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COFIDE

Corporacion Financiera de Desarrollo



**SELECTED OPPORTUNITIES FOR
INVESTMENT IN PERU**

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INVESTMENT OPPORTUNITIES IN PERU

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MINING

Because of the highly specialized nature of this industry, only major projects are briefly described. Detailed information may be obtained from:

Ministerio de Energia y Minas
Avenida Las Artes
Urbanizacion San Borja
Lima, Peru

CERRO VERDE II — The second stage of this operation is to mine 20,000 metric tons per day of ore with an average copper content of 1.0% and produce 200,000 metric tons per year of concentrate with 30% copper content and two ounces of silver per ton. Investment required is currently estimated at \$222 million.

ANTAMINA — A polymetallic deposit containing an average 1.4% copper, 1.0% zinc, 0.04% molybdenum and 0.4 ounces of silver per ton. Plans are to mine and concentrate 10,000 tons per day. Annual production of concentrate will contain about 50,000 tons of copper, 36,000 tons of zinc, 460 tons of molybdenum and 21.2 tons of silver. Estimated investment required is about \$328.4 million.

BERENGUELA — Tests of this ore body indicate an average content of 1.3% copper and four ounces of silver per metric ton. Reserves are estimated at 14 million metric tons. The estimated investment required is \$205 million.

MICHIQUILLAY — Plans are to mine and concentrate 40,000 tons per day of ore containing an average of 0.74% copper. Total reserves are currently estimated to be over 400 million tons of mineral. The required investment is estimated at \$658 million in addition to \$150 million for infrastructure.

QUELLAVECO — A feasibility study is being prepared on the basis of mining 40,000 tons per day of ore with an average copper content of about 0.85%. Reserves are currently estimated at 311 million metric tons and the required investment at about \$1 billion.

SAN ANTONIO DE POTO — This project covers a total of 345 square kilometers with potential for producing gold. Gold has been mined in some locations both commercially and by individuals but most of the area has not yet been adequately studied. Reserves proven to date total approximately 37.5 million cubic meters with gold content varying between 0.141 and 0.319 grams per cubic meter. Plans are to form separate entities to develop the several areas already identified. The first stage, in the Pampa Blanca area, is estimated to require an investment of about \$28 million.



BAYOVAR

Description: To develop rich and extensive phosphate deposits (the third largest in the world) located near the northern port of Bayovar and produce phosphoric acid (P_2O_5) or finished fertilizers, principally for export to the Pacific basin and perhaps Brazil. Minimum economic size for the first phase is considered to be 1.2 to 1.5 million tons per year of phosphate rock with about 80% converted to phosphoric acid (260,000 tons per year of P_2O_5). Later phases could include plants to produce ammonium phosphate, triple super phosphate and sulphuric acid. Foreign participation will be needed to provide technical and marketing assistance as well as capital. It is anticipated that public sector companies will be important participants in the equity.

Investment: Total investment required in the first phase is estimated at around \$800 million.

NITROGENOUS FERTILIZER AND CHEMICAL EXPANSION

Description: To expand and to diversify production of Fertilizantes Sinteticos S.A. (FERTISA), which was established in 1959 and produces ammonium nitrate, ammonium sulfate and intermediate products from heavy residual petroleum and sulphuric acid. FERTISA supplies roughly 20% of the domestic market for nitrogenous fertilizers. The market is expanding and FERTISA has cost advantages over imports. Ammonium nitrate for manufacturing explosives is entirely imported. The development of the project would be divided into three phases. The first phase would be the construction of a prilling tower for the manufacture of ammonium nitrate (AMFO) used in explosives. The second phase would be construction of a terminal to receive ammoniac and a new nitric acid plant. The third phase would be the addition of new ammonium and sulfuric acid plants. FERTISA would welcome association with foreign investors who could also contribute technology and/or equipment for the planned expansion.

Investment: Projected investment is \$13 million for the first phase, \$30 million for the second and \$170 million for the third.

COPPER RODS

Description: Installation of a mill to produce copper rods for use in making seamless copper tube. Ample raw material, electrolytic copper, is available from two major refineries and the technology required is relatively simple. Copper tube is not presently produced in Peru and the potential market for billets is primarily in the U.S. and Europe. World production of copper tube is about 850,000 tons per year. Preliminary market estimates suggest a mill capacity of 50,000 tons per year. Maximum participation of private capital is sought and there is no limitations on foreign ownership. Marketing as well as technical expertise is needed from foreign investors.

Investment: Investment required for the production capacity contemplated is about \$16 million, of which \$4 million for fixed assets and \$12 million for working capital.

