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Paraguay to Tax Soybean Exports

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Three years after Frente Guasú (FG), the party of deposed President Fernando Lugo (2008–2012), proposed a bill to tax unprocessed soybeans exports, Paraguay's Senate has surprisingly revived the idea and quickly approved it ([NotiSur, Feb 17, 2017](#), [March 31, 2017](#) and [June 9, 2017](#)).

When proposed in Congress in 2014, the bill proposed a 15% tax on the exports of unprocessed soybeans, corn, and wheat. However, the powerful agricultural lobby forced negotiations that reduced the tax to 10% on the oilseeds and removed wheat and corn from the list, leaving the latter two at zero taxation. The FG's legislative goal had been to increase the tax revenues while also discouraging exports of raw grains, and thus use labor in the production of soybean oil and soy flour.

Bill blocked by agro-export sector

In 2014, the agro-export sector managed to stop the project, backing instead a new agricultural income tax (Impuesto a la Renta Agropecuaria, IRAGRO). Proponents of the IRAGRO said it would raise US\$250 million a year, but "it ended up being one more scam, and served only to block the soybean tax," Lugo said during the parliamentary debate. In fact, only 20% of the projected income was collected.

"The IRAGRO was written and agreed upon with the great evaders: the soybean farmers and the cattlemen, but now things are different," Lugo added.

According to the original project, and using export totals from the previous season, the state coffers would have received an additional US\$270 million annually, but with the tax reduction approved June 22, the income will be US\$180 million. For the Paraguayan economy, that amount is a significant figure.

The effort to change the bill or modify the effects of the tax had the backing of President Horacio Cartes' extensive network of print, radio, and television media. Their campaign tried to frighten Paraguayans by calling the tax "a dangerous sign of Marxist penetration."

Voicing the view of those in favor of the tax, Mercedes Canese, an agronomist and FG adviser, said, "The measure is strictly liberal; it is neither socialist nor leftist; it is not revolutionary; it amounts to a transition from the feudalism of the Middle Ages to the Industrial Age, barely the most modern form of capitalism."

Final approval of the project now requires a vote in the Chamber of Deputies, and although the parties have agreed to move it forward, it will still face serious obstacles. "The coercion of soybean growers will be much greater than in the Senate," Canese warned, explaining that deputies are elected by departments, and that in the 14 departments within the soybean region, "the producers are the ones that finance election campaigns."

The soybean region covers an area along the northeast and eastern border with Brazil where most producers are Brasiguayos—as the children of Brazilians born in Paraguay or the Brazilians who have nationalized are known ([NotiSur, Feb. 17, 2012](#), and [July 18, 2014](#)).

At present, the agricultural sector pays a 2.7% tax on its billing, equivalent to just 0.3% of gross domestic product.

Paraguay's debt triples

Canese said the FG had proposed the tax because it believes “that development should be financed with real income and not indebtedness,” and charged that, more than any other, the Cartes administration had mortgaged the country.

“We always carried about US\$2 billion in debt; now our debt exceeds \$US6 billion,” Canese said.

The agricultural export sector is indifferent to whether the law “allocates the extra tax money for agrarian reform, health, education, or public works,” said researcher Jaime Villalba. “The sector is among the most profitable, but it is the one that contributes the least to public coffers. In 2014, the total contribution of agricultural activities was US\$110 million. That year, it cost US\$37 million a day to keep the state in operation, which means that the total agricultural contribution was barely enough to keep the state going for three days.”

Paraguay has historically ranked fourth in world soybean production and exports, but Canada will surpass it in 2017-18, leaving Paraguay in fifth place. According to official statistics, land in agricultural production totals 3.4 million hectares, of which 3.2 million ha are used for genetically modified soybeans. The reason for this is that Monsanto's organically modified seed--, for which Monsanto developed glyphosate—an herbicide that is probably carcinogenic—and designed intensive cultivation techniques--, requires minimum labor. While other crops need three to five workers per hectare, the Monsanto seed needs at most one. Some 4,300 businessmen hold 83% of the soybean fields while cattle ranching occupies 11%. “That productive matrix leaves just 6% of agricultural land,” said Hilal Elver, the UN special rapporteur on the right to food.

Crop causes extensive damage

Campeños (agricultural workers), the most active social sector in the country's political life, have historically demanded an agrarian reform program. Since the end of the last century, when Brazilian businessmen entered en masse to push for soybean cultivation, the campesino sector added two points to their demands. First, in addition to denouncing the toxic effects of Monsanto herbicides, they want to control and even ban production of glyphosate. Based on local and foreign research, they say the herbicide is damaging to humans and contaminates air, soil, and water ([NotiSur, April 11, 2014](#)). Secondly, they want the state intervene to stop deforestation by soybean growers. In an effort to expand their cultivation area, growers are destroying native forests, damaging family economies and interfering with alimentary sufficiency.

Agronomist Miguel Lovera, who as president of the agency on plant health and quality (Servicio Nacional de Sanidad y Calidad Vegetal, SENASVE) during Lugo's presidency tried to regulate the activities of soybean growers, said the damage caused by the soybean industry is extensive. In today's dollars, the value of the loss of lumber from deforestation is estimated between US\$3 billion and US\$4 billion per year; the loss of food and habitat for the population excluded from the soybean lands is equivalent to US\$4 billion to US\$5 billion a year; and the deterioration of the infrastructure

caused by the intensive transit of the mega trucks that transport the soybeans costs US\$1 billion each season. Lovera counts as “irreparable” the cases of illness and deaths from cancer attributed to the spraying of herbicides affecting campesinos and indigenous peoples.

According to SENASVE, when soybeans were introduced to the area in 1996, the amount of glyphosate used per hectare was three liters; it jumped to 10 in 2010; and it now stands at 12 liters.

“Regardless of what tax is levied on soybeans, it won’t end the damage caused or the damage that continues,” said Adrián Vázquez, one of the leaders of the farmworkers organization Federación Nacional Campesina (FNC). On June 21, he said, “Every soybean season, the sector generates a serious environmental liability by deforesting, inhibiting carbon fixation in the deforested areas, resulting in the erosion and depletion of soil nutrients, using and contaminating water sources, and causing air pollution.”

Using results from an investigation of Argentina’s environmental resources (Estimación del Pasivo Ambiental) carried out by a network of civil organizations in the neighboring country, the FNC estimated that the soybean industry should pay the state a fine of US\$364 million for the cost of deforestation and erosion generated in the 2015-16 harvest alone.

On the eastern border with Brazil, there are more soybean fields than forests. Just 1.3 million ha of trees remain, compared to 3.2 million ha of oil seed plantations.

“There’s proof that laws are violated with the complicity of corrupt judges and prosecutors, which is why we are proposing this law, which reduces the profitability of oilseed production and stimulates its processing,” the FG said.

According to a UN Food and Agriculture Organization report, between 1990 and 2015 Paraguay destroyed more forests than any other country in Latin America. Despite that, virtually none of the 5,000 complaints filed resulted in a conviction, according to the local delegation of the World Wildlife Fund. Last year, other non-governmental organizations charged that impunity is the main cause of deforestation. They blamed prosecutors and judges for not following legal norms such as the 11-year-old Zero Deforestation Law. They indicated that just in the Atlantic Forest of the Alto Paraná department, one of the planet’s lungs, some 23,000 ha of forests are cut down each year.

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