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Report Highlights:

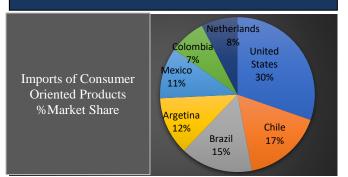
Peru is the third largest export market for U.S. agricultural products in South America. U.S.-origin food and agricultural product exports to Peru benefit significantly from the U.S. - Peru Trade Promotion Agreement (PTPA). U.S. consumer-oriented food exports to Peru are forecast to reach \$355 million by year's end, a four percent increase with respect to 2021.

Market Fact Sheet: PERU

Executive Summary

Peru's economy successfully recovered in 2021, displaying similar strength as it had prior to the pandemic. Agriculture accounts for approximately five percent of Peru's GDP, but employs around 28 percent of the population. The U.S. – Peru Trade Promotion Agreement, which entered into force in February 2009, has increased bilateral trade of agricultural products from \$1.46 billion in 2009 to \$3.5 billion in 2021, an increase of 139 percent. The United States was the second largest agricultural product supplier to Peru in 2021, accounting for 16 percent of market share.

Imports of Consumer-Oriented Products



Peru's consumer-oriented imports from the world reached \$1.8 billion in 2021. Peru offers good opportunities for U.S. exporters of consumer-oriented agricultural products, but there are some challenges. The successful introduction of new to market food products depends on the knowledge of the market. Exporters should review Peru's food laws, packaging and labeling requirements, business practices, and rely on experienced distribution partners. Getting to know the potential importer and the local distribution system is critical.

Food Processing Industry

Peru's food processing industry is a dynamic sector of the national economy. The food industry in Peru accounts for almost 28 percent of the industrial GDP and the gross value added reached \$9.1 billion by the end of 2021. Its growth is directly linked to the development of the food retail and food service sectors. Food product manufacturers source both domestic and imported product ingredients. Local processed food products cover 70 percent of the market demand.

Food Retail Industry

There are three main supermarket chains in Peru: Cencosud (Wong and Metro), Saga Falabella (Tottus) and Supermercados Peruanos (Vivanda and Plaza Vea). The market includes 282 conventional supermarkets and superstores, with 178 in Lima, and 790 modern convenience stores. The sector is comprised of both conventional supermarkets and traditional channels, comprised of wet markets and independent stores. Different types of food appear to perform better in the two formats. Top products include snack foods, dairy, edible oils, confectionaries, bread, and cookies.

Quick Facts CY 2021

Imports Consumer-Oriented Products: \$1.8Bn

Top 10 food products growth in Peru

	- P		ueus growth mit et u			
1.	Food	6.	Beer made from malt			
	Preparations	7.	Cocoa preparations			
2.	Skim Powder	8.	Meat of bovine			
	Milk Exc 1.5%	9.	Other non-alcoholic			
3.	Chicken cuts		beverages.			
4.	Dog and cat food	10.	Cheese			
5.	Sugar					
	confectionary					
	•					

Food Industry Gross Value Added: \$9.1 billion

Food Industry by Channels

- 1. Food Exports: \$7.3 billion
- 2. Food Imports: \$4.7 billion
- 3. Retail: \$23 billion
- 4. Food Service: \$8.5 billion
- 5. Wet market: \$18 billion

GDP/Population

Population (Millions): 32 GDP (Billions USD): 225 GDP Per-capita (USD): \$6,500

Top 10 Host Country Retailers

- 1. Supermercados Peruanos S.A.
- 2. Cencosud Retail Peru
- 3. Hipermercados Tottus S.A.

Strengths/Weakness-Opportunities/Challenge

Strengths	Weakness	
Strong demand for	Low penetration of	
consumer food	modern food retail	
products	throughout the country.	
Opportunities	Challenges	
Crowing middle along	Stiff competition from	
Growing middle class	other countries.	

