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Report Highlights:

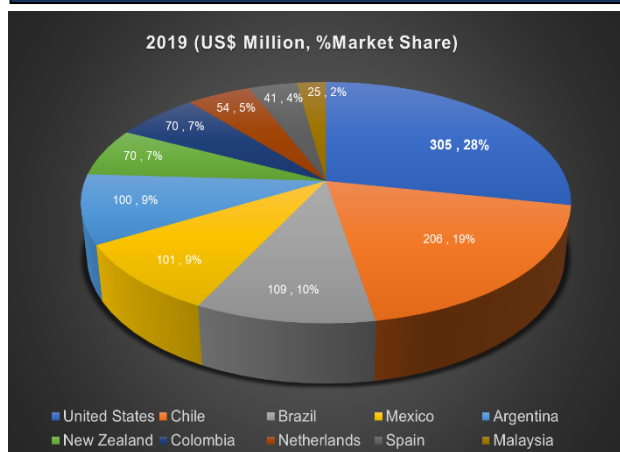
Peru is an internationally recognized gastronomic hub with opportunities for imported complementary food products. Despite the difficult situation that Peru's economy is facing amid COVID-19, the long-term outlook looks favorable. However, the food service industry will need to make adjustments due to changes in consumer's behavior. This report provides a road map for exporters wishing to enter the Peruvian food service market and who want to understand the key distribution channels for foods and beverages destined for food service.

Market Fact Sheet: PERU

Executive Summary

For over a decade, Peru has been one of the world's top performing economies, registering sustained high growth accompanied by low inflation. Agriculture accounts for approximately five percent of Peru's Gross Domestic Product (GDP), but employs around 28 percent of the population. The U.S.-Peru Trade Promotion Agreement, which entered into force in February 2009, has increased bilateral trade of agricultural products from \$1.46 billion in 2009 to \$3.83 billion in 2019, an increase of 162 percent. More than two-thirds of current U.S. agricultural exports enter Peru duty-free. The United States remains the largest agricultural product supplier to Peru, accounting for 21 percent of market share.

Imports of Consumer-Oriented Products



Peru offers good opportunities for U.S. exporters of consumer-oriented agricultural products, but there are some challenges. The successful introduction of new to market food products depends on knowledge of the market and personal contact. Exporters should review Peru's food laws, packaging and labeling requirements, business practices, and trade-related laws and tariffs. Getting to know the potential importer and the local distribution system is critical.

Food Processing Industry

Peru's food processing industry is a dynamic sector of the national economy. The food industry in Peru accounts for almost 24 percent of the industrial GDP. Its growth is directly linked to the development of the food retail and food service sectors. Food product manufacturers source both domestic and imported product ingredients. Local processed food products cover 70 percent of the market demand.

Food Retail Industry

There are three main supermarket chains in Peru: Cencosud (Wong and Metro), Saga Fallabella (Tottus) and Supermercados Peruanos (Vivanda and Plaza Vea). The market includes 259 conventional supermarkets and superstores, with 179 in Lima, and 690 convenience stores. The sector is comprised of both conventional supermarkets and traditional channels, comprised of wet markets and independent stores. Different types of food appear to perform better in the two formats. Top products include snack foods, dairy, edible oils, confectionaries, bread, and cookies.

Quick Facts CY 2019

Imports Consumer-Oriented Products: \$305 MM

Top 10 Growth Products in Peru

| | |
|------------------------------------|---------------------------------------|
| 1. Corn Flour | 7. Chicken meat prep. or preserv. |
| 2. Milk and Cream concentrated. | 8. Potato flakes, granules or pellets |
| 3. Turkey meat prep. Or preserved. | 9. Wheat not durum |
| 4. Beer made from malt. | 10. Sucromalt |
| 5. Meat and offal of swine. | 11. Poultry meat prep or preserved. |
| 6. Turkey cuts frozen | |

