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Global Agricultural Information Network

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Paraguay

Livestock and Products Annual

Livestock and Products Annual 2019

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Report Highlights:

Paraguayan beef exports in marketing year 2020 are forecast to revive to 350,000 tons carcass weight equivalent (cwe) due to a projected increase in beef production and stagnant domestic consumption.

Chile, the Russian Federation, Taiwan and the European Union are expected to continue as the main export destinations.

Executive Summary: Paraguayan beef exports in marketing year 2020 are forecast to revive to 350,000 tons carcass weight equivalent (cwe) due to a projected increase in beef production and stagnant domestic consumption. Chile, the Russian Federation, Taiwan and the European Union are expected to continue as the main export destinations.

Production: Based on official data, the Paraguayan cattle herd totaled 13.8 million head in 2019, roughly 300,000 head more than the previous year, and the first increase since 2014. Continuing expansion into the Chaco region, with many new productive ranches, and improving weaning ratios that are getting closer to 50 percent, are supporting this growth. Among roughly 145,000 beef producers, approximately 90 percent of the operations have less than 100 head, with 4,300 producers accounting for 64 percent of the total herd. Paraguay's cow-calf operations have historically low results, compared to its neighbors, due to poor nutritional support for the cows and a lack of cowherd management in reproductive diseases and calf development.

Producers in marketing year (MY) 2020 are forecast to market a larger number of cattle than in the previous year. Beef production for MY 2020 is forecast at 560,000 tons carcass weight equivalent (cwe), almost 6 percent higher than the previous year, and similar to 2018. In addition, a large slaughterhouse is expected to resume operation following a fire in 2019 that had reduced demand.

Beef production in 2019 is expected to be 530,000 tons cwe, a 5 percent drop over the previous year, and the lowest in 6 years, as severe floods in March-May prevented some sales, low cattle prices fostered holding cattle and a fire at one of the country's largest meat packing plants reduced slaughter demand. Cattlemen, at current low cattle prices, are keeping cattle on pasture and adding weight, speculating that prices will improve in the future. The average carcass weight is forecast to remain similar to 2019, but higher than previous years as the beef value chain is trying to encourage heavier cattle at slaughter through price premiums.

Cattle producer returns in 2019 are significantly smaller than in 2018 as fed cattle prices dropped 15 percent in dollar terms. Contacts in the industry indicate that most slaughter plants lost money in 2018 as strong domestic competition drove up cattle prices. In response, industry has revised its payment strategy which has seen Paraguay's average FOB beef price drop 8 percent in the first semester of 2019 vis-à-vis the same period in 2018, falling in practically all its major markets.

Cattle Feeding

In both the Oriental and Chaco regions, pasture forage is plentiful due to positive weather conditions. Finishing cattle on grass is common and more profitable due to its lower cost with grain finishing accounting for no more than 10-15 percent of the total. Contacts indicate that the closure of several feedlots has also slowed the pace of grain-finished beef.

The central and northern areas of Chaco have seen an expansion in cattle feeding with ranches favoring the perennial Gatton Panic grass that produces large volumes of forage, except during winter. The use of grain in this area has been low, however, an ongoing expansion in grain production will allow increasing use of corn and sorghum in grain and silage for finishing cattle.

Slaughter

Paraguay's total cattle slaughter in 2020 is forecast at 2.4 million head, 5 percent higher than in 2019. Roughly, 1.9 million head will be processed in Paraguay's 17 slaughter plants approved for export. More than 35 smaller slaughter plants supply the domestic market and are located close to Asuncion and large cities in the country such as Ciudad del Este and Encarnacion.

The country's average carcass weight for 2019 and 2020, projected at 235 kilos, taking into account the cattle slaughtered for both the export and domestic markets, is an increase from the previous two years. The slaughter of heavier animals is more efficient for meat packers as the slaughter of lighter cattle has the same cost of industrialization but produces a smaller volume of beef. Some producers receive a price premium of 1.5-2.0 percent for cattle weighing between 460-500 kilos.

Domestic Consumption: Paraguay's beef consumption in 2019 and 2020 is projected to remain flat at 215,000 tons cwe. In the past decade, beef consumption increased thanks to the country's consistent economic growth that swelled its middle class and changed consumer habits, including demand for higher quality cuts of beef. However, following a 2018 devaluation which increased retail beef prices 10-20 percent and some recent economic deceleration spending patterns have moderated consumption expectations.

Asuncion accounts for about 60 percent of the country's beef consumption, followed by 2-4 large cities in the interior which account for 20 percent. High-value cuts in the domestic market represent roughly 10 percent of sales and consist typically of rump cap and rump tail, loin, rib eye and round-cuts. These cuts are generally vacuum packed and labeled at the packinghouses. Supermarkets account for 60-70 percent of the country's total beef sales, with the balance sold through butchers and food and institutional distributors.

Beef per capita consumption is estimated at 30 kilos compared to broiler consumption of 20 kilos. Pork is also an important meat, with consumption growing moderately. As a reference, prices for meat products at a large supermarket in Asuncion in late July 2019 include beef short ribs \$4.40 per kilo, whole fresh broiler \$1.70 per kilo and pork short ribs \$3.40 per kilo.

