Trade opportunities and challenges for the plantain production chain in El Salvador within the framework of the trade agreement with the United States

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Editorial coordination: Adriana Campos and Nadia Monge

Translator: Laura Moya and Doreen Preston

Layout: Nadia Monge

Cover design: Nadia Monge

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Acronyms

ACOPASCA de RL	Asociación Cooperativa de Producción Agropecuaria San Carlos de Responsabilidad Limitada
BCR	Central Reserve Bank
CAFTA-DR	Free trade agreement between the Dominican Republic, Central America, and the United States
CAMAGRO	Agricultural and Agro-Industrial Chamber of El Salvador
CARICOM	Caribbean Common Market
CENTA	National Agricultural Technology Center
CENTREX	Export Procedures Center
COEXPORT	Corporation of Exporters of El Salvador
CONAMYPE	National Microenterprise and Small Business Commission
DATCO	Directorate of Trade Agreements of MINEC
DGA	General Directorate of Customs
DGEA	Agribusiness Division of the General Directorate of Agricultural Economics of MAG
FAO	United Nations Food and Agriculture Organization
FOMIN	Multilateral Investment Fund
FONDEPRO	Production Development Fund
FTA	Free Trade Agreement
FTAA	Free Trade Area of the Americas
FUSADES	Salvadoran Foundation for Economic and Social Development
GATT	General Agreement on Tariffs and Trade
HS	Harmonized Commodity Description and Coding System
IDB	Inter-American Development Bank
IGO	International Governmental Organizations
IICA	Inter-American Institute for Cooperation on Agriculture
MAG	Ministry of Agriculture and Livestock of El Salvador
MINEC	Ministry of the Economy of El Salvador
NGO	Non-Governmental Organization
OAS	Organization of American States
OPPS	Office of Policies and Sectoral Planning
PNFDTP	National Policy for the Promotion, Diversification and Transformation of Production
PROESA	Export and Investment Promotion Agency of El Salvador

PROINNOVA	Support Program for Innovation and Entrepreneurship to Improve the Competitiveness of SMEs in El Salvador
PYBES	*Plataneros y Bananeros de El Salvador*
SIECA	Secretariat for Central American Economic Integration
SIECA AIC	SIECA Central American Computerized Tariff System
SPS	Sanitary and phytosanitary measures
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USDA-FAS	Foreign Agricultural Service of the United States Department of Agriculture
WTO	World Trade Organization

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Introduction

It is important to highlight that this study forms part of a series of four documents prepared as a product of the project entitled “Strengthening bilateral trade between the USA and those countries in Latin America with which the United States has established Free Trade Agreements”, which was made possible through funding from the Foreign Agricultural Service of the United States Department of Agriculture (USDA-FAS), and through technical cooperation from the Agricultural Chains area of the Inter-American Institute for Cooperation on Agriculture (IICA), under the leadership of Dr. James French. Also participating were the IICA Delegation in El Salvador, with support from Dr. Gabriel Rodríguez, and the Delegations in Dominican Republic and Peru.

This final report details the main elements and constraints of a strategy for improving plantain trade between El Salvador and the United States within the framework of the Free Trade Agreement between the Dominican Republic, Central America, and the United States (CAFTA-DR).

The contents of this document are based on the systematization of information gathered from consultation activities carried out as part of the search for a strategy to improve market access to the United States. The activities included interviews with stakeholders in the plantain production chain and with staff from public and private institutions related to the CAFTA-DR, discussions with the aforementioned stakeholders as part of a consultation workshop, and the review of secondary sources to gather complementary information and data.

The document includes information on the institutional framework involved in the CAFTA-DR, as well as the institutions that promote international trade in El Salvador, the barriers or obstacles that obstruct trade with the United States, and relevant experiences associated with plantain exports to the United States.

The purpose of the project entitled “Strengthening bilateral trade between the United States and the Latin American countries with which the United States has established free trade agreements” is to improve the capacity of stakeholders to identify obstacles and elements of strategies that could contribute to taking greater advantage of the Free Trade Agreement (FTA) with the United States within the framework of general agricultural trade, as well as the trade in specific products that are particularly important to the participating countries: coffee (Peru), cassava (the Dominican Republic), and plantain (El Salvador). The first phase of the project focused on analyzing the overall scenario in order to select countries and priority products; this phase was followed by exploratory visits and interviews in order to confirm the accuracy of the priority products selected and identify public and private stakeholders who could serve as a reference.

In El Salvador, interviews were conducted with public and private stakeholders such as the Ministry of the Economy (MINEC), the Ministry of Agriculture and Livestock (MAG) and the Export and Investment Promotion Agency of El Salvador (PROESA), as well as the Agricultural and Agro-Industrial Chamber of El Salvador (CAMAGRO), the Corporation of Exporters of El Salvador (COEXPORT) and the Salvadoran Foundation for Economic and Social Development (FUSADES). Other stakeholders, such as *Plataneros y Bananeros de El Salvador*, *Sociedad Cooperativa de R.L. de C.V.* (PYBES) and other companies in the plantain production chain participated in subsequent phases of the project.

The project concluded with the execution of three actions: i) describing the institutional framework responsible for the administration of the FTA and promoting trade in each country; ii) identifying and systematizing the factors that limit the ability to take better advantage of this instrument in marketing the selected crops, and iii) identifying and sharing relevant experiences on the administration of the agreement and improving the access of these crops to the U.S. market.

As part of this effort, the workshop entitled “Elements of a strategy for improving trade in agricultural products (coffee, cassava, plantain) within the framework of the trade agreement with the United States” was carried out on May 24, 2016 in El Salvador. The participation of representatives from government and business sectors made it possible to validate and broaden the list of trade constraints that had already been identified using the “causes and effects tree” methodology. The workshop also provided an opportunity for stakeholders to propose alternative solutions that could serve as input in the development of future strategies for improving agricultural trade.

Subsequently, on July 5, 2016, a virtual seminar was carried out with the three countries involved in the project, to provide an opportunity for stakeholders to share useful experiences on ways to overcome some of the factors that limit the ability to take advantage of the trade agreement with the United States for the benefit of agricultural products. The seminar also sought to generate recommendations for improving the current situation, based on the experiences that were shared or other experiences that the participants were aware of.

This document is divided into five sections, which address the following topics: general aspects of the CAFTA-DR; general agricultural trade between El Salvador and the United States; the case of the plantain chain in El Salvador; relevant experiences for improving the administration, implementation and use of the CAFTA-DR in relation to plantain trade; and conclusions and recommendations for developing a strategy geared toward that purpose.

I. Free Trade Agreement between the Dominican Republic, Central America and the United States (CAFTA-DR)

1.1 Origin and general characteristics

1.1.1. Origin of the agreement

Throughout the 1980s, Central American countries adopted economic reform and liberalization programs. Since the start of the 1990s, they began promoting greater incorporation into the international economy, by adopting a strategy that put foreign investment and international trade at the forefront of economic development (Pacheco and Valerio 2007).

These efforts have resulted in the participation of these countries in international trade negotiations at various levels, beginning with their participation in the multilateral forum of the General Agreement on Tariffs and Trade (GATT) and later in the World Trade Organization (WTO), which replaced the forum in the early 1990s. At the same time, Central American countries began negotiating agreements with various trade partners, particularly Mexico, Chile, Canada, the Dominican Republic, Panama, CARICOM (Caribbean Common Market), and the United States (Pacheco and Valerio 2007).

Finally, these countries focused on modernizing and advancing a Central American economic integration scheme which the five countries of the region have been a part of since the early 1960s. At present, these countries comprise a near-perfect[1] free trade area which is in the process of becoming a customs union.[2]

Through these agreements, Central American countries seek better and greater conditions that will give their products increased access to foreign markets, within a legal framework that establishes mutual duties and rights, as well as more stable and predictable trade relations. For many years, Central American countries sought to establish a trade agreement with the United States, given the importance of trade flows with that country. The United States is the destination of over half of Central America's exports, making it the region's main commercial partner (Pacheco and Valerio 2007).

The negotiation of the CAFTA-DR between Central American countries and the United States (Pacheco and Valerio 2007) took place between January 2003 and January 2004,[3] and the Dominican Republic's incorporation was negotiated between June and July 2004. The FTA between the seven countries was signed in August 2005. Following the signing of the agreement, each government sent the document to its corresponding legislative branch for discussion and voting.

The FTA would become effective once the United States and one or more of the signatory Central American countries had approved it and provided a written notification of the approval to the Depositary.[4] El Salvador was the first country in the region where the FTA with the United States became effective, on March 1, 2006.

[1] The only two products that do not enjoy free trade within the region are sugar and toasted coffee.
[2] In addition to striving for free trade among the countries, the customs union seeks to harmonize tariffs with other countries in order to facilitate free trade, not only for the benefit of products that are native to the region, but also for products that are extra-regional as well. To date, Central America has harmonized 94% of its tariffs.
[3] El Salvador, Guatemala, Honduras and Nicaragua finalized their negotiation with the United States in December of 2003; Costa Rica finalized its negotiation in January of 2004.
[4] The Depositary is the Secretariat of the Organization of American States (OAS).

Via the CAFTA-DR, El Salvador consolidated its history of preferential access to the U.S. market, by migrating from temporary to permanent benefits.[5]

1.1.2. Main characteristics

The CAFTA-DR consists of 22 chapters and their corresponding annexes. The chapters address the following topics: initial provisions, general definitions, national treatment and market access for goods, rules of origin and origin procedures, customs administration, sanitary and phyto-sanitary measures, technical barriers to trade, trade remedies, government procurement, investment, cross-border trade in services, financial services, telecommunications, electronic commerce, intellectual property rights, labor, environment, transparency, administration of the agreement, dispute settlement, exceptions, and final provisions.

The chapters of the agreement are listed in the table below:

Table 1. Contents of the CAFTA-DR

• Chapter One – Initial Provisions	• Chapter Twelve – Financial Services
• Chapter Two – General Definitions	• Chapter Thirteen - Telecommunications
• Chapter Three – National Treatment and Market Access for Goods	• Chapter Fourteen – Electronic Commerce
• Chapter Four – Rules of Origin and Origin Procedures	• Chapter Fifteen – Intellectual Property Rights
• Chapter Five – Customs Administration and Trade Facilitation	• Chapter Sixteen - Labor
• Chapter Six – Sanitary and Phyto-Sanitary Measures	• Chapter Seventeen - Environment
• Chapter Seven – Technical Barriers to Trade	• Chapter Eighteen - Transparency
• Chapter Eight – Trade Remedies	• Chapter Nineteen – Administration of the Agreement and Trade Capacity Building
• Chapter Nine – Government Procurement	• Chapter Twenty – Dispute Settlement
• Chapter Ten - Investment	• Chapter Twenty-one - Exceptions
• Chapter Eleven – Cross-Border Trade in Services	• Chapter Twenty-two – Final Provisions

Source: MINEC –CAFTA-DR final text.

As stated in Chapter 1, the objectives of the CAFTA-DR, which are described in greater detail in the principles and rules pertaining to national treatment, treatment for the most-favored nation, and transparency, are to:

- encourage expansion and diversification of trade between the Parties;
- eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between the territories of the Parties;
- promote conditions of fair competition in the free-trade area;

[5] Before the CAFTA-DR, El Salvador benefited from temporary commercial concessions granted by the United States through two schemes that gave El Salvador preferential market access to the U.S.: The Caribbean Basin Initiative and the Generalized System of Preferences.

- substantially increase investment opportunities in the territories of the Parties;
- provide adequate and effective protection and enforcement of intellectual property rights in each Party's territory;
- create effective procedures for the implementation and application of this Agreement, for its joint administration, and for the resolution of disputes; and
- establish a framework for further bilateral, regional, and multilateral cooperation to expand and enhance the benefits of this Agreement.

