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## Peru

## Retail Foods

**2017**

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**Report Highlights:**

Peru's food retail sector sales will rebound in the medium-term, benefiting from government stimulus measures seeking to boost consumer spending. Convenience stores are becoming the retail format of choice for retailers aiming to reach 1,000 outlets in three years. FAS Lima foresees opportunities for ready to eat and/or cook products. FAS Lima forecasts total retail food sales to reach \$22.2 billion in 2017. Of that total, some \$3.7 billion, or about 18 percent, will be in supermarket sales.

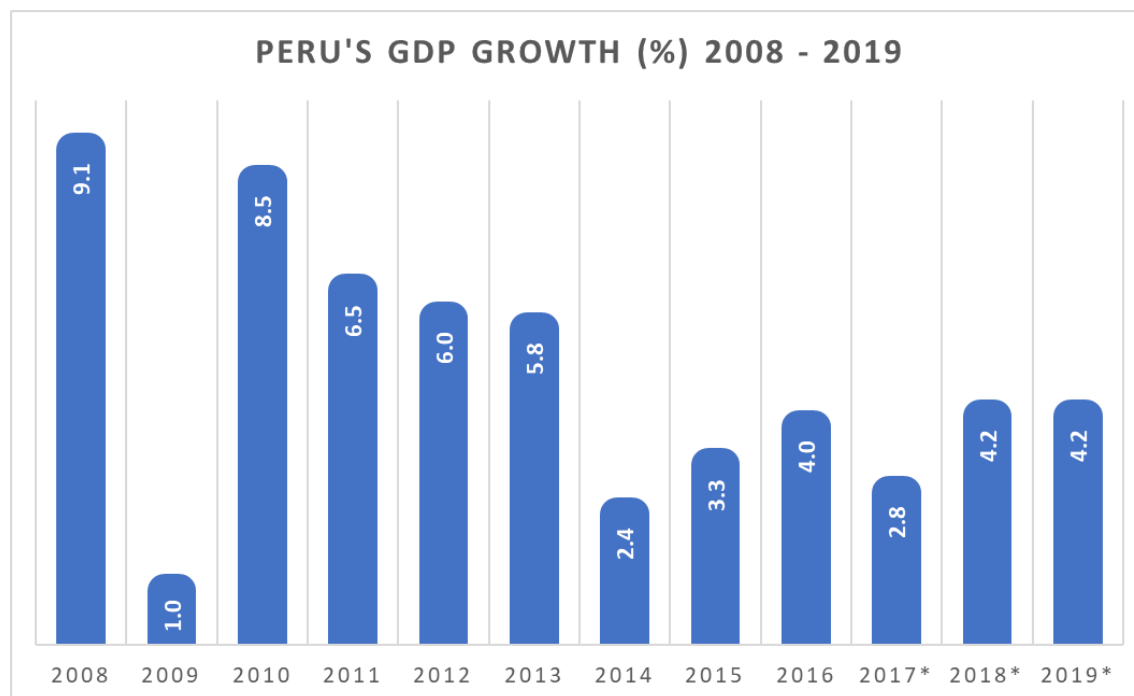
**Post:**

Lima

**Executive Summary:**

Peru's GDP growth slowed down in 2017 due to natural disasters, low domestic demand, and a slowdown in the construction sector caused by the Odebrecht corruption scandal. However, government investment and a reconstruction initiative will stimulate the economy. As a result, the Central Bank of Peru's September 2017 report forecasts that GDP growth will be 2.8 percent in 2017, compared to four percent in 2016.

In the first quarter of 2017, a coastal El Nino hit Peru, causing excessive rains, floods and landslides. Experts estimate that losses derived from the El Nino reduced GDP growth by 1.2 percent. Thousands of people became homeless and almost 30,000 hectares of crops were damaged. The Government of Peru has approved a Reconstruction Plan with a total budget of almost \$7.5 billion and time horizon of four years. The plan aims to rebuild and improve infrastructure in affected areas. It is estimated that the initiative will create about 150,000 new jobs. It is expected that the plan will be implemented and impact on the economy will be seen in 2018. In the second half of 2017, public and private sector investment in initiatives offset the impact of the El Nino. These include the 2019 Pan American Games, regional government investments in sanitation projects, and private investment in the mining sector.



