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Report Highlights:

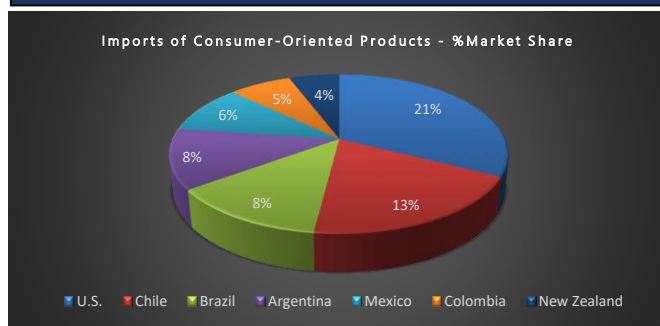
Peru is an internationally recognized gastronomic hub with opportunities for imported complementary food products. Despite the difficult situation that Peru's economy is facing amid COVID-19, the long-term outlook is favorable. However, the food service industry will need to make adjustments due to changes in consumer 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

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 \$4.0 billion in 2020, an increase of 175 percent. The United States was the second largest agricultural product supplier to Peru in 2020, accounting for 17% of market share.

Imports of Consumer-Oriented Products



Peru's consumer-oriented imports from the world reached US\$ 1.4 billion in 2020. 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 \$9.4 billion by the end of 2020. 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 2020

Imports Consumer-Oriented Products: \$1.4Bn

Top 10 Growth Products in Peru

1. Food preparations	6. Almonds fresh or dried, shelled
2. Chicken cuts	7. Peas dried
3. Apples	8. Lentils dried
4. Dairy products	9. Peanuts prepared or preserved.
5. Livers of bovine	10. Soups and broths

Food Industry Gross Value Added: \$9.4 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

GDP (Billions USD): 200

GDP Per-capita (USD): \$6,190

GDP Per-Capita (USD): 6,287

Top 10 Host Country Retailers

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

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.

Section I: Market Summary

As in many countries in the world, the COVID-19 pandemic has dramatically impacted the Peruvian economy. On March 16, 2020, 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. Foodservice went from a booming status to the complete closure of business, and from there, foodservice has gone through different stages that are yet insufficient to recover losses. At the beginning, reopening conditions allowed only delivery service, which also demanded the enhancement of an e-commerce platform. Chain restaurants adapted better to this situation, but stand-alone restaurants became unable to maintain service and payroll. Progressively, the GOP eased the mobility restrictions and as of September 2021, the sanitary status changed to a moderate level for most of provinces of Peru. That allowed restaurants to increase seating capacity to 60 percent. The National Institute of Statistics (INEI) reported a substantial recovery of the foodservice sector up to June 2021 (29 percent); and with the new conditions it is expected to maintain the same growth trend towards the end of the year. However, different sources consider this as merely a rebound from the catastrophic scenario in 2020 and there is still a long-time horizon before pre-covid sales levels will be reached.

Tourism had been a strong driver of the hotel-restaurant-institutional (HRI) sector before the pandemic. However, the flow of international visitors dramatically decreased in 2020 as a result of strict travel restrictions that for six months (April – September) interrupted the volume of foreign tourists. According to the Ministry of Foreign Trade and Tourism (MINCETUR) less than 1 million international visitors arrived to Peru during 2020, generating roughly \$1 billion in revenues a reduction of almost 80 percent with respect 2019. The sector dropped to the fifth position in terms of importance as income generator. The reduction of tourism had a collateral effect on foodservice since it makes up approximately 15 to 20 percent of total foreign tourist revenue.

The Government of Peru has implemented different mechanisms to support the foodservice and tourism sectors (Reactiva Peru, Turismo Emprende, among others) benefiting a wide range of foodservice businesses. MINCETUR has also adopted the Safe Travel stamp initiative of the World Travel & Tourism Council (WTTC) that allow travelers to recognize destinations that have implemented health and hygiene protocols. MINCETUR's objective is to accredit forty touristic destinations by the end of 2021.

The pandemic also forced HRI companies to rethink conventional strategies. E-commerce, for instance, associated with “dark kitchens” gained ground as an alternative for some restaurants to reach a wider audience. Many renowned chefs developed content through their social media platforms in order to maintain their influence among consumers and to take care of their brands that took many years to reach popularity.

Peru's gastronomy has become an important asset since it 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 two Peruvian restaurants in the top five of the lists of “Latin America's 50 Best Restaurants in 2020.”

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 in consumer behavior.

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 • Peru is a renown culinary destination in the world 	<ul style="list-style-type: none"> • Sanitary restrictions still in place • 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 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.

