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## **Peru**

## **Grain and Feed**

## **Grain and Feed Annual Report**

## **1999**

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### **Report Highlights:**

**Wheat, corn and rice, U.S. major agricultural exports to Peru recover market share.**

**U.S. wheat is expected to capture about 50 percent of the market share, corn expected at 35 percent and rice around 63 percent for Marketing Year 1999.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Lima [PE1], PE

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## **Executive Summary**

Wheat imports for Marketing Year 1998/1999 (July/June) are forecast at 1.15 million metric tons and are expected to rise to 1.2 million metric tons for Marketing Year 1999/2000. With the presidential elections coming up in the year 2000, the Peruvian economy is expected to grow about 5 percent during 1999, generating more purchasing power and higher consumption, this will have a positive effect in the food sector more than any other sector. Wheat imports from the U.S. are expected to reach 520,000 metric tons in Marketing Year 1998/1999 recovering market share lost during the previous year. The Government of Peru (GOP) dropped the surcharge assessed to wheat, the basic import tariff on wheat remains at 25 percent, relatively high for a country with little domestic production.

Rice imports into Peru continue to fall and are expected at 210,000 metric tons for Marketing Year 1999 (January/December). With a ban imposed by the GOP to Asian rice for phytosanitary reasons, the U.S. continues to be the major supplier with an expected sales of 150,000 metric tons for Marketing Year 1999.

Corn imports are expected to rise to 1.05 million metric tons during Marketing Year 1998/1999 (October/September), and reach 1.1 million metric tons during Marketing Year 1999/2000 as the expanding economy allows for a greater consumption especially on the poultry sector. Production for Marketing Year 1998/1999 is estimated at 810,000 metric tons, out of which 243,000 metric tons is starchy corn for human consumption and 567,000 is yellow corn for animal feed.

PSD Table							
Country:	Peru						
Commodity:	Wheat						
		1997		1998		1999	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		07/1997		07/1998		07/1999	(MONTH/YEAR)
Area Harvested	115	110	110	125	0	120	(1000 Hectares)
Beginning Stocks	60	120	120	137	140	132	(1000 MT)
Production	138	124	120	145	0	130	(1000 MT)
TOTAL Mkt. Yr. Imports	1268	1213	1200	1150	0	1200	(1000 MT)
Jul-Jun Imports	1268	1213	1200	1150	0	1200	(1000 MT)
Jul-Jun Import U.S.	467	417	0	520	0	550	(1000 MT)
TOTAL SUPPLY	1466	1457	1440	1432	140	1462	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Jul-Jun Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	30	0	30	0	0	0	(1000 MT)
TOTAL Dom. Consumption	1346	1320	1300	1300	0	1350	(1000 MT)
Ending Stocks	120	137	140	132	0	112	(1000 MT)
TOTAL DISTRIBUTION	1466	1457	1440	1432	0	1462	(1000 MT)
					TS< > TD		
					140		

Import Trade Matrix			
Country:	Peru	Units:	Thousand Metric Tons
Commodity:	Wheat		
Time period:	Jan/Dec		
Imports for	1997		1998
U.S.	260	U.S.	357
Others		Others	
Canada	318	Canada	413
Argentina	517	Argentina	303
Total for Others	835		716
Others not listed			80
Grand Total	1095		1153

## **Wheat**

### **Production**

Peru is a minor wheat producer, production for Marketing Year 1998/1999 is forecast at 145,000 metric tons and is expected to remain stable through out Marketing Year 1999/2000. Since most of the wheat produced locally is soft, thus not good for the milling industry, it is consumed directly as soups or purees.

Crop area increased from 110,000 hectares in Marketing Year 1997/1998 to 125,000 hectares in Marketing Year 1998/1999. Most of the wheat produced in Peru is grown by poor peasants in the highlands of the Andes under very rudimentary cultural practices. Yields in 1998 increased slightly to 1.174 metric tons per hectare compared to 1.116 tons per hectare in 1998.

### **Consumption**

Despite the marginal growth of the Peruvian economy during 1998, estimated at 0.8 percent, caused by El Niño weather phenomenon and the international financial crisis, the wheat market has been very active due to the entrance of new players into the country. With 10 kilograms per annum, Peru continues to be the second largest pasta consumers in South America. Bread consumption, about 38 kilograms per annum, remains at very low levels compared with consumption in other countries in the area.