Source: Peru's Central Bank / \* Projections

The long-term outlook for growth is more favorable, with investment expected to rebound and exports continuing to grow, especially in the mining sector. The GDP growth forecast of 4.2 percent in 2018 is contingent on an aggressive fiscal stimulus by the Government. An increase of public expenditure is expected based on large construction projects and higher private investment due to an improvement of international demand of mineral commodities. These factors will facilitate improved private sector spending.

Peru's food retail sector has not been immune to the economic downturn, which has led to decreased

consumption. The sector is comprised of both conventional supermarkets and traditional channels comprised of wet markets and independent stores. The unforeseen events of the first half of 2017 slowed the pace of growth when compared to the same period in 2016. FAS sources forecast that the sector will grow at 3.8 percent in 2017. Additionally, factors such as currency depreciation increased import costs, and subsequently higher in-store prices, negatively impacted domestic consumption. Table 1 shows the contribution of each retail channel. FAS Lima forecasts total retail food sales to reach \$22.8 billion in 2017; some \$3.8 billion or about 17 percent will be in supermarket and convenience stores sales. Domestic consumption will benefit in the medium-term from government stimulus measures seeking to boost consumer spending and maintain investor confidence.

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

<b>Sub-Sector</b>	<b>2015</b>	<b>2016p</b>	<b>2017e</b>
Supermarkets and convenience stores	3,578	3,656	3,813
Traditional Channel (independent stores and wet markets)	18,832	18,280	18,962
<b>Total</b>	<b>22,410</b>	<b>21,936</b>	<b>22,775</b>

Source: FAS Lima office research.

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 252 conventional supermarkets and superstores, with 169 alone in Lima and 111 convenience stores with two outside of Lima. It is estimated that less than six new stores will be opened by the end of 2017. This represents the lowest growth in the past five years. Conventional supermarket chains and convenience stores are expanding into Lima's lower-middle income districts as well. These retailers benefit from consumers' improved access to credit, through which they entice buyers with deep discounts on certain items when utilizing store credit cards.

While the traditional channel holds approximately 80 percent of market share, the modern channel has experienced a high rate of growth in recent years. In 2017, conventional supermarket chain growth is projected at 4.3 percent. Conventional supermarkets are still reporting profits because of the maturity of some of their outlets that opened in 2016 and 2017 and an aggressive discounting campaign to encourage sales.

The expansion of the modern retail channel has not been entirely detrimental to traditional channel growth. Competition between these two channels occurs in specific categories. A growing middle class enabled supermarket chains to expand rapidly over the past ten years. The traditional, consisting of independent small grocers, target a large consumer base formed by low- and middle-income consumers. They offer a good mix of mid- and low-priced brands 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.

Different types of food appear to perform better in the two formats. For example, snacks, dairy and edible oil, have had a higher growth in conventional supermarket formats than traditional outlets. On the other hand, the sale of confectionaries, breads and biscuits are growing in independent grocery stores.

The Global Retail Development Index (GRDI) report made by A.T. Kearney's ranks Peru as the 9th

developing country for retail expansion worldwide, climbing seven positions from the 2016 ranking. The report states that Peru's retail sector is entering its peaking and displaying consistently strong fundamentals to attract new competitors. The study also forecasts higher retail sales due to a growing middle class and strong consumer confidence.

A limiting factor for supermarket expansion, especially within Lima, is the lack of affordably priced land available for new, large store construction. The expansion into secondary cities started years ago as retailers searched for new opportunities. Despite growth outside of the capital, Lima is still the main market (a third of total population – 31.8 million) with a space limiting constraint for future growth. Supermarkets realize that they need to come up with a format that overcomes this restraint and aligns with consumers' preference for convenience, low prices, and daily purchases. In this respect, local food retailers are heavily investing in the development of convenience stores as a way to increase participation in Peru's market. While typically attached to gas stations, new market players are establishing stand-alone formats that are forecast to grow to 1,000 new stand-alone convenience store outlets in the next three years.

