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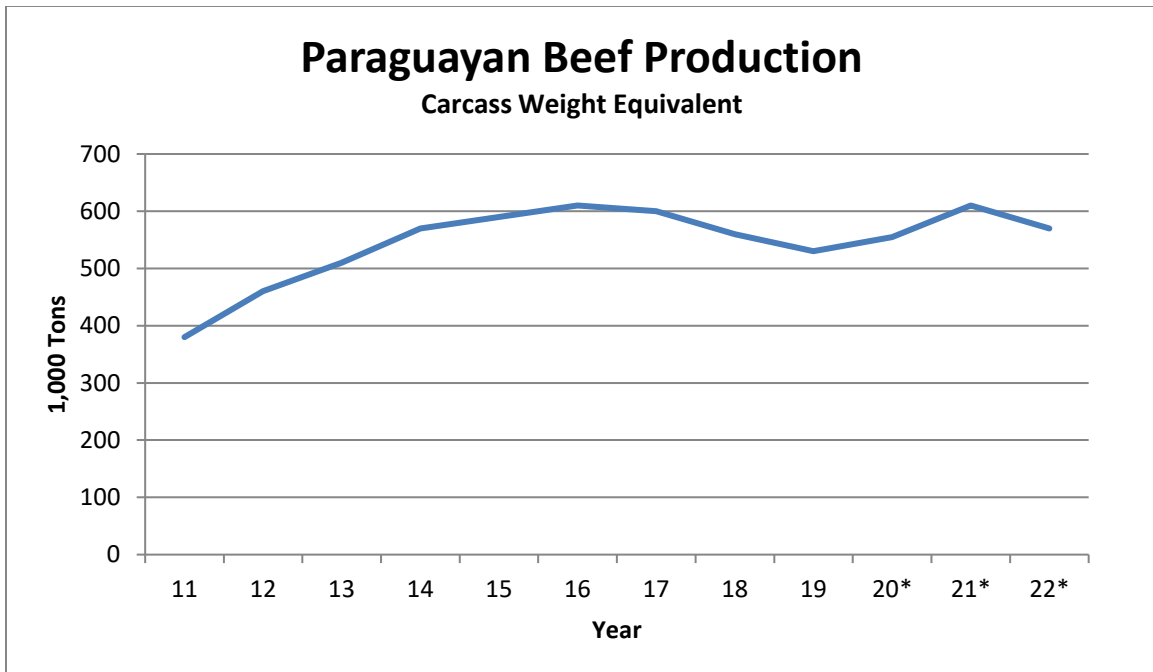
**Report Highlights:**

Post projects 2022 Paraguayan beef production to reach 570,000 tons carcass weight equivalent, as a projected smaller slaughter is expected to reduce beef production by 40,000 tons from 2021. This decline will have a direct impact on Paraguayan beef exports which forecast are at 430,000 tons carcass weight equivalent, 8.5 percent less than the record exports expected for 2021.

## Production

Paraguayan beef production in 2022 is forecast at 570,000 tons carcass weight equivalent (cwe), a 6.5% decrease from the previous year, as suboptimal weather and strong cattle prices are encouraging many producers to market fed cattle earlier than planned. The total slaughter for 2022 is projected down at 2.4 million head, as roughly 200,000-300,000 head which would have been slaughtered in 2022 are expected to be slaughtered in 2021.

In 2022, roughly 2 million head are expected to be slaughtered in large export plants, 200,000 head in small to medium sized abattoirs and a similar number on-farm and in very small operations in the interior of the country. The average carcass weight in 2022 is forecast at 238 kilograms (kg), almost 3 kg more than in 2021, which is projected to be lighter due to a larger-than-normal slaughter and many cattle being marketed earlier than expected.



Source: FAS Buenos Aires & USDA Official

\* Post estimates and projections

Beef production in 2021 is expected at 610,000 tons cwe, the same as the record high of 2016. This is significantly higher than anticipated due to an unexpectedly high slaughter. Despite relatively good weather in the first half of 2021, with just a few areas suffering somewhat dry conditions, three abnormally strong and widespread frosts in late June and July significantly damaged pastures as well as the main zafrinha corn crop. As a result, Zafrinha corn production is expected to be cut by 30-35 percent from initial projections. Less feed availability, which in some cases doubled the price of hay and wet corn, plus high world corn prices forced many cattlemen to market cattle earlier than anticipated.



