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Prepared By: Chase McGrath

Approved By: Chase Mcgrath

Report Highlights:

Post projects marketing year (MY) 2024/2025 soybean production at 10.3 million metric tons (MMT) with increased planted area of to 3.59 million hectares on increased second crop planting. MY 2024/2025 exports are forecast at 6.5 MMT, down from the previous year as Argentine production rebounds following record drought. Crush is projected to rebound to 3.5 MMT as fewer soybeans are exported to be crushed in Argentina. MY 2023/2024 production is revised down slightly to 10.1 on lower yields due to less rain than expected. Crush is estimated down to 2.98 MMT while exports are expected to increase to 6.94 MMT.

Production

MY 2024/2025

Paraguay's total planted area is forecast to increase slightly to 3.59 million hectares (HA) in marketing year (MY) 2024/25, up from the previous year on increased zafriña planting. Paraguay generally harvests two crops per year, the first and predominant soy crop is known as zafra followed by the second or zafriña crop generally with fewer acres of soy planted and lower yields. Producers plant soy followed by corn or vice versa with the main corn crop coming from the zafriña crop. It is still common to plant two soybean crops back to back on the same fields despite the yield hit and negative effects to soil quality though this has begun to change and the practice of planting soy on soy has decreased over the last five years. Most advisors do not recommend planting soy on soy and instead encourage crop rotations with corn, wheat, or oats. Most farmers then follow planting either wheat or a cover crop until the next summer season to maintain a healthy soil and control insects, illnesses, and weeds. Post forecasts the planted area for first crop soybeans or zafra crop at 3 million HA with an additional 700,000 HA to be planted in the second or zafriña crop.

This planted area will lead to Paraguayan soybean production of 10.3 million metric tons (MMT), in MY 2024/25, up slightly from the previous year on improved yield and increased zafriña soy acreage. Of this total, Post forecasts 9.4 MMT tons production in the primary zafra crop with 900,000 tons in the second zafriña crop. The zafra crop will be planted between the end of August and the first half of November and harvested between the last days of December and the third week of March. Conversely, the zafriña crop will be planted in January to early February and harvested between late May and the end of July. However, there are still farmers who have hard dates fixed on their operation and plant, spray, or harvest at fixed times despite actual conditions each year.

Figure 1: First and second crop soy planted side by side in Alto Paraná Department on March 5

With a La Niña year expected, yields could be lower due to the expected drier season but will be offset by increased zafriña planting. The La Niña weather pattern generally results in a drier year in Paraguay but is not expected to be catastrophic. Overall production and yields could decrease if a drier than average year arrives MY 2024/25. Dry stretches are particularly stressful on crops in Paraguay as soils there do not retain moisture well. This, paired with the heat of a tropical climate lack of consistent regular rain commonly and easily decreases yields. As there is a possibility of a small profit with soy in the current year, but not much and not for all farmers, which will influence planting decisions in MY 2024/25

While total acreage will increase slightly next year, additional new acres are unlikely. While the western Department of the Chaco is often discussed and looked to for potential growth in soy area, most contacts agree Paraguay's crop production area has nearly reached its peak. At there very most, a maximum additional 50,000 HA room for expansion in this region. The area is much more suited to grazing and livestock production. While it is a vast, untapped area, it presents a complex growing environment. Any additional growth would need high sustained crop prices to justify the significant investment required to grow there. However, soybeans in that region require more fertilizer, phosphorus in particular is almost completely missing from the soil resulting in higher input costs. The winter months present another challenge in the Chaco where extensive rains which makes it difficult to plant cover crops. Additionally, Paraguay has strict laws on how and where planting is allowed in the Chaco due to prohibitions on deforestation. Any realistic growth in area would come from ground termed "tierras naturales" or natural pastures. Those suited to cultivation are limited and have higher growing costs with decreased yields.

Additional growth in the predominate growing areas of the northern and eastern sections of the country to the east of the Paraguay river is improbable and the only potential is on marginal land, most of which has already been tapped. While some contacts still believe new farm ground could be found in these areas, it is unlikely to be in significant quantities resulting in only a few thousand hectares.