Supermarket penetration, expressed in square meters per capita, is below that of neighboring countries. Chile for example has a supermarket penetration of 700 square meters per capita and Colombia has a penetration of 340 square meters per capita. In contrast, Peru has 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.

Logistics are problematic for food retailers outside of Lima. Purchase decision-making remains centralized in Lima, forcing imported products to move 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 products. Roadways connecting to the port are normally congested with traffic due to overtaxed infrastructure. Rail service is limited.

Higher-end supermarkets carry U.S. liquors, processed food, sauces, fresh and frozen meats, and cheeses. Retailers indicate that less than ten percent of their stock is imported. Most supermarkets target high and middle socio-economic consumer segments, which consider price and quality as key purchasing determinants. FAS Lima foresees Peru's demand for imported food and agricultural products remaining good through the medium-term. Improving economic growth in 2018-19 will stimulate demand for U.S.-origin products.

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 2016, U.S. exports of food and agricultural products to Peru doubled 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. FAS Lima forecasts that U.S. food and agricultural product exports to Peru will grow five percent in 2017.

Best prospects for U.S. exporters within the consumer-oriented category include snacks foods, pork

meat, 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**

<b>Advantages</b>	<b>Challenges</b>
<ul style="list-style-type: none"> <li>• 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.</li> <li>• An active supermarket industry that is promoting increased demand for high-value food products.</li> <li>• Growth of new supermarket outlets in Lima's suburbs and second tier cities.</li> <li>• Appreciation for U.S. food quality and culture.</li> <li>• Perception of modern retail outlets as cleaner, convenient and time saving.</li> <li>• Increased health consciousness among the Peruvian population.</li> <li>• Middle-class expansion.</li> </ul>	<ul style="list-style-type: none"> <li>• Consumers prefer to buy fresh produce in traditional markets.</li> <li>• 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.</li> <li>• New local food brands are appearing in the market at very low prices.</li> <li>• Provincial supermarkets are supplied by Lima-based companies.</li> <li>• Lack of brand awareness among some consumers.</li> <li>• Government organized food promotion campaign called "Buy Peruvian."</li> <li>• Traditional markets dominate retail sales in secondary cities.</li> <li>• Domestic producers manufacture more affordable products that cater to local taste preferences.</li> </ul>

## **Section II. Road Map for Market Entry**

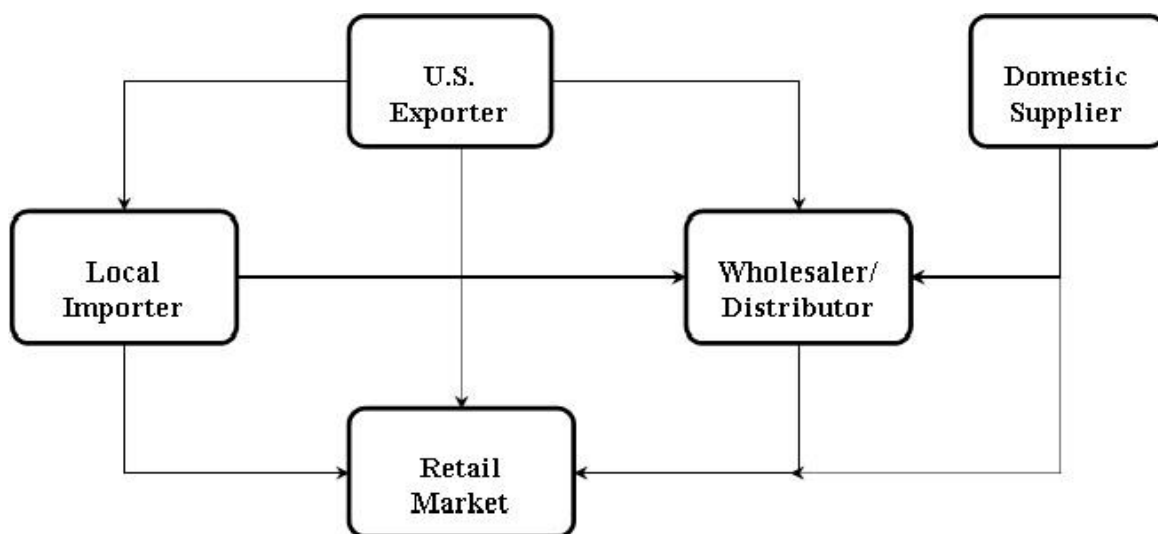
Peru offers good opportunities for U.S. exporters of consumer-oriented agricultural products, but there are some challenges. The successful introduction of new to market food products depends on knowledge of the market and personal contact. Exporters should review Peru's food laws, packaging and labeling requirements, business practices, and trade-related laws and tariffs. Getting to know the potential importer and the local distribution system is critical. 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 (stand alone and at gas stations), and supermarkets, stores through major suppliers (wholesalers/distributors).
- Be diligent when selecting a partner (an agent or a representative). Visits to Peru and in-person meetings 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.

