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GAIN Report

Global Agricultural Information Network

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Peru

Food Processing Ingredients

U.S. food processing ingredients make inroads to Peru's market

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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 27 percent of the industrial GDP and sales are forecast to reach \$14.3 billion by the end of 2017. U.S.-origin food processing ingredient exports to Peru reached \$183 million in 2017, an increase of 14 percent from 2016.

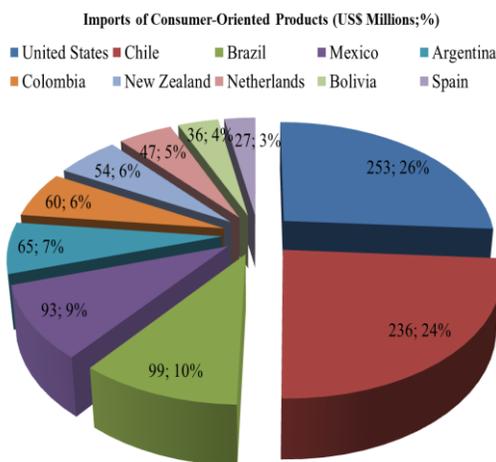
Post:

Lima

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 \$3.45 billion in 2017, an increase of 136 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 30 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 27 percent of the industrial GDP and sales are forecast to reach \$14.3 billion by the end of 2017. Its growth is directly linked to the development of the food retail and food service sectors. Food product

Data and

Information Sources: FAS Lima / Contact: FAS Lima

Section I. Market Summary

The food industry in Peru accounts for almost 27 percent of the nation's industrial GDP. Sales in this

Food Retail Industry

manufacturers source both domestic and imported product ingredients. Local processed food products cover 70 percent of the market demand.

There are three main supermarket chains in Peru: Cencosud (Wong and Metro), Saga Fallabella (Tottus) and Supermercados Peruanos (Vivanda and Plaza Veja). The market includes 252 conventional supermarkets and superstores, with 169 alone in Lima, and 111 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, snacks, dairy, edible oils, confectionaries, breads and

Top 10 Growth Products in Peru

1. Fresh Cut Flowers	6. Dates
2. Fruit & Nuts Provisionally Preserved	7. Linseed oil, refined.
3. Nutmeg	8. Vegetables Mixture, raw/cooked.
4. Egg Yolks, dried	9. Mixtures of Dried Fruits
5. Hazelnuts or Fiberts	10. Dairy Spreads.

cookies.

Food Industry by Channels 2017

Quick Facts CY 2017

Imports of Consumer-Oriented Products: \$263 mill.

2. Food Imports: \$5.7 billion
3. Domestic Market: \$14.3 billion
4. Retail: \$22 billion
5. Food Service: \$8 billion
6. Wet market: \$18 billion

Food Industry Gross Sales 2017: \$45.2 Billion

GDP/Population

Population (Millions): 32

GDP (Billions USD): \$198

GDP Per-Capita (USD): \$6,287

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
Strong demand for consumer food products.	Low penetration of modern food retail along the country
Opportunities	Threats
Growing middle class	Stiff competition from other countries in the region

sector reached \$14.3 billion in 2017. While Peru’s GDP growth slowed down to 2.5 percent in 2017, Peru’s Central Bank forecasts high domestic demand in 2018-2019 (4.0 and 4.2 percent respectively), which will fuel opportunities for growth in the food-manufacturing sector. Growth in this sector is directly linked to the development of food retail and food service sectors throughout Peru. As supermarket and hypermarket operators continue to expand their networks throughout the country, they will likely also expand their private label brands into new product categories. The two criteria retailers use when looking to launch new products are 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. For instance, the health food and vending machine segments are growing to meet the respective demands of health conscious and time starved consumers.

U.S.-origin food processing ingredients exports to Peru reached \$183 million in 2017, an increase of 14 percent from 2016. Competitive pricing of U.S. wheat and powdered milk drove this growth. Other sectors made headway to better results than 2016 such as pork meat, whey and tree nuts.

Advantages and Challenges Facing U.S. Products in Peru

Advantages	Challenges
<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 promoting increased 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, the main source of imported food products, account for only 25 percent of the retail food market share in Lima and 16 percent in the provinces. • New local food brands are appearing in the market at very low prices. • Stiff competition from neighboring countries. • Domestic producers manufacture more affordable products according to local taste preferences.

Section II: Road Map for Market Entry

1. Entry Strategy:

- Preliminary research to determine market potential for a specific product. Contact the 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 country’s regulations and be approved by health authorities before being placed on the market. Peru adopts Codex as the primary international reference.

