

# Puebla Competitiveness Report

(Work in Process)



## Agricultural Products and Processed Food

Ana Mendez  
Antonio Castillo  
Antonio López  
Antonio Santillán  
Aristarco Córtes  
Asunción Salud

Bejus Sesín  
Claudia Díaz  
Cristian Sanchez  
Evelyn Solis  
Jaime González  
Jannette Martínez

Luis Regordosa  
Miguel Anguiano  
Pablo Nuño  
Pedro Galindo  
Ramón Lozano  
Rosa Nieves

April 27, 2012

# CONTENTS

1. World Cluster Status
2. Relevant Cluster Charts
3. Cluster Diamond
4. Value Chain
5. Cluster Map
6. Synthesis of Current Situation
7. Strategy: Cluster Value Proposition
8. Relevant Project Priorities
9. Dr. Porter Feedback
10. Programa del Empresariado Social

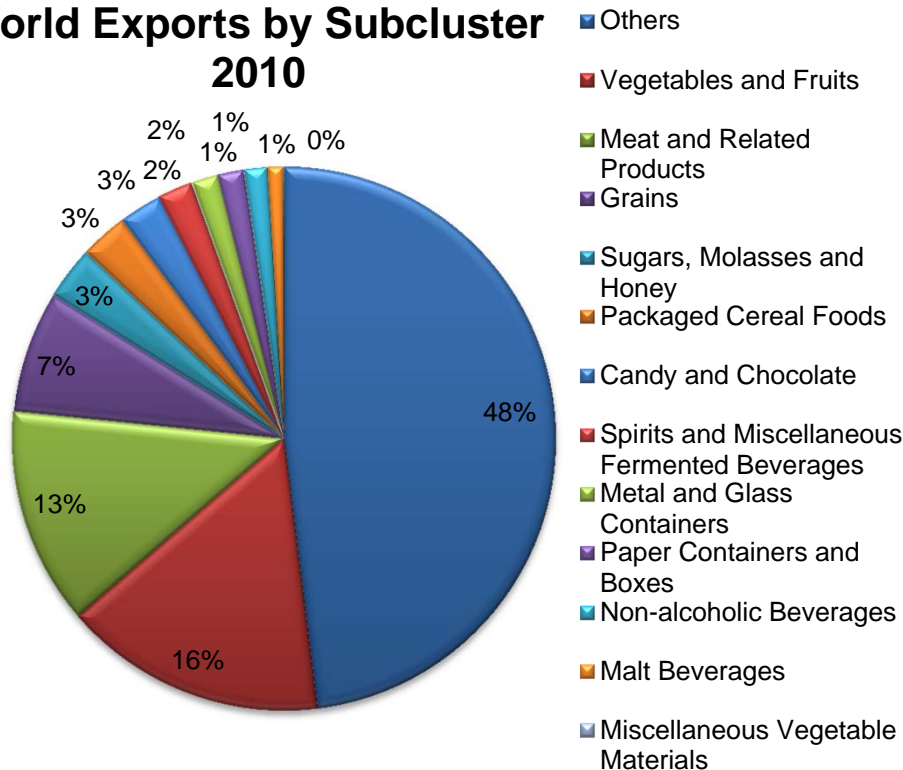


# 1. World Cluster Status

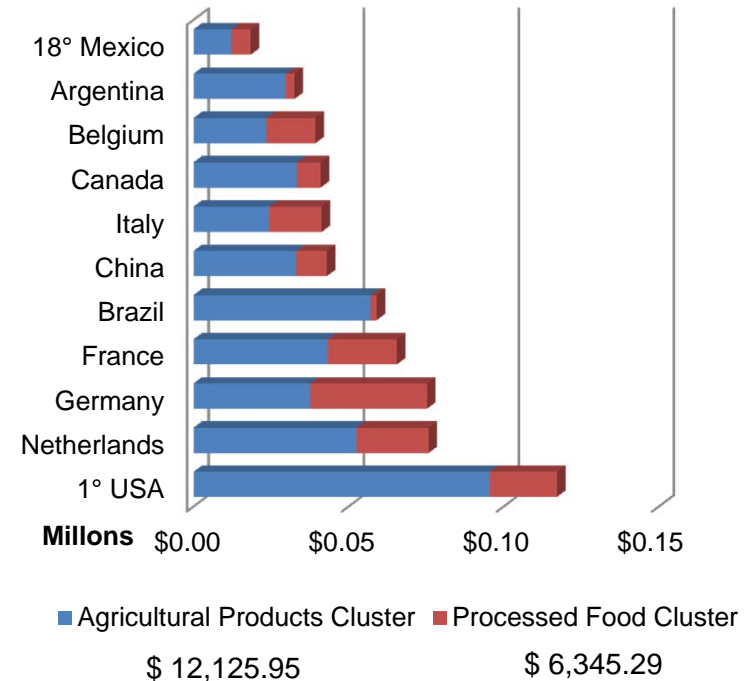
## Agricultural Products and Processed Food