With decreased global prices, farmers will plant less soy in the zafra crop next year. Farmers will see low or negative margins in the current year having planted their crop with high input prices but will receive low prices at harvest. While farmers must buy their fertilizer far in advance, the decision on what to plant comes much later. Input dealers have seen orders indicating a robust zafra soy planting in MY 2024/25, they believe many growers will instead choose to grow more corn in the first crop once planting arrives.

While already a minor crop in Paraguay, canola area is expected to be even smaller in MY 2024/25, which is more often planted as a cover crop, due to slim margins on low global prices.

The actual outcome of next year's crop will be highly dependent on the weather with much anxiety among producers surrounding the dryness that likely will come with a La Niña year. Global prices would need to increase before planting to motivate producers to both plant and sell more soy in the coming year and not hold onto it with the hopes of better prices to come.

There is a possibility for a small profit by some producers growing soy this year but not for all, but in general still a possibility unlike corn where no one is likely to see profits. As soybeans are grown on over 70 percent owned land, the majority producers do not face land costs as a major production cost.

These profit margins likely will influence increased soy planting decisions in MY24/25 versus corn in the second crop.

Some major growers no longer plants corn, almost exclusively soy and wheat, as they are located near the second largest city in Paraguay, and experience frequent theft. They and others in the area and around other cities no longer plant corn as it's stolen to be sold. In order to plant corn they must also hire guards 24/7 which is a prohibitive cost, resulting in few growers in the area area planting corn and more soybean acreage.

Soils in Paraguay require much more fertilizer, particularly nitrogen and phosphorus. Production and margins for producers are highly dependent on availability and prices of fertilizers, more so than in neighboring countries. Soils in Paraguay are also quite acidic resulting in significant need for calcium to correct it adding to increased production costs.

While production costs in Paraguay overall are lower than just across the border in Brazil or Uruguay, producers often receive even lower prices as there is little domestic market to sell to in Paraguay beyond a few crushers and producers are dependent on exports.

Figure 2: First crop soybeans less than 2 weeks from harvest in Itapúa Department on March 7

MY 2023/2024

Post forecasts Paraguay's total production at 10.1 MMT, down from previous estimates due to lower than expected yields. The main zafra soy crop harvest was completed as of March 21 with low yields seen to this point. Yields in zafra soy are reported between a low of 2.31 tons per hectare in San Pedro Department to a high of 3.5 in the southern half of Alto Parana Department. According to industry sources yields nationwide are an average of 3.2 tons per hectare across the entire eastern growing region. In addition, early yield estimates for the lower for the forthcoming zafriña crop than previously estimated.

Total soy planting in MY2023/24 is estimated at 3.56 million hectares. While this El Niño year did not bring the prodigious rains once anticipated, it was an improvement from the previous year. Zafra soy area harvested is estimated at 9.26 million HA. An additional 670,000 HA zafriña crop currently in the ground will be harvest in May to July. While zafriña acreage was higher than previously reported, lower yields are already expected with some areas reporting yields as low as 1.5 tons per HA. Combined with low crop prices, this will result in little profit for farmers this which often results in reduced zafra planting the following year and increased corn in that crop.

There are pessimistic reports on the soy crop in the northern provinces and growing area. Crops in the zone north of Cuidad del Este are reported less than good to poor but crops in the zone south of Cuidad del Este are reported very good this year which will counterbalance poor yields in the north.

Both crops were planted with high costs, but prices have now softened and are expected to remain low through final harvest resulting in slim or break-even margins for producers this year. While low-priced imported pesticides and herbicides are widely available in Paraguay, 80 percent of producers' input costs are fertilizer. Total production costs are slightly lower than zafriña corn production which competes for the same area, likely resulting in a larger zafriña crop next year.

Despite these decreased yields, consensus among contacts indicate a rich harvest in the coming year.

Consumption

Crush

MY 2024/2025

Post forecasts crush at 3.5 MMT in MY 2024/25, up from the previous year due to a better crop in Argentina which demanded more whole bean imports from Paraguay to bridge the gap in the production shortfall. Production of both meal and oil will increase in step with increased crush. Soymeal production is forecast at 2.66 MMT and oil production at 665,000 tons in MY 2024/25.

