

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

In 2011, food service sales in Peru reached \$6.8 billion. The sales generated by full service restaurants and fast food outlets accounted for almost 40 and 35 percent of the total sales value respectively. The sales prospect for fast food is even brighter as it targets every economic level of consumers and has a wider consumer base.

Post:
Lima

Executive Summary:

Section I. Market Summary

Peru is among the emerging markets whose economy has grown on average around 6 percent during the last decade. In addition Credit rating agencies such as Standard and Poor, Fitch and Moody's have acknowledged Peru's good fiscal and economic performances, placing the country among the economies that are certain to comply with their obligations.

The Peruvian government has identified priorities that need to be developed rapidly in order to secure its economic growth and attract foreign investments. Promotion of tourism, active sector in 2011, is one of such endeavors. The tourist services grew 9.6 percent in 2011 compared with 2010 due to a high flow of local and foreign tourists.. The average growth rate of Peru's tourism sector in the last 10 years was 6.4 percent, which shows a steady and growing trend of this sector boosted by Peruvian culinary explosion, promotion of archeological sites, a better economic performance driven by higher incomes, to name a few.

The Ministry of Foreign Trade and Tourism reported that the number of foreign tourists has increased by 13 percent in 2010 compared with a year ago level, reaching 2.6 million visitors. The evolution of incoming tourists was particularly important, mainly attracted by Peru's most primary tourist attraction, Machu Picchu. The tourist destinations that showed largest increase in number of visitors were: Lake Titicaca (up 176 percent), Pachacamac (up 42 percent), and Kuelap (up 35 percent).

Peru's position as a world tourist destination continues to improve. The Country Brand Index (CBI) published by the international consulting firm, Future Brand, emphasizes that Peru is the one of the Latin American countries that has the ability to communicate its cultural assets fully and positively, which is part of its heritage and culture. The CBI ranks Peru at fourth position out of 113 countries with respect to this feature. Peru occupied the 44th position out of the general list last year.

Consumer foodservice was positively affected by the continued growth of the economy in 2011. Consumers are enjoying higher disposable incomes and are eager to spend more money on luxury goods. Peruvian consumers enjoy eating, proved by the fact that they dine out whenever their income increases.

Food is an essential part of Peruvian identity. "Through our cookery, we reveal our idiosyncratic features, where we came from and who we are," says Alfredo Perret, head of the subcommittee of gastronomy of the Lima Chamber of Commerce (CCL). It also has a great economic significance: According to Arellano Marketing, gastronomy accounts for 13 percent of the country's GDP. According to The National Institute of Statistics (INEI), during 2011, the restaurant sector grew by 9.4 percent, based on rapid growth of different type of restaurants.

There has been a dramatic increase in the recognition of Peruvian food in the country. This trend has positively affected the growth of restaurants that serve Peruvian cuisine, and many international food franchises also decided to include Peruvian food in their menus to satisfy the

increased demand for Peruvian cuisine.

The culinary culture is growing rapidly among young people. Culinary institutes have increased their capacity and there are about 80,000 students that should find a job quickly due to high demand from the sector. Customers are increasingly demanding higher quality services and have forced to make changes and improvements in food preparation techniques and to foster awareness about the proper handling of ingredients.

In general, Peru's per capita gross domestic product (GDP) and average income have increased, although the benefits of growth are concentrated geographically in the coastal area where per capita GDP is already significantly higher than elsewhere. The increase in disposable income has led to increased consumption but reduced domestic savings, which are likely to have long-term implications for growth and consumption in the country.

In 2011, food service sales in Peru reached \$6.8 billion. The sales generated by full service restaurants and fast food outlets accounted for nearly 40 and 35 percent of the total sales value, respectively. The sales prospect for fast food is even brighter as it targets every economic level of consumer and has a wider consumer base.

Food service sales in 2011 grew 15 percent compared to 2010. Total food service imports in 2011 were estimated at \$1 billion, or 20 percent of Peru's total food service sales.

Estimated Consumer Food Service by Type (Current Value): 2007-2011

Sub Sector	Food Service (US\$ Million)				
	2007	2008	2009	2010	2011*
Full-service restaurants	1,516	1,805	1,971	2,343	2,673
Cafes/Bars	157	173	191	234	271
Fast Food	1,294	1,447	1,626	1,991	2,374
Home Delivery	43	51	57	70	81
Street stalls/kiosks	773	960	1,099	1,309	1,443
TOTAL	3,784	4,436	4,944	5,948	6,842
growth %	16%	17%	11%	20%	15%

Source: Post estimations / *Preliminary

The niche market for U.S. exporters in this sector includes high-end hotels and restaurants, family style restaurants, fast food chains, and coffee shops. At an average annual growth rate of 8% for the past 5 years, fast food chains had the fastest annual sales growth.

Products for the food service industry that are benefitted from lower or free duty as a result of PTPA are fruits, cheeses, processed fruits and vegetables, and meats and specialty meat products.

Having nearly one third of nation's total population and more than 60 percent of the national income, Lima is the major market for consumer-oriented food products. High and middle-income consumers (approx. 1.8 million people), whose average monthly household income is \$1,400, are the main purchasers of U.S. food products. The Engel coefficient for this income group is roughly 35 percent.

Social factors that affect the food service market include tourism growth, urban expansion, an increase of women in workforce (38 percent), and an increasing percentage of the young population that demands fast food or food prepared outside the home.

Advantages and Challenges of U.S. products to Peru's Food Service Sector

Advantages	Challenges
<ul style="list-style-type: none"> • Peru is the fastest growing economy in the region. • Appreciation for U.S. food quality and culture. • Food service products will benefit from PTPA with lower or no tariffs. • Peru is opening its market for new competitors in the sector. • Fast food chains are expanding in Lima suburbs and in major cities (Arequipa, Trujillo, Chiclayo, and Piura). • Peru has a government fund to promote tourism. • Culinary culture is growing and demanding high quality food products. • Increasing investment interest of international chains in association with local investors for new project developments. 	<ul style="list-style-type: none"> • Peruvians prefer meals using fresh products. • Limited number of five star hotel chains in Peru makes it harder for U.S. products to penetrate into Peru's market. • Peruvian food is tasty. U.S. exporters need to incorporate food ingredients in international and traditional menus. • Limited infrastructure and low quality service discourage longer stays of international tourists.

