

Course on agribusiness management for producers' associations

Latin America – Case studies

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Acronyms

ANDI	National Association of Industrialists
APILAC	Association of Production and Industrialization of Dairy Products
ASPROME	<i>Asociación de Producción y Mercadeo</i>
COTECO	<i>Comité Técnico de las Congeladoras</i>
EPA	Environmental Protection Agency
FEDECACAO	National Cocoa-Growers' Federation
FOODEX	Food Expenditure Survey
IICA	Inter-American Institute for Cooperation on Agriculture
INTA	National Agriculture and Technology Institute
OMG	<i>Operación Mato Grosso</i>

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Characterization of the Cocoa Chain in Colombia

INTRODUCTION¹

There are three main links in Colombia's cocoa chain: cocoa-bean production; cocoa bean marketing; and the chocolate and confectionery processing and producing industry. This supplies three types of product to different, clearly-defined markets:

- i) primary products: cocoa beans;
- ii) intermediate products: cocoa butter, cocoa powder and cocoa mass, and
- iii) end-products: eating, coating and confectionery chocolate, etc.

DISCUSSION

Four main types of private economic operator are involved in the chain:

- i) farmers (approximately 25 000 producers);
- ii) stockpilers (buyers who act as representatives of processing companies);
- iii) exporters (who have an *ad hoc* involvement, since Colombia does not generate major supplies for export), and
- iv) industry (the two largest firms process around 90 percent of the cocoa beans). Support institutions and service providers are also linked to the cocoa chain (producers' and industrialists' unions, and research, extension and human resource training institutions).

In 2000, the chain processed 36 351 metric tons of cocoa, to produce such products as cocoa powder, coating chocolate, eating chocolate, cocoa butter and confectionery containing chocolate. Total gross production was worth around US\$170 million in 2000, of which 47 percent represented added value for the industries.

CONCLUSION

As a result of promoting the chain concept in Colombia, spearheaded by the Ministry of Agriculture with the support of the Inter-American Institute for

¹ Agrocadenas (2004). *Descripción de la Cadena Cacao. Colombia*. Available in Spanish at http://www.agrocadenas.gov.co/cacao/cacao_descripcion1a.htm

Cooperation on Agriculture (IICA), the main stakeholders in the cocoa chain signed a Competitiveness Agreement in October 2001. This involved the creation of National Cocoa Council to implement the Agreement. The unions in the Council representing cocoa producers and processors are: the National Cocoa-Growers' Federation (FEDECACAO) and the Food Industry Chamber of the National Association of Industrialists (ANDI).

At a later date, Regional Councils were created in the two main cocoa-producing areas of Colombia (Antioquia and the Northeast Region), which in turn established Regional Competitiveness Agreements.

The key elements of these Agreements are the implementation and financing of research activities in the agricultural component of the chain and in plant health, as well as the development and application of a national technical standard to serve as a reference for setting buying and selling prices for cocoa beans.

Elements for a case analysis

Based on your personal experience, consider the following questions on the proposed case:

1. Do you think that cocoa producers play a major role in setting prices for buying and selling cocoa beans? Why?
2. What do you consider to be the main advantages in Colombia's cocoa-chain stakeholders getting organized and coordinating their activities?
3. Why do you think it was possible for a Competitiveness Agreement to be concluded between actors who are apparently at loggerheads and among whom there appears to be a complete imbalance?
4. Which similarities and differences do you find between the situation in the case study and what is happening in the chain to which your associative rural enterprise belongs?

Bear in mind that at the end of the unit you will be asked to answer the same questions in the light of the new knowledge you will have acquired.

Concluding the case study

Having compared your prior knowledge with the subject content of the unit, answer the following questions making optimum use of the new knowledge you have acquired:

1. Do you think that cocoa producers play a major role in setting prices for buying and selling cocoa beans? Why?

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2. What do you consider to be the main advantages of Colombia's cocoa-chain stakeholders getting organized and coordinating their activities?

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3. Why do you think it was possible for a Competitiveness Agreement to be concluded between actors who are apparently at loggerheads and among whom there appears to be a complete imbalance?

