



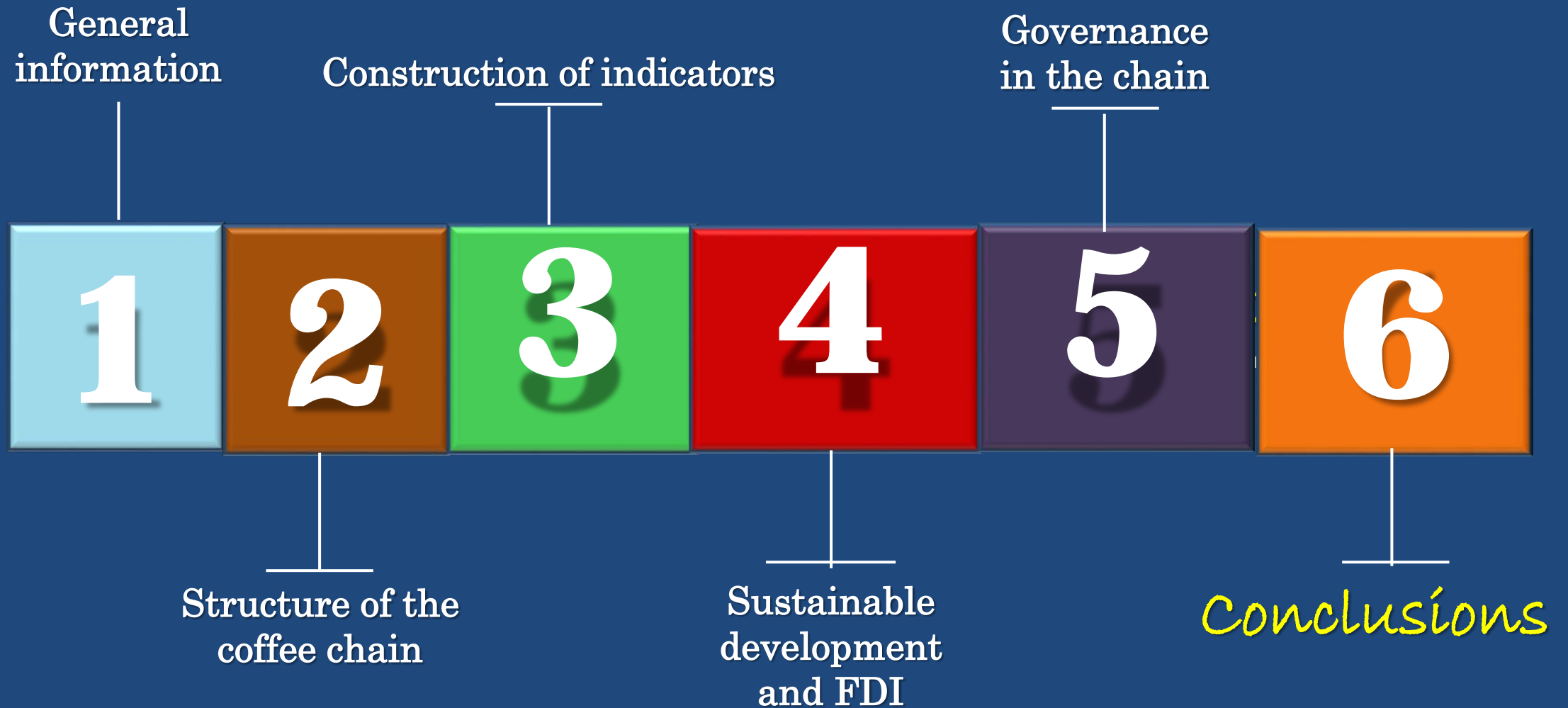
University of El Salvador



The coffee chain in El Salvador: An approach to the influence on the sustainable development of the Western Region.

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Secuence of exposition



Geographical Location ...



