

Required Report: Required - Public Distribution

Date: April 08, 2021

Report Number: PA2021-0001

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:

2021/2022 Paraguayan soybean production is projected at 10.5 million tons as a return to normal climatic conditions allow for increased second-crop soybean planting. Exports are forecast at 6.5 million tons. 2020/2021 soybean production is lowered to 9.9 million tons as a delayed harvest prevented farmers from planting second-crop soybeans. Crush is reduced to 3.3 million tons as plants received soybeans late and will have fewer operating days in the marketing year. Exports are forecast up at 6.75 million tons due to lowered crush volume.

Production

Marketing Year (MY) 2021/2022

Total soybean planted acreage is projected to rebound in MY 2020/2021 after lower than average planted acreage of second crop (zafrina) soybeans in 2020/21. Total planted acreage is forecast at 3.45 Million Hectares (HA), with 2.89 Million HA of first crop (zafra) soybeans and 0.56 Million HA of zafrina. Total production is forecast at 10.5 million tons. While zafrina acreage is projected to grow 290,000 HA, this growth is from a historically low level of planted acreage in MY 2020/2021. In the last decade, zafrina acreage has been as high as 1 million HA. However, the introduction of better adapted, higher-yielding corn hybrids is attracting acres away the agronomically risky practice of growing soy on soy, and the resulting crop rotation can help break pest cycles. Growth in zafra acreage is expected to be limited to 5,000 HA with growth being split between Chaco and around San Pedro, Canindeyu, Caaguazú, and Misiones.

Very little land suitable for soybean production is available to be converted in the eastern part of the country. While land conversion is ongoing in the Chaco, the attractiveness of this option has waned despite high soybean prices. Local producers in the Chaco are reluctant to convert acres from ranching to crop production because of the high relative risk of crop cultivation in this drier region and the higher recent returns to livestock production. Farmers based primarily in the east of the country are being dissuaded from purchasing land in the Chaco because of the logistical challenges associated with transporting equipment and labor across the country. The primary drivers of conversion at present are investors based in Asuncion who hope to buy ranch or scrubland at low prices and eventually profit by selling their property at higher cropland valuations.

Due to the depreciation of the Brazilian real and the large number of farmers in eastern Paraguay descended from Brazilian immigrants, there is some interest from Paraguayan farmers in purchasing land in Brazil which is reducing the pool of capital available for further land conversion in Paraguay. With higher prices and little capacity to bring more land into production, Paraguayan farmers are expected to invest heavily in crop inputs and new machinery to raise the productivity of the available land. Paraguayan farmers are among the most aggressive in the region in their willingness to adopt new seed technology.

MY 2020/2021

Total soybean production for Paraguay for 2020/21 is forecast at 9.9 Million tons on 3.15 Million HA with average yields of 3.14 tons/HA. Total soybean planted acreage fell in MY 2020/2021, primarily due to timing considerations which prevented many farmers from planting second crop soybeans. Drought delayed first crop (zafra) planting to the latest date in at least 10 years, with the final fields planted in the week of November 7th, and this alone would have affected the second crop. However, the effective planting window for planting second crop (zafrina) soybeans was further cut as heavy rains in January and early February delayed the harvest by as much as 40 days. Zafra planted acres were 2.88 million HA with a production of 9.5 Million tons. Zafrina plantings fell to 0.27 Million HA and are projected to yield only 0.40 Million Tons. The main harvest, though delayed, progressed rapidly with dry conditions in late

February and early March and was completed by the week of March 22nd. In a normal year, the crop matures faster in the south than in the north, allowing for a steady progression of harvesting equipment and transportation across the country. This year, thanks to unusual weather patterns, the crop matured almost simultaneously across the country. This challenged the logistical capacities and raised freight costs. Fields that were initially harvested

reported low test weights and incidence of green seeds. However, as the harvest progressed, quality improved dramatically. One issue of note is the low moisture content in many shipments. Normally Paraguayan soybeans are harvested at 13-14% moisture. However, this year due to delayed timing of the harvest and dry weather in February, many loads were delivered at 8-11% moisture.

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.

