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Peru

Food Processing Ingredients

Booming Supermarket Expansion Boosting Demand for Imported Food Processing Ingredients

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Report Highlights:

Peru's food processing industry is a dynamic sector of the national economy. FAS Lima estimates import demand for U.S.-origin food processing ingredients growing about 5 percent during calendar year (CY) 2014, slightly off from last year's growth of 6 percent. We estimate that there are 3,000 Peruvian companies engaged in food processing, with the 50 largest food processors reporting CY 2013 sales of \$16 billion. The food processing sector is forecast to continue growing, despite the recent economic downturn, as domestic consumption should benefit from stimulus measures boosting consumer spending and investor confidence.

Section I. Market Summary

Despite economic growth slowing to 2.8 percent during the first eight months of 2014 (compared to average annual growth of 6.6 percent during 2010-13), accompanied by somewhat heightened political tension within the ruling Gana Peru party, President Ollanta Humala's administration will continue to maintain adherence to sound fiscal and monetary policies. In the run up to the 2016 general elections, the administration is facing short-term challenges as a result of the sharp slowdown in economic growth. The ruling Gana Peru party retains only 36 seats in the national congress, just one more than the main opposition party Fuerza Popular (Fujimorist party), after seven of its legislators split from the party in July 2014.

FAS Lima estimates import demand for U.S.-origin food processing ingredients growing about 5 percent through the end of calendar year (CY) 2014, slightly off from last year's growth of 6 percent. We estimate that there are 3,000 Peruvian companies engaged in food processing, with the 50 largest food processors reporting combined sales CY 2013 sales of \$16 billion.

Indications are that Peru's food processing sector will continue to grow despite the economic downturn as domestic consumption benefits from stimulus measures aimed at boosting consumer spending and investor confidence. These measures should aid short to medium-term economic growth and sustain investor confidence. The national economy's continued reliance on extractive mining, however, leaves consumer and investor demand vulnerable to any prolonged price downswing for Peru's main export commodity (i.e., copper).

Peruvian consumers are moving away from bulk, unpackaged food purchases to more consumer-oriented packaged foods as a result of growing incomes. The expansion of modern supermarket retailing is also contributing to altered consumer purchasing practices. U.S. processed food exports to Peru are benefitting for modern retail expansion, growing 33 percent during CY 2014 (January-August). At the same time, we anticipate that U.S.-origin food processing exports to Peru will reach \$40 million by the end of the calendar year.

Supermarkets and hypermarkets are an increasingly common feature in Peru's food retail sector. The country today has 224 modern retail food stores (154 in Lima alone). Modern grocery retailers such as supermarket chains and convenience stores are also expanding into Lima's lower-middle income districts to tap into new sales potential. Modern retailers are similarly benefitting from consumers' improved access to credit, often enticing buyers with deep discounts on certain items when utilizing store-issued credit cards.

As modern supermarket retailers expand outside of Lima, opportunities for U.S. food products increase. FAS Lima observes that modern retailers are increasingly promoting store-branded private label, especially in the interior of the country. Store-branded products currently account for about 10 percent of total sales. Retailers are striving to hit the 30 percent total sales threshold within the next few years.

Modern food retail penetration is estimated in Peru at about 20 percent of total food sales. Small grocers and wet markets constitute the main means for distributing affordably priced packaged food products within Peru,

Frozen processed food products, despite Peru's low per-capita consumption, is sparking retailers' interest. Time-starved consumers, especially more affluent ones, are recognizing the benefits of ready-to-cook/eat products. At FAS Lima we estimate CY 2014 total sales to reach \$50 million, up about 12 percent from 2013, attributing growth to strong demand for frozen poultry products.

Domestic food manufacturers are also tailoring their product offerings to meet growing demand for healthier food products. Many are incorporating local ingredients such as Peruvian rainforest fruits, local pepper varieties, and quinoa (an Andean grain) into their product lineups. Some manufacturers are increasingly producing product for distribution through vending machines.

Key players within Peru's food processing industry include Grupo Gloria, Alicorp, and San Fernando. These food processing companies offer products tailored to Peruvian consumers' needs and preferences. SADIA (Brazil) and Nestle (Switzerland), along with Don Italo (Peru) dominate the frozen food sector. We estimate that there are some 3,000 plus Peruvian companies engaged in food processing, with the 50 largest food processors reporting combined sales CY 2013 sales of \$16 billion.

Among processed foods, baked goods remain the most important category. This category is estimated to reach \$3 billion in sales in CY 2014, up 7 percent compared to the previous year. Dried processed food, along with oils and fats, will grow 5 percent in CY 2014. Sales of biscuits and pasta are expected to grow this year by around 8 and 2.5 percent, respectively.