Chapter 3 specifically addresses agricultural topics, and is subdivided into four sections: a) general dispositions that apply to any merchandise, b) dispositions that apply solely to agricultural goods, c) textiles and apparel y d) annexes related to tariff elimination programs.

The first section establishes the commitment to not discriminate against imported goods with regard to national goods and to eliminate customs duties and non-tariff measures that hinder trade.

The section on agriculture establishes the standards for the administration of tariff-rate quotas imposed on specific products, the obligation to eliminate export subsidies, and the special agricultural safeguard measures that apply to a limited number of goods within the sector.

1.2. Institutional framework involved in the administration and use of the CAFTA-DR

A brief description of the institutional framework involved in the implementation of the CAFTA-DR in El Salvador is provided below, focusing specifically on: the highest-level authority; the institutional framework within the agricultural sector, which is the focus of this report; and other entities that could take part in addressing matters related to their duties if circumstances so warrant, as is the case with the Ministry of Health and the Ministry of the Environment.

1.2.1. Competent entities

The Salvadoran entity responsible for the administration of the Agreement is the Ministry of the Economy (or whichever entity it might designate), which serves as the country's representative within the CAFTA-DR Free Trade Commission, which comprises the rest of the signatory countries.

In El Salvador, this responsibility has been delegated to the Directorate of Trade Agreements (DATCO), which is overseen by Mrs. Margarita Ortez.

1.2.2. Administration mechanisms established in the CAFTA-DR

- **Free Trade Commission**

Chapter nineteen, entitled "Administration of the Agreement," establishes and defines the duties of the administrative bodies, and states that the Free Trade Commission shall be the highest-level authority, which must:

- supervise the implementation of this Agreement;
- seek to resolve disputes;

- supervise the work of all committees and working groups established under the Agreement; and
- consider any other matter that may affect the operation of the Agreement.

The Deputy Minister of the Economy of El Salvador, Luz Estrella Rodríguez, participated in the third meeting of the Free Trade Commission of the CAFTA-DR, held on March 26, 2015 in the Dominican Republic. The meeting was preceded by technical meetings of the Agreement coordinators. The Free Trade Commission conducted an assessment of the results achieved through this trade agreement, which, at that time, had been in effect for nine years. The assessment specifically reviewed the evolution of trade exchanges and direct foreign investment flows among the countries that are part of the Agreement.[6]

- **Committee on Agricultural Trade**

Section F of Chapter 3,[7] entitled "National Treatment and Market Access for Goods," addresses aspects related to the administration and implementation of tariff-rate quotas, export subsidies for agricultural products, and agricultural safeguard measures, among other topics. Article 3.19 states that the Committee on Agricultural Trade shall provide a forum for:

- monitoring and promoting cooperation on the implementation and administration of this Section;
- consultation between the Parties on matters related to this Section in coordination with other committees, subcommittees, working groups, or other bodies established under this Agreement; and
- undertaking any additional work that the Commission may assign.

The Committee on Agricultural Trade must meet at least once a year. According to the information provided by the interviewees, the Committee is in operation and has held three meetings so far.

To address matters related to the agricultural sector, the Ministry of the Economy (MINEC) establishes a link with the Ministry of Agriculture and Livestock (MAG), which in turn designates the Director of the Office of Policies and Sectoral Planning (OPPS) as the person responsible for carrying out that role.

- **Committee on Sanitary and Phytosanitary Matters**

The objectives of Chapter Six, entitled "Sanitary and Phytosanitary (SPS) Measures" are to protect human, animal or plant life or health in the Parties' territories; enhance the Parties' implementation of the SPS Agreement; provide a forum for addressing sanitary and phytosanitary matters; resolve trade issues; and thereby expand trade opportunities.

Article 6.3 of this chapter details the establishment of the Committee on Sanitary and Phytosanitary Matters, comprising representatives of each Party who are responsible for sanitary and phytosanitary matters. In El Salvador, the institution responsible for this is MAG, which in turn delegates this duty to the Directorate of Plant Health and the Directorate of Animal Health.

According to the different interviewees, the committees are currently in operation, meet periodically, and are making progress in addressing agricultural matters. The most pressing

[6] Based on the online publication available on the website of the Office of the President of the Republic (http://www.presidencia.gob.sv/).
[7] Based on the CAFTA-DR text.

topics and challenges are related to SPS measures, making Agricultural Health Services the most active component of MAG in agricultural matters, and the area with which MINEC has the greatest amount of contact. Occasionally, the small number of personnel in the ministries affects the level of participation in the committees; nonetheless, the committees have accomplished a number of goals, especially in relation to plant health, which has led to improving access of new products to the U.S. market.

1.2.3. Other entities that could assist in fielding technical queries

The Ministry of Health becomes involved if circumstances warrant it, and only if the matter to be addressed requires the entity's technical opinion.

In relation to agricultural products, the Ministry becomes involved in matters related to processed by-products and safety standards for food; to this end, there are procedures in place outside of the framework of the Agreement that are normally applied. Since the Agreement has been in effect, the participation of the Ministry of Health in agrifood safety matters has not been necessary, at least not in matters related to by-products of the fruit chain.

1.3. Evolution of administration teams

Throughout the lifetime of the Agreement, which, in the case of El Salvador, represents a period of ten years, there have been changes in the working groups involved in its implementation. For example, those who participated in the negotiation process are no longer involved.

DATCO still has personnel that participated in the implementation of the Agreement since it became effective.

The rest of the institutions have undergone staff rotation or changes, due mainly to changes in the government, which occur every five years in the country.

It is worth mentioning that the changes that have taken place have not in any way hindered the management of agricultural initiatives.

1.4. Institutional framework for promoting exports with special focus on the U.S. market

Information is provided below on two entities that are part of the Salvadoran institutional framework for the commercial promotion of agricultural products. Both entities are responsible for carrying out actions geared toward facilitating market access, including access to the U.S. market.

1.4.1. The Export and Investment Promotion Agency of El Salvador (PROESA)

PROESA is a public institution created via Executive Decree No. 59, published in Official Gazette No. 90 dated May 17, 2011. Its objectives are: 1) to promote Salvadoran exportable goods abroad, 2) to find and attract direct foreign investment for industries in which the country offers competitive advantages, and 3) to promote the establishment of projects under the modality of public-private partnership.

The Export and Investment Promotion Agency of El Salvador (PROESA) was created via a legislative decree in April 2014, which established PROESA as an institution governed by public law and attached to the Office of the President of the Republic, with legal status and its own assets, of indefinite duration, with administrative and budgetary autonomy. Its objectives are to promote and attract national and foreign private investment; to foster the export of goods and services produced in the country; to evaluate and monitor the business climate; and to develop proposals geared toward improving investment and export policies.

In order to achieve its institutional objectives related to exports, PROESA provides services geared toward:

- promoting exports by identifying opportunities, generating strategic market information, disseminating information for use in international treaties, and monitoring the business climate;
- carrying out activities to disseminate and promote products and services that are part of the export offer;
- organizing visits with potential clients and trade missions with Salvadoran entrepreneurs, in order to facilitate the establishment of business contacts;
- developing strategies that facilitate the identification of strategic sectors and markets;
- promoting the competitiveness of companies and the diversification of products and markets, through information, consultancy, training, and technical assistance services;
- researching and identifying foreign markets in order to market Salvadoran products and services.

The main entities with which PROESA coordinates its efforts to support exports are listed below:

- **Public institutions:**
  - Ministry of the Economy (MINEC)
    - National Microenterprise and Small Business Commission (CONAMYPE). www.conamype.gob.sv
    - Production Development Fund (FONDEPRO). www.fondepro.gob.sv
    - *Crecemos tu Empresa.* http://www.minec.gob.sv/crecemostuempresa/
    - Directorate of Production Development. www.minec.gob.sv/fomento/
  - Ministry of Finance
    - General Directorate of Customs (DGA). www.mh.gob.sv/portal/page/portal/PMH/Institucion/Aduana
  - Central Reserve Bank
    - Export Procedures Center (CENTREX). https://www.centrex.gob.sv/
- **Private entities:**
  - Corporation of Exporters of El Salvador (COEXPORT). www.coexport.com.sv

It is worth noting that, based on the specific circumstances, PROESA may work with other public or private entities.

1.4.2. Agribusiness Division of the General Directorate of Agricultural Economics (DGEA) of MAG[8]

The Agribusiness Division was created via an executive agreement on July 5, 2004, in order to foster, coordinate and support actions geared toward linking producers to market opportunities and fostering their sustainable incorporation into agricultural markets.

Its mission is to improve the profitability and competitiveness of producers in the agricultural, forestry, fisheries and agro-industrial sectors, through the development of business capacities and by linking the production chains to national and international markets.

[8] Refer to Ministry of Agriculture. http://www.mag.gob.sv/agronegocios/.

The Agribusiness Division is divided into the following work areas:

- Market Access Division

  This division carries out various activities, including organizing agricultural fairs, creating institutional agricultural markets and providing opportunities to develop closer business relationships (business roundtables, tasting events and other marketing events), which seek to establish links between producers and end-consumers, companies and industries.

- Market Intelligence Division

  This division compiles, analyzes, and disseminates information on the sector that can be used as input for adequate planning, marketing, and transformation of products so that they are more profitable for producers. The area comprises a group of experts that prepare specialized documents about the agricultural sector, along with other national and international professionals and researchers.

- Agribusiness Development Division

  The Agribusiness Division plays a critical role in providing capacity-building and technology transfer opportunities to producer associations that request training in topics such as agribusiness management, agribusiness development and negotiation, and the signing of commercial agreements.

The Division's services focus on:

- involving producers in marketing events organized by MAG;
- creating commercial liaisons between producers that benefit and end-consumers;
- advising producers on topics related to business management, financing, negotiation, and product marketing;
- providing market information to the livestock sector; and
- drafting and disseminating technical documents that promote agribusiness.

In order to facilitate market coordination, the Agribusiness Division works with other MAG units and coordinates efforts with the following institutions:

- **Public institutions:**
  - Ministry of the Economy (MINEC)
    - Directorate of Administration of Trade Agreements (DATCO). http://www.minec.gob.sv/servicios-datco/
  - Ministry of Finance
    - General Directorate of Customs (DGA). www.mh.gob.sv/portal/page/portal/PMH/Institucion/Aduana
  - Central Reserve Bank (BCR)
    - Export Procedures Center (CENTREX). https://www.centrex.gob.sv/
  - National Agricultural Technology Center (CENTA). www.centa.gob.sv/
- **Private entities:**
  - Chamber of Agriculture of El Salvador (CAMAGRO). www.camagro.com.sv

If circumstances so warrant, the Agribusiness Division may cooperate with other public or private entities.

II. General agricultural trade between El Salvador and the United States

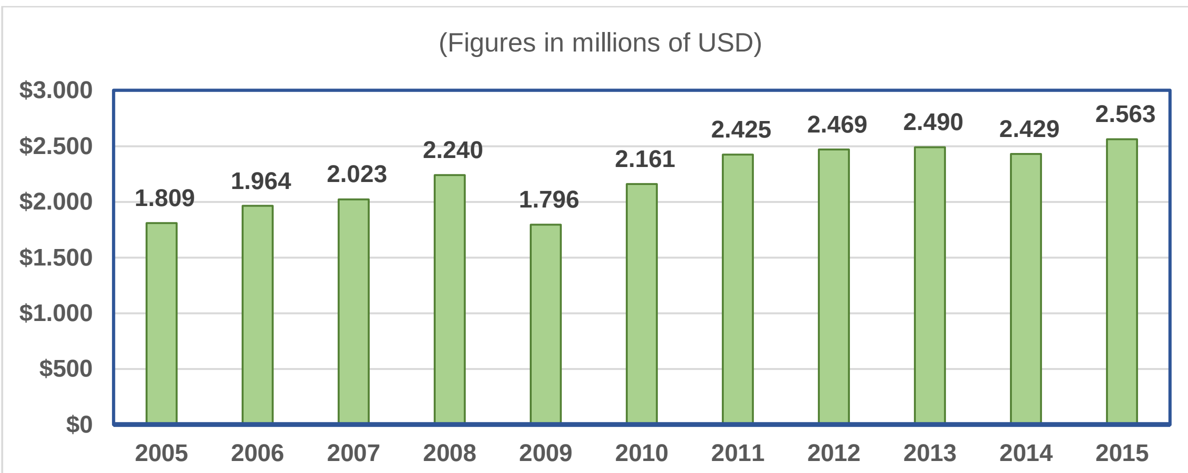
2.1 Trends and current situation

This section provides an overview of general bilateral trade between El Salvador and the United States throughout the ten years in which the CAFTA-DR has been in effect. This overview is followed by an analysis of trends in agricultural trade and how agricultural trade contributes to overall trade.

