

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

Wheat production for crop 2016/17 is forecast at 1.0 million tons, lower than the previous year due to expected low farmer returns. A lower output would negatively affect exports which could drop to 500,000 tons. Corn production for 2016/17 is forecast to drop at 3.5 million tons, with an unchanged harvested area but with a projected lower yield than the one expected for 2015/16. Corn exports are forecast at 2.4 million tons. Despite a lower planted area, rice production is projected to increase at 700,000 tons (rough basis) as more normal weather is expected.

Commodities:

Wheat, corn and rice

Background

After several years of good returns and productivity, the Paraguayan farm sector is now under pressure as world prices have dropped and in many cases, farm income barely covers production costs. The sector in general is in good condition, but producers lately are facing increasing debts. Approximately 80 percent of the crop land is farmed by its owner, while the balance is in hands of producers who lease land, paying a rent at harvest of about 1.0-1.2 tons of soybeans per hectare. Roughly 85-90 percent of the country's crop production comes from the south and central east region, bordering with Brazil and Argentina. In this area there is practically no more land to develop. Farms have on average 200-300 hectares and it normally rains 80 inches per year. There is a lot of Brazilian influence in this area. A new area has developed in the past few years, located towards the west and northwest of this area. In general these are larger farms and most of them come from ranches with very productive pastures. Potential farmers have to compete for land with the cattle business which has so far been very profitable. This area has somewhat less rainfall and higher temperatures than the eastern area. Post does not expect Paraguay to increase its total crop area for 2016/17 more than 1-2 percent. Farmers use good technology and good levels of fertilization. Most of them buy their agricultural inputs in barter, through coops or private companies. At harvest they normally cancel their debts with production. Most of the large multinational grain traders operate in Paraguay, as well as some local traders, processors and cooperatives.

Production

Wheat: Production for crop 2016/2017 (December 2016-November 2017) is projected at 1.0 million metric tons. This is a reduction from last year's volume primarily due to a significant drop in planted area as a result of expected low prices and profitability. Current projected net margins are slightly negative. Most contacts forecast a drop in planted area between 10-40 percent. Many farmers will instead increase the use of winter cover crops, such as oats, and plant summer soybeans immediately after. Paraguayan wheat is expected to suffer strong pressure from a large export surplus from Argentina's 2016/17 wheat crop. The main market for wheat for Argentina and Paraguay is Brazil.

Wheat production in Paraguay takes place primarily in the southeast, in the Departments of Misiones, Alto Parana and Itapua. Planting is normally done in May, while harvest is in September-early October. Paraguay until the early 2000's was a net wheat importer, but the research and development of local varieties made it possible to expand its wheat area to 500-600,000 hectares a year and become a wheat exporter. Producers utilize good technology, good seed genetics and fertilization. Average yields usually range between 2.0-2.4 tons per hectare. In general the protein content of Paraguay's wheat is over 12 percent.

Corn: Production for crop 2016/17 (January-December 2017) is forecast at 3.5 million tons, lower than the expected production for 2015/16. As with wheat, an expected important increase in production in neighboring Argentina is expected to put a downward pressure on local farmers' expectations. However, lower costs of production (especially fertilizers and seed prices), and some changes in agronomic practices are expected to keep the harvested area at 720,000 hectares. After the harvest of the first soybean crop (called summer soybean) in January, some farmers plant in the same field either late soybeans (called soja zafrinia) or late corn (called maiz safrinia). There is currently a lot of discussion of whether soybeans after soybeans is a good agricultural practice as it does not cut the cycle of diseases, weeds and insects. There are many technicians who advise against this practice, but many farmers continue to plant due to its economics. Several contacts believe that the late soybeans area could drop somewhat in the 2016/17 crop season, with more late corn due to the benefits for the soil. The weather in September is key as it defines what will be planted in January. If farmers plant soybeans late because of too much rain or drought, they will harvest in late January and then plant late corn instead of soybeans again. If they are able to plant and harvest on time, there will be a significant area of late soybeans.

