

# THE RECIPROCITY FUND



CICAP

Guatemala

Cooperativa Integral de Comercialización Peten (CICAP) is a cooperative that has produced and commercialized pepper, musk, chili, pumpkin seeds, and cardamom for over six years in the Peten department in Guatemala. The organization started with 35 associates in 2016 and has grown to nearly 3,500, of which 70% are recognized as indigenous peoples and 30% are women. CICAP’s farmers own almost 300 hectares of productive land and manage over 17,000 hectares of forest, where some of the pepper is grown under agroforestry systems.

The Q’eqchi are an Indigenous people native to Guatemala who are currently more present in Mexico due to migration caused by the armed conflict. Their main characteristic is the development of corn cultivation, which resulted in a sedentary population. The Q’eqchi developed different techniques, forms, and decoration styles in ceramics. Families are numerous and are united by a strong bond of solidarity. Organizations like CICAP have promoted the introduction of new crops to agricultural activity to strengthen sustainable income generation. Also, solidarity is engraved in CICAP’s DNA as it owns and maintains a nursery that gives seedlings for different crops for free to small farmers, enabling income sources and diversification. The nursery was implemented to favor small farmers.

On the other hand, the Mopan are a native Mayan indigenous people to Mexico and Guatemala. The “Major” system governs the Mopan. Every three years, a Major is elected in November. All villagers are invited to an assembly, and a majority vote decides on a leader. The Major is essential for the community as he has full authority and a mandate to govern. The Mopan are primarily dedicated to subsistence agriculture, and their main crop is maize, beans, and achiote. Many of their religious rites and ceremonies are developed around agricultural activities. CICAP builds up on crops that are known and native to the indigenous peoples. The organization constantly communicates with its associates to further develop crops, provide technical assistance, and venture into new markets. Nature is also vital for indigenous peoples, so CICAP promotes forest conservation and protection, and production is outside natural reserves (except for wild pepper, which is present within the forests).

## IMPACT OVERVIEW

<b>Description</b>	
Production and commercialization of pepper, musk, pumpkin seeds, and cashews.	
No. of beneficiaries	3,500 families
% Women	30%

## COMMUNITY

	<b>Country:</b> Guatemala
	<b>Municipalities:</b> Peten (Flores, Santa Ana, El Chal, Dolores, Poptun, San Francisco, La Libertad, Las Cruces, Sayaxche, San Benito, Melchor)
	<b>Communities:</b> Q’eqchi’ and Mopan

Generally, farmers have two to three of all the crops that CICAP commercializes. The organization collects the product at the farm gate from farmers far from the processing facility. The farmers who live closer deliver the product directly to the plant.



The organization owns industrial equipment, including electric seed dryers, industrial mills, a greenhouse for seedbeds, and telescopic cutters. CICAP rents the warehouse and other amenities where it operates (around 400m<sup>2</sup>). CICAP's plant generally operates during the rainy seasons from April to November, with reduced operation in August and September due to meager rains. The plant can process 126,000 kg per month of any product. During summer, the products are dried naturally by farmers.

CICAP generates 14 fixed jobs dedicated to drying, warehousing, product selection and quality assessment, and administrative tasks. Employees work whenever the plant is operating and earn USD 370 monthly. CICAP generates ten temporary jobs during high harvest seasons – these workers earn the same as the fixed employees.

The CICAP government structure comprises several entities that manage administrative and operational tasks, such as the general assembly, a board of directors, a supervisory board, and territorial committees, considering that the organization is present in eleven municipalities.

The organization has received support from Rainforest Alliance in grants to strengthen CICAP's capacities. RA donated an industrial dryer and a mill and provided inputs for the greenhouse and irrigation system. RA's support has been valued at over USD 25,000. The government hasn't offered any aid yet.

Last year, the transactions facilitated in the CICAP network amounted to at least USD 1.5 million. 75% of these were routed through CICAP's partner distributors since working capital has been a significant challenge for the cooperative. Distributors purchase the product directly from small farmers and profit from it. Thus, CICAP doesn't generate a substantial income in this scheme as it only charges small farmers who must dry the products before delivering them to the distributors.

We should note that during due diligence, CICAP shared its accounting difficulties in prior years. Their previous accounting firm was not registering transactions correctly. Almost all transactions are in cash, so they're not registered in the accounting system. Thus, CICAP's financial statements reflect only its drying process revenues for pepper and chili, which are the only products that require drying. CICAP charges USD 0.26 to process a kilogram of any of these products. In 2023, they earned USD 58k in drying revenues.

The new president addressed this situation by hiring a new accountant and auditor to rebuild the financial statements. This process is ongoing, and the organization strives to formalize all payments and transactions to reflect the actual size of the operation.

