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Report Name: Livestock and Products Annual

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Report Highlights:

Highlight: Beef production and exports in 2024 are projected to increase marginally. Exports at 445,000 tons carcass weight equivalent would be the second highest on record. Chile and Taiwan are forecast to continue to be the top two destinations. Exports to the US are yet not authorized, but local brokers believe that once open, trade will be slow. Beef exports from Paraguay to China continue to be prohibited. Domestic consumption is forecast to remain flat. Investment in local pork production is gaining momentum with the focus of supplying a growing domestic demand and the export market.

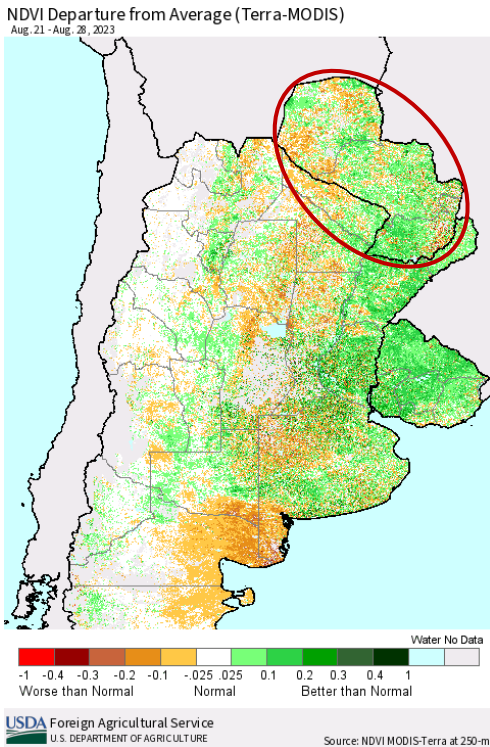
Production

Paraguayan beef production in 2024 is forecast at 565,000 tons carcass weight equivalent (cwe), practically the same as in 2023. The combination of a somewhat smaller herd and improved pasture conditions will keep the slaughter rate low. Fed cattle are expected to be marketed at slightly heavier weights.

Good rains since early 2023 together with rainy weather forecast for early 2024 are projected to encourage producers to hold back as much cattle as they can in order to add more weight on them. Production costs dropped significantly in 2023 due to the good pasture productivity, a mild winter and a significant drop in corn prices. Most producers hope that production costs in 2024 remain low. Paraguay suffered during 2020-2022 dry La Nina weather patterns. La Nina affected the main cow calf area in the western Chaco Region especially hard. During this period producers had to purchase expensive feed to maintain production.

The map below shows the current condition of the vegetation in Paraguay, which is transiting from winter, normally a dry season. Pasture conditions to date are better than normal, and certainly much better than the past three winters.

Map #1



The total slaughter in 2024 is forecast to range between 2.3-2.4 million head, similar to 2023. The country's slaughter is an estimate which includes the officially registered slaughter in export plants plus that which takes place in small registered abattoirs and on-farm in the interior of the country. Calf crops in the past five years have ranged between 2.65-2.75 head annually, being the basis for slaughter levels of 2.4-2.6 million head a year. The slaughter in 2023 is expected to be approximately 200,000 head, lower than the previous year which, due to severe dry conditions, producers were forced to market fed cattle lighter than planned along with a large number of unproductive cull cows.

The average carcass weight in 2024 is forecast to grow marginally, as a result of better feed supplies and lower costs. Cattle slaughtered in export plants are generally 15-20 percent heavier than cattle slaughtered for the local market.

Producers' returns during the drought were very slim, if any, due to high feeding costs. Pasture bales, corn and other feed products were very costly because of a very high demand and limited availability. In normal years, producers see positive returns in both cow calf operations and finishing cattle. Returns in feedlots are somewhat more erratic, depending strongly on the price dynamics between the three pillars of the business: calf, steer and corn prices. Local cattle prices are becoming more influenced by regional prices as Paraguay exports roughly 80 percent of its beef. For example, if Brazilian export prices drop, Paraguayan FOB prices will most likely drop in markets where they compete such as Chile, Israel or even Russia. Weaker Paraguayan export prices put downward pressure on local cattle prices.

