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Paraguay

Livestock and Products Annual

2014

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Report Highlights:
Paraguayan beef exports in 2015 are projected to be a record at 360,000 tons (carcass weight equivalent). This is the result of increased beef output and continued strong foreign demand. The business continues to be profitable for the different players in the sector. Paraguay is starting to focus on the opening of the markets of the NAFTA countries and China. Domestic consumption is forecast to grow marginally.

Commodities:

Meat, Beef and Veal

Author Defined:

Production: Paraguayan beef production for 2015 is projected at a record high 550,000 tons, carcass weight equivalent (cwe). This is the result of a consistent and constant increase in beef production since the mid-2000's after Paraguay was first able to control Foot and Mouth Disease (FMD). This key factor has positioned Paraguay as one of the world's leading beef suppliers, ranking 8th in 2013. The sector has been experiencing large investment at the farm and processing levels, and it is expected to continue that way in the future. Low costs of production, low taxes, low farm prices (although this has changed dramatically in the past years) and high cattle prices have encouraged vast investment from Paraguayans and from many foreigners, especially cattlemen from the region. Investments in the sector have paid off with both good operating returns and strong real estate gains. In recent years, the rural area has since increased income through substantial advances in beef production with the adoption of high productive pastures and the incorporation of higher quality genetics. In addition, significant expansion in crop production, particularly soybeans has added to increased earnings.

Paraguay's cattle herd is estimated at 14.5 million head in 2014 and projected at a record 15 million head for 2015. There are more than 140,000 ranches, of which 5,000 are large and 135,000 small producers. Almost 90 percent of the producers have between 1-100 head of cattle. Approximately 65 percent of the herd (10 million head) is in hands of operations which have at least 500 head or more. Ranches are distributed in some 30 million hectares, of which only 16-18 percent is cultivated pastures. The rest are natural pastures and native forest. The region east of the Paraguay River, which cuts across the country from north to south, holds about 60 percent of the total herd and is the most developed region, where most of the cropping takes place. In this area, there is competition for the use of land due to the expansion of agriculture over pastures. Cattle production in this area is more intensive and is more efficient than that of the Chaco region (Western area) which has a more extensive production system. There is a lot of investment going on nowadays in the Chaco area but infrastructure is very limited, requiring huge investments in basic services.

Paraguay's cattle sector has been growing at 4-6 percent annually in the past few years. However, in 2014 production is expected closer to three percent due to the negative impact of higher than normal rainfall in the first semester of 2014. This caused serious flooding of commercial breeding operations especially in ranches close to main rivers and in the south of the country, resulting in greater cattle losses than normal. On one hand, this increased the number of losses, but on the other, the condition of the pastures in the country was excellent and cattle gained more weight than what they normally do.

About 50 percent of the current herd are Brangus and Brafords, 35 percent are "Brazilian cattle" (Brahman and Nelore) and 15 percent other breeds (including Santa Gertrudis, Senepol, Limousin). The quality of the local herd has improved considerably in the past several years, with a strong incorporation of Angus and Hereford blood. Contacts indicate that roughly 10 percent of the herd is artificially inseminated, high for world standards.

Paraguay's calf crop in 2015 is projected at about 3 million head. Paraguay's average weaning ratio ranges between 48-52 percent, very low compared to its neighbors. This is a problem which also represents a great opportunity as most of the solution could come through the improvement of herd management by implementing low cost tools. However, it will take time to have most producers in Paraguay increase efficiency. Much of the herd expansion in the past years has come through the increase in the number of cattle and not as a result of a more efficient herd. There are leading commercial breeders which are very efficient, with weaning ratios of over 80 percent. There continues to be a significant number of calves which cross the border from northern Argentina as there is a considerable price differential between feeder cattle in Formosa province and Paraguay. Calves in the Argentine side currently cost almost half the price than what they cost in Paraguay. The price of feeder cattle nowadays in Paraguay is US$1.80 per live kilo.

JBS, the Brazilian meat company which owns two plants in Paraguay, recently announced the construction of a US$100 million dollar plant in the northeastern part of the country. It will begin operation in late 2015 or early 2016. Paraguay has 12 large slaughter plants, and 16 plants prepared for export. There are 7 plants in hands of Brazilian capital and 3 plants are owned by Mennonite cooperatives. Most of these plants are in good condition as they are periodically inspected by the sanitary services of the countries to which they ship to. Export plants slaughtered 1.6 million head in 2013, the highest ever. Cows represented 36 percent of the slaughter and weighed on average 216 kilos cwe, and steers and bulls represented the balance with an average weight of 250 kilos cwe. Some 50 small slaughter plants in the greater Asuncion city process cattle marketed in close-by auctions. The beef of these operations is distributed locally. In 2013 these markets sold almost 200,000 head, of which 55 percent were cows and the balance steers and bulls. Cattle sold in these auctions are significantly lighter than that processed by export plants. There is a significant portion of cattle slaughtered in Paraguay in small slaughter plants throughout the interior of the country and on-farm slaughter. Although very difficult to estimate, contacts indicate that it roughly ranges between 400,000 and 600,000 head a year.