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4. Which similarities and differences do you find between the situation in the case study and what is happening in the chain to which your associative rural enterprise belongs?

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The rural cheese dairies of Salinas de Bolívar in Ecuador

INTRODUCTION

In the early 1970s, Salinas (a small village of 300 inhabitants in the Bolívar province) was a typical poor settlement in Ecuador's Andean mountain region. It had neither passable access roads, nor basic water and energy infrastructure. Schooling provision was reduced to one single-teacher multigrade classroom. The lack of medical service and poor nutrition and hygiene led to health problems and, worst of all, to an infant mortality rate bordering on 40 percent.

Housing in Salinas consisted of a handful of mud and straw huts (*chozas*) plagued by mud in winter and dust in summer. The mixed-race inhabitants lived in the 'Matiavi/Salinas' commune (a special type of organized community exclusive to indigenous peoples) and relations between the residents of the parish centre of Salinas and the indigenous population were characterized by the domination and exploitation common in Ecuador's mountain region. The indigenous inhabitants earned their living from the salt mines, which since the beginning of the twentieth century had been in the hands of a Colombian family, which directed mining operations. People in Salinas lived an exploited, marginalized and hopeless existence. As a result, many young people chose to leave the area.

DISCUSSION

However, the situation changed in the summer of 1970, when the first group of Italian volunteers from *Operación Mato Grosso* (OMG) arrived in Simiatüg, accompanied by two Salesian priests. Contacts between neighbouring villages led to the group settling in Salinas in 1971.

The immediate concern was to form a rural savings and loan cooperative to channel the area's resources into production activities, especially farming and craftworking. This led to the initial initiative for producing fresh cheeses. Although it failed because of problems in transporting the cheeses to market in Guayaquil, it left behind a legacy of extensive work experience and formed a useful lesson in promoting socio-organizational aspects combined with a suitable technical component to guarantee the quality of the products on offer.

Following this initial experience, a joint mission by the Swiss Technical Cooperation Agency and Ecuador's Ministry of Agriculture and Livestock arrived in Salinas, looking for a place to set up a plant to produce mature cheeses. The community welcomed the idea, and work began on making fermented and matured cheeses, which were new varieties in the domestic market. Although these new cheeses were not initially well received by domestic consumers, because of their strong flavour and pungent odour, foreign communities and nationals who had travelled abroad did appreciate them.

The first cheese-making plant to be set up in Salinas also served as a training centre for workers of other production units and was used to supply the first sales centre in Quito city (a factor which was also important for the success of rural cheese dairies). The next cheese dairies to be started around the parish centre of Salinas were Pambabuela and Apahua. After that, further production hubs were initiated in order to concentrate milk from a small area, creating new sources of employment and leading each cheese-making plant to specialize in a specific variety of milk by-product, in order to provide the market with a range of different cheeses.

CONCLUSION

There are now 24 milk-processing plants in the parish of Salinas, whose products are successfully sold through local markets, supermarkets and also their own community shops located in Ecuador's main cities nationwide.

In addition, the trademark 'El Salinerito' has been developed and is used to identify not only cheeses but also other products made in the parish, such as chocolates, cocoa mass and cocoa liquor, dried mushrooms, nougat, jam, cold meats, brown sugarloaf and a variety of craftwork. The manufacture of such products in associated micro-enterprises provides jobs for 1 000 people, and in 2004 sales of US\$217 000 were invoiced, with a forecast increase of 50 percent in the value of sales for 2005.

The 'El Salinerito' trademark is recognized in a number of international markets. It has been known in Italy since 1995 and in other European countries, the United States and Japan, since 1998. This is largely due to an Export Centre being opened and put into operation and to alliances with other Ecuadorian organizations. In 2004, Japan and the United States bought 230 kilos of the total 300 kilos of chocolate produced by Salinas factories. Dried mushrooms, which are sold at a price of between US\$5 and US\$8 per kilo, depending on quality, are the top-selling product in the international market. In 2004, Salinas firms exported 16 000 kilos of dried mushrooms to Switzerland.