Based on official data, Paraguay's cattle herd in early 2023 totaled 13.5 million head, 100,000 head lower than in the previous year. The herd in late 2023 and 2024 is forecast to recover somewhat as a

result of improved weather after the three year drought that ended in late 2022. Calf crops (calves born before the end of each year) in 2023 and 2024 are projected to be large, closer to three million calves each. Paraguay's livestock sector is very dependent upon weather, but the cattle sector continues to make improvements at the ranch level, resulting in weaning ratios which are slowly improving from being one of the lowest of the region. This is a result of improved nutrition, more and better pastures in combination with organic minerals and protein supplements, tighter sanitary programs with official and nationwide FMD and brucellosis plans and a more productive cow herd after the "cleaning" of cull cows sent to slaughter in the past two years. With the incorporation of better genetics we see a significant improvement in cattle quality. Most cattle in Paraguay are Nelore, Brahman and their crosses with British breeds. New and modern management tools are also being adopted by many cattlemen, as well as electric fencing, animal identification, etc.

The calving season is generally during July-December each year, with weaning normally in April-May at 180 kilos live weight. Calves are then sent to be backgrounded on good pastures for about 12 months, after which they are sent to be finished either in feedlots or on pastures with some grain and/or protein and mineral supplementation weighing 300-400 kilos. Steers and bulls are finished at approximately 500 kilos live weight, while fed cows and heifers are sent to market at roughly 430 kilos live weight.

Roughly some 500,000 head are finished on grains every year. This represents approximately 20 percent of the country's total slaughter. Grain feeding is projected to continue to grow because its production is less dependable on weather, provides greater economic and productive stability, supplies cash with more frequency and allows to partially offset the pressure of turning pastures into cropland. There are plenty of feed supplies for the local cattle sector as Paraguay is a large soybeans and corn producer and exporter. It also has two large ethanol plants which produce and sell corn DDGS which are widely used in animal feed. Feedlots are primarily located in the departamentos of Canindeyú, San Pedro and Concepcion, where corn is produced. We are seeing new feedlots in the southern department of Itapúa, where corn and wheat are also produced. Some feedlots are starting to emerge in the western Chaco region in the departamento of Boquerón, where there are very progressive producers who are slowly expanding crop production with the goal of feeding the local cattle. Most contacts believe that Paraguay's cattle sector should concentrate in producing calves and backgrounding in the western Chaco region and finishing them on grains in the eastern region where crops are produced.

Paraguay currently has 11 meat packing plants which export beef, accounting for approximately 85 percent of the total slaughter. There is a Brazilian company which operates 4 plants in total, another company which operates 2 plants, and the balance are individual plants owned by local capital, including three in the hands of Mennonite cooperatives. Most export plants market only 15-25 percent of their beef in the domestic market

Paraguay has a new President who took office in mid-August. Contacts indicate that he has shown interest in the cattle/beef sector, one of the country's economic pillars. The country, but especially the Chaco region is undergoing significant investment in infrastructure, such as new extensions of energy lines, water supplies and highways, among others. This is attracting a lot of investment in ranches which are put into production in a more intensive manner.

The World Organization of Animal Health recognizes Paraguay as free of Foot and Mouth Disease (FMD) with Vaccination and of negligible risk to BSE. There is internal discussion of the convenience

or not of stopping vaccinating against FMD as many states in neighboring Brazil have done. Most believe that Paraguay, sooner or later, will move in the same direction.

