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Retail Foods 2015 Annual

U.S. Foods' Golden Opportunities in the Land of the Incas

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Report Highlights:
FAS Lima foresees Peru's demand for imported food and agricultural products to remain good through the medium-term. Improving economic growth in 2016-19, will stimulate demand for U.S.-origin product. We expect 2015 total retail food sales reaching $19.5 billion; some $3.9 billion or about 20 percent will be in supermarket sales. Domestic consumption will benefit in the medium-term from government stimulus measures seeking to boost consumer spending and maintain investor confidence. Due to the U.S.-Peru Trade Promotion Agreement (PTPA), U.S. food products are experiencing import tariff reduction and elimination. U.S. consumer-oriented food exports to Peru in calendar year (CY) 2014 hit a record $240 million, up $29 million or up 116 percent compared to CY 2010 levels; U.S. consumer-oriented exports in CY 2015 (January-October) at $184 million are down however 3.5 percent from last year's record amount.

Section I. Market Summary

Peru's real gross domestic product (GDP) grew only 2.4 percent in 2014, sharply down from earlier projections of 5.5-5.6 percent. The slump is attributed to the fall in global metal prices (i.e., copper and gold), negatively affecting the country's export revenues. Peru's GDP is estimated to grow to 2.7 percent in 2015 and then to 3.6 percent in 2016. The mining and hydrocarbon sectors remain key drivers of the economy despite falling global metal prices related to weakening demand from China. Growth in 2016-17 will be boosted by the implementation of new infrastructure and mining projects. Peru's nominal GDP in 2015 is estimated at $189.5 billion, down 6.5 percent or off by $13 billion from 2014's level. Peru's nominal GDP is forecast to reach $195 billion in 2016. Downsize risks persist given Peru's vulnerability to weaker demand for its extractive export commodities (e.g., copper).

Prior to the economic slowdown commencing in 2014, Peru for over a decade had been one of the world's top performing economies; registering sustained high growth accompanied by low inflation. The Central Bank (Banco Central de Reserva del Perú – BCRP) has a core inflation band target of 1-3 percent, which Peru maintained through 2013. Peru's consumer price inflation reached 3.4 percent in 2014 and is estimated to average 3.4-3.5 percent in 2015. Adverse weather in the form of a strong-to-severe El Niño in 2015/16 could disrupt agricultural production and drive up food prices. Further currency depreciations will increase import costs and lead to inflation. The forecast is for economic growth gathering momentum and oil prices recovering slightly in the medium-term, inflation will remain above the BCRP's target level through 2016-19.

Sources indicate that Peru's food retail market will grow six percent in 2015 despite slower economic growth. The slowdown has led the unemployment rate reach 6.5 percent in the first half of 2015, leading to a lower domestic consumption of imported product. FAS Lima finds that retailers' expansion outside of Lima, along with aggressive discounting, has helped so far to maintain demand for imported products. Peru has a population of 30.4 million (Central Intelligence Agency – July 2015 estimate), of which a third resides in the capital city of Lima.

FAS Lima foresees Peru's demand for imported food and agricultural products to remain good through the medium-term. Improving economic growth in 2016-19, will stimulate demand for U.S.-origin product. We expect 2015 total retail food sales reaching $19.5 billion; some $3.9 billion or about 20 percent will be in supermarket sales. Domestic consumption will benefit in the medium-term from government stimulus measures seeking to boost consumer spending and maintain investor confidence.

Peru's food retail market includes 237 modern retail food stores, with 159 alone in Lima. Twelve new stores (five in Lima and seven in provinces) were opened in 2014, representing however the lowest growth in the past six years. Three stores have been opened in first half of 2015; six additional stores will be opened prior to the end of 2015. 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.

A limiting factor for modern supermarket retail expansion, especially within Lima, is the lack of affordably priced land available for new, large store construction. Supermarket chains consequently are expanding into the interior of the country in search of new opportunities.

