



University of Azuay

Faculty of Legal Sciences

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**FEASIBILITY STUDY FOR THE
EXPORTATION OF GOURMET LINE
PRODUCTS OF EMBUANDES CIA. LTDA. TO
PERU FOR THE YEAR 2018**

**Bachelor Degree of International Studies with mention in
foreign trade**

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DEDICATION

The present work is dedicated to my family and my grandmother Olga for her unconditional support, her love and confidence to achieve another goal in my life.

GRATITUDE

I want to thank the Company of Embutidos Embuandes Cía. Ltda. for giving me access to their facilities, in particular to Engineer Denis Tapia, Administrative Manager for his constant support, to Dr. Oswaldo Mora, Engineer Fanny Segarra for all the help provided.

I also want to thank my thesis director, Engineer Juan Carlos Pauta and the School Management for approving the theme of my project that will be applied later in the company Embuandes Cía. Ltda.

SUMMARY

The following project seeks to analyze the feasibility and opportunity of Embuandes Cia. Ltda. to enter the Peruvian market with the products of its Gourmet line; thus allowing it to expand throughout the international market. To achieve this objective, a situational analysis of the company was carried out through interviews with its executives, analysis of the sausage industry at present and the target market in the country of destination: Peru.

On the other hand, the importance of the process of an international negotiation in foreign trade was reviewed, as is the step-by-step detail of the export and import process and logistics. For this last process, it was necessary to directly contact governmental entities such as: the Animal Health Directorate of the Ministry of Agriculture and Irrigation of Peru (MINAGRI), the Agency for Regulation and Control of Animal Health and Zoo sanitary (AGROCALIDAD) and the Customs Service of Ecuador (SENAE), to request the detail of the required documentation.

With the information provided by the company, an economic and financial study was carried out to evaluate the profitability of this project, the result of which is detailed in different financial projection charts. Based on this result, possible positioning strategies for the company in the Peruvian market were determined.

ABSTRACT

The purpose of this study is to analyze the feasibility and the opportunity that the company Embuandes Cia. Ltda. has in order to enter the Peruvian market with its Gourmet product line, thus allowing it to expand throughout the international market. To achieve this objective, a situational analysis of the company was carried out through interviews with its executives, analysis of the current situation of the processed meat industry and the target market in Peru.

On the other hand, the importance of the process of an international negotiation in foreign trade was reviewed; also a step-by-step detail of the export and import process and logistics was included. For this last process it was necessary to contact government entities directly such as: the Animal Health Directorate of the Ministry of Agriculture and Irrigation of Peru (MINAGRI), the Agency for Regulation and Control of Phytosanitary and Zoosanitary (AGROCALIDAD) and the Customs Service of Ecuador (SENAE), in order to have the detail of the required documentation.

With the information provided by the company an economic and financial study was carried out to evaluate the profitability of this project, the result of which is presented in different financial projection charts. Based on this result, possible market strategies for the company in the Peruvian market were determined.

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CHAPTER I

1. SITUATIONAL ANALYSIS

1.1 The production of sausages in Ecuador:

In Ecuador, the food industry is the main manufacturing activity; this has represented a rate of 6.9% in the national GDP until 2015. Among the main productions that are part of this industry, are: the elaboration of meat products and beverages with 22% and 26% respectively, production of various products 13%, manufactures of oils and fats 11%, dairy production 9%, bakery products with 9%, manufacture of milling 8%, production of chocolates and sweets 2% (Burgos, Maldonado & Chávez, 2017).

Within the production of meat is the production of sausages, generating a supply distributed in 241 processing companies, of all these manufactures, only 44 are certified under the international standard of Good Manufacturing Practices (BPM). In Ecuador the sausage industry has more than 85 years, among the main companies there are: Pronaca, Italimentos, Embuandes, Juris, La Europea, Don Diego, Piggis, Gruvalcorp, among others (Cárdenas, 2017).

Currently in our country, 66 thousand metric tons of sausages are produced per year; in 2016 the sales of sausages grew by 14%. These products are among the seven foods that contribute the most to daily consumption at the national level, above that of pork, fish and seafood (Ministry of Agriculture, 2017). (See Appendix 1, MAGAP report).

In the local sausage offer, there are also foreign products mainly from countries such as the United States, Canada and Spain. However, the importation of these products has decreased in recent years, a situation that result from the restrictions-safeguards implemented by the national government since 2015 with the objective of regulating imports and balancing the country's trade balance.

In this context, the national government through the Ministry of Agriculture, Livestock, Aquaculture and Fisheries (MAGAP), has been controlling in recent years the importation of these products and raw materials through the allocation of import quotas per company, besides balancing the trade balance, it encourages the consumption of national products.

1.2 Consumption trend in Ecuador and Peru

In the month of October 2015, the WHO (World Health Organization) declared that the consumption of processed meats and red meats increases the risk of colon and stomach cancer; however, in countries such as Ecuador and Peru, where the consumption of these products is approximately 4.1kg and 2.5kg respectively per person per year, less than the amount consumed compared to other countries in the region, such as: Chile with 8.1kg, Argentina with 7.4kg per year, Uruguay 65kg and in Latin America an average of 18kg is consumed (Soto Rodríguez, 2015) .

Although this statement caused controversy at the time and generated a decrease in the sales of these products, this situation was temporary and the sausage industry aims to have greater growth in the coming years, because the consumer seeks to acquire better products with characteristics of greater added value in its preparation, such as: gluten-free, free of transgenic, less artificial coloring preservatives, among others.

The consumption of sausages in Ecuador has grown substantially in recent years, a situation that could be explained by factors such as: greater consumption of fast food, diligent alternative of feeding in households where couples work long hours, search for low-fat food and consumption of gourmet sausages, the First Porcine Census in 2010, shows consumption figures of sausages from 2.77 to 3.85 kilos of each Ecuadorian per year (Ministry of Agriculture, Livestock and Fisheries of Ecuador, 2013) .

The increase in the consumption of sausages is due to a number of factors, such as the increase in fast and precooked food that was not common in Ecuador before, the limited time available to parents who work and perform household chores, for which sausages have become a practical alternative, the preference for low fat sausages, among others.

The gastronomic growth that Peru has experienced thanks to its economic increase, has favored the importation of meat products of greater added value. One of the factors that have given greater support to the consumption of imported sausages and hams has been the rapid development of modern methods of retail marketing (Palazuelos Cortés and Blázquez, 2013).

The local demand for sausages in the Peruvian population is also supplied by processed meat products from countries such as: the United States, Chile, Denmark,

Spain, Italy and others. It is worth mentioning that the Peruvian consumer perceiving higher income has changed their consumption habits and seeks to acquire quality products with added value, good quality presentation and other characteristics; particularities that are not always found in local products (National Society of Industries, 2017) .

During recent years, the food industry has been influenced by the increase in the purchasing power of the population, resulting in an increase in the sales of companies in this sector. According to a technical report on the evolution of poverty conducted by the National Institute of Statistics and Informatics (INEI) for the period 2009-2014, Peruvians spent most of their income on food, leaving expenses such as housing and fuel in second and third place (National Institute of Statistics and Informatics, 2015).

Analyzing the two markets, it can be stated that Ecuador and Peru are countries with great potential for growth of the sausage market in the coming years, a situation that is due to low consumption per person in comparison to other countries in the region.

1.3 The company Embuandes Cía. Ltda

The information of the company as well as catalogs and other data that are described below, was granted by Engineer Denis Tapia Ortiz and by Dr. Oswaldo Mora, from a personal interview on February 11th, 2018. Embuandes Cía. Ltda. is a company located in Cuenca, dedicated to producing a wide variety of sausages and meat products for national consumption. Embuandes Cía. Ltda. is part of the business group Gerardo Ortiz, managing to maintain a constant growth during the recent years thanks to the excellent acceptance of its products both locally and nationally.

Embuandes was created in 2007 with the purpose of satisfying and complementing its own delicatessen line of "Coral Hipermercados", a company related to the business group "Gerardo Ortiz". At the beginning, supplying the delicatessen of Coral Hypermarkets was well received by its consumers, situation that motivated to commercialize at national level. Today Embuandes distributes its products throughout the country, with a high demand in the cities of: Guayaquil, Quito, Manta and Cuenca.

The name of the company is due to the fact that in our country, sausages manufactured in the Sierra region are considered to be of better quality due to their

asepsis and flavor, based on this reference, the managers opted for the name "Embutidos de los Andes EMBUANDES". The company has two lines of meat products, which are: "Embutidos Fraile", high quality line that offers premium products, its name refers to the reputation that in the past the priests or friars had in making meat products of good quality, among these the sausages. On the other hand, there is the "Embutidos de la Sierra" line, which is an economic brand with high quality standards and prices available for all people.

The company has an extension of 2,800 m² and is located in the city of Cuenca, exactly on the South highway and Felipe II Ave. behind Mall del Río. Its infrastructure is composed of an industrial warehouse suitable for food, as well as state of the art machinery of German origin, acclimatized zones according to need, cold rooms for imported raw material and finished products, microbiological and bromatological laboratories for analysis and release of products, to this is added a refrigerated transport fleet to conserve the cold chain and guarantee the quality of the product.

Embuandes has a total of 150 employees among workers, drivers, administrative, and other employees. In the same way, with the objective of not increasing costs and avoiding excess personnel, the company shares different departments such as: marketing, imports, purchases, human resources, with the other business organizations of the Gerardo Ortiz group.

1.3.1 Mission

"Embuandes Cía. Ltda. contributes to the satisfaction of its customers, offering high quality meat products to satisfy the most demanding palates while guaranteeing health and hygiene. "(Embuandes, 2014).

The mission of the company is to satisfy the demands of its customers by providing high quality products that comply with current regulations.

1.3.2 Vision

"To consolidate as a leading company in Ecuador with a projection to international markets and be the preferred choice of meat products for all households in the country." (Embuandes, 2014).

The vision highlights the importance of satisfying its customers with their products and thus becoming a leading company, not only at a national level, but also at an international level.

1.4 Product portfolio

Embuandes has a varied portfolio of 300 products, the same that is divided into five lines: sausages, mortadelas, chorizos, hams and smoked products; the same that are manufactured in two productions: Sierra Brand and Frailes Brand. Through these two brands, the company seeks to reach consumers of middle and high class (Frailes brand) and lower class (Sierra brand), however the company seeks to maintain a wide variety of products in each of its brands (Embuandes, 2014).

Figure 1.



Brand Logos

Source: Marketing Department Embuandes Cia. Ltda. 2018

As indicated by Dr. Oswaldo Mora, production manager of Embuandes and a report by the international magazine CarneTec, the products are produced under strict quality standards. The daily production process of the company begins with the reception of the raw material; around 100 bovine carcass and 80 porcine carcass, they are slaughtered in approved chambers and certified by the control organisms. It should be noted that the suppliers of raw material are previously selected through a prequalification process (Sulluchuco, 2015).

The administrators indicate that the quality department is responsible for verifying the documentation issued by the municipal slaughterhouse, immediately the raw material is inspected, classified, disinfected, and then stored in refrigeration chambers until the meat has an internal temperature of 2 °C at 4 °C, thus reaching maturity. After this, the raw material is transferred to the boning area for the cut and the cuts obtained are classified according to the commercial requirement and production

needs, it should be noted that this area is kept climate-controlled to guarantee the cold chain.

Then the mixing and homogenization process begins, where the meat is introduced to a mill and the granularity is determined according to the formulation requirement for each product. Later in the mixing process a variety of ingredients such as spices and additives are incorporated, with the aim of making different pastes, which are classified into: thick paste (sausages, ham, salami, etc.), fine paste (sausages, mortadella, etc.) and in different cases whole muscles to smoke.

Once the different pastes are obtained, they are then stuffed into casings and molds, and then sent to the different cooking processes according to the characteristics and requirements of each product. The quality department verifies that the cooking process is finished successfully and specific products such as sausages, hams, long sausages, are sent to cold showers to receive a thermal shock and the temperature is lowered from 74°C to 35°C.

Later the products are taken to refrigeration chambers where they go through a quarantine period, the quality department is in charge of carrying out the respective tests and controls to each batch to verify that the products comply with all the requirements by law, one of these controls is the microbiological analysis required by the Ecuadorian technical standard INEN 1338. In this process, the batches that comply with quality controls are sent to the packaging and labeling area.

In the heated packaging area, the products through state of the art machinery are sliced, separated, vacuum packed, among other processes, according to the specifications of each product and current sanitary regulations. Once the products have been labeled, they go through a period of quarantine in the final product chamber, where they are kept at a temperature of 2 °C to 4 °C. After this period, the products are finally taken to the pre-shipment area, where the different dispatches are made according to established schedules .

1.4.1 Design

The company has tried to maintain a striking design but at the same time moderate and attractive for the disposition of clients to whom their products are directed to.

Figure 2.



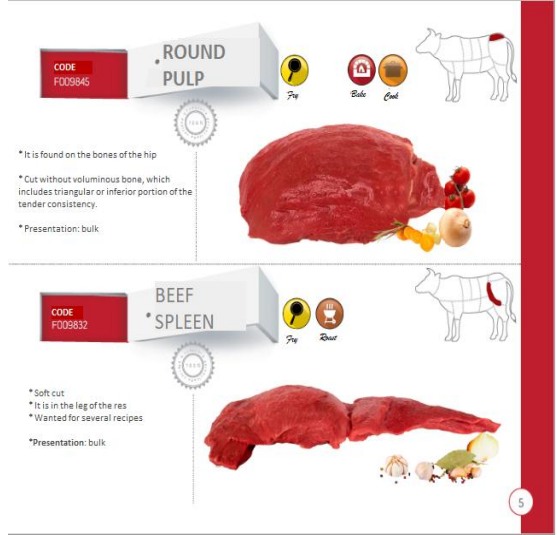
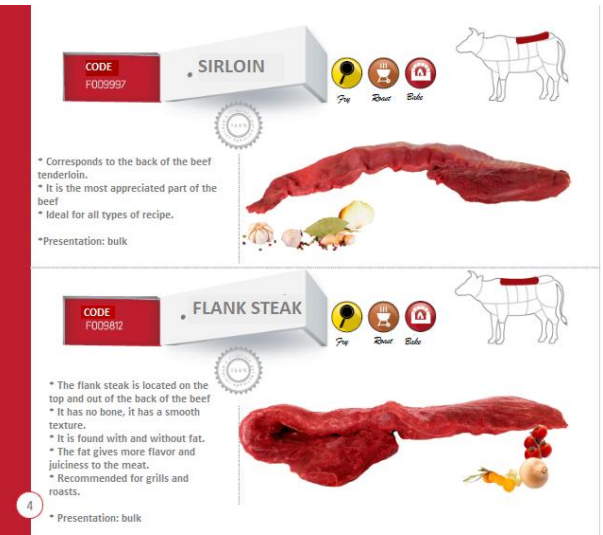
Design of Embuandes products

Source: Marketing Department Embuandes Cía. Ltda. 2018

1.4.2 Catalogs

In the same way, Embuandes handles a homogeneous method for all regular sales catalogs, as well as for special seasons such as Father's Day, Christmas, and other special dates, for this reason the marketing department tries to have the greatest impact on the consumer through good photographs of the products.

Figure 3.





Design of the Embuandes product catalog

Source: Marketing Department EmbuandesCia.Ltda. 2018

1.4.3 Clients:

As a company policy, Embuandes delivers advertising to its customers and maintains loyalty with them, setting up the customers' stores with advertising of the company.

Figure 4.



Advertising for customer's stores
Source: Marketing Department EmbuandesCía.Ltda. 2018

1.4.4 Label

The labeling system for packaging and packages, are in accordance with the requirements of public health policies proposed since November 2013, which includes a traffic light graphic detail, which allows knowing the nutritional information of the products and their content of fats, carbohydrates and salt.

In addition to manufacturer information, sanitary registry, weight, date of elaboration and expiration, among other aspects.

Figure 5.



Labeling of different packages
Source: Marketing Department Embuandes Cia. Ltda. 2018

Currently, Embuandes manufactures special products that are not in the processed meat market, among these products we have: schublig sausage, chicken roll, meatloaf, stuffed bacon, stuffed chicken, stuffed ham, among others, these products are a plus of the company and were developed by German technicians, these products are

exclusive and desired by various customers. Based on this scenario, Embuandes, with the objective of improving its portfolio and making it more attractive to consumption, considering the current market demand, has created the "Gourmet" line, which includes more nutritious and healthy products at affordable prices; plus they offer their consumer products with special characteristics such as: gluten-free, low-fat, protein source, among others.

The "Gourmet" line is distinguished from the Fraile and Sierra lines by its black colored label, which is aimed at attracting the attention of the most demanding consumer. This line is produced with high quality raw material, for this reason its price is higher compared to the rest of the lines, its price has been estimated for an average person. Although all the products of the portfolio are produced with quality raw material, for the "Gourmet" line a special selection is made and it is fulfilled with characteristics such as: anti allergens, gluten and/or soy free, without transgenic, among other requirements of high manufacturing. The "Gourmet" line is the indicated for export because it congregates the demands of international markets.

Observing the external movement of market consumption, the preference of the Peruvian population for sausages is high, among the most demanded products are: spicy pork sausage, ham, hot dog sausage, and ham. Similarly, the consumption of these products is influenced by the increase in the purchasing power of the population, which causes the consumer to opt for higher-priced products (Moreno, 2015).

Considering the Embuandes portfolio and the demand of the Peruvian market, we have the foundation on the Gourmet line as an option of higher qualification for its quality standard, as well as the variety of products that are consumed mostly in the population, in this way it is projected to consumers of middle and upper-middle class. Although in Peru gourmet products are imported mainly from European countries, the Embuandes portfolio represents a great option in the face of competition, the offer of varied and quality products at competitive prices due to tariff preferences.

The products of the Gourmet line of Embuandes are commercialized in several presentations such as bulk, which are for markets with more popular sale or vacuum packaging, are offered with different grammage from 50 grams (line of daily consumption), to products of 5 kilos for wholesalers and restaurants. It should be noted that this list of products is flexible to the needs of the customer, for example if a

different presentation or packaging is needed, Embuandes adjusts to the consumer's need.

The current product portfolio of Embuandes is described in table 1:

Table 1.

Portfolio of Products of the Gourmet-Embuandes line

GOURMET	
F001050	GOURMET SMOKED BACON FRAILES
F001057	GOURMET BACON SLICED FRAILES
F00205P	GOURMET PAISA BOTON SAUSAGE
F003041	GOURMET HAM
F006090	GOURMET TURKEY HAM FRAILE IN BULK
F004304	GOURMET MORTADELLA
F004306	PREMIUM GOURMET MORTADELLA
F004307	EXTRA GOURMET MORTADELLA
F006080	GOURMET TURKEY SAUSAGE FRAILE
F006206	GOURMET FRANKFURT SAUSAGE
F006216	GOURMET FRANKFURT HOT DOG
F004301	PREMIUM GOURMET MORTADELLA
F006085	GOURMET TURKEY SAUSAGE FRAILE
LIGHT	
F003090	LIGHT HAM
F003302	LIGHT CHICKEN HAM
F0013FT	SPECIAL SSFT HAM
F003301	LIGHT HAM MIX
SAUSAGES	
F0060FT	CHICKEN SAUSAGE SSFT
F00600A	COCKTAIL SAUSAGE
F006005	FRAILES COCKTAIL CHICKEN SAUSAGE
F00601B	FRANKFURT SUPER SAUSAGE
F00601C	SMOKED FRANKFURT SAUSAGE
F00601J	SMOKED JUMBO SAUSAGE

F00601N	FRAILE HOT DOG SAUSAGE
F00603H	LIGHT HOT DOG SAUSAGE
F006032	“MULTIAHORRO” SAUSAGE
F006039	SIERRA SAUSAGE
F00604M	MUNICH SAUSAGE
F006040	FRAILES OLMAS SAUSAGE
F006045	FRAILES CHIPOLATA SAUSAGE
F006048	BREAKFAST SAUSAGE
F006070	FRAILES VIENESA SAUSAGE
F006075	SIERRA BARBECUE GRILL SAUSAGE
F006093	FRAILES SHUCBLIG SAUSAGE
F009010	CERVELAT SAUSAGE
F009030	FRAILES SPECIAL RAW SAUSAGE
F00602E	MINI-CHICKEN SAUSAGE
F006021	FRAILES SAUSAGE
F006067	SIERRA POPULAR SMOKED SAUSAGE
F00606C	FRANKFURT SAUSAGE
F00606E	FRANKFURT SMOKED SAUSAGE
F00504B	SIERRA SAUSAGE
F006050	BREWER SAUSAGE
LONGANIZA	
F002107	PRAGA LONGANIZA
F002108	SPECIAL LONGANIZA
F00211H	FRAILES “SERRANA” LONGANIZA
F00211L	TYPICAL LONGANIZA
F0027FT	THICK LONGANIZA SSFT
BLACK PUDDING	
F00212F	FRAILES ARGENTINEAN BLACK PUDDING
F002120	BLACK PUDDING IN BULK
F002129	FRAILES CREOLE BLACK PUDDING
F0068FT	BLACK PUDDING SSFT
SAUSAGE	

F00200Q	FRAILES BREWER SMOKED SAUSAGE
F00200K	COLOMBIAN SMOKED SAUSAGE
F002000	COLOMBIAN SAUSAGE
F00200A	GIANT COLOMBIAN BREWER SAUSAGE
F00200R	FRAILES COLOMBIAN “R” SAUSAGE
F00201M	COLOMBIAN CHICKEN SAUSAGE
F00602A	FRAILES CHICKEN SAUSAGE
F002019	SMOKED CUENCANO SAUSAGE
F00202A	FRAILES PRECOOKED “CUENCANO” SAUSAGE
F00202T	FRAILES RAW CUENCANO SAUSAGE
F002001	SMOKED SAUSAGE
F00202H	JUMBO SMOKED SAUSAGE
F00202M	JUMBO SMOKED SAUSAGE FOR PIZZA
F002027	SAUSAGE FOR APPETIZER
F002029	SPANISH SMOKED SAUSAGE
F0023FT	SPANISH SAUSAGE
F0020FT	SPANISH SMOKED SAUSAGE SSFT
F002031	FRAILES SAUSAGE FOR BROCHETTE
F002040	SAUSAGE FOR FRYING
F002042	“PAISA” SAUSAGE
F002043	MIX TRAY OF SAUSAGES
F00205A	FRAILES PRECOOKED VEAL SAUSAGE
F002060	FRAILES CATALAN THIN SAUSAGE
F00215A	FRAILES PRE COOKED SAUSAGE FOR GRILL
<hr/>	
<hr/>	
SMALL CHORIZO SAUSAGE	
F00209F	FRAILES SMOKED SMALL CHORIZO SAUSAGE
F00209I	SIERRA SMALL CHORIZO SAUSAGE
F002091	FRAILES SMALL CHORIZO SAUSAGE TRAY
F002093	SPICY SMALL CHORIZO SAUSAGE
F002094	CONTINUOUS SMALL CHORIZO SAUSAGE FRAILE
F00202D	SMOKED “CUENCANO” SMALL CHORIZO SAUSAGE
F00215C	FRAILES SMALL CHORIZO SAUSAGE FOR GRILL

HAM	
F0030FT	HAM SSFT
F00300A	AMERICAN SIERRA HAM
F003000	EMBUANDES HAM
F00301B	PORK BACK HAM
F00301C	HAM
F00301D	BIG CHICKEN HAM
F00301E	TURKEY HAM
F00301F	SPECIAL HAM
F003022	FRAILES SPECIAL HAM
F003023	FRAILES SPECIAL SLICE OF HAM FOR PIZZA
F003039	TURKEY BREAST HAM
F003040	FRAILES SMOKED HAM
F003045	BEEF HAM
F003050	FRAILES PRAGUE SMOKED HAM
F003055	FRAILES VISKYNG HAM
F003082	AMERICAN HAM
F0036FT	SPECIAL BAKED HAM 2 SSFT
F0032FT	HAM -BAG SSFT
JAMONADA	
F004060	FRAILES JAMONADA
F0046FT	JAMONADA SSFT
MORTADELLA	
F0040FT	BOLOGNA THICK MORTADELLA SSFT
F00400B	FRAILES BOLOGNA THIN MORTADELLA
F00400F	FRAILES BOLOGNA MORTADELLA – CASE
F00400G	FRAILES BOLOGNA PLASTIC MORTADELLA
F00400K	FRAILES BOLOGNA REV MORTADELLA
F00400O	BOLOGNA MORTADELLA TO SLICE
F004013	FRAILES SPECIAL BOLOGNA MORTADELLA
F0042FT	BOLOGNA MORTADELLA BALL CASE SSFT
F004009	FRAILES EXTRA THICK MORTADELLA
F00404Q	FRAILES EXTRA THIN MORTADELLA

F00400M	FRAILES CHICKEN MORTADELLA- ECONOMIC
F004011	SIERRA SPECIAL LONG MORTADELLA
F004040	SPECIAL THICK MORTADELLA - CASE
F00404B	SIERRA SPECIAL SBI MORTADELLA
F00403B	SIERRA CUT MORTADELLA -EXTRA
F00404M	MULTIAHORRO MORTADELLA
F004110	MUSHROOMS MORTADELLA

SALAMI

F005000	EMBUANDES SALAMI
F005001	BREWER SALAMI
F005010	MILANO SALAMI
F005014	GARLIC SALAMI – PIECE
F005040	SIERRA SALAMI
F005050	FRAILES MILANO SALAMI - CASE

PEPERONI

F005005	FRAILES PEPERONI FOR PIZZA
F005011	FRAILES PEPERONNI

BACON

F001053	FRAILES BACON
F00105C	SMOKED BACON “EL HORNERO”
F0015FT	SMOKED BACON SSFT
F001051	FILLED BACON
F0012FT	BACON SSFT - BOX

CHOP

F00908B	PORK CHOP- BUTTERFLY SHAPE CENTER/ SLICE
F009082	NATIONAL FRESH BEEF CHOP
F009805	NATIONAL PORK CHOP
F009090	PORK NECK CHOP- SLICE
F009091	PORK CHOP- BAR SHAPE CENTER
F009095	PORK CHOP FOR GRILL
F001010	SMOKED CHOP

RIBS

F009829	PORK RIBS
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F001001	SMOKED RIBS IN BULK
F001004	LITTLE SMOKED RIBS IN BULK
F009815	BEEF RIBS
<hr/>	
MEAT	
F007015	GROUND BEEF MEAT
F007010	SPECIAL GROUND BEEF MEAT
F009869	“RANCHERA” GROUND BEEF MEAT
F009085	GROUND PORK MEAT
F007021	BEEF HAMBURGER FRAILES
F007022	BREADED BEEF MEAT
F009808	ACROSS CUT BEEF MEAT
F009851	BEEF MEAT FOR GRILL IN BULK
F009872	“RANCHERA” BEEF MEAT FOR STEW
F009084	PORK MEAT FOR “FRITADA”
F009839	SLICED BEEF MEAT
F009816	“RANCHERA” SLICED BEEF MEAT
F009840	SLICED PORK MEAT
F009841	SLICED CHICKEN MEAT
F009820	PORK TENDERLOIN
F009874	BEEF TENDERLOIN
F009824	PORK TENDERLOIN FOR GRILL
F009998	ROASTED BEEF TENDERLOIN
F009812	BEEF FLANK LOIN
F001020	SMOKED PORK TENDERLOIN
F001023	SMOKED BEEF TENDERLOIN
F001022	CALIFORNIAN LOIN
F009876	SLICED BEEF FLANK LOIN
F007090	PORK LEG
F009092	PORK LEG WITH BONE
F009094	SMALL PORK LEG
F009081	PORK LEG WITH BONE AND WITHOUT HIDE
F009804	PORK LEG WITHOUT BONE AND HIDE
F00980A	MARINATED PORK LEG

F00103H	PORK LEG WITHOUT BONE- PIECE
F001030	SMOKED PORK LEG
F001031	BAKED PORK LEG
F001032	BAKED RUSTIC PORK LEG
F001033	ROLLED PORK LEG
F001035	PORK LEG WITHOUT BONE IN BULK
F009807	BEEF LEG PULP
F009823	PORK PULP
F009831	ROUNDED BEEF PULP
F009833	FIRM BEEF PULP
F009813	BEEF SIRLOIN
F009827	SIRLOIN STEAK
F009832	BEEF SPLEEN
F009836	SPECIAL BEEF STEAK
F009201	RAW SUCKING PIG
F009200	PIG CARCASS
F009848	BEEF OSSO BUCO
F009880	BEEF TOP THIGH- VACUUM PACKED
	MEAT LOAF
F003065	MEXICAN MEAT LOAF
F003066	FRAILES MEXICAN MEAT LOAF
F003071	FRAILES "HORNERO" MEAT LOAF
F003074	FRAILES MEAT LOAF
	FOI GRAS
F005030	FOI GRAS
F008010	FRAILES FOI GRAS

TURKEY

F001072	SMOKED TURKEY
F001041	SMOKED TURKEY BREAST
F001070	BAKED TURKEY
F009060	RAW TURKEY
F009063	MARINATED TURKEY
F009071	AVITALSA TURKEY

CHICKEN	
F001040	SMOKED CHICKEN
F001044	SMOKED CHICKEN WINGS
F001048	SMOKED CHECKEN LEGS
F00104A	STUFFED CHICKEN
F001046	BARBECUE CHICKEN WINGS
F009860	CHICKEN BREAST
F009861	RAW CHICKEN
F009086	GROUND CHICKEN
CHRISTMAS	
F001021	CHRISTMAS PORK LOIN
F001025	CHRISTMAS SMOKED PORK LOIN
F001034	CHRISTMAS PORK LEG
F001036	CHRISTMAS ROLLED UP PORK LEG
F001037	CHRISTMAS RUSTIC PORK LEG
F001074	CHRISTMAS TURKEY
F003044	CHRISTMAS FRAILES HAM
F003075	CHRISTMAS MEAT LOAF
F00400C	CHRISTMAS BOLOGNA
F006053	CHRISTMAS SAUSAGE
F001045	CHRISTMAS ROLLED UP CHICKEN
VARIOUS	
F009999	CUTS OF SAUSAGE
F009304	APPETIZERS
F006226	SPECIAL APPETIZERS
F009306	SAUSAGES FOR CUT
F009802	PORK SKIN
F009806	RAW PIG LEGS
F009809	OXTAIL
F009810	RAW SMOKED PIG LEGS
F009811	PROCESSED RAW PIG LEGS
F009817	BULL TESTICLES
F009819	BEEF HINDQUARTERS

F009849	PIG TAILS
F009881	PORK SKIN
F009988	GIBLETS
F009814	BEEF FLESHY BONE
F009822	PORK BONE FOR “FRITADA”
F001060	SMOKED PIG LEGS
F00105R	CUTS OF BACON
F001076	PORK KNUCKLE
F002101	BUTTON SAUSAGE FOR GRILLING
F00301K	SANDWICH PACK SPECIAL HAM + DUTCH CHEESE
F009083	WHITE BEEF BONE
F009996	BEEF KIDNEYS
F0091FT	INDIVIDUAL BABECUE MIX SSFT
F009110	FRAILES BARBECUE MIX
F009111	BARBECUE MIX
F0092FT	DOUBLE BARBECUE MIX SSFT
F009087	FRAILES BARBECUE MIX TRAY

Source: Sales Department Embuandes Cia. Ltda. 2018

1.5 SWOT analysis of the company Embuandes Cía. Ltda

1.5.1. Strengths

1. Embuandes by being a part of the business group Gerardo Ortiz, shares several of the internal processes, for example the importations.
2. There is a relationship between the managers of the company, which allows evaluating and improving its operation, in addition to analyzing the behavior of the market and competition.
3. Importation of quality raw material such as: meat, proteins, starch, trays, film & packaging, spices and condiments, environment that favors the quality of the product becoming more competitive and differentiating it in the Ecuadorian market.

4. A diversified and categorized portfolio of products with the best imported raw materials, as well as the ability to develop new products that are related to the demand of the local and international market.
5. There is an efficient supply chain at the local and national level, which makes it possible to deliver the products on time.
6. There is a department specializing in market research, which uses techniques of direct observation and information gathered by the leading products of the competition.
7. Embuandes offers quality products that meet high international standards, among which it has good manufacturing practices (BPM), INEN, ISO-22000, making its products subject to constant bromatological and microbiological analyzes in each of the production stages.
8. The company has a fleet of refrigerated vehicles for transportation, thus guaranteeing the cold chain of its products.
9. Embuandes has its own infrastructure; its factory is located in the city of Cuenca and its main warehouses in the cities of Guayaquil, Quito and Manta.
10. Willingness of the company to opinions and suggestions from customers in order to improve their service.
11. There is a constant technological innovation, allowing the company to optimize its production process.
12. Embuandes is part of one of the most important business groups in Ecuador, this allows greater recognition in the market.

1.5.2 Opportunities

1. Ecuador and Peru are part of the following organizations: Andean Community of Nations (CAN), Latin American Integration Association (ALADI) and the Global System of Trade Preferences among Developing Countries (GSTP), an environment that facilitates trade among member countries.
2. The per capita consumption of sausages and red meats in Peru is 2.5 kilos per year with a growth potential, while in Chile it is approximately 8.1 kilos and in

Argentina it is 10 kilos per year; that is, the Peruvian market is suitable for the expansion of the consumption of these products.

3. Embuandes is in the process of obtaining the Hazard Analysis and Critical Control Points (HACCP) certification, a condition that ensures production optimization and excellent quality control of the company's products.
4. The current portfolio offered by Embuandes is similar to that offered by the competing companies in the destination Peru.
5. The distance and the relationship between the two countries, allows the logistics of the products to be agile, fast, opportune and favor the commercialization.
6. Peruvian policy guarantees legal stability to foreign investors and their companies under the framework of the law "investment policies based on non-discriminatory treatment and through the signing of agreements as a contract/law" (Ministry of Economy and Finance of Peru).
7. Although in recent years the expansion of modern channels such as supermarkets and hypermarkets in Peru is significant, there are still areas far from the capital, where they do not have a good distribution of sausages.
8. Its production capacity currently reaches 80%, which represents a total of 500 tons per month, the difference (20%), can be used for the increase by the new market.

1.5.3 Weaknesses

1. Lack of experience in product exportation processes with respect to the competition.

1.5.4 Threats

1. The existence of large, medium and small enterprises of competitor sausages within the Peruvian market.
2. The price of the "Embuandes" product portfolio could be affected by the exchange rate (3.25 soles per 1 USD).
3. Uncertainty about the political direction that both countries can capture.

4. The Free Trade Agreement (FTA) signed between the United States and Peru allows several tariff codes to be tax free. Situation that favors the price of similar products and raw materials, providing an advantage to Peruvian products over "Embuandes" products. Not to mention the consolidation and outsourcing of new companies of foreign sausages that can be established in Peru.

