

PROJECT FACTSHEET

Latin America and the Caribbean Division January 2016

**Swiss Agency for Development
and Cooperation SDC**

STRENGTHENING THE CACAO SECTOR IN HONDURAS AND NICARAGUA



Hurricane Mitch caused lasting damage

The majority of plantations in Honduras were destroyed by Tropical Hurricane Mitch in 1998. In its wake, large tracts of arable land lay fallow, because local producers lacked the knowledge to recreate the right growing conditions for cacao.

Prices plummeted, and nobody was interested in cultivating cacao any more. In recent years, however, consumers in Asia have discovered a taste for chocolate and demand for cacao has risen sharply, prompting Honduras to reacquaint itself with cacao cultivation.

THE PROJECT IN BRIEF

Global demand for cacao has risen sharply in recent years, as has global output. In reality, however, demand far outstrips market supply: in other words, worldwide annual cacao production, estimated at four million tons, is still not enough.

Côte d'Ivoire, Ghana and Indonesia are currently the world's biggest cacao-producing nations. Central America is not yet a major supply-side player, but offers significant growth potential.

That is why the Swiss Agency for Development and Cooperation (SDC) is supporting the expansion of the cacao industry in Honduras and Nicaragua, in cooperation with both public and private-sector partners.

The objective is to help alleviate poverty among the rural population, and to guarantee their food security while increasing sustainable cacao production. Specifically, the SDC aims to improve producer revenues and create long-term employment in the cacao cultivation sector.

AN ATTRACTIVE MARKET...

Indeed, Central America has been stepping up its output of cacao over the past few years. In 2014, Nicaragua produced 4,000 tons of cacao. For 2016, in Nicaragua, cacao production is expected to exceed 5000 tons. In Honduras 1,000 tons were produced in 2014 and production is continuously rising. Although these quantities remain very small on the global scale, there is significant growth potential, especially in Nicaragua and Honduras. The region's climate is ideal for cacao cultivation, and there is still considerable scope to increase productivity.

The cacao market has become increasingly attractive to the countries of Central America, for two main reasons. First, strong demand for the product will result in an increase in its market price in the near future. Second, cocoa is becoming a genuine alternative to coffee, which is on a decline because of climate change.

...BUT A DIFFICULT ONE

Growing cacao is hard yet delicate work. It takes three to five years for a cacao tree to bear its first fruit, and the harvest is enormously time-consuming, as each pod must be opened and the beans then dried and fermented.

In Central America, organisational and marketing capabilities of cacao are rather poor, and the producers' knowledge often limited. In addition, most of the infrastructure and used methods are still technically unsuitable for drying the cocoa beans and fermenting them.

ACTIVITIES

Intervention on the part of the SDC and its partners is therefore aimed at optimising cacao production processes. Producers are advised on improving their production methods, and also on processing, marketing and selling their products. The SDC is also encouraging public authorities to promote cacao-growing.

At the plantations themselves, agroforestry techniques are replacing monocultures. Sowing cacao alongside fruit trees improves soil quality, makes the cacao trees more productive and fosters plant diversity. This, in turn, attracts the insects that are needed for pollination. This has a significant impact on producer revenues. A family of farmers using conventional methods earns an average of USD 4,000 a year. With the new approach, their revenues could be increased to amounts as high as USD 20,000 in the future.

Training for producers is another strand of the projects to strengthen the cacao sector in Honduras and Nicaragua. The new technical knowledge that they gain enables these producers to improve their production methods and the quality of their cacao.

The promoted changes also have another benefit. Thanks to the partnerships that have been established with the private sector, specifically with the companies which buy the cacao and process it into chocolate, small Central American producers get the chance of earning a minimum wage and are able to sell their production at fair prices.

For example, the SDC project in Honduras is working with the Swiss company Chocolats Halba, which supports the

establishment of local cooperatives and purchases the cacao they produce.

INTENDED OUTCOMES

- Improved organisational capabilities among cacao producers, enabling them to increase their sales.
- Improvements in production, productivity and in cacao quality owing to the use of agroforestry systems.
- Better overall management of the cacao sector in Honduras and Nicaragua, as well as closer coordination between the various parties concerned at local, national and regional levels.
- The management, marketing and technical knowledge gained at the practical plantation level is put into effect and shared at the regional level.

CURRENT PHASE

- **Target group**
14 cacao producer cooperatives, consisting of 3,000 families or 15,000 individual beneficiaries
Public and private-sector bodies along the cacao value chain, as well as in the innovation and research fields
- **Budget**
CHF 9.96 million
- **Duration**
15.03.2014 – 31.12.2017
- **Regions**
Five departments in Honduras
Three municipalities in Nicaragua
- **Project Partners**
Private sector: FOREIGN North
Regional implementation: LWR and VECO MA
Nicaragua: MEFCCA – INTA - IPSA (implementation), UNIDO (unity for technical support)
Honduras: FUNDER (leader), FHIA, APROCACAO

Further information: www.sdc.admin.ch