Domestic Consumption

Beef consumption in 2024 is forecast to remain practically unchanged at 132,000 tons CWE. Although supermarkets try to keep beef prices as low as possible to attract customers to the stores, beef is expensive for many consumers. As Paraguay exports more beef at higher prices, consumers look for less expensive alternatives. Beef is still the preferred meat, but the demand for whole broilers and also pork is growing, with very competitive prices. There are several local large pork investments which will begin production in 2023-2024 with expected high quality products at very competitive prices.

The most popular beef cut is the “Costilla”, or short ribs. In the deboning process, the Costilla accounts for about 15 percent of the carcass, and most of it stays in country to supply the large demand. The balance of the carcass is mainly exported. There is a relatively small market for premium beef cuts sold at supermarkets. These are normally branded and vacuum packed cuts. Many meat packers prefer to export these cuts to Brazil which pays higher prices.

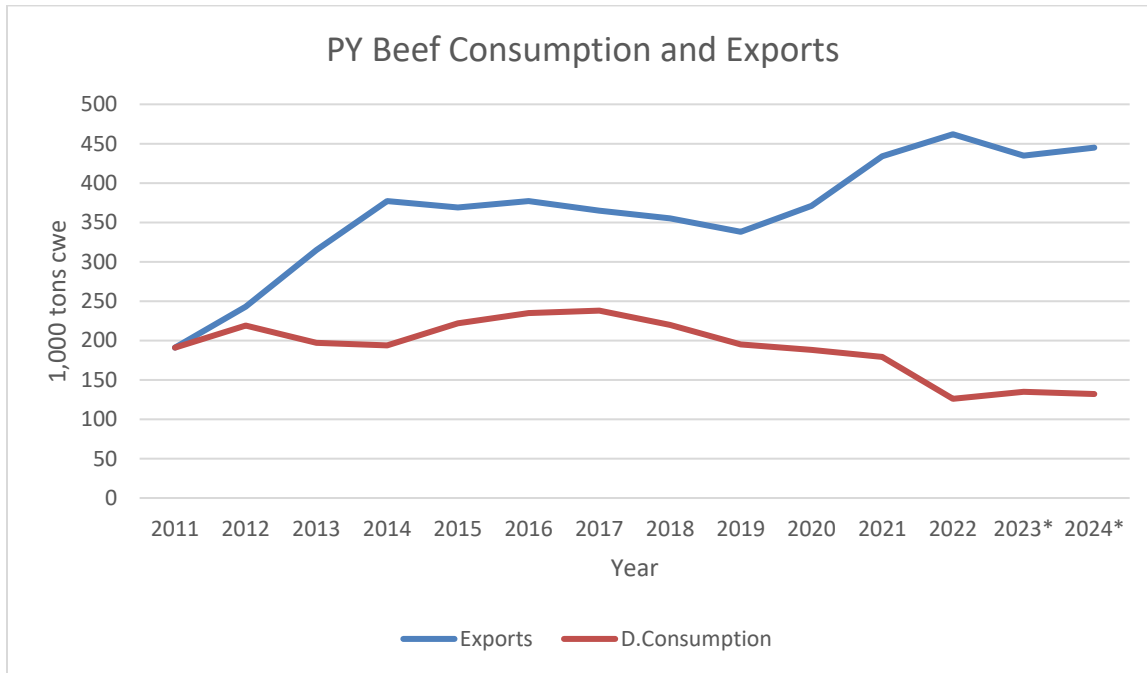
Industry contacts are concerned about the sale of Argentine beef in neighboring cities as it is extremely low-priced due to the differential exchange rate between the two countries. This will only end once Argentina is able to resolve its macroeconomic problems.

Exports

Beef exports in 2024 are forecast up at 445,000 tons CWE, 10,000 tons CWE larger than what is expected in 2023, and the second highest on record. This is a result of a marginal increase in beef output and a somewhat smaller domestic consumption.

