AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

An "Integrated Firm" Strategy In Asian Vegetable Imports

Roger A. Hinson John V. Westra, and Carl Motsenbocker

Production for export of Asian and other vegetables is relatively new for farmers in Central American countries. The first exports occurred about 1990, after market analysis suggested a winter-time production window. The North American market has expanded as the number of residents of Asian heritage has increased, from both immigration and growth of the existing population. These consumers seek to prepare meals using customary cooking methods and products. These needs were identified in the marketplace, and have been supplied by both domestic and imported sources, depending on season.

Honduras is the leading source of imported and other Asian vegetables. Exports totaled about 1,100 containers in the 2000–01 season. Production consisted of about 500 private farmers selling to three companies, with some production also supplied by the packers. These firms face many problems. Coordination is a central issue—bringing together land, labor, management, and capital can be difficult. Typically, individual private companies impose the market discipline. Government programs, sponsored programs, and private companies contribute resources. Farmers need a source of productive inputs (seed, fertilizers, and crop-protection chemicals) and a market channel, and the companies contribute to the availability of these. Irrigation, for consistent quality, is demanded by the exporters. Technicians who understand the new systems and the technology can assist farmers in implementing production practices, enhancing the human capital of small-scale farmers in the process. Packing sheds are owned either by private companies or by cooperatives. The market channel to the U.S. is water transport to Miami, where the product is put into the hands of receivers and/or of wholesalers and retailers in the U.S.

This research documents the approach of the leading Honduran company in the export of Asian vegetables. An integrated approach is used: controlling the production activities in Honduras and the marketing activities in the U.S. as part of the same company. This is not unique, but company management argues that it is a more cost-effective organization compared to buying from independent producers and selling through brokers in destination markets. We report on the approach to coordination of production activities in Honduras and the structure and strategy at the destination (mostly at Miami) as a descriptive case study.

Hinson and Westra are professor and assisitant professor, respectively, Department of Agricultural Economics and Agribusiness and Motsenbocker is professor Department of Plant, Environmental and Soil Sciences, Louisiana State University, Baton Rouge.