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Peru

Exporter Guide

1999

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Report Highlights:
Peru as an emerging market has a huge potential for market growth. U.S. exporters should consider developing market strategies in a more pro active way.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Lima [PE1], PE

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I. Market Overview

After a dramatic fall in GDP between 1987 and 1992, Peru's economy showed an impressive rate of growth relative to other Latin American countries since then. Between 1993 and 1997, Peru's annual GDP growth rate exceeded 6 percent each year (12.9 percent in 1994) except 1996, when it grew only 2.8 percent. However, in the last two years, due largely the "El Nino" effect, Peru's economy growth has slowed affecting demand for consumer oriented food products. In 1998, the growth rate was virtually flat (0.3 percent), but for 1999 it is estimated to reach 3 percent (no official data released yet).

As of 1998, Peru's unemployment rate stand at 7.7 percent and underemployment was 44.1 percent. Since July, the growth rate has stabilized and consumer demand is expected to recover by the end of 1999. Although, the economy has slowed, the current government policies encouraging open markets and macroeconomic stability create a favorable scenario for foreign investment and trade.

In the short run, Peru has a huge potential for market growth. Exporters should value this opportunity as emerging market. Marketing strategy should be focused in developing the market in a more pro active way. Conditions are set given the stability of Peruvian economy and the support to foreign investment.

Advantages and Challenges

Advantages	Challenges
Franchising operations, which import many of the food products they serve, such as: KFC, Burger King, McDonalds, Pizza Hut, Hard Rock Café, TGI, Ben & Jerry's, are well established and continue to expand in Peru.	Imported processed food must fit Peruvian preferences (taste).
Peruvian consumers have a good image of American products, which are perceived as having higher quality.	High level of taxation in soft drinks markets (about 28 percent over sale price) have reduced 10 percent the level of consumption.
Growing popularity of vendor machines propitiates entry for snack products in the institutional sub-sector (universities, enterprises).	Falling incomes in the early 1990's stimulated the growth of thousands of small restaurants with low quality and no demand for imported foods.
Growing demand by inhabitants in peripheral areas of Lima for fast foods, canned and packed products.	Culturally, Peruvian prepares meals at home using fresh foods and natural flavors. However, this tradition is changing due to the increasing participation of women in the labor force.
Increasing sales in Peru's supermarket sector of processed food such as snacks, canned and ready to eat food.	Competition in the soft drink sector has increased due to the unusual fast growth of new brands of unknown quality and at low prices, which represent a 20 percent in the market share.

II. Exporter Business Tips

- Imported food products have an import tariff rate that varies according to the type of product, ranging between 12 percent and 25 percent. All imports are subject to a 18 percent local sales tax. Beer and wine mark up an additional selective consumer tax of 30 percent and 10 percent respectively.

- For imports, government requires an invoice, bill of lading, a packing list, proof of insurance and, for items worth more than $5,000, a certificate of inspection done prior to shipment. There are three authorized companies: Bureau Veritas S.A., Cotecna Inspection (PERU) S.A. and SGS Societe Generale de Surveillance S.A.

- Importers of processed food products should have the food health certificate from the General Office of Health and Environment, DIGESA–Ministry of Health. Importers and producers should obtain this health certificate by giving the following information:

a. Name, address and the unified tax registration number of the importer.
b. Name and brand name of the product.
c. Name and address of the producer.
d. Laboratory test results (physical, chemical and microbiological) of each product, including taste analysis. These analyses can be done by the laboratory of the same plant, being this, domestic or foreign. Alternatively, Peruvian importers may process a certificate of quality issued by an authorized laboratory.
e. List of input components for each product (in percentages), additives, flavor contents, information may be obtained by the additive providers or producer, or may be checked on the Internet (http://milksci.unizar.es/adit/lista.html).
f. Conservation and storage conditions (how to preserve the final product).
g. Information of packaging, canning and bottling, indicating weight, type of material.
h. Date of expiration
i. System of identification of production lot and date of production and other details.

- This food health certificate is valid for five years.

- In addition, processed food imports require copies of the Certificate of Free Trade and the Certificate of Use issued by the health authority of the country of origin.

- With respect to labeling requirements, imported foods usually retain their original labels. In addition they must add a sticker to the packaging with the name and taxpayers' identification number (RUC) of the importer/distributor. DIGESA may verify, at any time, the accuracy of the information reported.

- The National Sanitary Service of Agriculture (SENASA) of the Ministry of Agriculture, controls and supervises sanitary condition of animals, fresh vegetables, commodities and raw imported agricultural products.

III. Market Sector Structure and Trends

- Food processing sector: During 1998, the value of Peru's total agricultural products was about $3.5 billion, of which more than $1.4 billion were imported, 77 percent in bulk and intermediate agricultural products, and 23 percent in consumer-oriented food products. Peru's Central Bank of Reserve (BCR), estimates a growth for the sector of 4.3 percent in 2000.

