

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 4/2/2018

GAIN Report Number:

Paraguay

Oilseeds and Products Annual

2018/2019 Forecast: Area Growth and Average Yield Levels Expected to Result in Production of 9.8 Million Tons.

Approved By:

M. Melinda Meador, Agricultural Counselor

Prepared By:

Lazaro Sandoval, Agricultural Attaché

Report Highlights:

Slight planting area growth in some regions raises 2018/19 Paraguayan soybean area forecast to 3.5 million hectares coupled slightly lower yields producing 9.8 million tons, a 2 percent decline over the previous year. Strong demand for Paraguay soybeans, especially by Argentina, is expected to drive exports in excess of 5.9 million tons in 2018. Excellent weather conditions raised yields to above-average levels delivering production of 10 million tons for 2017/18.

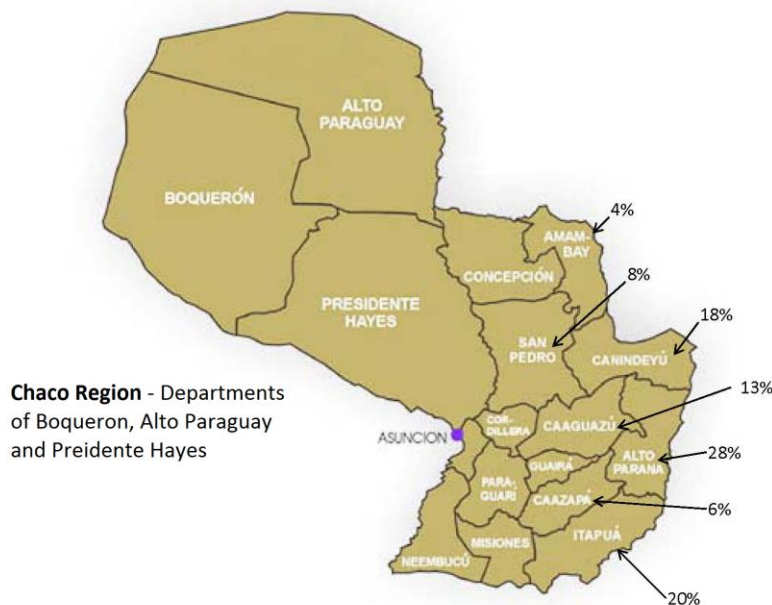
Production:

2018/2019

Planting area: Post forecasts 2018/2019 soybean area up by 1 percent over last year to 3.5 million hectares with first crop soybeans (zafra) at 2.8 million hectares and second crop soybean (zafrina) area estimated at 700,000 hectares. As a result of improved soil management and seed technology, yields have risen steadily and currently average 2.8 tons per hectare. Based on these parameters, Paraguayan soybean production is forecast at 2.9 million tons.

The major producing regions of Itapua, Alto Parana, Catineyu, and Caaguazu have already maximized production area so the marginal area increase is found in the departments of San Pedro, Cordillera, Concepcion, and select areas along the Paraguay River in the Chaco region. However, significant gains in the departments of San Pedro and Concepcion, are limited by competition from the livestock sector (local feeder prices are rising) and high upstart costs. In the Chaco region, harsh heat conditions and the lack of infrastructure make soybean planting unfeasible at present. However, there are ongoing projects to develop heat-tolerant soybean varieties that could flourish in the area. One contact estimated that if the Chaco region and other areas were unlocked, soybean area could reach 8 million hectares.

Paraguay Soybean Production by Department



Source: [AgriDatos](#), Market Report on Supply and Demand, Edition 6

Production costs are expected to be stable entering the new season, except where weed management problems spike, with producers consolidating operations to gain efficiencies and reinvesting as possible. Paraguayan producers are expected to reinvest profits in capital goods, such as advanced machinery, equipment and technology to boost productivity and production. Demand for crop land remains strong with interest from domestic and international producers.

