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Peru

HRI Food Service Sector

Report

2003

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Report Highlights:

Total food service sector sales in Peru reached \$141 million in 2001. From all HRI sub-sectors, fast food restaurants present the highest growth rate, estimated in eight percent for 2002. High and middle income consumers constitute an interesting market for U.S. food products such as cheese, snacks, wine and condiments.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Lima [PE1], PE

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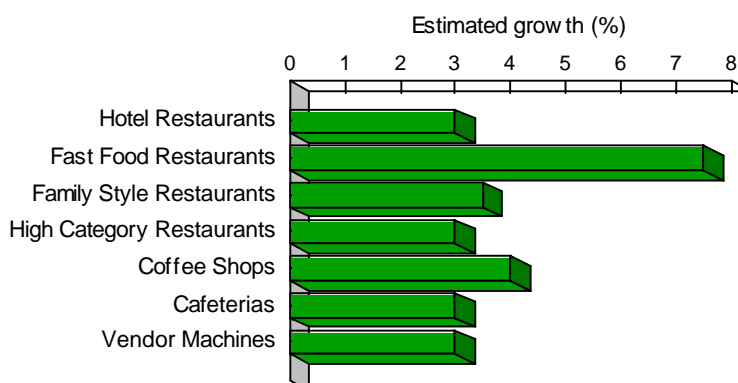
I. Market Summary

Total food sales in Peru's HRI sector represented approximately \$141 million in 2001 and are estimated to grow **3.5 percent** in 2002. More than 60 percent of the total food sales correspond to hotels and restaurants, frequented by high and middle-income consumers as well as tourists, and institutional contractors. The following data is based on this type of establishments:

Food Sales for Major HRI Establishments by Sub-sector (million dollars)

Sub-Sector	Food sales (million dollars)					Growth (1997-2001)
	1997	1998	1999	2000	2001	
Hotels and Resorts (Restaurants and their catering)	17	18	20	18	20	18%
Restaurants (Fast food, family style, coffee shops)	54	57	57	55	58	9%
Institutional Contractors (caterers, cafeterias, casinos)	9	9	11	11	12	33%
Total	80	85	88	85	91	13%

**Food Sales by HRI Sub-Sectors
Estimated Growth in 2002**



High and middle-income consumers constitute an interesting market for U.S. food products in the food service sector, representing around **1.6 million inhabitants in Lima**, and with an average monthly family income of \$1,000.

The average family consumption of food and beverages outside home reached 12 percent in 2001. High and middle-income families spend on food (inside and outside home) around 28 percent of their family income.

Total food imports for the HRI sector reached \$53 million, 37 percent of total HRI food sales. Local products, basically fresh products, satisfy most of the market demand. However, this sector offers interesting opportunities for processed foods such as wines, dairy products, especially cheese, snacks and condiments.

Number and Type of Food Service Establishments by Sub-Sector

HRI Sub-Sectors	Number of Outlets
Luxury Hotel Restaurants	53
Fast Food Restaurants	64
Family Style Restaurants	213
High Category Restaurants	320
Coffee Shops	40
Cafeterias	36
Vendor Machines	1500

Social factors that affect the food service market include the increasing number of tourists, growing urban population, more participation of females in the workforce (38 percent) and young people, representing more than half of the total inhabitants, trends for **demanding prepared food outside home, ready-to-eat meals and** eating fast food.

