

Required Report: Required - Public Distribution

Date: May 09,2020

Report Number: PE2020-0020

Report Name: Coffee Annual

Country: Peru

Post: Lima

Report Category: Coffee

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Report Highlights:

Coffee production in marketing year (MY) 2020/21 (April/March) is forecast at 4.45 million bags (60-kilograms per bag), decreasing two percent from the previous year estimate of 4.55 million bags. With falling coffee prices and low yields, Peruvian coffee producers are facing an economic crisis that is resulting in less harvested area.

Summary

Coffee production in marketing year (MY) 2020/21 (April/March) is forecast at 4.45 million bags (60-kilograms per bag), decreasing two percent from the previous year estimate of 4.55 million bags.

Harvested area in MY 2020/21 is forecast at 350,000 hectares, decreasing 4 percent from the previous year estimate of 363,000 hectares. Domestic consumption in MY 2020/21 is forecast at 190,000 bags.

Coffee consumption in Peru has increased over one hundred percent in the past five years, however it remains low. Per capita coffee consumption in Peru is 650 grams. Peru's exports of coffee in MY 2020/21 are forecast at 4.27 million bags, falling two percent from the previous year.

Coffee, Green Market Begin Year	2018/2019		2019/2020		2020/2021	
	Apr 2018		Apr 2019		Apr 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Peru						
Area Planted	388	388	0	390	0	375
Area Harvested	360	360	0	363	0	350
Bearing Trees	613	613	0	615	0	600
Non-Bearing Trees	38	38	0	40	0	35
Total Tree Population	651	651	0	655	0	635
Beginning Stocks	85	85	15	12	0	15
Arabica Production	4400	4480	4500	4550	0	4450
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0
Total Production	4400	4480	4500	4550	0	4450
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0
Total Supply	4485	4565	4515	4562	0	4465
Bean Exports	4300	4383	4300	4357	0	4265
Rst-Grnd Exp.	0	0	0	0	0	0
Soluble Exports	0	0	0	0	0	0
Total Exports	4300	4383	4300	4357	0	4265
Rst,Ground Dom. Consum	10	10	10	10	0	10
Soluble Dom. Cons.	160	160	180	180	0	180
Domestic Consumption	170	170	190	190	0	190
Ending Stocks	15	12	25	15	0	10
Total Distribution	4485	4565	4515	4562	0	4465

(1000 HA) ,(MILLION TREES) ,(1000 60 KG BAGS)

Production:

Coffee production in marketing year (MY) 2020/21 (April/March) is forecast at 4.45 million bags (60-kilograms per bag), decreasing two percent from the previous year estimate of 4.55 million bags. Peru's coffee production is still recovering from a coffee leaf rust (*Hemileia vastatrix*) outbreak that occurred six years ago that affected 50 percent of the crop. Efforts include phytosanitary treatment and replacement of trees.

Harvested area in MY 2020/21 is forecast at 350,000 hectares, decreasing 4 percent from the previous year estimate of 363,000 hectares. As part of the Ministry of Agriculture's coffee rust recovery program, producers continue receiving plants and fertilizer to replant and cultivate new areas. Harvesting commences in April and peaks in June-September. About 85 percent of the crop is harvested between April and July.

Peruvian coffee producers are facing a severe economic crisis as a result of low international coffee prices. In MY 2020 Peruvian farmers were paid an average of \$1.53 per kilogram while production costs were around \$2.2 per kilograms. Peruvian coffee producers are abandoning their fields which explains a reduction in harvested area in MY2021.

Average yields in MY 2019/20 are estimated at 752 kilograms per hectare and are forecast at 762 kilograms per hectare in MY 2020/21. However, yields can reach upwards of 2,500 kilograms per hectare (42, 60-kg bags) on well-managed plantations.

Coffee in Peru is produced throughout the eastern slope of the Andes, production is concentrated in three main growing areas. Coffee production is gradually shifting from Chanchamayo (i.e., one of the nine provinces of the Junín region) in Peru's central highlands to the northern highlands of the Amazonas and San Martín regions. Although Chanchamayo still accounts for 16 percent of overall production, Amazonas and San Martín combined now account for 47 percent of national production.

Peru produces almost exclusively Arabica coffee, of which over 70 percent is of the Typica variety followed by Caturra (20 percent), and other varieties (10 percent). Roughly 75 percent of Peruvian coffee cultivation occurs between 1,000 and 1,800 meters above sea level. Most coffee is shade grown and plant density on farms averages 2,000 plants per hectare. Coffee in Peru remains largely handpicked and sun dried.



