

**An evaluation of trade practices and export distribution channels in the United States from the perspective of fresh Persian lime producers in the Cuitlahuac region of Veracruz**

**Área de investigación: Mercadotecnia**

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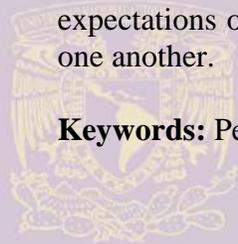
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## Abstract

Despite the U.S.A. being the principal end market for their production, Persian lime exporters in the Cuitlahuac region of central Veracruz have little knowledge as to the workings of distribution channels there. Key to accessing these distribution channels is the adherence to universally acceptable trading practices in the importing country, a crucial component of direct negotiations between buyer and seller. The lack of understanding of such trade practices has led Persian lime exporters in Cuitlahuac to rely on brokers to gain access to the U.S. distribution channels. After reviewing literature concerning standard trading practices of intermediary/wholesale buyers within the U.S. fresh fruit market, this paper aims to assess the willingness of Persian lime exporters in Cuitlahuac to work with such practices. As well as an exploratory comparison between established practices in the U.S. and the posture of exporters of Persian lime in Cuitlahuac, data collected from a series of in-depth interviews with growers, packers, government officials and experts in central Veracruz will also be applied to The Vertical Continuum Model, to compare the expectations of U.S. buyers and Cuitlahuac sellers in terms of vertical integration between one another.

**Keywords:** Persian lime, distribution channels, trade practices, exports.



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## 1. Introduction

Much has been written about trade practices for fresh fruit and vegetables in the United States between national growers, shippers, wholesalers and retailers. Since the advent of the North American Free Trade Agreement, however, Mexico's participation in the U.S. market for such produce has grown dramatically and will potentially change these practices (Huang and Huang, 2007). As the fifth most important producer of Persian lime in Veracruz (COVECA, 2011), Central Veracruz exports approximately 90% of its production to the U.S. Hispanic ethnic minority market (personal interviews, 2012)

As evidence shows us in this paper, growers and packers in the Central Veracruz region have little knowledge as to the workings of distribution channels in the United States; indeed they have little contact with them as most their lime exports are handled indirectly, by brokers or by packers in such exporting regions as Martinez de la Torre.

Trade practices and strategic agreements between buyers and sellers are important components of the direct negotiation process between both parties (Calvin and Cook, 2001). If Central Veracruz producers/packers were to participate more actively in directly exporting their limes to the United States, they would require a convergence with U.S. trade practices and more operational cooperation with buyers.

After giving an overview of distribution channel functions, this paper aims to give a description of universally accepted trading practices in the U.S., consequently evaluating such practices from the point of view of Central Veracruz lime growers/packers. To achieve this, a previously suggested series of trade practices (Martinez and Thornsby, 2006) and the Vertical Coordination Continuum (Peterson and Wysocki, 1997) will be employed. The objective is to show their present-day ability to work with practices in the U. S., through a series of in-depth interviews with growers, packers and experts.

This initial, exploratory understanding of the relative positions of Mexican and U.S. fresh produce buyers and sellers will require further, conclusive research.

## 2. Persian lime industry in Veracruz

Mexico is the fifth citrus producing country in the world. Brazil is the most important, followed by the U.S.A., China and Spain (Sánchez Torres, 2011). Many of these citrus exporters send great varieties of fruits like orange, lime, lemon, and grapefruit to importing countries.

As can be observed in Graph 1, Turkey has had a constant increase in lemon and lime exports. Mexico exports Persian lime and Mexican lime, with declining exports during 2008, represented by a volume of 450 million tonnes yearly during the last four years.

