

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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: 6/28/2018

GAIN Report Number:

Peru

Retail Foods

Convenience trend driving opportunities in Peru's market

Approved By:

Kirsten Luxbacher

Prepared By:

FAS Lima Team

Report Highlights:

Peru's food retail market has found its path to growth through compact store formats. The market currently holds over 450 convenience stores and 250 conventional supermarkets. The sector's strategy for growth includes expansion into Lima's lower-middle income districts. As a result, the retail food market's growth is projected at 4.3 percent for 2018.

Post:

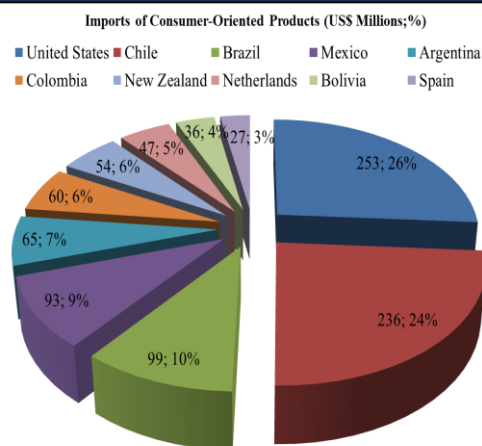
Lima

Market Fact Sheet: PERU

Executive Summary

For over a decade, Peru has been one of the world's top performing economies, registering sustained high growth accompanied by low inflation. Agriculture accounts for approximately five percent of Peru's GDP, but employs around 28 percent of the population. The U.S.-Peru Trade Promotion Agreement, which entered into force in February 2009, has increased bilateral trade of agricultural products from \$1.46 billion in 2009 to \$3.45 billion in 2017, an increase of 136 percent. More than two-thirds of current U.S. agricultural exports enter Peru duty-free. The United States remains the largest agricultural product supplier to Peru, accounting for 30 percent of market share.

Imports of Consumer-Oriented Products



Peru offers good opportunities for U.S. exporters of consumer-oriented agricultural products, but there are some challenges. The successful introduction of new to market food products depends on knowledge of the market and personal contact. Exporters should review Peru's food laws, packaging and labeling requirements, business practices, and trade-related laws and tariffs. Getting to know the potential importer and the local distribution system is critical.

Food Processing Industry

Peru's food processing industry is a dynamic sector of the national economy. The food industry in Peru accounts for almost 27 percent of the industrial GDP and sales are forecasted to reach \$14.3 billion by the end of 2017. Its growth is directly linked to the development of the food retail and food service sectors. Food product manufacturers source both domestic and imported

Food Retail Industry

product ingredients. Local processed food products cover 70 percent of the market demand.

There are three main supermarket chains in Peru: Cencosud (Wong and Metro), Saga Fallabella (Tottus) and Supermercados Peruanos (Vivanda and Plaza Vea). The market includes 250 conventional supermarkets and superstores, with 171 alone in Lima, and 450 convenience stores, with two outside of Lima. The sector is comprised of both conventional supermarkets and traditional channels (comprised of wet markets and independent stores). While different foods appear to perform better in the two formats, snacks, dairy, edible

Top 10 Growth Products in Peru

- | | |
|---|------------------------------------|
| 1. Fresh Cut Flowers | 6. Dates |
| 2. Fruit & Nuts Provisionally Preserved | 7. Linseed oil, refined. |
| 3. Nutmeg | 8. Vegetables Mixture, raw/cooked. |
| 4. Egg Yolks, dried | 9. Mixtures of Dried Fruits |
| 5. Hazelnuts or Fiberts | 10. Dairy Spreads. |

oils, confectionaries, breads and cookies do well in both.