2.1.1 Total bilateral trade, 2005-2015

The following graphs provide information on the status of bilateral trade between El Salvador and the United States, in terms of total exports and imports of products.

Graph 1. Total exports of goods from El Salvador to the United States during the 2005-2015 period.



Source: Ortez 2016.

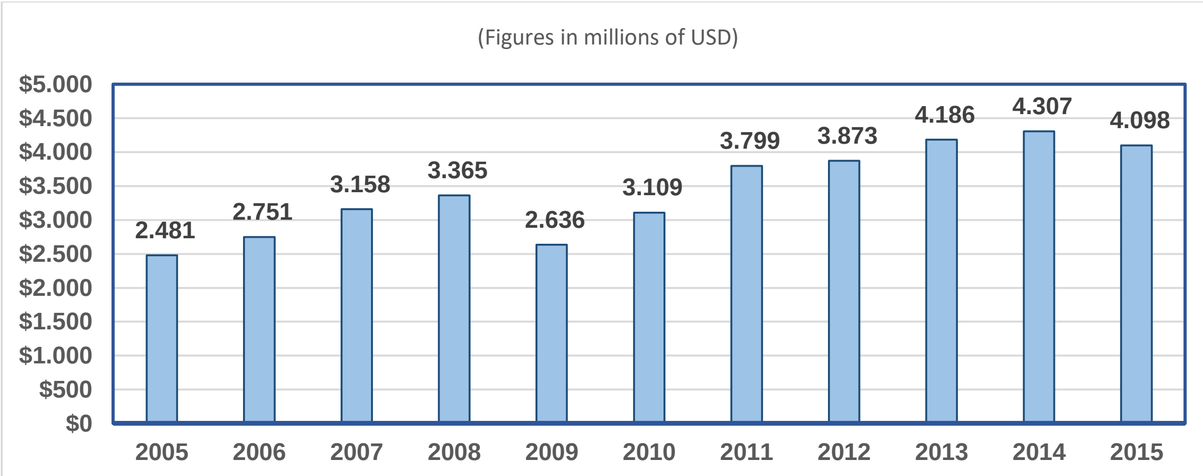
The previous graph shows that, throughout the ten-year period during which the Agreement has been in effect, total exports from El Salvador to the United States increased by 42%. This period primarily exhibited a growth trend, except between 2008 and 2009 as a result of the world economic crisis, and in the year 2014, due to adverse climatic conditions that significantly affected certain agricultural sectors, as was the case with coffee.

Sectors that are particularly important to the national economy (such as textiles and clothing, leather goods, and food and beverages) as well as some agricultural products have taken advantage of the new opportunities that the CAFTA-DR provides to Salvadoran companies. A total of 97% of the products exported by El Salvador in 2015 entered the U.S. without paying import tariffs, which represents an advantage with regard to El Salvador's competitors (Ortez 2016).

Textile and clothing exports are the most noteworthy; the CAFTA-DR has been an important element that has allowed this sector to remain competitive in the U.S. market. Throughout the first ten years of the CAFTA-DR, this sector increased its exports to the United States by 36%.

The following graph illustrates the status of imports:

Graph 2. Total imports of Salvadoran products in the United States during the 2005-2015 period.



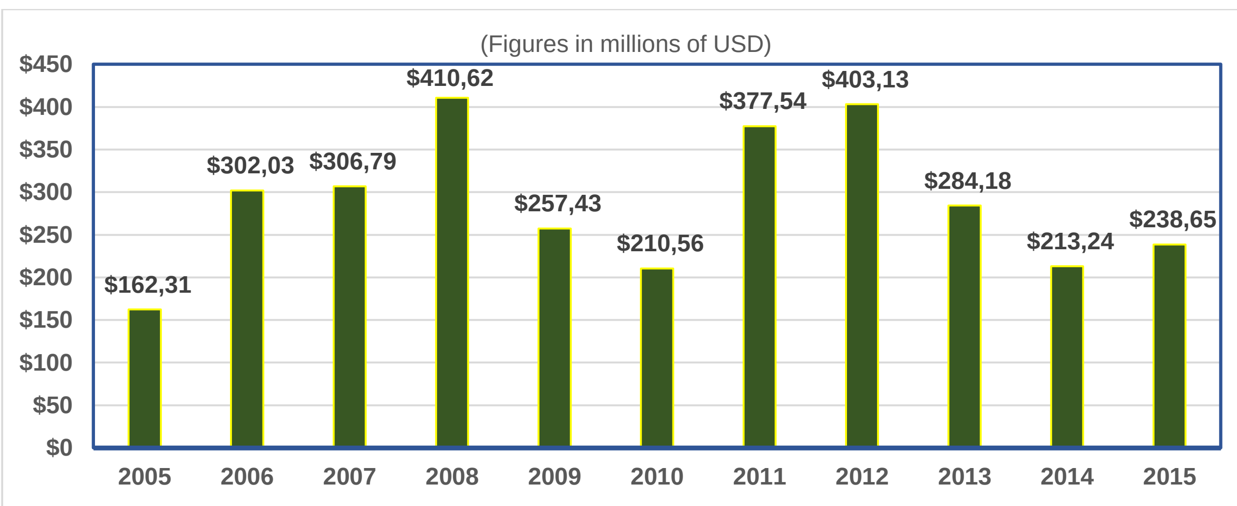
Source: Ortez 2016.

As shown in Graph 2, imports in the United States also experienced an increase (65%), rising from USD 2.481 billion to USD 4.098 billion over the same period.

2.1.2 Agricultural trade with the United States during the 2005-2015 period

The trend in agricultural exports[9] to the United States over the past ten years is shown in the following graph.

Graph 3. Agricultural exports to the United States during the 2005-2015 period.



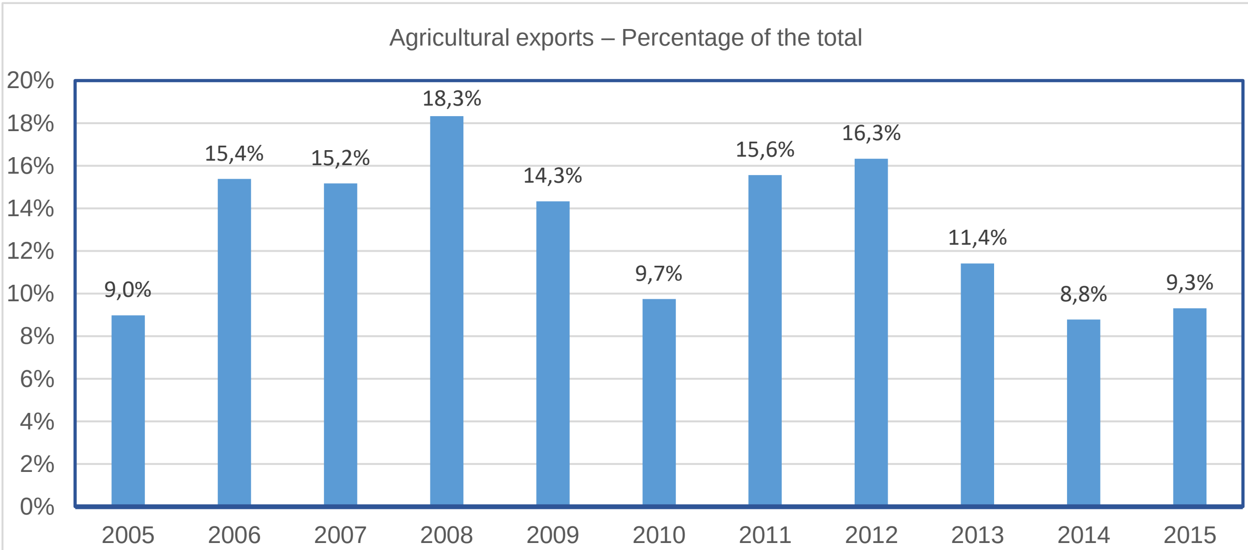
Source: Authors' compilation based on data from BCR (www.bcr.gob.sv).

Agricultural exports to the United States over the past ten years have been erratic. In 2015, exports represented close to USD 239 million, which is equivalent to 9% of the total value of exports.

[9] Source: BCR (www.bcr.gob.sv), based solely on Chapters or HS 01 to 24.

The following graph details the amount of agricultural exports as a percentage of total exports:

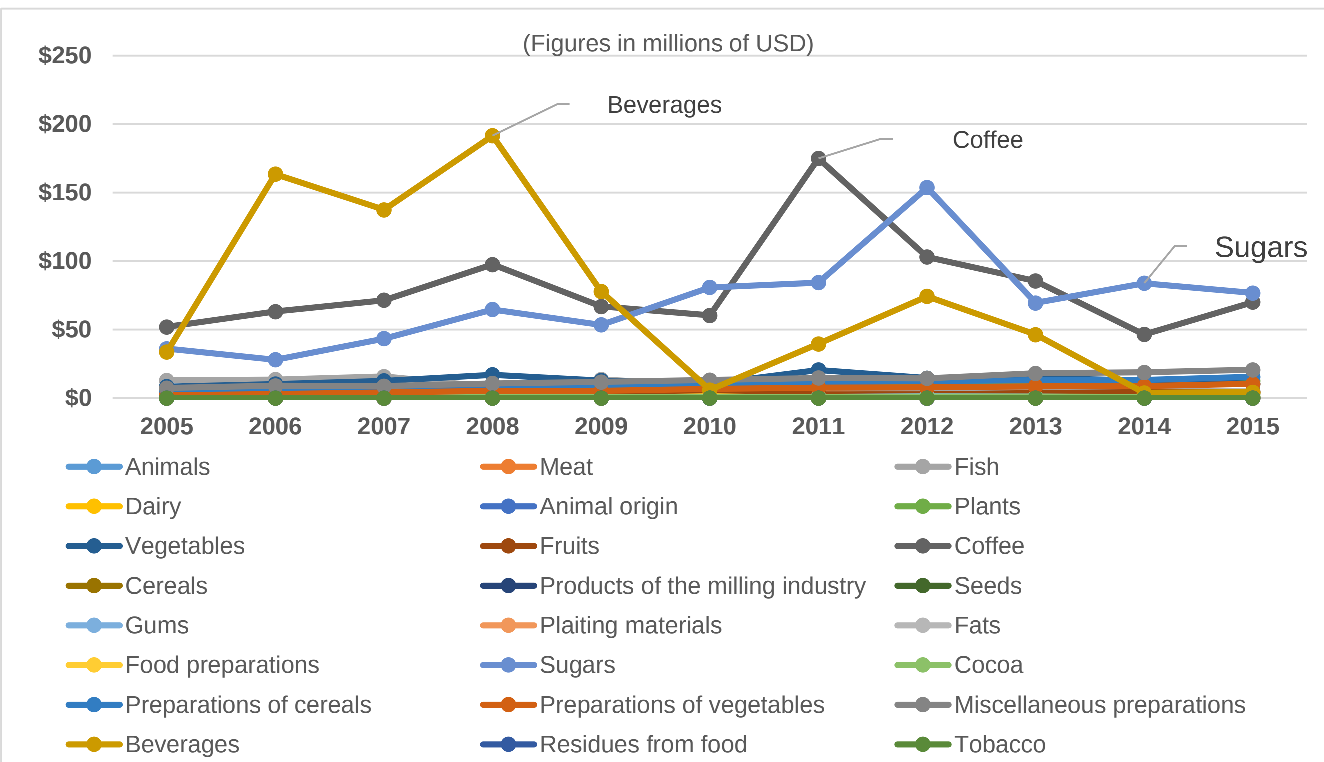
Graph 4. Agricultural exports to the United States in relation to total exports during the 2005-2015 period.



