AGRICULTURAL SECTOR IN URUGUAY

NOVEMBER 2024

Uruguay XXI
PROMOCIÓN DE INVERSIONES, EXPORTACIONES E IMAGEN PAÍS

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY

Natural resources and productive factors place Uruguay as an advantaged player in the production of food. With over 90% of the surface area suitable for agricultural activity, Uruguay is a reliable global supplier of food and agricultural products.

The agricultural industry represents between 6% and 7% of Uruguay's GDP (2019-2022). When including associated subsectors and industries, it is often referred to as the agribusiness sector and its contribution rises to between 14% and 16% of GDP (2019-2022). The agribusiness, in addition to its direct participation, has a positive impact on other sectors, with backward linkages (through increased demand for transport services, storage, production of inputs, telecommunications, etc.) and forward linkages (much of the national agribusiness production is an input for other industries).

In the 2022-2023 season, the total cultivated area increased by 14% year-on-year. However, the severe drought of 2023 affected summer crops, particularly soybeans, whose yields fell to historic lows, as did the amount exported.

The agribusiness sector employed approximately 217,000 people (2023), representing 13% of the country's labor. Agricultural activities accounted for 83,500 jobs, including the industry associated with the sector.

The incentives associated with the Investment Law (No. 16.906) continue to have a positive impact on the number of projects and total amounts. In fact, projects linked to the agribusiness sector leaped from an average of 56 between 2016 and 2019, to 102 projects for the period between 2020 and 2023.

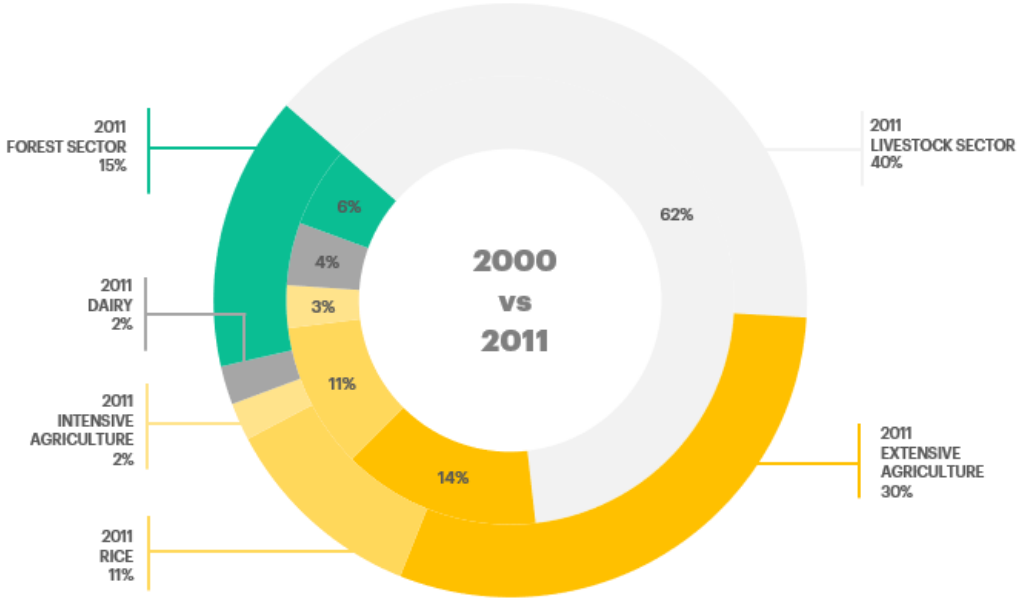
Agribusiness exports accounted for 80% of total exports of goods in 2023, reaching US$ 9,086 million and marking a 17% decrease in the year-on-year comparison. Within these, agricultural goods totaled US$ 983 million, which implied a decrease of 61%, mainly due to the fall in soybean exports and, to a lesser extent, in barley and corn exports.

2. AGRICULTURAL SECTOR

Uruguay boasts 16.4 million hectares for agricultural use, covering more than 90% of its territory. This abundance of natural resources and productive factors gives the country a comparative edge in food production, consolidating it as a global supplier in this field.

The latest data available come from the 2011 census and show the evolution of the Uruguayan agricultural sector. The relative distribution of land among the main productive activities changed significantly. The areas used for agriculture increased from 14% in 2000 to 30% in 2011, while those used for livestock decreased from 62% to 40% in the same period[1]. This reduction in the use of land for livestock did not translate into lower production, but rather implied greater intensification in land use.

Chart No. 1 – Participation of agricultural activities in the arable land –2000 y 2011



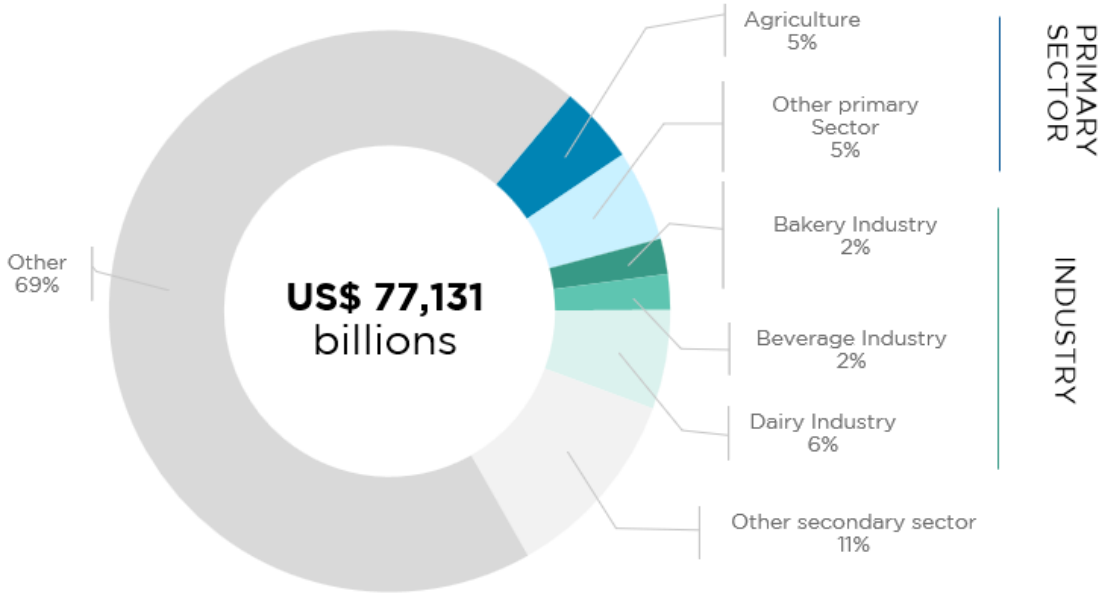
Source: created by Uruguay XXI based on the Statistical Agricultural Yearbook 2021 from the Agricultural Statistics Directorate (DIEA) of the Ministry of Livestock, Agriculture and Fishing (MGAP).

[1] Source: Yearbook DIEA 2023

2.1. PARTICIPATION OF THE AGRICULTURE SECTOR IN THE GDP

In 2023, the primary sector represented 8% of the Gross Domestic Product (GDP), standing out as a significant part of the economy. The primary sector in Uruguay comprises agriculture, livestock and fisheries. These not only create direct income, but also have a crucial impact on food security and job creation in rural areas.

Chart No. 2 – Uruguay GDP (Sector part. % – 2023)



Source: created by Uruguay XXI based on data from the Central Bank of Uruguay (BCU)

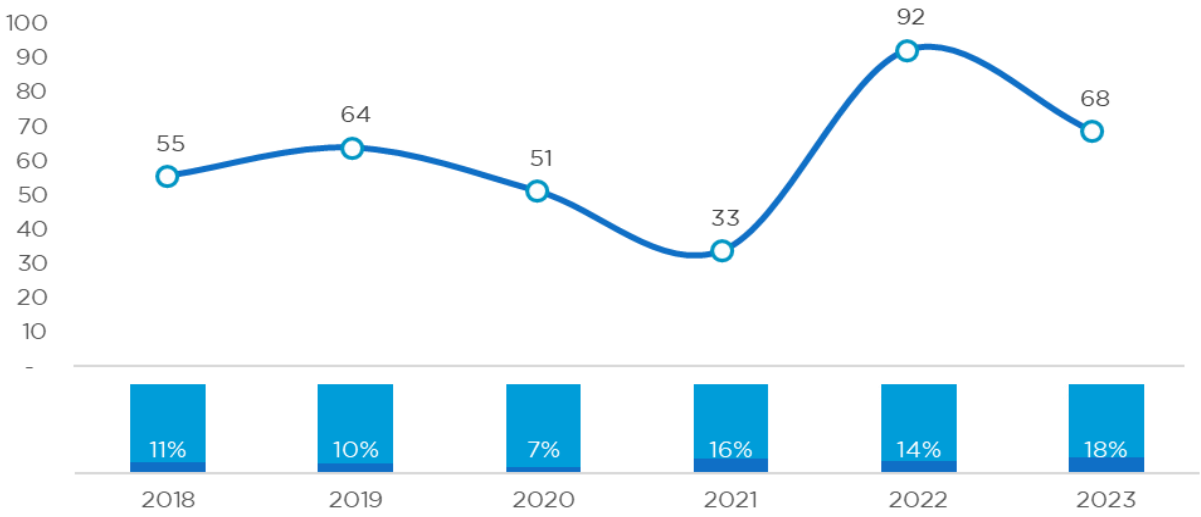
Agriculture is part of the agricultural and livestock sector in Uruguay. When considering related subsectors and industries, this group is commonly referred to as the agribusiness sector, with its contribution ranging from 14% to 16% of the GDP during the same period.

Agribusiness not only has a direct impact on the economy, but also generates multiplier effects in other sectors, since it increases the demand for transportation services, storage, production of inputs, telecommunications, among others, and its products are later used as raw materials in other industries. Agricultural activity is closely related to the food and beverage industry, bakery and grain millers.

2.2. INVESTMENT IN THE AGRICULTURE SECTOR

At the end of 2020, a new regime (Decree 268/20) of the Investment Law (No. 16,906) was enacted with a positive impact on the number of projects and the investment volumes. With this enactment, a higher score is given to projects that include measures for climate change adaptation and clean technologies. Projects linked to the agribusiness sector rose from an average of 56 between 2016 and 2019, to 102 projects for the 2020-2023 period. The new regulations boosted projects submitted to the sector, which in 2023 reached a record 210 projects, after a mark of 96 in 2022, this being the highest year-on-year variation (119%) in all sectors.[2]

Chart No. 3 – Investment projects in agricultural sector approved by COMAP – Millions US$ and part. % of agro sector (%) in the total of projects



Source: created by Uruguay XXI based on data from COMAP

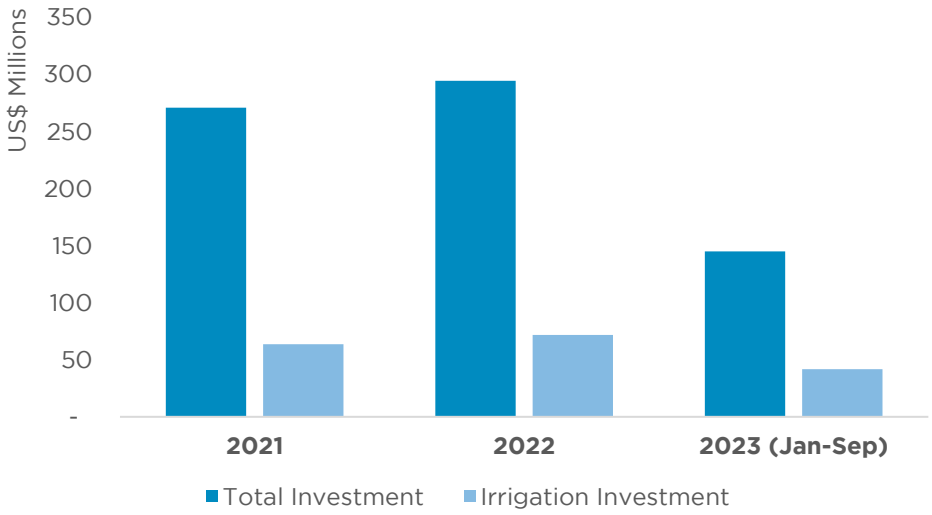
Between October 2022 and September 2023, the agricultural sector received over US$ 155.8 million in investment, representing an average of US$ 608,600 per project.[3]

Due to the scarcity of rainfall in the 2020-2023 period, there was an increase in investments for water availability and irrigation in agricultural activities. Indeed, during the 2021 - 2022

[2] Investment Law Enactment Commission – COMAP (the benefits apply specifically to companies that are taxpayers subject to IRAE)
[3] Based on the sectoral analysis and production chains report - OPYPA Yearbook 2023 - (Last published report)

period, COMAP received a total of 656 project proposals related to water supply and distribution, as well as irrigation infrastructure development representing investments totaling of US$ 136 million. Although the investment promotion law had a favorable impact on this type of investment, there was an overall decrease in the number of projects and investments submitted in the period January to September 2023 compared to the same period in 2022. This leads to estimate that the water scarcity of the last years had a negative impact, discouraging investments in the sector in 2023.