Geographic area

El Salvador



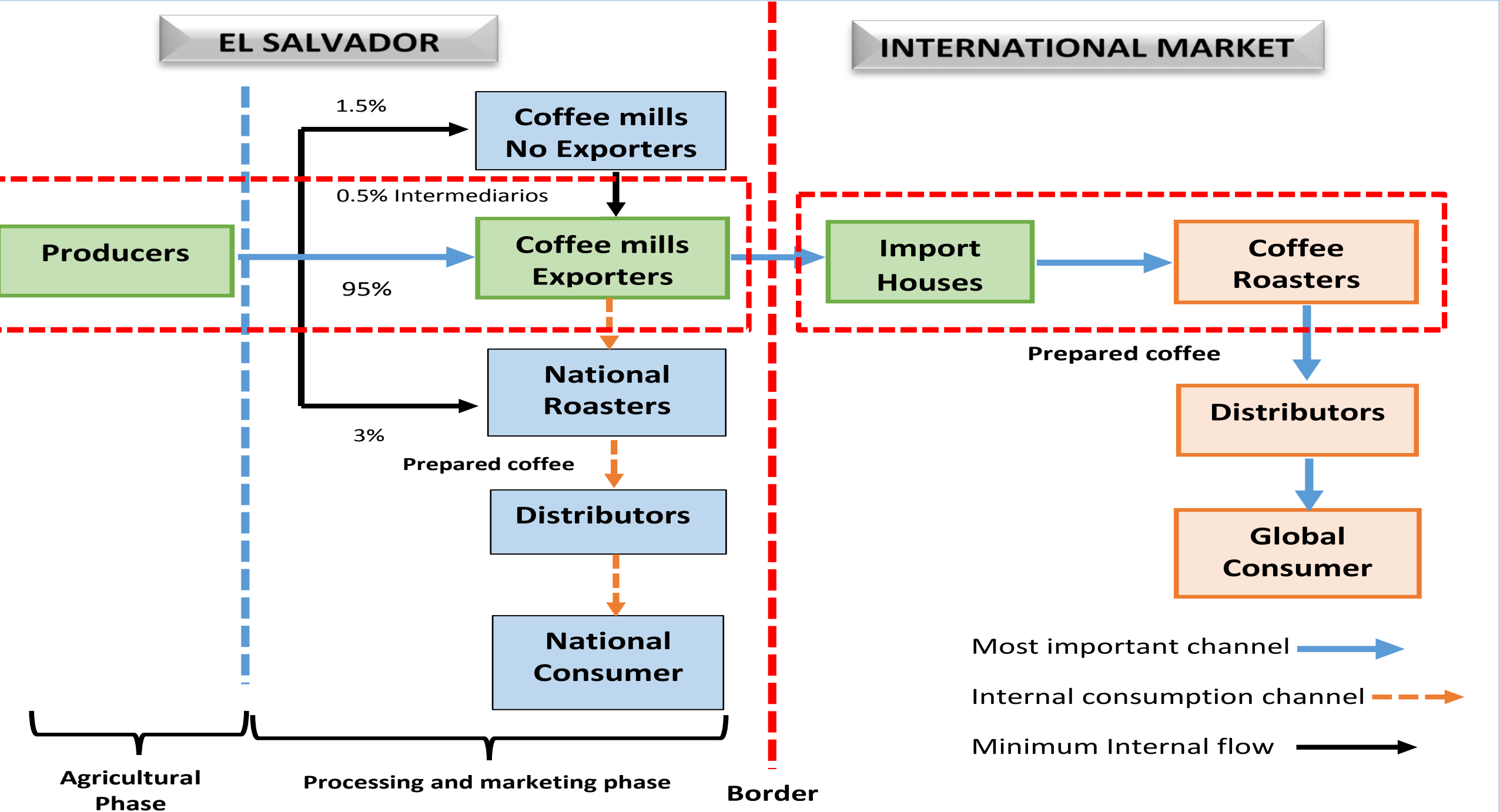
Western Region

El Salvador: Coffee Chain Structure

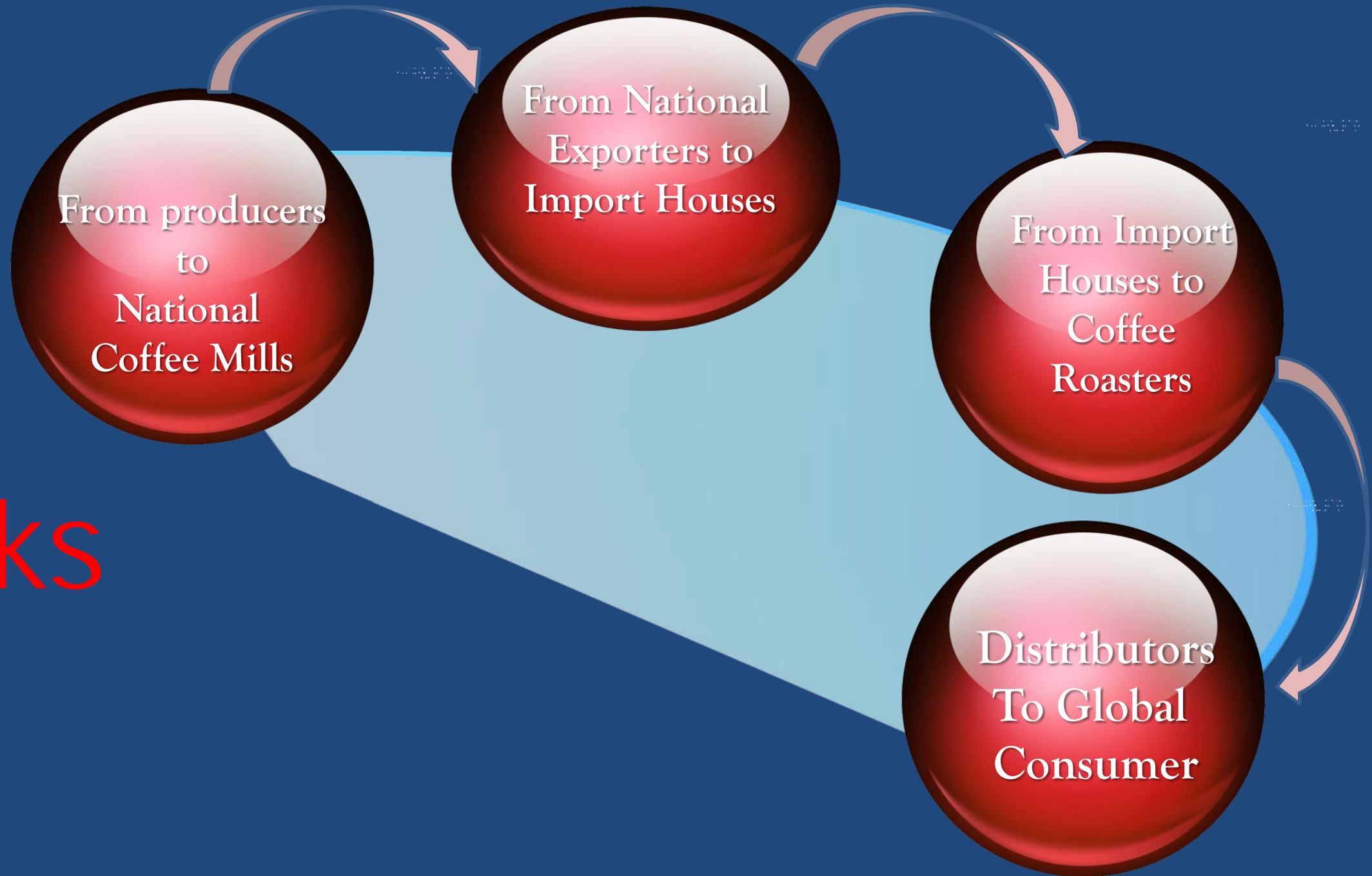
Global Commodity Chain

EL SALVADOR

INTERNATIONAL MARKET



Links



Insertion of TNC's to the Chain

Top Buyers coffee exercise 2012/2013

Buyer	Quintal	Percentage
ECOM, AGROINDUSTRIAL CORP. LTD.	233,749.14	15.3
BERNHARD ROTHFOS INTERCAFE AG.	162,213.01	10.6
COFEX INTERNATIONAL	125,685.00	8.2
TALOCA GMBH (LLC)	113,760.00	7.4
PANAMERICAN COFFEE TRADING CO. S.A.	81,987.00	5.4
ITOCHU CORPORATION	58,082.05	3.8
OTHERS	754,727.8	49.3
TOTAL	1,530,204	100.0

Source: Counsil Salvadorean of the Coffee

**Commercial
Alliances
With national
Producers**

**Financing
To Producers**

**Technical
Assistance
To Certify**

**Other
Strategic
Alliances to
Expand market**

***Main Chain Insertion
Strategies***

Presence of Transnational Corporations and Sustainable Development

¿Does the presence of CTN influence the Development of the Area?

Methodology For index construction



Three dimensions: Economic, social and environmental

Analysis Unit: 41 municipalities

Relativization function: Values between zero and one.

