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Report Highlights:

Paraguayan beef exports in 2025 are forecast down at 450,000 tons carcass weight equivalent with an expected smaller beef supply after a very large slaughter in 2024. A severe drought in the western region forced many producers to send a greater number of cattle to market than previously planned. Local traders believe exports to the recently opened markets of the United States and Canada could increase as a result of the current strong demand in those markets. Paraguay is expected to be eligible to ship to Mexico sometime in 2025.

Paraguay Livestock Report
September 2024

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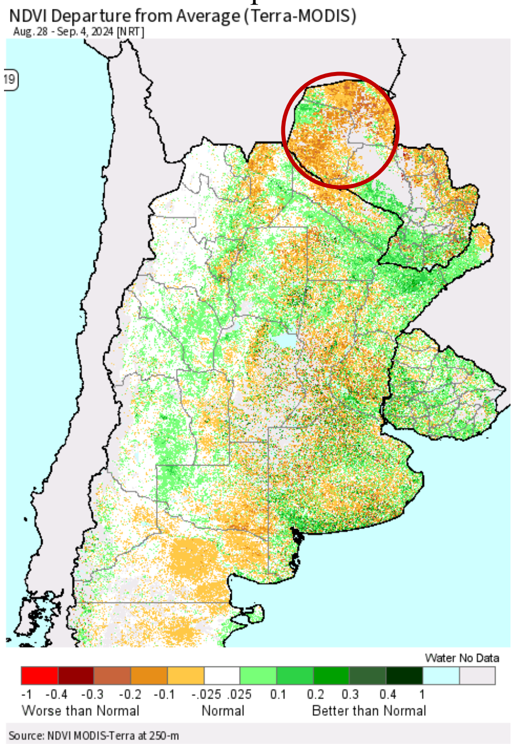
Production

Beef production in Paraguay in 2025 is forecast to drop at 560,000 tons carcass weight equivalent (cwe) as result of a decline in slaughter assuming a more normal weather pattern in 2025 following three straight years of drought. A very dry 2024 forced many producers to sell more cattle than planned to have a lighter stocking rate as the production of pastures was very limited. If rains return to normal patterns the slaughter will total 2.3 million head, almost 150,000 head less than that estimated for 2024. The average carcass weight in 2025 is forecast up at 244 kilos, 3 kilos heavier than in 2024, because a smaller number of cows in slaughter and a larger number of cattle finished on grains.

The local cattle business is going through a difficult situation due to a combination of 3-4 years of dry and hot weather, low cattle prices and increasing costs. Producers claim that cattle prices barely cover production costs and that dry conditions have affected producers' efficiency. The below map shows the normalized difference vegetation index (NDVI) and its departure from average through early September 2024. Most of the western part of Paraguay (Chaco Region) continues to be severely affected by drought. Circled in red are Alto Paraguay and Boqueron, the two Departments mostly affected where most of the late investment in new ranches took place. A larger number of cattle than normal were moved out from these two departamentos directly to slaughter or to other areas with better pasture conditions.

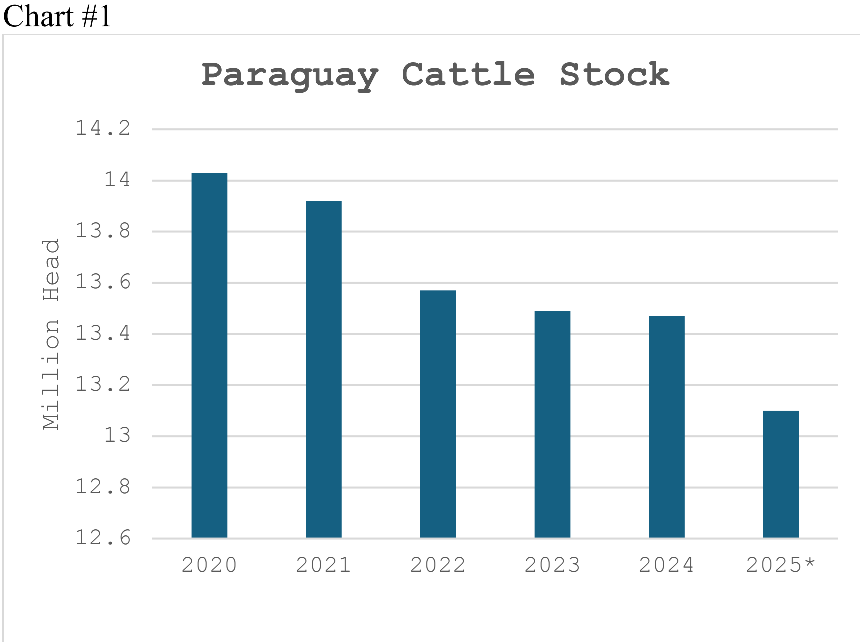
The cattle stock in 2025 is estimated to decline at 13.1 million head because of the higher slaughter in 2024, especially female cattle, small calf crops in the past several years because of dry conditions and an expected lower-than-normal calf crop (calves born) in 2025 because of far from optimal condition of the cows as they enter the breeding season in a few months' time. The local cattle herd duplicated during 2003-2014, but since then it started to decline almost constantly to date with a loss of about 1 million head. Cattlemen indicate that if poor weather conditions and low prices persist, we will surely experience further decline in herd size over the next few years. The chart below shows the size of the cattle herd in the past five years and its projection for 2025:

