

Niche, Ingredient Markets Growing in Peru

By Violeta Gutierrez

While U.S. food and agricultural sales to Peru have traditionally been concentrated in the bulk and intermediate categories, in-country experts believe that the next round of growth opportunities will occur in the consumer-oriented and ingredients sectors.

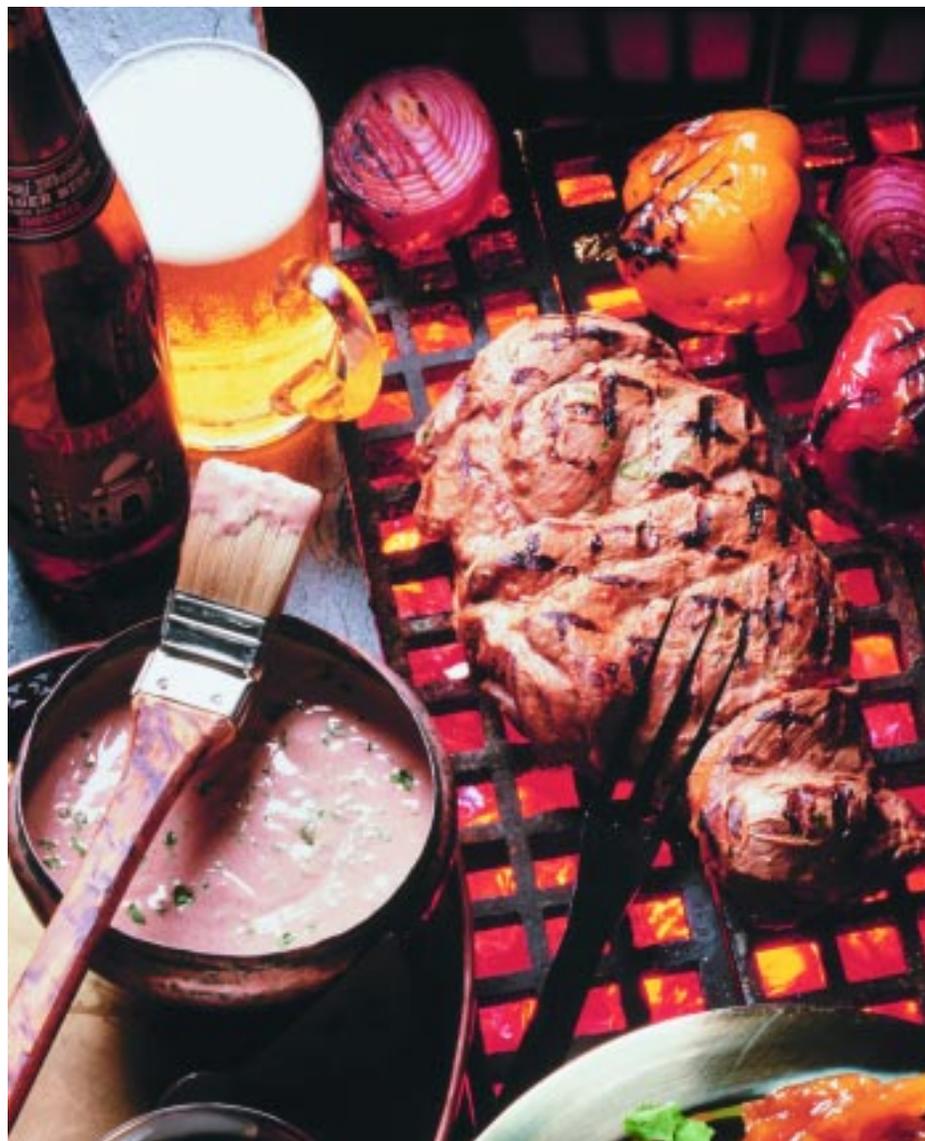
In 2002, at \$22 million, U.S. consumer-oriented sales to Peru made up about 8 percent of the processed foods the country imported. These sales comprised one-tenth of total U.S. food and agricultural sales to Peru.