Paraguay has two different corn seasons. The early corn is usually planted in September and harvested in February-March. The area planted with this corn normally ranges between 20-40,000 hectares, and yields on average 8.0 tons per hectare. The late corn is normally planted after the soybeans harvest in late January-February and harvested in July-August. Its area normally ranges between 650-750,000 hectares. Late corn typically yields between 4.5-5.5 tons per hectare. Corn is planted throughout Paraguay, and there are many small-family farms which use it for their own use. Production is concentrated in the hands of the more progressive producers, who utilize good technology, in the Departments of Alto Parana, Itapua and Canindeyu, the eastern part of the country. This area represents over 80 percent of production. Most farmers use no-till drill, good volumes of fertilizers and biotech seeds. The risk for the late planted corn is the lack of rainfall in a period of more than two weeks during autumn.

Corn production for marketing year 2015/16 is expected to be 3.75 million tons, 600,000 tons higher than USDA. This corn will be harvested in July-August 2016, but so far, the condition of most corn fields is very good, with an expectation of higher yields than normal.

Rice: Rice production for crop 2016/17 (April 2017-March 2018) is projected at 700,000 tons, rough production basis. Despite a lower harvested area, this is an increase from the previous year which was badly affected by excess rainfall due to El Nino. Planted area is projected to drop at 110,000 hectares, 15,000 hectares lower than in 2015/16. The local rice sector is going through difficult times due to excess stocks and low export prices. Producers have had two crops in a row with low prices and the financial situation of the sector is complicated. Some contacts believe that banks and input suppliers will be very careful in providing financing and that this situation could limit the future planted area.

Rice harvested area in 2015/16 is estimated at 125,000 hectares, lower than earlier projected due to excess rain during planting season. Yields are also going to be hurt due to the same reason and to the lack of sunlight during most of the growing season.

The Departments of Misiones, Itapua and Caazapa concentrate about 80 percent of the country's rice production. Eight rice mills in the Itapua area account for more than 80 percent of the demand.

Consumption

Wheat: Total domestic consumption for 2016/17 is forecast at 620,000 tons, unchanged from the previous year. While the consumption of seed would be somewhat lower, human consumption is expected to continue to grow gradually. The city of Juan Eulogio Estigarribia (also known as Campo 9), located between the main country's cities of Asuncion and Ciudad del Este, hosts the largest concentration of flour mills, followed by Asuncion. There are approximately 36 wheat flour mills in the country, with a production capacity of 1.15 tons of wheat. Currently these companies are running at 55 percent capacity.

Wheat flour consumption in Paraguay has been growing strongly in the past few years primarily due to the growth of the country's economy and to the fact that the distribution system for flour has improved significantly, especially now reaching cities and towns in the interior of the country. Since a few years ago, many Paraguayans are shifting from consuming manioc to consume wheat flour and wheat flour-based products such as bread, pizzas, cookies, etc.

Corn: Domestic consumption for crop 2016/17 is forecast at 1.2 million tons, marginally higher than the previous year. Corn prices in the next several months are expected to be higher than last year, primarily as a result of the strong demand from Brazil. The local bioethanol industry is a large consumer of corn and it is not expected to expand in 2016/17. The use of corn for the livestock sector is expected to increase somewhat. The pork industry is showing an expansion in investment and production. The local feedlot business is expanding, but it primarily consumes corn silage.

Rice: Total domestic consumption for 2016/17 is forecast at 125,000 tons (milled base), a slight increase from the previous year. Although there are no official numbers, contacts estimate that around 125,000 tons (rough) is used for human consumption, 15,000 tons for seed and some 45,000 tons are used for other industrial uses. The large community of Brazilians in the eastern area is pushing consumption up.

Trade

Wheat: Paraguayan wheat exports for 2016/17 are forecast at 500,000 tons, the lowest of the past three years as a result of an expected drop in production. Brazil in the past three years was the destination for 65-95 percent of Paraguay's wheat exports. Paraguay's wheat production area is very close to the border with Brazil, with a big advantage in logistics and transportation which is mainly done by truck. Most Paraguayan exports are normally done in October-December of each year, a few months prior to the availability of wheat produced in Uruguay and Argentina. After Brazil's strong devaluation in 2015, Paraguay's officials are working in the opening of new markets for its wheat. To date, Paraguay has more than 30 markets open.

