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Report Name: Food Processing Ingredients

Country: Peru

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Report Highlights:

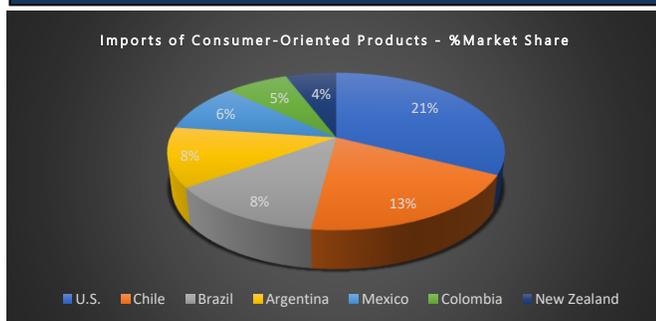
Peru's food processing industry is a dynamic sector of the national economy. The food industry in Peru accounts for almost 28 percent of the industrial gross domestic product and gross value added in 2020 was \$9.4 billion. U.S.-origin food processing ingredient exports to Peru reached \$174 million in 2020.

Market Fact Sheet: PERU

Executive Summary

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 \$4.0 billion in 2020, an increase of 175 percent. The United States was the second largest agricultural product supplier to Peru in 2020, accounting for 17% of market share.

Imports of Consumer-Oriented Products



Peru's consumer-oriented imports from the world reached US\$ 1.4 billion in 2020. 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 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 28 percent of the industrial GDP and the gross value added reached \$9.4 billion by the end of 2020. 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 279 conventional supermarkets and superstores, with 176 in Lima, and over 700 convenience stores 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 2020

Imports Consumer-Oriented Products: \$299 MM

Top 10 Growth Products in Peru

1. Soybean Oil	6. Almonds fresh or dried, shelled
2. Milk and Cream concentrated >1.5% fat	7. Peas dried
3. Kidney beans	8. Lentils dried
4. Flours, Meals and Pellets, of Meat	9. Livers of bovine.
5. Soybean oilcake & other solid residues.	10. Milk and Cream concentrated <1.5% fat

Food Industry Gross Value Added: \$9.4 billion

Food Industry by Channels

1. Food Exports: \$7.3 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): 200

GDP Per-capita (USD): \$6,190

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

The food industry in Peru is a dynamic and important sector that accounts for almost 3 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.

The gross value added of Peru's food manufacturing sector reached \$9.4 billion in 2020, a 6.6 percent reduction with respect 2019. Overall, Peru's industrial GDP reduced drastically in 2020 (-13.4 percent). However, the food and beverage sector suffered a less severe drop thanks to higher demand for milling and bakery products. The food and beverage segment accounts for 28 percent of industrial GDP.

Peru's Government established one of the earliest and longest lockdowns in the region when the COVID-19 outbreak started in Peru in mid-March 2020. Food manufacturers' productivity slowed down due to the reduction in the size of the available workforce, both to due widespread illnesses and movement restrictions. This situation forced manufacturers to prioritize categories with higher demand in specific trade channels, such as food retail, in order to be efficient. In addition, the government's stimulus plan has provided soft credits to the industry in general. In July 2020, the government lifted the lockdown and eased sanitary measures. Following this, industrial production showed a recovery trend during the second half of 2020 and by December, had rebounded into positive numbers again. Several sources forecast a rebound of the economy by double digits in 2021.

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 territory 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. The food retail sector grew nine percent in 2020, supported by staple categories. However, the hotel, restaurant, and institutional (HRI) sector suffered the most and its immediate future is uncertain, however an eventual rebound is expected.

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 \$174 million in 2020, a decrease of 14.7 percent from 2019. The drop is due mostly to a drop in wheat exports, which were down 56 percent in 2020 with respect to 2019. However, the growth in exports of other categories reduced the loss in market share. Key categories that contributed to growth in 2020 were: powdered milk, almonds, flour/pellets of meat, animal or vegetable fats, and enzymes.

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 imported 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

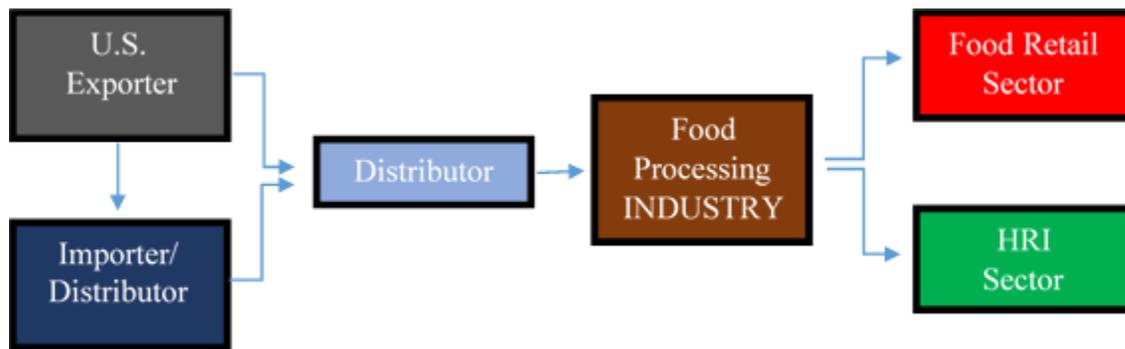
1. Entry Strategy:

- 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, once feasible again. 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 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: The bread category, especially artisanal breads (80 percent market share), drives the sector. However, the COVID-19 situation boosted demand for packaged bread due to mobilization restrictions. The gap between both categories is decreasing, as manufacturers have increased the 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 7 percent of retail market share.

The cakes subcategory is second in importance with a 19 percent value 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: Most of the subcategories experienced lower sales due to consumer's change of habits. Small packaging was no longer demanded since they were mainly purchased for snacking at schools, universities, and similar locations.

Evaporated and condensed milk still leads this category, accounting for 70 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 71 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 almost 50 percent of total sales in the dried processed category. Pasta ranks second with 36 percent. Both categories grew in 2020 due to higher demand of staple products. However, convenience was also a highly rated feature, which benefited the consumption of instant noodles for instance. 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. This subcategory posted its best numbers ever in 2020, reaching \$156 million.

Processed Meat and Seafood: This is another category that benefited from the pandemic lockdown in 2020. Long shelf life was a highly sought-after attribute, in order to avoid daily purchases.

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. Yichang, San Fernando, and Breadt hold almost 50 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 50 percent of the value share for this category. Canned tuna is the main product which is locally produced.

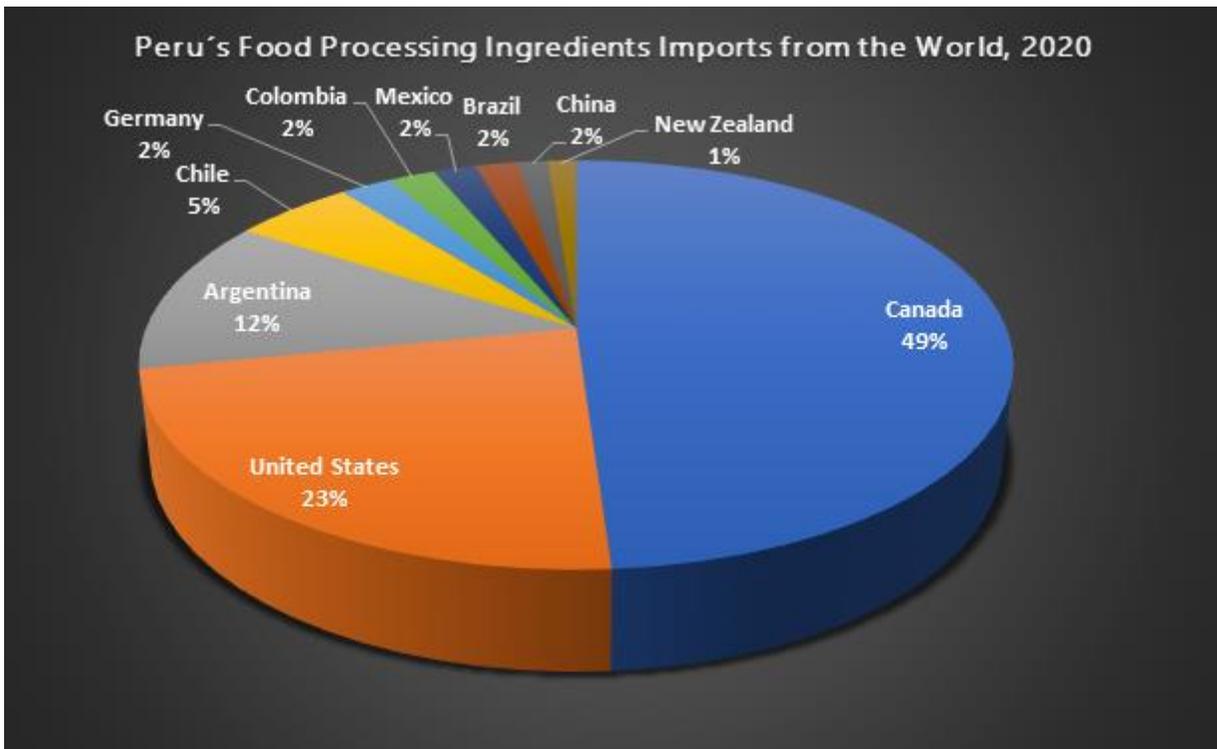
Cookies and Snack Bars: Cookies and snack bar sales grew six percent in 2020, reaching \$314 million. Sweet cookies dominate the market. Consumers demand snacking-style products or meal replacements. Mondelez Peru, Alicorp, and Molitalia enjoy a combined market share of 71 percent. Supermarket/ hypermarket 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. The sauce subcategory experienced some growth (6 percent) in 2020 reaching \$92 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. which offers soy sauce and stock cubes. Cooking ingredients reached \$68 million in

2020. The tomato paste and puree subcategory is third in importance, accounting for 16 percent of the value share in this category.

Breakfast Cereals: In 2020, breakfast cereal sales ended up at \$153 million, up 33 percent from 2019. 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. 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 60 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 sales took a downward turn in 2020 as beer production was interrupted for nearly four months due to the lockdown. Beer producers resumed operations in June 2020 and a gradual recovery is expected in 2021. 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. Volume production in 2020 was just under 1.5 billion liters, (almost \$2.9 billion). Union de Cervecerias Backus & Johnston is the leading beer manufacturer, accounting for 95 percent of the market share.



Source: Trade Data Monitor and Veritrade

Section III: Competition

Imports of food processing ingredients to Peru totaled \$834 million in 2020. The United States is the second largest supplier of ingredients, with a 21 percent market share. These ingredients are made up largely of wheat, milk powder, and almonds, which represent 76 percent of the total trade in this category for the United States. Canada is the largest supplier with a 45 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).

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) \$470 Million	Canada: 78% Argentina: 12% USA: 10%	Canada has more competitive pricing for this ingredient.	Local millers are used to blending different origin wheat.
Milk and Cream Concentrate, powder (HTS 040210) \$55 million	USA: 75% New Zealand: 7% Argentina: 4%	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) \$74 million	USA: 44% Argentina: 38% New Zealand: 8%	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) \$8 Million	USA: 53% Malaysia: 10% Uruguay: 8%	Price opportunity is a key driver.	Multiple sectors demand these types of products.
Enzymes and preparations NESOI (HTS 350790) \$24 Million	USA: 21% France: 15% Brazil: 13%	Tariff preferences are also applied to competing exporting countries.	Weak local production. Utilization for different sectors.
Almonds Fresh or Dried Shelled NESOI (HTS 08021290) \$14 Million	USA: 93% Chile: 7%	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) \$7 Million	USA: 69% Chile: 29% Canada: 1%	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) \$2 Million	USA: 83% Spain: 10% Argentina: 6%	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) \$45 Million	Chile: 39% Mexico: 15% Costa Rica: 10% Colombia: 9% USA: 7%	A beverage manufacturer in Chile supplies its subsidiary in Peru. Price is key driver.	Large manufacturers source internationally.
Flour Meals and Pellets Meat or Offal (HTS 23011090) \$13 Million	USA: 51% Chile: 35% Argentina: 10%	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) \$29 Million	Colombia: 43% New Zealand: 12% Chile: 11% Panama: 9% USA: 5%	Price is the key driver. Colombian manufacturers supply to Peru's subsidiary.	Category keeps growing and grew nine percent in 2020. Large food processors based in the region supply Peru's market.
Vegetable Saps and Extracts (HTS 1302) \$15 Million	USA: 24% China: 23% Mexico: 15% Chile: 14%	Price is the key driver.	U.S. is the leading supplier of hops extract and vegetable 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) \$16 million	Chile: 39%; Colombia: 23%; Australia: 16%; Netherlands: 9%; Uruguay: 7%	Beer market highly impacted by COVID-19 and recovering.
Starches (HTS 1108) \$20 million	Germany: 46%; Denmark: 22%; Brazil: 12%; Poland: 6%; Netherlands: 4%;	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	Brazil: 67%; Chile: 31%; USA: 1%	Price driven market. U.S. exports dropped 76 percent in 2020.
Whey and Modified Whey (HTS 040410) \$10 Million	Chile: 50%; France: 19%; Canada: 11%; USA: 11%	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