Section II. Road Map for Market Entry

Entry Strategy

- U.S. exporters can approach the Peruvian food service market through large importers, wholesalers/distributors or specialized importers. Most food service companies buy imported goods from local intermediaries.
- 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 company should be able to provide updated information on consumer trends, current market developments, trade, and business practices.

In addition, it is recommended that U.S. exporters work with chefs and local importers to conduct innovative marketing activities in the high-end food service sector. More specifically, U.S. exporters are encouraged to

- incorporate U.S. food ingredients in local and international menus.
- emphasize the superior quality of U.S. food products.

Market Structure

Food service institutions mainly source food ingredients domestically. This is due to Peruvians' strong preference for locally produced fresh food products at lower prices.

- Food service importers are also suppliers for the retail market, which represents, in most cases, more than 70 percent of their profits.
- Almost all food service businesses purchase through intermediaries (97 percent).
- International franchises (KFC, Pizza Hut, Burger King, Mc Donalds) and the local Bambos are able to import some of their food ingredients directly because of high volumes.

Sub-sector Profiles

- **Hotels**

Number of Hotels in Peru, By Category in 2011

Hotel Category	Number of Outlets	Number of Rooms	Number of Beds	Outlet Location	
				Lima	Provinces
Five-stars	35	4,030	7,650	20	15
Four-stars	51	3,636	6,735	29	22
Three-stars	581	16,736	31,812	85	496
Two-stars	1,178	24,206	42,636	214	964
One-stars	379	6,548	11,282	99	280
Total	2,224	55,156	100,115	447	1,777

Source: Ministry of Foreign Commerce and Tourism (Mincetur)

The Peruvian government has been actively promoting tourism. In September 2009, the first general tourism law was passed. The purpose of the law is to promote tourism and entrepreneurial development, particularly in areas outside of Lima.

Visitors from other countries that are not residing within Peru are considered as receptive tourists by the Ministry of Foreign Trade and Tourism (Mincetur). It has been estimated that receptive tourism growth was 17 percent in 2011. Moreover, hotels expanded by 12 percent, due to increased local tourism, which offset the drop in hotel overnight stays by foreign tourists. The tourism boom, however, is reflected not only in the increase in the number of foreign visitors, but mainly in new investments in hotels and restaurants. Peru's progress as a tourist destination is important—the country often appears in specialized documents and is awarded prizes of different kinds. This awakening of tourism has been accompanied by the rapid dissemination of Peruvian cuisine which definitely is starting to be part of the main attractions for different visitors from around the world.

The number of visitors that arrived in Peru last year was around 2.6 million, which represented foreign currency earnings of \$3.0 billion. There was a greater inflow of travelers from countries within the region mainly from Chile (26 percent), Brazil (29 percent), and Colombia (14 percent). Moreover, there was an increase in the flow of tourists from countries outside the region like Canada, United States, Spain, France and United Kingdom.

In 2011, classified lodging establishments offered over 100 thousand beds, 11 percent more than in 2010. In addition, lodging capacity increased 9 percent in all the categories. The niche market for U.S. exporters in this sub-sector is high-end hotels, mainly four and five-stars that use higher proportions of imported food products. Food imports represent approximately 16 percent of food served in hotels. Marketing efforts in this sub-sector should target activities to introduce U.S. food ingredients and U.S. gourmet products in high-end hotel restaurants that offer local and international cuisine.

Major high-end hotels are located in Lima (55 percent), the center of business activities. Many hotels are developing strategic alliances with international hotel chains or important local groups, with the purpose of having access to a hotel facility in every important tourist destination in Peru (Lima, Cuzco, Arequipa, and Puno). The opening of new hotels in Lima has made the market more competitive, which is why hotel chains such as Marriott are targeting specific markets which have not yet been fully explored. An example of this is the opening of a Marriott Courtyard that targets the executives and offers more services to clients during their stay.

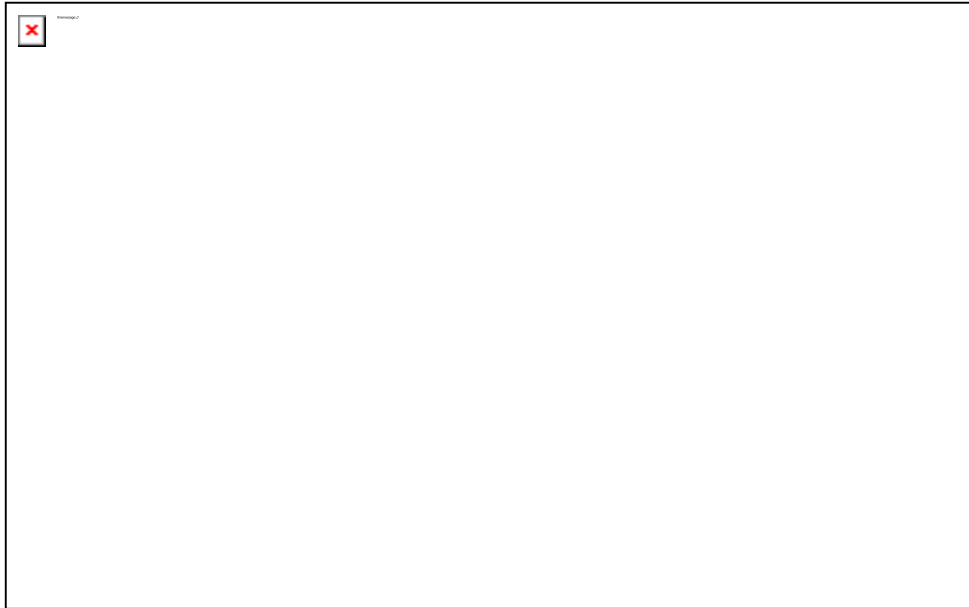
In May 2011, Westins Libertador started its operations. Its opening set a milestone in Peru's hotel sector. This was a \$100 million investment and it is one of the seven hotels operated by the Intursa Company (part of Brescia Group). The modern infrastructure includes 50 stories and over 300 rooms. According to the Libertador's general manager, the hotel expects to reach 50 percent of occupancy in its first year.

