

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 5/10/2011

GAIN Report Number:

Peru

Coffee Annual

Annual

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Report Highlights:

Peru's coffee production for Marketing Year 2012 (April/March) is forecast at 4.4 million 60-kilogram bags, an increase of 5 percent compared to the previous year. Coffee exports in CY 2010 were 229,524 MT valued at a record of \$887 million. Coffee exports in MY 2012 are forecast at 4.2 million 60-kilogram bags.

Executive Summary:

Coffee production for Marketing Year 2012 (April/March) is forecast at 4.4 million 60-kilogram bags, an increase of 5 percent compared to the previous year. Average yields in MY 2011 were 821 kilograms per hectare but can reach 2,300 kilograms per hectare among the most efficient producers. Low yields are due to poor cultivation practices, especially the lack of fertilization. Due to the high cost of plant replacement, around \$3,000 per hectare, coffee growers may only replant every twenty or thirty years. Peru's coffee exports in CY 2010 were 229,524 MT. Coffee exports in CY 2010 were valued at \$887 million, increasing 55 percent from the previous year. This increase is mostly explained by higher international prices since coffee exports in volume increased only 13 percent in the same period of time.

Commodities:

Select

Production:

Coffee, Green Peru	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Apr 2009		Market Year Begin: Apr 2010		Market Year Begin: Apr 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	288	306	0	328		350
Area Harvested	265	285	0	307		320
Bearing Trees	465	470	0	507		530
Non-Bearing Trees	20	20	0	22		25
Total Tree Population	485	490	0	529		555
Beginning Stocks	84	187	84	180		60
Arabica Production	3,300	3,820	4,000	4,200		4,400
Robusta Production	0	0	0	0		0
Other Production	0	0	0	0		0
Total Production	3,300	3,820	4,000	4,200		4,400
Bean Imports	0	0	0	0		0
Roast & Ground Imports	0	0	0	0		0
Soluble Imports	0	0	0	0		0
Total Imports	0	0	0	0		0
Total Supply	3,384	4,007	4,084	4,380		4,460
Bean Exports	3,150	3,667	3,900	4,150		4,220
Rst-Grnd Exp.	0	0	0	0		0
Soluble Exports	0	0	0	0		0
Total Exports	3,150	3,667	3,900	4,150		4,220
Rst,Ground Dom. Consum	10	10	10	10		11
Soluble Dom. Cons.	140	150	140	160		170
Domestic Use	150	160	150	170		181
Ending Stocks	84	180	34	60		59
Total Distribution	3,384	4,007	4,084	4,380		4,460

1000 HA, MILLION TREES, 1000 60 KG BAGS

Coffee production for Marketing Year 2012 (April/March) is forecast at 4.4 million 60-kilogram bags, an increase of 5 percent compared to the previous year. Peru's coffee production has been increasing in the past three years as the result of high international prices that have encourage producers to plant more land and improve their yields.

Coffee is grown throughout the eastern slopes of the Andes but is concentrated in three principal growing areas. The most important area for both volume and quality is the central eastern slopes of the Andes in Chanchamayo, with 30 percent of total production. The other two areas are the northern Andes and Cusco region, with 21 and 18 percent of total production, respectively. Peru grows Arabica coffee almost exclusively, of which 70 percent is *typica* variety, about 20 percent *caturra*, and 10 percent other varieties.

Roughly 75 percent of the coffee grown in Peru is produced between 1,000 and 1,800 meters above sea level. Coffee grows under shade with an average plant density of 2,000 plants per hectare. It is handpicked and sundried, giving it great potential for targeting high quality markets.

Most Peruvian coffee producers are small farmers; the average farm has three hectares under production. These type of producers, as opposed to the larger ones, are grouped in associations or cooperatives that allow them to negotiate better prices, improve post-harvest handling of production, and develop marketing strategies. The larger associations have up to 2,000 members and over 7,000 hectares. The most sophisticated associations can even have a financial branch that provides loans to producers to purchase inputs, partially pay for costs of production to increase yields and improving crop quality. Some of these associations also provide technical assistance to farmers. These service cooperatives market their product directly or have a long term relationship with a coffee trader that does it for them.

