

# STRATEGIES FOR AGRICULTURAL PRODUCERS OF THE STATE OF COLIMA WHO ARE STARTING IN EXPORTING BUSINESS

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## **ABSTRACT**

*The proposal of this study is to analyze various factors that limit or encourage the participation of Colima's agricultural producers in foreign markets and thereby develop proposals to eradicate or diminish the weaknesses or threats that face throughout the production and exporting process. The research allowed us to find competitive advantages that the State of Colima has that benefit the development of agricultural producers and the way they are doing business in Colima. That is why it is necessary to make a broadcast about the governmental and nongovernmental institutions and the programs that these offer as it was observed that there is little dissemination and use of such programs which serve as major sources of competitiveness and favorable conditions to increase productivity. The search and data collection were aimed at obtaining primary information since it was obtained through specific research (field work), mainly through surveys and observation, we consulted the Ministry of agriculture of the State of Colima, and official publications of the Ministry of Mexico. Quantitative methods were used with the results of the surveys, they were analyzed with statistical methods and observable facts in order to control the variables and measure the results. A group of volunteers from the School of Foreign Trade was formed composed of 18 students who applied surveys to agricultural producers to obtain the corresponding approaches for the study. According with the deductive method. that in this case is applicable to the reality of agricultural producers in the state of Colima, Mexico.*

## **INTRODUCTION**

Mexico's agricultural sector has faced intense changes over the past three decades, the ongoing process of urbanization, intensive process of globalization and demographic changes have created a new environment for the agricultural sector, which is characterized by technological changes that result in productivity improvements, new harvests that meet the demands of the international market, genetic modifications that improve the varieties of products, new organizational schemes that stimulate forms of marketing and modify methods of integration into the global market and even the entrance of new rural development schemes. The world market trends have decisively influenced the structure of the agricultural sector. Thus, the production takes on a more commercial nature where competition imposes standards of quality and service, forcing the production units to ongoing modernization of its production processes, as well as diversification of products and niche markets.

This has resulted in greater heterogeneity among production units where Small and Medium Enterprises (SMEs) do not have the conditions to compete and achieve continuous modernization. The agricultural sector represents a very important economic factor for both Colima and the country. So for a better economic growth and development through the agricultural sector it's important to highlight the competitive advantages that the state of Colima has, like: having a variety in agricultural products, the proximity to one of the most important ports in the country and the necessary government supports, among others, but in recent years, not only its productive potential has come to decrease, but also their ability to improve the welfare of rural families. This research is considered important to carry out the analysis of agricultural factors that limit or impulse its participation in the international market since Colima, despite being a state with a relatively small area, and due to its privileged geographic location and climate, has fertile lands that allow a progressive agriculture that has not been exploited properly. It was possible to investigate the factors that position the agricultural sector as one of the principal axis of the state's economic development and this allows us to provide proposals to help agricultural producers of Colima to venture into the export area, since their participation is very low in the export sector, starting from this point the intention is to provide the necessary tools to help raise the level of competitiveness and therefore the standard of living of farm workers and their families, which is the main reason for conducting this research. For this it is intended to provide small and medium-sized enterprises with instruments that enable them to determine their competitive level, and thus cope better with their competitors and insert themselves into a competitive culture through concepts and ideas that allow them to change their competitive scheme.

