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Peru

Retail Foods

2011

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Report Highlights:
In 2010, Peru's total food retail market reached $18 billion, 80 percent of which is concentrated in Lima. Supermarket chains reached almost $2.5 billion in food sales, a 12 percent increase from 2009. Food sales by these supermarket chains accounted for 30 percent of the retail market share in Lima in 2010, which is considered to be low in comparison with neighboring Latin American countries. The implementation of the U.S. - Peru Trade Promotion Agreement, supported by favorable market conditions in Peru, has and will continue to have a significant impact on U.S. food exports for the retail market.

Post:
Lima

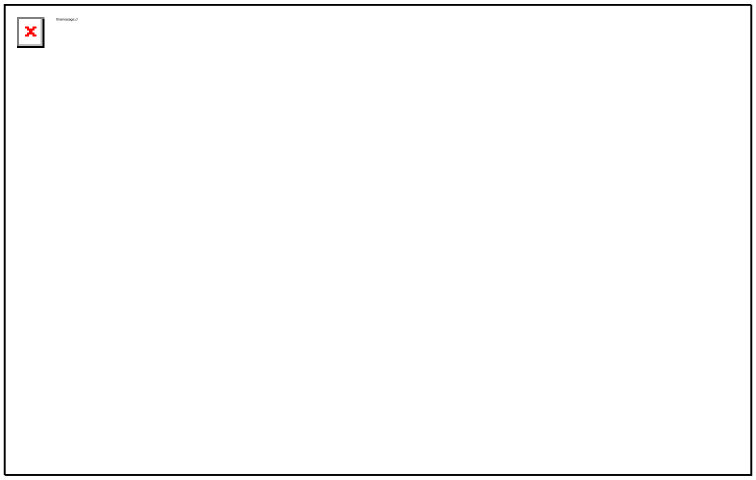
Executive Summary:

Section I. Market Summary

Peru has demonstrated to the world its economic stability and continuous growth within the region, even during times of world financial crisis. Peru posted impressive results in 2010, such a GDP of 8.8 percent -proof that Peru's economy is highly dynamic, driven mostly by private investment, foreign trade, and domestic demand. The commercial sector appears amongst the sectors that have contributed the most to this growth.

Last year South America survived the recession better than most regions and posted an impressive 6 percent GDP growth. Peru led the list of best performing economies and was one of the countries least affected by the 2008 crisis.
Peru's good economic position has also been validated by the World Bank's ranking of Peru as 36 of 183 economies in its *2011 Ease of Doing Business* report, gaining 10 positions in comparison with 2010 as a result of introducing positive reforms in 4 categories. Peru's strength lies in its sound regulations although the amount of red tape is still relatively high despite the aforementioned improvements.
Similarly, credit rating agencies as Standard and Poor, Fitch and Moody's, acknowledge the good fiscal and economic performance of the country, placing it amongst the economies that are certain to comply with their obligations.
Fostered by higher levels of employment, income and consumption, Peru's retail market exhibits a large list of opportunities for consumer goods. Peru has experienced a spectacular growth in the modern retail channel in the last ten years. This year A.T. Kearney's ranking included Peru amongst the 10 favorite emerging countries for retail investment, based on its low retail penetration and average young age of consumers (26 years old).
The three major supermarkets chains in Peru achieved sales for $2.5 billion in 2010; this represents a 12 percent growth in respect 2009 (Table 1). This positive evolution is consistent with increases in private consumption and major availability to consumption credits and higher incomes, especially within middle-class families which currently account for 45 percent of Peru's population.

Chart 1



Source: Skotiabank Economic Department

There were 156 stores (all formats included) by the end of 2010, with 121 in Lima and 35 in the provinces. The results obtained outside of the capital have gone beyond any expectation. Supermarkets have founded their success on identifying and developing new market segments, which will eventually help them gain more terrain in the future.

Despite how well the modern retail channel may have advanced in its expansionist phase, the traditional market (convenience stores, grocery stores or "bodegas") remains to be the main channel for distributors, wholesalers, etc. As 75 percent of food retails sales occur within the traditional market, companies often have to consider their strategies for traditional channels. Even though some experts predict that traditional channels will reduce their presence or even disappear due to the growth of modern retail channels, grocery store sales are increasing. It is estimated that this year, the average ticket will increase by 9 percent in grocery and average receipt in the traditional market may increase 9 percent also.

Consumption in 2010 increased by 3.8 percent, with increases in both the traditional channel (2.9 percent) and the modern channel (7.8 percent). Also, supermarkets are gaining more preference among consumers, which is why beverage and food sales have increased by 10 and 8 percent, respectively. Local consumers are motivated by good prices and prefer to purchase assorted products such as yogurt, packaged bread, oil, noodles, etc., at modern retail channels. The traditional channel is still the preferred channel for beverages. Nevertheless, both channels offer products that are sharply different in terms of presentation.

The lack of large spaces in Lima is becoming a real concern to supermarket chains. It is expected that supermarkets will open about 25 stores per year. However, this obstacle, plus higher prices for land within commercial areas create a window to new smaller formats (less than 1,000 square meters) which not only might be a solution to keep a higher penetration but can be used also as a mean to gain market share from convenience store.