Another factor which encouraged higher slaughter in 2021 is the significant rebound in



cattle prices, which jumped 70 percent from last year. In May 2020, during the early stages of the pandemic, steers sold for US \$2/kg (carcass weight) however, by May 2021, prices had risen to US \$3.40/kg and prices have In May 2020, steers sold at \$2/kg (carcass weight), and by May 2021 sold at \$3.40/kg. continued to increase since May. This is mainly due to strong demand from meat packing exporters who are seeing orders from importers recover, Brazil's reduced production, and Argentina's recent limits on beef exports in an attempt to control domestic beef prices.

Cattlemen's returns in 2021 improved significantly as a result of increased foreign demand and higher export prices. Most contacts expect current high cattle prices to carry forward into 2022 as foreign demand continues to recover. This represents an important recovery from 2020, when livestock producers' returns were negatively affected by the pandemic, low export prices, and drought.

Based on official data, the Paraguayan cattle herd in 2020 totaled 14.03 million head, an increase of 1.7 percent from 2019. The Eastern Region accounted for 52 percent of the herd with 124,000 producers. The Departments of Concepcion and San Pedro had over 1 million head each. The

Western Chaco Region accounted for 48 percent of the herd, with 13,600 operations distributed among its three Departments. The scales of operations were as follows: 122,000 producers with 1-100 head, 12,600 producers with 101-1,000 head and 2,400 producers with more than 1,000 head (these accounted for 56 percent of the total herd).

Paraguay continues to have a low weaning ratio, which is estimated roughly at 48-52 percent, because of a difficult climate (especially in the Chaco Region) and the lack of efficient management in many cases. However, contacts indicate that as families begin to incorporate younger generations into the management of their operations, a greater appetite for innovation is emerging in the cattle sector. The 2021 calf crop is expected to be on the low side, negatively affected by last year's combination of drought and fires. The normal calving season goes from July through November. Low herd efficiency puts a limit on Paraguay's beef production, but depending on the difference of exchange rates and the value of cattle in neighboring countries, there are times that some feeder cattle are introduced into the country. Currently, feeder cattle in Argentina are 15 percent less expensive than in Paraguay, and contacts believe that towards the end of the year, as Paraguayan pasture conditions improve, the price spread will widen.

After negative returns in 2020 which slowed down investment in the cattle sector, higher cattle prices and attractive credit terms in 2021 are encouraging producers to reinvest. Most investment at the ranch level is directed at purchasing feeder cattle, improving pasture productivity, fencing and cattle genetics. Contacts indicate that there is growing interest in equipment and machinery for grain feeding. Since Paraguay is a corn producer and exporter, cattle producers are beginning to appreciate the advantages of feeding more grain to cattle, including less dependency on variable weather patterns for good pasture conditions. Feedlots are becoming a year-around business, where until recently they were only used during winter.

While currently grain-fed cattle slaughtered in large plants account for roughly 20 percent of total production, this number is expected to grow to 30 percent over the next two to three years. Given current high commodity prices, some pastures in eastern Paraguay, which were traditionally used to finish cattle, are being converted into crop production. In the western region of Chaco, more producers are starting to produce corn and soybeans for cattle feeding. Where previously almost all of the agricultural land in the region was used for pasture, contacts estimate that approximately 100,000 hectares are now planted in feed crops.

Of the 2020 registered slaughter in the 12 large export plants, 36 percent were young bulls, 23 percent cows, 23 percent steers and the balance heifers. Fed cattle sold in auctions were destined for the domestic market and were slaughtered in more than 40 small abattoirs, spread primarily throughout the Eastern Region. About half of these were cows, followed by bulls and steers.

There continues to be active investment in the processing sector. Most large exporting plants are expanding their capacity and improving efficiency. Two large independent cattle producers have started to build a new plant in Villa Hayes in the Chaco region close to the Paraguay River. This plant is expected to slaughter 800-1,000 head a day and will be in operation by late 2022 or early 2023. Another new plant is projected to be built in Concepcion by a large Brazilian-owned company, which should also be in operation in late 2022, with a slaughter capacity of 800-1,200 head a day.

Paraguay has a good sanitary status, being classified by the World Organization for Animal Health (OIE) as free of foot and mouth disease with vaccination and of negligible risk of BSE. The national animal health authority, SENACSA, is working hard to prevent brucellosis through a compulsory vaccination program implemented in 2018 and is also working on a project to reduce the incidence of reproductive diseases. These measures are slowly improving Paraguay's pregnancy and weaning ratios over time.

