

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 2/27/2013

GAIN Report Number:

Peru

Post: Lima

Beef Overview

Report Categories:

Livestock and Products

Approved By:

Emiko Purdy

Prepared By:

Gaspar E. Nolte

Report Highlights:

U.S. beef and beef products exports to Peru have increased sharply in the last four years. U.S. exports grew from \$7.5 million in 2009 to \$33.2 million in 2012. Post expects that this upward trend continues at least at 15 percent growth per year for the next five year.

Executive Summary:

U.S. beef and beef products exports to Peru have increased sharply in the last four years. A combination of economic growth, market access, tariff preferences, and aggressive marketing efforts from the U.S. private sector have brought exports from \$7.5 million in 2009 to \$33.2 million in 2012. Post expects that this upward trend continues at least at 15 percent growth per year for the next five year.

Peru does not have a modern beef production system and is not able to produce enough beef products to meet domestic demand. Moreover, due to its production system, most of Peru's beef comes from old animal which results in poor quality. Thus, there is considerable potential for the United States to export beef and beef variety meats.

The yearly average for beef production between 2003 and 2012 in Peru was approximately 145,000 metric tons (MT) compared to 1 million MT per month in the United States. (2009). Of the total domestic meat consumption (64 kg/capita), more than 50 percent consumed is poultry (34 kg/capita); the remaining major shares are fish (22 kg/capita) and beef (5.4 kg/capita). Historically, there is not a strong preference for red meat although offal, especially heart and stomachs, is relatively popular. Beef consumption per capita is below the world-wide average.

Due to the discovery of bovine spongiform encephalopathy (BSE) in the United States in 2003, Peru banned the importation, manufacture, and commercialization of foods that contained bovine, sheep, goat, and deer meat from the United States. Peru reopened trade with all U.S. beef and beef products in October 2006.

The U.S.-Peru Trade Promotion Agreement (TPA) have increased the competitiveness of U.S. beef products over other regional imports; premium beef started with a duty free tariff rate quota (TRQ) of 800 MT and beef offal started with duty free TRQ of 10,000 MT. Both TRQs have annual increments of 6% each year until imports are unlimited in years 12 (premium beef) and 10 (variety meats).

General Information:

Production

Peru does not have a developed beef sector and relies on imports to meet domestic demand. Currently Peru has more than 4.9 million heads of cattle. There is limited technology and a slow integration of new technologies. Most beef in Peru is produced from "criollo" cattle which is very rustic but not as efficient as specialized beef breeds. Beef production comes from three different regions, each with unique type of animals, environmental conditions, and technology levels for feeding, facilities, and handling.

- *Coast:* Cattle arrive to feedlots for a 90 day period. Many of the inputs used by feedlots are industry by-products such as corn stock, wheat bran and cotton seed. Feedlots take advantage of compensatory weight gains to recover underfed cattle and bringing it to market conditions.
- *Highlands:* Cattle are mainly raised for dual purposes – i.e., milk and beef. Production is sold in local markets and to supply feedlots on the coast. For farmers, it is their only source of work and savings. Cattle are considered poor genetic quality, there is little technical advancement, and sanitary problems are chronic.
- *Jungle:* Farmers must complement raising cattle with other economic activity. Cattle are primary raised for meat production.

Of all the cattle in the country, 80% are in the highlands and jungle under semi-intensive or extensive production systems and the remaining 20% are in the coast under intensive production systems.

Trade

Currently import tariffs rate for beef is 13%. Peru phased out import duties for importing offals from all origins. The U.S.-Peru TPA immediately granted duty free access for premium beef under the tariff rate quota (TRQ) starting at 800 MT in the initial year (2009) and increasing by 6% each year until it is duty free in year 12.

Peru's beef and beef products imports from all sources grew an average of 24 percent annually between 2009 and 2012.

However, Peruvian imports from the United States grew an average of 64 percent annually during the same period. Premium beef is a niche market and the United States faces the most competition from Argentina due to its reputation for quality. U.S. beef cuts in Peru are considered to be high quality for their tenderness and consistency. This differentiates U.S. beef from the majority of other producers in the region whose meat tends to be tough due to grass-feeding practices. Peruvian customers are brand conscious and view U.S. brands positively and high quality.

Peru allows boneless and bone-in beef as well as offals from the United States. Post is currently working with Peru's sanitary authority (SENASA) to lift its Export Verification requirement.

Major Beef Products and Market Opportunities

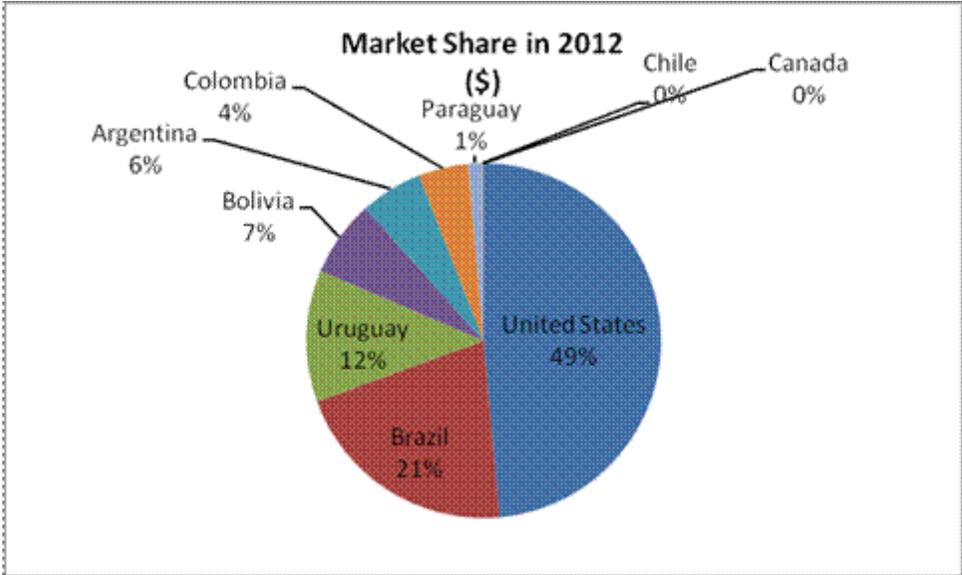
Fresh and Chilled Beef

In terms of value, Peru imported \$10.9 million in 2012 of fresh and chilled beef. The U.S. exports accounted for 32 percent of the imports.



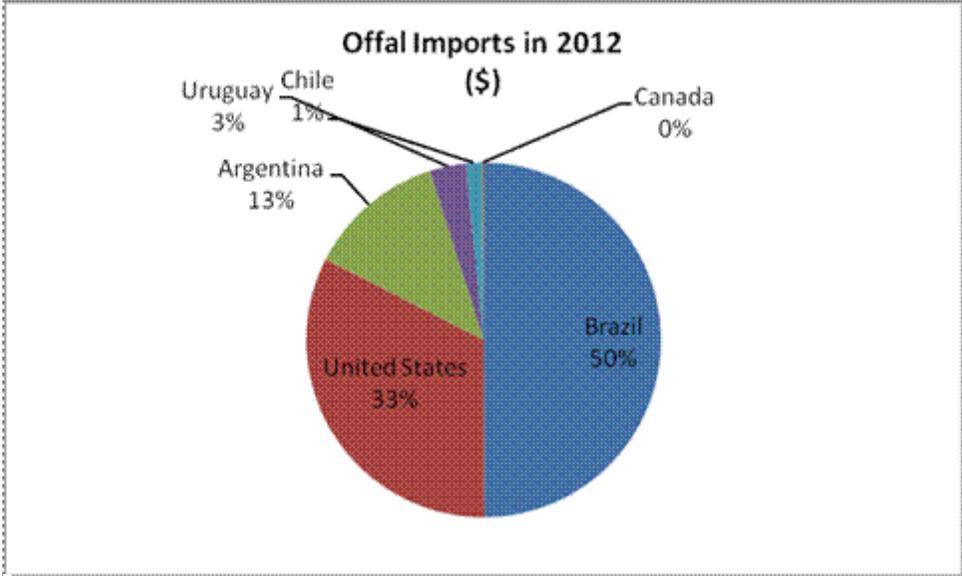
Frozen Beef

Peru imported \$11 million of frozen beef in 2012. Though in terms of volume the United States had a market share of 39 percent, in terms of value it reached almost 50 percent which reflects its good positioning in the premium market.



Offals- Total

U.S. beef variety meats are competitive in Peru and are considered to be high quality. Peru imports mainly hearts, liver and stomachs from the United States.



Offals-Liver

	2010	2011	2012
Imports from the World	4,034 MT \$5,283,133	4,131 MT \$6,903,090	3,966 MT \$6,510,250

<i>Imports from U.S.</i>	3,822 MT \$5,018,112	3,975 MT \$6,659,239	3,843 MT \$6,330,349
--------------------------	-------------------------	-------------------------	-------------------------

Source: Peruvian Customs