



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - Public distribution

**Date:** 2/28/2007

**GAIN Report Number:** PE7002

## Peru

## Retail Food Sector

## Report

## 2007

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**Report Highlights:**

In 2006, Peru's total food retail sales are estimated at almost \$5.7 billion, 85 percent of which is concentrated in Lima. Currently, supermarkets represent only 25 percent of the retail market share in Lima, but they are forecast to reach 50 percent by 2009. The implementation of the U.S. - Peru Trade Promotion Agreement, supported by favorable market conditions in Peru, will have a significant impact on U.S. food exports for the retail market.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Annual Report  
Lima [PE1]  
[PE]

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## Section I. Market Summary

Over the past decade, the Peruvian economy has been transformed by market-oriented reforms, establishing many conditions for sustained long-term growth. Peru's economy is one of the most vibrant in Latin America. Inflation remains low at 2.4 percent in 2006. Gross Domestic Product (GDP) grew 7.5 percent in 2006 after expanding 6.4 percent in 2005, 4.5 percent in 2004 and 3.8 percent in 2003. GDP reached \$79.4 billion in 2005 and is expected to grow between 6.0 percent and 6.9 percent in 2006. GDP growth is widely distributed, with strong performance in construction, mining, foreign investment, domestic demand and exports.

According to Peru's customs data, total consumer-oriented food imports reached \$369 million, growing 8.8 percent over 2005. The U.S. was the third largest supplier (\$39 million), with 11 percent of the market share, facing stiff competition from Chile (26 percent), Colombia and Argentina (15 and 10 percent, respectively). Between 2005 and 2006, U.S. food exports to Peru grew 31 percent. The retail sector accounts for approximately \$207 million of food imports.

In 2006, Peru's total food retail market reached almost \$5.7 billion, 85 percent of which is concentrated in Lima. Supermarket chains reached \$1.2 billion in food sales, growing 11 percent on average in the last five years. They account for 25 percent of the retail market share in Lima and, for 2009, they are forecast to increase to 50 percent.

### Retail Food Sales by Sub-sector in Lima (million dollars)

Sub-Sector	2002	2003	2004	2005	2006
Supermarkets and hypermarkets	800	890	1,000	1,100	1,200
Traditional Markets (grocery stores, open markets and gas marts)	3,400	3,434	3,443	3,546	3,653
<b>Total</b>	<b>4,200</b>	<b>4,324</b>	<b>4,443</b>	<b>4,646</b>	<b>4,853</b>

Source: Estimated values based on El Comercio and Gestion newspapers

Lima is the major market for consumer-oriented foods, with almost one-third of Peru's total population and more than 60 percent of the national income. The target market for supermarkets in Lima is divided into high and middle-income families (1.8 million inhabitants) and low-income families (6.2 million inhabitants), whose average incomes per month are \$1,120 and \$250, respectively. Supermarkets identified the low-income groups to be of great potential for future expansion.

According to Apoyo Consultancy, Wong and Supermercados Peruanos are the two major supermarket chains, holding 60 percent and 28 percent of the supermarket market share, respectively, and the newest Tottus Hypermarkets holds 12 percent.

The U.S. – Peru Trade Promotion Agreement (PTPA), pending U.S. Congressional approval, will immediately provide duty free access for two-thirds of U.S. food and agricultural products. The PTPA, supported by continued favorable market conditions in Peru, could significantly expand U.S. food exports in the retail market for snacks, fruit and vegetable juices, fresh fruits (especially pears, apples and grapes), canned fruits and vegetables, dairy products (especially cheeses), beef and poultry meats and their products, wines and liquors and pet foods.

Social factors that affect consumer-ready product demand in Peru include urban expansion, especially in the suburbs of Lima, more participation of women in the workforce (38 percent), high percentage of young population, and exposure to product supply information through the media.

