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## Peru

## HRI Food Service Sector

## Report

## 2006

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**Report Highlights:**

In Peru, the food service sector is estimated at \$184 million, 37 percent of which corresponds to food imports. Growth is steady at five percent in the last three years. Trade opportunities for U.S. food products will effectively increase after the implementation of the Trade Promotion Agreement (TPA) between the United States and Peru, which is expected for early 2007. Products for the food service that will be benefited from the TPA include food ingredients, fruits, cheeses, processed fruits and vegetables, meats and specialties.

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Includes PSD Changes: No  
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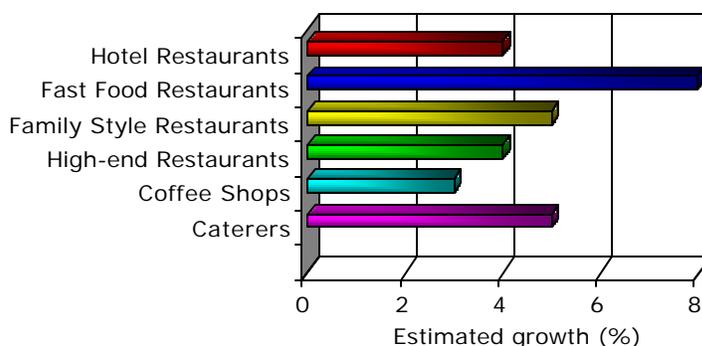
## Section I. Market Summary

In 2004, food service sales represented \$184 million approximately, considering the formal sector that is measurable. More than 60 percent of this amount corresponds to high-end food service. Growth remains steady at five percent in the last three years. In 2005, total food service imports were estimated at \$68 million, 37 percent of total food service sales.

**Estimated Food Service Sales by Sub-sector (\$ million)**

Sub-Sector	Food Sales (\$million)				
	2001	2002	2003	2004	2005
Hotels <i>Restaurants and catering</i>	33	35	37	39	40
Restaurants <i>Fast food, family style, coffee shops</i>	97	102	107	112	119
Institutional contractors <i>Caterers</i>	20	21	22	23	25
<b>Total</b>	<b>150</b>	<b>158</b>	<b>166</b>	<b>174</b>	<b>184</b>

**Estimated Annual Growth for Food Sales  
in Food Service Sub-sectors (2005)**



Source: Peruvian newspapers El Comercio and Gestion.

The niche market for U.S. exporters in this sector include high-end hotels and restaurants, family style restaurants, fast food chains and coffee shops. Fast food chains present the fastest annual growth with approximately eight percent in the last five years.

Trade opportunities for U.S. food products will effectively increase after the implementation of the Trade Promotion Agreement (TPA) between the United States and Peru, which is expected for early 2007. Products for the food service that will be benefited from the TPA with lower or duty free tariffs include food ingredients, fruits, cheeses, processed fruits and vegetables, meats and specialties.

Lima is the major market for consumer-oriented foods with almost one third of total population and more than 60 percent of the national income. High and middle-income consumers, currently the main market for U.S. food sales, reach around 1.6 million inhabitants and have a monthly family income on average of \$1,000. Of this income, 32 percent is spent on food (12 percent on eating outside home).

Social factors that affect the food service market include the growth of tourism (seven percent per year), urban expansion, more participation of woman in the workforce (38 percent) and increasing percentage of young population that demand eating fast food or prepared food outside home.

**Advantages and Challenges of U.S. products to Peru’s Food Service Sector**

Advantages	Challenges
<ul style="list-style-type: none"> <li>➤ Expected implementation of the TPA for early 2007.</li> <li>➤ Economic stability.</li> <li>➤ Appreciation for U.S. food quality and culture.</li> <li>➤ Fast food chains are expanding in Lima suburbs and in major cities (Arequipa, Trujillo, Chiclayo and Piura).</li> <li>➤ Peru’s government fund to promote tourism.</li> <li>➤ High-end hotels are associated with international chains and foreign operators to expand and assure high occupancy levels.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Peruvians prefer meals based on fresh products.</li> <li>➤ European specialties are preferred due to higher quality perception.</li> <li>➤ Low purchasing power; 76 percent of Peruvian population are low-income consumers.</li> <li>➤ Peruvian food is tasty. U.S. exporters need to incorporate food ingredients in international and traditional menus.</li> <li>➤ Limited infrastructure and low quality service discourage longer stays of international tourists.</li> </ul>

**Section II. Road Map for Market Entry**

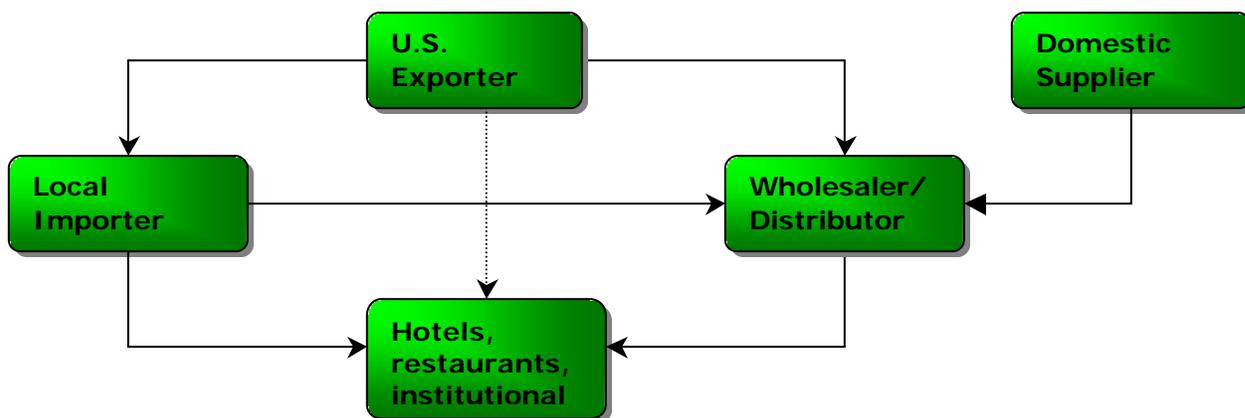
**A. Entry Strategy**

- ❑ U.S. exporters can approach the Peruvian food service market through a large importer, wholesaler/distributor or a specialized importer. Most food service companies buy imported goods from local intermediaries.
- ❑ Personal visits are highly recommended. The local partner should be well known by the U.S. company before any permanent contractual arrangement is made.
- ❑ The local company should be able to provide updated information on market consumer trends, current market development and trade business practices.
- ❑ In addition, it is recommended that U.S. exporters work with chefs and local importers

in performing innovative marketing activities in the high-end food service sector to:

- ✓ Incorporate U.S. food ingredients in local and international menus.
- ✓ Break down local preference for European specialties. U.S. food products strength in this market is that they are considered to be of superior quality, taste and presentation.

**B. Market Structure**



- ❑ Food service sources are mainly domestic due to strong local preferences for fresh food products at lower prices.
- ❑ Food service importers are also suppliers for the retail market, which represents in most of the cases more than 70 percent of their profits.
- ❑ Almost all food service businesses purchase through intermediaries (97 percent). However, high-end restaurants and hotels import equipment directly.
- ❑ International franchises (KFC, Pizza Hut, Burger King, Mc Donalds) and the local Bambos reach enough volumes to import some of their food ingredients directly.

**C. Sub-sector Profiles**

**1. Hotels**

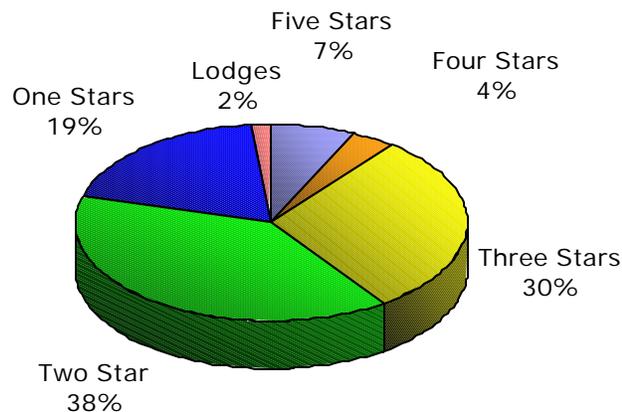
**Number of Hotels in Peru by Categories in 2004**

Hotel Category	Number of Outlets	Number of Rooms	Number of Beds	Outlet Location	
				Lima	Provinces
Five-stars	25	3,151	6,133	20	5
Four-stars	22	1,584	2,999	16	6
Three stars	473	13,409	25,802	81	392
Lodges	43	767	1,914	6	37
Two-stars	890	17,557	31,604	182	708
One-stars	453	8,496	14,852	125	328
<b>Total</b>	<b>1,906</b>	<b>44,964</b>	<b>83,304</b>	<b>430</b>	<b>1,476</b>

Source: Ministry of Foreign Commerce and Tourism (Mincetur)

- ❑ The niche market for U.S. exporters in this sub-sector is high-end hotels, mainly four and five-stars, that use higher proportions of imported food products.
- ❑ From all food served in hotels, food imports represent approximately 12 percent on average.
- ❑ Marketing efforts in this sub-sector should target activities to introduce U.S. food ingredients and U.S. gourmet products in high-end hotel restaurants of local and international cuisine.
- ❑ Major high-end hotels are located in Lima (76 percent), the center of business activities.
- ❑ Along the 90's decade, hotel capacity in Lima doubled, mainly in four and five star hotels. These hotels benefit from the sales forces of tour-operators to assure high levels of occupancy (65 percent in average).
- ❑ Many hotels are developing strategic alliances with international hotel chains or important local groups, intending to count on a hotel facility in every important tourist destiny in Peru (Lima, Cuzco, Arequipa and Puno).
- ❑ International tourist arrivals have grown seven percent annually in the last five years. In 2004, 1.3 million tourists visited Peru representing \$1 billion, 2.5 percent of the GDP. In addition, two million local visitors traveled within the country, creating demand for food services.
- ❑ In 2004, most of the tourists were from Chile (27 percent), the United States (22 percent) and the European Union (11 percent, mainly from Spain, Holland, France and England).
- ❑ Peru's government is promoting tourism in major countries. In 2005, Peru was declared official destination for China. Peru hopes to boost the number of Chinese tourists from the current 4,000 to 40,000 per year.

**Room Availability by Hotel Category (2004)**



Source: Mincetur

- According to Mincetur, international visitors has the following profile:
- ✓ Tourists stay in Peru for 15 days, spending in food and beverages an average of \$26.
  - ✓ Around 70 percent are aged between 25 to 54 years old, being 32 percent of this group between 25 to 34 years old.
  - ✓ Male visitors constitute 66 percent of the total.
  - ✓ Purpose of visit: vacations (61 percent), business (19 percent), visit family or friends (10 percent), attending seminars (4 percent).
  - ✓ Types of tourism: urban (93 percent), cultural (70 percent), ecological (47 percent), adventure (36 percent, for example, trekking), live cultures (32 percent) and thermal bathing (22 percent). Tourists perform one or more of these types of tourism during their stay.
  - ✓ Restaurant preferences: Peruvian style (79 percent), seafood (41 percent) and meat (37 percent). Tourists visit one or more types of restaurants during their stop.
  - ✓ Accommodations: for vacations, three star hotels (80 percent); for business, five star hotels (44 percent) and four-star hotels (31 percent); for seminar attendance, five-star hotels (30 percent), four-star hotels (29 percent) and three-star hotels (34 percent).
  - ✓ Visitor's social-economic profile: 82 percent own a professional degree and 68 percent a full-time job. On their family income, 24 percent of the visitors earn between \$15 to 35 thousand and 21 percent, \$35 to 60 thousand annually.

#### Major Hotel Profiles (2004)

Name of Hotel	No. of Outlets	Total Sales (\$million)	City
J.W. Marriott Inversiones La Rioja S.A. <sup>1/</sup>	1	16.49	Lima
Country Club Lima Hotel Los Portales Hotels Los Portales S.A. <sup>2/</sup>	3	14.42	Lima, Piura, Tarma
Libertador Hotels Inversiones Nacionales de Turismo S.A.	11	12.63	Lima, Trujillo, Cuzco, Puno
Sonesta Posadas del Inca Inmobiliaria de Turismo S.A. <sup>1/</sup>	6	9.74	Lima, Arequipa, Cuzco
Swissotel Hotelera Costa del Pacífico S.A. <sup>1/</sup>	1	9.59	Lima
Miraflores Park Orient-Express Peru S.A. Inversiones Malecon de la Reserva S.A. <sup>1/</sup>	3	6.04	Lima, Cuzco
Los Delfines Summit Hotel & Casino Hoteles Sheraton del Peru S.A. <sup>1/</sup>	1	5.97	Lima
Sheraton Lima Hotel & Casino Hoteles Sheraton del Peru S.A. <sup>1/</sup>	1	4.57	Lima
Melia Hotel Corporacion Hotelera Metor S.A. <sup>1/</sup>	1	4.14	Lima
Apart Hotel El Golf Los Incas Suites El Golf Los Incas S.A. <sup>3/</sup>	1	3.90	Lima
Maria Angola Hotel La Paz S.A. <sup>3/</sup>	1	3.90	Lima
Doubletree El Pardo Hotel Inversiones Brade S.A. <sup>1/</sup>	1	3.25	Lima

Name of Hotel	No. of Outlets	Total Sales (\$million)	City
Inka Terra Hotels Inka Terra Peru S.A.C. <sup>1/</sup>	3	2.87	Cuzco, Tambopata
Las Dunas Sun Resort Inversiones en Turismo S.A.	1	2.99	Ica
Hotel & Suites Las Americas La Caja, Servicio de Hoteles S.A.C. <sup>1/</sup>	4	2.79	Lima
La Hacienda Hotel (Best Western) Hotel Restaurant La Hacienda S.A. <sup>3/</sup>	1	2.6	Lima
Hotel Jose Antonio Cartir Peru S.R.L. <sup>1/</sup>	3	2.39	Lima, Cuzco
Hotel Bruce Bruce Grupo Diversion S.A.C. <sup>1/</sup>	1	2.35	Lima
Hotel Paracas Compañía Hotel Paracas S.A. <sup>1/</sup>	1	1.96	Ica
Novotel Corporacion Hotelera del Cuzco S.A. <sup>1/</sup>	1	1.94	Cuzco
Prince Hotel Business & Spa Figtur S.A. <sup>1/</sup>	1	1.75	Lima
Costa del Sol Hotel Costa del Sol S.A. Turismo Costa del Sol S.A. <sup>1/</sup>	4	1.68	Tumbes, Piura, Cajamarca, Chiclayo
Royal Park Hotel & Suites (Sofitel) Corporacion Hotelera Camino Real S.A. <sup>1/</sup>	2	1.65	Lima
Plaza del Bosque Apart Hotel Hotelera del Pilar S.A.C. <sup>1/</sup>	1	1.66	Lima
San Agustin Hotel Teguise Turistica Peru S.A. <sup>1/</sup>	5	1.63	Lima, Cuzco
Los Tallanes Hotel & Suites Turismo Los Algarrobos S.A. <sup>1/</sup>	1	1.42	Lima
Hotel Silmar Hotel Silmar S.A.C. <sup>1/</sup>	1	1.09	Ica
El Condado Suites Turismo Costa Sur S.A.	2	0.94	Lima
Apart Hotel Las Palmeras de San Isidro Consortio Hotelero Las Palmeras S.A.C. <sup>1/</sup>	1	0.76	Lima

## Notes:

1/ Total sales 2003.

2/ Total value including other than food service businesses.

3/ Estimated values 2003.

Source: The 10,000 Major Companies in Peru

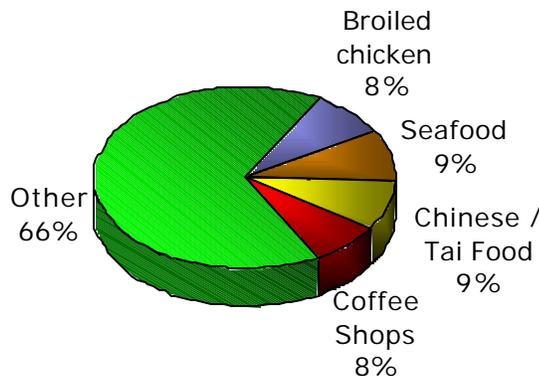
2. Restaurants

Estimated Number of Major Restaurants in Lima (2004)

Category	Number of Outlets
Five Forks	40
Four Forks	24
<b>Total</b>	<b>64</b>

- Total restaurants in Peru can be divided between the following categories:

Type of Restaurants in Peru (2005)



Source: Gestion Newspaper

- The U.S. niche market is constituted by high-end restaurants, some family style restaurants, coffee shops and fast food chains.
- High-end restaurants purchase imported products from wholesalers, distributors or retailers.
- These restaurants commonly purchase between 10 to 20 percent of imported food products, usually in food ingredients (sauces, meats, processed fruit and vegetables, cheeses), specialties (pork products), wine and liquors.
- There is a growing trend to offer tourists a variety of dishes made from Andean products called the "Novoandina" cuisine.
- Bembos, a local food franchise, has grown 10 percent annually in the last five years. Bembos is positioned as the local taste hamburger of high quality. This franchise uses imported food ingredients to keep a standardized product. With 28 outlets, Bembos reaches \$14 million, half of the total annual hamburger market.

- ❑ Major food franchises are expanding to middle and low-purchasing areas in the suburbs of Lima and capitals of provinces.
- ❑ The fast food chains purchase local products such as chicken and processed bread. They import mainly meat, French fries and sauces from the United States, Argentina and Chile.
- ❑ Broiled chicken restaurants, locally called “pollerías”, reach around 1,100 points of sales. Annual growth is around 10 to 15 percent. Major “pollerías” account for seven food chains (120 outlets). These chains compete directly with supermarkets (30 percent of market share). Delivery accounts for 35 percent of their sales. Their target market is families and office employees. Purchases of chicken and French fries, the two most important ingredients, are mainly local but are good prospects for future U.S. exports.
- ❑ Coffee shops use mainly local products in their menus but have strong potential to increase supplies of U.S. liquors.

#### Major Restaurant Profile (2004)

Name of Caterer	No. of Outlets	Food Sales (\$million)
La Rosa Nautica La Rosa Nautica S.A.	1	2.88
La Carreta Inversiones La Carreta S.A.	2	2.67
Backcow Mealcorp S.A.	1	2.37
La Huaca Restaurant Huaca Pucllana S.A.C. <sup>1/</sup>	1	1.29
Astrid y Gaston Astrid & Gaston S.R.L.	1	1.09
Restaurant Jose Antonio Jose Antonio S.R.L. <sup>1/</sup>	2	1.06
Chifa Lung Fung Restaurant Chifa Lung Fung S.A. <sup>1/</sup>	1	1.03
Restaurant La Gloria	1	1.00
Chifa Royal Restaurante Royal S.A. <sup>1/</sup>	1	0.76
Restaurant Rafael Bridget S.A.C. <sup>1/</sup>	1	0.71
Restaurant La Costa Verde La Costa Verde S.A.C. <sup>2/</sup>	1	0.98

Note: <sup>1/</sup> Estimated values for 2003.

Source: The 10,000 Major Companies in Peru

### Family Style Restaurants and Coffee Shops Profiles (2004)

Name of Restaurant	No. of Outlets	Food Sales (\$million)	City
Bohemia Café y Mas Bohemia Corp S.A. <sup>1/</sup>	3	2.35	Lima, Cuzco
Mangos <sup>1/</sup>	2	2.30	Lima
Quattro D Quattro D S.A.	2	2.13	Lima
Pasteleria San Antonio Pasteleria San Antonio S.A. Pasteleria San Antonio de Angamos S.A.	4	2.56 1.59	Lima
Antica Antica Pizzeria S.A.C.	3	0.82	Lima
Chili's Cindel S.A.	2	2.69	Lima
Tony Roma's Inversiones La Floresta S.A.	2	1.75	Lima

Note: 1/ Estimated values for 2003.

Source: The 10,000 Major Companies in Peru

### Fast Food Chain profiles (2005)

Name of Restaurant	No. of Outlets	Food Sales (\$million)	Direct Food Imports (\$million)	Imported Products (%)	City	Purchasing Agent for imports
Kentucky Fried Chicken Delosi S.A.	30	18.57	1.50	17	Lima, Trujillo, Arequipa	Direct
Burger King Pizza Hut Sigdelo S.A.	12 15	16.50	0.79	21	Lima, Trujillo, Arequipa	Direct
Mc Donalds Operaciones Arcos Dorados de Peru S.A.	18	9.00	1.66	83	Lima	Direct
Bembos Burger Grill Bembos S.A.C.	28	14.00	0.85	19	Lima, Trujillo, Arequipa	Direct, importer
Domino's Pizza Comercializadora de Alimentos Latinos S.A.C.	17	4.45	None	10	Lima, Callao	Importer

Note: Estimated values for 2005.

Source: The 10,000 Major Companies in Peru

### 3. Institutional Contractors

- ❑ This sub-sector is approximately 14 percent of total food service sales, with an estimated growth of five percent in 2005.
- ❑ U.S. potential market is comprised of large caterers that supply airports, mining companies. Currently, these companies use mainly local products in their menus.
- ❑ Vending machines and stores in mining camps require imported goods such as snacks, canned goods and confectionary that are supplied through local importers, wholesalers, distributors or major caterers.

#### Major Peruvian Suppliers for the Food Service Sector (2004)

Company Name	Total food Imports (\$ thousand)	Total Sales (\$ thousand)	Type of Company	Food Supply	Imported Food Products
Alicorp S.A.	195,391	527,753	Processor, importer, distributor	Pasta, wheat flour, margarine, food ingredients, mayonnaise, breakfast cereals, cookies, jelly, ice cream, sauces, pet food.	Wheat, wheat flour, edible oils, soy cake, sauces.
Gloria S.A.	44,660	338,202	Processor, importer, distributor	Dairy and pork products, juices, canned seafood.	Dairy ingredients, juices, lactose and other sugars.
Nestle Peru S.A.	23,879	162,043	Processor, importer, distributor	Dairy products, soups and broths, infant formula, instant coffee and chocolate, breakfast cereal, cookies, chocolates, bakery goods.	Dairy ingredients, chocolate, infant formula, food preparations, baked goods, chicory extract, sauces, soup preparations.
Kraft Foods Peru S.A.	15,550	60,570	Processor, importer, distributor	Cookies, juices, cheeses.	Cheese, sauces, bakery and dairy ingredients, chocolates.
G.W.Yi Chang & Cia S.A.	10,055	49,658	Importer, distributor	Canned fruits, canned seafood, chocolate, wine and spirits.	Canned fruits, canned seafood, chocolate, wine and spirits.
Clements Peruana S.A.	8,539	16,718	Importer, distributor	Energy drinks, Confectionary, breakfast cereals.	Energy drinks, breakfast cereals, canned food, food preparations.
Servicios Frigoríficos S.A.	7,236	13,838	Processor, importer, distributor	Processed meats, meats and edible offals.	Meats and edible offals.
Química Suiza S.A.	7,093	226,846	Importer, distributor	Sweeteners, fishmeal, chocolate, wine, processed fruit.	Canned food, food ingredients, sweeteners, animal feed.
Diageo Peru S.A.	6,118	7,643	Importer, distributor	Liquors.	Liquors.

Company Name	Total food Imports (\$ thousand)	Total Sales (\$ thousand)	Type of Company	Food Supply	Imported Food Products
Unilever Andina Peru S.A.	5,999	78,547	Processor, importer	Sauces, soups.	Sauces, soups.
Halema S.A.	5,580	8,151	Processor, importer	Processed meats, meats and edible offals.	Meats and edible offals.
Laive S.A.	5,513	58,095	Processor, importer	Dairy and pork products,	Cheese, butter and pork products.
Agro Corporacion S.A.C.	5,180	9,351	Processor, importer	Processed meats, meats and edible offals.	Meats and edible offals.
Perufarma S.A.	4,362	49,216	Importer, distributor	Chocolate, confectionary, wine and liquors.	Chocolate, confectionary, wine and liquors.
Arcor del Peru S.A.	3,968	13,416	Processor, importer, distributor	Chocolate, confectionary, bakery goods, canned fruit.	Chocolate, confectionary, canned fruit, bakery goods, bakery ingredients.
Drokasa Peru S.A.	3,204	66,223	Importer, distributor	Wine and liquors.	Wine and liquors.
Mayorsa S.A.	3,103	17,746	Wholesaler, importer	Peas and lentils, popcorn, canned fruit, starch.	Peas and lentils, popcorn, canned fruit, starch.
Oregon Foods S.A.C.	3,022	3,193	Importer, distributor	Processed meats, meats and edible offals, fresh fruits.	Meats and edible offals, fresh fruits.
Corporacion Jose R. Lindley S.A.	3,020	104,646	Processor, importer.	Sodas, juices.	Canned fruit, gelatin.
Braedt S.A.	2,334	13,132	Processor, importer, distributor.	Pork products, cheese.	Pork products, cheese, dairy ingredients, condiments.
Industrias Molitalia S.A.	2,272	96,885	Processor, importer, distributor.	Chocolates, pasta, confectionary, sauces.	Wheat.
Delosi S.A.	1,404	18,571	Fast food franchise	Hamburgers, salads.	French fries, bakery goods, sauces, cheese.
Rapid Carga	1,132	1,680	Importer, distributor	French fries, fresh fruit, cheeses.	French fries, fresh fruit, cheeses.
Destileria Peruana S.A.	1,115	12,045	Processor, importer	Wholesalers, retailers, food service	Liquors.
L.S. Andina S.A.	1,105	4,391	Importer, distributor	French fries preserved, chocolates, sweeteners, confectionary, olive oil, baked goods	French fries preserved, chocolates, sweeteners, confectionary, olive oil, baked goods
Sociedad Suizo Peruana de Embutidos S.A.	981	14,921	Processor, importer	Sausages, cheese.	Pork products, poultry, edible offals, cheese

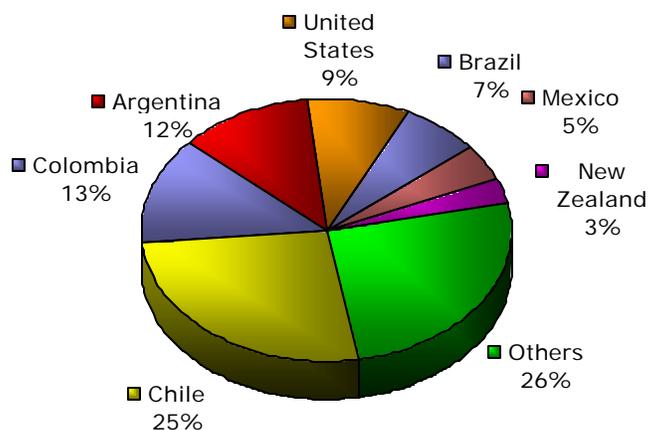
Company Name	Total food Imports (\$ thousand)	Total Sales (\$ thousand)	Type of Company	Food Supply	Imported Food Products
Sigdelo S.A.	973	16,504	Fast food chain	Hamburgers, pizza	Cheese, meat preparations, sauces, French fries, condiments
K Y L Import and Export S.A.	878	1,873	Importer, distributor	Microwave popcorn, soups, baked goods	Microwave popcorn, soups, baked goods.
L C e Hijos S.A.	878	1,566	Importer, distributor	Wine and liquors	Wine and liquors
Bembos S.A.C.	679	10,650	Fast food chain	Hamburgers	French fries, meat, cheeses

Note: Total food imports are distributed between the three food sectors: HRI, Retail and Food Processing.

Source: The 10,000 Major Companies in Peru and Peru’s Customs (Sunat)

### III. Competition

**Imports of Consumer-Oriented Agricultural Products in Peru by Country-of-Origin (2005)**



Source: World Trade Atlas

- ❑ Peru gives tariff preferences to the Andean Community (Bolivia, Colombia, Ecuador and Venezuela), and with Mexico, Paraguay, Argentina, Brazil, Uruguay and Cuba. Peru is an associated country to MERCOSUR and is also looking for bilateral free trade agreements with Chile and Thailand (currently in negotiations) and the European Union.
- ❑ Neighboring countries, especially Chile, Colombia, Argentina and Brazil are major food exporters to Peru. Chile and Colombia are benefited from lower transport costs. Argentina is exporting to Peru with competitive prices due to the devaluation in 2002.

- ❑ In 2005, Peru's imports of consumer-oriented products reached \$339 million. The United States was the fourth major supplier with \$30 million (9 percent of market share).
- ❑ In December 2005, the United States and Peru finished TPA negotiations. We are looking forward the implementation of this agreement in early 2007, which will allow lower or duty free tariffs for many food and agricultural products. For a complete list of products that will be benefited from the TPA, please check [www.ustr.gov](http://www.ustr.gov).
- ❑ The TPA will reinforce U.S. competitiveness within the Peruvian market. The quality on U.S. products is already appreciated among the high-end consumers.

### Competitive Situation facing U.S. Suppliers in the HRI Food Service Market in 2005

Product Category/ Net Imports	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Dairy Products (excluding milk powder) 37,963 tons (\$65.5 million)	Colombia: 19.6% New Zealand: 15% Mexico: 12% U.S.: 9.5%	- New Zealand and Colombia are major suppliers of dairy ingredients. - Europe is very well positioned in high quality cheeses.	- Two companies are major producers of evaporated milk and yogurt. - Homemade cheeses are commonly sold.
Fresh Fruits 36,930 tons (\$20 million)	Chile: 97.8% U.S.: 1.7%	- Chile is the main supplier because of proximity and price.	- There is an open window from November to February for the United States. - Local fruit is of lower quality.
Fruits and vegetables juices 439,527 tons (\$ 0.75 million)	U.S.: 41.7% Brazil: 29.7% Chile: 20.1%	- Colombia and Chile have advantages of tariffs and proximity.	- Local brands are well positioned in the market at competitive prices.
Processed Fruits and Vegetables 41,092 tons (\$38.2 million)	Chile: 49% Netherlands: 11% U.S.: 8% Argentina: 7.3%	- Chile sales with cheaper prices due to proximity. - E.U. products are positioned as of good quality.	- Local processors are major exporters, but their local variety for supply is limited.
Snack Foods 14,200 tons (\$34.4 million)	Colombia: 32.2% Chile: 20.7% Ecuador: 13.5% Argentina: 12.9% U.S.: 6.8%	- Tariff preferences applied to some snacks for neighboring countries.	- Local producers are major food processors. They import food ingredients for snacks and also snacks.
Wine and Beer 31,144 liters (\$17.8 million)	Argentina: 28.4% Chile: 26% Brazil: 20.8% Spain: 10.7% Italy: 3.5% U.S.: 2.9%	- Proximity and recognized quality of Chilean and Argentinean wines.	- Major local breweries are price competitive and belong to international companies. - Local wine is well positioned and price competitive, but does not satisfy demand.

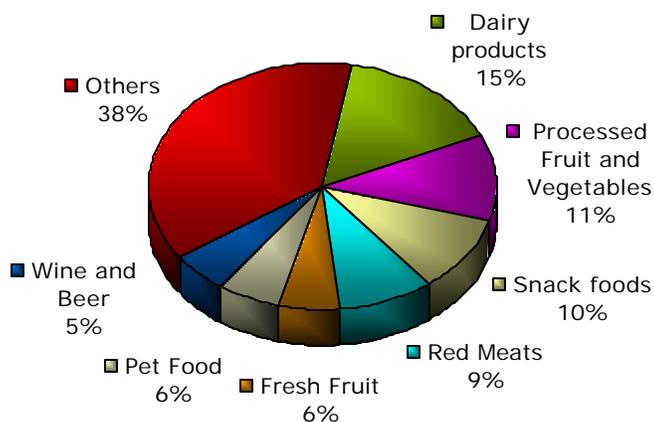
Product Category/ Net Imports	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Red Meats (fresh, chilled or frozen) 25,364 tons (\$27.8 million)	Argentina: 45.9% Brazil: 21.2% Paraguay: 19.3%	- Argentina and Brazil imports are currently banned due to FMD. - Peru's market for the U.S. will be opened soon.	- U.S. meats are of superior quality. - Local meat does not satisfy the demand.
Red Meats (prepared, preserved) 804.9 tons (\$2 million)	Chile: 30.5% Argentina: 15.8% Italy: 15.6% Bolivia: 11.7% U.S.: 4.5%	- Chile has tariff preferences and has the advantage of proximity. - U.S. product tariffs will go down from 5 to 7 years linear.	- There is a pork products industry that also imports prepared meats.
Poultry Meat 8,393 tons (\$6 million)	Brazil: 49.5% Chile: 41% Argentina: 8.4% Bolivia: 0.7% U.S.: 0.08%	- U.S. poultry products will reopen soon. - Brazil and Chile are major suppliers poultry cuts.	- Local poultry producers are major suppliers with good distribution channels.

Note: Net imports correspond to the three food sectors: Food Service, Retail and Food Processing.

