

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Paraguay

Oilseeds and Products Annual

2014

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Report Highlights:

Paraguayan soybean area is estimated to increase by 3 percent to 3.2 million hectares in the 2014/15 marketing year with production reaching a record 8.7 million metric tons (MMT). The current year estimates are reduced to 8.1 MMT due to extended periods of extremely hot temperatures and non-uniform rainfall during the growing season leading to lower than average yields.

Commodities:

Oilseed, Soybean
Oil, Soybean
Meal, Soybean

Production:

For marketing year (MY) 2014/15 post estimates soybean area to increase from Post’s current year estimate by about 3 percent to 3.2 million hectares. Soybean production has changed Paraguayan agriculture. In the past two decades, area dedicated to the crop has tripled, growing steadily at an average rate of six percent per year. There is plenty of land in Paraguay and production could expand to 4 million hectares in the next five to ten years. The additional area 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. Expansion is not expected to grow faster than 3 to 5 percent per year due to lack of good infrastructure in the region and insurgent activities in the department of San Pedro. Anti-government and environmentalist groups are charging that biotech soy is destroying Paraguay’s pastures.

Below is a map of Paraguay showing percentage of soybean area by department (source [AgriDatos](#), Market Report on Supply and Demand, Edition 6):



Area for MY 2013/14 has been reduced from USDA official estimates due to consensus in the Paraguayan agricultural sector. Post estimates production at 8.1 MMT, 1.2 MMT lower than USDA official estimates. As of mid-February, nearly 75 percent of the crop has been harvested. Above average yields were reported at the beginning of the harvest for early planted soybean, but as time passed, the yields continued to drop and the later planted soy now shows damage from the extreme heat. The last quarter of the soybeans harvested are expected to be well below average. Average yields for the season are estimated at 2.6 tons/ha.

This year, producers anticipated hot, dry weather in December so instead of planting in mid- to late-September and October, many planted at the beginning of September, some even during the last week of August. These early-planted soybeans were harvested starting in January and were not damaged by the three weeks of extremely hot temperatures that scorched the country in December. Contacts report yields in some areas were reported to be above 3.5 tons/ha, some even above 4.0 tons/ha. There was rainfall during the last week of December and first couple weeks of January that helped the later planted soybeans however, contacts indicate that the rains were very sporadic. For example, for what is being harvested now, in one field that got the January moisture the yields come in at 3.0 tons/ha but just 20 km down the road another field yields 1.5 tons/ha.

The second half of January brought another dry spell that is causing problems with early maturation and green seeds and with this year's area dedicated to second crop soybeans or "soja zafriña," planted after the early crop soybeans were harvested in January. The soybeans either didn't germinate or planting was delayed until the rains came again the second week of February. "Soja zafriña" is estimated at 500,000 hectares, nearly 65 percent more area than the previous year. Area for "maiz zafriña" or second crop corn planted at the same time has dropped by 200,000 hectares. There is approximately 1 MMT of corn in silobags around the country. Last year's harvest was of poor quality, there is no domestic demand, and the price is low. Many producers elected to plant second crop soybeans, even though yields average only 1.2 to 1.5 tons/ha in a normal year.

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. For this year, estimates from private contacts and sources in the agricultural industry range between 7.5 MMT to 8.7 MMT.

Production for MY2012/13 is estimated at 8.3 MMT after adjusting the balance sheet with official data from March 2013 through January 2014, exports are adjusted downward to 5.2 MMT, crush remains at 3.0 MMT and stocks are reduced to 177,000 tons.

Consumption:

Crush

In the past two years, crushing capacity has more than doubled in Paraguay. Previously, more than three-quarters of Paraguay's soybeans were exported as whole beans, but by next year, more than half will be processed in-country and then exported as meal and oil. In MY2014/15, crush capacity is estimated to be larger than 4.5 MMT, nearly two and half times more capacity than just two years ago, which was estimated at 1.8 MMT. There has been an enormous amount of investment in the crushing industry with two new large plants recently constructed. Both an ADM crushing facility with 1.2 MMT crush capacity and a joint project by Louis Dreyfuss, Bunge, and Copagra (CAIASA) with crush capacity of 1.1 MMT are operating at full capacity this year. 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. Crush for MY2014/15, is estimated at 4.5 MMT, nearly full capacity. Due to Paraguay's booming soybean sector and recently expanded crushing capacity, several new trading companies, such as Nidera and CHS, have set up offices in country anticipating the potential for further growth in the sector.

