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Report Highlights:

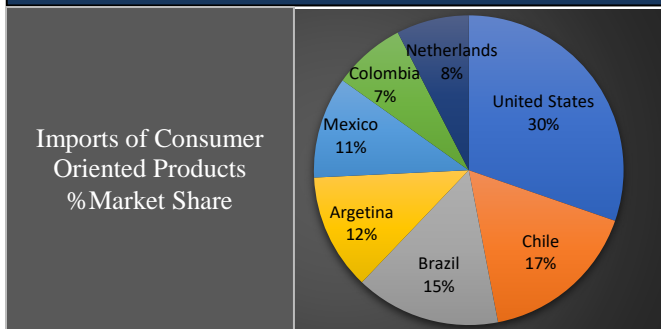
Peru is an internationally recognized gastronomic hub with opportunities for imported complementary food products. Health restrictions eased during 2021 but the foodservice sector has yet to recover pandemic-related losses. The industry will also continue to make adjustments due to changes in consumer behavior. This report provides a road map for exporters wishing to enter the Peruvian foodservice market and how to understand the key distribution channels for foods and beverages destined for food service

Market Fact Sheet: PERU

Executive Summary

Peru's economy successfully recovered in 2021, displaying similar strength as it had prior to the pandemic. Agriculture accounts for approximately five percent of Peru's GDP, but employs around 28 percent of the population. The U.S.-Peru Trade Promotion Agreement, which entered into force in February 2009, has increased bilateral trade of agricultural products from \$1.46 billion in 2009 to \$3.5 billion in 2021, an increase of 139 percent. The United States was the second largest agricultural product supplier to Peru in 2021, accounting for 16 percent of market share.

Imports of Consumer-Oriented Products



Peru's consumer-oriented imports from the world reached \$1.8 billion in 2021. Peru offers good opportunities for U.S. exporters of consumer-oriented agricultural products, but there are some challenges. The successful introduction of new to market food products depends on the knowledge of the market. Exporters should review Peru's food laws, packaging and labeling requirements, business practices, and rely on experienced distribution partners. Getting to know the potential importer and the local distribution system is critical.

Food Processing Industry

Peru's food processing industry is a dynamic sector of the national economy. The food industry in Peru accounts for almost 28 percent of the industrial GDP and the gross value added reached \$9.1 billion by the end of 2021. Its growth is directly linked to the development of the food retail and food service sectors. Food product manufacturers source both domestic and imported product ingredients. Local processed food products cover 70 percent of the market demand.

Food Retail Industry

There are three main supermarket chains in Peru: Cencosud (Wong and Metro), Saga Falabella (Tottus) and Supermercados Peruanos (Vivanda and Plaza Vea). The market includes 282 conventional supermarkets and superstores, with 178 in Lima, and 790 modern convenience stores. The sector is comprised of both conventional supermarkets and traditional channels, comprised of wet markets and independent stores. Different types of food appear to perform better in the two formats. Top products include snack foods, dairy, edible oils, confectionaries, bread, and cookies.

Quick Facts CY 2021

Imports Consumer-Oriented Products: \$1.8Bn

Top 10 food products growth in Peru

1. Food Preparations	6. Beer made from malt
2. Skim Powder Milk Exc 1.5%	7. Cocoa preparations
3. Chicken cuts	8. Meat of bovine
4. Dog and cat food	9. Other non-alcoholic beverages.
5. Sugar confectionary	10. Cheese

Food Industry Gross Value Added: \$9.1 billion

Food Industry by Channels

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

GDP/Population

Population (Millions): 32
 GDP (Billions USD): 225
 GDP Per-capita (USD): \$6,500

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 throughout the country.
Opportunities	Challenges
Growing middle class	Stiff competition from other countries.

Data and information sources: FAS Lima
 Contact: FAS Lima

Section I: Market Summary

Peru's GDP grew 13.3 percent in 2021 based on a rapid recovery of the country's productivity, especially during the first half of 2021. Domestic demand also steadily increased due to relaxed COVID lockdown measures and the national vaccination campaign, which contributed to increasing formal employment rates. Nevertheless, several sources consider this rebound a natural recovery of the economic losses incurred during 2020. The growth outlook for 2022 seems less positive. Peru's Central Bank (BCR) recently adjusted its forecasted GDP growth for 2022 to 3.1 from 3.4 percent. Sources point to political instability and international externalities leading to a reduction of economic confidence for this year.

