

Required Report: Required - Public Distribution

Date: April 09, 2021

Report Number: PA2021-0002

Report Name: Grain and Feed Annual

Country: Paraguay

Post: Buenos Aires

Report Category: Grain and Feed

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Report Highlights:

In marketing year 2020/21, wheat production is forecast up to 1.2 million tons with projected exports of 500,000 tons. Corn production is projected at 3.9 million tons on slightly higher planted acreage with exports up marginally to 2.25 million tons. A record rice production is forecast at 1.2 million tons rough base on increased planted acreage with exports forecast up at 650,000 tons milled base.

Wheat

Wheat production for marketing year (MY) 2021/22 is forecast at 1.2 million metric tons (MT), 26 percent larger than the previous season on higher acreage and yield. Delayed planting of zafrinha soybeans and zafrinha corn in January-March 2021 following a late soybean harvest is expected to reduce total planted area for both crops of between 150-200,000 hectares. This idle area will be available for wheat as a rotation or winter cover crop. The following Table 1 reflects main planted areas for wheat in MY 2020/21:

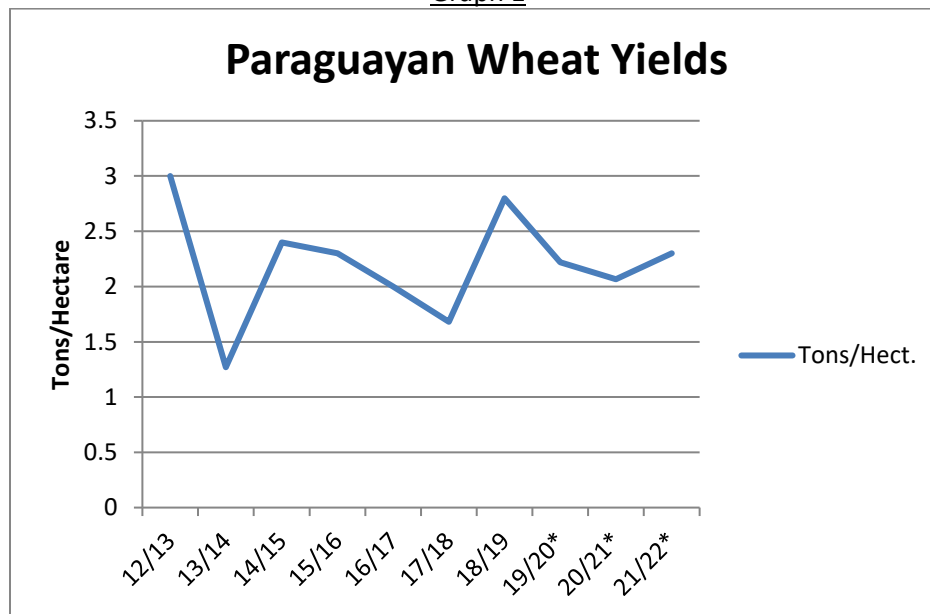
Table 1

Departamento	Hectares	%
Alto Parana	148,737	33.6
Itapua	120,187	27.1
Canindeyu	72,348	16.3
San Pedro	38,776	8.8
Caaguazu	26,714	6.0
Others	36,125	8.1
Total	442,887	

Source: Instituto de Biotecnología Agrícola (INBIO)

Post projects an average yield of 2.3 tons per hectare, higher than last year's crop which suffered unfavorable weather impacts, a not uncommon aspect affecting wheat yields in Paraguay. (See Graph 1) Given current wheat future prices, wheat returns should be favorable despite a rise in input costs.

Graph 1



Source: FAS

* Post estimate/projection

In general, farmers use saved seed to produce what is considered good quality wheat. Nevertheless, the government, with the support of the private sector, is working to elevate seed genetics and farmers' use of improved varieties.

Wheat exports in MY 2021/22 are projected to increase to 500,000 tons, the highest in three years. Consistent with previous trade trends, Brazil is expected to receive over 90 percent of the exports which it uses primarily for blending. Roughly 80 percent of this volume will go within Brazil to the State of Parana, home to more than 20 flour mills, with the balance destined to the nearby States of Santa Catarina and Rio Grande Do Sul. Bolivia, the second major destination, imports smaller volumes.

