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Report Highlights:

Peruvian wheat production in MY 2022/2023 is forecast at 220,000 MT. Wheat imports in MY 2022/2023 are forecast at 2.25 MMT. Corn production in MY 2022/2023 is forecast at 1.7 MMT. Peru's corn imports in MY 2022/2023 are forecast at 4.1 MMT, an increase of three percent from the previous year. Demand growth, driven by poultry producers, continues to outpace local production capacity. Rice production in MY 2022/2023 is forecast at 2.3 MMT. Rice imports in MY 2022/2023 are forecast at 300,000 MT, about the same as the previous year.

Summary

Wheat production in Marketing Year (MY) 2022/2023 (July/June) is forecast to remain at 220,000 metric tons (MT). Wheat is a minor cash crop in Peru. Total wheat consumption in MY 2022/2023 is forecast just under 2.4 million metric tons (MMT), increasing slightly compared to the previous year estimate. Wheat imports in MY 2022/2023 are forecast at 2.25 MMT. Wheat imports in Calendar Year (CY) 2021 (January/December) were 2 MMT, a reduction of 12 percent compared to the previous year due to economic stress caused by the pandemic.

Corn production in MY 2022/2023 (October/September) is forecast at 1.7 MMT, a slight increase from estimated levels of the previous year. Corn consumption in MY 2022/2023 is forecast at 6 MMT, an increase of three percent from the previous year. The poultry sector is the main driver of increased corn consumption. Peru currently produces 65 million broilers per month and has a flock of about 30 million layers. Peru's corn imports in MY 2022/2023 are forecast at 4.1 MMT, an increase of three percent from the previous year. Total corn imports in MY 2020/2021 were 3.7 MMT of which 80 percent originated from Argentina and 17 percent from the United States.

Rice production in MY (April/March) 2022/2023 is forecast at 2.3 MMT (milled basis), a slight increase from the previous year. The total rice harvested area for MY 2022/2023 is forecast at 420,000 hectares. Rice consumption is expected to remain steady in MY 2022/2023 at 2.6 MMT. Rice imports in MY 2022/2023 are forecast at 300,000 MT, about the same as the previous year.

Table 1. Production, Supply and Distribution: Wheat

| Wheat | 2020/2021 | | 2021/2022 | | 2022/2023 | |
|-------------------------------------|----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
| Market Year Begins | Jul 2020 | | Jul 2021 | | Jul 2022 | |
| Peru | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested (1000 HA) | 114 | 126 | 124 | 130 | 0 | 130 |
| Beginning Stocks (1000 MT) | 292 | 292 | 334 | 327 | 0 | 237 |
| Production (1000 MT) | 188 | 215 | 190 | 220 | 0 | 220 |
| MY Imports (1000 MT) | 2240 | 2250 | 2000 | 2200 | 0 | 2250 |
| TY Imports (1000 MT) | 2240 | 2150 | 2000 | 2200 | 0 | 2250 |
| TY Imp. from U.S. (1000 MT) | 169 | 167 | 0 | 400 | 0 | 500 |
| Total Supply (1000 MT) | 2720 | 2757 | 2524 | 2747 | 0 | 2707 |
| MY Exports (1000 MT) | 56 | 60 | 60 | 75 | 0 | 75 |
| TY Exports (1000 MT) | 56 | 60 | 60 | 75 | 0 | 75 |
| Feed and Residual (1000 MT) | 80 | 80 | 80 | 85 | 0 | 85 |
| FSI Consumption (1000 MT) | 2250 | 2290 | 2100 | 2350 | 0 | 2360 |
| Total Consumption (1000 MT) | 2330 | 2370 | 2180 | 2435 | 0 | 2445 |
| Ending Stocks (1000 MT) | 334 | 327 | 284 | 237 | 0 | 187 |
| Total Distribution (1000 MT) | 2720 | 2757 | 2524 | 2747 | 0 | 2707 |
| Yield (MT/HA) | 1.6491 | 1.7063 | 1.5323 | 1.6923 | 0 | 1.6923 |

(1000 HA) ,(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Wheat begins in July for all countries. TY 2022/2023 = July 2022 - June 2023

WHEAT

Production:

Wheat production in MY 2022/2023 is forecast to remain at 220,000 MT. Wheat is a minor cash crop in Peru, with production concentrated in the southern highlands between 2,800 and 3,500 meters above sea level. It remains limited by difficult and mountainous geography and rudimentary production practices. Peru grows mainly soft wheat which is not good for milling and largely consumed locally in purees or as a soup ingredient.

The total area harvested in MY 2022/2023 is forecast at 130,000 hectares. The harvested area of wheat can vary significantly from one year to the next depending on local wheat prices, farmers' profit margin expectations, and the profitability of alternative crops such as quinoa, barley, and oats. The average yield in MY 2022/2023 is expected at 1.69 MT/hectare.

Domestic millers have an established social program to promote durum wheat cultivation for pasta production. They provide small farmers with seed and technical assistance and guarantee the purchase of production. Farmers are now producing around 12,000 MT of durum wheat for a pasta production plant in Arequipa (approximately 1,000 kilometers south of Lima).

Consumption:

Total wheat consumption in MY 2022/2023 is forecast just under 2.4 MMT, increasing slightly compared to the previous year estimate. Overall wheat consumption is 66 kilograms per capita, a relatively low level compared to potato and rice consumption of 115 and 74 kilograms per capita, respectively. Wheat consumption is relatively constant, increasing at about the same rate as economic growth.

Peru produces about 1.6 MMT of wheat flour per year. Of this amount, the local baking industry uses 63 percent, 20 percent goes into pasta manufacturing, 12 percent into the cookies and crackers sector, and five percent goes into small-scale family use. Approximately 70 percent of domestic flour is sold through traditional markets. The remaining 30 percent of flour is sold in supermarkets.

The wheat milling industry is highly concentrated. The largest mill alone accounts for over 60 percent of total wheat milled. The country's four largest millers are responsible for around 85 percent of the wheat milled in Peru.

Bread consumption is 35 kilograms per person, one of the lowest in South America. In comparison, per capita consumption of bread is 75 kilograms in Argentina and 95 kilograms in Chile. Bread is typically purchased daily in bakeries and priced by the unit instead of weight, which leads to a low-quality product.

With pasta consumption at 12 kilograms per capita, Peru is South America's second largest consumer of pasta. Consumption is concentrated in the capital city of Lima, which accounts for half of all pasta consumed nationwide. Peruvian consumption of cookies and crackers remains low by regional standards at only 1.7 kilograms (3.7 pounds) per capita.

Trade:

Wheat imports in MY 2022/2023 are forecast at 2.25 MMT. Wheat imports in CY 2021 were 2 MMT, a reduction of 12 percent compared to the previous year due to economic stress caused by the pandemic. Canada dominated the Peruvian wheat market in CY 2021 with 77 percent market share, followed by the United States with 11 percent of market share – mostly soft wheats. Canadian wheat prices (CIF) averaged \$290 per MT, an increase of 24 percent compared to the previous year, while U.S. wheat prices averaged \$272 per MT, increasing 19 percent compared to the previous year.

Policy:

Peru imports wheat duty-free from all sources. Although Peru does not specifically promote wheat production, the government does have credit and technical assistance programs in place for all farmers. Most credits are granted through the Ministry of Agriculture's agencies such as Agro Rural and Agro Ideas, or through the Agricultural Bank.

Table 2. Production, Supply and Distribution: Corn

| Corn Market Year Begins Peru | 2020/2021 | | 2021/2022 | | 2022/2023 | |
|-------------------------------------|------------------|----------|------------------|----------|------------------|----------|
| | Oct 2020 | | Oct 2021 | | Oct 2022 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested (1000 HA) | 435 | 451 | 475 | 470 | 0 | 475 |
| Beginning Stocks (1000 MT) | 355 | 355 | 212 | 181 | 0 | 199 |
| Production (1000 MT) | 1448 | 1594 | 1450 | 1650 | 0 | 1700 |
| MY Imports (1000 MT) | 3679 | 3679 | 4000 | 4000 | 0 | 4100 |
| TY Imports (1000 MT) | 3679 | 3679 | 4000 | 4000 | 0 | 4100 |
| TY Imp. from U.S. (1000 MT) | 637 | 566 | 0 | 800 | 0 | 1000 |
| Total Supply (1000 MT) | 5482 | 5628 | 5662 | 5831 | 0 | 5999 |
| MY Exports (1000 MT) | 10 | 12 | 10 | 12 | 0 | 12 |
| TY Exports (1000 MT) | 10 | 12 | 10 | 12 | 0 | 12 |
| Feed and Residual (1000 MT) | 4750 | 4920 | 4900 | 5100 | 0 | 5225 |
| FSI Consumption (1000 MT) | 510 | 515 | 520 | 520 | 0 | 530 |
| Total Consumption (1000 MT) | 5260 | 5435 | 5420 | 5620 | 0 | 5755 |
| Ending Stocks (1000 MT) | 212 | 181 | 232 | 199 | 0 | 232 |
| Total Distribution (1000 MT) | 5482 | 5628 | 5662 | 5831 | 0 | 5999 |
| Yield (MT/HA) | 3.3287 | 3.5344 | 3.0526 | 3.5106 | 0 | 3.5789 |

(1000 HA) ,(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Corn begins in October for all countries. TY 2022/2023 = October 2022 - September 2023

CORN

Production:

Corn production in MY 2022/2023 (October/September) is forecast at 1.7 MMT, a slight increase from estimated levels of the previous year due to favorable weather conditions, record high international prices, and increasing demand from the animal feed industry – particularly the poultry sector. However, local corn producers are struggling to make ends meet due to high production costs, low productivity, and lack of access to improved technology such as genetically engineered seeds.

Corn in Peru is produced mainly by small farmers with limited access to technology, which results in very low yields. Average feed corn yield in CY 2021 was 5 tons per hectare. With these inefficiencies, it is extremely difficult for producers to compete with other suppliers in the region.

Peru grows many varieties of corn. The two most important varieties are starchy corn for human consumption and yellow corn for animal feed. Starchy corn production in CY 2021 was 310,000 MT while production of yellow corn was 1.3 MMT.

Consumption:

Corn consumption in MY 2022/2023 is forecast at 6 MMT, an increase of three percent from the previous year. Demand is forecast to continue growing after falling in CY 2020 due to COVID-19. The poultry sector is the main consumer of corn. Peru currently produces 65 million broilers per month and has a flock of about 30 million layers. About 70 percent of the yellow corn available is used as chicken feed in Peru's poultry farms, which currently number over 1,000. Per capita consumption of poultry meat in Peru is estimated at 52 kilograms (113 pounds) per person in 2021 one of the highest in the region. Per capita consumption can reach as high as 70 kilograms (152 pounds) per person in Lima.

A challenge that poultry producers face is the increasing number of informal (non-registered) poultry farms, a problem that becomes more evident when poultry prices are high. These unregistered producers, who do not pay taxes, account for roughly 25 percent of overall poultry meat production. Another challenge is the increasing international commodity prices, such as corn and soybeans, coupled with a strong appreciation of the U.S. dollar against the Peruvian Sol. The Peruvian Sol has continued losing value since fall 2020 due to Peru's political uncertainty and pandemic induced economic hardships. Landed corn prices have increased an average of 43 percent in CY 2021 with peaks of 77 percent at the beginning of the year.

Trade:

Peru's corn imports in MY 2022/2023 are forecast at 4.1 MMT, an increase of three percent from the previous year. Total corn imports in MY 2020/2021 were 3.7 MMT of which 80 percent originated from

Argentina and 17 percent from the United States. Corn exports from the United States dominated the market in Peru for several years as a result of the trade preferences granted by the U.S.-Peru Trade Promotion Agreement, which granted exemption from the Peruvian price band system for U.S. corn. This price band is enacted when commodity prices are low in order to protect domestic production. However, high international prices since MY 2019/20 have lowered the surcharge to zero, giving Argentine corn an advantage over U.S. corn. Peru also imports distiller's dried grains with solubles (DDGS), to improve the quality of domestically produced animal feed. FAS Lima estimates that Peru could be a 100,000 MT market for U.S. DDGS. However, currently, many producers remain reluctant to use new inputs and revamp their feed formulas.

Policy:

Corn, from all origins, enters Peru duty-free. Peru's unilateral elimination of import tariffs on most commodities in 2011 eliminated many of the trade advantages afforded by the U.S.-Peru Trade Promotion Agreement. However, Peru maintains the Peruvian Price Band System for corn, which is activated when commodity prices are low. The U.S.-Peru Trade Promotion Agreement established a duty-free tariff rate quota (TRQ) of 500,000 MT for U.S.-origin corn with annual increases of six percent and full duty-free access within 12 years. Since 2020, U.S. corn enters Peru duty free. This exclusion from the price band system makes U.S. corn more competitive in the Peruvian market at low international prices.

In 2011, Peru established a ten-year moratorium on planting genetically engineered crops, including corn. This moratorium prevents producers from being able to choose to cultivate genetically engineered varieties that could assist them in overcoming production challenges such as climate change. The moratorium was extended in January 2021 for another 15 years to December 31, 2035, which will continue to hinder Peruvian producers' ability to improve their competitiveness. For more information on biotechnology see GAIN report PE2021-0026 here: (https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Agricultural%20Biotechnology%20Annual_Lima_Peru_10-20-2021)

Table 3. Production, Supply and Distribution: Rice

| Rice, Milled | 2020/2021 | | 2021/2022 | | 2022/2023 | |
|-------------------------------------------|--------------------------|---------------------|--------------------------|---------------------|--------------------------|-----------------|
| Market Year Begins | Apr 2020 | | Apr 2021 | | Apr 2022 | |
| Peru | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested (1000 HA) | 418 | 412 | 410 | 414 | 0 | 420 |
| Beginning Stocks (1000 MT) | 232 | 232 | 329 | 267 | 0 | 276 |
| Milled Production (1000 MT) | 2372 | 2290 | 2235 | 2290 | 0 | 2320 |
| Rough Production (1000 MT) | 3438 | 3319 | 3239 | 3319 | 0 | 3362 |
| Milling Rate (.9999) (1000 MT) | 6900 | 6900 | 6900 | 6900 | 0 | 6900 |
| MY Imports (1000 MT) | 295 | 307 | 220 | 300 | 0 | 300 |
| TY Imports (1000 MT) | 205 | 316 | 230 | 300 | 0 | 300 |
| TY Imp. from U.S. (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply (1000 MT) | 2899 | 2829 | 2784 | 2857 | 0 | 2896 |
| MY Exports (1000 MT) | 20 | 12 | 20 | 1 | 0 | 10 |
| TY Exports (1000 MT) | 20 | 45 | 20 | 1 | 0 | 10 |
| Consumption and Residual (1000 MT) | 2550 | 2550 | 2550 | 2580 | 0 | 2600 |
| Ending Stocks (1000 MT) | 329 | 267 | 214 | 276 | 0 | 286 |
| Total Distribution (1000 MT) | 2899 | 2829 | 2784 | 2857 | 0 | 2896 |
| Yield (Rough) (MT/HA) | 8.2249 | 8.0558 | 7.9 | 8.0169 | 0 | 8.0048 |

(1000 HA) ,(1000 MT) ,(MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2022/2023 = January 2023 - December 2023

RICE

Production:

Rice production in MY 2022/2023 is forecast at 2.3 MMT (milled basis), a slight increase from the previous year. The total rice harvested area for MY 2022/2023 is forecast at 420,000 hectares, a 6,000-hectare increase compared to the previous year.

Good weather conditions and increased planted area resulted in a crop of 2.3 MMT of rice in MY 2021/2022. Rice production is concentrated in Peru's arid northwestern coastal region (mainly in the Lambayeque and Piura regions). Production challenges include poor quality soils and increasing soil salinization (a result of the field flooding irrigation technique used by farmers). Peruvian rice is surface irrigated, dependent upon water draining from Andean rivers hundreds of kilometers away. The average size of a rice farm is about five hectares.

Rice is typically harvested April through May in Peru. In CY 2021, farm gate prices averaged \$289 per MT. Average yield in CY 2021 was 8.3 tons per hectare (rough based), however, some farmers are reporting yields as high as 14 MT/hectare.

The government of Peru has sought to expand rice cultivation along the eastern slope of the Andes (particularly in San Martin province located in the Amazon basin) in an effort to relocate coastal rice producers. This has been mostly unsuccessful, as these low-income, smallholder farmers currently have no real incentive to switch to less water intensive crops (e.g., quinoa or cotton) and no capital to shift production to higher technology crops (e.g., blueberries, grapes). Water fees charged to small farmers are almost non-existent. This reality, in addition to decent returns, hinders the government's attempts to shift production away from the arid coastal areas. Water costs for formal agricultural producers average around \$290/hectare. However, rice farming in San Martin has greatly increased in recent years and is significantly contributing to the surplus production.

Consumption:

Rice is a staple food in Peru. Per capita consumption averages 74 kilograms per year. Rice is traditionally sold in 50-kilogram sacks. With the expansion of supermarket chains, consumer habits are shifting towards prepackaged, one-kilogram bags. Rice consumption is expected to remain steady in MY 2022/2023 at 2.6 MMT and is forecast to remain constant. Peruvians primarily consume long grain rice. Stocks are forecast further down due to increased utilization of available supplies in the market as the economy regrows.

Trade:

Rice imports in MY 2022/2023 are forecast at 300,000 MT, about the same as the previous year. Imports in CY 2021 were 234,340 MT, a reduction of 26 percent compared to the previous year. Higher import prices, a rising dollar, and a large local crop caused this reduction in 2021. Uruguay is the largest exporter of rice to Peru, a position it has held historically due to a longstanding relationship between the main Uruguayan supplier and Peru's major importer. Rice from the United States is currently not price competitive in the Peruvian market. Uruguay held a market share of 50 percent in CY 2021, followed by Brazil with 44 percent. Price of imported rice in CY 2021 rose 18 percent, averaging \$623 per ton. FAS Lima foresees Uruguay continuing to dominate the Peruvian rice market in MY 2022/2023.

Policy:

Rice enters duty-free from all sources. Peru's unilateral elimination of import tariffs on rice in 2011 eliminated many of the trade advantages afforded by the U.S.-Peru Trade Promotion Agreement. However, Peru maintains a Price Band System (PBS) for rice that is activated when commodity prices are low. The U.S.-Peru Trade Promotion Agreement established a duty-free TRQ of 72,000 MT for U.S.-origin rice with annual increases of six percent and full duty-free access within 17 years (2025). Rice imports from the United States are not affected by the Peruvian price band.

The current price band for rice (Supreme Decree 371-2017-EF) went into effect on December 21, 2017. It uses Thai rice as the reference price marker instead of Uruguayan rice. This change effectively increases the band range from a minimum of \$408 and maximum of \$480 per metric ton to a minimum of \$599 and a maximum of \$669 per metric ton. The products affected by the price band are H.S. codes: 1006.10.90.00, 1006.20.00.00, 1006.30.00.00, 1006.40.00.00.

Attachments:

No Attachments