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Peru

Exporter Guide

Annual

2003

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Report Highlights:
Peru's economy is considered one of the most vibrant in Latin America today. The opening of new supermarkets and fast food outlets offer valuable market opportunities for U.S. exporters, especially for cheeses, pet food, snacks and condiments. The Exporter Guide intends to summarize key trade and market aspects to smooth U.S. importers entering Peru's food market.

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

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I. Market Overview

Peru´s economy is considered one of the most vibrant in Latin America today. In 2002, Peru's GDP grew 3.1 percent and the inflation rate was three percent.

Peru's Total GDP and Agricultural GDP (1996 - 2002)

Year	Total GDP		Agricultural GDP		
	Total	Growth (%)	Total	Growth (%)	GDP's share (%)
2002	36,658	3.1	3,239	4.0	8.8
2001	35,569	2.7	3,115	(0.6)	8.8
2000	34,647	3.1	3,134	6.2	9.0
1999	33,597	0.9	2,950	11.7	8.8
1998	33,281	(0.5)	2,640	1.5	7.9
1997	33,460	6.7	2,600	5.4	7.8
1996	31,345		2,466		7.9

* 2002 is estimated.

Total food sales were $4.6 billion in 2001 and an estimated $4.8 billion in 2002. Total food imports reached $244 million in 2001, and are expected to grow four percent in 2002. Food imports are distributed between sectors in 56 percent for the retail, 23 percent for the food processing and 22 percent for the food service.

The U.S. was the third major supplier of consumer-ready products in Peru with $22 million in 2001, facing competition from Chile and New Zealand principally.

Lima is the major market for consumer-ready foods with almost one third of total population and more than 60 percent of the national income. High and middle-income consumers, the most promising group for U.S. foods, reaches around **1.6 million inhabitants and have a monthly family income of $1,000 in average**.

Within this group of consumers, food products such as fresh fruits, processed fruits and vegetables, cheese, pet food, wine, snacks, processed meats, sauces, prepared soups and condiments constitute good prospects for U.S. suppliers, especially in supermarkets, whose sales are likely to rise from $0.8 billion in 2001 to 1.2 billion in 2004. Peru also offers opportunities for delicatessen food sales in high category restaurants and hotels and for imported food ingredients within the food processing sector and fast food chains.

Social factors that affect consumer-ready product demand include urbanization, more participation of women in the workforce (38 percent), high percentage of young population that prefers eating fast food, and exposure to foreign products information through media.

The main constraints facing U.S. food imports are customer preferences for fresh food, limited purchasing power and tariff and non-tariff barriers.

In conclusion, Peru offers promissing conditions for U.S. import products due to supermarket and fast food chains expansion, a growing trend for processed food consumption and economic stability, but U.S. exporters interested in Peru's market should be familiar with the overall market situation and Peruvians different food preferences.

Advantages and Challenges Facing U.S. Products in Peru

Advantages	Challenges
< U.S. food quality and culture.	< Peruvians prefer meals based on fresh produce.
< Economic stability.	< Lack of brand awareness among consumers.
< Peruvian government is promoting tourism, which will create new opportunities for food service expansion.	< New local food brands appearing in the market at very low prices.
< Supermarkets sales are growing, reinforced with new outlets opened in areas outside Lima city.	< Low purchasing power; 76 percent of the total Peruvian population are low-income consumers.
< Fast food chains are growing in Lima and in major cities (Arequipa and Trujillo).	< Price band imposed on "sensitive" products such as corn, rice, sugar and dairy products, mean higher prices for processed foods.
< The food processing industry is concentrated within 86 companies accounting for 75 percent of sales.	< Supermarkets, the main source of imported food products, account for only 17 percent of total retail food sales.
< The pet food market is growing rapidly (30 percent in 2002).	< High tariffs (25 percent) applied to most specialty food imports.
< People are becoming aware of diet, light and healthy food products through media.	< Smuggling.

II. Exporter Business Tips

- Peruvian diets are based on fresh produce and chilly seasonings.

- Imported food products have an import tariff rate that varies according to the type of product, ranging between 12 percent and 25 percent.

- Corn, rice, sugar and dairy products (powdered milk, whey, cheeses and butter) are subject to a price band (a variable levy) in addition to a fixed 25 percent tariff.

- All food products are subject to a 18 percent local sales tax (IGV). Beer and wine mark up an additional selective consumer tax (ISC) of 20 percent.

- Since **November 2002,** poultry meat imports from the U.S., except for Iowa and Arkansas, are banned for sanitary reasons.

- **Food standards and regulations**

  Sanitary inspection, food registration, packaging and control regulations for food and beverages are included in the Supreme Decree No. 007-98-SA of September 25, 1998. Organisms that regulate these procedures include the Sanitary and Phytosanitary Inspection Agency (SENASA) for inspection on animal and plant origin products and the General Environmental Health Bureau (DIGESA) for food and beverages. The organism in charge of labeling standards, labeling control and trademarks is the National Institute for the Defense of Competition and for the Protection of the Intellectual Property (INDECOPI).