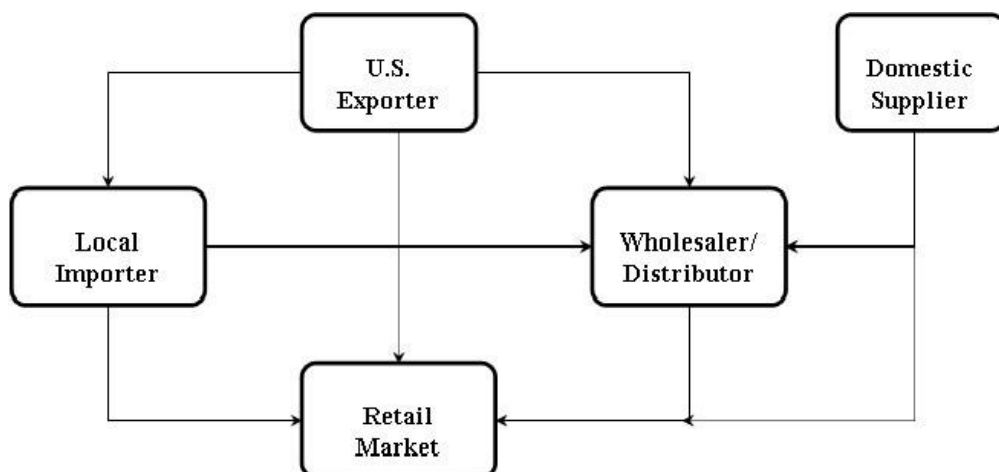
1. Entry Strategy

- 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.
- It is recommended to maintain virtual meetings until favorable conditions for travel allow face-to-face meetings with local partners. The import partner should be well known by the exporter before signing contractual agreements. Importers are responsible for facilitating customs clearance procedures.
- 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 2021).

- 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.
- There are importers that look for foodservice presentations to complement their portfolio. Just a few are specialized in foodservice but also carry retail presentations.
- 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 foodservice outlets or through sub-distributors, a practice common in secondary cities.
- Most of the HRI business is developed in Lima. High value products are sold in provinces through hotel or restaurant chains but a lower scale.



3. Sub-Sector Profiles

a) Hotels and Resorts

The sector has been slowed significantly. The lower influx of international visitors due to sanitary restrictions to mitigate the pandemic had a notable impact on economic performance in 2020. A few sectors, such as mining, contributed to survival of hotel chains, since mine-workers had to comply with quarantine measures before entering the operations. This elevated the hotel demand in specific provinces where hotels had idle occupancy.

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 had a steady growth since the PTPA entered into force, reaching almost \$1 billion in calendar year 2020.

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 17 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.

In 2019, Peru received almost 4.4 million international visitors and South Americans were the largest group of visitors to Peru, at nearly 60 percent and 27 percent of visitors were from the United States. In 2020, The arrival of international visitors decreased to almost 900,000. This effect certainly impacted restaurants since food service makes up to 18 percent of total foreign tourist revenues.

Investments for new hotels are on hold and it is estimated that most of them will resume operations by the second half of 2022 through 2024. There are around 60 new projects that will total \$1 billion in investment and they will add an additional 6,000 beds to current infrastructure.

b) Restaurants

Restaurants have been one of the fastest and hardest hit sectors in the economy. The hotel and restaurant sector decreased nearly 50 percent in 2020. Some restaurants adapted rapidly, either implementing take-away service or enhancing delivery systems that helped them retain sales. Fast food chains were the first to obtain government authorization thanks to their pre-established delivery services and quick establishment of sanitary protocols. Several companies had access to government stimulus programs, including large food chains. During the second quarter of 2021, restaurants have shown a slight improvement and it is expected performance will improve towards the second half of the year. A third stimulus program of long-term loans will be available so a full recovery of the sector is expected by 2023.

Before the pandemic, there were approximately 200,000 establishments that employed nearly 1 million people. The spectacular 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 (2020)

Company Name	Sales (\$million)	Brands	Location	Purchasing Agent
DELOSI	79	KFC, Starbucks, Pizza Hut, Burger King, Pinkberry, Chili's, Madam Tusan	Lima, Trujillo, Arequipa, Chiclayo, Huancayo, Cuzco, Ica, Piura, Cuzco, Pucallpa,	Direct Importer
NG Restaurants S.A.	42	Bembos, Chinawok, Don Belisario, Popeyes, Dunkin Donuts, Papa Johns	Lima, Trujillo, Arequipa, Chiclayo, Huancayo, Cuzco, Ica, Piura, Cuzco, Pucallpa,	Direct Importer
Franquicias Pardo SAC	28	Pardo's Chicken, Planet Chicken	Lima, Trujillo, Arequipa, Chiclayo, Huancayo, Cuzco, Ica, Piura, Cuzco, Pucallpa,	Local
McDonald's	17	McDonald's (fast food) – 54 outlets	Lima, Trujillo, Arequipa, Chiclayo, Huancayo, Cuzco, Ica, Piura, Cuzco, Pucallpa,	Direct Importer
Grupo Norky's	114	115 outlets	Lima, Trujillo, Huancayo, Huanuco, Ica, Arequipa, Pucallpa, Puno, Piura, Chiclayo, Cajamarca,	Local
Grupo Roky's	52	97 outlets	Lima, Ica, Trujillo, Chiclayo, Piura	Local
Cinco Millas S.A.C.	11	Astrid & Gaston, Chicha, La Mar, Panchita, Tanta, Papachos, El Bodegon, Barra Chalaca, Los Valientes	Lima, Arequipa, Cuzco,	Local
Grupo Civitano	8	Pescados Capatales, La Nacional, Juicy Lucy, Chicken What, Cho, Santa Brasa, Burger Truck y Don Bife	Lima	Local

Source: FAS Lima office research.

