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SMALLHOLDER TECHNOLOGY & ACCESS TO MARKETS PROGRAM (USAID-STAMP) QUARTERLY REPORT #1



October – December 2010

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The views expressed in this publication do not necessarily reflect those of the United States Agency for International Development or the United States Government.

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1. EXECUTIVE SUMMARY

This is the first quarterly report (October-December 2010) for USAID-STAMP, funded under the USAID-Zimbabwe Cooperative Agreement No. 674-A-00-10-00088-00 with Fintrac Inc.

First quarter achievements include:

- Under the first partner fund award with Extracts Inc., 1,500 smallholder farmers are learning about inputs, seedbed preparation, land preparation and transplanting for paprika production.
- One partner fund award is in the implementation phase – three more are under negotiation, with a pipeline of a dozen more in development.
- Completed a market brief for paprika and distributed it to current and potential partners.
- 30 demonstration sites have been identified in key paprika production zones.
- The data parameters for baseline collection were submitted as part of the completed M&E/Workplan, and implementation will start upon receipt of the signed Memorandum of Understanding (MOU) from the Ministry of Agriculture (anticipated in first quarter 2011).
- Set up the Harare office and hired all USAID-STAMP staff. Provided intensive training on USAID policies and program objectives, as well as agronomic approaches, partner relationships and grants management.

Deliverables for the second quarter include:

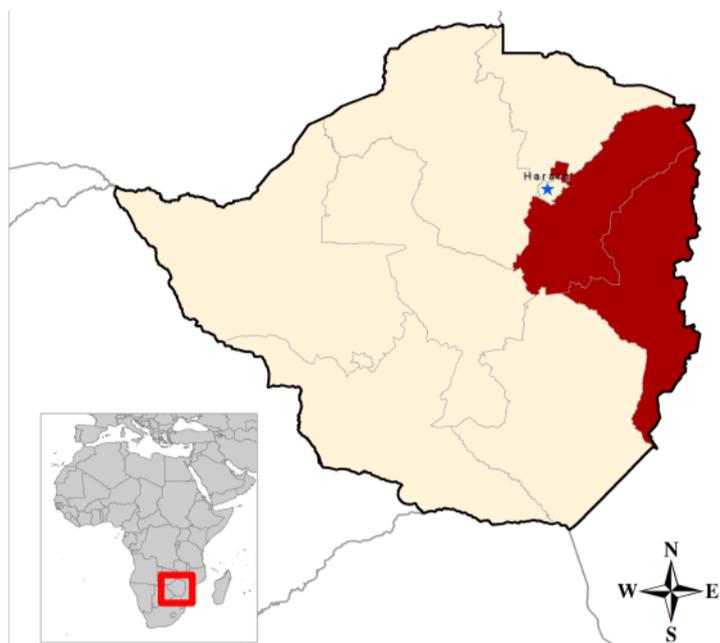
- Finalize negotiations with three more partners, and add at least two more partners.
- Complete and distribute at least two new market opportunity briefs.
- Expand field-based partner activities (pending MOU) for paprika and other crops. Establish demonstration plots, and provide technical assistance, training and technology transfer to smallholder farmers.
- Prepare Environmental Management and Mitigation Plan (EMMP) covering all planned USAID-STAMP activities.

2. INTRODUCTION

2.1 PROJECT DESCRIPTION AND OBJECTIVES

The Smallholder Technology and Access to Markets Program (USAID-STAMP) is an 18-month initiative supported by the American people through the United States Agency for International Development (USAID). The program aims to increase food security of smallholder farmers by expanding market access and increasing productivity, which will result in more income generation and significantly impact the lives of more than 10,000 rural families.

USAID-STAMP's mission is to increase and sustain smallholder sales and incomes from the production and marketing of high-value horticultural crops and products using environmentally friendly farm technologies and good agricultural practices (GAPs). All proposed activities will include efforts to address the impact of HIV/AIDS on rural communities, and will encourage women and youths to become aware of the potential of horticulture as a business. The program is scheduled to continue through March 2012, with long-term sustainability achieved through partner alliances.



2.2 GEOGRAPHICAL FOCUS

USAID-STAMP is working in the provinces of Mashonaland East and Manicaland, though the main field office is in Harare. There are 16 districts in these provinces, representing four out of five natural climatic regions. Targeted crops have been selected according to these environments. There is currently a field agronomist stationed in Nyanga and program implementation has started in five districts (Nyanga, Makoni, Wedza, Marondera and Mutare) through sub grant partner, Extracts Inc.

2.3 PROJECT START-UP

USAID-STAMP started activities in October 2010 and during the first quarter offices were secured in the Mt. Pleasant Office Park, field and administration personnel were hired, equipment was purchased and internal training was conducted. USAID-STAMP now has its full staff in place with the last person joining the team on December 1, 2010. An intensive six-day training program was conducted at the beginning of December utilizing personnel from Fintrac's home office. Topics covered in the training included administrative issues, Fintrac and USAID policies, technical updates, monitoring and evaluation (M&E) and the use of Fintrac's proprietary state-of-the-art software, Client Impact and Results Information System (CIRIS), a data collection, storage and report process. This training ensures effective management of the project based on tangible results.

