

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Peru

Food Service - Hotel Restaurant Institutional

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Report Highlights:

At \$3.2 billion, the sales of Peru's full service restaurants accounted for 65 percent of those of total food service sector in 2009. Almost 40 percent of this is the sales made by high-end restaurants. Importation of food products used by the food service sector was estimated at \$1 billion, 20 percent of total food service sales. Trade opportunities for U.S. food products increased after the implementation of the U.S.-Peru Trade Promotion Agreement (US-PTPA). Food products used by the food service sector that will be benefitted by the US- PTPA are food ingredients, fruits, cheeses, processed fruits and

vegetables, meats, and specialty foods.

Post:
Lima

Executive Summary:

Section I. Market Summary

Despite the international financial crisis, Peru's economy has experienced one of the highest growth rates in Latin America in the last five years. This was stimulated by investments in mining, construction, gastronomy, and tourism sectors, all of which has had a positive impact on the food service sector. Peru has also proven its capacity to host international conferences, like the Asia-Pacific Economic Cooperation and the Organization of American States, which have further motivated investors. It is projected that by 2012, the private sector will invest almost \$2 billion on tourism, including more hotels, restaurants and other services connected to the food service sector.

The Peruvian consumers' purchasing power, and economy are likely to post significantly higher growth rates in 2010. Overall, apart from 2009, gross domestic product (GDP) per capita and average disposable incomes have shown a steady increase, although the benefits of growth have been concentrated in the coastal area where GDP per capita is already significantly higher than elsewhere in the country. The increase in disposable incomes 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 2009, food service sales accounted for nearly \$4.9 billion of which full service restaurants represented almost 65 percent. From 2008 to 2009, Peru's food service sales grew by 5 percent. During the same period, at \$1 billion, Peruvian food service imports accounted for 20 percent of the country's total food service sales.

Estimated Consumer Food Service by Type (Current Value): 2005-2009

Sub Sector	Food Service (US Million \$)					
	2005	2006	2007	2008	2009	Growth (percent) 08/09
Full-service restaurants	1,906	2,112	2,409	2,983	3,126	5
Cafes/Bars	565	571	690	840	918	9
Fast Food	169	177	226	234	266	14
Home Delivery	58	62	75	94	98	4
Street stalls/kiosks	279	291	339	467	449	-4
TOTAL	2,977	3,213	3,737	4,619	4,857	5

Source: INEI (Peruvian National Statistical Institute)
Euromonitor International

The niche market for U.S. exporters in the food service sector includes high-end hotels and restaurants, family style restaurants, fast food chains, and coffee shops. Fast food chains have demonstrated the

fastest annual growth with approximately 8 percent in the last five years.

Food service products that will benefit from the PTPA with lower or duty free tariffs include food ingredients, fruits, cheeses, processed fruits and vegetables, meats, and specialties.

Lima is the major market for consumer-oriented foods with almost one third of Peru’s population and more than 60 percent of the national income. High and middle-income consumers, currently the main market for U.S. food sales, reach around 1.8 million inhabitants with an average monthly family income of \$1,200. These consumers spend roughly 32 percent of their income on food (12 percent of which is spent eating outside the home).

Social factors that affect the food service market include the growth of tourism (7 percent per year), urban expansion, an increase of women in the workforce (38 percent) and a growing population of young people that demand fast food or meals prepared outside of the home.

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

Advantages	Challenges
<ul style="list-style-type: none"> 1. Appreciation for U.S. food quality and culture. 1. Food service products will benefit from the PTPA with lower or duty free rates. 1. There are more competitors in the sector, including international chains. 1. Fast food chains are expanding in Lima suburbs and in major cities (Arequipa, Trujillo, Chiclayo and Piura). 1. Peru’s government fund to promote tourism. 1. High-end hotels are associated with international chains and foreign operators to expand and assure high occupancy levels. 	<ul style="list-style-type: none"> 1. Peruvians prefer meals based on “fresh products.” 1. Low purchasing power; 78 percent of Lima’s population is low-income consumers. Outside of Lima 87 percent of the population is low income. 1. U.S. exporters need to incorporate U.S. food ingredients in international and Peru’s traditional menus. 1. 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 a large importer, wholesaler/distributor or a specialized importer. 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 market consumer trends, current market development, and trade business practices.
- In addition, it is recommended that U.S. exporters work with chefs and local importers in performing innovative marketing activities in the high-end food service sector to:
 - Incorporate U.S. food ingredients in local and international menus.
 - Break down local preference for European specialties. The strength for U.S. food products in this market is that they are considered to be of superior quality, taste and presentation.

Market Structure



- Food service sources are mainly domestic due to strong local preferences for fresh food products at lower prices.
- Food service importers are also suppliers for the retail market, which accounts for more than 70 percent of their profits in most cases.
- Almost all food service businesses purchase through intermediaries (97 percent). However, high-end restaurants and hotels import equipment directly.
- International franchises (KFC, Pizza Hut, Burger King, Mc Donalds), and the local chain Bambos, reach enough volumes to import some of their food ingredients directly.

