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Prepared By: Alvaro Loza

Approved By: Dwight Wilder

Report Highlights:

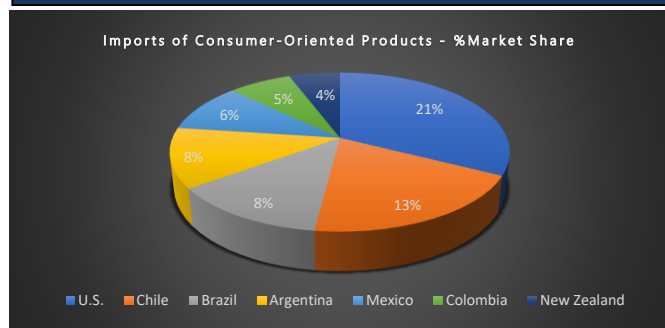
Peru's food retail market is adapting to the economic hardships and realities arising from the Covid-19 pandemic. FAS Lima foresees a long-term recuperation since this sector is not yet mature and has room to keep growing. The market currently holds over 790 convenience stores and 282 conventional supermarkets. The sector's expansion strategy targets Lima's lower to middle income districts. E-commerce is expected to continue growing but still has logistical issues to overcome.

Market Fact Sheet: PERU

Executive Summary

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 \$4.0 billion in 2020, an increase of 175 percent. The United States was the second largest agricultural product supplier to Peru in 2020, accounting for 17% of market share.

Imports of Consumer-Oriented Products



Peru's consumer-oriented imports from the world reached US\$ 1.4 billion in 2020. 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. Exporters should review Peru's food laws, packaging and labeling requirements, business practices, and rely on experienced distribution partners. 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 28 percent of the industrial GDP and the gross value added reached \$9.4 billion by the end of 2020. 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 282 conventional supermarkets and superstores, with 178 in Lima, and close to 790 convenience stores. The sector is comprised of both conventional supermarkets and traditional channels, comprised of 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 2020

Imports Consumer-Oriented Products: \$1.4Bn

Top 10 Growth Products in Peru

1. Food preparations	6. Almonds fresh or dried, shelled
2. Chicken cuts	7. Peas dried
3. Apples	8. Lentils dried
4. Dairy products	9. Peanuts prepared or preserved.
5. Livers of bovine	10. Soups and broths

Food Industry Gross Value Added: \$9.4 billion

Food Industry by Channels

1. Food Exports: \$7.3 billion
2. Food Imports: \$4.7 billion
3. Retail: \$23 billion
4. Food Service: \$8.5 billion
5. Wet market: \$18 billion

GDP/Population

Population (Millions): 32
 GDP (Billions USD): 200
 GDP Per-capita (USD): \$6,190

Strengths/Weakness – Opportunities/Challenge

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

Data and information sources: FAS Lima
 Contact: FAS Lima

Section I. Market Overview

In 2020, Peru's economy suffered a devastating impact due to the COVID-19 pandemic, leading to a decline in GDP of 11.1 percent. The government of Peru (GOP) eased the initial lockdown and sanitary measures towards the second half of 2020 and the economy rebounded. It has maintained this resilient trend up to the second quarter of 2021. Peru's Central Bank and other sources forecast a 10.7 percent GDP growth in 2021, based on favorable external conditions (mineral commodity prices). However, on the domestic side, the growth remains conditional upon pending election results and new measures to be announced by the new administration. The possible complications of the COVID-19 pandemic could also pose a future threat, since conditions may push the government to implement or strengthen mobility restrictions in the event of a resurgence. However, it is expected that most of the population will be vaccinated by the end of 2021, which could restore and fully resume activities in all sectors.

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 channels have been impacted by the pandemic. For the traditional channel, proximity to customers was no longer the primary advantage during the COVID-19 lockdowns. However, as the Government lessened the sanitary restrictions, the traditional channel resumed operations and almost recovered regular sales volumes in the last quarter of 2020. There have been initiatives to incorporate these bodegas into e-commerce systems, but these efforts are still in initial stages. Wholesale markets became hot spots for the transmission of COVID-19 and many of them had to close for many days in order to implement disinfection plans. Both segments have sought to implement technological and financial tools to increase productivity and surpass the pandemic's impact.

Since the beginning of the pandemic, food and beverages in general were considered within the priority list of products to be sold and distributed during the lockdown. Despite all the sanitary restrictions, food retailers in the modern channel adapted and enhanced their online experience as a strategy to give consumers greater flexibility over how to purchase food products. E-commerce boomed across all retailing segments, however, logistical challenges emerged as an obstacle to effectively responding to the massive spike in demand. Gradually, food retailers and logistics operators resolved these issues, leading to greater stabilization of the channel. The growth of online sales also triggered the appearance of new online business models such as online supermarkets, which now pose a new challenge for the traditional modern channel (brick and mortar and off-line). Nevertheless, Lima is momentarily their main area of influence.