Food Industry Gross Sales: \$30.5 billion

Food Industry by Channels

| |
|---------------------------------|
| 1. Food Exports: \$8.6 billions |
| 2. Food Imports: \$4.7 billions |
| 3. Retail: \$22 billion |
| 4. Food Service: \$8.5 billion |
| 5. Wet market: \$18 billion |

GDP/Population

Population (Millions): 32

GDP (Billions USD): 236

GDP Per-capita (USD): \$7,300

Strengths/Weakness – Opportunities/Challenge

| Strengths | Weakness |
|------------------------------------------|----------------------------------------------------------|
| Strong demand for consumer food products | Low penetration of modern food retail along the country. |
| Opportunities | Challenges |
| Growing middle class | Stiff competition from other countries. |

Data and information sources: FAS Lima

Contact: FAS Lima

Section I: Market Summary

As in many countries in the world, the COVID-19 pandemic has dramatically impacted the Peruvian economy. On March 16, the Government of Peru (GOP) announced one of the earliest Coronavirus lockdowns in the region. After almost five months of a strict quarantine, many sectors progressively started to resume activities. A decrease in household consumption and a sharp uptick in the unemployment rate hampered spending. Several sources forecast a negative GDP growth by the end of 2020.

Peru has received several international recognitions as a cultural and gastronomic destination in the last ten years. Instrumental to its reputation as a “foodie destination” in the region is its recognition as “World’s Leading Culinary Destination” by the World Travel Awards since 2012 and the presence of three Peruvian restaurants on the list of “Latin America’s 50 Best Restaurants in 2019.”

Tourism is a strong driver of the hotel-restaurant-institutional (HRI) sector, and it represented the third largest income generator after the mining and agricultural sectors in 2019. The tourism sector has become an excellent source of foreign exchange, and a major service sector employer. According to the Ministry of Foreign Trade and Tourism (MINCETUR) some 4.5 million foreigners visited Peru in 2019, generating nearly \$5 billion in revenue. Food service makes up to 18 percent of total foreign tourist revenue. Peru has over 20,000 hotels with almost a half-million beds. High-end restaurants and hotels serve high-value U.S. consumer-oriented products (e.g., wines, cheese, beef, and pork). Demand for U.S. food products and ingredients has benefitted from the [U.S.-Peru Trade Promotion Agreement \(PTPA\)](#). U.S. food and agricultural product exports to Peru have doubled since the PTPA entered into force, reaching \$1.1 billion in calendar year 2019.

Given these strong credentials the long-term outlook looks positive, however, the HRI sector is going through an unprecedented situation that requires adjustment due to changes on consumer’s behavior. Restaurants received the government’s green light to resume activities at the end of July. At the beginning, the reopening conditions allowed only delivery service. Currently, restaurants can use only 50 percent of seating capacity among other public health measures and strict controls established by the Ministry of Health. Nevertheless, these measures along with the complexity of the sector are insufficient to rebound losses in the short term.

On the tourism side, domestic flights were allowed to resume activities by mid-July and some regional international flights have restarted as of October 5, but many countries, including the United States, have yet to resume international flights with Peru. This scenario poses a high risk to the hotel industry in the short term and could cause many hotels to go out of business due to financial problems.

The Government of Peru has implemented different mechanisms to support the sector (Reactiva Peru, Turismo Emprende, among others). It is imperative to rethink conventional strategies. E-commerce,

for instance, associated with “dark kitchens” is gaining ground as an alternative for some restaurants to reach a wider audience. Many renowned chefs have developed content through their social media platforms in order to keep up their influence among consumers and to take care of their brands that took many years to reach popularity.

