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Peru

Food Processing Ingredients Sector

2000

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Report Highlights:
The Peruvian market for processed food is growing 4 to 5 percent a year, equal to growth in food sales at supermarket chains.

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

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SECTION I. MARKET SUMMARY

Peru is a country of 25 million inhabitants with 30 percent of them concentrated in Lima. During 1999, the GDP reached $52 billion and it is estimated that during 2000 the economy will grow 2 to 3 percent. Inflation in 1999 was 3.7 percent and the exchange rate was stable at 3.5 soles per dollar by at the end of December.

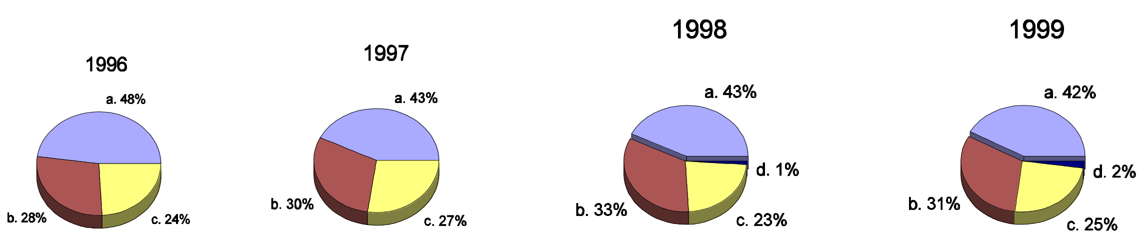
During 1999, total sales of the principal domestic food processing companies reached $2.14 billion. While this amount represents 80 percent of the Peruvian food market, the remaining 20 percent of sales are generated by small producers.

According to bank analysts, the Peruvian food market has a high potential for growth, estimated between 4 and 5 percent in 2000, due to an expected increase in consumption demand.

Food products are merchandised principally through traditional markets, which still handle 83 percent of Peru's food market, including municipal market, street vendors and grocery stores. 17 percent of food products are sold through supermarkets/hypermarkets concentrated in two main chains with a total of 45 outlets.

Peru: Structure of Peruvian Food Imports 1996-1999

Years	1996		1997		1998		1999	
Products	**million $**	**%**	**million $**	**%**	**million $**	**%**	**million $**	**%**
a. Bulk Agricultural Total	658	48	556	43	630	43	468	42
b. Intermediate Agricultural	378	28	392	30	487	33	345	31
c. Consumer Oriented Ag.	336	24	348	27	329	23	272	25
d. Fish & seafood products	5	0	6	0	13	1	17	2
Total	1377	100	1302	100	1459	100	1102	100



Source: United Nations Statistical Office

The key market drivers for food processing in Peru are: a) the level of income; b) the income distribution, and c) the structure of the population which is concentrated in Lima. Low income groups in general consume food prepared at home with domestic fresh produce.

The Peruvian market for processed food is growing 4 to 5 percent per year, similar to the increase in the food sales of supermarkets.

The key social factors motivating processed food product demand are: a) increasing urban population growth; b) more participation of females in the workforce; c) a young population (about half of the population are under the age of 20), and d) exposure to more information about foreign products through media.

Peru's total food processing industry use approximately 90 percent of domestic inputs and 10 percent of imported.

Advantages and Challenges Facing U.S. Products in Peru

Advantages	Challenges
Peruvian consumers are demanding more varieties of food products like dietetic, light and healthy products.	Processed food consumption is still small.
The principal strength for imported consumer-ready products is quality.	Peruvians prefer menus based on fresh produce.
High tariff charges on importing inputs for processing animal feed locally are creating a market for imported animal feed and pet foods.	High tariffs applied to some products like soft drinks.
An increasing level of supermarket sales and an increasing number of outlets, creates a window for food processing sector growth.	New local brands appearing in the market at very low prices.
The small number of processed food producers (20 percent of total Peruvian food market) shows a potential market. Marketing efforts from US exporters are expected.	Smuggling.

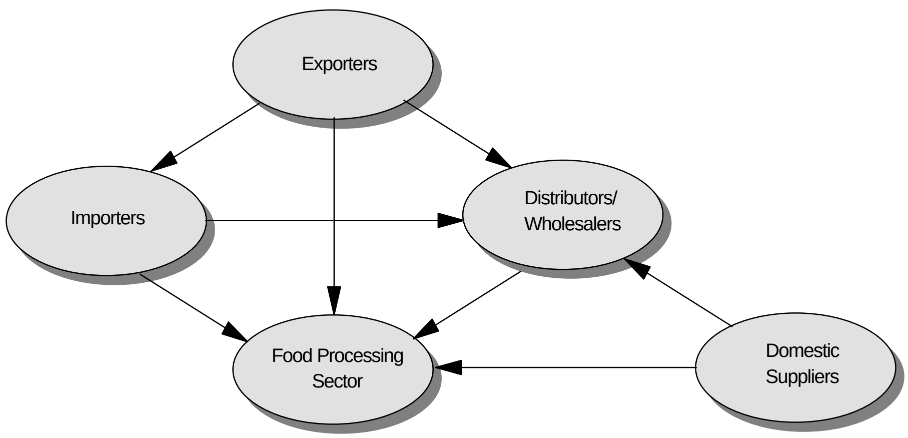
SECTION II. ROAD MAP FOR MARKET ENTRY

A. ENTRY STRATEGY

To penetrate the Peruvian food market exporters can establish direct contact with local food processing companies, or indirect contact through brokers, agents or representatives.

