

Sustainability in Action: Jalapeño Peppers

- In late 2000, CDA set up an independent grower outsourcing program for Chestnut Hill Farms (CHF), a major Honduran processor of jalapeño peppers.
- Participating growers have implemented the required production technologies to profitably grow the peppers, and the commercial relationships and confidence between the buyer and the growers are now sufficiently developed to ensure continuity.
- On June 30th, 2004, the program was transferred to CHF, which is now providing all of the services previously provided by CDA: technical assistance to growers, establishment of planting schedules, logistical coordination, and quality control.
- In 2004, 69 growers will deliver more than 13 million pounds of jalapeño peppers with a sales income of \$2.2 million. These sales have provided on farm employment to an equivalent of 300 permanent positions.
- Fintrac CDA will continue developing additional markets and buyers for jalapeño and other peppers, expanding opportunities for additional farmers. In 2004, sales to other buyers and markets are projected to reach 8 million pounds (\$1.36 million in farmer income), providing on farm employment equivalent to 240 permanent positions on-farm and 100 new permanent positions in other processing operations. As with CDA's partnership with CHF, new production programs will be graduated to "sustainability" as the buyer-grower linkages are cemented.

While one of Fintrac CDA's main objectives is to create new and innovative programs that can contribute to economic development in the agricultural sector (increased rural employment and farmer incomes), the Project is also looking for the most suitable players and systems to ensure continuity post-project. In order for the shift to be successful and sustainable, it is necessary to involve government, private sector and/or independent institutions in particular programs. In many cases, it is possible to determine which players are going to become the main drivers of a specific program, but programs need to evolve in order to determine which parties are taking most interest and would be more suitable to provide a sustainable environment for the stakeholders.

"Transferring the Jalapeño Pepper Production Program to a Processing Company"

The jalapeño pepper program started in late 2000, when the largest jalapeño producer and processor in Honduras (Chestnut Hill Farms) decided to outsource raw material requirements instead of producing themselves. This action would put the company in a more competitive position as they would be able to transfer the production activity to independent growers and focus on the value-added processing activity. For the growers, it meant a large and reliable market, with attractive conditions for volumes and a fixed price.

The CDA project has been responsible for transferring the most up-to-date jalapeño production technology practices to all participating growers, and has been in charge of scheduling plantings in order to meet the buyer's demands. As the program evolved and growers gained more experience with the crop, participating farmers were able to continuously improve their performance:



- Over the three-year period, average yields have increased from 40,000 pounds per hectare to more than 100,000 pounds per hectare.
- Unit production costs have been reduced from \$0.15/pound to \$0.10/pound.
- Growers have become more consistent in their deliveries and the quality of their product.
- Plant deliveries have become more stable throughout the year.
- The buyer has gradually increased raw material sourcing with independent growers: from 5 million pounds in 2001, to 10 million pounds in 2002, and to 13.5 million pounds in 2003.

After analyzing the evolution of the three-year program (creating grower capacity, transferring technology, developing systems and quality standards, and improving overall product flow to the plant), CDA decided to start phasing itself out of this program and met with the processor to determine the best exit strategy:

"As discussed a year ago, June 2004 was given as the date for transfer to CHF for all of the independent grower field activities. We now have a core group of good commercial jalapeno growers who have proven production experience and delivery histories and who can continue to work with CHF ... We believe we have developed a production platform of successful independent growers with a good geographical distribution to reduce supply risks, of benefit to both the growers and CHF. As we have discussed several times, we trust that CHF will continue to use these small- and medium-sized growers as part of the supplier base."

- Andy Medicott, Fintrac CDA Director, in correspondence with CHF

To ensure successful transfer of the program, the processor hired a full time agronomist in June 2003 with responsibilities for managing the planting schedule and providing specific technical assistance to independent growers. He was introduced to the independent growers, located throughout the different zones of Honduras, and to the production practices by CDA agronomists. The CHF agronomist worked in coordination with the CDA staff for one complete year. The independent grower program was handed over completely to the processing company on June 30th, 2004. They have included all of CDA's lead clients in their planting schedules for the upcoming season. These growers will be responsible for the delivery of an estimated 13 million pounds (worth more than \$2.2 million) in 2004, and will continue as suppliers to CHF for upcoming seasons.

"I personally want to thank you for all that you and your team has done. I know the country appreciates everything you've done for them. Chestnut Hill and Mount Dora Farms plans to keep these farmers as we feel they are a part of our family now. It was a pleasure working with you and your team and I hope we can stay in contact. If there is any assistance in the future that Mount Dora Farms or Chestnut Hill can provide please feel free to let me know."

Chris Corette, General Manager of Mount Dora Farms (USA), in correspondence with Fintrac CDA

"On behalf of the entire Chestnut family, we would like to thank you for the enormous efforts that you have made to maintain a functional independent grower program. Be assured that your efforts have not been in vain as we plan to continue working with the independent grower group for a long time."

Mario Velasquez, General Manager of Chestnut Hill Farms (Honduras) in correspondence with Fintrac CDA



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