

Nicaragua

Investing in a small hibiscus business with great potential



Heidi Contreras is a member of the Hibiscus Cooperative and is responsible for selecting, weighing and packing the dried hibiscus petals ready for processing.

A new crop in a changing climate

Nicaraguan smallholder farmers struggle to make enough money to cover their families' basic needs, such as food, health and housing. Rainfall has decreased and become more erratic, and droughts are more frequent. These erratic weather patterns caused by climate change have led to low maize and bean yields, so farming communities do not have sufficient food or regular income. As an alternative to the increasingly unreliable harvests of traditional crops, Christian Aid partners Nochari and the Hibiscus Cooperative are supporting farmers to cultivate hibiscus in Nandaime, western Nicaragua.

This crop is generating stable incomes for small producers, strengthening the smallholder farmers' organisation and creating employment opportunities.

This is important in an area of the countryside that has been severely hit by migration because of lack of incomes and employment.

The Hibiscus Cooperative trains small producers on better farming and harvesting techniques and secures higher prices for their produce through processing and selling the finished products directly to markets.

Christian Aid is supporting the cooperative to become a major player in the national and regional hibiscus market through the provision of loan finance and technical assistance. The success of this hibiscus enterprise is enabling the farmers to access a reliable and profitable income source for the long term.

Business support: technical assistance and blended finance

Christian Aid funding for this project was split between a grant and a loan, providing vital access to finance which the cooperative could not otherwise obtain from the local formal financial sector due to the high interest rates and the lack of loan products available to asset-poor cooperatives.

The loan has enabled the cooperative to build up their assets, scaling up production while investing in new harvesting, processing, transport and storage facilities – as a result of this both productivity and quality have improved.

Christian Aid has also facilitated and provided technical assistance, including funding for staff who helped farmers to improve agricultural practices to increase yield levels and improve soil

conditions. These technical experts provided intensive training in quality control during harvesting and drying. In addition, work with a local university that led to the development of a hand-held metal harvesting comb, has helped the small producers and their families to reduce losses and make the harvesting of hibiscus flowers more efficient.

Furthermore, supporting the implementation of an accounting system, as well as improving its management accounting reports, forecasting process and cost allocation analysis has empowered the Hibiscus Cooperative to take appropriate financial and planning decisions (such as how to price their products and what product lines to focus on) and develop a long-term business plan for growth.

Christian Aid has also supported this growing enterprise to participate in international trade fairs, resulting in negotiations to export their produce to European markets. These direct sales relationships are profitable and mutually beneficial for small farmers and hibiscus buyers.

This social business model has helped increase incomes, employment and food security for 105 hibiscus producers and their families and has created 2,500 seasonal jobs. The support received from Christian Aid has helped to increase sales by 76% between 2011 and 2013. The cooperative is on track to make its first loan repayment in 2015.

The Hibiscus Cooperative is competing successfully with foreign private investors from Costa Rica and some supermarkets which are producing their own hibiscus in Nicaragua or importing from other countries.

Exploring new markets

The cooperative has also been very successful in adding value to hibiscus, developing its processing capabilities and innovating with new product developments such as juice, concentrate, hibiscus wine, seed for essential oils for the cosmetic industry and dried hibiscus sold nationally and exported to El Salvador and France.

In 2012, the cooperative was able to negotiate a good deal with Walmart to supply a new product – concentrated hibiscus juice – to supermarkets across Central America. As part of this deal, it made an arrangement that allows them to deliver their produce centrally to a depot in Managua, thereby cutting down significantly on sales and distribution costs.

The cooperative's relationship with Walmart is extremely positive and they have been chosen by Walmart as one of the six best SMEs in Central America. Walmart is promoting alliances with local enterprises (such as cooperatives and associations) which have a positive social impact. As well as purchasing from these enterprises they also facilitate access to training to improve capacity, and to opportunities such as trade fairs.

The cooperative is also beginning export of hibiscus seed (for use in cosmetics) and dried hibiscus to France. This new market for seed is particularly interesting because although the price paid is lower, margins are more favourable because transaction costs will also be much lower. These costs are lower because of the minimal cost of sales, packaging and administration in comparison to the regular deliveries of packaged produce to local shops. Furthermore, profiting from hibiscus seed is particularly interesting, because

until now this was an underused waste product of processing.

The cooperative members speak of how proud it makes them feel to see their produce on display in national supermarkets, alongside products from big transnational companies.

Continuing to thrive

The Hibiscus Cooperative is now adopting an approach where it proactively engages with other stakeholders in the hibiscus sector to improve it for all hibiscus farmers – it seeks to secure collaborative relationships with buyers and others that are profitable and mutually beneficial for the small and affiliated farmers they support.

For example, the Hibiscus Cooperative is lobbying the local government to implement a project with the Education Ministry to distribute hibiscus juice drinks in local schools as part of a campaign to get school children to consume more naturally based products while promoting local produce.

By 2016 the cooperative will have tripled the number of small producer families it directly supports – more than 300 families (1,800 people) will have increased their annual income. The cooperative will have created seasonal jobs for over 4,000 people, an increase of 60%.

Having built up its assets through Christian Aid's support, the cooperative will be a medium-sized enterprise with the ability to access affordable formal finance sources to continue to grow its business independently, generating lasting change in this impoverished area of Nicaragua. It is challenging transitioning partnerships from grant to

loan support but this is essential if you want to ensure businesses are sustainable.

Supporting inclusive businesses within the markets Christian Aid is working in, by building capacity and enabling access to investment finance, is a key component of our approach to inclusive market development.



Eduardo Gómez, the manager of the Hibiscus Coop, explains: 'All three organisations [Hibiscus Coop, Nochari and Christian Aid] have learned from this process and we are stronger today than three years ago. Today we have more markets experience than three years ago. We know how to do business plans, marketing plans, financial projections and cash flows. Now we participate in coordination spaces and there is a recognition of the capacity of each organisation.'

'The benefit of working with Christian Aid as opposed to other organisations was the fact that Christian Aid gave us credit which made us use the funds rationally and Christian Aid allowed us to be flexible. For us, we valued working with credit more than with grants because it forced us to be strategic in how we invested the funding and it helped us to be sustainable.'

'The added value of working with Christian Aid rather than other agencies was the combination of the social and technical aspects of the initiative which meant we could support community development processes and the hibiscus business and develop the value chain.'

Adela Guerrero, Nochari

Further information

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