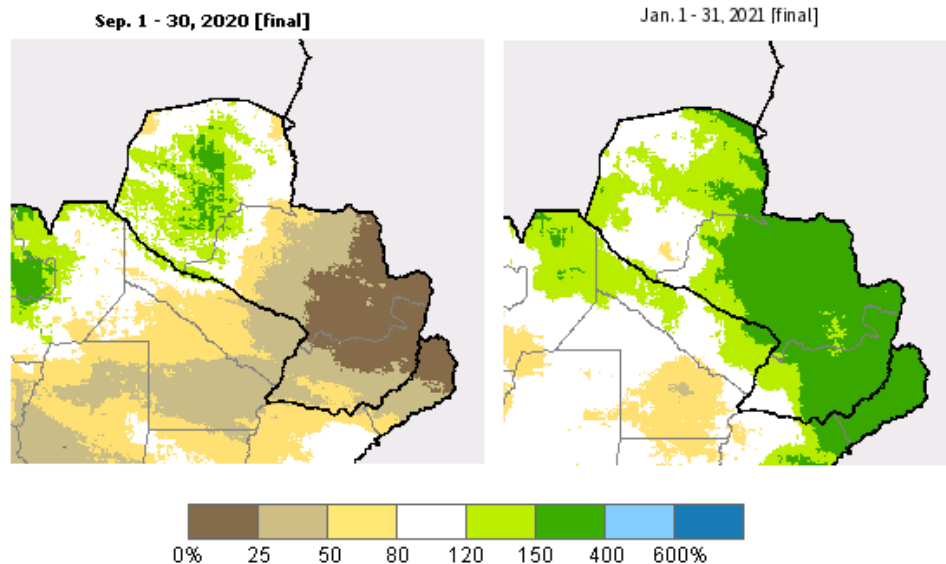
Consumption

MY 2021/2022

Crush is forecast to increase to 3.7 Million tons. Meal production is forecast at 2.73 million tons, up 12% over forecast MY 2020/2021 production. Oil production is forecast at 0.74 million tons, also up 12% over forecast MY 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 the structure of its livestock industry. Despite some recent investment in large scale production, Paraguay's pork and

Percent of Normal Precipitation 1-Month (CHIRPS)



USDA Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

Source: CHIRPS/UCSB
<http://chg.geog.ucsb.edu/data/chirps>

A lack of rain in September 2020 and excessive rain in January 2021 disrupted normal planting and harvest schedules in Paraguay.

poultry demand is largely met by small-scale production 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 compete in export markets with established Brazilian protein producers with shorter supply chains.

A large renewable diesel plant has been proposed under the name Omega Green. Omega Green is a project of ECB Group, a Brazilian company. According to a [recent press release](#) by the Ministry of Foreign Relations, Omega Green has signed an agreement with BP to supply 1 billion liters of advanced biofuels by 2024. The plant, which is to be located in Villeta, south of Asuncion is planned to have a daily capacity of 20,000 barrels and, if realized, would consume a significant portion of Paraguay's soybean oil production.