Adapted from methodology implemented by the Inter-American Institute for Cooperation on Agriculture (IICA) (Sepúlveda, 2008, págs. 28-42)

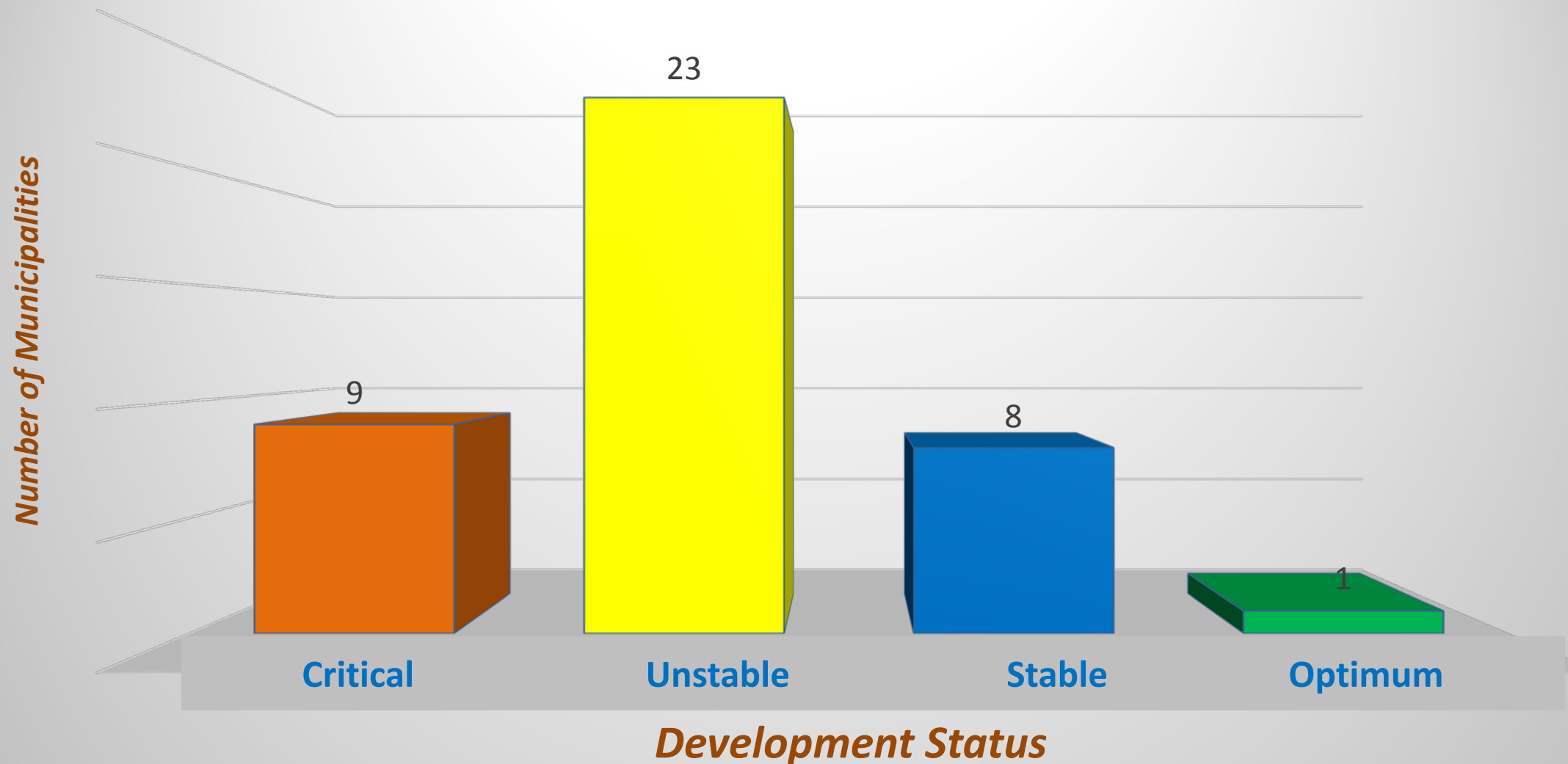
DIMENSION	VARIABLES	INDICATOR*	RELATIONSHIP WITH DEVELOPMENT
ECONOMIC	E1: UNEMPLOYMENT	% Of the economically active population that is unemployed	Negative
	E2: EMPLOYMENT PRIMARY SECTOR	% Of the economically active population that is occupied in the primary sector of the economy	Positive
	E3: RECEIVES REMITTANCES	% Of the population of 10 years and more receiving financial aid from abroad	Positive
SOCIAL	S1: ILLITERACY	% Of the population aged 10 and over who can not read or write	Negative
	S2: ACCESS TO DRINKING WATER	% Of households with access to potable water by pipes inside or outside the home	Positive
	S3:ACCESS TO ELECTRICITY	% Of households with access to electricity	Positive
	S4: NO HEALTH SERVICE	%Of households that do not have a sanitary service in their home	Negative
ENVIRONMENTAL	A1: DAILY CLEAN WATER SERVICE	% f households receiving clean drinking water for more than 4 hours daily	Positive
	A2: THROWN OF SERVED WATERS TO STREET OR OUTDOORS	% Of households that throw wastewater to the street or outdoors	Negative
	A3: BURY OR BURN OF THE GARBAGE	% Of homes that burn or bury garbage	Negative
	A4: THROWN THE GARBAGE TO THE STREET, RAVINE OR WASTE LANDS	% Of households throwing garbage to the street, ravine or wasteland	Negative
	A5: USE OF FIREWOOD TO COOK	% Of households using firewood for cooking	Negative
	A6: FOREST SURFACE WITH NATURAL FOREST MANAGEMENT	% Of the forest area that has natural forest management and not as a plantation	Positive