Hotel construction projects have grown in recent years. More than 40 new hotel projects have been forecasted in 2011. These new constructions will represent almost \$500 million in investments. The increase in hotels is one sign of Peru's attractiveness to foreign investors that prefer to enter the market through franchises.

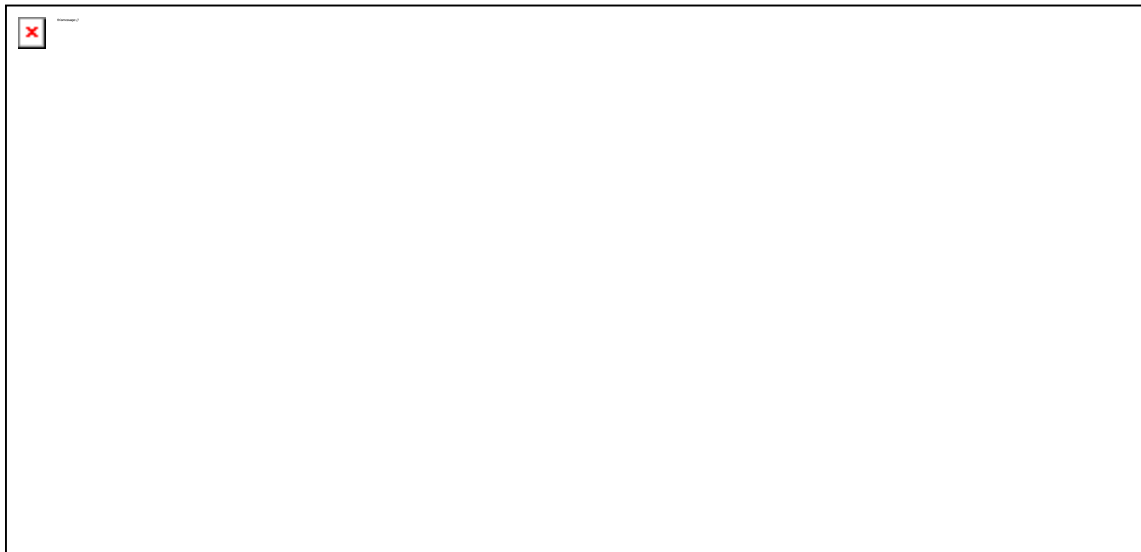
While Lima is considered the main market for corporate hotel chains, the southern part of the country is the preferred region for more traditional hotels. Although the northern part of Peru has attracted investors' interest, projects are not slated to begin until 2013.

In the future there will be more corporate-oriented hotels located in shopping centers. Both the hotel and retail industries have the same needs which means that shopping center operators are looking to obtain as much income as possible by offering wider services, while hotel operators are looking for convenient locations, closer to commercial areas. The first two such hotel projects will take place in Plaza San Miguel and Jockey Plaza Shopping Center, both in Lima, which will each hold small 4-star hotels.

Three U.S. hotel chains (The Hyatt, Intercontinental and Wyndham) have showed interest in initiating operations in Peru's market.



Source: Ministry of Foreign Commerce and Tourism (Mincetur)



Source: Ministry of Foreign Commerce and Tourism (Mincetur)

- Foreign tourists spend around \$89 daily. Food represents the third highest expense (18 percent), behind lodging and transportation (28 and 20 percent respectively).
- Foreign tourists consider lodging to be more important than domestic tourists.
- The principal destinations for foreign tourists are Lima (94 percent), Cusco (84 percent), Puno (58 percent), Arequipa (35 percent), and Ica (18 percent). Lima travelers often include corporate tourists.
- The high season for foreign tourists is during the months of July and August.
- Around 70 percent of tourists are between 25 and 54 years old with 32 percent of this group between 25 and 34 years old.
- Male visitors account for 66 percent of total tourists.

- Purpose of visit: vacations (61 percent), business (19 percent), visit family or friends (10 percent), attending seminars (4 percent).
- Types of tourism: urban (93 percent), cultural (70 percent), ecological (47 percent), adventure (36 percent, for example, trekking), experiential (32 percent), and thermal bathing (22 percent). Restaurant preferences: Peruvian style (79 percent), seafood (41 percent), and meat (37 percent).
- Accommodations: vacations: three star hotels (80 percent); business: five star hotels (44 percent), and four-star hotels (31 percent), seminar attendance: five-star hotels (30 percent), four-star hotels (29 percent), and three-star hotels (34 percent).

Major Hotel Sales (2011)

Company	Total Estimated Sales (\$ Million)
Corporacion Turistica Peruana S.A.C.	44
Thunderbird Hoteles Las Americas S.A.	36
Condor Travel S.A.	31
Inversiones La Rioja S.A.	27
Inversiones Nacionales de Turismo S.A.	23
Nessus Hotel Peru S.A. – Casa Andina	23
Orient-Express Peru S.A.	20
Hotelera Costa del Pacifico S.A.	19
Corporacion el Golf S.A. / Los Delfines	14
Peru OEH S.A.	14
Hoteles Sheraton del Peru S.A.	11
Corporacion Hotelera Metor S.A.	10
Consorcio Hotelero Las Palmeras S.A.C.	10
Costa del Sol S.A.	8
Peru OEH Machu Picchu S.A.	8

Source: The 10,000 Major Companies in Peru

Restaurants

Peruvian gastronomy has earned international recognition among renowned chefs. Proof of this is the rapid development of Peruvian restaurant franchises abroad and the growing number of publications about Peruvian Cuisine. Locally, the gastronomic offering is highly diversified and new eating places are always opening, due to the growing numbers of foreign visitors eager to sample typical fare. In 2011, full service restaurants reached \$2.7 billion which represents a 11 percent growth. The number of outlets in shopping centers, particularly outside of Lima, has fostered growth of international and local fast food chains.