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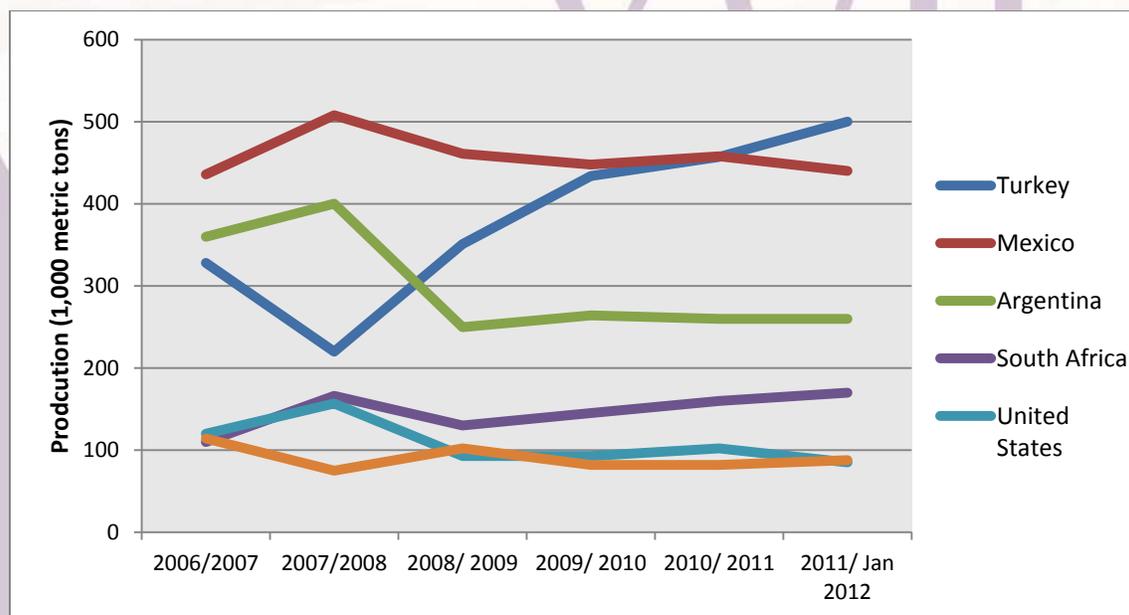
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Graph 1: Leading exporters of lemons and limes ('000 tonnes)



Source: USDA, 2012

Persian lime in Mexico is produced in the states of Veracruz, Tabasco, Oaxaca, Yucatan, Jalisco, Puebla and Colima; the largest volumes coming from Veracruz, Oaxaca and Tabasco (Table 1).

Table 1. Persian lime industry in Mexico.

Location	Planted area (ha)	Harvested area (ha)	Production (tonnes)	Productivity (tonnes/ha)	Unit price (pesos/tonnes)	Value of production ('000 pesos)
Veracruz	36,166.36	35,991.36	437,460.80	12.16	2,735.91	1,196,855.40
Oaxaca	6,946.60	6,082.60	90,029.62	14.8	3,716.94	334,634.92
Tabasco	7,137.57	6,900.57	80,527.00	11.67	1,495.98	120,466.70
Yucatán	2,843.28	2,106.80	44,544.56	21.14	2,545.51	113,388.41
Puebla	2,434.00	2,434.00	35,001.20	14.38	2,329.31	81,528.80
Jalisco	2,971.10	1,533.60	23,320.65	15.21	4,094.88	95,495.37
Colima	906.88	906.88	18,546.20	20.45	3,756.05	69,660.39
Nayarit	1,469.67	1,415.45	13,197.19	9.32	2,338.12	30,856.61

Source: SIAP, 2010

The principal producing municipalities of Veracruz are: Martinez de la Torre, Atzalan, Tlapacoyan and Cuitlahuac (Table 2). Cuitlahuac, the subject of this paper, is a minor exporter in terms of total volume (although most of its production is destined for the United

States). Cuitlahuac's production is higher than that of the state of Nayarit, and approaches that of Colima.

Table 2. Persian lime industry in Veracruz.