Trade:

Exports

Paraguayan beef exports in 2020 are forecast at 350,000 tons cwe, a 9 percent increase from the previous year, due to larger beef output combined with stable domestic consumption. The industry is confident it could rapidly supply significant volumes of beef to markets that demand higher quality and is focusing on improving its quality, grading, traceability and product positioning. The sector wants to move away from exporting a commodity to supplying niche markets such as natural or organic beef.

Paraguay is targeting market access to new markets that support higher prices. As a result, the country is working to open the US and Japanese markets. Furthermore, Paraguay expects to benefit from the July 2019, Mercosur/EU trade agreement that expanded exports of beef and lowered import duties as well as the ongoing Mercosur negotiations with Canada. Paraguay would like to have access to the Chinese

market due to its large beef imports and prices which are significantly higher than those paid by the Russian Federation for similar cuts.

Beef exports in 2019 are expected at 320,000 tons cwe, the lowest since 2013. Shipments through June 2019 were almost 14 percent lower than the same period in 2018, but exporters expect to recover somewhat in the latter part of the year, especially with larger shipments to the Chilean market. In the first 6 months, Paraguay exported 92,000 tons cwe of frozen boneless beef, with the Russian Federation the top market by far and 64,000 tons cwe of chilled boneless beef, with Chile the main destination.

Markets in 2020

Chile is expected to be the number one market in both volume and value. Exports of boneless, chilled beef sourced from cattle under 36 months could increase to a volume close to 120,000 tons cwe but faces competition from Brazil. Chile frequently purchases the whole carcass, except bones and ribs. Quality wise, Paraguayan beef is positioned below that of Argentina and Brazil.

Exports to The Russian Federation, primarily boneless, frozen beef for industrial use, are forecast to drop to 100-110,000 tons cwe as four Paraguayan meat packers became ineligible to export to this market due to high antibiotic residues.

Israel remains one of the top four markets for Paraguayan beef, primarily for frozen boneless forequarter kosher cuts. Exports normally range between 15-20,000 tons cwe, but are expected to increase in 2019 and 2020 due to Paraguay's price advantage over Argentina and Uruguay. Six domestic plants are eligible to export to Israel.

Paraguay has a 20,000 ton quota (product weight) for beef exports to Taiwan. Although experiencing some past difficulties in filling the quota, more recently, packers are focusing on this market due to increasing prices and demand for quality beef. Paraguay competes with the US, New Zealand and Australian beef, which is mainly grain fed. Exporters believe shipments in 2020 will likely be close to the full quota.

Paraguay has a 1,000-ton Hilton quota for chilled high-value cuts to the EU which Paraguay almost filled in 2018/19. Exporters expect to fill the quota in 2019/20 and 2020/21. The EU imports boneless chilled cuts, primarily the rump and loin at a current price of \$9,200 per ton. Paraguay also exports similar cuts outside the quota. Total exports in 2020 are forecast to increase at 7-8,000 tons cwe. In July 2019, the EU/Mercosur trade agreement set an import quota of 99,000 tons, with a 7.5 percent duty, for the South American block (imports under the Hilton quota will continue but the current 20 percent duty will be eliminated). Mercosur members are now negotiating the distribution of the new quota. Most analysts expect the agreement to be in effect by mid-2021.

Brazil is one of Paraguay's top beef export markets, buying mostly chilled high-value cuts, especially rump cap. Several Brazilian companies operate beef plants in Paraguay which facilitates trade.

In 2018, Paraguay exported beef to more than 40 markets. Exports to the markets listed above represented more than 85 percent of the total.

Cattle Exports

Kazakhstan has recently signed a sanitary protocol with Paraguay to import several thousand head of cattle. Although brokers have recently showed interest in exporting calves to Turkey and Egypt no sales are known to date. In 2015 and 2016, Paraguay exported a few thousand head of cattle to Ecuador.

Imports

Beef imports in MY 2019 and 2020 are forecast at 5,000 tons cwe, lower than in 2018 when imports totaled 17,000 tons cwe. Imports are very dependent on the differential prices between Paraguay and its neighbors, especially Brazil and to a lesser extent, Argentina. Current cattle and beef prices in the three countries are quite similar, discouraging significant trade.

Animal Disease/Traceability

The World Organization for Animal Health (OIE) recognizes Paraguay as free of Foot and Mouth Disease (FMD) with vaccination and of negligible risk to BSE. The country has in place SIGOR, an official traceability system which tracks all cattle movement within the country. There is also SITRAP, a private and voluntary traceability system based on individual tracking tags.

Statistical Table

Meat, Beef and Veal Market Begin Year	2018		2019		2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Paraguay						
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	575	560	565	530	0	560
Total Imports	17	17	7	5	0	5
Total Supply	592	577	572	535	0	565
Total Exports	365	365	355	320	0	350
Human Dom. Consumption	227	212	217	215	0	215
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	227	212	217	215	0	215
Ending Stocks	0	0	0	0	0	0
Total Distribution	592	577	572	535	0	565

(1000 HEAD) ,(1000 MT CWE)

Commodities:

Meat, Beef and Veal