Since 2009, Peruvian gastronomy has initiated a meteoric growth that has turned Peru into an important global point of reference due to its promising culinary development. In that sense, the Peruvian Gastronomy Association (APEGA) decided to bring together every piece of a long list of Peruvian cuisine representatives in one place. This is how the Mistura Food Festival was born in 2008 to showcase Peruvian ingredients, traditional dishes and culinary trends, and it has consolidated as the most important annual culinary fair in Latin America so far.

Last year in September Mistura, held its fourth show and over 10 days more than 400 thousand visitors tasted different styles of cooking from different regions of Peru. Famous personalities from

the gastronomy scene, including Massimo Bottura, Álex Atala, René Redzepi, Michel Bras, Dan Barber, Yukio Hattori, Heston Blumenthal and Gastón Acurio, led by Ferrán Adrià, discussed a range of topics related to the role of the chef in today's modern world. Initiatives like Mistura and other promotional activities oriented towards development of local tourism have resulted in more visits to provincial restaurants. For example, Promperu organized the First Gastronomic Tourism Fair under the title of "Peru Mucho Gusto" (Peru, pleased to meet you) in northern Peru, while in the southern part of the country it organized "Tincuy 2009".

With the increase in the reputation of Peruvian cuisine around the world, the demand for formal instruction of chefs increased considerably. According to APEGA only 30 institutes and universities offering formal instruction in gastronomy existed in Lima back in 2009. This number has increased greatly since then thanks to the culinary boom in the country. The growth of educated chefs positively affected the industry, since they are being educated not only about how to cook, but also about the food safety requirements and the formal ways to conduct a business, among others.

The increasing demand for modern and convenient commercial shopping centers in Lima and other cities has made franchises popular with local investors and consumers. At present, most of the franchise outlets are located in Lima; however, franchisers have started to establish outlets in other cities such as Chiclayo, Trujillo, Piura, Arequipa, and Cusco.

The Fast Food channel has grown 16 percent in 2011 reaching almost \$2.4 billion which represents 35 percent of food service market share. The number of outlets grew by 14 percent and reached almost 30 thousand during the same period. Chicken fast food continued to be the most popular type of fast food in Peru. According to a 2009 study by APEGA, the Peruvian association of Gastronomy, 56% of Peruvians preferred to eat roast chicken when dining out. This trend continued in 2011 with the expansion of chicken fast food across the country. In low income areas it was possible to find at least one chicken fast food restaurant per block, so consumers had a wide offer to choose from.

In 2011, Delosi SA led sales with a 3% value share. The company has long-standing presence in the market with worldwide recognised brands such as KFC, Burger King, and Pinkberry, among others. The company is the leader because it expanded rapidly, not only in Lima, but also in other regions of the country, attracting consumers looking for international options. Delosi SA had the biggest increase in value sales in 2011, since the company increased its penetration in Lima and in other regions of the country. It opened 13 new KFC outlets, and five more Pinkberry outlets, expansion that positively affected its value growth.

There are three main hamburger fast food chains in the country: Bambos, McDonald's, and Burger King. The Peruvian chain Bambos leads the market with a share of 50 percent. The company is the leader of burger fast food in the country since it developed a proprietary concept of Peruvian burgers based on Peruvian cuisine as well as recognition of the high quality of its products. In 2011, the company was bought by one of the biggest holdings of the country, the Interbank Group, interested in expanding its culinary offering.

Last year sales grew in 15 percent due to the opening of more restaurants in the country, increased purchasing power, and increased employment of women (who have less time to cook). These three chains target young people (up to 35 years old) and socioeconomic levels A, B and C. Bambos owns 38 of the 74 fast food restaurants while McDonald's and Burger King own 21 and 15 restaurants respectively. These restaurants are located in seven cities: Lima, Huancayo, Trujillo, Arequipa, Piura, Cusco, and Chiclayo. The estimated consumption per person in the fast food industry ranges from S/. 3 to S/. 11 and fast food chains serve between 100,000 to 300,000

guests per day.

The U.S. niche market is constituted by high-end restaurants, some family style restaurants, coffee shops, and fast food chains. These restaurants commonly purchase between 10 to 20 percent of imported food products, usually in food ingredients (sauces, meats, processed fruit and vegetables, cheeses), specialties (pork products), wine and liquors.

Broiled chicken restaurants, locally called "pollerías" reach around 1,100 points of sale. Annual growth is 10 to 15 percent. Major "pollerías" account for seven food chains (120 outlets). These chains compete directly with supermarkets (30 percent market share). Delivery accounts for 35 percent of pollerias sales. Their target market is families and office employees. Purchases of chicken and French fries, the two most important ingredients, are mainly local but are good prospects for future U.S. exports.

