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Peru

Oilseeds and Products Annual

Annual

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Report Highlights:
Peru is the world's leading fishmeal exporter. Fishmeal production for MY2017/2018 is up 29 percent over the previous marketing year. China continues to the largest export destination for Peru's fishmeal, accounting for 76 percent of exports in 2017. Peru does not grow soybeans. Soybean meal imports for MY 2016/2017 and MY 2017/2018 are estimated down slightly from the USDA official estimates. Bolivia is the main supplier of soybean meal due to lower prices and financial transportation costs.

Executive Summary:

Peru is the largest fishmeal producer in the world, production in marketing year (MY) 2017/2018 (January-December 2018) is estimated at 1.3 MMT, 29 percent higher than the previous year. The second fishing season of 2017 was established in late November (2017) and ended on January 27, 2018; fish caught in this season was mostly processed and exported in early 2018. Accounting for 76 percent of market share in 2017, China remains the main market for Peru's fishmeal.

Soybean meal imports in MY 2017/2018 (January-December 2018) are estimated at 1.3 MMT, up four percent compared to the previous year. However, FAS Lima estimates for MY 2016/2017 and MY 2017/2018 are adjusted down slightly from USDA Official estimates. Peru does not grow soybeans in commercially significant quantities. With a 56 percent import market share, low-cost producer Bolivia remains Peru's main supplier of soybean meal, despite higher shipping costs than those offered by U.S. exporters.

Fish Meal

Production:

Meal, Fish	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jan 2017		Jan 2018		Jan 2019	
Peru	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Catch For Reduction	4500	4300	3200	3500	0	3500
Extr. Rate, 999.9999	0.2667	0.234	0.2344	0.372	0	0.27
Beginning Stocks	50	50	90	1	0	3
Production	1200	1006	750	1302	0	945
MY Imports	2	0	2	0	0	0
Total Supply	1252	1056	842	1303	0	948
MY Exports	1150	1043	750	1290	0	936
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	12	12	10	10	0	10
Total Dom. Cons.	12	12	10	10	0	10
Ending Stocks	90	1	82	3	0	2
Total Distribution	1252	1056	842	1303	0	948
(1000 MT) ,(PERCENT)						

Fishmeal production in marketing year (MY) 2017/2018 (January-December 2018) is estimated at 1.3 MMT, 29 percent higher than the previous year. This apparent increase is explained by the second fishing season of 2017 which was established in late November (2017) and ended on January 27, 2018. Fish caught in this season was mostly processed and exported in early 2018. Production in MY 2018/2019 is forecast at 945,000 MT.

Peru's total catch for anchovy (*Engraulis ringes*), commonly known as *anchoveta*, in MY 2016/2017 was 4.3 MMT, 23 percent higher than the previous year and the highest since 2011. Peru is attempting improve its domestic fishing industry regulation. Overfishing in previous years has adversely affected

Peruvian anchovy stocks. In the past, catch quotas were set at the 8.5 MMT level. However, in recent years quota sizes have been dropping steadily towards 3.5 to 4.0 MMT in an attempt to sustainably manage and rebuild stocks.

Peru has two major fishing seasons and two main anchovy fishing grounds off its coast. The first fishing season is April-July for the north central coast and February-June in the southern coast. The second fishing season is November-January in the North Central part of the country and July-December in the South. These are only "reference" fishing seasons since they may vary significantly depending on fish availability and size. For example, in CY 2014 the fishing authority decided not to approve a second fishing season due to the scarcity of fish and their reduced size. In 2017, the first fishing season began in April and the second season began in late November which is a testament of the determination of Peruvian authorities to preserve the resource.

The government seeks to achieve more sustainable yields by issuing individual quotas per vessel, as well as by restricting the number of fishmeal processing plant licenses that it issues. Peru also bans the catch of fish below a minimum threshold size of 12 centimeters (i.e. juveniles). These efforts have not succeeded in adequately protecting stocks. One of the key reasons why anchovy stocks continue to face pressure from overfishing is due to the exemption extended to small-scale/artisanal vessels (i.e. those with tonnages of up 10 MT) to fish year round within 10 nautical miles from the coast.

The small-scale/artisanal vessel catch is supposedly intended for low cost, direct human consumption. However, despite the government's efforts, most of this catch is channeled illicitly to more the profitable fishmeal processing industry. Troubling for the long-term health of this fishery is that poorly regulated small-scale/artisanal vessels normally operate where the bulk of anchovy spawning occurs and juveniles congregate.