Paraguay will hold a general election in late April. The soybean sector does not anticipate the status quo

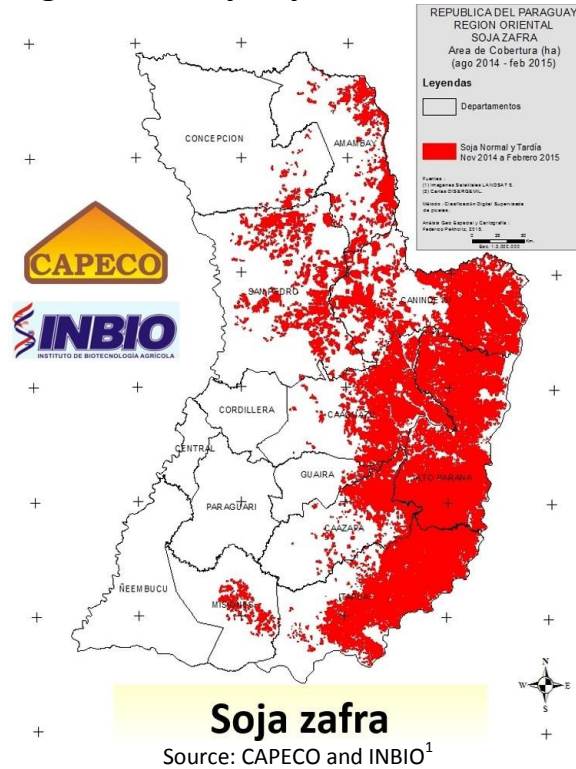
will change and thus production decisions are not affected. The sector anticipates the ruling Colorado party will maintain the Presidency.

2017/2018

Unlike its neighbors Argentina and Uruguay where the majority of soybean production is completed on rented area, only 30 percent of soybean production is planted on rented area in Paraguay while landowners plant the remaining 70 percent. Unlike its neighbors Argentina and Uruguay, Paraguay did not experience drought conditions due to the La Nina weather phenomenon. Instead, excellent conditions during key periods of the season (especially October and January), lifted yields to above-average levels at 2.9 tons per hectare. These yields, coupled with an area of 3.46 million hectares, are expected to result in production of 10 million tons. Producers are expecting healthy returns, with per hectare yield well beyond their break-even level of 1.9 to 2.0 tons per hectare and higher than expected soybean prices in excess of \$340 per ton.

On the downside, the spread of weeds and diseases in soybean fields, such as fleabane (*Conyza bonariensis*) and soy rust, require greater controls. Producers lament that they have to apply, on average, five chemical controls per season when just a few years ago two to three application sufficed. Producers fear this trend will continue and more applications will be needed for each new season as few new products on the market deliver more effective weed/disease control.

Soybean Plantings in Primary Soybean Area – Southeast Paraguay



¹ <http://capeco.org.py/soja-satelital-es/> - Based on 2014/2015 season plantings

Contacts state that producers could achieve cost savings through more efficient applications of fertilizers; however, it is doubtful that producers will implement changes. Financing for inputs is still largely provided by input companies who, in a barter-like arrangement, supply inputs to producers in exchange for a negotiated volume of soybeans or its monetary equivalent.

2016/2017

For 2016/17, Post revises production up to 10.2 million tons based on updated data from local sources and better than expected weather conditions that lifted yields.

Soy Double Cropping

Zafra soybeans tend to be planted primarily in September and October and harvested in January and February. Zafrina soybeans are then planted as early as mid-February. Double-crop soybean production is considered agronomically unwise and damaging to soils in the long-term. Nonetheless, while producers may acknowledge its potential long-term damage, they are driven to do so by current economic necessities.

The government and producer groups encourage producers to avoid zafrina and instead practice crop rotation with corn. Speculation that the government would consider the banning of zafrina planting has proven unfounded. Instead, producer groups have asked the government to lower value-added taxes for corn as a way to incentive greater crop rotation.

Consumption:

Crush

2018/2019 crush is forecast to decrease by almost 3 percent to 3.8 million tons due to less available supplies as a result of lower expected production. The crush sector has a capacity of almost 4.5 million tons which translates into a crush utilization rate of 84 percent for 2018/2019. For the past few years, roughly 40 percent of soybean supplies were crushed and the remaining 60 percent of supplies exported as whole beans. 2017/2018 crush is revised up to 3.9 tons due to greater production.

Historically, Paraguay benefitted from value-added processing of its higher protein-content beans that delivered attractive price premiums to exporters. However, this trend has waned partly due to the reopening of the Argentine market to soybeans. Beyond the next season, analysts indicate that production must increase or higher premiums for oil and meal must emerge for crush to increase.