Full field activities depend on the signing of the Memorandum of Understanding (MOU) by the Minister of Agriculture, and must be approved by the Government of Zimbabwe. Preliminary ground

work was done before contract award, and the MOU was submitted to the Ministry of Agriculture in September. Significant progress has been made, but the absence of key government officials during the Zanu PF congress in December, combined with the end-of-year holidays has resulted in further delays. The document still needs to be ratified by the cabinet and signed by the minister before USAID-STAMP can operate fully. The cabinet is expected to convene in early February 2011.

2.4 COMMUNICATIONS AND REPORTING

The USAID-STAMP M&E plan, including the Performance Monitoring Plan (PMP) and Work Plan were finalized and submitted to USAID. Fintrac's M&E approach focuses on a combination of indicators that accurately measure the impact on beneficiaries and effectively guide project management to make timely and informed decisions on implementation strategy. Two main types of indicators were included in the PMP that can be disaggregated by both gender and age through Fintrac's data management system, CIRIS. They include the following:

1. USAID/Zimbabwe's standard indicators, such as the number of rural households benefitting from US Government assistance
2. Custom indicators to measure the impact of specific USAID-STAMP interventions, such as percent reduction in production costs.

A baseline survey will be conducted in the next quarter to establish a representative sample of intended program beneficiaries for the target crops and products in the target regions. The baseline data will be used to track and measure program impact on direct beneficiaries.

Three monthly financial statements have been posted on the newly created USAID-STAMP intranet site www.fintrac.com/USAID-STAMP. Only USAID and Fintrac staff have access to the intranet site and access passwords were set up and distributed to interested USAID staff. The program's public website (www.Zim-USAID-STAMP.org) was also established during the first quarter and will be updated regularly. Monthly bulletins will be published beginning in the next reporting period, when the project is officially operational and able to distribute public information and marketing materials.

3. ACTIVITIES

3.1 PRODUCTIVITY

3.1.1 Crops

Target crops will be selected for their suitability for production by smallholder farmers and will also be considered on the basis of three other criteria:

1. Their potential to significantly improve income generation of smallholder farmers. For example, paprika has traditionally been produced by commercial farmers but is highly adaptable for smallholders. Other crops that have the ability to increase incomes include perennial crops, vegetables, organic essential oils, teas, herbs and spices.
2. Their contribution to increasing food security. Income generation is key to achieving food security, and increasing land productivity and diversification will provide income-generating opportunities and increase the availability of and access to nutritional foods. Consequently, all proposed USAID-STAMP interventions will either directly or indirectly achieve food security objectives. This will be important in crop selection, and staple foods for household consumption will be included in the target crops. Interventions will focus on improving productivity and reducing waste that occurs through poor postharvest handling and logistics.
3. Their high nutritional value. Nutritional deficiencies are common in children in Zimbabwe and are particularly problematic for people affected by HIV/AIDS. The bulk of the staple diet in Zimbabwe consists of maize meal, but the nutritional value of this crop is very low. Vegetable crops not only have a good potential for income generation but also have high nutritional values. Other benefits will be derived from herbs which often have medicinal properties and soya beans that provide a key protein component to the rural diet.

USAID-STAMP is currently working with Paprika, as seedbeds had been funded and established by the sub grant partner in preparation for the 2010/11 season. USAID-STAMP field managers have inspected the paprika seedbeds and advised farmers on transplanting techniques as well as giving other agronomic advice where required. They have met with smallholder growers in several areas of Mashonaland East and Manicaland to investigate what crops are currently being produced as well as to assess the management capacity of the smallholder growers to take on a variety of new crops. Crop budgets have been compiled for various vegetable crops in order to establish which ones have a greater potential for income generation. See Annex II.

3.1.2 Technologies

Smallholder yields are extremely low, even for those farmers with access to inputs. Donor-funded distribution of free seeds, fertilizers and other technologies (irrigation systems, tractors) has been fairly widespread but has not been accompanied by adequate extension support in the past, so higher yields and the returns necessary for re-investment and savings have not been achieved. Often smallholder farmers ignore the very basics of GAPs either through ignorance or to cut input costs.

Paprika is openly pollinated and farmers tend to keep their own seed, which increases the risk of virus and disease transference to the new crop and results in radically reduced yields. USAID-STAMP will encourage the use of clean, treated hybrid seeds (if available) that have high germination and are more disease-resistant. Program sub grantee Extracts Inc. has spent many years selecting a high yielding strain of paprika called Red Czar. Dr. Trevor Hedges, a qualified plant pathologist who runs the Extracts laboratory in Ruwa, has perfected a seed cleaning and sterilization procedure that produces disease-free seed. This seed was distributed to smallholder farmers who were surprised at the

germination results. They had assumed that the germination would be poor based on previous experiences with openly-pollinated seeds, so they planted the seed at a high rate. Red Czar produced close to 100 percent germination, and they had to thin out the seedlings to prevent overcrowding.