Map #1



Source: FAS/USDA Crop Explorer

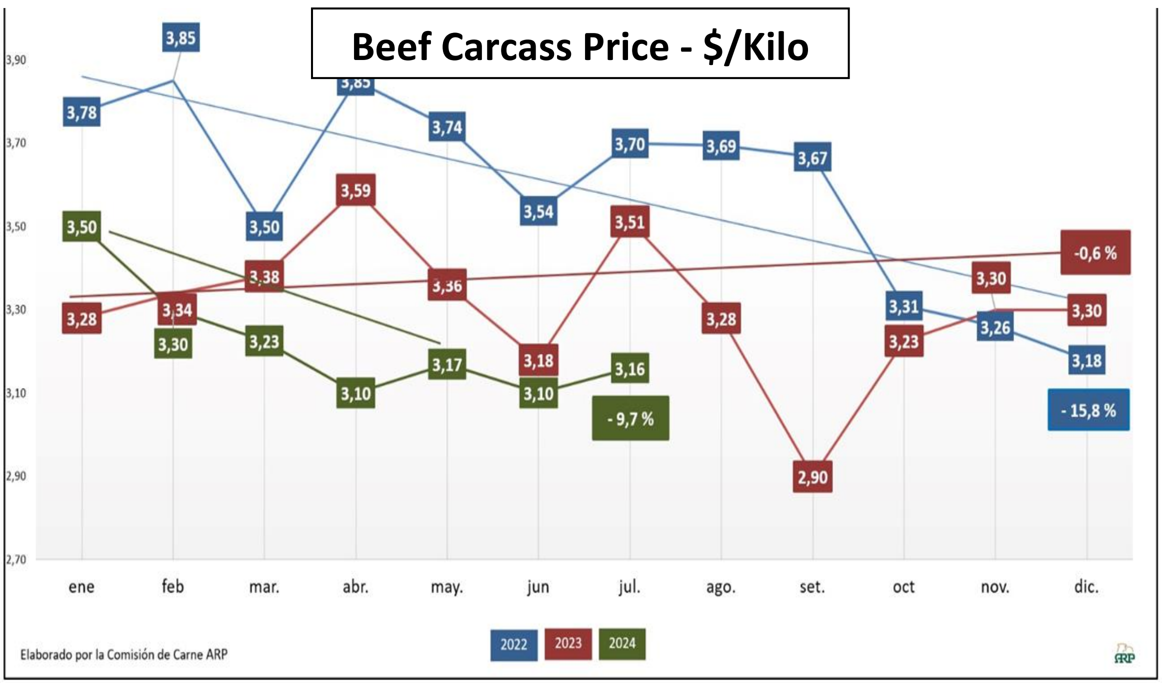
Chart #1



Source: Senacsa Data
* Projection

Low cattle prices discourage most cattlemen and make it difficult to continue investing if their unique income is generated by the cattle operation. Producers blame the low prices to the high concentration of the local industry in few hands, but the prolonged dry conditions has forced many producers to send to slaughter more cattle than planned, magnifying the problem of low prices. The chart below was published by the Paraguayan Rural Association to show the decline in beef/cattle prices in the past 3 years. The average price in July 2024 was $3.16 per kilo, 10 percent lower than a year ago and 14.6 percent lower than two years ago. Low returns made some landowners convert part of their ranch into crop production, with varied success primarily due to dry conditions in the past 3 seasons. Some of this land is returning to ranching again, but the trend of converting more pastureland into agriculture seems irreversible.

