FROM THE ORCHARD TO MEXICO CITY: AVOCADO WHOLESALERS’ SUPPLY STRATEGIES

Flavia Echánove Huacuja and Cristina Steffen Riedemann

I. INTRODUCTION

About one-fifth of the national fruit and vegetable production is sold in the biggest city in Mexico through the most important terminal market: the produce wholesale center in Mexico City (CEDA-CM). This huge market, opened at the end of 1982, is not only the crucial urban supply point where the retailers get the produce that is offered directly to the consumers, but is also an important redistribution center for other enterprises or regions in the country. Because of its size and the number of merchants operating there, it is considered the biggest wholesale market of its kind in Latin America.

While the size and types of traders vary, there is, nevertheless, a high degree of commercial concentration within the market. This is exemplified by the fact that ninety wholesalers (or 4%) control 80% of the marketed volume of fruits and vegetables (Echánove 1998:7). They hold the strategic position of supplying food to the most important urban concentrations not only in Mexico, but the whole world, and consequently wielding enormous power in the market.

A purchasing network formed by these large wholesalers in the rural areas is one of the factors that explain this situation. Unlike the case in similar markets in other countries, such as the United States, a great number of the merchants in the CEDA-CM are at the same time large agricultural producers. In addition, others have integrated themselves backwards to a lesser degree, in that they become packers or owners of agro-industrial production units.

The purpose of this article is to analyze the characteristics of the group of wholesalers at the CEDA-CM that concentrate on one of the important products of this market, namely, avocado. In this case study, we describe the supply mechanisms used by those agents. In order to do so, we
follow the route of that product from the orchards to the traders’ warehouses. The methods used here are participatory observation and direct interviews carried out during the last seven years among producers and their organizations, packers, middlemen, public and private officials of the state of Michoacán, the main avocado producing enterprise in Mexico, and the most important supplier of CEDA-CM. In addition, the largest suppliers in this market were also interviewed.

II. RESEARCH APPROACH

Although in the field of anthropology there are a large number of studies on producer and farmer markets articulated through trade to capitalist societies (Oswald 1979; Cook and Diskin 1976; Paré 1975), little has been written on urban markets and, still less, on the large wholesale markets. Several authors have analyzed the rural distribution systems focusing on the spatial aspect of the markets; mainly on trading between towns and rural communities to their food supply zone or ‘hinterland’. Their methodological and theoretical bases are found on the geographic models, especially in the central place theory proposed in the 1930’s by German geographers, Walter Christaller and August Losch.

Among the most important representatives of such a perspective are William Skinner (1964), who described the traditional rural marketing system in Szechwan, China, and Carol Smith (1974; 1977), who studied a market system surrounding the regional center of western Guatemala: Quetzaltenango. Other rural schemes of product distribution different from the central place model were developed by Johnson (1970), supported by Mintz’ studies (1960) on the Haitian case, and by Appleby (1976) on the Puno community in Peru.

However, the purpose of our study is not about the spatial aspect of the supply system. In addition, the distribution schemes between the rural communities and the local and regional markets are very different from those present in the case of supply to big cities like Mexico City. On the one hand, we must point out that the assumptions of the above mentioned models cannot be generalized. Some of them (even distribution of the population and income, perfect competence, free product circulation, and regions without social or political barriers to trade) are unrelated to the real world. Stuart Plattner (1989:202) indicates that the study carried out by Carol Smith in Guatemala…”found that the spatial economy of this country was strongly influenced by the distribution of political power and ethnic considerations". Both these aspects are ignored by the central place theory.

What we have found in the CEDA-CM case is that this market receives food supplies from the whole Mexican territory, and that the flow
of products does not always follow a spatial rationality. It is observed that the products frequently leave this urban market to return to the areas where they were produced, and that flow is determined by the power and influence networks that the big wholesalers in this market establish in the rural zones.