Increased crush will partially be attributed to additional capacity expected to become operational in 2024 and in 2025 in earnest. A new crush facility is currently under construction in the western Chaco region. The facility is expected to begin production in June 2024 with a total capacity of up to 750,000 tons annually. The plant is being built by several Mennonite colonies with hopes of tapping into future soy growth in the Chaco and diversify their operations.

Paraguay's total crush capacity is currently estimated at 5.04 MMT which could increase up to 5.79 MMT once the new western crushing faciality is completed and fully operational. This would result in an operational crush rate of 60 percent next year.

MY 2023/2024

Post reduces the crush estimate for MY 2023/24 to 2.98 MMT due to increased whole bean exports to Argentina for crushing. In general, it is more profitable to export to Argentina and to crush there than crush soybeans in Paraguay. As many large companies have plants in both countries, many will choose to export to Argentina to crush at their plants there rather than in Paraguay. Crushers reported using less than 30 percent of their capacity in January 2024.

Soy meal production estimates decrease to 2.26 MMT with a smaller crush this year. In turn, this will decrease Paraguayan soy oil production to 566,000 tons.

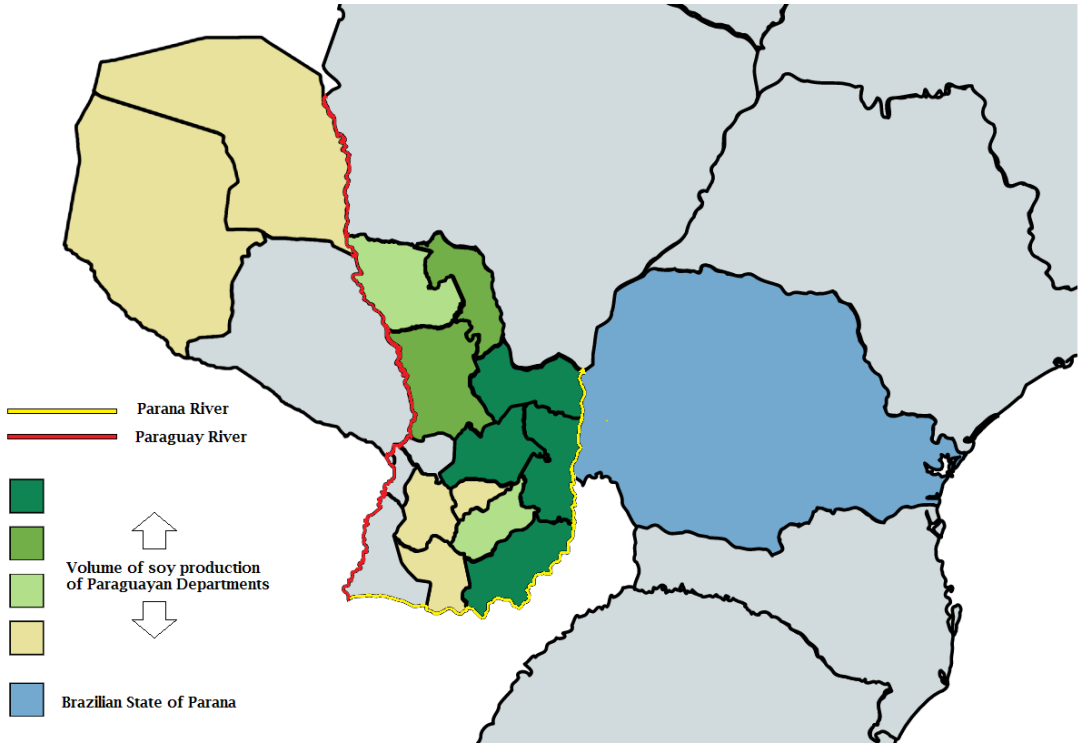
Domestic Consumption

Little soybeans or soy meal are consumed domestically in Paraguay. Beyond seed, which some contacts estimate as high as 300,000-350,000 this year, Paraguay's domestic consumption will remain stable unless additional industrial production or uses are constructed. Likewise, there is little domestic consumption of soy oil with the bulk exported. Domestic demand for oil could change in the coming years if the long-awaited Omega Green biodiesel plant becomes operational. While construction on the plant in Puerto Santa Rosa/Villeta began in 2021 and was originally slated to be operational this year, contacts report the project is still ongoing and unlikely to become operational in 2025 either.

