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Report Name: Food Processing Ingredients

Country: Peru

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Report Category: Food Processing Ingredients

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Report Highlights:

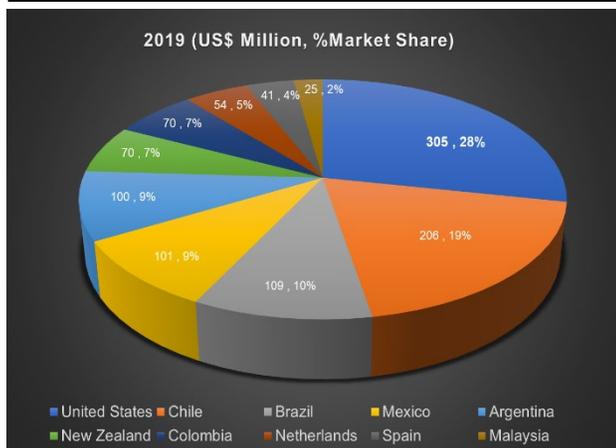
Peru's food processing industry is a dynamic sector of the national economy. The food industry in Peru accounts for almost 24 percent of the industrial GDP and 2019 sales reached \$12.4 billion. U.S.-origin food processing ingredient exports to Peru reached \$206 million in 2019.

Market Fact Sheet: PERU

Executive Summary

For over a decade, Peru has been one of the world's top performing economies, registering sustained high growth accompanied by low inflation. Agriculture accounts for approximately five percent of Peru's GDP, but employs around 28 percent of the population. The U.S.-Peru Trade Promotion Agreement, which entered into force in February 2009, has increased bilateral trade of agricultural products from \$1.46 billion in 2009 to \$3.83 billion in 2019, an increase of 162 percent. More than two-thirds of current U.S. agricultural exports enter Peru duty-free. The United States remains the largest agricultural product supplier to Peru, accounting for 21 percent of market share.

Imports of Consumer-Oriented Products



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

Food Processing Industry

Peru's food processing industry is a dynamic sector of the national economy. The food industry in Peru accounts for almost 24 percent of the industrial GDP and sales are forecast to reach \$12.4 billion by the end of 2019. Its growth is directly linked to the development of the food retail and food service sectors. Food product manufacturers source both domestic and imported product ingredients. Local processed food products cover 70 percent of the market demand.

Food Retail Industry

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 259 conventional supermarkets and superstores, with 179 in Lima, and 640 convenience stores, with two outside of Lima. The sector is comprised of both conventional supermarkets and traditional channels, comprised of wet markets and independent stores. Different types of food appear to perform better in the two formats. Top products include snack foods, dairy, edible oils, confectionaries, bread, and cookies.

Quick Facts CY 2019

Imports Consumer-Oriented Products: \$305 MM

Top 10 Growth Products in Peru

| | |
|------------------------------------|--------------------------------------|
| 1. Corn Flour | 7. Chicken meat prep. Or preserv. |
| 2. Milk and Cream concentrated. | 8. Potatoe flakex, granules or pellt |
| 3. Turkey meat prep. Or preserved. | 9. Wheat not durum |
| 4. Beer made from malt. | 10. Sucromalt |
| 5. Meat and offal of swine. | 11. Poultry meat prep or preserved. |
| 6. Turkey cuts frozen | |

Food Industry Gross Sales: \$30.5 billion

Food Industry by Channels

| |
|---------------------------------|
| 1. Food Exports: \$8.6 billions |
| 2. Food Imports: \$4.7 billions |
| 3. Retail: \$22 billion |
| 4. Food Service: \$8.5 billion |
| 5. Wet market: \$18 billion |

GDP/Population

Population (Millions): 32

GDP (Billions USD): 236

GDP Per-capita (USD): \$7,300

Strengths/Weakness – Opportunities/Challenge

| | |
|--|--|
| Strengths | Weakness |
| Strong demand for consumer food products | Low penetration of modern food retail along the country. |
| Opportunities | Challenges |
| Growing middle class | Stiff competition from other countries. |

Data and information sources: FAS Lima

Contact: FAS Lima

Section I. Market Summary

Food-processing in Peru is a dynamic and important sector that accounts for almost 24 percent of the nation’s industrial GDP. However, over 90 percent of the industry is comprised of micro-companies. Large companies represent only 1.7 percent of the sector.

