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Report Name: Retail Foods

Country: Peru

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Report Category: Retail Foods

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Report Highlights:

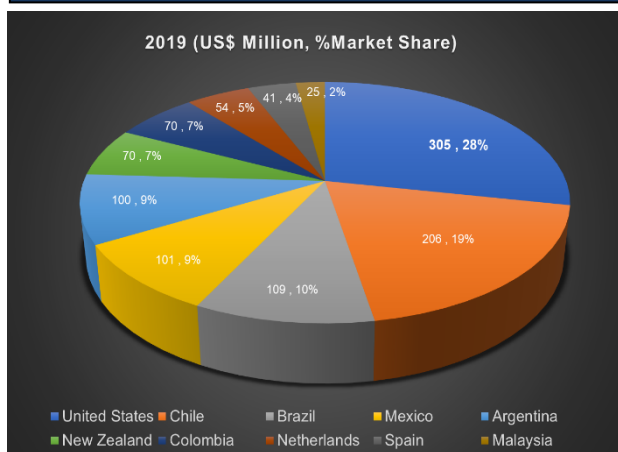
Peru's food retail market is adapting to the economic hardships and realities arising from the Covid-19 pandemic. FAS Lima foresees a long-term recuperation since this sector is not yet mature and has room to keep growing. The market currently holds over 640 convenience stores and 279 conventional supermarkets. The sector's expansion strategy targets Lima's lower to middle income districts. E-commerce is expected growth but still has logistics issues to overcome.

Market Fact Sheet: PERU

Executive Summary

For over a decade, Peru has been one of the world's top performing economies, registering sustained high growth accompanied by low inflation. Agriculture accounts for approximately five percent of Peru's GDP, but employs around 28 percent of the population. The U.S.-Peru Trade Promotion Agreement, which entered into force in February 2009, has increased bilateral trade of agricultural products from \$1.46 billion in 2009 to \$3.83 billion in 2019, an increase of 162 percent. More than two-thirds of current U.S. agricultural exports enter Peru duty-free. The United States remains the largest agricultural product supplier to Peru, accounting for 21 percent of market share.

Imports of Consumer-Oriented Products



Peru offers good opportunities for U.S. exporters of consumer-oriented agricultural products, but there are some challenges. The successful introduction of new to market food products depends on knowledge of the market and personal contact. Exporters should review Peru's food laws, packaging and labeling requirements, business practices, and trade-related laws and tariffs. Getting to know the potential importer and the local distribution system is critical.

Food Processing Industry

Peru's food processing industry is a dynamic sector of the national economy. The food industry in Peru accounts for almost 24 percent of the industrial GDP and sales are forecast to reach \$12.4 billion by the end of 2019. Its growth is directly linked to the development of the food retail and food service sectors. Food product manufacturers source both domestic and imported product ingredients. Local processed food products cover 70 percent of the market demand.

Food Retail Industry

There are three main supermarket chains in Peru: Cencosud (Wong and Metro), Saga Fallabella (Tottus) and Supermercados Peruanos (Vivanda and Plaza Vea). The market includes 259 conventional supermarkets and superstores, with 179 in Lima, and 640 convenience stores, with two outside of Lima. The sector is comprised of both conventional supermarkets and traditional channels (includes wet markets and independent stores). Different types of food appear to perform better in the two formats. Top products include snack foods, dairy, edible oils, confectionaries, bread, and cookies.

Quick Facts CY 2019

Imports Consumer-Oriented Products: \$305 MM

Top 10 Growth Products in Peru

- | | |
|------------------------------------|--------------------------------------|
| 1. Corn Flour | 7. Chicken meat prep. Or preserv. |
| 2. Milk and Cream concentrated. | 8. Potatoe flakex, granules or peltt |
| 3. Turkey meat prep. Or preserved. | 9. Wheat not durum |
| 4. Beer made from malt. | 10. Sucromalt |
| 5. Meat and offal of swine. | 11. Poultry meat prep or preserved. |
| 6. Turkey cuts frozen | |

Food Industry Gross Sales: \$30.5 billion

Food Industry by Channel

- | |
|--------------------------------|
| 1. Food Exports: \$8.6 billion |
| 2. Food Imports: \$4.7 billion |
| 3. Retail: \$22 billion |
| 4. Food Service: \$8.5 billion |
| 5. Wet market: \$18 billion |

GDP/Population

Population (Millions): 32

GDP (Billions USD): 236

GDP Per-capita (USD): \$7,300

Strengths/Weakness – Opportunities/Challenge

Strengths	Weakness
Strong demand for consumer food products	Low penetration of modern food retail throughout the country.
Opportunities	Challenges
Growing middle class	Strong competition from other countries.

