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**Peru**

**Coffee**

**Annual**

**2000**

Approved by:

**Lawrence D. Fuell**

Drafted by:

**Gaspar E. Nolte**

**U.S. Embassy**

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**Report Highlights: Coffee production in Peru for the second consecutive year is expected to reach a record level, 2.5 million 60-kilogram bags, an increase of seven percent compared to the previous year. Exports are forecast at 2.4 million 60-kilogram bags for MY 2000/2001, another record high for recent years.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Lima [PE1], PE

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## **Executive Summary**

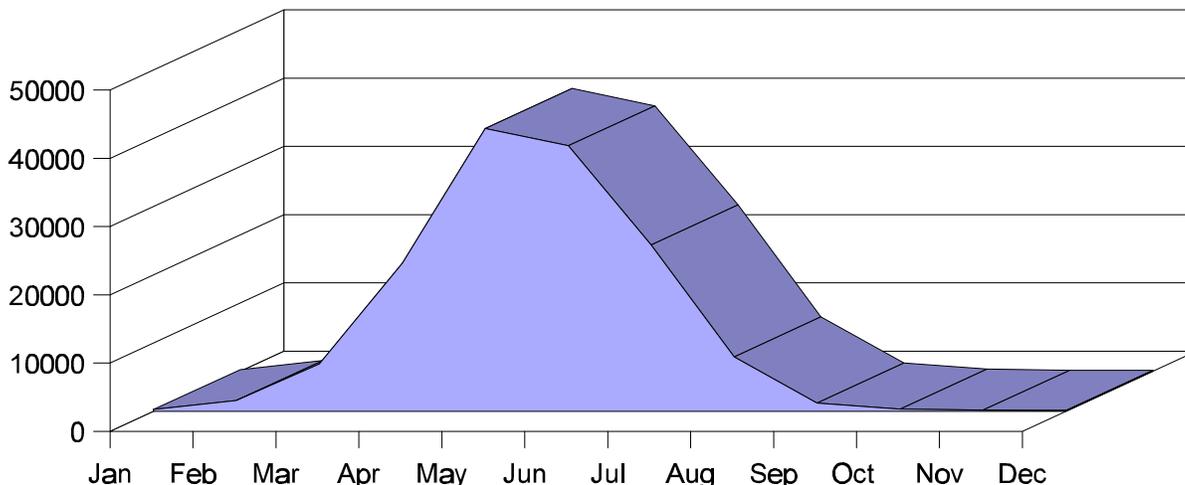
Coffee production for Marketing Year 2000/2001 (April/March) is expected to reach a record high, for the second consecutive year in a row, of 2.5 million 60-kilogram bags, an increase of seven percent compared to the previous year. Exports are forecast at 2.38 million 60-kilogram bags for MY 2000/2001, also a record for recent years. Favorable weather conditions and technical assistance in production and marketing provided by several international aid agencies are driving this continuous increase.

## Production

Coffee production in 2000 is expected to reach a record high for the second consecutive year at just under 2.5 million 60-kilogram bags, an increase of 7 percent compared to the bumper crop of 1999. Coffee is grown in Peru in three areas. The most important for both volume and quality is the central eastern slopes of the Andes in Chanchamayo. The northern Andes and Cusco are the other two areas. Chanchamayo has been one of the most affected by drug trafficking and terrorism in the past, which has not allowed any increases in production or technical assistance until recently. Though terrorism has been eliminated from most parts of the country, it continues to have a threatening presence in this area.

The vast majority of coffee producers limit their cultural practices to picking the beans during the harvest, provided prices are attractive. Because of relatively high costs, plant replacement and fertilization are rare among coffee growers. Thus average yields are quite low, between 8 and 16 bags per hectare, compared with 75 bags that some of the top producers are able to obtain in the same area, they replant and use fertilizers.

