STRENGTHENING COCOA SUPPLY CHAINS

LESSONS FROM STRENGTHENING SMALLHOLDER MARKET ACCESS IN LATIN AMERICA

Across Latin America, cocoa produced by smallholder farmers is increasingly connected to global supply chains, including in the United States. However, inconsistent quality, limited traceability and weak market linkages can create risks for buyers and consumers.

Over the past several years, Lutheran World Relief, part of Corus International, has worked with partners across **Ecuador**, **El Salvador**, **Guatemala**, **Honduras**, **Nicaragua** and **Peru** to strengthen cocoa market systems that improve product quality, traceability and alignment with international and U.S. market requirements.

This work demonstrates that improving market access requires more than linking farmers to buyers. Sustainable participation in higher-value markets depends on strengthening the broader cocoa value chain, including commercial relationships, product quality and access to finance.

KEY FINDINGS

Market access requires a systems approach.

Helping farmers sell cocoa at better prices requires more than connecting them to buyers. Sustainable market access depends on strengthening **commercial relationships, product quality and financial services** across the cocoa value chain.

Market linkages reached significant scale.

Across six countries, market access activities were implemented through **63 partners**, reaching **27,279 cacao farmers** through stronger commercial relationships between producer organizations and exporters or chocolate companies.

Quality improvements helped farmers compete in higher-value markets.

Training in fermentation, drying and post-harvest handling improved cocoa quality and strengthened compliance with U.S. and international market requirements, enabling producer organizations to negotiate prices based on **flavor and origin** rather than selling bulk cocoa at commodity prices.

Traceability and food safety systems strengthened market confidence.

Improved post-harvest handling, quality controls and producer organization capacity contributed to **stronger traceability and food safety** practices. These systems help reduce risks in international supply chains and support more transparent and reliable sourcing aligned with buyer expectations in U.S. and other international markets.

This brief draws on lessons from Lutheran World Relief's cocoa sector programming in Latin America between 2019 and 2025, including the Maximizing Opportunities in Coffee and Cacao in the Americas (MOCCA) initiative funded by the U.S. Department of Agriculture's Food for Progress Program.

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KEY FINDINGS CONT.

Tools that communicate quality helped attract buyers.

Producer organizations contributed to the **Cacao Flavor Map**, a regional tool that identifies the unique flavor profiles of cocoa from different origins. The map now includes **32 producer organizations from Guatemala, Ecuador and Peru**, helping specialty chocolate buyers identify and source distinctive cocoa varieties.

Finance helped farmers invest in production and marketing.

Across four countries, **more than $22 million in financing was facilitated to approximately 7,058 cacao farmers**, enabling investments in farm renovation, post-harvest infrastructure and commercialization. Credit proved most effective when combined with strong commercial relationships and quality systems.

Strong producer organizations were the foundation of success.

Market access interventions were most effective where farmer cooperatives had the **scale, governance and technical capacity** to manage quality, aggregate production and negotiate with buyers.

Through Lutheran World Relief's cocoa sector work:

27,279 cacao farmers reached

63 partners engaged

STRENGTHENING COMMERCIAL RELATIONSHIPS

Many cocoa farmers in Latin America rely on intermediaries who purchase small quantities at farm gate prices. While this system provides immediate liquidity, it often prevents farmers from benefiting from higher-value markets.

To address this challenge, Lutheran World Relief focused on strengthening relationships between **producer organizations and buyers**. Key activities included:

- Organizational diagnostics to assess commercial readiness
- Buyer engagement and relationship brokering
- Support for aggregation, logistics and negotiation
- Ongoing accompaniment to sustain relationships during market volatility

These interventions helped producer organizations move from occasional transactions to **longer-term commercial partnerships**.

Evaluation findings show several important changes across countries:

- Expanded direct relationships between farmer organizations and exporters
- Reduced reliance on intermediaries and spot markets
- Stronger negotiation capacity among producer organizations
- Greater access to bundled services such as technical assistance and pre-financing

Where producer organizations had sufficient scale and institutional capacity, these relationships proved durable and mutually beneficial for both farmers and buyers.

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QUALITY AS THE LANGUAGE OF THE MARKET

For farmers to access higher-value markets, cocoa quality must be consistent and verifiable.

Programs therefore focused on improving **post-harvest practices and quality assessment systems**, including:

- Fermentation protocols
- Drying and handling techniques
- Adoption of international quality standards
- Training of tasting panels within producer organizations
- Participation in quality competitions and trade events

These efforts improved **consistency and verifiability of cocoa quality** — key requirements for accessing regulated markets and meeting buyer expectations in the U.S. and other premium destinations.

One example is Lutheran World Relief's **Cacao Flavor Map**, which identifies distinct flavor profiles of cocoa from different regions. By translating sensory quality into standardized, market-facing information, the Cacao Flavor Map supports more transparent sourcing and helps buyers supplying U.S. markets, identify reliable, differentiated cocoa origins.