The analysis of the urban wholesale trade, and its links with the rural areas, is framed in one of the stages of the food supply system that is constituted by the set of agents (social, economic, and institutional), processes, activity spheres, technical factors and relationships (subordination, interchange, etc.). These are present along the long road that food supplies follow from production to distribution to the consumer. Four phases or links integrate such a system: production, agro-industrialization, wholesale and retail commerce. These are deeply related and determined among them, so that the way they work cannot be understood separately but as part of a complete system whose function is to deliver food supplies to the population. Their degree of heterogeneity and interdependence characterize the different agents, processes and relationships that take part in the supply chain. Although our study subjects are placed within the wholesale scope, and the relationships we are interested are those they establish with the previous phases (production and agro-industry), it is therefore necessary to become familiar with the link (the retailers) such agents have with the following link in the chain.

In the supply system, the participating agents have a different degree of domination over all and each of the phases. On this topic, Norbert Dannhaeuser (1989:232) indicates that channels have a structure, a system of internal domination and strategies pursued by members. Channels through which products pass a large number of trade levels and in which each level contains a multiplicity of different firms are said to be “complex” and “vertically fragmented”, in contrast with those “coordinated” or “vertically integrated” channels. Channel domination refers to the degree to which one firm (or a set of firms) dominates or influences other members along a channel. In “vertically fragmented” channels that are also called “conventional” channels, power is typically spread throughout the trade hierarchy and no single member dominates the system. In contrast, “vertically integrated” channels exhibit some power concentration; a member controlling the overall operation of the channel, and power to influence extends beyond the channel level of the dominant member.

The case study presented here, as well as in other studies, demonstrate the predominance of “vertically integrated” channels in fruit and vegetable supply to Mexico City, with wholesalers being the agents
with the greatest power (Echánove 1999; 2002a). The wholesale trade is therefore the “dominant nucleus” in the urban supply chain related to those products. This fact is not just characteristic of México. Dannhaeuser (1989:234) found that although marketing power has shifted in many cases from the upper channel levels (from manufacturers to wholesalers) to lower ones (for example, to retail chains) in the United States in recent decades, in developing countries large manufacturers and wholesalers continue to dominate distribution channels.

III. AVOCADO WHOLESALE TRADE AT CEDA-CM

One-fourth of the Mexican avocado production reaches the CEDA-CM where this product ranks fifth in importance in terms of volumes of fruit and vegetable marketed. Michoacán is the largest production enterprise that supplies the whole of this market. Unlike other fruits and vegetables, Mexican avocado has not faced competition from imports of the product. In the opinion of a large CEDA-CM wholesaler, this is because of the low prices of the product (especially at harvest time) on the Mexican market that yields very low profit margins to attract American competitors. This is why imports have only been periodic and have only occurred when there has been a shortage in local production.

Exports to the United States have not been important either because Mexican avocados had been banned between 1914 and 1917 due to the presence of plagues in the fruit. Since last year, exports were permitted between November and February each year to only 19 states in the northeast, and to the District of Columbia. Together with reduced exports to other countries this has meant that Mexico can export a minimum percentage of its production as fresh fruit – 6% during the 2001-2002 season (Comité Estatal de Sanidad Vegetal, 2002). In addition, the benefits from exporting avocado are very concentrated. Most of the exports to the United States are carried out by transnational firms (Calavo and Mission) and, only a few national producers are able to benefit and comply with the requirements imposed by the USDA (Agriculture Department in the United States) (Coma, 2002).

Avocado wholesalers at the CEDA-CM can be classified according to the scale or amount of their purchases and sales during the year. The most important is a group of seven large wholesalers, because of their sales volume up to 180 tons a day, followed by a group of 33 wholesalers who can be defined as medium-size selling smaller amounts of 3-9 tons a day). Finally, there is a group of 100 small wholesalers who sell less than 3 tons a day.
Many are only temporary within the small wholesale group; that is, they only operate during the avocado-harvesting season. It is during this period that they rent an area in a warehouse and later wind up. Both these, as well as the medium-size wholesalers, purchase from the big wholesalers and/or get the product from small packers and/or produce avocado themselves.

The trade of the product is concentrated in the hands of a group of seven big wholesalers who control 72% of the total sales volume (Table 1).

Table 1 – CEDA-CM: Wholesalers of Mexican Avocado (2001)

<table>
<thead>
<tr>
<th>Wholesaler</th>
<th>Supply Mechanism</th>
<th>Warehouses</th>
<th>Daily sales volume (Ton)</th>
<th>Participation on total sales volume (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Astor</td>
<td>W</td>
<td>4</td>
<td>180</td>
<td>30</td>
</tr>
<tr>
<td>Baez Brothers</td>
<td>PA-W</td>
<td>4</td>
<td>120</td>
<td>20</td>
</tr>
<tr>
<td>Sociedad Cooperativa Cupanda</td>
<td>PR-PA-W</td>
<td>2</td>
<td>37</td>
<td>6</td>
</tr>
<tr>
<td>David</td>
<td>W</td>
<td>1</td>
<td>30</td>
<td>5</td>
</tr>
<tr>
<td>Ernesto</td>
<td>PA-W</td>
<td>2</td>
<td>30</td>
<td>5</td>
</tr>
<tr>
<td>Falcon</td>
<td>W</td>
<td>1</td>
<td>20</td>
<td>3</td>
</tr>
<tr>
<td>Gomez</td>
<td>PA-W</td>
<td>2</td>
<td>18</td>
<td>3</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>16</td>
<td>435</td>
<td>72</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>140¹</td>
<td>600</td>
<td>100</td>
</tr>
</tbody>
</table>

1. Total of large, medium and small wholesalers in CEDA – CM.
2. W=Wholesaler; PA=Packer; PR=Producer.


Astor is the most important wholesaler having four warehouses and controlling 30% of the volume of avocado going to the CEDA-CM. Sociedad Cooperativa Cupanda which is third in importance, was established in 1954. It sold avocado before the CEDA-CM was opened, and is the only organization of producers that has been able to maintain itself successfully within the wholesale trade of this market. We shall consider this case in more detail further on in this paper.

Unlike the case of other fruits and vegetables (refer to Echánove 1998), the main avocado wholesalers operate only at the CEDA-CM where retail market traders, restaurants, medium and small wholesalers, and purchasers from different regions in Mexico come to buy the product. Wholesalers consider supermarket chains as bad customers because they
demand large discounts to cover product spoilage and the one month time lag in receiving payments on sales made to the supermarkets (one month). It is for this reason that only the least important wholesalers specialize in supplying to supermarket chains.

Through what mechanism does the product get to the big warehouses, and how has this created the hegemonic position of a few traders? To answer this question, we will analyze the procurement methods agents follow in the main producer entity in Mexico in the next section.

**IV. AVOCADO WHOLESALERS’ PERFORMANCE IN MICHOACÁN**

In the year 2001, 90% of the avocado production in Mexico came from the orchards in Michoacán, mainly from the Rural Development Districts in Uruapan, Pátzcuaro and Zamora where the 78,373 hectares of avocado cultivation for that year were located (Table 2 and 3).

**Table 2 – Mexico: Avocado Area, Yields and Production (2001)*

<table>
<thead>
<tr>
<th>State</th>
<th>Area Harvested (ha)</th>
<th>Area Harvested (%)</th>
<th>Yields (Ton/ha)</th>
<th>Production (Ton)</th>
<th>Production (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michoacán</td>
<td>78,373</td>
<td>83.3</td>
<td>10.1</td>
<td>819,224</td>
<td>90.3</td>
</tr>
<tr>
<td>Morelos</td>
<td>2,347</td>
<td>2.5</td>
<td>8.1</td>
<td>19,155</td>
<td>2.1</td>
</tr>
<tr>
<td>Nayarit</td>
<td>2,318</td>
<td>2.5</td>
<td>7.9</td>
<td>18,254</td>
<td>2.0</td>
</tr>
<tr>
<td>México</td>
<td>2,043</td>
<td>2.2</td>
<td>7.5</td>
<td>15,269</td>
<td>1.7</td>
</tr>
<tr>
<td>Puebla</td>
<td>2,407</td>
<td>2.5</td>
<td>4.9</td>
<td>11,853</td>
<td>1.3</td>
</tr>
<tr>
<td>Subtotal</td>
<td>87,488</td>
<td>93.0</td>
<td>9.8</td>
<td>883,755</td>
<td>97.4</td>
</tr>
<tr>
<td>Total</td>
<td>94,104</td>
<td>100</td>
<td>9.6</td>
<td>907,438</td>
<td>100</td>
</tr>
</tbody>
</table>

*Only fresh product (not processed).