Chart #2



Source: Asociacion Rural del Paraguay

Despite the current delicate situation of the local cattle business, there is room to be optimistic in the future. In late July the international risk rating agency Moody's upgraded Paraguay to "investment grade" thanks to its robust and sustained economic growth. This new rating is expected to facilitate access to lower-rate credit for the government and the private sector. Paraguay is now considered a better place to invest, with the focus on infrastructure and the agricultural sector. This will definitively have a positive impact on the sector in the medium and long term.

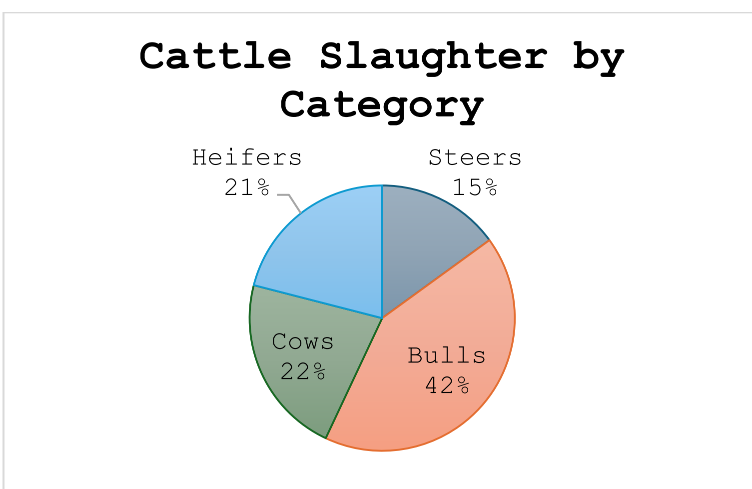
Efficient cow-calf operations typically station their main breeding season in spring (October/December), although a smaller number of cows are also bred during autumn. During normal weather, the pregnancy rate is close to 70 percent, which results in a weaning rate of 55-60 percent. In the western Chaco Region, efficiency can be even higher, thanks to the very productive subtropical pastures. Rates in the Eastern Region are significantly lower as most cow-calf operations are small to medium and many lack of efficient management with weaning rates as low as 30-40 percent. Male calves are normally weaned at 180 kilos live weight and female calves a little lighter. There is great potential to improve efficiency through improved management with tighter nutrition and sanitary programs, many of which are of low cost and of high impact. The use of improved genetics continues to be quite impressive, improving efficiency and cattle/beef quality. Contacts believe that more technical extension should be available to small and medium producers. Roughly 50 percent of the weaned calves are sold as feeders, while the other 50 percent continues in the hands of the same cattlemen to finish in operations on high productive pastures or confinement.

After weaning, calves are taken for about one year to grow out in the Central Chaco on pastures with subtropical grasses which are normally very productive. Once they reach approximately 360 kilos most of the cattle are sent to be finished exclusively on pastures, on pastures with some supplementation of grain and salts or directly on feedlots. On pastures, cattle are finished with less than 3 years of age weighing 450-480 kilos live weight.

About 500,000 head are finished every year in feedlots, a similar number of cattle finished on pastures with grain supplementation. Feedlots allow the production of a larger number of cattle and more uniform, something key for meat packers. There are roughly 50 medium/large feedlots in the country with an instant capacity of 3,000-15,000 head. They normally operate two cycles a year, while small feedlots operate only one during the winter. Confinement is growing year after year, with more custom feeders offering their services as cattlemen begin to see the benefit of finishing cattle earlier. Until quite recently, most feedlots only finished cattle of their own. Analysts believe that in a near future, the large beef export plants will have a greater participation in cattle confinement to assure supplies and quality.

Most of the finished cattle in Paraguay are young bulls and at a smaller extent steers, especially those produced to fulfill the EU Hilton Quota. The finishing of heifers is quite limited as a large number of them are used for replacement in breeding herds. Cattle slaughter in export plants in the first 7 months totaled 1.28 million head. The classification of cattle slaughtered per category during this period was as follows:

Chart #3



Source: Post with Senacsa data

Brangus and Nelore (both with a strong Bos Indicus base) are the main breeds raised in Paraguay, accounting together for approximately 90 percent of the total herd. The use of high-quality cattle genetics in the past couple decades has resulted in a significant quality improvement. Local breeders look for moderate frame cattle that can adapt easily to the production environment and the need of the export plants. Finished bulls weigh roughly 500 kilos live weight. Cattle is being slaughtered much younger and weigh 20-30 kilos more than 10 years ago.