Data and information sources: FAS Lima Contact: FAS Lima

I. Detailed Market Overview

Peru is the third largest export market for U.S. agricultural products in South America. Until September this year, U.S. agricultural exports to Peru reached \$866 million, five percent higher than the same period in 2021. The consumer-oriented category accounts for 29 percent of total U.S. agricultural exports and it is projected to reach \$355 million by the end of the year.

Peru is a member of several bilateral and multilateral trade agreements that have opened new markets for its exports and increased demand for imported goods. This openness to international trade and Peru's growing middle class have transformed domestic food market channels. Among Peru's trade agreements is the U.S. – Peru Trade Promotion Agreement (PTPA) which offers multiple opportunities for U.S.-origin food and agricultural product exports to Peru. The demand for U.S. consumer-oriented foods has steadily grown since the implementation of the PTPA in 2009, reaching \$340 million in 2021, a record value for this category.

The country's population has increased by almost 6.5 million inhabitants in the last 17 years. According to the last census in 2017, Peru's population reached almost 31.5 million and it is the fourth most populated country in South America after Brazil, Colombia, and Argentina. The coastal area accounts for 50 percent of the total population, with Lima being the largest city with 9.5 million people. The two main achievements of Peru's economic expansion have been the substantial reduction of poverty and the surge of an emerging middle class. According to the National Statistics Institute (INEI), almost 45 percent of the population belongs to this socioeconomic group. However, one of the most notable vulnerabilities of this emerging middle class is its high labor informality, which lacks the stability of a typical middle class and reduces productivity growth. Peru's government aims to reduce the high labor informality and is working on strategies to stimulate employment, such as creating opportunities to improve foreign investment.

According to Peru's Central Bank (BCRP), the nation's Gross Domestic Product (GDP) will grow 3 percent in 2022. This growth is based on a recovery of the services sector that saw improved private consumption and a recovery of exports. However, the <u>BCRP's September inflation report</u> recently lowered the forecasted GDP growth from 3.1 to 3 percent based on a slight reduction in mining production in the second half of the year. In addition, the report estimates inflation of 7.8 percent by the end of 2022, based on spikes in the prices of food and energy. Local situations also pushing inflation upward are a delay in public spending, lower business confidence, and continuous political uncertainty.

Peru's food market has been impacted by other externalities, in some cases related to the pandemic. Disruptions in supply chains, price spikes of raw commodities, volatile exchange rates, and inflationary pressures have all caused significant price increases for food products. During the height of the pandemic, food suppliers oriented their strategies towards affordable and bulk categories, such as private label, to offset price increases. Even though parts of this strategy remain in place, consumption in 2022 has trended downward, which is unlikely to change if international and local issues continue.

Advantages	Challenges
 Advantages The U.SPeru Trade Promotion Agreement grants duty-free access to two-thirds of all U.Sorigin food and agricultural products, including high- value food products. An active supermarket industry that is eager to develop alternative categories such as private label. 	 Challenges Traditional channel remains the most important for consumers. Preference to buy fresh produce in traditional markets. Modern Retail Channel (supermarkets and convenience stores) accounts for only 25 percent of the retail food market share in Lima and 19 percent in the provinces.
 Potential growth of new supermarket outlets and convenience stores in Lima's suburbs and other cities. Appreciation for U.S. food quality and variety. Untapped categories such as refrigerated and frozen products. 	 New, local food brands are appearing in the market at very low prices. Lima-based companies supply provincial supermarkets. Lack of brand awareness among some consumers. Market access demands higher marketing
 Increased health consciousness among the Peruvian population. Resumption of activities in foodservice and food processing sectors. 	 costs. Domestic producers manufacture more affordable products according to local taste preferences. Cumbersome sanitary registration processes delay the entrance of new food products.

Table 1: Advantages and Challenges Facing U.S. Products in Peru

II. Exporter Business Tips

The Peruvian market is complex and constantly evolving due to the low penetration of modern food retail channels. FAS Lima recommends that U.S. suppliers seeking entry into this market conduct thorough, preliminary research to determine if there is a potential market for their products. The research should cover key marketing and regulatory issues including consumption trends, size of the market (imports), major distribution channels, current import tariff and local tax structure, and government regulations and standards. Current U.S. suppliers should also consider consultations with importing partners to determine if any change of marketing strategies for existing products is needed.

