Required Report: Required - Public Distribution **Date:** December 29,2020

Report Number: PE2020-0001

Report Name: Exporter Guide

Country: Peru

Post: Lima

Report Category: Exporter Guide

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Report Highlights:

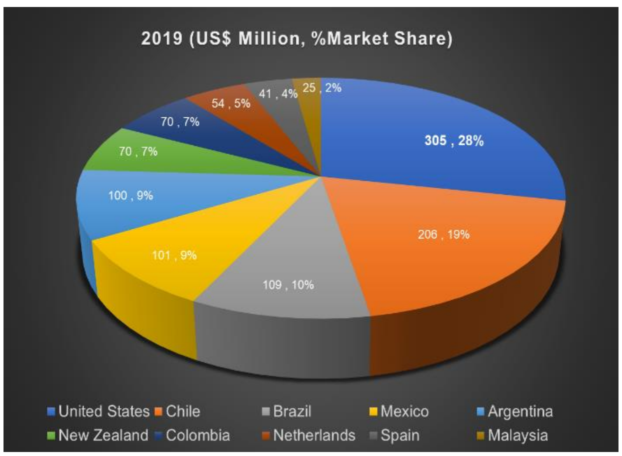
Peru is the third largest export market for U.S. agricultural products in South America. For over a decade, Peru has been one of the world's top performing economies, registering sustained high growth accompanied by low inflation. U.S. origin food and agricultural product exports to Peru benefit significantly from the U.S.-Peru Trade Promotion Agreement (PTPA). Despite the COVID-19 crisis, the demand for U.S. consumer-oriented food is forecast to reach $280 million by year's end, just a 10 percent decrease with respect to 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.

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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. 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
2. Milk and Cream concentrate
3. Turkey meat prep. or preserved
4. Beer made from malt
5. Meat and offal of swine
6. Turkey cuts frozen
7. Chicken meat prep. or preserved
8. Potato flake, granules or pellet
9. Wheat not durum
10. Sucromalt
11. Poultry meat prep or preserved

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 throughout the country.
Opportunities	**Challenges**
Growing middle class	Stiff competition from other countries.

Data and information sources: FAS Lima
Contact: FAS Lima

I. Detailed Market Overview

Despite that the Government of Peru (GOP) announced one of the earliest Coronavirus lockdowns in the region, Peru´s economy is forecasted to decrease between 12 and 13 percent in 2020. The shock stemming from the government´s quarantine strategy, which was long, strict, and broad, abruptly shut down several sectors, resulting in a deep economic contraction during the first quarter of the year. However, the gradual relaxation of these measures is making headway towards a recovery phase of the economy that should rebound to pre-COVID-19 economic indicators by the second quarter of 2021. The consensus forecast provides a favorable economic outlook by the end of 2021, estimating 12 percent growth in gross domestic product (GDP).

For over a decade, Peru has been one of the world's top performing economies, registering sustained high growth accompanied by low inflation. The two main achievements of this economic expansion have been the substantial reduction of poverty and the surge of an emerging middle class. According to the National Statistics Institute (INEI), almost 45 percent of the population belongs to this socioeconomic group. However, one of the most notable vulnerabilities of this emerging middle class is its high labor informality, which lacks the stability of a typical middle class and reduces productivity growth. Peru's government aims to reduce the high labor informality and is working on strategies to stimulate employment, such as creating opportunities to improve foreign investment.

The country's population has increased by almost 6.5 million inhabitants in the last 17 years. According to the last census in 2017, Peru's population reached almost 31.5 million and it is the fifth most populated country in South America after Brazil, Colombia, Argentina, and Venezuela. The coastal area accounts for 50 percent of the total population, with Lima being the largest city with 9.5 million people.

Peru is a member of a number of bilateral and multilateral trade agreements that have opened new markets for its exports and increased demand for imported goods. This openness to international trade and Peru's growing middle class have transformed domestic food market channels. Among Peru's trade agreements is the U.S.-Peru Trade Promotion Agreement (PTPA) that offers multiple opportunities for U.S. origin food and agricultural product exports to Peru. The demand of U.S. consumer-oriented foods has steadily grown since the implementation of the PTPA in 2009, reaching $313 million in 2019, setting a record as the highest year in terms of value for this export category.

The effects of COVID-19 on the food market in Peru differed by sector, with the largest negative impact on the foodservice segment. Due to the quarantine, consumers quickly switched to cooking at home. Foodservice establishments have progressively resumed activities, but current activity levels remain insufficient to rebound from the losses in the short term. Whilst food retailers managed to capitalize on the changes in consumers' consumption behavior, there were some food categories that could not easily move product to the food retail sector. For instance, U.S. meat exports performed below expectations due to the importance of the foodservice channel.

Given the strong credentials of Peru´s economy, the long-term outlook still looks positive. The low penetration of supermarket chains in Peru (20 percent) can be seen as an opportunity and challenge for retailers. The traditional channel (80 percent market share), consisting of small independent grocers, targets a large consumer base of low and middle-income consumers. This channel offers a good mix of low to medium priced brands in small packages which favors sales to people with small daily budgets.

Proximity is also a highly weighted feature within this market segment. Food products aligned with consumers' preference for convenience, low prices, and daily purchases perform best in the market.

Advantages and Challenges Facing U.S. Products in Peru

Advantages	**Challenges**
• The U.S.-Peru Trade Promotion Agreement grants duty-free access to two-thirds of all U.S.-origin food and agricultural products, including high-value food products. • An active supermarket industry that is promoting increased demand for high-value food products. • Potential growth of new supermarket outlets and convenience stores in Lima's suburbs and other cities. • Appreciation for U.S. food quality and variety. • Untapped categories such as refrigerated and frozen products. • Increased health consciousness among the Peruvian population. • Dynamic growth in foodservice and food processing sectors.	• Traditional channel remains as the most important for consumers. • Preference to buy fresh produce in traditional markets. • Modern Retail Channel (supermarkets and convenience stores) accounts for only 25 percent of the retail food market share in Lima and 18 percent in the provinces. • New local food brands are appearing in the market at very low prices. • Provincial supermarkets are supplied by Lima-based companies. • Lack of brand awareness among some consumers. • Market access demands higher marketing costs. • Domestic producers manufacture more affordable products according to local taste preferences. • Cumbersome sanitary registration processes delay the entrance of new food products.

II. Exporter Business Tips

The Peruvian market is complex and constantly evolving due to the low penetration of modern food retail channels. FAS Lima recommends that U.S. suppliers seeking entry into this market conduct thorough, preliminary research to determine if there is a potential market for their products. The research should cover key marketing and regulatory issues including consumption trends, size of the market (imports), major distribution channels, current import tariff and local tax structure, and government regulations and standards. Current U.S. suppliers should also consider consultations with importing partners to determine if any change of marketing strategies for existing products is needed.

Given the level of quality and packaging of U.S. consumer-oriented food products, the most suitable channel is through supermarket chains. Supermarkets target mainly middle- and upper-income consumers. U.S. food suppliers should first consider establishing a distribution agreement with an importer or wholesaler/distributor. Local importers typically have business agreements with all supermarket chains and other market formats such as gas stations, small independent grocery stores (bodegas), and convenience stores. Deals directly with supermarkets are often under exclusivity terms. Importers generally purchase based on price and quality. There exists, however, niche markets for high value products for upper income consumers, where pricing is not necessarily a concern.

Be diligent in selecting an agent or a representative. Visits and face-to-face meetings in Peru are recommended, however, given the sanitary situation, importers are familiar with virtual communication platforms. Conduct a background check of the prospective partner before signing permanent contractual arrangements. The local partner selected should provide information on consumer trends, market development activities, business practices, and identify niche markets.

Road Map for Market Entry

FAS Lima recommends that U.S. exporters consider the following steps:

- Identify the distribution channel that will best fit the export company's market strategy.
- Depending on the channel chosen, identify a strategic import partner.
- Obtain the sanitary registration either directly or through a local partner.
- Request import permits as required.
- Forward the import partner copies of customs clearance documentation prior to shipment.
- Provide ongoing support to the importer to help build consumer demand.

III. Import Food Standards and Regulations and Import Procedures Food Standards and Regulations.

Sanitary inspection, food registration, packaging, and control regulations for food and beverages are contained in Supreme Decree No. 007-98-SA (September 25, 1998). The Ministry of Health's Directorate General for Environmental Health (Dirección General de Salud Ambiental - DIGESA) is the U.S. Food and Drug Administration's (FDA) counterpart; it regulates the registration and supervision of domestic and imported processed foods and beverages. The Ministry of Agriculture's National Plant and Animal Health Service (Servicio Nacional de Sanidad y Calidad Agro-Alimentaria - SENASA) develops and implements Peru's sanitary and phytosanitary regulations. SENASA's U.S. counterparts are the Animal and Plant Health Inspection Service (APHIS) and the Food Safety and Inspection Service (FSIS). The National Quality Control Institute (INACAL) is the competent authority on standardization, accreditation, and metrology.