The health restrictions eased during 2021 and since then the foodservice sector has gone through different stages that are yet insufficient to recover pandemic losses. Foodservice businesses gradually increased sitting capacity and opening hours, allowing consumers to dine in. Delivery services maintained strong business, but not at the same levels during the strict lockdown. Full-service restaurants remained the most important category and showed positive results, however, the sector is still cautious to open new outlets due to economic and political uncertainty.

The National Institute of Statistics (INEI) reported a substantial recovery of the foodservice sector during 2021 (47 percent). This sector is expected to maintain the same growth trend towards the end of 2022. However, there is still a long horizon before pre-pandemic sales levels will be reached and different sources suggest that this may happen by second quarter of 2023.

Tourism had been a strong driver of the hotel-restaurant-institutional (HRI) sector since before the pandemic. However, the flow of international visitors dramatically decreased through 2021 as a result of strict travel restrictions, interrupting the volume of foreign tourists. According to the Ministry of Foreign Trade and Tourism (MINCETUR), less than 500,000 international visitors arrived in Peru during 2021, generating roughly \$1 billion in revenues. The sector dropped to the fifth position in terms of importance as an income generator. The reduction of tourism had a collateral effect on the foodservice industry, as 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 identified over 40 tourist destinations for the program in 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 three Peruvian restaurants in the top five of the lists of “Latin America’s 50 Best Restaurants in 2021”.

Table 1: Advantages and Challenges of Peru’s HRI Sector.

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 world-renown culinary destination 	<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

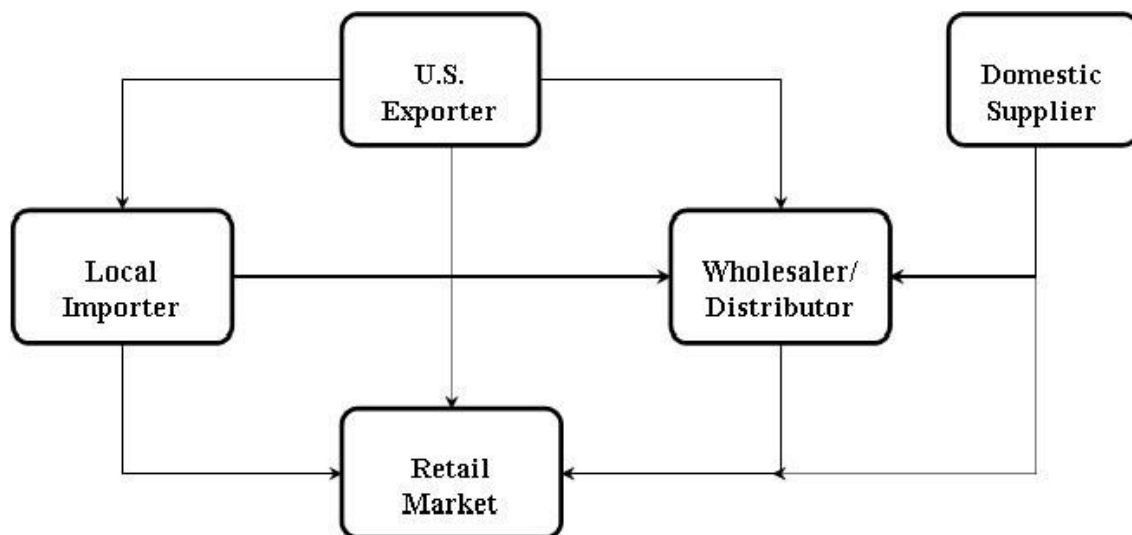
- Food service providers mainly rely on importers to source imported products.
- Determine if the product can be imported (see, FAIRS Country Report – Peru 2021).
- Determine the product’s category and competitiveness.
- U.S. exporters can gain access to the Peruvian food service market through large importers, wholesalers/distributors, or specialized importers. Most food service companies buy imported goods from local intermediaries.
- It is recommended to hold initial virtual meetings and follow-up with travel to allow for 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.

