

Uruguayan Agricultural and Ranching Sector Developments for 2021

January 14, 2021 Larry Pascal

PRACTICES International, Agriculture Technology

Introduction

The pandemic has placed spotlight on many essential industries, including the agricultural sector. Uruguay, a South American country located in the southern cone and a member of the Mercosur trade bloc, enjoys a long track record for economic stability and is an important global actor in the agriculture and ranching sector, with a deep culture and appreciation for the cultivation of the land. It thus holds appeal for foreign investors in this critical sector seeking to invest in a stable foreign market in 2021.

Uruguay Macroeconomic Background

Uruguay has a population of approximately 3.5 million people, with around half of the population living in the metropolitan area of its capital, Montevideo. Despite its small population, Uruguay stands out due to its strong middle class, low levels of poverty, and for being among the highest-ranked countries in South America in terms of human development and economic freedom, infusing the country with a strong economic stability and rule of law ethos. From a tourism perspective, Uruguay offers both the coastal chic life of “Punta de Este,” considered the Monte Carlo of South America, and serving as a premier wing shooting destination for hunting enthusiasts.

Uruguay Agricultural Sector

Although Uruguay is the second smallest country in South America in terms of land mass, it is nevertheless an agricultural powerhouse. It enjoys an enviable combination of low population density and high productivity of its land. The country’s present agricultural production feeds over 30 million people and is projected to have the potential to feed approximately 50 million people.¹ Due to the strong resources and tradition in this area, Uruguay has attracted many of the largest multinational trading companies in this sector – ADM, Bunge, Cargill, Louis Dreyfus, and COFCO, to name just a few. US foreign investors are also important actors in Uruguay, and at this time, there are more than 150 US companies investing in Uruguay.

The agricultural industrial sector generates over 80% of the country’s overall exports and in 2019 such exports amounted to over US\$7.5 billion in export sales of agricultural industrial products with beef, cellulose, and soybeans representing the three largest categories.²

Furthermore, if food exports are specifically considered, 2019 exports reached approximately US\$ 5.1 billion, equivalent to 68% of total exports.³ Beef, dairy products, soybeans and rice were its main food exports.

From a global production perspective, Uruguay ranks high in various area: sixth largest provider of beef, fourth largest in powdered milk, sixth largest in soy, fourth largest in wool, third largest in cellulose, and ninth largest in rice.

Property values have also increased significantly in Uruguay in recent years, going from an estimated total land value of US\$ 6.3 billion in 2002 to US\$ 54.8 billion in 2019.⁴

Uruguay Foreign Investment Considerations

Foreign investors are able to rely on constitutional and statutory protections for its foreign investment. In particular, the Investment Promotion and Protection Law No. 16,906 implements the Constitutional mandate that foreign investors receive the same treatment as national investors. In addition, there are no material regulatory restrictions on the repatriation of capital, dividends, or interest earned.

Moreover, Uruguay also offers incentives in certain cases for important foreign investment in the agricultural sector. In particular, the applicable regulations that address incentives for the agribusiness sector identify three factors to evaluate when assessing whether to award tax incentives for a project: i) whether the project contemplates investment in climate change adaptation, ii) existence of training of rural workers, and, iii) differentiation and distinction in the quality of products and processes of the applicant (e.g. international recognitions and official certification of products).

Tax exemption for eligible projects may range from 20% to 100% of the investment in eligible categories (machinery, vehicles, civil construction for uses except as to home construction, etc.). Exempted amounts are deducted from the income tax to economic activities and 10 years of net tax losses are available.

In addition, other taxes such as the Net Worth Tax, VAT, and custom taxes are also eligible for full exemption.

Moreover, for investment projects that are applied for before March 31st, 2021, there also will be a 20% increase for any incentive obtained. Accumulated benefits under this investment incentive program may last up to a maximum of 10 fiscal years.

Conclusion

Uruguay is an attractive jurisdiction for agricultural and rural investments. It enjoys a strong and stable legal and monetary regimes and exports its products throughout the world. Its agribusiness sector competes on an international level and the government has increased its incentives for important investment projects through the end of March 2021.

¹ See report published by the National Investment Office entitled “Uruguay XXI,” citing the “Uruguay Agriintelligent Plan” prepared by the Ministry of Livestock, Farming and Fishing. The 50 million people projection is a goal set by the Uruguayan Ministry of Livestock, Farming, and Fishing for the year 2022.

² See report published by “Uruguay XXI” called Agribusiness Sector Report. Based in data from National Customs Directorate. Page 18.

³ See report published by “Uruguay XXI” called Agribusiness Sector Report. Based in data from National Customs Directorate. Page 18.

⁴ See the Uruguayan National Registry of Real Property Office (where real estate transactions are registered).

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