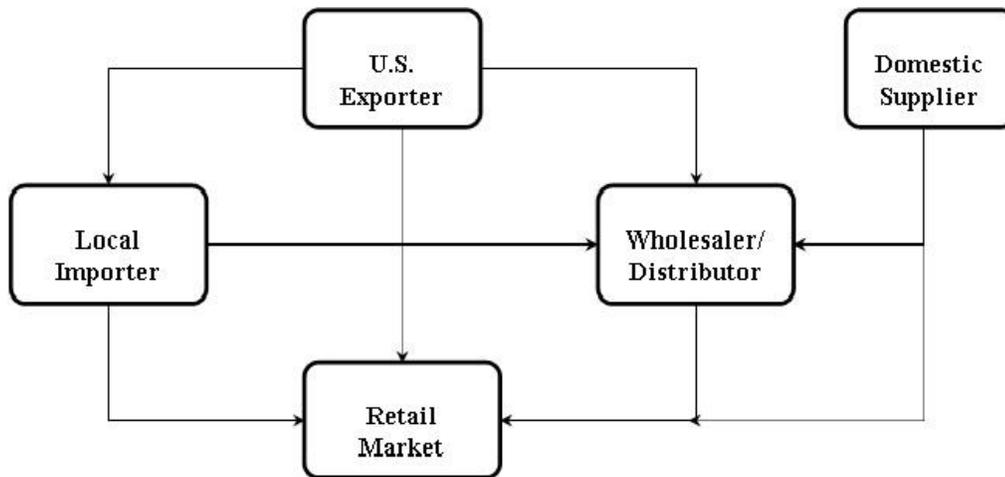
2. Import Procedure:

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 70 percent of the market demand.
- Specialized importers usually provide food ingredients to the Peruvian market. Some of these are also producers or wholesalers/distributors.

1. Company Profiles: Major Food Processing Companies (Estimated Sales 2017)

Company Name, Products	(\$- Million)	End-Use Channels	Procurmt.
Alicorp S.A.	2,058	Franchising	Direct

Cooking ingredients, sauces, dried goods, canned fruit, prepared meals, ice cream			Importers
Gloria S.A. Dairy products, canned fish, pork products, fruit juices	1,485		Direct Importers
San Fernando S.A. Poultry, pork and their by- products.	790		Direct Traders
Nestle Peru S.A. Breakfast cereals, confectionary, dairy products, smashed potatoes, instant beverages, bakery goods (<i>pannetonne</i>)	678		Direct Importers
Molitalia S.A. Flour, pasta, ketchup, semolina	261		Direct Importers
Perales Huancaruna S.A. Coffee Processor	178		Direct
Redondos S.A. Poultry and by-products	330		Direct Importers
Laive S.A. Dairy products, pork products, fruit juices	225		Direct Importers
Molinera Inca S. A. Flour and other grain mill products	148		Direct Importers
Kraft Foods Peru S.A Cookies, instant desserts and beverages, mayonnaise and ketchup, coffee	197		Direct Importers
Industrias del Espino S.A. Oils, fats	202		Direct
Panadería San Jorge S.A. Bakery goods (cookies and <i>pannetonne</i>) Flour and other grain mill products	92		Direct Importers
Industrias Teal S.A. Cookies, candies, pasta, flour, <i>pannetonne</i> , chocolate	81		Direct Importers
Cogorno S. A. Flour, pasta and other grain mill products	69		Direct Importers
Ajinomoto del Perú S.A. Condiments, seasonings	97		Direct
Compañía Nacional de Chocolates de Perú S.A. Confectionary chocolate	74		Direct Importers
Anita Food S.A. Noodles, pasta	88		Direct
Machu Picchu Foods S.A.C. Coffee, cocoa, chocolate	115		Direct
Sociedad Suizo Peruana de Embutidos S.A. Pork and beef products	62		Direct
Panificadora Bimbo del Perú S.A. Bakery goods	59		Direct Importers
Corporación ADC S.A.C. Flour, noodles, bakery goods, animal feed, pulses, semolina	53		Direct
Central de Cooperativas Agrarias Cafetaleras Coffee, Cacao, Honey Bee, Tea, anise, chamomile, animal feed	75		Importers
Molino El Triunfo S.A. Flour, semolina, noodles	56		Direct Importers

Braedt S. A. Cheese and pork products	49		Direct Importers
Derivados del Maíz S. A. Corn, potato and sweet potato products as ingredients	44		Direct Importers
Confiperu S. A. Confectionary	44		Direct Importers
Industrial Alpamayo S.A. Oils, fats	51		Direct
Ameral S.A.A. Oils, chocolate, confectionery, condiments, seasonings	30		Direct Importers
Mead Johnson Nutrition Peru SRL Infant formula	63		Direct

Sources: FAS Lima office research.

Profiles of Major Beverage Companies

Company Name, Products	(\$ Millions)	End-Use Channels	Procurmt.
Union de Cervecerias Peruanas Backus & Johnston S.A.A. (Corporacion Backus) Beer and soft drinks	1,318	Retail / HRI / Traditional Market	Direct Importers
Corporacion Jose R. Lindley S.A. Beer	824		Direct Importers
Ajeper S.A. Soft drinks, bottled water	229		Direct Importers
Compañía Cervecera AmBev Perú S.A.C Beer and soft drinks	190		Direct
Cervecería San Juan S.A.A. (Corporacion Backus) Beer	176		Direct
Embotelladora San Miguel del Sur S.A.C. Soft Drinks	63		Direct
Embotelladora Don Jorge S.A.C. Soft Drinks	39		Direct
Santiago Queirolo S.A.C. Alcoholic Beverages	31		Direct
Destilerias Unidas S.A. Alcoholic beverages	28		Direct

Sources: FAS Lima office research.

2. 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 mom and pop 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 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: Sales of baked goods in 2017 are forecast at \$2.1 billion, up one percent compared to 2016. The bread category, especially artisanal breads (75 percent market share), drives the sector. Despite consumers' preference for artisanal bread, industrially produced bread is making significant inroads due to supermarket expansion. Panificadora Bimbo del Peru is the leading local producer of industrial bread.

Dairy Products: Evaporated and condensed milk lead this category, accounting for 76 percent of the \$2 billion in total sales in 2017. Manufacturers use raw milk to produce shelf-stable evaporated milk. However, competition has intensified due to powdered milk imports. Other subcategories have grown in recent years. Shelf-stable milk sales reached at \$481 million and yogurt sales will reach \$413 million (up two percent) in 2017. Food retail expansion is driving growth in these two sub-categories. Ready-to-drink products are favored by consumers looking for healthy products. With a 75 percent market share, Gloria S.A leads sales in this sector.

Dried Processed Food: Dried processed food sales reached \$716 million in 2017. Total sales are up three percent compared to the previous year. Pasta and rice remain the key product offerings. Pasta ranks second with a consumption of 208,000 MT (\$354 million), up two percent. Alicorp (Peru's largest food processor) holds 42 percent of market share in pasta category respectively.

Cookies and Snack Bars: Cookies and snack bar sales in 2017 are projected to reach \$217 million, up 1.5 percent compared to 2016. Sweet cookies dominate the market. Consumers demand snacking-style products or meal replacements. Alicorp and Kraft Foods Peru enjoy a combined market share of 70 percent. Supermarket/ hypermarket private labels specialize in affordable cookies.

Sauces, dressings and condiments: This dynamic category is dominated by sauces, principally mayonnaise, ketchup and mustard. It is forecast to reach \$80 million in sales in 2017. 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 sales are projected to reach \$67 million in 2017. Tomato pastes and purees account for 18 percent of market share in this category with \$32 million in sales forecast for 2017.

Breakfast Cereals: Breakfast cereals sales, at \$86 million, are up four percent in 2017. 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.

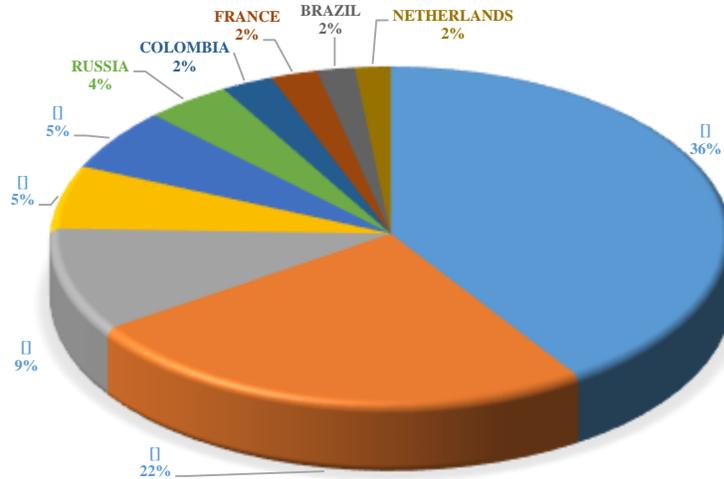
Beer: Beer, with a market share of 90 percent, is Peru's drink of choice. Middle and high-income consumers continue increasing purchases of premium products. Brewers' sales projections for 2017 are \$3 billion, up 1.7 percent from 2016

Section III. Competition

Exports of food processing ingredients to Peru totaled \$829 million in 2017. The U.S. is the second largest supplier of ingredients to Peru with a 22 percent market share. These ingredients are made up largely of wheat and milk powder, which represent 70 percent of the total trade in this category for the United States. Canada is the largest supplier with 41 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 \(PTPA\)](#).

**FOOD PROCESSING INGREDIENTS EXPORTS TO PERU
BY COUNTRY 2017**



Source: Global Trade Atlas

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) (\$480 million)	Canada: 62% USA: 21% Argentina: 10	Canada has a more competitive pricing for this ingredient.	Local millers use to blend different origin wheat.
Milk and Cream Concent, powder (HTS 040210) (\$49 million)	USA: 74% New Zealand: 13% France: 5%	The U.S is the largest supplier holding 74 percent market share.	Dairy food processors use powder milk to standardized production. Insufficient milk production in Peru.
Enzymes and preparations Nesoi (HTS 350790) (\$30 million)	USA: 34%; Brazil: 18% France: 14% Denmark: 13%	Tariff preferences are also applied to competitors countries.	Weak local production. Utilization for different sectors.
Edible Preparation mixtures or preparations of vegetable oil or fat (HTS 151790) (\$11 million)	USA: 53 % Sweden: 16% Uruguay: 9%	Price competitive. Sweden exports grew 35 percent in 2017.	- Sweden export volume double fold U.S. exports. Large food processors source internationally.

Almonds Fresh or Dried Shelled NESOI (HTS 08021290) (\$7 Million)	USA: 78% Chile: 21%	- Chile's proximity ease access to the product. Price competitive.	Better quality of U.S. almonds. Confectionary manufacturers prefers U.S. quality and price.
Boneless Pork Meat (HTS 02032910) (\$14 Million)	Chile: 68% USA: 27% Canada: 4%	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.
Mixtures Of Odoriferous Substances (HTS 330210) (\$45 Million)	Chile: 49% Mexico: 15% Argentina: 7% Colombia: 7% USA: 7%	Beverage manufacturer in Chile supplies subsidiary in Peru. However, price is the key driver.	Large manufacturers sources internationally.
Vegetable Saps And Extracts (HTS 1302) (\$15 Million)	USA: 19% Mexico: 16% China: 15% Chile: 14 Brazil: 8%	Mexican subsidiaries in Peru, large scale purchases.	U.S. suppliers with competitive prices and quality.
Whey And Modified Whey (HTS 040410) (\$11 Million)	Chile: 52% USA: 24% France: 15%	Chilean suppliers benefit from proximity and tariff preferences. Price is the key driver.	Not too many suppliers for these products. Local industry inexistent.
Other preparations of semola, starch flour or malt extract (HTS 19019090) (\$20 Million)	Colombia: 38% New Zealand: 20% Australia: 18% USA: 8%	Price is the key driver. Colombian manufacturers supplies to Peru's subsidiary.	U.S. exports grew 19 percent in 2017.
Hop Cones, ground, powdered or in the form of Pellets (HTS 121020) (\$5 Million)	USA: 53% Germany: 41% Rep. Czech: 6%	Price and variety are key drivers on this product.	European influence on beer production.

Source: SUNAT, 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	Argentina: 33%; Sweden:	Brewers' sales projections for 2017 are

(HTS 1107) (\$41 million)	19%; Colombia: 15%; France: 13%; Netherlands: 8%	\$3 billion, up 1.7 percent from 2016
Starches (HTS 1108) \$20 million	Denmark: 23%; Germany: 22%; Poland: 11%; Netherlands: 10%; Brazil: 8%	Potato starch imports reached \$14 million and it is the largest imported ingredient. Followed by cornstarch with \$5 Million.
Milk And Cream, Concentrated, Of A Fat Content, By Weight, Exceeding 1.5% (HTS 040221) \$57 million	New Zealand: 60%; Ireland: 11%; Netherlands: 10%; Bolivia 10%; Arg.: 7%	Gloria is the largest importer and owns subsidiaries in Bolivia and Argentina. New Zealand is competitive in price. the U.S. market share is 1%.

Source: SUNAT, 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
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For additional information, see www.fas.usda.gov. See also our Exporter Guide at the FAS Global Agricultural Information Network (GAIN) in this [link](#).