Graphic 1: Market Entry Circuit



3. Sub-Sector Profiles

a. Hotels and Resorts

Despite the country’s economic improvement in 2021, the sector still faced difficulties in fully recovering from the pandemic’s impact. The lower influx of international visitors due to health restrictions to mitigate the pandemic had a notable impact on the sector’s performance throughout 2021. While almost 4.5 million international tourists visited Peru in 2019, less than half a million arrived in Peru in 2021. This effect certainly impacted restaurants since food service makes up to

18 percent of total foreign tourist revenues. The hotel occupancy in Peru grew based on domestic tourists that progressively resumed travel towards the second half of 2021. Even though the higher demand was in Lima, hotel demand in specific provinces rebounded almost to pre-pandemic levels.

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. agricultural and related product exports to Peru have had a steady growth since the PTPA entered into force, reaching \$1.1 billion in calendar year 2021.

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.

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**

Before the pandemic, restaurants had been one of the fastest growing sectors in the economy. The 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.

During 2021, the restaurant sector showed a significant rebound of 47 percent growth with respect to the previous year. During the pandemic, some restaurants adapted rapidly, either implementing take-away service or enhancing delivery systems that helped them retain sales. In addition, government restrictions were gradually eased during 2021 and this benefited restaurants that increased the sitting capacity as well as opening hours, encouraging consumers to dine out instead. Restaurants had to go through an optimization of their operations in order to be more efficient and lower costs, especially since food ingredient prices spiked 20 to 30 percent in some cases. The improved vigor of the sector made headway in the opening of new outlets that showed an 8 percent growth in 2021.

Several companies had access to government stimulus programs, including large food chains. During the second quarter of 2021, restaurants showed slight improvement that later grew towards the second half of the year. A third stimulus program of long-term loans was released, so a full recovery of the sector is expected by 2023.

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 could open by the end of 2022.

Table 2: Peru, Restaurant Company Profiles (2021)

Company Name	Sales (\$million)	Brands	Location	Purchasing Agent
DELOSI	100	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.	61	Bembos, Chinawok, Don Belisario, Popeyes, Dunkin Donuts, Papa Johns	Lima, Trujillo, Arequipa, Chiclayo, Huancayo, Cuzco, Ica, Piura, Cuzco, Pucallpa,	Direct Importer
Franquicias Pardo SAC	33	Pardo's Chicken, Planet Chicken	Lima, Trujillo, Chiclayo, Piura, Cuzco, Chile	Local
McDonald's	22	McDonald's (fast food) – 54 outlets	Lima, Trujillo, Arequipa, Chiclayo, Huancayo, Cuzco, Ica, Piura, Cuzco, Pucallpa,	Direct Importer
Papa John's International	48	Papa John's	Lima, Callao, Trujillo, Piura, Chiclayo, Cuzco, Ica	Local
Grupo Norky's	139	115 outlets	Lima, Trujillo, Huancayo, Huanuco, Ica, Arequipa, Pucallpa, Puno, Piura, Chiclayo, Cajamarca,	Local
Grupo Roky's	48	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 Capiales, La Nacional, Juicy Lucy, Chicken What, Cho, Santa Brasa, Burger Truck y Don Bife	Lima	Local

Source: FAS Lima office research.

Delivery services were essential to maintain sales during the pandemic, with some companies developing exclusive brands only for delivery. The pandemic promoted the expansion and enhancement of the dark kitchens business model that started right before it. As part of some strategies to become more financially efficient, dark kitchens were instrumental to reach a wider audience through delivery services operated by third party specialized companies using mobile

applications, among others. Different sources forecast a 20 percent growth of this segment in 2022.

Despite the economic hardship, the booming Peruvian cuisine scene is also driving significant expansion of the high-end restaurant sector. Peru's recognition as the World's Leading Culinary Destination in 2021, in addition to the presence of three Peruvian restaurants in the list of Latin America's 50 Best Restaurants in 2021, has been instrumental to become an option for food tourism in the region. 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 was aligned with wider sector's improvement and boasted positive results in 2021 driven by a higher demand of different sectors such as: ground and air transportation, mining, electricity, construction, among others. As restrictions were eased, domestic tourism fueled the demand of food services of the transportation sector. In addition, the industrial sector closed new service contracts, with the mining sector the most important in terms of volume. Large caterers remain potential buyers of U.S. food products. These caterers supply a wide range of sectors throughout the country. SODEXO and APC Corporación S.A. are Peru's largest industrial caterers.