- **General import and inspection procedures**

  Customs (ADUANAS) requires a Customs Unique Declaration (DUA), a commercial invoice, an airway bill or bill of lading, a packing list, an insurance letter and a food sanitary registry for food processed products (issued by DIGESA) or a Sanitary Certificate for animal, plants or their by-products (issued by SENASA).

  For imports amounting more than $5,000, a certificate of inspection in the port of origin must be submitted before shipment, authorized by one of three supervisory companies: Bureau Veritas S.A., Cotecna Inspection (PERU) S.A. and SGS Societe Generale de Surveillance S.A. There is a law proposal to eliminate this procedure, if this law is passed, the inspection will take place in

Customs facilities.

‘ **Food and Beverage sanitary registration**

The importer needs to submit a sworn application including contact information of his company and the manufacturer, the importer´s single registry number (R.U.C.), the product content, the results of physical-chemical and microbiological analysis, ingredients, lot code, expiration date and storage conditions. In addition, a Certificate of Free Trade or a Certificate of Use issued by the health authority of the country of origin accompanied with a receipt of approximately $64 are required.

‘ **Certificates for Animals, Plants and their by-products**

Before the product is shipped, the importer must request an import permit from SENASA. The exporter will provide to the importer the corresponding official Sanitary certificate of the country of origin, including the specific certification requirements of SENASA.

‘ **Labeling requirements**

Imported packed foods must carry a separate adhesive label with the correspondent Spanish translation and the importer/distributor´s contact information and R.U.C.

‘ For more information regarding Peru´s food regulations and standards and import and inspection procedures, please refer to our current Food and Agricultural Import Regulations and Standards Report PE3010.

III. Market Sector Structure and Trends

‘ In order to enter the Peruvian food market, U.S. exporters should contact local food processing companies, importers/wholesalers/distributors directly or indirectly through brokers, agents or representatives.

‘ **Food Service Sector**

Total food sales in Peru’s HRI sector were approximately $141 million in 2001, 37 percent ($53 millions) of which correspond to food imports, and it is estimated to have grown **3.5 percent in 2002**. About half of these sales correspond to high category hotels and restaurants frequented by wealthy inhabitants and tourists.

Local products, basically fresh, satisfy 63 percent of the market demand due to lower prices and preferences in taste.

The niche market for U.S. exporters in this sector include luxury hotels and restaurants, some family style restaurants, coffee shops and fast food chain restaurants.

‘ **Food Processing Sector**

Total sales of this sector reached $2.9 billion, of which $54 million were imported food products in 2001. Growth in 2002 is estimated in five percent for total sales and four percent for food imports.

Local food processing products cover 92 percent of the market demand. Food processors are concentrated in 86 companies, which represent 75 percent of total sales.

‘ **Peru´s Food Retail Sector**

Peru's total retail food market was $4.4 billion in 2001 and growth is estimated to reach 11 percent in 2004. While food products sold through small grocery stores and traditional markets constituted $3.6 billion in 2001, their growth is expected to slow and supermarkets market share in the retail sector is expected to go up from 18 percent in 2001 to 25 percent by 2004.

Five percent of the consumer-ready products sold in supermarkets are imported. Although they are particularly sensitive to economic conditions, there is a growing trend and potential for U.S. food exports in meats and cheeses, fresh fruits, wines and liquors, pre-cooked food and pet food.

E. Wong and Disco Ahold are the two major supermarket chains in Peru. Between them, E. Wong holds 68 percent of the supermarket market share and Disco Ahold 32 percent. The last is being offered for sale, and interested possible purchasers include E.Wong and Tottus, a Chilean chain that have recently entered the Peruvian market.

IV. Best High-Value Product Prospects

‘ Neighboring countries, especially Chile and Brazil, are major food exporters to Peru due to low transport costs and preferential tariffs. According to Customs, apples and pears from Chile enter Peru almost duty free, and products from Brazil's pay an average tariff rate of 16 percent. Argentina is also exporting to Peru with better prices than the U.S. because of the recent devaluation and its proximity.