*Source: Sagarpa, Centro de Estadística Agropecuaria, and Delegación Estatal de Morelia, Mexico (2002).

**Table 3 – Michoacán: Avocado Area and Production (2001)

<table>
<thead>
<tr>
<th>Districts</th>
<th>Area Harvested (ha)</th>
<th>Production (Ton)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uruapan</td>
<td>38,459</td>
<td>381,847</td>
</tr>
<tr>
<td>Pátzcuaro</td>
<td>18,133</td>
<td>216,942</td>
</tr>
<tr>
<td>Zamora</td>
<td>20,121</td>
<td>208,875</td>
</tr>
<tr>
<td>Zitácuaro</td>
<td>1,275</td>
<td>9,088</td>
</tr>
<tr>
<td>Morelia</td>
<td>385</td>
<td>2,472</td>
</tr>
<tr>
<td>Total</td>
<td>78,373</td>
<td>819,224</td>
</tr>
</tbody>
</table>

*Source: Sagarpa, Delegación Morelia, Michoacán, April 2002.

During the 1970-88 period, the avocado cultivated areas increased 16 times (a period when the fruit was called the “green gold”). The market was saturated and the loss of the producers’ profitability became the daily situation. The number of established orchards kept on growing, very often
replacing less profitable crops such as sugarcane in the municipalities of Peribán and Tacámbaro.

Avocado is produced in Michoacán along the surface strip at an altitude between 4,265 and 7,500 feet above sea level. 47% of the orchards are irrigated by rain and 53% by the several rivers, springs in the area and by rainfall. A common practice is to store water in the catchment areas from where it is distributed to the orchards through hoses and taking advantage of gravity. According to official data, in the year 2002, some 10,200 producers devoted their land to the growth of avocado in the state. Private owners control 70% of the planted surface, while the remaining 30% belongs to *ejidatarios* and *comuneros* (Coma, 2002). The sizes of privately owned individual planted areas range from 1 to 3 to 2,000 hectares.

Among the seven wholesalers studied, only the Sociedad Cooperativa Cupanda is mainly supplied from its own production, while three (the Baez brothers, Ernesto y Gomez) operate packing houses located in the areas of the most important producers in Michoacán. The supply channels used by these three agents are varied depending on various factors, among which are the supply conditions in Michoacán, demand and prices at the CEDA-CM. There is a wide range of possible packers-wholesalers agreements with the prevailing producer. They are as follows: the former buys the fruit from the latter, either by offering a uniform price for each kilo of avocado picked at the orchard, or different prices according to the quality of the fruit while selecting at their packinghouses. The packers-wholesalers have employees who are often agricultural engineers in charge of checking the orchards and assessing the quantity and the quality of the product to be obtained. Most of the time, the packinghouses are in charge of harvesting the fruit with their specialized team of workers.

According to many of the producers interviewed, they prefer to sell their fruit at a uniform price. This is because the application of a series of criteria, ranging from the quality of the fruit (there are up to six different quality measurements in the national market) to market condition which reduces their income. Wholesalers and packers establish a verbal agreement, and prices are fixed when the product is harvested (in contrast to the convention in the export market), and fifteen days after the delivery of the product, the producer gets paid. These are marketing (purchase-sale) agreements and not contract farming, for the wholesaler-packer does not participate directly or indirectly in the production process, nor does he provide inputs or technical support, as in the case of certain vegetables (refer Echánove, 2002b).
The time lag in payment makes it more attractive for producers to sell to middlemen who are conveniently located at the entrance of certain towns or side roads and who provide cash on delivery of the product. Even if the prices are lower than those paid by packinghouses, the immediate cash is an incentive to many producers to do business in this way.

