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## Peru

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### **U.S.-Peru TPA a Win-Win for Both Partners**

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**Approved By:**

Casey E. Bean

**Prepared By:**

Mariano J. Beillard and Gaspar E. Nolte

**Report Highlights:**

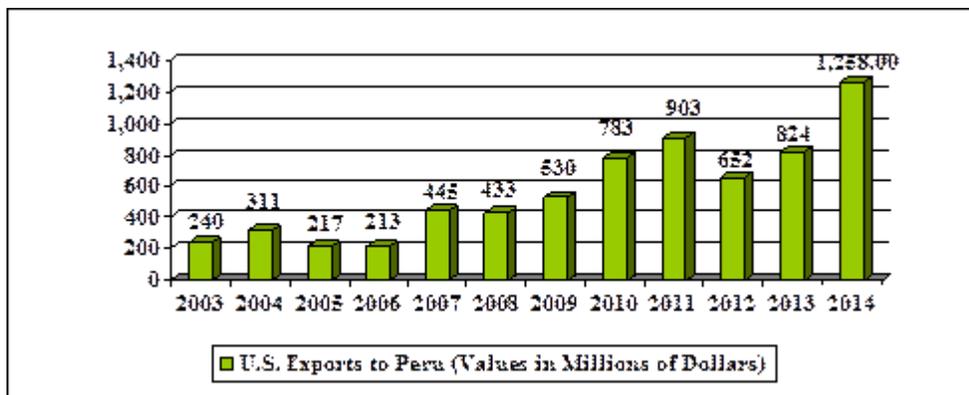
The U.S.-Peru Trade Promotion Agreement (PTPA) has led to record food and agricultural product exports for both countries. Following the PTPA's entry into force (February 1, 2009), bilateral trade between the two partners jumped from \$1.4 billion to \$2.3 billion in 2013 – a 60 percent increase. In calendar year (CY) 2014, bilateral trade reached a record high of \$3.1 billion, up nearly 34 percent compared to 2013 and up 115 percent compared to CY 2009. In CY 2014, U.S.-origin food and agricultural product exports reached a record high of over \$1.2 billion, up 52.5 percent compared to 2013 thanks to record U.S. corn exports (\$472 million) to Peru. Exports of consumer-oriented products at a record \$236 million account for nearly a fifth of total U.S. food exports to Peru and are forecast to continue expanding the next five years.

### General Information:

The U.S.-Peru Trade Promotion Agreement (PTPA), which entered into force on February 1, 2009, has been instrumental in boosting bilateral trade in food and agricultural products between the United States and Peru. The PTPA phased-out or eliminated tariffs on all products. Eighty percent of U.S. exports of consumer and industrial goods to Peru and more than two-thirds of current U.S. farm exports to Peru receive duty-free treatment with the agreement's entry into force. Tariffs on most U.S. farm products will be phased out within 15 years, with all tariffs eliminated in 17 years. On the Peruvian side, the PTPA further consolidated the country's access to the U.S. market already benefiting from exiting trade preferences. In general, Peru and the United States also benefit from mutual trade due to the degree of agricultural product complementarity (e.g., Peruvian coffee exports to the United States, U.S. corn exports to Peru, etc.) and counter-cyclical harvest seasons.

- From 2008 to 2014, bilateral food and agricultural products trade jumped from \$1.3 billion to \$3.1 billion – a 129 percent increase:
- From 2008 to 2014, U.S. exports of food and agricultural products to Peru jumped from \$433 million to \$1.2 billion – a 190 percent increase.
- From 2008 to 2014, U.S. imports of Peruvian food and agricultural products jumped from \$944 million to \$1.8 billion (record high since at least CY 1970) – a 99 percent increase.
- Overall, U.S. food and agricultural product exports to Peru during the 2009-14 period increased at a compound annual growth rate (CAGR) of 16.5 percent

In calendar year 2014, U.S.-origin food and agricultural product exports reached a record high of over \$1.2 billion, up 52.5 percent compared to 2013 thanks to record U.S. corn exports (\$472 million) to Peru. U.S. exports of consumer-oriented products also recorded a record high of \$236 million, accounting for nearly a fifth of total U.S. food exports to Peru. Exports of U.S. consumer-oriented products to Peru are forecast to continue expanding over the next three to five years.



The United States competes with Argentina as the main supplier to the Peruvian market. Peru's unilateral elimination of import tariffs on most bulk commodities in late 2011, however, removed some of the trade advantages afforded by the U.S.-Peru Trade Promotion Agreement. Nonetheless, U.S. exports of corn (\$472 million), cotton (\$130 million), soybeans (\$20 million, and pulses (\$18.5 million) still experienced record highs in 2014. Exports of U.S. bulk commodities at \$792 million in CY 2014 were up 92 percent compared to 2013, and up 189 percent compared to pre-PTPA 2008

levels.

U.S.-origin corn is the only bulk commodity that continues to benefit from the PTPA and is not subject to the Peruvian Price Ban (PPB) system (activated in late 2013). Last year's drop in international agricultural commodity prices triggered the activation of the PPB system; granting tariff-rate quota (TRQ) U.S.-origin corn a distinct advantage versus regional suppliers Argentina, Brazil, and Paraguay. This variable levy requires that corn enter Peru at minimum threshold price (i.e., floor price); the levy ranges \$30-\$50 per metric ton. Peru cannot fully assess the variable levy against U.S.-origin corn under the PPB system due to its PTPA commitments.

Exports of U.S. consumer-oriented products to Peru have increased as an overall share of the export mix since the PTPA came into force. Exports of U.S. beef and beef products, along with pork and pork products, are PTPA success stories. Prior to the PTPA, beef and pork exports were \$6.4 million and \$700,000 respectively in 2008. U.S. meat exports (beef, pork and other meat products) in CY 2014 reached a record high of \$42 million. FAS Lima estimates that the Peruvian market for imported U.S. beef and pork could reach \$100 million within the next five years. Other PTPA star performers include dairy products, which at \$69 million in CY 2014 are up 247 percent compared to 2008. Prepared foods, at \$26.5 million, are up 121 percent compared to pre-PTPA 2008 levels.

Peru's economic growth and sound economic policies over the past 10 years, along with the PTPA, have propelled the attractiveness of Peru as a destination for U.S. food and agricultural products. In order to capitalize on our PTPA's gains, U.S. exporters need to continue investing in face-to-face meeting with Peruvian clients, product marketing and in-country promotional activities. FAS Lima recommends that U.S. exporters become familiar with Peruvians' tastes, product preferences, and commercial practices, as well as avail themselves of the assistance that this office can provide.

The Peru Trade Promotion Agreement has also benefitted Peruvian farmers and exporters. U.S. imports of Peruvian food and agricultural products have jumped from \$930 million in CY 2009 to record \$1.9 billion in 2014, representing an increase of almost 103 percent. Peruvian agricultural exports to the United States are led by fresh vegetables (\$318 million in 2014, up from \$184 million in 2008), processed fruit and vegetables (\$296 million in 2014, up from \$204 million in 2008), and coffee (\$209 million in 2014, up from \$169 million in 2008), and other fresh fruit (at a record high of \$377 million, up from \$68 million in 2008). FAS Lima foresees Peru increasingly supplying the U.S. market in years to come with grapes, cacao, quinoa, and blueberries.