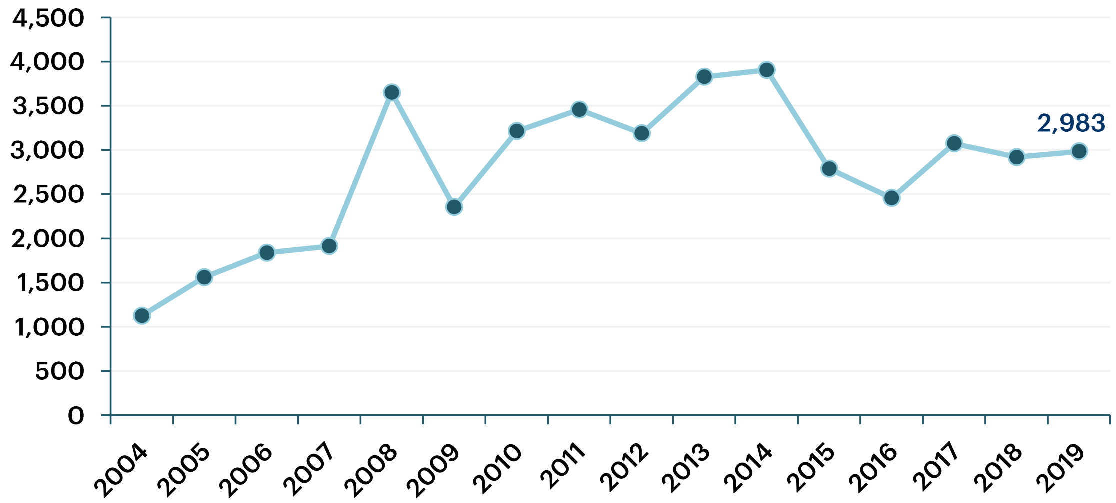
Graph N°33: Dairy product exports by destination (Part. % 2019)



Source: Uruguay XXI based on DNA.

Even though each product has a particular evolution, the average price of Uruguayan milk exports suffered a retraction in 2015 and 2016, as a result of the increase in production of the main exporting countries - particularly the European Union, due to the end of the milk quota regimen- and lower purchases by China.

Graph N°34: Average export price of dairy products (USD/ton)

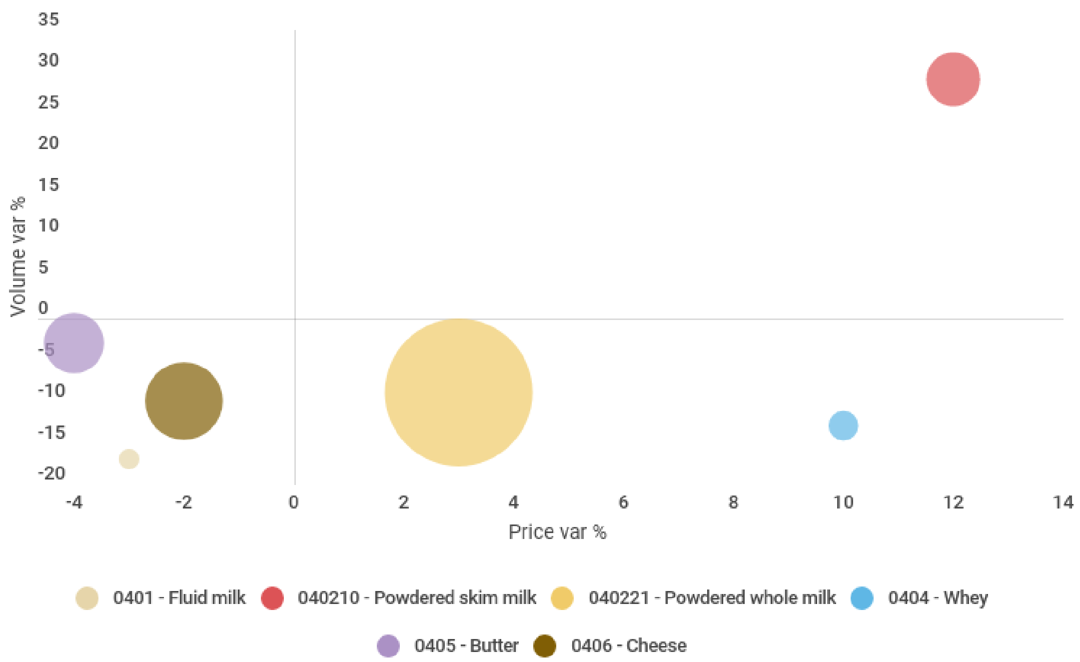


Source: Uruguay XXI based on DNA

In the last year, some products had a positive evolution in price, including the main dairy product in exports, whole milk powder. However, exports measured in volume retracted, leading to a negative variation in total exports. In the case of cheese, the second export product of the sector, it suffered retractions both in the average export price and in the total volume.

Graph no. 35 shows the evolution of the average price and the exported volume of the main products of the dairy sector. The size of the bubbles represents the export amount.

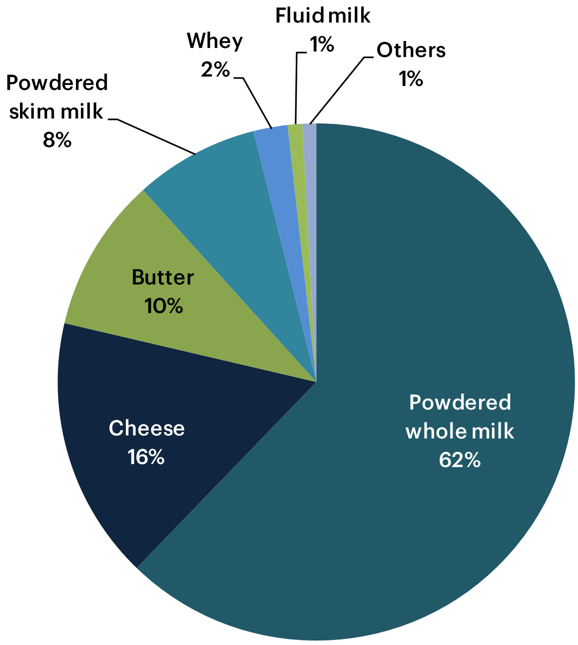
Graph N° 35: Evolution of average price and export volume of dairy products



Source: Uruguay XXI based on DNA

If milk exports are analyzed by product, it can be seen that whole milk powder (WMP) maintained its traditional leadership in the product ranking, despite a 6% retraction in the amounts exported. It is followed by cheese sales, mainly directed to the Mexican and Brazilian markets, and by butter, concentrated in the Russian market.

Graph N°36: Dairy exports by product (Part. % 2019)



Source: Uruguay XXI based on DNA.

The tariffs paid for exports from the Uruguayan dairy sector were around USD 30 million in 2019, distributed mainly in powdered milk, butter and cheese. The sector represented 7% of Uruguay's exports in 2019. The dairy sector is one of the most sensitive at the international level, which is why it is protected through various tools, such as quotas or sanitary requirements, among other measures.

Algeria was the main destination for dairy products and the main market for the payment of tariffs in the sector. Total exports of dairy products to that market reached USD 213 million, mainly in the form of powdered milk. This product applies a rate of 5%. Currently, Algeria grants general preferences in the framework of three agreements: European Union, Arab Free Trade Zone, African Union, Arab Maghreb Union and GSTP [86], including quotas only in the first two cases, so the entry of Uruguayan products is through the general tariff and without particular benefits.

The entry of dairy products to the Russian market is part of the GSP, by which Russia grants a 25% benefit over the normal tariff to developing countries. Additionally, Russia maintains the blockade applied to the import of certain products of European, American and Australian origin (among which are dairy products), which affects some of the main world suppliers and represents an opportunity for Uruguay. As regards competitors, Belarus -main supplier of dairy products- enters free of tariffs, while New Zealand -another relevant competitor especially in butter and powdered milk-, faces similar entry conditions to those of Uruguay.

The agreement signed with the European Union also covers the dairy sector. In this agreement, MERCOSUR and the EU grant each other access quotas for powdered milk (10,000 tons) with an intra-quota tariff with

[86] Source: Santader Trade

gradual reduction up to 0% in 10 years. For infant formula, a quota of 5,000 tons was set with the same conditions for the intra-quota tariff. As for cheese, the quota is 30,000 tons, except that mozzarella was excluded from the cheeses that the EU may export to MERCOSUR. Currently, there are practically no exports of Uruguayan dairy products to the European market, so these quotas represent an opportunity for the placement of these products.

The dairy sector has tax refunds for several tariff lines, with a rate for the sector of 3%. Details per line can be seen in this link.

Chart N° 13: Tariffs for Uruguay and competitors in the main destination markets - 2019[87]

<table>
<tr><th colspan="6">Powdered whole milk (NCM 0402.21)</th><th>Tax return</th></tr>
<tr><th colspan="6">Tariffs</th><td rowspan="2">3%</td></tr>
<tr><th colspan="6">Main destination markets</th></tr>
<tr><th colspan="3">Algeria</th><th colspan="3">Brazil</th></tr>
<tr><td rowspan="4">Main competitors</td><td>New Zealand</td><td>5%</td><td rowspan="4">Main competitors</td><td>Argentina</td><td>0% || TA</td></tr>
<tr><td>Netherlands</td><td>5%</td><td>Paraguay</td><td>0% || TA</td></tr>
<tr><td>Argentina</td><td>5%</td><td>United States</td><td>28%</td></tr>
<tr><td>France</td><td>5%</td><td>Chile</td><td>0% || TA</td></tr>
<tr><td colspan="2">Uruguay</td><td>5%</td><td colspan="2">Uruguay</td><td>0% || TA</td></tr>
<tr><th colspan="3">China</th><th colspan="3">Cuba</th></tr>
<tr><td rowspan="4">Main competitors</td><td>New Zealand</td><td>0% || TA</td><td rowspan="4">Main competitors</td><td>New Zealand</td><td>5%</td></tr>
<tr><td>Australia</td><td>5% || TA</td><td>Mexico</td><td>0% || TA</td></tr>
<tr><td>Spain</td><td>10%</td><td>Netherlands</td><td>5%</td></tr>
<tr><td>Netherlands</td><td>10%</td><td>Argentina</td><td>0% || TA</td></tr>
<tr><td colspan="2">Uruguay</td><td>10%</td><td colspan="2">Uruguay</td><td>0% || TA</td></tr>
</table>