Some small producers prefer to harvest the fruit with the help of the family members and also transport the produce to the packinghouses. When this happens, the packinghouses pay a premium on each box. Some packinghouse owners finance producers whom they consider trustworthy, and with whom they have had a relationship through the years. This credit is discounted after the product has been delivered, and it is a very important element that entices this producer to have repeated transactions with the same packinghouse over the years (Ayala, 2002).

The other three wholesalers (Astor, David and Falcon) are not producers and do not have packinghouses in Michoacán. Thus, their warehouses are mainly supplied by purchasing the product through middlemen. Astor, the most important trader, has numerous suppliers, among which can be mentioned some producers-packers from different municipalities in this state.

Nevertheless, these traders also get the product from a great number of small rudimentary packers, many of whom are located in the municipality of Tacámbaro, where only the smallest avocado is discarded. The rest is packed in wooden boxes that has not been invoiced and which is, therefore, not authorized by the forest authorities. The packer is now given the opportunity of bidding a lower price for the fruit. These small packinghouses send the product directly to the wholesaler’s warehouse, which, in turn, charges a percentage or commission for the sale that may vary according to the season of the year. For example, when there is large supply and the prices are low, a fixed amount is charged per sold box. When the price is higher, then a levy of up to 10-15% on the total amount sold may be imposed.

Astor also gets the product in certain areas where the small producers arrive to sell the product that has been transported on the backs of mules or in small vehicles. It is in these cases that the main trader at the CEDA-CM finds an easy source of profits, because he can offer very low prices for the fruit in return for the immediate payment, considering the producers’ precarious conditions and the absolute lack of organization.

V. THE CUPANDA COOPERATIVE

As noted earlier, this cooperative is the only group that has integrated the production phase with that of wholesaling. It was founded in 1954 with
active participation of the Catholic bishopric of Tacámbaro and Michoacán, who together with the national synarchist movement had been participating in establishing the first cooperative in the region. Cupandra started with farmers from the region totaling 31 members to solve the problem of marketing their products (corn, avocado, peach, coffee, etc.). They tried to do this by means of joint sale get financing for their activity (Pedraza, 1994:24). A savings fund was created not only for the benefit of the members, but also for the people in Tacámbaro. A small avocado packinghouse was set up and, by 1962, the collective purchase of agricultural inputs to be offered to the members was started, and a small warehouse was opened for this purpose. The cooperative faced many difficulties from its inception. They ranged from members’ disagreement over prices they received for their avocado compared to prices paid in the region, the problem of members selling the best fruit outside the organization while delivering the lower quality fruit to the organization. The problem went as far as selling t fertilizers received by the organization to outsiders that resulted in the cancellation of the joint fertilizer purchase service in 1991 (Pedraza, 1994:82).

Owing to the fact that the producers kept selling the product outside the cooperative, it was decided in mid-1970s to offer them at least the same price that could be obtained at the local market with the proviso of lowered year end dividends. In 1978, a survey carried out among the members showed that 70% of them did not deliver the fruits as expected because the prices were low. Further, because of the way in which the product was classified at the packinghouse, they were placed at a disadvantage. It was concluded, therefore, that the members did not consider the cooperative as the best sale option; they became members only to take advantage of the other services it offered (Pedraza, 1994:41).

