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Peru

Oilseeds and Products Annual

Annual

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Report Highlights:

Fishmeal production in marketing year (MY) 2017/2018 (January-December 2018) is forecast at 705,000 metric tons (MT), 3 percent lower than the estimated production in the previous year. This decrease is mainly due to lower catch for reduction. Overfishing will continue to threaten the industry going forward. Peru continues to export the majority of the fishmeal it produces, the bulk of it going to China. Warmer water temperatures caused by El Niño will continue to result in lower fish oil extraction rates. Post forecasts soybean meal imports in MY 2017/2018 (January-December 2018) are estimated at 1.3 MMT, up two percent compared to the previous year, linked to increased corn imports for animal feed. Soybean oil will continue to increase with economic growth.

Executive Summary:

Fishmeal production in marketing year (MY) 2017/2018 (January-December 2018) is forecast at 705,000 metric tons (MT), 3 percent lower than the estimated production in the previous year. This decrease is mainly due to lower catch for reduction. Production in MY 2016/2017 is estimated at 730,000 MT, this increase is in reality a bounce back to regular levels since fishmeal production in MY 2015/2016 fell 12 percent compared to the previous year. Fishmeal production in MY 2015/2016 was 660,000 MT as a result of a reduced anchovy catch due to high levels of young fish (under 12 centimeters). Average fishmeal price was \$1,572 per MT in MY 2015/2016, falling 5 percent compared to the previous year.

Soybean meal imports in MY 2017/2018 (January-December 2018) are estimated at 1.3 MMT, up two percent compared to the previous year. With a 52 percent import market share, low-cost producer Bolivia remains Peru's main supplier of soybean meal, despite higher shipping costs than those offered by U.S. exporters. U.S. soybean meal exports to Peru increased 45 percent in MY 2015/2016.

Fish Meal

Meal, Fish Market Begin Year	2015/2016		2016/2017		2017/2018	
	Jan 2016		Jan 2017		Jan 2018	
Peru	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Catch For Reduction	2400	2800	2500	3500	0	3200
Extr. Rate, 999.9999	0.2917	0.2357	0.3	0.2086	0	0.2203
Beginning Stocks	12	12	62	18	0	13
Production	700	660	750	730	0	705
MY Imports	4	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	716	672	812	748	0	718
MY Exports	644	644	725	725	0	700
MY Exp. to EU	100	48	100	50	0	60
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	10	10	10	10	0	10
Total Dom. Cons.	10	10	10	10	0	10
Ending Stocks	62	18	77	13	0	8
Total Distribution	716	672	812	748	0	718
(1000 MT) ,(PERCENT)						

Production:

Fishmeal production in marketing year (MY) 2017/2018 (January-December 2018) is forecast at 705,000 metric tons (MT), 3 percent lower than the estimated production in the previous year. This decrease is mainly due to lower catch for reduction. Production in MY 2016/2017 is estimated at 730,000 MT, this increase is in reality a bounce back to regular levels since fishmeal production in MY 2015/2016 fell 12 percent compared to the previous year. Fishmeal production in MY 2015/2016 was 660,000 MT as a result of a reduced anchovy catch due to high levels of young fish (under 12

centimeters). In 2016, Peruvian officials allowed two fishing seasons, however, the second fishing season only just began on November 15 and will last through January 2017.

Peru's total catch for anchovy (*Engraulis ringes*), commonly known as *anchoveta*, in MY 2015/2016 was 2.8 million metric tons (MMT). Peru is attempting to better regulate its domestic fishing industry. Overfishing in previous years has adversely affected Peruvian anchovy stocks. Previously catch quotas were set at the 8.5 MMT level; however, quota sizes have been dropping steadily towards 3.5 to 4.0 MMT in an attempt to sustainably manage and rebuild stocks.

Peru has two major fishing seasons and two main anchovy fishing grounds off its coast. The first fishing season is April-July for the north central coast and February-June in the southern coast. The second fishing season is November-January in the North Central part of the country and July-December in the South. These are only "reference" fishing seasons since they may vary significantly depending on fish availability and size. For example, in CY 2014 the fishing authority decided not to approve a second fishing season due to the scarcity of fish and their reduced size. In 2016, the first fishing season begun in July and the second one in late November which is a testament of the determination of Peruvian authorities to preserve the resource.

The government seeks to achieve more sustainable yields by issuing individual quotas per vessel, as well as by restricting the number of fishmeal processing plant licenses that it issues. Peru also bans the catch of fish below a minimum threshold size of 12 centimeters (i.e. juveniles). These efforts have not succeeded in adequately protecting stocks. One of the key reasons why anchovy stocks continue to face pressure from overfishing is due to the exemption extended to small-scale/artisanal vessels (i.e. those with displacement tonnages of up to 10 MT) to fish year round within 10 nautical miles from the coast.