Chart No. 4 – Participation in irrigation investments

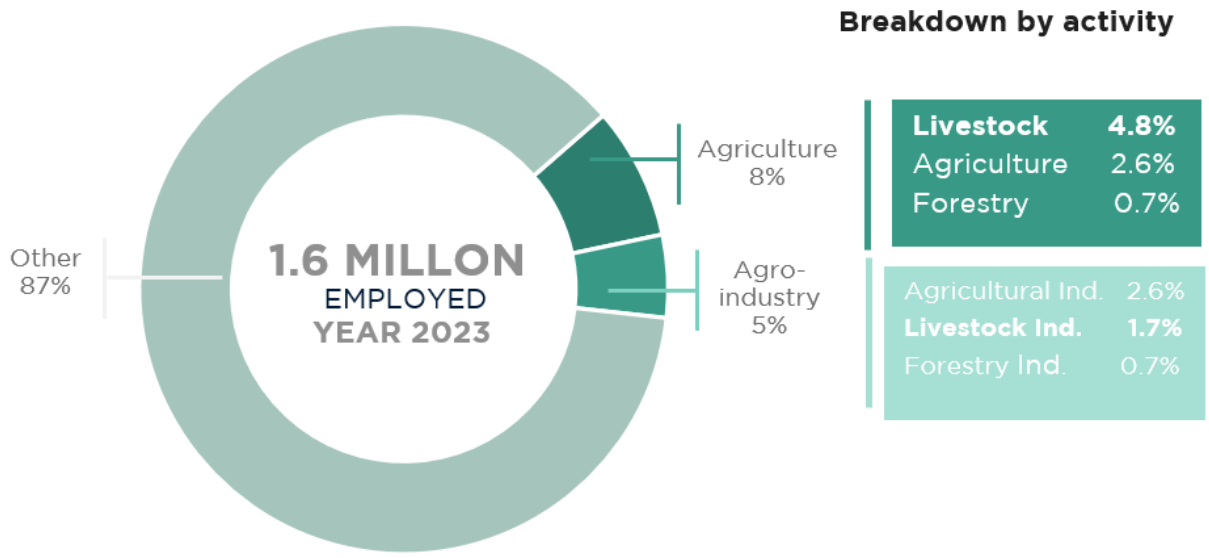


Source: created by Uruguay XXI based on the Yearbook 2023 – OPYPA based on data from UNASEP.

2.3. EMPLOYMENT IN THE AGRICULTURE SECTOR

In 2023, the labor market employed 1.65 million people. In particular, the agribusiness sector employed 217,000 people, with approximately 133,500 working in the agricultural sector and representing 8% of the country's employed population. On the other hand, 83,500 people was employed in related industries, which constituted 5% of the total number of people employed in the agribusiness sector.

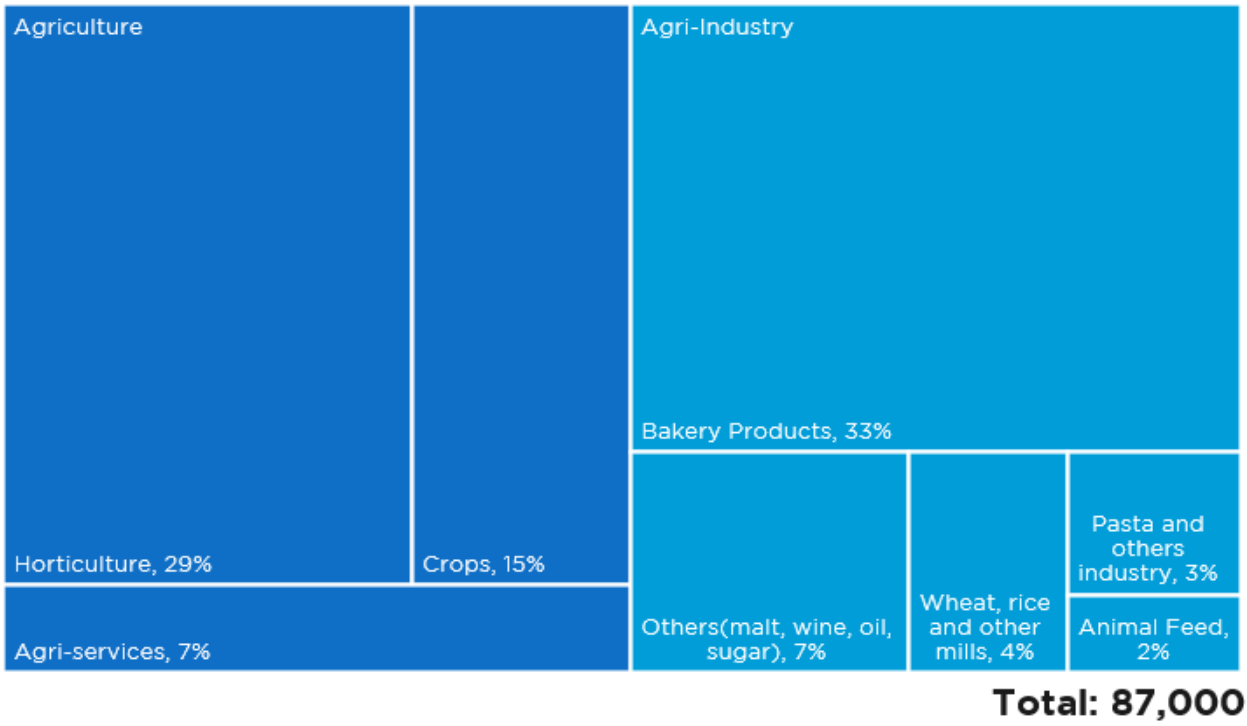
Chart No. 5 – Employment in the Agriculture and Livestock Sector - 2023



Source: created by Uruguay XXI based on data from the ECH 2023, INE.

The agriculture and livestock sector employed approximately 87,000 people in total in 2023, distributed in several key areas. In the agricultural sector, horticulture was the activity that generated the most employment, with close to 24,000 workers, followed by crops, which employed approximately 13,000 people. Agricultural services also played an important role, with approximately 5,000 employees. As for the agricultural industry, bakery products were the most prominent with around 28,000 employees.

Chart No. 6 – Employment in the Agriculture and Agribusiness Sector – 2023



Source: created by Uruguay XXI based on data from the ECH 2023, INE.

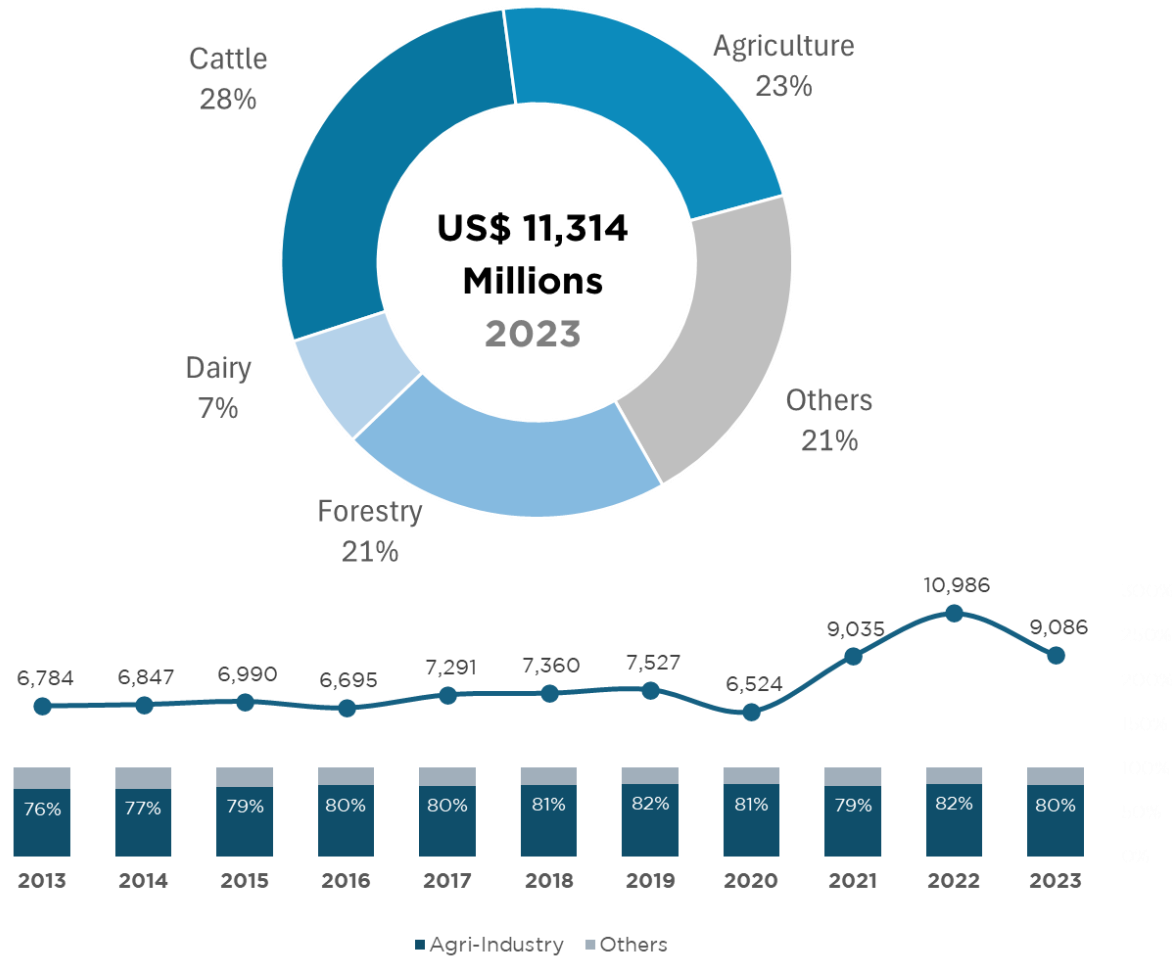
2.4. AGRICULTURAL AND AGRIBUSINESS EXPORTS

The agribusiness sector plays a crucial role in Uruguay's export matrix. With a population of 3.5 million inhabitants, the country's exports can supply nearly 30 million people worldwide. Uruguay's international prestige as a reliable supplier of food and agricultural products allows the country access to 160 markets, consolidating its position as one of the main global exporters of rice, barley, rapeseed, malt and soybeans, among others.

In 2023, products related to the agribusiness and agricultural sector accounted for 80% of total sales of goods, led by beef, which generated US$ 2,049 million, although with a decrease compared to the US$ 2,547 million exported in 2022. Cellulose continued to be one of the most exported products, with 17% of the total (US$ 1,888 million), similar to its performance in the previous year.

In contrast, soybeans suffered a sharp drop because of the drought, from US$ 1,917 million in 2022 to only US$ 410 million in 2023. As for other agricultural products, rice stood out with an increase that reached US$ 614 million in 2023.

Chart No. 7 – Agribusiness Exports of Uruguay

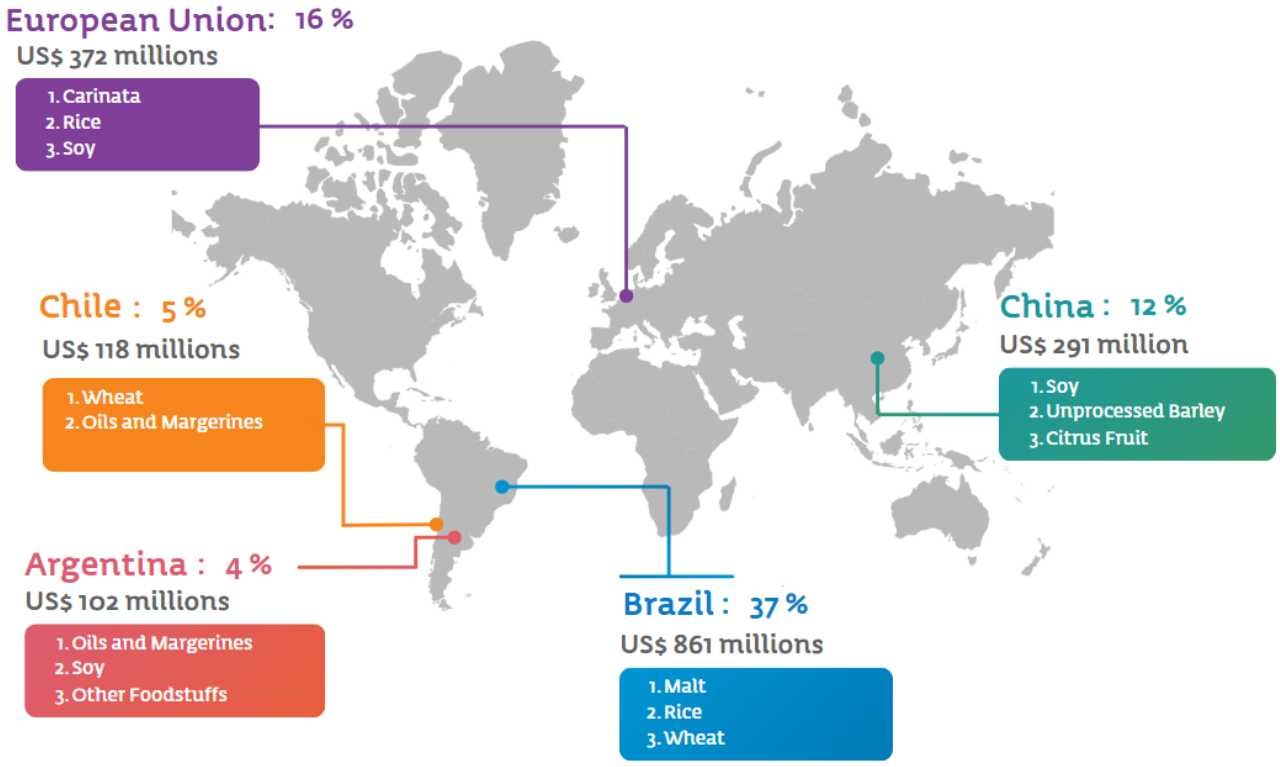


Source: Uruguay XXI based on data from the National Customs Directorate, Nueva Palmira and Montes del Plata.

The decline in agribusiness exports in 2023 had two key causes: drought-related problems in summer crops and lower prices. International commodity prices, particularly for grains, fell during the year[4], affecting most products exported by Uruguay, both in value and volumes.

[4] Commodity prices changed direction by the beginning of 2023 - UNCTAD

Chart No. 8 – Agriculture Sector Exports Destinations – Main Products by Region - 2023



Source: Uruguay XXI based on data from the National Customs Directorate, Nueva Palmira.