### Harvesting Season



As with most Peruvian agricultural producers throughout the country, coffee producers face two major constraints. First, a lack of credit, as private banks will not accept the farmers' often untitled land as loan collateral, and there is no official government lending institution. Most farmers obtain their loans from coffee buyers, with the consequent high interest rate, and a sale contract on the coffee's price. Second, during the land reform of the 1970's, land was divided into extremely small plots, making it extremely difficult to efficiently manage coffee production, harvest and processing.

Peru's coffee quality is improving. The York Coffee, Sugar and Cocoa Exchange (NYCSCE) recently upgraded it by reducing the previous discount from \$0.04 per pound to only \$0.01 per pound.

Because coffee grows in the coca producing areas, there have been some efforts by international aid agencies to provide technical assistance to produce and market coffee as an “alternative crop” for coca. Organic coffee production, in particular, has been targeted. By 2000 around 10,000 hectares are expected to be planted in 2000, with a production of about 102,000 60-kilogram bags and yields at 10.5 bags per hectare.

## **Consumption**

According to the Coffee Producers Chamber, coffee consumption in Peru is rather low at an annual 45 cups per capita, which translates into about 160,000 60-kilograms bags. In recent years, consumer habits have changed to soluble coffee instead of roasted and ground, and now 75 percent of the coffee consumed in the country is soluble.

## **Trade**

Coffee is by far Peru’s largest single agricultural export, as it accounts for half of the total agricultural exports. The main importers are Germany and the U.S. with 39 percent and 30 percent of the total exports.

## **Policy**

Contradrogas, the government’s umbrella agency for counter narcotic affairs is encouraging coffee production as an alternative crop to coca leaf production. The U.S. Agency for International Development (USAID) is assisting approximately ten percent of Peru’s coffee farmers to increase the production and quality as part of an economic development program aimed at increasing farmers’ licit incomes in coca areas. Efforts to improve quality and enter U.S. gourmet coffee markets with Peruvian coffee is also working. For example, Seattle’s Best Coffee (SBC), the third largest gourmet coffee chain in the U.S., ran a successful U.S. marketing campaign in late 1999 featuring coffee grown by small Peruvian producers who are part of the USAID alternative development program.. SBC plans to expand its Peruvian coffee promotion in 2000.

PSD Table						
Country:	Peru					
Commodity:	Coffee, Green					
	1999		2000		2001	
	Old	New	Old	New	Old	New
Market Year Begin		04/1998		04/1999		04/2000
Area Planted	195	200	210	210	0	215
Area Harvested	185	190	200	205	0	210
Bearing Trees	380	380	390	390	0	395
Non-Bearing Trees	20	20	20	20	0	20
TOTAL Tree Population	400	400	410	410	0	415
Beginning Stocks	63	98	93	88	93	20
Arabica Production	1900	1980	2150	2416		2495
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0
TOTAL Production	1900	1980	2150	2416	0	2495
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	30	30	30	45		45
TOTAL Imports	30	30	30	45	0	45
TOTAL SUPPLY	1993	2108	2273	2549	93	2560
Bean Exports	1700	1820	1960	2349		2380
Roast & Ground Exports	0	0	0	0	0	0
Soluble Exports	0	0	0	0	0	0
TOTAL Exports	1700	1820	1960	2349	0	2380
Rst,Ground Dom. Consum	50	50	60	40		40
Soluble Dom. Consum.	150	150	160	140		120
TOTAL Dom. Consumption	200	200	220	180	0	160
Ending Stocks	93	88	93	20		20
TOTAL DISTRIBUTION	1993	2108	2273	2549	0	2560

1000 60-kilogram bags

1000 hectares

Export Trade Matrix	
Country:	
Commodity:	
Time period:	1999
Exports from Peru in Metric Tons	
U.S.	43,023
Others	
Germany	56,042
Netherlands	8,757
Canada	6,439
Japan	5,518
Total for Others	76,756
Others not listed	24,661
Grand Total	144,440

