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Date: 1/30/2012

GAIN Report Number:

Peru

Grain and Feed Annual

Annual

Approved By:
Emiko Purdy

Prepared By:
Gaspar E. Nolte

Report Highlights:
Corn production in Peru is forecast at 1.86 MMT for MY 2011 (October/September), a significant increase from the 1.49 MMT produced in MY 2010. Peru imported 1.9 MMT of yellow corn in CY 2011. U.S. corn exports to Peru dropped significantly from 626,428 MT in CY 2010 to only 63,130 MT in CY 2011 as a result of Peru's unilateral elimination of import duties, causing the United States to lose the trade preference granted under the U.S. – Peru Trade Promotion Agreement.

Peruvian wheat imports in CY 2011 totaled 1.68 MMT. U.S. wheat exports to Peru in CY 2011 reached an all time record of 943,000 MT, accounting for 56 percent of the market share.

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Commodities:

Corn

Production:

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Corn Peru	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	500	494	600	600		650
Beginning Stocks	390	390	380	216		236
Production	1,450	1,490	1,800	1,860		2,020
MY Imports	1,900	1,939	1,600	1,800		1,850
TY Imports	1,900	1,939	1,600	1,800		1,850
TY Imp. from U.S.	66	66	0	300		400
Total Supply	3,740	3,819	3,780	3,876		4,106
MY Exports	10	10	10	10		10
TY Exports	10	10	10	10		10
Feed and Residual	3,000	3,215	3,100	3,250		3,400
FSI Consumption	350	378	350	380		400
Total Consumption	3,350	3,593	3,450	3,630		3,800
Ending Stocks	380	216	320	236		296
Total Distribution	3,740	3,819	3,780	3,876		4,106
1000 HA, 1000 MT, MT/HA						

Corn production in Peru is forecast at 1.86 MMT for MY 2011 (October/September), a significant increase from the 1.49 MMT produced in MY 2010. Higher prices and strong demand from the poultry industry are the driving force of this increased production. Yellow corn production in Peru has been increasing steadily since international prices began rising.

There are several types of corn grown in Peru; the most important varieties are starchy corn (with production estimated at 255,000 MT in CY 2011), which is used directly for human consumption, and yellow corn (with production estimated at 1.24 MMT in CY 2011), which is primarily used in the animal feed industry.

Harvested area in MY 2011 is estimated at 320,000 hectares and 280,000 hectares for yellow and starchy corn, respectively. Yields are expected to be around 3.96 MT per hectare for yellow corn and 1.17 MT per hectare for starchy corn. However, yellow corn yields vary greatly depending on the production region and the producers' level of technology. On the coastal region these yields have increased from 6.5 MT per hectare to 8.8 MT per hectare in the past nine years. The use of improved seeds and better cultural practices are the main drivers for this increase. In the rainforest, on the eastern slopes of the Andes, yellow corn yields drop to 2.1 MT per hectare due to poor soil and less developed producers.

Consumption:

Chicken is a staple product in the Peruvian diet, with per capita consumption reaching about 34 kilograms per annum. Peru's 44 million chicken-per-month poultry market is the major user of yellow corn, with corn accounting for about 68 percent of the chicken feed. Yellow corn consumption is forecast at 3.4MMT in MY 2012.

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 2011 is estimated at $1.5 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 the lack of appropriate registration with the tax authority and therefore rely solely on local corn. Informal producers are constantly undermining the industry profitability with their lower prices, which result from not paying taxes.

Trade:

Peru imported 1.9 MMT of yellow corn in CY 2011. With 1.51 MMT, Argentina was the lead corn supplier to Peru in CY 2011. U.S. corn exports dropped significantly from 626,428 MT in CY 2010 to only 63,130 MT in CY 2011. This reduction was the result of Peru's unilateral reduction on import duties for corn, causing the United States to lose the trade preference granted under the U.S. – Peru Trade Promotion Agreement.

Most 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 fewer broken kernels. The average price of local corn was around $327 per MT in CY 2011, an increase of 19 percent compared to the previous year.

Peru imported dried distiller grain with solubles (DDGS) for the first time in late 2010. During 2011 large poultry and dairy operations continued testing DDGS in their feed. Post believes that alternative corn products such as DDGS have an interesting potential and should be promoted in this market.

