COMPEITIVENESS THROUGH PUBLIC-PRIVATE PARTNERSHIP:
Succeses and Lessons Learned

Pillars for an Efficient Development of Agricultural Export

A COUNTRY PAPER
CONTRIBUTED BY
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El Salvador is a country with a very limited export ray of products to offer to the international market. Therefore looks upon its active foreign trade policy as the tangible dynamic driving force to reactivate and turn the agricultural sector as the base for an increasing export structure. Signing FTA’s with partners as Mexico, Chile, the Dominican Republic, Panama and the United States, on which agricultural opportunities were safeguarded, is just a proof of what the country expects to create a group of emerging agribusiness SME’s.

In view of the importance that the agricultural sector represents to the future national economic growth, we have identified basic premises that are to be accomplished in order to have an efficient development of schemes for agricultural exports. The compromise to take on this venture requires that within any country, the following events are to occur:

a) **Associative work.** Most of the farmers in our country harvest on small plots, have relative scholar background if not illiterate, have a high dependence in grain production, possess little funding and are not visualize as prospective clients for commercial banking. Through associative action and collaboration among them in terms of mutual geographical location or crop interest, their synergy permits better negotiating power at moments of buying inputs and selling production, and permits the interchange of practical ground root experiences that creates an informal system of capacity building. For instance, 4 years ago, our loroco (an indigenous edible flower bulb) producers used to produce scatter on their own for local buyers; today 150 of them nationwide work together planning large scale production and exporting their harvest in sealed bags using GAP y GMP towards the USA and Europe.

b) **SPS application and following up.** One of our most common barriers for export is the fertile ground and climate for plagues and diseases the country hosts; therefore both government and individual producers go the extra mile into eliminating and reducing the health risks in our food supply as much possible. Our weakness lies in the lack of enough SPS agents that could verify adequate compliance of every shipment going out of our borders. Here is one area on which individual or associated producers have to collaborate and dedicate time and resources along government efforts, depending upon their capabilities. The view set in what today has become a cliché “safe from the field onto the table”, must be a golden rule to any of our food exporters.

c) **Commercial intelligence.** If El Salvador is to position its new agricultural exports in the world market, would be in a great deal a result of combining know-how in analyzing trends in prices of goods and trade flows, exploring and tag-tailing the competition, being on the lookout for trade barriers, using benchmarking and recognizing the segmentation to which efforts are oriented. The creation of Exporta El Salvador, an agency that does not only promote commerce but works in accordance to the tools and resources technology and determination have to offer, demonstrates that working along with our foreign officers, exporters and buyers directly has allowed us to map our objectives for trade in the short, medium and long run.

d) **Creation of networks.** Taking the Asian philosophic principle of doing business along a web of confidence, SME’s have to build up channels of information and personal contacts with suppliers, clients, support entities and including domestic competitors. What an enterprise would gain in the process is accumulating a better product and stable environment for carrying out transactions. Organic coffee producers from remote communities in the western highlands of El Salvador begun talking among themselves; later with independent agricultural engineers; then with authorities in the Ministry of Agriculture; afterwards with the National Coffee Association; along came the freight forward company and now they close business deals with a movie theater chain in the UK. All this thanks to the relations they created on the way with time and dedication.

e) **Improvements in products and process.** Worst that can happen to any business is to enclose itself in keeping producing the same good and using the same procedures as it did long time ago ignoring technology and market demands. It’s time consuming and extremely expensive in the long run to the point of being annihilated from competition. To be constantly checking procedures and reinventing the process and their products
without affecting retail prices have been the keys for our snack industry to compete vis à vis with multinational companies in Central America.

**f) R&D along with academic centres.** Unfortunately due to multiple reasons including the failure to grasp it as an investment for the future, research is not a common practice within the productive process of Salvadoran agriculture. On the other hand, universities and other academic and technological institutes hold the know-how or are capable to generate the tasks of experimentation and development of primary production as well as improve industrial processing of commodities into added value products. The solution is to open a space where SME’s will feel stimulated in working together to take this action one step into action. This will permit that diversification of products does not rely only upon field production but industrial and marketing engineering as well.

**g) Will to grant bank loans to innovative products.** CAMAGRO, the private agribusiness entity has a motto: Simple...no agriculture, no food. In this era that financial globalization has skyrocketed the profits of major banks everywhere, to risk in agricultural projects that create jobs and allows to increase revenues for the country is a logic that does not occur. If a country wants to launch an export campaign, it would require funds that the banking system holds and so it must be incorporated in the designing of ventures and revision into the needs of SME’s (if not, we will have to generate alternative financial schemes) to create the viability that would allow agriculture to blossom to an economic engine for progress.

**h) Schemes for investment.** Banks are not the sole solution as sources of financial resources; it is through creating schemes and well structured investment programs in agriculture, where added value and technology are to be a must, how cash will flow in. Promotion of the multifunctionality of investing in agriculture is a strategy that in many countries we leave out from the whole productive process. Agroinnova, a program oriented to hosting small agribusiness development, that started this year evaluates more than 100 new agribusiness ideas nationwide, selects the top 40 and practices an assessment on each in order to promoted within a circle of entrepreneurs who wish to invest in these type of opportunities.

**i) Changes from a primary productive mentality to a culture of agribusiness.** The biggest challenge or step to take in order for agricultural exports to be a real solution is to change the concept of selling what is produced to producing what sells. This requires not only transferring business skills and tools to present farmers but going beyond into integrating agribusiness as an additional course in school with the youth, foster gender initiatives and supply technology to the field. For instance, we can not exports field tomatoes to the US market due to phytosanitary reasons, however today a couple of farmers took the steps into becoming greenhouse specialists and consider diversify production of other products.

**j) Joint work by both private and public sectors.** Exports are done by individual companies but problems and the challenges to tackle require the arms of state officials to overcome them. That is why we in El Salvador have agreed in creating the National Investment and Export Committee (CONAIDE), a flexible structure in which all the official agencies involved in trade, private business organizations of all sizes and commercial banks gather to discuss and plan export strategies to specific markets. CONAIDE offers a basket-model of cooperation where everyone inserts its services and may withdraw assistance from others in coordination with the rest of the members thus simplifying and making more available the communication between all stakeholders.

Our ideas are not a guideline to be followed literally and implemented by the book, but just a series of suggestions we share from the Salvadoran experience and our reality. To make a common farmer into an agribusiness manager requires hard work and will to change; for him or her to become an exporter, you must create hope that what seems as a vision today is tomorrow's reality.