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International Commerce of Organic Products Situation, Perspectives and Experiences of Peru

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World's Organic Products Sales (e)

Year	Sales Billion US\$	Growth Rate
2009	53	12,77%
2008	47	14,63%
2007	41	17,14%
2006	35	16,67%
2005	30	11,11%
2004	27	10,20%
2003	24,5	

(e) Estimates

Source: Ecor, Internacional Trade Center – ITC, Organic Monitor
Elaborated by: PROMPERU

1. International Context

The international commerce of organic products follows its growing trend mainly in Germany, England, Sweden, Italy and France although the inflationary problems and the contraction of the demand originated by the world-wide oil and financial (real state) crises.

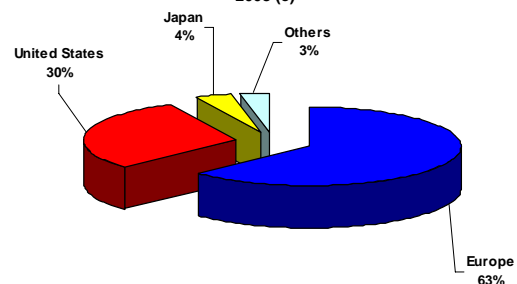
Although is hard to know the world's negotiated amount in organic products, it is estimated that in the years 2006 and 2007 the sales reached US\$ 35 and US\$ 41 billions, respectively.

For the following years 2008 and 2009 it is estimated that this commerce will reach US\$ 47 and US\$ 53 billions, respectively, with an average growth of 14%.

We have to point that mainly the demand for organic products comes from European countries, the United States and Japan which altogether concentrate around 97% of the consumption.

Nevertheless, the organic products trend in other regions such as the Southeast Asia and India are becoming stronger really fast.

World's Organic Products Market By market 2008 (e)



(e) Estimates

Source: Ecor, Internacional Trade Center – ITC, Organic Monitor
Elaborated by: PROMPERU

The main reasons which have permitted the development of the organic products market are:

By the demand:

- A biggest uncertainty and concern about the problems related with food:
 - Contaminants (agrochemicals)
 - Diseases (Avian influenza, Mad-Cow Disease)
 - Genetically modified organisms, etc
- A bigger interest and conscience in ecological issues, resources sustainable management, climate change, etc.
- Social Responsibility.

- Increase of the population and high acquisitive power consume sector.
- More interest in health and nutrition.

By the supply:

- More availability of organic products in: Bio-supermarkets, supermarkets, conventional markets, discount stores, etc
- More advertising and marketing of organic products (Governments campaigns).
- Increasing use in food, cosmetic and textile industries.
- Incorporation of biodiversity criteria (rainforest, friendly), social responsibility (fair trade), and other specific niches (Kosher, Halal, etc.)
- Higher prices: on average 20% more comparing to conventional products.

In this context, the current uncertainty on the financial markets and the stagnation of the principal economies, it is expected a smaller growth rate in the sales of organic products (13%) increasing the competition in the sector and by stimulating the improvement of the efficiency of the productive processes and of exportation besides establishing strategic alliances that allow sharing the benefits of the market.

2. Peruvian Situation

2.1 Generalities

The agriculture in Peru is leaded, mainly, by small producers who, by their economic scale, do not use agrochemicals or pesticides, consequently their products fulfil the “**basic**” requirements of the organic products market.

Its ancestral agrarian tradition, from selection and manage of diverse vegetables species and animals has permitted to “**domesticate**” and “**develop**” a wide diversity of products, lots of them still native, facilitating staggered crops and a sustainable production all year long.

On another hand, Peru possesses favourable environmental conditions (temperature, humidity, day light, etc) and valuable resources (phosphoric rock, island guano, etc) to “**foment**” and “**develop**” the organic agriculture.

The organic production in Peru incorporates not only “**environmental**” (sustainability) criteria, it also considers relevant some others like “**biodiversity**” (rainforest, friendly) and “**social and economic responsibility**” (fair trade); even other specific niches (Kosher, Halal) which have facilitated the revenue to the markets.