Following three decades of multiple joint efforts, Salinas has progressed from a depressed area to a place where socio-economic development is evident, not only in the altered landscape (cinderblock and brick houses with tile roofs) but also in the residents' capacity for organization and management and in the consolidation of a set of local institutions capable of managing their own growth.

Elements for a case analysis

Based on your personal experience, consider the following questions on the proposed case:

1. Which factors do you think explain the success achieved in the village of Salinas?
2. Which lessons have you drawn from the case that could be applied or considered in your associative rural enterprise?
3. What impact do you think successful agro-industry has had on the development of the rural area where the agro-industry was established? Can you see any similarities with your associative enterprise's local area?
4. In the light of your experience, can you identify initiatives that have not been consolidated or negative results which you have nevertheless found useful for learning, improving and creating new ideas and businesses?

Bear in mind that at the end of the unit you will be asked to answer the same questions in the light of the new knowledge you will have acquired.

Concluding the case study

Having compared your prior knowledge with the content of the unit, answer the following questions making optimum use of the new knowledge you have acquired.

1. Which factors do you think explain the success achieved in the village of Salinas?

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Situation analysis of various producers' associations in Latin America

INTRODUCTION AND DISCUSSION

Asociación de Producción y Mercadeo (ASPROME) - Valle del Cauca, Colombia

ASPROME was created in 1985 to resolve the problem of post-harvest losses of fruit, due to lack of marketing, by moving into processing. The German foundation "Misereor" helped to build the Federation's first processing plant. ASPROME now has five plants, located in five municipalities in the department of Valle del Cauca: Argelia, Patía, Cajibío, Palmira and Cali. It includes nine associations, with 1 250 beneficiary families.

Products

Vegetable and fruit preserves, brown sugarloaf, frozen tubers and fruit pulp.

Market

Fair trade, organic and ethnic markets in the United States and the European Union.

Strengths

Self-management; corporate identity; vertical integration; contacts with the fair trade; organic and ethnic markets and private enterprise.

Weaknesses

Deficient financial and accounting systems; artisanal plant; lack of working capital¹.

Associative Enterprise (SERVIYON) - Yondó, Antioquia, Colombia

In search of a market for cassava, a group of 50 producers from the municipality of Yondó (Antioquia) created the associative enterprise Serviyon. Cassava is

¹ Lasso, L; Ostertag, C. *Análisis de factores claves de éxito de agroempresas rurales en la zona andina enfocadas hacia la exportación: metodología y resultados. Proyecto Desarrollo de Agroempresas Rurales, CIAT.*

subjected to cooking and freezing processes to prolong its lifespan for up to three months. Serviyon's goal is to incorporate more complex processes.

At present the company sells pre-cooked cassava, *carabañolas* (a traditional fried cassava delicacy) and croquettes, and in the future it hopes to treat cassava with paraffin wax for export to countries such as Italy, for which it has already studied the market. Serviyon is also engaged in negotiations with the Venezuelan and United States markets, which will enable it, in the short term, to set up an industrial plant on the outskirts of Yondó.

In this same plant it is planned to extract ethanol from the fermentation of cassava starch and to sell cassava leaves for livestock feed – projects which promise a much better future not only for Serviyon but also for the entire municipality of Yondó¹.

Association of Production and Industrialization of Dairy Products (APILAC) – Pérez Zeledón, Costa Rica

This organization was created in 1993 to secure the market for milk and to give it added value. At present, APILAC gets its milk supplies from 136 small and medium producers from the area of Pérez Zeledón and the whole southern region of Costa Rica. Of these producers, 79 are APILAC members and 57 are non-members.

Most of the producers own herds of eight to ten cows, yielding an average of 65 litres of milk per day. The members contribute 6 percent of their production to the association in order to operate a capital reserve, which is used to finance operations.

Strengths

A secure market for milk, although the market is not growing; channelling funding to producers; plant with intermediate technology.

Weaknesses

Modern business management techniques need to be implemented in order to make factors of production more efficient and to expand markets².