* Source: Census of population and housing, 2007; and agricultural census 2008/2009.

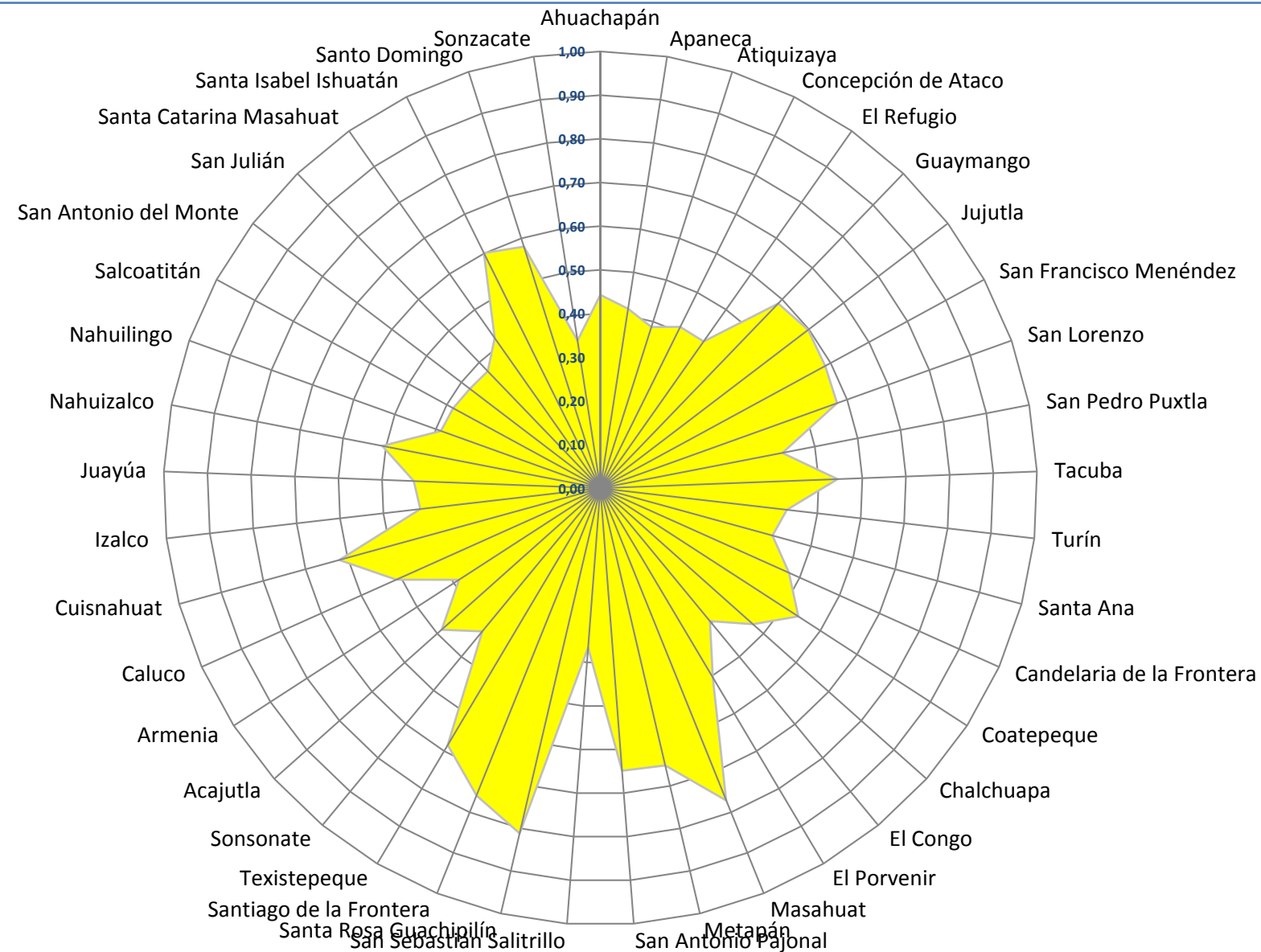
Development Classification according to value of IISD