## Consumption

Domestic beef consumption in 2022 is forecast at 150,000 tons cwe, similar to 2021. The last two years have seen some of the lowest levels of the past several decades. Higher export prices and strong international demand are incentivizing packers to export as much beef as possible, leaving fewer supplies for the domestic market. Contacts indicate that some meat is entering Paraguay through border cities, especially from Argentina, due to a favorable exchange rate.

As has been seen in other countries in the region, when beef consumption drops, consumption of other meats such as poultry and pork increases. In the case of Paraguay, it is a somewhat slow process. Per capita beef consumption in 2020 was 26 kg. The local poultry processor association estimates per capita consumption of chicken at 25 kg, while the local pork association estimates per capita consumption at 18 kg, of which 75 percent are cold cuts. Chicken and pork cuts are less expensive, but Paraguayans still have a strong preference for beef. The following table shows current retail prices of different meat cuts in a large supermarket in the city of Asuncion:

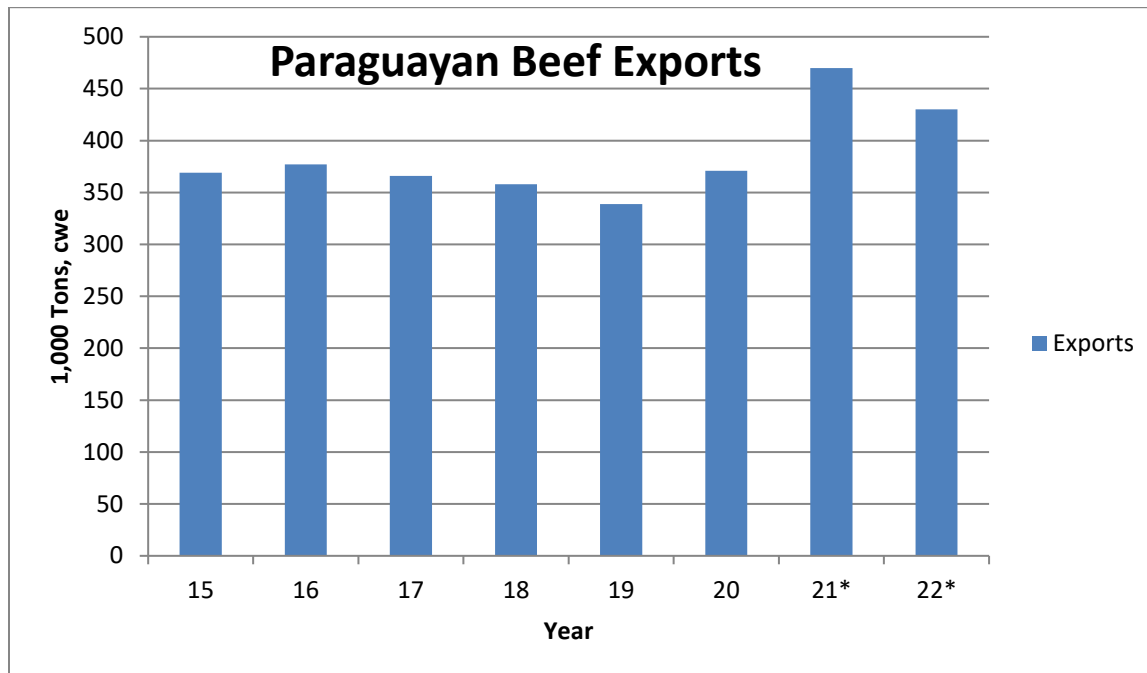
Product	\$US/kg
Chicken frozen whole	1.65
Chicken chilled whole	2.30
Beef short ribs	2.90
Beef short ribs vacuum packed	5.70
Pork short ribs	3.50
Pork neck	2.70

Meat packing plants indicate that consumers are slowly shifting from short ribs as their main cut to higher-priced vacuum-packed cuts such as tip of rump, flank, steaks, ribeye, and rump tail. Round cuts are sought after to prepare milanesas (breaded veal), a very popular dish.

In terms of retail sales, supermarkets account for a large share in big cities, while in the interior of the country, independent butcher shops dominate. At a country level, the share is roughly 50-50. Most supermarkets have a butchery inside the store, as customers prefer to choose more specifically what they will buy.

