

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Peru

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Cocoa Update and Outlook

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Report Highlights:

Cocoa production in Peru is estimated to reach 70,000 MT in CY 2014, increasing 5 percent compared to CY 2013. Peruvian cocoa bean exports are expected to reach 37,000 MT in CY 2014, an increase of 18 percent compared to the previous year. Higher prices and government alternative development programs are encouraging production and exports. This is first cocoa report issued by FAS Lima in a number of years.

General Information:

Cocoa production in Peru is estimated to reach 70,000 MT in CY 2014. Peruvian cocoa production has been steadily increasing in the past decade due to better prices in the international market and alternative development efforts aiming at reducing planted area of coca. Average cocoa yields are 0.8 metric tons (MT) per hectare but can reach as high as 2.5 MT per hectare.

Peruvian cocoa bean exports are expected to reach 37,000 MT in CY 2014, an increase of 18 percent compared to the previous year. Peru’s main cocoa buyers are the Netherlands, Germany and Belgium with 24.6, 16.9 and 16.0 percent respectively of total Peruvian cocoa exports to the world in CY2013. Total cocoa exports in CY 2013 reached \$146 million and are forecast to increase 20 percent in CY 2014.

Production:

Cocoa production in Peru is estimated to reach 70,000 MT in CY 2014, an increase of 5 percent compared to CY 2013. Peruvian cocoa production has been steadily increasing in the past decade due to better prices in the international market and alternative development efforts aiming at reducing planted area of coca.

Cocoa in Peru is grown on the eastern slopes of the Andes, particularly in the San Martin, Huanuco, Junin and Cusco regions. Cocoa is produced mainly by small farmers; on average a cacao producers farms less than three hectares, which is an important limiting factor for improving yields, quality and acquiring post-harvest equipment such as fermenters. An efficient cocoa farm needs at least five hectares to be economically viable. The cost of establishing one hectare of cocoa is around \$2,700 (not taking into account land cost).

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014e
Planted Area (1000 Has)	56.4	60.7	62.7	65.7	71.4	78.5	94.3	102.6	113.7	127.5	139.2	145.0
Production (1000 MT)	24.2	25.9	25.3	31.5	31.4	34.0	36.8	46.6	56.5	62.5	66.4	70.0

Source: Ministry of Agriculture and Irrigation
e: estimated

Average cocoa yields are 0.8 MT per hectare but can reach 2.5 MT per hectare among the most efficient producers. Cocoa begins production in the third year and reaches its peak in the eighth year. Since commercial production takes that long, producers have adopted a multi-crop strategy to deal with prolonged periods without revenues from cocoa. Cocoa producers plant bananas as a cash crop in the first three years. Banana plants also serve as shade during the early stage of the cocoa plantation. At the same time, producers also plant trees (Bolaina – *Guazuma crinite*- and Capirona – *Calycophyllum*

spruceanum) for lumber to complement their income once cocoa plants are producing, and also provide shade once the banana trees are gone.



Picture 1: Cocoa plantation at the Tropical Crop Institute's research station. This program is partially funded by USDA's Agricultural Research Service.

Peru has many advantages for producing cocoa, including good weather, sufficient land and a rich biodiversity that allows Peru to have seven out of ten cocoa families in the world. However, Peruvian producers also face challenges such as underdeveloped infrastructure and poor post-harvest handling.

Cocoa farms are usually located in remote areas accessible only through rough dirt roads, which in the rainy season are almost impossible to drive on. Sometimes farmers have to put their trucks on barges to cross rivers and get to a main road which drives commercialization costs up.



Picture 2: Lack of infrastructure, particularly roads, continue to be a major hurdle for cocoa producers who frequently have to cross rivers in these rudimentary barges.

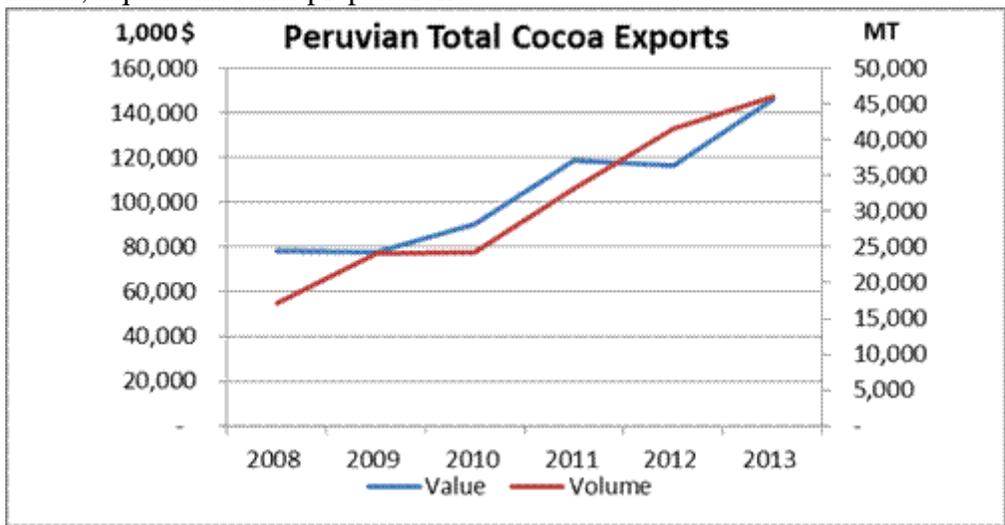
The lack of or insufficient fermentation and drying equipment, along with a greater need for technical assistance, results in frequent post-harvest handling problems that bring lower prices.

