

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** Commodity Prices Hit Peruvian Livestock Industry

**Country:** Peru

**Post:** Lima

**Report Category:** Agricultural Situation, Agriculture in the Economy, Grain and Feed

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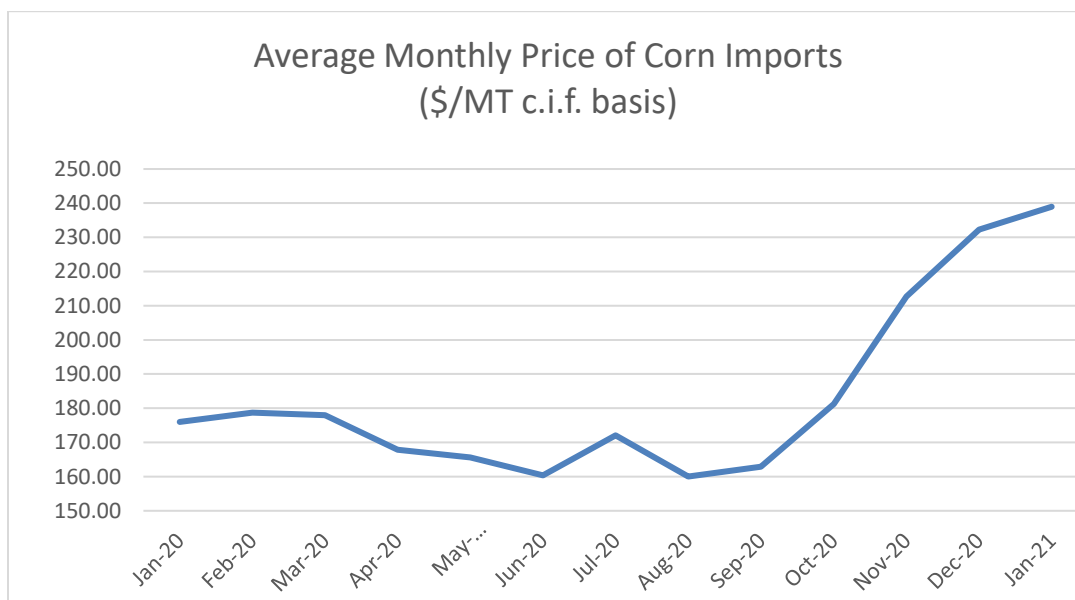
**Report Highlights:**

Increasing corn and soybean meal prices are affecting livestock producers' bottom line. Poultry and dairy producers are the most affected. In 2020, Peru's livestock industry utilized 5 million metric tons (MMT) of corn of which only 1.2 MMT was produced locally. Peruvian soybean meal imports reached 1.3 MMT in 2020.

### **Poultry and Dairy Production Impacts**

Rising commodity prices, particularly corn and soybean meal, are negatively impacting the Peruvian livestock industry. Peru depends heavily on imported feed grains. In 2020, the demand for corn by Peru's livestock industry reached 5 million metric tons (MMT), of which Peru only produced 1.2 MMT. The United States supplied 711,000 metric tons of corn to Peru in 2020, Argentina was the leading supplier with 3.1 MMT. Peru does not produce soybeans and is fully dependent on imports. Soybean meal imports in 2020 totaled 1.3 MMT, of which 294,000 metric tons came from the United States.

The poultry industry is the leading driver of Peru's feed demand. With a production of 65 million birds per month, totaling 1.7 MMT of poultry meat, this sector requires 3.5 MMT of feed. Landed corn prices increased 49 percent between August 2020 and January 2021, while soybean prices increased 42 percent in the same time period.



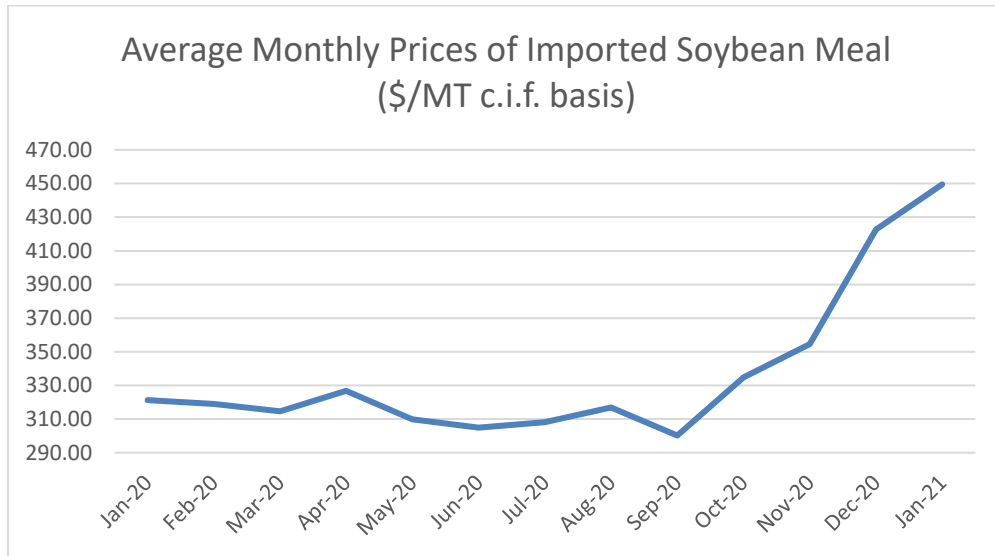
Source: Peru's Superintendent of Customs and Tax Administration (SUNAT)

Corn and soybean meal account for 49 percent of total production cost of broilers. Following a drop in demand for poultry due to the economic impacts of COVID-19, poultry producers adjusted production and absorbed some of the cost increase. However, feed costs are now beginning to press poultry prices upward. Retail prices of poultry meat increased 26 percent in February 2021, while wholesale prices increased 62 percent.

Peru produced 2.2 MMT of milk in calendar year 2020. Peru's herd of milking cows is estimated at 906,000 head of cattle. On average, only 53 percent of the milk produced on farm goes to the commercial dairy industry. The remaining 47 percent of milk is used on the farm for calf feeding, self-consumption, and artisanal cheese making. Production costs of milk have increased 25 percent due to this spike in commodity prices. Corn and soybean meal account for 88 percent of dairy feed composition. The Peruvian dairy industry is highly concentrated, with the lead processor accounting for 75 percent of total milk collection, which makes negotiating farm gate prices rather difficult. Currently, milk prices range between \$0.26 and \$0.38 per liter, which have remained unchanged for over a year.

### **Impacts on Inflation**

Poultry products are a staple in the Peruvian diet and have a significant impact on inflation. Poultry prices have a weighted percentage of 4.4 in the product basket used to calculate inflation, while the egg price weight percentage is 1.7 and dairy products is 1.6. Inflation in Peru for the year ending in February 2021 was 2.7 percent.



Source: Peru's Superintendent of Customs and Tax Administration (SUNAT)

### **Freight Costs**

Freight prices have also skyrocketed in recent months, pressing production costs for livestock producers even higher. The Baltic Handysize Index (BHI) ranged from \$4,000 to \$10,000 per day in 2020. In 2021, BHI started at \$12,000 in January and reached almost \$20,000 per day by the end of February. Similarly, the Baltic Supramax Index (BSI) ranged from \$4,100 to \$11,800 in 2020. In February 2021 the BSI reached \$21,000 per day.

### **Attachments:**

No Attachments.