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Peru's Symbiotic Trade Relationship with the United States

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Report Highlights:

The U.S. - Peru Trade Promotion Agreement (PTPA) has served to generate a continuing symbiotic trade relationship between the United States and Peru that shows no signs of diminishing. Peru's aspiration to expand market access in Asia is expected to spur further demand for U.S. agricultural inputs such as corn and soybean meal for animal feed and genetics for agricultural production. Peru maintained its perennial front-runner status in the region with an economic growth rate of 3.9% in 2016 and its growing middle class increasingly demands high-quality U.S. products.

General Information: Summary

Peru's pursuit of an open trade agenda for more than two decades has facilitated economic growth and diversification of its productive base. The U.S. - Peru Trade Promotion Agreement (PTPA) has opened doors for American businesses to a relatively fast-growing export market and has resulted in a large, ongoing trade surplus with Peru since its 2009 entry into force. The PTPA has also bolstered Peru's exports, promoted the development of new sectors, and generated a symbiotic trade relationship with the United States.

Continued U.S. Trade Surplus with Peru

The PTPA has generated over \$100 billion in bilateral trade since its entry into force in February 2009. The agreement opened doors for American agricultural producers, manufacturers, and service providers to expand their export markets, while simultaneously facilitating Peru's access to American inputs that contribute to Peru's domestic production and fuel its exports. The agreement has generated a surplus in U.S. trade in goods that has grown over 150% since entry into force and led to a cumulative surplus of \$18.3 billion at the end of 2016. The 2016 U.S. trade in goods surplus with Peru totaled \$1.8 billion, and U.S. goods exports to Peru increased by 63 percent from 2009 to 2016, rising from \$4.9 billion to USD 8 billion. Petroleum and coal products (\$2 billion), machinery (\$1.4 billion), and electric machinery (\$657 million) drove U.S. exports to Peru in 2016, followed by corn (\$452 million), plastics (\$418 million), and vehicles (\$344 million). [Note: All data in this report is sourced from the U.S. Census Bureau unless otherwise specified.]



U.S. Agricultural Products Penetrating Peruvian Market

Since the PTPA entered into force, two-way agricultural trade has doubled, growing from \$1.46 billion in 2009 to \$3.31 billion in 2016. Peru is the fifth largest Latin American market for U.S. agricultural, fish, and forestry exports. U.S. food and agricultural exports to Peru grew from \$530 million in 2009 to \$1.26 billion in 2016. Peru is a growing export market for our food and agricultural sector with few

market access impediments, strong demand for raw materials from the food processing sector, and a desire for new products. While bulk commodities (corn, cotton, wheat, soy, pulses, and rice) still comprise half of U.S. agricultural exports to Peru, the country's steady economic growth and growing middle class are fueling demand for higher-value consumer-oriented agricultural products accessible under the PTPA, such as U.S. dairy, prepared foods, pork, poultry and beef. Exports of these products have grown by 263 percent since the PTPA's entry into force, reaching \$232 million in 2016. Consumer-oriented products account for 18 percent of U.S. agricultural exports to Peru today.

Peru's Trade Expansion Fueled by U.S. Agricultural Inputs

Peru targets Asian markets to reinforce its commitment to trade-driven growth. As Peru achieves greater market access for its food and agricultural products abroad, its use of U.S. agricultural and other inputs will also continue to expand. Peruvian blueberries are a prime example - exports grew from almost zero in 2009 to \$239 million in 2016. Approximately 80 percent of Peru's new blueberry plantings are derived from imported U.S. blueberry plant plugs from a U.S. company. China began importing Peruvian blueberries in January 2017 after lifting sanitary restrictions in late 2016. Peru's Minister of Agriculture previously announced that a major irrigation project will be used for cultivating at least 2,000 hectares of blueberries in 2017 for export to China. This expansion is expected to drive demand for additional U.S. blueberry stock as an essential input to supply the newly-opened Chinese market.

Similarly, Peru's growing poultry industry is the main driver for U.S. corn exports to Peru, which reached \$452 million in 2016, making Peru the sixth largest corn market worldwide for the United States. This export expansion is based on several advantages U.S. agricultural exporters enjoy due to the PTPA. U.S. agricultural exports of corn, sugar, rice, and dairy to Peru, within the PTPA quota, are not affected by a Peruvian price band. U.S. corn thus receives a significant price advantage over corn from Peru's other major supplier, Argentina.

U.S. soybean meal exports also benefit from the corn price band as the cost efficiencies of combined cargo shipments have contributed to an increase in exports, making Peru our 10th largest market for soybean meal. U.S. exports of soybean meal totaled \$108 million in 2016, up 29 percent from the previous year. Peru is seeking USDA approval to export poultry to the United States. This certification would facilitate poultry exports to China, spurring additional U.S. corn and soy exports to Peru.

The PTPA has strengthened the relationship between U.S. and Peruvian regulatory authorities, bringing about new opportunities for trade. Peru opened its market to U.S. live cattle and chilled and fresh pork in 2015, following increased cooperation between U.S. and Peruvian animal health experts. Peru granted the United States full market access for beef and beef products in March 2016 and recognized the 2013 classification of U.S. products by the World Organization for Animal Health (OIE) as "Negligible Risk" for Bovine Spongiform Encephalopathy (BSE). Similarly, Peru opened its market for U.S. rough and brown rice in April 2015 after years of technical exchange between plant health experts. Peru further simplified phytosanitary import procedures for U.S. rice in early 2017.