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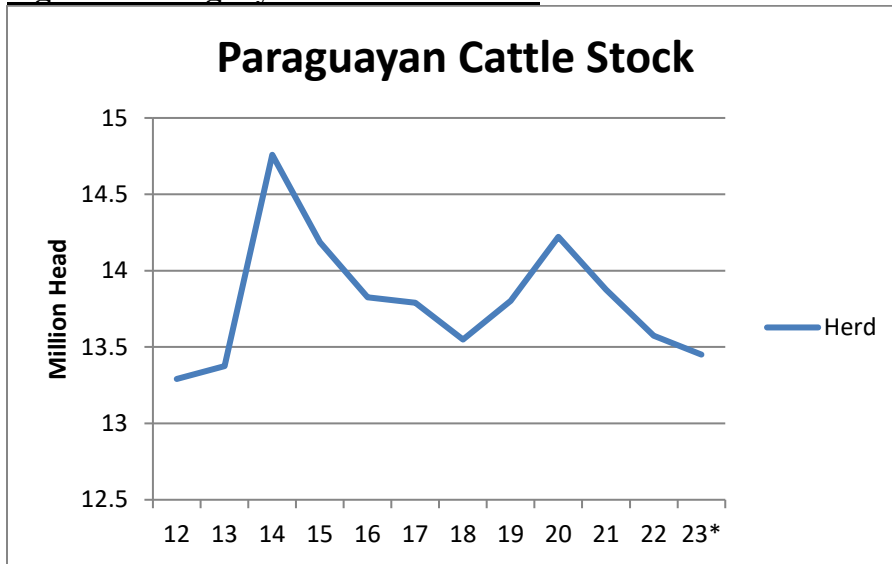
**Report Highlights:**

Paraguayan beef exports in 2023 are forecast to decline to 390,000 tons carcass weight equivalent, the second drop in a row thanks to declining cattle production. The country is suffering from the third consecutive year of La Niña conditions, which leads to dry weather in most regions. Paraguayan slaughter numbers peaked in 2021 and are forecast to drop in 2022 and 2023, reducing the beef supply. Poor pasture conditions have accelerated investment in feedlots and roughly 25 percent of the slaughter is now coming from cattle finished in confined feeding operations. This trend is expected to continue in coming years.

## Production

Paraguayan beef production in 2023 is forecast to drop 4.3 percent to 550,000 tons, carcass weight equivalent (CWE). The total slaughter is projected to decline for the second year in a row since 2021 when dry conditions began forcing cattlemen to market more cattle than planned. In recent years, these harsh weather conditions have also led to greater cattle losses than normal and somewhat smaller calf crops. These factors have combined to reduce the size of the cattle herd over the last three years as can be seen in the following chart. If the weather normalizes, cattlemen will try to retain as many cattle as possible to begin rebuilding their herds.

**Figure 1: Paraguayan Cattle Herd Size**



Source: SENACSA and FAS Buenos Aires

\* Projection

The average carcass weight in 2023 is forecast to remain unchanged from 2022 but heavier than in 2021 because of the smaller number of cattle slaughtered and the greater number of cattle coming out from feedlots at heavier weights. Though cattle finished on pastures continue to constitute the bulk of Paraguayan production, one of the big changes happening in the Paraguayan cattle sector is a move toward more confined feeding operations. The trend has been accelerated because the cattle carrying capacity of Paraguayan pastures has been well below their natural levels due to adverse weather and many cattlemen have had to resort to alternative feeds such as hay, forage, and grains.

The feedlot business until three years ago was relatively small and basically in hands of large producers fattening their own cattle during strategic times of the year. It is now more widely used and confined feeding operations have grown their capacity with the hope of eventually having additional room to take cattle from other producers and charge for the service. At the same time, more feedlots are now operating exclusively as custom feed yards all year around, and contacts believe that these will continue to grow in capacity and in number. Three dry years in a row boosted investment in finishing cattle on confinements, incorporating technology,

nutrition management, machinery and equipment. Once producers implement modern practices, it is rare that they return to feeding cattle as they did before.