In the current MY2013/14, crush is estimated at 4.3 MMT, 1 MMT tons larger than the USDA official number. With the new investments, crushers will process as many beans as possible and take advantage of the new plants and new lines.

Domestic Consumption

The trend for domestic consumption for feed use shows a slight increase over the three years reported even though use is minimal. Soybeans and soybean meal are used in feed rations for the pork and poultry industries, both of which are growing. There are very few feedlots in Paraguay as cattle are still fed on pastures.

For soybean oil, not more than 50,000 MT are consumed annually for food use and less than 5,000 MT is consumed annually for industrial use. Only a few processors use soybean oil for biodiesel because it is a much more expensive alternative to animal fat, which is what Paraguayan biodiesel is traditionally made of. Biodiesel produced with animal fat is not ideal since it hardens at room temperature and can clog pipes and machinery. Despite this, use of soybean oil is not expected to grow even with the increase in crushing and soybean oil production because it is not cost effective. 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) however this is not

their final destination. Soybeans are shipped to the EU, followed by Russia, Turkey, Brazil, Mexico and Israel based on statistics published by Paraguayan Chamber of Grains and Oilseeds Exporters and Traders ([CAPECO](#) in Spanish).

Exports of soybeans for MY 2014/15 are estimated at 4.1 MMT and for the current year, MY 2013/14, exports are reduced dramatically by 2.2 MMT to 3.6 MMT due to drop in production and simultaneous boost in the crush estimate compared to USDA official estimates. Official trade data from March 2013 through January 2014 shows exports at 4.736 MMT, with one month remaining in the trade year MY2012/13 estimates are lowered to 5.2 MMT.

Soybean oil exports are destined for Argentina (for transshipment) Algeria, India, Bangladesh, Morocco, and smaller markets within South America and Africa. For MY2014/15, soybean oil exports are estimated at 800,000 MT as a result of the increased crush. In the current year MY 2013/14, exports are 200,000 tons higher than the USDA official number and are forecast at 765,000 tons based on a larger expected crush number. Official trade data from March 2013 through January 2014 shows exports at 513,500 MT, with one month remaining in the trade year MY2012/13 estimates are boosted to 550,000 MT.

Soybean meal is sent to Chile, Peru, Argentina and Uruguay (for transshipment), Turkey, the EU, Indonesia, and Egypt. Meal exports are estimated at 3.3 MMT for MY2014/15, based on the larger expected crush. For MY2013/14, the estimate is also raised to 3.1 MMT, 775,000 MT above the USDA official number. MY2012/13 exports are boosted to 2.15 MMT as official data shows over 2.0 MMT shipped during the first 11 months of the trade year.

Stocks:

Very little stocks for soybeans and soybean products are held. Most is exported and the residuals are used for feed use. Fixed storage capacity is estimated to reach 8 MMT by MY2014/15. Paraguay's soybean sector is distributed among cooperatives (40 percent), private country elevators (35 percent), multinationals (15 percent) and private producers (10 percent). Over the past several years, more and more producers, country elevators and cooperatives have been investing in construction of silos. Contacts don't anticipate the increase in storage capacity to contribute to large carry-over stocks from year-to-year but indicate that it will be used as a marketing and planning tool. It gives producers the flexibility to store grains on-farm and sell when the price is right or be able to mix different qualities vs. sell lower quality soy at a lower price. Furthermore with the increase in crush capacity, there will be demand throughout the year for soybeans. Sales are expected to spread out more evenly throughout the year instead of having the majority sold and transported right at harvest time.