Consumption in the poultry, swine, and dairy industries is expected to expand slightly in the coming year. While both the pork and poultry industries continue to grow in Paraguay, future growth with be slow and limited. Most producers are still small-scale using traditional and less professional production models. While foreign firms have invested in recent years, Paraguay's growth in these sectors will be limited by its landlocked location and horizontally diversified and fragmented structure of the industry. As the domestic market for pork and poultry are fully satisfied, demand would need to come from exports where Paraguay must compete with its giant neighbor Brazil, an already well established producer with efficient production and supply chains resulting in low prices.

Paraguay generally keeps few soybeans, meal, or oil stocks as neither processors nor producers possess storage facilities. In addition, the heat and humidity make it difficult to store lose beans or meal giving them a short shelf life. Producers and processors find it much easier to crush or sell to Argentina for crushing. However, exports were very high in January 2024 when the first crop was not yet out of the ground, which leads many to believe there is more storage capacity in Paraguay than previously thought as the excess exports needed to come from other sources as the crop was not yet harvested.

Figure 3: Soy Production by Department and Major Trade Routes



Source: FAS Buenos Aires

Trade

MY 2024/2025

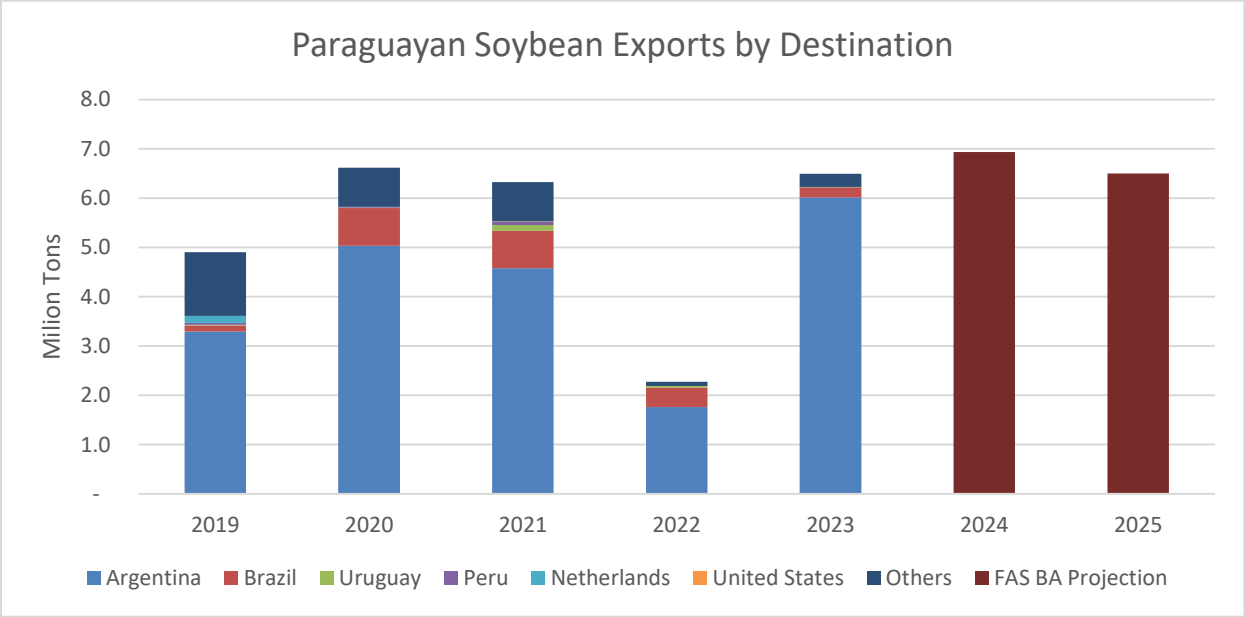
Exports are forecast at 6.5 MMT in MY 2024/25, down slightly from the previous year due to a better crop in Argentina and a return to more traditional domestic crush levels. Export levels will be highly dependent on the dynamics of global markets over the next year. Paraguayan producers spend more to finance their operation than in many other countries. Exports in MY 2024/25 are expected to increase to other players beyond top market Argentina to include Brazil and Uruguay. Paraguay is expected to continue to export little to Russia next year, once a top market, due to Russia's ongoing war in Ukraine.