### Advantages and Challenges Facing U.S. Products in Peru

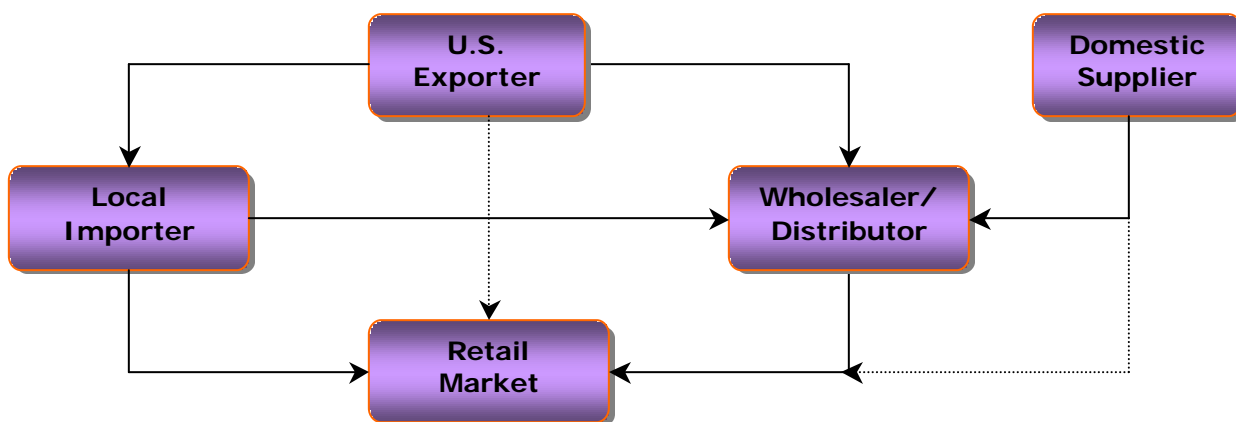
Advantages	Challenges
<ul style="list-style-type: none"> <li>➤ Pending U.S. – Peru TPA will grant duty free access to two-thirds of U.S. food and agricultural products, including most high-value foods.</li> <li>➤ Proactive supermarket industry that will result in increased demand for high-value products.</li> <li>➤ Supermarket sales are growing fast, mainly through the opening of new outlets in the suburbs of Lima.</li> <li>➤ Appreciation for U.S. food quality and culture.</li> <li>➤ Growing perception of retail outlets as cleaner, more convenient and time saving than traditional markets.</li> <li>➤ People are becoming aware of diet, lite and healthy food products through the media.</li> <li>➤ Income growth, especially of middle-class.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Consumers show a strong preference to buy fresh products in traditional markets.</li> <li>➤ Supermarkets, the main source of imported food products, account for only 25 percent (in Lima) of retail market share.</li> <li>➤ New local food brands appearing in the market at very low prices.</li> <li>➤ Relatively small market due to limited purchasing power; 78 percent of Peruvian population are low-income consumers.</li> <li>➤ Lack of brand awareness among consumers.</li> <li>➤ A government-promoted campaign called “Buy Peruvian”.</li> <li>➤ Traditional markets dominate retail sales strongly in secondary cities.</li> </ul>

## Section II. Road Map for Market Entry

### 1. Entry Strategy

- ❑ Supermarket chains constitute the main market for imported goods, targeting high and middle-income consumers. U.S. exporters should contact large importers, wholesalers/distributors or supermarkets directly.
- ❑ U.S. exporters can approach Gas Marts, grocery and mom-and-pop stores through major local suppliers (wholesalers/distributors).
- ❑ Personal visits are highly recommended. The local partner should be well known by the U.S. company before any permanent contractual arrangement is made.
- ❑ The local partner should be able to provide updated information on market consumer trends to identify niche markets, and on current market development (merchandising, point of sale and promotion activities) and trade business practices.

**2. Market Structure**



- ❑ Negotiating power of major supermarkets towards food suppliers is strong.
- ❑ Major supermarket suppliers have wide range of distribution channels from fancy food, to food for mass consumption, aiming at mom and pop stores and open markets.
- ❑ Major food importers/distributors supply all major supermarket chains and province retailers. However, major supermarket chains usually request product exclusivity to new suppliers.
- ❑ Food is imported mainly in mixed containers.
- ❑ Major supermarket chains prefer to import expensive high-end products directly in order to save margins.

**3. Supermarkets, Hypermarkets**

**A. Company Profiles**

**Profiles of Major Supermarkets Chains in 2006**

Retailer Name	Ownership	Sales (\$million)	Market Share (%)	No. of Outlets	Location	Purchasing Agent Type
Corporacion E. Wong	Peru	722.4	60.2%	43	Lima	Direct Importers, Local Food Processors and Producers
Supermercados Peruanos	Peru	331.2	27.6%	37	Lima	
Tottus	Chile	146.4	12.2%	4	Lima	

Source: Market share according to Apoyo Consultancy, published in El Comercio newspaper

### Type of Outlets by Major Supermarket Chains in 2006

Retailer	Type of outlets	Number of outlets
Corporacion E. Wong	Supermarkets Wong	11
	Supermarkets Metro	8
	Hypermarkets Metro	12
	Eco Almacenes	7
	American Outlet	3
Supermercados Peruanos	Vivanda	5
	Supermarkets Santa Isabel	9
	Supermarkets Super Vea	2
	Supermarket San Jorge	1
	Hypermarkets Plaza Vea	14
	Minisol / Mass	8
Tottus	Hypermarkets Tottus	4

Source: Number of outlets based on El Comercio and Gestion newspapers

### Direct Food Imports of Major Retailers (thousand dollars)

Retailer	2002	2003	2004	2005	2006
Corporacion E. Wong	87	318	967	1,048	1,408
Supermercados Peruanos	2,900	3,433	2,015	3,610	2,529
Tottus	-	-	116	61	98

