

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date:

GAIN Report Number:

Peru

Retail Foods

Peruvian Food Retail Market Continues to Grow

Approved By:

Kirsten Luxbacher

Prepared By:

FAS Lima

Report Highlights:

Peru's food retail market continues to grow. This expansion is fueled by a proliferation of small format stores. The market currently holds over 450 convenience stores and 259 conventional supermarkets. The sector's expansion strategy targets Lima's lower to middle income districts. Peru's retail food market is projected to grow 4.7 percent in 2019.

Post:

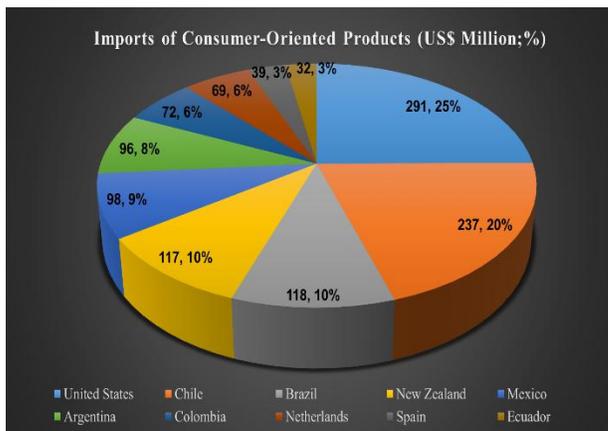
Lima

Market Fact Sheet: PERU

Executive Summary

For over a decade, Peru has been one of the world's top performing economies, registering sustained high growth accompanied by low inflation. Agriculture accounts for approximately five percent of Peru's GDP, but employs around 28 percent of the population. The U.S.-Peru Trade Promotion Agreement, which entered into force in February 2009, has increased bilateral trade of agricultural products from \$1.46 billion in 2009 to \$3.93 billion in 2018, an increase of 169 percent. More than two-thirds of current U.S. agricultural exports enter Peru duty-free. The United States remains the largest agricultural product supplier to Peru, accounting for 30 percent of the market share.

Imports of Consumer-Oriented Products



Peru offers good opportunities for U.S. exporters of consumer-oriented agricultural products, but there are some challenges. The successful introduction of new to market food products depends on knowledge of the market and personal contact. Exporters should review Peru's food laws, packaging and labeling requirements, business practices, and trade-related laws and tariffs. Getting to know the potential importer and the local distribution system is critical.

Food Processing Industry

Peru's food processing industry is a dynamic sector of the national economy. The food industry in Peru accounts for almost 22 percent of the industrial GDP and sales are forecast to reach \$7.8 billion by the end of 2018. Its growth is directly linked to the development of the food retail and food service sectors. Food product manufacturers source both domestic and imported product ingredients. Local processed food products cover 70 percent of the market demand.

Food Retail Industry

There are three main supermarket chains in Peru: Cencosud (Wong and Metro), Saga Fallabella (Tottus) and Supermercados Peruanos (Vivanda and Plaza Vea). The market includes 259 conventional supermarkets and superstores, with 179 in Lima, and 640 convenience stores, with two outside of Lima. The sector is comprised of both conventional supermarkets and traditional channels, comprised of wet markets and independent stores. Different types of food appear to perform better in the two formats. Top products include, snacks, dairy, edible oils, confectionaries, breads and cookies.

Quick Facts CY 2018

Imports of Consumer-Oriented Products: \$291 million

Top 10 Growth Products in Peru

1. Milk and Cream concentrated	6. Chicken eggs
2. Beer made from malt	7. Vegetable mixtures
3. Chocolate and other cocoa preps	8. Lactose in solid form
4. Live plant cuttings	9. Mixtures of Dried Fruits
5. Cereals in grain form (not corn)	10. Natural milk constituents

Food Industry Gross Sales: \$45.2 billion

Food Industry by Channels

1. Food Exports: \$8.0 billion
2. Food Imports: \$5.7 billion
3. Domestic Market: \$17.5 billion
4. Retail: \$4.4 billion
5. Food Service: \$8 billion
6. Wet market: \$11.4 billion

GDP/Population

Population: 32 million

GDP (Billions USD): 198

GDP Per-capita (USD): \$6,172

Strengths/Weakness –

Strengths	Weakness
Strong demand for consumer food products	Low penetration of modern food retail outside of Lima
Opportunities	Challenges
Growing middle class	Stiff competition from other countries.