Stores ranged from the 1,800-2,000 square meter sized more affordable Metro and Franco supermarkets to the 4,000 plus meter the Plaza Veas (high-end). Supermarket penetration, expressed in square meters per capita, is below that of neighboring countries. Chile for example counts with a supermarket penetration of 700 square meters per capita while Colombia to the north comes in at 340 square meters per capita. In contrast, Peru only counts with a penetration rate of 220 square meters per capita. Limited land availability is driving the development of compact supermarkets of less than 1,000 square meters. This format is highly attractive to customers familiar with the convenience store format.

Higher-end supermarkets carry U.S. liquors, processed food, sauces, fresh and frozen meats, as well as cheeses. Retailers indicate however that less than ten percent of their stock is imported product. Most supermarkets target both the A and B socio-economic consumer segments, which consider price and quality as key purchase determinants. High-end consumers are receptive to organic and gluten free products. Despite growing demand for modern supermarket style retail stores, some high-end supermarkets are encountering difficulties. For example, CENCOSUD recently converted a Wong supermarket store into a more affordable Metro supermarket format reportedly because of low average purchases.

The traditional channel includes corner grocery stores and open markets, which together account for 80 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 prices goods in smaller retail package sizes.

Logistics are problematic for food retailers outside of Lima. Purchase decision-making remains centralized in Lima, forcing imported product moving from the capital city out to the provinces. The Port of Callao located 15 kilometers from downtown Lima, is Peru's main commercial seaport and gateway for imported product. Roadways connecting to the port are normally snarled in traffic due to overtaxed infrastructure, rail service is limited.

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

Sub-Sector	2013	2014	2015e
Supermarkets and hypermarkets	3,340	3,675	3,892
Traditional Channel (grocery stores, wet markets, convenient stores, etc.)	15,555	16,704	15,568
Total	**18,895**	**20,379**	**19,460**

OBS: (e) = estimate.
Source: FAS Lima office research.

The consumer-oriented retail food product trade has benefitted from the [U.S.-Peru Trade Promotion Agreement (PTPA)](). The U.S.-Peru Trade Promotion Agreement has been instrumental in boosting bi-lateral 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 2014, U.S. exports of food and agricultural products to Peru double fold from $568 million to $1.2 billion; with U.S. consumer-oriented product exports at a record $240 million accounting for 19 percent of U.S. food exports to Peru. U.S. food and agricultural product exports to Peru are growing by three percent in 2015.

With a market share of 18 percent, the United States follows Chile as Peru's second largest supplier of consumer-oriented food products. Best prospects for U.S. exporters within the consumer-oriented category include snacks foods, fruit and vegetable juices, fresh fruit, and canned fruits and vegetables. Dairy products, especially cheese, along with beef and poultry meat and their byproducts, pet food, and wine and spirits also offer good possibilities.

Advantages and Challenges Facing U.S. Products in Peru

Advantages	Challenges
- 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.	- 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. - 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.