Demonstration plots will be used to help smallholder farmers learn about and adopt new technologies. Program clients will learn GAPs such as correct fertilizer placement, adequate plant spacing, raised beds, mulching, integrated pest management (IPM), postharvest handling and other appropriate technologies. At least 10 demonstration sites have been identified in the paprika growing region.

3.2 MARKET ACTIVITIES

It is essential to facilitate stronger and more inclusive market linkages for smallholder growers. All USAID-STAMP activities will be market driven with production programs designed to meet buyer specifications. Smallholder farmers in Zimbabwe often have the capacity to produce but lack information on relevant quality issues and have poor logistical support, so they often fail to achieve the best returns possible. However, the local market has strengthened significantly since the dollarization of the economy in 2008 and it is anticipated to continue to expand in the near future, especially if the liquidity situation improves, thus offering many income generation opportunities. With this in mind USAID-STAMP field managers have visited key produce and grain marketing organizations to find out where smallholder farmers can take advantage of local market opportunities.

Zimbabwe experienced an 83 percent decline in export horticulture production between 1999 and 2008, with net earnings plummeting from \$142 million to \$24 million. USAID-STAMP is targeting crops like paprika that have high export volumes and can be produced by smallholder farmers. USAID-STAMP has published a market bulletin evaluating the international paprika markets. Spain is the primary market for paprika exported by Extracts Inc. However, as noted in the USAID-STAMP bulletin, the European Commission has introduced new controls limiting the level of Ocharatoxin A – one of the moulds of the aflatoxin group to 30 parts per billion with plans to further reduce this to 15 ppb in 2012. While this may be seen as a possible constraint for growers exporting to the EU, it is also an opportunity to add value as many buyers in the EU are now paying extra for paprika that has been heat treated and certified for Ocharatoxin A levels that are within EC limits.

USAID-STAMP is conducting a market survey on table potatoes that will be published by the end of January. Program field managers have established that Irish potatoes have a high potential for income generation and are an important crop for food security. However, there is very little statistical information on local demand or historical prices and trends. There is also no data on impact of imported South African potatoes on local production. This is a great opportunity for USAID-STAMP to work together with the ACP program and private sector partners to improve data collection systems, which will contribute to sustainable growth of the local market. In December 2010 all stakeholders in the potato industry met at the Agricultural Marketing Authority (AMA) to promote legislation that effectively bans the importation of table potatoes from South Africa. However without reliable information, the question still exists as to whether local producers can meet demand.

3.3 OTHER CROSS-CUTTING THEMES

3.3.1 Gender

Men may have greater access to land, credit and networks, but women can still become drivers of agricultural productivity if programs address their needs. USAID-STAMP will set participation targets for women of 40 percent, train staff, clients and counterparts in gender issues, facilitate women's access to savings accounts, health education, and leadership opportunities and ensure that 25

percent of our partners and beneficiary groups are managed by women. The program will collect M&E impact results on a gender disaggregated basis and will empower women with knowledge and business skills and incorporate them in appropriate project activities. USAID-STAMP agronomists will also identify “gender-balanced” crops that are more likely to be grown by women such as herbs, spices and essential oils, where women growers predominate in both production and marketing.

3.3.2 Health and nutrition

Nutritional deficiencies are common in children in Zimbabwe and are particularly problematic for people affected by HIV/AIDS. Most horticultural crops have high income generating potential and significant nutritional benefits. USAID-STAMP will develop these crops by emphasizing their nutritional qualities and commercial possibilities. Once farmer groups have been established, partner agreements will be developed with NGOs to provide training in health and nutrition. Toward that end, a partner fund award is under negotiation with KAITE, an organization that contracts growers to produce organic herbs and spices, both of which have medicinal properties that would benefit people affected by HIV/AIDS.

3.3.3 Environment

“Seventy percent of the world’s water use is devoted to agriculture, and the outcome of our work to promote global food security depends in part on having a successful water policy and sound water management. Floods and droughts can wipe out crops, and decimate economies that depend on agriculture. “

Secretary Of State Hillary Rodham Clinton. March 22, 2010.

USAID-STAMP’s stresses the importance of sound water management and will actively promote the principles of conservation agriculture. Demonstration plots will highlight ‘pot holing’ techniques and mulching for improved water collection, as well as raised beds and the production and use of organic compost to emphasize environmental stewardship through capacity building

The program has received the PERSUAP and the Initial Environmental Examination (IEE) from USAID/Zimbabwe, and is now creating an Environmental Mitigation and Monitoring Plan (EMMP), which will be completed by the end of the next quarter.

4. NETWORKING AND COLLABORATIONS

To ensure the greatest impact, USAID-STAMP will be working with a variety of local partners.

