Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

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Date: 3/28/2003

GAIN Report #PE3003

Peru

Food Processing Ingredients Sector

Report

2003

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Report Highlights:
Peru's food processing sector is expected to grow five percent in 2002. Food imports represented only eight percent (244 million dollars) of total food sales in 2001, but there are real potential opportunities for U.S. food and food industry exports in meats and cheeses, wines and liquors, pre-cooked food and pet food principally targeted to high-income consumers.

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

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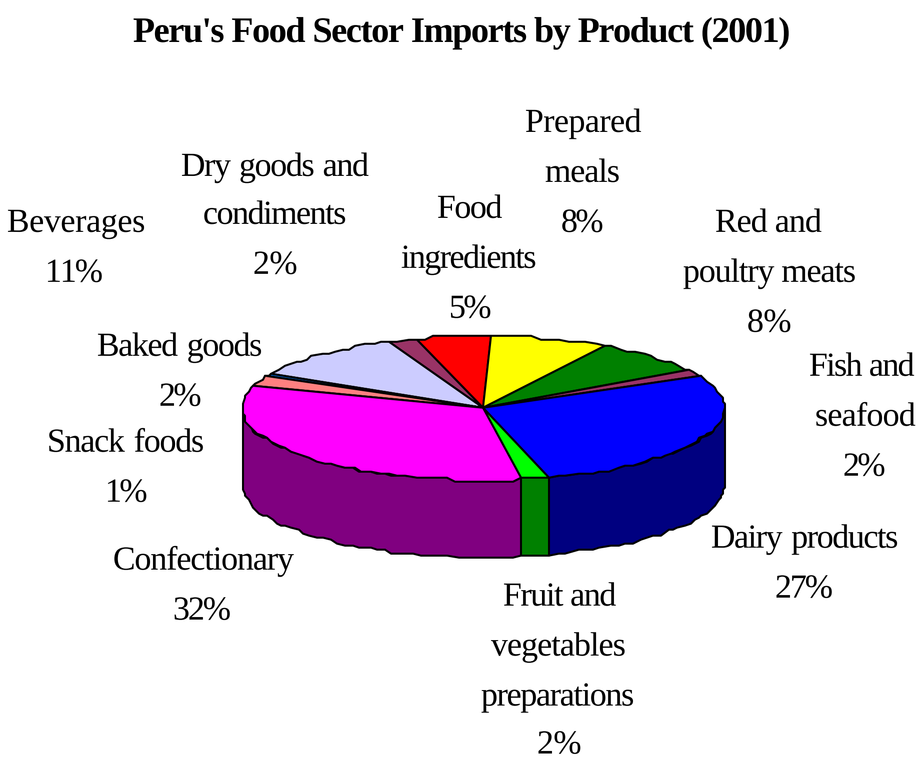
I. Market Summary

Total sales of Peru’s food processing sector reached 2.9 billion dollars in 2001, growing around four percent compared to 2000, are forecasted to grow five percent in 2002.

Total food imports reached 244 million dollars, representing only eight percent of the total sales in 2001, are expected to grow four percent in 2002.

Local food ingredients reached **165 million** dollars, while total food ingredients imports represented **74 million** dollars in 2001.

Major food processors, 86 companies, represented 75 percent (2.2 billion dollars) of total processed food sales in 2001. Imports by these food processors represented 46 percent (111 million dollars) of total food imports in 2001. Major companies include Alicorp (oil, rice, coffee, cookies and edible fats), Union de Cervecerias Backus & Johnston (traditionally beer, but more recently also asparagus and breakfast cereals), Nestle Peru (confectionary, dairy and ice cream), Nabisco Peru (confectionary), Gloria (dairy and fruit juice) and Laive (dairy products).



Lima, the capital city, with one third of Peru's population and more than 60 percent of the national income, is the major market for consumer-ready food.

The food sector offers real potential opportunities for U.S. food exports in meats and cheeses, fresh fruit for a high-income market due to its quality, wines and liquors, pre-cooked food (ready-to-eat and ready-to-heat), and snacks.

