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Retail Foods

Peruvian Supermarket Expansion Boosts U.S. Export Opportunities

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Report Highlights:

Peru's retail food sales in calendar year (CY) 2013 reached \$20 billion, \$4 billion (or 20 percent) of which were in supermarket sales (up 10 percent compared to 2012). Roughly \$16 billion of all purchases occur within Lima alone. The food retail market includes 224 modern food stores (154 in Lima). Strong consumer demand is forecast for imported food and agricultural products in the short- to medium-term, driven by a growing middle class. The retail food product trade benefits from the reduction or tariff elimination that resulted after implementation of the U.S.-Peru Trade Promotion Agreement. U.S. consumer-oriented food exports to Peru in 2013 are at a record \$212 million, up \$148 million or 232 percent compared to CY 2009 levels. U.S. exports in CY 2014 (January-September) at \$167 million are already up 10 percent compared to CY 2013 levels.

Section I. Market Summary

President Ollanta Humala's administration will continue sound fiscal and monetary policies during 2015, despite economic growth slowing to 2.8 percent during the first eight months of 2014 (compared to average annual growth of 6.6 percent in 2010-13) and somewhat heightened political tension within the ruling Gana Peru party. In the run-up to the 2016 general elections, the administration is facing the short-term challenge of the sharp slowdown in economic growth. The ruling Gana Peru party currently retains only 36 seats in the national congress, just one more than the main opposition party Fuerza Popular (Fujimorist party), after seven of its legislators split from the party in July 2014.

Nonetheless, FAS Lima forecasts overall consumer demand for imported food and agricultural products in the short- to medium-term will remain strong, driven by a growing middle class. Total retail food sales in 2013 reached \$20 billion, \$4 billion (20 percent) of which were in supermarket sales (up 10 percent compared to 2012). Roughly \$16 billion (or 80 percent) of all purchases occur within Lima. Domestic consumption will benefit in the short- to medium-term from government stimulus measures aimed at boosting consumer spending and investor confidence. The national economy's heavy reliance on extractive mining, however, makes consumer and investor demand vulnerable to any prolonged price downswing for Peru's main export commodity, copper.

Although Lima accounts for one third of Peru's population of 30.1 million (Central Intelligence Agency estimate, July 2014), strong demand in the interior of the country is driving new supermarket openings. Cuzco, Ucayali, Huanuco, Moquegua and Cajamarca are being targeted by shopping center developers, utilizing supermarkets as anchor stores. The Peruvian Commercial Center Association (PCCA) reports the opening in 2013 of twelve new shopping centers with supermarket anchor stores, with eleven of these openings occurring outside of Lima. At the same time Lima saw the opening of six new standalone supermarkets, while the interior provinces saw the opening of three new standalone supermarkets. Demand is strongest for imported food products in the form of canned goods, packaged foods, and ready-to-eat meals.

Cuzco, with over 100,000 foreign visitors monthly, is Peru's preeminent tourist destination and as a result is seeing significant supermarket expansion to meet local and visitor food needs. The Inter-Corp Group finished construction in 2013 of the Real Plaza Shopping Center. This shopping center counts with a new 4,500 square meter Plaza Veja supermarket, Cuzco's largest store. Plaza Veja's large footprint facilitates the introduction of new products not previously present in Cuzco. Local consumers, long accustomed to the smaller traditional markets are adapting their purchasing habits to the modern supermarket format. First year sales totaling over \$30 million have exceeded initial projections. An additional Plaza Veja, as well as a Tottus (Saga Falabella Group) will also open towards the end of 2014. Peru's three major retailers (i.e., CENCOSUD, Supermercados Peruanos, and Hipermercados Tottus) are similarly planning new supermarket openings in nearby Ollantaytambo (the Sacred Valley).

The Peru's food retail market includes 224 modern retail food stores (154 in Lima). Modern grocery retailers such as supermarkets chains and convenience stores are expanding into Lima's lower-middle income districts as well. Modern retailers are benefitting from consumers' improved access to credit, enticing buyers with deep discounts on certain items when utilizing store credit cards.