4.1 CURRENT PARTNERS

The following were approved in the original agreement:

- Feya- Feya
- Honde Valley Small holder Development Cooperative
- Hyveld Seed Company (Extracts Inc)
- Cairns Foods Limited

One partner fund sub grant award with Extracts Inc has been signed, as planned. However, given the time that has elapsed between submission and award of the program, as well as the late start of the growing season, Feya-Feya already committed to other organizations and is now unable to incorporate any new rural agro dealers into its program for fear of over-extending its limited resources. As a result, the program will no longer target 50 rural input stores but will instead look at ways of working with the agro dealers in the selected production areas, recognizing them as an integral part of igniting rural economic growth. These suppliers of key inputs also serve as a potential market for smallholder farmers, as they traditionally act as a bulk up center for larger organizations and add value through their agro processing units.

Cairns Foods Ltd. has battled liquidity problems since the hyperinflation and subsequent dollarization of the Zimbabwean economy in 2008. Although the Cairns management team and shareholders tried to implement several cost-cutting measures, it was unable to keep its processing factory in Mutare operational. This factory which historically marketed horticultural produce from more than 10,000 smallholder farmers in Manicaland and Mashonaland East, closed on December 20, 2010.

Honde Valley Smallholder Development Co-operative (HVSDC) has signed an agreement with World Vision to implement a program similar to the one planned by USAID-STAMP. During post-award discussions with the Chairman of HVSDC, it was agreed that HVSDC should continue with their proposed project, and USAID-STAMP will explore other market linkage opportunities to help the HVSDC growers.

4.2 POTENTIAL PARTNERS

USAID-STAMP personnel have been meeting with several stakeholders in the flower and vegetable industry to assess the opportunities for partnering on smallholder projects. Although the modalities of these agreements are still being finalized, several organizations have been short listed.

The program is in advanced discussions with KAITE, a marketing organization specializing in organic essential oils, perennial herbs, teas and spices. This partner fund will help 2,500 growers to become certified organic and help an additional 1,500 with the production of organic products.

USAID-STAMP has also met with the managing director of Seed Potato Co-op and is investigating production and market opportunities with farmers in the Bende area of Nyanga. This partnership will also look at leveraging the input credit scheme provided by a local private input supply company,

Windmill Ltd. There has been a continual high demand for table potatoes which will have a domino effect on the demand for seed potatoes. While potato production has traditionally been the exclusive domain of commercial farmers, there is now an untapped niche for smallholder growers to produce this high-value crop.

Intensive investigations are underway to find a strong market linkage for a perennial crop. Several opportunities have been highlighted in meetings with industry players and are currently being verified by USAID-STAMP field agronomists to determine if they will meet the program's objectives.

5. PLANNED ACTIVITIES

The following activities will be undertaken in the first quarter of 2011:

- Cooperation from the Government of Zimbabwe at the provincial and district levels is of paramount importance to the success of the program. USAID-STAMP management will visit all the relevant personnel and endeavor to establish positive relationships.
- Partner fund awards will be finalized and implemented.
- The main focus for USAID-STAMP management is to establish field and support staff in their relevant locations and link them to the selected partners and organizations.
- Five crop production guidelines and budgets will be finalized and distributed
- Demonstration sites in the paprika growing districts will be established; new sites and technologies will be identified.
- The program will seek experienced personnel to help meet objectives in the next quarter, and produce subsequent reports.
- A baseline for key performance indicators will be established.
- Partner training will be conducted in data collection procedures and producer group registration into CIRIS.
- The Environmental Management and Mitigation Report (EMMP) will be prepared to include all USAID-STAMP planned activities.
- New partner fund awards will be developed to include additional cropping initiatives.
- Crops for income generation will be identified. These will include passion fruit, avocados, bananas and other perennials.
- Technology transfer will take place through demonstration and training in the appropriate areas.
- Market studies on potential new products will be completed for distribution.

6. CHALLENGES AND CONSTRAINTS

As previously stated, the main challenge USAID-STAMP faces is the delay in the signed MOU which is proof of government authorization for Fintrac to operate in Zimbabwe. Once this has been obtained, USAID-STAMP personnel are in place to implement and achieve program objectives.

ANNEX I: USAID-STAMP WORKPLAN

Activity	Year 1													Y2	Target/Verification	PMP		
	O	N	D	J	F	M	A	M	J	J	A	S	Tot					
1	Project Administrative Activities																	
	Start-Up Activities																	
1.1														-	-	-	Team fielded and operational	NA
1.2														-	-	-	Personnel employed	NA
1.3														-	-	-	Manual submitted	NA
1.4														-	-	-	Websites online	NA
1.5														-	-	-	Transactions completed	NA
	Communications & Reporting																	
1.6		1												1	-	1	Plan in use	NA
1.7			1											1	1	2	Work plans submitted	NA
1.8	1	1	1	1	1	1	1	1	1	1	1	1	1	12	6	18	Reports submitted & posted	NA
1.9				1	1	1	1	1	1	1	1	1	1	9	5	14	Reports submitted	NA
1.10				1	1	1	1	1	1	1	1	1	1	9	6	15	Reports submitted	NA
1.11				1			1			1				3	1	4	Reports submitted	NA
1.12					1		2			2				5	6	11	Success stories submitted	NA
1.13												1		1	1	2	Reports submitted	
1.14													1	1	1	2	Reports submitted	NA
1.15														-	1	1	Report submitted	NA

