

**Required Report:** Required - Public Distribution

**Date:** April 10,2020

**Report Number:** PA2020-0002

## **Report Name:** Oilseeds and Products Annual

**Country:** Paraguay

**Post:** Buenos Aires

**Report Category:** Oilseeds and Products

**Prepared By:** Benjamin Boroughs

**Approved By:** Melinda Meador

### **Report Highlights:**

Paraguay 2020/2021 soybean production is forecast at 10.25 million tons with expected normal yields and a slight expansion in first crop soybeans and rebounded acreage for second crop soybeans. 2019/2020 production is forecast at 10.77 million tons on above average yields in first crop soybeans and reduced planted acreage in second crop soybeans. 2019/2020 soybean exports are forecast at a record 6.67 million tons.

## Production

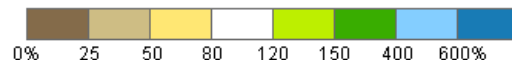
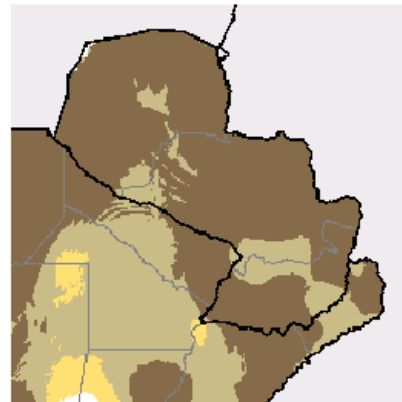
2020/2021

Total production is forecast at 10.25 million tons with average yields returning to trend at 2.88 tons/hectare. Total soybean planted acreage is projected to rebound in 2020/2021 after lower than average second crop (zafrina) soybeans in 2019/20. Total planted acreage is forecast at 3.56 Million Hectares (HA), with 2.91 Million HA of first crop (zafra) soybeans and 0.65 Million HA of zafrina. Growth in zafra acreage is expected to be limited to 11,000 to 17,000 HAs (+0.4% to 0.6%) with perhaps an additional 7,000 to 10,000 HAs being added in the Chaco and another 4,000 to 7,000 HAs around San Pedro, Canindeyu, Caaguazú, and Misiones.

2019/2020

Total soybean production for Paraguay for 2019/20 is forecast at 10.77 Million tons on 3.30 Million HA with higher than average yields of 3.26 tons/HA. Total soybean planted acreage fell in 2019/2020 as drought delayed first crop (zafra) planting in September 2019 and reduced the effective window for planting second crop (zafrina) soybeans in January-February 2020. Zafrina plantings fell to 0.44 Million HA and will yield only 0.67 Million Tons. Despite the initial drought first crop soybeans yielded higher than average, producing 10.1 Million tons on 2.90 Million HA with reports of generally high quality. Zafra harvest is complete and zafrina will begin toward the end of April. In addition to the late planting, a lack of precipitation during February and early March is dragging down yields and quality in Zafrina.

Percent of Normal Precipitation 1-Month (WMO)  
Sep. 1 - 30, 2019 [final]



USDA Foreign Agricultural Service  
Global Market Analysis  
International Production Assessment Division

Source: World Meteorological Organization  
<http://www.nws.noaa.gov/fscs/nwsgtsfs.html>

Possibly due to delayed planting, usual outbreaks of soybean rust were extremely limited this year, allowing for fewer fungicide sprays than normal. Continued spread of glyphosate resistant horseweed (*Conyza bonariensis*) in some localities is raising prices for producers who must use more expensive herbicides to control the weed and is encouraging rotation to corn and wheat in severely affected regions.

2018/2019

Production is revised up slightly to 8.85 Million Tons on latest available data.

## **Consumption**

2020/2021

Crush is forecast to increase to 3.8 Million tons. Total estimated crush capacity for Paraguay is 4.1 million tons. Meal production is forecast at 2.94 million tons up 1.2% over forecast 2019/2020 production. Oil production is forecast at 0.719 million tons, up 1.3% over forecast 2019/2020.

While pork and poultry production has grown in recent years, further growth in domestic soybean consumption outside of industrial processing is limited by Paraguay's location and structure of its livestock industry. Despite some recent investment in large scale production, Paraguay's pork and poultry demand is largely met by small-scale production by smallholder farmers and some imports from Brazil. More large scale pork and poultry production would undermine this key source of income for rural residents. As Paraguay is landlocked it must ship overland to Brazilian ports and competes in export markets with established Brazilian protein producers with shorter supply chains.