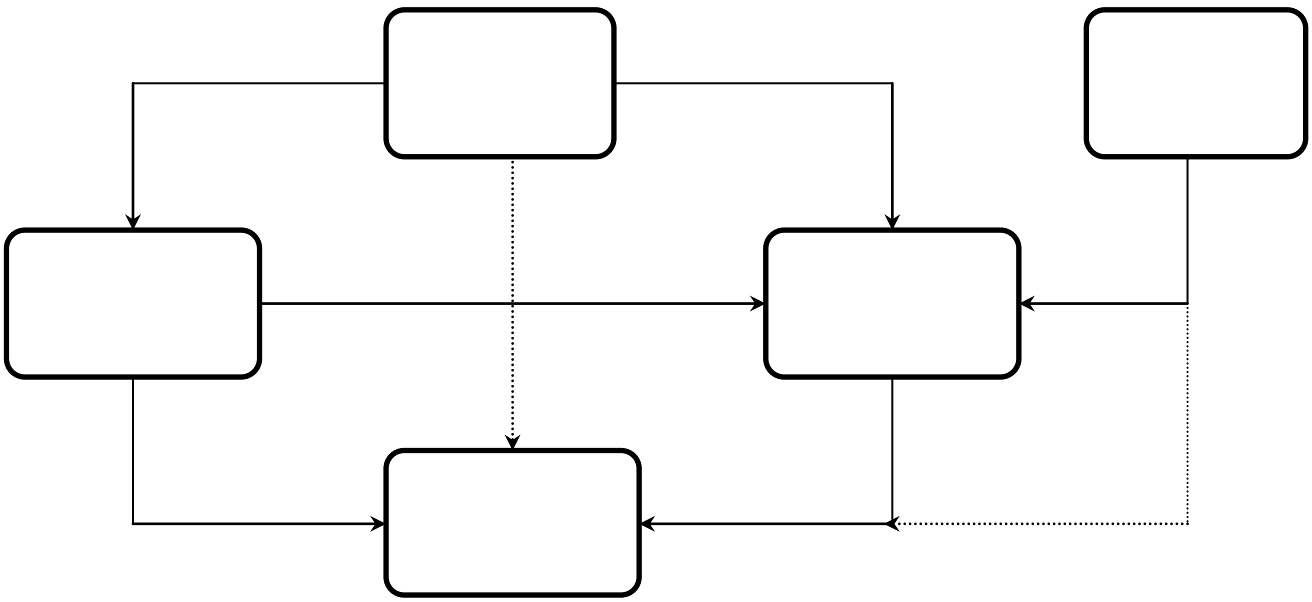
Section II. Road Map for Market Entry

Peru offers good opportunities for U.S. exporters of consumer-oriented agricultural products, there are however 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, as well as 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.

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 contractual agreements.
- The local partner should 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 10 percent of all consumer-oriented retail food products sold in Peru's supermarkets. Private labels, perceived as inferior product, account for 10 percent of total store sales. Supermarket penetration, at 30 percent in Lima and 12 percent in the interior, is low. In neighboring Chile, supermarket sales account for 80 percent of total retail food sales. In Brazil and Colombia, supermarket sales account for 70 percent of total retail food sales.

Table 2: Profiles of Major Supermarkets Chains (2015)

Retailer	Ownership	Sales ($ Million)	Market Share	Outlets	Location	Purchasing Agent Type

CENCOSUD	Chile	1,434	39 percent	89	Lima, Trujillo, Amazonas, Chiclayo, Cajamarca, Arequipa, Ica	
Supermercados Peruanos	Peru	1,249	34 percent	101	Lima, Trujillo, Chicalyo, Arequipa, Huancayo, Chimbote, Ica, Juliaca, Piura, Tacna	Direct Importers, Local Food Processors and Producers
Tottus	Chile	992	27 percent	49	Lima, Trujillo, Chiclayo, Ica, Piura, Arequipa	

Source: FAS Lima office research.

Table 3: Outlets by Major Supermarket Chains (2015)

Retailer	Type of outlets	Number of outlets
CENCOSUD	Supermarkets Wong Super/Hyper Metro	24 65
Supermercados Peruanos	Vivanda Plaza Vea/ Plaza Vea Super Plaza Vea Express MASS stores Economax	8 88 2 2 1
Tottus	Hypermarkets Hypermarket Compact Supermarket	30 12 7

Source: FAS Lima office research.

CENCOSUD Peru: CENCOSUD (Centros Comerciales Sudamericanos) is one of Latin America's largest retailers. It acquired Corporación Wong in its entirety in December 2007. CENCOSUD (Chile) reportedly paid $500 million for Wong. CENCOSUD has opted to keep the majority of Wong's branding. It has morphed its more affordable Almacenes Eco into its "Metro" format. Wong continues to target high-end consumers with personalized customer service and a wide variety of imported products. Metro supermarkets, targeting middle-class consumers, remain affordably priced. Metro hypermarkets are self-service, targeting price sensitive low-income customers.

- Almost 70 percent of imported products are sold through Wong supermarkets.
- CENCOSUD counts with a 39 percent of market share. CENCOSUD, through Banco Paris, provides consumer lending and credit card services.

Supermercados Peruanos (SPSA): The chain was established in 2004 when the Interbank Group acquired the Netherlands-based Disco Ahold International Holdings. IFH Retail Corp is Supermercados Peruanos main shareholder; the Interbank Group retains financial control. Supermercados Peruanos reported sales in excess of $1.2 billion in 2014, up 12 percent compared to 2013 levels thanks to the opening of six new stores. The company operates 101 stores in Peru, of which 48 of these are located in the interior of the country.