Dairy production grew 7 percent in CY 2014, driven largely by an upswing in yogurt and evaporated milk production. Evaporated milk continues to dominate the category.

Soft drinks are expected to grow by around 6 percent in CY 2014. Growing in importance within this category is demand for bottled water, juices, and sport drinks. Soft drinks are benefitting from the expansion of the modern food retail sector.

Alcoholic drink consumption grew 6 percent growth in CY 2014, despite the enactment of a new excise tax (Supreme Decree 167-2013-EF). The new excise tax aims to increase state revenues through levies on both domestic and foreign product imports. The current taxation system disproportionately taxes lower alcohol-by-volume (ABV) products. Local manufacturers complain that Peru's mixed taxation structure for alcoholic drinks and beverages penalizes lower ABV products. The measure fails to consider product quality or actual costs, relying solely on product alcohol content levels. Reportedly some local craft brewers are brewing higher alcohol content (6 percent ABV or greater) beers in order to avoid the full 30 percent excise tax.

Peruvian wine production climbed 12 percent in CY 2014. FAS Lima attributes the production increase to improved grapevine yields. Improving personal income levels is driving increased demand for wine.

The local beer brewing industry showed growth of nearly 7 percent in CY 2014, reaching almost 1.5 billion liters. Peru's three largest brewers have improved their distribution channels, as well as launched new-to-market products over the past couple of years. Imported beer consumption is booming as importers/distributors seek to satisfy increasingly sophisticated consumer demand.

Table 1: Peru, Food and Agricultural Products Sales (Estimated) by Sector (2014)

| Sector | (\$ Billions) |
|-----------------------|---------------|
| Beverages | 4.6 |
| Foods (Top 30) | 8.0 |
| Agribusiness (Top 50) | 9.1 |
| Total | 21.7 |

Source: FAS Lima office research

Advantages and Challenges Facing U.S. Products in Peru

| Advantages | Challenges |
|--|--|
| <ul style="list-style-type: none">• The U.S.-Peru Trade Promotion Agreement (PTPA) grants duty-free access to most U.S.-origin high-value food and agricultural products.• Appreciation for U.S. food and agricultural products' quality.• Food ingredients enter duty-free upon the PTPA's entry into force.• Imported food ingredients are in demand for food manufacturing for local consumption and export.• Growing demand for lower calorie ready-to-eat meals, frozen food products, snacks, and beers.• Growing income rates, employment opportunities and credit access especially for middle-income consumers.• Demand for diet, light and healthy food products is growing. | <ul style="list-style-type: none">• Processed food consumption, especially of frozen foods, is still small.• Lack of brand awareness among consumers.• New local food brands are launched at very low prices.• Local food manufacturers face lower production costs and benefit from proximity to market.• Local companies are adept at accurately tapping into consumer preferences.• Stiff competition from countries within the region.• Smuggling remains a concern. |

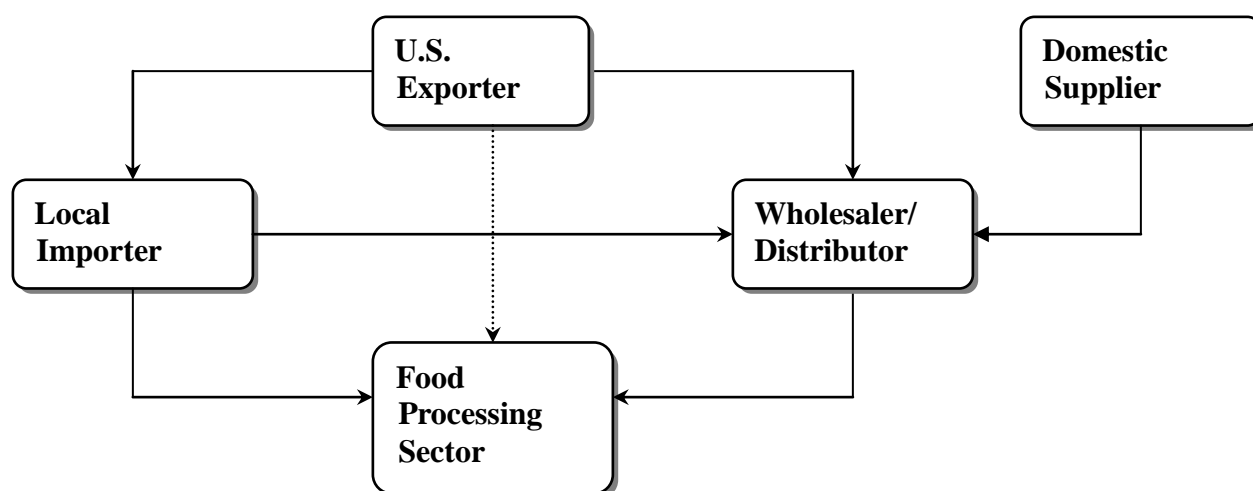
Section II. Road Map for Market Entry

A. Entry Strategy

- U.S. exporters should contact the local food processing company, or indirectly establish ties through brokers, agents, or representatives.
- Personal visits are highly recommended. The local partner should be known by the exporter before signing contractual agreements.

