

Required Report: Required - Public Distribution

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Report Name: Coffee Annual

Country: Peru

Post: Lima

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Report Highlights:

Coffee production in marketing year (MY) 2021/22 (April/March) is forecast to rebound 17 percent, reaching 3.95 million bags (60 kilograms per bag). This expected increase is due to good weather conditions and improving international coffee prices. Peru's coffee exports in MY 2021/22 are forecast at 3.85 million bags, increasing 16 percent from the previous year.

Coffee, Green Market Year Begins Peru	2019/2020		2020/2021		2021/2022	
	Apr 2019		Apr 2020		Apr 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	390	390	375	375	0	375
Area Harvested (1000 HA)	363	363	350	329	0	330
Bearing Trees (MILLION TREES)	615	615	600	610	0	615
Non-Bearing Trees (MILLION TREES)	40	40	35	35	0	35
Total Tree Population (MILLION TREES)	655	655	635	645	0	650
Beginning Stocks (1000 60 KG BAGS)	12	12	12	126	0	85
Arabica Production (1000 60 KG BAGS)	4550	3925	4450	3369	0	3950
Robusta Production (1000 60 KG BAGS)	0	0	0	0	0	0
Other Production (1000 60 KG BAGS)	0	0	0	0	0	0
Total Production (1000 60 KG BAGS)	4550	3925	4450	3369	0	3950
Bean Imports (1000 60 KG BAGS)	0	0	0	0	0	0
Roast & Ground Imports (1000 60 KG BAGS)	0	0	0	0	0	0
Soluble Imports (1000 60 KG BAGS)	0	119	0	138	0	120
Total Imports (1000 60 KG BAGS)	0	119	0	138	0	120
Total Supply (1000 60 KG BAGS)	4562	4056	4462	3633	0	4155
Bean Exports (1000 60 KG BAGS)	4360	3720	4265	3324	0	3850
Rst-Grnd Exp. (1000 60 KG BAGS)	0	0	0	0	0	0
Soluble Exports (1000 60 KG BAGS)	0	0	0	0	0	0
Total Exports (1000 60 KG BAGS)	4360	3720	4265	3324	0	3850
Rst,Ground Dom. Consum (1000 60 KG BAGS)	10	15	10	19	0	20
Soluble Dom. Cons. (1000 60 KG BAGS)	180	195	180	205	0	205
Domestic Consumption (1000 60 KG BAGS)	190	210	190	224	0	225
Ending Stocks (1000 60 KG BAGS)	12	126	7	85	0	80
Total Distribution (1000 60 KG BAGS)	4562	4056	4462	3633	0	4155
(1000 HA), (MILLION TREES), (1000 60 KG BAGS)						

Production:

Coffee production in marketing year (MY) 2021/22 (April/March) is forecast at 3.95 million bags (60 kilograms per bag), rebounding 17 percent from the previous year. This rebound is driven by a forecast of an excellent water supply, which favors flowering and the filling of grain. In addition, expected higher international prices will allow producers to invest in fertilizers and a more thorough harvesting, leaving less grain on the trees. Coffee producers have been facing financial difficulties in the past three years as revenues have not met production costs. Production estimates for MY 2019/20 and MY 2020/21 are revised down significantly because of these reasons and are further supported by lower reported export figures.

Coffee in Peru is produced throughout the eastern slope of the Andes and 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.

Harvested area in MY 2021/22 is forecast at 330,000 hectares, remaining at about the same levels as the previous year. Harvesting commences in April and peaks in June-September. About 85 percent of the crop is harvested between April and July.

Average yields in MY 2021/22 are estimated at 718 kilograms per hectare, increasing 17 percent compared to the previous year. This significant increase is expected to be driven by higher international prices that encourages producers to perform more complete harvests. However, yields can reach upwards of 42 60-kg bags (2,520 kg) per hectare on well-managed plantations.

Peru's coffee production is still recovering from a coffee leaf rust (*Hemileia vastatrix*) outbreak that occurred six years ago and affected 50 percent of the crop. Efforts include phytosanitary treatment and replacement of trees. Additionally, in 2020, there was a coffee borer (*Hypothenemus hampei*) infestation which affected coffee fields, particularly in lower lands (under 1,500 meters above sea level).

Peruvian coffee producers continued facing a severe economic crisis as a result of low international coffee prices in the previous year. In MY 2020/21, Peruvian farmers were paid an average of \$1.56 per kilogram while production costs were around \$2.20 per kilogram.

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.

The majority of Peru's coffee producers are small farmers that cultivate coffee on plots of land averaging three hectares. Poor access to credit places constraints on 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 2021/22 is forecast at 225,000 bags. Coffee consumption in Peru has increased over one hundred percent in the past five years, however it still 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 coffee exports in MY 2021/22 are forecast at 3.85 million bags, increasing 16 percent from the previous year. Exports in MY 2019/20 and MY 2020/21 are revised downward by 15 percent and 24 percent, respectively, on lower reported trade figures. The United States continued to be the top market for Peruvian coffee in MY 2020/21, accounting for 25 percent of total exports. Other important destinations include Germany, which accounts for 21 percent, Colombia with 11 percent, and Belgium with 8 percent of total coffee exports. Export prices of Peruvian coffee in MY 2020/21 increased 10 percent, averaging \$3,157 per MT.

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 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 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 government of Peru Established the National Executive Coffee Council (Supreme Decree 002-2021-MIDAGRI) with the objective of implementing a national promotion plan through 2030. This plan aims at increasing coffee consumption. The Council is chaired by the Ministry of Agriculture and its members include the Ministry of Foreign Affairs, the Ministry of Trade and Tourism, DEVIDA, regional governments, municipalities, and producers.

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

Attachments:

No Attachments