Source: Peru's Customs statistics

- ❑ Lima is the major market for consumer-oriented food and supermarket chains.
- ❑ Five to 8 percent of the consumer-oriented products sold in supermarkets are imported.
- ❑ No major supermarket chain has outlets outside Lima. Supermarket chains will consolidate presence in the suburbs of Lima before expanding to secondary urban centers and provinces.
- ❑ Peripheral areas around Lima offer supermarkets the potential to increase sales significantly. These fast growing areas are constituted mostly by low-income families, concerned about price and quite indifferent to brand names.
- ❑ Purchasing habits in the suburbs of Lima at supermarkets need to be further developed. Major Peruvian retailers provide transportation to and from hypermarkets to call attention to the advantages of purchasing from these outlets. This strategy has proven successful.
- ❑ Wong and Supermercados Peruanos have also developed strategies to keep their position in the high and middle-income sector by renovating and re-opening existing stores. Wong modernized its logo and is selling their customers the idea of better service with fair prices. Supermercados Peruanos is gradually re-opening its existing Supermarkets Santa Isabel and converting them into modern layouts with Supermarkets Vivanda, Super Vea and Hypermarkets Plaza Vea.

- ❑ Private labels currently account for only 10 percent of total sales at major retailers. However, the PTPA presents an opportunity for the United States to supply private labels to supermarket stores.
- ❑ More than 6,000 companies supply supermarket chains, 80 percent of which are local suppliers.
- ❑ In general, hypermarkets manage around 40,000 different products, supermarkets between 18,000 and 20,000 and smaller supermarkets 10,000.
- ❑ Between 15 to 20 percent of purchases in supermarkets are driven by in-store promotions or impulse buy.
- ❑ For 2007, supermarket chains plan to invest \$72 million in the opening or redesign of outlets.
- ❑ The three major supermarket chains support the “Buy Peruvian” government campaign, but they are open to importing new products.
- ❑ Peruvian consumers are showing a growing preference to purchase in supermarkets, which offer good service and products of superior quality and variety, presented in a clean, tidy and convenient location.
- ❑ Demand for low-fat and sugar-free products is growing, especially among high-end consumers, half of whom consider these products very important in their consumption habits.

#### Attractiveness for retail development in provinces

Province	GDP Growth (%) (1995 – 2004)	Market share in Agriculture (%)	GDP per capita (dollars)	Urban monthly family income (dollars)
Piura	0.2	12.8	781	290
Cajamarca	9.4	14.8	809	407
Loreto	2.5	12.3	1,466	286
Lambayeque	0.9	7.3	1,235	296
La Libertad	2.9	15.2	1,485	325
Ica	2.7	13.7	2,137	261
Lima	3.1	1.7	2,535	443
Ica	2.7	13.7	2,137	261
Junin	1.8	15.8	1,246	313
Cuzco	2.4	14.9	851	344
Arequipa	3.3	12.1	3,003	298
Tacna	3.1	5.4	2,067	274

Note: Lima does not include Lima city

Source: Semana Economica newsletter, March 2006

- ❑ The level of imported food consumption in provinces is low. Major provincial cities include Arequipa, Trujillo (La Libertad), Chiclayo (Lambayeque), Piura, Cuzco and Cajamarca. Most market demand in these cities comes from tourism and high-income families of mining or agribusiness employees.
- ❑ Major importer/distributors from Lima and local distributors supply province retailers. Most of the imported food demanded is canned, packed or ready-to-eat.
- ❑ Retail market share of province supermarkets nationwide represents only 5 percent.

- ❑ Most malls in Peru include supermarkets and department stores as anchor stores. There are three major malls in Lima: Jockey Plaza, Mega Plaza Norte and Plaza Lima Sur. Two new mall projects will be developed for 2007: Plaza Puruchuco and Plaza Lima Norte.
- ❑ The first two province malls opened between 2005 and 2006: Real Plaza in Chiclayo and El Quinde in Cajamarca. Future mall projects in provinces have been announced such as Real Plaza in Trujillo, Salaverry in Chimbote, Centro Comercial Valle in Huancayo and Santa Ana in Cuzco.
- ❑ There is a growing trend towards building small shopping malls called "power centers". Power centers will expand in the near future due to lack of land in commercial areas of Lima and limited purchasing power of potential clients clustered in the surrounding areas.
- ❑ Power center projects for the upcoming years in Lima include Monterrico Plaza, Limatambo and Neptuno aimed at high and middle-income consumers, and Centro, La Victoria, Comas (2 projects) and San Juan de Lurigancho targeting crowded areas of mostly low-income consumers.

### **A.1. Corporacion E. Wong Profile**

- ❑ Corporación E.Wong (Wong) is a local company that owns five types of point of sale:
  - ✓ Supermarkets Wong: aimed at high-end consumers and offers customer oriented service. These outlets offer a variety of imported products depending on their location.
  - ✓ Supermarkets Metro: convenient prices and less personal service for the middle-end consumers.
  - ✓ Hypermarkets Metro: an almost self-service format for price sensitive low-income customers.
  - ✓ Eco Almacenes: discount grocery store.
  - ✓ American Outlet: department store.
- ❑ Between January and July 2006, Supermarkets and Hypermarkets Metro grew 12 percent in sales, while Wong and Eco Almacenes 10 and 40 percent respectively.
- ❑ In 2006, Wong's invested \$27 million, spent mainly in the redesign of Hypermarkets Metro and the opening of new Eco Almacenes stores, aimed at low-income consumers to counteract competition.
- ❑ Estimated investment per new supermarket is \$3 million and per hypermarket is \$7 million.
- ❑ Wong offers an Internet service with sales estimated at \$360,000. Customers are mainly Peruvians that live outside the country and purchase service for their families in Peru.
- ❑ Private Labels are mostly locally produced (98 percent), accounting for 12 to 15 percent of total sales.

