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Report Highlights:

The Paraguayan cattle and beef sector is forecast to continue its recovery in 2013 after the FMD outbreaks in late 2011 and early 2012. Several key markets have resumed imports, and although not yet in place, Chile, its main market for chilled beef is expected to reopen by the end of 2012 or 2013. Beef production and exports are forecast to rebound. Domestic consumption is projected to remain somewhat similar to the previous two years.

Commodities:

Meat, Beef and Veal

Author Defined:

Production: Paraguayan beef production for marketing year (MY) 2013 is projected to rebound to 460,000 tons carcass weight equivalent (cwe). Post estimates a higher slaughter than in 2012, pushed by the need to market the finished cattle retained in ranches and to a projected stronger demand as foreign markets continue to reopen after the foot and mouth disease (FMD) outbreaks of September 2011 and January 2012. The average carcass weight is expected to drop from 2012, but it still remains high compared to historic averages. The main reason for higher weights is the fact that due to limited exports, cattle prices have dropped significantly and most producers prefer to keep the cattle on farm as long as possible knowing that as exports rebound, cattle prices will recover much of the losses. Post's 2012 and 2013 projections were made considering the Chilean market closed. However, most contacts expect this market to probably open in the last part of 2012 or early 2013. Whenever this happens, the markets will accommodate, with expected higher cattle prices and higher slaughter.

Paraguay's cattle/beef sector is very dependent on beef exports which normally account for more than half of the production. Cattle can be commercialized in three distinct markets: 1) direct for export meat packers, 2) domestic demand in Asuncion, and 3) to supply the demand in the interior of the country and on-farm consumption. The first two are closely followed and tracked, with good information and data available. However, the last sector is difficult to track as there is very little information at hand. In 2013 Post estimates that roughly 1.4 million head will be slaughtered by exporting meat plants, of which 55-65 percent will be steers and 30-35 percent cows and heifers. About 600,000 head will be slaughtered to supply the entire domestic market. Cattle markets near Asuncion, which supply supermarkets and butcheries, typically sell 55-60 percent cows and 35 percent steers.

Cow calf operations are going through difficulties as the price of feeder cattle went down approximately 50 percent because of the FMD outbreaks. Cattle finishers are also in a tight situation as they purchased feeder cattle at high prices a few years ago and are selling fed cattle at 30-35 percent lower than one year ago, previous to the first FMD outbreak. Most players are optimistic that by next year, and if the Chilean market opens, prices will adjust upwards. The current price for live fed steer is about US$1.50 per kilo, similar to Brazil, but significantly lower than in Argentina and Uruguay.

Paraguay has roughly 50 slaughter plants with official inspection of which 13 are approved for export. Only two medium meat packers operate for the domestic market, while roughly 32 are small plants scattered around the country. All large export meat packers have good capacity to process chilled beef, while most, but not all, have sufficient capacity to freeze their entire production.

There are about 115,000 cattle ranches in Paraguay with 13.1 million head spread over 30 million hectares devoted to cattle production. Only 16 percent of this area has planted pastures, while the rest is natural pastures and woodland. There are approximately 500 ranches included in the Sitrap traceability system which traces cattle. Producers utilizing this system usually receive a premium price from buyers, especially when exporting to Chile and the EU. About 60 percent of the total herd is owned by producers who have more than 1,000 head. The Paraguay River divides the country in the eastern region, where roughly 63 percent of the herd is located, and the western region, which is drier and less developed. The local cattle herd has been expanding since 2002, when there were 9.4 million head. In the past few years, and despite the foot and mouth disease outbreaks, the expansion of the herd has been faster. An improved sanitary status and thus a larger presence in world markets made local cattle prices increase significantly, which coupled with low costs of production and the assistance of low cost credits promoted the expansion and the improvement of the sector. Some private consultants forecast Paraguay's cattle herd at 17 million head by 2016.

Paraguayan cattle began to improve in quality back in mid-1990's. The use of good genetics, incorporating more Angus and Hereford blood to the local herd, the use of new and very productive subtropical pastures, and adjusted management resulted in higher quality beef. Customers recognize this fact and also point out that there had been a significant advance at processors, especially with the use of maturing chambers, where beef remains 24-48 hours to bring down its PH.

Some local analysts estimate the country's weaning ratio at about 48 percent, low compared to other countries in the region. Progressive producers utilize good management, technology and good genetics, reaching comparable weaning ratios to leading ranchers in the region. Small farmers have very low efficiency, affecting the country's overall calf crop. The loss of adult cattle ranges between 1.5-2.0 percent in a normal year.