### **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.

### **A. Superstores, Supermarkets, Hyper Markets or Supercenters, Club, and Warehouse Outlets**

#### **Company Profiles**

**Table 2: Profiles of Major Supermarkets Chains (2017)**

Retailer	Ownership	Sales* (\$ Million)	Market Share	Outlets	Location	Purchasing Agent Type
CENCOSUD	Chile	1,230	35 percent	86	10 Provinces including: Lima, Arequipa, Piura, Lambayeque and La Libertad	Direct Importers and Local Food Processors
Supermercados Peruanos	Peru	1,300	37 percent	210	14 provinces including Lima, Cusco, Arequipa and Piura	
Tottus	Chile	983	28 percent	67	11 Provinces including: Lima, Trujillo, Chiclayo, Ica, Piura, Arequipa	

Source: FAS Lima / \* Projections for 2017

**Table 3: Outlets by Major Supermarket Chains (2017)**

Retailer	Type of outlets	Number of outlets
CENCOSUD	Supermarkets Wong	18
	Super/Hyper Metro	68
Supermercados Peruanos	Vivanda	9
	Plaza Vea/ Plaza Vea Super	93
	Plaza Vea Express	3
	MASS Stores	105
Tottus	Hypermarkets	60
	Supermarket	1
	Hiper Bodega – Precio Uno	6

Source: FAS Lima

**CENCOSUD Peru:** CENCOSUD (Centros Comerciales Sudamericanos), one of Latin America’s largest retailers, acquired Corporación Wong in its entirety in December 2007. It has opted to keep the majority of Wong’s branding, and morphed its more affordable Almacenes Eco into the “Metro” format. Wong continues to target high-end consumers with personalized customer service and a wide variety of imported products. Metro supermarket, targeting middle-class consumers, is affordably

priced. Metro hypermarkets are self-service, targeting price sensitive low-income customers. Currently, almost 70 percent of imported products are sold through Wong supermarkets.

Cencosud Peru has 86 stores nationwide, with 62 in Lima. The company has also developed an e-commerce channel where it currently holds 70 percent of the market share. Thinking in improving its service, Cencosud Peru has strengthened its e-commerce commercial channel and developed a new in-store format named, “Compras Express”, which is a convenience store inside the supermarket. It is expected to implement 10 more of these new Compras Express formats by the end of 2017. Next year the company is planning the construction of 8 new supermarkets and also is planning to refurbish 12 more. The company uses its loyalty card, Bonus, to offer a series of discounts aimed at attracting new customers. CENCOSUD Peru, through Banco Cencosud, 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. SPSA’s growth is based on its aggressive strategy to open new stores and its discount campaign of “lower prices every day”. The company owns 105 supermarket stores with 32 located outside of Lima. It is also a pioneer in developing smaller formats based on the lack of affordably spaces for its largest formats. **Mass** stores is its compact store format. Mass stores have expanded rapidly in 2017 growing from 59 stores at the beginning of the year to 105 towards the close of 2017. This format primarily offers SPSA private label food products.

The most popular formats under SPSA are:

- **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.
- **MASS:** Launched in 2001. It is a discount grocery store format that offers a limited variety of products to low income consumers with who make daily purchases. Its products are primarily from MASS’ private label. Currently the company has 105 stores in Lima.

**TOTTUS HYPERMARKET:** Saga Falabella Group (Chile) owns and operates Tottus. There are 67 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.

### **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 products. As a result, local consumers tend to shift to different channels looking for the best promotions.
- Loyalty programs are preferred by Peruvian consumers.
- Proximity (convenience) is a highly weighted feature within the traditional channel.
- Lima includes low-, middle- and high-income consumers.
- 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 \$100 per week at supermarkets; low-income consumers spend roughly \$8 per week at corner stores. In the case of convenient stores all consumers spend around \$17 per week.
- Low-income consumers out number middle- and high-income consumers three to one. Supermarket chains are using the convenience store format to target low-income consumers in order to grow sales.

**Table 4: Per, Lima City, Food Purchasing (2017)**

<b>Lima City</b>	<b>Middle- and High-Income Consumers</b>	<b>Low-Income Consumers</b>
Population	2.1 million	7.9 million
Families (number)	0.6 million	1.8 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.

## **B. Convenience Stores and Gas Marts, Kiosks**

Convenience store retail food sales continue on an upward trend. The larger independent grocery stores are in the process of evolving into a more modern format, offering customers a wide offering of better displayed products. The limiting factor for supermarket expansion, especially within Lima, is the lack of affordably priced land available for new, large store construction. Supermarkets have realized that they would need to come up with a format that overcomes this restraint and also be aligned with consumers looking for convenience, low price and adapted to daily purchases.

These formats in Peru compliment supermarket sales. Their proximity to consumers, rather than prices, influence purchases. Corner stores 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 (20 percent), soft drinks (25 percent), and alcoholic beverages (30 percent), all sold at a substantial mark-up compared to supermarket prices.

Following the regional trend, local food retailers have seen the development of convenience stores, currently 560 stores, as a way to increase participation in Peru’s market. Usually attached to gas stations, new market players have dabbled in stand-alone formats that are forecast to grow to 1,000 new outlets in the next three years. The main players in the market are:

- Supermercados Peruanos with its format Mass – 105 stores in Lima
- Repsol gas stations with its format Repshop – 130 stores
- Primax gas stations with its format Listo. They have started a stand-alone format project. 150 stores
- LindCorp with its popular Tambo+. They have started an aggressive campaign and opened 145 outlets in Lima to date.
- Pecs gas station’s format Viva – 30 stores
- Quicorp’s format Mimarket is attached to drugstores.

**C. Traditional Markets –“Mom and Pop” Small Independent Grocery Stores and Wet Markets**

**Sub-Sector Profile**

Independent retailers are the most prevalent grocery channel in Peru. Traditional markets such as open markets, street vendors, and small grocery stores are widespread. In many rural areas, independent 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 400 small independent grocery stores and 2,500 open markets. Lima alone has about 50 percent of grocery stores and almost 1,250 open markets. In 2017, traditional grocers are expected to grow at a rate of two percent.