Figure 1: Worker harvesting coffee in Oxapampa, Peru (photo credit: Kirsten Luxbacher)



Figure 2: Coffee farm in Oxapampa and coffee beans drying in the sun in Villa Rica (Photo Credit: Kirsten Luxbacher)

The majority of Peru's coffee producers are small farmers. These producers cultivate coffee on plots of land averaging three hectares. Poor access to credit places constraints many of the smaller coffee producers. Peru's private banks reportedly refuse to accept untitled land as loan collateral, forcing most producers to obtain credit either from coffee buyers or informal lenders. As a result, small producers are burdened with fixed-price sales contracts and/or high repayment interest rates.

Small producers often form associations or cooperatives to obtain better prices, improve post-harvest production handling, and cooperate on more effective marketing strategies. Some of the larger of these associations have membership numbers of over 2,000 producers. The more sophisticated of these associations have financial institutions that provide producer loans, which partially subsidize production costs through technical assistance aimed at improving crop quality and yields. Cooperatives will market production directly or through coffee traders.

Consumption:

Domestic consumption in MY 2020/21 is forecast at 190,000 bags. Coffee consumption in Peru has increased over one hundred percent in the past five years, however it remains low. Per capita coffee consumption in Peru is 650 grams. This contrasts with neighboring Colombia, where per capita consumption reaches two kilograms, and Brazil, where it exceeds four kilograms.

Peruvians primarily consume soluble (instant) coffee, which accounts for 75 percent of total domestic coffee consumption. Nonetheless, consumption patterns are changing and a roasted, ground coffee drinking culture is taking root. Coffee consumption among young, urban consumers is growing.

Consumption levels are now reaching the one-kilogram per capita threshold in this demographic group. Domestic coffee consumption still only accounts for about 10 percent of total production. Small corner stores (60 percent) and supermarkets (30 percent) account for the bulk of domestic coffee sales.

Trade:

Peru's exports of coffee in MY 2020/21 are forecast at 4.27 million bags, falling two percent from the previous year. Peru's total calendar year (CY) 2019 exports were also 3.9 million bags. The United States was the top market for Peruvian coffee, accounting for 25 percent of total exports. Germany and Belgium were also important export markets with 22 and 9 percent of exports respectively. Export prices of Peruvian coffee in CY 2019 averaged \$2,734 per MT, a 4.5 percent increase compared to 2018. However, long term prices are facing a falling trend, average export price in CY2016 was \$3,161 per MT and \$4,031 per MT in 2014.

PERUVIAN COFFEE EXPORTS (MT)		
Partner	Year	
	2018	2019
World	261,347	232,828
U.S.	64,129	59,316
Germany	57,600	52,139
Belgium	29,102	22,328
Sweden	14,304	13,502
Colombia	23,253	11,877
Canada	11,865	11,695
Italy	8,902	8,919

Source: Peruvian Customs (SUNAT)

With some 90,000 certified organic hectares, Peru is the world's leading exporter of organic coffee. In addition to these certified hectares, a large portion of Peru's coffee exports are organic by default, attributed in large part to the smaller growers' inability to pay for costly chemical fertilizers and pesticides. Foreign demand for specialty coffee motivates some smaller growers to seek out specialized certification. Current certifications, that are accessible to smaller coffee farmers, include:

- Fair Trade: Certified by Fair Trade Labeling Organizations International (FLO)
- Organic: Certified by several agencies such as USDA's National Organic Program (NOP), Japanese Agricultural Standards (JAS), Natureland, and the Organic Crop Improvement Association (OCIA)
- Sustainable Coffee: Certified by the Rainforest Alliance
- Café Practice: Certified by Starbucks
- Other certifications include bat friendly and bird friendly

Peruvian coffee producers are frequent participants in international coffee contests which they consider an important strategy to distinguish themselves as the high-quality producers, which could lead to higher

incomes and better prices for producers. Peruvian producers have won the “Best Specialty Coffee” award at the “Global Specialty Coffee Expo” in Seattle several times.

Policy

The Peruvian Government has made international coffee promotion a national priority. PromPeru (Peru’s export promotion agency) and its overseas commercial offices actively promote Peruvian coffee. At the same time, some local government agencies and non-governmental organizations are promoting organic coffee production as a means to increase farmers’ incomes.

Peru’s coffee sector generates 855,000 jobs in otherwise remote, impoverished areas of the country. The government, through the National Commission for Development and Life Without Drugs (DEVIDA), encourages coffee production as an alternative crop to coca leaf cultivation.

The Peruvian government does not keep coffee stocks. All inventories are kept by the private sector.

Attachments:

No Attachments