Despite current low returns, some cattlemen continue to invest in their cattle operations as they are optimistic that the current situation will turn around and they see this as a long-term investment. They continue investing in genetics, breeding cattle, pastures and infrastructure. Investment in expanding the capacity of feedlots is also occurring. Small and medium cattlemen which normally do not enjoy a strong economic situation have to sell part of their herd and most reduce or directly cut investment.

Investment in the Chaco region in the west of the country continues, with the government focusing in infrastructure, especially in highways. Most cattle investment in this region is on large extensions of land with very productive subtropical pastures and fencing. There is also incipient development of crop production, especially soybeans and corn which are utilized in-region to feed cattle more efficiently and add value to its production by converting grain into beef. Producers in this area are exploring the integration of cattle production with crops. Contacts believe that the future development of feedlots in the Chaco region will be significant.

Contacts indicate that the local meat processing industry has been enjoying good profitability in the past several months. During the first 7 months of 2024, the slaughter of cattle in export plants (estimated at 85-88 percent of the country's total slaughter) took place in 12 plants. The single largest plant accounted for 21 percent, while the first five plants together accounted for 65 percent. There is a newly inaugurated slaughter plant which recently began to operate, while another plant is currently under construction and expected to be in operation in 2025. Both are of local capital and cattlemen welcome them as they believe that this will add more buyers and competition when selling cattle. Cattlemen claim that the concentration in the local meat packing industry is too big and because of it they are receiving lower prices than what they should. Based on slaughter data (export plants only) of July 2024, the largest group accounted for 37 percent in 4 plants while the second largest group accounted for 25 percent in 3 plants. The rest are three plants owned by Mennonites and 2 owned by local economic groups.

While Brazil continues to be in the process of stopping to vaccinate against foot and mouth disease, the government of Paraguay and producers agree that they need to continue to vaccinate at least until 2026. A few other countries in the region also agree that it is better to continue vaccinating as they currently prefer not to run the risk of an eventual outbreak.

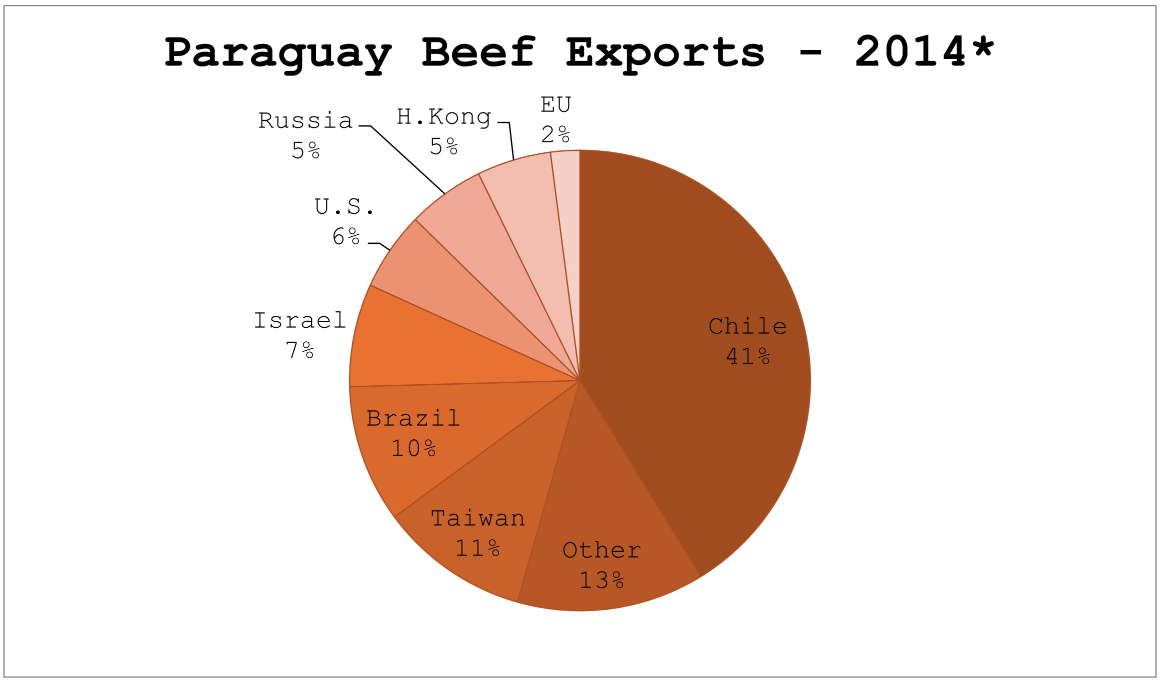
The Paraguayan Congress recently passed a law on livestock identification called SIAP (Animal Identification System of Paraguay). The law mandates the use of electronic tags to cover the entire cattle herd. The government will supply initially these tags to cattlemen and pretends to have approximately 3 million calves tagged in 2025, and 50 percent of the total herd identified by 2027.