Brazil was the main export destination in 2023, with US$ 861 million, exceeding the US$ 609 million recorded in 2022. Malt sales, which were the largest percentage of exports to the neighboring country, grew 33%, totaling US$ 295 million. Rice and wheat, which made up a significant part of trade, also recorded significant increases, reaching US$ 177 million and US$ 176 million, respectively.

The European Union was the second-largest export destination in 2023, reaching US$ 372 million, almost doubling the US$ 228 million recorded in 2022. Sales of rapeseed and carinata experienced outstanding growth, with an increase of 272%, totaling US$164 million. Rice also showed a considerable increase, reaching US$ 110 million. Soybeans were another important product in this market, with sales of US$ 64 million, while citrus fruit exports reached US$ 15 million, reaffirming their position as one of the main agricultural products in the region.

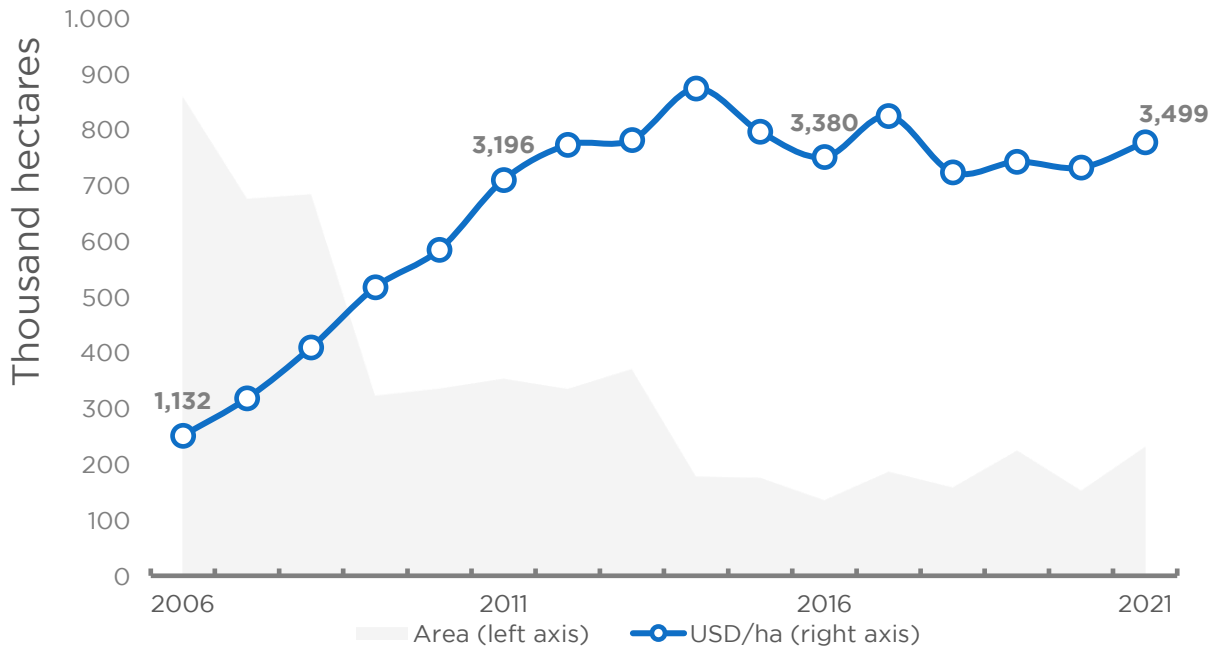
Soybean exports to China fell sharply in 2023 to US$ 262 million, against US$ 1,165 million in 2022. This drop was because of the drought, although it continued to be the main export to China.

2.5. PRODUCTIVE-SOIL MARKET

2.5.1. SALES

The development of the agricultural sector in Uruguay is reflected in the rising price of land. Data on sales and purchases for agricultural use published by DIEA[5] indicate that the average price per hectare increased from US$ 2,663 in 2010 to US$ 3,783 in 2023. Thus, in the last thirteen years the value of land has increased 47%.

Chart No. 9: Average Price per Hectare of Farming Land (US$/ha)



Source: Uruguay XXI based on DIEA – MGAP.

Between 2000 and 2023, 44,162 land purchase and sale transactions involving 9.5 million hectares and US$17,429 million were completed. The total amount traded in 2023 exceeded US$ 901 million, for an area of 238,000 hectares related to 1,437 sale and purchase operations. In general, the highest values per hectare were located in the Southwest (Colonia, Soriano,

[5] Directorate of Agricultural Statistics of the Ministry of Livestock, Agriculture and Fishery

and San José), a traditionally agricultural and dairy area. The highest prices matched the areas with the highest land productivity.

2.5.2. PRICE OF FARMING LANDS AND LEASING[6]

Due to the social, political and economic qualities of the country, there is a wide range of actors investing in land, including investment funds, institutions, and national and foreign investors.

A relevant technical aspect is that since the 1960s, Uruguay has had a soil classification system, known as CONEAT, which provides information on the productivity of each rural area. The average score for Uruguay is 100, with minimum scores of 0 and maximum scores of 263. This tool is freely available and allows classifying and assessing fields in different areas of the country.

Rain-fed agriculture is developed on the soils with the highest productive potential across the country. It is concentrated mainly in the South and West coasts. There are also some areas where the soils are suitable for agriculture in the center and in the Northeast of the country.

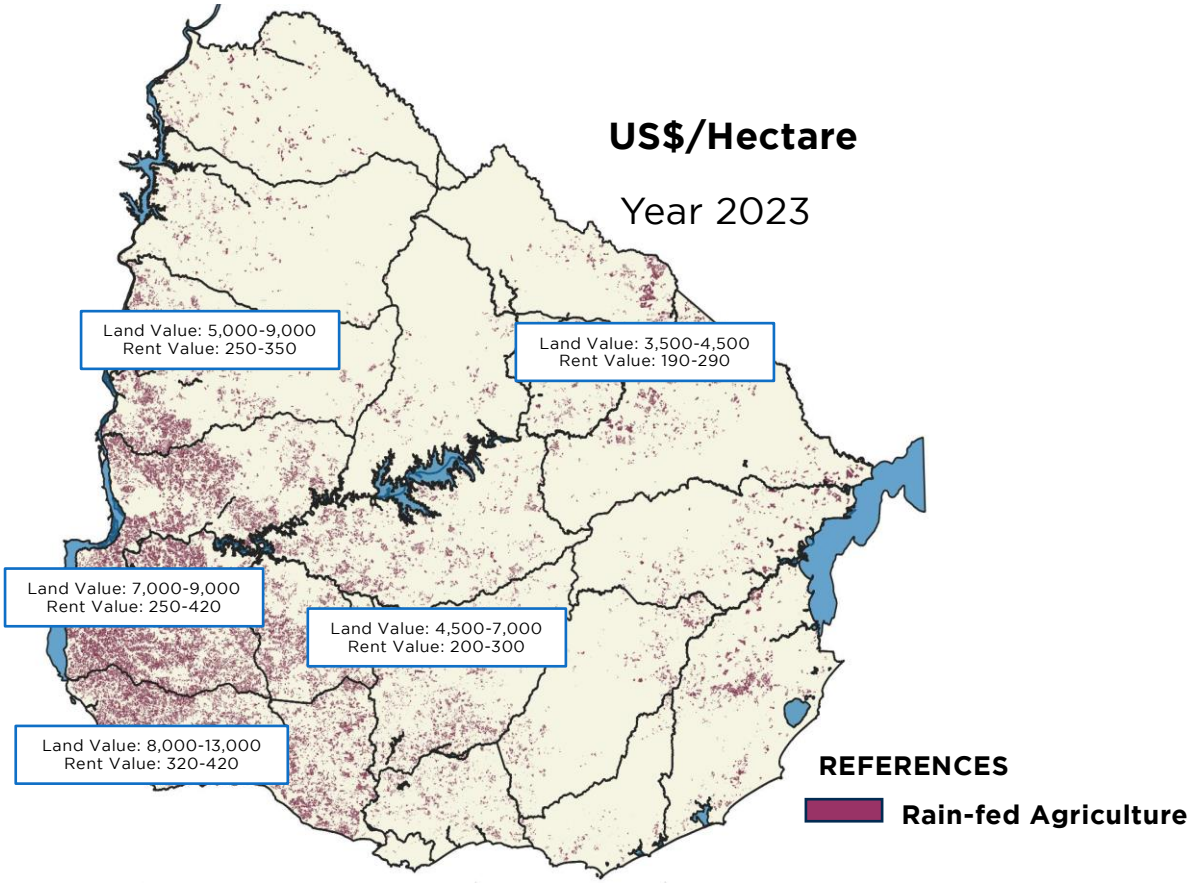
In recent years, many companies have incorporated central pivot irrigation, especially for summer crops, which allows them to increase and ensure regular yields. The water source is usually a purpose-built dam.

The weather conditions in Uruguay allow farmers to grow two crops per year, wheat, barley, rapeseed or carinata in winter and soybeans, corn or sorghum in summer. Sometimes the agricultural areas can also incorporate a pasture phase for the production of seed or as a fodder base.

In this activity, the distance to the port is a key issue, which determines the value of freight, as well as the availability of agricultural services for completing the different tasks. These factors, the suitability of the soil, and the price of grains are the key drivers of the land-value. The following map shows land prices and standard leases for the different areas of the country.

[6] Source: http://www.agroclaro.com.uy/

Figure No. 1: Land-value and lease prices for agricultural fields



Source: Agroclaro based on real estate transactions 2023, Agencia de Gobierno Electrónico y Sociedad de la Información y del Conocimiento (AGESIC). Prices in USD/ha. Leases first half of 2023, DIEA / MGAP and Agroclaro. Prices in USD/ha/year.

Rice is grown in three main regions: East, Northeast, and North. The Eastern region covers the largest area and has a flatland associated with the Merín Lagoon and relevant rivers in that region of the country. These water sources, along with dams, are used for crop development.

The latest sales recorded in the East suggest that the price of land ranges between US$2,600 and US$4,300 per hectare, while in the North, rice fields with cattle are valued at around US$2,500 - US$3,900/ha.

In 2023, 2,515 leases were carried out, which implies a 17% year-on-year decrease in leased area, which reached 787,007 hectares. The total amount of transactions surpassed US$117 million, with an average price of US$149 per hectare, a decrease of 3.5% against the average

price of 2022 contracts[7]. Most of the leases (24%) were for two-year terms. A year-on-year comparison shows that, in the area traded for all contract terms, medium-term contracts (between four and five years) adjusted the least, ranging from 248,000 to almost 196,000 thousand hectares.

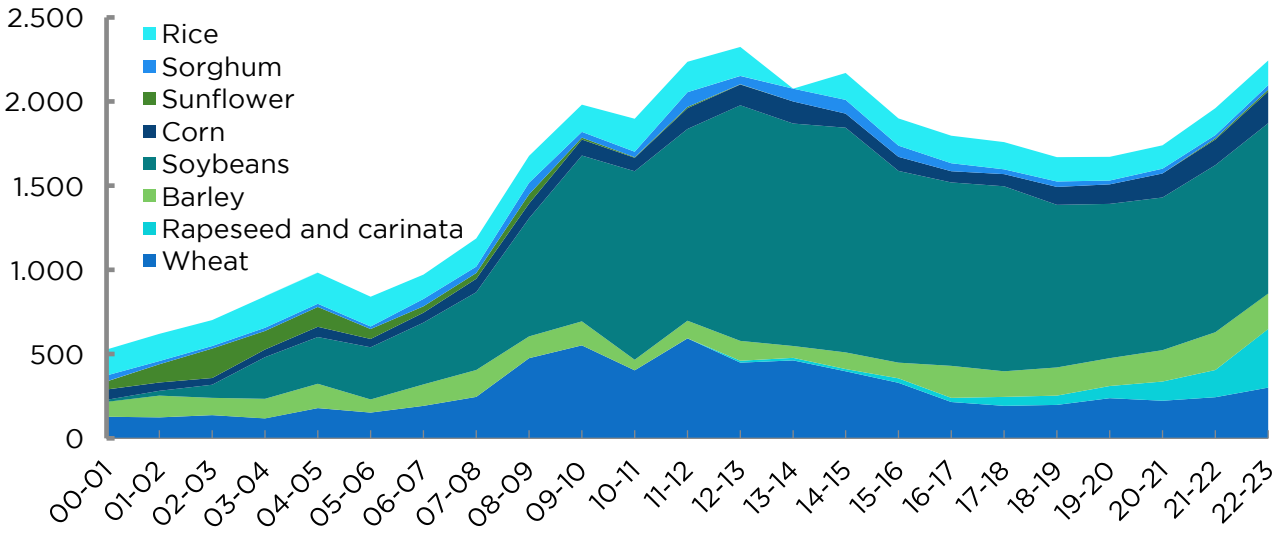
Medium-term leases obtained the lowest average price (US$ 129/ha/year), with a strong participation of cattle rents, followed by agricultural-livestock rents, representing 52% and 29%, respectively, of the leased area for those terms.[8]

[7] Land Leasing Price Report – DIEA – MGAP. (Link)
[8] Ibidem. (Link)

3. MAIN AGRICULTURAL PRODUCTS

The total cultivated area (including winter and summer crops) in the 2022-2023 season topped 2,245,000 hectares, which represented an increase of 14% against the 2021-2022 fiscal year. This increase was mainly due to the boost in rapeseed and carinata, which represented 348,000 hectares in the 2022-2023 period, against 162,000 hectares in the previous period, and to the expansion of wheat, with 58,000 hectares more than in the previous period and a total record of 302,000 hectares.

Chart No. 10: Cultivated Area by Type of Crop



Fuente: elaborado por Uruguay XXI con datos de DIEA

3.1.SUMMER CROPS

In Uruguay, the main summer crops are extensive rain-fed crops for dry grain: soybean, corn, sorghum and sunflower, except for rice, which is irrigated. Although the area planted increased by 4% in 2022-2023 against 2021-2022, the summer season received the severe impact of the drought on the production of all crops and also yields measured in kilograms per hectare.

