

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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GAIN Report Number:

Peru

Fresh Deciduous Fruit Annual

Annual

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Report Highlights:

Grape production in Peru is forecast to reach 605,000 MT in MY2016/17, of which 370,000 MT will be exported. Peruvian grape exports are expected to reach 350,000 MT in MY2015/16. Peru's main grape markets in CY 2015 were the United States with 22 percent of market share followed by the Netherlands and China with 15 and 13 percent respectively.

Executive Summary:

Grape production in Peru is forecast to reach 605,000 MT in MY 2016/17, of which 370,000 MT will be exported. Grapes have become one of Peru's leading exports driven by attractive prices and numerous overseas market opportunities.

Grape consumption in Peru is forecast at 235,000 MT in MY 2016/17. The local grape market is significantly different from the export market both in quality and varieties.

Peruvian grape exports are expected to reach 350,000 MT in MY 2015/2016. Peru's main grape markets in 2015 were the United States with 22 percent of market share, the Netherlands with 15 percent and China with 13 percent.

Commodities:

Grapes, Table, Fresh

Production:

Grapes, Fresh Market Begin Year Peru	2015/2016		2016/2017		2017/2018	
	Jan 2016		Jan 2017		Jan 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	30000	29500	0	30000	0	30000
Area Harvested	2800	27000	0	28000	0	28000
Commercial Production	400000	435000	0	490000	0	500000
Non-Comm. Production	110000	105000	0	115000	0	110000
Production	510000	540000	0	605000	0	610000
Imports	3000	9500	0	9000	0	7000
Total Supply	513000	549500	0	614000	0	617000
Fresh Dom. Consumption	203500	205000	0	235000	0	235000
Exports	295000	340000	0	370000	0	375000
Withdrawal From Market	14500	4500	0	9000	0	7000
Total Distribution	513000	549500	0	614000	0	617000

(HA) ,(MT)

NOTE: non-commercial production includes grapes for pisco

Grape production in Peru is estimated to reach 605,000 MT in MY 2016/17, of which 370,000 MT will be exported. This 12 percent increase in production is mainly driven by increased yields in new areas which are reaching commercial yields and to a lesser extent to new areas being planted, particularly in northern Peru.

Grapes have become one of Peru's leading exports driven by attractive prices and numerous overseas market opportunities. Production is concentrated in the central valleys along the coast in the states of Ica and Lima, and in the northern coastal states of Piura and Lambayeque. The average grape yield in Peru was 20 MT per hectare in MY2014/15. Yields in Piura reach up to 34 MT per hectare. Peru produces mostly Red Globe (a dark, red grape with a diameter of 24 to 28 millimeters). Other varieties produced are Crimson seedless, Flame seedless, Sugrone and Thompson seedless.

One challenge that Peru faces to significantly increase grape production is controlling pests. Countries with colder climates do not struggle with pests such as nematodes, but due to Peru's mild weather, this pest has become a problem. In the northern region of Piura, warm temperatures permit up to two harvests per year, which helps reduce the negative effects of pests. Peruvian producers are working to develop more resistant varieties.

Water availability is another issue grape producers have to deal with, particularly in the Ica region. Water for irrigation is pumped from the aquifers up to 100 meters deep, each of which irrigates about 50 hectares. Ica has a ban on digging new wells which is limiting agricultural expansion. There are important infrastructure projects which will divert water from the highlands of the neighboring region of Huancavelica to Ica which would significantly increase water availability. However, there are social and economic issues to be solved before building these projects, including compensation to Huancavelica for using its water.

Grapes are one of the most expensive crops to establish. The initial investment is around \$38,000 per hectare, not including the cost of land. However, the return on investment is high. At current international prices, grapes are one of the most profitable crops in the country. The following is a cost estimate of establishing a hectare of grapes and a hypothetical cash flow.

Investment	
Item	\$/Ha
Soil preparation	6,237.42
Trellis material	10,296.20
Anti-bird mesh	3,943.64
Plants	5,458.89
Drip irrigation	5,500.00
Machinery	4,353.54
Unexpected expenses	1,789.48
TOTAL	37,579.17

Source: FAS Lima with Private Sector Data

**Cash Flow per Hectare
(Red Globe on Central Coast)**

Year	0	1	2	3	4	5	6	7	8	9	10
Income											
Exports	23,369	30,755	46,737	46,737	46,737	46,737	46,737	46,737	46,737	46,737	46,737
Local market	693	912	1,385	1,385	1,385	1,385	1,385	1,385	1,385	1,385	1,385
Drawback	1,168	1,538	2,337	2,337	2,337	2,337	2,337	2,337	2,337	2,337	2,337
Total	25,230	33,204	50,460	50,460	50,460	50,460	50,460	50,460	50,460	50,460	50,460
Cost											
Production	22,000	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500
Total	22,000	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500
Gross profit	3,230	13,704	30,960	30,960	30,960	30,960	30,960	30,960	30,960	30,960	30,960
Investment	37,579										
Balance	-37,579	3,230	13,704	30,960	30,960	30,960	30,960	30,960	30,960	30,960	30,960
Accumulated Balance	-37,579	-34,349	-20,645	10,315	41,275	72,234	103,194	134,154	165,114	196,073	227,033

Source: FAS Lima with Private Sector Data

Consumption:

Grape consumption in Peru is forecast at 235,000 MT in MY 2016/17. The local grape market is significantly different from the export market both in quality and varieties. The green “Italian” grape is the most locally consumed grape, followed by “Red Globe.” Grape prices in the local market are significantly lower than the export market, which is why it is only a secondary option for grape producers.

Trade:

Peru’s grape exports have sky-rocketed in the past decade, from practically non-existent in MY1999/2000 to an estimated 340,000 MT in MY 2015/2016. Grapes have become one of Peru’s main agricultural exports, totaling \$704 million in MY 2014/2015, a 9 percent increase compared to the previous year. This increase was driven by increased production as a result of new planted areas. Peruvian grape exports increased 18 percent in MY 2014/2015 totaling 312,063 MT.

Peru’s main grape markets in MY 2014/2015 were the United States with 22 percent of market share (68,352 MT), the Netherlands with 15 percent (46,096 MT), followed by China with 13 percent (41,135 MT). Other important destinations in MY 2014/15 were Hong Kong, Thailand and the U.K. Average grape export prices fell 7 percent in MY 2014/15, falling to \$2.26 per MT. However, export prices to the United States increased 9 percent, reaching \$3.07 per MT.