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# Peru

# Retail Foods

# 2013

**Approved By:**
Emiko Purdy
**Prepared By:**
Alvaro Loza

**Report Highlights:**
Peru's rapidly growing middle class and robust economic performance are propelling opportunities for higher retail sales. This growth trend is expected to continue.
During 2012, Supermarket chains in Peru achieved total sales of $4 billion, up 14 percent compared to 2011 level. This positive trend is consistent with opening of new stores, growth of employment, increases in consumption, accessibility to credits and higher incomes, especially within middle-class families.

**Post:**
Lima

**Executive Summary:**
**Section I. Market Summary**

The high economic growth of Peru over the past five years is based on solid domestic demand due to growing middle class and private investment, controlled inflation, and continued economic and political stability, which has created an excellent environment for retail sector development. Peru's economic performance remained in the growth path resulting in 5.8 percent of GDP growth in 2012. Although it is slightly lower than the previous year, it highlights the vibrancy and dynamism of its economy. This situation has contributed to put Peruvian economy as the best output growth performer among its Latin American peers, and it is expected to remain in the foreseeable future despite the mild global economic growth.

Domestic demand, however, has been the main engine for consumption growth pushed by the emerging middle class which was doubled in the last 10 years and currently accounts for 32 percent of Peru's total population. Middle class is divided in two main groups: traditional and emerging middle class. Certainly, both have been benefited from the extraordinary economic performance of Peru in the last years; however, the emerging middle class has grown more vigorously. While the favorable moment has strengthened this sector of the population, in the end, it creates a virtuous circle, as their demand gives more dynamism to the economy. During the third quarter of 2011 private consumption rebounded as a result of an increase in the minimum wage set by the Government as a countercyclical measure. The combination of higher income levels along with high employment rates have contributed with access to credit and many other services improving welfare.

Although Lima holds one third of Peru's population, growing consumer demand in provinces has driven food retailers, who ignored provincial food market until recently, to expand their operations into provinces. Currently, about 75 percent of new retail investments target areas outside of the capital as swift economic growth pulls people out of the poverty that afflicts 25 percent of the population. This expansion to lower-middle income markets, not only in Lima, but especially in wealthiest provinces, has considerably boosted supermarket sales during 2012. New outlets were opened using Commercial Centers (CC) as a platform. According to the CC Association, the sales in this sector reached $5.3 billion in 2012, 20 percent more than 2011, and seven new CC were inaugurated, three of them outside of Lima.

Food retail market in Peru is divided into modern and traditional channels. Modern grocery retailers such as supermarkets chains and convenience stores continued to expand to lower-middle income districts in Lima as well as provinces where there is an untapped demand for a format that allows consumers to choose from a wide range of products. In addition, an improved access to credit cards, and significant discounts when using the store's credit card also helped sales within these outlets.

The traditional channel includes corner stores, traditionally known as bodegas, and open markets which remain the biggest channel within grocery retailers, accounting for 75 percent share of total sales value in 2012. This channel benefits from its proximity to consumer's households both within urban and rural areas in the country, usually easily being found at walking distance from every household. Furthermore, independent small grocers usually carry a good mix of mid to least priced goods and smaller sized products to attract lower-income consumers who can only afford small daily purchases. Due to their excellent penetration at national level, manufacturers usually produce small-sized items especially designed to be sold through these outlets. Despite this, the fact that purchases can only be paid on cash constitute a potential restriction to further growth.

Independent small grocers target a large consumer base through its offering of smaller packaging sizes and a good range of mid-to lower-priced brands. In addition, it has excellent coverage in the country, both in urban and rural areas. It does not offer credit facilities, but extends an informal credit to frequent customers.

Convenience is a very important factor for Peruvian consumers. For instance, the proximity of independent small grocers to consumers' households is the basis for its high level of penetration achieved throughout the country. Despite this, the search for convenience also represents an opportunity for modern grocery retailers, as consumers with tight schedules increasingly rely on this type of outlets that provide a wide range of grocery and non-grocery products and offer an excellent range of payment options.

There are three major supermarket operators in Peru: Cencosud, Supermercados Peruanos and Hipermercados Tottus. During 2012, Supermarket chains in Peru achieved total sales of $4 billion, up 14 percent compared to 2011 level (Table 1). This positive trend is consistent with opening of new stores, growth of employment (4 percent) increases in consumption (5.8 percent), accessibility to credits (23 percent) and higher incomes, especially within middle-class families.

Table 1

**Source: Skotiabank Economic Department, Euromonitor, Apoyo & Asociados**

In 2012, total sales of Peru's food retail reached almost $18 billion, 80 percent of which is concentrated in Lima. Food sales by supermarket chains accounted for 22 percent of the retail market share in Lima in the same period, which is considered to be low in comparison with the neighboring Latin American countries.

**Food Retail Sales in Country by Sub-Sector (million dollars)**

| Sub-Sector | 2010 | 2011 | 2012 |
|---|---|---|---|
| Supermarkets and hypermarkets | 2,851 | 3,490 | 3,968 |
| Traditional Channel (grocery stores, wet markets, convenient stores, etc.) | 12,575 | 12980 | 13,530 |
| **Total** | **15,426** | **16,470** | **17,498** |

Source: Post Estimated values

There were 205 retail food stores in Peru at the end of 2012, with 148 in Lima and 52 in provinces and rapidly growing.

In spite of the advancement of the modern retail channel, the traditional market (wet markets, small neighborhood grocery stores or "bodegas") remains to be the main channel for distributors and wholesalers. As 80 percent of food retail sales occur within the traditional market, companies have to build their sales strategies specifically for the traditional channel.

Supermarkets are still not successful of convincing consumers to buy fresh produce at their stores rather than open markets. In general, consumers prefer to purchase processed food at supermarkets, but not fresh produce. Confronted with tough competition with modern channel, the open markets modernized their infrastructure, streamlined their distribution system, and adapted home-delivery system.

Contrary to some expert's prediction that the traditional channel will reduce its presence or even disappear, sales of traditional grocery stores are increasing. It is estimated that this year, an average purchase amount by a customer at a traditional grocery store will increase by 11 percent and an average purchase amount by a customer at the traditional market may increase by 9 percent.

The lack of large store space in Lima is becoming a real concern to supermarket chains. It is expected that supermarkets will open about 25 new stores per year. Lack of space and high price of land will force supermarkets to create new type of compact stores (less than 1,000 square meters) which may also attract customers who normally shop at convenience stores.

The attractiveness of Peruvian food retail market for foreign investors relies on the fact that there are only three players with only 20 percent of penetration in this channel. The scenario offers plenty of capacity and potential to encourage new investors to target Peru. However, newcomers will need to diversify their entry strategy and most likely contemplate an acquisition of a current chain as well as the development of new formats in order to increase market share rapidly.

The food trade between Peru and the United States has been positively impacted by the rapid growth of the modern channel. According to Peru's customs data, total consumer oriented products imports from the United States grew to $176 million in 2012, up 36 percent from the 2011 level. The United States became the second largest supplier of consumer oriented products after Chili, accounting for 17 percent of the market share. New Zealand and Colombia dropped to the third and the fourth places, respectively. Lima is the major market for this category and its roughly 9 million inhabitants account for almost one-third of Peru's total population and generate more than 60 percent of the national income.

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, creates opportunities to expand U.S. exports of food and agricultural products which include snacks, fruit and vegetable juice, fresh fruits (especially pears, apples and grapes), canned fruits and vegetables, dairy products (especially cheese), beef and poultry meat and their products, wine and liquor and pet food.

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

| **Advantages** | **Challenges** |
|---|---|
| • Peru TPA grants duty free access to two-thirds of U.S. food and agricultural products, including most high-value foods.<br>• Proactive supermarket industry that results in increased demand for high-value products.<br>• Supermarket sales are growing fast, mainly through the opening of new outlets in the suburbs of Lima and other cities.<br>• Appreciation for U.S. food quality and culture.<br>• Positive perception of retail outlets as cleaner, convenient and time saving place than traditional markets.<br>• Increased health consciousness among Peruvian population. Income growth, especially that of middle-class.<br>• Increased competition. The traditional retail channel is altering its | • Consumers have a preference for buying fresh products in traditional markets.<br>• Supermarkets, the main source of imported food products, account for only 30 percent of retail food market share in Lima and 14 percent in the country.<br>• New local food brands are appearing in the market at very low prices.<br>• Food supplies to provinces are still depended on Lima based companies.<br>• Lack of brand awareness among consumers.<br>• Government organized food promotion campaign called "Buy Peruvian."<br>• Traditional markets dominate retail sales in secondary cities.<br>• Domestic producers1 |

| | |
|---|---|
| sales 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

### Entry Strategy

- Supermarket chains are the main avenue 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.

### Market Structure

- Be aware of aggressive negotiating style of major supermarkets.
- Suppliers to major supermarkets have wide range of distribution channels ranging from those of fancy foods to 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.
- In most cases, food is imported in mixed containers.
- Major supermarket chains prefer to import expensive high-end products directly in order to earn higher margins.

I.

- Distributors and wholesalers conduct in-store promotional activities frequently. They assign their own support personnel in every store and all distribution channels.

### 3. Supermarkets, Hypermarkets

A. **A. Company Profiles**

**Profiles of Major Supermarkets Chains in 2012**

| Retailer Name | Ownership | Sales (million $) | Market Share (percent) | No. of Outlets | Location | Purchasing Agent Type |
|---|---|---|---|---|---|---|
| CENCOSUD | Chile | 1,667 | 42 percent | 86 | Lima, Trujillo, Amazonas, Chiclayo, Cajamarca, Arequipa, Ica | Direct Importers, Local Food Processors and Producers |
| Supermercados Peruanos | Peru | 1,309 | 33 percent | 86 | Lima, Trujillo, Chicalyo, Arequipa, Huancayo, Chimbote, Ica, Juliaca, Piura, Tacna | |
| Tottus | Chile | 992 | 25 percent | 33 | Lima, Trujillo, Chiclayo, Ica, Piura, Arequipa | |

**Source:** FAS Lima estimations

**Type of Outlets by Major Supermarket Chains in 2012**

| Retailer | Type of outlets | Number of outlets |
|---|---|---|
| CENCOSUD | Supermarkets Wong<br>Super/Hyper Metro | 19<br>67 |
| Supermercados Peruanos | Vivanda<br>Super / Hyper Plaza Vea<br>Mass stores<br>Economax | 8<br>67<br>4<br>7 |
| Tottus | Hypermarkets<br>Hypermarket Compact<br>Supermarket | 15<br>12<br>6 |

**Source**: Supermarket contacts

It is important to highlight Peru's food retail potential due to its lower penetration level (30 and 20 percent in Lima and the rest of Peru, respectively) which is below neighboring countries: Chile (80 percent) and Brazil and Colombia (70 percent). In 2012, 29 new stores opened in Peru. This means 10 percent more sales area.

Around 10 percent of consumer oriented products sold in supermarkets are imported. Private labels, which are commonly perceived as inferior in quality, represent 7 percent of total supermarket sales. The quality issue of private labels is a drawback on sales for high-end supermarkets since Peruvian consumers in this channel are quality conscious. This could be an unexplored opportunity for U.S. companies that can offer both high quality and lower prices.

Majority of Peru's supermarket stores are concentrated in Lima with only 52 stores located outside of the capital. Although customers who prefer to shop at supermarkets are increasing in numbers in provincial cities, there still are customers who are price conscious and prefer to shop at conventional type of markets. Lima still is the major market for consumer-oriented food as the consumption level of imported food in the provinces remains 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. The majority of imported food products in these areas come in the forms of cans, packages, or ready-to-eat packs.

### 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 the Latin American retail sector. The agreement between these two companies was to transfer the entirety of Wong's shares to Cencosud for $500 million as well as real estate assets which include commercial centers, 23 existing supermarkets and 17 future supermarkets. Cencosud agreed to give 49.75 million shares to Wong's shareholders, valued at 2,000 Chilean pesos each ($4.00 each share). The handover took place on January 31, 2008.

CENCOSUD has kept the majority of Corporacion E. Wong's chain brands, but has changed Almacenes Eco into the "Metro" chain, and sold the "American Outlet" chain.

- Wong Supermarket: aimed at high-end consumers and offers excellent customer service. These outlets offer a variety of imported products.
- Metro Supermarket: affordable prices and less personalized service for middle income consumers.
- Metro Hypermarket: Semi self-service format for price sensitive low-income customers.

- Supermarket Wong focuses its strength in satisfying consumer demands through best quality and service. These two features give Wong an edge to attract high income level customers.

- Although Cencosud spent two years getting to know Peruvian consumers, company's total sales have decreased by 12.7 percent in the past 4 years. In the meantime, its two strongest competitors, Supermercados Peruanos (Interbank Group) and Tottus (Falabella Group) increased their total sales during the same period. However, Cencosud maintains the lead with 42 percent of market share. The company wants to recover the market share lost a couple of years ago which definitely will not be an easy task.

- Cencosud invested $80 million to establish 10 new stores in provinces (Trujillo, Arequipa, Chancay, Huacho and Huaral) in 2012.

- Cencosud Peru has started an ambitious plan to introduce new brands that can add a value to its service and has implemented an import office which is responsible to find and negotiate the entrance of new products. While, Wong Supermarkets, the high-end format of Cencosud, aims to several categories as for instance: organic, gluten free, sugar free, etc; in order to align with current trend of healthy products; Metro Hypermarkets (lower-income format) has concentrated in targeting the mass market with lowerprices.

- Banco Paris, the financial arm of Cencosud, provides consumer lending and credit card to customers.

**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 the financial arm of SPSA.

- Supermercados Peruanos divides its points of sales into five different formats:
    - Vivanda Supermarket: targets high-end consumers, offering customer oriented service. Provides "a loyalty card" to its customers.
    - Plaza Vea Supermarket and Market San Jorge: this format replaced Santa Isabel stores. Opened in 2006, it is smaller in size than Plaza Vea Hypermarket and only provides food products. Its strategy is to offer low priced products.
    - Plaza Vea Hypermarket: targets middle-income consumers. It offers a 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.
    - Economax, which was launched in March 2011, is the latest SPSA format. Having a limited sales floor space, Economax is in the direct competition with convenience stores. There were 7 stores by the end of 2012.
    - Mass: discount grocery stores offering a limited variety of products for mass consumers. It competes with open markets. Currently there are only four stores in Lima.

SPSA is showing steady sales growth mainly pushed by expansion plan carried out during 2012. In addition, the economic performance allowed obtaining sales increment in existing stores by 2.3 percent. SPSA sales reached $1.3 billion in 2012, up 8.5 percent compared with 2011 level. This is mainly due to the opening of additional 11 new stores in 2012.

SPSA opened its first outlet in Trujillo in 2007 becoming the first supermarket chain operating outside of Lima. By the end of 2012, SPSA was holding 21 stores out of 86, located outside of Lima.

SPSA is part of Interbank Group which acquired Milenia real estate agency by the end of 2010. Milenia is the landlord of four areas where Metro (Cencosud's lower-income format) stores operate. The tenant agreements will expire between 2012 and 2016. This gives SPSA an advantage since the space will be used by them once the contracts expire. The company has secured 39 locations for new stores which will put SPSA in advantageous position especially due to the lack of space. By the end of 2012, SPSA owned five supermarkets under construction (two stand-alone and three located in its own shopping centers).

**A.3. Tottus Hypermarkets Profile**

Tottus is owned by the Chilean retailer Saga Falabella. In 2002 Tottus arrived in Peru and opened its first outlet (Hypermarket format) in the northern part of Lima. It took them another year to open the second outlet and since then Tottus has increased its presence through 33 outlets in 2012. Six new stores were opened during that period, three of them out of Lima. Although Tottus is still the smallest supermarket chain in Peru, it is expected that the company opens eight more stores in 2013. Its strategy is to form synergies with the rest of the group's formats (Saga Falabella and Sodimac Home Center) and their big format sizes. This strategy has allowed the chain to lead sales in several major cities, even though they were not the first chain to arrive.

The company operates under three formats: hypermarkets, supermarkets and hypercompacts, all of them aiming to offer low price products without compromising quality. Most of the stores run under hypermarket format, which has contributed to the increase of market share. However, the new stores, most likely, will be smaller (supermarket format) and this might impact in the reduction of sales per square meter due to the difficulty in finding large space.

It is important to emphasize that in recent years the company reformulated its strategy and implemented several measures to improve logistics indicators. Those new measures are logistics centralization, productive processes, closer relationship with suppliers, centralized purchasing, improvement on the inventory management, and better synergies with other group formats and refinement of personnel management. These actions made the 2012 Tottus sales grew by 25 percent in respect to 2011, making it the best performer among supermarket chains. In addition, the sales of same stores (not including the new stores) grew by 14.4 percent during 2012, which maintains the trend of over 10 percent growth for the three consecutive years.

Tottus, as well as other competitors, has strengthened its competition through its store credit card (CMR) to customers. Almost 80 percent of purchases were made using the CMR credit card.

**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).
- The market share of supermarkets for high and middle-income consumers is 90 percent. However, their expansion plans are aimed specifically at socio-economic level D and E.
- The weekly average expenditures for high and middle class consumers are \$90, while those for low-income consumers are \$10. 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. |

**Source:** Based on Statistics of INEI

## 4. Convenience Stores and Gas Marts

In spite of the significant growth of modern retail channels, sales in convenience stores (CS) keep growing.  The traditional channel has started to evolve, and grocery stores are improving their infrastructure (especially product display).  Net income for "bodegueros" is expected to grow by 12 percent in 2012 over a year ago level in major cities.  In Peru, the traditional channel does not compete against the modern channel, but compliments it.
A few of them have started to upgrade their business into minimarkets. This is based on the fact that the administrative aspects are handled by a new generation of bodegueros, most of them sons or daughters of original owners.  The modern channel has pushed them to take innovative approach to the new era of marketing.   The close proximity of convenience stores influences roughly 50 percent of consumers' purchase decision while price only influences about 30 percent of purchases.

The future of convenience stores is uncertain due to supermarket's initiative to build smaller formats in middle and low income areas.  Supermarket's aggressive penetration might start affecting directly these small businesses in the near future.  These stores have wisely dealt against a long list of benefits offered by supermarkets by focusing their efforts on ways to satisfy consumer needs not met by large supermarket chains.

Convenience stores have started to upgrade their business structures to a well-organized minimarkets type of structure. Perhaps, this might be one of the largest challenges along with implementation of new services that CS would face in the future in order to stay in the market.

Retailers located in a service station are least benefited from the recent sales growth of  convenience stores and have only achieved  5 percent growth in  2012 compared with the previous year level. This channel offers a limited range of packaged food products, soft drinks and alcoholic beverages, and carries products at substantially higher unit prices than those of hypermarkets and supermarkets. Despite this, those retail chains are benefitted from impulse purchases by affluent consumers, who are attracted by the fact that these outlets are opened around the clock.

## Traditional Markets

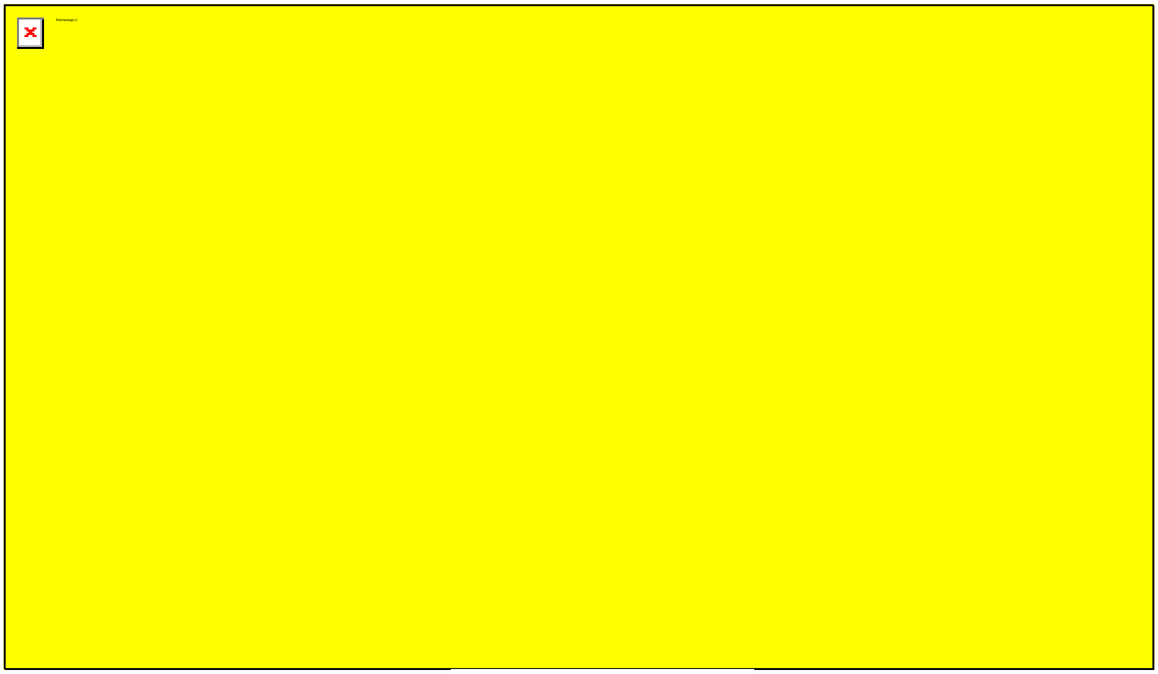
### A. Sub-sector Profile

Traditional grocery retail is still the most prevalent grocery channel in Peru. Traditional grocery retailers such as open markets, street vendors, and small grocery stores are widespread throughout the country and benefitted from their closeness to consumers. Moreover, in rural areas, it is usually one of the few channels available to purchase products for daily consumption, and is even used as a gathering place for friends and family. Sales of traditional grocery retailers account for80 percent of the market share of total grocery retail sales. Despite this, traditional grocery retailers carry on average significantly lower sales per outlet than modern grocery retailers. They offer limited opportunity for sales of high-end imported goods. Most food products sold in traditional markets are locally produced inexpensive perishable products which are aimed at low-income consumers.

Traditional markets have made new strategies in order to face competition from supermarkets. These new strategies include 40 new projects, accounting for an estimated $200 million in investments. Based on the plan, Plaza Ceres became the first open market built in 2008. It cost $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 2012, traditional grocers registered a moderate rate of growth of 4 percent, in the face of aggressive expansion of modern grocery retailers. The presence of the latter near traditional grocery retailers significantly limits sales of this longstanding channel. Nevertheless, the preponderant position of traditional grocery retailers determines that its presence is not threatened in Peru.

## III. Competition



Source: World Trade Atlas (2013)

- Peru grants tariff preferences to the Andean Community of Nations (CAN - Bolivia, Colombia and Ecuador), Mexico, Paraguay, Argentina, Brazil, Uruguay and Cuba.
- Peru's trade policy is oriented towards open markets. Peru has signed several trade agreements

| Country | Type | Status |
|---|---|---|
| Andean Community (Bolivia, Ecuador and Colombia) | Free Trade Agreement | In force |
| MERCOSUR (Argentina, Brasil, Uruguay, Paraguay) | Economic Complementation Agreement | In force |
| Cuba | Economic Complementation Agreement | In force |
| Chile | Free Trade Agreement | In force |
| Mexico | Trade Integration Agreement | In force |
| United States | Free Trade Agreement | In force |
| Canada | Free Trade Agreement | In force |
| Singapore | Free Trade Agreement | In force |
| China | Free Trade Agreement | In force |
| South Korea | Free Trade Agreement | In force |
| European Free Trade Association (EFTA) | Free Trade Agreement | In force |
| European Union | Free Trade Agreement | In force |
| Thailand | Third Protocol | In force |
| Japan | Economic Partnership Agreement | In force |
| Costa Rica | Free Trade Agreement | In force |
| Panama | Free Trade Agreement | In force |
| Guatemala | Free Trade Agreement | Negotiating |

| | | |
|---|---|---|
| El Salvador | Free Trade Agreement | Negotiating |
| Honduras | Free Trade Agreement | Negotiating |

- The PTPA reinforces 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 2012**

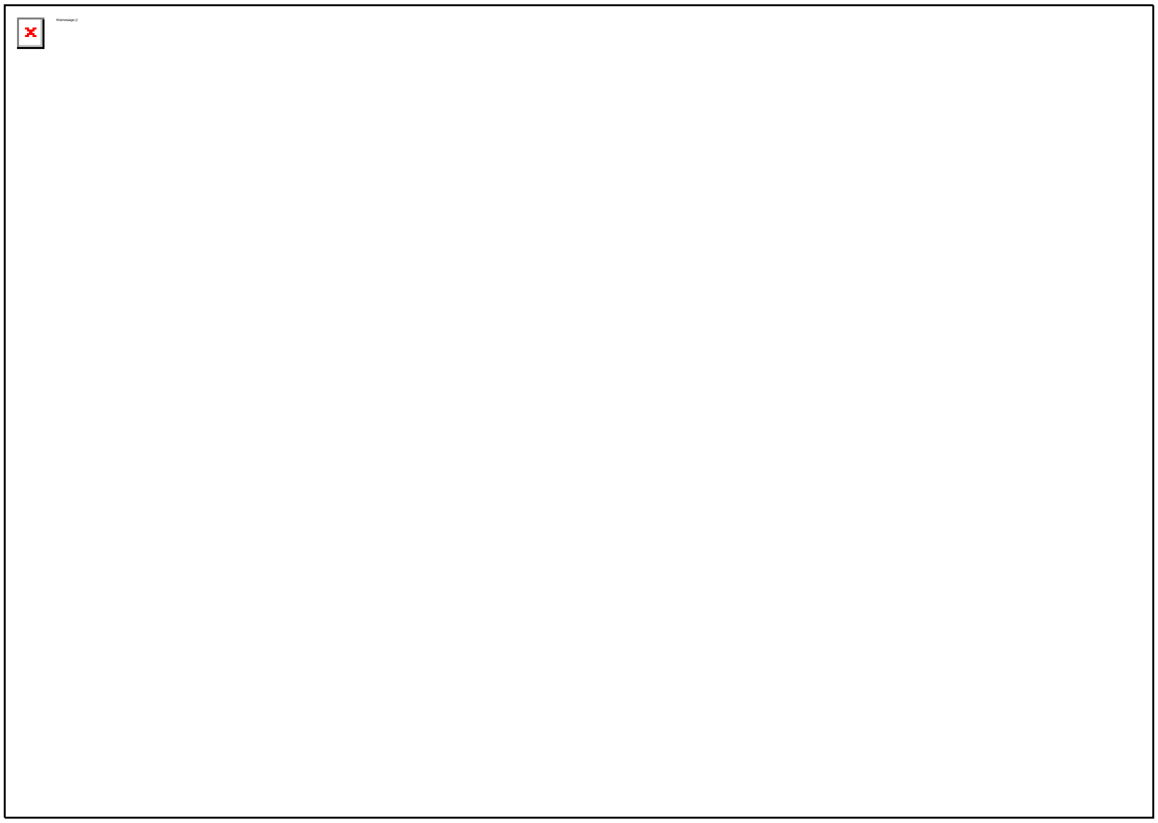
| **Product Category/ Net Imports** | **Major Supply Sources** | **Strengths of Key Supply Countries** | **Advantages and Disadvantages of Local Suppliers** |
|---|---|---|---|
| Dairy Products (Excl. Cheese) ($231 million) | New Zealand: 45 percent<br>U.S.: 18 percent<br>Bolivia: 6 percent<br>UK: 5 percent<br>Chile: 4 percent | - New Zealand is a major supplier of dairy ingredients, especially HS 040221 and 040210 accounting almost 80 percent of total imports. | - Only two companies are major producers of evaporated milk and yogurt. |
| Cheese 3,782 tons ($18.23 million) | U.S: 48 percent<br>Argentina: 19 percent<br>Netherlands: 6 percent<br>New Zealand: 6 percent<br>Uruguay: 5 percent<br>percent | Argentina and Uruguay are part of MERCOSUR and have tariff preferences | Local homemade cheeses are commonly sold.<br>Gourmet cheeses are not made locally. |
| Snack Foods (excl nuts) 22,000 tons ($71 million) | Colombia: 50 percent<br>U.S.: 8 percent<br>Brazil: 7 percent<br>Chile: 6 percent<br>Argentina: 6 percent | - 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 58,000 tons | Chile: 55 percent<br>U.S.: 10 percent | - Chile sells at cheaper prices due to proximity and tariff preferences.<br>- EU products are viewed as | - Local processors are major exporters, but their local supply is limited. |

| | | | |
|---|---|---|---|
| ($90 million) | Netherlands: 9 percent<br>Argentina: 6 percent<br>China: 4 percent | good quality.<br>- Netherlands has increased its potato preparations exports due to fast food growth. | |
| Fresh Fruits<br>78,000 tons<br>($65 million) | Chile: 76 percent<br>Argentina: 11 percent<br>U.S.: 10 percent | - Chile is the main supplier because of proximity, price and duty free entrance.<br>- Argentina has a window for pears and apples. | - There is an open window from November to February for that will benefit the United Stated<br>- Local fruit sold in retail markets is of lower quality. |
| Fruit and vegetable juices<br>1,960,000 L<br>($ 6 million) | U.S.: 32 percent<br>Mexico: 20 percent<br>Brazil: 20 percent<br>Chile: 19 percent<br>Argentina: 4 percent | - Chile has tariff and proximity advantages.<br>- Mexico has increased its exports of lime juice | - Local brands are well positioned in the market at competitive prices. |
| Wine and Beer<br>21 Million liters<br>($43 million) | Argentina: 35percent<br>Chile: 20 percent<br>Spain: 10 percent<br>Italy: 10 percent<br>Brazil: 10 percent<br>France: 4 percent<br>U.S.: 3 percent | - Proximity and recognized quality of Chilean and Argentinean wines.<br>- 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.<br>- Local wine is well positioned and price competitive, but does not satisfy demand. |
| Red Meats (fresh, chilled or frozen)<br>23,000 tons<br>($61 million) | U.S.: 33 percent<br>Brazil: 29 percent<br>Chile: 17 percent<br>Argentina: 11 percent<br>Bolivia: 4 percent | Neighbor countries export lower price cuts.<br>80 percent of Brazilian exports are offals | - Peru’s market for U.S. meats reopened in October 2006.<br>- U.S. meats are of superior quality.<br>- Peru imports three times more offals than meats.<br>- Local meat does not satisfy the demand. |

| | | | |
|---|---|---|---|
| Red Meats (prepared, preserved) 1,480 tons ($7 million) | Bolivia: 43 percent U.S.: 13 percent Denmark: 11 percent Chile: 10 percent Italia: 9 percent Spain: 9 percent | - Bolivia has growth 14 percent respect 2011. Bolivian manufacturers have customized production according to local demand. | - The pork products industry also imports prepared meats.<br>- U.S. product tariffs will decrease throughout 5 to 7 years. |
| Poultry Meat 27,000 tons ($38 million) | Brazil: 31 percent<br>U.S.: 27 percent<br>Chile: 25 percent<br>Argentina: 11 percent<br>Bolivia: 6 percent | - Brazil diversifies its supply including offals, turkey and chicken cuts<br>- Chile is strong in turkey cuts. | - Imports of U.S. poultry products reopened in October 2006.<br>- TRQ for U.S. chicken leg quarters<br>- Local poultry producers are major suppliers with good distribution channels.<br>- 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 (2013)

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

| **Product/ Product Category** | **Market Size 2012 est.** | **Imports 2012** | **Average Annual Import Growth (2007-12)** | **Import Tariff Rate** | **Key Constraints Over Market Development** | **Market Attractiveness for the U.S.** |
|---|---|---|---|---|---|---|
| Cheese (HS 0406) | 12,720 MT | 3,782 tons<br><br>($18 million) | 14.4 percent | 040610, 20 and 40<br>0 percent<br>040630<br>040690<br>0 percent | - U.S. competitors are: Argentina (19percent) and Netherlands (6percent).<br>- Strong preference for EU cheese at | - U.S. cheeses are mainly used in the food processing sector, but have potential in the HRI and Retail Food Sectors.<br>- In 2012, the United States |

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| | | | | | high-end HRI and Retail Sectors. | was the first supplier with a market share of 48 percent.<br>- TPA*: 17 years linear, 2,500 MT quotas with 12 percent increase per year. |
| Confectionary – non chocolate (HS 1704) | N/A | 15,630 tons<br><br>($46 million) | 16.1 percent | 0 percent | - Major suppliers are Colombia ($31 million) and China ($3 million).<br>- Local industry is strong. Major owners are foreign companies. | - United States represents 3 percent of total imports, however, U.S. imports grew 25 percent in 2012.<br>. |
| Confectionary – chocolate (HS 1806) | N/A | 5,000 tons<br><br>($22 million) | 12.2 percent | 0 percent | - Local industry is competitive. | - The U.S. is the largest supplier with 19 percent. The U.S. strength is in chocolate for the retail sector. Imports grew 24 percent in 2012. |
| Food Preparations (HS 210690) | N/A | 16,600 tons<br><br>($153 million) | 16.4 percent | 0 percent | - Local Production is strong<br>- Chile is the major exporter (28 percent). | - United States is the second largest supplier and holds 20 percent of market share.<br>- In 2012 imports grew 28 percent due to retail sector growth. |
| Prime and choice beef (HS 020230) | Total beef and offals market: 230,000 MT | 1,250 tons<br>($9 million) | 7.9 percent | 0 percent | - Competes with quality meats from Colombia, Argentina, Uruguay, | - Due to an increment of income levels, local consumers are demanding high quality |

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| | | | | | Brazil and Bolivia. | products, such as beef.<br>- U.S. imports keeps growing (15 percent) as a result of higher demand created but supermarket chains.<br>- United States became the second largest beef supplier in 2012 and holds 28 percent of import market share |
| Edible Beef Offals (liver) (HS, 020622) | 10,000 MT | 3,800 tons ($6.5 million) | 16.4 percent | 0 percent | Local production covers most of the market size. | - The United States holds 97 percent of import market. |
| Fruit and Vegetable juices (HS 2009) | N/A | 19,600 hl<br><br>($6 million) | 30 percent | 0 percent | - Mexico is the second largest supplier and holds 20 percent of market share in 2012. | U.S. imports grew 145 percent in 2012 and remains as the largest supplier holding 32 percent of market share. |
| Pet foods (HS 230910) | 50,000 MT | 14,730 MT<br><br>($19 million) | 17.6 percent | 0 percent | - Growing local pet industry.<br>- There is an informal industry arising.<br>- Argentina 37 percent), and Colombia (27 percent) are major competitors. | - The United States holds 24 percent of the market. |
| Turkey (HS 020727) | 23,000 MT | 6,409 tons | 27.2 percent | 6 percent | - Major competitors are Brazil (34 | - Peruvians are major consumers of turkey during |