1.6 Cross-tab SWOT Analysis

F8 + O5.- The company has a fleet of its own refrigerated vehicles that maintains the cold chain of the products. This, together with the proximity between the two countries, represents a great advantage, since the company could supply the merchant efficiently and in a timely manner.

F4 + O4.- Embuandes possess a portfolio of diversified products similar to those offered by the competition in the Peruvian market. Likewise, it has the capacity to develop and expand new products that will allow timely response to market demands.

F7 + O3.- The company offers quality products that meet certifications such as: Good Manufacturing Practices (BPM), INEN, ISO-22000. Likewise, the company is in the process of obtaining the Hazard Analysis and Critical Control Points (HACCP) certification, a certification that will guarantee the optimization of manufacturing and an excellent quality control, allowing the products to have a higher quality standard at a national and international level.

F11 + O4. - The constant investment in technological innovation allows elaborating quality products that go parallel to the market demand and in this case, Embuandes would adjust its product portfolio to the preferences of the Peruvian market.

A4 + O6. - The Free Trade Agreement (FTA) signed between the United States and Peru favored several tariff items to be free of taxes. This would imply that the price of similar products and raw materials is lower than that of other international companies. However, Peruvian policy guarantees legal stability to foreign companies through its legal framework and investment policy, a situation that would allow competitive advantages to offset the tariff preferences of local companies.

F1 + A2.- By sharing different internal processes of the Gerardo Ortiz group, the company Embuandes reduces its administrative expenses, which directly benefits the production costs and the final price of its products. In this way it could offset the costs

associated with the currency exchange rate, export costs, etc., and the company could handle better profitability.

F3 + O1.- The possibility of importing raw material from countries that have signed trade agreements that Ecuador integrates, is a possibility to be analyzed. Embuandes would have to consider the quality and availability of raw materials with the aim of not affecting the quality of their products.

F12 + A1.- By being part of one of the most important business groups in Ecuador and offering a varied portfolio of quality products that adjusts to the market, it can be on par with companies belonging to this industry in the Peruvian market.

O6 + A3. - Although there is political uncertainty with each government in Peru and Ecuador, Peru's policies guarantee legal stability for foreign companies in their legislation, which encourages investment in this country.

F5 + O7.- Embuandes with an efficient perspective in its supply chain will allow to deliver its products opportunely, being able to focus on supplying areas where the distribution of sausages is reduced in the Peruvian market.

F6 + A1.- Having a department specialized in market research allows knowing the consumption preferences, guaranteeing a greater capacity to respond to the demands of the Peruvian market and thus have an advantage over the existing competition in Peru.

F1 + D1. - The lack of experience of Embuandes in exportation processes could be resolved with the advice of the different departments that the company shares in the Gerardo Ortiz group.

F6 + O2 .- By having a market analysis department, you can keep track of per capita consumption of sausages in Peru, unsatisfied demand and products that can generate competition in this market.

F10 + O7. - Having openness to the opinions and suggestions of customers will allow a better analysis of the demand in areas where there is not a good quality distribution of sausages in Peru.

F2 + A2. - The existing relationship between Embuandes executives will allow them to analyze opportunely strategies that counteract the price of the product portfolio in the Peruvian market.

A2 + F9.- By having Embuandes with its own infrastructure, administrative costs are reduced and significantly influence the final price of the products. In the same way this could represent an advantage to offer a portfolio with competitive prices in Peru.

O8 + F6.- Through the department specialized in market research, they may suggest new products that meet market demands, this would imply that the production of Embuandes would elevate and take advantage of the production capacity that currently reaches 80% .

With the SWOT analysis it is possible to observe that the company Embuandes has a high number of strengths against weaknesses and threats. These strengths are mainly related to the products and services that the company offers, a situation that should remain the most important focus in order to counteract the weaknesses and threats inherent to the company and the local/international markets.

In a favorable environment for the opening of commercialization, several opportunities of primacy in the Peruvian market are observed, such as: legal security, the proximity of countries for logistics, trade agreements, growth potential for consumption of sausages, and other aspects, situations that Embuandes could adjust its offer and thus be more competitive.

There are also threats from the Peruvian market that cannot be controlled, such as: the country's political situation, the signing of trade agreements, the exchange rate and the presence of competing companies; however, these threats are also a challenge for the company and are similar to those currently facing in Ecuador.

Finally, the main weakness that Embuandes has is the lack of experience in export processes, on the other hand, when working with the importation department of the Gerardo Ortiz group, the same one that advises several companies of the group that export their products, would help solve this problem.

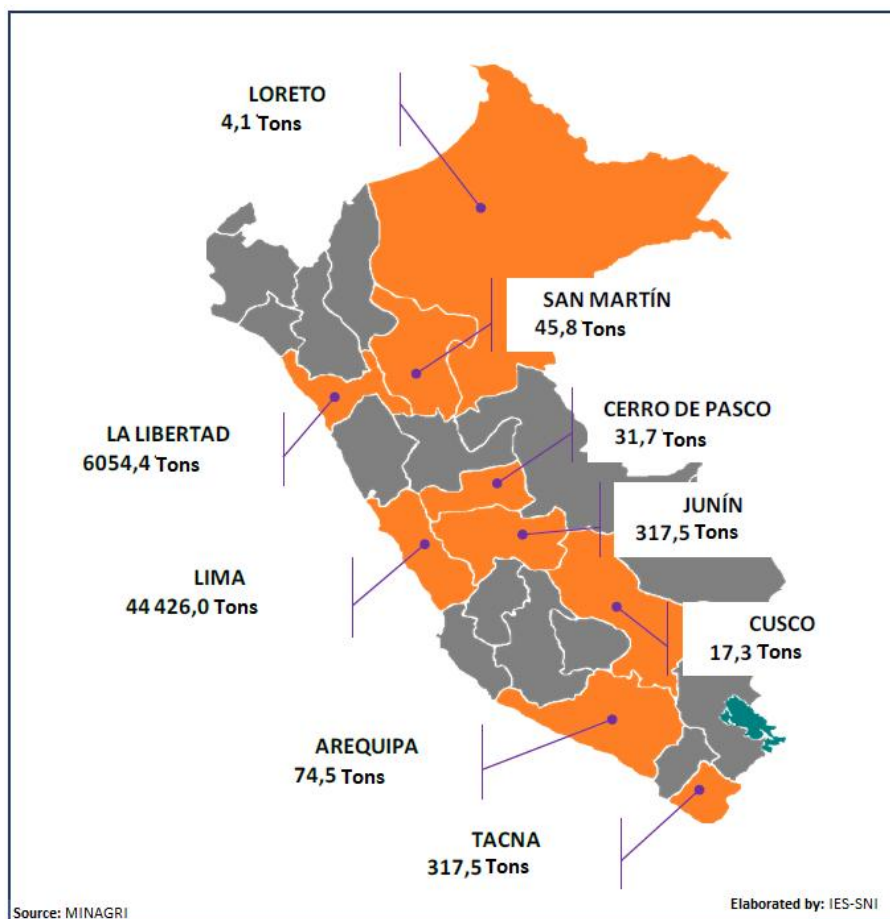
1.7 The Peruvian target market for Embuandes Cía. Ltda.

According to Kotler and Armstrong (2008), the market concept was defined as "the set of buyers who have common needs and/or characteristics that the company or organization decides to serve". Similarly, the authors mentioned that in order to

determine the target market, a "process must be followed in which to evaluate how attractive each market segment is and select the segment (s) to be entered".

Based on this environment, Peru's pork sausage market is attractive for the investment of processed meat, due to the opportunities for growth, as is the low consumption of these products per inhabitant compared to the consumption of other countries in the region of sausages in this country grew 47% between 2007-2016, one of the influential factors has been the increase in the purchasing power of the population, a situation that has generated the construction of modern channels such as supermarkets and hypermarkets, in addition to the decline in the informal industry. The production of these processed foods (sausages) is mainly concentrated in two locations: Metropolitan Lima and La Libertad (Institute of Economic and Social Studies, 2017).

Figure 6.



Main regions that make sausages and cold meats

Source: Sociedad Nacional de Industrias, 2017

The presence of informal industry in the Peruvian market has been a cause of concern for the sausage industry; however, according to data from the National Society of Industries (SNI), informality has decreased in recent years, currently representing only 10% of the market. This reduction is related to the preference of consumers to purchase higher quality products and sanitary certification, as well as adequate presentation and packaging, making it easier for the formal sausage industry to gain market in this country (Saavedra, 2015).

In fact, in this context, companies in the sausage sector have chosen to incorporate two lines into their product portfolio, one that offers cheaper products and the other with products aimed at clients with greater purchasing power (El Comercio, 2016).

Among the main companies in the sausage industry that supply the Peruvian market and represent more than 90% of local production are: San Fernando, Ti-Cay, Swiss Society of Sausages - SUPEMSA, Razzeto, Braedt and Laive (Institute of Economic and Social Studies, 2017).

In table 2 there is a detail of the different brands and the market segment to which the companies in the sausage sector are focused.

Table 2.

Companies, brands and market to which they are projected

BUSINESS	BRANDS	MARKET SEGMENT
Walter Braedt S.A. sausage factory	Braedt	Medium-high
Laive S.A.	Laive	Medium-high
	The preferred one	Medium-low
Swiss Society of Sausages-SUPEMSA	Otto Kunz	Medium-high
	The Segoviana	Medium-low
Ti-Cay Food Processor	Don Pepito	Medium-high
	Sardinia	Medium-low
Products Razzeto and Nesterovic S.A.C.	Razzeto	Medium-high
San Fernando SA	San Fernando	Medium

Source: Palazuelos Cortés y Blázquez, 2013

Figure 7.



Trademarks that dominate the Peruvian market

Source: Sociedad Nacional de Industrias, 2017

Previously, the product portfolio of the company Embuandes was analyzed and, in relation to the preferences of the Peruvian consumer, it is proposed that the gourmet line would be the most suitable option for this market. This line of products is focused on a segment of medium-high consumption and is oriented to satisfy requirements in quality nutritious and healthy products.

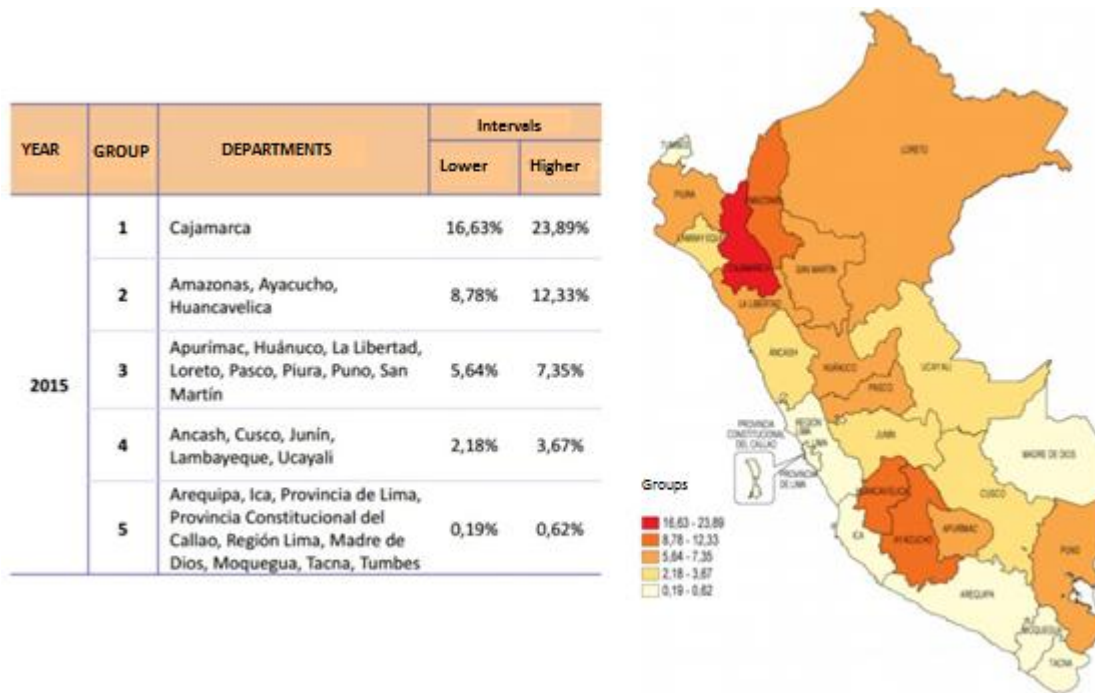
In order to determine the target market of the Embuandes gourmet line, it is necessary to analyze the situation of the country of destination at the region level, as well as to consider the economic situation of its population and the supply of processed meat products. Although the purchasing power of the population in Peru has grown during the last years, there are still areas with a high level of poverty.

According to the National Institute of Statistics and Informatics of Peru INEI, economic poverty reduces the monthly expenditure capacity of an individual; therefore they determine as poor those who have a spending limit lower than the price of a basic consumption basket (food and not foods). The mountain range zone has the highest poverty index, mainly in the departments of Cajamarca and Huancavelica, while on the coast the department of Ica has the lowest index (Flores, 2017).

Figure 8 shows the different departments of Peru based on the incidence of monetary poverty in recent years. In the fifth group are the departments with the lowest

poverty index: Arequipa, Ica, Province of Lima, Constitutional Province of Callao, Lima Region, Madre de Dios, Moquegua, Tacna and Tumbes.

Figure 8.



Incidence of monetary poverty by group of departments

Source: Hidalgo, 2016

From the fifth group, precisely the departments of Ica and Arequipa can be attractive markets for the products of Embuandes, due to situations such as maintaining the lowest poverty rate (Department of Ica), on the other hand the Department of Arequipa there is an important number of foreign population (South American and European mainly), a factor that affects the demand for different products and services based on the customs of this population (Hanco, 2015).

Another important factor to consider, is the tourist development that exists in these two departments and at the country level, a scenario that has allowed the development of the hotel sector, restaurants, and other service markets, increasing the demand for gourmet quality products that many times it is necessary to import them (Institute of Economic and Social Studies, 2017) .

Figure 9.



Location of the departments of Ica and Arequipa

Source: Perucycling, 2018

1.8 Conclusion:

In this chapter it is possible to analyze the situation and the importance of the food and sausage industry in the country, as well, as comparing the trend of consumption of these products in Ecuador and Peru. In both countries there is a great growth potential for the sausage market in the coming years.

With the help of the SWOT analysis, it is possible to conclude that Embuandes currently has a greater number of strengths than weaknesses and threats, which would allow it to have a greater possibility to internationalize its products. In addition to considering this analysis, there is the investigation of the situation of Peru in order to determine the Peruvian target market for Embuandes products, with the departments of Ica and Arequipa being the most willing.

CHAPTER II

2. OPERATIONAL STUDY

2.1 International Negotiation

For the author García (2015), the process of globalization has allowed the rapid development of international trade, forcing countries to integrate into the world market and thus avoid falling behind in underdevelopment and poverty. Today, several nations and blocks of countries, promote the opening of their markets and international negotiation through the signing of trade agreements, implementation of policies to benefit their exports, and others agreed in favor of foreign trade, this with the objective of maintaining a favorable trade balance that benefits the growth of the domestic economy.

The negotiation consists of a process where two opposing parties intervene, who through the approach of positions seeks to achieve an acceptable situation for both, so that they can create, maintain or develop a relationship (García, 2015).

In international negotiation, different countries intervene, who negotiate in the foreign market. In the case of companies such as Embuandes Cía. Ltda., the international negotiation is of a commercial nature since an agreement for the commercialization of goods is sought, which may be:

- International sale of products
- International provision of services
- Intermediation agreements with distributors and commercial agents
- Strategic alliances (García, 2015)

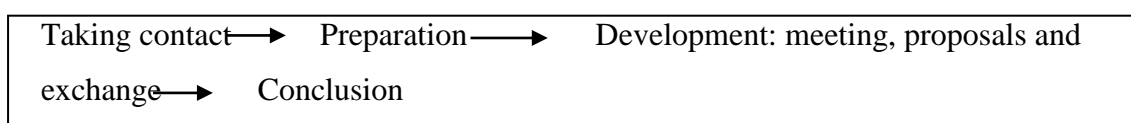
It is important to highlight that international negotiation differs from national negotiation in several particularities, such as: it is negotiated under a different legal framework in each country (import / export regulations, tariffs, contractual obligations, and other legal frameworks), as well as there are cultural differences that must be taken into account when negotiating (language, customs, etc.), commercial / financial differences (negotiation focused on prices, currency exchange rate, and more economic

aspects). For all the above-mentioned factors, international negotiation is more complex and requires more effort and time to obtain the expected results (García, 2015).

2.1.1 Negotiation Process

The international negotiation process starts from the moment the parties involved, make contact for negotiation until an agreement is reached. This process in general consists of the stages detailed in figure 10:

Figure 10.



Stages of the negotiation process

Source: García, O. 2015.

Analyzing each point that intervenes in the commercial relationship, exposed by García (2018), it is determined:

- 1) **Contact:** the first meeting is the key stage to start creating a favorable work environment between both parties and guarantee success in the next stages of negotiation.
- 2) **Preparation:** at this stage it is important to work on a commercial proposal that generates interest and that includes the expectations of the parties.
- 3) **Development:** it is the stage in which the commercial proposal is discussed.
- 4) **Conclusion:** it occurs with the signing of an agreement that includes terms, deadlines, clauses that must be followed by the parties.

It should be noted that not all negotiations follow this exact order, so the negotiating parties must evaluate which sequence best suits their circumstances and take into account the negotiation stage in which they are.

The detail of the aspects to be negotiated in the different types of commercial agreements are included in figure 11. The aspects marked with an asterisk are decisive and may present a greater conflict in the negotiation.

Figure 11.

PURCHASE AND SALE OF PRODUCTS	<ul style="list-style-type: none"> * Type and range of product *Quality *Quantity *Delivery conditions * Price* *Conditions and means of payment * Delivery term * Guarantee
PROVISION OF SERVICES	<ul style="list-style-type: none"> * Obligations of the service provider * Obligations of the client * Prices (Professional fees) * Subcontracting * Modifications or extensions of the service * Penalties for delays
AGREEMENTS WITH DISTRIBUTORS AND COMMERCIAL AGENTS	<ul style="list-style-type: none"> * Business objectives * Range of products * Geographic area * Territorial exclusivity * Terms of delivery and payment * Prices and discounts * Exchange of information * Non-competition agreements * Duration and causes of termination of the contract.
STRATEGIC ALLIANCES	<ul style="list-style-type: none"> * Delimitation of products, sectors, markets and customers * Contributions of capital of each partner * Valuation of assets, machinery, facilities, patents, brands, technical assistance, etc., provided by each partner. * Composition of administrative bodies * Systems for decision making (<i>quorums</i>) Nomination of management positions * Business control

(*) In bold the aspects to be negotiated for each type of operation that are usually decisive

Aspects to be negotiated in different types of trad

e Source: García, O. 2015

The payment method is an important point to consider in the negotiation with the foreign buyer or importer, for this reason there are different types of payment:

- **Advance payment:** when the import payment must be made prior to the shipment of the merchandise. There is no certainty that the seller will ship the requested, so it is based only on the confidence that the importer has upon his

seller. This kind of payment is not a direct collection but a direct pre-paid importation.

- **Through collections** : the exporter has some degree of confidence with the importer and knows that it will cancel the value of their shipment, so the one that runs the greatest risk is the seller, these collections can be:

- Direct: importer and exporter only.
- Through a representative of the exporter, that is, all documentation will be channeled through said representative of the exporter in the city or country of the importer.

- **Through a bank**: with an irrevocable and confirmed letter of credit. The payment must be made through the commitment of the importer (or buyer) through its bank (issuer) and a bank in the country of the exporter (correspondent bank). The payment to the exporter is made by the confirming bank which is usually the same correspondent bank, as long as the beneficiary of the loan (exporter) complies with the requirements requested in the credit.

- **A consignment**: when the international negotiation payment conditions are stipulated according to the quantities actually sold in the country of destination (Institute for the Promotion of Exports and Investments, 2018).

2.2 Export Process and Logistics from Ecuador

2.2.1 Logistics Guide

One of the most delicate stages in the export process is the transfer of the products to the external market. For the Institute of Promotion of Exports and Investments (2017), the order of requirements that the export activity must fulfill such as: packaging, packaging, marking and labeling; ensuring that the product arrives in good condition to its final destination and is accepted in it.

Packaging:

This is all product used to protect, contain, manipulate and present the final product, being these from raw material to finished products. The type of material to be

used depends on the product, the type of transport (land, air or sea) and the final destination.

Types of packaging :

- **Primary Packaging:** sales packaging is also the one that is in direct contact with the final product. It must contain fundamental data in which the name of the product, brand, weight, variety, producer and country of origin are included. Also, perishable products must include the production date and the expiration date. Some products warn about their degree of toxicity, form of handling and storage conditions. The quality products, elaborated under applied industrial standards, have a bar code, which is translated into a series of digits that present information about the producer and the product as such, facilitating the rapid control of inventories and costs.
- **Secondary Packaging:** it is an external complement that may contain the primary packaging, allowing simplifying its distribution and storage. There are cardboard boxes, crates, baskets, trays, boxes with holes, among others. These must contain orderly units, in addition to adjusting to the product taking advantage of its dimensions to the maximum, they must be properly marked indicating the number of units, its maximum stacking strength, product brand and its basic characteristics.
- **Tertiary packaging:** is the one that groups primary or secondary packaging facilitating the handling and transport of them. The materials are selected according to the provisions of the product; without omitting costs, buyer specifications, international standards, resistance, freight and environmental setting. Among the most used packaging are wooden boxes, cardboard boxes, pallets, containers, drums, cages, bags, bales, bullets, plastic liners. The grouping of the products within their respective packaging and / or packaging systems, duly secured and mounted on the stowage, is known as palletization. In the same way, the grouping of pallets or containers is called unitarization, inside the large shipping containers are added dividers or partitions of cardboard or plastic, in order to divide and secure the goods. The load is previously provided with reinforcements on the sides and at the ends to increase its resistance to compression (Institute of Promotion of Exports and Investments, 2017).

Figure 12.

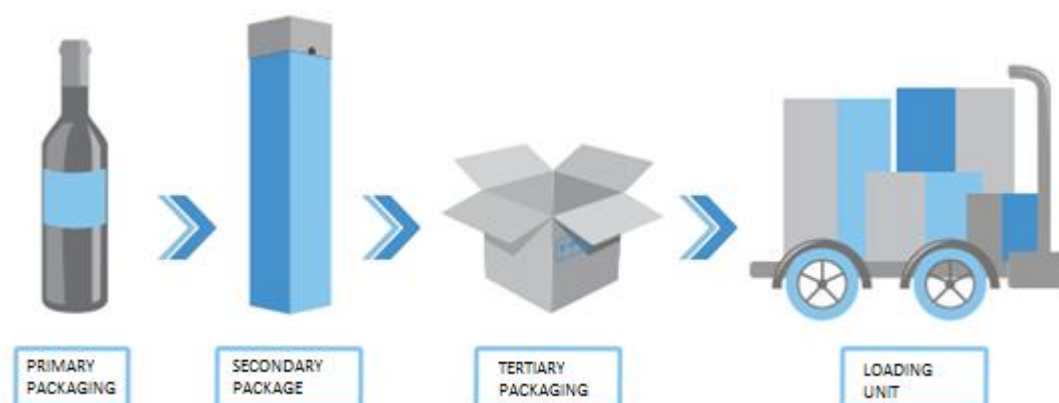


Illustration of the packaging used in exports

Source: PRO ECUADOR, 2017

2.2.2 Marking and Labeling:

The Institute of Promotion of Exports and Investments (2017) prioritizes the importance of marking or labeling of the packaging, because it allows identifying the products facilitating their management and location at the time of being monitored. The mark is produced through direct printing, adhesive labels, stickers or manual calligraphy on a visible side of the packaging and must meet the following characteristics established in ISO 7000:

- Common name of the product and variety
- Size and classification of the product, indicating number of pieces by weight, or number of pieces in a certain package or packaging.
- Quantity
- Net weight
- Quantity of packages or units and individual weight
- Quality specifications in case the product is classified in different versions.
- Country of origin
- Brand name with logo
- Packer name and address

- Name and address of the distributor
- On the opposite side of the packaging is intended only for information on transportation and handling of the product.
- Pictograms according to the ISO 780 international standard, graphic symbols are used instead of written sentences.
- The manipulation marks must be printed on the upper left and their size must exceed 10 centimeters, in dark colors.
- Transport identification. Air waybill number or identification of the shipment, destination, and total number of units shipped and codes of export documents.
- In order to have better identification in customs at the moment of capacity when the cargo is consolidated it is recommended to mark the importer's name, purchase order number, mark them numerically as one of one, one of two, etc.

Figure 13.



Illustration of the labeling

Source: PRO ECUADOR, 2017

2.2.3 Standards or International Norms:

Knowledge of specific international standards for the packaging and handling of goods is of vital importance when preparing the product for export.

Among the technical standards of greater consultation and application are: ISO 3394 standard (establishes the dimensions of boxes, pallets and platforms), ISO 780 and 7000 standards (provide instructions on handling and warning of the load), as pictorial symbols that they must be located in the packages and indicate: fragility, toxicity, and other management warnings.

If you have the right technology you can incorporate electronic identification codes such as UPC, acronym of Universal Product Code and EAN, acronym of European Article Numering. The material used in the brands must be indelible, resistant to abrasion and handling. All containers must be visibly labeled and marked in the language of the destination country.

It is important to bear in mind that the regulations of the International Labor Organization ILO, indicate: for ergonomic reasons it has been stipulated that no load that requires manipulation by human force at any time of its international physical distribution, may have gross weight greater than 25 Kg. (Institute of Promotion of Exports and Investments, 2017) .

2.2.4 Product labeling in the Peruvian market:

According to the law of "Promotion of Healthy Eating" in force in Peru, it seeks to reduce and eliminate chronic no communicable diseases such as overweight, obesity, diabetes, hypertension, among diseases related to food (Eguren, 2016). This regulation is applicable to all natural and legal persons who manufacture, market, import, and supply and advertises processed foods within the country (Government of the Republic of Peru, 2017).

In table 3 there is an explanation of the technical parameters established for processed foods, where they refer to the content of sugar, sodium, saturated fat, trans fat, for their labeling:

Table 3.*Technical parameters of processed foods.*

Technical Parameters	Term of entry into force	
	Within six (6) months of the approval of the Advertising Warnings Manual	At thirty-nine (39) months of the approval of the Manual Advertising Warnings
Sodium in Solid Food	Greater than or equal to 800 mg / 100g	Greater than or equal to 400 mg / 100g
Sodium in Drinks	Greater than or equal to 100 mg / 100ml	Greater than or equal to 100 mg / 100ml
Total Sugar in Solid Food	Greater than or equal to 22.5g / 100g	Greater than or equal to 10g / 100g
Total Sugar in Drinks	Greater than or equal to 6g / 100ml	Greater than or equal to 5g / 100ml
Saturated fats in Solid Food	Greater than or equal to 6g / 100g	Greater than or equal to 4g / 100g
Saturated fats in Drinks	Greater than or equal to 3g / 100ml	Greater than or equal to 3g / 100ml
Trans fat	According to the current regulations	According to the current regulations

Source: Government of the Republic of Peru, 2017.

Those processed foods whose content of sodium, sugar and saturated fats exceed these established technical parameters must include the advertising warnings on their packaging detailed in figure 14.

Figure 14.*Advertising warnings***Source :** Ministry of Public Health, 2017

2.2.4.1 Format of warnings

According to the Ministry of Public Health of Peru (2017), in conjunction with the law of healthy eating, indicates that advertising warnings must be recorded in a clear, legible, prominent and understandable on the front of the product label, according to the following specifications and warning texts indicated below:

- Geometric shape: octagon
- Color: black and white
- Typography: Helvetica LTStd-Bold

Inside the octagon:

For processed foods that exceed the technical parameters of sodium, sugar and saturated fats, the text should be included: "HIGH IN", followed by: "SODIUM", "SUGAR", "SATURATED FATS", in one or more independent symbols, as appropriate.

For processed foods that exceed the technical parameters of Trans Fat, the text "CONTAINS TRANS-FATS" should be included.

Black line and white background.

This specification must be under the octagon, where the following text will be located if the processed foods exceed the technical parameters of Sodium, Sugar and Saturated Fats, "AVOID EXCESSIVE CONSUMPTION". For processed foods that exceed the technical parameters Trans Fat the text "AVOID CONSUMPTION" will be placed.

Additionally, the number of warnings present on the products must be considered.

- If the product includes two or three warnings referring to: HIGH IN SODIUM, HIGH IN SUGAR, HIGH IN SATURATED FAT, a single legend will be handled "Avoid excessive consumption". The aforementioned legend will be located at the foot of the present octagons, as detailed in figure 14.
- If the product contains the warning CONTAINS TRANS FATS, it will use the respective legend "Avoid consumption", as detailed in figure 14.

- If the product contains four warnings referring to: HIGH IN SODIUM, HIGH IN SUGAR, HIGH IN SATURATED FAT and CONTAINS TRANS FATS, two legends will be used: "Avoid excessive consumption" for HIGH IN SODIUM, HIGH IN SUGAR and HIGH IN SATURATED FAT and "Avoid its consumption" to CONTAINS TRANS FATS.

All the legends previously specified will be located at the foot of the present octagons, as detailed in figure 14 and maintaining the established proportions.

2.2.4.2 Location of advertising warnings

The advertising warnings established by the Ministry of Health (2017), indicates its location in the upper right area of the front face of the label and will be maintained in all sizes of the labels, if the product handles a warning, it will proceed to identify an order from right to left of the label: High in Sodium / High in Sugar / High in Saturated Fats.

If the warning HIGH IN TRANS FATS is required, this will be placed under the first line on the right side (see figure 14). In case the design of the label does not allow following the aforementioned, the manufacturer must ensure that the location of the warnings be visible and readable for consumers.

2.2.4.3 Size of advertising warnings

Four sizes are set for advertising warnings, which are determined based on ranges of the total area of the front face or main face of the label. In the event that the label has an area smaller than 50 cm² they will be exempt from labeling the symbol or symbols with the "HIGH IN" warnings, in which case this or these symbols should be labeled on the label of the larger container that contains them (Ministry of Public Health of Peru, 2017) .

2.2.5 Containers

The Institute for the Promotion of Exports and Investments (2017) establishes clear specifications on containers and their standard measures for the export of products, determining as container transportation equipment in the form of a drawer, cistern, mobile tank or other similar element, it is a cargo container for air, sea or river

transport, land transport and multimodal transport. It is a large package that facilitates the transport of cargo; their dimensions are standardized to facilitate their handling.


The acronym TEU (Twenty-foot Equivalent Unit) represents the capacity measurement unit of maritime transport in containers. A TEU is the load capacity of a standard 20-foot container. Apart from the 20-foot container, which is computed as a TEU, there are other sizes and types of containers, with the most frequent being those of 40 feet equivalent to two TEU or one FEU (Forty-foot Equivalent Unit). The most common to refer to the number of containers served by a terminal or moving a vessel is the TEU unit of measure, if the container is 40 feet it is counted as two TEUS (Promotion of Exports and Investments, 2017).

2.2.5.1 Classification by measurements

The most commonly used containers in Ecuadorian foreign trade by measures are 20 feet, 40 feet and 40 feet HC (high cube). The measurements are shown in figure 15.

Figure 15.

GENERAL INFORMATION OF STANDARD CONTAINERS			
	20'	40'	40' HIGH CUBE
DIMENSIONS	20' X 8' X 8"	40' X 8' X 8"	40' X 8' X 9'6"
TARE	2,370 kg / 5,220 lb	4,030 kg / 8,885 lb	4,010 kg / 8,840 lb
MAXIMUM LOAD	30,130 kg / 64,430 lb	28,470 kg / 62,765 lb	28,490 kg / 62,810 lb
GROSS WEIGHT	32,500 kg / 71,650 lb	32,500 kg / 71,650 lb	32,500 kg / 71,650 lb
LONG	5,900 mm / 19'4"	12,032 mm / 39'5"	12,032 mm / 39'5"
WIDTH	2,352 mm / 7'8"	2,352 mm / 7'8"	2,350 mm / 7'8"
HEIGHT	2,395 mm / 7'10"	2,395 mm / 7'10"	2,700 mm / 8'10"
CAPACITY	33.2 m3 / 1,172 ft3	67.7 m3 / 2,390 ft3	76.3 m3 / 2,694 ft3



General information of standard containers

Source: PROECUADOR, 2017

2.2.5.2 Classification by container type

The Institute of Promotion of Exports and Investments (2017), listed a series of containers allowed for export according to the needs of the products to be exported:

- **Dry:**

The dry container is the standard means of transport of basic construction, made of steel without cooling or ventilation system. This container is the most used of all containers in the world market, the measures are 20', 40', 40' HC (high cube) and 45'.

- **Reefer or refrigerated:**

The load is kept under constant cooling or heating simply by connecting the container with the ship's power supply, terminal facilities, or mobile power sources. During transportation by sea, temperatures should be checked regularly. The refrigerated containers have a polyurethane foam insulation that keeps the load cool after the unit is disconnected from a power source. A temperature of -20° inside the container will rise only 2° every 24 hours, even with an outside temperature of 20°. The maximum cooling capacity of a unit is -20° with an outside temperature of 45°.

- **Insulated:**

Insulated container exists of 20' and 40', designed for loads that require constant temperatures or below the freezing point, has walls covered with polyurethane foam to provide maximum insulation. The temperature is controlled by the terminal or ship plants.

- **Ventilated:**

It has been designed for specific loads that cannot undergo abrupt temperature changes, due to its humidity level. With two sets of fans on each side of the container, on the ceiling and floor and acting the full length of the container, moist warm air flows through the roof vents while fresh air flows in through the lower vents. Also, some loads need to be transported in ventilated containers to avoid the accumulation of gases.

- **Bulk carrier:**

A shipment of grains is normally taken from the silo of the exporter in trucks to the ship; to the port of discharge and at the end to the consignee, exposing the cargo to

losses and damages. This container allows the cargo to be carried from the direct exporter to the consignee without any extra handling. They have hatches on the roof for filling and gates in the front panels for emptying. It also has doors like the standard 20' container, which makes it possible to use it for general cargo.

- **Open Top:**

The open top containers were developed for certain loads that are not suitable to be introduced by the door. Without a roof, the cargo is stowed through the roof. A waxed canvas secured by hooks covers and protects the load. The open roof container is built in two basic dimensions: 20' and 40'.