- Exporters should provide support to food service customers by participating in technical seminars, product demonstrations, and local trade shows whenever possible.
- The import partner should be able to provide updated information on consumer trends, current market developments, trade, and business practices.
- It is recommended that U.S. exporters work with chefs and local importers to conduct marketing activities in the high-end food service sector.
- Processed food products must be approved by health authorities and receive a registration number before being placed on the market.

B. Market Structure



- Local processed food products cover around 85 percent of the market demand.
- Small processors outsource the import of ingredients to local distributors/representatives or to their subsidiaries. Large processors import directly, handling logistics in house.
- Specialized importers usually provide food ingredients to the Peruvian market. Some of these are also producers or wholesalers/distributors.
- International franchises (KFC, Pizza Hut, Burger King, McDonalds) and the local Bembos (burgers) import their food ingredients directly because of high volumes.

C. Company Profiles

Table 2: Profiles of Major Food Processing Companies

| Company Name, Products | 2013 Est. Sales (\$ Million) | End-Use Channels | Production Location | Procurement Channels |
|--|--|-------------------------------------|------------------------|-------------------------|
| Alicorp S.A. Cooking ingredients, sauces, dried goods, canned fruit, prepared meals, ice cream | 1,406.0 | Retail HRI Traditional market | Lima Trujillo | Direct Importers |
| Gloria S.A. | 978 | Retail | Lima | Direct |

| Company Name, Products | 2013 Est. Sales (\$ Million) | End-Use Channels | Production Location | Procurement Channels |
|---|--|--|------------------------|-------------------------|
| Dairy products, canned fish, pork products, fruit juices | | HRI Traditional Market | Arequipa Cajamarca | Importers |
| Nestle Peru S.A. Breakfast cereals, confectionary, dairy products, smashed potatoes, instant beverages, bakery goods (<i>pannettonne</i>) | 476 | Retail HRI Traditional Market | Lima | Direct Importers |
| San Fernando S.A. Poultry, pork and their by- products. | 628 | Retail HRI Traditional Market | Lima | Direct Traders |
| Molitalia S.A. Flour, pasta, ketchup, semolina | 261 | Retail HRI Traditional Market | Lima | Direct Importers |
| Perales Huancaruna S.A. Coffee Processor | 416 | Retail HRI Traditional Market | Amazonas | Direct |
| Redondos S.A. Poultry and by-products | 218 | Retail HRI Traditional Market | Lima | Direct Importers |
| Laive S.A. Dairy products, pork products, fruit juices | 132 | Retail HRI Traditional Market | Lima | Direct Importers |
| Molinera Inca S. A. Flour and other grain mill products | 91 | Retail HRI Traditional Market | Trujillo | Direct Importers |
| Kraft Foods Peru S.A Cookies, instant desserts and beverages, mayonnaise and ketchup, coffee | 116 | Retail HRI Traditional Market | Lima | Direct Importers |
| Industrias del Espino S.A. Oils, fats | 132 | Retail Wholesaler | San Martin | Direct |
| Panaderia San Jorge S.A. Bakery goods (cookies and <i>pannettonne</i>) Flour and other grain mill products | 62 | Retail HRI Traditional Market | Lima Trujillo | Direct Importers |
| Industrias Teal S.A. Cookies, candies, pasta, flour, <i>pannettonne</i> , chocolate | 66 | Retail Traditional Market | Lima | Direct Importers |
| Cogorno S. A. Flour, pasta and other grain mill products | 69 | Retail HRI Traditional Market | Lima | Direct Importers |
| Ajinomoto del Peru S.A. Condiments, seasonings | 77 | Retail HRI Traditional Market | Lima | Direct |
| Compañía Nacional de Chocolates de Peru S.A. Confectionary chocolate | 68 | Retail Traditional Market | Lima | Direct Importers |
| Anita Food S.A. | 75 | Retail | Lima | Direct |