Paraguay has more than 30 flour mills with a production capacity of 1.25 million tons. Industry contacts report that almost two-thirds of the total flour is produced by mills owned by Mennonite communities. The city of Estigarribia, also called Campo 9, in Caaguazu is the site for roughly 60 percent of the milling capacity followed by Alto Parana with 15 percent. Some mills export flour to Brazil and Bolivia. Paraguay exports 10-30,000 tons of flour a year.

The domestic consumption of wheat in MY 2021/22 is forecast at 730,000 tons, slightly higher than the past two years, but generally consumption is stable over time. In the first half of 2020, pandemic restrictions altered consumption patterns causing retail-size flour sales for household use to jump while demand for industrial-scale use dropped.

Ending stocks for MY 2021/22 are forecast at 138,000 tons, in line with industry expectations. Flour mills usually maintain stocks equal to 2 months use. Most producers do not store wheat, lacking a price advantage and needing storage space for soybeans.

Corn

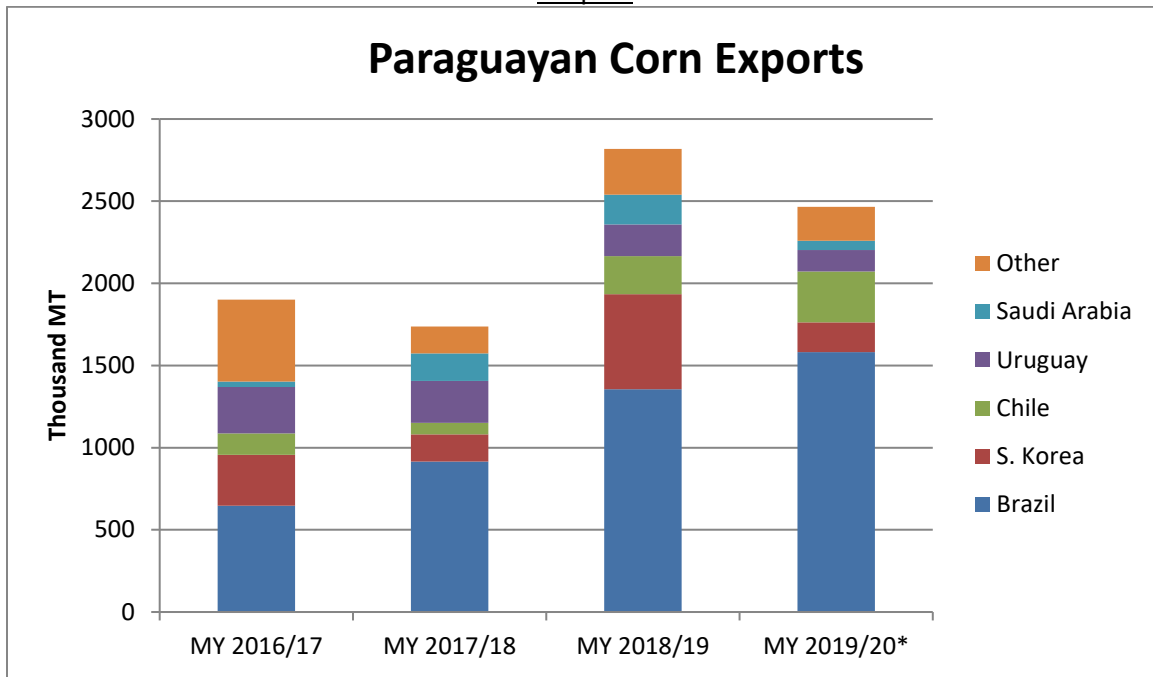
Production in MY 2021/22 (June 2022/May 2023) is projected at 3.9 million tons, a peak since MY 2018/19. Corn area is expected to grow somewhat to 780,000 hectares stimulated by positive returns given current futures prices and its utility as a rotation with soybeans. Expansion is limited, though, by farmers' alternative to plant zafrinha soybeans due to its lower cost and earlier harvest.

