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Peru

Asparagus

Annual

2000

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Report Highlights:

Exports of fresh asparagus are forecast at 35,000 MT in 2000, up 17 percent from the previous year. Processed asparagus exports are also expected to climb 12 percent, to 72,000 metric tons. Asparagus production in Peru is expected to continue to grow over the next five years, but at a slower pace than in the past decade.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Executive Summary

Asparagus production in Peru is expected to be 190,000 metric tons for MY 2000. After a small scale start in the early eighties, asparagus has become the second largest Peruvian agricultural export after coffee. Asparagus exports contribute about \$150 million in export sales annually. Exports of processed asparagus are forecast to reach 72,000 MT in 2000, while fresh exports should attain 35,000 MT.

This crop grows in the irrigated coastal valleys of Peru. There are two well-defined production areas. La Libertad, in the northern region of Peru, produces white asparagus, which is processed (canned) and exported to Europe. Ica, 300 kilometers south from Lima, produces green asparagus mainly for fresh export to the United States market. Arequipa, a thousand kilometers south of Lima, is also starting to develop production of this crop.

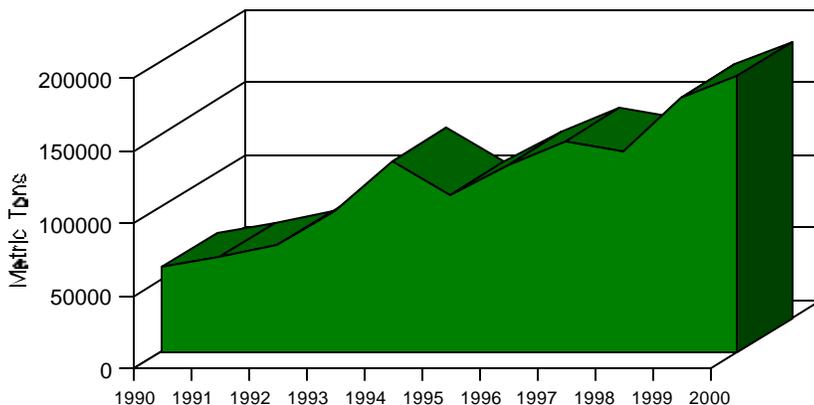
Asparagus growers are concerned about limited international demand contrasting with increasing supply with the consequent price fall.

Production

Asparagus production in Peru continues to increase. Production in 2000 is expected to reach 190,000 MT. Most industry officials agreed that this industry has reached a mature point, and its growth in the near future will not be as sharp as it was in the last ten years. Posts forecasts 200,000 MT in 2001.

Peru is one of the few countries where high quality asparagus is produced year round, due to warm and favorable weather in which the asparagus plant does not enter a dormant stage. Peru produces asparagus for two different markets: green asparagus for the United States, and white asparagus for the European market. Green asparagus, which is about 35 percent of total production, is sent fresh to the U.S. packed in 5 kilogram boxes, while white asparagus is exported processed in cans or jars to Europe.

Asparagus Production



Agriculture in coastal region of Peru, is shyly changing. Land tenure (titulation) is allowing more entrepreneurial activity, and it is attracting local and foreign investment. Fresh capital in the agricultural sector is looking to invest in an exportable product, and asparagus is a profitable crop with a stable

foreign demand. The large socialist-type cooperatives, especially the sugar cooperatives, are moving toward privatization, providing large tracts of land for production not only of sugar, but other products such as asparagus as well.

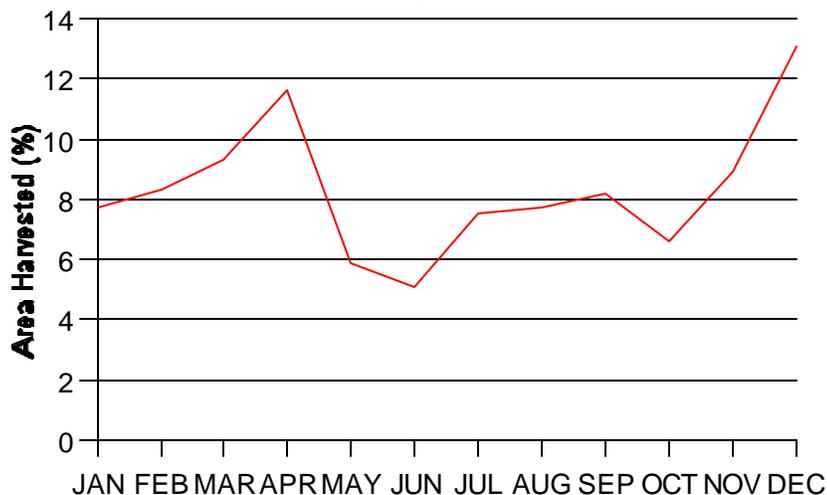
In an effort to increase production, many asparagus growers, especially in the northern areas, are planting at a very high density. As a result they are harvesting more, but the asparagus comes out thinner without the proper quality for the market. This negative effect is being transferred to the processing plants. Since many processing plants do not own land, they are obligated to buy from small producers in their area. A large proportion of this asparagus is rejected by the plants because does not meet the quality standards, and as a result the processing plants are finding it increasingly difficult to buy enough good-quality asparagus.