Source: Authors' compilation based on data from BCR (www.bcr.gob.sv).

Graph 4 shows that agricultural exports have experienced highs and lows. In order to gain a better understanding of these exports, it is necessary to disaggregate the information to fully understand the impact of each product on export figures, as shown in the following graph:

Graph 5. Agricultural exports to the United States, disaggregated by HS or chapters, during the 2005-2015 period.

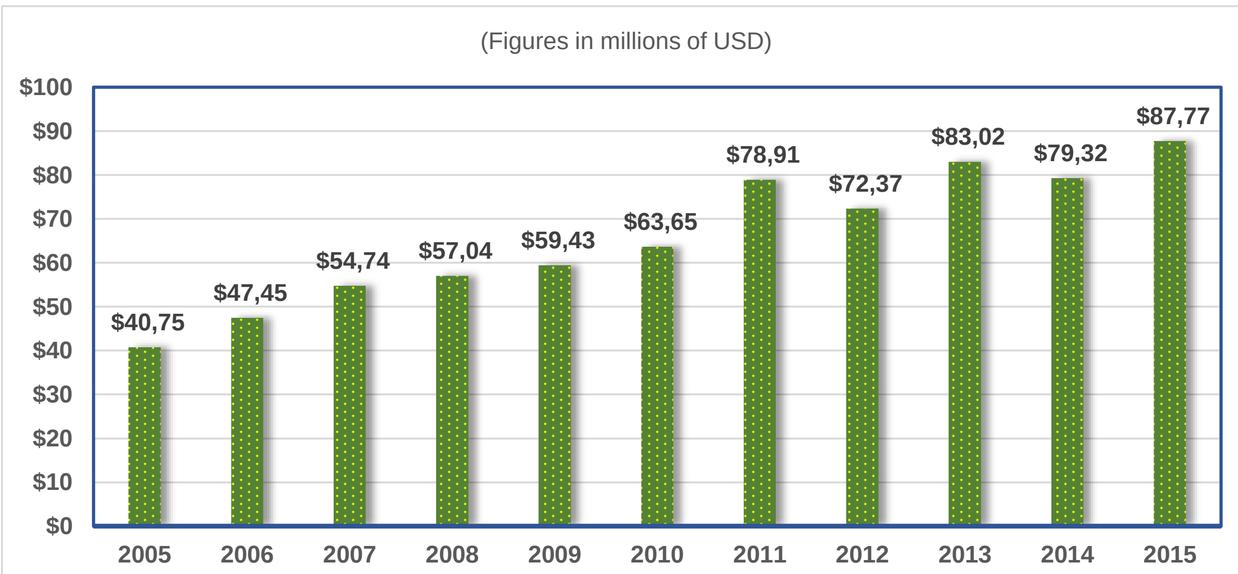


Source: Authors' compilation based on data from BCR (www.bcr.gob.sv).

Three chapters[10] corresponding to the agricultural sector, for which export figures are provided in Graph 3, stand out in terms of the behavior of export volumes: a) coffee (HS or Chapter 09[11]); b) sugar and sugar confectionery (HS or Chapter 17[12]), which are also considered traditional; and c) beverages (HS or Chapter 22[13]), which includes spirits and vinegar. In the case of coffee, the drop in exports is a result of the adverse effects brought on by coffee rust in coffee-growing plantations; however, figures for the past year show that the crop is recovering. In the case of sugar, new export destinations such as China, Canada and Taiwan have appeared and now compete for El Salvador's market offer. Finally, the decreased volume of beverage exports is due to ethyl alcohol's downward trend over the past three years.

To facilitate analysis, the abovementioned chapters can be extracted from the cumulative data on agricultural exports in order to better observe the patterns of the remaining categories, which, in the previous graphs, appear mainly along the horizontal axis. The following graphs show the behavior of those products in relation to overall exports.

Graph 6. Agricultural exports to the United States of selected categories during the 2005-2015 period.



Source: Authors' compilation based on data from BCR (www.bcr.gob.sv).

The previous graph shows cumulative data for chapters (HS) 01 to 24, excluding chapters 09, 17, and 22 described previously, in order to better observe the contribution of other agricultural products to Salvadoran exports to the United States. This group of categories has experienced a growth trend (though modest), rising from USD 40.75 million in 2005 to USD 87.79 million in 2015, representing an increase of 115%.

Table 2 provides disaggregated data for this group. The most significant chapters in terms of export volumes are as follows: miscellaneous edible preparations (HS or Chapter 21[14]),

[10] Refers to Chapters 01 to 24 of the Harmonized Commodity Description and Coding System (HS), according to the SIECA AIC (Central American Computerized Tariff System) (www.aic.sieca.int).
[11] Name according to SIECA AIC: HS or Chapter 09– "Coffee, tea, mate and spices." Coffee accounts for 99% of this chapter.
[12] Name according to SIECA AIC: HS or Chapter 17– "Sugars and sugar confectionery." Sugars account for 98.6% of this chapter's exports to the United States.
[13] Name according to SIECA AIC: HS or Chapter 22– "Beverages, spirits and vinegar." Of all the products in this chapter, ethylic alcohol accounted for the greatest number of exports.
[14] Name according to SIECA AIC: HS or Chapter 21– "Miscellaneous edible preparations."

preparations of cereals (HS or Chapter 19[15]), plants (HS or Chapter 06[16]), preparations of vegetables (HS or Chapter 20[17]), and edible vegetables (HS or Chapter 07[18]). Exports for all of these chapters, except for edible vegetables, have been increasing, as shown in Graph 7.

It is worth noting that the categories are primarily associated with the ethnic or nostalgia market, which is made up of Central Americans who reside in the United States, particularly Salvadorans[19], who continue to demand food products related to common Salvadoran or Central American consumption habits.[20]

Table 2. Exports to the United States of selected agricultural products (in millions of USD).

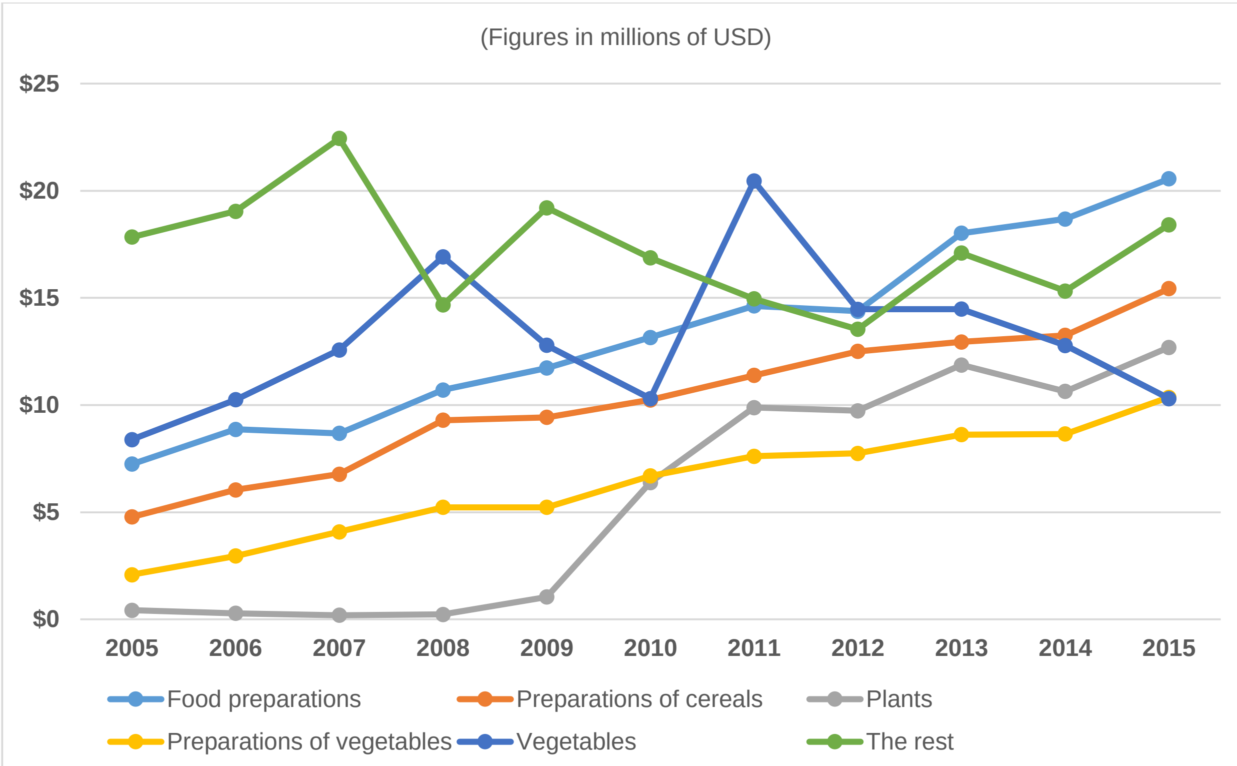
Chapter	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Miscellaneous edible preparations (21)	7.24	8.87	8.68	10.70	11.73	13.15	14.63	14.38	18.02	18.68	20.56
Preparations of cereals (19)	4.78	6.05	6.77	9.29	9.43	10.24	11.39	12.51	12.95	13.25	15.44
Plants (6)	0.42	0.28	0.19	0.23	1.04	6.39	9.88	9.73	11.87	10.64	12.70
Preparations of vegetables (20)	2.08	2.96	4.08	5.23	5.23	6.69	7.61	7.75	8.62	8.65	10.36
Vegetables (7)	8.39	10.25	12.57	16.92	12.79	10.30	20.45	14.47	14.48	12.78	10.30
Remainder	17.84	19.05	22.45	14.69	19.21	16.88	14.96	13.54	17.11	15.33	18.44
Total	**40.75**	**47.45**	**54.75**	**57.05**	**59.43**	**63.66**	**78.92**	**72.38**	**83.04**	**79.33**	**87.79**

Source: Authors' compilation based on data from BCR (www.bcr.gob.sv).

The data provided in Table 2 is displayed graphically below to better illustrate the behavior of the selected categories:

[15] Name according to SIECA AIC: HS or Chapter 19– "Preparations of cereals, flour, starch or milk; pastrycooks' products."
[16] Name according to SIECA AIC: HS or Chapter 06 – "Live plants and flower products."
[17] Name according to SIECA AIC: HS or Chapter 20 – "Preparations of vegetables, fruit, or other parts of plants."
[18] Name according to SIECA AIC: HS or Chapter 07 – "Edible vegetables, plants, roots and tubers."
[19] See UNDP 2005. Chapter 1, Table 1.2. Estimates of the Salvadoran population living in El Salvador and in the United States. According to an estimate made by the Ministry of Foreign Affairs, in 2002 there were 2.51 million Salvadorans living in the United States, a figure that differs greatly from that provided by the Census of the United States (CENSUS). However, the same paragraph also explains the reasons for the differences between the two figures, one of which is that undocumented persons were not included in the census.
[20] For more information and details on the ethnic or nostalgia market, readers are encouraged to review the series of documents available via the Documentation Center on the PROESA website (www.proesa.gob.sv), by searching for key words in Spanish such as "*estudios de mercado*," "*Estados Unidos*" and "*alimentos étnicos*."