Municipality	Planted area (ha)	Harvested area (ha)	Production (tonnes)	Productivity (tonnes/ha)	Unit price (pesos/tonnes)	Value of production ('000 pesos)
Martínez de la Torre	17,624.06	17,624.06	215,292.00	12.22	2,505.67	539,451.78
Atzacalan	4,558.00	4,558.00	57,361.00	12.58	2,478.00	142,140.56
Tlapacoyan	3,238.70	3,238.70	40,883.60	12.62	2,731.45	111,671.55
Cuitlahuac	1,139.00	1,139.00	16,821.43	14.77	3,950.00	66,444.65

Source: SIAP, 2010

As well as the U.S., others nations such as Canada, Europe and Japan receive exported limes from Mexico (Table 3). Exports from Cuitlahuac are relatively constant, with packers sending a weekly average of 5 to 10 containers each (personal interviews, 2012). Mexico has several competitive advantages over other lime exporting countries, for example its proximity to the U.S. market, and low logistical costs. The U.S. is the principal consumer of citrus fruits in the world. Additionally, Mexico has benefitted from economic integration with North America, through the North America Free Trade Agreement (Huang and Huang, 2007).

Table 3: Mexican Persian lime exports (1999 - 2012)

Importing country	Quantity (Kg)	Commercial value (USD)
United States of America (USA)	28,431,595.86	\$ 14,522,112.71
Canada	259,085.00	\$ 132,536.00
Netherlands (Holland)	168,969.00	\$ 266,906.34
Japan	160,193.68	\$ 339,560.14
France	123,751.60	\$ 219,041.85
United Kingdom (UK) and Northern Ireland	120,312.00	\$ 141,840.00
Denmark	85,455.00	\$ 116,390.15
Spain	34,992.00	\$ 47,952.00
Belgium	30,720.00	\$ 59,420.00
Italy	19,440.00	\$ 31,752.00
United Arab Emirates	530.00	\$ 2,268.00

Source: SIAP, 2012

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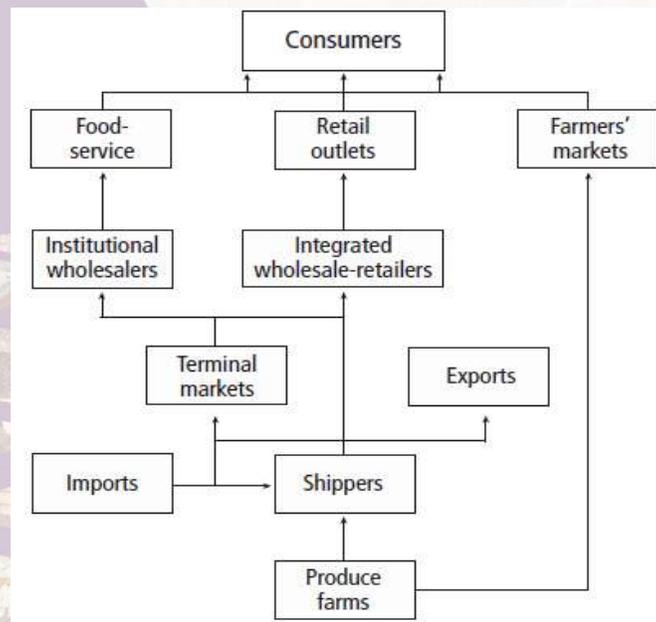
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### 3. Distribution channels

The distribution channel is the route taken by goods as they move from producer to consumer (National Institute of Open Schooling). It consists of a system of intermediaries and facilitators, all with a key function in helping to source and direct produce to its end-market. The potential exporter is confronted with an array of different distribution channels, depending on who the final buyer will be; potential buyers within the distribution channel could be: conventional retailers, mass merchandisers, wholesalers, distributors, re-packers, and foodservice buyers (Calvin and Cook, 2001). Any change of hands between two parties (for example, between producer and intermediary) requires a negotiation, hopefully resulting in a transaction acceptable to both parties. The strategic goal would be a channel partnership, or “an ongoing relationship between a retailer and an independent supplier in which the parties agree on objectives, policies, and procedures for ordering and physical distribution of the supplier’s products” (Buzzell and Ortmeyer, 1995).

