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Paraguay

Oilseeds and Products Annual

2013

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Report Highlights:
Paraguayan soybean area is estimated to increase by 3 percent to 3.1 million hectares in the 2013/14 marketing year with production reaching a record 8.4 million metric tons. The current year estimates are boosted as contacts report excellent yields as the harvest comes to a close. Crush is dramatically increased due to heavy investment in new crushing facilities and expansion of existing plants. Soybean crush for MY2013/14 is estimated at 4.0 MMT.

Commodities:

Oilseed, Soybean
Oil, Soybean
Meal, Soybean

Production:

For marketing year (MY) 2013/14, post estimates soybean area to increase from Post's current year estimate by about 3 percent to 3.1 million hectares. Note that Post's estimates for area for both MY 2011/12 and MY 2012/13 are lower than USDA's estimates as contacts in the agricultural sector agree that the estimates are too high. There is plenty of land in Paraguay and production could expand to 4 million hectares in the next five to ten years however, it is not expected to grow faster than 3-5 percent per year. The biggest barrier to expansion is the lack of good infrastructure. There are no projects by the government for road improvements in production areas and until there is, it will be difficult to move product out to the ports. Presidential elections are set for April 2013. Many in the agricultural sector are hoping for leadership that will recognize the need for investment. Labor is also an issue. It is difficult to find people who are qualified and trained in the area of agricultural production and processing. Many large processors and producers are organizing their own pre-employment training programs in order to overcome this. Additionally, a more aggressive expansion is not expected because there is an underlying negative public perception that biotech soy is taking over Paraguay's pastures. The additional hectares will come from pasture land that remains in the main production region of eastern and southeastern Paraguay and from growth in the northeastern provinces of San Pedro, Canindyú, Caaguazu, and Concepción. Cattle producers are moving herds to the Chaco (Northeastern region) where marginal lands are better for pasture and converting existing pastures in the east to soybean acres. Also in Paraguay, when producers are able to plant and harvest early, they take advantage of the long growing season and plant "soja zafriña," which is a second crop of soybeans planted over first crop soybeans. For example, in the current year, it is estimated that nearly 300,000 hectares are planted to soja zafriña.

Post estimates MY2012/13 production at 8.35 MMT, 600,000 tons higher than USDA official estimates. More than 95 percent of the crop has been harvested and yields are being recorded anywhere between 2.5 tons/ha to above 3.0 tons/ha. Contacts report that it has been one of the best years in the past decade. The season started with rains and good soil moisture and despite a short dry spell in January and early February, later rains picked up and helped the crop to recover. For this year, estimates from private contacts and sources in the agricultural industry range between 7.5 MMT to 8.7 MMT.

Production for MY2011/12 is estimated at 4.35 MMT. Paraguay suffered one of the worst droughts in history and many producers lost between 30 to 50 percent of their harvest. With area estimated at 2.8 million hectares, average yields for the season were 1.55 tons/ha. Sources in the agricultural industry have a wide range of estimates between 3.5 MMT to 4.7 MMT. After adjusting the balance sheet by closing out final exports at 3.574 MMT, and adjusting crush downwards to 775,000 MT, 4.35 MMT is a realistic production number for last year's soybean harvest.

As previously mentioned, in-country estimates can vary widely in Paraguay. Lack of strong, reliable government statistics has given rise to wide fluctuations in crop estimates by producers, cooperatives, industry and private crushers. Post estimates are based on analysis of in-country estimates.

Consumption:

Crush

The dynamics of the soybean industry in Paraguay are changing. Paraguay used to export more than three-quarters of its soybeans as whole beans, but by next year, almost half will be processed in-country and then exported as meal and oil. Over the past couple of years there has been an enormous amount of investment in the crushing industry. In MY2013/14, crush capacity is estimated to be larger than 4.0 MMT, more than double than capacity in MY2011/12, which was estimated at 1.8 MMT. Two new large plants have been constructed. An ADM crushing facility with 1 MMT capacity was inaugurated in November 2012 and operating at full capacity in February 2013. Another joint project by Louis Dreyfuss, Bunge, and AGD, is expected to be inaugurated in June and will be able to process some of this year's harvest, but will be fully operational by MY2013/14. Crush capacity of this plant is also 1 MMT. In addition to these two large investments, several smaller companies have added new lines and expanded current facilities adding an approximate 500,000 tons/year. It is important to keep in mind that soybean crushing competes with sunflower and canola crushing during the year so it is unlikely that crush is ever at full capacity for soybeans only. Crush for MY2013/14, is estimated at 4.0 MMT.

In the current MY2012/13, crush is estimated to be more than double the previous year, with a total of 3.0 MMT, 800,000 tons larger than the USDA official number. With a good soybean harvest, crushers will process as many beans as possible and take advantage of the new plants and new lines.

For the previous marketing year, MY2011/12, crush is reduced to 775,000 MT, down 375,000 MT from the USDA official estimate. Because of last year's drought, supply was cut in half and soybeans were of exceptionally poor quality for crushing and oil production. They were harvested before reaching full maturity and the "green" soybeans contain chlorophyll which has a direct effect on soybean oil quality. The removal of chlorophyll increases the costs of the refining process. Many of the smaller companies that process soybeans reported crushing about 20 percent less this year due to the lack of supply. Furthermore, statistics published by the Paraguayan Chamber of Grains and Oilseeds Exporters and Traders (CAPECO in Spanish) show crush at 772,000 MT, supporting the reduction.