**World Exports of the clusters in 2010:  
USD \$ 1.12 Billions**

**World Exports by Subcluster  
2010**



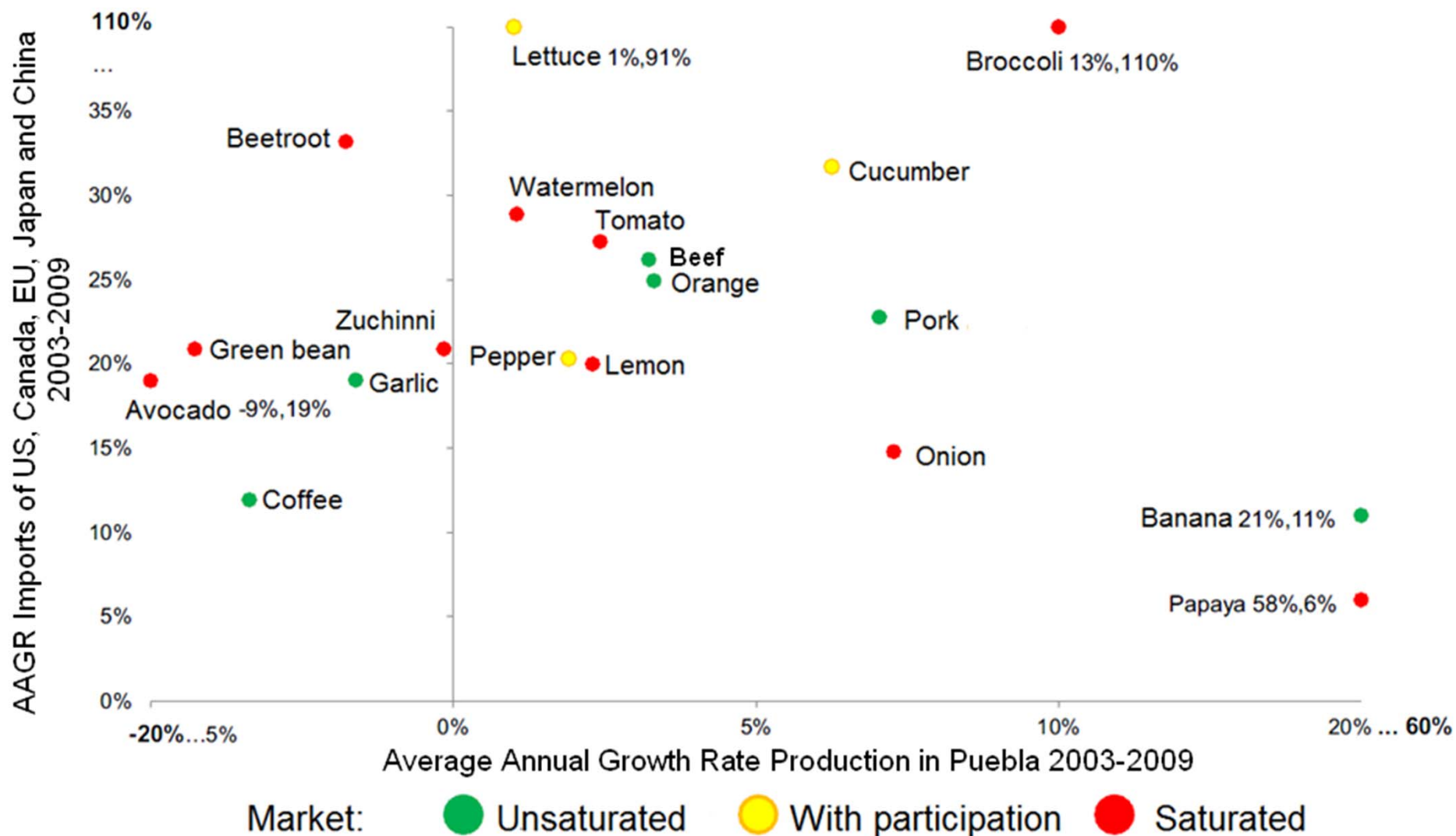