| Company Name, Products | 2013 Est. Sales (\$ Million) | End-Use Channels | Production Location | Procurement Channels |
|---|--|---|------------------------|-------------------------|
| Noodles, pasta | | Traditional Market | | |
| Machu Picchu Foods S.A.C. Coffee, cocoa, chocolate | 96 | Wholesaler | Lima Ica | Direct |
| Sociedad Suizo Peruana de Embutidos S.A. Pork and beef products | 53 | Retail HRI Traditional Market | Lima | Direct |
| Panificadora Bimbo del Peru S.A. Bakery goods | 50 | Retail HRI Traditional Market | Lima | Direct Importers |
| Corporacion ADC S.A.C. Flour, noodles, bakery goods, animal feed, pulses, semolina | 50 | Retail Traditional Market | Tacna | Direct |
| Central de Cooperativas Agrarias Cafetaleras Coffee, Cacao, Honey Bee, Tea, anise, chamomile, animal feed | 69 | Retail HRI Traditional Markets | Cuzco | Importers |
| Molino El Triunfo S.A. Flour, semolina, noodles | 45 | Retail Traditional Market | Lima | Direct Importers |
| Braedt S. A. Cheese and pork products | 43 | Retail HRI | Lima | Direct Importers |
| Derivados del Maiz S. A. Corn, potato and sweet potato products as ingredients | 38 | Retail Traditional Market | Lima | Direct Importers |
| Confiperu S. A. Confectionary | 37 | Retail Traditional Market | Lima | Direct Importers |
| Industrial Alpamayo S.A. Oils, fats | 43 | Retail HRI Traditional Market | Lima | Direct |
| Ameral S.A.A. Oils, chocolate, confectionery, condiments, seasonings | 23 | Retail HRI Traditional Market | Lima | Direct Importers |
| Mead Johnson Nutrition Peru SRL | 58 | Retail HRI Traditional Market | Lima | Direct |

Sources: Estimated sales for 2012, based on Peru: The Top 10,000 Companies 2013, Peru Top Publications.

Table 3: Profiles of Major Beverage Companies

| Company Name, Products | 2013 Est. Sales (\$ Millions) | End-Use Channels | Production Location | Procurement Channels |
|---|--|--|-----------------------------------|-------------------------|
| Union de Cervcerias Peruanas Backus & Johnston S.A.A. (Corporacion Backus) Beer and soft drinks | 1,170 | Retail HRI Traditional market | Lima La Libertad Lambayeque | Direct Importers |
| Corporacion Jose R. Lindley S.A. | | Retail | Arequipa | Direct |

| | | | | |
|---|-----|--|-----------|---------------------|
| Beer | 653 | HRI Traditional market | | Importers |
| Ajeper S.A. Soft drinks, bottled water | 229 | Retail HRI Traditional market | Lima | Direct Importers |
| Compañía Cervecería Ambev Peru S.A.C Beer and soft drinks | 214 | Retail HRI Traditional Market | Lima | Direct |
| Cervecería San Juan S.A.A. (Corporacion Backus) Beer | 149 | Retail HRI Traditional Market | Lima | Direct |
| Embotelladora San Miguel del Sur S.A.C. Soft Drinks | 58 | Retail HRI Traditional Market | Arequipa | Direct |
| Ajeper del Oriente S.A. Soft Drinks | 39 | Retail HRI Traditional Market | Ucayali | Direct |
| Embotelladora Don Jorge S.A.C. Soft Drinks | 28 | Retail HRI Traditional Market | Lima | Direct |
| Santiago Queirolo S.A.C. Alcoholic Beverages | 27 | Retail HRI Traditional Market | Lima, Ica | Direct |
| Destilerias Unidas S.A. Alcoholic beverages | 24 | Retail HRI Traditional Market | Lima | Direct |

Sources: Estimated sales for 2013, based on Peru: The Top 10,000 Companies 2014, Peru Top Publications.

D. Sector Trends

Baked Goods

Baked goods in CY 2014 are estimated to reach \$3 billion, up 7 percent compared to the previous year. The bread category, especially artisanal breads, is the baked goods sector's key driver. Despite consumers continued preference for artisanal bread, industrially produced bread is making significant inroads due to supermarket expansion. Bimbo del Peru is the leading local producer of industrial bread.

Dried Processed Food

Sales of dried, processed foods in CY 2014 are estimated to reach \$685 million, up 5 percent compared to the previous year. Pasta and rice remain the key product offerings. The pasta market, with \$390 million in sales in CY 2014, is set to grow by slightly over 2 percent this year. Alicorp (Peru's largest food processor) holds almost 42 percent of market share followed by Molitalia with 27 percent.