The traditional channel includes corner grocery stores and open markets, which together account for 75 percent of all food purchase sales. These corner stores benefit from proximity to consumers, usually within walking distance of households. Catering primarily to lower-income groups, Peru's small independent grocers specialize in providing a mix of affordably priced goods in smaller retail package sizes.

Table 1: Peru, Food Retail Sales by Sub-Sector (\$ Million)

| Sub-Sector | 2011 | 2012 | 2013 |
|--|---------------|---------------|---------------|
| Supermarkets and hypermarkets | 3,390 | 3,790 | 4,169 |
| Traditional Channel (grocery stores, wet markets, convenient stores, etc.) | 13,560 | 15,161 | 16,276 |
| Total | 16,950 | 18,951 | 20,445 |

Source: FAS Lima office research.

According to industry sources, supermarket retailers continue to struggle to convince consumers to make in-store purchases of fresh produce. Consumers traditionally view supermarkets as sources for processed food products.

A limiting factor for modern supermarket retail expansion, especially within Lima, is the lack of affordably priced land available for new store construction. Limited land availability forces the development of compact supermarkets of less than 1,000 square meters. The smaller format is attracting customers more familiar with the convenience store format.

The consumer-oriented retail food product trade has benefitted from the [U.S.-Peru Trade Promotion Agreement \(PTPA\)](#). U.S. consumer-oriented food exports to Peru in 2013 have grown to a record \$212 million, up \$148 million or 232 percent compared to CY 2009 levels. U.S. exports in CY 2014 (January-September) at \$167 million are already up almost 10 percent compared to CY 2013 levels. With a market share of over 18 percent, the United States follows Chile as Peru's second largest supplier of consumer-oriented retail food products.

Best prospects for U.S. exporters within the consumer-oriented category are snacks foods, fruit and vegetable juices, fresh fruit (i.e., pears, apples, and grapes), and canned fruits and vegetables. Dairy products (especially cheese), beef and poultry meat and their byproducts, and pet food along with wine and liquor also offer strong possibilities.

Advantages and Challenges Facing U.S. Products in Peru

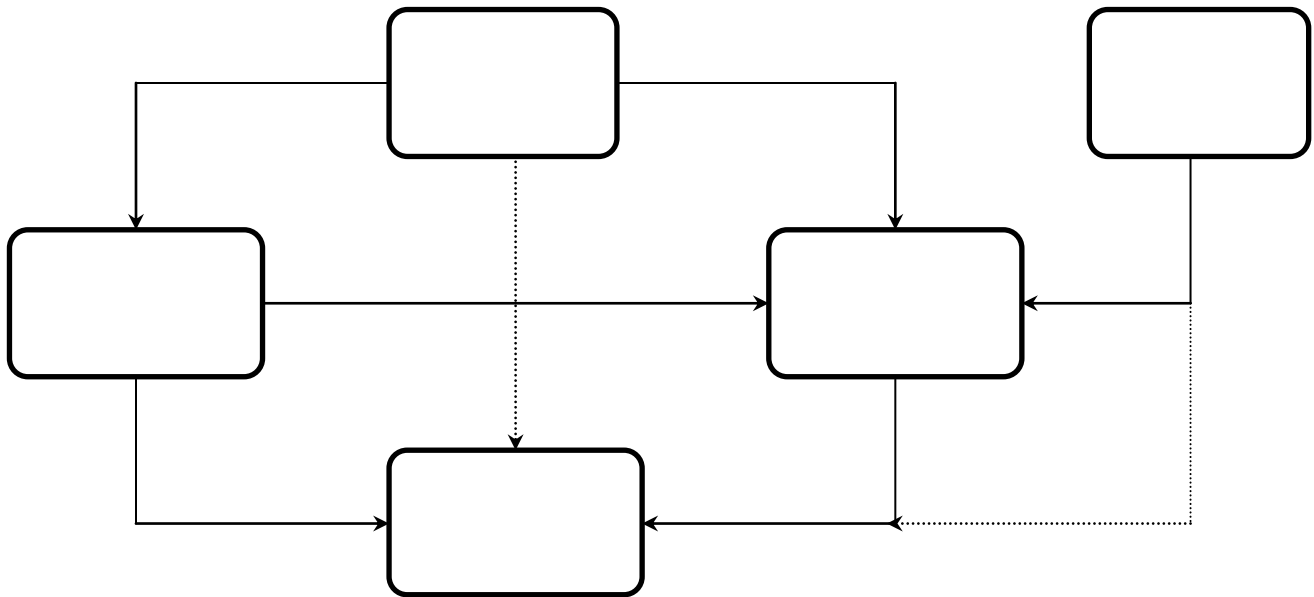
| Advantages | Challenges |
|---|---|
| <ul style="list-style-type: none">- The U.S.-Peru Trade Promotion Agreement (PTPA) grants duty-free access to two-thirds of all U.S.-origin food and agricultural products, including high-value food products.- An active supermarket industry that is promoting increased demand for high-value food products.- Growth of new supermarket outlets in Lima's suburbs of Lima and other 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 14 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.- Lack of brand awareness among some consumers.- Government organized food promotion campaign called "Buy Peruvian."- Traditional markets dominate retail sales in secondary cities.- Domestic producers manufacture more affordable product according to local taste preferences. |

