

Voluntary Report – Voluntary - Public Distribution

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Report Name: Demand for Pulses Increasing in Peru in Response to COVID-19

Country: Peru

Post: Lima

Report Category: Agricultural Situation, Market Development Reports

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Report Highlights:

There is currently a surge in demand for pulses (canary beans, navy beans, lentils, green peas and chickpeas) in Peru. Due to COVID-19, consumers are increasing purchases and consumption of pulses. In response, local importers are increasing purchases amid expected future shortages in stocks, lower yields, and higher prices. FAS Lima conducted an assessment of nine local importers to gather information about the current situation. These importers comprise 85 percent of the total pulse market.

Background:

On March 16, 2020, Peru put in place an unprecedented national quarantine in response to the COVID-19 pandemic. With an obligatory curfew and martial law to enforce, only essential businesses are able to open. To be classified as an essential business permitted to operate, formal companies must register with the government. Food suppliers, importers, exporters, producers and manufacturers are considered essential. These strict measures have impacted the economy. National production contracted by 16 percent in March 2020. Additionally, according to a representative of Peru's Central Bank, as of mid-April, 23 percent of the economically active population was unemployed, credit card usage was down 75 percent, debit card usage was down 50 percent, 40 percent reduction in sales tax revenue. As a result, the government is investing 12 percent of Peru's GDP back into the economy to maintain liquidity. Measures it has taken include direct payments to the unemployed, income subsidies of up to 35 percent, investment in health equipment, and postponing tax collection. Peru's Central Bank expects at least a two-year recovery to pre-pandemic levels. Economic recovery will be slow and uncertain.

Pulses are a staple of the Peruvian diet; easy to store, handle, transport, and cook. The pulse sector is a very traditional and dynamic business sector in Peru, and it is expected to remain strong despite the current pandemic and economic situation. According to statistics from the Trade Data Monitor (TDM) **TABLE 3** on average 100,000 Tons are imported to Peru annually. In the first quarter of 2020, imports rose 69 percent in volume and 86 percent in value from the same period the previous year. **TABLE 1** and **TABLE 2** compare Peru's imports in quarter on of the calendar year (January-March) from 2018 to 2020. The United States is the second largest supplier after Canada. Peru's imports of U.S. pulses increased by 130 percent in value and quantity from 2019 to 2020.

Prior to the COVID-19 pandemic reaching Peru, its pulse sector was accelerating its purchases in anticipation of low domestic stocks and virus spread. However, the current demand is exceeding expectations. For this reason, FAS Lima decided to look into the changing dynamics of the market.

The objectives for the assessment were:

1. To identify the actual impact of COVID-19 on the pulse industry.
2. To identify potential marketing prospects.
3. To identify opportunities for U.S. products.

It is important to note that the situation is evolving.

Findings:

1. Impact COVID-19:

Major challenges for pulse importers during COVID-19 include shortage of capacity at the port (labor), slow trade flows due to movement controls, excess of bureaucracy, limited transportation, and logistics. Since the pandemic arrived in Peru and the quarantine was put in place, pulse consumption in the home has increased dramatically. As a result, the surplus originally present in the market is decreasing, prices are expected to increase, and distribution within Peru to slow down due to travel restrictions and villages imposing lockdowns to stop the entrance of possibly infected people. In response to this situation,

demand for pulses has skyrocketed and importers and supermarkets are willing to expand their storage capacity to keep stocks. Supermarket chains are now adapting to online purchasing, but at the beginning of the quarantine they were overwhelmed, with orders exceeding their capacity for on-time delivery. At the time of writing in the tenth week of the quarantine, that will go through June 30, there is a two to three-week average for customized purchases of fruits, vegetables, meats, and other fresh and frozen foods. To minimize wait times, supermarkets are offering standard staple packages with essentials like rice, pulses, and milk at fixed prices. Moreover, since pulses are considered to be dry goods, they are easier to handle and offered in a two day “from storage” delivery service. Supermarkets are facing shortages of pulse products due to high demand. Local sources indicate that in the first quarter of 2020, Peru experienced a higher demand from both traditional and modern channels, 36 percent 44 percent respectively, reflected in **TABLE 1** and **TABLE 2**.