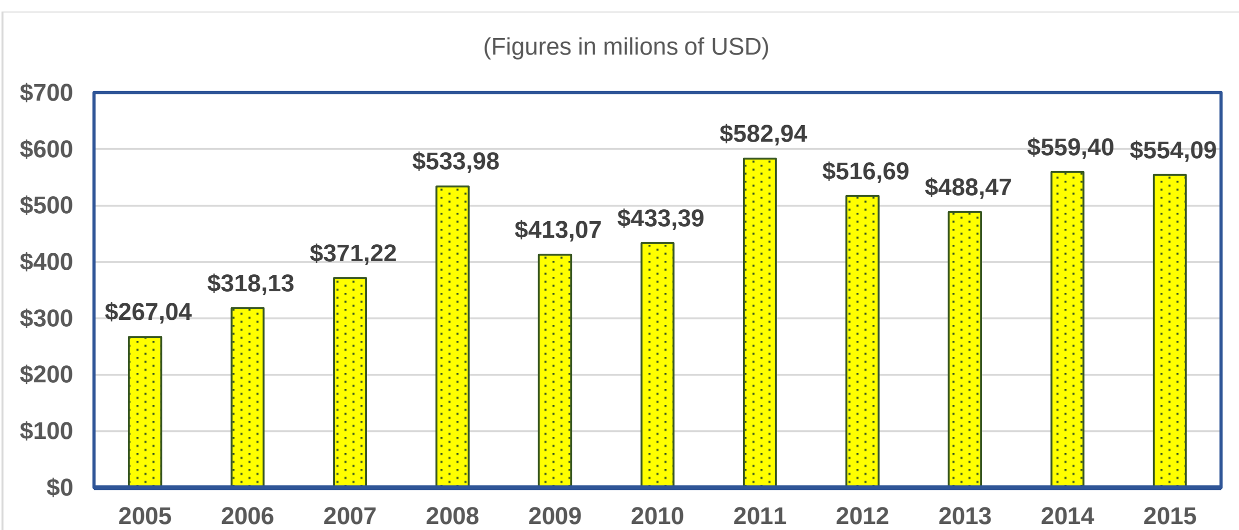
Graph 7. Exports from El Salvador to the United States of selected agricultural products during the 2005-2015 period.



Source: Authors' compilation based on data from BCR (www.bcr.gob.sv).

El Salvador's imports of agricultural products from the United States primarily rose, except for some decrease during the 2009-2010 and 2012-2013 periods. Imports in 2015 compared to 2005 were 107% greater.

Graph 8. Imports of agricultural products from the United States during the 2005-2015 period.



Source: Authors' compilation based on data from BCR (www.bcr.gob.sv).

The data from Graph 8 is disaggregated in the table below, to show the main categories of products.

Table 3. Disaggregation of the main agricultural products imported from the United States during the 2005-2015 period (figures in millions of USD).

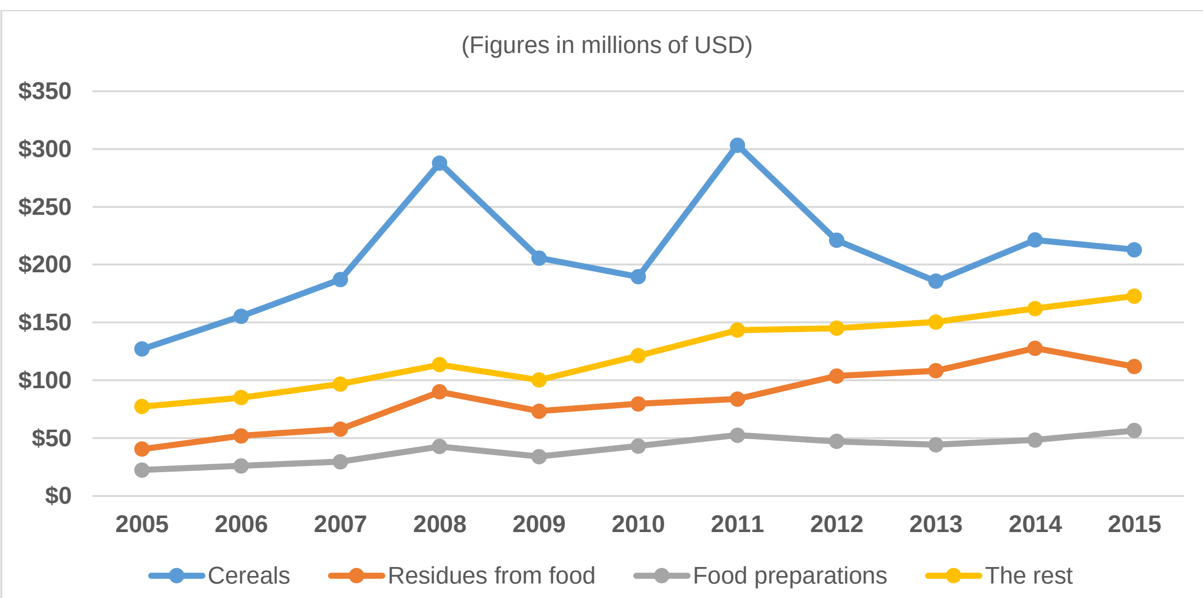
Chapter		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
10	Cereals	127.01	155.34	187.23	287.89	205.76	189.46	303.37	221.03	185.58	221.35	212.93
23	Residues from food	40.45	51.91	57.75	89.95	73.19	79.63	83.80	103.61	108.23	127.67	111.85
21	Miscellaneous preparations	22.35	25.93	29.55	42.72	33.93	43.05	52.48	47.07	44.21	48.40	56.57
D	The rest	77.24	84.94	96.69	113.41	100.20	121.25	143.29	144.99	150.45	161.98	172.73
	Total	**268.91**	**320.66**	**373.77**	**536.67**	**415.32**	**435.89**	**585.61**	**518.96**	**492.20**	**562.99**	**557.27**

Source: Authors' compilation based on data from BCR (www.bcr.gob.sv).

As can be seen in the table, three chapters in particular stand out, since they account for 68% of agricultural imports in 2015: a) cereals (HS or Chapter 10[21]), primarily corn and rice; b) residues from food (HS or Chapter 23[22]), represented by soy flour and brewery wastes; and c) miscellaneous preparations (HS or Chapter 21[23]).

The following graph shows the behavior of agricultural products imported from the United States.

Graph 9. Disaggregation of the main agricultural products imported from the United States during the 2005-2015 period



Source: Authors' compilation based on data from BCR (www.bcr.gob.sv).

[21] Name according to SIECA AIC: HS or Chapter 10– "Cereals."
[22] Name according to SIECA AIC: HS or Chapter 21– "Miscellaneous edible preparations."
[23] Name according to SIECA AIC: HS or Chapter 23– "Residues and waste from the food industries; prepared animal fodder."

The behavior of cereal imports from the United States, particularly corn and rice, can be accounted for by the access El Salvador granted in terms of tariff quotas. For example, most of the imported corn is processed in order to prepare other products, such as flour for domestic consumption and for export to other countries in the region. In the case of rice, which is also marketed directly to national consumers, it is also processed to produce flour that can be used to manufacture food, which in turn stimulates other sectors of the local economy.

Regarding the import of residues from food, over 75% of them correspond to subheading 230400 of HS or Chapter 23, defined as follows: "oil-cake and other solid residues, whether ground or not or in the form of pellets, resulting from the extraction of soybean oil."

2.2 Main constraints for greater use of agricultural trade opportunities between the two countries

The information provided in this section is based on the results of various consultation activities carried out with the aim of identifying a strategy for improving access to the United States market. These activities included interviews with stakeholders in the plantain production chain and with staff from public and private institutions related to the CAFTA-DR; discussions about the findings, carried out with the same stakeholders in a consultation workshop; and the review of secondary sources in order to complement the information and data.

Based on the above, it was concluded that the constraints that contribute to the Salvadoran agricultural sector's inability to take full advantage of opportunities provided by the U.S. market are the following:

2.2.1 Insufficient supply to take advantage of market opportunities in the United States

The country's supply of agricultural products is not large enough to meet the demand of companies that process and then export these products to the United States.

In general, the chapters that seem to have the greatest growth potential are those associated with the food processing industry, which depends on the supply provided by the agricultural sector.

Miscellaneous edible preparations (HS or Chapter 21[24]) include, among things, products made from corn, such as tamales, *pupusas*[25], and *atoles* (cornflour drinks). During the event it hosted to celebrate the ten-year anniversary of the CAFTA-DR, MINEC highlighted the case of corn tamales, for which exports exceeded over USD 52 million.

The category of preparations of cereals (HS or Chapter 19[26]) refers to mixtures used to prepare sweet bread, beverages, dietary pastes, cookies, and other products geared toward the ethnic or nostalgia market (Zamora 2005).

Ornamental plants (HS or Chapter 06[27]) refers primarily to ornamental stalks, which have performed well in the market due to the fact that many migrant Salvadorans work as gardeners (doing landscaping) and have gradually introduced native plants, such as the *izote*[28].

[24] Name according to SIECA AIC: HS or Chapter 21– "Miscellaneous edible preparations."
[25] A typical Salvadoran dish, made of corn tortillas filled with cheese, beans, or a mixture of the two with other ingredients.
[26] Name according to SIECA AIC: HS or Chapter 19– "Preparations of cereals, flour, starch or milk; pastrycooks' products."
[27] Ibid 21. Name according to SIECA AIC: HS or Chapter 06– "Live trees and other plants."
[28] Native plant; its flower is not only the national flower, but also a part of the Salvadoran diet.

The category of preparations of vegetables (HS or Chapter 20[29]) includes processed beans, plantain chips, mixed vegetables for soup, syrups and brines, etc., which also target the nostalgia market.

Finally, unlike the abovementioned products, the green vegetables category (HS or Chapter 08[30]), includes products that do not necessarily cater to the nostalgia market. For example, a big part of exports includes green peppers, okra and green beans, which target a more conventional market.

The demand for the abovementioned products, as well as others (such as fruits, dairy and dry beans) far exceeds the country's supply. Several studies have shown that other countries (Guatemala, Honduras, Nicaragua, Mexico, Brazil, Thailand, etc.) supply markets with these products[31].

2.2.2 Lack of coordination between agricultural activity and the export market

The lack of coordination in the production of agricultural products with export potential limits the ability to take advantage of market opportunities. In general, agricultural holdings are scattered; as a result:

- product commercialization is dependent on intermediaries who set purchase prices and with whom stable trade relationships are not maintained. As a result of this situation, it is not possible to achieve the best commercial performance or to determine the final destination of products.
- the low production of most products is poorly managed from a technical standpoint. Because agricultural holdings are so dispersed, each farmer practices different farming and management techniques, which makes it impossible to standardize the results.
- there is a lack of productive coordination. In general, the production chain for agricultural products is not geared toward taking advantage of existing markets; as a result, the option of establishing relationships with the processing industry does not exist.

2.2.3. Lack of public policies geared toward strengthening export capacities

In general, the producers of agricultural products with exporting potential who were interviewed stated that no national policy encouraged taking greater advantage of market opportunities in the United States. As a result, no public resources are allocated to promote the production of those agricultural products and encourage their export; additionally, no strategic guidance or priorities are defined to attract new investors or to encourage farmers to grow those products. A public policy focused on the agricultural sector with export potential is critical in order to drive its development and take advantage of the opportunities the U.S. market offers via the CAFTA-DR.

2.2.4. Lack of partnerships between small and medium-scale agricultural producers

With a few exceptions, the majority of producers and other chain stakeholders are not organized. The lack of coordination hinders the ability to:

- manage institutional support, especially in regards to technical assistance, adequate financial instruments, facilitated access to markets, etc.;

[29] Name according to SIECA AIC: HS or Chapter 20– "Preparations of vegetables, fruit, nuts or other parts of plants."
[30] Name according to SIECA AIC: HS or Chapter 08– "Edible fruit and nuts; peel of citrus fruit or melons."
[31] For further details, see PROESA 2005.