Section II. Road Map for Market Entry

1. 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 Gas Marts, grocery and convenience stores through major suppliers (wholesalers/distributors).
- Be diligent when selecting a partner (an agent or a representative). Visits to Peru and meetings here are highly recommended. Conduct a background check of the prospective partner before signing permanent contractual arrangements.
- The local partner will provide updated information on consumer trends, as well as identify niche markets, possible market development activities, and business practices.

2. Market Structure



- Major supermarket chains are forceful negotiators.
- Supermarket suppliers supply 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.

3. Supermarkets, Hypermarkets

A. Company Profiles

Foreign imports account for approximately 10 percent of all consumer-oriented retail food products sold in Peruvian supermarkets. Private labels, often perceived as inferior product, accounts for 10 percent of total store sales.

Supermarket penetration, at 30 percent in Lima and 14 percent in the interior, is low by regional standards. In neighboring Chile, supermarket sales account for over 80 percent of total retail food sales. Similarly in Brazil and Colombia, supermarket sales account for 70 percent of total retail food sales.

Table 2: Profiles of Major Supermarkets Chains (2013)

| Retailer | Ownership | Sales (\$ Million) | Market Share | Outlets | Location | Purchasing Agent Type |
|------------------------|-----------|--------------------|--------------|---------|--|---|
| CENCOSUD | Chile | 1,667 | 40 percent | 93 | Lima, Trujillo, Amazonas, Chiclayo, Cajamarca, Arequipa, Ica | Direct Importers, Local Food Processors and Producers |
| Supermercados Peruanos | Peru | 1,459 | 35 percent | 93 | Lima, Trujillo, Chiclayo, Arequipa, Huancayo, Chimbote, Ica, Juliaca, Piura, Tacna | |
| Tottus | Chile | 1,042 | 25 percent | 39 | Lima, Trujillo, Chiclayo, Ica, Piura, Arequipa | |

Source: FAS Lima office research.

Table 3: Outlets by Major Supermarket Chains (2012)

| Retailer | Type of outlets | Number of outlets |
|------------------------|-------------------------|-------------------|
| CENCOSUD | Supermarkets Wong | 24 |
| | Super/Hyper Metro | 69 |
| Supermercados Peruanos | Vivanda | 8 |
| | Super / Hyper Plaza Vea | 77 |
| | MASS stores | 4 |
| | Economax | 4 |
| Tottus | Hypermarkets | 19 |
| | Hypermarket Compact | 12 |
| | Supermarket | 7 |

Source: FAS Lima office research.