Data and information sources: FAS Lima

Contact: FAS Lima

Executive Summary:

Market Overview

The retail food sector in Peru is comprised of two segments: modern (supermarkets, convenience stores, discount stores, cash & carry) and traditional (open markets, mom and pop stores). While the traditional channel holds over 75 percent of the market share, the modern channel is making inroads by implementing an aggressive growth strategy that includes different retail formats. Convenience stores and hard discount stores are gaining terrain competing with the traditional channel through lower prices.

The sector's expansion strategy aims to expand into Lima's lower-middle income districts. A limiting factor for supermarket expansion, especially within Lima, is a lack of affordably priced land available for new, large store construction. As a result, food retailers have developed other formats beyond large supermarkets. Smaller formats enable food retailers' expansion, particularly into areas out of the scope of big format stores and in middle to low income social economic neighborhoods.

The convenience store sector has attracted reputable international players, including OXXO (Femsa Group) who entered Peru last year. With almost 20 stores in Lima, OXXO reinforces the segment currently led by Tambo+ (Lindley Corporation) which is the fastest growing chain and with over 300 stores, holds about 90 percent of the market share. Other chains, such as Listo and Repshop, are active competitors who are typically co-located with gas stations. Listo and Repshop have about 100 stores each in Lima.

The hard discount format is another fast-growing segment that is consolidating its presence in Lima. Mass stores and Hiperbodega Precio Uno, owned by Supermercados Peruanos and Tottus, respectively, are the flagship brands in this segment. Location, lower prices (especially for fresh products), and quick service are the main drivers of popularity among local consumers. These formats aim to increase penetration and ensure competitive pricing with the traditional channel.

Supermarkets are also branching out into e-commerce, offering special discounts in different categories. However, this is still an immature channel for food sales.

The modern retail channel experienced a high rate of growth over the past 10 years. Compared to other countries in the region, Peru's food retail market is still in the growth stage. In 2019, retail food sales are projected to grow at 4.7 percent, reaching \$22 billion by the end of the year. Projected sales in 2019 are based on the maturity of new stores, the development of convenience store formats, and aggressive discounting campaigns that encourage sales.

The expansion of the modern retail channel has not been entirely detrimental to traditional channel growth. Competition between the modern and traditional channels occurs in specific categories, mainly groceries. The traditional channel maintains a large consumer base formed by low and middle-income consumers. This channel offers a good mix of mid- and low-priced brands that are available in small packaging to favor sales to customers with small daily budgets. Proximity is also a highly weighted factor within this market segment.

Advantages and Challenges Facing U.S. Products in Peru

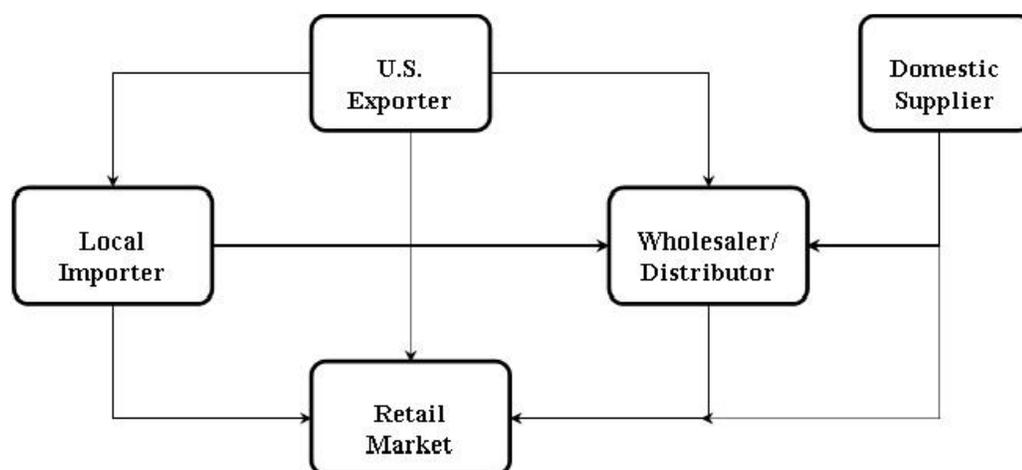
Advantages	Challenges
<ul style="list-style-type: none"> • The U.S.-Peru Trade Promotion Agreement (PTPA) grants duty-free access to two-thirds of all U.S.-origin food and agricultural products, including high-value food products. • Active supermarket industry that promotes increased demand for high-value food products. • Growth of new supermarket outlets in Lima’s suburbs and second tier cities. • Appreciation for U.S. food quality and culture. • Perception of modern retail outlets as cleaner, convenient, and time saving. • Increased health consciousness among the Peruvian population. • Middle-class expansion. 	<ul style="list-style-type: none"> • Consumers prefer to buy fresh produce in traditional markets. • Supermarkets, the main source of imported food products, account for only 30 percent of the retail food market share in Lima and 20 percent in the provinces. • New local food brands are appearing in the market at very low prices. • Provincial supermarkets are supplied by Lima-based companies-impacting freshness for some products. • Government organized food promotion campaign called “Buy Peruvian.” • Traditional markets dominate retail sales in secondary cities. • Domestic producers manufacture more affordable products that cater to local taste preferences.