2019/2020

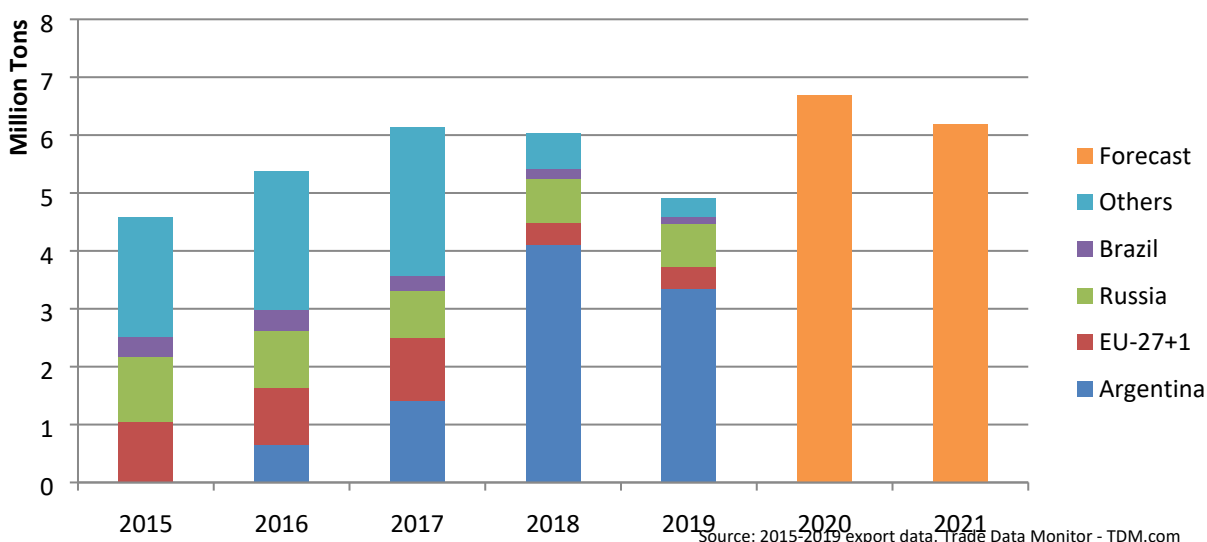
Crush is forecast to recover to 3.75 Million tons, an increase of 150,000 tons or 4.2% from 2018/2019 when low supplies reduced crush volumes. Soy meal production is forecast at 2.91 million tons up 3.75% over 2018/2019. Soy oil production is forecast at 0.710 million tons up 3.6%. Crush margins will be challenged by recent falls in global oil prices which are reducing international prices of soy oil. Higher soy meal prices will be needed to support the complex.

In December 2019 a change in Paraguayan tax law reduced an incentive to crush beans rather than export them, effective January 1st. Previously soybean processors could receive a 50% reimbursement of the agricultural Value Added Tax (VAT) of 5% when the product was exported. On a hypothetical purchase of soybeans worth \$100, the processor would pay a VAT of \$5, but then receive \$2.50 in reimbursement after exporting the resulting soy meal. Now, neither whole beans nor meal or oil will receive a VAT reimbursement on exported products. While this is expected to reduce margins for processors, industry contacts do not expect this to have an immediate impact on Paraguayan soy processing.