Sub-sector Profiles

1. Hotels

Number of Hotels in Peru, Classify by Categories in 2009

Hotel Category	Number of Outlets	Number of Rooms	Number of Beds	Outlet Location	
				Lima	Provinces
Five-stars	31	3,926	7,257	20	11
Four-stars	44	3,170	5,854	25	19
Three-stars	500	14,041	26,792	73	303
Two-stars	1,050	21,434	37,840	200	850
One-stars	362	6,340	10,902	97	265
Total	1,987	48,911	88,645	415	1,448

Source: Ministry of Foreign Commerce and Tourism (Mincetur)

Growth in the tourism sector, according to the National Institute of Statistics (INEI) was 2.3 percent in 2009. Hotels expanded 2.5 percent, due to increased local tourism (6 percent), which offset the drop in hotel overnight stays by foreign tourists. The tourism boom, however, is not only caused by the increase in number of foreign visitors, but also by new investments in hotels and restaurants. The country often is featured in international tourism magazines as one of the most desirable tourist destinations in the world.

At 2.1 million, the number of foreign visitors to Peru rose 3.6 percent in 2009 compared with the previous year. Tourism is one of the major industries in Peru, representing foreign currency earnings of \$2.25 million. While tourists from Japan and the United Kingdom declined, there was a greater inflow of Argentinean (26 percent), Brazilian (29 percent), and Colombian (14 percent) travelers. Despite the international financial crisis, there were also increases of tourists from countries such as Canada (5 percent), United States (1 percent), Spain (7 percent), China (15 percent), and Australia (8 percent).

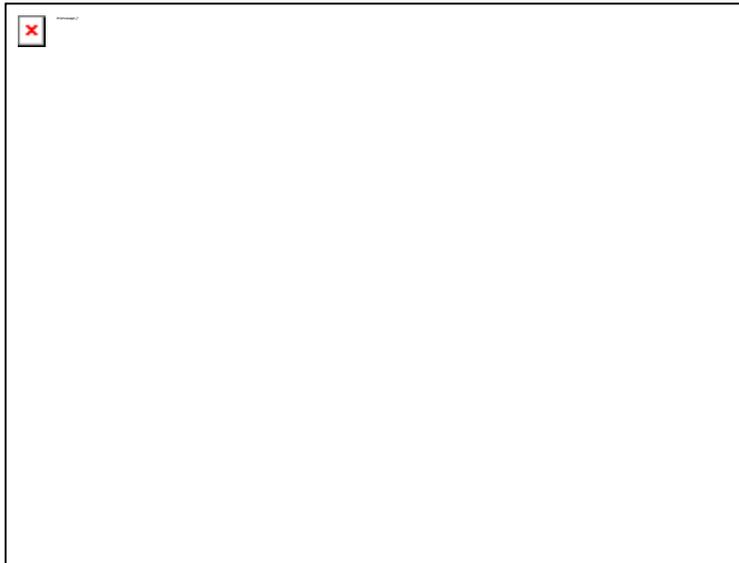
In 2009, classified and unclassified (unclassified lodging are all not included in the chart above) lodging establishments offered almost 340 thousand beds, a 4.4 percent increase from 2008. Accommodations offered by classified and categorized hotel establishments rose by 2.4 percent in 2009.

The niche market for U.S. exporters in this sub-sector is high-end hotels, mainly four and five-star, that use higher proportions of imported food products. Among all foods served in hotels, imported food items represented approximately 16 percent. 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 (75 percent), the center of business activities. Many hotels are developing strategic alliances with international hotel chains or key local groups, with the intent of having a hotel in every important tourist destination in Peru (Lima, Cuzco, Arequipa and Puno).

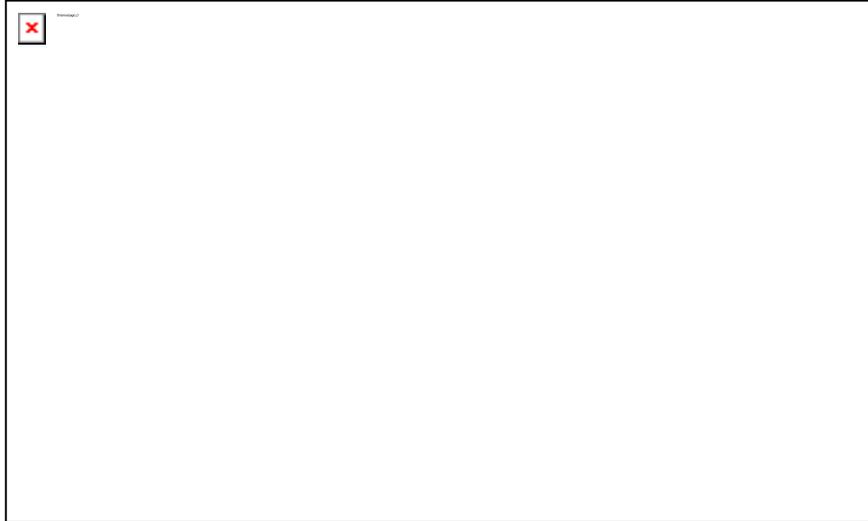
The hotel sector experienced 10 percent growth in 2009 over a year ago level, however, the growth is expected to be more marginal level of 6 percent in 2010 due to global financial slowdown.

- According to the president of the Peruvian Hotel Society, a \$1.5 billion dollar investment is expected over the next three years.



