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## Paraguay

## Oilseeds and Products

## Annual

## 2000

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### Report Highlights:

Although early drought dimmed prospects for the 1999/2000 season, later rainfall and stable planted area will result in Paraguay's second largest soybean crop. Most soybeans will be exported as seed, given scarce domestic demand for oilseed products and low processing margins. With better output prices, soybean area and production should increase slightly in 2000/2001. Greater support for the cotton industry will push cottonseed output upward as well. In contrast, low oil prices will reduce sunflowerseed area for next season. After the government restricted planting of GMO soybeans for the current harvest, the sector continues to struggle with the issue.

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## Executive Summary

The outlook at planting time for the 1999/2000 soybean crop in Paraguay was poor, characterized by dry weather and high temperatures, low output prices on the world markets that this country depends upon, and a lack of viable financing sources for productive inputs, a critical factor in output determination. But, as oilseeds remain the most profitable, and in some cases only suitable, option for many farmers, seeded area ultimately arrived to the levels of the 1998/1999 season. This factor, coupled with better than expected yields after rain in January broke the drought, raised output to the second highest level in history.

The domestic market for oilseed products in Paraguay is small, and thus most soybeans are exported as seed; only about 20-30 percent are processed internally by crushers and most of the resulting products are exported. Over recent years, Paraguay has contributed about 2.0-2.5 million metric tons (mmt) of soybean seed to world commerce, and lesser amounts of meal and oil.

Cottonseed output in 1999/2000 is greater than in the previous season, as the cotton industry enjoyed a rebound in output due to increased government support for the industry. Most of the seed output is crushed locally, with the meal exported and the oil used for domestic consumption, as this later product is favored by the local market for food use.

Sunflowerseed production represents only a minor share of total oilseed production, but output had increased in recent years after finding a market in Brazil. However, in 1999/2000 this commodity was impacted by low international prices for products and seed, causing a reduction in area. The domestic market, through the crushing industry, takes most of the product, and the meal and oil are used both for local consumption (often mixed with other vegetable oils in consumer products) and export.

With higher output prices for soybeans expected to hold through the year, incentives will be greater for soybean planting for the next season, and area will hold stable or could increase slightly. Input use could expand as well, supporting yields. Analysts expect a continued recovery in cotton output next year which should increase the supply of seed available locally. The opposite is expected for sunflowerseed; as world prices are poor for sunflowerseed oil and meal, land dedicated to this crop is expected to shrink.

Post forecasts output for soybeans at 3.0 mmt, sunflowerseed at 30,000 metric tons and cottonseed at 175,000 metric tons for the 2000/2001 year.

## I. Situation and Outlook

### Situation During 1999/2000

As in past years, soybeans this season continued to be the most important source of foreign exchange earnings for the economy. As the current crop's planting season began in late 1999, world seed and product prices were relatively low and the outlook for their increase dim in the short term. As an additional negative factor, farmers were already loaded down with debt, a situation brought about in part by disastrous results from the companion wheat crop harvested earlier that year. For that reason, they petitioned the government to provide monetary assistance through the central bank, and

in some cases mounted protests to achieve that end. In the end, only an insignificant sum was granted to a few farmers with restrictions placed on how the funds would be distributed and how much each farmer could obtain. Therefore, most producers ultimately financed the crop through their own savings or as a loan against production through their input supplier or processor. Further, early season drought reduced yield prospects. Despite these negatives, the crop's ability to withstand such conditions until more favorable rainfall fell during the January flowering period, the crop will only be slightly down on the previous season's record.

By government resolution (promulgated in late 1999), planting of GMO soybeans was prohibited for the current season in order to avoid rejection of Paraguayan product in some of its key export markets. According to the resolution, producers were obligated to deliver any transgenic planting seed to specified silos for processing, thereby preventing its sale as seed to markets which officially prohibit biotechnology. However, only a small amount (about 5,000 tons of the estimated 15,000 metric tons) was reportedly delivered in compliance of those provisions. Further, the Ministry of Agriculture, which was charged administering with resolution, didn't have the means to do widespread testing. For these reasons, about 5-8 percent of the crop now being harvested is said to contain modified seed, with the production located mostly in the southern portion of the belt. The resolution to stop GMO planting is now said to be without effect (it applied only to the current season's planting), but it, or a similar rule, could be developed for next year. Within both the public and private sector, this issue is being debated and remains to be resolved.