The bulk of grain-fed cattle are normally marketed between August and October, right after winter and when there are normally fewer grass fed cattle available. Cattle are typically fed grains the last 90-120 days and steers are normally finished out at over 500 kilos live weight. During times of high corn prices, feedlots were not very profitable, but most cattlemen made money in the earlier production stages of backgrounding and breeding. There are roughly 20 feedlots of 5,000-10,000 head and another 20 smaller ones. Industry contacts estimate that between 20-25 percent of cattle slaughtered come directly from feedlots. Paraguay produces roughly 4-5 million tons of corn every year, of which, it consumes half and exports the other half. The largest single consumer is an ethanol company which owns two large plants and produces dry distiller's grains which are used to feed the local cattle population.

Despite tight returns in the last few years, cow-calf operations continue to slowly gain in efficiency as a result of large investments in recent years and better general herd management. Very low interest rates (which lately have increased, putting pressure on the sector) have allowed cattlemen to expand and significantly improve the quality of genetics and cattle, the quality and size of pastures, and general ranch infrastructure.

Contacts estimate that roughly 20 percent of the commercial cow herd is artificially inseminated, mostly using Nelore and Brahman semen. The use of Brangus and Braford genetics continue to expand especially in the south central part of the country. Despite the dry environment in recent years, the more progressive cattlemen are improving the nutrition of calves and cows, with better pregnancy and weaning rates. Most small and medium operations, of which there are many, still struggle with these production statistics especially in years with harsh weather conditions.

**Figure 2: Paraguayan Cattle Breeds**



*Left: Brahman bulls Right: 2-Year Brangus bull in Chaco*

Paraguay has two very distinctive production regions, the eastern side, called the Oriental region, and the western side, known as the Chaco region. The far east of the Oriental region is where most of the country's prime cropland is located, with good soybean, corn and wheat production.

The southern part includes vast areas of cow-calf operations and rice fields. To the north of the region there is a mix of cow-calf operations and ranches with pastures to finish cattle. In San Pedro, Amambay, and Concepcion there are cattlemen who are slowly switching pastures to cropland as agricultural returns seem more attractive, despite higher production risks. This area is home to most of the largest feedlots in the country. In 2018 a large corn ethanol plant was inaugurated in the Department of San Pedro, promoting the demand and production of corn and at the same time, making available large volumes of DDGS which are widely used in the feedlots.

**Figure 3: Paraguayan confined feeding operation**



*Left: Feedlot, Right: grass silage bunker silo. Both in Department of San Pedro*

The other cattle region is located to the west of the country, and it is called Chaco. For the last several years, foreign and domestic investors have been making improvements, building new infrastructure, and planting very productive pastures growing Panicum maximum grass, locally known as Gatton Panic. These pastures allow cattlemen in the Central Chaco region to wean heavy calves and finish steers on grass at the age of 20-24 months with approximately 450 kilos live weight.

Based on official data, the Paraguayan cattle herd in 2022 totaled approximately 13.6 million head. Roughly 45 percent of it is in the Chaco region, significantly more than ten years ago when only 38 percent were located there. This statistic demonstrates how cattle is moving from the eastern, crop producing region, to the western part of the country, which is mostly used for cattle raising. The following Table 1 summarizes Paraguay's size of cattle operations, number of producers, their location and where the different cattle categories were found in 2021.

**Table 1: Paraguayan Cattle Production by Region**

	<b># of Producers</b>	<b># Head (million)</b>	<b>Avg Head/Producer</b>	<b># Cows (million)</b>	<b># Calves (million)</b>	<b># Steers (million)</b>
<b>Eastern Region</b>	122,400	7.61	62	2.9	1.36	0.36
<b>Western Region</b>	13,600	6.30	463	2.4	1.34	0.40
<b>Total</b>	136,000	13.91	102	5.3	2.7	0.76

