



PERU: INVESTMENT OPPORTUNITIES AGRIBUSINESS

The Peruvian agricultural sector is characterized by the remarkable growth of its fruits and vegetables exports with a high unit value. In the dry tropical climate (high solar irradiance and scarce rainfall) Peruvian coast, productivity reaches the highest values and crops are scheduled thanks to a modern irrigation system. The agricultural export boom is expanding towards the highlands and the jungle as well, where most worlds' climates can be founded and products to satisfy exclusive market niches can be raised.

Peru's agricultural industry has recently experienced significant growth mainly driven by growing exports of high value fruits and vegetables. Dry tropical weather in the Peruvian coastal band, characterized by strong sun radiation and scarce rainfall, allows tight crop scheduling. In combination with modern irrigation systems, the final result is one of extremely high crop yields.

ADVANTAGES: UNIQUE NATURAL CONDITIONS WORLD YIELDS LEADER

- Peru ranks among world's highest crop yield countries for various produce including sugar cane (1st), asparagus, olives and artichoke (3rd), and grapes (5th), among other products.
- Peru's location near the Equator and the resulting vertical solar radiation are essential to such high yields, and the outstanding taste and color of its products.
- Moreover, the mild climate and regular water supply available in the 900 thousand hectares of some 50 coastal valleys make

possible two harvests annually, thus further increasing productivity.

- The development of technology suited to the country's geography and technical improvements introduced in approximately 20,000 hectares annually have increased yields of the country's main agricultural export products.

EXPORTS & MARKETS

- Peru is the world's leading exporter of asparagus, organic coffee and organic bananas.
- Peru's location in the Southern Hemisphere makes possible off-season deliveries to the European and American markets before our direct competitors.
- Some crops are scheduled to tap the highest international price windows.
- Local agricultural know how and well developed logistic networks help Peru sell more than US\$ 2.5 billion worth of fresh and processed products to over 113 countries. Free trade agreements have been signed with many of them.
- The Ministry of Agriculture has estimated in 2010 Peru's agricultural exports will start growing in the double digits.
- One of the sector's goals is to double exports every 5 years approximately, as it has been happening under normal demand conditions.



IDEAL CONDITIONS FOR NEW AGRICULTURAL INVESTMENTS

- Peru, the third largest country in South America, has 7.6 million hectares with immediate agricultural potential, but less than 3.6 million are used, according to FAO.
- Strategic location on the rim of the Asian Pacific Basin and proximity to the US market.
- Peru enjoys tariff free access to the European Union and other South American countries and also grants a special treatment for exporters through drawbacks of Value Added Taxes (VAT) and import tariffs.
- Peru shows ongoing reduction of local energy costs due to the execution of Camisea gas project.
- Highly competitive prices for agricultural water, in some valleys from \$ 0.02/m³ to 0.08/m³.
- Readily available, wages are among the most competitive in the region, and an advantage for growing labor intensive crops.
- Peru is home to about 70% of the globe's biological species and features 84 out of the 104 life zones known in the world in its 11 natural eco-regions.
- The existence of a broad variety of climates in Peru allows for a great variety of food crops, some being exported all year.
- Seasonal crops and greater availability of sunlight allow for products to reach northern markets before competitors, realizing premium prize.



ATTRACTIVE LEGAL FRAMEWORK FOR INVESTMENTS IN THE SECTOR:



- 15% Income Tax (before the 30% general rate).
- Anticipated refund of the General Sales Tax (GST) in the pre-operational stage.
- 20% annual depreciation for hydraulic infrastructure and irrigation investments.
- Tax exemptions for investments 2,500 meters above sea level or higher altitude.
- Tax refunds for most agricultural exports (8% of FOB).



