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Peru

Coffee

Annual

2004

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Report Highlights:

Coffee production for Marketing Year 2004/2005 (April/March) is forecast to reach 2.98 million 60-kilogram bags, a four percent increase compared to the previous year. Exports are forecast at 2.75 million 60-kilogram bags.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Coffee production for Marketing Year 2004/2005 (April/March) is expected to reach 2.98 million 60-kilogram bags, a slight increase compared to the previous year. This four percent increase is mainly due to higher yields due to better prices. Exports are forecast at 2.75 million 60-kilogram bags for MY 2004/2005, about 65,000 bags more than the previous year. Gourmet coffee exports continued increasing in 2003, reaching \$35 million.

PSD Table							
Country	Peru						
Commodity	Coffee, Green				(1000 HA)(MILLION TREES)(1000 60 KG BAGS)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		04/2002		04/2003		04/2004	MM/YYYY
Area Planted	270	280	270	282	0	285	(1000 HA)
Area Harvested	230	239	230	247	0	250	(1000 HA)
Bearing Trees	430	450	430	455	0	460	(MILLION TREES)
Non-Bearing Trees	20	20	20	20	0	25	(MILLION TREES)
TOTAL Tree Population	450	470	450	475	0	485	(MILLION TREES)
Beginning Stocks	20	20	10	20	10	5	(1000 60 KG BAGS)
Arabica Production	2750	2760	2850	2870	0	2980	(1000 60 KG BAGS)
Robusta Production	0	0	0	0	0	0	(1000 60 KG BAGS)
Other Production	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL Production	2750	2760	2850	2870	0	2980	(1000 60 KG BAGS)
Bean Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
Roast & Ground Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
Soluble Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL SUPPLY	2770	2780	2860	2890	10	2985	(1000 60 KG BAGS)
Bean Exports	2575	2575	2665	2685	0	2750	(1000 60 KG BAGS)
Roast & Ground Exports	0	0	0	0	0	0	(1000 60 KG BAGS)
Soluble Exports	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL Exports	2575	2575	2665	2685	0	2750	(1000 60 KG BAGS)
Rst,Ground Dom. Consum	60	60	60	70	0	70	(1000 60 KG BAGS)
Soluble Dom. Consum.	125	125	125	130	0	140	(1000 60 KG BAGS)
TOTAL Dom. Consumption	185	185	185	200	0	210	(1000 60 KG BAGS)
Ending Stocks	10	20	10	5	0	25	(1000 60 KG BAGS)
TOTAL DISTRIBUTION	2770	2780	2860	2890	0	2985	(1000 60 KG BAGS)

Export Trade Matrix	
Country	Peru
Commodity	Coffee, Green
Time Period	CY 2004
Exports for:	
U.S.	48096
Others	
Germany	48947
Netherlands	9142
Belgium	8712
Canada	5071
Total for Others	71872
Others not Listed	30386
Grand Total	150354

Units: Metric Tons

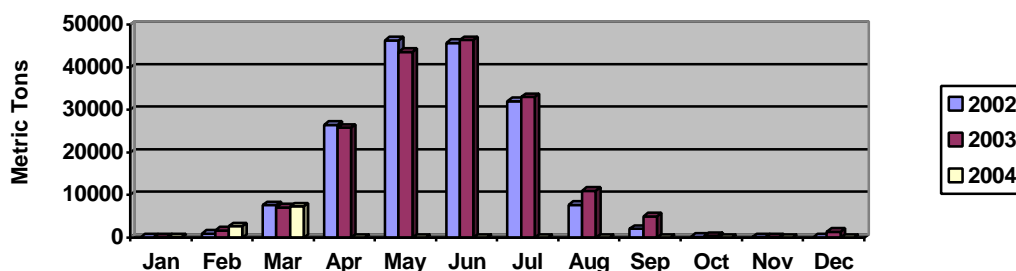
Production

Coffee production in MY2005 is forecast to increase four percent to 2.98 million 60-kilogram bags. Higher yields, more beans being picked, as a result of better prices will drive this slight increase. Peru only accounts for about two percent of the world's coffee production.

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 (Chanchamayo), they replant and use fertilizers. If prices are not attractive, as in the recent past, coffee producers prefer not to pick the beans to avoid harvesting costs.

Monthly Coffee Production



As with most Peruvian agricultural crops throughout the country, coffee producers face two major constraints. First, a lack of credit, as private banks still do 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 (around 14 percent), and a sale contract on the coffee's 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. The average coffee producing unit in Peru is less than 10 hectares.

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. There are about 19,000 hectares planted, about six percent of Peru's total coffee production area, with a production of about 200,000 60-kilogram bags certified as organic.

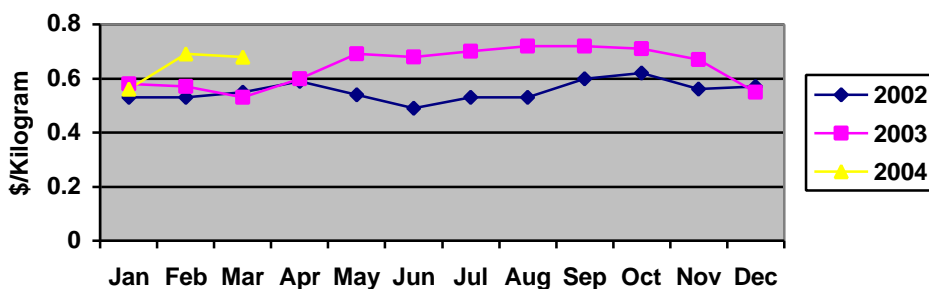
Consumption

Coffee consumption in Peru is rather low, about 300 grams per capita, which translates into about 130,000 60-kilogram bags a year. Per capita consumption in some countries reach 13 kilograms. Peruvian consumers have changed their consumption habits from roasted and ground to soluble coffee; around 75 percent of the coffee consumed in the country is soluble.

Trade

With total exports estimated of \$181 million in CY 2003, coffee is Peru's second largest agricultural export. The main importers are Germany with 33 percent and the U.S. with 32 percent of the total exports. Coffee exports in MY 2004/2005 are expected at 2.75 million 60-kilogram bags, increasing international prices will drive this slight recovery.

Coffe Prices



Peruvian exports of gourmet coffee have grown consistently in the past six years, from \$7.9 million in CY 1998 to \$35 million in CY 2003. Aiming at promoting Peruvian gourmet coffee and increasing exports in the future, an association of gourmet coffees has been founded (APECAFE). This association estimates that gourmet coffee could become one of Peru's top agricultural exports. An important accomplishment has been selling coffee marketed as Peruvian Gourmet Coffee on Lufthansa's flights. Apparently, Iberia would also be interested in selling this coffee aboard.

Policy

The GOP, through DEVIDA, the umbrella agency for counter narcotic affairs continues encouraging coffee production as an alternative crop to coca leaf production. The U.S. Agency for International Development (USAID) has been 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. Part of this program is to match Peruvian coffee producers with U.S. gourmet coffee markets. Currently, AID through the PRA project is involved in developing business opportunities for exporting coffee. They are switching their focus from production to developing markets overseas.

As coffee buyers develop higher quality standards, such as good agricultural practices, good processing practices, HACCP; coffee producers will need permanent training to be able to comply with the international demand.