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Global Agricultural Information Network

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## Peru

## Food Processing Ingredients

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**Report Highlights:**

Peru's food processing industry is an increasingly dynamic, strategic sector of the national economy. FAS Lima estimates that of Peru's 3,000 plus companies engaged in food processing, there are over 50 medium to large size food processors with combined 2012 sales of over \$14 billion. These food processors have annual incomes ranging from a low of \$12 million to a high of \$1.3 billion.

**Post:**

Lima

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

Peru's food processing industry is an increasingly dynamic, strategic sector of the national economy. It is benefitting from Peru's strong economic growth, which over the past decade has boosted personal income and halved poverty rates to less than 26 percent in 2012. Peru is an upper middle income country with a gross domestic product (GDP) per capita of \$11,363 (\$ at PPP); its 2013 GDP is estimated at \$354 billion (\$ at PPP). Sources are forecasting personal disposable income per capita rising to over \$3,000 in 2013. With more money in their pockets, Peru's 29.8 million (Central Intelligence Agency - CIA, July 2013 est.) largely urban consumers (77 percent of the population) are demanding ever greater food variety and quality.

FAS Lima believes that despite somewhat slower nominal GDP growth of around 5.1 percent in 2013, down by 1.2 percent from 2012's level, consumer demand will remain good through the near- to medium-term. Helping drive consumer spending in recent years has been the combination of low unemployment levels (5.5 percent in 2013) along with the country's financial sector expanding consumer credit access. Today roughly 60 percent of total retail sales are food purchases, and are often made with credit/debit cards. Sources estimate Peru's retail food market at \$43 billion (2012), with supermarkets and hypermarkets accounting for half of reported sales.

Key players within Peru's food processing industry include: Grupo Gloria SA (Peru); Alicorp SAA (Peru); and San Fernando (Peru). These food processing companies dominate the domestic market, offering products tailored to Peruvian consumers' needs and preferences. Sadia (Brazil) and Nestle (Switzerland), along with Don Italo (Peru) dominate the frozen food sector. FAS Lima estimates that of Peru's 3,000 plus companies engaged in food processing, there are over 50 medium- to large-size food processors with combined 2012 sales of over \$14 billion. These food processors have annual incomes ranging from a low of \$12 million to a high of \$1.3 billion.

Domestic food processing is growing thanks to the expansion of the Peruvian retail food market. Supermarkets and hypermarkets are in full expansion mode; moving into the country's previously ignored interior cities. Today, both supermarkets and hypermarkets are an increasingly common feature in Peru's capital (over 75 stores in Lima) and large cities (over 35 stores); eating into independent small grocers' (known locally as bodegas) sales. Sources estimate that independent grocers located within a four-block radius of supermarkets and hypermarkets face sales losses of around 50 percent once modern, large retailers open shop. Nevertheless the food retail sector in the near- to medium-term will remain dominated by groceries (70,000 in Lima and 200,000 nationwide) who offer a limited selection of processed packaged and frozen foods.

The larger, western-style food retailers stock both a wider selection of domestic processed products, as well as a good number of imported items compared to neighborhood grocers. Large retailers' expansion is being facilitated by Peru's regional and extra-regional trade agreements. The scarcity of affordable commercial retail space (including space for parking) in built up areas, is however forcing larger

retailers out into the middle class suburbs. Supermarkets and hypermarkets are also deliberately seeking new sales opportunities in low-income outlying areas.

Peru's per capita consumption of food nevertheless still lags in comparison with that of its neighbors. In Chile, for example food consumption among its 17.2 million (CIA, July 2013 est.) consumers is 2.6 times greater despite a smaller population. FAS Lima attributes the difference largely to yet to be resolved disparities in Peruvian income levels, as well as to poor logistical infrastructure outside of metropolitan Lima and the major cities (e.g., Arequipa and Trujillo).

On a positive note, we do however see this urban market (urbanizing at 1.6 percent annually in the 2010-15 period) moving away from unpackaged, bulk food to more consumer-oriented packaged food options as personal incomes improve.

There is a growing trend among domestic food manufactures, seeking to capitalize on Peru's sophisticated food culture, to incorporate local ingredients such as traditional (jungle) fruits, indigenous peppers, and Andean grain (e.g., Quinoa) varieties among others in their offerings; often packaging processed food products into smaller, more family friendly sizes. In 2012 (latest available data) we have seen 6 percent growth in the local processed meat industry; poultry alone grew nearly 8 percent, while processed beef products have grown almost 3 percent. Large retailers' contributed to the sausage industry's 5 percent growth in 2012.

Peru's dairy sector saw growth of nearly 4 percent in 2011 (latest available data), driven mainly by yoghurt and evaporated milk production. Exports climbed to \$105 million as a result. Dairy products, much like other processed, packaged food products are also experiencing growing domestic demand as a result of supermarket and hypermarket expansion.

The non-alcoholic drinks beverage industry continues to show good growth prospects, building on its decade's long upward trend thanks to the takeoff of soft drinks and mineral water products. The sector saw almost 5 percent growth in 2012 largely in part to improvements in the country's modern food retail distribution channels along with increased product variety. Sport drinks are growing in importance in this increasingly health conscious society.

Distilled alcohol and spirit production saw strong growth of 19 percent in 2012, driven by the increased domestic production of rectified ethyl alcohol. FAS Lima notices that rum is being produced in greater quantities, especially for export to European Union (EU) markets (e.g., Italy and the Netherlands), as well as to Japan and neighboring Chile and Ecuador. Exports of Peruvian rum in 2012 were in excess of \$1.6 million.

Domestic spirit production, and consumption, is largely differentiated by consumers' income levels. Low-priced spirits, namely affordably priced rum, vodka, and economy Pisco (Peruvian grape brandy) remain largely consumed in the interior provinces among low-income groups. High-value Pisco, along with imported whiskies, tequilas, and rums are normally consumed by middle- to upper-income consumers in the country's major urban areas.

Peruvian wine production climbed 6.5 percent in 2012, an improvement from the previous year which had seen production drop by 1.8 percent. FAS Lima attributes the production increase to improved grapevine yields. Similarly Pisco production saw very good growth of 44 percent, benefitting not only from better (grape) crop yields but also its strong links to Peru's cuisine. Not surprisingly the number of

better-than-average Piscos is on the increase as younger consumers increasingly opt for this local spirit.

The local beer brewing industry showed growth of nearly 6 percent in 2012, reaching almost 1.5 billion liters. Peru's three largest brewers both enhanced their distribution channels in 2012, as well as launched new-to-market products. Backus is now aiming to increase its exports of local Cuzqueña beer, while AmBev Peru spruced up its flagship Brahma beer with new packaging and alternative product sizes.

Production levels in Peru's milling industry grew over 4 percent in 2012 thanks to increased demand from bakeries. Although bulk dry pasta production experienced a drop of over 5 percent in 2012, the (pasta) category as a whole was buoyed by packaged pasta production growing nearly 2 percent. Peruvian pasta exports came in just shy of \$40 million in 2012.

#### Food and Agricultural Products Sales, by Sector, 2012

Sector	(\$ Million)
Beverages	2,920.0
Foods (Top 30)	6,402.0
Agribusiness (Top 50)	6,596.0
<b>Total</b>	<b>13,918.0</b>

Source: Estimated values based on The Top 10,000 Companies 2012 version, Peru Top Publications.

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

Advantages	Challenges
<ul style="list-style-type: none"> <li>• The U.S.-Peru Trade Promotion Agreement (PTPA) grants duty-free access to most U.S.-origin high-value food and agricultural products.</li> <li>• Appreciation for U.S. food and agricultural products' quality.</li> <li>• Food ingredients enter duty-free upon the PTPA's entry into force.</li> <li>• Imported food ingredients are in demand for food manufacturing for local consumption and export.</li> <li>• Growing demand for lower calorie ready-to-eat meals, frozen food products, snacks, and beers.</li> <li>• Growing income rates, employment opportunities and credit access especially for middle-income consumers.</li> <li>• Demand for diet, light and healthy food products is growing.</li> </ul>	<ol style="list-style-type: none"> <li>1. Processed food consumption, especially of frozen foods, is still small.</li> <li>2. Lack of brand awareness among consumers.</li> <li>3. New local food brands are launched at very low prices.</li> <li>4. Local food manufacturers face lower production costs and benefit from proximity to market.</li> <li>5. Local companies are adept at accurately tapping into consumer preferences. <ul style="list-style-type: none"> <li>• Stiff competition from countries within the region.</li> <li>• Smuggling remains a concern.</li> </ul> </li> </ol>

Section II. Road Map for Market Entry

strategy

- U.S. exporters should directly contact the local food processing company or indirectly establish connections through brokers, agents, or representatives.
- Personal visits are highly recommended; the local partner should be known by the exporter before signing contractual agreements. Maintaining close contact is recommendable.
- Exporters should provide support to food service customers by participating in technical seminars, product demonstrations, and local trade shows whenever possible.
- The import partner should be able to provide updated information on consumer trends, current market developments, trade, and business practices.
- It is recommended that U.S. exporters work with chefs and local importers to conduct innovative marketing activities in the high-end food service sector.
- Processed products must be approved by health authorities and receive a registration number before being put on the market.

Structure



- Local processed food products cover around 85 percent of the market demand.
- Small processors outsource the import of ingredients to local distributors/representatives or to their subsidiaries. Large processors import directly, handling logistics in house.
- Specialized importers usually provide food ingredients to the Peruvian market. Some of these are also producers or wholesalers/distributors.
- International franchises (KFC, Pizza Hut, Burger King, McDonalds) and the local Bimbos are able to import some of their food ingredients directly because of high volumes.

C. Company Profiles

Profiles of Major Food Processing Companies

Company Name, Products	2012 Est. Sales (\$ Million)	End-Use Channels	Production Location	Procurement Channels
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<b>Alicorp S.A.</b> Cooking ingredients, sauces, dried goods, canned fruit, prepared meals, ice cream	1,406	Retail HRI Traditional market	Lima Trujillo	Direct Importers
<b>Gloria S.A.</b> Dairy products, canned fish, pork products, fruit juices	978	Retail HRI Traditional Market	Lima Arequipa Cajamarca	Direct Importers
<b>Nestle Peru S.A.</b> Breakfast cereals, confectionary, dairy products, smashed potatoes, instant beverages, bakery goods (pannettonne)	476	Retail HRI Traditional Market	Lima	Direct Importers
<b>San Fernando S.A.</b> Poultry, pork and their by- products.	628	Retail HRI Traditional Market	Lima	Direct Traders
<b>Molitalia S.A.</b> Flour, pasta, ketchup, semolina	261	Retail HRI Traditional Market	Lima	Direct Importers
<b>Perales Huancaruna S.A.</b> Coffee Processor	416	Retail HRI Traditional Market	Amazonas	Direct
<b>Redondos S.A.</b> Poultry and by-products	218	Retail HRI Traditional Market	Lima	Direct Importers
<b>Laive S.A.</b> Dairy products, pork products, fruit juices	132	Retail HRI Traditional Market	Lima	Direct Importers
<b>Molinera Inca S. A.</b> Flour and other grain mill products	91	Retail HRI Traditional Market	Trujillo	Direct Importers
<b>Kraft Foods Peru S.A</b> Cookies, instant desserts and beverages, mayonnaise and ketchup, coffee	116	Retail HRI Traditional Market	Lima	Direct Importers
<b>Industrias del Espino S.A.</b> Oils, fats	132	Retail Wholesaler	San Martin	Direct
<b>Panaderia San Jorge S.A..</b> Bakery goods (cookies and pannettonne) Flour and other grain mill products	62	Retail HRI Traditional Market	Lima Trujillo	Direct Importers
<b>Industrias Teal S.A.</b> Cookies, candies, pasta, flour, pannettone, chocolate	66	Retail Traditional Market	Lima	Direct Importers
<b>Cogorno S. A.</b> Flour, pasta and other grain mill products	69	Retail HRI Traditional Market	Lima	Direct Importers
<b>Ajinomoto del Peru S.A.</b> Condiments, seasonings	77	Retail HRI Traditional Market	Lima	Direct
<b>Compañía Nacional de Chocolates de Peru S.A.</b> Confectionary chocolate	68	Retail Traditional Market	Lima	Direct Importers

<b>Anita Food S.A.</b> Noodles, pasta	75	Retail Traditional Market	Lima	Direct
<b>Machu Picchu Foods S.A.C.</b> Coffee, cocoa, chocolate	96	Wholesaler	Lima Ica	Direct
<b>Sociedad Suizo Peruana de Embutidos S.A.</b> Pork and beef products	53	Retail HRI Traditional Market	Lima	Direct
<b>Panificadora Bimbo del Peru S.A.</b> Bakery goods	50	Retail HRI Traditional Market	Lima	Direct Importers
<b>Corporacion ADC S.A.C.</b> Flour, noodles, bakery goods, animal feed, pulses, semolina	50	Retail Traditional Market	Tacna	Direct
<b>Central de Cooperativas Agrarias Cafetaleras</b> Coffee, Cacao, Honey Bee, Tea, anise, chamomile, animal feed	69	Retail HRI Traditional Markets	Cuzco	Importers
<b>Molino El Triunfo S.A.</b> Flour, semolina, noodles	45	Retail Traditional Market	Lima	Direct Importers
<b>Braedt S. A.</b> Cheese and pork products	43	Retail HRI	Lima	Direct Importers
<b>Derivados del Maiz S. A.</b> Corn, potato and sweet potato products as ingredients	38	Retail Traditional Market	Lima	Direct Importers
<b>Confiperu S. A.</b> Confectionary	37	Retail Traditional Market	Lima	Direct Importers
<b>Industrial Alpamayo S.A.</b> Oils, fats	43	Retail HRI Traditional Market	Lima	Direct
<b>Ameral S.A.A.</b> Oils, chocolate, confectionery, condiments, seasonings	23	Retail HRI Traditional Market	Lima	Direct Importers
<b>Mead Johnson Nutrition Peru SRL</b>	58	Retail HRI Traditional Market	Lima	Direct

Sources: Estimated sales for 2012, based on Peru: The Top 10,000 Companies 2013, Peru Top Publications.

### Profiles of Major Beverage Companies

Company Name, Products	2012 Est. Sales (\$ Millions)	End-Use Channels	Production Location	Procurement Channels
<b>Union de Cervcerias Peruanas Backus &amp; Johnston S.A.A. (Corporacion Backus)</b> Beer and soft drinks	1,170	Retail HRI Traditional market	Lima La Libertad Lambayeque	Direct Importers
<b>Corporacion Jose R. Lindley S.A.</b> Beer	653	Retail HRI Traditional market	Arequipa	Direct Importers
<b>Ajeper S.A.</b> Soft drinks, bottled water	229	Retail HRI Traditional	Lima	Direct Importers

		market		
<b>Compañía Cervecería Ambev Peru S.A.C</b> Beer and soft drinks	214	Retail HRI Traditional Market	Lima	Direct
<b>Cerveceria San Juan S.A.A.</b> (Corporacion Backus) Beer	149	Retail HRI Traditional Market	Lima	Direct
<b>Embotelladora San Miguel del Sur S.A.C.</b> Soft Drinks	58	Retail HRI Traditional Market	Arequipa	Direct
<b>Ajeper del Oriente S.A.</b> Soft Drinks	39	Retail HRI Traditional Market	Ucayali	Direct
<b>Embotelladora Don Jorge S.A.C.</b> Soft Drinks	28	Retail HRI Traditional Market	Lima	Direct
<b>Santiago Queirolo S.A.C.</b> Alcoholic Beverages	27	Retail HRI Traditional Market	Lima, Ica	Direct
<b>Destilerias Unidas S.A.</b> Alcoholic beverages	24	Retail HRI Traditional Market	Lima	Direct

Sources: Estimated sales for 2012, based on Peru: The Top 10,000 Companies 2013, Peru Top Publications.

## D. Sector Trends

### *Dairy Products*

Evaporated milk is the most commonly consumed type of milk. FAS Lima finds that transportation costs are lower proportionally than that for liquid milk. Additionally this product does not require refrigeration; a critical factor in a country with low household refrigerator penetration. Another significant factor is that with evaporated milk the consumer can determine the dilution ratio of the product, helping stretch the household food budget.

Grupo Gloria SA is the undisputed dairy product category leader with 14 percent of retail value market share for packaged food and 67 percent for dairy products. The company is constantly launching new products and improving upon existing ones. Condensed/evaporated milk, the dairy category's the most product still shows potential growth opportunities with producers marketing health and wellness products.

### *Beer*

Beer consumption, despite slowing slightly in 2012, still grew 6 percent; reaching almost 1.5 billion liters. Preference for premium and better-quality local beers is influence by the country's overall economic growth. FAS Lima has seen low-income consumers switch up to better-quality beers as their incomes have improved in recent years. Similarly, middle- to high-income consumers are shifting increasingly to premium-priced beers.

Domestic lager beer production is concentrated in three breweries: Unión de Cervecerías Peruanas Backus & Johnston (91.3 percent); Compañía Cervecería AmBev Peru SAC (6.5 percent); and AJEPER SA (1.2 percent). All of these brewers produce a wide range of beers.

Imported premium lager showed the fastest growth in 2012 (up 32 percent in volume terms).



Consumers remain most loyal to this beer style, despite inroads being made by dark beer. Premium-priced imported lagers (e.g., Miller Genuine Draft) continue to experience rapid growth. Bottled beer is preferred over can beer; with the 625 milliliter (ml) bottle size accounting for 95 percent of all sales. Nonetheless supermarkets are receptive to all packaging formats and sizes, including the more affordable and easier to transport/handle can beer.

### ***Wine***

In 2012, wine volume sales reached 37 million liters. The highest growth category remains sparkling wine, with a 9 percent increase in total volume sales. In this category, champagne alone grew by 32 percent and other sparkling wines registered 9 percent growth. This category is growing rapidly as consumers experiment with new opportunities to serve the product.

Consumers are becoming more knowledgeable and are trading up to quality wines. The average price point of imported bottled wine is increasing as consumers experiment with premium wines.

Consumption of low-priced imported wine is decreasing.

In 2012, domestic wine accounted for 75 percent of total sales. Domestic burgundy accounts for 61 percent of total volume share. Imported wines represented 25 percent of total sales. The most popular packaging is 700-750 ml glass bottles. More affordably priced brands tended to be packaged in box containers and less frequently in 5 liter glass jugs. The off-trade was the largest channel for wine in 2012, representing 80 percent of total volume sales. Wines are largely consumed at home with family and friends.

### ***Baked Goods***

In 2012, Peru's baked goods sector grew 4 percent in value terms reaching roughly \$6 billion. Driving the sector was the packaged bread category, which grew 8 percent. Bread is a staple of the Peruvian diet. Consumers prefer artisanal bread which is often purchased at grocers, bakeries and some supermarkets. Since 2010, however packaged/industrial bread is gaining market share thanks to its longer shelf life that meshes with Peruvians increasingly more hectic life style.

### ***Biscuits***

The biscuits sector grew 7 percent in value terms, just shy of \$600 million in 2012. Chocolate coated biscuits experienced the fastest growth thanks to new product launches and stepped up marketing activities. Alicorp SAA and Kraft Foods Perú SA led sales with a combined value market share of 63 percent. Supermarkets and hypermarkets (e.g., Wong, Metro and Plaza Vea) private labels specialize in affordable savory and sandwich biscuits.

### ***Frozen Processed Food***

Peru's frozen food market in 2012 grew 8 percent, reaching \$25 million in sales. Frozen processed red meat and processed poultry account for 95 percent of total frozen retail sales. Supermarkets and hypermarkets, equipped with modern refrigeration systems, are the main distribution channel for frozen processed food. These account for 85 percent of total retail sales.

### ***Breakfast cereals***

Breakfast cereals saw 7 percent growth in 2012 as more middle-income consumers adopt cereals as their breakfast choice. Hot cereals remain a popular breakfast cereal among both low- and middle-income consumers. However, breakfast cereals are getting an added boost from health-conscious consumers seeking out products with fortified ingredients. Especially popular are cereals that boost energy and contain high protein and vitamins.

### ***Canned Preserved Food***

Canned food (especially fish products) sales grew 11 percent in 2012 largely due to convenience they afford consumers. Easy to store and quick to prepare, canned food offer time stressed consumers a quick meal solution. Domestically processed canned/preserved fish/seafood is subject to intense local

competition, forcing unit prices to remain low. The most common types of canned fish in Peru include tuna, mackerel, sardines and anchovies. With a combined market share of over 51 percent, GW Yichang & Cia SA and Molitalia SA dominate the market. U.S.-origin brands as Hunt's and Del Monte compete on quality and brand recognition, attracting middle- and upper-income consumers. Wong and Metro supermarket private label brands offer lines of affordable canned/preserved beans and canned/preserved fish.

#### ***Dried Processed Food***

Dried processed food sales grew 6 percent in 2012. Rice is the leading product in this category, as well as a key staple in the Peruvian diet. Low- and middle-income consumers prefer unpackaged rice's lower unit price compared to packaged options. Local rice companies offer different package sizes and levels of quality (i.e., economy, standard, and premium). Alicorp SAA and Corporación Transcontinental del Perú SAC have a market share of 56 percent in 2012.

#### ***Oils and Fats***

Oils and fats as a category grew 3 and 4 percent respectively in terms of volume and value sales in 2012. The vegetable oil blend of soybean with palm and/ or cottonseed oils remained the most popular edible oil product in 2012; accounting for 96 percent of total retail sales. Sunflower oil with 2 percent of retail sales came in second followed by canola oil with 1 percent. Alicorp dominates the sector with a 56 percent market share in value terms.

#### ***Ready-to-Eat Meals***

Peru is the country with the lowest per capita consumption of ready-to-eat meals in Latin America. Peruvians continue to prefer consuming fresh food, perceived as being more nutritious than frozen products or ready-to-eat meals. High price also limits the acceptance of these products. Despite these limitations, ready-to-eat meals posted a 4 percent growth in 2012. Offerings are most attractive to consumers already familiar with canned/preserved products.

#### ***Sauces, dressings and condiments***

In 2011 (latest available data), the category grew 9 percent. Consumers are increasingly relying on commercially manufactured sauces, dressings and condiments due to sanitary concerns arising from small-scale artisanal production. Greater variety, affordability, and different package sizes have been key factors influencing growth for this category.

#### ***Spreads***

Within the spreads category, jams and preserves account for 87 percent of retail sales in 2012. Rising health awareness and growing consumer concerns with diet-related illnesses (e.g., obesity and diabetes) is leading to increased availability of product with reduced sugar content. Molitalia SA leads the spreads category with a 30 percent market share.

#### ***Sweet and Savory Snacks***

Sweet and savory consumption remains low in Peru compared to that in neighboring countries. The sweet and savory category registered nonetheless 7 percent growth in 2012. Extruded and fruit snacks both saw growth in excess of 9 percent in 2012. With a market share of 75 percent in 2012, Snacks America Latina SRL dominates the local market.

### **Section III. Competition**

#### **Competitive Situation facing U.S. Suppliers in the Food Processing 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) (\$144.3 million)	New Zealand: 35 percent U.S.: 19 percent Argentina: 12 percent Chile: 9 percent Ireland: 5 percent Bolivia: 12 percent	- New Zealand is a major supplier of dairy ingredients, especially HS 040210 milk accounting for 35 percent of total imports.	- Only two companies are major producers of evaporated milk and yogurt.
Cheese 3,335 tons (\$16.3 million)	U.S.: 44 percent Argentina: 18 percent Netherlands: 9 percent Uruguay: 8 percent New Zealand: 5 percent	Argentina and Uruguay are part of MERCOSUR and have tariff preferences.	Local homemade cheeses are commonly sold. Gourmet cheeses are not made locally.
Snack Foods 20,606 tons (\$66.70 million)	Colombia: 53 percent U.S.: 7 percent Chile: 7 percent Ecuador: 6 percent Brazil: 5 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 52,747 tons (\$80.2 million)	Chile: 61 percent U.S.: 10 percent Netherlands: 7 percent Argentina: 5 percent China: 4 percent	<ul style="list-style-type: none"> <li>Chile sells at cheaper prices due to proximity and tariff preferences.</li> </ul> - EU products are viewed as good quality. - Netherlands has increased its potato exports.	- Local processors are major exporters, but their local supply is limited.
Fresh Fruits 66,083 tons (\$47.6 million)	Chile: 86 percent U.S.: 7 percent Argentina: 5 percent	- 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 States - Local fruit sold in retail markets is of lower quality.
Fruit and vegetable juices 1,429,940 L (\$ 3.7 million)	Brazil: 38 percent U.S.: 20 percent Chile: 17 percent Argentina: 12 percent Mexico: 7 percent	- Chile has tariff and proximity advantages. - Brazil has increased its exports of orange and pineapple juice	- Local brands are well positioned in the market at competitive prices.
Wine and Beer 26.59 Million liters (\$36.9 million)	Argentina: 39 percent Chile: 24 percent Spain: 10 percent Italy: 9 percent Brazil: 7 percent France: 4 percent	- 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.

	Netherlands: 2 percent Mexico: 2 percent U.S.: 1 percent		
Red Meats (fresh, chilled or frozen) 21,531 tons (\$54.9 million)	U.S.: 28 percent Brazil: 28 percent Chile: 14 percent Colombia: 11 percent Argentina: 9 percent Paraguay: 6 percent	- Proximity and low prices of nearby countries.	<ul style="list-style-type: none"> <li>- Peru's market for U.S. meats reopened in October 2006.</li> <li>- U.S. meats are of superior quality.</li> <li>- Peru imports three times more offals than meats.</li> <li>- Local meat does not satisfy the demand.</li> <li>- USMEF representative exclusive for south america</li> </ul>
Red Meats (prepared, preserved) 1,459 tons (\$6.65 million)	Bolivia: 39 percent U.S.: 13 percent Chile: 11 percent Spain: 10 percent Argentina: 11 percent Denmark: 10 percent Italia: 8 percent	<ul style="list-style-type: none"> <li>- Bolivia processors have become main suppliers for fast food chains due to lower prices.</li> <li>- Chile has tariff and proximity advantages.</li> </ul>	<ul style="list-style-type: none"> <li>- The pork products industry also imports prepared meats.</li> <li>- U.S. product tariffs will decrease throughout 5 to 7 years.</li> </ul>
Poultry Meat 19,654 tons (\$24.9 million)	Chile: 33 percent Brazil: 28 percent U.S.: 20 percent Argentina: 13 percent Bolivia: 7 percent	<ul style="list-style-type: none"> <li>- Imports of U.S. poultry products reopened in October 2006.</li> <li>- Brazil and Chile are major suppliers of poultry cuts.</li> <li>- Tariff preferences and proximity are major features.</li> </ul>	<ul style="list-style-type: none"> <li>- TRQ for U.S. chicken leg quarters</li> <li>- Local poultry producers are major suppliers with good distribution channels.</li> <li>- Imports are mainly chicken and turkey parts.</li> </ul>

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

## Section IV. Best Product Prospects

### 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)	21,531 MT	3,335 tons	23 percent	040610, 20 and 40	- U.S. competitors are: Argentina (18 percent) and Netherlands (9	- U.S. cheeses are mainly used in the food processing sector, but

		(\$16.3 million)		0 percent 040630 040690 0 percent	percent). - Strong preference for EU cheese at high-end HRI and Retail Sectors.	have potential in the HRI and Retail Food Sectors. - In 2012, the United States was the first supplier with a market share of 44 percent (62 percent growth). - TPA*: 17 years linear, 2,500 MT quota with 12 percent increase per year.
Confectionary – non chocolate (HS 1704)	N/A	15,647 tons (\$46.2 million)	16.6 percent	0 percent	- Major suppliers are Colombia (\$31 million) and Ecuador (\$3 million). - Local industry is strong. Major owners are foreign companies.	- United States represents 2.5 percent of total imports, however U.S. imports grew 57 percent in 2012.
Confectionary – chocolate (HS 1806)	N/A	4,073 tons (\$18.1 million)	22.2 percent	0 percent	- Chile is the major supplier (23 percent of MS). - Local industry is competitive.	- The U.S. is the second major supplier with 19 percent. The U.S. strength is in chocolate for the retail sector. Imports grew 46 percent in 2012.
Food Preparations (HS 210690)	N/A	14,339 tons (\$131 million)	16 percent	0 percent	- Local Production is strong. Alicorp is the major competitor. Also foreign companies are established in the country. - Chile is the major importer (33 percent).	- United States is the second largest supplier and holds 18 percent of market share. - In 2012 imports grew 18 percent.
Prime and choice beef (HS 020230)	Total beef and offals market: 283,596 MT	1,283 tons (\$7.3 million)	16 percent	0 percent	- Competes with quality meats from Colombia, Argentina, Uruguay, Brazil and Bolivia.	- Due to an increment of income levels, local consumers are demanding high quality products, such as beef. - U.S. imports have grown 155 percent respect 2012 in this category United States became the first largest beef supplier in 2012 and holds 50 percent of import market share
Edible Beef Offals (liver) (HS, 020622)	10,000 MT	3,924 tons (\$6.9 million)	26.3 percent	0 percent	Local production covers most of the market size.	- The United States holds 97 percent of import market. Imports have grown 30 percent in 2012.
Fruit and Vegetable juices (HS 2009)	N/A	14,299 hl (\$3.7 million)	30 percent	0 percent	- Brazil is the major supplier and holds 38 percent of market share in 2011. It is strong in orange juices	Imports have grown 46 percent in respect to 2012.
Pet foods (HS 230910)	45,000 MT	12,125 tons (\$14.9 million)	18 percent	0 percent	- Growing local pet industry. - There is an informal industry arising. - Colombia 37 percent), and Argentina (36	- The United States holds 20 percent of the import market.

					percent) are major competitors.	
Turkey (HS 020727)	13,000 MT	3,175 tons (\$6.5 million)	22 percent	5 percent	- Major exporters are Brazil (48 percent) and Chile (41 percent) followed by the United States with 11 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. - USAPEEC has initiated a market penetration plan.
Poultry meat cuts (HS 020714)	98,000 MT	9,208 tons (\$8.6 million)	54 percent	TRQ: 15,117 tons 0 percent	- Strong local industry. - Frozen presentation is not common	- Peruvians are major consumers of poultry. - TRQ: 6 percent increase per year. Only 15 percent of TRQ is used.
Bread, pastry, cookies (HS 1905)	N/A	3,841 tons (\$10.1 million)	21.percent	0 percent	- Colombia is the major import supplier and holds 32 percent of market share. Local companies are very strong.	United States holds 13 percent of import market share. HS code 190590 represents 80 percent of imported.
Soups & Broths (HS 2104)	N/A	1,353 tons (\$3.2 million)	21 percent	0 percent	- Local companies are very competitive	- United States grew 12 percent in 2012 and is the major import supplier in this category holding 33 percent of import market share
Sauces (HS 2103)	N/A	6,597 tons (\$12.7 million)	19 percent,	0 percent	- Local companies are very competitive.	- United States grew 48 percent in 2012 and is the major import supplier in this category, holding 36 percent of import market share
Nuts and almonds (HS 0802)	N/A	479 tons (\$2.8 million)	46 percent	0 percent	- Chile is very competitive in almonds and walnuts production. Last year was major supplier holding 52 percent of market share.	- Importers recognize that U.S. quality of nuts and almonds is better than competitors.
Wine (HS 2204)	41 million liters	18.8 million liters (\$32 million)	17 percent	0 percent	- Argentina (44 percent), Chile (28 percent), and Spain (12 percent) are major exporters. - Only regular wine consumers recognize U.S. wine quality. - Small niche market for U.S. wines	- There is a niche market for quality wines for which the United States can be appreciated and price competitive. - Peru's wine consumption is growing. Right now is above 1.3 liters. - Import volume has grown 120 percent in respect 2012. However, value only grew 28. Low cost wines are gaining territory.

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 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)	3,739 tons (\$3.1 million)	27 percent	0 percent	- Chile is major supplier with 99 percent of the market.	- Importers are interested in U.S. peaches and nectarines. - Duty free access for this category.
Apples and Pears (HS 0808)	52,534 Tons \$41 million	17 percent	0 percent	- Chile is the major supplier with 87 percent of the market. - Chile proximity benefits from other suppliers.	- There is a window of opportunity for the United States between November and February. Local consumers recognize U.S. apples and pears quality.
Grapes, raisins (HS 080620)	6,616 tons (\$15.5 million)	29 percent	0 percent	- Chile holds almost 95 percent of the market.	- U.S. window: September to December.
Citrus (HS 0805)	123 tons \$141,612	56 percent	5 percent	- Chile is the second major supplier with 21 percent of the market. - Strong Local production	- United States holds 79 percent of import market - Recognized quality of U.S. oranges and tangerines. - Export window for the United States is from January to March.
Pork Meat (HS 0203)	2,648 tons (\$7.2 million)	66 percent	5 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 88 percent of the market and second is Canada with 15 percent	- Pork imports are growing. - U.S. pork benefit from TPA implementation. - Beef importers can also import pork. Best quality and competitive prices. - USMEF representative for the region.
Sausages (HS 1601)	620 tons (\$2.0 million)	26 percent	5 percent	- Major exporter is Chile with 37 percent of the market - Local industry is strong	- There is a high-end segment for gourmet sausages, in which the United States can compete. United States holds 34 percent of import market. Imports grew 119 percent in 2012. Fast food restaurants are main channel for this category.
Ham, processed HS 160241	77 tons (\$0.92 million)	31 percent	10.71 percent	- Major suppliers are Italy (46 percent of the market) and Spain (40 percent).	- The United States has quality products to introduce to the gourmet market - TPA: 7 years U.S. imports holds 5 percent of import market share.
Beer (HS 2203)	7.8 million liters (\$4.9 million)	16 percent	0 percent	- Local breweries are very strong and owned by international companies. - Local breweries produce and import new brands for introduction in the market.	- Niche market for premium beers. - Growing consumption of beer (over 40 lts per capita) - Duty free entrance. Lack of U.S. brands within the

				Brazil is the major supplier (50 percent of the market).	market.
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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.

### **C. Products Not Present Because They Face Significant Barriers**

None.

### **Section V. Post Contact and Further Information**

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