### **Trade Patterns**

With the harvest nearly complete and the export season underway, over 800,000 metric tons of soybeans have been exported in the current local year, with most shipments made by river to Brazil. Of the over 2.0 million tons expected to be exported in the current local market year, industry analysts believe that about 1.0 mmt will go to Argentina/Uruguay, while another 1.0 mmt or more should end up in Brazil. Paraguayan soybeans have a higher than average oil content, which makes them valuable for Argentine crushers. This advantage in combination with improved river transportation between the two countries, has resulted in increased shipments to that destination over the last few years.

### **Outlook for 2000/2001**

For 2000/2001, production prospects are good, given better seed varieties coming from Brazil and the somewhat stronger financial conditions currently enjoyed by many farmers as they begin to sell their beans into stronger markets. Regarding next year, better output values (around \$150 per ton to the farmer according to recent market reports) that the industry now enjoys are sufficiently high to act as a production incentive, and thereby to push output in the next crop year slightly upwards from this year's level. Yields could increase with greater investment that analysts expect with better output prices, and that component of output is expected to drive production increases as suitable new area for this crop is limited and costly to develop. Although Paraguay has sufficient latent processing capacity to add value to its entire oilseed crop, it lacks a strong internal market to absorb the resultant products. Further, high transport costs for meal and oil, given greater distances to world markets, are another disincentive for crushers. Therefore, seed exports will likely remain at least at their common 70 percent or more of domestic production.

Wheat producers have also been asking for government assistance to finance next year's crop. The amount that they are asking for is substantial, and the industry estimates that if put into effect, an additional 50-100,000 hectares could be cultivated for this crop which could then carry over into second crop soybeans. As of this writing, the subsidies have not been granted, despite the fast approaching optimal planting date, and prospects are not favorable either, given short

government funds.

For sunflowerseed, the latest financial results are poor, and production area should fall from some 50,000 hectares this year towards about 20,000 hectares in the next season. Apart from the new markets that have opened in Brazil, the main advantage of this crop is that it improves cash flow in the early part of the year, improving the farmer's balance sheet. Overall, though, it is not very well adapted to Paraguay's harsher production conditions.

Cotton production is expected to increase in the next marketing year, due to expanded government support. If this holds true, cottonseed for processing should increase as well. This will boost the export of cottonseed meal, and provide more oil for the domestic market. For more information on the expectations for this industry, please see GAIN report PA0005.

### **Technology**

Paraguayan farmers use modern production methods to grow their crop. For the 2000/2001 year, technology employed by farmers, including production inputs and machinery, is forecast to expand because of the currently better soybean prices and the expectation that they will continue to be favorable throughout the year. With the greater more cash injections into the sector due to the currently better prices, more machinery is already said to have been purchased.

The great unknown at this time is whether or not GMO soybeans will be approved for planting in 2000/2001. As the current law prohibiting their use is said to now be out of effect (it only applied to planting for the current season), it may be possible to legally introduce this input in the next season. However, industry sources note that the law could again be promulgated for the next season. Much debate is now taking place on this issue.

### **Policy**

There was no real government assistance to farmers in the current year, apart from some funds granted to a few farmers, and none is expected for the 2000/2001 crop. Paraguay's market system is open, and no export taxes are applied nor import charges levied, except for those common rates for Mercosur of about 11 percent for seed, 9 percent for vegetable meals and 13 percent for vegetable oils. Paraguay has a trade agreement with a member of the Andean Pact (Peru) for which it receives favorable import tariff rates, resulting in a price advantage of \$10-15 per ton versus other origins.

