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GAIN Report

Global Agricultural Information Network

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Retail Foods

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Report Highlights:

Peru's economic performance sustained a growth trend in 2011 at 6.9 percent of GDP, a little lower than the rate of the previous year. The economy remains highly dynamic. Once again private investments and domestic demands helped Peru to become the second best performing economy in the region in 2011.

Post:
Lima

Executive Summary:

Section I. Market Summary

Peru's economic performance maintained a growing trend during 2011 but at a lower rate than the previous year. The uncertainty generated by changes in the presidential administration along with the global economic downturn contributed to growth reduction. However, growth at 6.9 percent of GDP proves that the economy is still highly dynamic in spite of considerable uncertainty surrounding the future of global markets. Once again, private investment and domestic demand contributed to Peru's achievement to become the second best performing economy in the region in 2011.

Domestic demand, however, has been the main engine for consumption growth. Demand was pushed by emergence of the middle class which according to recent studies has doubled in the last 10 years and currently accounts for 56 percent of urban population in Peru. Middle class income levels have considerably increased along with sustainable growth of the economy. High employment rates have contributed with access to credit and many other services improving welfare. During the third quarter of 2011 private consumption rebounded as a result of an increase in the minimum wage set by the Government as a countercyclical measure.

Peru's retail market exhibits a long list of opportunities for consumer goods. Peru has experienced spectacular growth in modern retail channel in the last ten years. The Global Retail Development Index (GRDI) report made by A.T. Kearney's ranks Peru as the 8th developing country for retail expansion worldwide. Moreover, Peru remains in the opening phase which signifies that consumers are willing to explore organized formats. The study also emphasized a growing middle class situation and relaxing restrictions by the government.

GRDI report also stresses that Peru's continued growth will bring an increase in disposable income and consumer confidence. In the case of supermarkets, lower penetration and the average youth of consumers are considered potential market opportunities for investment.

According to the National Institute of Statistics middle class homes have grown 78 percent from 2004 to 2011. There are almost 3.2 million homes throughout the country (43 percent in Lima) within this growing and high- demand class, considered the core engine of private consumption. Supermarket chains in Peru achieved sales of \$3.1 billion in 2011; this represents a 15 percent growth in respect to 2010 (Table 1). This positive evolution is consistent with increases in private consumption and major availability to consumption credits and higher incomes, especially within middle-class families.

Overall consumer expenditure in Peru grew by 6.4 percent over the prior year, in 2011. This followed an increase of 6% in 2010. This growth was particularly impressive when put in the context of the slow economic growth seen in 2009. Last year also, 37 percent of overall spending was for the purchase of food and non-alcoholic drinks. In addition, per capita disposable income grew slightly by 5 percent in respect to 2010. At the same time, per capita consumer spending increased by 5 percent in 2011.

Local consumers are motivated by good prices and prefer to purchase assorted products such as yogurt, packaged bread, oil, noodles, etc., at modern retail channels. The traditional channel is still the preferred channel for beverages. Nevertheless, both channels offer products that are sharply different in terms of presentation.

Table 1

Source: Skotiabank Economic Department, CCR, Apoyo & Asociados

In 2011, Peru’s total food retail market reached almost \$20 billion, 80 percent of which is concentrated in Lima. Food sales by these supermarket chains accounted for 35 percent of the retail market share in Lima in 2011, which is considered to be low in comparison with the neighboring Latin American countries.

Retail Sales in Country by Sub-Sector (million dollars)

Sub-Sector	2009	2010	2011
Supermarkets and hypermarkets	2,216	2,483	3,097
Traditional Channel (grocery stores, wet markets, convenient stores, etc.)	14,428	15,520	16,761
Total	16,644	18,002	19,858

Source: Post Estimated values

There were 173 stores (all formats included) by the end of 2011, with 128 in Lima and 45 in the provinces. The results obtained outside of the capital have gone beyond any expectation. Supermarkets have founded their success on identifying and developing new market segments, which will eventually help them gain more terrain in the future.

Despite how well the modern retail channel may have advanced in its expansionist phase, the traditional market (wet markets, convenience stores, grocery stores or “bodegas”) are still the main channel for distributors, wholesalers, etc. As 75 percent of food retails sales occur within traditional markets, companies often have to consider their strategies for traditional channels. Supermarkets still fail to convince consumers to buy fresh produce at their stores rather than open markets. Processed food and others are acquired preferably through them, which is not the case for fresh products. Pushed by the tough competition with modern channels, the open markets modernized their commercialization process and turned out to haveresulted in respectable participation within this category in respect to supermarkets.

Even though some experts predict that traditional channels will reduce their presence or even disappear due to the growth of modern retail channels, grocery store sales are increasing. It is

estimated that this year, the average sales ticket will increase by 11 percent in groceries and the average receipt in the traditional market may increase 9 percent also.

The lack of large spaces in Lima is becoming a real concern to supermarket chains. It is expected that supermarkets will open about 25 stores per year. However, this obstacle, plus higher prices for land within commercial areas create a window to new smaller formats (less than 1,000 square meters) which not only might be a solution to keep a higher penetration but can be used also as a mean to gain market share from convenience store.