### **A.2. Supermercados Peruanos Profile**

- ❑ Supermercados Peruanos divides its points of sales into:
  - ✓ Supermarkets Vivanda: aimed at high-end consumers, offering customer oriented service.

- ✓ Supermarkets Santa Isabel: aimed at the high and middle-income consumer, offering adequate customer service.
- ✓ Super Vea: this brand new format may replace some of Santa Isabel stores offering a similar level of customer service.
- ✓ Hypermarkets Plaza Vea: the target market is the middle-income consumer. It offers variety of products at convenient prices with lower customer service.
- ✓ Minisol: discount grocery stores offering a limited variety of mostly products for mass consumption, and is almost self-service. Minisol is converting into "Mass" grocery stores.
- In December 2003, Supermercados Santa Isabel, previously owned by Ahold Group, was sold to Interbank group, one of the largest Peruvian bank groups. In March 2004, the company changed name to Supermercados Peruanos.
- Investment for 2006 reached \$25 million, spent on the conversion of Supermarkets Santa Isabel into either Hypermarkets Plaza Vea or Supermarkets Super Vea. Hypermarkets Plaza Vea is a format that has proven sales twice as much as Supermarkets Santa Isabel.
- For 2007, Supermercados Peruanos plans to continue redesigning and changing formats in its stores.
- Private label "Bell's" accounts for only 4 percent of total sales with around 350 products that are mainly produced by Peruvian small companies.

### A.3. Tottus Hypermarkets Profile

- Tottus is owned by the Chilean retailer Saga Falabella.
- For imported products, Tottus is supplied by the same sources (retailer importers, wholesalers or distributors) as its competition.
- Tottus currently owns four outlets in Lima. Tottus opened one outlet in the outskirts of Lima in 2006 and plans to open another one in a similar location in 2007.

### B. Local Consumer Profile

- Local consumers perceive imported products as providing more variety while viewing local products as a source of employment. However, only one third of total consumers care about product origin.
- Consumers will prefer local products if they are viewed as a quality product at an affordable price.
- Supermarket clientele in Lima can be divided into two groups: high and middle-income consumers (socio-economic levels A and B) and low-income consumers (socio-economic levels C, D and E).
- Supermarket market share for high and middle-income consumers is 90 percent. Supermarket expansion plans are aimed specifically at socio-economic level C.
- Other high and middle income consumer characteristics include: 56 percent are under 40 years of age, 70 percent are female, 65 percent own a car, 30 percent have a PC at home, and 45 percent use credit cards.
- The weekly average expenditures for high and middle class consumers is \$94, while it is \$10 for low-income consumers. However, low-income consumers are considered to have

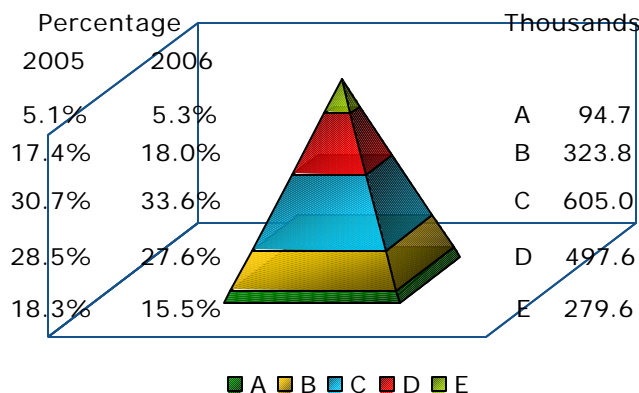
high growth potential because they are more than three times the number of high-end consumers.

- ❑ Heavy users represent 80 percent of purchases for supermarkets and can spend up to \$155 per visit.
- ❑ The average income per family has grown 39 percent between 2001 and 2006.

Characteristics	High and Middle income consumer	Low-income consumer
Population in Lima city	1.8 million	6.2 million
Number of families	0.4 million	1.4 million
Monthly family income	1,120 dollars	250 dollars
Monthly food expenses	280 dollars	120 dollars
Normal place to buy food	Supermarkets 58.3%	Open markets: 72.7%
Frequency of supermarket attendance	Once a week.	Preferences for daily visits to open markets or small stores. Supermarket visits once a month.

Sources: Based on Statistics yearbook "Peru en Numeros 2003", Semana Economica magazine and El Comercio newspaper

**Family Distribution by Socio-economic Level in Lima (2005 - 2006)**



**Total of families:**  
1.8 million

Source: Apoyo consultancy, published in El Comercio newspaper

#### 4. Convenience Stores and Gas Marts

##### A. Sub-Sector Profile

- ❑ Gas stations in Peru offer beverages, snacks and a wide variety of processed foods in small stores.
- ❑ Sales structure is as follows: liquor (40 percent), soft drinks (15 percent), snacks (15 percent), tobacco (20 percent), and other (10 percent).

