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GAIN Report

Global Agricultural Information Network

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Paraguay

Oilseeds and Products Annual

2016/17 Forecast: Marginal Area Growth and a Return to Historical Yield Levels Lowers Soybean Production to 8.5 Million Tons. Crush Rises to 4.15 million tons

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Report Highlights:

2016/17 Paraguayan soybean area is forecast to grow marginally to 3.33 million hectares, an increase of 1 percent. 2016/17 production is forecast to decline to 8.5 million tons as yields return to historical levels. Crush is forecast at a record 4.15 million tons. 2016/2017 whole bean soybean exports –estimated at 4.3 million tons - will overtake meal and oil exports forecast at 3.05 million tons and 755,000 tons, respectively. 2015/16 soybean production is revised up to 10 million tons based on excellent weather conditions that lifted yields to historic levels.

Commodities:

Oilseed, Soybean

Meal, Soybean

Oil, Soybean

Production:

Post forecasts 2016/17 total soybean production area at 3.33 million hectares, a one percent increase from the 2015/2016 estimate. This increase is marginal as production area in the major producing departments – Itapua, Alto Parana, Catindeyu, and Caaguazu – has been maximized. Today, area expansion potential is focused in the department of San Pedro along with Cordillera and Concepcion. Post forecasts the 2016/17 area planted for first crop soybeans (zafra) at 2.8 million tons with yields returning to historical averages at 2.75 tons per hectare. Second crop soybean (zafrina) is expecting to decline to 530,000 hectares as result of greater competition from corn for area. Zafrina yields are forecast at 1.5 tons per hectare. Based on these conditions, total Paraguayan soybean production is estimated at 8.5 million tons for 2016/2017. For 2015/16, Post revises production up to 10.0 million tons as excellent weather conditions – especially during the crucial September and October months - resulted in record average yields over 3 tons per hectares.

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



Local contacts indicate that producers will enter the 2016/2017 season with some financial distress due to debt accumulation from the previous seasons – partly due to large capital expenditures. Such a position is expected to hinder area expansion and investment. Despite financial difficulties, soybean

profitably continues to be fairly good. This has contributed to increase in demand for area for production. An estimated 80 percent of the land farmed is owned by the producers and 20 percent of the land is rented. Paraguayan producers are quick adopters of new production technologies, specifically biotechnology. An estimated 95-97 percent of Paraguay soybeans come from biotech varieties

Contacts state that producers could achieve cost savings through more efficient applications of fertilizer; however, it is doubtful that producers modify such methods. Financing for inputs is still largely provided by input companies. Producers enter what local contacts describe a “barter-like” arrangement where providers will supply inputs to producers in exchange for a negotiated volume of soybeans. In addition, financing is also available through private banks where all transactions are made in dollars.

Note: The lack of strong, reliable government statistics contributes to wide differences in crop estimates by producers, cooperatives, industry and private crushers. Post estimates are based on analysis of in-country estimates.

Soy Double Cropping and Land Expansion

Double-cropping of soybeans continues to be widespread, although planting soybeans on soybeans is considered agronomically unwise and can be exhausting to soils in the long term. While producers have had success with this arrangement since zafrina (second crop) soybeans first arrived in the 2011/2012, we expect a decline in area as producers plant more second crop corn. Zafra (first crop) soybeans tend to be planted primarily in the months of September and October and harvested in January and February. Zafrina soybeans can then be planted as early as mid-February. The government and select farm groups are encouraging producers to not plant zafrina soybeans due to these agronomic reasons. There is some speculation among industry observers that the government could intervene and restrict zafrina soybean production. However, this is still only speculation and no formal plan or intention has surfaced.

Land expansion is limited as the departments with area expansion potential - San Pedro, Cordillera, and Concepcion – are riskier for production. Over the years, soybean area has overtaken pasture area, but contacts indicate that such a practice along with deforestation has slowed down. The Chaco region of Paraguay, west of the Paraguay River, represents about 60 percent of the country area. Today, many producers are evaluating the viability of expanding production to this region. Local analyst claim soybean production could expand by 2 million hectares. However, this area is notoriously difficult for crop production due to extreme climate patterns and poor soil quality. Research is underway for the development of heat-tolerant soybeans appropriate for this region.

Consumption:

Crush

2016/2017 crush is forecast to increase to 4.15 million tons as the shift towards more value-added soybean exports (meal and oil products) continues to grow. Contacts within the processing sector indicate that the crush capacity of Paraguay is 4.5 million tons. This translates into just over 93 percent of full utilization of Paraguay crushing capacity for 2016/2017. This growing crushing capacity can be attributed to significant investments made by multinational traders that include an ADM crushing facility with 1.2 million tons crush capacity and a joint project by Louis Dreyfus, Bunge, and COPAGRA with crush capacity of 1.1 million that is operating at full capacity.

Beyond the next season, analysts indicate that either production must increase or higher premiums for oil and meal must emerge for crush to expand further. Moreover, some believe that the dynamic between crush and whole bean exports has reached an equilibrium point at present. Whole bean exports are especially sought after in foreign markets as Paraguayan beans tend to have higher protein levels and are used for blending with lower protein beans in foreign crush operations. 2015/2016 is left unchanged at 4.1 million tons as meal and oil processing continues to be an increasingly more lucrative option for producers.