Activity	Year 1														Y2	Target/Verification	PMP	
	O	N	D	J	F	M	A	M	J	J	A	S	Tot					
2	Monitoring & Evaluation																	
2.1			1											1	-	1	Plan submitted	NA
2.2			1											1	-	1	CIRIS reports	NA
2.3					1									-	-	1	Report submitted	NA
2.4														-	-	-	CIRIS reports	NA
2.5														-	-	-	CIRIS reports	NA
2.6														-	-	-	Reports submitted	NA
3	Increased Agricultural Productivity																	
3.1				3	1	1								5	3	8	Manuals produced	4-6
3.2				3	1	1								5	3	8	Reports produced	4-5
3.3			500	1,000	1,500	1,500	1,500	1,500	1,500	1,500				10,500	-	10,500	CIRIS Reports	1-2
3.4				10	20	30	30	30	30	30	30			210	-	210	CIRIS Reports	4-7
3.5				60	120	120	120	120	120	120	120	120	1,020	720	1,740	CIRIS reports	1-7	
3.6				10	20	30	30	30	30	30	30			210		210	CIRIS reports	1-7
3.7				125	375	750	1,125	1,500	1,875	2,250	2,625	2,625	13,250	15,750	29,000	CIRIS reports	7	
3.8					3		3		3		3			12	6	18	CIRIS reports	7
3.9														50	50	50	CIRIS reports	3
3.10														50	50	50	CIRIS reports	4
3.11														-10	-10	-10	CIRIS reports	5
4	Expanded Market Access																	

Activity	Year 1													Y2	Target/Verification	PMP	
	O	N	D	J	F	M	A	M	J	J	A	S	Tot				
4.1				1									1	-	1	Review completed	8-9
4.2				1	1	1							3	-	3	Market surveys completed	8-9
4.3						1	1						2	-	2	Manuals developed	8-9
4.4				125	250	375	375	375	375	375	375		2,625	-	2,625	Contracts formalized/signed	8
4.5					5	10	15	15	15	15	15	15	105	45	150	Linkages/Contacts established	8
4.6													-	-	-	STTA reports submitted	8-9
4.7							50	50	100	100	100	100	600	200	800	Partner Reports	10
4.8													1.1	2.2	2.2	CIRIS Reports	9
4.9													2.5	4.9	4.9	CIRIS Reports	9
5	Crosscutting Themes																
5.1		1	1	1						1			4	-	4	Awards approved	13
5.2				1			1				1		3	-	3	Awards submitted + approved	14
5.3				3	8	8	8	8	8	8			51	-	5 1	CIRIS reports	11-12
5.4				50	150	300	450	600	750	900	1,050	1,050	5,300	6,300	11,600	CIRIS reports	11-12

ANNEX II: CROP BUDGET

Paprika budget per hectare						
Crop:		Dry land Paprika	with fertilizer	CA practice		
Province						
District						
Ward						
Costs						
	Inputs		unit	quantity	price/unit	cost
		Lime	kg	0	\$0.10	\$0.00
		Seed	kg	1	\$75.00	\$75.00
		Compound C	kg	200	\$0.86	\$172.00
		AN	kg	200	\$0.67	\$133.33
		Orthene	kg	0	\$6.00	\$2.40
		Dithane	kg	2	\$15.00	\$22.50
		Copper oxy	kg	4	\$2.20	\$9.24
		Tamaron	l	0	\$25.00	\$10.00
		Decis	g	13	\$5.00	\$65.00
	Packaging					
	Transport					
	Labor contracted		days	0		\$0.00
	Labor - family		days	150	self	
Total Variable costs - TVC						\$489.47
Income						
		Producer price	Gross yield	Losses	Net yield	Gross income
		pp	GY		ny	GI
		\$/kg	kg/ha	kg/ha	kg/ha	\$/ha
		1.20	1,500		1,500	\$1,800.00
Returns						
Gross Margin (profit/loss)	GM	GI-TVC	unit	\$/ha	\$1,310.53	
Cost per kg		TVC/ny	\$/kg	\$0.33		
Break even yield		TVC/pp	kg/ha	408		
Net returns per \$ invested		GM/TVC	\$1 : \$	\$2.68		
family labour required			days	150		
Return to family labour		GM/Lf	\$/day	\$8.74		

ANNEX III: MARKET SURVEY



Smallholder Technology & Access to Markets Program (STAMP)

Market Bulletin #01:

Paprika

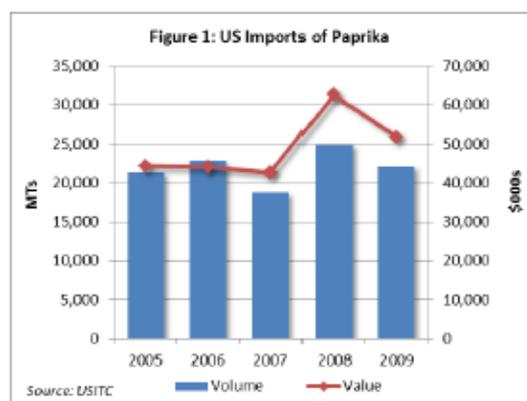
INTRODUCTION

Paprika is a popular, pungent spice made by grinding dried fruits of *Capsicum annum L.* (e.g. bell peppers or chili peppers). Produced worldwide, paprika originated in South America, although its name is derived from the Hungarian word for pepper. With a flavor that can range from mild to hot, it is commonly used to season meats, soups, sauces, dressings, bakery products and sweets. In addition to taste, it is highly valued for its food coloring properties as well as its texture. The US Food and Drug Administration recognize paprika both as a spice and a food colorant. Processors may undertake a blending of different source material to produce a particular "hotness" or richness in color.