**Export Value by Nation, 2010**



**Mexico: 1.64% of World Exports**

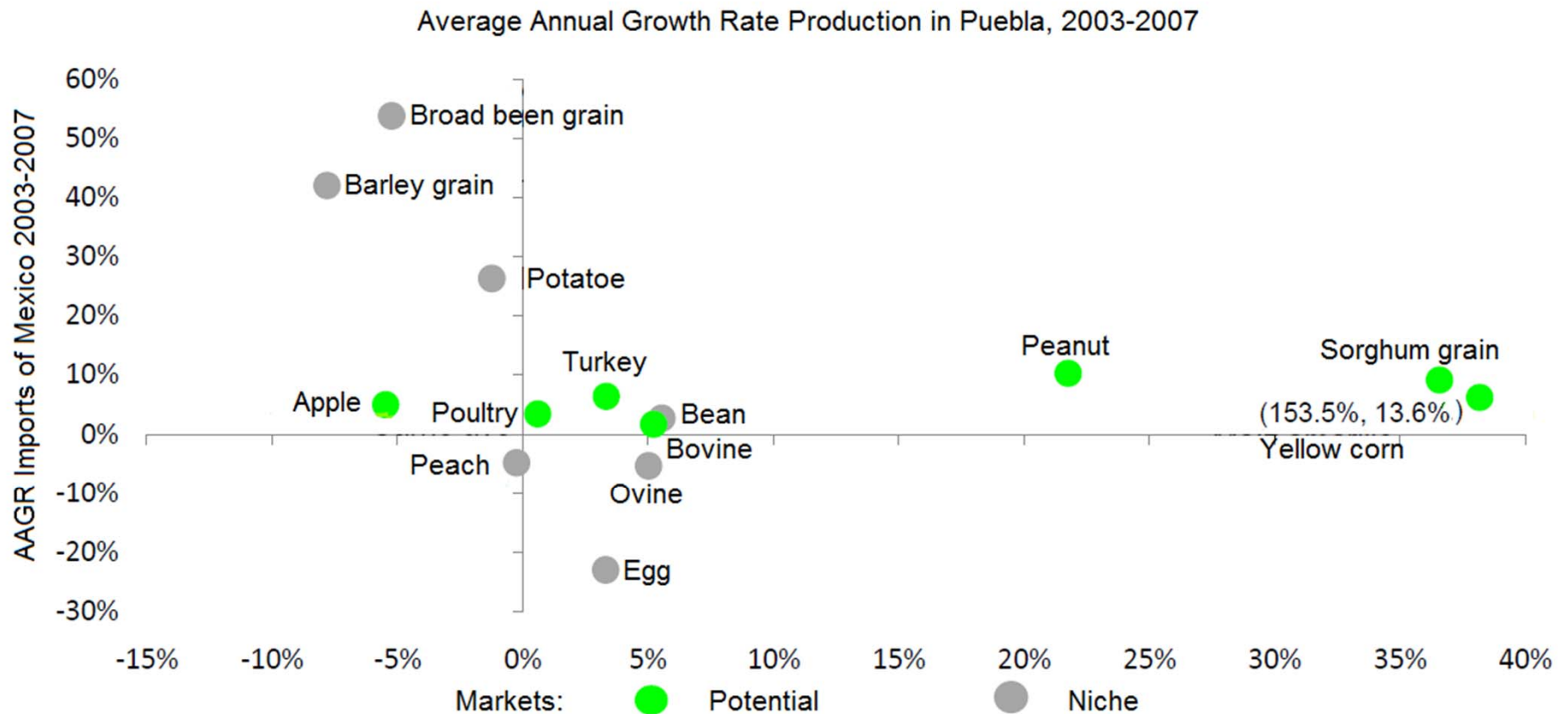
**Mexico Ranking: 18 | USD \$ 18,471.23**

## 2. Relevant Cluster Charts Agricultural Products and Processed Food



## 2. Relevant Cluster Charts

### Agricultural Products and Processed Food



# 3. Cluster Diamond Agricultural Products and Processed Food

## CHANCE

- (-) Global warming
- (-) Water crisis
- (-) Economic crisis (commodities)

- (+) Top 5 Producer in vegetables & livestock within the country
- (+) Intensity of local competition
- (+) NAFTA
- (+) Friendly environment for FDI

- (-) Unfair competition from informal sector
- (-) Corruption
- (-) Large number of small farms with traditional and inefficient methods of production, unable to compete directly for larger markets

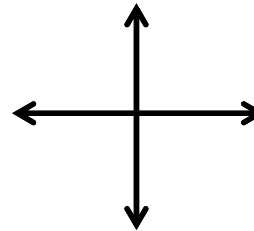
## Basic Factors:

- (+) 65% land consists of agricultural production units
- (+) Central location and short distance to largest markets
- (-) Dispersed and largely subsistence based farming
- (-) Land distribution (53% private, 42% cooperative, 5% public)

FIRM STRATEGY, STRUCTURE, AND RIVALRY

- Increasing number of sophisticated local customers & retail (+)
- 60 millions of potential national consumers (+)
- 33% of families' income for food purchasing (+)
- Sophisticated foreign demand (+)**

FACTOR CONDITIONS



DEMAND CONDITIONS

## Advanced Factors:

- (+) Qualified labor force in food manufacture
- (+) Adequate infrastructure (roads, airports and ports)
- (+) Adequate access to telecommunications services
- (-) Deficient skilled labor in countryside
- (-) Underdeveloped domestic financial market for long-term loans