It is known that Peruvian food retail markets have become attractive to foreign investors. Recently, the Chilean group Saieh, which operates 350 supermarket stores and wholesaler formats in Chile, acquired Alvi supermarkets (third largest player in the wholesaler segment in Chile). Alvi supermarket acquired Mayorsa in Peru a few years ago, allowing the Saieh group to enter the Peruvian market using the same strategy as they did in Chile. The Saieh Group is planning to operate with its main brand Supermercados Unimarc (SMU) in the retail channel. In addition, SMU already handles 11 Mayorsa stores. SMU's last acquisition was the home appliances chain, La Curacao, which already owned supermarket stores in Piura and Ica. SMU's plan is to build at least 75 outlets in five years. However, their long-term strategy must differ from what they do in Chile and success will be determined by their ability to develop innovative and new formats that can be used for unexplored segments.

While Chilean supermarkets have made the first step entering Peruvian retail market, other large players, such as Wal-Mart, are expected to also enter the market. In 2009, Wal-Mart acquired the largest Chilean food retailer company D&S (D&S has more than 180 stores, 10 shopping centers and 85 Presto financial services branches) which also owned 35 percent of Alvi's supermarket chain and is also Mayorsa's main shareholder. After D&S acquisition, Wal-Mart had the intention to enter Peru's retail sector using D&S's format known as "A Cuenta" but it did not happen at the end. Subsequently it was speculated that Wal-Mart Mexico would be the company that would enter Peru. However, it did not happen and Mayorsa was sold to the Saieh group, ending Wal-Mart's opportunity to start operating in the country.

Other players that have demonstrated their interest in Peruvian market are Almacenes Exito S.A. from Colombia, Corporacion Favorita and Importadora el Rosado, both from Ecuador, and the supermarket chain Ketal from Boliva.

According to Peru's customs data, total agricultural imports to Peru from United States grew to $787 million in 2010, up 41 percent from the 2009 level. Moreover, consumer oriented products reached $107 million in 2010 growing 81 percent in respect 2009. The United States became the second largest supplier of consumer oriented products, accounting the 14 percent of the market share which has certainly decreased the reach of Chile and has left Colombia as the third largest supplier of this category.

In 2010, Peru's total food retail market reached $18 billion, 80 percent of which is concentrated in Lima. Supermarket chains reached almost $2.5 billion in food sales, a 12 percent increase from 2009. Food sales by these supermarket chains accounted for 30 percent of the retail market share in Lima in 2010, which is considered to be low in comparison with the neighboring Latin American countries.

Retail Sales in Country by Sub-Sector (million dollars)

Sub-Sector	2008	2009	2010
Supermarkets and hypermarkets	1,800	2,216	2,483
Traditional Channel (grocery stores, wet markets, convenient stores, etc.)	8,720	14,428	15,520
Total	**10,520**	**16,644**	**18,002**

Source: Post Estimated values

Lima is the major market for consumer-oriented foods. Lima's roughly 9 million inhabitants account for almost one-third of Peru's total population and more than 60 percent of the national income.

The U.S. – Peru Trade Promotion Agreement (PTPA) provided duty free access for two-thirds of U.S. food and agricultural products. PTPA, supported by favorable market conditions in Peru, will create opportunities to expand U.S. food exports in the retail market for snacks, fruit and vegetable juices, fresh fruits (especially pears, apples and grapes), canned fruits and vegetables, dairy products (especially cheeses), beef and poultry meats and their products, wines and liquors and pet foods.

Advantages and Challenges Facing U.S. Products in Peru

Advantages	Challenges
1. Peru TPA grants duty free access to two-thirds of U.S. food and agricultural products, including most high-value foods. 2. Proactive supermarket industry that will result in increased demand for high-value products. 3. Supermarket sales are growing fast, mainly through the opening of new outlets in the suburbs of Lima and other cities. 4. Appreciation for U.S. food quality and culture. 5. Growing perception of retail outlets as cleaner, more convenient and time saving than traditional markets. 6. People are becoming aware of diet, lite, and healthy food products through the media. 7. Income growth, especially of middle-class. 8. More competitors are expected in the market. Traditional retail channel (convenient stores and open markets) is improving its strategy	1. Consumers have a preference for buying fresh products in traditional markets. 2. Supermarkets, the main source of imported food products, account for only 30 percent of retail market share in Lima and 14 percent in the country. 3. New local food brands are appearing in the market at very low prices. 4. Supplies in the Provinces still depend on companies that are based in Lima. 5. Lack of brand awareness among consumers. 6. A government-promoted campaign called "Buy Peruvian." 7. Traditional markets strongly dominate retail sales in secondary cities. 8. Domestic Producers[1]

[1] The boom of the Peruvian economy has not only benefited multinational food producers looking to export their products to Peru, but has also improved the operating environment for domestic producers which, in many cases, are in a better position to offer products in line with Peruvian consumers' tastes and at lower prices than imported food products.

ion II. Road Map for Market Entry

1. **Entry Strategy**

- Supermarket chains are constituted to be the main market for imported food products whose target customers are high and middle-income consumers. U.S. exporters should contact large importers, wholesalers/distributors or supermarkets directly.
- U.S. exporters can approach Gas Marts, grocery and mom-and-pop stores through major local suppliers (wholesalers/distributors).
- Be diligent when selecting a partner (an agent or a representative) in Peru. Personal visits/meetings are highly recommended. Conduct a background check of the prospective

partner before signing permanent contractual arrangement.