Cattlemen associations insist in the need of a Paraguayan meat institute to generate a "country brand", help to open new markets and expand existing ones. The main goal is to sell to the main markets at the best possible price. Paraguay currently is not eligible to export beef to 3 of the 4 largest world markets. While cattlemen indicate that they will finance such institute, the industry has not shown great support.

Trade

Paraguayan beef export in 2025 are forecast at 450,000 tons cwe, down 4 percent from the previous year mainly because a drop in beef supplies. The recent opening of the US and Canadian beef market has brought a lot of expectation to the sector, which is forecast to expand shipments to these two countries in 2025. Being eligible to export to these two markets which demand high sanitary standards helps Paraguayan exporters show that their beef products are reliable. Local meat packers believe this new status will help open new markets.

In the first 7 months of 2024 Paraguay exported 195,000 tons cwe of beef (product weight), a 4 percent higher than in the same period last year, to more than 50 markets. The total value was $940 million, with the main markets being the following:



Source: Post with TDM data
* January-July, in % of value

The main products exported were frozen boneless beef, with Taiwan being the leading destination, followed by Russia, Hong Kong, Israel, the US and Chile. Exports of boneless chilled beef were also very important, with Chile the main destination, followed by far by Brazil and Uruguay. Exports of frozen bone in beef have always been negligible, with Singapore as almost the exclusive destination. Since February 2024 Israel authorized the importation of bone-in beef with small but growing volumes.

Based on TDM data, Paraguay’s average FOB price in the first 7 months of 2024 was $4,831 per ton, practically unchanged from the same period a year ago and 8 percent lower than the same period two years ago. Although Paraguay is not eligible to export beef to China, the drop in prices in that market affects directly the prices exported by Brazil, its main supplier. Brazil then searches for other markets which pay better prices and puts pressure on markets which Paraguay exports to such as Chile, Russia and Israel.

Chile is Paraguay's main destination for beef by far and it is expected to continue in 2025. Chileans import roughly 50 percent of their beef from Paraguay. Brokers believe demand will remain quite stable in 2024 and will present good opportunities next year. Current average beef prices are somewhat weaker than a few months ago, with Brazilian beef putting somewhat downward pressure. Chile normally buys 20 cuts from the carcass, boneless and chilled. Importers are typically meat packers, importers, distributors and supermarkets. Beef sales in August and September are strong for their national festivity in mid-September and increase again in November and December in preparation for end of year holidays.

Taiwan is projected to remain the second largest market in 2025, but probably with a lower volume as other markets are expected to pay higher prices. Paraguayan beef enters Taiwan duty free and, since 2020, free of quotas. It accounts for 20-25 percent of Taiwan's beef imports (measured in volume). Most products are frozen boneless forequarter cuts. Paraguay also exports ribeye, chuck tender, oyster blade, shin shank and knuckles. Exports of chilled cuts are marginal due to its long transit time.

Brazil is expected to continue to be a significant market in 2025, due to the strong relation between meat packers in both countries. However, exports in 2024 and 2025 are forecast to drop somewhat as Brazilian beef is very price-competitive. The main cut exported is chilled cap of rump, the most popular cut there, consumed typically in barbecues and steak houses.

Israel is a growing market for Paraguayan beef. It primarily imports kosher boneless forequarter cuts, but a few months ago allowed the importation of Paraguayan bone-in beef. It also imports small volumes of high value chilled cuts. Based on TDM data, Israel's beef imports from Paraguay in the first half of 2024 increased more than 50 percent (in value) as total beef imports increased and exports from other sources diminished significantly compared to a year ago.

Exports to the Russian Federation, Paraguay's number one market not too long ago, are projected to continue to decline as there are only 3 plants eligible for export and the demand from the recently opened markets in North America currently pay more for similar cuts for industry use. Exporters also indicate that payment and logistical issues remain a concern.