RELATED AND SUPPORTING INDUSTRIES

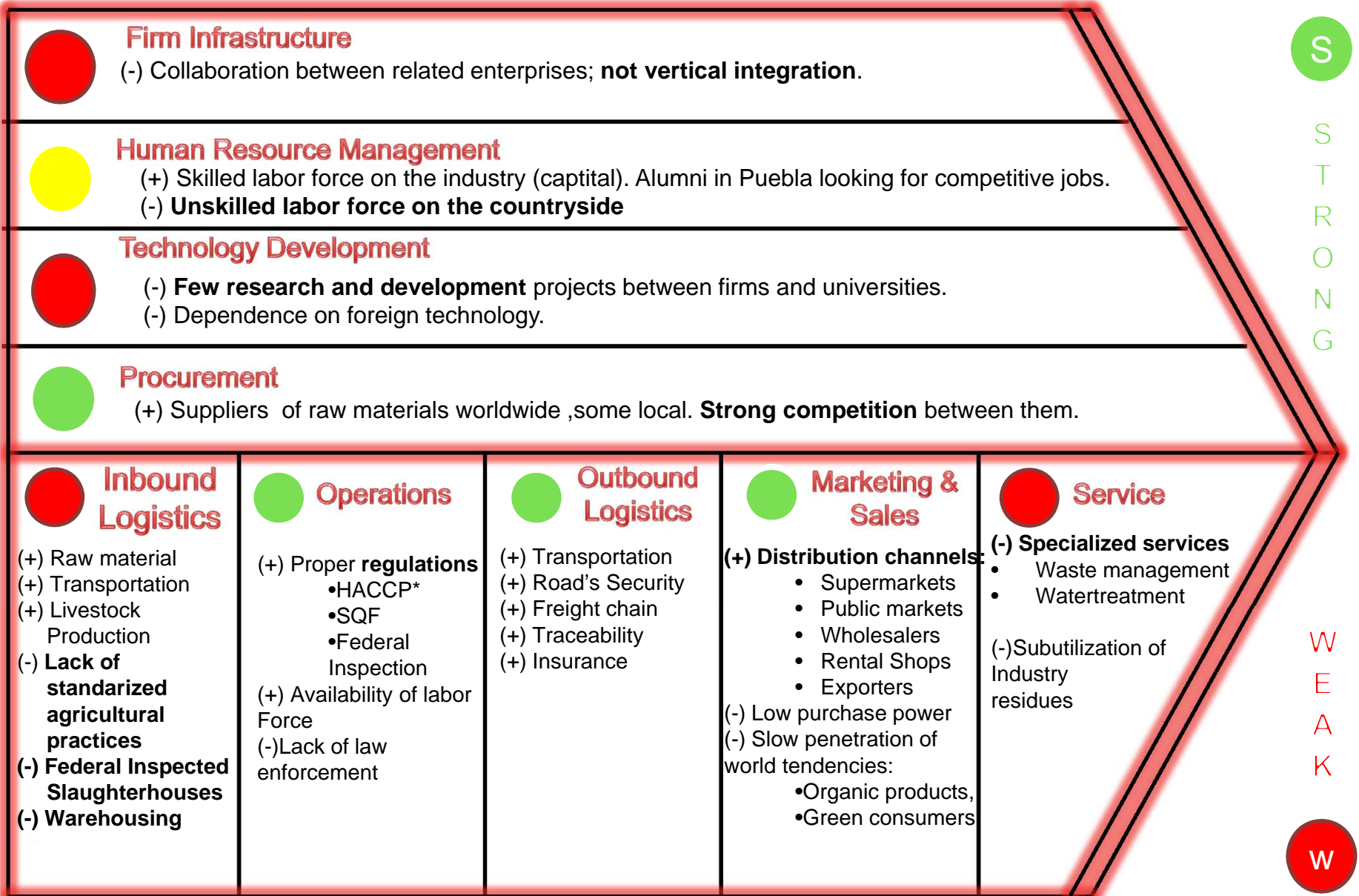
- Low purchase power of local consumers (-)**
- Low operational capacity to enforce sanitary regulations (-)
- Prominence of traditional markets with low quality products (-)

## GOVERNMENT

- (+) Access to local, national and global suppliers
- (+) Local universities, with specialized programs
- (-) Low IFC integration and collaboration
- (-) Few institutions dedicated to R&D

- Awareness for sector development (+)
- Government financial aid (+)
- Unclear land property law (-)**
- Discontinuity on governmental programs (-)