Peru's food retail sector has shown a growth trend in the last ten years based on the opening of new stores spurred by a growing middle-class and positive economic indicator. Last year, supermarket sales remained steady based on staple foods and non-food categories. Almost 45 percent of Peruvian household expenditures was for food products. Given the changes in consumption, pushing the mix of products towards basic categories, as well as the lockdowns and strict sanitary measures difficulties during the first half of 2020, some formats showed higher growth -- such as hard discount and cash & carry outlets versus other formats, especially in the last quarter of 2020. For instance, Grupo Fallabella, opened three more Hiperbodega Precio Uno stores, in Lima, Junin, and San Martin. In addition, for the retail hard discount format, Mass maintained its aggressive expansion and ended with over 410 stores last year. The company's plan is to reach 650 new stores by 2022.

Overall, Peru’s food retail sector grew 6 percent in 2020, mainly buoyed by better performance of supermarket chains towards second half of the year. However, several industry sources are concerned about unforeseen international scenarios that are causing significant price increases for food products. Raw material prices and transportation costs are still spiking, the latter derived from the global shortage of shipping containers caused by the pandemic which is also causing shipping delays and increased demurrage costs. In addition, possible complications of the pandemic, the socio-economic uncertainty and international externalities might become a perfect storm for market distortions resulting in high volatility of the exchange rate. Those factors could likely impact the retail prices of high value food products. As such, FAS Lima is conservative about the expected growth of U.S. consumer-oriented exports to Peru this year. Last year, this category reached \$295 million, a 7.8 percent decline with respect 2019. Although we estimate the food retail sector’s growth at 9 percent for 2021, this will likely be achieved again with basic food categories, with a special emphasis on private labels. We expect to see a slight decline in the demand of high value imported products.

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 • Boom in e-commerce increases retailer’s coverage • 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 channel for 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 • Cumbersome regulatory processes to obtain sanitary permits • 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

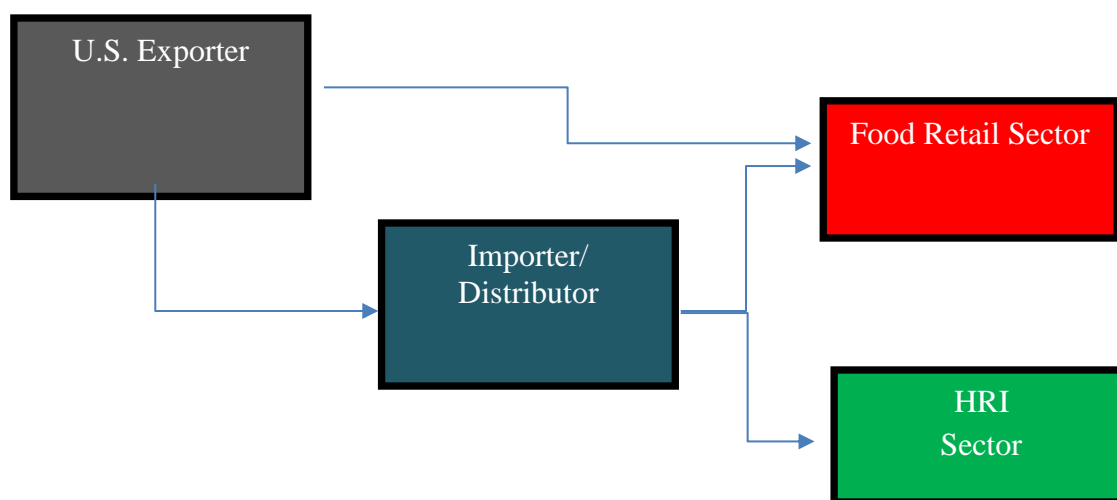
Section II: Road Map for Market Entry

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 should consider providing marketing budget support to local importers or retailers to develop promotional activities and foster 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 \$23 billion in 2020, up around 6 percent from 2019. The modern channel was able to maintain sales throughout the year since they never closed, despite the sanitary restrictions. The three major supermarket chains in Peru adapted to lower capacity conditions and strengthened the online channel to keep up with sales. The growth was based on basic staple categories and opening of formats aimed at low-income target audiences.

Supermercados Peranos (SPSA) has developed a convenience store format named Mass that currently has 420 stores in the country. Despite the pandemic's impact, Tottus Hypermarket, from Fallabella Group, was able to open three more Hiperbodega Precio Uno (HPU) hard-discount format stores, which also cater to the lower-income segment. HPU 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 25 HPUs so far and the majority (21) are outside of Lima. The market includes 282 conventional supermarkets and superstores (178 of which are located in Lima).