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

Total v s . s of Prepar Food b y t in

Sales Import Peru's e d Sector Produc 2001

Subsector	Number of Importers	Imports ($ million)	Sales ($ million)
Red and poultry meats	42	19	836
Fish and seafood	75	4	184
Dairy products	82	68	523
Fruit and vegetables preparations	35	4	93
Confectionary	166	80	178
Baked goods	41	4	149
Snack foods	36	2	192
Beverages	187	27	461
Dry goods and condiments	24	5	73
Food ingredients	142	12	96
Prepared meals	18	18	159
TOTAL		**244**	**2,943**

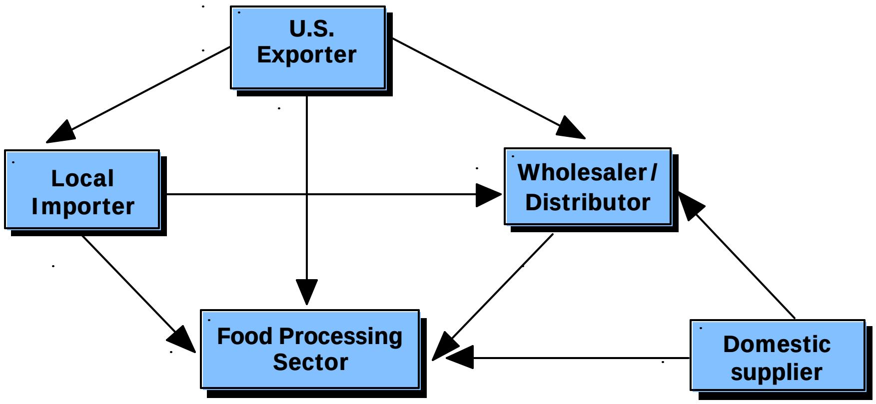
Advantages and Challenges Facing U.S. Products in Peru

Advantages	Challenges
< The major strength for U.S. consumer-ready imports is quality taken for granted.	< New local food brands appearing in the market at very low prices.
< Consumption of dietetic, light and healthy products is a growing trend.	< High tariffs (25 percent) applied to most processed foods imported from the U.S.
< Supermarket sales are growing, reinforced with new outlets opened in distant areas of Lima city.	< Peruvians prefer menus based on fresh produce. Processed food consumption is still small.
< The growth of pet breeding care, leads to a growing pet food market (30 percent is the estimated growth in 2002).	< Price band imposed on "sensitive" products such as corn, rice, sugar and dairy products, as well as food safety and phitosanitary pending issues.
< The food processing industry is somewhat concentrated, with 86 companies accounting for 75 percent of sales.	< Smuggling.

II. Road Map for Market Entry

A. Entry Strategy

- To penetrate the Peruvian food market, U.S. exporters should directly contact local food processing companies, or indirectly, through brokers, agents or representatives.



- Regardless of which strategy is chosen, 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 partner should be able to provide updated information on market consumer trends to identify niche markets and provide information on current market development and trade business practices.

B. Market Structure

- Local food processing products cover 92 percent of the market demand, while imports reach only eight percent. Imports are concentrated through few distributors, importers or wholesalers.

- Wholesalers/distributors play an important role in this market structure, diversifying their purchases from domestic suppliers, U.S. exporters and local importers, through the local food processing sector wholesalers, retailers and the food service.

C. Company Profiles

Profiles of Major Food Processing Companies in 2001

Sales in the above chart correspond only to major local companies (86), that account for 75 percent of sales by Peru’s food processing sector.

Overview of Peru’s Food Processing Sector in 2001

Food Processing Industry Sub-sector	Number of firms	Sales ($ million)	Estimated growth (%)	Imported supply (%)
Red and poultry meats	7	635	3	62
Fish and seafood	8	125	4	13
Dairy products	5	450	2	36
Fruit and vegetables preparations	6	62	4	45
Confectionary	10	142	7	38
Baked goods	8	97	7	65
Snack foods	4	146	5	43
Beverages	13	387	4	65
Dry goods and condiments	12	38	5	34
Food ingredients	7	45	6	54
Prepared meals	6	78	7	70
TOTAL	**86**	**2,205**		

