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## Peru's Agriculture Industry Feeds Financial Growth

Quinoa, the Golden Grain of the Incas, has played a tremendous role in facilitating economic growth in Peru.

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Quinoa, the Golden Grain of the Incas, has played a tremendous role in facilitating economic growth in Peru, and revenues from Quinoa exports have helped the country create a strong foundation that has enabled Peru to become one of the top performing economies in Latin America today.

"Quinoa has been a lead trade facilitator for Peru and it has opened doors that have allowed the country to branch out and further increase trade finance," said Mike Underhill, chief investment officer at Capita Innovations. "Latin America as a whole enters 2013 from a position of relative economic strength compared to Western markets. Among the countries there, Peru is considered one of the fastest growing economies and most attractive investment destinations," he said.

And Quinoa has much to do with that.

A global "super food" that's now lauded the world over for its many nutritional benefits, Quinoa is in red hot demand by health conscious individuals across the globe. It has also been recognized for its biodiversity—Quinoa can grow in a range of climates and geographies—and its ability to provide food security in the countries it grows in, according to Underhill. As a result, it has played a key role in the continued eradication of poverty, which is why the United Nations has declared 2013 as the International Year of Quinoa, he said.

In the past four years, Peru's Quinoa exports have increased five-fold, Underhill said, adding his agribusiness investment strategy has returned 103% in the past three years. In 2012, the United States alone purchased close to 70% of Peru's Quinoa output, and as global demand for the grain continues to grow, the efforts to cultivate it are also increasing.

More importantly, though, the production and exportation of Quinoa has opened the gates for Peru to export a host of other products, including artichokes, avocados, peppers and sugarcane, thereby cementing its position as a leading agricultural economy, said Jorge Valcarcel, Chief Investment Officer at Axxion Asset Manager in the Peruvian capital, Lima. Peru's fishing industry is tops in the world, and it's no secret either that the country is rich in precious metals and minerals. In fact, that sector makes up 50% of the local stock market and revenues are a huge component of GDP.

"Peru has wisely used the money from agricultural and metal exports to diversify its economy and cultivate other industries," Valcarcel said. "The country has followed a prudent development model that has been built upon in steps and stages, as evidenced by its stable inflation rate, which over the past years has been within the 2% to 3% target rate set by the central bank."

As export revenues continue to boost both economic growth and the purchasing power of the middle class, Valcarcel said he sees investment opportunities in a range of different sectors, including financial services, retail and utilities.

"It isn't often that utilities are considered a growth sector but in Peru, utilities have a strong growth rate because the middle class is growing so much and they're adding so many users, both consumers and commercial users," Valcarcel said.

Overall what really sets Peru apart and makes it such an attractive emerging market to invest in is the country's strong commitment to the rule of law and its focus on developing solid institutions. Peru's track record on both fronts has been stellar, according to Underhill.

"Peru has a wonderful history of enforceable property rights, its banking institutions are respected, and if you combine that with the burgeoning middle class,

agricultural trade finance and everything else, it's no surprise that it's been such a fast growing economy," he said. "Peru is a wonderful investment destination and presents a great opportunity to invest in local structures and in societal development overall." – *Savita Iyer-Ahrestani*

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