



PAGE 4: B.1) YOUR CASE STORY: TITLE AND DESCRIPTION

Q1: TITLE OF CASE STORY

US safety certificate could quintuple Peru's exports of indigenous food product

Q2: CASE STORY ABSTRACT

In September 2014, the US Food and Drug Administration granted Generally Recognized as Safe (GRAS) status to Peruvian sacha inchi oil (known as the 'Inca peanut'). This submission was prepared on behalf of Peruvian exporters with the support of ITC. As a result industry analysts expect the sale of sacha inchi oil-based products to increase five-fold to \$2.5 million in 2015.

Native products as golden berry fine and aromatic cocoa, quinoa and several Andean grains such as kiwicha and kaniwa, among others, are also identified by ITC as promising export products. International Trade Centre's (ITC) Trade and Environment Programme is providing capacity building, market linkages and market intelligence to promote the trade in biodiversity-based products.

Examples include training for producers on good agricultural practices, setting up producer group certification for private voluntary standards like organic, consulting on packaging, branding and marketing as well as preparing SMEs for international trade fairs.

Q3: LONG DESCRIPTION OF THE CASE STORY

Sacha inchi is a plant native to Peru cultivated by smallholders in the Amazon basin. Processors turn it into snacks (such as covering it with chocolate) as well as oils used in salads and cooking. Regarded as a "Super Food", Sacha inchi is a rich source of Vitamin E and Omega 3 fatty acids and is used to promote weight loss, fight depression and prevent heart disease.

Trade benefits for local livelihoods

Sacha inchi oil is currently gaining international recognition for its health properties and is thus heavily in demand. The U.S. market is increasingly interested in ingredients from the world's biodiversity that provide high nutritional value and functional health benefits. These types of natural product ingredients are hallmarks of Peru.

Peru has a poverty rate of 30%, the vast majority of whom live in rural areas. Farmers in the Amazon region of Peru live mainly off subsistence growing yucca, plantains, and fruits. Sacha inchi which grows easily with subsistence crops offers a valuable source of cash to these communities. On average, the crops produces a gross return of \$5000 per hectare – a huge income boost in very poor regions of Peru.

Improved market access for biodiversity based products

ITC has been working in Peru since 2010 in a project aimed to increase the competitiveness of SME exporters of biodiversity-based products from Peru. Through a three tiered approach, ITC provides capacity building, market linkages and trade intelligence to promote the trade in sacha inchi.

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In Peru, ITC's Trade and Environment Programme (TEP) provides support to multiple SMEs exporting sustainably sourced natural ingredients, including sacha inchi, golden berry, fine and aromatic cocoa, quinoa and several Andean grains such as kiwicha and kaniwa, among others. ITC offers technical assistance to ranging from capacity training for producers on organic and good agricultural practices over preparation of sustainable certifications such as organic and fair trade to consulting on packaging, branding and marketing as well as the preparation of SMEs for international trade fairs, thus, improving the access to the international market for biodiversity-based products. 'Comparative and competitive advantages have been established and the market has been quantified. This information is highly valuable,' said Pedro Martinto Housman, CEO of Villandina.

ITC's TEP has also published four technical papers on the natural product export market for Peru, including a Market Analysis for Three Peruvian Natural Ingredients (2013) of which sacha inchi is one. This assessment provides an overview of the market potential in the United States and Canada as well as provides market, regulatory and technical requirements; has contact details for finished-product companies that already use Peruvian natural ingredients; and provides recommendations for Peruvian producers to obtain the capacity to produce consistent quality. The analysis builds on the three other publications that guide SMEs on key US market requirements. The preparation of SMEs to participate in international trade fairs is crucial, as they can display their products, demonstrate their nutritional benefits and establish contacts with potential buyers. This was particularly important for sacha inchi, which is little-known outside Peru, 'so there is much work to be done and going out to these fairs is a very big opportunity,' said Carolina Sanchez, sales manager at Shanantina.

US safety certificate could quintuple Peru's exports of indigenous food product

Industry players in Peru expect sales to the United States of sacha inchi, a nutrient-rich traditional plant, to jump to US\$ 2.5 million in 2015, following the lifting of a major barrier to trade in their largest export market.

In September, the US Food and Drug Administration (FDA) approved a submission prepared on behalf of Peruvian exporters with the support of ITC, and classified sacha inchi oil as 'generally regarded as safe' (GRAS), a key threshold for exporting large quantities of food products into the US market. Exports to the US currently hover around US\$ 500,000 annually.

'At least five American importers were waiting for the GRAS approval to close contracts with us,' said Juan Manuel Benavides, Director of Amazon Health, an exporter of natural ingredients.

Sacha inchi, sometimes called Inca peanut, is a plant rich in protein and fatty acids, cultivated and harvested in Peru's Amazon region, including in the San Martín area, where it provides cash income to over 1,200 families of producers.