The results reached by Peru in organic production are being “**recognised**” internationally:

- 1st World’s exporter of Organic Coffee
- 2nd World’s exporter of Organic Cocoa
- 5th World’s exporter of Organic Banana
- 7th Country with the largest number of farmers who are implementing organic production systems.
- **Megadiverse Country**, it possesses 84 from 104 Life Zones at the World what permits it to have at the same time a high biological diversity.

The strategic importance of the organic agriculture in Peru has created a state-private institutionality (MINAG, CONAPO, SENASA, MINCETUR, PROMPERU, MINAM, ANPE, RAE, RAAA, International Cooperation, Farmer Guilds, companies) interested, involved and compromised in “**consolidated it**” as an alternative for the small producer.

Today, Peru owns a “**legal framework**” (Law of Organic Production, Technical Regulation for Organic Products, State Competent Authority) to “**control**” and “**guarantee**” the fulfilment of the organic production norms.

In Peru the organic production is “**promoted**” trough:

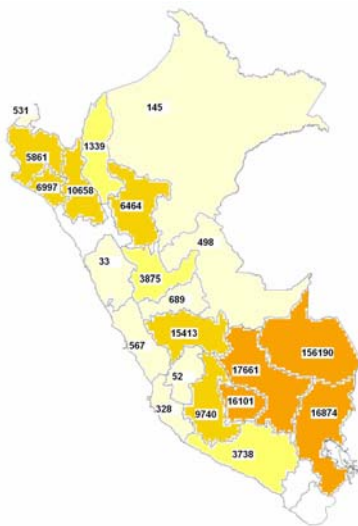
- Its participation in the local market.
 - BioFair, BioStore
 - Ecological areas in supermarkets
 - Delivery service of organic products
 - Diffusion and journalist articles
- Its participation in the international market.
 - Biofach, Anuga - Germany
 - All Things Organic, Fancy Food - USA
 - Trends and market reports.

2.2 Organic Production Area

The organic production is an activity which is practised throughout all Peru.

In 2005, the cultivated area under the organic production principles reached 273,754 hectares.

Peru: Harvest Area with Organic Production
By zones
2005 (d) (e)



(d) Includes Certified and in Transition hectares
(e) Estimates
Fuente: SENASA
Elaborated by: SENASA

In 2007, it is estimated that this surface reached 275 thousand hectares representing approximately 15% of the country total.

The organic certified area is 85% and the transition area 15%.

2.3 Farmers

In 2008, the Peruvian farmers who implement the organic products system in their farms are around 35,000.

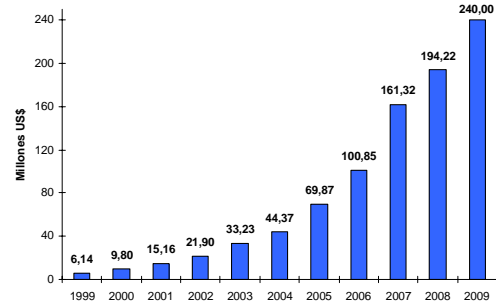
3. Peruvian Exports of Organic Products

3.1 Commercial Trends

The Peruvian exports of organic products reached, in 2007 and 2008, US\$ 161.32 and US\$ 194.22 millions, respectively.

For the year 2009, it is expected that the exports will reach US\$ 240 millions maintaining its average growth rate of 45% yearly.

Peru: Exports of Organic Products
By FOB value (e)



(e) Estimates
Source: ADUANAS
Elaborated by: PROMPERU

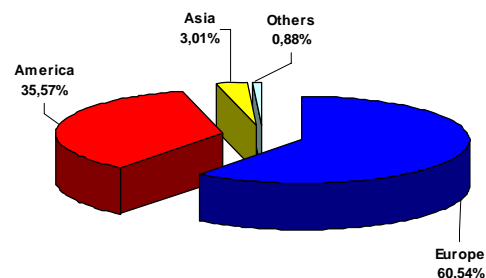
The main reason of this performance has been the development of strategic alliances, which has allowed the motivation of the international industry to consider in the labelling of the organic products, the origin Peru.