Domestic Consumption

Domestic consumption of soybeans and its byproducts is minimal in Paraguay. Soybeans and soybean meal are used in feed rations for the pork and poultry industries. Use for cattle rations is very limited as most cattle are still fed on pasture. Post forecasts 2016/2017 feed use of soybeans at 100,000 tons, similar to the levels of prior years. Soybean meal consumption for 2016/2017 is forecast increase by 7 percent to 300,000 tons due to greater demand from the poultry and pork sectors.

Soybean oil consumption for 2016/2017 is forecast at 60,000 tons, similar to the levels of prior years. Less than 5,000 tons is estimated as consumed by industry, with the rest for food use. Soybean oil use for biodiesel is limited as it is more expensive than animal fat, the traditional source for the Paraguayan biodiesel sector. The higher cost of soybean oil for biodiesel production will strain any potential growth in use even with increases in crush and the potential of higher production. For more information on biodiesel production in Paraguay, please see the Paraguay Annual Biodiesel report in the GAIN system.

Trade:

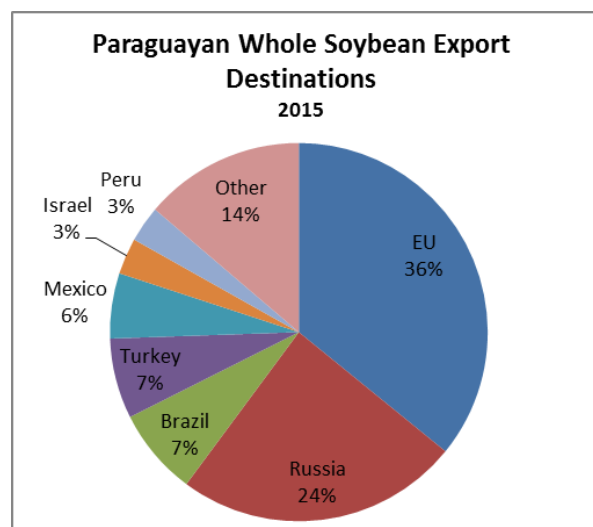
2016/2017 whole bean exports are forecast down to 4.3 million tons as a result of lower supplies and greater competition from beans from the crush sector. 2015/2016 whole bean exports are revised to up 5.8 million based on higher supplies and demand from markets such as the European Union and Russia. Year to date (Jan – Mar 2016) exports demonstrate particularly high exports to Uruguay, Argentina, and Brazil. 2014/2015 whole bean exports are revised to 4.6 million tons to reflect the new marketing year format (Jan-Dec 2015). The main markets for 2014/2015 were EU, Russia, Brazil, Turkey, Mexico, Israel, and Peru (see graphs below).

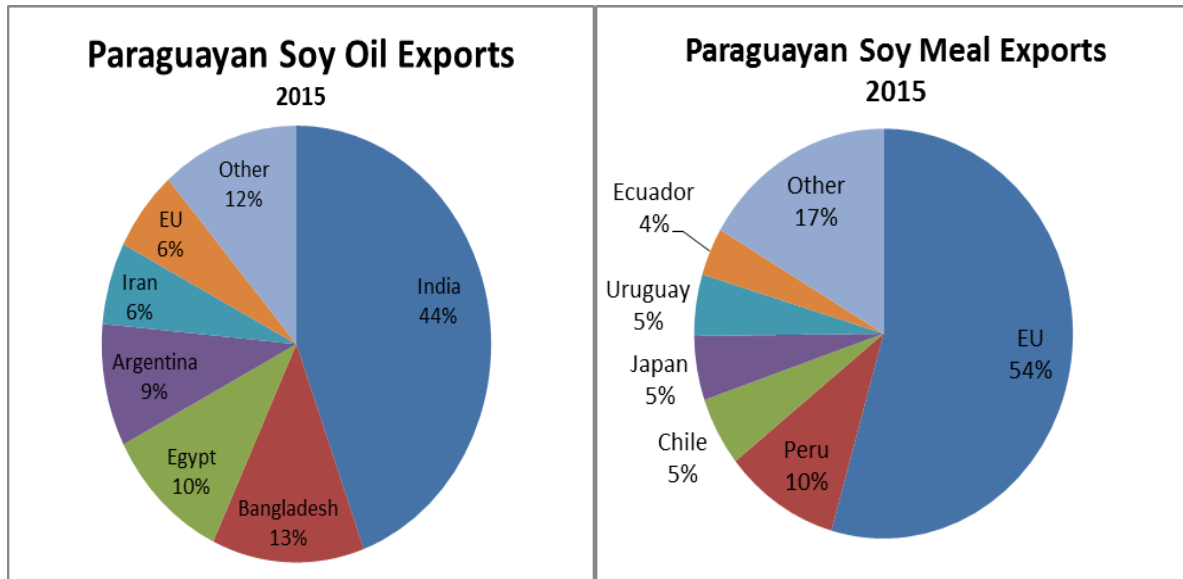
Nearly all Paraguayan soybeans are transhipped through ports in Rosario (Argentina) and Nueva Palmira (Uruguay) and are then shipped to their final destination. Most of these exports go through the port facilities of larger multinational exporters, such as Cargill. Otherwise, exporters use the port of