Beekeeping enterprises in central Santa Fe, Argentina

In 1996, beekeepers' organizations were set up as part of the 'Cambio Rural' (rural change) programme of Argentina's National Agriculture and Technology Institute

¹ López, S., Noticiero "Por las Buenas". Available in Spanish at <http://www.teleantioquia.com.co/TeleantioquiaensuRegion/MagdalenaMedio/Yuca.htm>

² PRODAR-IICA. (2002). *Plan empresarial para el mejoramiento de la competitividad de la asociación de producción e industrialización de lácteos (APILAC). Informe final.*

(INTA), spurred by business growth and with the goal of acquiring training and joining forces to improve their enterprises. Despite discouraging results in the first financial year (1997–1998) compared with those for the 1996–1997 period, owing to a price drop (-9.4 percent) and a steep decline in yields per beehive (-55.9 percent), this did not stop the groups from pressing on with activities to achieve their goals³.

CONCLUSION

An analysis of the above cases shows that producer organizations present a series of advantages and challenges for producers who decide to join them, as summarized below:

Advantages

- Increased capacity and bargaining power*.
- Access to new markets and marketing channels.
- Access to credit and support programmes.
- Access to better technical and market information.
- More opportunities for exchanging experiences.
- Greater access to training programmes.

Challenges:

- To achieve clear and efficient internal organization.
- To build trust in the managers' decisions.
- To get members to pledge to deliver products, abiding by previously agreed volumes, conditions and deadlines.
- To run businesses properly and efficiently.
- To design and implement efficient and transparent administration mechanisms.
- To set up proper communication and participation mechanisms.
- To comply with the legislation in force.

³ Schneider, G; Caporrgn, J. *Análisis de las empresas apícolas ubicadas en la zona central de Santa Fe pertenecientes al programa cambio rural*. Available in Spanish at: <http://rafaela.inta.gov.ar/default.htm>

Elements for a case analysis

Based on your personal experience, consider the following questions on the proposed case:

1. Do any of the examples described resemble your associative enterprise? How do the results achieved in the case study compare with the results obtained in your associative enterprise?
2. What do you consider to be the greatest advantages of associative enterprises? And what are the greatest challenges?
3. An associative enterprise of producers is one step in formalizing producers' business activities. In your experience, what are the biggest problems in achieving formalization? In your view, what impact does informality have on the economy and on society?

Bear in mind that at the end of the unit you will be asked to answer the same questions in the light of the new knowledge you will have acquired.

Concluding the case study

Having compared your prior knowledge with the subject content of the unit, answer the following questions making optimum use of the new knowledge you have acquired.

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- 3. An associative enterprise of producers is one step in formalizing their business activities. In your experience, what are the biggest problems in achieving formalization? In your view, what impact does informality have on the economy and on society?

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Contract farming in the horticultural export sector of El Bajío, Mexico

INTRODUCTION¹

El Bajío is a chain of interconnected valleys situated mostly in the State of Guanajuato some 300 km from Mexico City, containing more than 400 000 hectares of irrigated land.

Starting in the early 1980s, production in the region has been modernized for the export of fresh and frozen horticultural products.

Broccoli is the principal raw material in the frozen products agroprocessing industry. It is a vegetable originating from the Mediterranean and which was introduced into the United States in 1925. Broccoli is a short-cycle crop (120 days), which requires a cold or cool climate, meaning that it can be grown all year round in El Bajío, even though in summer there is a problem of rot.

DISCUSSION

The history of frozen-vegetable packaging dates back to 1967 when Birds Eye, a company belonging to the General Foods group, converted a drying plant situated in Juventino Rosas into a freezing plant and started exporting frozen broccoli and cauliflower. Years later, when they were adequately capitalized and had gained experience with growing, a few horticulturalists who had started supplying broccoli and asparagus to multinational corporations decided to seek a larger stake in the added value by organising their own packaging plants, thus giving rise to new firms. At present, 30 000 hectares are devoted to broccoli and cauliflower cultivation in El Bajío. According to information from the United States Department of Agriculture, exports to the United States (the main target market) totalled \$US167 million in 1999.

As regards production contracts, there are three types of firm:

i) those that supply their own products;

¹ FAO (2001). *La Agricultura de Contrato en el Sector Hortícola Exportador en El Bajío, México*. Available in Spanish at <http://www.fao.org/Regional/LAmerica/prior/desrural/alanzas/pdf/maranon.pdf>

- ii) those that use production contracts; and
- iii) those that do both (Bustos 1998).

The four largest firms in terms of surface area are Mar Bran, Export San Antonio, Green Giant and Birds Eye; together accounting for 89.4 percent of the land cultivated under production contracts in 1999.

Mexico's frozen food sector has become by far the leading supplier of broccoli and cauliflower to the United States, representing more than 80 percent of the value and total volume of imports into that country. The prospect of tax-free access to the North American market and the growth in imports have prompted a flow of investment, mainly of the joint venture variety, aimed primarily at acquiring packaging machinery and equipment and, to a lesser extent, for supporting agricultural production.

Broccoli producers, whether smallholders or cooperative members, are not organized into horticulturalists' organizations, which is why all negotiations with firms are on an individual basis. This stops broccoli producers from exerting greater pressure on packaging firms, benefiting from economies of scale or reducing transaction costs. By contrast, the packaging firms belong to the General Association of Fruit and Vegetable Processors (A.C.), founded in 1987 to find alternatives to the problems that afflicted the industry. The Association has a Technical Committee, COTECO, in which each processing firm's agricultural manager participates. COTECO focuses its efforts on finding solutions to agronomic problems of broccoli, chiefly those relating to the spread of the diamond back moth.

The number of producers subcontracted by firms to grow broccoli varies between 600 and 800. There are no estimates regarding the average size of the farms, although the tendency is to subcontract to the largest producers. Three years ago, one firm managed a portfolio of 70 to 100 suppliers with an average farm size of 50 hectares, although this average was not representative because one of the producers farmed around 1 000 hectares.

The criteria used by firms to select the producers with whom they subcontract include good reputation (producers are required to have complied with contracts, with no product diversion, and must not have debts with the firm. To ascertain this, each firm checks the producer's past record with COTECO (freezing firms' Technical Committee), which also keeps an informal list of "troublesome" farmers. Other criteria include: i) financial capacity; ii) availability of land with sufficient well water and machinery, and iii) a large enough scale of operation.

All dealings are formal, based on written contracts between firm and producer, which are registered by a public notary. Two types of contract are established,

depending on the producer's financial and technical capacity: contracts with services and contracts without services, with the agreed price varying accordingly.

Contracts "with services" contain: i) legal references of each party regarding ownership (of the firm and of the land) and regarding powers to enter into a contractual relationship, as well as their respective domiciles; ii) obligations of the parties, and iii) stipulations on product quality and breach of contract, which frequently become conflict situations, against which the firm can take legal action.

A contract "without services" is a contract of sale. The producer receives only the seedlings needed for planting and can obtain a higher price for the raw material, has no financial obligations with the firm and there are no transaction costs. However, the producer must adhere to the quality specifications stipulated by the packaging firm. In general, this type of contract is concluded with farmers with financial capacity, who are experienced in growing and applying the pesticides authorized by the United States Environmental Protection Agency (EPA).

Furthermore, the "without services" contract has a number of appendices specifying the different qualities of broccoli, as well as the parameters for accepting or rejecting a consignment. The firms have established two qualities (grade I and grade II) with two associated price levels. Grade I applies to typical compact flower heads, of the characteristic dark green colour, with maximum diameters and lengths, free from marks, mechanical damage, brown or dry stalks or yellowing flower heads, which affect the product's appearance and quality. Grade II differs from Grade I basically in the colour of the flower heads (pale green), which are slightly more developed, with longer stalks.

CONCLUSION

In summary, contracts concluded between freezing firms and producers are formal, highly detailed and can range from sale and purchase contracts through to production management contracts. Under this contractual production system, firms pay more than 40 percent of the total production cost without collateral and without charging any interest. The official from the firm interviewed stressed that the firm charges zero interest and that his organization supplies the inputs at lower prices than commercial suppliers.

An official from one of the largest packaging firms stated that his firm saw contracts as a means for: "everyone to win, both the firm and the producer". He said that for this reason evaluation was a transparent process and that the producer was allowed to be present during evaluation.