This situation is allowing positioning the image of Peru on the international market as the principal supplier of organic products.

3.2 Destinies

The main market for Peruvian Exports of Organic Products is Europe (60.54%), followed by America and Asia with 35.57% and 3.01%, respectively.

Peru: Exports of Organic Products
By markets
2008 (e)



(e) Estimates
Source: ADUANAS
Elaborated by: PROMPERU

In Europe stood out: Germany, Holland, Belgium and Sweden which concentrate together 84.88% of the exports to this market.

Peru: Exports of Organic Products to Europe

By destinies
2008 (e)

Countries	%
Germany	30,04%
Holland	22,08%
Belgium	21,72%
Sweden	11,04%
England	6,56%
Others	8,56%

(e) Estimates
Source: ADUANAS
Elaborated by: PROMPERU

In America, United States and Canada concentrate 93.87% of the exports and, and in Asia, Japan and Thailand, 98.82%.

Peru: Exports of Organic Products to America

By destinies
2008 (e)

Countries	%
United States	82,67%
Canada	11,20%
Mexico	3,71%
Chile	0,73%
Costa Rica	0,42%
Others	1,27%

(e) Estimates
Source: ADUANAS
Elaborated by: PROMPERU

Peru: Exports of Organic Products to Asia

By destinies
2008 (e)

Countries	%
Japan	89,49%
Thailand	5,35%
Hong Kong	2,54%
Korea	1,29%
Singapore	0,83%
Others	0,49%

(e) Estimates
Source: ADUANAS
Elaborated by: PROMPERU

The new destinies that Peru had reached in the year 2008 were:

Countries	Products
Saudi Arabia	Cotton
United Arab Emirates	Cotton
Philippines	Cotton
Greece	Cotton

Guatemala	Maca Noni Tuna Cats claw Yacon
Indonesia	Cotton
Singapore	Maca
South Africa	Cotton
Thailand	Cotton
Uruguay	Cotton
Yemen	Cotton

3.3 Products

The Peruvian agro-exporter basket of Organic Products is positioning itself in the international market; however, it becomes necessary to advance in the transformation chain of the product, presentations and packing in order to commercialize not only raw materials or ingredients but final products, ready for ist consumption.

This way, Coffee and Cocoa has made a big step because since the year 2009 there are going to make the first exports of instant coffee and dark chocolate.

Other products like Andean grains (quinoa, amaranth) are advancing in order to take advantage, of the campaigns of nutritive breakfast and, on the other hand, by developing energy bars.

It is important to stand out how could the same Peruvian products merge between them: chocolates with quinoa, banana slices or Brazilian nuts covered with chocolate, cookies with sesame and amaranth, energy bars, etc to fulfil the tastes and preferences of the consumers.

Even, the new products like Pisco, snacks, sachu inchi, lucuma, etc have lots of opportunities given the present situation our gastronomy is going through.

The exportable supply of Peruvian Organics Products is constituted, mainly, by:

- Fruits
 - banana, camu camu, lucuma, mango, etc
 - Brazilian nuts, pecans
- Coffee and Cocoa

- Cereals, grains and stew
 - sesame, amaranth, quinoa
- Vegetables, tubers, roots and others
 - Palm heart, panela, peppers, etc
- Aromatics, species and condiments
 - ginger, aromatic herbs, etc
- Natural Products
 - maca, purple corn, yacon, etc
- Natural fibers and textile products
 - cotton, alpaca

In 2008, the following organic products joined to the exporting basket:

Products	Countries
Basil	United States
Pumpkin	Holland
Cañihua	Germany
Jojoba	Germany United States Holland England
Noni	Guatemala Japan Norway
Avocado	England
Trouth	Australia Belgium
Tuna	Guatemala Norway

Peru's main exported organic product is coffee concentrating 58.68% of the organic products exports.

