Required Report: Required - Public Distribution **Date:** April 03, 2023

Report Number: PE2023-0008

Report Name: Grain and Feed Annual

Country: Peru

Post: Lima

Report Category: Grain and Feed

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Report Highlights:

Peru's grain production has been impacted by a prolonged drought in 2022 and flooding in March 2023, mostly affecting corn and rice. Wheat imports in MY 2023/2024 are forecast at 2.25 MMT. Corn production in MY 2023/2024 is forecast at 1.2 MMT while imports are forecast at 3.2 MMT. Rice production in MY 2023/2024 is forecast at 2.4 MMT. Peru has also declared a sanitary emergency through 2023 do the growing presence of highly pathogenic avian influenza, which could impact corn consumption.

Summary

Wheat production in marketing year (MY) 2023/2024 (July/June) is forecast at 205,000 metric tons (MT), a slight increase compared to the previous year estimate. Wheat imports in MY 2023/24 are forecast at 2.25 million metric tons (MMT). Wheat imports in calendar year (CY) 2022 were 2.05 MMT, recovering 3 percent compared to the previous year**.** Canada led the Peruvian wheat market in CY 2022 with 50 percent market share.

Corn production in MY 2023/2024 (October/September) is forecast at 1.2 MMT, the same level of the previous year's estimate. Corn consumption in MY 2023/24 is forecast at 4.4 MMT, an increase of almost three percent from the previous year**.** Peru's corn imports in MY 2023/24 (October-September) are forecast at 3.2 MMT, a slight increase from the previous year. Corn imports in CY 2022 were 3.6 MMT, decreasing two percent compared to the previous year. Argentina dominated the Peruvian corn market in CY 2022, accounting for 92 percent of market share.

On February 24, 2023, Peru's sanitary agency (SENASA) established a national sanitary emergency through 2023 to combat the spread of highly pathogenic avian influenza (HPAI). This will have effects on Peru's poultry and therefore grain market for the foreseeable future.

Rice production in MY 2023/2024 is forecast at 2.4 MMT (milled basis), increasing four percent from the previous year. Rice consumption is expected at 2.7 MMT in MY 2023/2024 and is forecast to remain constant in the upcoming years**.** Rice imports in MY 2023/2024 are forecast at 230,000 MT, an increase of five percent compared to the estimated imports in the previous year. Rice imports in CY 2022 fell 50 percent to 116,220 MT. Brazil was the lead rice supplier to Peru in CY 2022, with 57 percent of market share.

During most of 2022, much of Peru's grain production regions faced lingering drought conditions. This then led into significant flooding in some areas of Peru in March 2023 due to a rare cyclone off Peru's northern coast. Despite this, grain production as a whole has remained productive although some areas in northern and central Peru were particularly hard-hit.

Table 1:
Wheat Production, Supply, and Distribution

Wheat	**2021/2022**		**2022/2023**		**2023/2024**	
Market Year Begins	**Jul 2021**		**Jul 2022**		**Jul 2023**	
Peru	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested (1000 HA)	121	121	124	118	0	120
Beginning Stocks (1000 MT)	381	381	346	342	0	297
Production (1000 MT)	212	212	207	200	0	205
MY Imports (1000 MT)	1979	1975	2100	2175	0	2250
TY Imports (1000 MT)	1979	1975	2100	2175	0	2250
TY Imp. from U.S. (1000 MT)	306	306	0	350	0	500
Total Supply (1000 MT)	2572	2568	2653	2717	0	2752
MY Exports (1000 MT)	46	46	60	60	0	60
TY Exports (1000 MT)	46	46	60	60	0	60
Feed and Residual (1000 MT)	80	80	80	80	0	80
FSI Consumption (1000 MT)	2100	2100	2200	2280	0	2350
Total Consumption (1000 MT)	2180	2180	2280	2360	0	2430
Ending Stocks (1000 MT)	346	342	313	297	0	262
Total Distribution (1000 MT)	2572	2568	2653	2717	0	2752
Yield (MT/HA)	1.7521	1.7521	1.6694	1.6949	0	1.7083

(1000 HA) ,(1000 MT) ,(MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Wheat begins in July for all countries. TY 2023/2024 = July 2023 - June 2024

WHEAT

Production:

Wheat production in MY 2023/2024 (June/July) is forecast at 205,000 MT, a slight increase compared to the previous year estimate. Wheat in Peru is a minor cash crop, with production concentrated in the southern highlands between 2,800 and 3,500 meters above sea level. Wheat is produced by small farmers who operate less than one hectare and remains limited by difficult and mountainous geography and rudimentary production practices. Peru grows mostly soft wheat, which is not suitable for milling, and is primarily consumed directly in purees or as a soup ingredient.