- ❑ Although purchases of imported products are limited, there is a niche market for U.S. snacks and wines and liquors at Gas Marts, mainly frequented by high and middle-income consumers on weekends.

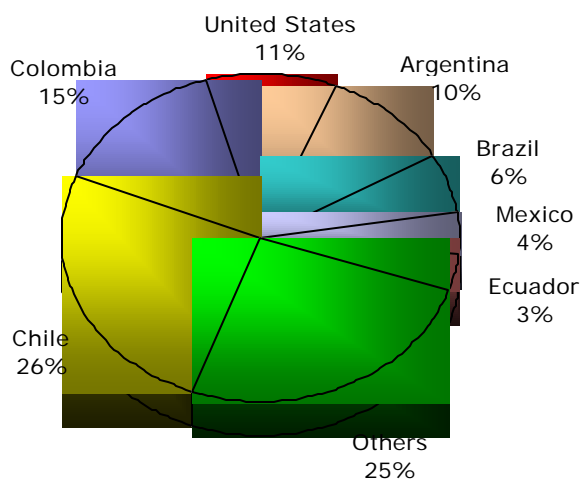
## 5. Traditional Markets

### A. Sub-sector Profile

- ❑ Traditional markets in Peru include 200,000 grocery stores and 2,500 open markets. Lima has 80,000 grocery stores (of which 2,000 have sales for above \$19,000) and almost 1,250 of the open markets.
- ❑ Open markets are very popular among Peruvians mainly for buying fresh fruits and vegetables and meats at lower prices.
- ❑ Traditional markets offer limited opportunity for sales of high-end imported goods. Most food products sold in traditional markets (open markets, street vendors and grocery stores) are locally produced or perishable and cheaper, aimed at low-income consumers.
- ❑ In order to face supermarket competition, twenty open markets in Lima joined together under a brand called "Networking Market". They intend to improve infrastructure and customer service as well as join supply sources.
- ❑ The open market distribution is dominated by 25 major companies.

## Section III. Competition

**Imports of Consumer-Oriented Agricultural Products  
in Peru by Country-of-Origin (2006)**



Source: World Trade Atlas

- ❑ Peru gives tariff preferences to the Andean Community of Nations (CAN - Bolivia, Colombia and Ecuador), and to Mexico, Paraguay, Argentina, Brazil, Uruguay and Cuba.
- ❑ Peru's trade policy is oriented to open markets. Peru has signed an Economic Complementation Agreement (ECA) with MERCOSUR, a major U.S. competitor in bulk commodities and meats, exempting dairy products from the negotiations. Peru recently expanded its ECA with Chile, Peru's major supplier of food and agricultural goods, and is

negotiating the extension of its ECA with Mexico. Peru finished negotiating a free trade agreement with Thailand and is currently negotiating a free trade agreement with Singapore. Peru is also seeking a free trade agreement with the E.U and China.

- The PTPA will reinforce U.S. competitiveness within the Peruvian market. The quality of U.S. products is already appreciated among the high-end consumers. Imported food products have tariff rates that range between 12 and 25 percent.
- In December 2005, the United States and Peru finished PTPA negotiations. We are looking forward the implementation of this agreement pending U.S. Congress approval, which will allow lower or duty free tariffs for many food and agricultural products. For a complete list of products that will be benefited from the TPA, please check [http://www.ustr.gov/Trade\\_Agreements/Bilateral/Peru\\_TPA/Section\\_Index.html](http://www.ustr.gov/Trade_Agreements/Bilateral/Peru_TPA/Section_Index.html).

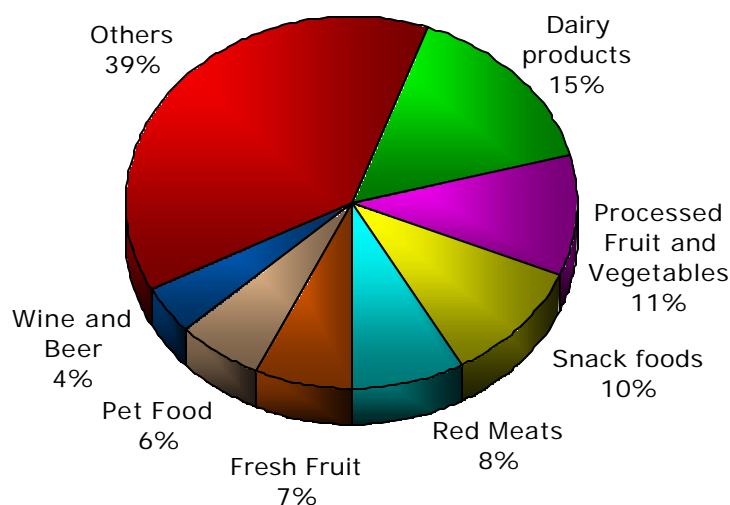
### Competitive Situation facing U.S. Suppliers in the Retail Market in 2006