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| | | (12 million) | | | percent) and Chile (28 percent)<br>- Local poultry industry is strong. | Christmas and New Year's.<br>- The food retail sector is becoming more popular not only in Lima, but also in the province.<br>- USAPEEC has initiated a market penetration plan. |
| Chicken cuts (HS 020714) | $60,000 MT | 10,000 tons<br><br>($10 million) | 56.2 percent | TRQ: 13,997 tons<br>0 percent | - Strong local industry.<br>- Frozen presentation is not common | - Peruvians are major consumers of poultry.<br>- TRQ: 6 percent increase per year. |
| Bread, pastry, cookies (HS 1905) | N/A | 4,390 tons ($12 million) | 21.1 percent | 0 percent | - Colombia is the major import supplier and holds 30 percent of market share. Local companies are very strong. | The United States holds 14 percent of import market share. |
| Soups & Broths (HS 2104) | N/A | 1,180 tons<br><br>($3.5 million) | 20.6 percent | 0 percent | - Local companies are very competitive | - The United States grew 8 percent in 2012 and is the major supplier in this category, holding 33 percent of the market share |
| Sauces (HS 2103) | N/A | 6,210 tons<br><br>($13 million) | 15 percent, | 0 percent | - Local consumers prefer local flavors. Stiff competition among local producers. | - The United States is the major supplier in this category, holding 33 percent of the market share |
| Apples and Pears (HS 0808) | n/a | 59,930 Tons<br><br>$53 | 20.2 percent | 0 percent | - Chile is the major supplier with 92 percent of the | - There is a window of opportunity for the United States |

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| | | million | | | market.<br>- The United States is the third largest supplier with 2 percent of the market. | between November and February.<br>Local consumers recognize U.S. apples and pears quality. |
| Nuts and almonds (HS 0802) | N/A | 741 tons<br><br>($4.7 million) | 40 percent | 0 percent | - Lack of participation of cooperators in country to create awareness US almond industry | - U.S. imports have grown 81 percent in respect to 2012. The United States is the second major supplier with 49 percent of the import market.<br>- Importers recognize that U.S. quality of nuts and almonds is better than competitors. |
| Wine (HS 2204) | 28 million liters | 10 million liters ($35 million) | 15.7 percent | 0 percent | - Argentina and Chile (43 and 25 percent) domain the market<br>- Lack of awareness of local importers about US wine industry. | - There is a niche market for quality wines for which the United States can be appreciated and price competitive.<br>- Peru’s wine consumption is growing. Currently, it is above 1.3 liters per person. |

***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 being imported in significant amount but have good sales potential:**

| Product/ Product Category | Imports 2012 | Average Annual Import Growth (2007-12) | Import Tariff Rate | Key Constraints Over Market Development | Market Attractiveness for the U.S. |
|---|---|---|---|---|---|
| Peaches, cherries and Nectarines (HS 0809) | 4,148 tons ($4 million) | 13.6 percent | 0 percent | - Chile is major supplier with 96 percent of the market. | - Importers are interested in U.S. peaches and nectarines.<br>- Duty free access for this category. |
| Grapes, raisins (HS 080620) | 6,040 tons<br><br>($15 million) | 11 percent | 0 percent | - Chile holds almost 88 percent of the market. | - U.S. window: September to December. |
| Citrus (HS 0805) | 876 tons<br><br>$886,024 | 6 percent | 0 percent | - Local production is strong. | - United States holds 77 percent of import market and exports have grown 500 percent in 2012<br>- Recognized quality of U.S. oranges and tangerines.<br>- Export window for the United States is from January to March. |
| Pork Meat (HS 0203) | 3,685 tons<br><br>($10 million) | 54 percent | 0 percent | - Peruvians are not used to eating pork.<br>- Local industry produces more than 100,000 MT<br>- The industry is the same as the poultry industry.<br>- Chile is the major supplier with 81 percent of the market | - Pork imports are growing due to outstanding market development by USMEF representative.<br>- U.S. pork benefit from TPA implementation.<br>- |
| Sausages (HS 1601) | 577 tons<br><br>($2 million) | 18 percent | 0 percent | - Strong local industry. | - There is a high-end segment for gourmet sausages, in which the United States can compete.<br>US exports have grown ( 12percent) and currently |

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| | | | | | holds 40 percent of import market. Fast food restaurants are main channel for this category. |
| Ham, processed HS 160241 | 81 tons<br><br>($0.93 million) | 26 percent | 7 percent | - Major suppliers are Italy (42 percent of the market) and Spain (38 percent). | - The United States has quality products to introduce to the gourmet market.<br>- TPA: 5 years |
| Beer (HS 2203) | 11 million liters<br><br>($8 million) | 12 percent | 0 percent | - Local breweries are very strong and owned by international companies.<br>- Local breweries produce and import new brands for introduction in the market.<br>Brazil is the major supplier (52 percent of the market). | - Niche market for premium beers.<br>- Growing consumption of beer (over 40 lts per capita)<br>- Duty free entrance.<br>- few U.S. brands within the market. |

***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:

U.S. Embassy Lima, Foreign Agricultural Service (FAS)
Mailing Address: Office of Agricultural Affairs, Unit 3785, APO AA 34031
Address: Av. La Encalada cdra. 17, Monterrico, Lima 33
Phone: (511) 434-3042
Fax: (511) 434-3043
E-mail: Aglima@usda.gov

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.