

Required Report: Required - Public Distribution

Date: April 05, 2023

Report Number: PE2023-0011

Report Name: Food Processing Ingredients

Country: Peru

Post: Lima

Report Category: Food Processing Ingredients

Prepared By: Alvaro Loza

Approved By: Zeke Bryant

Report Highlights:

Peru's food processing industry is a dynamic sector of the national economy. The food industry in Peru accounts for almost 27 percent of the industrial gross domestic product. The sector declined 3.9 percent with respect 2021, mainly due to international externalities such as higher costs of food ingredients and energy. Exports of U.S.-origin food processing ingredients to Peru reached \$272 million in 2022, a 38 percent increase over 2021.

Market Fact Sheet: PERU

Executive Summary

Despite political upheaval and moderately high inflation during the past year, Peru's economy remains stable. 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 \$5.4 billion in 2022, an increase of 200 percent. The United States was the second largest agricultural product supplier to Peru in 2021, accounting for 14% of market share.

Imports of Consumer-Oriented Products

Consumer Oriented Imports from the World - 2022



Peru's consumer-oriented imports from the world reached US\$ 1.9 billion in 2022. 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. Exporters should review Peru's food laws, packaging and labeling requirements, business practices, and rely on experienced distribution partners. Getting to know the potential importer and the local distribution system is crucial.

Food Processing Industry

Peru's food processing industry is a dynamic sector of the national economy. The food industry in Peru accounts for almost 28 percent of the industrial GDP and the gross value added reached \$8.6 billion by the end of 2022. 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, Plaza Vea, Makro and Mass). The market includes 322 conventional supermarkets and superstores, with 196 in Lima, and close to 810 convenience stores. 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 2022

Imports Consumer-Oriented Products: \$1.9Bn

Top 10 food processing ingredients growth Peru

1. Wheat	6. Whey
2. Powdered Milk	7. Food Preparations
3. Mixtures of odoriferous subst.	8. Dextrines and Other Starches
4. Starch potato	9. Natural Milk constituents
5. Animal fats and vegetable oils	10. Hop Cones

Food Industry Gross Value Added: \$8.6 billion

Food Industry by Channels

1. Food Exports: \$14.3 billions
2. Food Imports: \$7.5 billions
3. Retail: \$23 billion
4. Food Service: \$8.5 billion
5. Wet market: \$18 billion

GDP/Population

Population (Millions): 33

GDP (Billions USD): 432

GDP Per-capita (USD): \$6,700

Top 10 Host Country Retailers

1. Supermercados Peruanos S.A.
2. Cencosud Retail Peru
3. Hipermercados Tottus S.A.

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.

Section I: Market Summary

Peru's Central Bank (BCRP) reduced Peru's 2022 GDP growth from 2.9 to 2.6 percent in its last [inflation report \(March 2023\)](#), based on a lower expansion of primary production sectors (mining). Moreover, BCRP's inflation estimate for 2022 is 8.45 percent and it forecasted 2023 inflation at three percent. Food and beverage and energy categories posted the highest variation. In 2022, the foodservice sector raised prices due to higher costs of imported ingredient inputs and higher prices of local staple products such as potatoes, eggs, vegetables, and bread. Overall, the BCRP reported a 13.7 percent increase in the price of imported goods in 2022.

The food industry in Peru is a dynamic and important sector that accounts for almost three percent of the nation's gross domestic product (GDP). However, over 90 percent of the industry is comprised of micro-companies. Large companies represent only 1.8 percent of the sector. According to the National Industry Society (SNI), in 2022, Peru's food sector contracted 3.9 percent. The categories with lower performance included processed seafood (canned fish), dairy products, animal fats, and plant oils. On the other hand, other areas grew from 2021 levels, such as processed meat, processed fruits and vegetables, pasta, and confectionary goods. In the same line, the beverage sector also had a positive performance, growing 10 percent based on a recovery of beer and bottled water sales. The food and beverage segment accounted for 27 percent of industrial GDP in 2022.

Peru's food market has been impacted by several international externalities. Disruptions in supply chains, price spikes of raw commodities, volatile exchange rates, and inflationary pressures have all caused significant price increases for food products. Following the easing of pandemic restrictions in early 2021, food manufacturers prioritized categories with higher demand, especially for the traditional channel (corner stores and wet markets).

Peru's food and beverage 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 market share among consumers. However, the traditional channel, mainly formed by independent small grocers (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. The food retail sector grew at a slower pace during 2022, supported by staple categories. The hotel, restaurant, and institutional (HRI) sector has had a gradual recovery and showed a rebound towards the second half of 2022.

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 \$272 million in 2022, an increase of 38 percent from 2021. The rise is due mostly to increased wheat and powdered milk exports, 54 and 59 percent higher, respectively. Other categories also contributing to this increase were skim milk powder, almonds, flour/pellets of meat, edible mixtures, products consisting of natural milk constituents, animal or vegetable fats, peptones, and enzymes.

Table 1: 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. • Lack of production of intermediate products for the food industry. • An active supermarket industry that is working to increase demand for high-value food products. • Growth of foodservice in Lima and provinces, with a demand for affordable products. • Appreciation for U.S. food quality and culture. 	<ul style="list-style-type: none"> • Protectionist regulations that may impose trade barriers to foreign products. • Stiff competition from neighboring countries. • Domestic producers manufacture products according to local taste preferences. • Prices spikes of main international commodities. • Price sensitive market

Section II: Road Map for Market Entry

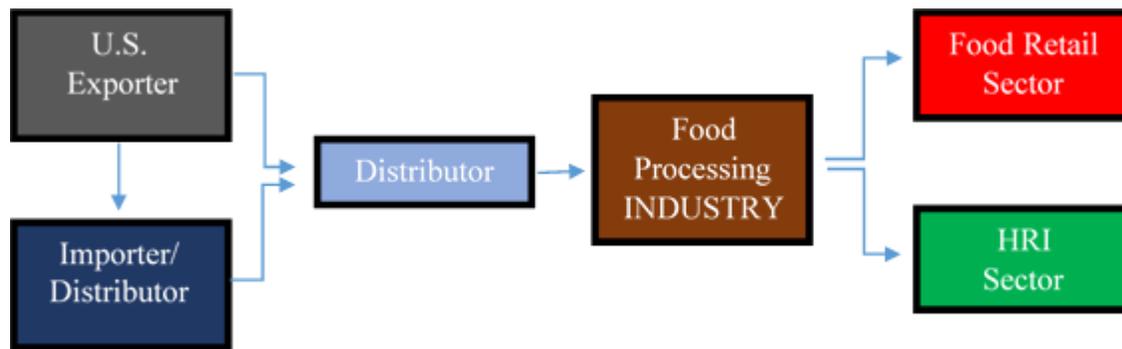
1. Entry Strategy:

- Conduct preliminary research to determine market potential for a specific product. Contact FAS Lima to obtain reports or briefings about market features and regulatory framework.
- 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.

4. Figure 1: 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 stores as the primary channel to reach a wide range of consumers. Despite the growth of supermarket chains throughout the country, Lima is still the principal 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: Higher wheat prices and a weakened Peruvian Sol against the U.S. Dollar pushed prices up in the bakes goods category in 2022. Many traditional bakeries permanently closed during the pandemic, and the ones remaining continue to face difficulties. Private label has been an alternative for retailers to reduce final prices, especially at hard discount formats such as Mass from Supermercados Peruanos and Tottus Vecino.

The bread category, especially artisanal breads (84 percent market share), drives the sector. The pandemic boosted demand for packaged bread due to movement restrictions. The volume of total bread sold grew slightly in 2022. The gap between both categories is decreasing as manufacturers have increased their variety of products. Despite consumers' preference for artisanal bread, industrially produced bread is making significant inroads due to supermarket and convenience store expansion. There is also a growing demand for frozen bread. Panificadora Bimbo del Peru is the leading local producer of industrial bread, holding 5 percent market share in the baked goods category.

The cakes subcategory is second in importance with a 13 percent share within the baked 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: The full relaxation of COVID-19 restrictions improved sales in most of the dairy subcategories during 2022. Cheese, yogurt, and milk products remain the most important within this category. Sales of small-packaging dairy products rebounded as consumers returned to on-site work and schools resumed in-person classes. Even though food retail expansion drove growth in these subcategories, the food service channel is expected to continue recovering and reach pre-pandemic levels by early 2024. 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 70 percent market share, Gloria S.A. leads sales in this sector.

In 2022, Peru's government enacted a regulation that prohibits the use of powdered milk to manufacture evaporated milk, requiring it to be made using only raw milk. However, dairy manufacturers are still using powdered milk to produce what is essentially "evaporated milk", just changing the label name. Local milk production has suffered the hardships of international commodity prices. This scenario benefited the growth of U.S. exports of powdered milk, which last year reached a record \$130 million.

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 almost 50 percent of total sales in the dried processed category. Pasta ranks second with 39 percent. In 2022, both categories remained similar to their performance the year before due to foreign externalities such as higher exchange rates and wheat prices, impacting sales volumes. Most manufacturers' strategy was to reduce content and maintain prices to avoid disruptions in consumption. Convenience was also an important feature, which benefited the consumption of instant noodles. 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 grocers and convenience stores have become a good niche channel for instant noodles due to the hectic lifestyle of a segment of Peruvian consumers. Sales in this sub-category grew slightly in 2022.

Processed Meat and Seafood: This category has shown rapid growth due to high consumption of meat, poultry, hot dogs, ham, chicken nuggets, and burgers. The fast-food channel has been instrumental to this growth. Local processors have made plant enhancements to increase production of packaged processed meat in order to increase the shelf life and avoid food safety issues. Yichang, San Fernando, and Breadt hold almost 40 percent of the market share, offering an assorted list of products such as canned product, frozen and chilled meat, and cold meats.

The seafood subcategory accounts for almost 46 percent of the value share for this category. Canned tuna is the main product, which is locally produced.

Cookies and Snack Bars: The reopening of schools and other educational institutions have been instrumental for this category to regain lost sales during pandemic. However, prices are expected to continue rising due to international ingredient costs. Sweet cookies dominate the category, accounting for 92 percent of market share. Consumers demand snacking-style products or meal replacements. Mondalez Peru, Alicorp, and Molitalia enjoy a combined market share of 70 percent. Supermarket/hypermarket private labels specialize in affordable cookies. However, the traditional channel remains as the most important distribution channel for this category. Snack bar penetration remains low but has the

potential to grow. This is especially true in consumer segments that value healthy features such as lower sugar content or higher nutritional value (protein, vitamins, fiber). Recently, Industrias San Miguel launched a healthy snack bar with five flavors and two different formats that will be distributed through the traditional channel.

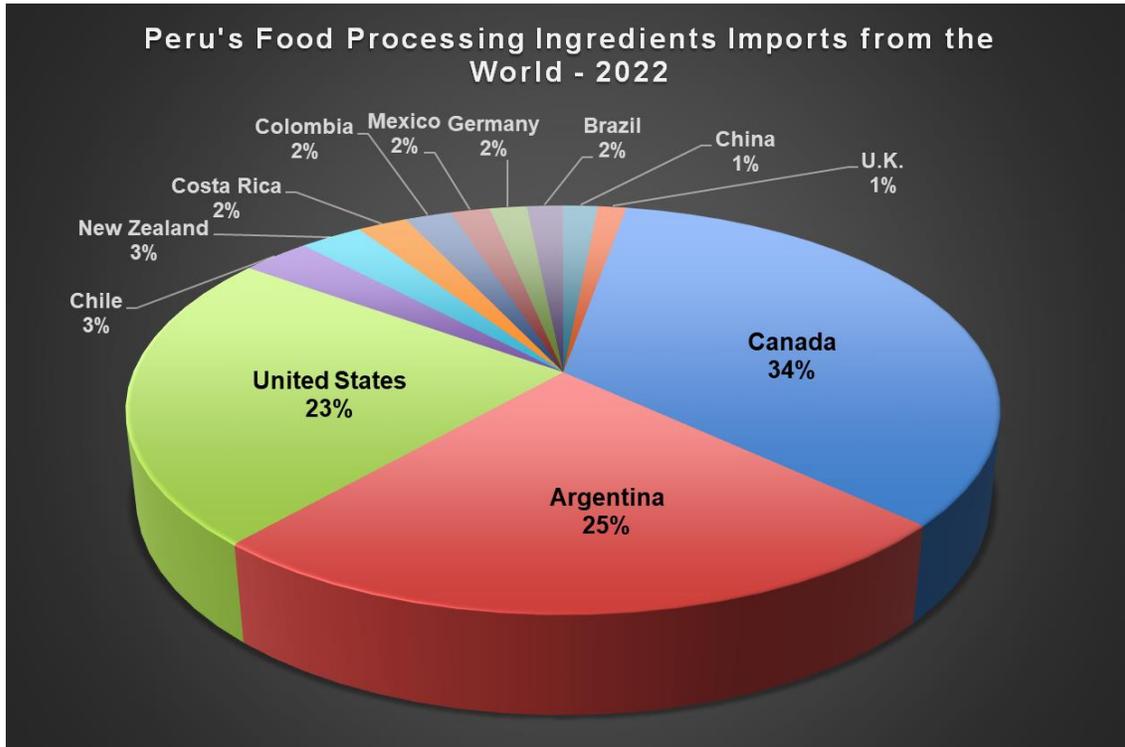
Edible Oils: Peruvian retail prices for edible oils increased 36 percent in 2022, reflecting the spike in international prices. Manufacturers in Peru tend to use blends to reduce costs. Total sales in 2022 reached \$913 million. Alicorp is the leading company in this category, holding 44 percent of market share. Private label has become an interesting alternative since this is a price sensitive product.

Sauces, dressings, and condiments: This dynamic category is dominated by sauces, principally mayonnaise, ketchup, and mustard. The sauce subcategory experienced nine percent growth in 2022, reaching \$145 million. Mustard seed is an important ingredient that is also used for mayonnaise production. Imports from the world grew 50 percent. Alicorp is the leading manufacturer for this subcategory with its brand Alacena. Another subcategory is cooking ingredients, led by Ajinomoto del Peru S.A., which offers soy sauce and stock cubes. Cooking ingredients reached \$82 million in 2022. The tomato paste and puree subcategory is third in importance, accounting for 35 percent of the value share in this category.

Breakfast Cereals: This category saw reduced growth during 2022 due to changes in consumption habits. Sales are driven by middle-income consumers adopting cereals as their breakfast food and are also becoming popular with health-conscious consumers. Consumption of cereals is a traditional breakfast item in Peru. 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 60 percent of the market share. Even though almost 60 percent of the distribution occurs through independent grocers, the modern channel has increased its share in recent years.

Beer: Beer, with a market share of 90 percent among alcoholic beverages, is Peru's drink of choice. Middle and high-income consumers continue to increase purchases of premium products. The volume of production in 2022 was slightly higher than 2021, reaching nearly 11 million barrels. In 2020, Heineken acquired AJE's beer Tres Cruces and incorporated brands from its international portfolio (Amstel, Tiger, Dos Equis, etc). Union de Cervecerias Backus & Johnston (AB-Inbev) is the leading beer manufacturer, accounting for 90 percent of the market share.

Figure 2. Suppliers of Food Ingredients



Source: Trade Monitor and Veritrade

Section III: Competition

Imports of food processing ingredients to Peru totaled \$1.27 billion in 2022. The United States is the third largest supplier of ingredients, with a 21 percent market share. These ingredients are largely made up of wheat, milk powder, processed meat products, animal fats, and almonds. Canada is the largest supplier, with 31 percent of market share and led by wheat exports. Argentina holds the second position, accounting for 22 percent of market share. Argentina’s exports are led by wheat and skimmed powdered milk.

Section IV: Best Product Prospects Categories

1. Products Present in the Market 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) \$730 million	Canada: 53% Argentina: 33% USA: 12%	Canada has more competitive pricing for this ingredient.	Local millers are used to blending different origin wheat.
Milk and Cream Concentrate, powder (HTS 040210) \$86 million	USA: 69% Belgium: 8% Ireland: 7%	Price opportunity is a key driver.	Dairy food processors use powdered milk to standardize production. Insufficient milk production in Peru.

Milk and Cream Concentrate, powder Exceeding 1.5% (HTS 040221) \$140 million	USA: 47% New Zealand: 20% Argentina: 19%	Price opportunity is a key driver.	Dairy food processors use powdered milk to standardize production. Insufficient milk production in Peru.
Edible mixtures or preparations (HTS 151790) \$11 million	USA: 46% Malaysia: 23% Argentina: 9%	Price opportunity is a key driver.	Multiple sectors demand these types of products.
Animal, Vegetable or Microbial Fats (HTS 151800) \$13 million	USA: 62% Chile: 23% Brazil: 8%	Price and quality are key drivers.	Pet food industry is the largest buyer. Local industry is growing.
Peptones and Derivates (HTS 350400) \$13 million	China: 46% USA: 23% Brazil: 15%	Price and quality are key drivers.	Inputs for food industry and cosmetics. Isolated protein largest U.S. supply.
Enzymes and Prepared Enzymes (HTS 350790) \$27 million	Denmark: 26% Brazil: 19% France: 11% USA: 11%	Price and quality are key drivers.	Weak local production. Utilization for different sectors.
Enzymes and preparations NESOI (HTS 350790) \$27 million	Denmark: 26% Brazil: 19% France: 10% USA: 10%	Tariff preferences are also applied to competing exporting countries.	Weak local production. Utilization for different sectors.
Almonds Fresh or Dried Shelled NESOI (HTS 08021290) \$7 million	USA: 93% Chile: 7%	Lower logistics cost due to Chile's proximity. Price competitive.	Confectionary manufacturers prefer U.S. quality and price.
Boneless Pork Meat (HTS 02032910) \$7 million	Chile: 56% Spain: 36% USA: 6%	Price competitive and different cuts from Chilean pork industry. Proximity and tariff preferences are key.	Mainly used by sausage manufacturers. Local processors recognize quality, but price and availability are a current issue.
Products Consisting of Natural Milk Constituents (HTS 040490) \$6 million	USA: 83% Spain: 3% Argentina: 2%	Price and proximity could be key alternative drivers.	Not a lot of suppliers for these products. Local industry non-existent. Regular import level above \$5 million.
Mixtures of Odoriferous Substances (HTS 330210) \$61 million	Costa Rica: 41% Mexico: 16% Colombia: 11% Chile: 8% Uruguay: 5% USA: 5%	Chilean beverage manufacturer supplies its subsidiary in Peru. Price is key driver.	Large manufacturers source internationally.
Flour Meals and Pellets Meat or Offal (HTS 23011090) \$24 million	USA: 54% Chile: 25% Argentina: 21%	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) \$31 million	Colombia: 39% Chile: 13% USA: 10%	Price is the key driver. Colombian manufacturers supply to Peru's subsidiary.	Category continues growing. Large food processors based in the region supply Peru's market.
Vegetable Saps and Extracts (HTS 1302) \$19 million	China: 26% Mexico: 16% Chile: 11% Spain: 11%	Price is the key driver.	The category continues growing and the U.S. is competitive in mucilages and thickeners.

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) \$29 million	Australia: 66%; Colombia: 7%; Canada: 7%	Beer market continues recovering.
Starches (HTS 1108) \$26 million	Germany: 38%; Denmark: 15%; Netherlands: 12%	Potato starch imports reached \$18 million, and it is the largest imported ingredient. Also, cornstarch with \$7 million.
Mechanically deboned meat (HTS 0207140010) \$6 million	Brazil: 67%; Chile: 33%;	Price driven market. U.S. exports dropped 7 percent in 2020.
Whey and Modified Whey (HTS 040410) \$12 million	Chile: 56%; USA: 16%; Canada: 11% France: 10%	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).

Attachments:

No Attachments