- Food retail sector: Retail food sector sales reached $2.7 billion in 1998. In Lima, 80 percent of food products are sold through traditional markets and 20 percent in the supermarket industry. Trend: For the year 2000 it is estimated a growth for the sector of 5.4 percent.

- HRI food services: Sales in this sector reached $54 millions in 1998. Hotels & resorts (restaurants and catering) $11 million (21 percent), restaurants (fast food, family style, etc.) $36 million (67 percent), and institutional contracts $6 million (12 percent). Growth in the market is increasing due to increased tourism.

- The main providers of processed food in Lima are distributors, importers/distributors and gross sales market vendors. These markets offer an extremely good opportunity for sales of imported food products from the U.S.

IV. Best High-Value Product Prospects

- Packed bread
- Pasta
- French-fries
- Sauces
- Canned fruits
- Casin Sausages
- Dairy products
- Beer
- Pet foods
- Juices
- Spices
- Dressing salads
- Confectionery
- Snacks
- Ready to eat food (i.e., soups, frozen products, canned food).
- Red apples and pears

V. Key Contacts and Further Information

American Embassy Lima, Foreign Agricultural Service
Mailing Address: Office of Agricultural Affairs, Unit 3785, APO AA 34031
Address: La Encalada cdra. 17, Monterrico, Lima 33
Phone: (51 1) 434-3042
Fax: (51 1) 434-3043
E-mail: AgLima@fas.usda.gov

For further information, check the FAS homepage (http://fas.usda.gov)

Trade Association

Lima Chamber of Commerce
Gregorio Escobedo 396
Jesus Maria, Lima 11
Phone: (511) 463-3435
Fax: (511) 463-3686
President, Manuel Celi Vidal
American Chamber of Commerce
Av. Ricado Palma 836
Miraflores, Lima 18

Phone: (511) 241-0708
Fax: (511) 241-0709
E-mail: amcham@amcham.org.pe
Homepage: www.amcham.org.pe
President, John Youle

National Society of Industry
Los Laureles 365
San Isidro, Lima 27
Phone: (511) 421-8830 / 440-3395
Fax: (511) 442-2573
E-Mail: sni@mail.csapidata.com
Homepage: www.sin.org.pe

Peruvian Custom Agents Association
Av. Dos de Mayo 671, Piso 2, Of. 201
Callao, Callao 1
Phone: (511) 429-7760 / 429-1780
Fax: (511) 469-0991
E-Mail: aaap@mail.cosapidata.com.pe

Peruvian Hotels & Restaurants Association
Elias Aguirre 580, Miraflores, Lima 18
Phone: (511) 444-7825 / 445-3254
Fax: (511) 444-4303
E-Mail: ahora@mail12.viaexpresa.com.pe

National Institute of Free Competition Defense and Protection of Intellectual Property
Calle La Prosa 138, Esq. Prolongacion Guardia Civil
San Borja, Lima 41
Phone: (511) 224-7800
Fax: (511) 224-0348
E-Mail: postmaster@indecopi.gob.pe
Homepage: www.indecopi.gob.pe

National Confederation of Private Institutions
Victor Andres Belaunde 147, Torre Real 3
San Isidro, Lima 41
Phone: (511) 224-7800
Fax: (511) 224-0348
E-Mail: postmaster@indecopi.gob.pe
Homepage: www.indecopi.gob.pe

Government Agencies, Ministries

Ministry of Agriculture

Av. Salaverry 655
Jesus Maria, Lima 11
Phone: (511) 433-3034 / 433-2219
Fax: (511) 431-0109
E-Mail: postmast@oia.minag.gob.pe
Homepage: www.minag.gob.pe

Ministry of Agriculture - SENASA
Animal Plant and Health Inspection
Psje. Francisco de Zela s/n, Piso 10, Lima 1
Phone: (511) 431-4478 / 433-8026

Ministry of Health
Av. Salaverry Cdra. 8 s/n.
Jesus Maria, Lima 11
Phone: (511) 431-0410
Fax: (511) 424-0211
E-Mail: postmaster@minsa.gob.pe
Homepage: www.minsa.gob.pe

Ministry of Health - DIGESA
Food Safety
Amapolas 350
San Eugenio, Lima 14
Phone: (511) 422-8353 / 442-8356 / 440-2340
Fax: (511) 440-6797