- **Flat Rack:**

The flat rack containers are designed for loads with irregular edges, with dimensions that extend beyond the internal measurements of dry containers, they are found at 20' and 40'. They can be with fixed or folding front panels that help the application of them and without side panels (platform). The advantage of transporting cargo in flat rack containers resides basically in the use of only one lashing and also in the speed of loading and unloading the merchandise.

- **Tank:**

These containers are used to move items such as wine, beer, milk, edible oils, lubricants, natural resins, plastic, synthetic latex and other chemicals classified by IMO (dangerous and non-hazardous). They are available in 20' and 40'.

- **Open Side:**

It is the same as the standard model or Dry Van being its biggest feature that is open on one of its sides. It is used for loads of larger dimensions in length that cannot be loaded through the container door.

2.2.6 Security in the Logistics Chain:

The human being is the weakest link in security in the supply chain, due to this, a series of measures have been created that are used to mitigate their ravages in business, going from container seals, armed custodians, labels Radio Frequency Identification (RFID) and Global Positioning System (GPS) are offering some interesting options that

allow to identify the exact location of a good or means of transportation and are used in containers, pallets, cash, among others. The security of the supply chain faces all types of attacks by individuals, whether forgery, contraband or robbery (Directorate of Commercial Intelligence and Investments, 2015).

- **Security seals:**

Security seals are essential to secure products on transports or in warehouses from an attempted rape or theft. Since there are many types of containers and goods transported, it is important to know the different types and applications of safety seals to choose the right seal for the products to be transported or stored.

Considering this reality the international trade faces, it is necessary for companies to know the recommendations and requirements in terms of security, thus improving the competitiveness. The Directorate of Commercial Intelligence and Investment (2015) describes a series of security supplies that can be used during the export of products.

- **High security:**

Certificates are given under the new ISO 17712: 2010 Standard and for the C-TPAT Program that is required by the customs of the USA and Canada in cargo container trucks. The high security seals are specially manufactured with special thicknesses and resistances to approve the ISO 17712 Standard and the C-TPAT Program. High security seals can be of various types such as bolt, barrel or bottle seals and cable seals. C-TPAT aims to safeguard the global industry from the vibrant trading of terrorists, maintaining the economic health of the USA and its neighbors. The association develops and adopts measures that complement security, but do not have a negative effect on trade, which implies a difficult balancing act.

Plastic Seals

These seals are manufactured with materials such as polypropylene and nylon throughout its body. They are commonly called indicative and control stamps because the engraved folio adds the function of being a control and identification device apart from being very safe and inviolable.

The types of plastic seals are rat-tailed or plain-band type with and without metal insert.

Metal Seals

These security seals are used in national and international cargo containers. Because they are manufactured by a thin sheet of aluminum alloy, they are highly flexible and their hidden security mechanism makes them inviolable. It also has in its body an unrepeatable engraved sheet by which it fulfills the function of control and identification.

Cable Seals

They are of different types of lengths and thicknesses. These can be manufactured with steel or plastic bodies. Its resistance depends on the thickness of the cable and the mechanism that is inside the body of the safety seal. The cable security seals can also be ISO /PAS 17712 and C-TPAT, they should only have certain standards to comply with this standard and the program.

Security Label

There are different measures, for different uses and applications. The safety labels are specially made to leave a trace when removed and these are impossible to reseal, therefore the label is inviolable. Its color is red and it comes in black letters. It can be applied on different surfaces.

Safety bar

The safety bar or barrier seal is the strongest and most reliable seal or safety seal on the market. Its application is only for cargo, sea and air containers. The safety bar is certified under ISO /PAS 17712 and the C-TPAT /BASC Program.

The latest technology is another means of security used, among these different kinds of tracking methods, GPS navigation and RFID tags are two technologies that allow users to know at all times where your shipment is. If someone breaks a seal or steals a container, an instant alert is sent to a security team that will immediately contact the legal authorities, as well as the merchants responsible for the shipment. The Directorate of Commercial Intelligence and Investments, (2015) describes this technology:

- **Global Positioning System (GPS)**

It is based on the use of satellites, which provides location and product information at all times, anywhere or near the Earth, where there is an unobstructed line of sight to four or more GPS satellites. It is maintained by the United States government, is freely accessible by anyone with a GPS receiver.

The GPS program provides critical capabilities for military, civil and commercial users around the world. In addition, GPS is the backbone for the modernization of the global air traffic system.

- **GPS navigation device**

It is a device that receives the Global Positioning System (GPS) in order to determine the current location of the device on Earth. GPS devices provide latitude and longitude information, and some can also calculate altitude.

- **RFID**

The NFC (Near Field Communication) /RFID technology is the most important when it comes to relating things to the internet. This technology allows you to connect physical objects and mobile devices to each other; what allows connecting people with the objects that surround them.

The RFID is considered as the substitute of the barcode in logistics. It is currently being used to a large extent in public transport, credit cards, animal control and electronic passports. With the integration of the NFC (a new standard based on RFID) in mobile phones, a new path of great possibilities opens up. This system of storage and retrieval of remote data uses devices called labels, cards, transponders or tags RFID. The fundamental purpose of RFID technology is to transmit the identity of an object (similar to a unique serial number) by radio waves. RFID technologies are grouped within the so-called Auto ID (automatic identification).

- **RFID Tags**

They are small devices, similar to a sticker, which can be attached or incorporated into a product, an animal or a person. They contain antennas to broadcast, receive and respond to requests by radiofrequency from an RFID transceiver.

The passive labels do not need internal electrical power, while the active ones do require it. One of the advantages of using radiofrequency (instead, for example, infrared) is that direct vision is not required between emitter and receiver.

2.2.7 Selection of Transportation Means

The use of transportation in the exportation of merchandise is an essential factor in commercial relations. For the appropriate choice of means of transportation for export, the following important aspects must be taken into account: type of product to be exported (temperature, humidity, atmospheric composition), the time and destination of the products to be exported, the conditions established with the importer, the costs of the type of packaging and internal transportation.

The analysis of each type of transportation is fundamental at the time of export, knowing and evaluating the characteristics plays a key role in competitiveness and economy, so that the Institute of Promotion of Exports and Investments (2017) describe the means of maritime, air and land transportation in the following sections:

- **Maritime transport:** it is the main mode of transport in the international field since it allows transporting large quantities of cargo and over long distances. The main advantage of this mode of transportation is the competitiveness in terms of freight, the possibility of moving large volumes of merchandise, bulk liquids, solids and gases with great use, which is called economy of scale. There are different types of vessels that allow maritime transport depending on the type of cargo:
 - **Specialized vessels:** bulk carriers (solid bulk cargo), tankers (liquids of all kinds), refrigerators (merchandise requiring special maintenance of the thermal conditions of the cargo), proposers or methane tankers (propane or methane gases), container ships, ferries, roll -on / roll-off (for the movement of cars, trains or trucks).
 - **Multipurpose vessels:** ships with several warehouses separated from each other, with internal steering that make it special to accommodate different types of merchandise separately.

Main seaports of Ecuador:

- Port of Guayaquil: handles 70% of the cross-border trade of the country.
- Puerto Bolívar: 90% of the mobilized cargo is bananas.
- Port Authority of Esmeraldas (Institute of Promotion of Exports and Investments, 2017).

Figure 16.

INTERNATIONAL VAPORS AGENCY ADDRESS: 25 DE JULIO AV. & RIO AT THE BOTTOM "2" LA FLORIDA DEL GUASMO URB., CACIQUE TOMALA AV. PHONE: +593 (4) 257653 http://bonisa.com/	HAMBURG SÜD ECUADOR S.A. ADDRESS: RIO LAS MONJAS AV. & CARLOS JULIO AROSEMENA BERLIN BUILDING GROUND FLOOR, 5 BLOCK PHONE: +593 (4) 3721300 http://www.hamburgsud.com/
ANDINAVE S.A. ADDRESS: #100 9 DE OCTUBRE AV. & MALECON LA PREVISORA BUILDING, FLOOR 29, OFFICE 2901 PHONE: +593 (4) 2597770 http://www.andinave.com/	MAERSK OF ECUADOR C.A. ADDRESS: 1 TANCA MARENGO AV. KM 1.8 & JOSE SANTIAGO CASTILLO, CONAUTO BUILDING, FLOOR 3 PHONE: +593 (4) 2595600
APL OF ECUADOR ADDRESS: #100 9 DE OCTUBRE AV. & MALECON LA PREVISORA BUILDING, FLOOR 26, OFFICE 2605 PHONE: +593 (4) 2560236 https://www.apl.com/	MEDITERRANEAN SHIPPING CO. ADDRESS: FRANCISCO DE ORELLANA AV. & ALBERTO BORG, CENTRUM BUILDING, FLOOR: 15, OFFICE 1 PHONE: +593 (4) 2634 050 http://www.msc.com/
ATLAS MARINE S.A. ADDRESS: JOAQUIN ORRANTIA AV. LEOPOLDO BENITEZ AV. TRADE BUILDING TOWER: A FLOOR C, OFFICE: 707C PHONE: +593 (4) 2639018 - 2639244 www.atlasmarina.com	NAVESUR S.A. ADDRESS: JOAQUIN ORRANTIA AV. & LEOPOLDO BENITEZ VINUEZA AV. LA GRAN MANZANA URB., TRADE BUILDING, FLOOR: 2 OFFICE: 229 PHONE: +593 (4) 3713755 http://www.navesur.com/
BBC ECUADOR ADDRESS: 809 TULCAN & HURTADO, SAN LUIS BUILDING 2nd & GROUND FLOORS PHONE: +593 (4) 23713255 www.bbccharterina.com	REMAR S.A. ADDRESS: 103 10 DE AGOSTO & MALECON VALERA BUILDING, 9TH FLOOR PHONE: +593 (4) 2593330 - 2322111 http://www.remar.com.ec/remafes
BROOM ECUADOR S.A. ADDRESS: NORTH KENNEDY, FLORES PEREZ ST & CLOTARIO PAZ ATLANTIS BUILDING, 6TH FLOOR PHONE: +593 (4) 3711630 http://www.broomecuador.com/	NAVEMAR ADDRESS: 105 JUNIN & MALECON, RIVER VIEW BLVD. 4TH FLOOR PHONE: +593 (4) 2314034 http://navemar.com/
CITIKOLD S.A. ADDRESS: SANTA ANA PORT, THE POINT BUILDING 28TH FLOOR, OFFICE: 2806 PHONE: +593 (4) 3731590 https://www.citikold.com/	TRANSOCEANICA CIA. LTDA. ADDRESS: 1401 MALECON & ILLINGWORTH SUDAMERICA BUILDING, 7TH FLOOR PHONE: +593 (4) 2598060 http://www.transoceanica.com.ec/
CMACGM ECUADOR S.A. ADDRESS: RODRIGO CHAVEZ AV., BUSINESS PARK COLON CORPORATIVE 2, OFFICE: 501-503 PHONE: +593 (4) 5005800 https://www.cmacgm.com/	MARGLOBAL S.A. ADDRESS: 1401 MALECON & ILLINGWORTH SUDAMERICA BUILDING, 7TH FLOOR PHONE: +593 (4) 2598060 http://www.transoceanica.com.ec/
GREENANDES ECUADOR S.A. ADDRESS: 114 JUNIN & MALECON, TORRES DEL RIO BUILDING 5TH FLOOR, OFFICE 8 PHONE: +593 (4) 3716800 http://www.greenandes.com.ec/	TECNISEA CIA. LTDA. ADDRESS: LOS ALMENDROS CDA., GAVIOTTA ST. & PEATONAL 5TH BLOCK, LOS ALMENDROS BUILDING TOP FLOOR PHONE: +593 (4) 2446366 http://www.tecnisea.com.ec

Shipping companies in Ecuador

Source: PRO ECUADOR, 2017

Meeting the deadlines for delivery of the agreed products is part of efficient logistics planning. Air transportation is emerging as another means of shipping during external marketing, the Institute for the Promotion of Exports and Investments (2017) specifies it as:

- **Air transportation:** is the movement from one place to another of people or air cargo through aircraft. This mode offers advantages such as: high speed, greater frequency of services and accessibility. The existence and availability in most of the international traffic of aircraft of different characteristics such as freighters or mixed airplanes make this a means of transportation of great significance. One of the disadvantages of this mode of transportation is freight rates, since they are comparatively higher than other modes. There are extenuating factors such as: lower packaging costs, deposit, handling, insurance, internal transport and even lower stock requirements.

The IATA (International Air Transport Association) is the instrument for cooperation between airlines, promoting safety, reliability, confidence and economy in air transport for the economic benefit of its private shareholders. It has subdivided the world into three conference traffic zones called:

TC1: America

TC2: Europe Africa and the Middle East

TC3: Rest of Asia and Oceania.

Today there are large aircraft that allow the transport of cargo of more than 100 tons. Unlike maritime transport, air transportation allows you to reach closer points of consumption or production. This mode requires very demanding installations and service conditions that condition the landing of large aircraft only at certain points, although there are more frequencies, destinations and interline connections.

Main airports of Ecuador

- **Mariscal Sucre of Quito and José Joaquín de Olmedo of Guayaquil:** the same ones that have a large number of international flights of cargo and passengers, where they operate more than 10 air cargo lines respectively.
- Other airports that operate, mostly with local flights are: Cuenca, Manta, Santa Rosa, Coca, Latacunga, Esmeraldas, Salinas, San Cristobal, Loja and Lago Agrio (Institute of Promotion of Exports and Investments, 2017).

Figure 17.

LATAM CARGO S.A. ADDRESS: LAS AMERICAS AV. (NEXT TO THE SIMON BOLIVAR CONVENTION CENTER), NATIONAL LOAD TERMINAL PHONE: +593 (4) 2283543 HTTP://WWW.LATAMCARGO.COM/	AMERICAN AIRLINES ADDRESS: LAS AMERICAS AV., INTERNATIONAL LOAD AREA, GUAYAQUIL PHONE: +593 (4) 6006187 HTTPS://WWW.AACARGO.COM/
SOUTH AMERICAN AIR LINES S.A. ADDRESS: AMAZONAS AV. & PALORA, QUITO PHONE: +593 (2) 3301153 HTTP://WWW.LASCARGO.COM/	IBERIA CARGO ADDRESS: LAS AMERICAS AV., INTERNATIONAL LOADING ZONE, GUAYAQUIL PHONE: +593 (4) 2924636 HTTPS://WWW.IAGCARGO.COM/
LUFTHANSA CARGO ADDRESS: N47205 AMAZONAS AV. & RIO PALORA, HAMMONIA BUILDING, QUITO PHONE: +593 (2) 4001770 WWW.LUFTHANSA.COM	KLM CARGO ADDRESS: LAS AMERICAS AV., INTERNATIONAL LOADING ZONE, GUAYAQUIL PHONE: +593 (4) 2292296 HTTPS://WWW.AFLCARGO.COM
MARTINAIR CARGO ADDRESS: N7548 AMAZONAS AV. & RIO TOPO, QUITO PHONE: +593 (2) 3301044 HTTP://MARTINAIR.COM/MARTINAIRCARGO/	TRANS AM ADDRESS: LAS AMERICAS AV., 200 m BEFORE THE GUAYAQUIL AIRPORT PHONE: +593 (4) 2282510 HTTP://TRANSAMLTDA.COM/
UPS AIR CARGO ADDRESS: JOSE J. DE OLMEDO AIRPORT/ CARGO, UPS BUILDING PHONE: +593 (4) 2924005 - 2924455 HTTPS://WWW.UPS.COM/	CENTURION CARGO ADDRESS: N49215 AMAZONAS AV. & JUAN HOLGUIN TRANSINTERNATIONAL BUILDING, CARGO, 3RD FLOOR QUITO PHONE: +593 (2) 4009700 HTTP://WWW.CENTURIONCARGO.COM/

Cargo airlines in Ecuador

Source : PRO ECUADOR, 2017

The consideration of land transportation is a third option in international marketing, for which the Institute of Promotion of Exports and Investments (2017), points out as:

- **Land transportation:** Not being subject to fixed itineraries, the supply of land transport by road wineries is adapted to the needs of the cargo. It is not rigid, so a balanced result between speed and economy could be gotten. There is a wide variety of trucks that adapt to the needs required by the load, such as refrigerators, bulk carriers, cages, tanks, special transports (carts), among others.

The rigid structure is undoubtedly one of the disadvantages of this conveyance, although it is facilitated by the multimodal transportation law complementing with the truck. In international freight transportation between bordering countries, door-to-door delivery by terrestrial mode with highly operational services is very widespread.

In the case of Ecuador, its border transit with neighboring countries to the north and south is mostly by land by road. Ecuador borders Colombia to the north, Peru to the south and east, so that only with these two countries maintains border traffic, which is controlled by the National Customs Service of Ecuador, SENA. Border traffic is the regime that, according to international commitments, allows the exchange of goods destined for domestic use or consumption among border populations, free of formalities and the payment of customs taxes. The SENA, according to international commitments, will delimit the area of the national territory in which this regime will be applied.

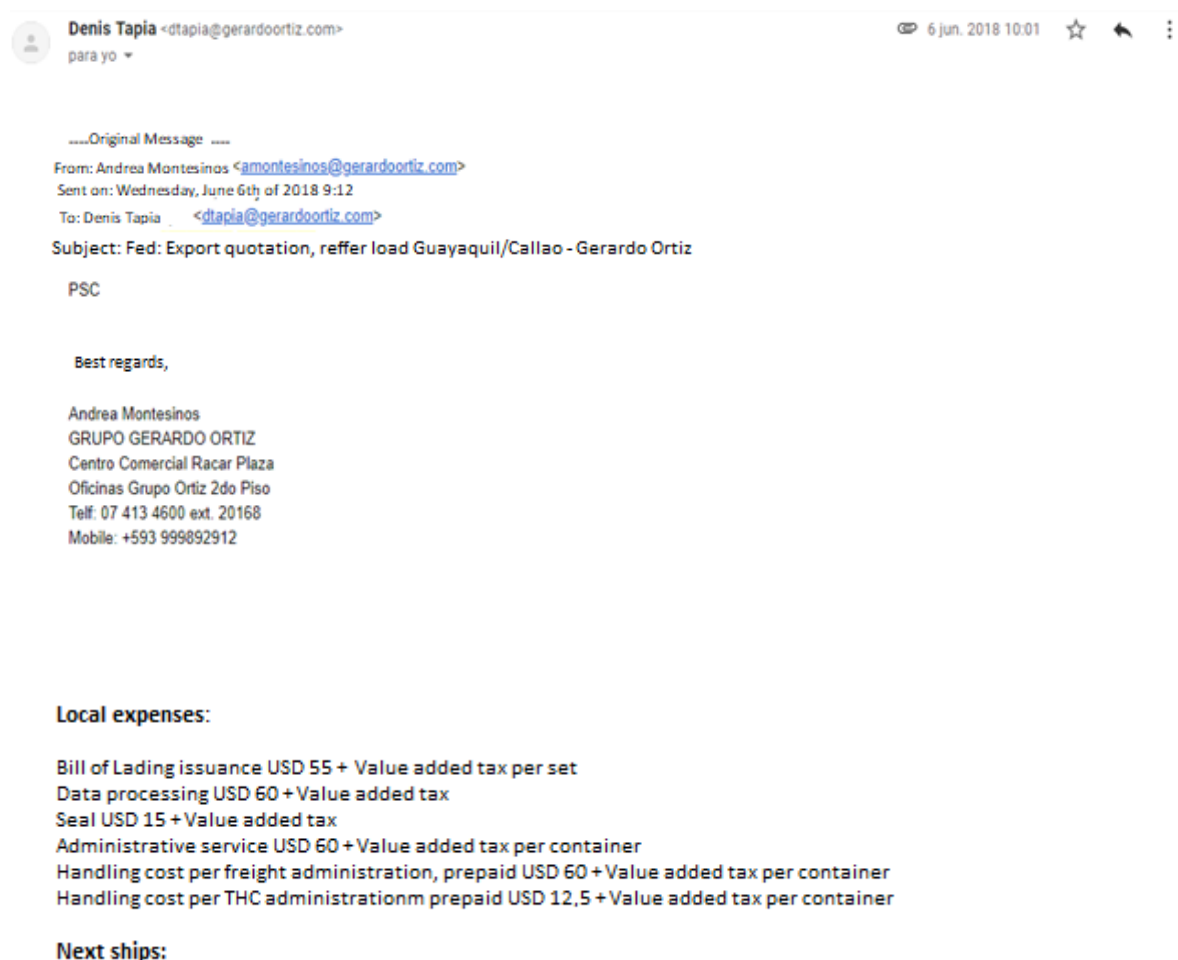
- **Rail transportation:** it is a system of long distances and low speed used on a regular basis for the transportation of raw materials such as: coal, wood, cereals and chemicals; and manufactured products of low value and large volume and /or quantity such as paper. In Ecuador, Railways of Ecuador is responsible for the management of the country's rail network, which has a total area of 965.5 km. It currently has 500 km of rehabilitated roads.

In Ecuador, this medium is only used for tourism and transportation of very small volumes of products. So it is not considered a way of foreign trade.

- **Multimodal transport:** it is the articulation between different modes of transportation, in order to carry out more quickly and efficiently the operations of transshipment of materials and merchandise (including containers, pallets or similar articles used for cargo consolidation). It is also the one in which it is necessary to use more than one type of transport modes to move the merchandise more quickly and efficiently from its place of origin to its final destination, but mediating a single transport contract.

For Embuandes products whose destination would be the departments of Ica and Arequipa in Peru, it would be convenient to use multimodal transportation mainly due to the distance that exists from Cuenca-Ecuador to Ica or Arequipa. Similarly, there are factors that would be beneficial for both Embuandes and the importer, such as: the use of a single transport document despite the fact that two or more means of transportation are used, which expedites the document review process, minors costs in total transportation operation, lower risk of loss or theft of merchandise, reduction of loading and unloading times, among others.

Figure 18.



Export quotation for reefer load Guayaquil/Callao -Gerardo Ortiz

Dear Andrea, good morning

As King Ocean we can offer you 2 ships per month to Callao/Peru - 2 days of transit.

We do not have 20' reefer equipment, just 40'.

The Guayaquil/Callao freight for refrigerated cargo is USD 1,750 per 40' hc container + USD 150 for container service charges + USD 60 for vessel fuel - port to port condition

**2 days of connection at origin

***0 free days of connection in destination, we can give you 3 free days for the equipment but the connection is invoiced directly to the importer

Our ships enter Contecon

Transit time: 2 days. direct service

Green fast V- 11SB- Estimated time of arrival at Guayaquil- June 7th

Dry cargo in port from June 2nd until June 6th- 10pm

Planet V V-26SB- Estimated time of arrival at Guayaquil- June 21st

Dry cargo in port from June 16th until June 20th- 10pm

Green fast V-12SB- Estimated time of arrival at Guayaquil- July 5th

Dry cargo in port from June 30th until July 4th- 10pm

Planet V V-27SB- Estimated time of arrival at Guayaquil- July 19th

Dry cargo in port from July 14 until July 18th-10pm

In case you need more information or need to reserve space, please do not hesitate to request.

Best regards,

Mritza Muñoz

King Ocean Services Ecuador Commercial Department



Invoice of freight Ecuador- Peru

Source: EmbuandesCía. Ltda. 2018

2.3 Export process from Ecuador

There are certain procedures that must be followed when making an export from Ecuador, some are international and others of a national nature, including:

2.3.1 International character

The Institute for the Promotion of Exports and Investments (2017) determined INCOTERMS as rules that have become an essential part of the daily language of international trade. Incoterms have been incorporated into contracts for the sale of products throughout the world and provide standards and guidance to importers, exporters, lawyers, transporters, insurers and students of international trade.

The CCI (International Chamber of Commerce or ICC: International Chamber of Commerce) has been in charge since 1936 (with revisions in 1953, 1980, 1990, 2000 and 2010) of the elaboration and updating of these terms, according to the changes that international trade is experiencing. Currently INCOTERMS 2010 (as of January 1, 2011) are in force and are defined privately between the trading parties and are included in the international sale and commercial invoices contracts (Institute of Promotion of Exports and Investments, 2017).

The INCOTERMS are the international commercial terms that define and clearly distribute the obligations, expenses and risks of international transport and insurance, between the exporter and the importer. These terms are recognized as international standards by the customs authorities.

Definitively these rules describe the moment in which the risk on the merchandise is transferred from the seller (manufacturer or not) to the buyer (being it the end user or not). Within the INCOTERMS, there are 11 Incoterms, of which seven can be used for any mode of transport and four applicable only for maritime transport. They are also divided into four categories: E, F, C and D (Institute of Promotion of Exports and Investments, 2017).

Figure 19.

Incoterms 2010											
Mode of transport	Conditioned merchandise for sale	(The load in the seller's warehouse)	Inland transport at origin	Export customs formalities	Handling costs at origin	Main transport	Insurance of goods	Destination handling charges	Import customs formalities	Inland transport at destination	Delivery of the goods to the buyer
EXW											
Polyvalent											
FCA											
Polyvalent											
FAS											
Maritime											
FOB											
Maritime											
CPT											
Polyvalent											
CIP											
Polyvalent											
CFR											
Maritime											
CF											
Maritime											
DAT											
Polyvalent											
DAP											
Polyvalent											
DDP											
Polyvalent											

INCOTERMS 2010
Source: PRO ECUADOR, 2018

2.3.2 National nature

According to the National Customs Service of Ecuador (2017) to be able to export from Ecuador it is necessary that the exporter, whether natural or juridical, Ecuadorian or foreigner resident in the country, complies with the following requirements:

- Unique Taxpayers Registry (RUC) granted by the Internal Revenue Service (SRI).
- Digital certificate for electronic signature and authentication granted by the Civil Registry of Ecuador or by Security Data.
- Register as an exporter on the website of the National Customs Service of Ecuador (SENAE), portal ECUAPASS. This registration at the same time allows to request the following requirements to export:
 - ✓ Affidavit of Origin (DJO)
 - ✓ Certificate of origin


After registration, the export process consists of several phases; as detailed by the Institute for the Promotion of Exports and Investments (2018):

Pre-shipment.- In this phase the presentation and transmission of the Single Customs Declaration of Exportation (DAE) in the ECUAPASS system is required, this is the only document that accredits the legal export before the SENAE and creates obligations for the exporter or declaring.


The following information is included in this statement:

- General information of the exporter or declaring (declaring code, regime code, type of dispatch, name of the exporter, among others.)
- Detail of the merchandise by item and invoice (type of cargo, form of payment, country of destination, type of accompanying document, state of the merchandise, quantities, net weight, among others.)
- Consigne data
- Totals (total net weight, total units, total packages, etc.)

Figure 20.



REPUBLIC OF ECUADOR
EXPORT CUSTOMS DECLARATION



Consultation detail of the export declaration

DAE Number	028-2012-40-00005727		
-------------------	----------------------	--	--

General Information

District code	GUAYAQUIL - MARITIME	Regime code	FINAL EXPORT
Type of dispatch	NORMAL DISPATCH	Declarant code	01903692

Exporter Information

Name of the exporter	ECUADORIAN COFFEE S.A.	Exporter phone number	2597980
Address of exporter	WORLD TRADE CENTER BUILDING		
Document number	RUC 120244753001	Exporter city	GUAYAQUIL
CIU	COFFEE BEANS	Document number	
Name of declarant	CESAR RUIZ		
Address of the declarant	SUR ST. & INTERSECTION		
Payment method code		Currency code	US DOLLAR

Load Information

Loading port		Private port from	
Port of arrival		Letter date	JANUARY 15TH 2013
Consignee's name	GLORIA S.A.		
Address	SAN MARTIN & 2 ST.		
Taxpayer city	BUENOS AIRES	Type of load	CONTAINERIZED CARGO
Warehouse place	[05909025] CONTECON GUAYAQUIL S.A.	Means of transport	MARITIME
Country of final destination	ARGENTINA		

US DOLLAR

Totals

Currency code	US DOLLAR	Exchange rate	1
Total in transaction currency (FOB)	652.01	Item quantity	1
Total net weight	8328	Total weight	8328
Total quantity of packages	64	Containers quantity	1
Total amount of physical units	64	Total number of business units	64
Urgent delivery merchandise code		Request code of inspection	NO
Date of first entry		First shipment date	

Example of Customs Declaration of Exportation

Source: PRO ECUADOR, 2018

Additionally, the digital documents that accompany this statement are:

- Original commercial invoice
- Prior authorizations (when the case warrants)


- Certificate of electronic origin (when the case warrants it) (PRO ECUADOR, 2018).

Figure 21.

EXPORTING COMPANY Address:.....South St. & Intersection Phone/Fax:.....593-4-2597980 E-mail:..... exportadora@ecuador.com.ec		TAX PAYER CODE #: 120244753001 <hr/> INVOICE <hr/> EXPORT MARKET <hr/>		
Sirs: IMPORTING COMPANY:.....GLORI S.A. Address:.....VIII / SAN MARTIN Attn:.....MR. CESAR ZAMORA INVOICE N°.....001002004954		Contact name:..... MR. CESAR ZAMORA Our reference:..... Client #:..... 1518-60 Order #:.....P/O 720		
The merchandise has been sent according to: Packing dimensions: Date:.....January/2018 Gross weight: 1,618.25 KG Net weight: 1,520.35 KG Brands: WITHOUT BRAND Via: MARITIME Country of origin: Ecuador				
VALUE				
TARIFF CODE	DESCRIPTION	QUANTITY	UNITARY	TOTAL
1604.14.00	CANNED TUNA	67,500 UNITS	US\$ 0.50	US\$ 33,750.00
INCOTERM: FOB:			TOTAL INVOICE: US\$ 233,750.00	

Example Commercial invoice
 Source: PRO ECUADOR, 2018

Figure 22.



Ministry of Industries
and Productivity

ANDEAN COMMUNITY
CERTIFICATE OF ORIGIN

LATIN AMERICAN INTEGRATION ASSOCIATION
ASSOCIAÇÃO LATINO-AMERICANA DE INTEGRAÇÃO

Certificate N°
1893405/201300000237

EXPORTING COUNTRY: ECUADOR

IMPORTING COUNTRY: PERU

N° de línea (1)	TARIFF CODE	DENOMINATION OF GOODS
2	270193400	GREASE AMBER CHASSIS
1	270193400	RED CHASSIS GREASE
3	270193400	GREASE BLACK CHASSIS

DECLARATION OF ORIGIN

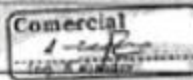
WE DECLARE that the goods indicated in this form correspond to invoice No. [001-002-000001271], comply with the provisions of the rules of origin of the CARTAGENA Agreement in accordance with the following detail:

N° de línea (2)	RULES
2	Decision 416, Chapter II, Article 2, Literal I)
1	Decision 416, Chapter II, Article 2, Literal f)
3	Decision 416, Chapter II, Article 3, Literal II)

DATE: JUNE 10th 2013

BUSINESS NAME: Exporting Company S.A.


Stamp and signature of the exporter or producer



OBSERVATIONS:

CERTIFICATION OF ORIGIN

I certify the veracity of this declaration that stamps and signs



ANALISTA
Nombre, sello y firma de la Autoridad Certificadora

NOTES:

(1) En los certificados de origen que se individualizan los mercaderías comprendidas en el presente certificado, se usan de los símbolos, se reconocen los individuos de las mercancías de origen de los países signatarios de este certificado, notándose con claridad.

(2) Representar a su vez de un Anexo Regional Parcial, indicando número de registro.

(3) En este sistema se indicará la forma de origen con un ejemplo cada mercancía individualizada por su número de orden.

• El formato puede presentar variaciones, tachaduras o enmendaciones.

Example of certificate of origin for the Andean Community

Source: PRO ECUADOR, 2018

In figures 23, 24 and 25 there is the process to obtain a prior authorization like the Zoosanitary Export Certificate, this certificate is requested electronically through the Ecuapass portal and is authorized by the Ecuadorian Agency for Quality Assurance of Agro- AGROCALIDAD (2016), through the next steps:

1. Access the Ecuapass portal with the corresponding username and password.
2. Enter the portal of the VUE export single window.
3. Select the option "Preparation of Request".
4. Select "Accompaniment Documents" - AGROCALIDAD.

Figure 23.

At the top we have this screen:

We chose the data of the institution:

Example of prior authorization: Zoosanitary Export Certificate

Source: AGROCALIDAD, 2016

5. Choose the option "Application for animal health certificate"

Figure 24.

The screenshot shows a web interface with a table of document requests. The table has four columns: No., Institution, Document code, and Document. It contains four rows of data. Below the table, there is a button labeled 'We click on Request:'.

No.	Institution	Document code	Document
1	AGROCALIDAD	001-000-000	Solicitud de Certificado Zoosanitario de Exportación
2	AGROCALIDAD	001-000-000	Solicitud de Certificado Zoosanitario de Exportación (CZE)
3	AGROCALIDAD	001-000-000	Solicitud de Permisos de Importación de Muestras de Paquetes de los Agricultores con Fines de Ejecución de Pruebas de
4	AGROCALIDAD	001-000-000	Solicitud de Certificado de Libre venta

We click on Request:

Example 2 of prior authorization: Zoosanitary Export Certificate

Source: AGROCALIDAD, 2016

6. The system shows the form where all the information for this request must be registered in the option: "Application data", "Logistics data", and "Product data".
7. Additionally, in this application you must attach the supporting documents.
8. Once the information has been completed, click on accept and you can confirm that the request was sent.

Figure 25.

No.	Application number	Processing status	Application date
1	01009991201400000282P	Solicitud Enviada	17/Mar/2014

Finalization of the Application for an Exports Zoosanitary Certificate

Source: AGROCALIDAD, 2016

With the obtaining of the Animal Health Certificate in the computer system of ECUAPASS, the deadlines established by the SENAE for the corrections and transmission of the Single Customs Declaration of Exportation (DAE) must be taken into account:

- The customs declaration may be transmitted before the entry of the goods into the primary zone, and must present the accompanying documents, support and

corrections to the declaration up to 30 calendar days from the registration of the authorized exit of the customs declaration.


- The term to carry out the shipment of the merchandise is of 30 calendar days counted from the generation of the DAE.
- The SENA E gives a term of 30 calendar days counted from the shipment to make corrections to this declaration and present the accompanying documentation and support.
- A substitute declaration can be submitted from day 31 after the correction period up to five years later.
- To make a subsequent correction to a substitute declaration there is no deadline but a fine must be paid due to a lack of regulations (Ecuador Customs SENA E, 2018).

According to the Customs of Ecuador (2018) once the declaration has been correctly completed, it must be transmitted and accepted by SENA E, so that the merchandise can later be entered into the temporary warehouse or to the primary zone of the customs district from where it embarks and processes the export. The exporter will be notified of the assigned capacity channel, through the ECUAPASS portal, which can be: automatic inspection, documentary inspection or intrusive physical inspection.

