# Struggling Downstream? The Trout Value Chain in Peru

In Peru, the USAID project for Poverty Reduction and Alleviation (PRA) has been one of the pioneers of value chain interventions. Under the PRA, value chains of distinct products have been fostered, ranging from agro-industrial products to artisanal goods and small manufacturing, which have then gained placement in international markets. The chain for trout is one of the successful chains achieved by the PRA. Not only has it combined the natural advantages of raising this fish in Peruvian territory, but also it has managed to consolidate access to foreign markets through a national producer and trader, Piscifactoría Los Andes.

Raising trout has a long history in Peru. The species was introduced in the country in the 1930s, with the import of eggs and fry (young trout) brought from the US. The development of trout farming has occurred extensively, by populating lakes and water sources. By the 1980s, there was a new effort to propel this activity through the construction of fish farms in various mountainous provinces of the country. However, raising trout did not take off as an economic activity and the infrastructure that was constructed was left underused.

In the 2000s, the Peruvian enterprise Piscifactoría Los Andes has made important efforts to begin trout export to foreign markets. These efforts have been complemented by the PRA project, with the development of trout value chains initiated in Junín, Huancavelica and Puno.

## Linking poor producers to exporters and high-value markets

Although the initial investments required for trout production may be low, export of trout to international markets requires a series of sanitary certifications, imposing a high cost on producers and traders. The value chain for trout is divided into three well-determined links: fry production, trout production and marketing. These links define the principal actors in the value chain. One company in Peru accounts for the majority of trout exports (90% as of 2006) and is the largest and oldest within the industry in Peru.

Piscifactoría Los Andes recognised that it would need to increase production in order to begin to export trout. In 2000, the company decided to participate in the PRA project and initiated negotiations with producer organisations (SAIS). The company would provide the necessary capital as well as purchasing the fry and balanced food. SAIS would hand over its production to the company once the trout had reached the optimal size and weight. The PRA financed the contracting of several experts, who provided technical assistance to SAIS.

Despite initial incompliance on the part of SAIS, the interaction allowed for Piscifactoría Los Andes to increase production and sell to the export market. The agreement between SAIS and Los Andes was broken, but the coordination model must have appealed to the company because it continued to participate with the PRA in other regions. In fact, the company has

COPLA

Trade and Poverty in Latin America

Case study
December 2009

**Overview**

This study evaluates the varying degrees of success with which small-scale producers, as a result of various donor projects, have been able to supply urban and international markets with trout from Peru. The study highlights the barriers faced by small local producers to access to export markets. It questions whether sophisticated markets can be used to reduce poverty and highlights the important role of local government in promoting private sector investment.

signed an agreement with private company California's Garden de Oxapampa within the framework of a PRA project.

## The experience of Acoria

In this case, the coordination was between the Municipality of Acoria and the Los Andes company. The agreement continues to present day. In 2003, initial production reached 12 metric tonnes of trout per year and production is expected to reach 72 metric tonnes in 2008. In 2007, the municipal enterprise attained financial self-sufficiency and managed to generate employment for its community members (including single mothers and widows). The Municipality of Acoria is contemplating initiating trout farming in other locations in its jurisdiction.

There are several lessons to be learnt from this experience. First, coordination agreements need to be put in place to facilitate investments in public infrastructure; management could be realised by a municipal company or by a company under a franchise agreement. Second, it is feasible to replicate coordination models on a small scale, but it is still necessary to include components of technical assistance and financing. Third, expanding the level of production of trout requires significant capital. The financial solvency of large producers and coordinators is vital.

## The experience of Puno

In Puno, there are different institutions linked to trout farming, such as strong producer associations like the Association of Trout Producers (APT), which are relatively active in promoting technical assistance projects for the benefit of their associates. However, initiatives have not managed to coordinate the value chain strongly, owing to budget limitations and overemphasis on the provision of basic training to the neglect of other activities. The low prices that are prevalent in the region, lack of credit, high levels of informality, lack of coordination of the actions of state organs and scant knowledge of marketing aspects of trout are the main obstacles to the development of this activity in Puno.

## Conclusions

This study showed that value chain interventions should be utilised for programmes whose main objective is to increase the dynamism of economic activity in a specific territory, as such programmes are not necessarily effective in alleviating poverty.

In general, value chains interventions are targeting foreign markets, which are subject to quality certification and sanitary norms that can present bottlenecks for small local producers. Moreover, coordinating the chain requires significant technical and financial capacity. In the examples discussed, such assistance has been forthcoming from the PRA, but project objectives have not always been achieved. It is important not only to provide technical assistance, but also to offer access to finance and to facilitate institutional development. Sensitisation programmes are recommended in order to promote the formalisation of producers and membership in associations, and to engender confidence and respect in the agreements.

Poverty alleviation programmes should be designed mainly to elevate basic poverty indicators, and not to coordinate with sophisticated markets. Poor producers generally manage a range of resources and activities in order to support themselves, and often consider focusing on a single economic activity to be a high risk.

In parallel with the promotion of value chains that coordinate with foreign markets, it is necessary to work on the formation of value chains that coordinate with regional markets and the domestic market, in order to prevent prices falling from excess supply. To this end, it is necessary to work on the formation of regional markets and the provision of public goods in the form of physical infrastructure and market information systems.

The focus on demand promoted by the PRA project should be supported by the important activity of market intelligence. Only in this way will we be able to construct stable demand for local producers and ensure that market prices are adequate in order to generate sufficient utility to cover the risk that they face for their specialisation.

**About this summary**
This case study summary was prepared by Jodie Keane with Alberto Lemma and is based on longer studies originally undertaken by Juana Kuramoto at GRADE, a member of the Consorcio de Investigación Económica y Social (CIES) in Peru. The full study is available in Spanish on the COPLA website: http://www.cop-la.net.

**About COPLA**
Comercio y Pobreza en Latino América (COPLA, or Trade and Poverty in Latin America) is a two-and-a-half year project that explores the linkages between trade, poverty and social exclusion in Latin America.

Find out more on: http://www.cop-la.net

**Photo credit**
COPLA