- The local partner should be able to provide updated information on consumer trends to identify niche markets, current market development (merchandising, point of sale and promotion activities), and business practices.

1. **Market Structure**

- Negotiating power of major supermarkets towards food suppliers is strong.
- Suppliers to major supermarkets have wide range of distribution channels ranging from those for fancy foods to those for foods for mass consumption.
- Major food importers/distributors supply all major supermarket chains and provincial retailers. It should be noted that major supermarket chains usually request product exclusivity to new suppliers.
- Food is primarily imported in mixed containers.
- Major supermarket chains prefer to import expensive high-end products directly in order to earn higher margins.
- Distributors and wholesalers make constant in-store promotional activities. They count with support personnel in every store and all distribution channels.

1. **Supermarkets, Hypermarkets**

A. **Company Profiles**

Profiles of Major Supermarkets Chains in 2010

Retailer Name	Ownership	Sales (million $)	Market Share (percent)	No. of Outlets	Location	Purchasing Agent Type
CENCOSUD	Chile	1,118	45 percent	60	Lima, Trujillo, Chiclayo, Cajamarca, Arequipa, Ica	Direct Importers, Local Food Processors and Producers
Supermercados Peruanos	Peru	844	34 percent	69	Lima, Trujillo, Chicalyo, Arequipa, Huancayo, Chimbote, Ica, Juliaca, Piura, Tacna	
Tottus	Chile	521	21 percent	23	Lima, Trujillo, Chiclayo, Ica, Piura, Arequipa	

Source: Supermarket contacts

Type of Outlets by Major Supermarket Chains in 2010

Retailer	Type of outlets	Number of outlets
CENCOSUD	Supermarkets Wong Super/Hyper Metro	12 36
Supermercados Peruanos	Vivanda Super / Hyper Plaza Vea Mass stores Economax	8 49 8 4
Tottus	Hypermarkets Tottus	23

Source: Supermarket contacts

The three major supermarket chains (Cencosud, Supermercados Peruanos and Grupo Falabella) have a total of 152 stores nationwide. In 2010, 25 new more stores were opened throughout the country; this means 18 percent more sales area. As previously , an increase in income and consumption have boosted supermarket sales.

It is important to highlight Peru's food retail potential due to its lower penetration level (30 and 15 percent in Lima and the rest of Peru, respectively) which remains under other countries within the region, for example: Santiago (80 percent) and Rio de Janeiro and Bogota (70 percent).

Traditional and Modern Retail Channels
Jan – Dec 2009 vs Jan – Dec 210

Food	Quantity variation	Value variation
Bread	-1%	2%
Cravings	4%	5%
Butter	5%	7%
Milk	4%	3%
Yogurt	1%	1%
Bottled oil	-2%	-8%
Cookies	6%	4%
Chocolates	5%	8%
Snacks	8%	10%
Pasta	--	-2%
Beverages		
Water	-5%	-7%
Fruit punches	3%	4%
Beer	2%	3%
Carbonated drinks	10%	19%
Sports drinks	1%	--
Energy drinks	3%	9%
Soda	7%	9%

Source: CCR consultants

One of the most striking changes in consumer behavior is the increase in frequency of purchase. In the case of Lima, average frequency of purchase in a supermarket has increased from 1 to 1.5 monthly visits, which suggests that consumers are more familiar with the modern channel. Consumers located in provinces visit supermarkets more often (more time availability), but the average receipt is lower compared with Lima.

People's consumption preferences focus on groceries and fresh products that account 42 and 28 percent of total demand at supermarkets, respectively. Around 10 percent of consumer oriented products that are sold in supermarkets are imported and private labels represent 7 percent of total supermarket sales. However, the lack of good quality of private labels might be an impediment for their sales improvement in high-end supermarket formats since Peruvian consumers in this channel have a tendency to consider quality before price. This might be an unexplored opportunity for U.S. companies that can easily offer both features on their products to Supermarket chains.

Lima has most of the supermarket stores with only 35 supermarkets outside of the capital. While in some cities consumers now prefer the modern channel, others are still attached to traditional channels and constantly compare prices. However, Lima still represents major market for consumer-oriented food as the level of imported food consumption in the provinces remains low. Major provincial cities include Arequipa, Trujillo (La Libertad), Chiclayo (Lambayeque), Piura, Cuzco and Cajamarca. Most market demand in these cities comes from tourism and high-income families of mining or agribusiness employees. The majority of imported food in these areas is canned, packed, or ready-to-eat.

Most malls in Peru include supermarkets and department stores as anchor stores. In 2010, six new malls opened and their construction demanded $290 million in investment. This commercial centers sector reported sales for $3.2 billion in 2010, an increase of 24 percent from 2009. According to the president of the Peruvian Malls Association, provinces reported $180 million in investments for new malls in 2010. This is a proof that Lima no longer has the exclusivity for retail market development.