Quick Facts CY 2017

Imports of Consumer-Oriented Products: \$263 Million

1. Food Exports: \$7.0 billions
2. Food Imports: \$5.7 billions
3. Domestic Market: \$14.3 billion
4. Retail: \$22 billion
5. Food Service: \$8 billion
6. Wet market: \$18 billion

Food Industry Gross Sales 2017: \$45.2 Billion

GDP/Population

Population (Millions): 32
GDP (Billions USD): 198
GDP Per-Capita (USD): 6,287

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
Strong demand for consumer food products.	Low penetration of modern food retail along the country
Opportunities	Threats
Growing middle class	Stiff competition from other countries in the region

Data and Information Sources: FAS Lima / Contact: FAS Li

SECTION I. Market Overview

The retail food sector in Peru is comprised of two segments: modern (supermarket stores, convenience stores and discount stores) and traditional (open markets and mom and pop stores). While the traditional channel holds over 80 percent of market share, the modern channel experienced a high rate of growth over the last 10 years. In 2018, growth in retail food sales is projected at 4.3 percent, reaching \$23.8 billion by the end of the year. Supermarkets have reported more sales because of the maturity of some of their outlets that opened in 2017, the development of convenience store formats and an aggressive discounting campaign to encourage sales.

There are three main supermarket chains in Peru: Cencosud (Wong and Metro), Saga Fallabella (Tottus) and Supermercados Peruanos (Vivanda and Plaza Vea). The market includes 250 conventional supermarkets and superstores (171 of which are located in Lima), and 450 convenience stores two of which are located outside of Lima and 172 discount stores, only 6 outside of Lima. A limiting factor for supermarket expansion, especially within Lima, is the lack of affordably priced land available for new, large store construction. As a result, food retailers have developed other formats, such as convenience and discount stores, to increase penetration and ensure competitive pricing. Last year, out of 70 new retail food outlets, only four were large store formats, the rest were convenience and discount stores.

The sector's expansion strategy aims to expand into Lima's lower-middle income districts. Convenience stores are the format of choice to achieve this objective. Tambo+ (Lindley Corporation) is the fastest growing chain and holds about 90 percent of market share or 200 stores. The second largest chain is Listo (Grupo Romero), with 110 locations. Listo stores are primarily attached to gas stations in Lima. Mass (Supermercados Peruanos) and Repshop (Repsol) currently have 105 and 100 locations, respectively. Convenience store sales are currently at about \$244 million per year, and are projected to double over the next five years.

The expansion of the modern retail channel has not been entirely detrimental to traditional channel growth. Competition between these modern and traditional channels occurs in specific categories mainly groceries. Peru's growing middle class enabled supermarket chains to expand rapidly over the past ten years. The traditional channel maintains a large consumer base formed by low and middle-income consumers. This channel offers a good mix of mid- and low-priced brands that are available in small packaging sizes to favor sales to people with a small daily budget. Proximity is also a highly weighted feature within this market segment.

Advantages and Challenges Facing U.S. Products in Peru

Advantages	Challenges
<ul style="list-style-type: none"> • The U.S.-Peru Trade Promotion Agreement (PTPA) grants duty-free access to two-thirds of all U.S.-origin food and agricultural products, including high-value food products. • Active supermarket industry that promotes increased demand for high-value food products. • Growth of new supermarket outlets in Lima’s suburbs and second tier cities. • Appreciation for U.S. food quality and culture. • Perception of modern retail outlets as cleaner, convenient, and time saving. • Increased health consciousness among the Peruvian population. • Middle-class expansion. 	<ul style="list-style-type: none"> • Consumers prefer to buy fresh produce in traditional markets. • Supermarkets, the main source of imported food products, account for only 30 percent of the retail food market share in Lima and 12 percent in the provinces. • New local food brands are appearing in the market at very low prices. • Provincial supermarkets are supplied by Lima-based companies-impacting freshness for some products. • Government organized food promotion campaign called “Buy Peruvian.” • Traditional markets dominate retail sales in secondary cities. • Domestic producers manufacture more affordable products that cater to local taste preferences.