In the process the main aspects that a company must have or adopt to be competitive were identified, these aspects are shaped by the competitiveness, corporate culture, changes in the corporate culture and logistics. Likewise, an evaluation of the groups of competitive factors that the micro, small and medium enterprises have in the agricultural sector in the state of Colima, for this, a simple random representative sample of companies in the sector under study was taken, the sample represented the majority of companies that are currently active with export potential. This paper discloses the results from the collection of information provided by the owners or managers of each of the companies being evaluated, this way it's possible to determine how competitive are the companies against each other and their closest competitor, the results are represented in a textual interpretation as a final evaluation of each of the companies evaluated. Starting from competitiveness as the fundamental key to the success of the Micro, Small and medium business, it's necessary to know the concept emitted by the World Bank in the World Economic Forum (2005), p.8 which is conceptualized as "set of factors, policies and institutions that determine the level of productivity of a country and therefore determine the level of prosperity that an economy can achieve". More yet it's necessary to possess specialized and advanced factors to place a sector or a company with competitive advantage. In correspondence to Michael Porter approaches infinity competitive factors can be grouped into a Great Competitive Strategy, these factors are concentrated in a diamond style, grouped in four clusters of factors: Business Strategy, Supply Factors, Production Process Factors and Demand Factors. Additionally, two other groups of factors closely associated with the four previous are considered and that after the businessman has knowledge of them, may be incorporated in its strategy, these groups of factors are: Opportunities and Institutional support. Each group of factors represents a vertex on the diamond. The dynamics of the diamond are the following: the meaning is contrary to the movement clockwise, starting with the business strategy, supply factors, factors of the production process and finally the demand factors. In the upper left insert opportunities, which are seen as fortuitous situations that occur in the medium in which the company is to make alternative business, if the company knows how to detect such situations it can make optimal use of these opportunities. In the lower right hand are institutional factors support formed by institutions and public and private organizations that support different aspects of the business, from training to the financing and management for production, marketing and export, for this part of the project SWOT diagnosis system will focus this research.

## **METHODOLOGY**

It's important to stand out that, "Colima is one of the country's most dynamic states in recent years and has undergone a radical transformation of it's economy to be at the forefront nationally." In the agriculture of Colima there a variety of products but, which producers of the agricultural sector of the State of Colima the question is if they could contribute to an increment in the exportations?

Scientific Problem: Lack of appropriate strategies does not allow agricultural producers in Colima, be competitive and consequently not part of the export sector.

General Objective: Develop proposals to allow small and medium enterprises (SMEs) Colima agricultural sector to venture into the field of foreign trade.

Specific objectives:

Know the main agricultural products of the State of Colima with export viability.

Guidance to farmers in Colima exporter.

Diagnosis of the agricultural producers of the State of Colima interested to venture into the field exporter.

Conduct an analysis of the benefits in the implementation of strategies to increase competitiveness.

Promote the culture of the exporter in the agricultural sector of the state of Colima, Mexico.

To guide farmers to participate in the export field

Purpose of the study: Theoretical: Competitiveness and its application in the agricultural SMEs

Practical: The producers of the agricultural sector in the state of Colima, Mexico.

Research Hypothesis: Is it possible and feasible to improve levels of competitiveness of agribusinesses in the state of Colima, Mexico to export inroads into the field?

Methods used in the research: This research will use documentary methods and field is to be held within the analysis and synthesis, the consultation of SME owners, observation, and the application of instruments.

Techniques used in research: Meetings with producers, conducting surveys, brainstorming, interviews, statistical systems in the concentration of information, mathematical tools.

Current concepts of competitiveness in a global environment and its interrelationship with the concepts applied to SMEs achieving their efficiency and quality applicable to national and state environments in particular to agriculture, this topic will inform the theoretical value of the research.

Methodological value: Integrate the conceptual frameworks and strategies designed tools with potential application in a comprehensive manner we alone in the implementation of the SMEs in agriculture but also other business environment.

Practical value: It is focused primarily on the feasibility and appropriateness of applying the strategies to obtain satisfactory results and global perspectives that enable producers to take into consideration the benefits to be gained by achieving export their products.

Social Value: It lies in investigating how to improve and increase the opportunities to be more competitive and export, which translates into higher incomes, resource optimization, positioning, business, customer satisfaction and its image in society.

Development: According to the analysis and the results of field research in correspondence with Michael Porter, an analysis of companies with export potential of agriculture in the state of Colima, which determines its competitive edge in relationship with those currently exported, this means an assessment of the groups that have competitive factors.

Therefore it was necessary strategic SWOT analysis (Strengths, Weaknesses, Opportunities, Threats), was developed with the purpose of obtaining an objective and accurate diagnosis of the agricultural sector Colima develop proposals that will allow producers to help the state to move into markets foreigners. The information presented below are the results obtained by the field research in the diagnosis SWOT farmers.

