

Voluntary Report – Voluntary - Public Distribution

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Report Name: Dairy Update

Country: Peru

Post: Lima

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Prepared By: Gaspar Nolte

Approved By: Kirsten Luxbacher

Report Highlights:

FAS Lima forecasts Peru's milk production at 2.3 MMT in CY2021. Milk consumption continues to outgrow production and is expected to reach 2.7 MMT in CY2021. However, per capita consumption remains low at 87 kilograms per year.

Production:

Milk production in calendar year (CY) 2020 is estimated at 2.2 MMT, increasing three percent compared to the previous year. FAS Lima forecasts Peru's milk production at 2.3 MMT in CY 2021. 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.

Milk production is concentrated in the regions of Cajamarca (18 percent), Arequipa (17 percent), and Lima (17 percent). There are some modern dairy farms along the coast with advanced technologies and high milk output (above 40 liters per day). However, the national average production is only 2,350 kilograms of milk per cow per campaign (305 days) or 7.7 kilograms per cow per day.

The majority of Peru's dairy is produced by small herds. About 51 percent of farms have less than nine milking cows and produce 39 percent of milk. Ranchers with less than 49 cows produce 38 percent of Peru's milk. Only 12 percent of ranchers own more than 50 cows. These herds are responsible for 23 percent of Peru's national milk production. This fragmentation of production into small herds, primarily concentrated in the highlands of the Andes, presents logistical challenges to sourcing both quality feed inputs and delivering product to the market.

In general, medium and small producers have limited technical capacity. This results in low productivity and reduced profits. There are some efforts to provide technical assistance, particularly in genetic improvement, but its impact is still very limited. The Peruvian dairy processing industry is highly concentrated. The company Gloria is the lead processor, accounting for about 70 percent of total industrialized milk production. Processors Laive and Nestle combined account for 15 percent of the market. There are 160 small processors throughout the country that hold the remaining 15 percent of the market share.

In 2019, the price paid to milk producers averaged \$0.38 per liter. However, the price paid to producers varies significantly depending on quality, volume, and distance from the processing plant.

Peru's Dairy Production (MT)		
	2018	2019
Evaporated milk	473,423	455,242
Condensed milk	9,855	8,053
Pasteurized milk	163,707	174,731
Cheese	20,802	22,940
Butter	5,502	5,616
Cream	7,600	7,795
Yogurt	149,342	168,059
Caramel	6,907	6,960

Source: Ministry of Agriculture and Irrigation

Consumption:

Milk consumption in CY2021 is forecast at 2.7 MMT. Per capita milk consumption in Peru is 87 liters per year. Although Peru nearly doubled its milk consumption in the last decade, its milk consumption is still one of the lowest in the region. Consumption is below the minimum recommended by the United Nations' Food and Agricultural Organization, 120 liters per year.

Trade:

Peru imported 22,231 MT of skimmed milk in 2019, the United States led the market with 59 percent of market share. Imports of whole milk totaled 21,736 MT. New Zealand was the main provider, with a 46 percent market share. The United States follows with a 24 percent market share. Peru's whey imports in 2019 were 10,515 MT. Chile and the United States were the principal suppliers with 50 and 26 percent, respectively. Butter oil imports in 2016 reached 6,025 MT. New Zealand led the market with 63 percent of market share.

Policy:

In the past two years, there have been several attempts by dairy farmers to reinstate the prohibition of the use of imported powdered milk and other dairy inputs for recombination into fluid milk. This prohibition was phased out in 2007. Peruvian dairy processors recombine imported dairy inputs with local fluid milk to make evaporated milk, cheese, and other products. Farmers claim that subsidized imported products undercut the price of locally produced milk.

In reality, Peru's milk production cannot satisfy national demand. In the last two decades milk consumption, fueled by economic growth, has outpaced growth in milk production. Improved herd genetics, feed management, and milk quality are all factors that could lead to increased national supply of milk.

The Ministry of Agriculture and Irrigation has implemented a program to train small dairy producers in cheese manufacturing and marketing. This program, that focuses mainly in the highland regions, is an effort to lessen the negative economic impact of COVID 19.

Attachments:

No Attachments.