



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 3/24/2000

GAIN Report #PE0002

## Peru

## Oilseeds and Products

## Annual

## 2000

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### Report Highlights:

**Fishmeal exports in CY 2000 are forecast to reach 1.7 million metric tons, up 13 percent compared to 1999. Though production and exports are expected to be excellent this year, the fishing industry is going through a very serious financial crisis that will take many years to recover. Imports of soybean meal for CY 2000 are forecast at 380,000 MT, down from the record 437,000 MT imported last year. With 279,000 MT, the U.S. led the market for the first time in 1999.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
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## Executive Summary

Total fish catch for Calendar Year 2000 is forecast at 9 MMT, 12 percent higher than 1999. Fishmeal production for CY 2000 is forecast to increase 190,000 MT to 1.8 MMT. Following a three months fishing ban, the much awaited fishing season finally began on March 8, all evidence leads to forecast an excellent year. Fish meal exports for CY 2000 are forecast at 1.7 MMT.

First El Nino drove most of the fish away from the Peruvian coast, then the Asian crisis stopped most of the exports to that region (main clients) and now prices are only half of what they were in the past. As a result, the Peruvian fishing industry feel like it has been hit by the seven plagues of Egypt and it is very weak financially, with total debt of \$2 billion.

Fish oil production is forecast at 330,000 MT in CY 2000, 7 percent higher than the previous year. Fish oils exports for CY 2000 are forecast at 260,000.

Soybean meal imports are forecast at 380,000 MT for CY 2000, down 57,000 MT from the CY 1999 record level. An increase on the use of fishmeal, due to low prices, are pushing poultry producers to use less soybean meal in their feed rations. Soybean oil imports are forecast to increase 15,000 MT to 110,000 MT during CY 2000.

PSD Table						
Country:	Peru					

Commodity:	Fish Meal					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Catch for Reduction	4161	4160	6300	8000	0	9000
Extr. Rate, 999.9999	0.2283105	0.2283654	0.2150794	0.20125	ERR	0.2
Beginning Stocks	41	41	231	231	185	185
Production	950	950	1355	1610	0	1800
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	991	991	1586	1841	185	1985
MY Exports	650	650	1252	1516	0	1700
MY Exp. to the EC	55	55	300	447	0	300
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom.Consum.	110	110	149	140	0	140
Total Dom. Consumption	110	110	149	140	0	140
Ending Stocks	231	231	185	185	0	145
TOTAL DISTRIBUTION	991	991	1586	1841	0	1985
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	1400	650	1252	1516	0	1700
Calndr Yr Exp. to U.S.	0	22	0	13	0	10

## Trade Matrix

U.S.	12,736
China	380,801
Germany	201,885
Taiwan	117,662
Japan	104,507
Iran	79,881
Phillipines	75,017
Others not listed	543,511
Total Others	1,503,264
Grand Total	1,516,000

## Fish Meal

### Production

Total fish catch for Calendar Year 2000 is forecast at 9 MMT, 12 percent higher than 1999. Fishmeal production for CY 2000 is forecast to increase 190,000 MT to 1.8 MMT. Following a three months fishing ban, the much awaited fishing season finally began on March 8, all evidence leads to forecast an excellent year.

After years of enjoying fairly stable economic growth and rather large profits, the Peruvian fishing industry has suddenly found itself in troubled waters. The negative effects of El Niño weather phenomenon which pushed the fish away from the Peruvian coasts in 1998, along with the strong devaluation of Asian currencies in 1999, main markets for Peruvian fishmeal, have overwhelmed even the most pessimistic estimates turning a sound industry into a high risk investment, especially for banks. Moreover, after a year with prices at around \$680 per MT for prime fishmeal and \$600 per MT for FAQ fishmeal, prices have plummeted to around \$450 and \$380 respectively. Total industry debt is estimated at two billion dollars. The three largest companies account for about 22 percent of the debt.

There are 110 fishmeal plants along the Peruvian litoral and the fishing fleet is comprised of 800 boats. Total processing capacity is 7,500 MT per hour, about four times oversized. Most of the fishing plants have invested significant amounts on better and more efficient equipment. Processing plants are now forced to comply with some environmental regulations. Therefore most of them are now investing in "tail-water" discharge recovery systems, and even airborne particle recovery systems, both of which translate into higher extraction rates (and profits). Larger producers are also investing in canning or freezing lines, to convert more of the catch to higher valued products for human consumption, a trend expected to continue.