| Advantages | Challenges |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Recognition of U.S. food quality and an appreciation for U.S. culture. • Food service products benefit from the PTPA with low or no tariffs. • Fast food chains are expanding the number of locales in Lima and its suburbs, as well as in major cities such as Arequipa, Trujillo, Chiclayo, and Piura. • Peru is actively promoting tourism. • With culinary tastes increasing in sophistication, demand for high-quality food products is growing. • Strong foreign franchise investment interest in Peru’s HRI sector. • Market opportunities for health food products. • Government food programs (<i>Qaliwarma</i>) are expanding. | <ul style="list-style-type: none"> • Less favorable economic conditions continue to weigh on domestic economic activity, leading to a considerable short-term slowdown in growth. • Cultural misperception about the healthiness of frozen products. • Peruvians prefer meals made using fresh products. • The limited number of five-star hotels hinders U.S. product market penetration. • U.S. exporters need to tailor products and ingredients to local tastes and expectations. • Limited infrastructure coupled with low quality service, discourages tourists from staying longer or repeat visits. • Peru is opening its market to rival foreign food service product providers. • Stiff competition from the region and other countries through multiple trade agreements. |

Section II: Road Map for Market Entry

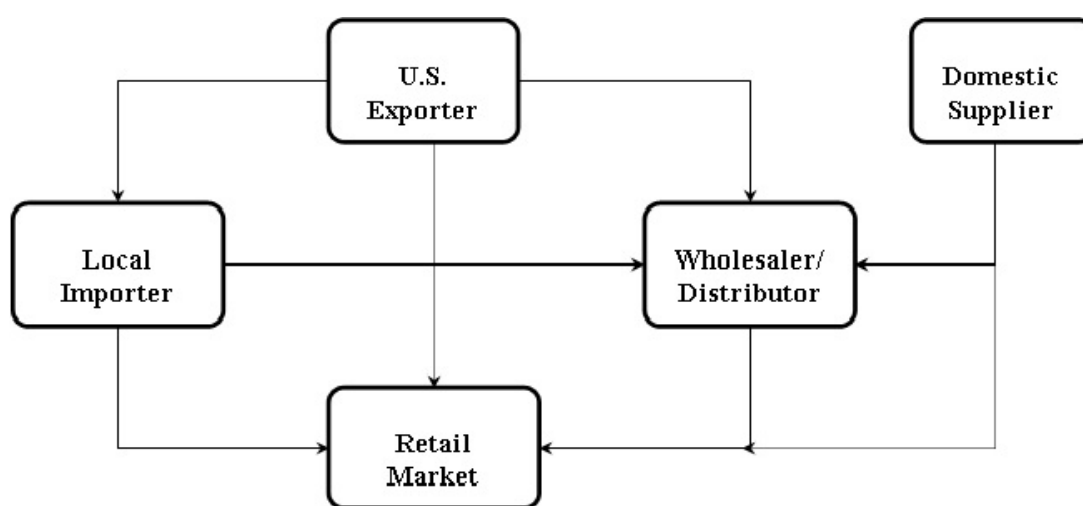
The HRI sector in Peru has steadily grown in the last 20 years driven by the excellent economic performance. A strong middle-class and tourism are two key major drivers for this growth. U.S. food products are known for their quality, consistency, and practicality.

1. Entry Strategy

- Food service providers mainly rely on importers to source imported products.
- Determine if the product can be imported (see, FAIRS Country Report – Peru 2020).
- Determine the product’s category and competitiveness.
- U.S. exporters can gain access to the Peruvian food service market through large importers, wholesalers/distributors, or specialized importers. Most food service companies buy imported goods from local intermediaries.

- Visits to Peru are recommended. The import partner should be well known by the exporter before signing contractual agreements. Maintain contact with import partners.
- Exporters should provide support to food service customers by participating in technical seminars, product demonstrations, and local trade shows whenever possible.
- Exporter must research food import regulations to facilitate the registration and import of food products and to minimize risk of detained shipments at port of entry (see, FAIRS Country Report – Peru 2020).
- The import partner should be able to provide updated information on consumer trends, market developments, trade, and business practices.
- Contact FAS Lima office for trade facilitation and market assistance.