Source: Ministry of Foreign Commerce and Tourism (Mincetur)

- International Visitor Profile (According to Mincetur):



Source: MINCETUR

- Foreign tourists spend around \$89 daily. Food represents the third largest expense (18 percent), with lodging and transportation topping the list (28 percent and 20 percent, respectively).
- Local tourists spend around \$103 daily. Transportation is their highest expense at 41 percent followed by food at 16 percent.
- The top five destinations for foreign tourists are Lima, Cusco, Puno, Arequipa, and Ica.
- The high season for foreign tourists is July and August.
- Around 70 percent of foreign tourists are between 25 and 54 years of age.
- Male visitors constitute 66 percent of the total.
- Purpose of visits: vacations (61 percent), business (19 percent), visit family or friends (10 percent), attending seminars (4 percent), others (6 percent).
- Types of tourism: urban, cultural, ecological, adventure, live cultures, and sun bathing.
- Restaurant preferences: Peruvian style, seafood, and meat.
- Accommodations: for vacations, three star hotels; for business, five star hotels, and four-star hotels; for seminar attendance, five-star hotels, four-star hotels, and three-star hotels.

Major Hotel Profiles (2009)

Name of Hotel	No. of Outlets	Total Sales Est. (million \$)	City
J.W. Marriott Inversiones La Rioja S.A.	1	26	Lima
Country Club Lima Hotel	3	18	Lima, Piura, Tarma

Los Portales Hotels Los Portales S.A.			
Libertador Hotels Inversiones Nacionales de Turismo S.A.	11	7	Lima, Trujillo, Cuzco, Puno
Sonesta Posadas del Inca Inmobiliaria de Turismo S.A.	6	15	Lima, Arequipa, Cuzco
Swissotel Hotelera Costa del Pacífico S.A.	1	17	Lima
Miraflores Park Orient-Express Peru S.A. Inversiones Malecon de la Reserva S.A.	3	22	Lima, Cuzco
Sheraton Lima Hotel & Casino Hoteles Sheraton del Peru S.A.	1	12	Lima
Hotel Monasterio Peru OEH S.A.	1	17	Cuzco
Melia Hotel Corporacion Hotelera Metor S.A.	1	10	Lima
Apart Hotel El Golf Los Incas Suites El Golf Los Incas S.A.	1	4	Lima
Doubletree El Pardo Hotel Inversiones Brade S.A.	1	8	Lima
Inka Terra Hotels Inka Terra Peru S.A.C.	3	8	Cuzco, Tambopata
Las Dunas Sun Resort Inversiones en Turismo S.A.	1	4	Ica
Hotel & Suites Las Americas	4	3	Lima

La Caja, Servicio de Hoteles S.A.C.			
Hotel Jose Antonio Cartir Peru S.R.L.	3	5	Lima, Cuzco
Novotel Corporacion Hotelera del Cuzco S.A.	1	3	Cuzco
Costa del Sol Hotel Costa del Sol S.A. Turismo Costa del Sol S.A.	5	9	Tumbes, Piura, Lima, Cajamarca, Chiclayo
Plaza del Bosque Apart Hotel Hotelera del Pilar S.A.C.	1	1	Lima
Los Tallanes Hotel & Suites Turismo Los Algarrobos S.A.	1	3	Lima
El Condado Suites Turismo Costa Sur S.A.	2	3	Lima
Hotel Radisson Consorcio Hotelero Las Palmeras S.A.	2	9	
Casa Andina Nessus Hoteles Peru S.A	17	25	Lima, Cuzco, Ica, Puno, Arequipa
Business Tower Prince Hotel Figtur S.A.	1	4	Lima
Hotel Las Americas Thunderbird Hoteles Las Americas S.A.	1	23	

Source: The 10,000 Major Companies in Peru

Restaurants

Peruvian gastronomy has earned international recognition. 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 eateries are always opening, due to growing numbers of foreign visitors eager to sample new food. The number of restaurants has increased to 70,000 throughout the country with 48 percent in Lima. Shopping centers, particularly those of outside of Lima, have many fast food chains as their tenants.

The Peruvian government has been actively promoting tourism. In September 2009, the first general tourism law was enacted to promote tourism and entrepreneurial development, particularly in “alternative zones,” the areas that have been adjusted recently to lodge tourists.

State and private institutions help strengthen the sector: Promperu organized the First Gastronomic Tourism Fair, “Peru Mucho Gusto” (Peru, pleased to meet you) in northern Peru, while in the south “Tincuy 2009” was the regional fair. In Lima, The Peruvian Gastronomy Association successfully sponsored the “Second Mixed Gastronomy Fair 2009,” with the participation of Peru’s renowned chefs. The Ministry of Foreign Trade and Tourism (MINCETUR), launched the national campaign entitled “The Seven Gastronomical Wonders of Peru.”

Increasing demands for modern and convenient commercial shopping centers in Lima and other cities have made franchising popular among 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.

Based on industry estimates, about 100 franchises are operating over 1,000 outlets. The franchise market has focused mainly on restaurants, representing 64 percent of the sector. Foreign-owned franchises dominate the Peruvian market (around 70 percent). The United States introduced the concept of franchising in the 80’s, and it still enjoys the highest market share at almost 50 percent. Other key players in the Peruvian franchising market are Spain, Mexico, Argentina, Canada, Brazil and Colombia.