A.1. CENCOSUD Peru S.A. Profile

In December 2007, Corporación E. Wong was acquired by Chilean Cencosud (Centros Comerciales Sudamericanos), one of the largest companies in Latin America's retail sector. The agreement between these two important companies was to transfer the entirety of Wong's shares to Cencosud for $500 million as well as real estate assets including commercial centers, 23 supermarkets and 17 more in the pipeline. Cencosud agreed to give 49.75 million shares to Wong shareholders, valued at 2000 Chilean pesos each ($4.00 each share). The handover took place on January 31, 2008.

- CENCOSUD has kept the majority of the chain brands, and has only reduced the outlets of Almacenes Eco, turning it into the "Metro" chain. Moreover, the new administration decided to sell the chain "American Outlet."
    - Wong Supermarket: aimed at high-end consumers and offers customer oriented service. These outlets offer a variety of imported products depending on their location.
    - Metro Supermarket: convenient prices and less personal service for the middle income consumers.
    - Metro Hypermarket: Semi self-service format for price sensitive low-income customers.
- Cencosud spent two years getting to know the Peruvian consumer, and even though their sales increased, total sales have decreased by 12.7 percent since 2008. These valuable points have been distributed among its two strongest competitors, Supermercados Peruanos (Interbank Group), and Tottus (Falabella Group). The group wants to recover its market share and expects to grow in the 2011-2012 period, but this will not be an easy task.
- Cencosud stopped its aggressive expansion since it acquired Wong, including new outlets and formats such as Paris and Easy. According to the new administration, the reason for this has been an increase in credit cost and fluctuations in exchange rates.
- Cencosud Peru has started its expansion plan and is planning to invest $220 million, basically for new store opening. So far, Cencosud has 14 stores outside of Lima (3 Wong and 11 Metro).
- Cencosud has already registered Banco Paris, the financial branch of the corporation, to strengthen its financial support for its customers through credit cards. Cencosud has everything prepared for the opening of their Paris Department Stores in 2012.

A.2. Supermercados Peruanos Profile

Supermercados Peruanos (SPSA) was created in 2004 when a local company, Interbank Group, acquired it from the Dutch Company Disco Ahold International Holding. Currently, IFH Retail Corp is SPSA's principal shareholder. Interbank Bank is part of the corporation; it is the financial branch of SPSA.

- Supermercados Peruanos divides its points of sales into three formats:
    - Vivanda Supermarket: aimed at high-end consumers, offering customer oriented service. Provided "a loyalty card" to its customers.

    - Plaza Vea Supermarket and Market San Jorge: this brand new format may replace Santa Isabel stores in the near future. Opened in 2006, it is smaller in size than Plaza Vea Hypermarket and only provides food products.
    - Plaza Vea Hypermarket: targeted customers are middle-income consumers. It offers a variety of products at affordable prices. Limited customer service is provided. This format has been chosen as the main format for the SPSA expansion plan. The number of outlets has increased from 9 in 2004 to 32 in 2009.
    - Mass: discount grocery stores offering a limited variety of products for mass consumption.
- SPSA opened its first outlet in Trujillo in 2007. This was the first outlet outside of Lima. More outlets were opened later in five other cities.
- Between 2008 and August 2011, Supermercados Peruanos opened 22 supermarkets in their 5 formats (Plaza Vea Super, Plaza Vea Hiper, Vivanda, Mass and Economax) and will destin $60 million to continue expanding. This chain has been the most aggressive in terms of growth/expansion and is determined to continue to do so nationwide. SPSA's strategy: Strong penetration in Lima and the provinces.
- SP is part of Interbank Group which acquired Milenia real state agency by the end of 2010. Milenia is the landlord of four areas where Metro stores operate. The tenant agreements will expire between 2012 and 2016. This gives SP an advantage since those spaces will be used by them once the contracts expire. SP owns 76 stores in the country. Only 16 have been opened in 12 major cities of the country.
- Economax is the latest SP format that has been recently launched. Three outlets will open in 2011 and will demand an investment of $10 million. This format aims to face the lack of space for larger formats within the market. Moreover, its smaller area allows it to place in strategic locations in order to compete against convenient stores.
- Private label "Bell's" accounts for only 5 percent of total sales, with around 350 products that are mainly produced by small Peruvian companies.

A.3. Tottus Hypermarkets Profile

Tottus is owned by the Chilean retailer Saga Falabella. In 2002 Tottus arrived to Peru and opened its first outlet (Hypermarket format) in the northern part of Lima. It took a year to open the second outlet and since then Tottus has increased its presence through 23 outlets in 2010.

Although Hypermarket Tottus is the smallest supermarket chain in Peru, it has proven its competitiveness throughout the years. The company has opened outlets in Lima and the provinces; accounting for 80 percent of its sales in Lima and 20 percent in provinces.

Tottus sales grew 21 percent in respect to 2009, making it the best performer amongst the supermarket chains. Also, Tottus maintains the largest average surface since most of its formats are hypermarkets.

The 2011 Tottus expansion plan aims to open seven stores within the country; which will represent a $30 million investment. Its strategy is to form synergies with the rest of the group's formats (Saga Falabella and Sodimac Home Center) and their big format sizes. This strategy has allowed the chain to lead sales in several major cities, even though they were not the first chain to arrive.

A. **Local Consumer Profile**

- Local consumers perceive imported products as providing more variety while viewing local products as a source of employment. However, only one third of total consumers care about product origin.
- Consumers prefer local products if they are viewed as a quality product at an affordable price.
- Supermarket clientele in Lima can be divided into two groups: high and middle-income consumers (socio-economic levels A, B and C) and low-income consumers (socio-economic levels D and E).
- Supermarket market share for high and middle-income consumers is 90 percent. Supermarket expansion plans are aimed specifically at socio-economic level D and E.
- The weekly average expenditures for high and middle class consumers are $90, while expenditures average $10 for low-income consumers. However, low-income consumers are considered to have high growth potential because they are more than three times the number of high-end consumers.
- Heavy users represent 80 percent of purchases for supermarkets and can spend up to $155 per visit. Impulse buys can reach 30 – 40 percent of supermarket sales.

Characteristics	High and Middle income consumer	Low-income consumer
Population in Lima city	2.1 million	6.9 million
Number of families	0.4 million	1.4 million
Monthly family income	1,500 dollars	320 dollars
Monthly food expenses	310 dollars	120 dollars
Normal place to buy food	Supermarkets: 58.3percent	Open markets: 72.7percent
Frequency of supermarket attendance	Once a week	Preferences for daily visits to open markets or small stores. Supermarket visits once a month.

Source: Based on Statistics of INEI

nvenience Stores and Gas Marts

In spite of the significant growth of modern retail channels, sales in convenience stores (CS) keep on growing. The traditional channel has started to evolve, and grocery stores are improving their infrastructure (especially product display). Net income for "bodegueros" is growing and is expected to reach 12 percent in major cities. In Peru, the traditional channel does not really compete against the modern channel, but compliments it.
Convenience stores and wet markets represent 82 percent of food retail market in Lima. A few of them have started to upgrade their business into minimarkets. This is based on the fact that the administrative aspects are handled by a new generation of bodegueros, most of them sons or daughters of original owners. The modern channel has pushed them to innovate and take advantage of variables that consumers still considering as high priority.   The close proximity of convenience stores influences   roughly 50 percent of consumers' purchase decision while price only influences purchases about 30 percent.

While convenience stores acquire this classification when they offer massive products such as sugar, milk, rice, noodles and sodas, a few have started too modernized. The future of convenience stores is uncertain due to supermarket's initiative to build smaller formats in middle and low income areas. However, supermarket's aggressive penetration might start affecting directly these small businesses in the near future. These stores have wisely fared against to a long list benefits offered by supermarkets by focusing their efforts on ways to satisfy consumer needs not met by large chains.

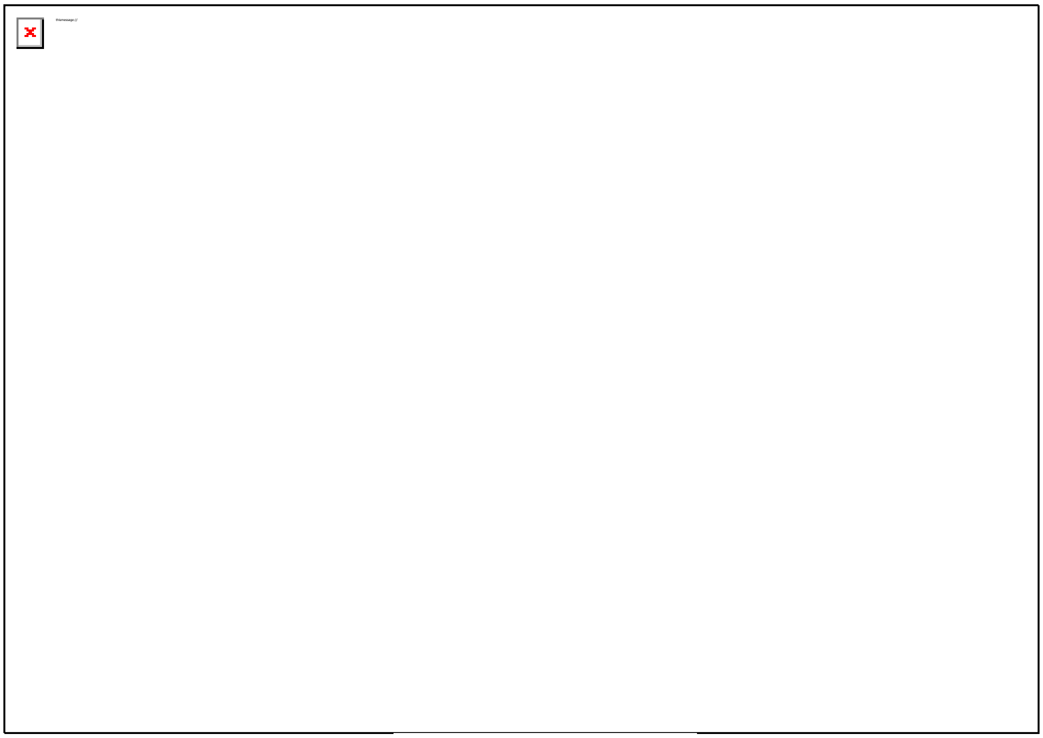
Convenience stores have started to upgrade their business structures to a well organized scheme (minimarkets) and probably this might be one of the big challenges along with implementation of new services that CS would face in the future in order to persist in the market. However, as we said before, both channels compliments their presence within the market, thus, this may not be consider as a cause-effect action derived from supermarket growth.