Supermercados Peruanos (SPSA): This chain was established in 2004 when the Interbank Group acquired the Netherlands-based Disco Ahold International Holdings. Currently, IFH Retail Corp is the main shareholder of Supermercados Peruanos, while the Interbank Group retains financial control. Supermercados Peruanos reported sales in excess of \$1.4 billion in 2013, up 12 percent compared to 2012 levels thanks to the opening of 10 new stores. The chain's sales are growing at an annual rate of over 2 percent. The company operates 92 stores in Peru, of which 48 of these are located in the interior of the country. The company is in the process of building an additional 39 stores and taking over the premises of four CENCOSUD Metro stores in 2016 when the current leases expire.

Supermercados Peruanos – Store Profiles

- **Vivanda Supermarket:** Targets high-income consumers, offering specialized customer-oriented service. Vivanda maintains a customer loyalty card program.
- **Plaza Vea Supermarket and Market San Jorge:** This format replaced Santa Isabel stores. Launched in 2006, it is smaller in size than the Plaza Vea Hypermarket format, specializing only in food products. The strategy is to offer affordably priced products.
- **Plaza Vea Hypermarket:** Targets middle-income consumers offering a variety of products at affordable prices. This format has been chosen as the main format for the SPSA expansion plan.
- **Economax:** Launched in March 2011, Economax is the latest SPSA store type. Operating with limited sales floor space, the Economax format competes with convenience stores. There were seven stores by the end of 2012.
- **MASS:** A discount grocery stores offering a limited variety of products for mass consumers. The four stores in Lima compete with open markets.

Tottus Hypermarkets: Tottus is owned by the Saga Falabella Group (Chile). There are currently 42 Tottus stores throughout Peru. Although it is Peru's smallest supermarket chain, sales per square meter are equivalent to those of Peru's largest retailer CENCOSUD. Tottus is struggling to secure land within Lima to build larger stores. The challenges of building/operating hypermarkets will ultimately lead to reduced sales per square meter.

The Saga Falabella Group has located its Tottus stores alongside its SODIMAC Home Centers and Saga Falabella department stores. This strategy has facilitated the rapid build-up of sales in urban centers. The company offers quality, low priced products, centralized logistics and purchasing, improved inventory control, and ongoing management training. Tottus provides a store credit card that rewards customers with deep discounts; about 80 percent of purchases made at Tottus are made through the store credit card.

B. Local Consumer Profile

- Local consumers perceive imported products as providing more variety; local products are seen as a source of employment. Only one third of consumers care about product origin.
- Consumers tend to purchase affordably priced local products.
- Lima includes middle and high-income consumers (socio-economic levels A, B and C) and low-income consumers (socio-economic levels D and E).
- Supermarket market share of middle- and high-income consumers is about 80 percent. Expansion plans are targeting lower-income consumers.

- Middle and high-income consumers on average spend \$90 per week at supermarkets; low-income consumers spend roughly \$10 per week.
- Low-income consumers outnumber middle- and high-income consumers three to one. Supermarket chains are targeting the former to grow sales.

Table 4: Per, Lima City, Food Purchasing (2013)

| Lima City | Middle- and High-Income Consumers | Low-Income Consumers |
|----------------------------|--|--|
| Population | 2.1 million | 6.9 million |
| Families (number) | 0.4 million | 1.4 million |
| Family Income (monthly) | \$1,500 | \$320 |
| Food Expenditure (monthly) | \$310 | \$120 |
| Food Purchases (venue) | Supermarkets: 58 percent | Open markets: 73 percent |
| Supermarket Visits | Once a week | Once a month (prefer to visit open markets or small grocery stores daily). |

Source: Peru INEI (National Statistics and Information Institute), FAS Lima office research.