Advantages and Challenges of Exporting to Peru's HRI Sector

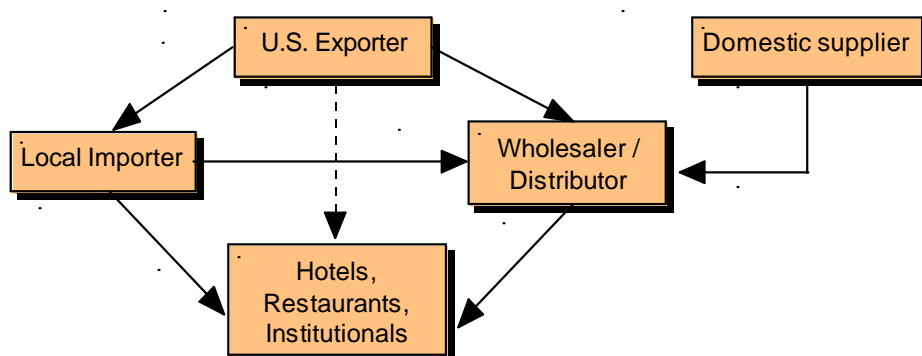
Advantages	Challenges
<ul style="list-style-type: none"> < U.S. food quality and culture are U.S. major strengths. < Fast food chains are growing in Lima outskirts and in major cities (Arequipa and Trujillo), where Bembos (Peruvian chain), KFC and Burger King opened outlets. < Peruvian government is promoting tourism, creating new opportunities for food service expansion. < Many hotels are associated with international chains and foreign operators, which will ease hotel expansion and assure high occupancy levels. < Economic stability. 	<ul style="list-style-type: none"> < Delicatessen food products preferences for European products. < Domestic restaurants buy mainly local fresh products, which are cheaper and preferred by Peruvian consumers. < Provincial Peruvian food habits are slow to changes. U.S. exporters need to break down cultural traditions and local tastes. < Limited infrastructure and low quality service discourage longer stays of international tourists. < High tariffs (25 percent) applied to most specialty food imports.

II. Road Map for Market Entry

A. Entry Strategy

- ' U.S. exporters can approach the Peruvian HRI food market through a large importer, a large wholesaler/distributor or a specialized importer/retailer.
- ' Regardless of which strategy is chosen, personal visits are highly recommended. The local partner should be well known by the U.S. company before any permanent contractual arrangement is made and should be able to provide updated information on market consumer trends, on current market development and trade business practices.
- ' U.S. exporters should base their entry strategy in working with "chefs" to stimulate demand within two different markets:
 - < The local consumer market, to incorporate U.S. food ingredients in traditional and international menus due to differences in food taste.
 - < In the delicatessen food market, where preference for European food is strong. U.S. food products strength in this market is that they are considered to be of superior quality, taste and presentation.

B. Market Structure



- ' HRI food sector sources are mainly domestic (around 63 percent) due to lower prices and strong local preferences for fresh food products.
- ' HRI sector importers also supply to the retail market, which represents in most of the cases more than 70 percent of their profits.
- ' Almost all HRI businesses purchase through intermediaries (97 percent).
- ' Some international franchises (KFC, Pizza Hut, Burger King, Mc Donalds) import most of their food ingredients directly from their own chains abroad due to the lack of specialized retailers to cover demand.

C. Sub-sector Profiles

1. Hotels and Resorts

Number of Luxury Hotels in Peru (2001)

Category	Number of Outlets	Location			
		Lima	%	Provinces	%
Four-star Hotel	21	14	67	7	33
Five-star Hotel	18	12	67	6	33
Four-star Apart Hotel	4	3	75	1	25
Five-star Apart Hotel	10	10	100	0	0
Total	53	39	74	14	26

Major Hotel Profiles (2001)