Regardless of which strategy is chosen, personal visits are mandatory. It will strengthen knowledge of the domestic food processing industry and also help to identify niche markets for specific products.

B. MARKET STRUCTURE



The main food processing sector suppliers are: domestic suppliers (90%) and foreign sources (10%). Imports of processed food are concentrated with few distributors/importers/wholesalers.

As shown in the above chart, wholesalers/distributors play an important role in the market structure, in a sense that they diversify the source of their purchases from both domestic suppliers and importers, or U.S. exporters. In addition, they supply their products to the local food processing sector wholesalers, retailers, and HRI food sector.

C. COMPANY PROFILES

PROFILE OF TOP FOOD PROCESSING COMPANIES				
Company/Products	**Sales 1999 ($ million)**	**End-User Channels**	**Production Location**	**Procurement Channels**
ALICORP S.A. (Oil, Rice, Coffee, cookies, margarine)	402	Retail	Peru	Direct
GLORIA S.A.(Milk)	189	Retail and HRI	Peru	Importers, Direct
PESQUERA AUSTRAL (Canned fish)	110	Retail	Peru	Direct
NESTLÉ PERÚ S.A. (Chocolate, Sweets, ice cream, panettone, jam)	55	Retail and HRI	Peru JV	Importers, Direct
NABISCO PERU S.A. (Cookies, candies, chocolate)	50	Retail	Peru JV	Direct
MOLINO ITALIA S.A. (Pasta, cookies)	60	Retail	Peru	Importers, Direct
SAVOY BRANDS (Snacks)	18	Retail, Grocery Stores	Peru JV	Direct
LAIVE S.A. (Dairy Products, snacks)	31	Retail	Peru	Importers, Direct
DERIVADOS DEL MAIZ S.A. (Corn starch, jam, soda, honey, chocolate)	23	Retail	Peru	Direct
AGRIBRANDS PURINA DEL PERU S.A. (Pet foods)	15	Retail	Peru	Importers, Direct
DEL MAR S.A. (Canned fish)	14	Retail	Peru	Direct
ESTANCIAS GANADERAS ASOCIADAS (Fruit juice, milk, dairy products, panettone)	12	Retail	Peru	Importers, Direct
IQF DEL PERU S.A. (canned asparagus)	46	Retail	Peru	Direct
INDUSTRALIZACION DE ALIMENTOS INDALSA (Juice and canned fruit, jam)	7	Retail	Peru	Importers, Direct

Source: Peruvian Business Directory, March 2000 and Dun & Bradstreet, Peru

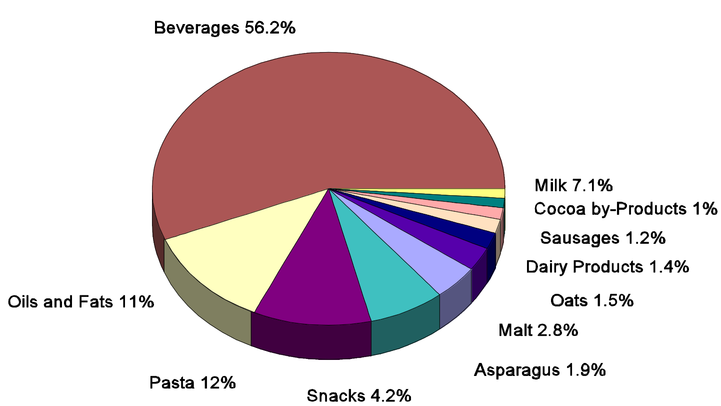
Sub-Sector Profiles

Overview of Peru´s Food Processing Sector: 1999

Food Processing Industry Sub-Sector	Number of firms	Sales CY (thousands $)	%
Oils and fats	14	81,741	11.0
Oats	6	10,873	1.5
Cocoa by-products	18	5,693	0.8
Asparagus	11	14,320	1.9
Dairy products	17	10,437	1.4
Sausages	16	9,239	1.2
Pasta	12	89,709	12.0
Malt	1	20,546	2.8
Milk	14	52,716	7.1
Snacks	6	30,923	4.2
Beverage	11	418,826	56.2
Total	**126**	**745,023**	**100**

Source: Ministry of Agriculture; Peru en Numeros 2000; Cuanto, September 2000

Share per Sales



D. SECTOR TRENDS

Demand for low-fat and sugar-free products is still in its early stages but has a high potential for growth because of the growing awareness about healthy issues.