- **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.
- **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. **MASS:** A discount grocery store format that offers a limited variety of products for mass consumers. The four MASS stores in Lima compete with open markets.

Tottus Hypermarkets: Saga Falabella Group (Chile) owns and operates Tottus. There are 49 Tottus stores throughout Peru. Although it is Peru's smallest supermarket chain, sales per square meter are equivalent to those of CENCOSUD. Tottus is struggling to secure land within Lima to build larger stores. To maximize the return on available land Saga Falabella is locating Tottus stores alongside its SODIMAC Home Centers and Saga Falabella department stores. The strategy is facilitating the rapid build-up of sales in urban areas. The company offers quality, low priced products, centralized logistics and purchasing, improved inventory control, and ongoing management training. Its store credit card rewards customers with discounts on purchases; about 80 percent of purchases made at Tottus are made through its store credit card.

B. Local Consumer Profile

- Local consumers perceive imports as higher quality, more varied products; local products are seen as a source of employment. A 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 out number middle- and high-income consumers three to one. Supermarket chains are targeting the former to grow sales.

Table 4: Per, Lima City, Food Purchasing (2015)

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. Their proximity to consumers, rather than prices, influence purchases. These stores nevertheless face an uncertain future as supermarkets shift to smaller, more compact 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 five percent during 2014.

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 2014, traditional grocers registered growth of around five percent.

Section III. Competition

Table 5: Peru, Free Trade and Cooperation Agreements (2015)

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
Trans-Pacific Partnership (TPP)	Free Trade Agreement	Pending Ratification
Guatemala	Free Trade Agreement	Under Negotiation
El Salvador	Free Trade Agreement	Under Negotiation
Honduras	Free Trade Agreement	Under Negotiation

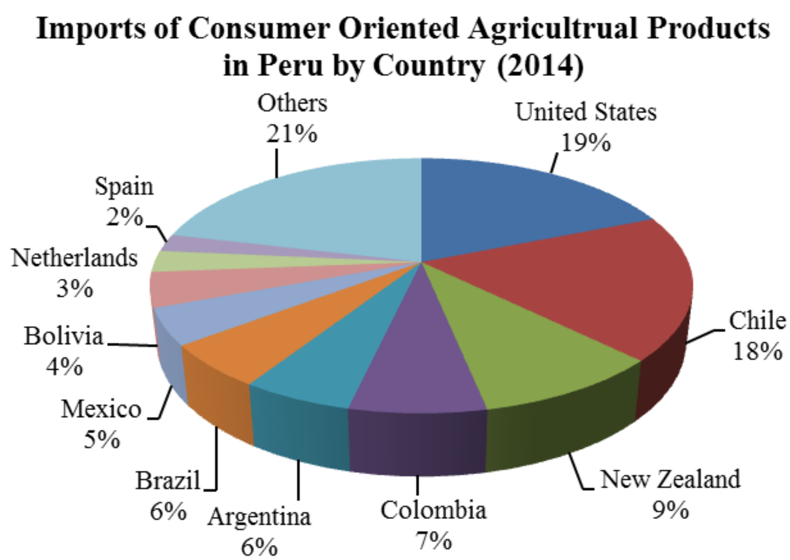
Source: FAS Lima office research.

U.S.-Peru Trade Promotion Agreement (PTPA): The U.S.-Peru Trade Promotion Agreement has been instrumental in boosting bi-lateral 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 2014, U.S. exports of food and agricultural products to Peru double fold from $568 million to $1.2 billion; with U.S. consumer-oriented product exports at a record $240 million accounting for 19 percent of U.S. food exports to Peru. U.S. food and agricultural product exports to Peru are growing by three percent in 2015.

- The U.S.-Peru Trade Promotion Agreement 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.