Name of Hotel	No. of Outlets	Food Sales (\$ million)	Imported Products (%)	City	Purchasing Agent
Hotel Libertador	5	2.33	5	Lima	Distributor
Marriott	1	2.30	14	Lima	Distributor
El Olivar	5	0.98	12	Lima	Distributor
Miraflores Park Plaza	1	0.98	10	Lima	Distributor
Swiss Hotel	1	0.87	13	Lima	Distributor
Concetur	1	0.46	8	Lima	Distributor
Gran Hotel Golf	1	0.45	5	Trujillo	Distributor
Suites Hotel San Isidro	1	0.36	13	Lima	Distributor
Country Club	1	0.34	12	Lima	Distributor
Apart Hotel Las Americas	1	0.34	10	Lima	Distributor
Los Tallanes	1	0.28	n/a	Lima	Distributor
Portal	1	0.28	12	Arequipa	Distributor
Golf Los Incas Apart Hotel	1	0.26	7	Lima	Distributor
Del Pilar Apart Hotel	1	0.24	8	Lima	Distributor
Sol de Oro Apart Hotel	1	0.24	7	Lima	Distributor
Hacienda Hotel	1	0.17	n/a	Lima	Distributor
El Polo	1	0.14	n/a	Lima	Distributor
Jose Antonio	1	0.14	n/a	Lima	Distributor
Hotel Rivera	1	0.13	n/a	Lima	Distributor
El Condado Apart Hotel	1	0.12	n/a	Lima	Distributor
Maria Angola	1	0.12	n/a	Lima	Distributor
Bruce	1	0.12	2	Lima	Distributor
Royal Park Hotel and Suites	1	0.09	n/a	Lima	Distributor
Hotel Carrera	1	0.09	n/a	Lima	Distributor
Las Palmeras de San Isidro	1	0.09	n/a	Lima	Distributor

- ' The niche market for U.S. exporters in this sub-sector fall on luxury hotels, four and five-stars, that specialize in international cuisine using higher proportions of imported food products.
- ' Marketing efforts in this sub-sector should target activities to introduce U.S. food ingredients and condiments in Peruvian food preparations and wines in their menus.
- ' Tourism in Peru is deeply related to its level of economic, political and social stability reflected in its projected image abroad.
- ' Growth in the hotel sub-sector is related to international tourist arrivals, which grew around 35 percent between 1997-2002. Around 850 thousand tourists visited Peru in 2000, representing \$911 million, four percent of GDP in that year. Around 900 thousands international arrivals were registered in 2001 and are expected to reach 1 million tourists in 2003.
- ' It is estimated that two million local tourists travel within the country, creating demand for food services.
- ' Hotel capacity in Lima doubled in the last 10 years, mainly in four and five star hotels. These hotels benefit from the sales forces of tour-operators to assure high levels of hotel occupancy (60 percent in average).
- ' Currently many hotels are developing strategic alliances with international hotel chains or important local groups, intending to count on a hotel facility in every important tourist destiny in Peru (Lima, Cuzco, Arequipa, Puno and Cajamarca).
- ' Foreign tourists characteristics include:
 - < Daily expenses for food and beverages are \$26 in average.
 - < Most tourists came from the U.S. (23 percent), Chile (16 percent) and E.U. (Spain, Germany, France and England each one with four percent) in 2001.
 - < Around 61 percent are male and 56 percent are aged between 25 to 34 years old.
 - < Visitor's social-economic profile indicates that 89 percent have a university degree and 65 percent a full-time job. Their average family income is \$52,000 annually, and in the case of a business visitor (eight percent of total tourist arrivals), this amount is \$62,000.

2. Restaurants

Number of Major (2001)

Category	Number of Outlets
Five Forks	37
Four Forks	16
Total	53

Restaurants in Lima

Major
restaurant
files
(2001)

Name of Restaurant	No. of Outlets	Food Sales (\$ million)	Imported Products (%)	City	Purchasing Agent
La Huaca	1	2.60	n/a	Lima	Distributor
La Carreta	1	1.40	n/a	Lima	Distributor
Rincon Gaucho	1	1.35	n/a	Lima	Distributor
Jose Antonio	1	1.20	n/a	Lima	Distributor
Rosa Nautica	1	1.10	15	Lima	Distributor
Costa Verde	1	0.98	11	Lima	Distributor
Astrid y Gaston	1	0.98	9	Lima	Distributor
Rafael	1	0.89	n/a	Lima	Distributor
La Tranquera	1	0.88	n/a	Lima	Distributor
La Gloria	1	0.78	8	Lima	Distributor
Corrientes 348	1	0.67	n/a	Lima	Distributor
San Ceferino	1	0.45	9	Lima	Distributor

Major
restaurant
files
(2001)

- ' U.S. niche market is constituted by luxury restaurants, some family style restaurants, coffee shops and fast food chain restaurants.
- ' Growth in this sub-sector is highly related to family purchasing power and family income, which have fallen six percent approximately between 1999 and 2002 due to economic recession, but are expected to recover as this recession is overcome.