### Impact background and delivery

Peten's department is the largest in Guatemala. Tourism is among the most important contributors to the department's economy due to its high concentration of Mayan ruins and sacred places. The territory is vast, so most of it is used for agriculture. The most significant area is occupied by pastures for livestock, which, due to the tropical

climate, is home to beef cattle and some dairies. In addition, there are other agricultural activities, but oil palm is the most important. Peten harvests about 30% of the total national production of beans and maize. Despite the territory’s significant contribution to the economy, the poverty rate in Peten is currently over 60.8%, and nearly 22% of its population lives under extreme poverty conditions. Infrastructure in the region is considered outdated and in bad condition; water and energy services are limited to some populations, as well as educational and health centers.

CICAP tackles poverty by promoting several crops and providing households with consistent revenue streams. Furthermore, as mentioned, CICAP works with several crops as they understand that success and constant income generation are achieved through diversification. This system allows them to have products available year-round.

CICAP’s main products are pepper and chili; pumpkin seeds and musk account for less than 2% of total production (see Figure 1). In 2023, CICAP identified a considerable demand for pumpkin seeds and musk and responded accordingly by growing seedlings in its nursery and expanding the crops. This year, CICAP projects a production of over 39,000 kg of musk and 343,000 kg of pumpkin seeds. If CICAP had enough working capital in 2023 to respond to the demand, it would have generated a revenue of over USD 600,000.

On average, farmers own two hectares, cultivate two to three crops, and produce over 3,900 kg yearly (considering all the crops a farm produces). A farmer can earn up to USD 5,000 yearly after costs and expenses by selling all their crops. The proposed loan will finance purchases of musk and pumpkin seeds. The organization negotiates fair prices with clients to secure a reasonable payment to small farmers. It has a quality policy to promote better crop management, enabling a premium offer at the set prices.

Product	Production value (USD)	Production (kg)
Chili	\$ 172.351	27.979
Pepper	\$ 162.506	32.438
Musk	\$ 1.171	363
Pumpkin seed	\$ 274.400	68.600

Figure 1. Production and Value Distribution 2023

In addition to the economic impact of CICAP’s fair procurement practices, CICAP also provides small farmers with technical assistance (workshops and in-field visits), inputs, and equipment. The organization also owns a nursery that grows all the crops, ensuring quality and expanding the crops. The plants are given to small farmers at no cost, as CICAP values increasing productivity more than generating a profit from selling seedlings. Last year, the organization gave 10,000 pepper trees, 285,000 musk plants, and 125,000 chili plants to farmers. Musk plants were prioritized due to the high demand CICAP identified. The organization also provides other benefits to small farmers, such as first aid kits and financial aid for farmer’s children to study.



CICAP secures the market for these products, and income is always guaranteed for producers. As mentioned, CICAP can only sometimes purchase the volumes needed to comply with commercial agreements, and distributors oversee closing these deals. Nevertheless, when CICAP cannot buy all of the farmers’ produce, CICAP builds the client relationship with the distributors.

CICAP has five main clients (Nelixia, Fedecovera, Grupos Alza, Empresa Juanita, and Mercado Samayac), representing over 90% of sales. As mentioned, CICAP has historically received significant purchase orders (up to USD 1.2 million)

but lacks the working capital to fulfill these requests. Clients pay in cash or up to seven days after delivery. CICAP sells its products locally but has all the capacities and registrations to export, except from working capital. They have had exporting experiences but weren't sustainable due to low cash reserves to purchase products from small farmers.

We spoke with Empresa Juanita and Nelixia, who said that CICAP always delivers high-quality products. They have never encountered problems working with CICAP and intend to keep doing business with the organization long-term. CICAP has worked with both companies for over three years.



Nelixia has a special relationship with CICAP, which provides technical assistance for pepper and musk every two months. [Nelixia](#) is a Guatemalan company that produces 100% natural ingredients such as essential oils and extracts. These ingredients are used in the perfumery, flavors, aromatherapy, teas, and spices industries. The company purchases raw materials directly from small farmers in Guatemala, Honduras, El Salvador, Peru, and Paraguay. Nelixia has historically paid 20% in advance for their musk purchases. They can do this as volumes were relatively low. This year, however, CICAP is projecting to produce much higher volumes, and Nelixia intends to buy all of it, thus the need for additional working capital.

**Outcome**

<i>Improvement of livelihood</i>	<ul style="list-style-type: none"> <li>• Constant income generation year-round through crop diversification.</li> <li>• Support crop expansion through the nursery at no cost to the farmer.</li> </ul>
<i>Cultural preservation</i>	<ul style="list-style-type: none"> <li>• Artisanal planting processes.</li> <li>• Promote the different belief systems and traditions of the indigenous peoples by developing native crops and protecting the forests. Crops and nature are sacred to indigenous peoples.</li> </ul>
<i>Environmental preservation</i>	<ul style="list-style-type: none"> <li>• Nurseries also grow native species to protect and conserve deforested areas.</li> <li>• Natural ingredients and inputs usage in the crops.</li> </ul>