Source: World Trade Atlas

**IV. Best Products Prospects**

**Imports of Consumer-Oriented Agricultural Products in Peru by Product (2005)**



Source: World Trade Atlas

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

Product/ Product Category	Market Size 2005 est.	Imports 2005	Average Annual Import Growth (2001-05)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Cheese (HS 0406)	12,676 tons	1,959 tons (\$6.5 million)	2.4% (Uneven, 8% in 2005)	25% + Price band  TPA: TRQ.	- Neighbor countries are U.S. competitors: Argentina and Bolivia. - Strong preference for European cheese at the high-end HRI and Retail Sectors.	- U.S. cheeses are mainly used in the Food Processing Sector, but with potential in HRI and Retail Food Sectors. - In 2005, U.S. was the first supplier, growing 29% from 2004. - TPA: TRQ of 2,000 MT in the first year. TRQ increases up to 17 years, when reaches duty free.
Confection ary – non chocolate (HS 1704)	\$80 million	9,294 tons (\$18 million)	9.6% (Recovered from negative growth in 2004)	25%  TPA: Duty free	- Major suppliers are neighbors: Colombia, Ecuador, Chile. - Local industry is strong. Major owners are foreign companies.	- TPA: U.S. confectionary duties will go down to zero.
Confection ary – chocolate (HS 1806)	Premium category \$2.3 million Total Market \$60 million	2,554 tons (\$8.1 million)	2.2% (Immature market, growth in 2005 was 26%)	25%  TPA: Duty free	- Chile is the major supplier. - Local industry is competitive.	- The U.S. is the second major supplier. The U.S. strength is in chocolate for the retail sector and ingredients for the industry. - Duty free with TPA.
Grapes, fresh (HS 080610)	160.6 million tons (\$46,708 million)	809 tons (\$0.5 million)	-45.9% (Growth of 3% in 2005, recovering from a turn down of four years)	25%  TPA: Duty free	- Local production is strong. - Chile is a major importer. - Low imports.	- U.S. window: September to December. - Grapes duties with the TPA will go down to zero immediately.
Grapes, raisins (HS 080620)	N/A	5,204 tons (\$7 million)	-25% (Growth of 47% in the last two years)	25%  TPA: Duty free	- There are no imports from the U.S. - Chile is almost the only one supplier.	- Grapes tariffs with the implementation of the TPA will go down to zero.

Product/ Product Category	Market Size 2005 est.	Imports 2005	Average Annual Import Growth (2001-05)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Apples and Pears (HS 0808)	146.7 million tons (\$28,585 million)	32,462 tons (17.7 million)	-0.27% (Growth of 9.7% in the last three years)	25% TPA: Duty free	- Chile is the major supplier with 98% of market share.	- There is an opportunity window for the U.S. between November and February. - Tariffs with the implementation of the TPA will go down to zero.
Peaches, cherries and Nectarines (HS 0809)	Peaches: 36,455 tons (\$4,446 million)	2,702 tons (\$1.5 million)	16.1% (Growth of 23% in the last three years)	25% TPA: Duty free	- Chile is major supplier with 99% of market share.	- Importer 's interest for U.S. peaches and nectarines. - Will be benefitted from the TPA with zero duties.
Prime and choice beef (HS 020230)	Total beef and offals market: 157,512 tons (\$11.6 million)	2,180 tons (\$4.4 million)	0.1%	25% TPA: duty free	- Competes with quality and higher price with Argentina (imports currently banned)	- The market will open for U.S. Beef soon. - Temporary ban for major suppliers (Brazil and Argentina). - Duty free imports when TPA will be implemented.
Edible Beef Offals (HS 020621, 020622)	Total beef and offals market: 157,512 tons (\$11.6 million)	3,445 tons (\$3 million)	0.86% (Growth in 2005 was 19%)	12% TPA: subject to TRQ	- Major suppliers are Brazil and Argentina (imports are currently banned)	- Before the ban, U.S. imports were growing fast. - With the TPA implementation there would be a TRQ that will allow U.S. market share growth.
Poultry meat cuts (HS 020711, 020712)	\$1,000 million	3,542 tons (\$2.6 million)	309% (Uneven, growth rocketed in 2002)	25% TPA: 10 years linear	- There is a strong Poultry industry in Peru. - Argentina and Brazil are major importers.	- Peruvians are major consumers of poultry.
Whey (HS 0404)	6,520 tons (\$7.6 million)	6,520 tons (\$7.6 million)	22.7% (34.4% average annual growth in the last three years)	25% TPA: duty free	- Major competitors are France and New Zealand, and very recently Chile.	- The U.S. is the major supplier with 23% of imports. - Growing market: multiple uses in the food industry. - TPA will make whey duties go to zero.

Product/ Product Category	Market Size 2005 est.	Imports 2005	Average Annual Import Growth (2001-05)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Turkey (HS 020725, 020726, 020727)	17,000 tons	2,706 tons (2,4 million)	9% (Uneven. Growth of 30% in 2005)	25%  TPA: 5 years linear	- Major importers are Brazil and Chile. - Local poultry industry is strong.	- Peruvians are major consumers of turkey at Christmas and New Year season. - TPA will benefit entry of U.S. turkey with a five years linear tariff treatment.
Fruit and vegetable prep. (HS 2001, 2002)	N/A	1,019 tons (\$0.6 million)	90% (Inmature market, growing signifcantl y)	25% TPA: duty free / 5 years linear	- Major suppliers are Chile, China and the U.S.	- U.S. products will be benefited from the TPA.
Fruit and Vegetable juices (HS 2009)	N/A	440 tons (\$0.75 million)	-1% (uneven trend)	25% TPA: duty free / 5 years linear	- Major suppliers are Brazil, the U.S. and Chile.	- U.S. products will be benefited from the TPA.
Sausages (HS 1601)	Sausages and hams market: \$60 million (27,000 tons)	321 tons (\$0.484 million)	4.2% (inmature market)	25% TPA: 5 years linear	- Major exporters are Chile, Spain and Italy.	- There is a high-end segment for gourmet sausages, where the U.S. can compete.
Pasta (HS 1902)	277,977 tons	2,998 tons (\$1.6 million)	25% (Uneven market)	25% / 12% TPA: duty free or 5 years linear	- Major suppliers are Chile, Italy and the U.S.	- U.S. pasta will be benefited from the TPA.
Potatoes, French fries (HS 200410)	Processed potatoes for HRI: \$15 million	4,478 tons (\$3.4 million)	12.5% (Growth of 28% in the last two years)	25% TPA: Duty free	- Major exporters are Netherlands, Belgium, Canada and the U.S. - Local processors cannot supply the demand.	- U.S. advantage of duty free with the TPA, which will make the U.S. more price competitive. - Increasing demand
Bread, pastry, cookies (HS 1905)	Cookies (\$160 million) Bread and Pastry (754,000 tons)	2,035 tons (\$4 million)	2.4% (Uneven growth, recovered in 2005)	25% TPA: duty free / 3 years linear	- Major suppliers are Chile, Colombia ad the U.S.	- U.S. products will be benefited with duty free with the TPA.

