

## GLOBALISATION AND LIVELIHOOD DIVERSIFICATION THROUGH NON-TRADITIONAL AGRICULTURAL PRODUCTS: THE MEXICO CASE

**Leonel Ramírez Farías**

*Inexorable trends towards globalisation are raising the pressure on countries to compete in international markets, or suffer increased marginalisation. At the same time, poverty reduction is growing in priority for governments and donors alike. This paper describes how efforts to promote trade in niche products in Mexico have contributed towards both objectives, and draws general lessons from these.*

### Policy conclusions

- 'Niche' products are those – either traditional or modern – which lie outside mainstream trade, but have untapped market potential;
- This potential may be especially marked in cases where the processing of such products is associated with traditional and/or ethnic minority practice;
- However, information campaigns alone are insufficient to realise this potential: substantial investment is needed in face-to-face gatherings, such as trade fairs, to permit producers and potential buyers to interact over type, quality, presentation, and market potential;
- Government support for such fairs is essential, at least initially;
- Official inspection of type and quality is also important, and needs to be certified by a 'seal of approval';
- Experience from Mexico suggests that the returns to such investment can be high in terms of both export earnings and poverty impact.

### Background

Some 72% of farms in Mexico are defined as small-scale (i.e. under 5 ha). Under present market conditions, characterised by an opening to foreign trade, the liberalisation of the economy, and a 'rolling back' of the state, it will be very difficult for these growers to improve their living conditions if they continue to focus on traditional crops having low added value.

This paper describes a government-sponsored programme aimed at identifying market niches for higher value small-farm agricultural products. This is the Non-Traditional Agricultural Products Trade Promotion Programme (PFCANT), of the Department of Agriculture, Livestock and Rural Development (SAGAR) through 'non-traditional marketing'. Many of these products benefit from strengthened production-marketing chains. More unusually, they also benefit from increased willingness among consumers to pay more for 'biodiverse' products and for products associated with traditional uses and practices, such as cooking and processing.

The market niches programme draws on the commercial potential of the country's biodiversity, which is scarcely exploited at present (only around 500 out of more than 12,000 species that have a commercial potential are now being exploited). Table 1 lists some of the products covered. The per hectare profit margin on these is typically much higher than on conventional crops: on vegetables, for instance, 30% higher, oilseeds 70% and cereals over 100%.

### Rationale for the market niche approach

Factors favouring a market niche approach include:

- Prevailing smallholder farming structure;
- Numerous opportunities for drawing on Mexico's biological wealth in sustainable ways;
- The need for small farmers to break out of the oligopsonistic structure of commercial marketing and processing industries: nine companies control almost half the national maize market, and four control half the wheat market.

Hitherto, agricultural support programmes in Mexico have been strongly oriented towards commercial farming and made little contribution to the policy goal of reducing extreme poverty in rural areas. PFCANT's main target group is the marginalised peasant population, characterised by:

**Table 1 Non-traditional products of economic importance**

<b>Cereals</b>	Amaranth, blue corn, popcorn
<b>Native fruits</b>	Custard apple ( <i>chirimoya</i> ), cactus pear and small sapote, sapote white (custard apple), pitahaya ( <i>hylocerus undatus</i> ), passion fruit, guava ( <i>guayaba</i> ), fresh coconut
<b>Exotic fruits</b>	Kiwifruit, persimmon, lychee, pomegranate, rambutan, star fruit, jak fruit, small bananas, sweet lime, bread fruit, kumquat, gooseberries
<b>Dried fruits</b>	Dates, macadamia, cashew and pistachio nuts, white figs
<b>Non-traditional vegetables</b>	Pumpkin, squash, Mexican tea, prickly pear leaves ( <i>nopalitos</i> ), okra, organic vegetables, banana leaves, mushrooms, cherry tomatoes, jicama (Mexican potato, yam bean)
<b>Industrial</b>	Cocoa and organic coffee, cardamom, vanilla bean, <i>Agave Weberi cela</i> , natural fibres, tamarind
<b>Oil-seeds</b>	Chia, ( <i>salvia hispanica</i> ) and African palm oil
<b>Tubers</b>	Taro root, yucca root
<b>Spices and medicinal herbs</b>	Rocket ( <i>arrugola</i> ), bay leaves, chives, dill, garlic, chives, purslane, sorrel, sage, <i>hibiscus sabdariffa</i> , chinese parsley, coriander, marjoram, Mexican tea, tarragon, rosemary, basil, thyme, cumin, feverfew camomile, <i>annatto</i> , <i>psillium plantago</i> , mustard, ginger root, rosemary and lemon tea, mushrooms
<b>Other</b>	Exotic cattle; commercial marketing of insects for collectors

- Wide diversity in the size, quality and use of physical assets, in geographic location, population density, access to basic public utilities, technology, social and human capital, and links with urban centres.
- Extreme poverty: 4 million Mexican families live in extreme poverty and 2.6 million of these live in rural areas.
- A significant percentage of small Mexican farmers exhibit:
  - A high degree of subsistence production: almost 1 million growers use 65% of their production (mainly of maize and beans) for their own consumption; urgent cash requirements often force them to sell immediately after harvest, and buy back later at higher prices
  - A low degree of diversification: farmers under 2 hectares use approximately 84% of their area for subsistence crops and 14% for commercial crops (coffee, citrus, sugar cane, bananas, cocoa)
  - Limited skills in organising and managing production processes and production-marketing chains.