Corn yield projections in Paraguay depend on timing as to whether planted early in January-February, immediately after the soybean harvest, or later in February-March following a delayed soybean harvest or weather problem. The use of hybrid seeds sourced from Brazil and normal weather can generate yields of 7-8 tons per hectare. If the planting is delayed, however, many farmers reduce costs with lower-quality seed that only yields 5-6 tons per hectare. No-till farming is widespread but irrigation is less pervasive. Approximately one-third of planted area is in the Department of Alto Parana, followed by Itapua, Canindeyu and Caaguazu. The four Departments account for 85 percent of Paraguay's corn acreage.

Corn production in MY 2020/21 is expected to reach 3.5 million tons but the final volume depends on the weather over the next 2-3 months as planting, completed in mid-March, was later than normal. Delayed planting of the main soybean harvest due to dry conditions in August-September 2020, coupled with wet conditions in January and early February 2021, forced a planting delay for zafrinha soybean and zafrinha corn crops. As a result, any early frost in May-June could severely affect production. Harvest peak in 2021 is expected in late July.

Corn exports in MY 2021/22 are forecast at 2.25 million tons, 12 percent higher than last year on expected larger output. Brazil normally takes 50-60 percent of the total export with 90 percent of the volume in demand by pork and poultry plants in Santa Catarina and Parana States with the balance exported to Rio Grande do Sul State. Other export destinations include South Korea, Uruguay, Chile and Saudi Arabia as shown in Graph 2.

Graph 2



Source: FAS with TDM database

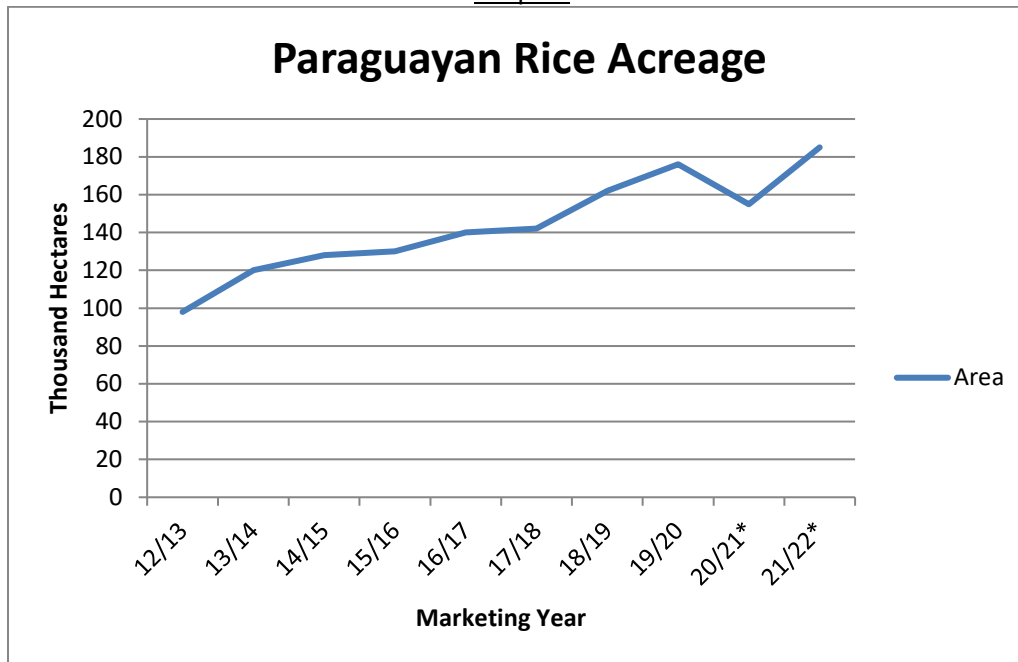
* June 2020 through February 2021

Domestic consumption for MY 2021/22 is forecast at 1.65 million tons, slightly higher than the previous year. Bioethanol production is forecast to require roughly 1 million tons of corn in MY 2021/22. One of Paraguay's larger plants, located near Nueva Esperanza, close to the border with Brazil, is reportedly experiencing difficulties sourcing corn due to strong competition for exports to Brazil. In response, although operating at near full capacity, the plant has recently increased its use of sugarcane as feedstock. Demand for corn in animal feed, projected at 600,000 tons, is roughly half for use by the broiler and pork industries and half for feed plants and feedlots. Approximately 50,000 tons annually are consumed for the production of corn starch, primarily for export.