<table>
<tr><th colspan="6">Other cheeses (NCM 0406.90)</th><th>Tax return</th></tr>
<tr><th colspan="6">Tariffs</th><td rowspan="2">3%</td></tr>
<tr><th colspan="6">Main destination markets</th></tr>
<tr><th colspan="3">Mexico</th><th colspan="3">Russia</th></tr>
<tr><td rowspan="4">Main competitors</td><td>United States</td><td>0% || TA</td><td rowspan="4">Main competitors</td><td>Belarus</td><td>0% || TA</td></tr>
<tr><td>New Zealand</td><td>Q1 || TA</td><td>Argentina</td><td>11,25% || GSP</td></tr>
<tr><td>Chile</td><td>0% || TA</td><td>Switzerland</td><td>15%</td></tr>
<tr><td>Italy</td><td>20%</td><td>Chile</td><td>11,25% || GSP</td></tr>
<tr><td colspan="2">Uruguay</td><td>0% || TA</td><td colspan="2">Uruguay</td><td>11,25% || GSP</td></tr>
<tr><th colspan="3">Brazil</th><th colspan="3">United States</th></tr>
<tr><td rowspan="4">Main competitors</td><td>Argentina</td><td>0% || TA</td><td rowspan="4">Main competitors</td><td>European Union</td><td>Q2</td></tr>
<tr><td>Netherlands</td><td>16%/28%</td><td>Switzerland</td><td>Q3</td></tr>
<tr><td>France</td><td>16%/28%</td><td>Norway</td><td>Q4</td></tr>
<tr><td>Italy</td><td>16%/28%</td><td>Canada</td><td>Q5</td></tr>
<tr><td colspan="2">Uruguay</td><td>0%</td><td colspan="2">Uruguay</td><td>Q6</td></tr>
</table>

<table>
<tr><th colspan="6">Butter (NCM 0405.10)</th></tr>
<tr><th colspan="6">Tariffs</th></tr>
<tr><th colspan="6">Main destination markets</th></tr>
<tr><th colspan="3">Russia</th><th colspan="3">Peru</th></tr>
<tr><td rowspan="3">Main competitors</td><td>Belarus</td><td>0% || TA</td><td rowspan="3">Main competitors</td><td>India</td><td>0%</td></tr>
<tr><td>New Zealand</td><td>15%</td><td>Bolivia</td><td>0%</td></tr>
<tr><td>Argentina</td><td>11,25% || GSP</td><td>New Zealand</td><td>0%</td></tr>
<tr><td colspan="2">Uruguay</td><td>11,25% || GSP</td><td colspan="2">Uruguay</td><td>0%</td></tr>
<tr><th colspan="3">Argentina</th><th colspan="3">Morocco</th></tr>
<tr><td rowspan="2">Main competitors</td><td>France</td><td>16%</td><td rowspan="2">Main competitors</td><td>New Zealand</td><td>2,5%</td></tr>
<tr><td></td><td></td><td>Ireland</td><td>0% || TA</td></tr>
<tr><td colspan="2">Uruguay</td><td>0% || TA</td><td colspan="2">Uruguay</td><td>2,5% || TA</td></tr>
</table>

TA = Trade under Trade Agreement
GSP = Generalised System of Preferences
Q1 = EU27 quota
Q2 = Switzerland quota
Q3 = Norway quota
Q4 = Canada quota

[87] Source: Uruguay XXI based on MacMap

Fruit sector - Citrus

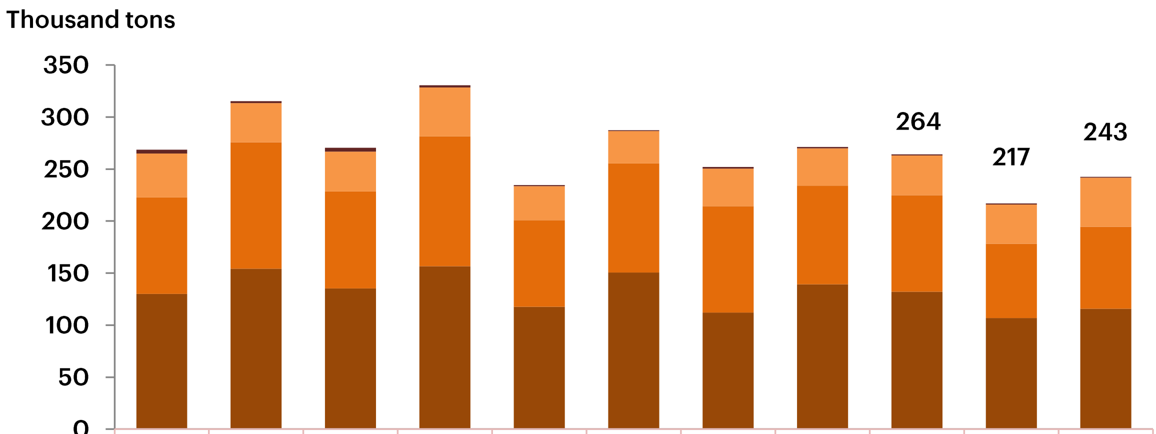
Citrus production has a long tradition in the country and much of it has been destined for export. The effective surface used for the plantation of citrus fruits was around 14,100 hectares in 2019 [88], of which about half were oranges. Citrus production in the 2019 harvest was 243 thousand tons, which implies a 12% increase compared to the previous harvest.

The four main species of citrus fruits produced in the country are orange, tangerine, lemon and grapefruit. With the exception of grapefruit, the rest of the citrus products had a higher production in the 2019 harvest, compared to the previous year. In particular, the production of lemons reached one of the highest levels since records [89], after a 2018 harvest marked by adverse weather conditions, including droughts and hailstorms.

The production forecast in the 2020 harvest according to MGAP is about 235 thousand tons. If this forecast is met, the volume would be 3% lower than that recorded for the 2019 harvest. Oranges would present a 22% lower production, while for the rest of the products there would be a growth in production.

At the national level, there is a growth in investments by international companies, focused on the growth of the area under irrigation and the reconversion of varieties (particularly in mandarins and lemons).

Graph N° 37: Citrus production (Thousand tons)



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Grapefruit	4	2	4	2	1.0	0.8	1.5	1.2	1.1	0.9	0.8
Lemon	42	38	38	47	33	31	36	36	38	38	47
Mandarin	93	121	93	125	83	105	102	95	93	71	79
Orange	130	154	135	157	118	151	112	139	132	107	116

Source: Uruguay XXI based on DIEA-MGAP.

For its part, although the destination of citrus production has been variable in recent years, exports remain the main destination of production. In 2019 they represented 43% of total use, while 33% of production was destined for the domestic market, and 22% for industry.

[88] Source: DIEA – Encuesta Citrícola - "Primavera 2019"

[89] Source: OPYPA - Citriculture: situation and perspectives - Yearbook 2019

In 2019, the growth in the volume exported managed to compensate for the fall in prices, keeping the amount exported stable with respect to 2018. The downward trend in prices has continued since 2017. In particular, only the price of tangerine had a positive variation in 2019.

Chart N° 14: Citrus exports and average export price

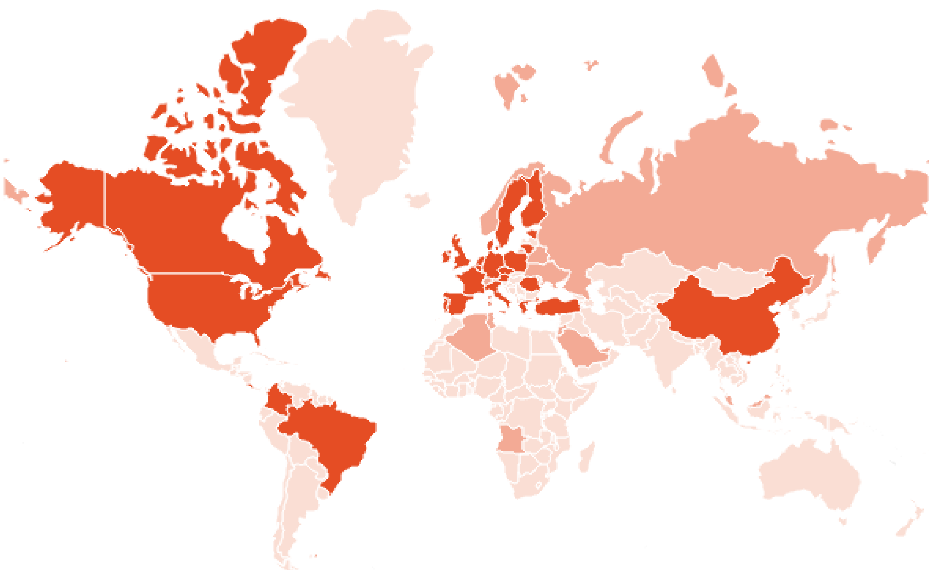
Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Millions USD	73	85	74	60	79	92	72	83	80	61	61
Thousand tons	130	150	122	93	111	120	95	106	97	83	89
Average price (USD/Ton)	561	568	610	643	714	765	759	780	824	730	681

Source: Uruguay XXI based on National Customs Directorate

In 2019, 39% of exports were to the European Union, the main destination of the sector. Orange and lemon exports are concentrated in this destination. Another relevant market for the sector is the United States, where sales of mandarins are concentrated. In total, sales of citrus fruits to that destination were around USD 18 million and had a 29% share of total exports. Russia is also another relevant market, with export records for the main three products.

According to data from the MGAP's International Affairs Unit, in 2020 there are 46 markets enabled for citrus exports. In 28 of these markets there are also supporting regulations, i.e., the supporting regulations specifying the phytosanitary requirements for imports have been identified. In another 17, the market is qualified but without supporting regulations, so they would only require a phytosanitary certificate without additional declarations.