*Source: SENACSA and FAS Buenos Aires*

By the end of 2022, there will be ten large slaughter plants operating and exporting beef in Paraguay. A Brazilian global beef company operates four plants, another Brazilian company operates two plants, one plant is owned by a local businessman who recently opened a new plant to replace an old one that was located in the middle of Asuncion, and Mennonite cooperatives operate three plants. Together, these ten plants account for more than eighty percent of the country's total slaughter. Almost all the companies have been investing in improving efficiency and production capacity, focusing primarily on corrals, freezing tunnels, and cold chambers. In early 2023 a new plant, located close to Asuncion, is expected to be inaugurated, while in 2024 another Brazilian global group is expected to inaugurate its first new plant in the Department of Concepcion. The remaining twenty percent slaughter is distributed among 140 small plants scattered around the country which only serve the domestic market. The government has recently implanted a new standard for carcass grading and classification. This took two years of work between the public and private sector and those involved in the effort believe it should incentivize the production of higher quality beef. The system is expected to be implemented in late 2022 and early 2023.

The Paraguayan government and the private sector are beginning to address topics of sustainability of Paraguay's beef production system. The government recently launched a new sustainability proposal aimed at spurring discussion and management changes to improve sustainability. On the side of the private sector side, the largest local beef company, which is part of a global Brazilian animal protein supplier, has put in place an ambitious global program to become carbon neutral in the whole cattle/beef chain by 2035, and helping their supplying companies to meet their goals in neutralizing greenhouse gas emissions.

Paraguayan producers can join a private and voluntary cattle traceability system called SITRAP to comply with audit requirement in some foreign markets. Many within the Paraguayan beef industry have been persuaded that improved traceability will provide opportunities to access more high-value markets and to become more efficient. Cattle identification will allow cattlemen to improve herd management and meat packers to identify and pay premium prices for higher quality cattle. Industry and government officials have reached an agreement about the outlines of a new mandatory traceability system. The proposal would begin identifying individual calves born each year, with the idea being in 10 years, the entire herd would be covered by the system. No specific traceability technology has been selected yet and a bill introduced in Congress in mid-2022 to codify the new system has not yet been passed.

The World Organization for Animal Health (OIE) considers Paraguay to be free of Foot and Mouth disease (FMD) with vaccination and of negligible risk of BSE. While neighboring Brazil is stopping FMD vaccination, Paraguay has decided to continue to vaccinate for at least a few more years.

## **Consumption**

Beef consumption in 2023 is forecast at 165,000 tons CWE, a marginal drop from 2022 because of a projected lower beef supply and a firm export demand. Industry sources believe that world beef prices to continue at a high level in 2023, in turn raising local retail prices. Beef

consumption in 2022 is expected to drop roughly 5 percent due to a slow national economy, inflation, and higher retail prices.

Per capita beef consumption is currently estimated at 23 kilos. Broiler consumption is estimated between 25-28 kilos and pork roughly 18 kilos per capita. In general, the consumption of all three meats in 2022 and 2023 are expected to remain flat, as consumers' purchasing power is suffering due to inflation and slow economic growth. Local pork production is growing and it is expected that it will encourage greater domestic demand in the near future.

The following table shows comparative retail prices of different meats in a large supermarket in Asuncion (September 2022).

**Table 2: Asuncion Retail Meat Prices**

<b>Product</b>	<b>US\$/LB</b>
Beef short ribs	\$1.51
Ground beef	\$1.67
Whole broiler	\$0.92
Pork short ribs	\$1.51

*Source: FAS Buenos Aires*

The domestic beef market is mainly supplied by one of the big meat packing plants owned by a Mennonite cooperative and by a large number of small plants or abattoirs disseminated throughout the country.

The most popular cut in Paraguay is short ribs, which is usually not exported and is sold in the domestic market at good prices. Supermarkets and butchers usually receive short ribs from the slaughterhouse in one big piece, and typically it includes the flank, which is also a very popular cut. These cuts are usually prepared on the grill or cooked in the oven. Ground beef is also quite popular, and two large global fast food chains source their burgers from domestic meat packers. Premium cuts, such as tip of rump, rump tail or ribeye, are also consumed but in more affluent neighborhoods.