Rice

Production in MY 2021/22 is forecast at a record 1.2 million tons rough basis on area expansion expected to reach 185,000 hectares (Graph 3). Rice acreage irrigation is sourced from rivers.

Graph 3



Source: FAS

* Post estimate/Projection

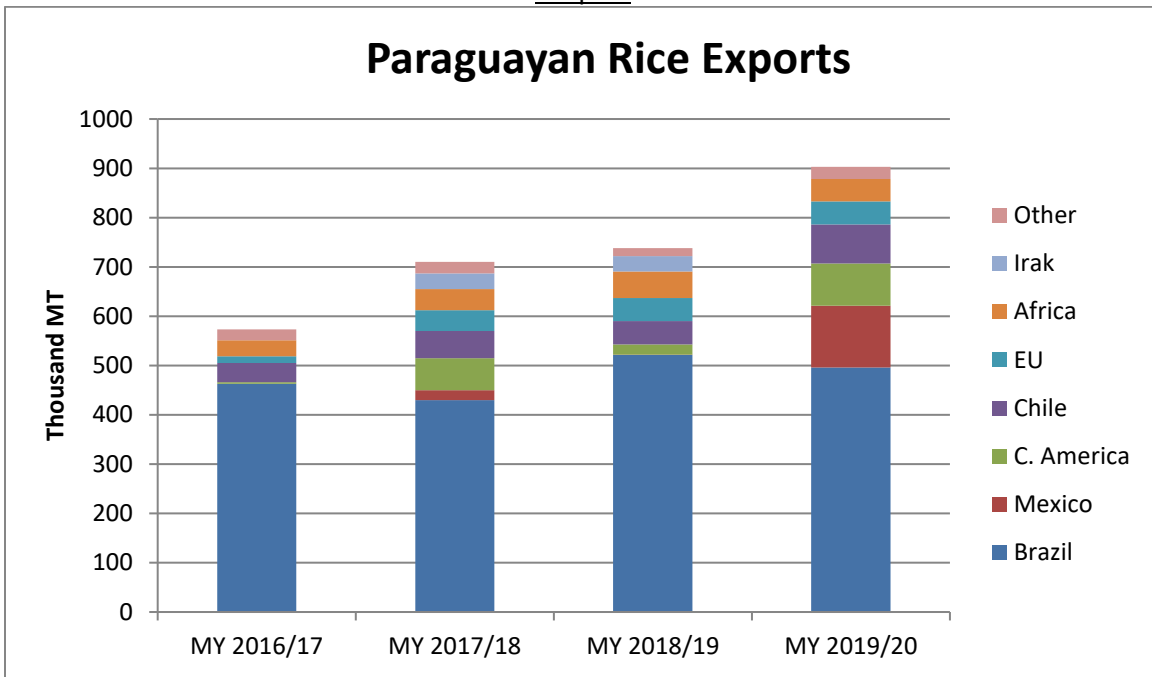
Production in MY 2020/21 is estimated at 919,000 tons, rough basis, smaller than earlier projections. The harvested area is estimated at 155,000 hectares but several thousand more hectares had been projected. The early planted fields yielded 6.5-7.0 tons per hectare while later planted fields are estimated to yield around 5.0 tons per hectare, however, final yields could be somewhat higher. Roughly 50 percent of the area was sown late in December 2020-January 2021 due to dry conditions, especially in the key southwest Tebicuary River area where more than half of the rice is planted.

Planting normally takes place from late July-October, with the harvest starting in late December. The harvest this year will stretch into April-May with most analysts expecting below normal yields.

