

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Peru

Grain and Feed Annual

Annual

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Report Highlights:

Peruvian wheat imports in CY 2012 from all sources were a record of 1.7 MMT. U.S. wheat exports are forecasted at 600,000 MT for MY 2013. Corn production in Peru is forecast at 1.56MMT for MY 2013 and U.S. corn exports are expected to reach 450,000 MT. Rice production for MY 2013 is forecast at 2.1 MMT (milled basis).

Executive Summary:

Peru’s wheat production in MY 2013 (July/June) is forecast at 230,000 MT, a slight increase from the 225,000 MT produced in the previous year. Crop area for MY 2013 is forecast at 155,000 hectares, about the same levels as in the past few years. Peruvian wheat imports from all sources in CY 2012 were a record of 1.7 MMT. However, U.S. wheat imports fell significantly due to lower prices from other sources, mainly Argentina and Canada. Market share of U.S. wheat in the Peruvian market fell from 56 percent in CY 2011 to barely 15 percent in CY 2012.

Peru’s corn production in Peru is forecast at 1.56MMT for MY 2013 (October/September), a two percent increase compared to the previous year. Harvested area in MY 2012 was 296,000 hectares and 209,000 hectares for yellow and starchy corn, respectively. 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. Peru imported 1.84 MMT of yellow corn from all sources in CY 2012, a reduction 3.83 percent compared to CY 2011. U.S. corn exports to Peru were almost nil in CY 2012 due to better prices from other sources and limited production due to the severe drought in the United States.

Peru’s rice production for MY 2013 is forecast at 2.1 MMT (milled basis). Rice imports into Peru from all sources in CY 2012 were 253,187 MT a 23 percent increase compared to CY 2011. The imported rice market in Peru continues to be dominated by Uruguayan rice with a market share of 75 percent.

Commodities:

Wheat

Production:

| Wheat Peru | 2011/2012 | | 2012/2013 | | 2013/2014 | |
|--------------------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|
| | Market Year Begin: May 2011 | | Market Year Begin: May 2012 | | Market Year Begin: May 2013 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 160 | 145 | 170 | 150 | | 155 |
| Beginning Stocks | 383 | 383 | 300 | 260 | | 180 |
| Production | 215 | 214 | 230 | 225 | | 230 |
| MY Imports | 1,585 | 1,753 | 1,600 | 1,680 | | 1,750 |
| TY Imports | 1,585 | 1,753 | 1,600 | 1,680 | | 1,750 |
| TY Imp. from U.S. | 487 | 569 | 0 | 450 | | 600 |
| Total Supply | 2,183 | 2,350 | 2,130 | 2,165 | | 2,160 |
| MY Exports | 73 | 110 | 100 | 100 | | 110 |
| TY Exports | 73 | 110 | 100 | 100 | | 110 |
| Feed and Residual | 60 | 60 | 60 | 60 | | 60 |
| FSI Consumption | 1,750 | 1,920 | 1,775 | 1,825 | | 1,840 |
| Total Consumption | 1,810 | 1,980 | 1,835 | 1,885 | | 1,900 |
| Ending Stocks | 300 | 260 | 195 | 180 | | 150 |
| Total Distribution | 2,183 | 2,350 | 2,130 | 2,165 | | 2,160 |
| | | | | | | |

1000 HA, 1000 MT, MT/HA

Wheat production in MY 2013 (July/June) is forecast at 230,000 MT, a slight increase from the 225,000 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 and the

average plot is less than two hectares. 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 2013 is forecast at 155,000 hectares, about the same levels as in the past few years. 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 2012 were 1.49 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 12,000 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.

Consumption:

Peru produces 1.4 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 2012 were a record of 1.7 MMT. However, U.S. wheat imports fell significantly due to lower prices from other sources, mainly Argentina and Canada. Market share of U.S. wheat in the Peruvian market fell from 56 percent in CY 2011 to barely 15 percent in CY 2012. U.S. wheat prices were significantly higher, an average of \$20 per MT more expensive compared to other sources.

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 2012 |
| Imports from: | |
| U.S. | 246,044 |
| Others | |
| Argentina | 754,470 |

| | |
|-------------------|-----------|
| Canada | 514,974 |
| Russia | 107,177 |
| Total for Others | 1,376,621 |
| Others not Listed | 73,945 |
| Grand Total | 1,696,610 |

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:

Corn

Production:

| Corn Peru | 2011/2012 | | 2012/2013 | | 2013/2014 | |
|--------------------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|
| | Market Year Begin: Oct 2011 | | Market Year Begin: May 2012 | | Market Year Begin: Oct 2013 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 600 | 505 | 600 | 510 | | 520 |
| Beginning Stocks | 222 | 222 | 156 | 156 | | 150 |
| Production | 1,520 | 1,516 | 1,600 | 1,530 | | 1,560 |
| MY Imports | 1,772 | 1,772 | 1,900 | 1,850 | | 1,900 |
| TY Imports | 1,772 | 1,772 | 1,900 | 1,850 | | 1,900 |
| TY Imp. from U.S. | 0 | 0 | 0 | 300 | | 450 |
| Total Supply | 3,514 | 3,510 | 3,656 | 3,536 | | 3,610 |
| MY Exports | 8 | 8 | 10 | 10 | | 10 |
| TY Exports | 8 | 8 | 10 | 10 | | 10 |
| Feed and Residual | 3,000 | 2,996 | 3,100 | 3,026 | | 3,070 |
| FSI Consumption | 350 | 350 | 350 | 350 | | 350 |
| Total Consumption | 3,350 | 3,346 | 3,450 | 3,376 | | 3,420 |
| Ending Stocks | 156 | 156 | 196 | 150 | | 180 |
| Total Distribution | 3,514 | 3,510 | 3,656 | 3,536 | | 3,610 |
| | | | | | | |

1000 HA, 1000 MT, MT/HA

Corn production in Peru is forecast at 1.56MMT for MY 2013 (October/September), a two percent increase compared to the previous year. Higher prices and strong demand, mainly from the poultry, industry are the driving force of this steady increased production. Yellow corn production in Peru has been increasing for the past five years.

There are several types of corn grown in Peru; the most important varieties are starchy corn (with production estimated at 279,000 MT in CY 2012), which is used directly for human consumption, and yellow corn (with production estimated at 1.4 MMT in CY 2012), which is primarily used in the animal feed industry.

Harvested area in MY 2012 was 296,000 hectares and 209,000 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 3.5MMT in MY 2013.

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 2012 is estimated at \$1.65 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 1.84 MMT of yellow corn in CY 2012, a reduction 3.83 percent compared to CY 2011. With 1.26 MMT, Argentina continued to be the lead corn supplier to Peru in CY 2012. However, Argentina's corn exports to Peru decreased by 18 percent, reducing its market share 80 percent to 68. Paraguayan corn exports in CY 2012 were 318,040 MT increasing 103 percent compared to the previous year. U.S. corn exports to Peru were almost nil in CY 2012 due to better prices from other sources and limited production due to the severe drought in the United States.

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 \$296 per MT in CY 2011, a reduction of 9percent compared to the previous year.

Peru imported dried distiller grain with solubles (DDGS) for the first time in late 2010. During 2011 and 2012 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. Post estimates that the DDGS market in Peru should be at least 100,000 MT per year.

| Import Trade Matrix (Metric Tons) | |
|--|--------------------|
| Commodity | Yellow Corn |
| Time Period | CY 2012 |
| Imports from: | |
| U.S. | 25 |
| Others | |
| Argentina | 1,255,216 |
| Paraguay | 318,040 |
| Brazil | 218,664 |
| Total for Others | 1,791,920 |
| Others not Listed | 46,617 |
| Grand Total | 1,838,562 |

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.

Commodities:

Rice, Milled

Production:

| Rice, Milled Peru | 2011/2012 | | 2012/2013 | | 2013/2014 | |
|--------------------------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|
| | Market Year Begin: Apr 2011 | | Market Year Begin: Apr 2012 | | Market Year Begin: Apr 2013 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 340 | 360 | 400 | 388 | | 400 |
| Beginning Stocks | 424 | 424 | 251 | 265 | | 329 |
| Milled Production | 1,666 | 1,837 | 2,001 | 2,099 | | 2,100 |
| Rough Production | 2,414 | 2,662 | 2,900 | 3,042 | | 3,043 |
| Milling Rate (.9999) | 6,900 | 6,900 | 6,900 | 6,900 | | 6,900 |
| MY Imports | 208 | 205 | 250 | 253 | | 200 |
| TY Imports | 259 | 205 | 200 | 253 | | 200 |
| TY Imp. from U.S. | 0 | 0 | 0 | 0 | | 0 |
| Total Supply | 2,298 | 2,466 | 2,502 | 2,617 | | 2,629 |
| MY Exports | 0 | 0 | 60 | 49 | | 60 |
| TY Exports | 30 | 0 | 60 | 49 | | 60 |
| Consumption and Residual | 2,047 | 2,201 | 2,075 | 2,239 | | 2,243 |
| Ending Stocks | 251 | 265 | 367 | 329 | | 326 |
| Total Distribution | 2,298 | 2,466 | 2,502 | 2,617 | | 2,629 |
| | | | | | | |

1000 HA, 1000 MT, MT/HA

Rice production for MY 2013 is forecast at 2.1 MMT (milled basis). Good weather conditions and plenty water supply during the planting season (October-December) resulted more planted area and better yields.

Harvested area for MY 2013 is forecast at 4000,000 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 \$311 per MT of rough rice, a decrease of 20 percent compared to the previous year. This reduction in price is due to excess supply.

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.

Average yields in CY 2012 were 7.84 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 2012 were 253,187 MT a 23 percent increase compared to CY 2011. The imported rice market in Peru continues to be dominated by Uruguayan rice with a market share of 75 percent. Other sources such as Brazil, Argentina and Thailand 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 2012 |
| Imports from: | |
| U.S. | 360 |
| Others | |
| Uruguay | 189,555 |
| Brazil | 29,521 |
| Argentina | 19,704 |
| Brazil | 7,186 |
| Total for Others | 209,259 |
| Others not Listed | 43,568 |
| Grand Total | 253,187 |

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.

