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Peru

Retail Food Sector

Report

2003

Approved by:
Lawrence D. Fuell
U.S. Embassy

Prepared by:
Violeta Gutierrez

Report Highlights:
Peru's total retail food market was $4.4 billion in 2001 and is expected to grow 11 percent in the next three years. Supermarket chains, the main destination of imported food products, currently account for 17 percent of total sales but is expected to reach 25 percent in 2004. Strong sales prospects for U.S. food exporters include fresh fruits, pork and chicken by-products, cheeses, wines and liquors, pre-cooked food and pet food, targeted to high-income consumers.

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

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I. Market Summary

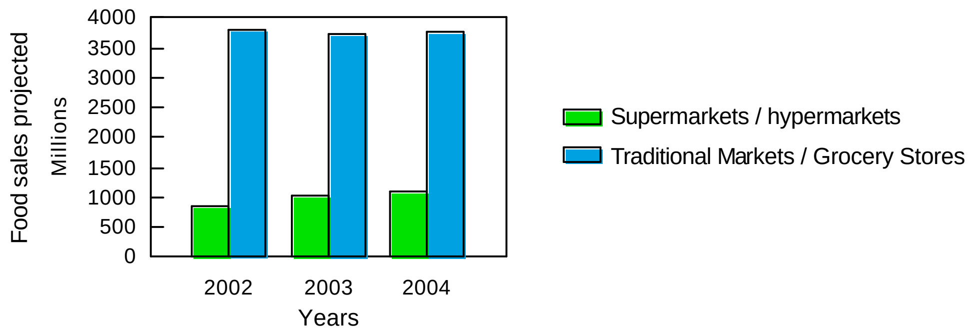
Peru's total retail food market was $4.4 billion in 2001. Food products are sold principally through small grocery stores and traditional markets (82 percent). However, sales through modern supermarkets are growing and are expected to reach 25 percent by 2004.

Retail Food Sales by Sub-sector (million dollars)

Sub-Sector	1997	1998	1999	2000	2001
Supermarkets / hypermarkets	665	661	587	601	725
Convenience Stores / Gas Marts	32	35	41	45	46
Traditional Markets / Grocery Stores	3,203	3,060	3,297	3,479	3,623
Total	**3,900**	**3,756**	**3,925**	**4,125**	**4,394**

Total retail food sales are expected to reach $4.9 billion in 2004: supermarkets will reach $1.2 billion, while traditional markets, $3.7 billion.

Food Sales Projection by Sub-Sector



Five percent of the consumer-ready products sold in supermarkets are imported and though they are particularly sensitive to economic conditions, their presence is growing. There are real potential opportunities for U.S. food exports in meats and cheeses, fresh fruits, wines and liquors, pre-cooked food and pet food.

E. Wong and Ahold Peru are the two major supermarket chains in Peru. Between them, E. Wong holds 68 percent of the supermarket market share and Ahold Peru 32 percent. On November 2002 Tottus hyper market opened, owned by a major Chilean chain, which is expected to become a major retailer in the near future and reach $35 million in total sales annually.

Supermarket clientele in Lima is divided into two groups: a middle and low-income social-economical sector, whose average family income per month is $500 and which represent 70 percent (around 5.3 million) of the total population of Lima City, and the high-income social-economical sector, with 18 percent (around 1.4 million) and an average family income per month of $1,800.

Lima with one third of Peru's population and more than 60 percent of Peru's GDP, is the principal market for consumer-ready food. Neither of the supermarket chains have outlets outside Lima. Although both major chains plan to expand to other main cities, such as Arequipa, Trujillo or Chiclayo by late 2004.

Retail Food Sales by Type of Product (million dollars)

Product	1997	1998	1999	2000	2001	2002*	2003*	2004*
Food	3,666	3,524	3,693	3,866	4,117	4,394	4,523	4,614
Fish products	234	233	232	260	277	300	289	295
Total	**3,900**	**3,757**	**3,925**	**4,126**	**4,394**	**4,694**	**4,812**	**4,908**

*2002, estimated; 2003 and 2004, forecasted.

Social factors that motivate consumer-ready product demand include urbanization, more participation of females in the workforce (38 percent), young population, about half of the population are under the age of 20, and exposure to foreign products information through media.

The main constraints for imports are customer preferences for fresh food, limited purchasing power and tariff and non-tariff barriers.