The small-scale/artisanal vessel catch is supposedly intended for low cost, direct human consumption. But despite the government's efforts, most of this catch is channeled illicitly to more profitable fishmeal processing. Troubling for the long-term health of this fishery is that poorly regulated small-scale/artisanal vessels normally operate where the bulk of anchovy spawning occurs and juveniles congregate.

Peru produces two fishmeal types or grades. Fair Average Quality (FAQ) fishmeal has a protein content ranging between 62 and 65 percent and is dried by direct heat. More valuable Prime Quality fishmeal, indirectly dried by steam, has a protein content of 66 to 67 percent.

There are about 90 licensed fishmeal processing plants in Peru. The country's fishing fleet numbers 984 vessels, of which 684 are steel haul boats with average storage capacity of 500 cubic meters. The remaining vessels are wooden with an average storage capacity of only 100 cubic meters. The fishing fleet's processing capacity is about 7,500 MT per hour, an amount that, if reached, would be four times greater than the permissible catch.

Consumption:

Local fishmeal consumption is insignificant, primarily used for shrimp production, and has little to no effect on the export market. Domestic consumption in MY 2017/2018 is forecast at 10,000 MT.

Domestic consumption is expected to remain steady, despite growing demand from northern Peru's shrimp farms, as high international prices channel domestic fishmeal production towards the more lucrative export market. Peru's own aquaculture feed demand is filled increasingly by more affordable imported soybean meal.

Trade:

Peru is the largest fishmeal producer in the world, accounting for 16 percent of the world's production. Fishmeal exports in MY 2016/2017 are estimated at 725,000 MT, increasing 13 percent compared to the previous year. Average fishmeal price was \$1,572 per MT in MY 2016/2017, falling 5 percent compared to the previous year. Fishmeal is Peru's fourth largest export in value-terms, behind only gold, copper, and petroleum exports in importance. Total exports reached \$1.01 billion in MY 2016/2017.

China will remaining Peru's leading fishmeal export market for the foreseeable future. China alone absorbed 70 percent of Peru's MY 2015/2016 fishmeal exports. Other important markets are Germany, Vietnam and Japan.

Export Trade Matrix (Metric Tons)	
Commodity	Meal, Fish
Time Period	CY 2016
Exports to:	
United States	2,076
Others	
China	448,712
Germany	60,704
Vietnam	25,047
Japan	22,715
Total for Others	557,178
Others not Listed	85,540
Grand Total:	644,794

Source: SUNAT (Peru Customs).

Policy:

Mounting concerns by the Ministry of Production over the declining fish stocks are forcing Peru to tighten its regulations. The Vice Ministry of Fisheries within the Ministry of Production oversees Peru's

fisheries. Overfishing has forced the Ministry of Production to slash fishing quotas by 68 percent, and ban large-scale industrial anchovy fishing within 10 miles of Peru's coast. The Vice Minister for Fisheries decreed recently for the establishment of boat specific quotas, as opposed to the current system of an overall fishing quota for the entire industry. Individual boat quotas are now set based on the vessel's historic catch record and its proven storage capabilities.

The Ministry of Production is responsible for enforcing the fishing quota. It has inspectors throughout the coast that control that no fish is being unloaded at processing plants during the fishing ban. During fishing season, inspectors monitor boats to ensure that allotted fishing quotas are not exceeded. Though these are important measures, there are still some non-registered plants and boats that operate illegally.

Fish Oil

Outlook:

Fish oil production in MY 2017/2018 (January-December 2017) is estimated at 135,000 MT, increasing 38 percent compared to MY 2016/2017. Fish oil production volumes will vary significantly with water temperature. Under normal temperature conditions, the oil extraction rate ranges between 8 and 10 percent. However, in unusually warm years the extraction rate may fall as low as one percent. The ongoing coastal El Niño weather phenomenon is bringing warmer waters to Peru's shores during the second half of CY 2016. The warmer water results in lower oil extraction rates because of the fishes' higher metabolism reducing stored fat. Fish oil production in MY 2016/2017 was 98,000 MT.

Export Trade Matrix (Metric Tons)	
Commodity	Oil, Fish
Time Period	CY 2016
Exports to:	
United States	7,822
Others	
Denmark	21,155
Canada	18,205
Belgium	14,214
China	6,549
Total for Others	60,123
Others not Listed	26,332
Grand Total	94,277

Source: SUNAT (Peru Customs).

Fish oil exports in MY 2016/2017 totaled 94,993 MT. Denmark, Canada, the United States and Belgium were Peru's largest fish oil export destinations. These four countries alone absorbed over 65 percent of Peru's total fish oil exports in MY 2016/2017. Fish oil is an increasingly valuable feed ingredient for these countries' aquaculture industries.

Soybean Meal

Meal, Soybean Market Begin Year Peru	2015/2016		2016/2017		2017/2018	
	Jan 2016		Jan 2017		Jan 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	2	2	2	2	0	0
Extr. Rate, 999.9999	1	0.5	1	0.5	0	0
Beginning Stocks	30	30	32	32	0	23
Production	2	1	2	1	0	1
MY Imports	1277	1220	1325	1230	0	1250
MY Imp. from U.S.	293	293	325	300	0	350
MY Imp. from EU	0	0	0	0	0	0
Total Supply	1309	1251	1359	1263	0	1274
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	1277	1219	1320	1240	0	1250
Total Dom. Cons.	1277	1219	1320	1240	0	1250
Ending Stocks	32	32	39	23	0	24
Total Distribution	1309	1251	1359	1263	0	1274

(1000 MT) ,(PERCENT)

Outlook:

Soybean meal imports in MY 2017/2018 (January-December 2018) are estimated at 1.3 MMT, up two percent compared to the previous year. Peru does not grow soybeans in commercially significant quantities, nor does it currently produce soybean meal. Peru's limited soybean crushing capabilities are dedicated solely to producing full fat soybean meal for feed purposes.

Soybean meal import demand is fueled by Peru's dynamic poultry industry. Peruvians currently consume about 55 million birds per month. Poultry meat constitutes one of Peru's most affordable sources of animal protein, and an estimated 1.65 MMT was consumed in MY 2015/2016. Poultry consumption in Peru is estimated at 46 kilograms per capita, with consumption as high as 70 kilograms per capita in Lima. Soybean meal constitutes about 12 percent of total broiler rations in Peru's thousand plus poultry farms.

With a 52 percent import market share, low-cost producer Bolivia remains Peru's main supplier of soybean meal, despite higher shipping costs than those offered by U.S. exporters. U.S. soybean meal exports to Peru increased 45 percent in MY 2016/2017. Increased market for U.S. corn explains this increase since importers are able combine shipments of corn with soybeans. Soybean meal from all origins enters Peru duty-free.

Peru imported 262,834 MT of soybeans in MY2015/2016 for full-fat meal production, of which the U.S. supplied 145,494 MT.

Import Trade Matrix (Metric Tons)	
Commodity	Meal, Soy
Time Period	CY 2016
Imports from:	

United States	293,396
Others	
Bolivia	645,063
Paraguay	223,288
Argentina	53,834
Total for Others	922,185
Others not Listed	3,988
Grand Total	1,219,569

Source: SUNAT (Peru Customs).

Biotechnology:

In 2012, Peru established a 10-year biotechnology moratorium on planting biotech crops and animals for reproductive purposes. This law eliminated the Peru's biosafety protocol, which had been drafted and cleared by the Ministries of Agriculture and Environment.

Until this measure's passage, the biosafety protocol established the legal framework for the research, production, and trade of genetically engineered (GE) crops. While the moratorium excludes imported commodities such corn and soybean meal, these products still must undergo a costly and unnecessary risk assessment to enter the Peruvian market.

Peru's Consumer Code includes mandatory labeling requirements for GE products. The initial draft of the regulation law establishes mandatory labeling with no minimum threshold level, forcing food processors to determine the amount of GE content by input. There are at least 30,000 different products currently on Peruvian supermarket shelves that contain GE content. The Peruvian food processing sector asserts that if approved and enforced, the measure will impose an excessive burden on this industry.

Soybean Oil

Outlook:

Soybean oil imports in MY 2017/2018 (January-December 2017) are expected at 390,000 MT, increasing 2 percent over the previous year. With a 79 percent import market share in 2016, Argentina remains Peru's main supplier of soybean oil due to competitive pricing. Imported soybean oil is refined and bottled locally for retail sale. U.S. soybean exports to Peru in MY 2016/2017 were 45,912 MT.

Soybean oil consumption will continue increasing in tandem with economic expansion. Peru's gross domestic product (GDP) is expected to grow at 4 percent in 2017.

Import Trade Matrix (Metric Tons)	
Commodity	Oil, Soy
Time Period	CY 2016
Imports from:	
United States	45,912

Others	
Argentina	299,769
Bolivia	25,188
Total for Others	324,957
Others not Listed	8,603
Grand Total	379,472

Source: SUNAT (Peru Customs).