

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Peru

Post: Lima

An Overview of Peru's Dairy Sector

Report Categories:

Dairy and Products

Approved By:

Kirsten Luxbacher

Prepared By:

Gaspar E. Nolte

Report Highlights:

Milk production in CY 2019 is forecast at 2.1 MMT, increasing two percent compared to CY 2018. Typically, Peru produces about 2.9 MMT of fluid milk per year, of which the equivalent of 480,000 MT is imported powdered milk. In 2018 Peru imported 53,891 MT of powdered milk, an increase of 25 percent compared to the previous year. Peruvian whey imports totaled 10,866 MT in 2018.

General Information:

Milk production in CY 2019 is forecast at 2.3 MMT. Typically, Peru produces about 2.8 MMT of fluid milk per year, of which the equivalent of 480,000 MT is imported powdered milk. Per capita milk consumption in Peru is 84 liters per year.

Powdered milk imports into Peru in 2018 totaled 53,891 MT, an increase of 25 percent from the previous year. Peru imported 10,866 MT of whey in 2018. Peru's milk production cannot satisfy its demand. The Peruvian economy has grown tremendously over the past two decades, leading to increased wealth and milk consumption. This increased in milk consumption has outpaced national milk production.

Production:

FAS Lima estimates milk production in CY 2019 at 2.3 MMT. Peru's herd of milking cows is estimated at 872,000 head of cattle. On average, only 53 percent of the milk produced on farm goes to 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 (18 percent), and Lima (13 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 2,369 kilograms of milk per cow per campaign (305 days) or 7.8 kilograms per cow per day.

Peru's Dairy Production By Category (MT)		
Product	2017	2018
Evaporated Milk	459,133	473,423
Condensed Milk	6,353	9,855
Pasteurized Milk	163,788	163,707
Cheese	19,639	20,802
Butter	4,942	5,502
Butter oil	6,710	7,600
Yogurt	160,224	149,342
Caramel	6,565	6,907

Source: Ministry of Agriculture and Irrigation

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.

Peru produces, on average, 2.8 MMT of fluid milk per year, of which the equivalent of 480,000 MT is imported powdered milk. 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 2018, 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.

Consumption:

Per capita milk consumption in Peru is 84 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 53,891 MT of powdered milk in 2018, an increase of 25 percent compared to the previous year. Increased demand and low international milk prices explain this increase. The average import price in 2018 was \$2,510 MT, two percent lower than the previous year. New Zealand led powder milk exports to Peru accounting for 50 percent of the market share, followed by the United States, which captured 27 percent of market share. Other relevant suppliers in 2018 include the Netherlands, Argentina, and Bolivia.

Peruvian whey imports totaled 10,866 MT in 2018. The United States was the main supplier with 44 percent of market share. Other important suppliers were Chile and France with 33 percent and 12 percent market shares respectively.

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.

