



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Scheduled Report - public distribution

Date: 5/13/1999

GAIN Report #PE9008

**Peru**

**Coffee**

**Coffee situation**

**1999**

Approved by:

**Daryl A. Brehm**

**U.S. Embassy**

Drafted by:

Gaspar E.Nolte

---

**Report Highlights: Coffee production for Marketing Year 1999/2000 (April/March) is expected to reach a record 2.15 million 60-kilogram bags, an increase of nine percent compared to the previous year. Exports are forecast at 1.95 million 60-kilogram bags for MY 1999/2000, a record for recent years.**

---

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

Executive Summary ..... 1

Production ..... 4

Consumption ..... 4

Trade ..... 4

Policy ..... 4

**Executive Summary**

Coffee production for Marketing Year 1999/2000 (April/March) is expected to reach a record 2.15 million 60-kilogram bags, an increase of nine percent compared to the previous year. Exports are forecast at 1.95 million 60-kilogram bags for MY 1999/2000, 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.

PSD Table						
Country:	Peru					
Commodity:	Coffee, Green					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		04/1997		04/1998		04/1999
Area Planted	195	195	195	200	0	210
Area Harvested	185	185	185	190	0	200
Bearing Trees	370	370	380	380	0	390
Non-Bearing Trees	20	20	20	20	0	20
TOTAL Tree Population	390	390	400	400	0	410
Beginning Stocks	78	78	63	98	93	88
Arabica Production	1780	1820	1900	1980	2000	2150
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0
TOTAL Production	1780	1820	1900	1980	2000	2150
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	0	0	0	0	0	0
Soluble Imports	30	30	30	30	30	30
TOTAL Imports	30	30	30	30	30	30
TOTAL SUPPLY	1888	1928	1993	2108	2123	2268
Bean Exports	1625	1630	1700	1820	1750	1950
Roast & Ground Exports	0	0	0	0	0	0
Soluble Exports	0	0	0	0	0	0
TOTAL Exports	1625	1630	1700	1820	1750	1950
Rst,Ground Dom. Consum	50	50	50	50	160	50
Soluble Dom. Consum.	150	150	150	150	50	160
TOTAL Dom. Consumption	200	200	200	200	210	210
Ending Stocks	63	98	93	88	110	108
TOTAL DISTRIBUTION	1888	1928	1993	2108	2070	2268

Units: 1000 60 kilogram bags  
 1000 hectares  
 1000 trees

<b>Export Trade Matrix</b>			
Country:	Peru	Units:	metric tons
Commodity:	Coffee, Green		
Time period:	1998		
Exports for	1997		1998
U.S.		U.S.	43553
Others		Others	
		Germany	29759
		Canada	7278
		Japan	6787
		Netherlands	5648
Total for Others	0		49472
Others not listed			16027
Grand Total	0		109052

## Production

Coffee production for Marketing Year 1999 (April/March) is expected at a record of 2.15 million 60-kilogram bags, increasing 9 percent compared to the previous year. 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. This area 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 during the last 20 years. 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.

As with most agricultural producer throughout the country, coffee producers face two major constraints. First, a lack of credit, as private banks do not take the farmer's 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 impossible to manage efficiently any crop.

Since 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.

## Consumption

Coffee consumption in Peru is rather low at an annual 48 cups per capita, which translates into about 200,000 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 the U.S. and Germany with 40 percent and 27 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 has started a marketing program in the U.S. to promote Peruvian coffee as "coca-free" coffee. Their efforts is focused on selling the idea that buying Peruvian

coffee is directly helping to reduce the coca leave production. U.S. AID and the German agency for development GTZ also provide technical assistance to farmers, focused on cultural practices and post-harvest management.