Crop Area and Yields

Production area is estimated to be 25,000 hectares in 2000. Even though production and capital credits are unavailable or expensive, especially for the medium size and small producer, and production

costs are rising, asparagus still is a profitable crop. Farmers in the coastal valleys of

Harvesting Season



Peru are attracted to asparagus more than any other traditional crop, because of the possibilities in the international market.

Average yields are around 6 tons per hectare, but can reach as high as 18 tons per hectare among some of the most efficient producers. Asparagus producers in the Ica region are usually more production

efficient. Because surface water only flows from November to March, most of them have wells and drip irrigation systems, which make water available but expensive, due to the high local cost of fuel. Furthermore, green asparagus production requires more water than white asparagus.

Trade

Processed asparagus exports are expected to reach 72,000 MT in 2000, increasing 12 percent from the previous year. Fresh asparagus exports are forecast at 35,000 MT for 2000, increasing around 17 percent compared to 1999. Processed asparagus exports were valued at \$87.2 million (f.o.b. basis) in 1999, an increase of \$10 million compared to the previous year. This increase is mainly due to a recovery after a production fall caused by the El Niño weather phenomenon. Fresh asparagus exports were \$47 million during 1999. Peru's most important processed asparagus buyers are Spain, Netherlands, France, Germany and Denmark. The U.S. is the main market for fresh asparagus, accounting for about 75 percent of the market.

Most Peruvian exporters agree that the world asparagus market has reached a mature level, some even talk about a saturated market. Since asparagus supply in the U.S. has increased faster than demand, Peruvian exporters have seen a sharp reduction in prices. Ten years ago a 5-kilogram box of fresh asparagus sold for \$50 and now it barely reaches \$9. Current producer prices are around \$ 0.50 per kilogram, a half from two years ago.

Peruvian exporters along with Mexican exporters have discussed with producers from Washington, California and Michigan the possibility to implement a marketing plan sponsored by USDA's Agricultural Marketing Service. This program aims to establish quality standards and rationalize

distribution and in doing so, to promote generic consumption of asparagus in the U.S.

Chinese asparagus exports are another source of worries for Peruvian asparagus producers. Ninety percent of Peruvian agricultural exports, including asparagus, enter duty free to the European Community. Despite the 16 percent import duty assessed to Chinese asparagus, it still is cheaper than Peruvian. China reduced asparagus prices in Europe by ten percent last year.

Policy

The GOP does not have an official policy to encourage asparagus production. Most of the GOP's effort is on the marketing side through "Prompex" (the export promotion committee). This rather new organization has been active and has had some success promoting agricultural exports.

Asparagus exporters have begun negotiations to start a check-off system by which they would have to pay \$0.01 for each 5-kilogram box exported. This fund would be used to implement a marketing program which would include consumption promotion, phytosanitary protection, issue a quality control and create an information system to supply producers with the latest developments on worldwide and national production and prices. Peruvian asparagus producers estimate that they need to invest at least \$1.75 million to promote their products.

Producers often complain that the Government of Peru has not done enough to repair and expand irrigation systems, expedite reform of the land titulation process, or reduce industrial taxes which could further lower their costs of production. Solid free market policies are attracting foreign investment however, and increased government revenue over the next 5 years should bring tax relief to the industrial and agricultural sectors. Steady growth in production and exports of asparagus is predicted over this time frame.

P.D. Table						
Country:	Peru					
Commodity:	Fresh Asparagus					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Planted	25000	19000	22000	22000	0	25000
Area Harvested	23000	16000	20000	20000	0	23000
TOTAL Production	145000	138000	145000	175000	0	190000
TOTAL SUPPLY	145000	138000	145000	175000	0	190000
Exports, Fresh	20000	20000	22000	30000	0	35000
Domestic Fresh Market	6000	6000	6000	6000	0	6000
For Processing	119000	112000	117000	139000	0	149000
TOTAL UTILIZATION	145000	138000	145000	175000	0	190000

Units: hectares, metric tons