In the same way, it is important to quote and define the export costs that will be incurred in order to negotiate with the importer. In this contribution, rights and obligations of both the export and the import are established; in order to avoid risks in commercial operation within the quote must include certain elements described by the Institute of Export Promotion and Investment PRO ECUADOR (2018) as:

- 1) Object: product characteristics
- 2) Payment Methods
- 3) Products and packaging
- 4) Delivery of the merchandise: based on the selected INCOTERM.

Figure 26.

	
PRO FORMA INVOICE No. 001/2018 EXP	
GUAYAQUIL, AUGUST 23rd OF 2018	
TO: EMPRESA IMPORTADORA S.A. WITH ATTENTION TO: Ms. ISABEL REYES BOGOTÁ – COLOMBIA	
PRODUCT DESCRIPTION 700,000 CANS OF TUNA FILLETS IN OIL, REF: CAPACITY 180 g WITH EASY OPEN COVERS, US\$ 150 FOR ONE THOUSAND, FCA GUAYAQUIL.	
TOTAL FCA VALUE GUAYAQUIL	US\$ 105,000.00
INLAND FREIGHT (7 CONT. 40' HC)	US\$ 14,000.00
CPT VALUE BOGOTÁ – COLOMBIA	US\$ 119,000.00
TOLERANCE +/- 10% IN QUANTITIES AND AMOUNT	
INCOTERM: CPT (INCOTERMS 2010)	
TARIFF CODE: 1604.14.10	
PAYMENT METHOD: THE PAYMENT WILL BE MADE THROUGH BANK TRANSFER TO THE CHECKING ACCOUNT # XXXX PACIFIC BANK ABA CODE # XXXX BENEFICIARY: EXPORTING COMPANY S.A.	
VALIDITY OF THE PROFORMA INVOICE: 30 DAYS	
PARTIAL SHIPMENTS: ALLOWED ACCORDING TO YOUR INSTRUCTIONS	
TRANSHIPS: ALLOWED	
DELIVERY TIME: 30 DAYS ONCE THE TRANSFER IS RECEIVED	
INSURANCE: FOR THE ACCOUNT OF THE BUYER, IN CASE THE MERCHANDISE IS NOT INSURED, IT TRAVELS BY THE BUYER'S ACCOUNT AND RISK, UNDERSTANDING THAT THE COMPLIANCE OF THE EXPORT COMPANY S.A. ENDS IN THE DELIVERY OF THE MERCHANDISE TO THE CARRIER.	
ATTENTIVELY,	
MR. JOSE LOPEZ FOREIGN TRADE CHIEF	

Export quotation model

Source: PRO ECUADOR, 2018

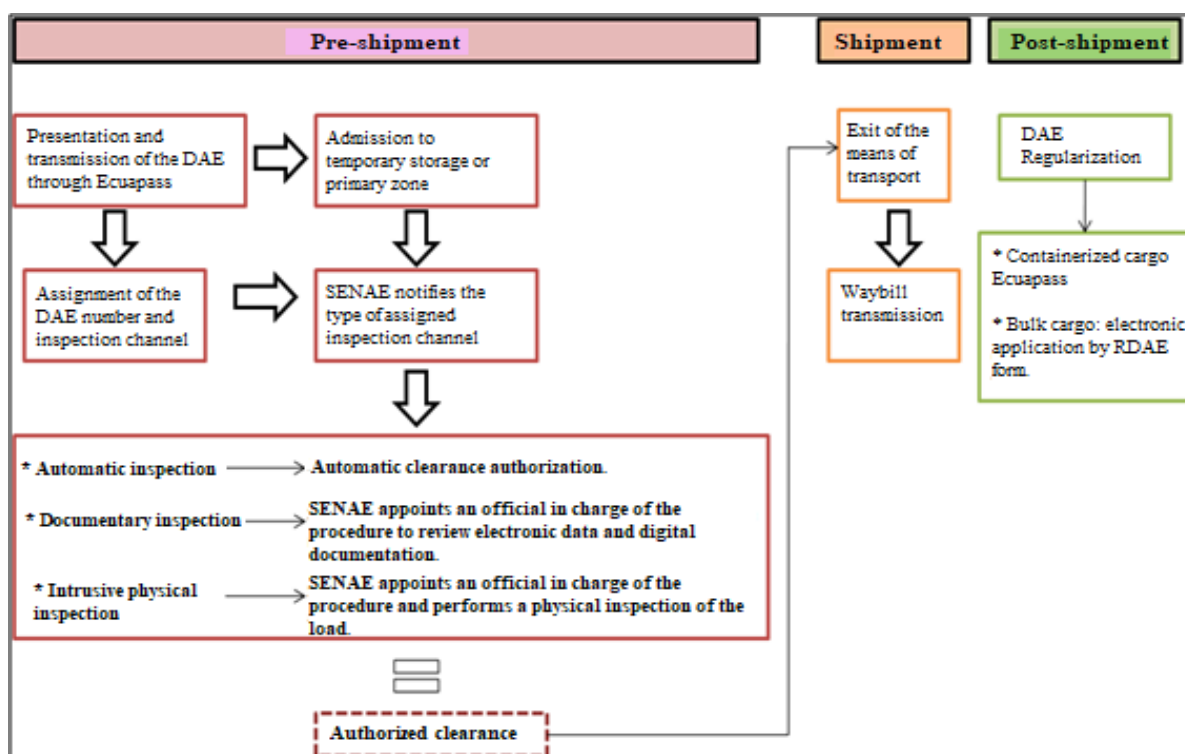
Shipment. - After the capacity, the authorized exit that allows the shipment of the merchandise is obtained, for the Customs of Ecuador SENAE (2018) in this phase it is necessary the transmission of the cargo manifest, document that includes the information related to the environment of transportation, weight, identification of merchandise, and other means, this transmission is done according to the form of dispatch established by this government entity:

- Maritime: up to 12 hours after the departure of the means of transportation
- Land route: in addition to the cargo manifest, the letter of carriage must be transmitted until the moment when the merchandise border crossing is made.
- Airway: up to 12 hours after the departure of the means of transport
- Consolidated cargo: up to two business days after the departure of the means of transport.

Post-shipment.- Finally, once all the documentation has been transmitted correctly within the deadlines stipulated by SENA E, the status change of the Single Customs Export Declaration (DAE) is given to "regularized", culminating the export process (Ecuador Customs SENA E, 2018).

When the cargo is containerized, the SENA E assigns the status of "DAE regularized" through the ECUAPASS portal. When the cargo is loose or in bulk, the application must be made electronically using a form of "Regularization of Customs Declaration of Export (RDAE)" (Ecuador Customs SENA E, 2018).

Figure 27.



Export process

Source: Ecuador Customs SENA E, 2016

Figure 28.



Organizations that intervene in an export operation

Source: PRO ECUADOR Exporter's Guide, 2018

2.4 Import Process in Peru

According to the National Customs and Tax Administration-SUNAT (2017), to proceed with an importation in Peru, it is necessary that the importer (whether natural or legal person), meet the following requirements:

- Being registered in the single taxpayer registry (RUC)
- To be qualified in the RUC to carry out import activities
- The fiscal address declared in the RUC must not have the status of "No Habido"
- Submit the necessary forms and documents to import merchandise.

An importation to consumption is defined as:

"The customs regime that allows the entry of goods into the customs territory for consumption after payment or guarantee, as applicable, of the customs duties and other applicable taxes, as well as the payment of surcharges and fines that may have been generated and compliance of formalities and other customs obligations. The goods can be requested to the import regime for consumption, under three possible modalities: anticipated, deferred and urgent." (Ministry of Foreign Trade and Tourism-Peru, 2015, p.24)

Table 4.*Dispatch Modalities*

Modality	Detail
Advance Dispatch	The goods can be requested to the import regime within 30 calendar days, before the arrival of the means of transport, being able to dispose of the merchandise from the same port or its immediate transfer to the warehouse of the owner or consignee for control actions respective, without the need to enter a temporary deposit.
Deferred Dispatch	The goods are requested to import regime and therefore the customs dispatcher numbers the Customs Declaration of Goods (DAM) once the ship arrives. To do this, there is a period of 15 calendar days, computed from the day after the end of the download to request that the goods to the import regime, otherwise, they fall into legal abandonment.
Urgent Office	The goods can also be requested to the import regime before the arrival of the ship and up to seven calendar days after the date of completion of the discharge. However, unlike the advance clearance, in the urgent dispatch the goods imported by their nature, can not remain in the port or terminal and must be removed immediately. This modality applies to radioactive materials, live animals, explosives, fuels, flammable goods, medicines, vaccines, dangerous cargo, relief shipments, etc.

Source: Ministry of Foreign Trade and Tourism

✓ **Taxes to pay**

Imports of goods falling within tariff code 1601.00.00.00 (Sausages and similar products, of meat, offal or blood, food preparations based on these products), are taxed with the percentages included in figure 29.

Figure 29.

TYPE OF PRODUCT:	LAW 29666-IGV 20.02.11
Current charges	
Ad valorem tax	6%
Excise tax	0%
General sales tax	16%
Municipal promotion tax	2%
Specific right	N.A.
Anti-dumping duty	N.A.
Insurance	1.5%
Surtax	0%
Unit of measurement:	(*)
N.A.: Not applicable for this tariff code	

List of taxes

Source: National Superintendence of Customs and Tax Administration-SUNAT, 2018

The National Superintendence of Customs and Tax Administration-SUNAT (2016) indicates the validity in the application of the General Sales Tax Perception Regime (IGV) to the definitive import operations of goods registered with the VAT, according to which the SUNAT will receive from the importer an amount for the tax that it will cause its subsequent operations. The rate applicable to tariff code 1601.00.00.00 is 3.5%.

It is worth mentioning that the percentage of the Ad Valorem tax (Charge Charged to Goods) that appears in the previous list (Figure 29), for Embuandes case, is released with the presentation of the certificate of origin:

Figure 30.

INTERNATIONAL AGREEMENTS							
SECTION:		IV: PREPARED FOODSTUFFS, BEVERAGES, SPIRITS AND VINEGAR, TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES					
CHAPTER:		16: Preparations of meat, offish or of crustaceans, molluscs or other aquatic invertebrates					
16.01		Sausages and similar products, of meat, meat offal or blood, and food preparations based on these products.					
1601.00.00.00		Sausages and similar products, of meat, meat offal or blood; food preparations based on these products					
COUNTRY	INTERNATIONAL AGREEMENT	P. NALADESA	MARGIN	EFFECTIVE DATE	BASE TARIFF / PREFERENCE	LIBERATED PERCENTAGE	OBSERVATION
ECUADOR	100 -ANDEAN COMMUNITY OF NATIONS			03/09/2012-31/12/9999	---%	100%	

International agreements

Source: National Superintendence of Customs and Tax Administration-SUNAT, 2018

According to directorial resolution-003-2013-AGSENASA-DSA, the National Agrarian Health Service-SENASA of Peru establishes five risk categories for livestock merchandise based on the ability to transmit disease pathogens, and that represent a risk to public health and animal health. Of these five categories, the selected portfolio of products of Embuandes belongs to the following: "Category of Risk Two (2): Products and by-products of animal origin, which have been subjected to one or more chemical or physical processes during their elaboration, decreasing the possibility of transporting pathogens of quarantine importance " (Ministry of Agriculture, 2013).

For the nationalization of these merchandise with risk category two, it is required the presentation of the original Export Sanitary Certificate (CFE), issued in this case by Agrocalidad, in addition to complying with the sanitary requirements that are

established and subsequently passing the inspection of the SENASA at the point of entry (Ministry of Agriculture, 2013).

The entrance to the Peruvian market requires a specific labeling to the products corresponding to the tariff code 1601.00.00.00, according to the National Superintendence of Customs and Tax Administration-SUNAT (2018) we have:

- Name of the product and commercial name (if any): example: ham "Jamoncito", orange juice "Naranjugo", sausages "El gordito".
- Type of preparation, composition: example: pork ham; orange drink: 20% orange concentrate and 80% of water with flavorings.
- Use to which it is intended: example: for human consumption, for making drinks, etc.
- Form of preservation, example: fresh, refrigerated, frozen, etc.
- Form of presentation, example: in bulk, in drums, in immediate containers of 0.750 liters, etc.

According to the Analysis of Maritime and Port Costs, issued by the World Bank in conjunction with the Ministry of Foreign Trade and Tourism of Peru (2015), the import process consists of five phases:

1. Preparatory phase

During this phase, the Ministry of Foreign Trade and Tourism (2015) warns about the application for a global guarantee¹, the same that must be previously managed before the National Superintendency of Customs and Tax Administration (*SUNAT*) by the importer. After this, the importer receives the necessary documents for the dispatch by his supplier from abroad. Said documentation must be delivered to the customs agent, who will negotiate with the corresponding operators the V° B° clearance (procedure to obtain the transport document), without which it will not be possible to remove the cargo.

Simultaneously with obtaining the V° B° clearance, the maritime agent will request the port terminal to assign the cargo manifest number, which will then be

¹Previous guarantee: it is the instrument that guarantees compliance with tax obligations and penalties generated in the customs legal regulations, whose processing and transmission of the current account number will be done at the time of the DAM numbering.

transmitted to the SUNAT (48 hours before the arrival of the ship). In the same way, before the arrival of the ship, the customs agent prepares and transmits the Customs Declaration of Merchandise (DAM)² to SUNAT, which must be attached to the commercial invoice (Ministry of Foreign Trade and Tourism-Peru, 2015).

2. Numbering – Channel phase

The numbering of the Customs Declaration of Goods (DAM) by the SUNAT, will be done before or after docking³ of the ship, depending on the modality of dispatch of the merchandise (anticipated, deferred or urgent). Apart from the DAM and the commercial invoice, the importer must submit to the SUNAT explicit documentation, according to the order established by the Ministry of Foreign Trade and Tourism-Peru (2015) and that support the declaration:

- Authenticated photocopy of the transport document: bill of lading BL (maritime transport), air waybill (air transport) or letter of carriage (land transport).
- Packing list
- Authorization and / or permits of the competent sector
- Certificate of origin when applicable
- Letter of Power of Attorney when the procedure is carried out by a third party on behalf of the importer
- Authenticated photocopy of the transport insurance of the goods
- Andean Value Declaration (supporting document that must contain the information related to the commercial transaction of the imported goods, which have determined the declared customs value).

At this point it is emphasized that the request for the different permits required and control documents must be made through the Single Window of Foreign Trade (VUCE). Once the Customs Declaration of Merchandise (DAM) has been transmitted electronically, SUNAT assigns the control channel according to its risk criteria (Ministry of Foreign Trade and Tourism-Peru, 2015).

² Customs Declaration of Merchandise: Document by means of which the declarant indicates the customs regime that should be applied to the merchandise, and provides the details that the Customs Administration requires for its application.

³ Mooring: approaching and mooring from one vessel to another, to the coast or to a dock.

Then, the customs agent requests the inspection through the Foreign Trade Single Window (VUCE) or other means, according to the authorizing entity. Similarly, in the case of an advance clearance, the customs agent requests the mobilization of the container in the port and the dispatch flyers to the temporary deposit, at the same time it is assigned to the official of the different entities (SENASA, SUCAMEC, etc.) and the customs agent transmits the electronic application for physical inspection of the merchandise and presents the clearance documents to the customs (Ministry of Foreign Trade and Tourism-Peru, 2015).

3. Arrival – Discharge phase

According to the Ministry of Foreign Trade and Tourism-Peru (2015) this phase starts from the arrival of the ship to the unloading of the container. This last procedure, involves the carrier (or its representative) and temporary deposits, to develop the general note card⁴, the first document that states the characteristics of the container upon arrival at the port (brand and number, condition, size, status, seals, etc.), delivering the original to the shipping agent, a copy to the carrier and another to SUNAT, if required.

For the transfer of the container to a temporary warehouse, the detailed list of containers must be presented to the SUNAT, which will be endorsed and subsequently delivered to the port administrator, who will issue the direct or indirect international discharge authorization.

⁴ Note.- Document that is jointly formulated by the carrier and the warehouseman, during the verification of the consignment in the bill of lading, in relation to the physical stock, recording the pertinent observations.

[illegible]

Source: National Superintendence of Customs and Tax Administration-SUNAT, 2018

- Download authorization (delivered by the port terminal)
- General card note (previously verified by the customs officer)
- Tipping ticket (delivered to the land carrier at the moment of entering the port terminal) (Ministry of Foreign Trade and Tourism-Peru, 2015).

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and the conformity by its reception in the format approved by the SUNAT, within five days, counted from the date of termination of the download. In this phase, the transfer of the container to the Non-Intrusive Inspection System (SINI) is being considered (Ministry of Foreign Trade and Tourism-Peru, 2015).

4. Inspections phase

Merchandise risk control requires that once the declarations are numbered, they are subject to the following control channels:

- Green Channel: the statement does not require documentary review or physical inspection. In this channel the customs dispatcher does not present any documentation but must keep them in its file, which must be available to the SUNAT for the pertinent control actions.
- Orange Channel: the statement is subject to documentary review.
- Red Channel: physical recognition of the goods according to the procedure of Physical Recognition-Extraction and Analysis of samples INTA.PE.00.03. The physical recognition of the merchandise is requested by the customs agent through the Electronic Request for Physical Recognition (SERF) (Ministry of Foreign Trade and Tourism-Peru, 2015).

5. Release phase

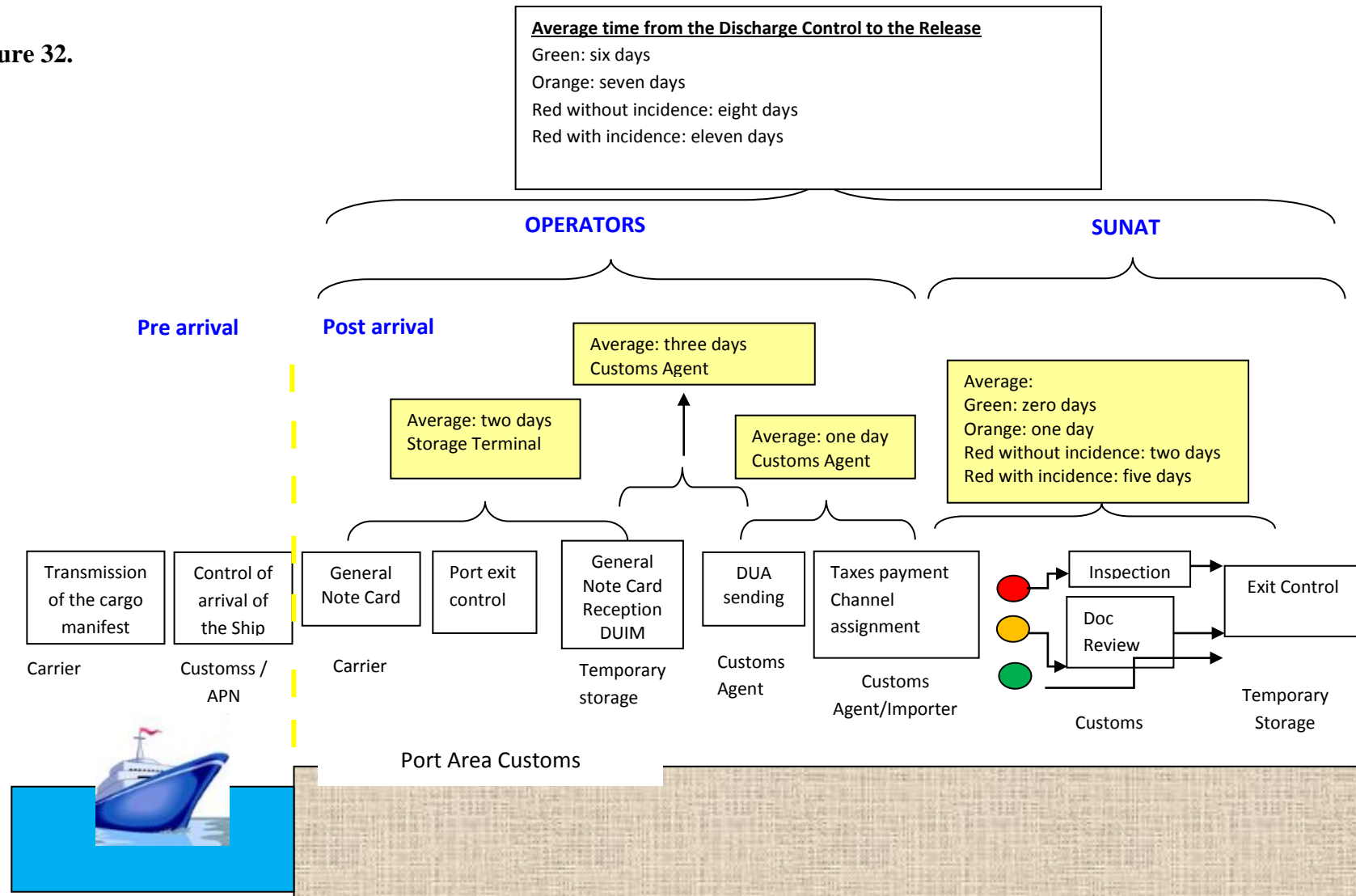
In this phase, all processes are considered from the end of the inspection until the release is carried out. In this way, once the merchandise has been dispatched by SUNAT, the importer (or its representative) can dispose of it. The delivery of the cargo will be managed according to the guidelines of the Ministry of Foreign Trade and Tourism-Peru (2015) and are presented below:

The first management is the presentation of the original transport use document (for example, the BL bill of lading), which must be duly endorsed by the shipping agent, representative of the ship; a copy of the DAM Customs Declaration of Goods (with the respective diligence of release of the merchandise), copy of the delivery flyer and the cancellation of the services provided by the temporary deposit.

With the presentation of the previous documents, the temporary deposit gives the customs agent the permit or authorization to leave. Likewise, with sufficient anticipation, the customs agent must coordinate and schedule with the land transporter the withdrawal of the cargo, giving him the permit or authorization to leave, which must be submitted in order to enter the temporary deposit. Once the land carrier has possession of the merchandise, it receives the EIR (Equipment Interchange Receipt) from the temporary deposit, with which it is directed to the scale to be weighed. When leaving the temporary warehouse, the driver of the truck must carry with him the Guide for Referral-Shipper delivered by the customs agent and the Guide for the Carrier Referral issued by the same.

The temporary deposit delivers the container to the carrier within a maximum time of one and a half hours (except contingency of force majeure), counted from the moment in which the carrier enters the temporary deposit. At the exit, the terminal proceeds to carry out the second weighing (or clearing) of the vehicle, delivering to the ground carrier the exit guide (in the case of the port administrator this document is called the Retirement Guide).

Figure 32.



Importation process

Source: Chonate, C., 2014.

2.5 Customs Export Regimes

A customs regime refers to the treatment that is applied to the goods and is requested by the declaring according to the current customs legislation (National Customs Service of Ecuador, 2015).

This procedure is used to name the legal framework which regulates international traffic of the goods that are subject to the audit (inspection and control) of customs.

Customs regimes are indispensable for the entry and exit of goods, since they allow greater customs control, establish standardized rules for import and export processes are correct, achieve a universal classification in customs around the world, giving as a result, the legal transportation of goods that leave the customs territory (Escobar, 2014).

Within the export regimes we have:

- Non-transformation regimes

- **Definitive export (Regime 40)**

According to Article 158 of the Regulation to the Organic Code of Production, Trade and Investment (2011, p.34): "It is the customs regime that allows the definitive exit of goods in free circulation, outside the Ecuadorian customs territory or to a Special Economic Development Zone, subject to the provisions established in the current legislation".

- **Temporary export for reimportation in the same state (Regime 50)**

Article 159 on temporary export, states:

"It is the customs regime that allows the temporary exit of the customs territory of goods in free circulation with a determined end and period, during which they must be reimported without having undergone any modification; the merchandise must be susceptible of identification" (Regulation to the Organic Code of Production, Trade and Investment, 2011, page 34).

- Transformation regimes

- **Temporary export for outward processing (Regime 51)**

According to the regulation of Article 164:

"It is the customs regime by which the goods that are in free circulation in the customs territory can be exported temporarily outside the customs territory or to a Special Zone of Economic Development located within said territory for its transformation, elaboration or repair" (Regulation to the Organic Code of Production, Trade and Investment, 2011, p.35).

Terms:

The temporary export regime for outward processing may be authorized for the fulfillment, abroad, of any of these purposes:

- a) The repair of merchandise, including its restoration or conditioning;
- b) The transformation of the goods; and,
- c) The elaboration of the merchandise, including its assembly and incorporation.

Term: The reimportation of temporarily exported merchandise must be carried out, including extensions, within a period of two years from the date of shipment to the exterior (Ministry of Foreign Affairs and Human Mobility, 2011).

2.5.1 Export Regulations, Ecuadorian Regulations

Documentation required to EMBUANDES products to proceed to be exported (quality certificates, etc.)

There are prior authorizations necessary for the merchandise to enter and be nationalized in the country of destination; these are issued by the Ecuadorian Agency for the Assurance of Agricultural Quality (AGROCALIDAD), entity in charge of establishing the zoosanitary export requirements and carrying out the processes of animal health certification in Ecuador.

According to what is indicated by the Zoosanitary Certification Directorate of AGROCALIDAD, the animal health requirements for the products are established according to the zoosanitary situation of each country. The process is carried out between AGROCALIDAD (in Ecuador) and the National Service of Agrarian Health SENASA (in Peru) official way. Currently, sanitary requirements for the export of pork

sausages from Ecuador to Peru are not approved, despite having made several requests to SENASA, by AGROCALIDAD.

AGROCALIDAD suggests that in the case of Embuandes, it would be convenient for the company to have at least one client in Peru, who can exert pressure on SENASA through an import application.

In order to expedite this process, Embuandes sent a document to SENASA requesting the requirements that the company and its products must meet to enter the Peruvian market. This documentation was evaluated by the technical department of SENASA, which indicates that till the date, no requirements have been established for the entry of meat products of porcine origin, coming from Ecuador, therefore they point out the impossibility of allowing imports. In addition, they indicate the need to carry out a risk analysis, in accordance with the provisions of current Peruvian legal regulations, which include a series of procedures and costs (which would be assumed by the interested party, which is Embuandes Cía. Ltda.) and frequent coordination with the Official Authority of Ecuador (AGROCALIDAD). It should be noted that the results of this study may or may not be favorable for the entry of these products into Peru.

In addition, a request was made detailing the costs that Embuandes should cover for the development of said study, given as a response by SENASA, the need to conduct an on-site visit to Ecuador, as stipulated in Supreme Decree N °. 056-2013- PCM and the TUPA (Single Text of Administrative Procedures) of SENASA. This evaluation will be carried out by two professionals, so the following costs must be covered:

- 1) Evaluation in the country of origin at a rate of US\$ 370.00 per day / person
- 2) Air ticket (round trip) and mobilization to the areas where the production, dressing and sanitary control establishments are located.
- 3) Airport fee.
- 4) Payment for administrative expenses of the Institution: S/. 289.17 daily/person (\$82.02 daily/person).

These costs must be evaluated and approved by Embuandes to confirm the completion of the study to SENASA.

The process for obtaining the export animal health certification according to the Ecuadorian Agency for Quality Assurance of Agro (2016) is as follows:

- 1) Verification of zoosanitary status: it should be checked that in the country of destination restrictions have been lifted for access of sausage products from Ecuador. As indicated by AGROCALIDAD, currently the animal health requirements for exporting sausages from Ecuador are not approved by SENASA of Peru, so it is not feasible to export these products.
- 2) Delivery of the operator registration request: document in which it is accredited as an exporter, exporter - producer, producer.
- 3) Approval of the registration inspection: upon request, AGROCALIDAD performs an inspection of the farm, breeding or installation according to the information detailed in the application form. It is approved as long as the facilities comply with the requirements and standards of the country of destination, as well as the sanitary regulations of Ecuador.
- 4) Application for the animal health certificate: this request is made in AGROCALIDAD prior to the shipment of the product, since a pre-inspection of the goods must be carried out in the establishment before it is taken to the port, airport or border post.

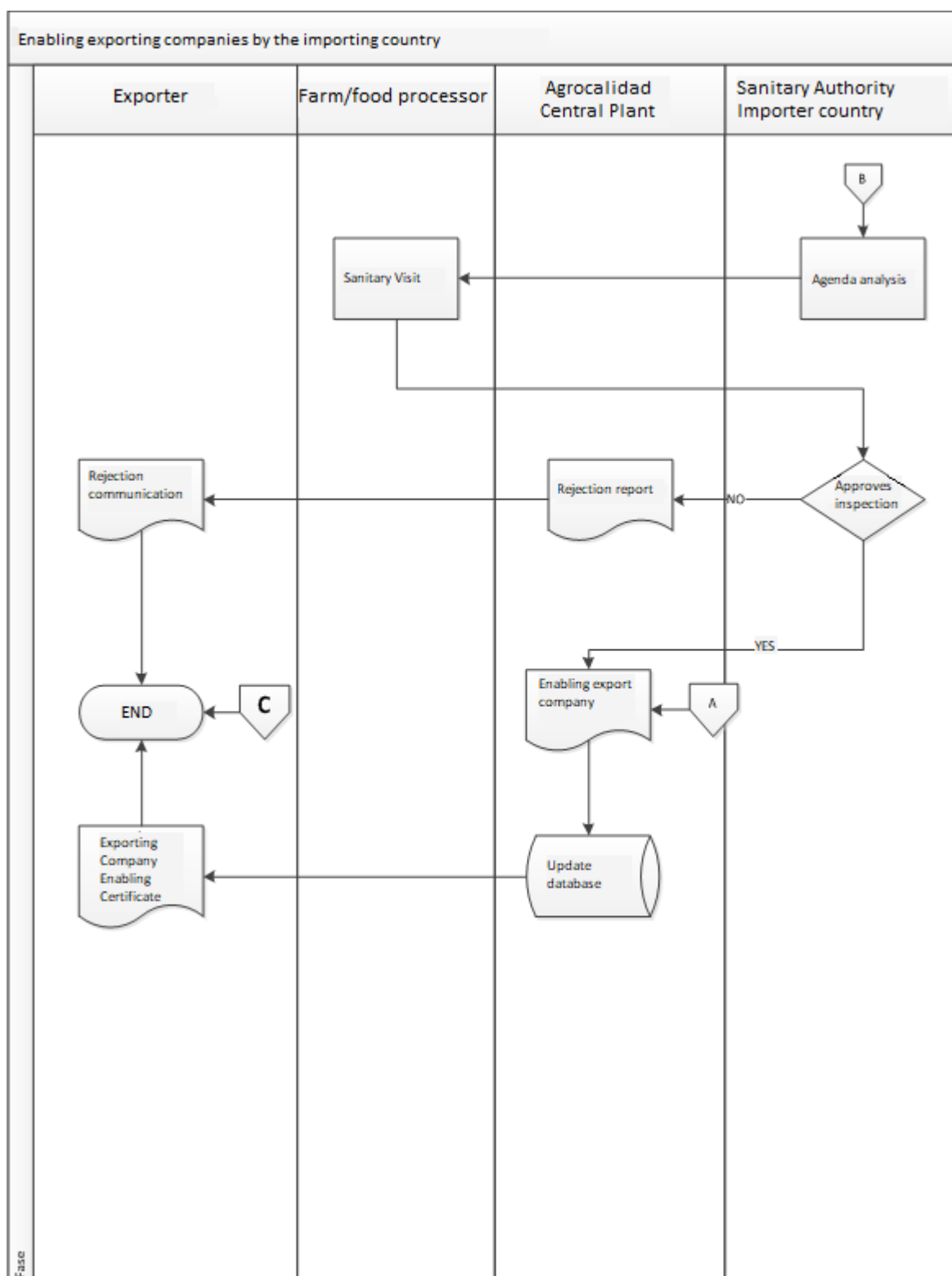
The request can be made electronically through the Ecuadorian single window for trade (VUE) and the following documentation must be attached:

- Bill of purchase of livestock merchandise
- Import animal health permit of the importing country

Once all the previous procedures have been carried out, AGROCALIDAD has a period of three days to approve or reject the application for the animal health certificate. If approved, AGROCALIDAD will schedule a visit to inspect the merchandise to be exported with a maximum of three working days, after the approval of the zoosanitary certificate (Ecuadorian Agency for Quality Assurance of Agro-AGROCALIDAD, 2016).

Subprocess: Sanitary Certification





Procedure for Enabling Exporting Companies by the importing country

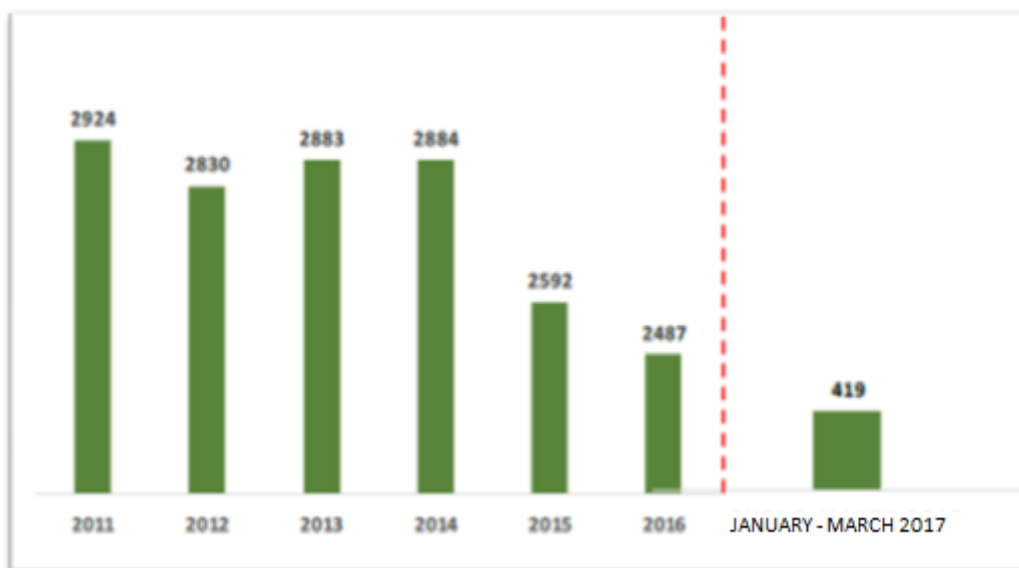
Source: AGROCALIDAD, 2016

2.5.2 Analysis of the Peruvian market for the export of Embuandes Cía. Ltda. products

In recent years, the trade balance of sausages in Peru has been in deficit, as a result of which the imports of these products are higher than exports. This situation has been favored mainly by the growth of the hotel sector, restaurants and catering, which demand premium-quality gourmet imported products. Exports of these products are affected by the sanitary restrictions of each country and few companies that are dedicated to serving the foreign market.