Food-processing sector sales reached \$12.4 billion in 2019. Growth in this sector is directly linked to the development of food retail and food service sectors throughout Peru. In the last ten years, the modern food retail channel (supermarkets and convenience stores) have expanded and gained terrain among consumers. However, the traditional channel, mainly formed by independent small groceries (bodegas) is still the main channel for the most important food processing categories such as: edible oils, dairy, confectionary goods, baked goods, and pasta and cereals. Retailers use the following criteria when looking to launch new products: small packaging, quick rotation, and profit per unit.

Food product manufacturers in Peru source both domestic and imported product ingredients to meet consumer demand for quality food at affordable prices. These manufacturers are successfully tailoring products to meet different segments of consumer demand.

U.S.-origin food processing ingredient exports to Peru reached \$206 million in 2019, an increase of 60 percent from 2018. The United States recovered wheat exports to Peru and as a result, wheat exports increased 170 percent from 2018. Other products contributed to the category’s growth such as: powdered milk, almonds, preparations of animal or vegetable fats, and dextrins.

Advantages and Challenges Facing U.S. Products in Peru

| Advantages | Disadvantages |
|---|--|
| <ul style="list-style-type: none"> ● The U.S.-Peru Trade Promotion Agreement (PTPA) grants duty-free access to two-thirds of all U.S.-origin food and agricultural products, including high-value food products. ● An active supermarket industry that is working to increase demand for high-value food products. ● Growth of foodservice in Lima, with a demand for affordable products. ● Appreciation for U.S. food quality and culture. ● Middle-class expansion. | <ul style="list-style-type: none"> ● Consumers prefer to buy fresh produce in traditional markets. ● Supermarkets (main source for food products) account for only 25 percent of the retail food market share in Lima and 16 percent in the provinces. ● Local food brands are appearing in the market at very low prices. ● Stiff competition from neighboring countries. ● Domestic producers manufacture products according to local taste preferences |

Section II: Road Map for Market Entry

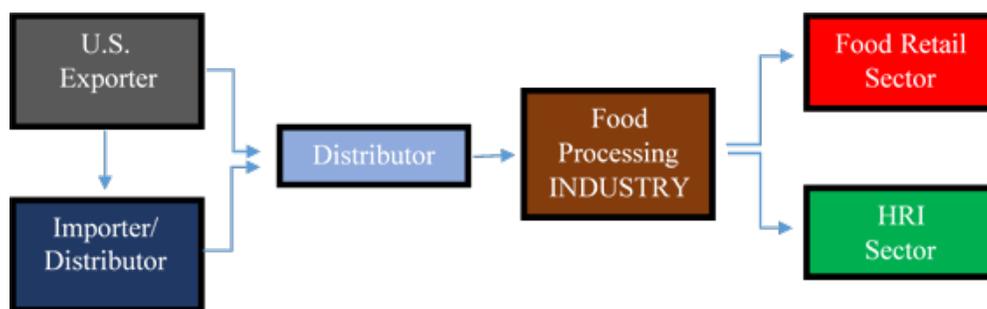
1. Entry Strategy:

- Conduct preliminary research to determine market potential for a specific product. Contact FAS Lima to obtain reports or briefings about market features.
- U.S. exporters should contact the local food processing company, or indirectly establish ties through brokers, agents, or representatives.
- Personal visits are highly recommended. The U.S. exporter should know its local partner well before signing contractual agreements.
- Exporters should provide support to food service customers by participating in technical seminars, product demonstrations, and local trade shows whenever possible.
- The import partner should be able to provide updated information on consumer trends, current market developments, trade, and business practices.
- Food ingredients must comply with Peru's regulations and be approved by health authorities before being placed on the market. Peru adopts Codex as the primary international reference.

2. **Import Procedure:** For details on how to export to Peru please refer to FAS Lima's [FAIRS Export Certificate](#) report and [FAIRS Country Report](#).

3. **Distribution Channels:** Distribution channels for imported products are at times different from those for domestic products. They are also constantly changing. However, larger processors generally import directly from the supplier. Small processors rely on local distributors to import ingredients. International franchises import 75 percent of their food ingredients directly and source the remainder locally.

4. Market Structure:



- The Peruvian food-processing industry is well developed and tries to source directly depending on the volume. Smaller importers use traders as main sourcing partner.
- Local processed food products cover 75 percent of the market demand.
- Specialized importers usually provide food ingredients to the Peruvian market. Some of these are also producers or wholesalers/distributors.

5. Sector Trends:

Peru's food manufacturing industry has benefited from the nation's strong economic performance over the past decade. A demanding middle class forced food processors to innovate and adapt to broader consumer segmentation. Food manufacturers target small independent groceries as the primary channel to reach a wide range of consumers. Despite the growth of supermarket chains throughout the country, Lima is still the main market with a space limiting constraint for future growth. Food products must align with consumers' preference for convenience, low prices, and daily purchases.

U.S. food ingredient suppliers should focus on providing ingredients to the following industries:

Baked Goods: The bread category, especially artisanal breads (80 percent market share), drives the sector. Despite consumers' preference for artisanal bread, industrially produced bread is making significant inroads due to supermarket and convenience store expansion. Panificadora Bimbo del Peru is the leading local producer of industrial bread.

The cakes subcategory is the second in importance with a 15 percent value share within the bake goods category. Panettone is the star product which is predominately a seasonal product (July and December). Nestle Peru is the largest panettone manufacturer in Peru.

Dairy Products: Evaporated and condensed milk lead this category, accounting for 75 percent of all dairy products. Manufacturers use raw milk to produce shelf-stable evaporated milk. However, competition has intensified due to powdered milk imports. Shelf-stable milk and yogurt are two subcategories that have grown more in recent years. Food retail expansion is driving growth in these two sub-categories. Ready-to-drink products are favored by consumers looking for healthy products. This category has almost equal distribution through modern and traditional channels. With a 75 percent market share, Gloria S.A. leads sales in this sector.

Dried Processed Food: Pasta and rice remain the key product offerings. Rice is one of the most consumed foods in Peru and it is produced locally. Rice accounts for 50 percent of total sales in the dried processed category. Pasta ranks second with a consumption of 193,000 MT. Costeño Alimentos and Alicorp are the largest food processors for rice and pasta, respectively.

The noodles subcategory remains third in importance within the dried processed food category. Small independent groceries and convenience stores have become a good niche channel for instant noodles due to the hectic lifestyle of one segment of Peruvian consumers. Noodles sales reached almost \$90 million in 2019.

Processed Meat and Seafood: This category has shown rapid growth due to high consumption of meat, poultry, hot dogs, ham, chicken nuggets, burgers, etc. The fast food channel has been instrumental to this growth. Local processors have made plant enhancements to increase production levels due to higher demand. Braedt and Laive remain the leading

companies for chilled processed meats while frozen poultry products is dominated by San Fernando.

The seafood subcategory accounts for almost 50 percent of the value share for this category. Canned tuna is the main product which is locally produced. GW Yi Chang is the leading distributor in this subcategory.

Cookies and Snack Bars: Cookies and snack bar sales grew seven percent in 2019, reaching \$297 million. Sweet cookies dominate the market. Consumers demand snacking-style products or meal replacements. Mondelez Peru, Alicorp, and Molitalia enjoy a combined market share of 62 percent. Supermarket/ hypermarket private labels specialize in affordable cookies. However, the traditional channel remains as the most important distribution channel for this category.

Sauces, dressings and condiments: This dynamic category is dominated by sauces, principally mayonnaise, ketchup, and mustard. Despite a warning label regulation required for products containing high levels of sugar, saturated fat, and sodium, the sauce subcategory experienced some growth (1.2 percent) in 2019 reaching \$88 million. Alicorp is the leading manufacturer for this subcategory with its brand Alacena. Another subcategory is cooking ingredients led by Ajinomoto del Peru S.A. that offers soy sauce and stock cubes. Cooking ingredients reached \$63 million in 2019. The tomato paste and purees subcategory is third in importance accounting for 18 percent of the value share in this category.