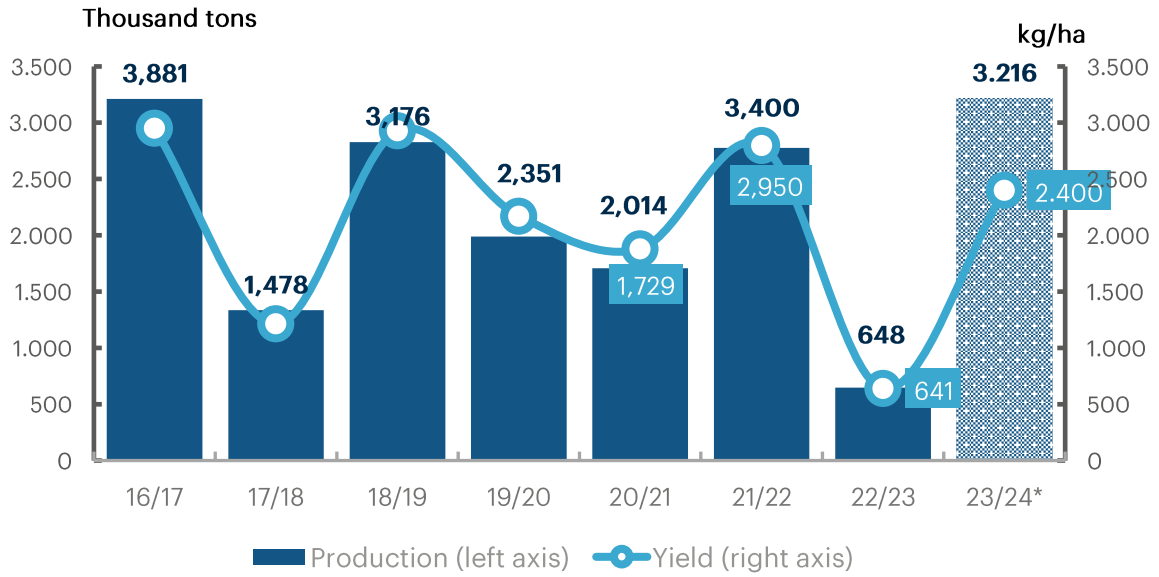
3.1.1. SOYBEAN

Since the season 2003-2004, soybean has consolidated its position as the summer crop with the largest share in the national agricultural activity. Consequently, the effect of external factors, whether positive or negative, has a significant impact on agricultural activity in general.

In the 2022-2023 harvest, the cultivated area remained practically unchanged compared to the previous season, totaling 1.01 million hectares (about 9 thousand hectares more against 2021-2022). However, there was a 77% drop in production – just 648 thousand tons –, due to scarce rainfall. This determined a drop of equal proportion in soybean yield, which reached 641 kg/ha, one of the lowest values in the history of the crop in Uruguay.

According to information provided by EXANTE, the area planted with soybeans in the 2023-2024 harvest would have increased by around 8%, equivalent to a total area of 1.3 million hectares. An average yield increase of 2,400 kg/ha is also estimated. Consequently, a significant increase in production is also estimated, which could slightly be over 3 million tons, thus recovering from the poor results of the 2022-2023 harvest.

Chart No. 11 – Production and Average Yield- Soybean

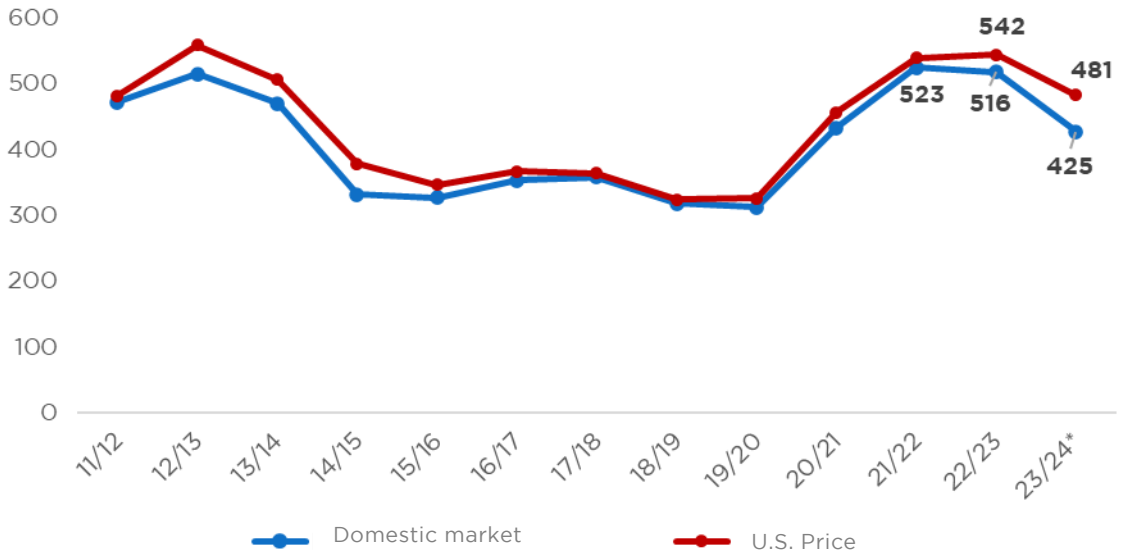


Source: created by Uruguay XXI based on data from DIEA y EXANTE. (*) 23/24 harvest estimate.

As a result of the Russia-Ukraine war, the price of soybeans in CBOT[9] had significant reductions from the values reached in mid-2022. These declines occurred in a context of less uncertainty about the war, greater availability of supply and weakening demand from China. Specifically, the price of soybeans in the main international reference went from US$ 620 per ton in June 2022 to just above US$ 500 per ton in May 2023. This downward trend in prices deepened in the second half of 2023 and reached US$ 450 per ton in January 2024, a 20% slip compared to the same month in 2023.

The price of soybeans in the local market followed the same downward trend as international prices, dropping below US$ 370 at the end of October 2024.

Chart No. 12 – International Average Price of Soybean (CBOT-USA) and in the domestic market



Source: created by Uruguay XXI based on data from EXANTE (*) Estimated value.

Soybean is one of the three main exports of Uruguay, which ranked as the fifth global soybean exporter in 2022 with 3,061,000 tons. In 2023, total soybean exports reached only 773,000 tons (slightly over the total product of the whole 2023 season plus a likely remaining stock from 2022) and the amounts neared US$ 411 million, which meant a decrease of 78% in year-on-year terms.

[9] Chicago Board of Trade

After the heavy losses of the 2022-2023 harvest, a recovery in the margins linked with this grain was reached in the 2023-2024 crop, when production is estimated to exceed 3 million tons. However, prices continued to drop throughout 2024, nearing an average value of US$ 391 per ton in September, which represents a cumulative yearly decline of around 23% against the same period in 2023.

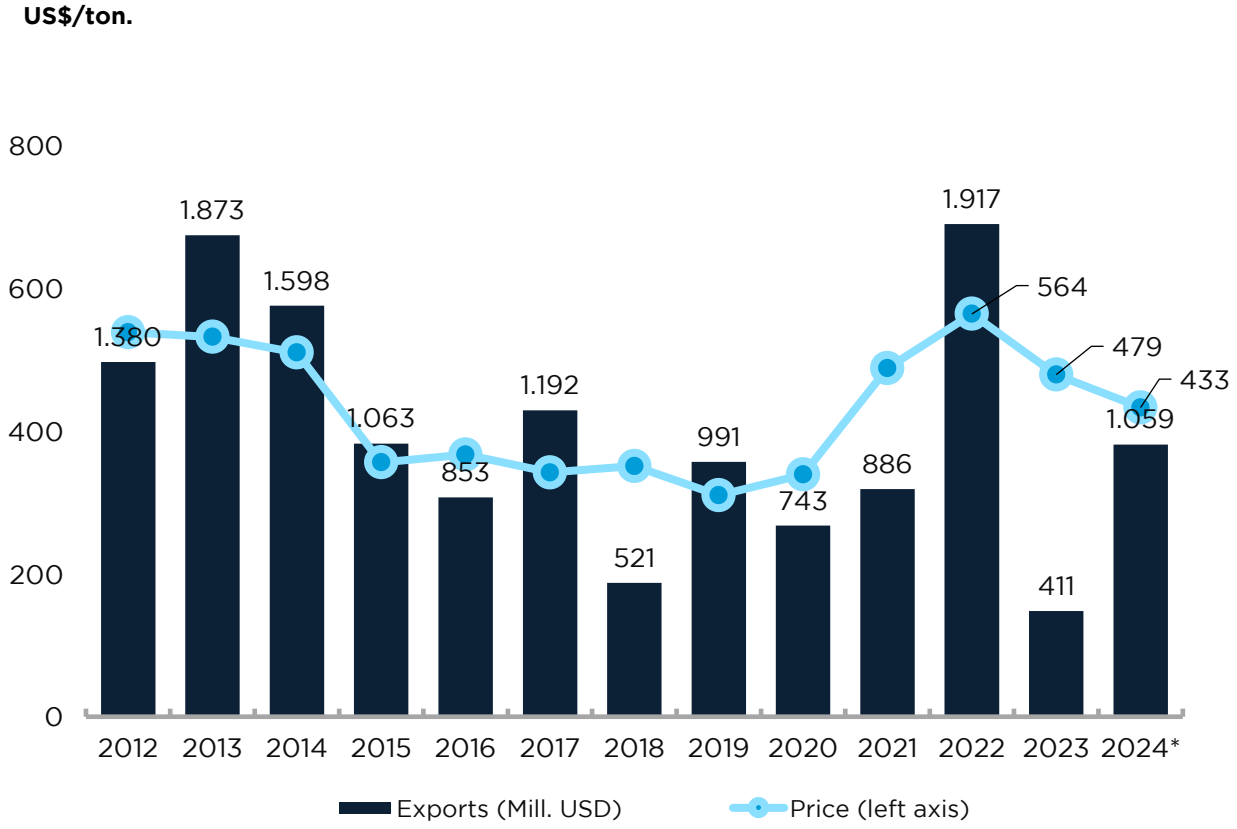
China remained the main market for this product in 2023, acquiring 64% of the total exports valued at US$262 million. The European Union ranked second with 16% of the exports for US$64 million.

The European Union will begin to require that products (including soybeans) be imported from deforestation-free areas[10]. The European Parliament is about to approve this regulation. It is expected that the resulting obligations will be binding as of December 30, 2025 for large companies and June 30, 2026 for micro and small companies[11]. This demands the implementation of a series of requirements to ensure the traceability of the raw material to the parcel of land where it was produced.

Egypt secured its place as the third major destination, with 8% of the total and exports valued at US$34 million. Other destinations included Argentina, Brazil, Bangladesh, and the United States, which participated to a lesser extent with values ranging from US$30 million to US$4 million. Total soybean exports reached US$ 411 million in 2023.

[10] European Union Guidance on Deforestation and Forest Degradation-Free Supply Chains
[11] UE Guidance on Deforestation: the Board agrees to postpone the implementation date

Chart No. 13: Soybean Exports and Average Export Price
(Million U$S and US$/Ton)



Source: created by Uruguay XXI based on data from DNA and Zona franca Nueva Palmira. (*) Value as of October 2024.

It should be noted that the protocol of phytosanitary requirements for soybean exported from Uruguay to China is still in force. The protocol establishes sanitary requirements and determines the procedures to be followed in case of any phytosanitary event[12]. Moreover, since the official visit to China in 2016, an agreement has been made between the Asian country and Uruguay - through the National Agricultural Research Institute (INIA) and the Agricultural Academy of China - for the joint production of non-GMO soybeans for human consumption.

Table No. 2 shows the access tariffs in the main destination markets for Uruguayan soybeans, against those faced by the main competitors. In general, soybeans enter with zero tariffs, with the sole exception of China, which accounted for 42% of exports in 2023. Thus, Uruguay pays US$ 12 million in tariffs for soybeans destined to the Chinese market.

[12] Protocol, good practices and regulations for soybean exports from Uruguay to China 2022 (Link)

TABLE No. 2: Tariffs for Uruguay and Competitors in the Main Target Markets– 2024

			Direct Competitors			Seasonal Competitors	
		Uruguay	Brazil	Argentina	Paraguay	USA	Canada
Main Markets	China	3%	3%	3%	3%	3%	3%
	Egypt	0%	0%	0%	0%	0%	0%
	Bangladesh	0%	0%	0%	0%	0%	0%
	Turkey	0%	0%	0%	0%	0%	0%
	Mercosur	0%	0%	0%	0%	8%	8%
	European Union	0%	0%	0%	0%	0%	0%

Source: created by Uruguay XXI based on data from Trademap and Macmap.

Though the associated costs of soybean cultivation (before payment of land lease, financial and structural costs) increased at around 20% in the 2022-2023 crop year, they had a slight decrease during the 2023-2024 crop year. Specifically, the average cost would be just above US$ 820 per hectare according to estimates by the EXANTE consulting firm, 7% below the previous harvest, but still historically high, being the second highest value since the 2011-2012 harvest, apart from the 2023-2024 harvest.