Nueva Palmira. In January 2016, the Argentine government permitted the tariff-free importation of soybean from Paraguay for meal, oil, and biodiesel processing (<http://www.economistaamerica.com.ar/economia-eAm-argentina/noticias/7287984/01/16/Argentina-abre-la-importacion-de-soja-de-Brasil-Paraguay-y-Bolivia.html>). This policy was put in place in order to spur Argentina's crushing industry which private estimates indicates was then working at only 65 percent of capacity. Contacts from the Argentine sector indicate that this policy move should encourage more Paraguayan whole soybean exports to Argentina. However, these contacts doubt this will result in a massive increase in shipments as Paraguay already has a developed crushing industry.

2016/2017 soybean meal exports are forecast to rise to 3.05 million tons, an increase just over 2 percent from the previous year. This can be attributed to greater demand from EU and South American markets along with growing crush operations. Although soybean supplies are expected to fall for 2016/2017 due to lower production, meal and oil exports are forecast to increase as crush continues to grow and compete with whole bean exports. 2015/2016 exports are revised up to 2.98 million tons as a result of higher soybean suppliers. 2014/2015 exports are revised to 2.57 million tons to reflect the marketing year (Jan-Dec 2015) and actual data.

2016/2017 soybean oil exports are forecast to rise to 755,000 tons, an increase of 2 percent from the previous year. Increased crush along with along with growing demand from India (about 44 percent of shipments) and Bangladesh along with markets in the Middle East, South America, and EU. 2015/2016 soybean oil exports are revised up to 740,000 tons as a result of higher crush. 2014/2015 exports are revised to 699,000 tons to reflect the marketing year (Jan-Dec 2015) and actual data.





Stocks:

2016/2017 soybean ending stocks are forecast to decline to 60,000 tons, due to lower production and a growing volume supplies diverted to crush facilities. Paraguay tends to carry little stocks for soybean and soybean products as these products are quickly commercialized. Moreover, Paraguayan producers do not have the custom of storing soybean on farm. Yet, this is beginning to change. Fixed storage capacity is around 8 million tons, 90 percent of the forecast 2016/17 crop. Producers, cooperatives, and elevators have invested in the construction of silos. This storage capacity will be used as a tool to facilitate planning and better marketing of their supplies, as in the case with soybean producer in neighboring Argentina. This should result in sales being spread out more evenly throughout the year instead of having the majority sold and transported at harvest time.

Statistical Tables

Oilseed, Soybean Market Begin Year Paraguay	2014/2015		2015/2016		2016/2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	3275	3240	3400	3300	0	3330
Area Harvested	3240	3240	3400	3300	0	3330
Beginning Stocks	134	90	63	96	0	103
Production	8100	8400	8800	10000	0	8495
MY Imports	7	7	7	7	0	7
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	8241	8497	8870	10103	0	8605
MY Exports	4488	4576	4600	5800	0	4300
MY Exp. to EU	1500	0	1500	0	0	0
Crush	3650	3725	4100	4100	0	4150
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	40	100	40	100	0	100
Total Dom. Cons.	3690	3825	4140	4200	0	4250
Ending Stocks	63	96	130	103	0	55
Total Distribution	8241	8497	8870	10103	0	8605

(1000 HA) ,(1000 MT)

Meal, Soybean Market Begin Year Paraguay	2014/2015		2015/2016		2016/2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	3650	3725	4100	4100	0	4150
Extr. Rate, 999.9999	0.7863	0.7785	0.7866	0.7866	0	0.7904
Beginning Stocks	55	55	148	139	0	106
Production	2870	2900	3225	3225	0	3280
MY Imports	3	3	2	2	0	2
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	2928	2958	3375	3366	0	3388
MY Exports	2530	2569	2980	2980	0	3050
MY Exp. to EU	1050	1048	1250	1400	0	1500
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	250	250	280	280	0	300
Total Dom. Cons.	250	250	280	280	0	300
Ending Stocks	148	139	115	106	0	38
Total Distribution	2928	2958	3375	3366	0	3388

(1000 MT) ,(PERCENT)

Oil, Soybean Market Begin Year Paraguay	2014/2015		2015/2016		2016/2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	3650	3725	4100	4100	0	4150
Extr. Rate, 999.9999	0.191	0.1906	0.191	0.1915	0	0.1911
Beginning Stocks	22	81	5	38	0	27
Production	697	710	783	785	0	793
MY Imports	6	6	5	4	0	5
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	725	797	793	827	0	825
MY Exports	690	699	745	740	0	755
MY Exp. to EU	65	40	65	40	0	40
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	30	60	35	60	0	60
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	30	60	35	60	0	60
Ending Stocks	5	38	13	27	0	10
Total Distribution	725	797	793	827	0	825

Executive Summary: