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Peru

Grain and Feed

Annual

2001

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Report Highlights:

With 1.3 MMT of wheat imports forecasted for MY 2000, Peru remains one of the major wheat importers in the world. U.S. wheat is expected to recover its leading position with at least 40 percent of the market during MY 2001/2002. Corn imports are forecast to reach 700,000 MT during MY 2001. Due to an agreement between corn and poultry producers, corn imports are forecast to fall considerably in the next five years. Rice imports continue their downward trend, forecast to reach 100,000 MT in MY 2001/2002, with the U.S. forecast to provide at least 35 percent of these importes.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Lima [PE1], PE

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Executive Summary

Wheat imports for Marketing Year 2001/2002 (July/June) are forecast at 1.3 million MT. As the Peruvian economy recovers from a long economic recession, demand for wheat products is also expected to increase. Though wheat consumption has been rather steady at around 1.2 million MT for a few years now, looking at the per capita consumption of some products (bread only 38 kilograms per annum), there is plenty of room for growth.

Post forecasts corn imports to reach 700,000 MT during MY (October/September) 2000/2001. Though corn consumption is expected to increase as the Peruvian economy recovers, due to an agreement signed between corn producers and poultry producers, and sponsored by the government, a considerable reduction in corn imports is expected in the up coming years. These agreement aims to increase local production to a level of self-sufficiency within five years.

Though rice imports into Peru continue their downward trend, imports for MY2001 are forecast to reach 100,000 MT, an increase from the previous year. This abrupt decrease in imports that began in 1996 is the result of a government policy to encourage rice production through credits for seeds and fertilizers. However, a bumper crop in 1999 flooded the market with rice driving prices below production costs.

PSD Table						
Country:	Peru					
Commodity:	Wheat					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	120	130	134	146	0	140
Beginning Stocks	140	132	120	177	110	193
Production	130	167	160	187	0	170
TOTAL Mkt. Yr. Imports	1200	1238	1250	1279	0	1300
Jul-Jun Imports	1200	1238	1250	1279	0	1300
Jul-Jun Import U.S.	550	692	600	305	0	500
TOTAL SUPPLY	1470	1537	1530	1643	110	1663
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	30	0	0	170	0	170
TOTAL Dom. Consumption	1350	1360	1420	1450	0	1470
Ending Stocks	120	177	110	193	0	193
TOTAL DISTRIBUTION	1470	1537	1530	1643	0	1663

Units: Thousand Metric Tons

Import Trade Matrix	
Country:	Peru
Commodity:	Wheat
Time period:	Jan/Dec
Imports for	2000
U.S.	304862
Others	
Canada	496703
Argentina	477042
Total for Others	973745
Others not listed	
Grand Total	1278607

Units: Metric Tons

Wheat

Production

Wheat is a minor crop in Peru. Production in 2001 is forecast at 170,000 MT and is likely to remain around that level in the near future. Most wheat produced in Peru, grown by poor peasants in the highlands of the Andes under very rudimentary cultural practices, is soft and consumed directly as soups and purees.

Crop area increased from 130,000 hectares in 1999 to 146,000 hectares in 2000. This increase is not uncommon in Peru, the area planted may vary significantly from year to year depending on prices and producers' profit expectations. Average yields in 2000 were 1.28 MT per hectare, about the same level as the previous year.

Consumption

The strong recession that began in 1999 continued throughout 2000. As a result, flour and pasta production shrunk about 3 percent. Flour consumption was 855,000 MT in 2000 compared with 952,000 MT in 1999. Pasta consumption in 2000 fell 16,000 MT to 230,000 MT. In an effort to try to maintain consumption levels, many wheat meals have had to reduce in profit margins and in many cases operate below their break even point.

With 10 kilograms per capita, Peru continues to be the second largest pasta consumers in South America. Bread consumption on the other hand, about 38 kilograms per annum, remains at very low levels compared with consumption in other countries in the area. Since wheat disappearance in Peru has remained constant the last three years, these estimates are probably lower due to population growth.

Trade

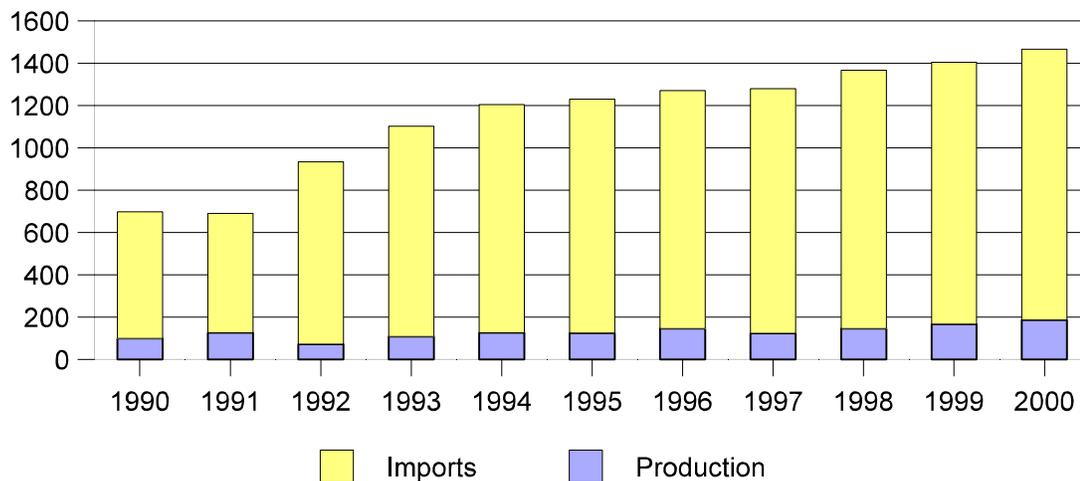
With 304,862 MT, the U.S. was the third largest wheat exporter to Peru following Canada and Argentina in 2000. Peru's total wheat imports in MY 2001/2002 are forecast to reach 1.3 MMT, with at least 500,000 coming from the U.S.

The volume of wheat imports from the U.S. has historically depended on the size of the Argentine crop and its availability for export. However, with an excellent crop quality, competitive prices and financing under the GSM-102 Credit Guarantee Program, U.S. wheat is expected to recover its leading position in the market.

Policy

The GOP has no specific policy to promote production of wheat. There have been some efforts, such as rotating funds, to assist poor peasants with small credits but they have not had a major impact on production.

Wheat Historical Data



As part of the Andean Community, Peru is negotiating a trade agreement with Mercosur. Grains will probably be one of the most important agricultural trade issues, especially for Argentina. But since Peru has been the most progressive country in the region in reducing its tariff rates, it is very unlikely that any further reduction or preference will be granted, especially for wheat, Peru's largest agricultural import and revenue source.

Peru's SPS agency SENASA, still bans U.S. wheat coming from states where Karnal bunt is known to occur (Texas, New Mexico, Arizona, California).

Peru exports very limited quantities of pasta to Chile and Bolivia, but due to a higher import duty its prices are not very competitive. Wheat in Peru is assessed 25 percent ad valorem plus 18 percent value-added tax (VAT), compared with Chile where the ad valorem is only 10 percent and Ecuador where wheat is not subject to the VAT.

PSD Table						
Country:	Peru					
Commodity:	Corn					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Harvested	420	420	480	510	0	565
Beginning Stocks	97	88	95	36	143	36
Production	830	1074	1150	1230	0	1340
TOTAL Mkt. Yr. Imports	1100	1050	1100	843	0	700
Oct-Sep Imports	1100	1050	1100	843	0	700
Oct-Sep Import U.S.	380	665	500	282	0	300
TOTAL SUPPLY	2027	2212	2345	2109	143	2076
TOTAL Mkt. Yr. Exports	2	2	2	0	0	0
Oct-Sep Exports	2	2	2	0	0	0
Feed Dom. Consumption	1700	1700	1700	1700	0	1700
TOTAL Dom. Consumption	193	2174	2200	2073	0	2060
Ending Stocks	95	36	143	36	0	16
TOTAL DISTRIBUTION	2027	2212	2345	2109	0	2076

Units: Thousand Metric Tons

Import Trade Matrix	
Country:	Peru
Commodity:	Corn
Time period:	Jan/Dec
Imports for	2000
U.S.	282556
Others	
Argentina	560161
Total for Others	560161
Others not listed	
Grand Total	842717

Units: Metric Tons

Corn

Production

Corn production in Peru is estimated at 1.34 MMT for MY (October/September) 2000/2001. Among the several types of corn produced in Peru, the most important varieties are starchy corn, with production estimated at 272,000 MT in 2000, which is consumed directly by humans and yellow corn, with production estimated at 950,000 MT for the same period of time, which is primarily used in the animal feed industry.

With favorable weather conditions and strong support by the government to substitute corn imports for local crop, and an increase in the crop area as well as better yields are expected for the year 2001.

The harvested area in 2000 was 274,000 hectares and 241,000 hectares for yellow and starchy corn respectively compared with 238,000 hectares and 221,000 hectares in the previous year. Yields are expected to be around 3.40 MT per hectare for yellow corn and 1.133 MT per hectare for starchy corn. Corn is mainly grown along the Peruvian coast and in the range forest on the eastern slopes of the Andes.

Consumption

Peru has a 21 million chicken-per-month poultry market, which is the major user of yellow corn. Corn consumption is estimated at 2.06 MMT for 2001. Poultry meat continues to be one the cheapest source of protein in the Peruvian diet. A major problem poultry producers have to face is competition from informal producers, who account for about 30 percent of the poultry meat industry. Due to the favorable climate in the coastal areas of Peru for poultry production, small producers can activate and de-activate production facilities very rapidly, and at low cost. When prices rise, these producers can begin production quickly, and just as quickly, stop production when prices fall. The large producers, with much higher fixed costs, must continue producing despite the up and downs of the market.

Trade

In CY2000, Peru imported 282,556 MT of yellow corn from the U.S. and 560,161 MT from Argentina. Feed producers and large poultry operations claim that corn from Argentina comes with less broken kernels.

Policy

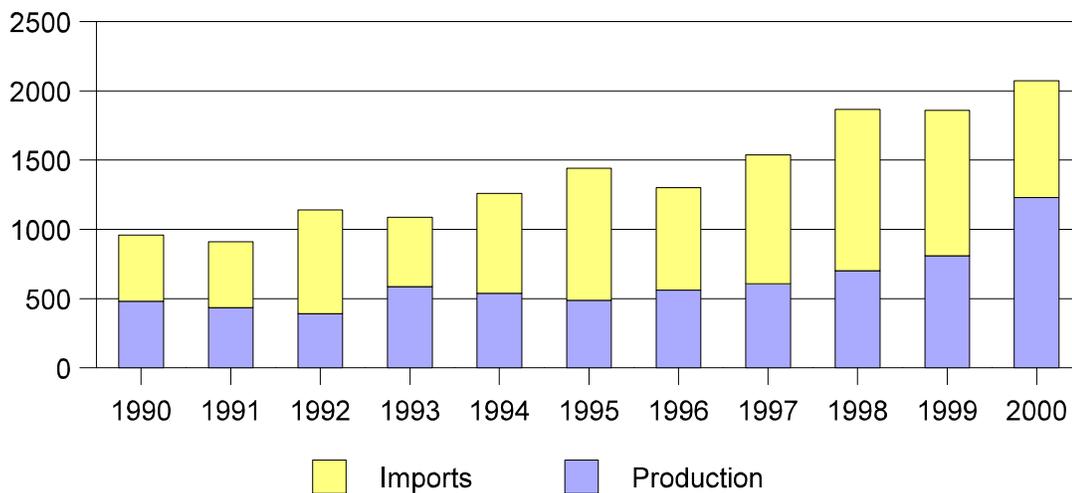
Though the GOP does not have any subsidy or assistance program to encourage corn production, there has been some support through rotating credit funds. The government is trying to implement a program to encourage corn production in the eastern region of the country sponsoring, through the Ministry of Agriculture, an agreement between corn and poultry producers. This area is excellent for corn production, but transportation

infrastructure is poor and in some cases does not exist.

Corn imports are assessed 25 percent import duty on CIF basis plus 18 percent value-added tax, plus a variable levy which depends on international prices.

The Poultry Producers' Association has recently signed an agreement with the Corn Producers' Association whereby the poultry producers are committed to purchase all locally produced yellow corn. This is the second attempt in three years to create a symbiosis relationship between these two groups. According to private sector officials, if this agreement is successful, corn production could double to 1.6 million metric tons in the upcoming years, becoming self-sufficient. Though it may take more time than expected, corn production will most likely replace imports significantly in the next five years.

Corn Historical Data



PSD Table						
Country:	Peru					
Commodity:	Rice, Milled					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Harvested	290	317	264	264	0	240
Beginning Stocks	112	179	142	179	142	190
Milled Production	1140	1180	1110	1250	0	1110
Rough Production	1650	1700	1600	1750	0	1600
Milling Rate(.9999)	6900	6900	6900	6900	0	6900
TOTAL Imports	150	155	150	86	0	100
Jan-Dec Imports	150	155	150	86	0	100
Jan-Dec Import U.S.	100	83	100	28	0	35
TOTAL SUPPLY	1402	1514	1402	1515	142	1400
TOTAL Exports	80	50	80	40	0	40
Jan-Dec Exports	80	50	80	40	0	40
TOTAL Dom. Consumption	1180	1285	1180	1285	0	1200
Ending Stocks	142	179	142	190	0	160

Units: Thousand Metric Tons

Import Trade Matrix	
Country:	Peru
Commodity:	Rice
Time period:	Jan/Dec
Imports for	2000
U.S.	27783
Others	
Uruguay	48767
Argentina	9442
Total for Others	58209
Others not listed	
Grand Total	85992

Unit: Metric Tons

Rice

Production

Rice production for MY (January/December) 2001 is forecast at 1.10 MMT (milled basis), about 10 percent lower than the previous year because excess supply has pushed prices down. Rice in Peru is surface irrigated, which depends on the supply of water draining from rivers in the Andes Mountains. Most of the rice in Peru is harvested May through September. Most of the water reservoirs in the northern part of country are between 50 and 75 percent of their full capacity which assures abundant water supply, since the planting season has already ended.

