



Voluntary Report - public distribution

Date: 8/9/2002

GAIN Report #PE2020

## Peru

### Agricultural Situation

#### Agricultural Situation in Loreto

## 2002

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**Report Highlights: The Department of Loreto, is in the Peruvian rainforest. The agricultural situation in Loreto is significant as a potential source of growing non traditional agricultural production that already has attracted some U.S. investment.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Lima [PE1], PE

## Introduction

The Department of Loreto (the capital of which is Iquitos), is located northeast of Lima bordering with Ecuador, Colombia and Brazil. Loreto's 368,852 square kilometers, account for 29 percent of the Peruvian territory and 48 percent of its rainforest. The agricultural situation in Loreto is not significant for its potential competition with U.S. agricultural exports. However, it is significant as a source non traditional agricultural production that already has attracted some U.S. investment, that could be exported to the U.S. in the future.

Less than one percent of Loreto is suitable for agriculture and about 65 percent has potential for timber production. With about 903,000 people and population growth of 2.4 percent per year, this region is among the poorest in Peru. Despite being rich in natural resources, 78 percent of the population live below the poverty line.

## Production

There are about 158,000 agricultural producers in Loreto. Major crops are cassava, plantains, yellow corn and rice. There are quite a few native crops and fruits that are also produced, but in a very traditional way without any technical criteria. Such crops as camu camu, pijuayo and aguaje are thought to have good potential, but no markets have been developed and production is very disperse which makes difficult any development process.

Crop	Production (000 MT)
Plantain	336
Cassava	324
Rice (paddy)	102
Corn	55

Poultry production is rather small, about 3.2 million broilers are produced per year and there are about 100,000 laying hens. Fresh milk consumption is not very popular, canned milk is hauled from other cities (Tarapoto and Pucallpa) by truck or boat. Several efforts have been made by the government to encourage water buffalo production for both milk and beef. Under the rotating fund system, about 2000 buffalos have been distributed among producers, each producer received 10 females and one male buffalo.

## **Marketing**

Basic and intermediate products are mostly brought from other regions in Peru i.e., corn from Tarapoto, wheat flour from Huanuco or Lima. Depending on price and the cost of freight this products can also be imported from the U.S. In the past there have also been rice and wheat flour imports from the U.S.

Since there are no major industries in Loreto, all processed food products have to be imported into the region. The main source of supply for this product is Brazil, but there are quite a few Peruvian and Colombian products available in the local market as well.

Loreto has no supermarkets, food products are distributed by small stores (bodegas). There are two medium size traditional markets: The municipal market, an old building that gathers mainly produce, fruits, meats and noodles, and the Belen market which is an extremely disorganize and dirty street market. There is a third market in which only imported products are sold, mainly cookies and candies, liquor and personal care products.

## **Policy**

There are four public institutions that provide some assistance to agricultural development in the region: the regional office on the Ministry of Agriculture (DRA), the national research institute (INIA), the Peruvian Amazon research institute (IIAP) and the regional government (CTAR). The last will be replaced by the regional government after the upcoming elections in November.

The DRA is currently involve, in developing production chain systems. This system brings together all agents that participate in the marketing of an specific product. The DRA has identified a few products (pijuayo, camu camu, water buffalos, rice, palm oil and yellow corn) with potential markets to start working this system. Though DRA officers are very energetic and enthusiastic about this process, there is very little chance of successfully implementing all theses chains as their budget was cut by 25 percent.

INIA has four research stations in Loreto, two on wet lands which are areas that are flooded by the river during high-water season (Muyuy and San Miguel) and two on dry lands (Alpamayo and San Roque in Iquitos). INIA/Loreto has two main working areas: research and technology transfer.

Under research INIA has two projects. One, the National Genetic Resources Program is responsible for the genetic identification and characterization of plants, and drafting protocols to produce pest free citric. Second, the Rainforest Agricultural System is responsible for improving production of yellow corn, rice, fruits and forestry in tropical conditions.

In the area of technology transfer, INIA has developed a series of courses and field days to train what they call "technical assistance providers". These providers can be local non-profit NGOs or private sector businessess that see an opportunity in training agricultural producers. Since INIA does not have the infrastructure to directly train producers, it has created this program which aims at developing a technical assistance market.

Other smaller projects of INIA are a bio-amazonic museum, promote a national market for palm oil and a regional market for palmito. They are also involved in looking for an international market for camu camu.

The local government transfers funds from the regional oil tax to the regional office of the Ministry of Agriculture which is used to grant small loans to producers for buying inputs. This loan, which can not exceed \$425 (1500 soles) per producer, are granted at an interest rate of one percent per month and must be repaid in nine months. So far, 1800 loans have been granted, MOA officials expect to double this number by next year.

IIAP has four lines of work in Loreto: environment protection, biodiversity, land ecosystems, water ecosystems and Amazonic information. Their objective is to generate new technologies to allow producers to use natural resources in a rationally and to provide policy makers with information that will help them make decisions that assures the sustainability of natural resources.