Policy:

President Cartes took office in April 2013, and in general, his administration is looked upon favorably by the agricultural sector. A former businessman, he has already taken action on several issues since the beginning of his appointment. In November 2013, a new law was passed establishing a “public-private alliance” (APP in Spanish) to promote investment in expansion and improvement of public infrastructure and other goods and services provided by the national government. The details of the law can be found in the [Official Gazette of Paraguay Number 210, published on November 4, 2013](#) (Law 5.102). Under this new structure, private companies will be able to fund public improvements in hopes to speed up these projects. One of the first projects already underway is dredging the Rio Paraguay. Depending on the year and the water level, access to the ports on this river can have obstacles. For example, there is only enough room for one barge to pass through at a time due to tight stretches causing increased wait times and transportation costs. Cleaning up the river will improve transportation capacity, allow for year round access to ports and improve transportation efficiency. Another project already proposed under the APP is road construction from the department of San Pedro to the ports near Asuncion and a railroad system. These projects are currently in the proposal stage and many estimate that it could take several years to begin.

In addition to the APP, the discussion on implementing an export tax of ten percent on soybeans was eliminated. This measure had been discussed for the past several years and the agricultural sector was opposed to the tax. In order to earn revenue for the government, instead of an export tax, a value added tax of five percent was imposed on the sale of all agricultural products as of January 1, 2014. A 2.5 percent rebate is offered on 100 percent processed products. Since this is applied to all agricultural products it is not expected to cause changes in production or provide incentives for one industry over another. More information on the law can be found in the [Official Gazette of Paraguay Number 249, published on December 30, 2013](#) (decrees 1028, 1029, 1030, and 1031).

Production, Supply and Demand Data Statistics:

Oilseed, Soybean Paraguay	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2013		Market Year Begin: Mar 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	3,200	3,000	3,300	3,100		3,200
Area Harvested	3,158	3,000	3,300	3,100		3,200
Beginning Stocks	207	207	867	177		197
Production	9,367	8,300	9,300	8,100		8,700

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	9,594	8,527	10,187	8,297		8,917
MY Exports	5,500	5,200	5,800	3,600		4,100
MY Exp. to EU	3,000	3,000	2,900	3,000		3,000
Crush	3,000	3,000	3,300	4,300		4,500
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	227	150	230	200		200
Total Dom. Cons.	3,227	3,150	3,530	4,500		4,700
Ending Stocks	867	177	857	197		117
Total Distribution	9,594	8,527	10,187	8,297		8,917
1000 HA, 1000 MT						

Oil, Soybean Paraguay	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2013		Market Year Begin: Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	3,000	3,000	3,300	4,300		4,500
Extr. Rate, 999.9999	0	0.1917	0	0.1907		0.1911
Beginning Stocks	35	35	36	7		9
Production	560	575	615	820		860
MY Imports	3	2	2	2		2
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	598	612	653	829		871
MY Exports	510	550	565	765		800
MY Exp. to EU	4	0	4	0		0
Industrial Dom. Cons.	0	5	0	5		5
Food Use Dom. Cons.	52	50	52	50		50
Feed Waste Dom. Cons.	0	0	0	0		0
-	0	0	0	0		0
Total Dom. Cons.	52	55	52	55		55
Ending Stocks	36	7	36	9		16
Total Distribution	598	612	653	829		871
1000 MT, PERCENT						

Meal, Soybean Paraguay	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2013		Market Year Begin: Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	3,000	3,000	3,300	4,300		4,500
Extr. Rate, 999.9999	1	0.7833	1	0.7849		0.7889
Beginning Stocks	84	84	184	59		84
Production	2,350	2,350	2,600	3,375		3,550
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	2,434	2,434	2,784	3,434		3,634
MY Exports	2,000	2,150	2,325	3,100		3,300
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.	250	225	280	250		275
Total Dom. Cons.	250	225	280	250		275
Ending Stocks	184	59	179	84		59
Total Distribution	2,434	2,434	2,784	3,434		3,634
1000 MT, PERCENT						