Public awareness and international concern of the environment problems of the fishmeal industry are likely to come increasing to the forefront in coming years.

## **Consumption**

Local fish meal consumption only accounts for 7 to 10 percent of total production and does not have a great impact on the export market. Consumption for CY 2000 is forecast at about 140,000 MT. Since international fishmeal have significantly dropped poultry producers may decide to increase their fishmeal use, nevertheless this would have no major consequences on the exportable volume.

## **Trade**

Fishmeal exports for CY 2000 is forecast at 1.7 MMT . After the Asian economic crisis which caused fish meal exports to fall to only 650,000 metric tons during CY 1998, it recovered in the last six weeks of CY 1999 to 1.52 MMT . With 380,801 MT, China continues to be the major importer followed by Germany, Taiwan and Japan.

## **Policy**

The GOP continues to enforce two fishing seasons during each year. These seasonal fishing bans are implemented during the anchovy spawning seasons and may vary somewhat from year to year, usually the bans are enforced from January to mid March and from August to mid November. The GOP through the Ministry of Fisheries have been setting a national fishing quota, this year though they have changed this system, now they measure the size of the fish and do not allow any fishing if the size is less than 12 centimeters.

The GOP began enforcing seasonal fishing bans after selling the first four processing plants of the state owned fish meal company, Pescaperu, in 1995. The Government is very concerned about the sustainable limits of fish catches, and sets limits for the processing capacity of plants and the fishing capacity of fleets. Every processing plant and fishing vessel must apply for an operating permit, and receive a quota, from the Ministry of Fisheries, before it can begin operations each season. Moreover, the government is no longer issuing permits to build new plants nor boats. The only venue to acquire a fishing boat is to buy one that already has a fishing permit. Some boat owners are being forced to sell their boats due to the deep financial crisis.

Though the GOP has given the industry a tax break through value-added tax drawback on exports, it is still enforcing the 2 percent tax on assets, even if they only work 6 months a year.

**Fish Oil****PSD Table**

PSD Table						
Country:						
Commodity:						
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Catch for Reduction	4161	4160	6300	8000	0	9000
Extr. Rate, 999.9999	0.01249 7	0.0081731	0.0349206	0.01575	ERR	0.016666 7
Beginning Stocks	3	21	2	2	2	2
Production	52	34	220	126	0	150
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	55	55	222	128	2	152
MY Exports	16	16	171	85	0	95
MY Exp. to the EC	12	12	120	62	0	60
Industrial Dom. Consum	3	3	5	3	0	3
Food Use Dom. Consump.	31	31	35	35	0	48
Feed Waste Dom. Consum.	3	3	9	3	0	2
Total Dom. Consumption	37	37	49	41	0	53
Ending Stocks	2	2	2	2	0	4
TOTAL DISTRIBUTION	55	55	222	128	0	152
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	8	8	171	85	0	171
Calndr Yr Exp. to U.S.	1	1	0	0	0	0

**Trade Matrix:** Fish Oil      Units: Metric tons

Exports for 1999 to:

U.S.	3,724
Other	
Chile	57,938
Norway	41,701
Mexico	38,575
Netherlands	35,976
Canada	23,587
Total of Others	197,777
Others not listed	45,015
Grand Total	246,516

## Outlook

Fish oil production for CY 2000 is forecast at 330,000 MT, 20,000 MT higher than the previous year. This increase is not only due to the recovery of the fish biomass and catch, but to the oil content of the fish as well. Oil extraction is directly related to water temperatures. Under normal weather conditions the oil extraction rate should be around 8 to 10 percent, but with El Niño conditions during 1998, which caused water temperatures to rise over 6 degrees Celsius above its normal temperatures, oil extraction dropped as to low as one percent. Imarpe (The Peruvian Sea Institute) estimates there will be a high oil content in the fish for this year's catch.

Exports for CY 2000 are expected at 260,000 MT, a 6 percent increase compared to 1999. Oil production and exports are difficult to forecast due to the high variability in fish oil content and the lack of official statistics. Chile and Norway were the most important importers of Peru's fish oil with 35 and 29 percent of the total exports respectively.

Consumption in 1999 was around 63,000 MT and is expected to grow in 2000. Fish oil blended with vegetable oil is the cheapest, thus the most popular cooking oil for Peruvian domestic consumption.