Elements for a case analysis

Based on your personal experience, consider the following questions on the proposed case:

1. In the case study, two types of associative entrepreneurship were identified: contract farming, which takes place between producers and freezing firms; and joint ventures, which takes place between freezing firms and foreign investors. Which advantages and disadvantages do you see in these arrangements for each of the parties?
2. What do you consider to be the biggest differences between the actors in the case study? Do you think this affects the type of agreement they conclude?
3. Has your associative enterprise implemented any such arrangements? Which advantages do you think the organization gains from making this sort of alliance?
4. From the case study, can you identify attitudes and principles, above and beyond business strategies, which have helped to achieve the results described?

Bear in mind that at the end of the unit you will be asked to answer the same questions in the light of the new knowledge you will have acquired.

Concluding the case study

Having compared your prior knowledge with the subject content of the unit, answer the following questions making optimum use of the new knowledge you have acquired.

1. In the case study of El Bajío, two types of associative entrepreneurship were identified: contract farming, which takes place between producers and freezing firms; and joint ventures, which takes place between freezing firms and United States investors. What advantages and disadvantages do you see in these arrangements for each of the parties?

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2. What do you consider to be the biggest differences between the actors in the case study? Do you think this affects the type of agreement they conclude?

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3. Has your associative enterprise implemented any such arrangements? What advantages do you think the organization obtains in making this sort of alliance?

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4. From the case study, can you identify attitudes and principles, above and beyond business strategies, which have helped to achieve the results described?

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Precooked and frozen vegetables for the international market: La Huerta, Mexico

INTRODUCTION¹

Pre-cooked and frozen carrots, peas, cauliflowers, brussels sprouts, broccoli and green beans under the *La Huerta* label (from the Mexican State of Aguascalientes) can be found in all the leading supermarket chains, not only in Mexico but also in countries such as Japan, the United States, Canada, Sweden, Chile and Ecuador.

When the company was created 40 years ago, it only had a small piece of rented land and four mules. Today, it produces an annual total of around 24 000 metric tons of vegetables.

DISCUSSION

La Huerta's founder, José Arteaga Campos, was an engineer working in the steelmaking industry when, in 1957, he decided to settle in Aguascalientes. Since his work options were confined to rural activities, he decided to set up a farm business. One year later, he bought a tractor to help him to plant his chilli and wheat crops. A decade after that, he was running an organization with 120 employees.

Despite this progress, a crisis arose in the company during 1969 and continued until 1971, when La Huerta was shutdown completely. After selling the planting equipment to pay his debts, Campos reviewed what he had left and started afresh in 1972. His only alternative was to farm the land again, but this time he decided to grow vegetables.

In 1975, he reaped his first success when he clinched an export contract with a United States firm interested in buying his fresh vegetables. When, in 1976, he realized that frozen vegetables provided good potential for expanding his business, he bought a freezing chamber. He pursued the United States export market for broccoli, brussels sprouts and cauliflower, whilst at the same time testing the domestic market.

¹ Torres, M. (2000, February). *Negocios congelados: Conozca la historia detrás del éxito exportador de La Huerta, un negocio de verduras congeladas.*

As the managing director remembers, when La Huerta decided to sell its vegetables to Japan, it was no easy task: “First we contacted an entrepreneur in San Luis Potosí to whom we sent samples for four years. When the entrepreneur finally introduced broccoli into the Japanese restaurant chain Sky Lark, it opened up the door to Asia. Persistence is the key”.

The big export opportunity arose in the early 1990s, when an arduous market positioning programme, which included attending international food fairs and exhibitions such as FOODEX, sending product samples to prospective customers, as well as innovating within the cultivation and manufacturing processes, resulted in the company selling its products to Canada, Europe, South America and Japan. At the same time, it continued to serve its customers in the United States (to whom it sold 1 000 metric tons of frozen vegetables between 1991 and 1993, under the ‘Nutriverde’ trademark).