According to data obtained by the National Society of Industries of Peru, imports of sausages in this country have been decreasing in recent years: 2.9 million dollars in 2014, 2.6 million in 2015 and 2.5 million in 2016. Among the main Suppliers of these products are: United States, Italy, Spain, Argentina and Holland (National Society of Industries, 2017).

Figure 34.



Imports of Sausages and Cold Meat, 2011-2017

Source: National Society of Industries , 2017

Figure 35.

Country/Product	CIF Value (Thousands US\$)			Var. % 16/15	CIF Value (Thousands US\$)		Var. % 17/16	Part. % 2017
	2014	2015	2016		January-March 2016	January-March 2017		
United States of America	1147	1227	1131	-7.8	208	231	11.2	55.2
Pepperoni	696.3	554.3	491.6	-11.3	124.6	139.4	11.8	33.2
Sausage	247.4	251.5	185.7	-26.2	32.4	44.8	38.2	10.7
Salami	125.5	139.0	125.0	-10.1	25.5	36.4	42.8	8.7
Bacon	24.0	208.0	327.5	57.4	25.4	5.8	-77.3	1.4
Others	53.9	74.5	1.4	-98.1	-	4.9	-	1.2
Italy	533	378	723	91.1	174	115	-33.6	27.5
Ham	345.9	229.6	493.4	115.0	121.5	83.0	-31.7	19.8
Salami	35.0	34.1	154.0	351.4	34.6	19.6	-43.5	4.7
Mortadella	7.6	16.4	38.7	136.5	5.3	10.1	91.7	2.4
Bacon	2.0	-	13.1	-	2.3	1.3	-42.0	0.3
Others	142.8	98.2	23.5	-76.1	10.2	1.5	-85.6	0.4
Spain	399	266	239	-9.9	49	52	5.8	12.4
Ham	223.3	143.2	134.9	-5.8	27.2	28.1	3.2	6.7
Sausage	78.6	48.2	39.0	-19.1	7.2	18.3	153.4	4.4
Iberian sausage	35.9	24.3	23.8	-2.2	5.3	4.5	-15.5	1.1
Others	61.6	49.9	41.6	-16.7	9.2	0.9	-90.3	0.2
Argentina	75	60	67	12.1	29	13	-56.4	3.1
Salami	45.3	39.3	55.9	42.4	26.6	11.4	-57.0	2.7
Ham	3.0	7.0	4.8	-31.5	0.9	1.4	58.6	0.3
Others	26.6	13.9	6.8	-51.2	1.9	-	-	-
Holland	-	11	45	322.3	10	8	-20.8	1.9
Sausage	-	3.6	14.6	307.2	3.4	2.4	-28.5	0.6
Ham	-	2.4	12.1	399.3	2.3	2.4	4.0	0.6
Pork sausage	-	1.6	6.1	285.8	1.6	0.9	-40.9	0.2
Others	-	3.0	11.9	297.2	2.7	2.1	-20.5	0.5
Other countries	730	650	281	-56.7	118.1	-	-	-
Total	2884	2592	2487	-4.1	588	419	-28.7	100.0

Imports of sausages and cold meats by country of origin and type of product, 2014-2017

Source: National Society of Industries, 2017

Among the most imported sausage products in Peru, in terms of volume, are pepperoni, salami, ham, sausage and bacon. However, taking into account the behavior of recent years, sausage products that have had a significant increase in import volume are: salami, bacon and mortadella. These last products should be taken into account to be included as a priority in the Embuandes portfolio for the Peruvian market.

Figure 36.

Product	Volume (Thousands t)			Var. %	Part. %
	2014	2015	2016	16/15	2016
Pepperoni	125.4	118.9	125.3	5.4	31.2
Salami	49.0	62.8	74.4	18.5	18.6
Ham	78.6	75.0	69.3	-7.6	17.3
Sausage	90.6	98.3	61.4	-37.6	15.3
Bacon	2.1	19.3	34.9	80.7	8.7
Sausage	16.1	14.5	14.1	-3.0	3.5
Mortadella	1.5	3.3	7.6	129.7	1.9
Iberian sausage	5.1	4.3	4.1	-3.0	1.0
Pork sausage	2.1	2.7	3.8	40.4	1.0
Others	22.1	13.8	6.2	-55.2	1.5
Total	392.5	413.1	401.1	-2.9	100.0

Imports of sausages and cold meats by product type, 2014-2017

Source: National Society of Industries, 2017

2.5.3 Analysis of the Peruvian market demand

- **Economic context**

Throughout its history, Peru has based its economy on traditional activities such as exploitation, extraction and export of natural resources. In recent years, more of these activities have increased those related to services and light industries, which has potentiated the increase of the economy of this country and remains one of the most stable in the region.

According to data from the World Bank (2018), Peru has had an average GDP growth rate of 5.9% in recent years, more than other countries in the region such as Colombia and Chile, which reported growth of 4.5% and 4.2%, respectively. This growth is basically due to factors such as the application of macroeconomic measures by the government, a favorable external context, the prices of export metals, foreign investment, among others. Similarly, this situation has allowed reducing poverty rates dramatically, from 55.6% in 2005 to 21.8% in 2015.

The current government of President Martín Vizcarra Cornejo, took office on March 23rd of 2018, having as the main objectives of his government to achieve a stable economy with constant and equitable growth, through the incentive to private investment, support for entrepreneurs and strengthening of small - medium enterprises.

As projected by the International Monetary Fund (IMF), the Peruvian economy would grow 4.3% in 2017, surpassing the 2016 growth of 4.1%. This growth would be based basically on factors such as: higher production and higher copper prices, higher public spending focused at the local and regional level and a solid spending on household consumption (Hidalgo, 2017).

2.5.4 Main sectors of the Peruvian economy:

- Agricultural sector

The growth that this sector has had in recent years has allowed Peru to become one of the ten largest food-supplying nations in the world; and it is the second sector in importance for the economy of Peru (Domínguez, 2016).

In this context, Peru is projected as a regional leader in the production of high-priced foods, due to the significant added value in its exports (fruits and vegetables) and investment both by the government and foreign sources (Alegría y Castillo, 2018).

Agro-exports had an 11% increase in their export value, mainly non-traditional products such as cranberries, grapes, mangoes, avocados and asparagus, which went from USD \$3.77 billion in 2016 to USD \$4.18 billion to the third quarter of 2018. While agricultural exports of traditional products reached USD \$599 million, concentrating 13% of total agro- exports (Ministry of Agriculture and Irrigation, 2018).

- Fishing sector

The fishing sector is one of the great assets of Peru. The production of fishmeal and fish oil represents the majority of the country's fishing activity; Due to the volume of its production, Peru is one of the three main producers and exporters of fishmeal in the world (United Nations Organization for Food and Agriculture, 2010).

Among the most important fishery products that occur in this country, pelagic resources are found: the anchoveta (*Engraulisringens*), jack mackerel (*Trachurusmurphyi*), mackerel (*Scomberjaponicus*), (*Dosidicus gigas*), dorado or parrot (*Coryphaenahippurus*), etc. (United Nations Organization for Food and Agriculture, 2010).

- Mining Sector

According to the Ministry of Energy and Mines of Peru (2018), the mining sector is one of the most important sources for the economy of Peru, reaching 79.5%

(USD \$16.4 billion) of GDP, becoming one of the main producers of gold worldwide, the second in silver and the third in copper, zinc and tin. Among the main destinations to export their minerals, there are countries such as: USA, China, Switzerland, Japan, Canada and the European Union.

The mining sector is one for which more investment is destined, in 2013 USD \$9.40 billion were invested, surpassing the historical record of investments in this sector and for the next years this amount is projected to exceed USD \$63.00 billion (Ministry of Energy and Mines Peru, 2018).

It is expected that from the next few years (2017-2018) and with the start of the production phase of several large-scale mining projects, the volumes of mining exports will increase and strengthen the country's economic growth (World Bank, 2018).

- Manufacturing industry

The manufacturing industry is very important for the economy of Peru, according to data from the Ministry of Production (2018), this sector contributes approximately 16.5% of the national GDP. Within the main branches of higher added value that drive this subsector are: textiles, furniture, conservation of fruits and vegetables, bakery, paper, cleaning products, among others. These industries would register a positive performance thanks to the recovery of domestic demand and an increase in private investment (Ministry of Production, 2018).

The foreign sector

Peru has for several years undertaken an aggressive policy of trade liberalization and negotiation of trade agreements with countries in the Americas, Europe and Asia. Currently, according to the Inter-American Development Bank (2003), Peru participates in the following trade agreements, with a total of 52 countries:

- Multilateral Agreements
 - World Trade Organization (WTO)
 - Member of the Asia Pacific Economic Cooperation Forum (APEC)
- Regional Agreements
 - Andean Community of Nations (CAN) - Bolivia, Colombia, Ecuador and Peru

- Latin American Integration Association (ALADI)
- Bilateral Agreements
 - Glen
 - Chile
 - China
 - Korea
 - Costa Rica
 - Cuba
 - U.S
 - Japan
 - Mexico
 - Panama
 - Singapore
 - Thailand
 - European Union
 - Venezuela
 - European Free Trade Association (EFTA)
 - Common Market of the South (MERCOSUR-ACE 58)
 - Pacific Alliance (Chile, Colombia, Mexico and Peru)
- Agreements to enter into force
 - Guatemala
 - Trans-Pacific Partnership Agreement (TPP) - Brunei, Chile, New Zealand, Singapore, Australia, the United States, Malaysia, Vietnam, Canada, Mexico, Japan and Peru.
 - Honduras
- Agreements in Ongoing Negotiations

- El Salvador
- Turkey
- Doha Development Agenda or simply Doha Round
- Trade in Services Agreement (TISA - Trade in Services Agreement).

2.5.4.1 Currency

The national currency of Peru is the Sol (S/), its exchange rate is 3.36 soles per US dollar, a figure set daily by the Central Reserve Bank of Peru.

At present, bills of 10, 20, 50, 100 and 200 soles are in circulation; besides coins of: 1, 2 and 5 soles; 5, 10, 20 and 50 cents (Ministry of Foreign Trade and Tourism, 2017).

2.5.5 Political context

According to the current Political Constitution promulgated on December 29th, 1993, Peru is a "democratic, social, independent and sovereign Republic. The State is one and indivisible. Its government is unitary, representative, and decentralized and is organized according to the principle of separation of powers." Article 43 (Political Constitution of Peru, 1993, p.15).

These powers are divided into: Executive Power, Legislative Power and Judicial Power; The Executive Branch is made up of the President and two Vice-Presidents, while the Legislative Branch is formed by a Unicameral Parliament of 130 members.

Additionally the Political Constitution of Peru (1993) determines the following autonomous organisms:

- Central Reserve Bank of Peru (BCRP)
- National Council of Magistrates (CNM)
- Ombudsman's Office (DP)
- National Company of the Coca SA (ENACO SA)
- Superior School of Fine Arts Diego Quispe Tito of Cusco (ESABAC)
- Peruvian Federation of Savings and Credit Municipal Funds (FEPCMAC)
- Military Police Service (Ex - Supreme Council of Military Justice) (FMP)

- National Jury of Elections (JNE)
- The Comptroller General of the Republic (CGR)
- Public Prosecutor's Office of the Nation (MPFN)
- Central Office for the Fight against Counterfeiting of Numerary (OCN)
- National Office of Electoral Processes (ONPE)
- National Registry of Identification and Civil Status (RENIEC)
- Superintendence of Banking, Insurance and Private Pension Fund Administrators (SBS)
- Constitutional Court (TC)

The head of state is Martín Alberto Vizcarra Cornejo, who took office on March 23rd of 2018, due to the resignation of his predecessor Pedro Pablo Kuczynski, implicated in alleged cases of corruption. The Vizcarra period will end on July 28th, 2021 (Portal of the Peruvian State).

Among the main guidelines of the current government are: fight against corruption, institutional stability, stable economy with orderly and equitable growth, strengthen education, improve the quality of life of Peruvians, combat anemia and child malnutrition (Zubieta, 2018).

2.5.6 Social context

The inequality and poverty of the population is a generalized issue in Latin America, without exception of Peru. However, according to data from the Economic Commission for Latin America and the Caribbean-ECLAC, as cited in the Official Gazette El Peruano (2016), Peru is the country that most reduced poverty in the last 13 years, from 54.7 % in 2001 to 22.7% in 2014.

However, in the last year the poverty rate rose by one percentage point and reached 20.7% in 2016 to 21.7% in 2017, according to data from the National Institute of Statistics and Informatics-INEI (Ministry of Women and Populations Vulnerable, 2018). In this sense, the current government through the Ministry of Development and Social Inclusion (MIDIS), focuses on: "closing gaps to reduce inequality, strengthening education and the health system, recovery of public space as a factor key to social

cohesion, empowerment and community coexistence " (Dominguez and Ninahuanca, 2018).

2.5.7 Cultural context

Peru is a multi-ethnic country full of traditions, culture and languages as a result of the miscegenation that has occurred throughout its history. This country was the headquarters of the Inca Empire, one of the most important due to its influence in South America.

There are a total of 47 native languages that are in force in Peru, the official language is Spanish used in most of the territory, in addition to Quechua and Aymara, which are constitutionally recognized and are used in several Andean regions of the country. (Ministry of Education Peru, 2013).

Another recognized component of Peruvian culture and part of the national identity is gastronomy; its seasoning has a combination of chili peppers, herbs, Andean soya, cereals and other foods from the coast, which allows creating a number of dishes that they delight their own and foreigners (Recines, Piñas, Huacachi and Morales, 2013).

Pre-Hispanic Peru rich in culture and traditions, currently offers us a series of artistic expressions present in most of the national territory. All the traditions demonstrate the memory of the inhabitants, their source of inspiration and sense of belonging that empower Peruvians as a population with certain individual and collective characteristics, particularities that differentiate them from other Andean people (Vela, 2017).

2.5.8 Environmental Context

The environmental deterioration suffered by Peru and the region has been evidenced in the global environmental changes that affect the quality of life, as a result of the growth of unbalancing lifestyles between human society, culture and nature. Among the most unfavorable human actions for the environment is: deforestation, pollution of water, air and soil, with an impact on the loss of biodiversity, increase in natural disasters, and others, which put at risk the extension of life human Peru, because of its mega diversity, is one of the 15 countries with the most biological diversity in the

world, it has 11 ecoregions, 28 of the 32 types of climate and 84 of the 117 life zones of the world and it is the fourth country to own 13% of the Amazon forest (Calderón, Sumarán, Chumpitaz & Campos, 2011).

According to the Ministry of Economy and Finance (2017), the creation of budgetary programs have the objective of conserving and using natural resources in a responsible manner; the national government, through the Ministry of Environment (MINAM), directly executes four programs budget in order to contribute to the improvement of environmental quality and promote population development. The budgetary programs that are in execution are the following:

- Integral management of solid waste
- Reduction of Vulnerability and Disaster Emergency Care
- Air Quality Management
- Prevention and Environmental Recovery
- Conservation and sustainable use of ecosystems for the provision of ecosystem services. "

There is also an agreement for the promotion of sustainable financing in the forest sectors, renewable energy, transport, agriculture, industrial processes and waste, signed between the Ministry of Environment (MINAM) and the Agricultural Bank (Agrobanco) with the aim of reducing 30% the emission of greenhouse gases planned for the year 2030 (Ministry of the Environment of Peru, 2015).

The United Nations Development Program (2018) shows the work in four projects carried out with the support of international organizations such as the United Nations (UN), which are:

- Agreement Program "Sustainable Land Management in Apurímac", which promotes the sustainable management of land, water and agro biodiversity; as well as the inclusion of these issues in the policies and customs of the population.
- EbA Lomas Project, which focuses on ecosystem-based adaptation and "seeks to protect, conserve and sustainably manage the ecosystems of Lima's hills."

- Standards and energy efficiency labeling in Peru, this project "seeks to remove key barriers to the widespread propagation of the commercialization of energy-efficient appliances."
- Poverty and Environment Initiative, is a project that promotes "the improvement of the living conditions of recyclers and recyclers in Arequipa, through the development of a more competitive and accessible solid waste management system that contributes to the reduction of poverty "

2.5.9 Technological Context

According to figures from the United Nations Educational, Scientific and Cultural Organization (Unesco), Peru invests only 0.1% of its GDP in research and development, it is a low percentage compared to that of other countries in the region. Brazil (1.2%) Argentina (0.6%) or Mexico (0.5%); or with the world leaders: Israel and South Korea, with 4.3% each (Foreign Trade Society of Peru, 2018).

The situation in Peru is not very positive, according to the Global Innovation Index 2017, developed by the World Intellectual Property Organization (WIPO), Peru is ranked 70 out of the 127 countries analyzed. This index allows comparisons between different economies with respect to the performance in research and development. Similarly, it analyzes the number of investigations and public spending, as well as the institutions , infrastructure, wiggle of the market and the business sector, technological and knowledge products (Foreign Trade Society of Peru, 2018).

The access and use of information technologies is an issue of importance for any country, due to the rapid technological development worldwide. According to an analysis carried out by the World Economic Forum (WEF), technological development in Peru is mostly limited by the low quality of the education system and the lack of effectiveness of legislative bodies, which make it difficult to prepare and good use of information technologies, and worse, they delay the regulatory environment necessary for their implementation (CDI Industrial Development Center, 2016).

For its part, the government has sought to support and implement projects that promote the development of science and technology in Peru within the framework of the "National Science, Technology and Innovation Plan for Competitiveness and Human Development 2006-2021", through of the CONCYTEC (National Council of

Science, Technology and Technological Innovation) and member organizations of the National System of Science and Technology and Technological Innovation (SINACYT), in order to promote cooperation with the public, private and academic sector (National Council of Science, Technology and Technological Innovation, 2016).

According to the National Council of Science, Technology and Technological Innovation (2016), within the programs that are currently in development there are:

- VALBIO: National Transversal Program for Science, Technology and Innovation for the Valorization of Biodiversity. This initiative seeks to unify the actions of companies, government agencies and universities, etc.; to generate new knowledge about natural resources and can implement new technologies that adapt to production processes in order to generate added value to products.
- PROMAT: the National Transversal Program for Materials Science and Technology aims to guide the process that must be carried out by research and technological development activities, in relation to materials, in order to diversify the productive sector of the country.
- CINTyA: the Environmental Science and Technology Program, is a management tool to identify areas of research that are useful to face the current and dynamic environmental challenges of the country.
- ATLAS: The National Transversal Program of Basic Sciences focuses on strengthening research in basic sciences and generating knowledge projected into the future.

2.6 Conclusion:

The process of an international negotiation is decisive when defining a commercial agreement, as well as the different aspects that are negotiated in this type of international operations.

With the review of export and import processes it is possible to determine the requirements to be met in each of the stages. When dealing with food products for human consumption it is important to know the different permits, regulations, procedures that must be met to internationalize Embuandes products and not have any problems in the processes.

However, because the sanitary requirements for the export of pork sausages from Ecuador to Peru are not currently approved by the competent entities, it would not be feasible to carry out this export project without first complying with the homologation process.

On the other hand with the analysis of the Peruvian market we determine mainly the situation of imports of sausages, the main imported products, etc., with the aim of establishing not only the opening that this country has towards foreign products but also defining the main products that Embuandes must include in its portfolio.

Finally, when analyzing the different contexts of Peru, it is possible to see that this country has similar characteristics to ours in terms of cultural, political, social, trade agreements, etc., which would be beneficial at the time of carrying out this project.

CHAPTER III

3.1 Economic and Financial Study

The main objective of this study is the economic-financial evaluation of the project applied to the company Embuandes with a future projection. To carry out this study, it is necessary to take into account: the investment required, the profit that this project will generate and the determination of the cost of the product; all this in order to evaluate profitability.

For the export of the products of Embuandes, it is important to take into account not only the production costs but also the expenses in which the company must incur until making its products available to the customer, which will be formulated, based on the INCOTERM and subjects to what was agreed in the negotiation.

3.1.1 Expected Costs and Expenses of Exports

The National Customs Service of Ecuador-SENAE, has no fixed costs or fees to be paid by the exporter for the export clearance. What the SENAE requests, is the fulfillment of the permits of Agrocalidad and other documentation issued by the entities of control of Ecuador (SENAE, 2017).

The projected expenses that Embuandes must incur in order to export their products are included in tables 5, 6 and 7.

1. Agrocalidad :

Table 5.

Exporter registration

CODE	ITEM TO PAY	VALUE (USD \$)
09.41.012	Annual qualification of production centers for export of others	80.0

Source: Agrocalidad , 2017

Table 6.*Pre - certified or sanitary certificate of export*

CODE	ITEM TO PAY	VALUE (USD \$)
10.01.006	Inspection of animals; products, by-products and livestock derivatives: fresh, chilled or frozen, in plant or field (all types of Livestock inspection)	50.0

Source: Agrocalidad , 2017

2. **National Service of Agrarian Health SENASA Peru:** study of risk analysis for the importation of pork sausages from Ecuador.

Table 7.*Import risk analysis*

Activity	Cost
Evaluation in Ecuador by two SENASA officials (approximately five days)	\$ 370 daily/ person Total: \$ 3,700
Air ticket (round trip) and mobilization to the areas where the production, harvesting and sanitary control facilities are located	\$ 510 per person Total: \$ 1,020
Airport fee	\$ 30.75 per person Total: \$ 61.50
Payment for administrative expenses of the Institution: S/. 289.17 daily / person	\$ 88.52 daily / person Total: \$ 885.20
Total:	\$ 5,666.70

Source: Consultation made to the Sub-Directorate of Animal Quarantine of SENASA of Peru, 2013 (See Annex 4)

3. Certification of Origin

There are two options for processing the certificate of origin for Embuandes products:

- Join the Ecuadorian Federation of Exporters FEDEXPOR, which implies a monthly contribution of USD \$76.44 and includes benefits such as: advice for export, technical visits without cost and a preferential cost of USD \$6 in the issuance of the certificate of origin.
- Not affiliate. The cost of the certificate would be USD \$15, to which should be added the costs of visits and technical advice to be able to classify the products with the correct tariff, in addition to processing the different export certificates.

Local Expenses: National freight (Cuenca-Guayaquil), services and port operations, customs agent, packing/packaging, national transport insurance, cargo consolidation, satellite lock.

At the Exworks price of the Embuandes products, local expenses must be added to obtain the sale price. In the same way, it is necessary to take into account the incoterm negotiated with the buyer to include any other necessary item (Imports Embuandes Cía. Ltda., 2018).

3.1.2 Administrative and Marketing Expenses

For the following budget, the monthly expenses of the first year (2019) have been taken into account and a 6% increase has been projected for the following 5 years. As indicated by the commercial management of Embuandes, this increase of 6% is an approximate value that is handled year after year and is estimated based on several factors such as, for example, the goal to be met in sales.

Table 8.*Administrative and Commercialization Expenses***ANNUAL**

Expenses	2017 (Referential)	2019	2020	2021	2022	2023
Administrative and sales expenses						
WAGES AND SALARIES	\$ 1,453,546.12	\$ 1,540,758.89	\$ 1,633,204.42	\$ 1,731,196.69	\$ 1,835,068.49	\$ 1,945,172.60
BASIC SERVICES	\$ 343,034.23	\$ 363,616.28	\$ 385,433.26	\$ 408,559.26	\$ 433,072.81	\$ 459,057.18
RENT	\$ 24,321.60	\$ 24,321.60	\$ 24,321.60	\$ 24,321.60	\$ 24,321.60	\$ 24,321.60
ADMINISTRATIVE EXPENSES (% / Sales)	\$ 681,219.39	\$ 722,092.55	\$ 765,418.11	\$ 811,343.19	\$ 860,023.78	\$ 911,625.21
ADVERTISING EXPENSE (% / Sales)	\$ 104,790.18	\$ 108,981.79	\$ 113,341.06	\$ 117,874.70	\$ 122,589.69	\$ 127,493.28
MOBILIZATION	\$ 52,504.95	\$ 55,655.25	\$ 58,994.56	\$ 62,534.24	\$ 66,286.29	\$ 70,263.47
DEPRECIATIONS	\$ 299,856.60	\$ 317,848.00	\$ 336,918.88	\$ 357,134.01	\$ 378,562.05	\$ 401,275.77
Total administrative and sales expenses	\$ 2,959,273.07	\$ 3,133,274.35	\$ 3,317,631.88	\$ 3,512,963.68	\$ 3,719,924.71	\$ 3,939,209.10
Total annual expenses	\$ 2,959,273.07	\$ 3,133,274.35	\$ 3,317,631.88	\$ 3,512,963.68	\$ 3,719,924.71	\$ 3,939,209.10

MONTHLY

Expenses	2017 (Referential)	2019	2020	2021	2022	2023
Administrative and sales expenses						
WAGES AND SALARIES	\$ 121,128.84	\$ 128,396.57	\$ 136,100.37	\$ 144,266.39	\$ 152,922.37	\$ 162,097.72
BASIC SERVICES	\$ 28,586.19	\$ 30,301.36	\$ 32,119.44	\$ 34,046.60	\$ 36,089.40	\$ 38,254.77
RENT	\$ 2,026.80	\$ 2,026.80	\$ 2,026.80	\$ 2,026.80	\$ 2,026.80	\$ 2,026.80
ADMINISTRATIVE EXPENSES (% / Sales)	\$ 56,768.28	\$ 60,174.38	\$ 63,784.84	\$ 67,611.93	\$ 71,668.65	\$ 75,968.77
ADVERTISING EXPENSE (% / Sales)	\$ 8,732.52	\$ 9,081.82	\$ 9,445.09	\$ 9,822.89	\$ 10,215.81	\$ 10,624.44
MOBILIZATION	\$ 4,375.41	\$ 4,637.94	\$ 4,916.21	\$ 5,211.19	\$ 5,523.86	\$ 5,855.29
DEPRECIATIONS	\$ 24,988.05	\$ 26,487.33	\$ 28,076.57	\$ 29,761.17	\$ 31,546.84	\$ 33,439.65
Total administrative and sales expenses	\$ 246,606.09	\$ 261,106.20	\$ 276,469.32	\$ 292,746.97	\$ 309,993.73	\$ 328,267.43
Total annual expenses	\$ 246,606.09	\$ 261,106.20	\$ 276,469.32	\$ 292,746.97	\$ 309,993.73	\$ 328,267.43

Source: Embuandes Cia. Ltda. Accounting Departemnt, 2018.

For the previous table 8, the information has been taken directly from the income statement for 2017, provided by the accounting department of Embuandes. Several items have been included; the first is wages and salaries, which cover the current 150 employees of the company, it may increase with production for export so an increase percentage has been taken into account for the next 5 years. Within the category of salaries are considered: salaries and legal benefits (overtime, commissions, thirteenth and fourth salary, holidays, reserve funds, employer contribution, Iece-Secap).

The following item corresponds to basic services (water, electricity and telephone), which is a necessary expense for the daily production of the company. It is worth mentioning that Embuandes, being located within the Mall del Rio of the city of Cuenca, the basic services item is canceled directly to the shopping center; in the same way it is done with the cancellation of the rental value.

For the item of administrative expenses, Embuandes includes expenses such as: travel allowance for the company executives, expenses of attention to suppliers, maintenance of materials and equipment of the administrative part, municipal taxes, fees and contributions to the Superintendence of Companies, SRI taxes, correspondence and communications expenses, import expenses, insurance policies, materials and office supplies, legal expenses, among others.

Then we have the item of advertising expenses for which Embuandes is assigned an annual budget, for the year 2017 they were allocated 0.4% with respect to the sales of that year. However, according to a report by the advertising agency Econsultancy on the current trends in advertising investment of companies, total marketing budgets are between 7% and 12% of total revenues (Gomez, 2016).

If you intend to export your products to a new market, Embuandes should consider allocating a higher percentage of investment for advertising, since the current amount is well below the average for other companies. For this reason, an increase percentage of 4% has been considered starting in 2020, which will be variable and must be constantly revised since it is established based on sales. This category includes promotion on social networks, promotional packs, tastings, and participation in advertising campaigns, among others.

For the mobilization item, Embuandes includes the travel and mobilization expenses of the employees that work in the factory (direct labor), the employees of the administrative part and the employees of the sales department. In the case of the sales department officials, they have a greater expense for conducting tours to generate sales. Similarly, from the year 2020 is considered an increase of 6% due to the constant trips to the country of destination (Peru), which should be made by administrative and sales staff.

In the depreciation category are included general expenses deductible from taxes, for the case of Embuandes it is taken into account: depreciation of furniture and equipment of the administrative part, depreciation of facilities and machinery of the factory, and depreciation of vehicles corresponding to the sales department.

Adding all the expenses analyzed, Embuandes for the year 2019 would have a total expense of \$3,133,274.35, which would need to add the other production costs and then subtract the value obtained from the company's total sales (including exports), obtaining as a result the profit of the exercise. These calculations are made in the company's Profit and Loss Statement.

3.1.3 Determination of Product Cost

In table 9 there is a list of the products selected from the Embuandes gourmet line with the corresponding cost price provided by the commercial management:

Table 9.

Product detail and its cost price

Reference	Gourmet line	UNITY	Cost Price
F001050	GOURMET SMOKED BACON FRAILES	kg	\$ 9.75
F003041	GOURMET LEG HAM	kg	\$ 5.27
F006090	GOURMET TURKEY HAM FRAILES BULK	kg	\$ 4.35
F003301	LIGHT HAM MIX	kg	\$ 3.57
F004304	GOURMET MORTADELLA	Unity	\$ 0.88
F004306	GOURMET PREMIUM MORTADELLA	Unity	\$ 1.28
F004307	GOURMET EXTRA MORTADELLA	Unity	\$ 10.31
F006080	GOURMET TURKEY SAUSAGE FRAILES	kg	\$ 3.21

F006206	GOURMET FRANKFURT SAUSAGE	kg	\$ 2.15
F006216	GOURMET FRANKFURT HOT DOG	kg	\$ 2.22
F005011	SPECIAL PEPPERONI FRAILES	kg	\$ 4.09
F005015	MILAN SALAMI FRAILES IN BULK	kg	\$ 6.30

Source: Embuandes Cía. Ltda., 2018

In table 10 there is an example of the items Embuandes takes into account when assigning a cost price to its products.

Table 10.

Embodiments products

Product: Gourmet Smoked Bacon Frailes

Code	Description	Measure	Quantity	Cost	Value	Total	Produced
FTEES18	Brine / injection	Kilo	225.5000	0.3661	82.5556	59.2847	161.9502
FTEE230	Starvac 31x555K covers	Unity	234.0000	0.1400	32.7600		
FTEE536	Bacon ready to inject	Kilo	380.0000	7.4410	2827.5800	729.2200	98.0000
FTEE675	Ready gilder solution	Kilo	1.5500	5.8569	9.0782	579.8307	99.0000
FETE339	Gourmet bacon label	Unity	117.0000	0.0560	6.5520		

Total raw material	2958.5257
Direct labour	219.3727
Direct costs	322.72
Direct asset	37.7686
Indirect labour	94.0169
Indirect expenses	0.0000
Indirect asset	0.0000
Total	3632.4039
Produced	372.4000
Unit cost	9.7540

Source: Embuandes Cía. Ltda., 2018

According to the sectoral report issued by the National Society of Industries of Peru (SNI) regarding the importation of sausages in this country, the average import price of the main products maintained its downward trend, with respect to the registration in 2015. Products such as pepperoni, which was quoted at USD \$4.0 dollars per kilogram in 2016, had a price of USD \$4.8/kg and USD \$5.6/kg in 2015 and 2014 respectively; another product is prosciutto ham, whose import price in 2016 was USD \$10.7/Kg, while in 2015 it was purchased at USD \$11.5/kg (National Society of Industries of Peru, 2017).

With this data it is evident that the prices of Embuandes products are within the average range considered in the SIN report, which would be competitive prices for the Peruvian market.

On the other hand, it is necessary to calculate and compare the sale price in the Peruvian market of the main export products of both Embuandes and existing products in this market, which would help us determine the feasibility of the implementation of this project.

To determine this sale price we start from the calculation of the taxable base as it is considered for the calculation of taxes, in this, it is considered: the cost of the products provided by Embuandes, the value of the freight that is included in a previous quote (Figure 26) and the percentage of insurance established by SUNAT of 1.5% for tariff code **1601.00.00.00** (Sausages and similar products of meat, offal or blood, food preparations based on these products).

Table 11.

Determination of the tax base

Product	Unity	Embuandes Cost	Freight	Insurance 1.5% SUNAT	Taxable Base
Ham	1kg	\$ 5.27	\$ 0.08	\$ 0.08	\$ 5.43
Mortadella	1kg	\$ 0.88	\$ 0.08	\$ 0.01	\$ 0.97
Sausage	1kg	\$ 2.15	\$ 0.08	\$ 0.03	\$ 2.26
Salami	1kg	\$ 6.30	\$ 0.08	\$ 0.09	\$ 6.48
Bacon	1kg	\$ 9.75	\$ 0.08	\$ 0.15	\$ 9.98

Source: National Superintendence of Customs and Tax Administration-SUNAT, 2018; Embuandes Cia. Ltda., 2018.

Starting from the tax base, the taxes that must be paid in Peru are calculated, according to the percentages established in Figure 29:

Table 12.

Calculation of taxes to be paid

Product	Taxable Base	General Tax on Sales IGV (16%)	Municipal promotion tax IPM (2%)	Perception General Sales Tax (3.5%)	Projected PVP
Ham	\$ 5.43	\$ 0.87	\$ 0.11	\$ 0.19	\$ 6.60
Mortadella	\$ 0.97	\$ 0.16	\$ 0.02	\$ 0.03	\$ 1.18
Sausage	\$ 2.26	\$ 0.36	\$ 0.05	\$ 0.08	\$ 2.75
Salami	\$ 6.48	\$ 1.04	\$ 0.13	\$ 0.23	\$ 7.87
Bacon	\$ 9.98	\$ 1.60	\$ 0.20	\$ 0.35	\$ 12.12

Source: National Superintendence of Customs and Tax Administration-SUNAT, 2018.

Then we compare the sale price of these products in Peru and the projected sales price that we obtained previously, this comparison is included in table 13.

Note: the percentage of the Ad valorem tax (Charge Charged to Goods) is not considered as it is released with presentation of the certificate of origin, as mentioned in the previous chapter.

Table 13.

Price comparison

Product	Unity	Sale price Peru (Other brands)	Projected Sale Price Embuandes in Peru
Ham	1kg	\$ 20.15	\$ 6.60
Mortadella	1kg	\$ 7.20	\$ 1.18
Sausage	1kg	\$ 7.80	\$ 2.75
Salami	1kg	\$ 45.33	\$ 7.87
Bacon	1kg	\$ 22.56	\$ 12.12

Source: Metro-Perú, 2018, Wong-Perú, 2017, Tottus-Perú, 2017.