Figure N° 9: Authorized markets to export Uruguayan citrus fruits



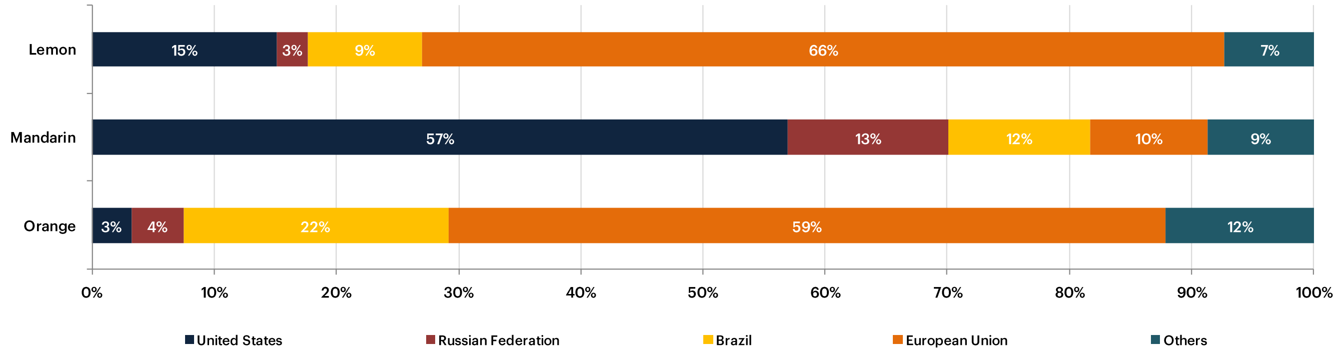
Authorized markets - with regulatory support

Authorized markets - no regulation to back it up

Note: In the case of China, lemons are not allowed.
Source: Uruguay XXI based on International Affairs Unit - MGAP

Likewise, according to data from the same unit, the markets of the Philippines, India and Indonesia are in the process of qualification or re-negotiation for the entry of citrus fruits. The same happens in the case of Mexico and Vietnam, although the negotiation is only for the entry of mandarins.

Graph N°38: Participation by destination in citrus exports 2019



Source: Uruguay XXI based on the National Customs Directorate.

In 2019, the USD 61 million of total exports faced a total tariff payment of just over USD 3 million. For entry into the European Union, there is a general quota for oranges and lemons that allows for a tariff reduction. In the case of the United States, the main product exported is tangerines. The entry of this product is given with a general tariff that is specific and corresponds to a payment of 1.9 cents on the dollar for each kilo exported. Although this rate determines that on average a 2% ad-valorem tariff is paid in that destination, the main suppliers in that market enter without tariff due to the commercial agreements they have with the United States.

For the payment of tariffs in the European Union, a variable system is applied for the calculation, which depends on the price at which it is sold, and the time of year in which it is made[90]. The objective is to protect local producers at harvest times. Therefore, the tariff rate rises to 16% (plus a fixed amount, depending on the price) at the beginning and end of the year. The European Union offers a tariff quota of 20 thousand tones, available between February and April, for high quality oranges.

[90] In this link the applied tariff for each price and time of the year can be searched (See from P. 709).

Chart N°15: Tariffs for Uruguay and competitors in the main destination markets - 2019[91]

Oranges (Code 0805.10)					
Tariffs					
Main destination markets					
European Union			Brazil		
Main competitors	South Africa	Q1 || 10%	Main competitors	European Union	10%
	Egypt	Q1 || 10% || TA		Argentina	0%
	Morocco	Q1 || 10% || TA		Chile	0%
	Argentina	Q1 || 10%			
Uruguay		**Q1 || 10%**	**Uruguay**		**0%**
Russia			United Arab Emirates		
Main competitors	Egypt	3,75% || GSP	Main competitors	South Africa	0%
	South Africa	3,75% || GSP		Egypt	0%
	Turkey	3,75% || GSP		European Union	0%
	Morocco	3,75% || GSP		Australia	0%
Uruguay		**3,75% || GSP**	**Uruguay**		**0%**

Tax return
6%

Lemons (Code 0805.50)					
Tariffs					
Main destination markets					
European Union			United States		
Main competitors	Argentina	Q || 6%	Main competitors	Mexico	0% || TA
	South Africa	Q || 6%		Chile	0% || TA
	Brazil	Q || 6%		Argentina	0% || GSP
	Turkey	0% || TA || Q		Colombia	0% || TA
Uruguay		**Q || 6%**	**Uruguay**		**1.8 cents/kg**
Brazil			Canada		
Main competitors	European Union	10%	Main competitors	United States	0%
	Argentina	0% || TA		Mexico	0%
	Chile	0% || TA		South Africa	0%
	Israel	0% || TA		European Union	0%
Uruguay		**0% || TA**	**Uruguay**		**0%**

Tax return
6%

Mandarins and clementines (Code 0805.21/22/29)					
Tariffs					
Main destination markets					
United States			Russia		
Main competitors	Chile	0% || TA	Main competitors	Turkey	3,75% || GSP
	Peru	0% || TA		Morocco	3,75% || GSP
	Morocco	0% || TA		Pakistan	3,75% || GSP
	South Africa	0% || TA		China	3,75% || GSP
Uruguay		**1.9 cents/kg**	**Uruguay**		**3,75% || GSP**
Brazil			European Union		
Main competitors	European Union	10%	Main competitors	South Africa	0% || TA
	Argentina	0% || TA		Morocco	0% || TA
	China	10%		Israel	0% TA || 6,4% Q
	Chile	0% || TA		Peru	0% || TA
Uruguay		**0% || TA**	**Uruguay**		**16%**

Tax return
6%

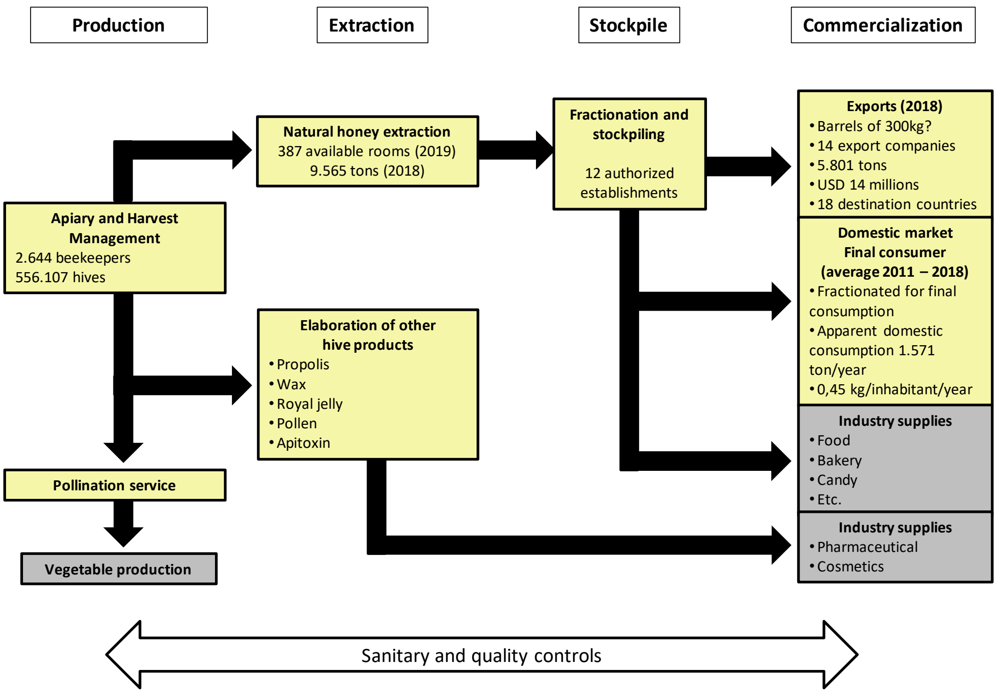
Q= Trade under tariff quota
TA = Trade under trade agreement
GSP = Generalised System of Preferences

[91] Source: Uruguay XXI based on MacMap

Honey[92]

Uruguayan honey is mainly export-oriented, representing 85% of the total production in 2019. Total production in 2019 was reduced compared to previous years, as it stood at 9,253 tons, while the average between 2010 and 2019 was 11,342 tons per year.

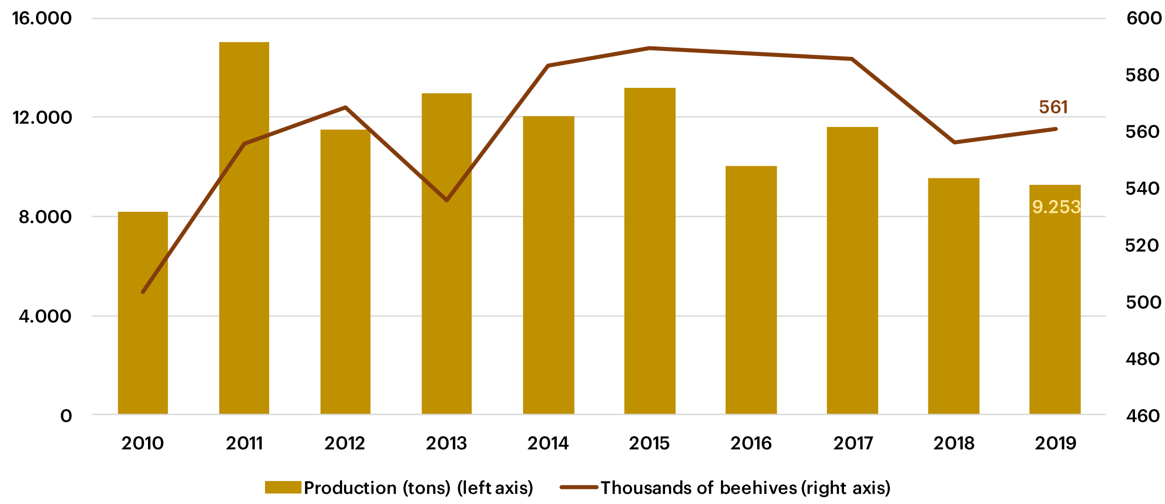
Figure N°10: Beekeeping value chain



Source: OPYPA – 2019 yearbook

There are about 2,500 beekeepers in the country, with an average of 225 hives per beekeeper and generating approximately 12,000 indirect jobs. The estimated production of honey per hive is 16 kg. The Uruguayan beekeeping sector has been experiencing productivity difficulties for some years due to climate instability, in addition to the increasing mortality of bees.

