



# COFFEE AND CACAO

Agricultural production is a major economic driver of the San Martin economy with other sectors, such as tourism, relying heavily on the success of agriculture. There is about \$440 million (USD) of economic activity in the San Martin's agricultural sector yearly.<sup>1</sup> The four main agricultural products cultivated in San Martin are:<sup>2</sup>

- Rice: 34% - (822,885 tons)
- Bananas and plantains: 18% - (419,535 tons)
- Oil palms: 18% - (397,624 tons)
- Sugarcane: 11% - (175,881 tons)

Other crops account for the additional 19% of agricultural activity and include two of the region's most valuable exports: coffee and cacao.<sup>3</sup> San Martin is the third-biggest coffee-producing region in Peru, mainly because of its large coffee cooperatives.<sup>4</sup> One of the major co-ops, the *Oro Verde Co-Op*, is headquartered in Lamas and includes over 1,300 small farming families with an average member farm size of 2.5 hectares.<sup>5</sup> The co-op was successfully able to diversify out of coffee production in 2016 (the overreliance upon which carries significant risk because of leaf rust devastation), and now also produces cacao and wood.<sup>6</sup>

Under San Martin's 2030 Sustainability Plan, an individual plan for both coffee and cacao was created to identify the regions with the highest productivity for each crop, establishing a set of guidelines for the exportation of both crops.

**Project cacao** has the mission to expand and improve services to support the productive development of the cacao chain for producers in the San Martin region.<sup>7</sup> Project Cacao focuses on improving the productivity and competitiveness of cacao in the production chain of unorganized farmers in the department of San Martin. The government of San Martin, through the FONDESAM development fund, can provide upwards of 5 million soles (\$1.4 million dollars) to organized producers that follow the requirements associated with "Marca Regional San Martin".<sup>8</sup> In addition to providing technical assistance and funding, the government of San Martin is interested in promoting

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<sup>1</sup> O. David, G. Suárez de Freitas, C. Stickler, P. Luna. (2018). "San Martín, Peru" in C. Stickler et al. (Eds.), *The State of Jurisdictional Sustainability*. San Francisco, CA: EII; Bogor, Indonesia: CIFOR; Boulder, CO: GCF

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Rikolto World Wide. (n.d.) Coffee and Cocoa, San Martin, Peru. Retrieved from:

[www.rikolto.org/en/project/coffee-and-cocoa-san-martin-peru-completed](http://www.rikolto.org/en/project/coffee-and-cocoa-san-martin-peru-completed)

<sup>5</sup> Oro Verde. (2020). Oro Verde Co-Op.

[https://equalexchange.coop/sites/default/files/5140\\_oroverdecocoa\\_co-opprofile\\_vf.pdf](https://equalexchange.coop/sites/default/files/5140_oroverdecocoa_co-opprofile_vf.pdf)

<sup>6</sup> Equal Exchange Chocolates. (2018). Cacao Co-Op Profile: Oro Verde Co-Op Retrieved from: [equalexchange.coop/sites/default/files/5140\\_oroverdecocoa\\_co-opprofile\\_vf.pdf](https://equalexchange.coop/sites/default/files/5140_oroverdecocoa_co-opprofile_vf.pdf)

<sup>7</sup> Dirección Regional de Agricultura. (2020). Proyecto Cacao. *Gobierno Regional de San Martín*.

<https://portal.regionsanmartin.gob.pe/portal/apps/MapJournal/index.html?appid=6984d24b63794be28aa12a5153e097ff>

<sup>8</sup> Rios, M. (2020, October, 7). Personal Interview. (Personal Interview).

the productive balance between agricultural and environmental goods, and strengthening cooperativism to achieve common goals such as quality seals and management of business models with a social and inclusive vision.<sup>9</sup> The project encompasses 36 months of execution (2018 - 2020) and has an investment amount of 9,964,057.19 soles (\$2,933,193 USD).<sup>10</sup>

Several different innovations have been implemented for cacao production. These include:<sup>11</sup>

- Biological strategies for the reduction of cadmium in soil and cacao plants
- Solar Dryers and sliding trays
- Upgrading and renovating cacao plantations
- Introduction of cacao quality maps
- Representation of thematic information
- Prototype of a mobile application
- Implementation of experimental network plots
- Collection of information through the Regional Government database.