Table A. Key Trade & Demographic Information

PERU: EXPORTER GUIDE
APPENDIX I. STATISTICS 1998

		%
Agricultural Imports From All Countries $ (Millions) / U.S. Market Share (%)	$1,446	27
Consumer Food Imports From All Countries ($Millions) / U.S. Market Share (%)	$329	13
Edible Fishery Imports From All Countries ($Millions) / Market Share (%)	N/A	N/A
Total Population (Millions) / Annual Growth Rate (%)	25	1,7
Urban Population (Millions) / Annual Growth Rate (%)	18	2
Number of Major Metropolitan Areas	1*	
Size of the Middle Class (Millions) / Growth Rate (%)	A: 0.26 B: 1.24	4.5% 5.3%
Per Capita Gross Domestic Product (U.S. Dollars)	$ 2,460	
Unemployment Rate (%)	7.6%**	
Per Capita Food Expenditure (U.S. Dollars)	$132	
Percent of Female Population Employed	34.7%***	
Exchange Rate ****	$ 1 = S/. 3.445	

* *There are 3 cities (Arequipa, Trujillo and Chiclayo) with more than 500,000 inhabitants. Lima has approx. eight million inhabitants.*

** *Besides, there is a high level of underemployment: 44.1 percent of the urban workforce is underemployed.*

*** *The sharer of women in the work force has increased from 29.6 percent in 1993 to 34.7 percent in 1998.*

**** *As of August 1999.*

Table B. Consumer Food & Edible Fishery Product Imports

Peru Imports (In Millions of Dollars)	Imports from the World 1996	1997	1998	Imports from the U.S. 1996	1997	1998	U.S Market Share 1996	1997	1998
CONSUMER-ORIENTED AGRICULTURAL TOTAL	336	348	329	33	42	43	10	12	13
Snack Foods (Excl. Nuts)	36	28	29	2	2	1	5	7	5
Breakfast Cereals & Pancake Mix	3	3	2	1	1	1	27	31	34
Red Meats, Fresh/Chilled/Frozen	21	22	21	5	6	8	24	27	37
Red Meats, Prepared/Preserved	3	2	3	1	1	1	37	36	33
Poultry Meat	8	9	10	2	2	2	23	23	21
Dairy Products (Excl. Cheese)	128	121	102	5	3	4	4	3	3
Cheese	6	7	7	1	1	2	17	22	28
Eggs & Products	4	4	2	1	1	1	22	36	32
Fresh Fruit	13	13	23	1	1	2	5	11	8
Fresh Vegetables	1	2	6	1	1	1	3	74	25
Processed Fruit & Vegetables	19	23	22	2	7	5	12	28	22
Fruit & Vegetable Juices	2	1	1	1	1	1	8	17	15
Tree Nuts	1	1	1	1	1	1	8	11	13
Wine & Beer	10	11	11	1	1	1	5	6	5
Nursery Products & Cut Flowers	1	1	1	1	1	1	6	14	2
Pet Foods (Dog & Cat Food)	1	2	2	1	2	2	83	85	75
Other Consumer-Oriented Products	81	99	84	11	12	13	13	13	15
FISH & SEAFOOD PRODUCTS	5	6	13	1	1	1	3	2	1
Salmon	1	1	1	1	1	1	100	50	1
Surimi	1	1	1	1	1	0	100	13	0
Crustaceans	1	1	1	1	1	1	7	2	13
Groundfish & Flatfish	1	1	1	1	1	1	6	2	1
Molluscs	1	1	2	0	1	1	0	26	2
Other Fishery Products	4	4	9	1	1	1	3	2	1
AGRICULTURAL PRODUCTS TOTAL	1,373	1,295	1,446	406	251	392	30	19	27
AGRICULTURAL, FISH & FORESTRY TOTAL	1,398	1,329	1,485	409	257	397	29	19	27

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Table C. Top 15 Suppliers of Consumer Foods & Edible Fishery Products

Peru Imports

CONSUMER-ORIENTED AG TOTAL ($1,000)	1996	1997	1998
Chile	79,557	78,051	77,849
New Zealand	67,234	58,410	57,745
United States	33,228	42,127	42,924
Colombia	18,264	18,120	16,761
Argentina	27,664	21,660	14,455
Ireland	12,834	11,392	14,407
Belgium	4,718	8,248	8,568
Netherlands	16,778	15,989	8,510
Germany	8,026	7,353	8,381
France	4,543	4,967	7,072
Canada	7,549	6,876	6,937
Ecuador	7,356	7,167	6,884
Italy	5,601	13,893	6,724
Brazil	3,417	3,323	6,504
Mexico	3,285	5,701	5,918
Other	36,130	44,214	39,068
World	336,211	347,516	328,735

FISH & SEAFOOD PRODUCTS ($1,000)	1996	1997	1998
Chile	977	1,570	5,394
Ecuador	1,301	3,213	3,689
Areas NES	205	313	701
Norway	105	71	669
Venezuela	1,897	107	427
Japan	84	85	426
Argentina	60	0	413
Colombia	1	0	332
United States	170	122	178
Spain	215	151	167
India	0	0	131
Uruguay	0	0	99
New Zealand	0	0	91
Italy	1	1	68
Iceland	0	0	59
Other	154	157	279
World	5,173	5,794	13,134

Source: United Nations Statistics Division