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**Report Name:** Food Processing Ingredients

**Country:** Peru

**Post:** Lima

**Report Category:** Food Processing Ingredients

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**Report Highlights:**

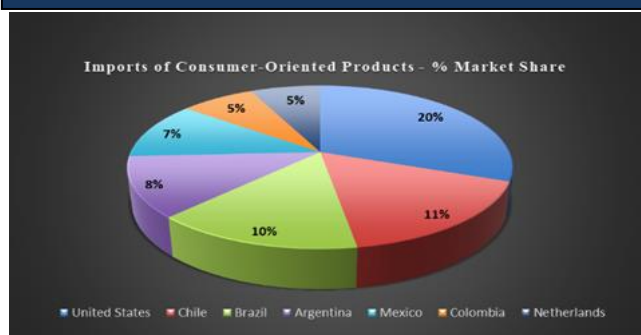
Peru's food processing industry is a dynamic sector of the national economy. The food industry in Peru accounts for almost 27 percent of the industrial gross domestic product. The sector rebounded from a slight drop in 2020, achieving a 9.8 percent growth in 2021. U.S.-origin food processing ingredient exports to Peru reached \$196 million in 2021.

## Market Fact Sheet: PERU

### Executive Summary

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 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 \$3.5 billion in 2021, an increase of 139 percent. The United States was the second largest agricultural product supplier to Peru in 2021, accounting for 16% of market share.

### Imports of Consumer-Oriented Products



Peru's consumer-oriented imports from the world reached US\$ 1.8 billion in 2021. 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. Exporters should review Peru's food laws, packaging and labeling requirements, business practices, and rely on experienced distribution partners. 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 28 percent of the industrial GDP and the gross value added reached \$9.1 billion by the end of 2021. 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 282 conventional supermarkets and superstores, with 178 in Lima, and close to 790 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 2021

**Imports Consumer-Oriented Products: \$1.8Bn**

#### Top 10 food processing ingredients growth Peru

1. Wheat	6. Almonds fresh or dried, shelled
2. Skim Powder Milk	7. Peptones
3. Flour	8. Lentils dried
4. Edible Mixtures	9. Peanuts prepared or preserved.
5. Natural milk constituents	10. Enzymes

**Food Industry Gross Value Added: \$9.1 billion**

#### Food Industry by Channels

1. Food Exports: \$7.3 billions
2. Food Imports: \$4.7 billions
3. Retail: \$23 billion
4. Food Service: \$8.5 billion
5. Wet market: \$18 billion

#### GDP/Population

Population (Millions): 32.2

GDP (Billions USD): \$371.1 billion

GDP Per-capita (USD): \$11,300

#### Top 10 Host Country Retailers

1. Supermercados Peruanos S.A.
2. Cencosud Retail Peru
3. Hipermercados Tottus S.A.

### Strengths/Weakness – Opportunities/Challenge

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

## Section I: Market Summary

The food industry in Peru is a dynamic and important sector that accounts for almost 3 percent of the nation's gross domestic product (GDP). However, over 90 percent of the industry is comprised of micro-companies. Large companies represent only 1.8 percent of the sector.

In 2021, Peru's food and beverage sector rebounded from a slight drop in 2020, achieving a 9.8 percent growth thanks to better performance of industrial businesses such as, milling and bakery products, canned seafood, and confectionary production, among others. On the contrary, other branches fell behind 2019 levels, such as starch production, sugar production, pasta production and processed meats. The food and beverage segment accounts for 27 percent of industrial GDP.

Peru's GDP grew 13.3 percent in 2021 based on a rapid recovery of the country's productivity, especially during the first half of 2021. Domestic demand also steadily increased due to relaxing COVID lockdown measures, combined with the national vaccination campaign, which contributed to increasing formal employment rates. Nevertheless, several sources consider this rebound a natural recovery of the economic losses incurred during 2020. The growth outlook for 2022 seems less positive. Peru's Central Bank (BCR) recently maintained its forecasted GDP growth for 2022 at 3.4 percent. Sources point to political instability leading to a reduction of economic confidence for this year.

Peru's food market has been impacted by other externalities, in some cases related to the pandemic. Disruptions in supply chains, price spikes of raw commodities, volatile exchange rate and inflationary pressures have all caused significant price increases for food products. Following the easing of pandemic restrictions in early 2021, food manufacturers prioritized categories with higher demand such as the traditional channel (corner stores and wet markets).