## II. Statistical Tables

**Table 1. Soybean Supply and Demand**

PSD Table						
Country	Paraguay					
Commodity	Oilseed, Soybean				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		03/1999		03/2000		03/2001
Area Planted	1250	1200	1200	1200	0	1250
Area Harvested	1200	1200	1100	1150	0	1200
Beginning Stocks	0	14	0	14	0	14
Production	3000	3000	2500	2900	0	3000
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	3000	3014	2500	2914	0	3014
MY Exports	2400	2300	2000	2200	0	2300
MY Exp. to the EC	700	700	700	700	0	700
Crush Dom. Consumption	500	650	400	650	0	650
Food Use Dom. Consump.	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cn.	100	50	100	50	0	50
TOTAL Dom. Consumption	600	700	500	700	0	700
Ending Stocks	0	14	0	14	0	14
TOTAL DISTRIBUTION	3000	3014	2500	2914	0	3014
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	2000	2066	0	2154	0	2200
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

**Table 2. Soybean Exports**

Export Trade Matrix			
Country	Paraguay		
Commodity	Oilseed, Soybean		
Time period	Jan-Dec	Units:	mt
Exports for:	1998		1999
U.S.	167	U.S.	261
Others		Others	
Argentina	378	Argentina	215
Brazil	407	Brazil	667
Uruguay	157	Uruguay	56
Holland	862	Holland	515
United Kingdom	0	United Kingdom	115
Total for Others	1804		1568
Others not Listed	95		325
Grand Total	2066		2154

**Table 3. Soybean Meal Supply and Demand**

PSD Table						
Country	Paraguay					
Commodity	Meal, Soybean				(1000 MT)(PERC ENT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		03/1999		03/2000		03/2001
Crush	500	650	400	650	0	650
Extr. Rate, 999.9999	0.79	0.784615	0.79	0.784615	ERR	0.784615
Beginning Stocks	0	0	0	0	0	0
Production	395	510	316	510	0	510
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	395	510	316	510	0	510
MY Exports	310	410	231	410	0	400
MY Exp. to the EC	200	200	200	200	0	200
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	85	100	85	100	0	100
TOTAL Dom. Consumption	85	100	85	100	0	100
Ending Stocks	0	0	0	0	0	10
TOTAL DISTRIBUTION	395	510	316	510	0	510
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	400	394	0	325	0	400
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

**Table 4. Soybean Meal Supply and Demand**

Export Trade Matrix			
Country	Paraguay		
Commodity	Meal, Soybean		
Time period	Jan-Dec	Units:	mt
Exports for:	1998		1999
U.S.	0	U.S.	0
Others		Others	
Argentina	46	Argentina	43
Brazil	123	Brazil	46
Uruguay	61	Uruguay	50
Total for Others	230		139
Others not Listed	164		184
Grand Total	394		323

**Table 5. Soybean Oil Supply and Demand**

PSD Table						
Country	Paraguay					
Commodity	Oil, Soybean				(1000 MT)(PERC ENT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		03/1999		03/2000		03/2001
Crush	500	650	400	650	0	650
Extr. Rate, 999.9999	0.2	0.189231	0.2	0.189231	ERR	0.192308
Beginning Stocks	6	6	6	4	3	4
Production	100	123	80	123	0	125
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	106	129	86	127	3	129
MY Exports	65	90	55	90	0	90
MY Exp. to the EC	5	5	5	5	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	35	35	28	33	0	35
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	35	35	28	33	0	35
Ending Stocks	6	4	3	4	0	4
TOTAL DISTRIBUTION	106	129	86	127	0	129
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	65	98	65	100	0	100
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

**Table 6. Sunflowerseed Supply and Demand**

PSD Table						
Country	Paraguay					
Commodity	Oilseed, Sunflowerseed				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		04/1999		04/2000		04/2001
Area Planted	60	60	50	50	0	20
Area Harvested	60	60	50	50	0	20
Beginning Stocks	0	0	0	0	0	0
Production	95	95	75	75	0	30
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	95	95	75	75	0	30
MY Exports	10	10	10	10	0	10
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	75	75	65	65	0	20
Food Use Dom. Consump.	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cn.	10	10	0	0	0	0
TOTAL Dom. Consumption	85	85	65	65	0	20
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	95	95	75	75	0	30
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	2	0	10	0	10
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