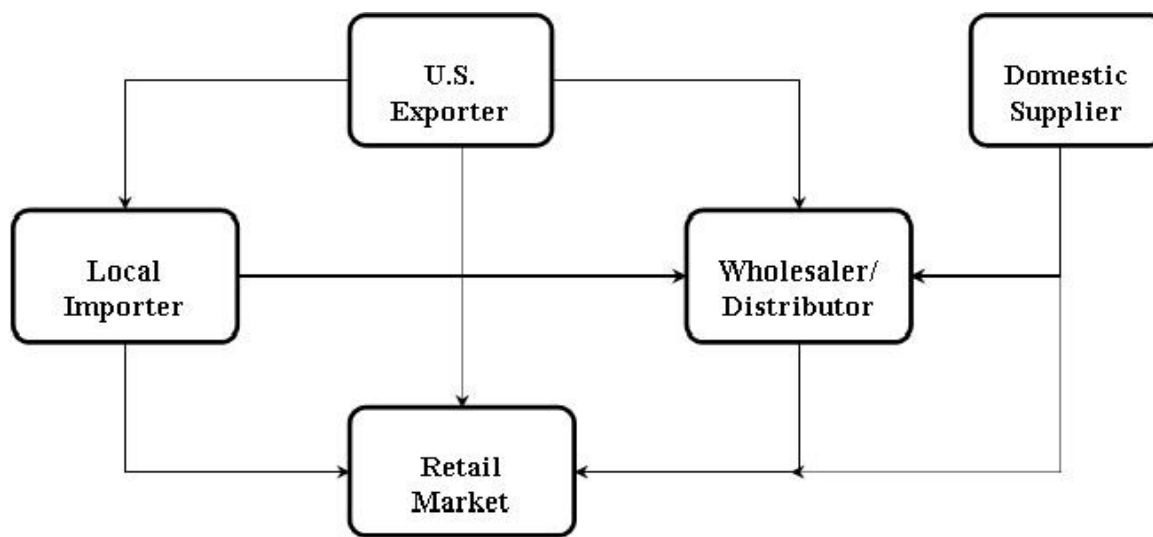
SECTION II. Road Map for Market Entry

Peru offers good opportunities for U.S. exporters of consumer-oriented agricultural products, but there are some challenges. The successful introduction of new food products depends on knowledge of the market and personal contact. Exporters should review Peru’s food laws, packaging and labeling requirements, business practices, and trade-related laws and tariffs. Getting to know the potential importer and the local distribution system is critical. FAS Lima can provide U.S. exporters assistance with local business practices and import regulations.

Entry Strategy

- Supermarket chains are the main means for reaching middle- and high-income consumers.
- Exporters should directly contact importers, wholesalers/distributors or supermarkets.
- U.S. exporters can approach convenience stores and supermarkets, stores through major suppliers (wholesalers/distributors).
- Be diligent when selecting a partner (an agent or a representative). Conduct a background check of the prospective partner before signing contractual agreements. Visits to Peru and in-person meetings are highly recommended.
- The local partner should provide updated information on consumer trends, and identify niche markets, possible market development activities, and business practices.

Market Structure



- Major supermarket chains are forceful negotiators.
- Suppliers to supermarkets offer a wide range of products.
- Major food importers/distributors supply all major supermarket chains and provincial retailers.
- Major supermarket chains will request product exclusivity.
- Food products are often imported in consolidated containers.
- Major supermarket chains import high-end products directly to earn higher margins.
- Distributors and wholesalers conduct frequent in-store promotional activities, assigning their own support personnel in each store.

