

Wheat Leads U.S. Grain Sales in Peru

By Gaspar E. Nolte

If Peru depended on its 190,000 metric tons of wheat production to supply its mills, many Peruvian consumers would be deprived of their favorite pasta dishes, which would be a disappointment for South America's No. 2 pasta-loving nation.

A minor crop grown only in the Andean highlands, local wheat is consumed mostly in soups and purées. Low production of soft wheat translates into a major export opportunity for U.S. producers.

Sales To Rise for Pasta, Milled Wheat

Though the outlook for wheat products is improving, a recession from 1999 through 2001 stagnated consumption of pasta and also wheat flour. In 2001, Peru's total flour consumption held at 855,000 tons, and pasta weighed in at 230,000 tons, both largely unchanged from recent years. Many mills reduced profit margins to maintain production levels. Only the country's growing population kept sales from falling.

In 2001, the average Peruvian consumed 10 kilograms of pasta and 38 kilograms of bread (low for Latin American countries). These amounts are expected to increase as the economy recovers.

Wheat Outlook Promising

In 2001, with improving economic news, Peru imported a record 1.4 million tons of wheat. The U.S. share was almost 560,000 tons, with Argentina (484,000 tons) and Canada (354,000 tons) being major competitors. In marketing year (MY) 2002/03, Peru's wheat imports are expected to reach 1.5 million tons, with 600,000 tons

coming from the United States, a 7-percent increase from 2001.

The volume of wheat imports from the United States has historically depended on the size of the Argentine crop and its export availability. Argentina's recent economic crisis, which resulted in a substantial currency devaluation, made its wheat more competitive in the international market. The effects of the devaluation will prob-

ably be more pronounced for the next Argentine harvest, which begins in December 2002.

As part of the Andean community of nations—which also includes Bolivia, Colombia, Ecuador and Venezuela—Peru is negotiating a trade agreement with MERCOSUR (a trade group made up of



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Argentina, Brazil, Paraguay and Uruguay). Grains will probably be a priority trade issue, especially for Argentina. But since Peru has been the most progressive country in the region in reducing its tariffs, further reductions or preferences are unlikely.

Peru has no policy to promote wheat production, although the country's major wheat importer, Alicorp, has experimented with durum production using U.S. seeds.

Peru exports only limited quantities of pasta to Chile and Ecuador, because internal taxes on products bump up final prices by over 40 percent.

Corn Mostly for Chicken Feed

MY 2002/03 corn production in Peru is projected to be nearly 1.5 million tons. Domestic varieties include starchy corn for human consumption, estimated at 287,000 tons in 2001, and the 1.1 million tons grown for the animal feed industry.

Peru's 21-million-chicken-per-month industry consumes most of the domestic yellow corn. Corn consumption by this sector alone is estimated at 2.1 million tons for 2002.

Poultry meat continues to be one of the cheapest sources of protein in the Peruvian diet. And Peru's corn consumption tracks changes in the poultry population.

In calendar year 2001, Peru imported 862,680 tons of yellow corn, of which almost 25 percent came from the United States and 72 percent came from Argentina.

The Peruvian government supports corn production by making financing available. Local production is also encouraged by the promise made by some poultry producers to use local corn. The Peruvian poultry producers' association signed an agreement with the corn producers' association that commits poultry producers to



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buy only locally produced yellow corn. If this agreement is put into practice, Peru's corn industry expects production to double in the next few years.

Corn imports are assessed a 17-percent import duty plus a variable levy applied under a price band system. The current levy for corn is \$20 per ton, which is applied to an average \$95 basic cost.

Rice Exports To Lessen

Peru's rice production is expected to hit 1.5 million tons during MY 2002/03, about 5 percent higher than the previous year. Rice quality and yields can vary greatly, as many small producers grow much of the crop.

Annual per capita consumption is pegged at 46 kilograms. Traditionally sold in small markets in 50-kilogram sacks, rice is now available in 1-kilogram bags at supermarkets. Higher quality U.S. rice is usually sold in these smaller packages.

In 2001, Peru imported 62,558 tons of rice, 59,223 tons from Uruguay and 2,731 tons from Argentina. Just 537 tons came from the United States and 67 tons from other sources.

There has been little government support for the Peruvian rice industry in the

form of input credits, financial help or buying for social feeding programs. But even the minimal support has led to a sharp increase in production. The resulting large carryover stocks and low prices have pushed some farmers off their land. It is estimated that up to 25,000 tons of Peruvian rice is sold in Ecuador, the only outlet for many farmers.

Rice imports are assessed a 25-percent duty plus a variable levy similar to that for corn. The current levy for rice is \$221 per ton based on a price of \$190 per ton.

Prospects Best for U.S. Wheat

Though subject to the vagaries of Argentine wheat pricing and availability, U.S. wheat exports to Peru stand to increase over the long term, upping the current 40-percent market share.

Corn and rice export prospects are not nearly as bright. Though U.S. corn exports to Peru now occupy a quarter of the import market, increasing local production is likely to reduce the country's dependence on imports.

U.S. rice makes up about 5 percent of all imports and faces strong competition from Uruguay and Peru itself. ■

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