



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 9/8/2008

GAIN Report Number: PE8019

Peru

Agricultural Situation

Poultry update

2008

Approved by:

Eugene Philhower
U.S. Embassy

Prepared by:

Gaspar E. Nolte

Report Highlights:

Retail poultry price has increased 40 percent since January 2008. This increase is due to high corn prices and strong demand.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Lima [PE1]
[PE]

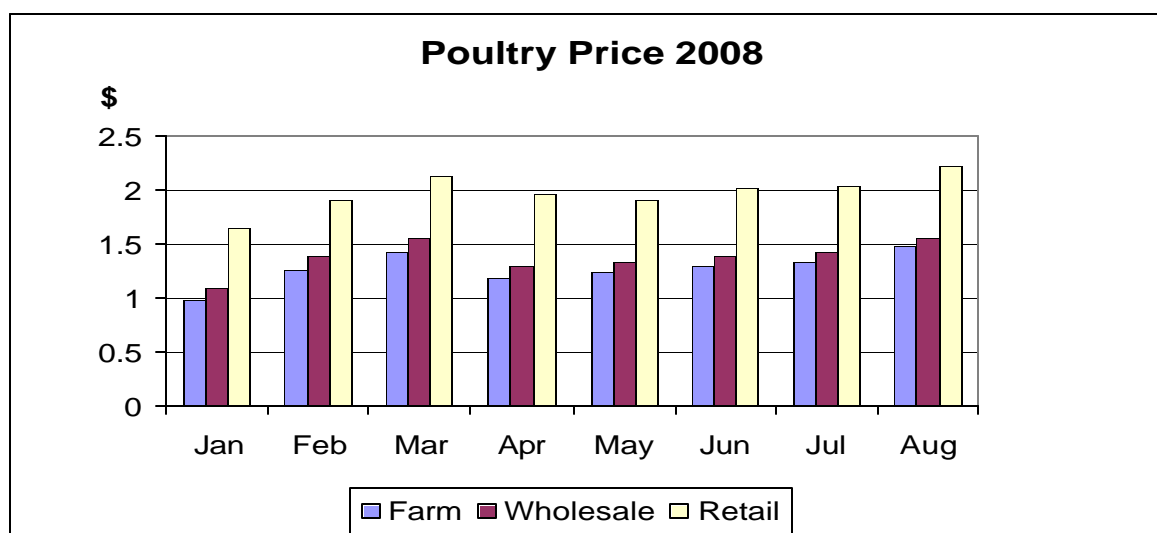
The monthly inflation rate for August 2008 is estimated in 0.6 percent, 7 percent higher than the previous month and significantly higher than the 0.14 percent in August 2007. This is a January to August inflation rate of to 4.69 percent. Though the Peruvian Central Bank has not revised its 5 percent forecast for CY 2008 yet, it seems that this goal may be falling out of reach.

Poultry is a staple product in the Peruvian diet and an important component of the “basic basket” used to measure inflation. Chicken meat prices increased 7 percent in August 2008, contributing 42 percent to the month’s inflation. Since last June, chicken meat price has increased 16 percent. This situation has taken the government to take a close look at poultry production costs and prices to keep this chicken-dependant inflation under control.

Current chicken prices are at around \$2.37 per kilogram, 40 percent higher than its historical price. Prices began increasing in 2007 as corn prices started sky rocketing. Landed corn prices have double since last October. Since corn is 75 percent of the total chicken cost, this increase has created a major disruption in the cost structure of producers. However, corn is not the only factor pushing chicken prices up. Increased demand due to more disposable income as a result of an expanding economy is also pushing chicken prices and thus, fueling inflation.

The poultry industry is expected to grow 6 percent this year. However demand will outpace it with an 11 percent increase. According to the National Statistical Service, Peruvians spend 10 percent of their food money on poultry, which explains why it is so important for the government to keep a close eye on the poultry industry. Currently Peru produces 33 million birds per month and per capita consumption is 29 kilograms per annum.

The Ministry of Agriculture, attempting to reduce or at least keep prices steady, has been evaluating importing chicken leg quarters from Brazil or the U.S. This initiative has encountered two major obstacles: First, the Peruvian chicken market is broadly fresh; and second c.i.f. prices are around \$2.36 per kilogram which leaves no room for marketing and distribution expenses, let alone profit.



Source: Peruvian Poultry Association