Company Profiles

Table 1: Profiles of Major Supermarkets Chains (2018)

Retailer	Ownership	Sales* (\$ Million)	Market Share	Outlets	Location	Purchasing Agent Type
CENCOSUD	Chile	1,335	35 percent	80	10 Provinces including: Lima, Arequipa, Piura, Lambayeque and La Libertad	Direct Importers and Local Food Processors
Supermercados Peruanos	Peru	1,410	37 percent	268	14 provinces including Lima, Cusco, Arequipa and Piura	
Tottus	Chile	1,070	28 percent	74	11 Provinces including: Lima, Trujillo,	

					Chiclayo, Ica, Piura, Arequipa	
--	--	--	--	--	-----------------------------------	--

Source: FAS Lima / * Projections for 2018

Table 2: Outlets by Major Supermarket Chains (2018)

Retailer	Type of outlets	Number of outlets
CENCOSUD	Supermarkets Wong	18
	Super/Hyper Metro	62
Supermercados Peruanos	Vivanda	8
	Plaza Vea/ Plaza Vea Super	97
	MASS Stores	163
Tottus	Hypermarkets	64
	Supermarket	1
	Hiper Bodega – Precio Uno	10

Source: FAS Lima

SECTION III. Competition

Table 3: Peru, Free Trade and Cooperation Agreements (2018)

Country	Type	Status
Asia-Pacific Economic Cooperation - APEC	multilateral economic and trade forum	In force
Andean Community of Nations (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): Germany, Austria, Belgium, Bulgaria, Cyprus, Denmark, Slovakia, Slovenia, Estonia, Spain, Finland, France, Greece, Hungary, Ireland, Italy, Leetonia, Lithuania, Luxemburg, Malta, Netherlands, Poland, Portugal, UK, Czech Republic, Romania, Sweden.	Free Trade Agreement	In force
European Union	Free Trade Agreement	In force
Thailand	Third Protocol	In force
Japan	Economic Partnership Agreement	In force
Costa Rica	Free Trade Agreement	In force
Panama	Free Trade Agreement	In force
Venezuela	Economic Complementation Agreement	In force
The Pacific Alliance	Regional Trade Bloc	In force
Honduras	Free Trade Agreement	In force
Trans-Pacific Partnership (TPP)	Free Trade Agreement	Pending Ratification
Guatemala	Free Trade Agreement	Pending Ratification
Brazil	Free Trade Agreement	Pending Ratification
El Salvador	Free Trade Agreement	Under Negotiation
Turkey	Free Trade Agreement	Under Negotiation
India	Free Trade Agreement	Under Negotiation
Australia	Free Trade Agreement	Under Negotiation

Source: FAS Lima

U.S.-Peru Trade Promotion Agreement (PTPA): The U.S.-Peru Trade Promotion Agreement has been instrumental in boosting bilateral trade in food and agricultural products between the United States and Peru. Seven years after entering into force (February 1, 2009), trade between the two partners is at

record highs. From 2009 to 2016, U.S. exports of food and agricultural products to Peru grew almost 2.4 times from \$530 million to \$1.2 billion; with U.S. consumer-oriented product exports at \$232 million accounting for 18 percent of U.S. food exports to Peru. U.S. food and agricultural product exports to Peru are expected to grow by three percent in 2017. The PTPA strengthens U.S.-origin food and agricultural products’ competitiveness within the Peruvian market. High-end consumers are familiar with the quality of U.S. products. FAS Lima foresees exports of U.S.-origin consumer-oriented products to Peru becoming as important as U.S. bulk commodity exports in the next few years.

SECTION IV. Best Product Prospects Categories.

Product/ Product Category	2017 Market Size est.	2017 Imports	2011-16 Average Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for USA
Cheese (HS 0406)	27,750 MT	4,940 MT \$24 million	8%	0406.10, 0406.20, and 0406.40: 0% 0406.30 and 0406.90: 0%	- Competitors: Argentina (17% market share) and Chile (7% market share). - Strong preference for EU cheese at high-end HRI and Retail Sectors	- U.S. cheeses are used in the food processing sector, but have potential in the HRI and Retail Food Sectors. - The United States is the main supplier with a market share of 41 percent. - PTPA: 17 years linear, 2,500 MT quotas with 12 percent increase per annum.