### **Trade**

After a temporary set back during Calendar Year 1997, wheat exports from the U.S. are expected to take the lead in the market once again. With an estimated of 415,000 for Calendar Year 1998, U.S. wheat is expected to gain 40 percent of the market share.

The volume of wheat imports from the U.S. has historically depended on the sized of the Argentine crop. However, with an excellent crop quality, competitive prices and financing under the GSM-102 Credit Guarantee Program, U.S. wheat is expected to capture at least 45 percent of the 1.2 million metric ton market in Peru throughout 1999.

### **Policy**

The GOP has no specific policy to promote production of wheat. There have been some efforts, such as rotating funds, to assist poor peasants with small credits but they have not had a major impact on production. The most relevant measure taken by the GOP during 1998 was phasing out the import levy or "surcharge" assessed to wheat. At the time this measure was taken wheat imports were assessed 40 dollars per ton on top of the 25 percent import tariff on a CIF basis.



PSD Table							
Country:	Peru						
Commodity:	Corn						
		1997		1998		1999	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10/1997		10/1998		10/1999	(MONTH/YEAR)
Area Harvested	391	405	390	410	0	420	(1000 Hectares)
Beginning Stocks	90	90	90	80	98	88	(1000 MT)
Production	748	780	760	810	0	830	(1000 MT)
TOTAL Mkt. Yr. Imports	892	1143	950	1050	0	1100	(1000 MT)
Oct-Sep Imports	892	1143	950	1050	0	1100	(1000 MT)
Oct-Sep Import U.S.	137	354	250	366	0	380	(1000 MT)
TOTAL SUPPLY	1730	2013	1800	1940	98	2018	(1000 MT)
TOTAL Mkt. Yr. Exports	1	1	2	2	0	2	(1000 MT)
Oct-Sep Exports	1	1	2	2	0	2	(1000 MT)
Feed Dom. Consumption	1500	1700	1600	1650	0	1700	(1000 MT)
TOTAL Dom. Consumption	1639	1932	1700	1850	0	1930	(1000 MT)
Ending Stocks	90	80	98	88	0	86	(1000 MT)
TOTAL DISTRIBUTION	1730	2013	1800	1940	0	2018	(1000 MT)
					TS< > TD		
					98		



Import Trade Matrix			
Country:	Peru	Units:	Thousand Metric Tons
Commodity:	Corn		
Time period:	Jan/Dec		
Imports for	1997		1998
U.S.	137	U.S.	349
Others		Others	
Argentina	685	Argentina	782
Brazil	51		
Total for Others	736		782
Others not listed	19		15
Grand Total	892		1146

## Corn

### Production

Corn production in Peru is expected to reach 810,000 metric tons for Marketing Year (October/September) 1998/1999. Among the several types of corn produced in Peru, the most important varieties are starchy corn, with production estimated at 243,000 metric tons for Marketing Year 1998/1999, which is consumed directly and yellow corn, with production forecast at 567,000 metric tons for the same period of time, is primarily used in the animal feed industry.

With more favorable weather conditions and abundant water supply left by El Niño weather phenomenon an increase in the crop area as well as better yields are expected. The area harvested for Marketing Year 1998/1999 are expected at 227,000 hectares and 214,000 hectares for yellow and starchy corn respectively compared with 210,000 hectares and 206,000 hectares in the previous Marketing Year. Yields are expected to be around 3.03 metric tons per hectare for yellow corn and 1.09 metric tons per hectare for starchy corn.

### Consumption

Peru has a 12 million chicken-per-month poultry market, which is the major user of yellow corn. Corn consumption is forecast at 1.85 million metric tons for Marketing Year 1998/1999. Even though 1998 has been a tough year for the Peruvian economy, the poultry industry enjoyed slightly better prices, especially during the last quarter of the year, compared previous year.

A major problem poultry producers have to face is competition from informal producers, who account for about 30 percent of the poultry meat industry. Due to the favorable climate in the coastal areas of Peru for poultry production, small producers can activate and de-activate production facilities very rapidly, and at low cost. When prices rise, these producers can begin production quickly, and just as quickly, stop production when prices fall. The large producers, with much higher fixed costs, must continue producing despite the up and downs of the market.