## Soybean Meal



PSD Table						
Country:						
Commodity:						
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Crush	2	1	2	1	0	1
Extr. Rate	0	0	0	0	ERR	0
Beginning Stocks	8	8	8	8	9	10
Production	0	0	0	0	0	0
MY Imports	358	358	300	436	0	380
MY Imp. from U.S.	62	62	80	279	0	170
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	366	366	308	444	9	390
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum.	358	358	299	434	0	380
Total Dom. Consumption	358	358	299	434	0	380
Ending Stocks	8	8	9	10	0	10
TOTAL DISTRIBUTION	366	366	308	444	0	390
Calendar Year Imports	0	358	0	436	0	380
Calendar Yr Imp. U.S.	0	62	0	279	0	170
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

**Trade Matrix:** Soybean Meal      Units: Metric tons

Imports for 1998 from:

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U.S.	278,959
Other	
Paraguay	100,503
Bolivia	32,434
Argentina	24,777
Total of Others	157,714
Others not listed	0
Grand Total	436,673

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## Outlook

Soybean meal imports for CY 2000 are forecast at 380,000 MT. Even though this is a decrease of 57,000 MT compared with record imports of the previous year, it still is higher than the average imports, which have been around 240,000 MT per year. This decrease is directly related to abundance of fish meal at low prices.

Due to the limited availability of fish, the cheapest source of protein, consumers turned to chicken as a low-cost alternative during 1998. Per capita consumption grew from 17 kilograms per annum to 25 kilograms per annum while the effects of El Niño lasted. Even though poultry meat demand fell somewhat, the industry saw some recovery during CY 1999. Peru's poultry population is about 240 million birds per year.

With a market share of 64 percent, the U.S. become, for the first time, the number one soybean meal exporter to Peru in 1999. Due to a zero import tariff, as a result of the bilateral trade agreement, Bolivian soybean meal has dominated the Peruvian market in the past. This situation changed in 1999 basically for two reasons: low prices and cheaper and more convenient freight from the U.S.

The import tariff for soybean meal is 12 percent. However, due to bilateral agreements, Peru grants 100 percent reduction for Bolivian meal and 70 percent reduction for Paraguayan meal. Besides the tariff, every product imported into Peru or locally produced is assessed 18 percent value-added tax. In fact, quality, price and the GSM Credit Guarantee Program have been important factors to enhance the presence of U.S. products in the market.

The Government of Peru as not yet impeded imports of any agricultural products due to "Biotechnology" concerns, nor expressed any inclination to do so, but has started to received some questions from consumers' associations, we will probably see some action by the GOP in the near future.

**Soybean Oil****PSD Table**

PSD Table						
Country:						
Commodity:						
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Crush	2	1	2	1	0	1
Extr. Rate	0.5	0	0	0	ERR	0
Beginning Stocks	9	5	10	5	10	4
Production	1	0	0	0	0	0
MY Imports	175	170	180	115	0	130
MY Imp. from U.S.	70	23	25	18	0	25
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	185	175	190	120	10	134
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	175	170	180	116	0	129
Feed Waste Dom. Consum.	0	0	0	0	0	0
Total Dom. Consumption	175	170	180	116	0	129
Ending Stocks	10	5	10	4	0	5
TOTAL DISTRIBUTION	185	175	190	120	0	134
Calendar Year Imports	175	170	180	115	0	130
Calendar Yr Imp. U.S.	70	23	25	36	0	25
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

**Trade Matrix:** Soybean Oil      Units: Metric tons

Imports for 1999 from:

U.S.	35,889
Other	
Argentina	38,281
Total of Others	74,170
Others not listed	21,000
Grand Total	95,170

## Outlook

Soybean oil imports are forecast to increase 15,000 MT to 110,000 metric tons for CY 2000. A slight economic recovery of the country, especially during the second semester (after the presidential elections), will drive this increase.

Peru has several bilateral trade agreements for crude soybean oil. Imports from Bolivia are duty free, while imports from Paraguay are granted 90 percent tariff reduction. Soybean oil from Argentina has 80 percent tariff reduction from the normal 12 percent rate. Soybean oil from any other origins are assessed 12 percent tariff. Oil coming from any of these countries is not exempt from the 18 percent value-added tax.

Soybean oil imported from the United States is mainly under the PL-480 Title II Program operated by the U.S. Agency for International Development. It is imported and sold to the local processing industry at prevailing commercial prices, with the proceeds used for humanitarian projects.