Peru produces two fishmeal types or grades. Fair Average Quality (FAQ) fishmeal has a protein content ranging between 62 and 65 percent and is dried by direct heat. More valuable Prime Quality fishmeal, indirectly dried by steam, has a protein content of 66 to 67 percent. There are about 90 licensed fishmeal-processing plants in Peru. The country's fishing fleet numbers 984 vessels, of which 684 are steel haul boats with average storage capacity of 500 cubic meters. The remaining vessels are wooden with an average storage capacity of only 100 cubic meters. The fishing fleet's processing capacity is about 7,500 MT per hour, an amount that, if reached, would be four times greater than the permissible catch.

Consumption:

Local fishmeal consumption is insignificant, primarily used for shrimp production, and has little to no effect on the export market. Domestic consumption in MY 2018/2019 is forecast at 10,000 MT.

Domestic consumption is expected to remain steady, despite growing demand from northern Peru's shrimp farms, as high international prices channel domestic fishmeal production towards the more lucrative export market. Peru's own aquaculture feed demand is filled increasingly by more affordable, imported soybean meal.

Trade:

Peru is the largest fishmeal producer in the world, accounting for 16 percent of the world's production. Fishmeal exports in MY 2017/2018 are estimated at 1.3 MMT, increasing 24 percent compared to the previous year, again due to the second fishing season on 2017 being exported in early 2018. Average fishmeal price in 2017 was $1,411 per MT in MY 2016/2017, falling 10 percent compared to the previous year. Fishmeal is Peru's fourth largest export in value-terms, behind only gold, copper, and petroleum exports in importance. Total exports reached $1.14 billion in MY 2016/2017.

China will remain Peru's leading fishmeal export market for the foreseeable future. China alone absorbed 80 percent of Peru's MY 2016/2017 fishmeal exports. Other important markets are Germany, Vietnam, and Japan.

Export Trade Matrix (Metric Tons)	
Commodity	**Meal, Fish**
Time Period	**CY 2017**
Exports to:	
United States	806
Others	
China	806,310
Vietnam	50,314
Japan	38,883
Taiwan	28,729
Total for Others	924,236
Others not Listed	131,280
Grand Total:	**1,056,322**

Source: SUNAT (Peru Customs)

Policy:

Mounting concerns by the Ministry of Production over the declining fish stocks are forcing Peru to tighten its regulations. The Vice Ministry of Fisheries within the Ministry of Production oversees Peru's fisheries. Overfishing has forced the Ministry of Production to slash fishing quotas by 68 percent, and ban large-scale industrial anchovy fishing within 10 miles of Peru's coast. The Vice Minister for Fisheries recently made a decree for the establishment of boat specific quotas, as opposed to the current system of an overall fishing quota for the entire industry. Individual boat quotas are now set based on the vessel's historic catch record and its proven storage capabilities.

The Ministry of Production is responsible for enforcing the fishing quota. Its inspectors monitor the coast to prevent fish from being unloaded at processing plants during the fishing ban. During fishing season, inspectors monitor boats to ensure that allotted fishing quotas are not exceeded. Though these are important measures, there are still some non-registered plants and boats that operate illegally.

Fish Oil

Outlook:

Fish oil exports in MY 2017/2018 (January-December 2018) are estimated at 150,000 MT, increasing 13 percent compared to MY 2016/2017. Fish oil production volumes will vary significantly with water temperature. Under normal temperature conditions, the oil extraction rate ranges between 8 and 10 percent. However, in unusually warm years the extraction rate may fall as low as one percent. The ongoing La Niña weather phenomenon is bringing cooler waters to Peru's shores during the second half of CY 2017. The cooler water results in higher oil extraction rates because of the fishes' lower metabolism increasing stored fat. Fish oil exports in MY 2016/2017 were 133,012 MT.

Export Trade Matrix (Metric Tons)	
Commodity	**Oil, Fish**
Time Period	**CY 2017**
Exports to:	
United States	7,467
Others	
Denmark	31,021
Canada	27,002
China	27,794
Belgium	25,787
Total for Others	111,604
Others not Listed	13,941
Grand Total	133,012

Source: SUNAT (Peru Customs)

Denmark, Canada, China and Belgium are Peru's largest fish oil export destinations. These four countries alone absorbed over 83 percent of Peru's total fish oil exports in MY 2016/2017. Fish oil is an increasingly valuable feed ingredient for these countries' aquaculture industries.