Given the level of quality and packaging of U.S. consumer-oriented food products, the most suitable channel is through supermarket chains. However, it is recommended to explore alternatives, such as small packaging for distribution through the traditional channel (corner stores and open markets). Supermarkets target mainly middle- and upper-income consumers. U.S. food suppliers should first consider establishing a distribution agreement with an importer or wholesaler/distributor. Local importers typically have business agreements with all supermarket chains and other market formats such as gas stations, small independent grocery stores (bodegas), and convenience stores. Deals directly with supermarkets are often under exclusivity terms. Importers generally purchase based on price and quality. There exists, however, niche markets for high-value products for upper income consumers, where pricing is not as much of a concern.

Be diligent in selecting an agent or a representative. Visits and face-to-face meetings in Peru are recommended, however, given the continued pandemic situation, importers are familiar with virtual communication platforms. Conduct a background check of the prospective partner before signing permanent contractual arrangements. The local partner selected should provide information on consumer trends, market development activities, business practices, and identify niche markets.

Road Map for Market Entry

FAS Lima recommends that U.S. exporters consider the following steps:

- Identify the distribution channel that will best fit the export company's market strategy.
- Depending on the channel chosen, identify a strategic import partner.
- Obtain the sanitary registration either directly or through a local partner.
- Request import permits as required.
- Forward the import partner copies of customs clearance documentation prior to shipment.
- Provide ongoing support to the importer to help build consumer demand.

III. Import Food Standards and Regulations/Import Procedures

Sanitary inspection, food registration, packaging, and control regulations for food and beverages are contained in <u>Supreme Decree No. 007-98-SA</u> (September 25, 1998). The Ministry of Health's Directorate General for Environmental Health (Dirección General de Salud Ambiental - DIGESA) is the U.S. Food and Drug Administration's (FDA) counterpart; it regulates the registration and supervision of domestic and imported processed foods and beverages. The Ministry of Agriculture's National Plant and Animal Health Service (Servicio Nacional de Sanidad y Calidad Agro-Alimentaria - SENASA) develops and implements Peru's sanitary and phytosanitary regulations. SENASA's U.S. counterparts are the Animal and Plant Health Inspection Service (APHIS) and the Food Safety and Inspection Service (FSIS). The National Quality Control Institute (INACAL) is the competent authority on standardization, accreditation, and metrology.

General Import and Inspection Procedures

To clear Peruvian Customs (SUNAT), imports must be accompanied by a Unique Customs Declaration (DUA), a commercial invoice, an airway bill or bill of lading, a packing list, and an insurance letter. Imports must also be accompanied by a DIGESA food sanitary registration for processed food products. For animal and plant products or their by-products a health certificate is required.

The customs agent transmits the DUA electronically to SUNAT, which assigns a level of customs clearance control. SUNAT channels imports along a green, orange, or red lane. The green lane permits entry of the product upon payment of duties. The orange lane requires additional documentation review. The red lane requires both a document review and physical inspection.

Food and Beverage Sanitary Registration

The registration process must be initiated by a SUNAT registered company, in possession of a valid tax identification number (RUC). DIGESA registration information must be uploaded to the VUCE website (*Ventanilla Unica de Comercio Exterior*). This site handles formalities for goods transiting, entering, or leaving Peru. Requirements include:

- Simplified Trade System Form (SUCE *Solicitud Unica de Comercio Exterior*) must be filled out on the <u>VUCE website</u>.
- A physical/chemical and microbiological quality analysis from the manufacturer's quality control laboratory or by a laboratory in Peru accredited by INACAL or any other international accreditation entity recognized by the International Laboratory Accreditation Cooperation or the Inter-American Accreditation Cooperation. The microbiological parameters for food and beverages were approved by the Ministerial Resolution 591-2008/MINSA and are specified at <u>NTS 071- MINSA/DIGESA</u>.
- Bromatological analysis results issued by a laboratory accredited by INACAL or any other international accreditation entity recognized by the International Laboratory Accreditation Cooperation or the Inter American Accreditation Cooperation.
- List of ingredients and quantitative compositional analysis of food additives identified by their generic name and international numeric reference (SIN Code).
- Conservation and storing conditions.
- Information about the packaging, indicating the type and material used.
- Lifetime information of the product under normal conservation and storage conditions.
- Identification system of the production batch.
- Labeling information.
- Payment of administrative fees.