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Name of Restaurant	No. of Outlets	Food Sales (\$ million)	Imported Products (%)	City	Purchasing Agent
Granja 21	1	1.60	n/a	Lima	Distributor
Mangos (Coffee shop)	3	1.42	11	Lima	Distributor
Granja Azul	1	1.30	n/a	Lima	Distributor
Back Out	1	0.87	n/a	Lima	Distributor
La Caravana	1	0.78	n/a	Lima	Distributor
Hacienda Monterrico	1	0.65	n/a	Lima	Distributor

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d Coffee Shops Profiles (2001)

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Name of Restaurant	No. of Outlets	Food Sales (\$ million)	Imported Products (%)	City	Purchasing Agent
KFC and Pizza Hut	29	12.67	17	Lima	Direct
McDonalds	6	9.00	50	Lima	Direct
Bembos	22	8.50	19	Lima	Direct
Burger King	35	7.40	21	Lima	Direct
Domino's Pizza	25	4.20	23	Lima	Direct
Chili's	5	0.89	15	Lima	Direct
Pardo's Chicken	8	0.73	4	Lima	Distributor
Mediterraneo Chicken	11	0.69	3	Lima	Distributor

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e fresh produce. However, coffee shops have strong potential in increasing supplies of U.S. wines and liquors.

Fast Food Chain Profiles (2001)

- ' The Fast Food sub-sector includes local and foreign franchise chains, as well as corporate non-franchise chains.
- ' Bambos, a local food chain, owned around 60 percent of the total market for sandwiches in 2002 (\$20 million approximately) and is growing fast in Lima.

3. Institutional Contractors

- ' Comprises restaurants and cafeterias located within private or public companies, hospitals, universities and airports.
- ' This sub-sector reached **eight** percent of total food sales in 2001. Its accumulated growth was 33 percent between 1997-2001, although it is still not a significant market for the U.S. due to its demands of mainly local fresh food.
- ' Vending machines can be considered a promissory window for imported snacks and confectionary, which are around 25 percent of its total supplies. The number of vendor machines reached around 1,500 in 2001.

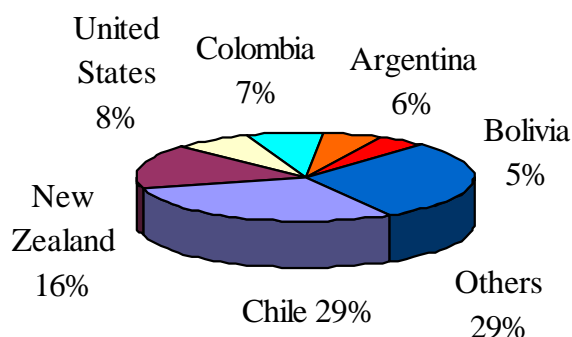
Major Peruvian Food Service Sector Suppliers, Customers and Products (2001)