The total area harvested in MY 2023/2024 is forecast at 120,000 hectares. The harvested area of wheat can vary significantly from one year to the next depending on local wheat prices, farmers' profit margin expectations, and the profitability of alternative crops such as quinoa, barley, and oats. The average yield in MY 2023/2024 is expected at 1.7 MT per hectare. The planting season for wheat was delayed by a severe drought that lasted most of 2022.

Local millers continue to finance a social program to encourage durum wheat cultivation for pasta production. Millers provide small farmers with seed and technical assistance and guarantee the purchase. These farmers produce 12,000 MT of durum wheat for a pasta production plant in Arequipa (approximately 1,000 kilometers south of Lima).

Consumption:

Total wheat consumption in MY 2023/2024 is forecast at 2.4 MMT, increasing slightly compared to the previous year estimate. Overall wheat consumption is 67 kilograms per capita, a relatively low level compared to potato and rice consumption of 115 and 74 kilograms per capita, respectively. Wheat consumption is relatively constant, increasing at about the same rate as economic growth.

Consumption of wheat and wheat products have been impacted by the economic crisis derived from the pandemic and the ongoing political crisis. Consumption and wheat product manufacturing have remained at nearly the same levels as in CY 2021 and 2022. FAS Lima estimates that consumption and manufacturing will increase as the economy recovers. Peru's GDP is expected to grow 2.4 percent in 2023.

In CY 2022, Peru produced about 1.6 MMT of wheat flour per year. Of this amount, the local baking industry uses 63 percent, 20 percent goes into pasta manufacturing, 12 percent into the cookies and crackers sector, and five percent goes into small-scale family use. Approximately 70 percent of domestic flour is sold through traditional markets. The remaining 30 percent of flour is sold in supermarkets.

The wheat milling industry is highly concentrated. The largest mill alone accounts for over 60 percent of total wheat milled. The country's four largest millers are responsible for around 85 percent of the wheat milled in Peru.

Bread consumption is 35 kilograms per person, one of the lowest in South America. In comparison, per capita consumption of bread is 75 kilograms in Argentina and 95 kilograms in Chile. Bread is typically purchased daily in bakeries and priced by the unit instead of weight, which leads to a low-quality product.

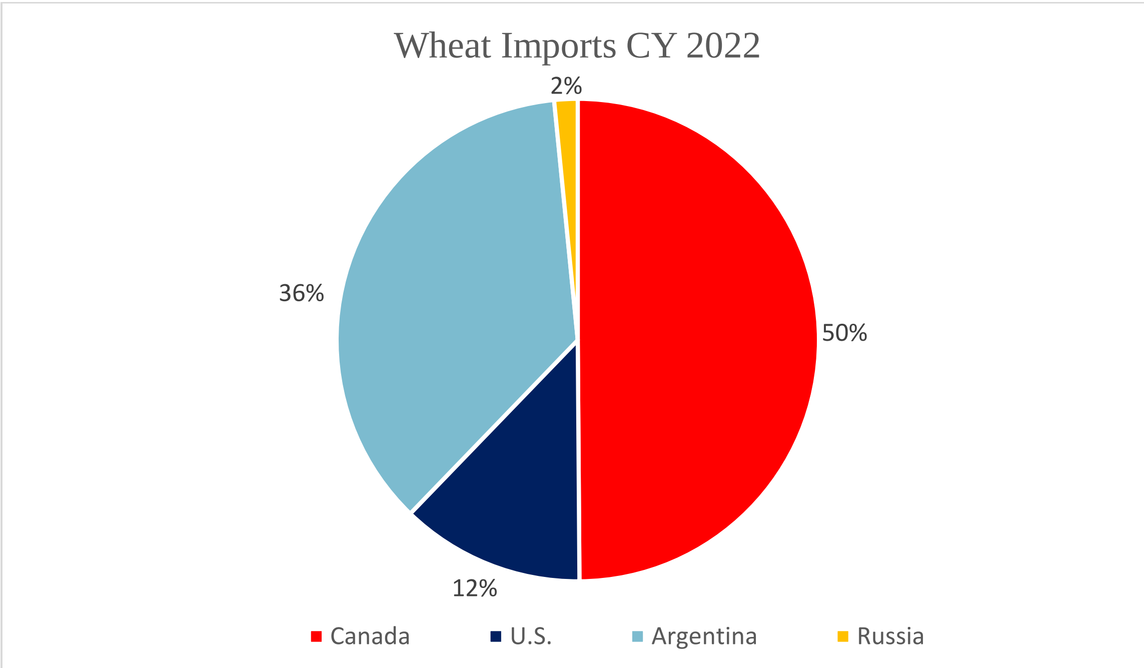
With pasta consumption at 12 kilograms per capita, Peru is one of the largest consumers of pasta in the region. Consumption is concentrated in the capital city of Lima, which accounts for half of all pasta consumed nationwide. Peruvian consumption of cookies and crackers remains low by regional standards at only 1.7 kilograms per capita.