Major rice production areas in Peru are Lambayeque and Piura in the northern region, and Arequipa in the south. Average yields are 6.27 metric tons per hectare, but some farmers have yields as high as 14 metric tons per hectare (paddy rice). Rice quality and yields vary greatly, as much of the production is carried out by small producers, with input levels dependent on prices and economic conditions.

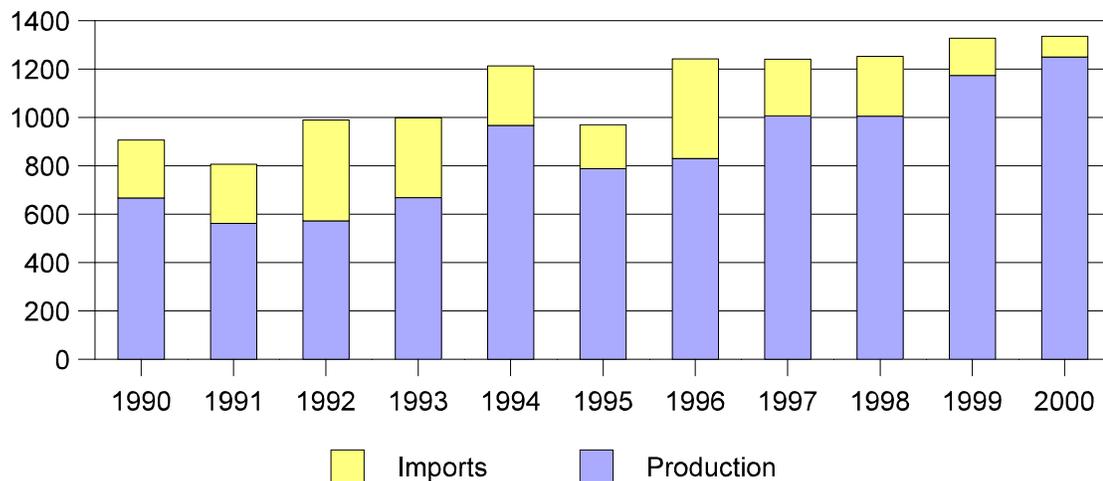
Consumption

Per capita rice consumption is estimated at 46 kilograms. Rice is sold traditionally in small markets, weighed out and bagged from 50 kilos sacks. In recent years Peru has seen a rapid expansion of the supermarkets chains, this has changed several consumer habits and rice has not been an exception. There is a growing demand for prepackaged one kilogram bags of rice, which now total 13 percent of all rice sales. The higher quality rice, including U.S. rice, is generally marketed in this way.

Trade

After being the largest rice supplier in 1999, the U.S. dropped second place in 2000 with 27,783 MT, Uruguay is now the leading rice exporter to Peru with 48,767 MT. The largest rice importer who owns the leading brand for bagged rice, has a long term relationship with a Uruguayan rice exporter which not only provides good quality rice at a competitive price, but also grants them credit. Since the GOP implemented a ban on Asian rice based on phytosanitary issues, the imported rice market has been shared mostly by the U.S. and Uruguay.

Rice Historical Data



Policy

The GOP does not have any production subsidy or support programs in the agricultural sector. The government does buy rice from local producers to support social feeding programs, but the quantities purchased are very limited. Production credits are very difficult to obtain in the agricultural sector. This has restrained farmers for changing to what they may consider to be more profitable crops.

Since CY1998 the GOP has been encouraging rice production through input credits and rotating funds, thereby contributing to a bumper crop in 1999. Though production has grown sharply during the last 3 years, it has been an economic disaster for producers. Having flooded the market with rice and with large carry over stocks and no possibility of exporting, other than what is smuggled into Ecuador through the northern border, prices have plummeted making almost impossible the recovery of producers' investment. As a consequence, farmers are not able to honor their credits and in many cases are losing their land, in addition to their already eroded reputation with the formal financial system. Though production is expected to fall in CY2001, it will not be enough to restore the balance between supply and demand, we will probably see large carry over stocks by the end of this year.

Rice imports are assessed 25 percent import duty on CIF basis plus 18 percent value-added tax, plus a variable levy which depends on international prices.