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## **Paraguay**

### **Oilseeds and Products Annual**

#### **2015/16 Forecast: Area at Record 3.6 Million Hectares, Production at 9.2 Million Metric Tons (MMT), Crush Levels at 4.5 MMT**

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**Report Highlights:**

2015/16 Paraguayan soybean area is forecast at 3.6 million hectares, a nine percent increase in soybean area compared with 2014/15 estimates, based on expanded area for second crop soybeans. 2015/16 production is forecast at a record 9.2 million metric tons (mmt), with crushing forecast at a record 4.6 mmt, the projected norm for the near future. Subsequently, 2015/16 exports are poised to favor meal and oil exports, forecast at 3.2 mmt and 800,000 mt respectively, over whole bean soybean exports, forecast at a steady 4.2 mmt. 2014/15 soybean production is estimated at 8.5 mmt, already incorporating both the adverse weather impact and the second crop soybean boost.

**Commodities:**

Oilseed, Soybean  
Oil, Soybean  
Meal, Soybean

**Production:**

Post forecasts 2015/16 total soybean production area at 3.6 million ha, a nine percent increase from the 2014/15 official USDA estimate. An increase in the second crop soybean area accounts for almost all of the projected gains. Many analysts believe that production area for the main soybean crop in Paraguay will remain stable, as most of the good, fertile area is now already under production. Furthermore, private sector estimates suggest that 75 percent of the land farmed is owned by the producers and 25 percent of the land is rented. These high rates of land ownership indicate a high probability for stability in production models for the near and long terms. Nevertheless, the productive land appears maxed out for the main crop: over the past year the incentive to convert pasture into soybeans has dissipated, as soybean prices have decreased and beef prices have gone up. The second crop soybean crop is where the growth is projected to occur.

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



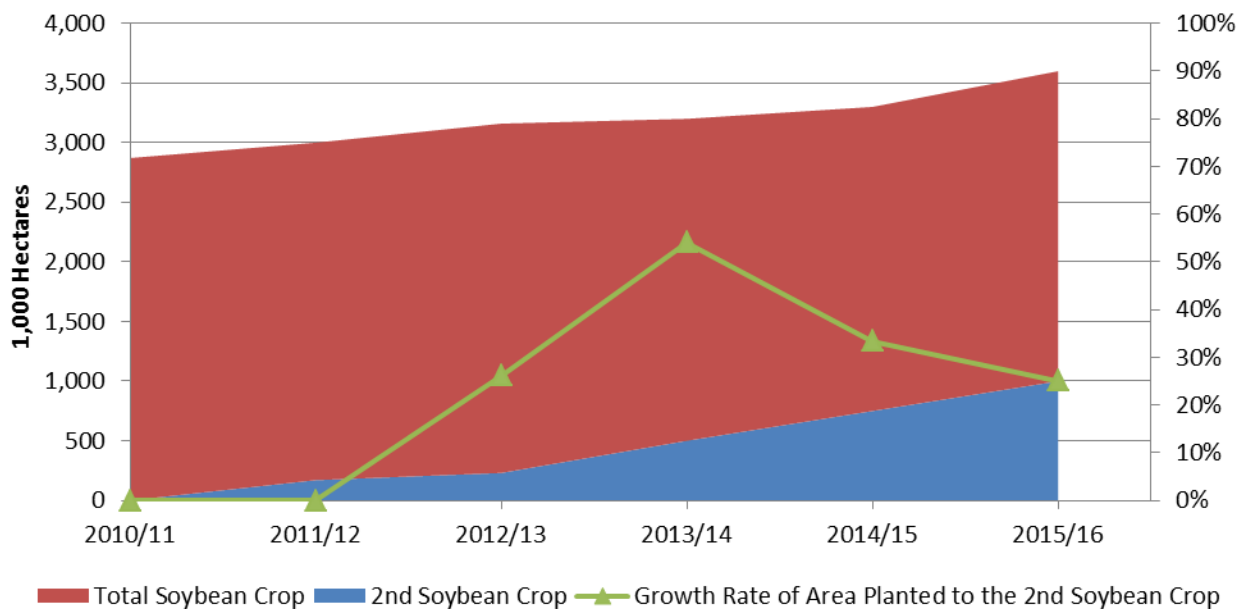
Based on the increase in planted area, Post forecasts 2015/16 production at 9.2 million metric tons (mmt), which represents an eight percent increase from the official USDA 2014/15 production estimates. Paraguayan producers have proven themselves very quick to adopt new production technologies. It is estimated that 95-97 percent of the soybeans planted for 2014/15 are derived from modern biotechnology. The fact that farmers are not afraid to try new things in Paraguay should lead to productivity gains down the road, but in the short term rapid technology adoption has also led to a relatively high degree of indebtedness as a sector. There are no statistics available on the indebtedness of the sector as a whole, but anecdotally, producers seem significantly leveraged.