The niche market for U.S. products 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), and wine and liquors.

- High-end restaurants purchase imported products from wholesalers, distributors or retailers.
- There is a growing trend to offer tourists a variety of dishes made from Andean products called “Novoandina” cuisine.
- Bambos, a local fast food franchise, has grown 10 percent annually in the last five years. Bambos is viewed as the local hamburger of high quality. This franchise uses imported food ingredients to standardize products. With 36 outlets, Bambos reaches \$19 million people.
- Major food franchises are expanding to middle and low-income areas in the suburbs of Lima and capitals of provinces. The total sales of these international and domestic franchises

have reached \$500 million in 2008.

- The fast food chains typically source its chicken and bread locally. However, they import meat, French fries and sauces from the United States, Argentina, and Chile.
- Broiled chicken restaurants, known as “pollerías,” reach around 1,100 outlets in 2009. Annual growth is averaged at 10 to 15 percent. “Pollerías” owns seven food chains (120 outlets). These chains compete directly with supermarkets (30 percent of market share) and delivery accounts for 35 percent of their 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.
- Coffee shops use mainly local products in their menus but have strong potential to increase supplies of U.S. liqueurs.

Major Restaurant Profile (2009)

Name of Caterer	No. of Outlets	Food Sales (\$million)
La Rosa Nautica La Rosa Nautica S.A.	1	5
La Carreta Inversiones La Carreta S.A.	2	3
La Huaca Restaurant Huaca Pucllana S.A.C.	1	3
Astrid y Gaston Astrid & Gaston S.R.L.	1	1.09
Restaurant Jose Antonio Jose Antonio S.R.L.	2	1.06
Chifa Lung Fung Restaurant Chifa Lung Fung S.A.	1	1.03
Restaurant La Gloria	1	1.00
Chifa Royal Restaurante Royal S.A.	1	0.76
Restaurant Rafael Bridget S.A.C.	1	0.71
Restaurant La Costa Verde La Costa Verde S.A.C.	1	0.98

Source: The 10,000 Major Companies in Peru

Many years ago the café culture in Peru was still in its infancy. Although coffee shops and salons de té (tea shops) were common decades ago, they became largely associated with the elderly and were no longer seen as fashionable. This has changed significantly with the spread of the international chain Starbucks, which can now be found in most malls in Lima, and elsewhere. This began a trend that has led to the updating of coffee houses, especially in richer neighborhoods and the business areas. The increasing popularity of these cafes can be attributed in part to increased access to U.S. sitcoms through cable and satellite TV. Their popularity with students and business people has also helped them thrive.

For most Peruvians going to coffee shops is not a regular occurrence. However, those in the habit of visiting them are likely to go once a day during the working/studying week.

As in other parts of the region, coffee shops have become very popular with a broader range of customers and they will continue to expand. As they become a way of life for more and more people, the variety of coffee shops will also increase, thereby reducing the market power of large international firms. The demand for coffee, milk and milk substitutes, flavorings will increase as a result. Peruvian coffee shops are beginning to emulate their U.S. counterparts by offering free Wi-Fi internet access. In a consumer market where most people do not have personal access to the internet, this could be usefully combined with internet café culture.

Family Style Restaurants and Coffee Shops Profiles (2009)

Name of Restaurant	No. of Outlets	Food Sales (\$million)	City
Bohemia Café y Mas Bohemia Corp S.A. ^{1/}	2	3	Lima, Cuzco
Mangos ^{1/}	1	2	Lima
Quattro D Quattro D S.A.	7	3	Lima
Pasteleria San Antonio Pasteleria San Antonio S.A.	4	3	Lima
Pardo's Chicken Servicios de Franquicia Pardo's S.A.C.	20	3	Lima
Chili's Cindel S.A.	7	9	Lima
Tony Roma's Inversiones La Floresta S.A.	3	1	Lima
Starbucks Delosi S.A.	29	54	Lima, Arequipa, Trujillo, Chiclayo

Note: 1/ Estimated values for 2009

Source: The 10,000 Major Companies in Peru

Fast Food Chain profiles (2009)

Name of Restaurant	No. of Outlets	Food Sales (\$million)	Direct Food Imports (\$million)	City	Purchasing Agent for imports
Kentucky Fried Chicken Delosi S.A.	48	54	1.0	Lima, Trujillo, Arequipa, Chiclayo, Huancayo	Direct
Burger King Pizza Hut Sigdelo S.A.	12 24	38	0.80	Lima, Trujillo, Arequipa	Direct
Mc Donalds Operaciones Arcos Dorados de Peru S.A.	30	22	1.50	Lima, Cuzco	Direct
Bembos Burger Grill Bembos S.A.C.	47	26	0.75	Lima, Trujillo, Arequipa, Cuzco, Chiclayo, Piura	Direct, importer
Domino's Pizza Comercializadora de Alimentos Latinos S.A.C.	24	4.45	None	Lima, Callao, Arequipa	Importer
Papa Johns Corporacion Peruana de Restaurantes S.A.	14	7	0.55	Lima	Importer

Note: Estimated values for 2009

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

3. Institutional Contractors

1. This sub-sector represents approximately 14 percent of total food service sales, with an estimated growth of 10 percent in 2009.

