

The food and beverage processing and packaging (FPP) industry is one of the most dynamic in Peru. In 2005, this industry grew 9.4%, boosted by 25% growth in the thriving agribusiness sector. Peru is ranked as the number one fishmeal and asparagus exporter worldwide.

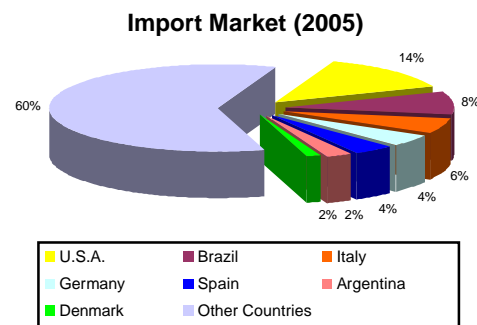
The market for FPP equipment is primarily composed of imports that totaled US\$ 80.5 million in 2005. Imports are expected to grow at an average annual rate of 6.1% in the foreseeable future (2006-2007).

Despite heavy competition from European and Latin American manufacturers, the United States has been successful in exporting FPP equipment to Peru.

Market Demand

The best prospects for the next few years are:

| HS Code | Description |
|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8422.30 | Machinery for filling, closing, sealing, and labeling bottles; cans, bags or other containers; machinery for encapsulating bottles, jars, tubes and similar containers; machinery for aerating beverages |
| 8422.40 | Other packing or wrapping machinery (including heat-shrink wrapping machinery) |
| 8421.99 | Other parts or machinery or apparatus for filtering or purifying water |
| 8422.90.11-91 | Parts of machinery of Sub Heading 8422.30 |
| 8437.800010 | Flour mill and grain mill machines |
| 8419.39-50 | Heat exchange units for food and beverage processing |
| 8438.90 | Parts of machinery of Sub Heading 8438 |
| 8438.60 | Machinery for the preparation of fruits, nuts or vegetables |



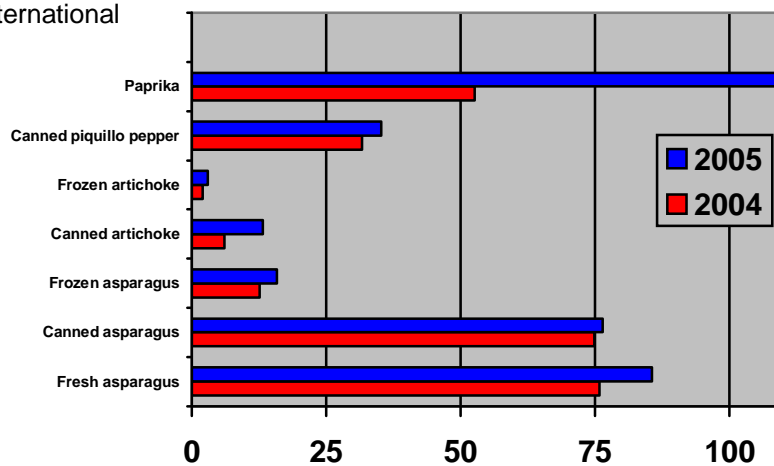
Source: Peruvian Customs

Market Data

- U.S. companies are losing market share due to increased competition from European companies. Local firms prefer to work with European companies because they seek long-term relationships, offer better payment terms than U.S. firms, and provide more flexible credit terms.
- Peru's beverage industry totaled approximately US\$ 1.2 billion in 2005, and is divided into six segments: carbonated soft drinks, beer, bottled water, fruit juices, energy drinks, and other alcoholic drinks. In 2005, the beverage industry grew 6%. It is estimated that this trend will continue in 2006-2007.
- Peru produces about 180,000 metric tons of sweet corn per year, which is used locally. Peru imports corn and wheat from Argentina and the U.S. Two traditional Andean crops (quinoa and amaranth) represent new business opportunities in the area of food processing since they can replace most grains and provide similar protein content.
- Peru's dairy market totaled US\$ 320 million in 2005. Local demand for milk reached more than 700,000 tons in 2005. Evaporated milk is the most consumed type of milk, and consumption increased by 17.5% in 2005. Exports of evaporated milk totaled US\$ 40 million in 2004.