Table 1 Diagnostic carried out SWOT farmers.

Strengths	Opportunities
<p>S1 Knowledge of the advantages of exporting agricultural products.</p> <p>S2 Experience in managing producer of the crop.</p> <p>S3 Concentration between 18 and 45, which is considered working age.</p> <p>S4 Interest to carry out the export of agricultural products.</p> <p>S5 Knowledge of support agencies to finance the production process.</p> <p>S6 Machinery and equipment suitable to carry out the production process.</p> <p>S7 Proper irrigation system.</p> <p>S8 They have own means of transportation for transfer of harvest.</p> <p>S9 They have own space for the production process.</p> <p>S10 Personal Training.</p>	<p>O1 Industrialized countries demanding products and agricultural inputs.</p> <p>O2 There governmental and nongovernmental institutions that provide assistance to producers to carry out the export of agricultural products.</p> <p>O3 Increased sales and profits.</p> <p>O4 Significant reduction in production costs resulting from higher volume of purchases of material resources.</p> <p>O5 Creation of new markets.</p> <p>O6 Mexico is one of the most open economies that have integrated a series of trade agreements, noting those signed with the United States, Canada, Japan and the European Union.</p> <p>O7 Fastest-growing foreign markets.</p> <p>O8 There governmental and nongovernmental institutions that provide financing to encourage farming</p> <p>O9 There are institutions and research centers and prestigious agricultural education and experienced in the country.</p> <p>O10 National marketing channels.</p> <p>O11 Road and port infrastructure properly.</p> <p>O12 International marketing channels.</p> <p>O13 Entering new markets.</p> <p>O14 Favorable geographical position and strategic access to international markets.</p>

Weaknesses	Threats
<p>W1 Low-grade information and advice regarding the export of agricultural products.</p> <p>W2 Lack of vision of trends in global markets.</p> <p>W3 Financial constraints.</p> <p>W4 Low finances of producers.</p> <p>W5 Lack of investment that allows for market diversification.</p> <p>W6 Most of the producers do not receive government support for various reasons such as culture producer, bureaucracy, etc..</p> <p>W7 Lack of certification in production processes.</p> <p>W8 Lack of organization and integration of producers to be competitive in volume, price and quality.</p> <p>W9 Most producers do not have a supply logistics as well defined distribution.</p> <p>W10 The marketing of agricultural products is</p>	<p>T1 Weather risks.</p> <p>T2 Higher non-tariff barriers (health, safety, food, bioterrorism).</p> <p>T3 International legislation highly protective.</p> <p>T4 Requirement more competitive with regard to quality and value to venture into foreign markets.</p> <p>T5 Increase in input costs.</p> <p>T6 Reduced purchasing power of consumers.</p> <p>T7 International trend towards lower prices in most foods.</p> <p>T8 Little dissemination of government supports to encourage farming.</p> <p>T9 little support to meet the requirements of health and food safety imposed by importing countries.</p> <p>T10 Too much bureaucracy for the granting of government support.</p>

<p>inadequate and inefficient. W11 Most production is sold to middlemen. W12 Lack of capacity. W13 Low surface production process</p>	<p>T11 Competition with other producers national and internationally in terms of quality and timeliness</p>
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## RESULTS

Below are listed the proposed SWOT found in the diagnosis and related organizational structure, logistics, finance, technology, consulting, etc..

1. W1, O2: Disseminate information and advice to carry out the export of agricultural products of Colima. Meet and get support from the various Councils of the State of Colima as the State Board of Lemon Growers, Producers' State Council Tamarindo, AC State Board of melon, AC, State Board of Coffee Growers, Producers' State Council Coco Mango State Council, AC, and the various agencies such as Bancomext and SAGARPA who provide free information and advice to carry out export agricultural products so it is recommended to attend some of these agencies to obtain such information. There is also a Programme Support - Component Trade Export Promotion and whose objectives are:

- Step and manage designation of origin and obtain certification of origin.
- Integration of Agricultural Exporters Directory.
- Certification schemes and use of quality food products.
- Agriculture food generic campaigns.
- Trade missions, trade promotion and integration of producers in collective marks.
- Commercial development of agri-food sector providers and development of export supply capabilities.
- Distribution centers, storage and marketing of food products.