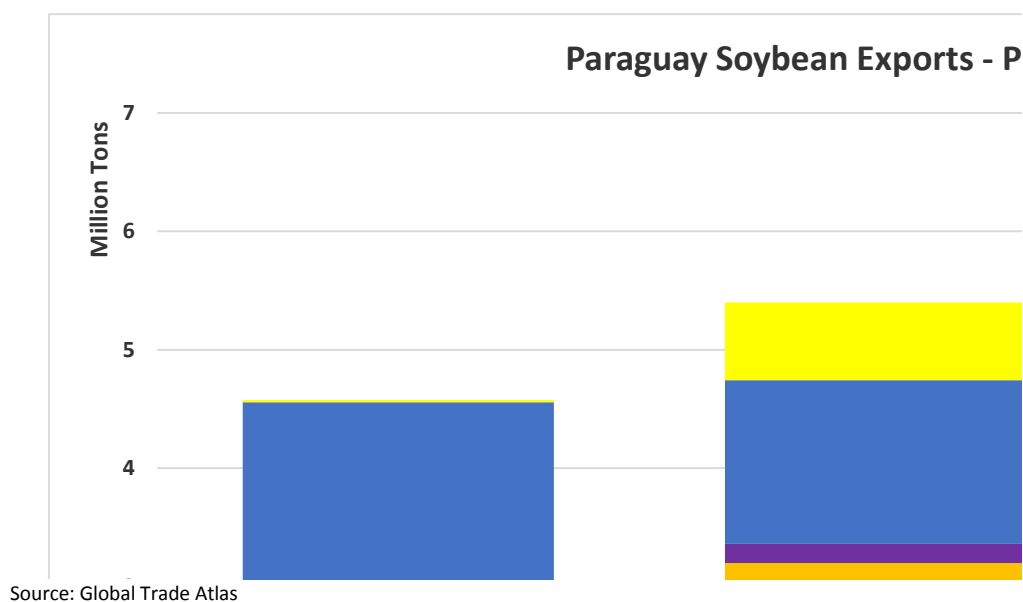
Domestic Consumption

Domestic consumption of soybeans and soy 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 fed on pastures with some corn rations. Post forecasts 2018/2019 feed use of soybeans at 100,000 tons. Soybean meal consumption for 2016/2017 is forecast to remain flat at 300,000 tons as no noteworthy expansion in pork and poultry sectors is expected.

Soybean oil consumption for 2016/2017 is forecast at 60,000 tons, similar to the levels of prior years. It is estimated that out of this total, less than 5,000 tons are consumed for industrial purposes with the remainder for food use.

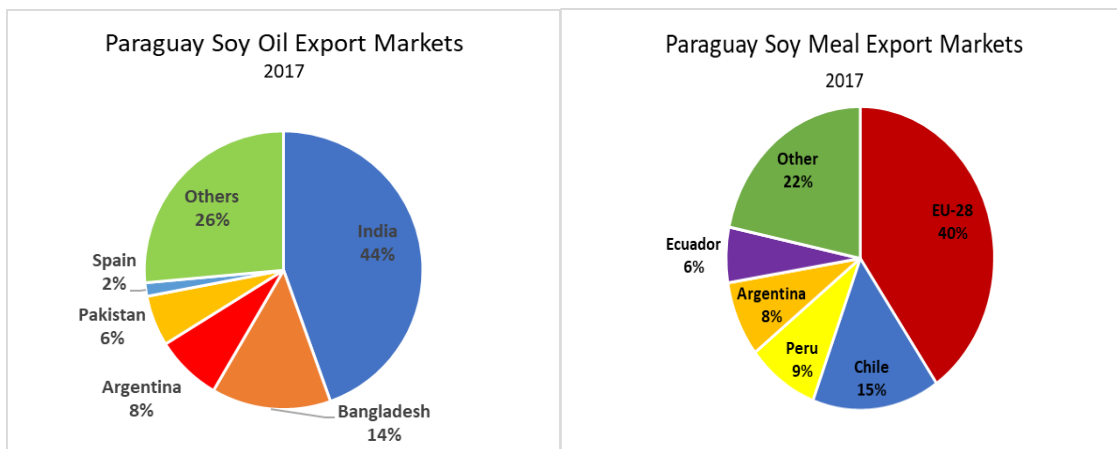
Trade:

2018/2019 whole bean exports are forecast down to 5.9 million tons as a result of lower exportable supplies. 2017/2018 whole bean exports are revised up to 6.1 million tons based on greater production and escalating demand from export markets. Paraguayan beans tend to have higher protein levels that are valued for blending with lower protein beans in foreign crush operations, such as in Argentina. After the Argentine government reopened the market for soybean imports in 2016, Paraguayan shipments to Argentina exploded. Paraguay soybean exports went from 20,000 tons in 2015 to over 1.4 million tons in 2017. Argentina's current drought and the resulting loss in production and quality is expected to further increase demand for Paraguayan shipments to feed Argentina's crush capacity of 65 million tons for the development of soy meal and soy oil. Contacts estimate that these exports could easily double and reach 3.0 to 3.5 million tons by the end of 2018.



