

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Paraguay

### Livestock and Products Annual

**2015**

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**Report Highlights:**

Paraguayan beef exports in 2016 are forecast 435,000 tons carcass weight equivalent (cwe). This record is expected as a result of increased beef output and a steady foreign demand. Paraguay continues to expand cattle grain feeding taking advantage of low feed costs and high cattle prices in dollar terms. Domestic consumption in 2016 is projected at 187,000 tons cwe, marginally higher than the past few years. Paraguayans are increasingly demanding higher quality beef cuts. The EU resumed imports in May 2015.

**Commodities:**

Meat, Beef and Veal

**Author Defined:**

Production

Paraguayan beef production for 2016 is projected at a record 620,000 tons, cwe. The local cattle sector continues to enjoy a positive environment which results in continued growth. Cattlemen and farmers are increasingly seeing the economic benefits of feeding low-priced grain to cattle. Contacts indicate that roughly 12-15 percent of the country's slaughter is supplied from feedlots. This production system is far more efficient than most grass feeding systems in Paraguay.

The cattle sector and the beef industry continue to invest heavily. Local banks indicate that the cattle sector is one of the top industries to demand credit. Also large foreign investment continues, with outside investors having acquired many ranches in the past decade attracted by a very productive environment, low land prices, friendly policies and low taxes. Fencing, new pastures and many roads are being built or put into condition. On the industry side, most plants are increasing investing, mainly focused on expanding slaughter and cold storage capacity. One of the big operators will build a large new plant in the northeastern part of the country. Paraguay has 16 slaughter plants eligible for export, of which 12 are large plants. Brazilians own 7 plants while 3 plants are owned by Mennonite cooperatives. The industry is running almost at full capacity.

The total slaughter is difficult to estimate as there is a significant amount of slaughter which is not officially regulated (the sanitary service is beginning to implement measures to have a closer control of cattle movements in the country). In 2014 the registered slaughter in hands of the large export plants was 1.9 million head while the slaughter in small plants which supply the local market near Asuncion city was roughly 270,000 head. There are an unknown number of cattle slaughtered in the interior of the country in small abattoirs or on-farm which is estimated between 500,000 and 700,000 head per year. The total slaughter for 2015 and 2016 is expected to continue to grow moderately.

A big change in the sector is the rapid expansion of the feedlot business, which already existed but at a small scale. Taking advantage of low feed grain prices, the business is expanding throughout the country, but especially in the grain producing areas. Contacts estimate that there are over 200 feedlots operating across the country. Almost all are private feedlots which do not provide custom feeding services to third parties. Most producers feed their own grain, while a few buy it from suppliers. The cattle typically put into production are light steers weighing 320-350 kilos and fed up to 460-500 kilos, ready for slaughter. Private sources calculate that the feed cost to produce a kilo (live) is roughly US\$ 0.60, while a kilo (live) of fed cattle currently sells at US\$ 1.60. Post projects that the feedlot industry in Paraguay will continue to expand rapidly while relative prices of feed and cattle remain similar to current levels. Contacts forecast that roughly 12-15 percent of the total slaughter in 2015 will be cattle coming out of feedlots, almost 50 percent more than in 2014. The export slaughterhouses are the almost exclusive buyers of these cattle.

The cattle herd is estimated at about 14.5-15.0 million, and is expected to grow slower than in the past in 2016. In 2014, the herd only grew marginally due to large flooding in the southern part of the country. In addition, the price differential of feeder cattle with Argentina was not attractive enough to have cattle cross the border to be fattened in Paraguay.

Weather in 2015 has been very good for the cattle sector. The country's average weaning ratio continues to be low at 48-52 percent, producing roughly 3 million calves a year. Although there are many leading cattlemen who have weaning ratios above 80 percent, a large number of small and medium producers have serious productive problems. The government together with the cattle producers' association is working on an extension program to help these producers improve efficiency through low cost managerial tools. They focus primarily on sanitary issues (mainly reproductive diseases) and nutrition.

The World Organization of Animal Health (OIE) considers Paraguay as being free of Foot and Mouth Disease (FMD) with vaccination and of negligible risk to BSE. Paraguay's last FMD outbreak was in January 2012. The country currently has 69 export markets open and operates with 41, including the recently opened European Union. SENACSA, the local animal sanitary service, is very active in opening new markets. The US market is closed due to FMD concerns, but SENACSA and APHIS continue to work closely to meet health requirements. One of Paraguay's cattle/beef sector strength is the excellent collaboration between the private and official sectors.

The country has two cattle traceability/registry programs to supply beef to the EU and to Chile. There are about 550 ranches with 1.9 million head eligible to export to the EU and almost 1450 operations with 3.7 million head registered to operate with the Chilean market.

Paraguay has substantial potential to continue expanding its cattle herd and make it more efficient through better management. There is significant room for improvement and additional area that can be put into more efficient production. Grain and oilseed production has been growing in the past several years. Lower feed grain prices are encouraging their use in cattle, poultry and pork. Production is expanding and companies are starting to explore export opportunities.

The Paraguayan cattle herd has made significant quality progress in the past decade. Cattlemen have invested heavily in good genetics and have incorporated more British blood into its Brahman-type cattle. Over 50 percent of the country's herd is currently made up of Brangus and Braford cattle, 30 percent Brahman and Nelore and the balance of other breeds (such as Santa Gertrudis, Senepol, Limousin, etc.). Paraguay recently exported 1000 head for breeding to Ecuador. A few more shipments are expected in the near future.