Advantages and Challenges Facing U.S. Products in Peru

Advantages	Challenges
< Supermarkets sales are growing, reinforced with new outlets opened in distant areas of Lima city.	< Peruvians prefer meals based on fresh produce and are used to buying them in traditional markets.
< Growing perception of retail outlets as cleaner, convenient and time saving over traditional markets.	< Supermarkets, the main source of imported food products, account for only 17 percent of total retail food sales.
< The major strength for U.S. food imports is quality taken for granted.	< Low purchasing power. Low-income consumers represent 76 percent of the total Peruvian population.
< The growth of the pet food market (30 percent in 2002).	< Local companies are applying to consumer nationalism through advertisements.
< Economic stability.	< Lack of brand awareness among consumers.

II. Market Structure and Sub-Sector Profiles

1. Supermarkets, Hyper Markets

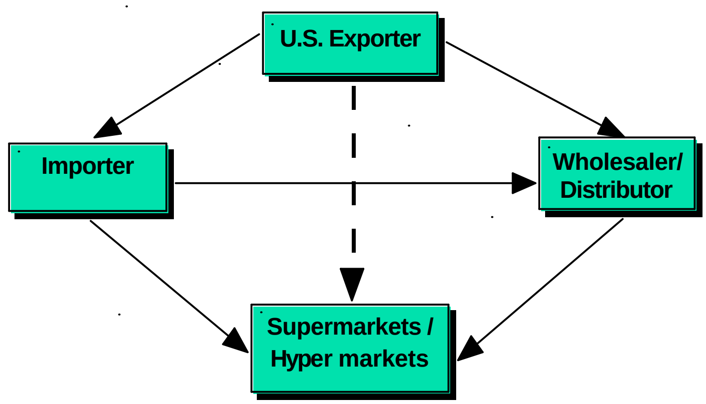
A. Entry Strategy

- U.S. exporters can approach the Peruvian retail food market through a large importer or a large wholesaler/distributor.

- Regardless of which strategy is chosen, personal visits are highly recommended. The local partner should be well known by the U.S. company before any permanent contractual arrangement is made.

- The local partner should be able to provide updated information on market consumer trends to identify niche markets and provide information on current market development (merchandising, point of sales and promotion activities) and trade business practices.

B. Market Structure



- Supermarkets and hyper markets typically purchase food products through importers or wholesaler/distributors, leaving few products to import directly, such as liquors and fresh fruits.

C. Company profiles

Major Supermarkets / Hyper markets Chains (Number of outlets)

Supermarkets / Hypermarkets	1997	1998	1999	2000	2001	2002*	2003*	2004*
Wong group	15	16	21	26	26	27	31	33
Ahold Peru	16	20	24	25	31	32	37	40
Tottus	0	0	0	0	0	1	2	5

* 2002, estimated; 2003 and 2004, forecasted.

Profiles of Major Supermarkets / Hyper markets Chains

Supermarkets / Hypermarkets	Ownership	Sales 2001 ($ Million)	No. Outlets	Location (City)	Purchasing agent type
Wong Group	Peru	497	26	Lima	Importer / Distributor
Ahold Peru	Holland	228	31	Lima	Importer / Distributor

- Supermarkets have grown in number and in market presence, reaching 17 percent in 2001. Between 1997 to 2001, total retail food sales grew 13 percent, reaching $4.4 billion.

- Peruvian consumers have shown a growing preference for purchasing in supermarkets and products of superior quality and variety, presented in a clean, tidy and conveniently located place with good service.

- It is estimated that there are 1.3 million families in Lima, of which 40 percent goes at least once a month to the supermarkets.

- High and middle income consumer characteristics include: 56 percent of supermarket consumers are under 40 years of age, 70 percent are female, 65 percent own a car, 30 percent have a PC, and 45 percent have a credit card.

- Demand for low-fat and sugar-free products is growing specially among high-income consumers, half of which consider these products very important in their consumption habits.

- Supermarkets are developing a strategy based on expansion to peripheral areas around Lima, where purchasing habits in supermarkets need to be incentivated. These fast growing areas are constituted by low-income families, mostly concerned about price and quite indifferent on brand names.

- In other medium-sized cities such as Arequipa, Trujillo or Chiclayo, with less than one million inhabitants, the level of consumption of imported food is low. Major demand comes from high-income families and foreigners. Retailers are supplied by local distributors or major importer / distributors from Lima. Major food products demanded are canned, packed and ready-to-eat.

- Ahold Peru owns six hyper markets (Plaza Vea), 20 supermarkets (Santa Isabel) and six grocery stores (Minisol). Minisol is aimed at low-income families.

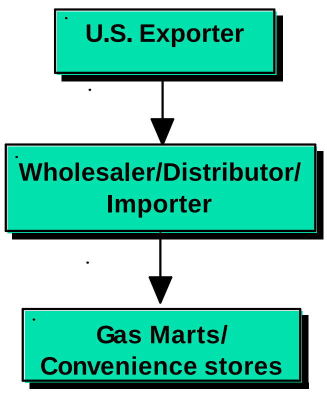
- E. Wong owns 26 outlets: 12 (Wong) supermarkets and nine hypermarkets and six supermarkets (Metro). E.Wong developed an internet service, which sales grew 20 percent monthly in the last year.

- Both E.Wong and Ahold Peru plan to open two new outlets per year.

2. Convenience Store, Gas Mart

A. Entry Strategy

- U.S. exporters can approach this sub-sector through the same local representatives who supply supermarkets (importers or wholesaler/distributors).



B. Market Structure

- Due to limited size of outlets and, consequently, lower purchasing power, gas marts and convenience stores are supplied mainly by distributors or wholesalers.

- 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.

C. Sub-Sector Profile

Convenient Stores / Gas Marts (Number of outlets)

Year	Number of Outlets
1997	280
1998	294
1999	323
2000	347
2001	380
2002*	418
2003*	459
2004*	500

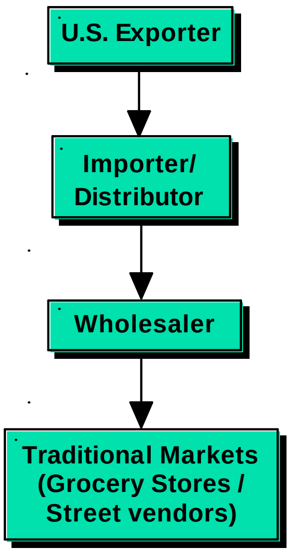
* 2002, estimated; 2003 and 2004, forecasted.

Profiles of Gas Marts

- 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), other (10 percent).

3. Traditional Markets

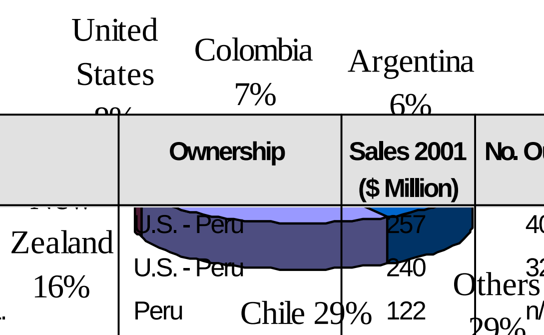
A. Market Structure



- Most of the products which enter traditional markets (municipal markets, street vendors and grocery stores) are locally produced, perishable and cheaper aimed at low-income groups.
- Traditional markets offer limited opportunity for sales of imported food products.

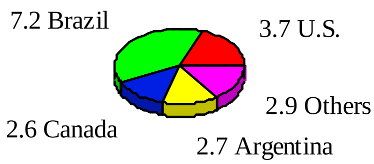
III. Competition

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



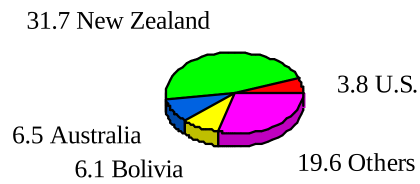
Gas Marts	Ownership	Sales 2001 ($ Million)	No. Outlets	Location (City)	Purchasing agent type
Selects	U.S. - Peru	257	40	Lima and others	Distributor
Mobil Marts	U.S. - Peru	240	32	Lima and others	Distributor
Centauro Grifos S.R.L.	Peru	122	n/a	Lima	Distributor
Estacion de Servicios El Golf S.A	Peru	120	n/a	Lima	Distributor
YPF	Argentina - Peru	60	15	Lima and others	Distributor
Repsol Comercial S.A.C.	Peru	52	13	Lima and others	Distributor

Red and poultry meats



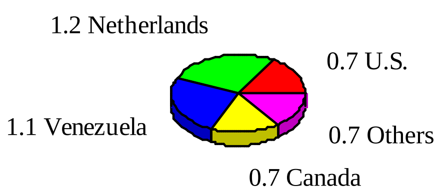
Food Processing	Retail	HRI
10%	60%	30%

Dairy products



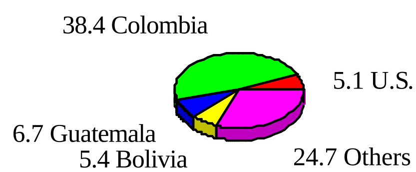
Food Processing	Retail	HRI
10%	60%	30%

Fruit and vegetable preparations



Food Processing	Retail	HRI
3%	55%	42%

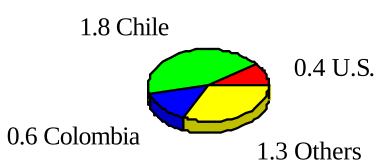
Confectionary



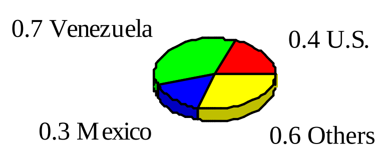
Food Processing	Retail	HRI
50%	40%	10%

Country's Import Market Share by Product Category in 2001 ($ million)