CONCLUSION

At this point, La Huerta’s managers decided that an important factor for sustaining the company’s growth was its human capital, and this led them to focus their efforts on consolidating the quality of the workforce. Today, the workforce comprises 750 employees, including farmers, biologists, chemists, food specialists, agronomists and administrative staff. “This has contributed to the positive trend in our total sales, both in Mexico and abroad”, says the managing director.

According to Campos, another key factor contributing to his success in both national and international markets has been to comply with international trade rules, phytosanitary regulations and importers requirements.

La Huerta now owns 400 hectares in Aguascalientes, in addition to renting farmland. This gives it a total surface area of 2 200 hectares, in which the company exploits the different microclimates in order to maintain constant supplies of crops to meet customer demand at all times.

The quality of human capital is a key factor in maintaining an associative enterprise’s growth

Elements for a case analysis

Based on your personal experience, consider the following questions on the proposed case:

1. What do you think are the main success factors that led 'La Huerta' to take a share of the international market and then increase it?
2. How did the company gain market knowledge about the United States and Japan, as well as about some European and South American countries?
3. Once it had identified the market opportunity, the company focused its efforts on two factors in order to enter the markets with competitive products. What were these factors?
4. Can you identify attitudes and principles in the case study, other than business strategies, that helped to achieve the results described?

Bear in mind that at the end of the unit you will be asked to answer the same questions in the light of the new knowledge you will have acquired.

Concluding the case study

Having compared your prior knowledge with the subject content of the unit, answer the following questions making optimum use of the new knowledge you have acquired.

1. Which do you think are the success factors that led 'La Huerta' to take a share of the international market and then increase it?

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2. How did the company gain market knowledge about the United States and Japan, as well as about some European and South American countries?

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3. Once it had identified the market opportunity, the company focused its efforts on two factors in order to enter the markets with competitive products. What were these factors?

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4. Can you identify attitudes and principles in the case study, other than business strategies, that helped to achieve the results described?

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The agribusiness agrohortalizas

INTRODUCTION

The firm Agrohortalizas, located in the **Andean mountains of Latin America**, had agreed to deliver two metric tonnes of broccoli and cauliflower per week to one of the country's most important retail chains¹. The first delivery months, which happened to coincide with the rainy season, passed off without incident. Although weekly plantings had been planned in different regions in order to cover the required demand from the supermarket, in its planning process Agrohortalizas had overlooked two details:

- 25 percent of the cultivated land had no irrigation systems.
- 15 percent of the cultivated land was in areas prone to frost.

The problems began after six months. The first problem was with the delivery for the second week of June, owing to harvest losses on the non-irrigated land. To make up the shortfall, the enterprise decided to buy-in from local suppliers.

One month later, the problem had continued and it was not possible to harvest the expected volume of crop. The local price for broccoli started to rise, increasing Agrohortalizas' capital requirements, but the firm wanted to avoid losing such a good customer at any cost.

By the third week in August, the enterprise was in debt and had received complaints from the supermarket because the produce it had delivered failed to meet the specifications in the initial contract (varying sizes and degrees of maturity).

By the end of October, the situation was no longer sustainable, the production deficit was around 30 percent, a frost killed off 10 percent of the crop and the firm was heavily in debt. It found it impossible to continue delivering products to the customer, who then filed a complaint. On 1 December, Agrohortalizas closed its doors and more than 200 producers found themselves without a market for their products.

At first sight, the problem might appear to have been caused by climatic conditions or lack of irrigation. In fact the real problem was poor production planning and a

¹ Adapted by the author from a real case.

failure to consider foreseeable situations; an exercise that could have averted many of the problems that were encountered.

Elements for a case analysis

Based on your personal experience, consider the following questions on the proposed case:

1. In your view, what were the factors preventing AGROHORTALIZAS from complying with its commitment to provide steady supplies to the supermarket?
2. Could some of these factors of failure have been prevented or minimized? What action would have been needed to achieve this?
3. What was the impact of the unforeseen events?
4. Has anything like this happened in your associative enterprise? What lessons were learned from it?
5. Suggest some values, principles and attitudes, which you think should be adopted by the actors involved in an organization, like the one described in the case study, to ensure its success.

Bear in mind that at the end of the unit you will be asked to answer the same questions in the light of the new knowledge you will have acquired.