Similarly, it must be considered that a margin of profit has not been taken into account, which should be agreed between Embuandes and the importer.

With this data it is evident that the prices of Embuandes products are competitive for the Peruvian market for two main reasons:

1. The projected sales price is lower than the competition price
2. Quality and added value of the products

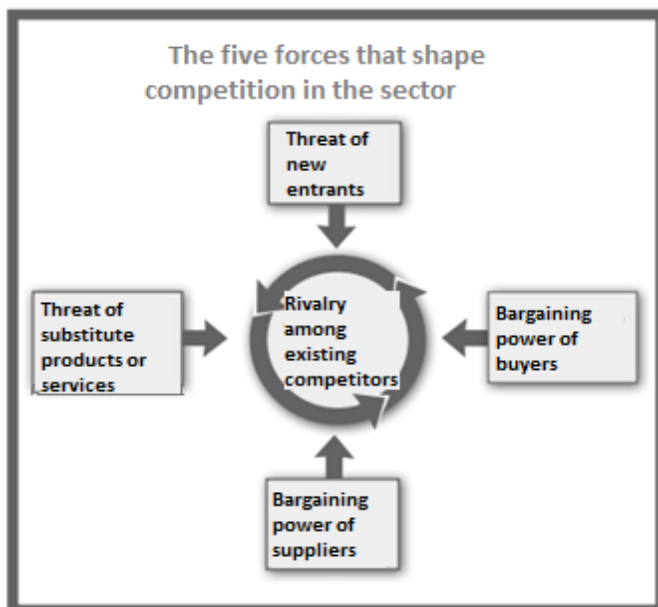
3.2 Positioning strategies in the Peruvian market

According to Kotler and Armstrong (2008, p.165) in their book Fundamentals of Marketing, positioning in the market consisted in "making a product occupy a clear, distinctive and desirable place, in relation to the products of the competition, in the of the target consumers."

On the other hand, Porter (2008) considered as the father of the competitive strategy, in one of his articles with more calls called "How competitive forces shape the strategy", talked about the famous Model of the Five Forces, which they influence the competitiveness of a company within a sector. These forces are:

- 1) Bargaining power of customers
- 2) Bargaining power of suppliers
- 3) Threat of new competitors
- 4) Threat of substitute products
- 5) Rivalry among existing competitors

Figure 37.



Work of the forces that intervene in the competition

Source: Porter, 2008.

The existing competitiveness in the food sector forces certain companies to implement positioning strategies for their brands. Without these tools, companies would gradually fall behind in the market and in the minds of consumers.

In this context, in the case of Embuandes, it is important to create and implement strategies that not only seek positioning in the local market but also in the international market.

In the same way we could consider the similarities of both commercial scenarios and the advantages of the Peruvian market that were analyzed previously, in order to replicate in this market several strategies that Embuandes uses today.

Next, we analyze the five forces that shape the competition of the sausage sector in Peru, to subsequently generate competitive strategies for Embuandes:

1) Bargaining power of buyers

In the Peruvian sausage sector there are clients with high bargaining power, on one hand are the manufacturing companies, who always look for raw materials and supplies at a good price to be able to lower costs and offer competitive prices to their final customers; This situation causes input suppliers to face and compete for the best prices. On the other hand are the final customers, who consume finished sausages, they always demand a better quality, better prices, service, etc.; with what the different brands of the sector could face and compete, being able to generate either a loss or an increase in the profitability of the sector (Porter, 2008).

2) Bargaining power of suppliers

In the sausage sector, both in Peru and Ecuador, there are several suppliers of goods and raw materials, among them are small suppliers such as farmers who offer meat, fat, etc; who are not considered suppliers with a high bargaining power, since they do not represent a monopoly and do not have direct control over sale prices, since they are regulated by the state. On the other hand, there are the suppliers of materials such as: packaging, plastic casings, spices, etc., which are not considered suppliers with high bargaining power in the sector, since there are substitutes for the products they offer, in addition to the existence of several bidders (Porter, 2008).

3) Threat of new entrants

There is no greater threat of new competitors in this sector, since existing companies in Peru account for 90% of local production and imports of sausages have decreased by

28.7% between 2016 and 2017. Among the main countries from which these products are imported: United States, Italy, Spain, Argentina and Holland (National Society of Industries, 2017).

On the other hand, we have the entry barriers to the market, such as the sanitary requirements established by the Peruvian government for sausage products of foreign origin.

4) Threat of substitute products or services

The substitute products of the sausages are basically pork, beef, fish, meatloafs, canned, etc. The threat of these products in the sausage sector is relatively high due mainly to the variety of options and products that are offered in the market at competitive prices (Porter, 2008).

5) Rivalry among existing competitors

It had been previously analyzed that there are six main companies that make up the sausage sector in Peru, each of them with different brands aimed at different market segments. According to the sector report issued by the Society of Industries of Peru SNI, the brands of sausages most recognized by the Peruvian consumer are: San Fernando, Otto Kunz and Braedt (National Society of Industries, 2012).

Although the rivalry between the companies is evident, it cannot be marked as a failed but positive action, in this context it is indicated:

Rivalry can be a positive sum and can even increase the average profitability of a sector, when each competitor seeks to satisfy the needs of different consumer segments with different combinations of prices, products, services, benefits, or brand identities (Porter, 2008, p.8).

Finally, the competitive forces that, due to their impact, determine the profitability of the sausage sector in Peru are: the high bargaining power of the clients and the threat of substitute products. These represent the most important elements in the elaboration of strategies for Embuandes.

Below are some positioning strategies for Embuandes based on the main forces of the Peruvian sausage sector:

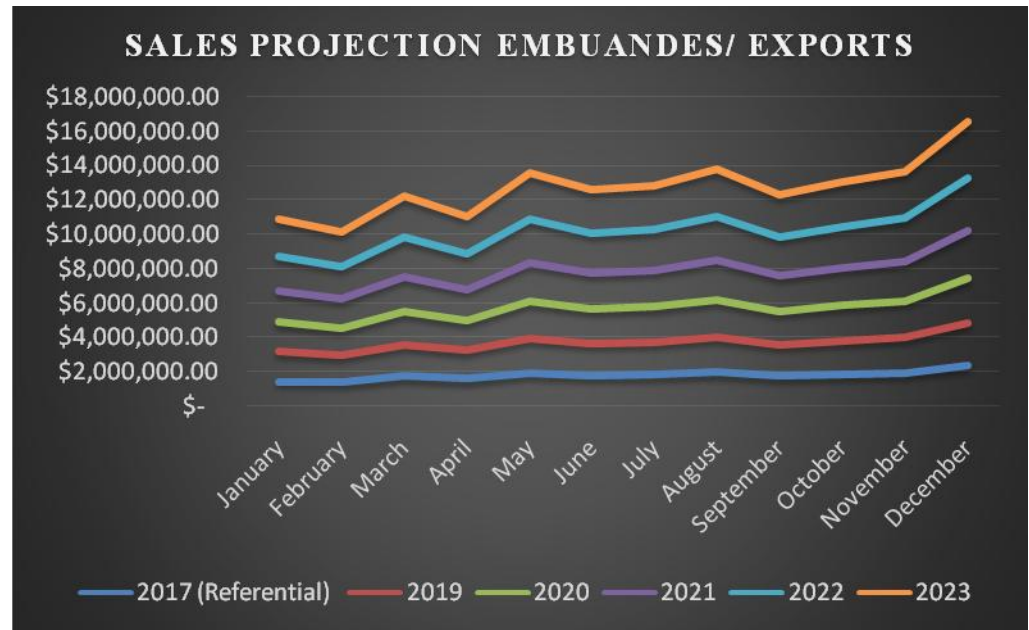
- Invest constantly in improving the quality of products and production processes, this will help in obtaining quality certifications, which allow differentiation and positioning in the market.
- Implementation of benefits that generate added value to the products, through the improvement in the pre-sale and after-sales service.
- Constant innovation in products (packaging, benefits, qualities, among others), which will allow to be competitive with substitute products. Similarly, it is important to take into account the preferences of the Peruvian consumer to be able to match them to the products.
- Invest in advertising and promotion to widely publicize the benefits of their products.

Table 14.*Sales projection*

Sales	2017 (Referential)	2019	2020	2021	2022	2023
January	\$ 1,547,938.00	\$ 1,625,334.90	\$ 1,722,854.99	\$ 1,843,454.84	\$ 1,990,931.23	\$ 2,150,205.73
February	\$ 1,437,946.00	\$ 1,509,843.30	\$ 1,600,433.90	\$ 1,712,464.27	\$ 1,849,461.41	\$ 1,997,418.33
March	\$ 1,738,081.00	\$ 1,824,985.05	\$ 1,934,484.15	\$ 2,069,898.04	\$ 2,235,489.89	\$ 2,414,329.08
April	\$ 1,571,805.00	\$ 1,650,395.25	\$ 1,749,418.97	\$ 1,871,878.29	\$ 2,021,628.56	\$ 2,183,358.84
May	\$ 1,928,339.00	\$ 2,024,755.95	\$ 2,146,241.31	\$ 2,296,478.20	\$ 2,480,196.45	\$ 2,678,612.17
June	\$ 1,786,684.00	\$ 1,876,018.20	\$ 1,988,579.29	\$ 2,127,779.84	\$ 2,298,002.23	\$ 2,481,842.41
July	\$ 1,822,948.00	\$ 1,914,095.40	\$ 2,028,941.12	\$ 2,170,967.00	\$ 2,344,644.36	\$ 2,532,215.91
August	\$ 1,958,303.00	\$ 2,056,218.15	\$ 2,179,591.24	\$ 2,332,162.63	\$ 2,518,735.64	\$ 2,720,234.49
September	\$ 1,745,763.00	\$ 1,833,051.15	\$ 1,943,034.22	\$ 2,079,046.61	\$ 2,245,370.34	\$ 2,424,999.97
October	\$ 1,852,788.00	\$ 1,945,427.40	\$ 2,062,153.04	\$ 2,206,503.76	\$ 2,383,024.06	\$ 2,573,665.98
November	\$ 1,938,350.00	\$ 2,035,267.50	\$ 2,157,383.55	\$ 2,308,400.40	\$ 2,493,072.43	\$ 2,692,518.22
December	\$ 2,352,287.00	\$ 2,469,901.35	\$ 2,618,095.43	\$ 2,801,362.11	\$ 3,025,471.08	\$ 3,267,508.77
Total:	\$ 21,681,232.00	\$ 22,765,293.60	\$ 24,131,211.22	\$ 25,820,396.00	\$ 27,886,027.68	\$ 30,116,909.90

Source : Embuandes Cía. Ltda. Accounting Department. Ltda., 2018.

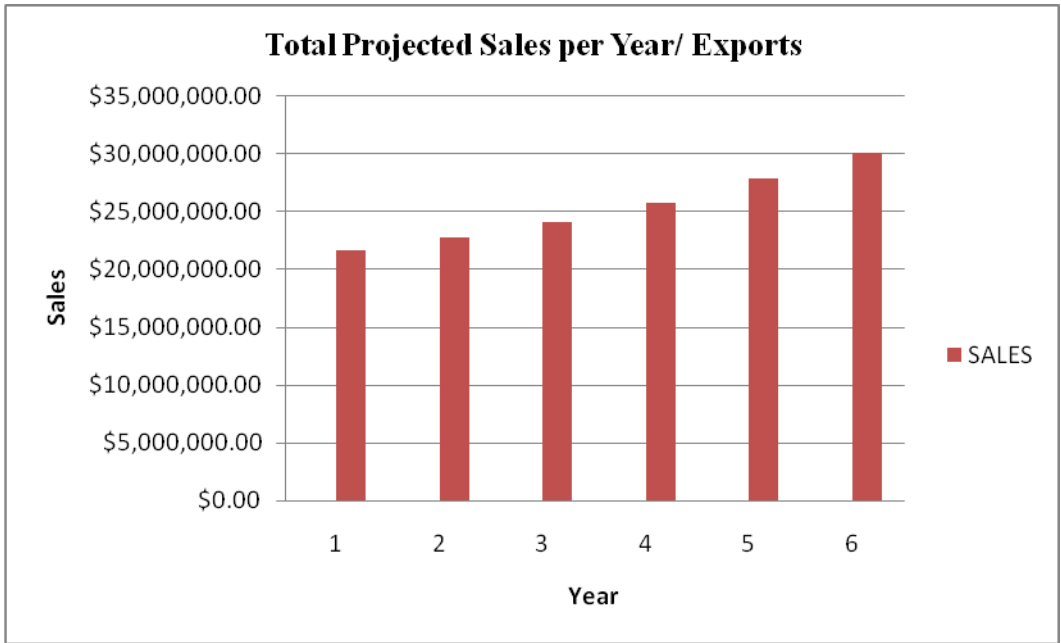
Figure 38.



Sales projection

Source : Accounting Department Embuandes Cía. Ltda., 2018.

Figure 39.



Projected sales per year

Source: Accounting Department Embuandes Cía. Ltda., 2018

Figure 40.



Total projected sales per month

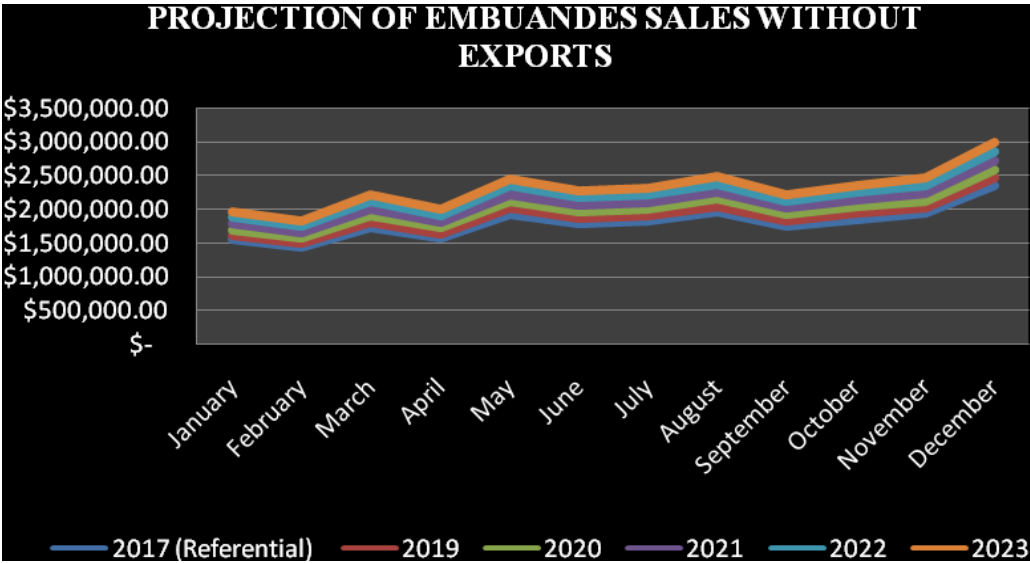
Source: Accounting Department Embuandes Cía. Ltda., 2018.

Analysis:

The sales during 2017 of Embuandes Cía Ltda. has been taken as a reference, and the average growth since 2015 (is 5%), with the purpose of making a projection within the next five years. With the exportation to the Peruvian market an additional growth in sales is expected, the extra percentage has been estimated considering the average growth of the sausage sector in Peru in recent years, which is 8% (Agricultural News Agency, 2016).

Finally, a gradual growth in sales was projected, maintaining 5% during the first year, 6% the second year, 7% the third year and 8% fourth and fifth, thus reaching the average growth of the Peruvian sector, which can be subject of variation.

Figure 41.



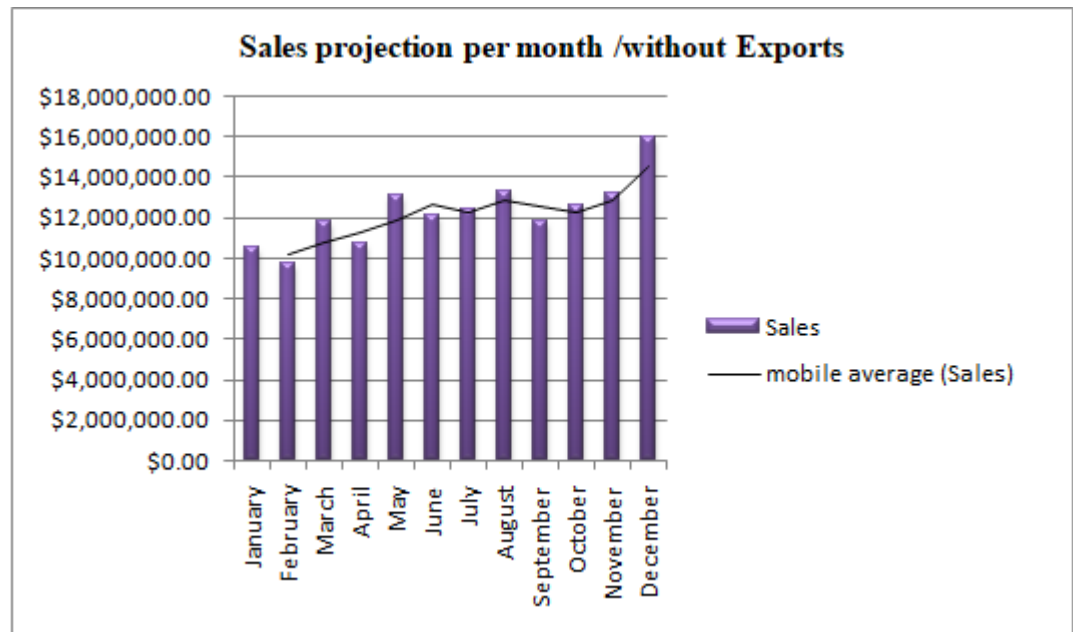
Projection of Embuandes Sales without exports
Source: Accounting Department Embuandes Cía. Ltda., 2018

Figure 42.



Total projected sales without exports
Source : Accounting Department Embuandes Cía. Ltda., 2018.

Figure 43.



Sales projection per month without exports

Source: Accounting Department Embuandes Cía. Ltda., 2018

On the other hand, we can see in the previous figures the sales projection of Embuandes, considering only the percentage of growth established by the administrative management that is 5% per year, without the sales for export concept. Although there is a constant growth in sales, it is much lower than what is projected with the amount of exports.

Financial projections

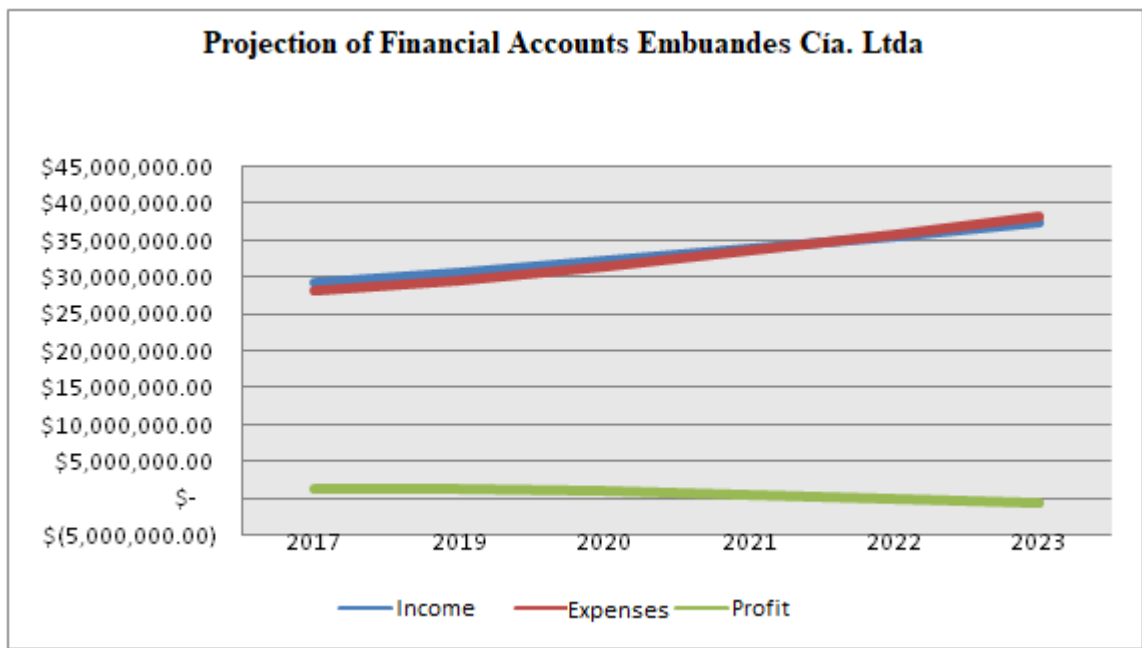
Figure 44.

Financial accounts	2017 (Referential)	2019	2020	2021	2022	2023
OPERATING REVENUE	\$ 26,470,846.94	\$ 27,794,389.29	\$ 29,184,108.75	\$ 30,643,314.19	\$ 32,175,479.90	\$ 33,784,253.89
NON-OPERATING REVENUE	\$ 134,458.90	\$ 134,458.90	\$ 134,458.90	\$ 134,458.90	\$ 134,458.90	\$ 134,458.90
RETURNS AND DISCOUNTS ON SALES	\$ (3,354,200.97)	\$ (3,672,850.06)	\$ (4,040,135.07)	\$ (4,444,148.58)	\$ (4,888,563.43)	\$ (5,377,419.78)
MATERIALS AND SUPPLIES USED	\$ (12,277.56)	\$ (12,523.11)	\$ (12,836.19)	\$ (13,157.09)	\$ (13,486.02)	\$ (13,823.17)
DIRECT LABOR	\$ (720,230.10)	\$ (741,837.00)	\$ (775,219.67)	\$ (810,104.55)	\$ (846,559.26)	\$ (884,654.42)
INDIRECT LABOR	\$ (649,947.29)	\$ (662,946.24)	\$ (682,834.62)	\$ (703,319.66)	\$ (724,419.25)	\$ (746,151.83)
PRODUCTION COSTS	\$ (2,277,432.38)	\$ (2,391,304.00)	\$ (2,534,782.24)	\$ (2,686,869.17)	\$ (2,848,081.32)	\$ (3,018,966.20)
MANUFACTURING EXPENSES	\$ (682,949.32)	\$ (717,096.79)	\$ (760,122.59)	\$ (805,729.95)	\$ (854,073.75)	\$ (905,318.17)
ADMINISTRATIVE EXPENSES	\$ (939,957.53)	\$ (958,756.68)	\$ (992,313.16)	\$ (1,027,044.13)	\$ (1,062,990.67)	\$ (1,100,195.34)
SERVICE EXPENSES	\$ (36,815.23)	\$ (38,287.84)	\$ (40,202.23)	\$ (42,212.34)	\$ (44,322.96)	\$ (46,539.11)
TRANSPORTATION AND COMMUNICATIONS EXPENSES	\$ (6,882.06)	\$ (7,019.70)	\$ (7,160.10)	\$ (7,303.30)	\$ (7,449.36)	\$ (7,598.35)
IMPORT EXPENSES	\$ (15,342.23)	\$ (15,802.50)	\$ (16,592.62)	\$ (17,422.25)	\$ (18,293.37)	\$ (19,208.03)
SALES EXPENSES	\$ (1,719,778.96)	\$ (1,771,372.33)	\$ (1,859,940.95)	\$ (1,952,937.99)	\$ (2,050,584.89)	\$ (2,153,114.14)
MOBILIZATION AND TRAVEL EXPENSES	\$ (54,009.64)	\$ (55,629.93)	\$ (57,855.13)	\$ (60,169.33)	\$ (62,576.10)	\$ (65,079.15)
SALES COST	\$ (16,566,083.26)	\$ (17,394,387.42)	\$ (18,611,994.54)	\$ (19,914,834.16)	\$ (21,308,872.55)	\$ (22,800,493.63)
FINAL PRODUCTS INVENTORY MANUFACTURED BY THE COMPANY	\$ 2,776,024.30	\$ 2,914,825.52	\$ 3,089,715.05	\$ 3,275,097.95	\$ 3,471,603.83	\$ 3,679,900.06
MAINTENANCE	\$ (164,214.01)	\$ (165,856.15)	\$ (167,514.71)	\$ (169,189.86)	\$ (170,881.76)	\$ (172,590.57)
TAXES FEES AND CONTRIBUTIONS	\$ (550,966.02)	\$ (567,495.00)	\$ (584,519.85)	\$ (602,055.45)	\$ (620,117.11)	\$ (638,720.62)
INSURANCE POLICIES CONTRACTED	\$ (13,741.12)	\$ (14,015.94)	\$ (14,296.26)	\$ (14,582.19)	\$ (14,873.83)	\$ (15,171.31)
DEPRECIATIONS AND AMORTIZATIONS	\$ (299,856.60)	\$ (305,853.73)	\$ (311,970.81)	\$ (318,210.22)	\$ (324,574.43)	\$ (331,065.92)
STATIONERY / CORRESPONDENCE	\$ (11,070.20)	\$ (11,125.55)	\$ (11,181.18)	\$ (11,237.08)	\$ (11,293.27)	\$ (11,349.74)
TRANSPORT AND COMUNICATION	\$ (36,819.14)	\$ (37,555.52)	\$ (38,306.63)	\$ (39,072.77)	\$ (39,854.22)	\$ (40,651.31)
Profit:	\$ 1,268,756.52	\$ 1,301,958.21	\$ 888,504.15	\$ 413,270.96	\$ (130,324.93)	\$ (749,497.94)

Statement of results with the current projections of Embuandes

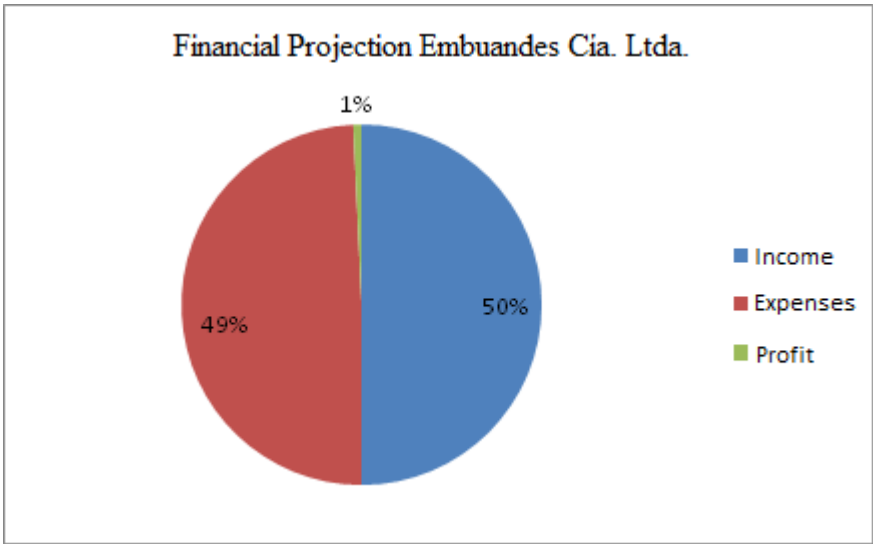
Source: Accounting Department Embuandes Cía. Ltda., 2018.

Figure 45.



Projection of Financial Accounts Embuandes Cía. Ltda
Source: Accounting Department Embuandes Cía. Ltda., 2018.

Figure 46.



Financial Projection Embuandes Cía. Ltda
Source: Accounting Department Embuandes Cía. Ltda., 2018.

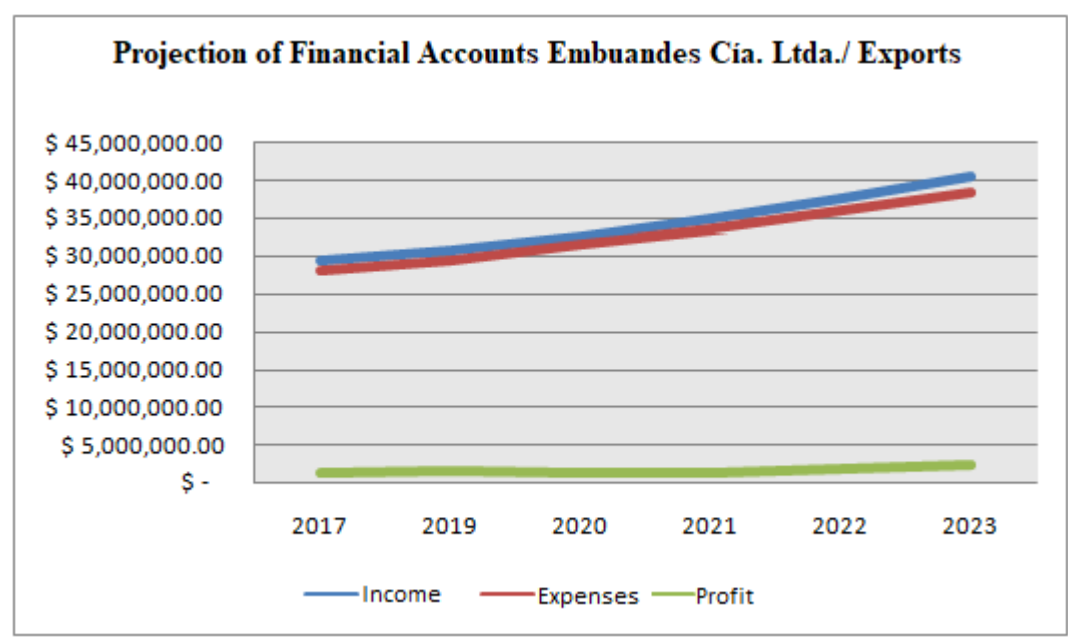
Figure 47.

Cuentas Financieras	2017 (Referential)	2019	2020	2021	2022	2023
OPERATING REVENUE	\$ 4,789,614.94	\$ 5,029,095.69	\$ 5,330,841.42	\$ 5,704,000.33	\$ 6,160,320.36	\$ 6,653,145.98
OPERATING REVENUE (SALES)	\$ 21,681,232.00	\$ 22,765,293.60	\$ 24,131,211.22	\$ 25,820,396.00	\$ 27,886,027.68	\$ 30,116,909.90
NON-OPERATING REVENUE	\$ 134,458.90	\$ 134,458.90	\$ 134,458.90	\$ 134,458.90	\$ 134,458.90	\$ 134,458.90
RETURNS AND DISCOUNTS ON SALES	\$ (3,354,200.97)	\$ (3,672,850.06)	\$ (4,040,135.07)	\$ (4,444,148.58)	\$ (4,888,563.43)	\$ (5,377,419.78)
MATERIALS AND SUPPLIES USED	\$ (12,277.56)	\$ (12,523.11)	\$ (12,836.19)	\$ (13,157.09)	\$ (13,486.02)	\$ (13,823.17)
DIRECT LABOR	\$ (720,230.10)	\$ (741,837.00)	\$ (775,219.67)	\$ (810,104.55)	\$ (846,559.26)	\$ (884,654.42)
INDIRECT LABOR	\$ (649,947.29)	\$ (662,946.24)	\$ (682,834.62)	\$ (703,319.66)	\$ (724,419.25)	\$ (746,151.83)
PRODUCTION COSTS	\$ (2,277,432.38)	\$ (2,391,304.00)	\$ (2,534,782.24)	\$ (2,686,869.17)	\$ (2,848,081.32)	\$ (3,018,966.20)
MANUFACTURING EXPENSES	\$ (682,949.32)	\$ (717,096.79)	\$ (760,122.59)	\$ (805,729.95)	\$ (854,073.75)	\$ (905,318.17)
ADMINISTRATIVE EXPENSES	\$ (939,957.53)	\$ (958,756.68)	\$ (992,313.16)	\$ (1,027,044.13)	\$ (1,062,990.67)	\$ (1,100,195.34)
SERVICE EXPENSES	\$ (36,815.23)	\$ (38,287.84)	\$ (40,202.23)	\$ (42,212.34)	\$ (44,322.96)	\$ (46,539.11)
TRANSPORTATION AND COMMUNICATIONS EXPENSES	\$ (6,882.06)	\$ (7,019.70)	\$ (7,160.10)	\$ (7,303.30)	\$ (7,449.36)	\$ (7,598.35)
IMPORT EXPENSES	\$ (15,342.23)	\$ (15,802.50)	\$ (16,592.62)	\$ (17,422.25)	\$ (18,293.37)	\$ (19,208.03)
SALES EXPENSES	\$ (1,719,778.96)	\$ (1,771,372.33)	\$ (1,859,940.95)	\$ (1,952,937.99)	\$ (2,050,584.89)	\$ (2,153,114.14)
MOBILIZATION AND TRAVEL EXPENSES	\$ (54,009.64)	\$ (55,629.93)	\$ (57,855.13)	\$ (60,169.33)	\$ (62,576.10)	\$ (65,079.15)
SALES COST	\$ (16,566,083.26)	\$ (17,394,387.42)	\$ (18,611,994.54)	\$ (19,914,834.16)	\$ (21,308,872.55)	\$ (22,800,493.63)
FINAL PRODUCTS INVENTORY MANUFACTURED BY THE COMPANY	\$ 2,776,024.30	\$ 2,914,825.52	\$ 3,089,715.05	\$ 3,275,097.95	\$ 3,471,603.83	\$ 3,679,900.06
MAINTENANCE	\$ (164,214.01)	\$ (165,856.15)	\$ (167,514.71)	\$ (169,189.86)	\$ (170,881.76)	\$ (172,590.57)
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STATIONERY / CORRESPONDENCE	\$ (11,070.20)	\$ (11,125.55)	\$ (11,181.18)	\$ (11,237.08)	\$ (11,293.27)	\$ (11,349.74)
TRANSPORT AND COMUNICACION	\$ (36,819.14)	\$ (37,555.52)	\$ (38,306.63)	\$ (39,072.77)	\$ (39,854.22)	\$ (40,651.31)
Profit:	\$ 1,268,756.52	\$ 1,301,958.21	\$ 1,166,448.04	\$ 1,294,353.11	\$ 1,740,543.21	\$ 2,236,304.05

Income Statement with sales-export projection

Source: Accounting Department Embuandes Cía. Ltda., 2018.

