

Cacao in Peru

a Rising Star



Cacao's Andean origin

Peru and cacao share an age old intimate relationship. Although the debate is still open about the origin of the ubiquitous cacao tree, the strongest palebotanic and phylogenetic thesis holds the shrub originated in the tropical Andes foothills, in the Amazon and Orinoco rivers' watersheds. Once domesticated, it was introduced by the Maya in Central America and Mexico who included it as a fundamental element of their rituals and symbols. The Andean origin of cacao should come as no surprise if regarded against the background of the huge contribution made to the modern world by the plants that were domesticated in Ancient Peru.

The flavors of a megadiverse country

Peru ranks among the world's countries with the greatest biological diversity and the fourth as regards diversity of plant species. This is a key piece in understanding not just the world boom of Peruvian cuisine where chocolate fills a privileged niche, but also the great potential and quality of Peruvian chocolate. Good flavour, made possible by a combination of taste and scent, of drinking, bar and other chocolate presentations, is the result of the combined effect of the diversity of species, soils and climates for cacao. That is why Peruvian chocolate and more generally Peruvian cacao are gaining increasing world acceptance.



Growing regions

Though still an incipient agricultural export, 10 Peruvian regions already grow cacao:

Tumbes and Piura on the coast; Amazonas, San Martín and Ucayali in the Amazon region; and the rainforest areas in Cajamarca, Huánuco, Junín, Ayacucho and Cusco.

Main growing areas

Peru grows around 40,000 cacao hectares mainly in La Convención and Lares, Huallaga, Apurímac-Ene and Alto Marañón, all in the Eastern Andes.





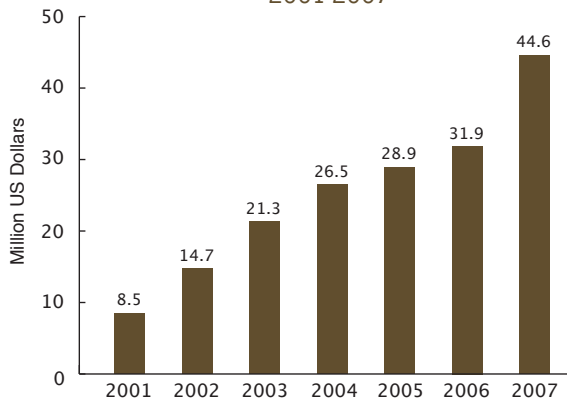
Exquisite creole flavor

Peru grows Trinitary, Amazon foreign and Creole cacao varieties. The Creole variety is expanding rapidly because of its higher quality resulting from greater fat content. Exquisite Peruvian aromatic cacao is also a valuable resource because it adapts well to agroforestry systems where organic cacao is increasingly grown to meet expanding demand.

A rising export star

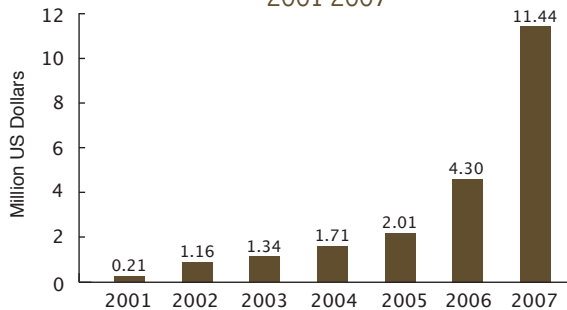
Peru is now the world's thirteenth largest exporter of cacao and its by-products and although only one percent of the cacao the world markets consume comes from Peru, the country's share of world markets is growing dramatically. Only between 2001 and 2007 exports from Peruvian cacao growing valleys rose 424% from 8.5 to 44.6 million dollars annually. Cacao beans exports rose 500% from 0.2 million to 11 million dollars per year. Such explosive growth follows the boom in Peruvian exports that have grown uninterrupted for 25 quarters so that now over 40 Peruvian products rank among the six most sold products worldwide. Peruvian cacao is undoubtedly on the way to become a star export in the steps of dozens of Peruvian agricultural products like asparagus which in less than 10 years rose to the top of the international charts.

Peruvian Cacao Exports*
2001-2007



* Including butter, beans, cocoa, liquor and paste and husks.

Cacao Beans Exports
2001-2007

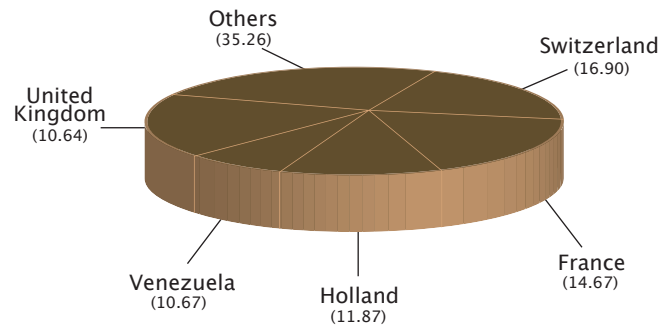


Source: Customs. Prepared by Promperú.





Peruvian Cacao Destination Markets, 2007



Source: Customs. Prepared by Promperú.

From the Andes to the world

As they grow, Peruvian cacao exports also vigorously add new destination markets. Peru presently exports cacao to 20 countries in Europe, the Americas, Asia and Oceania. The main destination markets of Peruvian cacao are Switzerland (16.9%), France (14.7%), Holland (11.9%), Venezuela (10.7%) and the UK (10.6%). Some European countries process and re-export Peruvian cacao.



Peruvian Cacao Exports, 2007

By-products	Million US\$	%	US\$ / Ton	MT	%
Beans	27.81	62.31	5,325	5,222	42.27
Butter	11.44	25.63	2,692	4,247	34.38
Liquor and paste	4.14	9.27	1,626	2,545	20.60
Cocoa	1.23	2.76	3,916	315	2.55
Husks	0.01	0.03	656	23	0.20
Total	44.63	100.00	3,613	12,352	100.00

Source: Customs. Prepared by Promperú.

Thomas J. Müller



By-products and other uses

Though cacao butter is the main cacao export by-product (62.31% of total export value for a total 27.8 million dollars) most spectacular growth was experienced by exports of cacao beans that rose from 0.2 million to 11.4 million dollars. Cacao liquor, butter and paste are used in chocolate making. Cocoa is used for desserts, ice cream, dressings, beverages and cookies. Butter is used in the cosmetics and pharmaceutical industries. Cacao placenta and husks are used as inputs for feed and fertilizers, and ashes are also used as an input for fertilizer making.

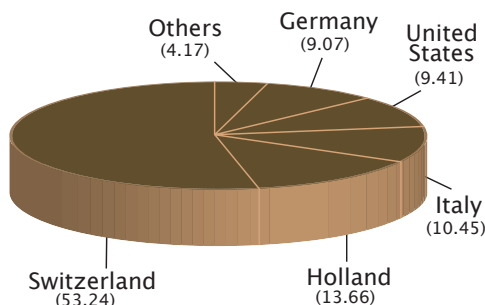
Heinz Plenge





Antonio Martinez / ADP-US/SAID

Destination Markets for Peruvian Organic Cacao, 2007



Source: Customs. Prepared by Promperú.

Booming organic cacao

Peruvian organic cacao has also experienced dramatic growth. Just between 2005 and 2007 total organic cacao exports rose 239% from 3.3 million to 11.2 million dollars. Peru is at present the world's second largest organic cacao exporter, mostly as beans (68.2%) and butter (21.5%). Our main buyers include Switzerland (53.2%), Holland (13.7%), Italy (10.5%), the United States (9.41%) and Germany (9.07%).

Better prices for growers

Rising world cacao quotations in recent years after a long period of stagnating and even declining prices have added momentum to Peruvian cacao growing. In 2007 growing recognition of Peruvian cacao's quality by leading world chocolate manufacturers and high prices of Venezuelan and Ecuadorian competitors have made the world's chocolate manufacturing industry turn its eyes to Peruvian cacao for their preparations, thereby earning Peruvian growers higher prices, in particular for cacao's organic by-products and fair trade growers.