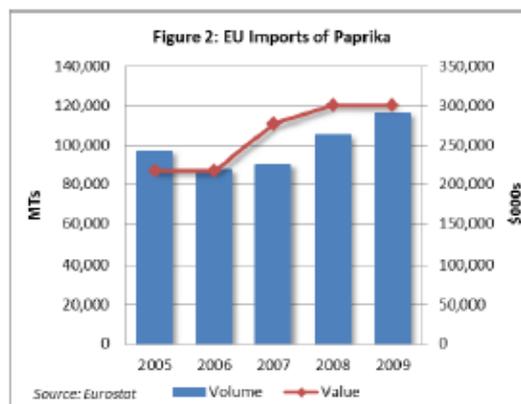
MARKETS

US imports of paprika have remained relatively constant over the last five years, increasing slightly from 21,343 MTs in 2005 to 24,897 MTs in 2008, but decreasing to 22,102 MTs in 2009. Figure 1 illustrates that the value of paprika US imports has increased more significantly than volume, growing from \$44 million in 2005 to \$62 million at its peak in 2008, an increase of 41 percent. The increase in import volume and value between 2007 and 2008 is attributed to increased shipments from South American suppliers – especially Peru and Brazil – due to the poor crop coming out of Mexico.



EU custom agencies do not track paprika as a unique commodity, including it with other fruits of the genus *capsicum* or *pimenta* besides the main *capsicum annum*, thus making it difficult to estimate precise quantities imported into Europe. In this bulletin, data showing EU imports of paprika also include other capsicum and

pimenta fruits. It can be inferred from the data that most paprika entering the EU comes from China and Peru and, to a lesser extent, Brazil, India, Thailand and Israel. Overall, EU imports of crushed/dried capsicum and *pimenta* have increased in both volume and value from 96,579 MTs valued at \$217 million in 2005, to 115,902 MTs valued at \$301 million in 2009.



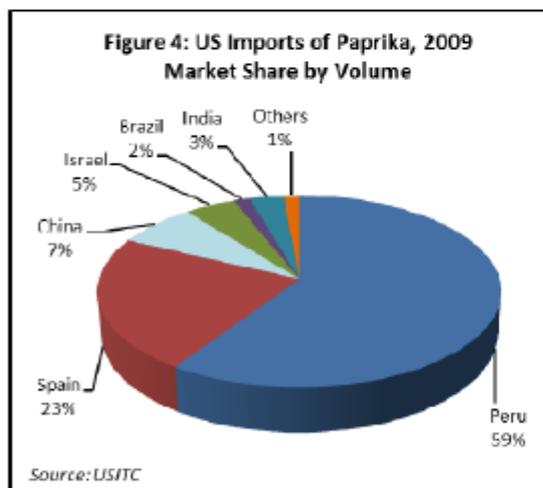
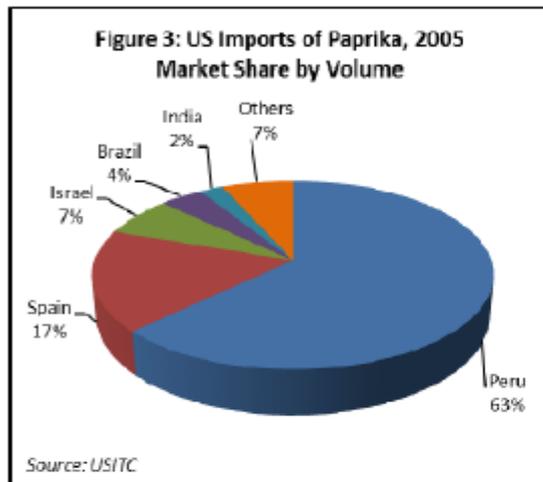
On July 1, 2010 the European Commission introduced new controls limiting the level of Ochratoxin A – one of the moulds in the aflatoxin grouping commonly found in paprika – to 30 parts per billion (ppb) with plans to further reduce this limit to 15 ppb in 2012. *The Public Ledger* reports that the restrictions have limited imports of paprika to the EU as it has proven difficult to obtain product that is compliant with the Ochratoxin A restrictions. Further analysis will be needed over the

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next few years to gauge the impact of these restrictions on the EU paprika market.

SUPPLIERS

The US imports paprika primarily from Peru, with 59 percent of its supply coming from that country alone in 2009. Spain is also a major supplier to the US, contributing 23 percent of imported volume in 2009. Peru and China dominate the EU market, together contributing 64 percent of the imported volume in 2009.



