

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Voluntary - Public

Date: 8/9/2019

GAIN Report Number: GT 1908

Guatemala

Post: Guatemala

Advances and Opportunities of Cacao Production in Guatemala

Report Categories:

Agricultural Situation

Product Brief

Trip Report

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Report Highlights:

Around 250,000 mostly smallholder farmers grow cacao in Guatemala, most of whom are organized into cooperatives or associations. Guatemala produces a fine variety that is used in gourmet chocolate production. Only around five percent of Guatemalan cacao beans are exported mostly to the United States and Europe.

General Information:

Around 250,000 mostly smallholder farmers grow cacao in Guatemala, most of whom are organized into cooperatives or associations, according to the Tropical Agricultural Research and Higher Education Center (CATIE). Guatemala produces a fine variety—Trinitario, a hybrid of Criollo and Forastero—that is used in gourmet chocolate production. Most cacao growers sell their crop to intermediaries who then sell to national or regional chocolate processors. Meanwhile, around five percent of Guatemalan cacao beans are exported mostly to niche markets in the United States and Europe.

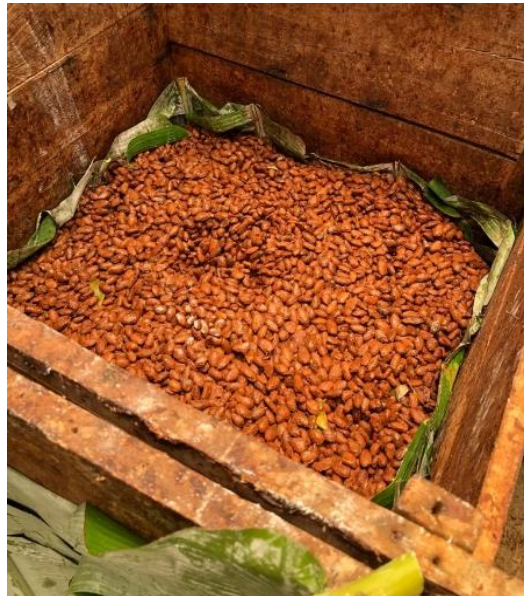


Figure 1: Cacao fermentation process
Source: Karla Tay

The cacao value chain in Guatemala faces several challenges that can limit both productivity and profitability. Because cacao is grown as a secondary crop used to generate extra income, investment into inputs is very low. Cacao trees are therefore not maintained with pruning, fertilization, or disease control in ways that could greatly increase yields and bean quality. The fermentation and drying processes are performed at local collection centers given the remoteness of production farms. These processes differ slightly with each batch of beans, which can lead to changes in flavor. This variability presents a barrier to international sales, since foreign chocolate processors seek a specific, consistent flavor profile. Cacao can also be plagued by volatile pricing.

As a cash crop, cacao provides income for many small farmers who grow it in Africa, Asia, and Latin America. While the cacao plant originates from Mesoamerica, most of the world's current production occurs in West Africa, with Cote d'Ivoire and Ghana accounting for cultivation of more than half of all the world's cacao according to the International Cocoa Organization (ICCO). By contrast, Guatemala accounts for barely 0.3 percent of global production, with roughly 12,500 metric tons produced in 2016 according to the Government of Guatemala.

World cacao prices are determined on two global exchanges, LIFFE in London and ICE in New York, The ICCO lists daily prices of cacao beans by averaging quotes from futures trading on both the LIFFE and ICE exchanges. The ICCO daily price as of July 22, 2019 was US\$2,461/metric ton while the monthly price for Guatemala sourced from the Ministry of Agriculture (MAGA) in May 2019 was US\$2,523/metric ton.

USDA Cacao Support:

The Regional Consortium Program for Farming Research (CRIA in Spanish) is a USDA Food for Progress project implemented by the Inter-American Institute for Cooperation on Agriculture (IICA) and MAGA; it aims to strengthen research and capacity of local actors such as regional universities and research institutions in several value chains. In the cacao sector in Alta Verapaz, CRIA is working with Universidad del Valle de Guatemala (UVG) to analyze the fermentation and drying processes of cacao and has been investigating the genetic characteristics of local cacao varieties.

This project is identifying cost-effective approaches to strengthen local production through improved genetics and post-harvest management to improve quality. Given the characteristics of the export market for cacao in Guatemala, cacao producers are focusing on improving quality in this project. Genetic improvement can help increase yield and quality, as well as resistance to disease and drought.

Project Monitoring Trip to Alta Verapaz:

Based on a recent field visit to the USDA Food for Progress project in July 2019, FAS/Guatemala observed that the project is effectively strengthening small producers' production and marketing of cacao to a specialty market where they receive higher prices

The FAS/Guatemala team visited a cacao collection centers near the Laguna Lachuá National Park managed by FundaLachua, where the organization performs fermentation and drying on site for a number of producer organizations. Of note, the fermentation and drying processes at this collection center are done separately for conventional and organic beans.

Farmers bring their cacao beans to the center in bags or other containers already removed from the pods to help reduce weight during transport. The beans are placed in wooden boxes lined with and covered in banana leaves for fermentation for four to eight days and are mixed by hand several times during that period. The boxes have drainage built into the bottom. After fermentation, the beans are dried on either wood platforms in a plastic-roofed and walled solar dryer (during the rainy season) or on plastic mesh racks in a plastic-roofed solar dryer (during the dry season). These processes are systematized and much improved from traditional practices that can degrade flavor and introduce contamination, such as drying cacao beans in direct sunlight on a covering on the ground.



Figure 2: USDA FAS visit to FundaLachua cacao collection center
Source: Karla Tay

The FAS/Guatemala team also visited cacao exporter Cacao Verapaz, located in Cobán, Alta Verapaz's capital. The company receives fermented and dried cacao beans from farmers groups and cooperatives in the region, including from FundaLachua, sorts them by size and appearance, and packages them. They export to specialty processors in the United States and Europe, who require a unique flavor profile from their single origin suppliers. While the amount of cacao exported from producers in Guatemala by Cacao Verapaz is very small when compared to production in Brazil or Ecuador, it still translates into a significant source of supplementary income for local farmers.

Given the relatively small size of cacao production in northern Guatemala, CRIA's project scope is appropriate and feasible. Through its research objectives, the CRIA project is building up institutional knowledge and capacity that, if effectively linked to and accessed by producer associations and farmers, can be directly applied in the field for increased productivity and returns throughout the sector. By developing Guatemala's cacao value chain, the CRIA cacao project is fulfilling Food for Progress' two principal objectives of improving agricultural productivity and expanding trade of agricultural products.