### Objectives of the programme

PFCANT's main goal is to support small-scale agriculture by:

- increasing the value-added in non-traditional products;
- diversifying agricultural and livestock production;
- improving rural-urban links so as to make markets more dynamic;
- putting small family farms on a firmer economic footing.

The main strategy has been to expand markets by holding trade fairs in different States of Mexico and so to:

- Foster a culture of trade promotion for these products throughout the whole country;
- Make local markets more dynamic and consolidate inter- and intra-State trade flows in these products;
- Identify new production opportunities;
- Raise awareness of efforts made by regional universities and research institutes in developing new crops and opportunities for agricultural businesses;
- Identify exhibitors interested in exporting who can benefit from international trade exhibitions.

### Programme components, methods and instruments

This Programme is implemented through the following government-sponsored actions and instruments:

- Market identification by means of a National Commercial Intelligence System that collects information through the internet, as well as from small commercial information units and private service bureaux supported by the government in each one of the Mexican States.
- Creation of an official seal of quality, 'From Mexico to the World', and promotion of the seal at fairs and exhibitions for Non-Traditional Agricultural and Livestock Products.
- The design and implementation of training programmes.
- International seminars and State-based fora on the promotion of non-traditional products.

### Programme implementation and cost

At the central level, the implementing agency is SAGAR. In the individual States, 'Market Identification and Promotion Liaison Units' have been established, and are led by trade specialists.

The private sector engages with this programme through the National Network of Trade Information Units. This Network comprises consulting bureaux that are either private or financed by Non-Governmental Organisations (NGOs).

**Figure 2 The seal of quality**



The emblem 'From Mexico to the World' was launched in 1997, during the First International Exhibition of Non-Traditional Agricultural Products. Participating growers and traders, as well as visitors (marketers, manufacturers, researchers, academic staff and the public) agreed that the emblem should serve as a seal of quality for non-traditional agricultural and livestock products. SAGAR followed-up by registering the emblem and collaborated with small growers to guarantee the quality and origin of their products. The right of use of the slogan 'From Mexico to the World', was first granted to a group producing a new variety of hibiscus called royal Jamaica (*hibiscus sabdariffa*), and obtaining a range of products from it, including an infusion, a juice concentrate preparation and an extract for medicinal purposes.

Initially, these units were subsidised by government at the local level. Private specialists implement the programmes, and again are supported by government subsidies.

The financial features of the programme are presented in Tables 2-4. Table 3 presents data on participation levels in the international and regional exhibitions, and Table 4 indicates the high value of sales leveraged per unit of subsidy.

**Table 2 Funding of the 1999 Exhibitions Programme**

Sources	(Million dollars)	%
Federal government	\$0.58	41%
State	\$0.51	36%
Growers	\$0.33	23%
Total	\$1.41	100%

### Impact on rural poverty

In 1999, a survey among participating growers indicated that:

- 82% had established commercial links enabling them to increase their income by an average of 53%, as a result of sales to clients they had met at the exhibitions.
- The incomes of growers who invested in adding value to their products (commercial image, packaging, industrial processing, labelling, quality enhancement, etc.), rose by 350%. These accounted for 10% of the total number of exhibitors.
- 92% of exhibitors found these events extremely useful.

In quantitative terms, the programme had three positive effects: on the value added index; on current incomes, as a result of selling more at better prices, and on expected incomes, due to commercial contacts that broadened the customer portfolio and enhanced the prospects of future sales. Furthermore, the programme had several impacts that are not easily measured, such as 'demonstration effects' on other producers.

Other effects that have been observed, but not yet quantified, include:

- a) Strategic alliances and vertical integration;
- b) Development of an entrepreneurial culture;
- c) Improved access to information;
- d) Enhancement of human capital

Yet another impact of this programme is the dynamism acquired by non-traditional exports. The latter rose from US \$149 million in 1995 to US \$285 million at the end of 1999.