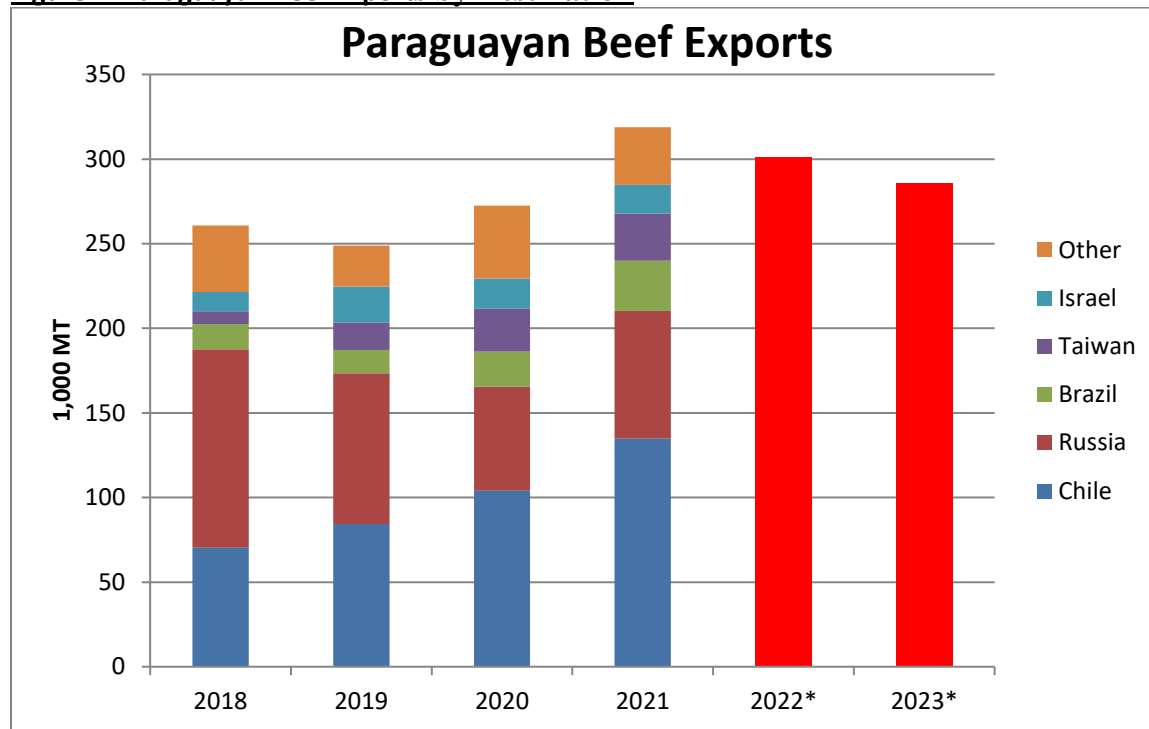
Contacts estimate that roughly half of the beef in the country is sold through supermarkets and the other half through independent butcher shops. Supermarkets normally sell vacuum-packed cuts and also have in-store butchers.

## **Trade**

Paraguayan beef exports in 2023 are projected to decline to 390,000 tons CWE, 20,000 tons lower than the previous year as a result of an expected drop in beef output. In addition, traders indicate that most of Paraguay's top destinations are or could suffer economic or political problems which could impact their imports of beef. Most contacts believe that China will continue to be closed to Paraguayan beef and hope that the U.S. market will open soon, which could allow exporters to partially compensate for weaker demand from other countries.

Despite projected smaller domestic consumption, exports in 2022 are also expected to drop from the previous year as result of a decline in beef production. Exports to the main destinations, Chile, and Russia, are expected to drop somewhat. The following chart shows Paraguayan beef exports (product weight) by destination during the period 2018-2021 and Post’s projection for 2022-2023.

**Figure 4: Paraguayan Beef Exports by Destination**



Source: TDM and FAS Buenos Aires

\* Post projection

Paraguayan beef exports in 2021 totaled 318,800 tons product weight, for a total value of \$1.56 billion dollars, the highest on record, thanks to the second highest average FOB price on record. Exports in January-July 2022 are running 1.3 percent lower in volume compared to the same period a year ago, but with an average FOB price 13 percent higher. If prices remain elevated, 2022 could see the highest average FOB price on record. Exports of frozen boneless beef accounted for 55 percent while the remainder was chilled boneless cuts.