3.1.2. RICE

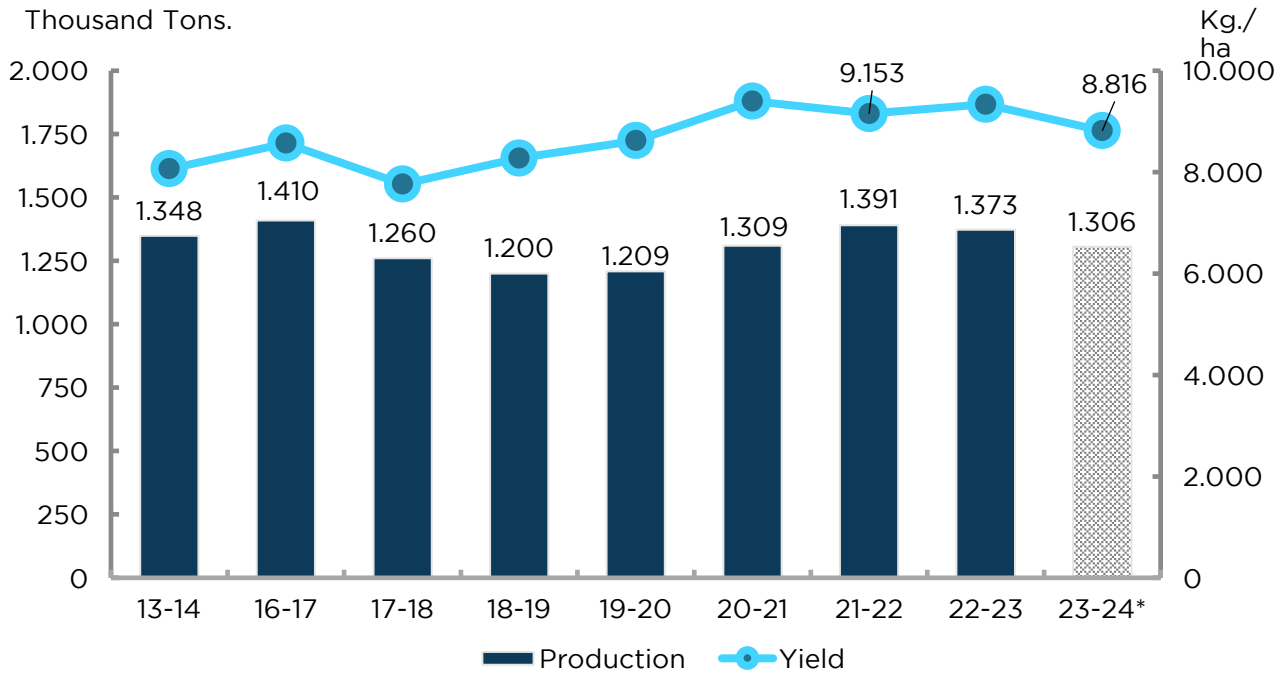
Uruguay is the eleventh largest exporter of rice in the world and particularly the second-largest exporter of husked rice, second only to Pakistan[13]. The use of state-of-the-art technology throughout the value chain is a feature that gives the country a good reputation as a reliable international supplier of this product. Care for the environment and the sustainability of rice systems have been a priority for companies in the sector, which is reflected in the studies and indicators that confirm the low environmental footprint and the safety of Uruguayan rice.

Rice covers 10.3% of the summer agricultural area and about 7% of the total area planted in Uruguay, being the country's second agricultural export product.

[13] Trademap and Customs – Data 2023

The area planted in the 2023-2024 harvest totaled 149,000 hectares, slightly higher than the previous harvest and the largest in the last five harvests. The 2023-2024 rice harvest was mainly affected by the weather during the planting stage and almost the entire harvest, resulting in a 5% year-on-year decline in production. Even so, the yield achieved is within the range of the last seven harvests (7,800-9,400 kg/ha), a value that reached 8,816 kg/ha[14].

Chart No. 14: Rice- Average Production and Yield



Source: Uruguay XXI based on data from DIEA. (*) Estimated value.

Largely as a result of the export restrictions imposed by India in the second half of 2023, international prices increased and reached an average value of US$ 655 per ton in 2024, 28% higher than the sale price in 2023. In this context, farm-gate rice prices also rose sharply, with the provisional value for the 2023-2024 crop year reaching US$17.15 per 50 kg bag, 16% higher than in the previous crop year and the highest value in the last 15 years.

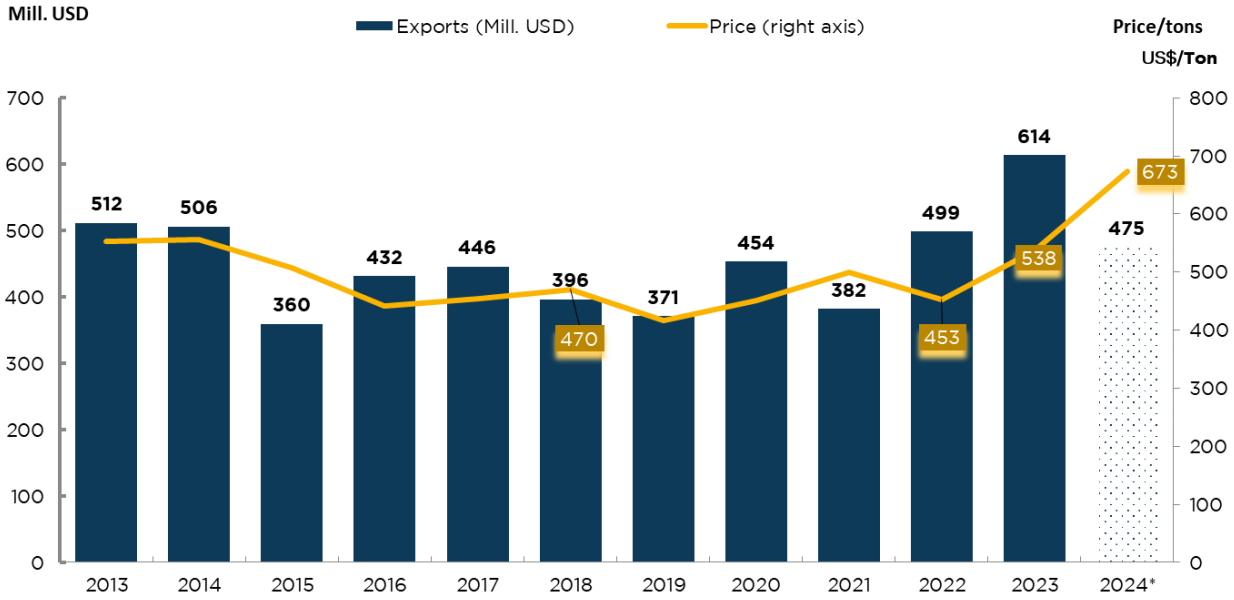
After a notably higher crop harvest, rice crop implementation costs, measured in dollars, were slightly modified, according to estimates by the EXANTE consulting firm, although they remained at historically high levels. This was mainly due to a significant drop in the price of fertilizers and pesticides, which was partially offset by the increase in the price of seed and other domestic costs such as labor, freight and leases. Thus, the cost of production per hectare

[14] Revista N°110 Asociación de Cultivadores de Arroz – August 2024

would have totaled US$ 2,326 on average for producers who lease land and water and US$ 2,174 on average for landowners and water lessees, down 3% and 4%, respectively.[15]

In 2023, rice was the country's main agricultural export product totaling a value of US$ 614 million. Uruguay is one of the world's leading rice exporters, and the largest exporter in Latin America.

Chart No. 15: Rice Exports and Average Price



Source: Uruguay XXI based on data from DNA (*) Value as of October 2024.

In recent months, international prices have risen, mainly due to a reduction in world supply as a result of export restrictions in India (the world's largest exporter of this cereal). However, a reduction is expected in the coming months, due to an upward adjustment in production levels in the United States, India, and other Asian countries such as Bangladesh, Cambodia, Thailand, and Pakistan. As a result of these changes, the FAO estimates that world milled rice production will reach 526.2 million tons for the 2023-2024 crop year, 0.4% higher than the previous crop year[16].

Uruguay's milled and semi-milled long-grain rice (polished/glazed), which accounted for 49% of rice sales in 2023, averaged US$762 per ton in the January-October 2024 period, 20%

[15] Sector Analysis – Rice Crop - EXANTE (August 2024)
[16] Crop Prospects and Food Situation (March 2024)

above the average price for the same period in 2023. Husked rice stood at US$646 per ton as of October 2024, an 18% increase in average value compared to the first ten months of 2023. Lastly, the average price of paddy rice increased by 35% to US$560 per ton at the end of October 2024. The main destination markets in 2023 were Brazil (29%), Peru (8%), Panama (8%), Belgium (8%), Mexico (7%), and Belgium (8%).

Uruguayan rice keeps and edge as regards access conditions compared to its competitors. In the Peruvian market - the main destination of the grain -, access happens through the price band system, which implies that if the reference price (calculated as of this year based on the reference 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. Considering that the international reference price, computed on the basis of the FOB Uruguayan port price, shows a sustained increase from August 2023 to February 2024, being above the floor price of the rice customs table (US$ 612), as from September 2023 rice imports have ceased to pay any specific duties.[17]

TABLE No. 3: Tariffs for Uruguay and Competitors in the Main Target Markets – 2023

		Markets			
		Peru	**Brazil**	**Mexico**	**Belgium**
Uruguay			0% || AC MERCOSUR	0% || ACE 60	20.5% || NMF
Competitors	India	Price range	11% || NMF	20% || NMF	20.5% || NMF
	Thailand		11% || NMF	20% || NMF	20.5% || NMF
	Viet Nam		11% || NMF	20% || NMF	20.5% || NMF
	Pakistan		11% || NMF	20% || NMF	20.5% || NMF
	United States		11% || NMF	0% || AC USMC	20.5% || NMF
	Italy		11% || NMF	20% || NMF	0% || AC UE
	China		11% || NMF	20% || NMF	20.5% || NMF
	Brazil		---	16% || AC ALADI	20.5% || NMF
	Paraguay		0% || AC MERCOSUR	20% || NMF	20.5% || NMF
	Argentina		0% || AC MERCOSUR	16% || AC ALADI	20.5% || NMF

AC: Commerce under Trade Agreement; NMF: Most-Favored Nation

[17] Bimonthly Newsletter, Price range (May-June 2024) –Government of Peru

Brazil, Belgium, Mexico, and Venezuela are other important markets for the Uruguayan supply of this cereal. Although Uruguay has trade agreements allowing no-tariff entry to Mexico and Brazil, other suppliers from these countries have access on equal terms. It should also be noted that rice exports are subject to a 3% tax refund on the customs export value.

Current estimates suggest that, in a scenario of good availability of water for irrigation, high prices and sufficient external demand, the planting area for the 2024-2025 harvest could increase in the range of 160-168 thousand hectares. With this outlook, yields are expected to average 9,000 kg/ha and production to exceed 1.4 million tons.

3.1.3. CORN

Corn covered 15% of the summer crop area in the 2022-2023 harvest, with a total of 188,000 hectares cultivated. The water shortage in the 2022-2023 crop year affected crop development, causing production and yield levels to be significantly lower than in the previous crop year. Although the area planted increased by 24% year-on-year, a sharp 75% drop in the average yield per hectare resulted in a production of only 266,000 tons, a value similar to the 2010-2011 harvest (289,000 tons) on 81,000 hectares planted.

The situation was not encouraging for prices either. Despite expectations of an increase due to a lower global supply, prices fell. The average value of export prices went from US$325 per ton in November 2022 to US$230 per ton in November 2023. This is attributed to Ukraine (the world's fourth largest corn exporter) being able to export stocks in storage between July 2022 and July 2023, overcoming shipping constraints in the Black Sea due to the armed conflict with Russia.[18]

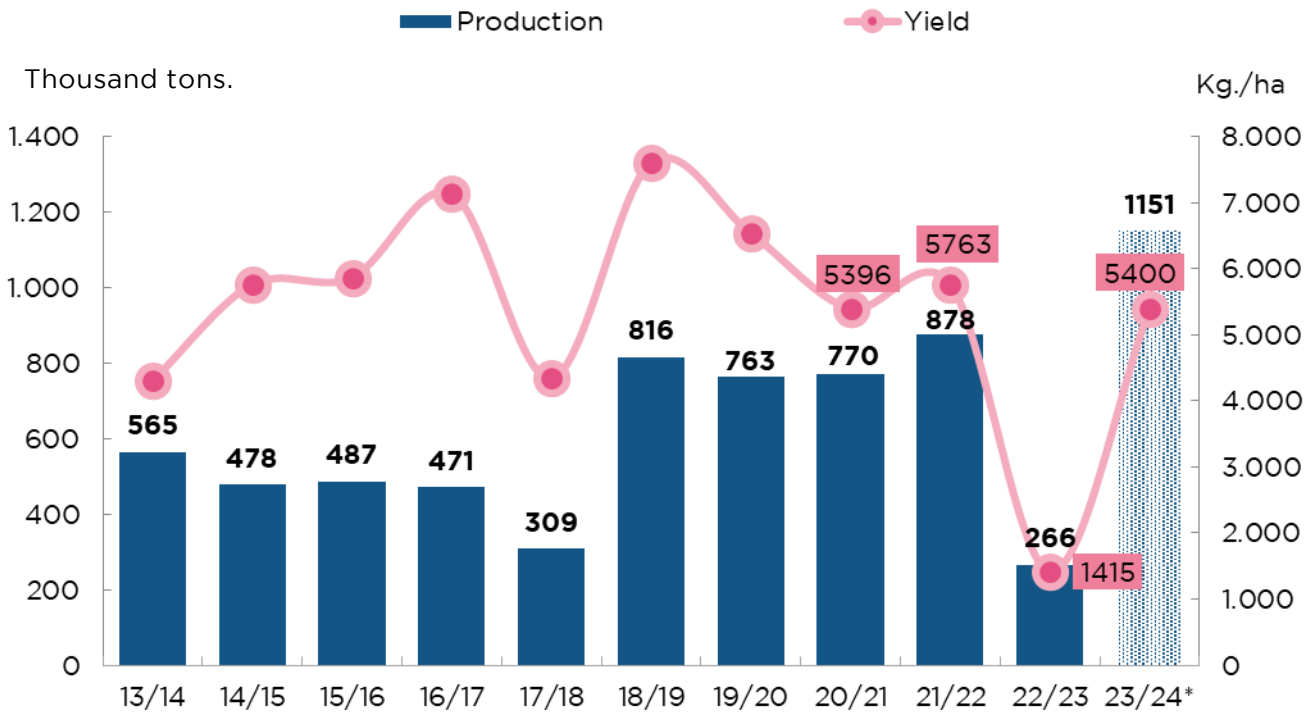
For agronomic matters, the water crisis affected both first and second-crop corn[19], since water scarcity during the flowering stage determines the yield. This stage determines the number of grains per area and is highly sensitive to water availability, which significantly influences yield variations (in the 2022-2023 harvest it was only 1,415 kg/ha)[20]. So implementing irrigation systems is becoming a growing trend, due to the positive impact it has on higher yields.