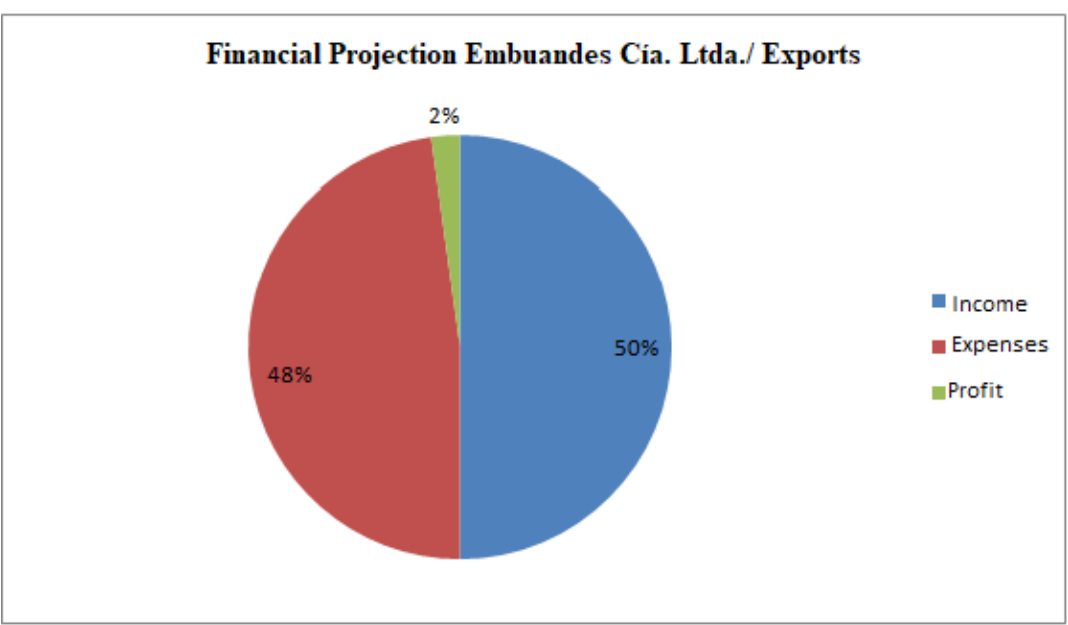
Figure 48.



Projection of Financial Accounts Embuandes Cía. Ltda.- Exports

Source: Accounting Department Embuandes Cía. Ltda., 2018.

Figure 49.



Financial Projection Embuandes Cía. Ltda.- Exports

Source: Accounting Department Embuandes Cía. Ltda., 2018.

3.2.1 Financial projections

To carry out the financial projection, the income statement for 2017, provided by the accounting department of Embuandes, has been taken as a reference. The main accounts that make up this balance have been selected and a projection was made for the next five years, based on the growth percentages planned by the administrative management of the company and taking into consideration the possibility of exporting the products.

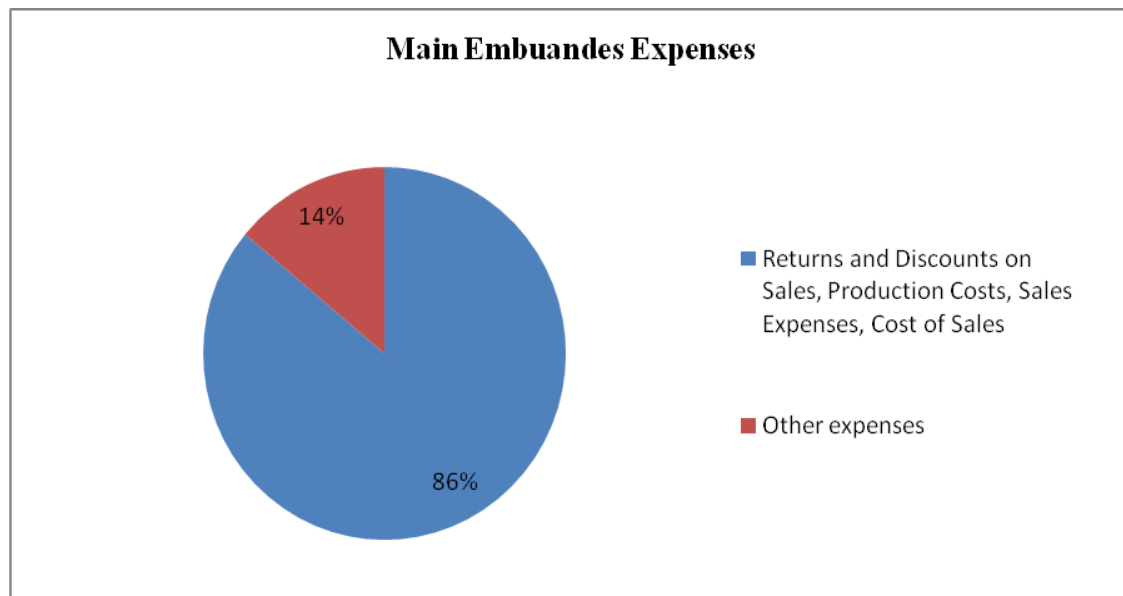
It should be noted that it is not possible to calculate the final result of this balance, since income accounts were omitted, according to the company's request for reasons of confidentiality.

- In the income account they consist:
 1. Operating income: mainly net sales and gross sales, which have been planned with an annual growth percentage of 5% for all years.
 2. Non-operating income: Income from interest earned on policies is included, for this item a growth percentage has not been considered, since these values remain constant.
- Followed by, we have the account of returns and discounts on sales, which has been considered a constant percentage of 1.5% assigned by Embuandes for returns every year and a 10% discount applied to sales. It is projected that the discount percentage to sales would increase by an additional 5%, starting in 2020, taking into account the increase in export sales.
- In the account of materials and supplies used, the materials used at the level of the production plant are included, for this item a 2% increase in the first year and from the second year an additional 0.5% is considered.
- For direct and indirect labor accounts that include items such as: salaries, overtime, tenths, food expenses, among others, of personnel working directly in the plant and offices, a percentage of 3% was assigned of increase for direct labor in the first year and 1.5% in the following years. While indirect labor was assigned a lower percentage of 2% increase in the first year and an additional 1% for the following four years, because the company prioritizes the hiring of plant personnel mainly during high sales time .

- Production costs include costs incurred and direct costs. For these costs the company plans an increase of 5% for the first year and an additional 1% for the next 4 years, considering the increase that should be made in areas such as: raw material, machinery, among others.
- For manufacturing expenses are included items such as: fuel, telephone consumption, insurance paid, and factory maintenance, etc. A 5% growth is planned for these expenses during the first year and an additional 1% during the following four years.
- The administrative expenses account includes all items related to salaries and social benefits of personnel working in the administrative area of the company, for these expenses is projected a growth of 2% in the first year and 1.5% from the year 2020.
- The cost of assistance includes expenses for staff training, assistance to suppliers, technicians and advisors, as well as expenses for customer service from abroad. For what is projected an increase of 4% for the first year and an additional 1% for the next four years.
- For the transportation and communications expenses account, a constant percentage increase of 2% is projected for all years, since it includes only local expenses.
- An increase of 3% for the first year and 2% for the next four years is projected in the account of import expenditures, due to the need to import a greater quantity of raw material for production.
- Within the account sales expenses include all items related to salaries and social benefits of personnel working in the sales area of the company, for these expenses is projected a growth of 3% in the first year and 2% from of the year 2020.
- For the mobilization and travel expenses account, which includes mobilization expenses for executives of the company, an increase of 3% in the first year is considered, as it requires a greater number of trips to the destination market in Peru and a 1% increase for the following four years.

- In the cost of sales account, a 5% growth is projected for the first year and an additional 2% for the following four years, which is planned based on the projected sales growth.
- For the final inventory account of manufactured products, the percentage of growth is calculated according to the sales projection, which is why an increase of 5% for the first year and an additional 1% for the following four years is considered.
- In the maintenance account, which includes expenses for maintenance of equipment, machinery and vehicles, a constant 1% annual increase is projected.
- For the account of taxes, quotas and contributions a 3% constant increase is projected for all years.
- In the account of insurance policies contracted, which provides coverage for company vehicles, machinery and factory in general, a constant 2% growth is planned for all years.
- For the depreciation and amortization account, which basically includes the depreciation of the vehicles, the accounting department considers an increase of 2% for all years.
- In the stationery/correspondence account, which covers the cost of materials and office supplies and mail expenses, an increase of 0.5% per year is projected.
- Finally, in the transportation and communications account, which manages the costs of packaging, stowage, among others, a growth of 2% is established in all of the years.

Figure 50.



Main Embuandes Expenses

Source : Accounting Department Embuandes Cía. Ltda., 2018.

Among the main expenses of the company is the cost of sales, which represents 59% of the total expense; and the account of returns and discounts on sales that represents 13% of expenses.

- The cost of sales account basically includes net purchases of both domestic and imported merchandise.
- In the account of returns and discounts on sales, there are all the discounts given to customers and the percentage of returns accepted by the company.

Production costs and sales expenses represent 8% and 6% of total expenditure, respectively.

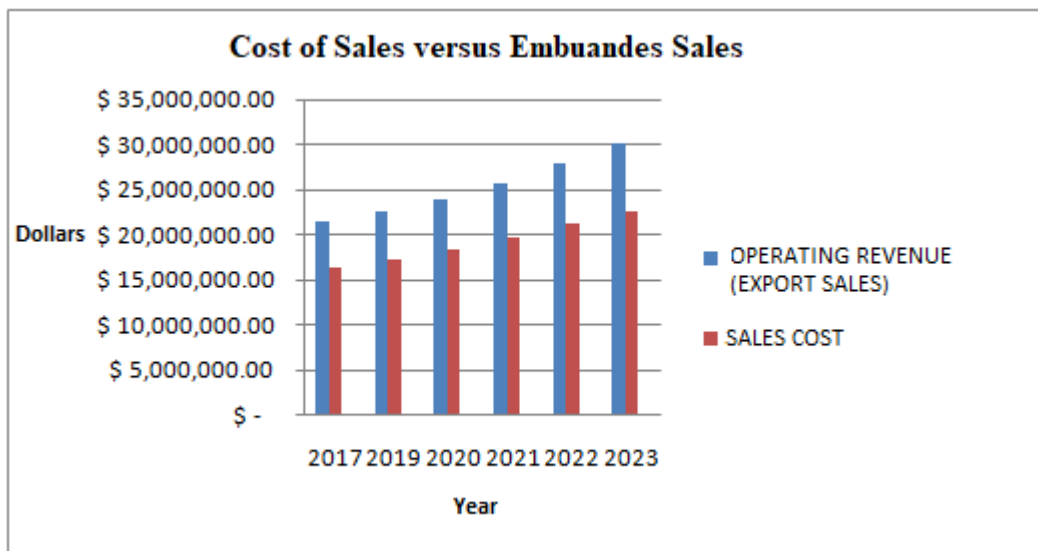
Table 15.

Production costs and sales expenses.

Expense Type	Total Expense Percentage
Sales cost	59%
Returns and Discounts on Sales	13%
Production Costs	8%
Sales Expenses	6%
Total:	86%

Source: Accounting Department Embuandes Cía. Ltda., 2018.

Figure 51.

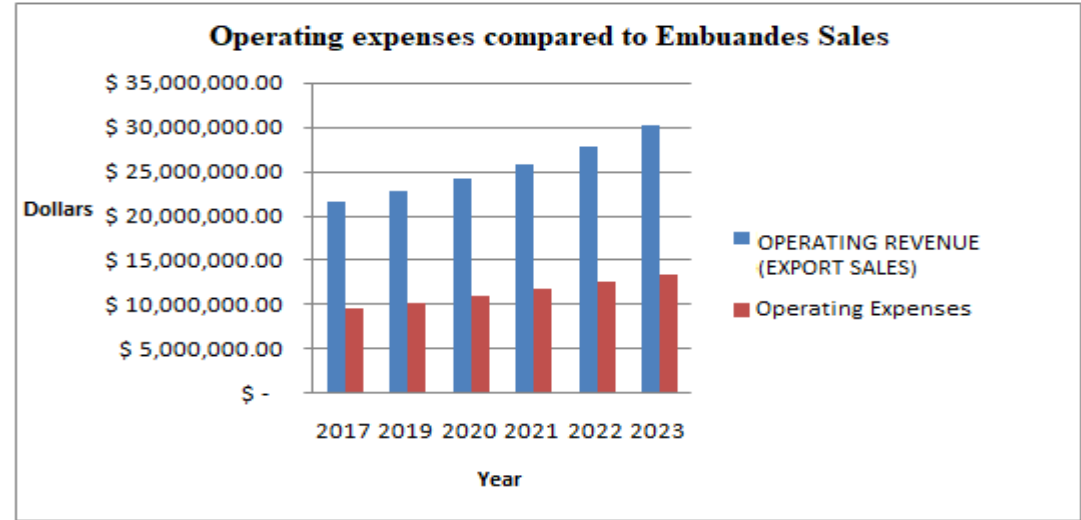


Cost of Sales versus Embuandes Sales

Source: Accounting Department Embuandes Cía. Ltda., 2018.

In figure 51 it is possible to observe that the cost of sales represents an average of 77% of sales during the period 2017-2023, which means that for every dollar sold, 0.77 cents represent the cost of sales.

Figure 52.

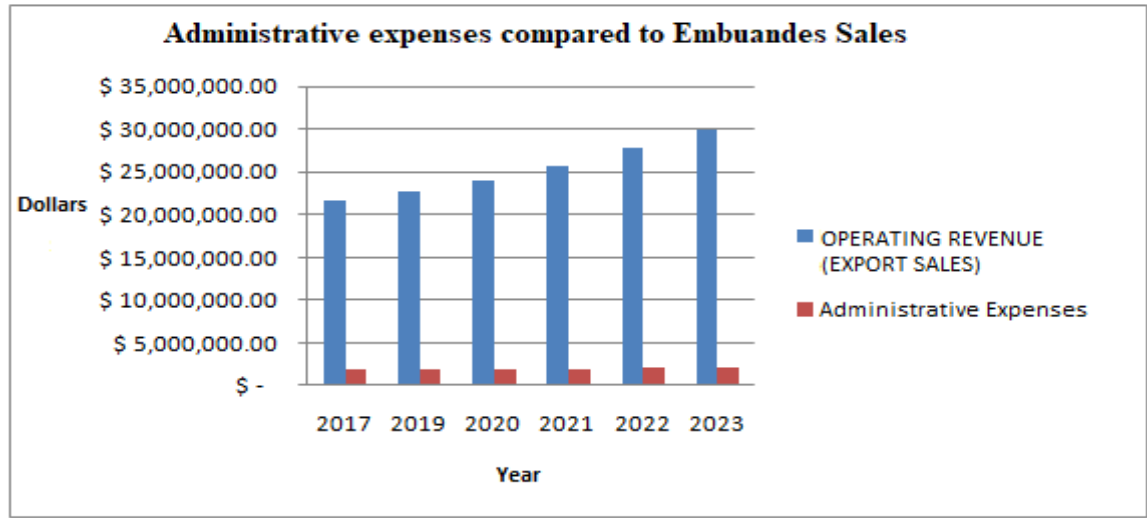


Operating expenses compared to Embuandes Sales

Source: Accounting Department Embuandes Cía. Ltda., 2018.

With regards to operating expenses, which are directly related to the operation / production of the company, expenses such as: direct and indirect labor, production costs, manufacturing expenses, service expenses, import expenses, expenses sales, maintenance, mobilization and travel expenses, materials and supplies, returns and discounts on sales have been considered; we can see that on average they represent 45% of sales during the period 2017-2023, which means that for every dollar of sale, 0.45 cents correspond to operating expenses.

Figure 53.



Administrative expenses compared to Embuandes Sales

Source: Accounting Department Embuandes Cía. Ltda., 2018

Within the administrative expenses of Embuandes are considered: transportation and communications expenses, taxes, fees and contributions, insurance policies contracted, depreciation and amortization, stationery, correspondence; the sum of these items represents 8% of sales during the period 2017-2023, which means that for each dollar of sales, 0.08 cents corresponds to administrative expenses.

With the analysis of the main financial accounts of Embuandes, we can observe that each year, as the income increases, expenses increase as well. While it is true, the administrative management plans a percentage of referential growth for each account, within what is estimated 5% annual growth in the sales category, is not enough to maintain a growing profit in the coming years. On the other hand, when the sales revenue account is included, in which the export projection is included, an increasing profit is maintained from the first year.

With regard to expense accounts that have greater growth and directly influence the utility of the company, there is the account of returns and discounts on sales, for which a percentage of growth of 10% is considered. This percentage is high compared to the percentage of other accounts; although it seeks to increase the utility of the company, it is necessary to optimize and reduce the expense in this type of items, mainly in the returns of merchandise.

Although it is not feasible to have a real result of the profit of this project due to the omission of several accounts by request of the company, it is possible to have a clear idea of the positive impact that the application of this project would have on the company Embuandes, taking account the initial investment required.

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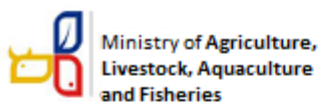
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APPENDICES

Appendix 1. Current situation of the swine value chain



CURRENT SITUATION OF THE SWINE VALUE CHAIN

Department of Commercialization

AUGUST 2017

BACKGROUND

- The constitution in chapter 3- Food Sovereignty Art. 281, establishes in paragraph 2 "Adopt tax and tariff policies that protect the national agri-food and fishing sector, to avoid dependence on food imports.
- The Committee of Foreign Trade (COMEX), through Resolution N° 102, on March 1st of 2013, approves the Technical Report submitted by the MAGAP for the application of non-automatic import licenses for a group of food products among which are 14 tariff codes referring to cuts of pork.
- According to Resolution 316 of November 20th of 2015, the Regulation to obtain non-automatic licenses for the importation of food has been established in accordance with Resolution 102 of the Comex.

- According to Art. 3, the Department of Commercialization will annually carry out a technical analysis to establish the volumes of the different products detailed in the Resolution, based on the perspectives of national production, growth of demand and domestic consumption, national objectives of food safety, the historical record of imports of the last 2 years and purchases of domestic production, among others.
- According to Art. 4 with the technical analysis, the Department of Commercialization will grant annually to the registered importers the volumes that may be imported, which is mainly related to the historical record of purchases of national products registered in the URFT (Registration, transactions and billing unity).
- Art. 5.- The importers will be able to formally consider the requirements of importation from December 1st to December 15th of each year.
- According to Art. 7 the results of the report will be put to the consideration of the Advisory Sub-Council of the swine chain. Art. 9 a follow-up of imports is established.



Production estimates 2017

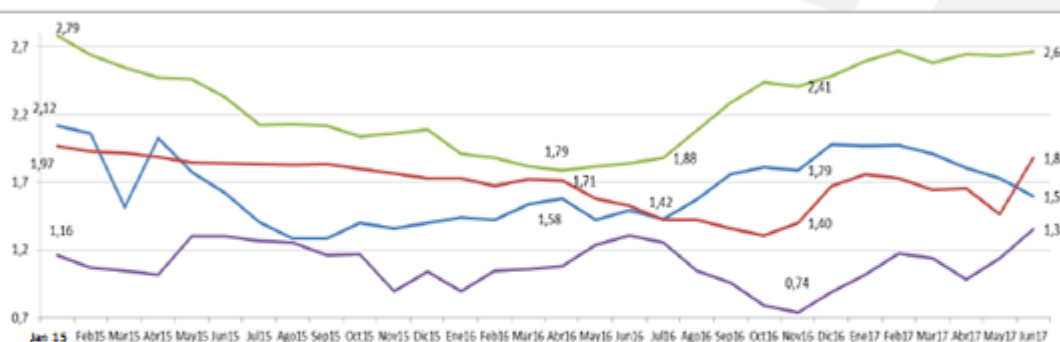
	Backyard	Familiar	Commercial farms	Factory farms	TOTAL
	Less than 10 pigs	From 11 to 30 pigs	From 31 to 300 pigs	More than 300 pigs	
N° of mothers	33.483	5.468	3.978	44.539	87.468
N° of piglets/year	16	16	24	24	
Total of piglets	535.726	87.490	95.462	1.068.936	1.787.614
Live animal weight (kilos)	90	90	110	115	
Production on live animal (T)	48.215	7.874	10.501	122.928	171.143
Carcass output	70%	70%	77%	77%	
TOTAL t	33.751	5.512	8.086	94.654	142.003
% Participation	24%	4%	6%	67%	100%

Source: AGROCALIDAD Vaccination,
Offers files and interviews to genetics marketers
*100% Estimated



Ministry of Agriculture,
Livestock, Aquaculture and
Fisheries

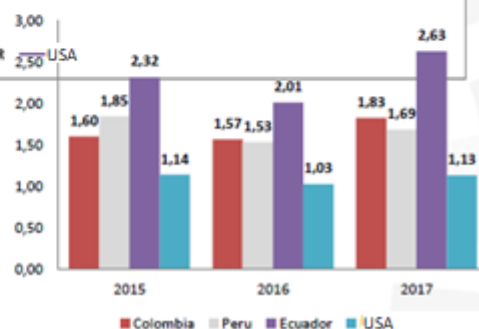
National and international prices



Price increase at local and international level

Colombia: 17%
Peru: 10%
Ecuador: 31%
USA: 11%

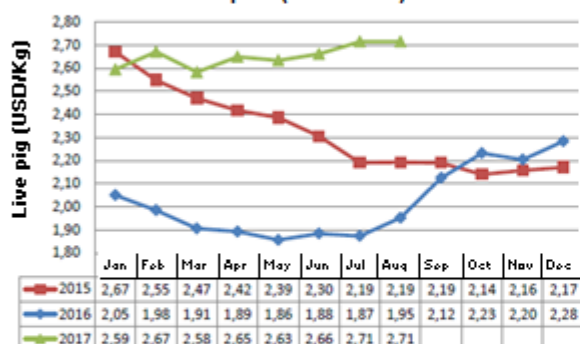
Source: PIC (PORCOCOLOMBIA, ATAHUAMPA PIC, USDA), SINAGAP.
*2017 Average from January to June
Elaborated by: MAG/SC/DETC
<http://www.piclatam.com/news/info.php?tabla=contenido&referencia=30925&idioma=es>



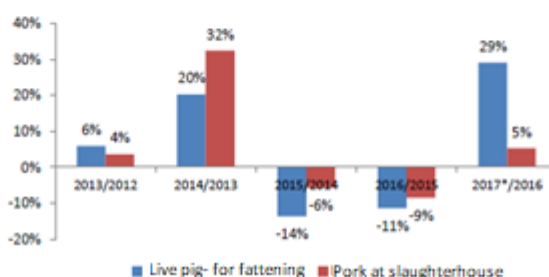
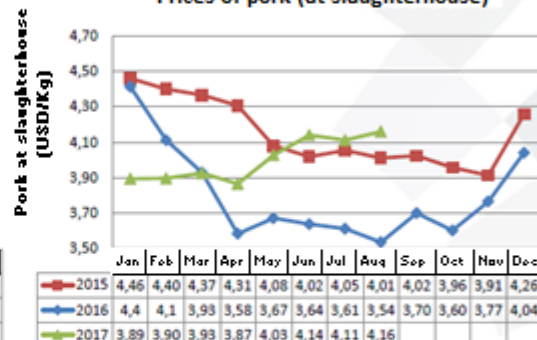


National prices

Prices of pork (live animal)



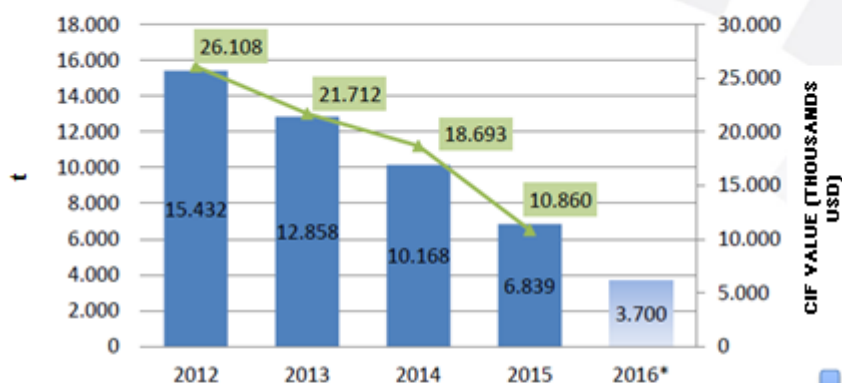
Prices of pork (at slaughterhouse)



Source: SINAGAP



IMPORTS OF PORK



Reduction of imports. From 15.4 thousand t in 2012 to 3.7 thousand t in 2016 (Estimated at the end of the year).

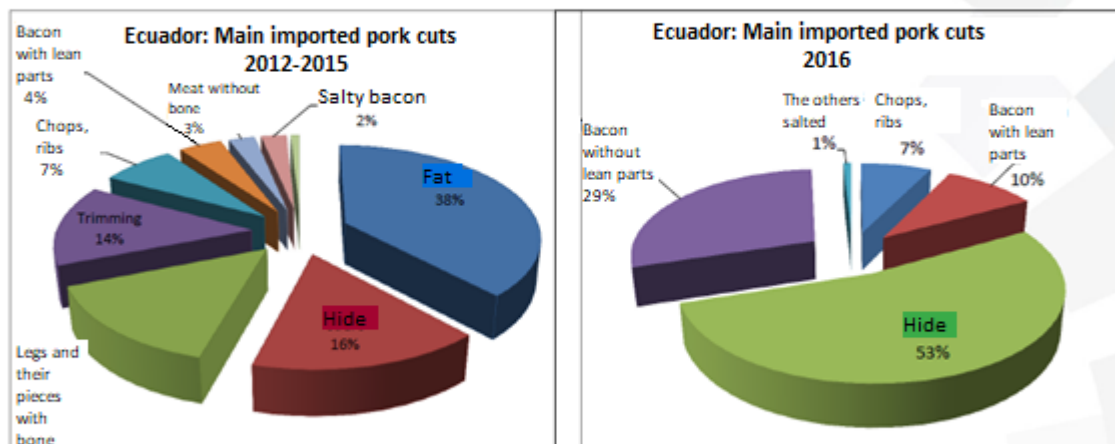
76% decrease in 2012.

Average annual fall of 29% on average over the last 5 years.

2017: to June
1728 t for 2,4
millions

Source: BCE/ *Estimated

MAIN IMPORTED CUTS



Source: BCE



FOOD BALANCE

OFFER - DEMAND 2017

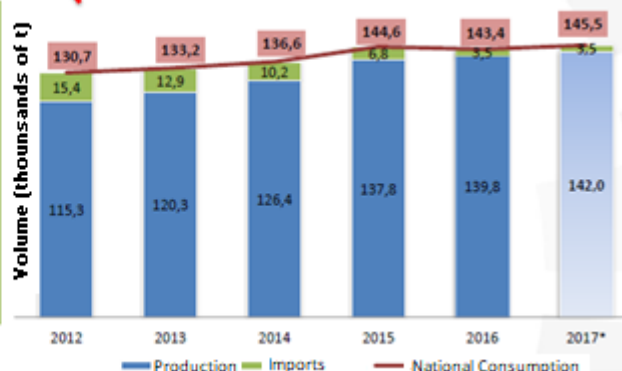
FOOD BALANCE- IMPORT NEEDS 2017

YEAR	PRODUCTION (THOUSANDS OF t)	Δ National Production	Imports (t)	Δ Imp t	National Consumption (t)	Δ Consumption	Per capita consumption (kg/year)	Production participation/ Consumption
2012	115		15.432	0%	130.732		8,4	88%
2013	120	4,4%	12.858	-17%	133.197	2%	8,5	90%
2014	126	5,1%	10.168	-21%	136.598	3%	8,6	93%
2015	138	9,0%	6.839	-33%	144.621	6%	9,0	95%
2016	140	1,5%	3.511	-49%	143.359	-0,87%	8,7	98%
2017**	142	1,5%	3.508	0%	145.510	1,50%	8,7	98%

2017 adjustment:

- 1.- 1.5% Growth of national production.
- 2.- Increase in consumption at the rate of population growth

National Consumption - National
Production
= IMPORT NEEDS
(3508 t)

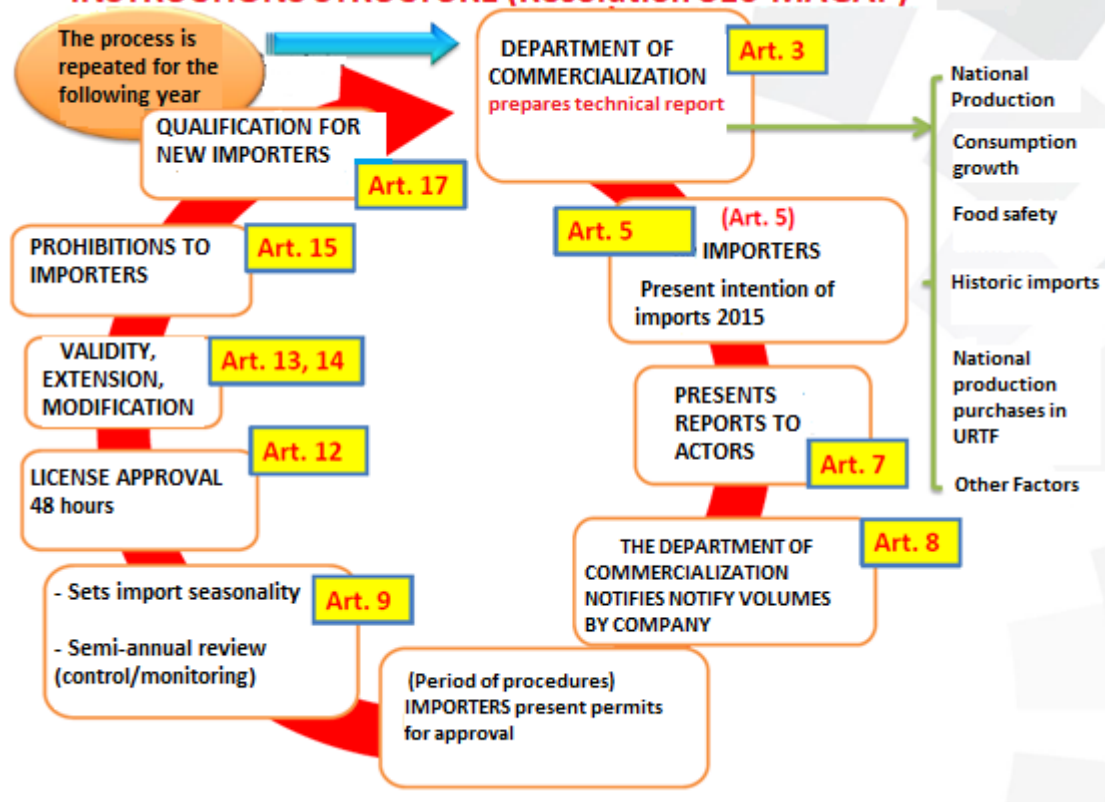


CRITERIA FOR GRANTING LICENSES

2017



INSTRUCTIONS STRUCTURE (Resolution 316-MAGAP)



- Analysis of the perspectives of national production 2017
- Growth in demand and domestic consumption of pork products
- Analysis of the Food Balance to determine the projected production deficit for 2017 to cover with imports.
- Analysis of national purchases made during the last year of each applicant (October 2015-November 2016), which are registered in the URTF
- Analysis of the historical record of the actual importations of the last 2 years of each importer. If there are no imports during the last year, it is considered a new importer.
- New importers must apply Art. 17 of Resolution 316 - MAGAP to qualify as NEW IMPORTERS. To the new importers the assigned volume will be granted once they show national purchases for the same allocation value.
- Based on the weighted participation of each merchant on national purchases in 2016, the import volumes are assigned.

OTHER CRITERIA GENERATED FROM THE MEETING OF THE CONSULTATIVE BOARD OF THE SWINE CHAIN

The stuffing industry will not have allocation of import volumes, however they must send the import requirements according to article 5 of Resolution 316.

An ex post control will be carried out to monitor the volumes granted

The total volume 2017 will be assigned, based on imports adjusted at the end of 2016.

The allocation will be made on fat and hide and only for the stuffing companies, merchants and for those that get directly to the final consumer like supermarkets, the allocation of cuts of pork meat (chops, ribs) will be made by a % no greater than 10% of the total volume allocated.

First there will be the granting of licenses for grease and hide for the industry and later for the merchants (remaining volumes)



NATIONAL PURCHASES

2017

INDUSTRY	AMOUNT OF t REGISTERED	MONTH REGISTRATION LIMIT	% Participation
FAVORITA CORPORATION C.A.	1935	MAY	29%
DIGESA S.A. MEAT AND FOOD DISTRIBUTOR	1737	JULY	26%
Embuandes Cia Ltda	868	JUNE	13%
Piggis Pigem Cia. Ltda.	418	JUNE	6%
ECUARIDER S.A.	284	JUNE	4%
JURIS FACTORY CIA. LTDA.	241	FEBRUARY	4%
PROCESSED MEAT S.A.	232	APRIL	3%
FRUIT OF THE COAST CIA. LTDA.	220	APRIL	3%
GRUVALCORP S.A.	219	MAY	3%
IMPORT. EXPORT. PROALIMEC CIA LTDA.	187	JUNE	3%
SALJUPER S.A.	94	JUNE	1%
INT FOOD SERVICES CORP	74	NOVEMBER	1%
MEGACARNICOS S.A.	41	MAY	1%
MEATPRO	34	NOVEMBER	1%
MARIBO MEAT PRODUCTS	31	JUNE	0%
LA EUROPEA FOOD INDUSTRY S.A.	27	NOVEMBER	0%
CARMAXCORP S.A.	10	JUNE	0%
EL SANDUCHONCORP S.A	9	FEBRUARY	0%
Johny David Pacheco Pacheco	8	JANUARY	0%
EQUACORPSA S.A.	1	MARCH	0%
TOTAL	6669		100%



Ministry of Agriculture,
Livestock, Aquaculture
and Fisheries



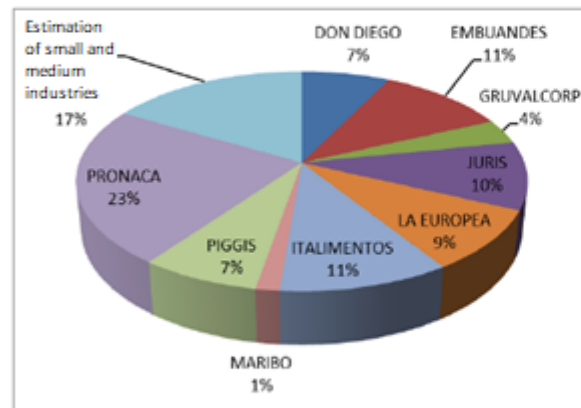
MEAT PRODUCT MANUFACTURERS INFORMATION

Graph 8: National production of sausages - year 2017 (t)

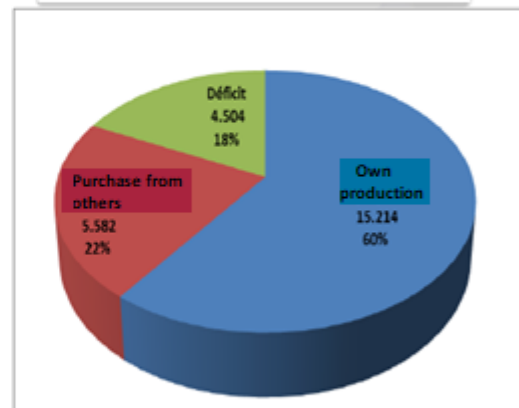


Ministry of Agriculture,
Livestock, Aquaculture
and Fisheries

Production:
66 THOUSAND t



Forms of supply Raw Material

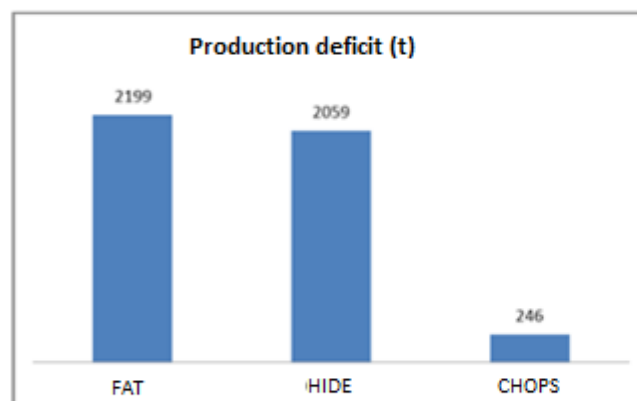


Source: Demand files obtained from industries



Ministry of Agriculture,
Livestock, Aquaculture
and Fisheries

RAW MATERIAL DEFICIT



Given at the beginning of 2017 to:
Meat product manufacturers: 2901 t
Merchants: 471 t
New: 60
TOTAL: 3436 t

Hide and fat deficit: 4258 t

SHORTFALL: 822 t

INFORMATION REQUESTED TO THE INDUSTRIES AND CALCULATED OF THE DIFFERENCE:
DEFICIT RAW MATERIAL =

NEEDS OF RAW MATERIAL - OWN SUPPLY + PURCHASE FROM OTHERS

Appendix 2. Interview with administrative staff and management of Embuandes.