Data and information sources: FAS Lima

Contact: FAS Lima

Market Overview

The Government of Peru (GOP) announced one of the earliest Coronavirus lockdowns in the region. Since March 16 a strict quarantine has been enforced in an effort to stop the spread of the virus. This includes movement restrictions on citizens and closures of all but essential businesses. At the time of writing, while some sectors of the economy were reopening, quarantine measures were still in place through June 30. As in many countries in the world, the COVID-19 pandemic has dramatically impacted the Peruvian economy. Several sources forecast a slowing or even negative GDP growth.

Food and beverages in general were considered within the priority list of products to be sold and distributed during the lockdown. Supermarket chains worked under short schedules and at half traffic capacity. The rest of the food retail supply, specifically convenience stores and the traditional channel, kept functioning, but at a much lower capacity. Retailers also contended with a shortage of products. Peru's food processors had to reduce shifts and some ultimately closed plants due to high positive COVID-19 cases among workers.

Supermarket sales remained steady based on staple food categories. Different sources foresee a reduction in demand for high value products given the current unemployment rate of about 20 percent. The GOP plan to restart the economy is moving at a slow pace. Sectors that are authorized to resume activities will have to comply with public health measures and controls established by the Ministry of Health. These measures include social distancing, disinfection practices, and testing. However, these measures look difficult to comply with in practice.

The mobilization restriction of the population demanded faster responses from food retailers facing an unprecedented situation. A noticeable result has been the growth of e-commerce services. Not only have well known retailers begun to reinforce their digital channels, but entrepreneurs have utilized social media platforms to advertise and sell assorted food products. Lack of experience in delivery logistics to meet the high demand of online orders remains a challenge to this emerging sector.

The retail food sector in Peru is comprised of two segments: modern (supermarkets, convenience stores, discount stores, cash & carry) and traditional (open markets, mom and pop stores, usually named, "bodegas"). Both have been impacted by the pandemic. For the traditional channel, proximity is no longer convenient, so there have been initiatives to incorporate these bodegas into e-commerce systems, but these efforts are still in initial stages. Wholesale markets have become hot spots for the transmission of COVID-19 and many of them had to close for days in order to implement disinfection plans. This could change the landscape of the sector moving forward.

The GOP designed a progressive reactivation plan for the economy, which ideally will be fully deployed by November this year. However, recovery from the economic downturn will likely not be seen until the end of the first semester of 2021. In the meantime, the food retail sector will have to evolve and adapt to the "new normal," reduce costs, and improve supply chain and customer management. Retailers' expansion strategy will be on hold and it is likely that there will be no new stores opening until next year.

Peru’s food retail sector has shown a growth trend in the last five years based on the opening of new stores and the consolidation of middle-class and economic indicators. Given the changes on consumption of the mix of products towards basic categories, some formats will show higher growth such as hard discount and cash & carry outlets versus the supermarket and even hypermarket formats. The growth will be variable. For this reason, FAS Lima forecasts three percent growth of the overall sector for this year. Despite the current situation, FAS Lima foresees a long-term recuperation since this sector is not yet at a mature phase and has room to keep growing.

Advantages	Challenges
<ul style="list-style-type: none"> • Recognition of U.S. food quality and an appreciation for U.S. culture. • Consumer-oriented food products benefit from the PTPA with low or no tariffs. • Active supermarket industry that promotes increased demand for high-value food products. Peru is actively promoting tourism. • Growth of new supermarket outlets in Lima’s suburbs and second tier cities. • Appreciation for U.S. food quality and culture. • Perception of modern retail outlets as cleaner, convenient, and time saving. • Increased health consciousness among the Peruvian population. • Middle-class expansion. 	<ul style="list-style-type: none"> • Consumers prefer to buy fresh produce in traditional markets. • Supermarkets, the main source of imported food products, account for only 30 percent of the retail food market share in Lima and 20 percent in the provinces. • New local food brands are appearing in the market at very low prices. • Provincial supermarkets are supplied by Lima-based companies-impacting freshness for some products. • Government organized food promotion campaign called “Buy Peruvian.” • Traditional markets dominate retail sales in secondary cities. • Domestic producers manufacture more affordable products that cater to local taste preferences. • Stiff competition from neighboring countries.

