



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 1/27/2009

GAIN Report Number: PE9001

Peru

Wine

Annual

2009

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Report Highlights:

Peru's economic growth has developed and improved in many sectors like food retail, gastronomy and tourism, among others. The growth in all of these sectors has had a positive impact on wine consumption. In the last five years, the wine market in Peru has grown at an average annual rate of 9.4% due to a combination of an increase in consumer purchasing power, an increased interest in gourmet food and a wider variety of modestly priced wines, reaching an average annual consumption of one liter.

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

Market Overview

Peru's economic growth has developed and improved in many sectors like food retail, gastronomy and tourism, among others. The growth in all of these sectors has had a positive impact in wine consumption. In the last five years, the wine market in Peru has grown at an average annual rate of 9.4% due to a combination of increased consumer purchasing power, increased interest in gourmet food of which wine is a complimentary product, and a wider variety of modestly priced wines, reaching an average annual consumption of one liter. In 2007, a total of 830 different brands of wine were imported, with a majority (72.5%) being red, followed by white and sparkling. However, the fastest growing variety of imported wine has been sparkling wine.

In the first quarter of 2008, 367 different brands of wine were imported into Peru: 129 from Argentina, 79 from Chile, 65 from Spain, 49 from France, 20 from Italy, 3 from Germany, 2 from Ecuador, and 3 from the United States. In the third quarter, Argentina led the import segment of the market in volume with 2,953,000 liters followed by Chile with 1,956,000 liters, Spain with 291,000 liters, Italy with 145,000 liters, France with 101,000 liters, Germany with 43,000 liters and the United States close behind with 40,000 liters.

The increase in the value of wine imports in 2008 was due to an increase in market size, a tariff reduction for wine imports and a drop in the exchange rate of Nuevo Soles. It is expected that the Peruvian wine market will grow 20% in 2008.

Domestic production of wine grew 13.3% in 2007 and focused mostly on red wine varieties. Due to the international financial crisis, the wine market is expected to only reach 6% growth this year, emphasizing the lower demand in the fourth quarter. Locally produced wines represent 30% of the wine market and less than 1% of domestically produced wine is exported. Excluding beer, wine accounts for 64.7% of the volume of beverage sales in Peru.

Imports

Peruvian consumers prefer red wine, as demonstrated by imports, with the overwhelming majority of them being red (72.5%). White wine makes up 16% of the market while sparkling and rose wine hold just over 10% of the market. It is important to note, however, that the fastest growing wine variety is sparkling wine.

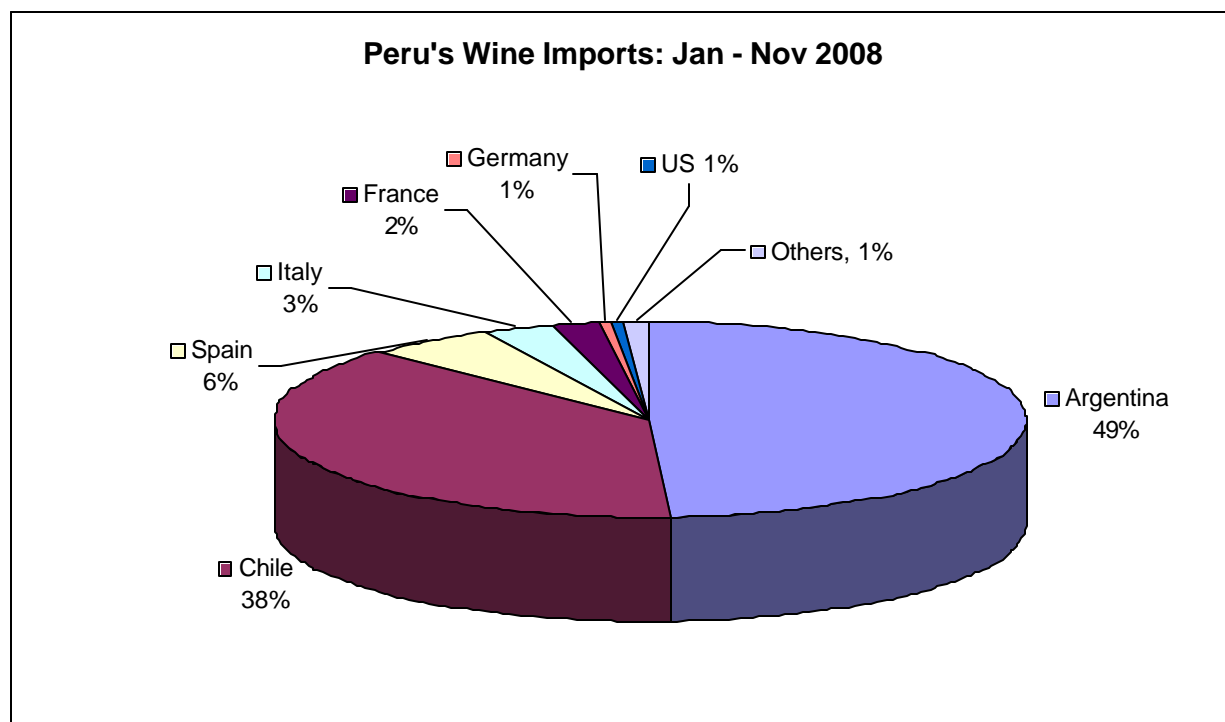
In Peru, wine is subject to a 17% Ad Valorem tax, a 20% consumption tax, and 18% VAT. However, with implementation of the US-Peru Trade Promotion Agreement, all duties on wine containers of two to four liters would be immediately eliminated. Within three years, duties on wine in containers less than two liters will be phased out and, within five years, duties on sparkling wine will be phased out.