Soybean Meal

Trade:

Meal, Soybean	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jan 2017		Jan 2018		Jan 2018	
Peru	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	2	2	2	2	0	2
Extr. Rate, 999.9999	1	0.5	1	0.5	0	0.5
Beginning Stocks	52	52	54	18	0	19
Production	2	1	2	1	0	1
MY Imports	1350	1255	1400	1300	0	1330
Total Supply	1404	1308	1456	1319	0	1350
MY Exports	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	1350	1290	1400	1300	0	1325
Total Dom. Cons.	1350	1290	1400	1300	0	1325
Ending Stocks	54	18	56	19	0	25

Total Distribution	1404	1308	1456	1319	0	1350
(1000 MT) ,(PERCENT)						

Soybean meal imports in MY 2017/2018 (January-December 2018) are estimated at 1.3 MMT, up four percent compared to the previous year. Peru does not grow soybeans in commercially significant quantities.

Consumption:

Soybean meal import demand is fueled by Peru's dynamic poultry industry. Peruvians currently consume about 55 million birds per month. Poultry meat constitutes one of Peru's most affordable sources of animal protein, and an estimated 1.7 MMT was consumed in CY 2017. Poultry consumption in Peru is estimated at 46 kilograms per capita, with consumption as high as 70 kilograms per capita in Lima. Soybean meal constitutes about 12 percent of total broiler rations in Peru's thousand plus poultry farms.

With a 56 percent import market share, low-cost producer Bolivia remains Peru's main supplier of soybean meal, despite higher shipping costs than those offered by U.S. exporters. U.S. soybean meal exports to Peru capturer 20 percent of the Peruvian market. U.S. soybean imports continue benefiting from a strong U.S. corn market, which allows logistical synergies. Soybean meal from all origins enters Peru duty-free.

Import Trade Matrix (Metric Tons)	
Commodity	**Soybean meal**
Time Period	**CY 2017**
Imports from:	
United States	254,121
Others	
Bolivia	697,529
Paraguay	198,905
Argentina	104,139
Total for Others	1,000,573
Others not Listed	491
Grand Total	1,255,185

Source: SUNAT (Peru Customs)

Soybeans

Peru imported 318,056 MT of soybeans in MY2016/2017 increasing 21 percent compared to the previous year. The U.S. was the lead soybean supplier with 44 percent of market share. Other important suppliers are Paraguay and Uruguay with 43 and 9 percent of market share respectively. Peru's soybean crushing capabilities are dedicated solely to producing full fat soybean meal for feed purposes

Soybean Oil

Outlook:
Soybean oil imports in MY 2017/2018 (January-December 2018) are expected at 470,000 MT, increasing 4 percent over the previous year. With a 90 percent import market share in 2017, Argentina remains Peru's main supplier of soybean oil due to competitive pricing. Imported soybean oil is refined and bottled locally for retail sale. U.S. soybean exports to Peru in MY 2016/2017 were almost none existent.

Import Trade Matrix (Metric Tons)	
Commodity	**Soybean oil**
Time Period	**CY 2017**
Imports from:	
United States	49
Others	
Argentina	406,962
Bolivia	21,982
Total for Others	428,944
Others not Listed	21,636
Grand Total	450,629

Soybean oil consumption will continue increasing in tandem with economic expansion. Peru's gross domestic product (GDP) is expected to grow at 4 percent in 2018.

Biotechnology

In 2012, Peru established a 10-year biotechnology moratorium on planting biotech crops and animals for reproductive purposes. This law eliminated Peru's biosafety protocol, which had been drafted and cleared by the Ministries of Agriculture and Environment.

Until this measure's passage, the biosafety protocol established the legal framework for the research, production, and trade of genetically engineered (GE) crops. While the moratorium excludes imported commodities such as corn and soybean meal, these products still must undergo a costly risk assessment to enter the Peruvian market.

Peru's Consumer Code includes mandatory labeling requirements for GE products. The initial draft of the regulation establishes mandatory labeling with no minimum threshold level, forcing food processors to determine the amount of GE content by input. There are at least 30,000 different products currently on Peruvian supermarket shelves that contain GE content. The Peruvian food-processing sector asserts that if the biotechnology labeling law is approved and enforced, the measure will impose an excessive burden on the industry.