Paraguay is considered by the OIE (the World Organization for Animal Health) as being free of Foot and Mouth Disease with vaccination and having a negligible risk to BSE (mad cow disease). The last outbreaks of FMD were in September 2011 and January 2012. Since then, no other case has been reported. Most markets which Paraguay normally sells to are currently fully reopened, with the exception of the EU which, after a recent inspection, is expected to resume imports any time soon. One of Paraguay's cattle/beef sector strengths is the good joint work between the official animal health service and the private sector. The U.S. market continues to be closed to Paraguayan beef due to FMD concerns. APHIS recently conducted a risk assessment in Paraguay.

Paraguay has two traceability systems which are demanded by two of their three main foreign buyers: the EU and Chile. In the case of the EU, the local Rural Association reports that approximately 650 producers have 1.5 million head of cattle under the SITRAP program. The producers' association is working hard to increase significantly the number of cattle traced. In the case of cattle for the Chilean market, these have to follow a registration process. There are currently some 1100 operations and 4 million head under this system.

The Eastern part of Paraguay has a zero deforestation law, while the western region has strong limitations on the amount of land that can be deforested, having to leave some 25-50 percent with forest. However, in this area there are 14 million hectares of native forest and some 5 million hectares could be used for cattle production. This is the area where Paraguay plans to expand cattle production by 50 percent allowing exports to reach 600,000 tons by early 2020, becoming the world's 5th largest beef exporter. It is calculated that more than $3 billion in investment will be needed to meet this goal. Land prices in the past ten years have gone from US$20 per hectare to US$600-700 per hectare. Although a lot has being made in the past several years, a lot remains to be done, especially related to roads and general infrastructure.

Consumption: Local beef demand in 2015 is forecast at 192,000 tons (cwe), slightly higher than the previous two years as the economy is expected to grow at a faster pace and improve consumers' purchasing power. This level would result in a per capita consumption of around 29 kilos per year. Meat packing houses which sell domestically indicate that beef sales in 2014 are slow, with difficulties to grow.

The domestic market is supplied by on-farm slaughter, slaughter in small abattoirs in the interior of the country, the slaughter of some 200,000 head (primarily cows) sold through cattle auctions near Asuncion city and some cuts which the exporting industry has limitations to export (ribs, bones with small pieces of flesh, etc.). There are several slaughter plants which sell their beef in large cities in the interior of the country.

Despite export markets resuming purchases from Paraguay after it controlled the FMD outbreaks; domestic beef prices have remained relatively stable. Contacts indicate that local packing houses are focusing more on the domestic market than a few years ago. During the closing of several markets due to the FMD problem, Paraguayans enjoyed consuming large volumes of high quality beef at inexpensive prices. However, this is already changing as volumes to Chile, the Russian Federation and soon the EU, increase. Paraguayans will probably consume somewhat less expensive cuts. Consumption of broiler meat and pork is forecast to continue to grow slowly. The current per capita consumption is approximately 16-18 kilos each.

Several breeding associations, such as Braford, Brangus, Brahman, and Santa Gertrudis, market branded beef.

Trade: Paraguayan beef exports for 2015 are forecast at 360,000 tons, the highest ever, as most of the additional beef produced is projected to be shipped abroad. As the markets which had shut down due to the FMD outbreaks in 2011 and 2012 totally resume purchases and others reopen (as expected any time soon with the EU), the market opportunities for the local beef grow. Paraguay nowadays exports beef to 30 different markets. Contacts project Paraguayan FOB beef prices to remain high as the world's demand for animal protein continues to be strong.

The Paraguayan beef industry is starting to mirror what Uruguay has been doing in the past several years. It will focus on the opening of new markets, aiming especially at the NAFTA region and China. Both these markets are nowadays closed to Paraguayan beef due to sanitary and/or political reasons. Contacts indicate that the sector's strategy will be to work on becoming an exporter of natural, high quality beef.