China has been a growing source of paprika for both the US and EU markets over the last five years. EU imports of paprika from China have increased substantially from 9,339 MTs imported in 2005 to 29,954 MTs imported in 2009 - growth of more than 200 percent (although as noted earlier this may contain additional capsicum or pimenta products). Today, the EU imports more paprika from China than anywhere else in the world. In the US,

Chinese imports have increased from less than 1 percent of the market share in 2005 valued at \$95 thousand to 7 percent in 2009 valued at \$3 million. *The Public Ledger* notes that many buyers view Chinese paprika as a cheaper alternative to European and South American product despite the fact that the flavor profile of the Chinese material is usually more pungent and less sweet.

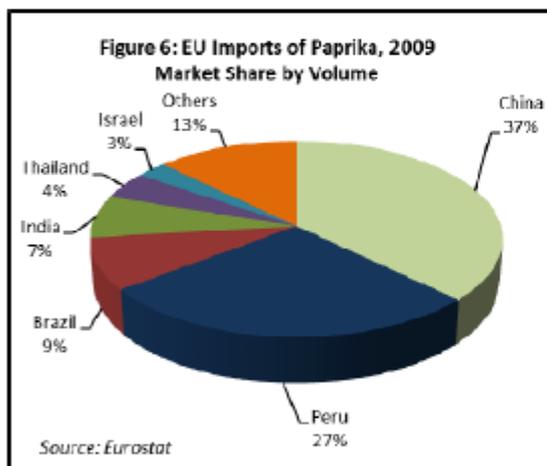
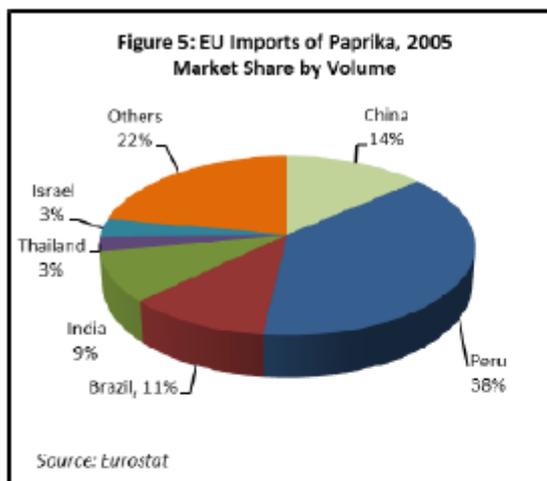
Peru is the largest supplier of paprika to the US, accounting for 59 percent of the market share in 2009 when it supplied 13,113 MTs valued at \$29 million. Despite the fact that the US imported virtually the same volume and value of paprika in 2005 and 2009, Peru saw a drop in its percentage of the market share during that period due to the increased availability of cheaper product from countries such as China. In 2005, Peru was the largest supplier of paprika to the EU, shipping 26,167 MTs valued at \$36 million. By 2009, it had slipped to the second-largest supplier shipping 21,958 MTs valued at \$28 million. Despite strong crops in recent years, EU imports from Peru are expected to decrease significantly due to the difficulties the country is having in producing material that is within the permitted EC Ochratoxin A limits.

Spain has steadily increased paprika exports to the US over the last five years, increasing its shipments from 3,714 MTs valued at \$8 million in 2005 to 5,036 MTs valued at \$15 million in 2009. It continues to be the largest contributor to intra-EU paprika trade, supplying 16,829 MTs to the rest of the market in 2009. It is widely reported that Spanish paprika consists of a blend of produce from various origins and that material marked as Spanish is actually sweet pepper pods that have been imported to Spain before being steam sterilized, ground into paprika powder, and then re-exported (*The Public Ledger*).

Brazil has had steadily decreasing exports to the US market over the last five years, dropping from 869 MTs valued at \$2 million in 2005 to 233 MTs valued at \$649 thousand in 2008. There was a slight increase in US imports from Brazil in 2009, with 322 MTs of paprika shipped worth \$931 thousand. In the EU, imports of paprika from Brazil dropped from 7,552 MTs in 2005 to 4,893 MTs in 2006. However, since then, imports have steadily increased with 6,884 MTs valued at \$14 million shipped in 2009.

India saw increasing US imports of its paprika over the last two years. While the US is increasing Indian imports of the spice in volume terms, value continues to decrease with 686 MTs shipped in 2009 valued at less than \$1 million. In the EU, the volume of Indian paprika imports has remained relatively steady and value has increased slightly with 6,261 MTs shipped in 2005 valued at \$7 million, and 5,668 MTs shipped in 2009 valued at \$9 million. According to *The Public Ledger*, India experienced a significant slump in its paprika production in 2006 and 2007 that is reflected in both the

US and EU import data (Tables 2 and 3) due to inclement weather and a shortage of quality farm labor.



