

USDA Foreign Agricultural Service

# GAIN Report

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## **Peru**

### **COFFEE ANNUAL**

#### **Coffee Annual-Peru**

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**Report Highlights:**

Coffee production for Marketing Year 2010 (April/March) is forecast to decrease 5 percent to 3.9 million 60-kilogram bags. Coffee is Peru's number one agricultural export. The main markets for Peruvian coffee in CY 2008 were Germany with 33 percent and the U.S. with 25 percent of the total exports.

**Commodities:**

Coffee, Green

**Production:**

Coffee, Green Peru	2008			2009			2010		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Apr 2007			Market Year Begin: Apr 2008			Market Year Begin: Apr 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Planted	287	287	287	287	287	287			288
Area Harvested	264	264	264	264	264	264			265
Bearing Trees	462	462	462	462	462	462			465
Non-Bearing Trees	20	20	20	20	20	20			20
Total Tree Population	482	482	482	482	482	482			485
Beginning Stocks	24	24	24	206	16	16			172
Arabica Production	3,000	3,950	3,950	4,300	4,300	4,026			3,900
Robusta Production	0	0	0	0	0	0			0
Other Production	0	0	0	0	0	0			0
Total Production	3,000	3,950	3,950	4,300	4,300	4,026			3,900
Bean Imports	0	0	0	0	0	0			0
Roast & Ground Imports	0	0	0	0	0	0			0
Soluble Imports	0	0	0	0	0	0			0
Total Imports	0	0	0	0	0	0			0
Total Supply	3,024	3,974	3,974	4,506	4,316	4,042			4,072
Bean Exports	2,700	3,840	3,840	4,180	4,180	3,752			3,800
Rst-Grnd Exp.	0	0	0	0	0	0			0
Soluble Exports	0	0	0	0	0	0			0
Total Exports	2,700	3,840	3,840	4,180	4,180	3,752			3,800
Rst,Ground Dom. Consum	10	10	10	10	10	10			10
Soluble Dom. Cons.	108	108	108	108	108	108			110
Domestic Use	118	118	118	118	118	118			120
Ending Stocks	206	16	16	208	18	172			152
Total Distribution	3,024	3,974	3,974	4,506	4,316	4,042			4,072
Exportable Production	2,882	3,832	3,832	4,182	4,182	3,908			3,780

Coffee production for Marketing Year 2010 (April/March) is forecast to decrease 5 percent to 3.9 million 60-kilogram bags. A biannual drop in production that is typical to the coffee crop will dent an otherwise strong decade-long growth trend of coffee production in Peru.

Coffee in Peru is mostly grown by very small producers; an average producer has 2-3 hectares under production. Most producers are grouped in associations or cooperatives that allow them to negotiate better prices and improve post-harvest handling of production. 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.

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. 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 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.

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. 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 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:**

Coffee is Peru's number one agricultural export. The main markets for Peruvian coffee in CY 2008 were Germany with 33 percent and the U.S. with 25 percent of the total exports in terms of value. Coffee exports in MY 2008/2009 are expected at 3.78 million 60-kilogram bags, a 1 percent increase from the previous year. Average price for CY2009 is estimated between \$150 and \$160, a decrease from the \$172 per 60-kg bag paid in 2008.

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 \$1.55 per pound or about \$205 per 60-kg bag, certified by Fairtrade Labelling 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

<b>Export Trade Matrix</b>	
<b>Country</b>	Peru
<b>Commodity</b>	Coffee, Green
<b>Time Period</b>	CY 2008
<b>Exports for:</b>	
U.S.	55,978
Others	
Germany	73,091
Belgium	34,005
Sweden	9,275
Korea	8,031
Italy	6,330
Canada	5,023
U.K.	4,573
Japan	3,073
Total for Others	143,701
Others not Listed	24,579
<b>Grand Total</b>	<b>224,258</b>

**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 (USAID) 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.