- Peru is the world's largest producer of fishmeal and fish oil. Nordic countries (Norway and Denmark) are the main suppliers of fishmeal and fish oil processing equipment in Peru.
- Sugar production in Peru totaled 600,000 metric tons in 2005. Peru is a small sugar producer with less than 80,000 hectares planted, but has the potential to reach 1.0 million hectares in ten years. Peru has some of the best soil and weather conditions for maximum yield per hectare worldwide.
- In 2005, Peru produced more than 700,000 metric tons of meat. Poultry is the most popular meat product. The entire industry is being improved in order to meet international standards.
- Peru's fruit and vegetable industry comprise the bulk of the country's agribusiness export sector. The sector grew 25% in 2005 and it is expected to grow 40% in 2006-2007. The top six exported products during 2004-2005 were: Asparagus, mangoes, grapes, paprika, piquillo pepper, artichokes, and jalapenos.
- In 2005, the total edible oil market was estimated at US\$ 260 million. Peru has traditionally been an importer of edible oil. Recently, oil palm trees have been successfully cultivated in the jungle as an alternative crop to the coca leaf.
- Peru's sausage market totaled US\$ 64.2 million in 2005. Its projected average annual growth rate is 7% for 2006-2007.
- The confectionery industry in Peru is growing at an average annual rate of 5.3%. Hand-made chocolates are being exported successfully.

Peru: Vegetable Exports (US\$ millions)



Source: Peruvian Customs - SUNAT

Market Trends

- Value-added food and beverage products (e.g. garlic-flavored margarine and lemon-flavored bottled water) are emerging product lines within the industry. Intermediate technology processing equipment will be required for the short and medium terms. Every segment of the sector needs to replace their lines of production.
- Package and container recycling have driven technology not only to provide a more striking appearance and a secondary use, but also to ensure that discarded containers and packages will not pollute the environment.
- Peruvian prepared packed meals, targeted towards ethnic groups worldwide, will constitute a growing market niche that U.S. equipment and packing material suppliers can capitalize upon.
- Peru has the potential to be the world's leading sugar cane producer. Plans for ethanol production will be a driving force behind the industry's growth, and Peru could become an effective producer of ethanol.
- In the last five years imports of packing materials grew at an annual rate of 14.8%, reaching US\$ 97 million in 2005, while exports grew at an average rate of 21.3%, reaching US\$ 82.2 million.
- According to 2005 numbers, the largest commercial deficit occurred in the metal packaging industry (US\$ 25.5 million), and the largest surplus occurred in the plastic packaging industry (US\$ 34.3 million).
- While packaging imports are heterogeneous (plastic, metal, glass, paper, etc), exports are homogenous (plastic).

Market Access

- International equipment standards (ISO and API) are widely known and accepted in Peru.
- The U.S.-PTPA is prompting local food and beverage producers to consider replacing and upgrading existing equipment, both in the processing and packaging production methods.
- In general, Peru enjoys a very open market, and trade restrictions are at a minimum. There are no specific local content requirements for food and beverage processing equipment, parts and spare parts
- On April 12, 2006, the U.S. and Peru signed the US-Peru Trade Promotion Agreement (US-PTPA).
- The U.S. Commercial Service recommends that U.S. exporters hire a local representative to track trends and advise them about new and refurbished equipment requirements



Opportunities for Profile Building

The National Society of Industries (SNI) and the Packing and Packaging Peruvian Institute (IPENBAL) are associations that group all the major food- and beverage-processing equipment related firms. Other important networking multipliers are: Peruvian Asparagus and Vegetable Institute (IPEH, www.ipeh.org), Avocado Export Promotion Program (Prohaas), Grape Export Promotion Program (Provid), Alpaca and Camelids Peruvian Institute (IPAC, www.ipacperu.org), Manufacturers and Exporters Association (APEM, www.apem.org.pe), and Citric Fruits Producers' Association (PROCITRUS, www.procitrus.org)

Upcoming Tradeshows

The most complete show is ENVASE PERU 2006. This event will be held in September 2006 and will feature the packing industry, bottling, processed foods, ingredients and related products. The U.S. Commercial Service in Lima will run a catalog exhibition promoting U.S. packing and packaging equipment suppliers. For further information, contact Flora.Muroi@mail.doc.gov.

For More Information

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