### Trade

During Calendar Year 1998, Peru imported 349,000 metric tons of yellow corn from the U.S. and 782,000 metric tons from Argentina. Feed producers and large poultry operations claim that corn from Argentina comes with less percentage of broken kernels. Under ALADI (The Latin American Integration System) Peruvian buyers get better credit terms. This credit is granted to the Central Bank at a lower interest rate which makes Argentine corn more attractive. The GSM Credit Guarantee Program has been a useful tool offsetting this credit disadvantage somewhat.

### Policy

The GOP does not have any subsidy or assistance program to encourage corn production. There has been limited support through rotating credit funds. The government through the Ministry of Agriculture is trying to implement a program to encourage corn production in the eastern region of the country. This area is excellent for corn production, but has a great disadvantage,

transportation infrastructure is poor and in some cases it does not exist.

PSD Table							
Country:	Peru						
Commodity:	Rice, Milled						
		1997		1998		1999	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		01/1997		01/1998		01/1999	(MONTH/YEAR)
						9	
Area Harvested	225	225	243	260	0	280	(1000 Hectares)
Beginning Stocks	299	299	202	199	112	134	(1000 MT)
Milled Production	828	828	900	910	0	900	(1000 MT)
Rough Production	1200	1200	1304	1319	0	1304	(1000 MT)
Milling Rate(.9999)	6900	6900	6900	6900	0	6900	(1000 MT)
TOTAL Imports	215	212	150	215	0	210	(1000 MT)
Jan-Dec Imports	215	212	150	215	0	210	(1000 MT)
Jan-Dec Import U.S.	57	64	65	135	0	150	(1000 MT)
TOTAL SUPPLY	1342	1339	1252	1324	112	1244	(1000 MT)
TOTAL Exports	40	40	40	40	0	50	(1000 MT)
Jan-Dec Exports	40	40	40	40	0	50	(1000 MT)
TOTAL Dom. Consumption	1100	1100	1100	1150	0	1130	(1000 MT)
Ending Stocks	202	199	112	134	0	64	(1000 MT)
TOTAL DISTRIBUTION	1342	1339	1252	1324	0	1244	(1000 MT)
					TS< > TD		
					112		

Import Trade Matrix			
Country:	Peru	Units:	Thousand Metric Tons
Commodity:	Rice, Milled		
Time period:	Jan/Dec		
Imports for	1997		1998
U.S.		U.S.	135
Others		Others	
		Uruguay	59
		Argentina	20
Total for Others	0		79
Others not listed			1
Grand Total	0		215

## **Rice**

### **Production**

Rice production for Marketing Year (January/December) 1998 is forecast at 910,000 metric tons, a ten percent increase compared to the previous year. Rice in Peru is surface irrigated, which depends on the supply of water draining from rivers in the Andes Mountains. Most of the rice in Peru is harvested May through September. Due to the abundant water supply caused by El Niño and fearing that the heavy rains could ruin other crops, many farmers switched to rice increasing the harvested area to 260,000 hectares for Marketing year 1998, 16 percent more than the previous year.

Major rice production areas in Peru are Lambayeque and Piura in the northern region, and Arequipa in the south. Average yields are 5.71 metric tons per hectare, but some farmers have yields as high as 14 metric tons per hectare (paddy rice). Rice quality and yields vary greatly, as much of the production is carried out by small producers, with input levels dependent on prices and economic conditions.

### **Consumption**

Per capita consumption is estimated at 46 kilograms. Rice is sold traditionally in small markets, weighed out and bagged from 50 kilos sacks. In recent years Peru has seen a rapid expansion of the supermarkets chains, this has changed several consumer habits and rice has not been an exception. There is a growing demand for prepackaged one kilogram bags of rice, which now total 13 percent of all rice sales. The higher quality rice, including U.S. rice, is generally marketed in this way.

### **Trade**

With 135,000 metric tons which account for 63 percent of the market, the U.S. continues to be the largest rice supplier to Peru. Since the GOP implemented a ban on Asian rice based on phytosanitary issues, the imported rice market has been shared by the U.S. and Uruguay. Rice imports are assessed 25 percent import duty on CIF basis plus 18 percent value-added tax.

### **Policy**

The GOP does not have any production subsidy or support programs in the agricultural sector. The government does buy rice from local producers to support social feeding programs, but the quantities purchased are very limited. Production credits are very difficult to obtain in the agricultural sector. This has restrained farmers for changing to what they may consider to be more profitable crops.