2. W1: To disseminate technical assistance to meet the non-tariff requirements affecting agricultural exports and strengthen public health campaigns to prevent production losses due to pests or diseases, and especially to the foreign market to ensure the high quality of health goods produced in the Mexican countryside. SAGARPA has a program of technical assistance and training which aims to support the technical, economic and health producers who provide them with a sustainable integration of its products in the markets. It also includes the National Health Service, Food Safety and Food Quality this system is implemented under the terms of Business, Natural Areas and Areas and comprehensive implementation of Reliable Good Handling and Use of Agrochemicals with it the national producers and packers products of agricultural origin strengthen their activities giving certainty to national and international consumer to have the effective implementation of a Risk Reduction System Pollution instruments supported by legal, technical and scientific.

3. T2, T9, W1, and W7: To strengthen and disseminate the national certification system to support producer organizations in the knowledge and the adoption of practices to certify their production processes to ensure sanitary conditions, safety and quality in marketing their products. The National Health Service, Food Safety and Food Quality has a manual for Good Agricultural Practice which is useful because it has methods to minimize the risk of contamination in the units of production, processing and packaging certification allows companies that export facilitating agricultural products.

4. W2: Provide advice and information about the benefits provided by the trade in agricultural products abroad as well as global trends so that way you motivate and train people with high levels of useful knowledge, that has both entrepreneurial and innovative capacities, and appropriate job skills to participate in the global economy and so ensure that the field is competitive. There are institutions such as Bancomext and SAGARPA which provide information and advice about the benefits offered by the foreign trade of agricultural products also provide information on global trends so it is recommended to attend some of these agencies to obtain such information which is free.

5. WD3, T4, and T11: To promote the modernization of production, through institutional change (ways of doing things) and technological innovation. The Ministry of Rural Development has several programs that encourage the modernization of agriculture through the provision of financing which are listed below:

- Installation of modern irrigation systems
- Agricultural Mechanization (Tractors)
- Specialized equipment for the Primary Production and Harvest (Attachments)
- Establishment of Infrastructure and Equipment for the Packaging and Post Harvest Management

- Establishment of Infrastructure and Agro-Industrial equipment
- Agricultural Machinery specialized for Conservation Tillage
- Vegetative Material
- Infrastructure and Agro-Industrial Equipment Under Controlled Environment (Greenhouse, Shade House nurseries, etc.).

6. W4, W5, W6, T8, and O8: To promote awareness campaigns that will allow producers to Colima on various government programs that fund agricultural activity.

Programs with different government institutions and SAGARPA which provides the Special Program for Rural Energy in Energy for agricultural use, acquisition of productive assets and if the producer belongs to an organization may also have access to the Rural Development Organization which supports intended for social organizations who intend to have more professional staff, equipment, distribution and operating expenses. PROCAMPO is another program whose objective is to transfer resources to support the economy of rural producers, and helps to allows early access to future resources to eligible beneficiaries of the government programs through the hiring of a loan in which the support the program are the source of payment.

7. W8, W12, and W13: Promote and encourage rural producers to form associations or economic efficiency. These figures should take appropriate legal productive activities that help build social capital required for the rural sector to be competitive. The organization is the best way to access modern technologies and suitable to their conditions of production, as well as technical assistance, training and financing in economies of scale reduce production costs, in addition to adding value to a high quality production and purchase greater bargaining power. The economic benefits to be obtained will enable them to advance their overall development, economic, social, human, cultural, political and environmental. There is a government program to strengthen the rural organization which supports this alternative. At present there are very few producers who are part of some field research organization found that 68% of producers do not belong to any agricultural organization. This situation means that producers are less aware of the support offered by the government to convert their crops into competitive products.