In addition to traditional primary markets (Argentina, Turkey, Russia, and EU), there is escalating demand from minor markets such as Tunisia and Peru. Nearly all Paraguayan soybeans are transshipped 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, Bunge, and LDC. Otherwise, exporters will use the port of Nueva Palmira.

2018/2019 soybean meal exports are forecast to decline by almost 3 percent to 2.8 million tons, due to lower exportable supplies. 2017/2018 soybean meal exports are revised up to 2.88 million tons due to greater production. 2018/2019 soybean oil exports are forecast to fall by 4 percent to 675,000 tons. 2017/2018 soybean oil exports are forecast up to 700,000 tons due to higher production.



Source: Global Trade Atlas

Stocks:

Paraguay tends to carry little stocks for soybean and soybean products as these products are quickly sold or obligated. Stocks are usually carried by elevators, processors, and exporters as part of regular product flow. Paraguayan producers do not have the custom of storing soybeans on farm, but this is changing as producers hope they can capture a better price at a later time. Storage capacity has increased over the years and is estimated at 8 million tons. This storage capacity is being used as a tool to facilitate marketing and flow of soybeans supplies.

Market analysts estimate that over 40 percent of soybeans were already obligated/sold in January. 2018/19 soybean beginning stocks are forecast at 74,000 tons, in line with historical stock levels.

Statistical Tables:

Oilseed, Soybean Market Begin Year	2016/2017		2017/2018		2018/2019	
	Jan 2017		Jan 2018		Jan 2019	
Paraguay	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	3389	3400	3400	3460	0	3500
Area Harvested	3389	3400	3400	3460	0	3500
Beginning Stocks	31	31	661	164	0	74
Production	10665	10200	9200	10000	0	9800
MY Imports	12	12	7	10	0	10
Total Supply	10708	10243	9868	10174	0	9884
MY Exports	6129	6129	5800	6100	0	5900
Crush	3850	3850	3700	3900	0	3800
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	68	100	80	100	0	100
Total Dom. Cons.	3918	3950	3780	4000	0	3900
Ending Stocks	661	164	288	74	0	84
Total Distribution	10708	10243	9868	10174	0	9884

(1000 HA) ,(1000 MT)

Meal, Soybean Market Begin Year Paraguay	2016/2017		2017/2018		2018/2019	
	Jan 2017		Jan 2018		Jan 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	3850	3850	3700	3900	0	3800
Extr. Rate, 999.9999	0.7857	0.7857	0.7851	0.7859	0.0000	0.7868
Beginning Stocks	119	119	312	465	0	330
Production	3025	3025	2905	3065	0	2990
MY Imports	0	0	0	0	0	0
Total Supply	3144	3144	3217	3530	0	3320
MY Exports	2407	2379	2500	2880	0	2800
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	425	300	445	320	0	340
Total Dom. Cons.	425	300	445	320	0	340
Ending Stocks	312	465	272	330	0	180
Total Distribution	3144	3144	3217	3530	0	3320

(1000 MT) ,(PERCENT)

Oil, Soybean Market Begin Year Paraguay	2016/2017		2017/2018		2018/2019	
	Jan 2017		Jan 2018		Jan 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	3850	3850	3700	3900	0	3800
Extr. Rate, 999.9999	0.19	0.19	0.19	0.19	0.00	0.19
Beginning Stocks	1	1	15	9	0	5
Production	730	730	700	740	0	721
MY Imports	6	6	6	6	0	6
Total Supply	737	737	721	755	0	732
MY Exports	680	680	670	700	0	675
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	42	48	42	60	0	60
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	42	48	42	50	0	52
Ending Stocks	15	9	9	5	0	5
Total Distribution	737	737	721	755	0	732