According to FAS Lima sources, at the onset of the national quarantine, pulse importers faced uncertainty and a slowdown of 80 percent of their operations, including packers. A significant challenge was logistics. Movement controls impacted distribution and port operations slowed down. Currently, transportation services are working at a 70 percent. Interviewees said that transportation is still a big challenge. On time product delivery remains difficult.

Lima, Peru’s capital, has a population of around 10 million, representing one third of the country’s population. In response to the pandemic and quarantine restrictions, restaurants and coffee shops are transitioning into groceries stores, pantries, and convenience stores. Online groceries are also on the rise and trying to keep up with the new normal of life in Peru that includes social distancing and a curfew. On May 23, as part of phase one of Peru’s economic reactivation plan, about 54,000 workers in the restaurant industry and related businesses returned to work. The economic reactivation plan has four phases that prioritize importance in the economy, employment rate, and worker and citizen safety.

About 70 percent of pulse trade is done in traditional markets in Peru. Currently, traditional markets are considered to be hotspots for infection. As a mitigation measure, the Sanitary authority (SENASA, APHIS equivalent) is charged with disinfecting markets found to have high rates of COVID transmission. This action will disrupt the trade flow and it is expected to close impacted markets for two to five days at a time. Some importers have raised concerns about one specific traditional market in the center of Lima, La Parada market, where 25 percent of pulses are traded. All importers are looking to move to the East of Lima to Los Productores market. FAS Lima foresees a shift to the modern channel as consumers shift to purchases on digital platforms. The category will experience a modernization and the traditional channel is expected to shrink by 28 percent in the next two years.

Peru’s bean harvest will start in June-July. It includes fava beans, peas, lima beans, lupini beans (tarwi), canary beans (camanejo or mayocoba), and navy beans (panamito). Yields are expected to be as planned: 45,000 hectare and 85,000 Tons.

Retail prices on average for 500 grams of lentils is about USD 1.00; green split peas USD 0.80; chickpeas USD 2.20, canary beans USD 1.70 and navy beans (panamito) USD 1.50.

2. Opportunities for U.S. products

According to FAS Lima sources, business has been very dynamic since early January. Demand for U.S. products is on the rise due its quality. These purchases are sourced from the current crop and new crop of lentils, chickpeas, and green peas, including popcorn and navy beans. Beans are of great demand currently. Pigeon peas knows, as gandules, from Ecuador increased dramatically. Also, Mexico has risen as bean and chickpea supplier. See TABLE 1 and TABLE 2 for more details.

Due to COVID-19, Peru's grocery stores are sold out of canned pulses. There is a shortage in restocking this imported product. Local production is limited and mainly export oriented.

3. Potential marketing prospects:

In the current context, digital platforms become the best allies for online purchases. Deliveries are on the rise. Safety and sanitation should be guaranteed. Supermarkets remain a great channel to invest in.

Impact on U.S. Exports:

1. Peru will keep demanding U.S product at the same or a higher pace.
2. Split green peas, navy beans, and canary beans are in great demand.
3. Peruvian importers are open to trying new, high quality pulse products to introduce in the market, even under COVID-19.
4. Opportunities for private label packaged products.
5. Peruvians look for quality product and low prices. They are sensitive buyers but also looking for long-lasting relationships and direct purchases.