At FAS Lima, we expect somewhat higher CY 2014 [rice production](#). Supermarket expansion in the interior of Peru is helping expand the reach of packaged rice outside of Lima.

Oils and Fats

Sales of oil and fats in CY 2014 is estimated at \$710 million, up 5 percent compared to the previous year. Vegetable oils account for 75 percent of total sales within this category. Argentina, with some 360,000 MT in soybean oil to Peru, controls an import market share of 90 percent. Imported oil is locally refined and bottled for the retail market.

Biscuits

Biscuit sector sales in CY 2014 are estimated at \$140 million, up 8 percent compared to the previous year. Regular biscuits represent the most important type within this category. Alicorp and Kraft Foods Perú have led sales with a combined market share of 70 percent. Supermarkets and hypermarkets private labels specialize in affordable savory and sandwich biscuits.

Alcoholic drinks

Strong economic growth over the past decade has fueled demand for premium products. Modern supermarkets have been crucial for exposing consumers nationwide to these products.

Beer's market share of over 95 percent indicates it is Peru's preeminent alcoholic drink. Low-income consumers have traded-up to higher-quality beers as incomes improved. Similarly, middle to high-income consumers are shifting to premium-priced beers. The local beer brewing industry showed growth of nearly 7 percent in CY 2014, reaching almost 1.5 billion liters.

Imports of premium lager, estimated at 1.1 million liters in CY 2014, is up almost 290 percent in volume terms compared to the previous year. Premium-priced imported lagers continue to experience rapid growth. Bottled beer is preferred over can beer, with the 625 milliliter (ml) bottle size accounting for 95 percent of all sales. Supermarkets are receptive to all packaging formats and sizes, including the more affordable and easier to transport/handle canned beer.

Wine

[Peru's wine market](#) in CY 2014 is estimated at about 70 million liters, up some 10 million liters compared to the previous year. Consumer palates today are more sophisticated, increasingly demanding better-quality wines. The average price point of imported bottled wine is increasing as consumers experiment with premium wines. Consumption of low-priced imported wine is decreasing. Red wine consumption is expected to increase 2 percent increase in total volume sales.

Frozen Processed Food

Frozen processed food products, despite Peru's low per-capita consumption, is sparking retailers' interest. Time-starved consumers, especially more affluent ones, are realizing the benefits of using ready-to-cook/eat products. At FAS Lima we estimate CY 2014 total sales to reach \$50 million, up about 12 percent from CY 2013, attributing growth to increased demand especially for frozen poultry products.

Breakfast cereals

Breakfast cereals are estimated to reach almost \$80 million, up 8 percent in 2014 as more middle-income consumers adopted cereals as their breakfast food of choice. Hot cereals remain a popular among both low and middle-income consumers. Breakfast cereals are increasingly getting an added boost from health-conscious consumers seeking out products with fortified ingredient content. Energy boosting cereals and those fortified with high protein and vitamin content are especially popular.

Canned Preserved Food

Convenience continues to drive canned food (especially fish products) sales in CY 2014. At FAS Lima, we estimate sales of around \$278 million, up 7.5 percent compared to CY 2013. Easy to store and quick to prepare, canned food offers time stressed consumers a quick meal solution. Domestically processed canned/preserved fish/seafood is subject to intense local competition, forcing overall unit prices down. Local producers/distributors GW Yichang & Cia and Molitalia, with a combined market share of 51 percent, dominate the market. Also local supermarket chains' private label brands offer affordable canned/preserved selections. San Fernando, Peru's largest poultry producer has also recently launched a lined of canned poultry meat products.

Ready-to-Eat Meals

Peru has the lowest per capita consumption of ready-to-eat meals in Latin America. Peruvians continue to prefer more affordable fresh food products, perceiving these to be more nutritious than frozen products or ready-to-eat meals. Despite these limitations, ready-to-eat meals are estimated to reach \$3.2 million in CY 2014, up 3 percent compared to CY 2013. Offerings are most attractive to consumers that are already familiar with canned/preserved products.