4. Convenience Stores and Gas Marts

Convenience store (i.e., grocery stores/bodegas) retail food sales continue their upward trend, notwithstanding growth in the modern food retail channel during the reporting period. The larger independent grocery stores are in the process of evolving into a more modern format, offering customers a wider offering of better displayed products. As these stores evolve into mini-markets, store owners are experiencing net income increases of about 10 percent.

Bodegas in Peru compliment supermarket sales. These grocery stores' proximity to consumers, rather than prices, ultimately influences purchase decisions. These stores nevertheless face an uncertain future as supermarkets shift to smaller formats in low to middle-income expansion target areas.

Service station retailers rely heavily on middle to high-income consumer impulse purchases, especially after-hours. These stores offer a limited selection of packaged food products, soft drinks, and alcoholic beverages, all sold at a substantial mark-up compared to supermarket prices. Service station stores sales on average increased by 5 percent during 2013.

5. Traditional Markets

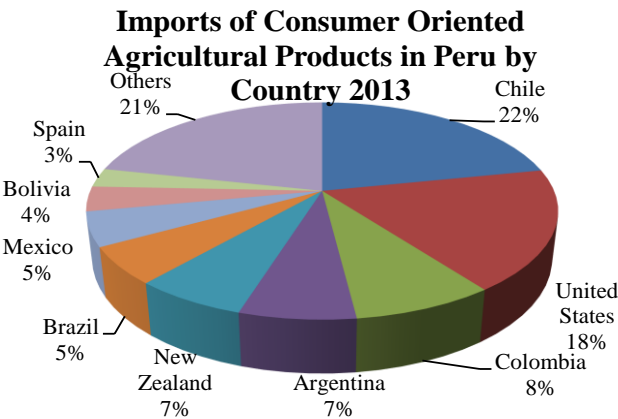
Sub-sector Profile

Traditional grocery retailers, with an 80 percent market share, are the most prevalent grocery channel in Peru. Traditional grocery retailers such as open markets, street vendors, and small grocery stores are widespread. In many rural areas, traditional grocers are the only outlet available for daily product

purchase needs. Most food products sold in traditional markets are locally produced, inexpensive, perishable products targeting low-income consumers.

Traditional markets include some 200,000 small grocery stores and 2,500 open markets. Lima alone has about 70,000 grocery stores and almost 1,250 open markets. In 2013, traditional grocers registered growth of around 5 percent.

Section III. Competition



Source: World Trade Atlas (2013)

- Peru grants tariff preferences to the Andean Community of Nations (Bolivia, Colombia and Ecuador), Mexico, Paraguay, Argentina, Brazil, Uruguay, and Cuba.
- Peru’s supports free trade in food and agricultural products, a party to 16 free trade and cooperation agreements and currently negotiating three new agreements.

Table 5: Peru, Free Trade and Cooperation Agreements (2014)

| Country | Type | Status |
|---|------------------------------------|----------|
| 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 |
| Guatemala | Free Trade Agreement | Under Negotiation |
| El Salvador | Free Trade Agreement | Under Negotiation |
| Honduras | Free Trade Agreement | Under Negotiation |

Source: FAS Lima office research.