## Trade

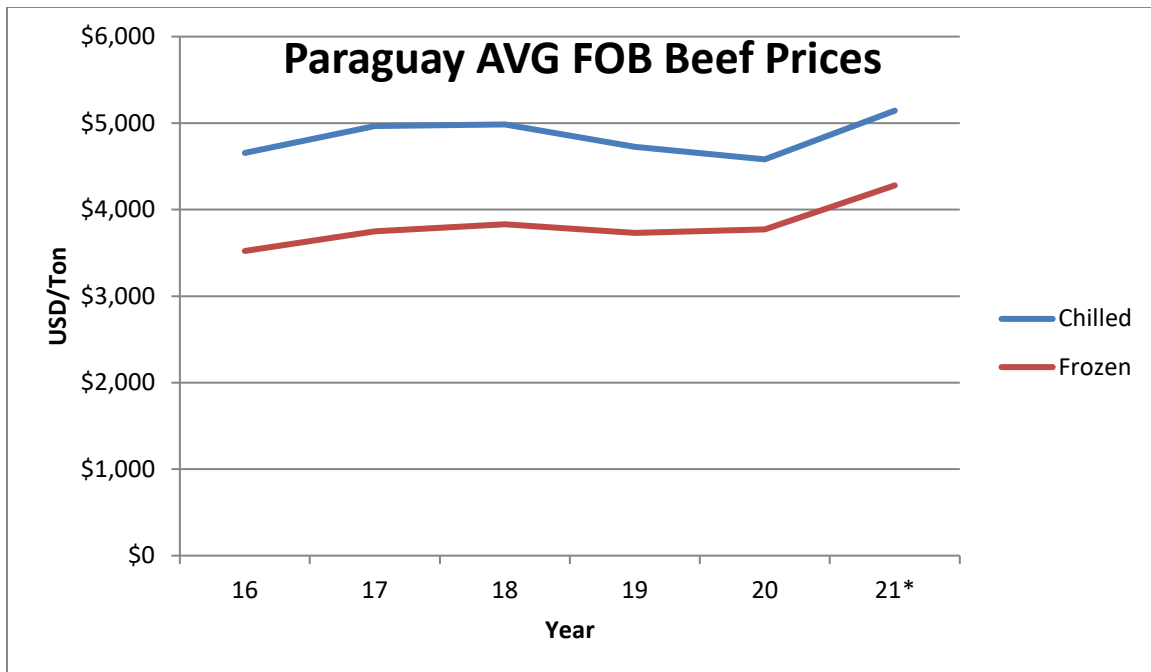
Beef exports in 2022 are forecast to drop 40,000 tons to 430,000 tons cwe, but this is still the second-highest volume on record. The reduction in exports is driven primarily by reduced beef production. Though exporters believe the global beef market will continue to have strong demand, the local market will demand its share of national production after two years of low consumption.



Source: Trade Data Monitor

\* Post Projection

Beef exports in 2021 are projected at 470,000 tons cwe, the highest ever and significantly higher than earlier projections. The combination of economic recovery in most import destinations, tighter supplies in Brazil and Australia, and export limitations in Argentina have caused Paraguayan beef FOB prices to increase 15-20 percent in the past few months. Exports in January-July 2021 totaled 206,000 tons on a product weight basis, 40 percent higher than in the same period a year ago (which was severely affected by the pandemic). Exporters indicate that shipments in the last part of the year will slow down due to lower cattle supplies and weaker seasonal demand from Chile and Israel. These two markets, plus the Russian Federation, Taiwan and Brazil accounted for 88 percentage of the volume in the first seven months of 2021. In the past few years, frozen boneless exports ranged between 55-65 percent of all exports, with the balance being chilled beef. Paraguay has improved its reputation as a reliable beef supplier, with steadily improving meat quality. As a result, exporters encountering new opportunities both in terms of new products and new markets.



Source: Post with Trade Data Monitor  
 \* January-July

Chile is projected to be the top market for Paraguayan beef in 2022. However, the pace of exports is expected to slow somewhat as Paraguay is forecast to have smaller exportable supplies of beef. Chile normally buys approximately 20 different cuts from young steers (of less than 3 years of age) weighing roughly 240 kilos cwe. The quality of Paraguayan beef is perceived to be similar to Brazilian, and it is less expensive than Argentine beef.

In the first half of 2021, Paraguayan beef accounted for 50 percent of Chilean imports, followed by Brazil. Exports in this period grew by 25,000 tons (product weight basis) compared to the same period in 2020. The average import price was \$5,036 per ton, almost 12 percent higher than the same period last year, and the highest price of the past five to six years.