Index Value	Development Classification
Less than 0.20	Collapse
From 0.20 to less than 0.40	Critical
From 0.40 to less than 0.60	Unstable
From 0.60 to less than 0.80	Stable
From 0.80 to 1.00	Optimum

Results Obtained: Number of Municipalities



Results Achieved: Biogram

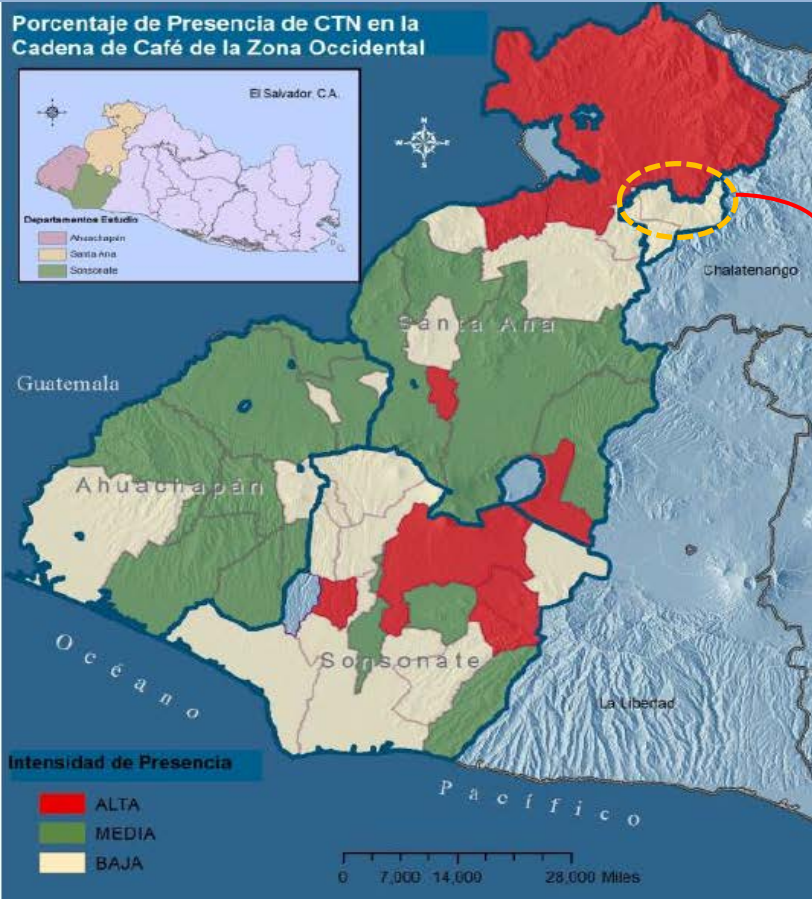
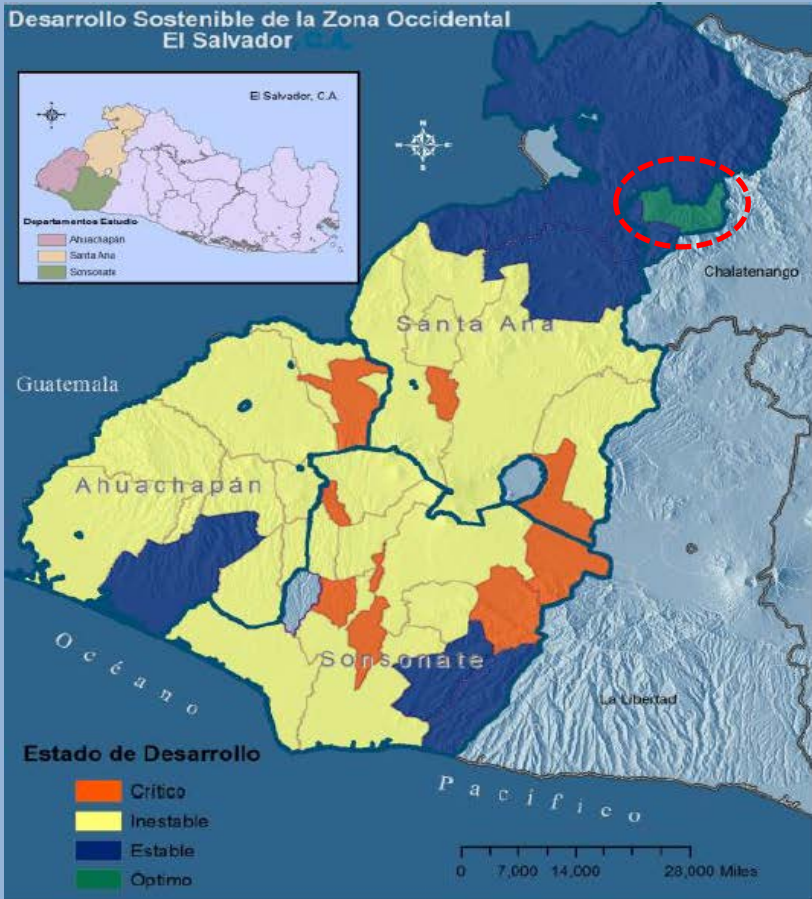


