

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Peru

## Coffee Annual

## Annual

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**Report Highlights:**

Coffee production for Marketing Year 2011 (April/March) is forecast at 3.8 million 60-kilogram bags, a 19 percent increase compared to the previous year. With exports of 193,534 MT in CY 2009, valued at \$571 million, coffee remains Peru's number one agricultural export. An interesting development during CY 2009 is that Colombia was among the main importers of Peruvian coffee with almost 20,000 MT.

**Commodities:**

Almonds, Shelled Basis

**Production:**

Coffee, Green Peru	2008/2009			2009/2010			2010/2011			
	Market Year Begin: Apr 2008			Market Year Begin: Apr 2009			Market Year Begin: Apr 2010			
	USDA Offici al	Old Pos t	Ne w Pos t	USDA Offici al	Old Pos t	Ne w Pos t	USDA Offici al	Old Pos t	Ne w Pos t	
Area Planted	287	287	287	288	288	306			328	(1000 HA)
Area Harvested	264	264	264	265	265	285			307	(1000 HA)
Bearing Trees	462	462	462	465	465	470			507	(MILLIO N TREES)
Non-Bearing Trees	20	20	20	20	20	20			22	(MILLIO N TREES)
Total Tree Population	482	482	482	485	485	490			529	(MILLIO N TREES)
Beginning Stocks	16	16	16	71	172	187			180	(1000 60 KG BAGS)
Arabica Production	4,025	4,026	4,065	3,900	3,900	3,204			3,800	(1000 60 KG BAGS)
Robusta Production	0	0	0	0	0	0			0	(1000 60 KG BAGS)
Other Production	0	0	0	0	0	0			0	(1000 60 KG BAGS)
Total Production	4,025	4,026	4,065	3,900	3,900	3,204			3,800	(1000 60 KG BAGS)
Bean Imports	0	0	0	0	0	0			0	(1000 60 KG BAGS)
Roast & Ground Imports	0	0	0	0	0	0			0	(1000 60 KG BAGS)

Soluble Imports	0	0	0	0	0	0			0	(1000 60 KG BAGS)
Total Imports	0	0	0	0	0	0			0	(1000 60 KG BAGS)
Total Supply	4,041	4,042	4,081	3,971	4,072	3,391			3,980	(1000 60 KG BAGS)
Bean Exports	3,850	3,752	3,752	3,800	3,800	3,051			3,700	(1000 60 KG BAGS)
Rst-Grnd Exp.	0	0	0	0	0	0			0	(1000 60 KG BAGS)
Soluble Exports	0	0	0	0	0	0			0	(1000 60 KG BAGS)
Total Exports	3,850	3,752	3,752	3,800	3,800	3,051			3,700	(1000 60 KG BAGS)
Rst,Ground Dom. Consum	10	10	10	10	10	10			10	(1000 60 KG BAGS)
Soluble Dom. Cons.	110	108	132	110	110	150			160	(1000 60 KG BAGS)
Domestic Use	120	118	142	120	120	160			170	(1000 60 KG BAGS)
Ending Stocks	71	172	187	51	152	180			110	(1000 60 KG BAGS)
Total Distribution	4,041	4,042	4,081	3,971	4,072	3,391			3,980	(1000 60 KG BAGS)
Exportable Production	3,905	3,908	3,923	3,780	3,780	3,044			3,630	(1000 60 KG BAGS)

Coffee production for Marketing Year 2011 (April/March) is forecast at 3.8 million 60-kilogram bags. A biannual drop in production that is typical to the coffee crop caused production to fall 21 percent in MY 2010. Though Post forecasts production to rebound 19 percent in MY 2011, unusually warm weather has delayed the beginning of the harvesting season and will not allow production to reach MY 2009 levels (4.07 million 60-kilogram bags).

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, respectively. Peru grows Arabica coffee almost exclusively, of which 70 percent is *typica* variety, about 20 percent *caturra*, and 10 percent other varieties.

About 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. In fact, a special Peruvian coffee was chosen among the best at the 2010 SCAA conference.

Peruvian coffee is mostly grown by very small producers--an average producer has 2-3 hectares under production. Most coffee producers 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 funds to producers to increase or improve their crop. Most associations either market their product directly or have a long term relationship with a coffee trader.

Average yields are around 900 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. 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 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. Second, 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:**

Annual coffee consumption in Peru has increased somewhat in the last five years but remains very low. Per capita consumption is 500 grams, which is one of the lowest in the region (Brazil's per capita consumption is 4 kilograms per year). However 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:**

With exports of 193,534 MT in CY 2009, valued at \$571 million, coffee remains Peru's number one agricultural export. The main markets for Peruvian coffee in CY 2009 were Germany with 31 percent and the United States with 22 percent of the total exports in terms of volume. An interesting development during CY 2009 is that Colombia was among the main importers of Peruvian coffee with almost 20,000 MT. Colombia had imported 4,000 MT and 1,000 MT in CY 2008 and CY 2007 respectively. Some Colombian companies have even established permanent offices in Peru. Coffee exports in MY 2011 are expected to reach 3.7 million 60-kilogram bags, a significant increase from the 3.05 million 60-kilogram bags in MY 2010. The average price for CY2010 is estimated around \$130 per hundredweight of conventional coffee and \$165 for organic-fair trade coffee. These prices are somewhat lower than last year's but still considered very good by producers.

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: price is set at about \$215 per 60-kg bag, certified by Fair Trade Labeling Organizations International (FLO).
- Organic: \$12 per 60-kg bag premium, 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.

<b>Export Trade Matrix</b>	
<b>Country</b>	Peru
<b>Commodity</b>	Coffee, Green
Time Period	CY 2009
Exports for:	
U.S.	42,282
Others	
Germany	60,354
Belgium	23,376
Colombia	19,997
Sweden	6,924
Others	40,603
<b>Grand Total</b>	<b>193,536</b>

Units: Metric Tons

### **Policy:**

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 had been assisting a portion of Peru's coffee farmers in a program aimed at increasing farmers' licit incomes in coca areas, but that program has ceased.

As coffee buyers develop higher quality standards – such as good agricultural practices, good processing practices, HACCP – coffee producers will need regular training to be able to comply with international demand.