Feedlot production in Paraguay is still very small. There are roughly 10 feedlots with a capacity of 1,000-1,500 head, and most are owned or work closely with the large slaughter plants. Contacts estimate that in the country no more than 50,000 head of cattle are finished in each cycle. Many leading ranchers feed grain (primarily sorghum) in the last 100 days to finish their cattle which graze on pastures. The EU grants (currently suspended because of the FMD outbreaks) Paraguay a quota of 1,000 tons of grass-fed beef under the Hilton Quota.

Paraguay's sanitary status indicates that it is free of FMD with vaccination and has a negligible risk of BSE. However, after the two FMD outbreaks in the past year, its status is currently suspended. The local sanitary service is working on regaining the free with vaccination status, which contacts expected to happen during 2013. Paraguay is also working on trying to open beef exports from Departamento de San Pedro, one of the main producing areas and where the two outbreaks occurred. Prior to the FMD outbreaks, Paraguay could export to over 60 markets.

Consumption: Domestic beef consumption for 2013 is forecast at 180,000 tons, on par with the previous two years. As result of the closing down of most export markets due to the past FMD outbreaks, Paraguayans have enjoyed good quality beef cuts at extremely affordable prices. Retail beef prices dropped 50 percent during the first half of 2012 compared to the same period last year. However, as export markets continue to reopen, Post expects local consumption to drop marginally and domestic beef prices to adjust upwards.

All beef exports are boneless, and therefore, there is a significant amount of bones calculated under consumption. The truth is that a lot of "puchero" (bones with small pieces of flesh attached, coming primarily from the deboning process of export plants) is consumed domestically. Most Paraguayans in Asuncion purchase beef in supermarkets. Half carcasses are brought down in each store, where they are deboned, cut and presented to customers. Most supermarkets have meat sections attended personally by butchers.

Poultry consumption in Paraguay has almost doubled in the past five years, primarily as a result of high local beef prices. The government estimated a per capita consumption of almost 15 kilos for 2011, way below the consumption in neighboring countries. The local poultry industry has been investing heavily in expanding capacity and improving product quality. There are two companies which lead the market. Per capita pork consumption is estimated at 16 kilos, and growing at a slow pace.

Trade: Paraguayan beef exports for 2013 are forecast up at 280,000 tons (cwe), the second highest volume ever. The reopening of several markets throughout 2012 will provide next year a lengthier period with several key markets open from early on. The 2013 forecast does not take into account those markets which at this time have yet not reopened, such as Chile, key for the local industry. In 2009 and 2010, this market accounted for approximately 40 percent of Paraguay's total beef export volume and almost 50 percent of the export value. Paraguay exported during the first seven months of 2012 145,000 tons (cwe), valued at US$428 million. Almost 90 percent of exports were frozen boneless beef, while fresh, chilled boneless beef accounted for the balance. When the Chilean market reopens, we should expect chilled beef exports increase to about half of total exports, improving the country's average FOB price.
The main market for 2013 is expected to continue to be the Russian Federation, which by mid-2012 accounted for 80 percent of the total volume. This market typically buys most cuts except rump and loin. Practically all exports go for industry use, while a very small volume is for the retail market. With the closing of the Chilean market, Paraguay has almost doubled its exports of chilled beef to Brazil, while at the same time; Brazil tripled its shipments to Chile, becoming the number one supplier there, position which used to be held by Paraguay. The most popular cuts shipped to Brazil are "picanha" (top sirloin) and tail of rump. Of the 13 large local export plants, three belong to Brazilian companies. Israel is another important market which reopened last July, taking frozen boneless fore quarter kosher cuts. This is a market which normally buys 7-10,000 tons (cwe). After the first FMD outbreak last year the EU stopped Paraguayan beef imports and has yet not resumed. Paraguay exported beef under the Hilton Quota and outside of it. Typical cuts were chilled rump and loin.

Policy: Most previous governments have not had a specific policy for the cattle/beef sector, letting it operate freely. The availability of some low cost credits for the sector a few years ago helped the sector to obtain official or private credit at convenient terms to expand cattle production and increase capacity and efficiency of the processing industry.

Statistical Tables

Meat, Beef and Veal Paraguay	2011		2012		2013	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	0	1,700	0	1,800		2,000
Beginning Stocks	0	0	0	0		0
Production	420	380	420	425		460
Total Imports	2	2	0	1		0
Total Supply	422	382	420	426		460
Total Exports	207	207	170	240		280
Human Dom. Consumption	215	175	250	186		180
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	215	175	250	186		180

Ending Stocks	0	0	0	0		0
Total Distribution	422	382	420	426		460
1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG						