

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 12/22/2011

GAIN Report Number:

Peru

Food Service - Hotel Restaurant Institutional

2011

Approved By:

Emiko Purdy

Prepared By:

Alvaro Loza

Report Highlights:

In 2010, food service sales in Peru accounted for about \$5.2 billion. Full service restaurants represented almost 65 percent, with almost 40 percent of the sales coming from high-end food service. Growth increased by 8 percent in respect to 2009. Total food service imports were estimated at \$1 billion, or 20 percent of total food service sales.

Trade opportunities for U.S. food products increased after the implementation of the U.S.-Peru Trade Promotion Agreement (PTPA). Products for the food service sector that will benefit from PTPA include food ingredients, fruits, cheeses, processed fruits and vegetables, and meats and specialties.

Post:

Lima

Executive Summary:

Peru has continued its policy of economic liberalization in the last 10 years. It is said that Peru has been one of the fastest-growing economies in the region, principally based on growth in services, followed by growth in textile manufacturing and extractive industries such as agriculture, fishing, and mining. This economic growth has been fueled by macroeconomic stability, improved terms of trade, rising investment, and increased consumption.

The Peruvian government has identified priorities that need to be developed rapidly in order to secure its growth and increase attractiveness to foreign investments. In that sense Peru is looking to:

- Promote tourism
- Reduce the national poverty rate
- Continue Peru's free-trade path
- Increase regional and international integration especially with the United States.
- Continue attracting foreign investment
- Enhance competitiveness
- Ensure a smooth democratic political transition

According to the National Institute of Statistics and Data Processing (INEI), tourist services production rose 7 percent in 2010; this increase is mainly due to an increase reported in restaurant activities (8 percent).

The Ministry of Foreign Trade and Tourism reported that number of foreign tourist increased by 12 percent in 2009, reaching 2.8 million visitors. The evolution of incoming tourism was particularly important, considering that Peru's most primary tourist attraction, Machu Pichu, was closed for the first three months of 2009. The tourist destinations that showed largest increase in number of visitors were: Lake Titicaca (176 percent), Pachacamac (42 percent), and Kuelap (35 percent).

Peru's position as a world tourist destination continues to improve. The Country Brand Index published by the international consulting firm Future Brand, emphasizes that Peru is the only Latin American country recognized as a genuine destination and ranks it at seventh and ninth in the categories of authenticity and history, respectively, of a total of 110 countries.

Food is an essential part of Peruvian identity. "Through our cookery, we reveal our idiosyncratic features, where we came from and who we are," says Alfredo Perret, head of the subcommittee of gastronomy of the Lima Chamber of Commerce (CCL). It also has a great economic significance: According to Arellano Marketing, gastronomy accounts for 13 percent of the country's GDP. According to The National Institute of Statistics (INEI), during the first half of 2011, the restaurant sector grew by 9.3 percent in year-on-year terms, with roast-chicken and fast-food chains performing particularly well.

The culinary culture is growing rapidly among young people. Culinary institutes have increased their capacity and there are about 80,000 students that should find a job quickly due to high demand from the sector. Costumers are increasingly demanding of high quality services and have

forced changes and improvements in food preparation techniques and fostering awareness about the proper handling of ingredients.

The impact of the global downturn has so far been fairly modest in terms of consumer power, and the economy is likely to post a significantly higher growth rate in 2010. Overall, gross domestic product (GDP) per capita and average incomes have tended to increase, although the benefits of growth are concentrated geographically in the coastal area where GDP per capita is already significantly higher than elsewhere. The increase in disposable incomes has led to increased consumption but reduced domestic savings, which are likely to have long-term implications for growth and consumption in the country.

In 2010, food service sales in Peru accounted for about \$5.2 billion. Full service restaurants represented almost 65 percent, with almost 40 percent of the sales coming from high-end food service. Growth increased by 8 percent in respect to 2009. Total food service imports were estimated at \$1 billion, or 20 percent of total food service sales.

Estimated Consumer Food Service by Type (Current Value): 2006-2010

Sub Sector	Food Service (US\$ Million)				
	2006	2007	2008	2009	2010*
Full-service restaurants	2,112	2,409	2,983	3,126	3,385
Cafes/Bars	571	690	840	918	1,010
Fast Food	177	226	234	266	292
Home Delivery	62	75	94	98	105
Street stalls/kiosks	291	339	467	449	472
TOTAL	3,213	3,737	4,619	4,857	5,264
growth %	8%	16%	24%	5%	8%

Source: Post estimations / *Preliminary

The niche market for U.S. exporters in this sector include high-end hotels and restaurants, family style restaurants, fast food chains and coffee shops. Fast food chains present the fastest annual growth with approximately eight percent in the last five years.

Products for the food service industry that will benefit from PTTA with lower or duty free tariffs include food ingredients, fruits, cheeses, processed fruits and vegetables, and meats and specialties.

Lima is the major market for consumer-oriented foods with almost one third of total population and more than 60 percent of the national income. High and middle-income consumers, currently the main market for U.S. food sales, reach around 1.8 million inhabitants that have a monthly family income on average of \$1,400. Roughly 35 percent of this income is spent on food.

Social factors that affect the food service market include tourism growth, (7 percent per year), urban expansion, an increase of women in the workforce (38 percent), and an increasing percentage of a young population that demands fast food or food prepared outside the home.

Advantages and Challenges of U.S. products to Peru's Food Service Sector

Advantages	Challenges
1. Peru is the fastest growing economy in the region.	1. Peruvians prefer meals using fresh products.

<ul style="list-style-type: none"> 1. Appreciation for U.S. food quality and culture. 1. Food service products will benefit from PTTPA with lower or no tariffs 1. Peru is opening its market for new competitors in the sector. 1. Fast food chains are expanding in Lima suburbs and in major cities (Arequipa, Trujillo, Chiclayo, and Piura). 1. Peru has a government fund to promote tourism. 1. Culinary culture is growing demanding high quality food products. 1. Increasing investment interest of international chains in association with local investors for new projects development. 	<ul style="list-style-type: none"> 1. Low presence of five stars hotels chains in Peru makes harder U.S. products penetration through this channel. 1. Peruvian food is tasty. U.S. exporters need to incorporate food ingredients in international and traditional menus. 1. Limited infrastructure and low quality service discourage longer stays of international tourists.
---	--

Section II. Road Map for Market Entry

Entry Strategy

- U.S. exporters can approach the Peruvian food service market through a large importer, wholesaler/distributor or a specialized importer. Most food service companies buy imported goods from local intermediaries.
- Personal visits are highly recommended. The local partner should be well known by the U.S. company before any permanent contractual arrangement is made.
- The local company should be able to provide updated information on market consumer trends, current market developments, and trade business practices.
- In addition, it is recommended that U.S. exporters work with chefs and local importers in performing innovative marketing activities in the high-end food service sector to:
 - Incorporate U.S. food ingredients in local and international menus.
 - U.S. food products strength in this market is that they are considered to be of superior quality.

Market Structure



- Food service sources are mainly domestic due to strong local preferences for fresh food products at lower prices.
- Food service importers are also suppliers for the retail market, which represents ,in most cases, more than 70 percent of their profits.
- Almost all food service businesses purchase through intermediaries (97 percent).
- International franchises (KFC, Pizza Hut, Burger King, Mc Donalds) and the local Bambos are able to import some of their food ingredients directly because of high volumes.

Sub-sector Profiles

- **Hotels**

Number of Hotels in Peru, By Category in 2010

Hotel Category	Number of Outlets	Number of Rooms	Number of Beds	Outlet Location	
				Lima	Provinces
Five-stars	35	4,066	7,400	20	15
Four-stars	49	3,552	6,663	27	22
Three-stars	528	14,973	28,629	76	452
Two-stars	1,072	21,538	38,203	196	880
One-stars	357	6,236	10,808	93	264
Total	2,041	50,365	91,703	412	1,633

Source: Ministry of Foreign Commerce and Tourism (Mincetur)

The Peruvian government has been actively promoting tourism. In September 2009, first general tourism law was passed. The purpose of the law is to promote tourism and entrepreneurial development, particularly in areas outside of Lima.

Visitors from other countries that are not residing within Peru are considerate as receptive tourism

by the Ministry of Foreign Trade and Tourism. It has been estimated that receptive tourism growth was 12.4 percent in 2010. Moreover, hotels expanded by 8 percent, due to increased local tourism, which offset the drop in hotel overnight stays by foreign tourists. The tourism boom, however, is reflected not only in the increase in number of foreign visitors, but mainly in new investments in hotels and restaurants. Peru's progress as a tourist destination is important—the country often appears in specialized documents and is awarded prizes of different kinds. This awakening of tourism has been accompanied by the rapid dissemination of Peruvian cuisine which definitely is starting to be part of main attractions for different visitors around the world.

Visits by foreign tourists rose 7.5 percent in 2010. The number of visitors that arrived to Peru last year was around 2.8 million, which represented foreign currency earnings of \$2,7 billion. There was a greater inflow of travelers from countries within the region mainly from Chile (26 percent), Brazil (29 percent), and Colombia (14 percent). Moreover, there was an increase in the flow of tourists from countries outside the region like Canada, United States, Spain, France and United Kingdom.

In 2010, classified lodging establishments offered over 90,000 beds, 3.4 percent more than in 2009. In addition, five- star hotels and four-star hotels increased their lodging capacities by 8 and 7 percent respectively. The niche market for U.S. exporters in this sub-sector is high-end hotels, mainly four and five-stars that use higher proportions of imported food products. Food imports represent approximately 16 percent of food served in hotels. Marketing efforts in this sub-sector should target activities to introduce U.S. food ingredients and U.S. gourmet products in high-end hotel restaurants that offer local and international cuisine.

Major high-end hotels are located in Lima (55 percent), the center of business activities. Many hotels are developing strategic alliances with international hotel chains or important local groups, with the purpose of having access to a hotel facility in every important tourist destination in Peru (Lima, Cuzco, Arequipa, and Puno). The opening of new hotels in Lima has made the market more competitive, which is why hotel chains such as Marriott are targeting specific market which have not yet been fully explored. An example of this is the opening of Marriott's Courtyard that targets the executives and offers more services to clients during their stay.

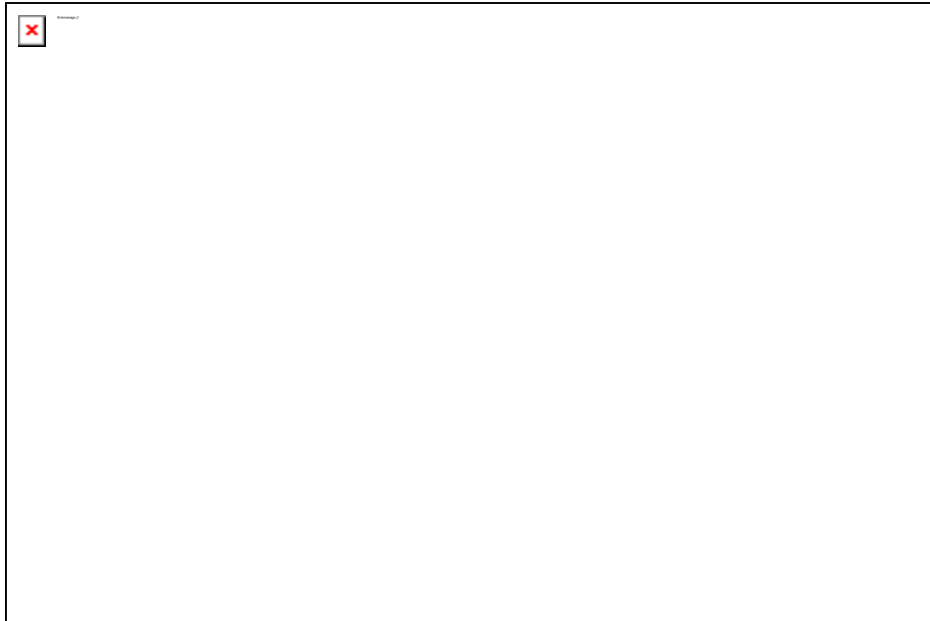
In May 2011, Westins Libertador started its operations. Its opening set a milestone in Peru's hotel sector. This was a \$100 million investment and it is one of the seven hotels operated by the Intursa Company (part of Brescia Group). The modern infrastructure includes 50 stories and over 300 rooms. According to the Libertador's general manager, the hotel expects to reach 50 percent of occupancy in its first year.

Hotel projects constructions have grown in recent years. More than 40 new hotel projects have been forecasted in 2011. These new constructions will represent almost \$500 million in investments. The increase in hotels is one sign of Peru's attractiveness to foreign investors that prefer to enter the market through franchises.

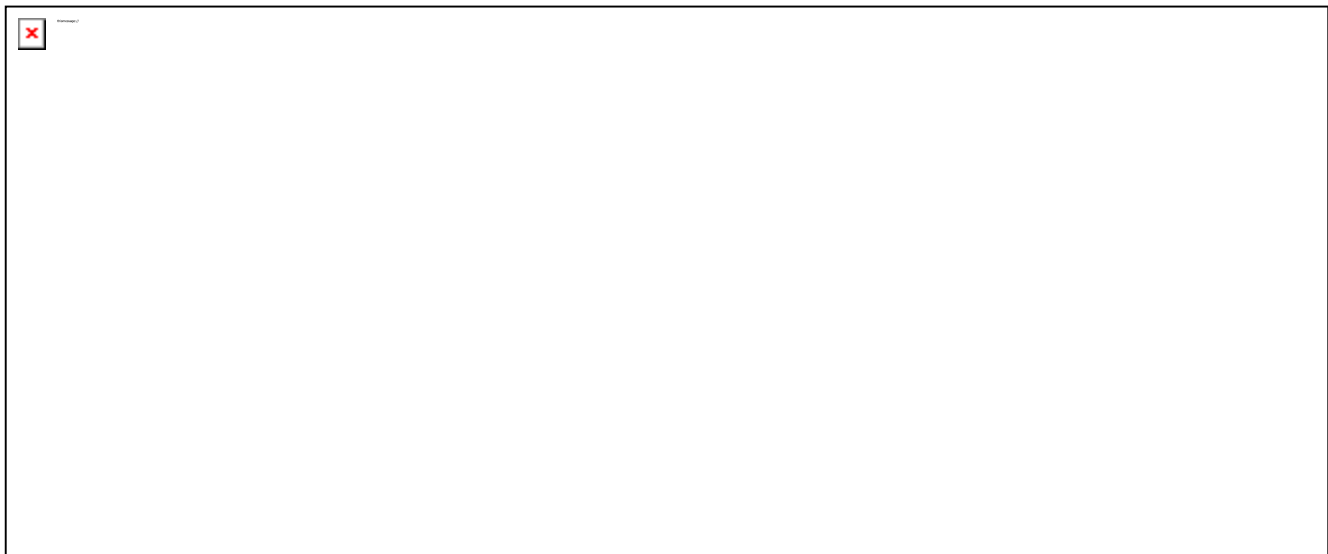
While Lima is considered the main market for corporate hotel chains, the southern part of the country is the preferred region for more traditional hotels. Although the northern part of Peru has attracted investors' interest, projects are not slated to begin until 2013.

In the future there will be more corporate-oriented hotels located in shopping centers. Both the hotel and retail industries have the same needs- shopping center operators are looking to obtain as much income as possible by offering wider services, while hotel operators are looking for convenient locations, closer to commercial areas. The first two hotel projects will take place in Plaza San Miguel and Jockey Plaza Shopping Center, which will both hold small 4-star hotels.

Three U.S. hotel chains (The Hyatt, Intercontinental and Wyndham) have showed interest in initiating operations in Peru's market.



Source: Ministry of Foreign Commerce and Tourism (Mincetur)



Source: Ministry of Foreign Commerce and Tourism (Mincetur)

- Foreign tourists spend around \$89 daily. Food represents the third highest expense (18 percent), behind lodging and transportation (28 and 20 percent respectively).
- Foreign tourist considers lodging to be more important than domestic tourists.
- The principal destinations for foreign tourists are Lima (94 percent), Cusco (84 percent), Puno (58 percent), Arequipa (35 percent), and Ica (18 percent). Lima travelers often include corporate tourists.
- The high season for foreign tourists is during the months of July and August.

- Around 70 percent of tourists are between 25 and 54 years old with 32 percent of this group between 25 and 34 years old.
- Male visitors account for 66 percent of total tourists.
- Purpose of visit: vacations (61 percent), business (19 percent), visit family or friends (10 percent), attending seminars (4 percent).
- Types of tourism: urban (93 percent), cultural (70 percent), ecological (47 percent), adventure (36 percent, for example, trekking), experiential (32 percent), and thermal bathing (22 percent). Restaurant preferences: Peruvian style (79 percent), seafood (41 percent), and meat (37 percent).
- Accommodations: vacations: three star hotels (80 percent); business: five star hotels (44 percent), and four-star hotels (31 percent), seminar attendance: five-star hotels (30 percent), four-star hotels (29 percent), and three-star hotels (34 percent).

Major Hotels Sales (2010)

Company	Total Estimated Sales (\$ Million)
Corporacion Turistica Peruana S.A.C.	44
Condor Travel S.A.	31
Lima Tours S.A.	26
Inversiones La Rioja S.A.	25
Nessus Hotel Peru S.A. – Casa Andina	25
Thunderbird Hoteles Las Americas S.A.	19
Orient-Express Peru S.A.	17
Inversiones Nacionales de Turismo S.A.	16
Hotelera Costa del Pacifico S.A.	16
Peru OEH S.A.	16
Lasino S.A.	13
Inmobiliaria de Turismo S.A. / Sonesta Posada del Inca	12
Corporacion el Golf S.A. / Los Delfines	11
Peru OEH Machu Picchu S.A.	10
Hoteles Sheraton del Peru S.A.	9
Corporacion Hotelera Metor S.A.	9
Consorcio Hotelero Las Palmeras S.A.C.	8
Inka Terra Peru S.A.C.	8

Source: The 10,000 Major Companies in Peru

Restaurants

Peruvian gastronomy has earned international recognition among renowned chefs. Proof of this is the rapid development of Peruvian restaurant franchises abroad and the growing number of publications about Peruvian Cuisine. Locally, the gastronomic offering is highly diversified and new eating places are always opening, due to the growing numbers of foreign visitors eager to sample typical fare. The number of restaurants has increased up to 70 thousand within the country, 48 percent of the restaurants are in Lima. Shopping centers, particularly outside of Lima, have fostered growth of international and local fast food chains.

Since 2009, Peruvian gastronomy has initiated a meteoric growth that has turned Peru into an important global point of reference due to its promissory culinary development. In that sense, the Peruvian Gastronomy Association (APEGA) decided to bring together every piece of a long list of Peruvian cuisine representatives in one place. This is how Mistura Food Festival was born in 2008 to showcase Peruvian ingredients, traditional dishes and culinary trends, and it has consolidated as the most important culinary fair in Latin America so far.

In September this year Mistura set its fourth version and was a great success. Famous personalities from the gastronomy scene, including Massimo Bottura, Álex Atala, René Redzepi, Michel Bras, Dan Barber, Yukio Hattori, Heston Blumenthal and Gastón Acurio, led by Ferrán Adrià, discussed a range of topics related to the role of the chef in today's modern world. Initiatives like Mistura and other promotional activities oriented towards development of local tourism have resulted in more visits to provincial restaurants. As for instance, Promperu organized the First Gastronomic Tourism Fair under the title of "Peru Mucho Gusto" (Peru, pleased to meet you) in northern Peru, while in the southern part of the country it organized "Tincuy 2009". In Lima, APEGA successfully sponsored the "Second Mixed Gastronomy Fair for 2009" with the participation of Peru's most important chefs. Mincetur promoted the national campaign "The Seven Gastronomical Wonders of Peru.", which as an online contest to choose the seven best culinary dishes in Peru.

The increasing demand for modern and convenient commercial shopping centers in Lima and other cities has made franchises popular with local investors and consumers. At present, most of the franchise outlets are located in Lima; however, franchisers have started to establish outlets in other cities such as Chiclayo, Trujillo, Piura, Arequipa, and Cusco.

Consumers' behavior in cities outside of Lima has changed and is now very similar to the behavior of modern Lima consumers. The frequency of visits to fast food outlets in the provinces has increased from 1-2 to 2-3 times per month and sales are expected to increase by 20 percent in 2011. Sales levels are similar to modern Lima districts of lower-income areas that are located in the southern, northern, and eastern outskirts of Lima. The average purchase amount for high-income consumers is about S/. 20 and S/.10-15 for lower-income consumers.

Based on industry estimates, about 100 franchise companies are thought to be operating over 1,000 outlets. The franchise market has focused mainly on the gastronomy sector (restaurants), accounting for 64 percent of the sector. Foreign-owned franchises account for about 70 percent of the Peruvian market. U.S. franchises are the most prominent and entered Peru in 1980's. KFC, for example, still enjoys a market share of about 50 percent. Other major players include Spain, Mexico, Argentina, Canada, Brazil and Colombia.

Sales of hamburger fast food restaurants were estimated at \$70 million in 2011. There are three main hamburger fast food chains in the country: Bambos, McDonald's, and Burger King. The Peruvian chain Bambos leads the market with a share of 50 percent. This year, sales are projected to grow by 15 percent due to the opening of more restaurants in the country, increased purchasing power, and increased employment of women (who have less time to cook). These three chains target young people (up to 35 years old) and socioeconomic levels A, B and C. Bambos owns 38 of the 74 fast food restaurants while McDonald's and Burger King own 21 and 15 restaurants respectively. These restaurants are located in seven cities: Lima, Huancayo, Trujillo, Arequipa, Piura, Cusco, and Chiclayo. The estimated consumption per person in the fast food industry ranges from S/. 3 to S/. 11 and fast food chains serve between 100,000 to 300,000 guests per day.

The U.S. niche market is constituted by high-end restaurants, some family style restaurants, coffee shops, and fast food chains. These restaurants commonly purchase between 10 to 20 percent of imported food products, usually in food ingredients (sauces, meats, processed fruit and vegetables, cheeses), specialties (pork products), wine and liquors.

Broiled chicken restaurants, locally called "pollerías" reach around 1,100 points of sale. Annual growth is 10 to 15 percent. Major "pollerías" account for seven food chains (120 outlets). These chains compete directly with supermarkets (30 percent market share). Delivery accounts for 35

percent of pollerías sales. Their target market is families and office employees. Purchases of chicken and French fries, the two most important ingredients, are mainly local but are good prospects for future U.S. exports.

Fast Food Chain profiles (2010)

Name of Restaurant	No. of Outlets	Food Sales (\$million)	City
Kentucky Fried Chicken Delosi S.A.	58	50	Lima, Trujillo, Arequipa, Chiclayo, Huancayo, Cuzco, Ica, Piura
Burger King Pizza Hut Sigdelo S.A.	15 24	38	Lima, Trujillo, Arequipa
Mc Donalds Operaciones Arcos Dorados de Peru S.A.	46	22	Lima, Trujillo, Cuzco, Arequipa
Bembos Burger Grill Bembos S.A.C.	52	26	Lima, Arequipa, Trujillo, Juliaca, Cuzco, Chiclayo, Piura
Domino's Pizza Comercializadora de Alimentos Latinos S.A.C.	25	5	Lima, Callao, Arequipa
Papa Johns Corporacion Peruana de Restaurantes S.A.	14	9	Lima, Trujillo

Note: Estimated values for 2010

Source: The 10,000 Major Companies in Peru (2010)

3. Institutional Contractors

1. This sub-sector accounts for approximately 16 percent of total food service sales with an estimated growth of 13 percent in 2010.

1. The potential market for U.S. products includes large caterers that supply airports and mining companies. These companies mainly use local products in their menus.

1. Vending machines and stores in mining camps require imported goods such as snacks, canned goods, and sweets that are supplied through local importers, wholesalers, distributors, or major caterers.

Major Peruvian Suppliers for the Food Service Sector (2010)

Company Name	Total Sales (\$Million)	Type of Company	Food Supply	Imported Food Products
Alicorp S.A.	1,315	Processor, importer, distributor	Pasta, wheat flour, margarine, food ingredients, mayonnaise, breakfast cereals, cookies, jelly, ice cream, sauces, pet food.	Wheat, wheat flour, edible oils, soy cake, sauces.
Gloria S.A.	712	Processor, importer, distributor	Dairy and pork products, juices, canned seafood.	Dairy ingredients, juices, lactose and other sugars.
Corporacion Jose R. Lindley	472	Processor, importer.	Sodas, juices.	Canned fruit, gelatin.

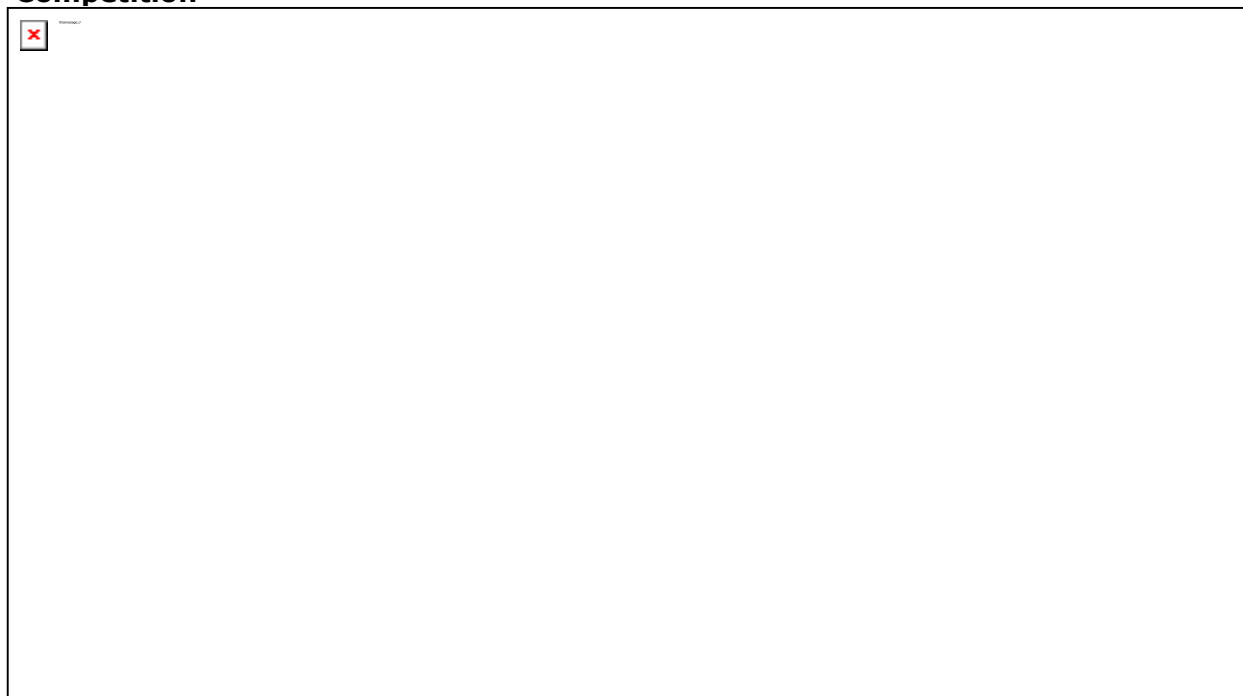
S.A.				
Química Suiza S.A.	393	Importer, distributor	Sweeteners, fishmeal, chocolate, wine, processed fruit.	Canned food, food ingredients, sweeteners, animal feed.
Deprodeca S.A.C	389	Distributor	Dairy Products, jellies, canned food,	
Nestle Peru S.A.	377	Processor, importer, distributor	Dairy products, soups and broths, infant formula, instant coffee and chocolate, breakfast cereal, cookies, chocolates, bakery goods.	Dairy ingredients, chocolate, infant formula, food preparations, baked goods, chicory extract, sauces, soup preparations.
Axur S.A.	158	Importer, Distributor	Canned Food, Food preparations, Bakery goods, Liquors	Canned fruit, bakery
G.W.Yi Chang & Cia S.A.	114	Importer, distributor	Canned fruits, canned seafood, chocolate, wine and spirits.	Canned fruits, canned seafood, chocolate, wine and spirits.
Laive S.A.	102	Processor, importer	Dairy and pork products,	Cheese, butter and pork products.
Kraft Foods Peru S.A.	90	Processor, importer, distributor	Cookies, juices, cheeses.	Cheese, sauces, bakery and dairy ingredients, chocolates.
Unilever Andina Peru S.A.	75	Processor, importer	Sauces, soups.	Sauces, soups.
Perufarma S.A.	71	Importer, distributor	Chocolate, confectionary, wine and liquors.	Chocolate, confectionary, wine and liquors.
Delosi S.A.	50	Fast food franchise	Hamburgers, salads.	French fries, bakery goods, sauces, cheese.
Sociedad Suizo Peruana de Embutidos S.A.	44	Processor, importer	Sausages, cheese.	Pork products, poultry, edible offals, cheese
Mayorsa S.A.	40	Wholesaler, importer	Peas and lentils, popcorn, canned fruit, starch.	Peas and lentils, popcorn, canned fruit, starch.
Sigdelo S.A.	38	Fast food chain	Hamburgers, pizza	Cheese, meat preparations, sauces, French fries, condiments
Braedt S.A.	33	Processor, importer, distributor.	Pork products, cheese.	Pork products, cheese, dairy ingredients, condiments.
Arcor del Peru S.A.	30	Processor, importer, distributor	Chocolate, confectionary, bakery goods, canned fruit.	Chocolate, confectionary, canned fruit, bakery goods, bakery ingredients.
Bembos S.A.C.	26	Fast food chain	Hamburgers	French fries, meat, cheeses
Diageo Peru S.A.	22	Importer, distributor	Liquors.	Liquors.
Drokasa Peru S.A.	17	Importer, distributor	Wine and liquors.	Wine and liquors.
Halema S.A.	15	Processor, importer	Processed meats, meats and edible offals.	Meats and edible offals.
Agro Corporacion S.A.C.	15	Processor, importer	Processed meats, meats and edible offals.	Meats and edible offals.

Oregon Foods S.A.C.	15	Importer, distributor	Processed meats, meats and edible offals, fresh fruits.	Meats and edible offals, fresh fruits.
Servicios Frigoríficos S.A.	10	Processor, importer, distributor	Processed meats, meats and edible offals.	Meats and edible offals.
L.S. Andina S.A.	7	Importer, distributor	French fries preserved, chocolates, sweeteners, confectionary, olive oil, baked goods	French fries preserved, chocolates, sweeteners, confectionary, olive oil, baked goods
KMC International S.A.C.	4	Importer, distributor	Microwave popcorn, soups, baked goods	Microwave popcorn, soups, baked goods.
Destileria Peruana S.A.	6	Processor, importer	Wholesalers, retailers, food service	Liquors.
L C e Hijos S.A.	6	Importer, distributor	Wine and liquors	Wine and liquors
Industrias Molitalia S.A.	4	Processor, importer, distributor.	Chocolates, pasta, confectionary, sauces.	Wheat.

Note: Total food imports are distributed between the three food sectors: HRI, Retail and Food Processing.

Source: The 10,000 Major Companies in Peru 2010 and Peru's Customs (Sunat)

Competition



Source: World Trade Atlas (2010)

- Peru gives tariff preferences to the Andean Community of Nations (CAN - Bolivia, Colombia and Ecuador), and to Mexico, Paraguay, Argentina, Brazil, Uruguay and Cuba.
- According to Peru's customs data, Peruvian imports of consumer-oriented foods grew to

\$745 million in 2010, up 36 percent from the 2009 level. The United States became the second largest supplier of this category, accounting the 14 percent of the market share. Although Chile is still leading the list, U.S. exports grew by 80 percent (\$107 million) in respect to 2009 which has certainly decreased the reach of Chile and has left Colombia as the third largest supplier of consumer-oriented goods.

- Peru's trade policy is oriented towards open markets. Peru has signed different commercial and trade agreements, while others have not entered into force yet and just a few still in negotiations:

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
Thailand	Third Protocol	To come into force
Japan	Economic Partnership Agreement	To come into force
European Union	Free Trade Agreement	To come into force
Costa Rica	Free Trade Agreement	To come into force
Panama	Free Trade Agreement	To come into 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 amongst 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 HRI Food Service Market in 2010

Product Category/ Net Imports	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
----------------------------------	----------------------	-----------------------------------	---

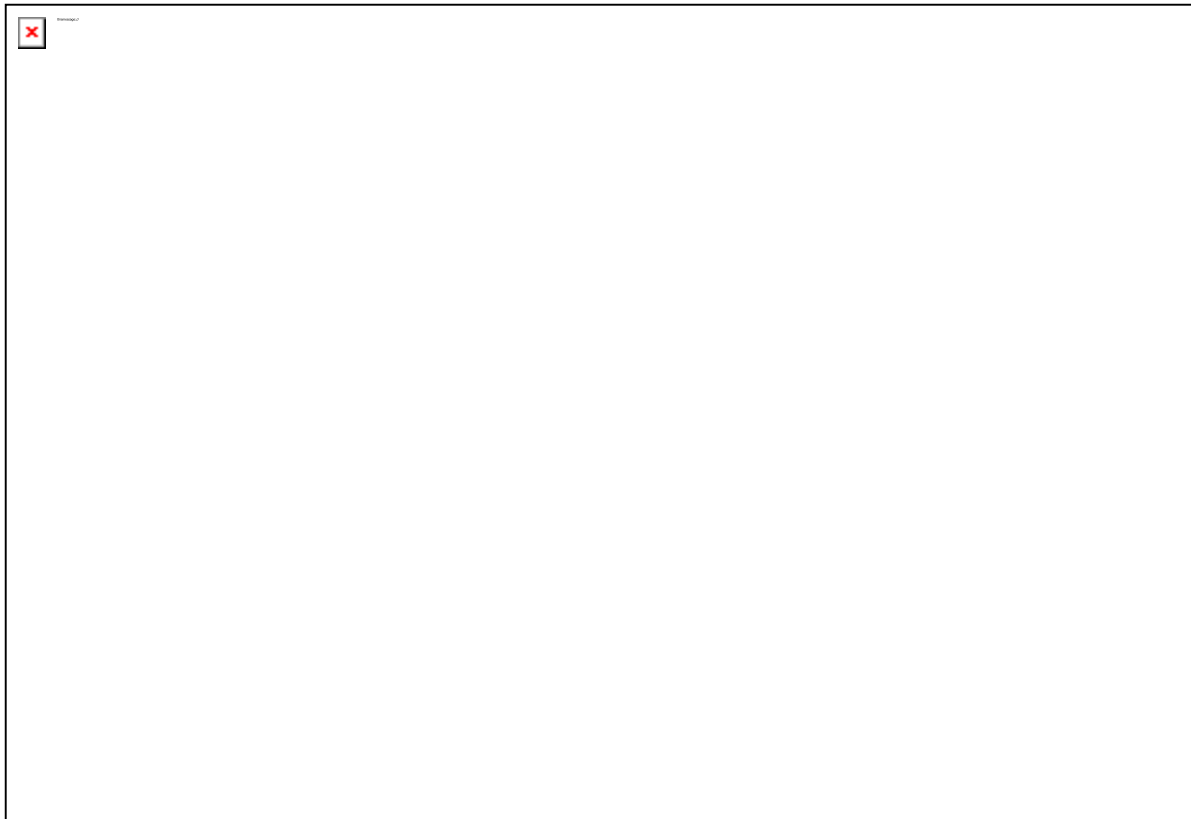
Dairy Products (Excl. Cheese) (\$127.85 million)	New Zealand: 31 percent U.S.: 21 percent Chile: 12 percent Bolivia: 12 percent Argentina: 6 percent	- New Zealand is a major supplier of dairy ingredients, especially HS 040210 milk accounting 36 percent of total imports.	- Only two companies are major producers of evaporated milk and yogurt.
Cheese 2,431 tons (\$11.59 million)	U.S.: 38 percent Argentina: 15 percent Uruguay: 15 percent Netherlands: 7 percent New Zealand: 7 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 19,505 tons (\$54.1 million)	Colombia: 52 percent Ecuador: 10 percent Chile: 7 percent U.S.: 7 percent 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 47,885 tons (\$65.93million)	Chile: 60 percent U.S.: 12 percent Argentina: 6 percent Netherlands: 4 percent Italy: 3 percent China: 3 percent	<ul style="list-style-type: none"> Chile sells at cheaper prices due to proximity and tariff preferences. - EU products are viewed as good quality. - Argentina has increased its potatoe exports and fruit jellies	- Local processors are major exporters, but their local supply is limited.
Fresh Fruits 69,174 tons (\$49.83 million)	Chile: 93 percent Argentina: 5 percent U.S.: 2 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 1,422,272 L (\$ 2.5 million)	U.S.: 31 percent Brazil: 23 percent Chile: 13 percent Argentina: 11 percent	- Chile has tariff and proximity advantages. - Brazil has increased its exports of pineapple juice	- Local brands are well positioned in the market at competitive prices.
Wine and Beer 17.42 Million liters (\$29.5 million)	Argentina: 41percent Chile: 22percent Spain: 11 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.

	Brazil: 8 percent Italy: 7percent France: 3 percent Ecuador: 3 percent U.S.: 2 percent		- Local wine is well positioned and price competitive, but does not satisfy demand.
Red Meats (fresh, chilled or frozen) 22,995 tons (\$45.67 million)	Brazil: 29 percent U.S.: 22 percent Chile: 14 percent Colombia: 11 percent Argentina: 11 percent Paraguay: 8 percent	- Major imports come from nearby countries. Colombia has grown very rapidly due to low prices.	- 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. - Local meat does not satisfy the demand.
Red Meats (prepared, preserved) 1,238 tons (\$5.00 million)	Chile: 29 percent Bolivia: 15 percent Argentina: 11 percent Spain: 11 percent Italia: 10percent U.S.: 8 percent Denmark: 8 percent	- 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 24,410 tons (\$29.32 million)	Brazil: 32 percent Chile: 25 percent U.S.: 20 percent Argentina: 16 percent Bolivia: 8 percent	- Imports of U.S. poultry products reopened in October 2006. - Brazil and Chile are major suppliers of poultry cuts.	- TRQ for U.S. chicken leg quarters - 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

IV. Best Products Prospects



Source: World Trade Atlas (2010)

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

Product/ Product Category	Market Size 2010 est.	Imports 2010	Average Annual Import Growth (2005- 10)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Cheese (HS 0406)	18,480 MT	2,341 tons (\$11.59 million)	14.4 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 2010, the United States was the first supplier with a market share of 38 percent. - TPA*: 17 years linear, 2,500 MT quota with 12 percent increase per

						year.
Confectionary – non chocolate (HS 1704)	N/A	14,492 tons (\$37.4 million)	16.1 percent	0 percent	- Major suppliers are Colombia(\$26 million) and Ecuador (\$4 million). - Local industry is strong. Major owners are foreign companies.	- United States represents 2 percent of total imports, however, U.S. imports grew 14% in 2010. .
Confectionary – chocolate (HS 1806)	N/A	3,663 tons (\$13.6 million)	12.2 percent	0 percent	- Chile is the major supplier (24 percent of MS). - Local industry is competitive.	- The U.S. is the second major supplier with 17 percent. The U.S. strength is in chocolate for the retail sector. Imports grew 46 percent in 2010.
Food Preparations (HS 210690)	N/A	14,229 tons (\$120 million)	16.4 percent	0 percent	- Local Production is strong - Chile is the major importer (33 percent).	- United States is the second largest supplier and holds 17 percent of market share. - In 2010 imports grew 28 percent.
Prime and choice beef (HS 020230)	Total beef and offals market: 274,425 MT	1,435 tons (\$5.73 million)	7.9 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 75 percent respect 2009 in this category - United States became the second largest beef supplier in 2010 and holds 25 percent of import market share
Edible Beef Offals (liver) (HS, 020622)	10,000 MT	3,911 tons (\$5.4 million)	16.4 percent	0 percent	Local production covers most of the market size.	- The United States holds 95 percent of import market.
Fruit and Vegetable juices (HS 2009)	N/A	14,222 hl (\$2.5 million)	30 percent	0 percent	- Brazil is the second largest supplier and holds 23 percent of market share in 2010.	U.S. imports grew 15 percent in 2010 and United States remains as the largest importer holding 31 percent of market share.
Pet foods (HS 230910)	45,000 MT	12,250 MT (\$13.84 million)	17.6 percent	0 percent	- Growing local pet industry. - There is an informal industry arising.	- The United States holds 22 percent of the market, with an 21 percent increase from 2009.