- define a strategic vision for the sector that provides a sense of direction in order to take advantage of the most favorable markets in terms of stability, growth rate and profitability;
- have bargaining power when dealing with suppliers and markets;
- have a realistic and widely disseminated diagnosis of the agricultural sector's economic and productive capacity, which could facilitate greater coordination of the supply from producers.

2.2.5. Little progress in industrializing products

There are few connections between agricultural producers and the processing industry; as a result, the processing industry depends on imports in order to fulfill its production projections. Statistics show that the processed agricultural foods market has enormous potential, but the lack of connections limits the ability to increase supply volumes.

2.2.6. Very few specialized support services for exports

A network of specialized services for agricultural products does not exist (except in the case of coffee and sugar) to guide producers in the process of connecting to the export market. This includes services related to postharvest technology, logistics, packing and packaging selections, documentation, processes, certification, etc.

2.2.7. Little information to support decision-making in the fruit-growing sector

A persistent constraint is the difficulty of accessing technical and commercial information that can assist in planning and decision-making processes. Although some information exists, it is scattered and does not allow for estimates to be made (with regard to specific cycles, trends or seasons). Collaboration between different technical institutions has yielded some positive results in this area, but the results are not adequately and effectively disseminated.

2.2.8. Few technical professionals who are specialists in the topic

The fruit-growing sector lacks highly specialized technical assistance. As a result, producers feel great mistrust toward certain services that do exist, since they are not specialized or broadly disseminated.

2.2.9. Lack of financial instruments adapted to the sector

The sector lacks sufficient financial instruments that are adapted to its current needs and are accessible in terms of interest rates, instalments, and warranties.

2.3. Main constraints in the administration of the CAFTA-DR

The interviews conducted with representatives of public and private institutions related to the negotiation and administration of trade agreements, as well as the national workshop held with stakeholders in the plantain chain, did not point to any constraints that were hindering the trade flow of this fruit or its derivatives toward the U.S. market, and that could be directly related to the provisions of the Agreement. Instead, the constraints described in the previous section are directly related to endogenous factors of local plantain production.

However, the interview process that preceded the identification of constraints during the national workshop did allow for identifying some general limiting factors related to the monitoring of negotiations and the compliance of companies with agricultural commitments in implementing the Agreement.

It is worth mentioning, however, that one of the groups of stakeholders that participated in the abovementioned workshop stated that a limiting factor was the scarce or non-existent dissemination of the CAFTA-DR in general, and particularly its benefits, preferences and formal (current and potential) mechanisms for promoting investments, among Salvadoran agricultural producers.

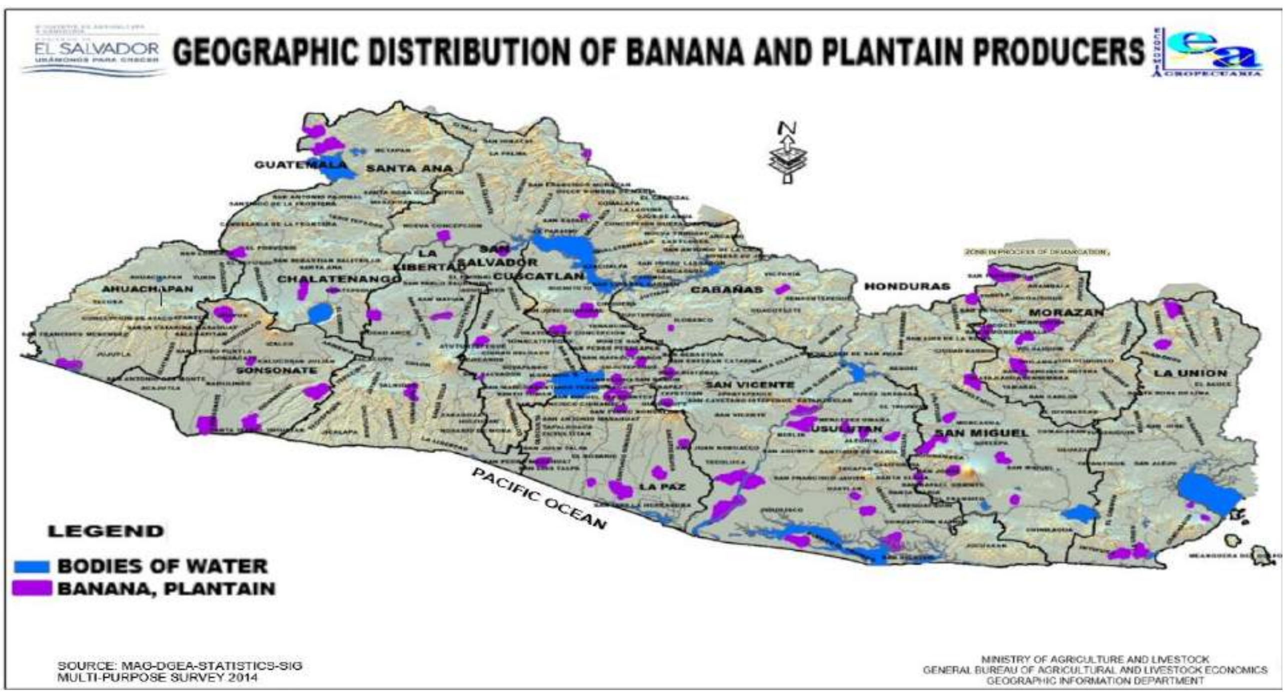
Although MINEC states that dissemination efforts have been carried out, they have not succeeded in reaching all stakeholders, such as those in the plantain chain.

This situation allows for inferring that Salvadoran plantain exports to the United States could be exponentially greater if the export supply were consolidated. In this case, at least, it is not possible to conclude that the trade flow of this product to the U.S. market is limited or hindered by causes that are directly related to the content of the Agreement, the way in which it was negotiated, or its administration *per se*.

III. The case of the plantain chain in El Salvador

Plantain production in El Salvador is currently spread out in smallholdings of 0.7 to 175 ha located throughout the entire country. The following figure shows their geographic distribution:

Figure 1. Map of the geographic distribution of banana and plantain holdings in El Salvador.



Source: DGEA-MAG.

Plantain farms in the country are shown in purple in the previous figure.

The following table includes data provided by the DGEA on the surface area used for plantain production:

Table 4. Surface area dedicated to plantain production in El Salvador.

Year	Surface area (ha)	Production (t)
2009 / 2010	806	42.778
2010 / 2011	898	43.912
2011 / 2012	1.049	25.680
2012 / 2013	2.557	81.036
2013 / 2014	2.240	75.801
2014 / 2015	2.285	80.110

Fuente: Authors' compilation based on data from DGEA-MAG.

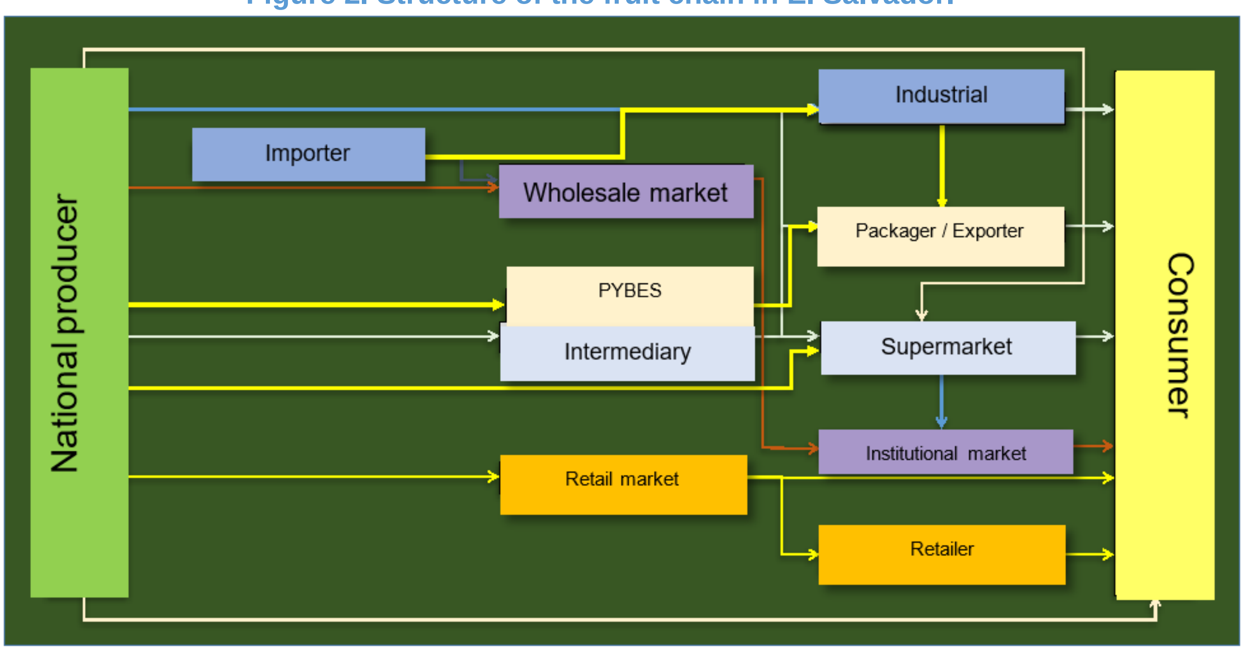
Based on the information in the table above, the surface area used to grow plantains spanned 2285 ha during the 2014-2015 cycle, yielding a harvest volume of 80,110 tons.

At least until the year 2012, plantain production was completely geared toward meeting local demands, primarily through informal markets and, to a certain extent, supermarkets as well, which demand high levels of formality in their commercial operations. According to statistical data and information provided by producers, plantain exports to the United States began in 2013; from that point on, the U.S. became an additional destination for a small part of the national plantain production.

3.1. Description of the chain

Fruits produced by national farmers reach consumers by way of a number of different channels. The following figure illustrates the main channels used to market plantains, shown in yellow arrows:

Figure 2. Structure of the fruit chain in El Salvador.



[32] Adaptation based on Zamora 2011.

- **National producers**

  Salvadoran fruit producers consist of a large number of small producers whose production characteristics vary from an economic standpoint: while some own plantations in backyards, others own commercially-managed plantations. The average size of production units of some main fruits is 3 blocks.

- **Importers**

  Fruit-importing enterprises, which have their own storehouses and cold rooms, purchase goods in other countries using their own transportation logistics, and sell their products to a wholesale market known as *La Tiendona*, supermarkets and the processing industry.

- **Wholesale market**

  This chain link comprises two main wholesale markets: La Tiendona and the central market. A lot of the marketing operations of fruit coming from Mexico or Guatemala are not necessarily conducted inside these markets, but rather in neighboring properties where boxes are unloaded from the trucks of intermediaries, who supply markets within the country.

  No contractual relationships exist with farm intermediaries; however, verbal agreements have made it possible to receive an orderly and frequent supply, especially during periods in which fruits are scarce, which is when purchases are managed via orders to suppliers. In general, wholesalers maintain commercial relationships with a lot of suppliers, who must fulfill the quality and price conditions set by wholesalers as requirements for marketing. On some occasions, wholesalers send their own truck fleets to plantations in order to negotiate better prices.

- **Intermediaries**

  Most of the goods produced are collected by "farm intermediaries" or carriers, using different transportation methods. In some cases, once the farmer has harvested the fruit, the intermediary uses his own personnel to collect the harvest, using sacks, crates, baskets, nets or even his own vehicles.

  In some cases, the intermediary brings his own cutters and transportation (usually trucks with a maximum capacity of 1 to 6 tons) to farms. The buyer defines the amount of product he wishes to buy and the cutter selects the fruit that, in his opinion, is ready to be collected. The buyer pays in cash for the load collected.