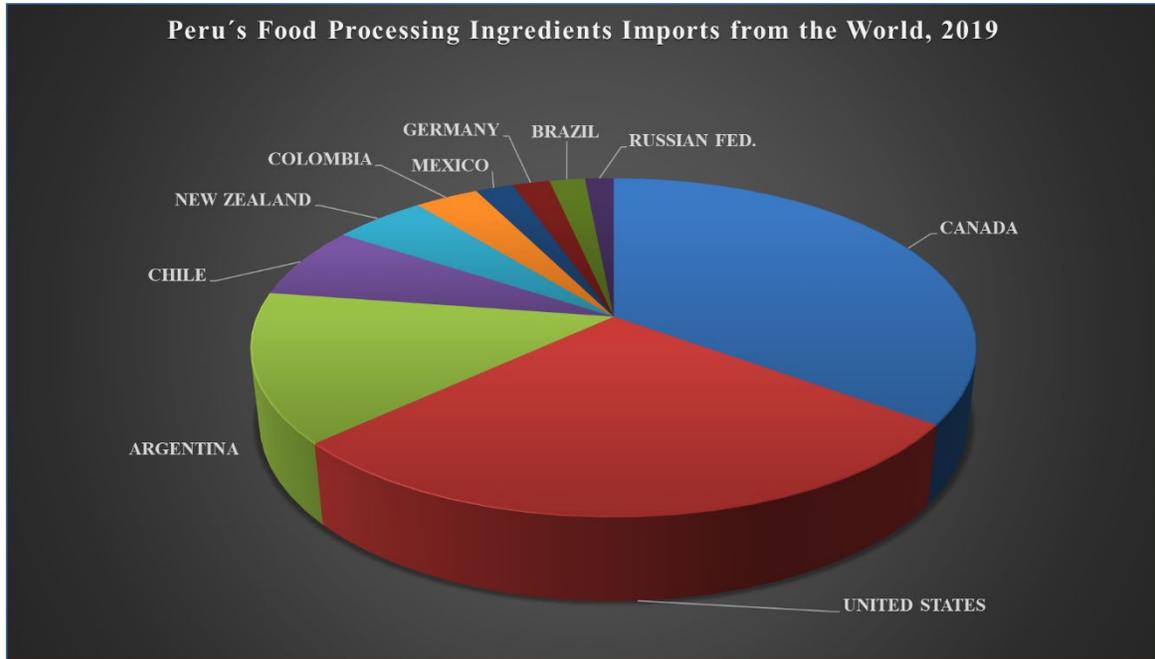
Breakfast Cereals: In 2019, breakfast cereal sales ended up at \$115 million, up eight percent from 2018. Sales are driven by middle-income consumers adopting cereals as their breakfast food. Breakfast cereals are popular with health-conscious consumers. Consumption of cereals is a traditional breakfast item in Peru. This preparation primarily consists of oats, and in more recent years, native grains such as quinoa or kiwicha are being mixed in. Alicorp is the leading manufacturer for this category accounting for 65 percent of the market share. Even though almost 60 percent of the distribution occurs through independent groceries, the modern channel has increased its share in recent years.

Beer: Beer, with a market share of 90 percent, is Peru's drink of choice. Middle and high-income consumers continue to increase purchases of premium products. Volume production is nearly 1,500 million liters, (almost \$3.4 billion). The SAB Miller owned, Union de Cervecerias Backus & Johnston, is the leading beer manufacturer, accounting for 97 percent of the market share.

Section III. Competition

Imports of food processing ingredients to Peru totaled \$884 million in 2019. The United States is the second largest supplier of ingredients, with a 25 percent market share. These ingredients are made up largely of wheat and milk powder, which represent 73 percent of the total trade in this category for the United States. Canada is the largest supplier with a 31 percent market share, with

wheat comprising the bulk of its exports in the category. Total agricultural trade has benefitted from the U.S.-Peru Trade Promotion Agreement (PTPA).



Source: Trade Data Monitor and Veritrade.

Section IV. Best Product Prospects Categories

1. Products Present in Market but which have Good Sales Potential

| Product Category/ Net imports | Major Supply Sources | Strengths of Key Supply Countries | Advantages and Disadvantages of Local Suppliers |
|--|--|--|---|
| Wheat (HTS 10019910) \$430 Million | Canada: 59% USA: 24% Argentina: 15% | Canada has a more competitive pricing for this ingredient. | Local millers are used to blending different origin wheat. |
| Milk and Cream Concentrate, powder (HTS 040210) \$50 million | USA: 60% New Zealand: 20% Belgium: 6% | Price opportunity is a key driver. | Dairy food processors use powdered milk to standardized production. Insufficient milk production in Peru. |
| Milk and Cream Concentrate, powder Exceeding 1.5% (HTS 040221) \$65 million | New Zealand: 42% USA: 25% Argentina: 21% | Price opportunity is a key driver. | Dairy food processors use powdered milk to standardized production. Insufficient milk production in Peru. |

| | | | |
|---|--|--|--|
| Edible mixtures or preparations (HTS 151790) \$11 Million | USA: 61% Malaysia: 11% Uruguay: 10% | Price opportunity is a key driver. | Multiple sectors demand these type of products. |
| Enzymes and preparations Nesoi (HTS 350790) \$26 Million | USA: 26% France: 16% Denmark: 14% | Tariff preferences are also applied to competing exporting countries. | Weak local production. Utilization for different sectors. |
| Almonds Fresh or Dried Shelled NESOI (HTS 08021290) \$10 Million | USA: 69% Chile: 31% | Lower logistics cost due to Chile's proximity. Price competitive. | Better quality of U.S. almonds. Confectionary manufacturers prefer U.S. quality and price. |
| Boneless Pork Meat (HTS 02032910) \$15 Million | USA: 52% Chile: 38% Canada: 9% | Price competitive and different cuts from Chilean pork industry. Proximity and tariff preferences are key factors. | Mainly used by sausage manufacturers. U.S. industry is gaining terrain due to competitive quality and price. |
| Products Consisting of Natural Milk Constituents (HTS 040490) \$5 Million | USA: 92% Spain: 5% Argentina: 2% | Price and proximity could be key alternative drivers. | Not too many suppliers for these products. Local industry non-existent. |
| Mixtures of Odoriferous Substances (HTS 330210) \$54 Million | Chile: 55% Mexico: 16% Colombia: 6% USA: 6% | A beverage manufacturer in Chile supplies subsidiary in Peru. Price key driver. | Large manufacturers sources internationally. |
| Flour Meals and Pellets Meat or Offal (HTS 23011090) \$8 Million | USA: 45% Chile: 29% Argentina: 23% | Price and quality are key drivers. | Pet food industry is the largest buyer. Local industry is growing. |
| Other preparations of semolina, starch flour or malt extract (HTS 190190) \$26 Million | Colombia: 43% New Zealand: 18% Chile: 13% USA: 7% | Price is the key driver. Colombian manufacturers supply to Peru's subsidiary. | Category keeps growing and grew 4 percent in 2019. Large food processors based in the region supplies Peru's market. |
| Vegetable Saps and Extracts (HTS 1302) \$17 Million | China: 22% USA: 20% Chile: 13% Mexico: 13% | Price is the key driver. | U.S. is the leading supplier of hops extract and viskon. |

Source: SUNAT, Trade Monitor Data. FAS Lima office research.

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

2. Products with small presence in Market but which have Good Sales Potential

| Product Category/ Net imports | Major Supply Sources | Market Overview |
|--|---|--|
| Malt Toasted or not (HTS 1107) \$30 million | Argentina: 46%; Colombia: 36%; Netherlands: 5 %; Uruguay: 5% | Brewers' sales in 2019 were \$3.4 billion, up 1.6 percent from 2018. |
| Starches (HTS 1108) \$20 million | Germany: 33%; Denmark: 19%; Poland: 12%; Netherlands: 11%; Brazil: 8% | Potato starch imports reached \$16 million and it is the largest imported ingredient. Also, cornstarch with \$3 MM. |
| Mechanically deboned meat (HTS 0207140010) \$4 Million | Chile: 49%; Brazil: 43%; USA: 8% | Price driven market. U.S. exports in 2019 reached \$270,000 from 0 in 2018. |
| Whey and Modified Whey (HTS 040410) \$8 Million | Chile: 58%; USA: 15%; France: 15% | Chilean suppliers benefit from proximity and tariff preferences. Price is the key driver. Not too many suppliers for these products. Local industry non-existent. |

Source: SUNAT, Trade Monitor Data. FAS Lima office research.

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

Section V. Key Contacts and Further Information

U.S. Embassy Lima, Foreign Agricultural Service (FAS) Office of Agricultural Affairs Street
Address: Avda. La Encalada, Cuadra 17, Monterrico - Surco, Lima 33 E-mail: Aglima@usda.gov

For additional information, see www.fas.usda.gov. See also our [Exporter Guide](#), and other marketing reports on the FAS Global Agricultural Information Network (GAIN) in this [link](#).

Attachments:

No Attachments