Peru's food and beverage sector is directly linked to the development of food retail and food service sectors throughout Peru. In the last ten years, the modern food retail channel (supermarkets and convenience stores) has expanded and gained territory among consumers. However, the traditional channel, mainly formed by independent small groceries (bodegas) is still the main channel for the most important food processing categories such as: edible oils, dairy, confectionary goods, baked goods, pasta, and cereals. The food retail sector grew nine percent in 2021, supported by staple categories. However, the hotel, restaurant, and institutional (HRI) sector suffered the most and its immediate future is uncertain, although an eventual rebound is expected.

Food product manufacturers in Peru source both domestic and imported product ingredients to meet consumer demand for quality food at affordable prices. These manufacturers are successfully tailoring products to meet different segments of consumer demand.

U.S.-origin food processing ingredient exports to Peru reached \$196 million in 2021, an increase of 13.2 percent from 2010. The rise is due mostly to higher wheat and powdered milk exports, 31 and 24 percent higher, respectively. The growth in exports of other categories also contributed to increase the market share of products such as: skim powdered milk, almonds, flour/pellets of meat, edible mixtures, products consisting of natural milk constituents, animal or vegetable fats, peptones and enzymes.

## Advantages and Challenges Facing U.S. Products in Peru

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• The U.S.-Peru Trade Promotion Agreement (PTPA) grants duty-free access to two-thirds of all U.S.-origin food and agricultural products, including high-value food products.</li> <li>• Lack of production of intermediate products for the food industry.</li> <li>• An active supermarket industry that is working to increase demand for high-value food products.</li> <li>• Growth of foodservice in Lima, with a demand for affordable products.</li> <li>• Appreciation for U.S. food quality and culture.</li> </ul>	<ul style="list-style-type: none"> <li>• Protectionist regulations that may impose trade barriers to foreign products.</li> <li>• Stiff competition from neighboring countries.</li> <li>• Domestic producers manufacture products according to local taste preferences.</li> <li>• Spike of prices of main international commodities.</li> <li>• Price sensitive market</li> </ul>

## Section II: Road Map for Market Entry

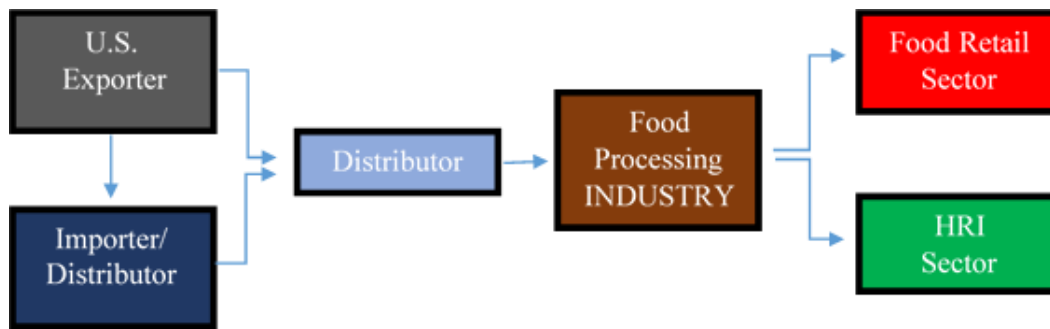
### 1. Entry Strategy:

- Conduct preliminary research to determine market potential for a specific product. Contact FAS Lima to obtain reports or briefings about market features.
- U.S. exporters should contact the local food processing company, or indirectly establish ties through brokers, agents, or representatives.
- Personal visits are highly recommended. The U.S. exporter should know its local partner well before signing contractual agreements.
- Exporters should provide support to food service customers by participating in technical seminars, product demonstrations, and local trade shows whenever possible.
- The import partner should be able to provide updated information on consumer trends, current market developments, trade, and business practices.
- Food ingredients must comply with Peru’s regulations and be approved by health authorities before being placed on the market. Peru adopts Codex as the primary international reference.

### 2. Import Procedure: For details on how to export to Peru please refer to FAS Lima’s [FAIRS Export Certificate](#) report and [FAIRS Country Report](#).

### 3. Distribution Channels: Distribution channels for imported products are at times different from those for domestic products. They are also constantly changing. However, larger processors generally import directly from the supplier. Small processors rely on local distributors to import ingredients. International franchises import 75 percent of their food ingredients directly and source the remainder locally.

#### 4. Market Structure:



- The Peruvian food-processing industry is well developed and tries to source directly depending on the volume. Smaller importers use traders as main sourcing partner.
- Local processed food products cover 75 percent of the market demand.
- Specialized importers usually provide food ingredients to the Peruvian market. Some of these are also producers or wholesalers/distributors.