1. U.S. marketing potential includes large caterers that supply airports and mining companies. Currently, these companies use mostly local products in their menus.

1. Vending machines and stores in mining camps require imported goods such as snacks, canned goods and confectionary that are supplied through local importers, wholesalers, distributors, or caterers.

Major Peruvian Suppliers for the Food Service Sector (2009)

Company Name	Total food Imports (\$Million)	Total Sales (\$Million)	Type of Company	Food Supply	Imported Food Products
Alicorp S.A.	22	1,283	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.	18	881	Processor, importer, distributor	Dairy and pork products, juices, canned seafood.	Dairy ingredients, juices, lactose and other sugars.
Nestle Peru S.A.	6	352	Processor, importer, distributor	Dairy products, soups and broths,	Dairy ingredients, chocolate, infant

				infant formula, instant coffee and chocolate, breakfast cereal, cookies, chocolates, bakery goods.	formula, food preparations, baked goods, chicory extract, sauces, soup preparations.
Kraft Foods Peru S.A.	4	94	Processor, importer, distributor	Cookies, juices, cheeses.	Cheese, sauces, bakery and dairy ingredients, chocolates.
G.W.Yi Chang & Cia S.A.	3	59	Importer, distributor	Canned fruits, canned seafood, chocolate, wine and spirits.	Canned fruits, canned seafood, chocolate, wine and spirits.
Servicios Frigorificos S.A.	2	10	Processor, importer, distributor	Processed meats, meats and edible offals.	Meats and edible offals.
Química Suiza S.A.	3	225	Importer, distributor	Sweeteners, fishmeal, chocolate, wine, processed fruit.	Canned food, food ingredients, sweeteners, animal feed.
Diageo Peru S.A.	3	22	Importer, distributor	Liquors.	Liquors.
Unilever Andina Peru S.A.	4	86	Processor, importer	Sauces, soups.	Sauces, soups.
Halema S.A.	1	15	Processor, importer	Processed meats, meats and edible offals.	Meats and edible offals.

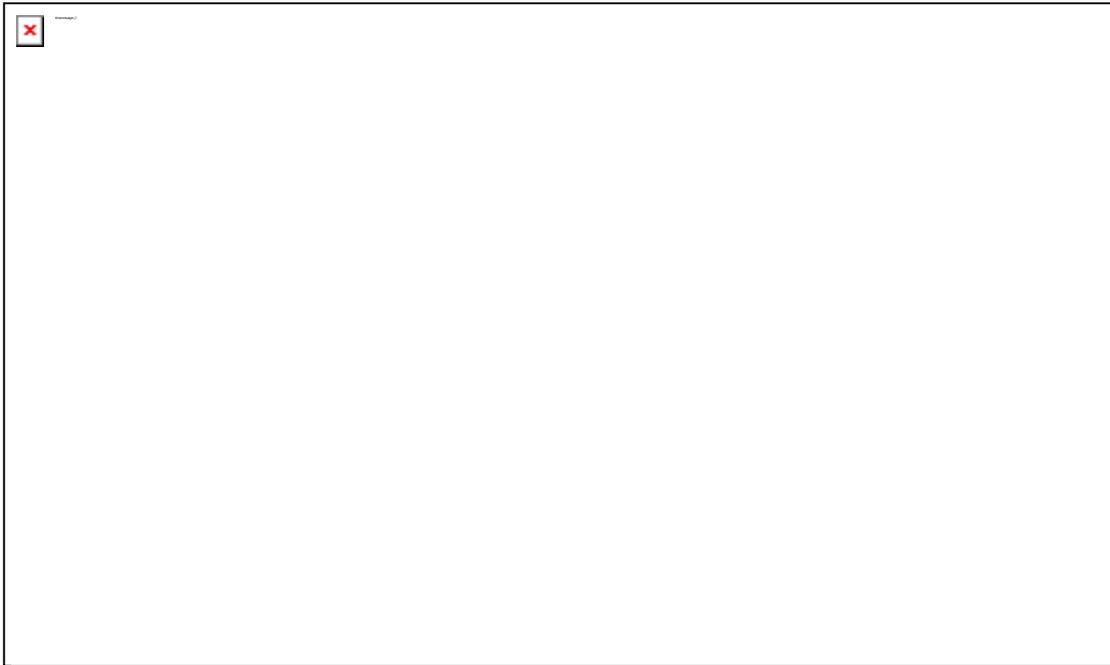
Laive S.A.	1	108	Processor, importer	Dairy and pork products,	Cheese, butter and pork products.
Agro Corporacion S.A.C.	1	15	Processor, importer	Processed meats, meats and edible offals.	Meats and edible offals.
Perufarma S.A.	14	71	Importer, distributor	Chocolate, confectionary, wine and liquors.	Chocolate, confectionary, wine and liquors.
Arcor del Peru S.A.	4	30	Processor, importer, distributor	Chocolate, confectionary, bakery goods, canned fruit.	Chocolate, confectionary, canned fruit, bakery goods, bakery ingredients.
Drokasa Peru S.A.	1	17	Importer, distributor	Wine and liquors.	Wine and liquors.
Mayorsa S.A.	3	31	Wholesaler, importer	Peas and lentils, popcorn, canned fruit, starch.	Peas and lentils, popcorn, canned fruit, starch.
Oregon Foods S.A.C.	3	15	Importer, distributor	Processed meats, meats and edible offals, fresh fruits.	Meats and edible offals, fresh fruits.
Corporacion Jose R. Lindley S.A.	3	472	Processor, importer.	Sodas, juices.	Canned fruit, gelatin.
Braedt S.A.	2	32	Processor, importer, distributor	Pork products, cheese.	Pork products, cheese, dairy ingredients, condiments.
Industrias Molitalia	2	4	Processor, importer,	Chocolates, pasta,	Wheat.