Competitive Situation facing U.S. Suppliers in the Retail Market in 2013

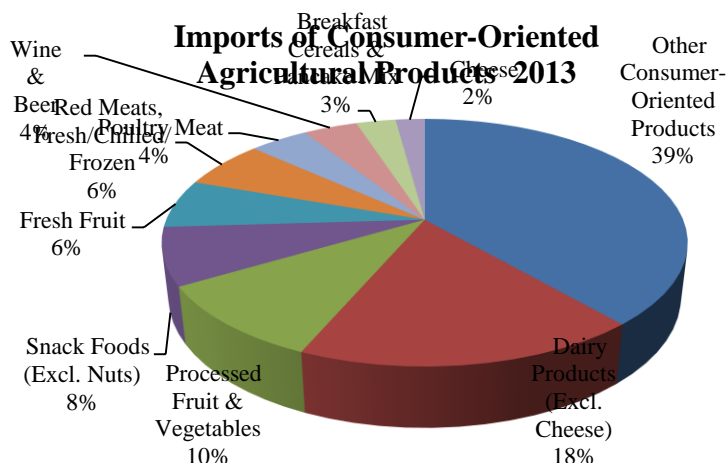
| Product Category/ Net Imports | Major Supply Sources | Strengths of Key Supply Countries | Advantages and Disadvantages of Local Suppliers |
|--|---|--|---|
| Dairy Products (excluding cheese) (\$231 million) | New Zealand: 45 percent USA.: 18 percent Bolivia: 6 percent UK: 5 percent Chile: 4 percent | - New Zealand is a major supplier of dairy ingredients, especially HS 040221 and 040210 and accounts for almost 80 percent of imports. | - Only two local companies are major producers of evaporated milk and yogurt. |
| Cheese 3,782 MT (\$18.23 million) | USA: 48 percent Argentina: 19 percent Netherlands: 6 percent New Zealand: 6 percent Uruguay: 5 percent percent | MERCOSUR members Argentina and Uruguay enjoy tariff preferences | - Local homemade cheeses are commonly sold. - Gourmet cheeses are not made locally. |
| Snack Foods (excluding nuts) 22,000 MT (\$71 million) | Colombia: 50 percent USA.: 8 percent Brazil: 7 percent Chile: 6 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 58,000 MT (\$90 million) | Chile: 55 percent USA: 10 percent Netherlands: 9 percent Argentina: 6 percent China: 4 percent | - Chilean products are more affordable due to proximity and tariff preferences. - EU products are viewed as good quality. - Netherlands has increased its potato preparations exports due to fast food growth. | - Local processors are major exporters, but their local supply is limited. |
| Fresh Fruits 78,000 MT (\$65 million) | Chile: 76 percent Argentina: 11 percent USA: 10 percent | - Chile is the main supplier because of proximity, price and duty free entrance. - Argentina supplies pears and apples from January to October. | - U.S. Export window of opportunity: November to February. - Local fruit sold in retail markets is of lower quality. |
| Fruit and vegetable juices 1.96 million liters (\$6 million) | USA: 32 percent Mexico: 20 percent Brazil: 20 percent Chile: 19 | - Chile has tariff and proximity advantages. - Mexico has increased its exports of lime juice | - Local brands are well positioned in the market at competitive prices. |

| | | | |
|--|---|---|--|
| | percent Argentina: 4 percent | | |
| Wine and Beer 21 million liters (\$43 million) | Argentina: 35 percent Chile: 20 percent Spain: 10 percent Italy: 10 percent Brazil: 10 percent France: 4 percent USA: 3 percent | - Proximity and recognized quality of Chilean and Argentinean wines. - Brazil is the major beer supplier. | - Major local breweries (market share of 95 percent) are well positioned, price competitive, and belong to international companies. - Local wine is well positioned and price competitive, but does not satisfy demand. |
| Red Meats (Fresh/Chilled/Frozen) 23,000 MT (\$61 million) | USA: 33 percent Brazil: 29 percent Chile: 17 percent Argentina: 11 percent Bolivia: 4 percent | - Neighboring countries export lower price cuts. - Offal accounts for 80 percent of Brazil's exports. | - The market for U.S.-origin meats reopened in October 2006. - U.S.-origin meat is seen as being superior in quality. - Peru imports three times more offal than meats. - Local meat production does not satisfy demand. |
| Red Meats (prepared, preserved) 1,480 MT (\$7 million) | Bolivia: 43 percent USA 13 percent Denmark: 11 percent Chile: 10 percent Italia: 9 percent Spain: 9 percent | - Bolivia exports in 2013 are up 14 percent compared to. Bolivian manufacturers have customized production according to local demand. | - The pork products industry also imports prepared meats. - U.S. product tariffs will decrease over the next 5 to 7 years. |
| Poultry Meat 27,000 MT (\$38 million) | Brazil: 31 percent USA 27 percent Chile: 25 percent Argentina: 11 percent Bolivia: 6 percent | - Brazil diversifies its supply including offal, turkey and chicken cuts - Chile is highly competitive in turkey cuts. | - Imports of U.S. poultry products reopened in October 2006. - 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, FAS Lima office research.