Following significant investment, rice is now being produced in the semi-arid Bajo Chaco region in western Paraguay, with estimated yields of 9-10 tons of rice per hectare this year. Roughly 10,000 hectares are expected to be in production in this area in MY 2021/22.

Rice exports for MY 2021/22 are forecast at 650,000 tons, milled basis, 25 percent higher than last year due to an expected higher rice exportable surplus. Paraguay exports rice to more than 30 markets, including recently, Cuba. Paraguay exports primarily milled rice, with Brazil the main buyer, followed by Chile, Mexico and Central American countries. Exports of paddy rice are shipped to many of the same export destinations. Brown rice exports ship mostly to Brazil and markets within the EU. Exports of broken rice range between 75-85,000 tons a year, with African countries the main destination, followed by Chile and Brazil. The following Graph 4 shows Paraguayan rice exports, in product weight, by destination:

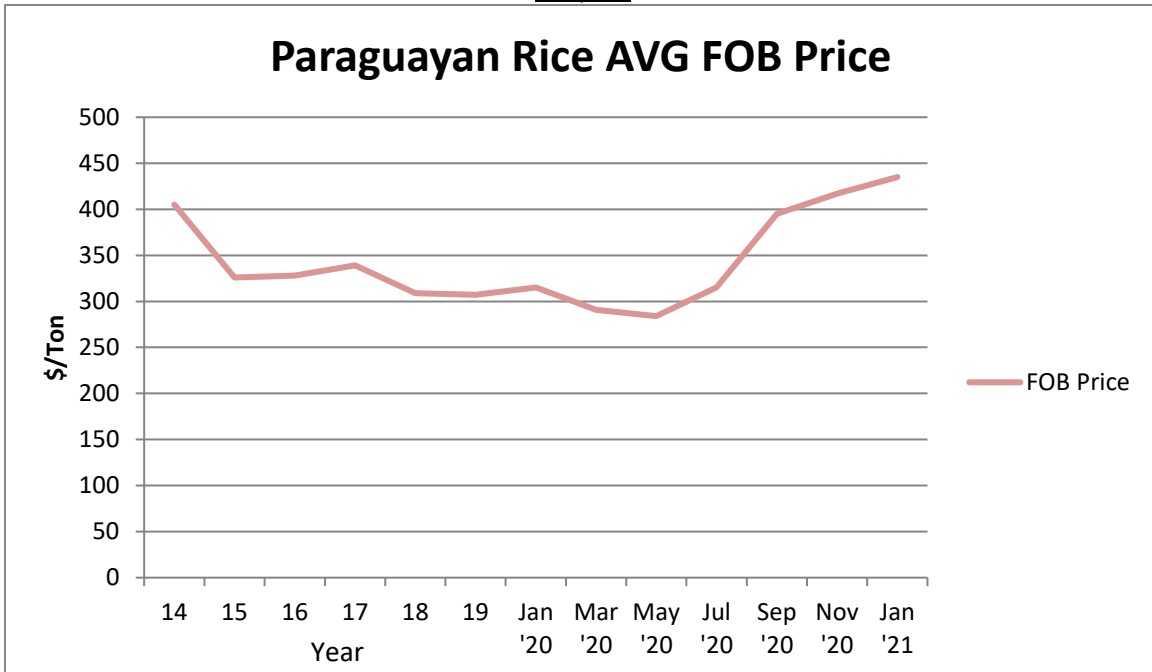
Graph 4



Source: FAS based on TDM, total product weight

Paraguayan average FOB rice prices increased in August 2020 to levels not seen since 2014 as COVID-19 impacts influenced a rise in world rice prices. Analysts expect prices to continue to be on the high side over the next several months which may prompt record planted acreage in MY 2021/22. The following Graph 5 shows the variation of Paraguay's average FOB rice price over the past seven years:

Graph 5



Source: FAS based on TDM

Domestic consumption of rice in MY 2021/22 is forecast at 115,000 tons, unchanged from the previous year. Post estimates consumption at 50,000 tons of milled rice, higher than USDA estimates. Paraguay does not have official data on rice consumption, but industry estimates that demand for human consumption and seed use together range between 180-200,000 tons, rough base, per year.