Along with the signed application form, the importer needs to present the certificate of free sale and use. The supplier requests the certificate. The label must comply with local regulations and the registration receipt must be presented. Documentation must be less than one year old. A Spanish language translation of the documentation must be attached.

For additional information, see our <u>FAIRS – Food and Agricultural Import Regulations and Standards</u> <u>Narrative Country Report 2022.</u>

Certificates for Animals, Plants, and By-Products

Prior to shipment, an import permit must be obtained from SENASA. A copy of the permit needs to be forwarded to the exporter. The exporter must provide the importer with an official health certificate from the country of origin. SENASA port inspectors verify compliance with import requirements. For new-to-market animal and plant products, a risk assessment must be carried out in accordance with the Andean Community, World Trade Organization (WTO), Codex Alimentarius (CODEX), or World Organization for Animal Health (OIE) recommendations, as well as per the sanitary requirements of the exporting country.

Certificates for animal and plant products and their by-products must be error free, contain no pen or ink changes, or have any other type of amendments. If applicable, the product must be packaged in food safe packaging and labeled in accordance with U.S. regulations. The product must identify its content, net weight, and the facility where it was produced. APHIS issues sanitary and phytosanitary certificates for animal and plant products, and their by-products. FSIS will certify meat and meat by-products, while the Agricultural Marketing Service (AMS) issues certifications for U.S. dairy products.

For additional information, see our <u>FAIRS – Food and Agricultural Import Regulations and Standards</u> Export Certificate Report 2022.

Labeling Requirements

All food and beverage products packaged for sale must be labeled in accordance with the provisions established in INDECOPI's Peruvian Metrological Standards NMP 001:2014 – Packed Products Labeling, as well as per article 117 of Supreme Decree 007-98-SA. An adhesive Spanish language label needs to be applied before an imported product reaches the point-of-sale. A Spanish language translation of the label must include the importer/distributor's contact information.

The Ministry of Health published the *Warning Label Manual* (the Manual) for food labeling under the *Law on the Promotion of a Healthy Diet* on August 18, 2017. The Manual establishes detailed specifications for the inclusion of warnings on the front of package labels of products that exceed the limits for salt, sugar, saturated fat, and trans-fats established in the *Law on the Promotion of a Healthy Diet* (Law 30,021). On March 31, 2022, the Ministry of Health published <u>Supreme Decree 005-2022-SA</u> which extended the use of stickers to comply with Peru's front of package nutritional warning label for processed food products through December 31, 2022.

For additional information, see our <u>FAIRS – Food and Agricultural Import Regulations and Standards</u> <u>Narrative Country Report 2022.</u>

IV. Market Sector Structure and Trends

- Major supermarket chains are forceful negotiators.
- Supermarket suppliers offer a wide range of 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.
- Major supermarket chains will request product exclusivity.
- Food products are often imported in consolidated containers.
- Major supermarket chains may import high-end products directly to earn higher margins. However, they first rely on importers/distributors to source imported food products.
- Distributors and wholesalers often conduct in-store promotions with their own personnel in store.

Retail Food Sector

Peru's food retail sector has shown a positive growth trend in the last 15 years, based on the opening of new stores and the consolidation of middle-class and economic indicators. As consumption patterns have changed and staple products became a focus during the pandemic, some formats have shown higher growth such as hard discount and cash & carry outlets versus the supermarket and even hypermarket formats. Gradually, the sector overcame challenges posed by the pandemic and sales rebounded towards the second half of 2021. However, growth will likely be variable across the sector.

The sector is comprised of two sub-sectors: modern (supermarket stores, convenience stores, discount stores, cash & carry) and traditional (open markets, mom-and-pop stores, bodegas).

