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Retail Foods

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Report Highlights:
In 2009, Peru's total food retail sales reached more than $11 billion, 80 percent of which was concentrated in Lima. Currently, supermarkets represent only 30 percent of the retail market share in Lima, however, the number is expected to increase in 2010. The implementation of the U.S. - Peru Trade Promotion Agreement, supported by favorable market conditions in Peru, has and will continue to have a significant impact on U.S. food exports for the retail market.

Post:
Lima

Executive Summary:
The booming Peruvian economy in 2008 caused country's total imports to double from the two previous years. However, a sharp deceleration of Peru's economic growth in 2009 has caused a significant drop (down 26 percent) in Peru's total imports. Nontheless, the slowdown of Peru's economic growth rate in 2009 was mild compared with the rest of the Latin American countries. Due to an increase of domestic consumption and Garcia Administration's anti-cyclical policies, Peru's economy grew 1 percent, while the Latin American average economic growth rate showed a negative growth of -.2.3 percent.

According to Peru's customs data, Peruvian imports of consumer-oriented foods contracted to $552 million in 2009, down 10 percent from the 2008 level. Facing stiff completion from Chile and Colombia (28 and 12 percent market share, respectively), the United States became the third largest supplier ($62.5 million) of consumer-oriented foods, with 11 percent market share.

In 2009, Peru's total food retail market reached almost $16.6 billion, 80 percent of which is concentrated in Lima. Supermarket chains reached $2 billion in food sales, a 13.5 percent increase from 2008. Food sales by these supermarket chains accounted for 30 percent of the retail market share in Lima in 2009, which is considered to be low in comparison with the neighboring Latin American countries. Food sales by modern supermarkets and hypermarkets accounted for about 14 percent of Peru's total retail food sales in 2009, while the rest is cover by traditional distribution channels such as corner stores (49 percent), open markets (22 percent) and others (15percent).

Retail Food Sales by Sub-Sector (million dollars)

Sub-Sector	2007[1]	2008[2]	2009[2]
Supermarkets and hypermarkets	1,460	1,800	2,044
Traditional Markets (grocery stores, open markets and gas marts)	4,390	8,720	14,600
Total	**5850**	**10,520**	**16,644**

[1] Retail channel sales in Lima
[2] Retail Channel sales for Country
Source: Estimated values based on local Newspapers, Mercared.

Peruvian food retail sector has become attractive to local and foreign investors. In 2009, total sales area of modern retail outlets such as supermarkets and hypermarkets reached over 400 thousand square meters. Wal-Mart, one of the prospective investors, has acquired D&S, Chile's largest retailer. (D&S has more than 180 stores, 10 shopping centers and 85 PRESTO financial services branches). At the beginning and after D&S acquisition, Wal-Mart confirmed its incursion into Peru's retail sector using D&S's format known as "A Cuenta." However, it is highly probable that Wal-Mart Mexico be the one who finally lands into Peruvian market. Other players that have demonstrated their interest in Peruvian market are Almacenes Exito S.A. from Colombia, Corporacion Favorita and Importadora el Rosado, both from Ecuador and Supermarket chain Ketal from Boliva.

Lima is the major market for consumer-oriented foods. Lima's roughly 9 million inhabitants account for 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 (5.0 million) and low-income families (4.0 million). Supermarkets have identified the low-income groups to be of great potential for future expansion.

Cencosud (who acquired local supermarket chain called Wong in 2007) and Supermercados Peruanos are the two major supermarket chains, holding 48 percent and 33 percent of the supermarket market share, respectively, while the newest chain, Tottus Hypermarkets, holds 17 percent. In 2009, Cencosud lost 11 percent of its market share. The economic crisis and new outlets opened by Supermercados Peruanos and Tottus (Lima and other cities) are reasons for this reduction.

The U.S. – Peru Trade Promotion Agreement (PTPA) provided duty free access for two-thirds of U.S. food and agricultural products. PTPA, supported by favorable market conditions in Peru, will create opportunities to 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.