**Table 3 Results of national and international exhibitions held in various cities in Mexico**

	International exhibitions			Regional exhibitions 1998			Regional exhibitions 1999			Total
	1997 Mexico City	1998 Mexico City	3rd Exhibition Monterrey	Southeast Tapachula, Chiapas	North San Luis, Potosi	Central Region Guadalajara, Jalisco	Southeast Villa Hermosa, Tabasco	Central region Morelia, Michoacan	North Tijuana, B.C	
Participating growers	150	200	214	80	72	60	139	57	140	1,112
Products on display	240	276	250	55	68	47	60	64	150	1,210
Visitors	4,758	10,080	8,500	2,000	1,600	1,000	2,700	3,000	1,800	35,438
Commerical links	851	988	894	137	179	50	151	169	77	3,496
Number of commercial information unit specialists trained	300	300	400	70	58	60	200	400	50	1,838

Growers who participated in the exhibitions account for only 5.5% of the total increase in exports during the period, the remainder is attributable to higher-income growers who did not participate, but who benefited from the programme's development. They do not receive any programme subsidy, but a good number of them attend the information seminars, use the market information systems and take part in the exhibitions at their own expense.

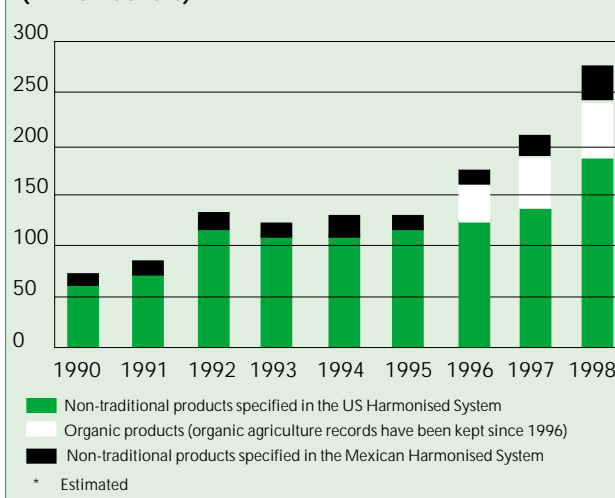
Finally, it is worth mentioning some additional achievements:

- The establishment of small exporting companies that offer products having high value-added and proven competitive advantages, as with, for instance, organic coffee exporting companies in Chiapas, aromatic plants and speciality vegetables in Baja California, cactus leaves in Mexico City, medicinal plants in Morelos.
- Sustainable use of the country's biodiversity, promoting income diversification in rural areas, as is the case with oregano in Chihuahua and vanilla and medicinal plants in Tlaxcala.
- Promotion of larger domestic markets based on the integration of local markets, as is the case of 'pitahaya' (*hilocereus undatus*) in Puebla, Quintana Roo and Yucatán, whose growers have joined together in bulking this native fruit for wholesale markets in Mexico City.
- Creation of mechanisms for agricultural and micro-agro-industrial technology transfer. For example, this programme has facilitated the introduction by researchers of new species of 'guayule' (*Parthenium argentatum Gray*), a latex-producing plant that is native to the North

of Mexico, 'neem' (*Melia Azadirachta*), the royal Jamaica hibiscus (*hibiscus sabdariffa*) and 'chia' (*salvia hispánica*).

- The strengthening of the private market for technical assistance through the establishment of Commercial Information Units (CIU) specialised in developing niche-marketing strategies.

**Figure 3 Non-traditional agricultural product exports (million dollars)**



**Table 4 The impact of subsidies on commercial exhibitions 1999**

(This chart includes only government contributions and not those of growers)

Total subsidy (Federation and States)	\$1,084,210.53
Participating growers (national aggregate)	550
Subsidy per grower	\$1,971.29
Value of orders received by growers at exhibitions	\$8,421,052.63
Average income per grower	\$15,311.00
Leverage ratio (value of orders:subsidy)	7:8:1

### Concrete examples

Boxes 1, 2 and 3 provide success stories in adding value and marketing indigenous products. In all cases, the producers use the SAGAR symbol of quality 'From Mexico to the World', and all have participated in the regional and international trade fairs and exhibitions.

### Lessons

This Programme is driven by a strategic vision. Previous agricultural policy had been focused on larger producers in more favourable areas and had generally been inappropriate for the heterogeneous conditions under which the rural poor operate. Lessons on issues dealing with market access, policy-making and programme implementation include the following:

- Unlike government promotion programmes which basically consist of a 'strategy of catalogues and samples', where growers are not directly involved, the organisation

### Box 1 Production, processing and marketing of *Hibiscus Sabdariffa* in Martínez de la Torre

- Six small growers joined to form a Rural Production Association called 'Exotic Products from Veracruz'.
- Research at the University of Veracruz produced a variety of hibiscus – 'Royal Jamaica' – with superior characteristics of size, colour, pest and disease resistance and yield per hectare.
- Main Products: Dried hibiscus, soft drinks concentrate, medicinal extract, liquor, jams and tea.
- Main wholesalers demanding the products: Mitsubishi (Japan), Takasago (Japan), Golden Harvest (Mexico), Jadom (Japan), Stores belonging to the Social Insurance Mexican Institute (Mexico), Laboratorios Mixim (Mexico), Pochteca Importing and Exporting Company (Mexico), Seminis, Grupo Pulsar (Mexico), Grupo Angel Rey (Spain).
- Use of a packaging and labelling design commercially attractive for consumers.
- Annual sales: US \$250,000