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. *Qaliwarmá* is the national food assistance program that provides nutritionally balanced lunch supplements to approximately four million schoolchildren (ages 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 *Qaliwarmá* 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 20 percent of the market share. From 2009 to 2021, U.S. exports of food and agricultural products to Peru grew, from \$530 million to \$1.1 billion. U.S. consumer-oriented product exports account for 32 percent of U.S. food exports to Peru, totaling \$340 million in 2021.

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 29 percent. Quota

amounts under the PTPA: 17 years linear, 2,500 metric ton (MT) quota with 12 percent increase per year. Currently at 10,909 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-cooking recipes. The United States holds 38 percent market share of imported beef, including offals. The Government of Peru initiated a campaign against child anemia which is favorable for meat offals.
- Poultry meat: Peru is a major poultry consumer. Poultry meat had a significant reduction due to pandemic restrictions since most of the volume imported (meat in general) goes to the HRI sector. Even though exports rebounded in 2021 to \$34 million, they haven't yet reached pre-pandemic levels. 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 decreased 30 percent in 2021, driven by a lower demand of almonds in general. The U.S. is currently the largest supplier, holding 35 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. Up to July 2022, U.S. wine exports reached pre-pandemic levels.
- Sauces & Condiments: The United States is the second largest supplier in this category, holding 20 percent of import market share.
- Pork meat: U.S. pork benefits from PTPA implementation. Beef importers can also import pork. The U.S. offers the best quality and competitive prices. Local market is looking for different and affordable cuts in order to reach lower-income segments. U.S. exports held 22 percent of imported market share in 2021.
- Distilled spirits: U.S. distilled spirits exports slightly increased in 2021. U.S. whiskeys are becoming a trend among bartenders and, along with liqueurs, hold the highest growth and market share.
- Citrus: Strong local competition. The United States holds 89 percent of the import market. U.S. orange exports grew 46 percent in 2021 reaching \$4.2 million.
- Apples: Chile has 77 percent of import market share for apples. However, U.S. exports have shown a steady level, even during the pandemic. U.S. exports in 2021 reached \$7.4 million, considering the export window opportunity: November-February. Recognized quality of U.S. apples

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.
- Grapes, Raisins: Chile has 69 percent of import market share. Export window opportunity, September-December.
- 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 with culinary development.

c. Top Consumer-Oriented Products Imported from World & U.S. in 2021, US\$ Million

Table 3: Imports of Consumer-Oriented Products

Imports from the World (\$MM) - 2021		Imports from the U.S. (\$MM) - 2021	
Food preparations nesoi	279	Food preparations nesoi	55
Milk/Crm,conc,Powd. Cont, Not Sweet, Gran/Solids Exc 1.5%	110	Milk/Crm,conc,Powd. Cont, Not Sweet, Gran/Solids Exc 1.5%	41
Chicken cuts and edible offal (including livers) frozen	90	Milk/Crm,conc,Powd, Cont, weth or Not Sweet, Gran/Solids not Exc 1.5%	40
Milk/Crm,conc,Powd, Cont, weth or Not Sweet, Gran/Solids not Exc 1.5%	72	Chicken cuts and edible offal (including livers) frozen	26
Food preparations for infant use, put up for retail sale, nesoi	58	Other non-alcoholic beverages (expt water, non- alcoh beer	15
Beer made from malt	49	Dog and cat food, put up for retail sale	12
Dog and cat food, put up for retail sale	47	Livers of bovine animals, edible, frozen	9
Sugar confectionary (including white chocolate), not containing cocoa, nesoi	39	Meat of bovine animals, boneless, frozen	9
Cocoa preparations, not in bulk form, nesoi	35	Cheese of all kinds, grated or powdered	8
Apples, fresh	35	Apples, fresh	7

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: Roberto Sanchez

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