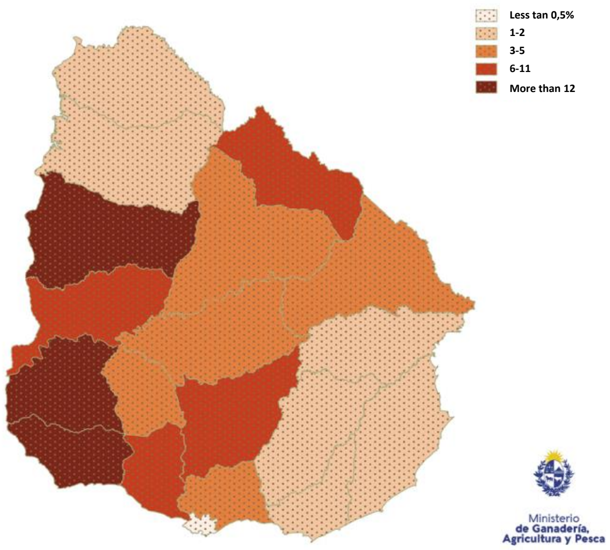
Graph N°39: Uruguayan honey production and number of beehives



Source: MGAP – DIGEGRA

92 Souce: Uruguay XXI based on OPYPA 2019 and MGAP Yearbook - [Informe de Datos del Registro Nacional de Propietarios de Colmenas]

Figure N° 11: Distribution of beehives by department – 2019



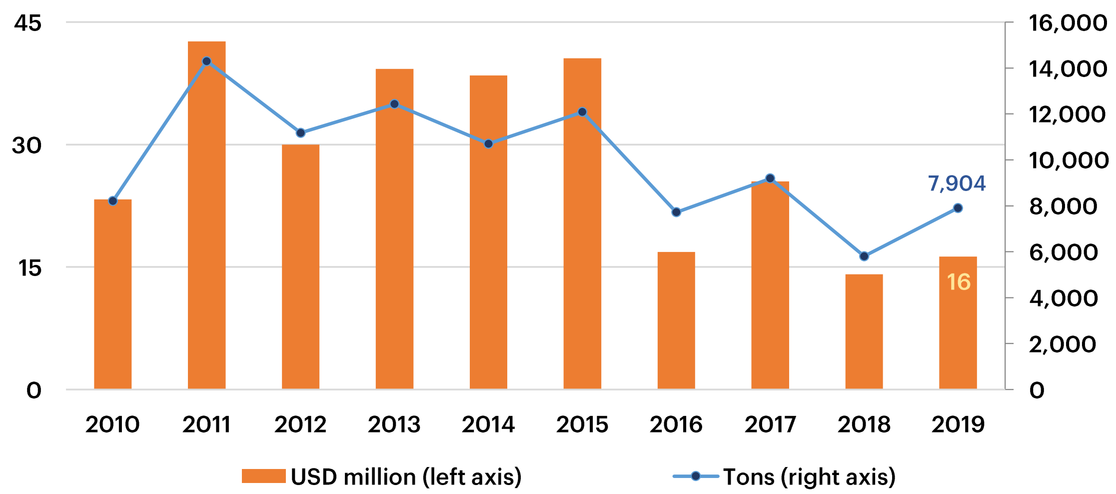
Department	Beehives
Artigas	6.751
Canelones	21.144
Cerro Largo	18.137
Colonia	67.292
Durazno	24.303
Flores	26.604
Florida	37.410
Lavalleja	8.779
Maldonado	10.170
Montevideo	2.144
Paysandú	66.805
Río Negro	61.635
Rivera	40.501
Rocha	9.453
Salto	11.388
San José	50.460
Soriano	74.441
Tacuarembó	19.120
Treinta y Tres	4.446
TOTAL	**560.983**

Source: Prepared by Uruguay XXI based on data from MGAP / DIGEGRA

With regard to its geographical distribution, it can be seen that it is a sector with significant decentralization since it has a presence in all the departments of the national territory. Anyway, it is also possible to say that beekeeping is stronger in the west coast of our country, where Colonia, Soriano, Río Negro and Paysandú comprise 38% of the beehives. Rivera, the second department in terms of number of beehives, also stands out.

As mentioned, exports are of vital importance for the sector. However, they have seen a gradual reduction since 2015. In this context, it is remarkable the first semester of 2020 in which sales are almost similar to those that occurred in all of 2019, so this year exports will surely experience an interesting recovery. As for the destinations of these operations, Spain stands out as the main destination with 38% of the tons exported. In second place is the United States (18%), Germany (15%), Austria (11%), Poland (6%) and Italy (3%).

Graph N°40: Uruguayan exports of honey



Source: Prepared by Uruguay XXI based on DNA data

The European Union receives 78% of Uruguayan honey exports, and is the market where the highest amount of tariffs are paid. Entry to this market is through the MFN tariff[93], with similar conditions to competitors such as China -main supplier- and New Zealand, but with a clear disadvantage with respect to Ukraine and Mexico, which have quotas for the entry of honey, to which a benefit of 100% and 50% over the general tariff is applied, respectively.

Tariff access for honey generally faces few relative advantages in the destination markets. Only 1% of sales enter with a zero tariff -which corresponds to a quota in Israel-, and only 3% enter under some kind of trade agreement. This percentage includes entry under the GSP regime in Switzerland and a 10% benefit over the tariff applied in South Africa, which remains relatively high anyway.

Honey exports have a tax refund of 3%.

Chart N° 16: Tariffs for Uruguay and competitors in the main destination markets - 2019[94]

Honey (Code 0409.00)					
Tariffs					
Main destination markets					
European Union			United States		
Main competitors	China	17,3%	Main competitors	India	1.9 cent/kg
	Ukraine	Q1 || 0%		Argentina	1.9 cent/kg
	Mexico	Q2 || 8,6%		Brazil	1.9 cent/kg
	New Zealand	17,3%		Vietnam	1.9 cent/kg
Uruguay		**17,3%**	**Uruguay**		**1.9 cent/kg**

South Africa			Israel		
Main competitors	China	22%	Main competitors	European Union	3,1 US$/Kg
	Zambia	0% || TA		Ukraine	3,1 US$/Kg
	European Union	0% || TA		Argentina	3,1 US$/Kg
	Nueva Zelanda	22%		Brazil	3,1 US$/Kg
Uruguay		**19,8% || TA**	**Uruguay**		**3,1 US$/Kg**

Tax return
3%

Note (*): The tariff is set at 10.6 NIS/Kg, but led to an ad-valorem tariff, it cannot exceed 255%.
Q1 = 5,600 tons in 2019 for Ukraine
Q2 = 30,000 tons with 50% reduction in the tariff for Mexico
TA = Trade agreement

[93] The most-favored-nation clause determines non-discrimination among a WTO member's trading partners. In this case, the lowest tariff applied under the WTO for that product to one country must be extended to the other WTO members. Among the exceptions to this clause, the main one is trade agreements.

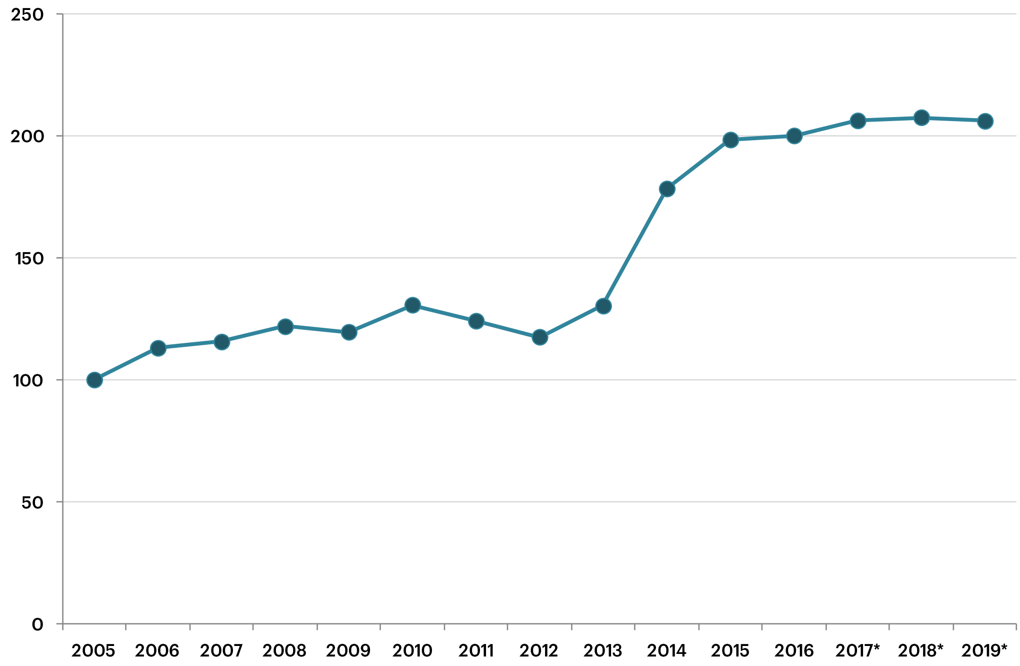
[94] Source: Uruguay XXI based on MacMap

Forestry sector[95]

Uruguay's forestry sector has been highly dynamic in the last decade, showing an average growth rate of 3% per year during that period. The sector's exports have accompanied this process, which was strongly associated with the installation of UPM's and Montes del Plata's cellulose plants, allowing for a significant value addition, and allowing for a jump in the sector's placements as of 2008.

The plantations and other activities related to the forestry activity are regulated by the Forestry Law (No. 15,939 of 1987), its regulatory decrees and subsequent amendments. This law declares of national interest the defense, improvement, expansion, creation of forest resources, development of forest industries and, in general, of the forest economy.

Graph N° 41: GDP forestry, timber extraction and related services (Basis 100 = 2005)



Note (*): Preliminary data
Source: Uruguay XXI based on the Central Bank of Uruguay.

The stability of the legal framework, coupled with a national code of good forestry practices, is the basis of business confidence in Uruguay. In addition, the climate and soil conditions in Uruguay make it possible to ensure competitiveness at the international level, since they are similar to those of the main forestry enterprises in the southern hemisphere.

