

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Peru

Grain and Feed Annual

Enter a Descriptive Report Name

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Report Highlights:

Peru's wheat imports in MY 2009 are estimated at 1.56 MMT. U.S. wheat exports to Peru fell 9 percent in CY 2009. Canadian and Russian wheat are the main reasons for this loss in market share. Corn production in Peru is expected to increase 12 percent reaching at 1.65 MMT in MY 2009 (October/September). This increase is due to better yields and more land being planted with corn instead of other less profitable alternatives such as cotton. Peru's yellow corn imports for MY 2009 are estimated at 1.4 MMT, with Argentina probably still leading the market. Rice production for CY 2010 is forecast at 1.75 MMT (milled basis), unchanged from the previous year. Rice imports into Peru in CY 2009 were 90,621 MT, a 38 percent reduction compared to CY 2008.

Commodities:

Wheat

Production:

Wheat Peru	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			Market Year Begin: Jul 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		Jan
			Data			Data			Data
Area Harvested	145	145	148	140	135	170			170
Beginning Stocks	285	204	285	175	236	220			210
Production	182	182	186	185	170	220			220
MY Imports	1,385	1,560	1,486	1,500	1,510	1,560			1,610
TY Imports	1,385	1,550	1,492	1,500	1,500	1,600			1,620
TY Imp. from U.S.	337	500	396	0	500	510			500
Total Supply	1,852	1,946	1,957	1,860	1,916	2,000			2,040
MY Exports	67	50	54	50	50	50			55
TY Exports	67	50	54	50	50	50			55
Feed and Residual	60	60	65	60	60	60			60
FSI Consumption	1,550	1,600	1,618	1,550	1,600	1,680			1,735
Total Consumption	1,610	1,660	1,683	1,610	1,660	1,740			1,795
Ending Stocks	175	236	220	200	206	210			190
Total Distribution	1,852	1,946	1,957	1,860	1,916	2,000			2,040
Yield	1.	1.	1.2568	1.	1.	1.2941			1.2941

Units: (1000 HA)(1000 MT)(MT/HA)

Import Trade Matrix	
Country	Peru
Commodity	Wheat
Time Period	CY2009
Imports from:	
U.S.	363,625
Others	
Canada	579,243
Argentina	349,785
Russia	137,556
Total for Others	1,066,584
Others not Listed	55,873
Grand Total	1,486,082

Units: Metric Tons

Wheat production in MY 2009 (July/June) is estimated at 220,000 MT, increasing 18 percent compared to MY 2008. This increase is due to higher prices in the local market. Wheat is only a minor cash crop in Peru. Wheat in Peru is grown mostly in the southern highlands of the Andes under very rudimentary cultural practices and does not enter the flour production chain. Peruvian wheat is mostly soft wheat and it is consumed directly in soups and purees. This type of wheat is not suitable for milling.

Crop area for MY 2010 is forecast at 170,000 hectares, remaining about the same as the previous year. Wheat area in Peru varies significantly from year to year depending on prices, profit expectations, and conditions of alternative crops such as barley and oats. Average yields in CY 2009 were 1.4 MT per hectare, compared to 1.23 MT per hectare in the previous year. Sufficient water and warmer temperatures explain this yield improvement.

Peru's largest wheat miller, Alicorp, has established a program to encourage producers to grow durum wheat for their pasta plant in Arequipa (about 1,000 kilometers south of Lima). Currently, they are producing around 10,000 MT but expect to reach 25,000 MT in the upcoming years. Alicorp provides improved seed and technical assistance to local producers and contracts production in advance.

Consumption:

The wheat milling industry in Peru is highly concentrated. Of the 23 mills in the country, the largest one (Alicorp) accounts for about 60 percent of total wheat processed, and the top four mills are responsible for about 85 percent of the wheat milled in the country. Revenues of the milling industry are about \$800 million.

Bread consumption in Peru continues to be very small, with per capita consumption at 28 kilograms per annum. Most bread is purchased fresh in bakeries, and only 250 grams of bread per year are consumed in loaves. With 10 kilograms per capita, Peru continues to be the second largest pasta consumer in South America. Lima accounts for half of the pasta consumption in Peru, but growth of pasta consumption in the provinces is increasing. Peruvian cracker and cookie consumption is still very low, around 70,000 MT per year and worth about \$100 million.