Trans-Pacific Partnership: The Trans-Pacific Partnership (TPP) agreement's final text released on November 5, 2015, is accompanied by a joint declaration on macro-economic policy agreed to by the twelve signatories. Trans-Pacific Partnership country lawmakers now need to ratify the deal. The TPP doubles-down on what is already working in the U.S.-Peru Trade Promotion Agreement. Due to the PTPA bilateral food and agricultural products trade from 2009 to 2014 jumped from $1.46 billion to $3.17 billion – up 117 percent. The agreement has allowed U.S. exports of food and agricultural products to Peru to grow during this period from $530.3 million to $1.28 billion – a 143 percent increase.



Source: World Trade Atlas (2014), FAS Lima office research.

- Peru grants tariff preferences to fellow Andean Community (i.e., Bolivia, Colombia and Ecuador) members, as well as to Mexico, Paraguay, Argentina, Brazil, Uruguay, and Cuba.
- Peru is a strong proponent of free trade in food and agricultural products.

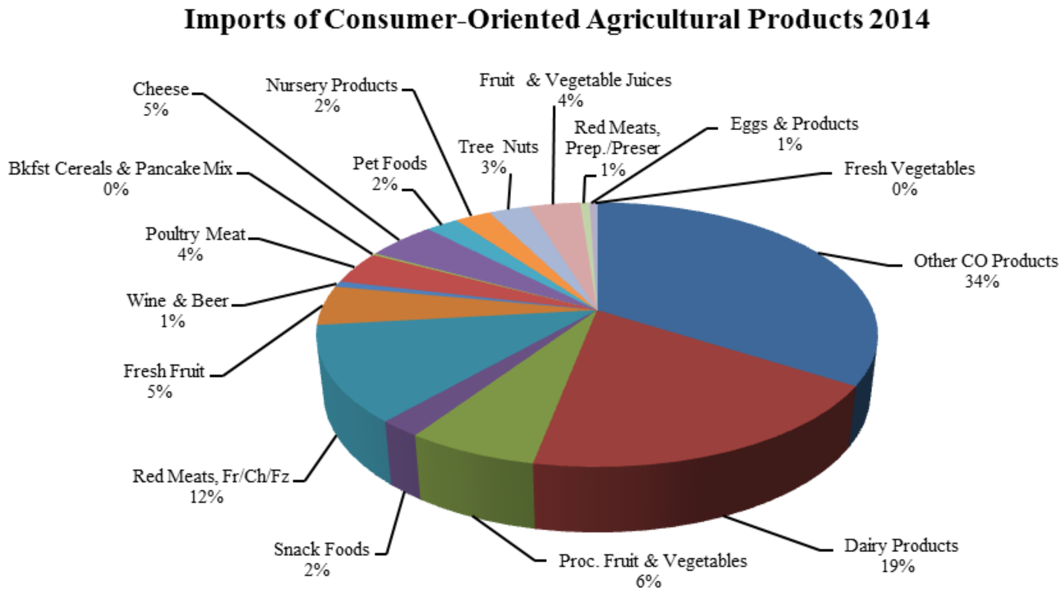
Table 6: Peru, Competitive Situation (2014)