Concluding the case study

Having compared your prior knowledge with the subject content of the unit, answer the following questions making optimum use of the new knowledge you have acquired.

1. In your view, what were the factors preventing AGROHORTALIZAS from complying with its commitment to provide steady supplies to the supermarket?

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2. Could some of these factors of failure have been prevented or minimized? What action would have been needed to achieve this?

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3. What was the impact of the unforeseen events?

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4. Has anything like this happened in your associative enterprise? What lessons were learned from it?

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5. Suggest some values, principles and attitudes which you think should be adopted by the actors involved in an organization like the one described in the case study, to ensure its success?

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Cuatro Pinos Cooperative Union

INTRODUCTION

Cuatro Pinos Cooperative Union¹ is a Guatemalan firm that exports fresh vegetables, mainly to the United States of America and the United Kingdom. The products which it processes and markets come from two sources:

- i) the members, who supply between 80 percent and 90 percent of the raw material, and
- ii) intermediaries who supply between 10 percent and 20 percent. The cooperative members are small farmers, whose cultivated land under vegetables averages one *manzana*, with a minimum of three and a maximum of 16 to 20 *cuerdas*².

DISCUSSION

The Cooperative arranges production contracts with its members at sowing time, when it sells them imported seeds of the planned varieties in the quantities stipulated in the signed contract.

Once the vegetables have been harvested, they are sent to one of eight local stockpiling centres (one in each of the communities participating in the Cooperative), where the products are preselected, weighed and stored.

The collection centres are managed by a Cooperative employee, together with two or three assistants. In coordination with the Cooperative's head office, the manager plans transportation of the products to the processing plant in sealed, non-refrigerated trucks.

Once the products are in the processing plant, they are subjected to a series of post-harvest processes including: acceptance, pre-cooling, selection, cleaning, grading and storage at a temperature of at least 4°C, with a relative humidity of between 80 percent and 90 percent.

¹ Source: CEGA-FAO. *Estudios de Caso "Identificación de Alternativas para Mejorar la Capacidad de Inserción de los Pequeños Empresarios Rurales a los Mercados en América Latina"*.

² 1 cuerda = 1118 m² = 0.1118 hectares; 1 manzana = 6.25 cuerdas = 0.6987 hectares

Following treatment, the products are transported to the shipping ports in 30 000-pound capacity refrigerated trucks.

CONCLUSION

The Cooperative owes its success to efficient production planning in both its farms and agro-industrial units, to optimum management of logistical operations throughout the chain and to good administrative management. This has enabled the Cooperative to fulfill its pre-sale contracts with customers in the United States of America and the United Kingdom.

Elements for a case analysis

Based on your personal experience, consider the following questions on the proposed case:

1. Which post-harvest activities does Cuatro Pinos Cooperative Union carry out? Identify the control variables used and at which level. Are some of them developed and implemented in your associative enterprise?
2. The transport service is essential to the Cooperative. What is it needed for? How do you compare these requirements with those of your associative rural enterprise?
3. Draw a diagram depicting the phases, actors and functions described in the case study, highlighting the post-harvest and logistics aspects. How would the diagram look for your associative enterprise?
4. In your view, which values, principles and attitudes should be upheld to ensure the success of an organization like the Cooperative described in the case study?

Bear in mind that at the end of the unit you will be asked to answer the same questions in the light of the new knowledge you will have acquired.

Concluding the case study

Having compared your prior knowledge with the subject content of the unit, answer the following questions making optimum use of the new knowledge you have acquired.

- 1. Which post-harvest activities does Cuatro Pinos Cooperative Union carry out? Identify the control variables used and at which level. Are some of them developed and implemented in your associative enterprise's activities?

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- 2. The Cooperative's transport service is vital. What is it needed for? How do you compare these requirements with those of your associative rural enterprise?

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- 3. Draw a diagram depicting the phases, actors and functions described in the case study, highlighting the post-harvest and logistics aspects. How would the diagram look for your associative enterprise?

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- 4. In your view, which values, principles and attitudes should be upheld to ensure the success of an organization like the Cooperative described in the case study?

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