**5. Sector Trends:** Peru's food manufacturing industry has benefited from the nation's strong economic performance over the past decade. A demanding middle class forced food processors to innovate and adapt to broader consumer segmentation. Food manufacturers target small independent groceries as the primary channel to reach a wide range of consumers. Despite the growth of supermarket chains throughout the country, Lima is still the principal market with a space-limiting constraint for future growth. Food products must align with consumers' preference for convenience, low prices, and daily purchases.

U.S. food ingredient suppliers should focus on providing ingredients to the following industries:

**Baked Goods:** The bread category, especially artisanal breads (80 percent market share), drives the sector. However, the COVID-19 situation boosted demand for packaged bread due to mobilization restrictions. The gap between both categories is decreasing, as manufacturers have increased the variety of products. Despite consumers' preference for artisanal bread, industrially produced bread is making significant inroads due to supermarket and convenience store expansion. There is also a growing demand for frozen bread. Panificadora Bimbo del Peru is the leading local producer of industrial bread, holding 76 percent of retail market share.

The cakes subcategory is second in importance with a 19 percent value share within the baked goods category. Panettone is the star product, which is predominately a seasonal product (July and December). Nestle Peru is the largest panettone manufacturer in Peru.

**Dairy Products:** Most of the subcategories experienced lower sales due to consumer's change of habits. People resume normal purchasing habits as Covid-19 threat lowered due to improvement of the vaccination program. This impacted mainly categories that gain terrain during the initial phases of Covid-19, such as: cheese, shelf-stable milk, spreads, among others. Sales of small packaging dairy

products rebounded as consumers returned to on-site work and also some schools adopted hybrid systems.

Evaporated and condensed milk still leads this category, accounting for 70 percent of all dairy products. Manufacturers use raw milk to produce shelf-stable evaporated milk. However, competition has intensified due to powdered milk imports. Shelf-stable milk and yogurt are two subcategories that have grown more in recent years. Food retail expansion is driving growth in these two subcategories. Ready-to-drink products are favored by consumers looking for healthy products. This category has almost equal distribution through modern and traditional channels. With a 70 percent market share, Gloria S.A. leads sales in this sector.

**Dried Processed Food:** Pasta and rice remain the key product offerings. Rice is one of the most consumed foods in Peru and it is produced locally. Rice accounts for almost 50 percent of total sales in the dried processed category. Pasta ranks second with 36 percent. In 2021, both categories remained similar to their performance the year before due to foreign externalities such as higher exchange rates and wheat prices, impacting sales volumes. However, convenience was also a highly rated feature, which benefited the consumption of instant noodles. Costeño Alimentos and Alicorp are the largest food processors for rice and pasta, respectively.

The noodles subcategory remains third in importance within the dried processed food category. Small independent grocers and convenience stores have become a good niche channel for instant noodles due to the hectic lifestyle of a segment of Peruvian consumers. This sub-category, however, decreased sales in 2021 once the government eased Covid-19 restrictions and consumers returned to eating outside.

**Processed Meat and Seafood:** This category has shown rapid growth due to high consumption of meat, poultry, hot dogs, ham, chicken nuggets, burgers, etc. The fast-food channel has been instrumental to this growth. Local processors have made plant enhancements to increase production levels due to higher demand. Yichang, San Fernando, and Breadt hold almost 50 percent of the market share, offering an assorted list of products such as canned product, frozen and chilled meat, and cold meats.

The seafood subcategory accounts for almost 50 percent of the value share for this category. Canned tuna is the main product, which is locally produced.

**Cookies and Snack Bars:** this category slightly fell due to adjustment of consumers' purchasing preferences in line with healthy trends adopted during the pandemic. However, sweet cookies dominate the market. Consumers demand snacking-style products or meal replacements. Mondelez Peru, Alicorp, and Molitalia enjoy a combined market share of 75 percent. Supermarket/ hypermarket private labels specialize in affordable cookies. However, the traditional channel remains as the most important distribution channel for this category.

