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**Report Highlights:**

Peru's corn imports are forecast to continue to grow due to demand from the booming poultry industry. U.S. exports of corn fell in marketing year 2019/ 2020, but should rebound in marketing year 2020/2021 as the Peruvian price band reactivates. The Peru's Consumer Defense and Intellectual Property Right Institute dismissed its self initiated countervailing duty case against U.S. corn exports to Peru in January 2020. While Peru's wheat exports remained relatively stable, the U.S. wheat exports to Peru are forecast to increase, reaching 800,000 MT in MY 2020/2021.

## Wheat

Wheat Market Begin Year Peru	2018/2019		2019/2020		2020/2021	
	Jul 2018		Jul 2019		Jul 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	138	140	150	145	0	145
Beginning Stocks	235	235	301	253	0	293
Production	220	180	240	220	0	220
MY Imports	2109	2104	2100	2120	0	2130
TY Imports	2109	2109	2100	2120	0	2130
TY Imp. from U.S.	403	348	0	600	0	800
Total Supply	2564	2519	2641	2593	0	2643
MY Exports	58	54	70	70	0	70
TY Exports	58	58	70	70	0	70
Feed and Residual	80	80	80	80	0	80
FSI Consumption	2125	2132	2150	2150	0	2250
Total Consumption	2205	2212	2230	2230	0	2330
Ending Stocks	301	253	341	293	0	243
Total Distribution	2564	2519	2641	2593	0	2643
Yield	1.5942	1.2857	1.6	1.5172	0	1.5172

(1000 HA), (1000 MT), (MT/HA)

Wheat production in MY 2020/2021 is forecast at 220,000 metric tons (MT), unchanged from the previous year. Wheat is a minor cash crop in Peru. Production is concentrated in the southern highlands between 2,800 and 3,500 meters above sea level. It remains limited by difficult and mountainous geography and rudimentary practices. Soft wheat is the primary variety grown. It is not good for milling and largely consumed locally in purees or as a soup ingredient.

The total area harvested in MY 2020/2021 is forecast at 145,000 hectares. The harvested area of wheat varies significantly from one year to the next depending on local wheat prices, farmers' profit margin expectations, and the profitability of alternative crops such as quinoa, barley, and oats. The average yield in MY2019/2020 was 1.5 MT/hectare.

Domestic millers established a social program to promote durum wheat cultivation for pasta production. They provide small farmers with seed and technical assistance and guarantee the purchase of production. Farmers are now producing around 12,000 MT of durum wheat for a pasta plant in Arequipa (approximately 1,000 kilometers south of Lima).

### **Consumption:**

Wheat consumption in MY 2020/2021 is forecast at 2.3 million metric tons (MMT), an increase of four percent from the previous year. Overall wheat consumption is 66 kilograms per capita, a relatively low level compared to potato and rice consumption of 115 and 74 kilograms per capita, respectively. Wheat consumption is relatively constant, increasing about the same rate as economic growth.

Peru produces about 1.6 MMT of wheat flour per year. Of this amount, the local baking industry uses 63 percent, 20 percent goes into pasta manufacturing, 12 percent into the cookies and crackers sector, and five percent goes into small-scale, family use. Roughly 70 percent of domestic flour is sold through traditional markets. The remaining 30 percent of flour is sold in supermarkets.

The wheat milling industry is highly concentrated. The largest mill alone accounts for over 60 percent of total wheat milled. The country's four largest millers are responsible for around 85 percent of the wheat milled in Peru.

Bread consumption is 35 kilograms per person, one of the lowest in South America. In comparison, per capita consumption of bread is 75 kilograms in Argentina and 95 kilograms in Chile. Bread is typically purchased daily in bakeries and priced by the unit instead of weight which leads to a low-quality product.

With pasta consumption at 12 kilograms per capita, Peru is South America's second largest consumer of pasta. Consumption is concentrated in the capital city of Lima, which accounts for half of all pasta consumed nationwide. Sources indicate that pasta consumption is now growing at a faster pace in the provinces than in the capital thanks to economic growth. Peruvian consumption of cookies and crackers remains low by regional standards at only 1.7 kilograms per capita.

**Trade:**

Wheat imports in MY 2020/2021 are forecast at 2.13 MMT. Canada dominated the Peruvian wheat market in MY 2018/2019, with a 63 percent market share. The United States was the second largest exporter with 17 percent market share, closely followed by Argentina with 15 percent. In MY2018/2019, Canadian wheat prices (CIF) averaged \$245 per MT, U.S. wheat prices averaged \$237 per MT, and Argentinean wheat averaged \$223 per MT.

**Policy:**

Peru imports wheat duty-free from all sources. Although Peru does not specifically promote wheat production, the government does have credit and technical assistance programs in place for all farmers.