There are a number of visual descriptions of distribution channels in the United States. McLaughlin, Green and Park (1999) show the relative importance of different channels and the use of brokers within channels. Dimitri, Tegene and Kaufman (2003) take into account exports and imports, different varieties of wholesaler and the relative importance of the consumer and foodservice end markets. Figure 1 shows a simplified version of distribution channels for fresh produce in the U.S., showing intermediaries within different channels, offered by Roberta Cook (2001).

Figure 1: U.S. fresh fruit and vegetable value chain



Source: Cook, 2001

The nature of distribution channels and actors differs widely from country to country. Participating in foreign distribution channels can prove a complex and daunting experience for exporters. For the purposes of this paper, the main focus will be on channels in the U.S. as an import market.

The nature of distribution channels in the U.S. is changing dramatically. Aspects such as new store formats, the importance of mass merchandising, the reduction of intermediaries and a more direct access between producers and end consumers, developing procurement practices and adding value through repacking and branding, have all altered the roles and balance of power between actors within channels (Cook, 2001).

In terms of the exporting distribution channels from Cuitlahuac, the first transaction is between producers and packers. Generally speaking, producers deliver their harvests on-time and at a constant quality level for their clients (packers). Producers have largely been working with packers on a long-term basis; trust and loyalty dictate favorable terms for them in negotiations. At the same time, packers guarantee fair prices and the purchase of limes at times of over-supply.

Packers are in charge of: sorting limes according to fruit size and quality, the removal of unwanted material such as leaves and shoots, washing and waxing, packing, palletizing and loading. Limes are normally sent to ports of exit bordering with the U.S. through 'brokers', or directly to the European Union. Brokers (in this case a term given to intermediaries between packers and their own clients in the U.S., at times responsible for exporting merchandise over the border with the U.S.) are considered to be a separate marketing channel when shippers are unaware of the final destination of the product (Calvin L. and Cook R. 2001). Very few growers/packers work directly with importers in the U.S., despite the fact that they would benefit from more formality, written contracts and controlled prices.

Substandard limes are either sold to juicers or to domestic supermarkets. Brokers in the U.S. sell limes to wholesalers, terminal markets, distributors and repackers. These intermediaries serve retailers and foodservice buyers.

#### 4. Vertical coordination continuum

According the Adam Smith's Invisible Hand, economic actors act in their own self-interest and pursue short term relationships which are opportunistic with limited information sharing, always preserving actors' independence. Alternatively, 'Managed' coordination is based on mutual interests of actors, pursuing long-term relationships, benefit sharing, free flow of information, stability, and interdependence (Wysocki, Peterson and Harsh, 2006).

King (1992) said that vertical coordination can be defined as the "alignment of direction and control across segments of a production/marketing system". Barkema (1994) applied the concept to agri-food markets. Peterson and Wysocki (1997) developed the concept of The Vertical Coordination Continuum as a model showing this continual process and the way the tendency towards integration is affected by 'Invisible-Hand' and 'Managed'

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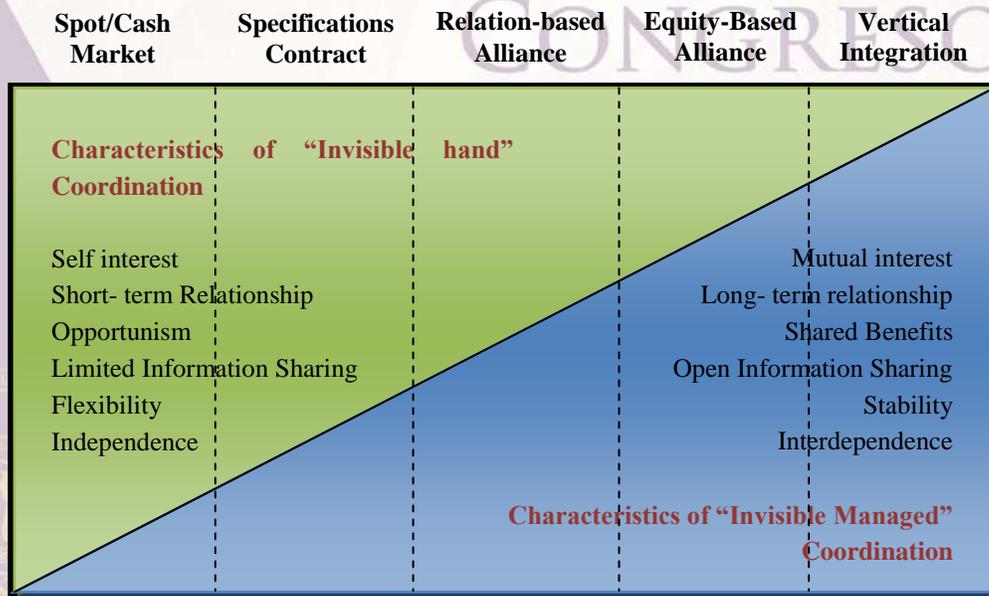
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coordination characteristics. It then breaks up process into five Strategic Options (Wysocki, Peterson and Harsh, 2006), showing that the process of integration can be identified through strategic choice.