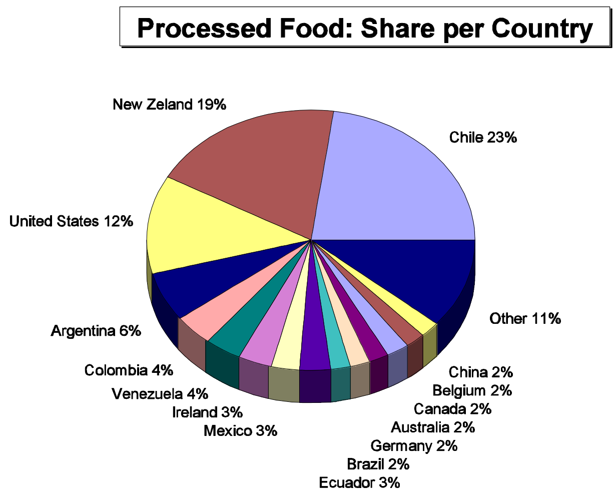
SECTION III. COMPETITION

The Peruvian food processing sector has great potential for American exporters, whose success can be strenghtened by providing more direct support, information and samples.

US food products in the Peruvian market face strong competition mainly from New Zealand, Chile and Argentina. The main foreign competitors are New Zealand (dairy products) with 18 percent of market share, follow by Chile (fresh produce and wine) with 24 percent, Argentina (meat, processed food and vegetable) with 4 percent of market share and US with 13 percent of total imports.

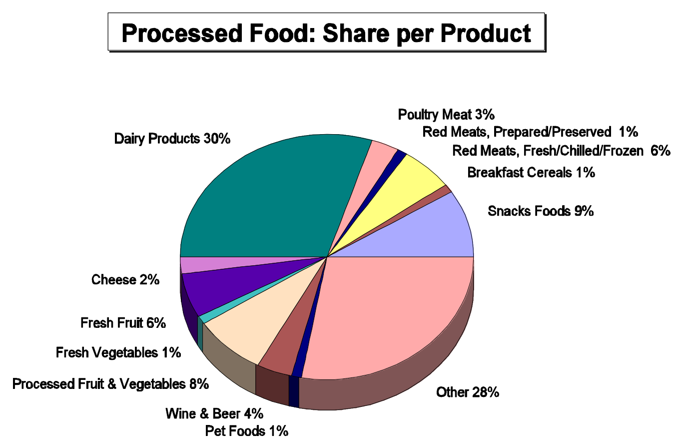
PERU IMPORTS 1999
PROCESSED FOOD BY COUNTRY

Country	*Value Thousand $*	*%*
Chile	62728	23
New Zealand	52208	19
United States	32223	12
Argentina	16226	6
Colombia	12360	4
Venezuela	9438	4
Ireland	8208	3
Mexico	7630	3
Ecuador	7229	3
Brazil	6530	2
Germany	5907	2
Australia	5655	2
Canada	5004	2
Belgium	4646	2
China	4641	2
Other	30850	11
World	271483	100



PERU IMPORTS 1999
PROCESSED FOOD BY PRODUCT

PRODUCT	*Value Thousand $*	*%*
Snack Foods	24	9
Breakfast Cereals	2	1
Red Meats, Fresh/Chilled/Frozen	16	6
Red Meats, Prepared/Preserved	3	1
Poultry Meat	6	3
Dairy Products	81	30
Cheese	5	2
Eggs & Products	1	0
Fresh Fruit	16	6
Fresh Vegetables	3	1
Processed Fruit & Vegetables	22	8
Fruit & Vegetables Juices	1	0
Tree Nuts	1	0
Wine & Beer	11	4
Nursery Products & Cut Flowers	1	0
Pet Foods	2	1
Other	76	28
Total	**271**	**100**



Source: Ministry of Agriculture; Peru en Numeros 2000; Cuanto, September 2000

SECTION IV. BEST PRODUCT PROSPECTS

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

Packaged bread, pasta, sausages, french-fries and sauces.

Also imported processed food products like confectionary, dairy products, vegetable oil among others shown an interesting demand by this sector.

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

Juices, ingredients, flavorings, dressing salads, beer, liqueurs, snacks, consumer ready food products, microwaveable foods and canned products.

The majority are almost entirely retailed through supermarket chains oriented to high and medium purchasing power segments.

It is noteworthy that supermarkets make up 15 percent of total sales of processed food products. Therefore, a great potential for retailing processed food products through traditional markets can be foreseen.

Importers, distributors, wholesalers and retailers must optimize their marketing efforts to change the habits of the consumers who until today are not shopping at supermarkets/hypermarkets.

The demand for low fat products is still at its initial stage, but with a potential for growth based on the increasing demand for healthy products by the consumers.

C. Products not Present Because They Face Significant Barriers:

There are no special trade barriers to access the Peruvian market, only the stipulated trade tariffs and the sanitary certificates required to accompany imported food products.

SECTION V. POST CONTACT

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

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