Wine Imports (Liters)

Country	2004	2005	2006	2007	2008*
Argentina	1,413,929	1,977,094	2,772,109	3,739,529	3,623,418
Chile	3,041,308	2,626,109	2,802,266	2,680,385	2,795,554
Spain	480,636	17,526,235	732,031	445,863	412,048
Italy	162,36	180,220	214,167	199,462	235,043
France	85,752	76,782	93,592	149,450	130,328
Germany	78,035	75,808	74,288	57,475	58,811
US	171,972	141,302	75,178	80,338	41,396
Ecuador	0	0	16,470	8,100	20,088
Portugal	1,998	1,404	1,386	12,988	10,223
Australia	10,435	20,003	13,432	12,452	9,873
Uruguay	229	0	2,052	26,788	3,951
Total	5,499,297	22,649,748	6,821,920	7,418,203	7,349,459

*January - November

Source: Super Intendencia Nacional de Aduanas



Domestic Production

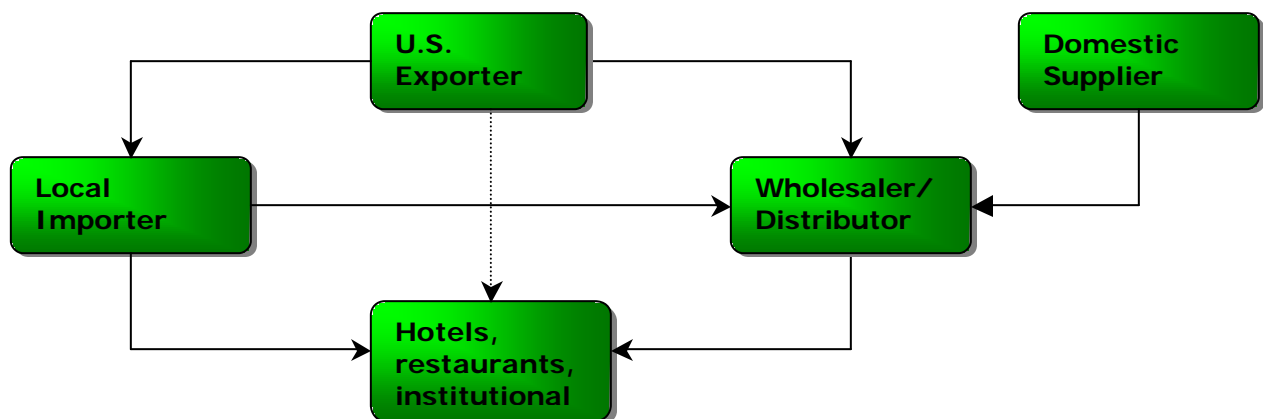
Domestic production of wine grew 13.3% in 2007 and is mostly red wine varieties. Locally produced wines represent 30% of the wine market and less than 1% of domestically produced wine is exported.

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.
 - Market wines as a compliment to Peruvian cuisine.
 - 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.
- Change labels to suit Peruvian market

Advantages	Challenges
<ul style="list-style-type: none"> • Small domestic industry 	<ul style="list-style-type: none"> • High cost in retail sector, must pay shelf space, refrigeration, etc.
<ul style="list-style-type: none"> • Low consumption rate 	<ul style="list-style-type: none"> • Not a volume market but a niche market
<ul style="list-style-type: none"> • Consumers prefer quality over price 	<ul style="list-style-type: none"> • Higher prices than other exporters.
<ul style="list-style-type: none"> • Market wine as compliment to Peruvian cuisine. 	<ul style="list-style-type: none"> • Strong promotion from competitors.
<ul style="list-style-type: none"> • Per capita annual wine consumption is growing. 	

Market Structure



- Imported wine is distributed among the Food Service Sector (30%), Retail Sector (35%) and Wholesalers (35%).
- Restaurants and Institutionals are considered the most profitable distribution channels for importers.
- Food service importers are also suppliers for the retail market, which represents more than 70% of their profits in most cases.

Import Regulations

Wine currently faces 9% import duties. Both local and imported wines are required to pay a selective tax (ISC) of 20% and the value added tax (VAT) of 19%.

Key Contacts

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

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