

# Peru: Get in on the Ground Floor

By Violeta Gutierrez

In western South America bordering the Pacific Ocean between Chile and Ecuador, Peru boasts a diverse population of almost 28 million people. Ancient seat of prominent Andean civilizations, most notably the Incas, Peru blends indigenous and Spanish cultures into a vibrant society. The economic downturn of the late 1990s is beginning to turn around, with economic growth in 2002 estimated to have approached 3-3.5 percent.

## A Growing Market for Food

Peru's retail food sector totals more than \$4 billion in annual sales and is expected to grow some 11 percent in the next three years. Foods are sold principally through small grocery stores and other traditional markets—in fact, 82 percent of retail sales occur in these outlets. However, sales through modern supermarkets are growing and are expected to reach 25 percent by 2004.

Currently, 5 percent of the consumer-ready foods sold in supermarkets are



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imported, and though they are particularly sensitive to economic conditions, their presence is growing. There are real potential opportunities for U.S. exports of meats and cheeses, fresh fruits, wines and liquors, pre-cooked foods such as ready-to-eat and ready-to-heat meals and pet foods.

E. Wong and Ahold Peru are the two major supermarket chains in Peru. However, in November 2002, the retail landscape changed when Tottus hypermarket opened. It is expected to become a major retailer in the near future, garnering \$35 million in annual sales.

Currently, none of the supermarket chains has outlets outside of Lima, where one-third of Peru's population resides. But

both E. Wong and Ahold Peru have plans to expand to other cities, such as Arequipa, Trujillo and Chiclayo, by late 2004.

## Light Beer Is the Right Beer

The local brewery Backus, which currently has 88 percent of the market, dominates Peruvian beer sales.

Ambev, a Brazilian brewery group, will enter the market in 2004. The main imported brands include Corona, Heineken and Holstein, but they reach only 2 percent of the market. The high- and middle-income consumer welcomes most beer varieties, except dark beers.

## RETAIL FOOD SALES THROUGH SUPERMARKETS ARE EXPECTED TO REACH 25% OF ALL FOOD SALES BY 2004.

Peruvian consumers have shown a growing preference for shopping in supermarkets that they perceive as clean, tidy and conveniently located. There are some 1.3 million families in Lima, 40 percent of whom go to supermarkets at least once a month.

### Market Entry Strategy

Supermarkets and hypermarkets typically purchase food products through importers, wholesalers or distributors, importing only a few items directly, such as liquors and fresh fruits. Therefore,

developing a relationship with a local partner is essential. Personal visits are highly recommended before signing a contract. A good local partner should be able to provide current information on market and consumer trends, identify niche markets, provide information on merchandising and promotion and understand trade business practices and regulations. U.S. companies can strengthen their prospects by providing information on product quality and free samples.

Distributors or wholesalers are also the main suppliers of gas marts and other



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convenience stores. Although consumers purchase few imported items from these outlets, there are niche markets for U.S. snacks, wines and liquors, particularly at gas marts that are frequented by high- and middle-income consumers.

Most of the foods sold through street vendors and grocery stores are locally produced. Such products are often perishables aimed at low-income buyers.

U.S. imports that face significant barriers in Peru include corn, rice and sugar. These items face both a fixed 25-percent tariff and a variable price band or levy. The successful negotiation of the Free Trade Area of the Americas could extensively improve U.S. trade prospects. ■

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For details, see FAS Report PE3008. To find it on the Web, start at [www.fas.usda.gov](http://www.fas.usda.gov), select **Attaché Reports** and follow the prompts.