Section III. Competition

Table 4: Competitive Situation facing U.S. Suppliers, Peru Food Processing Market (2013)

| Product Category/ Net Imports | Major Supply Sources | Strengths of Key Supply Countries | Advantages and Disadvantages of Local Suppliers |
|---|--|--|---|
| Dairy Products (Excl. Cheese) (\$231 million) | New Zealand: 45 percent USA.: 18 percent Bolivia: 6 percent UK: 5 percent Chile: 4 percent | - New Zealand is a major supplier of dairy ingredients, especially HS 040221 and 040210 accounting almost 80 percent of total imports. | - Only two companies are major producers of evaporated milk and yogurt. |
| Cheese 3,782 MT (\$18.2 million) | USA: 48 percent Argentina: 19 percent Netherlands: 6 percent New Zealand: 6 percent Uruguay: 5 | - Argentina and Uruguay are part of MERCOSUR and have tariff preferences. | - Local homemade cheeses are commonly sold. Gourmet cheeses are not made locally. |

| | | | |
|---|---|---|--|
| | percent | | |
| Snack Foods (Excl. nuts) 22,000 MT (\$71 million) | Colombia: 50 percent USA: 8 percent Brazil: 7 percent Chile: 6 percent Argentina: 6 percent | - Tariff preferences are applied to neighboring countries. | - Local producers are major food processors. They import food ingredients for snacks and snacks in bulk. |
| Processed Fruits and Vegetables 58,000 MT (\$90 million) | Chile: 55 percent USA: 10 percent Netherlands: 9 percent Argentina: 6 percent China: 4 percent | - Chile sells at cheaper prices due to proximity and tariff preferences. - EU products are viewed as good quality. - Netherlands has increased its potato preparations exports due to fast food growth. | - Local processors are major exporters, but their local supply is limited. |
| Fresh Fruits 78,000 MT (\$65 million) | Chile: 76 percent Argentina: 11 percent USA: 10 percent | - Chile is the main supplier because of proximity, price and duty free entrance. - Argentina has a window for pears and apples. | - There is an open window from November to February for that will benefit the United States - Local fruit sold in retail markets is of lower quality. |
| Fruit and vegetable juices 1.9 million liters (\$ 6 million) | USA: 32 percent Mexico: 20 percent Brazil: 20 percent Chile: 19 percent Argentina: 4 percent | - Chile has tariff and proximity advantages. - Mexico has increased its exports of lime juice | - Local brands are well positioned in the market at competitive prices. |
| Wine and Beer 21 Million liters (\$43 million) | Argentina: 35 percent Chile: 20 percent Spain: 10 percent Italy: 10 percent Brazil: 10 percent France: 4 percent USA: 3 percent | - Proximity and recognized quality of Chilean and Argentinean wines. - Brazil is the major supplier of imported beer. | - Major local breweries are well positioned, price competitive, and belong to international companies, representing 95 percent of the market. - Local wine is well positioned and price competitive, but does not satisfy demand. |
| Red Meats (fresh, chilled or frozen) 23,000 MT (\$61 million) | USA: 33 percent Brazil: 29 percent Chile: 17 percent Argentina: 11 percent Bolivia: 4 percent | - Neighbor countries export lower price cuts. - 80 percent of Brazilian exports are offal | - Peru's market for U.S. meats reopened in October 2006. - U.S. meats are of superior quality. - Peru imports three times more offal than meats. - Local meat does not satisfy the demand. |
| Red Meats (prepared, preserved) 1,480 MT (\$7 million) | Bolivia: 43 percent USA: 13 percent Denmark: 11 percent Chile: 10 percent Italia: 9 percent Spain: 9 percent | - Bolivia has growth 14 percent respect 2011. Bolivian manufacturers have customized production according to local demand. | - The pork products industry also imports prepared meats. - U.S. product tariffs will decrease throughout 5 to 7 years. |

| | | | |
|---|---|---|---|
| Poultry Meat 27,000 tons (\$38 million) | Brazil: 31 percent USA: 27 percent Chile: 25 percent Argentina: 11 percent Bolivia: 6 percent | - Brazil diversifies its supply including offal, turkey and chicken cuts - Chile is strong in turkey cuts. | - Imports of U.S. poultry products reopened in October 2006. - TRQ for U.S. chicken leg quarters - Local poultry producers are major suppliers with good distribution channels. - Imports are mainly chicken and turkey parts. |
|---|---|---|---|

Note: HS = Harmonized Tariff System. Net imports correspond to the three food sectors: Food Service, Retail and Food Processing.

Source: World Trade Atlas, FAS Lima office research.