**Section III. Competition**

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

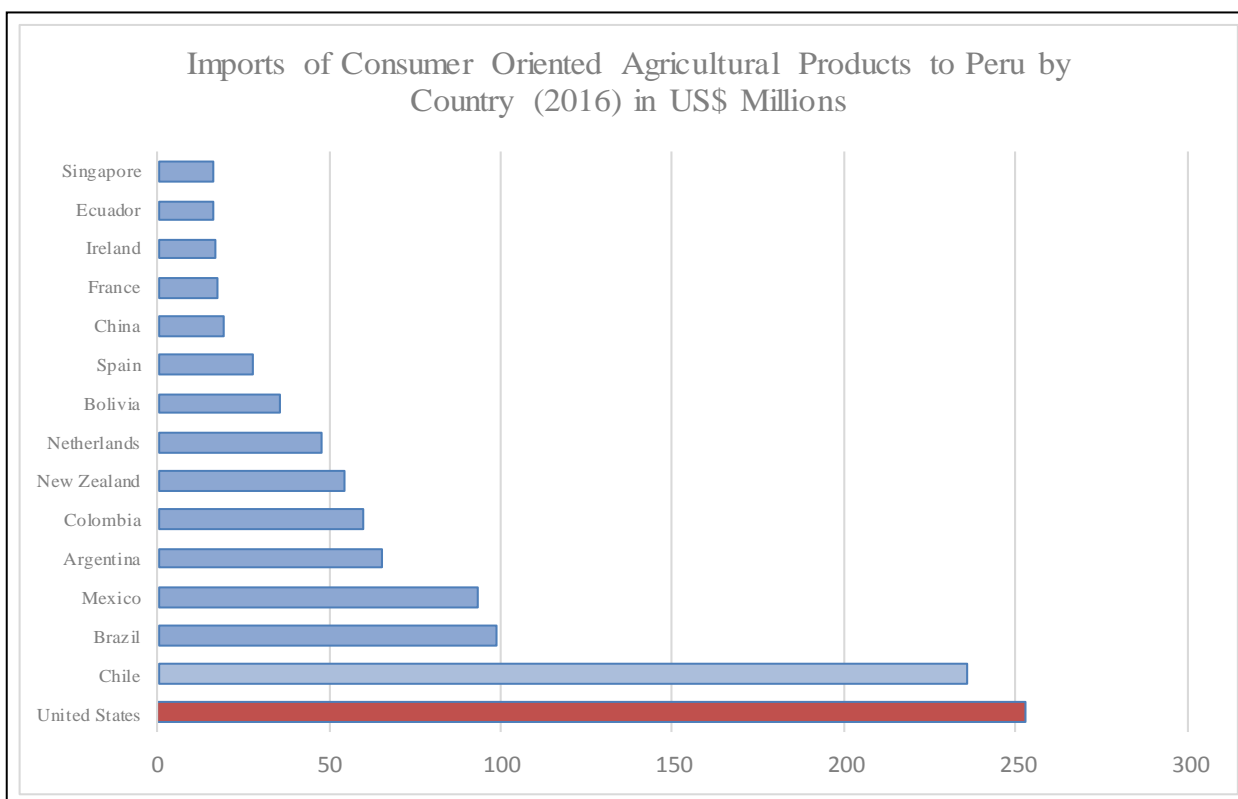
Country	Type	Status
Asia-Pacific Economic Cooperation - APEC	multilateral	In force

	economic and trade forum	
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
<a href="#">United States</a>	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	In force

	Agreement	
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 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 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.



Source: World Trade Atlas (2017), FAS Lima office research.

**Table 6: Peru, Competitive Situation (2017)**

Product Category/ Net Imports	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Dairy Products (excluding cheese) (\$200 million)	New Zealand: 38% USA: 27% Chile: 10% Ireland: 5% Bolivia: 4%	New Zealand is a major supplier of dairy ingredients, especially HS 0402.21 and 0402.10.	- Only two local companies are major producers of evaporated milk and yogurt.
Cheese 4,600 MT (\$22 million)	USA: 41% Argentina: 17% Chile: 7% Netherlands: 6% Uruguay: 5%	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	Mexico: 24%	Tariff preferences are	- Local producers are

(excluding nuts) 28,000 MT (\$68 million)	Colombia: 22% Brazil: 8% USA: 7% Chile: 6%	applied to neighboring countries.	major food processors. They import food ingredients for snacks and snacks in bulk.
Processed Fruits and Vegetables 65,000 MT (\$90 million)	Chile: 32 % Netherlands:18% USA: 13% Greece: 7% China: 6%	- 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 82,000 MT (\$65 million)	Chile: 82% USA: 13% Argentina: 5%	- 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 4.1 million liters (\$7.2 million)	USA: 28% Brazil: 13% Israel: 12% Turkey: 11% Argentina: 7%	- Although the United States controls the bulk of fruit and vegetable juice imports, Brazil enjoys a 70 percent market share in frozen orange juice.	- Local brands are well positioned in the market at competitive prices.
Wine and Beer 17.9 million liters (\$36 million)	Argentina: 30% Mexico: 21% Chile: 21% Spain: 11% Italy: 14%	- Argentine and Chilean wines benefit from proximity, recognized quality, and pricing advantages. Mexico and Italy are main beer suppliers	- 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) 25,000 MT (\$62 million)	USA: 39% Chile: 18% Brazil: 12% Argentina: 9% Uruguay: 6%	- Neighboring countries export lower price cuts. Chile, benefitting from proximity and pricing, holds 90 percent of the imported pork market.	- U.S.-origin meat is seen as being superior in quality. - Peru imports three times more offal than meat. - Local meat production does not

			satisfy demand.
Red Meats (prepared, preserved) 4,500 MT (\$21 million)	USA: 72% Bolivia: 14% Spain: 7% Italy: 3% Denmark: 2%	Bolivian manufacturers have customized bovine meat production according to local demand making inroads with fast food franchises. Poultry meat products lead the category.	- The pork products industry also imports prepared meats. - U.S. product tariffs will decrease over the next 5 years.
Poultry Meat 46,000 MT (\$55 million)	Brazil: 49% USA: 32% Argentina: 16% Bolivia: 2% Chile: 1%	- Brazil diversifies its supply including offal, turkey and chicken cuts - Argentina is supplying poultry cuts.	- TRQ for U.S. chicken leg quarters. - Local poultry producers are major suppliers with good distribution channels.

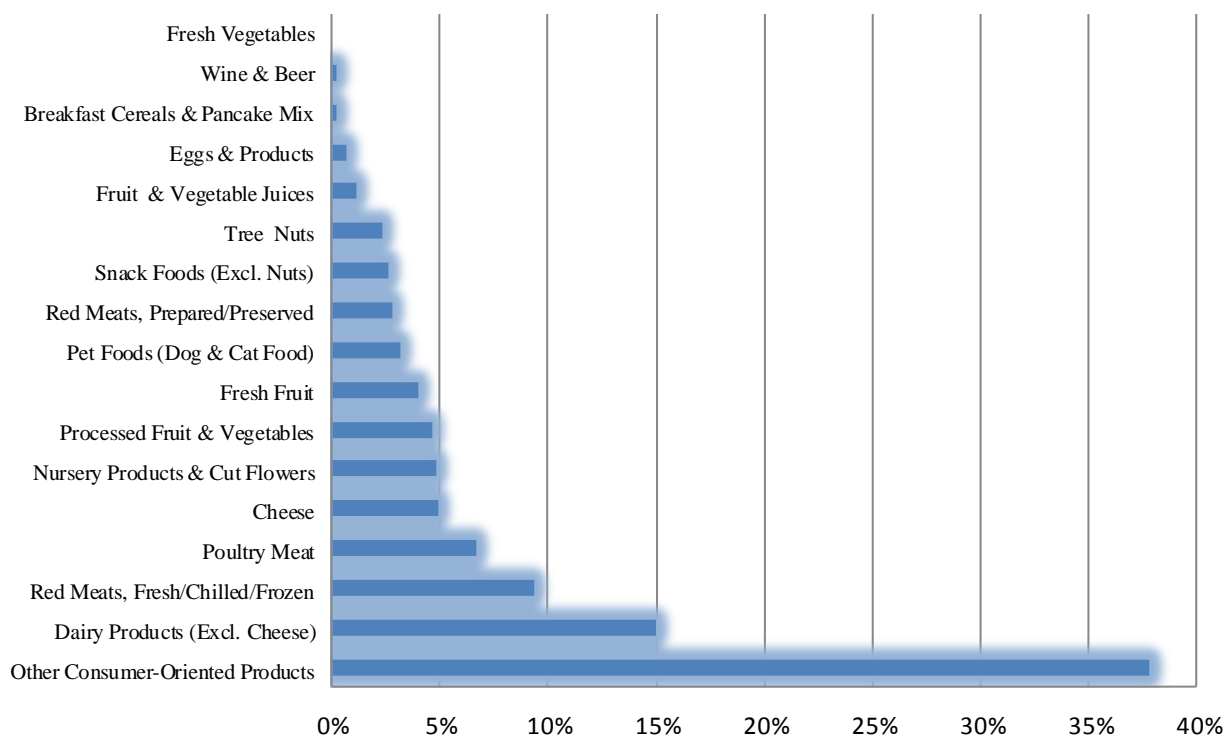
Source: SUNAT, FAS Lima office research.

Note: Calculations based on latest full calendar year (January-December) data.

Source: SUNAT, FAS Lima office research.

## Section IV. Best Product Prospects

### Imports of U.S. Consumer Oriented Agricultural Products 2017



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

### Category A: Products Present in the Market That Have 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 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	- United States 4 percent of total imports. Total imports estimated from the United States \$1.8 million in 2017
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. Holds 15 percent of 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 size	- The United States holds 77 percent of import market. - Government has initiated a campaign against child anemia.
Fruit & Vegetable Juices (HS 2009)	N/A	42,000 hl \$7.2 million	18%	0%	- Brazil is the second largest supplier with a market share of 24 percent. Mainly frozen juices.	U.S. is the largest supplier holding almost 34 of market share. - Healthy products is gaining terrain among consumers. - Growth of convenience store sector.
Pet Foods (HS 2309.10)	52,000 MT	19,200 MT \$27.5 million	13%	0%	- Growing local pet industry. - Major competitors: Argentina (30% market share), Brazil (24% market share and Colombia ( 8% market share)	- The United States holds a 27 percent import market share of premium category. - premium category holds 25 percent of market size.
Turkey (HS 0207.27)	36,000 MT	9,200 MT \$12 million	18%	0%	- Major exporter is Brazil (79% market share) - Strong local poultry industry.	- 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 21 percent 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%	- Strong local competition. - Frozen presentation is not common. - Brazil is the second largest supplier (44% market share)	- Peru is a major poultry consumer. - TRQ: 6 percent increase per annum. Active presence of USAPEEC in the region. - Food service channel is growing.
Bread, pastry, cookies (HS 1905)	N/A	10,700 MT \$25 Million	19%	0%	- Ecuador with a 22 percent import market share is the main supplier. - Strong local competition.	- United States holds 8 percent of import market share. Frozen presentation is becoming attractive for HRI and Food Retail.

Soups & Broths (HS 2104)	N/A	1,150 MT \$2.5 million	-5%	0%	- Strong local competition.	- United States is the largest supplier in this category holding 38 percent of import market share. 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 of import market share.
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 market share.	- Importers recognize that the quality of U.S. nuts and almonds is better than competitors. - U.S. exports are expected to grow 18 percent in 2017. The U.S became the largest supplier, holding 62 percent of import market share.
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 growing to 1.5 liters / person. - HRI sector is growing and demanding high value products.

Note: HS = Harmonized Tariff System. 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 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 of import market share.	- 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 of import market share.	- Export window opportunity: Nov-Feb. - Recognized quality of U.S. apples and pears. - US apples exports are forecasted to grow 70% in 2017.
Grapes, Raisins (HS 0806.20)	10,000 MT	5,450 MT \$14 million	-2%	0%	- Chile has 63 percent of import market share.	- Export window opportunity: Sept-Dec. U.S. exports are forecasted to reach 2 million in 2017.
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 of import market share.	- 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%	<ul style="list-style-type: none"> <li>- Strong local competition.</li> <li>- Local breweries produce and import new brands.</li> <li>- Mexico with a 76 percent import market share is the top supplier.</li> </ul>	<ul style="list-style-type: none"> <li>- Niche market for U.S. premium craft beers</li> <li>- Per capita consumption increasing to 40 liters.</li> <li>- Duty free entrance.</li> <li>- Culinary development.</li> </ul>
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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 V. Post Contacts and Further Information**

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