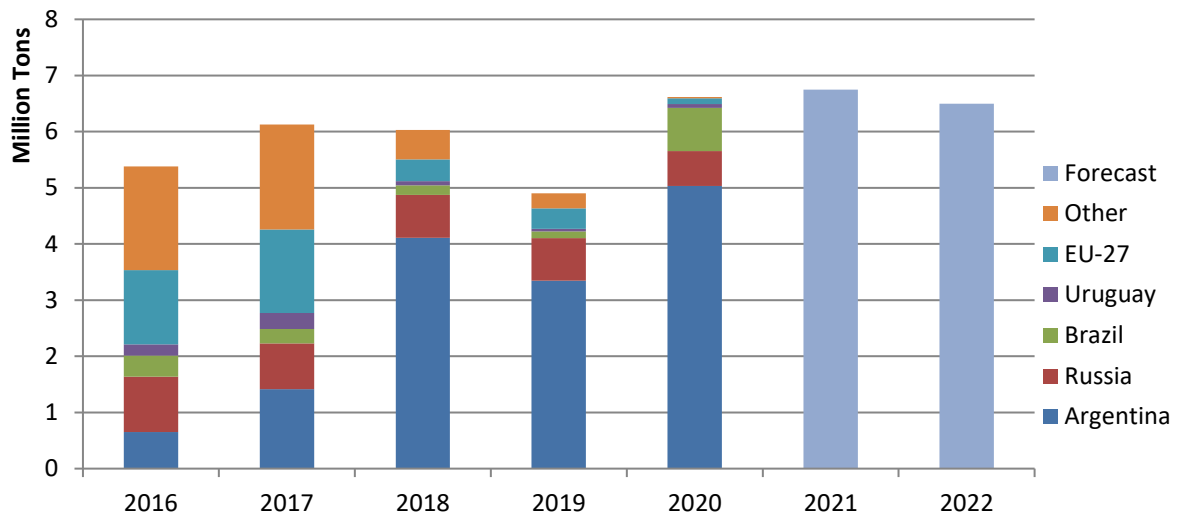
MY 2020/2021

Crush is forecast at 3.3 Million tons, a decrease of 200,000 tons or 5.7% from MY 2019/2020. This reduced crush volume is due to the delay in the soybean harvest which prevented crushing facilities from operating for most of the first two months of the year. Given high demand for whole Paraguayan soybeans and the limited capacity to accelerate production, Post does not anticipate the domestic crushing industry will recoup time lost in January and February. Soy meal production is forecast at 2.43 million tons down 5.8% from revised 2019/2020 on lower crush volume. Similarly soy oil production is forecast down at 0.66 million tons. Despite rising cases of COVID-19, no major issues have been reported in harvesting or transporting the zafra crop. Processors and exporters have implemented protocols to limit the spread of the disease and contingency plans in case coronavirus infections among staff take facilities offline.

MY 2019/2020

Crush is revised down slightly to 3.5 million tons matching USDA official. After consultation with industry contacts, Post has revised its estimate of the meal extraction rate down to 73.5% and the oils extraction rate up to 20%. Thus, production of soy meal has been revised downward and oil production revised upward. This change is reflected in forward-looking estimates. Paraguay markets much of its soymeal as high-protein and the meal extraction rate has declined over time as the industry focused on meeting these standards. Total estimated crush capacity for Paraguay is 4.1 million tons.

