

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Paraguay

Grain and Feed Annual

Annual 2019

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Report Highlights:

Wheat production in marketing year (MY) 2019/20 is forecast to increase to 1.14 million tons. Exports are projected up at 480,000 tons as a result of greater supply. Corn production for MY 2019/20 is forecast down slightly at 3.7 million tons with exports expected to fall to 2.0 million tons. Rice area, production and exports in MY 2019/20 are projected to drop slightly.

Wheat: Production for marketing year (MY) 2019/20 is forecast to increase by 9 percent to 1.14 million tons, driven by greater area and a return to average yields. Post projects total planted area to grow by 7 percent to 480,000 hectares, an increase of 30,000 hectares, with a yield similar to last year. Contacts estimate that the availability of good quality seed for the coming season could cover no more than 500,000 hectares due to last year's lower quality harvest, which limited seed supplies in this season.

At its peak, Paraguay wheat area reached 632,000 hectares in 2014/15. Since then, wheat area has been declining over the past 4-5 years because of low producer returns, most likely impacted by Brazil's currency devaluation and Argentina's strong wheat production recovery since 2016. Another obstacle to greater wheat area is the increase in 2nd crop soybean sowings which competes for area during the same time of the year. Last year's crop was affected by a late frost in August and excess rain during the harvest in September. Therefore, some producers harvested poor quality wheat that local elevators bought to service demand for lower-quality flour or for export as feed wheat.

Many producers use winter crops, such as oats or wheat with similar production costs, for soil coverage and weed control. As such, there is a possibility that producers may increase wheat planting area next season as some may be inclined to plant wheat instead of oats and take the decision to harvest it or not at the end of the cycle, depending on market conditions and expected productivity. Soybeans are Paraguay's main crop and in which producers put their main focus.

Producers are expecting slightly better prices over the next couple of months. Current local wheat prices are \$230 per ton for good quality, \$180 per ton for medium quality and \$140 per ton for feed wheat.

Paraguayan wheat has a stable domestic demand which is normally supplied by producers in the Campo 9 area, where many flour mills are located, and Itapua, where the best wheat production conditions are found. Depending on prices and market conditions, the eastern area bordering Brazil expands or contracts its area depending primarily on demand. Although overall planted area will expand marginally in 2019/20 due to relatively good prices, the area is still somewhat below the acreage normally planted.

Wheat exports for MY 2019/2020 are forecast up at 480,000 tons as a result of an expected larger output and stable domestic consumption. Exports flow primarily to Brazil, which, for the past three crop years, has accounted for more than 97 percent of total Paraguayan wheat exports. Small volumes of flour are exported to Bolivia. Industry sources report that small volumes of feed wheat have been exported recently by local cooperatives to South East Asia.

Contacts estimate that, in general, flour mills maintain approximately 2-3 months of wheat stocks, totaling approximately 100-150,000 tons, for self-use at the end of the marketing season. In addition, grain elevators and cooperatives maintain small stocks from one crop season to the next.

Corn: Production in MY 2019/20 is forecast to decline by 3 percent to 3.7 million tons based on flat planted area and marginally lower than average yield.

The newly planted MY 2018/19 crop is in good condition due to adequate rainfall. Paraguayan producers use high-quality corn hybrid seed on 70-80 percent of the planted area and less expensive "homemade seed," produced by a few local seed companies, on the remainder. The corn crop will typically be harvested in July with 21-23 percent humidity then dried to lower the humidity to 13.5-14.0 percent.

The cost of production for this crop increased marginally over last year due to higher fertilizer prices but offset by lower seed prices. Producers will spend roughly \$380-400 per hectare in agricultural inputs (not including soil labor, spraying, harvest or overhead costs), while the total cost ranges between \$600-700 per hectare.

Contacts indicate that 25-30 percent of the total crop acreage in Paraguay is produced on leased land. Depending on the location and soil quality, farmers pay the equivalent of 1.0-1.2 tons of soybeans per hectare per year (in most cases, the second soybean or corn crops are included) for rented land.

Late (zafrinha) corn, planted in February and harvested in June/July, competes for acreage with second crop (zafrinha) soybeans which is planted one month earlier. Zafrinha soybeans normally cover a somewhat higher acreage than zafrinha corn. Although producers are aware of the risk of planting soybeans over soybeans, corn production remains disadvantaged to the higher profitability of soybean returns. If the harvest of the zafrinha corn and soybean in mid-2019 is normal, the planting in MY 2019/20 is expected to be normal. Some 30-40,000 hectares of early corn are planted in August-September. This corn usually yields 8-9 tons per hectare, while late (zafrinha) corn normally yields between 5.0-5.5 tons per hectare.

Farmers have harvested the main soybean crop, affected by drought in late November and December 2018, which reduced total production by roughly 15 percent. Rains were very spotted, with some producers losing as much as 30 percent in yields. Despite this, producers are expected to achieve adequate margins which will help them lessen the burden of long-standing (but manageable) debts.

Corn exports for MY 2019/20 (from June 2020-May 2021) are forecast at 2.0 million tons, 200,000 tons lower than in 2018/19 primarily due to a smaller projected output. Brazil is expected to be the number one destination, followed by Uruguay, however, corn exports in CY2018 went to more than 15 destinations. Exports in MY 2017/18 (through May 2019) are expected at 1.8 million tons. Exports from June 2018 through January 2019 totaled almost 1.4 million tons. Local brokers estimate that an additional 400,000 tons should be shipped by late May. Exporters indicate that a larger local demand, especially by the growing ethanol industry, increases domestic prices, raising Paraguayan export prices and reducing competitiveness during several months of the year.