Product Category/ Net Imports	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Dairy Products (excluding cheese) ($311 million)	New Zealand: 37 percent USA: 19 percent Bolivia: 12 percent UK: 7 percent Ireland: 6 percent	New Zealand is a major supplier of dairy ingredients, especially HS 0402.21 and 0402.10 and accounts for almost 70 percent of imports.	- Only two local companies are major producers of evaporated milk and yogurt.
Cheese 4,394 MT ($24 million)	USA: 48 percent Argentina: 23 percent Netherlands: 6 percent Uruguay: 5 percent Italy: 4 percent	MERCOSUR members Argentina and Uruguay enjoy tariff preferences, especially under HS 0406.90.	- Local homemade cheeses are commonly sold. - Gourmet cheeses are not made locally.
Snack Foods (excluding nuts) 26,000 MT ($81 million)	Colombia: 47 percent Brazil: 10 percent China: 6 percent USA: 6 percent Argentina: 4 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 67,196 MT ($111 million)	Chile: 43 percent USA: 14 percent Netherlands:10 percent Belgium: 7 percent Greece: 6 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 77,313 MT ($69 million)	Chile: 70 percent USA: 17 percent Argentina: 12 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 2.0 million liters ($11 million)	USA: 79 percent Brazil: 7 percent Argentina: 4 percent Chile: 3 percent	- Although the United States controls the bulk of fruit and vegetable juice imports, Brazil however enjoys a 93 percent market share in frozen orange juice.	- Local brands are well positioned in the market at competitive prices.
Wine and Beer 16 million liters ($44 million)	Argentina: 33percent Chile: 23 percent Italy: 13 percent Spain: 12 percent USA: 4 percent	- Argentine and Chilean wines benefit from proximity, recognized quality, and pricing advantages.	- 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 ($72 million)	USA: 39 percent Chile: 18 percent Bolivia: 12 percent Argentina: 10 percent Brazil: 6 percent	- Neighboring countries export lower price cuts. Chile, benefitting from proximity and pricing, holds 85 percent of imported pork meat market.	- 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) 1,350 MT ($8 million)	Bolivia: 40 percent USA: 20 percent Spain: 13 percent Italy: 10 percent Denmark: 8 percent	- Bolivia exports in 2014 are up 4 percent compared to 2013. Bolivian manufacturers have customized production according to local demand, making inroads with fast food franchises.	- The pork products industry also imports prepared meats. - U.S. product tariffs will decrease over the next 5 years.
Poultry Meat 29,000 MT ($43 million)	Brazil: 52 percent USA: 23 percent Argentina: 17 percent Bolivia: 6 percent Chile: 2 percent	- Brazil diversifies its supply including offal, turkey and chicken cuts - Almost 95 percent of Argentine exports are offal.	- 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.

OBS: Latest full calendar year (January-December) data.
Source: World Trade Atlas, FAS Lima office research.

Section IV. Best Product Prospects



Note: Calculations based on latest full calendar year (January-December) data.
Source: World Trade Atlas, FAS Lima office research.

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

Product/ Product Category	2014 Market Size est.	2014 Imports	2009-14 Average Annual Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for USA
Cheese (HS 0406)	24,956 MT	4,394 MT $24 million	14%	0406.10, 0406.20, and 0406.40: 0% 0406.30 and 0406.90: 0%	- Competitors: Argentina (23 percent) and Netherlands (6 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. - The United States is the main supplier with a market share of 48 percent (18 percent growth). - PTPA: 17 years linear; 2,500 MT quotas with 12 percent increase per annum.
Confectionary – Non Chocolate (HS 1704)	24,000 MT	17,458 MT $48 million	13%	0%	- Competitors: Colombia ($32 million China ($4 million). - Strong local competition. Major owners are foreign companies	- United States 3 percent of total imports. Total imports from the United States $1.3 million in 2014.
Confectionary – chocolate (HS 1806)	24,500 MT	5,548 MT $25 million	15%	0%	- USA is the largest supplier (14 percent of market share). - Local industry is competitive	- The United States' strength is in chocolate for the retail sector.

Food Preparations (HS 2106.90)	N/A	19,000 MT $180 million	18%	0%	- Local production is strong. ALICORP is the main competitor. Foreign companies are present in Peru.	- United States is the largest supplier and holds 23 percent of market share. - In 2014 imports grew 38 percent.
Prime and Choice Beef (HS 0202.30)	Total Beef and Offal Market: 296,782 MT	2,000 MT $13 million	41%	0%	- Competition with quality beef cuts from Bolivia, Argentina and Uruguay	- Consumers' increased purchasing power is driving demand for high quality U.S. beef. - United States holds 47 percent market share of imported beef.
Edible Beef Offal (Liver) (HS 0206.22)	12,000 MT	4,142 MT $5.5 million	0%	0%	Local production covers most of the market size	- The United States holds 67 percent of import market.
Fruit & Vegetable Juices (HS 2009)	N/A	20,636 hl $10.9 million	54%	0%	- Brazil is the second largest supplier with a 2014 import market share of 7 percent	U.S. is the largest supplier Imports have grown 258 percent in respect to 2013. U.S. holds almost 80 of market share.
Pet Foods (HS 2309.10)	46,000 MT	16,244 MT $22.4 million	12%	0%	- Growing local pet industry. - Informal industry. - Major competitors: Argentina (49 percent) and Colombia (15 percent)	- The United States holds a 24 percent import market share.
Turkey (HS 0207.27)	36,000 MT	7,055 MT $6.5 million	8%	0%	- Major exporter is Brazil (84 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. U.S. holds 14 percent of import market share.
Poultry Meat Cuts (HS 0207.14)	1.8 Million MT	10,949 MT $11 million	45%	TRQ: 15,117 MT 0%	- Strong local competition. - Frozen presentation is not common. - Brazil is the second largest supplier (26 percent)	- 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	5,789 MT $17.6 Million	7%	0%	- Colombia with a 26 percent import market share is the main supplier. - Strong local competition.	- United States holds 14 percent of import market share.
Soups & Broths	N/A	1,279 MT	9%	0%	- Strong local competition.	- United States is the major import supplier in