## CORN

Corn Market Begin Year Peru	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	540	540	550	550	0	560
Beginning Stocks	329	329	413	179	0	119
Production	1850	1665	1900	1800	0	1900
MY Imports	3694	3725	3600	3800	0	3900
TY Imports	3694	3725	3600	3800	0	3900
TY Imp. from U.S.	1708	1832	0	2500	0	3000
Total Supply	5873	5719	5913	5779	0	5919
MY Exports	10	10	10	10	0	10
TY Exports	10	10	10	10	0	10
Feed and Residual	4900	4980	5000	5100	0	5200
FSI Consumption	550	550	550	550	0	560
Total Consumption	5450	5530	5550	5650	0	5760
Ending Stocks	413	179	353	119	0	149
Total Distribution	5873	5719	5913	5779	0	5919
Yield	3.4259	3.0833	3.4545	3.2727	0	3.3929

(1000 HA), (1000 MT), (MT/HA)

Corn production in MY 2020/2021 (October/September) is forecast at 1.9 MMT, increasing six percent from the previous year. Good weather conditions and increasing demand from the animal feed industry, particularly the poultry sector, are driving this increase. Small farmers with limited use of technology and low yields produce Peru's corn, making it difficult for them to compete with other suppliers in the region. Additionally, in 2011, Peru established a ten-year moratorium on planting genetically engineered crops, including corn. This moratorium prevents producers from being able to choose to cultivate genetically engineered varieties that could help them to overcome production challenges.

Peru grows many varieties of corn. The two most important varieties are starchy corn for human consumption and yellow corn for animal feed. Starchy corn production in MY2018/2019 was 328,000 MT and production of yellow corn was 1.3 MMT.

The harvested corn area in MY2020/2021 is forecast at 270,000 hectares for starchy corn and 290,000 hectares for yellow corn. Average yields in CY2019 were 1.5 MT per hectare for starchy corn and five MT per hectare for yellow corn. Yellow corn yields vary greatly depending on the location and the producer's access to technology (i.e., improved seeds, fertilizer, irrigation, and mechanized equipment). In Peru's coastal agricultural areas, yellow corn yields improved significantly over the course of the past decade, from about 6.5 MT/hectare to over 10.0 MT/hectare. On the eastern slope of the Andes, in Amazonian fields, yellow corn yields fell to 2.4 MT/hectare or lower due to degraded soils and less sophisticated production methods.

### **Consumption:**

Corn consumption in MY 2020/2021 is forecast at 5.8 MMT, an increase of two percent from the previous year. Strong demand from the poultry sector in response to rising domestic consumption is the main driver of increased corn consumption. Peru currently produces 65 million broilers per month. About 70 percent of the yellow corn available is used as chicken feed in one of Peru poultry farms, which currently number over 1,000. Per capita consumption of poultry meat in Peru is estimated at 50 kilograms per person in 2019, one of the highest in the region. Per capita consumption can reach as high as 70 kilograms per person in Lima.

A challenge that poultry producers face is the increasing number of informal (non-registered) poultry farms, a problem that becomes more evident when poultry prices are high. These unregistered producers, which do not pay taxes, account for about 25 percent of overall poultry meat production.

**Trade:**

Peru's corn imports in MY 2020/2021 are forecast at 3.9 MMT, an increase of three percent from the previous year. Total corn imports in MY2018/19 were 3.7 MMT of which 50 percent originated from Argentina and 49 percent from the United States. U.S. corn exports dominated the market in Peru for several years as a result of the trade preferences granted by the U.S.-Peru Trade Promotion Agreement. However, a reduction of the Peruvian price band opened the opportunity for a surge of Argentinean corn.

Peru also imports distiller's dried grains with solubles (DDGS), to improve the quality of domestically produced animal feed. FAS Lima estimates that Peru could be a 100,000 MT market for U.S. DDGS.

**Policy:**

Corn enters Peru duty-free from all sources. Peru's unilateral elimination of import tariffs on most commodities in 2011 eliminated many of the trade advantages afforded by the U.S.-Peru Trade Promotion Agreement. However, Peru maintains the Peruvian Price Band System for corn that is activated when commodity prices are low. The U.S.-Peru Trade Promotion Agreement established a duty-free tariff rate quota (TRQ) of 500,000 MT for U.S.-origin corn with annual increases of six percent and full duty-free access within 12 years. Beginning in 2020, U.S. corn enters Peru duty free. This exclusion from the price band system makes U.S. corn more competitive in the Peruvian market when compared to competitors, such as Argentina.

After an eighteen-month investigation, INDECOPI (the Peruvian Consumer Defense and Intellectual Property Rights Agency) ruled against imposing countervailing duties to U.S. corn exports to Peru. The self-initiated investigation began on July 13, 2018.

