



Independent Producers Achieve International Competitiveness: Jalapeño Peppers in Honduras

Fintrac CDA's jalapeño production program commenced in late 2000 to introduce independent growers to this crop and, at the same time, to improve the processing and marketing operations of overseas investors in Honduras. The main objectives were to develop profitable farm production operations, reduce production risks, and ensure consistent supply and quality so that the processor could meet market requirements.

Planting is carried out under contract and is determined by the buyers' volume requirements. Contracts generally include pre-established fixed prices which immediately reduces market risk for the growers. Calendarized plantings allow for production and processing on a year-round basis, with a geographic distribution and timing that maximizes yields and reduces risks for all growers.

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 (see Table). 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. As a result, volumes have increased, new end products have been developed and new markets have been opened.

	2000/2001	2001/2002	2002/2003*
Participating Producers (#)	88	95	93
Total Area (ha)	120	195	210
Grower Sales (millions of lbs)	5.10	10.27	3.71 (15.0 projected)
Grower Sales (US\$)	\$850,000	\$1,800,000	\$670,000 (\$2,750,000 projected)
Average Yield (lbs/ha):	42,164	66,885	70,580
Average Rejection Rate (%)	14.8	7.6	
<i>* Actual figures for January-April; projected figures are for full season</i>			

Sales, yields and area have shown continual increases. The average production in 2002 was 66,885 lbs per hectare at an average cost of \$7,000 per hectare. In 2002, 60 producers sold more than 10 million pounds of peppers from 195 hectares, achieving gross sales of \$1.8 million with net income of at least \$870 thousand. More than 3,000 persons are employed through the program with benefits reaching other sectors including transportation and input suppliers.

Current buyers are processors located in Honduras and Guatemala, who in turn sell processed product to buyers in the US, Europe and Central America. The jalapeño peppers are processed into various forms including whole, halves de-seeded, diced and nachos, in the green and red form and packed in brine or frozen. End products include jalapeño "poppers", canned jalapeños, canned jalapeños with pickled vegetables, and pepper sauces. Sales are also made to local cheese processors and fast food companies, as well as in the fresh form on the local market and into El Salvador.

Fintrac CDA technical assistance and farmer implementation of the recommended production systems have increased productivity and profitability, achieving levels much higher than previously achieved in Honduras and in the region. Small- and medium-sized independent growers have demonstrated that they can compete successfully with the large growers. Support has been provided to the processor in diversifying its product range to include red peppers and by providing new market contacts to increase volumes.

In 2003, the program projects sales volume to reach 10 million pounds in Honduras and 5 million pounds in Guatemala, with grower returns of \$2.75 million. Eurepgap systems will be implemented by all growers and new buyers will be sought in Mexico. The overall Fintrac CDA pepper program is also being expanded to include 80 hectares of Tabasco peppers for processing and 50 hectares of sweet peppers for local market sales (fresh consumption and processing) – all under fixed price contracts.