2. Market Structure



- Food service institutions largely source domestic food ingredients. Peruvians prefer locally produced, affordably priced, fresh food products.
- Food service importers also supply the retail market.
- Almost 95 percent of food service businesses purchase through intermediaries.
- International franchises (e.g., KFC, Pizza Hut, Burger King, McDonalds, Starbucks, Chilis, Friday’s, etc.) and local fast-food chains import some of their food ingredients directly.
- Local and imported products are distributed directly to food service outlets or through sub-distributors, a practice common in secondary cities.

3. Sub-Sector Profiles

a) Hotels and Resorts

In 2019 Peru hosted several international events, including the Pan American Games and Para Pan American. MINCETUR reported 4.5 million foreign visitors that generated almost \$5 billion in revenue.

International hotel brands are betting on the Peruvian market’s growth. High-end hotels (i.e., four- and five-star) are a niche market for U.S. food products. These hotels use higher

proportions of imported food products. Foreign imports account for about 15 percent of the food served in high-end hotels. Half of all Peruvian high-end hotels are located in Lima. Hotels are developing strategic alliances with international chains and major investor groups. Beef, pork, wine, distilled spirits, and frozen products are potential categories for development in this channel. According to the Lima Chamber of Commerce (CCL), investment in new hotels are expected to reach \$800 million between 2019 and 2021 due to the influx of foreign business travelers. FAS Lima estimates that food service makes up to 18 percent of total foreign tourist revenues. South Americans are the largest group of visitors to Peru, at nearly 60 percent. Approximately 17 percent of visitors are from the United States.

b) Restaurants

There are approximately 200,000 establishments which employ nearly 1 million people. The meteoric growth of this sector is attributed to better performance of specific segments, including fast food and stand-alone restaurants. High-end restaurants, casual dining eateries, coffee shops, and fast-food chains represent niche market opportunities for U.S. exporters. These establishments absorb 15 to 25 percent of all imported food products. The most frequently imported food ingredients include sauces, meats, processed fruits and vegetables, cheeses, and specialty products such as beef products, pork products, wines, and spirits.

Table 2: Peru, Restaurant Company Profiles (2019)

| Company Name | Sales (\$million) | Brands | Location | Purchasing Agent |
|-----------------------|-------------------|----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|------------------|
| DELOSI | 350 | KFC, Starbucks, Pizza Hut, Burger King, Pinkberry, Chili's, Doggis, Olive Garden | Lima, Trujillo, Arequipa, Chiclayo, Huancayo, Cuzco, Ica, Piura, Cuzco, Pucallpa, | Direct Importer |
| NG Restaurants S.A. | 123 | Bembos, Chinawok, Don Belisario, Popeyes, Dunkin Donuts, Papa Johns | Lima, Trujillo, Arequipa, Chiclayo, Huancayo, Cuzco, Ica, Piura, Cuzco, Pucallpa, | Direct Importer |
| Franquicias Pardo SAC | 72 | Pardo's Chicken, Juicy Lucy, Planet Chicken | Lima, Trujillo, Arequipa, Chiclayo, Huancayo, Cuzco, Ica, Piura, Cuzco, Pucallpa, | Local |
| McDonald's | 45 | McDonald's (fast food) – 54 outlets | Lima, Trujillo, Arequipa, Chiclayo, Huancayo, Cuzco, Ica, Piura, Cuzco, Pucallpa, | Direct Importer |
| Grupo Norky's | 110 | 115 outlets | Lima, Trujillo, Huancayo, Huanuco, Ica, Arequipa, Pucallpa, Puno, Piura, Chiclayo, Cajamarca, | Local |
| Grupo Roky's | 74 | 97 outlets | Lima, Ica, Trujillo, Chiclayo, Piura | Local |

| | | | | |
|---------------------|----|-------------------------------------------------------------------------------------------------------|----------------------------------------|-------|
| Cinco Millas S.A.C. | 16 | Astrid & Gaston, Madame Tusan, Chicha, La Mar, Panchita, Tanta, Papachos, Los Bachiche, Los Valientes | Lima, Trujillo, Piura, Cuzco, Arequipa | Local |
|---------------------|----|-------------------------------------------------------------------------------------------------------|----------------------------------------|-------|

Source: FAS Lima office research.