SECTION II. Road Map for Market Entry

Peru offers good opportunities for U.S. exporters of consumer-oriented agricultural products, but there are some challenges. The successful introduction of new food products depends on knowledge of the market and personal contact. Exporters should review Peru’s food laws, packaging and labeling requirements, business practices, and trade-related laws and tariffs. Please refer to [Peru’s FAIRS Report](#) and [Peru’s Exporter Guide](#) report.

Entry Strategy

- Supermarket chains are the main means for reaching middle- and high-income consumers.
- Retailers rely on importers and wholesalers/distributors to source imported food products.
- Importers aim to sell imported food products through different channels: retail, food service, and food processing. Major food importers/distributors supply all major supermarket chains and provincial retailers.
- Be diligent when selecting a partner (an agent or a representative). Conduct a background check of the prospective partner before signing contractual agreements. Visits to Peru and in-person meetings are highly recommended.
- The local partner should provide updated information on consumer trends, and identify niche markets, possible market development activities, and business practices.



Market Structure

Food retail sector in Peru is comprised of two sub-sectors: modern (supermarket stores, convenience stores, discount stores, cash & carry) and traditional (open markets, mom and pop stores). U.S. consumer-oriented products are primarily imported by and sold in modern retail channels. This channel is booming and accounts for 25 percent of the market. Its growth relies on the entrance of new players and the development of new retail formats to capture market share from the traditional channel.

There are three main supermarket chains in Peru: Cencosud (Wong and Metro), Saga Fallabella (Tottus and Hiperbodega Precio Uno) and Supermercados Peruanos (Vivanda, Plaza Vea and Mass). The market includes 259 conventional supermarkets and superstores (176 of which are located in Lima).

The overall food retail industry’s sales projection for 2019 is \$22 billion, up 4.7 percent from 2018. Change in the structure resides more on the development of new formats. Supermercados Peranos (SPSA) has developed a convenience store format named Mass that currently has 203 stores in Lima. Tottus has developed a hard discount format named Hiperbodega Precio Uno (HPU) that caters to the lower-income segment. It provides a mix of products, similar to a hypermarket, but in a smaller format. Its price competitiveness is due to more private label products. There are 17 HPUs so far and the majority (13) are outside of Lima.

The convenience store segment is the main driver for growth of retailers. TAMBO is the most prevalent convenience store. Others include OXXO, Repshop, Listo, and other independent stores. There are about 640 convenience stores in Peru. Beverages and ready to eat products are the main categories.

Company Profiles

Table 1: Profiles of Major Supermarkets Chains (2019)

Retailer	Ownership	Sales* (\$ Million)	Market Share	Outlets	Location	Purchasing Agent Type
CENCOSUD	Chile	1,252	31 percent	80	10 Provinces including: Lima,	Direct Importers

					Arequipa, Piura, Lambayeque and La Libertad	and Local Food Processors
Supermercados Peruanos	Peru	1,575	39 percent	308	14 provinces including Lima, Cusco, Arequipa and Piura	
Tottus	Chile	1,171	29 percent	91	11 Provinces including: Lima, Trujillo, Chiclayo, Ica, Piura, Arequipa	

Source: FAS Lima / * Projections for 2019

Table 2: Outlets by Major Supermarket Chains (2019)

Retailer	Type of outlets	Number of outlets
CENCOSUD	Supermarkets Wong	18
	Super/Hyper Metro	62
Supermercados Peruanos	Vivanda	8
	Plaza Vea/ Plaza Vea Super	97
	MASS Stores	203
Tottus	Hypermarkets	73
	Supermarket	1
	Hiper Bodega – Precio Uno	17

Source: FAS Lima

Table 3: Convenience Stores

Company	Brand	Number of Outlets
Lindley Corporation	TAMBO+	302
Primax	Listo	125
Repsol	Repshop	129
Grupo Romero	VIVA	45
FEMSA	OXXO	20
Intercorp	Mimarket	18

Source: Newspapers.