S.A.			distributor	confectionary, sauces.	
Delosi S.A.	1	54	Fast food franchise	Hamburgers, salads.	French fries, bakery goods, sauces, cheese.
Destileria Peruana S.A.	1	6	Processor, importer	Wholesalers, retailers, food service	Liquors.
L.S. Andina S.A.	1	7	Importer, distributor	French fries preserved, chocolates, sweeteners, confectionary, olive oil, baked goods	French fries preserved, chocolates, sweeteners, confectionary, olive oil, baked goods
Sociedad Suizo Peruana de Embutidos S.A.	1	44	Processor, importer	Sausages, cheese.	Pork products, poultry, edible offals, cheese
Sigdelo S.A.	1	38	Fast food chain	Hamburgers, pizza	Cheese, meat preparations, sauces, French fries, condiments
KMC International S.A.C.	1	4	Importer, distributor	Microwave popcorn, soups, baked goods	Microwave popcorn, soups, baked goods.
L C e Hijos S.A.	1	6	Importer, distributor	Wine and liquors	Wine and liquors
Bembos S.A.C.	1	26	Fast food chain	Hamburgers	French fries, meat, cheeses

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 (2009)

- 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 consumer-oriented food imports were \$552 million in 2009, down 10 percent, compared to the previous year. The U.S. was the third largest supplier (\$62.5 million), with 11 percent of the market share, facing stiff competition from Chile and Colombia (28, and 12 percent, respectively).
- Peru's trade policy is oriented to open markets. Peru has signed an Economic Complementation Agreement (ECA) with MERCOSUR, a major U.S. competitor in bulk commodities and meats. Dairy products were exempted from the negotiations. Peru recently expanded its ECA with Chile, Peru's major supplier of food and agricultural goods, and is negotiating the extension of its ECA with Mexico. Peru finished negotiating a free trade agreement with Thailand and is currently negotiating a free trade agreement with Singapore, South Korea, and Japan. Peru is also seeking a free trade agreement with the E.U and China.
- The PTPA will reinforce U.S. competitiveness within the Peruvian market. The quality of U.S. products is already appreciated among the high-end consumers. Imported food products have

tariff rates that range between 0 and 17 percent.

- Peru is looking forward the implementation of PTPA agreement which will allow lower or duty free tariffs for many food and agricultural products. For a complete list of products that will be benefited from the 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 2009**

Product Category/ Net Imports	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Dairy Products 28,945 tons (\$72.96 million)	Mexico: 21 percent Chile: 18 percent New Zealand: 11 percent Colombia: 11 percent Ireland: 10 percent	- Mexico is major supplier of dairy ingredients, especially preparation of cereals and infant milk. Both are duty free.	- Only two companies are major producers of evaporated milk and yogurt. - Local homemade cheeses are commonly sold.
Snack Foods 26,930 tons (\$54.5 million)	Colombia: 44 percent Argentina: 15 percent Ecuador: 13 percent U.S.: 8 percent Chile: 5 percent	- Tariff preferences applied to neighbor countries.	- Local producers are major food processors. They import food ingredients for snacks and also snacks in bulk.
Processed Fruits and Vegetables 52,761 tons (\$56.58 million)	Chile: 46 percent U.S.: 11 percent Netherlands: 10 percent	<ul style="list-style-type: none"> Chile sells at cheaper prices due to proximity and tariff preferences. 	- Local processors are major exporters, but their local supply is limited

	China: 5 percent Argentina: 5 percent	- E.U. products are positioned as being of good quality. - China has increased its tomatoes prepared exports	
Fresh Fruits 58,050 tons (\$46.60 million)	Chile: 93 percent Argentina: 4 percent U.S.: 3 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 the U.S. - Local fruit sold at retail market is of lower quality.
Fruit and vegetable juices 1,255,740 L (\$ 2.1 million)	U.S.: 32 percent Brazil: 27 percent Chile: 21 percent Colombia: 4 percent	- Chile has advantages of tariffs and proximity. - Brasil has increased its frozen orange exports	- Local brands are well positioned in the market at competitive prices.
Wine and Beer 11.9 Million liters (\$23.68million)	Argentina: 41 percent Chile: 25 percent Spain: 9 percent Italy: 7 percent Brazil: 6 percent France: 4 percent U.S.: 3 percent Germany: 1 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) 24,691 tons	Argentina: 26 percent Brazil: 25 percent	- Major imports come from nearby countries.	- Peru's market for the U.S. reopened in October 2006.