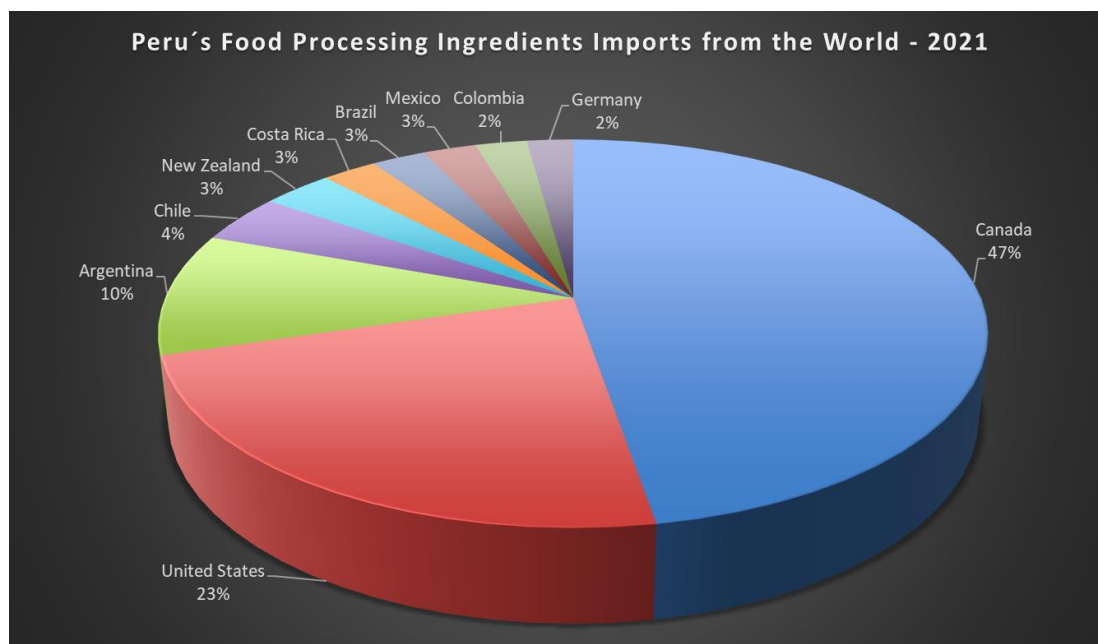
**Edible Oils:** is the largest sub-category within cooking ingredients category and increased sales during the lockdown since home cooking increased during this period. Total sales in 2021 reached almost \$760 million. However, sales volumes have been impacted due to higher prices of imported

soybean oil. Alicorp is the leading company in this category holding 44 percent of market share. Private label has become an interesting alternative since this is a price sensitive product.

**Sauces, dressings, and condiments:** This dynamic category is dominated by sauces, principally mayonnaise, ketchup, and mustard. The sauce subcategory experienced some growth (7 percent) in 2021 reaching \$125 million. Alicorp is the leading manufacturer for this subcategory with its brand Alacena. Another subcategory is cooking ingredients, led by Ajinomoto del Peru S.A. which offers soy sauce and stock cubes. Cooking ingredients reached \$63 million in 2021. The tomato paste and puree subcategory is third in importance, accounting for 35 percent of the value share in this category.

**Breakfast Cereals:** In 2021, breakfast cereal sales grew 10 percent from 2020. Sales are driven by middle-income consumers adopting cereals as their breakfast food and are also becoming popular with health-conscious consumers. Consumption of cereals is a traditional breakfast item in Peru. This preparation primarily consists of oats, and in more recent years, native grains such as quinoa or kiwicha are being mixed in. Alicorp is the leading manufacturer for this category accounting for 60 percent of the market share. Even though almost 60 percent of the distribution occurs through independent groceries, the modern channel has increased its share in recent years.

**Beer:** Beer producers resumed operations in June 2020 and a gradual recovery is expected in 2021. Beer, with a market share of 90 percent among alcoholic beverages, is Peru's drink of choice. Middle and high-income consumers continue to increase purchases of premium products. Volume of production in 2021 was just under 1.5 billion liters, (almost \$2.6 billion). Union de Cervecerias Backus & Johnston is the leading beer manufacturer, accounting for 95 percent of the market share.



Source: Trade Monitor and Veritrade

### Section III: Competition

Imports of food processing ingredients to Peru totaled \$987 million in 2021. The United States is the second largest supplier of ingredients, with a 20 percent market share. These ingredients are made up largely of wheat, milk powder, flour meal of meat and almonds, which represent 79 percent of the total trade in this category for the United States. Canada is the largest supplier with a 47 percent market share, with wheat comprising the bulk of its exports in the category. Total agricultural trade has benefitted greatly from the U.S.-Peru Trade Promotion Agreement (PTPA).