95 For more information, see the Forestry Sector Report, prepared by Uruguay XXI.

Cannabis[96]

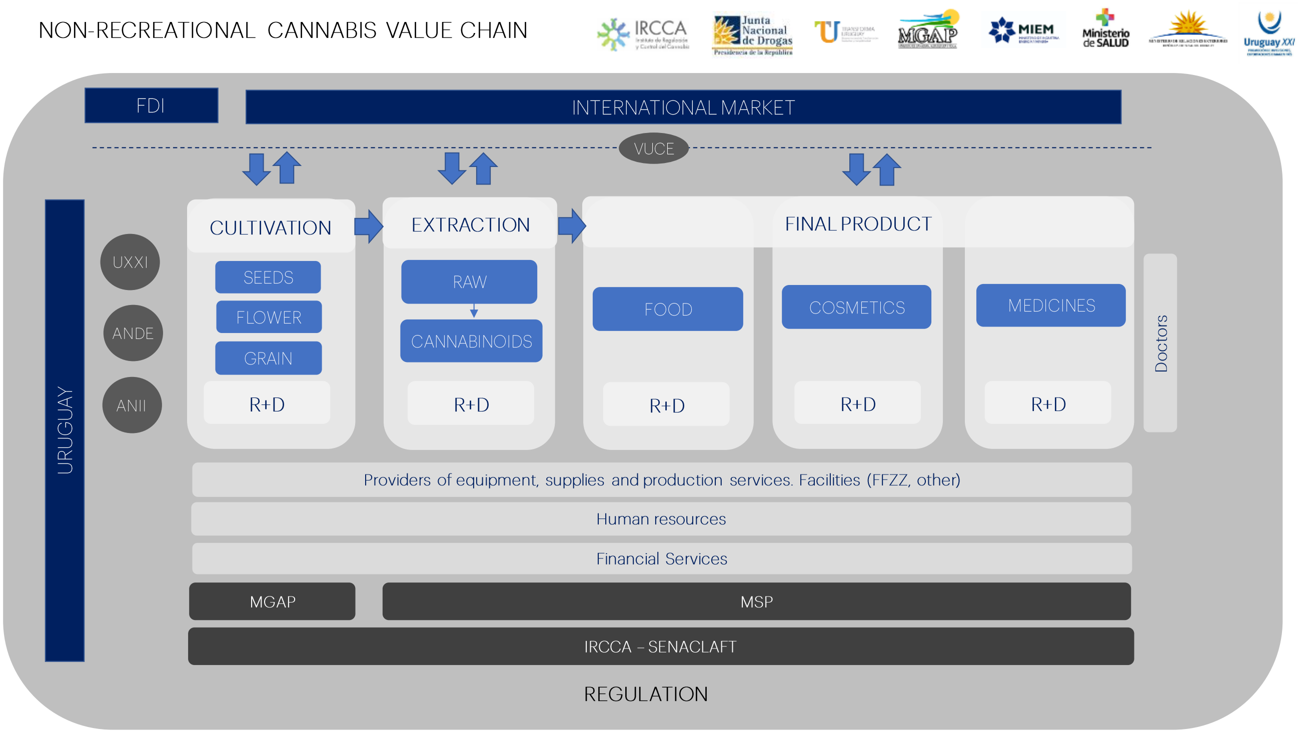
In spite of being a culture with ancestral uses, the cannabis has gained repercussion in the last years like one of the products with greater potential at world-wide level. The impulse came from the side of a regulation that advances in enabling, in several countries, the very diverse uses that this plant has.

In principle, the medicinal use of this plant is the business that presents the greatest market projection, although other traditional uses of this plant should be taken into account, such as food, textiles, and other associated activities in which Uruguay has great potential, such as the production of genetics and seed multiplication.

Several and diverse estimations exist with respect to the size of world market that could reach in potential the business of the cannabis. The Bank of Toronto - which already grants credits for cannabis - placed its estimate for medical cannabis close to USD 200,000 million by 2025. If international trade in cannabis products were to account for 20% of demand, this would be a market of similar size to that for beef.

Uruguay already has various investments in the secto and continues to advance in the regulations that govern it. National institutions support the operation of what is potentially the country's main agro-industrial export sector, driven not only by strong growth in demand, but also because many countries authorize the import of medical cannabis but not its production, making them structurally importers.

The activity of the companies linked to the iCannabis industry in Uruguay is reaching a wider range of possibilities, and the associated services are multiplying. In particular, the authorizations on the part of IRCCA and the Ministry of Public Health reach the crops - psychoactive and non-psychoactive -, research and industrialization.



[96] For more information see the Cannabis Report, prepared by Uruguay XXI.

As of August 2020, there were 37 non-psychoactive cannabis cultivation enterprises in Uruguay authorized by MGAP, which amounted to an effective area of more than 300 ha, the vast majority of which was open-air. The revealed yield is under greenhouse and it is located in about 500 to 1.000 kilos per hectare.

The production is mostly under open sky or under greenhouse with LED or sodium lighting, which allows three or even four harvests per year with a production of approximately two tons per hectare per harvest, that is, about six tons per year. In these cases we usually work with controlled climate conditions, irrigation, automated fertilization and other controls, which requires a relevant initial investment that marks an entry barrier and usually the need for external partners to provide capital and eventually know-how. This has been the predominant business modality in the larger ventures.

A third form of cultivation is indoor production, which is rapidly expanding internationally for the production of medical cannabis.

Uruguay's main structural competitive advantages are:

- To have been a pioneer in regulation.
- Its privileged location - at a latitude comparable to the best productive areas, allowing off-season production in the Northern Hemisphere.
- Its historical commitment to exports originating in the land and with high added valueo.
- Its smallness and ease of control to a sector that has in security an important competitive factor.
- The traceability systems already implemented.
- The capacity to prevent money from the illegal past of the crop from infiltrating a framework regulated by the State.
- The investment grade of the country.
- The work of promoting the Country Brand, as a natural country.

In the middle of the year, two new decrees were approved[97] that seek to boost the export of cannabis. These regulations were focused on medical cannabis and industrial hemp.

Complete information can be found in the Cannabis Report.

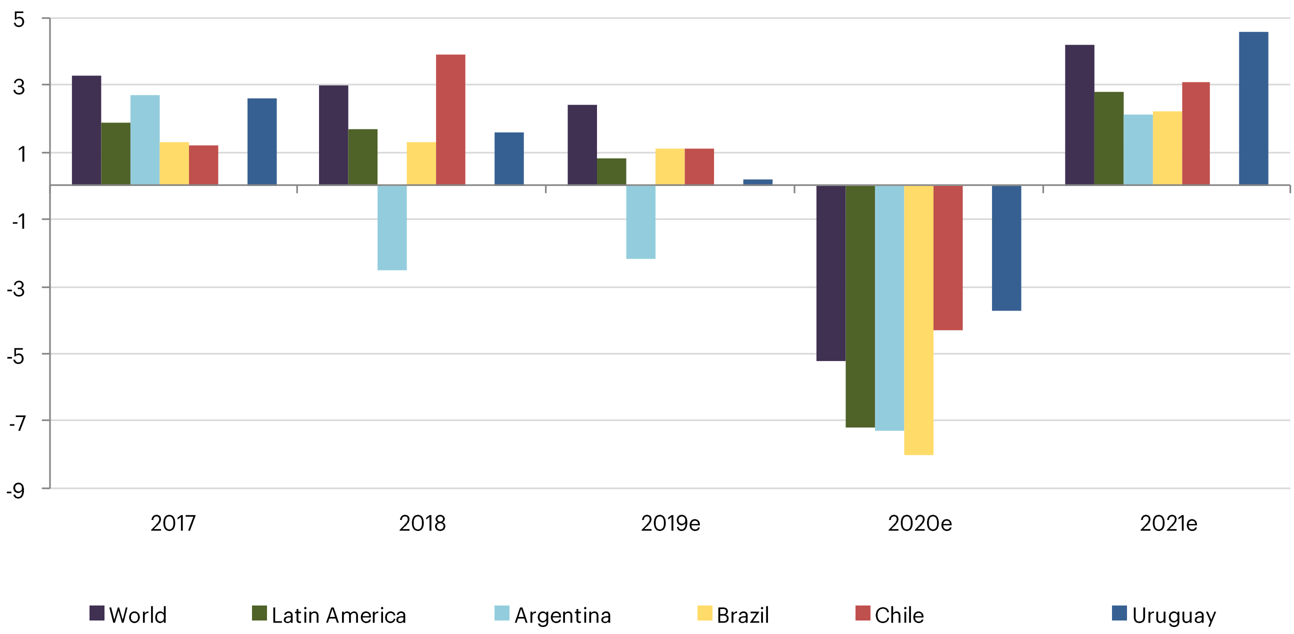
[97] See Decrees 214/20 and 215/20

Perspectives[98]

The world economy suffered a historic contraction in 2020, not only because of its depth, but also because of the characteristics of its causes. The coronavirus pandemic had a generalized effect at the country level and reached important effects in a short period of time.

The sanitary measures that each country adopted to contain the effects of the virus led to a generalized contraction of economic activity and international trade. According to World Bank projections, the world's economy will shrink by 5.2% by 2020, which would represent the worst recession since World War II. In economies with high dependence on international trade, tourism, commodity exports and external financing, the effects were particularly profound.

Graph N° 42: Real GDP growth



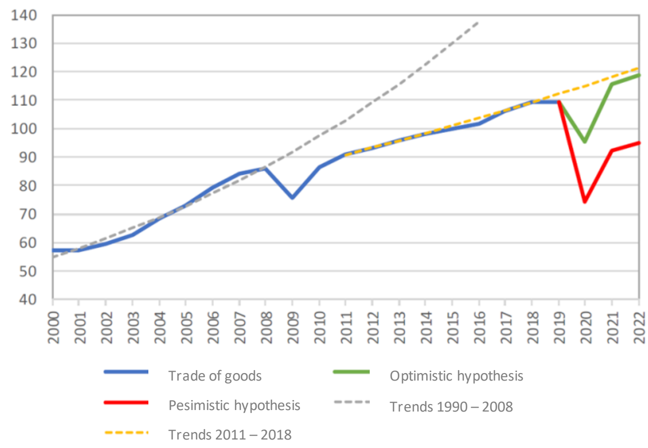
Source: The World Bankl/ Global Economic Prospects - June 2020

Projections show a potential reputation in 2021, in the order of 4.2%, although there is a high level of uncertainty about the duration of the pandemic, or the effects it may still have on the financial market or trade. At the regional level, a 7.2 percent contraction in the Latin American and Caribbean economy is expected. For Uruguay in particular, the World Bank and Central Bank projections are at -3.7 percent.

At the trade level, the statements by the head of the WTO are very illustrative: "the figures are bad". The projection of the fall for 2020 was divided into optimistic and pessimistic scenarios, standing at 13% and 32%, respectively. This would represent a greater decline than that of the financial crisis of 2008-2009. The agency expects that the most affected sectors will be those inserted in complex value chains, such as electronics and the automotive industry. Likewise, trade in services would be strongly affected. The recovery of trade would come in 2021, although here too it will evolve according to the duration of the pandemic and the effectiveness of containment measures.