Product Category/ Net Imports	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Dairy Products 27,518 tons (\$58.5 million)	Chile: 15% Mexico: 13% New Zealand: 11% U.S.: 12%	- New Zealand is major supplier of dairy ingredients and Chile of whey. - Europe is very well positioned in high quality cheeses.	- Only two companies are major producers of evaporated milk and yogurt. - Local homemade cheeses are commonly sold.
Snack Foods 15,742 tons (\$37.7 million)	Ecuador: 19% Colombia: 34% Chile: 11% Argentina: 13% U.S.: 7%	- Tariff preferences applied to neighbor countries.	- Local producers are major food processors. They import food ingredients for snacks and also snacks in bulk.
Processed Fruits and Vegetables 46,213 tons (\$40.3 million)	Chile: 45% Germany: 10% Netherlands: 9% U.S.: 9%	- Chile sells at cheaper prices due to proximity and tariff preferences. - E.U. products are positioned as being of good quality.	- Local processors are major exporters, but their local supply is limited.
Fresh Fruits 37,879 tons (\$21 million)	Chile: 97% U.S.: 2%	- Chile is the main supplier because of proximity, price and duty free entrance.	- There is an open window from November to February for the U.S. - Local fruit sold at retail market is of lower quality.
Fruit and vegetable juices 498 tons (\$ 1.1 million)	U.S.: 40% Brazil: 37% Chile: 13%	- Chile has advantages of tariffs and proximity.	- Local brands are well positioned in the market at competitive prices.
Wine and Beer 11,236 liters (\$18.5 million)	Argentina: 31% Chile: 30% Spain: 12% Brazil: 12% Italy: 4% France: 3% Germany: 3% U.S.: 2%	- Proximity and recognized quality of Chilean and Argentinean wines. - Brazil is the major supplier of imported beer.	- Major local breweries are well positioned, price competitive and belong to international companies, representing 95% of the market. - Local wine is well positioned and price competitive, but does not satisfy demand.

Product Category/ Net Imports	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Red Meats (fresh, chilled or frozen) 21,750 tons (\$27.8 million)	Argentina: 27% Brazil: 20% Paraguay: 24% Bolivia: 10% U.S.: 7% Uruguay: 8%	- Major imports come from nearby countries. - In 2006, Paraguay's increased 6% market share because of price competitiveness.	- Peru's market for the U.S. reopened in October 2006. - U.S. meats are of superior quality. - Peru imports three times more offals than meats. - Local meat does not satisfy the demand.
Red Meats (prepared, preserved) 836 tons (\$2.5 million)	Chile: 33% Denmark: 13% Italy: 11% Bolivia: 11% Spain: 11% U.S.: 4%	- Chile has the advantages of tariff preferences and proximity.	- There pork products industry that also imports prepared meats. - U.S. product tariffs will go down from 5 to 7 years linear.
Poultry Meat 9,337 tons (\$6.7 million)	Brazil: 43% Chile: 30% Argentina: 15% Bolivia: 10% U.S.: 2%	- U.S. poultry product imports reopened in October 2006. - Brazil and Chile are major suppliers of poultry cuts.	- Local poultry producers are major suppliers with good distribution channels. - Imports are mainly chicken and turkey parts.

**Section IV. Best Product Prospects**

**Imports of Consumer-Oriented Agricultural Products in Peru by Product (2006)**



Source: World Trade Atlas, 2006

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

Product/ Product Category	Market Size 2006 est.	Imports 2006	Average Annual Import Growth (2002-06)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Cheese (HS 0406)	12,166 tons	1,825 tons  (\$6.3 million)	2.16%  (Uneven)	25% + Price band  TPA: *	- Neighbor countries are U.S. competitors: Argentina (33%) and Bolivia (9%).  - Strong preference for E.U. cheese at the high-end HRI and Retail Sectors.	- U.S. cheeses are mainly used in the Food Processing Sector, but with potential in HRI and Retail Food Sectors. - In 2006, U.S. was the second supplier with 32% market share, growing 29% in 2005 and 2% in 2006. - TPA*: 17 years linear, 2,500 MT quota with 12 percent increase per year.
Confection ary – non chocolate (HS 1704)	\$82.4 million	11,278 tons  (\$22 million)	11.8%	25%  TPA: *	- Major suppliers are neighbors: Colombia and Ecuador. - Local industry is strong. Major owners are foreign companies.	- U.S. represents 1% of total imports, however, U.S. imports grew 32% and 13% in 2005 and 2006 respectively, recovering from previous years. - TPA*: Duty free on entry into force.
Confection ary – chocolate (HS 1806)	Premium category \$2.4 million Total Market \$62.4 million	2,279 tons  (\$6.8 million)	-0.71% (Immature market, growth in 2005 was 26%)	25%  TPA: *	- Chile is the major supplier (31%). - Local industry is competitive.	- The U.S. is the second major supplier with 15%. The U.S. strength is in chocolate for the retail sector. - TPA*: Duty free on entry into force.
Apples and Pears (HS 0808)	151 million tons (\$29,400 million)	34,605 tons  (19 million)	9.3%	25%  TPA: *	- Chile is the major supplier with 98% of market share. - U.S. holds the remaining 2%.	- There is an opportunity window for the U.S. between November and February. - TPA*: Duty free on entry into force.
Grapes, fresh (HS 080610)	165 million tons (\$48,100 million)	740 tons  (\$0.4 million)	-14.3% (Uneven growth)	25%  TPA: *	- Local production is strong. - Chile is a major importer (96%). - Low imports.	- U.S. window: September to December. - In 2006, U.S. market share reached 4%. - TPA*: Duty free on entry into force.
Prime and choice beef (HS 020230)	Total beef and offals market: 164,000 tons (\$12 million)	1,565 tons  (\$3.8 million)	4%	25%  TPA: *	- Competes with quality meats from Argentina and Brazil.	- U.S. market for all beef and beef products opened in October 2006. - TPA*: Duty free on entry into force.