Fast Food Chain profiles (2010)

Name of Restaurant	No. of Outlets	Food Sales (\$million)	City
Kentucky Fried Chicken Pinkberry Chillis Delosi S.A.	75 7 10	60	Lima, Trujillo, Arequipa, Chiclayo, Huancayo, Cuzco, Ica, Piura
Burger King Pizza Hut Sigdelo S.A.	19 44	41	Lima, Trujillo, Arequipa
Mc Donalds Operaciones Arcos Dorados de Peru S.A.	46	26	Lima, Trujillo, Cuzco, Arequipa
Bembos Burger Grill Bembos S.A.C.	52	35	Lima, Arequipa, Trujillo, Juliaca, Cuzco, Chiclayo, Piura
Domino's Pizza Comercializadora de Alimentos Latinos S.A.C.	25	5	Lima, Callao, Arequipa
Papa Johns Corporacion Peruana de Restaurantes S.A.	16	9	Lima, Trujillo

Note: Estimated values for 2010

Source: The 10,000 Major Companies in Peru (2010)

3. Institutional Contractors

- This sub-sector accounts for approximately 16 percent of total food service sales with an estimated growth of 13 percent in 2011.
- The potential market for U.S. products includes large caterers that supply airports and mining companies. These companies mainly use local products in their menus.
- Vending machines and stores in mining camps require imported goods such as snacks, canned goods, and sweets that are supplied through local importers, wholesalers, distributors, or major caterers.

Major Peruvian Suppliers for the Food Service Sector (2011)

Company Name	Total Sales (\$Million)	Type of Company	Food Supply	Imported Food Products
Alicorp S.A.	1,315	Processor, importer, distributor	Pasta, wheat flour, margarine, food ingredients, mayonnaise, breakfast cereals, cookies, jelly, ice cream, sauces, pet food.	Wheat, wheat flour, edible oils, soy cake, sauces.
Gloria S.A.	712	Processor, importer, distributor	Dairy and pork products, juices, canned seafood.	Dairy ingredients, juices, lactose and other sugars.
Corporacion Jose R. Lindley S.A.	472	Processor, importer.	Sodas, juices.	Canned fruit, gelatin.
Química Suiza S.A.	393	Importer, distributor	Sweeteners, fishmeal, chocolate, wine, processed fruit.	Canned food, food ingredients, sweeteners, animal feed.
Deprodeca S.A.C	389	Distributor	Dairy Products, jellys, canned food,	
Nestle Peru S.A.	377	Processor, importer, distributor	Dairy products, soups and broths, infant formula, instant coffee and chocolate, breakfast cereal, cookies, chocolates, bakery goods.	Dairy ingredients, chocolate, infant formula, food preparations, baked goods, chicory extract, sauces, soup preparations.
Axur S.A.	158	Importer, Distributor	Canned Food, Food preparations, Bakery goods, Liquors	Canned fruit, bakery
G.W.Yi Chang & Cia S.A.	114	Importer, distributor	Canned fruits, canned seafood, chocolate, wine and spirits.	Canned fruits, canned seafood, chocolate, wine and spirits.
Laive S.A.	102	Processor, importer	Dairy and pork products,	Cheese, butter and pork products.
Kraft Foods Peru S.A.	90	Processor, importer, distributor	Cookies, juices, cheeses.	Cheese, sauces, bakery and dairy ingredients, chocolates.
Unilever Andina Peru S.A.	75	Processor, importer	Sauces, soups.	Sauces, soups.
Perufarma S.A.	71	Importer, distributor	Chocolate, confectionary, wine and liquors.	Chocolate, confectionary, wine and liquors.
Delosi S.A.	50	Fast food franchise	Hamburgers, salads.	French fries, bakery goods, sauces, cheese.
Sociedad Suizo Peruana de Embutidos S.A.	44	Processor, importer	Sausages, cheese.	Pork products, poultry, edible offals, cheese
Mayorsa S.A.	40	Wholesaler, importer	Peas and lentils, popcorn, canned fruit, starch.	Peas and lentils, popcorn, canned fruit, starch.
Sigdelo S.A.	38	Fast food chain	Hamburgers, pizza	Cheese, meat preparations, sauces, French fries, condiments
Braedt S.A.	33	Processor, importer, distributor.	Pork products, cheese.	Pork products, cheese, dairy ingredients, condiments.
Arcor del Peru	30	Processor,	Chocolate, confectionary,	Chocolate, confectionary,

S.A.		importer, distributor	bakery goods, canned fruit.	canned fruit, bakery goods, bakery ingredients.
Bembos S.A.C.	26	Fast food chain	Hamburgers	French fries, meat, cheeses
Diageo Peru S.A.	22	Importer, distributor	Liquors.	Liquors.
Drokasa Peru S.A.	17	Importer, distributor	Wine and liquors.	Wine and liquors.
Halema S.A.	15	Processor, importer	Processed meats, meats and edible offals.	Meats and edible offals.
Agro Corporacion S.A.C.	15	Processor, importer	Processed meats, meats and edible offals.	Meats and edible offals.
Oregon Foods S.A.C.	15	Importer, distributor	Processed meats, meats and edible offals, fresh fruits.	Meats and edible offals, fresh fruits.
Servicios Frigorificos S.A.	10	Processor, importer, distributor	Processed meats, meats and edible offals.	Meats and edible offals.
L.S. Andina S.A.	7	Importer, distributor	French fries preserved, chocolates, sweeteners, confectionary, olive oil, baked goods	French fries preserved, chocolates, sweeteners, confectionary, olive oil, baked goods
KMC International S.A.C.	4	Importer, distributor	Microwave popcorn, soups, baked goods	Microwave popcorn, soups, baked goods.
Destileria Peruana S.A.	6	Processor, importer	Wholesalers, retailers, food service	Liquors.
L C e Hijos S.A.	6	Importer, distributor	Wine and liquors	Wine and liquors
Industrias Molitalia S.A.	4	Processor, importer, distributor.	Chocolates, pasta, confectionary, sauces.	Wheat.

Note: Total food imports are distributed between the three food sectors: HRI, Retail and Food Processing.