Figure 2 shows the strategic stages for vertical coordination to achieve complete vertical integration between economic actors. ‘Invisible-Hand’ characteristics dominate early stages of coordination, and ‘Managed’ coordination characteristics come into place later on.

Figure 2. Strategic options for vertical coordination.



Source: (Wysocki, Peterson and Harsh 2006)

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The variable that creates the continuum is the intensity of coordination and control. Strategies towards the left side of the continuum have low intensities while the strategies towards the right side have high intensities.

In Spot Markets (the earliest of the five Strategic Options) the only control is to engage in price bargaining and make a decision to enter into the transaction. In Specification Contracts (stage 2), parties enter into a transaction exercising coordination and control through the negotiation of contract specifications; they also can also renew or renegotiate the contract, or seek third party enforcement if one of the parties fails to comply. A Relation-Based Alliance (stage 3) is an exchange relationship, involved firms sharing risks and benefits resulting from mutually identified objectives. The fourth strategy is the Equity-Based Alliance, designed to include joint ventures, partial ownership relationships, clans, and other organizational forms requiring shared equity capital between the actors; control becomes decentralized among the ownership parties while maintaining separate business identities. Finally the Vertical integration stage requires a centralized decision making structure that tightly controls the operations of its diverse business units, and results from merger between the two parties, acquisition of one party by the other, or one party internally committing resources to replace the market function of the other.

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## 5. Trading practices in the U.S.

Another approach that helps us measure the compatibility between seller and buyer comes from a survey conducted by the Michigan State University showing a series of 9 trade practices: verbal agreements, packaging standards, traceability systems, third-party certification, contracts, strategic alliances, inventory management, private standards, and modified credit term. (Martinez L. and Thornsby, 2006).

Much of the negotiation process with foreign buyers consists of discussing trading practices. The flexibility of exporters to adapt to importer's trade practices will provide them with more favorable access to foreign markets. Also, there is an increasing tendency for exporters to get more involved with importers' activities, and vice versa, resulting in vertical integration between buyers and sellers. The willingness of exporters to do this will give them a competitive advantage over those exporters who simply want to partake in a buy-sell agreement.

Our focus will be on trading practices by wholesalers, namely: wholesale merchants, distributors, jobbers, shippers, import/export merchants, agents, brokers, commission merchants in the U.S. (U.S. Census, 2004). Supermarkets and mass merchandisers are gaining in importance as direct buyers (Calvin and Cook, 2001), and are creating their own trading practices (changing store formats, fees and services, the new role of shippers, volume requirements, among others). This paper, however, will address intermediaries rather than retailers, as the production volume of individual lime growers/packers in Cuitlahuac is low and their capacity to meet the needs of large retail chains in the U.S. is still unrealistic. There is a tendency for growers to be part of grower cooperatives to create larger volumes, though this is still at an infant stage. Moreover, despite the ailing importance of wholesalers, they are still the primary purchasing option in the U.S. (Hinson *et al.*, 2006).