Section IV. Best Product Prospects

A. Products Present in the Market Which Have Good Sales Potential:

| Product/ Product Category | 2013 est. Market Size | 2013 Imports | 2008-13 Average Annual Import Growth | Import Tariff Rate | Key Constraints Over Market Development | Market Attractiveness for USA |
|---|--------------------------|----------------------------|---|---|--|---|
| Cheese (HS 0406) | 21,531 MT | 3,335 MT (\$16.3 million) | 23 percent | 040610, 040620, and 040640: 0 percent 040630 and 040690: 0 percent | - Competitors: Argentina (18 percent) and Netherlands (9 percent). - Strong preference for EU cheese at high-end HRI and Retail Sectors. | - U.S. cheeses are used in the food processing sector, but have potential in the HRI and Retail Food Sectors. - In 2013, the United States was the main supplier with a market share of 44 percent (62 percent growth). - PTPA: 17 years linear; 2,500 MT quota with 12 percent increase per annum. |
| Confectionary – non chocolate (HS 1704) | N/A | 15,647 MT (\$46.2 million) | 16.6 percent | 0 percent | - Competitors: Colombia (\$31 million) and Ecuador (\$3 million). - Strong local competition. Major owners are foreign companies. | - United States represents 2.5 percent of total imports. Total imports from the United States, however grew 57 percent in 2013. |
| Confectionary – chocolate (HS 1806) | N/A | 4,073 MT (\$18.1 million) | 22.2 percent | 0 percent | - Chile is the major supplier (23 percent of MS). - Local industry is competitive. | - The U.S. is the second major supplier with 19 percent. The U.S. strength is in chocolate for the retail sector. Imports grew 46 percent in 2013. |
| Food Preparations (HS 210690) | N/A | 14,339 MT (\$131 million) | 16 percent | 0 percent | - Local production is strong. Alicorp is the main competitor. Foreign companies are present in Peru. - Chile is the major supplier, 33 percent. | - United States is the second largest supplier and holds 18 percent of market share. - In 2013 imports grew 18 percent. |
| Prime and | Total Beef | 1,283 | 16 percent | | - Competition with | - Consumers' increased |

| | | | | | | |
|---|---------------------------------------|-------------------------------------|-----------------|--------------------------------------|--|---|
| Choice Beef (HS 020230) | and offal market: 283,596 MT | MT (\$7.3 million) | | 0 percent | quality beef cuts from Colombia, Argentina, Uruguay, Brazil, and Bolivia. | purchasing power is driving demand for high quality U.S. beef. - Imports from the United States grew 155 percent in 2013 compared to 2012. |
| Edible Beef Offal (liver) (HS 020622) | 10,000 MT | 3,924 MT (\$6.9 million) | 26.3 percent | 0 percent | Local production covers most of the market size. | - The United States holds 97 percent of import market. Imports grew 30 percent in 2013. |
| Fruit & Vegetable Juices (HS 2009) | N/A | 14,299 hl (\$3.7 million) | 30 percent | 0 percent | - Brazil is the major supplier with a 2013 import market share of 38 percent. | - Imports have grown 46 percent compared to 2013. |
| Pet Foods (HS 230910) | 45,000 MT | 12,125 MT (\$14.9 million) | 18 percent | 0 percent | - Growing local pet industry. - Informal industry. - Major competitors: Colombia (37 percent) and Argentina (36 percent). | - The United States holds a 20 percent import market share. |
| Turkey (HS 020727) | 13,000 MT | 3,175 MT (\$6.5 million) | 22 percent | 5 percent | - Major exporters are Brazil (48 percent) and Chile (41 percent) followed by the United States with 11 percent. - Local poultry industry is strong. | - Peruvians are major consumers of turkey during the Christmas and New Year's holidays. - The food retail sector is growing in Lima and in the interior. - USAPEEC has initiated a market penetration plan. |
| Poultry Meat Cuts (HS 020714) | 98,000 MT | 9,208 MT (\$8.6 million) | 54 percent | TRQ: 15,117 MT 0 percent | - Strong local competition. - Frozen presentation is not common | - Peru is a major poultry consumer. - TRQ: 6 percent increase per annum. Only 15 percent of TRQ is being utilized. |
| Bread, pastry, cookies (HS 1905) | N/A | 3,841 MT (\$10.1 million) | 21.percent | 0 percent | - Colombia with a 32 percent import market share is the main supplier. - Strong local competition. | - United States holds 13 percent of import market share. HS 190590 represents 80 percent of total imports. |
| Soups & Broths (HS 2104) | N/A | 1,353 MT (\$3.2 million) | 21 percent | 0 percent | - Strong local competition. | - United States grew 12 percent in 2013 and is the major import supplier in this category holding 33 percent of import market share |
| Sauces (HS 2103) | N/A | 6,597 MT (\$12.7 million) | 19 percent, | 0 percent | - Strong local competition. | - United States grew 48 percent in 2013 and is the major import supplier in this category, holding 36 percent of |

