

FINTRAC CDA

Market led production programs are a core component of the Fintrac CDA technical assistance program. Good agricultural practices and the systemization of production practices provide the technological base for grower competitiveness. This bulletin provides a summary of Project activities and results with Jalapeño peppers, which is just one crop that selected growers produce as part of an overall market driven integrated crop management program. The overall farm is considered as the business base and in any given year, growers will also produce other income generating crops as part of a rotation program which minimizes unit overhead and operating costs.

Chile Jalapeño

Jalapeno pepper was the first fixed price contract production program developed by CDA in 2000. The jalapeño program is now in its third year and continues to show excellent results for the producers and the processors, both locally and regionally. The production systems and postharvest handling operations have been continually improved to increase yields and productivity, reduce costs, and maintain consistency of supply and quality. Growers have gained experience. Inefficient growers have been taken out of the program. As a result, productivity has increased, unit costs have decreased, overall volumes and grower sales have increased, new value-added products have been developed, new markets have been opened, and processed product exports have increased.

In 2003, 93 participating growers with 145 hectares averaged 93,000 lbs/hectare compared to 63,341 and 42,164 lbs/hectare in 2002 and 2001 respectively. With increasing yields and efficiency the unit cost of production has been reduced from \$0.15/lb in 2001 to \$0.10/lb in 2003.

Over the life of CDA to date, growers have sold more than 30 million pounds of peppers with a gross sales income of \$ 5.4 million.



PRODUCTION SYSTEMS

CDA has optimized jalapeño production systems to continually reduce unit cost of production. In addition to Good Agricultural Practices, standard operations include integrated pest management, soil preparation, use of sticky traps (photo), live barriers, drip irrigation, fertilization programs and others.



EMPLOYMENT IMPACT

In 2003, 147 hectares of jalapeño production generated the equivalent of 480 jobs in 8 departments. With the introduction of high value rotation crops, this employment is becoming permanent. The main Honduran processor employs 500 persons year round, with new processors in 2003 now employing 100 more persons.

SALES

In 2003, CDA jalapeño growers sold 15 million pounds of peppers with a gross sales income of \$2.75 million. Just over 70 percent was sold to a major Honduran processor, 25 percent to Guatemalan processors and 5 percent on the local fresh markets in Honduras, El Salvador and Nicaragua. Sales have increased by 320 percent from \$0.85 million in the first year of operation in 2001. Average net income has also increased, to \$6,650/hectare in 2003 compared with \$1,055/hectare in 2001. CDA is committed to expanding the market opportunities and production area for jalapeño and other peppers.

TECHNICAL ASSISTANCE

Technical assistance is provided to growers in production and postharvest handling systems in addition to the market contracts with lead buyers. GAPs, fertilization, pest and disease control systems, record keeping, cost controls, logistics and programming are all included.



"Jalapeño has been the stepping stone for growers to upgrade production systems and invest in infrastructure. The emphasis on competitiveness and professionalizing operations has opened doors for growers to expand with new crops and new buyers".

Ricardo Lardizabal, Fintrac
CDA Production Manager

PROCESSING

In 2003, growers sold more than 14 million pounds of peppers for processing which adds value to the final product. The Project has worked with new processors on jalapeño products, including frozen (IOF), pickled and stuffed. Market channels, training and supplies were set up for five additional processing companies in 2003.



The growth in grower and processors operations has also had a positive impact on the input, service and BDS sectors. 2003 grower expenditure was divided into seed suppliers, plantlet producers, land preparation services, inputs, irrigation equipment and costs, labor, local transport and customs services. Labor makes up almost 28 percent of total costs (\$472 thousand), followed by inputs (26% - \$412 thousand) and local transport (15% - 182 thousand).

Jalapeño peppers are a labor intensive crop, particularly during transplant and harvest. On-farm labor requirements average 770 person days/hectare, equivalent to 3 permanent positions. Between 40% and 50% of the labor is provided by women. In almost all cases, when a grower enters into the program, this is new employment generation. The total amount of wages paid by jalapeño growers between 2001 and 2003 is estimated at over \$990 thousand.

END PRODUCTS

More than 60% of the fresh jalapeños by CDA growers are made into Jalapeño poppers (Photo) and sold world wide. Other end products include pepper sauces, pickled peppers, dried peppers and jalapeño cheeses. CDA is actively working with large scale processors and microprocessors to expand the product lines using the jalapeño base.



As a result of market research and market visits, the number of buyers of fresh and processed jalapeño has increased. For 2003, 2 new buyers in Guatemala and 1 in El Salvador have been buying fresh peppers on a formal and regular basis; these 3 new buyers started in mid-2003 and bought a combined total of 750 thousand pounds. Buyer contacts were also made on behalf of processors with international buyers of processed jalapeños. Initial contracts with new processed jalapeño buyers total more than 1 million pounds for 2003. More contracts with international buyers are expected for 2004.