(\$39.40 million)	Paraguay: 21 percent U.S.: 16 percent Chile: 7 percent Uruguay: 3 percent		- 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) 1,126 tons (\$4.56 million)	Chile: 31 percent Argentina: 16 percent Bolivia: 10 percent Italia: 10 percent Denmark: 10 percent Spain: 8 percent U.S.: 6 percent Brazil: 6 percent	- Chile has the advantages of tariff preferences and proximity.	- There pork products industry that also imports prepared meats. - U.S. product tariffs will go down from 5 to 7 years linear.
Poultry Meat 17,852 tons (\$21.57 million)	Chile: 31 percent Brazil: 23 percent Italy: 20 percent Argentina: 12 percent U.S.: 10 percent Bolivia: 5 percent	- U.S. poultry product imports reopened in October 2006. - Brazil and Chile are major suppliers of poultry cuts.	- 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 (2009)

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

Product/ Product Category	Market Size 2009 est.	Imports 2009	Average Annual Import Growth (2004- 09)	Import Tariff Rate	Key Constraint s Over Market Developm ent	Market Attractiven ess for the U.S.
Cheese (HS 0406)	18,480 MT	2,005 tons (\$8.35 million)	8.2 percent	04061 0, 20 and 40 0 percent 04063 0 04069 0 0 percent	- U.S. competitor s are: Uruguay (16percent) and Netherland s (16percent). - Strong preference	- U.S. cheeses are mainly used in the food processing sector, but have potential in the HRI and Retail Food Sectors. - In 2009,

				t	for EU cheese at high-end HRI and Retail Sectors.	the United States was the first supplier with a market share of 42 percent. - TPA*: 17 years linear, 2,500 MT quota with 12 percent increase per year.
Confectionary – non chocolate (HS 1704)	N/A	12,729 tons (\$30.9 million)	14.7 percent	0 percent	- Major suppliers are Colombia and Ecuador. - Local industry is strong. Major owners are foreign companies.	- United States represents 2 percent of total imports, however, U.S. imports remained at the same level in 2009. - TPA*: Duty free on entry into force.
Confectionary – chocolate (HS 1806)	N/A	3,239 tons (\$10.9 million)	12.5 percent	0 percent	- Chile is the major supplier (23percent). - Local industry is competitive.	- The U.S. is the third major supplier with 15percent. The U.S. strength is in chocolate for the retail sector.

						- TPA*: Duty free on entry into force.
Apples and Pears (HS 0808)	168,000 MT	51,211 tons (35 million)	16.5 percent	0 percent	- Chile is the major supplier with 93 percent of the market. - The United States is the third largest supplier with 3 percent of the market.	- There is a window of opportunity for the United States between November and February. - TPA*: Duty free on entry into force.
Grapes, fresh (HS 080610)	207,000 MT	3,611 tons (\$2.8 million)	62 percent	0 percent	- Local production is strong. - Chile is a major importer (96 percent). - Low imports.	- U.S. window: September to December. - TPA*: Duty free on entry into force.
Prime and choice beef (HS 020230)	Total beef and offals market: 268,924 MT	1,253 tons (\$4.78 million)	8.9 percent	0 percent	- Competes with quality meats from Argentina, Uruguay, Brazil and Bolivia.	- Currently the market is experiencing a shortage of supplies. - TPA*: Duty free on entry into force.
Edible Beef Offals	180,000 MT	4,529 tons	HS 020621	0 percent	- Major supplier for	- The United States holds

(HS 020621, 020622)		(\$4.7 million)	31percent t HS 020622 16.5perc ent	t	HS 020621 is Brazil with 68 percent of the market.	87 percent of the liver import (020622) market. - TPA*: 10 years linear, 800 MT quota with 6 percent increase.
Fruit and Vegetable juices (HS 2009)	N/A	12,557 hl (\$2.1 million)	22 percent	9 percent	- Major suppliers are the United States (32percent), Brazil (27percent), and Chile (21percent).	- TPA*: Duty free on entry into force, 5 and 10 years linearly depending on the product.
Pet foods (HS 230910)	38,800 MT	10,035 MT (\$11.4 million)	17.6 percent	0 percent	- Growing local pet industry. - There is an informal industry arising. - Colombia 42 percent), and Argentina (27 percent) are major competitors.	- The United States holds 27 percent of the market, with an 18 percent increase from 2008. - TPA*: duty free on entry into force, or 5 years linearly for canned pet food.
Pasta (HS 1902)	300,000 tons	1,251 MT (\$1.4	3.14 percent	0 percent	- Major competitors are Italy (25percent	- U.S. holds 23 percent of the market and

		million)), Chile (15percent <td>is the second largest supplier. Imports increased by 38 percent in 2009. - TPA*: duty free on entry into force or within 5 years.</br></td>	is the second largest supplier. Imports
Turkey (HS 020725, 020726, 020727)	21,20 0 MT	4,171 tons (5.45 million)	HS 020725 37.8 percent, HS 020726 0.5 percent, HS 020727 25 percent	9 percent t	- Major exporters are Brazil (44percent) and Chile (31percent) followed by the United States with 26 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 province. - TPA*: 5 years.
Poultry meat cuts (HS 020711, 020712)	\$1,23 0 million	7,242 tons (\$7.5 million)	40.5 percent	9 percent t	- Strong local industry. - Argentina (35 percent of the market), Brazil (34 percent), Chile (20 percent)	- Peruvians are major consumers of poultry. - TPA*: 10 years.