Now, the following is to relate these indicators to the presence of Transnational Corporations in the area of study

Transnational Corporation: **Prevailing Strategy**



Marking of the municipalities of the Western Zone of El Salvador, according to sustainable development and percentage of presence of TNC



There is no CTN presence. There are 3 farms (13.5 cultivated blocks)

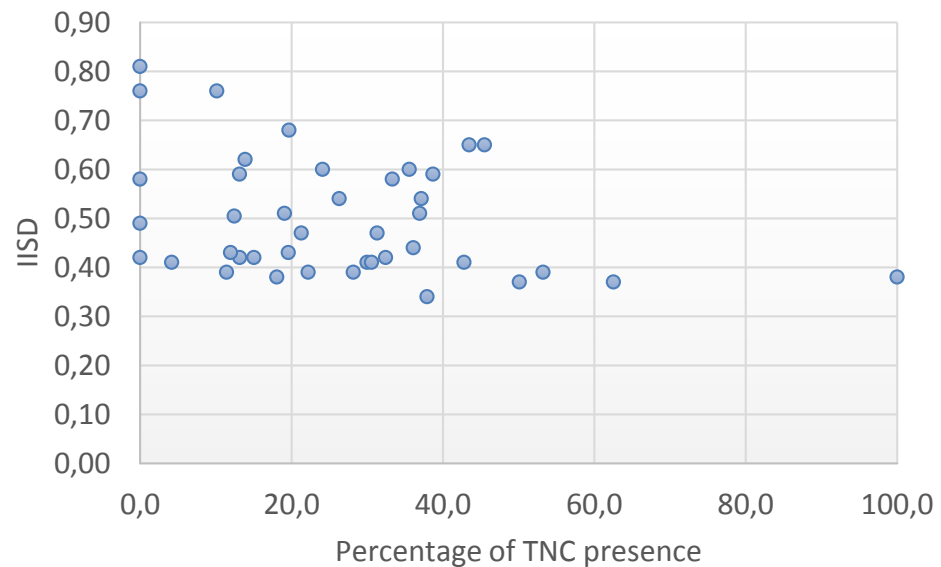
Low: Less than 20%

Medium: from 20% to

High: More than 40%

Estimation: Relationship between the presence of CTN and IISD

Dispersion Diagram: IISD and Percentage of TNC Presence



Dependent Variable: IISD

Method: Least Squares

Sample: 1 41

Included observations: 41

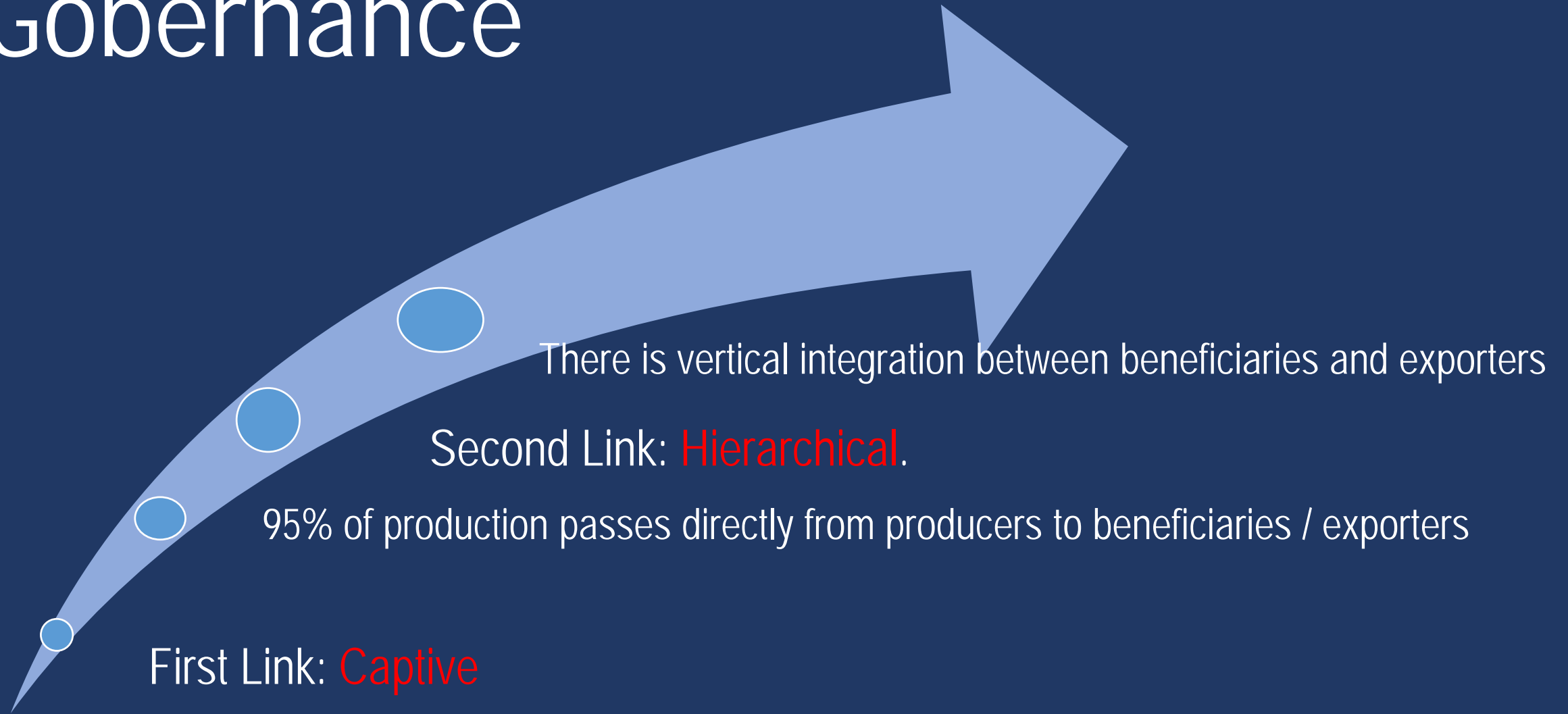
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.553279	0.030474	18.15589	0.0000
PrCTN	-0.001997	0.000930	-2.148236	0.0380
R-squared	0.105811	Mean dependent var		0.500602
Adjusted R-squared	0.082883	S.D. dependent var		0.120976
S.E. of regression	0.115854	Akaike info criterion		-1.425419
Sum squared resid	0.523465	Schwarz criterion		-1.341831
Log likelihood	31.22110	F-statistic		4.614916
Durbin-Watson stat	1.275443	Prob(F-statistic)		0.037964

Source: Own elaboration using the econometric program reviews 5

Governance

Microeconomic Analysis

Governance



CONCLUSIONS



Conclusions

The structure of the coffee chain in El Salvador is mainly made up of small producers, with "Captive" type governance being identified in the first link.



Conclusions

Larger companies dedicated to the milling of coffee also act as exporters, identifying themselves besides as hierarchical governance in the second link of the chain, given this vertical integration.



Conclusions

The main transnational corporations (TNCs) identified in the chain are: ***Neumann Kaffee Gruppe, Ecom Coffee Group, Itochu Corporation y Cofex International.***

The different strategies used by these TNCs to link with local producers are: commercial alliances with national producers / exporters; financing to producers; technical assistance to certify and strategic alliances to expand market share.



Conclusions

On average, *unstable sustainable development is identified* in the study area, and an insinuation of negative influence of the presence of TNC; Without being able to conclude with a high level of certainty or security.



Conclusions

In general, it is desirable to strengthen the country's institutional framework so that clear rules can be established to attract FDI without harming national players, so that they can scale up the value chain and can incorporate dynamic advantages , and not just static ones based on low costs.

Thanks for your attention