Company Name / Products	Sales 2001 ($ million)	End-Use Channels	Production Location (cities)	Procurement Channels
Alicorp S.A.A. Dairy products, food ingredients, snack foods, prepared meals.	436	Retail HRI Traditional market	Lima Trujillo	Direct Importers Traders
Union de Cervecerias Peruanas Backus & Johnston S.A.A. Beer, asparagus, breakfast cereals.	262	Retail HRI Traditional market	Lima La Libertad Lambayeque	Direct Importers Traders
Gloria S.A. Dairy products, canned fish, meat and fruit juices.	247	Retail HRI Traditional market	Lima Arequipa Cajamarca	Direct Importers Traders
San Fernando S.A. Poultry and poultry products.	212	Retail Traditional market	Lima	Direct
Molitalia S.A. Food ingredients, pasta.	79	Retail Traditional market	Lima	Direct Wholesalers
Avinka S.A. Poultry and poultry products.	60	Retail	Lima JV	Direct
Kraft Foods Peru S.A. Confectionary.	60	Retail HRI	Lima	Direct
Compañía Cervecera del Sur del Peru S.A.A. Beer.	52	Retail HRI	Arequipa	Direct Importers
Industrias Añaños S.A. Beverages	44	Retail Traditional market	Lima	Direct
Laive S.A. Dairy products, fruit processed, pork products.	41	Retail HRI Traditional market	Lima	Direct Importers
Montana S.A. Food ingredients.	37	Food industry (HRI and Retail)	Lima	Direct
Industrias Teal S.A. Confectionary, baked goods.	27	Retail	Lima	Direct Trader
Ajinomoto del Peru S.A. Dried goods and condiments.	20	Retail	Lima	Direct
Destileria Peruana S.A. Alcoholic beverages.	19	Retail HRI	Lima	Direct
Asa Alimentos S.A. Baked goods, dried goods, canned fruit, prepared meals.	17	Retail	Lima	Direct

D. Sector Trends

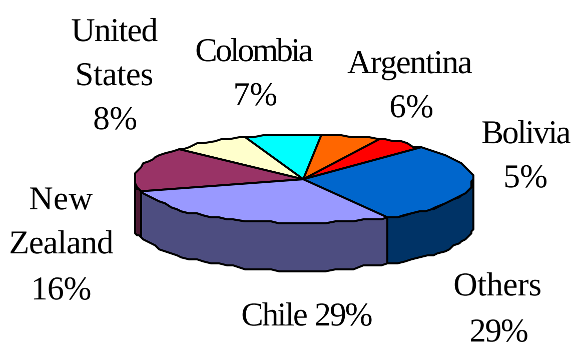
' Demand for low-fat and sugar-free products is still in its early stages but has a real potential growth, specially for high-income consumers, since the awareness of healthy issues is spreading through media.

' Major local companies are basically transnational branches or have the participation of foreign capitals. The value of U.S. investment in major food processing companies, such as Alicorp, Gloria and Avinka, reaches 163 million dollars. Alicorp holds 53 million dollars, while Gloria and Avinka nine and 101 million dollars respectively.

' Social factors that motivate consumer-ready products demand include urban population growth mainly in Lima and coastal cities, more participation of females in the workforce (38 percent), young population, about half of the population are under the age of 20, and exposure to foreign products information through media.

III. Competiti on

Peru's Food Sector Imports by Country-of-Origin (2001)



' The U.S. provides eight percent of total food sector imports in Peru. The main competitors to the U.S. are Chile, with 30 percent of the market share, and New Zealand with 16 percent.

' Imports from Chile are mainly fresh fruits and wine, while New Zealand exports merely dairy products to Peru.

' Total dairy imports reach 68 million dollars in 2001, six percent of which came from the U.S. and 47 percent from New Zealand.

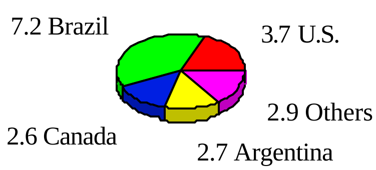
- The U.S. is one of three principal countries for which Peru imports prepared meals (Colombia and Mexico are the other two).

- U.S. exports to Peru can be strenghtened by providing more direct support, information on product benefits and quality, complemented with samples.

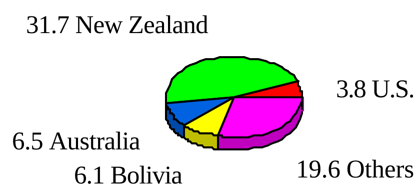
- **U.S. competition for each main consumer-ready product category in the food processing sector is shown in the following charts:**

Country's Market Share by Product Category in

Red and poultry meats



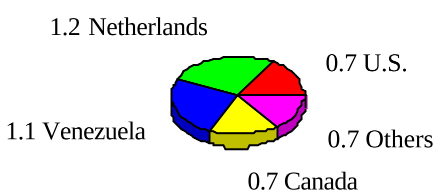
Dairy Products



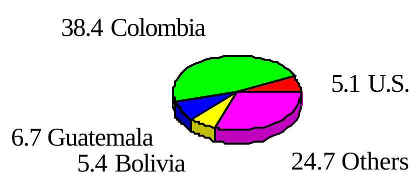
Food Processing	Retail	HRI
10%	60%	30%

2001 **(mi**

Fruit and vegetable preparations

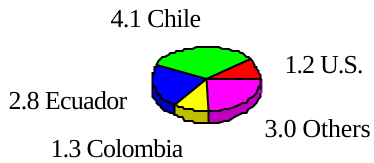


Confectionary



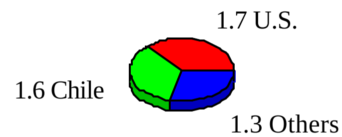
llion dollars)