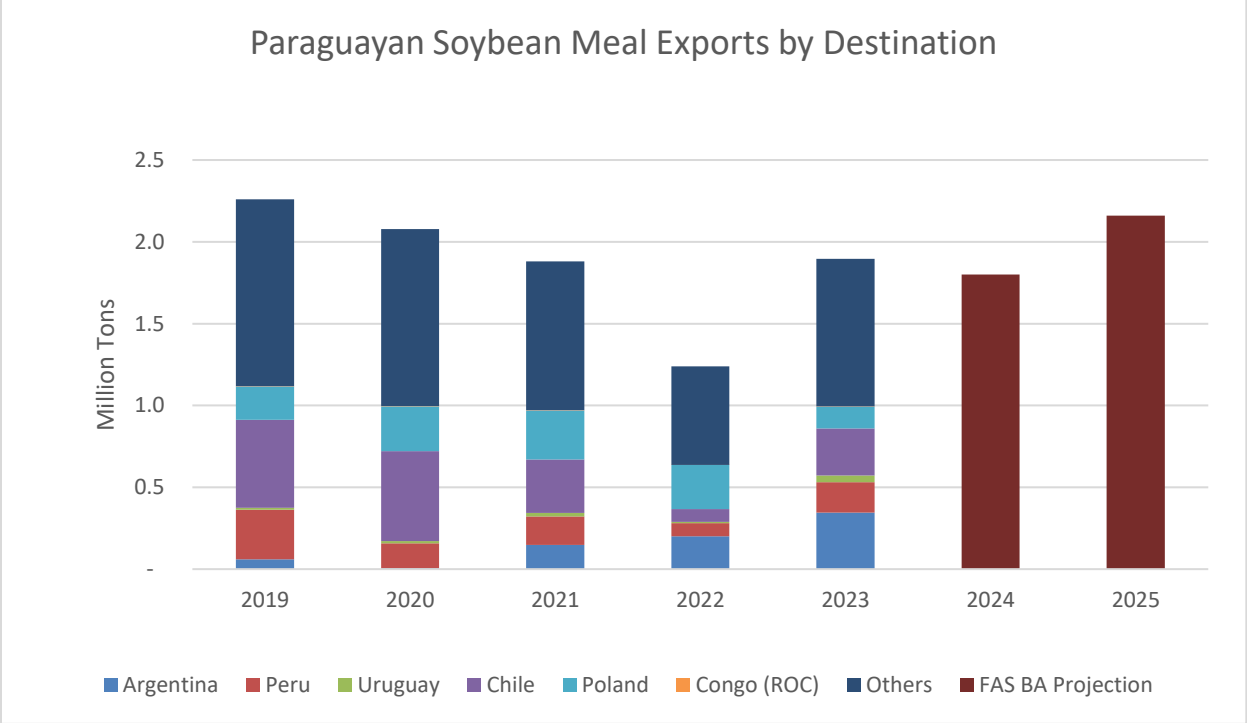
Levels of the Paraná and Paraguay rivers, both crucial highways for Paraguay's exports, remain low. This adds logistical complications and costs to all exports. These challenges are expected to persist as it would take substantial, sustained rainfall further north to improve water levels. Due to this, barges are only loaded at 70 percent of their capacity so as not to sit too low in the river or risk sinking. Low river levels increase time and costs for vessels to reach their destinations down river.

Barges normally float in a convoy of 3 to 4 barges with one lead boat pushing or moving the others downriver. But due to low points in the river, boats must stop several times enroute to disassemble the 3 to 4 boats to move one by one through these points and then reassemble the flotilla to continue, adding even more time and costs.

Exports of soy meal and oil are forecast to increase in line with additional crush next year after lower crush and exports in 2023/24. The bulk of soymeal exports are expected to return to more traditional trading partners beyond Argentina in MY 2024/25 such as the E.U., Chile, and the United Kingdom as Argentina's harvest and crush right size following the years of drought.