To date, 64 new flavor profiles have been developed across 41 producer organizations in six countries. This effort has contributed to the commercialization of more than 12 containers of fine and flavored cocoa between 2020 and 2024, the establishment of relationships with over 20 international buyers, and access to more than 10 specialized markets.

These results demonstrate how structured quality systems can reduce variability, improve consistency, and support compliance with international market requirements, helping build more reliable supply chains aligned with U.S. standards and reducing risk for buyers and consumers.

Meet Gerardo: Accessing better markets through quality

"Since I improved the quality of cocoa through the knowledge acquired in trainings, I have managed to sell it at a better price."

For Gerardo Choc Xo, a cacao farmer in Alta Verapaz, Guatemala, improving cocoa quality opened the door to better market opportunities.

Before participating in training and technical assistance, Gerardo sold wet cacao for about $38 per quintal (about 46 kilograms), with little ability to negotiate prices. Through support from Lutheran World Relief in partnership with his local producer organization supporting indigenous farmers, he learned improved production and post-harvest practices, including pruning, fertilization and integrated pest management.

As he adopted these practices and improved the quality of his cacao, buyers began to recognize the difference. Today, Gerardo sells his cacao for about $103 per quintal, nearly **tripling the price** he previously received. His improved practices not only increased income, but also aligned his production with quality expectations required by higher-value and export markets.

His experience reflects a broader lesson from cocoa sector work across Latin America: when farmers and producer organizations can consistently produce high-quality cacao, they are better positioned to connect with buyers and participate in higher-value markets.

FINANCE AS AN ENABLING FACTOR

Access to finance was another important component of market access.

Across four countries, partnerships with financial institutions helped facilitate **more than $22 million in financing to approximately 7,058 cacao farmers**.

These loans helped farmers and producer organizations invest in:

- Farm renovation and rehabilitation
- Post-harvest infrastructure
- Working capital for cocoa commercialization

Access to finance also contributed to **more stable and reliable cocoa supply**, enabling producer organizations to meet contractual obligations and maintain consistent quality, key factors for international buyers.

However, evaluation findings show that credit alone did not drive market access. Financial services were most effective when combined with strong commercial relationships and quality improvements.

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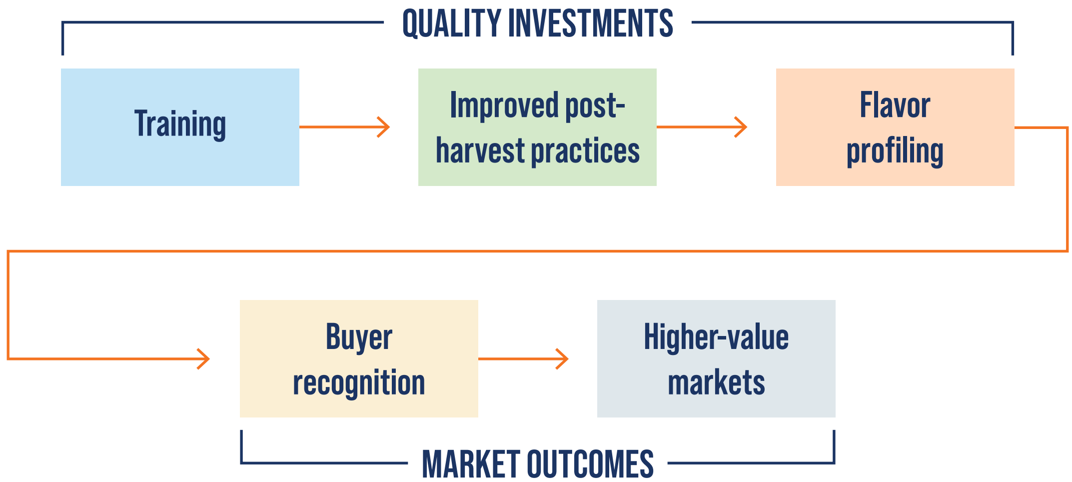
HOW QUALITY SYSTEMS SUPPORT MARKET ACCESS



KEY LESSONS

Experience across Latin America highlights several lessons for strengthening cocoa market access:

- Strong **producer organizations are the foundation of market access**, enabling aggregation, quality management and effective negotiation with buyers
- **Quality improvements are essential for accessing higher-value markets**, particularly those with stricter standards and requirements, including the U.S. market
- **Access to finance is most effective when aligned with functioning markets**, supporting growth where strong commercial relationships and reliable buyers are already in place
- **Long-term, trust-based relationships between producers and buyers** are critical for sustaining market access over time
- **Reliable supply chains depend on strong producer organizations and traceability** systems, which support compliance, transparency and risk management in international trade

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