Food Ingredients



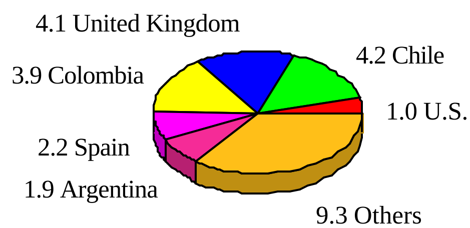
Food Processing	Retail	HRI
5%	80%	15%

Dry goods and condiments



Food Processing	Retail	HRI
2%	68%	30%

Beverages



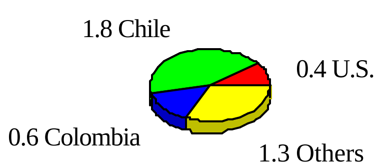
Food Processing	Retail	HRI
10%	65%	25%

Food Processing	Retail	HRI
10%	60%	30%

Food Processing	Retail	HRI
3%	55%	42%

Food Processing	Retail	HRI
50%	40%	10%

Baked Goods



Food Processing	Retail	HRI
3%	60%	27%

Snack Foods

Food Processing	Retail	HRI
20%	70%	10%

IV. Best Product Prospects

A. Products Present in the Market which have Good Sales Potential:

Subsector	Food Processing prospects
Meats	Beef, pork and pork products, prepared chicken and chicken parts, duck meat.
Dairy Products	Whey, butter, parmesan cheese, blue cheese.
Fruit and vegetables preparations	Pickles, prepared onions, prepared olives, prepared tomatoes, frozen french fries, peas, beans.
Confectionary (ingredients and products)	Glucose, lactose, fructose, glucose syrup, chocolate preparations, beet or cane sugar, modified sugars, chocolate bars, candy, cocoa.
Baked Goods	Cookies, crackers, toasted bread, crispy bread.
Snack Foods	Cereal based product extruded or toasted, food preparations.
Wine and Beverages	Wine, beer, sparkling wine, whisky and rum.
Dry goods and condiments	Soy sauce, ketchup, mustard, mayonaisse.
Food Ingredients	Blends for cooking, malt extract, wheat flour, starch, mixed preparations, yiest, baking powder, blends and mixtures for bakery.
Prepared Meals	Prepared soup, cooking preparations, pre-cooked blends.

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

Potential:

Pre-cooked bread: Although consumers prefer bakeries to purchase baked goods and the expected stiff local competition, there is a growing tendency to buy this product principally through supermarkets. The target market for pre-cooked bread is the high-income consumer.

New types of cheese: The most popular cheeses are fresh and edam cheese, but there is luck of knowledge of several other varieties. This market is an opened window constituted by high-income consumers (through supermarkets) and the HRI sector outlets.

Imported beers: Beer per capita consumption is around 25 litres. Market is dominated by the local brewery Backus which currently has 88 percent of the market. Ambev, a Brazilian brewery group, will enter the market in 2004, which will favor a growing beer consumption. Main imported brands include Corona, Heineken and Holsten, which only reach two percent of the market share. However, most beer varieties, except dark beers, are welcomed by the high and middle-income consumer.

Ice-cream: Due to the infrastructure required for cold storage, ice-cream is expensive to import. Nestle, who owns the leader local brand D'onofrio, imports ice-cream mainly from Chile. Specialty ice-creams are mainly made locally, but are sold all year. This market is targeted to high and middle-income families.

Ready-to-heat and ready-to-eat meals: Usually used by young high-income consumers at parties and the growing sector of working women. This type of products will have a growing demand in the near future.

Tex-mex products: No Tex-mex are being imported and there is little awareness about it. Peruvians like spicy foods, specially at parties.

C. Products not Present Because They Face Significant Barriers:

Almost all imported food processing products face a 25 percent trade tariff. Addicionally, some "sensitive" products such as corn, rice, sugar and dairy products (powdered milk, whey, cheeses and butter) are also subject to a price band. Currently, poultry meat and poultry by-products are banned due to Avian Influenza desease.

V. Post Contact 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:

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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: Exporter Guide, Food Processing Ingredients Sector, Hotel, Restaurant and Institutional Sector and Wine Sector, and the Food and Agricultural Import Regulations and Standards (FAIRS).

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