The changing environment for fresh produce distribution is making way for new areas of commercial relationship between providers and wholesalers. Intermediaries in the U.S. are assisting suppliers more as well as providing increased services to customers. Traditional trading practices related to short term transactions and verbal agreements are making way for longer-term arrangements (Martinez and Thornsby, 2006).

Due to an increasing need for buyers to work with reliable suppliers, as well as the desire for providers to secure lasting relationships with buyers, the nature of agreements is changing to make provisions for fixed prices over a longer period of time. The need to determine prices requires the use of the written contract, as a verbal agreement only really works for one-off deals.

Buyers are getting more stringent when it comes to how suppliers pack limes. Intermediaries in turn are faced with new requirements from their own buyers, therefore must adhere to packaging as well as packing standards. Suppliers to wholesalers must be prepared to pack limes in a more desirable format, with a view to what consumers demand from retailers.

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Third party certification is also becoming more common as a means of ensuring the standardized quality of merchandise. Globally accepted quality assurance defined by GLOBALG.A.P., allows sellers to guarantee a more uniform product for their clients, assures that the agricultural methods used are environmentally safe, and certifies that the use of chemicals is kept to a minimum. Conformed by six types of standards that range from Integrated Farm Assurance programs and Plant Propagation Material standards, GLOBALG.A.P. also helps producers in implementing the necessary measures to make sure that compound materials used to grow fruits and vegetables are safe for human health, as well as ensuring that risks of plagues are minimized. This type of certification has already been achieved by citric packing companies residing in Cuitlahuac, such as “Empacadora de cítricos Dos Caminos”; many others that lack this step.

Strategic alliances between buyers and sellers are increasing vertical integration within channels. The term is given to any agreement between two or more individuals or entities stating that the involved parties will act in a certain way in order to achieve a common goal. Again, the objective is to secure more lasting relationships in order to increase efficiency and productivity. Alliances range from long-term contracts to mergers between vertical actors. These long-term relationships also improve coordination amongst channel members to better attend to the needs of the final consumer. Matters such as tracking produce become easier, for example.

Inventory management for clients is becoming more common in the case of working with mass merchandisers or supermarkets, though is still not demanded by wholesalers. Intermediaries at times require suppliers to monitor the consumption of the wholesaler’s clients, and to replenish stock through a system of Just-In-Time to save on inventory costs. This particular trading practice becomes more complicated for foreign suppliers. The common use of brokers also acts as a barrier to properly communicate inventory requirements to suppliers.

Additionally to government requirements and third party certification, importers ask for certain quality criteria based on their own clients’ expectations. Fruit size, color, juice content and visual attractiveness are among those aspects consumers look for, whether or not the limes are complying with legal or official standards. This aspect varies in importance from country to country, and is key in states with have little government quality standards for fruits, for example the European Union, however it is an important consideration in the U.S., as the market consists of several ethnic market segments with very different expectations as consumers.

Foreign buyers tend to demand more liberal credit terms than domestic clients, and relatively limited cash flow for lime producers in Cuitlahuac puts them at a disadvantage against other, larger producers such as those in Martínez de la Torre. This is a major setback for local growers, and requires more collaboration between growers to increase their leverage.

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## 6. Methodology

A series of 6 in-depth exploratory interviews were conducted with: lime growers, cooperatives, packers, importers/exporters and government officials from the Cuitlahuac region. The objective was to contact market players and industrial experts alike. The sample of interviewees was selected using the judgmental, non-probabilistic technique. Interviews were informal and did not have a set length, allowing respondents to freely state their opinions and experiences at leisure. Interviewed companies were selected from the Directorio de Empacadoras de Cítricos del Consejo Estatal Citrícola A.C., and other official company lists.

The question guides were designed with two types of respondent in mind: those participating directly in the industry, and experts in matters of health standards. Industry participants were asked a series of 41 questions and experts 30. Interviews were recorded and data was summarized during posterior group work sessions. Results were then analyzed qualitatively.

Secondary research was also conducted to better understand the industrial background surrounding lime production in Cuitlahuac, as well as certain technical issues concerning quality and health standards and certifications. Secondary data collection was collected from: journals, specialized magazines, articles, official web pages, and data bases. Specific data looked for included: fresh citrus/lime production, international trade, domestic/international market data, exporting/importing distribution channels, and trading practices.