Product/ Product Category	Market Size	2002 Imports (million tons)	2001-2002 Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Cheese	N/A	1.9	40%	25% + Price band	- Subject to a price band. - Main competitor is Argentina.	- Market is developing in HRI and Retail sector. - The U.S. is one of the main suppliers with 26% in 2002.
Pet food	10.3 Million tons	7.4	30%	25%	- Brazil held 46% and Argentina 17% of imports in 2002.	- Pet feeding care is growing fast. - The U.S. is the second major supplier with 33%. - Local consumers recognize U.S. pet food quality.
Wine	10 million litres (2001)	6.6 million litres	12%	25%	- Chile (33%) and Argentina (29%) are major exporters. - Only regular wine consumers recognize U.S. wine quality.	- There is a niche market for quality wines on which the U.S. can be appreciated and price competitive.
Snacks	N/A	11	16%	25%	- Chile and Colombia are major exporters.	- Market with potential growth in HRI and Retail. - U.S. quality is appreciated.
Meats, processed	N/A	0.7	8 %	25%	- Chile and Bolivia are major competitors.	- Growing market, where the U.S. is the third supplier.
Fruit and vegetables, processed	N/A	14.6	15%	25%	Chile is the main competitor.	- U.S. exports are growing.fast (almost 50% in 2002)
Fresh fruits	N/A	43	Inmature market.	25%	Chilean imports come almost duty free.	- U.S. exports in a window different from Chile, the main competitor. - Imports are likely to grow in 2003 due to a 18% tax canceled in 2002 other than the 25% duty.
Sauces, soups and condiments	N/A	1	2%	25%	Chile is a major exporter.	- U.S. exports reached the first place, and grew 13% in 2002

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 Agricultural Affairs Office 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: 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 www.fas.usda.gov. Please, also refer to our other current food market related reports on this web: Food Processing Ingredients Sector, Food Retail Sector, Hotel, Restaurant and Institutional Sector and Wine Sector, and the Food and Agricultural Import Regulations and Standards (FAIRS).

Trade Associations

Lima Chamber of Commerce
President: Manuel Aida
Address: Gregorio Escobedo 396, Jesus Maria, Lima 11
Phone: (511) 463-3435
Fax: (511) 463-3686

American Chamber of Commerce of Peru (AMCHAM)
President: Juan Saca
General Manager: Aldo Defilippi
Address: Av. Ricardo Palma 836, Miraflores - Lima 18
Phone: (511) 241-0708
Fax: (511) 241-0709
Web site: www.amcham.org.pe
E-mail: amcham@amcham.org.pe

National Society of Industries (SNI)
President: Roberto Nesta
General Manager: Federico de Aparici
Address: Los Laureles 365, San Isidro - Lima 27
Phone: (511) 421-8830
Fax: (511) 442-2573

National Confederation of Private Enterprises (CONFIEP)
President: Leopoldo Scheelje

General Manager: Augusto Rey
Address: Victor Andres Belaunde 147, Edificio Real 3, Via Principal 155, 4to. Piso, Lima 27
Phone: (511) 426-9090
Fax: (511) 427-4271
E-mail: www.confiep.org.pe

Peruvian Custom Agents Association
Av. Saenz Peña 284, Of. 302 - Callao, Callao 1
Phone: (511) 429-1780
Fax: (511) 429-1780

Hotel and Restaurant Association (AHORA)
President: Carlo Palmieri
Address: Av. Benavides 881, Lima 18
Phone: (511) 444-7825
Fax: (511) 444-4303
E-mail: ahora@qnet.com.pe

Ministries and Government Agencies

Ministry of Agriculture (MINAG)
Minister: Eng. Alvaro Quijandría
Address: Av. Salaverry 655, Jesus Maria
Phone: (511) 433-3034 / (511) 431-0424
Fax: (511) 431-0109
Web site: www.minag.gob.pe

The National Agricultural Sanitary and Phytosanitary Service (SENASA)
Director: Dr. Elsa Carbonell
Address: Pasaje Francisco de Zela s/n, Lima (10th floor)
Phone: (511) 433-8026
Fax: (511) 433-7802
Web site: www.senasa.gob.pe

General Environmental Health Bureau (DIGESA)
General Director: Eng. Luis Chavez
Address: Las Amapolas 350, Urbanizacion San Eugenio, Lince, Lima 14
Phone: (511) 442-8353
Fax: (511) 440-6797 / 440-6562
Web site: www.digesa.sld.pe

National Institute for the Defense of Competition and for the Protection of the Intellectual Property (INDECOPI)

General Manager: Fernando Arrunategui
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Phone: (511) 224-7800
Fax: (511) 224-0348
Web page: www.indecopi.gob.pe

APPENDIX 1. STATISTICS

TABLE A. Key Trade & Demographic Information (2002)

Agricultural Imports From All Countries ($million)/ U.S. Market Share (%)[1/]	1,049 / 22.7
Consumer Food Imports From All Countries ($ million)/ U.S. Market Share (%)[1/]	266.3 / 9.4
Edible Fishery Imports From All Countries ($ million)/ U.S. Market Share (%)[1/]	22 / 4.5
Total Population (Millions) / Annual Growth Rate (%)	26.7 / 1.5
Urban Population (Millions) / Annual Growth Rate (%)	19.3 / 1.6
Number of Major Metropolitan Areas [2/]	1
Size of the High-Middle Class (Millions) / Growth Rate (%)	1.8 / 3%
Per Capita Gross Domestic Product (U.S. Dollars) - 2001	1,418
Unemployment Rate (%)[3/]	8
Per Capita Food Expenditures (U.S. Dollars) [4/]	280
Percent of Females of Working Age [5/]	43
Exchange Rate (US$1 = X.X local currency) [6/]	$1 = S/. 3.49

[1/] UNTrade database of 2001.