For the 2023-202 harvest, production levels are optimistically expected to be well above historical values. Estimates suggest that the planted area will reach 213,000 hectares[21], 13%

[18] Yearbook OPYPA 2023 – Corn and Sorghum: Scenario and Projections
[19] First-crop corn is planted in October and second-crop corn is planted in December, after the harvest of winter crops.
[20] Yearbook OPYPA
[21] Based on Agriculture Survey "Spring 2023" (the figure is updated with the results of the "Winter 2024" survey)

higher than the previous harvest and a historical figure since it took 50 years for the planted area to exceed 200,000 hectares again. In addition, according to estimates by the consulting firm EXANTE, production is expected to reach 1.15 million tons, although based on the harvests registered up to April 2024, other sources estimate that it could reach the record figure of 1.4 million tons.[22]

Chart No. 16: Corn: Average Production and Yield



Source: Created by Uruguay XXI based on data from DIEA and EXANTE

In the same trends, yields are expected to reach 5,400 kg/ha, almost four times higher than the yields recorded in the 2022-2023 harvest. High yields are key to set the margins that may be left by a season that coincides with the lowest corn price in the last four years and that has fallen 30% year-on-year on average compared to the January-September period of 2023.

After a 2023 severely affected by the drought and with almost insignificant exports, in 2024 important corn placements were resumed, which, according to data from the National

[22] El Observador (April 13th, 2024) *En marcha la mejor zafra uruguaya de maíz en la historia, pero hay una luz de alerta*

Customs Directorate (DNA) totaled a value of US$ 20.1 million as of October 2024. The main destinations of these exports were South Korea (61%), Jordan (29%), and Chile (10%).

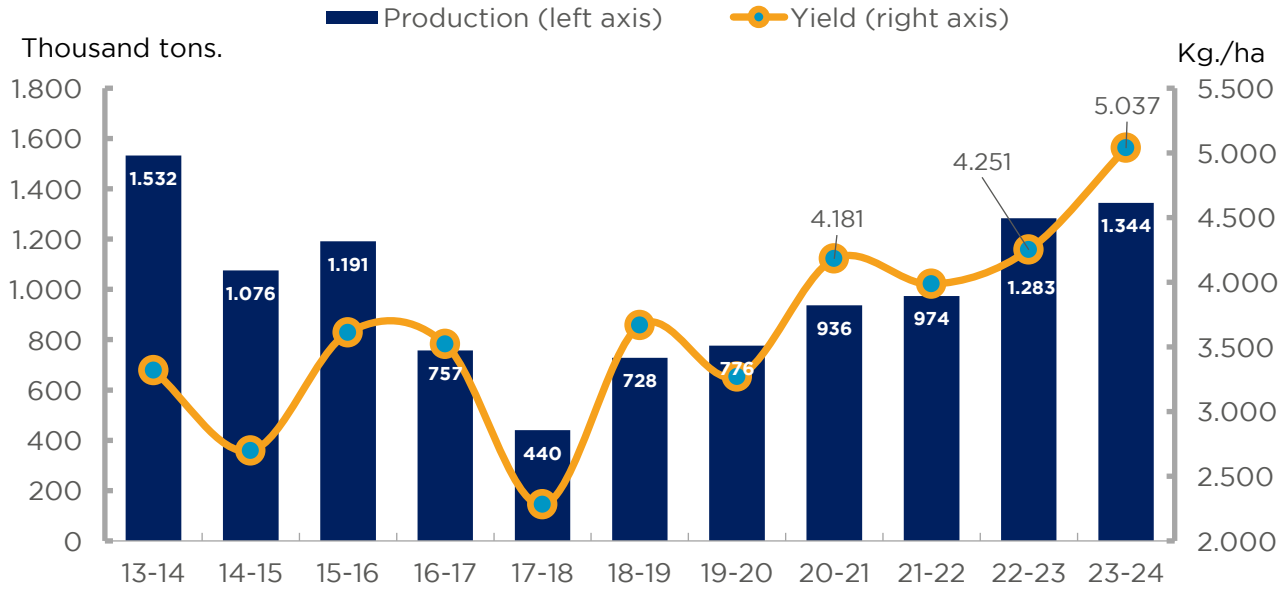
3.2. WINTER CROPS

The main winter crops in Uruguay for dry grain are wheat, barley, and rapeseed. In the 2022-2023 season, the winter area grew 37%, reaching 861,000 hectares. This year the area planted with winter crops shows a sharp decline, being the smallest area of the last three harvests, particularly marked by a drop in rapeseed and carinata from 348,000 hectares in the 2022-2023 harvest to 132,000 hectares in the 2023-2024 harvest.

3.2.1. WHEAT

Wheat covered 35% of the winter crop planted area during the 2022-2023 harvest. Ideal weather conditions during this season resulted in a high-volume harvest of adequate quality and safety, as a result of an increase in the area planted and a record-breaking average productivity level for the country.[23]

Chart No. 17: Wheat – Average Production and Yield



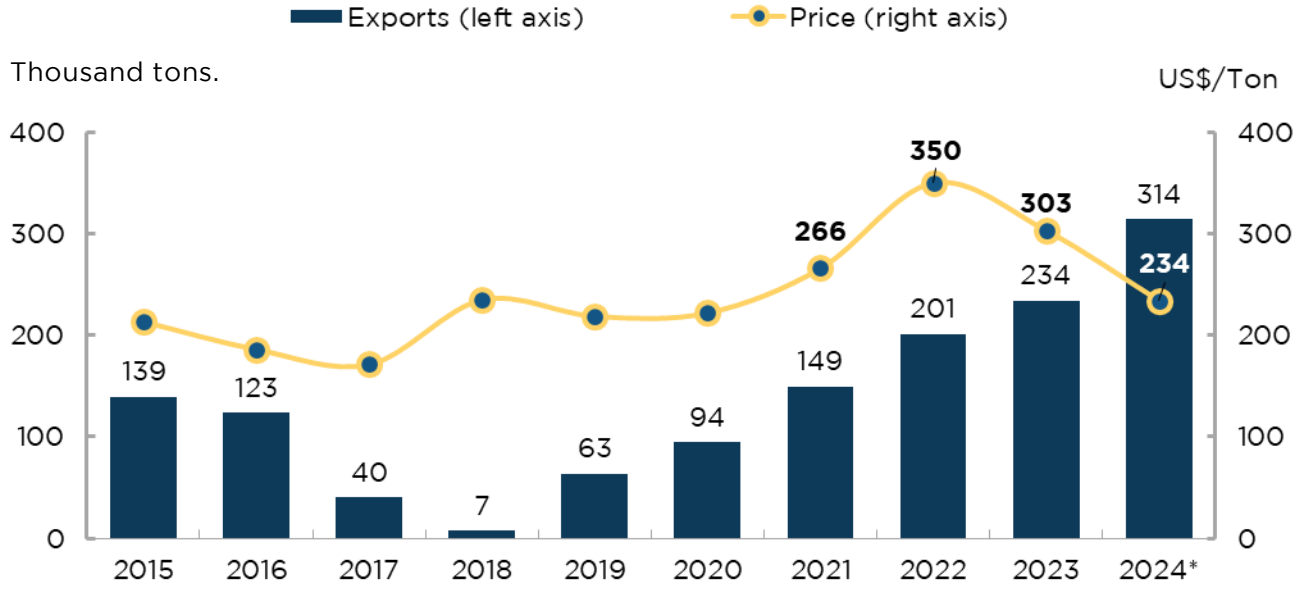
[23] Yearbook OPYPA 2023

Source: Uruguay XXI based on data from DIEA

Wheat production has risen for seven consecutive harvests. Although the area planted in the 2023-2024 harvest shrunk by 12% against the previous season, the average yield was above 5,000 kg/ha, a record for this crop. Production also reached an outstanding level compared to the last ten harvests, totaling a value of over 1.3 million tons.

Wheat has been the crop with the third-highest export value for the past few years. Wheat exports grew strongly in 2022 and 2023, totaling US$ 244 million and US$ 234 million, respectively.

Chart No. 18: Wheat Exports and Average Export Price



Source: Uruguay XXI based on data from DNA. (*) Value as of October 2024

Wheat sales in 2023 were concentrated in Brazil, Chile, and Algeria, accounting for 74%, 23%, and 4% of total exports, respectively.

Access tariffs to these markets do not present any disadvantages for Uruguay against its main competitors. Algeria was the only market into which Uruguay paid tariffs for the entry of wheat for consumption (1001.99), totaling US$ 1.4 million. Brazil and Chile had zero tariffs for Uruguay.

TABLE No. 4: Tariffs for Uruguay and Competitors in the Main Target Markets - 2023

TARIFFS (1001.99)

			Direct Competitors		Seasonal Competitors			
		Uruguay	Argentina	Paraguay	USA	Canada	France	Russia
Main Markets	Brazil	**0%**	0%	0%	10%	10%	10%	10%
	Chile	**0%**	0%	0%	0%	0%	6%	6%
	Algeria	**5%**	5%	5%	5%	5%	5%	5%

Source: Market Access Map (ITC)

As it trades within the Mercosur environment on equal terms with Argentina and Paraguay, and because the tariff applied at a general level is zero, Uruguay has the best edge at delivering wheat for consumption in Brazil without tariffs, compared to competing countries outside Mercosur such as the United States, Canada, France, and Russia, which face a 10% tariff. In the case of entry into Chile, Uruguay enters without tariff, while others, such as France and Russia, face a 6% tariff.

3.3. BARLEY

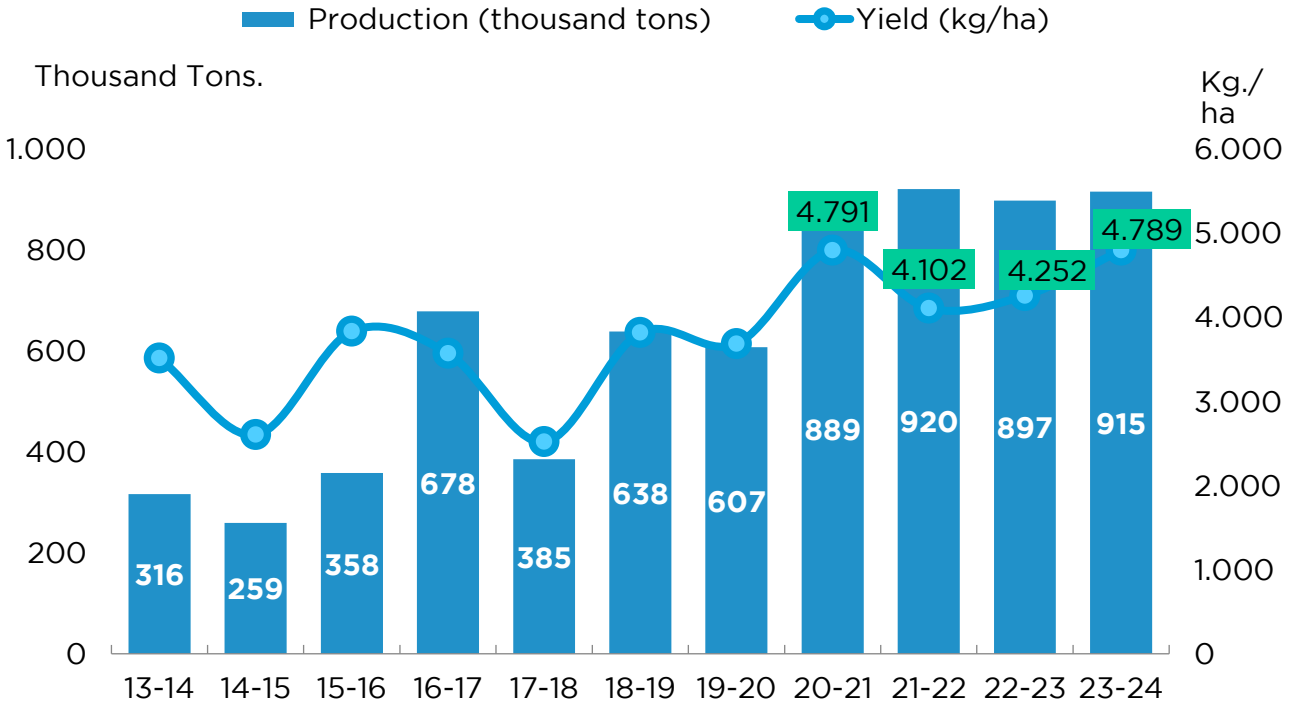
Barley - the main cereal used for brewing beer - is mainly used for the production of malt, which is subsequently exported. The malting barley is planted under contract with malting plants, which export the production after the processing of the grain, mainly to Brazil. The 5% is used in the local market and for seed production. To produce beer, the barley grain must first go through the malting process; considering this, Uruguay will be the sixth largest malt exporter in the world in 2023[24].

The area planted in the 2022-2023 harvest was 13 thousand hectares less than in the previous harvest, totaling 211 thousand hectares, with a 2.5% decrease in production volume, some

[24] Trade Map – Global Barley Exporters

897,000 tons. In spite of this context, yields were slightly higher as a result of optimal winter weather conditions, reaching 4252kg/ha, 4% above the 2021-2022 harvest.

Chart No. 19: Barley – Average Production and Yield



Source: Uruguay XXI based on data from DIEA and OPYPA.