Figures 4 and 5: Paraguayan Soybean and Meal Exports by Destination





Source: Trade Data Monitor and FAS Buenos Aires

MY 2023/2024

Exports in MY 2023/24 are estimated up to 6.94 MMT due to increased imports to Argentina to bridge the supply gap after the drought-stricken harvest. Export rose by 238 percent in January-February 2024 over the same period a year prior with nearly all exports to Argentina. These were imported to keep Argentine crushers running but exports are expected to level out once the Argentine crop is harvested and becomes available to crushers.

With the situation in Argentina, 80 percent of exports will go to Argentina this year to meet crush demand. Post estimates between 5-5.5 MMT will be exported to Argentina this year.

Soymeal and oil exports are estimated down this year in line with decreased crush, driven by demand for whole beans from Argentina. Argentina was the second largest destination for Paraguayan soymeal in 2023 and is expected to be a more significant buyer than in the past. However, the E.U. will remain the top buyer of Paraguayan soymeal.

Production, Supply, and Distribution Tables:

Oilseed, Soybean	2022/2023		2023/2024		2024/2025	
Market Year Begins	Jan 2023		Jan 2024		Jan 2025	
Paraguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	3600	3300	3550	3560	0	3700
Area Harvested (1000 HA)	3600	3300	3550	3560	0	3700
Beginning Stocks (1000 MT)	177	177	167	167	0	82
Production (1000 MT)	10050	10200	10300	10100	0	10300
MY Imports (1000 MT)	10	10	20	10	0	10
Total Supply (1000 MT)	10237	10382	10487	10277	0	10392
MY Exports (1000 MT)	6495	6495	6300	6945	0	6500
Crush (1000 MT)	3450	3450	3500	2980	0	3500
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	125	270	150	270	0	300
Total Dom. Cons. (1000 MT)	3575	3720	3650	3250	0	3800
Ending Stocks (1000 MT)	167	167	537	82	0	92
Total Distribution (1000 MT)	10237	10382	10487	10277	0	10392
Yield (MT/HA)	2.7917	2.8319	2.9014	2.8451	0	2.8691
(1000 HA) ,(1000 MT) ,(MT/HA)						
Meal, Soybean	2022/2023		2023/2024		2024/2025	
Market Year Begins	Jan 2023		Jan 2025		Jan 2025	
Paraguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	3450	3450	3500	2980	0	3500
Extr. Rate, 999.9999 (PERCENT)	0.7571	0.72	0.7571	0.7601	0	0.76
Beginning Stocks (1000 MT)	160	160	220	92	0	60
Production (1000 MT)	2612	2484	2650	2265	0	2660
MY Imports (1000 MT)	5	5	0	3	0	0
Total Supply (1000 MT)	2777	2649	2870	2360	0	2720
MY Exports (1000 MT)	1992	1992	2000	1800	0	2160
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)	565	565	600	500	0	500
Total Dom. Cons. (1000 MT)	565	565	600	500	0	500
Ending Stocks (1000 MT)	220	92	270	60	0	60
Total Distribution (1000 MT)	2777	2649	2870	2360	0	2720

Oil, Soybean	2022/2023		2023/2024		2024/2025	
Market Year Begins	Jan 2023		Jan 2024		Jan 2025	
Paraguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	3450	3450	3500	2980	0	3500
Extr. Rate, 999.9999 (PERCENT)	0.1901	0.1901	0.19	0.1899	0	0.19
Beginning Stocks (1000 MT)	17	17	77	77	0	9
Production (1000 MT)	656	656	665	566	0	665
MY Imports (1000 MT)	1	1	2	1	0	1
Total Supply (1000 MT)	674	674	744	644	0	675
MY Exports (1000 MT)	523	523	650	580	0	610
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	74	74	74	55	0	55
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	74	74	74	55	0	55
Ending Stocks (1000 MT)	77	77	20	9	0	10
Total Distribution (1000 MT)	674	674	744	644	0	675
(1000 MT) ,(PERCENT)						

Attachments:

No Attachments