[2/] Lima is the main city with seven million inhabitants. There are four other cities, Arequipa, Trujillo, Chiclayo and Piura, with more than 600,000 inhabitants.

[3/] Total Population in age of working (15 years or above) is estimated in 13.4 million. However, underemployment is 46 percent.

[4/] Only high and middle class consumers.

[5/] Women constitute seven million or 43 percent of the population in age of working. Eight percent of this amount is unemployed and 50 percent is underemployed.

[6/] Exchange rate as of May 2003. Local currency is the Sol.

TABLE B. Consumer Food and Edible Fishery Product

Peru Imports (In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S Market Share		
	1999	2000	2001	1999	2000	2001	1999	2000	2001
CONSUMER-ORIENTED AGRICULTURAL TOTAL	272	238	266	32	27	25	12	11	10
Snack Foods (Excl. Nuts)	24	20	23	1	2	1	5	8	5
Breakfast Cereals & Pancake Mix	2	2	2	1	1	1	17	26	20
Red Meats, Fresh/Chilled/Frozen	16	15	13	5	4	2	34	27	13
Red Meats, Prepared/Preserved	3	2	2	1	1	1	20	26	27
Poultry Meat	6	5	4	2	2	1	37	30	36
Dairy Products (Excl. Cheese)	81	65	64	2	2	2	2	3	3
Cheese	5	4	6	1	1	2	25	21	36
Eggs & Products	2	1	1	1	1	1	28	31	1
Fresh Fruit	16	14	27	1	1	1	2	1	2
Fresh Vegetables	4	1	1	1	1	1	2	5	2
Processed Fruit & Vegetables	22	18	18	4	2	2	19	10	9
Fruit & Vegetable Juices	1	1	1	1	1	1	26	49	56
Tree Nuts	1	1	1	1	1	1	15	5	8
Wine & Beer	11	10	11	1	1	1	5	5	3
Nursery Products & Cut Flowers	2	1	1	1	1	1	17	14	4
Pet Foods (Dog & Cat Food)	2	3	4	2	1	2	79	47	42
Other Consumer-Oriented Products	76	74	88	11	11	12	15	14	13
FISH & SEAFOOD PRODUCTS	17	16	22	1	1	1	1	1	0
Salmon	1	1	1	0	0	1	0	0	0
Surimi	1	1	1	0	0	0	0	0	0
Crustaceans	2	1	1	1	1	1	0	1	1
Groundfish & Flatfish	2	3	2	1	0	0	0	0	0
Molluscs	2	1	1	1	0	0	2	0	0
Other Fishery Products	11	12	19	1	1	1	0	2	0
AGRICULTURAL PRODUCTS TOTAL	1,084	929	1,049	390	226	239	36	24	23
AGRICULTURAL, FISH & FORESTRY TOTAL	1,126	976	1,096	396	235	242	35	24	22

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

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

CONSUMER-ORIENTED AGRICULTURAL IMPORTS

$1,000	1999	2000	2001
Chile	62,728	58,798	77,101
New Zealand	52,208	35,021	33,512
United States	32,223	26,596	25,469
Colombia	12,360	12,152	19,883
Brazil	6,530	9,083	13,101
Argentina	16,226	14,309	13,009
Mexico	7,630	7,713	8,778
Ecuador	7,229	6,656	8,763
Venezuela	9,438	9,687	7,488
Bolivia	2,442	1,959	7,484
Australia	5,655	6,239	6,651
Ireland	8,208	6,119	5,797
Canada	5,004	4,792	4,861
France	4,345	3,690	4,466
Netherlands	3,710	3,748	3,763
Other	35,547	31,174	26,197
World	271,520	237,756	266,333

FISH & SEAFOOD PRODUCTS

$1,000	1999	2000	2001
Chile	7,912	11,014	13,795
Ecuador	4,042	4,112	6,493
Venezuela	0	0	846
Japan	2,081	248	660
Areas NES	93	76	147
Spain	96	76	73
Indonesia	0	0	45
Portugal	47	20	33
United States	88	238	31
Bolivia	0	2	26
China	28	15	21
United Kingdom	0	0	13
Colombia	1,151	14	12
Norway	372	8	10
Antigua and Barbuda	0	0	9
Other	914	281	26
World	16,830	16,107	22,243

Source: United Nations Statistics Division