Meanwhile, bulk commodity sales of \$126.7 million to Peru, mostly wheat, cotton and coarse grains, were almost double the \$65.6 million worth of intermediate product exports composed of the usual standbys, soybean meal and oil and animal fats.

Niche Markets Are Gaining

One-third of Peru's population—who earn 60 percent of the national income—live in the Lima area, the major market for consumer-ready foods. Urban population growth in Lima and coastal cities, more women in the workforce, a youthful population (almost half are under the age of 20) and exposure to foreign products via the media contribute to sales of U.S. products—meats and cheeses, fresh fruits, wines and liquors.

Pre-cooked foods and snacks have found a ready market in the capital city. Demand for low-fat and sugar-free products is still in its infancy, but there is real



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potential for growth.

There are market constraints, however—customer preferences for fresh food, limited purchasing power and tariff and non-tariff barriers (such as poultry product bans and a variable levy on dairy products).

And competition is stiff. Chile (with a 30-percent share) and New Zealand (with 16 percent) vie with the United States for

Peru's consumer-oriented imports. Chile exports mostly fresh fruits and wines to Peru, while New Zealand exports chiefly dairy products. Colombia and Mexico compete with the United States for prepared meal sales.

...So Is Demand for Ingredients

Peru imported just 8 percent, or \$244 million worth, of food products in 2001

Peruvian Food Import Market Trends: Supermarkets to Pet Foods

Advantages	Challenges
The high quality of U.S. products a given	New local brands competitively priced
Demand developing for dietetic, light and healthy products	High tariff of 25 percent for U.S. processed foods
Supermarkets growing in number, particularly at urban area perimeters	Consumption of processed foods small compared to fresh
Pet food market expected to have grown 30 percent in 2002	Price bands imposed on corn, rice, sugar and dairy products; food safety and phytosanitary issues
Food processing industry concentrated in relatively few companies	Non-traditional product entry

Consumer-Oriented Products With Good Sales Potential

Subsector	Prospects
Meats	Beef, pork and pork products, prepared chicken and chicken parts, duck meat
Fruit and vegetable preparations	Pickles, prepared onions, tomatoes, olives, frozen potato fries, peas, beans
Confectionery	Glucose and glucose syrup, lactose, fructose, cocoa, other chocolate preparations and bars, other candy, beet or cane sugar, modified sugars
Baked goods	Cookies, crackers, toasted or other crispy breads
Snacks	Cereal-based products, extruded or toasted, spicy snack mixtures
Alcoholic beverages	Still and sparkling wines, beer, whisky, rum
Condiments	Soy sauce, ketchup, mustard, mayonnaise
Food ingredients	Malt extract, wheat flour, starch and mixed preparations for baking, yeast, baking powder
Prepared meals	Soups and non-dairy pre-cooked blends, ready-to-heat semolina

for its retail and food processing sectors. The share for food processing companies was just \$111 million worth (\$74 million was processed and the balance was sold directly). Despite some political and economic uncertainty, however, these value-added food imports are expected to have grown 4 percent in 2002. The sector processed \$165 million worth of local food inputs.

Thanks to foreign investment, Peru's food processing sector reached \$2.9 billion in sales in 2001 and is expected to have grown 5 percent in 2002. Processed food exports account for \$127 million.

In the mid-1990s, foreign investors began funding local food processing companies. Today these domestic businesses are either subsidiaries of international conglomerates or supported by foreign capital.



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Know Your Import Partner

Since imports comprise such a small percentage of the overall food sales, a few import businesses handle most foods coming into the country. The number of distributors is also relatively limited; they tend to handle both imported and domestic foods for their customers. Some of the larger food processors import products directly.

Personal visits are highly recommended to get the lay of the land and establish a relationship with your import partner before finalizing a contract. Importers should provide information on consumer trends, niche markets, current market development and trade business practices.

U.S. exporters can strengthen sales by supporting importers directly through providing samples and materials on product benefits and quality. ■

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