In 2002, the Cooperative had 240 members, 200 of whom produced avocado while 40 were permanent staff members working as administrators, advisors, drivers, and warehouse supervisors at the CEDA-CM, etc.. There were also between 45 to 60 temporary workers, of whom 12 harvested the orchards. Members involved in production were mainly private producers; only 5% of them were ejidatarios, and the comuneros represented a smaller percent. Together, they cultivated 2,500 hectares of avocado in the municipalities of Tacámbaro, Ario de Rosales y Villa Madero. On an average, orchards range from half a hectare to 50-60 hectares. However, there are a few orchards that are 100 to 200 hectares in size. Nevertheless, small producers with cultivated areas from 2 to 6 hectares are most prevalent. (Huerta, 2002).
Two engineers provide technical support to the program. However, it has met with little success since few members take advantage of it and there is the added problem that not many pay attention to their recommendations (Pedraza, 1994:89). The cooperative assists its members in kind by lending machinery and equipment; for example from the pool of 10 tractors owned by the cooperative to aid in the different activities involved in the growth of the fruit, and in giving support to buy inputs. As mentioned above, direct input delivery failed. As a result, the cooperative presently reimburses the producers for inputs purchased from a supplier that is approved by the cooperative. However, in order for the member to benefit he must make a written agreement to deliver at least 90% of his production to the organization and pay an interest of 2% on the balance advanced for the purchase (Huerta, 2002).

At present, Cupanda has a modern packinghouse on the outskirts of Tacámbaro, and a smaller one in that same town where small amounts of various types of fruits are received. It is also equipped with own vehicles to transport the fruit from the producers’ orchards to the packinghouse and there is a nursery where avocado seedlings are sold, in addition to an experimental field. At the large packinghouse, there is a computerized avocado selection machine (introduced in 1999), as well as two refrigeration chambers.

Although the packinghouse has a capacity to pack up to 10,000 tons of avocado, it has always handled smaller but varying volumes. For example, in the year 2001, about 5,000 tons of avocado was packed largely for the national market, while Costa Rica received almost 400 tons with smaller amounts being sent to France and Japan. Avocado cannot be exported to the United States from the Tacámbaro municipality because of phytosanitary restrictions. In 1995, Cupanda exported more than 1,000 tons to Europe in spite of their lack experience and knowledge in of European markets (Pedraza, 1994:175).

The best quality avocado is exported while the rest is sold within Mexico. Apparently, the lower quality avocado is sent to their warehouses at the CEDA-CM. In this market, buyers do not pay for better quality as is demanded in some other markets in Mexico (Guijosa, 2002).

Even today, lack of fulfilling the obligation of product delivery to the cooperative by its members continues to be a problem, in spite of the many efforts the organization has made to promote cooperative spirit and loyalty towards the organization, frequently through the intervention of the Catholic bishopric at Tacámbaro. Since 1994, when the cooperative law was amended and which gave authorization to buy product from non-members for up to half of the processed volume, Cupanda began buying
from third parties. In 2001, Cupanda bought avocado from 50 non-members who provided about a third of the total packed volume, and with whom they established agreements similar to those described in the case of wholesalers-packers.

Based on price information from market, mainly at the CEDA-CM, a weekly price for avocado purchases is established for producer members; this can be higher at the time of delivery to the packinghouse (Huerta, 2002). Although there is no explicit agreement regarding the price packinghouses offer producers, unlike the one in the Uruapan area, producers point out that they are the same in all of them. Cupanda workers are in charge of harvesting the fruit from their members’ orchards as well as from many of the non-members, thus avoiding the problem of hiring workers. When the fruit is delivered, a receipt is issued for the amount delivered. Following the practice in other packinghouses, they are paid weeks later. The national avocado purchasers who buy the product from Cupanda take 20-30 days to remunerate the producers and, therefore, it is impossible for the cooperative to pay its producers immediately. One can conclude then that the producers are the ones who are really supporting the packers, the wholesalers and retailers (Cázares, 1995).

When profits have been made, they are shared among the producer members using the simple formula of 'volume of fruit delivered'. However, the fact that Cupanda has not produced profits every year has presented a financial strain on its producer-members who are being faced with rising prices of fertilizers and insecticides and declining product prices.4

The timely application of fertilizers and insecticides are important for crop yields and successful harvest. However, loans that are needed by the cooperative to finance these inputs have always arrived late. In addition, the requirements demanded by credit institutions are many and too difficult to comply with by a cooperative, because common assets are not considered as collateral when financial institutions demand their usual loan guarantee, not to mention the high interest rates that is charged for the loans. Because of this Cupanda faced its most severe crisis in 1991 and the advance payments to the members for the fruit that had already been delivered was only paid, thanks to a credit obtained by the “11 de Abril” savings-bank of the people of Tacámbaro (Jiménez, 1995).