Traditional Markets

A. Sub-sector Profile

- Traditional markets have made new strategies in order to face competition from supermarkets. These new strategies include 40 new projects, accounting for an estimated $200 million dollars in investment. According to the plan, Plaza Ceres became the first open market built in 2008. It cost $3 million to build the Plaza Ceres which houses 700 small businesses.
- Traditional markets in Peru include 200,000 grocery stores and 2,500 open markets. Lima has 70,000 grocery stores and almost 1,250 open markets. In 2010, open market sales increased by 12 percent.
- Open markets are very popular among Peruvians for providing staples, diary, and personal hygiene products. Peruvians also visit open markets to purchase fresh fruits and vegetables and meats at lower prices.
- Traditional markets offer limited opportunity for sales of high-end imported goods. Most food products sold in traditional markets (open markets, street vendors and grocery stores) are locally produced inexpensive perishable products which are aimed at low-income consumers.
- Open markets are dominated by 25 major companies.

n III. Competition



Source: World Trade Atlas (2010)

- Peru grants tariff preferences to the Andean Community of Nations (CAN - Bolivia, Colombia and Ecuador), and to Mexico, Paraguay, Argentina, Brazil, Uruguay and Cuba.
- Peru's trade policy is oriented towards open markets. Peru has signed different commercial and trade agreements, while others have not entered into force yet and just a few still in negotiations:

Country	**Type**	**Status**
Andean Community (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)	Free Trade Agreement	In force
Thailand	Third Protocol	To come into force
Japan	Economic Partnership Agreement	To come into force
European Union	Free Trade Agreement	To come into

		force
Costa Rica	Free Trade Agreement	To come into force
Panama	Free Trade Agreement	To come into force
Guatemala	Free Trade Agreemnent	Negotiating
El Salvador	Free Trade Agreemnent	Negotiating
Honduras	Free Trade Agreemnent	Negotiating

- The PTPA reinforces U.S. competitiveness within the Peruvian market. The quality of U.S. products is already appreciated among the high-end consumers.
- For a complete list of products that have benefited from PTPA, please check http://www.ustr.gov/Trade_Agreements/Bilateral/Peru_TPA/Section_Index.html.

Competitive Situation facing U.S. Suppliers in the Retail Market in 2010

Product Category/ Net Imports	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Dairy Products (Excl. Cheese) ($127.85 million)	New Zealand: 31 percent U.S.: 21 percent Chile: 12 percent Bolivia: 12 percent Argentina: 6 percent	- New Zealand is a major supplier of dairy ingredients, especially HS 040210 milk accounting 36 percent of total imports.	- Only two companies are major producers of evaporated milk and yogurt.
Cheese 2,431 tons ($11.59 million)	U.S: 38 percent Argentina: 15 percent Uruguay: 15 percent Netherlands: 7 percent New Zealand: 7 percent	Argentina and Uruguay are part of MERCOSUR and have tariff preferences	Local homemade cheeses are commonly sold. Gourmet cheeses are not made locally.
Snack Foods 19,505 tons ($54.1 million)	Colombia: 52 percent Ecuador: 10 percent Chile: 7 percent U.S.: 7 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 47,885 tons ($65.93million)	Chile: 60 percent U.S.: 12 percent Argentina: 6 percent Netherlands: 4 percent Italy: 3	• Chile sells at cheaper prices due to proximity and tariff preferences. - EU products are viewed as good quality. - Argentina has increased its potato exports and fruit jellies	- Local processors are major exporters, but their local supply is limited.

	percent China: 3 percent		
Fresh Fruits 69,174 tons ($49.83 million)	Chile: 93 percent Argentina: 5 percent U.S.: 2 percent	- Chile is the main supplier because of proximity, price and duty free entrance. - Argentina has a window for pears and apples.	- There is an open window from November to February for that will benefit the United Stated - Local fruit sold in retail markets is of lower quality.
Fruit and vegetable juices 1,422,272 L ($ 2.5 million)	U.S.: 31 percent Brazil: 23 percent Chile: 13 percent Argentina: 11 percent	- Chile has tariff and proximity advantages. - Brazil has increased its exports of pineapple juice	- Local brands are well positioned in the market at competitive prices.
Wine and Beer 17.42 Million liters ($29.5 million)	Argentina: 41percent Chile: 22percent Spain: 11 percent Brazil: 8 percent Italy: 7percent France: 3 percent Ecuador: 3 percent U.S.: 2 percent	- Proximity and recognized quality of Chilean and Argentinean wines. - Brazil is the major supplier of imported beer.	- Major local breweries are well positioned, price competitive, and belong to international companies, representing 95 percent of the market. - Local wine is well positioned and price competitive, but does not satisfy demand.
Red Meats (fresh, chilled or frozen) 22,995 tons ($45.67 million)	Brazil: 29 percent U.S.: 22 percent Chile: 14 percent Colombia: 11 percent Argentina: 11 percent Paraguay: 8 percent	- Major imports come from nearby countries. Colombia has grown very rapidly due to low prices.	- Peru's market for U.S. meats reopened in October 2006. - U.S. meats are of superior quality. - Peru imports three times more offals than meats. - Local meat does not satisfy the demand.
Red Meats (prepared, preserved) 1,238 tons ($5.00 million)	Chile: 29 percent Bolivia: 15 percent Argentina: 11 percent Spain: 11 percent Italia: 10percent U.S.: 8 percent Denmark: 8 percent	- Chile has tariff and proximity advantages.	- The pork products industry also imports prepared meats. - U.S. product tariffs will decrease throughout 5 to 7 years.
Poultry Meat 24,410 tons ($29.32 million)	Brazil: 32 percent Chile: 25 percent	- Imports of U.S. poultry products reopened in October 2006. - Brazil and Chile are major suppliers of poultry cuts.	- TRQ for U.S. chicken leg quarters - Local poultry producers are major suppliers with

	U.S.: 20 percent Argentina: 16 percent Bolivia: 8 percent		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

Section IV. Best Product Prospects

Source: World Trade Atlas (2010)

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

Product/ Product Category	Market Size 2010 est.	Imports 2010	Average Annual Import Growth (2005-10)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Cheese (HS 0406)	18,480 MT	2,341 tons ($11.59	14.4 percent	040610, 20 and 40 0	- U.S. competitors are: Uruguay (16percent) and Netherlands	- U.S. cheeses are mainly used in the food processing sector, but have

		million)		percent 040630 040690 0 percent	(16percent). - Strong preference for EU cheese at high-end HRI and Retail Sectors.	potential in the HRI and Retail Food Sectors. - In 2010, the United States was the first supplier with a market share of 38 percent. - TPA*: 17 years linear, 2,500 MT quota with 12 percent increase per year.
Confectionary – non chocolate (HS 1704)	N/A	14,492 tons ($37.4 million)	16.1 percent	0 percent	- Major suppliers are Colombia($26 million) and Ecuador ($4 million). - Local industry is strong. Major owners are foreign companies.	- United States represents 2 percent of total imports, however, U.S. imports grew 14% in 2010. .
Confectionary – chocolate (HS 1806)	N/A	3,663 tons ($13.6 million)	12.2 percent	0 percent	- Chile is the major supplier (24 percent of MS). - Local industry is competitive.	- The U.S. is the second major supplier with 17 percent. The U.S. strength is in chocolate for the retail sector. Imports grew 46 percent in 2010.
Food Preparations (HS 210690)	N/A	14,229 tons ($120 million)	16.4 percent	0 percent	- Local Production is strong - Chile is the major importer (33 percent).	- United States is the second largest supplier and holds 17 percent of market share. - In 2010 imports grew 28 percent.
Prime and choice beef (HS 020230)	Total beef and offals market: 274,425 MT	1,435 tons ($5.73 million)	7.9 percent	0 percent	- Competes with quality meats from Colombia, Argentina, Uruguay, Brazil and Bolivia.	- Due to an increment of income levels, local consumers are demanding high quality products, such as beef. - U.S. imports have grown 75 percent respect 2009 in this category - United States became the second largest beef supplier in 2010 and holds 25 percent of import market share
Edible Beef Offals (liver) (HS, 020622)	10,000 MT	3,911 tons ($5.4 million)	16.4 percent	0 percent	Local production covers most of the market size.	- The United States holds 95 percent of import market.

Fruit and Vegetable juices (HS 2009)	N/A	14,222 hl ($2.5 million)	30 percent	0 percent	- Brazil is the second largest supplier and holds 23 percent of market share in 2010.	U.S. imports grew 15 percent in 2010 and United States remains as the largest importer holding 31 percent of market share.
Pet foods (HS 230910)	45,000 MT	12,250 MT ($13.84 million)	17.6 percent	0 percent	- Growing local pet industry. - There is an informal industry arising. - Colombia 42 percent), and Argentina (31 percent) are major competitors.	- The United States holds 22 percent of the market, with an 21 percent increase from 2009.
Turkey (HS 020727)	13,000 MT	4,598 tons (7.6 million)	27.2 percent	6 percent	- Major exporters are Brazil (52 percent) and Chile (34 percent) followed by the United States with 14 percent. - Local poultry industry is strong.	- Peruvians are major consumers of turkey during Christmas and New Year’s. - The food retail sector is becoming more popular not only in Lima, but also in the province. - USAPEEC has initiated a market penetration plan.
Poultry meat cuts (HS 020714)	$23,000 million	10,050 tons ($8.53 million)	56.2 percent	TRQ: 13,997 tons 0 percent	- Strong local industry. - Frozen presentation is not common	- Peruvians are major consumers of poultry. - TRQ: 6 percent increase per year.
Bread, pastry, cookies (HS 1905)	N/A	4,449 tons ($10.2 million)	21.1 percent	0 percent	- Colombia is the major import supplier and holds 22 percent of market share. Local companies are very strong.	United States holds 14 percent of import market share.
Soups & Broths (HS 2104)	N/A	1,363 tons ($2.9 million)	20.6 percent	0 percent	- Local companies are very competitive	- United States grew 38 percent in 2010 and is the major import supplier in this category.holding 33 percent of import market share
Sauces (HS 2103)	N/A	5,557 tons ($9.87 million)	15 percent,	0 percent	- Local companies are very competitive.	- United States grew 16 percent in 2010 and is the major import supplier in this category. Holding 32 percent of import market share
Nuts and almonds (HS 0802)	N/A	452 tons ($2.7	40 percent	0 percent	- Chile (37 percent of the market) is the	- U.S. imports have grown 161 percent in respect to 2009. The

		million)			second largest supplier.	United States is the major supplier with 61 percent of the import market. - Importers recognize that U.S. quality of nuts and almonds is better than competitors.
Wine (HS 2204)	21 million liters	8.1 million liters ($24.87 million)	15.7 percent	0 percent	- Argentina (53 percent), Chile (32 percent), and Spain (7 percent) are major exporters. - Only regular wine consumers recognize U.S. wine quality.	- 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.

Note: TRQ = Tariff Rate Quota, on a first-come first-serve basis.
Sources: World Trade Atlas, USTR, Ministry of Agriculture (Minag), Gestion and El Comercio Newspapers

Products not Present in Significant Quantities, but which have good sales Potential:

Product/ Product Category	Imports 2010	Average Annual Import Growth (2005-10)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Peaches, cherries and Nectarines (HS 0809)	2,968 tons ($2.3 million)	13.6 percent	0 percent	- Chile is major supplier with 99 percent of the market.	- Importers are interested in U.S. peaches and nectarines. - Duty free access for this category.
Apples and Pears (HS 0808)	61,859 Tons $44 million	20.2 percent	0 percent	- Chile is the major supplier with 92 percent of the market. - The United States is the third largest supplier with 2 percent of the market.	- There is a window of opportunity for the United States between November and February. Local consumers recognize U.S. apples and pears quality.
Grapes, raisins (HS 080620)	6,633 tons ($14.3 million)	22 percent	0 percent	- Chile holds almost 88 percent of the market.	- U.S. window: September to December. In 2010 U.S. imports reached $1.1 million due to a less Chilean production.
Citrus (HS 0805)	35 tons $30,546	-23 percent	2.4 percent	- Chile is the second major supplier with 40 percent of the market.	- United States holds 60 percent of import market - Recognized quality of U.S. oranges and tangerines. - Export window for the United States is from January to March.

Pork Meat (HS 0203)	3,005 tons ($6.9 million)	63 percent	2.4 percent	- Peruvians are not used to eating pork. - Local industry produces more than 100,000 MT - The industry is the same as the poultry industry. - Chile is the major supplier with 79 percent of the market and second is Canada with 15 percent	- Pork imports are growing. - U.S. pork benefit from TPA implementation. -
Sausages (HS 1601)	547 tons ($1.6 million)	28 percent	2.4 percent	- Major exporter is Chile with 44 percent of the market	- There is a high-end segment for gourmet sausages, in which the United States can compete. United States holds 19 percent of import market. Imports has grown 142 percent in 2010. Fast food restaurants are main channel for this category.
Ham, processed HS 160241	74 tons ($0.84 million)	32 percent	3.42 percent	- Major suppliers are Italy (43 percent of the market) and Spain (39 percent).	- The United States has quality products to introduce to the gourmet market - TPA: 7 years U.S. imports grew 95 percent in 2010.
Beer (HS 2203)	8.9 million liters ($4.5 million)	5.6 percent	0 percent	- Local breweries are very strong and owned by international companies. - Local breweries produce and import new brands for introduction in the market. Brazil is the major supplier (53 percent of the market).	- Niche market for premium beers. - Growing consumption of beer (over 40 lts per capita) - Duty free entrance. Lack of U.S. brands within the market.

Note: TRQ = Tariff Rate Quota, on a first-come first-serve basis.
Sources: World Trade Atlas, USTR, Ministry of Agriculture (Minag), Gestion and El Comercio Newspapers

Products Not Present Because They Face Significant Barriers:

None.

Section V. Key Contacts and Further Information

If you have any questions or comments regarding this report or need assistance, please contact the Foreign Agricultural Service in Lima, Peru at the following address:

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For further information, check the FAS web site www.fas.usda.gov or our web site www.usdaperu.org.pe. Please, also refer to our other current food market related reports: Exporter Guide, Food and Agricultural Import Regulations and Standards (FAIRS), FAIRS Export Certificate, Food Processing Ingredients Sector and HRI Food Service Sector.

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