# 4. Value Chain : Agricultural Products and Processed Food



# 5. Cluster Map: Agricultural Products and Processed Food





# 6. Synthesis of Current Situation



**Warehouses**

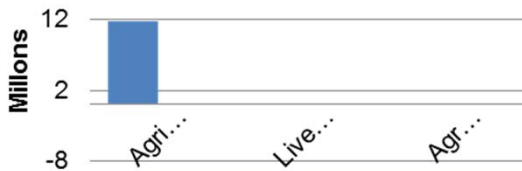


**Infrastrucure**



**Value Added Products**

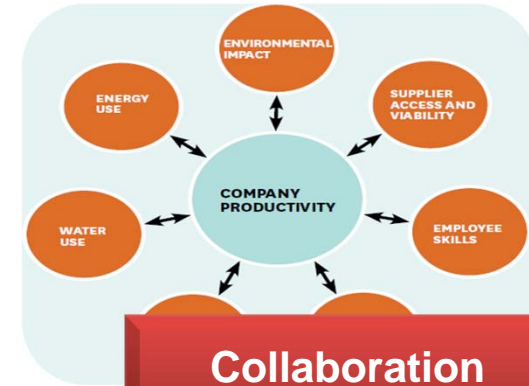
**Credits of "Finaciera Rural", 2011**



**Availability of loans**



**Informal sector**



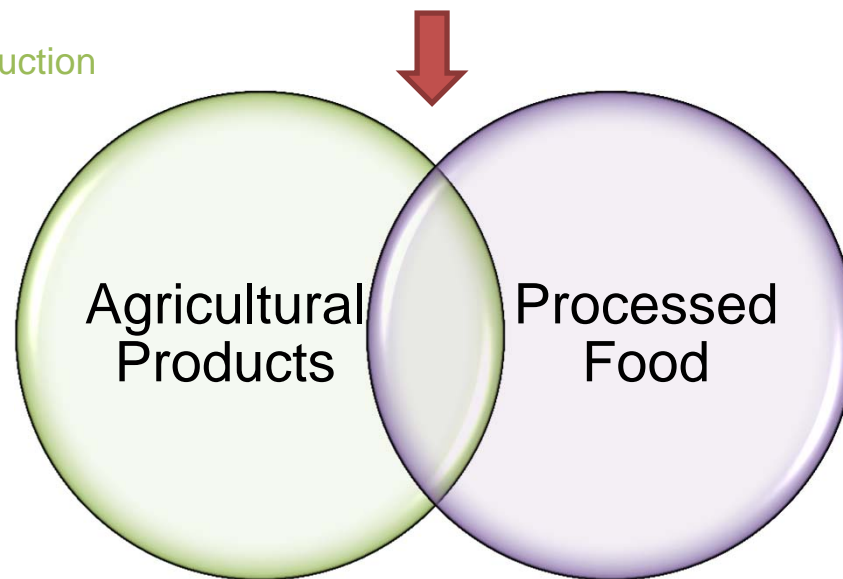
**Collaboration**

## 7. Strategy: Cluster Value Proposition

“To enhance the state competitiveness by taking advantage of Puebla’s attributes in order to impulse the clusters intersection on the final part of the Agricultural Products cluster and the initial part of the Food

Processing cluster.”

Farmers willing to sell their production



Firms willing to have certified local suppliers

## 8. Relevant Project Priorities

SHARED VALUE:



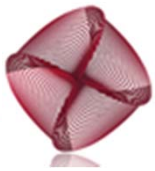
**Collection &  
Transformation  
Centers for  
Agricultural  
Products**



**Certification  
Program for  
Cluster 's  
Participants  
(FDA, SQF, HACCP)**



**Creation of an IFC  
specialized on the  
linkages between  
entities**



Goals  
alignment

Collaboration

Sinergy

Society

## 9. Recommendations

1. There is not a clear definition of cluster (**Agriculture too broad**).
2. Need to indentify valuables for the cluster in Puebla region.
3. Relevant project priorities need to be **more specific**.
4. Identify **local clusters** in order to make them trade clusters
5. Identify **core actors** in the map (training, preengineering)
6. **Government** part of the diamond
7. Positioning the cluster
8. Involve the **private sector with the informal sector**.



# INTEGRANTES DEL CLUSTER

Empresa	Integrante	ASESORES
<b>RYC – (Meat)</b>	<b>Ramón Lozano</b>	José Pablo Nuno
Gelatinas Sayes – (Jelly)	Carlos Salcedo	José Antonio Santillana
GEPP - (Grupo PepsiCo)	Rubén Moreno	<b>Alumnos MOC</b>
Big Cola (Drinks)	Pedro Galindo Carrasco	Ana Lourdes Mendez
Jarritos (Drinks)	Jaime González Arenal	Miguel Anguiano
La Morena (Canned vegetables)	Roberto Romo	Claudia P. Díaz C.
CCE (Consejo Coordinador Empresarial)	Luis Regordosa V.	Antonio Castillo
Ex Bimbo employee	Jannette Martínez	
Coordinación Estatal de Asuntos Internacionales y de Apoyo a Migrantes Poblanos	Francisco Tovar	
CEAGRO (Consejo Agropecuario)	Ignacio Lozano	
 Soyamigo (Soja products)	Josue Bereshit Joseles Monola	