Domestic consumption for 2019/20 is projected at a record 1.65 million tons. The main driver is the expanding local grain ethanol industry - a large plant was inaugurated in mid-2018 - with most smaller plants increasing capacity as well. Contacts estimate that the country's eight ethanol plants will consume approximately 1.22 million tons of corn in 2020.

The two largest ethanol plants, owned by the same company, produce dry distilled and wet distilled grains from corn for use in animal feed, an industry that saw a new processing plant opened in 2017. In total, this sector uses 350,000 tons of corn to produce approximately 500,000 tons of feed for egg, poultry, hog and dairy producers.

Rice: Production for MY 2019/20 is forecast at 1.0 million tons (rough basis) and 670,000 tons (milled basis), slightly below the previous year. The current harvest is roughly 50 percent finished. Although difficult to estimate in advance, Post projects area to drop marginally as the regional price of rice and its demand continues to be relatively weak, negatively affecting producer returns.

Nevertheless, some contacts believe that the area could remain unchanged. Although a few large rice investment projects could continue adding area, producers with negative or slim returns may reduce planted area as planting costs are over \$1000 per hectare. Of the total planted area, roughly one third is held by 10-12

large rice mills, another third by 20 large independent producers which plant between 1,500-3,000 hectares, and the balance by numerous small and medium producers who plant between 300-800 hectares.

Production for MY2018/19 is expected at 1.05 million tons (rough basis), a 5 percent increase from the previous year.

Rice exports in MY 2019/20 are projected at 580,000 tons, lower than the previous two years due to a combination of smaller output and lower beginning stocks. Contacts indicate that the sector has stagnated since Brazil devalued its currency three years ago, making Paraguayan rice less competitive and hurting exports to this key market. Semi or wholly milled rice is the main product exported, followed by brown and paddy rice. Broken rice exports are also quite significant. Paraguay exported rice to more than 40 markets in 2018. Brazil is by far the main market, accounting for 60-80 percent of all shipments. Exports to Chile range between 30-50,000 tons a year.

The average price of rice exported by Paraguay in 2018 was \$309 per ton, the lowest since 2007 as a result of weak prices from the region's primary importer, Brazil, whose currency devaluation continues to drive down prices in dollar terms. In July and August 2018, roughly 10 rice mills from southern Paraguay exported 32,000 tons of premium white rice to Iraq at an average price of \$370 per ton. The first shipment is expected to open new regional export opportunities in the future.

Domestic consumption for MY 2019/20 is forecast at 104,000 tons (milled basis), a marginal increase from the previous year. Although there is no accurate data, most contacts estimate domestic consumption at about 150,000 tons, rough basis. Domestic consumption is estimated at about 90-100,000 tons (milled basis) and roughly 15,000 tons (rough basis) is used for planting seed.

Contacts indicate that ending stocks are lower than USDA official reports. For example, in January 1, 2019, stocks of the old crop (MY 2017/18) were 60,000-100,000 tons (milled basis). The sector needs to keep stocks as low as possible due to limited and costly production financing, which forces producers to sell the crop during the marketing year.

Statistical Tables

Wheat	2017/2018	2018/2019	2019/2020
Market Begin Year	Sep 2017	Sep 2018	Sep 2019

Paraguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	430	430	485	450	0	480
Beginning Stocks	101	101	27	97	0	112
Production	700	800	1360	1050	0	1140
MY Imports	6	6	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	807	907	1392	1152	0	1257
MY Exports	230	230	650	440	0	480
TY Exports	238	238	600	450	0	480
Feed and Residual	30	30	50	50	0	40
FSI Consumption	520	550	530	550	0	570
Total Consumption	550	580	580	600	0	610
Ending Stocks	27	97	162	112	0	167
Total Distribution	807	907	1392	1152	0	1257
Yield	1.6279	1.8605	2.8041	2.3333	0	2.375

(1000 HA) ,(1000 MT) ,(MT/HA)

Corn Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jun 2018		Jun 2019		Jun 2019	
Paraguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	600	650	750	680	0	680
Beginning Stocks	1117	1117	1152	1032	0	1042
Production	3320	3200	4125	3800	0	3700
MY Imports	15	15	10	10	0	12
TY Imports	12	12	10	10	0	12
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	4452	4332	5287	4842	0	4754
MY Exports	1700	1800	2200	2200	0	2000
TY Exports	1476	1476	2200	2200	0	2000
Feed and Residual	600	500	600	500	0	520
FSI Consumption	1000	1000	1000	1100	0	1130
Total Consumption	1600	1500	1600	1600	0	1650
Ending Stocks	1152	1032	1487	1042	0	1104
Total Distribution	4452	4332	5287	4842	0	4754
Yield	5.5333	4.9231	5.5	5.5882	0	5.4412

(1000 HA) ,(1000 MT) ,(MT/HA)

Rice, Milled Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jan 2018		Jan 2019		Jan 2019	
Paraguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	150	150	158	155	0	153

Beginning Stocks	260	260	191	178	0	131
Milled Production	653	670	683	703	0	670
Rough Production	975	1000	1019	1049	0	1000
Milling Rate (.9999)	6700	6700	6700	6700	0	6700
MY Imports	1	1	2	2	0	2
TY Imports	1	1	2	2	0	2
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	914	931	876	883	0	803
MY Exports	653	653	650	650	0	580
TY Exports	653	653	650	650	0	580
Consumption and Residual	70	100	68	102	0	104
Ending Stocks	191	178	158	131	0	119
Total Distribution	914	931	876	883	0	803
Yield (Rough)	6.5	6.6667	6.4494	6.7677	0	6.5359
(1000 HA) ,(1000 MT) ,(MT/HA)						

Commodities:

Wheat

Corn

Rice, Milled