[98] Source: Uruguay XXI based on OPYPA – MGAP, EXANTE, FMI, FAO, and The World Bank.

Graph N° 43: Projection of the evolution of international trade



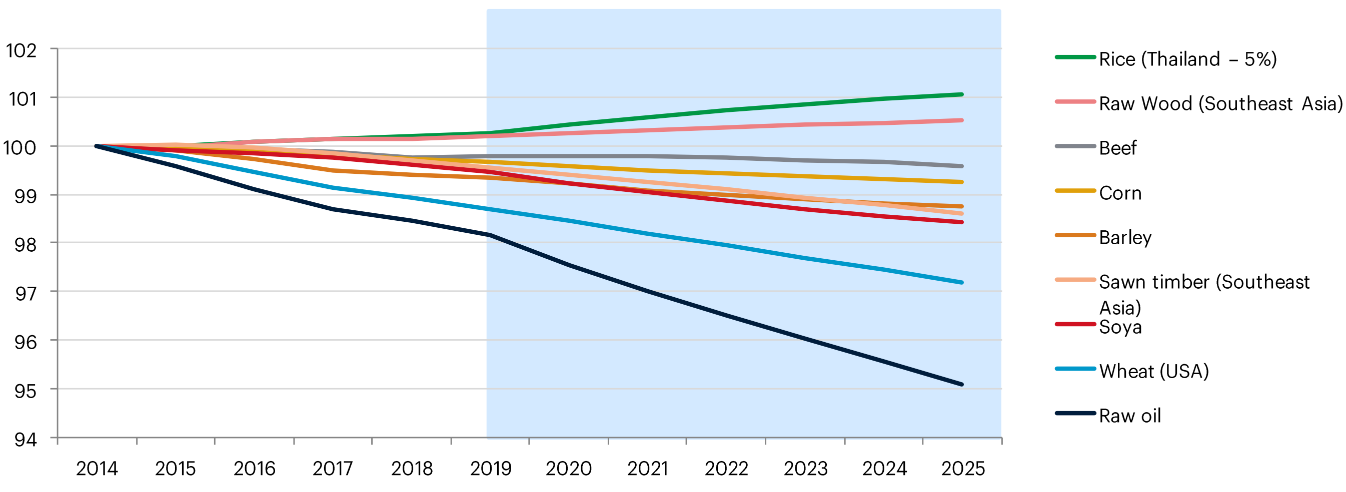
	Historical data		Optimistic hypothesis		Pesimistic hypothesis	
	2018	2019	2020	2021	2020	2021
Volume of world goods trade	2.9	-0.1	-12.9	21.3	-31.9	24.0
Exports						
North America	3.8	1.0	-17.1	23.7	-40.9	19.3
Central and South America	0.1	-2.2	-12.9	18.6	-31.3	14.3
Europe	2.0	0.1	-12.2	20.5	-32.8	22.7
Asia	3.7	0.9	-13.5	24.9	-36.2	36.1
Other regions	0.7	-2.9	-8.0	8.6	-8.0	9.3
Imports						
North America	5.2	-0.4	-14.5	27.3	-33.8	29.5
Central and South America	5.3	-2.1	-22.2	23.2	-43.8	19.5
Europe	1.5	0.5	-10.3	19.9	-28.9	24.5
Asia	4.9	-0.6	-11.8	23.1	-31.5	25.1
Other regions	0.3	1.5	-10.0	13.6	-22.6	18.0
GDP at market exchange rate	2.9	2.3	-2.5	7.4	-8.8	5.9
North America	2.8	2.2	-3.3	7.2	-9.0	5.1
Central and South America	0.6	0.1	-4.3	6.5	-11.0	4.8
Europe	2.1	1.3	-3.5	6.6	-10.8	5.4
Asia	4.2	3.9	-0.7	8.7	-7.1	7.4
Other regions	2.1	1.7	-1.5	6.0	-6.7	5.2

Source: WTO

Meanwhile, commodity prices were generally reduced as the pandemic worsened, including on both the supply and demand sides. Crude oil is the commodity that suffered the largest drop, due to reduced demand for transportation because of health measures. It plummeted historically and for the first time since statistics have been available it went into negative territory, given its storage costs. For Uruguay, a net importer of this good, it may mean an improvement in the competitiveness of production in its main agricultural export goods, for which the cost of transportation/fuels represents between 15% and 30% of the cost structure.

Unlike most commodities, the price of food -half of the country's exports- would remain relatively stable in the short term. While production and stock levels for most staple foods are at a historical high, concerns about food security remain, due to temporary barriers to domestic production and import trade or stock.

Graph N° 44: Commodity Price Index - Constant USD - World Bank (2014 = 100)



Source: Uruguay XXI based on The World Bank

In **China**, exports declined in the first months of the year at a higher rate than imports, as a result of temporary factory closures. Since then, activity has gradually returned to normal in the second quarter, after the gradual reopening after quarantine. However, business activity continues to face challenges at the level of financing and external demand, so the government has implemented monetary and fiscal policies to contain these impacts. In any case, it remains one of the few economies to maintain positive levels of growth. Projected economic growth for 2020 is 1%, and 6.9% for 2021, reflecting the recovery in global demand.

In the **European Union**, health measures significantly affected domestic economic activity in several economies, many of which have tourism as one of their main economic activities, a sector that is highly affected and whose recovery is likely to be very slow. Employment was not as affected since there were short-term employment policies, backed by soft loans from the European Central Bank to commercial banks. The national governments also carried out country-specific policies to maintain economic activity. Despite all these measures, Europe's GDP is expected to fall 9.1% in 2020, even though the beginning of a gradual recovery is expected by the end of this year. This trend would continue and show a growth of 4.5% in 2021. In terms of trade, the WTO estimates that European imports will shrink by between 10 and 30%, before returning to the path of growth in 2021, with figures of between 20 and 25%.

In the **United States**, unemployment shot up at rates higher than those of the global financial crisis, as well as indicators of industrial production and retail sales. The Federal Reserve lowered the rates until they were close to zero, and announced more measures to stabilize the financial system, as well as injections of capital to energize the economy in general. U.S. GDP is expected to contract 6.1% in 2020 and grow 4% in 2021.

In the region, **Brazil** is expected to see a drop in GDP of around 9% by 2020 according to the World Bank, and 6% according to the IMF. The country still faces the aftermath of the 2015/16 recession. Economic responses have focused on interest rate cuts and fiscal and liquidity programs, coupled with an accommodating monetary policy, which seeks to boost activity in the short term. However, the government's fiscal and structural reform program remains key to boosting fiscal sustainability and promoting growth and investment. Brazil's GDP is projected to grow by about 3.6% by 2021.

Argentina's GDP is projected to fall by about 10-12% by 2020 depending on the source, affected by a prolonged widespread quarantine in the Buenos Aires metropolitan area. In addition, it faces a weakening of external demand and restricted options for access to financing.

The price of agricultural foodstuffs suffered a generalized contraction -with the exception of rice- in most products, as a result of the measures adopted worldwide to prevent the spread of Covid. Supply also expanded, especially in the case of grains, with record harvests in the main production poles.

In the case of **soybeans**, the price increased in the first months of 2020 in response to phase 1 of the agreement between the United States and China, under which the Asian country committed to increase purchases of goods and services by USD 200 billion over the next two years. In the United States, the world's leading producer, growth of 10% is expected in the planting area, which had contracted due to the tariff measures imposed by China and the lower demand for animal feed. Relative price stability is therefore expected, which in turn would imply an area that would remain close to 1 million hectares. In this context, an improvement of around 20% in yields, assuming a normal climate, means that production can be expected to improve by the same percentage.

It is expected a lower production of **rice** in the present harvest, which would be around 1.1 million tons, a figure 8% lower than the previous harvest. The main explanation for this retraction is that the planted area is at historically low levels, and the slight improvement in yields did not compensate for this drop. Less available grains would lead to a 6% drop in export volumes in 2020/2021. In any case, according to the Rice Growers Association, business has already been done in Peru, the European Union and Panama, and there is interest in the Middle East in Uruguayan rice.

Rice was one of the few commodities with a positive evolution in the international reference price, driven by the drought in Asia that affected the main producers, which added to the logistical limitations as a result of the coronavirus. In April, references in Houston and Bangkok saw a year-on-year increase of 30% and 44%, respectively. Therefore, it is expected that the average export price of Uruguayan rice will have a positive evolution in the year 2020/2021.

OPYPA projects a wheat area of 225,000 hectares for the next planting, 5% less than the previous harvest. The quality of the grain affected previous seasons, but is expected to improve for the next harvest given that the climate has been favorable. This would in turn imply an improvement in yields, which would reach about 3,500 kilos per hectare. The production would be somewhat higher than the previous harvest, due to the balance between a smaller area and a higher yield, standing at about 780 thousand tons. A positive evolution of the international reference price is also expected, with a reference of USD 200 per ton by mid 2021.

With respect to **beef**, it is expected that this year there will be 15% less slaughter than last year. This would impact an improvement in stocks, and would be a positive signal in terms of livestock supply in the medium term. According to the data of the Agricultural Plan, the cattle stock would be around 11.7 million heads next year. At the international level, although a relative recovery in prices and demand is expected in the main destination markets -after the easing of Covid containment measures-, the devaluation in neighboring countries -main competitors- will increase competition as suppliers to those markets. In the main destination market -China- imports are projected to slow down by 2021, according to USDA information.

In the first half of the year, Uruguayan exports fell by 14%, with a negative impact on some of the main agricultural products, such as cellulose, beef, wool and wood.

The pre-Covid outlook showed a recessionary outlook in the region, added to international uncertainties generated mainly by trade tensions between the United States and China, and the effects of the Brexit. The extraordinary situation resulting from the pandemic and the containment measures significantly affected world foreign trade, causing a historic drop in it and generating new challenges to Uruguayan foreign trade, which suffered consequences in national production, in the reduction of foreign demand and was forced to redesign or adopt logistic schemes to maintain the flow of exports.

The agro-industrial sector accounts for more than 80% of exports of goods, so despite a somewhat better agricultural campaign in the year-on-year comparison, it was strongly affected by the placement of production abroad.