| | | | | | | |
|----------------------------|-------------------|------------------------------------|------------|-----------|--|--|
| | | | | | | import market share |
| Nuts and almonds (HS 0802) | N/A | 479 MT (\$2.8 million) | 46 percent | 0 percent | - Chile is very competitive in almonds and walnuts production. Last year was major supplier holding 52 percent of market share. | - Importers recognize that U.S. quality of nuts and almonds is better than competitors. |
| Wine (HS 2204) | 41 million liters | 18.8 million liters (\$32 million) | 17 percent | 0 percent | - Argentina (44 percent), Chile (28 percent), and Spain (12 percent) are major exporters. - Only regular wine consumers recognize U.S. wine quality. - Small niche market for U.S. wines | - There is a niche market for quality wines for which the United States can be appreciated and price competitive. - Peru's wine consumption is growing. Right now is above 1.3 liters. - Import volume has grown 120 percent in respect 2012. However, value only grew 28. Low cost wines are gaining territory. |

Note: TRQ = Tariff Rate Quota, on a first-come first-serve basis.

Sources: World Trade Atlas, FAS Lima office research, Office of the U.S. Trade Representative (USTR), Ministry of Agriculture, Gestion and El Comercio (Peru) Newspapers.

B. Products Not Present in Significant Quantities, but which have Good Sales Potential:

| Product/ Product Category | 2013 est. Market Size | 2013 Imports | 2008-13 Average Annual Import Growth | Import Tariff Rate | Key Constraints Over Market Development | Market Attractiveness for the U.S. |
|--|--------------------------|--------------------------|---|--------------------|---|---|
| Peaches, cherries and Nectarines (HS 0809) | 8,500MT | 4,379 MT (\$4.4 million) | 25 percent | 0 percent | - Neighboring Chile has a 99 percent import market share. | - Importers are interested in U.S. peaches and nectarines. - Duty free access for this category. |
| Apples and Pears (HS 0808) | 75,000 MT | 58,607 MT (\$54 million) | 15 percent | 0 percent | - Neighboring Chile has an 87 percent import market share. | - Export window opportunity: Nov-Feb. - Recognized quality of U.S. apples and pears. |
| Grapes, Raisins (HS 080620) | 8,900 MT | 5,876 MT (\$16 million) | 13 percent | 0 percent | - Neighboring Chile has a 95 percent import market share. | - Export window opportunity: Sept-Dec. |
| Citrus (HS 0805) | 120,000 MT | 4,027 MT \$4.3 million | 56 percent | 0 percent | - Neighboring Chile with a 5 percent import market share is the second major supplier. - Strong local competition. | - United States holds 95 percent of import market - Recognized quality of U.S. oranges and tangerines. - Export window opportunity: Jan-March. |
| Pork Meat (HS 0203) | 160,000 MT | 4,608 MT (\$13 million) | 52 percent | 5 percent | - Peruvians are not used to eating pork. - Strong local competition; production level of 100,000 MT. - Major poultry local producers are also pork producers. | - Pork imports are growing. - U.S. pork benefit from PTPA implementation. - Beef importers can also import pork. Best quality and competitive prices. - USMEF representative for the region. |

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|--------------------------|---------------|------------------------------------|------------|-------------|---|--|
| | | | | | - Neighboring Chile has an 88 percent import market share. | |
| Sausages (HS 1601) | 18,000 MT | 387 MT (\$1.7 million) | 14 percent | 0 percent | - Neighboring Chile with a 18 percent import market share is the main supplier - Strong local competition. | - High-end gourmet offers best possibilities for U.S. product. - The United States holds a 47 percent of import market share - Fast food restaurants are the main channel. |
| Ham, processed HS 160241 | 115 MT | 93 MT (\$1.2 million) | 31 percent | 3.6 percent | - Competitors: Italy (46 percent) and Spain (37 percent). | - High-end gourmet offers best possibilities for U.S. product |
| Beer (HS 2203) | 200 MM liters | 9.5 million liters (\$8.5 million) | 25 percent | 0 percent | - Strong local competition. - Local breweries produce and import new brands. - Brazil with a 50 percent import market share is the main supplier. | - Niche market for U.S. premium beers. - Per capita consumption increasing to 40 liters. - Duty free entrance. - Few U.S. brands. |

Note: TRQ = Tariff Rate Quota, on a first-come first-serve basis.

Sources: World Trade Atlas, FAS Lima office research, Office of the U.S. Trade Representative (USTR), Ministry of Agriculture, Gestion and El Comercio (Peru) Newspapers.

C. Products Not Present Because They Face Significant Barriers

None.

Section V. Post Contact and Further Information

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For additional information, see www.fas.usda.gov. See also to our Exporter Guide, Food and Agricultural Import Regulations and Standards (FAIRS), FAIRS Export Certificate, Food Processing Ingredients Sector and HRI Food Service Sector GAIN reports.