USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Voluntary _ Public

Date: 11/18/2016

GAIN Report Number:

Peru

Post: Lima

Peru's Rising Import Demand for U.S. Pet Food

Report Categories:
Agriculture in the Economy
Agriculture in the News
Product Brief
Market Promotion/Competition

Approved By:
Casey E. Bean

Prepared By:
Alisha J. Bower & Miluska Camacho

Report Highlights:
An emerging middle-class and growing incomes are driving pet food consumption by Peruvian pet owners. In calendar year (CY) 2015, Peru produced 37,000 metric tons (MT) of dog and cat food, less than the country's total consumption of 53,700 MT. During 2016 pet food consumption will grow about 7 percent to 58,000 MT, making Peru a $165 million market for pet foods. In 2015 U.S. companies sold over 4,000 MT of pet food in Peru, valued at $7.6 million, second only to Argentina in terms of quantity and value. FAS Lima estimates that by 2020 the pet food market will reach 78,000 MT. The U.S. industry has an opportunity to continue pet food sales growth in Peru.

General Information:

An emerging middle-class, growing incomes and increasing urbanization are driving pet food consumption by Peruvian pet owners. In calendar year (CY) 2015, Peru produced just over 37,000 metric tons (MT) of dog and cat foods, far shy of the total consumption of 53,700 MT. During 2016 total pet food consumption will grow about 7 percent to 58,000 MT, making Peru a $165 million market for pet foods. In 2015 U.S. companies sold over 4,000 MT of pet food in Peru, valued at $7.6 million, second only to Argentina in terms of quantity and value. FAS Lima estimates that by 2020 the pet food market will reach 78,000 MT.

Production:

Pet food production in Peru has grown steadily over the past five years. In 2015 Peru produced just over 37,000 MT of dog and cat foods, and this year we estimate that Peruvian companies will produce 40,000 MT of pet food products, an increase of 7 percent. The domestic market is dominated by four pet food producers: RintiSA, Nestle, Molitalia and Mars.

	2013	2014	2015	2016*
Total Domestic Pet Food Production (MT)	33,493	35,500	37,275	40,000
*Projected statistic Source: SUNAT (Peru Customs), FAS Lima office research				

Consumption:

Consumption of pet food products in Peru has outpaced domestic production, driven by increased pet ownership by Peru's growing urban, middle-class population. FAS Lima estimates the Compound Annual Growth Rate (CAGR) for the pet food market in Peru 2011-2015 at 10 percent.

In 2015 Peru's pet food production lagged 16,000 MT behind the total consumption of 53,700 MT. During 2016 we forecast that total consumption will increase 7 percent to 58,000 MT, making Peru a nearly $165 million market for pet foods. Between 2013 and 2016 Peru's pet food production increased 19%, while consumption increased by nearly 30%, creating an ever-widening supply gap that is filled by imported products. FAS Lima estimates that by 2020 the pet food market will reach 78,000 MT.

Pet Food (MT)				
	2013	2014	2015	2016*
Total Market Size	44,722	49,310	53,766	58,000
*Projected Statistic Source: SUNAT (Peru Customs), FAS Lima office research				

Trade:

Despite the insufficiency of domestic supply to meet consumption, Peru exports a small amount of pet food. In 2015 Peru exported 2,000 MT of pet food. The vast majority (87 percent) went to either Bolivia or Ecuador. Peruvian exports to the United States are negligible.

Destination of Peru's Pet Food Exports		
	Quantity (MT)	**United States Dollars**

	2013	2014	2015	2013	2014	2015
World (Total)	5,268	2,434	2,059	5,028,283	2,855,200	2,413,396
Bolivia	859	816	924	935,110	942,775	1,179,751
Ecuador	4,096	1,400	874	3,647,024	1,486,209	895,151
Panama	166	194	239	160,688	214,790	245,812
Colombia	99	18	19	127,388	23,536	22,776
Japan	3	3	2	66,121	83,173	69,905
United States	-	1	-	-	25,210	-
Source: Global Trade Atlas						

In order to fill the gap in domestic supply, Peru's pet food imports are projected to rise to 20,200 MT in 2016. In 2015 imports comprised 35 percent of the pet food consumption in Peru or 18,550 MT. The largest suppliers are Argentina, the United States, and Brazil which together supply over 91 percent of all pet food imports to Peru.

Sources of Peru's Pet Food Imports						
	Quantity MT			Value (USD)		
	2013	2014	2015	2013	2014	2015
World	16,497	16,244	18,550	22,518,762	22,395,963	26,097,246
Argentina	6,314	9,749	10,255	7,916,094	11,070,541	12,280,296
United States	3,260	3,008	4,289	5,841,095	5,363,038	7,665,237
Brazil	68	175	2,417	163,991	663,797	2,960,040
Colombia	4257	2,140	844	5,801,065	3,353,320	1,424,929
Canada	553	630	546	1,093,772	1,372,095	1,351,175
Source: Global Trade Atlas						

In 2015 U.S. companies sold over 4,000 MT of pet food in Peru valued at $7.6 million, second only to Argentina in terms of quantity and value. Last year Argentina supplied Peru 55 percent of pet food imports, while the U.S. share reached 23 percent. Since 2010 the volume of U.S. pet food exports has increased over 100 percent. The U.S. pet food manufacturers have positioned themselves as higher-quality alternatives to the other foreign suppliers. Trade trends during the January to June 2016 period show market share shifting from Argentine suppliers to countries.

Market Description:
Since 2014 the segmentation and distribution channels of the pet food market have not significantly changed in Peru. The market is segmented by wet and dry foods and by price points with economic, mainstream, premium, and super-premium products available. Premium and mainstream product sales each makes up 35 percent of the market, economic brands comprise 25 percent and 5 percent is super-premium purchases.

The majority of pet foods in Peru are sold through supermarkets and convenience stores. However, U.S. brand distributors prefer veterinary clinics and pet shops as exclusive channels for premium, therapeutic and wet products where the get a higher price point. Using this strategy, brands from the United States have solidified their position here as high quality and premium pet foods. To read a more-in depth description of the market for pet foods in Peru see FAS Lima's 2014 Pet Food GAIN Report.

Market Trends:

Lima forecasts the market dynamics in Peru will continue to increase opportunities for U.S. pet food brands. As dog and cat ownership has risen with income, so too will ownership of other pets such as hamsters, rabbits, guinea pigs and birds. Though this report has focused exclusively on dog and cat foods, these other pets are also a market that is likely to grow in the coming years.

FAS Lima also forecasts an increasing pet population in Peru that reflects the trajectory of urbanization and income growth. Dog food purchases are dominated by Lima with 70% of all consumption occurring in the capital city. These urban pet owners tend to own smaller dogs for ease of maintenance within the smaller house sizes.

Finally, Peruvians conceptualize pets as humanized members of the family in recent years. More emphasis on feeding pets a nutritionally balanced and tasty diet will likely drive consumers to select premium and super-premium products for their animals.

Policy:

Despite the elimination of formal barriers to trade such as tariffs, importing pet foods into Peru is still a challenge. The licensing processes to import pet food products are extensive. The importer carries the burden of compliance with these licensing and regulatory norms. To see a full "Road Map to Market Entry" for pet food products, see FAS Lima's 2014 Pet Food GAIN Report.