Confectionary – Non Chocolate (HS 1704)	29,000 MT	17,100 MT \$43 million	0%	0%	- Competitors: Mexico and Colombia 39 and 28% market share respectively. - Strong local competition. Major owners are foreign companies	- Imports from the United States totaled \$1.8 million in 2017, or 4 percent of total imports.
Confectionary – chocolate (HS 1806)	22,500 MT	5,860 MT \$25 million	8%	0%	- Chile is the largest supplier (16% market share). - Local industry is competitive.	- The United States' strength is in chocolate for the retail sector. It holds a 15 percent market share.
Food Preparations (HS 2106.90)	N/A	21,000 MT \$189 million	10%	0%	- Local production is strong. Foreign companies are present in Peru.	- United States is the largest supplier and holds 20 percent of market share. - In 2017 imports from the U.S. are projected to grow 2 percent.
Prime and Choice Beef (HS 0202.30)	Total Beef and Offal Market: 295,000 MT	1,500 MT \$10 million	9%	0%	- Competition with quality beef cuts from Uruguay, Paraguay, Brazil and Bolivia	- Consumers' increased purchasing power is driving demand for high quality U.S. beef. - United States holds 43 percent market share of imported beef.

Edible Beef Offal (Liver) (HS 0206.22)	14,000 MT	4,500 MT \$5.0 million	-6%	0%	Local production covers most of the market	<ul style="list-style-type: none"> - The United States holds 77 percent of import market. - Government has initiated a campaign against childhood anemia.
Fruit & Vegetable Juices (HS 2009)	N/A	42,000 hl \$7.2 million	18%	0%	<ul style="list-style-type: none"> - Brazil is the second largest supplier with a market share of 24 percent. Mainly frozen juices. 	<ul style="list-style-type: none"> - U.S. is the largest supplier holding almost 34 percent of market share. - Healthy products are gaining popularity. - Growth of convenience store sector.
Pet Food (HS 2309.10)	52,000 MT	19,200 MT \$27.5 million	13%	0%	<ul style="list-style-type: none"> - Growing local pet food industry. - Major competitors: Argentina (30% market share), Brazil (24% market share) and Colombia (8% market share) 	<ul style="list-style-type: none"> - The United States holds a 27 percent import market share in the premium category. - The premium category comprises 25 percent of the market .

Turkey (HS 0207.27)	36,000 MT	9,200 MT \$12 million	18%	0%	<ul style="list-style-type: none"> - Major exporter is Brazil (79% market share) - Strong local poultry industry. 	<ul style="list-style-type: none"> - Peruvians are major consumers of turkey during the Christmas and New Year's holidays. - The food retail sector is growing in Lima and in the interior. -U.S. holds 21 percent share of import market share.
Poultry Meat Cuts (HS 0207.14)	1.5 Million MT	27.100 MT \$27 million	23%	TRQ: 22,211 MT 0%	<ul style="list-style-type: none"> - Strong local competition. - Frozen presentation is not common. - Brazil is the second largest supplier (44% market share) 	<ul style="list-style-type: none"> - Peru is a major poultry consumer. - TRQ: 6 percent increase per annum. - Food service channel is growing.
Bread, pastry, cookies (HS 1905)	N/A	10,700 MT \$25 Million	19%	0%	<ul style="list-style-type: none"> - Ecuador is the main supplier, with a 22 percent import market share. - Strong local competition. 	<ul style="list-style-type: none"> - United States holds 8 percent share of import market. - Frozen presentation is becoming attractive for HRI and Food Retail.
Soups & Broths (HS 2104)	N/A	1,150 MT \$2.5 million	-5%	0%	<ul style="list-style-type: none"> - Strong local competition. 	<ul style="list-style-type: none"> - United States is the largest supplier in this category holding 38 percent share of import market. Convenience stores sector is growing.