As in most neighboring countries, in the past decade or so, total beef consumption has remained stagnant or dropped, while exports increased significantly driven by higher world beef prices. The following chart shows Paraguay’s beef consumption and exports since 2011:

Chart #1



Source: Post with USDA data

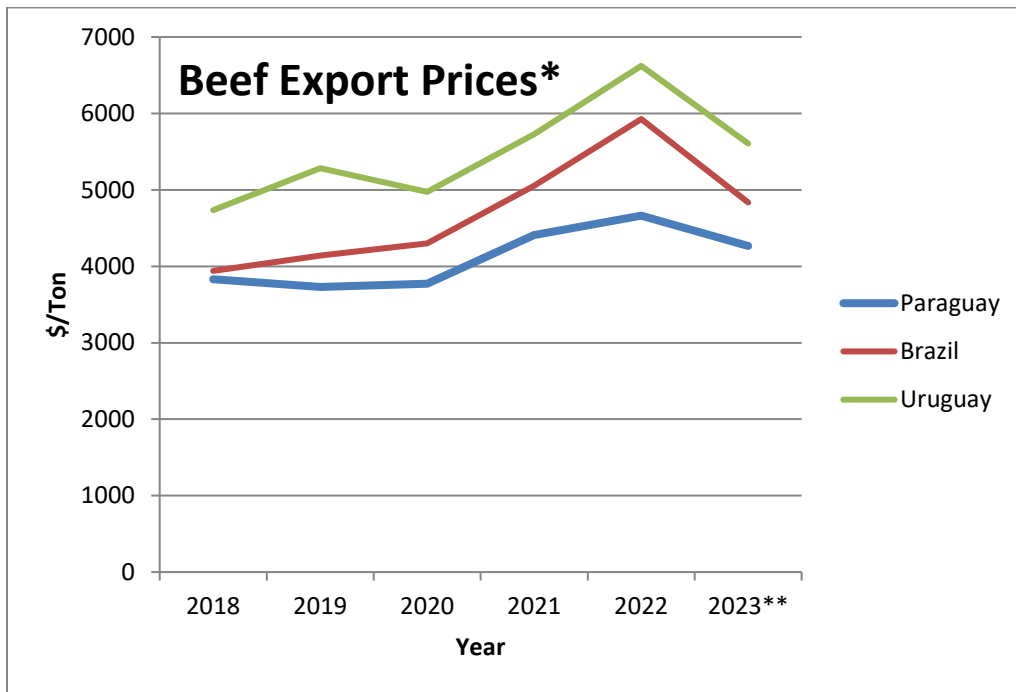
* Post's projection

Chile is expected to continue as the number one market in 2024. Taiwan is forecast to be the second largest market, displacing The Russian Federation which has significantly reduced beef imports from Paraguay in the first half of 2023.

Frozen boneless beef is the main product exported by Paraguay, followed by chilled beef which is growing in importance. While in 2018 chilled beef accounted for 35 percent of exports, in 2022 and in the first half of 2023, it accounted for 45 percent. This growth is explained by smaller exports of frozen beef primarily to Russia and larger exports of chilled beef to regional markets such as Chile, Brazil and Uruguay.

The following chart compares FOB prices since 2018 to date of frozen, boneless beef exports of Paraguay with those of Brazil and Uruguay. Up to 2022, Paraguay's average prices were significantly lower as China paid high prices for beef from Uruguay and Brazil, buying about 55-65 percent of their total exports. However, with the strong drop in Chinese prices in 2023, Paraguay's beef prices were less impacted.

Chart #2



Source: Post with TDMonitor data

* Average price for boneless, frozen beef

** Through July

Chile is forecast to continue being Paraguay's main destination in 2024. Paraguayan beef is very well accepted in this market, although it will probably continue to face strong competition from Brazilian product while prices in China remain depressed. Chile imports whole carcasses of young heifers and steers deboned in 20 different cuts. Products are mainly chilled, vacuum packed cuts mainly sold in supermarkets.

Taiwan is projected to be the second most important destination in 2024. Paraguayan beef has no volume restrictions and pays no duties. There are many different cuts exported to this market, such as boneless, frozen forequarter cuts like chuck tender, oyster blade, shin shank, knuckles and rip fingers. Premium chilled cuts, such as tender loins, are slowly growing in importance.