SECTION III. Competition

The Government of Peru (GOP) has encouraged integration with the global economy by signing a [number of free trade agreements](#), including the [United States - Peru Trade Promotion Agreement \(PTPA\)](#), which entered into force in February 2009. **The PTPA** has been instrumental in boosting bilateral trade in food and agricultural products between the United States and Peru. Ten years after entering into force (February 1, 2009), trade between the two partners is at record highs. From 2009 to 2018, U.S. exports of food and agricultural products to Peru grew almost 2.9 times from \$530 million to \$1.6 billion. U.S. consumer-oriented product exports, at \$291 million, account for 20 percent of U.S. food exports to Peru. U.S. food and agricultural product exports to Peru are expected to grow by three

percent in 2019. The PTPA strengthens competitiveness of U.S.-origin food and agricultural products in the Peruvian market. High-end consumers are familiar with the quality of U.S. products. FAS Lima foresees exports of U.S.-origin consumer-oriented products to Peru becoming as important as U.S. bulk commodity exports in the next few years.

Table 3: Peru, Free Trade and Cooperation Agreements (2018)
Top 30 Peru's imports of Consumer Oriented Products (\$ Million)

HS Code	Description	2018	US Rank	Competitors	
210690	Food Preparations Nesoi	209	1 (20%)	Chile (18%)	Mexico (10%)
040221	Milk/Cream Conc Nt Swt Pwd/	81	6 (1%)	New Zealand (64%)	Netherlands (17%)
190110	Food Preparations for Infants	67	4 (9%)	Mexico (46%)	Ireland (18%)
040590	Fats and Oils Deri. From Mil	56	6 (2%)	New Zealand (66%)	Chile (12%)
040210	Milk & Crm,Cntd,Swt,Powdr,Gran/	54	1 (65%)	New Zealand (28%)	Canada (3%)
020714	Chicken Cuts and Edible Offal Fz.	48	2 (43%)	Brazil (51%)	Chile (5%)
080810	Apples, Fresh	39	2 (15%)	Chile (85%)	Argentina (0.3%)
170490	Sugar Confection	38	6 (5%)	Colombia (43%)	Mexico (18%)
230910	Dog and Cat Food	34	2 (27%)	Argentina (44%)	Colombia (10%)
210111	Coffee Extracts, Essences Etc	34	7 (1%)	Brazil (47%)	Colombia (23%)
060220	Edible Fruit or Nut Trees	32	1 (55%)	Chile (28%)	Spain (14%)
220421	Wine,	30	6 (1.3%)	Argentina (44%)	Chile (27%)
190190	Malt Extract	26	5 (7%)	Colombia (42%)	New Zealand (22%)
200870	Peaches, Prepared or Pres	26	-	Chile (56%)	Greece (30%)
200410	Potatoes, Prepared Etc	26	2 (10%)	Netherlands (75%)	Belgium (8%)
180690	Cocoa Preparations	24	2 (18%)	Turkey (19%)	Chile (15%)
090611	Cinnamon, Neither Crush Nor	22	2 (1%)	Sri Lanka (99%)	-
220299	Nonalcoholic Beverages,	21	1 (47%)	Switzerland (15%)	Mexico (13%)
020629	Offal of Bovine Animals	20	3 (14%)	Brazil (48%)	Argentina (23%)
020329	Meat of Swine, Nesoi, Fz	20	2 (44%)	Chile (48%)	Canada (8%)
050400	Animal (Not Fish) Parts	20	3 (21%)	Argentina (46%)	Canada (29%)
080620	Grapes, Dried	19	4 (2%)	Chile (68%)	Argentina (25%)
190590	Bread, Pastry, Cakes,	19	4 (12%)	Ecuador (27%)	Brazil (16%)
020712	Meat & Offal of Chickens,	19	5 (0.2%)	Argentina (45%)	Brazil (39%)
190490	Cereals (Not Corn)	17	3 (1%)	Chile (96%)	Colombia (2%)
210390	Sauces, Cond. And Season	17	1 (30%)	Mexico (18%)	Chile (13%)
220300	Beer Made from Malt	17	6 (2%)	Mexico (77%)	Portugal (5%)
080830	Pears, Fresh	16	3 (1%)	Chile (60%)	Argentina (39%)
020727	Turkey Cuts and Edible Offal	16	2 (15%)	Brazil (74%)	Chile (11%)
020230	Meat of Bovine Boneless, Fz	15	1 (34%)	Brazil (27%)	Uruguay (19%)

SECTION IV. Best Product Prospects Categories.

