

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 5/13/2013

GAIN Report Number:

Peru

Coffee Annual

Annual

Approved By:

Emiko Purdy

Prepared By:

Gaspar E. Nolte

Report Highlights:

Coffee production for Marketing Year 2014 (April/March) is forecast at 4.4 million 60-kilogram bags, a 6 percent decrease from the previous year and 15 percent lower than the all time record crop of 5.15 million 60-kilogram bags in MY 2012. Coffee plantations in the central highlands are suffering from a severe rust infestation.

Executive Summary:

Coffee production for Marketing Year 2014 (April/March) is forecast at 4.4 million 60-kilogram bags, a 6 percent decrease from the previous year and 15 percent lower than the all time record crop of 5.15 million 60-kilogram bags in MY 2012. This forecasted decrease is the result of a severe rust (*Hemileia vastatrix*) infestation that has affected 130,000 hectares. Peru's coffee exports in CY 2012 were 264,343 MT, a decrease of 10 percent compared to the previous year. This reduction is explained by lower production and falling international prices. However, coffee still is Peru's leading agricultural export, reaching \$1 billion in CY 2012.

Commodities:

Select

Production:

Coffee, Green Peru	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Apr 2011		Market Year Begin: Apr 2012		Market Year Begin: Apr 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	347	0	350		350
Area Harvested	0	312	0	315		320
Bearing Trees	0	512	0	520		520
Non-Bearing Trees	0	24	0	25		25
Total Tree Population	0	536	0	545		545
Beginning Stocks	124	139	29	93		82
Arabica Production	5,200	5,150	4,800	4,698		4,400
Robusta Production	0	0	0	0		0
Other Production	0	0	0	0		0
Total Production	5,200	5,150	4,800	4,698		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	5,324	5,289	4,829	4,791		4,482
Bean Exports	5,125	5,015	4,600	4,528		4,250
Rst-Grnd Exp.	0	0	0	0		0
Soluble Exports	0	0	0	0		0
Total Exports	5,125	5,015	4,600	4,528		4,250
Rst,Ground Dom. Consum	10	11	10	11		11
Soluble Dom. Cons.	160	170	160	170		175
Domestic Use	170	181	170	181		186
Ending Stocks	29	93	59	82		46
Total Distribution	5,324	5,289	4,829	4,791		4,482

1000 HA, MILLION TREES, 1000 60 KG BAGS

Coffee production for Marketing Year 2014 (April/March) is forecast at 4.4 million 60-kilogram bags, a 6 percent decrease from the previous year and 15 percent lower than the all time record crop of 5.15 million 60-kilogram bags in MY 2012.

This forecasted decrease is the result of a severe rust (*Hemileia vastatrix*) infestation that has affected 130,000 hectares, about 40 percent of the planted area.

Rust is a fungi infections that occur on coffee leaves. First symptoms are small, yellowish spots on leave surface which gradually increase in diameter. Rust causes premature defoliation which reduces photosynthetic capacity and weakens the tree, severely affecting yields. The central highlands have been the area most affected by this disease.

Producers are demanding that the Ministry of Agriculture implements an emergency plan to assist them in controlling the rust effects. The requested measures include credit to renew plantations, subsidized interest rates, reprogramming outstanding credit to free resources which would be invested in fighting the infestation.

Coffee in Peru is grown throughout the eastern slopes of the Andes but is concentrated in three principal growing areas. Coffee production has gradually moved from the central highlands of the Chanchamayo area (28 percent of total production) to the northern highlands in the Amazonas and San Martin regions (49 percent of total production). The southern highlands account for 23 percent of coffee production. 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.

The majority of Peruvian coffee producers are small farmers; the average farm has three hectares under production. These types 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 2013 were 805 kilograms per hectare are expected to fall to 754 kilograms per hectare in MY 2014 due to the rust attack. Under normal circumstances, yields 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 instead of every ten years. Plant maintenance costs around \$800 per hectare annually. The average cost of production is about \$1.62 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.

Limited credit continues to be an important constraint for coffee producers. 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 sales contract on the coffee price. Another constraint is the small size of an average farm which difficult to efficiently manage coffee production, harvesting and processing.

Consumption:

Coffee consumption remains low though it has doubled in the last five years. Coffee consumption in Peru is estimated at 600 grams per capita while consumption in Colombia is 2 kilograms per capita and Brazil is up to 4 kilograms per capita. Coffee consumption is rapidly increasing, especially in the young urban population where it can reach up to one 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 2012 were 264,343 MT, a decrease of 10 percent compared to the previous year. This reduction is explained by lower production and falling international prices. However, coffee still is Peru’s leading agricultural export, reaching \$1 billion in CY 2012.

The main markets for Peruvian coffee in CY 2012 were Germany with 33 percent and (up from 29 percent in CY 2011) the United States with 16 percent of the total exports in terms of volume. Colombia continues to be an important market for Peruvian coffee. Peruvian coffee shipments to Colombia increased significantly in CY 2012, reaching over 30,000 MT compared to 14,000 MT in CY 2010. Some Colombian companies have even established permanent offices in Peru. Peruvian coffee is repacked and labeled in Colombia and re-exported. Average export price for Peruvian coffee in CY 2012 was \$3,844 per MT, considerable lower than the average price received in CY 2011 (\$5,366 per MT.)

With about 90,000 hectares certified, 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 2012
Exports for:	
U.S.	43,577
Others	
Germany	88,487
Belgium	35,235
Colombia	30,077
Sweden	9,305
Others	57,662
Grand Total	264,343

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.

Peru will host the Specialty Coffee Association of America show on April 11-14, 2014. This is an excellent opportunity for Peruvian producers to showcase the different varieties and attract new costumers. Organizers expect 10,000 visitors from all over the world will attend the show.

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.