Peru's food retail sector is projected to grow 5.3 percent in 2022, reaching \$26.3 billion. Consumers are expected to revert to some pre-pandemic purchasing habits, but with limitations due to inflationary pressures. Both channels (modern and traditional) have implemented strategies to maintain growth. For further information about this sector please refer to <u>Peru's Food Retail report 2022</u>.

Food Processing Sector

In 2021, Peru's food and beverage sector rebounded from a slight drop in 2020, achieving 9.8 percent growth thanks to better performance of industrial sectors such as milling and bakery products, canned seafood, confectionary production, and others. On the contrary, other segments fell behind 2019 levels, such as starch production, sugar production, pasta production, and processed meats. The food and beverage segment accounts for 27 percent of industrial GDP.

Growth in this sector is directly linked to the development of food retail and food service sectors throughout Peru. In the last 10 years, the modern food retail channel (supermarkets and convenience stores) has expanded and gained ground among consumers.

For further information please refer to Peru's Food Processing Ingredient report 2022.

HRI Food Service Sector

Health restrictions eased during 2021 and since then, the foodservice sector has continued to grow in stages but has yet to recover pandemic related losses. Foodservice businesses gradually increased sitting capacity and opening hours, allowing consumers to dine in. Delivery services maintained strong business, but not at the same levels during the strict lockdowns. Full-service restaurants remained the most important category and showed positive results, however, the sector is still cautious to open new outlets due to economic and political uncertainty. Tourism had been a strong driver of the hotel-restaurant-institutional (HRI) sector since before the pandemic. However, the flow of international visitors dramatically decreased through 2021 as a result of strict travel restrictions, interrupting the volume of foreign tourists.

The Government of Peru has implemented different mechanisms to support the sector (Reactiva Peru, Turismo Emprende, among others), but many economists and experts believe it imperative to rethink the current strategies in place. Several sources forecast a full recovery of the HRI sector by 2023.

For further information please refer to Peru's HRI Foodservice report 2022.

V. Agricultural and Food Imports

Table 2: U.S. Agricultural Exports to Peru (\$Million)					
Product	2017	2018	2019	2020	2021
Bulk Total	784	785	491	348	397
Corn	515	502	176	114	141
Cotton	97	113	87	61	126
Wheat	94	54	103	49	59
Soybeans	42	93	106	93	49
Pulses	32	22	18	30	22
Other Bulk Commodities	3	1	0	1	0
Consumer Oriented Total	266	272	317	293	340
Dairy Products	74	57	74	96	110

Table 2: U.S. Agricultural Exports to Peru (\$Million)

Food Preparations	27	33	34	39	55
*					
Poultry Meat & Prods.	32	34	46	23	38
Beef & Beef Products	22	25	24	20	33
Dog & Cat Food	8	9	10	10	13
Fresh Fruit	10	8	11	13	11
Chocolate & Cocoa Products	9	19	21	8	11
Tree Nuts	9	9	11	18	9
Pork & Pork Products	11	13	18	12	9
Others	65	66	68	54	49
Intermediate Total	242	306	217	276	257
Ethanol (non-bev.)	72	69	79	76	83
Soybean Oil	-	70	9	20	45
Soybean Meal	90	83	53	104	41
Other Feeds, Meals & Fod.	30	28	21	25	36
Planting Seeds	14	12	11	15	15
Dextrins, Peptones, & Prot.	11	14	14	10	12
Others	25	29	31	26	24
Agricultural Related Products	26	50	34	22	67
Biodiesel & Blends > B30	13	31	12	9	50
Forest Products	7	12	13	7	9
Seafood Products	6	8	8	6	8
TOTAL	1,318	1,412	1,059	939	1,062
Source: Global Agricultural Trade System (GATS)					

Source: Global Agricultural Trade System (GATS)

Table 3: Best High-Value, Consumer-Oriented Product Categories

• Cheese	Pork and pork products
Snacks	Sauces and condiments
Beef and beef products	Nuts and almonds
Poultry and poultry products	Process vegetables
Food preparations	• Fruit and vegetable juices
• Bread, pastry, and cookies	