COPPER TUBE

Description: To install a mill to draw copper tube from rod. Coordination would be required with a rod mill project currently being planned. The major portion of production would be for export; the U.S. market is estimated at 350,000 tons per year. An initial volume of 6,000 tons per year is contemplated of 10, 15, 20, 25 and 30 mm diameters with thicknesses ranging from 0.6 to 2.5 mm.

Investment: Required investment is estimated at approximately \$15 million.

COPPER POWDER

Description: Installation of a plant to produce copper powder for such industrial uses as making copper castings, soldering paste, metallic pigments, copper plating, and brake linings. As one of the world's principal copper producers, the raw material, a by-product of copper refining, is readily available in Peru at favorable prices. It is estimated that U.S. demand for copper powder, which currently exceeds 35,000 tons per year, will grow steadily because of its increasing usage in high technology applications. A preliminary marketing survey suggests an initial plant capacity of 2,500 tons a year, requiring about 20 workers. There are no similar installations in Peru. Marketing as well as technical expertise is sought from abroad.

Investment: Investment is estimated at \$2.5 million.

LEAD OXIDE

Description: To produce lead oxide (P_2O_3) for export markets taking advantage of abundant local production of lead. Lead oxide is used principally in manufacturing storage batteries. Major importers are in Western Europe, the United States, Canada and Japan. The world market is estimated at 1.5 million tons per year. It is expected the project will have an output level of 5,000 tons per year. Though technology would not be required from a foreign investor, marketing capability is needed.

Investment: Estimated investment in this project is \$1.8 million.

FERRO ALLOYS

Description: To produce steel alloys of tungsten, molybdenum, vanadium, silicon and manganese from domestically produced metals. Alloys of nickel and chromium could also be produced. In addition to meeting demands of the Peruvian market, output could be exported to other Andean countries and Chile.

Investment: The cost of a plant having annual production capacity of 5,000 metric tons of alloys is estimated at about \$6 million.

RAILROAD CAR MANUFACTURING

Description: To manufacture railroad freight cars using domestic and imported components. It is estimated that Peruvian content, including steel and castings would initially exceed half of total cost. Peru has two main railroads which import all rolling stock. To fill the projected increase in freight on existing lines would require over 1,000 additional cars by 1988. This figure could be multiplied if new lines are built. Rebuilding existing equipment could also be important. A plant capacity of 250 cars per year is considered conservative. There is extensive metal working experience in Peru, especially in the shipbuilding industry. A foreign partner would be required to furnish specialized technology and know how in order to compete in quality as well as price with imported products.

Investment: Investment is estimated to be about \$11 million.

BOTTLE MANUFACTURING

Description: To make bottles for soft drinks, beer, wine and other beverages for the southern region of Peru. Demand in 1979 was estimated at 5,000 tons per year and was not adequately met. At this level of production, costs would be competitive even before transportation cost advantages over existing plants in the north. The plant could also supply markets in nearby areas of Chile and Bolivia. The most suitable location is considered to be in the City of Arequipa which offers adequate infrastructure and services. Raw materials are available within a 150 kilometer radius of the proposed plant site. Plant size is projected at 9,000 tons per year to meet growing local demand. Development is expected to be entirely private sector with no limitation on foreign investment.

Investment: Total investment is estimated at \$7.5 million.

VON HUMBOLDT—WOOD PRODUCTS

Description: To produce sawed wood, veneer, plywood and other products of tropical hardwoods such as mahogany and cedar. The project would include developing some 125,000 hectares located in the von Humboldt national forest near Pucallpa in the Selva. It is expected that over half of the output would be exported. Supplies of tropical hardwoods are being depleted while world demand continues to increase. No difficulty is anticipated in marketing a total output of approximately 60,000 cubic meters of products. Export products may be transported by river to Amazon ports handling ocean-going shipping. It is expected that several new companies will be formed in order to take full advantage of commercial opportunities and that these will include joint ventures between foreign and Peruvian investors including public sector companies.

Investment: Total investment required will exceed \$30 million.

IQUITOS—FOREST PRODUCTS

Description: To establish a complex to develop tropical forests near the major river port of Iquitos. In addition to tropical hardwoods, stands include species suitable for making pulp. Most of the production would be exported by ship. It is expected that output can be priced very competitively in world markets. Shortages of tropical hardwoods ensure adequate demand. Preliminary projections are for 100,000 cubic meters of wood products and 230,000 tons of pulp per year. Development is planned through joint ventures between foreign and Peruvian investors including public sector companies.

Investment: Total investment could eventually exceed \$220 million.

