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Peru Quinoa Price Fluctuation

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Report Highlights:

Demand for quinoa by health conscious consumers in the United States, Canada and Western Europe has driven the price of this Andean grain up three-fold in recent years. Quinoa recently traded as high as \$6,000-\$7,000 per metric ton (MT). Expanded quinoa cultivation is raising overproduction concerns, raising the possibility of lower prices paid to producers. Quinoa prices fell around 40 percent between September 2014 and August 2015. Sources report that this decrease is due to overproduction. The 2014-15 drop in prices lowered producers' household incomes by about five percent. Quinoa prices however have recently shown signs of recovery, returning to 2013 levels. Ministry of Agriculture and Irrigation sources estimate 2016 quinoa production coming in at about 108,000 MT, down some 14,000 MT from their earlier estimates. Exports in 2016 are estimated at 42 million MT, up six percent compared to 2015. Peru will export to the United States 55-60 percent of its production (\$62 million) in 2016.

General Information:

Demand for quinoa by health conscious consumers in the United States, Canada and Western Europe has driven the price of this Andean grain up three-fold in recent years. Quinoa recently traded as high as \$6,000-\$7,000 per metric ton (MT). The United States, with 15.3 million metric tons in quinoa imports in calendar year (CY) 2015 is the world's largest importer, as well as Peru's main export destination. Peru in CY 2016 (January-June) reports U.S. exports of 4.5 million MT, up 20 percent compared to the same period in 2015.

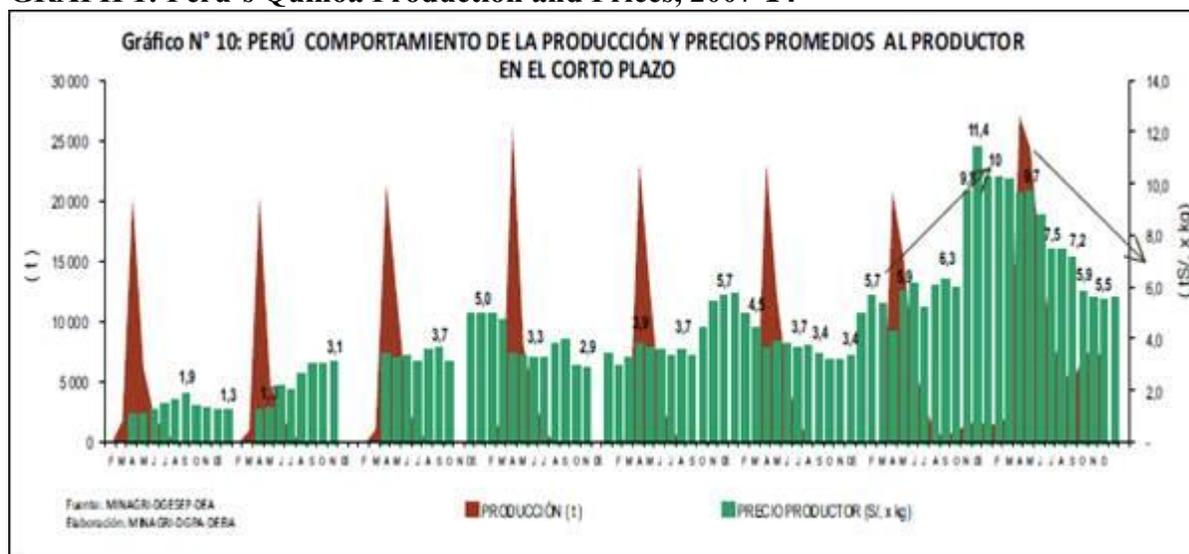
Ministry of Agriculture and Irrigation sources estimate 2016 quinoa production coming in at about 108,000 MT, down some 14,000 MT from their earlier estimates. Exports in 2016 are estimated at 42 million MT, up six percent compared to 2015. Peru will export to the United States 55-60 percent of its production (\$62 million) in 2016.

The 2015-16 El Niño Southern Oscillation (ENSO) weather phenomena came in weaker than anticipated. However poor rains in the southern highlands, along with lower than normal temperatures during the November-January period (spring-summer), disrupted crop production in the Departments (i.e., States) of Puno, Apurimac, Ayacucho, Huancavelica, and Cuzco. Drought-like conditions in the main quinoa growing areas drove down yields.

Producers are voicing concerns with crop price fluctuations and lower yields. Some are concerned that this, along with slower economic growth (estimated at 3.9 percent in 2016), will allow neighboring countries' quinoa producers to gain export market share in overseas markets.

Peruvian producers bemoan that European Union (EU) mechanized quinoa production is eight times more productive than their own production. EU quinoa production has reportedly increased 227 percent in 2012-15, but according to the Food and Agriculture Organization of the United Nations (FAO) still only accounts for about eight percent of global production.

GRAPH 1: Peru's Quinoa Production and Prices, 2007-14



SOURCE: [Peru Ministry of Agriculture and Irrigation](#).

Overseas consumers' willingness to pay premium prices for quinoa is reportedly raising concerns among Fairtrade advocates in the United States that this grain will become unaffordable for most Peruvians. Some sources however comment that the higher prices being paid are actually benefitting quinoa producers, many of which have seen their household income double in recent years. Studies indicate that higher prices paid for quinoa have led producers to increase their own food consumption at the same time.

Expanded quinoa cultivation is raising overproduction concerns, raising the possibility of lower prices paid to producers. Quinoa prices already fell around 40 percent between September 2014 and August 2015. Sources report that this decrease is due to overproduction. We understand that the 2014-15 price drop lowered producers' household incomes by five percent.

Quinoa prices at about \$2.00 per kilogram are showing signs of recovery, returning to near 2013 levels. However, Fairtrade advocates reportedly favor a price closer to \$2.60 per kilogram. Ministry of Agriculture and Irrigation sources clarify that Peruvian quinoa prices fluctuate most during the post-harvest season, sometimes by as much as 30 percent.