					and Bolivia (12 percent) are major exporters.	
Bread, pastry, cookies (HS 1905)	N/A	3,644 tons (\$7.9 million)	20 percent	0 percent	- Major suppliers are the United States (21 percent market share), Colombia (20 percent), Ecuador (20 percent), Brazil (10 percent) and Argentina (8 percent)	- TPA*: duty free on entry into force, 3 or 5 years.
Sauces, soups & broths (HS 2103, 2104)	N/A	5,752 tons (\$10.97 million)	HS 2103 6.8 percent, HS 2104 17.8 percent	9 percent	- Major suppliers are the United States (33 percent market share), Chile (14 percent) Colombia (13 percent). China (11 percent) and Mexico (9 percent)	- TPA*: duty free on entry into force except for soy sauce and mustard (5 years).
Wine	21	7.3	12.4 percent	9	- Argentina (47 percent)	- There is a

(HS 2204)	million liters	million liters (\$20.5 million)		percent	market share), Chile (29 percent), and Spain (11 percent) are major exporters. - Strong promotions . - Only regular wine consumers recognize U.S. wine quality.	niche market for quality wines for which the United States can be appreciated and price competitive. - Peru's wine consumption is growing. - TPA*: 3 to 5 years linear.
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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/	Import	Average Annual	Import	Key Constraints	Market
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Product Category	Imports 2009	Import Growth (2004-09)	Tariff Rate	Over Market Development	Attractiveness for the U.S.
Chicken leg quarters (HS 020713, 020714)	5,575 tons (\$4.3 million)	41 percent	9 percent	- Strong Poultry industry in Peru. - The United States' major competitor is Chile (81 percent of the market),	- TPA*: 17 years, 12,000 MT quota with 8 percent increase; for mechanically deboned meat (MDM), 3 years. - The sausage industry demands the product as a lower cost ingredient. - Open market for the United States since April 2006. In 2009, the United States held 20 percent of the market.
Peaches, cherries and Nectarines (HS 0809)	1,798 tons (\$1.4 million)	1.2 percent	9 percent	- Chile is major supplier with 98 percent of the market.	- Importers are interested in U.S. peaches and nectarines. - TPA*: Duty free on entry into force.
Nuts and almonds (HS 0802)	277 tons (\$1.2 million)	25 percent	9 percent	- Chile (47 percent of the market) is the second largest supplier.	- U.S. imports have grown 783 percent in respect to 2008. The United States is the major supplier with

					<p>51percent of the market.</p> <ul style="list-style-type: none"> - Importers recognize that U.S. quality of nuts and almonds is better than competitors. - TPA*: Duty free on entry into force except for chestnut (5 years).
<p>Grapes, raisins (HS 080620)</p>	<p>6,322 tons (\$7.6 million)</p>	<p>14 percent</p>	<p>9 percent</p>	<ul style="list-style-type: none"> - There are no significant imports from the United States. - Chile holds almost 100 percent of the market. 	<ul style="list-style-type: none"> - U.S. window: September to December. - TPA*: Duty free on entry into force.
<p>Citrus (HS 0805)</p>	<p>56 tons (\$0.04 million)</p>	<p>-15 percent</p>	<p>9 percent</p>	<ul style="list-style-type: none"> - Chile is the second major supplier with 44 percent of the market. - The United States holds 49 percent of the market. 	<ul style="list-style-type: none"> - Recognized quality of U.S. oranges and tangerines. - Export window for the United States is from January to March. - TPA*: Duty free on entry into force or 5 years.
<p>Other fresh fruit (HS 0810)</p>	<p>925 tons (\$1 million)</p>	<p>34 percent</p>	<p>9 percent</p>	<ul style="list-style-type: none"> - Chile is practically the only supplier. - Imports are mainly kiwi. 	<ul style="list-style-type: none"> - The TPA will open opportunities for the United States not only to export kiwis,

					but also cranberries (very well accepted in juice), strawberries, etc. - TPA*: Duty free or 5 years
Pork Meat (HS 0203)	1,251 tons (\$2.2 million)	52 percent	9 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 93 percent of the market. Canada has begun to export (7 percent of the market).	- Pork imports are growing. - U.S. pork will benefit from TPA implementation - TPA*: 5 years
Sausages (HS 1601)	394 tons (\$1 million)	8.1 percent	9 percent	- Major exporters are Chile (50 percent of the market), Spain (13 percent), United States (13 percent), Italy (9 percent), and Argentina (9	- There is a high-end segment for gourmet sausages, in which the United States can compete. - TPA*: 5 years

				percent).	
Ham, processed HS 160241, 160242	62 tons (\$0.71 million)	HS 160241 27 percent, HAS16024 2 6 percent	9 percent	- Major suppliers are Italy (54 percent of the market) and Spain (33 percent).	- The United States has quality products to introduce to the gourmet market - TPA: 7 years
Beer (HS 2203)	4.4 million liters (\$2.8 million)	127 percent	9 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 (52 percent of the market).	- Niche market for premium beers. - Growing consumption of beer (43 lts per capita) - TPA: Duty free on entry into force

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 because they Face Significant Barriers:

None.

Section V. Key Contacts and Further Information

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