Relevant actors

In Uruguay there has traditionally been a good relationship between the public and private sectors for the design and implementation of policies. The agricultural sector is an example of this.

General Directorate of Agricultural Services - MGAP

It is in charge of organizing, developing, and executing policies corresponding to the quality and control of plant products and agricultural inputs, as well as facilitating and managing the marketing of grains. Website

General Directorate of Livestock Services - MGAP

It is also part of the MGAP and is responsible for guiding and implementing health policies, ensuring the hygienic condition of food and animal products and supporting investment in the productive sector. Website.

General Directorate of Rural Development - MGAP

It is in charge of designing policies for rural agricultural activity. Website.

General Directorate of the Farm (DIGEGRA) - MGAP

It is the body responsible for developing policies to promote the progress of the farming sector and the improvement of the living conditions of the farming population. Website.

National Directorate of Energy - MIEM

Agency responsible for designing, conducting, coordinating and evaluating energy policy. Website.

National Milk Institute - INALE

It is responsible for promoting the sustainable development of the dairy chain in Uruguay. Formed in 2008 by public and private actors of the sector, it advises on the design of dairy policies, generating information and articulating ideas for decision making. Website.

National Meat Institute - INAC

Institute formed by the main public and private references of the sector. Its objective is to promote, regulate, coordinate and supervise the activities of production, transformation, commercialization, storage and transport of all types of meat, its offal, by-products and meat products. It also aims to coordinate production and export activities, - understood as part of the same economic activity - through meat policies. Website.

National Institute of Viticulture - INAVI

Agency in charge of executing the wine policy through the advice, diagramming and pattern of the economic development of the industrial process, since its beginning. It tends to the control of the productive process, regulating volume and quality, aiming at the industrial development of the sector. Among its roles is also the promotion, development and research of the wine activity. Website.

National Seed Institute - INASE

It seeks to promote the seed activity, through the use of higher quality products, encouraging the export and research in seeds and promoting the dictation of rules for the protection of the industry. It is responsible for the protection of cultivars and for keeping the national registry of cultivars. It is also in charge of qualifying private laboratories and managing the import and export of seeds, among other functions. Website.

National Institute of Logistics - INALOG

Scope of articulation from which the actors of the sector lead the process of promotion, professionalization, innovation and training, to turn Uruguay into a Logistics Hub that promotes national development. Website.

Uruguayan Federation of Groups CREA - FUCREA

Federation that brings together rural producers in the country from different areas (Agriculture-livestock, livestock, farmers and dairy farmers) with the aim of promoting the improvement and development of the sector. The CREA Method is based on the group work by the agricultural producers. Through the exchange and discussion of concrete problems, the producers achieve business and family solutions. Website.

Rural Association of Uruguay – ARU

Integrated by agricultural producers of the country, it aims to defend and promote the interests of agricultural production and complementary and derived industries. Founded in 1871, it is the oldest institution in the country in the agricultural field. Website.

Rural Federation

The Rural Federation is a federative institution of rural producers' associations. It seeks to increase and improve agricultural production in Uruguay; to promote soil care and conservation, as well as family settlement in the rural environment and the balanced distribution of the country's production. Website.

National Institute of Colonization

Institute that seeks to promote a rational subdivision of the land and its adequate exploitation. It also seeks the settlement and welfare of rural workers, also promoting the increase and improvement of agricultural production. Website.

National Institute of Agricultural Research - INIA

It seeks the sustainable development of the agricultural sector through the generation and adaptation of knowledge and technologies. Through the development of a series of technological proposals, it promotes the sustainable intensification, competitiveness and international insertion of Uruguay. Website.

Pando Technological Pole Institute

IT belongs to the Faculty of Chemistry of the University of the Republic. It is dedicated to research and development in the areas of chemistry, biotechnology, materials science and environment, seeking to improve the productive sector through the improvement of techniques and inputs. Website.

Chamber of Commerce of Products of the Country

Chamber dedicated to the study and promotion of agricultural and livestock production, its marketing, industrialization and export. It also seeks to be the link to the public sector for the unions that are part of the institution. Website.

Uruguayan Wool Plant

Leads the coordination of livestock production complexes, integrating the producer to competitive agro-industrial chains, providing global solutions (commercial, financial, technological, and information), to improve together with the cooperatives the socio-economic level of the producers of the cooperative system. Website.

Uruguayan Wool Secretariat

Institution, financed and directed by wool producers, whose main purposes are the promotion and defense of fiber in all its aspects: Production, commercialization and industrialization. Website.

Rice Growers Association - ACA

Association established to protect, guide and represent the interests of rice growers. It also defends and promotes the cultivation of rice and its derived industries. Website.

Uruguayan Civil Association for the Protection of Plant Breeders - URUPOV

Private association that emerged in 1994 with the aim of ensuring the protection of plant breeders' rights and guaranteeing genetic progress. Website.

National Commission for Rural Development

The National Commission for Rural Development is the main organization of small and medium producers in the rural environment, throughout the country. It currently brings together 98 Rural Development Societies, Agricultural Cooperatives and other forms of organization that in turn bring together 15,000 family producers throughout Uruguay.

This commission combines trade union and promotional activities in order to promote the social and economic development of the rural sector. Website.

Federated agricultural cooperatives

CAF represents a network of more than 20 agricultural cooperatives and rural development companies in Uruguay with more than 13,000 associated producers, distributed throughout the country.

Through union action and governance - a strategic tool for the Federation - it participates in the construction of public policies on a variety of issues through permanent dialogue with ministries, mayors, the Presidency of the Republic, and public and private agricultural institutions, generating value-added proposals. Website.

Annex

Investment promotion regime

The main investment promotion regime is framed in Law No. 16,906, in which the promotion and protection of investments made by national and foreign investors in the national territory is declared of national interest. The Law is regulated by a series of decrees. This law classifies two groups of fiscal incentives: general investment incentives and specific investment incentives.

General investment incentives

The beneficiaries of these tax incentives are all taxpayers of the Corporate Income Tax (IRAE) and the Tax on the Sale of Agricultural Goods (IMEBA), who carry out industrial or agricultural activities and the Cooperatives.

For these subjects, the Investment Law establishes the granting of some benefits, automatically, to the **movable assets directly destined to the production cycle** (industrial machines, industrial facilities, agricultural machinery, utility vehicles and equipment for electronic data processing and other capital goods). These are:

- **Exemption from Net Worth Tax (IP**) for the assets referred to, which are considered as a taxable asset for the purposes of the deduction of liabilities for the calculation of the tax.
- **Exemption from VAT on imports and refund of VAT** included in local purchases of these goods.
- **Exoneration from Excise Tax (IMESI)** for the importation of the referred goods.

For intangible assets (trademarks, patents, industrial models, copyrights, etc.), concessions granted for prospecting, cultivation, extraction or exploitation of natural resources and other assets, procedures, inventions or creations that incorporate technological innovation and involve technology transfer; the Executive Branch is empowered to grant the following tax benefits:

- **Exemption from IP** for fixed improvements, intangible goods and other goods. These goods are considered as taxed assets for the purposes of the deduction of liabilities.

- **A regime of accelerated depreciation** for the purposes of IRAE and IP, for movable goods destined directly to the production cycle, equipment for electronic data processing and intangible goods.

- The **reduction of employers' contributions** by special social security contributions of up to three points; for companies in the manufacturing industry.

Stimulus regarding specific investments

Those companies from any sector of activity that present an investment project, which is promoted by the Executive Power, will have the possibility of accessing a series of **additional benefits**.

The granting of the benefit is subject to the score obtained in the matrix of objectives and indicators prepared by COMAP based on information provided by the investor. The indicators that make up this matrix are: Employment generation, Decentralization, Increase in exports, Cleaner production, Investment in R&D, and Sector indicator. The benefits granted are:

Corporate Income Tax (IRAE)

Exemption:

- The tax exemption can reach between 20% and 100% of the amount effectively invested in the assets detailed in the project, depending on the score obtained.
- In each year, the exempted IRAE may not exceed 60% (sixty percent) of tax payable. In the case of new companies, such percentage shall be 80%.
- The period in which the company can enjoy the IRAE exemption is established according to a pre-established formula and cannot be less than 3 year.
- The investment execution schedule is limited to five years with the possibility of extension up to 10 years with justified request.
- Micro and small businesses will receive an additional 20% incentive benefit from IRAE.

Eligible Investment:

- Movable goods destined directly to the activity of the company, construction of real estate or fixed improvements (excluding those destined to house), incorporeal goods (determined by the Executive Power), seedlings and the costs of implantation of trees and fruit shrubs, electric vehicles of passengers that are destined directly to the activity of the company.
- Past investments made in the 6 months prior to the application date that do not exceed 20% of the total eligible investment are considered eligible. Investments that receive subsidies from public agencies for the directly subsidized portion will not be eligible.

Net Worth Tax (IP)

- **Movable fixed assets:** exemption for the entire life of these assets, provided that they cannot be exempted under other benefits.
- **Civil works:** exoneration up to 8 years if the project is located in Montevideo and 10 years if it is located in the interior of the country.

Import duties and taxes

Exemption from import duties and taxes, including VAT, on movable goods for fixed assets declared uncompetitive in the domestic industry.

Value Added Tax (VAT)

Refund of VAT on the purchase of materials and services for civil works.

In the case of investment projects of great economic significance for amounts equal to or greater than U.I. 7,000 million[99], the regulations establish the possibility of requesting the Executive Branch to obtain higher tax benefits.

[99] Approximately USD 835 million at May 2019 values

VAT exemptions for certain agricultural products

In Uruguay, the executive branch is empowered to apply value added tax (VAT) exemptions to the disposal of various items, including sheep meat and fish. In turn, Law No. 18,132 empowers the Executive Branch to exonerate the VAT rate on poultry, pork, and rabbit meat and the offal of these species[100].

Soil and water regulation

The use of soil and water is regulated by Law No. 15,239 which declares the use and conservation of water and soil for agricultural purposes to be of national interest. In turn, in Uruguay the subject of irrigation for agriculture has been declared of general interest in Law No. 16,858. Both laws have complementary regulations[101].

The transformation that has taken place in the Uruguayan agricultural sector over the last decade has generated a greater risk of land erosion. In this context, the implementation of Plans for the Responsible Use and Management of Soils aims to prevent and control soil erosion and degradation [102]. This regulation contributes to the objective of Uruguay having sustainable agricultural production systems.