The Cooperative has a Board of Directors that analyzes and jointly decides on new memberships, considering their moral, solvency, capacity to repay loans, and capacity to invest capital in the cooperative interest (Stanford, 1997:12). Special attention has been paid to keeping a fund chiefly to provide support to members for education, social services and to cover unforeseen expenses or risks like exposure to market volatility.
Cupanda defines itself as an organization that provides services more than as a generator of profit (Huerta, 2002).

VI. CONCLUSION

In summary, the CEDA-CM wholesalers build a relationship network to get the products they market. Theirs is a complex activity and their supply channels may change depending on the product, the season in which it is produced, the region it comes from, the kind of producer they are related to, climate, and the existing demand (Echánove, 2002a). As regards avocado, our research showed that marketing this product is greatly concentrated within the CEDA-CM. 38% of the avocado is supplied by agents being only wholesalers who purchase the product from packinghouses in Michoacán, the owners of which are mainly producers. Almost one-third of the total volume is brought to CEDA-CM by packers-wholesalers and only 6% by the Cupanda Cooperative, the only case of producer-packer-wholesaler.

Not many agents participate in the avocado commodity chain. In the case of wholesalers that are only buyers, there is a middleman between them and the producers. Yet, even this kind of wholesaler exerts a decisive influence on the rural areas: his demands, ruled by the supply needs of their warehouses, among other things determine periods and harvesting methods, as well as the price paid to the producers. What happens within the CEDA-CM defines to a great extent the economic results of the activity of the 10,000 avocado producers and their families in the State of Michoacán.

This case study is an example of what Dannhaeuser (1989:232) called a “vertically integrated” channel, where wholesale trade constitutes the dominant nucleus in urban supply. As mentioned above, this is a characteristic that defines the supply of fresh fruits and vegetables to Mexico City. The hegemonic role that Mexico City terminal market still plays is explained by the following: 1). Both the agricultural production of the country and lack of infrastructure; 2) financing and organization among the fruit and vegetable producers who market their products individually and in a precarious way; 3) as well as by the characteristics of retail sales.

Cook (1991:6-7) indicates that the power of terminal markets in certain countries is related to the poor buying power of integrated wholesale-retailers. In the United States, for example, these latter agents use the terminal market mainly to balance short orders and to procure small volume of exotic or specialty items, including highly perishable products. In comparison, in Mexico, most of the fruits and vegetables are still being distributed through the traditional trade channels. Although the large supermarket chains have increased direct purchases from producers and/or
packers in the different production areas, they still mainly purchase through the CEDA-CM.

The fruit and vegetable market is very unstable as regards price and profit due to the fact of handling a perishable product. In the case of avocado production, the situation is even worse because of the lack of proper organization among producers and packers in certain aspects; supply control being the most crucial. Therefore, high price cycles are combined with those when the cost of the harvest is hardly recovered. This happens within the context and absence of regulation of the producers’, packers’ and traders’ activity, as well as in the absence of a regulatory participation from the Mexican public sector and the lack of support of the latter to the agricultural sector.

Notes

1 1999 research at the CEDA-CM, and CEDA-SNIM, Reports on product arrival, Mexico, 1987.
2 Ejidatarios are the members of the ejido. This is a community-based system of land tenure, composed of common lands and individual plots and a result of the agrarian reform in Mexico.
3 Comuneros are the members of a community, the other unit of communal land tenure, where the land is toiled collectively.
4 Even the largest avocado producers have been affected by the situation caused by the overdue portfolio. Many of them now belong to a movement called El Barzón that joins debtors from different regions in Mexico. For avocado producers refer to Stanford (1999:230-231), and for a general study on this movement to Carton de Grammont (2001).

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