After two harvests (2021-2022 and 2022-2023) with prices of almost US$300 per ton, the average for the 2023-2024 harvest was US$218 per ton. On the other hand, production costs measured in dollars fell in the 2023-2024 crop year, mainly due to a decline in fertilizer and agrochemical prices, which had risen in 2022 as a result of the Russia-Ukraine conflict. Considering all this, the producers' margin increased by 44% for the 2023-2024 crop, against 26% in the previous harvest.[25]

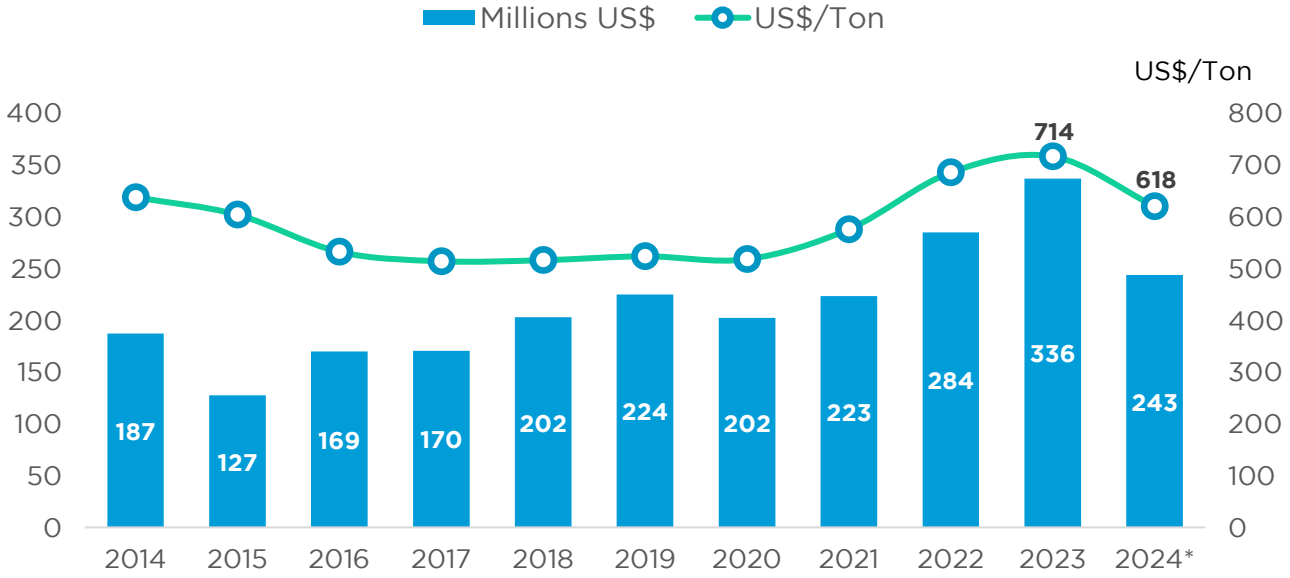
Between 2017 and 2023 malt exports increased from 300 thousand to 470 thousand tons, which in 2023 meant exports totaling US$ 336 million. Average export prices in 2023 increased by 5% year-on-year, standing at US$ 714 per ton, the highest since 2011. As these are intra-

[25] EXANTE – Análisis sectorial – Cultivo de cebada (julio 2024)

company sales with Brazilian brewing companies, about 88% of the value of Uruguayan malt exports was centered in Brazil.

Barley exports broke records in 2022, reaching some 272,000 tons exported at a value of US$ 80.7 million. In 2023, the volume exported dropped by 46% and totaled US$ 50.3 million. The main destination was China with 51% of the total exported value, followed by Brazil with 49%. It is worth noting that in 2018 and 2019, Uruguay signed multiple phytosanitary agreements to access different markets, including China. 2021 was the first year with significant figures for barley exports to this destination.

Chart No. 20: Barley Exports – FOB US$ and Price – 2014 - 2023



Source: Uruguay XXI based on data from DNA. (*) Value as of October 2024

The export destinations for malt include Mercosur countries, as well as other countries that have trade agreements with this union. Thus, sales of Uruguayan malt enter Brazil, Paraguay, Bolivia, Peru, and Argentina with zero tariffs.

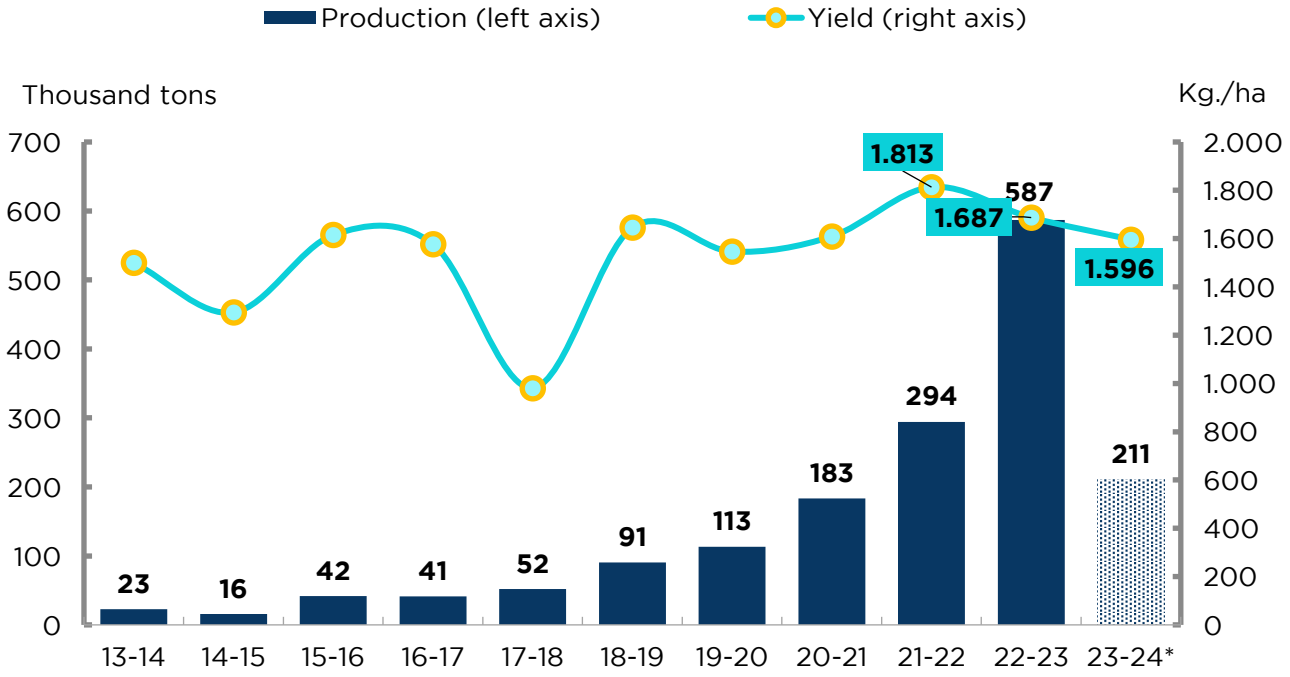
In China, the main destination market, Uruguay faces a 3% tariff, but this does not represent a disadvantage compared to other suppliers. In 2021 Uruguay totaled US$770,000 in duties on

barley entering China. Uruguayan barley tariff access to Brazil, the second main market, is duty-free because it is exported within the Mercosur area[26].

3.4. RAPESEED AND CARINATA

Rapeseed is the most recently growing crop within the agricultural sector in Uruguay. After two decades of reduced participation, it began to mark successive increases in the total cultivated area -348,000 hectares in 2022- registering higher production volumes and more recently exports. The winter oilseed belongs to the cruciferous family, its high value is due to the quality of the oil it produces, being very stable and low in saturated fatty acids.

Chart No. 21: Rapeseed – Average Production and Yield



Source: Uruguay XXI based on data from DIEA. (*) Estimated value.

In the 2022-2023 harvest (winter 2022), the area planted to rapeseed reached a record 348,000 hectares, representing a growth of 115% compared to the previous harvest. However,

[26] Part of the exports are made through the Nueva Palmira Free Trade Zone. Exports from this facility are covered by the 64th Additional Protocol of Mercosur, and are therefore exempt from CET or national import tariffs. See more information at this link.

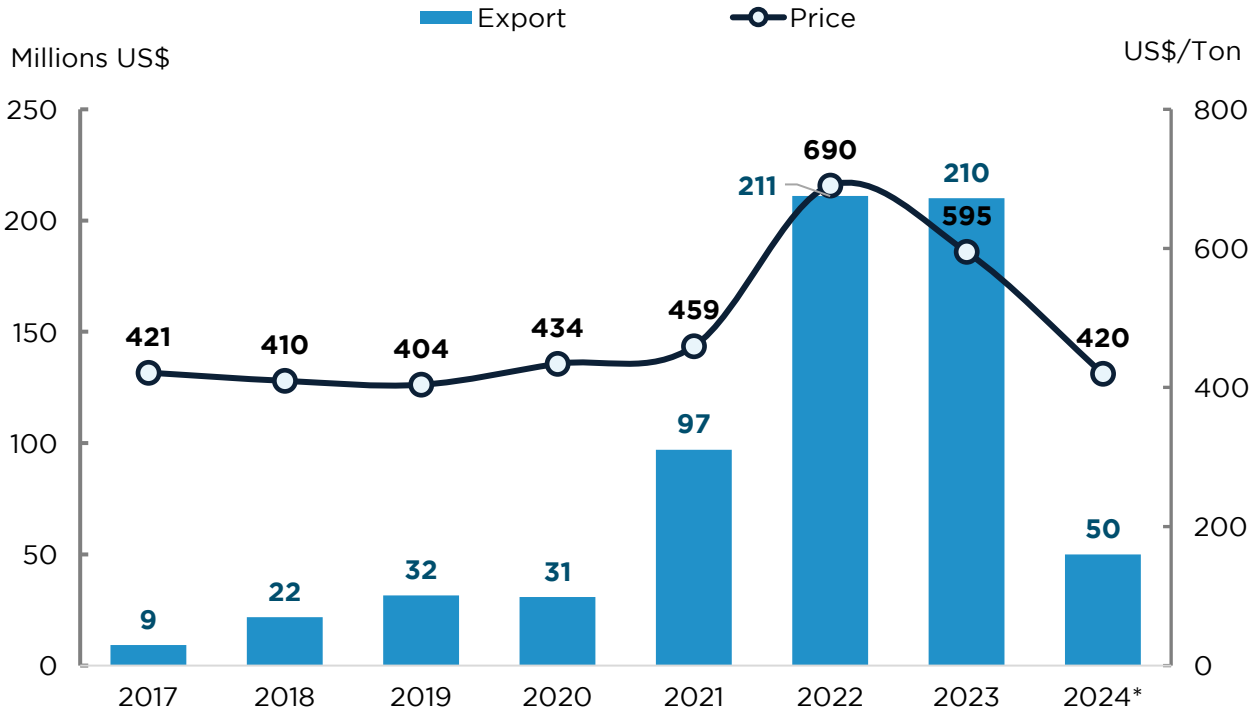
production was seriously affected by weather difficulties, reaching a total production of 587,000 tons. This resulted in a 7% year-on-year yield contraction to 1,687kg/ha. In addition, the average price of rapeseed dropped 15% in the 2022-2023 season compared to the previous harvest to US$ 546 per ton.

These factors combined led to a contraction in planted area during the 2023-2024 harvest (winter 2023). According to official data[27], the area of rapeseed and carinata planted fell significantly, reaching only 132,000 hectares. This combination of lower planted area and lower yields determined a decrease in the negative margin of producers for the 2023-2024 harvest.

In Uruguay, the rapeseed boom was aimed at the domestic market, mainly for the production of biofuels and to a lesser extent for human consumption. Since 2017, the external market began to grow as a destination, and external sales are currently driving the increase in the crop's production. During 2023, 353,000 tons of rapeseed were delivered with an average price of US$ 594 per ton, which implied US$ 209.7 million of exports. This represented a 15% year-on-year increase in the volume exported, although it did not mean an increase in value compared to 2022 due to the decline in the international price of rapeseed in 2023.

[27] MGAP – Agricultural Statistics Yearbook 2024

Chart No. 22: Rapeseed Exports and Average Price (Mill. US$ and US$/Ton)



Source: Uruguay XXI based on data from National Customs Directorate and BCU. (*) Value as of October 2024.

Rapeseed sales were mainly directed to Europe, being France the main destination with 28% of Uruguayan rapeseed exports in 2023, followed by Belgium (24%), Germany (18%), and the United Kingdom (17%). Europe is a high-value market, but imposes important requirements related to product safety. To avoid shipment rejections, grains must not contain agrochemical residues that exceed the maximum set limits.

After peaks in the first half of 2022, the Matif market in Paris, the main international reference for rapeseed and carinata, had a downward trend in the course of 2023. The average price at the producers' end fell 25% in the 2023-2024 harvest, averaging US$410 per ton. However, according to EXANTE estimates, the average price at the producers' end could increase by up to 15% for the 2024-2025 harvest, averaging US$475 per ton.

As shown in Table No. 5, the tariff treatment of the main markets did not present advantages, but neither disadvantages against the main competitors. Although the United Arab Emirates set a 5% tariff, there were no exports to this destination in 2023.

TABLE No. 5 – Tariffs for Uruguay and Competitors in the Main Target Markets – 2023

TARIFFS (1205)

			Direct Competitors		Seasonal Competitors		
		Uruguay	Australia	New Zealand	Ukraine	Canada	Belgium
Main Markets	United Kingdom	**0%**	0%	0%	0%	0%	0%
	European Union	**0%**	0%	0%	0%	0%	0%
	UAE	**5%**	5%	5%	5%	5%	5%

Source: Uruguay XXI based on MacMap.