Project Cacao has already intervened in all 10 provinces in San Martín, 38 districts and 119 localities.<sup>12</sup> In addition, the cacao project has already georeferenced 5,121 cacao farmers in their database.<sup>13</sup> The regional government has conducted a total of 7,733 field assistances, through technical visits made by field technicians, who are in charge of providing training and personalized assistance to beneficiaries of the project.<sup>14</sup> San Martín's efforts on technical assistance and technological advancement in cacao production have led to impressive results. The average yield of cacao production in the intervention areas is expected to increase by 96% and go from 630 kg/ha to 1,300 kg/ha, with the transfer of innovative technologies, good agricultural practices, fertilization plans, fertigation, and post-harvest and quality management.<sup>15</sup>

**Project Coffee** (*Alliance for sustainable and competitive coffee*) will promote the San Martín region together with producers, business associations, and the Swiss Cooperation (Seco), which promotes the SeCompetitive Program.<sup>16</sup> This initiative will include the main actors in the coffee chain in order to implement sustainable production practices, improve management, and advance governance and associativity, contributing to the implementation of the recently published Peruvian National Coffee Action Plan for 2018–2030.<sup>17</sup> The project implemented by the National Coffee Board and the Peruvian Chamber of Coffee and Cacao, with the support of Solidaridad and ICRAF, will focus on the development of sustainable and resilient production systems to combat climate change. It will also

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<sup>9</sup> Dirección Regional de Agricultura. (2020). Proyecto Cacao. *Gobierno Regional de San Martín*.

<https://portal.regionسانmartin.gob.pe/portal/apps/MapJournal/index.html?appid=6984d24b63794be28aa12a5153e097ff>

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> SECO. (2020). Inician proyecto por un Café Sostenible y Competitivo, en alianza con productores, gremios, Gobierno Regional de San Martín y Cooperación Suiza – SECO. *La Cooperación Suiza en Perú y los Andes*.

<https://www.cooperacionsuiza.pe/inician-proyecto-por-un-cafe-sostenible-y-competitivo-en-alianza-con-productores-gremios-gobierno-regional-de-san-martin-y-cooperacion-suiza-seco/>

<sup>17</sup> El Peruano. (2019). Decreto Supremo que aprueba el Plan Nacional de Acción del Café Peruano 2019-2030. *Diario Oficial del Bicentenario*.

<https://busquedas.elperuano.pe/normaslegales/decreto-supremo-que-aprueba-el-plan-nacional-de-accion-del-c-decreto-supremo-n-010-2019-minagri-1840243-1/>

improve monitoring and governance of organizations, promote political dialogue, encourage local consumption by establishing a regulatory framework in the national and international market, and ultimately seek to become a space for coordination and dissemination of unions within the coffee sector in Peru, whose members have a stake in more than 85% of national exports.<sup>18</sup>

San Martin's 2030 Sustainability Plan will play an important role in funding cooperatives and small agricultural businesses that seek to export coffee and cacao. However, regional trust funds such as FONDESAM could also be supported to play a more proactive role in aggregating demand for credit and supporting alternative forms of lending based on the use of export contracts, liens of assets, inventories/ warehouse receipts, etc., backed by loan guarantees and the provision of technical assistance.<sup>19</sup> These trust funds could also seek to obtain access to additional loan guarantees from a number of development organizations, including: the IADB, Corporacion Andina de Fomento (CAF), World Bank (Multilateral Investment Guarantee Agency - MIGA), and USAID (Development Credit Authority (DCA)).<sup>20</sup>

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<sup>18</sup> Solidaridad. (2020). PERÚ | "ALIANZA POR EL CAFÉ SOSTENIBLE" TENDRÁ COMPONENTE DE RESILIENCIA ANTE EL CAMBIO CLIMÁTICO. *Solidaridad South America*.

<https://www.solidaridadsouthamerica.org/es/news/per%C3%BA-alianza-por-el-caf%C3%A9-sostenible-tendr%C3%A1-componente-de-resiliencia-ante-el-cambio-clim%C3%A1tico>

<sup>19</sup> Earth Innovation. (2019). A financial strategy for the production-protection of amazonian regional funds. PPC. <https://earthinnovation.org/wp-content/uploads/2017/08/FOR201-PPC-Peru-Report-ENGLISH-FINAL.pdf>

<sup>20</sup> Ibid.