Hungary is the EU's largest producer of paprika, accounting for almost 43 percent of total production. Despite this fact, the country is a relatively small exporter as most production is consumed in-country, with 2009 shipments of just 1,911 MTs to other EU countries and 47 MTs worth \$282 thousand to the US. EU imports of Hungarian paprika have been decreasing steadily. Despite the fact that Hungarian paprika is widely viewed as some of the highest-quality in the world, many buyers see it as too costly making it less competitive in international markets.

Zimbabwe has seen significantly decreasing paprika exports to both the US and UK over the last five years. In 2005, Zimbabwe shipped 2,062 MTs to the EU market valued at over \$4 million. By 2009, these shipments had declined to just 154 MTs worth \$308 thousand. US imports of paprika from Zimbabwe ceased in 2006. This

decrease is the result of a number of factors including scarce rainfall and a shortage of inputs, and re-location of production operations to countries such as South Africa.

GRADES & STANDARDS

The American Spice Trade Association (ASTA) has established international standards for measuring the extractable color units in paprika pods and powders. Paprika may be sold at ASTA color levels on a scale that ranges from 65 to 180. A product that is traded at 100 ASTA will have more color than one graded at 80 ASTA and consequently fetch a higher price.

Paprika is typically packaged in fiber drums with a poly liner, bag in box or lined bag. ASTA notes that product shelf-life is 12 months while stored at 38°F with maximum relative humidity of 60%. Ground product stored above 68°F will begin to lose extractable flavor and coloring.

PRICES

The International Trade Centre monitors paprika price movements. Table 1 shows available prices for 2008-10.

Table 1: Spot Quotes for US and EU Paprika Prices, US\$ per Kg

Origin:	Spain		Spain	Unknown
Grade:	80 ASTA		120 ASTA	120 ASTA
Market:	US	EU	US	US
02/01/08	\$3.97			\$2.54
04/01/08	\$3.97			\$2.54
06/01/08	\$3.97			\$2.70
08/01/08			\$4.63	\$2.65
10/01/08			\$4.63	
12/01/08		\$2.55	\$4.63	\$2.60
02/01/09			\$4.63	\$2.54
04/01/09		\$2.70	\$4.63	\$2.38
06/01/09		\$2.70	\$4.63	\$2.25
08/01/09		\$2.70	\$4.63	
10/01/09		\$2.70	\$4.63	
12/01/09			\$4.63	
02/01/10		\$2.23	\$4.63	
06/01/10		\$2.70	\$4.63	
08/01/10		\$2.70	\$4.63	

Source: ITC/MNS

OUTLOOK

US and EU imports of paprika have shown some fluctuation over the last five years. With the current introduction of the new stringent EC regulations on Ochratoxin A levels, there will be a significant demand for product that not only fulfills the set regulations but also is tested for compliance before shipping. As it is the responsibility of the first importer to analyze shipments, many EU buyers are paying extra for paprika that has been heat treated and certified that the Ochratoxin A levels are within the EC limits (*The Public Ledger*).

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Table 2: US Imports of Paprika

	2005		2006		2007		2008		2009	
	MTs	\$000s								
Peru	13,454	28,113	17,162	31,140	13,107	28,756	18,510	45,570	13,113	28,728
Spain	3,714	8,224	3,120	7,714	3,203	8,375	3,606	10,723	5,036	15,129
China	50	95	113	180	246	605	500	1,269	1,612	2,941
Israel	1,452	2,637	1,530	2,893	1,466	2,896	1,252	2,636	1,020	2,320
Brazil	869	2,147	367	827	412	1,030	241	649	322	931
India	473	693	13	83	54	118	647	1,069	686	867
Morocco	36	32					40	106	92	300
Hungary	76	316	43	199	44	219	52	326	47	282
Other	1,219	2,049	430	1,029	239	650	49	255	174	284
Total	21,343	44,306	22,778	44,065	18,771	42,649	24,897	62,603	22,102	51,782

Source: USITC

HTS 0904202000 – Paprika, dried, crushed or ground

Table 3: EU Imports of Paprika (and other Capsicums and Pimentas)*

	2005		2006		2007		2008		2009	
	MTs	\$000s								
China	9,339	14,026	9,942	18,364	15,014	26,273	23,593	35,982	29,954	37,884
Peru	26,167	36,068	23,844	24,918	16,479	26,198	20,832	30,137	21,958	28,074
Brazil	7,552	16,766	4,893	10,999	5,591	13,396	5,087	13,873	6,884	14,513
India	6,261	7,161	4,876	6,745	5,911	8,752	6,581	10,456	5,668	9,469
Thailand	1,826	1,267	848	992	1,147	949	2,522	2,073	3,608	2,267
Israel	2,264	5,055	1,959	4,525	2,495	5,666	3,001	7,008	2,196	5,358
Others	15,121	50,809	12,512	42,282	11,435	44,778	10,800	48,300	10,144	43,388
Total	66,266	126,097	56,915	104,300	55,577	120,347	69,414	140,821	78,216	135,596

Source: Eurostat

*Data includes other capsicum and pimenta fruits.

HTS 090420 – All fruits of the genus capsicum or pimenta, dried, crushed or ground

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