Trade:

Wheat imports in MY 2023/2024 are forecast at 2.25 MMT. Wheat imports in CY 2022 were 2.05 MMT, recovering 3 percent compared to the previous year. Canada led the Peruvian wheat market in CY 2022 with 50 percent market share (down from 77 percent in the previous year), followed by the United States with 12 percent of market share. Argentina became a strong wheat supplier in CY 2022, increasing shipments by 317 percent, capturing 36 percent of the Peruvian market share.

Canadian wheat prices (C.I.F.) averaged $429 per MT, an increase of 48 percent compared to the previous year, while U.S. wheat prices averaged $358 per MT, increasing 32 percent. Argentina wheat prices were very competitive in CY 2022, with average import prices at $324 per MT.

Figure 1: Peru's Wheat Imports in 2022



Policy:

Peru imports wheat duty-free from all sources. Although Peru does not specifically promote wheat production, the government does have credit and technical assistance programs in place for all farmers. Most credits are granted through the Ministry of Agriculture's agencies such as Agro Rural and AgroIdeas, or through the Agricultural Bank.

Table 2:
Corn Production, Supply, and Distribution

Corn	**2021/2022**		**2022/2023**		**2023/2024**	
Market Year Begins	**Oct 2021**		**Oct 2022**		**Oct 2023**	
Peru	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested (1000 HA)	439	439	438	445	0	440
Beginning Stocks (1000 MT)	180	180	226	226	0	206
Production (1000 MT)	1549	1549	1535	1200	0	1200
MY Imports (1000 MT)	3527	3527	3400	3100	0	3200
TY Imports (1000 MT)	3527	3527	3400	3100	0	3200
TY Imp. from U.S. (1000 MT)	87	89	0	400	0	500
Total Supply (1000 MT)	5256	5256	5161	4526	0	4606
MY Exports (1000 MT)	10	10	10	10	0	10
TY Exports (1000 MT)	10	10	10	10	0	10
Feed and Residual (1000 MT)	4500	4500	4400	3800	0	3900
FSI Consumption (1000 MT)	520	520	530	510	0	520
Total Consumption (1000 MT)	5020	5020	4930	4310	0	4420
Ending Stocks (1000 MT)	226	226	221	206	0	176
Total Distribution (1000 MT)	5256	5256	5161	4526	0	4606
Yield (MT/HA)	3.5285	3.5285	3.5046	2.6966	0	2.6087

(1000 HA) ,(1000 MT) ,(MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Corn begins in October for all countries. TY 2023/2024 = October 2023 - September 2024

CORN

Production:

Corn production in MY 2023/2024 (October/September) is forecast at 1.2 MMT, remaining at the same levels from the previous year. Estimated corn production for MY2022/2023 is estimated to fall 22 percent to 1.2 MMT. Corn producers faced a long drought in 2022, which delayed planting. Then in March 2023, major floods throughout the country impacted planted areas, destroying about 15,000 hectares of planted area, including corn. This has added to the normal challenges local corn producers face such as high production costs, low productivity, and lack of access to improved technology such as genetically engineered seeds. Moreover, corn producers have faced fertilizer shortages for the past two seasons.