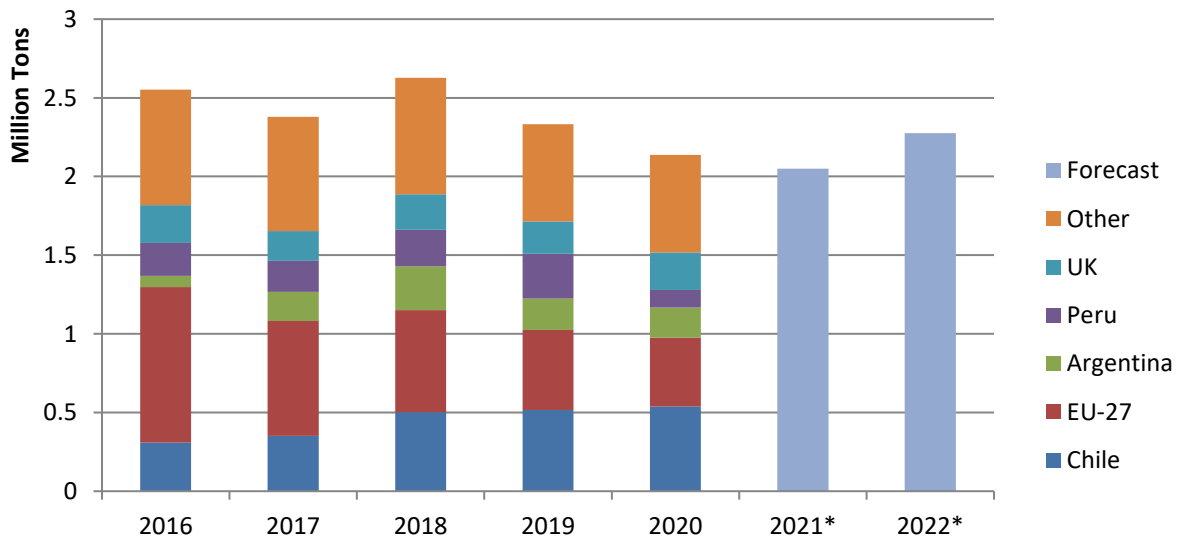
Paraguay Soybean Export Destinations



Source: TDM 2016-2020

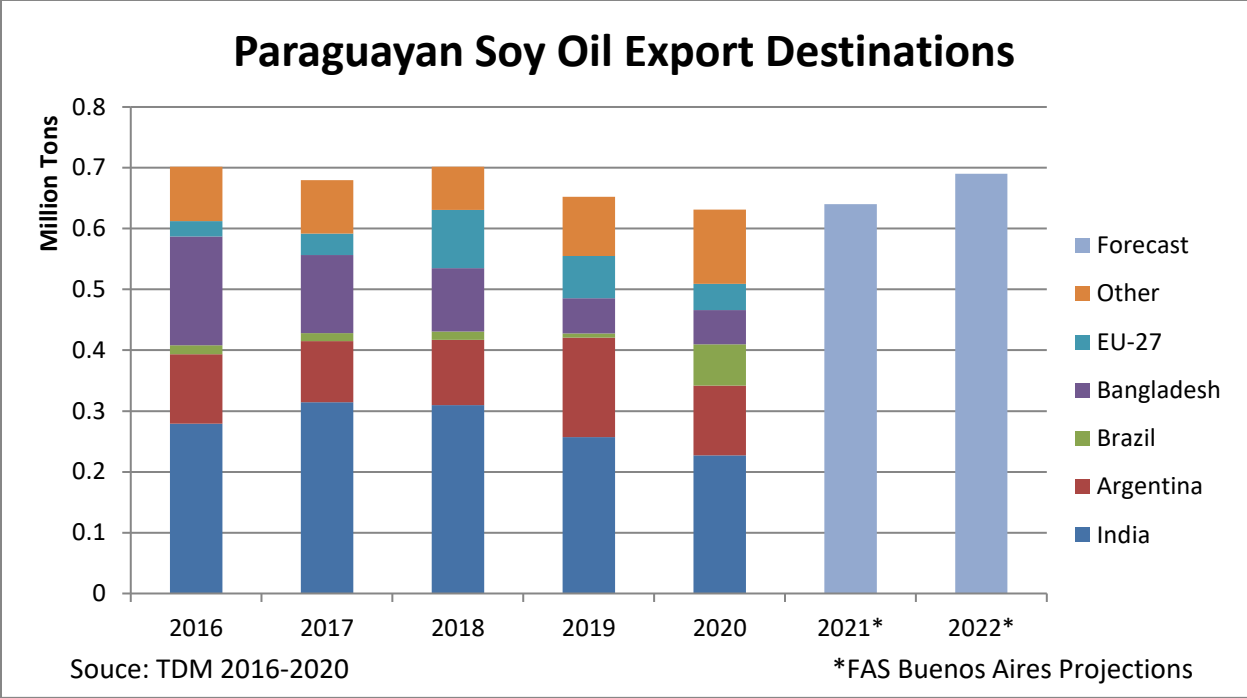
*FAS Buenos Aires Projections

Paraguay Soy Meal Exports Destinations



Source: TDM 2016-2020

*FAS Buenos Aires Projections



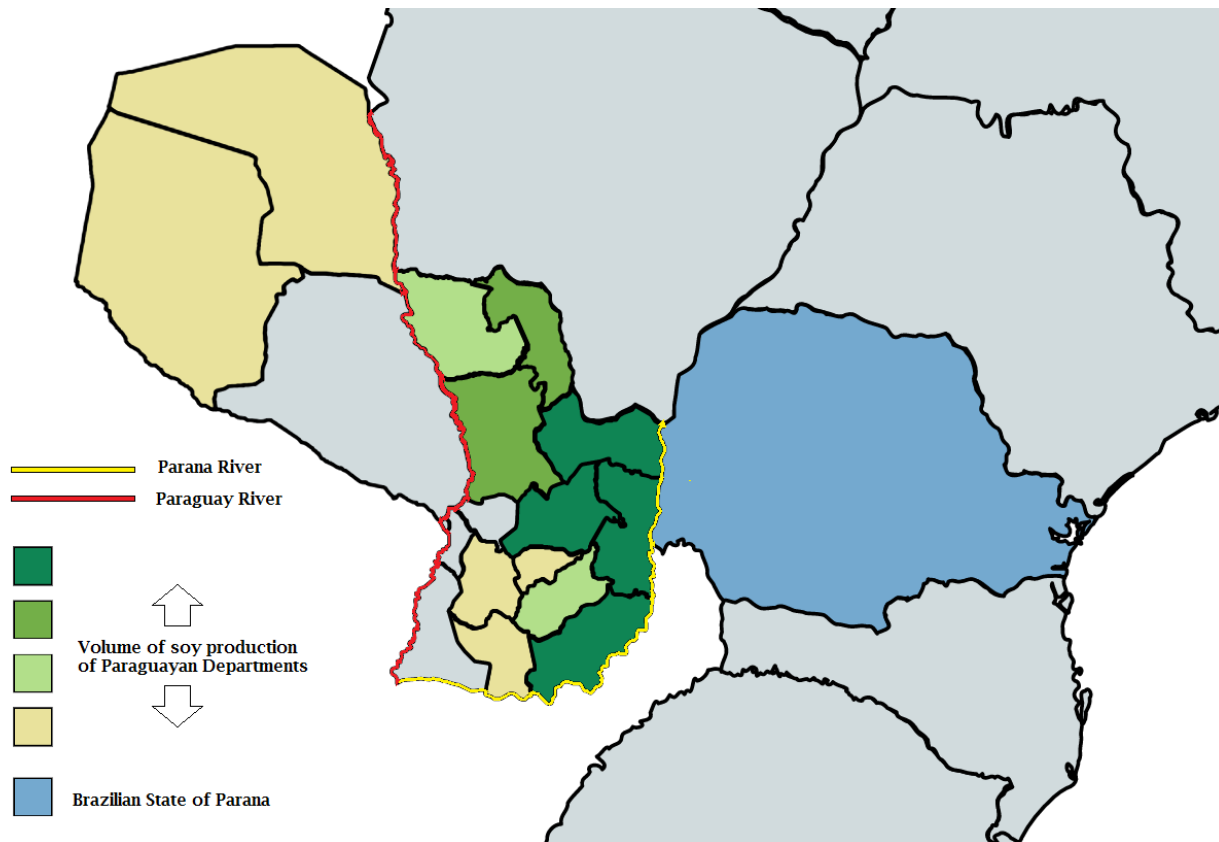
Trade

MY 2021/2022

Soybean exports are forecast at 6.5 Million tons, down 250,000 tons from 2020/2021 despite higher projected production. A return to normal zafrá harvest timing is expected to give crushers more operating days to increase crush, thus reducing the exportable surplus. In recent years, Argentina has become the principal destination for whole Paraguayan soybeans and this trend is expected to continue in MY 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 the 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.

MY 2020/2021

Exports of whole beans are forecast at 6.75 million tons, up 2% from MY 2019/2020 as a reduced crush volume leads to a larger exportable supply. Exports to the EU have fallen in recent years, as U.S. beans have become more competitive, but this trend could reverse as more U.S. beans flow to China. Russia continues to be an important buyer of lower-quality Paraguayan beans. Argentine demand for Paraguayan beans is likely to be in the range of 4-4.5 million tons, as farmer selling of new crop soybeans in Argentina is expected to slow after July 2021. Exports to Brazil are expected to continue to be strong, in the range of 600,000-900,000 tons. While exports to Brazil in 2019/2020 were largely driven by scarcity of Brazilian soybeans, feed mills and crushers in the Brazilian state of Parana are reportedly eager to continue importing Paraguayan beans in recognition of their quality and favorable



logistics. Outside of the busy harvest season, freight rates for Paraguayan truckers are competitive versus Brazilian truckers and Mercosur rules allow soybeans to cross the border easily and tariff free. The economics of trucking have been improved due to low water levels in the Parana River. When water levels on the Parana River are normal, soybeans grown in eastern Paraguay can be loaded onto barges on the Parana and shipped downriver. However, when low water levels make these shipments impossible or uneconomical, trucking soybeans to Brazil can make more sense than shipping overland to ports on the Paraguay River. Despite rains across the region which have raised water levels near the Argentine port complex in Gran Rosario, the river basin that feeds the portion of the Parana River that borders Paraguay has seen less rain, and dam operators in Brazil have sought to retain more water in reservoirs. Thus, low water levels continue to affect port operations on the Parana River in Paraguay.

