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Report Highlights:

Wheat remains a minor crop in Peru and wheat imports in marketing year (MY) 2021/2022 are forecast at 2.2 million metric tons (MMT), with consumption slightly up. Corn consumption in MY 2021/2022 is also forecast to slightly increase to 5.5 MMT, while corn imports are forecast at 4 MMT. Rice production in MY 2021/2022 is forecast at 2.3 MMT (milled basis), with rice imports forecast at 270,000 metric tons.

SUMMARY

Wheat production in marketing year (MY) 2021/2022 is forecast at 220,000 metric tons (MT), up 24 percent from the previous year on an expected economic rebound from the pandemic. Wheat consumption in MY 2021/2022 is forecast at nearly 2.4 million metric tons (MMT), an increase of five percent from the previous year. Wheat imports in MY 2021/2022 are forecast at 2.2 MMT. Canada remained the leader in the Peruvian wheat market in MY 2019/2020, the last full marketing year in which trade data is available, with a 63 percent market share.

Corn production in MY 2021/2022 (October/September) is forecast at 1.4 MMT, remaining at the same levels compared to the previous year and falling 10 percent compared to MY 2019/2020. Corn consumption in MY 2021/2022 is forecast at 5.5 MMT, an increase of five percent from the previous year. Demand is forecast to rebound after falling in CY 2020 due to COVID-19. Peru's corn imports in MY 2021/2022 are forecast at 4 MMT, an increase of five percent from the previous year.

Rice production in MY 2021/2022 is forecast at 2.3 MMT (milled basis), unchanged from the previous year. Rice consumption is expected to remain steady in MY 2021/2022 to 2.5 MMT and is forecast to remain constant. Rice imports in MY 2021/2022 are forecast at 270,000 MT.

Wheat	2019/2020		2020/2021		2021/2022	
	Jul 2019		Jul 2020		Jul 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Year Begins						
Peru						
Area Harvested (1000 HA)	120	120	113	114	0	140
Beginning Stocks (1000 MT)	297	297	297	305	0	282
Production (1000 MT)	191	191	186	177	0	220
MY Imports (1000 MT)	2153	2153	2200	2150	0	2200
TY Imports (1000 MT)	2153	2153	2200	2150	0	2200
TY Imp. from U.S. (1000 MT)	301	301	0	291	0	350
Total Supply (1000 MT)	2641	2641	2683	2632	0	2702
MY Exports (1000 MT)	64	56	70	70	0	75
TY Exports (1000 MT)	64	56	70	70	0	75
Feed and Residual (1000 MT)	80	80	80	80	0	85
FSI Consumption (1000 MT)	2200	2200	2250	2200	0	2300
Total Consumption (1000 MT)	2280	2280	2330	2280	0	2385
Ending Stocks (1000 MT)	297	305	283	282	0	242
Total Distribution (1000 MT)	2641	2641	2683	2632	0	2702
Yield (MT/HA)	1.5917	1.5917	1.646	1.5526	0	1.5714

(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 2021/2022 = July 2021 - June 2022

WHEAT

Production:

Wheat production in MY 2021/2022 is forecast at 220,000 metric tons (MT), up 24 percent from the previous year on an expected economic rebound from the pandemic. 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 2021/2022 is forecast at 140,000 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 2020/2021 is expected at 1.6 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 2021/2022 is forecast just under 2.4 million metric tons (MMT), an increase of five percent from the previous year. 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 per capita.

Trade:

Wheat imports in MY 2021/2022 are forecast at 2.2 MMT. Canada dominated the Peruvian wheat market in MY 2019/2020, the last full marketing year for which data is available, with a 63 percent market share. Argentina was the second largest exporter with 17 percent market share, closely followed by the United States with 15 percent. In MY 2019/2020, Canadian wheat prices (CIF) averaged \$231.5 per MT, U.S. wheat prices averaged \$219.3 per MT, and Argentinean wheat averaged \$195.4 per MT.

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.

Corn Market Year Begins Peru	2019/2020		2020/2021		2021/2022	
	Oct 2019		Oct 2020		Oct 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	475	478	435	475	0	475
Beginning Stocks (1000 MT)	269	269	227	268	0	198
Production (1000 MT)	1547	1552	1480	1400	0	1400
MY Imports (1000 MT)	3822	3938	4000	3800	0	4000
TY Imports (1000 MT)	3822	3938	4000	3800	0	4000
Total Supply (1000 MT)	5638	5759	5707	5468	0	5598
MY Exports (1000 MT)	11	11	10	10	0	10
TY Exports (1000 MT)	11	11	10	10	0	10
Feed and Residual (1000 MT)	4850	4930	5000	4750	0	5000
FSI Consumption (1000 MT)	550	550	500	510	0	520
Total Consumption (1000 MT)	5400	5480	5500	5260	0	5520
Ending Stocks (1000 MT)	227	268	197	198	0	68
Total Distribution (1000 MT)	5638	5759	5707	5468	0	5598
Yield (MT/HA)	3.2568	3.2469	3.4023	2.9474	0	2.9474

(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 2021/2022 = October 2021 - September 2022

CORN

Production:

Corn production in MY 2021/2022 (October/September) is forecast at 1.4 MMT, remaining at the same level compared to the previous year and falling 10 percent compared to MY 2019/2020. Despite favorable weather conditions, record high international prices, and increasing demand from the animal feed industry, particularly the poultry sector, local producers are struggling to make ends meet due to low productivity and lack of access to 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 2020 was 4.7 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 MY 2019/2020 was 324,000 MT and production of yellow corn was 1.2 MMT.

Consumption:

Corn consumption in MY 2021/2022 is forecast at 5.5 MMT, an increase of five percent from the previous year. Demand is forecast to rebound after falling in CY 2020 due to COVID-19. The poultry sector is the main driver of increased corn consumption. Peru currently produces 65 million broilers per month, which is up approximately two percent from the pre-COVID-19 level. Broiler production did fall initially during the first few months of the pandemic, but has since rebounded. About 70 percent of the yellow corn available is used as chicken feed in one of Peru's poultry farms, which currently number over 1,000. Per capita consumption of poultry meat in Peru is estimated at 52 kilograms per person in 2020, one of the highest in the region. National per capita consumption followed a similar pattern to

production outlined above and is also up two percent from pre-pandemic levels. Per capita consumption can reach as high as 70 kilograms 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, which do not pay taxes, account for roughly 25 percent of overall poultry meat production. Another challenge are 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 73 percent between May 2020 and February 2021.

Trade:

Peru's corn imports in MY 2021/2022 are forecast at four MMT, an increase of five percent from the previous year. Total corn imports in MY 2019/20 were 3.9 MMT of which 85 percent originated from Argentina and 15 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 enters Peru duty-free from all sources. 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. Beginning in 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 and adapt to climate change.

Rice, Milled Market Year Begins Peru	2019/2020		2020/2021		2021/2022	
	Apr 2019		Apr 2020		Apr 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	414	414	412	420	0	420
Beginning Stocks (1000 MT)	337	337	219	225	0	135
Milled Production (1000 MT)	2202	2202	2200	2250	0	2250
Rough Production (1000 MT)	3191	3191	3188	3261	0	3261
Milling Rate (.9999) (1000 MT)	6900	6900	6900	6900	0	6900
MY Imports (1000 MT)	280	280	330	270	0	270
TY Imports (1000 MT)	310	310	330	270	0	270
Total Supply (1000 MT)	2819	2819	2749	2745	0	2655
MY Exports (1000 MT)	100	64	50	80	0	80
TY Exports (1000 MT)	100	45	50	80	0	80
Consumption and Residual (1000 MT)	2500	2530	2500	2530	0	2530
Ending Stocks (1000 MT)	219	225	199	135	0	45
Total Distribution (1000 MT)	2819	2819	2749	2745	0	2655
Yield (Rough) (MT/HA)	7.7077	7.7077	7.7379	7.7643	0	7.7643

(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 2021/2022 = January 2022 - December 2022

RICE

Production:

Rice production in MY 2021/2022 is forecast at 2.3 MMT (milled basis), unchanged from the previous year. The total rice harvested area for MY 2021/2022 is forecast at 420,000 hectares, also the same as the previous year estimate.

Favorable weather conditions and increased planted area resulted in a crop of 2.2 MMT of rice in MY 2019/2020. 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.

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 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 average around \$290/hectare. However, rice farming in San Martin has greatly increased in recent years and is significantly contributing to the surplus production.

Rice is typically harvested April through May in Peru. In CY 2020, farm gate prices averaged \$298 per MT, falling from \$349 per MT in CY 2019. Average yield in CY 2019 was 7.7 MT/hectare, however, some farmers are reporting yields as high as 14 MT/hectare.

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 2021/2022 at 2.5 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 2021/2022 are forecast at 270,000 MT, about the same as in MY 2020/2021. Imports in MY 2019/2020 were 280,000 MT. 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 57 percent in MY 2019/2020, followed by Brazil with 38 percent. FAS Lima foresees Uruguay continuing to dominate the Peruvian rice market in MY 2020/2021 and MY 2021/2022.

FAS Lima estimates that some 70,000 MT of paddy rice was informally exported from Peru to Ecuador in CY 2020.

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. This regulation also limits the maximum protection level to 15 percent of the FOB price. 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. For more detailed information on the Peruvian PBS, please review the previous [2018 FAS Lima Grain and Feed Report](#).

Attachments:

No Attachments