## RICE

Rice, Milled Market Begin Year Peru	2018/2019		2019/2020		2020/2021	
	Apr 2018		Apr 2019		Apr 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	435	438	415	440	0	440
Beginning Stocks	223	223	157	257	0	117
Milled Production	2150	2380	2150	2320	0	2320
Rough Production	3116	3449	3116	3362	0	3362
Milling Rate (.9999)	6900	6900	6900	6900	0	6900
MY Imports	264	284	350	300	0	300
TY Imports	280	280	350	300	0	300
TY Imp. from U.S.	0	0	0	10	0	10
Total Supply	2637	2887	2657	2877	0	2737
MY Exports	80	80	80	80	0	20
TY Exports	80	80	80	80	0	20
Consumption and Residual	2400	2550	2400	2680	0	2700
Ending Stocks	157	257	177	117	0	17
Total Distribution	2637	2887	2657	2877	0	2737
Yield (Rough)	7.1632	7.8744	7.5084	7.6409	0	7.6409

(1000 HA), (1000 MT), (MT/HA)

Rice production in MY 2020/2021 is forecast at 2.3 MMT (milled basis), unchanged from the previous year. The total rice harvested area for MY 2020/2021 is forecast at 440,000 hectares, the same as the previous year estimate.

Increased planted area, abundant water supply, and good weather conditions resulted in a bumper crop of 2.38 MMT of rice in MY 2018/2019. This excess production resulted in a price reduction of 15 percent. Rice production is concentrated in Peru's arid northwestern coastal region (mainly in the Lambayeque and Piura regions). Production challenges include poor quality soils and increasing soil salinization (a result of the field flooding irrigation technique used by farmers). Peruvian rice is surface irrigated, dependent upon water draining from Andean rivers hundreds of kilometers away. The average size of a rice farm is about five hectares.

The government of Peru has sought to expand rice cultivation along the eastern slope of the Andes (particularly in San Martin province located in the Amazon basin) in an effort to relocate coastal rice producers. This has been unsuccessful, as these low-income, smallholder farmers currently have no real incentive to switch to a less water intensive crops (e.g., quinoa or cotton) and no capital to shift production to higher technology crops (e.g. blueberries, grapes). Water fees charged to farmers are almost non-existent. This reality, in addition to decent returns, hinders the government's attempts to shift production away from the arid coastal areas. Water costs average about \$280/hectare. However, rice farming in the San Martin region took off and is significantly contributing to the surplus production.

Rice is typically harvested April through May in Peru. In CY 2019, farm gate prices averaged \$349 per MT, falling from \$410 per MT in CY 2018. Average yield in CY 2019 was 8.3 MT/hectare, however, some farmers are reporting yields as high as 14 MT/hectare.

**Consumption:**

Rice is a staple food in Peru. Per capita consumption averages 74 kilograms per year. Rice is traditionally sold in 50-kilogram sacks. With the expansion of supermarket chains, consumer habits are shifting towards prepackaged, one-kilogram bags. Rice consumption is expected to increase slightly in MY 2020/2021 to 2.7 MMT and is forecast to remain constant. Peruvians primarily consume long grain rice.

**Trade:**

Rice imports in MY 2020/2021 are forecast at 300,000 MT, about the same as in MY 2019/2020. Imports in MY2018/2019 were 284,000 MT. Uruguay is the largest exporter of rice to Peru, a position it has held historically due to a longstanding relationship between the main Uruguayan supplier and Peru's major importer. U.S. rice is currently not price competitive in the Peruvian market. Uruguay held a market share of 61 percent in MY 2018/2016. Other important suppliers are Brazil and Thailand with 31 and five percent market shares, respectively.

In 2017, SENASA (Peru's sanitary agency) published a resolution, easing sanitary requirements related to grass seeds for U.S. paddy rice imported to Peru. However, FAS Lima does not foresee this change benefiting U.S. rice exports due to strong domestic and Uruguayan competition.

FAS Lima estimates that some 70,000 MT of paddy rice was unofficially exported from Peru to Ecuador in CY 2019.

**Policy:**

Rice enters duty-free from all sources. Peru's unilateral elimination of import tariffs on rice in 2011 eliminated many of the trade advantages afforded by the U.S.-Peru Trade Promotion Agreement. However, Peru maintains a Price Band System for rice that is activated when commodity prices are low. The U.S.-Peru Trade Promotion Agreement establishes a duty-free TRQ of 72,000 MT for U.S.-origin rice with annual increases of six percent and full duty-free access within 17 years.

The current price band for rice (Supreme Decree 371-2017-EF) went into effect on December 21, 2017. It uses Thai rice as the reference price marker instead of Uruguayan rice. This change effectively increases the band range from a minimum of \$408 and maximum of \$480 per metric ton to a minimum of \$599 and a maximum of \$669 per metric ton. This regulation also limits the maximum protection level to 15 percent of the FOB price. The products affected by the price band are H.S. codes: 1006.10.90.00, 1006.20.00.00, 1006.30.00.00, 1006.40.00.00.

**Attachments:**

No Attachments