It is well known that Peruvian food retail markets have become attractive to foreign investors. Last year, the Chilean group Saieh, which operates 350 supermarket stores and wholesaler formats in Chile, acquired Alvi supermarkets (third largest player in the wholesaler segment in Chile). Alvi supermarket acquired Mayorsa in Peru a few years ago, allowing the Saieh group to enter the Peruvian market using the same strategy as they did in Chile. The Saieh Group is planning to operate with its main brand Supermercados Unimarc (SMU) in the retail channel. In addition, SMU already handles 11 Mayorsa stores. SMU's last acquisition was the home appliances chain, La Curacao, which already owned supermarket stores in Piura and Ica. SMU's plan is to build at least 75 outlets in five years. However, their long-term strategy must differ from what they do in Chile and success will be determined by their ability to develop innovative and new formats that can be used for unexplored segments.

According to Peru's customs data, total agricultural imports to Peru from the United States grew to \$875 million in 2011, up 11 percent from the 2010 level. Moreover, consumer oriented products reached \$129 million in 2011 growing 21 percent in respect 2010. The United States became the second largest supplier of consumer oriented products, accounting the 15 percent of the market share which has certainly decreased the reach of Chile and has left Colombia as the third largest supplier of this category.

Lima is the major market for consumer-oriented foods. Lima's roughly 9 million inhabitants account for almost one-third of Peru's total population and more than 60 percent of the national income.

The U.S. – Peru Trade Promotion Agreement (PTPA) provided duty free access for two-thirds of U.S. food and agricultural products. PTPA, supported by favorable market conditions in Peru, will create opportunities to expand U.S. food exports in the retail market for snacks, fruit and vegetable juices, fresh fruits (especially pears, apples and grapes), canned fruits and vegetables, dairy products (especially cheeses), beef and poultry meats and their products, wines and liquors and pet foods.

Advantages and Challenges Facing U.S. Products in Peru

Advantages	Challenges
<ul style="list-style-type: none"> • Peru TPA grants duty free access to two-thirds of U.S. food and agricultural products, including most high-value foods. • Proactive supermarket industry that will result in increased demand for 	<ul style="list-style-type: none"> • Consumers have a preference for buying fresh products in traditional markets. • Supermarkets, the main source of imported food products, account for only 30 percent of retail market share in Lima and 14 percent in the country. • New local food brands are appearing in

<p>high-value products.</p> <ul style="list-style-type: none"> • Supermarket sales are growing fast, mainly through the opening of new outlets in the suburbs of Lima and other cities. • Appreciation for U.S. food quality and culture. • Growing perception of retail outlets as cleaner, more convenient and time saving than traditional markets. • People are becoming aware of diet, lite, and healthy food products through the media. • Incomes are growing, , especially for the middle-class. • More competitors are expected in the market. Traditional retail channel (convenient stores and open markets) is improving its strategy 	<p>the market at very low prices.</p> <ul style="list-style-type: none"> • Supplies in the Provinces still depend on companies that are based in Lima. • Lack of brand awareness among consumers. • A government-promoted campaign called "Buy Peruvian." • Traditional markets strongly dominate retail sales in secondary cities. • Domestic Producers¹
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¹ The boom of the Peruvian economy has not only benefited multinational food producers looking to export their products to Peru, but has also improved the operating environment for domestic producers which, in many cases, are in a better position to offer products in line with Peruvian consumers' tastes and at lower prices than imported food products.

ion II. Road Map for Market Entry

1. Entry Strategy

- Supermarket chains are considered to be the main market for imported food products whose target customers are high and middle-income consumers. U.S. exporters should contact large importers, wholesalers/distributors or supermarkets directly.
- U.S. exporters can approach Gas Marts, grocery and mom-and-pop stores through major local suppliers (wholesalers/distributors).
- Be diligent when selecting a partner (an agent or a representative) in Peru. Personal visits/meetings are highly recommended. Conduct a background check of the prospective partner before signing permanent contractual arrangement.
- The local partner should be able to provide updated information on consumer trends to identify niche markets, current market development (merchandising, point of sale and promotion activities), and business practices.

1. 2. Market Structure

- U.S. exporters have three different entry alternatives to local market:
 - Local Importer
 - Supermarket Chain (Retail)
 - Wholesaler

- Local market comprises two major distribution channel: the modern channel (20 percent of market share), basically, represented by Supermarket chains and convenience stores and the traditional channel (80 percent of market share) featured by wet markets and corner stores.
 - Negotiating power of major supermarkets towards food suppliers is strong.
 - Suppliers to major supermarkets have wide range of distribution channels ranging from those for fancy foods to those for foods for mass consumption.
 - Major food importers/distributors supply all major supermarket chains and provincial retailers. It should be noted that major supermarket chains usually request product exclusivity to new suppliers.
 - Food is primarily imported in mixed containers.
 - Major supermarket chains prefer to import expensive high-end products directly in order to earn higher margins.
 - Distributors and wholesalers make constant in-store promotional activities. They count with support personnel in every store and all distribution channels.

1. Supermarkets, Hypermarkets

A. Company Profiles

Profiles of Major Supermarkets Chains in 2011

Retailer Name	Ownership	Sales (million \$)	Market Share (percent)	No. of Outlets	Location	Purchasing Agent Type
CENCOSUD	Chile	1,348	44 percent	74	Lima, Trujillo, Amazonas, Chiclayo, Cajamarca, Arequipa, Ica	Direct Importers, Local Food Processors and Producers
Supermercados Peruanos	Peru	1,032	33 percent	75	Lima, Trujillo, Chiclayo, Arequipa, Huancayo, Chimbote, Ica, Juliaca, Piura, Tacna	

Tottus	Chile	717	23 percent	27	Lima, Trujillo, Chiclayo, Ica, Piura, Arequipa	
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Source: FAS Lima estimations

Type of Outlets by Major Supermarket Chains in 2011

Retailer	Type of outlets	Number of outlets
CENCOSUD	Supermarkets Wong	16
	Hypermarket Wong	2
	Super/Hyper Metro	56
Supermercados Peruanos	Vivanda	8
	Super / Hyper Plaza Vea	55
	Mass stores	4
	Economax	8
Tottus	Hypermarkets	9
	Hypermarket Compact	12
	Supermarket	6

Source: Supermarket contacts

The three major supermarket chains (Cencosud, Supermercados Peruanos and Grupo Falabella) have a total of 176 stores nationwide. In 2011, 24 new more stores were opened throughout the country; this means 16 percent more sales area. As in previous years, an increase in income and consumption have boosted supermarket sales.

It is important to highlight Peru's food retail potential due to its lower penetration level (30 and 20 percent in Lima and the rest of Peru, respectively) which remains under other countries within the region, for example: Santiago (80 percent) and Rio de Janeiro and Bogota (70 percent).

One of the most striking changes in consumer behavior is the increase in frequency of purchase. In the case of Lima, average frequency of purchase in a supermarket has increased from 1 to 1.5 monthly visits, which suggests that consumers are more familiar with the modern channel. Consumers located in provinces visit supermarkets more often (more time availability), but the average receipt is lower compared with Lima.

Around 10 percent of consumer oriented products that are sold in supermarkets are imported and private labels represent 7 percent of total supermarket sales. However, the lack of good quality of private labels might be an impediment for their sales improvement in high-end supermarket formats since Peruvian consumers in this channel have a tendency to consider quality before price. This might be an unexplored opportunity for U.S. companies that can easily offer both features on their products to Supermarket chains.

Lima has most of the supermarket stores with only 45 supermarkets outside of the capital. While in some cities consumers now prefer the modern channel, others are still attached to traditional channels and constantly compare prices. However, Lima still represents a major market for consumer-oriented food as the level of imported food consumption in the provinces remains low. Major provincial cities include Arequipa, Trujillo (La Libertad), Chiclayo (Lambayeque), Piura, Cuzco and Cajamarca. Most market demand in these cities comes from tourism and high-income families of mining or agribusiness employees. The majority of imported food in these areas is canned,

packed, or ready-to-eat.

Most malls in Peru include supermarkets and department stores as anchor stores. In 2011, there were 40 shopping centers in Peru in which total sales reached \$4.2 billion. There are 40 more projects in the pipeline for the period 2011-2014 and their construction will demand \$920 million in investment.

A.1. CENCOSUD Peru S.A. Profile

In December 2007, Corporación E. Wong was acquired by Chilean Cencosud (Centros Comerciales Sudamericanos), one of the largest companies in Latin America's retail sector. The agreement between these two important companies was to transfer the entirety of Wong's shares to Cencosud for \$500 million as well as real estate assets including commercial centers, 23 supermarkets and 17 more in the pipeline. Cencosud agreed to give 49.75 million shares to Wong shareholders, valued at 2000 Chilean pesos each (\$4.00 each share). The handover took place on January 31, 2008.

- CENCOSUD has kept the majority of the chain brands, and has only reduced the outlets of Almacenes Eco, turning it into the "Metro" chain. Moreover, the new administration decided to sell the chain "American Outlet."
 - Wong Supermarket: aimed at high-end consumers and offers customer oriented service. These outlets offer a variety of imported products depending on their location.
 - Metro Supermarket: convenient prices and less personal service for the middle income consumers.
 - Metro Hypermarket: Semi self-service format for price sensitive low-income customers.
- Supermarket Wong focuses its strength in satisfying consumer's demands through best quality and service. These two features give Wong more presence in high income levels segments.
- Cencosud spent two years getting to know the Peruvian consumer, and even though their sales increased, total sales have decreased by 12.7 percent since 2008. These valuable points have been distributed among its two strongest competitors, Supermercados Peruanos (Interbank Group), and Tottus (Falabella Group). However, Cencosud maintains the leadership with 44 percent of market share. The group wants to recover its market share and expects to grow in the 2011-2012 period, but this will not be an easy task.
- The investment plan for 2012 will reach \$119 million which includes over 10 new stores.
- Cencosud has already registered Banco Paris, the financial branch of the corporation, to strengthen its financial support for its customers through credit cards. Cencosud has everything prepared for the opening of their Paris Department Stores in 2012.

A.2. Supermercados Peruanos Profile

Supermercados Peruanos (SPSA) was created in 2004 when a local company, Interbank Group, acquired it from the Dutch Company Disco Ahold International Holding. Currently, IFH Retail Corp is SPSA's principal shareholder. Interbank Bank is part of the corporation; it is the financial branch

of SPSA.

- Supermercados Peruanos divides its points of sales into three formats:
 - Vivanda Supermarket: aimed at high-end consumers, offering customer oriented service. Provided "a loyalty card" to its customers.
 - Plaza Vea Supermarket and Market San Jorge: this brand new format may replace Santa Isabel stores in the near future. Opened in 2006, it is smaller in size than Plaza Vea Hypermarket and only provides food products.
 - Plaza Vea Hypermarket: targeted customers are middle-income consumers. It offers a variety of products at affordable prices. Limited customer service is provided. This format has been chosen as the main format for the SPSA expansion plan. The number of outlets has increased from 9 in 2004 to 32 in 2009.
 - Mass: discount grocery stores offering a limited variety of products for mass consumption.
- SPSA opened its first outlet in Trujillo in 2007. This was the first outlet outside of Lima. More outlets were opened later in five other cities.
- Between 2008 and August 2011, Supermercados Peruanos opened 22 supermarkets in their 5 formats (Plaza Vea Super, Plaza Vea Hiper, Vivanda, Mass and Economax) and destined \$60 million to continue expanding. This chain has been the most aggressive in terms of growth/expansion and is determined to continue to do so nationwide. SPSA's strategy: Strong penetration in Lima and the provinces.
- SP is part of Interbank Group which acquired Milenia real state agency by the end of 2010. Milenia is the landlord of four areas where Metro stores operate. The tenant agreements will expire between 2012 and 2016. This gives SP an advantage since those spaces will be used by them once the contracts expire. SP owns 75 stores in the country. Only 21 have been opened in 13 cities of the country.
- Economax is the latest SP format that has been recently launched. Three outlets opened in 2011 and demanded an investment of \$10 million. This format aims to face the lack of space for larger formats within the market. Moreover, its smaller area allows it to place in strategic locations in order to compete against convenient stores.
- Private label "Bell's" accounts for only 5 percent of total sales, with around 350 products that are mainly produced by small Peruvian companies.

A.3. Tottus Hypermarkets Profile

Tottus is owned by the Chilean retailer Saga Falabella. In 2002 Tottus arrived to Peru and opened its first outlet (Hypermarket format) in the northern part of Lima. It took a year to open the second outlet and since then Tottus has increased its presence through 27 outlets in 2011.

Although Hypermarket Tottus is the smallest supermarket chain in Peru, it has proven its competitiveness throughout the years. The company has opened outlets in Lima and the provinces; accounting for 80 percent of its sales in Lima and 20 percent in provinces.

Tottus sales grew 33 percent in respect to 2010, making it the best performer amongst the supermarket chains. Also, Tottus maintains the largest average surface since most of its formats are hypermarkets.

The 2011 Tottus expansion plan included three new stores and also remodeling some existing

stores which represented \$40 million in investment. Its strategy is to form synergies with the rest of the group's formats (Saga Falabella and Sodimac Home Center) and their big format sizes. This strategy has allowed the chain to lead sales in several major cities, even though they were not the first chain to arrive.

A. Local Consumer Profile

- Local consumers perceive imported products as providing more variety while viewing local products as a source of employment. However, only one third of total consumers care about product origin.
- Consumers prefer local products if they are viewed as a quality product at an affordable price.
- Supermarket clientele in Lima can be divided into two groups: high and middle-income consumers (socio-economic levels A, B and C) and low-income consumers (socio-economic levels D and E).
- Supermarket market share for high and middle-income consumers is 90 percent. Supermarket expansion plans are aimed specifically at socio-economic level D and E.
- The weekly average expenditures for high and middle class consumers are \$90, while expenditures average \$10 for low-income consumers. However, low-income consumers are considered to have high growth potential because they are more than three times the number of high-end consumers.
- Heavy users represent 80 percent of purchases for supermarkets and can spend up to \$155 per visit. Impulse buys can reach 30 – 40 percent of supermarket sales.

Characteristics	High and Middle income consumer	Low-income consumer
Population in Lima city	2.1 million	6.9 million
Number of families	0.4 million	1.4 million
Monthly family income	1,500 dollars	320 dollars
Monthly food expenses	310 dollars	120 dollars
Normal place to buy food	Supermarkets: 58.3percent	Open markets: 72.7percent
Frequency of supermarket attendance	Once a week	Preferences for daily visits to open markets or small stores. Supermarket visits once a month.

Source: Based on Statistics of INEI

Convenience Stores and Gas Marts

In spite of the significant growth of modern retail channels, sales in convenience stores (CS) keep on growing. The traditional channel has started to evolve, and grocery stores are improving their infrastructure (especially product display). Net income for "bodegueros" is growing and is expected to reach 12 percent in major cities. In Peru, the traditional channel does not really compete against the modern channel, but compliments it.

Convenience stores and wet markets represent 80 percent of food retail market in Lima. A few of them have started to upgrade their business into minimarkets. This is based on the fact that the

administrative aspects are handled by a new generation of bodegueros, most of them sons or daughters of original owners. The modern channel has pushed them to innovate and take advantage of variables that consumers still considering as high priority. The close proximity of convenience stores influences roughly 50 percent of consumers' purchase decision while price only influences purchases about 30 percent.

While convenience stores acquire this classification when they offer massive products such as sugar, milk, rice, noodles and sodas, a few have started too modernized. The future of convenience stores is uncertain due to supermarket's initiative to build smaller formats in middle and low income areas. However, supermarket's aggressive penetration might start affecting directly these small businesses in the near future. These stores have wisely fared against to a long list benefits offered by supermarkets by focusing their efforts on ways to satisfy consumer needs not met by large chains.

Convenience stores have started to upgrade their business structures to a well organized scheme (minimarkets) and probably this might be one of the big challenges along with implementation of new services that CS would face in the future in order to persist in the market. However, as we said before, both channels compliments their presence within the market, thus, this may not be consider as a cause-effect action derived from supermarket growth.

Traditional Markets

A. Sub-sector Profile

- Traditional markets have made new strategies in order to face competition from supermarkets. These new strategies include 40 new projects, accounting for an estimated \$200 million dollars in investment. According to the plan, Plaza Ceres became the first open market built in 2008. It cost \$3 million to build the Plaza Ceres which houses 700 small businesses.
- Traditional markets in Peru include 200,000 grocery stores and 2,500 open markets. Lima has 70,000 grocery stores and almost 1,250 open markets. In 2011, open market sales increased by 13 percent.
- Open markets are very popular among Peruvians for providing staples, daiary, and personal hygiene products. Peruvians also visit open markets to purchase fresh fruits and vegetables and meats at lower prices.
- Traditional markets offer limited opportunity for sales of high-end imported goods. Most food products sold in traditional markets (open markets, street vendors and grocery stores) are locally produced inexpensive perishable products which are aimed at low-income consumers.
- Open markets are dominated by 25 major companies.

n III. Competition



Source: World Trade Atlas (2011)

- Peru grants tariff preferences to the Andean Community of Nations (CAN - Bolivia, Colombia and Ecuador), and to Mexico, Paraguay, Argentina, Brazil, Uruguay and Cuba.
- Peru's trade policy is oriented towards open markets. Peru has signed different commercial and trade agreements, while others have not entered into force yet and just a few still in negotiations:

Country	Type	Status
Andean Community (Bolivia, Ecuador and Colombia)	Free Trade Agreement	In force
MERCOSUR (Argentina, Brasil, Uruguay, Paraguay)	Economic Complementation Agreement	In force
Cuba	Economic Complementation Agreement	In force
Chile	Free Trade Agreement	In force
Mexico	Trade Integration Agreement	In force
United States	Free Trade Agreement	In force
Canada	Free Trade Agreement	In force
Singapore	Free Trade Agreement	In force
China	Free Trade Agreement	In force
South Korea	Free Trade Agreement	In force
European Free Trade Association (EFTA)	Free Trade Agreement	In force
European Union	Free Trade Agreement	In force
Thailand	Third Protocol	To come into force
Japan	Economic Partnership Agreement	To come into force

Costa Rica	Free Trade Agreement	To come into force
Panama	Free Trade Agreement	To come into force
Guatemala	Free Trade Agreement	Negotiating
El Salvador	Free Trade Agreement	Negotiating
Honduras	Free Trade Agreement	Negotiating

- The PTPA reinforces U.S. competitiveness within the Peruvian market. The quality of U.S. products is already appreciated among the high-end consumers.
- For a complete list of products that have benefited from PTPA, please check http://www.ustr.gov/Trade_Agreements/Bilateral/Peru_TPA/Section_Index.html.

Competitive Situation facing U.S. Suppliers in the Retail Market in 2011

Product Category/ Net Imports	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Dairy Products (Excl. Cheese) (\$144.3million)	New Zealand: 35 percent U.S.: 19 percent Argentina: 12 percent Chile: 9 percent Ireland: 5 percent Bolivia: 12 percent	- New Zealand is a major supplier of dairy ingredients, especially HS 040210 milk accounting 35 percent of total imports.	- Only two companies are major producers of evaporated milk and yogurt.
Cheese 3,335 tons (\$16.3 million)	U.S.: 44 percent Argentina: 18 percent Netherlands: 9 percent Uruguay: 8 percent New Zealand: 5 percent	Argentina and Uruguay are part of MERCOSUR and have tariff preferences.	Local homemade cheeses are commonly sold. Gourmet cheeses are not made locally.
Snack Foods 20,606 tons (\$66.70 million)	Colombia: 53 percent U.S.: 7 percent Chile: 7 percent Ecuador: 6 percent Brazil: 5 percent	- Tariff preferences are applied to neighboring countries.	- Local producers are major food processors. They import food ingredients for snacks and snacks in bulk.
Processed Fruits and Vegetables 52,747 tons (\$80.2 million)	Chile: 61 percent U.S.: 10 percent	<ul style="list-style-type: none"> • Chile sells at cheaper prices due to proximity and tariff preferences. - EU products are viewed as good quality.	- Local processors are major exporters, but their local supply is limited.

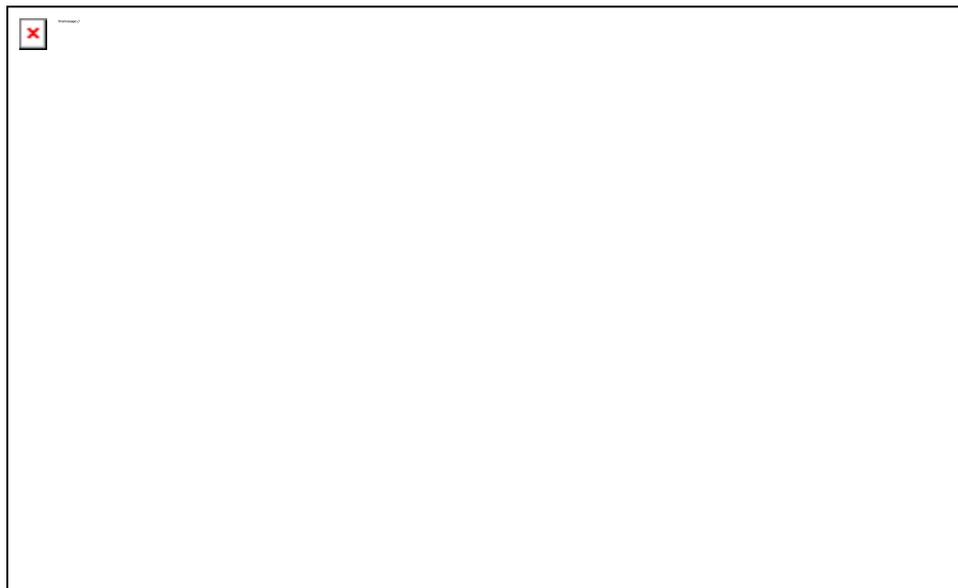
	Netherlands: 7 percent Argentina: 5 percent China: 4 percent	- Netherlands has increased its potato exports.	
Fresh Fruits 66,083 tons (\$47.6 million)	Chile: 86 percent U.S.: 7 percent Argentina: 5 percent	- Chile is the main supplier because of proximity, price and duty free entrance. - Argentina has a window for pears and apples.	- There is an open window from November to February for that will benefit the United States - Local fruit sold in retail markets is of lower quality.
Fruit and vegetable juices 1,429,940 L (\$ 3.7 million)	Brazil: 38 percent U.S.: 20 percent Chile: 17 percent Argentina: 12 percent Mexico: 7 percent	- Chile has tariff and proximity advantages. - Brazil has increased its exports of orange and pineapple juice	- Local brands are well positioned in the market at competitive prices.
Wine and Beer 26.59 Million liters (\$36.9 million)	Argentina: 39 percent Chile: 24 percent Spain: 10 percent Italy: 9 percent Brazil: 7 percent France: 4 percent Netherlands: 2 percent Mexico: 2 percent U.S.: 1 percent	- Proximity and recognized quality of Chilean and Argentinean wines. - Brazil is the major supplier of imported beer.	- Major local breweries are well positioned, price competitive, and belong to international companies, representing 95 percent of the market. - Local wine is well positioned and price competitive, but does not satisfy demand.
Red Meats (fresh, chilled or frozen) 21,531 tons (\$54.9 million)	U.S.: 28 percent Brazil: 28 percent Chile: 14 percent Colombia: 11 percent Argentina: 9 percent Paraguay: 6 percent	- Proximity and low prices of nearby countries.	- Peru's market for U.S. meats reopened in October 2006. - U.S. meats are of superior quality. - Peru imports three times more offal than meats. - Local meat does not satisfy the demand. - USMEF representative exclusive to South America
Red Meats (prepared, preserved) 1,459 tons (\$6.65 million)	Bolivia: 39 percent U.S.: 13 percent Chile: 11 percent Spain: 10 percent Argentina: 11 percent	- Bolivia processors have become main suppliers for fast food chains due to lower prices. Chile has tariff and proximity advantages.	- The pork products industry also imports prepared meats. - U.S. product tariffs will decrease throughout 5 to 7 years.

	percent Denmark: 10 percent Italia: 8 percent		
Poultry Meat 19,654 tons (\$24.9 million)	Chile: 33 percent Brazil: 28 percent U.S.: 20 percent Argentina: 13 percent Bolivia: 7 percent	- Imports of U.S. poultry products reopened in October 2006. - Brazil and Chile are major suppliers of poultry cuts. Tariff preferences and proximity are major features.	- TRQ for U.S. chicken leg quarters - Local poultry producers are major suppliers with good distribution channels. - Imports are mainly chicken and turkey parts.

Note: Net imports correspond to the three food sectors: Food Service, Retail and Food Processing.

Source: World Trade Atlas

Section IV. Best Product Prospects



Source: World Trade Atlas (2011)

A. Products Present in the Market Which Have Good Sales Potential:

Product/ Product Category	Market Size 2011 est.	Imports 2011	Average Annual Import Growth (2006-11)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Cheese (HS 0406)	21,531 MT	3,335 tons	23 percent	040610, 20 and	- U.S. competitors are: Argentina (18	- U.S. cheeses are mainly used in the

		(\$16.3 million)		40 percent 040630 040690 0 percent	percent) and Netherlands (9 percent). - Strong preference for EU cheese at high-end HRI and Retail Sectors.	food processing sector, but have potential in the HRI and Retail Food Sectors. - In 2011, the United States was the first supplier with a market share of 44 percent (62 percent growth). - TPA*: 17 years linear, 2,500 MT quotas with 12 percent increase per year.
Confectionary – non chocolate (HS 1704)	N/A	15,647 tons (\$46.2 million)	16.6 percent	0 percent	- Major suppliers are Colombia (\$31 million) and Ecuador (\$3 million). - Local industry is strong. Major owners are foreign companies.	- United States represents 2.5 percent of total imports; however, U.S. imports grew 57 percent in 2011.
Confectionary – chocolate (HS 1806)	N/A	4,073 tons (\$18.1 million)	22.2 percent	0 percent	- Chile is the major supplier (23 percent of MS). - Local industry is competitive.	- The U.S. is the second major supplier with 19 percent. The U.S. strength is in chocolate for the retail sector. Imports grew 46 percent in 2011.
Food Preparations (HS 210690)	N/A	14,339 tons (\$131 million)	16 percent	0 percent	- Local Production is strong. Alicorp is the major competitor. Also foreign companies are established in the country. - Chile is the major importer (33 percent).	- United States is the second largest supplier and holds 18 percent of market share. - In 2011 imports grew 18 percent.
Prime and choice beef (HS 020230)	Total beef and offal market: 283,596 MT	1,283 tons (\$7.3 million)	16 percent	0 percent	- Competes with quality meats from Colombia, Argentina, Uruguay, Brazil and Bolivia.	- Due to an increment of income levels, local consumers are demanding high quality products, such as beef. - U.S. imports have grown 155 percent respect 2011 in this category United States became the first largest beef supplier in 2011 and holds 50 percent of import market share

Edible Beef Offal (liver) (HS, 020622)	10,000 MT	3,924 tons (\$6.9 million)	26.3 percent	0 percent	Local production covers most of the market size.	- The United States holds 97 percent of import market. Imports have grown 30 percent in 2011.
Fruit and Vegetable juices (HS 2009)	N/A	14,299 hl (\$3.7 million)	30 percent	0 percent	- Brazil is the major supplier and holds 38 percent of market share in 2011. It is strong in orange juices	Imports have grown 46 percent in respect to 2010.
Pet foods (HS 230910)	45,000 MT	12,125 tons (\$14.9 million)	18 percent	0 percent	- Growing local pet industry. - There is an informal industry arising. - Colombia 37 percent), and Argentina (36 percent) are major competitors.	- The United States holds 20 percent of the import market.
Turkey (HS 020727)	13,000 MT	3,175 tons (\$6.5 million)	22 percent	5 percent	- Major exporters are Brazil (48 percent) and Chile (41 percent) followed by the United States with 11 percent. - Local poultry industry is strong.	- Peruvians are major consumers of turkey during Christmas and New Year's. - The food retail sector is becoming more popular not only in Lima, but also in the province. - USAPEEC has initiated a market penetration plan.
Poultry meat cuts (HS 020714)	98,000 MT	9,208 tons (\$8.6 million)	54 percent	TRQ: 15,117 tons 0 percent	- Strong local industry. - Frozen presentation is not common	- Peruvians are major consumers of poultry. - TRQ: 6 percent increase per year. Only 15 percent of TRQ is used.
Bread, pastry, cookies (HS 1905)	N/A	3,841 tons (\$10.1 million)	21 percent	0 percent	- Colombia is the major import supplier and holds 32 percent of market share. Local companies are very strong.	United States holds 13 percent of import market share. HS code 190590 represents 80 percent of imported.
Soups & Broths (HS 2104)	N/A	1,353 tons (\$3.2 million)	21 percent	0 percent	- Local companies are very competitive	- United States grew 12 percent in 2011 and is the major import supplier in this category, holding 33 percent of import market share
Sauces (HS 2103)	N/A	6,597 tons (\$12.7 million)	19 percent,	0 percent	- Local companies are very competitive.	- United States grew 48 percent in 2011 and is the major import supplier in

		million)				this category, holding 36 percent of import market share
Nuts and almonds (HS 0802)	N/A	479 tons (\$2.8 million)	46 percent	0 percent	- Chile is very competitive in almonds and walnuts production. Last year was major supplier holding 52 percent of market share.	- Importers recognize that U.S. quality of nuts and almonds is better than competitors.
Wine (HS 2204)	41 million liters	18.8 million liters (\$32 million)	17 percent	0 percent	- Argentina (44 percent), Chile (28 percent), and Spain (12 percent) are major exporters. - Only regular wine consumers recognize U.S. wine quality. - Small niche market for U.S. wines	- There is a niche market for quality wines for which the United States can be appreciated and price competitive. - Peru's wine consumption is growing. Right now is above 1.3 liters. - Import volume has grown 120 percent in respect 2010. However, value only grew 28. Low cost wines are gaining territory.

Note: TRQ = Tariff Rate Quota, on a first-come first-serve basis.

Sources: World Trade Atlas, USTR, Ministry of Agriculture (Minag), Gestion and El Comercio Newspapers

Products not Present in Significant Quantities, but which have good sales Potential:

Product/ Product Category	Imports 2011	Average Annual Import Growth (2006-11)	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for the U.S.
Peaches, cherries and Nectarines (HS 0809)	3,739 tons (\$3.1 million)	27 percent	0 percent	- Chile is major supplier with 99 percent of the market.	- Importers are interested in U.S. peaches and nectarines. - Duty free access for this category.
Apples and Pears (HS 0808)	52,534 Tons \$41 million	17 percent	0 percent	- Chile is the major supplier with 87 percent of the market. - Chile proximity benefits from other suppliers.	- There is a window of opportunity for the United States between November and February. Local consumers recognize U.S. apples and pears quality.
Grapes, raisins (HS 080620)	6,616 tons (\$15.5 million)	29 percent	0 percent	- Chile holds almost 95 percent of the market.	- U.S. window: September to December.

Citrus (HS 0805)	123 tons \$141,612	56 percent	5 percent	<ul style="list-style-type: none"> - Chile is the second major supplier with 21 percent of the market. - Strong Local production 	<ul style="list-style-type: none"> - United States holds 79 percent of import market - Recognized quality of U.S. oranges and tangerines. - Export window for the United States is from January to March.
Pork Meat (HS 0203)	2,648 tons (\$7.2 million)	66 percent	5 percent	<ul style="list-style-type: none"> - Peruvians are not used to eating pork. - Local industry produces more than 100,000 MT - The industry is the same as the poultry industry. - Chile is the major supplier with 88 percent of the market and second is Canada with 15 percent 	<ul style="list-style-type: none"> - Pork imports are growing. - U.S. pork benefit from TPA implementation. - Beef importers can also import pork. Best quality and competitive prices. - USMEF representative for the region.
Sausages (HS 1601)	620 tons (\$2.0 million)	26 percent	5 percent	<ul style="list-style-type: none"> - Major exporter is Chile with 37 percent of the market - Local industry is strong 	<ul style="list-style-type: none"> - There is a high-end segment for gourmet sausages, in which the United States can compete. United States holds 34 percent of import market. Imports has grown 119 percent in 2011. Fast food restaurants are main channel for this category.
Ham, processed HS 160241	77 tons (\$0.92 million)	31 percent	10.71 percent	<ul style="list-style-type: none"> - Major suppliers are Italy (46 percent of the market) and Spain (40 percent). 	<ul style="list-style-type: none"> - The United States has quality products to introduce to the gourmet market - TPA: 7 years U.S. imports holds 5 percent of import market share.
Beer (HS 2203)	7.8 million liters (\$4.9 million)	16 percent	0 percent	<ul style="list-style-type: none"> - Local breweries are very strong and owned by international companies. - Local breweries produce and import new brands for introduction in the market. Brazil is the major supplier (50 percent of the market). 	<ul style="list-style-type: none"> - Niche market for premium beers. - Growing consumption of beer (over 40 lts per capita) - Duty free entrance. Lack of U.S. brands within the market.

Note: TRQ = Tariff Rate Quota, on a first-come first-serve basis.

Sources: World Trade Atlas, USTR, Ministry of Agriculture (Minag), Gestion and El Comercio Newspapers

Products Not Present Because They Face Significant Barriers:

None.

Section V. Key Contacts and Further Information

If you have any questions or comments regarding this report or need assistance, please contact the Foreign Agricultural Service in Lima, Peru at the following address:

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Please, also refer to our other current food market related reports: Exporter Guide, Food and Agricultural Import Regulations and Standards (FAIRS), FAIRS Export Certificate, Food Processing Ingredients Sector and HRI Food Service Sector.