Peru produces about 1.2 MMT of flour per year. Of this flour 63 percent is used in the bakery industry, 20 percent in pasta manufacturing, 12 percent in the cookies and crackers sector, and 5 percent for domestic use. About 70 percent of domestic flour is sold in traditional markets, with 20 percent sold in supermarkets and 10 percent through other distribution channels.

Post estimates that wheat consumption will gradually increase accompanying population and economic growth. Wheat consumption should grow about 4 percent per year in the upcoming three years.

Trade:

Peru's wheat imports in MY 2009 are estimated at 1.56 MMT. U.S. wheat exports to Peru fell 9 percent in CY 2009. Canadian and Russian wheat are the main reasons for this loss in market share. Canadian wheat imports into Peru increased 140 percent in CY 2009, while Russian wheat imports into Peru increased one hundred percent. The average price of wheat imports in CY 2009 was \$251.1 per MT while Canadian and Russian wheat were \$249.4 and \$233.5 per MT respectively. Average price of U.S. wheat was \$260.1 per MT.

Peru's wheat milling industry is very sophisticated. The industry has evolved in the last 15 years from only buying HRW to importing many different types of wheat (such as soft, spring, white and DNS) for blending. The U.S. Wheat Associates has been instrumental in improving Peru's milling standards through its marketing and trade servicing programs.

Peru exported 24,000 MT of cookies and crackers in CY 2009, with a value of \$42 million. Its main markets were neighboring countries, including Colombia, Ecuador and Bolivia. Peruvian pasta exports totaled 28,000 MT in CY 2009, with a value of \$21 million. The main markets for Peruvian pasta were Haiti, Chile and Ecuador.

Policy:

Due to the steep increase in international wheat prices, the GOP eliminated the import duty assessed on wheat. The 19 percent value-added tax (VAT) remains in place. The GOP, through the Ministry of Agriculture, continues promoting the use of alternative products, such as potatoes and sweet potatoes, to blend with wheat flour in order to lower production costs. According to MOA officials, up to 30 percent of wheat flour could be replaced with these alternative flours. However, this effort has not had an overwhelming reception by bakers who argue that only 10 percent of wheat flour could be replaced and even this low proportion would be rather expensive due to the preliminary conditioning that these flours require.

Import duties for wheat are a highly political issue in Peru. Agricultural producers constantly urge the government to maintain high levels of protection, alleging that wheat and wheat products are substitutes for the potato, Peru's staple product. Though none of these allegations have been proven in serious studies, some politicized producers will probably keep urging the GOP to reinstate the import duty as soon as possible.

Peru is taking advantage of the tariff preferences granted by other countries in the region and is increasing exports of wheat products, especially cookies and crackers. Under the U.S.- Peru Trade Promotion Agreement, the U.S. will grant duty free access to Peruvian wheat products. As a result some millers have already begun developing a market for pasta and cookies in the U.S.

Commodities:

Corn

Production:

Corn Peru	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			Market Year Begin: Oct 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		Jan
			Data			Data			Data
Area Harvested	570	570	510	580	575	570		580	
Beginning Stocks	228	230	228	218	200	180		220	
Production	1,600	1,600	1,462	1,655	1,630	1,650		1,670	
MY Imports	1,400	1,400	1,426	1,500	1,500	1,400		1,460	
TY Imports	1,400	1,400	1,401	1,500	1,500	1,400		1,460	
TY Imp. from U.S.	492	450	215	0	400	700		750	
Total Supply	3,228	3,230	3,116	3,373	3,330	3,230		3,350	
MY Exports	10	10	8	10	10	10		10	
TY Exports	10	10	8	10	10	10		10	
Feed and Residual	2,750	2,750	2,673	2,800	2,800	2,720		2,800	
FSI Consumption	250	270	255	300	280	280		300	
Total Consumption	3,000	3,020	2,928	3,100	3,080	3,000		3,100	
Ending Stocks	218	200	180	263	240	220		240	

Total Distribution	3,228	3,230	3,116	3,373	3,330	3,230			3,350
Yield	3.	3.	2.8667	3.	3.	2.8947			2.8793

Units: (1000 HA)(1000 MT)(MT/HA)

Import Trade Matrix	
Country	Peru
Commodity	Yellow Corn
Time Period	CY 2009
Imports from:	
U.S.	572,060
Others	
Argentina	692,397
Paraguay	150,241
Brazil	56,670
Bolivia	27,973
Total for Others	927,281
Others not Listed	0
Grand Total	1,499,341

Units: Metric Tons

Corn production in Peru is expected to increase 12 percent reaching at 1.65 MMT in MY 2009 (October/September). This increase is due to better yields and more land being planted with corn instead of other less profitable alternatives such as cotton. Corn production, especially yellow corn, has been consistently increasing due to strong international prices and increasing demand from the poultry industry. The average price of local corn in CY 2009 was \$195 per MT.

Among the several types of corn produced in Peru, the most important varieties are starchy corn, (production estimated at 284,000 MT in CY 2009) which is used directly for human consumption, and yellow corn (with production estimated at 1.15 MMT) which is primarily used in the animal feed industry.

Harvested area in CY 2009 was 274,385 hectares and 212,560 hectares for yellow and starchy corn, respectively. Yields were 4.2 MT per hectare for yellow corn and 1.3 MT per hectare for starchy corn. Corn is mainly grown along the Peruvian coast and in the rainforest on the eastern slopes of the Andes.

Consumption:

Chicken is a staple product in the Peruvian diet. Peru produces 500,000 MT of chicken per year, which is the main market of yellow corn. Corn accounts for about 68 percent of the chicken feed. Yellow corn consumption is forecast at 2.8 MMT in MY 2010

There are about 20 poultry operations in Peru, which control around 1,000 farms. The largest producer, San Fernando, controls about 35 percent of the market. Total market size for CY 2009 is estimated at \$1.2 billion.

Informal producers (producers who are not legally established and do not pay taxes) are a major problem for the poultry sector in Peru. These producers, which account for about 25 percent of the poultry meat industry, are not able to import corn due to the lack of appropriate registration with the tax authority and therefore rely solely on local corn. Informal producers are constantly undermining industry profitability with lower prices as a result of not paying taxes.

Trade:

Peru's yellow corn imports for MY 2009 are estimated at 1.4 MMT, with Argentina probably still leading the market. However, Post expects that U.S. corn imports will continue increasing to at least to fulfill the Peruvian TRQ, which will be 530,000 MT for CY 2010.

Feed producers and large poultry operations prefer to use Argentine or Peruvian corn over U.S. corn. They claim that Argentine and Peruvian corn is harder and comes with less broken kernels. Post believes that alternative corn products such as DDG have an interesting potential and should be promoted in this market.

Policy:

Corn is assessed 9 percent import duty on a CIF basis. Corn is also subject to a variable levy applied under the Price Band System. The Price Band System is a variable levy that depends on international prices, which assures that the import price of specific commodities, after payment of the levy, will equal a predetermined minimum import price.

Under the U.S. - Peru Trade Promotion Agreement, the U.S. has a duty free TRQ of 500,000 MT for U.S. corn, with annual increases of 6 percent and full duty free access in 12 years.

The GOP does not have any direct subsidy or assistance program to encourage corn production. However, there has been some support through rotating credit funds. The Ministry of Agriculture continues to support an agreement between corn and poultry producers to encourage corn production in the eastern region of the country. This area is excellent for corn production, but transportation infrastructure is poor and in some cases does not exist.

Corn production began increasing sharply in 1997 due to a GOP's import substitution program. This program, which granted tax benefits to livestock operations outside of Lima that used only local corn, has been successful so far. In some areas, particularly on the eastern slopes of the Andes, the few poultry producers are planting and purchasing local corn. On the coast, the third largest poultry producer in the country is purchasing only local corn, through an agreement signed with corn producers in the area. The largest poultry producer in Peru has begun producing part of the corn it demands. This program and continued high international prices will encourage domestic production and, therefore, import substitution.

Commodities:

Rice, Milled

Production:

Rice, Milled Peru	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		Jan
			Data			Data			Data
Area Harvested	250	310	374	330	310	360			380
Beginning Stocks	840	571	840	421	506	569			259
Milled Production	1,270	1,700	1,785	1,685	1,700	1,750			1,950
Rough Production	1,841	2,464	2,587	2,442	2,464	0			0
Milling Rate (.9999)	6,900	6,900	6,900	6,900	6,900	0			0
MY Imports	100	100	84	80	80	80			60
TY Imports	100	100	84	80	80	80			60
TY Imp. from U.S.	0	5	0	0	5	5			5

Total Supply	2,210	2,371	2,709	2,186	2,286	2,399			2,269
MY Exports	50	15	90	15	15	90			80
TY Exports	50	15	90	15	15	90			80
Consumption and Residual	1,739	1,850	2,050	1,750	1,850	2,050			2,070
Ending Stocks	421	506	569	421	421	259			119
Total Distribution	2,210	2,371	2,709	2,186	2,286	2,399			2,269
Yield (Rough)	7.	8.	6.9171	7.	8.	0.			0.

Units: (1000 HA)(1000 MT)(MT/HA)

Import Trade Matrix	
Country	Peru
Commodity	Rice, Milled
Time Period	CY2009
Imports from:	
U.S.	254
Others	
Uruguay	81,446
Vietnam	7,539
Argentina	948
Thailand	401
Total for Others	90,334
Others not Listed	33
Grand Total	90,621

Units: Metric Tons

Rice production for CY 2010 is forecast at 1.75 MMT (milled basis), unchanged from the previous year. Harvested area for CY 2010 is estimated at 360,000 hectares. Rice in Peru is surface irrigated and dependent upon the supply of water draining from rivers in the Andes Mountains. Most of the rice in Peru is harvested April through July.

The government has been encouraging producers to move rice production to the eastern slopes of the Andes, due to the lack of water on the coast. This effort has been successful in increasing rice production in this area, especially in the San Martin region. However, it has failed to move rice production out of the northern coast. Coastal rice producers have no incentive for changing crops, water is almost free and returns on investment are high, particularly with current international prices.

Historical rice producing areas in Peru are Lambayeque and Piura in the northern region and Arequipa in the south. Average yields in CY 2009 were around 7.47 metric tons of paddy rice per hectare, but some farmers have yields as high as 14 metric tons per hectare. Since most of the production is carried out by small producers, rice quality and yields vary greatly depending on input levels, which in turn depend on prices and economic conditions.

Due to the constant increase of rice production in recent years, farm rice prices dropped an average of 38 percent in CY 2009.

Consumption:

Rice is a staple product in the Peruvian diet, with per capita rice consumption estimated at about 55 kilograms. Rice is traditionally sold in small markets, weighed and bagged from 50 kilos sacks. In recent years, with the expansion of supermarket chains in Peru, several consumer habits, including the purchase of rice, have changed. There is a growing demand for prepackaged one-kilogram bags of rice. Higher quality rice, including U.S. rice, is generally marketed in this way.

Trade:

Rice imports into Peru in CY 2009 were 90,621 MT, a 38 percent reduction compared to CY 2008. For several years now Peru has become self-sufficient in rice and only imports for the high end market or if it has some weather issues that reduces its crop. Uruguay continued to be the leading rice exporter to the Peruvian market with 90 percent of the market share. Rice exports from the U.S. were only 254 MT in CY 2009. The largest rice importer, who owns the leading brand for bagged rice, has a long-term relationship with a Uruguayan rice exporter who provides good quality rice at a very competitive price.

Peruvian importers are interested in purchasing paddy rice from the U.S., which is currently banned for SPS reasons by SENASA (the Peruvian SPS authority). Peru has banned paddy rice for many years on the assumption that the hulls could transmit pests that are not present in Peru. Khapra Beetle is the principal pest of concern to Peru. This is more likely to occur if the paddy rice is sold as seed rather than milled, but Peru claims it cannot lift this ban. Currently a pest risk assessment is being done which will hopefully result in elimination of the ban and additional sales of U.S. rice.

Policy:

Rice imports are assessed a 9 percent import duty on CIF plus a variable levy applied under the Peruvian Price Band System. The Price Band System is an import tax that depends on international prices and ensures that the import price of specific commodities, after payment of the levy, will equal a predetermined minimum import price. This tax, which is imposed on certain "sensitive" products, is expressed in dollars per metric ton. .

Under the U.S.-Peru TPA U.S. rice is granted a duty free TRQ of 72,000 MT, with annual increases of 6 percent and full duty free access in 17 years.