Wheat flour exports from Paraguay to Brazil have increased in the past 3-4 years, at a time that Argentina's exports dropped significantly due to export limitations. Exports of wheat flour range between 10-50,000 tons a year, very dependent on the needs and prices paid in the other side of the border.

Corn: Exports during the 2016/17 marketing year are projected at 2.4 million tons, lower than in the past couple of years due to a somewhat lower production and smaller stocks. Brazil and Chile are the main markets with approximately 700-900,000 tons each. The balance is primarily exported through the Uruguayan port of Nueva Palmira. The corn arrives by barges through the Parana River and then it is loaded on larger ships. The final destination of these shipments is generally South East Asia and Africa.

Total exports in 2015/16 are expected at 2.6 million tons, 300,000 tons higher than USDA, primarily due to Post's higher production estimate. Currently Paraguay is exporting large volumes of corn to Brazil which is short of corn due to its recent large exports.

Rice: Exports in marketing year 2016/17 are forecast at 350,000 tons, somewhat higher than the previous year. Brazil is expected to be the largest market by far, as it has been in the past several years, taking over 75 percent of Paraguay's rice exports. Chile is the second destination for Paraguayan rice, taking 35-45,000 tons a year. After the Brazilian devaluation in 2015, rice prices have dropped significantly in the country. Therefore, the sector and the government have been working to open new markets to be able to diversify exports.

Statistical Data

Wheat Market Begin Year Paraguay	2014/2015		2015/2016		2016/2017	
	Dec 2014		Dec 2015		Dec 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	632	640	560	560	0	450
Beginning Stocks	435	435	422	358	0	343
Production	1314	1400	1064	1200	0	1000
MY Imports	5	5	5	5	0	5
TY Imports	7	7	5	5	0	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1754	1840	1491	1563	0	1348
MY Exports	882	882	900	600	0	500
TY Exports	514	514	1050	700	0	500
Feed and Residual	100	50	100	0	0	0
FSI Consumption	350	550	355	620	0	620
Total Consumption	450	600	455	620	0	620
Ending Stocks	422	358	136	343	0	228
Total Distribution	1754	1840	1491	1563	0	1348
(1000 HA) ,(1000 MT)						

Corn 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 Harvested	700	660	700	720	0	720
Beginning Stocks	1425	1425	278	473	0	488
Production	3080	3420	3150	3750	0	3500
MY Imports	15	15	15	15	0	15
TY Imports	8	8	15	15	0	15
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	4520	4860	3443	4238	0	4003
MY Exports	3287	3287	2300	2600	0	2400
TY Exports	3012	3012	2700	2800	0	2400
Feed and Residual	400	500	400	530	0	570
FSI Consumption	555	600	450	620	0	630
Total Consumption	955	1100	850	1150	0	1200
Ending Stocks	278	473	293	488	0	403
Total Distribution	4520	4860	3443	4238	0	4003

(1000 HA) ,(1000 MT)

Rice, Milled Market Begin Year Paraguay	2014/2015		2015/2016		2016/2017	
	Apr 2015		Apr 2016		Apr 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	120	140	140	125	0	110
Beginning Stocks	10	10	105	62	0	26
Milled Production	523	570	560	402	0	469
Rough Production	781	851	836	600	0	700
Milling Rate (.9999)	6700	6700	6700	6700	0	6700
MY Imports	2	2	2	2	0	2
TY Imports	2	2	2	2	0	2
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	535	582	667	466	0	497
MY Exports	410	400	500	320	0	350
TY Exports	407	407	500	320	0	350
Consumption and Residual	20	120	20	120	0	125
Ending Stocks	105	62	147	26	0	22
Total Distribution	535	582	667	466	0	497

(1000 HA) ,(1000 MT)