Source: The 10,000 Major Companies in Peru 2010 and Peru's Customs (Sunat)

Competition



Source: World Trade Atlas (2010)

- Peru gives tariff preferences to the Andean Community of Nations (CAN - Bolivia, Colombia and Ecuador), and to Mexico, Paraguay, Argentina, Brazil, Uruguay and Cuba.
- According to Peru's customs data, total agricultural imports to Peru from the United States grew to \$875 million in 2011, up 11 percent from the 2010 level. Moreover, consumer oriented products reached \$129 million in 2011 growing 21 percent in respect 2010. The United States became the second largest supplier of consumer oriented products, accounting the 15 percent of the market share which has certainly decreased the reach of Chile and has left Colombia as the third largest supplier of this category.
- Peru's trade policy is oriented towards open markets. Peru has signed different commercial and trade agreements, while others have not entered into force yet and just a few still in negotiations:

Country	Type	Status
Andean Community (Bolivia, Ecuador and Colombia)	Free Trade Agreement	In force
MERCOSUR (Argentina, Brasil, Uruguay, Paraguay)	Economic Complementation Agreement	In force
Cuba	Economic Complementation Agreement	In force
Chile	Free Trade Agreement	In force
Mexico	Trade Integration Agreement	In force
United States	Free Trade Agreement	In force
Canada	Free Trade Agreement	In force
Singapore	Free Trade Agreement	In force
China	Free Trade Agreement	In force
South Korea	Free Trade Agreement	In force

European Free Trade Association (EFTA)	Free Trade Agreement	In force
European Union	Free Trade Agreement	In force
Thailand	Third Protocol	To come into force
Japan	Economic Partnership Agreement	To come into force
Costa Rica	Free Trade Agreement	To come into force
Panama	Free Trade Agreement	To come into force
Guatemala	Free Trade Agreement	Negotiating
El Salvador	Free Trade Agreement	Negotiating
Honduras	Free Trade Agreement	Negotiating

- The PTPA reinforces U.S. competitiveness within the Peruvian market. The quality of U.S. products is already appreciated amongst high-end consumers.
- For a complete list of products that have benefited from PTPA, please check http://www.ustr.gov/Trade_Agreements/Bilateral/Peru_TPA/Section_Index.html.

**Competitive Situation facing U.S. Suppliers in the
HRI Food Service Market in 2011**

Product Category/ Net Imports	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Dairy Products (Excl. Cheese) (\$127.85 million)	New Zealand: 31 percent U.S.: 21 percent Chile: 12 percent Bolivia: 12 percent Argentina: 6 percent	- New Zealand is a major supplier of dairy ingredients, especially HS 040210 milk accounting 36 percent of total imports.	- Only two companies are major producers of evaporated milk and yogurt.
Cheese 2,431 tons (\$11.59 million)	U.S.: 38 percent Argentina: 15 percent Uruguay: 15 percent Netherlands: 7 percent New Zealand: 7 percent	Argentina and Uruguay are part of MERCOSUR and have tariff preferences	Local homemade cheeses are commonly sold. Gourmet cheeses are not made locally.
Snack Foods 19,505 tons (\$54.1 million)	Colombia: 52 percent Ecuador: 10 percent Chile: 7 percent U.S.: 7 percent Argentina: 6 percent	- Tariff preferences are applied to neighboring countries.	- Local producers are major food processors. They import food ingredients for snacks and snacks in bulk.

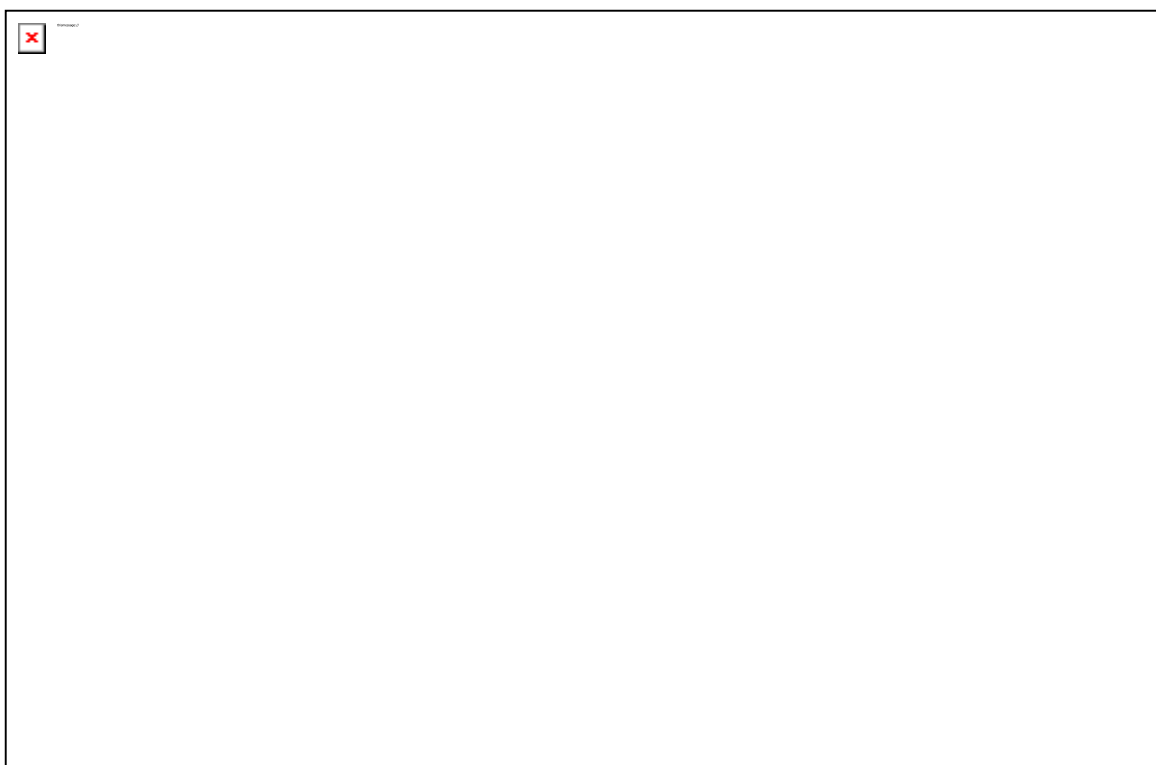
Processed Fruits and Vegetables 47,885 tons (\$65.93million)	Chile: 60 percent U.S.: 12 percent Argentina: 6 percent Netherlands: 4 percent Italy: 3 percent China: 3 percent	<ul style="list-style-type: none"> Chile sells at cheaper prices due to proximity and tariff preferences. - EU products are viewed as good quality. - Argentina has increased its potatoe exports and fruit jellies	- Local processors are major exporters, but their local supply is limited.
Fresh Fruits 69,174 tons (\$49.83 million)	Chile: 93 percent Argentina: 5 percent U.S.: 2 percent	- Chile is the main supplier because of proximity, price and duty free entrance. - Argentina has a window for pears and apples.	- There is an open window from November to February for that will benefit the United States - Local fruit sold in retail markets is of lower quality.
Fruit and vegetable juices 1,422,272 L (\$ 2.5 million)	U.S.: 31 percent Brazil: 23 percent Chile: 13 percent Argentina: 11 percent	- Chile has tariff and proximity advantages. - Brazil has increased its exports of pineapple juice	- Local brands are well positioned in the market at competitive prices.
Wine and Beer 17.42 Million liters (\$29.5 million)	Argentina: 41percent Chile: 22percent Spain: 11 percent Brazil: 8 percent Italy: 7percent France: 3 percent Ecuador: 3 percent U.S.: 2 percent	- Proximity and recognized quality of Chilean and Argentinean wines. - Brazil is the major supplier of imported beer.	- Major local breweries are well positioned, price competitive, and belong to international companies, representing 95 percent of the market. - Local wine is well positioned and price competitive, but does not satisfy demand.
Red Meats (fresh, chilled or frozen) 22,995 tons (\$45.67 million)	Brazil: 29 percent U.S.: 22 percent Chile: 14 percent Colombia: 11 percent Argentina: 11 percent Paraguay: 8 percent	- Major imports come from nearby countries. Colombia has grown very rapidly due to low prices.	- Peru's market for U.S. meats reopened in October 2006. - U.S. meats are of superior quality. - Peru imports three times more offals than meats. - Local meat does not satisfy the demand.
Red Meats (prepared, preserved) 1,238 tons (\$5.00 million)	Chile: 29 percent Bolivia: 15 percent Argentina: 11 percent Spain: 11 percent	- Chile has tariff and proximity advantages.	- The pork products industry also imports prepared meats. - U.S. product tariffs will decrease throughout 5 to 7 years.