Consumption:

Domestic consumption is not yet significant and about 90 percent of Peruvian cocoa is exported. However, there are some local chocolate factories that are growing and the government is promoting chocolate consumption through consumer oriented exhibitions. An important hurdle these efforts have to overcome is consumer's taste. Peruvians are not used to the bitterness of a 50 or 70 percent cocoa content in a chocolate bar.

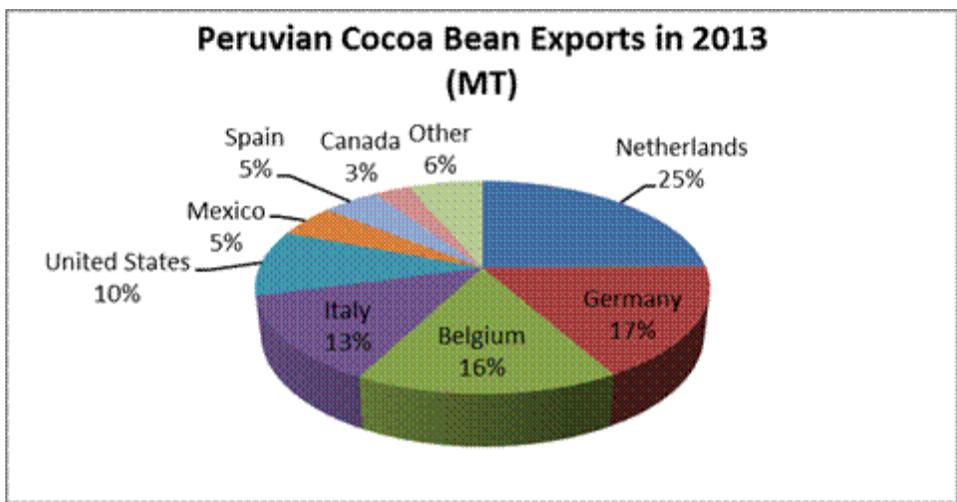
Trade:

Peruvian cocoa bean exports are expected to reach 37,000 MT in CY 2014, an increase of 18 percent compared to the previous year. Peru is becoming an important exporter of cocoa, currently ranked twelfth in the world. The country will probably be in the top ten in the upcoming years as it increases area planted and yields. Peru’s total cocoa exports in CY 2013 were 45,970 MT, including beans, butter, liquor and other preparations.



Peru’s main cocoa buyers are the Netherlands, Germany and Belgium with 24.6, 16.9 and 16.0 percent respectively of total Peruvian cocoa exports to the world in CY2013. Other important markets are Italy, the United States, Mexico and Spain.

Export prices for Peruvian cocoa increased 16 percent in the first semester of 2014, reaching \$3,100 per MT. Supply shortfalls caused by declining production in Africa are driving international prices upwards. At the same time, Peruvians are trying to become exporters of high quality cocoa to supply international chocolate manufacturers, who are willing to pay more for a better product. Total cocoa exports in CY 2013 reached \$146 million and are expected to increase 20 percent in CY 2014.



Policy:

The government of Peru, through its counter narcotics agency DEVIDA, has implemented a cocoa program as an alternative crop to coca. This program, supported by the U.S. Agency for International Development (USAID), has sponsored activities aimed at convincing coca producers to switch to cocoa production.

The USAID funds Alianza Cocoa Peru, (ACP) which is an organization supported by U.S. non-profit organizations. The organization includes cocoa traders and international investors. ACP provides technical assistance to producers aimed to increase yields and improve post-harvest practices to assure better prices and more profitability for farmers. ACP’s goal is to transfer technology to 15,000 producers and establish 28,000 new hectares of cocoa. ACP provides improved seeds (it has six high productivity cloned varieties), facilitates access to credit, transfers technology through field extension agents and strengthens producers’ cooperatives.

As part of its strategy to encourage cocoa producers to participate in their programs, ACP has instituted the Cocoa de Oro (Golden Cocoa) award for farmers that produce the best quality cocoa. The ACP, along with the Ministry of Agriculture and Irrigation, DEVIDA and USAID, has also established the “Salon del Cocoa y Chocolate”, an exhibition to promote cocoa production and consumption. Winners of this event participate in the Salon du Chocolat in Paris. In 2009, a Peruvian sample won the first prize for aromatic cocoa, and in 2011, Peruvian cocoa samples were selected among the best in the world. In 2014, 35 small producers have been selected to participate in the Paris show.



Picture 3: Selected cocoa varieties are cloned in biotechnology laboratories and then distributed to farmers.