Meal exports are forecast at 2.05 million tons, down 4% on smaller crush. Oil exports are forecast at 0.64 million tons up 1%, despite the smaller crush. Current high oil prices (which have diverged from meal prices) will encourage a rapid pace of exports. 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.

MY 2019/2020

Exports of whole beans are revised to 6.62 million tons on latest export data. Demand from Brazil was higher than anticipated: Brazil surpassed Russia to become the second largest destination. Demand was driven by Brazil's aggressive export program which resulted in low stocks and left domestic users of soybeans scrambling to secure supplies and led them to pay higher prices for imported soybeans. Meal and oil exports are similarly adjusted to 2.14 million tons and 0.63 million tons respectively, matching USDA official. Brazil also imported a higher than average volume of soy oil to meet domestic needs, making Brazil the third largest destination for oil.

Low water levels on Paraguay's two main waterways complicated river barge exports in 2020. Very low rain levels in the Parana River basin made certain sections of the river impassable. Normally, 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. However in 2020, exporters found it necessary to transport soybeans from storage and processing facilities on the Parana River to ports on the Paraguay River. In addition to being fed by different drainage basins, the Paraguay River has more stretches of sandy bottom which facilitates dredging operations. Nevertheless, even barges on the Paraguay River had to be loaded 20-30% less to clear certain low points in the river. While the Paraguayan government took a series of actions including several dredging projects and negotiated the release of water from Itaipu Dam, exporters are asking the government to further improve navigability especially across certain chokepoints and support new tolls to fund the improvements.

Oilseed, Soybean 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 Planted (1000 HA)	3600	3300	3675	3150	0	3450
Area Harvested (1000 HA)	3540	3300	3650	3150	0	3450
Beginning Stocks (1000 MT)	1059	1059	650	750	0	308
Production (1000 MT)	9900	10100	10200	9900	0	10500
MY Imports (1000 MT)	10	10	8	8	0	8
Total Supply (1000 MT)	10969	11169	10858	10658	0	10816
MY Exports (1000 MT)	6619	6619	6500	6750	0	6500
Crush (1000 MT)	3500	3500	3700	3300	0	3700
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	200	300	200	300	0	300
Total Dom. Cons. (1000 MT)	3700	3800	3900	3600	0	4000
Ending Stocks (1000 MT)	650	750	458	308	0	316
Total Distribution (1000 MT)	10969	11169	10858	10658	0	10816
Yield (MT/HA)	2.7966	3.0606	2.7945	3.1429	0	3.0434

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

Meal, Soybean 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
Crush (1000 MT)	3500	3500	3700	3300	0	3700
Extr. Rate, 999.9999 (PERCENT)	0.7857	0.7357	0.7851	0.7348	0	0.7365
Beginning Stocks (1000 MT)	380	380	392	317	0	182
Production (1000 MT)	2750	2575	2905	2425	0	2725
MY Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	3130	2955	3297	2742	0	2907
MY Exports (1000 MT)	2138	2138	2400	2050	0	2275
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	600	500	600	510	0	520
Total Dom. Cons. (1000 MT)	600	500	600	510	0	520
Ending Stocks (1000 MT)	392	317	297	182	0	112
Total Distribution (1000 MT)	3130	2955	3297	2742	0	2907
(1000 MT) ,(PERCENT)						

Oil, Soybean 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
Crush (1000 MT)	3500	3500	3700	3300	0	3700
Extr. Rate, 999.9999 (PERCENT)	0.1857	0.2	0.1857	0.2	0	0.2
Beginning Stocks (1000 MT)	38	38	12	59	0	23
Production (1000 MT)	650	700	687	660	0	740
MY Imports (1000 MT)	9	6	8	0	0	0
Total Supply (1000 MT)	697	744	707	719	0	763
MY Exports (1000 MT)	631	631	640	640	0	690
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	54	54	56	56	0	58
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	54	54	56	56	0	58
Ending Stocks (1000 MT)	12	59	11	23	0	15
Total Distribution (1000 MT)	697	744	707	719	0	763
(1000 MT) ,(PERCENT)						

Attachments:

No Attachments