A HIGHER PROJECTED DEMAND:

- Although the global economic crisis has had consequences on international trade, the global demand for food stands on sound bases because:



- Many crops have been moved from the developed countries' traditional agricultural areas to emerging economies with more competitive costs, especially in crops where industrialization is partial, as for example some vegetables or fruit needing manual pruning or harvesting.
- The dramatic reduction of poverty and the projected increase of demand for higher value foods in heavily populated countries such as China, India, Brazil and others.
- The trend toward fresh and varied foods, especially fruits and vegetables throughout the year, which involves developing sources of supply in various countries.
- European countries and the major American cities will continue as the lead importers of Peruvian agricultural products, which are beginning to be recognized on their shelves (especially mangoes and asparagus "of Peru")
- A significant increase in trade with heavily populated countries like China and India is expected, due to changes in their consumption patterns change and growing numbers of middle class consumers whose preferences are well suited to the variety of products Peru has to offer and can grow to an advantage.

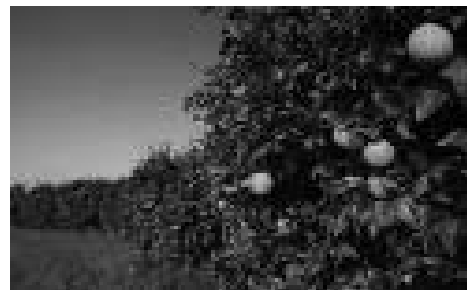


PERU: A FERTILE GROUND FOR YOUR INVESTMENTS

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exports with a high unit value. In the dry tropical climate (high solar irradiance and scarce rainfall) Peruvian coast, productivity reaches the highest values and crops are scheduled thanks to a modern irrigation system. The agricultural export boom is expanding towards the highlands and the jungle as well, where most worlds' climates can be founded and products to satisfy exclusive market niches can be raised.

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Agricultural Exports 2001-2009 (Million of US\$)

Products	2001	2002	2003	2004	2005	2006	2007	2008	2009
Grape	48	48	48	48	69	90	90	107	250
Fresh Asparagus	48	48	48	48	69	90	90	107	250
Processed Asparagus	48	48	48	48	69	90	90	107	250
Coffee	100	100	112	190	240	340	419	650	610
Others	400	521	591	791	891	1,181	1,281	1,595	1,560
Total	644	765	847	1,125	1,338	1,791	1,970	2,566	2,920

Source: PROINVERSION

EYE CATCHING YIELDS				
Due to unique dry tropical climate in the coast, crop yields are remarkably high and create a particularly high potential for fruits and vegetables exports.				
High Productivity per Hectare Main products - 2008				
	ha	Peruvian Yields Tn/ha	World Yields Tn/ha	Production Areas
Antichokes	7,829	16	11.0	Lambayeque, La Libertad, Lima, Ica, Junín, Arequipa
Asparagus	23,600	18	5.1	Ica, Ancash, La Libertad y Lima
Dry Paprika	10,800	7.6	1.6	Arequipa, Ica, Lima, Ancash, Lambayeque, Piura, La Libertad, Tarma, Moquegua
Piquillo Peppers	2,748	22	21.7	La Libertad, Lambayeque, Piura, Ica
Mangoes	21,940	16	7.3	Piura, Lambayeque, La Libertad, Ancash
Grapes	13,250	17	8.4	Ica, Lima, Ancash, Lambayeque, Piura
Avocados	13,800	25	8.3	Lambayeque, La Libertad, Ica, Lima, Ancash, Junín
Citrus fruits				
Tangerines (tangelos)	9,630	15	13.2	Lima, Junín, Ica
Key lime	19,050	16	11.2	Piura, Tumbes
Orange	20,970	15	16.1	La Libertad, Junín, Ica, Lima
Banana	78,000	22	18.0	Tumbes, Piura
Andean Cereals				
Quinoa	31,500	1	0.7	Puno, Cuzco, Apurímac, Huancavelica
Anaranth	1,950	2	n.d.	Cusco, Ancash

Source: MINAG, FAO
Prepared by Proinversión



Main Agro Export Products (2009)
US\$ 2.5 billion

No.	Product	% Share
1	Coffee	24%
2	Processed Asparagus	5%
3	Fresh Grapes	3%
4	Avocado	3%
5	Paprika	3%
6	Artichoke	3%
7	Evaporated Milk	3%
8	Feeding Food	3%
9	Banana	2%
10	Mango	2%
	Others	39%

Source: PROINVERSION

Irrigation Projects

Region	Project Name	Land area	Promotion Forms	Next steps	Purpose
La Libertad	Chavimochic III*	30,000 ha expansion and 17,000 ha improvement.	Concession	Construction of the Palo Redondo Dam to irrigate additional 30,000.	Agriculture
Arequipa	Hydro Energetic Majes Siguanas II**	38,500 ha.	Public Works Tender	Strengthening of irrigation works and infrastructure to irrigate the Pampas de Siguanas. Scheduled for late 2010	Agriculture
Piura	Alto Piura**	19,000 ha expansion and 31,000 ha improvement.	Public Works	In May 2010, bid to build the first component works will take place (tunnel and diverter dam)	Agriculture
Lambayeque	Olmos**	38,000 ha.	Public Works Tender	In July 2010, the financial study ready for tendering the construction of Olmos Project's irrigation infrastructure.	Agriculture
Lima/Ica	Sugar mill Las Pampas Agroindustrial Project	33,000 ha.	Private initiative	Construction and equipment of a sugarcane agroindustrial complex.	Biofuel

*Processes commissioned to Proinversión.

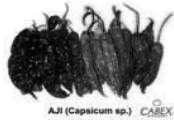
**Processes executed by the Regional Government
Prepared by Proinversión

- These investments will increase available land in the near future (2-4 years) to grow produce in high global demand such as: avocados, grapes, mangoes, citrus fruits and other fruits and vegetables.
- Current projects to manufacture fertilizers from phosphate, ammonia, ammonium nitrate and urea, using natural gas from the Camisea deposits will further increase competitiveness of Peruvian agriculture.





THE POTENTIAL OF PERUVIAN ORGANIC AGRICULTURE



- Peru is the world's 7th country for number of active producers (55 thousand) using organic production systems. Moreover, have optimal conditions for crop development.
- Peru has become the leading organic coffee and bananas exporter in the world. To 2007, 275,000 ha of land were cultivated following organic agriculture methods.
- Other organic produce, such as cocoa, cotton and mango, are also sent to the European Union, the United States and in smaller quantities to Asia.
- Growing numbers of organic farmers has increased the demand for certification, creating interesting investment opportunities in this field.



- With all these characteristics, Peru is projected to become a major player in the future organic market, with exports worth US\$ 250 million, growing at an annual 30%.



THE NEW EXPORT PRODUCTS OF PERU

- Peru has a shelf of underused, high protein and excellent quality products including Andean cereals such as amaranth, quinoa, tarwi or cañihua, which are differentiated high nutritional quality products.
- It also has a great market potential in green, red and black beans, and varieties of maize and potato little known outside the country, among other crops.
- Growing aromatic herbs and natural products with medicinal, curative or high nutritional content also has attracted many exporters. Many of these products come from the upper Andean reaches or the Amazon rainforest. Also in this group
 - are exotic fruits such as cocona, custard apples or cherimoya, aguaje and camu camu, all in high demand in Asian countries.
 - Flowers are another promising product outside the food category. At present, 1,600 of the 19,000 existing Peruvian flower species are exported. They include aroids, ferns, bulbs and orchids, all beautiful flowers in high demand worldwide.



- Finally, there is a great opportunity in the forestry and biofuel industry, where other South American neighboring countries have built major industries. These are areas

where Peru offers optimal conditions for investment.





CONTACTS

Contacts	Web
Asociación de Exportadores - ADEX	www.adexperu.org.pe
Asociación de Gremios Productores Agroexportadores del Perú - AGAP	www.agapperu.org
Ministerio de Agricultura	www.minag.gob.pe
Comisión de Promoción del Perú para la Exportación y el Turismo - PROMPERU	www.promperu

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