The Russian Federation has been the second most important market in 2020 and 2021. It is forecast to remain an important market in 2022, but with smaller volumes as Russia seeks to promote domestic beef production. As of October 2021, imports of Paraguayan beef into Russia will pay higher duties due to the removal of the generalized system of preferences. Paraguayan frozen beef will pay tariffs of 27.5 percent (previously 11.25 percent), and chilled beef 15 percent (previously 11.25 percent). Exports to this market are primarily frozen manufacturing beef. Cuts for the retail market are insignificant.

Exports to Taiwan are expected to continue to grow somewhat, as there are no more quotas limiting volumes, and Paraguayan beef is gaining acceptance due to its quality. Paraguayan beef competes with New Zealand and Australian beef in the market. Taiwan imports many different frozen cuts, except trimmings, from Paraguay and it is slowly starting to demand more higher-value chilled cuts. Taiwan has recently allowed the importation of offals from Paraguay.

Brazil is expected to remain a significant market, with export of chilled cuts growing in importance. Brazilian meat packers operate several plants in Paraguay and thus have unique insight into the Brazilian market. Also, within the region, Uruguay is buying more Paraguayan beef as it exports high-priced beef and imports less expensive cuts from regional countries. The majority of beef exported to Uruguay is chilled cuts for the domestic market and mainly utilized by butcher shops.

Exports to Israel are forecast to remain strong in 2022. Paraguay has seven plants with knocking boxes that can process beef for Israel. Argentina's self-imposed limits on beef exports last May is creating some new opportunities for Paraguayan beef in different markets, including Israel. However, exporters believe that the limited number of slaughter plants eligible to export to Israel will prevent volume from growing dramatically. Exports are Kosher frozen, boneless forequarter cuts.

The European Union provides Paraguay with 1,000 tons of high-quality beef under the low-tariff Hilton Quota. This volume is not always fulfilled, as just a few plants participate.

The Paraguayan beef cattle industry continues to seek US market access. Exporters believe that once open, Paraguay will be able to export frozen trimmings to the US at substantially higher prices than they are currently being shipped to the Russian Federation. They also look to target several niche markets, such as chilled beef, organic, natural, and kosher beef. Paraguay does not have a specific quota to export beef as Argentina and Uruguay have, so exports will enter under the "others" import quota of 64,805 tons, the same as Brazil. Exports outside the quota would pay a 26.4 percent tariff, and exporters believe that little will be exported paying such duty. Paraguayan industry and government officials have been working diligently in recent years to modify and improve food safety processes in order to be recognized as equivalent.

Beef imports for 2022 are forecast at 10,000 tons cwe, higher than previous years. With strong FOB prices encouraging exports, some contacts indicate that Paraguay could import a somewhat larger volume of beef to supply its domestic market. Imports most likely would come from Argentina and/or Brazil.



**Production, Supply, and Distribution Table: Meat, Beef, & Veal**

<b>Meat, Beef and Veal</b>	<b>2020</b>		<b>2021</b>		<b>2022</b>	
	<b>Jan 2020</b>		<b>Jan 2021</b>		<b>Jan 2022</b>	
	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Market Year Begins</b>						
<b>Paraguay</b>						
<b>Slaughter (Reference) (1000 HEAD)</b>	0	0	0	0	0	0
<b>Beginning Stocks (1000 MT CWE)</b>	0	0	0	0	0	0
<b>Production (1000 MT CWE)</b>	550	555	540	610	0	570
<b>Total Imports (1000 MT CWE)</b>	4	4	4	6	0	10
<b>Total Supply (1000 MT CWE)</b>	554	559	544	616	0	580
<b>Total Exports (1000 MT CWE)</b>	371	371	360	470	0	430
<b>Human Dom. Consumption (1000 MT CWE)</b>	183	188	184	146	0	150
<b>Other Use, Losses (1000 MT CWE)</b>	0	0	0	0	0	0
<b>Total Dom. Consumption (1000 MT CWE)</b>	183	188	184	146	0	150
<b>Ending Stocks (1000 MT CWE)</b>	0	0	0	0	0	0
<b>Total Distribution (1000 MT CWE)</b>	554	559	544	616	0	580
<b>(1000 HEAD) ,(1000 MT CWE)</b>						

**Attachments:**

No Attachments