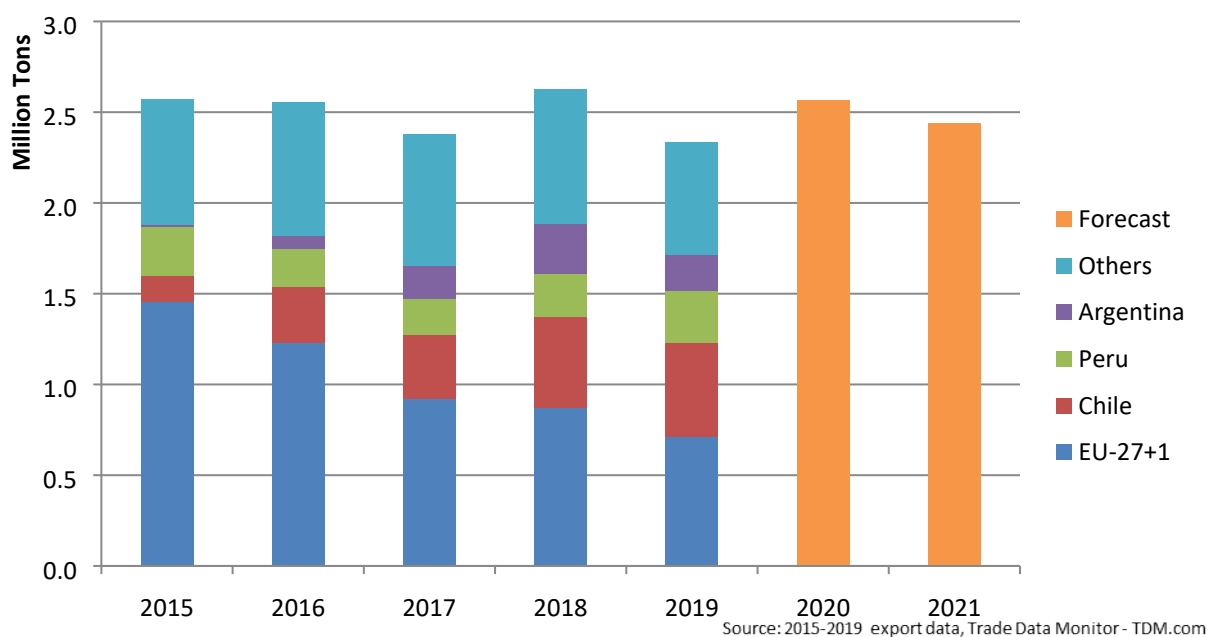
2018/2019

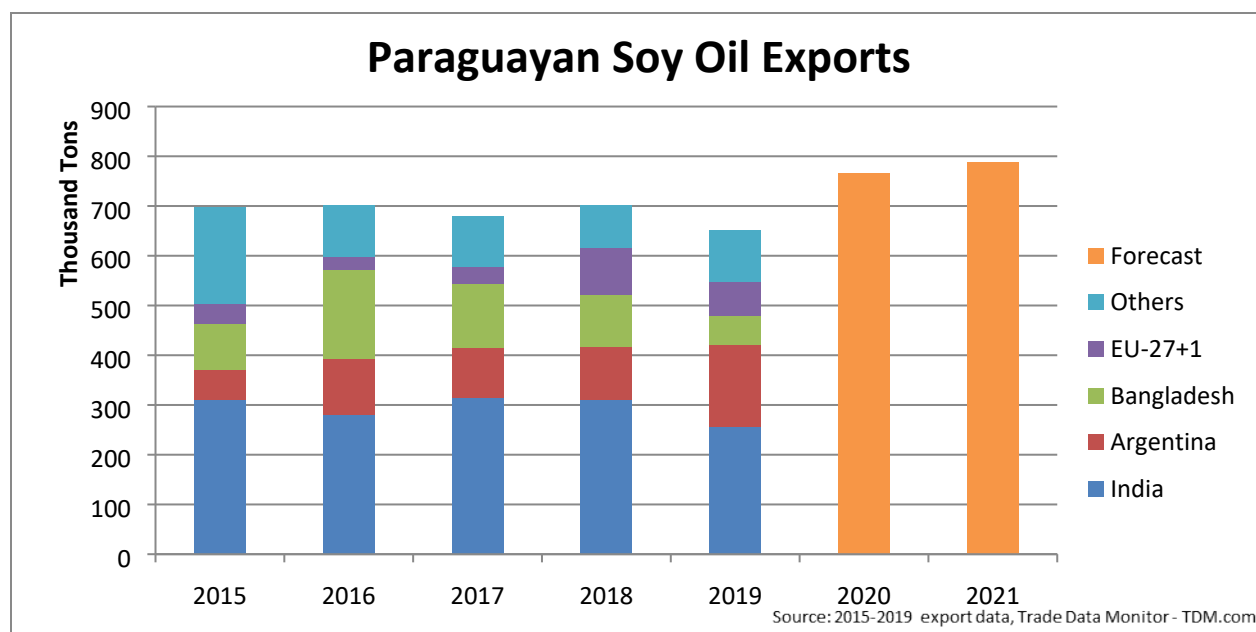
Crush is revised down slightly to 3.6 million tons. Due to reduced supplies, many crush facilities concluded operations earlier in the year than normal.