Product/ Product Category	Market Size 2006 est.	Imports 2006	Average Annual Import Growth (2002-06)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Edible Beef Offals (HS 020621, 020622)	Total beef and offals market: 157,512 tons (\$11.6 million)	3,098 tons  (\$2.4 million)	-1.9%  (Uneven)	12%  TPA: *	- Major suppliers are Paraguay (30.2%), Brazil (3.1%) and Argentina (17%).	- U.S. holds 42.3% of the market since August 2006 when the market reopened. - TPA*: 12 years linear, 800 MT quota with 6 percent increase.
Fruit and vegetable prep. (HS 2001, 2002)	N/A	1,045 tons  (\$0.7 million)	81.7%  (Uneven but growing)	25%  TPA: *	- Major suppliers are Chile (59%), China (26%) and the U.S. (5.5%).	- TPA*: Duty free on entry into force except for olives (5 years linear).
Fruit and Vegetable juices (HS 2009)	N/A	498 tons  (\$1.1 million)	1.6%  (Improving)	25%  TPA: *	- Major suppliers are the U.S. (40%), Brazil (37%), and Chile (13%).	- TPA*: Duty free on entry into force, 5 and 10 years linear depending on the product.
Pet foods (HS 230910)	38,120 MT	9,401 MT  (\$6.6 million)	10.7%	12%	- Growing local pet industry. - There is an informal industry arising. - Argentina (62%) and Brazil (21%) are major competitors.	- U.S. holds 15% of market share down from 40% in previous years. - TPA*: duty free on entry into force, or 5 years linear for canned pet food.
Pasta (HS 1902)	286,000 tons	917.5 tons  (\$0.94 million)	25.6%  (Uneven market; minus 40% in 2006)	25% - 12%  TPA: *	- Major suppliers are Italy (33.4%), the U.S. (24%) and Chile (18.2%).	- TPA*: duty free on entry into force or 5 years linear.
Turkey (HS 020725, 020726, 020727)	17,600 tons	2,867 tons  (2.6 million)	1.9%  (Uneven growth, 20% per year between 2004-2006)	25%  TPA: *	- Major exporters are Brazil (69%) and Chile (25%) followed by the U.S. with 5%. - Local poultry industry is strong.	- Peruvians are major consumers of turkey at Christmas and New Year season. - TPA*: 5 years linear.
Poultry meat cuts (HS 020711, 020712)	\$1,040 million	3,721 tons  (\$2.9 million)	62.8%  (Uneven growth)	25%  TPA: *	- Strong local industry. - Argentina (32%), Brazil (29%) and Bolivia (22%) are major exporters.	- Peruvians are major consumers of poultry. - TPA*: 10 years linear.

Product/ Product Category	Market Size 2006 est.	Imports 2006	Average Annual Import Growth (2001-06)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Bread, pastry, cookies (HS 1905)	Cookies (\$166 million) Bread and Pastry (784,000 tons)	2,071 tons (\$4 million)	-2.5% (Uneven growth, recovered in 2005)	25%  TPA: *	- Major suppliers are Chile (27.4%), Colombia (18.3%) and the U.S. (14%)	- TPA*: duty free on entry into force, 3 or 5 years linear.
Sauces, soups & broths (HS 2103, 2104)	Mayon- naise (5,720 tons)	4,365 tons (\$6.9 million)	2%  (Uneven growth)	25%  TPA: *	- Major suppliers are the U.S. (38%), Chile (16%) and Colombia (15%).	- TPA*: duty free on entry into force except for soy sauce and mustard (5 years linear)
Wine (HS 2204)	11.1 million liters	6.8 million liters (\$15.4 million)	11.1%	17%  TPA: *	- Argentina (37%), Chile (36%), and Spain (15%) are major exporters. - Strong promotions. - Only regular wine consumers recognize U.S. wine quality.	- Local industry has 52% of market share. - There is a niche market for quality wines on which the U.S. can be appreciated and price competitive. - Peru's wine consumption is growing. - TPA*: 3 to 5 years linear.