It is follow in importance by banana and cocoa concentrating 21.42% and 9.56%, respectively.



The organic coffee exports are sent, mainly to the United States and Germany. Together they concentrate almost 54% of the sales.

Peru: Organic Coffee Exports

By destinies
2008 (d) (e)

Countries	%
United States	27,06%
Germany	26,88%
Belgium	12,02%
Sweden	11,31%
Canada	6,05%
Others	16,69%

(d) Includes derivatives
(e) Estimates
Source: ADUANAS
Elaborated by: PROMPERU

The main destiny of the organic banana is Holland concentrating 41.44% of the exports.

Note: A part of those exports is redistributed to other European countries.

Peru: Organic Banana Exports

By destinies
2008 (d) (e)

Countries	%
Holland	41,44%
United States	31,44%
Belgium	9,37%
Japan	9,13%
Germany	6,11%
Others	2,52%

(d) Includes derivatives
(e) Estimates
Source: ADUANAS
Elaborated by: PROMPERU

In this way, the main destiny of the organic cocoa is Switzerland concentrating 53.11% of the exports.

Peru: Organic Cocoa Exports

By end markets
2008 (d) (e)

Countries	%
Belgium	37,61%
Holland	25,42%
United States	14,43%
Italy	9,89%
Germany	3,48%
Others	9,17%

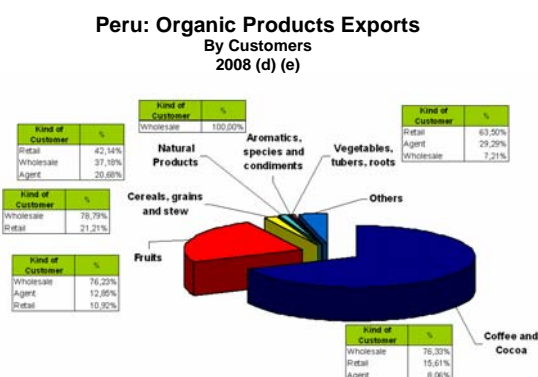
(d) Includes derivatives
(e) Estimates
Source: ADUANAS

Elaborated by: PROMPERU

Note: The exports of organic Cocoa to Belgium are only temporarily, the final destination is Switzerland.

4. International Customers

According to the available information for food, Peru's international customers of organic products are mainly "wholesale" providers, specialized in the commercialization of certain products.



(d) includes derivatives

(e) Estimates

Source: Vernal Consultores

Elaborated by: PROMPERU

It is necessary to highlight the effort of the exporting sector to attend directly the "retail" segment, where the strategic alliances have played a determinant role to commercialize not only fruits, coffee or cocoa but also natural products.

5. Methodology

For the development of this report, the Peruvian export statistics are based in the information of every export operation realised by all the companies (DUA).

Then, the export operations of organic products have been classified.

Finally, the resultant information is contrasted with farmer guilds at a national level and with the main producer/exporter companies.

6. Conclusions

- The smaller growth rate in the sales of organic products (13%) will increase the competition in the sector, stimulating the improvement of the efficiency of the productive processes and of exportation besides establishing strategic alliances that allow sharing the benefits of the market.
- The main reason of the Peruvian performance of organic products has been the development of strategic alliances, which has allowed the motivation of the international industry to consider in the labelling of the organic products, the origin Peru.
- The new organic products in the Peruvian exporter basket are: basil, pumpkin, cañihua, jojoba, noni, avocado, trout and tuna.
- The new destinies that Peru had reached with their organic products are: Saudi Arabia, United Arab Emirates, Philippines, Greece, Guatemala, Indonesia, Singapore, South Africa, Thailand, Uruguay and Yemen.
- The international customers of organic products of Peru are principally "wholesale" providers, specializ in the commercialization of certain products.