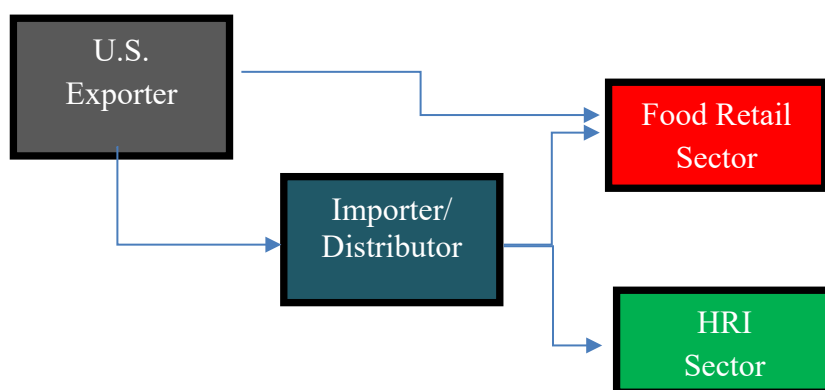
Section II: Road Map for Market Entry

1. Entry Strategy:

- Preliminary research to determine market potential for a specific product. Contact FAS Lima to obtain reports or briefings about market features.
- Retailers rely on importers and wholesalers/distributors to source imported food products.
- Importers aim to sell imported food products through different channels: retail, food service, and food processing. Major food importers/distributors supply all major supermarket chains and provincial retailers.

- Be diligent when selecting a partner (an agent or a representative). Conduct a background check of the prospective partner before signing contractual agreements. Visits to Peru and in-person meetings are highly recommended.
- The import partner should be able to provide updated information on consumer trends, current market developments, trade, and business practices.
- Exporters must consider to provide marketing budget support to local importers or retailers to develop promotional activities and impulse sales.
- Food products must comply with country's regulations and be approved by health authorities before being placed on the market. Peru adopts Codex as the primary international reference. For details on how to export to Peru please refer to FAS Lima's [FAIRS Export Certificate Report](#), [FAIRS Country Report](#) and [Exporter Guide Report](#).

2. Market Structure:



The overall food retail industry's sales reached \$22 billion 2019 around 2.7 percent up from 2018. Change in the structure resides more on the development of new formats. The three major supermarket chains in Peru have adapted and their expansion has been based on new competition trends. Supermercados Peranos (SPSA) has developed a convenience store format named Mass that currently has 400 stores in Lima. Tottus has developed a hard discount format named Hiperbodega Precio Uno (HPU) that caters to the lower-income segment. It provides a mix of products, similar to a hypermarket, but in a smaller format. Its price competitiveness is due to more private label products. There are 17 HPUs so far and the majority (13) are outside of Lima. The market includes 279 conventional supermarkets and superstores (176 of which are located in Lima).

Food retail sector in Peru is comprised of two sub-sectors: modern (supermarket stores, convenience stores, discount stores, cash & carry) and traditional (open markets, mom and pop stores). U.S. consumer-oriented products are primarily imported by and sold in modern retail channels. This channel is booming and accounts for 25 percent of the market. Its growth relies on the entrance of new players and the development of new retail formats to capture market share from the traditional channel.

The convenience store channel is the newest format that is gaining terrain within the modern channel and poses a strong competition for supermarket formats. TAMBO is the most prevalent

convenience store. Others include OXXO, Repshop, Listo, and other independent stores. There are about 700 convenience stores among these brands in Peru. Beverages and ready to eat products are the main categories.

3. Company Profiles

Table 1: Profiles of Major Supermarkets Chains (2019)

Retailer	Ownership	Sales (\$MM)	Market Share (%)	# Outlets	Location
CENCOSUD	Chile	1,252	31	94	10 Provinces
Supermercados Peruanos	Peru	1,575	39	508	14 provinces
Hipermercados Tottus	Chile	1,171	29	91	11 Provinces

Source: FAS Lima

Table 2: Outlets by Major Supermarket Chains (2019)

Retailer	Type of Outlets	Number
CENCOSUD	Supermarkets Wong Super/Hyper Metro	20
		74
Supermercados Peruanos	Vivanda Plaza Vea/ Plaza Vea Super MASS Stores	8
		97
		403
Hipermercados Tottus	Hypermarkets Supermarket Hiper Bodega – Precio Uno	73
		1
		17

Source: FAS Lima

Table 3: Convenience Store

COMPANY	BRAND	#OUTLETS
Lindley Corporation	TAMBO+	302
PRIMAX	Listo	125
REPSOL	Repshop	129
Grupo Romero	VIVA	45