Advantages and Challenges Facing U.S. Products in Peru

Advantages	Challenges
1. Peru TPA grants duty free access to two-thirds of U.S. food and agricultural products, including most high-value foods. 2. Proactive supermarket industry that will result in increased demand for high-value products. 3. Supermarket sales are growing fast, mainly through the opening of new outlets in the suburbs of Lima and other cities. 4. Appreciation for U.S. food quality and culture. 5. Growing perception of retail outlets as cleaner, more convenient and time saving than traditional markets. 6. People are becoming aware of diet, lite, and healthy food products through the media.	1. Consumers have a preference for buying fresh products in traditional markets. 2. Supermarkets, the main source of imported food products, account for only 30 percent of retail market share in Lima and 14 percent in the country. 3. New local food brands are appearing in the market at very low prices. 4. Provinces supplies still depend on Companies that are based in Lima. 5. Lack of brand awareness among consumers. 6. A government-promoted campaign called "Buy Peruvian." 7. Traditional markets strongly dominate retail sales in secondary cities. 8. Domestic Producers[1]

7. Income growth, especially of middle-class. 8. More competitors are expected in the market. Traditional retail channel (convenient stores and open markets) is improving its strategy	

[1] The boom of the Peruvian economy has not only benefited multinational food producers looking to export their products to Peru, but has also improved the operating environment for domestic producers which, in many cases, are in a better position to offer products in line with Peruvian consumers' tastes and at lower prices than imported food products.

on II. Road Map for Market Entry

1. Entry Strategy

- Supermarket chains are constituted to be the main market for imported food products whose target customers are 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).
- Be diligent when selecting a partner (an agent or a representative) in Peru. Personal visits/meetings are highly recommended. Conduct a background check of the prospective partner before signing permanent contractual arrangement.
- The local partner should be able to provide updated information on consumer trends to identify niche markets, current market development (merchandising, point of sale and promotion activities), and business practices.

1. Market Structure

- Negotiating power of major supermarkets towards food suppliers is strong.
- Suppliers to major supermarkets have wide range of distribution channels ranging from those for fancy foods to those for foods for mass consumption.
- Major food importers/distributors supply all major supermarket chains and provincial retailers. It should be noted that major supermarket chains usually request product exclusivity to new suppliers.
- Food is primarily imported in mixed containers.
- Major supermarket chains prefer to import expensive high-end products directly in order to earn higher margins.

1. Supermarkets, Hypermarkets

A. Company Profiles

Profiles of Major Supermarkets Chains in 2009

Retailer Name	Ownership	Sales (million $)	Market Share (percent)	No. of Outlets	Location	Purchasing Agent Type
CENCOSUD	Chile	1,020	48 percent	56	Lima, Trujillo, Chiclayo Cajamarca	Direct Importers, Local Food Processors and Producers
Supermercados Peruanos	Peru	711	33 percent	58	Lima, Trujillo, Chicalyo, Arequipa, Huancayo	
Tottus	Chile	306	17 percent	17	Lima, Trujillo, Chiclayo, Ica	

Source: El Comercio y Gestion newspaper

Type of Outlets by Major Supermarket Chains in 2009

Retailer	Type of outlets	Number of outlets
CENCOSUD	Supermarkets Wong	13
	Hypermarkets Wong	2
	Supermarkets Metro	30
	Hypermarkets Metro	11
Supermercados Peruanos	Vivanda	7
	Supermarkets Plaza Vea Super	9

	Supermarket San Jorge Hypermarkets Plaza Vea Mass	1 32 9
Tottus	Hypermarkets Tottus	17

Source: El Comercio and Gestion newspapers

Direct Food Imports of Major Retailers (thousand dollars)

Retailer	2006	2007	2008	2009
CENCOSUD	1,408	1,120	689	985
Supermercados Peruanos	2,529	1,600	1,020	1,323
Tottus	98	78	92	98

Source: Peru's Customs statistics

- Lima is the major market for consumer-oriented food and supermarket chains.
- The market share of modern retail outlets (supermarkets and hypermarkets) in Lima has increased to 30 percent in 2009.
- Eight to 10 percent of the consumer-oriented products sold in supermarkets are imported.
- In 2009, many outlets were opened by local supermarkets (approximately $100 million in investment). Supermarket chains have expanded outside of Lima, reaching cities like Trujillo, Chiclayo, Cajamarca, Ica and Arequipa. There are other cities such as Piura, Cuzco, Puno and Ayacucho that have been identified by food retailers as high priority for new outlets
- Peripheral areas around Lima offer supermarkets the potential to increase sales significantly. These fast growing areas are mostly populated by low-income families who are price sensitive and generally indifferent to brand names.
- Private labels currently account for only 10 percent of total sales at major retailers. However, 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 carry approximately 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.
- In 2009, supermarket chains invested $135 million in the opening or redesigning of stores.
- Peruvian consumers are showing a growing preference to purchase in supermarkets, which offer good service and products of superior quality and variety at a clean, tidy and convenient location.
- 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. Most of the imported food demanded is canned, packed or ready-to-eat.

- Most malls in Peru include supermarkets and department stores as anchor stores. In 2009, many projects were delayed due to the international financial crisis. According to the president of the Peruvian Malls Association, although sales in 2009 were stagnant at the same level as 2008, four new malls had opened up in 2009 accounting for an investment of roughly $100 million.
- There is a growing trend towards building small shopping malls called “power centers.” Power centers will expand in the near future due to a lack of land in Lima’s commercial areas and limited purchasing power of potential clients clustered in the surrounding regions.
- Local and foreign investors are interested in entering the retail market. Companies include Almacenes Exito S.A. from Colombia which owns 225 outlets in 45 cities, Corporacion Favorita from Ecuador, and Ketal which is the largest supermarket chain in Bolivia. A local company, Torvisco Group is planning to enter retail sector with 1 outlet at the northern part of Lima, Supermercados Uniko will be the name of the brand.
- Projects in Lima over the next year include Mall Aventura Plaza in Santa Anita, Open Plaza in Trujillo and Piura, Parque el Golf in Lima, and Power Center in Trujillo.

A.1. CENCOSUD Peru S.A. Profile

In December 2007, Corporación E. Wong was acquired by Chilean Cencosud (Centros Comerciales Sudamericanos), one of the largest companies in Latin America’s retail sector. The agreement between these two important companies was to transfer the entirety of Wong’s shares to Cencosud for $500 million dollars as well as real estate assets including commercial centers, 23 supermarkets and 17 more in the pipeline. Cencosud agreed to give 49.75 million shares to Wong shareholders, valued at 2000 Chilean pesos each ($4.00 each share). The handover took place on January 31, 2008.

- CENCOSUD has kept the majority of the chain brands, and has only reduced the outlets of Almacenes Eco, turning it into the “Metro” chain. Moreover, the new administration decided to sell the chain “American Outlet.”
    - Wong Supermarket: aimed at high-end consumers and offers customer-oriented service. These outlets offer a variety of imported products depending on their location.
    - Metro Supermarket: convenient prices and less personal service for the middle income consumers.
    - Metro Hypermarket: Semi self-service format for price sensitive low-income customers.
- Cencosud stopped its aggressive expansion since they acquired Wong, which included new outlets and new formats such as Paris and Easy. According to the new administration the reason for this has been an increase in credit cost and fluctuations in exchange rates. Cencosud’s market share has declined by 11 percent in 2009 due to this decision.
- In 2009, Cencosud Peru opened two outlets. As Peru has been identified as a priority location by Cencosud’s headquarters, they are planning to allocate 29 percent ($230 million) of its total budget for new outlets in 2010. This investment will be used for opening new outlets, especially outside of Lima. In addition, the company’s expansion plan also includes the acquisition of small local supermarket chains.

- Cencosud has initiated the registration of Banco Paris, a financial branch of the corporation, to strengthen its financial support for its customers through credit cards.
- Cencosud Peru's sales reached over $1 billion in 2009.

A.2. Supermercados Peruanos Profile

Supermercados Peruanos (SPSA) was created in 2004 when a local company, Interbank Group, acquired it from the Dutch Company Disco Ahold International Holding. Currently, IFH Retail Corp is SPSA's principal shareholder. Interbank Bank is part of the corporation; it is the financial branch of SPSA.

- Supermercados Peruanos divides its points of sales into three formats:
    - Vivanda Supermarket: aimed at high-end consumers, offering customer oriented service. Provided "a loyalty card" to its customers.
    - Plaza Vea Supermarket and Market San Jorge: this brand new format may replace Santa Isabel stores in the near future. Opened in 2006, it is smaller in size than Plaza Vea Hypermarket and only provides food products.
    - Plaza Vea Hypermarket: targeted customers are middle-income consumers. It offers variety of products at affordable prices. Limited customer service is provided. This format has been chosen as the main format for the SPSA expansion plan. The number of outlets has increased from 9 in 2004 to 32 in 2009.
    - Mass: discount grocery stores offering a limited variety of products for mass consumption.
- SPSA opened its first outlet in Trujillo in 2007. This was the first outlet outside of Lima. More outlets were opened later in five other cities.
- In 2009, SPSA had 58 outlets, opening an average of 6 outlets per year since its acquisition by Interbank Group. SPSA grew by 27 percent in respect to 2008 and 12 more outlets were opened with an investment of around $60 million in 2009.
- Private label "Bell's" accounts for only 5 percent of total sales, with around 350 products that are mainly produced by small Peruvian companies.

A.3. Tottus Hypermarkets Profile

Tottus is owned by the Chilean retailer Saga Falabella. In 2002 Tottus arrived to Peru and opened its first outlet (Hypermarket format) at the northern part of Lima. It took a year to open the second outlet and since then Tottus has increased its presence through 17 outlets in 2009.

Although Hypermarket Tottus is the smallest supermarket chain in Peru, it has proven its competitiveness throughout the past years. The company has opened outlets in Lima and its provinces; accounting for 80 percent of its sales in Lima and 20 percent in provinces.

The international financial crisis impacted the company and Tottus grew by only 8 percent in 2009. However, the chain is pursuing smaller outlets that will permit more penetration and access to the Peru's retail market.

Next year, Hypermarket Tottus is planning to invest around $30 million in new outlets.

A. **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 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, B and C) and low-income consumers (socio-economic levels 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 D and E.
- The weekly average expenditures for high and middle class consumers is $90, 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. Impulse buys can reach 30 – 40 percent of supermarket sales.

Characteristics	High and Middle income consumer	Low-income consumer
Population in Lima city	2.1 million	6.9 million
Number of families	0.4 million	1.4 million
Monthly family income	1,500 dollars	320 dollars
Monthly food expenses	310 dollars	120 dollars
Normal place to buy food	Supermarkets: 58.3percent	Open markets: 72.7percent
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 of INEI

nvenience Stores and Gas Marts

A. **Sub-Sector Profile**

- Gas stations in Peru offer beverages, snacks and 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, which are mainly frequented by high and middle-income consumers on weekends.
- This sub-sector experienced 12 percent growth in 2009.

- There are 132,000 outlets throughout the country. Fifty percent is in Lima.

raditional Markets

A. **Sub-sector Profile**

- Traditional markets have made new strategies in order to face competition from supermarkets. This new strategies include 40 new projects, estimating $200 million dollars for the investment. According to the plan, Plaza Ceres became the first open market built in 2008. It took $3 million to build the Plaza Ceres which houses 700 small businesses.
- Traditional markets in Peru include 200,000 grocery stores and 2,500 open markets. Lima has 70,000 grocery stores and almost 1,250 open markets. In 2009, open market sales increased by 18 percent.
- Open markets are very popular among Peruvians for providing staples, diary, and personal hygiene products. Peruvians also visit open markets to purchase 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 inexpensive perishable products which are aimed at low-income consumers.
- Open markets are dominated by 25 major companies.

ı III. Competition

Source: World Trade Atlas (2009)

- Peru grants 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 towards open markets. Peru has signed an Economic Complementation Agreement (ECA) with MERCOSUR, a major U.S. competitor in bulk commodities and meats, (dairy products were exempt from the negotiations). Peru has signed a Commercial Agreement with Chile, Peru's primary supplier of food and agricultural goods, and is negotiating the extension of its ECA with Mexico. Peru's free trade agreement with Canada entered into force July 31, 2009. Peru is currently negotiating a free trade agreement with European Union, China, Singapore, Thailand, EFTA (Switzerland, Iceland, Norway and Liechtenstein), Korea and Japan.
- 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.
- For a complete list of products that have benefited from PTPA, please check http://www.ustr.gov/Trade_Agreements/Bilateral/Peru_TPA/Section_Index.html.

Competitive Situation facing U.S. Suppliers in the Retail Market in 2009

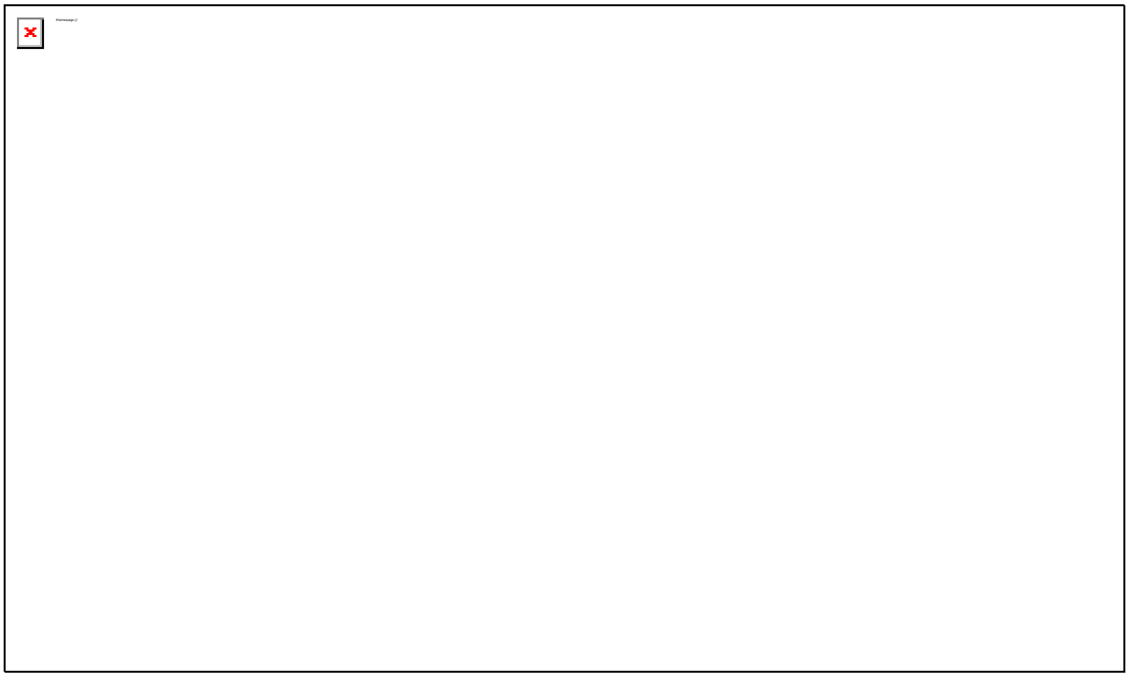
Product Category/ Net Imports	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Dairy Products 28,945 tons ($72.96 million)	Mexico: 21percent Chile: 18percent New Zealand: 11percent	- Mexico is a major supplier of dairy ingredients, especially cereal preparations and infant milk. Both are duty free.	- Only two companies are major producers of evaporated milk and yogurt. - Local homemade cheeses are commonly sold.

	Colombia: 11percent Ireland: 10percent		
Snack Foods 26,930 tons ($54.5 million)	Colombia: 44percent Argentina: 15percent Ecuador: 13percent U.S.: 8percent Chile: 5percent	- Tariff preferences are applied to neighboring countries.	- Local producers are major food processors. They import food ingredients for snacks and snacks in bulk.
Processed Fruits and Vegetables 52,761 tons ($56.58 million)	Chile: 46percent U.S.: 11percent Netherlands: 10percent China: 5percent Argentina: 5percent	• Chile sells at cheaper prices due to proximity and tariff preferences. - EU products are viewed as good quality. - China has increased its exports of tomatoes and prepared foods	- Local processors are major exporters, but their local supply is limited.
Fresh Fruits 58,050 tons ($46.60 million)	Chile: 93percent Argentina: 4percent U.S.: 3percent	- Chile is the main supplier because of proximity, price and duty free entrance. - Argentina has a window for pears and apples.	- There is an open window from November to February for that will benefit the United Stated - Local fruit sold in retail markets is of lower quality.
Fruit and vegetable juices 1,255,740 L ($ 2.1 million)	U.S.: 32percent Brazil: 27percent Chile: 21percent Colombia: 4percent	- Chile has tariff and proximity advantages. - Brazil has increased its exports of frozen oranges.	- Local brands are well positioned in the market at competitive prices.
Wine and Beer 11.9 Million liters ($23.68million)	Argentina: 41percent Chile: 25percent Spain: 9percent Italy: 7percent Brazil: 6percent France: 4percent U.S.: 3percent Germany: 1percent	- 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 percent of the market. - Local wine is well positioned and price competitive, but does not satisfy demand.
Red Meats (fresh, chilled or frozen) 24,691 tons ($39.40 million)	Argentina: 26percent Brazil: 25percent Paraguay: 21percent U.S.:	- Major imports come from nearby countries.	- Peru's market for U.S. meats reopened in October 2006. - U.S. meats are of superior quality. - Peru imports three times more offals than meats.

	16percent Chile: 7percent Uruguay: 3percent		- Local meat does not satisfy the demand.
Red Meats (prepared, preserved) 1,126 tons ($4.56 million)	Chile: 31percent Argentina: 16percent Bolivia: 10percent Italia: 10percent Denmark: 10percent Spain: 8percent U.S.: 6percent Brazil: 6percent	- Chile has tariff and proximity advantages.	- The pork products industry also imports prepared meats. - U.S. product tariffs will decrease throughout 5 to 7 years.
Poultry Meat 17,852 tons ($21.57 million)	Chile: 31percent Brazil: 23percent Italy: 20percent Argentina: 12percent U.S.: 10percent Bolivia: 5percent	- Imports of U.S. poultry products 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.

Note: Net imports correspond to the three food sectors: Food Service, Retail and Food Processing.
Source: World Trade Atlas

Section IV. Best Product Prospects



Source: World Trade Atlas (2009)

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

Product/ Product Category	Market Size 2009 est.	Imports 2009	Average Annual Import Growth (2004-09)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Cheese (HS 0406)	18,480 MT	2,005 tons ($8.35 million)	8.2 percent	040610, 20 and 40 0 percent 040630 040690 0 percent	- U.S. competitors are: Uruguay (16percent) and Netherlands (16percent). - Strong preference for EU cheese at high-end HRI and Retail Sectors.	- U.S. cheeses are mainly used in the food processing sector, but have potential in the HRI and Retail Food Sectors. - In 2009, the United States was the first supplier with a market share of 42 percent. - TPA*: 17 years linear, 2,500 MT quota with 12 percent increase per year.
Confectionary – non chocolate (HS 1704)	N/A	12,729 tons ($30.9 million)	14.7 percent	0 percent	- Major suppliers are Colombia and Ecuador. - Local industry is strong. Major owners are foreign	- United States represents 2 percent of total imports, however, U.S. imports remained at the

					companies.	same level in 2009. - TPA*: Duty free on entry into force.
Confectionary – chocolate (HS 1806)	N/A	3,239 tons ($10.9 million)	12.5 percent	0 percent	- Chile is the major supplier (23percent). - Local industry is competitive.	- The U.S. is the third major supplier with 15percent. The U.S. strength is in chocolate for the retail sector. - TPA*: Duty free on entry into force.
Apples and Pears (HS 0808)	168,000 MT	51,211 tons (35 million)	16.5percent	0percent	- Chile is the major supplier with 93 percent of the market. - The United States is the third largest supplier with 3 percent of the market.	- There is a window of opportunity for the United States between November and February. - TPA*: Duty free on entry into force.
Grapes, fresh (HS 080610)	207,000 MT	3,611 tons ($2.8 million)	62percent	0 percent	- Local production is strong. - Chile is a major importer (96 percent). - Low imports.	- U.S. window: September to December. - TPA*: Duty free on entry into force.
Prime and choice beef (HS 020230)	Total beef and offals market: 268,924 MT	1,253 tons ($4.78 million)	8.9percent	0 percent	- Competes with quality meats from Argentina, Uruguay, Brazil and Bolivia.	- Currently the market is experiencing a shortage of supplies. - TPA*: Duty free on entry into force.
Edible Beef Offals (HS 020621, 020622)	180,000 MT	4,529 tons ($4.7 million)	HS 020621 31percent HS 020622 16.5percent	0 percent	- Major supplier for HS 020621 is Brazil with 68 percent of the market.	- The United States holds 87 percent of the liver import (020622) market. - TPA*: 10 years linear, 800 MT quota with 6 percent increase.
Fruit and Vegetable juices (HS 2009)	N/A	12,557 hl ($2.1 million)	22 percent	9 percent	- Major suppliers are the United States (32percent), Brazil (27percent), and Chile (21percent).	- TPA*: Duty free on entry into force, 5 and 10 years linearly depending on the product.
Pet foods (HS 230910)	38,800 MT	10,035 MT ($11.4	17.6 percent	0 percent	- Growing local pet industry. - There is an informal industry	- The United States holds 27 percent of the market, with an

		million)			arising. - Colombia 42 percent), and Argentina (27 percent) are major competitors.	18 percent increase from 2008. - TPA*: duty free on entry into force, or 5 years linearly for canned pet food.
Pasta (HS 1902)	300,000 tons	1,251 MT ($1.4 million)	3.14 percent	0 percent	- Major competitors are Italy (25percent), Chile (15percent),	- U.S. holds 23 percent of the market and is the second largest supplier. Imports increased by 38 percent in 2009. - TPA*: duty free on entry into force or within 5 years.
Turkey (HS 020725, 020726, 020727)	21,200 MT	4,171 tons (5.45 million)	HS 020725 37.8 percent, HS 020726 0.5 percent, HS 020727 25 percent	9 percent	- Major exporters are Brazil (44percent) and Chile (31percent) followed by the United States with 26 percent. - Local poultry industry is strong.	- Peruvians are major consumers of turkey during Christmas and New Year's. - The food retail sector is becoming more popular not only in Lima, but also in the province. - TPA*: 5 years.
Poultry meat cuts (HS 020711, 020712)	$1,230 million	7,242 tons ($7.5 million)	40.5 percent	9 percent	- Strong local industry. - Argentina (35 percent of the market), Brazil (34 percent), Chile (20 percent) and Bolivia (12 percent) are major exporters.	- Peruvians are major consumers of poultry. - TPA*: 10 years.
Bread, pastry, cookies (HS 1905)	N/A	3,644 tons ($7.9 million)	20 percent	0 percent	- Major suppliers are the United States (21 percent market share), Colombia (20 percent), Ecuador (20 percent), Brazil (10 percent) and Argentina (8 percent)	- TPA*: duty free on entry into force, 3 or 5 years.
Sauces, soups & broths (HS 2103, 2104)	N/A	5,752 tons ($10.97 million)	HS 2103 6.8 percent, HS 2104 17.8 percent	9 percent	- Major suppliers are the United States (33 percent market share), Chile (14 percent) Colombia (13 percent). China (11 percent) and Mexico (9 percent)	- TPA*: duty free on entry into force except for soy sauce and mustard (5 years).
Wine	21	7.3	12.4 percent	9	- Argentina (47 percent market	- There is a niche