VI. Key Contacts and Further Information

U.S. Embassy Lima, Foreign Agricultural Service (FAS), Office of Agricultural Affairs (OAA) Mailing Address: FAS OAA Lima, Unit 3785, DPO, AA 34031 Phone: (511) 434-3042, Fax: (511) 434-3043, E-mail: aglima@usda.gov. For additional information, see <u>www.fas.usda.gov</u>. See also our Food and Agricultural Import Regulations and Standards (FAIRS) reports, FAIRS Export Certificate, Retail Foods Sector, Food Processing Ingredients Sector, and HRI Food Service Sector GAIN reports.

TRADE ASSOCIATIONS				
American Chamber of Commerce	National Society of Industries (SNI)			
Peru (AMCHAM)	President: Jesus Salazar			
Executive Director: Aldo Defilippi	Address: Los Laureles 365,			
Address: Av. Ricardo Palma 836,	San Isidro, Lima 27			
Miraflores, Lima 18	Phone: (511) 616-4444, Fax: (511) 616-4433,			
Phone: (511) 705-8000, Fax: (511) 241-	www.sni.org.pe			
0709, <u>www.amcham.org.pe</u>				
Hotel and Restaurant Association (AHORA)				
President: Blanca Chavez				
Address: Av. Benavides 881, Miraflores, Lima 18,				
Phone: (511) 444-4303, Fax: (511) 444-7825, E-				
ahora@ahora-peru.com, www.ahora-peru.com				
MINISTRIES AND GOVERNMENT AGENCIES				
Ministry of Agriculture (MIDAGRI	Ministry of Foreign Trade and Tourism			
Minister: Mr. Juan Altamirano	(MINCETUR)			
Address: Av. La Universidad N° 200 – La Molina	Minister: Mr. Roberto Sanchez			
Phone: (511) 613-5800, Fax: (511) 711-3700,	Calle Uno Oeste 50-60, Urb. Corpac, San			
www.minag.gob.pe	Isidro, Lima 27			
	Tel: (511) 513-6100, <u>www.mincetur.gob.pe</u>			
Ministry of Environment (MINAM)	National Agricultural Sanitary and			
Minister: Mr. Wilbert Rozas	Phytosanitary Service (SENASA)			
Av. Javier Prado Oeste 1440, San Isidro, Lima 27.	Director: Mr. Miguel Quevedo			
Tel: (511) 611-6000, Fax: (511) 611-6000 Annex:	Address: Av. La Molina 1915 – Lima 12			
1634, <u>www.minam.gob.pe</u>	Phone: (511) 313-3300, Fax: (511) 340-			
	1486, <u>www.senasa.gob.pe</u>			
General Environmental Health Bureau (DIGESA)	Customs (SUNAT)			
Director: Mr. Jose Ramos	Superintendent: Mr. Luis E. Vera			
Address: Las Amapolas 350, Urbanización San	Address: Av. Garcilazo de la Vega 1472 –			
Eugenio - Lima 14	Lima			
Phone: (511) 442-8353, Fax: (511) 422-	Phone: (511) 315-3300, Fax: (511315-			
6404, <u>www.digesa.minsa.gob.pe</u>	3318, <u>www.aduanet.gob.pe</u>			
National Institute for the Defense of Competition	National Fisheries Health Service			
and for the Protection of the Intellectual Property	(SANIPES)			
(INDECOPI)	Director: Mr. Eduardo Mora			
President: Mr. Julian Palacin	Location: Carretera a Ventanilla Km. 5.2,			
Address: Calle de la Prosa 138 - San Borja,	Callao. Tel: (511) 715-0180			
Phone: (511) 224-7800, Fax: (511) 224-	or: Domingo Orue 165, Piso 7, Surquillo. Tel:			
0348, <u>www.indecopi.gob.pe</u>	(511) 213-8570 <u>www.sanipes.gob.pe</u>			

Attachments:

No Attachments