Section IV. Best Product Prospects



Source: World Trade Atlas (2013)

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

| Product/ Product Category | 2013 est. Market Size | 2013 Imports | 2008-13 Average Annual Import Growth | Import Tariff Rate | Key Constraints Over Market Development | Market Attractiveness for USA |
|---|--------------------------|----------------------------|--------------------------------------|---|---|---|
| Cheese (HS 0406) | 21,531 MT | 3,335 MT (\$16.3 million) | 23 percent | 040610, 040620, and 040640: 0 percent 040630 and 040690: 0 percent | - Competitors: Argentina (18 percent) and Netherlands (9 percent). - 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. - In 2013, the United States was the main supplier with a market share of 44 percent (62 percent growth). - PTPA: 17 years linear; 2,500 MT quota with 12 percent increase per annum. |
| Confectionary – non chocolate (HS 1704) | N/A | 15,647 MT (\$46.2 million) | 16.6 percent | 0 percent | - Competitors: Colombia (\$31 million) and Ecuador (\$3 million). - Strong local competition. Major owners are foreign companies. | - United States represents 2.5 percent of total imports. Total imports from the United States, however grew 57 percent in 2013. |
| Confectionary – chocolate (HS 1806) | N/A | 4,073 MT (\$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 2013. |
| Food Preparations (HS 210690) | N/A | 14,339 MT (\$131 million) | 16 percent | 0 percent | - Local production is strong. Alicorp is the main competitor. Foreign companies are present in Peru. - Chile is the major supplier, 33 percent. | - United States is the second largest supplier and holds 18 percent of market share. - In 2013 imports grew 18 percent. |
| Prime and Choice Beef (HS 020230) | Total Beef and offal market: 283,596 MT | 1,283 MT (\$7.3 million) | 16 percent | 0 percent | - Competition with quality beef cuts from Colombia, Argentina, Uruguay, Brazil, and Bolivia. | - Consumers' increased purchasing power is driving demand for high quality U.S. beef. - Imports from the United States grew 155 percent in 2013 compared to 2012. |
| Edible Beef Offal (liver) (HS 020622) | 10,000 MT | 3,924 MT (\$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 grew 30 percent in 2013. |
| Fruit & Vegetable Juices (HS 2009) | N/A | 14,299 hl (\$3.7 million) | 30 percent | 0 percent | - Brazil is the major supplier with a 2013 import market share of 38 percent. | Imports have grown 46 percent in respect to 2013. |
| Pet Foods (HS 230910) | 45,000 MT | 12,125 MT (\$14.9 million) | 18 percent | 0 percent | - Growing local pet industry. - Informal industry. - Major competitors: Colombia (37 percent) and Argentina (36 percent). | - The United States holds a 20 percent import market share. |
| Turkey (HS 020727) | 13,000 MT | 3,175 MT (\$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 the Christmas and New Year's holidays. - The food retail sector is growing in Lima and in the interior. - USAPEEC has initiated a market penetration plan. |
| Poultry Meat Cuts (HS 020714) | 98,000 MT | 9,208 MT (\$8.6 million) | 54 percent | TRQ: 15,117 MT 0 percent | - Strong local competition. - Frozen presentation is not common | - Peru is a major poultry consumer. - TRQ: 6 percent increase per annum. Only 15 percent of TRQ is being utilized. |
| Bread, pastry, cookies (HS 1905) | N/A | 3,841 MT (\$10.1 million) | 21 percent | 0 percent | - Colombia with a 32 percent import market share is the main supplier. - Strong local competition. | - United States holds 13 percent of import market share. HS 190590 represents 80 percent of total imports. |
| Soups & Broths | N/A | 1,353 MT | 21 percent | 0 percent | - Strong local competition. | - United States grew 12 percent in 2013 and is |