	Italia: 10percent U.S.: 8 percent Denmark: 8 percent		
Poultry Meat 24,410 tons (\$29.32 million)	Brazil: 32 percent Chile: 25 percent U.S.: 20 percent Argentina: 16 percent Bolivia: 8 percent	- Imports of U.S. poultry products reopened in October 2006. - Brazil and Chile are major suppliers of poultry cuts.	- TRQ for U.S. chicken leg quarters - Local poultry producers are major suppliers with good distribution channels. - Imports are mainly chicken and turkey parts.

Note: Net imports correspond to the three food sectors: Food Service, Retail and Food Processing.

Source: World Trade Atlas

IV. Best Products Prospects



Source: World Trade Atlas (2010)

A. Products Present in the Market Which Have Good Sales Potential:

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Product/ Product Category	Market Size 2011 est.	Imports 2011	Average Annual Import Growth (2005- 10)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Cheese (HS 0406)	18,480 MT	2,341 tons (\$11.59 million)	14.4 percent	040610, 20 and 40 0 percent 040630 040690 0 percent	- U.S. competitors are: Uruguay (16percent) and Netherlands (16percent). - Strong preference for EU cheese at high- end HRI and Retail Sectors.	- U.S. cheeses are mainly used in the food processing sector, but have potential in the HRI and Retail Food Sectors. - In 2011, the United States was the first supplier with a market share of 38 percent. - TPA*: 17 years linear, 2,500 MT quota with 12 percent increase per year.
Confectionary - non chocolate (HS 1704)	N/A	14,492 tons (\$37.4 million)	16.1 percent	0 percent	- Major suppliers are Colombia(\$26 million) and Ecuador (\$4 million). - Local industry is strong. Major owners are foreign companies.	- United States represents 2 percent of total imports, however, U.S. imports grew 14% in 2011. .
Confectionary - chocolate (HS 1806)	N/A	3,663 tons (\$13.6 million)	12.2 percent	0 percent	- Chile is the major supplier (24 percent of MS). - Local industry is competitive.	- The U.S. is the second major supplier with 17 percent. The U.S. strength is in chocolate for the retail sector. Imports grew 46 percent in 2011.
Food Preparations (HS 210690)	N/A	14,229 tons (\$120 million)	16.4 percent	0 percent	- Local Production is strong - Chile is the major importer (33 percent).	- United States is the second largest supplier and holds 17 percent of market share. - In 2011 imports grew 28 percent.
Prime and choice beef (HS 020230)	Total beef and offals market: 274,425 MT	1,435 tons (\$5.73 million)	7.9 percent	0 percent	- Competes with quality meats from Colombia, Argentina, Uruguay, Brazil and Bolivia.	- Due to an increment of income levels, local consumers are demanding high quality products, such as beef. - U.S. imports have grown 75 percent respect 2009 in this

