

**Voluntary Report** – Voluntary - Public Distribution

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**Report Number:** PE2021-0003

**Report Name:** Avocado Exports Continue to Increase

**Country:** Peru

**Post:** Lima

**Report Category:** Agricultural Situation, Avocado

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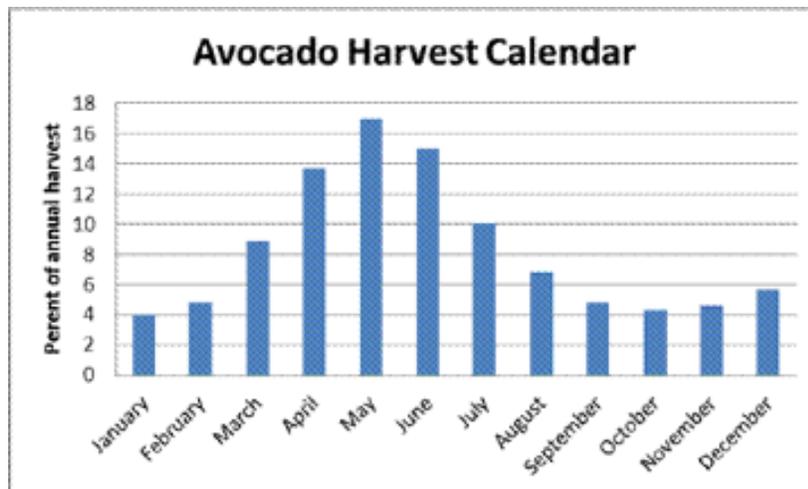
**Approved By:** Dwight Wilder

**Report Highlights:**

Peruvian avocado exports are estimated to reach 450,000 MT in 2021, increasing 10 percent by volume compared to the previous year. Avocado exports in 2020 increased 30 percent by volume compared to 2019, reaching a record of 410,463 MT. Industry sources have indicated that recent changes in the Agricultural Promotion Law may impact the investment climate for Peru's agricultural export sector.

**Production:**

Avocado production in calendar year (CY) 2021 is estimated at 560,000 metric tons (MT). Peru principally produces two types of avocados: Hass, 95 percent for export, and Fuerte, mostly for local consumption. The total land under avocado cultivation is estimated at 35,000 hectares, 27,000 of which are certified for exports. The average expected yield per hectare is 14-17 MT. The regions of La Libertad and Lima account for more than 40 percent of total avocado production. As shown in the chart below, the majority of avocado production occurs between the months of April and June.



Most of the avocado production in Peru is located along the desert coast. Larger-scale producers utilize water sourced from the Andes via federal water canals. The water is then precisely applied using a combination of drip irrigation, sensors, and irrigation software.

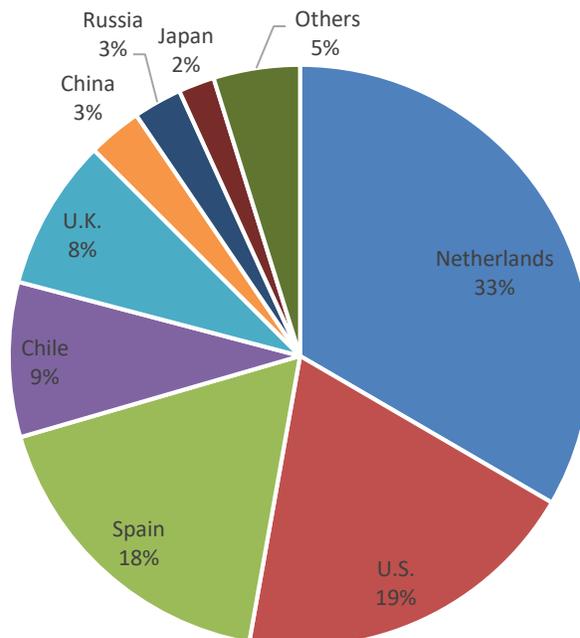
**Consumption:**

The domestic consumption of avocado in Peru is estimated at 150,000 MT per year. Peru's consumption per capita is estimated at five kilograms. Peruvians prefer green skin varieties, like Palta Fuerte. Prohass, Peru's Hass avocado producers' association, is currently conducting marketing programs to increase domestic Hass avocado consumption.

**Trade:**

Peruvian avocado exports are estimated to reach 450,000 MT in 2021, increasing 10 percent by volume compared to the previous year. Avocado exports in 2020 increased 30 percent by volume compared to 2019, reaching a record of 410,463 MT. International avocado prices in 2020 fell to \$1.88 from \$2.40 per kilogram in 2019. This price reduction is mainly a consequence of oversupply. Although Peru's avocado exports to the world increased in 2020, exports to the United States fell 22 percent by value and nine percent by volume to \$179 million and 78,665 MT. Better prices in other markets drove this change.

### Destination of Peruvian Avocado Exports (2020)



Source: Peruvian Customs Service (SUNAT)

#### Policy:

Peruvian agricultural exports soared over the past twenty years, increasing from \$645 million in 2000 to almost \$8 billion in 2020. A crucial factor for this growth was the Agricultural Promotion Law approved in 2000 and renewed in 2019. The Law primarily allowed companies to hire temporary workers according to the needs of the crop's vegetative cycle. The Law was repealed in late 2020 following protests and calls to update it from agricultural labor groups. A new replacement law was approved on December 31, 2020. However, the new law's implementing regulations are still being formalized which has created some uncertainty among investors.

Since 2000, Peru quadrupled its productive land devoted to high-value exports to almost 200,000 hectares. Post estimates that at least four direct jobs in the field and one in processing plants are created per hectare, which means Peru has created at least one million formal jobs through the expansion of its agricultural exports sector. The Agricultural Promotion Law was also instrumental in creating employment opportunities for women, including technical and managerial positions, who now account for roughly 25 percent of the work force in the agricultural export sector.

La Libertad and Ica, the regions that have become Peru's agricultural powerhouses, arguably benefited the most from the Agricultural Promotion Law. These two regions are responsible for 27 percent of total Peruvian exports of fruits and vegetables and have a near zero unemployment rate. Additionally, these two regions were the epicenter of protests to change the law.

The Congressional repeal of the Agricultural Promotion Law has created uncertainty among some investors and larger agricultural firms, who have cited concerns to FAS Lima regarding new investments. Local industry contacts have further indicated to FAS Lima that depending on the forthcoming implementing regulations, the avocado sector could be unfavorably impacted, particularly small producers in the highland regions. These sources cited that any future reduced competitiveness of the sector could lead to increased mechanization among larger firms in an effort to limit labor costs.

**Attachments:**

No Attachments.