  The number of farm intermediaries is very large and close ties with producers exist, although formal relations are not established. For the most part, producers establish stable relationships with fixed buyers, and, as a result, they remain almost completely separated from intermediaries; instead, they deal solely with the buyer, who assumes the task of distributing the product to local, municipal or wholesale markets. Producers do not have a collection center and do not conduct consolidated sales.

  Merchants who serve as wholesalers also belong to this category, given that they purchase products from Salvadoran and Guatemalan importers at La Tiendona.

- **Retail market**

  In most cases, retailers have their own transportation facilities, acquire products in wholesale markets, and then sell them in municipal markets or commercialize them in the formal market (restaurants, hotels, etc.). The product is sold to retail markets in bulk and is not categorized by color, size or texture.

The “peripheral markets of El Salvador” and municipal markets in the interior of the country are the primary retail markets. These markets receive most of their supply from wholesale markets and usually market the product in bulk. The main role of retail markets is to act as intermediaries between national producers and consumers.

The product reaches consumers via the following channels:

- **Industrial**

  This channel comprises the food-processing industry; for example, factories that make fruit-based snacks, in this case using plantains.

- **Packaging/exporting companies**

  This channel includes companies associated with the packaging and export of certain fruit products with which the country has had experience over the past few years. One such example are companies that export Persian lime to the United States. There are also some business initiatives that focus on exporting native frozen fruits such as *jocote*, *nance*, cashew, *mamey* and mango to the U.S.

- **Supermarkets**

  Supermarkets, which have refrigerated warehouses where they store the product, buy from local or foreign intermediaries, and avoid direct imports for the most part. Price-Smart appears to be the only supermarket that directly imports from the United States.

  The three main supermarket chains that distribute plantain are Walmart, Callejas (Súper Selectos) and PriceSmart.

  With respect to policies on product management, some supermarkets require that their stores be furnished by the wholesale intermediary, which must take over the responsibility of distributing the product.

  Walmart has its own collection center from which it distributes the product. It often buys directly from producers or works with retail intermediaries or formal wholesalers.

- **Institutional markets**

  Institutional markets are made up of companies and institutions that generally demand constant production volumes. Institutional markets also act as final consumers, since they make purchases in order to supply themselves with the product. This category includes restaurants, hotels, hospitals, jails and stations, among others. Hotels and restaurants use fresh fruit in salads and to prepare drinks and desserts.

The plantain market in particular is supplied by imports from Guatemala primarily, and from Honduras and Nicaragua to a lesser degree. In general, these imports enter into the market via wholesalers or arrive directly at the processing industry. According to the producers who were interviewed, [33] the majority of imported plantains are second-rate, which has an impact on the low prices offered by informal markets.

[33] Opinion of one of the exporters who was interviewed.

The percentage ratio of the national plantain production versus plantain imports is detailed in the following table:

Table 5. National plantain production versus plantain imports: percentage ratio.

	2010	2011	2012	2013	2014	2015
Imports (t)	111,907	107,023	113,436	120,787	127,434	126,668
National production (t)	19,404	19,919	11,649	36,758	34,383	36,338
Percentage ratio	17%	19%	10%	30%	27%	29%

Source: Authors' compilation based on data from BCR and DGEA-MAG.

Throughout the 2010-2015 period, the percentage ratio of the national plantain production versus plantain imports has been 22% on average; however, over the past three years, the ratio increased and was closer to 30%, despite the gradual growth that imports showed.

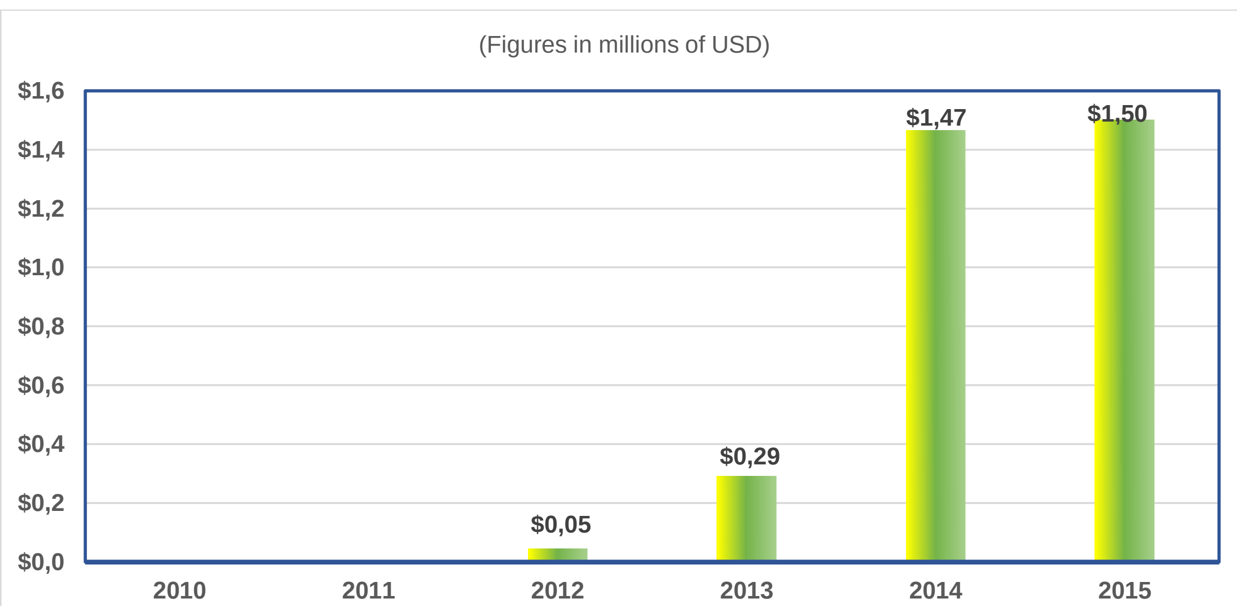
Local production is channeled primarily through independent intermediaries who visit production areas, collect the harvests, and connect them to the market.

The producers who were interviewed stated that some budding initiatives channel their production directly with supermarkets, while others do so through the retail market, which includes municipal markets and stores. One such initiative is PYBES, an organization of plantain producers created a few years ago in order to coordinate a significant volume of the supply and, in this way, take full advantage of market opportunities. This organization serves as an intermediary for exports to the United States, which began in 2013. Section four of this document, on relevant experiences, presents three cases associated with this organization.

3.2. Plantain trade with the United States

The following graph illustrates plantain exports from El Salvador to the United States:

Graph 10. Plantain exports from El Salvador to the United States during the 2010-2015 period.



Source: Authors' compilation based on data from SIECA (http://estadisticas.sieca.int/).

The previous graph shows plantain exports to the United States only, since the U.S. is the destination of almost all plantain exports. As shown in the graph, these exports began in 2012 with a total value of USD 50,000. This type of Salvadoran export is therefore incipient, but it showed progress over the subsequent three years, reaching a value of approximately USD 290,000 in 2013 and rising to USD 1.5 million in 2015, with a production volume of 2,908 tons. It is worth noting that an inflection point took place in 2012 following years of non-existent plantain exports up until 2011. This marked the beginning of the product's participation in international Salvadoran trade while taking advantage of the opportunities afforded by the CAFTA-DR.

3.3. Main constraints that hinder the ability to take greater advantage of the plantain trade with the United States

According to stakeholders in the plantain production chain in El Salvador, the main factors that limit[34] the ability to take advantage of opportunities provided by the U.S. market are as follows:

3.3.1. Quality of fruit products is not optimal

El Salvador's incursion into the field of fruit exports is relatively recent. The primary destination of the country's harvest has traditionally been the domestic market, which does not have the same quality demands as international markets. Therefore, in order to take advantage of the opportunities afforded by the U.S. market, El Salvador must fulfill a series of technical requirements. To this end, it is important that changes in harvesting practices be implemented, and that existing infrastructure be adequately used in post-harvest management, since this is not currently done for most crops. This is partly due to the lack of coordination among the support services provided by the institutions.

3.3.2. Limited plantain production volume

The production of plantain for export is incipient and too limited to take advantage of U.S. market opportunities afforded by the CAFTA-DR. Additionally, production is scattered in smallholdings across the country, among which there is no coordination.

3.3.3. Lack of a specific policy to promote fruit production and exports (institutional framework)

El Salvador does not have a policy geared toward promoting fruit production, and, consequently, taking advantage of the export opportunities the U.S. market offers. Producers state that they lack motivation and sufficient incentives for investing in the sector, as a result of the fact that there is no political framework in place to guide the development of the fruit chain, drive support services, and generate the conditions necessary to receive support from institutions. This situation is due, in part, to the chain's lack of organization and the absence of a trade organization to represent the interests of the stakeholders and manage support from institutions.

3.3.4. Lack of coordination among support services

A number of technical requirements must be met in order to export fruit to the United States, such as the implementation of good agricultural practices and adequate post-harvest management and seed selection procedures, among other things.

Given that El Salvador only recently began exporting plantains, the country does not yet have support services to address these requirements. Producers stated that these services are

[34] These limiting factors are described in detail in the data sheets on constraints faced by El Salvador (refer to Annex 1).

scattered and are insufficient to address their needs. The interviewees also stated that they do not have access to support services that are directly linked to the export process.

3.3.5. Lack of a trade organization to represent the specific interests of the fruit sector

The lack of a trade organization to represent the interests of producers makes it impossible to channel the different needs that should be addressed through government institutions. This, in turn, does not allow for substantially broadening the production of plantain for export.

This means that in addition to lacking a political advocacy instrument, El Salvador lacks an instrument for driving productive coordination in order to generate economies of scale, both for commercialization as well as the purchase of consumable goods.

3.3.6. Lack of effective organization with a business approach

The fact that there are no organizations of plantain producers limits the ability of producers to take advantage of the opportunities afforded by formal markets, including the export market.

The current type of organization of this sector is different from a trade organization or association since it consists of smaller business units that base their operations on production and the primary link of the value chain. Despite their size, these units possess the degree of formality needed to carry out export operations. All of these organizations should form a solid trade organization in the future to improve coordination.

3.3.7. Lack of integrated technical and commercial information and its dissemination

To be able to take advantage of the export market, stakeholders must collect, record, analyze, obtain and continuously update market intelligence that can be used to adopt policies for negotiations. Market intelligence includes information on market access requirements, reference prices, the value of services, etc.

The small amount of specialized information available on plantain is scattered and hard to obtain, due to the lack of dissemination and the fact that it is not available via centralized databases.

In other words, quality unified information services are not available; when a producer or group of producers requests information, they have difficulties to find a timely or satisfactory response.

IV. Relevant experiences for improving the administration, implementation and use of the CAFTA-DR for the plantain trade

Five relevant experiences (two institutional and three business experiences) are described below in an effort to make important contributions that can help to take greater advantage of opportunities for plantain in the U.S. market. The details regarding the five experiences are provided in the corresponding data sheets included in Annex 2.

4.1. Institutional experiences

4.1.1. Area-based, non-reimbursable resources competition executed by the Directorate for the Promotion of Production and the Production Development Fund of MINEC

Since 2015, via FONDEPRO and with support from the Directorate for the Promotion of Production, the Directorate of Innovation and Quality, and the National Commission for Micro and Small Enterprises (CONAMYPE), MINEC has promoted a competition that offers non-reimbursable co-funding resources to micro, small and medium-scale enterprises inside the country, to enable them to drive the implementation of economic development strategies through local chains and the development of innovative goods and services that reflect a local identity and have the potential to be exported.

El Salvador's production structure focuses on a few products with the greatest potential for export growth. The companies that commercialize these products are primarily located in the metropolitan area of San Salvador, which offers the best conditions and opportunities for business growth. The Salvadoran inland production framework is primarily made up of micro and small businesses, most of which conduct production activities in the periphery of the space-product network; that is, the activities focus on products with less value-added and a lesser degree of sophistication and, therefore, less export potential. Additionally, these companies often have limited investment and production capacities as well as low profitability and few opportunities for growth.