Company Name	Total Imports (\$ thousands)	Type of Customers	Demanded Products
Nestle*	7,371	Wholesalers, retailers, hotels, restaurants	Prepared food, cookies, candy, ketchup, condiments.
Arcor de Peru	5,364	Wholesalers and retailers	Confectionary, canned fruits
G.W. Yichang & Cia.	5,533	Hotels, restaurants, retailers	Canned fruits, wine.
Molitalia	5,066	Retailers, restaurants, hotels	Confectionary, baked goods, sauces.
Clements Peruana	4,194	Wholesalers, retailers, restaurants	Breakfast cereals, beverages.
Drokasa Peru S.A.	3,270	Hotels, restaurants, retailers	Wine and liquors, sauces.
Perufarma	2,969	Wholesalers, supermarkets, hotels, restaurants	Confectionary, bakery goods, wine and liquors.
Braedt	2,784	Wholesalers, retailers, restaurants	Dairy products.
Kraft Foods	2,700	Wholesalers, retailers, hotels, restaurants	Food ingredients, confectionary, bakery goods.
United Distillers	2,412	Retailers, hotels, restaurants	Liquors.
Industrias Pacocha	1,840	Retailers, restaurants	Sauces, soups.
Laive	1,338	Retailers, hotels	Fruit juices, condiments, dairy products.
Keystone Distribution	1,275	Restaurants, hotels	Food ingredients, ketchup, condiments, french fries, cheese, beef
L.C. e Hijos	1,095	Hotels, Restaurants, retailers	Wine and liquors.
Halema	1,051	Retailers, restaurants	Meats.
Destileria Peruana	1,044	Wholesalers, retailers, hotels, restaurants	Wine and liquors.
Delosi	1,025	Fast food restaurant	Baked goods, sauces, french fries, meats.
Alicorp S.A. *	957	Wholesalers, retailers, restaurants	Food ingredients.
Corporacion Jose R. Lindley	849	Wholesalers, retailers, restaurants and hotels	Food ingredients, canned fruit

* Imports do not include commodities.

III. Competition

**Peru's Food Sector Imports
by Country-of-Origin
(2001)**



- ' Total food imports for the HRI sector in Peru were \$53 million, constituting 37 percent of total sales in this sector.
- ' It is estimated that **63 percent** of the food service market is currently supplied by domestic sources, due to the strong preference for lower-price fresh products.
- ' Most important strengths for key supply countries lie on their proximity, and consequently, on low transport costs. Main competitors of U.S. products in Peru for the HRI sector include Chile (wines, baked goods, dry goods, food ingredients), Colombia (confectionary, baked goods), Bolivia (confectionary and dairy), Brazil (meats and confectionary), Argentina (meat and dairy products) and New Zealand (dairy products).
- ' Argentina does not only have the advantage of proximity but also exports with better prices than the U.S. due to the recent devaluation.
- ' The fast food chains purchase local products such as chicken and processed bread. They import mainly meat, french fries and sauces from the U.S., Argentina and Chile.
- ' Within expensive Hotels and Restaurants sub sector, European delicatessen products are still preferred due to lack of awareness of U.S. products taste and quality.
- ' The U.S. can be price competitive and its quality products can be appreciated among wealthy consumers within HRI sector.
- ' Percentages of major supply sources in the following chart correspond to imports from the three food sectors: HRI, Retail and Food Processing.

Competitive Situation facing U.S. Suppliers in the HRI Food Service Market in 2001