The number of foodservice outlets continues to grow rapidly in Peru due to the expansion of shopping centers in Lima and cities located in the provinces where the cost of real estate is significantly lower than in Lima. Retail penetration in Peru is still low compared with other countries in the region. As a result, growth in this environment is expected to continue. The return of well-known U.S. brands, including Taco Bell and Little Caesars, and the novelty interest in other chains, such as IHOP and Hooters, pose promising areas for future growth. Peruvian companies are seeking to expand into new franchise options, particularly in health foods and Mexican food. The booming Peruvian cuisine scene is also driving the significant expansion of the high-end restaurant sector. This trend has been instrumental in the development of new restaurant formats. U.S. food and agricultural products are perceived to be of high quality and have found a niche market in high-end restaurants.

c) Institutional

The institutional sub-sector continues to suffer from a slowdown in the mining sector, which accounts for 65 percent of total sector sales. Large caterers remain potential buyers of U.S. food products. These caterers supply the country’s airports and mining companies. SODEXO and APC Corporación S.A. are Peru’s largest caterers. These companies account for half of the market. Institutional sales reached \$603 million in 2019.

Peruvian Government Programs: To address child malnutrition in low-income families, the Government of Peru sponsors programs aimed at improving nutritional standards for children attending public schools. *Qaliwarmá* is the national food assistance program that provides a nutritionally balanced lunch supplements to approximately four million schoolchildren (age 3 and up). The program is countrywide, reaching public schools in Peru’s cities all the way to indigenous communities in the Amazonian area. The *Qaliwarmá* program is a public-private initiative that is co-managed by the Ministry of Development and Social Inclusion and the private sector.

Section III: Competition

U.S.-Peru Trade Promotion Agreement (PTPA): The U.S.-Peru Trade Promotion Agreement has been instrumental in boosting bilateral trade in food and agricultural products between the United States and Peru. Eleven years after entering into force (February 1, 2009), trade between the two partners is at

record highs. The U.S is the largest supplier of consumer-oriented products to Peru, accounting for 21 percent of the market share. From 2009 to 2019, U.S. exports of food and agricultural products to Peru doubled, from \$530 million to \$1.1 billion. U.S. consumer-oriented product exports account for 20 percent of U.S. food exports to Peru, totaling \$313 million in 2019.

Section IV: Best Product Prospects

a) Products Present in the Market That Have Good Sales Potential

- Cheese: U.S. cheeses are used in the food-processing sector but have potential in the HRI and retail food sectors. The United States is the main supplier with a market share of 41 percent. Quota amounts under the PTPA: 17 years linear, 2,500 metric ton (MT) quotas with 12 percent increase per year. Currently at 7,765 MT.
- Beef and offal: Consumers' increased purchasing power is driving demand for high quality U.S. beef. The United States holds 24 percent market share of imported beef including offals. The Government of Peru has initiated a campaign against child anemia which is favorable for meat offals.
- Poultry meat: Peru is a major poultry consumer. Quotas under the PTPA: 17 years linear with 6 percent increase in the tariff rate quota (TRQ) per year. Food service is the main channel, especially for leg-quarters.
- Tree Nuts: - Importers recognize that the quality of U.S. nuts and almonds is better than competitors' quality. U.S. exports are expected to grow 20 percent in 2020. The U.S. is currently the largest supplier holding 56 percent of import market share.
- Wine: Niche market for quality wines. Peru's wine consumption is growing to 1.5 liters per person. HRI sector is growing and demanding high value products.
- Sauces: U.S. imports grew around ten percent in 2019. The U.S. is the top import supplier in this category, holding 31 percent of import market share.
- Pork meat: U.S. pork benefits from PTPA implementation. Beef importers can also import pork. Best quality and competitive prices. U.S. pork meat exports are expected to grow 7 percent in 2020. U.S. exports currently holds 62 percent of imported market share.
- Distilled spirits: U.S. distilled spirits exports grew 4 percent in 2019 reaching a record level of \$5.2 Million. U.S. whiskeys are becoming a trend among bartenders and it is the category with the highest growth.