Consumption

There are very few feedlots in Paraguay, and soybeans and soybean products are mainly used in feed rations for the pork and poultry industries. There were outbreaks of foot and mouth disease during 2011 and 2012 that hindered the expansion of market access for beef and pork industries. However, contacts report that many markets are recovering and new markets are opening. Soybean and soybean meal domestic consumption for feed use is minimal, although the trend shows a slight increase over the three years reported.

For soybean oil, not more than 50,000 MT are consumed annually for food use and less than 10,000 MT is consumed annually for industrial use. More soybean oil is expected to go towards biodiesel production, however only a small amount. Most biodiesel is made with animal fat since soybean oil is a less attractive alternative because it is much more expensive. There are some problems with biodiesel produced with animal fat. For one, it hardens at room temperature and can clog pipes and machinery. Some processors are planning to use soybean oil for biodiesel and others are not. Post estimates that soybean oil industrial domestic consumption will increase to 10,000 metric tons for the MY2013/14. For more information on biodiesel production in Paraguay, please see the Paraguay Annual Biodiesel report in the GAIN system.

Trade:

Official data shows the majority of exports are shipped to Argentina and Uruguay. Nearly all soybeans are transshipped through ports in Rosario (Argentina) and Nueva Palmira (Uruguay) with their final destination being the EU, followed by Turkey, Russia, Israel and Mexico based on statistics published by CAPECO.

Exports of soybeans for MY 2013/14 are estimated at 4.3 MMT, close to 1 MMT less than the previous year's exports. Although a record production year is anticipated, the dramatic increase in crush will negatively impact exports. For the current year, MY 2012/13, exports are reduced slightly to 5.2 MMT, also due to the boost in the crush estimate. Final trade data closes the 2011/12 marketing year exports at 3.574 MMT, 374,000 MMT more than the official USDA number.

Soybean oil exports are estimated at 700,000 MT in MY2013/14 as a result of the increased crush. This year, MY 2012/13, exports are 100,000 tons higher than the USDA official number at 500,000 tons based on a larger expected crush number. MY2011/12 closes out with final trade numbers at 127,000 tons.

Meal exports are estimated at 2.9 MMT for MY2013/14, based on the larger expected crush. For MY2012/13, the estimate is also raised to 2.15 MMT, 500,000 MT above the USDA official number. MY2011/12 closes out with final trade numbers at 523,000 tons.

Stocks:

Very little stocks for soybeans and soybean products are held. Most is exported and the residuals are used for feed use. Based on a 2004 agricultural census, CAPECO estimates fixed storage capacity at 5.1 MMT.

Policy:

Presidential elections are scheduled for April 21, 2013. The discussions of implementing a tax of ten percent on soybean exports in order to earn more revenue for the government is currently on hold and many don't expect anything to happen until after a new government assumes power. The export tax has been on the table for several years but it wasn't until December 2012 that the measure was actually passed in the Senate. Before it had a chance to be voted on in the House of Representatives, a new agricultural minister, Dr. Rody Godoy, assumed office in January 2013. He has been vocally opposed to the export tax therefore no progress has been made. Whether or not the measure will be picked up again will depend on the outcome of the April elections. Many in the agricultural sector will most likely lobby hard against any such law.

Production, Supply and Demand Data Statistics:

Oilseed, Soybean Paraguay	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Mar 2012		Market Year Begin: Mar 2013		Market Year Begin: Mar 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	2,957	2,800	3,100	3,000		3,100
Area Harvested	2,957	2,800	3,100	3,000		3,100
Beginning Stocks	60	60	7	1		44
Production	4,357	4,350	7,750	8,350		8,400
MY Imports	20	20	20	20		20
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0

Total Supply	4,437	4,430	7,777	8,371		8,464
MY Exports	3,200	3,574	5,400	5,200		4,300
MY Exp. to EU	400	400	800	800		800
Crush	1,150	775	2,200	3,000		4,000
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	80	80	127	127		150
Total Dom. Cons.	1,230	855	2,327	3,127		4,150
Ending Stocks	7	1	50	44		14
Total Distribution	4,437	4,430	7,777	8,371		8,464
1000 HA, 1000 MT						

Oil, Soybean Paraguay	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Mar 2012		Market Year Begin: Mar 2013		Market Year Begin: Mar 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,150	775	2,200	3,000		4,000
Extr. Rate, 999.9999	0	0	0	0		0
Beginning Stocks	23	23	46	0		22
Production	219	148	420	575		765
MY Imports	2	2	0	2		2
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	244	173	466	577		789
MY Exports	150	127	400	500		700
MY Exp. to EU	4	0	4	0		0
Industrial Dom. Cons.	0	0	0	5		10
Food Use Dom. Cons.	48	46	52	50		50
Feed Waste Dom. Cons.	0	0	0	0		0
-	0	0	0	0		0
Total Dom. Cons.	48	46	52	55		60
Ending Stocks	46	0	14	22		29
Total Distribution	244	173	466	577		789
1000 MT, PERCENT						

Meal, Soybean Paraguay	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Mar 2012		Market Year Begin: Mar 2013		Market Year Begin: Mar 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,150	775	2,200	3,000		4,000
Extr. Rate, 999.9999	1	1	1	1		1
Beginning Stocks	119	119	174	31		31
Production	905	610	1,730	2,350		3,150
MY Imports	0	0	0	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0

Total Supply	1,024	729	1,904	2,381		3,181
MY Exports	700	523	1,650	2,150		2,900
MY Exp. to EU	150	150	150	150		150
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	150	175	175	200		225
Total Dom. Cons.	150	175	175	200		225
Ending Stocks	174	31	79	31		56
Total Distribution	1,024	729	1,904	2,381		3,181
1000 MT, PERCENT						