(HS 2204)	million liters	million liters ($20.5 million)		percent	share), Chile (29 percent), and Spain (11 percent) are major exporters. - Strong promotions. - Only regular wine consumers recognize U.S. wine quality.	market for quality wines for which the United States 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

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

Product/ Product Category	Imports 2009	Average Annual Import Growth (2004-09)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Chicken leg quarters (HS 020713, 020714)	5,575 tons ($4.3 million)	41 percent	9 percent	- Strong Poultry industry in Peru. - The United States' major competitor is Chile (81 percent of the market),	- TPA*: 17 years, 12,000 MT quota with 8 percent increase; for mechanically deboned meat (MDM), 3 years. - The sausage industry demands the product as a lower cost ingredient. - Open market for the United States since April 2006. In 2009, the United States held 20 percent of the market.
Peaches, cherries and Nectarines (HS 0809)	1,798 tons ($1.4 million)	1.2 percent	9 percent	- Chile is major supplier with 98 percent of the market.	- Importers are interested in U.S. peaches and nectarines. - TPA*: Duty free on entry into force.
Nuts and almonds (HS 0802)	277 tons ($1.2 million)	25 percent	9percent	- Chile (47 percent of the market) is the second largest supplier.	- U.S. imports have grown 783 percent in respect to 2008. The United States is the major supplier with 51percent of the market. - Importers recognize that U.S. quality of nuts and almonds is better than competitors. - TPA*: Duty free on entry into force except for chestnut (5 years).
Grapes, raisins (HS 080620)	6,322 tons ($7.6 million)	14 percent	9 percent	- There are no significant imports from the United States. - Chile holds almost 100 percent of the market.	- U.S. window: September to December. - TPA*: Duty free on entry into force.

Citrus (HS 0805)	56 tons ($0.04 million)	-15 percent	9 percent	- Chile is the second major supplier with 44 percent of the market. - The United States holds 49 percent of the market.	- Recognized quality of U.S. oranges and tangerines. - Export window for the United States is from January to March. - TPA*: Duty free on entry into force or 5 years.
Other fresh fruit (HS 0810)	925 tons ($1 million)	34 percent	9 percent	- Chile is practically the only supplier. - Imports are mainly kiwi.	- The TPA will open opportunities for the United States not only to export kiwis, but also cranberries (very well accepted in juice), strawberries, etc. - TPA*: Duty free or 5 years
Pork Meat (HS 0203)	1,251 tons ($2.2 million)	52 percent	9 percent	- Peruvians are not used to eating pork. - Local industry produces more than 100,000 MT - The industry is the same as the poultry industry. - Chile is the major supplier with 93 percent of the market. Canada has begun to export (7 percent of the market).	- Pork imports are growing. - U.S. pork will benefit from TPA implementation. - TPA*: 5 years
Sausages (HS 1601)	394 tons ($1 million)	8.1 percent	9 percent	- Major exporters are Chile (50 percent of the market), Spain (13 percent), United States (13 percent), Italy (9 percent), and Argentina (9 percent).	- There is a high-end segment for gourmet sausages, in which the United States can compete. - TPA*: 5 years
Ham, processed HS 160241, 160242	62 tons ($0.71 million)	HS 160241 27 percent, HAS160242 6 percent	9 percent	- Major suppliers are Italy (54 percent of the market) and Spain (33 percent).	- The United States has quality products to introduce to the gourmet market - TPA: 7 years
Beer (HS 2203)	4.4 million liters ($2.8 million)	127 percent	9 percent	- Local breweries are very strong and owned by international companies. - Local breweries produce and import new brands for introduction in the market. Brazil is the major supplier (52 percent of the market).	- Niche market for premium beers. - Growing consumption of beer (43 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

Products Not Present Because They Face Significant Barriers:

None.

Section V. Key Contacts and Further Information

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

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For further information, check the FAS web site www.fas.usda.gov or our web site 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.