

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Paraguay

### Livestock and Products Annual

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**Report Highlights:**

For 2019, beef production is projected to decline slightly to 560,000 tons. Beef exports are forecast to drop to 350,000 tons due to strong competition and lower supplies. If Russia reopens its market to Brazilian beef, Paraguay beef exports face increasing competition but may benefit from additional opportunities in Chile.

**Production:** Current high cattle prices, due to steady export, domestic demand and limited cattle supplies, are resulting in good returns throughout the entire cattle chain, from cow-calf operations to feedlots and grass-fed finishing operations. Most contacts agree that this is encouraging investment, such as new pastures, ranch infrastructure, and higher quality breeding genetics.

Nevertheless, beef production for 2019 is projected to decline to 560,000 tons, carcass weight equivalent (CWE), almost 7 percent lower than the 2017 output of 600,000 tons, as the 2014-2016 herd reduction continues to impact production. Based on official data, Paraguay's cattle herd totaled 13.8 million head in 2017, lower than the previous record low of 14.5 million head in 2014. Some factors that are limiting expansion of the sector include:

- An increase in cow slaughter due to favorable prices - cow slaughter has risen from 33-36 percent of total slaughter in 2010-13 to over 40 percent in 2014-17.
- Lower imports of feeder cattle from neighboring countries several years ago as the price differential for feeder cattle between Paraguay and its neighbors had discouraged cattle imports. Recent currency movements in Argentina and Brazil, however, dropped their feeder cattle prices 25 percent below those in Paraguay which many contacts believe will drive feeder cattle imports while this differential price exists.
- Poor reproductive health and nutrition in cow/calf operations - weaning ratios are very low compared to other countries in the region. Despite public and private sector investments in programs to improve efficiency, improvements in the calf crop results have been slow.

#### Cattle Feeding

While the country's cow-calf sector faces challenges, the cattle feeding sector is making steady progress. Large investments at the ranch level to seed productive subtropical pastures, plus improvements in sanitary programs, have producers marketing grass-fed steers (and/or young bulls) of 480-500 kilos at 18-20 months of age.

In addition, the feedlot business in Paraguay continues to expand, fueled by Paraguay's abundant corn supply, and currently represents about 15 percent of total slaughter supply. In general, steers are finished around 480 kilos live weight. Large producers and meat packers own most feedlots and large feedlots are located close to the capitol, Asuncion. Many producers bring cattle from the Chaco region for finishing prior to the rainy season to avoid logistical problems. In the eastern area, where most corn is produced, many producers feed cattle to add value to their grain and then sell to local abattoirs.

#### Slaughter

Paraguay officially registers and inspects cattle slaughter. Slaughter in 2018 and 2019 is expected to drop to 2.4 million head from 2.6 million in 2017. Meat packers generally purchase cattle directly from producers rather than through cattle brokers.

In 2017, the National Animal Health Service reported 12 plants slaughtered 2.07 million head of cattle, primarily for export, and 37 plants slaughtered 235,000 head for local consumption. Most of these plants are Brazilian-owned, however, the Mennonite community owns three operations which tend to focus on the domestic market. In general, Paraguayan plants are in good condition and supported by investments to improve processing efficiency, cold chain capacity and processing volume. These plants are subject to frequent

inspections from the sanitary authorities of most of its main clients, such as the European Union, Chile, The Russian Federation and Taiwan.

In 2017, the cattle slaughtered in export plants averaged 235 kilos CWE while cattle for the domestic market were slaughtered at an average weight of 210 kilos CWE. Industry contacts report approximately 200,000-300,000 head were unreported due to slaughter on-farm and in very small abattoirs in the interior of the country.