The 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 and it suffered a hard reverse as a result of the pandemic. These formats were gaining market share within the modern channel and posed strong competition for supermarket chains. However, government restrictions during the first months of the pandemic reversed the strong sales growth that had been achieved through opening new outlets throughout Lima. The convenience of those stores' proximity to high transit pedestrian areas was negated by mobility restrictions. The decline in sales was offset by a significant increase in delivery services, such as Rappi and Glovo (now Pedidos Ya). As the months went by, the relaxation of mobility restrictions was instrumental to recovery of sales. TAMBO is still the most prevalent convenience store, having more outlets than their competitors. Others include OXXO, Repshop, Listo, and other independent stores. There are around 790 convenience store locations among these brands in Peru. Beverages and ready to eat products are the main categories sold in this channel.

3. Company Profiles

Table 1: Profiles of Major Supermarkets Chains (2020)

Retailer	Ownership	Sales (\$MM)	Market Share (%)	# Outlets	Location
CENCOSUD	Chile	1,780	33	94	10 Provinces
Supermercados Peruanos	Peru	2,201	37	525	14 provinces
Hipermercados Tottus	Chile	1,198	1,785	100	11 Provinces

Source: FAS Lima

Table 2: Outlets by Major Supermarket Chains (2020)

Retailer	Type of Outlets	Number
CENCOSUD	Supermarkets	20
	Wong Super/Hyper Metro	74
Supermercados Peruanos	Vivanda Plaza Veal Plaza Veal Super Mass Stores	8
		97
Hipermercados Tottus	Hypermarkets	420
	Supermarket	74
	Hiper Bodega – Precio Uno	1
		25

Source: FAS Lima

Table 3: Convenience Store – Most Important Brands

COMPANY	BRAND	#OUTLETS
Lindley Corporation	TAMBO+	400
PRIMAX	Listo	125
REPSOL	Repshop	129
Grupo Romero	VIVA	60
FEMSA	OXXO	50
INTERCORP	Mimarket	25

Source: FAS Lima

SECTION III. Competition

The Government of Peru (GOP) has encouraged integration into 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. From 2009 to 2020, U.S. exports of food and agricultural products to Peru grew almost 1.8 times, from \$526 million to \$934 million. U.S. consumer-oriented product exports, at \$295 million, accounted 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	2020 \$MM	US Rank	COMPETITORS
210690	Food Preparations Nesoi	48	1 21%	Spain 12% Costa Rica 9%
040210	Milk & Crm,Cntd,Swt,Pwd,Gran	41	1 76%	New Zealand 6% Argentina 4%
040221	Milk/Cream Conc Nt Swt Pwd	33	1 43%	Argentina 38% New Zealand 7%
080212	Almonds, Fresh Or Dried, Shelled	13	1 93%	Chile 6% Spain 1%
020714	Chicken Cuts And Edible Offal	12	2 26%	Brasil 65% Chile 7%
060220	Edible Fruit Or Nut Trees, Shrubs And Bushes	11	2 46%	Chile 50% Spain 4%
230910	Dog And Cat Food, Put Up For Retail Sale	10	2 31%	Argentina 34% Brasil 8%
220299	Other Non Alcoholic Beverages	9	1 47%	Mexico 15% Netherlands 13%
080810	Apples, Fresh	9	2 23%	Chile 75% Argentina 2%
020329	Meat Of Swine, Nesoi, Frozen	8	1 60%	Chile 31% Canada 8%
210120	Tea or Mate Extracts, Essence and Concentrates	6	1 86%	Mexico 4% Free Zones 4%
020622	Livers Of Bovine Animals, Edible, Frozen	5	1 71%	Canada 21% Paraguay 1%
200520	Potatoes, Nesoi, Prepared Or Preserved	5	1 88%	China 5% Malaysia 2%
040620	Cheese Of All Kinds, Grated Or Powdered	5	1 80%	Mexico 10% Argentina 1%
020727	Turkey Cuts And Edible Offal (Including Liver) Frozen	4	2 29%	Brasil 57% Chile 14%
020230	Meat Of Bovine Animals, Boneless, Frozen	4	2 20%	Brasil 50% Uruguay 8%
180690	Cocoa Preparations, Not In Bulk Form, Nesoi	4	1 17%	Chile 12% Brasil 11%
210390	Sauces And Preparations	4	2 22%	Mexico 24% Chile 21%
040610	Cheese, (Unripened Or Uncured) Fresh And Curd	4	1 51%	Argentina 20% Uruguay 13%
200819	Nuts (Other Than Peanuts (Ground-Nuts)), And Other Seeds	3	1 64%	Colombia 9% Chile 8%
020130	Meat Of Bovine Animals, Boneless, Fresh Or Chilled	3	3 19%	Brasil 44% Bolivia 25%
080510	Oranges, Fresh	3	1 87%	Chile 13% China 0%
020322	Meat Of Swine, Hams, Shoulders And Cuts Fz	3	1 96%	Canada 3% Chile 1%
020629	Offal Of Bovine Animals, Edible, Nesoi, Frozen	2	3 14%	Argentina 36% Brasil 29%
060290	Live Plants (Including Their Roots), Cutting And Slips	2	1 42%	Chile 38% Mexico 7%
040630	Cheese, Processed, Not Grated Or Powdered	2	1 67%	Netherlands 16% Uruguay 9%
180631	Chocolate And Other Cocoa Preparations In Blocks	2	1 73%	Germany 8% Colombia 5%
190590	Bread, Pastry, Cakes, Biscuits And Similar Baked Products	2	4 9%	Ecuador 33% Colombia 17%
020610	Offal Of Bovine Animals, Edible, Fresh Or Chilled	2	1 93%	Argentina 6% Uruguay 1%
040490	Products Consisting Of Natural Milk Constituents	2	1 83%	Spain 11% Argentina 6%