**Table 7. Sunflowerseed Meal Supply and Demand**

PSD Table						
Country	Paraguay					
Commodity	Meal, Sunflowerseed				(1000 MT)(PERCENT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		04/1999		04/2000		04/2001
Crush	75	75	65	65	0	20
Extr. Rate, 999.9999	0.413333	0.426667	0.415385	0.415385	ERR	0.4
Beginning Stocks	0	0	0	0	0	0
Production	31	32	27	27	0	8
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	31	32	27	27	0	8
MY Exports	0	10	0	10	0	5
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	31	22	27	17	0	3
TOTAL Dom. Consumption	31	22	27	17	0	3
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	31	32	27	27	0	8
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	10	0	12	0	5
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

**Table 8. Sunflowerseed Meal Exports**

Export Trade Matrix			
Country	Paraguay		
Commodity	Meal, Sunflowerseed		
Time period	Jan-Dec	Units:	mt
Exports for:	1998		1999
U.S.		U.S.	
Others		Others	
Argentina	9	Argentina	0
Brazil	0	Brazil	4
Total for Others	9		4
Others not Listed	1		8
Grand Total	10		12

**Table 9. Sunflowerseed Oil Supply and Demand**

PSD Table						
Country	Paraguay					
Commodity	Oil, Sunflowerseed				(1000 MT)(PERCENT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		04/1999		04/2000		04/2001
Crush	75	75	65	65	0	20
Extr. Rate, 999.9999	0.426667	0.346667	0.430769	0.353846	ERR	0.4
Beginning Stocks	0	0	0	0	0	0
Production	32	26	28	23	0	8
MY Imports	2	2	2	2	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	34	28	30	25	0	8
MY Exports	5	5	5	5	0	3
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	29	23	25	20	0	5
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	29	23	25	20	0	5
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	34	28	30	25	0	8
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	6	0	10	0	5
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

**Table 10. Cottonseed Supply and Demand**

PSD Table						
Country	Paraguay					
Commodity	Oilseed, Cottonseed				(1000 HA)(1000 MT)(RATIO)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		03/1999		03/2000		03/2001
Area Planted (COTTON)	140	140	200	200	0	250
Area Harvested(COTTON)	140	140	175	195	0	250
Seed to Lint Ratio	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	100	77	110	121	0	175
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	100	77	110	121	0	175
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	90	67	100	111	0	165
Food Use Dom. Consump.	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cm.	10	10	10	10	0	10
TOTAL Dom. Consumption	100	77	110	121	0	175
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	100	77	110	121	0	175
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

**Table 11. Cottonseed Meal Supply and Demand**

PSD Table						
Country	Paraguay					
Commodity	Meal, Cottonseed				(1000 MT)(PERC ENT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		03/1999		03/2000		03/2001
Crush	90	67	100	111	0	165
Extr. Rate, 999.9999	0.477778	0.477612	0.48	0.495495	ERR	0.478788
Beginning Stocks	0	0	0	0	0	0
Production	43	32	48	55	0	79
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	43	32	48	55	0	79
MY Exports	18	10	20	20	0	50
MY Exp. to the EC	15	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	25	22	28	35	0	29
TOTAL Dom. Consumption	25	22	28	35	0	29
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	43	32	48	55	0	79
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	20	12	1	15	0	20
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

**Table 12. Cottonseed Meal Exports**

Export Trade Matrix			
Country	Paraguay		
Commodity	Meal, Cottonseed		
Time period	Jan-Dec	Units:	mt
Exports for:	1998		1999
U.S.		U.S.	
Others		Others	
Argentina	5	Argentina	8
Brazil	4	Brazil	6
Total for Others	9		14
Others not Listed	3		1
Grand Total	12		15

**Table 13. Cottonseed Oil Supply and Demand**

PSD Table						
Country	Paraguay					
Commodity	Oil, Cottonseed				(1000 MT)(PERC ENT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		03/1999		03/2000		03/2001
Crush	90	67	100	111	0	165
Extr. Rate, 999.9999	0.166667	0.179104	0.16	0.162162	ERR	0.181818
Beginning Stocks	0	0	0	0	0	0
Production	15	12	16	18	0	30
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	15	12	16	18	0	30
MY Exports	2	2	2	2	0	2
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	13	10	14	16	0	28
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	13	10	14	16	0	28
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	15	12	16	18	0	30
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	2	2	0	2	0	2
Calndr Yr Exp. to U.S.	0	0	0	0	0	0