Product/ Product Category	Market Size 2005 est.	Imports 2005	Average Annual Import Growth (2001-05)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Sauces, soups & broths (HS 2103, 2104)	Mayonnaise (5,500 tons)	3,983 tons (\$6.3 million)	3.5% (uneven, annual growth of 10% from 2001 to 2004, dropped in 2005)	25% TPA: duty free / 5 years linear	- Major suppliers are the U.S. and Chile.	- U.S. products will be benefited from the TPA.
Wine (HS 2204)	11.1 million litres	5.6 million litres (\$9.9 million)	6.4%	17% TPA: 3 to 5 years linear	- Chile (41%), Argentina (21%) and Spain (19%) are major exporters. - Strong promotions. - Only regular wine consumers recognize U.S. wine quality.	- Local industry has 52% of market share. - There is a niche market for quality wines on which the U.S. can be appreciated and price competitive. - Peru's wine consumption is growing. - Post has recently held a Wine & Cheese tasting presenting U.S. wines to major HRI and Retail suppliers.

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

Source: World Trade Atlas, Ministry of Agriculture (Minag), Gestion Newspaper.

#### B. Products not Present in Significant Quantities, but Which Have Good Sales Potential

Product/ Product Category	Imports 2005	Average Annual Import Growth (2001-05)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Chicken leg quarters (HS 020713, 020714, 160232)	2,110 tons (\$1 million)	-12.5% (Uneven, 24% of growth in 2005)	25% TPA: 2 to 5 years linear; TRQ	- There is a strong Poultry industry in Peru.	- TPA will benefit mechanically deboned meat (MDM) with 2 years linear for duty free. - TRQ for chicken leg quarters when TPA is implemented. - The sausage industry is demanding the product as a lower cost ingredient.

Product/ Product Category	Imports 2005	Average Annual Import Growth (2001-05)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Nuts and almonds (HS 0802)	104 tons (\$0.7 million)	19.6% (inmature market, steady growth since 2002)	25%  TPA: Duty free or 5 years linear	- Chile is the major supplier. - U.S. exports to Peru are very small	- Importers recognize that U.S. quality of nuts and almonds is better than Chile's. - The product will be benefited from the TPA.
Citrus (HS 0805)	160 tons (\$0.123 million)	-17.6% (Growth of 9% in 2005)	25%  TPA: 5 years	- U.S. imports are restricted to Florida due to sanitary issues. - Chile owned 84% of imports in 2005.	- Recognized quality of U.S. oranges and tangerines. - Export window for the U.S. is from January to March. - U.S. will gain competitiveness with TPA.
Other fresh fruit (HS 0810)	408 tons (\$0.276 million)	17.24% (growth recovered in 2003)	25%  TPA: Duty free or 5 years linear	- Chile is major supplier with 94% of market share. - Imports mainly of kiwi.	- The TPA will open opportunities for the U.S. not only to export kiwis but also cranberries (very well accepted in juice), strawberries, etc.
Pork Meat (HS 0203)	655 tons (\$1 million)	1,731% (143% in the last three years)	25%  TPA: 5 years linear	- Peruvians are not used to eating pork. - Local industry produces 103,000 tons. - The industry is the same as poultry's.	- Pork imports are growing. - U.S. pork will be benefited from the TPA implementation.
Sausages HS 1601	321 tons (\$0.484 million)	4.2% (inmature market)	25% TPA: 5 years linear	- Major exporters are Chile, Spain and Italy.	- There is a high-end segment for gourmet sausages, where the U.S. can compete.
Ham, processed HS 160241, 160242	27 tons (\$0.2 million)	0.15%	25% TPA: 7 years linear	- Major suppliers in Spain.	- The U.S. has quality to introduce products in the gourmet market
Beer (HS 2203)	8,180 liters (\$5 million)	694% (9.2% of annual growth from 2002 - 2004)	17% TPA: Duty free	- Local breweries are very strong, owned by international companies.	- Growth in 2005 was 666% due to imports from Brasil made by a new brewery. - Growing consumption of beer (28 lts per capita)

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

Source: World Trade Atlas, Ministry of Agriculture (Minag), Gestion Newspaper.

### C. Products not Present Because They Face Significant Barriers

Poultry and pork products are currently banned due to phytosanitary issues. However, we are looking forward the reopening of this market soon.

### Section V. Key Contacts and Further Information

If you have any question or comments regarding this report or need assistance exporting to Peru, please contact the Foreign Agricultural Service in Lima at the following address:

U.S. Embassy Lima, Foreign Agricultural Service (FAS)  
Mailing Address: Office of Agricultural Affairs, Unit 3785, APO AA 34031  
Address: Av. La Encalada cdra. 17, Monterrico, Lima 33  
Phone: (511) 434-3042  
Fax: (511) 434-3043  
E-mail: [Aglima@usda.gov](mailto:Aglima@usda.gov)

For further information, check the FAS web site [www.fas.usda.gov](http://www.fas.usda.gov) or our web site [www.usdaperu.org.pe](http://www.usdaperu.org.pe). Please, also refer to our other current food market related reports: Exporter Guide, Food and Agricultural Import Regulations and Standards (FAIRS), FAIRS Export Certificate, Food Processing Ingredients Sector and Retail Food Sector.

#### Ministry of Foreign Trade and Tourism (MINCETUR)

Minister: Alfredo Ferrero  
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Fax: (511) 224-3362  
Web site: [www.mincetur.gob.pe](http://www.mincetur.gob.pe)

#### Hotel and Restaurant Association (AHORA)

President: Adolfo Perret  
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Web site: [www.ahoraperu.com](http://www.ahoraperu.com)

#### American Chamber of Commerce (AmCham Peru)

Executive Director: Aldo Defilippi  
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