Cheese (HS 0406)

U.S. cheeses are used in the food-processing sector, but have potential in the hotel, restaurant, and institutional (HRI) and retail food sectors. The United States is the main supplier with a market share of 36 percent. Argentina and Uruguay are main competitors with 16 and eight percent of the market share, respectively.

Confectionary (HS 1704; 1806)

Imports from the United States totaled \$2.3 million in 2018, or five percent of total imports. Strong competition exists from the region. Colombia leads exports holding a 36 percent market share. The United States' strength is in chocolate for the retail sector. However, there is also an opportunity in the food-processing sector. U.S. exports hold 23 percent market share. Main competitors are Chile and Turkey with 12 and 11 percent of the market share, respectively.

Food Preparations (HS 2106)

United States is the largest supplier and holds 25 percent of the market share. Includes hydrolyzed protein, food supplements, soy-based snacks, and confectionary products. Other competitors in the region are Chile and Mexico, with 17 and nine percent of the market share, respectively.

Red Meats (HS 0202; 0203)

The United States is the largest beef supplier to Peru with an almost 40 percent market share. Brazil and Uruguay follow with 25 and 17 percent of the market share, respectively. The foodservice sector absorbs almost 80 percent of U.S. beef exports. However, food retailers have started to offer smaller cuts that are suitable for this channel.

U.S. pork exports have taken over market share from Chile, resulting in a 48 percent market share. U.S. pork exports are typically destined for the food retail and foodservice sectors of Peru's market.

Poultry Meat (HS 0207)

The United States is the second largest poultry supplier, with a 28 percent market share, after Brazil, which holds a 53 percent market share. The U.S. primarily exports chicken leg quarters to Peru. However, turkey cuts are also attractive for food retailers in Peru. Brazil leads in exports of turkey cuts, holding a 74 percent market share.

Fruit & Vegetable Juices (HS 2009)

The United States is the largest supplier of fruit and vegetable juices to Peru, holding almost 32 percent of the market share. In general, beverages are the largest product category sold in convenience stores. Other competitors are Turkey and Mexico, with market shares of 16 and nine percent, respectively.

Bread, pastry, cookies (HS 1905)

The United States holds a seven percent share of the import market. Bolivia and Colombia lead the category with 18 and 17 percent market shares, respectively. Peru's largest food processing corporation sources from these countries. In the health food category, gluten free products are in high demand by food retailers.

Soups & Broths (HS 2104)

The United States is the largest supplier in this category, holding a 42 percent share of the import market. Convenience stores will likely provide opportunities for growth in this category, particularly since "on the go" lifestyles are growing in Peru.

Sauces (HS 2103)

The United States is the top supplier in this category, holding a 31 percent market share. Seasonings and sauces in high demand. Other competitors are China and Mexico with market shares of 17 and 15 percent, respectively.

Nuts and almonds (HS 0802)

The United States is the largest supplier in this category, holding a 54 percent share of the import market. Importers repack tree nuts into food retail packaging. The only competitor is Chile with a 45 percent market share.

Category B: Products Not Present in Significant Quantities, but with Good Sales Potential

- Wine (HS 2204)
- Peaches, Cherries and Nectarines (HS 0809)
- Apples and Pear (HS 0808)
- Citrus (HS 0805)
- Processed meats (HS 1601, 1602)
- Beer (2203)
- Whiskey (2208)

SECTION VI. Key Contacts and Further Information

U.S. Embassy Lima, Foreign Agricultural Service (FAS) Office of Agricultural Affairs

Street Address: Avda. La Encalada, Cuadra 17, Monterrico - Surco, Lima 33

Mailing Address: FAS OAA Lima, Unit 3785, DPO, AA 34031

Phone: (511) 434-3042 | Fax: (511) 434-3043 | E-mail: Aglima@usda.gov

For additional information, see www.fas.usda.gov. See also our Exporter Guide at the FAS Global Agricultural Information Network (GAIN) in this [link](#)