Interview with Denis Tapia Ortiz (Administrative Manager) and Dr. Oswaldo Mora (Production Manager) of Embuandes

- **How Embuandes Cia. Ltda. was born and in what year?**

Initially, Embuandes was created in 2007 with the purpose of satisfying and complementing the premises of "Coral Hypermarkets" with its own delicatessen, this channel helped us a lot to publicize our products and we had very good reception so with the general management decided to market them nationally as well.

- **Where are they located and how is their infrastructure made up?**

We are located in the city of Cuenca in an area of 2.800 m² on the south highway and Felipe II Av. behind the shopping center Mall del Río. We have an industrial warehouse suitable for food with last generation machinery of German origin, acclimatized zones according to need, cold rooms for imported raw material and finished product, microbiological and bromatological laboratories for product analysis and release, and a fleet of refrigerated transport to conserve the cold chain and guarantee the quality of the product.

- **To which cities of Ecuador do your products arrive?**

Our products are sold nationwide and we have direct distribution from Guayaquil, Quito, Manta and Cuenca.

- **Where does the name "Embuandes" come from?**

The name of the company arises because in Ecuador the sausages produced in the mountain range region are considered to be of better quality because of their asepsis and flavor, so the managers opted for the name "Embutidos de los Andes EMBUANDES".

- **What brands or product lines does the company offer?**

We have two brands that are "Embutidos Fraile", a high quality line with premium products, whose name comes from the fact that in ancient times the priests or friars made very good quality products among these sausages. On the other hand, there is the brand "Embutidos de la Sierra", which is an economic line with high quality standards and prices available to everyone.

- **How many employees does the company have?**

Currently we have a total of 150 employees among workers, drivers, administrative part, etc. In the same way, with the aim of not increasing costs and avoiding having excess employees, the company shares several departments such as: marketing, imports, purchases, human resources, etc. with the other companies of the Gerardo Ortiz group.

- **As for the offer of Embuandes, what makes it different from the competition?**

We have a varied portfolio of 300 products divided into five lines: sausages, mortadella, sausages, hams and smoked products. The company seeks to always be in constant innovation and offer an attractive portfolio that is in line with market demand, as is the case of the Gourmet line that includes more nutritious and healthy products.

In the same way Embuandes manufactures special products that the competition does not, such as: schublig sausage, chicken roll, meatloaf, stuffed bacon, stuffed chicken, stuffed ham, etc., these products have been developed by german technicians so they are very exclusive and desired by several clients.

- **What are the main characteristics of the Gourmet line and which line of products would be considered suitable for export?**

The Gourmet line for export would undoubtedly be considered as a special selection of raw material is included in the production process of these products, which guarantees that the products have characteristics such as: anti allergens, gluten and/or soy free, without transgenic, etc.

Appendix 2. Sectoral Report of the Sausages Market in Peru

Preparation of Sausages and Cold Meats

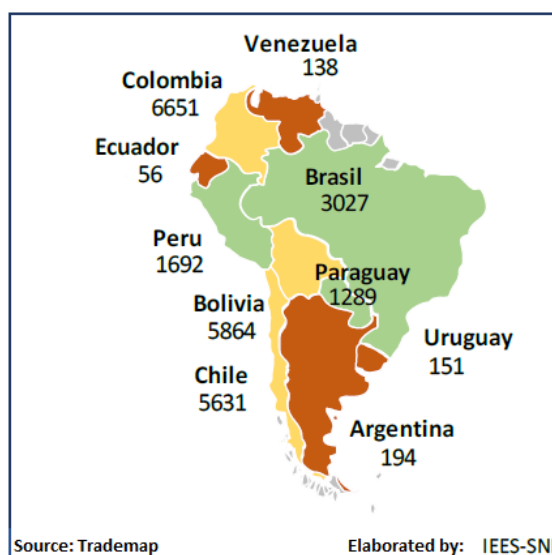
INTRODUCTION

The market for sausages and cold meats in Peru has growth opportunities, since per capita consumption of these products is one of the lowest in the region. According to companies dedicated to the market study, the consumption of sausages in 2015 was approximately two and a half kilos per capita per year, very far from what is consumed in Germany (35 kilos per year), Argentina, Chile and Uruguay, places where the annual consumption per person doubles the Peruvian.

It is estimated that the domestic market of sausages moved around 170 million dollars; this figure is small if we compare it with another country, like the United States, which in 2016 would have moved \$ 2.4 billion, only in hot dog sales.

Regarding imports of sausages, it should be noted that Peru is the fifth country in South America that imports the most sausages (tariff code 16010000) at the end of 2016. However, if we incorporate Central American countries, the Peruvian imports would be located in position 24.

Graphic N°1: Main countries that import sausages, 2016
(Thousands of dollars)



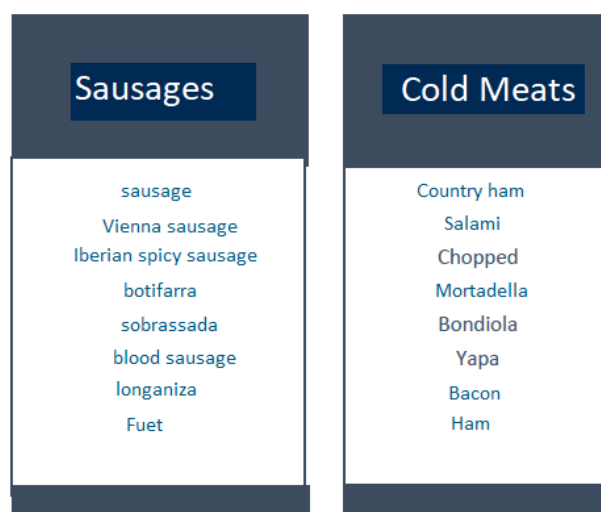
INDUSTRIAL PRODUCTION

Sausages are those meat derivatives made from different parts of livestock and poultry, which are seasoned and put into casings (natural or artificial). While the cold meats are also prepared with different parts of livestock and poultry and to which you can add starches and substances.

According to the International Standard Industrial Classification (CIIU) revision 4, the production of cold meats and meat belongs to the class 1010 called meat processing and preservation, which includes the production of fresh, chilled, frozen, dried, salted or smoked meat .

In this report, it is important to point out that sausages and cold meats will be considered for the following products: hot dog, ham, sausages, mortadella and pâté.

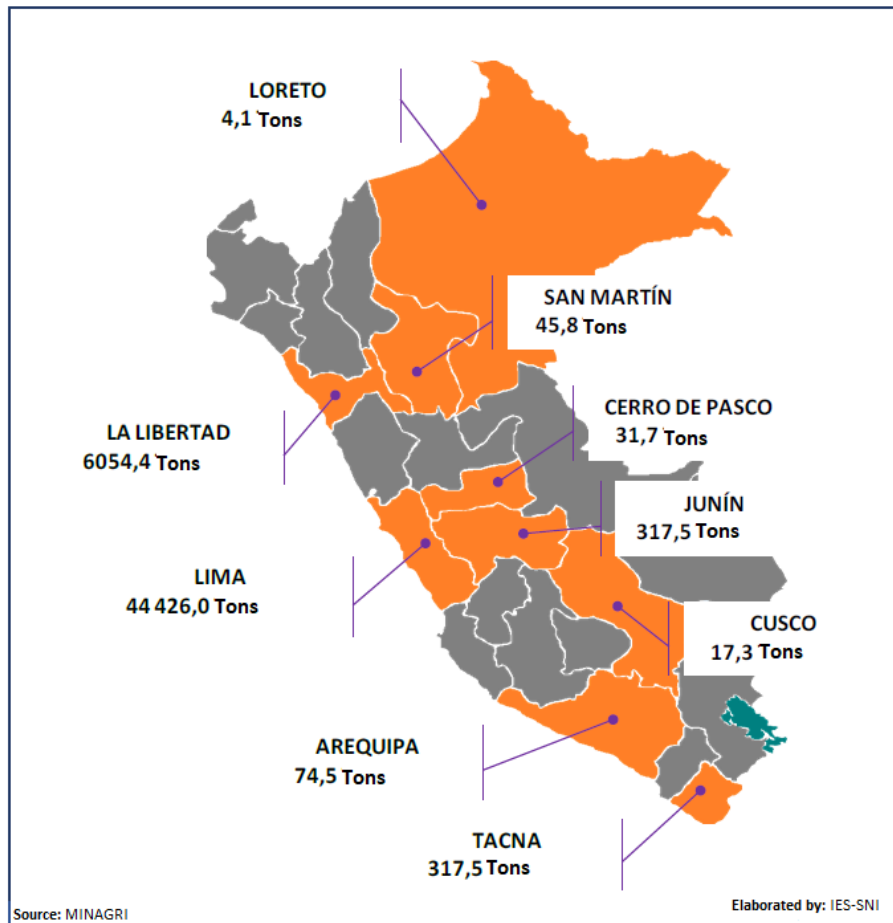
Chart N°1: Main sausages and cold meats produced



2

In Peru, according to the monthly survey of agro-industry establishments 2015, carried out by Minagri, the production of sausages and cold meats was concentrated mainly in two locations: (i) Metropolitan Lima, where 38 535 tons of hot dog, ham, pâté, salami and spicy pork sausage were produced; and in (ii) Libertad, whose production amounted to 6 054,4 tons, where the production of hot dog (3 367 t) and ham (1 349 t) predominated, among other products.

Graphic N°2: Main regions that make sausages and cold meats, 2015
(Tons)

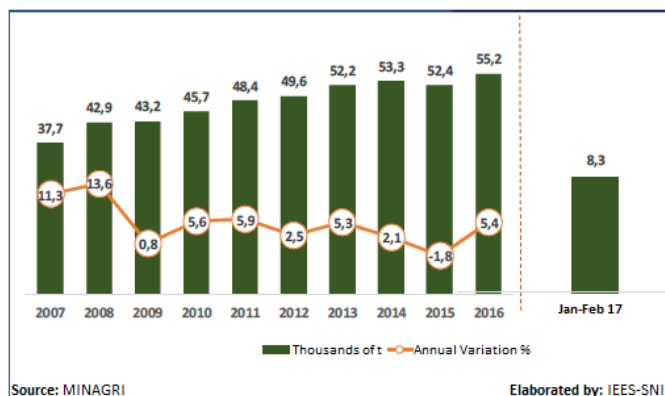


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Between 2007 and 2016, the national sausages and cold cuts industry went from producing 37,7 thousand to 55,2 thousand tons, that is, it reported an expansion of 47% in line with the growth of the purchasing power of families and the greater expansion of supermarkets, hypermarkets and convenience stores. In addition, it has contributed to the growth of this sector, the improvement of the image of the product

associated with the formalization of the sector, the expansion of the installed capacity of the companies and the greater investment.

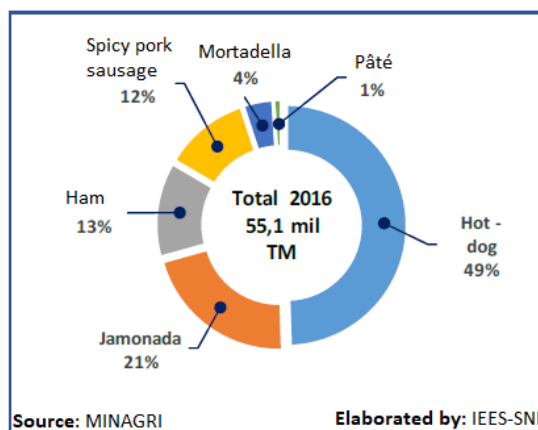
Graphic N°3 Production of sausages and cold meats, 2007-2017
(Thousands of tons)



Among the main sausages and cold cuts prepared in 2016, the hot dog stood out with a 49% share, followed by the production of jamonada (21%), ham (13%), spicy pork sausage (12%), mortadella (4%) and pâté (1%), according to statistics from the Ministry of Agriculture and Irrigation.

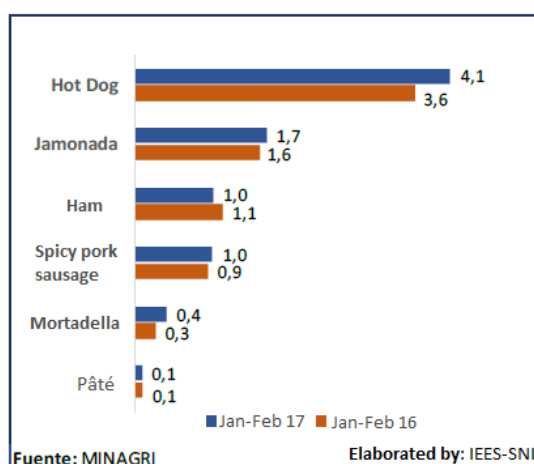
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Graphic N°4 Production of sausages and cold meats, 2016
(Percentage share)



In the first two months of 2017, the production of sausages and cold meats reached 83 thousand t, that is, 8,1% more than what was reported in the same period of 2016 (7,6 thousand t). This positive behavior was due to the greater elaboration mainly of hot dog (12,7% of growth), jamonada (4.6%), spicy pork sausage (6,9%) and mortadella (59.2%) although attenuated by the fall in the production of ham and pâté in 20,6% and 10,4%, respectively.

Graphic N°5 Production of sausages and cold meats, January-February 16/17
(Thousands of tons)



Marketed Brands

In Peru, the sausage market is composed mainly of six companies that represent more than 90% of local production, led by San Fernando, which accounted for 42% of the total by 2015, according to its annual report, followed by Ti-Cay, Swiss Peruvian Sausage Society-SUPEMSA, Razzeto, Braedt and Laive. Each company targets different market segments, with different brands, for example, SUPEMSA serves the upper middle segment with the Otto Kunz brand and the medium-low segment with La Segoviana.

It should be noted that the study called Brands 2.0, prepared in 2016 by Arellano Marketing, showed that in the sausages category, the brand that Peruvian consumers remembered most was San Fernando (28%), followed by Otto Kunz (21%) and Braedt (16%).

Graphic N°6 Main brands of local sausages in the local market

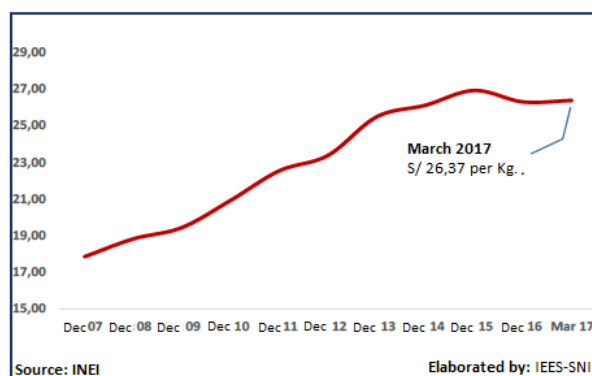


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Prices

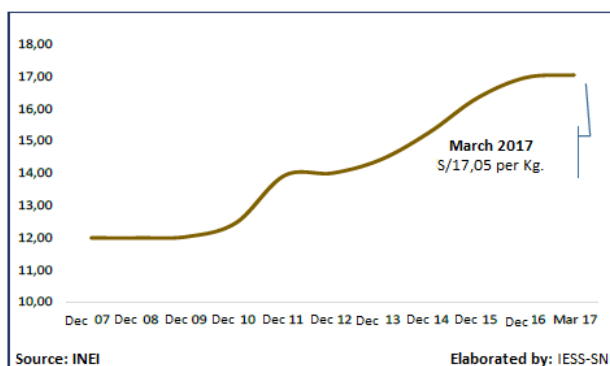
The average price to the consumer of ham has been growing during the years 2007 and 2016. Thus, in December 2007, the ham cost the consumer S / 17.86 per kilo, while in the same month of 2016 its price rose until reaching S / 26.29 per kilo, registering an average annual growth of 6.6%. As of March 2017, the average price of ham was increased to S / 26.37 per kilo.

Graphic N°7 Average price to the consumer of Jamonada
(Soles per kilogram)



On the other hand, the average price to the consumer of beef hot dog has also experienced a continuous growth for the 2007 and 2016 period, since in December 2007 the average price was S/ 12.0 per kilo, while, in December 2016, the price rose until it was quoted at S/ 16.97 per kilo, recording an average annual growth of 5.9%. As of March 2017, the average consumer price was S/ 17,05 per kilo.

Graphic N°8 Average consumer price of Beef Hot Dog
(Soles per kilogram)



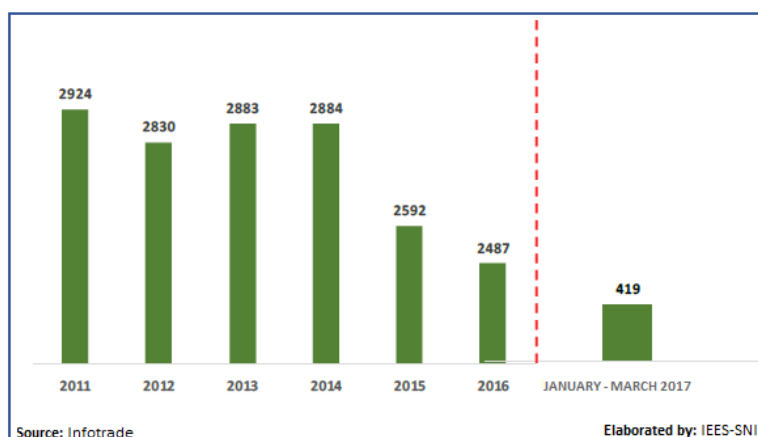
TRADE BALANCE

Historically, the trade balance of sausages and cold meats has been deficient for Peru, explained by the greater dynamism of imports due to the development of the hotel, restaurant and catering sector in the country, which mainly imports gourmet and premium sausages, on the other hand, as a consequence of sanitary restrictions in other countries, exports were slowed down and very few companies were dedicated to serve the foreign market. However, some companies are evaluating the possibility of sending their products abroad to countries in the region, mainly.

Imports

Acquisitions from abroad of sausages and cold meats amounted to 2,5 million dollars in 2016, reporting a fall of -4.1% compared to 2015, the year in which imports also decreased but to a greater rate (-10,1%), despite the increase in terms of volume (5,2%).

Graph N° 9 Imports of Sausages and Cold Meats, 2011-2017
(Thousands US\$ CIF)



Among the main sausages and cold meats that Peru imports is ham, with a participation of 31,9% and whose value in 2016 reached 794 thousand dollars, amount that meant an annual fall of 3,1%. Among the most important varieties of ham that the country acquires are Iberian Ham, Serrano Ham and Prosciutto.

The second most imported product was pepperoni (sausage made from cured meats that are fermented and dried outdoors) by concentrating 20.1% of the total imported equivalent to 500,6 thousand dollars, lower figure by 13.1 % compared to the registered in 2015. While in third and fourth place were the acquisitions of bacon and salami, which totaled US \$ 364,1 thousand and US \$ 348,2 thousand, respectively.

Table No. 2: Imports of sausages and cold meats by product type, 2014-2016
(Thousands US \$ CIF)

Producto	Valor CIF (Miles US\$)			Var. %	Part. %
	2014	2015	2016	16/15	2016
Jamón	1078,0	819,7	794,0	-3,1	31,9
Pepperoni	700,7	576,2	500,6	-13,1	20,1
Tocino	26,0	222,2	364,1	63,9	14,6
Salame	225,1	229,2	348,2	51,9	14,0
Salchicha	356,6	384,5	191,0	-50,3	7,7
Chorizo	166,4	118,8	110,2	-7,2	4,4
Salchichon	62,2	44,7	41,6	-7,1	1,7
Mortadela	8,9	19,7	38,7	97,0	1,6
Fuet	28,8	29,9	37,0	23,7	1,5
Otros	528,1	309,5	111,1	-64,1	4,5
Total	2884,4	2591,6	2486,6	-4,1	100,0

Source: Infotrade

Elaborated by: IEES-SNI

In terms of volume, pepperoni was the sausage with the greatest demand by importers in 2016, it totals 125,3 thousand tons and concentrates 31,2% of the total volume imported. It was followed by salami, whose quantity was 74,4 thousand tons representing 18.6% and displacing ham (17,3% of the total) as the second sausage with the highest volume imported. This decrease in the imported quantity of ham was due to lower purchases of Serrano ham and Iberian ham, whose volumes fell by 47,5% and 19,3% respectively, however this drop was mitigated by the increase in imports of prosciutto ham in 150,8%.

Table N °3: Imports of sausages and cold meats by product type, 2014-2016
(Thousands tons)

Product	Volume (Thousands tons)			Var. % 16/15	Part. % 2016
	2014	2015	2016		
Pepperoni	125,4	118,9	125,3	5,4	31,2
Salami	49,0	62,8	74,4	18,5	18,6
Ham	78,6	75,0	69,3	-7,6	17,3
Sausage	90,6	98,3	61,4	-37,6	15,3
Bacon	2,1	19,3	34,9	80,7	8,7
Spicy pork sausage	16,1	14,5	14,1	-3,0	3,5
Mortadella	1,5	3,3	7,6	129,7	1,9
Iberian spicy sausage	5,1	4,3	4,1	-3,0	1,0
Fuet	2,1	2,7	3,8	40,4	1,0
Others	22,1	13,8	6,2	-55,2	1,5
Total	392,5	413,1	401,1	-2,9	100,0

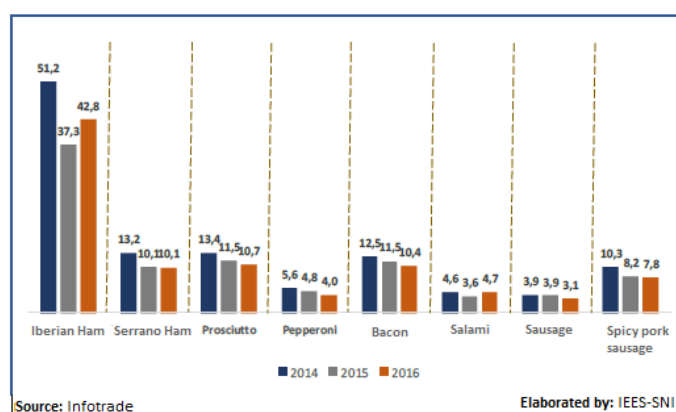
Fuente: Infotrade

Elaboración: IEES-SNI

The average import of the main products maintained its downward trend regarding registered in 2015. Thus, for example, pepperoni was quoted at 4,0 dollars per kilogram when in 2015 and 2014 its price was around 4,8 and 5,6 dollars per kilo, respectively, another important product that has sustained a fall in its price has been prosciutto ham, which was imported in 2016 at a price of 10,7 US\$/Kg, while in 2015 it was purchased at US\$11.5/Kg.

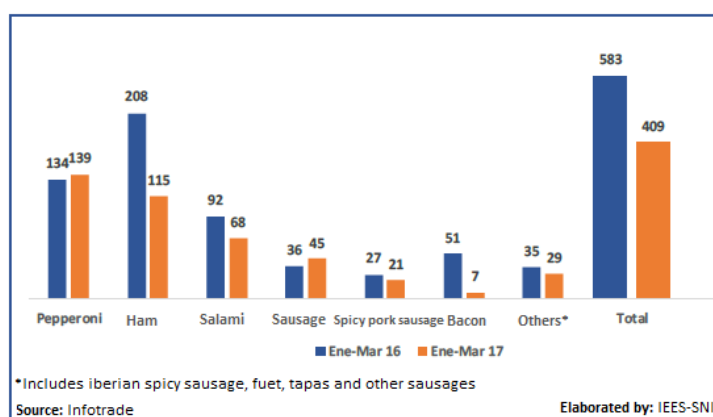
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Graph N °10 Average import price of main sausages and cold meats, 2014-2016
(US\$/Kg)



Regarding the statistics of the imports of the first quarter of 2017, it should be noted that in terms of value, purchases abroad contracted 28,7% with respect to the same period in 2016. This fact is associated with the decrease in imports of the main products such as Ham (-44,7% growth), salami (-26,2%), spicy pork sausage (-24, 4%) among others. Only the imported value of sausage (23,6%) and pepperoni (4,2%) registered a positive growth in the first three months of the year.

Graph N° 11 Imports of sausages and cold meats by product type, January-March 2016/2017
(Thousands of US \$ CIF)



In relation to the main countries that supply sausages and cold meats, the United States is the most important commercial partner, concentrating 55,2% of the total imported in the first three months of 2017, thanks to the demand for pepperoni, sausage, salami, bacon, etc. In the first quarter, imports from the United States totaled 231 thousand dollars, amount that meant an interannual increase of 11,2%.

Italy is the second country that provides the most sausages and cold cuts to the national market (27,5% share), due to the acquisitions of ham (mainly prosciutto), salami, mortadella, bacon and other varieties. However, between January and March of 2017, the value imported amounted to 115 thousand dollars, a figure lower by 33,6% compared to the same period in 2016.

Also, Spanish products are the third most preferred by local importers, since at the end of the first quarter, they added up to 52 thousand dollars, reaching a percentage share of 12,4% with respect to the total imported.

Table N°4: Imports of sausages and cold meats by country of origin and type of product, 2014-2017
(Thousands US\$ CIF)

Country/Product	CIF Value (Thousands US\$)			Var. % 16/15	Valor CIF (Thousands US\$)		Var. % 17/16	Part. % 2017
	2014	2015	2016		January-March 2016	January-March 2017		
United States	1147	1227	1131	-7,8	208	231	11,2	55,2
Pepperoni	696,3	554,3	491,6	-11,3	124,6	139,4	11,8	33,2
Sausage	247,4	251,5	185,7	-26,2	32,4	44,8	38,2	10,7
Salami	125,5	139,0	125,0	-10,1	25,5	36,4	42,8	8,7
Bacon	24,0	208,0	327,5	57,4	25,4	5,8	-77,3	1,4
Others	53,9	74,5	1,4	-98,1	-	4,9	-	1,2
Italy	533	378	723	91,1	174	115	-33,6	27,5
Ham	345,9	229,6	493,4	115,0	121,5	83,0	-31,7	19,8
Salami	35,0	34,1	154,0	351,4	34,6	19,6	-43,5	4,7
Mortadella	7,6	16,4	38,7	136,5	5,3	10,1	91,7	2,4
Bacon	2,0	-	13,1	-	2,3	1,3	-42,0	0,3
Others	142,8	98,2	23,5	-76,1	10,2	1,5	-85,6	0,4
Spain	399	266	239	-9,9	49	52	5,8	12,4
Ham	223,3	143,2	134,9	-5,8	27,2	28,1	3,2	6,7
Spicy pork sausage	78,6	48,2	39,0	-19,1	7,2	18,3	153,4	4,4
Iberian spicy sausage	35,9	24,3	23,8	-2,2	5,3	4,5	-15,5	1,1
Others	61,6	49,9	41,6	-16,7	9,2	0,9	-90,3	0,2
Argentina	75	60	67	12,1	29	13	-56,4	3,1
Salami	45,3	39,3	55,9	42,4	26,6	11,4	-57,0	2,7
Ham	3,0	7,0	4,8	-31,5	0,9	1,4	58,6	0,3
Others	26,6	13,9	6,8	-51,2	1,9	-	-	-
Holland	-	11	45	322,3	10	8	-20,8	1,9
Spicy pork sausage	-	3,6	14,6	307,2	3,4	2,4	-28,5	0,6
Ham	-	2,4	12,1	399,3	2,3	2,4	4,0	0,6
Fuet	-	1,6	6,1	285,8	1,6	0,9	-40,9	0,2
Others	-	3,0	11,9	297,2	2,7	2,1	-20,5	0,5
Other Countries	730	650	281	-56,7	118,1	-	-	-
Total	2884	2592	2487	-4,1	588	419	-28,7	100,0

Source: Infotrade

Elaborated by: IEES-SNI

Regarding the importing companies of sausages and cold meats, Cindel (or Chilis, under its commercial name) was the most important in terms of value between January and March of 2017, when buying pepperoni, salami and other products for a value of US \$130 thousand, that is, 7,7% more than in the same period of the previous year. It was followed by Adrimpex, whose imports amounted to US \$121 thousand, an amount lower by 34,0% than that registered in the first quarter of 2016. In third place, is the Peruvian Restaurant Corporation or Papa Johns, whose imported amount totaled US\$81,9 thousand as a result of purchases by pepperoni, sausage, bacon, etc., however, like Adrimpex reported a drop in the value of its imports by 31.1%.

Table N° 5 Imports of sausages and cold meats by importer and type of product, 2014-2017
(Thousands US \$ CIF)

Company/Product	CIF Value (Thousands US\$)			Var. % 16/15	CIF Value (Thousands US\$)		Var. % 17/16	Part. % 2017
	2014	2015	2016		January-March 2016	January-March 2017		
Cindel	531	559	433	-22,5	121	130	7,7	31,1
Pepperoni	334,2	319,0	260,7	-18,3	84,5	77,2	-8,6	18,4
Salami	98,0	121,4	113,5	-6,5	25,5	35,4	38,9	8,5
Sausage	91,9	118,3	58,8	-50,3	10,9	17,6	61,6	4,2
Others	6,5	-	-	-	-	-	-	-
Adrimpex	555	401	763	90,2	183	121	-34,0	28,9
Ham	333,4	235,1	503,3	114,1	121,5	84,3	-30,6	20,1
Salami	41,2	45,4	162,9	258,4	38,5	19,6	-49,2	4,7
Mortadella	7,6	13,3	38,7	191,6	5,3	10,1	91,7	2,4
Spicy pork sausage	-	1,8	11,4	537,1	4,2	2,7	-36,2	0,6
Iberian spicy sausage	-	0,3	1,9	516,5	0,2	1,7	602,3	0,4
Others	172,8	105,4	45,2	-57,1	13,7	2,8	-79,7	0,7
Peruvian Corp. of Restaurants	280	564	627	11,1	118,9	81,9	-31,1	19,5
Pepperoni	163,8	241,4	211,6	-12,4	46,1	61,2	32,7	14,6
Sausage	92,1	100,7	95,7	-4,9	24,4	11,8	-51,7	2,8
Bacon	24,0	221,8	317,9	43,3	48,4	4,0	-91,7	1,0
Others	-	-	1,4	-	-	4,9	-	1,2
Espada Import	66	68	61	-10,1	21	21	-1,6	4,9
Ham	58,5	49,8	45,8	-7,9	17,7	17,4	-1,7	4,2
Spicy pork sausage	5,7	9,9	8,0	-19,6	1,7	3,2	83,2	0,8
Iberian spicy sausage	2,2	3,5	4,3	21,7	1,5	-	-	-
Others	-	4,3	2,6	-39,2	-	-	-	-
Tottus Hypermarkets	52	72	37	-48,4	-	15	-	3,7
Sausage	28,8	53,2	32,8	-38,4	-	15,4	-	3,7
Iberian spicy sausage	7,3	6,9	1,4	-80,2	-	-	-	-
Others	15,6	12,0	3,0	-74,9	-	-	-	-
Rest of the companies	1401	928	566	-39,0	144	50	-65,4	11,9
Grand Total	2884	2592	2487	-4,1	588	419	-28,7	100,0

Fuente: Infotrade

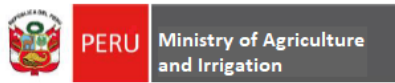
Elaborated by: IEES-SNI

Exports

13

The shipments of sausages and cold meats to the external market are practically non-existent, there is only register until 2013, where the company Braedt exported to Germany small samples of spicy pork sausage, ham, loin, prosciutto, etc.

Appendix 3. Costs for risk analysis



Lima, January 5th of 2018

LETTER-0006-2018-MINAGRI-SENASA-DSA-SDCA

Sir
DENIS TAPIA ORTIZ
Administrative Manager
EMBUANDES CIA LTDA.
Ecuador.-

Subject : Procedures and costs for risk analysis
Reference : Letter s/n (D17000072598-201702142427)

I am pleased to address you, in relation to the reference document, in which you request procedures and costs for the study of risk analysis for the importation of pork sausages from Ecuador.

In this regard, I inform you that in order to carry out this study it is necessary to make an *in situ* visit to that country, as stipulated in Supreme Decree N° 056-2013-PCM and the TUPA of SENASA.

This evaluation will be carried out by two professionals, so the costs must be covered, according to the following detail:

- a) Evaluation in the country of origin at a rate of US \$370.00 per day/person
- b) Air ticket (round trip) and mobilization in areas where production, dressing and sanitary control facilities are located.
- c) Airport fee.
- d) Payment for administrative expenses of the Institution: S/.289.17 daily/person.

Without further ado.

Yours sincerely,



MINISTERIO DE AGRICULTURA Y RIEGO
SERVICIO NACIONAL DE SANIDAD AGRARIA
DIRECCIÓN DE SANIDAD ANIMAL

MV Lisset Castillo Villanueva
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