Corn in Peru is produced mainly by small farmers with limited access to technology, which results in very low yields. Average feed corn yield in CY 2022 was 3.5 tons per hectare. With these inefficiencies, it is extremely difficult for producers to compete with other suppliers.

Peru grows many varieties of corn. The two most important varieties are starchy corn for human consumption and yellow corn for animal feed. Starchy corn production in CY 2022 was 357,000 MT while production of yellow corn was 1.2 MMT.

A challenge that poultry producers face and that now creates risk for Peru's corn market is the increasing number of informal (non-registered) poultry farms, a problem that becomes more evident when poultry prices are high. These unregistered producers, who do not always follow proper sanitary protocols, account for roughly 25 percent of overall poultry meat production. This problem has recently become more of an issue due to the presence of HPAI, which threatens Peru's well-renowned poultry sector.

Consumption:

Corn consumption in MY 2023/2024 is forecast at 4.4 MMT, an increase of two percent from the previous year estimate. Demand is estimated to fall 14 percent in MY 2022/2023 due to the impact of extended social unrest and HPAI on poultry production. Additionally, recent floods have also impacted poultry farms. Peru produces 65 million broilers per month and has a flock of about 30 million layers. Approximately 70 percent of the yellow corn available is used as chicken feed in Peru's poultry farms, which currently number over 1,000. Per capita consumption of poultry meat in Peru is estimated at 52 kilograms per person in 2022, one of the highest in the region. Per capita consumption can reach as high as 70 kilograms per person in Lima.

HPAI began affecting backyard and small producers in January 2023. By March, several detections were made in commercial flocks, which could significantly lessen chicken output.

Trade:

Peru's corn imports in MY 2023/2024 (October-September) are forecast at 3.2 MMT, an increase of three percent from the previous year. Corn imports in CY 2022 were 3.6 MMT, decreasing two percent compared to the previous year. Argentina dominated the Peruvian corn market in CY 2022, accounting for 92 percent of market share. U.S. corn imports totaled 87,169 MT. Imports prices (C.I.F) of Argentine corn in CY 2022 averaged $293 MT (an increase of 19 percent from the previous year) while U.S. prices averaged $298 MT (increasing 17 percent compared to CY 2021).

Corn imports in Peru are subject to the Peruvian Price Band (PPB). This variable levy is triggered when commodity prices are low to protect domestic production. U.S. corn imports are exempt from the PPB because of the bilateral Trade Promotion Agreement. Since international prices began to increase in 2020, the PPB has been reduced and eventually eliminated, giving Argentine corn an advantage over U.S. corn.

Peru also imports distiller's dried grains with solubles (DDGS), to improve the quality of domestically produced animal feed. FAS Lima estimates that Peru could be a 100,000 MT market for U.S. DDGS. However, currently, many producers remain reluctant to use new inputs and revamp their feed formulas.

Policy:

Corn, from all origins, enters Peru duty-free. Peru's unilateral elimination of import tariffs on most commodities in 2011 eliminated many of the trade advantages afforded by the U.S.-Peru Trade Promotion Agreement. However, Peru maintains the Peruvian Price Band System for corn, which is activated when commodity prices are low. The U.S.-Peru Trade Promotion Agreement established a duty-free tariff rate quota (TRQ) of 500,000 MT for U.S.-origin corn with annual increases of six percent and full duty-free access within 12 years. Since 2020, U.S. corn has entered Peru duty free. This exclusion from the price band system makes U.S. corn more competitive in the Peruvian market at low international prices.

In 2011, Peru established a ten-year moratorium on planting genetically engineered crops, including corn. This moratorium prevents producers from being able to choose to cultivate genetically engineered varieties that could assist them in overcoming production challenges such as climate change. The moratorium was extended in January 2021 for another 15 years to December 31, 2035, which will continue to hinder Peruvian producers' ability to improve their competitiveness.

In February 2023, Peru's sanitary agency (SENASA) established a nationwide sanitary emergency through the end of the year to combat the spread of HPAI.