Chile is expected to continue to be the top destination for Paraguayan beef in 2023, the same as the previous two years. However, after very large beef imports in 2021, local exporters expect shipments to decline somewhat in the years to come. Chile imports chilled full sets of 20 cuts of steers and heifers younger than 30 months. It also buys small volumes of frozen boneless beef for industrial use.

Exports to Russia are also expected to be important in 2023 but most brokers believe shipments will also decline. There are very few Paraguayan plants currently eligible to export to Russia. Exports to this market are normally frozen boneless forequarters, trimmings, flanks and chuck

and blade. Due to the 60-day transit time, exports of chilled cuts are negligible as the beef would enter the market with a very short shelf life.

Neighboring Brazil is also expected to continue to be an important market, buying primarily tip of rump, rump tail and strip loins. Shipments are primarily chilled but some frozen beef is also exported. There is significant inter-company trade by Brazilian owned slaughterhouses.

Since 2018, Taiwan has continued to grow in importance year after year. At present, Paraguayan beef exports are no longer subject to quotas in Taiwan. Almost all exports are frozen boneless beef, with cuts such as full chuck plus forequarters, knuckles and lately prime cuts like tenderloins. Exporters are aiming to export 35,000 tons of beef in 2022 and reach 50,000 tons product weight in 2023. The typical transit time for frozen beef is 60 days, but if chilled beef needs to be shipped, it can go overland through Chilean ports (rather than downriver) and reduce the time by almost half.

Israel is forecast to continue to be a market of 15,000-20,000 tons product weight a year, buying kosher boneless frozen forequarter cuts. Only six plants have knocking boxes and probably four-five will operate the kosher operation in order to supply this market.

The EU provides Paraguay with a 1,000 ton Hilton Quota at a 20 percent preferential import tariff for premium chilled cuts. This quota it is normally filled with boneless cuts such as rump and loin, topsides, flat iron and small volumes of industry cuts. Italy, Germany, and the Netherlands are the main buyers, paying high prices.

Uruguay is a new market for Paraguayan beef, with volumes of 5,000-7,000 tons product weight a year. Though Uruguay is an important beef producer, it has begun to export as much of its own beef as possible at high prices, and then import less expensive beef for its domestic market from Brazil and Paraguay. Most of these imports are chilled cuts and some frozen boneless beef too.

Paraguay is not currently eligible to export beef to the United States. Paraguay is working to have its food safety system be reinstated as equivalent to the U.S. The local beef sector believes that, once eligible, it could ship roughly 10,000 tons product weight of frozen boneless forequarter blocks and some trimmings. Paraguay does not have a specific country quota and therefore would have to ship beef under the “others” quota of 64,805 tons where Brazil is currently very active and price-competitive. If the Russian market continues to pay low prices for manufacturing beef, some exporters could see the possibility of exporting to the U.S., despite needing to pay a 26.4 percent out of quota import tariff. Paraguayan cattlemen organizations have identified the opening of the U.S. market as their top export priority because they believe that Paraguay’s export prices would increase, improving the price of their cattle. With the U.S. market open, Paraguay could then try to open other markets in North America, and Caribbean countries.

Paraguay imports insignificant volumes of beef. In 2022, trade data indicate that imports increased but this is likely a statistical artifact of Paraguayan beef which was returned from Russia due to logistical problems in the wake of the Ukraine-Russian war.



## Production, Supply and Distribution Table

Meat, Beef and Veal Market Year Begins Paraguay	2021		2022		2023	
	Jan 2021		Jan 2022		Jan 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference) (1000 HEAD)	0	0	0	0	0	0
Beginning Stocks (1000 MT CWE)	0	0	0	0	0	0
Production (1000 MT CWE)	610	610	540	575	0	550
Total Imports (1000 MT CWE)	3	3	6	4	0	5
Total Supply (1000 MT CWE)	613	613	546	579	0	555
Total Exports (1000 MT CWE)	434	434	380	410	0	390
Human Dom. Consumption (1000 MT CWE)	179	179	166	169	0	165
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	179	179	166	169	0	165
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	613	613	546	579	0	555
(1000 HEAD) ,(1000 MT CWE)						

**Attachments:**

No Attachments