(HS 2104)		$4 million			- Chile is the second largest supplier (30 percent)	this category holding 31 percent of import market share
Sauces (HS 2103)	N/A	6,663 MT $15 million	11%	0%	- Strong local competition.	- United States grew 14 percent in 2014 and is the major import supplier in this category, holding 34 percent of import market share
Nuts and almonds (HS 0802)	N/A	1,131 MT $9 million	50%	0%	- Chile is very competitive in almonds and walnuts production. Holds 23 percent of market share	- Importers recognize that U.S. quality of nuts and almonds is better than competitors. - U.S. exports have grown 85 percent in 2014. U.S became largest supplier holding 73 percent of import market share.
Wine (HS 2204)	41 million liters	9 million liters $37 million	17%	0%	- Argentina (39 percent), Chile (27 percent), and Spain (14 percent). - Small niche market for U.S. wines	- Niche market for quality wines. - Peru's wine consumption is growing to 1.3 liters/person. - Import value has grown 76 percent in respect 203. Low cost wines are gaining ground

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

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

Product/ Product Category	**2014 Market Size Est.**	**2014 Imports**	**2009-14 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	1,558 MT $2 million	0%	0%	- Chile has a 99 percent import market share.	- Interest in U.S. peaches and nectarines. - Duty free access.
Apples and Pears (HS 0808)	75,000 MT	68,899 MT $59 million	45%	0%	- Chile has a 71 percent import market share.	- Export window opportunity: Nov-Feb. - Recognized quality of U.S. apples and pears.
Grapes, Raisins (HS 0806.20)	8,900 MT	6,858 MT $18 million	460%	0%	- Chile has an 82 percent import market share.	- Export window opportunity: Sept-Dec. U.S. exports grew 187 percent in 2014.

Citrus (HS 0805)	120,000 MT	2,515 MT $3.5 million	135%	0%	- Chile with a 5 percent import market share is the second major supplier. - Strong local competition.	- United States holds 95 percent of import market - Export window opportunity: Jan-March.
Pork Meat (HS 0203)	160,000 MT	5,803 MT $19 million	260%	0%	- Strong local competition; production level of 100,000 MT. - Chile has a 60 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. - U.S. exports grew 70 percent in 2014.
Sausages (HS 1601)	18,000 MT	330 MT $18 million	55%	0%	- Strong local competition.	- High-end gourmet offers best possibilities for U.S. product. - The United States holds a 62 percent of import market share - Fast food restaurants are the main channel.
Ham, processed HS 1602.41	115 MT	105 MT $1.4 million	31%	3.6%	- Competitors: Italy (48 percent) and Spain (39 percent).	- High-end gourmet offers best possibilities for U.S. product.
Beer (HS 2203)	200 MM liters	6.5 million liters $7 million	25%	0%	- Strong local competition. - Local breweries produce and import new brands. - Mexico with a 23 percent import market share is the main supplier.	- Niche market for U.S. premium craft beers - Per capita consumption increasing to 40 liters. - Duty free entrance. - Few U.S. brands.

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

Category C: Products not Present Because They Face Significant Barriers

None.

Section V. Post Contacts and Further Information

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