## Consumption

Domestic consumption for 2016 is forecast at 187,000 tons cwe, higher than in 2014 and 2015. This is a result of an expected larger beef output, to the fact that Paraguayans prefer beef to other alternatives, domestic beef prices are quite reasonable and the domestic economy is expected to continue to grow. Consumption for 2015 is now expected at 182,000 tons cwe, higher than the official USDA volume as Post estimates exports to be lower than USDA's number.

Until a few years ago, beef consumption in Paraguay was very dependent on what meat packers did not export, cuts such as short ribs, bones, and a few other economical cuts. Currently, local consumers are demanding better cuts and good quality beef, while the local industry tries to supply these at competitive prices. The most popular cuts are those consumed in weekend barbecues, such as short ribs, flank and point of rump, and round cuts to prepare “milanesas” (breaded veal), a very popular dish in the region.

The domestic beef market is becoming quite specialized. There are several breed associations which have high quality branded beef for the domestic and export market. Some supermarkets are also marketing vacuum packed beef cuts, and the many local restaurants increase the demand of high quality cuts.

Poultry and pork consumption continue to grow. The local production of poultry is expanding to supply a continuously growing domestic demand and an incipient export business. The growth is supported by very competitive prices compared to those of beef, which are significantly more expensive. Poultry per capita consumption is estimated at 18-19 kilos, significantly lower than in Brazil or Argentina which is double. Per capita beef consumption in 2016 is expected at 26-28 kilos.

## Trade

Paraguayan beef exports in 2016 are forecast at a record 435,000 tons cwe. A projected larger beef output is expected to more than offset a stronger domestic market, resulting in a bigger export surplus. Local traders believe that beef demand will continue to be steady as world beef supplies could be somewhat smaller.

Paraguay primarily exports frozen boneless beef to the Russian Federation and chilled boneless beef to Chile and Brazil. However, in the past several months, there is a growing trend of larger chilled exports and smaller exports of frozen beef due to the difficulties faced by Russia and its strong currency devaluation. Paraguay has regained the number one position as beef supplier in the Chilean market, displacing Brazil. The recent opening of the EU market is also expected to expand chilled beef exports. The Chinese market is closed to Paraguayan beef due to diplomatic issues, but beef is exported to Hong Kong and Vietnam. Paraguay continues to provide the US with information to demonstrate that it has control on FMD. The local industry is optimistic that the US market will open in the near future.

While the official sanitary service focuses in opening new markets, the private sector is working on trying to position Paraguayan beef quality at a higher scale. The plan is to market local beef as natural, hormone-free, environmentally friendly and wholesome as a way to increase the unit value of local beef exports.

The Russian Federation is projected to continue to be the number one market for Paraguayan beef in 2016. Other countries in the region have shifted some beef exports from Russia to the Chinese market (and in the case of Uruguay also to the US), a market which is closed for Paraguay. In the first seven months of 2015, Russia accounted for 41 percent of Paraguay’s total beef exports, 10 percent points lower than the same period a year ago. The average export price dropped 18 percent to US\$3,300 per ton, the lowest average price of almost all the markets Paraguay exports to. Russia typically buys frozen, boneless fore quarter cuts, hind quarter cuts and trimmings.

Local traders indicate that beef exports to Chile are expected to continue to grow further in 2016. Before the FMD outbreaks of 2011-2012, Paraguayan beef accounted for 50-60 percent of total beef imports in that market, but in the first 7 months of 2015 they accounted for 40 percent, with 39,000 tons cwe. Chileans

typically bought 18 cuts (including rump and loin), chilled and boneless. However, with the recent opening of the EU market, which primarily takes rump and loin, it will probably be reduced to 15 cuts. The average export price for the first 7 months of 2015 was US\$5,030 per ton, 6 percent lower than the same period a year ago.

Brazil is also an important market, but traders expect it could drop somewhat in the coming months due to its economic slowdown and the strong devaluation of its currency. Brazil normally buys chilled high quality cuts such as top sirloin, tail of rump and strip loin. Several meat packing plants are owned by Brazilian companies which opens additional market opportunities. The average export price to this market in the first 7 months of 2015 was US\$5,001 per ton, 14 percent lower than the same period a year ago.

Israel is also an important market and very steady throughout the years, buying around 15,000 tons (product weight) a year. Israel normally takes Kosher frozen, boneless, fore quarter cuts. After the EU countries, Israel is the market which pays the highest prices for Paraguayan beef, with an average price of US\$5,460 per ton in the first 7 months of 2015.

In May 2015 the EU market reopened to Paraguayan beef as it had closed during the last FMD outbreaks. The EU provides Paraguay with a 1,000 ton Hilton Quota of high quality chilled beef cuts. Additional shipments are expected to occur outside the quota. The eligibility to export to the EU is very important because it helps open other markets. The average export price in the first few months reached almost US\$9,000 per ton, by far the highest paying market.

## Policy

The Paraguayan government continues to let the market operate freely. It also puts substantial effort into improving the country's sanitary status and in the opening of new markets. It is also implementing a cattle strategic plan to improve cattle management among small and medium cattlemen to increase productivity.

## Production, Supply and Demand Data Statistics:

Meat, Beef and Veal Market Begin Year Paraguay	2014		2015		2016	
	Oct 2014		Oct 2015		Oct 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	550	570	590	590	0	620
Total Imports	1	2	2	2	0	2
Total Supply	551	572	592	592	0	622

<b>Total Exports</b>	389	389	440	410	0	435
<b>Human Dom. Consumption</b>	162	183	152	182	0	187
<b>Other Use, Losses</b>	0	0	0	0	0	0
<b>Total Dom. Consumption</b>	162	183	152	182	0	187
<b>Ending Stocks</b>	0	0	0	0	0	0
<b>Total Distribution</b>	551	572	592	592	0	622
(1000 HEAD) ,(1000 MT CWE)						