TABLE 1. Peru Pulses Imports from World in Value
1st Quarter: 2018 - 2020

Partner	January - March (Value: USD)			Market Share (%)			%Δ 2020/19
	2018	2019	2020	2018	2019	2020	
World	14,378,230	10,872,014	20,203,175	100	100	100	+86
Canada	4,973,347	5,743,459	8,686,792	35	53	43	+51
United States	6,486,835	3,213,092	7,404,253	45	30	37	+130
Mexico	869,377	714,660	3,179,257	6	7	16	+345
Bolivia	109,776	165,020	391,362	1	2	2	+137
Argentina	247,892	173,670	362,187	2	2	2	+109
Ecuador	105,635	10,400	113,435	1	0	1	+991
New Zealand	31,940	31,940	65,200	0	0	0	+104
Italy	3,947	-	687	0	0	0	0
France	-	312	2	0	0	0	-99
China	1,549,482	819,460	-	11	8	0	-100

Source: Trade Data Monitor LLC

TABLE 2. Peru Pulses Imports from World in Quantity
1st Quarter: 2018 - 2020

Partner	January - March (Quantity: Ton)			Market Share (%)			%Δ 2020/19
	2018	2019	2020	2018	2019	2020	
World	17,320	20,201	34,104	100	100	100	+69
Canada	6,926	12,932	17,687	40	64	52	+37
United States	7,322	5,331	12,493	42	26	37	+134
Mexico	700	714	2,467	4	4	7	+245
Bolivia	203	260	621	1	1	2	+139
Argentina	290	188	481	2	1	1	+156
Ecuador	473	48	314	3	0	1	+552
New Zealand	20	20	40	0	0	0	+100
Italy	2	-	1	0	0	0	0
France	-	-	-	0	0	0	-95
China	1,384	707	-	8	4	0	-100

Source: Trade Data Monitor LLC

TABLE 3. Peru Pulses Imports from the World in Value & Quantity
Calendar Year (CY): 2015-2019 and First Quarter: (January-March: 2019, 2020)

Subheading	Description	Value (US \$)				January-March		
		2016	2017	2018	2019	2019	2020	%Δ 2020/19
BICO-Pulses	BICO-Pulses	72,239,556	93,619,435	73,531,461	57,004,144	10,872,014	20,203,175	+86
071340	Lentils, Dried Shelled, Including Seed	33,460,003	53,616,887	29,810,070	29,489,226	6,097,805	8,955,378	+47
071310	Peas (Pisum Sativum), Dried Shelled, Including Seed	16,480,461	19,058,305	17,652,141	14,116,011	2,248,600	6,331,095	+182
071333	Kidney Beans, Including White Pea Beans (Phaseolus Vulgaris), Dried Shelled, Including Seed	15,838,839	13,357,266	16,729,551	7,723,578	1,546,774	3,441,961	+123
071320	Chickpeas (Garbanzos), Dried Shelled, Including Seed	5,693,673	6,218,689	9,043,764	4,282,522	968,435	1,361,305	+41
071360	Pigeon Peas (Cajanus Cajan), Dried, Shelled	766,580	1,368,289	295,935	1,392,808	10,400	113,435	+991
Subheading	Description	Quantity (Ton)				January-March		
		2016	2017	2018	2019	2019	2020	%Δ 2020/19
BICO-Pulses	BICO-Pulses	84,627	108,202	107,545	99,418	20,201	34,104	+69
071340	Lentils, Dried Shelled, Including Seed	35,309	55,694	47,335	55,506	13,507	17,853	+32
071310	Peas (Pisum Sativum), Dried Shelled, Including Seed	29,713	35,844	33,836	26,991	3,920	11,454	+192
071333	Kidney Beans, Including White Pea Beans (Phaseolus Vulgaris), Dried Shelled, Including Seed	14,322	10,802	17,424	8,181	1,611	2,821	+75
071320	Chickpeas (Garbanzos), Dried Shelled, Including Seed	4,279	4,001	7,951	5,570	1,115	1,662	+49
071360	Pigeon Peas (Cajanus Cajan), Dried, Shelled	1,005	1,861	999	3,169	48	314	+554

Source: Trade Data Monitor LLC

Attachments:

No Attachments.