SECTION IV. Best Product Prospects Categories

Cheese (HS 0406): U.S. cheeses are used in the three sectors: retail food, food-processing and hotel, restaurant, and institutional (HRI). The United States is the main supplier with a market share of 29 percent. Argentina and Uruguay are the main competitors with 20 and 12 percent of the market share, respectively. Preferable types are: edam, mozzarella, cheddar and parmesan.

Confectionary (HS 1704; 1806): Imports from the United States totaled \$8 million in 2020, or 14 percent of total imports. Strong competition exists from the region. Colombia leads exports holding a 23 percent market share. The United States' strength is in chocolate for the retail sector. However, other confectionary products are suitable for convenience store segment.

Food Preparations (HS 2106): The United States is the largest supplier and holds 24 percent of the market share. This category includes hydrolyzed protein, food supplements, soy-based snacks, and confectionary products. Other competitors in the region are Spain and Costa Rica, with 11 and nine percent of the market share, respectively.

Red Meats (HS 0202; 0203): The United States is the second largest beef supplier to Peru with 25 percent market share. Brazil leads the category with 50 percent of market share and Argentina holds the third position with eight percent. The impact of the pandemic on the HRI sector negatively affected U.S. beef exports. However, the food retail channel, and especially the online channel, somewhat offset the decline. Food retailers have started to offer other variety and smaller cuts that are suitable for this channel.

U.S. pork exports have taken market share from Chile, resulting in a 66 percent market share. U.S. pork exports are typically destined for the food retail and food service sectors of Peru's market.

Poultry Meat (HS 0207): The United States is the second largest poultry meat supplier, with a 26 percent market share, after Brazil, which holds a 61 percent market share. Even though the difference increased in 2020, the pre-covid trend of U.S. poultry exports was steadily growing. The decline of the HRI sector's dynamism combined with logistics issues resulted in lower demand for U.S. poultry meat. U.S. poultry export sales rebounded towards the second half of 2020 as HRI activities resumed. Additionally, other sectors, including food retailers, increased the demand of this product. The U.S. primarily exports chicken leg quarters to Peru. However, turkey cuts are also attractive for food retailers. U.S. exports have returned to normal flows, growing by almost 60 percent up to April this year, compared with the same period in 2020.

Fruit & Vegetable Juices (HS 2009): The United States is the second largest supplier of fruit and vegetable juices to Peru, holding almost 12 percent of the market share. Argentina has become the largest supplier due to grape juice concentrate. In general, beverages are the largest product category sold in convenience stores. Other competitors are Malaysia and Chile, although they have lower market share.

Bread, pastry, cookies (HS 1905): The United States holds a six percent share of the import market. Ecuador and Colombia lead the category with 27 and 15 percent, 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 40 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 South Korea are the second and third ranking competitors.

Sauces (HS 2103): The United States is the top supplier in this category, holding a 23 percent market share. Seasonings and sauces are in high demand. Other competitors are Mexico and Chile with market shares of 18 and 16 percent, respectively.

Nuts and almonds (HS 0802): The United States is the largest supplier in this category, holding a 72 percent share of the import market. In 2020, U.S. exports almost doubled from the previous year, based on higher demand from re-packers. Importers repack tree nuts into food retail packaging. The strongest competitor is Chile with a 20 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](#)

Attachments:

No Attachments