

**Required Report:** Required - Public Distribution

**Date:** July 03, 2023

**Report Number:** PE2023-0015

**Report Name:** Retail Foods

**Country:** Peru

**Post:** Lima

**Report Category:** Retail Foods

**Prepared By:** Alvaro Loza

**Approved By:** Zeke Bryant

**Report Highlights:**

Peru's food retail sector grew 2.7 percent in 2022. Growth was driven by better performance of the modern channel, especially in the development of new store formats and an aggressive discounting campaign to encourage sales. The sector's growth in 2023 will likely stem from basic food categories, with a special emphasis on private labels. FAS Lima expects to see a slight decline in the demand of high value imported products.

## Section I. Market Overview

In 2022, Peru's economy continued to normalize and grow following the pandemic, but at a slower pace than 2021. Peru's GDP grew 2.7 percent in 2022 based on headway in sectors such as commerce and services, growing 3.3 and 3.4 percent, respectively. Retail strength during the first quarter of 2022 was instrumental in fostering commercial sector growth. However, industrial and consumer confidence decreased as political instability and social unrest grew in the second half of the year. The political uncertainty hampered private investment and the government's failure to run economic stimulus programs restrained domestic consumption.

In addition to social unrest, annual inflation measured 8.45 percent at the end of 2022. Peru's food market was impacted by disruptions in supply chains, price spikes of raw commodities, volatile exchange rates, and inflationary pressures that all caused significant price increases for food products. The Central Bank of Peru's (BCRP) [last inflation report \(June 2023\)](#) forecasts 2023 inflation at 3.3 percent. In 2022, the foodservice sector raised prices due to higher costs of imported ingredient inputs and higher prices of local staple products such as potatoes, eggs, vegetables, and bread. Overall, the BCRP reported a 13.7 percent increase in the price of imported goods in 2022.

Peru's food retail sector had mixed results in 2022. Interannual sales achieved higher rates during the first half of 2022. The modern channel grew almost six percent during this period, boosted by the opening of larger format stores and a growing movement towards private label categories that offer higher returns. However, by July 2022, interannual food sales declined. Inflationary pressures impacting both domestic and imported products were driving factors in total purchase declines. The situation was somewhat attenuated by consumer's preference towards private label food products of supermarket and hypermarket chains and smaller packaging.

The sector is expected to continue to grow in 2023, although at a lower rate than previous years. Both the modern segment (supermarkets, convenience stores, discount stores, cash & carry) and the traditional segment (open markets, small bodegas) are making headway in different strategies to regain sales and counter external pressures. The traditional channel continues to be the most relevant for grocery sales. Despite large increases in food and beverage sales during the pandemic, many bodegas did not see the same revenue growth as consumers had more confidence in the health protocols established by modern stores. However, the scenario changed after sanitary restrictions eased and consumers returned to pre-pandemic habits. Small grocers will continue to use their main features such as proximity, personalized treatment, and small packaging as means to grow. The pandemic also forced the traditional channel to make inroads into digital transactions and advertisements, which were already being utilized by the modern channel. There are over 500,000 bodegas in the country and almost half of them have implemented technological and financial tools to increase sales and reach a wider audience.

Peru's food retail sector grew 2.8 percent in 2022 and it is projected to grow seven percent in 2023, based on higher employment rates in the manufacturing and services sectors. However, consumers are expected to be cautious and look for affordable alternatives rather than higher value food products. Retail sector growth is also expected to be driven by better performance of the modern channel due to continued store renovations and an aggressive discounting campaign to encourage sales. In addition, retailers are developing a multichannel concept by enhancing e-commerce services and new store formats.

FAS Lima is conservative about the expected growth of U.S. consumer-oriented exports to Peru in 2022. Last year, this category reached \$355 million, a four percent increase with respect 2021. Some categories benefited from the recovery of the hotel, restaurant, and institutional (HRI) sector and regained market share lost during the pandemic. The sector’s growth in 2023 will likely stem from basic food categories, with a special emphasis on private labels. FAS Lima expects to see a slight decline in the demand of high value imported products.

