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## Peru

**Post:** Lima

### **Peru Dairymen Forced to Reduce Feed Costs and Pump-Up Productivity**

**Report Categories:**

Agriculture in the Economy

Dairy and Products

Livestock and Products

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**Report Highlights:**

With land values skyrocketing in the rapidly urbanizing Lurín locality (40 kilometers south of Lima), dairymen seek to reduce feed costs and pump-up productivity to remain competitive. Good market opportunities exist for exports of affordable U.S.-origin feeds and fodders, grains, and Dried Distillers Grains with Solubles (DDGS).

## **General Information:**

FAS Lima estimates production at one of the better managed Lurín dairy farms at roughly 8,700 liters per day, or just above 30.5 liters per day per milking cow in production. This dairy operates on a profit margin of about 10 percent. Breeds include Holsteins, Brown Swiss, and crossbreeds of the two.

Calves are the product of artificial insemination. To accelerate growth and physiological development, calves are feed from birth grains and protein pellets. This accelerated growth regime allows calves to mature sufficiently enough to be breed and enter into milk production by the end of the first year of life. Cows are retained on average for a period of 12 years. Cows in milk production are feed a total meal ration (TMR) composed of alfalfa, corn, and Dried Distillers Grains with Solubles (DDGS).

Milking occurs twice daily with the use of an automated milking system. To better manage costs, while at the same time improve herd welfare, the dairy's owners are opting to reduce hormone and antibiotic use. The mechanization of processes along with increased animal monitoring is resulting in increased productivity. High quality genetic material (i.e., embryos) is sourced from the United States.

## **Local Dairy Market:**

With land values skyrocketing in the rapidly urbanizing Lurín locality (40 kilometers south of Lima), dairymen are seeking to reduce feed costs and pump-up productivity to remain competitive. An expanding Lima, with a population of over 10 million people and home to a third of all Peruvians, is rapidly driving up land values in its periphery.

A number of Peru's dairy farmers, processors, and distributors are however still located in Lima's outlying areas. These are seeing their ability to expand production by increasing land holdings restricted by the escalating land values, forcing them to reduce costs and increase animal productivity to remain competitive.

## **Challenges and Opportunities:**

With Lima's relentless expansion agricultural land is being taken out of production, driving up the cost of locally sourced feeds and fodders. U.S.-origin feeds and fodders, grains, and DDGS represent an affordable substitute for increasingly less competitive local sources.