Note: TRQ = Tariff Rate Quota, on a first-come first-serve basis.

Sources: World Trade Atlas, USTR, Ministry of Agriculture (Minag), Gestion and El Comercio Newspapers

## B. Products not Present in Significant Quantities, but which have good sales Potential:

Product/ Product Category	Imports 2006	Average Annual Import Growth (2001-06)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Chicken leg quarters (HS 020713, 020714)	2,190 tons  (\$1 million)	-5.6% (Uneven, 19% growth in average for 2005 and 2006)	25%  TPA: *	- Strong Poultry industry in Peru. - U.S. competitors are Chile (76%), Brazil (14%) and Argentina (5%)	- TPA*: 17 years linear, 12,000 MT quota with 8 percent increase; for mechanically deboned meat (MDM), 3 years linear. - The sausage industry demands the product as a lower cost ingredient. - Opened market for the U.S. since April 2006.

Product/ Product Category	Imports 2006	Average Annual Import Growth (2001-06)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Peaches, cherries and Nectarines (HS 0809)	1,672 tons (\$1.0 million)	9.5% (Uneven growth)	25%  TPA: *	- Chile is major supplier with 99% of market share.	- Importer's interest for U.S. peaches and nectarines. - TPA*: Duty free on entry into force.
Nuts and almonds (HS 0802)	136 tons (\$0.5 million)	23.2% (uneven growth)	25%  TPA: *	- Chile (95%) is the major supplier. - U.S. exports to Peru are very small (2%).	- Importers recognize that U.S. quality of nuts and almonds is better than Chile's. - TPA*: Duty free on entry into force except for chestnut (5 years linear).
Grapes, raisins (HS 080620)	5,180 tons (\$5.4 million)	-14.8% (Uneven growth)	25%  TPA: *	- There are no significant imports from the U.S. - Chile holds almost 100% of the market.	- U.S. window: September to December. - TPA*: Duty free on entry into force.
Citrus (HS 0805)	108.5 tons (\$0.09 million)	-17.6% (Growth of 9% in 2005)	25%  TPA: *	- China entered the market in the last two years with 34% of market share in 2006. - Chile went down from 84% to 66% in 2006.	- Recognized quality of U.S. oranges and tangerines. - Export window for the U.S. is from January to March. - TPA*: Duty free on entry into force or 5 years linear
Other fresh fruit (HS 0810)	537 tons (\$0.25 million)	30.7% (Uneven growth)	25%  TPA: *	- Chile is almost the only supplier. - Imports are mainly kiwi.	- The TPA will open opportunities for the U.S. not only to export kiwis but also cranberries (very well accepted in juice), strawberries, etc. - TPA*: Duty free or 5 years linear
Pork Meat (HS 0203)	640 tons (\$0.88 million)	103.6% (Uneven growth, minus 14% in 2006)	25%  TPA: *	- Peruvians are not used to eating pork. - Local industry produces 103,000 tons. - The industry is the same as poultry's. - Chile is the only supplier.	- Pork imports are growing. - U.S. pork will benefit from the TPA implementation. - TPA*: 5 years linear
Sausages (HS 1601)	339 tons (\$0.654 million)	6.9% (uneven growth, 34% in 2006)	25%  TPA: *	- Major exporters are Chile (47.6%), Denmark (20%) and Spain (16%).	- There is a high-end segment for gourmet sausages, where the U.S. can compete. - TPA*: 5 years linear.

Product/ Product Category	Imports 2006	Average Annual Import Growth (2001-06)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Ham, processed HS 160241, 160242	32 tons  (\$0.27 million)	-7.9%	25% TPA: 7 years linear	- Major suppliers are Spain (48%) and Italy (21%).	- The U.S. has quality to introduce products in the gourmet market - TPA: 7 years linear
Beer (HS 2203)	4,436 liters  (\$2.9 million)	149% (Uneven growth, minus 44% in 2006)	17%	- Local breweries are very strong, owned by international companies. - Local breweries produce and import new brands to introduce them in the market.	- Niche market for premium beers. - Growing consumption of beer (28 lts per capita) - TPA: Duty free on entry into force

Note: TRQ = Tariff Rate Quota, on a first-come first-serve basis.

Sources: World Trade Atlas, USTR, Ministry of Agriculture (Minag), Gestion and El Comercio Newspapers

### C. Products not Present because they Face Significant Barriers:

None.

## Section V. Key Contacts and Further Information

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

U.S. Embassy Lima, Foreign Agricultural Service (FAS)  
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For further information, check the FAS web site [www.fas.usda.gov](http://www.fas.usda.gov) or our web site [www.usdaperu.org.pe](http://www.usdaperu.org.pe). Please, also refer to our other current food market related reports: Exporter Guide, Food and Agricultural Import Regulations and Standards (FAIRS), FAIRS Export Certificate, Food Processing Ingredients Sector and HRI Food Service Sector.