On the other hand, Law No. 17,283 regulates the management of waste derived from the use of chemical or biological products in agriculture, horticulture and forestry, and is regulated by Decree 152/013.

Trading incentives

As for commercial activities, there is a resolution that governs a specific framework for trade in goods or services, provided that they do not enter or originate in Uruguay. The commercial services themselves have to be delivered from Uruguay. In that case, 3% of the net profit is considered to be of Uruguayan source. On that 3%, the IRAE (25%) is applied, which gives an effective rate of 0.75% on the profit [103].

Trade and investment protection agreements[104]

Uruguay has been a member of the World Trade Organization (WTO) since its creation in 1995, and is part of the Latin American Integration Association (ALADI, 1980). In addition, since 1991 it has formed, together with Argentina, Brazil and Paraguay, the Southern Common Market (MERCOSUR), which became a Customs Union in 1995, with free circulation of goods, elimination of customs duties and non-tariff restrictions between the parties, and a Common External Tariff against third countries. Since 2012 Venezuela is a full partner of the block. To date, Venezuela is suspended.

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[100] Examples of this exemption have been given recently. Decree No. 126/013 of April 24, 2013 decreed the extension of the current VAT exemption for disposals of poultry, pork, sheep and rabbit meat from April 1, 2014 to March 31, 2015.

[101] Relevant regulations:
- Decrees No. 333/004 and Decree No. 405/008 regulating Law No. 15,239, and Law No. 18,564 introducing amendments.
- Decree-Law Nº14.859 in which the water code is approved.
- Decree No. 335/004 establishing the competent bodies in the field of water.
- Decree No. 404/001 regulating Law No. 16.858.
- MGAP Resolution of 05/14/03.

[102] Source: OPYPA 2014 Statistical Yearbook.

[103] Resolution 51/997

[104] For a more detailed description of the international agreements in force see: https://www.uruguayxxi.gub.uy/en/information-center/article/international-agreements/

1) Trade agreements with access in goods

Uruguay has signed, as part of the MERCOSUR or by itself, a series of trade agreements that allow it to access other markets with tariff preference. As part of the MERCOSUR, Uruguay has signed trade agreements with several Latin American countries: Chile (1996), Bolivia (1996), Colombia [2], Ecuador and Venezuela (2004), Peru (2005) and Cuba (2006). An agreement was signed with Mexico (2002) that covers the automotive sector exclusively. Outside the region, MERCOSUR has signed agreements with Israel (2007), India (2004), SACU (2008), Egypt (2010) and Palestine (2011). The agreement with Palestine has not yet entered into force.

With the exception of the agreements with Cuba, India and SACU that include preferences for a limited number of products, the remaining agreements signed by MERCOSUR tend to form Free Trade Zones, with schedules of tariff reductions that are completed for the substantial part of the trade on dates that vary according to the country. The agreements with Chile and Bolivia have already reached 100% tariff relief for the entire universe of goods. Except in the case of Egypt, whose entry into force is recent (end of 2017), in the remaining agreements in force, full tariff reduction is achieved for most trade before 2019.

MERCOSUR recently concluded negotiations of free trade agreements with the European Union and EFTA, and in both cases the legal review of the agreements is under way. Likewise, it is carrying out negotiations with Canada, Korea and Singapore.

MERCOSUR is part of the Global System of Trade Preferences among Developing Countries (GSTP), in force in Uruguay since 2005. The last round (2010), not yet in force, involves preferences from 20% to 70% of tariff lines with Cuba, Egypt, India, Indonesia, Malaysia, Morocco and the Republic of Korea.

Uruguay also signed a bilateral Free Trade Agreement with Mexico (2003), which allows for the free circulation of goods and services between both countries since June 2004, with certain exceptions whose treatment is expressly provided for.

With Chile, Uruguay signed in 2016 a bilateral Free Trade Agreement, which included areas not covered in the ACE 35.

Finally, it should be noted that Uruguay is a beneficiary of the unilateral preferences granted under the Generalized Systems of Preferences of Australia, New Zealand, Norway, Switzerland and the Eurasian Economic Union.

2) Investment Protection Agreements

Uruguay has signed investment protection and promotion agreements with 31 countries, including Spain, the United States, Finland, France, Japan and the United Kingdom, among others. A Protocol for Cooperation and Facilitation of Investments is in force in MERCOSUR. It has two signed agreements not yet in force (with India and the United Arab Emirates).

[2] A new agreement was signed with Colombia in 2017 (ACE 72) which once in force replaces ACE 59 for the relations between the parties.

Also, Uruguay has negotiated within the MERCOSUR, chapters with investment disciplines in the agreements negotiated with the EU in the Services and Establishment Chapter, and EFTA in the Non-Service Investment Chapter. Both processes are currently in the legal review stage.

Negotiations with Canada, Korea and Singapore are underway.

3) Services Trade Agreements

Uruguay participates in different negotiation instances of trade in services:

General Agreement on Trade in Services (GATS): multilateral negotiation within the WTO. The 159 members of this organization participate, but the negotiations have been practically stagnant since 2008.

Preferential agreements with services chapters: in parallel to the GATS, and permitted by its rules, several preferential agreements have emerged that include services negotiations.

Within MERCOSUR, the Montevideo Protocol (which came into force in 2005) sets out the conditions for the liberalization of trade in services in MERCOSUR, including lists of individual commitments by country. The protocol was signed by Paraguay in 2014. So far there have been seven rounds of negotiations in MERCOSUR that deepen the list of initial commitments. Uruguay is the only country that has incorporated the VII Round by Law No. 19.629 published on 27 July 2018. In 2009, the Protocol on Trade in Services between MERCOSUR and Chile was signed, which entered into force in 2012 between Uruguay and Chile. The FTA between Uruguay and Chile contains a chapter on services that includes the commitments already negotiated with the trans-Andean country in the MCS-Chile Agreement. In July 2018, the MERCOSUR-Colombia Services Agreement was signed.

The MERCOSUR-European Union and MERCOSUR-EFTA Agreements, both currently under legal review, contain provisions and commitments on services.

Finally, the Free Trade Agreement between Uruguay and Mexico includes provisions for all service modalities covered by the GATS. Currently, Uruguay is negotiating within the scope of MERCOSUR Trade Agreements that include services chapters with Canada, Korea and Singapore.

4) Double Taxation and Information Exchange Agreements

Uruguay has agreements in place to avoid double taxation with 22 countries. Argentina (2013), Belgium (2017), Chile (2018), Ecuador (2012), Finland (2013), Germany (2011), Hungary (1991), India (2013), Liechtenstein (2012), Luxembourg (2017), Malta (2012), Mexico (2010), Paraguay (2019), Portugal (2012), Romania (2014), Singapore (2017), South Korea (2013), Spain (2011), Switzerland (2011), United Kingdom (2016) and Vietnam (2016).

It should be noted that in the case of Argentina's agreement it is an information exchange agreement with a clause to avoid double taxation in certain cases.

Negotiations have been concluded, but there are no double taxation avoidance agreements in force yet with Brazil, Italy and Japan

In addition, Uruguay has 14 other information exchange agreements and the Multilateral Convention on Mutual Assistance in Tax Matters.

Additional Information

For more detailed information and reference to the applied regulations see: Investor's Guide

Uruguay in brief (2019)

Official name	Oriental Republic of Uruguay
Geographical location	South America, bordering Argentina and Brazil
Capital	Montevideo
Area	176,215 km^2 .95% of the territory is productive land suitable for farming
Population (2019)	3,52 million
Population growth (2019)	0,3% (annual)
GDP per capita (2019)	USD 15.914
Currency	Uruguayan peso ($)
Literacy rate	0.98
Life expectancy at birth	77 years
Form of government	Democratic Republic with a presidential system
Political Division	19 departments
Time Zone	GMT - 03:00
Official language	Spanish

Main economic indicators 2015-2020*

Indicators	2015	2016	2017	2018	2019	2020e
GDP (Annual var. %)	0,4%	1,7%	2,6%	1,6%	0,2%	-2,7%
GDP (Millions of USD)	53.182	52.734	59.520	59.519	55.995	49.187
Population (Millions of people)	3,47	3,48	3,49	3,51	3,52	3,53
GDP per capita (USD)	15.339	15.152	17.039	16.976	15.914	13.930
Unemployment Rate - Annual Average (% EAP)	7,5%	7,8%	7,9%	8,3%	8,9%	9,2%
Exchange Rate (Pesos per USD, Annual Average)	27,4	30,1	28,7	30,8	35,3	42,7
Exchange Rate (Annual Average Variation)	17,6%	10,1%	-4,8%	7,3%	14,7%	21,1%
Consumer Prices (Annual Cumulative Var %)	9,4%	8,1%	6,6%	8,0%	8,8%	9,3%
Exports of goods and services (Millions of USD)**	15.632	14.532	16.079	16.397	16.008	13.418
Imports of goods and services (Millions of USD)**	13.912	11.799	12.429	13.138	12.707	9.989
Trade Surplus / Deficit (Millions of USD)	1.720	2.733	3.651	3.259	3.301	3.429
Trade surplus / deficit (% of GDP)	3,2%	5,2%	6,1%	5,5%	5,9%	7,0%
Overall Fiscal Result (% of GDP)	-3,6%	-3,8%	-3,5%	-4,2%	-4,8%	-
Gross capital formation (% of GDP)	19,7%	17,8%	15,2%	16,5%	16,2%	-
Gross Public Sector Debt (% of GDP)	59,3%	63,5%	65,3%	64,5%	66,4%	-
Foreign Direct Investment (Millions of USD) ***	905	-1.177	-837	-487	189	-
Foreign Direct Investment (% of GDP)	1,7%	-2,2%	-1,4%	0,8%	-0,3%	-

[105] Sources: Data on GDP were taken from the IMF; data on foreign trade, FDI, exchange rate, international reserves and foreign debt were taken from the BCU; rates of population growth, literacy, unemployment and inflation were taken from the National Institute of Statistics. Data estimated for 2018 based on BCU and Deloitte surveys.

[**] In 2017 the BCU adopted the methodology of the 6th Balance of Payments Manual. The data based on this new methodology includes the purchase and sale of goods and re-exports and is available from 2012.

[***] In 2017 the BCU adopted the methodology of the 6th Balance of Payments Manual. The data are net flows so they can take negative values.