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 2014/15, estimates from private contacts and sources in the agricultural industry range between 7.6 mmt to 8.7 mmt. Post estimates 2014/15 production at 8.5 mmt, which is line with the official USDA estimate.

The Paraguayan Chamber of Grains and Oilseeds Exporters (CAPECO) is reporting that 966,000 ha were planted to early soybeans in 2014/15—i.e. soybeans planted in late August and September—with yields varying from 800 to 1,800 kg/ha. It is estimated that the average yields for early soybeans were very low, roughly half of what they were last year's early soybeans, 3,000 kg/ha. Excessive heat in October (normally the wettest month of the year), which was during critical development periods for early soybeans, had a detrimental impact on yields. While October was also an unseasonably dry month, agronomists report that the high heat index was more significant a factor in reducing yields than the dry spell per se. Soybeans planted mid-season, in the first half of October, have fared better. Some Paraguayan departments, such as Alto Paraná, are reporting average yields at 3,000 kg/ha, but these yields are on the higher end of the spectrum. December precipitation has bolstered yields for the mid-season and late-season soybeans (planted from the second half of October and onwards), but the heat damage on the early soybeans was irreversible.

Post forecasts the 2015/16 area planted to second crop soybeans (zafriña) soybeans at a record 1 million ha. Post is estimating the 2014/15 area planted to zafriña soybeans at 750,000 ha. Soja zafriña, second crop soybeans, first arrived to Paraguay in 2011/12. By 2014/15, the area planted to soja zafriña has more than tripled, and is forecast to have quintupled by 2015/16. This double-cropping pattern is very similar to the double cropping in the neighboring Brazilian state of Paraná, which is roughly along the same parallel. Different from Paraná agriculture, the Paraguayan soja zafriña is soy planted on soy, instead of corn planted on soy. The practice of planting soybeans on soybeans would appear to defy agronomic common sense, but so far farmers have had good fortune with the crop. Pest pressure has not been very significant, with no reported cases of white fly. Liberal import policies have allowed farmers to expeditiously import needed (and sometimes unconventional) pesticides and fungicides to treat diseases quickly, benefiting the risky practice. Sporadic cases of soybean rust have also been efficiently controlled. 2015/16 zafriña soybean yields are forecast at 1.5 mt/ha, up 15 percent from Post's 2014/15 estimated zafriña soybean yields of 1.3 mt/ha.

## **Area Planted to Soybeans in Paraguay**



**FAS/Buenos Aires Graph Notes:** Total Soybean Crop Statistics are Official USDA Statistics. 2<sup>nd</sup> Soybean Crop Statistics, and subsequently the growth rate plot, are Post’s estimates/forecasts.

In efforts to speed up the production cycle of the main soybean crop, farmers continue to opt for soybean varieties that are shorter in cycle, ranging from 90 to 110 days. Unlike other neighboring countries, Paraguay does not have a stipulated no-plant period. For this reason, farmers are free to take the risk to plant a bit earlier in the season. In the case of 2014/15, some farmers planted early soybeans in late-August and harvested in mid-December, thereby enabling second crop soybeans to be planted immediately after. Ideally, all *zafriña* soybeans should be planted by mid-February to ensure they receive enough rainfall before the season ends. That being said, there are always some farmers ready to risk late-February plantings.

