



## The Booming Peruvian Avocado Export Sector: Lessons for Kenya

NWO/WOTRO project Productive Employment in the Segmented Markets of Fresh Produce, 2014-17

### Key messages

- The booming Peruvian avocado sector provides a number of lessons that can be applied to Kenya's developing sector, particularly through public interventions.
- Strong private-sector firms, supported by government policy, can lead the development of new market opportunities and expand exports.
- The government should develop a strategy to stimulate the participation and inclusion of small producers.

### Background

Despite global demand for avocados increasing during the past decade and avocado exports from Peru surging, Kenya's avocado exports have remained stagnant.

Peru's success story was analyzed as part of a four-year research project on Productive Employment in the Segmented Markets of fresh produce (PRESM), funded by NWO/WOTRO, to assess what lessons it holds for Kenyan export markets.

### Peru's success

Peru's avocado exports took off around 2006 due to increasing demand from European Union (EU) countries. Even so, until 2010, Peru and Kenya followed similar paths in avocado production, with Peru's large-scale plantations arriving late to the global boom. In 2011, Peruvian avocado exports received a boost when the US market opened without the requirement of phytosanitary cold treatment and a lower supply of avocados from Mexico.

There has been a remarkable evolution of Peruvian agricultural exports for more than a decade.

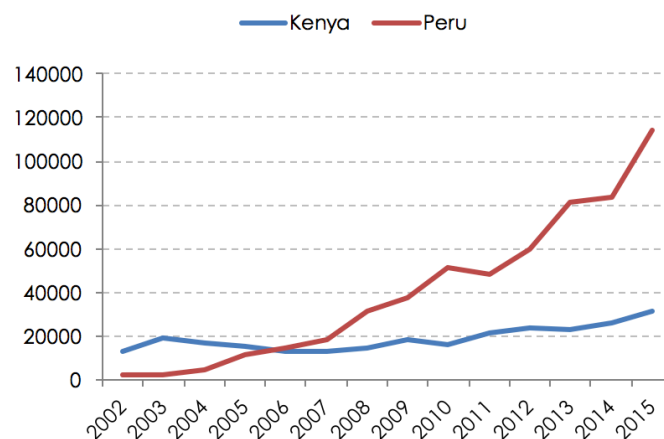
The country's agricultural exports can be divided into two main groups: traditional (cotton and sugar) and non-traditional (NT, a wide range of fresh and processed fruits and vegetables).

Between 1998 and 2014, the agricultural export value of the NT subsector increased from 48% to 83% of total agricultural exports value.

Before this surge began, policies were implemented to encourage the entry and consolidation of large-scale actors. These included regulatory reforms

(labour regulations, land tenancy frameworks, fiscal incentives), an accelerated process for trade agreements, increased public infrastructure investment (irrigation and connectivity), and the deployment of complementary services to ease the path to international markets (phytosanitary certification), as well as some uncoordinated public programs for the productive development of small-scale farmers.

### Avocado exports – Kenya and Peru (2002-2015)



Source: FAOSTAT / HCDA Database.

## Peru's experience...

Peru's policy actions consolidated the development of major exporting companies in the country's coastal region (rather than in the Andes or Amazon regions). This led to Peru having the highest average yield in the world in seven of the country's nine main agricultural exports, including avocados.

Since 2010, Peru has substantially increased the amount of land dedicated to avocado production. The location of 98% of Peru's avocado production in the coastal and inter-highlands regions, and the complementarities between the regions means there is an almost constant annual production of avocados.

Additionally, the comparative late entry of Peru's large-scale plantations to the avocado boom allowed them to benefit from complementary services (such as phytosanitary control) that had been installed as part of the early development of other products (e.g. asparagus and mangoes). These actions have also had a "trickle down" effect on small-scale producers, some of whom export through producers' associations, other engage in contract farming with large plantations and processors.



## Implications for policy

- The government has a fundamental initial role to develop the value chain by **opening market opportunities, reforming regulations, and investing in infrastructure**.
- By **facilitating private-sector leadership and competition to access export markets**, fresh produce exports will increase and small-scale producers can benefit from trickle-down effects.
- To guarantee the successful participation of small producers, the state can play an important role by promoting the development of more private-public platforms that **identify market opportunities and match them with groups of producers** who can receive public support.

## ...and key lessons for Kenya

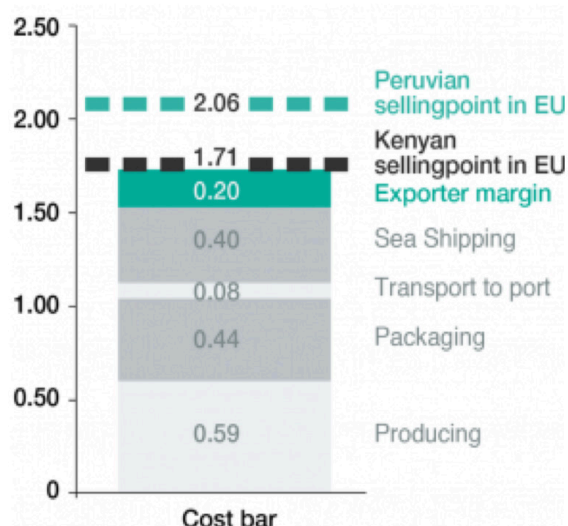
The Peruvian experience highlights the **importance of public interventions to develop the value chain**. In this case, the agro-export boom was preceded by **policies to encourage private large-scale actors**. These private enterprises led to the identification of the global demand for avocados and **access to the export markets**.

Peru's model brought good overall results for the economy but its inclusion of small-scale producers is limited.

While Peru has seen a remarkable expansion of large-scale commercial avocado farming, most avocados in Kenya are grown by small-scale producers selling to brokers (offering uncompetitive prices). However, this analysis indicates that Kenya has several opportunities to successfully develop its avocado export sector.

- Kenya's avocado **yields are significantly higher** than the world average (up to 20% higher for Fuerte avocados).
- Due to lower shipping costs, Kenya can sell avocados to the EU market at a **lower selling point** than Peru (see chart, below).
- Kenya also seems to have a good opportunity in terms of the **seasonal EU market window**.
- As more plantations, small producers, and brokers participate in Kenya's export value chain, **contracts and conditions improve and prices increase**, especially for small producers.

Europe CIF exporter cost bar (2013, \$/kg)



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