b) Products Not Present in Significant Quantities, but with Good Sales Potential

- Peaches, Cherries, and Nectarines: Chile has 98 percent of import market share. There is interest in U.S. peaches and nectarines.
- Apples and Pears: Chile has 83 percent of import market share. Export window opportunity: November-February. Recognized quality of U.S. apples and pears.
- Grapes, Raisins: Chile has 63 percent of import market share. Export window opportunity: September-December.
- Citrus: Strong local competition. United States holds 84 percent of import market. Export window opportunity: January-March.
- Sausages: Strong local competition. High-end gourmet offers best possibilities for U.S. product. Fast food restaurants are the main channel.
- Ham, processed: High-end gourmet offers best possibilities for U.S. product.
- Beer: Strong local competition. Local breweries produce and import new brands. Mexico with a 76 percent import market share is the top supplier. Niche market for U.S. premium craft beers culinary development.

c) Top Consumer-Oriented Products Imported from World & U.S. in 2019, US\$ Million

| Imports from the World (\$MM) - 2019 | | Imports from the U.S. (\$MM) - 2019 | |
|-----------------------------------------------------------------------|-----|------------------------------------------------------------------|----|
| Food Preparations Nesoi | 212 | Food Preparations Nesoi | 43 |
| Food Preparations For Infant Use, Put Up For Retail Sale, Nesoi | 66 | Mlk/Crm, Conc, Powd, Weth or not Sweet, Gran/Solids Not Exc 1.5% | 30 |
| Mlk/Crm, Conc, Powd, not Sweet, Gran/Solids Exc 1.5% | 65 | Chicken Cuts And Edible Offal (Including Livers) Frozen | 17 |
| Mlk/Crm, Conc, Powd, Weth or not Sweet, Gran/Solids Not Exc 1.5% | 50 | Mear or meat offal poultry, prepared or preserved | 17 |
| Chicken Cuts And Edible Offal (Including Livers) Frozen | 44 | Mlk/Crm, Conc, Powd, not Sweet, Gran/Solids Exc 1.5% | 16 |
| Sugar Confectionary (Including White Chocolate), Not Containing Cocoa | 38 | Edible Fruit Or Nut Trees, Shrubs And Bushes, Grafted Or Not | 16 |
| Apples, Fresh | 38 | Turkey Cuts And Edible Offal (Including Liver) Frozen | 12 |
| Coffee Extracts, Essences And Concentrates, And Preparations | 31 | Dog And Cat Food, Put Up For Retail Sale | 10 |
| Dog And Cat Food, Put Up For Retail Sale | 31 | Meat Of Swine, Nesoi, Frozen | 8 |
| Wine Of Fresh Grapes (Other Than Sparkling Wine) Not Over 2 Liters | 29 | Apples, Fresh | 7 |

Section V: Post Contacts and Further Information

U.S. Embassy Lima – FAS Office of Agricultural Affairs

Street Address: Avda. La Encalada, Cuadra 17, Monterrico-Surco, Lima, Peru

Mailing Address: Unit 3785, DPO AA 34031

Phone: (511) 434-3042; Fax: (511) 434-3043; E-mail: Aglima@usda.gov

For further information, see www.fas.usda.gov. See also FAS Lima’s Exporter Guide and Food and Agricultural Import Regulations and Standards (FAIRS) reports.

Ministry of Foreign Trade and Tourism (MINCETUR) – Minister: Rocio Barrios
Address: Calle Uno Oeste 050, Urb. Corpac, San Isidro, Lima 27
Phone: (511) 513-6100; Fax: (511) 224-3362; www.mincetur.gob.pe

Hotel and Restaurant Association (AHORA) – President: Blanca Chavez
Address: Av. Benavides 881, Miraflores, Lima 18
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American Chamber of Commerce Peru – Executive Director: Aldo Defilippi
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Attachments:

No Attachments