Product Category (Total imports)	Major Import Sources	HRI food imports (\$ million)	Advantages and Disadvantages of Local Suppliers/ Opportunities of U.S. products
Red and Poultry Meats \$ 19.1 million	Brazil: 38% U.S.: 15% Argentina: 14% Canada: 14%	5.7	- Local red meat is not considered of good quality. - Local suppliers satisfy most market demand of poultry meat.
Dairy Products \$67.7 million	New Zealand: 47% Australia: 9.6% Bolivia: 9% U.S.: 5.6%	20.3	- Local industry is an important HRI supplier of milk, butter and yogurt. - High quality cheese and butter for HRI sector are mainly imported.
Fruit and Vegetable Preparations \$4.4 million	Netherlands: 27% Venezuela: 25% Canada: 17% U.S.: 16%	1.9	- Local producers cannot compete in price with imported canned foods.
Fish and Seafood \$4.2 million	Ecuador: 97% U.S.: 0.4%	1.4	- Local consumers prefer fresh fish and seafood. However, importing seafood delicacies is beginning to rise in HRI and Retail sector.
Confectionary \$80.3 million	Colombia: 48% Guatemala: 8% Bolivia: 7% U.S.: 6%	8	- Local factories are owned by major transnationals.
Baked Goods \$4.1 million	Chile: 44% Colombia: 14% U.S.: 10%	1	- People prefer to buy "fresh" baked goods. - Most bakery goods are sold through small bakery shops. - The niche market for pre-cooked baked goods is not developed enough.
Snack Foods \$2 million	Venezuela: 36% U.S.: 19% Mexico: 15%	0.2	- Local factories are also major importers of food ingredients for snack foods and also snack foods. - Imported snacks, which are normally more expensive than locals, are sold within supermarkets and HRI outlets.
Beverages \$26.6 million	Chile: 16% U.K.: 15% Colombia: 14% U.S.: 4%	6.7	- Local suppliers are preferred for non-alcoholic beverages due to lower prices. - European preference for quality alcoholic drinks.
Dry Goods and Condiments \$4.6 million	U.S.: 36% Chile: 35%	1.38	- Local suppliers are major competitors especially in condiments because of the Peruvian preference for chilly food.
Food Ingredients \$12.4 million	Chile: 33% Ecuador: 23% Colombia: 10% U.S.: 10%	1.9	- Local food ingredients are used masively due to lower prices, but there is a niche market within high category HRI and supermarkets.
Prepared Meals \$18.4 million	U.S.: 28% Colombia: 28% Mexico: 21%	4.6	- Most of these products are imported, local producers are in their early stages of producing high quality prepared meals.

IV. Best Products Prospects

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

Product/Product Category	Total Market Size	Total 2002 Imports (Million kg.)	2001-2002 Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Meats	N/A	37.7	22%	25%	Brazil and Argentina are major competitors.	- The U.S. can compete with pork, pork products and duck meat.
Wine	10 million litres (2001)	6.6 million litres	12%	25%	- Chile (33%) and Argentina (29%) are major suppliers. - Only regular wine consumers recognize U.S. wine quality.	- There is a niche market for quality wines on which the U.S. can be appreciated and price competitive.
Cheese	N/A	1.9	40%	25% + Price band	- Subject to a price band. - Main competitor is Argentina.	- The U.S. is one of the main suppliers with 26% in 2002. - U.S. dairy products have a growing tendency, as they become well-known.
Snack foods	N/A	11	16%	25%	- Chile and Colombia are major exporters.	- U.S. quality is appreciated. - Market with potential in food preparations and extruded or toasted snacks.
Dry goods and condiments	N/A	2.5*	10% *	25%	- Chile is major competitor.	- Major prospects for U.S. suppliers include soy sauce, ketchup, mustard and mayonnaise.
Food Ingredients	N/A	12.4*	6% *	25%	- Neighboring countries are major exporters.	- U.S. best prospects are blends for cooking.

* Estimated.

** Total values include all three sectors: HRI, Retail and Food Processing.

B. Products not Present in Significant Quantities, but Which Have Good Sales Potential

New types of cheese: The most popular cheeses are fresh and edam cheeses, but other varieties would be welcomed by local consumers.

Tex-Mex sauces: No Tex-Mex are being imported and there is little awareness about it. Peruvian like spicy foods when eating outside home.

C. Products not Present Because They Face Significant Barriers

Almost all imported processed foods face a 25 percent trade tariff. In addition, dairy products are subject to a price band and poultry products are banned due to phytosanitary issues.

V. Post Contact and Further Information

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

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For further information, check the FAS homepage www.fas.usda.gov. Please also refer to our other current food market related reports on this web: Exporter Guide, Food Processing Ingredientes Sector, Retail Sector, Wine Sector and the Food and Agricultural Import Regulations and Standards (FAIRS).

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