8. W9: Foster an environment of trust and cooperation for economic agents to a value chain are allies, not adversaries to work together to develop goals, objectives and strategies to ensure tangible benefits for all involved. Currently there are associations such as the Product System Committee which establishes development programs agreed between all links of the productive chains of each crop, they also come to incorporate all stages of the process as an organization with its own legal form in which all Participants gain the benefits. In connection with this SAGARPA the office from government has the Strengthening of the productive systems which provides support to State Representative productive organizations, regional and national levels involved in the integration and consolidation of production systems.

9. W10 and W11: Decrease the middlemen by selling direct. As mentioned above, the programs support Component Export Promotion helps producers to promote their products at trade shows, promotional fairs where they can find people who are interested in your products and thus make sales directly to the outside.

10. T3, O1, O3, O5, O6, O7, and O13: Provide information about Free Trade Treaties to which Mexico is party to Colima farmers take advantage of tariff preferences to promote the entry of these foreign markets. Currently, Mexico is part of 11 FTAs and trade agreements with 43 different nations remains one of the countries with greater trade openness.

11. O9: Integrating a rural extension system, technical assistance, training and advisory services linking farmers' associations and education institutions and research that provides knowledge and skills to improve production processes, commercial, organizational and business in the rural sector to ensure the conservation and sustainability of natural resources.

Importantly, the continued success of a product in a market requires continuous improvement in production practices, new knowledge and new uses of the product or additional features, the National Research and Technology Transfer aims to coordinate the projects, programs and public and private

resources, in Research, Technology Transfer and Innovation of production chains of sub-sectors, in order to ensure the participation and contribution of institutions research and higher education, service, social organizations and private institutions and producer associations and state and municipal governments, in order to achieve the competitiveness of agrifood chains, aquaculture and fisheries.

12. O10, O11, O12, O14, T4 and T11, Use and disseminate the competitive advantages offered by the geographical position of the State of Colima as well as road and port infrastructure, which allow the movement of goods nationally and internationally. The Port of Manzanillo is located in the State of Colima, in Mexico, on the coast of the Pacific Ocean. Colima and the Port of Manzanillo is distinguished by its security and social peace, which allows them to attract more private investment, domestic and foreign, thereby increasing their capacity. The Port of Manzanillo has positioned itself as the main gateway for cargo handling in the International Trade Centre Zone and Bajío of Mexico.

### CONCLUSIONS

The research design allowed proposals to allow small and medium enterprises (SMEs) in the agricultural sector in Colima, breaking into the field of foreign trade, to identify strengths, weaknesses, opportunities and threats that have allowed these companies to employ strategies to be competitive in international markets. Knowledge of the main weaknesses of the agricultural producers compared Colima, if exported, will favor the non-participation in the overseas market this fall. This is evidenced by the data obtained through the surveys where we can observe that 97% of producers do not have certifications in their production processes, since, to enter foreign markets demands for quality are greater.

On the other hand the lack of organization of agricultural producers is very significant because 68% of producers do not belong to any organization which leads to lack of capacity to supply overseas markets in addition to not being competitive in higher prices when faced with national and international competition.

The producers do not receive government support is not due to lack of these organisms because the results show that 58% of respondents with knowledge of these, the reasons for not receiving supports are because there is too much bureaucracy and corruption in the provision of such support.

On the other hand the opportunities presented by the producers that currently export Colima help that they do not, to break into the overseas market.

Research also allowed us to meet the situation where the field is Colima, resulting in products with little differentiation capacity compared with foreign products because 84% of producers market their products as fresh fruit and lack of information to make the harvested products are higher quality and can be exported, which is why the lack of preparation and low business competitiveness, are a cultural barriers, fostering a competitive disadvantage that cancels an opportunity for expansion or commercial operation in a global environment, despite the bleak picture, there was a great opportunity for this sector in foreign markets together with the producers have the intention to export their products, all that is required if they know and implement strategies tools that are provided as a result of this investigation, if the applied them they will get competitive producers and start with an export culture, enabling them to have incomes above those that currently have.

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