**Domestic Consumption:** Paraguay's economy has been growing strongly over the past decade, with most economists projecting an annual growth of 4-5 percent for 2018 and 2019. This economic expansion has influenced not only the volume of beef consumed locally but also driven the demand for higher quality beef, primarily in large cities. Paraguayan domestic beef consumption for 2019 is projected at 220,000 tons CWE, stable from the previous two years. As beef output is projected to decrease from 2017 levels, industry sources expect a strong domestic demand will be met at the expense of exports. Most contacts estimate per capita consumption at 30 kilos, CWE.

The most popular cut is still the less expensive puchero, but Paraguayans also consume large quantities of costilla (ribs), especially during the popular barbecues. Consumption of higher quality cuts, such as round cuts, loin, and rib-eye, is increasing slowly but consumption of ground beef and other prepared meat cuts remains low.

Large meatpackers sell roughly 70 percent of product through supermarkets, 20 percent through its butcheries and 10 percent through distributors. Supermarkets receive half carcasses, and then debone and prepare the cuts at each store. Only 10 percent of the beef sold in supermarkets is vacuum packed. There is no price differential for beef from cattle finished in feedlots.

## **Trade**

### *Exports*

#### *2019*

Paraguayan beef exports for 2019 are projected at 350,000 tons CWE, lower than the previous two years due to smaller beef production and stronger competition from Argentina and Brazil.

#### *2018*

To date, exports in 2018 show an increase from 2017, accounting for 156,000 tons product weight for a total value of \$670 million. Roughly 104,000 tons product weight were boneless, frozen beef. During this period, Paraguay exported beef to almost 40 of 90 markets open to Paraguayan beef. Exports to the Russian Federation and Chile represented more than 70 percent of the total. Most contacts believe that shipments in the second part of the year will drop due to fewer cattle available for slaughter.

The Russian Federation was the largest export destination by far, followed by Vietnam, Israel and Taiwan. Exports of boneless chilled beef totaled 51,000 tons product weight, with Chile being the main destination, followed by Brazil and Lebanon.

### **Competition**

Paraguayan beef is experiencing strong competition from Argentine and Brazilian beef exports as the recent currency depreciation in both countries renders their products more competitive in the global market. At present, the price of fed steers (in dollar terms) in Paraguay is more than 20 percent higher than in Argentina and Brazil.

In addition, there is a strong possibility that the Russian Federation will reopen its market to Brazilian beef in the latter part of 2018. Russia accounted for 46 percent of total Paraguayan beef exports in the first 7 months of 2018. Traders speculate that if Russia reopens its market to Brazil, Paraguayan shipments will diminish. Nevertheless, Paraguay may gain market share in Chile if Brazil supplies are diverted to Russia, as Paraguay was Chile’s main beef supplier in 2017.

Exports to Taiwan are forecast to increase as the current beef quota of 10,400 tons is expected to be increased soon to approximately 20,000 tons. Local brokers indicate that beef exports to Israel and the EU (including the 1,000 ton Hilton Quota) are expected to remain stable, and could expand into South East Asia.

**Imports**

2019 beef imports are forecast at 10,000 tons CWE, higher than normal, but lower than the 20,000 tons forecast for 2018 (through July 2018, imports totaled 16,000 tons CWE). A few local meatpackers with strong connections to Brazilian companies import moderate amounts of beef, depending on the prices. The recent imports have been, by far, bone-in and boneless, chilled cuts. Some boneless, frozen beef was also imported.

**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. In 2017 there were 433 operations registered with 1.7 million head of cattle under this system.

Meat, Beef and Veal Market Begin Year	2017		2018		2019	
	Jan 2017		Jan 2018		Jan 2019	
	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	610	600	630	570	0	560
Total Imports	8	3	4	20	0	10
Total Supply	618	603	634	590	0	570
Total Exports	378	378	400	370	0	350
Human Dom. Consumption	240	225	234	220	0	220
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	240	225	234	220	0	220
Ending Stocks	0	0	0	0	0	0
Total Distribution	618	603	634	590	0	570
(1000 HEAD) ,(1000 MT CWE)						