The interview results were applied to two models to help us understand the synergy of trade practices between Cuitlahuac Veracruz growers/packers and U.S. buyers: the Vertical Coordination Continuum and the series of 9 trade practices.

## 7. Findings

To help understand the relative position of Persian lime growers in Cuitlahuac, conducted depth interviews with industrial actors gave the following impressions of accepted trade practices:

### Verbal agreements and written contracts

Agreeing to transactions between exporters and buyers, and negotiating the terms of the trading operation, result in verbal agreements generally. This is partly due to standard practice by brokers, and partly to tradition. Most transactions are enacted based on good faith, due to the fact that buyers generally back up their word. It was mentioned that one disadvantage of this is that the seller has little power in the case of non-compliance from the buyer.

Ongoing long-term relations between specific buyers and sellers are also the norm, making written contracts unnecessary. Hence written contracts are only really necessary for new clients; these initially are only for limited volumes, and payment from clients is less secure.

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Another given reason why sellers tend not to use contracts is the perception that pricing is invariably established by brokers, defined by market prices and exchange rates. Exporters are willing to start using written contracts, as long as prices are previously agreed.

### Packaging standards

As things stand, limes are traded in bulk at the wholesale level, with little regard for packing requirements from retailers. The product is normally sent to the U.S. in boxes of 40lbs, and is organized according the size of the fruit. The sizes vary in terms standards for the U.S. market. Commonly the sizes are 110, 150, 175, 200, 230 and 250. The boxes are stacked between 40 and 60 high on individual pallets.

Certain U.S. clients ask for limes packed in boxes of 10 lbs, with two levels of fruit, with no imperfections, individual labeling and uniform color. This packing requirement is for U.S. importers who re-export to Europe.

As experience has shown, exporters are willing to change the packing format of limes, however growers would be tentative towards packaging limes according to retailing format requirements.

### Traceability systems

Traceability systems defined by individual buyers are not in practice as of yet. Although the European Union is more demanding in terms of traceability of produce as a vehicle for protecting consumers, the U.S. market is applying laws of its own (administered by the F.D.A.<sup>1</sup>) to ensure the safe production, packing and distribution of merchandise. A Mexican food safety law has been passed, inviting growers to comply with similar norms (implemented by SAGARPA<sup>2</sup>, through SENASICA<sup>3</sup> with CESVVER<sup>4</sup>), ensuring a more trouble-free access to the U.S. market. Aspects of these norms are: traceability, productive infrastructure, hygiene, Good Agricultural Practice (G.A.P.), packing, transport, amongst others.

### Third-party certification

Exporters working through brokers are still not certifying the quality of their production as a requirement from U.S. buyers, though they are aware of the need to officially prove fitosanitary and quality levels though G.A.P. or GLOBALG.A.P. (also a requirement of several European importers) certification.

It must be stressed that these norms are established in the marketplace, as acceptable standards for consumers, rather than being a legal requirement. Growers/packers are willing to certify production further, however are concerned with economic and time implications.

<sup>1</sup> Food and Drug Administration

<sup>2</sup> Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación

<sup>3</sup> Servicio Nacional de Sanidad, Inocuidad y Calidad Agroalimentaria

<sup>4</sup> Comité Estatal de Sanidad Vegetal de Veracruz

## Strategic alliances

Due to the fact that there was considerable misunderstanding as to the meaning of a strategic alliance, interviewers explained that the term is given to any agreement between two or more individuals or entities stating that the involved parties will act in a certain way in order to achieve a common goal, also that strategic agreements make sense when involved parties have complementary strengths (taken from InvestorWords.com).

Working with brokers is a purely transactional activity, with no eye for further integration. Suppliers do have a tentative tendency to create informal strategic alliances among themselves, in the form of grower/packer cooperatives, as this is considered to be beneficial to all participants. This way, suppliers can better react to orders of large volumes of limes, requiring a production level beyond individual producers' capacities.