Import Trade Matrix (Metric Tons)	
Commodity	Yellow Corn
Time Period	CY 2011
Imports from:	
U.S.	63,130
Others	
Argentina	1,512,790
Brazil	163,054
Paraguay	156,510
Total for Others	1,832,354
Others not Listed	0
Grand Total	1,895,484

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Policy:

Corn is imported into Peru duty free. Once Peru unilaterally eliminated import duties for corn imports, the United States lost the trade preference granted under the U.S.-Peru Trade Promotion Agreement (TPA). The TPA established a duty free TRQ of 500,000 MT, with annual increases of 6 percent and full duty free access in 12 years.

Peru's corn production began in the late 1990s and was encouraged by the government's import substitution program. This program granted tax benefits to livestock operations outside of Lima that used only local corn in their feed. 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 its corn demands. This program and continued high international prices will encourage domestic production and, therefore, import substitution.

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.

Commodities:

Wheat

Production:

Wheat Peru	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: May 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	172	157	160	160		160
Beginning Stocks	282	217	360	247		200
Production	230	214	215	220		220
MY Imports	1,757	1,686	1,700	1,700		1,800
TY Imports	1,757	1,686	1,700	1,700		1,800
TY Imp. from U.S.	1,098	1,021	0	800		800
Total Supply	2,269	2,117	2,275	2,167		2,220
MY Exports	89	80	100	90		100
TY Exports	89	80	100	90		100
Feed and Residual	70	60	60	60		60
FSI Consumption	1,750	1,730	1,775	1,817		1,840
Total Consumption	1,820	1,790	1,835	1,877		1,900
Ending Stocks	360	247	340	200		220
Total Distribution	2,269	2,117	2,275	2,167		2,220
1000 HA, 1000 MT, MT/HA						

Wheat production in MY 2011 (July/June) is forecast at 220,000 MT, a slight increase from the 214,000 MT produced in the previous year. Wheat is a minor crop in Peru and is grown mostly in the southern highlands of the Andes (between 2,800 and 3,500 meters above sea level). Wheat producers are usually poor and apply rudimentary cultural practices. Most of the wheat produced in Peru is soft wheat that is consumed directly in soups and purees. This type of wheat is not suitable for milling.

Crop area for MY 2012 is forecast to remain at 160,000 hectares. Wheat area in Peru can vary significantly from year to year depending on prices, profit expectations, and alternative crops such as barley and oats. Average yields in CY 2011 were 1.36 MT per hectare.

Peruvian wheat millers established a program to encourage small agricultural producers to grow durum wheat for their pasta plant in Arequipa (about 1,000 kilometers south of Lima). Currently, they are producing around 11,000 MT but expect to reach 25,000 MT in upcoming years. Millers provide improved seed and technical assistance to local producers and contract production in advance.

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Consumption:

Peru produces 1.3 MMT of wheat flour per year. Of this flour 63 percent is used by the baking industry, 20 percent for 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 sold through other distribution channels

The wheat milling industry in Peru is highly concentrated. Of the 23 mills in the country, the largest one accounts for over 60 percent of total wheat processed, and the top four mills are responsible for about 85 percent of the wheat milled in the country. While Argentina has over 200 mills for 33 million people, Peru has only 23 for 30 million people. Revenues for the milling industry are estimated at around $1 billion.

Bread consumption in Peru continues to be among the lowest in the region, per capita consumption is 28 kilograms per annum compared to 37 kilograms in Ecuador or 95 kg in Chile. Most bread is purchased fresh in bakeries, and only 250 grams of bread per year are consumed in loaves, which is a two-fold increase over the last seven years. At 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 in pasta consumption is increasing at a faster rate in the provinces. Peruvian cracker and cookie consumption is still very low, around 70,000 MT per year and worth about $100 million.

Trade:

Peruvian wheat imports in CY 2011 totaled 1.68 MMT. For the second year in a row, the United States was the lead wheat supplier to Peru. U.S. wheat exports to Peru in CY 2011reached an all time record of 943,000 MT, accounting for 56 percent of the market share. Usually the Peruvian market is divided among the United States, Canada, and Argentina. However, due to quality problems with the Argentine crop and insignificant price differences compared to U.S. wheat, Peruvian millers preferred U.S. wheat in 2011. Peru's wheat consumption increase in CY 2011 was partially due to unusual pasta demand from Chile. Carozzi, one of Chile's largest wheat mills, was destroyed by a fire in 2011 and had to buy pasta from Peruvian mills to continue servicing their customers.

Peru's wheat milling industry has become very sophisticated. The industry has evolved in the last 20 years from only buying Hard Red Winter to importing many different types of wheat (such as soft, spring, white and Durum Northern Spring) for blending.

Import Trade Matrix (Metric Tons)	
Commodity	Wheat
Time Period	CY 2011
Imports from:	
U.S.	943,069
Others	
Canada	515,317
Argentina	109,478
Russia	107,177
Total for Others	731,972
Others not Listed	8,112
Grand Total	1,683,153

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Policy:

Wheat is imported into Peru duty free. The government of Peru does not have a specific program to promote wheat production. However, in recent years it has implemented credit and technical assistance programs to help producers improve their crops and somewhat fight high international commodity prices.

Commodities:

Rice, Milled

Production:

Rice, Milled Peru	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Apr 2009		Market Year Begin: Apr 2010		Market Year Begin: Apr 2010	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	409	381	395	400		350
Beginning Stocks	367	367	422	170		65
Milled Production	2,087	1,840	2,000	1,950		1,680
Rough Production	3,025	2,667	2,899	2,826		2,435
Milling Rate (.9999)	6,900	6,900	6,900	6,900		6,900
MY Imports	93	91	70	90		250
TY Imports	70	91	60	90		250
TY Imp. from U.S.	0	0	0	10		15
Total Supply	2,547	2,298	2,492	2,210		1,995
MY Exports	50	48	100	45		30
TY Exports	80	48	80	45		30
Consumption and Residual	2,075	2,080	2,100	2,100		1,940
Ending Stocks	422	170	292	65		25
Total Distribution	2,547	2,298	2,492	2,210		1,995
1000 HA, 1000 MT						

Rice production for MY 2012 is forecast to decrease 14 percent to 1.68 MMT (milled basis). Delayed rains during the 2011/2012 planting season (October-December) resulted in less area planted and will most likely have a negative effect in the upcoming season yields.

Harvested area for MY 2012 is estimated at 350,000 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. Average price paid to producers for rice in CY2011 was $373 per MT of rough rice, an increase of 34 percent compared to the previous year.

Peru's most important rice producing areas are Lambayeque and Piura in the northern region and Arequipa in the south. Since the northern Peruvian coast is basically a desert, rice production in that area has severely deteriorated the soil with salt due to constant flooding. The government continues to encourage 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.

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Average yields in CY 2011 were 7.36 MT of paddy rice per hectare, but some farmers have yields as high as 14 MT 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.

Consumption:

Rice is a staple product in the Peruvian diet, with per capita rice consumption estimated at about 58 kilograms per year. Rice is traditionally sold in small markets, weighed, and bagged in 50 kg sacks. With the expansion of supermarket chains, several consumer habits, including purchasing of rice, have changed. There is a growing demand for prepackaged one-kilogram bags of rice. Higher quality rice is generally marketed in this way.

Trade:

Rice imports into Peru in CY 2011 were 207,311 MT a significant increased compared to 94,498 MT imported in CY 2010. This increased the result of a smaller local crop which particularly affected the beginning of CY 2011. The imported rice market in Peru continues to be dominated by Uruguayan rice with a market share of 67 percent. However the Uruguayan share of the market was significantly reduced from CY 2010's 95 percent. Other sources such as Thailand and Argentina were very active in the market and rice imports from the United States remained limited. Reportedly, higher prices from the United States and a long standing relationship from a particular importer with a Uruguayan supplier, which includes advantageous credit conditions, are two reasons that explain why there is a clear market leader in Peru.

Some Peruvian importers are interested in purchasing paddy rice from the United States, which is currently banned for SPS reasons by SENASA (the Peruvian SPS authority). Post continues working closely with SENASA to lift the ban.

Import Trade Matrix (Metric Tons)	
Commodity	Rice
Time Period	CY 2011
Imports from:	
U.S.	258
Others	
Uruguay	139,640
Thailand	32,022
Argentina	20,820
Brazil	10,831
Total for Others	203,313
Others not Listed	3,998
Grand Total	207,311

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Policy:

Rice is imported into Peru duty free. Once Peru unilaterally eliminated import duties for rice imports, the United States lost the trade preference granted under the U.S.-Peru Trade Promotion Agreement. The TPA established a duty free TRQ of 72,000 MT, with annual increases of 6 percent and full duty free access in 17 years.

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