Table 3: Rice Production, Supply and Demand

Rice, Milled	2021/2022		2022/2023		2023/2024	
Market Year Begins	Apr 2021		Apr 2022		Apr 2023	
Peru	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	421	421	421	415	0	410
Beginning Stocks (1000 MT)	401	401	410	410	0	310
Milled Production (1000 MT)	2430	2430	2484	2300	0	2400
Rough Production (1000 MT)	3522	3522	3600	3333	0	3478
Milling Rate (.9999) (1000 MT)	6900	6900	6900	6900	0	6900
MY Imports (1000 MT)	209	209	160	220	0	230
TY Imports (1000 MT)	121	150	180	180	0	230
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	3040	3040	3054	2930	0	2940
MY Exports (1000 MT)	30	30	30	20	0	25
TY Exports (1000 MT)	30	30	30	20	0	25
Consumption and Residual (1000 MT)	2600	2600	2600	2600	0	2700
Ending Stocks (1000 MT)	410	410	424	310	0	215
Total Distribution (1000 MT)	3040	3040	3054	2930	0	2940
Yield (Rough) (MT/HA)	8.3658	8.3658	8.5511	8.0313	0	8.281

(1000 HA) ,(1000 MT) ,(MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2023/2024 = January 2024 - December 2024

RICE

Production:

Rice production in MY 2023/2024 is forecast at 2.4 MMT (milled basis), increasing four percent from the previous year. The total rice harvested area for MY 2023/2024 is forecast at 410,000 hectares, a 5,000-hectare reduction compared to the previous year.

The rice planting season in 2022 was delayed due to an extended drought that affected Peru until late November. Rice was also impacted by heavy rains and floods that hit Peru in March 2023. Harvested area in MY 2022/2023 is estimated to decrease 1.4 percent. Rice production has traditionally been concentrated in Peru's arid northwestern coastal region (mainly in the Lambayeque and Piura regions). Production challenges include poor quality soils and increasing soil salinization (a result of the field flooding irrigation technique used by farmers). Peruvian rice is surface irrigated, dependent upon water draining from Andean rivers hundreds of kilometers away. The average size of a rice farm is about five hectares.

Rice is harvested year-round, but the bulk of the crop is harvested between April and September. In CY 2022, farm gate prices averaged $335 per MT. Average yield in CY 2022 was 8.3 tons per hectare (rough based), however, some farmers are reporting yields as high as 14 MT/hectare.

The San Martin region (eastern slopes of the Andes) has become an increasingly important rice producing area, accounting for 25 percent of total production. Other important producers are the regions of Amazonas (northern Amazon basin), which produces 12 percent of the crop, and Piura and Lambayeque on the northern coast that account for 14 and 13 percent, respectively.

Figure 2: Rice field in the San Martin region

Source: FAS Lima

Consumption:

Rice is a staple food in Peru. Per capita consumption averages 74 kilograms per year. Rice is traditionally sold in 50-kilogram sacks. With the expansion of supermarket chains, consumer habits are shifting towards prepackaged, one-kilogram bags. Rice consumption is expected to grow slightly to 2.7 MMT in MY 2023/2024 and is forecast to remain constant in the upcoming years. Peruvians primarily consume long grain rice.

Trade:

Rice imports in MY 2023/2024 are forecast at 230,000 MT, an increase of five percent compared to the estimated imports in the previous year. Rice imports in CY 2022 fell 50 percent to 116,220 MT. Higher import prices and a large local crop caused this reduction in 2022.

Brazil was the main rice supplier to Peru in CY 2022, accounting for 57 percent of market share. Uruguay was also an important supplier with 41 percent of market share. Rice from the United States is currently not price competitive in the Peruvian market.

The price of imported rice in CY 2022 fell nine percent, averaging $566 per ton.

Policy:

Rice enters duty-free from all sources. Peru's unilateral elimination of import tariffs on rice in 2011 eliminated many of the trade advantages afforded by the U.S.-Peru Trade Promotion Agreement. However, Peru maintains the PPB for rice that is activated when commodity prices are low. The U.S.-Peru Trade Promotion Agreement established a duty-free TRQ of 72,000 MT for U.S.-origin rice with annual increases of six percent and full duty-free access within 17 years (2025). Rice imports from the United States are not affected by the Peruvian price band.

The current price band for rice (Supreme Decree 371-2017-EF) went into effect on December 21, 2017. It uses Thai rice as the reference price marker instead of Uruguayan rice. This change effectively increases the band range from a minimum of $408 and maximum of $480 per metric ton to a minimum of $599 and a maximum of $669 per metric ton. The products affected by the price band are H.S. codes: 1006.10.90.00, 1006.20.00.00, 1006.30.00.00, 1006.40.00.00.

Attachments:

No Attachments