To counter the need for such agreements between Mexican and U.S. companies in this field, exporters are establishing their own importing companies in the export market to better control costs and marketing effort. They do, however, mention that alliances with U.S. buyers would be beneficial if they were a result of exclusivity.

## Inventory management

Inventory agreements between buyers and sellers was another area of misunderstanding. Respondents only mentioned their own inventory systems rather than speculate on how to participate with those of foreign buyers. The most mentioned point is the refrigerated storage chamber, allowing fruit to be stored for up to 36 hours, as a maximum requirement from most foreign buyers.

Much of this lack of interest in establishing such inventory systems for buyers is that limes have a very limited shelf life, so when there is no refrigerated storage the producers have just a few hours to export the lime. Also the frequent use of brokers does not give suppliers the necessary direct communication with buyers to explore the possibility of implementing inventory systems according to buyer requirements.

## Private standards

Individual buyers also demand standards outside those of government requirements or third party certification. How demanding individual buyers are depends on the level of yearly production of limes (standards tend to be more stringent for limes from high-volume production).

Private standards are normally based on the quality of the lime: its color, its texture and its juice content. U.S. buyers are often more interested in the appearance of limes, rather than their juice content. This is a cultural aspect of buyers, heading towards the European model of using limes more for decoration than for consumption.

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Private quality standards of U.S. buyers are generally low compared with other export markets, generally figuring third after Japan and the European Union. Brokers invariably communicate private standards of their particular clients. Suppliers, however, do not consider this to be a hurdle for an improved direct relationship with U.S. buyers.

### Modified credit term

Suppliers stress that adverse economic conditions prevent them from offering greater credit periods, though they are aware that buyers' demands prevail if the market requires it. Generally, a credit term of 3-4 weeks is acceptable between buyer and seller, requiring payment before shipment. Single payments are made in cash, and few are deferred or broken.

Producers also raised concerns about having problems with international forms of payment. During the interviews many of these producers said most of the time payment uncertainty is high. This is due not only to the volatility of prices that commodities such as Persian lime are subject to, but also to the fact that they do not have formal contracts with brokers or wholesalers. The main problem lies when the product arrives at the border and brokers revise quality, hence declare an appropriate amount to be paid according to the market price at the time of arrival.

## **8. Conclusions**

It is a general perception of Persian lime producers is that trading practices from U.S. importers are more similar to those in Mexico than expected, due to similar consumer requirements there; U.S. distribution tends to direct Persian limes towards the Hispanic market. Other ethnic groups have different preferences, though they do not present an urgency to change attitudes towards vertical coordination.

Another recurring issue is the commonplace use of brokers as a way of avoiding direct marketing effort in the U.S., allowing growers/packers to maintain more traditional negotiated conditions. This assisted access to potential buyers represents an opportunity cost, causing a growing incentive to change practices.

Global quality norms are becoming commonplace as an importer requirement; exporters need to be prepared to adhere to such standards. During the interviews it was mentioned that cash flow problems prevent growers/packers from complying with the process of certification.

Government legislation on both sides of the border is placing greater importance on the subject of traceability. Certain growers/packers are aware of such developments but are playing the waiting game rather than preparing themselves for compliance.

Packers/growers seem on the whole to be more comfortable working with informal agreements. There is a desire, however, to work with written contracts. This will require a change in traditional commercial practice. On a related note, long term written agreements

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with direct importers require credit terms which are more flexible than those currently used with brokers.

Packing and inventory practice has not developed recently because there is no immediate need from U.S. buyers. This needs to be addressed as more consumer participation will require now labeling and packing norms not required for bulk merchandise.

In general, vertical coordination exists only at a minimal level (at the Spot-Cash Market level). Growers/packers in Cuitlahuac look for personal benefit at the cost of others, show little openness to information sharing, and prefer to retain independence from other actors in distribution channels. In terms of flexibility and longevity of informal agreements, actors show a tendency to operate within the Specifications Contract phase.



Octubre 3, 4 y 5 de 2012  
Ciudad Universitaria  
México, D.F.

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