### *Land Expansion*

Overall, 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. Paraguay’s agricultural production area is primarily located in Eastern/Southeastern Paraguay, in all the departments east of the capital Asuncion, i.e. east of the Paraguay River. Over the past decade, the soybean frontier has expanded remarkably in Eastern/Southeastern Paraguay, as cattle grazing areas converted to soybean production. However, given the increase in beef prices and the decrease in soybean prices, there is no longer an incentive (or much space, for that matter) to convert pastures into row crop production. Cattle-ranching is a profitable business in Paraguay and ranchers are not selling their grazing lands in Eastern/Southeastern Paraguay. For this reason, analysts do not believe there is as much area for expansion in Eastern/Southeastern Paraguay. This is not to be confused with increased production via intensification from a second crop, which Post is forecasting. There is plenty of land in Paraguay,

however, west of the Paraguay River, in the area known as Chaco. Some analysts believe soybean production could expand 2 million hectares in Chaco, but history has proven that it is a region very difficult to domesticate due to extreme climate variability—in terms of both temperature and precipitation—and relatively poorer soils. Complicating the matter are the lack of infrastructure for moving oilseeds towards the river ports and anti-agricultural environmental groups. Anti-government and environmentalist groups are charging that biotech soy is destroying Paraguay's landscape.

## **Consumption:**

### *Crush*

Over the past few years, crushing capacity has more than doubled in Paraguay. Both the government and private sector of Paraguay recognize that soybean derivatives will benefit the economy more than unprocessed soybeans, without value added. For that reason, the soybean crushing sector has enjoyed support from the government and foreign investment has made incredible crushing growth possible. Previously, more than three-quarters of Paraguay's soybeans were exported as whole beans, but industry contacts believe that for 2014/15, roughly half will be processed in-country and then exported as meal and oil. In 2014/15, crush capacity is estimated at 4.2 mmt, nearly two and half times more capacity than just three years ago, which was estimated at 1.8 mmt. Over the past few years, 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 Dreyfus, Bunge, and COPAGRA (CAIASA) with crush capacity of 1.1 mmt operated at full capacity in 2014. 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 2015/16, is forecast to grow to 4.6 mmt: 2015/16 crushing capacity is forecast to remain stable with 2014/15 crushing capacity, but growth in the quantity crushed is forecast based on a reduction in plant idle capacity and not in the capacity. Many analysts currently opine that the Paraguayan oilseeds crushing sector has saturated the market and that, because of the demand for whole bean exports, the sector has already reached an equilibrium point and will not grow unless production increases significantly.

### *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, 50,000 to 60,000 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 the traditional source for Paraguayan biodiesel. 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. Multinational traders that have port facilities in Rosario, Argentina, will typically transship through there. Otherwise, the traders prefer to use the port of Nueva Palmira. 2014/15 soybeans have been shipped to the EU, followed by Russia, Brazil, Turkey, Mexico and Egypt, based on statistics published by CAPECO. Thanks to an elimination of Brazil's PIS/COFINS tax, soybean exports to Brazil doubled in volume from six percent in 2013/14 to 12 percent in 2014/15. Brazil has become an interesting export option for medium sized exporters who may not have ready access to river ports and view Brazil as a viable export destination, as it is the only export market accessible by truck.

2015/16 soybean exports are forecast at 4.2 mmt, which is stable with Post's 2014/15 soybean export estimate (though less than the official USDA estimate). It is forecast that the increase in 2015/16 soybean production will benefit the crushing industry, and soybean derivative exports, as opposed to whole bean exports. Traders view these value-added products as preferable exports, but recognized that there will always be a rather stable demand for whole bean exports as well. Paraguayan traders report that the market has been paying a 16 to 18 percent premium for Paraguayan soybean meal and oil because of the country's soybean quality guarantees, particularly very high protein levels, typically surpassing 48 percent. 2014/15 exports are estimated at 4.2 mmt, significantly less than the official USDA estimate, based on a slight reduction in supply and an increase in soybeans going to be crushed. Paraguay is still unable to export to China due to an official row it has with China regarding Paraguay's diplomatic recognition of Taiwan. There are reports that a trade mission—to include both private sector and some public officials—will travel to China in 2015, but to date nothing has been confirmed.

2014/15 soybean oil exports have been destined for India, Bangladesh, the EU, Pakistan, and several other markets within South America and the Middle East. For 2015/16, soybean oil exports are forecast at 800,000 mt as a result of the increased crush.

In 2014/15, soybean meal has been sent to the EU, Chile, Thailand, Japan, Peru, Algeria, Indonesia, Turkey, and several South American countries. 2015/16 meal exports are forecast at 3.2 mmt, a 14 percent increase from the Post's 2014/15 estimate of 2.8 mmt. The increase is based on the larger expected crush for 2015/16 and growing global demand.