Almost a quarter of Peru's population lives in poverty, and around 90% of these live in areas with high biodiversity. Improving the market position and increasing the sales of biodiversity-based products represents a unique opportunity to improve the living conditions of farmers and harvesters of these products.

'Biodiversity trade provides a sustainable means to reduce poverty,' said Alex Kasterine, Head of the Trade and Environment Programme at ITC. Biotrading has the potential to generate 250,000 new jobs in rural communities over the next decade, he said.

Next stop for sacha inchi oil: granola bars and mayonnaise

While negotiating with potential customers at these fairs, the exporters realized that convincing buyers about the nutritional qualities of their products was not enough to close deals: without GRAS status, food companies would be unwilling to use their product as an ingredient. In response, ITC, in partnership with Promperú and Perubiodiverso, agreed to facilitate the preparation of the GRAS submission, which involved both scientific and legal work. Following a seven-month approval process, the certificate was granted in September. Sacha inchi oil may now be used in granola bars, breakfast cereals, chocolates, and fats and oils such as gravies and mayonnaise, among other products.

'This opens the door for widespread use as a mainstream food industry ingredient that can capture the interest of companies like Nestle, Unilever, Procter & Gamble and PepsiCo,' said Guadalupe Amésquita, Sustainable Trade Officer at Promperú.

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GRAS status for one sachu inchi derivative was only the first step, said Diana Flores, an industry expert and ITC's scientific consultant in Peru. 'It is essential to have GRAS for sachu inchi protein flour and toasted seeds,' she said. 'There is potential demand for these products in the American market, but companies are discouraged from importing them without GRAS status.'

Q4: Please add here web links to project/programme materials. *Respondent skipped this question*

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Q5: YOUR CONTACT DETAILS

Name: Alexander Kasterine
Ministry/Institution/Organization: International Trade Centre
Country: Switerland
Email Address: Kasterine@intracen.org

Q6: FUNCTION Public sector

Q7: FUNDING PARTNER Tick the appropriate box(es) Bilateral donor, Multilateral organization, Other (please specify)
The programme is currently financed by Denmark, Germany and Norway

Q8: Additional information *Respondent skipped this question*

Q9: START DATE OF PROJECT/PROGRAMME 01/01/2010

Q10: STATUS OF PROJECT/PROGRAMME On-going

Q11: DURATION OR, IF ON-GOING, EXPECTED DURATION OF PROJECT/PROGRAMME More than 5 years

Q12: COST OF PROJECT/PROGRAMME Between US\$5 million and US\$10 million

Q13: Additional information

The budget of the first phase of the Trade and Environment Programme (TEP) was \$2.4 million for the period between 2010-2013. The second phase of the TEP is ongoing and has a budget of approximately \$4 million.

Q14: TYPE OF FUNDING FOR PROJECT/PROGRAMME Grant

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Q15: PROJECT/PROGRAMME TYPE

Multi-country (i.e. 2 or more countries)

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Q16: SINGLE COUNTRY/CUSTOMS TERRITORY

Respondent skipped this question

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Q17: REGION(If the region does not appear in the drop down menu, please enter manually.)

Respondent skipped this question

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Q18: MULTI-COUNTRY(Enter all countries or customs territories)

Peru
United States of America

Not related to the case study but related to the umbrella programme:
Uganda, Kenya, Madagascar, South East Asia

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Q19: CASE STORY FOCUS Tick the appropriate box(es)

REDUCING TRADE COSTS FOR MERCHANDISE GOODS

Support for compliance with non-tariff measures (including standards)

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Q20: HOW SUCCESSFUL WAS THE PROJECT/PROGRAMME Tick the appropriate box(es)

Very successful

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| Q21: WHAT WERE THE OUTPUTS OF THE PROJECT/PROGRAMME Tick the appropriate box(es) | Other (please specify) Food safety / Market access for SMEs from Peru to US market |
| Q22: Additional information(maximum 300 words) | <i>Respondent skipped this question</i> |

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| Q23: WHAT WERE THE OUTCOMES OF YOUR PROJECT/PROGRAMME Tick the appropriate box(es) | Reduction in customs rejections, Increase in merchandise exports, Increase in shipping volumes |
| Q24: Additional information(maximum 300 words) | <i>Respondent skipped this question</i> |

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| Q25: WHAT WERE THE IMPACTS OF THE PROJECT/PROGRAMME Tick the appropriate box(es) | Increase in employment, Increase in women's employment, Export market diversification, Increase in per capita income, Reduction in incidence of absolute poverty |
| Q26: Additional information(maximum 300 words) | <i>Respondent skipped this question</i> |

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| Q27: LESSONS LEARNT Tick the appropriate box(es) | Importance of good project design, Importance of alignment with national priorities, Importance of engagement by private sector |
| Q28: Additional information(maximum 300 words) | <i>Respondent skipped this question</i> |

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Q29: PROJECT OR PROGRAMME MONITORING AND EVALUATION FRAMEWORK Tick the appropriate box(es)

Simple before and after comparison