3.5. OTHER AGRICULTURAL PRODUCTS FOR EXPORT

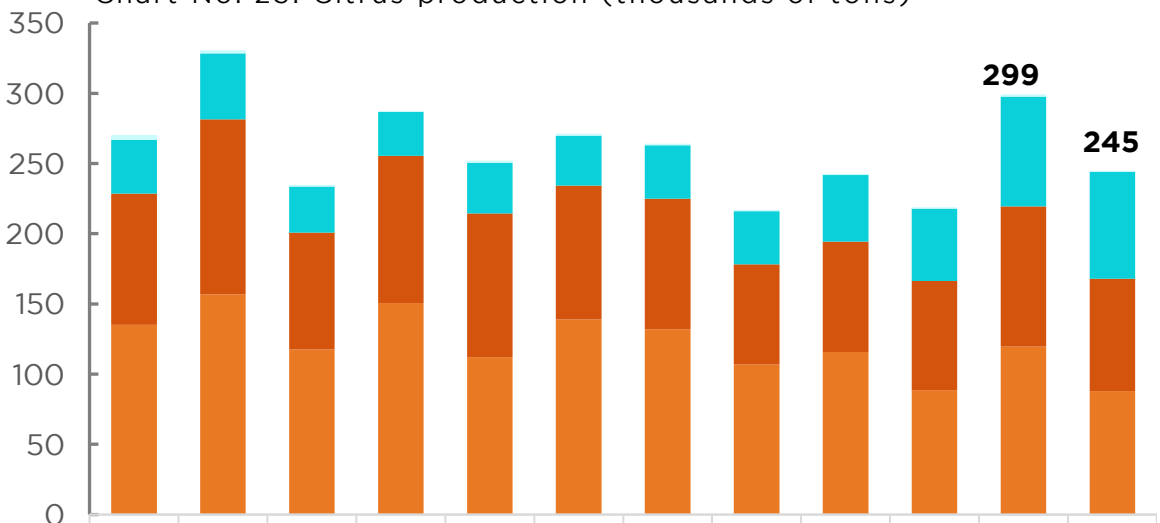
3.5.1. CITRUS FRUITS

The four leading produced citrus fruits in the country are oranges, mandarins, lemons, and grapefruit. The Northern coast was the main production area with 81% of the total citrus area in 2023. The good climatic conditions of the region, with abundant sunshine and alternating high and low temperatures, allow early production of good quality fruit, especially oranges, tangerines and grapefruit. The southern zone of Canelones, Colonia, San José, and Montevideo had a less important contribution in citrus production, but in the case of lemons it amounted to 33% of the production.

In 2023, the citrus area covered 13.3 thousand hectares[28], 42% for mandarin plantations, another 37% for oranges, 20% for lemons, and the remaining 1% for grapefruit. The overall average for citrus was 20 tons per hectare, representing a 15% drop against the 2021 harvest[29]. This happened mainly as a result of the severe impact of the water deficit, despite being a sector with high irrigation penetration (74%). Thus, after a very good production in 2021, which reached 299,000 tons, it fell by 18% in 2023, totaling 245,826 tons.

[28] Source: DIEA – "Citrus Survey "Spring 2023"
[29] The Citrus Survey was not conducted in 2022

Chart No. 23: Citrus production (thousands of tons)[30]



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2023
Grapefruit	3,6	2,3	1,0	0,8	1,5	1,2	1,1	0,9	0,8	0,7	1,6	0,8
Lemon	38	47	33	31	36	36	38	38	47	52	78	76
Grapefruit	93	125	83	105	102	95	93	71	79	78	100	80
Orange	135	157	118	151	112	139	132	107	116	89	120	88

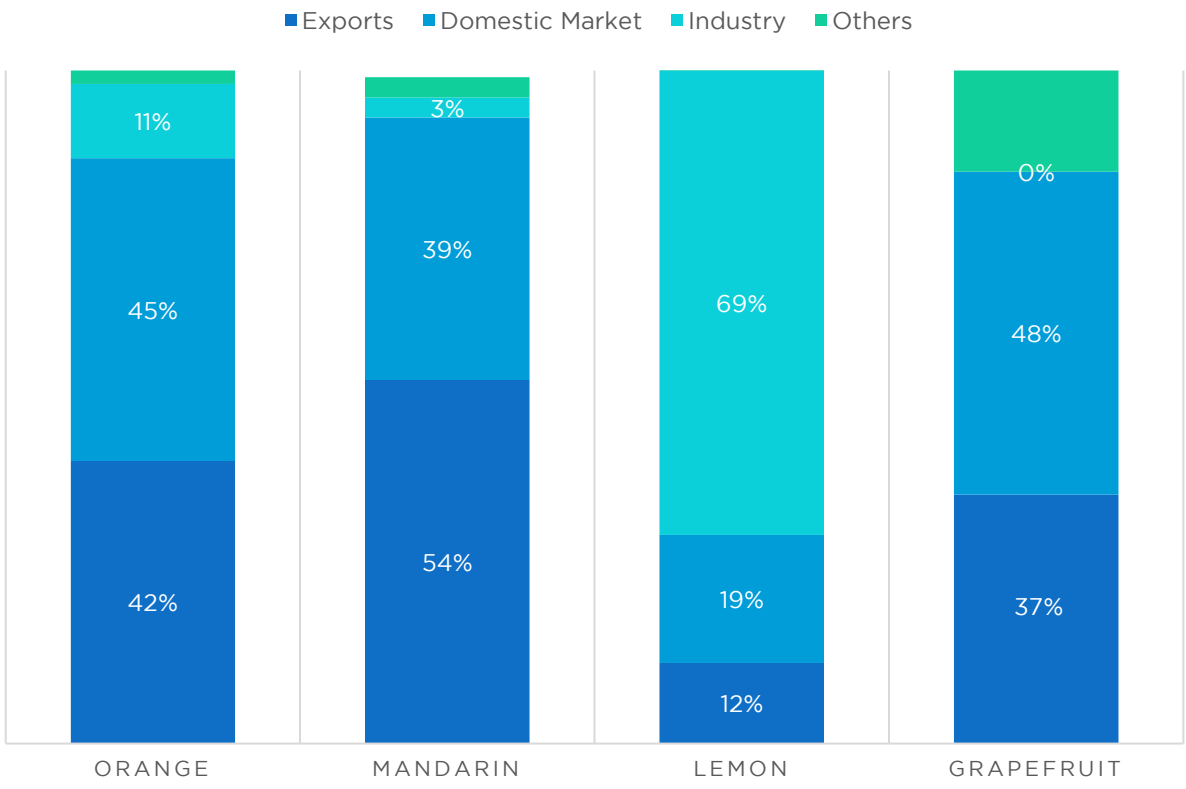
Source: Created by Uruguay XXI based on data from DIEA

The decline in production was generalized for the different citrus fruits, although lemon was the least affected. Orange production registered a 26% drop, reaching 88,455 tons. Mandarins had a production of 80,288 tons, with a 19% drop compared to 2021. The harvest of lemons was down 2% compared to 2021, reaching 76,324 tons. Finally, the volume of grapefruit harvested was 760 tons, 52% below the 2021 harvest.

In 2023, the main use of citrus fruits was for export as fresh fruit, which reached 37% of total production, topping 54% in the case of mandarins. The most industrialized citrus species was lemon (67% of production). A large part of the industrialized production is also marketed abroad as processed products (juices, oil, and pellets). The destination indicated as “others” corresponds mainly to fruit that is lost, either due to shrinkage or discards in the sorting and packing process and that does not get to the commercial circuit because it is eliminated or destined for animal production.

[30] Source: DIEA – “Citrus Survey “Spring 2023”

Chart No. 24: Citrus Production by Final Production Destination[31]



Source: Created by Uruguay XXI based on data from DIEA

Despite a lower volume exported, with a 5% drop in 2023 against 2022, the value of exports increased by 11%, totaling US$59.4 million. This is explained by the increase in the value per ton exported, which reached an average of US$ 868 million.

[31] Source: DIEA – "Citrus Survey "Spring 2023"

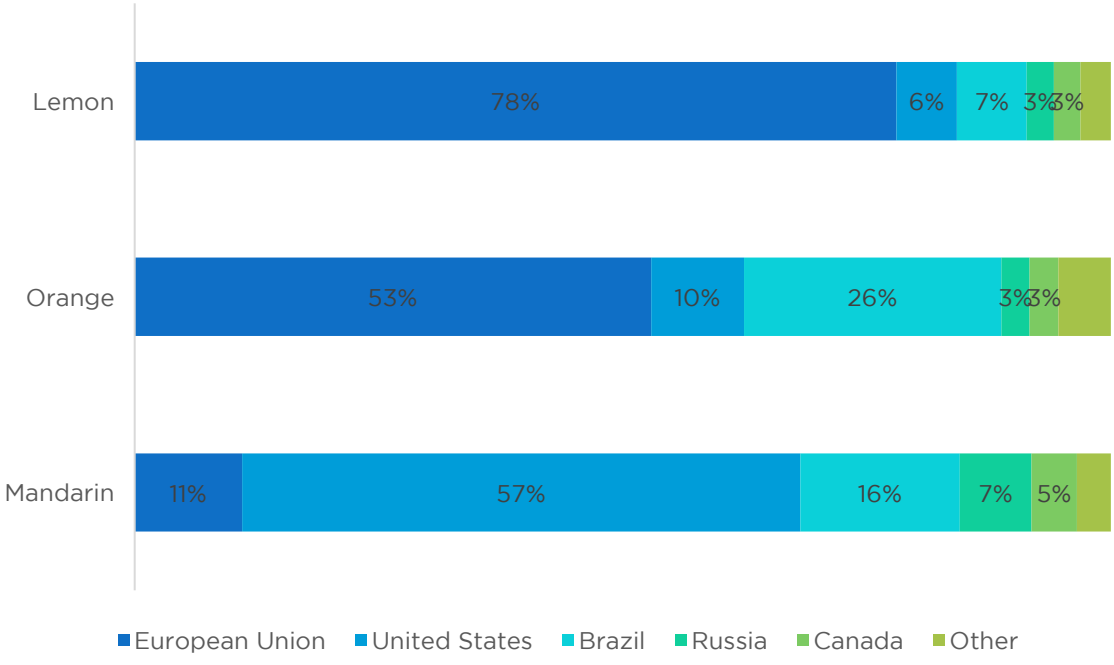
TABLE No. 6: Citrus Exports and Average Export Price

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Million US$	79	92	72	83	80	61	60	69	67	53	59
Thousands of Tons	111	120	95	106	97	83	89	79	102	72	68
Avg. Price (US$/Ton)	714	765	759	780	824	730	676	874	660	736	868

Source: Uruguay XXI based on data from National Customs Directorate.

During 2023, the main citrus export destinations were the United States and the European Union, with a share of 48% and 26%, respectively. Brazil was the third largest destination market with 18% of the sector's external purchases. A large part of orange exports were concentrated in the US market (51%). Oranges and lemons accounted for 53% of total citrus fruit exports to the European Union.

Chart No. 25: Participation by Destination in Citrus Exports 2023

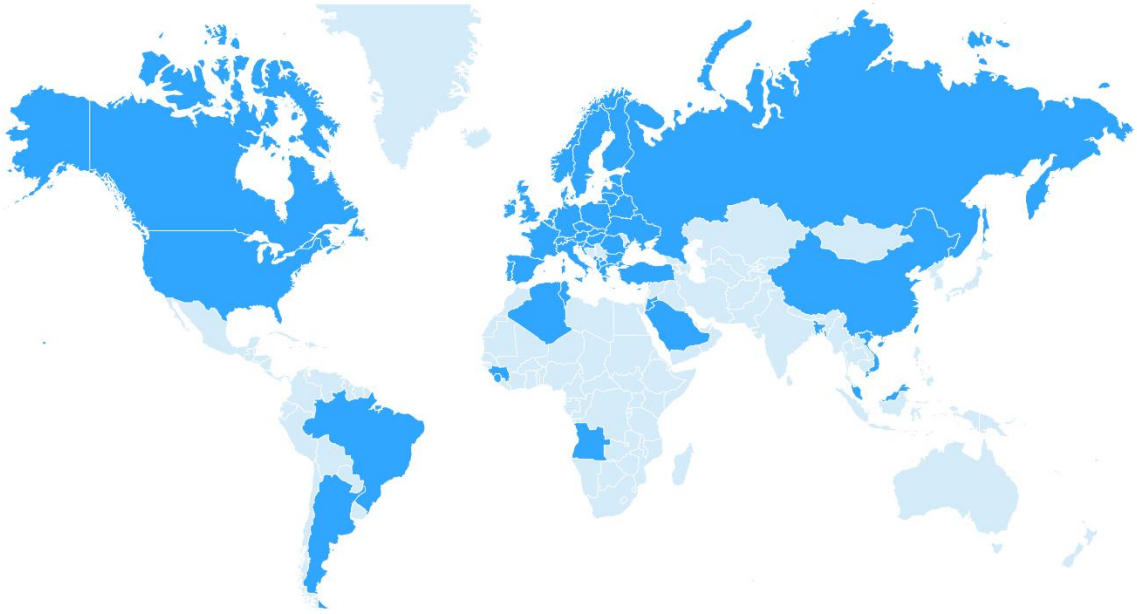


Source: Uruguay XXI based on data from the National Customs Directorate.

According to data from the International Affairs Unit of the Ministry of Livestock, Agriculture and Fisheries, in 2022 Uruguay had authorization to export citrus to 46 markets. In 28 of them,

supporting regulations are also required, i.e., the supporting regulations specifying the phytosanitary import requirements. In 17 others, the market is authorized, but without any supporting regulations, so they only are required a phytosanitary certificate without additional declarations.

CHART No. 26: Authorized Markets for Uruguayan Citrus Exports



Note: For Vietnam, only mandarins and hybrids are authorized.

Source: Uruguay XXI based on data from the International Affairs Unit - MGAP

4. APPENDICES

4.1. REGULATORY FRAMEWORK

To see the appendix with information on the regulatory framework of the sector in Uruguay, please visit the following link: Regulatory Framework

4.2. INSTITUTIONAL MATTERS (RELEVANT ACTORS)

To see the appendix with information on the regulatory framework of the sector in Uruguay, please visit the following link: Institutional Matters

Uruguay *XXI*

INVESTMENT, EXPORT AND COUNTRY BRAND PROMOTION AGENCY

www.uruguayxxi.gub.uy

info@uruguayxxi.gub.uy

UruguayXXI

UruguayXXI