Paraguay exports most of its beef boneless and frozen. However, exports of chilled boneless cuts have grown significantly in the past several years primarily due to the reopening of Chile, and a continued growth of exports to Brazil. The reopening of the EU market (some expect it for September 2014) with a 1,000 ton quota, and the possibility of exporting outside of it will reinforce the trend of shipping a larger volume of chilled product. Through July 2014, the export of chilled cuts accounted for 26 percent of the total, while the rest were frozen cuts. Paraguay does not export thermoprocessed beef.

The Russian Federation is the country's number one market and it is expected to continue to be a major player. Moreover, the recent ban on imports from the US, EU and other countries could open some market opportunities for Paraguay but it is still to be seen how trade finally develops. Of the Mercosur countries, Brazil and Paraguay could expand shipments as they have more volume which could be redirected to Russia as long as it is price convenient. Paraguayan exporters are somewhat skeptical about the final impact, as in early August Russia approved for export more than 50 Brazilian beef plants. Paraguayan exporters indicate that this huge amount of suppliers for a volume which is not that significant could put downward pressure on FOB prices. Russia normally buys from Paraguay frozen, boneless fore quarter cuts, hind quarter cuts and trimmings. Just a few tons of chilled beef at good prices have been exported for the retail market. However, the almost 60 days of transport cuts the self-life significantly, limiting its market growth.

The Chilean market, once Paraguay's number one buyer, is expected to continue to recover, but most traders think that it will never go back to account for 50-60 percent of all imports as it did in 2008-2010. This market has become very competitive, with Brazil being the dominating supplier plus the addition of more active suppliers such as the US, Australia and Uruguay. Local traders point out that the strict cattle certification program limits the potential growth of this market. Chile normally buys 18 cuts or 15 cuts (without rump and loin), boneless and chilled.

Paraguayan exporters are anxious about the soon-to-be opened European beef market. The EU provides Paraguay with a 1,000 ton Hilton Quota for high value beef cuts. This market was closed during the last FMD outbreaks. In April 2014 the EU's sanitary service audited the local cattle/beef sector and, based on information circulating in Paraguay, would lift the ban in September or October 2014. For Paraguay this has a double importance. Not only the volume of product shipped to that market, but the possibility of the opening of other markets which follow EU standards. Local traders believe that once opened, the quota will be fulfilled without difficulty and some product outside the quota could also be shipped. Paraguay is not yet eligible for the European 481 Beef Quota.

Brazil is a growing market for Paraguayan beef. It primarily buys high quality chilled cuts such as top sirloin, tail of rump and strip loin. Many of these exports are vacuum-packed. The fact that several Paraguayan beef plants are owned by Brazilian capital has expanded trade with that country.

Paraguay wants to open the Chinese market for its beef. The two countries maintain a fluid trade relation but do not have diplomatic relations. Paraguay's beef exports through the so called "grey market" are growing quite fast. Through July 2014, Hong Kong has become the 4th largest market for Paraguay's beef. Exports are frozen boneless beef. We anticipate this market becoming more important every year.

Israel is also a very important market and quite stable. It demands primarily Kosher fore quarter cuts, frozen and boneless.

The US beef market is closed to Paraguayan beef due to FMD. This market is lately seen with great interest as it is an important importer of products which Paraguay exports. Exporting to the US is also a key to opening other markets which follow USDA's import requirements and policy. In July 2014 an APHIS sanitary mission came to Paraguay to initiate a risk assessment and checked different aspects of the local cattle sector and verified the anti FMD program to see whether it can comply with US regulations. The local sanitary service seems optimistic about the results of the visit and mentioned that they were expecting the opening of the market in 1-2 years.

Policy: There is no specific policy for the local livestock/beef sector. Most contacts indicate that the government allows the sector to operate freely. The current president of the country is one of the largest cattle owners and is familiar with the business. The sanitary service continues to work hard on eradicating and controlling animal diseases and opening markets. The Secretary of Commerce and the private sector participate together in a few market promotion activities in the most important markets such as the Russian Federation and Chile.

Production, Supply and Demand Data Statistics:

Meat, Beef and Veal Paraguay	2013		2014		2015	
	Market Year Begin: Oct 2013		Market Year Begin: Oct 2014		Market Year Begin: Oct 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	0	0	0	0		0
Beginning Stocks	0	0	0	0		0
Production	500	510	540	525		550
Total Imports	2	2	2	2		2
Total Supply	502	512	542	527		552
Total Exports	326	326	350	340		360
Human Dom. Consumption	176	186	192	187		192
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	176	186	192	187		192
Ending Stocks	0	0	0	0		0
Total Distribution	502	512	542	527		552
1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG						