

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

Voluntary Public

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GAIN Report Number:

Peru

Post: Lima

Updated Rice Report

Report Categories:

Grain and Feed

Approved By:

Emiko Purdy

Prepared By:

Gaspar E. Nolte

Report Highlights:

Revised PS&D

General Information:

Rice production for CY 2011 is forecast to decrease 9 percent to 1.68 MMT (milled basis). Lack of rain in northern Peru delayed the planting season causing total harvested area to fall from 381,000 hectares to 350,000 hectares.

Production:

Rice, Milled Peru	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Apr 2009		Market Year Begin: Apr 2010		Market Year Begin: Apr 2010	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	409	381	395	400		350
Beginning Stocks	367	367	422	170		65
Milled Production	2,087	1,840	2,000	1,950		1,680
Rough Production	3,025	2,667	2,899	2,826		2,435
Milling Rate (.9999)	6,900	6,900	6,900	6,900		6,900
MY Imports	93	91	70	90		250
TY Imports	70	91	60	90		250
TY Imp. from U.S.	0	0	0	10		15
Total Supply	2,547	2,298	2,492	2,210		1,995
MY Exports	50	48	100	45		30
TY Exports	80	48	80	45		30
Consumption and Residual	2,075	2,080	2,100	2,100		1,940
Ending Stocks	422	170	292	65		25
Total Distribution	2,547	2,298	2,492	2,210		1,995
1000 HA, 1000 MT						

Rice production for CY 2011 is forecast to decrease 9 percent to 1.68 MMT (milled basis). Lack of rain in northern Peru delayed the planting season causing total harvested area to fall from 381,000 hectares to 350,000 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 CY2010 was \$349 per MT of rough rice.

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 by salinization due to constant flooding. The government continues encouraging 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 2010 were 7.3 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.

The Inter American Development Bank has a project in the San Martin province to promote a rice intensification system (SRI). The SRI goal is to give the plant more space to develop and obtain its nutrients. This system proposes 40 cm between plants (instead of the traditional 25 cm) and recommends planting one to two seeds instead of five. This project, which started two years ago, has already increased yields from 8 to 10 MT per hectare. There are about a thousand hectares under this system currently; its goal is to raise yields to an average of 14 MT per hectare.

Consumption:

Rice is a staple product in the Peruvian diet, with per capita rice consumption estimated at about 55 kilograms per year. Rice is traditionally sold in small markets, weighed out and bagged in 50 kg sacks. , With the expansion of supermarket chains in

Peru in recent years several consumer habits, including the purchase of rice, have changed. There is a growing demand for prepackaged one-kilogram bags of rice. Higher quality rice, including U.S. rice, is generally marketed in this way.

Trade:

Rice imports into Peru in CY 2010 were 94,498 MT. The imported rice market in Peru continued dominated by Uruguayan rice with a market share of 95 percent. Rice imports from the United States remained limited despite the tariff advantage provided by the U.S. – Peru TPA. Reportedly, higher prices from the U.S. and a long standing relationship from a particular importer with an 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). Peru has banned paddy rice for many years on the ground that the hulls could transmit pests that are not present in Peru. Khapra Beetle is the principal pest of concern to Peru. This is more likely to occur if the paddy rice is sold as seed rather than milled, but Peru claims it cannot lift this ban. Currently a pest risk assessment is being done which will hopefully result in elimination of the ban and additional sales of U.S. rice.

Import Trade Matrix (Metric Tons)	
Commodity	Rice
Time Period	CY 2010
Imports from:	
U.S.	3,338
Others	
Uruguay	90,036
Total for Others	90,036
Others not Listed	1,094
Grand Total	94,468

Policy:

Rice imports are assessed a 9 percent import duty on c.i.f. plus a variable levy applied under the Peruvian Price Band System. The Price Band System is an import tax that depends on international prices and ensures that the import price of specific commodities, after payment of the levy, will equal a predetermined minimum import price. This tax, which is imposed on certain "sensitive" products, is expressed in dollars per metric ton. Under the U.S. - Peru TPA, the Price Band System will be eliminated for products from the United States. It will remain in place for products from other countries, including MERCOSUR.

Under the U.S.-Peru TPA, U.S. rice will be granted a duty free TRQ of 72,000 MT, with annual increases of 6 percent and full duty free access in 17 years. Since Uruguay will not receive the same level of tariff preference for rice under the Peru-MERCOSUR trade agreement, this could be an opportunity for U.S. rice exporters to recover their market share in Peru