The number of foodservice outlets grew 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 and growth in this environment is expected to continue. The return of well-known U.S. brands, including Taco Bell, Little Caesars and IHOP pose promising areas for future growth. There is no report of new international food franchises entering the market since the beginning of the pandemic. However, new brands have expressed their interest in Peru's market, such as Fogo de Chao, which will most likely be arriving by the second half of 2022.

Peruvian companies are seeking to expand into new franchise options, particularly in health foods. The booming Peruvian cuisine scene is also driving significant expansion of the high-end restaurant sector. Delivery service was essential to maintain sales during the pandemic, some companies are developing exclusive brands only for delivery. . In general, 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 industrial caterers. These companies account for half of the market.

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. *Qaliwarma* 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 *Qaliwarma* 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. Twelve 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 2020, U.S. exports of food and agricultural products to Peru grew, from \$530 million to \$939 million. U.S. consumer-oriented product exports account for 31 percent of U.S. food exports to Peru, totaling \$293 million in 2020.

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 31 percent. Quota amounts under the PTPA: 17 years linear, 2,500 metric ton (MT) quotas with 12 percent increase per year. Currently at 9,740 MT.
- Beef and offal: Consumers' increased purchasing power is driving demand for high quality U.S. beef. However, there is potential for other affordable cuts suitable for home-cook recipes. The

United States holds 29 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. Poultry meat had an important reduction due to covid restrictions, since most of the volume imported (meat in general) goes to the HRI sector. Up to July this year, U.S. exports have surpassed export levels of 2020. 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 grew 64 percent in 2020. The U.S. is currently the largest supplier, holding 62 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 & Condiment: The United States is the top import supplier in this category, holding 23 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. Local market is looking for different and affordable cuts in order to reach lower-income segments. U.S. exports hold 59 percent of imported market share in 2020.
- Distilled spirits: U.S. distilled spirits exports slightly decreased in 2020. U.S. whiskeys are becoming a trend among bartenders and, along with vodka, hold the highest growth and market share.

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

- Peaches, Cherries, and Nectarines: Chile has 99 percent of import market share. There is interest in U.S. peaches and nectarines.
- Apples and Pears: Chile has 64 percent of import market share. Export window opportunity: November-February. Recognized quality of U.S. apples and pears.
- Grapes, Raisins: Chile has 71 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 67 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 2020, US\$ Million

Imports from the World (\$MM) - 2020		Imports from the U.S. (\$MM) - 2020	
Food preparations nesoi	222	Food preparations nesoi	48
Mlk/Crm, conc, Powd, Cont, Not Sweet, Gran/Solids Exc 1.5%	74	Mlk/Crm, conc, Powd, Cont, weth or Not Sweet, Gran/Solids not Exc 1.5%	41
Mlk/Crm, conc, Powd, Cont, weth or Not Sweet, Gran/Solids not Exc 1.5%	55	Mlk/Crm, conc, Powd, Cont, Not Sweet, Gran/Solids Exc 1.5%	33
Food preparations for infant use, put up for retail sale, nesoi	53	Edible fruit or nut trees, shrubs and bushes, grafted or not	13
Chicken cuts and edible offal (including livers) frozen	46	Almonds, fresh or dried, shelled	13
Fats and oils derived from milk, n.e.s.o.i.	44	Chicken cuts and edible offal (including livers) frozen	12
Apples, fresh	40	Dog and cat food, put up for retail sale	10
Coffee extracts, essences and concentrates, and preparations	36	Other non-alcoholic beverages (except water & non alch beer)	9
Dog and cat food, put up for retail sale	32	Apples, fresh	9
Malt extract; food products of flour, meal, etc. with cocoa	29	Meat of swine, nesoi, frozen	8

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

Phone: (511) 444-4303; Fax: (511) 444-7825; E-mail: ahora@ahora-peru.com; www.ahora-peru.com

American Chamber of Commerce Peru – Executive Director: Aldo Defilippi

Address: Av. Ricardo Palma 836, Miraflores, Lima 18

Phone : (511) 705-8000; Fax: (511) 241-0709; E-mail: amcham@amcham.org.pe; www.amcham.org.pe

Attachments:

No Attachments