MODULAR FURNITURE

Description: To produce in the Selva modular components for furniture which would be assembled and finished by carpentry shops located in or near population centers. This structure would greatly reduce the cost of final products by making more efficient use of raw materials at their source (near saw mills), lowering transportation costs, and standardizing major components of a wide variety of furniture. In addition to opening up a new domestic market, exports could be developed to neighboring countries.

Investment: The investment required would depend on the number of designs as well as volume of production. Assuming four production facilities and seven assembly points around the country, initial investment is estimated at about \$5 million.

CELLOPHANE

Description: Virtually all of the raw materials and processing agents needed to produce cellophane are available domestically, including cotton waste, caustic soda, sulphuric acid, sodium bisulphite, carbon bisulphite and sodium hypochloride. Wood pulp, an alternative raw material to cotton waste, may also be produced in Peru in the near future. Cellophane is widely used in a variety of packaging applications in Peru and all is currently imported.

Investment: It is estimated that investment required is about \$5 million including purchase of technology.

AFRICAN PALM

Description: To produce edible vegetable oil from African Palm in the central Selva of Peru, specifically in the Uchiza-Tocache area. This region has the appropriate ecological conditions for the development of this type of plantation. A relatively good roadway system links the area to Lima, the main center of oil refining and consumption. There are about 60,000 hectares available for African Palm plantations, 36,000 of which remain yet to be developed. Minimum economic size is considered to be approximately 8,000 hectares. Given the magnitude of the project and the importance of edible oil development in Peru, foreign investment is welcome to participate.

Investment: Investment is estimated at U.S. \$30 million per 8,000 hectares.

CACAO

Description: The Peruvian Selva includes areas of considerable size which are suitable for the cultivation of cacao. Current production is mainly from small operations; processing facilities are also small and technically outdated. It is estimated that annual exports of cacao and cacao products, now about \$10 million could easily be doubled, and the processed component increased considerably.

Investment: Preliminary estimates call for an investment of \$8 to \$10 million including new plantations, processing and start-up costs.

CITRIC ACID AND ESSENTIAL OILS

Description: To process citrus fruits in order to obtain citric acid and essential oils. There is currently small scale production in Peru of lemon oil. This project also contemplates processing other citrus fruits to obtain citric acid and increasing efficiency by extracting and refining essential oils from other crops such as citronella and fruit. Fruit preserves and flavorings could also be produced. The essential oils would be exported primarily to the United States and Europe.

Investment: Preliminary estimates of the investment required are on the order of \$5 million including the cost of technology.

BANANA FLOUR

Description: To produce banana flour by mechanically peeling and mashing the fruit, adding water and spray drying the resulting mixture. Banana flour has many uses in prepared foods, especially desserts and infant nutrition, and in baking. Adequate supplies of banana are currently available. In addition, there are large areas suitable for large scale banana plantations. At present there is no industrial production of banana flour. Production could be exported as well as sold in the Peruvian market.

Investment: Preliminary estimates call for an investment of \$2 million.

PAPAYA EXTRACT

Description: To extract enzymes from the fruit and leaves of the Carica Papaya tree. Principal uses of the enzymes are in tenderizing meat, brewing and in the pharmaceutical industry. The bulk of production would be exported, especially to European markets. Papayas are grown in Peru and there is potential to greatly expand current production.

Investment: Preliminary estimates call for an investment of \$2 million.

SAN ANTONIO DE ABAD AND MACCHU PICCHU HOTELS—TOURIST DEVELOPMENT

Description: Construction of two hotels to expand tourist facilities in the Cuzco area. The San Antonio de Abad Hotel will be in Cuzco and involves the remodeling and reconstruction of an old convent on the planned site. The second and larger hotel to be located near the Inca ruins of Macchu Picchu, will require a funicular system to transport guests from the hotel to the Inca ruins. It is contemplated that the projects will be developed with the participation of private investors and the Peruvian government.

Investment: Total investment is estimated to be \$35 million, of which \$3.4 million has already been invested.

HUELLAS DE NAZCA—TOURIST DEVELOPMENT

Description: To develop the world famous "Huellas de Nazca" into a resort complex. An attractive location and excellent climate offer ideal conditions for a tourist resort. The project includes two hotels with 200 rooms, recreational facilities, camping areas and a visitor's center. It is expected that the project will require the joint participation of private investors and the Peruvian government.

Investment: Total investment is estimated to be \$26.3 million.

LAKE TITICACA — TOURIST DEVELOPMENT

Description: To recondition two passenger ships for twice weekly tourist cruises between Peru and Bolivia on Lake Titicaca. The ships will feature entertainment, bar and dining service, cabins and a casino. The project is expected to be carried out by private investors. The ships can either be chartered or purchased.

Investment: If the ships are chartered, estimated investment is \$250,000. Purchase of the ships would require a total investment of \$2,000,000.