The European Union is an important market as it provides Paraguay with a 1,000 ton Hilton Quota of high premium chilled cuts at high prices. On December 30, 2024, this market will have in practice Regulation 1115 of deforestation by which imported food products need to demonstrate that they were originated in operations which were not deforested after 2020. The beef sector in Paraguay is quite confident that either an official or private certification will accompany future shipments of beef and that they will not have problems to enter.

The US market for Paraguayan boneless chilled and/or frozen beef is opened since December 2023 when two containers were exported. Exports to the US in January-July 2024 totaled 11,492 tons product weight, ranking 7th in destination for Paraguayan beef. Local meat packers expect total exports in 2024 at about 25,000 tons (product weight) because of the strong need the US has for beef and to help to keep inflation under control. Brokers believe exports in 2025 could total 35,000 tons, becoming a key market because of its volume and value. The main products exported are frozen, boneless forequarter lean beef blocks. Paraguay also exports some cuts such as inside or topside. To enter the United States, Paraguayan beef can make use of a low tariff rate quota for "others" of 65,005 tons, issued on a first-come, first-served basis, but where Brazil operates aggressively and takes most of it in the first few weeks of each year. Brazilian meat packers normally have large volumes of beef in-bound to enter the US market rapidly. Some traders believe that in 2025 Paraguay could make use of about 10-20 percent of the "others" quota, while the rest of the beef exported from Paraguay would have to pay 26.4 percent import duty. Even with this duty, prices are competitive enough with other alternative destinations such as Taiwan and Russia.

The Canadian market opened in mid-May 2024, a few months after the access to the US market. It is a market very similar to the US. These two markets allow Paraguayan beef exporters to explore and diversify their exports. In mid-June the first cargo with Paraguayan beef left for Canada from a slaughter plant operated by a Mennonite community. Local brokers estimate that 3-4,000 tons product weight could be exported in 2024, being primarily frozen lean forequarters beef blocks. Prices are similar to those paid by US importers.

The opening of the Mexican market is expected with anxiety by local meat packers due to the significant volume it imports. Brokers believe that Mexico could import larger volumes of beef while exporting its beef duty free to the US. Exporters hope to have this market open during the first semester of 2025 once the new government takes office. In mid-May a Mexican sanitary mission came down to audit the same 9 local plants which are eligible to export to the US and Canada. The governments of Paraguay and Mexico continue to work on the sanitary equivalency.

The government together with the local beef industry is slowly moving to open the Japanese and Korean markets in a medium future. They are also focusing in opening Singapore and Indonesia, as well as having Taiwan allow the importation of bone-in beef.

Imports of beef in 2025 are projected at 18,000 tons cwe, the highest ever. Local supermarkets have started to import beef directly, putting beef cuts on the shelves which are well accepted by consumers. Most imports come from Brazil and small volumes from Argentina. They are mostly chilled cuts and some frozen ones, such as ribs which are imported in significant volumes.

Domestic Consumption

Despite a local economy expected to continue growing in 2025, domestic beef consumption for 2025 is forecast at 128,000 tons, lower than in 2024 because a smaller beef output.

Local meat packers take care of the domestic market as many times it is more profitable and less cumbersome to sell through their local distribution network than to export. The two large meat packing groups sell domestically roughly 20 percent of their production, while the other companies sell domestically between 30-50 percent. Contacts indicate that roughly 70-80 percent of the beef sold in the domestic market is in supermarkets, with the balance in individual butcheries. The most popular beef cuts are ribs, bones with meat, ground beef and round cuts.

Poultry and pork are a growing alternative due to less expensive prices, but beef is most consumers' first choice. Pork production in Paraguay is growing, focused primarily in the export market. However, contacts indicate that this will provide larger volumes of pork cuts which are not exported for the domestic market.

Although there are no official data, contacts estimate that in 2024, the per capita consumption of beef is 22 kilos, of poultry 20 kilos and pork 9 kilos. The latter is divided in 3 kilos fresh and the balance is processed pork products.

Statistical Table

Meat, Beef and Veal	2023		2024		2025	
Market Year Begins	Jan 2023		Jan 2024		Jan 2025	
Paraguay	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)	540	555	550	590	0	560
Total Imports (1000 MT CWE)	12	12	15	16	0	18
Total Supply (1000 MT CWE)	552	567	565	606	0	578
Total Exports (1000 MT CWE)	441	441	450	470	0	450
Human Dom. Consumption (1000 MT CWE)	111	126	115	136	0	128
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	111	126	115	136	0	128
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	552	567	565	606	0	578
(1000 HEAD) ,(1000 MT CWE)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Attachments:

No Attachments