General Import and Inspection Procedures

To clear Peruvian Customs (SUNAT), imports must be accompanied by a Unique Customs Declaration (DUA), a commercial invoice, an airway bill or bill of lading, a packing list, and an insurance letter. Imports must also be accompanied by a DIGESA food sanitary registration for processed food products. For animal and plant products or their by-products a health certificate is required.

The customs agent transmits the DUA electronically to SUNAT, which assigns a level of customs clearance control. SUNAT channels imports along a green, orange, or red lane. The green lane permits entry of the product upon payment of duties. The orange lane requires additional documentation review. The red lane requires both a document review and physical inspection.

Food and Beverage Sanitary Registration

The registration process must be initiated by a SUNAT registered company, in possession of a valid tax identification number (RUC). DIGESA registration information must be uploaded to the VUCE website (*Ventanilla Unica de Comercio Exterior*). This site handles formalities for goods transiting, entering, or leaving Peru. Requirements include:

- Simplified Trade System Form (SUCE - *Solicitud Unica de Comercio Exterior*) must be filled out on the VUCE website.
- A physical/chemical and microbiological quality analysis from the manufacturer's quality control laboratory or by a laboratory in Peru accredited by INACAL or any other international accreditation entity recognized by the International Laboratory Accreditation Cooperation or the Inter-American Accreditation Cooperation. The microbiological parameters for food and beverages were approved by the Ministerial Resolution 591-2008/MINSA and are specified at NTS 071- MINSA/DIGESA.
- Bromatological analysis results issued by a laboratory accredited by INACAL or any other international accreditation entity recognized by the International Laboratory Accreditation Cooperation or the Inter American Accreditation Cooperation.
- List of ingredients and quantitative compositional analysis of food additives identified by their generic name and international numeric reference (SIN Code).
- Conservation and storing conditions.
- Information about the packaging, indicating the type and material used.
- Lifetime information of the product under normal conservation and storage conditions
- Identification system of the production batch.
- Labeling information.
- Payment of administrative fees.

Along with the signed application form, the importer needs to present the certificate of free sale and use. The certificate is requested by the supplier. The label must comply with local regulations (see Section II - Labeling Requirements) and the registration receipt must be presented. Documentation must be less than one year old. A Spanish language translation of the documentation must be attached.

For additional information, see our FAIRS – Food and Agricultural Import Regulations and Standards Narrative Country Report 2020.

Certificates for Animals, Plants, and By-Products

Prior to shipment, an import permit must be obtained from SENASA. A copy of the permit needs to be forwarded to the exporter. The exporter must provide the importer with an official health certificate from the country of origin. SENASA port inspectors verify compliance with import requirements. For new-to-market animal and plant products, a risk assessment must be carried out in accordance with the Andean Community, World Trade Organization (WTO), Codex *alimentarius* (CODEX), or World Organization for Animal Health (OIE) recommendations, as well as per the sanitary requirements of the exporting country.

Certificates for animal and plant products and their by-products must be error free, contain no pen or ink changes, or have any other type of amendments. If applicable, the product must be packaged in food safe packaging and labeled in accordance with U.S. regulations. The product must identify its content, net weight, and the facility where it was produced. The United States Department of Agriculture's (USDA) Animal and Plant Health Inspection Service (APHIS) issues sanitary and phytosanitary certificates for animal and plant products, and their by-products. USDA's Food Safety and Inspection Service (FSIS) will certify meat and meat by-products, while the Agricultural Marketing Service (AMS) issues certifications for U.S. dairy products.

For additional information, see our FAIRS – Food and Agricultural Import Regulations and Standards Export Certificate Report 2020.

Labeling Requirements
All food and beverage products packaged for sale must be labeled in accordance with the provisions established in INDECOPI's Peruvian Metrological Standards NMP 001:2014 – Packed Products Labeling, as well as per article 117 of Supreme Decree 007-98-SA. An adhesive Spanish language label needs to be applied before an imported product reaches the point-of-sale. A Spanish language translation of the label must include the importer/distributor's contact information.

For additional information, see our FAIRS – Food and Agricultural Import Regulations and Standards Narrative Country Report 2020.

IV. Market Sector Structure and Trends

- Major supermarket chains are forceful negotiators.
- Supermarket suppliers supply a wide range of products.
- Major food importers/distributors supply all major supermarket chains and provincial retailers.
- Major supermarket chains will request product exclusivity.
- Food products are often imported in consolidated containers.
- Major supermarket chains import high-end products directly to earn higher margins.
- Distributors and wholesalers conduct frequent in-store promotional activities, assigning their own support personnel in each store.

Retail Food Sector
Peru´s food retail sector has shown a growth trend in the last five years based on the opening of new stores and the consolidation of middle-class and economic indicators. Given the changes in consumption of products, with a trend towards basic categories due to COVID-19 crisis, some formats will show higher growth such as hard discount and cash & carry outlets versus the supermarket and even hypermarket formats. The growth will likely be variable across the sector. For this reason, FAS Lima forecasts three percent growth of the overall sector this year. Despite the current situation, we foresee a long-term recuperation since this sector is not yet at a mature phase and has room to continue growing.

The sector is comprised of two sub-sectors: modern (supermarket stores, convenience stores, discount stores, cash & carry) and traditional (open markets, mom-and-pop stores). U.S. consumer-oriented products are primarily imported by and sold in modern retail channels. This channel is expanding rapidly and accounts for 25 percent of the market. Both sub-sectors offer a good mix of low to medium priced brands in small packages which favors sales to people with small daily budgets. Proximity is also a highly weighted feature within this market segment. Food products aligned with consumers' preference for convenience, low prices, and daily purchases perform best in the market.

For further information about this sector please refer to Peru's Food Retail report 2020.

Food Processing 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) has expanded and gained ground 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, pasta, and cereals. Retailers use the following criteria when looking to launch new products: small packaging, quick rotation, and profit per unit.

This dynamic and strong sector accounts for almost 22 percent of the nation's industrial GDP. However, over 90 percent of the industry are micro-companies and 1.7 percent are large companies.

For further information please refer to Peru's Food Processing Ingredient report 2020.

HRI Food Service Sector

The HRI sector has been highly impacted by the COVID-19 crisis. The HRI sector is going through an unprecedented situation that requires adjustments due to changes in consumer´s behavior. Restaurants received the Government´s green light to resume activities by mid-July, which at that point allowed only delivery services. Currently the seating capacity for restaurants has increased but is still insufficient to recoup losses in the short term.

Tourism is a strong driver of the HRI sector as well, and it represented the third largest income generator after the mining and agricultural sectors in 2019. Domestic flights resumed operations in July and international flights did the same in October. Several hotels remained open hosting foreigners waiting for repatriation flights. According to the Peruvian Hotels Association, eleven projects of new hotels are on hold due to the losses amid COVID-19. Some hotels had to change their line of business, converting their properties into offices or private practices.

The Government of Peru has implemented different mechanisms to support the sector (Reactiva Peru, Turismo Emprende, among others), but many economists and experts believe it imperative to rethink the current strategies in place. Several sources forecast a full recovery of the HRI sector by 2022.

For further information please refer to Peru's HRI Foodservice report 2020.

V. Agricultural and Food Imports

U.S. Agricultural Exports to Peru ($Million)

Product	2015	2016	2017	2018	2019
Bulk Total	**576**	**687**	**784**	**789**	**491**
Corn	303	452	515	507	176
Soybeans	60	57	42	93	106
Wheat	88	89	94	54	103
Cotton	96	66	97	113	87
Pulses	21	20	32	22	18
Other Bulk Commodities	8	4	3	1	1
Consumer Oriented Total	**226**	**232**	**263**	**266**	**313**
Dairy Products	73	52	74	57	74
Poultry Meat & Prods. (ex. eggs)	9	23	32	34	47
Prepared Food	25	39	28	35	36
Beef & Beef Products	25	21	22	25	24
Chocolate & Cocoa Products	14	14	9	19	21
Other Consumer Oriented	9	12	19	21	20
Pork & Pork Products	10	7	11	13	18
Ohers	59	64	68	61	73
Intermediate Total	**262**	**227**	**178**	**242**	**144**
Soybean Meal	84	108	90	83	53
Other Intermediate Products	34	35	35	36	38
Feeds & Fodders NESOI	28	21	26	23	18
Planting Seeds	10	11	14	12	11
Soybean Oil	91	32	0	70	9
Others	15	20	12	18	15
Agricultural Related Products	**101**	**101**	**97**	**122**	**114**
Ethanol (non-bev.)	76	76	72	69	79
Biodiesel & Blends > B30	10	10	13	32	13
Forest Products	10	10	7	12	13
Distilled Spirits	2	2	3	5	5
Fish Products	3	3	2	4	4
TOTAL	**1,165**	**1,247**	**1,322**	**1,419**	**1,062**

Best High-Value, Consumer-Oriented Product Categories

• Cheese	• Pork and pork products
• Snacks	• Sauces and condiments
• Beef and beef products	• Nuts and almonds
• Poultry and poultry products	• Process vegetables
• Food preparations	• Fruit and vegetable juices
• Bread, pastry, and cookies	

VI. Key Contacts and Further Information

U.S. Embassy Lima, Foreign Agricultural Service (FAS), Office of Agricultural Affairs (OAA)
Mailing Address: FAS OAA Lima, Unit 3785, DPO, AA 34031
Phone: (511) 434-3042, Fax: (511) 434-3043, E-mail: aglima@usda.gov .

For additional information, see www.fas.usda.gov. See also our Food and Agricultural Import Regulations and Standards (FAIRS) reports, FAIRS Export Certificate, Retail Foods Sector, Food Processing Ingredients Sector, and HRI Food Service Sector GAIN reports.

TRADE ASSOCIATIONS	
American Chamber of Commerce Peru (AMCHAM) Executive Director: Aldo Defilippi Address: Av. Ricardo Palma 836, Miraflores, Lima 18 Phone: (511) 705-8000, Fax: (511) 241-0709, www.amcham.org.pe	**National Society of Industries (SNI)** President: Ricardo Marquez Address: Los Laureles 365, San Isidro , Lima 27 Phone: (511) 616-4444, Fax: (511) 616-4433, www.sni.org.pe
Hotel and Restaurant Association (AHORA) **President**: Blanca Chavez Address: Av. Benavides 881, Miraflores, Lima 18, Phone: (511) 444-4303, Fax: (511) 444-7825, E-mail: ahora@ahora-peru.com , www.ahora-peru.com	
MINISTRIES AND GOVERNMENT AGENCIES	
Ministry of Agriculture (Desarrollo Agrario y Riego) **Minister**: Mr. Federico Tenorio Address: Av. La Universidad N° 200 – La Molina Phone: (511) 613-5800, Fax: (511) 711-3700, www.minag.gob.pe	**Ministry of Foreign Trade and Tourism (MINCETUR)** **Minister**: Mrs. Claudia Cornejo Calle Uno Oeste 50-60, Urb. Corpac, San Isidro, Lima 27 Tel: (511) 513-6100, www.mincetur.gob.pe

Ministry of Environment **Minister**: Mrs. Gabriel Quijandria Av. Javier Prado Oeste 1440, San Isidro, Lima 27. Tel: (511) 611-6000, Fax: (511) 611-6000 Annex: 1634, www.minam.gob.pe	**National Agricultural Sanitary and Phytosanitary Service (SENASA)** **Director**: Mr. Miguel Quevedo Address: Av. La Molina 1915 – Lima 12 Phone: (511) 313-3300, Fax: (511) 340-1486, www.senasa.gob.pe
General Environmental Health Bureau (DIGESA) **Director:** Mrs. Carmen Cruz Address: Las Amapolas 350, Urbanización San Eugenio - Lima 14 Phone: (511) 442-8353, Fax: (511) 422-6404, www.digesa.minsa.gob.pe	**Customs (SUNAT)** **Superintendent:** Mrs. Luis E. Vera Address: Av. Garcilazo de la Vega 1472 – Lima Phone: (511) 315-3300, Fax: (511315-3318, www.aduanet.gob.pe
National Institute for the Defense of Competition and for the Protection of the Intellectual Property (INDECOPI) President: Mrs. Hania Perez de Cuellar Address: Calle de la Prosa 138 - San Borja, Phone: (511) 224-7800, Fax: (511) 224-0348, www.indecopi.gob.pe	**Ministry of Production\National Fisheries Health Service (SANIPES)** Director: Mr. Johnny A. Marchan Location: Carretera a Ventanilla Km. 5.2, Callao. Tel: (511) 715-0180 Surquillo Location: Domingo Orue 165, Piso 7, Surquillo. Tel: (511) 213-8570 www.sanipes.gob.pe

Attachments: No Attachments