					- Colombia 42 percent), and Argentina (31 percent) are major competitors.	
Turkey (HS 020727)	13,000 MT	4,598 tons (7.6 million)	27.2 percent	6 percent	- Major exporters are Brazil (52 percent) and Chile (34 percent) followed by the United States with 14 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)	\$23,000 million	10,050 tons (\$8.53 million)	56.2 percent	TRQ: 13,997 tons 0 percent	- Strong local industry. - Frozen presentation is not common	- Peruvians are major consumers of poultry. - TRQ: 6 percent increase per year.
Bread, pastry, cookies (HS 1905)	N/A	4,449 tons (\$10.2 million)	21.1 percent	0 percent	- Colombia is the major import supplier and holds 22 percent of market share. Local companies are very strong.	United States holds 14 percent of import market share.
Soups & Broths (HS 2104)	N/A	1,152 tons (\$2.63 million)	20.6 percent	0 percent	- Local companies are very competitive	- United States grew 38 percent in 2010 and is the major import supplier in this category.holding 33 percent of import market share
Sauces (HS 2103)	N/A	5,557 tons (\$9.87 million)	15 percent,	0 percent	- Local companies are very competitive.	- United States grew 16 percent in 2010 and is the major import supplier in this category. Holding 32 percent of import market share
Nuts and almonds (HS 0802)	N/A	452 tons (\$2.7 million)	40 percent	0 percent	- Chile (37 percent of the market) is the second largest supplier.	- U.S. imports have grown 161 percent in respect to 2009. The United States is the major supplier with 61 percent of the import market. - Importers recognize that U.S. quality of nuts and almonds is better than competitors.
Wine	21	8.1	15.7 percent	0	- Argentina (53 percent), Chile	- There is a niche

(HS 2204)	million liters	million liters (\$24.87 million)		percent	(32 percent), and Spain (7 percent) are major exporters. - 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. Right now is above 1.3 liters.
-----------	-------------------	---	--	---------	--	---

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 2010	Average Annual Import Growth (2005-10)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Peaches, cherries and Nectarines (HS 0809)	2,968 tons (\$2.3 million)	13.6 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)	61,859 Tons \$44 million	20.2 percent	0 percent	- Chile is the major supplier with 92 percent of the market. - The United States is the third largest supplier with 2 percent of the market.	- 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)	6,633 tons (\$14.3 million)	22 percent	0 percent	- Chile holds almost 88 percent of the market.	- U.S. window: September to December. In 2010 U.S. imports reached \$1.1 million due to a less Chilean production.
Citrus (HS 0805)	35 tons \$30,546	-23 percent	2.4 percent	- Chile is the second major supplier with 40 percent of the market.	- United States holds 60 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)	3,005 tons (\$6.9 million)	63 percent	2.4 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 79 percent of the market and	- Pork imports are growing. - U.S. pork benefit from TPA implementation. -

				second is Canada with 15 percent	
Sausages (HS 1601)	547 tons (\$1.6 million)	28 percent	2.4 percent	- Major exporter is Chile with 44 percent of the market	- There is a high-end segment for gourmet sausages, in which the United States can compete. United States holds 19 percent of import market. Imports has grown 142 percent in 2010. Fast food restaurants are main channel for this category.
Ham, processed HS 160241	74 tons (\$0.84 million)	32 percent	3.42 percent	- Major suppliers are Italy (43 percent of the market) and Spain (39 percent).	- The United States has quality products to introduce to the gourmet market - TPA: 7 years U.S. imports grew 95 percent in 2010.
Beer (HS 2203)	8.9 million liters (\$4.5 million)	5.6 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. Brazil is the major supplier (53 percent of 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 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

C. Products not Present Because They Face Significant Barriers

None

Section V. Key Contacts and Further Information

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

U.S. Embassy Lima, Foreign Agricultural Service (FAS)
Mailing Address: Office of Agricultural Affairs, Unit 3785, APO AA 34031
Address: 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 and Retail Food Sector.

Ministry of Foreign Trade and Tourism (MINCETUR)

Minister: Jose Silva Martinot
Address: Calle Uno Oeste 050, Urb. Corpac, San Isidro, Lima 27
Phone: (511) 513-6100
Fax: (511) 224-3362
Web site: www.mincetur.gob.pe

Hotel and Restaurant Association (AHORA)

President: Fredy Gamarra
Address: Av. Benavides 881, Miraflores, Lima 18
Phone: (511) 444-4303
Fax: (511) 444-7825
E-mail: ahora@ahora-peru.com
Web site: www.ahora-peru.com

American Chamber of Commerce (AmCham Peru)

Executive Director: Aldo Defilippi
Address: Av. Ricardo Palma 836, Miraflores, Lima 18
Phone: (511) 705-8000
Fax: (511) 241-0709
E-mail: amcham@amcham.org.pe
Web site: www.amcham.org.pe