FEMSA	OXXO	20
INTERCORP	Mimarket	18

Source: FAS Lima

SECTION III. Competition

The Government of Peru (GOP) has encouraged integration with the global economy by signing a number of free trade agreements, including the United States - Peru Trade Promotion Agreement (PTPA), which entered into force in February 2009. The PTPA has been instrumental in boosting bilateral trade in food and agricultural products between the United States and Peru. Ten years after entering into force (February 1, 2009), trade between the two partners is at record highs. From 2009 to 2019, U.S. exports of food and agricultural products to Peru grew almost 2.1 times from \$530 million to \$1.1 billion. U.S. consumer-oriented product exports, at \$314 million, account for 22 percent of U.S. food exports to Peru. The PTPA strengthens competitiveness of U.S.-origin food and agricultural products in the Peruvian market. High-end consumers are familiar with the quality of U.S. products. FAS Lima foresees exports of U.S.-origin consumer-oriented products to Peru becoming as important as U.S. bulk commodity exports in the next few years.

Table 4: Top 30 Peru's Imports of Consumer Oriented Products

HS Code	DESCRIPTION	2019 (\$MM)	US Rank	COMPETITORS				
210690	Food Preparations Nesoi	43	1	20%	Chile	16%	Spain	9%
040210	Milk & Crm,Cntd,Swt,Powdr,Gran/	30	1	60%	New Zealand	20%	Belgium	6%
020714	Chicken Cuts And Edible Offal (Including Livers) Frozen	17	2	37%	Brazil	52%	Chile	8%
160239	Meat Or Meat Offal Of Chickens, Ducks, Geese And Guineas	17	1	99%	Spain	<1%	-	
040221	Milk/Cream Conc Nt Swt Pwd/	16	2	25%	New Zealand	43%	Argentina	21%
060220	Edible Fruit Or Nut Trees	16	1	57%	Chile	43%	Spain	<1%
020727	Turkey Cuts And Edible Offal (Including Liver) Frozen	12	1	67%	Brazil	28%	Chile	5%
230910	Dog And Cat Food, Put Up For Retail Sale	10	2	32%	Argentina	45%	Brazil	3%
020329	Meat Of Swine, Nesoi, Frozen	8	1	53%	Chile	40%	Canada	7%
080810	Apples, Fresh	7	2	18%	Chile	76%	Argentina	3%
220299	Other non-alcoholic beverages	7	1	39%	Switzerland	22%	Mexico	11%
080212	Almonds, Fresh Or Dried, Shelled	7	1	70%	Chile	30%	-	
040620	Cheese Of All Kinds, Grated Or Powdered	6	1	86%	U.K.	13%	New Zealand	>1%
210120	Tea Or Mate Extracts, Essences And Concentrates,	6	1	86%	Brazil	4%	Mexico	3%
210390	Sauces And Preparations	6	1	32%	Mexico	21%	Chile	16%
020130	Meat Of Bovine Animals, Boneless, Fresh Or Chilled	6	1	43%	Brazil	21%	Bolivia	21%
200520	Potatoes, Nesoi, Prepared Or Preserved	5	1	83%	China	5%	Chile	3%
020230	Meat Of Bovine Animals, Boneless, Frozen	5	2	29%	Brazil	41%	Bolivia	12%
040610	Cheese, (Unripened Or Uncured) Fresh And Curd	5	1	56%	Argentina	22%	Uruguay	11%
040490	Products Consisting Of Natural Milk Constituents,	4	1	80%	Spain	4%	Argentina	2%
180690	Cocoa Preparations, Not In Bulk Form, Nesoi	4	1	17%	Chile	13%	Brazil	13%
020622	Livers Of Bovine Animals, Edible, Frozen	4	1	80%	Canada	19%	Paraguay	<1%
020610	Offal Of Bovine Animals, Edible, Fresh Or Chilled	3	1	97%	Argentina	3%	-	
080510	Oranges, Fresh	3	1	88%	Chile	12%	-	
160232	Prepared Or Preserved Chicken Meat,	3	1	97%	Bolivia	<1%	Denmark	<1%
050400	Animal Guts, Bladders And Stomachs	3	3	18%	Argentina	56%	Canada	19%
180631	Chocolate And Other Cocoa Preparations In Blocks	3	1	60%	Brazil	12%	Germany	8%
060290	Live Plants (Including Their Roots), Cutting And Slips	3	1	52%	Chile	30%	Netherlands	9%
200819	Nuts (Other Than Peanuts (Ground-Nuts))	3	1	66%	Colombia	11%	Chile	10%
220300	Beer Made From Malt	2	2	9%	Mexico	68%	Portugal	7%

SECTION IV. Best Product Prospects Categories.