# Social Entrepreneurship Program

**The goal of the Social Entrepreneurship Program (SEP)** is to offer innovative and sustainable solutions that contribute to the reduction of poverty, exclusion and unemployment. The purpose of the SEP is to promote the development and implementation **of financing mechanisms that support initiatives focused on providing sustainable solutions to socioeconomic problems** which affect poor and marginalized populations.



## Types of Projects

The SEP will support projects that finance entrepreneurial solutions to poverty through two main areas or types of projects (in order of priority).

- Finance and Rural Business (including production, processing, marketing and value chains).
- Financing of Provision of Basic Services (including support to private alternative providers in the areas of education, health, potable water, electric and/or renewable energy, among others).

## Finance and Rural Business

The projects to be financed within this area will target rural micro and small producers from marginalized communities, with the purpose of providing:

- (a) access to finance with the support of innovative financing mechanisms; and
- (b) access to national and international markets through value chains **that link small scale enterprises with larger ones.**



## Financing

The SEP offers financing and/or technical cooperation that directly benefit poor groups in society that lack access to financial, business development, and other support services needed for them to earn a better living.

The reimbursable (loan) component can be up to US\$1 million. However, the average loan size is approximately US\$700,000. The repayment period for these loans is up to 10 years, with a maximum grace period equivalent to the period of execution of the project (between 36 and 42 months). The interest rate on the loans and the level of counterpart depend on the characteristics of the project and the intermediary institution.

## How to apply for funds?

Applying for financing from the SEP requires that the interested institution or organization contact the MIF Specialist in the IDB Country Office in their country, for guidance and assistance in filling out the [Preliminary Application Form](#).

If the application is approved for processing, the IDB/MIF contacts the Executing Institution in order to prepare the [Social Entrepreneurship Project Profile](#) (five pages maximum). Then, the institution will be asked to present [institutional information](#) and [financial statements from the last three years](#).

These documents help provide a complete vision of the project profile and of the executing institution as they include: (i) a description of the applicant institution; (ii) a description of the problem to be addressed and of the project beneficiaries; (iii) a description of the project's main objectives, components, and activities; and (iv) a general budget that includes the amount of counterpart funds to be contributed by the institution applying for the project.

# SUCCESS HISTORY

## Small Farmers, Big Dreams: Value Creation at the Base of the Pyramid



### **PepsiCo Brings the Base of the Pyramid into its Supply Chains**

In rural Mexico, small farmers tend to grow staple crops like beans and corn, and sell them only in their immediate communities. With little access to national supply chains or the working capital they need to expand their farms, they remain at subsistence levels.

*continue...*

## Success history (2)

- Meanwhile, Mexico is developing ever-higher rates of obesity and related health issues, leading the government to call for food companies to cut their use of saturated oils and trans-fats, and to implement public incentive plans to diversify the country's agricultural profile.
- Sabritas, a leading Mexican snack foods producer owned by PepsiCo, has decided to take action and, with support from the Opportunities for the Majority initiative and the local financial institution Agrofinanzas, will scale a pilot program that incorporates small farmers into its sunflower supply chain. The new production of sunflower oil will reduce the company's dependence on expensive, unhealthy imported palm oil, while at the same time giving small farmers the chance to expand their crop output and enter the formal economy.

<http://www.iadb.org/en/topics/opportunities-for-the-majority/small-farmers-big-dreams,2579.html>

# Oficina de la Representación del BID

MEXICO

Avenida Paseo de la Reforma N° 222 Piso 11

Colonia Juárez, Delegación Cuauhtémoc

México, D.F. 6600, México

Teléfono: (52-55) 9138-6200

Fax: (52-55) 9138-6229

E-mail: [BIDMexico@iadb.org](mailto: BIDMexico@iadb.org)