

PERU

Market Overview

USDA's Office of Agricultural Affairs (OAA) in Lima, hereinafter referred to as "Post," and Food Export's In-Market Representative report that Peru is the second largest export market for U.S. agricultural products in South America reaching 16% of market share. For over a decade, Peru has been one of the world's top-performing economies, registering sustained high growth accompanied by low inflation.

U.S.-origin food and agricultural product exports to Peru benefit significantly from the U.S.-Peru Trade Promotion Agreement (U.S.-PTPA), with all tariffs to be phased out completely by 2026. U.S. agricultural exports have increased from \$514 million in 2009 to reach over \$1.36 billion in 2018. In 2021, U.S. exports neared US\$1 billion and are expected to remain stable in 2022. The U.S. accounts for a 30% share of the consumer-oriented foods segment.

Market Opportunities and Challenges for U.S. Exporters in Peru

Opportunities:

- The U.S.-PTPA grants duty-free access to two-thirds of all U.S.-origin food and agricultural products, including added-value food products.
- Growing middle class and high interest in searching for high-quality products.
- Positive perception of U.S. food quality, variety, and innovation.
- Active supermarket industry that promotes increased demand for high-value food products.
- The boom in e-commerce and increasing modern retailer coverage.
- Dynamic growth in foodservice and food processing sectors.
- Growth of new supermarket outlets in Lima's suburbs and second-tier cities.

Challenges:

- Supermarkets, the main channel for imported food products, still account for only 30% of the retail food market share in Lima and 20% in the provinces.
- Domestic producers manufacture more affordable products and adjust them to local taste preferences.
- Cumbersome sanitary registration processes delay the entrance of new food products.
- Stiff competition from neighboring countries.
- New nutritional labeling legislation adds cost to product labels.

Retail Sector

According to the Ministry of Production, retail sales accumulated 18 months of continuous growth in Peru. The retail market accounts for over US\$23 billion in sales as of 2021, and growth is driven by the modernization of the sector, e-commerce, and

delivery apps. The sector also benefited in the last 10 years from the consolidation of middle-class and economic indicators.

The traditional channels, formed by over 500,000 mom-and-pop stores called “bodegas,” still dominate the market, especially in smaller cities, away from the capital Lima. Despite modernization with financial and delivery tools implemented by those independent businesses, it is estimated that they are not having revenue growth over the last few years, whereas the modern channels are experiencing sales increases.

Modern retailers have been offering product assortment that has been changing habits with the consumers, this includes a wide variety of brands and types of products that range from standard or conventional items to specialty and luxury items, such as imported high-end brands, gourmet or organic or vegan food products.

Top product prospects include alcoholic beverages (wine, beer, whiskey), bakery products (bread, pastry, cookies), beef, poultry, cheeses, dairy products, condiments and sauces, food preparations, fresh fruits (stone fruits, deciduous, citrus), juices and non-alcoholic beverages, snacks and confectionery, nuts and almonds, and soups and broths.

Foodservice Sector

Peru’s gastronomy has become an important asset since it has received several international recognitions as a cultural and gastronomic destination in the last 10 years. The country has a reputation as a “foodie destination” in the region; it is recognized as “World’s Leading Culinary Destination” by the World Travel Awards since 2012, and there is a presence of three Peruvian restaurants in the list of “Latin America’s 50 Best Restaurants in 2021.” Tourism in the country boosts this gastronomy and brings a mix of traditional and international cuisine that favor exports from the USA.

The restaurant industry has recovered from the pandemic and has been changing with the boosting of delivery apps, which were already in the country before the pandemic and have consolidated after it. The industry has also been going through formalization and modernization, including concepts of customer loyalty, brand positioning in the market, and better customer service techniques.

Fast food has been expanding throughout Peru; however, most of the international food cuisine and items will be concentrated in tourist areas of Lima and major touristic cities such as Cusco. This is a sector that absorbs around 20% of all food and beverage imported by the country.

Top product prospects include beef and offal, cheese, distilled spirits, fresh fruit (apples and citrus), pork, poultry, processed fruits and vegetables, sauces and condiments, tree nuts, and wine.

Food Processing Sector

Peru’s food processing industry is a dynamic sector of the national economy. The food industry in Peru accounts for US\$9 billion in revenues. U.S.-origin food processing

ingredient exports to Peru reached almost US\$200 million in 2021, increasing more than 10% over the last decade, driven mostly by wheat and powdered milk exports.

The local industry relies on both domestic and imported ingredients and supplies 70% of the local demand for processed foods; however, that sector is formed mostly by small-sized companies.

Top product prospects include almonds, concentrated milk, enzymes and preparations, flour meat meals and vegetable fats, hop cones and roasted malt, mixtures of edible oils and fats, preparations of semolina, protein concentrates, skim powdered milk, starch flour or malt extract, vegetable saps and extracts, wheat, whey, and modified whey.