## Paraguayn Soybean Exports by Destination



## Paraguayan Soymeal Exports





## Trade

### 2020/2021

Exports are forecast at 6.05 Million tons as a return to average yields and increased crush reduces the exportable surplus from forecast 2019/2020 exports. In recent years, Argentina has become the principal destination for whole Paraguayan soybeans and this trend is expected to continue in 2020/2021. The average protein content of Paraguayan soybeans is higher than Argentine beans, and the blending of Paraguayan beans allows Argentine crushers to meet protein specifications of their buyers. Paraguayan beans must be barged down the Paraguay or Parana rivers to ports in Argentina or Uruguay to be loaded into ocean-going vessels.

### 2019/2020

Exports of whole beans are forecast at 6.57 million tons up 25% from low volumes in 2018/2019 as increased production and stable crush volumes leads to a large exportable supply. On farm storage for Paraguayan farmers is extremely limited. Current farmer selling is proceeding at a slower than average pace as farmers attempt to hold out for slightly better prices. Exports to the EU have fallen in recent years, as US beans have become more competitive. Russia continues to be an important buyer of low-quality Paraguayan beans. Argentine demand for Paraguayan beans is likely to be high, as the combined effect of higher export taxes and low prices reduce farmer selling of new crop soybeans in Argentina.

Despite quarantine restrictions related to COVID-19 enacted by the Paraguayan government, no major issues have been reported in harvesting the zafra crop or in transporting it off farm. Processors and exporters are making contingency plans in case coronavirus infections among staff take facilities offline.

Meal and oil exports are forecast at 2.57 million tons and 0.67 million tons respectively, up 10% and 2%. Decreased global demand for oil leads to higher end of year stocks. Exports of soy meal to Chile have

grown in recent years and compensated for declines in exports to the EU as Brazil, Argentina, and the US have taken market share from Paraguay.

Low water levels on the Parana river are expected to slow the pace of exports on this waterway over the next few months. Low rain levels in the Parana river basin may make certain sections of the river impassable. In January the Paraguayan government announced a dredging contract for the section of the Parana river upstream from its convergence with the Paraguay river, however more action may be needed in other sections if dry conditions persist. Approximately 35-40 percent of Paraguayan river barge exports are loaded at facilities on the Parana river and the remainder are loaded on the Paraguay River.

Due to the poor expected quality and small size of the zafrina crop this year, some contacts are reporting that there will be higher demand for imported soybean seed from Brazil.

2018/2019

Exports of whole beans are revised to 4.91 million tons on latest export data. This lower volume of soybean exports (caused by lower production) had a negative effect on the Paraguayan economy in 2019. Economic slowdowns in neighboring Brazil and Argentina combined with the smaller soybean crop has led Paraguay's Central Bank to estimate its 2019 GDP at 0.2% growth. In comparison, Paraguay's GDP growth between 2013-2018 averaged 5.0% annually according to World Bank statistics.

Oilseed, Soybean Market Begin Year Paraguay	2018/2019		2019/2020		2020/2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	3700	3700	3600	3300	0	3560
Area Harvested	3700	3700	3540	3300	0	3560
Beginning Stocks	510	75	500	167	0	215
Production	8850	8800	9900	10770	0	10250
MY Imports	13	13	5	20	0	5
Total Supply	9373	9323	10405	10957	0	10470
MY Exports	4901	4901	5900	6692	0	6190
Crush	3900	3620	3900	3750	0	3800
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	72	200	80	300	0	300
Total Dom. Cons.	3972	3820	3980	4050	0	4100
Ending Stocks	500	167	525	215	0	180
Total Distribution	9373	8888	10405	10942	0	10470
Yield	2.3919	2.3784	2.7966	3.2636	0	2.8792
(1000 HA) ,(1000 MT) ,(MT/HA)						

Meal, Soybean	2018/2019	2019/2020	2020/2021
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(1000 MT) ,(PERCENT)(1000 MT) ,(PERCENT)

**Attachments:**

No Attachments