Baked goods



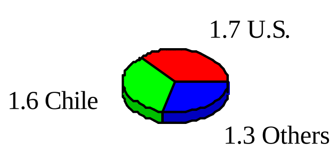
Snack Foods



- The U.S. provides eight percent of total food sector imports in Peru. The main competitors to the U.S. are Chile, with 30 percent of the market share, and New Zealand with 16 percent.
- Imports from Chile are mainly fresh fruits and wine, while New Zealand exports merely dairy products to Peru.
- U.S. exports to Peru can be strenghtened by providing more information on U.S. product quality and value-added, complemented with samples.

Food Processing	Retail	HRI
3%	60%	27%

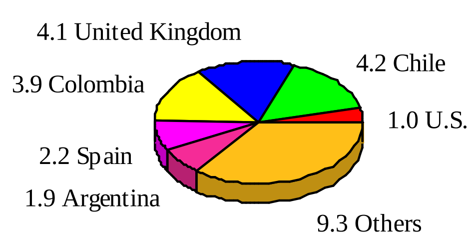
Dry goods and condiments



Food Processing	Retail	HRI
2%	68%	30%

Food Processing	Retail	HRI
20%	70%	10%

Beverages



Food Processing	Retail	HRI
10%	65%	25%

IV. Best Product Prospects

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

Subsector	Food prospects
Meats	Pork products, prepared chicken and chicken parts.
Dairy products	Cheeses.
Fruits	Oranges, apples and pears.
Fruit and vegetables preparations	Pickles, prepared onions, frozen french fries, peas, beans.
Baked goods	Cookies, crackers, toasted bread, crispy bread.
Snack foods	Cereal based product extruded or toasted.
Wine and beverages	Wine, beer, sparkling wine, whisky and rum.
Dry goods and condiments	Soy sauce, ketchup, mustard, mayonaisse.
Prepared meals	Prepared soup, cooking preparations.

‘ Tot al apples
and pears
imp orts
rea ched
$19 .2 million.
Chi le’s
exp orts to
Per u reach 99
per cent at
good prices due to its neighboring with Peru and supplies both supermarkets and traditional markets. U.S. apples and pears, in spite of the stiff competition from Chile, have good reputation of quality and can compete mainly in the high-income sector within supermarkets.

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

Pre-cooked bread: Although consumers prefer bakeries to purchase baked goods and a number of local food processors already providing this product, there is a growing tendency to buy this product principally through supermarkets.

New types of cheese: The most popular cheeses are fresh and edam cheese, but there is little knowledge of several other varieties.

Imported beers: Beer per capita consumption is around 25 litres. The market is dominated by the local brewery Backus which currently has 88 percent of the market. Ambev, a Brazilian brewery group, has announced the intention to enter the market in 2004. Main imported brands include Corona, Heineken and Holsten, which only reach two percent of the market share. Most beer varieties, except dark beers, are welcomed by the high and middle-income consumer.

Ready-to-heat and ready-to-eat meals: Usually consumed by young high-income consumers at parties and the growing sector of working women.

Pet food: Pet food imports reached 3.7 million dollars in 2001. The growth of pet breeding care, leads to a growing pet food market, which have grown 30 percent in sales in 2002.

Tex-mex products: No Tex-mex are being imported and there is little awareness about it. Peruvians like spicy foods, specially at parties.

C. Products not Present Because They Face Significant Barriers:

Some products such as corn, rice, sugar and dairy products (powdered milk, whey, cheeses and butter) are subject to a price band (a variable levy) in addition to a fixed 25 percent tariff. Currently, poultry meat and poultry by-products are banned due to Avian Influenza desease.

V. Post Contact and Further Information

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

U.S. Embassy Lima, Foreign Agricultural Service (FAS)
Mailing Address: Office of Agricultural Affairs, Unit 3785, APO AA 34031
Address: La Encalada cdra. 17, Monterrico, Lima 33
Phone: (51 1) 434-3042
Fax: (51 1) 434-3043
E-mail: AgLima@fas.usda.gov

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