However, according to the National Policy for the Promotion, Diversification and Transformation of Production (PNFDTP), this segment includes production sectors that are ideal for the development of initiatives geared toward promoting and diversifying production. It is important to generate the conditions needed to develop these segments, so that they may become relevant sectors of the country's production structure, as is the case with the agro-industrial, food and beverages, export crafts, paper and cardboard, and footwear sectors, among others.

No meeting has been carried out so far to analyze the possibility of the plantain production segment using the abovementioned type of funding. However, meetings are currently scheduled with entities such as MAG and the United Nations Food and Agriculture Organization (FAO), in order to identify initiatives that could provide support to that segment, focusing primarily on chains that are geared toward exports. Therefore, there is a high possibility of obtaining resources, but this will depend on coordination among institutional stakeholders and on stakeholders carrying out the necessary meetings.

4.1.2. Technological innovation of exporting SMEs of the Salvadoran food sector – Technological Assistance Area

This institutional experience is related to the Support Program for Innovation and Entrepreneurship to Improve the Competitiveness of SMEs in El Salvador (PROINNOVA), implemented within the framework of FUSADES with support from the Multilateral Investment Fund (FOMIN) of the IDB group.

Through the Technological Assistance Area, specialized technical support is provided to SMEs in the food sector, in order to drive the development of innovation or technological improvement projects. Support is provided through different means, including: a) the creation of new lines of business and products with a high potential for growth, for enterprises that already exist as well as new entrepreneurs; b) support for the development of business plans; and c) a business tutoring network whereby a group of successful entrepreneurs provides advice and personalized guidance to participating SMEs, as well as financial management support to enable them to obtain seed capital for the business plans that need it. When necessary, angel or private investors accompany the business owners when they present business plans to financial institutions.

Technical problems faced in primary production, related to the use of genetic material, sowing, pest and disease control, etc., represent one of the main obstacles that hinder the ability of plantain production to take advantage of the local formal market and the export market. As a result, support is being provided to several initiatives, most notably to PYBES in complying with GLOBALG.A.P. standards at the request of their buyer.

Specific support was provided in the following areas: designing of infrastructure for plantain packaging and a dehydration plant, identification of machinery and equipment, certification, creation of product prototypes, water management, and advice on production management, among other things. Additionally, assistance was provided in the process of identifying clients for the products derived from the initiative.

In order to provide this support, PROINNOVA receives support from the USAID Regional Trade and Market Alliances (RTMA) Project and the United States Department of Agriculture (USDA).

4.2. Business experiences

4.2.1. Hacienda Parras Lempa - Benedicto Morataya

The Hacienda Parras Lempa estate has been involved in plantain production for 20 years. It began by cultivating an area of 3.5 ha, which later expanded to 70 ha.

The project eventually fell apart, like it did in other similar plantations, but the owners continued to believe in the potential of plantain. They started over by cultivating another 3.5 ha, but using specialized techniques which enabled them to recover their production capacity.

Once the farm achieved a sustainable production volume, the owners began seeking export opportunities. Parras Lempa was the first business to export plantain to the United States, selling products first to Dole and then to Del Monte and Chiquita. Parras Lempa exports between 64 and 70 forty-foot containers per year (42,000 pounds/19 tons per container).

The estate currently grows plantain in an area spanning 59.5 ha, and sells plantain to supermarket chains and wholesalers, in addition to exporting the product. The company is interested in increasing the farming area, but would need to purchase additional land since it no longer has sufficient space on its estate.

Thanks to the institutional support it received, Hacienda Parras Lempa has achieved progress in complying with technical standards, which has fostered its ability to access local and international markets. It is currently making progress towards becoming certified by GLOBALG.A.P.

Parras Lempa regularly exports plantain to the United States, a country that has high product demands that are currently not fully satisfied.

The project is fully consolidated, but there is an awareness of the need to constantly improve technology; as a result, Parras Lempa is considering incorporating specialized machinery and equipment.

Production has hit a maximum level based on the farming area available; as a result, the farming area must be expanded in the short term.

4.2.2. Hacienda La Carrera - Luis Felipe Lagos

Hacienda La Carrera, located in an area that was previously used to grow banana, is primarily used to produce sugarcane.

However, after searching for more profitable crops, and with support from PYBES, the owners of Hacienda La Carrera learned about the commercial possibility of exporting plantain, and began cultivating plantain two years ago. At present, an area spanning 181.7 ha is used to grow plantain. The relationships established with PYBES also allowed La Carrera to receive support from other institutions in improving farming conditions. This enabled the estate to qualify as an exporting company and gain access to the formal market comprising El Salvador's supermarkets.

Hacienda La Carrera has modernized the management of its plantain farming area, by incorporating the use of the best technology available (drip irrigation, humidity control sensors, etc.). It even has cable systems to transport plantain bunches and ensure optimal management, a distribution and packaging center that has been designed specifically for the product, and a nursery for plants that will be replanted.

La Carrera produces a weekly average of three to seven forty-foot containers for export (42,000 pounds per container). This is possible thanks to investments made in infrastructure as part of the technification process.

The Company exports plantain regularly; however, it acknowledges the fact that product demands are too high to be met.

4.2.3. Asociación Cooperativa de Producción Agropecuaria San Carlos de Responsabilidad Limitada (ACOPASCA de RL) - Salomón Zelada

ACOPASCA de RL is a cooperative located in the San Rafael canton under the jurisdiction of El Paisnal municipality, in the department of El Salvador. It has 103 members (96 men and 7 women) and possesses a constitution and legal status derived from the agrarian reform. It was founded on March 7, 1980 and is registered at the Department of Agricultural Associations of MAG.

The cooperative uses its own funds and resources obtained through credit provided by banks in the financial system to support the production of sugarcane, which is currently the most relevant product.

The cooperative currently utilizes a drip irrigation system. It also has a sprinkle irrigation system that draws water from an industrial well, which is currently not in use.

The cooperative has invested in plantain production, primarily geared toward the local market. It has not yet conducted exports, but it is in the process of creating the infrastructure and management conditions necessary to export the product. Although the cooperative is a part of PYBES, the other group members are the ones conducting plantain exports, since they possess the necessary facilities.

The cooperative produces both fresh and dehydrated plantain. With support from several entities (MINEC, USDA, PROINNOVA-FUSADES, etc.), the cooperative recently built a small agro-industrial park that includes a plantain-packaging plant, and a fruit dehydrating plant.

V. Conclusions and recommendations for an improvement strategy

5.1. Administration of the CAFTA-DR

- The country acknowledges its lack of support instruments to guide producers in decision-making processes and motivate them to take advantage of the export market. In order to resolve this situation, the country must provide producers with effective guidance on export requirements, technical assistance for the harvesting of products that will be exported, and information on products and markets that can serve as input for commercial decision-making.
- To be able to take advantage of the export market, stakeholders must collect, record, analyze, obtain and continuously update market intelligence that can be used to adopt operative policies for negotiations. Market intelligence includes information on market access requirements, reference prices, the value of services, etc.

  The limited amount of specialized information available on plantain is scattered and hard to obtain, due to the lack of dissemination and the fact that it is not available via centralized databases.

- In this case, at least, it is not possible to conclude that the trade flow of this product to the U.S. market is limited or hindered by causes that are directly related to the content of the CAFTA-DR, the way in which it was negotiated, or its administration *per se*.
- Some of the interviewees highlighted the importance of mapping out the enterprises that export to the United States, especially those that have a relative level of trade organization. This would allow Salvadoran governmental entities to provide references on those enterprises to U.S. authorities, in the case of plant inspections, for instance. This might also allow for organizing events to disseminate the Agreement.
- It is important to follow up on the initial CAFTA-DR negotiations and all commercial agricultural agreements in order to understand their past and potential scope, as well as to determine the ability of the sectors to take advantage of them.

5.2. Market access

5.2.1. Conclusions

- National plantain production is still too small to fully take advantage of the opportunities afforded by the CAFTA-DR, particularly in the United States, since the U.S. market is capable of absorbing greater export levels.
- The surface area currently used to grow plantain is made up of smallholdings scattered across the entire country. As a result, the country faces difficulties in standardizing farming techniques and consolidating production in a way that allows for intensifying exports to the U.S. market.
- At present, the country does not have a national policy for the fruit sector that explicitly defines the sector's priorities and the target market for production. This results in a lack of conditions necessary to motivate current producers to expand their holdings and to incorporate new stakeholders into the production chain. This situation also hinders the development of highly specialized support services geared toward strengthening production.
- The lack of an effective trade organization to represent the chain's interests with the country's public and private institutions, as well as the lack of producer organizations, hinders effective coordination geared toward taking advantage of market opportunities and optimizing the use of resources.

- The country lacks support instruments to guide producers in decision-making processes and motivate them to take advantage of the export market. Producers must receive effective guidance on export requirements, technical assistance for the harvesting products that will be exported, and information on products and markets that can serve as input for commercial decision-making.
- Additionally, the country lacks financial instruments that specialize in fruit products and take into account the implications of conducting adequate technical management and implementing the infrastructure needed to conduct exports.
- The entities that have exported to the United States have not only contributed to improving economic indicators over the past three years, but have also improved their market positioning; as a result, they serve as reference examples that can motivate others to undertake this challenge.
- The most successful initiatives that have been developed have resulted from solid and coordinated efforts with government institutions and NGOs that have provided support.

5.2.2. Recommendations

- The design and implementation of a national fruit policy in El Salvador is a triggering factor for initiatives geared toward taking advantage of market opportunities, especially those derived from the CAFTA-DR agreement, such as the opportunities for plantain.

  In addition to defining priorities for the fruit sector, the policy should establish the resources and services that public entities must provide in order to achieve strategic goals in the long term.

  Entities such as MAG and MINEC are expected to allocate services specifically to the development of fruit chains, guided by well-defined priorities.
- El Salvador has a particular advantage in the U.S. market: the market demand of Central Americans, especially Salvadorans, who reside in that country and represent an opportunity to increase agricultural (fruits and vegetables) and agro-industrial product offerings associated with the nostalgia market. Investing in this market allows for driving the market positioning of products that are gradually gaining acceptance from the rest of the country's population.
- Additionally, the country must possess financial instruments designed specifically for promoting plantain production, as well as a series of incentives to motivate stakeholders who have begun exporting plantains to broaden their production and increase their exports.
- It is necessary to establish incentives and conduct an awareness-raising process to encourage non-exporting producers and new producers to become part of the plantain production chain, with a view to reducing imports and increasing exports. This would also drive the industrialization of the portion of the harvest that cannot be sold due to quality defects.
- The design of a series of specialized support services for plantain, as well as the technical assistance of professionals who are highly trained in plantain-growing, is needed.
- Mechanisms must be established to provide breaking news (early warnings) that allow for adequate response in a timely manner to the sector's needs for development, especially mechanisms for dealing with the effects of climate change.

- Services that provide broad and continuous information are necessary in order to facilitate planning processes related to production and market access, including access to the U.S. market. Information about the characteristics of plantain as a wealth-generating product and an element of the Salvadoran diet is also needed. The existence of adequate dissemination channels is essential in order to ensure that the information reaches the appropriate target audiences.
- Together with entities such as MAG and MINEC, the coordination of efforts by public institutions, academia, trade organizations or associations and cooperation organizations must be fostered, in order to generate optimal conditions to substantially increase plantain production in El Salvador.
- MAG and MINEC must undertake efforts to raise awareness among producers of the benefits of becoming a part of groups, and must also seek to facilitate this process. They must also continuously schedule activities to allow the organizations to channel their needs related to plantain production.
- Additionally, they must provide the organizations with technical assistance geared toward administrative, legal, operational and commercial capacity-building.

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