Organic Cacao Exports, 2007

By-product	Million US\$	%	US\$/Ton	MT	%
Beans	7.67	68.21	2,908	2,637	78.78
Butter	2.41	21.46	6,733	359	10.70
Liquor and paste	0.70	6.22	4,034	173	5.18
Cocoa	0.45	3.98	2,867	156	4.67
Husks	0.01	0.13	656	22	0.67
Total	11.24	100	3,358	3,348	100

Source: Customs. Prepared by Promperú.



Perú Foto Stock

Growing appreciation for organic cacao

While one ton of conventional cacao beans sold for 2,340 dollars on average in 2007, organic beans were traded at 2,908 dollars per ton, or 24% higher. Moreover, both quotations were above the 2,000 dollar price in the New York futures market, which was already the highest quotation reached in the last quarter century. Likewise, conventional butter sold for 5,223 dollars a ton while a ton of organic butter fetched 6,733 dollars, or 29% more. Conventional cocoa sold for 1,545 dollars a ton, while organic cocoa reached 2,867 dollars per ton, a whopping 86% steeper.

From coca to cacao

As in all cacao growing areas around the world, most of Peru's organic cacao is grown by small holders who rely on cacao's weekly or biweekly harvest as their main source of regular revenue. Now the largest international chocolate makers have turned their eyes to Peru. And one of them has even become the new buyer of organic cacao for 236 growers in San Martin who chose to join the voluntary illicit coca leave eradication program and are now starting a certification program and creating marketing committees in several towns in that region.

An environmentally friendly crop

A shade crop, cacao can be grown in forests and agroforestry systems, thus helping to enrich soils and protect them against erosion.



Olat Hammeiburg





Porcelain fine

High quality of inputs is of utmost importance for manufacturing. Because of its insuperable aroma and high fat content, which make it a highly priced product in international markets, Peruvian cacao should become a product of choice among first world consumers. Fine cacao accounts for 10% of the world's cacao harvest. Porcelain cacao grown in northern Peru ranks at the top of the chocolate quality scale.

New consumers from the Orient

Present world cacao output is estimated at 3.7 million metric tons and is expected to exceed 4.0 million toward the end of 2010. Although demand will come mostly from developed countries, greater consumption is also expected from emerging and new industrial markets in Eastern Europe, India, China and Russia, as their populations increase their purchasing power and daily lives become more refined. The world is clearly moving towards the consumption of premium chocolate and, in particular, dark, high fat content chocolate. This trend opens large growth opportunities for Peruvian cacao, in the race to compete on an equal footing with cacao from major traditional producing countries.

The time for Andean cacao

Falling production in the world's four largest cacao growers, as well as growing expectations of consumer countries for Andean cacao have opened Peruvian cacao a window of opportunity that Peru is efficiently tapping. Peruvian government officials supported by international cooperation agencies like GTZ from Germany and USAID as well as producer organizations represented by APPCACAO have launched a vast program to standardize Peruvian cacao by identifying quality beans from various cacao growing areas, and to homogenize and improve production processes, in particular in the post-harvest stage when the fruit's aroma and taste develops. Peru is also paying much attention to increasing hectare yields. Encouraging results to so far are reflected in spectacular exports growth in recent years. Nevertheless, the most spectacular progress has been accomplished in the transition from traditional to organic cacao crops, to meet increasing world demand.

The sweet taste of Peru's promise to the world

Peru is a country on the rise. In the last five years it has experienced the highest economic growth and the lowest inflation in the Americas. Economic reform, investment flows and greater connection to the world economy place Peru on the path of economic development and progress, as evidenced by among other facts the sustained agro-exports boom. Peru has signed a free trade agreement with the United States, the world's largest market, as well as with Canada, Singapore and Thailand. In addition, free trade agreements are in the pipeline with the European Union, the world's largest cacao importer and consumer, and with China, the driving engine of the world's economy. Peru has created the internal conditions to continue expanding output of insuperable cacao, and the best conditions to expand this product's international presence. Peruvian cacao is a promise that will soon sweeten the world's taste and contribute to create better living conditions for more Peruvians.



EUROPEAN UNION

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