Average yields in MY 2011 were 821 kilograms per hectare but can reach 2,300 kilograms per hectare among the most efficient producers. Low yields are due to poor cultivation practices, especially the lack of fertilization. Due to the high cost of plant replacement, around \$3,000 per hectare, coffee growers may only replant every twenty or thirty years. Plant maintenance costs around \$800 per hectare annually. The average cost of production is about \$1.41 per kilogram, of which about 80 percent is labor. Harvesting season begins in April and reaches its peak in June-September. About 85 percent of the crop is harvested between April and July.

Coffee producers face two main constraints. The first is the lack of credit, as private banks still do not accept the farmers' often-untitled land as loan collateral. Most farmers obtain their loans from coffee buyers or informal lenders, with high interest rates and a sale contract on the coffee price. Secondly, during the land reform of the 1970's, land was divided into small plots, making it extremely difficult to efficiently manage coffee production, harvesting and processing.

Consumption:

Peru's per capita consumption has double in the last five years, reaching 600 grams. However Peruvian coffee consumption remains one of the lowest in the region (Brazil's per capita consumption is 4 kilograms per year). Coffee consumption is rapidly increasing, especially in the young urban population where it can reach up to 1 kilogram per year. Peruvians consume mostly instant coffee, comprising about 75 percent of total consumption. With more cafes and restaurants opening, coffee consumption habits in Peru are slowly beginning to change. However, domestic consumption only accounts for less than 10 percent of demand. Small corner stores and supermarkets are still the main domestic vendors of coffee, accounting for 60 and 30 percent of total demand, respectively.

Trade:

Peru's coffee exports in CY 2010 were 229,524 MT. Coffee exports in CY 2010 were valued at \$887 million, increasing 55 percent from the previous year. This increase is mostly explained by higher international prices since coffee exports in volume increased only 13 percent in the same period of time. Coffee is Peru's number one agricultural export and will probably remain as such in the foreseeable future. The main markets for Peruvian coffee in CY 2010 were Germany with 35 percent and the United States with 21 percent of the total exports in terms of volume. An interesting development during CY 2009 that continued in CY 2010 is that Colombia was among the main importers of Peruvian coffee with almost 14,000 MT. Some Colombian companies have even established permanent offices in Peru. Average export price for Peruvian

coffee in CY 2010 was \$3,863 per MT and is expected to be 10 percent higher in CY 2011. Coffee exports in MY 2011 are expected to reach 4.2 million 60-kilogram bags, a slight increase from the previous year.

Peru is the world’s leading exporter of organic coffee. Much of Peru’s coffee exports are organic because cultivators cannot afford chemical fertilizers and pesticides. There has been rapid growth in production of other specialty coffees as well. Various certifications yield premiums, which even small farmers are beginning to access.

- Fair Trade: certified by Fair Trade Labeling Organizations International (FLO).
- Organic: certified by several agencies such as the USDA’s National Organic Program (NOP), Japanese Agricultural Standards (JAS), Natureland and the Organic Crop Improvement Association (OCIA).
- Sustainable Coffee: certified by the Rainforest Alliance.
- Café Practice: certified by Starbucks.
- Other certifications include bat friendly and bird friendly.

Export Trade Matrix	
Country	Peru
Commodity	Coffee, Green
Time Period	CY 2010
Exports for:	
U.S.	49,069
Others	
Germany	81,350
Belgium	23,330
Colombia	13,738
Sweden	9,072
Others	52,965
Grand Total	229,524

Units: Metric Tons

Policy:

Due to the successful results in the 2010 Specialty Coffee Association of America, where Peru’s “Tunki” coffee won the first place in the specialty coffee category, the government has begun promoting Peruvian coffee through its commercial offices and Promperu, Peru’s export promotion agency.

The coffee industry in Peru generates 855,000 jobs in very poor and remote areas where transportation can be extremely difficult. The Government of Peru, through DEVIDA, the umbrella agency for counter-narcotic affairs, has encouraged coffee production as an alternative crop to coca leaf production. The U.S. Agency for International Development (USAID), through its Poverty Reduction and Alleviation (PRA) program, has been assisting a portion of Peru’s coffee farmers in a program aimed at increasing farmers’ licit incomes in coca areas. USAID mainly works in the Cusco and Puno areas assisting small farmers in obtaining their organic certification. Currently AID is in the second tranche of the PRA project which is scheduled to end in FY 2014.