Sauces (HS 2103)	N/A	7,350 MT \$17 million	57%	0%	- Strong local competition.	- United States imports are projected to grow 12 percent in 2017 the U.S. is the top import supplier in this category, holding 31 percent share of import market.
Nuts and almonds (HS 0802)	N/A	1,400 MT \$11 million	26%	0%	- Chile is very competitive in almond and walnut production, holding a 37 percent of the market.	- Importers recognize that the quality of U.S. nuts and almonds. - U.S. exports are expected to grow 18 percent in 2017. The U.S became the largest supplier, holding 62 percent share of import market.
Wine (HS 2204)	50 million liters	8 million liters \$26 million	1%	0%	- Argentina (40% market share), Chile (29% market share), and Spain (15% market share). - Niche market for U.S. wines.	- Niche market for quality wines. - Peru's wine consumption is low but growing to 1.5 liters / person. - HRI sector is growing and demanding high value products.

Category B: Products Not Present in Significant Quantities, but with Good Sales Potential

Product/ Product Category	2017 Market Size Est.	2017 Imports	2011-16 Average Annual Import Growth	Import Tariff Rate	Key Constraints over Market Development	Market Attractiveness for the U.S.
---------------------------------	--------------------------------	-----------------	--	--------------------------	--	--

Peaches, Cherries and Nectarines (HS 0809)	8,500 MT	5,000 MT \$5 million	7%	0%	- Chile has 98 percent share of import market.	- Interest in U.S. peaches and nectarines. - Duty free access.
Apples and Pears (HS 0808)	75,000 MT	67,000 MT \$50 million	7%	0%	- Chile has 83 percent share of import market.	- Export window opportunity: Nov-Feb. - Recognized quality of U.S. apples and pears.
Grapes, Raisins (HS 0806.20)	10,000 MT	5,450 MT \$14 million	-2%	0%	- Chile has 63 percent share of import market.	- Export window opportunity: Sept-Dec.
Citrus (HS 0805)	130,000 MT	4,100 MT \$5 million	90%	0%	- Strong local competition.	- United States holds 84 percent of import market - Export window opportunity: Jan-March.
Pork Meat (HS 0203)	160,000 MT	8,500 MT \$19 million	21%	0%	- Strong local competition; production level of 160,000 MT. - Chile has 54 percent share of import market.	- U.S. pork benefits from PTPA implementation. - Beef importers can also import pork. Best quality and competitive prices.
Sausages (HS 1601)	18,000 MT	410 MT \$2 million	1%	0%	- Strong local competition.	- High-end gourmet offers best possibilities for U.S. product. - The United States holds a 66 percent of import market share - Fast food restaurants are the main channel.
Ham, processed HS 1602.41	115 MT	71 MT \$1 million	3%	0%	- Competitors: Italy (62% market share) and Spain (33% market share).	- High-end gourmet offers best possibilities for U.S. product.

Beer (HS 2203)	200 MM liters	15 million liters \$12 million	13%	0%	- Strong local competition. - Local breweries produce and import new brands. - Mexico with a 76 percent import market share is the top supplier.	- Niche market for U.S. premium craft beers - Per capita consumption increasing to 40 liters. - Duty free entrance. - Culinary development.
-------------------	---------------------	--	-----	----	--	--

Note: TRQ = Tariff Rate Quota. Latest full calendar year (January-December) data.

Sources: SUNAT, FAS Lima office research, Office of the U.S. Trade Representative (USTR), Ministry of Agriculture, Gestion and El Comercio (Peru) Newspapers.

Category C: Products not Present Because They Face Significant Barriers

None

SECTION VI. Key Contacts and Further Information

U.S. Embassy Lima, Foreign Agricultural Service (FAS) Office of Agricultural Affairs

Street Address: Avda. La Encalada, Cuadra 17, Monterrico - Surco, Lima 33

Phone: (511) 434-3042 | Fax: (511) 434-3043

E-mail: Aglima@usda.gov

For additional information, see www.fas.usda.gov. See also our “Exporter Guide” and the “Food and Agricultural Import Regulations and Standards” report available through the FAS Global Agricultural Information Network (GAIN) at this [link](#).