Ending stocks in MY 2021/22 are forecast up at 57,000 tons milled base, a low level but higher than estimated for the previous two seasons. Contacts indicate that ending stocks in late December 2020 were very low due to a larger-than-normal export demand.

Statistical Tables

Wheat Market Year Begins Paraguay	2019/2020		2020/2021		2021/2022	
	Sep 2019		Sep 2020		Sep 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	430	450	425	440	0	520
Beginning Stocks (1000 MT)	280	280	432	282	0	165
Production (1000 MT)	1100	1000	1000	950	0	1200
MY Imports (1000 MT)	5	5	0	3	0	3
TY Imports (1000 MT)	3	3	0	3	0	3
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	1385	1285	1432	1235	0	1368
MY Exports (1000 MT)	303	303	400	350	0	500
TY Exports (1000 MT)	336	336	400	350	0	500
Feed and Residual (1000 MT)	50	50	50	50	0	50
FSI Consumption (1000 MT)	600	650	600	670	0	680
Total Consumption (1000 MT)	650	700	650	720	0	730
Ending Stocks (1000 MT)	432	282	382	165	0	138
Total Distribution (1000 MT)	1385	1285	1432	1235	0	1368
Yield (MT/HA)	2.5581	2.2222	2.3529	2.1591	0	2.3077
(1000 HA) ,(1000 MT) ,(MT/HA)						
MY = Marketing Year, begins with the month listed at the top of each column						
TY = Trade Year, which for Wheat begins in July for all countries.TY 2021/2022 = July 2021 - June 2022						

Corn Market Year Begins Paraguay	2019/2020		2020/2021		2021/2022	
	Jun 2020		Jun 2021		Jun 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	850	720	825	730	0	780
Beginning Stocks (1000 MT)	1957	1957	977	1157	0	1072
Production (1000 MT)	3500	3500	4200	3500	0	3900
MY Imports (1000 MT)	20	20	15	15	0	16
TY Imports (1000 MT)	16	16	15	15	0	16
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	5477	5477	5192	4672	0	4988
MY Exports (1000 MT)	2400	2600	2400	2000	0	2250
TY Exports (1000 MT)	2081	2081	2500	2000	0	0
Feed and Residual (1000 MT)	900	720	800	550	0	580
FSI Consumption (1000 MT)	1200	1000	1200	1050	0	1070
Total Consumption (1000 MT)	2100	1720	2000	1600	0	1650
Ending Stocks (1000 MT)	977	1157	792	1072	0	1088
Total Distribution (1000 MT)	5477	5477	5192	4672	0	4988
Yield (MT/HA)	4.1176	4.8611	5.0909	4.7945	0	5

(1000 HA) ,(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Corn begins in October for all countries.TY 2021/2022 = October 2021 - September 2022

Rice, Milled Market Year Begins Paraguay	2019/2020		2020/2021		2021/2022	
	Jan 2020		Jan 2021		Jan 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	176	176	175	155	0	185
Beginning Stocks (1000 MT)	154	154	83	33	0	16
Milled Production (1000 MT)	790	790	670	616	0	804
Rough Production (1000 MT)	1179	1179	1000	919	0	1200
Milling Rate (.9999) (1000 MT)	6700	6700	6700	6700	0	6700
MY Imports (1000 MT)	2	2	2	2	0	2
TY Imports (1000 MT)	1	1	2	2	0	2
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	946	946	755	651	0	822
MY Exports (1000 MT)	803	803	620	520	0	650
TY Exports (1000 MT)	803	803	620	520	0	650
Consumption and Residual (1000 MT)	60	110	65	115	0	115
Ending Stocks (1000 MT)	83	33	70	16	0	57
Total Distribution (1000 MT)	946	946	755	651	0	822
Yield (Rough) (MT/HA)	6.6989	6.6989	5.7143	5.929	0	6.4865

(1000 HA) ,(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Rice, Milled begins in January for all countries.TY 2021/2022 = January 2022 - December 2022

Attachments:

No Attachments