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Market and Trade Data

U.S.-Peru Trade Promotion Agreement Promises Increased Access for U.S. Products

By Violeta Gutierrez

Over the past decade, Peru has been transformed by market-oriented economic reforms and privatization into one of the most vibrant economies in Latin America. In 2005, GDP (gross domestic product) reached \$78.4 billion, growing an estimated 6.4 percent. During the first three months of 2006, the GDP grew 6.8 percent, driven by construction, mining, foreign investment, domestic demand, and exports.

In calendar 2005, food sales in Peru reached an estimated \$5 billion, with consumer-oriented food imports accounting for \$339 million worth (17 percent over the year before). With \$30 million in sales (9 percent of import market), the United States was the fourth largest supplier of high-value food products. Chief competitors included Chile (25 percent), Argentina (13 percent), and Colombia (12 percent).

Without the PTPA (U.S.-Peru Trade Promotion Agreement), Peru's average tariff under the World Trade Organization on agricultural products is more than 16 percent. In contrast, under the



Lima, Peru

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PTPA Opens Doors

Implementation of the PTPA (U.S.-Peru Trade Promotion Agreement) would be the icing on the cake for U.S. agricultural exporters selling to Peru. Once implemented (a year after the U.S. Congress approves it), two-thirds of U.S. agricultural products will enjoy duty-free status in Peru.

Products that will benefit include high-quality beef, cotton, wheat, soybeans, soybean meal, and crude soybean oil; key horticultural products such as apples, pears, peaches, cherries, and almonds; food ingredients and many processed food products like frozen fries, cookies, and snack foods.

Tariffs on other farm products will be phased out within 17 years. A complete list of products that will benefit from the PTPA can be found at:
<http://www.fas.usda.gov/info/factsheets/peru.asp>

Generalized System of Preferences and the Andean Trade Promotion and Drug Eradication Act, the United States already allows over 99 percent of imports from Peru to enter duty free. Between 2003 and 2005--with barriers in place--the United States exported over \$251 million worth of farm products to Peru each year.

Traditionally, U.S. exports to Peru have been bulk commodities--wheat (half of sales), coarse grains, and cotton. After wheat sales dropped off sharply in 2005 (replaced by wheat imports from Canada and Argentina) U.S. consumer-oriented products stepped up, partly replacing bulk product sales.

Personalize Market Entry

The personal visit is important to establish business relationships in Peru. Take time to get to know a prospective partner before making a contractual arrangement. Entrance to the market can be through local

food processing companies, import brokers, or distributors.

Expect your local partner to provide information on consumer market trends, market development, and trade business practices.

Three Agencies Regulate Food Safety

Exporters to Peru need to be aware of the three agencies responsible for food safety in the country. Similar to the U.S. Food and Drug Administration, Peru's DIGESA (General Environmental Health Bureau) within its Ministry of Health supervises the safety and registration of food and beverages.

SENASA (the National Agricultural Sanitary and Phytosanitary Service, part of the Ministry of Agriculture) is comparable to USDA's Animal and Plant Health Inspection Service and Food Safety and Inspection Service. The agency develops sanitary and phytosanitary regulations and inspects animal and plant products. Importers must request an import permit from SENASA before shipping and meet specific country of origin certification requirements.

Peru's INDECOPI (National Institute for the Defense of Competition and for the Protection of Intellectual Property) controls and regulates labeling standards and trademarks. Labels must be in Spanish and include the importer/distributor's contact information and taxpayer identification number (RUC).

Tourism Provides Niche Markets

In 2005, total food service sales accounted for \$190 million. Of this, \$68 million, or 36 percent, were imports. The niche market in this sector includes high-end hotels and restaurants, family-style restaurants, fast-food chains, and coffee shops. Fast-food chains present the fastest annual growth, averaging 8 percent over the past five years.

The number of international tourists has grown 7 percent annually over the past five years. In 2004, 1.3 million foreign visitors spent \$1 billion traveling in Peru, while 2 million local tourists spent \$154.

Food service prospects that will benefit from the PTPA include food ingredients, fruits, cheeses, processed fruits and vegetables, meats, and specialties.

Food Processing Concentrated

In 2005, total food processing sales were estimated at \$3.2 billion, of which \$81 million were imported. Annual growth for this sector is estimated at 4 percent. Food processors are concentrated in 86 companies that represent 75 percent of sales. Major prospects in this sector for U.S. companies include food ingredients for the dairy, flavorings, and baked goods industries.

Lima Leads Opportunities in Retail

Lima, with one-third of Peru's population and more than 60 percent of the country's income, is the major market for consumer-oriented foods, with 80 percent of the total food retail market of \$5 billion.

Supermarket chains are driving expansion, with \$1 billion in sales yearly and a growth rate averaging 12 percent over the past four years. They represent 24 percent of retail sales in Lima and 20 percent nationwide.

Imports make up 5 percent of consumer-oriented products sold in supermarkets. Good prospects include snacks, fruit and vegetable juices, fresh and canned fruits and vegetables, dairy products, wines, liquors, and pet foods. ■

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