| | | | | | | |
|----------------------------|-------------------|------------------------------------|-------------|-----------|--|--|
| (HS 2104) | | (\$3.2 million) | | | | the major import supplier in this category holding 33 percent of import market share |
| Sauces (HS 2103) | N/A | 6,597 MT (\$12.7 million) | 19 percent, | 0 percent | - Strong local competition. | - United States grew 48 percent in 2013 and is the major import supplier in this category, holding 36 percent of import market share |
| Nuts and almonds (HS 0802) | N/A | 479 MT (\$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: HS = Harmonized Tariff System. TRQ = Tariff Rate Quota, on a first-come first-serve basis.

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

B. Products Not Present in Significant Quantities, but which have Good Sales Potential:

| Product/ Product Category | 2013 est. Market Size | 2013 Imports | 2008-13 Average Annual Import Growth | Import Tariff Rate | Key Constraints Over Market Development | Market Attractiveness for the U.S. |
|--|--------------------------|--------------------------|---|--------------------|---|---|
| Peaches, cherries and Nectarines (HS 0809) | 8,500MT | 4,379 MT (\$4.4 million) | 25 percent | 0 percent | - Neighboring Chile has a 99 percent import market share. | - Importers are interested in U.S. peaches and nectarines. - Duty free access for this category. |
| Apples and Pears (HS 0808) | 75,000 MT | 58,607 MT (\$54 million) | 15 percent | 0 percent | - Neighboring Chile has an 87 percent import market share. | - Export window opportunity: Nov-Feb. - Recognized quality of U.S. apples and pears. |
| Grapes, Raisins (HS 080620) | 8,900 MT | 5,876 MT (\$16 million) | 13 percent | 0 percent | - Neighboring Chile has a 95 percent import market share. | - Export window opportunity: Sept-Dec. |
| Citrus (HS 0805) | 120,000 MT | 4,027 MT \$4.3 million | 56 percent | 0 percent | - Neighboring Chile with a 5 percent import market share is the second major supplier. - Strong local competition. | - United States holds 95 percent of import market - Recognized quality of U.S. oranges and tangerines. |

| | | | | | | |
|--------------------------|---------------|------------------------------------|------------|-------------|---|---|
| | | | | | | - Export window opportunity: Jan-March. |
| Pork Meat (HS 0203) | 160,000 MT | 4,608 MT (\$13 million) | 52 percent | 5 percent | - Peruvians are not used to eating pork. - Strong local competition; production level of 100,000 MT. - Major poultry local producers are also pork producers. - Neighboring Chile has an 88 percent import market share. | - Pork imports are growing. - U.S. pork benefit from PTPA implementation. - Beef importers can also import pork. Best quality and competitive prices. - USMEF representative for the region. |
| Sausages (HS 1601) | 18,000 MT | 387 MT (\$1.7 million) | 14 percent | 0 percent | - Neighboring Chile with a 18 percent import market share is the main supplier - Strong local competition. | - High-end gourmet offers best possibilities for U.S. product. - The United States holds a 47 percent of import market share - Fast food restaurants are the main channel. |
| Ham, processed HS 160241 | 115 MT | 93 MT (\$1.2 million) | 31 percent | 3.6 percent | - Competitors: Italy (46 percent) and Spain (37 percent). | - High-end gourmet offers best possibilities for U.S. product |
| Beer (HS 2203) | 200 MM liters | 9.5 million liters (\$8.5 million) | 25 percent | 0 percent | - Strong local competition. - Local breweries produce and import new brands. - Brazil with a 50 percent import market share is the main supplier. | - Niche market for U.S. premium beers. - Per capita consumption increasing to 40 liters. - Duty free entrance. - Few U.S. brands. |

Note: TRQ = Tariff Rate Quota, on a first-come first-serve basis.

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

C. Products Not Present Because They Face Significant Barriers:

None.

Section V. Key Contacts and Further Information

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