						category - United States became the second largest beef supplier in 2011 and holds 25 percent of import market share
Edible Beef Offals (liver) (HS, 020622)	10,000 MT	3,911 tons (\$5.4 million)	16.4 percent	0 percent	Local production covers most of the market size.	- The United States holds 95 percent of import market.
Fruit and Vegetable juices (HS 2009)	N/A	14,222 hl (\$2.5 million)	30 percent	0 percent	- Brazil is the second largest supplier and holds 23 percent of market share in 2010.	U.S. imports grew 15 percent in 2011 and United States remains as the largest importer holding 31 percent of market share.
Pet foods (HS 230910)	45,000 MT	12,250 MT (\$13.84 million)	17.6 percent	0 percent	- Growing local pet industry. - There is an informal industry arising. - Colombia 42 percent), and Argentina (31 percent) are major competitors.	- The United States holds 22 percent of the market, with an 21 percent increase from 2009.
Turkey (HS 020727)	13,000 MT	4,598 tons (7.6 million)	27.2 percent	6 percent	- Major exporters are Brazil (52 percent) and Chile (34 percent) followed by the United States with 14 percent. - Local poultry industry is strong.	- Peruvians are major consumers of turkey during Christmas and New Year's. - The food retail sector is becoming more popular not only in Lima, but also in the provinces. - USAPEEC has initiated a market penetration plan.
Poultry meat cuts (HS 020714)	\$23,000 million	10,050 tons (\$8.53 million)	56.2 percent	TRQ: 13,997 tons 0 percent	- Strong local industry. - Frozen presentation is not common	- Peruvians are major consumers of poultry. - TRQ: 6 percent increase per year.
Bread, pastry, cookies (HS 1905)	N/A	4,449 tons (\$10.2 million)	21.1 percent	0 percent	- Colombia is the major import supplier and holds 22 percent of market share. Local companies are very strong.	United States holds 14 percent of import market share.
Soups & Broths (HS 2104)	N/A	1,152 tons (\$2.63 million)	20.6 percent	0 percent	- Local companies are very competitive	- United States grew 38 percent in 2011 and is the major import supplier in this category.holding 33 percent of import

						market share
Sauces (HS 2103)	N/A	5,557 tons (\$9.87 million)	15 percent,	0 percent	- Local companies are very competitive.	- United States grew 16 percent in 2010 and is the major import supplier in this category. Holding 32 percent of import market share
Nuts and almonds (HS 0802)	N/A	452 tons (\$2.7 million)	40 percent	0 percent	- Chile (37 percent of the market) is the second largest supplier.	- U.S. imports have grown 161 percent in respect to 2009. The United States is the major supplier with 61 percent of the import market. - Importers recognize that U.S. quality of nuts and almonds is better than competitors.
Wine (HS 2204)	21 million liters	8.1 million liters (\$24.87 million)	15.7 percent	0 percent	- Argentina (53 percent), Chile (32 percent), and Spain (7 percent) are major exporters. - Only regular wine consumers recognize U.S. wine quality.	- There is a niche market for quality wines for which the United States can be appreciated and price competitive. - Peru's wine consumption is growing. Right now is above 1.3 liters.

Note: TRQ = Tariff Rate Quota, on a first-come first-serve basis.

Sources: World Trade Atlas, USTR, Ministry of Agriculture (Minag), Gestion and El Comercio Newspapers

Products not Present in Significant Quantities, but which have good sales Potential:

Product/ Product Category	Imports 2011	Average Annual Import Growth (2006- 2011)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Peaches, cherries and Nectarines (HS 0809)	2,968 tons (\$2.3 million)	13.6 percent	0 percent	- Chile is major supplier with 99 percent of the market.	- Importers are interested in U.S. peaches and nectarines. - Duty free access for this category.
Apples and Pears (HS 0808)	61,859 Tons \$44 million	20.2 percent	0 percent	- Chile is the major supplier with 92 percent of the market. - The United States is the third largest supplier with 2 percent of the market.	- There is a window of opportunity for the United States between November and February. Local consumers recognize U.S. apples and pears quality.
Grapes,	6,633	22 percent	0	- Chile holds almost 88	- U.S. window:

raisins (HS 080620)	tons (\$14.3 million)		percent	percent of the market.	September to December. In 2011 U.S. imports reached \$1.1 million due to a less Chilean production.
Citrus (HS 0805)	35 tons \$30,546	-23 percent	2.4 percent	- Chile is the second major supplier with 40 percent of the market.	- United States holds 60 percent of import market - Recognized quality of U.S. oranges and tangerines. - Export window for the United States is from January to March.
Pork Meat (HS 0203)	3,005 tons (\$6.9 million)	63 percent	2.4 percent	- Peruvians are not used to eating pork. - Local industry produces more than 100,000 MT - The industry is the same as the poultry industry. - Chile is the major supplier with 79 percent of the market and second is Canada with 15 percent	- Pork imports are growing. - U.S. pork benefit from TPA implementation.
Sausages (HS 1601)	547 tons (\$1.6 million)	28 percent	2.4 percent	- Major exporter is Chile with 44 percent of the market	- There is a high-end segment for gourmet sausages, in which the United States can compete. United States holds 19 percent of import market. Imports has grown 142 percent in 2011. Fast food restaurants are main channel for this category.
Ham, processed HS 160241	74 tons (\$0.84 million)	32 percent	3.42 percent	- Major suppliers are Italy (43 percent of the market) and Spain (39 percent).	- The United States has quality products to introduce to the gourmet market - TPA: 7 years U.S. imports grew 95 percent in 2011.
Beer (HS 2203)	8.9 million liters (\$4.5 million)	5.6 percent	0 percent	- Local breweries are very strong and owned by international companies. - Local breweries produce and import new brands for introduction in the market. Brazil is the major supplier (53 percent of the market).	- Niche market for premium beers. - Growing consumption of beer (over 40 lts per capita) - Duty free entrance. Lack of U.S. brands within the market.

Note: TRQ = Tariff Rate Quota, on a first-come first-serve basis.

Sources: World Trade Atlas, USTR, Ministry of Agriculture (Minag), Gestion and El Comercio Newspapers

C. Products not Present Because They Face Significant Barriers

None

Section V. Key Contacts and Further Information

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

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For further information, check the FAS web site www.fas.usda.gov or our web site www.usdaperu.org.pe. Please, also refer to our other current food market related reports: Exporter Guide, Food and Agricultural Import Regulations and Standards (FAIRS), FAIRS Export Certificate and Retail Food Sector.

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