### Section IV: Best Product Prospects Categories

#### 1. Products Present in the Market which have Good Sales Potential

Product Category/ Net imports	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Wheat (HTS 10019910) \$523 million	Canada: 76% USA: 11% Argentina: 9%	Canada has more competitive pricing for this ingredient.	Local millers are used to blending different origin wheat.
Milk and Cream Concentrate, powder (HTS 040210) \$72 million	USA: 56% Ireland: 13% Argentina: 8%	Price opportunity is a key driver.	Dairy food processors use powdered milk to standardize production. Insufficient milk production in Peru.
Milk and Cream Concentrate, powder Exceeding 1.5% (HTS 040221) \$108 million	USA: 43% New Zealand: 24% Argentina: 21%	Price opportunity is a key driver.	Dairy food processors use powdered milk to standardize production. Insufficient milk production in Peru.
Edible mixtures or preparations (HTS 151790) \$12 Million	USA: 46% Malaysia: 15% Uruguay: 12%	Price opportunity is a key driver.	Multiple sectors demand these types of products.
Enzymes and preparations NESOI (HTS 350790) \$24 million	Brazil: 21% France: 17% USA: 17%	Tariff preferences are also applied to competing exporting countries.	Weak local production. Utilization for different sectors.
Almonds Fresh or Dried Shelled NESOI (HTS 08021290) \$8 million	USA: 86% Chile: 14%	Lower logistics cost due to Chile's proximity. Price competitive.	Better quality of U.S. almonds. Confectionary manufacturers prefer U.S. quality and price.
Boneless Pork Meat (HTS 02032910) \$8 million	Chile: 44% Spain: 35% USA: 19%	Price competitive and different cuts from Chilean pork industry. Proximity and tariff preferences are key factors.	Mainly used by sausage manufacturers. U.S. industry is gaining terrain due to competitive quality and price.
Products Consisting of Natural Milk Constituents (HTS 040490) \$5 million	USA: 92% Argentina: 2% Poland: 2%	Price and proximity could be key alternative drivers.	Not a lot of suppliers for these products. Local industry non-existent. Regular import level above \$5 million.



Mixtures of Odoriferous Substances (HTS 330210) \$57 million	Costa Rica: 38% Mexico: 16% Colombia: 11% Chile: 10% USA: 6%	A beverage manufacturer in Chile supplies its subsidiary in Peru. Price is key driver.	Large manufacturers source internationally.
Flour Meals and Pellets Meat or Offal (HTS 23011090) \$22 million	USA: 40% Argentina: 30% Chile: 27%	Price and quality are key drivers.	Pet food industry is the largest buyer. Local industry is growing.
Other preparations of semolina, starch flour, or malt extract (HTS 190190) \$31 million	Colombia: 42% Chile: 11% USA: 7% Panama: 6% Mexico: 6%	Price is the key driver. Colombian manufacturers supply to Peru's subsidiary.	Category keeps growing and grew nine percent in 2020. Large food processors based in the region supply Peru's market.
Vegetable Saps and Extracts (HTS 1302) \$18 million	Mexico: 22% China: 18% USA: 13% Chile: 10%	Price is the key driver.	U.S. is the leading supplier of hops extract and vegetable thickeners.

Source: SUNAT, Trade Monitor Data. FAS Lima office research.

Note: Calculations based on latest full calendar year (January-December) data

## 2. Products with small presence in Market but which have Good Sales Potential

Product Category/ Net imports	Major Supply Sources	Market Overview
Malt Toasted or not (HTS 1107) \$29 million	Australia: 42%; Colombia: 17%; Netherlands: 11%; Argentina 9%	Beer market highly impacted by COVID-19 and recovering.
Starches (HTS 1108) \$217 million	Germany: 35%; Denmark: 18%; Netherlands: 12%; Poland: 9% Argentina: 7%	Potato starch imports reached \$13 million, and it is the largest imported ingredient. Also, cornstarch with \$2 MM.
Mechanically deboned meat (HTS 0207140010) \$9 million	Brazil: 56%; Chile: 43%; USA: 1%	Price driven market. U.S. exports dropped 7 percent in 2020.
Whey and Modified Whey (HTS 040410) \$12 million	Chile: 56%; USA: 16%; Canada: 11% France: 10%	Chilean suppliers benefit from proximity and tariff preferences. Price is the key driver. Not too many suppliers for these products. Local industry non-existent.

Source: SUNAT, Trade Monitor Data. FAS Lima office research.

Note: Calculations based on latest full calendar year (January-December) data

## Section V: Key Contacts and Further Information

U.S. Embassy Lima, Foreign Agricultural Service (FAS) Office of Agricultural Affairs Street  
Address: Avda. La Encalada, Cuadra 17, Monterrico - Surco, Lima 33 E-mail: [Aglima@usda.gov](mailto:Aglima@usda.gov)

For additional information, see [www.fas.usda.gov](http://www.fas.usda.gov). See also our [Exporter Guide](#), and other marketing reports on the FAS Global Agricultural Information Network (GAIN) in this [link](#).

**Attachments:**

No Attachments