Cheese (HS 0406): U.S. cheeses are used in the food-processing sector, but have potential in the hotel, restaurant, and institutional (HRI) and retail food sectors. The United States is the main supplier with a market share of 33 percent. Argentina and Uruguay are main competitors with 13 and 10 percent of the market share, respectively.

Confectionary (HS 1704; 1806): Imports from the United States totaled \$10 million in 2019, or 12 percent of total imports. Strong competition exists from the region. Colombia leads exports holding a 25 percent market share. The United States' strength is in chocolate for the retail sector.

Food Preparations (HS 2106): United States is the largest supplier and holds 20 percent of the market share. Includes hydrolyzed protein, food supplements, soy-based snacks, and confectionary products.

Other competitors in the region are Chile and Spain, with 16 and nine percent of the market share, respectively.

Red Meats (HS 0202; 0203): The United States is the largest beef supplier to Peru with an almost 47 percent market share. Brazil and Chile follow with 19 and 17 percent of the market share, respectively. The foodservice sector absorbs almost 80 percent of U.S. beef exports. However, food retailers have started to offer smaller cuts that are suitable for this channel.

U.S. pork exports have taken over market share from Chile, resulting in a 48 percent market share. U.S. pork exports are typically destined for the food retail and foodservice sectors of Peru's market.

Poultry Meat (HS 0207): The United States is the second largest poultry supplier, with a 41 percent market share, after Brazil, which holds a 46 percent market share. However, the difference has decreased in 2019. The U.S. primarily exports chicken leg quarters to Peru. However, turkey cuts are also attractive for food retailers. Brazil leads in exports of chicken cuts, holding a 52 percent market share.

Fruit & Vegetable Juices (HS 2009): The United States is the second largest supplier of fruit and vegetable juices to Peru, holding almost 16 percent of the market share. Argentina has become the largest supplier with grape juice concentrate. In general, beverages are the largest product category sold in convenience stores. Other competitors are Israel and China, with market shares of 13 and 10 percent, respectively.

Bread, pastry, cookies (HS 1905): The United States holds an eight percent share of the import market. Colombia and Brazil lead the category with 17 and 15 percent market shares, respectively. Peru's largest food processing corporation sources from these countries. In the health food category, gluten free products are in high demand by food retailers.

Soups & Broths (HS 2104): The United States is the largest supplier in this category, holding a 35 percent share of the import market. Convenience stores will likely provide opportunities for growth in this category, particularly since "on the go" lifestyles are growing in Peru. Chile and China are the second and third competitors.

Sauces (HS 2103): The United States is the top supplier in this category, holding a 30 percent market share. Seasonings and sauces are in high demand. Other competitors are China and Mexico with market shares of 17 and 16 percent, respectively.

Nuts and almonds (HS 0802): The United States is the largest supplier in this category, holding a 54 percent share of the import market. Importers repack tree nuts into food retail packaging. The only competitor is Chile with a 45 percent market share.

Category B: Products Not Present in Significant Quantities, but with Good Sales Potential

- Wine (HS 2204)
- Peaches, Cherries and Nectarines (HS 0809)
- Apples and Pear (HS 0808)
- Citrus (HS 0805)
- Processed meats (HS 1601, 1602)
- Beer (2203)
- Whiskey (2208)

SECTION VI. Key Contacts and Further Information

U.S. Embassy Lima, Foreign Agricultural Service (FAS) - OAA

Street Address: Av. La Encalada, Cuadra 17, Monterrico - Surco, Lima 33

Mailing Address: FAS OAA Lima, Unit 3785, DPO, AA 34031

Phone: (511) 434-3042 / E-mail: aglima@usda.gov / www.fas-usda.pe

U.S. Animal Plant and Health Inspection Service (APHIS)

Street Address: Av. La Encalada, Cuadra 17, Monterrico - Surco, Lima 33

Phone: (511) 618-2627 / (511) 618 – 2732 / (511) 434 - 3000

Internet Homepage: www.aphis.usda.gov / [APHIS Peru Contact](#)

Host Country Government

[Ministry of Agriculture of Peru](#)

[Ministry of Agriculture – National Service of Agricultural Health - SENASA](#)

[Ministry of Health – Directorate General of Environmental Health - DIGESA](#)

[Ministry of Foreign Trade and Tourism – MINCETUR](#)