Exports to the Russian Federation in 2024 will be significant but lower than in recent years. Exports through July 2023 are running 53 percent lower in volume and 9 percent lower in price than the same period last year. Only a few local meat packers eligible to export to this market. Russia normally imports. Although Paraguay is eligible to export chilled cuts, the volumes are insignificant due to high-cost freights and short shelf life.

Brazil is one of the main destinations for local beef as companies have very close trading relations with partners on the other side of the border. The proximity and logistics also facilitates trade. Brazil imports boneless, premium cuts such as cap of rump, rump tail, and strip loins. These are exported mostly chilled and vacuum packed.

Paraguayan frozen boneless beef exports to Hong Kong totaled 7,100 tons product weight in 2022, almost three times larger than in 2021. Through July 2023, exports totaled 10,000 tons, the highest since 2014. Contacts indicate that exports are for maritime ship chandlers who supply vessels and ships with food and other products.

Europe concedes Paraguay 1,000 tons of the Hilton Quota per year which it is normally fulfilled with chilled premium cuts such as rump and loin. These exports pay 20 percent duty. Exporters will most likely ship some 3-5,000 tons of rump and loins, and frozen beef cuts outside the quota.

Israel has historically been an important destination for local beef. However, exports are slowing down because strong competition from regional countries. Shipments are typically frozen, boneless forequarters with kosher certification.

Currently Paraguay is not eligible to export beef to the United States. The USDA Animal and Plant Health Inspection Service (APHIS) published a proposed rule that would allow the importation of fresh beef from Paraguay. APHIS conducted a risk analysis and concluded that fresh beef can be imported safely from Paraguay under certain conditions, including verifying that foot-and-mouth disease (FMD) has not been diagnosed in the exporting region in the past 12 months, the meat comes from premises where FMD has not been present during the lifetime of any of the animals, and the animals were inspected before and after death, among others. The public was able to comment until May 26, 2023. To date there has not been an official authorization for the entry of beef from Paraguay. Most contacts in Paraguay believe this will happen soon. Once the entry is approved, Paraguay will be able to participate under the duty-free Tariff Rate Quota (TRQ) of 64,805 tons per year for other suppliers, quota which is being filled heavily by Brazil at this time. Local exporters believe Paraguay will be able to compete for a small portion of it and if prices in the U.S. are high enough, there could be some exports outside the quota paying 26.4 percent. Apart from frozen forequarter cuts and trimmings in blocks CL 70-90, products such as certified organic, grass-fed, hormone-free, grain-fed and even kosher beef could also be shipped.

Media sources report that Canada will open its market to Paraguayan beef in September 2023. Canada imports very similar cuts to those imported by the U.S. from this region.

Imports of beef in 2024 are forecast at 12,000 tons CWE, 20 percent higher than what is projected for 2023. Contacts believe that Paraguay will continue to export beef at higher prices and import some products from neighboring countries which are price-convenient. Normally those which import beef are local supermarkets which buy from small meat packers in Brazil looking for low-priced products. They typically import top sides, flats, round cuts, and full blades, mostly chilled and vacuum packed. Supermarkets even import some frozen short ribs,

Statistical Table

Meat, Beef and Veal Market Year Begins Paraguay	2022		2023		2024	
	Jan 2022		Jan 2023		Jan 2024	
	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)	580	580	550	560	0	565
Total Imports (1000 MT CWE)	8	8	10	10	0	12
Total Supply (1000 MT CWE)	588	588	560	570	0	577
Total Exports (1000 MT CWE)	462	462	445	435	0	445
Human Dom. Consumption (1000 MT CWE)	126	126	115	135	0	132
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	126	126	115	135	0	132
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	588	588	560	570	0	577
(1000 HEAD) ,(1000 MT CWE)						

Attachments:

No Attachments