**Table 1: Advantages and Challenges for U.S. Food Products in Peru**

Advantages	Challenges
<ul style="list-style-type: none"> <li>• Recognition of U.S. food quality and an appreciation for U.S. culture.</li> <li>• Consumer-oriented food products benefit from the PTPA with low or no tariffs.</li> <li>• Active supermarket industry that promotes increased demand for high-value food products.</li> <li>• Boom in e-commerce and increasing retailer coverage.</li> <li>• Growth of new supermarket outlets in Lima’s suburbs and second tier cities.</li> <li>• Appreciation for U.S. food quality and culture.</li> <li>• Perception of modern retail outlets as cleaner, convenient, and time saving.</li> <li>• Increased health consciousness among the Peruvian population.</li> <li>• Middle-class expansion.</li> </ul>	<ul style="list-style-type: none"> <li>• Consumers prefer to buy fresh produce in traditional markets.</li> <li>• Supermarkets, the main channel for imported food products, account for only 30 percent of the retail food market share in Lima and 20 percent in the provinces.</li> <li>• New local food brands are appearing in the market at very low prices.</li> <li>• Provincial supermarkets are supplied by Lima-based companies, impacting freshness for some products.</li> <li>• Cumbersome regulatory processes to obtain sanitary permits.</li> <li>• Traditional markets dominate retail sales in secondary cities.</li> <li>• Domestic producers manufacture more affordable products that cater to local taste preferences.</li> <li>• Stiff competition from neighboring countries.</li> </ul>

**Section II: Road Map for Market Entry**

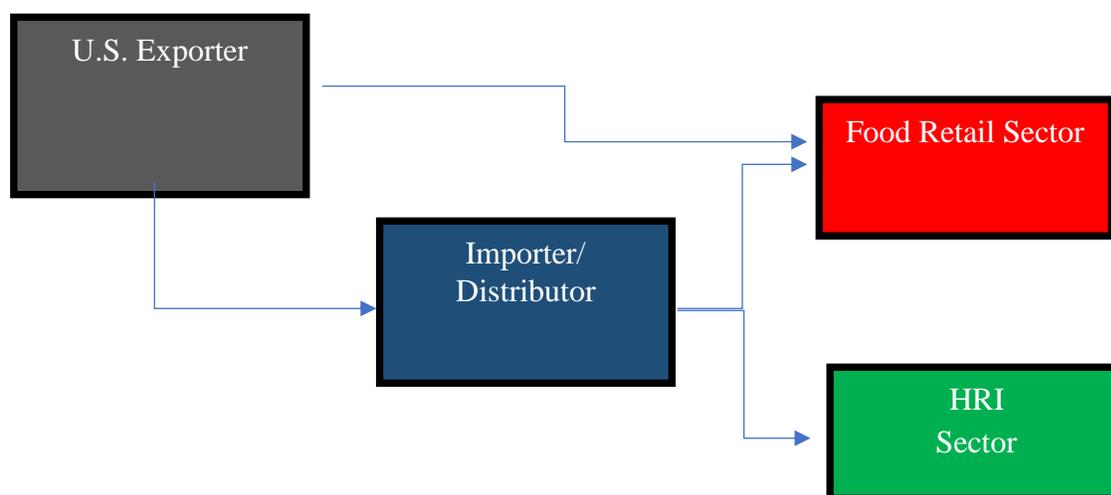
**1. Entry Strategy:**

- Preliminary research to determine market potential for a specific product. Contact FAS Lima to obtain reports or briefings about market features.
- Retailers rely on importers and wholesalers/distributors to source imported food products.
- Importers aim to sell imported food products through different channels: retail, food service, and food processing. Major food importers/distributors supply all major supermarket chains and provincial retailers.
- Be diligent when selecting a partner (an agent or a representative). Conduct a background check of the prospective partner before signing contractual agreements. Visits to Peru and in-person meetings are highly recommended.

- The import partner should be able to provide updated information on consumer trends, current market developments, trade, and business practices.
- Exporters should consider providing marketing budget support to local importers or retailers to develop promotional activities and foster impulse sales.
- Food products must comply with country’s regulations and be approved by health authorities before being placed on the market. Peru adopts Codex as the primary international reference. For details on how to export to Peru please refer to FAS Lima’s [FAIRS Export Certificate Report](#), [FAIRS Country Report](#) and [Exporter Guide Report](#).

## 2. Market Structure:

**Figure 1: Typical Import Market Channel**



The food retail industry’s estimated sales reached \$25 billion in 2022, up 2.7 percent from 2021. The modern channel was able to maintain sales during the first half of 2022 but declining towards the second half due to a volatile social and political situation. The three major supermarket chains in Peru continued to adapt to online outlets to keep up with sales. The growth was based on basic staple categories and the opening of formats aimed at low-income target audiences. Supermercados Peruanos (SPSA) is accelerating the opening of more discount market format stores named Mass, especially in the provinces, and there are nearly 700 of these stores in Peru. In the same line, Cencosud’s cash & carry format (Metro) received a higher sales jump during the January-July period in 2022. Tottus Hypermarket, from Falabella Group, was able to open at least eight more Tottus supermarket and Hiperbodega Precio Uno (HPU) hard-discount format stores respectively, which also cater to the lower-income segment. HPU provides a mix of products, like a hypermarket, but in a smaller format. Its price competitiveness is due to more private label products. There are 27 HPUs so far and the majority (21) are outside of Lima. The market includes 319 conventional supermarkets and superstores (196 of which are in Lima).

The expansion of modern retailers is based on the opening of multiformat outlets, with hard discount and cash & carry formats preferred by consumers during the pandemic and now playing an important

role due to the economic slowdown. In December 2020, InRetail Peru Corp, which owns the largest food retailer Supermercados Peruanos, announced the acquisition of the entire operation of Makro Supermayorista, a major cash & carry format. The acquisition immediately brought 16 additional stores to InRetail’s portfolio and strengthened its market share in this competitive sector. Supermercados Peruanos holds supermarkets, hypermarkets, hard discounts, and cash & carry formats, covering a wide spectrum of socioeconomic segments. Aligned with these actions, Grupo Falabella opened three more Hiperbodega Precio Uno stores in Lima, Junin, and San Martin.

Consumer-oriented products from the United States are primarily imported by and sold in modern retail channels. This channel is expanding rapidly and accounts for 25 percent of the market. Its growth relies on the entrance of new players and the development of new retail formats to capture market share from the traditional channel.

The convenience store segment started in 2015 and become a key growth strategy for retailers due to small size and rapid adaptation to consumers’ needs. These formats were gaining market share within the modern channel and posed strong competition for supermarket chains. The adaptation during the pandemic was challenging since convenience stores had to redefine the mix of products towards basic food products. Towards the end of 2020 and beyond, the relaxation of health restrictions was instrumental to the recovery of sales. TAMBO is still the most prevalent convenience store, having more outlets than their competitors. Others include OXXO, Repshop, Listo, and other independent stores. Last year, Cencosud entered this segment, opening its first convenience store SPID. This is part of an aggressive expansion plan by the Chilean company based on the establishment of express formats. There are around 1,000 convenience store locations among these brands in Peru. Beverages and ready to eat products are the main categories sold in this channel.

### 3. Company Profiles

**Table 2: Profiles of Major Supermarkets Chains (2022)**

<b>Retailer</b>	<b>Ownership</b>	<b>Sales (\$MM)</b>	<b>Market Share (%)</b>	<b># Outlets</b>	<b>Location</b>
CENCOSUD	Chile	1,810	29	94	10 Provinces
Supermercados Peruanos	Peru	2,476	39	830	17 provinces
Hipermercados Tottus	Chile	1,440	23	88	11 Provinces

Source: FAS Lima

**Table 3: Outlets by Major Supermarket Chains (2022)**

Retailer	Type of Outlets	# Outlets
CENCOSUD	Supermarkets Wong Super	20
	Hyper Metro	74
Supermercados Peruanos	Vivanda	8
	Plaza Vea/ Plaza Vea Super	103
	Mass Stores	700
	Makro	26
Hipermercados Tottus	Hypermarkets	37
	Supermarket	19
	Hiper Bodega – Precio Uno	27
	Superbodegas	5

Source: FAS Lima

**Table 4: Convenience Store – Most Important Brands**

COMPANY	BRAND	#OUTLETS
Lindley Corporation	TAMBO+	400
PRIMAX	Listo	125
REPSOL	Repshop	129
Grupo Romero	VIVA	60
FEMSA	OXXO	50
INTERCORP	Mimarket	25

Source: FAS Lima

**SECTION III. Competition**

The Government of Peru (GOP) has encouraged integration into the global economy by signing several free trade agreements, including the United States - Peru Trade Promotion Agreement (PTPA), which entered into force in February 2009. The PTPA has been instrumental in boosting bilateral trade in food

and agricultural products between the United States and Peru. From 2009 to 2022, U.S. exports of food and agricultural products to Peru doubled, from \$526 million to \$1.14 billion. U.S. consumer-oriented product exports, at \$355 million, accounted for 31 percent of U.S. food exports to Peru in 2022. The PTPA strengthens competitiveness of U.S.-origin food and agricultural products in the Peruvian market. High-end consumers are familiar with the quality of U.S. products. FAS Lima foresees exports of U.S.-origin consumer-oriented products to Peru becoming nearly equal to U.S. bulk commodity exports to Peru in the next few years.

**Table 5: Peru’s Top 30 Imports of Consumer Oriented Products**

HS Code	Description	2023 \$MM	MARKET SHARE							
			U.S.		Costa Rica		Netherlands		Other	
210690	food preparations nesoi	258	19%	11%	11%	10%				
040221	Milk/Cream Conc Nt Swt Pwd	140	47%	20%	19%					
020714	chicken cuts and edible offal frozen	97	65%	27%	7%					
040210	Milk & Crm,Cntd,Swt,Pwd,Gran	86	68%	8%	7%					
170490	sugar confectionary not containing cocoa, nesoi	54	49%	14%	12%	2%				
190110	food preparations for infant use,retail	51	49%	23%	18%	1%				
230910	dog and cat food, put up for retail sale	46	26%	25%	12%					
220300	beer made from malt	43	79%	15%	2%	1%				
040590	fats and oils derived from milk, n.e.s.o.i.	38	86%	13%	1%					
180690	cocoa preparations, not in bulk form, nesoi	35	16%	15%	12%	9%				
220421	wine of fresh grapes over 2 L	35	45%	25%	18%	2%				
210111	coffee extracts, essences and concentrates	34	43%	21%	21%	1%				
080810	apples, fresh	34	85%	13%	1%					
040690	cheese, nesoi, including cheddar and colby	31	26%	22%	17%	3%				
190190	malt extract; food products of flour, meal, etc.	31	40%	11%	10%					
200870	peaches, prepared or preserved	31	55%	19%	12%					
220299	other non-alcoholic beverages	29	31%	31%	18%					
020629	offal of bovine animals, edible, nesoi, frozen	29	38%	35%	11%					
190590	bread, pastry, cakes, biscuits and similar baked	26	44%	16%	9%					
200410	potatoes,( french fries), prepared or preserved	25	57%	28%	7%	1%				
210390	sauces and preparations	25	24%	19%	13%					
210112	coffee extracts, essences and concentrates	25	75%	16%	4%	0%				
020230	meat of bovine animals, boneless, frozen	24	39%	27%	13%					
090611	cinnamon (cinnamomum zeylanicum blume)	22	99%							
060220	edible fruit or nut trees, grafted or not	20	74%	12%	9%	5%				
220840	rum and tafia	20	38%	11%	11%	1%				
110813	starch, potato	18	53%	22%	17%					
020712	meat and edible offal of chickens,, frozen	17	65%	29%	4%	1%				
040390	buttermilk, and curdled,	16	77%	20%	2%	0%				
220830	whiskies	16	92%	7%	1%					

**SECTION IV. Best Product Prospects Categories**

**Cheese (HS 0406):** U.S. cheeses are used in the three sectors: retail food, food-processing, and HRI. The United States is the main supplier with a market share of 29 percent. Argentina and Germany are the main competitors with 20 and 13 percent of the market share, respectively. Preferable types are edam, mozzarella, cheddar, and parmesan.

**Confectionary (HS 1704; 1806):** Imports from the United States totaled \$9.4 million in 2022 maintaining the same trend of previous year, or 8 percent of total imports. Strong competition exists from the region. Colombia leads exports holding a 28 percent market share. The United States' strength is in chocolate for the retail sector. However, other confectionary products are suitable for convenience store segment.

**Food Preparations (HS 2106):** The United States is the largest supplier and holds 24 percent of the market share (\$67 million). This category includes hydrolyzed protein, food supplements, soy-based snacks, and confectionary products. Other competitors in the region are Costa Rica and Netherlands, with 10 and 9 percent of the market share, respectively.

**Red Meats (HS 0202; 0203):** U.S. beef exports decreased 22 percent in 2022 with respect to the previous year, reaching \$12.4 million. A spike in U.S. meat prices, higher exchange rates, and disruptions in supply were the main drivers for this reduction. In the case of U.S. pork meat exports, the reduction was deeper, falling 33 percent with respect 2021. Other competitors, such as Chile and Spain (new competitor), lead the pork meat category with 46 and 22 percent market share, respectively. U.S. pork exports are typically destined for the food retail and food service sectors of Peru's market. Nevertheless, the U.S. remains as the largest supplier considering both beef and pork, holding 28 percent of market share followed by Brazil and Chile with 21 and 19 percent, respectively.

**Poultry Meat (HS 0207):** The United States is the second largest poultry meat supplier, with a 21 percent market share, after Brazil, which holds 66 percent market share. U.S. poultry meat exports decreased 19 percent in 2022 due to lower supply of turkey cuts. However, chicken leg quarters continue a growing trend, reaching \$26 million in 2022. The HRI sector is the main channel for this category and its recovery made headway for U.S. poultry meat exports. Other sectors, including food retailers, also increased the demand of chicken leg quarters. The U.S. primarily exports chicken leg quarters to Peru. However, turkey cuts are also attractive for food retailers. The growth of hard discount formats has been instrumental to regain territory for chicken leg quarters since the product is suitable for the household segments these formats target.

**Fruit & Vegetable Juices (HS 2009):** The United States is the third largest supplier of fruit and vegetable juices to Peru, holding almost 7 percent of the market share. Argentina has become the largest supplier due to grape juice concentrate. However, Israel has become an important competitor of the same product and became the second largest supplier of the entire category, holding 28 percent of market share. In general, beverages are the largest product category sold in convenience stores.

**Bread, pastry, cookies (HS 1905):** The United States holds a six percent share of the import market. Ecuador and Colombia lead the category with 34 and 15 percent, respectively. Peru's largest food processing corporation sources from these countries. In the health food category, gluten free products are in high demand by food retailers.

**Soups & Broths (HS 2104):** The United States is the largest supplier in this category, holding a 23 percent share of the import market. Convenience stores will likely provide opportunities for growth in this category, particularly since "on the go" lifestyles are growing in Peru. Chile and China are the second and third ranking competitors with 19 and 18 percent, respectively.

**Sauces (HS 2103):** U.S. exports grew 15 percent in 2022 with respect to 2021, tied with Mexico at a 20 percent share of the import market. China holds the third position with 18 percent. This category continues to grow and total imports grew 18 percent in 2022. Retail stores remains as the preferable channel for consumers. The food processing industry is aiming to produce traditional flavors offering the convenience of a ready-to-eat presentation.

**Nuts and almonds (HS 0802):** The United States is the largest supplier in this category, holding a 53 percent share of the import market. In 2022, U.S. exports decreased 13 percent. Importers repack tree nuts into food retail packaging. The strongest competitor is Chile with a 36 percent market share.

### **Category B: Products Not Present in Significant Quantities, but with Good Sales Potential**

- Wine (HS 2204)
- Peaches, Cherries, and Nectarines (HS 0809)
- Apples and Pears (HS 0808)
- Citrus (HS 0805)
- Processed meats (HS 1601, 1602)
- Beer (2203)
- Whiskey (2208)

## **SECTION VI. Key Contacts and Further Information**

### **U.S. Embassy Lima, Foreign Agricultural Service (FAS) - OAA**

Street Address: Av. La Encalada, Cuadra 17, Monterrico - Surco, Lima 33

Mailing Address: FAS OAA Lima, Unit 3785, DPO, AA 34031

Phone: (511) 434-3042 / E-mail: [aglima@usda.gov](mailto:aglima@usda.gov) / [www.fas-usda.pe](http://www.fas-usda.pe)

### **U.S. Animal Plant and Health Inspection Service (APHIS)**

Street Address: Av. La Encalada, Cuadra 17, Monterrico - Surco, Lima 33

Phone: (511) 618-2627 / (511) 618 – 2732 / (511) 434 - 3000

Internet Homepage: [www.aphis.usda.gov](http://www.aphis.usda.gov) / [APHIS Peru Contact](#)

### **Host Country Government**

[Ministry of Agriculture of Peru](#)

[Ministry of Agriculture – National Service of Agricultural Health - SENASA](#)

[Ministry of Health – Directorate General of Environmental Health - DIGESA](#)

[Ministry of Foreign Trade and Tourism – MINCETUR](#)

### **Attachments:**

No Attachments