## **Stocks:**

In general, very little stocks for soybeans and soybean products have been held in Paraguay. However, with forecasted growth in production and crush for 2015/16, Paraguay's stocks for both soybeans and derivatives may increase due to a lag in accessing the export market. Most is exported and the residuals are used for feed use. Fixed storage capacity is estimated to have reached 8 mmt by 2014/15, which would be close to 95 percent of the 2014/15 crop. 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 the construction of silos. Contacts do not 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 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 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 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.

Some in Paraguay continue to debate and push for legislation to tax grain exports, a measure that has been a national topic of discussion over the past three years,. Several senators introduced a draft law that would institute a 15 percent export tax on soybeans, wheat, and corn. As the president has vetoed similar measures in the past, and given the political strength of the farming sector in Paraguay, it is doubtful that soybean export taxes will be arriving anytime soon. The draft law envisions appropriating 50 percent of this proposed tax revenue to agrarian reform, 20 percent to support rural family agriculture, administered by the Ministry of Agriculture, 20 percent to care for the health of those negatively impacted by pesticides, and 10 percent to infrastructural development. Lawmakers claim that the large multinational exporters will pay the export taxes, but Paraguayan producers know that the taxes will be passed down to them. In order to earn revenue for the government, and as an alternative to an export tax, a value added tax (IVA) 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). While most industry contacts do not envision any export taxes in the future (due to firm opposition from farm groups), some contacts believe that the government may raise the IVA gradually each year so that it essentially doubles over a five year period.





## Production, Supply and Demand Data Statistics:

Oilseed, Soybean Market Begin Year Paraguay	2013/2014		2014/2015		2015/2016	
	Mar 2013		Mar 2014		Mar 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Planted	3,200	3,100	3,300	3,300	0	3,600
Area Harvested	3,200	3,100	3,300	3,300	0	3,600
Beginning Stocks	38	177	230	197	0	167
Production	8,200	8,100	8,500	8,500	0	9,200
MY Imports	27	20	25	20	0	20
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	8,265	8,297	8,755	8,717	0	9,387
MY Exports	4,400	3,600	4,520	4,200	0	4,200
MY Exp. to EU	2,900	3,000	3,000	3,000	0	3,000
Crush	3,500	4,300	3,600	4,200	0	4,600
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	135	200	185	150	0	150
Total Dom. Cons.	3,635	4,500	3,785	4,350	0	4,750
Ending Stocks	230	197	450	167	0	437
Total Distribution	8,265	8,297	8,755	8,717	0	9,387
1000 HA, 1000 MT						

Oil, Soybean Market Begin Year Paraguay	2013/2014		2014/2015		2015/2016	
	Mar 2013		Mar 2014		Mar 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Crush	3,500	3,500	3,600	4,200	0	4,600
Extr. Rate, 999.9999					0	
Beginning Stocks	1	1	0	0	0	24
Production	670	670	708	800	0	875
MY Imports	4	4	4	4	0	4
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	675	675	712	804	0	903
MY Exports	630	630	650	715	0	800
MY Exp. to EU	40	40	40	40	0	40
Industrial Dom. Cons.	0	0	0	5	0	5
Food Use Dom. Cons.	45	45	47	60	0	60
Feed Waste Dom. Cons.	0	0	0	0	0	0
-	0	0	0	0	0	0
Total Dom. Cons.	45	45	47	65	0	65
Ending Stocks	0	0	15	24	0	38
Total Distribution	675	675	712	804	0	903
1000 MT, PERCENT						

Meal, Soybean Market Begin Year Paraguay	2013/2014		2014/2015		2015/2016	
	Mar 2013		Mar 2014		Mar 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Crush	3,500	3,500	3,600	4,200	0	4,600
Extr. Rate, 999.9999	1	1	1	1	0	1
Beginning Stocks	78	78	128	78	0	273
Production	2,750	2,750	2,820	3,270	0	3,590
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	2,828	2,828	2,948	3,348	0	3,863
MY Exports	2,500	2,500	2,570	2,800	0	3,200
MY Exp. to EU	200	200	250	150	0	150
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	200	250	225	275	0	275
Total Dom. Cons.	200	250	225	275	0	275
Ending Stocks	128	78	153	273	0	388
Total Distribution	2,828	2,828	2,948	3,348	0	3,863
1000 MT, PERCENT						