### Box 2 Successful Case: Production, dehydration and marketing of white figs in Valle de Vizcaino, B.C.S.

- A group of 250 indigenous Nāñu women from the Municipality of El Cardonal, Hidalgo, organised themselves to form a Social Solidarity Association.
- These communities live in a dry climate, with poor soils and risk-prone, seasonal agriculture. They traditionally grow and extract the fibre from a range of indigenous plants for various handicrafts.
- They now produce new items such as table covers and tablecloths, bags and gloves, and small bathroom articles.
- All production activities (cutting of fleshy leaves, baking, burying, carving, washing, brushing and spinning), management and marketing are carried out by women.
- The Nāñu women members of the S.S.A. made an impact on local markets and then introduced themselves to a British commercial agent who gave them his support and promoted their products in the British markets.
- This group of women conducts regular, small-scale training programmes, to update skills.
- Average annual exports amount to US \$75,000.

### Box 3 Organic coffee produced by the native inhabitants of Sierra Madre de Motozintla, Chiapas

- Small indigenous peasant growers belonging to 176 communities of the Mam ethnic group, from Soconusco, Central Region joined to form a Social Solidarity Association called Indigenous Peoples of Sierra Madre de Motozintla (ISMAM).
- The S.S. ISMAM Association produces 45.00ha of top-quality Arabica coffee.
- They have found market niches in the United States and the European Union.
- They use organic methods authenticated by Ocia in the United States and Naturland in Germany
- ISMAM is a member of CANACINTRA, IFOAM (International Federation of Organic Agriculture Movements), of the Latin American Solidary Coffee Growers' Front and of the TRANSFAIR-MAX HAVELAR Foundation. Membership of the latter helps in obtaining premium (and stable) prices for the coffee
- Annual average exports: 40 thousand bags, which are equivalent to an average of US \$7.5 million.

of promotion events (fairs and exhibitions) for small growers ensures that links will be established with the markets, thus reducing search and information costs. From the very beginning, the idea was to choose first-class international exhibition premises (such as the World Trade Centre in Mexico City), with the purpose of building trust among buyers. Most of these growers had

never before tried to sell realisation that their plants and ancestral cooking knowledge had an economic value in the urban sector was not only financially favourable for them but also substantially enhanced their self-esteem.

- b) Exhibitions have become a very powerful instrument for supporting product diversification and enhancing value-added. Growers gather information on new crops, gain access to new technologies, and become aware of the benefits of vertical integration that processing or their products outside their local areas and the mere packaging can bring. Growers become acquainted with new technologies in a 'business-like environment', and prove for themselves how important it is to respond to the market in improving the quality and image of their products.
- c) A culture of 'identifying market niches' was an essential complement to promotional events. Market information was initially collected by the Market Identification and Promotion Unit of SAGAR, although it was clear that partnership with private market research companies would be necessary in some specialist areas. Private Commercial Information Units, (CIUs) were promoted especially during the programme's final stage. The overall impact may have been stronger if CIUs had been engaged and promoted earlier, but it is very unlikely that private bureaux would have agreed to participate from the beginning, due to the uncertainty and the risks involved in the Programme.
- d) This project would not have been successful if it had not incorporated an ambitious strategy aimed at differentiating and segmenting the market. The chosen marketing and promotion strategy was hitherto unknown in Mexico; however, as a result of the 'neutral presence' of the government as disseminator and promoter, it is now valued and understood by buyers and accepted by growers.
- e) The differentiation strategy would have missed something if it had not included the design of a visual 'corporate image' that would make the promotion plan credible. A crucial part of this was the development of the distinctive slogan 'From Mexico to the World' that ended up becoming an official seal of quality.
- f) This strategy has had an impact not only on the creation of small agricultural exporting firms. At the same time, the regional exhibitions have facilitated the development of micro-regional markets, thus reducing the involvement of middlemen. Regional fairs are a good means of exhibiting the comparative advantage of different agro-ecological areas, allowing domestic business opportunities previously unknown to be identified, which in many cases are more profitable than export markets – as is the case with sales of tropical flowers from the humid southeast to cities located in drier areas.

Dr. Leonel Ramírez Farias is Markets Promotion General Coordinator of the Agriculture, Stockbreeding and Rural Development State Department of Mexico. Email: [leonel.ramirez@sagar.gob.mx](mailto:leonel.ramirez@sagar.gob.mx).

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